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PRESS RELEASE

Inaccurate Projections Led To Oil Prices Approaching $100 in 2007

A comprehensive, bottom-up study of world oil statistics released today by Groppe, Long & Littell (GL&L) concludes that OPEC, like many other oil business observers, was misled by the International Energy Agency's (IEA) *Oil Market Report.*

At the end of 2006 with oil prices falling, OPEC decided to reduce output by 1.7 million barrels per day (MMbd). The group's rationale was based on a forecast that, while world oil demand was estimated to increase by 1.3 MMbd in 2007, this was likely to be more than offset by a projected increase in non-OPEC supply. By its March 2007 meeting, prices had stopped declining, and OPEC took no further action – it would simply monitor the situation. However, by the third quarter of 2007 prices passed $70 per barrel, prompting OPEC to raise quotas by 0.5 MMbd at its September meeting. In December, OPEC blamed financial funds and speculative markets for the even higher prices and again did nothing.

As things worked out, a 0.5 MMbd increase in demand in 2007 was about equal to the increase in non-OPEC production. With the troubles in Nigeria and continued deterioration in Venezuela, OPEC produced about 1.0 MMbd less in 2007 than in 2006. OPEC's actions – not "soaring demand," the US dollar, Iran, Iraq, etc. -- were the cause of high oil prices in 2007.

A key component of GL&L's analysis is its method for resolving statistics by tracing the physical flow of oil. If one cannot answer the questions -- if oil was produced, where did it go? – and – if oil was delivered, where did it come from? – then it is virtually impossible to reconcile all the various statistical sources.

In its Oil Statistics report, Groppe, Long & Littell constructed oil volume balances around every major producing country or region of the world. Comparisons with other statistical reporting entities show how misinterpreted data can lead groups such as OPEC to less-than-optimal decision making.

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