

World Oil Demand: Outlook for 2006 and 2007

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Global Oil Market Outlook: Short-Term Issues*

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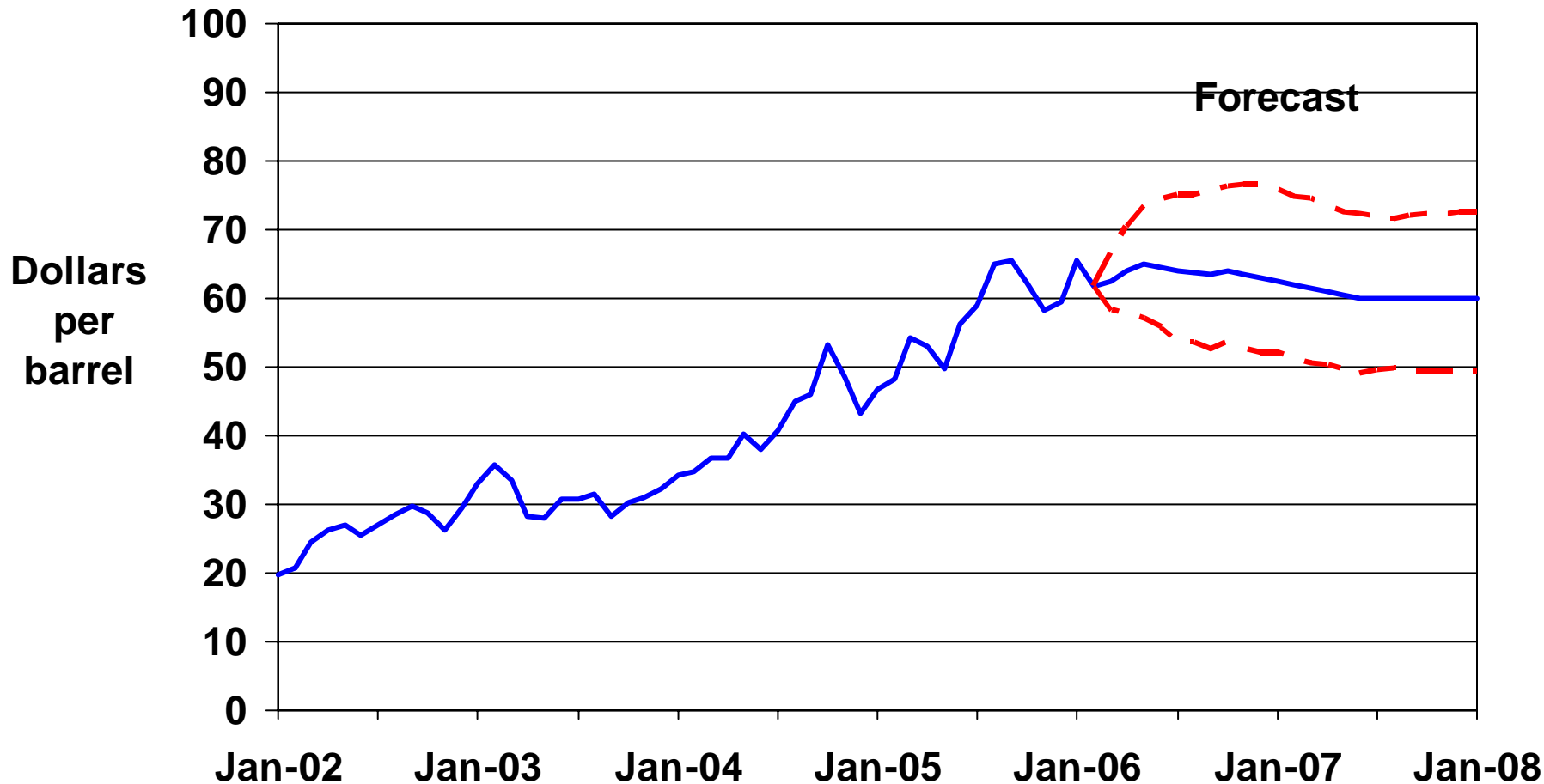
Energy Markets & Contingency Information Division



World Oil Demand Growth is Driving a Tight Oil Market.

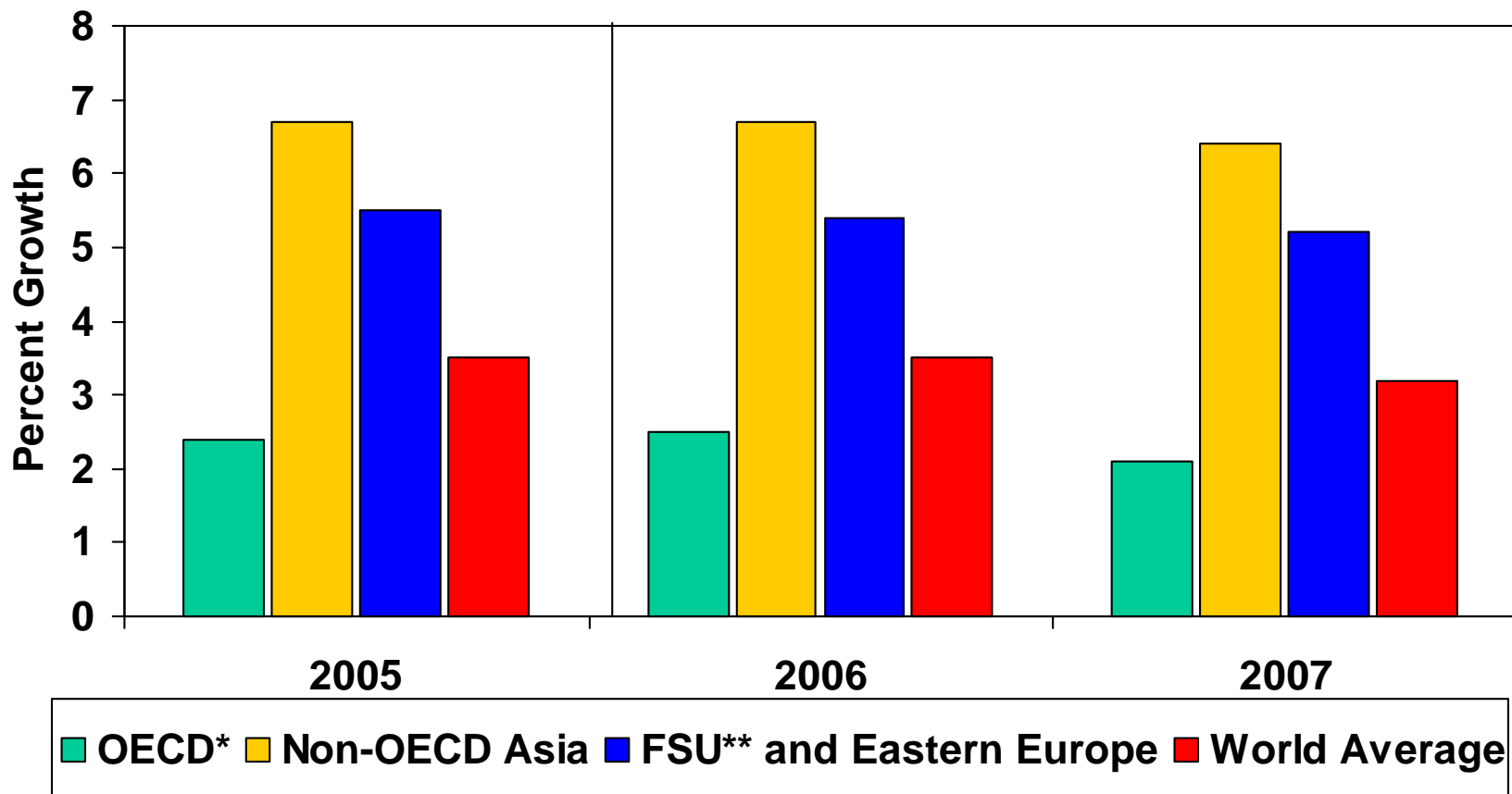
- Oil demand growth in recent years has exceeded the growth in non-OPEC supplies.
- As the call on OPEC production has increased, spare world oil production capacity has remained at low levels.
- The strong demand growth has kept OECD oil inventories, on a days of supply basis, in the lower half of historically observed ranges.
- However, projected high world oil prices and slower economic growth are expected to slow oil demand growth in 2005-2007 from 2004 levels.

Crude Oil Prices are Expected to Remain High (West Texas Intermediate with 95% Confidence Interval*)



*The confidence intervals show +/- 2 standard errors based on the properties of the model.

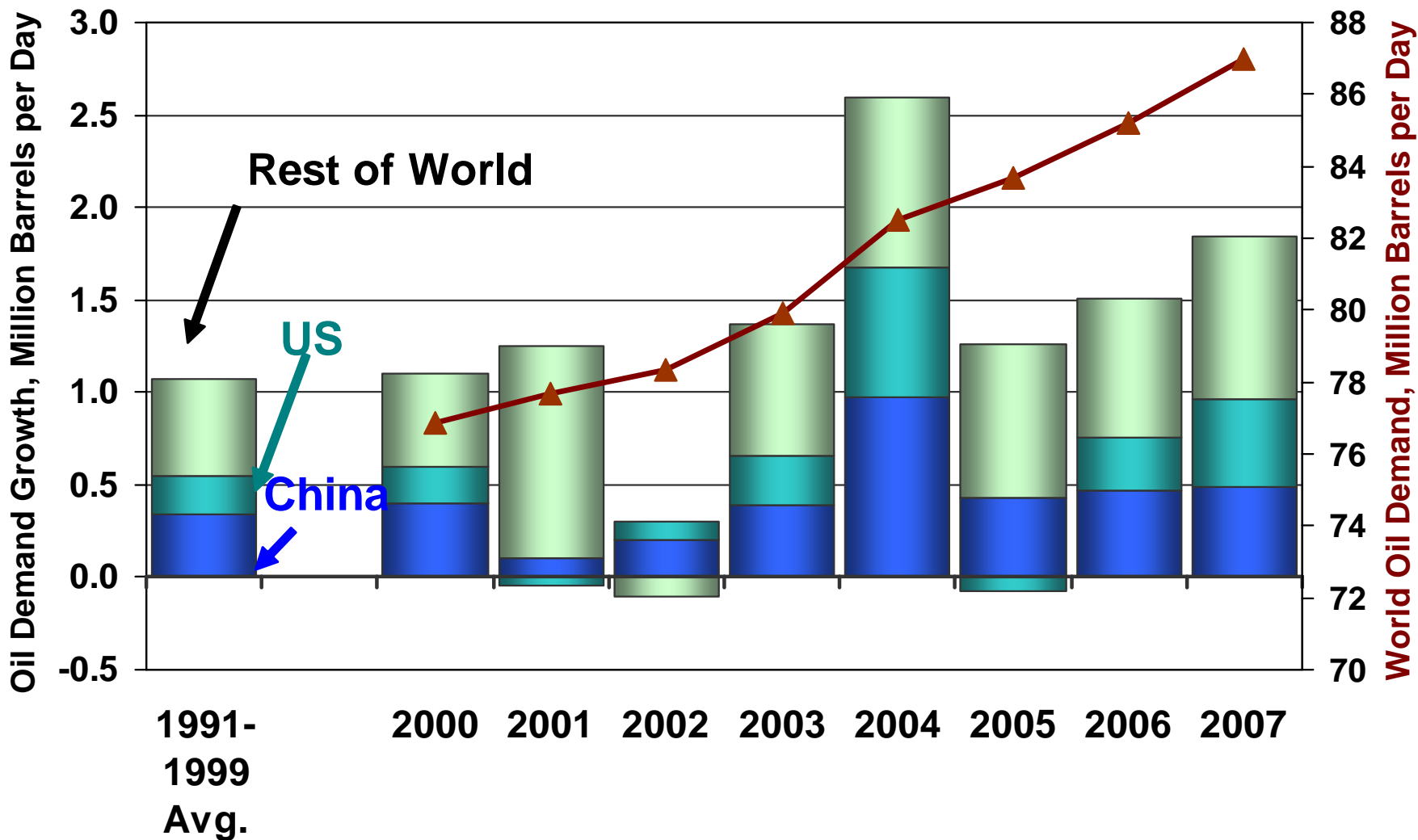
World Economic Growth Remains Strong (Change in Real GDP from Previous Year)



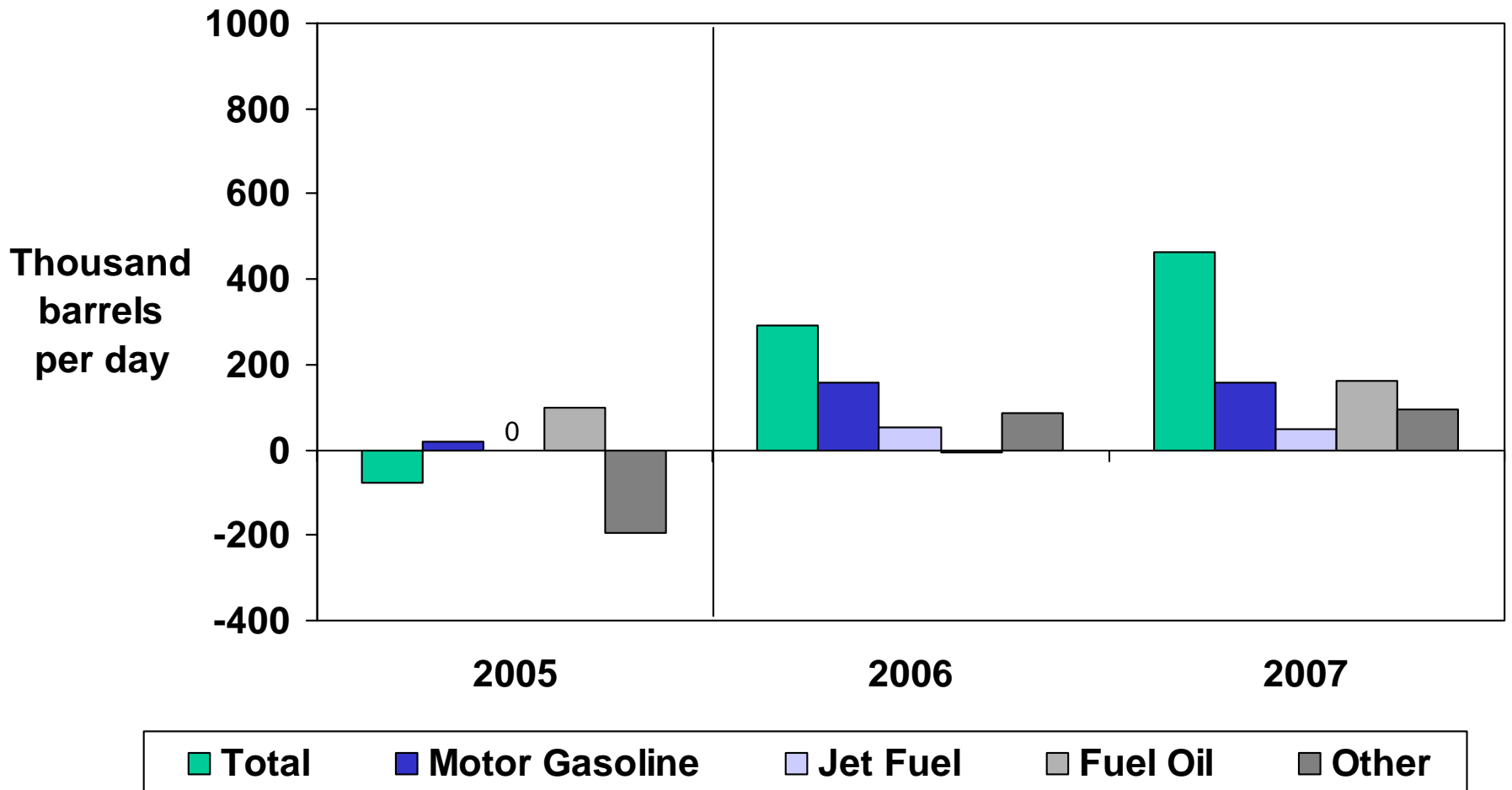
* Countries belonging to Organization for Economic Cooperation and Development

** Former Soviet Union

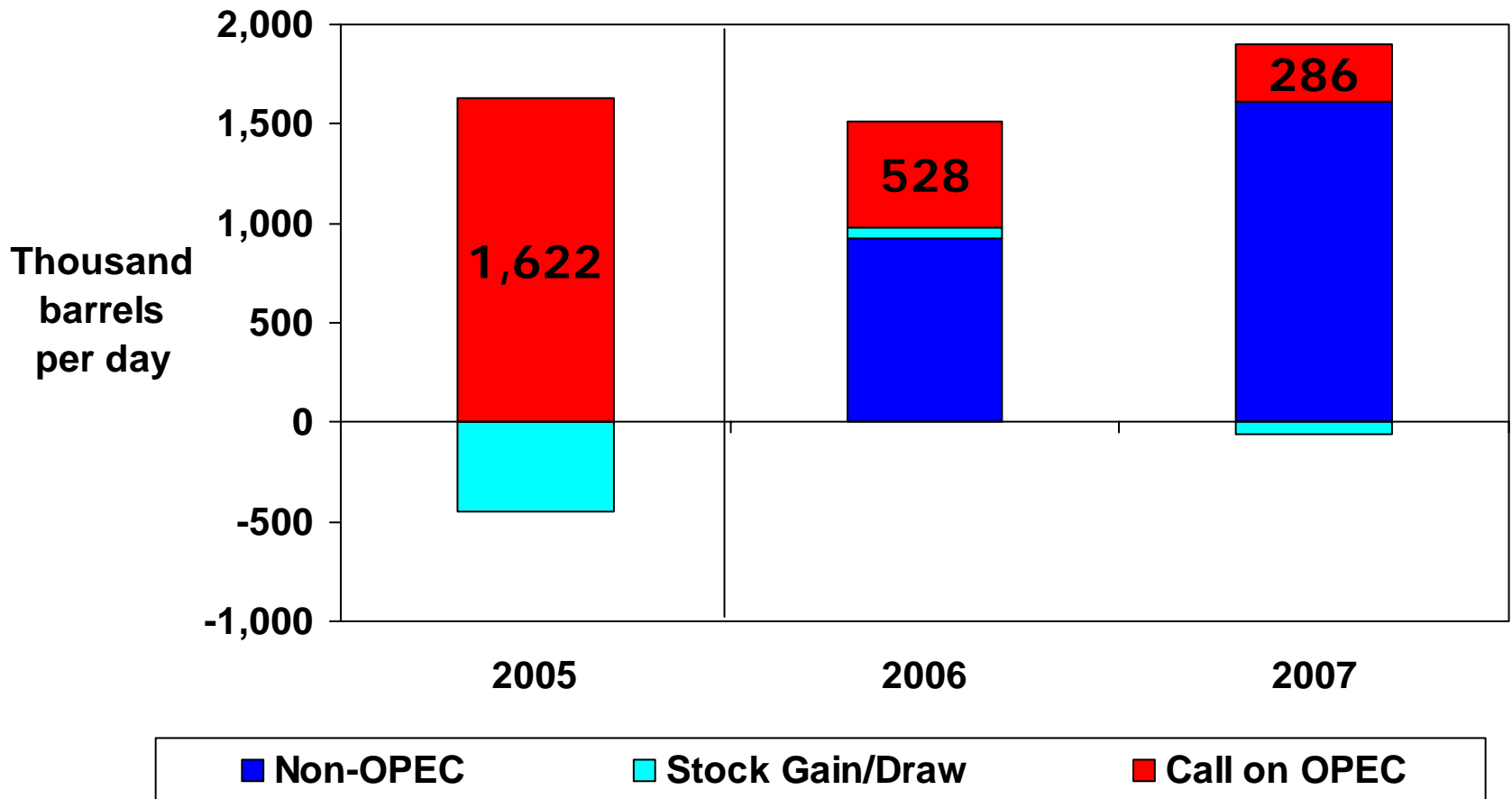
World Oil Demand Growth Slowed in 2005, but Will Increase in 2006-2007



U.S. Oil Demand Growth led by Gasoline in 2006-2007 (Change from Previous Year)



World Oil Demand Growth Will Exceed Non-OPEC Supply Growth and Require Increased OPEC Oil Supplies



Conclusions

- Although high world oil prices are expected to moderate oil demand somewhat, global oil demand will continue to grow because of continued economic growth in Asia and the US.
- World oil demand will rise by 3.5 million bbl/d between 2005-2007, led by growth in the US, China, and other developing Asian countries.
- This strong demand growth will, in turn, help keep world oil prices at relatively high levels over 2006-2007 by outpacing non-OPEC supply growth and keeping spare world oil production capacity at low levels.