



Top 20 oil producers - Latest Developments in 2007

- Saudi Arabia** - Crude oil production remained unchanged at 8.6 million b/d since February through June
- Russia** - Liquids production declined by 80,000 b/d from 9.93 million b/d in March to 9.85 million b/d in May
- United States** - Liquids production increased by 90,000 b/d from 7.40 million b/d in January to 7.45 million b/d in March to 7.49 million b/d in May
- Iran** - Crude oil production kept stable near a level of 3.8 million b/d since January through June
- China** - Liquids production kept stable near a level of 3.72 million b/d since February through May
- Mexico** - Liquids production remained unchanged at 3.55 million b/d since January through June
- Canada** - Liquids production declined by 330,000 b/d from 3.47 million b/d in February to 3.35 million b/d in April to 3.14 million b/d in May
- Norway** - Liquids production kept stable near a level of 2.75 million b/d from January to April and declined by 120,000 b/d in May
- UAE** - Crude oil Production kept stable near a level of 2.57 million b/d since January through June
- Kuwait** - Crude oil production kept stable near a level of 2.42 million b/d since February through June
- Venezuela** - Crude oil production kept stable near a level of 2.40 million b/d since February through June
- Brazil** - Liquids production kept stable near a level of 2.14 million b/d from January to April and increased by 70,000 b/d in May
- Nigeria** - Crude oil production declined by 260,000 b/d from 2.27 million b/d in January to 2.10 million b/d in March to 2.01 million b/d in June
- Iraq** - Crude oil production increased by 300,000 b/d from 1.73 million b/d in January to 2.03 million b/d in March and has since then kept stable through June
- Libya** - Crude oil production kept stable near a level of 1.69 million b/d since January through June
- Angola** - Crude oil production increased by 100,000 b/d from 1.53 million b/d in January to 1.63 million b/d in June
- UK** - Liquids production increased by 150,000 b/d from 1.70 million b/d in January to 1.85 million b/d in February and declined to 1.76 million b/d in May
- Kazakhstan** - Crude oil production increased by 110,000 b/d from 1.30 million b/d in January to 1.41 million b/d in March
- Algeria** - Crude oil production kept stable near a level of 1.35 million b/d since January through June
- Azerbaijan** - Crude oil production increased by 60,000 b/d from 820,000 b/d in January to 880,000 b/d in March

Definitions

Crude Oil, Petroleum found in liquid and semi liquid form, includes deepsea and lease condensates

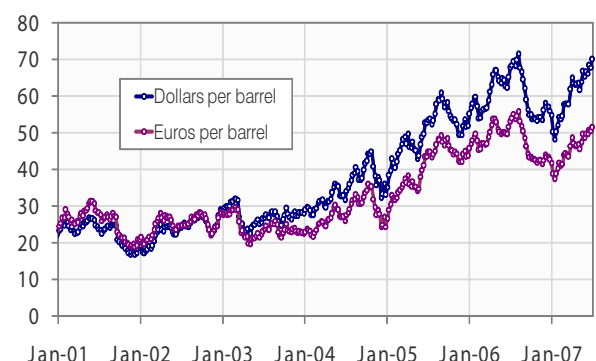
Liquids, all forms of liquid fuels including conventional, heavy, and extra heavy oil, oil shale, oil sands, natural gas liquids, lease condensates, gas-to-liquids, coal-to-liquids and biofuels

One Barrel of oil is equivalent with 159 litres

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Chart 1: Oil Price Weighed Average of Blends



Source: Energy Information Administration

Oil prices heading to 85 \$ / barrel without OPEC intervention

Recent oil price developments are leading to increasing pressure from the West on the OPEC cartel to increase oil production. OPEC, however, sees no need to do so. *“There is a good balance between supply and demand. Inventories are in a comfortable position, therefore fundamentals do not support high prices today.”* according to current OPEC President Mohammed al-Hamli, as quoted in a Reuters News Article dated 11 July. It is true that inventories are in a comfortable position. Total OECD crude oil stocks have fluctuated between 920 and 980 million barrels since April 2005 until the latest figures for April 2007. An amount that has for the past two years been sufficient to meet around 19 days of OECD oil demand. Nonetheless, OPEC’s reasoning based on OECD inventory levels is utterly misleading. Large drawdown of crude oil stock occurs when the balance between demand and supply is so tight that the market cannot adjust itself any longer from the demand side. This happens when either supply is decreasing and no to little substitutes are available, or when demand pressure is so overwhelming relative to supply that market driven behavioral changes are insufficient for short term mitigation.

Neither situation has so far occurred in recent years on a global scale. Total worldwide crude oil production has decreased slightly from 73.8 million b/d in 2005 to 73.6 million b/d in 2006 and averaged 73.3 million b/d in the first four months of 2007 (see chart 3). This small decline has been offset by other liquids. Total worldwide Liquids production has increased from 84.1 million b/d in 2005 to 85.0 million b/d in 2006 and averaged 85.3 million b/d in the first five months of 2007 (see chart 2). Demand data for the OECD shows clear market adjustments on the demand side. OECD demand was 48.0 million b/d in 2002, 48.9 million b/d in 2003, 49.6 million b/d in 2004, 49.6 million b/d in 2005 and 49.2 million b/d in 2006. For 2007 demand is expected to rebound slightly to 49.6 million b/d according to the International Energy Agency (IEA). Higher oil price levels since 2004 are clearly having an effect on OECD demand. Reflected in for instance increasing usage of public transportation and sales of more fuel efficient cars. The effects of population growth can be ruled out. Since 2000 total OECD population has increased with around 8 million people every single year.

What the constant levels of OECD inventories do tell us is that the OECD economies have so far been able to cope with increasing oil prices quite well. The balance between supply and demand is simply not yet tight enough to severely effect the market. In addition non-OECD economies also have at large not been significantly impacted. Total non-OECD demand kept increasing despite rising oil prices from 32.90 million b/d in 2004 to 34.05 million b/d in 2005 to 35.25 million b/d in 2006. For 2007 demand is expected to increase further to 36.56 million b/d according to the International Energy Agency (IEA). Only various poor non-OECD countries are having difficulties coping with rising oil prices. Many African countries are having problems and oil consumption in OPEC member Indonesia has decreased in line with it’s own declining production output. The poor always suffer first in case of price increases.

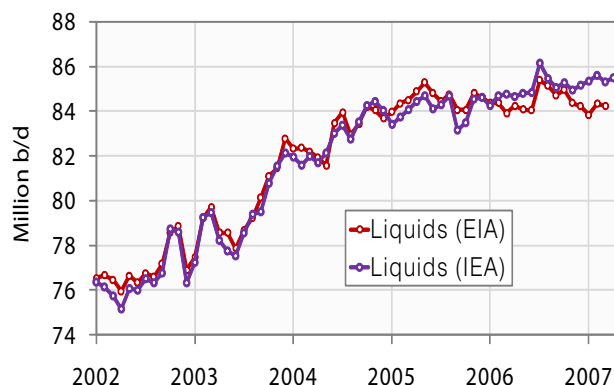
In this light OPEC’s reasoning appears to be nothing more than a veil to give the impression that the cartel is still able to increase output at any given moment. If OPEC no longer possesses this ability, in other words, the recent production declines in Saudi Arabia are not artificial but geological, then the oil market is in for a big shock in

the 2nd half of 2007. The US Energy Information Administration are forecasting 800,000 b/d lower than expected consumption growth in 2007 due to insufficient supply increases. Their forecast is based on expected growth in non-OPEC production by 550,000 b/d in the 2nd half of 2007 and expected growth in OPEC production by 1.15 million b/d in the 2nd half of 2007. Without materialisation of significant production increases from the side of OPEC, oil prices are bound to be driven to higher levels. In that case, 85 dollars per barrel will be reached in the 2nd half of 2007.

World liquids production status

In May world production of total liquids decreased by 560,000 barrels per day from April according to the latest figures of the International Energy Agency (IEA). Resulting in total world liquids production of 84.94 million b/d, which is 136,000 b/d higher year on year from May 2006 to May 2007 but 1.17 million b/d lower than all time maximum liquids production of 86.11 million b/d reached in July 2006.

Chart 2: World Liquids Production January 2002 - May 2007



Source: Energy Information Administration, International Energy Agency

World crude oil production status

Latest available figures from the Energy Information Administration (EIA) show that crude oil production increased by 181,000 b/d from March to April. Total production in April was estimated at 73.40 million b/d, which is 850,000 b/d lower than all time high crude oil production of 74.25 million b/d reached in December 2005.

Chart 3: World Crude Oil Production January 2002 - April 2007

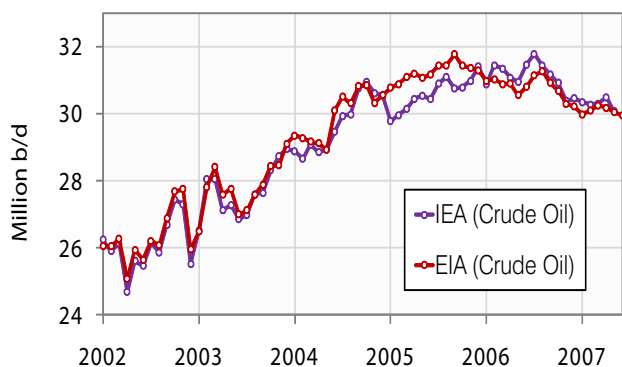


Source: Energy Information Administration

OPEC production status

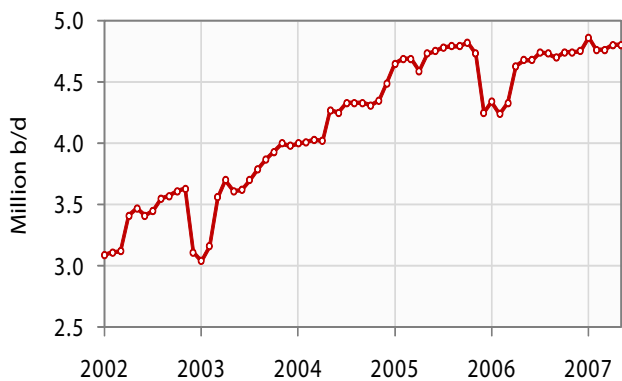
Total crude oil production of the OPEC cartel decreased by 420,000 b/d to a level of 30.07 million b/d, from April to May, according to the latest estimates of the IEA. Preliminary figures from the EIA show a further decrease of 120,000 b/d from May to June resulting in OPEC crude production of 29.94 million b/d. Since July 2006 production from the OPEC cartel has declined with 1.2 million b/d. Natural Gas Liquids production figures for OPEC have been revised from 4.68 million b/d to 4.80 million b/d in the last months.

Chart 4: OPEC Crude Oil Production January 2002 - June 2007



Source: Energy Information Administration & International Energy Agency

Chart 5: OPEC Natural Gas Liquids Prod. January 2002 - May 2007



Source: International Energy Agency

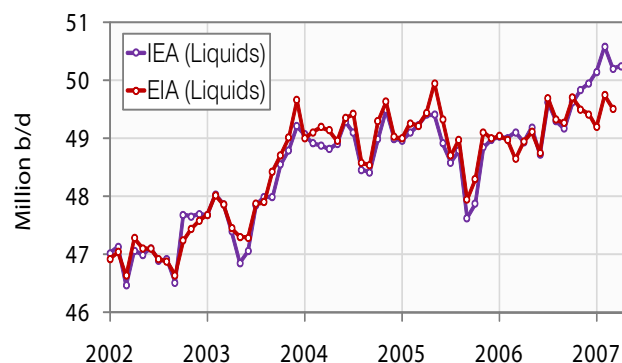
Non-OPEC production status

This series has been slightly altered, now also including refinery processing gains. The change leads to +2 million b/d additional production for Non-OPEC in comparison to previous editions of Oilwatch Monthly.

Total liquids production of non-OPEC decreased by 150,000 b/d, from April to May, according to the latest figures of the IEA. Production has dropped from 50.57 million b/d in February to 50.09 million b/d in May. Large production decreases in that period came from Canada, Norway, the United Kingdom and Norway of in total 630.000 b/d. Production in other countries remained relatively stable. The decline in Mexican production has halted for now, staying near 3.55 mb/d since January.

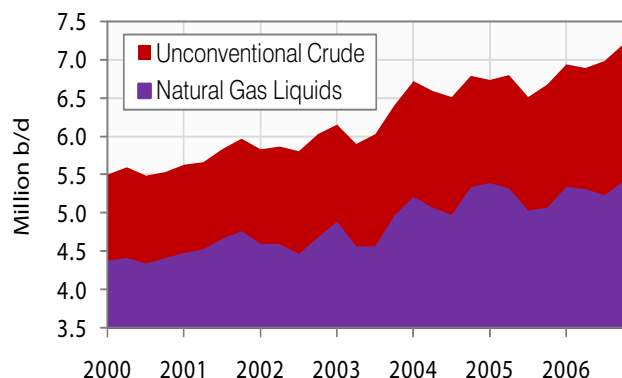
The latest figures from the EIA do not show a similar upward trend from the 49 million b/d plateau maintained since the end of 2003.

Chart 6: Non-OPEC Liquids Production Jan 2002 - May 2007



Source: Energy Information Administration & International Energy Agency

Chart 7: Non-OPEC Unconventional Production 2000 - 2006

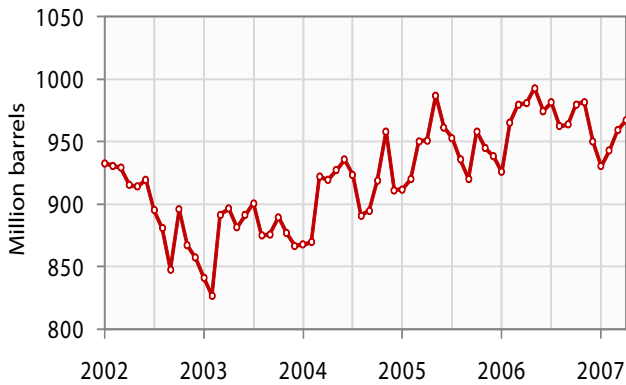


Source: International Energy Agency

Crude oil and oil product stocks status

Industrial Inventories of Crude Oil in the OECD have remained stable in the past few years according to IEA statistics, hovering around 960 million barrels. Of this total, 340 million barrels reside in OECD Europe, 160 million barrels in OECD Asia Pacific and 460 million barrels in North America.

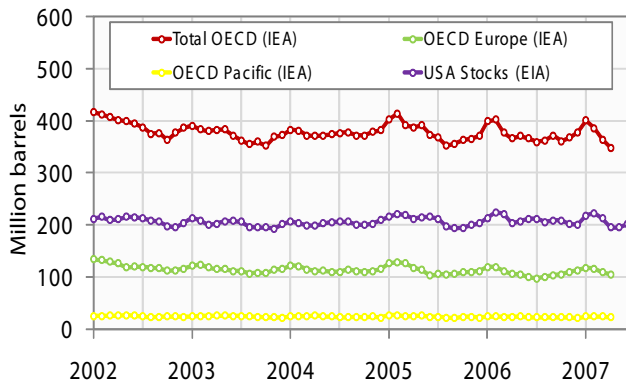
Chart 8: Crude Oil Stocks January 2002 -April 2007



Source: International Energy Agency

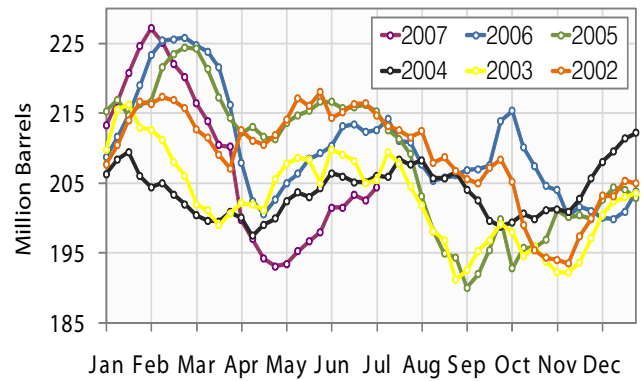
Gasoline stocks in the OECD declined to their lowest level in five years in April at 349 million barrels. However, recent data from the EIA showing increasing US gasoline stocks suggests a reversal of the downward trend. At the beginning of July US gasoline stocks had increased to similar levels as in 2003 and 2004.

Chart 9: OECD Motor Gasoline Stocks January 2002 - July 2007



Source: International Energy Agency & Energy Information Administration

Chart 10: USA Motor Gasoline Stocks January 2002 - July 2007



Source: Energy Information Administration

Total Product Stocks in the OECD were 1354 million barrels in April. Showing stability from last years level in April of 1348 million barrels, quite near the five year average of 1378 million barrels.

World Crude Oil Export Status

The series was derived by subtracting the consumption of oil products, refinery fuel and direct crude oil sales from liquids production in producer countries. Data comes from the Joint Oil Data Initiative (JODI) for demand and the International Energy Agency (IEA) and Energy Information Agency (EIA) for supply. Biofuels are not included in consumption data but are included in production data. Because biofuels are not identified in the production data it is not possible to separate this flow. Given that net energy biofuel production has increased by approximately 50,000 to 100,000 b/d annually in recent years, the series is slightly optimistic.

This method gives a crude approximation of the export market because it assumes that all producers refine their own oil products to satisfy internal market needs. In reality not all oil producers have their own refineries to meet internal product demand. Therefore, more crude will be exported to foreign countries where it is refined into usable products. These usable products are then imported back to the country where the crude oil came from. To derive precise export statistics one would need to combine four components for each individual oil producing country: 1) crude oil export flows, 2) crude oil import flows, 3) total product export flows, 4) total product import flows. Statistics that show only crude oil exports or total product imports on an aggregate basis only reveal one component of the equation, and cannot be taken at face value.

Unfortunately, data on all four components is not readily available for countries outside the OECD. For the OECD countries this data will fully be incorporated in this newsletter in the future. At the moment the statistics shown are purely based on the method of subtracting the consumption of oil products, refinery fuel and direct crude oil sales from liquids production in producer countries, unless otherwise noted.

From 2005 to 2006, worldwide liquids production increased by nearly 1 million b/d from 84.1 million b/d in 2005 to 85 million b/d in 2006. Initial results on exports show that annual worldwide exports were 43.6 million b/d, 46.3 million b/d, 47.1 million b/d and 47 million b/d in 2003, 2004, 2005 and 2006 respectively. Data for the first three months of 2007 shows a similar export level near 47 million b/d. This plateau implies that all liquids production growth in producer countries has been absorbed by internal markets in recent years.

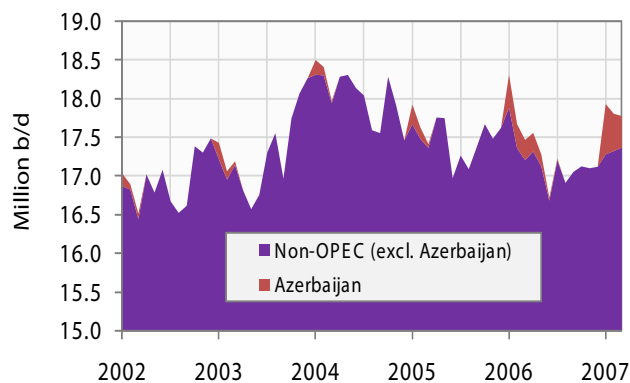
Chart 11: World Liquids Exports January 2002 - March 2007



Source: IEA, EIA and JODI Database

A worrisome trend is visible in the exports of non-OPEC countries. In 2003 exports were estimated at 17.3 million b/d, increasing to 18 million b/d in 2004 and subsequently declining to 17.5 million b/d in 2005 and 17.3 million b/d in 2006. In the first three months of 2007 non-OPEC exports remained near the stable level of 17.8 million b/d.

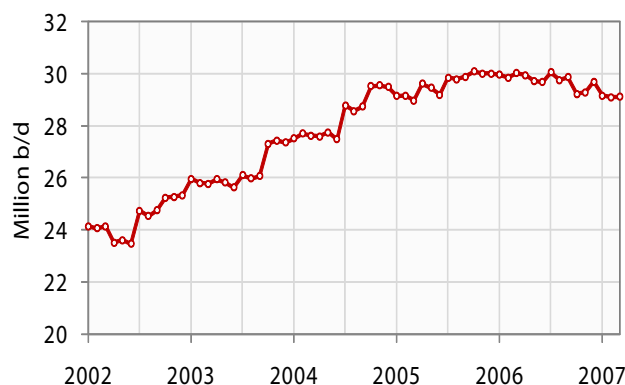
Chart 12: Non-OPEC Liquids Exports January 2002 - March 2007



Source: IEA, EIA and JODI Database

In 2003 exports from OPEC (including Iraq) were 26.3 million b/d, increasing to 28.3 million b/d in 2004, to 29.6 million b/d in 2005 and 29.7 million b/d in 2006. This increase has recently halted. Since July 2006 exports from OPEC have declined in line with announced production cuts. In the first three months of 2007 OPEC exports remained around 29.1 million b/d.

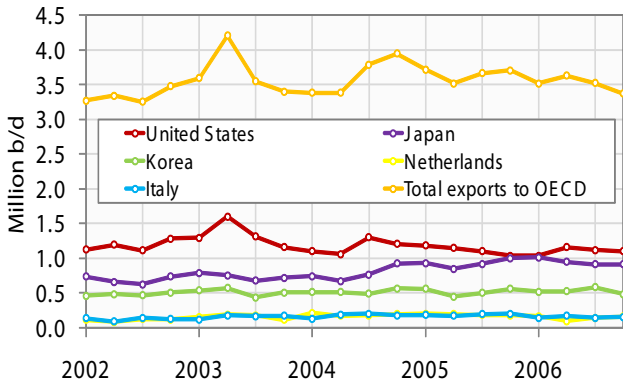
Chart 13: OPEC Liquids Exports January 2002 - March 2007



Source: IEA, EIA and JODI Database

Data on actual flows from the IEA shows that crude oil exports from Saudi Arabia to the OECD declined by 140,000 b/d from 2005 to 2006.

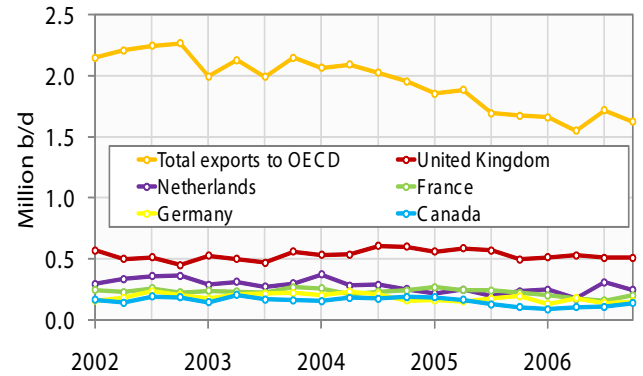
Chart 14: Saudi Arabia Crude Oil Exports 2002 - 2006



Source: International Energy Agency

Data on actual flows from the IEA shows that crude oil exports from Norway to the OECD declined by 140,000 b/d from 2005 to 2006.

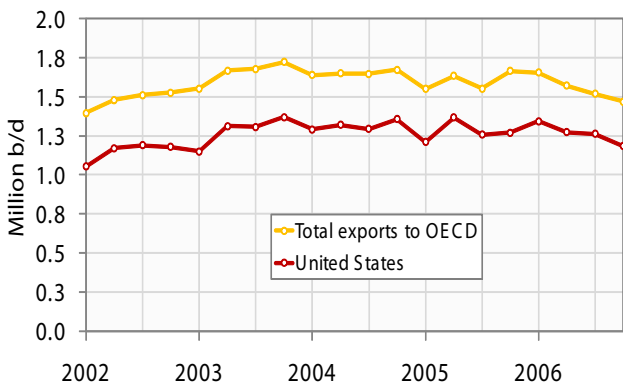
Chart 16: Norway Crude Oil Exports 2002 - 2006



Source: International Energy Agency

Data on actual flows from the IEA shows that crude oil exports from Mexico to the OECD declined by 50,000 b/d from 2005 to 2006.

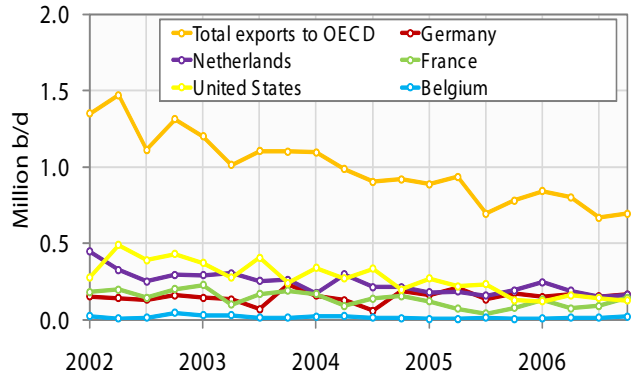
Chart 15: Mexico Crude Oil Exports 2002 - 2006



Source: International Energy Agency

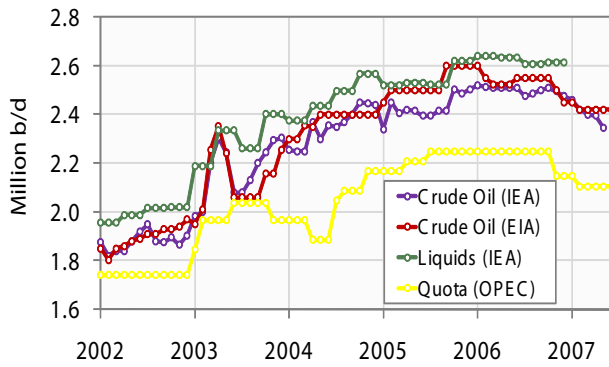
Data on actual flows from the IEA shows that crude oil exports from the United Kingdom to the OECD declined by 73,000 b/d from 2005 to 2006.

Chart 17: United Kingdom Crude Oil Exports 2002 - 2006



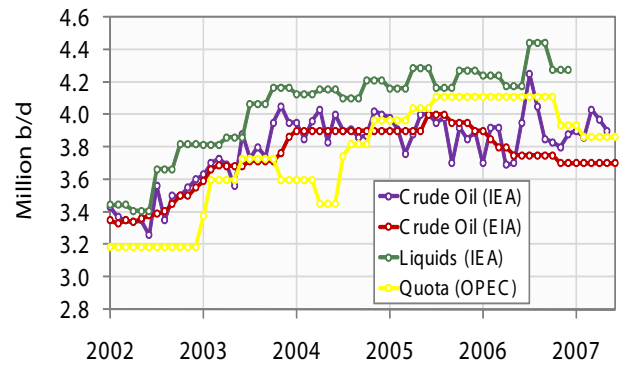
Source: International Energy Agency

Chart 18: Kuwait Production January 2002 - June 2007



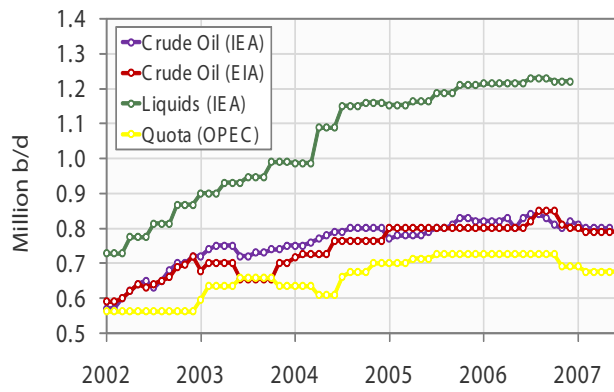
Source: Energy Information Administration & International Energy Agency

Chart 19: Iran Production January 2002 - June 2007



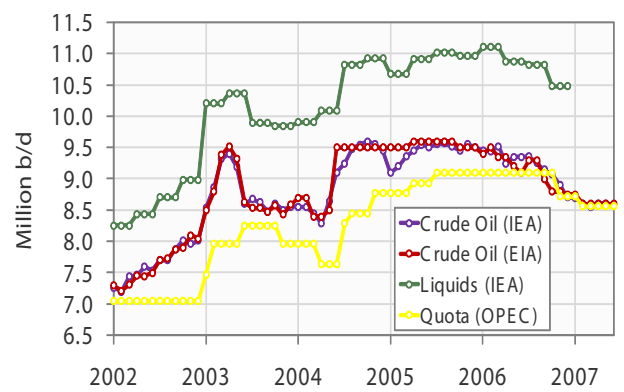
Source: Energy Information Administration & International Energy Agency

Chart 20: Qatar Production January 2002 - June 2007



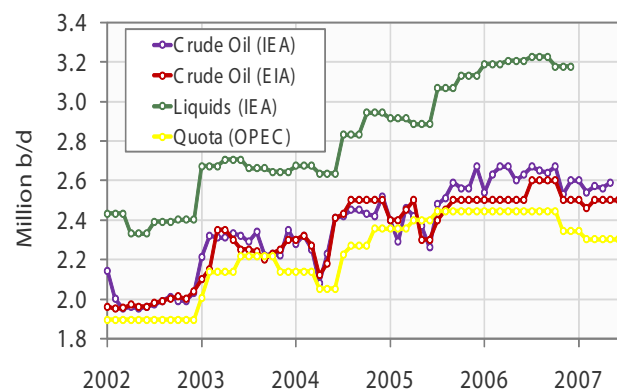
Source: Energy Information Administration & International Energy Agency

Chart 21: Saudi Arabia Production January 2002 - June 2007



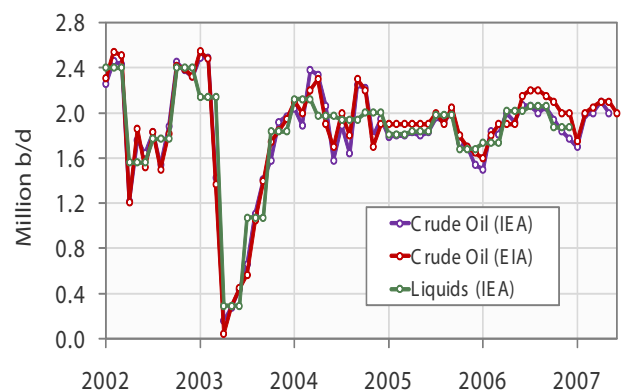
Source: Energy Information Administration & International Energy Agency

Chart 22: UAE Production January 2002 - June 2007



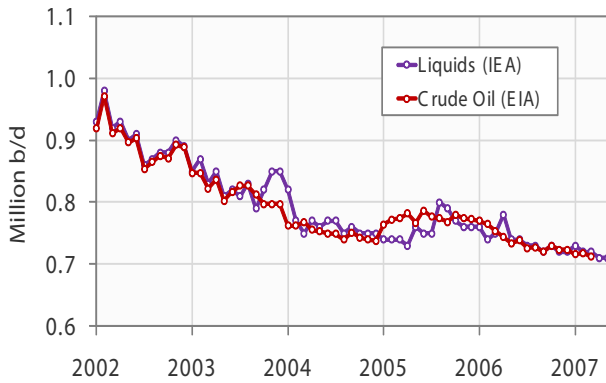
Source: Energy Information Administration & International Energy Agency

Chart 23: Iraq Production January 2002 - June 2007



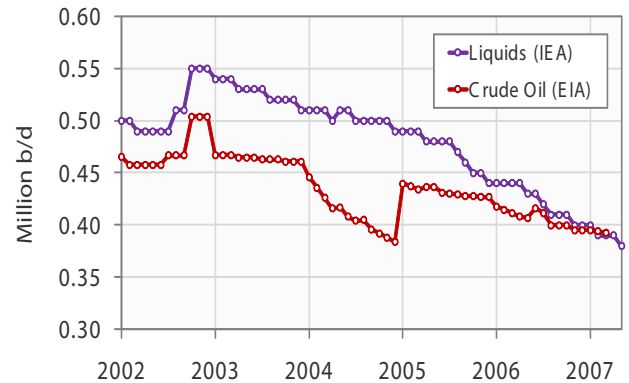
Source: Energy Information Administration & International Energy Agency

Chart 24: Oman Production January 2002 - May 2007



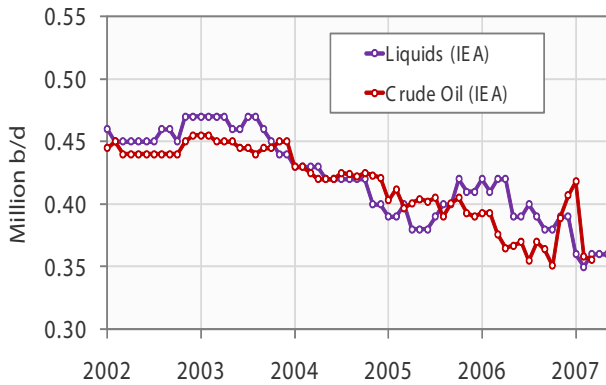
Source: Energy Information Administration & International Energy Agency

Chart 25: Yemen Production January 2002 - May 2007



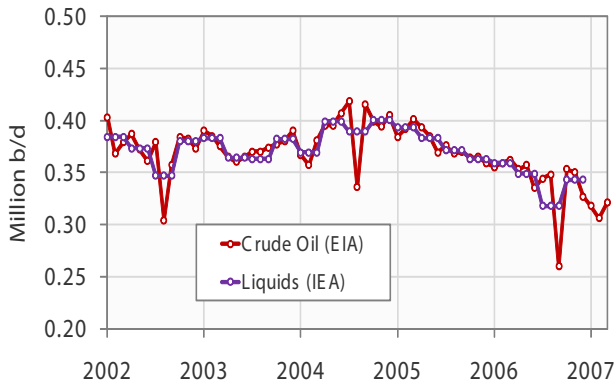
Source: Energy Information Administration & International Energy Agency

Chart 26: Syria Production January 2002 - May 2007



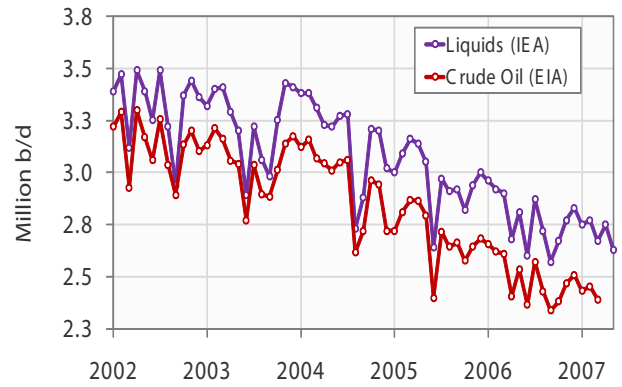
Source: Energy Information Administration & International Energy Agency

Chart 27: Denmark Production January 2002 - March 2007



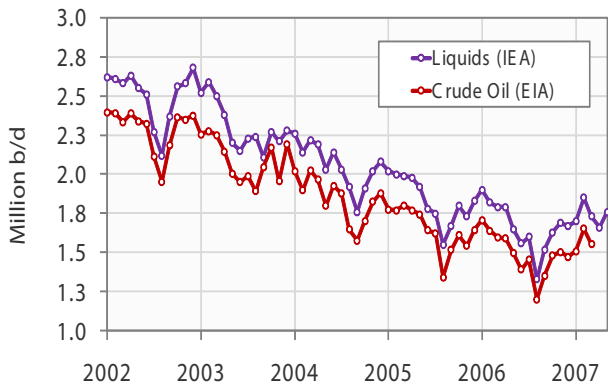
Source: Energy Information Administration & International Energy Agency

Chart 28: Norway Production January 2002 - May 2007



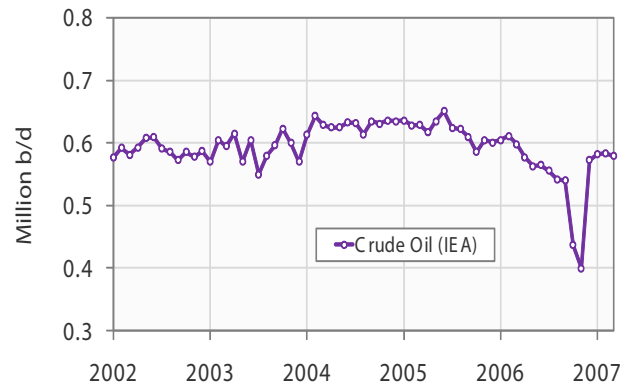
Source: Energy Information Administration & International Energy Agency

Chart 29: United Kingdom Production January 2002 - May 2007



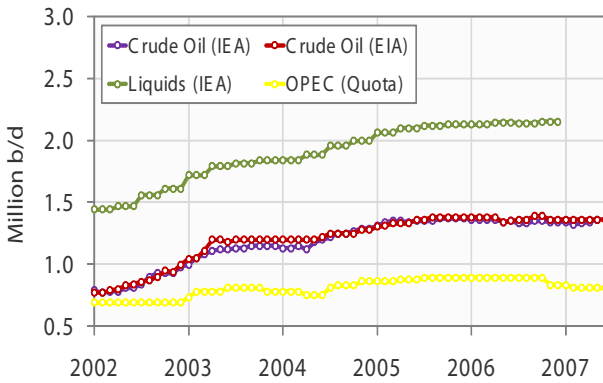
Source: Energy Information Administration & International Energy Agency

Chart 30: Other Europe Production January 2002 - March 2007



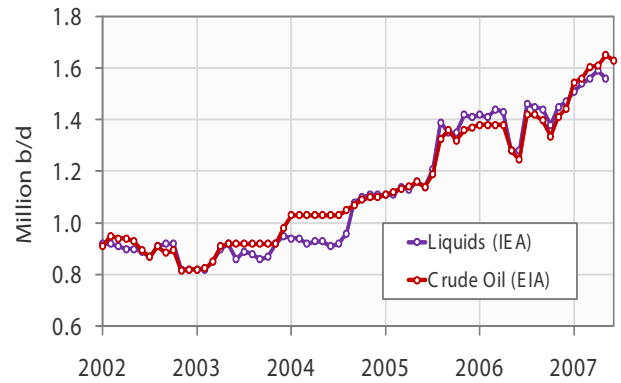
Source: Energy Information Administration & International Energy Agency

Chart 31: Algeria Production January 2002 - June 2007



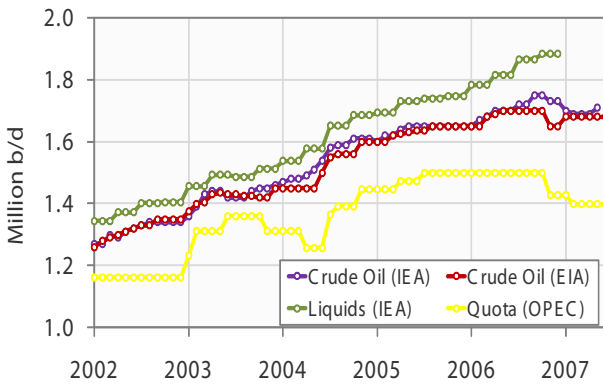
Source: Energy Information Administration & International Energy Agency

Chart 32: Angola Production January 2002 - June 2007



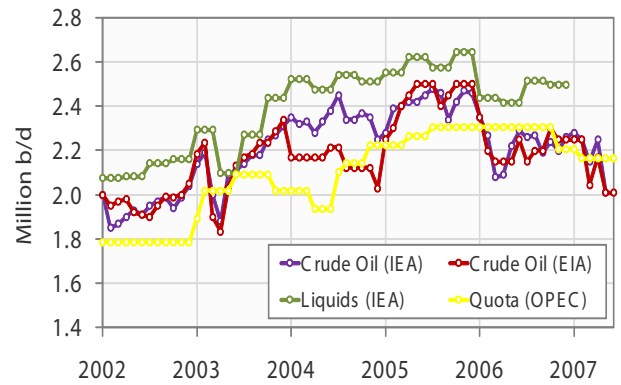
Source: Energy Information Administration & International Energy Agency

Chart 33: Libya Production January 2002 - June 2007



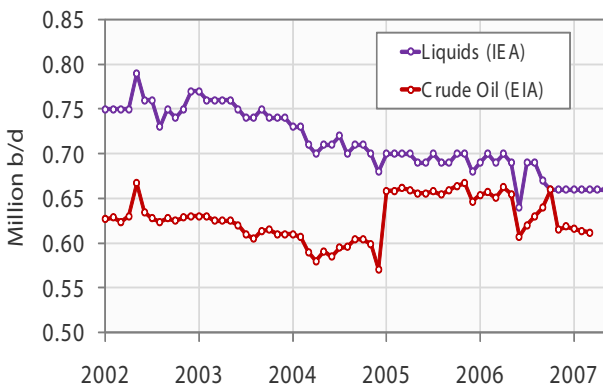
Source: Energy Information Administration & International Energy Agency

Chart 34: Nigeria Production January 2002 - June 2007



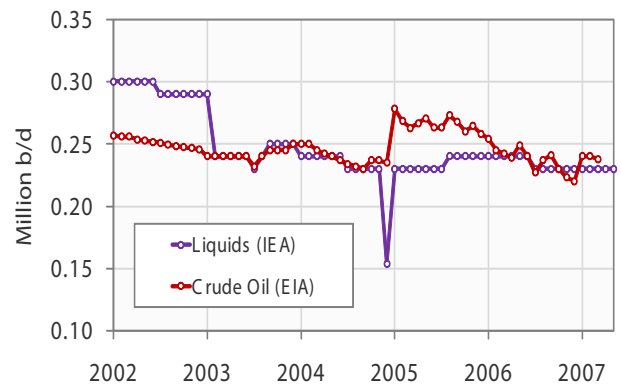
Source: Energy Information Administration & International Energy Agency

Chart 35: Egypt Production January 2002 - June 2007



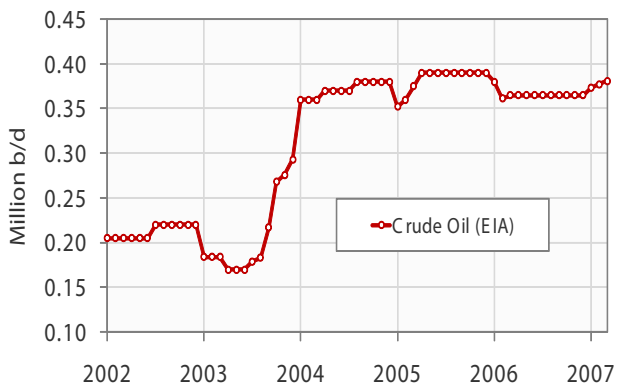
Source: Energy Information Administration & International Energy Agency

Chart 36: Gabon Production January 2002 - June 2007



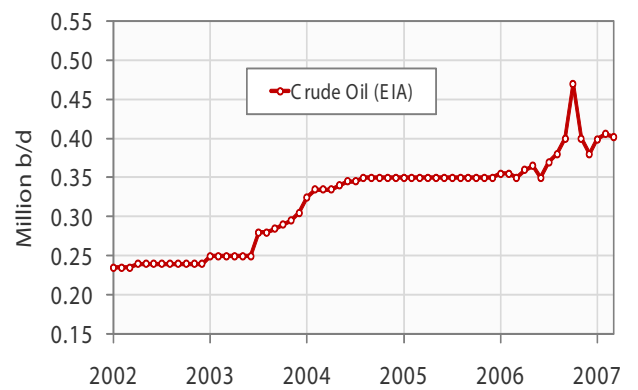
Source: Energy Information Administration & International Energy Agency

Chart 37: Equatorial Guinea Production Jan. 2002 - Mar. 2007



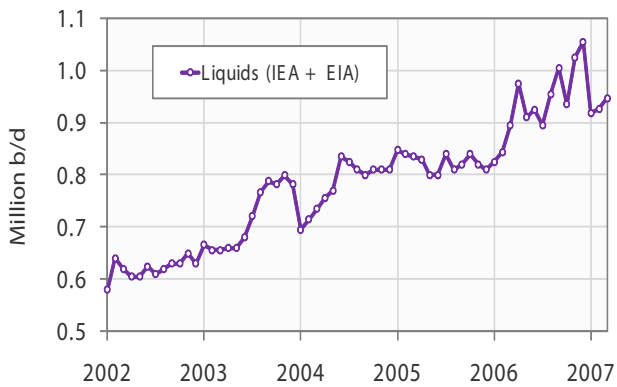
Source: Energy Information Administration

Chart 38: Sudan Production Jan. 2002 - Mar. 2007



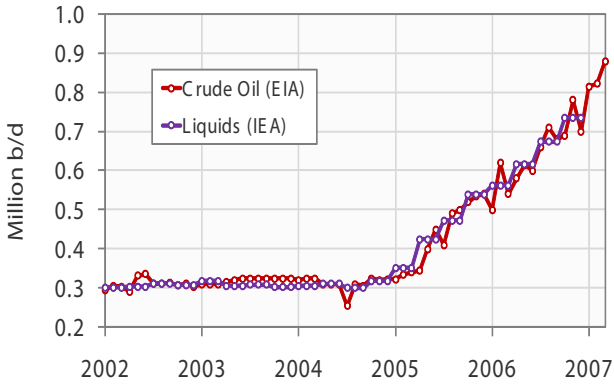
Source: Energy Information Administration

Chart 39: Other Africa Production Jan. 2002 - Mar. 2007



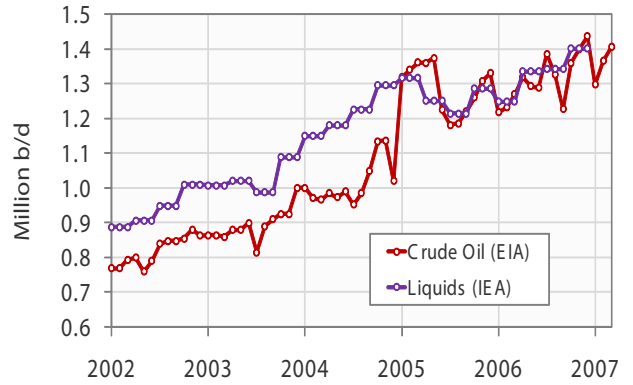
Source: Energy Information Administration & International Energy Agency

Chart 40: Azerbaijan Production January 2002 - March 2007



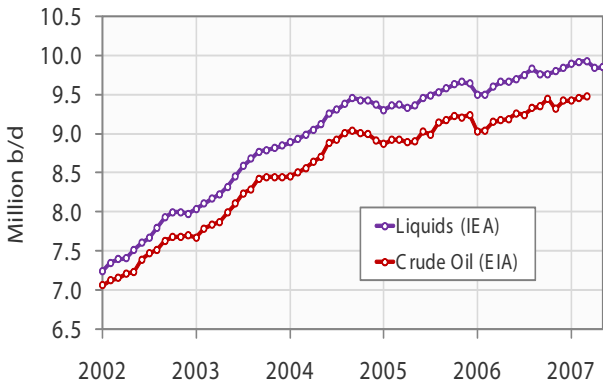
Source: Energy Information Administration & International Energy Agency

Chart 41: Kazakhstan Production January 2002 - March 2007



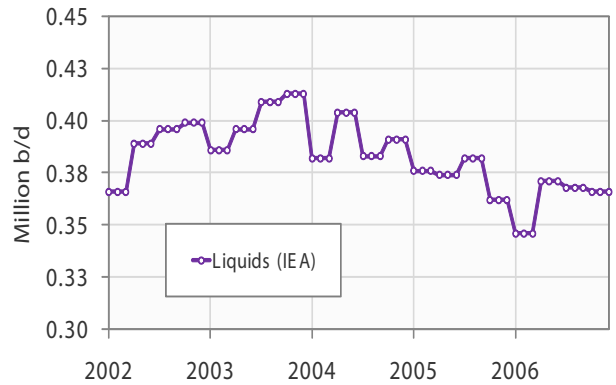
Source: Energy Information Administration & International Energy Agency

Chart 42: Russia Production January 2002 - May 2007



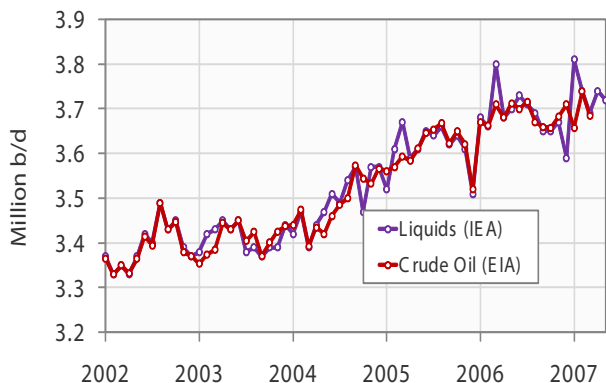
Source: Energy Information Administration & International Energy Agency

Chart 43: Other Former USSR Production Jan. 2002 - Mar. 2007



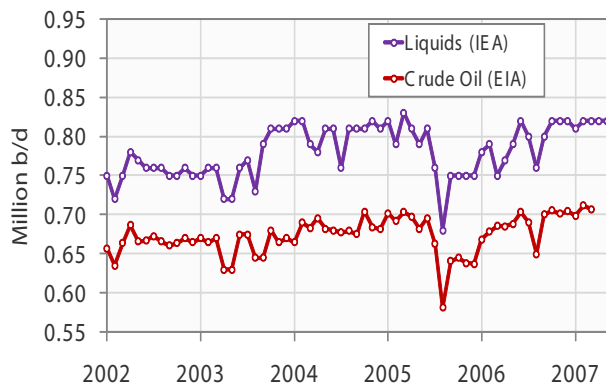
Source: International Energy Agency

Chart 44: China Production January 2002 - May 2007



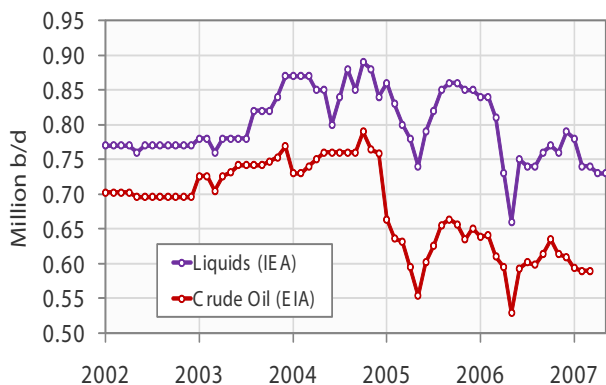
Source: Energy Information Administration & International Energy Agency

Chart 45: India Production January 2002 - May 2007



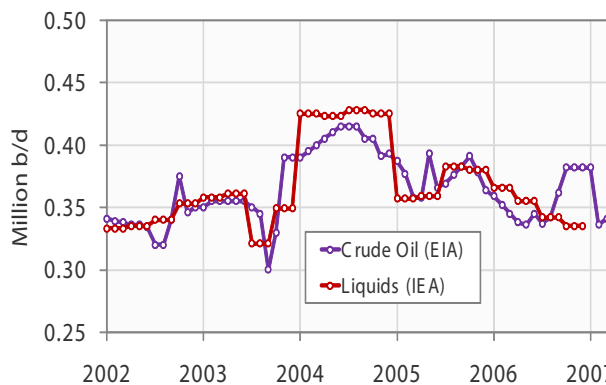
Source: Energy Information Administration & International Energy Agency

Chart 46: Malaysia Production January 2002 - May 2007



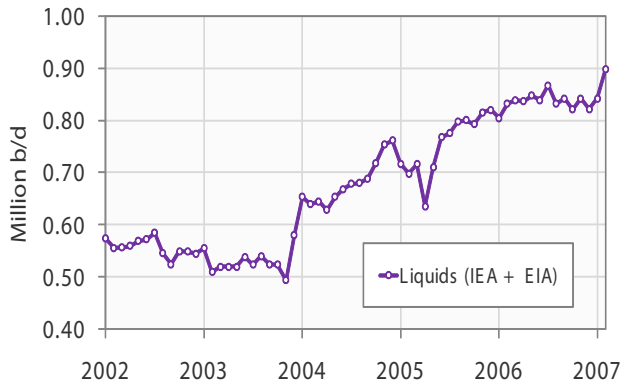
Source: Energy Information Administration & International Energy Agency

Chart 47: Vietnam Production January 2002 - May 2007



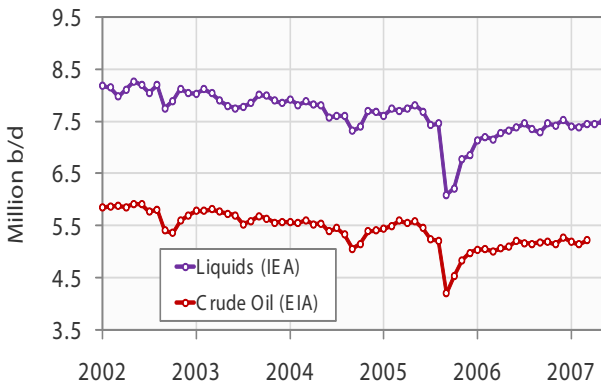
Source: Energy Information Administration & International Energy Agency

Chart 48: Other Asia Production Jan. 2002 - Jun. 2007



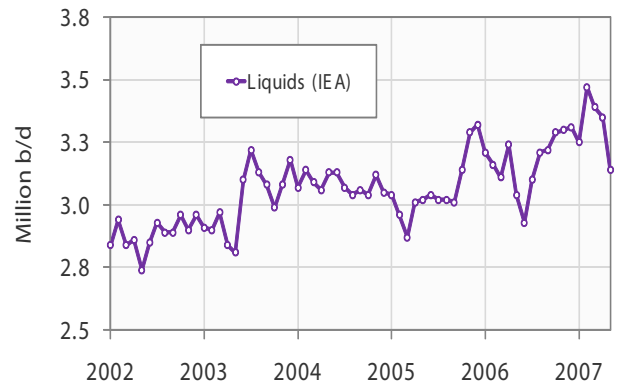
Source: Energy Information Administration & International Energy Agency

Chart 49: United States Production January 2002 - May 2007



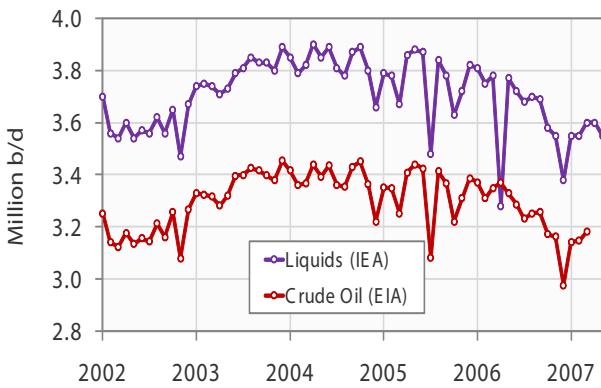
Source: Energy Information Administration & International Energy Agency

Chart 50: Canada Production January 2002 - May 2007



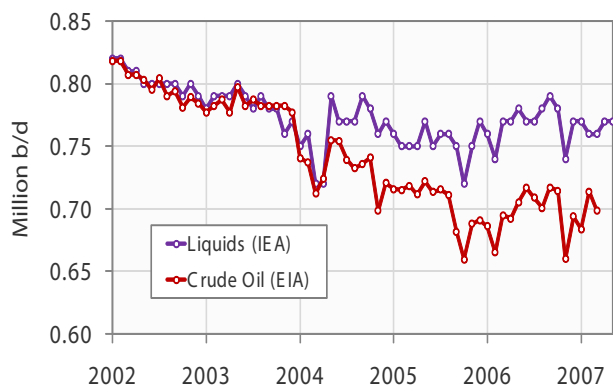
Source: International Energy Agency

Chart 51: Mexico Production January 2002 - May 2007



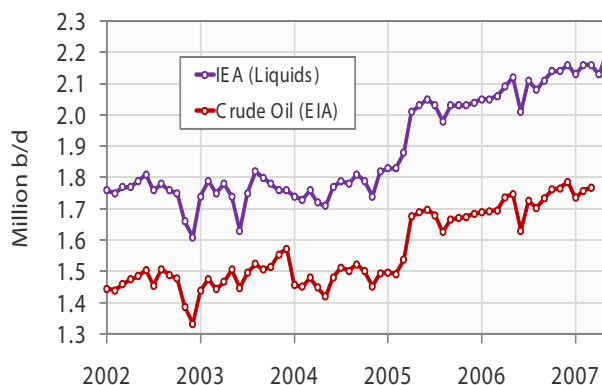
Source: Energy Information Administration & International Energy Agency

Chart 52: Argentina Production January 2002 - May 2007



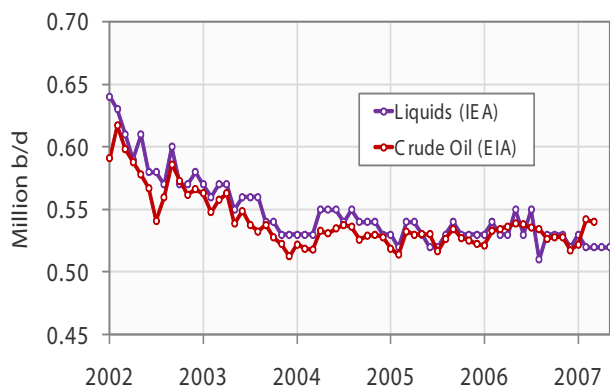
Source: Energy Information Administration & International Energy Agency

Chart 53: Brazil Production January 2002 - May 2007



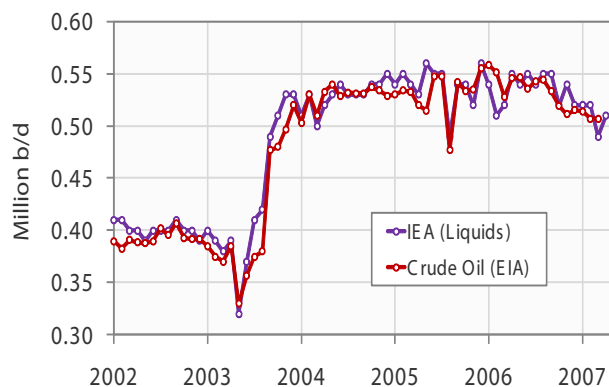
Source: Energy Information Administration & International Energy Agency

Chart 54: Colombia Production January 2002 - May 2007



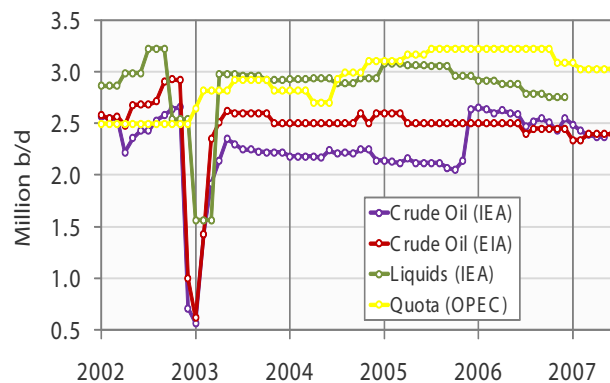
Source: Energy Information Administration & International Energy Agency

Chart 55: Ecuador Production January 2002 - May 2007



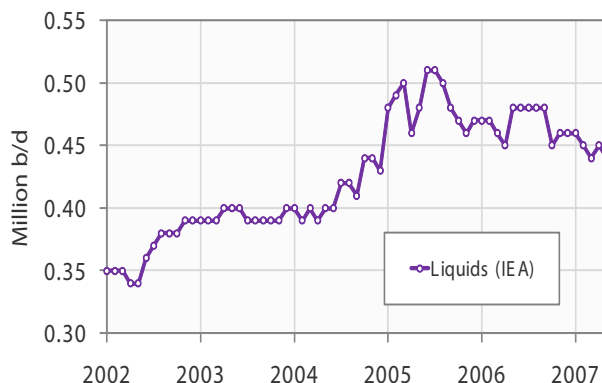
Source: Energy Information Administration & International Energy Agency

Chart 56: Venezuela Production Jan. 2002 - Jun. 2007



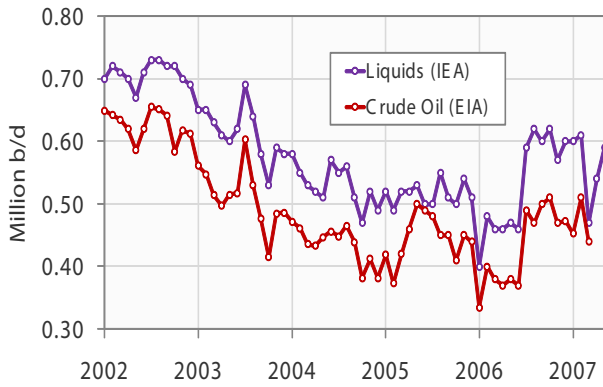
Source: Energy Information Administration & International Energy Agency

Chart 57: Other S. America Production Jan. 2002 - Jun. 2007



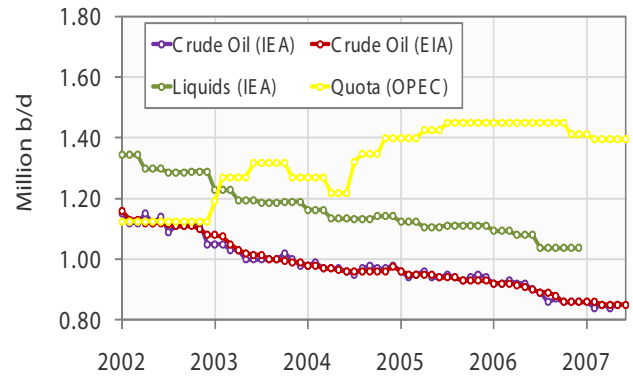
Source: International Energy Agency

Chart 58: Australia Production January 2002 - May 2007



Source: Energy Information Administration & International Energy Agency

Chart 59: Indonesia Production January 2002 - June 2007



Source: Energy Information Administration & International Energy Agency