

OIL MARKET DEVELOPMENTS

by
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 BP Chief Representative, Saudi Arabia

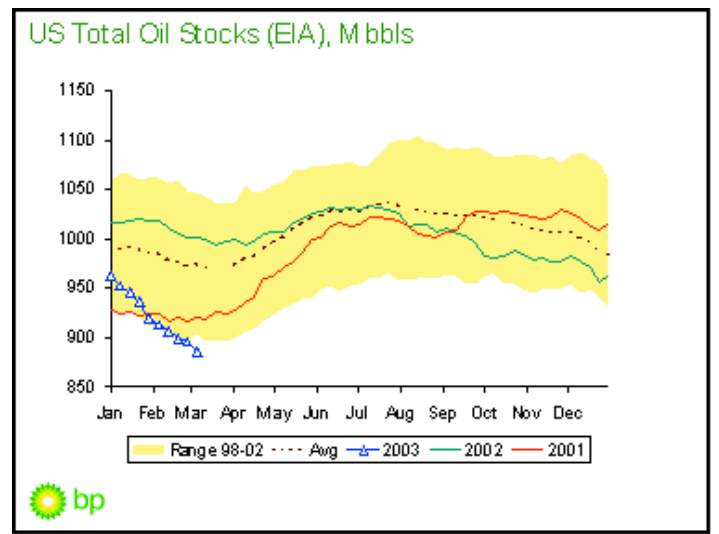
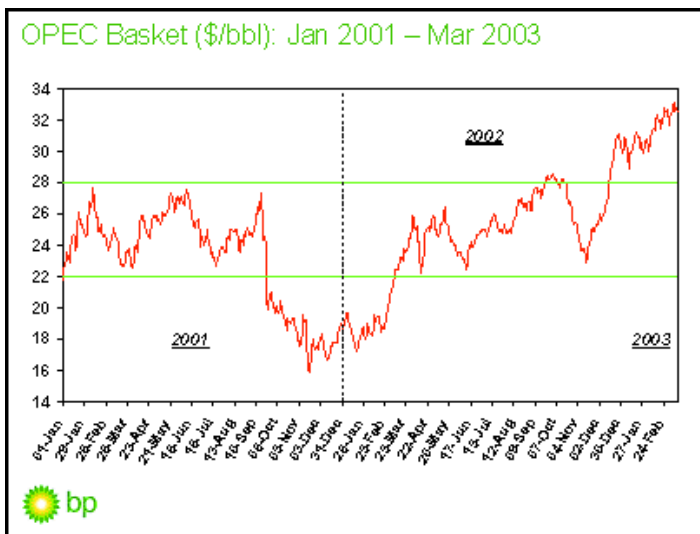
Oil markets are currently very unsettled as war with Iraq approaches and prices have risen to well over \$30 per barrel in face of increasing war uncertainty. However, it is not only the war which has caused prices to spike. A general strike in Venezuela has severely disrupted oil supplies from that country and oil demand has been pushed higher owing to a cold winter, especially in N America, and by increased fuel oil demand in Japan, where nuclear power stations have been closed temporarily.

Despite these stresses on the oil market, there now appears to be sufficient oil capacity in the world to meet a disruption to Iraqi oil exports.

In terms of visible inventory, the market is currently very tight. OECD commercial stocks ended 2002 at just over 51 days of forward cover, equalling the historic low at the end of 1999. Inventories fell further during January and February, with most of the additional draw in US product markets.

However, OPEC nations have already begun to “pre-produce” oil in anticipation of war and there are high levels of supplies “on the water” heading for markets. Venezuelan production is estimated to have recovered to circa 2 million barrels a day during March, albeit still some 1mbd below pre-crisis levels. The consuming countries also have the option of releasing their strategic stocks in the event of war and supply disruption. Prices in recent days have edged downwards below \$30.

Saudi production is estimated by various commentators to be approaching 9 million barrels a day on average during February and March of this year, producing very high oil revenues for the Kingdom.



NEW CHAIRMAN FOR OGPPW SIG



John Crouch from Weir Westgarth Ltd. has agreed to chair the Oil, Gas, Petrochem, Power & Water Special Interest Group. John's contact details are shown on page 2

ROUND TABLE TALKS

Members interested in this sector might like to note that the British Embassy are organising a UK/Saudi Round Table on privatisation and regulation in the Water Sector in May 2003. Contact Gareth O'Brien for more details.

FAREWELL TO RIYADH

To all of our friends in Riyadh, may Jung Hee and I wish you good health & fortune wherever your future assignments may lead you. Our next assignment is Japan & we can be contacted at the following address:

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 We look forward to seeing you all again & please stay in touch.

