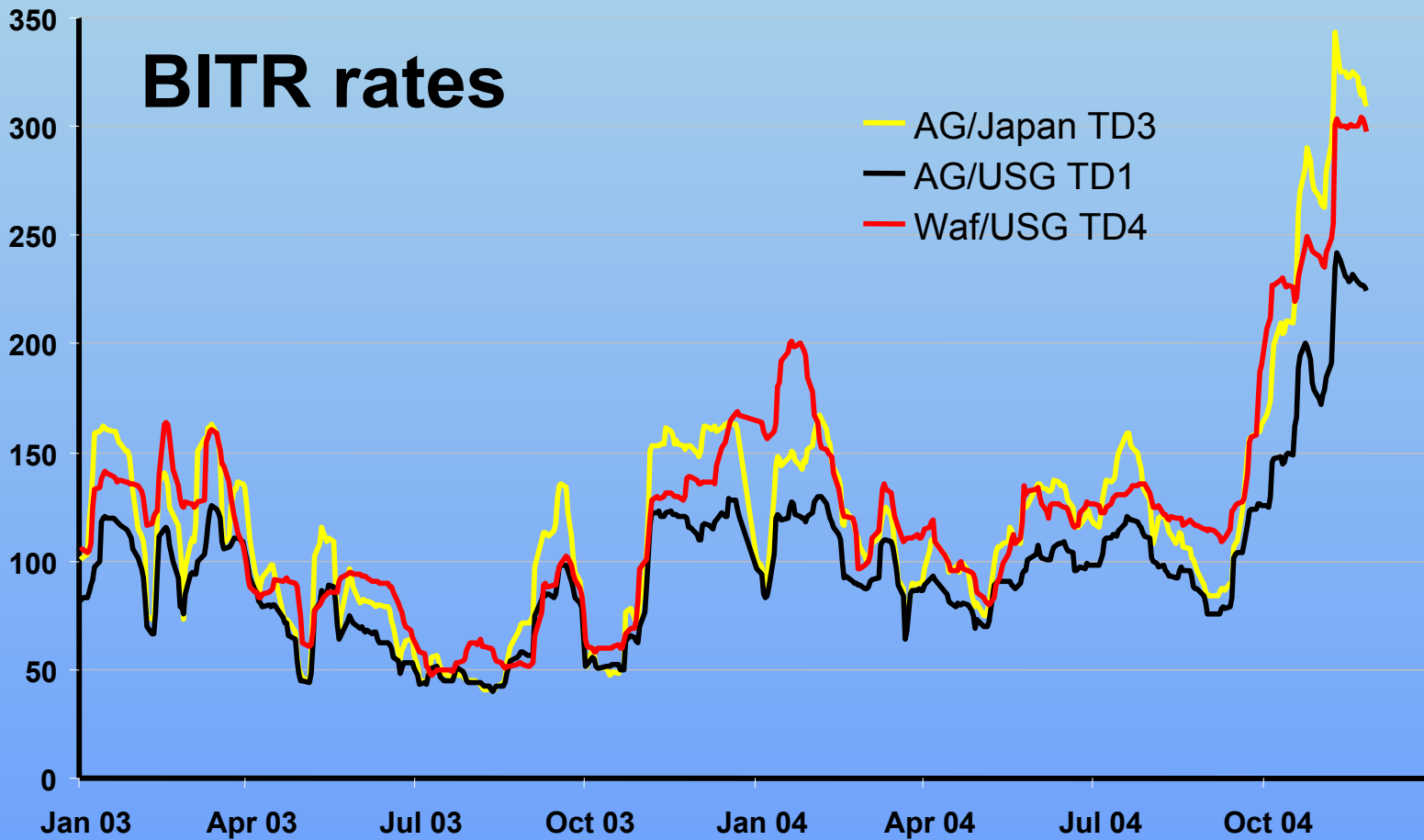


**FORTIS BANK**  
**8<sup>th</sup> ANNUAL SHIPPING**  
**CONFERENCE**

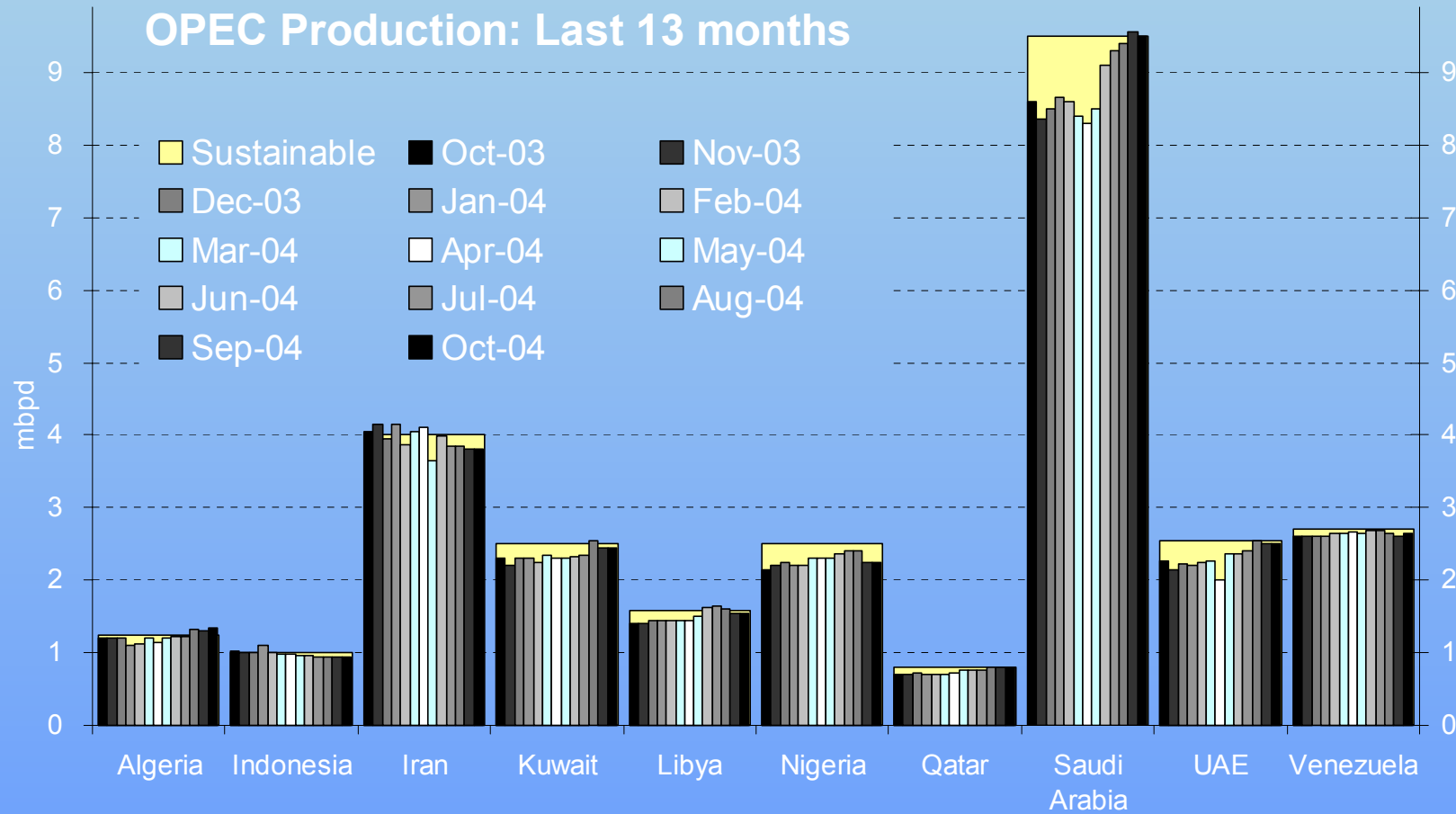
***ROTTERDAM***  
**2<sup>nd</sup> December 2004**  
**“WHY WORRY?”**



# Feeling Dizzy?

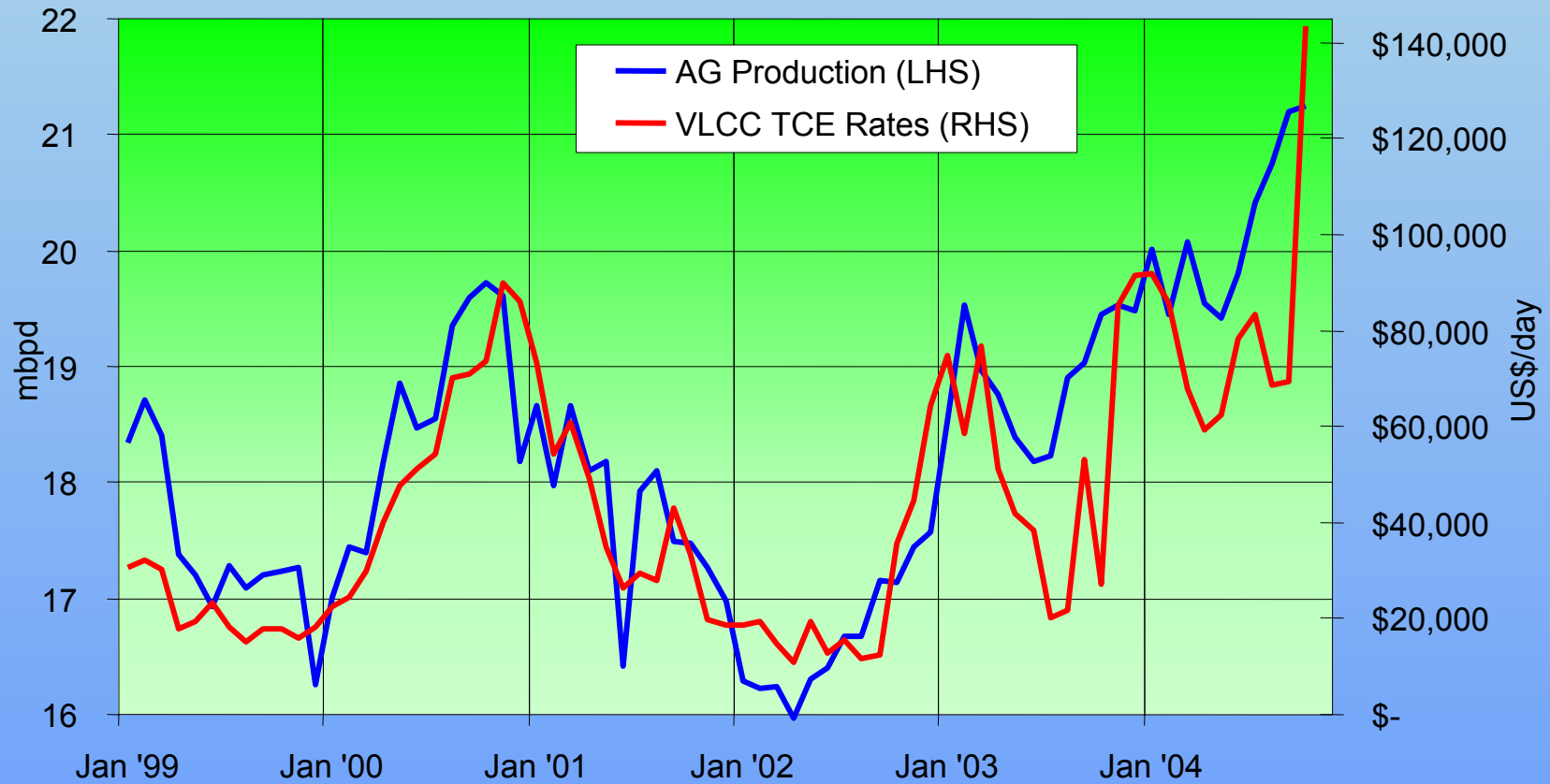


# OPEC Production

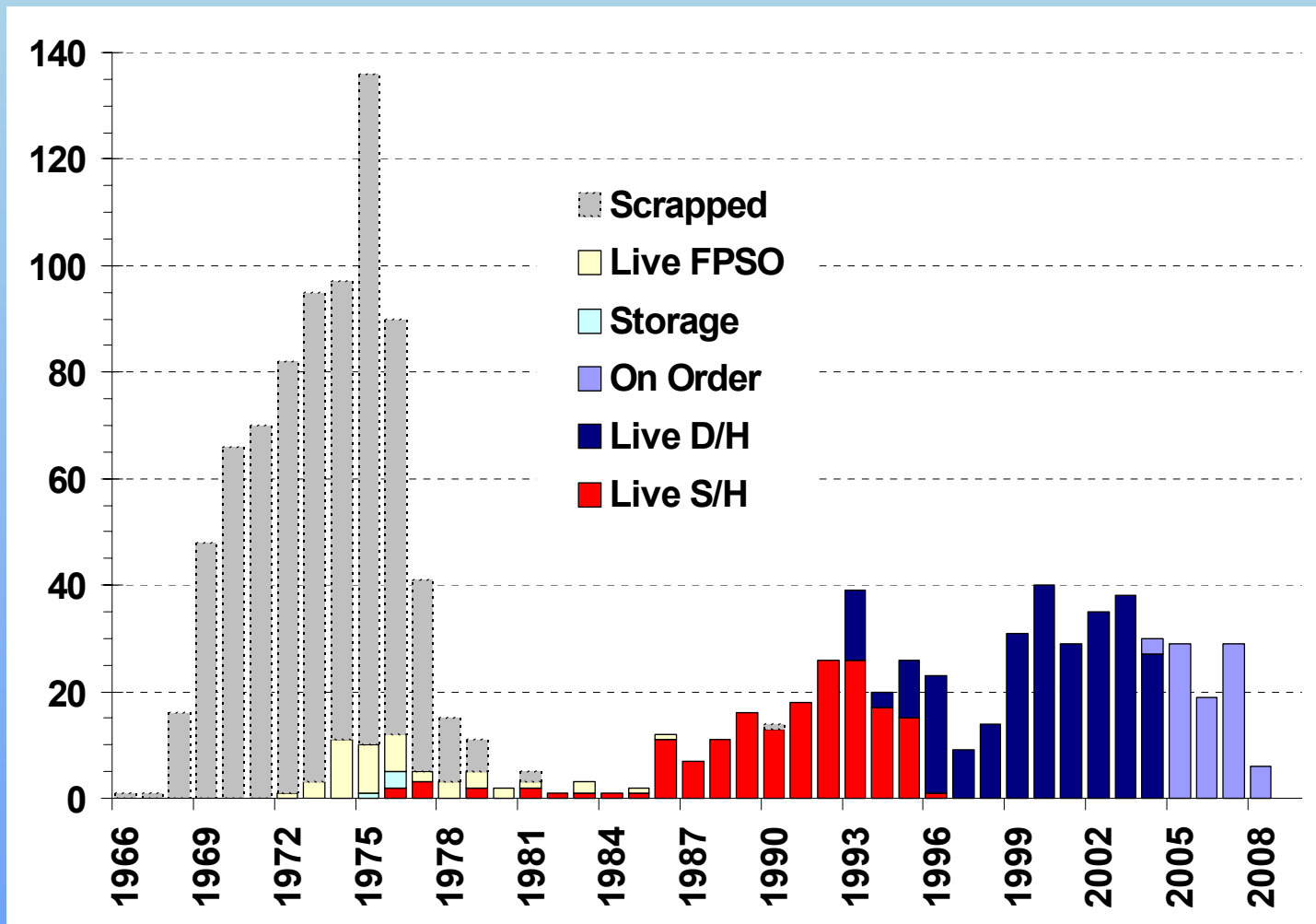


# Correlation

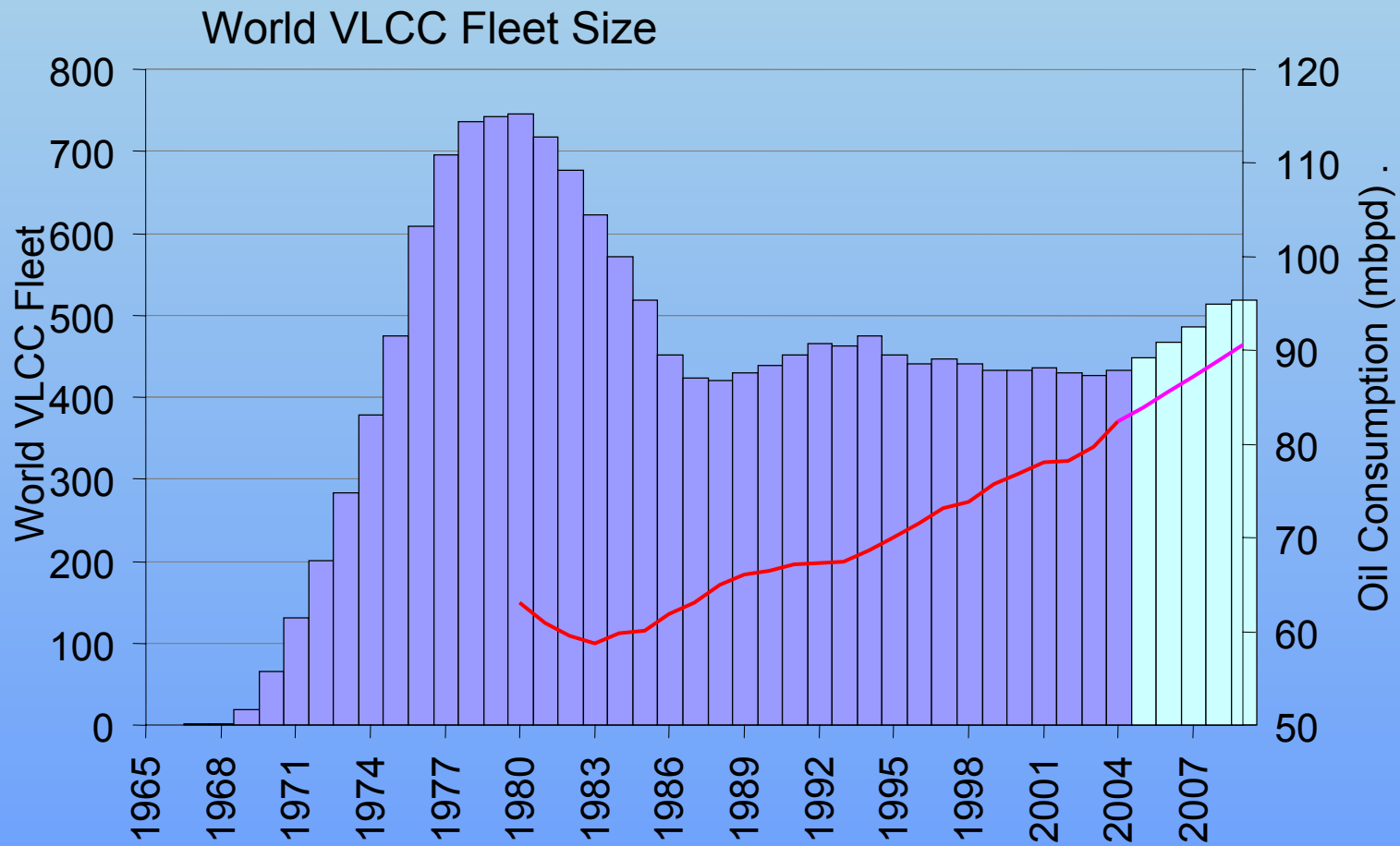
## AG Production excl. Iraq Ceyhan exports vs VLCC Rates



# World VLCC fleet profile

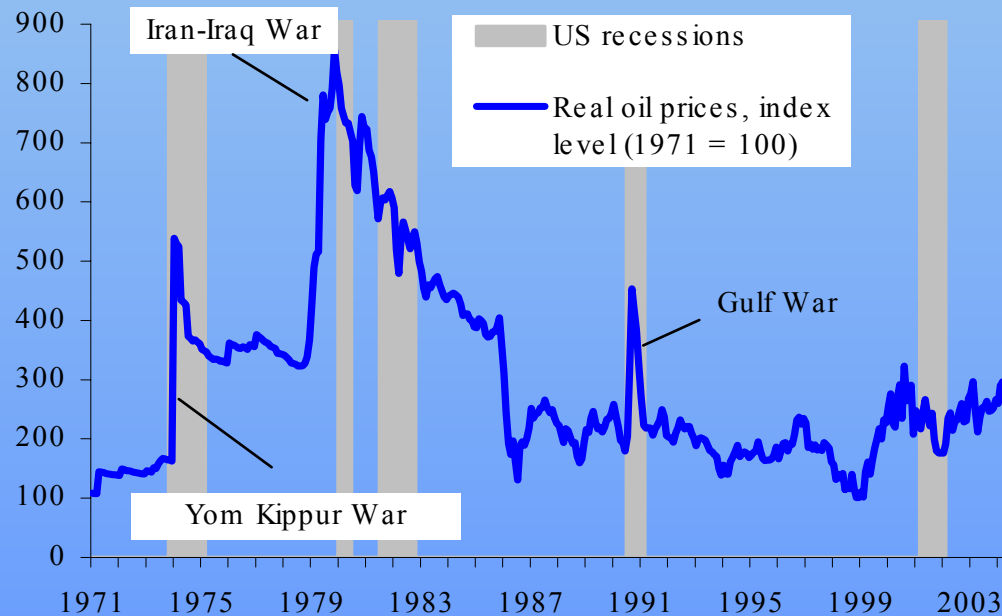


# World oil consumption



# Energy crisis? What crisis?

- In real terms, the crude oil price is still below levels that were hit during previous energy crises.
- Oil prices would need to reach between USD50-55/bbl to be equivalent to the 1990 peak.
- For real oil prices to reach their 1973 and 1979 levels, nominal prices would need to rise to USD60/bbl and USD100/bbl respectively.



# The Brave New World

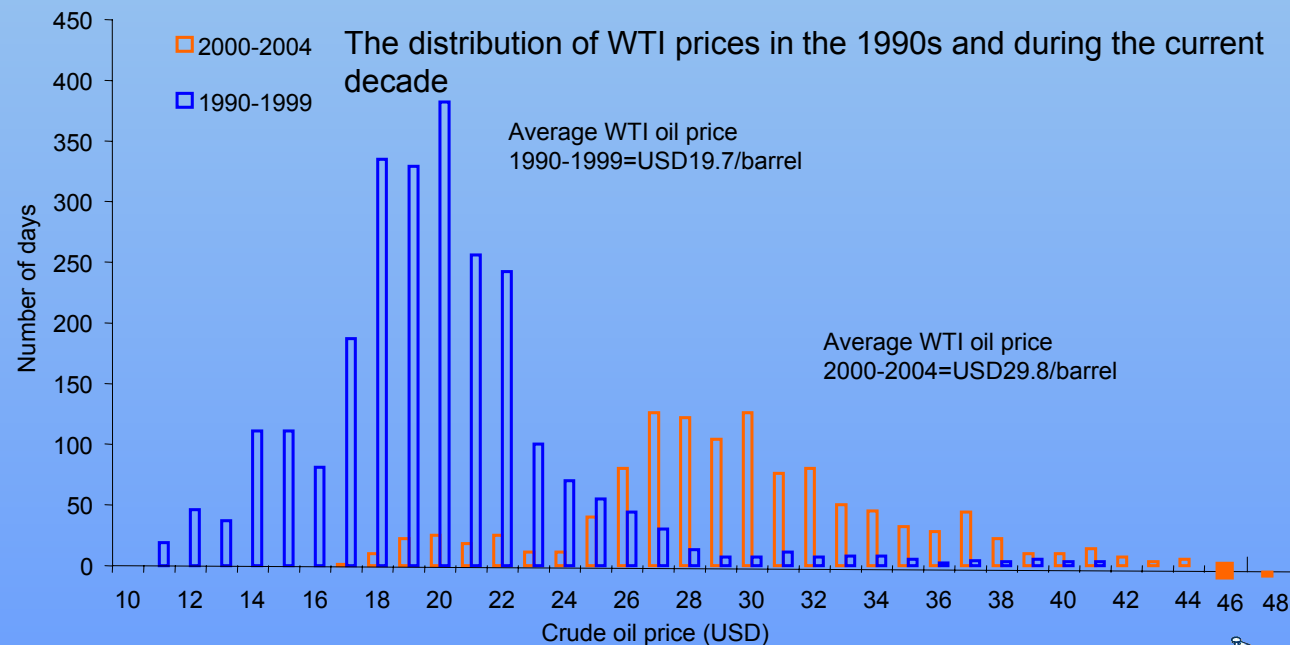
- The forces that kept oil prices low in the 1990s have been moving in reverse during this decade:
  - The US dollar has been falling and this is affecting OPEC's pricing behaviour
  - Rising geopolitical risk and its impact on supply and demand
  - The emergence of China and India as the new commodity consumers has skewed oil demand growth to the upside



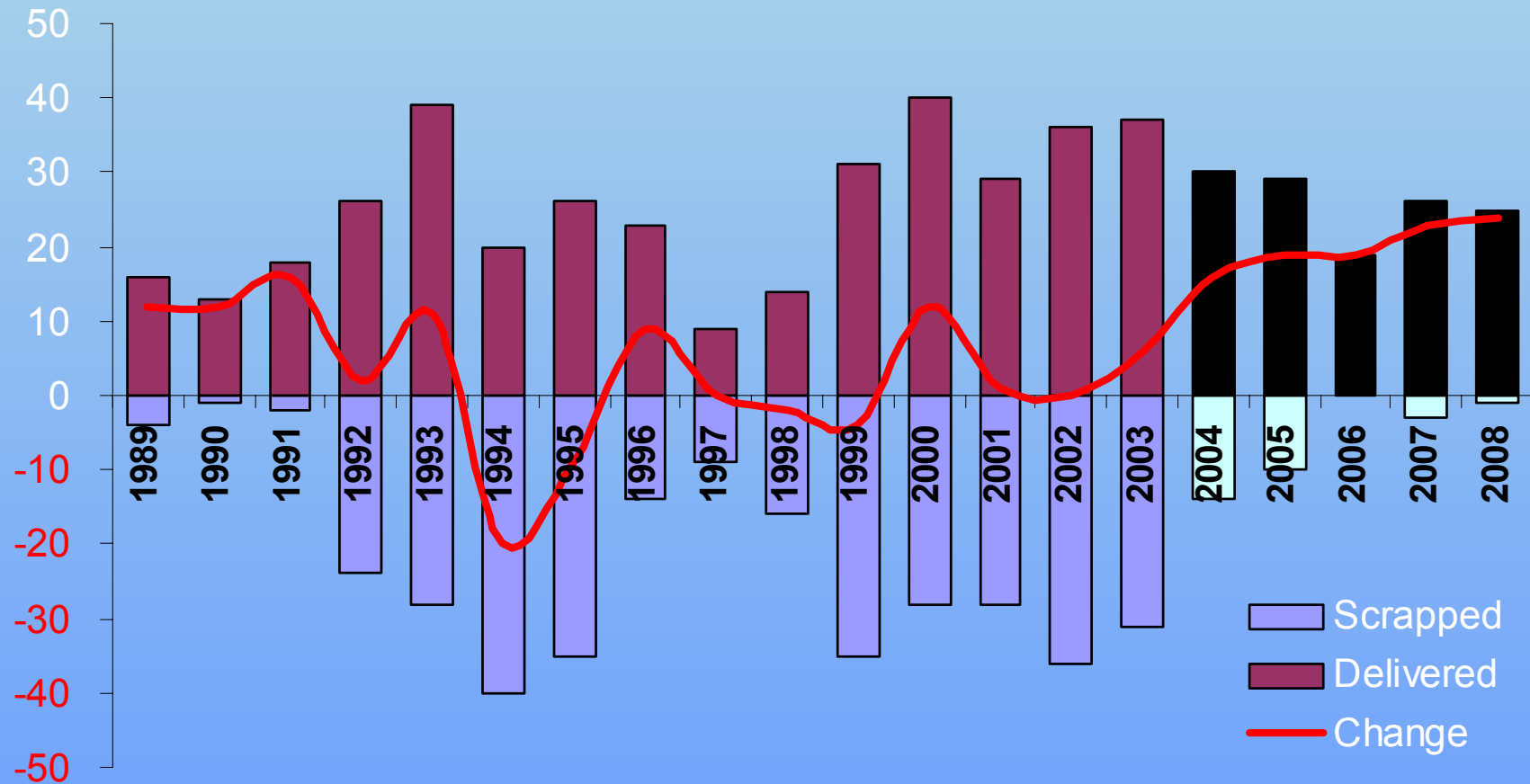


# Higher Oil Prices & The Impact on Global Growth

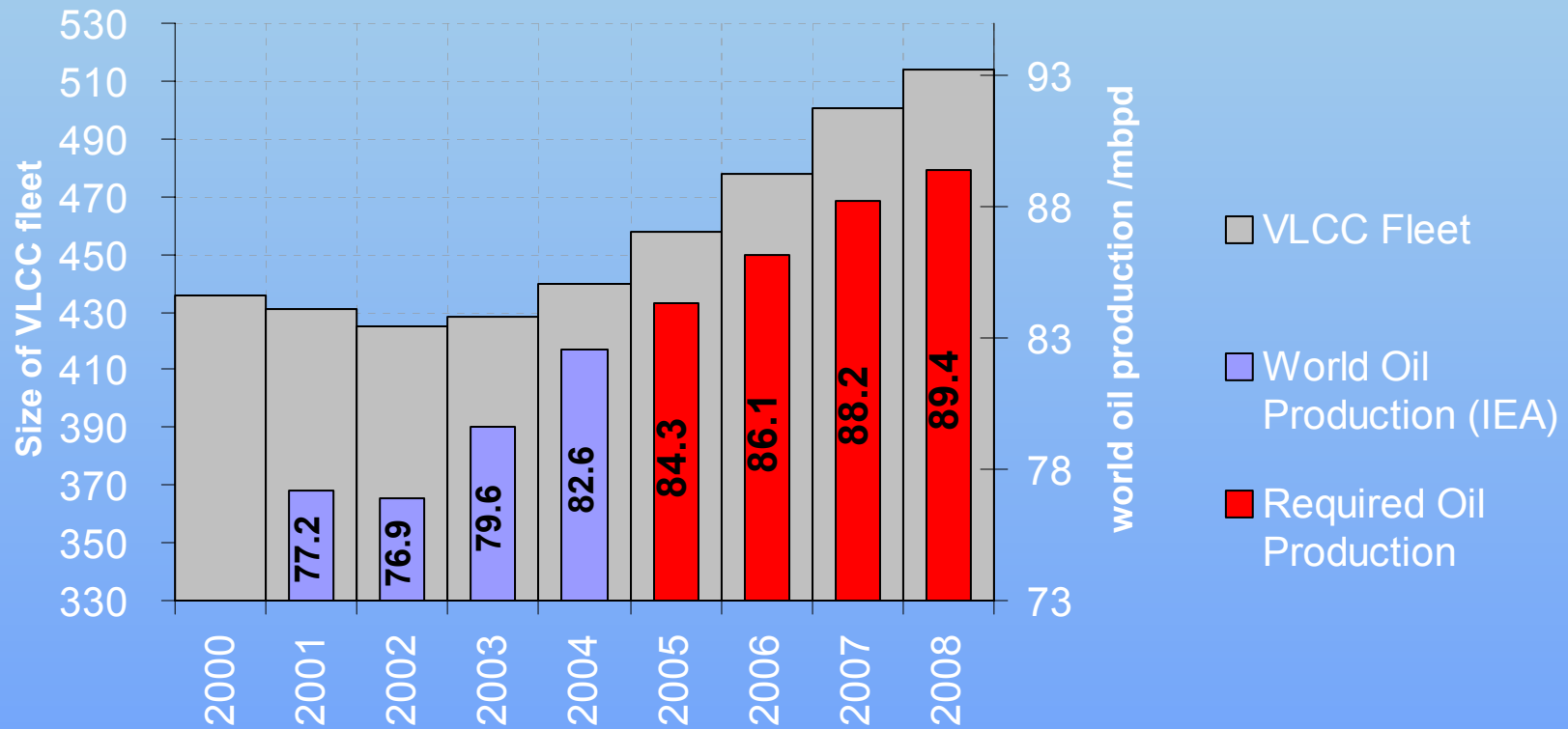
- The chart below shows the number of days WTI crude oil prices have traded between USD10-49/barrel in USD1 intervals between 1990-2004.
- In the current decade the oil price has been above USD25/barrel more than 85% of the time. In the 1990s it was above that level less than 10% of the time.



# Supply: the future



# Required Oil Supply



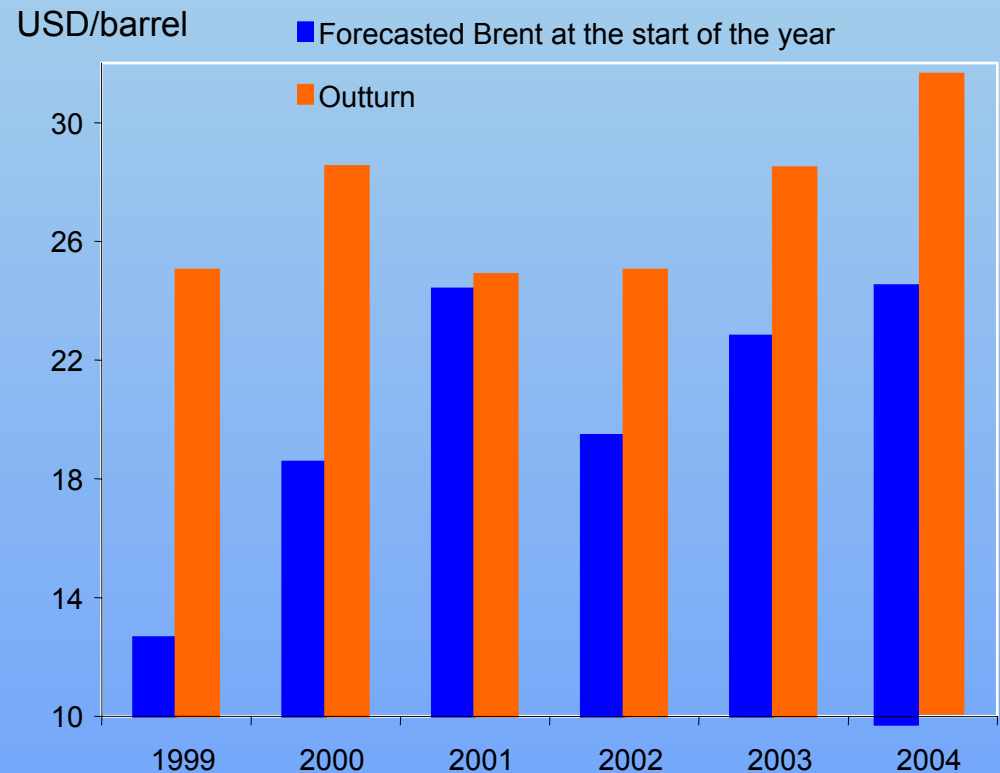
# VLCC Supply/Demand

- World VLCC fleet will grow by 4.5% in 2005
- With the same pattern of trade, world oil demand would have to grow by 2.3% to increase tanker demand by 4.5%
- IEA forecasts 2005 oil demand to grow by 1.8%
- DOE forecasts oil demand to grow by 2.6%



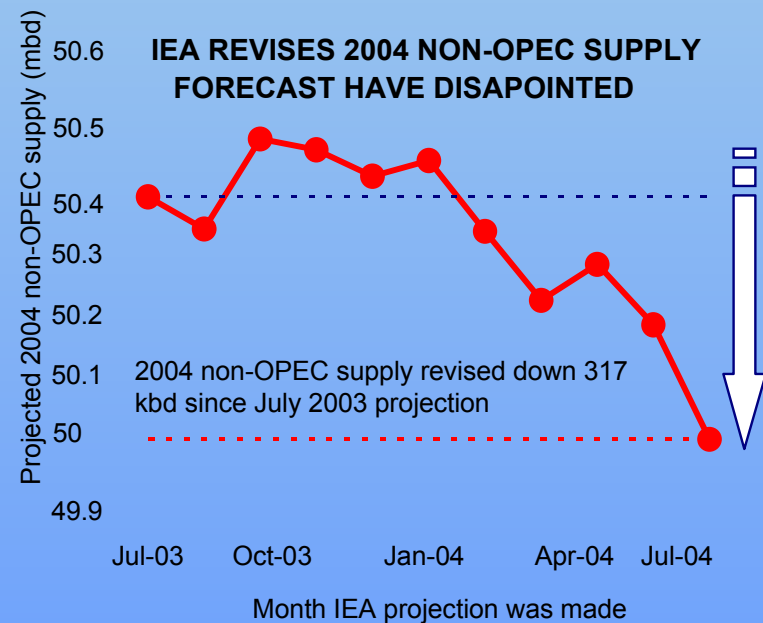
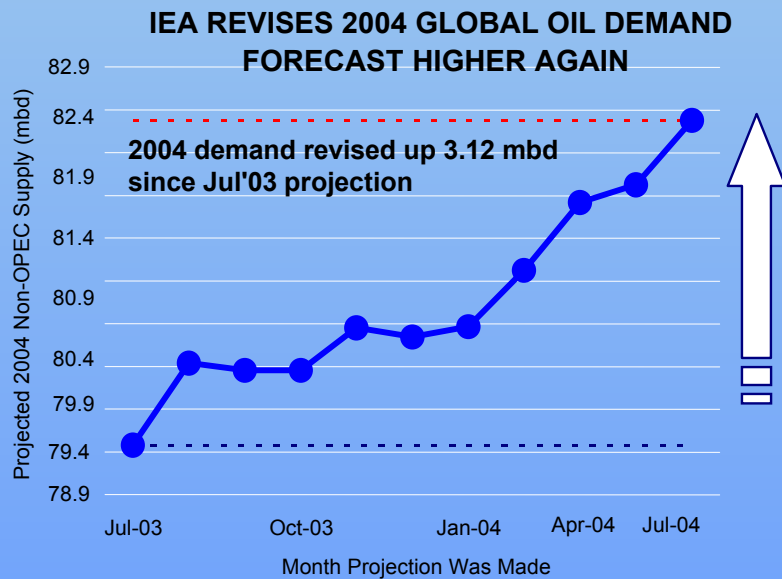
# Wrong but consistent

- For the past six year analysts have consistently underestimated the resilience in oil prices. Year ahead forecasts have been between 25-35% below the eventual outturn.
- If oil prices remain at current levels for the remainder of the year, the forecasting error in 2004 is expected to be as high as 60%.



# Easy afterwards

- Oil demand and supply trends have been bullish. 2004 is forecast to post the strongest increase in global oil demand since 1988.
- Non-OPEC have been disappointing market expectations in terms of new supply.



# Sensitivity

- With the same total oil demand, a 0.1mbpd shift in the US from domestic fields to Middle East sources would require an extra 0.7% supply of VLCCs.
- China: an extra 0.1mbpd of demand of oil would require an extra 0.6% VLCC supply [*2004 has seen imports rise by 0.65mbpd*]
- India: an extra 0.1mbpd of demand of oil would require an extra 0.4% VLCC supply [*2004 has seen imports rise by 0.19mbpd*]



# CHANGING TRADE PATTERNS

Year 2000-2004

