OPEC Report Trims 2011 Demand for OPEC Crude Because of External Supply

The Organization of Petroleum Exporting Countries trimmed the outlook for demand for its members' crude in 2011 as production from outside the group grows.

OPEC, responsible for about 40 percent of global supplies, predicted in a monthly report today that the world will need 28.8 million barrels of oil a day from its 12 members next year. That's about 100,000 barrels a day less than in last month's report. The organization left its forecast for global oil demand in 2011 unchanged at 86.56 million barrels a day. "Mexico, Oman and Equatorial Guinea encountered minor upward revisions," OPEC's Vienna-based secretariat said in the report. Global consumption may weaken during the rest of this year because of "the severity of the economic crisis and its prolonged impact on the world economy."

OPEC forecast that producers outside the organization will bolster supplies next year by 360,000 barrels a day to average 52.42 million a day. The forecast for Mexico was boosted as the country slows output declines at older fields, while the outlook for Equatorial Guinea was raised as its Aseng and Alen fields start.OPEC anticipates growth in global oil demand next year of 1.05 million barrels a day, or 1.2 percent, driven by consumption in Asia, Latin America and the Middle East. As a result, consumers will still need 200,000 barrels a day more crude from OPEC in 2011 than this year, even after this month's lowered expectation.

IEA Report

The International Energy Agency, the Paris-based adviser to consuming nations, will publish its monthly outlook tomorrow. In last month's report it estimated 2011 global oil consumption at 87.9 million barrels a day.

OPEC increased its compliance with output quotas set in 2008, today's report showed, as Nigeria's production declined.

Output from the 11 members bound by quotas dropped 37,000 barrels a day to 26.799 million barrels a day in August, it said. That implies compliance of 53.5 percent last month compared with a revised 52.6 percent for July. Iraq is exempt from the quota system.The group has effectively reversed the supply cuts announced in 2008 as rising prices and rebounding demand encouraged members to flout their individual limits. Oil futures traded around $75 a barrel in New York today, after climbing 78 percent last year.

OPEC's 12 members are Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. The organization's next meeting is scheduled for Oct. 14 in Vienna.

ONGC, Indian Oil Share Sales May Raise $4.1 Billion for Indian Government

India may raise as much as 190 billion rupees ($4.1 billion) selling shares in Oil & Natural Gas Corp., the country's biggest energy explorer, and Indian Oil Corp., to help cut its budget deficit.

Indian Oil, the nation's second-biggest refiner, may raise a further 100 billion rupees by selling fresh equity to help it fund a new crude oil processing plant it is building, Oil Secretary S. Sundareshan told reporters in Mumbai today.

"The plan is to complete the disinvestments before the end of the fiscal year," Sundareshan said. "It will be Indian Oil followed by ONGC. In the last quarter, hopefully."

Prime Minister Manmohan Singh wants to raise 400 billion rupees from asset sales in the year ending March 31 to help fund the construction of roads, ports, hospitals and schools. The government said in January it can sell shares in as many as 68 companies as it seeks to shrink its budget deficit to 5.5 percent of gross domestic product this fiscal year from an estimated 6.9 percent last year.

Indian Oil is building a refinery in Orissa state with an annual processing capacity of 15 million tons. The refiner plans to spend 145 billion rupees in the financial year ending March compared with 135 billion rupees last year to increase capacity, Serangulam V. Narasimhan, finance director, said Jan. 6.

ONGC will complete the valuation on BP Plc's assets in Vietnam in a few weeks as it seeks to buy them in partnership with Vietnam Oil & Gas Group, Sundareshan also said.

State-owned ONGC is considering all options for buying partner BP's stake in a Vietnam gas field, Chairman R.S. Sharma said July 22. The London-based company, which is raising funds to pay for the Gulf of Mexico oil spill, agreed July 20 to sell fields in the U.S., Canada and Egypt to Houston-based Apache Corp. for $7 billion and plans to dispose of assets in Pakistan and Vietnam.

CNOOC, Sinopec Weigh $7 Billion Offer for Assets of Brazil's OGX

Cnooc Ltd. and China Petrochemical Corp. may offer at least $7 billion for Brazil oil assets and a stake in OGX Petroleo & Gas Participacoes SA, according to two people with knowledge of the matter.

OGX, which is based in Rio de Janeiro and controlled by billionaire Eike Batista, may seek to sell an equity stake of less than 30 percent as well as oil blocks, one of the people said. While binding offers would be due around the middle to end of next month, no offer has been presented and Cnooc hasn't decided whether to make a joint bid, according to the person.

Chinese oil companies are seeking assets overseas to secure crude supplies needed to fuel the world's fastest-growing major economy. Sinopec Group, as China Petrochemical is known, bought Addax Petroleum Corp. for C$8.3 billion ($8 billion) last year to add oil reserves as part of the record $32 billion of acquisitions by Chinese companies in natural resources.

"The Chinese are buying a lot of commodities companies around the world to supply growth," Luiz Augusto Pacheco, an analyst at Omar Camargo Corretora in Curitiba, Brazil, said today in a telephone interview. "They are willing to pay more because they need it and the Chinese have the money right now."Huang Wensheng, a spokesman for Sinopec Group, and Jiang Yongzhi, a spokesman for Cnooc, couldn't be reached at their Beijing offices and cell phones. OGX's press office said in an e-mailed statement that it doesn't comment on rumors.

'No Big Hurry'

Chief Financial Officer Marcelo Faber Torres said on an OGX conference call on Aug. 12 that a planned sale of part of its oil block assets would happen in late 2010 or early 2011. OGX is "in no big hurry" to sell the stakes in the blocks because of the potential to find more oil in the "very valuable" areas, Torres said.OGX has 3.69 billion barrels of potential reserves at its seven blocks in the Campos Basin off Brazil's coast, according to a 2009 report by certification firm DeGoylyer & MacNaughton. OGX has made additional discoveries of heavy crude oil in the area this year and may increase its reserves estimates, Pacheco said.

OGX's Campos reserves are worth about $10 a barrel, taking into account exploration and development costs, Andres Kikuchi, an analyst at brokerage Link Investimentos who rates the stock "outperform," said by telephone from Sao Paulo.

OGX Shares Rise

OGX rose 5 centavos, or 0.3 percent, to 19.93 reais in Sao Paulo trading at 12:41 p.m. New York time. It has risen 17 percent this year, compared with a 3 percent drop for Brazil's benchmark Bovespa index.Statoil ASA, Repsol YPF, Devon Energy Corp. and Royal Dutch Shell Plc have sold offshore assets in Brazil this year amid strong demand and limited supply. Brazil's government hasn't sold any exploration blocks in more than year as it revamps oil legislation that's intended to put state-run Petroleo Brasileiro SA in control of all new deepwater projects.

Sinochem Group agreed in May to pay about $15 a barrel for a stake in Statoil ASA's Peregrino oil field that borders on OGX's blocks in Campos, Kikuchi said. Peregrino is closer to commercial production than OGX's fields, making Peregrino more valuable, Kikuchi said.

In March, Cnooc agreed to buy a 50 percent stake in Argentine oil producer Bridas Corp. for $3.1 billion to gain access to oil reserves.

Bridas, controlled by Argentine businessman Carlos Bulgheroni, owns a 40 percent stake in Pan American Energy LLC, the largest crude-oil exporter in the country, and also has oil and gas assets in Chile and Bolivia. BP Plc, Europe's largest oil company, owns the remainder of Pan American.

IEA Maintains Estimates for Worldwide Oil Demand Amid Economic Concerns

The International Energy Agency left its estimate for oil demand for 2010 and 2011 little changed as fuel stockpiles surge and concern persists that a revival in world economic growth may falter.

Global crude demand will average 87.9 million barrels a day next year, the IEA said today in its monthly Oil Market Report, unchanged from last month. It revised the 2010 estimate 50,000 barrels a day higher to 86.6 million. Soaring stockpiles and slowing Asian consumption are capping oil prices and there's a "significant downside risk" that demand will falter should the global recovery stall, the Paris-based group said.

"Nagging concerns over the robustness of economic recovery, a U.S. gasoline season which ended with a whimper, and questions on the durability of still-robust non-OECD demand growth are holding at bay perceived short-medium term supply risks," the IEA said.Recent economic data have stoked concern that the world will slip back into recession and damp fuel consumption. The U.S. economy, the world's biggest oil consumer, will slow more than previously estimated through next year as elevated unemployment tempers consumer spending and companies trim investment plans, economists surveyed by Bloomberg News said.

Price Range

Oil prices have traded at $70 to $85 a barrel since June, reflecting doubts about the economy and soaring crude stockpiles, according to the IEA. Crude for October delivery traded at $75.86 a barrel, up $1.61, in electronic trading on the New York Mercantile Exchange today, leaving prices 4.4 percent down this year.

"Economic risks that are skewed to the downside could place a ceiling over prices in the next 12 to 15 months," the IEA said. "On the other hand, our base case suggests a market tightening again from mid-2011 onwards."Industry-held stockpiles in the world's developed economies rose to 2.785 billion barrels in

July. That represents demand of 61.4 days, close to a record from August 1998, the IEA said.World demand will climb 1.3 million barrels a day, or 1.5 percent in 2011, down from this year's growth of 1.9 million barrels a day, or 2.2 percent, the IEA said. That is little changed from last month's report.

OECD Demand

While developing economies continue to account for all the increase in world demand, the IEA cut its estimate for consumption in those countries on lower figures from Asia and the Middle East.Demand in countries outside the Organization for Economic Cooperation and Development will increase 3.6 percent in 2011 to 42.5 million barrels a day, compared with an increase of 4.4 percent in 2010. Last month, the agency expected growth of 3.7 percent and 4.5 percent respectively.Chinese consumption, which will contribute about a third of world growth in 2011, is slowing as the government attempts to keep control of inflation by tempering the economy, according to the IEA. The agency cut its estimate for Chinese consumption growth next year to 4.3 percent, or 390,000 barrels a day, from last month's forecast of 4.5 percent, or 420,000 barrels a day.In contrast, the agency increased its projections for demand from OECD members for both 2010 and 2011 on stronger- than-expected consumption in North America and the Pacific. Total OECD demand is forecast to rise 0.3 percent in 2010 to 45.6 million barrels a day and decline 0.5 percent next year to 45.4 million barrels a day, according to the report.

Supply Burden

As the world consumes more oil, there will be a greater burden on supplies of crude oil from the Organization of Petroleum Exporting Countries than estimated, the IEA said. OPEC will need to supply 29.2 million barrels a day in 2011 to balance world supply and demand, up from the 29.1 million barrels a day projected last month.The revision to the amount OPEC will have to pump, the so- called call on OPEC crude, is driven by a drop in projected production of its own natural gas liquids, according to the IEA. NGLs, which can be made into fuels and petrochemical feedstocks, aren't included in the organization's supply quotas.The 11 OPEC members bound by quotas kept output at 26.8 million barrels a day last month, unchanged from July, the report said. That implies compliance of 53 percent with record supply cuts set in 2008.Supplies from all 12 nations, including Iraq, fell 0.2 percent to average 29.15 million barrels daily, the IEA said.