

# OPEC Keeps Oil Prices High: Sign of a Pricing Policy Re-orientation?

In 2003, the average price for OPEC crude oil stood at about US \$ 28 per barrel, the highest level in almost 20 years. This was due in particular to the fact that supply remained relatively tight; as a result, for example, stocks of crude oil and oil products, very low at the beginning of 2003, could not be raised to normal levels by the end of 2003. In the United States, commercial supplies in early 2004 fell below levels that have until now been considered essential to ensure US industry's constant oil supply.

In the first six months of 2003, a slump in production owing to the general strike in Venezuela and the war in Iraq was still largely compensated for by an increase in production in other OPEC countries, and a slight increase in oil stocks was possible by the summer. In the second half of 2003, however, OPEC ensured that demand for oil was greater than production. On 24 September 2003, OPEC decided to reduce oil production from November onwards, although, at approximately US \$ 25 per barrel at the time of the conference, OPEC crude oil prices were situated in the middle of the official price bandwidth of between US \$ 22 and US \$ 28 per

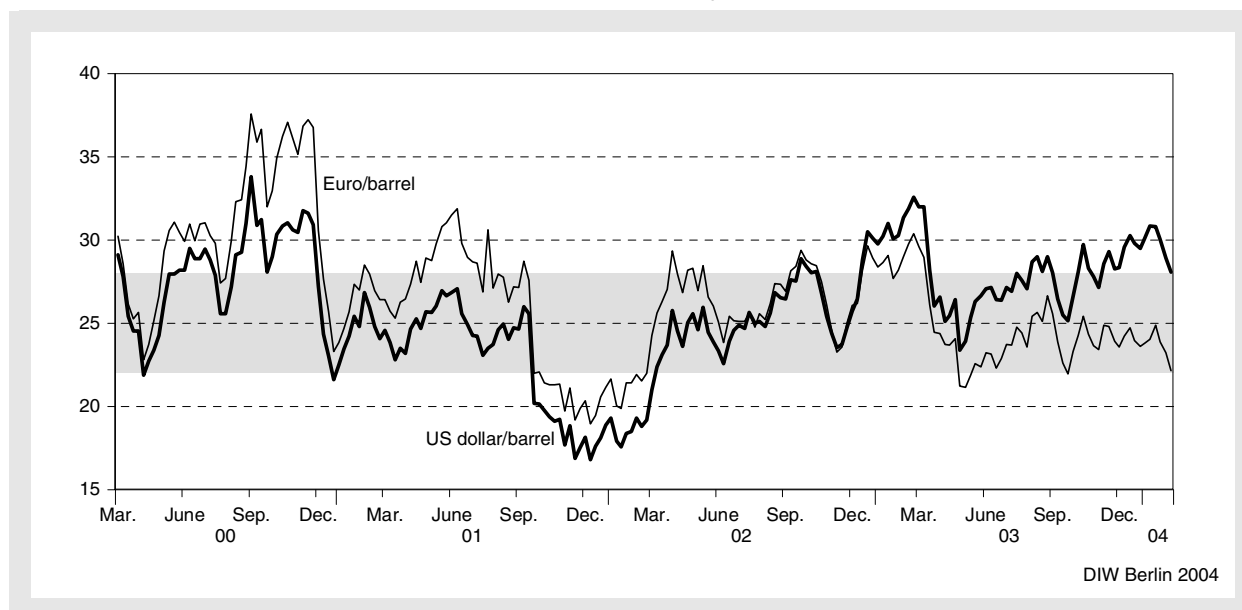
barrel. Although production in most OPEC countries was considerably higher during the fourth quarter than the agreed quotas, prices for crude oil once again exceeded the upper price limit towards the end of the year, and remained there until early February 2004: OPEC did not react with increased production.

At their extraordinary conference in Algiers on 10 February 2004, OPEC oil ministers decided – despite continuously high crude oil prices – to reduce production quotas from 1 April 2004 by one million barrels per day (mbd), to 23.5mbd. This decision could in part explain why crude oil prices will continue to be situated near the upper limit of the official price bandwidth in the near future. The approach was rationalised by some oil ministers as being due to the falling US dollar exchange rate. This provokes the assumption that OPEC is beginning to align its price targets along the euro, which implies an increase in the price on a dollar basis (cf. figure 1).

## Oil consumption picks up

In 2003, compared with the previous year, world oil consumption rose by 1.4mbd, to 78.4mbd; this was noticeably higher than in the two previous years. In particular, oil consumption rose in China (by 8%) and the United States (by 3%), owing to the strong economic growth in both of these countries. In Latin America, meanwhile, oil

Figure 1  
OPEC Crude Oil Price Trends, March 2000 to February 2004



Sources: Petroleum Intelligence Weekly (several issues); Deutsche Bundesbank; DIW Berlin calculations.

consumption fell slightly, the result of political and economic crises in several countries (particularly Venezuela and Argentina); in all other regions, it remained stagnant.

Oil consumption rose particularly strongly in the first quarter of 2003, recording a 2.1mbd, or 2.7%, increase over the previous year. This was partly due to special factors, however, such as the colder-than-average winter in the northern hemisphere, high gas prices in the United States, greater use of oil to produce electricity in Japan (to make up for temporarily closed nuclear power stations), and increasing stocks due to the Iraq crisis. In the second quarter, consumption was 0.9mbd, or 1.2% higher than a year earlier, due largely to consumption in the European OECD countries and Asia. In the third quarter, the increase was again stronger, at 1.3mbd, or 1.7%: China had succeeded in bringing the SARS epidemic and its economic consequences under control rapidly, and the United States experienced an economic revival in the autumn. In the fourth quarter, oil consumption rose by 1.5mbd, or 1.9%; in addition to China and the United States, it also rose in Europe and the Middle East (cf. table 1).

## OPEC and Russia increase oil production

In 2003, world oil production rose by 2.7mbd to 79.3mbd. OPEC's production, including National Gas Liquids (NGL), rose by 1.9mbd to 30.5mbd, that is, approximately 38% of world oil production. OPEC's share of this increase was some 70%. Outside the OPEC countries, production increased significantly only in the states of the former Soviet Union (particularly Russia), by 0.9mbd to 10.3mbd. The remaining regions produced 0.2mbd less oil than during the previous year. Slight production increases in North America and in the Asian and African developing countries did not quite suffice to make up for the fall in production in the European OECD countries and in the Pacific, as well as in the non-OPEC countries of the Middle East.

As a rule, world oil production fluctuates less than consumption over the course of a year; this was also the case in 2003, despite the dramatic crises in some of the oil-producing countries. While first-quarter oil production, at 78.7mbd, was 2.6mbd higher than during the same quarter in the preceding year, it fell to 78mbd in the second quarter. This was caused primarily by the drop in crude oil production (relative to the first quarter) by 0.5mbd in the OPEC countries (as a result of the war in Iraq) and another 0.5mbd in Europe (due to maintenance repair works on offshore installations). In addition, a slight reduction in North and South America con-

tributed to this development. Having overcome the usual seasonal low point in the second quarter oil production once again recovered in the third quarter, and rose to 81.5mbd in the fourth quarter – also partly owing to OPEC production increases. In Europe, only a slight revival occurred, and not until the fourth quarter.

## Reserve capacities in Middle East prevented supply crisis in first six months

Compared with the highest level during the previous year (25.8mbd in the 4th quarter of 2002), OPEC raised oil production even further during the first six months of 2003 (1st quarter: 26.7mbd, 2nd quarter: 26.2mbd), although the strikes in Venezuela in January and the war in Iraq in the spring had brought production in these countries to a virtual standstill. Oil production in Venezuela, which had reached 2.5mbd in the third quarter of 2002<sup>1</sup> (cf. table 2), slumped to 0.6mbd in January 2003 due to the general strike, but recovered to 1.9mbd by March. The fall in production in Iraq was even more dramatic. There, oil production in the 4th quarter of 2002 had stood at 2.4mbd; by the 2nd quarter of 2003, because of the war, it had slumped to a mere 0.3mbd.<sup>2</sup> As a consequence of continuous security problems, production in Iraq increased only slowly following the end of the war. Nevertheless, in the 4th quarter of 2003, some 1.8mbd were produced, rising to over 2mbd by January 2004. Even further production increases have failed because of acts of sabotage, which have reduced transport capacity, particularly in the northern part of the country.<sup>3</sup>

Loss of production in Venezuela and Iraq in the first six months of the year was, for the most part, replaced by increased production in other OPEC countries, since their productive capacity had not been fully utilised at the beginning of the crisis. This is true especially for Saudi Arabia, which increased its production in the 2nd quarter of 2003 by 1.6mbd to 8.8mbd, from the same quarter the previous year – a value only marginally below current productive capacity (cf. figure 2). Additional production in Iran, the United Arab Emirates and Kuwait are also notable. The security of oil supplies was

<sup>1</sup> In October of the same year, oil production in Venezuela had actually constituted over 3mbd.

<sup>2</sup> In April 2003, Iraqi oil production stood at merely 0.2mbd. It was a stroke of luck for world oil production that the strikes in Venezuela had ended in early February, so that oil production in this country could be increased to more than 2mbd by the time of the outbreak of the war in Iraq.

<sup>3</sup> Cf. Markus Ziener: 'Transport-Engpass bremst Iraqs Rückkehr auf den Ölmarkt'. In: *Handelsblatt*, 29 January 2004, p. 6.

Table 1

World Oil Consumption, Production and Change in Stocks, 2000 to 2003, According to IEA<sup>1</sup>

In million barrels per day (mbd)

	2000	2001	2002					2003				
			I	II	III	IV	Year	I	II	III	IV	Year
Oil consumption												
OECD	47.8	47.8	48.1	46.3	47.6	49.0	47.7	49.4	47.2	48.0	49.4	48.5
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.8	24.7	24.5
Europe <sup>2</sup>	15.1	15.3	15.1	14.6	15.2	15.3	15.1	15.2	15.0	15.3	15.6	15.3
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.1	8.7
Others	28.4	29.0	28.8	28.9	29.1	30.1	29.2	29.6	28.9	30.0	31.2	30.0
Former Soviet Union	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.7	3.1	3.4	3.9	3.5
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5
Other Asia	7.4	7.6	7.5	7.7	7.6	7.9	7.7	7.7	7.7	7.7	8.1	7.8
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.6
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.1	4.9	5.3	5.3	5.1
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.6	2.6
World	76.2	76.8	76.9	75.2	76.7	79.1	77.0	79.0	76.1	78.0	80.6	78.4
Oil production <sup>3</sup>												
OECD	21.9	21.8	22.1	22.1	21.4	22.1	21.9	22.1	21.3	21.4	21.9	21.7
North America	14.3	14.4	14.6	14.6	14.4	14.6	14.6	14.7	14.5	14.7	14.9	14.7
Europe <sup>2</sup>	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7
Others, excluding OPEC	22.4	23.1	23.9	24.2	24.5	24.7	24.3	24.8	25.1	25.5	26.1	25.4
Former Soviet Union	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.2	2.3	2.4	2.4	2.4	2.5	2.4	2.5	2.5	2.4	2.5	2.5
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.3	3.1
OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.7	30.5
Crude Oil	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8
Natural Gas Liquids (NGL)	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7
World	76.7	76.8	76.1	75.7	76.6	77.8	76.6	78.7	78.0	79.1	81.5	79.3
Oil production minus oil consumption	0.5	0.0	-0.8	0.5	-0.1	-1.3	-0.4	-0.3	1.9	1.1	0.9	0.9
Change in stocks <sup>4</sup> – OECD	0.3	0.2	0.0	0.5	-0.8	-0.8	-0.3	-0.2	1.4	0.7	.	.

Figures may not sum due to rounding.

1 IEA = International Energy Agency. — 2 Including Turkey. — 3 Including condensate, natural gas liquids, non-conventional oils, net volumetric gains in the refining process, and alcohol- and coal-based liquid energy sources. — 4 Net change, not including 'miscellaneous-to-balance' items.

Sources: International Energy Agency: Oil Market Report. Paris, 16 January 2004.

Table 2  
**OPEC Crude Oil Production<sup>1</sup> 2001 to 2003**  
 In million barrels per day (mbd)

	2001				2002				2003			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Saudi Arabia	8.0	7.7	7.8	7.2	7.1	7.2	7.5	7.7	8.6	8.8	8.3	8.2
Iran	3.9	3.7	3.7	3.4	3.4	3.3	3.5	3.6	3.8	3.7	3.9	4.0
Iraq	2.2	2.2	2.5	2.5	2.4	1.5	1.8	2.4	2.1	0.3	1.1	1.8
United Arab Emirates	2.4	2.2	2.1	2.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.2
Kuwait	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.8	1.9	1.8	2.0
Neutral Zone	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6
Qatar	0.7	0.7	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Nigeria	2.2	2.0	2.1	2.1	1.9	1.9	2.0	2.0	2.1	2.0	2.2	2.3
Libya	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Algeria	0.8	0.8	0.9	0.8	0.8	0.8	0.9	0.9	1.0	1.1	1.1	1.2
Venezuela <sup>2</sup>	3.0	2.8	2.8	2.7	2.3	2.4	2.5	2.0	1.3	2.3	2.2	2.2
Indonesia	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0
Total OPEC	28.4	27.0	27.4	26.2	24.9	24.3	25.3	25.9	26.8	26.2	26.6	27.7
OPEC excluding Iraq												
Production	26.2	24.8	24.9	23.6	22.6	22.8	23.6	23.5	24.7	25.9	25.6	25.9
Production quota <sup>3</sup>	25.2	24.2	23.2	23.2	21.7	21.7	21.7	21.7	24.5 <sup>3</sup>	25.4 <sup>4</sup>	25.4	24.5 <sup>5</sup>
Difference	1.0	0.6	1.7	0.4	0.9	1.1	1.9	1.8	0.2	0.5	0.2	1.4

Figures may not sum due to rounding.

<sup>1</sup> Excluding natural gas liquids (NGL). — <sup>2</sup> Excluding extra-heavy Orinoco oil. — <sup>3</sup> From 1 February. — <sup>4</sup> From 1 June. — <sup>5</sup> From 1 November.

Sources: International Energy Agency: Oil Market Report. Paris, 16 January 2004, and various previous issues.

further guaranteed by continuously increasing production in Russia; here, crude oil production in 2003 was, in fact, slightly higher than that of Saudi Arabia.<sup>4</sup>

### The long-term view: is OPEC aiming for higher dollar prices?

Following the end of the Iraq war, crude oil prices fell to US \$ 22 per barrel until mid-April 2003, as, on the one hand, OPEC countries (excluding Iraq) had produced 1.3mbd more oil in March than agreed under the raised quotas (of 24.5mbd) on 1 February and, on the other, it seemed that speedy reconstruction in Iraq indicated an over-supply. To prevent a further drop in prices, OPEC decided on 24 April 2003 to limit its production (exclud-

ing Iraq) from 1 June 2003 to a total of 25.4mbd; compared to previously enforced production quotas, this still represented an increase of 0.9mbd. In the third quarter, this regulation was adhered to almost completely; the increase in Iraqi production (by 0.8mbd to 1.1mbd) was in part compensated for by falling production in the other OPEC countries (by 0.3mbd to 25.6mbd). Crude oil prices rose to the upper limit of OPEC's price target bandwidth until mid-July, and exceeded it by the beginning of August. Prices remained at this high level until the beginning of September, thereafter falling to US \$ 25 per barrel by the end of that month, since it was anticipated that reconstruction of the Iraqi oil industry was progressing and that a sustained increase in oil production in this country to the end of the year would contribute to the rise in oil stocks to average levels. At the time of the 24 September 2003 OPEC conference, crude oil prices occupied the middle of the OPEC price bandwidth, clearly still some way off the lower limit. Nevertheless, the conference decided to lower production rates

<sup>4</sup> This holds if Saudi Arabia's share of oil production in the 'neutral zone' and NGL production are not taken into consideration.

by 0.9mmbd to 24.5mmbd (excluding Iraq) with effect from 1 November 2003. This decision surprised markets; the effect was that oil stocks in OECD countries were cut back forcefully in the fourth quarter<sup>5</sup> and remained below the medium-term average until the end of the year (cf. figure 3). In the United States, commercial crude oil stocks reached their lowest levels since 1975 at the beginning of 2004; in fact, they even fell slightly below 270 million barrels, a level that has until now been considered the minimum operational level.<sup>6</sup>

Low oil stocks lead to high oil prices as a rule<sup>7</sup>; accordingly, these once again rose to over US \$ 30 per barrel by the end of 2003 and remained high at the beginning of 2004. At their extraordinary conference in Algiers on 10 February 2004, OPEC oil ministers nevertheless decided to lower production quotas by 1mmbd to 23.5mmbd effective from 1 April 2004. The aim of this move is to avoid the foreseeable seasonal drop in second-quarter consumption from leading to a strong restocking, thereby unleashing a slump in prices.

OPEC's conduct since the autumn of 2003 might imply that it has implicitly raised its price target from the current US \$ 25 per barrel to at least US \$ 28 per barrel. This approach is further underlined by the fact that, on several recent occasions, the Saudi and Libyan oil ministers have defended the above-bandwidth crude oil prices as being a consequence of the weak US dollar against the euro.<sup>8</sup> Evidently, at this stage, OPEC is aligning itself more closely with euro prices. Valued in euros, crude oil prices have barely increased since the spring of 2003, and OPEC has always reduced production at times when the crude oil price had either reached or fallen below the lower limit of 22 euro per barrel.

## Prospects for 2004

For 2004, the International Energy Agency (IEA) has forecast an increase in world oil consumption of 1.2mmbd to 79.6mmbd (cf. table 3); this rise in consumption would be lower than last year, when demand was stimulated

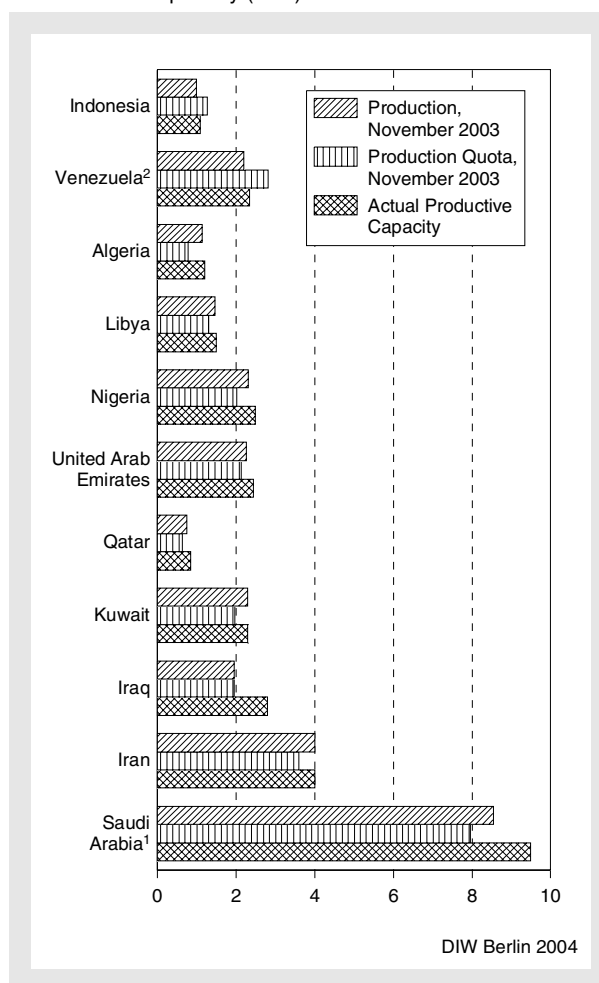
<sup>5</sup> Cf. *Petroleum Intelligence Weekly*, 22 December 2003, p. 1 and 5: 'Fine-tuning Good Fortune for OPEC'.

<sup>6</sup> Cf. *Petroleum Intelligence Weekly*, 12 January 2004, p. 8: 'Market view: Stocks and Sensibility'.

<sup>7</sup> Cf. Michael Ye, John Zyren and Joanne Shore: 'Elasticity of Demand for Relative Petroleum Inventory in the Short Run'. Paper presented at the 52nd International Atlantic Economic Conference, Paris, March 2002.

<sup>8</sup> Cf. *Petroleum Intelligence Weekly*, 8 December 2003, p. 1: 'OPEC Signals Readiness to Defend Prices'. The Saudi oil minister, however, qualified this position at the World Economic Forum in Davos, saying that crude oil prices above US \$ 30 per barrel were too high. Cf. *Petroleum Intelligence Weekly*, 2 February 2004, p. 1: 'OPEC Faces Second Quarter Quandary'.

Figure 2  
Productive Capacity, Production Quotas and Oil Production in OPEC Countries  
In million barrels per day (mmbd)



<sup>1</sup> Including half of the 'Neutral Zone'. — <sup>2</sup> Excluding heavy oil.  
Sources: International Energy Agency: Oil Market Report, Paris, 16 January, 2004; Petroleum Intelligence Weekly, 2 January 2004.

primarily during the first quarter by a number of special factors.<sup>9</sup> About one-third of the increase in consumption (0.3mmbd) is anticipated to occur in the OECD countries, due in particular to dynamic economic development anticipated in North America. China is expected to account for a further 0.3mmbd, while the other newly industrialising Asian countries and the Middle East will account for 0.2mmbd each.

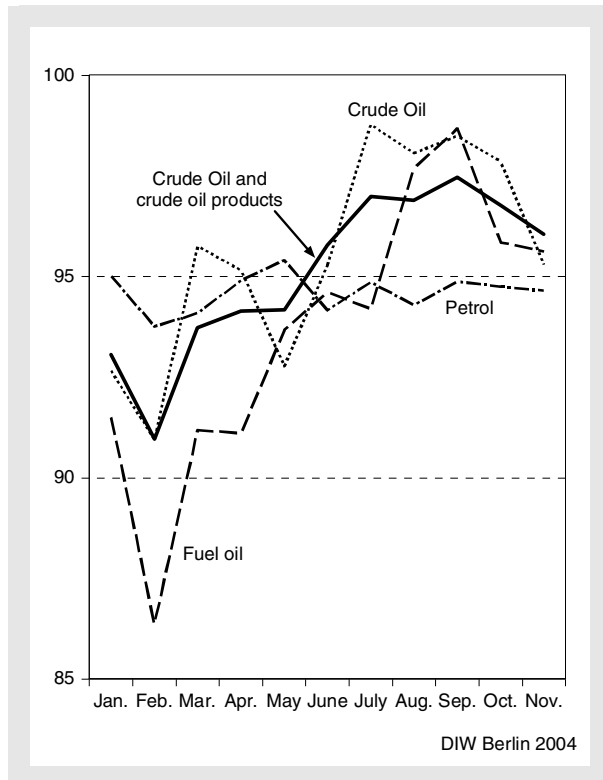
This year, too, world oil consumption is expected to record distinct seasonal fluctuations. According to the IEA forecast, it may fall by 2.6mmbd to 77.4mmbd in the

<sup>9</sup> In the first quarter of the previous year, several special factors, especially a cold winter in the northern hemisphere, stimulated demand; statistically, this dampens the increase in consumption for 2004.

Figure 3

### Commercial Stocks of Crude Oil and Oil Products in the OECD, January to November 2003

Respective average between 1997 to 2002 = 100



Sources: International Energy Agency: Oil Market Report; DIW Berlin calculations.

second quarter. In the third and fourth quarters, compared with the respective previous quarters, consumption is expected to rise by 1.8mbd and 2.7mbd, respectively, thus reaching a new high value of 81.9mbd.

Oil production outside OPEC will increase by a total of 1.4mbd, according to the IEA<sup>10</sup>; of this, 0.1mbd is estimated to be produced in OECD countries<sup>11</sup> and 1.3mbd in other non-OPEC countries. In the states of the former Soviet Union – primarily Russia<sup>12</sup> – oil production is anticipated to increase by 0.8mbd, in Africa (excluding the African OPEC countries of Algeria, Libya and Nigeria) by 0.4mbd, and in Latin America by 0.2mbd.<sup>13</sup>

<sup>10</sup> According to forecasts by *Petroleum Intelligence Weekly*, this figure could even be as high as 1.8mbd. Cf. *Petroleum Intelligence Weekly*, 12 January 2004, p. 5.

<sup>11</sup> Production increases in North America are counterbalanced by a drop in Asia.

<sup>12</sup> Russian oil companies alone are planning to raise their crude oil production in 2004 from 0.6mbd to 8.8mbd (excluding condensate). Cf. *OPEC Bulletin*, September/October 2003, pp. 11-22: 'Post-Soviet Oil Exports: Are the Russians Really Coming?'

Given such trends, the call on OPEC crude oil (including the production of Iraq) during the second quarter – not taking into account changes in stocks – would be only about 25mbd; this would be 2.7mbd lower than production during the fourth quarter of 2003, to which Iraq contributed some 1.8mbd. In January 2004, Iraqi oil production already stood at almost 2.1mbd; by the end of the first quarter of 2004 it is set to rise to 2.8mbd according to the Iraqi oil minister. This would almost correspond to the highest rate achieved in 2002. If Iraq produced between 2mbd to 3mbd of crude oil, the remaining OPEC countries would only have to produce 22 to 23mbd during the second quarter of 2004, if OPEC wished to avoid stock increases. This would amount to a reduction of the production quotas in place until the end of March of between 1.5mbd to 2.5mbd. OPEC's recent decision to lower production quotas by 1mbd to 23.5mbd from 1 April 2004 means a slightly smaller reduction, and oil stocks could therefore be increased. If OPEC holds firm to this agreement, these stock changes could remain within the level for this period and therefore not unleash a drastic fall in prices. In the third and fourth quarters of 2004, according to IEA forecasts, world oil demand will rise more strongly than oil production outside OPEC; demand for OPEC crude oil would then rise by 1.7 and 1.9mbd, respectively. In total, OPEC will be able to increase its oil production only marginally this year, if it intends to keep oil stocks tight to hold crude oil prices at the upper limit of the official price bandwidth.

## Conclusion

In 2003, the average price for OPEC crude oil, at US \$ 28 per barrel, was higher than during the previous 18 years. This was due primarily to the fact that stocks of crude oil and mineral oil products remained very low in 2003. In the United States, in early 2004, commercial stocks dwindled to levels hitherto considered too low for operationally viable minimum stock levels.

OPEC reduced its oil production, or rather its production quotas, twice during 2003. Each time, the decision to do this was taken when crude oil prices were still noticeably above the lower limit of the price bandwidth of between US \$ 22 and US \$ 28 per barrel. The official pricing mechanism stipulates that production is to be increased when prices exceed the upper price limit for 20

<sup>13</sup> In Africa, a large share of production increases are expected in Angola; in Latin America such increases are anticipated in Brazil. Oil production in non-OPEC Middle Eastern countries (in particular Oman, Syria and Yemen) could fall slightly.

Table 3

World Oil Consumption and Production in 2003, and 2004 Forecast, According to IEA<sup>1</sup>

In million barrels per day (mbd)

	2003	2004				
		I	II	III	IV	Year
Oil consumption						
OECD	48.5	49.4	47.3	48.5	49.9	48.8
North America	24.5	24.6	24.3	25.2	25.1	24.8
Europe <sup>2</sup>	15.3	15.3	15.1	15.4	15.8	15.4
Pacific	8.7	9.4	7.9	7.9	9.0	8.5
Others	30.0	30.7	30.1	30.7	32.0	30.9
Former Soviet Union	3.5	3.8	3.1	3.5	4.0	3.6
Europe	0.8	0.8	0.8	0.7	0.8	0.8
China	5.5	5.6	5.7	5.8	6.1	5.8
Other Asia	7.8	7.9	7.9	7.9	8.4	8.0
Latin America	4.6	4.5	4.7	4.8	4.8	4.7
Middle East	5.1	5.3	5.3	5.4	5.4	5.3
Africa	2.6	2.7	2.7	2.6	2.7	2.6
World	78.4	80.0	77.4	79.2	81.9	79.6
Oil production <sup>3</sup>						
OECD	21.7	22.0	21.8	21.7	21.9	21.8
North America	14.7	15.0	14.9	14.9	15.0	15.0
Europe <sup>2</sup>	6.3	6.4	6.2	6.2	6.3	6.3
Pacific	0.7	0.6	0.6	0.6	0.6	0.6
Other excluding OPEC	25.4	26.3	26.5	26.7	27.2	26.7
Former Soviet Union	10.3	10.8	11.0	11.1	11.3	11.1
Europe	0.2	0.2	0.2	0.2	0.2	0.2
China	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.5	2.5	2.5	2.5	2.5	2.5
Latin America	3.9	4.1	4.0	4.1	4.3	4.1
Middle East	2.0	2.0	1.9	1.9	1.9	1.9
Africa	3.1	3.3	3.4	3.5	3.6	3.5
Demand for OPEC oil	30.5	31.7	29.1	30.8	32.8	31.1
Crude oil <sup>4</sup>	26.8	27.7	25.0	26.7	28.6	27.0
Natural Gas Liquids (NGL)	3.7	4.0	4.1	4.1	4.2	4.1
World	79.3	80.0	77.4	79.2	81.9	79.6

Figures may not sum due to rounding.

1 IEA = International Energy Agency. — 2 Including Turkey. — 3 Including condensate, natural gas liquids, unconventional oils, alcohol- and coal-based liquid energy sources, and net volumetric gains in the refining process. — 4 Difference between world oil demand on the one hand, and OPEC NGL production and oil production of other regions on the other. For 2003: actual production.

Sources: International Energy Agency: Oil Market Report. Paris, 16 January 2004.

consecutive days. At their extraordinary 10 February 2004 conference in Algiers, however, OPEC oil ministers decided on production cuts although crude oil prices had exceeded the limit for the previous 47 consecutive days. This suggests that OPEC has implicitly raised its price target – to approximately US \$ 28 per barrel of crude oil

– because it is now aligning itself more closely along euro prices. If OPEC really does want to achieve this goal, then it will have to ensure that production in its member states corresponds more or less to the agreed production quotas. This would imply that OPEC oil production in 2004 may rise only marginally over the previ-

ous year. In the medium term, too, with such a high target price, there would be hardly any scope for OPEC production increases (excluding Iraq). Nevertheless, some OPEC countries are planning significant increases in production over the next few years. It is questionable, therefore, whether OPEC can maintain its current strategy in the long term.

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