what benefits do OPEC members enjoy that non-OPEC members don't that is keeping these producers within the system?

A: You can actually prop up prices by collective action, as OPEC has done in 1998-1999 and very successfully; where if they did nothing the price would have gone into the low teens.

Q: About the LNG market, how would you rate that market, and do you think Iran can claim a higher share in that market?

A: The LNG market is increasing now; especially since the United States is realizing that it has to rely on LNG imports because of its dwindling own gas production. But the LNG market is much more complicated than the oil market mainly because of its long term agreements that last for some 20 years for example.

Akbar Torkan

Deputy Oil Minister for Planning Affairs

Q: What is the situation of Iran's oil output?

A: It is predicted that Iran's daily oil production will reach 6.4 million barrels per day, well up from a current 6 million barrels per day, by 2015. Under new planning, the Iranian oil sector will draw the necessary investment to boost productivity and increase the capacity of tankers from the current level.

Q: What is the situation of Iran's reserves and their recovery?

A: Iran has so far recovered only one-third of its oil reserves, and Iran still enjoys huge hydrocarbon reserves to come online in the coming years. The current oil recovery coefficient is 26.86% and it is hope that the figure will soar to 27.5% and later to 30%.

Q: How is the development of the South Pars Gas Field coming along?

A: The 1980-1988 Iraqi-imposed war thwarted Iran's efforts for development of South Pars Gas Field. We have so far struck deals for development of 10 phases and we will clinch accords for the remaining six phases by March 2004. Gas exports constitute the last way for using hydrocarbon resources and we intend to export oil instead of gas. Some petrochemical units have also been relocated to bring annual production to 80 million tons. We are relocating energy-consuming industries in Assaluyeh Island in an attempt to have more than 200 million cubic meters of gas per day.

Q: What about the development of the Azadegan Oil Field?

A: There is a need for continued talks with the world oil companies for the development of the giant Azadegan Oil Field. Iran has not suffered any losses from Japan's retreat and it is the Japanese who lost a golden opportunity for contribution to the development of this field. Iranian companies can hit good level of recovery in the upstream oil sector and exploration of oil fields and the National Iranian Oil Company is undertaking efforts to gain more efficiency. Correct management of oil reserves and gas delivery to them can boost oil recovery. Active oil companies should be involved to help us bolster our level of oil recovery. It is regrettable that Iran could only recover 130 billion from a total 500 billion barrels of its oil. Any single one-percent rise in the oil recovery coefficient means recovery of five billion barrels of oil to give Iran around $100 billion.

Japan has so far taken no practical step toward the Azadegan deal even though it has officially declared that its oil diplomacy takes the priority over its relations with the US. On the other hand, it added, the Iranian officials have not given a clear response to the rival company of the Japanese consortium—the French Total—over the deal. Tehran had offered preferential rights to a Japanese consortia during President Mohammad Khatami's visit to Japan in 2000 to develop Azadegan—Iran's biggest oil field—for $2.8 billion. Japan in return had pledged to grant a three-billion-dollar credit-line to Iran over three years. However, it has not yet reached a deal with Iran to the effect after the deadline expired at the end of June. However, Oil Minister Bijan Namdar Zangeneh has said that Iran has cancelled Japan's preferential rights of Japan to develop Azadegan oilfield, stressing that the measure had been taken 'long ago' when the deadline for the deal was over.

Algerian National Oil Company, SONATRACH. He held various positions within the Production Division and then, from 1988, within the Exploration Division, where he was Director in charge of geological and geophysical studies as well as prospects evaluation. In 1993, he joined the corporate centre, where he was Vice-President in charge of Strategy, Planning and Economics. He was also a Member of the Board. In May 2002, Mr. Hamel joined the OPEC Secretariat as Head of the Energy Studies Department.

Q: How successful would you rate OPEC's policies for achieving the general goals it has set out for itself?

A: As you know, since 2000, OPEC has introduced a new concept which is the concept of the price band, by which prices are left to fluctuate between $22 and $28 per barrel, with every time these prices go over the band corrective measures being taken. If we look at the distribution of oil prices during the last four years the average is about $25 per barrel which is the middle of the band. So from that point of view, we can say that OPEC was really successful in achieving its target. Nevertheless, the other side of the coin is that this has been done at the expense of market share and we have seen a decrease in OPEC market share, due mainly to the fact that there are large increases in non-OPEC supplies, in particular from countries like Russia.

Q: Do you think OPEC members prefer to have a larger share of the market or sell at higher price?

A: I don't see the question as being that black and white. It's oversimplifying the situation but the objective is maximizing OPEC member countries' revenue, short-term and long-term. So it's not, as I have said, a black and white issue. Currently with the projections we are having for the next five years we are seeing that we might have some difficulties in the next two or three years. And we think that effective and real cooperation from non-OPEC countries is now needed.

Q: What incentives do non-OPEC members have for cooperating with OPEC?

A: It is very simple. If you have huge slump in prices and you have a very low oil price environment non-OPEC countries will also suffer from this. They will have lower revenues and they're suffering will be exacerbated if they are also relying on natural gas like Russia which is exporting large quantities of natural gas to the European markets. And the price of gas is also linked to oil prices. So I would say that they will see a huge decline in their revenues so this is why I see a space for cooperation between OPEC and non-OPEC countries. I would say that the low oil price environment is so detrimental to all that this would create the conditions for cooperation. The question is do we need to have this cooperation before having the prices down or do we need to suffer from crises and then decide to cooperate. And I think the debate now is about this.

When asked if Iraq would stay in OPEC once it is in the position of exceeding its OPEC production quota; Mr. Hamel said that this is a question about member country and that he would not speculate on it.

***Vera De Ladoucette**

Senior Director of Middle East Research, Cambridge Energy Research Associates (CERA)

Q: As an analyst from outside of OPEC, how would you rate OPEC's actions for maintaining its market?

A: OPEC has done a very good job in defending its price and defending its revenue, but it has done so at the expense of its market share. OPEC has been losing its market share now for five years in a row.

Q: Is this good or bad news for OPEC members, or in other words, would OPEC members prefer to have higher prices or more market?

A: I think for OPEC members what is most important is neither price nor market share, it's revenue. So as long as you can maintain revenue even if market share declines it is not a problem. This decline only begins to become a problem for OPEC countries when they see that this tendency will last for five more years.

Q: What exclusive benefits does being an OPEC member have; or in another words,

uncertain, I don't know. But I think some sort of a central case is what we've gone for. They will be free of sanctions, which is a positive. They will probably attract foreign investment eventually which is a positive. The negatives are short term security and possibly very high levels of debt and reparations that they may be burdened with. So those are the factors and you have to trade off the positives and negatives to get to an answer.

Q: If Iraq does make the growth and flourishes soon what would it mean for countries such as Iran or the region in general say if Iraq becomes more opened up?

A: If Iraq becomes more stable and has a representative government and the economy begins to grow and people have a stake in being part of the world I think that is all positive for the region. The problem will be for OPEC in accommodating the extra Iraqi oil. So OPEC will need to find a way of accommodating for that, but in terms of the political social situation I think that is a real positive.

***Dunia Chalabi**

International Energy Agency's Manager for Middle East and North Africa

Dunia Chalabi is currently the Middle East North Africa specialist at the International Energy Agency. She is responsible for the Middle East North African desk with her main focus being on providing political and economic analysis of the region as well as briefing on their potential impact on the global economy, world oil markets and security of oil supplies. She authors, publishes and presents reports on economic, political and energy developments in the region with particular emphasis on supply/demand fundamentals and investment requirements. In addition, she plays an actively mediating role in Producer/Consumer relations and reparations of meetings at the expert as well as ministerial levels. She is in charge of the IEA's biennial Energy Experts Meetings.

Q: What problems do you think international oil companies are facing for entering Iraq's oil industry?

A: The first problem is that there is no legal framework and you need to have a legal framework before any sort of investment. Because Iraq does not yet have an elected government there is a legal problem for going and investing, so major oil companies will have to wait until they have a right to invest and some sort of framework in which to invest. And you have to have above all stability.

Q: So in the current situation there is no possibility for any agreements, because the international oil companies have no side to contract with?

A: No. Because the contracts that were done in the previous regime have to be talked about in parliament and there is no parliament. And in any case there is no possibility to invest if you don't have a framework. On what basis will the investment be? Will it be production sharing? What kind of framework is it going to be?

Q: So there is not short term solution?

A: No, the only problem to be faced and the challenge now is to get the production levels up to a certain level and the security most of all.

Q: And this should be done by the Americans?

A: Oh the Iraqis and the Americans are doing this jointly. They are doing it; but there is a lot of troublemaking and sabotage.

Q: Do you think the most important obstacle in the way of reaching this production level is the lack of a legal framework or the sabotage and the chaos? And what should be addressed first?

A: It's the sabotage and the chaos. And that is being addressed first. The Americans are doing whatever one thinks; they are doing a lot. But there are organized acts of sabotage.

Q: So the steps that are being taken at the moment are they sufficient?

A: Yes they are.

***Mohamed Hamel**

OPEC Secretariat and Head of Energy Studies Department

Mohamed Hamel graduated from the "Ecole Polytechnique" of Paris, France, and from the "Ecole des Mines de Paris". He spent most of his career with the

Open Policy Options: View Points

Michael D. Smith

Head of British Petroleum's (BP) Energy Analysis Unit.

Michael Smith has been Head of Energy Analysis in the Economics Unit of BP since August 2000. He manages a small team, which is responsible for BP's analysis of global energy markets. He also oversees production of the BP Statistical Review of World Energy.

Q: Do you believe that OPEC is taking appropriate steps for improving its position in general and do you believe that OPEC should be trying to maintain its price levels or market share?

A: That's a very difficult question. You have to answer it differently for different members of OPEC. Some countries clearly have an interest in high prices, like Indonesia and Venezuela, because they can't even produce their quotas, so they are best off having a high price. Some countries are starting to worry about the medium term that the prices may be too high and that they may have to keep cutting production and that maybe they should be looking at a more moderate price. But it varies by OPEC country. I think in the short term what they have clearly decided to do is go for price, so they cut production or they cut quotas at the last OPEC meeting and they are going for price-defense, most probably the logical thing to do in the short term while it is still unclear what will happen in Iraq and with other variables in the market. If Iraq comes back very strongly then I think they may have to look at that issue of price versus market share much more closely.

Q: For oil prices in the future what is the general outlook from your studies.

A: Well, we don't forecast prices but we think that the 25-26 dollars per barrel we've had for the last four years, to me, doesn't look sustainable in the longer term. We think a lower price is sustainable in the longer term on average. The average price in the last 15 years has been around 20 dollars per barrel and that has given a pretty fair distribution between OPEC and non-OPEC production growths, so one could draw a conclusion from that, that maybe 20 dollars or maybe something a little higher is a reasonable price for oil which gives OPEC some growth in market and non-OPEC some growth in market as well.

Q: In general do you agree with estimates given by other international organizations like the International Energy Agency (IEA)?

A: The demand forecast given by the IEA is probably too high. The 2% a year growth we think is too high. Those forecasts are really based on no change in energy policies in consuming countries, no real changes to environmental policies and I think if you have strong growth like that it will lead to import dependency in the U.S., Europe, China, Japan, and much greater dependence on OPEC and Middle East producers. If this happens you'll get some sort of policy feedback that will kind of go for the conservation and cutting down in growth of oil demand. So I think that those numbers are probably too high. The number I had for the next 6-7 years was about 1.5% per year growth and that is probably still optimistic

Q: A word on Iraq, how do you see it developing?

A: It's very uncertain. We're trying to come to a balanced view between a view that says the political security situation becomes unworkable and production doesn't grow at all and the very optimistic view that everything will be fine and there will be lots of foreign investment, huge reserves, six million barrels per day by 2010. So we try to find a balance between the two. But it's very