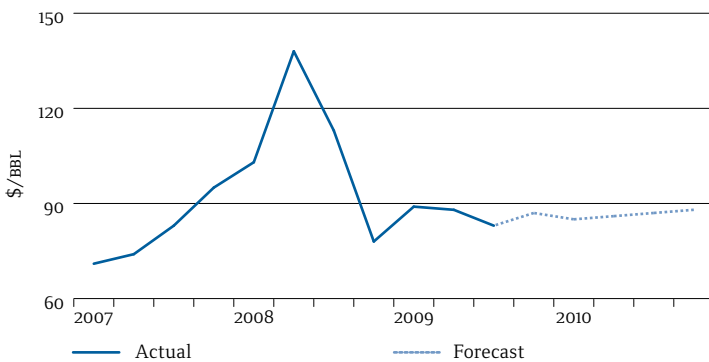


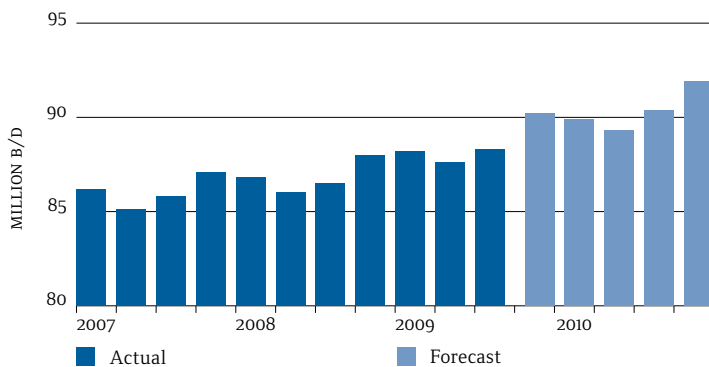


### Crude Oil Prices



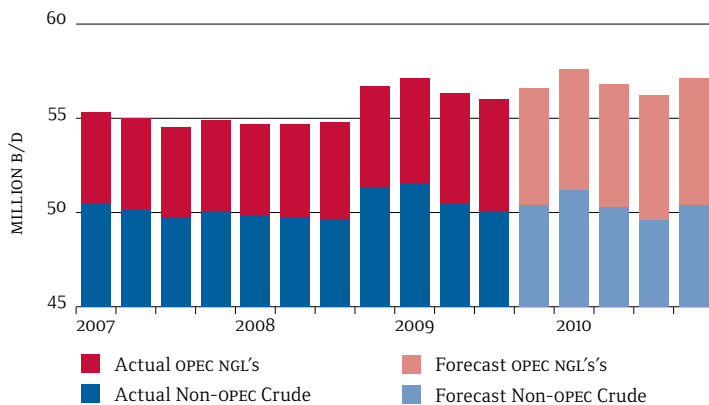
Crude oil prices, after peaking at over \$140/BBL in 2008, and then falling rapidly to under \$80/BBL late last year, will remain at or above \$90/BBL throughout 2010. High prices reflect continued strong demand growth in emerging markets and very low OPEC spare production capacity.

### Global Oil Demand



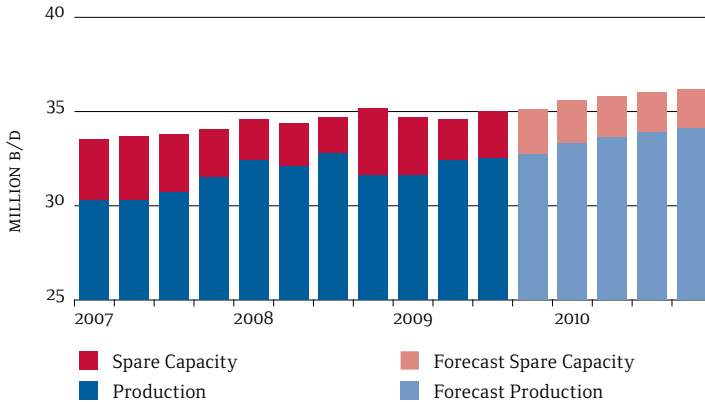
Global oil demand has grown at 2% in 2009 despite weak growth in most world economies, which are recovering from the downturn in 2008. Demand in OECD countries will decline this year for the fourth year in succession due to high oil prices and weak economic growth. However, demand growth remains buoyant at 6% in China—and in other developing countries at 4.5%—unaffected by high oil prices.

### Oil Supply



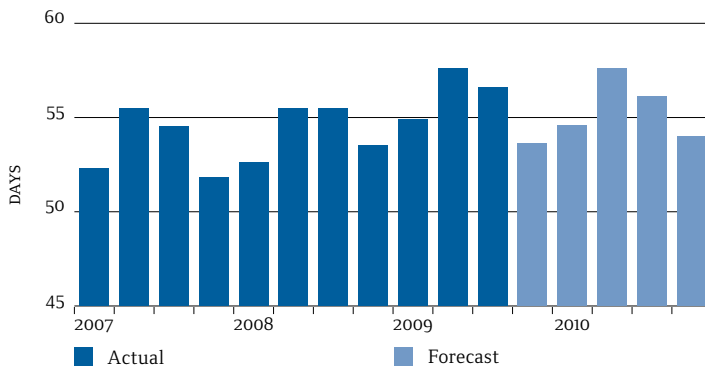
Oil supply from non-OPEC countries is running below forecast, with growth in 2009 of only 0.5 MB/D and no further growth now expected for the next three years. Production growth in the Former Soviet Union (FSU) has ceased, and production has stagnated at 13 MB/D, with increasing uncertainty among foreign companies as Russia tightens control over its oil industry. Oil supplies from Nigeria and Iraq continue to be affected by political unrest. Production in Iraq has fallen back to 2.2 MB/D while reports express increasing concern about growing unrest in the mainly Muslim north of Nigeria. OPEC NGL production is the one success story, with a rise in production of 0.8 MB/D (16%) in 2009.

## OPEC Production and Spare Capacity



OPEC spare production capacity is now only 2 MB/D, with growth in capacity yet again delayed. Capacity in 2009 is below 2008 levels due to renewed unrest in Iraq and Nigeria and has averaged 34.9 MB/D—only 1.3 MB/D above 2005 levels instead of the 5 MB/D increase then promised by OPEC. There have been widespread project delays, a reversal of some countries' moves towards liberalisation of investment regimes, and a growing reluctance to invest in increased capacity. Achieving the forecast growth in capacity of 1.2 MB/D in 2010 will be critical in meeting oil demand.

## OECD Oil Stocks



OECD oil stocks are expected to average 55 days cover of OECD demand for this year and next. Although this figure is at or above past averages, demand to hold stock remains high as a cover against possible future supply shortfalls.

## The Forward Outlook

The forward outlook remains tight. So far, high demand growth in developing countries, particularly China, has not been met by sufficient supply growth. Non-OPEC production has stagnated and OPEC production capacity has grown weakly. Supply and demand have been brought into balance through the current high oil prices, which have curbed underlying demand growth in OECD countries. Any disruption to supply now could cause oil prices to rise to unprecedented levels and could potentially cause oil shortages. Even a spell of exceptionally cold weather this winter boosting demand could cause a price hike. Longer term, with growth in oil supplies becoming ever more problematic, we urge governments to seek ways to curb oil demand, promote alternative fuel supplies, and ensure their response plans are ready should the unthinkable happen and oil supplies fail to meet demand.