



**OPEC** *Annual Report 2003*





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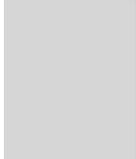
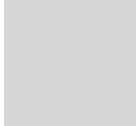
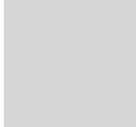
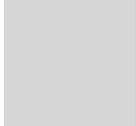
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Welcome to the 2003 edition of the OPEC Annual Report.

Despite signs of renewed global economic strength throughout 2003, geopolitical uncertainties and the impact of the outbreak of SARS in Asia kept energy markets unsettled throughout the year. The annual average price of the OPEC Reference Basket rose by \$3.74 per barrel on a year-on-year basis, to average \$28.10/b. The Basket ended the year at \$29.44/b (a rise of 15.4 per cent), with most of the gains occurring in the first and last quarters of the year. Bullish sentiment prevailed throughout 2003, as concerns over possible supply interruptions from some OPEC Member Countries, coupled with the threat of a US-led invasion of Iraq in the early part of the year, kept prices strong in a backwarddated market.

Crude oil prices climbed during the first quarter, influenced by the oil workers' strike in Venezuela, which began early in December 2002 and extended into late January. The strike effectively removed some 2 million b/d from the market, raising the risk of a supply shortfall at a time when US commercial stocks had fallen significantly, and the northern hemisphere was experiencing colder-than-normal temperatures. In response, the OPEC Conference decided at its 123rd (Extraordinary) Meeting on January 12, that it would increase its overall production ceiling from 23m b/d to 24.5m b/d with effect from February 1. Despite the OPEC Conference decision and the collapse of the oil workers' strike in Venezuela at the end of January, geopolitical tension in the Middle East remained the dominating factor in the upward price movement. The OPEC Basket surged to its highest level for 2003 at \$33.11/b on March 10. However, the foray was short-lived, and the Basket returned to the median range of the price band by the end of the first quarter. During the early part of the second quarter, the fear of an oil supply shortfall faded away as, immediately following the commencement of hostilities in Iraq on March 20, the OPEC Secretariat issued a statement reiterating the Organization's resolve to make up for any supply

shortfall resulting from the developing events. To achieve this end, OPEC Member Countries pledged to use their available excess production capacities to ensure continued supply. As a result, rather than seeing a price spike due to the loss of roughly 2m b/d of Iraqi exports, the Basket price dropped towards the lower end of the price band and reached a year-low of \$23.27/b on April 29. This downward movement was all the more surprising given the fact that at the same time social unrest in Nigeria removed an additional 800,000 b/d of crude from the market.

After a review of the market situation, the Conference, at a Consultative Meeting on April 24, decided to increase the production ceiling by 900,000 b/d to 25.4m b/d, effective June 1. Nevertheless, the market remained volatile, reflecting continued high levels of economic, as well as a degree of political, uncertainty. Despite the fact that the market remained well-supplied, prices displayed an upward trend, due to the slower-than-anticipated recovery in Iraqi production, coupled with low stock levels. However, with the anticipation that low stock levels would be replenished during the third quarter, the Conference decided to maintain agreed production levels at its (Extraordinary) Meeting on June 11, in Doha.

The third quarter started with a bullish tone, on the perception that a nationwide strike in Nigeria could disrupt oil output, at the same time as a possible slowdown in oil operations in the US Gulf Coast due to the looming hurricane season. Support came from the rising demand for gasoline in August and several refinery glitches in the US, which underpinned the oil price, pushing the OPEC Basket above the upper limit of the price band during August. Moreover, the market was caught by surprise when, at its Ordinary Meeting in September, OPEC announced that it would reduce the ceiling to 24.5m b/d with effect from November 1. This was perceived as bullish, amid rising Iraqi oil output and normal seasonal demand.

Moving into the fourth quarter, the Basket surged above the upper limit of the price band for most of October. However, at its December Meeting, the Conference observed that the crude oil market was well supplied, and thus decided to maintain the 24.5m b/d production ceiling. The OPEC Basket ended the year at \$29.87/b, slightly above the annual average for 2003 of \$28.10/b.

In this context, it is important to pay tribute to OPEC's efforts to work with other market participants to maintain stability and ensure a timely response to global oil supply needs. During the past year we have made important progress in that regard. The Conference met seven times to discuss and co-ordinate OPEC's response to the above-mentioned events that threatened to undermine the supply/demand balance. OPEC also continued to pursue its commitment to strengthening dialogue and co-operation between OPEC and non-OPEC producers by hosting and participating in numerous workshops and seminars held in and outside the Secretariat. In today's interdependent world, OPEC will continue its efforts to foster and enhance mutual understanding and dialogue amongst energy-producing and energy-consuming nations alike.



HE Dr Alvaro Silva-Calderón  
Secretary General



# ***OPEC in the World Economy***

The performance of the world economy improved sharply in the second half of 2003. The GDP growth rate accelerated from less than 3 per cent in the first half of the year to about 5 per cent in the second half. The overall growth rate registered 3.8 per cent, as opposed to the 2.8 per cent rate recorded in 2002.

## ***First half***

The first half of the year showed few signs of recovery; indeed, the year-on-year (y-o-y) growth rate of the G7 region was below that for the second half of 2002. The geopolitical tensions — particularly with regard to Iraq — held back consumer spending, especially in Europe. Despite the geopolitical uncertainties, consumer activity supported the economy, while fixed investment expenditure and exports remained weak. War-related government spending boosted United States (US) GDP in the second quarter of the year; however, external trade had a persistent negative effect.

The Japanese economy, in contrast, depended on exports and growth in capital spending to generate economic growth in the first half of the year. Personal consumption grew by less than 1 per cent in the first half of the year, while GDP grew at an annualized rate of 1.8 per cent. In Europe, growth remained disappointing for the first half of the year. No significant growth took place in Germany, France or Italy during this period, while fixed investment spending and exports showed significant declines in all three economies. However, the United Kingdom (UK) achieved a personal consumption growth rate of over 2 per cent. Investment spending was also relatively strong and as a result, overall UK GDP growth exceeded 2 per cent in the first half of the year. Due to the continued strength of personal and government consumption in the US, overall GDP growth for the G7 economies as a whole in the first half of the year exceeded 1 per cent at an annualized rate.

In Asia, the SARS epidemic had a major effect on the second quarter performance. The economy of Asia Pacific as a whole contracted by about 1 per cent at an annualized rate during this period, pulling the first half growth rate down to 2.9 per cent.

## **Second half**

The second half of the year reflected the easing of monetary and fiscal policies in the US. Interest rates were reduced to very low levels, which led US authorities to cut consumer and corporate taxes, in order to accelerate economic growth and boost employment. Although the tax cuts did not come into effect until the end of the year, consumption was boosted by anticipation of higher incomes as early as June, and US retail sales rose by at least 6 per cent over 2002 levels for the rest of the year. By July, third quarter growth reached a remarkable rate of 8.2 per cent on an annualized basis. However, as expected, growth slowed down to a more modest rate of 4.1 per cent in the final quarter of the year.

The combination of this US expansion, the continued economic strength of China and the rapid recovery of Asia Pacific from the SARS epidemic helped to maintain the momentum of the Japanese economy, which grew by nearly 2 per cent y-o-y in the third quarter. Investments and exports continued to be the main driving forces of the economy. Japanese growth accelerated strongly in the fourth quarter and GDP growth exceeded 7 per cent at an annualized rate.

The European economy was little influenced by the economic revival elsewhere. The total GDP of the German, French, Dutch and Italian economies was actually lower in the third quarter of 2003 compared to the same period in 2002. Once more, the UK was the exception, growing by 2 per cent in the third quarter. Data for the fourth quarter confirmed that European economic activity

had begun to improve late in the year, but the overall results were disappointing. In the euro-zone, only France showed signs of economic recovery.

Despite the poor performance in Europe, the second half of 2003 showed a remarkable recovery from the near-recession conditions of 2001–02. The G7 economies registered an annualized growth rate of well over 4 per cent. However, thanks to the very strong recovery in Asia, the world economy as a whole grew by about 5 per cent.

## **Full year**

Looking at 2003 as a whole, the recovery in the second half of the year generated satisfactory growth rates for the major economies, considering the many problems that faced the world economy earlier in the year. The US achieved growth of 3.1 per cent, but this performance was hardly surprising considering its expansionary policies, both fiscal and monetary. In Japan, the recovery exceeded expectations and although the initial stimulus came from growing exports, there were signs that the domestic economy was slowly making progress. Better corporate results and an improvement in the condition of the Japanese banking system, together with the easing of deflationary pressures, laid the foundations for further growth. Reforms — including debt restructuring — would have been hard to achieve in the midst of continuing deflation, and without significant structural reform, the likelihood was that the Japanese recovery would not be sustained. 2003 may thus have marked the beginning of a sustained recovery in Japan.

Although the European Union as a whole achieved a growth rate of 1.1 per cent for the year, the euro-zone economies contributed only 0.6 per cent, following a growth rate of 0.9 per cent in 2002. Growth in 2003 was dependent on exports, since consumption growth was weak. In France and Spain, there was evidence of a recovery in consumer and business confidence towards the end of the year, but these economies were the exceptions. Isolated sectors of the German economy, notably those dependent on manufacturing exports, performed well in the fourth quarter, but personal consumption remained depressed. Part of the explanation lies in the aggressive cost-cutting measures of German companies, which boosted profit levels at the expense of employment.

The Italian economy made little progress in 2003. Sluggish growth in personal and government consumption provided some stimulus to domestic demand, but a sharp decline in investment spending and exports meant that GDP was practically static across the year.

Outside the euro-zone, the UK's domestic demand recovered sharply in the second half of the year, contributing growth of 2.5 per cent for 2003 as a whole. The GDP growth rate for

the UK was slightly lower at 2.2 per cent, since the strength of the pound against the dollar led to a fall in exports.

The growth rate of the EU as a whole is likely to be boosted in future years by the accession of the ten new states that joined in May 2004. In 2003, these countries achieved a much higher growth rate than the EU-15 region, as the process of economic restructuring continued. Poland was the leading economy, achieving a growth rate of 3.7 per cent as a result of expanding exports. Demand was also supported by a growing fiscal deficit but the deterioration in the country's public finances will eventually require spending cuts. Hungary witnessed slower growth in 2003, despite a sharp increase in consumer spending. The current account deficit remained a continuing cause for concern and interest rates were raised by 6 per cent towards the end of the year. The Czech Republic also faces pressures to reduce public spending. The Czech growth rate was about 3 per cent in 2003, as higher exports and investment spending compensated for a slow recovery in personal consumption.

Boosted by high oil prices, Russia's economic performance remained impressive. Economic growth was 7.3 per cent as sectors related to the energy industry, such as construction and fixed investment, grew very rapidly. Personal consumption growth also made progress, as real incomes grew by about the same rate as total GDP.

In the Middle East, real GDP growth strengthened in 2003, reflecting higher oil production and high crude prices. The war in Iraq disrupted trade, tourism and investment in the first half of the year, but economic activity later recovered. Oil-exporting countries benefited from stronger current account surpluses and an improvement in government budget balances. Non-oil economic activity in the region also saw some improvement, but the first half weakness meant that growth in Egypt and other regional non-oil exporting countries reached about 3 per cent, similar to the growth rate achieved in 2002.

In emerging Asia (including China), GDP growth accelerated to over 7 per cent in 2003. The recovery from the SARS epidemic was rapid and both tourism and domestic consumption rebounded in the second half of the year. The Chinese economy grew by 9.1 per cent, mainly as a result of strong fixed investment growth and rapidly-growing exports. Growth also accelerated in India, reflecting both cyclical and structural factors. The liberalization of the economy and the increased expenditure on infrastructure is likely to lead to higher long-term growth, while the favorable monsoon in 2003 boosted the GDP growth rate to over 7 per cent. The Association of South-East Asian Nations (ASEAN) economies continued to make good progress, achieving average growth rates of about 5 per cent in 2003. South Korea, Hong Kong and Singapore were the hardest hit by SARS, and

growth in these economies averaged only about 3 per cent. However, there were clear signs of recovery from the third quarter, particularly in Hong Kong. South Korea was the slowest to recover as a result of depressed domestic demand as can be seen in **Table 1**.

Latin America saw a sharp recovery from the deep recession of 2001–02. Argentina was the leading economy as GDP grew by 8.7 per cent. Real consumption and investment expanded and inflation fell substantially. The recovery in Brazil began slowly, but the improvement in confidence and policy reforms produced results by the final quarter of the year and GDP grew by about 6 per cent at an annualized rate. Economic performance as whole in 2003 was similar to that of 2002.

Africa grew by about 3.5 per cent in 2003, a modest improvement over 2002's 3.3 per cent. Most North African countries achieved higher rates of growth in 2003 — the average was at least 5 per cent — but the improvement in sub-Saharan Africa was entirely due to Nigeria, where increased oil production boosted economic growth substantially to over 7 per cent. The growth rate in South Africa slipped to below 2 per cent as the strong currency and high interest rates slowed the economy.

In OPEC Member Countries (MCs) the overall rate of GDP growth rose to 3.1 per cent in 2003 and previous estimates for 2002 were also revised up from 1.7 per cent to 2.4 per cent (see **Table 2**).

**Table 3** shows that the GDP growth of OPEC MCs in 2003 was below that of non-OPEC developing countries (N-ODCs). The OPEC MCs' growth rate rose to 3.1 per cent, but the improvement in the N-ODCs was greater as their GDP growth rate increased to 4.7 per cent from 2.7 per cent in 2002. As in previous years, most of the improvement in non-OPEC growth was concentrated in Asia although Latin America also made good progress. South East Asia recovered quickly from the SARS epidemic in the first half of 2003 and South Asia benefited from growing economic liberalization and good weather conditions.

**Table 1**  
**World economic growth rates 2002–03**

	% change over previous period	
<b>Grouping/country</b>	<b>2002</b>	<b>2003</b>
OECD	1.7	2.2
Other Europe	4.4	4.0
Developing Countries	2.7	4.4
Africa	3.3	3.5
Latin America & Caribbean	-0.6	1.8
Asia & Oceania	3.9	5.7
Asia Pacific	3.9	4.4
OPEC	2.4	3.1
FSU	5.4	7.8
China	8.0	9.1
<b>Total world</b>	<b>2.8</b>	<b>3.8</b>

**Table 2**  
**OPEC Member Countries' real GDP growth rates 2002–03**

	% change over previous period	
<b>Member Country</b>	<b>2002</b>	<b>2003</b>
Algeria	4.1	6.7
Indonesia	3.7	4.1
IR Iran	7.2	5.9
Iraq	-6.5	-21.8
Kuwait	-0.4	9.9
SP Libyan AJ	2.5	4.7
Nigeria	1.5	7.1
Qatar	3.0	8.0
Saudi Arabia	1.0	5.3
United Arab Emirates	1.9	7.0
Venezuela	-8.9	-9.2
<b>Average OPEC</b>	<b>2.4</b>	<b>3.1</b>

**Sources (Table 1):** Secretariat's estimates; OECD, Main Economic Indicators; OECD, Economic Outlook; International Monetary Fund (IMF), World Economic Outlook; IMF, International Financial Statistics.

**Sources (Table 2):** IMF, International Financial Statistics; IMF, World Economic Outlook; Economist Intelligence Unit (EIU), country reports; Official OPEC Member Countries' statistics; Secretariat's estimates.

**Table 3**  
**Comparison: OPEC and non-OPEC Developing Countries**

	2002		2003	
	<b>OPEC</b>	<b>non-OPEC</b>	<b>OPEC</b>	<b>non-OPEC</b>
Real GDP growth rate (per cent)	2.4	2.7	3.1	4.7
Petroleum export value (\$bn)	207.8	82.8	255.0	99.3
Value of non-petroleum exports (\$/bn)	113.3	1,029.8	119.1	1,150.6
Oil exports as percentage of total exports	64.7	7.4	68.2	7.9
Value of imports (\$/bn)	187.6	1,140.1	212.6	1,275.0
Current account balance (\$/bn)	53.6	70.8	79.1	101.0
Average OPEC Reference Basket price (\$/bn)	24.3	–	28.1	–
Crude oil production (m b/d)	25.3	10.2	27.0	10.2
Reserves (\$bn; excluding gold)	153.3	739.8	184.6	890.9

**Note:** Figures are partly estimated.

**Sources:** IMF, International Financial Statistics; IMF, World Economic Outlook; IMF, Direction of Trade Statistics; EIU, country reports; World Bank Development Indicators, OPEC database; Secretariat's estimates.

# Oil Market Developments



## **OPEC production**

OPEC production in 2003, as reported by a number of selected secondary sources, averaged 26.95 million barrels per day (m b/d), which was 1.63m b/d higher than the 2002 average of 25.32m b/d. The rise was attributable to a series of production agreements by Member Countries in order to restore market balance. As indicated in **Table 4**, the quarterly distribution of OPEC production in 2003 was 26.78m b/d, 26.47m b/d, 26.84m b/d and 27.72m b/d, respectively.

**Figure 1** (see page 14) shows OPEC and non-OPEC oil production levels for the period 1993–2003. In 2003, OPEC output climbed to 26.95m b/d, 1.63m b/d over the 2002 figure.

**Figure 2** (see page 16) shows OPEC's share of world oil supply compared with non-OPEC, also for the period 1993–2003. In 2002, OPEC's market share declined to 37.7 per cent, due to the

**Table 4**  
**OPEC crude oil production according to selected secondary sources**

1,000 b/d

	1998	1999	2000	2001	2002	Q103	Q203	Q303	Q403	2003	Average change 03/02
Algeria	822	766	807	820	864	1,069	1,127	1,160	1,178	1,134	270
Indonesia	1,348	1,310	1,278	1,214	1,120	1,072	1,026	1,011	1,000	1,027	-93
IR Iran	3,590	3,509	3,667	3,672	3,416	3,675	3,711	3,784	3,856	3,757	341
Iraq	2,108	2,507	2,550	2,383	2,000	2,104	301	1,046	1,845	1,323	-677
Kuwait	2,078	1,901	2,087	2,021	1,885	2,108	2,250	2,130	2,201	2,173	288
SP Libyan AJ	1,403	1,337	1,405	1,361	1,314	1,394	1,423	1,425	1,446	1,422	108
Nigeria	2,088	1,983	2,033	2,098	1,969	2,081	1,985	2,182	2,272	2,131	162
Qatar	661	641	697	683	648	743	750	740	751	746	98
Saudi Arabia	8,276	7,674	8,266	7,939	7,535	8,874	9,022	8,533	8,413	8,709	1,174
UAE	2,265	2,077	2,248	2,163	1,988	2,205	2,294	2,261	2,212	2,243	256
Venezuela	3,138	2,808	2,930	2,862	2,586	1,451	2,586	2,566	2,544	2,291	-295
<b>Total OPEC</b>	<b>27,778</b>	<b>26,513</b>	<b>27,970</b>	<b>27,217</b>	<b>25,323</b>	<b>26,777</b>	<b>26,474</b>	<b>26,840</b>	<b>27,718</b>	<b>26,954</b>	<b>1,631</b>

**Note:**

Totals may not add up due to independent rounding.

**Source:**

Secretariat's assessments of selected secondary sources.

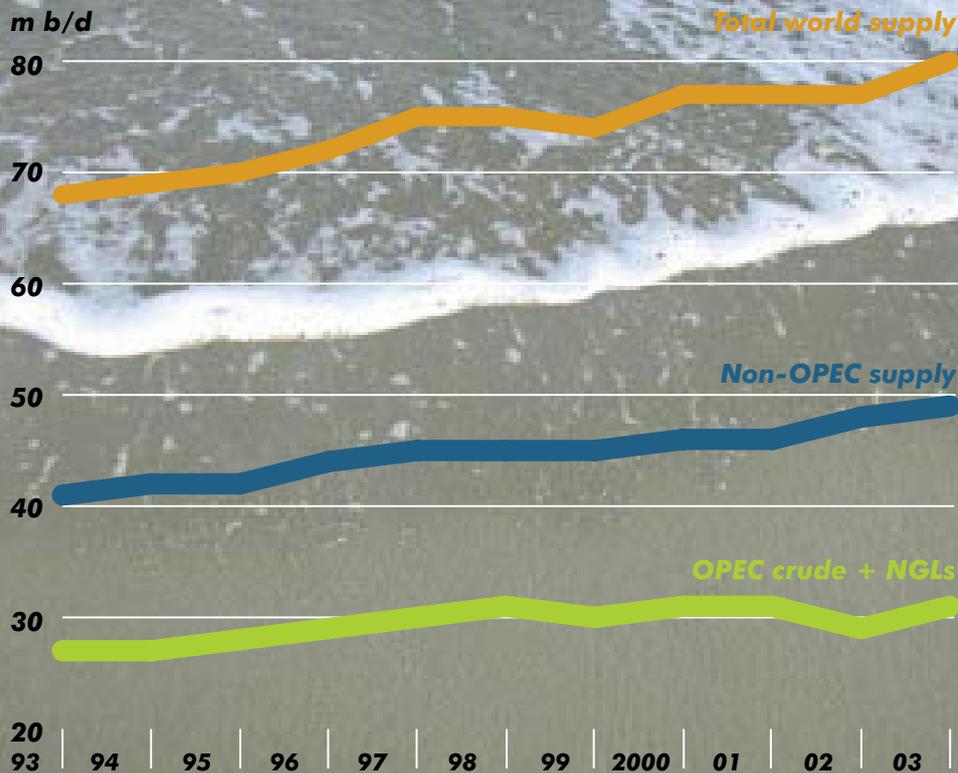
production cuts made during the year. However, in 2003, it recovered to reach 38.6 per cent, while non-OPEC's share declined.

## Non-OPEC supply

Non-OPEC supply in 2003 averaged 48.66m b/d, which was 900,000 b/d higher than the 47.76m b/d average in 2002 (see **Table 5**, page 15).

On a regional basis, total OECD production witnessed a significant decline of around 210,000 b/d. This decline was the result of the 158,000 b/d production increase in North America (mainly from Canada's syncrudes and Mexico, which increased by 122,000 b/d and 204,000 b/d, respectively, while the United States declined by 168,000 b/d due to less stripping of natural gas liquids (NGLs)) being outweighed by the 256,000 b/d decline in West European production (mainly from the UK and Norway, which fell by 198,000 b/d and 72,000 b/d, respectively) and the fall of 112,000 b/d in OECD Pacific.

Total developing countries (DCs) witnessed a rise of around 111,000 b/d. This was mainly attributable to Malaysia, Brazil, Chad, Equatorial Guinea and Sudan, which increased by 64,000 b/d, 53,000



**Figure 1: OPEC<sup>1</sup> crude + NGLs and non-OPEC<sup>2</sup> supply, 1993–2003**

b/d, 24,000 b/d, 43,000 b/d and 28,000 b/d, respectively. This rise was partially offset by the decline in Oman, Gabon and Colombia. The former Soviet Union (FSU) witnessed a significant increase of 923,000 b/d, mainly from Russia and Kazakhstan, with rises of 823,000 b/d and 90,000 b/d, respectively.

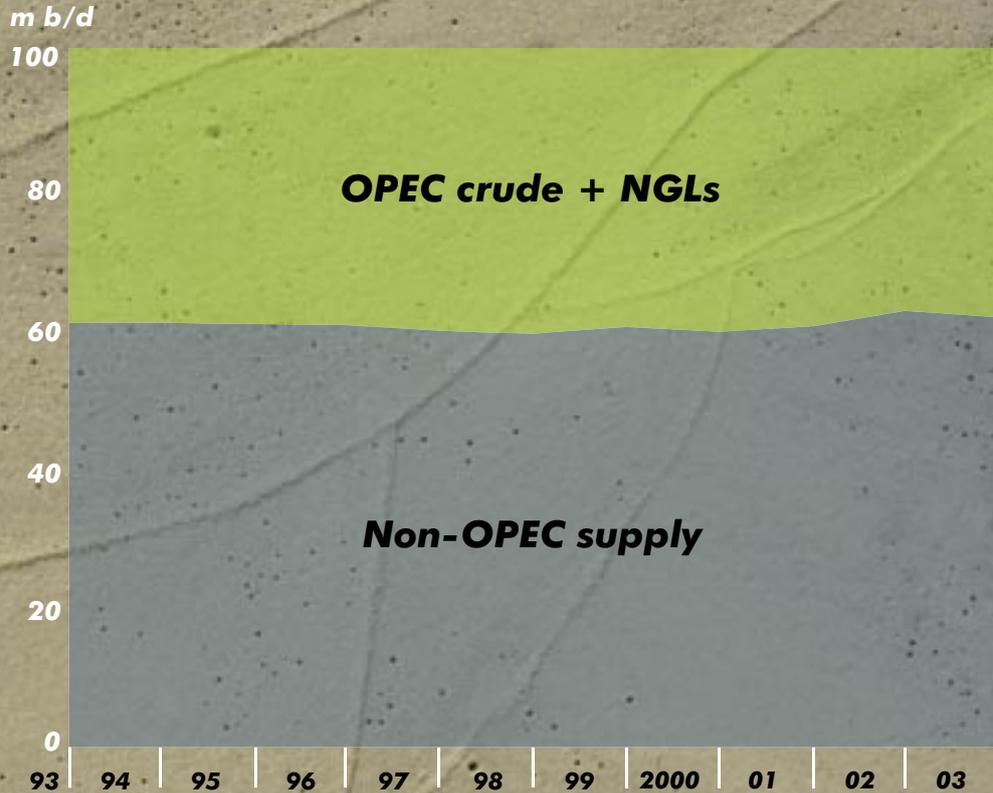
## **World oil demand**

According to the latest data, total world oil demand grew by 1.67m b/d, or 2.17 per cent y-o-y, to average 78.68m b/d for 2003. This is a substantial increase and represents a reversal of the subdued demand growth seen in previous years. Compared with the exceptionally weak first quarter of 2002, world demand is estimated to have grown significantly by 2.18m b/d, or 2.83 per cent y-o-y, to average 79.05m b/d during the first quarter. This is the net effect of the much colder-than-normal weather in most parts of the northern hemisphere, fuel substitution in Japan as a result of nuclear power reactor maintenance, stockpiling ahead of the anticipated Iraq war,

**Table 5****World supply/demand balance**

	2000	2001	2002	Q103	Q203	Q303	Q403	2003
								<i>m b/d</i>
<b>World demand</b>								
OECD	47.8	47.8	47.8	49.3	47.3	48.3	49.4	48.6
North America	24.1	24.0	24.2	24.5	24.3	25.1	24.9	24.7
Western Europe	15.1	15.3	15.1	15.2	15.0	15.3	15.5	15.2
Pacific	8.6	8.5	8.5	9.6	8.0	7.9	9.0	8.6
DCs	19.2	19.5	19.7	19.5	19.6	20.2	20.6	20.0
FSU	3.8	3.9	3.8	4.0	3.4	3.7	4.2	3.8
Other Europe	0.8	0.7	0.7	0.8	0.8	0.7	0.8	0.8
China	4.7	4.7	5.0	5.4	5.5	5.8	5.6	5.6
<b>Total world demand (a)</b>	<b>76.2</b>	<b>76.7</b>	<b>77.0</b>	<b>79.1</b>	<b>76.4</b>	<b>78.7</b>	<b>80.6</b>	<b>78.7</b>
<b>Non-OPEC supply</b>								
OECD	21.9	21.8	21.9	22.1	21.3	21.4	21.8	21.7
North America	14.3	14.3	14.5	14.7	14.4	14.6	14.8	14.6
Western Europe	6.8	6.7	6.7	6.8	6.2	6.1	6.5	6.4
Pacific	0.8	0.8	0.8	0.7	0.7	0.7	0.6	0.6
DCs	10.8	10.9	11.2	11.2	11.2	11.4	11.6	11.3
FSU	7.9	8.5	9.3	9.9	10.1	10.4	10.7	10.3
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4
Processing gains	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Total non-OPEC supply	45.6	46.4	47.8	48.6	48.0	48.6	49.5	48.7
OPEC NGLs	3.3	3.6	3.6	3.5	3.7	3.7	3.7	3.7
<b>Total non-OPEC supply and OPEC NGLs (b)</b>								
	48.9	50.0	51.4	52.2	51.6	52.3	53.2	52.3
OPEC crude oil production <sup>1</sup>	28.0	27.2	25.3	26.8	26.5	26.8	27.7	27.0
<b>Total supply</b>	<b>76.9</b>	<b>77.2</b>	<b>76.7</b>	<b>78.9</b>	<b>78.1</b>	<b>79.1</b>	<b>80.9</b>	<b>79.3</b>
<b>Balance (stock change and miscellaneous)</b>								
	0.7	0.5	-0.3	-0.1	1.7	0.4	0.4	0.6
<b>Opening stock level (outside FCPEs) <i>m b</i></b>								
OECD onland commercial	2,530	2,621	2,466	2,408	2,526	2,574	2,500	2,500
OECD SPR	1,269	1,284	1,343	1,357	1,361	1,379	1,406	1,406
OECD total	3,799	3,905	3,809	3,765	3,887	3,953	3,906	3,906
Other onland	1,016	1,044	1,019	1,007	1,040	1,057	1,044	1,044
Oil on water	877	831	816	857	886	873	885	885
<b>Total stock</b>	<b>5,691</b>	<b>5,780</b>	<b>5,644</b>	<b>5,629</b>	<b>5,812</b>	<b>5,884</b>	<b>5,835</b>	<b>5,835</b>
<b>Days of forward consumption in OECD</b>								
Commercial onland stocks	52.9	54.9	50.8	50.9	52.3	52.1	50.2	50.2
SPR	26.5	26.9	27.7	28.7	28.2	27.9	28.2	28.2
<b>Total</b>	<b>79.5</b>	<b>81.8</b>	<b>78.4</b>	<b>79.6</b>	<b>80.5</b>	<b>80.0</b>	<b>78.4</b>	<b>78.4</b>
Memo items								
FSU net exports	4.1	4.6	5.6	5.9	6.8	6.7	6.5	6.5
(a) – (b)	27.3	26.7	25.6	26.9	24.8	26.4	27.3	26.4

**Notes:** Totals may not add up due to independent rounding. 1. Secondary sources.



**Figure 2: OPEC crude + NGLs and non-OPEC market share, 1993-2003**

and the record high natural gas prices in the US. Consumption in the second quarter of 2003 is estimated to have risen by 1.23m b/d, or 1.64 per cent, compared to the exceptionally weak second quarter of 2002, thanks to the robust economic growth in China and the continuation of fuel substitution in Japan. Third quarter consumption is estimated to have climbed by 1.53m b/d, or 1.99 per cent. The fourth quarter increase is estimated at 1.74m b/d, or 2.21 per cent, which was the second-largest quarterly rise in 2003.

On a regional basis, OECD demand is estimated to have risen by 820,000 b/d, or 1.71 per cent, following a small fall of 70,000 b/d in 2002. The estimated rise of 270,000 b/d, or 1.39 per cent, in DCs' consumption in 2003 is well above the 210,000 b/d, or 1.1 per cent, growth in 2002. Apparent demand in the former Centrally Planned Economies (CPEs) is estimated to have grown considerably by 580,000 b/d, or 6.06 per cent, which was an increase of more than two and a half times in both volume and growth rate compared to the 210,000 b/d, or 2.21 per cent, registered in 2002.

## **OECD**

The estimated OECD consumption of 48.58m b/d constitutes 62 per cent of the total world demand in 2003. About 820,000 b/d (49 per cent) of the forecast 1.67m b/d rise in world oil consumption is expected to be accounted for by the OECD. Within the group, North America ranks first in the estimated demand growth with 550,000 b/d, close to 68 per cent of the group demand increment. OECD Pacific and Western Europe rank second with 130,000 b/d each, equivalent to 16 per cent.

Due to fuel switching in the US and across Europe, the leading volume and percentage gainer product in 2003 was gasoil/diesel with a 340,000 b/d, or 2.85 per cent, rise in consumption. The second volume and percentage gainer product was naphtha, which experienced growth of 80,000 b/d, or 2.68 per cent, thanks to healthy profit margins in the petrochemical sector. Direct use also registered exceptionally strong growth of 42.15 per cent, due to the nuclear reactor maintenance in Japan. The only product whose consumption lost ground (falling 30,000 b/d, or 0.52 per cent) was liquefied petroleum gas (LPG), since sustained high prices lead to a decline in consumption in the US.

## **Developing Countries**

Oil demand in the DCs is estimated to have grown by 270,000 b/d, or 1.39 per cent, to 19.98m b/d. Consumption in Latin America is estimated to have contracted by 90,000 b/d, or 1.95 per cent, to average 4.65m b/d, similar to the year 2002 when demand weakened by 120,000 b/d, indicating persistent economic and financial problems. Other Asia is estimated to have registered the highest volume and percentage growth of 230,000 b/d, or 3.08 per cent, followed by the Middle East and Africa at 100,000 b/d, or 2.03 per cent, and 40,000 b/d, or 1.39 per cent, respectively.

## **Former CPEs**

According to estimates, apparent oil demand in the former CPEs for 2003 grew by 10.13m b/d, or 13 per cent. China's consumption rose sharply by 530,000 b/d, or 10.50 per cent, accounting for 32 per cent of the rise in total world demand and more than double the country's consumption growth in 2002. Within the group, the apparent demand of 5.56m b/d in China is estimated to have registered the highest volume and percentage growth. The FSU, with an average 3.80m b/d, is estimated to have experienced a negligible demand rise of 20,000 b/d, or 0.62 per cent. The apparent demand in Other Europe is estimated to have grown relatively substantially by 30,000 b/d, or 3.65 per cent.



**Figure 3: Weekly movement of crude prices, 2003**

## Stock movements

At the end of the fourth quarter of 2003, world oil stocks outside the former CPEs were estimated at 5,835m b, down 49m b (a rate of 530,000 b/d) from the third quarter (see **Table 6**). This draw was due to a sharp decrease in OECD commercial oil stocks, which fell by 74m b, or 810,000 b/d.

North America registered a draw of 51m b to 1,150m b, which was 22m b less than a year ago. Most of this draw took place on commercial crude stocks, which fell by 44m b to 505m b, or around 15m b below last year's figure. Meanwhile, product inventories fell by 7m b to 645m b, taking the y-o-y deficit to 7m b. US commercial crude oil inventories hit their lowest level since 1975, dropping to 279m b, which was 17m b lower than at the end of the previous quarter and 10m b below this time last year. This fall was mainly due to the decline in crude oil imports of almost 500,000 b/d to 9.7m b/d, outpacing the fall of 190,000 b/d in crude runs to 15.37m b/d. Crude oil imports, however, were still around 500,000 b/d higher than a year earlier.

**Table 6**  
**Closing stock level (outside FCPEs)**

	<b>Q103</b>	<b>Q203</b>	<b>Q303</b>	<b>Q403</b>
				<i>m b/d</i>
OECD onland commercial	2,408	2,526	2,574	2,500
OECD SPR	1,357	1,361	1,379	1,406
<b>OECD total</b>	<b>3,765</b>	<b>3,887</b>	<b>3,953</b>	<b>3,906</b>
Other onland	1,007	1,039	1,057	1,044
Oil on water	857	886	873	885
<b>Total stocks</b>	<b>5,629</b>	<b>5,812</b>	<b>5,884</b>	<b>5,835</b>

Concerns over low stock levels have been focussed on commercial crude inventories in the US, with Europe and Japan being less of a worry. Indeed, total commercial crude and products stocks in OECD Europe at the end of December 2003 were put at 914m b, nearly 31m b above the end-2002 level. Crude oil stocks climbed to 313m b, a build of 13m b compared to the previous quarter, to register a comfortable y-o-y surplus of 29m b. Part of the reason for the rise in crude stocks was the drop in refinery runs, as well as the arrival of very high volumes of Russian crude. In contrast to crude stocks, product inventories looked tight, remaining unchanged at 532m b compared to the third quarter or to a year earlier. In OECD Pacific, total commercial oil stocks registered a considerable draw of 24m b to 435m b at the end of the fourth quarter of 2003 compared to the previous quarter, but were still 25m b above the end-2002 level. Both crude and product stocks fell, declining by 4m b to 251m b and by 21m b to 184m b, respectively, although they remained higher compared to the previous year's level. Crude oil stocks registered a 19m b y-o-y surplus, while product inventories were up 6m b.

In contrast to the draw observed in OECD commercial oil stocks at the end of the fourth quarter of 2003, the Strategic Petroleum Reserve (SPR) inventories registered a build of 27m b to 1,406m b, which was 62m b higher than their level registered at end-2002. The main contributor to this build was North America, where stocks rose by 39m b to 640m b, followed by OECD Europe, which increased by 17m b to 367m b, and OECD Pacific, which rose 7m b to 398m b. In the US, the SPR continued its upward trend, widening the y-o-y surplus to almost 40m b, in line with US Administration plans to raise the SPR volume to 640m b by end-2003. If this volume had been added to commercial inventories instead, crude oil stocks would have been around 318m b at end-2003, more than enough to satisfy the market and very bearish for oil prices. In contrast, the US policy of continuing to fill the SPR to its maximum capacity of 700m b means that up to 135,000 b/d will be withdrawn from the market in the first nine months of the current year. Any rise in commercial crude oil stocks is likely to be gradual, despite the continued high level of crude imports.

Estimated oil stocks in DCs at end-2003 also registered a draw of 13m b or 140,000 b/d to 1,044m b. The exception to the draw in total world oil stocks came from oil on water, which registered a build of 13m b or 140,000 b/d to 97m b. Estimated oil in transit remained unchanged at 788m b, although it was still around 70m b above last year's level at the same time. This build came on the back of more Middle East cargos heading to the Atlantic basin. Compared to end-2002, estimated world oil stocks outside the former CPEs registered a build of 197m b or 520,000 b/d, with all inventory components contributing to the surplus. OECD commercial stocks accounted for 34m b or 90,000 b/d, oil on water experienced a build of around 69m b or 200,000 b/d and the SPR saw a rise of 62m b or 170,000 b/d.

## ***Balance of supply and demand***

As shown in **Table 7**, the slower increase in non-OPEC supply, compared with the significant rate of increase in world demand, resulted in a difference of around 26.4m b/d. OPEC crude oil production increased considerably by around 1.6m b/d to 27.0m b/d, resulting in a stock-build of 600,000 b/d.

## ***Oil price movements***

The annual average of the OPEC Reference Basket rose by \$3.74 per barrel on a y-o-y basis, to average \$28.10/b. It ended the year at \$29.44/b (a rise of 15.4 per cent), with most of the gains occurring in the first and last quarters of the year (see **Figure 3**, page 18). However, bullish sentiment prevailed throughout 2003. Concerns over possible supply interruptions from some OPEC Member Countries (MCs), coupled with the threat of a US-led invasion of Iraq in the early part of the year, kept prices strong in a backwardated market.

An examination of crude oil prices on a quarterly basis shows that they climbed during the first quarter, amid the oil workers' strike in Venezuela, which began early in December 2002 and extended into late January. The strike effectively removed some 2m b/d from the market, raising the risk of a supply shortfall at a time when US commercial stocks had fallen significantly, and the northern hemisphere was experiencing colder-than-normal temperatures. In response, the OPEC Conference decided at its 123<sup>rd</sup> (Extraordinary) Meeting on January 12, that it would increase its overall production ceiling from 23m b/d to 24.5m b/d with effect from February 1, 2003. Despite the OPEC Conference decision and the end of the oil workers' strike in Venezuela at the end of January, the geopolitical tension in the Middle East was the dominating factor in the upward price movement. The OPEC Basket surged to its highest level for 2003 at \$33.11/b on March 10 (see **Table 8**, page 22). However, the foray was short-lived, and the Basket returned to the median range of the price band by the end of the first quarter.

**Table 7**  
**Summarized supply/demand balance**

m b/d

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	Growth 03/02
World Oil Demand (a)	76.7	77.0	79.0	76.4	78.7	80.6	78.7	1.7
Non-OPEC Supply <sup>1</sup> (b)	50.0	51.4	52.2	51.6	52.3	53.2	52.3	0.9
Difference (a–b)	26.7	25.6	26.9	24.8	26.4	27.3	26.4	0.7
OPEC crude oil production <sup>2</sup>	27.2	25.3	26.8	26.5	26.8	27.7	27.0	1.6
Balance (stock change & misc)	0.5	–0.3	–0.1	1.7	0.4	0.4	0.6	0.9

**Note:**

1. Including OPEC NGLs.

2. Selected secondary sources. Totals may not add up due to independent rounding.

During the early part of the second quarter, the fear of an oil supply shortfall faded away as, immediately following the commencement of hostilities in Iraq on March 20, the OPEC Secretariat issued a statement reiterating the Organization’s resolve to make up for any supply shortfall resulting from the developing events. To achieve this end, OPEC MCs pledged to use their available excess production capacities to ensure continued supply. As a result, rather than seeing a price spike due to the loss of roughly 2m b/d of Iraqi exports, the Basket price dropped towards the lower end of the price band and reached a year-low of \$23.27/b on April 29. This downward move was all the more surprising given the fact that at the same time social unrest in Nigeria removed an additional 800,000 b/d of crude from the market.

After a review of the market situation, the Conference, at a Consultative Meeting on April 24, decided to increase the production ceiling by 900,000 b/d to 25.4m b/d, effective June 1. Nevertheless, the market remained volatile, reflecting continued high levels of economic, as well as a degree of political, uncertainty. Despite the fact that the market remained well-supplied, prices displayed an upward trend, due to the slower-than-anticipated recovery in Iraqi production, coupled with low stock levels. However, with the anticipation that low stock levels would be replenished during the third quarter, the Conference decided to maintain agreed production levels at its (Extraordinary) Meeting on June 11, in Doha.

The third quarter started with a bullish tone, on the perception that a nationwide strike in Nigeria could disrupt oil output, at the same time as a possible slowdown in oil operations in the US Gulf Coast due to the looming hurricane season. Support came from the rising demand for gasoline in August and several refinery glitches in the US, which underpinned the oil price, pushing the

**Table 8**  
**Average monthly spot prices for selected crudes, 2003**

\$/b

Crude	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec 2003	
<b>OPEC Basket</b>	<b>30.34</b>	<b>31.54</b>	<b>29.78</b>	<b>25.34</b>	<b>25.60</b>	<b>26.74</b>	<b>27.43</b>	<b>28.63</b>	<b>26.32</b>	<b>28.54</b>	<b>28.45</b>	<b>29.44</b>	<b>28.10</b>
Arab Light	29.10	31.11	28.98	24.70	24.92	26.15	27.24	28.36	26.41	28.26	28.63	29.20	27.69
Dubai	28.02	29.94	27.76	23.59	24.31	25.46	26.66	27.66	25.52	27.42	27.62	28.06	26.77
Bonny Light	30.78	32.33	30.83	25.27	25.78	27.46	28.39	29.79	27.47	29.59	28.93	29.64	28.76
Saharan Blend	31.29	32.43	31.21	25.19	25.24	27.20	27.91	29.59	27.29	29.87	28.94	29.77	28.73
Minas	32.32	31.89	30.70	29.66	28.76	27.19	27.33	28.38	26.74	29.67	30.12	32.09	29.52
Tia Juana Light	30.14	31.21	29.04	23.97	24.56	26.23	26.71	27.52	24.64	26.60	26.69	27.60	26.97
Isthmus	30.74	31.90	29.96	24.99	25.61	27.48	27.79	29.08	26.18	28.38	28.24	29.71	28.25
<b>Other crudes</b>													
Arab Heavy	27.78	29.86	27.33	23.50	24.19	25.37	26.68	27.63	24.92	26.87	26.88	27.10	26.43
Murban	29.44	31.52	29.32	25.34	25.91	26.95	28.05	28.69	26.71	29.00	29.35	29.93	28.29
Iran Light	29.13	29.89	27.94	22.85	23.06	24.43	26.03	28.62	26.66	28.79	27.64	28.55	26.89
Iran Heavy	28.42	29.22	27.22	22.28	22.63	24.11	25.71	28.25	26.19	28.29	27.04	27.56	26.33
Kuwait Export	28.08	30.02	27.81	23.78	24.35	25.50	26.70	27.78	25.78	27.67	27.76	28.25	26.89
Mandji	28.87	30.11	28.55	22.64	23.36	25.01	25.91	27.35	24.89	27.42	26.25	27.39	26.38
Zueitina	31.66	32.64	30.96	25.11	25.49	27.04	27.96	29.28	26.99	29.60	28.68	29.69	28.72
Es Sider	30.74	32.14	30.30	24.63	24.92	26.50	27.55	28.89	26.75	29.12	28.58	29.51	28.21
Forcados	30.72	32.26	30.69	25.10	25.51	27.32	28.28	29.73	27.39	29.48	28.82	29.56	28.65
Dukhan	28.83	30.43	28.07	24.33	24.88	26.41	26.91	27.92	26.73	28.70	28.53	28.69	27.52
Oman Blend	28.54	30.31	28.06	24.14	24.53	25.64	26.80	27.96	26.09	27.97	27.93	28.43	27.13
Tapis	31.90	33.79	31.73	27.77	26.79	27.11	28.44	30.65	29.65	31.90	30.60	31.38	30.08
Urals	29.56	30.76	28.38	22.48	23.96	25.68	26.92	28.67	25.88	28.17	27.30	27.90	27.03
Suez Mix	27.67	29.04	27.81	21.87	22.84	24.07	25.69	27.59	24.70	27.02	26.17	25.89	25.76
Brent	31.31	32.54	30.98	25.07	25.79	27.44	28.34	29.78	27.32	29.85	28.68	29.82	28.81
Oriente	29.01	31.19	26.84	20.63	22.37	25.07	25.43	26.42	22.96	25.07	25.17	26.45	25.42
WTI	33.08	35.63	33.88	28.40	28.23	30.71	30.61	31.60	28.55	30.43	30.94	32.15	31.09
North Slope	32.01	35.05	33.19	25.79	26.24	29.40	29.21	30.22	27.34	28.66	29.14	30.69	29.63
<b>Differentials</b>													
Min RBP <sup>1</sup> -Basket	-9.34	-10.54	-8.78	-4.34	-4.60	-5.74	-6.43	-7.63	-5.32	-7.54	-7.45	-8.44	-7.10
Bonny L-Arab H	2.99	2.47	3.50	1.77	1.59	2.09	1.72	2.17	2.55	2.72	2.05	2.54	2.33
Bonny L-Saharan B	-0.51	-0.10	-0.38	0.08	0.54	0.26	0.48	0.21	0.17	-0.28	-0.02	-0.14	0.04
Brent-WTI	-1.77	-3.09	-2.90	-3.33	-2.44	-3.28	-2.27	-1.82	-1.23	-0.58	-2.26	-2.33	-2.28
Brent-Dubai	3.30	2.61	3.23	1.49	1.49	1.98	1.67	2.12	1.80	2.43	1.06	1.76	2.05

**Notes:**

1. The minimum Reference Basket price is \$21/b starting from August 1990 as set during the 87<sup>th</sup> Meeting of the Conference, held on July 26-27, 1990. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price, whereas the netback values for the calculations are taken from RVM.

**Sources:**

Platt's; Secretariat's assessments.

OPEC Basket above the upper limit of the price band during August. However, heavy futures selling by funds due to profit-taking at the end of the driving season, caused a reversal of the net long positions held by speculators. The resulting move by speculators to net short positions allowed the petroleum market to ease and prices moved downward. Moreover, the perception that OPEC would keep output unchanged at its Meeting of the Conference in September added impetus to the price fall later in the quarter. However, the market was caught by surprise when, at that Meeting, OPEC announced that it would reduce the ceiling to 24.5m b/d with effect from November 1. This was perceived as bullish, amid rising Iraqi oil output and normal seasonal demand.

Moving into the fourth quarter, the Basket surged above the upper limit of the price band for most of October and speculators switched their net short positions to net longs. However, US crude oil inventories recovered amid continued high imports and open inbound arbitrage, lessening the perception of an imminent supply shortfall. Accordingly, oil prices dipped towards the last week of October. Nonetheless, this fall was short-lived on rising demand from China and a drop in US crude oil stock levels, coupled with an unexpected rise in US gasoline demand.

Hence, hedge funds increased their net long positions as the weakening of the US dollar contributed to the buying by funds, sparking a continuation of the price rally, amid the perception that OPEC would implement another production cut at its Meeting of the Conference on December 4. However, at the December Meeting, the Conference observed that the crude oil market was well supplied, and thus decided to maintain the 24.5m b/d production ceiling. The OPEC Basket continued to soar amid the closure of the arbitrage window for transatlantic barrels, and it ended the year at \$29.87/b, slightly above the annual average for 2003 of \$28.10/b.

## ***The refining industry***

Primary distillation capacity in OPEC MCs hovered around 8.67m b/d at the end of 2003. This constituted about 10.6 per cent of the world capacity, which stood at 81.83m b/d for the same period (see **Table 9**, page 25). The fall of about 3 per cent in OPEC domestic distillation capacity was mainly due to the reported decline of about 200,000 b/d in Venezuelan refining capacity and a deduction of about 50,000 b/d of condensate splitter capacity in Qatar that was reported previously under distillation capacity.

Vacuum distillation capacity remained relatively unchanged at 2.45m b/d. However, total conversion capacity declined to 1.63m b/d during 2003. This was mostly due to the reported decline in catalytic cracker capacity in Venezuela, which fell from 233,900 to 164,800 b/d. The ratio of OPEC conversion to distillation capacity stood at 18.8 per cent at the end of 2003. This ratio,

which indicates the degree of sophistication of refining in MCs, compares with the world average ratio of 32.4 per cent and the US ratio of 56.1 per cent.

Plans in Saudi Arabia to increase the cracking capacity at its Rabigh refinery; the planned construction of a fourth modern refinery with a capacity of 460,000 b/d in Kuwait and the construction of a 60,000 b/d hydro-cracking unit at the Bahrain refinery, which mainly utilizes crude from Saudi Arabia as feedstock, should improve the present status of refinery configuration in the MCs.

In contrast to the distillation capacity, recent news of developments in condensate refinery construction among the Gulf Members of OPEC has been encouraging. During 2003, a new condensate splitter was commissioned in Ras Tanura, Saudi Arabia, with a capacity of 200,000 b/d. In recent years, with positive developments in the gas industry in several MCs, the quantity of available condensate — especially in the Gulf area — has increased considerably.

To this end, in addition to the above-mentioned condensate refinery in Ras Tanura, two new splitters, each with a capacity of about 30,000 b/d, were inaugurated in Um Said in Qatar during 2002. Two other relatively bigger condensate refineries at Al-Ruwais were also built by the United Arab Emirates during 2001. The latter two refineries, each of which has a capacity of 140,000 b/d, bring the total condensate refining capacity in the Gulf region to nearly 540,000 b/d.

## ***Foreign refining capacity***

OPEC's equity share of ownership of refineries outside their national borders remained almost unchanged at 3.07m b/d during 2003 (see **Table 10**, page 26). OPEC's equity of 1.60m b/d was relatively high in the US and Caribbean region, where it reached nearly 9 per cent of the available refining capacity. The OPEC share of 5 per cent in Western Europe's refining was followed by 3.5 per cent in the Asia/Far East region. OPEC supply of crude oil to the equity-owned refineries closely followed the pattern of its share of ownership. Almost 3.3m b/d of crude oil was exported by the MCs to the equity-owned refineries, constituting nearly 7 per cent of total refinery input in those markets. Half of the equity supply was shipped to the US and Caribbean region, which amounted to 10 per cent of local refinery input. The remaining equity supply was exported to European and Far Eastern refineries, where it constituted slightly more than 5 per cent of local refinery input during the year.

## ***The tanker market***

Due to a 5.2 per cent increase in world oil production in 2003, the volume of international trade for crude oil and refined petroleum products rose by 4.1 per cent from a revised figure of 2,003 million tonnes (m t) in 2002 to 2,085m t in 2003.

**Table 9**  
**OPEC domestic refinery configuration, 2003**

1,000 b/d

Region	Crude distillation	Vacuum distillation	Thermal operation	Catalytic cracking	Catalytic reforming	Catalytic hydro-treating	Catalytic hydro-cracking	Total conversion	Conv/crude distillation (per cent)
<b>Latin America</b>									
Venezuela	1,003.8	408.8	–	164.8	41.7	110.7	–	164.8	16.4
<b>Total</b>	<b>1,003.8</b>	<b>408.8</b>	<b>–</b>	<b>164.8</b>	<b>41.7</b>	<b>110.7</b>	<b>–</b>	<b>164.8</b>	<b>16.4</b>
<b>Africa</b>									
Algeria	462.2	10.9	–	–	88.9	82.0	–	–	–
SP Libyan AJ	380.0	3.8	–	–	20.3	43.3	–	–	–
Nigeria	445.0	129.3	–	61.0	73.5	119.8	–	61.0	13.7
<b>Total</b>	<b>1,287.2</b>	<b>144.0</b>	<b>–</b>	<b>61.0</b>	<b>182.7</b>	<b>245.1</b>	<b>–</b>	<b>61.0</b>	<b>4.7</b>
<b>Middle East</b>									
IR Iran	1,474.0	584.4	156.8	30.0	160.5	139.3	139.2	326.0	22.1
Iraq	603.0	145.0	–	–	77.0	283.0	38.0	38.0	6.3
Kuwait	831.0	335.0	72.0	40.0	51.0	429.3	205.5	317.5	38.2
Qatar	80.0	–	–	28.0	14.7	39.4	–	28.0	35.0
Saudi Arabia	1,864.0	447.8	138.1	103.6	193.4	553.1	131.8	373.5	20.0
UAE	466.3	92.9	–	34.4	25.9	158.6	31.1	65.4	14.0
<b>Total</b>	<b>5,318.3</b>	<b>1,605.1</b>	<b>366.9</b>	<b>236.0</b>	<b>522.5</b>	<b>1,602.7</b>	<b>545.6</b>	<b>1,148.4</b>	<b>21.6</b>
<b>Far East</b>									
Indonesia	1,057.0	294.6	96.2	103.5	71.9	247.3	58.0	257.7	24.4
<b>Total</b>	<b>1,057.0</b>	<b>294.6</b>	<b>96.2</b>	<b>103.5</b>	<b>71.9</b>	<b>247.3</b>	<b>58.0</b>	<b>257.7</b>	<b>24.4</b>
<b>Total OPEC</b>	<b>8,666.3</b>	<b>2,452.5</b>	<b>463.1</b>	<b>565.3</b>	<b>818.8</b>	<b>2,205.8</b>	<b>603.6</b>	<b>1,631.9</b>	<b>18.8</b>
<b>Total world</b>	<b>81,832.9</b>	<b>25,914.6</b>	<b>7,703.4</b>	<b>14,291.6</b>	<b>11,121.9</b>	<b>40,150.6</b>	<b>4,509.6</b>	<b>26,504.6</b>	<b>32.4</b>
OPEC percentage	10.6	9.5	6.0	4.0	7.4	5.5	13.4	6.2	

**Notes:**

As of December 31, 2003.

Conversion = total of thermal operations plus catalytic cracking and catalytic hydro-cracking.

**Sources:**

Direct communication with the Secretariat; Oil and Gas Journal; National sources.

**Table 10**  
**OPEC foreign downstream crude refining capacity, 2003**

1,000 b/d

### Equity ownership<sup>1</sup>

	<b>Asia &amp; Far East</b>	<b>Western Europe</b>	<b>US &amp; Caribbean</b>	<b>Total</b>
Kuwait	–	180.0	–	180.0
SP Libyan AJ	–	98.6	–	98.6
Saudi Arabia	402.5	135.3	340.0	877.8
UAE	317.0	89.6	–	406.6
Venezuela <sup>3</sup>	–	251.2	1,253.8	1,505.0
<b>Total</b>	<b>719.5</b>	<b>754.7</b>	<b>1,593.8</b>	<b>3,068.0</b>
Regional refining capacity/intake	20,402.8	15,156.8	17,869.0	53,428.6
<b>OPEC % share</b>	<b>3.5</b>	<b>5.0</b>	<b>8.9</b>	<b>5.7</b>

### Crude supply<sup>2</sup>

	<b>Asia &amp; Far East</b>	<b>Western Europe</b>	<b>US &amp; Caribbean</b>	<b>Total</b>
Kuwait	–	39.0	–	39.0
SP Libyan AJ	–	150.0	–	150.0
Saudi Arabia	610.0	186.0	450.0	1,246.0
UAE	325.0	108.0	–	433.0
Venezuela <sup>3</sup>	–	223.0	1,215.0	1,438.0
<b>Total</b>	<b>935.0</b>	<b>706.0</b>	<b>1,665.0</b>	<b>3,306.0</b>
Regional refining capacity/intake	17,745.0	13,899.6	16,595.0	48,239.6
<b>OPEC % share</b>	<b>5.3</b>	<b>5.1</b>	<b>10.0</b>	<b>6.9</b>

**Notes:**

1. OPEC share based on the percentage of equity ownership (excluding leased capacity).
2. Supply of crude agreed under the contract to be delivered to the refinery by Member Country (including leased refineries).
3. Excluding the 310,000 b/d leased Curaçao refinery.

Tanker freight rates were driven by an exceptionally strong rise in tonnage demand of about 7.5 per cent, which outpaced the 4.4 per cent growth in tanker fleet capacity. This buoyant tanker demand was not only a result of increasing oil consumption, but of several other factors which helped freight rates to register their second-best year in terms of profitability since 1973.

One of the important elements of the rise was the increase in transportation distances due to the disruption of supplies to the US from short-haul sources. Moreover, the switch from nuclear to oil-fired power plants in Japan generated additional demand for tanker capacity from the Gulf. Unplanned delays in the Bosphorus Strait at various periods during the year also caused spikes in freight rates. However, the sinking of the single-hull tanker *Prestige* and the subsequent spillage of heavy fuel oil on the coast of Spain towards the end of 2002 brought about a dramatic change to the transportation of crude and heavy products in 2003. This was not only because European governments banned single-hull tankers from their waters, but also because charterers realized how costly a single accident could be. Since this meant that a large proportion of tanker capacity would no longer qualify for trade, demand for the remaining supply of double-hull tankers pushed rates to unprecedented levels during the year.

Very large crude carrier (VLCC) freight rates on the Middle East eastbound and westbound routes rose on average by about 80 per cent compared with 2002. These rates finished the year 2003 with average levels of Worldscale (WS) 97 and 83, which were respectively 43 and 37 points higher than the previous year. However, rates as high as WS 153 and WS 129 were experienced during December on these routes. On short-haul routes such as the Caribbean-US route and within the Mediterranean, the rise was less pronounced, but still about 50 per cent higher than 2002. On the Caribbean-US route, the rates for Aframax size tankers averaged around WS 200, but at times (such as in March) reached WS 330. The rise in clean product transportation was subdued as the elements influencing crude transportation did not directly affect this sector. The Gulf-East route saw the rates averaging around WS 165 for 30,000 deadweight ton (dwt) tankers.

Tanker capacity used for oil storage rose by 8.3 per cent, from an average of 10.14m t in 2002 to 11.14m t during 2003, despite a slight reduction in the level of on-land crude stocks in the major consuming regions.

## ***Tanker fleet development***

The world tanker fleet increased by 13.0m dwt to reach 306.58m dwt during 2003. At the same time, the number of tankers in the fleet increased from 3,368 to 3,524, a rise of 156 over the previous year. The OPEC fleet during the year experienced a healthy rise of 21.3 per cent, reaching

13.78m dwt (see **Table 11**). However, OPEC-owned tankers still constituted a mere 4.5 per cent of the world fleet, despite generating more than 50 per cent of world crude oil exports. The worldwide trade (as measured in ton-miles) for crude oil and petroleum products increased by 6.1 and 5.1 per cent, respectively, during 2003.

With the growing importance of gas trade in the world energy mix and nearly 50 per cent of gas reserves, OPEC is also expected to play a major role in the transportation stage of this industry. In 2003, the OPEC MCs' share of the global liquefied natural gas carrier capacity was 3.1 million cubic metres (cu m), or 17.4 per cent of the world fleet of 17.7m cu m. However, the OPEC MCs' share of the global LPG fleet amounted to only 3.3 per cent, or about 0.5m cu m.

**Table 11**  
**Tanker fleet development in OPEC Member Countries, 2000–03**

1,000 dwt

	2000		2001		2002		2003	
	No	DWT	No	DWT	No	DWT	No	DWT
Algeria	1	22.6	1	22.6	1	22.6	1	22.6
Indonesia	32	988.9	32	988.9	32	988.9	32	988.9
IR Iran	21	3,699.6	24	3,070.6	23	4,169.6	27	5,644.5
Iraq	9	534.3	9	534.3	9	534.3	9	534.3
Kuwait	16	2,862.9	26	3,329.6	17	2,898.0	29	3,625.3
SP Libyan AJ	6	775.3	6	775.3	6	775.3	6	775.3
Nigeria	2	413.0	2	413.0	2	408.8	2	408.8
Qatar	4	368.6	4	368.6	4	368.6	4	368.6
Saudi Arabia	12	578.6	12	578.6	12	578.6	12	578.6
UAE	10	291.6	10	291.6	9	291.6	7	275.4
Venezuela	6	320.3	6	320.3	6	320.3	13	557.5
<b>Total OPEC</b>	<b>119</b>	<b>10,856</b>	<b>132</b>	<b>10,693</b>	<b>121</b>	<b>11,357</b>	<b>142</b>	<b>13,780</b>
<b>Total world</b>	<b>3,329</b>	<b>292,059</b>	<b>3,336</b>	<b>291,110</b>	<b>3,368</b>	<b>293,571</b>	<b>3,524</b>	<b>306,578</b>
<b>OPEC percentage</b>		<b>3.7</b>		<b>3.7</b>		<b>3.9</b>		<b>4.5</b>

**Note:**

Totals may not add up due to independent rounding.

**Sources:**

World oil tanker trends; Simpson, Spence and Young Consultancy; Direct communication with the Secretariat.



## **Press Releases**

Press Release No 2/2003, Vienna, Austria, January 12, 2003

### **123rd (Extraordinary) Meeting of the OPEC Conference**

The 123rd (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 12 January 2003, under the Chairmanship of its President, HE Abdullah bin Hamad Al Attiyah, Minister of Energy and Industry of Qatar and Head of its Delegation. The Conference reiterated its hope that a swift and peaceful resolution of the present situation in Venezuela could be found, in both the interests of the people and Government of the Country.

Having reviewed the oil market situation, especially the demand/supply picture for the first quarter 2003, and in light of the impact of the supply shortfall on price volatility, the Conference decided

to raise the OPEC-10 ceiling from 23 mb/d to 24.5 mb/d, with effect from 1 February 2003, in order to ensure adequate supplies of crude to consumers and restore balanced market conditions. In this regard, the Conference extends its support to Venezuela in its efforts to restore its market share. The adjusted ceiling will be reviewed at the next Ordinary Meeting of the Conference, which Ministers re-confirmed would take place on 11 March 2003. Member Countries affirmed their commitment to the new production level and their intention to ensure that prices remain within limits deemed acceptable to both producers and consumers.

The Conference remains determined to take whatever measures, as and when deemed necessary, to maintain oil price and market stability, and states that the market will be continuously and carefully monitored.

The Conference repeated its standing call on other oil producers and exporters to continue to cooperate with OPEC for the enduring well-being of the market and the benefit of both producers and consumers.

The Conference expressed its appreciation to the Government of the Federal Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

(b/d)

	<b>Old production level</b>	<b>Increase</b>	<b>New production level</b>
<b>Algeria</b>	735,000	48,000	782,000
<b>Indonesia</b>	1,192,000	78,000	1,270,000
<b>IR Iran</b>	3,377,000	220,000	3,597,000
<b>Kuwait</b>	1,845,000	120,000	1,966,000
<b>Libya</b>	1,232,000	80,000	1,312,000
<b>Nigeria</b>	1,894,000	124,000	2,018,000
<b>Qatar</b>	596,000	39,000	635,000
<b>Saudi Arabia</b>	7,476,000	488,000	7,963,000
<b>UAE</b>	2,007,000	131,000	2,138,000
<b>Venezuela</b>	2,647,000	173,000	2,819,000
<b>Total</b>	<b>23,000,000</b>	<b>1,500,000</b>	<b>24,500,000</b>

## **124<sup>th</sup> Meeting of the OPEC Conference**

The 124<sup>th</sup> Meeting of the Conference of the Organization of the Petroleum Exporting Countries convened in Vienna, Austria, on March 11, 2003, under the Chairmanship of its President, HE Abdullah bin Hamad Al Attiyah, Minister of Energy and Industry of Qatar and Head of its Delegation.

The Conference welcomed the Minister of Petroleum of Angola, the Ambassador of Egypt to Austria representing the Minister of Petroleum of Egypt, the Under-Secretary of Hydrocarbons of Mexico, the Minister of Oil and Gas of the Sultanate of Oman, and the Deputy Minister of Energy of the Russian Federation, whose presence at the Meeting is seen as renewed confirmation of their solidarity with the objectives of the Organization to stabilize the oil market.

The Conference reviewed the Secretary General's report, the report of the Economic Commission Board (ECB), the report of the Ministerial Monitoring Sub-Committee (MMSC), and various administrative matters. The Conference expressed its satisfaction at the rapid recovery of Venezuelan oil production and welcomed the restoration of normalcy to the oil industry of this important Founder Member.

Having reviewed the current market situation and its immediate prospects, the Conference noted that, whilst prices have been influenced by market fundamentals — such as the disruption of Venezuelan production in December 2002 and January 2003, the cold weather in the Northern Hemisphere and low OECD stock levels — the current high price levels above the OPEC price band are predominantly a reflection of uncertainties resulting from prevailing geopolitical tensions.

In light of the supply/demand picture for the balance of the first quarter and the second quarter, the Conference decided to maintain, for the time being, the current OPEC production ceiling, as supplies are adequate to meet current market requirements, taking into consideration the restoration of Venezuelan production to normal levels and the traditionally lower seasonal demand in the second quarter.

In addition, noting the uncertainties stemming from increasing geopolitical tensions and while expressing its hope that peace and tranquility will prevail, the Conference reiterated OPEC's determination to ensure that the market remains stable and well supplied, the Organization having repeatedly demonstrated its ability and willingness to continue to satisfy oil market demands in a timely fashion. In the future, OPEC will closely monitor market developments and will take appropriate and prompt action, as and when the need arises.

In view of the aforementioned uncertainties, the Conference repeated its standing call on other oil producers and exporters to continue to co-operate with OPEC to achieve oil market balance for the benefit of both producers and consumers.

The Conference passed Resolutions that will be published on April 11, 2003, after ratification by Member Countries. The next Ordinary Meeting of the Conference will be convened in Vienna, Austria, on September 24, 2003. The Conference expressed its appreciation to the Government of the Federal Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

### Press Release No 5/2003, Vienna, Austria, March 20, 2003

Immediately following the commencement of hostilities in Iraq, the Minister of Energy & Industry of the State of Qatar and President of the OPEC Conference, HE Abdullah bin Hamad Al-Attiyah, issued the following statement:

"We recall that, at the 124<sup>th</sup> Meeting of the OPEC Conference, it was decided that Member Countries are to respond to any supply crisis."

"In light of the events unfolding in Iraq and the interruption of supplies from an OPEC Founder Member, in my capacity as President of the Conference, I have consulted with Their Excellencies, the Heads of Delegation to the OPEC Conference, with whom I have discussed the implementation of the above-mentioned Conference decision."

"As a result of those consultations, I am herewith reiterating OPEC's resolve to make up for any supply shortfall resulting from developing events."

"To this end, Member Countries have pledged to use, in the interim, their available excess capacities to ensure continued supply."

"In taking such measures, OPEC is, once again, acting in conformity with an objective set forth in its Statute since the establishment of the Organization in 1960, namely to secure an efficient, economic and regular supply of petroleum to consuming countries."

"While OPEC will continue to closely monitor and react to market developments, it is hoped that the measures taken will contribute to market stability and support world economic recovery."

## **Consultative Meeting of the OPEC Conference**

A Consultative Meeting of the Conference of the Organization of the Petroleum Exporting Countries convened in Vienna, Austria, on April 24, 2003, under the Chairmanship of the President of the Conference, HE Abdullah bin Hamad Al-Attiyah, Minister of Energy and Industry of Qatar and Head of its Delegation. The Conference reviewed the report of the MMSC, and again thanked its Members for their efforts on OPEC's behalf.

The Conference, having reflected on the oil market situation, noted with satisfaction that actions taken by OPEC in recent years, especially since the introduction of the price band mechanism, have increased stability in the oil market, to the benefit of producers and consumers alike, with prices remaining, for the most part, within the targeted price band. The Heads of Delegation further observed that the decisions taken by the Conference during the preceding five months had succeeded in calming the market, clearly demonstrating OPEC's success in overcoming supply disruptions by assuring adequate supplies to consumers. Consequently, the OPEC Reference Basket price has dropped towards the lower end of the price band in recent weeks. Nevertheless, the market remains volatile, reflecting continued high levels of economic, as well as a degree of political, uncertainty.

The Conference further reviewed estimated supply/demand levels for the second quarter 2003, which indicate that over-supply is expected in view of the seasonal fall in demand during this quarter, and the impact of the continued sluggishness in the world economy and SARS on demand for oil. In the light of the foregoing factors, reiterating its commitment to market stability and to keeping prices within the price band, the Conference decided, as a first step, to reduce actual OPEC production by two million barrels per day to 25.4 mb/d, effective June 1, 2003. This decision will be reviewed at the Extraordinary Meeting of the Conference, scheduled to convene in Doha, Qatar, on June 11, 2003. In the interim, the Conference also requested the Secretariat to continue closely monitoring the market, in particular the timing and level of the expected recovery in Iraqi oil production and its impact on the overall supply/demand balance in the market, in general, and OPEC production levels, in particular.

The Heads of Delegation re-emphasized the Organization's firm commitment to providing adequate supplies of petroleum to consuming nations, as well as its commitment to stabilize the market and realize its objective of maintaining crude oil prices at fair and equitable levels, within the OPEC price band, for the benefit of the world economy and the wellbeing of the market. To this effect,

the Conference repeated its call on non-OPEC producers/exporters to continue co-operation to support oil market stabilization.

The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

## **Agreement**

In light of the situation in the current oil market and the expected seasonal downward turn in demand during the remainder of the second quarter 2003, as well as the third quarter 2003, OPEC Member Countries (excluding Iraq, which is not a party to this Agreement due to its special circumstances), have decided to reduce actual OPEC production by 2 mb/d to 25.4 mb/d, effective June 1, 2003, making individual production levels of those Member Countries, parties to this Agreement, as of that date, as follows:

(b/d)

	<b>Old production level</b>	<b>New production level</b>
Algeria	782,000	811,000
Indonesia	1,270,000	1,317,000
IR Iran	3,597,000	3,729,000
Kuwait	1,966,000	2,038,000
SP Libyan AJ	1,312,000	1,360,000
Nigeria	2,018,000	2,092,000
Qatar	635,000	658,000
Saudi Arabia	7,963,000	8,256,000
UAE	2,138,000	2,217,000
Venezuela	2,819,000	2,923,000
<b>Total</b>	<b>24,500,000</b>	<b>25,400,000</b>

**Note:** Totals may not add up due to rounding.

## **125<sup>th</sup> (Extraordinary) Meeting of the OPEC Conference**

Press Release No 9/2003, Doha, Qatar, June 11, 2003

The 125<sup>th</sup> (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries convened in Doha, Qatar, on June 11, 2003, under the Chairmanship of its President, HE Abdulla bin Hamad Al-Attiyah, Minister of Energy and Industry of Qatar and Head of its Delegation.

His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, addressed and formally opened the Conference.

The Conference extended its deepest condolences to the Government and people of the Republic of Algeria for the terrible loss they have suffered as a consequence of the disastrous earthquakes that struck the country last month.

The Conference welcomed the Minister of Petroleum of Angola, the Under-Secretary of Hydrocarbons of Mexico, the Minister of Oil and Gas of the Sultanate of Oman, the Deputy Minister of Energy of the Russian Federation, and the Minister of Petroleum and Mineral Resources of the Syrian Arab Republic, whose presence at the Meeting is seen as renewed confirmation of these countries' solidarity with the objectives of the Organization.

The Conference considered the report of the MMSC, and once again recorded its appreciation of the Sub-Committee's continuous endeavours on behalf of the Organization.

Having reviewed the current oil market situation, as well as supply/demand prospects for the second half of the year, the Conference noted that stability had been maintained in the market following the decision taken by the Conference in April 2003 to reduce actual production to 25.4 mb/d, with prices remaining within agreed levels.

Nevertheless, the Conference also noted that, despite the fact that the market remains well-supplied, prices displayed an upward trend, recently, due to the slower-than-anticipated recovery in Iraqi production, coupled with unusually low stock levels.

However, with low stock levels anticipated to be replenished during the third quarter, the Conference decided to maintain currently agreed production levels, with strict compliance, and emphasized that continued vigilance in monitoring market developments is imperative over the coming period.

To this end, the Conference, decided to convene an Extraordinary Meeting in Vienna, Austria, on Thursday, July 31, 2003.

The Conference welcomed the return of Iraq to the oil market and looks forward to the country's resumption of its role in the Organization. The Conference again made its standing call on other oil producers/exporters to continue to co-operate with OPEC in its endeavours to maintain market stability in the interests of all concerned.

The Conference confirmed the date of September 24, 2003 for its next Ordinary Meeting.

The Conference expressed its sincere gratitude to the Government of the State of Qatar and the authorities of the City of Doha for their warm hospitality and the excellent arrangements made for the Meeting.

## **126<sup>th</sup> (Extraordinary) Meeting of the OPEC Conference**

Press Release No 11/2003, Vienna, Austria, July 31, 2003

The 126<sup>th</sup> (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries convened in Vienna, Austria, on July 31, 2003, under the Chairmanship of its President, HE Abdullah bin Hamad Al Attiyah, Minister of Energy and Industry of Qatar and Head of its Delegation.

The Conference welcomed the Minister of Petroleum of Egypt and the Minister of Petroleum & Mineral Resources of the Syrian Arab Republic, as well as high-level representatives from Angola, the Sultanate of Oman, and the Russian Federation, whose presence at the Meeting is seen as renewed confirmation of these countries' solidarity with and support for the objectives of the Organization.

The Conference considered the report of the MMSC, and once again recorded its appreciation of the Sub-Committee's efforts on behalf of the Organization. Having reviewed the current oil market situation, as well as supply/demand prospects for the remainder of the year, the Conference noted that the market is stable and well supplied, and that prices have remained within agreed levels.

Prospects for the fourth quarter of 2003 and for 2004, however, indicate that estimated demand growth is less than the expected increase in supplies.

The Conference, therefore, decided to maintain currently agreed production levels until its next Meeting, emphasizing at the same time the need for continued vigilance, careful monitoring and analysis of the market for the balance of 2003 and 2004.

The Conference renewed its standing call on other oil producers/exporters to cooperate with OPEC Member Countries in their endeavours to maintain market stability in the interests of all concerned.

The Conference reaffirmed the date of September 24, 2003 for its next Ordinary Meeting. The Conference also expressed its appreciation to the Government of the Republic of Austria and to the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

## **127<sup>th</sup> Meeting of the OPEC Conference**

**Press Release No 14/2003, Vienna, Austria, September 24, 2003**

The 127<sup>th</sup> Meeting of the Conference of the Organization of the Petroleum Exporting Countries convened in Vienna, Austria, on September 24, 2003, under the Chairmanship of its President, HE Abdullah bin Hamad Al Attiyah, Second Deputy Prime Minister, Minister of Energy & Industry of Qatar and Head of its Delegation, and its Alternate President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mines of Indonesia and Head of its Delegation.

The Conference congratulated the President of the Conference on his recent appointment as his Country's Second Deputy Prime Minister, and welcomed the newly appointed Minister of Oil of the Republic of Iraq, HE Dr Ibrahim Bahr Alolom, as the Head of its Delegation, as well as the newly appointed Minister of Energy of the State of Kuwait, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, as the Head of its Delegation.

After warmly welcoming the Minister of Petroleum & Mineral Resources of the Syrian Arab Republic and high-level representatives from Angola, Egypt, Mexico, the Sultanate of Oman, and the Russian Federation, the Conference again highlighted the importance of strengthening effective co-operation with all non-OPEC producing countries in the interests of achieving stability in the oil market and prices. The Conference considered the Secretary General's report, the report of the ECB, the report of the MMSC, chaired by HE Bijan Namdar Zangeneh, Minister of Petroleum of the Islamic Republic of Iran, and various administrative matters.

Having reviewed the current oil market, the Conference noted that, whilst the global economy appears to be improving, only normal, seasonal growth in demand is expected for the fourth quarter, and the market continues to be well-supplied. In view of the continued rise in non-OPEC supplies and the ongoing recovery in Iraqi production, stocks have been replenished and are rapidly reaching normal seasonal levels, with the supply/demand balance for the fourth quarter 2003 and first quarter 2004 indicating a contra-seasonal stock build-up. This could have a destabilizing effect on the market which requires a reduction of supplies from all producers to ensure stability.

The Conference noted its decisions in January and April 2003 to adjust the production ceiling prior to the supply disruption from Iraq. Noting, also, the gradual return of this Founding Member to the market, and in order to ensure balance to the market, the Conference decided to return to the ceiling of 24.5 mb/d and the agreed production levels, with effect from November 1, 2003. In this regard, all Member Countries reiterated their commitment to the agreed production levels and underlined the special importance of full compliance and strict discipline in implementing such agreements.

Having taken this decision in recognition of the importance of maintaining oil market stability for the benefit of the world economy, as well as for consumers and producers, the Conference expressed its expectation that non-OPEC oil producers will take concrete measures to restrain their production increases, thereby actively sharing, with the Organization, the burden of maintaining price and market stability in 2004 and thereafter.

Moreover, taking into consideration the market outlook for 2004, with its concomitant uncertainties, the Conference further decided to convene an Extraordinary Meeting in Vienna on December 4, 2003, to review market developments and take whatever measures it deems appropriate at that time.

The Conference elected HE Dr Purnomo Yusgiantoro, Minister of Energy and Mines of Indonesia and Head of its Delegation, as President of the Conference, and HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, as Alternate President, for one year with effect from January 1, 2004.

The Conference appointed Mr Elie Habalian Dumat, Governor for Venezuela, as Chairman of the Board of Governors for the year 2004, and Mr Mohamed Meziane, Governor for Algeria, as Alternate Chairman for the same period, with effect from January 1, 2004.

The Conference decided that its next Ordinary Meeting will convene in Vienna, Austria, on March 10, 2004.

The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on October 24, 2003, after ratification by Member Countries.

## **128<sup>th</sup> (Extraordinary) Meeting of the OPEC Conference**

**Press Release No 16/2003, Vienna, Austria, December 4, 2003**

The 128<sup>th</sup> (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries convened in Vienna, Austria, on December 4, 2003, under the Chairmanship of its President, HE Abdullah bin Hamad Al-Attiyah, Second Deputy Prime Minister and Minister of Energy and Industry of Qatar, and Head of its Delegation.

The Conference welcomed the newly appointed Nigerian Presidential Advisor on Petroleum and Energy, HE Dr Edmund Maduabebe Daukoru, as Head of its Delegation, and recorded its deep appreciation of the services rendered to the Organization and the Conference by his predecessor in office, HE Dr Rilwanu Lukman.

The Conference considered the report of the MMSC and, once again, thanked the Sub-Committee Members for their untiring efforts on behalf of the Organization.

Having reviewed the oil market situation, including the overall demand/supply expectations for the remainder of the year 2003 and the first half of 2004, as well as the outlook for the oil market in the medium term, and having observed that, despite upward revisions in oil demand estimates, the crude oil market is well-supplied, allowing replenishment of commercial oil stocks to continue in recent months, the Conference decided to maintain currently agreed production levels until further notice. In this connection, the Conference reiterated its call on Member Countries to ensure strict compliance with agreed production levels.

Whilst noting, further, the relative strength in current market prices, with the price of the OPEC Reference Basket having fluctuated around the upper limit of the OPEC price band in recent weeks, the Conference acknowledged that this is partially a reflection of prevailing geopolitical concerns and, therefore, warrants continued careful observation. In this connection, the Conference also

noted, with some concern, the decline in the purchasing power of the barrel as a result of current US dollar weakness *vis-à-vis* other major currencies.

Moreover, taking into consideration the market outlook for 2004, in particular the second quarter, when the projected significant supply over-hang is expected to exert considerable pressure on oil prices, a situation requiring continuous monitoring and close assessment, the Conference reaffirmed its firm determination to take any measures, when deemed necessary, to maintain market stability and avoid price fluctuations. With this in mind, the Conference decided to convene an Extraordinary Meeting in Algiers, Algeria, on February 10, 2004 to consider adjustments in OPEC production.

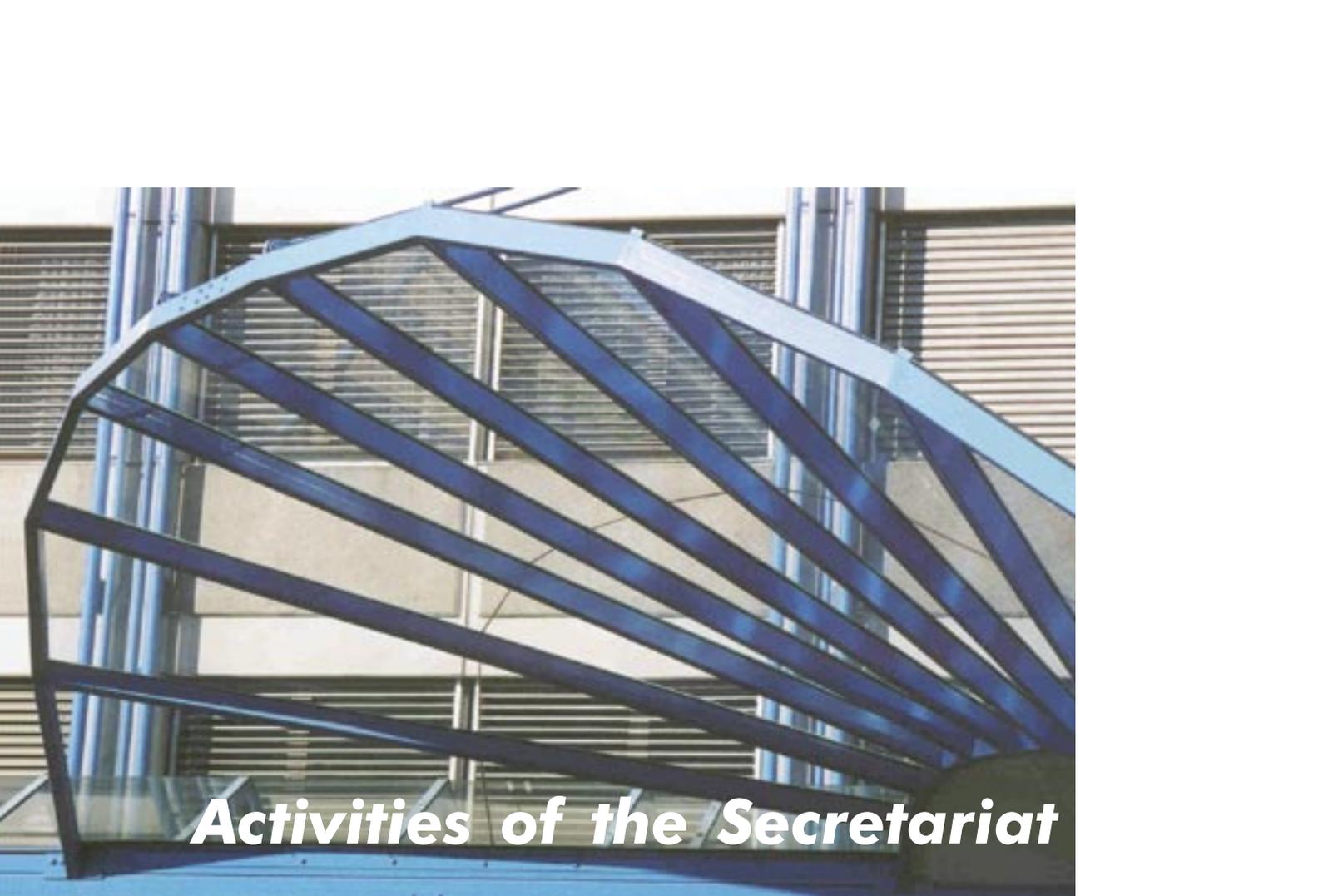
The Conference decided that, from January 1, 2004, the President of the Conference shall assume the responsibilities of the Secretary General, until such time as a new Secretary General has been elected. The Conference extended its thanks to the outgoing Secretary General, HE Dr Alvaro Silva-Calderón, whose services to the Organization were greatly appreciated.

The Conference appointed Mr Ivan A Orellana, Governor for Venezuela, as Chairman of the Board of Governors for the year 2004, and Mr Hamid Dahmani, Governor for Algeria, as Alternate Chairman for the same period, with effect from January 1, 2004.

The Conference resolved that its next Ordinary Meeting will convene in Vienna, Austria, on March 31, 2004. The Conference further decided to convene an Extraordinary Meeting in Beirut, Lebanon, on Thursday, June 3, 2004.

The Conference expressed its renewed appreciation to the Government of the Federal Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on January 4, 2004, after ratification by Member Countries.



# *Activities of the Secretariat*

## ***Office of the Secretary General***

Over the course of the year, the activities of the **Office of the Secretary General (SGO)** were centred around meeting the requirements of the Chief Executive in the execution of his duties. As in the past, considerable time and energy was concentrated on preparing documentation for and servicing the Meetings of the Conference, the Ministerial Monitoring Sub-Committee (MMSC), and the Board of Governors (BoG).

In addition to co-ordinating the preparation of reports and documentation for submission to the various Ministerial and Gubernatorial Meetings, the staff of the SGO were also occupied with minuting the meetings, preparing précis of the discussions held and summaries of the decisions taken, as well as preparing formal, edited minutes of the deliberations for distribution to Ministers and Governors, as appropriate.

The Office of the Secretary General was also concerned with co-ordinating the Secretariat's protocol, as well as organizing the many missions conducted by the Secretary General during the course of the year, and in preparing monthly accounts of the Secretariat's activities for distribution to Member Countries. The year closed with the departure of the Secretary General, HE Dr Alvaro Silva-Calderón, on December 31, 2003, following the completion of his tenure of office.

## **Research Division**

The activities of the **Research Division** (RD) in 2003, within the framework of the Medium-Term Program (MTP), evolved around the major tasks necessary to achieve the overall objectives, namely to provide support to the Member Countries' decision-making processes in key oil policy matters; to enhance co-operation; and to provide input for OPEC's participation in global fora and multilateral negotiations.

The achievements of 2003 underlined the need for flexibility to comply with the heavy workload related to increased frequency of Ministerial Conferences, other meetings and high-level workshops covering important topics ranging from MC's production quotas, Long-Term Strategy (LTS), World Trade Organization (WTO), Energy Charter Treaty (ECT), 9<sup>th</sup> Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP9), co-operation with non-OPEC Producers, with consumers and other international organizations.

Among the core activities, close monitoring of oil market developments was critically important, and led to a considerably higher number of meetings at Ministerial level, to retain a proactive stance on the part of OPEC, in order to ensure continuing stability in the market. This proved essential, especially when adequate supply was assured and made available during disruptions to oil flows from Venezuela, Nigeria first, then Iraq.

Active participation in multilateral negotiation platforms required substantive preparations, workshops and co-ordination meetings such as the Workshop on the ECT, 2<sup>nd</sup> Workshop with the United Nations Conference on Trade and Development (UNCTAD), 5<sup>th</sup> WTO Ministerial Conference, 21<sup>st</sup> Session of the Intergovernmental Panel on Climate Change (IPCC), and COP9. As part of the continuous efforts to enhance co-operation among other producers as well as consumers, two joint workshops, held in Vienna, were of particular significance, namely the Joint OPEC/International Energy Agency (IEA) Workshop on Oil & Investments and the Joint OPEC/Moscow State Institute of International Relations (MGIMO) Workshop. At the same time, the RD had to devote resources to several prioritized activities related to the 1<sup>st</sup> and 2<sup>nd</sup> Meetings of the Deputy Ministers of Petroleum/Energy on LTS, and High Level Meeting of Experts on Quotas.

The major programs in the MTP, that reflect the inter-linked research activities of the Division, are based on a complementary work-flow, and are shared among its three departments in such a way that the assignments of the Petroleum Market Analysis Department (PMAD) aim at keeping MCs abreast of oil market developments in the short-term, while the Energy Studies Department (ESD) concentrates on research studies, policy issues and projects of a more-long-term nature, with the support and participation of the Data Services Department (DSD) and the Library in all areas as appropriate. These research endeavors are pursued under the overall guidance and co-ordination of the Director of Research, to fulfill the needs of the MCs, in particular, and to contribute to the international community in the relevant fields, in general.

The relatively large number of meetings convened in 2003, both at ministerial level and of other specialized nature, represented one of the primary engagements of the Director of Research, to ensure the successful co-ordination and supervision of all research outputs required, whereby all departments were intensively involved in preparing and providing reports, studies and up-to-date data for the various meetings of the BoG, the Economic Commission Board (ECB), the MMSC and Conferences — including Extraordinary Meetings of the Conference, the Deputy Ministers and other high-level experts.

The Division, as part of its ongoing, regular activities, prepared various reports to provide timely and up-to-date assessments of international oil market trends and developments in the world economy. Briefings on daily oil price movements, daily and monthly oil market reports, monthly production reports, and other regular studies are produced for submission to the meetings of the Secretariat, or distribution to MCs' representatives, with several also being made available to the public. The new format of the Daily Oil Market Report has now a more dynamic and comprehensive character, providing both a summary of the market developments and an analytical coverage of a selected daily topic. The *Monthly Oil Market Report*, with significant improvements, continued to provide up-to-date information, including special feature articles covering topical issues and is available for the users on the OPEC website.

In addition to covering key aspects of the market, such as oil demand and supply, the refining industry, developments in the tanker market, storage, stock movements, oil trade, price differentials and formulae, oil companies, economic and financial developments, the US dollar and various economic indicators, detailed analysis of some current issues were provided in the form of annual, complementary reports or special studies. For example, beside the report on World Petroleum Product Market: Expectation in Medium-Term; OPEC Reference Basket, two special studies on Russia's Future Oil Production, and North America Region: Demand, Supply and Trade for Crude Oil and Major Petroleum Products in the Medium-Term were prepared for the ECB. The Report on Quotas,

comprizing background, historical development, applications and review of the literature on the issue, was submitted to the High Level Meeting of Experts on Quotas in August 2003.

As part of the efforts to continuously monitoring of oil market developments, and to enhance co-operation with the non-OPEC producing countries, the 3<sup>rd</sup> Joint Meeting of OPEC and non-OPEC Experts was held in Bergen, Norway on February 28, 2003 providing a forum for informal discussions on developments in the world economy and in the oil market, including near-term market prospects and investments plans. In the context of advancing co-operation and dialogue opportunities between OPEC and the Russian Federation, the Joint Workshop of OPEC/MGIMO was held in July 2003 to exchange views on the outlook for the world energy market, as well as on trends in petroleum and upstream investments. In view of the value of effective co-operation among oil producers, it is planned to hold such meetings regularly in the future.

In addition to close monitoring of current oil market conditions and trends, a number of studies and reports were prepared, in the areas oil short- to medium-term oil market fundamentals, upstream and downstream operations, the long-term outlook and energy modeling, energy policies and oil industry structure, multilateral issues — WTO, UN Framework Convention on Climate Change (UNFCCC), World Summit on Sustainable Development (WSSD) — information technology and statistics. The main results and findings of these studies are summarized in the *Annual Research Results on OPEC's Main Issues for the year 2003*. Some of the reports that were submitted and discussed at various meetings of the OPEC governing bodies are: *Short- to Medium-Term non-OPEC Offshore Forecasting System; OPEC's Involvement in the ECT; Energy Tax Policies in Major Consuming Countries: Focus on European Union; The Analysis of Fuel Substitution during the last 20 years and Expectations for the Future; Report on Oil Companies; Online Statistical Reports on OPEC Intranet; International Oil Data Transparency Initiative; Harmonization of Reserves Definition*.

The models, utilized in the Division, have been further extended and developed with respect to both, the upstream and downstream sectors. In particular, the OPEC World Energy Model (OWEM), World Oil Refining Logistics Demand (WORLD), Replacement Value Methodology (RVM), and the non-OPEC Supply Forecasting System, all provide a firm basis for its research and quantitative analysis into environmental policies, long-term energy projections for the oil and energy markets, downstream trends, demand prospects for gas and solids with the aim of providing a broader range of policy options and responses for the MCs. The annual *OWEM Scenarios Report on Oil and Energy Outlook to 2020*, gives the Secretariat's long-term projections for the world energy market. It describes the world energy-mix pattern under reference case assumptions and discusses regional oil demand and production outlook up to 2020. A detailed analysis of non-OPEC supply, at a more disaggregated level, is made available using a resource-based supply module (SEM)

and the non-OPEC supply forecasting system (bottom-up approach). More detailed coverage of economic sectors in developing countries (DCs), with particular emphasis on transportation, sheds light on the growing importance of DCs in the global oil demand outlook. Scenarios developed at different economic growth rates address one of the major uncertainties that is inherent in the assessment of future oil demand and quantifies the impacts.

The *Outlook for the Oil Downstream Sector up to 2015*, using the WORLD model global analysis approach, provides an overview of the main trends shaping the oil stream sector in the next decade. The study addresses the impacts on refining and merchant investments, crude and product routings and prices of the projected global shift toward a lighter product slate, rising crude supply from Russia and Caspian Region, and lower than expected growth in non-conventional/non-crude supply.

In view of the importance of energy policies in regard to potential challenges for oil in the medium- to long-term, two studies on the European Union (EU) and the United States energy policies were conducted. While the EU energy policy analysis based the European Commission's Green Paper on a European Strategy for the Security of Energy Supply to identify the impacts on OPEC, the study on the assessment of the US energy policy analyses the policy formulation process, the key institutional roles and factors, the underlying market issues in the energy sector, and their likely direction and drivers in the short- to medium-term. The report on energy policies in the Far East region will be undertaken next year to complement these studies.

The research activities of the Division on multilateral issues focused mainly on trade and the environment. On trade related issues, the Workshop on the ECT was organized as a follow-up to the ECT study undertaken in 2002. On the specific theme of WTO, two studies were conducted under the Memorandum of Understanding of technical co-operation between OPEC and UNCTAD on the implications for oil exporting countries, including for development, of the *Liberalization of Energy Services Trade, and the Interface between Environmental and Trade Policies*. Following the 1<sup>st</sup> joint OPEC/UNCTAD Workshop last year, the 2<sup>nd</sup> was held on July 4, 2003, in Vienna to discuss the reports. The study on *Liberalizing Energy Services under General Agreement on Trade in Services (GATS): Implications for OPEC*, was prepared to quantify the value-added factor in the energy chain and made a cost/benefit analysis of energy service liberalization for all OPEC MCs. The study on the *Run-up to the WTO 5<sup>th</sup> Ministerial Conference* provided the background material for the OPEC MCs Co-ordination Meeting prior to the 5<sup>th</sup> WTO Ministerial Conference in Cancun, Mexico. OPEC attended as an observer to the Meeting.

On the environmental issues, research, monitoring and co-ordination activities have been intensively pursued. The *Quarterly Environmental Report* has become a valuable source on global developments

regarding the climate change debate, providing detailed information and insight on key issues under discussion at the UNFCCC fora. As a continuous process, OPEC prepared a study entitled *Run-up to COP9: Implementation Issues and Implications for OPEC*, held co-ordination meetings and actively participated in the workshops, Subsidiary Bodies and COP meetings of the UNFCCC.

OPEC's has been directly involved with the International Energy Forum (IEF) and participated in the Informal Support Group and Executive Board Meetings of the IEF Secretariat. Technical contacts with and visits to international organizations continued (eg, IEA, IAEA, IIASA, ECT, EU, UNIDO, UNFCCC, UNECE, UNSD, UNESCWA, APEC, OAPEC, OLADE, World Bank, WTO, etc.) aimed at enhancing inter-disciplinary co-operation among them, in which OPEC participated in various meetings.

Significant efforts have been made in 2003 to further improve the completeness of data coverage and the reliability of statistical data. Working Party on Flow of Statistics was held on April 30, 2003, and it was also decided to visit MCs to enhance the effectiveness of the communication. The OPEC Secretariat actively involved in two fora regarding international co-operation on data transparency and the harmonization of methodologies. The project on the Joint Oil Data Initiative together with five other international organizations continued, and they held a number of meetings during the year. OPEC also jointly hosted a Workshop on Energy Statistics for the West Asia Regions with the UN Statistics Division (UNSD) and the UN Economic and Social Commission for Western Asia (UNESCWA), in Beirut, in May 2003. The 2<sup>nd</sup> regional seminar of the UN Economic Commission for Europe (UNECE) on *Harmonization of Reserve Definition* was held at the OPEC Secretariat in May 2003, and, as a follow up of the recommendation of this Seminar, experts from several MCs participated in the 3<sup>rd</sup> Session of the Ad hoc Group Meeting in October 2003.

The **Data Services Department**, in line with its major task of providing up-to-date, consistent and reliable data, responds to the needs of the RD and MCs. Therefore, utmost importance, as in the past, was attached to maintaining a satisfactory and expanding database through the systematic collection of information and data of varying frequency from numerous sources, specialized publications and direct communications. The quality of the data is assured through careful analysis, comparison and validation utilizing new software. Besides direct input data modules to the in-house models, delivery of key and up-to-date information to end-users is assured through regular dissemination of electronic reports, including publications such as the *Annual Statistical Bulletin*, *Quarterly Energy and Oil Statistics* and the *Annual Report*. Activities to expand data-exchange directly through electronic means and sources increased (eg, electronic media, intranet, internet).

The OPEC Intranet serves as the media for data communication, as well as for collaboration between and among MCs. The Department also continued its activities in system and application

development, technical support to other departments (eg, Accounting, Medical, Library Catalogue), data base management system, user support, network support, PC and software installations.

A number of speeches were prepared in collaboration with other departments for the Secretary General to deliver at various international fora covering the topics of oil market challenges, OPEC's role and policies on market stability and its objectives over the medium- to long-term.

Besides the flow of regular information and data to MCs, *ad hoc* requests on different topics were provided, and representatives from MCs were accommodated by the departments of the RD for training and assistance. As part of the Division's efforts to strengthen its collaboration and direct communication with research institutes, seven fellows from the MCs participated in the 2<sup>nd</sup> year of the Summer Fellowship Program. The Division also organized a number of lectures and presentations from institutions in the energy field to facilitate discussions and an exchange of views on pertinent issues of common interest. Staff attended and presented papers at international conferences, seminars, and participated in various roundtable discussions, expert group and co-ordination meetings.

## **Public Relations and Information Department**

The **Public Relations and Information Department** (PRID) began the year with Dr Abdulrahman Al-Kheraigi as officer-in-charge until late February when Dr Omar Farouk Ibrahim assumed duty.

During the year, the Department prosecuted its annual work programme and at the same time worked to develop a MTP for the Department. The MTP, which was eventually approved by the BoG at its 112<sup>th</sup> Meeting, identified a new focus for the Department, established new structures and redefined job descriptions.

The *OPEC News Agency* (OPECNA) continued to transmit information about the Organization and its MCs to the international community. The Agency runs three daily transmissions during the working week. Its list of paying subscribers around the world includes the major international wire services, other media, energy market analysts, researchers, institutions and individuals. The daily services are distributed via direct leased lines, electronic mail, fax, and regular mail, to subscribers worldwide.

OPECNA's main subscribers include Reuters, AP-Dow Jones, Agence France Press, the Kyodo News Agency, Thomson Financial Limited, Itar-Tass, The Italian News Agency, Bloomberg Financial Market, Factiva (a Dow Jones and Reuters Entity), Platt's, The Arab Petroleum Research Center, the Middle East Economic Digest, Pennwell Publishing, the Kuwait News Agency (KUNA), and the Iranian News

Agency (IRNA). In 2003, total revenues received by the Agency amounted to around €50,000 which was deposited in the Secretariat's Reserve Account.

The *OPEC Bulletin*, the Organization's flagship magazine, continued to build on its reputation as a comprehensive source of information about OPEC and the oil and gas industries of its eleven Member Countries. The magazine was published on a bi-monthly schedule in 2003, and extensive use was made of the Reuters and AP online photo libraries in order to enhance its appeal to readers. Highlights included reports on all the OPEC Conferences during the year; the joint OPEC/International Energy Agency workshop held in Vienna in June; interviews with OPEC's Secretary General and the OPEC Fund's Director General; and numerous articles by industry experts from both within and outside OPEC, one of which (a feature on Russia's oil export potential by Moscow-based experts Professor Eugene Khartukov and Dr Ellen Starostina) was widely quoted by the specialist press. PDF files of all issues produced during the year were published on the OPEC website, which means that every issue of the magazine produced since 2001 is now available online free of charge online. In order to improve the scheduling and timeliness of the *OPEC Bulletin*, it was decided to make the *OPEC Bulletin* a bi-monthly publication, so that by the end of 2003 the regular schedule could be implemented.

Three notable achievements marked out 2003 as being a special year for the Organization's quarterly academic journal, the *OPEC Review*, now in its 27<sup>th</sup> annual volume. For the first time, a high-quality reprint was produced of the annually published paper entitled *Oil outlook to 2020*, which is based on the latest yearly scenarios report from OWEM. The reprint enhanced the outreach and prestige of the journal itself and the work of the Research Division. The second development was the revival of a past practice of publishing Conference proceedings in the *OPEC Review*, with an extra-large September issue, being devoted to the presentations made at the Joint OPEC/International Energy Agency Workshop on Oil Investment Prospects, in Vienna on June 25, 2003. And thirdly, the joint-publishing arrangement between OPEC and Blackwell resulted in a net annual return to the *OPEC Review* of £18,458 sterling. Blackwell's annual Publisher's Report noted that online readership figures for the *OPEC Review* rose due to a significant increase in the number of libraries with access to the journal.

Around 60 speeches and articles were drafted by PRID's Editors for the President of the Conference, the Secretary General and other senior officials of the Secretariat. The subjects ranged from general energy matters to topical petroleum issues and such specialist areas as sustainable development, world trade and the environment. On delivery, most speeches were published on the website and covered as articles by OPECNA. A small number of speeches were prepared for internal consumption only at the Secretariat, either for closed meetings or for delivery to the Staff.

The latest edition of the *Annual Statistical Bulletin*, OPEC's comprehensive package of statistical data on the oil and gas data industry, was also published by PRID during 2003. This new edition, which covered the period up to end-2002, was supplied with a CD-ROM including additional statistics extending the time series of many of the tables.

A book "The Petroleum Pentagon" written by Juan Pablo Perez Alfonzo in Spanish was translated into English and formally launched on the occasion of the centenary of the birth of Alfonzo, one of the founding fathers of OPEC.

The OPEC website features press releases, speeches, publications, as well as background information on the Organization. The site receives around 90,000 hits per day and up to 200,000 hits during conferences. The website is currently undergoing another major redesign/development effort, adding even more advanced features like audio/video, mobile/wireless computing, a Content Management System, as well as a password secure area for OPECNA subscribers and OPEC staff. The new website is scheduled to be launched in 2004.

Video coverage and photography was provided for all the OPEC Ministerial Conferences, Meetings of the BoG, ECB and the UNCTAD, OPEC/WTO Workshop, etc. The coverage produced was distributed to MCs and members of the international press. OPEC Chronology of Events 2003 has been produced. The photographs were used for OPEC publications and distributed by e-mail to different international newspapers, magazines, school year-books and websites as requested.

The opening sessions, press conferences and interviews with OPEC officials were transmitted by Al Arabia, Abu Dhabi TV, APTN, BBC TV, Bloomberg TV, CNBC, CNN, Euronews, ORF, IR Iran TV, Kuwait TV, Linx, Reuters TV, NHK, Nippon Japan, N-TV, ZDF, ARD, etc. The first video conference from the Secretariat was aired from the TV-Studio to Venezuelan TV covering an interview with the Secretary General. Two additional press conferences by the Heads of the Iraqi and Venezuelan Delegation were held in the OPEC Press Room.

## **Administration and Human Resources Department**

In addition to its routine activities, the **Administration and Human Resources Department** made the necessary arrangements for the meetings of the Conference and other gatherings during the year, compiled reports for Gubernatorial Meetings on a variety of subjects and implemented decisions resulting from the BoG. Following the year 2002, the Department continued its pursuit of increasing staff morale, which resulted in, *inter alia*, the approval of the BoG to the Secretariat's proposals to increase the basic salaries of Category II (General Services Support Staff with effect



*Pictured above are the members of the OPEC management (L/R): the Head of the Petroleum Market Analysis Department, Mr Mohammad Alipour-Jeddi, the Head of the PR & Information Department, Dr Omar Farouk Ibrahim, the Director of the Research Division, Dr Adnan Shihab-Eldin, the Secretary General, HE Dr Alvaro Silva-Calderón, the Head of the Administration & Human Resources Department, Mr Senussi J Senussi, the Head of the Data Services Department, Dr Muhammed A Al-Tayyeb, the Head of the Energy Studies Department, Mr Mohamed Hamel, and the Head of the Office of the Secretary General, Ms Karin Chacin Castellanos.*

from April 1, 2003, as well as Specialized Support Staff with effect from September 1, 2003). Additionally, the Board approved the Secretariat's recommendation to increase the Provident Fund share, the Family Allowance and the Education Grant for the Professional Staff and the Specialized Support Staff with effect from September 1, 2003. Furthermore, in accordance with the decisions of the 106<sup>th</sup> Meeting of the BoG regarding the performance appraisal, the implementation of the Performance Management System started in January 2003, for an initial three-year trial period.

# ***Heads of Delegation***



***Algeria***

***HE Dr Chakib  
Khelil  
Minister of  
Energy & Mines***



***Indonesia***

***HE Dr Purnomo  
Yusgiantoro  
Minister of  
Energy  
& Mineral  
Resources***



***I R Iran***

***HE Bijan Namdar  
Zangeneh  
Minister of  
Petroleum***



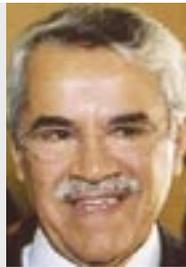
***Iraq***

***HE Dr  
Ibrahim Bahr  
Alolom  
Minister of Oil  
(appointed  
September)***



***Kuwait***

***HE Sheikh Ahmad  
Fahad Al-Ahmad  
Al-Sabah  
Minister of  
Energy***



**Socialist  
People's  
Libyan Arab  
Jamahiriya**

**Nigeria**

**Qatar**

**Saudi Arabia**

**United Arab  
Emirates**

**Venezuela**

*HE Dr Abdulhafid  
Mahmoud Zlitni  
Secretary of  
the People's  
Committee of NOC  
(to 29 December)  
Chairman,  
Management  
Committee of NOC  
(appointed December)*

*HE Dr Edmund M  
Daukoru  
Presidential  
Adviser on  
Petroleum  
& Energy  
(appointed  
November)*

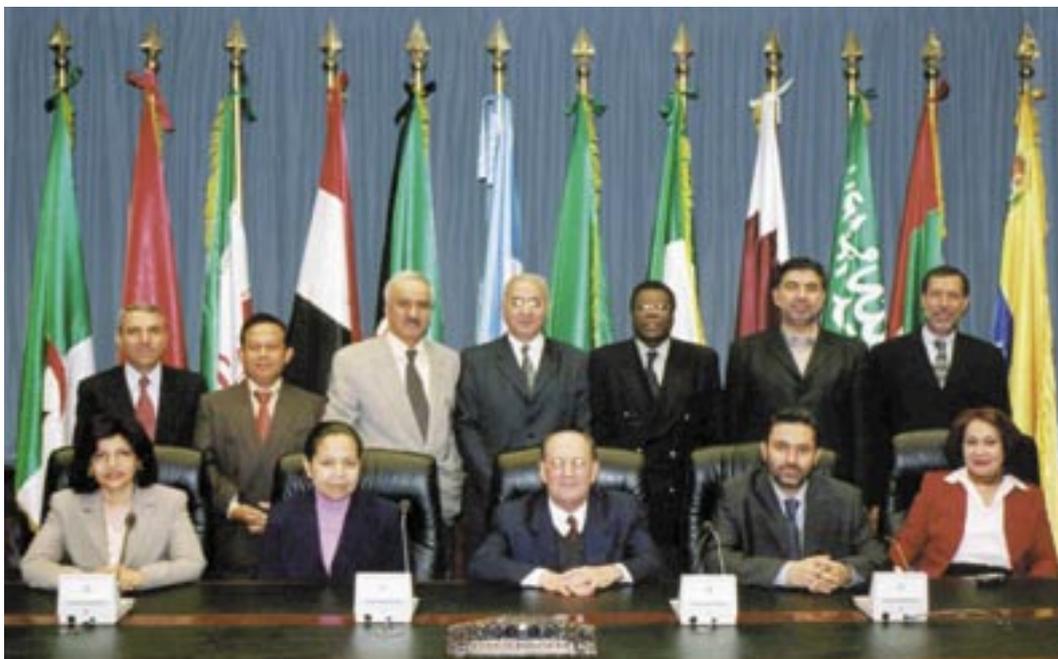
*HE Abdullah  
bin Hamad  
Al Attiyah  
Second Deputy  
Prime Minister  
(appointed September)  
and Minister of  
Energy & Industry*

*HE Ali I  
Naimi  
Minister of  
Petroleum &  
Mineral  
Resources*

*HE Obaid  
bin Saif  
Al-Nasseri  
Minister of  
Petroleum &  
Mineral  
Resources*

*HE Rafael  
Ramirez  
Minister of  
Energy & Mines*

## Members of the Board of Governors



*The Board of Governors at their 108<sup>th</sup> Meeting.*



Governor for OPEC  
Algeria  
Mr Hamid Dahmani  
(appointed September)



Governor for OPEC  
Indonesia  
Mr Iin Arifin Takhyan  
(appointed February)



Governor for OPEC  
Iraq  
Mr Shamkhi H Faraj  
(appointed October)



Governor for OPEC  
Saudi Arabia  
Dr Majid A Al-Moneef  
(appointed November)



Governor for OPEC  
Venezuela  
Mr Iván A Orellana  
(appointed November)

## ALGERIA

Mr Mohamed Meziane (left September)  
Mr Hamid Dahmani (appointed September)

## INDONESIA

Dr Maizar Rahman (ad hoc, left February)  
Mr Iin Arifin Takhyan (appointed February)

## ISLAMIC REPUBLIC OF IRAN

HE Hossein Kazempour Ardebili

## IRAQ

Mr Ali R H Al-Yousif (left October)  
Mr Shamkhi H Faraj (appointed October)

## KUWAIT

Miss Siham Abdulrazzak Razzouqi

## SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

Mr Hammouda M El-Aswad

## NIGERIA

Ms Amal I Pepple

## QATAR

HE Abdulla H Salatt

## SAUDI ARABIA

HE Suleiman J Al-Herbish (left October)  
Dr Majid A Al-Moneef (appointed November)

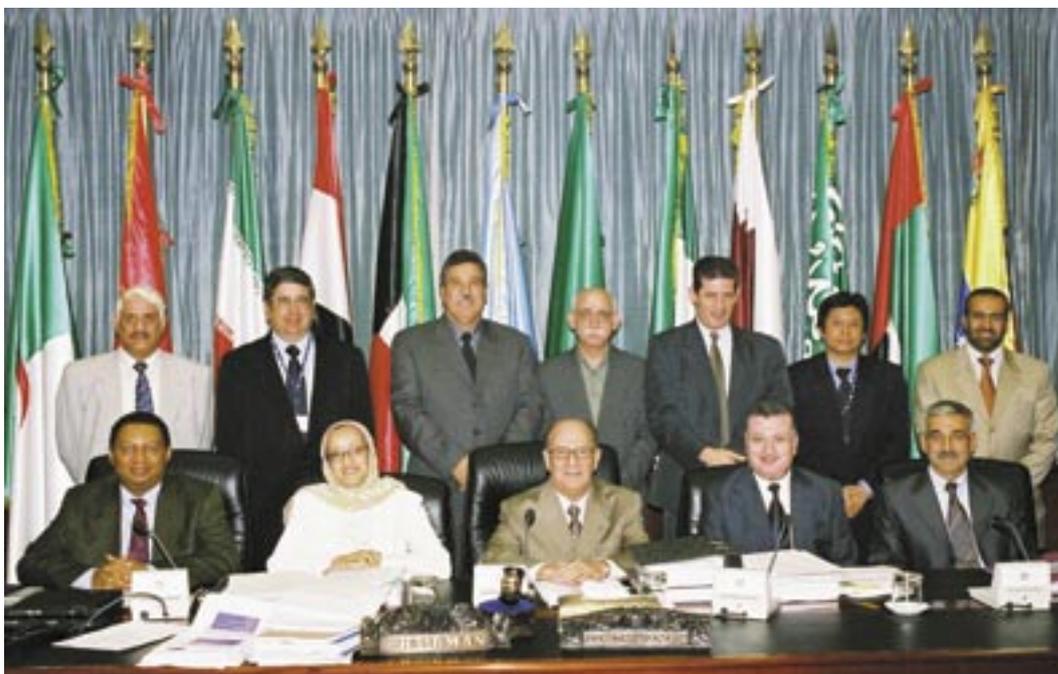
## UNITED ARAB EMIRATES

Mr Saif Bin Ahmed Al-Ghafly  
(Chairman of the Board of Governors)

## VENEZUELA

Dr Gloria Mirt (left April)  
Mr Elie Habalián Dumat (left November)  
Mr Iván A Orellana (appointed November)

# **National Representatives to the ECB**



Members of the National Representatives to the Economic Commission Board and the Secretary General at their 100<sup>th</sup> Meeting.

## **ALGERIA**

Mr Mustapha Hanifi

## **INDONESIA**

Mr Indrayana Chaidir

## **ISLAMIC REPUBLIC OF IRAN**

Dr Said Sarajmir

## **IRAQ**

Mr Shamkhi H Faraj (left October)  
Mr Hashim Al-Wardi (joined October)

## **KUWAIT**

Ms Nawal Al-Fezai

## **SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA**

Mr Mohammed Abani

## **NIGERIA**

Mr Mohammed S Barkindo

## **QATAR**

Mr Jassim Nama

## **SAUDI ARABIA**

Dr Majid A Al-Moneef (left October)  
Mr Yasser M Mufti (joined November)

## **UNITED ARAB EMIRATES**

Mr Ali Al-Yabhouni

## **VENEZUELA**

Ms Clara Coro (left May)  
Mr Iván A Orellana (left November)  
Dr José Contreras (joined November)

# Officials of the Secretariat

## SECRETARY GENERAL

HE Dr Alvaro Silva-Calderón  
(left December)

## HEAD, OFFICE OF THE SECRETARY GENERAL

Ms Karin Chacin Castellanos

## LEGAL OFFICER

Mrs Dolores Dobarro de Torres

## DIRECTOR, RESEARCH DIVISION

Dr Adnan Shihab-Eldin

## HEAD, DATA SERVICES DEPARTMENT

Dr Muhammad A Al-Tayyeb

## OFFICERS

Dr Atmane Dahmani  
Mr Denie Tampubolon  
Mr Olatunji Kolawole  
Mr Bagus Prihastono

## HEAD, PETROLEUM MARKET ANALYSIS DEPARTMENT

Mr Javad Yarjani (left August)  
Mr Mohammad Alipour-Jeddi

## OFFICERS

Mr Mohamed Behzad  
Dr Seyyed M Tayyebi Jazayeri  
Mr Jamal M D Bahelil

Mr Oswaldo J Salas Casanova

Mr Houssein Eldarsi

Mr Zaid A Mohammad Hammo

Dr Mahmoud Al-Osaimy (left April)

Mr Feyez Al Nassar

Mr Safar A Keramati (joined March)

## HEAD, ENERGY STUDIES DEPARTMENT

Mr Mohamed Hamel

## OFFICERS

Dr Faten Alawadhi

Mr Khaled Arebi

Mr Rachid Bencherif

Mr Abdulaziz Al-Attar

Mr Ramiro Ramirez Contreras

Dr Nimat B Abu Al-Soof (joined March)

Dr Fuad M Siala (joined March)

## HEAD, ADMINISTRATION AND HUMAN RESOURCES DEPARTMENT

Mr Senussi J Senussi

## OFFICERS

Mr Sugeng Haryanto

Mr Huddie Dewanto

## HEAD, PUBLIC RELATIONS AND INFORMATION DEPARTMENT

Mr Omar F Ibrahim (joined February)

## OFFICERS

Dr Abdulrahman Al-Kheraigi

Mr Umar G Aminu

# Secretary General's Diary

- 22 February Attended the Meeting of Ministers of Energy of the European Union, Greece, Athens  
5 March Attended the Conference on Europe's Energy Choices, Brussels, Belgium  
28 March ROSNEFT, OMV and PDVSA Symposium on Crude Oil and Security, Vienna, Austria  
10 April 4<sup>th</sup> International Oil Summit, Paris, France



*OPEC Secretary General, HE Dr Silva-Calderón, at a Press Briefing at the Headquarters.*

- 28–30 April 11<sup>th</sup> Session of the United Nations Commission on Sustainable Development (UNCSD), New York, US  
13–16 June Official Visit to Sultanate of Oman, Oman  
8–9 July II Aspen Italia International Conference on the Geopolitics of Energy: The Asian Shift, Florence, Italy  
9 July Dinner Debate organized by European Energy Foundation, Brussels, Belgium



*Secretariat dinner hosted for the Press at Hotel Sacher.*

- 24–25 July UN Conference on Trade and Development (UNCTAD), UN Economic and Social Commission for Western Asia (UNESCWA), League of Arab States Ministerial Meeting on World Trade Organization (WTO), Beirut, Lebanon  
21–22 August 28<sup>th</sup> Conference of the Japan Co-operation Center for the Middle East (JCCME), Vienna, Austria  
7–9 September 11<sup>th</sup> Annual Middle East Petroleum & Gas Conference, Dubai, UAE  
11 September Final Panel Dinner of Oxford Energy Seminar, Oxford, UK

- 28–30 September First US-Arab Economic Forum, Detroit, US
- 22 October Guest of Honour and Speaker at Institute of Petroleum (IP), London, UK
- 4–7 November Attended the 3<sup>rd</sup> Russian Oil and Gas Week, Moscow, Russia
- 17 November Attended the Workshop of the International Association of Oil & Gas Producers, Vienna, Austria
- 20 November UN Economic Commission for Europe (UNECE), Energy Security Forum, Geneva, Switzerland



*OPEC Secretary General, HE Dr Silva-Calderón, welcoming the Libyan Prime Minister and former OPEC Director of Research Division, HE Dr Shukri Ghanem, at the Secretariat.*



*Farewell gathering hosted in honor of HE Dr Silva-Calderón (center): the Director of Research Division, Dr Adnan Shihab-Eldin (left) and the Head, Administration & Human Resources Department, Mr Senussi J Senussi (right).*



*Departure of Dr Silva-Calderón pictured here with his wife (left) and staff of the Secretariat at Vienna Airport.*

# Calendar

- 12 January 123<sup>rd</sup> (Extraordinary) Meeting of the Conference, Vienna, Austria  
23 January Workshop on the Energy Charter Treaty, Vienna, Austria



*The Secretary General of the Energy Charter Treaty, Dr Ria Kemper, and OPEC Secretary General, HE Dr Alvaro Silva-Calderón, at the OPEC/ECT Workshop.*

- 3–4 February Workshop on Quotas, Vienna, Austria  
5 February 4<sup>th</sup> Special Meeting of the Economic Commission Board (ECB), Vienna, Austria  
18–20 February 108<sup>th</sup> Meeting of the Board of Governors (BoG), Vienna, Austria  
28 February 3<sup>rd</sup> Joint Meeting of OPEC/non-OPEC Experts, Bergen, Norway  
3–5 March 99<sup>th</sup> Meeting of the ECB, Vienna, Austria  
11 March 41<sup>st</sup> Meeting of the Ministerial Monitoring Sub-Committee (MMS), Vienna, Austria  
11 March 124<sup>th</sup> Meeting of the Conference, Vienna, Austria  
7–11 April 4<sup>th</sup> (Annual) Multi-Disciplinary Training Course for Member Countries' Trainees, Vienna, Austria



*The Secretary General pictured among Member Countries' trainees and staff members at the Secretariat's 4<sup>th</sup> (Annual) Multi-Disciplinary Training Course.*

- 24 April 42<sup>nd</sup> Meeting of the MMS, Vienna, Austria  
24 April Consultative Meeting of the Conference, Vienna, Austria  
30 April 3<sup>rd</sup> Working Party on Flow of Statistics, Vienna, Austria



*The 3<sup>rd</sup> Working Party on Flow of Statistics at the Secretariat.*

- 6 May Seminar on the Application of the United Nations Framework Classification (UNFC) for Energy Reserves/Resources, Vienna, Austria



*Delegates at the Seminar on the Application of the UN Framework Classification (UNFC) for Energy Reserves/Resources.*

- 4 June 1<sup>st</sup> Meeting of OPEC Deputy Ministers of Petroleum/Energy to discuss Long-Term Strategy (LTS), Vienna, Austria
- 10 June 43<sup>rd</sup> Meeting of the MMSA, Doha, Qatar
- 11 June 125<sup>th</sup> (Extraordinary) Meeting of the Conference, Doha, Qatar
- 23 June International Energy Forum (IEF) Working Group Meeting (OPEC, IEF, Executive Board Chairman, Saudi Arabia and Islamic Republic of Iran), Vienna, Austria
- 23 June IEF Executive Board Meeting, Vienna, Austria



*The IEF Working Group Meeting held at the OPEC Secretariat.*

- 25 June Joint OPEC/International Energy Agency (IEA) Workshop on Oil and Investments, Vienna, Austria



*The Deputy Executive Director of IEA, Ambassador William C Ramsay, with the Secretary General, HE Dr Alvaro Silva-Calderón.*

2 July Joint OPEC/Moscow State Institute of International Relations (MGIMO) Workshop,  
Vienna, Austria



*Professor V Salyguin, Director, International Institute for Fuel and Energy Complex of MGIMO, University of the Ministry of Foreign Affairs of the Russian Federation, Vice-President of the International Fuel and Energy Development Academy and Corresponding Member of the Russian Academy of Sciences, Moscow, with the Secretary General.*

4 July 2<sup>nd</sup> Workshop under Memorandum of Understanding (MoU) with UNCTAD  
(OPEC and the WTO), Vienna, Austria



*The Secretary General (right) with Dr R Figueredo and OPEC's Director of the Research Division, Dr Shihab-Eldin, at the 2<sup>nd</sup> Workshop under MoU with UNCTAD (OPEC and the WTO).*

4 July WTO Negotiations Co-ordination Meeting, Vienna, Austria  
31 July 44<sup>th</sup> Meeting of the MMSC, Vienna, Austria  
31 July 126<sup>th</sup> (Extraordinary) Meeting of the Conference, Vienna, Austria  
22 August High-Level Meeting of Experts on Quotas, Vienna, Austria  
24 August IEF Working Group Meeting (OPEC, IEF, EB Chairman, Saudi Arabia and IR Iran),  
Vienna, Austria  
26–28 August 109<sup>th</sup> Meeting of the BoG, Vienna, Austria

29 August WTO Negotiations Co-ordination Meeting, Vienna, Austria



*OPEC/WTO Member Countries' Workshop at the Secretariat: Head, Energy Studies Department, Mr M Hamel, welcomes Dr A Alharthi and Mr F S Al-Asaly of the Saudi Arabian delegation (pictured left).*

10–15 September WTO 5<sup>th</sup> Ministerial Meeting, Cancun, Mexico  
16–19 September 100<sup>th</sup> Meeting of the ECB, Vienna, Austria  
23 September 45<sup>th</sup> Meeting of the MMSC, Vienna, Austria  
23 September 110<sup>th</sup> (Extraordinary) Meeting of the BoG, Vienna, Austria  
24 September 127<sup>th</sup> Meeting of the Conference, Vienna, Austria  
25 September 2<sup>nd</sup> Meeting of OPEC Deputy Ministers of Petroleum and Energy to discuss LTS, Vienna, Austria



*Deputy Minister for Petroleum Affairs, HRH Prince Abdulaziz Bin Salman Bin Abdulaziz Al-Saud pictured here right with OPEC Governor for Qatar, HE Abdulla H Salatt, at the 2<sup>nd</sup> Meeting of OPEC Deputy Ministers of Petroleum/Energy.*

22 October Meeting of MCs Public Relations Liaison Officers/Experts, Vienna, Austria  
28 November UNFCCC COP9 Co-ordination Meeting, Milan, Italy  
1–12 December UNFCCC COP9, Milan, Italy  
4 December 46<sup>th</sup> Meeting of the MMSC, Vienna, Austria  
4 December 128<sup>th</sup> (Extraordinary) Meeting of the Conference, Vienna, Austria  
16–17 December 111<sup>th</sup> (Extraordinary) Meeting of the BoG, Vienna, Austria



**Organization of the Petroleum Exporting Countries**