

Crude oil prices fluctuated significantly during 1387. The upward trend in crude oil prices, started since winter of 1386, continued till mid-1387 and then started to fall in a way that in the third quarter, decline in crude oil prices continued even more steeply than before. Of factors contributing to the run-up in crude oil prices in the first half of 1387 are: depreciation of US dollar against other hard currencies, political and military tensions in the Middle East and Nigeria, reduction in inventory levels of crude oil in the U.S., and rise in speculation activities in the crude oil market. US financial crisis and economic recession and their spillover to Europe and Asia, increase in inventory levels of crude oil in the U.S., appreciation of US dollar against other hard currencies, rise in North Sea oil production, and fall in China's crude oil imports are among factors responsible for the slump in crude oil prices in the second half of 1387.

OPEC, in its 149th Conference in Vienna on September 10, 2008 (Shahrivar 19, 1387),

kept the production ceiling unchanged at 28.8 mb/d. The 150th (Extraordinary) Meeting of the OPEC Conference was convened on October 24, 2008 (Aban 2, 1387). The state of worrying about a dramatic reduction in demand and oil prices made the OPEC decrease the current OPEC-11 production ceiling by 1.5 mb/d, effective November 1, 2008. Meanwhile, the 151st Meeting of the Conference held in Algeria on December 17, 2008 (Azar 26, 1387) agreed to cut 4.2 mb/d from the actual September 2008 OPEC-11 production, effective as of January 1, 2009.

OPEC

Primary Energy Consumption

Primary energy consumption by the OPEC member countries rose from 705.6 million tons oil equivalent in 2007 to 746.9 million tons oil equivalent in 2008. Among primary energy sources, oil and natural gas are consumed by member countries to a large extent, while hydroelectricity and coal are used by Iran, Venezuela, and Indonesia sparingly. Middle East members (Saudi Arabia, Iran, Kuwait,

OPEC Primary Energy Consumption in 2008¹ (million tons oil equivalent)

	Oil	Natural gas	Coal	Nuclear energy	Hydroelectricity	Total
Middle East members	230.3	257.8	1.3	0.0	1.7	491.1
Saudi Arabia	104.2	70.3	0.0	0.0	0.0	174.5
Iran	83.3	105.8	1.3	0.0	1.7	192.1
Kuwait	15.3	11.5	0.0	0.0	0.0	26.8
United Arab Emirates	22.9	52.3	0.0	0.0	0.0	75.2
Qatar	4.6	17.9	0.0	0.0	0.0	22.5
Other members	113.2	86.7	30.9	0.0	25.0	255.8
OPEC	343.5	344.5	32.2	0.0	26.7	746.9

Source: BP Statistical Bulletin, 2009

¹ Excludes Iraq, Libya, Nigeria, and Angola.

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United Arab Emirates, and Qatar), with a total consumption of 491.1 million tons oil equivalent, accounted for higher consumption as compared with other members (Venezuela, Indonesia, and Algeria). Iran, with 192.1 million tons oil equivalent, ranked first, followed by Saudi Arabia, with 174.5 million tons oil equivalent.

Crude Oil Reserves

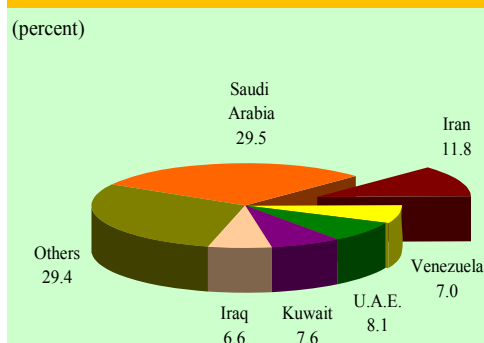
OPEC crude oil reserves reached 955.8 billion barrels in 2008, down by 0.1 percent compared with 2007. Among OPEC member countries, the largest reserves belong to Saudi Arabia, with 264.1 billion barrels, followed by Iran, with 137.6 billion barrels. Iraq and Kuwait, with respectively 115.0 and 101.5 billion barrels, ranked next.

Crude Oil Production

In the review year, average OPEC crude oil production, with 2.8 percent increase,

reached 36.7 mb/d compared with 2007. In this year, production of OPEC Middle East members, with 4.5 percent rise, totaled 24.7 mb/d and production of other members fell by 0.6 percent to 12.0 mb/d. The highest amount of production was related to Saudi Arabia, with a production of 10.8 mb/d and a share of 29.5 percent.

Figure 3.1. OPEC members' quotas in 2008



OPEC Crude Oil Proven Reserves

(billion barrels)

	2006▲	2007▲	2008	Percentage change		Share (percent)	
				2007	2008	2007	2008
Middle East members	744.9	744.1	743.3	-0.1	-0.1	77.7	77.8
Saudi Arabia	264.3	264.2	264.1	*	*	27.6	27.6
Iran	138.4	138.2	137.6	-0.1	-0.4	14.4	14.4
Iraq	115.0	115.0	115.0	0.0	0.0	12.0	12.0
Kuwait	101.5	101.5	101.5	0.0	0.0	10.6	10.6
United Arab Emirates	97.8	97.8	97.8	0.0	0.0	10.2	10.2
Qatar	27.9	27.4	27.3	-1.8	-0.4	2.9	2.9
Other members	195.2	213.0	212.5	9.1	-0.2	22.3	22.2
OPEC	940.1	957.1	955.8	1.8	-0.1	100.0	100.0

Source: BP Statistical Bulletin, 2009

OPEC Crude Oil Production¹

(thousand b/d)

	2006▲	2007▲	2008	Percentage change		Share (percent)	
				2007	2008	2007	2008
Middle East members	23,905	23,673	24,737	-1.0	4.5	66.3	67.4
Saudi Arabia	10,853	10,449	10,846	-3.7	3.8	29.3	29.5
Iran	4,282	4,322	4,325	0.9	0.1	12.1	11.8
Iraq	1,999	2,144	2,423	7.2	13.0	6.0	6.6
Kuwait	2,690	2,636	2,784	-2.0	5.6	7.4	7.6
United Arab Emirates	2,971	2,925	2,980	-1.6	1.9	8.2	8.1
Qatar	1,110	1,197	1,378	7.9	15.2	3.4	3.8
Other members	12,102	12,041	11,968	-0.5	-0.6	33.7	32.6
OPEC	36,007	35,714	36,705	-0.8	2.8	100.0	100.0

Source: BP Statistical Bulletin, 2009

¹ Includes NGL, shale oil, and oil sands as well.

OPEC Production Ceiling

In the 149th Meeting of the OPEC Conference held in Vienna on September 10, 2008, the Conference decided to keep the production ceiling unchanged at 28.8 mb/d. The 150th Extraordinary Meeting of the OPEC Conference was held in Vienna on October 24, 2008 to discuss the current financial global crisis and the world economic situation. Worrying about the dampening of the demand for oil and decline in crude oil prices, the Conference decided to decrease the current OPEC-11 production ceiling (excluding Iraq and Indonesia¹) by 1.5 mb/d, effective November 1, 2008.

Having reviewed the oil market outlook, including overall supply/demand projections for the year 2009, in particular the first and second quarters, the Conference, in its 151st Meeting held in Algeria on December 17, 2008, agreed to cut 4.2 mb/d from the actual September 2008 OPEC-11 production (excluding Iraq), effective as of January 1, 2009. In the 152nd Meeting held in Vienna on March 15, 2009, the production ceiling remained unchanged. In the 153rd Meeting held in Vienna on May 28, 2009, the Conference

decided to maintain current production levels as well as production allocations unchanged.

OPEC Production Quota¹

	(thousand b/d)	
	November 2008 (reduction in quotas)	January 2009 (reduction in quotas) ²
Saudi Arabia	466	..
Iran	199	..
Other members	835	..
OPEC	1,500	4,200

Source: www.opec.org

¹ Excludes Iraq and Indonesia.

² Reduction in production ceiling is based on September 2008 production by member countries and the amount of reduction in quotas has not been published.

Oil Consumption

In 2008, average oil consumption in OPEC member countries² grew by 5.7 percent to 7.3 mb/d. The highest amount of consumption was related to Saudi Arabia by 2.2 mb/d, and the lowest to Qatar by 0.1 mb/d. Iran's consumption was 1.7 mb/d, accounting for 23.8 percent of total OPEC consumption.

OPEC Oil Consumption¹

				Percentage change		Share (percent)	
	2006 ▲	2007 ▲	2008	2007	2008	2007	2008
Middle East members	4,278	4,531	4,824	5.9	6.5	65.8	66.3
Saudi Arabia	1,841	2,054	2,224	11.5	8.3	29.8	30.6
Iran ²	1,693	1,693	1,730	0.0	2.2	24.6	23.8
Kuwait	267	269	300	0.6	11.6	3.9	4.1
United Arab Emirates	402	425	467	5.7	10.0	6.2	6.4
Qatar	75	90	104	19.8	15.9	1.3	1.4
Other members	2,222	2,351	2,451	5.8	4.3	34.2	33.7
OPEC³	6,500	6,882	7,275	5.9	5.7	100.0	100.0

Source: BP Statistical Bulletin, 2009

¹ Includes domestic demand for oil, aviation and navy fuel, fuel for refineries and oil wastes.

² Estimations by the BP are more than those published by the Ministry of Petroleum.

³ Excludes Iraq, Nigeria, Libya, and Angola.

¹ As of 2009, Indonesia withdrew from the OPEC.

² Excludes Iraq, Nigeria, Libya, and Angola.

Natural Gas Proven Reserves

OPEC natural gas proven reserves totaled 94.4 trillion cubic meters in 2008, showing 2.3 percent increase compared with the previous year. Iran and Qatar, with 29.6 and 25.5 trillion cubic meters, respectively, have the largest reserves among member countries.

Production of Natural Gas¹

In 2008, OPEC natural gas production increased by 4.7 percent to 572.6 billion cubic meters. Iran had the highest share of OPEC natural gas production by 116.3 billion cubic meters, accounting for 20.3 percent of total

OPEC production. Algeria, with a production of 86.5 billion cubic meters of natural gas and a share of 15.1 percent, ranked second.

Consumption of Natural Gas

In 2008, OPEC consumption of natural gas amounted to 382.1 billion cubic meters, showing an increase of 6.5 percent compared with the previous year. Consumption of natural gas by Middle East members reached 286.4 billion cubic meters, up by 6.7 percent compared with 2007 and constituting 75.0 percent of total consumption.

OPEC Natural Gas Proven Reserves (trillion cubic meters)

	2006▲	2007▲	2008	Percentage change		Share (percent)	
				2007	2008	2007	2008
Middle East members	71.5	73.2	75.2	2.3	2.7	79.3	79.7
Saudi Arabia	7.1	7.3	7.6	2.9	3.6	7.9	8.0
Iran	26.9	28.1	29.6	4.8	5.3	30.5	31.4
Iraq	3.2	3.2	3.2	0.0	0.0	3.4	3.4
Kuwait	1.8	1.8	1.8	0.0	0.0	1.9	1.9
United Arab Emirates	7.1	7.3	7.6	3.3	3.6	7.9	8.0
Qatar	25.5	25.5	25.5	-0.3	0.0	27.6	27.0
Other members	18.5	19.1	19.2	3.4	0.5	20.7	20.3
OPEC¹	90.0	92.3	94.4	2.5	2.3	100.0	100.0

Source: BP Statistical Bulletin, 2009

¹Excludes Angola and Ecuador.

OPEC Natural Gas Production (billion cubic meters)

	2006▲	2007▲	2008	Percentage change		Share (percent)	
				2007	2008	2007	2008
Middle East members	294.3	312.0	334.1	6.0	7.1	57.1	58.3
Saudi Arabia	73.5	74.4	78.1	1.2	5.0	13.6	13.6
Iran	108.6	111.9	116.3	3.0	3.9	20.5	20.3
Kuwait	12.5	12.1	12.8	-3.2	5.8	2.2	2.2
United Arab Emirates	49.0	50.4	50.2	2.9	-0.4	9.2	8.8
Qatar	50.7	63.2	76.6	24.7	21.2	11.6	13.4
Other members	227.8	234.9	238.6	3.1	1.6	42.9	41.7
OPEC¹	522.2	546.9	572.6	4.7	4.7	100.0	100.0

Source: BP Statistical Bulletin, 2009

¹Excludes Iraq, Angola, and Ecuador.

¹Includes commercial production and consumed gas.

OPEC Natural Gas Consumption¹ (billion cubic meters)

	2006 ▲	2007 ▲	2008	Percentage change		Share (percent)	
				2007	2008	2007	2008
Middle East members	257.7	268.5	286.4	4.2	6.7	74.8	75.0
Saudi Arabia	73.5	74.4	78.1	1.2	5.0	20.7	20.4
Iran	108.7	113.0	117.6	4.0	4.1	31.5	30.8
Kuwait	12.5	12.1	12.8	-3.2	5.8	3.4	3.3
United Arab Emirates	43.4	49.3	58.1	13.7	17.8	13.7	15.2
Qatar	19.6	19.7	19.8	0.6	0.7	5.5	5.2
Other members	91.1	90.4	95.7	-0.7	5.8	25.2	25.0
OPEC	348.8	359.0	382.1	2.9	6.5	100.0	100.0

Source: BP Statistical Bulletin, 2009

¹Excludes Iraq, Nigeria, Libya, and Angola.

Iran

Production and Export of Crude Oil

In 1387, Iran's average crude oil production, in adherence to the quotas set by the OPEC, amounted to 3.9 mb/d. Average crude oil export fell by 4.4 percent to 2.4 mb/d and exports of oil products decreased by 50.8 percent to 98 thousand b/d. Total oil exports (including crude oil and oil products), with a fall of 7.9 percent, stood at 2.5 mb/d. In this year, crude oil exports had a share of 96.0 percent in total oil exports. The average spot price of each barrel of crude oil export went up by 3.0 percent to \$80.36, compared with 1386.

In the review year, Asia had a share of 64.8 percent in Iran's crude oil export of which, 17.6 percent was related to Japan and 47.2 percent to other Asian countries and the Far East. The shares of Europe and Africa in Iran's crude oil export were 29.3 and 5.9 percent, respectively.

In this year, the price of major oil products remained virtually unchanged. Therefore, each

liter of gasoline was sold for Rls. 1,000, gas oil Rls. 165, kerosene Rls. 165, and fuel oil Rls. 94.5.

Based on National Iranian Oil Refining and Distribution Company, domestic consumption of oil products amounted to 1,619 thousand b/d in 1387. Consumption of gas oil and gasoline amounted to 541 and 413 thousand b/d, respectively, constituting 33.4 and 25.5 percent of total consumption of oil products. Moreover, in adherence to the quotas set by the OPEC, crude oil production decreased in 1387, leading to a fall in the value-added of the oil sector by 2 percent.

Natural Gas

In 1387, with the development of gas supply systems in urban and rural areas, domestic consumption of natural gas increased by 8.4 percent to 132.8 billion cubic meters. In this year, consumption of natural gas in "residential, commercial and industrial"

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sectors reached 69.7 billion cubic meters, accounting for 52.5 percent of natural gas consumption in Iran. Natural gas consumption by "power plants and major industries", constituting 32.3 and 15.2 percent of total consumption, amounted to 42.9 and 20.2 billion cubic meters. Meanwhile, exports of natural gas reached 4.7 billion cubic meters.

Electricity

In 1387, Iran's electricity generation amounted to 215.8 billion kWh, up by 5.8 percent compared with the previous year. Of total generated electricity, 194.5 billion kWh (90.2 percent) was related to power plants affiliated to the Ministry of Energy and 21.2 billion kWh (9.8 percent) to other institutions.

The highest amount of electricity was generated by gas and combined cycle power

plants (94.6 billion kWh) and the lowest by hydroelectric, diesel, and wind power plants (6.2 billion kWh). Gas and combined cycle power plants accounted for the highest growth in electricity generation by 16.9 percent. The amount of electricity generated by hydroelectric and diesel power plants, as well as wind turbines was reduced by 65.8 percent.

In 1387, consumption of electricity grew by 4.1 percent to 162.0 billion kWh. The highest growth of consumption was related to the agriculture sector by 9.3 percent. Electricity consumption in industrial sector grew by 6.0 percent, commercial sector 5.2 percent, public sector 3.1 percent and residential sector 1.7 percent. Consumption of electricity for street lighting, however, dropped by 9.2 percent. Residential and industrial sectors had the highest shares in the consumption of electricity by 32.9 and 32.4 percent, respectively.