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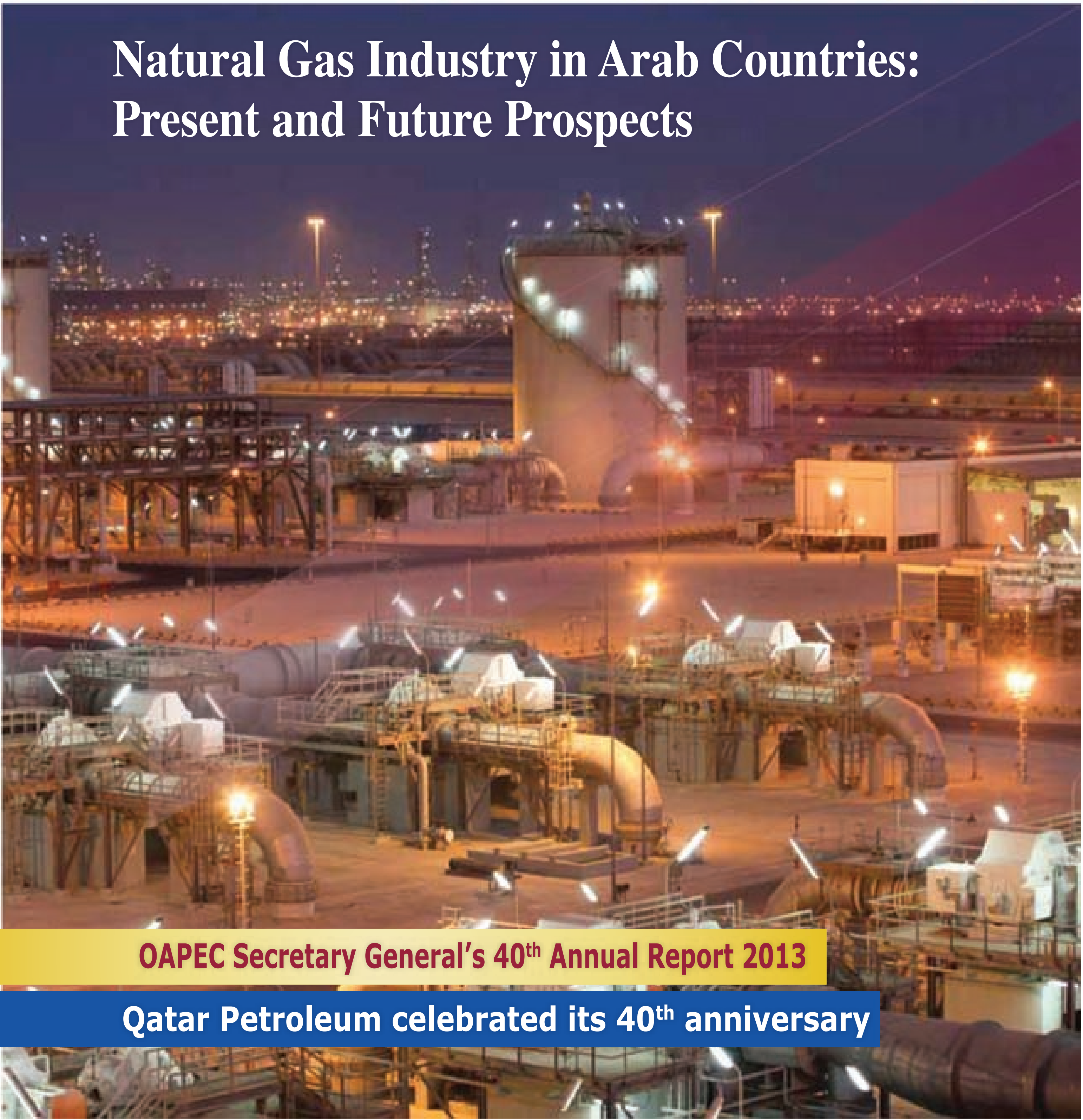
Natural Gas Industry in Arab Countries: Present and Future Prospects



OAPEC Secretary General's 40th Annual Report 2013

Qatar Petroleum celebrated its 40th anniversary

ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)

The Organization of Arab Petroleum Exporting Countries (OAPEC) was founded on the basis of the agreement signed in Beirut, Lebanon on 9 January 1968 between the governments of Kingdom of Saudi Arabia, the State of Kuwait and the (then) Kingdom of Libya. The agreement stipulates that the Organization shall be domiciled in the City of Kuwait.

The principal objective of the Organization is the cooperation of the members in various forms of economic activity in the petroleum industry, the determination of ways and means of safeguarding the legitimate interests of its member countries in this industry, individually and collectively, the unification of efforts to ensure the flow of petroleum to its markets on equitable and reasonable terms, and providing appropriate environment for investment in the petroleum industry in member countries.

In 1970 the United Arab Emirates, the State of Qatar, the Kingdom of Bahrain and the Republic of Algeria joined the Organization, followed by the Syrian Arab Republic and the Republic of Iraq in 1972, Arab Republic of Egypt in 1973, then the Republic of Tunisia in 1982 and its membership was suspended in 1986. Any Arab country which derives a significant share of its national income from petroleum is eligible for membership in OAPEC upon the approval of three-quarters of the member countries, including all three founding members.

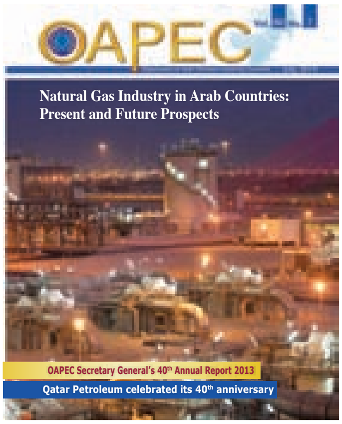
OAPEC'S ORGANS

The Organization carries out its activities through its four organs:

- **Ministerial Council:** The Ministerial Council is the supreme authority of the Organization, responsible for drawing up its general policy.
- **Executive Bureau:** The Executive Bureau is composed of one representative from each of the member countries, drawing recommendations and suggestions to the Council, reviewing the Organization's draft annual budget and submitting it to the Council, it also adopts the regulations applicable to the staff of the General Secretariat. The resolutions of the Executive Bureau are issued by the majority of two- thirds of all members.
- **General Secretariat:** The General Secretariat of OAPEC plans, administers, and executes the Organization's activities in accordance with the objectives stated in the agreement and directives of the Ministerial Council. The General Secretariat is headed by the Secretary General. The Secretary General is appointed by resolution of the Ministerial Council for a tenor of three years renewable for similar period(s). The Secretary General is the official spokesman and legal representative of the Organization and is accountable to the Council.
  The Secretary General directs the Secretariat and supervises all aspects of its activities, and is responsible for the tasks and duties as directed by the Ministerial Council. The Secretary General and all personnel of the Secretariat carry out their duties in full independence and in the common interests of the Organization member countries. The Secretary General and the Assistant Secretaries General possess in the territories of the Organization members all diplomatic immunities and privileges.
- **Judicial Tribunal:** The protocol of the Judicial Tribunal was signed in Kuwait on 9 May 1978 and came into effect on 20 April 1980. The Tribunal is competent to consider all disputes related to the interpretation and application of OAPEC's establishment agreement, as well as disputes arising between two or more member countries concerning petroleum operations.

- **OAPEC-Sponsored Ventures:** OAPEC has sponsored the creation of four companies: The Arab Maritime Petroleum Transport Company (AMPTC), established in 1972 with headquarters in Kuwait City, the Arab Shipbuilding and Repair Yard Company (ASRY) established in 1973 with headquarters in Bahrain, the Arab Petroleum Investments Corporation (APICORP) established in 1974 with headquarters in Khobar, Saudi Arabia, the Arab Petroleum Services Company (APSC) established in 1975 with headquarters in Tripoli, Libya.

Content



Cover of the issue

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In this issue

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Natural Gas Industry in Arab Countries: Present and Future Prospects

Natural gas industry has witnessed significant developments in the past five decades both on Arab and international levels. It assumed a major position in the global energy mix. Global demand for gas rose supported by the continuous development in gas processing and converting/liquidating techniques and technologies. Natural gas uses expanded greatly in heavy consuming sectors including electrical power generating, oil and downstream industries, industrial sector (fertilizers, cement, iron, steel, and aluminum) in addition to domestic uses. Natural gas is getting more interest due to the fact that it is an environment friendly fuel with lesser emissions.

Many OAPEC member countries enjoy an important status with regards to global natural gas industries including Algeria and Qatar. Also there are a number of members with huge natural gas reserves and promising potentials for further gas discoveries in the future like KSA and the UAE. Both countries are sparing no effort or money to develop this industry by preparing their integrated infrastructure including pipeline networks, natural gas processing/liquidating complexes and natural gas production (ethane and LNG).

According to a study by OAPEC titled "Natural Gas Industry and Trade in Arab Countries: Present and Future Prospects", proven natural gas reserves in Arab countries have reached 1.936 trillion cubic meters by the end of 2012. These reserves represent about 29.2% of global reserves. GCC countries alone possess about 77% of Arab natural gas reserves in Qatar, KSA, UAE followed by Arab Mediterranean countries: Algeria and Egypt, whose natural gas reserves are estimated at about 8.442 billion cubic meters, or 15.4% of total Arab countries' reserves.

Arab countries have made the biggest contribution to the increase in (marketed) natural gas production from 2002 to 2012 which is about 796.3 billion cubic meters. Natural gas increase in Arab countries during the same period reached about 253.4 billion cubic meters, or 31.8% of the global increase. The annual (marketed) natural gas growth rate in Arab countries (2002-2012) reached about 52%. It jumped from288 billion cubic meters in 2002 to 541 billion cubic meters in 2012.

Natural gas consumption in Arab countries is increasing by an annual growth rate of about 5.58% from 2002 to 2012. Consumption went up from 203 billion cubic meters in 2002 to about 350 billion cubic meters in 2012. KSA comes on top of consumers followed by the UAE, Egypt and Algeria.

On another note, the natural gas industry is considered one of the main pillars of economic cooperation and integration among Arab countries. There are many (bilateral and multilateral) natural gas joint ventures like the Arab gas pipeline and Dolphin pipeline (between Qatar and the UAE), which is also used as fuel in various power connecting projects among Arab countries.

OAPEC has spared no effort in keeping a close eye on Arab and international developments in the natural gas industry. It prepared research works, studies, technical and economic reports on oil and gas industries. The Secretariat General holds an annual meeting for natural gas industries' experts in its member countries in order to discuss means of mutual cooperation in natural gas investments, and exchange views on current and future challenges facing Arab countries in this field.

It is worth mentioning that the issue of the natural gas industry's developments on Arab and international levels is listed for discussion on the agenda of the upcoming Tenth Arab Energy Conference to be held in Abu Dhabi, UAE, from 21 to 23 December 2014 under the patronage of OAPEC, the Arab Fund for Economic and Social Development, in collaboration with the Arab League and the Arab Industrial Development and Mining Organization.

OAPEC Secretariat General hails Arab countries' (including OAPEC member countries) great efforts and ambitious projects to develop the natural gas industry especially in adopting GTL and lessening the gas combustion. Such efforts help securing global demand for energy, especially oil and gas, as well as contributing to international efforts on save the environment and produce energy in line with international standards.

The Secretariat General hopes that such efforts would support economic and social development, progress and prosperity in its member countries. However, this matter has to be taken forward in collaboration with the major natural gas consuming countries through supporting coordination mechanisms between natural gas producing and consuming countries.

DME launches new trade mechanism for Oman Crude

Beginning of July, The Dubai Mercantile Exchange (DME) announced launching its new trading mechanism called Trade at Marker (TAM) for customers of the DME Oman crude oil future contract.

TAM will allow the DME customers to buy and sell oil contracts, whose prices are directly linked to DME's daily price index at 12:30 pm, Dubai time. The average of the month's Marker Prices on DME is the basis of the crude oil export price of the Sultanate of Oman and the Emirate of Dubai, making the DME Marker Price one of the world's key energy benchmarks.

The TAM trading mechanism can be traded on a daily basis for the front three months of the DME Oman crude oil contract. TAM will be particularly useful for asset managers that want exposure to the DME Oman without needing to participate in the price-formation process or refiners that would like to guarantee that their procurement costs are as close as possible to the Official Selling Price (OSP) of Oman crude oil.

DME has witnessed a significant increase in trading in the last few months going up by 57% for the period from January to May compared to the same period last year.

The African Petroleum Institute: A new step towards broader African energy cooperation

On behalf of Engineer Sherif Ismail, Minister of Petroleum and Mineral Resources, Engineer Tariq Al-Mulla, CEO of the Egyptian General Petroleum Corporation Petroleum, opened the African Petroleum Institute at the headquarters of the Oil and Gas Skills Company, subsidiary of the Egyptian petroleum sector. The ceremony took place in the presence of a number of African figures including the Congo's Hydrocarbon Resources Minister Andrea Raphael, Secretary General of the African Petroleum Producers Association (APPA) Gabriel Danso, Engineer Ahmed Altaghedi representative of Libya in APPA on behalf of the Libyan Oil Minister, and President of the Oil and Gas Skills Company Ahmed Al-Ashmawi.

Al Mulla has explained that the establishment of the African Petroleum Institute is an embodiment of the efforts of Egypt aiming at supporting and strengthening the relations among African countries in various fields including hydrocarbons.

The Head of the Egyptian General Petroleum Co has hailed APPA member countries for their support and endorsement of the Egyptian initiative to establish this institute, which aims at overcoming the challenges facing the oil and gas sector in Africa with regards of training and developing capabilities, as well as assisting the Member States in the development of their human resources and better use of their natural resources.

Qatar Petroleum celebrated its 40th anniversary

Under the patronage of HE Sheikh Abdullah bin Nasser bin Khalifa Al Thani, Prime Minister and Minister of the Interior, Qatar Petroleum (QP) celebrated its 40th anniversary in the presence of senior officials, diplomats, and heads of petroleum companies operating in Qatar.

HE Dr Mohammed bin Saleh Al Sada, Minister of Energy and Industry and Chairman of QP, gave a speech in which he praised the long and bright history of QP, highlighting its significant achievements. These efforts have increased the total unified assets of QP during the last 40 years by 85 times and the total revenues by 40 times while net profit has doubled by more than 300 times. QP has contributed in building the national economy and in forming one of the fastest growing economies in the world, and that the contribution of the oil sector in the GDP exceeded 54% in 2013.

The Minister explained that the support QP gets from Qatar's political leadership has contributed actively in Qatar becoming No. 1 producer and supplier of liquefied natural gas, having the largest fleet of LNG ships, and becoming the global capital of GTL. Qatar also hosts the largest single site for the production of ammonia and urea, and it is the largest producer of helium in the whole world.

مؤتمر الطاقة العربي العاشر
الطاقة والتعاون العربي
2014
TENTH ARAB ENERGY CONFERENCE
Energy & Arab Cooperation

TENTH ARAB ENERGY CONFERENCE

Energy & Arab Cooperation

Abu Dhabi - United Arab Emirates, December 21-23, 2014

The Tenth Arab Energy Conference will be convened in Abu Dhabi, UAE, during the period 21 – 23 December 2014, under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum. The theme of the Conference will be **"Energy and Arab Cooperation."** Discussions will cover: energy resources and their development prospects; energy consumption and conservation in Arab Countries; environment and energy for sustainable development; the role of regional markets and energy institutions in world market stability. Discussions will also include international developments in oil and natural gas markets; investment in oil and natural gas projects; prospective technology developments and their impact on Arab energy; and Arab cooperation in the energy sector.

OBJECTIVES

- To establish an Arab institutional framework to review oil and energy issues in order to develop a Pan-Arab perspective.
- To coordinate relations among Arab institutions concerned with energy and development.
- To harmonize energy policies with development issues.
- To investigate present and future Arab energy requirements and the means of meeting them.
- To identify and assess energy resources existing in the Arab countries, and to coordinate and enhance efforts towards developing these resources.
- To identify and evaluate the impact of international energy policies on the Arab countries.

Sponsors of the Conference

منظمة الأقطار العربية المصدرة للبترول (أوابك)
Organization of Arab Petroleum Exporting Countries

المنظمة العربية للتنمية الصناعية والتعدين
Arab Industrial Development and Mining Organization

الصندوق العربي للإنماء الاقتصادي والاجتماعي
Arab Fund for Economic and Social Development

جامعة الدول العربية
League of Arab States

UAE

Mubadala Petroleum has announced that appraisal drilling and testing have confirmed the Pegaga discovery in Block SK320 offshore Malaysia as a substantial gas find with significant commercial potential. A third discovery, Sirih-1, has also been confirmed from the 201314/ exploration drilling program that has targeted a series of carbonate pinnacles within Block SK320.

This adds to the Pegaga-1 and Sintok-1 discoveries announced previously, and the existing M5 discovery which Mubadala Petroleum successful appraised in 2012.

The Sirih-1 well, adjacent to the Sintok discovery, was drilled to a total depth of 3,000 meters into the main target reservoir and penetrated a 293 meter gas column. Sirih-1 was plugged and abandoned as planned. The company says that the Pegaga-2 appraisal well was drilled to a total depth of 2,685 meters and confirmed an 850 meter gas column. Testing of the main gas-bearing zones produced flow rates of 3050- million cubic feet per day of good quality gas with condensate. Pegaga lies in 109 meters of water. On another note, Mirfa Project Co, a unit of Abu Dhabi Water & Electricity Authority, has awarded Hyundai Engineering & Construction Co a $715.4mn order to repair and install power and water treatment plants in the UAE. The project is due by 2017.

Egypt

HE Eng. Sherif Ismail, Minister of Petroleum and Mineral Resources, signed an agreement for gold and minerals exploration. This comes in line with the law authorizing the Minister to contract the Egyptian Mineral Resources Authority and Shalateen Company for Mineral Resources to utilize resources in Eqat mountain, El Garf mountain, Masih valley, Olba mountain, and Aswan area in the Eastern Desert.

KSA

Aramco Overseas Company B.V. (“AOC”) has agreed in principle to acquire the Hanjin Group’s (the “Group”) entire stake in S-OIL Corporation (“S-OIL”). As a result of the deal, Aramco’s share in S-OIL will go up from 34.99% to 63.4% with a total amount of $1.95.

Khalid A. Al-Falih, Saudi Aramco President and Chief Executive Officer, said that this transaction underscores Saudi Aramco’s confidence in the Korean economy and its strategy to enhance its presence in the growing Asian markets and AOC’s commitment to S-OIL growth.

Algeria

Algerian state energy group Sonatrach plans to drill 4 appraisal shale oil wells in Ahnet/Bent and Illizi basins (south east). The Cabinet had previously licensed Sonatrach to carry out an exploration program including the drill of 11 wells in search for shale oil for a period of 7 to 13 years.

Algerian news agency quoted a company official in July 2014 saying that in 2014, the company will drill 117 exploration wells; 4 of which in search for shale oil. This comes within a scheduled program to increase the country’s reserves of oil and gas.

Back in 2012, Sonatrach drilled the first exploration shale oil well in Anet/Bent (south Ain Saleh in Temnrast province). This operation has helped in a better assessment of this basin’s reserves. Studies with international companies have shown encouraging signs to continue exploration works.

According the U.S. Energy Information Administration (EIA), Algeria has technically recoverable shale oil reserves in the basins of Moader, Barkin, Ghadames, Timimoun, Raqan, Tindouf, and Ahnet/Bent.

Sonatrach aims at increasing oil and gas reserves by allocating $102billion for this purpose until 2018. 60% of these investments will be allocated for exploring and producing fuel.

On another note, Sonatrach has signed a $618 million deal with India’s Dodsal Engineering and Construction for a project to maintain oil output at the Hassi Messaoud oilfield. The deal covers the building of a gas compression unit with capacity of 24 million cubic meters per day and a 180-km-long gas pipe network. The project will be completed in 36 months.

Bahrain

Ibrahim Taleb, Deputy CEO at the state-run Bahrain Petroleum Company (Bapco) said that KSA-Bahrain pipeline to transport crude from KSA to Bahrain has reached advanced stages. Tenders for this project will be issued in July 2014. Saudi Arabia's Aramco will administer the tenders.

He added that the plan to expand Bapco refinery is divided into three phases. The first one involves the construction of a 110-kilometer pipeline with a capacity of 350,000b/d to transport crude from Saudi to Bapco in Bahrain. The project is progressing according to laid plans. It enjoys the support of all parties involved.

It is noteworthy that the existing pipeline is 67 kilometer long and transports nearly 230,000 bpd of Saudi crude. Bapco's refining capacity is between 250,000 and 270,000 b/d. It is importing about 220,000b/d in addition to refining about 40,000b/d from Bahrain oilfield.

Qatar

Gulf Drilling International Ltd. Q.S.C. (GDI), a wholly owned subsidiary of Gulf International Services (GIS), announced that it has been awarded new contracts by Qatar Petroleum (QP) for the provision of offshore drilling rig services. QP has contracted the new-build 'Dukhan' jackup rig which is expected to be delivered from Keppel FELS Shipyard in Singapore towards the end of Q3 2014. The unit will then be mobilized to Qatar and should start work for QP in offshore Qatar during the Q4 2014. The contract term is five years and valued at QR 1.275 Billion ($350 million).

Recently, GDI has won contracts to build onshore drilling platforms for QP worth QR1.1. They are currently being built in the USA and should be delivered and in service by the second half of 2015.

Kuwait

Kuwait Oil Tanker Company marked the delivery of its latest vessel for long-range haulage of oil products from Korean Daewoo Shipbuilding and Marine Engineering Co., Ltd (DSME). The new vessel, dubbed Dasma, was built as part of the third phase of the plan aiming to modernize and develop the fleet, and has capacity of 108,000 metric ton. The ship is 250 meter long, 42 meter wide, and the distance from bottom of ship to surface of water is 21.5 meters. The vessel comes to a speed of 15.2 knots an hour. Another four vessels are expected to be delivered before end of 2014 to bring the number to 30, the company said.

On another note, MEED mentioned that Kuwait Oil Co has chosen British oil and gas services group Petrofac Ltd (PFC.L) , India's Dodsal and Larsen & Toubro (L&T) to build 3 gathering centers located north of Kuwait City. The total amount of these contracts exceeds $2.3billion.

Petrofac will be in charge of building gathering center 29 (GC29) worth KD194.2. Larsen & Toubro (L&T) will build gathering center 30 worth KD226.4 and Dodsal will build gathering center 31 worth KD228.1.

These new centers come as part of the company's long term strategy to develop oilfields northern Kuwait. The company seeks to increase oil production from 760,000b/d to one million b/d by 2015. It also seeks to maintain this production rate for five years.

Each center will be capable of producing about 100,000 barrels of oil, 240,000 barrels of water, and 240 million cubic feet of gas per day. The company expects the main project to be completed by December 2018.

OAPEC Secretary General's 40th Annual Report 2013

OAPEC has released the Secretary General's 40th Annual Report for the year 2013. The report analyzes in depth the various Arab and international developments in the petroleum industry including exploration, refining, petrochemicals, natural gas, and the most significant Arab and international petroleum projects. The report also tackles oil, natural gas and energy supplies worldwide and their impact on oil demand, and petroleum exports revenues and their role in supporting economic development.

The report introduces the Organization departments' activities, decisions and recommendations taken by OAPEC Ministerial Council and Executive Bureau. It also covers OAOEC's activities on the level of international and Arab relations, seminars and conferences. It gives an overview of the organization's administrative issues, summaries of the studies and research works done by the Arab Centre for Energy Studies (constituting of Technical and Economic Affairs Departments), databank developments, OAPEC joint ventures' financial status and their projects in the petroleum market.

The report also highlights OAPEC member countries' efforts to develop their petroleum industries on the one hand, and reduce the impact of international economic developments on them on the other hand. It gives a glimpse about OAPEC's efforts on strengthening relations with international organizations, authorities, and centers relevant to energy.

The report shows that the international oil market has witnessed increasing stability in 2013 as a result of the global economic recovery that has been improving in moderate but steady pace and rates throughout the year. The US economy has been the main drive for the global recovery at a time when the major emerging economies have been witnessing a slowdown in growth.

Oil demand has hit record numbers in 2013 as demand reached 89.9m b/d and supplies reached 90.1n b/d. However, although demand has increased slightly more than the previous year, global oil prices, for the first time since 2009, have slightly dropped to reach $105.9 per barrel for OPEC basket in light of abundant supplies resulting mainly from the huge non-OPEC supplies, especially from North American countries (about 1.2m b/d). However, OPEC supplies dropped to 96m b/d for the first time since 2009.

The report mentioned that developing the Arab petroleum industry and improving its economic revenues would form a backbone to support efforts for integration among different other national industries. They would also help in achieving economic and social stability on local, regional and international levels as petroleum would remain one of the main drivers of global economy for long decades.

good revenues in 2013

Ship and Rig Repair Yard (ASRY) reported that last year was the fourth year of consecutive growth, and that the firm is now entering a period of consolidation. Revenues grew to $ 199 million, an increase of 12.1% from the 2012 level. The revenue was generated from repairs on a record-equaling 184 vessels. This record was only achieved once in 2010.

ASRY Chairman Shaikh Daij bin Salman Al Khalifa has said in a press statement that with regards to the highly competitive conditions in international shipment markets, these results give positive signs strengthening the company's leading position. They have also been a drive for the company to win Lloyds' Shipyard of the Year Award (on the Middle East and Indian Subcontinent (MEIS) list). Judges recognized the yard's resilience throughout challenging market conditions and ability to grow, improve and expand when competitors could not.

Shaikh Daij bin Salman Al Khalifa added that 2013 witnessed the final touches to a period of ambitious expansions. With an investment of $188m, a series of revenue diversifications, and a raft of new facilities completed, this expansion has equipped ASRY with a variety of tools to drive to new growth. However, all the improvements made over recent years must now be unified and coordinated into a single purpose; the various developments must fit together as pieces of an overall objective. This is the challenge for 2014; to bring all of ASRY's capabilities together towards tomorrow.

The chairman said that during last year, the company's board had formulated and announced the roadmap for ASRY going forward until 2017. Designed to guide the evolution of the company in the medium term, "Strategic Plan 20132017-" includes a series of projects that would serve as markers for ASRY's continued growth. The most important projects include the construction of a new dry dock and developing the consultancy business.

He mentioned that human resources development came as one of the main issues that the company tackled in 2013 and placed it among its top priorities among its future strategies.

Petroleum Developments in the World Market and Member Countries*

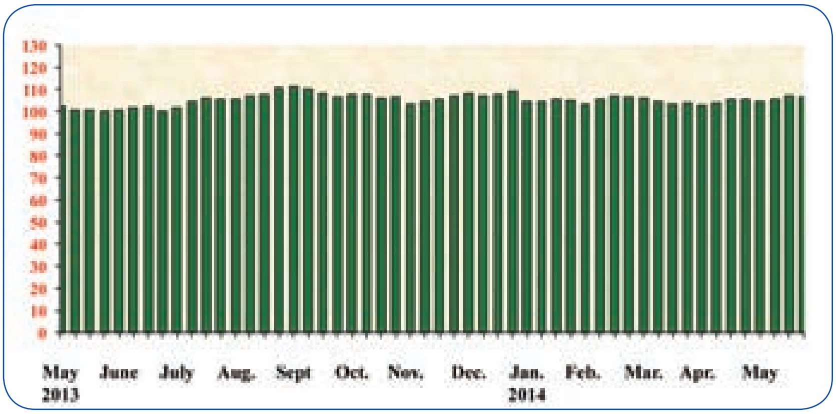
1. Oil Market

1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of May 2014, recording $104.0/bbl, and changed course after that, to reach its heights level of $106.7/bbl in the third week. During the fourth week, weekly average price fell to $106.5/bbl, as shown in figure 1:

Figure - 1 Weekly Average Spot Price of the OPEC Basket of Crudes 2013 - 2014 ($/bbl)



On monthly basis, OPEC Reference Basket averaged $105.4/bbl, representing an increase of $1.2/bbl or 1.1% comparing with previous month, and an increase of $4.8/bbl or 4.8% from the same month of previous year. Healthy demand and escalating violence in Ukraine exacerbated supply concerns, were major stimulus for the increase in oil prices during the month of May 2014.

Key Indicators

- *In May 2014, **OPEC Reference Basket increased** by 1.1% or $1.2/bbl from the previous month level to stand at $105.4/bbl.*
- ***World Oil Demand** in May 2014, **decreased** by 0.2% or 0.2 million b/d from the previous month level to reach91.5 million b/d.*
- ***World oil supplies** in May 2014, **increased** by 0.1% or 0.1 million b/d from the previous month level to reach 92.9 million b/d.*
- ***US crude oil imports** in April 2014, **increased** by 6.2% from the previous month level to reach 7.7 million b/d, and **US product imports increased*** by *6% to reach about 1.9 million b/d.*
- ***OECD commercial inventories** in May 2014* **increased** by *33 million barrels from the previous month level to reach 2657 million barrels*, and **Strategic inventories** in OECD-34, South Africa and China also ***increased*** by *1 million barrels to reach 1753 million barrels.*

***The average spot price of natural gas** at the Henry Hub in May 2014 **decreased** by $0.1/million BTU from previous month level to reach $4.55/ million BTU.*

- ***The Price of Japanese LNG imports increased** in April 2014 by $0.2/m BTU to reach $16.8/m BTU, whereas the **Price of Korean LNG imports decreased** by $0.1/m BTU to reach$16.4/m BTU, and **the Price of Chinese LNG imports decreased** by $1.2/m BTU to reach $10.8/m BTU.*
- ***Arab LNG exports to Japan, Korea and China** were about 4.326 million tons in April 2014 (a share of 36.6% of total imports).*

* Prepared by the Economics Department.

Table (1) and **figure (2)** show the change in the price of the OPEC basket versus last month and the corresponding month of last year :

Table 1 **Change in Price of the OPEC Basket of Crudes, 2013-2014** ($/bbl)

	May 2013	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan 2014	Feb.	Mar.	Apr.	May
Monthly Change	-0.4	0.4	3.4	3.0	1.2	-2.0	-1.7	2.7	-3.0	0.7	-1.2	0.1	1.2
Month-on-Month Change from the Previous Year	-7.4	7.1	4.9	-2.0	-2.0	-1.7	-1.9	1.1	-4.6	-7.4	-2.2	3.2	4.8

* Effective June 16,2005 OPEC replaced its seven-crude basket with one comprised of eleven crudes, one from each member country (weighted according to production and exports to major markets). Effective 1 January and mid of October 2007, Angola's Girassol and Ecuadorian Oriente crudes have been incorporated to become the 12th and 13th crudes comprising the new OPEC Basket. As of Jan.2009, the basket excluded the Indonesian crude.

Figure - 2 **Change in the Price of the OPEC Basket of Crudes, 2013-2014** ($/bbl)

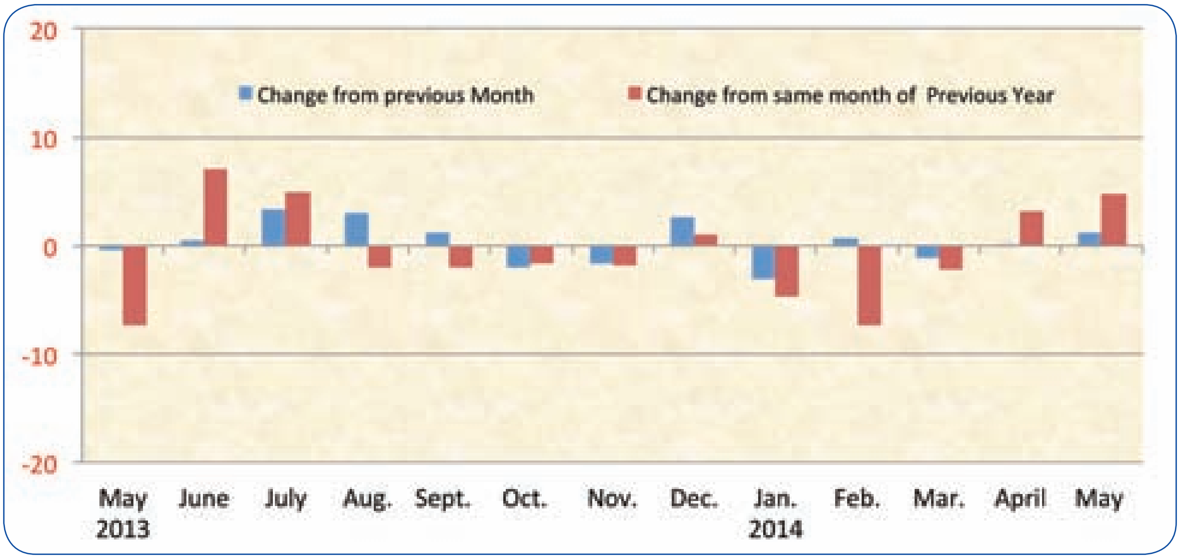


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2012-2014.

1-2 Spot Prices of Petroleum Products

- **US Gulf**

  In April 2014, the spot prices of premium gasoline increased by 4.5% or $5.7/bbl comparing with their previous month levels to reach $132.4/bbl, spot prices of gas oil increased by 1.1% or $1.3/bbl to reach $121.1/bbl, whereas spot prices of fuel oil decreased by 0.8% or $0.8/bbl to reach $101.6/bbl.

- Rotterdam

The spot prices of premium gasoline increased in April 2014, by 5.9% or $7.1/bbl comparing with their previous month levels to reach $128.0/bbl, spot prices of gas oil increased by 0.9% or $1.1/bbl to reach $122.1/bbl, whereas spot prices of fuel oil decreased by 2% or $2.0/bbl to reach $98.1/bbl.

- Mediterranean

The spot prices of premium gasoline increased in April 2014, by 6.7% or $7.7/bbl comparing with previous month levels to reach $122.9/bbl, spot prices of gas oil increased by 0.4% or $0.5/bbl to reach $122.0/bbl, whereas spot prices of fuel oil decreased by 2% or $2.0/bbl to reach $98.7/bbl.

- Singapore

The spot prices of premium gasoline increased in April 2014 by 1.7% or $2.0/bbl comparing with previous month levels to reach $121.4/bbl, spot prices of gas oil increased by 1.2% or $1.5/bbl to reach $124.0/bbl, whereas spot prices of fuel oil decreased by 1.3% or $1.2/bbl to reach $93.8/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from April 2013 to April 2014.

Figure - 3 **Monthly Average Spot Prices of Premium Gasoline, 2013-2014** ($/bbl)

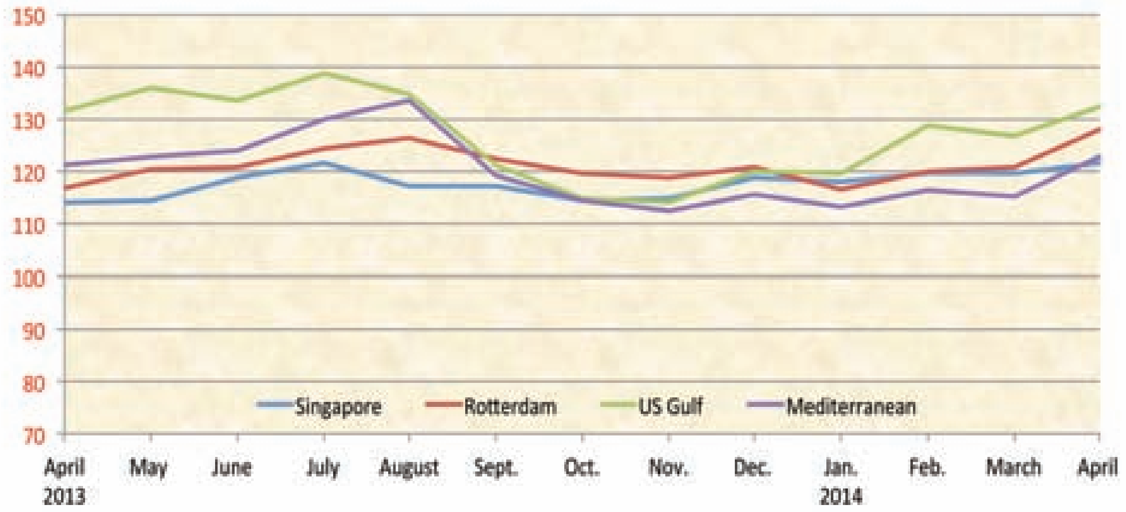


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2012-2014.

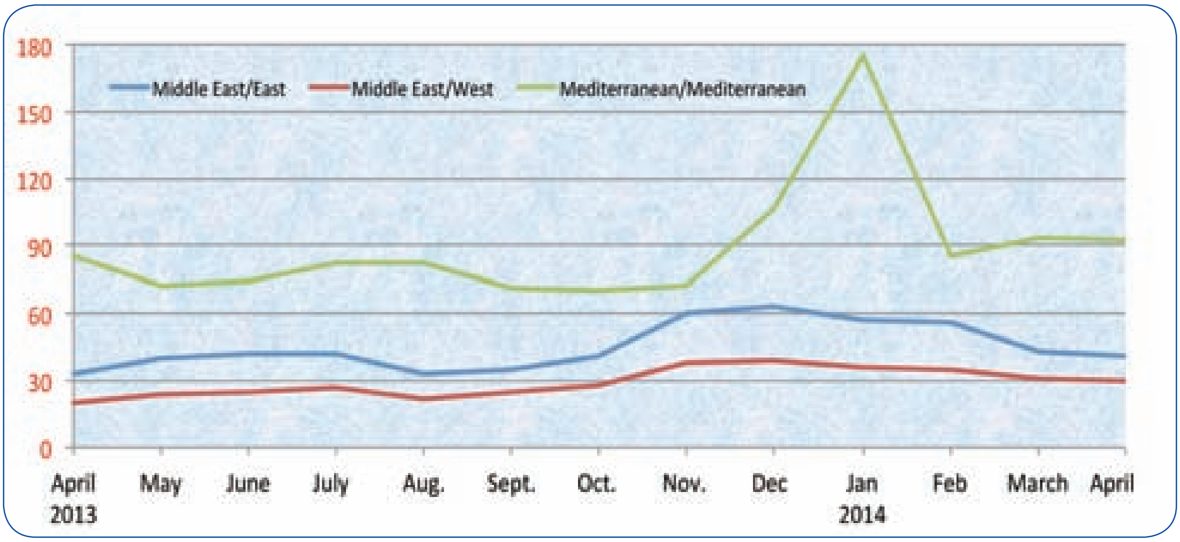
1-3 Spot Tanker Crude Freight Rates

In April 2014, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, decreased by 2 points or 4.7% comparing with previous month to reach 41 points on the World Scale (WS*).

Freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, decreased by one point or 3.2% comparing with previous month to reach 30 points on the World Scale (WS), and freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), decreased by one point or 1.1% comparing with previous month to reach 93 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from April 2013 to April 2014.

Figure - 4 Monthly Spot Crude Oil Tanker Freight Rates, 2013 -2014 (World Scale)*



* World Scale is a method for calculating freight prices. One point for the WS means 1% of the standard price of freight in the direction in the WS book, which is published annually by the World Scale Association. The book contains a list of prices in the form of US dollar per ton, called "World Scale 100," for all the major routes in the world.

1-4 Spot Tanker Product Freight Rates

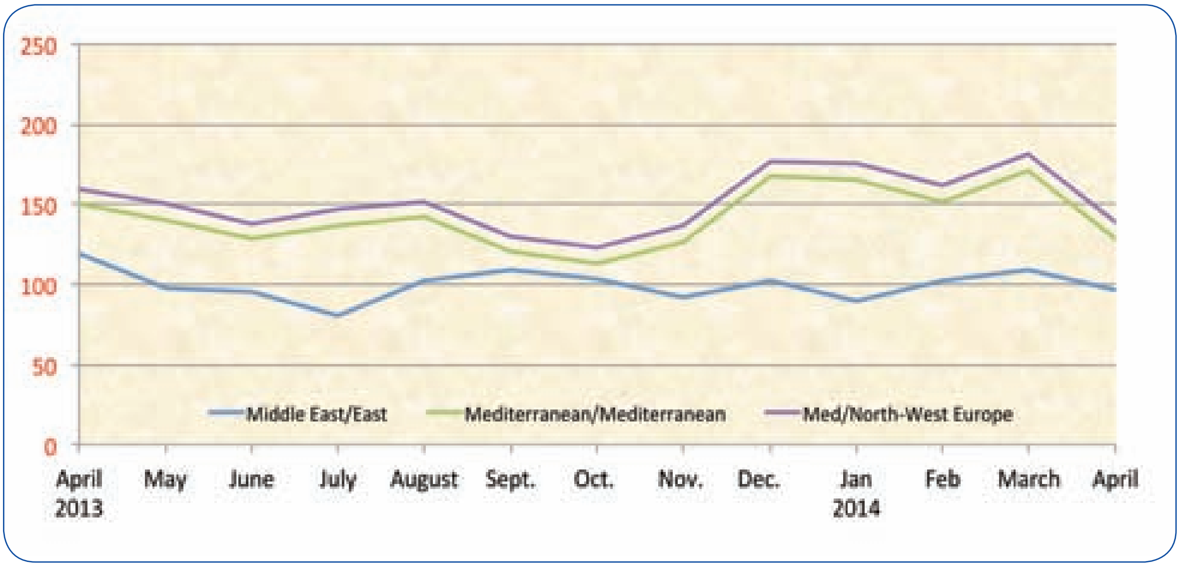
In April 2014, monthly spot Tanker freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Middle Eastern ports to the East, decreased by 12 points or 11% comparing with previous month to reach 97 points on WS.

Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 42 points, or 24.6% to reach 129 points on WS, similarly freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe decreased by 42 points, or 23.2% to reach 139 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from April 2013 to April 2014.

Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2012-2014.

Figure - 5 **Monthly Spot Product Tanker Freight Rates, 2013 -2014** (World Scale)



2.Supply and Demand

Preliminary estimates in May 2014 show a decrease in world oil demand by 0.2% or 0.2 million b/d, comparing with the previous month to reach 91.5 million b/d, representing an increase of 1.4 million b/d comparing with their last year level.

Demand in OECD countries decreased by 0.4% or 0.2 million b/d comparing with their previous month level to reach 45.6 million b/d, a level that is 0.2 million b/d higher than last year. In contrast, demand in Non-OECD countries remained stable at the same previous month level of 45.9 million b/d, representing an increase of 1.2 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for May 2014 increased by 0.1% or 0.1 million b/d comparing with the previous month level to reach 92.9 million b/d, a level that is 1.7 million b/d higher than last year.

In May 2014, OPEC crude oil and NGLs/condensates total supplies decreased by 0.8% or 0.3 million b/d comparing with the previous month level to reach 35.4 million b/d, a level that is 1.4 million b/d lower than last year. Preliminary estimates show that Non-OPEC supplies increased by 0.7 % or 0.4 million b/d comparing with the previous month level to reach 57.5 million b/d, a level that is 3.1 million b/d higher than last year.

Preliminary estimates of the supply and demand for May 2014 reveal a surplus of 1.4 million b/d, compared to a surplus of 1.1 million b/d in April 2014 and a surplus of 1.1 million b/d in May 2013, as shown in table (2) and figure (6):

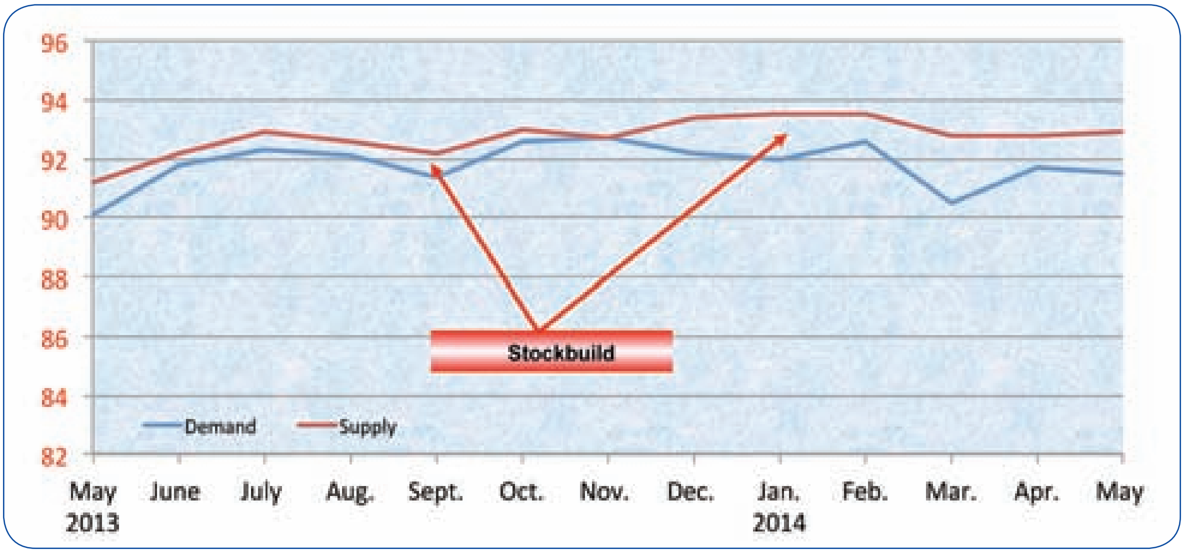
Tables (7) and (8) in the annex show world oil demand and supply for the period 2012-2014.

Table 2 **World Supply and Demand** (Million b/d)

	May 2014	*April 2014*	*Change from April 2014*	*May 2013*	*Change from May 2013*
OECD Demand	45.6	45.8	-0.2	45.4	0.2
Rest of the World	45.9	45.9	0.0	44.7	1.2
World Demand	**91.5**	**91.7**	**-0.2**	**90.1**	**1.4**
OPEC Supply:	35.4	35.7	-0.3	36.8	-1.4
Crude Oil	29.0	29.3	-0.3	30.7	-1.7
NGL's & Cond.	6.4	6.4	0.0	6.1	0.3
Non-Opec Supply	55.2	54.8	0.4	52.2	3.0
Processing Gain	2.3	2.3	0.0	2.2	0.1
World Supply	**92.9**	**92.8**	**0.1**	**91.2**	1.7
Balance	**1.4**	**1.1**		**1.1**	

Source: Energy Intelligence Briefing June 11, 2014.

Figure - 6 World Supply and Demand (Million b/d)



3.Oil Trade

USA

In April 2014, US crude oil imports increased by 446 thousand b/d or 6.2% comparing with the previous month level to reach 7.7 million b/d, and US oil products imports increased by 81 thousand b/d or 6% to reach about 1.9 million b/d.

On the export side, US product exports decreased by 289 thousand b/d or 8% comparing with the previous month level to reach 3.4 million b/d. As a result, US net oil imports in April 2014 were 816 thousand b/d or nearly 15% higher than the previous month, averaging 6.1 million b/d.

Canada remained the main supplier of crude oil to the US with 37% of total US crude oil imports during the month, followed by Saudi Arabia with 31% and Mexico with 11%. OPEC Member Countries supplied 65% of total US crude oil imports.

Japan

In April 2014, Japan's crude oil imports decreased by 298 thousand b/d or 8 % comparing with the previous month to reach 3.5 million b/d. Japan oil product imports also decreased by 125 thousand b/d or 19 % comparing with the previous month to reach 518 thousand b/d, the lowest level since June 2013.

On the export side, Japan's oil products exports decreased in April 2014, by 13 thousand b/d or 2% comparing with the previous month, averaging 525 thousand b/d, As a result, Japan's net oil imports in April 2014 decreased by 410 thousand b/d or 10% to reach 3.5 million b/d, the lowest level since October 2013.

Saudi Arabia remained the main supplier of crude oil to Japan with 33% of total Japan crude oil imports, followed by UAE with 25% and Qatar with 12% of total Japan crude oil imports.

China

In April 2014, China's crude oil imports increased by 1.3 million b/d or 24% to reach 6.8 million b/d, and China's oil products imports increased by 310 thousand b/d or 40% to reach 1.08 million b/d.

On the export side, Chinese oil products exports decreased by 126 thousand b/d or 17% to reach 621 thousand b/d.

As result, China's net oil imports reached 7.3 million b/d, representing a decrease of 32% comparing with the previous month.

Angola was the main supplier of crude oil to China with 15% of total China's crude oil imports during the month, Saudi Arabia with 14%, followed by Oman with 13% of total China's crude oil imports.

Table (3) shows changes in crude and oil products net imports/(exports) in April 2014 versus the previous month:

Table 3 USA, Japan and China Crude and Product Net Imports / Exports (Million bbl/d)

	Crude Oil			Total Products		
	April 2014	March 2014	Change from March 2014	April 2014	March 2014	Change from March 2013
USA	7.648	7.202	0.446	-1.522	-1.893	0.371
Japan	3.530	3.828	-0.1984	-0.007	0.105	-0.112
China	6.802	5.468	1.334	0.459	0.0223	0.436

Source: OPEC Monthly Oil Market Report, various issues 2014.

Petroleum Devolopments

4. Oil Inventories

In May 2014, OECD commercial oil inventories increased by 33 million barrels from the previous month to settle at 2657 million barrels – a level that is 4 million barrels higher than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 4 million barrels to reach 1013 million barrels, whereas commercial oil products inventories increased by 37 million barrels to reach 1644 million barrels.

Commercial oil inventories in Americas increased by 18 million barrels to reach 1373 million barrels, of which 534 million barrels of crude and 840 million barrels of oil products. Commercial oil Inventories in Europe increased by 7 million barrels to reach 880 million barrels, of which 314 million barrels of crude and 565 million barrels of oil products. Commercial oil inventories in Pacific increased by 8 million barrels, to reach 404 million barrels, of which 165 million barrels of crude and 239 million barrels of oil products.

In the rest of the world, commercial oil inventories decreased by 3 million barrels to reach 2362 million barrels, and the Inventories at sea also decreased by 6 million barrels to reach 1016 million barrels.

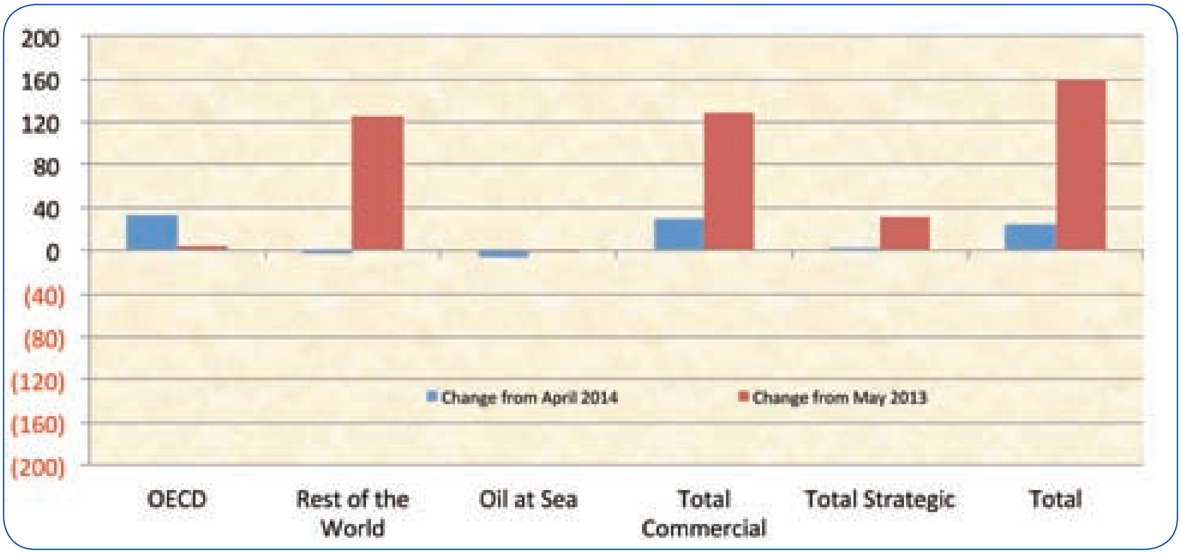
As result, Total Commercial oil inventories in May 2014 increased by 30 million barrels comparing with the previous month to reach 5019 million barrels – a level that is 129 million barrels higher than a year ago.

Strategic inventories in OECD-34, South Africa and China went up by 1 million barrels comparing with the previous month to reach 1753 million barrels – a level that is 32 million barrels higher than a year ago.

Total world inventories, at the end of May 2014 were at 7788 million barrels, representing an increase of 25 million barrels comparing with the previous month, and an increase of 159 million barrels comparing with the same month a year ago.

Table (9) in the annex and figure (7) show the changes in global inventories prevailing at the end of May 2014.

Figure - 7 Changes in Global Inventories at the End of May 2014 (Million bbl)



II. The Natural Gas Market

1- Spot and Future Prices of Natural Gas in US market

The monthly average of spot natural gas price at the Henry Hub in May 2014 decreased by $0.1/million BTU comparing with the previous month to reach $4.55/ million BTU.

The comparison, shown in table (4), between natural gas prices and those for the WTI crude and low sulfur fuel oil reveal differential of $13.0/ million BTU in favor of WTI crude and $12.6/ million BTU in favor of low sulfur fuel oil.

Table 4 Henry Hub Natural Gas, WTI Crude Average, and Low Sulfur Fuel Oil Spot Prices, 2013-2014 (Million BTU[1])

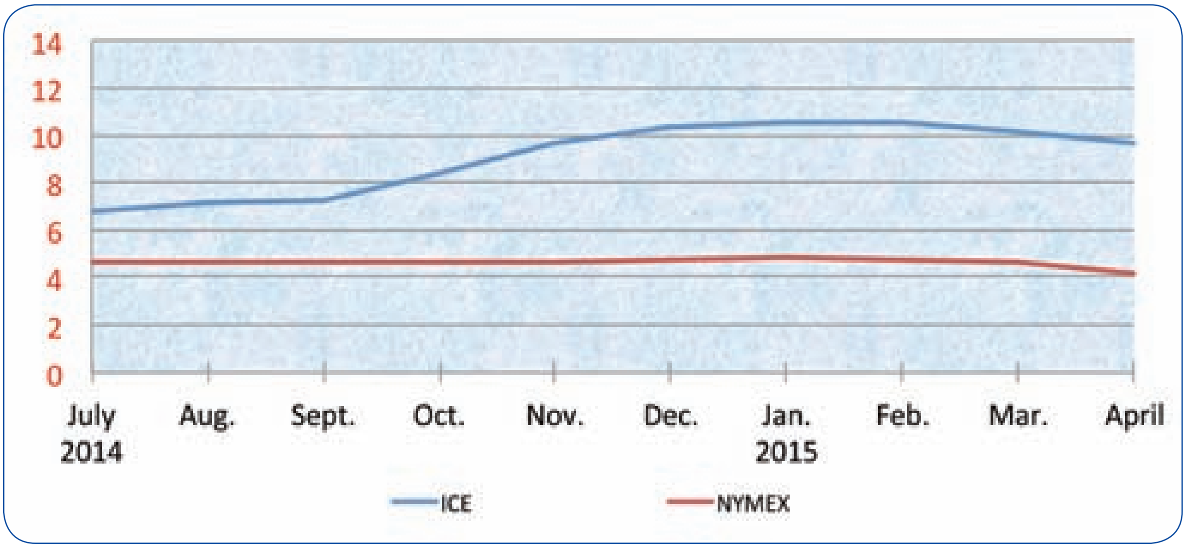
	May 2013	Jun.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2014	Feb.	Mar.	Apr.	May
Natural Gas [2]	4.0	3.9	3.6	3.4	3.6	3.7	3.6	4.2	3.3	5.8	3.8	4.7	4.6
WTI Crude [3]	16.3	16.5	18.0	18.4	18.3	17.3	16.2	16.8	16.4	17.4	17.3	17.6	17.6
Low Sulfur Fuel Oil (0..3%)	16.8	16.3	16.1	16.7	17.0	17.7	19.1	19.4	19.0	20.7	18.3	18.0	17.1

1. British Thermal Unit.
2. Henry Hub spot price.
3. WTI – West Texas Intermediate Crude oil price, in dollars per barrel, is converted to dollar per million BTU using a conversion factor of 5.80 million BTU/bbl.

Source: World Gas Intelligence June 4, 2014.

Futures gas prices recorded on June 9, 2104,indicate that those quoted at the London's ICE were higher than those quoted at the NYMEX for the period from July 2014 to April 2015,with maximum differential of $5.83/ million BTU in February 2015.These developments are shown in figure (8).

Figure - 8 **Gas Futures, June 9, 2014** ($/Million BTU)



Source: World Gas Intelligence June 11, 2014.

2- Asian LNG Markets

In April 2014, the price of Japanese LNG imports increased by $0.2/ million BTU comparing with the previous month to reach $16.8/ million BTU, whereas the price of Korean LNG imports decreased by $0.1/million BTU comparing with the previous month to reach $16.4/ million BTU, and the price of Chinese LNG imports decreased by $1.2/million BTU comparing with the previous month to reach $10.8/ million BTU.

Total Japanese, Korean and Chinese LNG imports from various sources, decreased by 13.4% or 1.831 million tons from the previous month level to reach 11.807 million tons.

The Arab countries LNG exports to Japan, Korea and China totaled 4.326 million tons - a share 36.6% of total Japanese, Korean and Chinese LNG imports.

Table (5) shows the prices and quantities of LNG imported by Japan, South Korea, and China in 2009-2014.

Table 5 LNG Prices and Imports: Korea, Japan, and China 2009-2014

	Imports (thousand tons)				10.Average Import Price ($/million BTU)		
	Japan	Korea	China	**Total**	Japan	Korea	China
2009	**64492**	**25847**	**5532**	**95871**	**9.0**	**10.0**	**4.4**
2010	**70008**	**32466**	**9295**	**111769**	**10.8**	**10.4**	**6.1**
2011	**78411**	**36679**	**12215**	**127305**	**14.7**	**12.5**	**9.1**
2012	**87184**	**36399**	**14698**	**138281**	**16.6**	**14.5**	**10.8**
2013	**87490**	**40175**	**17997**	**145662**	**16.0**	**14.7**	**11.1**
Jan. 2013	8230	3982	1505	13717	15.9	14.8	11.5
February	7525	4144	1412	13081	16.5	15.0	13.3
March	7739	4174	1257	13170	16.3	15.2	10.5
April	7050	3513	1559	12122	16.2	14.3	10.9
May	6421	2915	1352	10688	16.2	14.6	9.1
June	6442	2788	1250	10480	16.6	14.9	11.0
July	7412	2426	1347	11185	16.2	14.9	10.8
August	7249	3271	1689	12209	15.6	14.7	11.5
September	6582	2476	1517	10575	15.0	14.9	11.8
October	7538	3189	1356	12083	15.2	14.4	9.4
November	7217	3277	1318	11812	15.4	14.5	9.5
December	8085	4020	2435	14540	16.4	14.6	13.8
Jan. 2014	8179	4451	2652	15282	16.7	15.5	13.3
February	7511	4194	1498	13203	16.8	16.5	11.7
March	8044	4115	1479	13638	16.6	16.5	12.0
April	7212	3220	1375	11807	16.8	16.4	10.8

Source: World Gas Intelligence various issues.

Belgium

ExxonMobil announced its plans to install a new delayed coker unit at its Antwerp refinery to convert heavy, higher sulfur residual oils into transportation fuels products such as marine gasoil and diesel fuel. The new unit will expand the refinery's ability to help meet energy needs throughout northwest Europe.

Russia

Russian state-run gas giant Gazprom is exporting record volumes of gas to Europe and Turkey, . Gazprom Export volumes reached 162.7 billion cubic meters in 2013; an increase of 16.3% compared to 2012. The company's sales went up by 4.9% with net profit of 8.8% in 2013.

Bangladesh

Bangladesh Petroleum Corp plans to import oil products from eight term suppliers during the second half of 2014. The 0.25% sulfur gasoil was concluded at a premium of $4.80/barrel to Mean of Platts Arab Gulf Gasoil assessments for July-December 2014, stable from January-June 2014 and July-December 2013, and up from a premium of $4.30/b in H1 2013. For superior kerosene, the premium was fixed at $5.80/b to MOPAG assessments for kerosene/jet, unchanged from levels for January-June 2014 and July-December 2013. Fuel oil prices in H2 reached $34/ton for spot prices in Singapore; down from $35/ton for current shipments and from 39.50/ton in 2013.

EU

Energy Ministers across the European Union agreed in principle to establish a Euro-Mediterranean platform on gas that would bring together policy makers, industrial representatives, regulators and energy stakeholders. It should be launched in Rome by the end of this year.

EU Energy Commissioner Günther Oettinger has said that the aim of establishing this platform is to ensure greater convergence between the policies of the various countries and contribute to the ongoing efforts aimed at enhancing Europe's energy security and at meeting specific interconnection objectives including production challenges, third party investments, improving oil and gas import conditions while developing infrastructure, technology, and access to markets.

The platform should work as a gathering of politicians, industrial officials, and those involved in the gas sector. It would play a pivotal role in creating a Mediterranean gas pipeline network in line with the EU's energy security strategy.

إصدارات الأمانة العامة لمنظمة الأقطار العربية المصدرة للبترول (أوابك)

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Tables Annex