HORNSBY & COMPANY, INC.

www.hornsbyco.com

Energy Risk
Management Services

International Petroleum Analysis February 5, 2009

World Petroleum Perspectives
Monthly Review and Outlook

Summary

The first month of the New Year has passed with little if any improvement in sentiment over the prospects for global economic activity. Nor has much data come in that would support such change in any event. The S&P 500 turned in the worst January performance in history, and since the beginning of the year the prompt NYMEX crude oil contract has declined by about $5.00 per barrel. Pulled down by equity market woes and the assumption that world oil demand will decline this year, the fall has been limited by periodic geopolitical/strike risk and the belief that OPEC, particularly Saudi Arabia, is making a more serious effort to restrain output than we have seen in several years. In addition, the price fall on a prompt basis masks the relative weakness in the February contract followed by the subsequent roll into a stronger March contract reflecting the severe contango that has characterized the term structure. The contango has fed on itself by providing both the evidence of, and the incentive for, incremental inventorying.

We have updated our global balances and have observed January price behavior toward assessing the fundamental versus financial influence on oil prices. We have concluded that current prices reflect a massive exit of passive length that had built up last year, confirming our thesis that such an influence had accounted for a substantial percentage of the gain in crude oil prices toward $100.00 per barrel and beyond. Nonetheless, non-commercial price influence remains to a degree on both sides of the coin, and can easily resurface as a major influence on the long side if things begin to improve. Our balances still suggest that world oil demand can manage to rise slightly this year, not materially revised from our previous assessment but now more optimistic than a bearish consensus. In addition, we also still believe that the gain in non-OPEC supply will come in below most assessments, our perspective in 2008 as well.

With regard to price, we would also maintain our belief that $75.00 per barrel, the target that Saudi minister Ali Naimi believed could be achieved through OPEC discipline and a resultant net global stock reduction of 2-3 days, can *only* be reached through a combination of favorable fundamental *and* financial factors, and *not* fundamentals alone. Having said this, however, we believe that if our more constructive fundamental balance begins to unfold over time, it will induce a significant movement back into net length by non-commercials, allowing prompt WTI to approach Naimi's target by mid third quarter.

+ World oil demand is forecast to rise by 0.4%, or about 300 MB/D this year.

+ Non-OPEC supplies are expected to gain by 545 MB/D.

+ Our balances imply a net global stock draw in 2009 averaging 535 MB/D.

Viewpoint

The first month of the New Year has passed with little if any optimism over the prospects for global economic activity. The consensus view is that the current global malaise will continue through much, if not all of 2009.

Nor has the onslaught of data supported any change in sentiment in any event. The S&P 500 turned in the worst January performance in history, and since the beginning of the year the prompt NYMEX crude oil contract has declined by about $5.00 per barrel from an already collapsed base off the peaks of last summer.

Crude oil was pulled down by equity market woes and the consensus assumption that world oil demand will decline this year. The fall has been limited by periodic geopolitical/strike risk and the belief that OPEC, particularly Saudi Arabia, is making a more serious effort to restrain output than we have seen in several years.

In addition, the price fall on a prompt basis masked the relative weakness in the February NYMEX contract followed by the subsequent roll into a stronger March contract, reflecting the severe contango that has characterized the term structure for a number of weeks.

The contango has effectively fed on itself by serving as the evidence of, and the incentive for, incremental inventorying at Cushing and in tankers offshore.

Within this dismal context we have updated our global balances and, as has now become our tradition, have observed January price behavior toward assessing the impact of early-year allocation by non-commercials into commodities.

As discussed in previous reports, we have concluded that current prices reflect a progressive exit of passive length that had built up last year, confirming our thesis that such an influence had accounted for a substantial percentage of the gain in crude oil prices toward $100.00 per barrel and beyond.

Nonetheless, the non-commercial price influence currently remains an influence to a degree on both sides of the equation, and can easily resurface as a major influence on the long side if the global picture begins to improve.

Our balances still suggest that world oil demand can eke out a modest gain this year, not materially revised from our previous assessment but now more optimistic than a bearish consensus.

Perhaps more importantly, however, we also still believe that the gain in non-OPEC supply will come in below most assessments, our perspective in 2008 as well that proved to be close to the mark.

In terms of price, he may have abandoned the idea, but $75.00 per barrel was the target that Saudi minister Ali Naimi believed was achievable through OPEC discipline, leading to a net global stock reduction of 2-3 days. However, our long-standing premise has been that such a number could only be reached through a combination of favorable fundamental *and* financial factors, and not fundamentals alone.

Having said all this, however, we believe that if our more constructive fundamental balance begins to unfold over time, financials will "kick in". That is, **a more constructive than expected fundamental balance will induce a significant movement back into net length by non-commercials, allowing prompt WTI to approach Naimi's target by mid third quarter.**

Putting all this together, we believe that WTI will average about $55.80 per barrel this year. More important than the average, however, is the peak the market is able to achieve this year and not the average itself which has minimal relevance from an investing/trading standpoint, as 2008 proved.

Global Oil Demand

World oil demand is forecast to increase by 0.4%, or some 300 MB/D this year. We recognize that the gain is minimal, but relative to the consensus expectations lies on the "bullish" side of the coin.

Within this aggregate, OECD oil demand is forecast to decline by 1.2%, or about 530 MB/D. Non-OECD oil demand is expected to gain by 2.1%, or about 830 MB/D.

As with price, however, the most important aspect of world oil demand this year is the inflection point in terms of year-over-year comparisons.

In this context, we are looking for first quarter world oil demand to decline marginally, with second quarter about flat with the prior year. Consistent with our OECD economic assumptions, minimal growth is expected in the second half of the year.

United States

In stark contrast to last year, the market remains focused on the fate of U.S. oil demand. As an example, the market recently had a modest response to the downward revisions in November 2008 refined product demand as reported in the latest Petroleum Supply Monthly.

Such cuts had characterized the DOE for months on end, and yet in 2008 few paid attention as prices continued to rise. We would consider such cuts both old news and integral to the process from this point forward.

As we progress through the early part of 2009 the preliminary weekly data, no doubt subject to revision, reveal a continued decline in U.S. refined product demand, although the fall in gasoline demand has begun to moderate.

Products more directly influenced by manufacturing activity, however, continue to falter, including diesel fuel, petrochemical feedstocks, and “other” products.

The latest four-week average implies a 2.8% decline in total product demand versus the previous year, and since last July we have assumed that 2009 U.S. oil demand would come in below 2008.

However, we still believe that manufacturing activity and the economy overall will begin to stabilize and progressively recover in the second half of the year, sooner than consensus expectations.

As such, we believe that total U.S. refined product demand will decline by only 1.5%, or some 300 MB/D this year. Our long-standing thesis of the secular decline in gasoline demand will manifest itself as 1.2% fall in 2009, with the largest single volumetric demand decline expected for jet fuel, reflecting weaker economic activity and industry restructuring.

Europe

We estimate that last year OECD Europe oil demand fell by 1.1%, or some 125 MB/D versus 2007.

More final numbers for late in 2008 reveal that OECD Europe oil demand weakened further, with declines registered across most major products and major countries.

The sole source of demand increase was gas oil, although the fourth quarter rate of increase decelerated due to milder temperatures and the effect of conservation which has been in evidence for the last few years.

Highly preliminary numbers for January suggest a decline in excess of 2.0%, with little evidence that either weaker economic activity or conservation/substitution has yet run its course.

We would caution, however, that final numbers may reveal somewhat less of a decline in implied boiler fuel demand, due to the short-lasting impact of the disruption in Russian natural gas supplies.

For 2009, we believe OECD Europe oil demand will decline by 1.3%, or about 150 MB/D, a slightly smaller fall compared to 2008 reflecting a more modest rate of decline in gasoline demand due to lower pump prices as well as the impact of the beginnings of economic activity recovery in the second half of the year.

Japan and South Korea

Preliminary data for January suggest that Japan oil demand is also continuing to decline from the trends in late 2008. Fourth quarter “more final” numbers suggest that virtually all product demand categories registered falls, in part due to somewhat milder than normal weather, as was the case in Europe.

However, the depth of the economic downturn was such that petrochemical feedstock demand along with jet fuel and diesel demand shrank as well. For 2009, we are looking for Japan oil demand to fall by 1.4%, or about 70 MB/D.

This marks a moderation in decline from current trends, but as with Europe and the United States reflects our anticipation of economic stabilization and subsequent recovery in the second half of the year.

South Korea demand as well declined along with Japan in the fourth quarter and, based on preliminary data for January, fell further reflecting similar factors of economic weakness and somewhat milder than normal temperatures. For 2009 we are looking for a 1.3%, or 25 MB/D decline in South Korea oil demand.

Non-OECD

In the past few years we have discussed in these pages the impact on world oil demand and price, both fundamentally and psychologically, of China's rapid economic growth. More often than not the price influence was overestimated, but nonetheless represented a major component of the "demand story".

The legs have now been pulled out from underneath that tale, with China's premier effectively blaming the United States in Davos for the current global financial woes which have finally impacted this economic juggernaut.

With regard to the oil impact, preliminary data suggest that in November implied China oil demand registered a decline of almost 2.0%, the first such negative comparison since June of 2005. With the exception of gasoil, all product categories fell from November of 2007.

While we believe that part of the implied demand decline may be attributed to further destocking, there is no question that based on steel production, freight data, and other macro variables China economic growth has slowed materially, probably more so than official statistics suggest.

Whereas previously our forecast for China oil demand growth for 2009 was quite conservative relative to the consensus, the IEA and most other assessments have now passed us by.

We fully concede that we may end up as too optimistic, but we would prefer to see another month or so of implied demand data before we consider revising our outlook.

In addition, as with our assumptions for the OECD, if we are correct that world economic activity will stabilize in the second half of this year, we believe that China implied oil demand will respond as well. As such, we are looking for China oil demand to rise by 2.9%, or some 195 MB/D this year.

Elsewhere, we have remained conservative with regard to our outlook for India, and recent data support our assumptions. We believe India oil demand will grow by only 2.5% in 2009.

FSU oil demand is expected to rise by 1.7%, or some 60 MB/D, also close to current trends. On balance, we forecast that total non-OECD oil demand will increase by 2.1%, or about 830 MB/D in 2009.

Global Oil Supply

Non-OPEC

Even without the collapse in oil prices we have been confident that non-OPEC supply growth in 2009 would once again fall short of consensus expectations.

Our long-standing thesis calling for a secular decline in North Sea production has unfolded in line with expectations over the last few years, and there is nothing that is likely to deter further declines this year.

While Mexico could always revise its constitution and invite foreign companies in to aid in long-term reserve development, as it stands now there is little that is likely to turn around additional declines in production in 2009 as Cantarell continues to fall.

Russian production is also expected to fall in 2009, impacted by fiscal policies but also shortfalls from Sakhalin-2. Thus a modest total FSU gain will largely reflect increases in Azerbaijan other former Soviet republics.

Elsewhere, Brazil and our assumed lack of hurricane-related shut ins that adversely impacted third and fourth quarter U.S. production will account for much of our forecast rise outside of OPEC. In total, therefore, we expect non-OPEC production to increase by 545 MB/D this year.

OPEC and Inventory

The crude oil market has received increasing support from word that OPEC is progressively moving toward greater compliance with its targeted allocations and aggregate ceiling for the OPEC "11" which is now 24.845 MMB/D as agreed to last December in Oran, Algeria, as our customary table below illustrates.

As our table also shows, we believe that February production in the aggregate will still lie some 930 MB/D above the current ceiling. As discussed in previous reports, Saudi production was the first to largely comply due to both Saudi intentions to leverage prices back up as well as the fact that Saudi Aramco sells to refiners and not independent traders.

In this regard, we had indicated that we would not be surprised to see Iran and other OPEC member production lag the Saudi decline, reflecting sales to traders and others that wished to store crude in tankers to capitalize on market contango.

We argued that once such storage demand had been satisfied, we would likely see better compliance on the part of Iran and others. Some reduction in the contango in the context of tanker storage costs alone that can run $50,000 per day have likely led to the beginning of a reversal of such storage strategies.

As such, as our table shows, we believe that non-Saudi OPEC production has in fact fallen from December, but compliance is likely to remain less than 100%.

OPEC "11"
Targeted Allocations
v.
Estimated February Production
(MB/D)

	Estimated Allocations	Production	Prod. Vs. Allocations
Algeria	1,171	1,300	+129
Angola	1,639	1,800	+161
Ecuador	449	500	+51
Iran	3,293	3,555	+262
Kuwait	2,143	2,150	+7
Libya	1,470	1,600	+130
Nigeria	1,875	1,950	+75
Qatar	711	720	+9
S. Arabia	7,755	7,900	+145
UAE	2,195	2,200	+5
Venezuela	2,144	2,100	-44
Total	24,845	25,775	+930

In our view, however, compliance does not have to equal 100% in order to reduce global crude oil stocks and progressively tighten the market. We believe that *timing* and *duration* will play a major role, i.e. OPEC maintaining the current level of compliance through the *second* quarter in particular, when refiner demand in the Atlantic Basin rises from the first quarter.

If so, our balances suggest that OPEC will have gained more success in this regard than at any time since Hugo Chavez came to power in 1998 and coordinated production discipline with Saudi Arabia, a stark contrast to the more free market policies of PDVSA up to that point in time.

To quantify, under this scenario at the end of the second quarter global usable commercial, or discretionary inventories will stand about 2 days below the end of June 2008. It will imply a net global stock *draw* in the second quarter, in contrast to a normal seasonal stock build.

We have to assume that if in response to a favorable second quarter prices recover, then realistically we should assume that in the second half of 2009 OPEC crude oil sales will begin to rise, irrespective of official allocations.

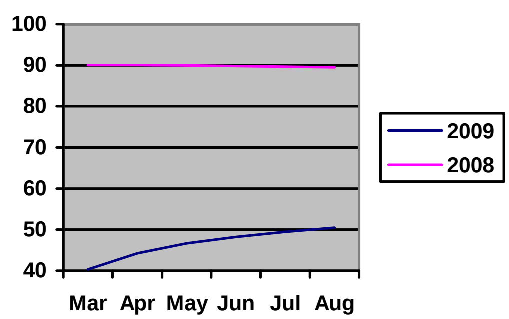
Overall, however, our balances suggest that 2009 will witness a net global inventory draw averaging more than 500 MB/D, which suggests that at the end of this year usable commercial stocks will stand above even with the end of 2007.

Implications for Price

As we issue this report, prompt WTI continues to languish marginally below or marginally above $40.00 per barrel. From current perspectives, it seems that there is little on the horizon that could catalyze WTI back to $50.00 pr above.

We cannot argue with this *short-term* point of view, but we remain more optimistic than most with regard to the prospects for the year as a whole.

Current Six-Month NYMEX Crude Oil Term Structure 2009 vs. 2008



As discussed in previous reports, we anticipate some seasonality to crude oil prices for the first half of 2009, i.e. the tendency for WTI to be trading higher in the second quarter than the first.

However, we have argued it is likely to be somewhat muted this year reflecting weaker U.S. gasoline demand and the fact that even *we* do not anticipate a global economic turnaround before June.

By the same token, the combination of lower second quarter North Sea production due to platform maintenance and the progressive recovery in U.S. refinery runs should lead to an improvement in the Atlantic Basin light crude oil balance.

As we have also discussed, however, **the second quarter by and large holds the key to OPEC's success or failure this year.** If the current level of compliance can be maintained, then it will add leverage to the seasonal rise in crude oil prices to a substantial degree.

Further price leverage through the remainder of the year, however, will have to come from *non-commercial* buying of crude oil. Once again, with respect to Ali Naimi, fundamentals alone will not leverage prices back up to $70.00+ per barrel. If our fundamental scenario comes to pass, however, we strongly believe that non-commercials will move back into oil en masse.

Forecast Prompt NYMEX Crude Oil Prices By Quarter: Base Case

	2008	**2009(E)**
Q1	**$97.90**	**$43.99**
Q2	**$123.76**	**$55.07**
Q3	**$116.19**	**$67.86**
Q4	**$60.74**	**$56.28**
Yr.	**$99.65**	**$55.80**

Putting all of this together and after observing January non-commercial behavior, our Base Case WTI outlook for this year is shown above. Although our expected average for this year is less than $56.00 per barrel, the most significant aspect of the outlook is the peak we believe can be achieved of around $70.00 per barrel during the middle of the third quarter.

February 5, 2009

Table 1

OECD Oil Demand
(Thousands of Barrels Daily)

BASE CASE 2/05/09	Q1	Q2	Q3E	Q4E	2008E	% Chng 08/07	Q1E	Q2E	Q3E	Q4E	2009E	% Chng 09/08
DEMAND												
United States	19876	19683	18825	19808	19548	-5.6	19299	19183	18781	19722	19246	-1.5
Motor Gasoline	8908	9135	8877	8910	8958	-3.6	8732	8979	8921	8783	8854	-1.2
Jet Fuel	1539	1582	1540	1485	1536	-5.3	1462	1503	1509	1455	1482	-3.5
Distillate	4200	3924	3690	4078	3973	-5.9	4028	3815	3745	4249	3959	-0.3
Residual	598	678	576	651	626	-14.8	538	610	547	644	585	-6.5
Other	4631	4364	4142	4684	4455	-7.8	4538	4277	4059	4590	4366	-2.0
Canada	2203	2099	2121	2112	2134	-0.4	2179	2093	2132	2131	2134	0.0
Naphtha	74	72	69	78	73	1.0	74	73	70	79	74	1.0
LPG	217	280	225	139	215	1.3	215	290	227	140	218	1.3
Gasoline	739	755	810	767	768	-0.5	724	757	818	779	769	0.2
Kerosene	81	79	91	81	83	1.0	81	79	91	81	83	-0.1
Gasoil/Diesel	675	473	491	598	559	-1.1	675	463	496	604	559	0.1
Fuel Oil	141	94	83	151	117	-2.2	138	92	81	148	115	-2.0
Other	278	346	352	298	318	-0.4	272	339	349	301	315	-1.0
Mexico	1972	2032	2050	2025	2020	0.1	1952	2033	2061	2046	2023	0.1
United Kingdom	1504	1403	1387	1546	1460	-1.2	1479	1397	1385	1545	1452	-0.6
Naphtha	85	75	61	90	78	1.0	86	75	62	91	79	1.0
LPG	134	134	114	132	128	1.0	135	135	115	133	130	1.0
Gasoline	431	383	388	407	402	-3.4	416	371	380	399	392	-2.6
Kerosine	248	202	220	215	221	0.5	248	202	219	215	221	-0.1
Gasoil/Diesel	368	474	460	543	461	-1.2	361	479	465	548	463	0.4
Fuel Oil	143	44	39	55	70	-0.5	139	43	39	55	69	-1.7
Other	95	92	105	104	99	-0.4	94	91	105	104	99	-0.4
France	1772	1597	1762	1609	1685	-0.1	1773	1568	1745	1607	1673	-0.7
Naphtha	168	145	224	251	197	0.5	169	146	225	252	198	0.5
LPG	163	94	76	130	116	0.1	163	94	76	130	116	0.1
Gasoline	204	270	230	173	219	-4.5	195	260	224	168	212	-3.3
Kerosene	96	112	122	88	104	0.8	95	111	121	87	103	-1.0
Gasoil/Diesel	983	767	907	788	861	0.9	993	751	898	792	859	-0.3
Fuel Oil	90	93	60	79	80	-1.0	89	90	58	76	78	-2.4
Other	68	116	143	100	107	0.2	68	116	143	101	107	0.2
Italy	1561	1477	1479	1427	1486	-3.9	1482	1415	1442	1401	1435	-3.4
Naphtha	68	78	47	38	58	1.0	69	79	48	38	58	1.0
LPG	149	99	105	146	125	1.0	150	100	106	148	126	1.0
Gasoline	339	310	322	276	312	-5.1	322	300	316	271	302	-3.1
Kerosene	67	73	77	64	70	0.8	67	73	76	64	70	-0.1
Gasoil/Diesel	602	473	575	520	542	-2.2	572	468	569	525	534	-1.6
Fuel Oil	194	341	226	240	250	-12.3	159	290	199	211	215	-14.2
Other	141	103	126	143	128	1.0	143	104	127	144	130	1.0
Germany	2334	2287	2318	2524	2366	0.0	2328	2252	2289	2491	2340	-1.1
Naphtha	257	225	218	252	238	0.2	257	225	218	252	238	0.2
LPG	135	135	117	114	125	0.1	135	135	117	114	125	0.1
Gasoline	531	582	516	566	549	-2.7	515	564	506	554	535	-2.5
Kerosene	99	140	145	122	126	1.0	98	140	145	122	126	-0.1
Gasoil/Diesel	1130	944	1011	1198	1071	1.4	1141	925	991	1174	1058	-1.2
Fuel Oil	66	77	113	99	89	-2.3	62	75	112	100	87	-1.5
Other	117	186	198	173	168	1.0	118	188	200	175	170	1.0
Austria	224	214	237	289	241	-1.2	220	211	235	286	238	-1.2
Belgium	427	418	390	459	423	-2.3	416	408	382	450	414	-2.2
Denmark	215	190	198	209	203	0.2	213	188	200	213	203	0.3
Finland	222	219	217	214	218	0.6	220	222	219	218	220	0.6
Greece	301	260	281	344	296	-1.5	295	255	279	340	292	-1.5
Iceland	12	16	26	25	20	2.0	12	16	26	25	20	2.0
Ireland	125	115	125	134	124	1.0	126	116	126	135	126	1.0
Luxembourg	52	48	47	46	48	2.0	53	48	48	47	49	2.0
Netherlands	421	398	401	399	405	-2.4	411	388	391	389	395	-2.5
Norway	192	188	194	205	195	1.1	195	190	196	207	197	1.1
Portugal	195	283	266	289	258	1.0	196	285	269	292	261	1.0
Spain	897	785	963	919	891	-2.3	870	762	934	900	867	-2.7
Sweden	381	332	309	319	335	-0.2	380	332	308	318	335	-0.2
Switzerland	275	271	282	355	296	-0.6	269	268	277	361	294	-0.6
Turkey	564	472	621	554	553	-1.2	553	462	620	549	546	-1.2
OECD Europe	11672	10972	11502	11865	11503	-1.1	11489	10782	11371	11776	11354	-1.3
Japan	5653	4428	4218	4861	4790	-0.4	5526	4330	4181	4848	4721	-1.4
Naphtha	673	579	577	790	655	1.4	681	587	586	802	664	1.4
LPG	918	624	572	702	704	1.6	941	633	578	709	715	1.6
Gasoline	965	950	860	914	922	-3.0	936	922	843	905	901	-2.3
Kerosene	1036	455	365	656	628	2.1	1025	450	361	650	622	-1.0
Gasoil/Diesel	1169	1069	901	1154	1074	-4.1	1111	1037	883	1156	1047	-2.5
Fuel Oil	416	400	532	237	396	6.0	374	360	527	225	371	-6.2
Other	194	174	206	225	200	-0.3	190	172	207	227	199	-0.3
Direct Crude	282	178	203	182	211	0.6	268	169	195	174	202	-4.5
South Korea	2094	1954	1808	1932	1947	-1.5	2052	1896	1790	1952	1922	-1.3
Australia	878	837	839	898	863	1.1	887	845	851	907	873	1.1
New Zealand	106	108	105	113	108	0.5	106	108	106	114	108	0.5
Total OECD	44453	42111	41468	43614	42912	-3.0	43490	41270	41272	43496	42382	-1.2

Table 2

World Oil Demand
(Thousands of Barrels Daily)

BASE CASE 2/05/09	Q1	Q2	Q3E	Q4E	2008E	% Chng 08/07	Q1E	Q2E	Q3E	Q4E	2009E	% Chng 09/08
DEMAND												
United States	19876	19683	18825	19808	19548	-5.6	19299	19183	18781	19722	19246	-1.5
Canada	2203	2099	2121	2112	2134	-0.4	2179	2093	2132	2131	2134	0.0
Mexico	1972	2032	2050	2025	2020	0.1	1952	2033	2061	2046	2023	0.1
United Kingdom	1504	1403	1387	1546	1460	-1.2	1479	1397	1385	1545	1452	-0.6
France	1772	1597	1762	1609	1685	-0.1	1773	1568	1745	1607	1673	-0.7
Italy	1561	1477	1479	1427	1486	-3.9	1482	1415	1442	1401	1435	-3.4
Germany	2334	2287	2318	2524	2366	0.0	2328	2252	2289	2491	2340	-1.1
Austria	224	214	237	289	241	-1.2	220	211	235	286	238	-1.2
Belgium	427	418	390	459	423	-2.3	416	408	382	450	414	-2.2
Denmark	215	190	198	209	203	0.2	213	188	200	213	203	0.3
Finland	222	219	217	214	218	0.6	220	222	219	218	220	0.6
Greece	301	260	281	344	296	-1.5	295	255	279	340	292	-1.5
Iceland	12	16	26	25	20	2.0	12	16	26	25	20	2.0
Ireland	125	115	125	134	124	1.0	126	116	126	135	126	1.0
Luxembourg	52	48	47	46	48	2.0	53	48	48	47	49	2.0
Netherlands	421	398	401	399	405	-2.4	411	388	391	389	395	-2.5
Norway	192	188	194	205	195	1.1	195	190	196	207	197	1.1
Portugal	195	283	266	289	258	1.0	196	285	269	292	261	1.0
Spain	897	785	963	919	891	-2.3	870	762	934	900	867	-2.7
Sweden	381	332	309	319	335	-0.2	380	332	308	318	335	-0.2
Switzerland	275	271	282	355	296	-0.6	269	268	277	361	294	-0.6
Turkey	564	472	621	554	553	-1.2	553	462	620	549	546	-1.2
OECD Europe	11672	10972	11502	11865	11503	-1.1	11489	10782	11371	11776	11354	-1.3
Japan	5653	4428	4218	4861	4790	-0.4	5526	4330	4181	4848	4721	-1.4
South Korea	2094	1954	1808	1932	1947	-1.5	2052	1896	1790	1952	1922	-1.3
Australia	878	837	839	898	863	1.1	887	845	851	907	873	1.1
New Zealand	106	108	105	113	108	0.5	106	108	106	114	108	0.5
Total OECD	44453	42111	41468	43614	42912	-3.0	43490	41270	41272	43496	42382	-1.2
Non-OECD	38652	39935	40305	38658	39387	2.7	39248	40770	41253	39601	40218	2.1
FSU	4237	3190	3187	4014	3657	1.1	4301	3238	3244	4094	3719	1.7
Non-OECD Europe	2519	2373	2408	2531	2458	-0.5	2503	2358	2394	2531	2446	-0.5
China	5614	8113	7900	5321	6737	5.0	5617	8397	8177	5534	6931	2.9
OPEC	7845	7247	7721	7743	7639	5.9	8330	7682	8183	8199	8099	6.0
Argentina	484	528	509	546	517	0.3	484	530	511	548	518	0.3
Brazil	1919	2159	2253	2254	2146	1.4	1948	2213	2276	2276	2178	1.5
Other L. A.	1514	1603	1771	1834	1681	1.3	1530	1619	1807	1852	1702	1.3
Egypt	569	583	583	589	581	2.4	581	598	598	604	595	2.4
South Africa	460	496	509	521	496	2.1	469	508	519	531	507	2.1
Other Africa	1075	1118	1180	1188	1140	1.7	1095	1136	1203	1207	1160	1.7
Non-OPEC M. E.	653	634	648	651	647	2.3	672	646	661	664	661	2.3
India	2285	2312	2195	2281	2268	4.6	2354	2370	2249	2329	2326	2.5
Other Asia	4086	4169	4064	3840	4040	0.5	4102	4185	4080	3856	4056	0.4
Int. Bunkers	2062	2074	2068	2054	2065	0.0	2020	2034	2045	2049	2037	-1.3
Refinery F/L	3329	3336	3309	3291	3316	0.8	3243	3255	3306	3326	3283	-1.0
Grand Total Demand	83105	82046	81773	82273	82299	-0.4	82738	82039	82525	83097	82600	0.4

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 2/05/09	Q1	Q2	Q3E	Q4E	2008E	% Chng 08/07	Q1E	Q2E	Q3E	Q4E	2009E	% Chng 09/08
Grand Total Demand	83105	82046	81773	82273	82299	-0.4	82738	82039	82525	83097	82600	0.4
Inventory Change	114	1348	953	14	607		-1662	-667	120	63	-537	
SUPPLY	83219	83394	82726	82287	82907	0.8	81076	81372	82644	83160	82063	-1.0
United States	5115	5146	4655	4856	4943	-3.1	5033	5125	5165	5150	5118	3.5
United Kingdom	1508	1424	1395	1464	1448	-5.7	1495	1339	1409	1420	1416	-2.2
Norway	2215	2125	2125	2230	2174	-4.3	2235	2083	2083	2185	2146	-1.3
Denmark	380	380	380	380	380	-0.7	380	380	380	380	380	0.0
Netherlands	52	51	51	53	52	-1.0	52	51	51	53	52	0.0
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	2945	2775	2765	2730	2804	-9.3	2710	2710	2705	2695	2705	-3.5
Canada	2605	2615	2695	2672	2647	0.5	2655	2610	2710	2710	2671	0.9
Argentina	655	625	635	640	639	-3.2	645	645	645	645	645	1.0
Brazil	1905	1885	1880	1851	1880	3.8	1925	1935	1940	1975	1944	3.4
Colombia	515	525	545	550	534	6.7	545	545	540	540	543	1.6
Peru	105	105	105	105	105	0.0	105	105	105	105	105	0.0
Trinidad & Tobago	130	130	135	130	131	0.0	130	130	135	130	131	0.0
Other L. A.	75	80	80	80	79	0.0	75	80	80	80	79	0.0
Bahrain	37	37	38	38	38	0.0	37	37	38	38	38	0.0
Oman	695	685	675	655	678	-4.4	650	660	670	670	663	-2.2
Syria	345	345	345	345	345	-10.7	345	345	345	345	345	0.0
Other Middle East	365	365	365	365	365	25.9	365	365	365	365	365	0.0
Congo	195	195	195	195	195	0.0	195	195	195	195	195	0.0
Egypt	625	645	635	650	639	2.6	645	640	640	640	641	0.4
Gabon	265	265	265	265	265	0.0	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	0.0	365	375	380	380	375	0.0
Australia	525	560	595	625	576	14.1	660	655	655	660	658	14.1
India	685	690	690	700	691	1.3	710	710	700	700	705	2.0
Indonesia	875	850	835	825	846	-1.3	825	825	825	825	825	-2.5
Malaysia	670	670	670	680	673	-3.9	685	680	680	680	681	1.3
Brunei	135	135	130	130	133	0.0	135	135	130	130	133	0.0
Other Asia/Pacific	610	610	615	615	613	1.9	610	610	615	615	613	0.0
FSU	11775	11985	11636	11679	11769	2.1	12011	12225	11869	11913	12004	2.0
China	3745	3805	3795	3815	3790	1.5	3810	3810	3805	3805	3808	0.5
NGL	4879	4876	4928	4983	4916	1.3	4942	4941	4995	5050	4982	1.3
Ref. Gain/Other	1870	1846	1840	1851	1852	-0.4	1862	1846	1857	1870	1858	0.4
Non-Conventional	1189	1194	1200	1215	1199	2.5	1219	1224	1230	1245	1229	2.5
Total Non-OPEC	48949	48894	48168	48642	48663	-0.2	49215	49175	49096	49349	49209	1.1
OPEC SUPPLY	34270	34500	34558	33645	34243	2.3	31861	32198	33549	33811	32855	-4.1
OPEC NGL	1895	1910	1915	1915	1909	7.8	1925	1930	1930	1935	1930	1.1
OPEC CONDENSATE	1875	1885	1880	1880	1880	7.5	1885	1885	1890	1900	1890	0.5
OPEC CRUDE SALES	30500	30705	30763	29850	30455	1.6	28051	28383	29729	29976	29035	-4.7
Saudi Arabia	8950	9100	9100	8800	8988	2.8	7900	7900	8300	8500	8150	-9.3
Iran	3690	3650	3578	3525	3611	-3.1	3556	3528	3579	3621	3571	-1.1
Iraq	2295	2295	2265	2275	2283	9.6	2275	2275	2275	2275	2275	-0.3
Kuwait	2425	2525	2550	2310	2453	-0.4	2150	2200	2450	2450	2313	-5.7
Qatar	835	835	840	840	838	2.8	720	720	840	840	780	-6.9
UAE	2550	2650	2650	2405	2564	2.4	2200	2300	2450	2450	2350	-8.3
Algeria	1410	1410	1410	1395	1406	4.4	1300	1300	1410	1410	1355	-3.6
Angola	1895	1900	1875	1910	1895	13.6	1800	1800	1910	1910	1855	-2.1
Nigeria	1905	1805	1995	2005	1928	-8.3	1950	1950	2000	2000	1975	2.5
Libya	1745	1745	1725	1710	1731	0.7	1600	1600	1745	1745	1673	-3.4
Ecuador	485	475	480	480	480	6.1	500	500	460	465	481	0.3
Venezuela	2315	2315	2295	2195	2280	-2.8	2100	2310	2310	2310	2258	-1.0
Inventory Change	114	1348	953	14	607		-1662	-667	120	63	-537	
Assumed Inventory Position(c)												
Days Supply of MOV	50	51	50	49	49		49	49	49	49	49	
Days Supply of UC	14	16	17	17	17		16	15	15	15	15	
Days Supply of MOV+	64	66	67	66	66		65	64	64	64	64	
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.