



POTEN & PARTNERS

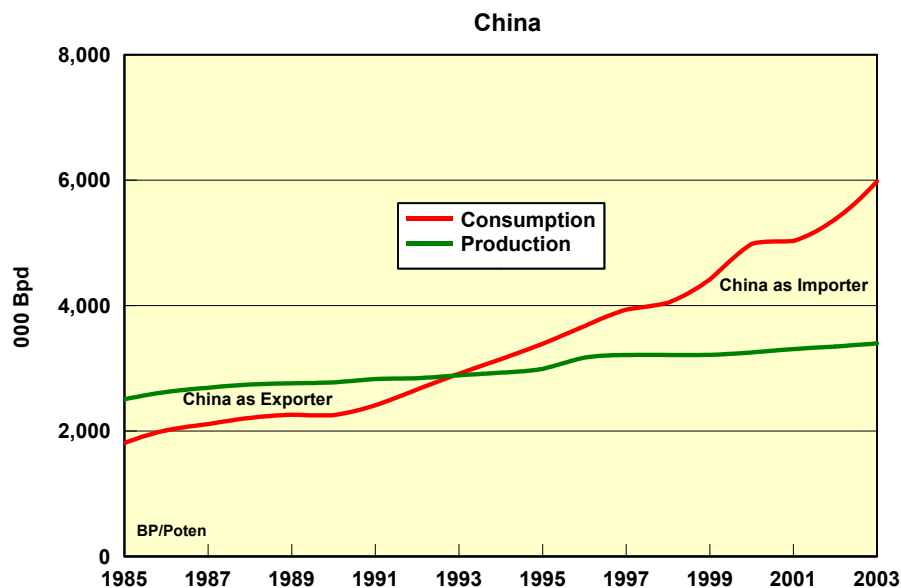
A Romp Down Memory Lane Pacific Basin

July 16, 2004

In our July 7, 2004 report, we looked at BP's Statistical Review of World Energy and reviewed demand in the Atlantic basin. This week we examine Pacific basin demand.

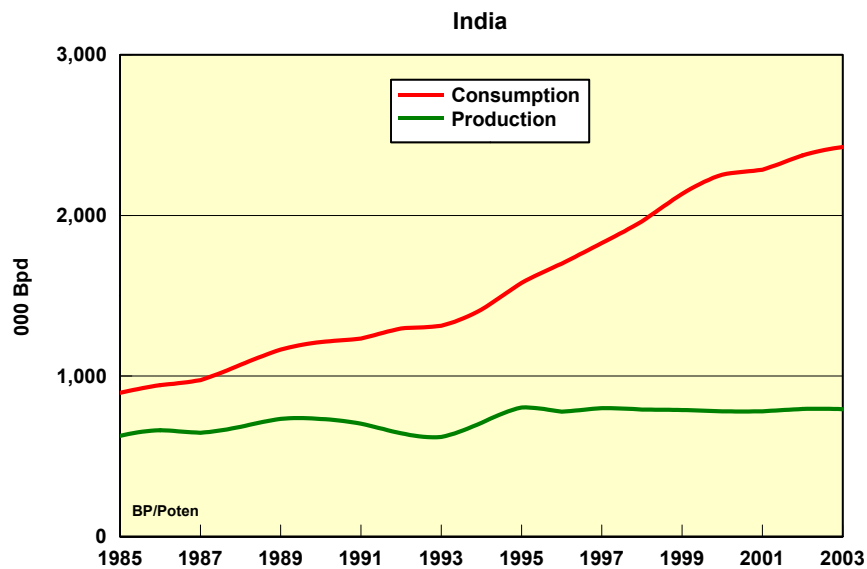
China

China, now Asia's largest importer and second only to the United States, is a major driver of tanker demand.



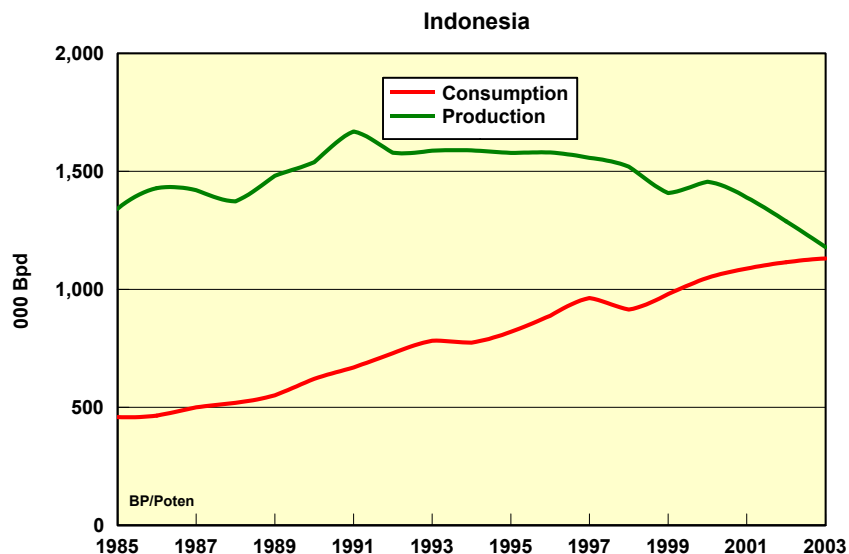
India

While China has been desperately attempting to increase its domestic crude production with only marginal success, it is not the only driver in this market. As seen in its growing consumption rate below, India is gaining in importance, although its impact is not as significant as China's.



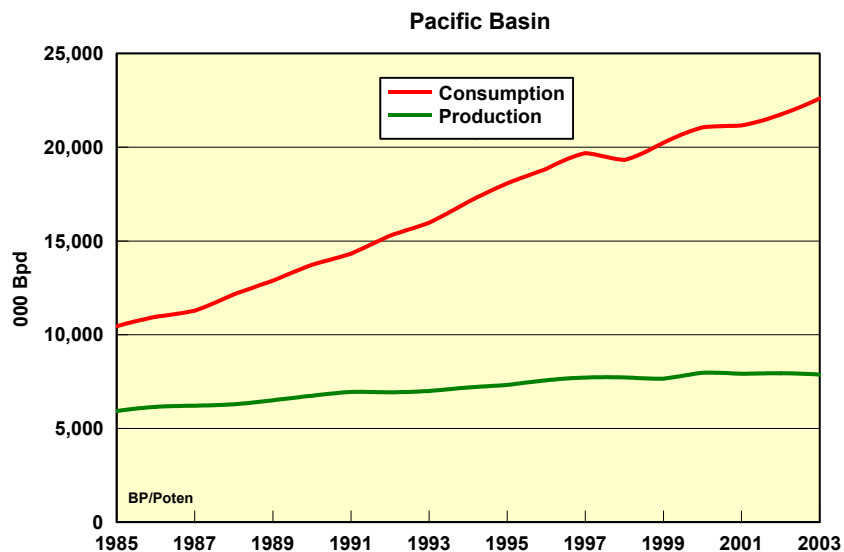
Indonesia

India is barely able to maintain its domestic crude production. The not-so slow death of Indonesia as an oil exporter is worth noting. This makes the Pacific basin nations even more dependent on the Middle East producers.

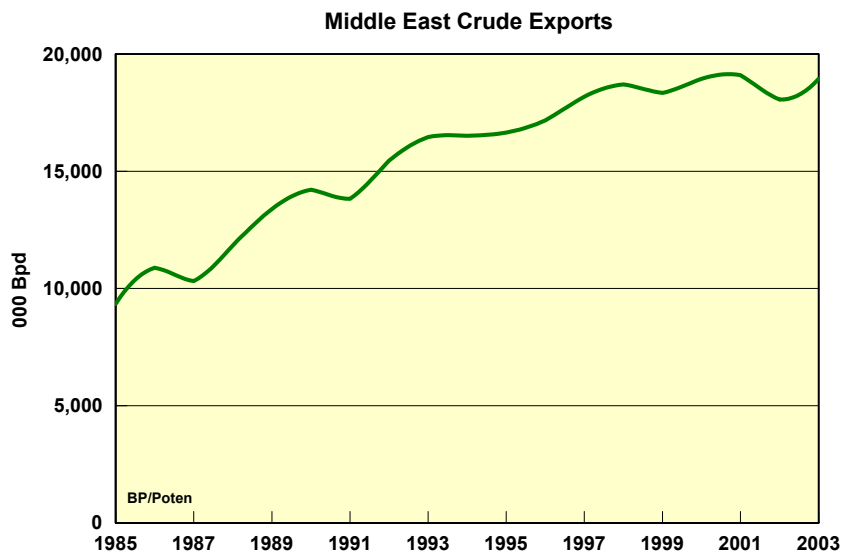


Pacific Basin Gains

The following chart shows the expanding demand for imported oil for all the nations in the Pacific basin. Production gains are concentrated in Malaysia, Thailand, Vietnam and China. As seen below, production has been essentially level since 1997. Thus a gain in consumption becomes a gain in imports.



As impressive as import demand to Asia and North America has been, the decrease in import demand in Europe has been sufficient to stabilize Middle East exports at 1999 levels.



What of the Future for Middle East Exports?

The future of Middle East exports is a netting exercise between growth in demand in the Atlantic and Pacific basins less increased production from non-Middle East sources such as Russia, the North Sea, the Caspian region, North and West Africa, and the U.S. Gulf. The Baku-Tbilisi-Ceyhan Pipeline, scheduled for completion in 2005, will introduce 1 mm bpd of Caspian region crude into the market. Pipeline projects in Russia have to be completed before exports can increase. The lifting of sanctions against Libya will permit further oil development of that nation's oil resources. Oil development projects in Algeria, offshore Nigeria and Angola also have to be integrated into an assessment of future Middle East exports. Taking all these factors into consideration will lead to a projection on Middle East exports, which is only one step away from a projection of VLCC demand.