

PRICE DEVELOPMENT OF CRUDE OIL

The development of the price of crude oil is one of the independent variables that companies must take into account and which has direct reflections on their costs, their margins and, in many sectors also on the demand for goods and services. For example, the decrease of car-sales in May of about 8 % will have repercussions in the whole automobile branch.

The price of crude oil is, like all goods, strongly influenced by the supply and the demand, which, on their turn are linked with the price.

When the price raises those wells or production techniques, which were until then economically of little interest because of high extraction or production costs, might become viable. At the same time substantial price increases will push consumers to alternative products or to more savings with a reduced demand as consequence.

The supply may also be influenced by the political situation in production countries which can lead under circumstances to interruptions in the supply or the non-use of production wells. The occupation of Iraq or the attacks on installations in Nigeria are good examples of these risks.

Moreover, the strong increase in industrial output of some emerging countries like China, India and others countries in East Asia, also increased the demand for crude oil by more than 2 million barrels per day.

But the price is also influenced by speculative movements which have turned to the commodity markets after the deflation of the housing bubble and the poor performance of the financial markets.

The crude price has increased from 53 \$/barrel in January 2007 to 150 \$/barrel now, an increase of 150 % in 18 months.

In order to better understand this complex world and in order to assess the future expectations and consequences' for your business decisions, we present some related fundamental data.

WORLD OIL DEMAND

(million barrels per day)

	2004	2005	2006	2007	1q 2008
OECD DEMAND					
<i>North America</i>	25,4	25,5	25,3	25,5	24,8
<i>Europe</i>	15,5	15,6	15,6	15,3	15,1
<i>Pacific</i>	8,5	8,6	8,4	8,3	8,8
<i>Total OECD</i>	49,4	49,7	49,3	49,1	48,7
NON-OECD DEMAND					
<i>FSU</i>	3,9	3,9	4,1	4,1	4,1
<i>Europe</i>	0,7	0,7	0,7	0,7	0,8
<i>China</i>	6,4	6,7	7,2	7,5	7,9
<i>Asia</i>	8,7	8,8	9,0	9,3	9,6
<i>America latina</i>	5,0	5,1	5,3	5,6	5,7
<i>Middle Est</i>	5,7	6,0	6,2	6,5	6,7
<i>Africa</i>	2,8	2,9	3,0	3,1	3,1
<i>Total Non-OECD</i>	33,1	34,1	35,5	36,9	37,9
Total Demand	82,5	83,8	84,9	86,0	86,6

Source: IEA Oil market report june 08

WORLD OIL SUPPLY

(million barrels per day)

	2004	2005	2006	2007	1 q 2008
OECD SUPPLY					
<i>North America</i>	14,6	14,1	14,2	14,3	14,2
<i>Europe</i>	6,1	5,6	5,2	5,0	4,9
<i>Pacific</i>	0,6	0,6	0,6	0,6	0,7
Total OECD	21,2	20,3	20,0	19,8	19,7
NON-OECD SUPPLY					
<i>FSU</i>	11,4	11,8	12,2	12,8	12,8
<i>Europe</i>	0,2	0,2	0,1	0,1	0,1
<i>China</i>	3,5	3,6	3,7	3,7	3,8
<i>Asia</i>	2,7	2,7	2,7	2,7	2,7
<i>America Latina</i>	4,1	4,3	4,4	4,3	3,9
<i>Centro Est</i>	1,9	1,8	1,7	1,7	1,6
<i>Africa</i>	3,4	3,7	3,9	2,5	2,5
Total Non-OECD	27,1	28,0	28,8	27,8	27,5
<i>Processing Gains</i>	1,9	1,9	2,0	2,1	2,1
<i>Other Biofuels</i>	0,1	0,1	0,3	0,3	0,4
Total Non-OPEC	50,3	50,4	51,1	50,0	49,7
Non-OPEC excl. Angola & Ecuador	48,8	48,6	49,1	49,6	49,7
OPEC					
<i>Crude</i>	28,9	29,7	29,7	30,7	32,3
<i>NGLs</i>	4,2	4,5	4,6	4,8	4,9
<i>Totale OPEC</i>	33,1	34,2	34,3	35,5	37,3
<i>OPEC incl. Angola</i>	34,6	36,0	36,3		37,3
Total Supply	83,4	84,6	85,4	85,5	87,0

Source: IEA Oil market report june 08

TOTAL DEMAND AND SUPPLY

(million barrels per day)

	2004	2005	2006	2007	1 q 2008
Total Supply	83,4	84,6	85,4	85,5	87,0
Total Demand	82,5	83,8	84,9	86,0	86,6
Saldo	0,9	0,8	0,5	-0,5	0,4

Source: IEA Oil market report june 08

Trend oil supply and demand



Studio Caramelli Srl source IEA

STOCK
(million barrels per day)

STOCK CHANGES	2004	2005	2006	2007	1 q 2008
<i>Industry</i>	0,1	0,1	0,2	-0,2	-0,1
<i>Government</i>	0,1	0,1	0,0	0,1	0,1
<i>Total</i>	0,2	0,2	0,3	-0,2	-0,0
<i>Floating Storage/Oil in Transit</i>	0,0	-0,1	-0,1	0,0	0,3
<i>Miscellaneous to balance</i>	0,7	0,7	0,3	0,3	0,1
Total Stock Ch. & Misc	0,9	0,8	0,5	-0,5	0,4

Fonte: IEA Oil market report june 08

Under actual conditions the unused available production capacity (spare capacity) is estimated to be 2,5 mb/d. The major share of this capacity, ca 1,9mb/d, is located in Saudi Arabia. This country has increased its production capacity in June (2008) with 0,3 mb/d and has announced an other increase of 0,2 mb/d for the month of July. This would bring its capacity up to 9,7 mb/d.

Crude oil continues to be for the moment the principle source of energy, as can be seen from the following table.

WORLD						
	Oil	Natural gas	Coal	Nuclear energy	Hydro-eletric	Total
2006	3.910,9	2.558,3	3.041,7	634,9	697,2	1.0843,0
	<i>36,07%</i>	<i>23,59%</i>	<i>28,05%</i>	<i>5,86%</i>	<i>6,43%</i>	<i>100,00%</i>
2007	3.952,8	2.637,7	3.177,5	622,0	709,2	1.1099,3
	<i>35,61%</i>	<i>23,76%</i>	<i>28,63%</i>	<i>5,60%</i>	<i>6,39%</i>	<i>100,00%</i>

Fonte: BP Statistical Review of world energy june 2008

The crude price can relate to different markets, those of the oil bought by the refinery operators but also the financial markets where contracts are traded for speculation purposes. These contracts are called futures. Some price indices refer to future contracts for example the quotation of the New York Exchange (NYMEX).

On the future market only 2% of the trading volume is really delivered. So the prices are strongly influenced by the expectations and perceptions of the dealers.

Those markets where the goods are bought for physical delivery are called "spot" markets. The quotations on these markets are moved by the physical demand and supply but also by the prices on the future markets.