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Energy Risk
Management Services

International Petroleum Analysis May 28, 2008

World Petroleum Perspectives
Monthly Review and Outlook

Summary

Since the beginning of May, the prompt NYMEX crude oil contract has risen by around $25.00 per barrel. Ongoing dollar woes have fueled much of the gain, but funds have also been buying under the belief that substantially higher crude oil prices are now a structural long-term phenomenon, with minimal increases in non-OPEC supply unable to keep pace with ever-rising non-OECD demand. This sentiment is reflected in both the prompt contract as well as the term structure on the NYMEX.

From a fundamental standpoint, while the global distillate market has recently tightened *relative* to other products and crude oil, in total the world oil balance has not changed significantly from when prompt WTI was trading below $100.00 per barrel. OECD oil demand continues to falter. With regard to distillate specifically, we anticipate a moderating balance over the next few months as global refinery output rises. Overall, we have modestly reduced our expectations for world oil demand growth in 2008, but have also trimmed our forecast gain in non-OPEC supply. In terms of the perspective of non-commercials with regard to world oil demand, however, we sense that world growth would have to end or more likely decline this year in order to weaken prices significantly, since many now believe that the United States "doesn't matter", and that robust non-OECD oil demand growth is more important going forward.

With regard to price, analysts have been leapfrogging one another and raising their estimated WTI average for 2008 by $20.00-$30.00 per barrel at a time as crude oil has surged. Although from current perspectives our own estimate would now appear conservative, we believe that an attempt to call direction and turning point is of more value. In this regard, we believe that although $150.00 per barrel is possible over the short term, we are of the mind that WTI has peaked for the year. Assuming somewhat weaker prices in the second half of 2008 suggests an average for this year of around $104.00 per barrel is now more reasonable, an upward revision of some $3.00 per barrel from our last report.

+ World oil demand is forecast to increase by 0.7%, or some 575 MB/D in 2008.

+ Non-OPEC supply is expected to gain by only 270 MB/D this year.

+ Our balances now imply a modest net global inventory increase for 2008 as a whole.

Viewpoint

During the month of May, the prompt NYMEX crude oil contract has risen thus far by some $25.00 per barrel with the all-time peak to date modestly in excess of $135.00 per barrel. As prices rose, analysts and other pundits began predicting that $150.00 per barrel was merely a matter of "when" and not "if".

While yet to weaken back to around $1.6000 per euro, the ongoing dollar dilemma has fueled a good part of the crude oil price rise. Periodic concerns over further disruptions in Nigeria and elsewhere have also encouraged the longs.

In addition, however, funds have also been buying under the belief that substantially higher nominal crude oil prices are now a long-term phenomenon that is structural in nature, with either minimal or even no increases in non-OPEC supply unable to keep pace with ever-rising non-OECD demand.

Such sentiment is now reflected in both the prompt contract as well as the term structure on the NYMEX, with a number of entities buying several years out on the curve.

Whether such a perspective is warranted or not remains to be seen. No long-term outlook for either world oil demand or supply has ever been remotely close to the mark, with the natural human tendency to extrapolate characterizing such forecasts.

We do not embark on such long-term views, recognizing that gauging the next six months to a year remains as difficult task as any. In one sense, however, the market will do what it will, and right or wrong prices are reflecting the viewpoint that we are running out of oil while demand growth remains incessant.

From a fundamental standpoint, the global distillate market has in fact recently tightened *relative* to other products and crude oil. While mid-barrel demand growth remains robust compared to gasoline and other products, we do not sense that demand growth has *accelerated* versus the trend of a few months ago.

Rather, prolonged refinery downtime and additional disruptions in distillate-rich Nigerian crude oil production have reduced supply relative to demand.

Combining crude oil and products together, however, suggests the world oil balance has not changed significantly from the time when prompt WTI was trading below $100.00 per barrel. If anything, OECD oil demand continues to deteriorate.

In terms of the distillate balance specifically, we expect an improvement in supply over the next few months as global refinery output rises. Nigerian output, of course, remains problematic, with MEND and other organizations intent upon disrupting oil operations until or unless the central government demonstrates a willingness to share oil revenue.

Overall, from a conservative outlook to begin with we have modestly reduced our expectations for world oil demand growth in 2008, now anticipating an increase of 0.7%, or some 575 MB/D.

At the same time however, we have also trimmed our forecast gain in non-OPEC supply to only 270 MB/D, after finally reclassifying Ecuador back into the OPEC fold in addition to fine tuning several other countries. Our forecast increase had already been the most conservative of anyone.

In terms of the perspective of non-commercials or "speculators" with regard to world oil demand, we sense that world growth would have to end completely or, more likely, actually decline in order to weaken prices significantly.

Many now believe that the United States "doesn't matter", and that robust non-OECD oil demand growth is more important going forward, despite the fact that the United States still accounts for more than 24% of world oil demand.

With regard to price, as crude oil prices surged this month analysts have been leapfrogging one another and raising their estimated WTI average for 2008 by $20.00-$30.00 per barrel at a time.

From current perspectives our 2008 Base Case at around $101.00 per barrel now appears quite conservative. However, while some upward adjustment to our average is warranted, we believe that an attempt to call direction and turning point is of more value.

In this regard, we believe that although $150.00 per barrel is possible over the short term, we believe the odds are more likely that WTI has peaked for the year.

Assuming somewhat weaker prices in the second half of 2008 suggests an average for this year of around $104.00 per barrel is now more reasonable.

Global Oil Demand

World oil demand is forecast to increase by 0.7%, or around 575 MB/D this year, a downward revision from last month's report by some 195 MB/D.

OECD oil demand is expected to decline by 1.1%, or 465 MB/D in 2008, a cut from last month by 185 MB/D. Non-OECD oil demand is anticipated to gain by 2.7%, or about 1.04 MMB/D this year, slightly less than our previous assessment.

Overall, our outlook, if reasonable, implies that the IEA will be compelled to slash its demand outlook for 2008 once again.

United States

Even prior to likely further downward demand revisions, the Department of Energy reports that year to date U.S. oil demand is off by 2.3% through the week ending May 16.

All products across the board have declined, even after adjusting for first quarter weather including those most sensitive to economic activity such as petrochemical feedstocks and lubricants.

Year to date gasoline demand is reported to be down by 0.6%, although the more final Petroleum Supply Monthly data are only available through March. Traffic data from the Department of Transportation, which tend to be revised less than the DOE oil demand data, have been coming in negative versus the prior year.

Although we have been discussing such a trend for several months, there has recently been more publicity with regard to the March data, which revealed that all traffic on public roads dropped by 4.3% from March 2007. This was the first decline in March travel versus the prior year since 1979.

The data continue to support our long-standing view that U.S. gasoline demand will decline in 2008. As previously discussed we do not believe that the fall solely reflects a cutback in discretionary driving in response to higher retail prices, but rather in combination with a modest structural improvement in average fleet fuel efficiency, which we believe will carry into 2009 and 2010, if not longer.

Turning back to this year, we still have not assumed a recession as officially defined, but nonetheless have revised *up* our expected rate of *decline* in oil demand from our last report. For 2008, we believe that U.S. refined product demand will fall by 2.0%, or some 405 MB/D.

Europe

The European picture continues to soften, and despite relative strength in apparent German economic activity, which may be transitory, overall OECD Europe oil demand continues to weaken.

The decline in gasoline demand in virtually all countries has accelerated recently, with "collapse" a not unreasonable description for late first quarter demand in France, Germany, and Italy.

Weakness in the month of March was not limited to gasoline, with total product demand in major European countries declining by the largest degree relative to the prior year in some time.

While we have been discussing over the past couple years the trend toward consumer "dieselization" at the expense of gasoline, even such substitution is not now able to counter the demand response to higher diesel prices, with diesel demand having declined as well in March and early April.

Part of the more recent and inordinate product declines may be attributed to Easter falling in March versus April, thus reducing the number of workdays in the month, but after adjusting for this phenomenon we believe more important price and economic related factors are at work.

Some of the arguments that Europe has been somewhat sheltered from rising dollar-denominated crude oil prices due to the strong euro hold less water due to the fact that in our view Europe began responding to higher oil prices back when WTI was trading at $65.00-$70.00 per barrel.

In any event, on a euro-deflated basis WTI is now trading at around $113.00 per barrel, not “cheap” by almost any standard.

With regard to OECD Europe refined product demand in 2008, we now anticipate a 1.1%, or 125 MB/D decline versus 2007, a larger decline than anticipated in last month’s report by 20 MB/D.

Japan and South Korea

Neither Japan nor South Korea would appear to offer overall any OECD offsets to weaker demand in the United States and Europe at this time.

With respect to Japan, the primary source of oil demand growth still lies with heavy fuel oil and to a lesser extent crude for direct burning as a result of ongoing downtime at the Tepco nuclear unit, which should positively impact the bottom of the barrel through at least the end of the year.

Otherwise, warmer than normal temperatures adversely impacted space heating oil demand late in the first quarter, but preliminary data indicate that transportation fuel demand was also weak, particularly for gasoline, and may suggest a resumption of the structural decline in demand as opposed to reflecting short-term tax issues.

For 2008, we anticipate an increase in Japan oil demand of 1.4%, or about 65-70 MB/D, an upward revision from last month by some 30 MB/D purely as a result of fine tuning the expected duration of higher heavy fuel oil demand due to the substitution effect of offline nuclear power.

Turning to South Korea, as discussed over the past couple months this primary support for Asian OECD oil demand has finally faltered.

More recent, though preliminary data reveal that South Korea oil demand continues to decline, but the mixed performance amongst products suggests that petrochemical feedstock demand recovered in March.

However, the increase still did not offset weather-induced declines in space heating fuels, as was the case in Japan, as well as declines in heavy fuel oil demand reflecting LNG substitution.

On balance, we now believe that South Korea oil demand will decline by 1.3%, or some 25 MB/D in 2008, in contrast to a forecast small gain as previously assumed.

Non-OECD

China, as always, remains a dominant them in the world oil demand picture, and the tragic earthquake has now brought into question the possibility of incremental demand on top of the “Olympic effect”, as well as underlying economic growth.

We believe, however, that the net effect is quite difficult to quantify, since initially there is likely to be some reduction in energy demand as a result of building and facility destruction followed by a recovery in consumption.

With regard to the “Olympic effect”, the government is mandating a retention of stocks at the distributor level in advance of the games, with subsidies maintained for PetroChina and Sinopec to cushion downstream losses while retail price are frozen.

On a net basis at this point we see no cause to materially amend our outlook for China demand in 2008 as a whole, and we believe implied demand will gain by 5.4%, or about 345 MB/D in 2008, unchanged from our last report.

Our expectations for China lie above that of the IEA, just about the only country where we expect oil demand gains to outpace the Agency's outlook.

Elsewhere outside the OECD, it appears our expected growth in OPEC oil demand remains broadly on track, and we continue to expect about a 6.0% increase for this group of countries, with low double-digit gains in most Arabian Gulf countries partially offset by more moderate growth in other OPEC nations such as Indonesia. We would note that thus far this year Iran's rate of oil demand growth appears to be "only" around 4.0%.

With regard to India, March data suggest a continued surge in demand led by transportation fuels, aided by subsidies which for the first quarter amounted to some $19 billion.

We believe as 2008 progresses demand growth will moderate to a degree, and eventually we would look for a series of retail price increases to modestly reduce the widening gap between retail and world oil prices. As such, we anticipate India oil demand will rise by 3.3%, or some 70 MB/D this year.

Overall, we expect non-OECD oil demand to increase by 2.7%, or about 1.04 MMB/D in 2008, implying a slight downward revision from last month.

Global Oil Supply

Non-OPEC

As discussed previously, a prevailing theme for those looking for $150.00 per barrel WTI in 2008 and beyond revolves around the expectation that growth in non-OPEC supply will be minimal at best.

For several years we have been among the most conservative with regard to production gains outside of OPEC, with consistently the lowest rate of growth for 2008 of any forecast we have seen.

Core to our thesis has been our forecast decline rates for mature North Sea fields based on conversations with key operators, as well as a more conservative view of FSU gains due more to political issues.

At the same time, however, we are loathe to suggest that the world is "running out of oil", with promising discoveries in Brazil and elsewhere slated for long-term development. We also recognize that based on history there are usually long lags between price gains and discoveries, let alone production development.

While the consensus is worried that there has yet to be a major supply response to rising prices over the last few years, a look at history also suggest that **some of the largest discoveries were either *coincident with or preceded* price spikes, and not the *result* of them.**

Since we believe it is difficult enough to forecast one year out and thus limit our outlook to a shorter time frame, our primary concern is 2008. We have decided for the sake of good order to include Ecuador into the OPEC fold to reflect its renewed status in this regard, and thus a "clean" non-OPEC outlook, excluding both Ecuador and Angola, suggests a gain this year of only 270 MB/D, led by the FSU at +245 MB/D.

OPEC and Inventory

Congress continues to chastise all that is OPEC, blaming the Organization for a "shortage" of crude, while President Bush was yet again unsuccessful in officially eliciting more crude from Saudi Arabia's King Abdullah during his recent visit.

However, Saudi Aramco continues to pursue the precise policy it has over the past couple of years, i.e. providing no more and no less than its refiner customers want and need. As such, Saudi oil minister Ali Naimi stated that an incremental 300 MB/D would be produced for the second quarter reflecting rising refiner nominations, particularly from the U.S. Gulf Coast.

Our customary table below illustrates that aside from Saudi production increasing to about 9.4 MMB/D for May, we see little change from OPEC's April production levels except for Nigeria, where we estimate slightly lower levels reflecting ongoing Delta sabotage.

OPEC "12"
Targeted Vienna "Quotas"
v.
Estimated May Production
(MB/D)

	"Quota"	Production	Prod. Vs. "Quota"
Algeria	1,358	1,340	-18
Angola	1,900	1,870	-30
Ecuador	520	500	-20
Indonesia	871	850	-21
Iran	3,818	3,720	-98
Kuwait	2,487	2,475	-12
Libya	1,704	1,730	+26
Nigeria	2,173	1,880	-293
Qatar	824	800	-24
S. Arabia	8,987	9,400	+413
UAE	2,546	2,495	-51
Venezuela	2,485	2,410	-75
Total	29,673	29,470	-203

Putting the demand and supply sides of the equation together, our most significant conclusion would be that despite our forecast modest gain in non-OPEC supply for 2008, our balances imply a net global stock build this year averaging about 360 MB/D.

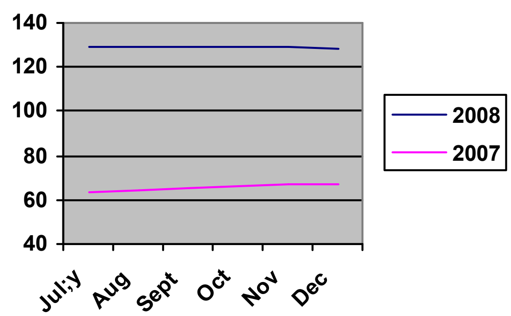
The build implies that at the end of the year, usable commercial stocks will total some 16 days of forward cover, about 2 days higher than the end of 2007 and about on par with the end of 2006.

Implications for Price

Following a first quarter WTI average of $97.90 per barrel, second quarter to date has averaged around $118.75 per barrel, and thus it would appear that our $115.00 per barrel average for the second quarter will end up as too conservative.

As prices surged during the month of May, the consensus began raising its WTI estimate for 2008 by significant degrees, with the analytical community's average likely now well in excess of $100.00 per barrel.

Current Six-Month NYMEX Crude Oil Term Structure
2008 vs. 2007



As you are all aware, we are always reluctant to follow any major short-term price move either up or down, which in the past has sometimes helped us, sometimes hurt us.

In the current circumstances, we strongly believe that dollar weakness has been a major contributor to the recent price surge, overlaid by the belief, with some grounding in fundamentals, that the global distillate balance has become increasingly tight relative to other products.

We believe at best the dollar is in a trading range, and given the prospects for an end to Fed interest rate cuts and the growing concern about euro-area inflation, the odds tend to favor a further dollar recovery from here as opposed to a drop to record lows.

As such, we believe our WTI price outlook for the remainder of 2008 should be tempered by this viewpoint, right or wrong.

In addition, as the U.S. Presidential election emerges on the horizon and with energy prices assuming front burner status, we believe that traders and funds may be increasingly reluctant to assume new length and push prices toward the current popular "bogie" of $150.00 per barrel.

Right or wrong as well, the potential buyer may be more concerned about policy or legislation that would lead to weaker energy prices for the end of the year and into 2009.

In addition, our fundamental outlook suggests that the global distillate balance will ease, and if anything our already conservative view of global demand could end up on the high side. We detect that the ultimate impact on demand from higher prices is finally having some impact on trader and fund psychology.

Of course, we all must face the upcoming hurricane season, and there is always an uncertainty, real or perceived, in terms of the impact on Gulf Coast supplies as result of any damage or precautionary platform shut ins.

At the same time, what we may also be witnessing at the present time is index and fund buying overlaid by conventional crude oil price seasonality.

After all, for the last several years we have always anticipated that under "normal" circumstances, a price trough is reached in the first quarter followed by a primary price peak in the second.

When viewed on a percentage basis, the first to second quarter price gain has not been out of line with historical experience. As such, it would lend further support to suggest that a price peak at $135.00 per barrel or so has been reached.

Putting it all together, from a purely arithmetic standpoint a second quarter average of around $123.00 per barrel would now be more appropriate. For the second half of the year, we will raise our third quarter average to $105.00 per barrel while retaining a $90.00 per barrel average for the fourth, reflecting all the factors discussed above.

As such, we now anticipate a 2008 WTI average of around $104.00 per barrel, an upward revision from last month's report by about $3.00 per barrel.

Forecast Prompt NYMEX Crude Oil Prices By Quarter: Base Case

	2007	**2008(E)**
Q1	**$58.24**	**$97.90**
Q2	**$64.85**	**$123.00**
Q3	**$75.40**	**$105.00**
Q4	**$90.50**	**$90.00**
Yr.	**$72.25**	**$104.00**

May 28, 2008

Table 1

OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 5/25/08	Q1	Q2	Q3	Q4	2007	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
DEMAND												
United States	20786	20649	20692	20677	20701	0.1	20150	20408	20315	20305	20294	-2.0
Motor Gasoline	9028	9390	9486	9249	9289	0.4	8937	9373	9448	9192	9238	-0.5
Jet Fuel	1602	1641	1634	1614	1623	-0.6	1570	1592	1569	1549	1570	-3.3
Distillate	4399	4134	4109	4250	4223	1.3	4223	4211	4000	4035	4117	-2.5
Residual	820	733	698	685	734	6.6	656	623	628	699	651	-11.2
Other	4937	4751	4765	4879	4833	-2.3	4764	4608	4670	4830	4718	-2.4
Canada	2200	2102	2146	2125	2143	2.8	2203	2097	2158	2145	2151	0.4
Naphtha	73	72	68	77	73	1.0	74	72	69	78	73	1.0
LPG	219	271	223	137	213	1.3	217	280	225	139	215	1.3
Gasoline	731	754	818	783	772	2.6	739	756	826	794	779	1.0
Kerosene	80	79	90	80	82	1.0	81	79	91	81	83	1.0
Gasoil/Diesel	675	487	506	592	565	4.4	675	477	511	598	565	0.1
Fuel Oil	138	96	84	161	120	6.4	141	94	83	157	119	-0.8
Other	283	344	356	295	320	1.4	278	337	352	298	316	-1.0
Mexico	1992	2006	2020	2056	2018	2.1	1972	2007	2040	2077	2024	0.3
United Kingdom	1518	1414	1399	1577	1477	0.0	1504	1409	1399	1578	1472	-0.3
Naphtha	84	74	60	89	77	1.0	85	75	61	90	78	1.0
LPG	133	132	113	131	127	1.0	134	134	114	132	128	1.0
Gasoline	446	399	404	415	416	-2.3	431	387	396	407	405	-2.6
Kerosine	247	201	218	214	220	0.8	248	202	220	215	221	0.5
Gasoil/Diesel	364	471	460	571	467	1.0	368	476	465	577	471	1.0
Fuel Oil	147	43	39	52	70	1.3	143	43	39	52	69	-1.7
Other	96	93	105	104	99	1.0	95	92	105	104	99	-0.4
France	1751	1589	1790	1616	1686	-1.3	1772	1562	1776	1615	1681	-0.3
Naphtha	167	144	223	249	196	1.0	168	145	224	251	197	0.5
LPG	163	94	76	130	116	1.0	163	94	76	130	116	0.1
Gasoline	212	280	242	184	229	-3.4	204	269	236	179	222	-3.3
Kerosene	95	111	121	87	104	1.1	96	112	122	88	104	0.8
Gasoil/Diesel	955	752	925	784	854	-1.8	983	737	916	788	856	0.2
Fuel Oil	91	92	60	81	81	-3.9	90	89	59	79	79	-2.4
Other	68	116	143	100	107	0.2	68	116	143	100	107	0.2
Italy	1587	1557	1528	1514	1546	-2.9	1561	1482	1488	1487	1504	-2.7
Naphtha	68	78	47	37	57	1.0	68	78	47	38	58	1.0
LPG	147	98	104	145	123	1.0	149	99	105	146	125	1.0
Gasoline	353	323	332	307	329	-3.5	339	310	326	301	319	-3.0
Kerosene	66	73	76	63	70	1.1	67	73	77	64	70	0.8
Gasoil/Diesel	585	482	587	565	555	0.7	602	477	581	570	558	0.6
Fuel Oil	228	402	257	255	285	-12.6	194	341	226	225	247	-13.7
Other	140	102	125	142	127	0.9	141	103	126	143	128	1.0
Germany	2312	2287	2318	2543	2365	-3.3	2334	2252	2290	2512	2347	-0.8
Naphtha	256	224	217	251	237	1.1	257	225	218	252	238	0.2
LPG	135	135	117	114	125	1.1	135	135	117	114	125	0.1
Gasoline	548	600	532	577	564	-3.0	531	582	522	566	550	-2.5
Kerosene	97	139	144	121	125	1.0	99	140	145	122	126	1.0
Gasoil/Diesel	1091	925	996	1210	1056	-6.1	1130	907	976	1186	1050	-0.6
Fuel Oil	69	80	115	98	91	-1.7	66	78	114	99	89	-1.5
Other	116	184	196	171	167	0.8	117	186	198	173	168	1.0
Austria	229	216	240	292	244	-0.5	224	214	237	289	241	-1.2
Belgium	438	429	398	468	433	-1.7	427	418	390	459	423	-2.3
Denmark	217	192	196	205	202	-0.3	215	190	198	209	203	0.2
Finland	224	217	215	211	217	-0.4	222	219	217	214	218	0.6
Greece	307	265	284	347	301	-1.3	301	260	281	344	296	-1.5
Iceland	12	15	25	24	19	1.5	12	16	26	25	20	2.0
Ireland	123	113	123	133	123	0.4	125	115	125	134	124	1.0
Luxembourg	51	47	46	45	47	1.5	52	48	47	46	48	2.0
Netherlands	432	406	411	409	415	-2.0	421	396	401	399	405	-2.5
Norway	189	186	192	203	193	0.8	192	188	194	205	195	1.1
Portugal	193	280	264	286	256	0.4	195	283	266	289	258	1.0
Spain	924	793	993	937	912	-2.3	897	770	963	919	887	-2.7
Sweden	381	333	309	320	336	-1.3	381	332	309	319	335	-0.2
Switzerland	280	273	288	348	297	-0.4	275	271	282	355	296	-0.6
Turkey	576	481	622	560	560	-0.9	564	472	621	554	553	-1.2
OECD Europe	11745	11094	11642	12039	11630	-1.7	11672	10894	11510	11951	11507	-1.1
Japan	5561	4337	4275	5059	4808	-1.4	5653	4369	4355	5124	4875	1.4
Naphtha	665	570	569	779	645	1.4	673	579	577	790	655	1.4
LPG	895	615	567	695	693	1.4	918	624	572	702	704	1.6
Gasoline	995	960	915	933	951	-2.3	965	931	896	923	929	-2.3
Kerosene	1006	448	360	646	615	1.1	1036	455	365	656	628	2.1
Gasoil/Diesel	1206	1080	939	1255	1120	-4.3	1169	1048	920	1256	1098	-1.9
Fuel Oil	320	315	522	339	374	-2.0	416	393	626	390	456	22.1
Other	198	175	205	223	200	-0.7	194	174	206	225	200	-0.3
Direct Crude	277	175	200	189	210	-4.7	282	166	192	182	205	-2.2
South Korea	2137	1974	1845	1952	1977	2.1	2094	1915	1827	1971	1952	-1.3
Australia	869	829	826	890	853	1.1	878	837	839	898	863	1.1
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45394	43097	43551	44910	44238	-0.2	44727	42633	43147	44586	43773	-1.1

Table 2

World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 5/25/08	Q1	Q2	Q3	Q4	2007	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
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Canada	2200	2102	2146	2125	2143	2.8	2203	2097	2158	2145	2151	0.4
Mexico	1992	2006	2020	2056	2018	2.1	1972	2007	2040	2077	2024	0.3
United Kingdom	1518	1414	1399	1577	1477	0.0	1504	1409	1399	1578	1472	-0.3
France	1751	1589	1790	1616	1686	-1.3	1772	1562	1776	1615	1681	-0.3
Italy	1587	1557	1528	1514	1546	-2.9	1561	1482	1488	1487	1504	-2.7
Germany	2312	2287	2318	2543	2365	-3.3	2334	2252	2290	2512	2347	-0.8
Austria	229	216	240	292	244	-0.5	224	214	237	289	241	-1.2
Belgium	438	429	398	468	433	-1.7	427	418	390	459	423	-2.3
Denmark	217	192	196	205	202	-0.3	215	190	198	209	203	0.2
Finland	224	217	215	211	217	-0.4	222	219	217	214	218	0.6
Greece	307	265	284	347	301	-1.3	301	260	281	344	296	-1.5
Iceland	12	15	25	24	19	1.5	12	16	26	25	20	2.0
Ireland	123	113	123	133	123	0.4	125	115	125	134	124	1.0
Luxembourg	51	47	46	45	47	1.5	52	48	47	46	48	2.0
Netherlands	432	406	411	409	415	-2.0	421	396	401	399	405	-2.5
Norway	189	186	192	203	193	0.8	192	188	194	205	195	1.1
Portugal	193	280	264	286	256	0.4	195	283	266	289	258	1.0
Spain	924	793	993	937	912	-2.3	897	770	963	919	887	-2.7
Sweden	381	333	309	320	336	-1.3	381	332	309	319	335	-0.2
Switzerland	280	273	288	348	297	-0.4	275	271	282	355	296	-0.6
Turkey	576	481	622	560	560	-0.9	564	472	621	554	553	-1.2
OECD Europe	11745	11094	11642	12039	11630	-1.7	11672	10894	11510	11951	11507	-1.1
Japan	5561	4337	4275	5059	4808	-1.4	5653	4369	4355	5124	4875	1.4
South Korea	2137	1974	1845	1952	1977	2.1	2094	1915	1827	1971	1952	-1.3
Australia	869	829	826	890	853	1.1	878	837	839	898	863	1.1
New Zealand	105	107	105	113	107	0.4	106	108	105	113	108	0.5
Total OECD	45394	43097	43551	44910	44238	-0.2	44727	42633	43147	44586	43773	-1.1
Non-OECD	37525	38799	39197	37941	38366	2.1	38669	39869	40256	38834	39407	2.7
FSU	4216	3188	3124	3935	3616	0.2	4237	3190	3155	3974	3639	0.6
Non-OECD Europe	2536	2383	2411	2547	2469	-0.6	2519	2367	2396	2531	2453	-0.6
China	5223	7653	7531	5268	6419	4.9	5614	8036	7893	5521	6766	5.4
OPEC	7396	6845	7294	7322	7214	5.7	7845	7247	7721	7743	7639	5.9
Argentina	484	526	507	544	515	0.1	484	528	509	546	517	0.3
Brazil	1881	2149	2209	2225	2116	0.4	1919	2202	2231	2247	2150	1.6
Other L. A.	1499	1587	1737	1816	1660	0.8	1514	1603	1771	1834	1681	1.3
Egypt	558	569	569	575	568	2.5	569	583	583	589	581	2.4
South Africa	451	484	499	510	486	2.0	460	496	509	521	496	2.1
Other Africa	1056	1101	1158	1169	1121	1.6	1075	1118	1180	1188	1140	1.7
Non-OPEC M. E.	634	621	635	639	632	2.2	653	634	648	651	647	2.3
India	2187	2181	2120	2183	2168	3.6	2285	2268	2173	2229	2239	3.3
Other Asia	4066	4148	4044	3821	4020	-0.9	4086	4169	4064	3840	4040	0.5
Int. Bunkers	2061	2075	2074	2081	2073	-0.5	2074	2085	2077	2076	2078	0.2
Refinery F/L	3278	3289	3284	3307	3289	0.4	3334	3343	3345	3345	3342	1.6
Grand Total Demand	82918	81896	82748	82852	82604	0.9	83396	82502	83403	83420	83180	0.7

Note: Demand by country is shown on an "inland" basis, i.e., excluding bunkers and refinery fuel/loss.

Table 3

World Oil Supply
(Thousands of Barrels Daily)

BASE CASE 5/25/08	Q1	Q2	Q3	Q4	2007	% Chng 07/06	Q1E	Q2E	Q3E	Q4E	2008E	% Chng 08/07
Grand Total Demand	82918	81896	82748	82852	82604	0.9	83396	82502	83403	83420	83180	0.7
Inventory Change	-973	318	-652	-183	-372		-45	1077	218	193	361	
SUPPLY	81945	82215	82096	82669	82231	0.4	83351	83579	83621	83613	83541	1.6
United States	5174	5199	4998	5039	5102	-0.7	5095	5097	5117	5192	5125	0.4
United Kingdom	1580	1570	1415	1575	1535	2.1	1508	1476	1429	1528	1485	-3.2
Norway	2455	2165	2210	2255	2271	-5.3	2215	2143	2166	2210	2184	-3.9
Denmark	385	380	380	385	383	-0.6	380	380	380	380	380	-0.7
Netherlands	52	51	52	54	52	-0.5	52	51	51	53	52	-1.0
Other OECD Europe	460	460	460	460	460	0.0	460	460	460	460	460	0.0
Non-OECD Europe	305	305	305	305	305	0.0	305	305	305	305	305	0.0
Mexico	3150	3165	3055	2995	3091	-5.2	2945	2895	2990	2980	2953	-4.5
Canada	2675	2475	2705	2675	2633	3.9	2605	2610	2710	2710	2659	1.0
Argentina	670	660	645	665	660	-0.4	655	650	650	650	651	-1.3
Brazil	1835	1805	1815	1790	1811	1.2	1905	1855	2035	2075	1968	8.6
Colombia	520	515	490	475	500	-5.2	515	525	530	530	525	5.0
Peru	105	105	105	105	105	0.0	105	105	105	105	105	0.0
Trinidad & Tobago	130	130	135	130	131	5.0	130	130	135	130	131	0.0
Other L. A.	75	80	80	80	79	17.8	75	80	80	80	79	0.0
Bahrain	37	37	38	38	38	0.0	37	37	38	38	38	0.0
Oman	720	705	705	705	709	-4.9	695	695	695	695	695	-1.9
Syria	400	395	375	375	386	-4.0	345	345	345	345	345	-10.7
Other Middle East	365	365	365	65	290	-19.4	365	365	365	65	290	0.0
Congo	195	195	195	195	195	0.6	195	195	195	195	195	0.0
Egypt	625	630	620	615	623	-2.6	615	615	615	615	615	-1.2
Gabon	265	265	265	265	265	-1.9	265	265	265	265	265	0.0
Tunisia	130	130	125	125	128	0.0	130	130	125	125	128	0.0
Other Africa	365	375	380	380	375	8.7	365	375	380	380	375	0.0
Australia	475	505	495	505	505	13.0	525	545	545	535	538	6.4
India	685	680	680	685	683	2.7	685	690	690	690	689	0.9
Malaysia	720	700	690	690	700	-5.4	670	675	670	680	674	-3.8
Brunei	135	135	130	130	133	0.0	135	135	130	130	133	0.0
Other Asia/Pacific	585	605	605	610	601	2.3	610	610	615	615	613	1.9
FSU	11492	11750	11408	11450	11525	4.9	11775	11985	11636	11679	11769	2.1
China	3745	3765	3695	3725	3733	1.7	3745	3755	3755	3755	3753	0.5
NGL	4818	4814	4864	4918	4854	1.3	4879	4876	4928	4983	4916	1.3
Ref. Gain/Other	1866	1843	1862	1864	1859	0.9	1876	1856	1877	1877	1872	0.7
Non-Conventional	1160	1165	1171	1185	1170	2.0	1189	1194	1200	1215	1199	2.5
Total Non-OPEC	48353	48124	47518	47513	47887	0.9	48051	48105	48211	48269	48159	0.6
OPEC SUPPLY	33592	34090	34578	35156	34354	-0.4	35299	35473	35410	35344	35382	3.0
OPEC NGL	1710	1750	1800	1825	1771	7.0	1895	1910	1915	1915	1909	7.8
OPEC CONDENSATE	1695	1725	1765	1810	1749	5.8	1875	1885	1880	1880	1880	7.5
OPEC CRUDE SALES	30187	30615	31013	31521	30834	-1.1	31529	31678	31615	31549	31593	2.5
Saudi Arabia	8600	8750	8675	8950	8744	-4.2	8950	9250	9000	9000	9050	3.5
Iran	3757	3670	3753	3756	3734	-4.9	3844	3718	3775	3654	3748	0.4
Iraq	1905	2075	2145	2205	2083	7.9	2295	2155	2235	2225	2228	7.0
Kuwait	2300	2500	2525	2525	2463	2.5	2425	2525	2550	2550	2513	2.0
Qatar	800	810	825	825	815	0.6	835	835	840	840	838	2.8
UAE	2410	2475	2565	2565	2504	2.4	2550	2650	2550	2550	2575	2.8
Algeria	1315	1345	1355	1375	1348	0.6	1410	1410	1410	1410	1410	4.6
Angola	1565	1615	1690	1805	1669	15.6	1895	1900	1900	1900	1899	13.8
Nigeria	2125	2005	2125	2155	2103	-7.2	1905	1850	1995	2050	1950	-7.3
Libya	1700	1700	1735	1740	1719	4.6	1745	1745	1745	1745	1745	1.5
Ecuador	425	435	475	475	453	25.7	485	475	455	465	470	3.9
Venezuela	2415	2375	2295	2295	2345	-8.6	2315	2315	2310	2310	2313	-1.4
Indonesia	870	860	850	850	858	-5.9	875	850	850	850	856	-0.1
Inventory Change	-973	318	-652	-183	-372		-45	1077	218	193	361	
Assumed Inventory Position(c)												
Days Supply of MOV	50	50	50	50	50		50	50	50	50	50	
Days Supply of UC	15	15	14	14	14		14	15	15	16	16	
Days Supply of MOV+	65	65	64	64	64		64	65	65	65	65	
Days Supply of S/C	14	14	14	14	14		14	14	14	14	14	

a) OPEC supply measured on a delivered sales basis, i.e. accounting for tanker transit and storage time lag, plus net producer stock change.
b) Includes share of Neutral Zone, shared equally.
c) MOV: Minimum Operating Volume; UC: Usable Commercial; S/C: Strategic/Compulsory.