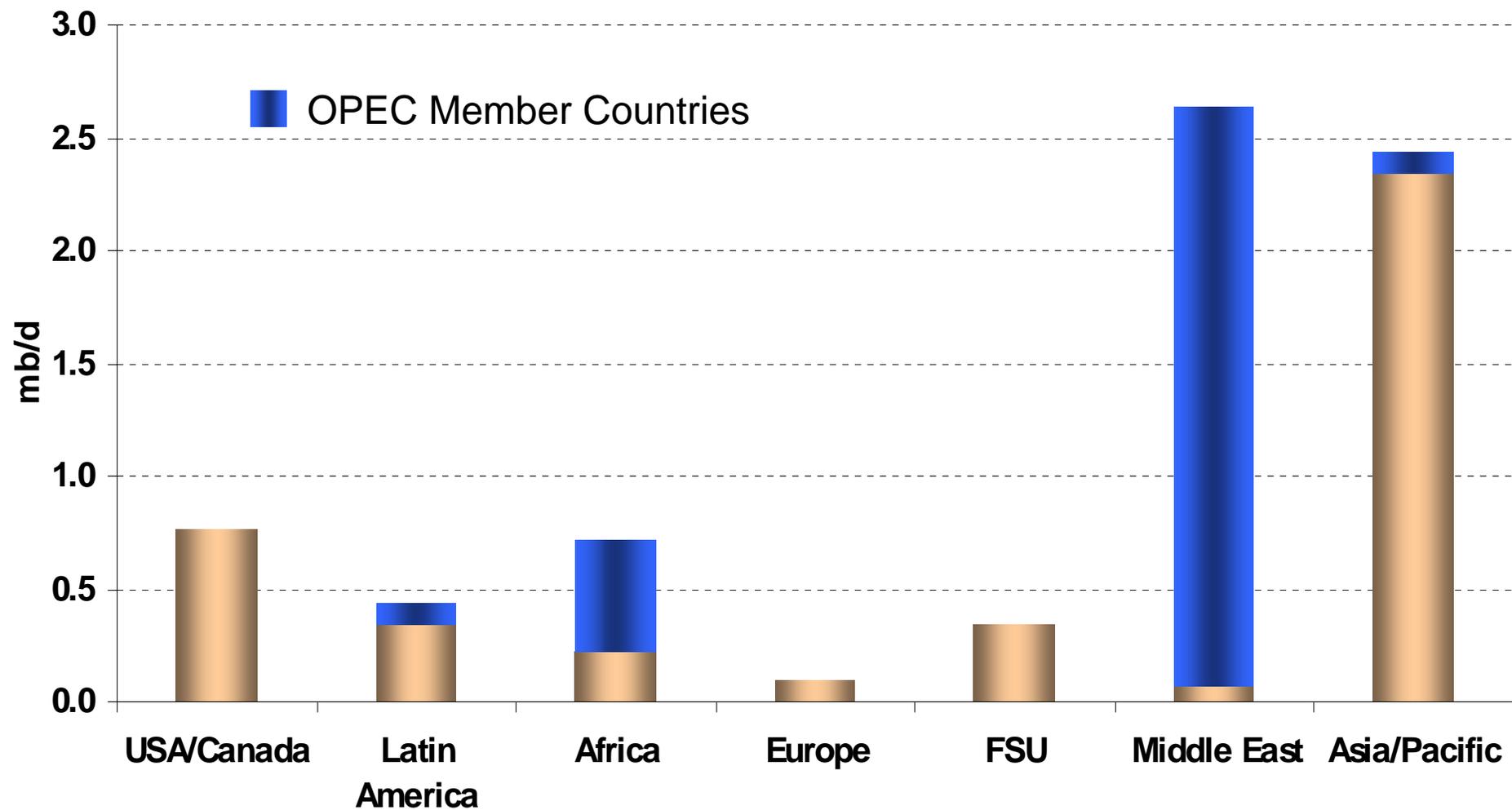


The Role of the Downstream

Dr. Fuad Siala
OPEC Secretariat

EU-OPEC Roundtable on Energy Policies
Brussels, Belgium
May 30, 2007

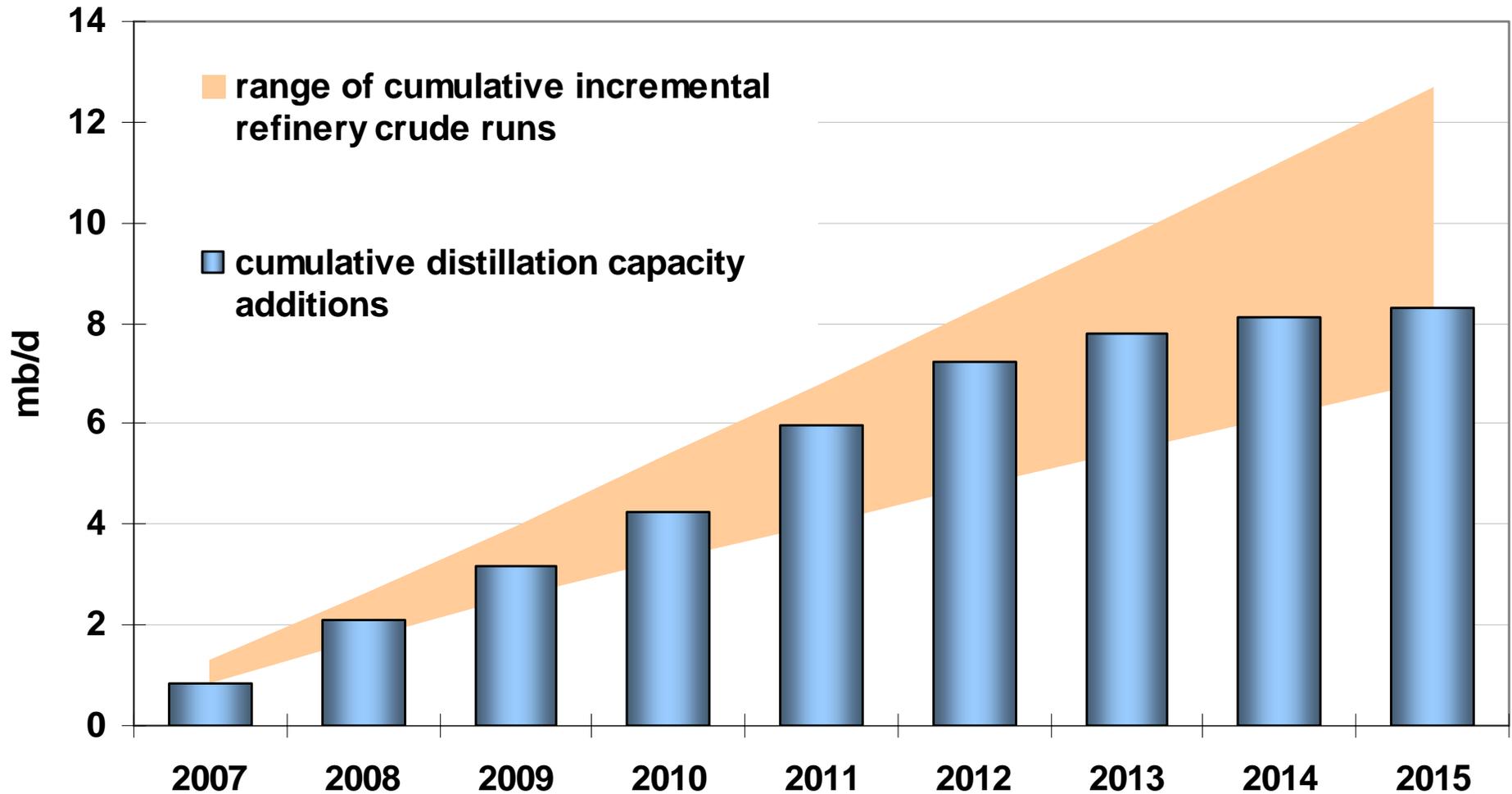
Distillation capacity additions* 2007 - 2012



* Existing projects only, except capacity creep



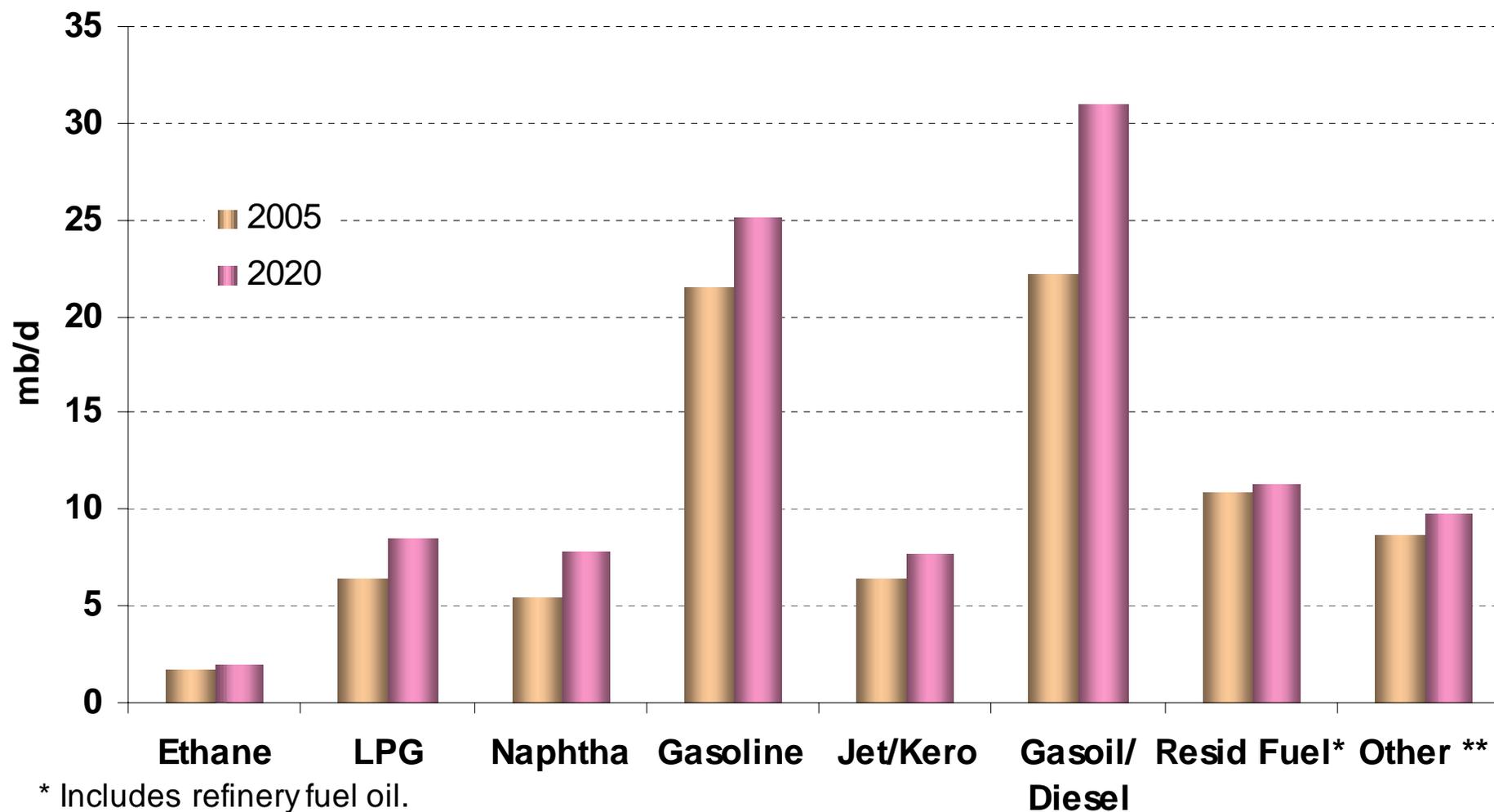
Cumulative distillation capacity additions vs. incremental refinery runs



Downside risks on projected incremental crude runs are increasing



Global demand – increased emphasis on light products



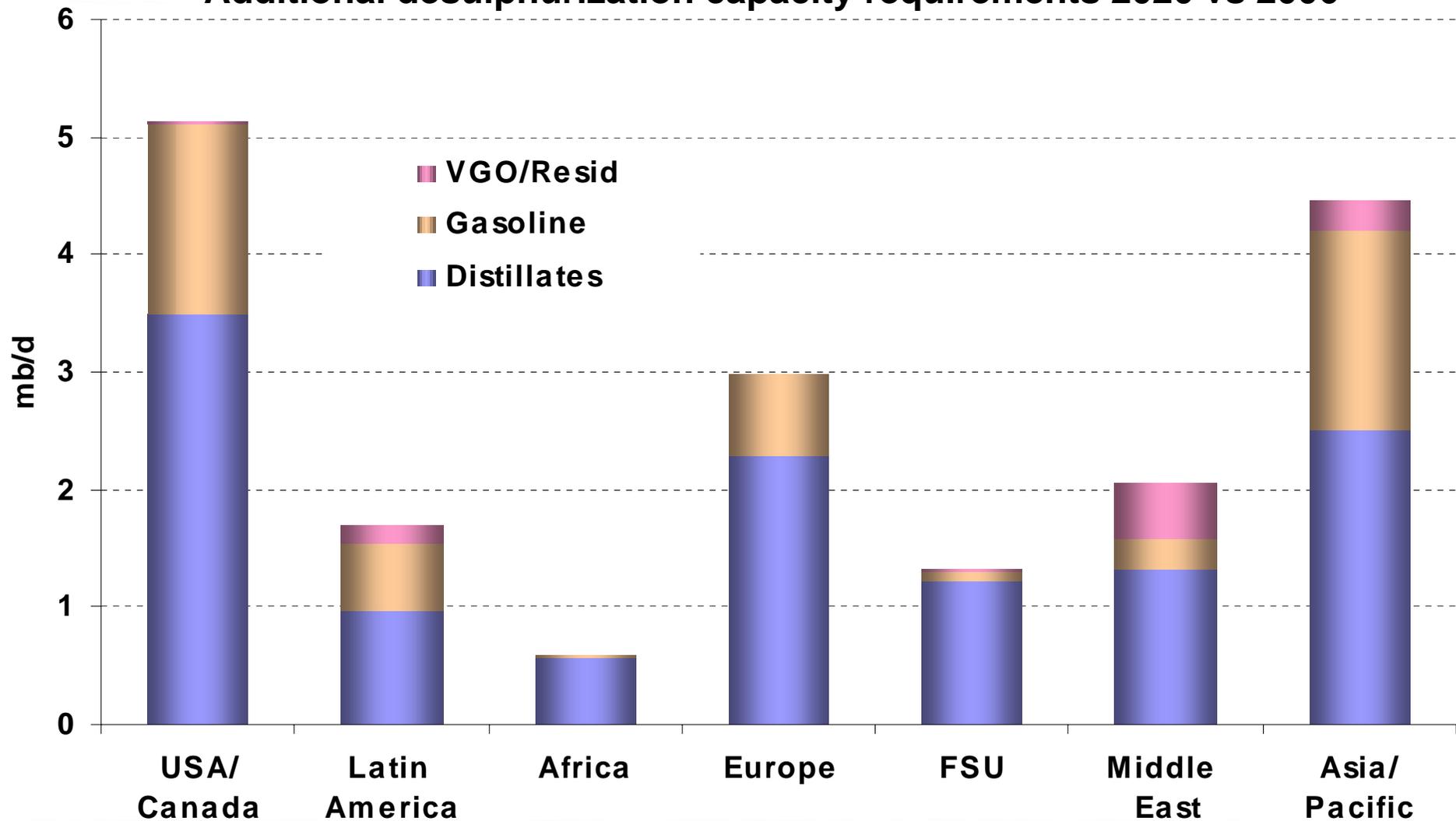
* Includes refinery fuel oil.

** Includes bitumen, lubricants, waxes, still gas, coke, sulphur, direct use of crude oil



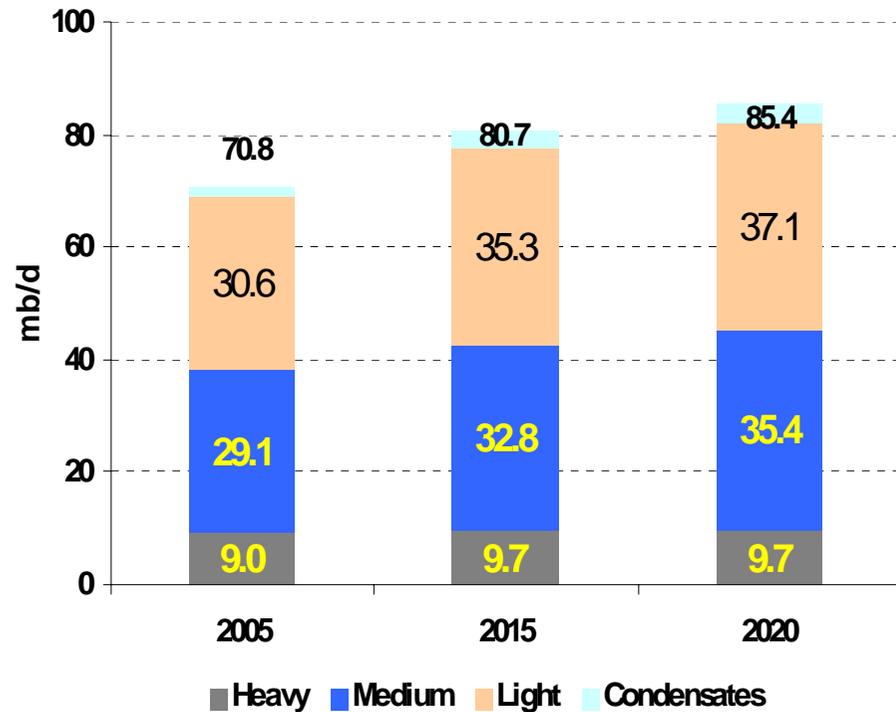
The impact of tighter product specification

Additional desulphurization capacity requirements 2020 vs 2006

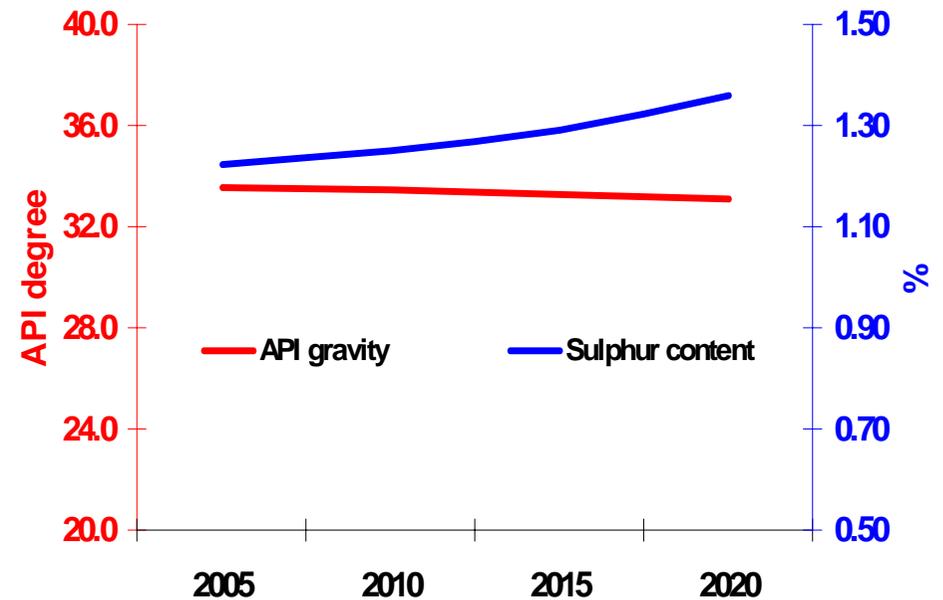


Global crude quality– a manageable change

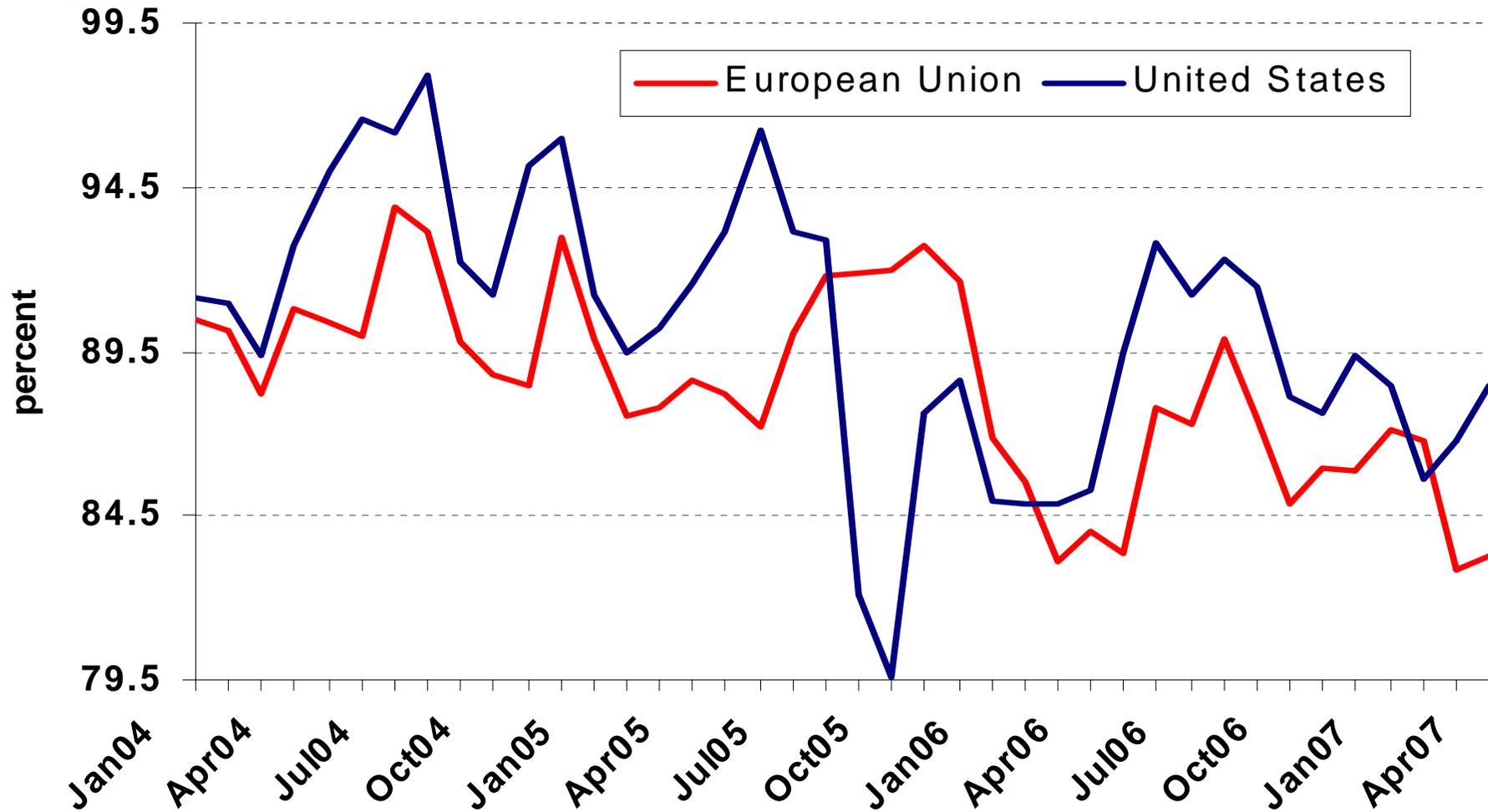
Global crude inputs to refineries by category



Average quality of global crude slate

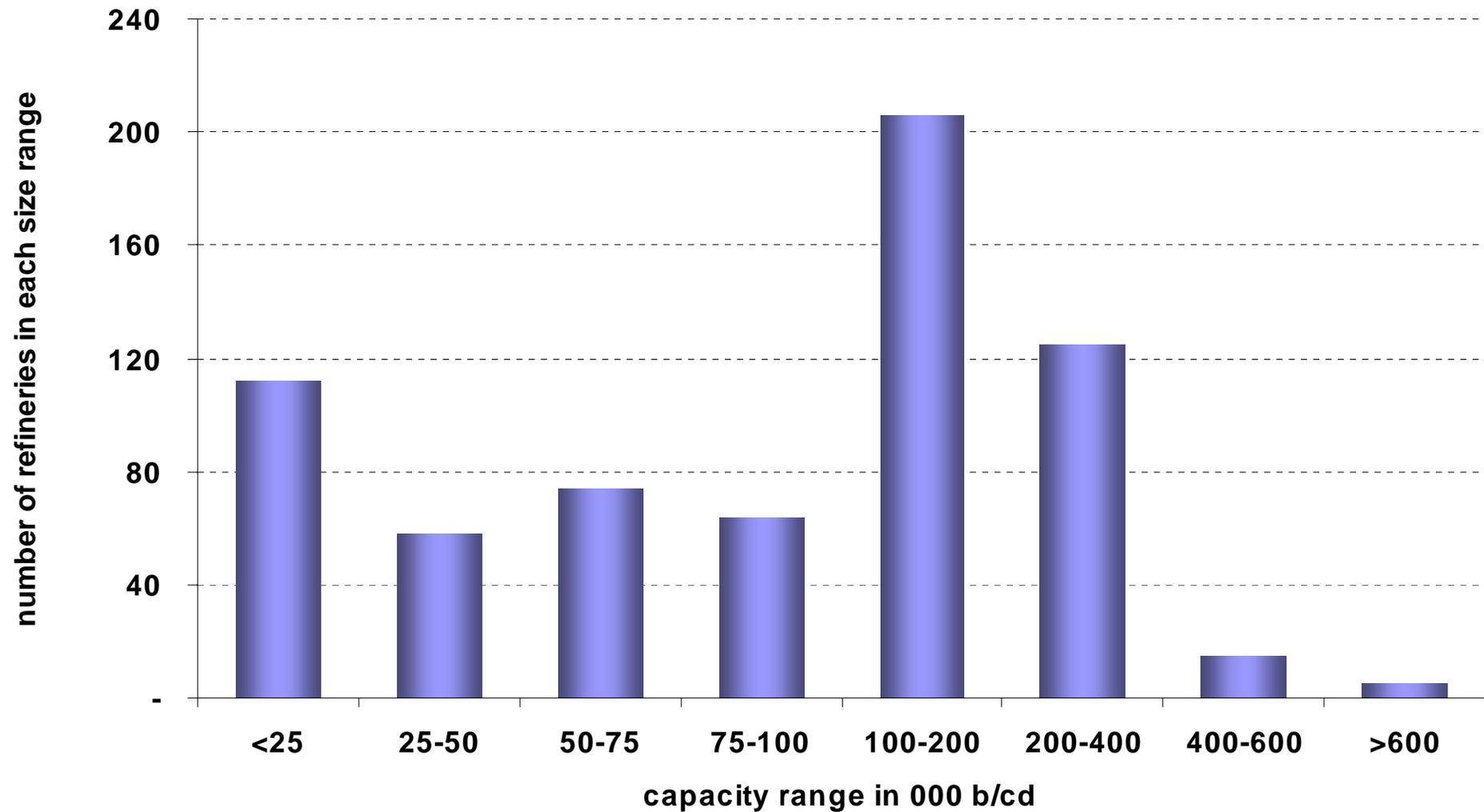


High utilization rates a source of price spikes

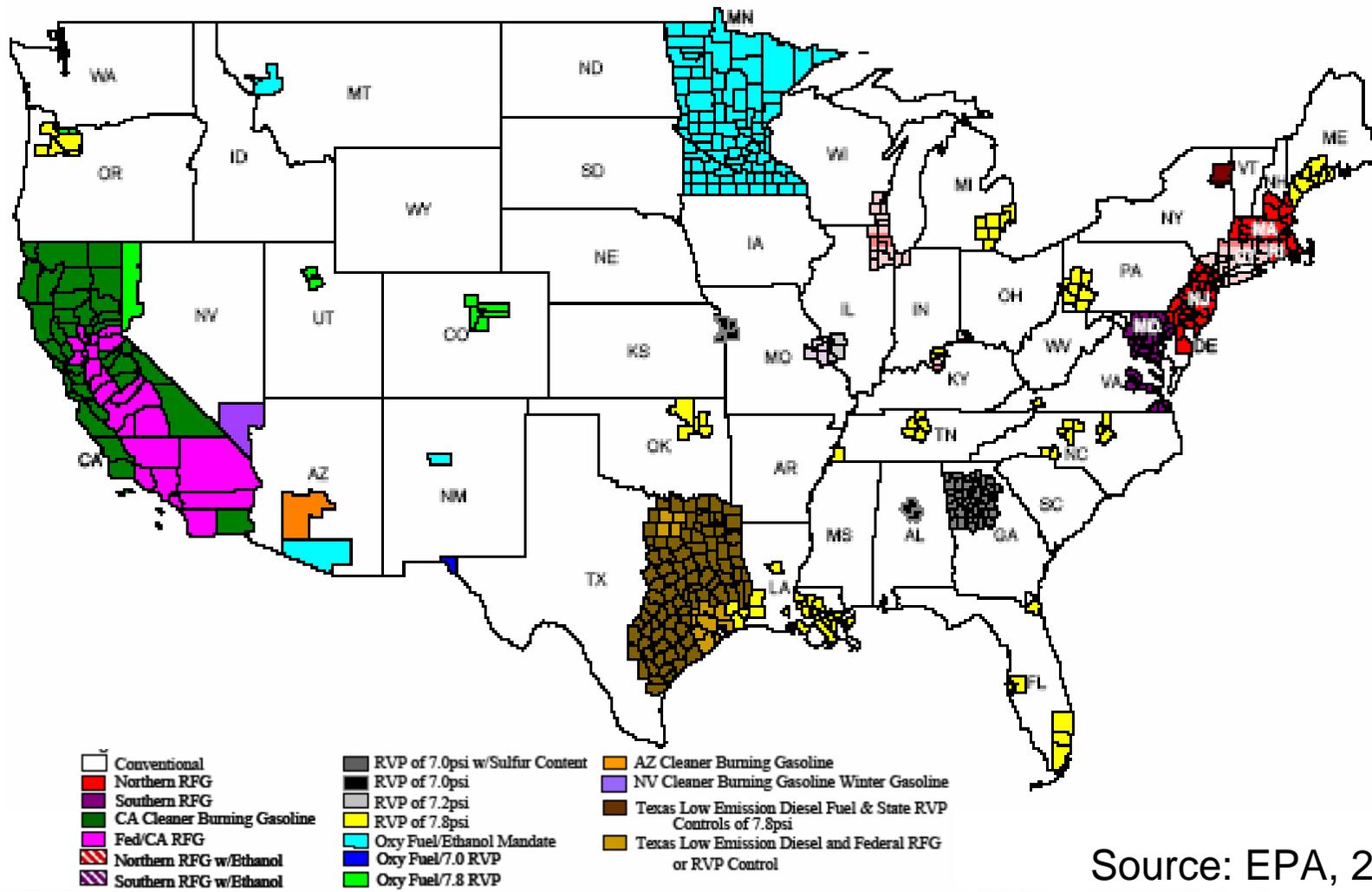


Larger, but fewer, refineries

Global refinery numbers by size range



Boutique fuels – refining is a localized business



Source: EPA, 2006

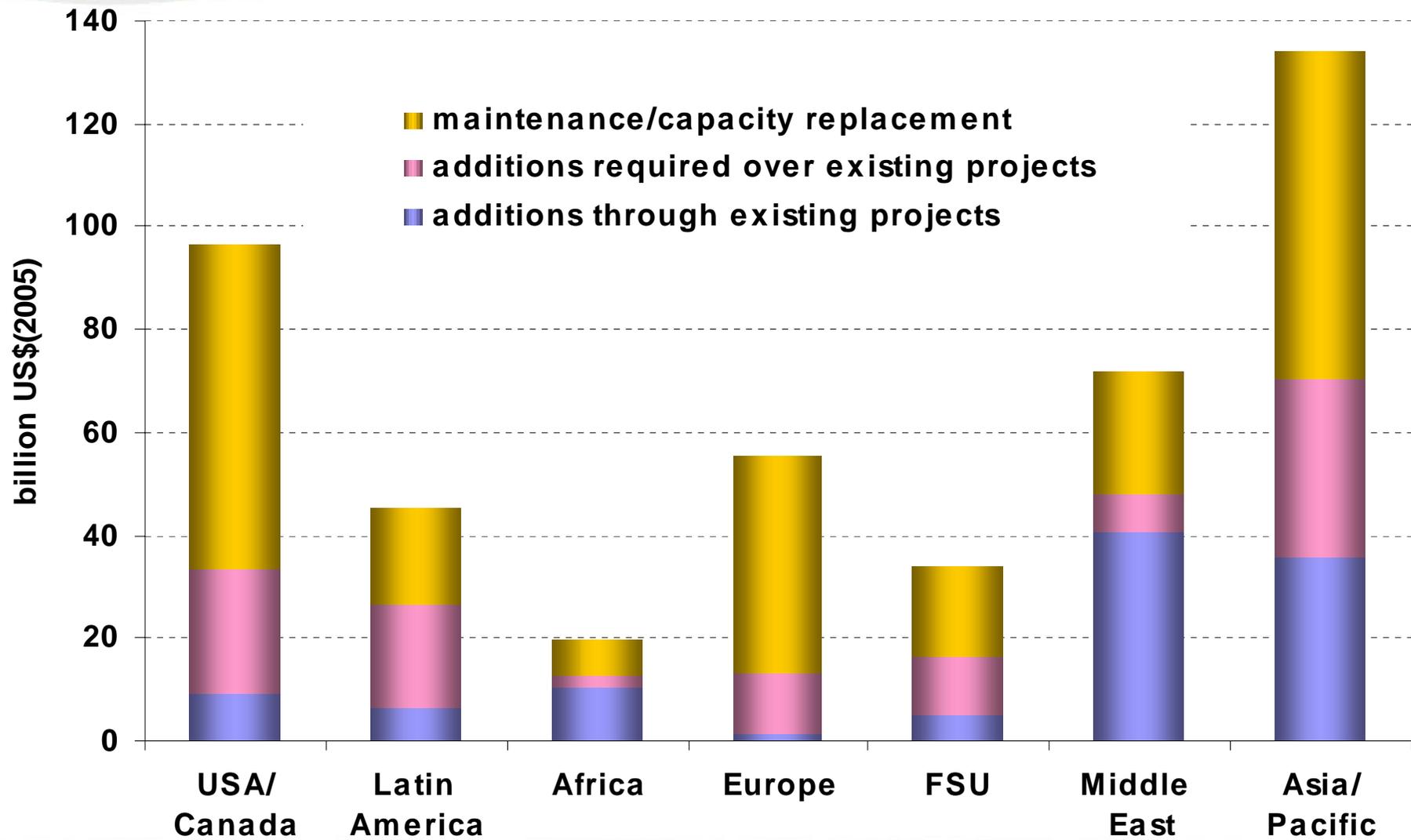


Biofuels policies in the EU – impacts on refiners

- ❑ Biofuels directive of 2003:
 - 2% (energy) by 2005
 - 5.75% (energy) by 2010
- ❑ EU Energy Package endorsed by EU Spring Council, 2007:
 - 20% renewables in total energy mix
 - minimum 10% (energy) biofuels by 2020
- ❑ Biofuels production may help ease refining tightness
- ❑ But very large increases create risk of low utilization rates and margins, thus contributing to a period of low investments
- ❑ Policies need to be finely calibrated, also in terms of boosting ethanol or biodiesel

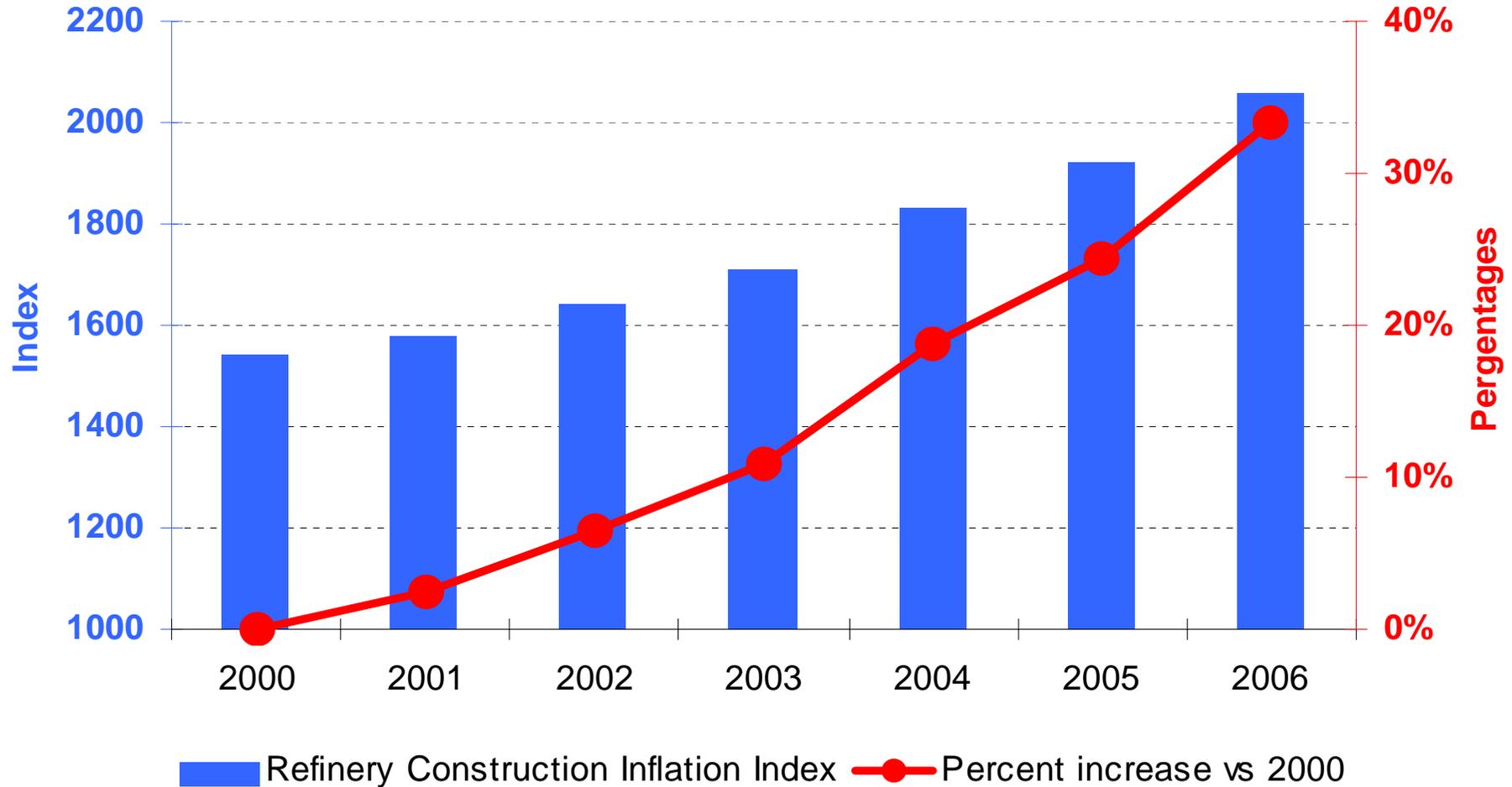


Refinery investments 2006-2020



Costs are rising

Nelson Farrar Refinery Construction Inflation Index

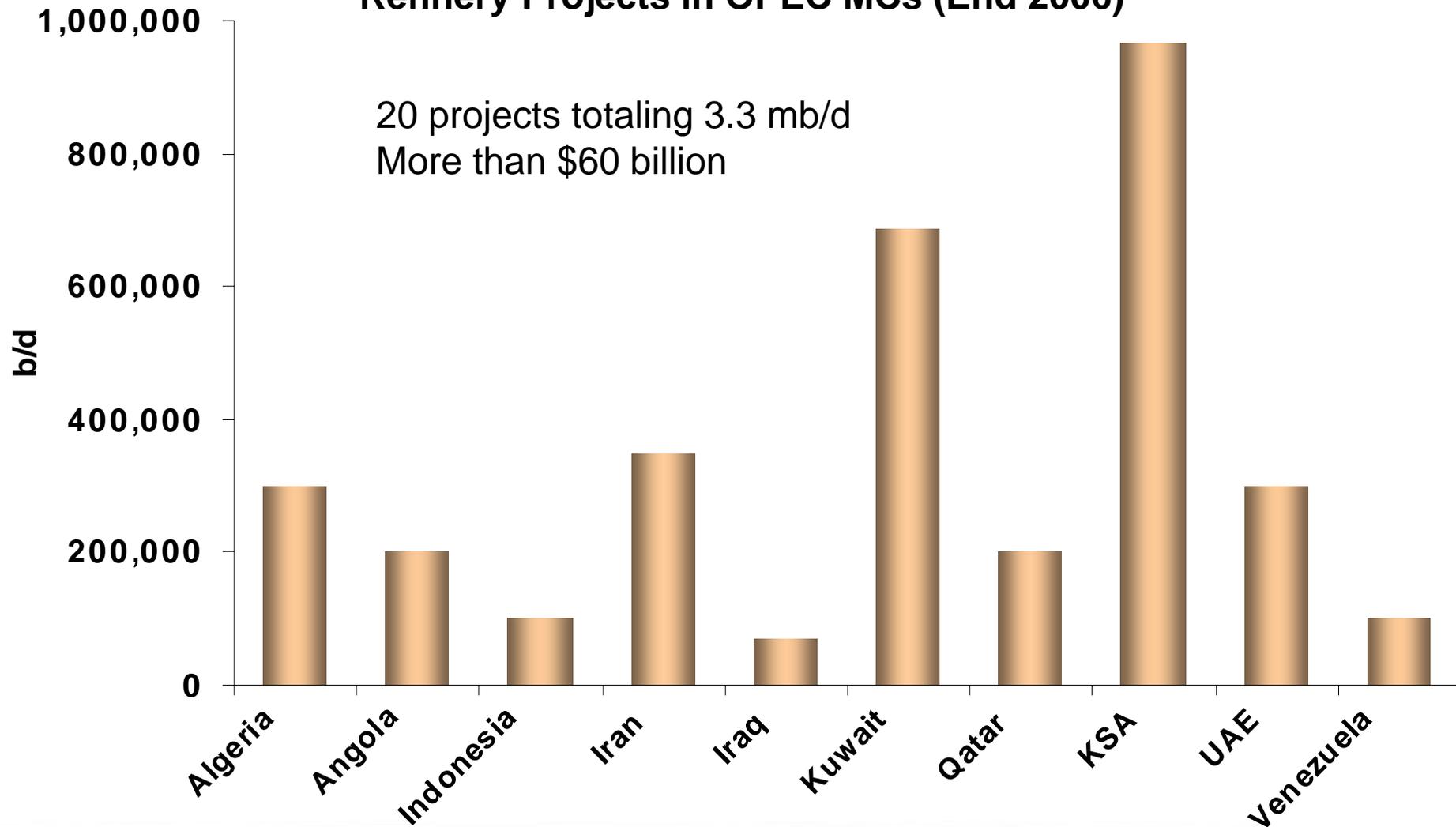


Source: Oil & Gas Journal



OPEC is investing in the downstream

Refinery Projects in OPEC MCs (End 2006)



Final remarks

- ❑ Refinery capacity expansions do not keep pace with required incremental refinery runs
- ❑ Downstream tightness is compounded by several other challenges:
 - ❑ emphasis on light products in incremental demand
 - ❑ tightening of refined products specifications
- ❑ Long permitting processes and uncertain demand hinder investment, leading to high utilization rates
- ❑ Shift to less, but higher capacity, refineries and boutique fuels major sources of potential volatility
- ❑ Downstream is responsibility of consumers
- ❑ OPEC is contributing to alleviating downstream tightness



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Thank you



Stability in the oil market