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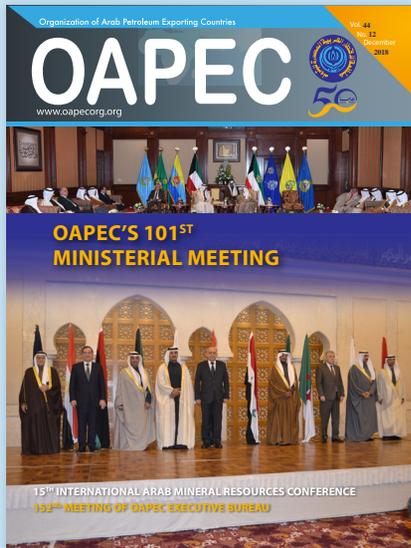
OAPEC'S 101ST MINISTERIAL MEETING



15TH INTERNATIONAL ARAB MINERAL RESOURCES CONFERENCE
152ND MEETING OF OAPEC EXECUTIVE BUREAU



The Cover



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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 (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.



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20 15TH INTERNATIONAL ARAB MINERAL RESOURCES CONFERENCE

• **OAPEC-Joint 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.

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.



INSIGHT INTO OAPEC'S DECEMBER 2018 MEETINGS

OAPEC's 101st Ministerial Council Meeting, held in Kuwait on 23 December 2018, attracted huge official and media attention. This interest came in light of the member countries' prestigious status in the oil and gas industry, both regionally and internationally; and the current developments in the global oil market, especially the fruitful cooperation between OPEC and non-OPEC oil producing countries to curb production, known as OPEC+.

This has been crowned by the honour of meeting with the Emir of Kuwait HH Sheikh Sabah Al Ahmad Al Sabah following the conclusion of the meeting. HH the Emir welcomed hosting the meeting in Kuwait and lauded OPEC's and OAPEC's sincere efforts in contributing to the stability of the world's oil market.

Amidst the positive atmosphere of the meeting, OAPEC oil and energy ministers' statements came out to convey assuring messages to the global oil market. The statements also represented a good opportunity to clarify the Arab oil producing and exporting countries' stances on the current developments of the global oil industry, especially oil production from unconventional resources (shale oil) and its implications for the global oil demand.

At this point, we would like to draw the attention to the important joint press conference held by their excellencies the ministers of oil, energy, and industry in the UAE, Iraq, and Algeria, with the participation of the Kuwaiti and Saudi OPEC Governors, to talk about and highlight the latest developments on the cooperation between OPEC and non-OPEC oil producing countries, including Arab countries and OAPEC members. The international media followed up and broadcasted the latest data and indices on the global oil demand released at this press conference.

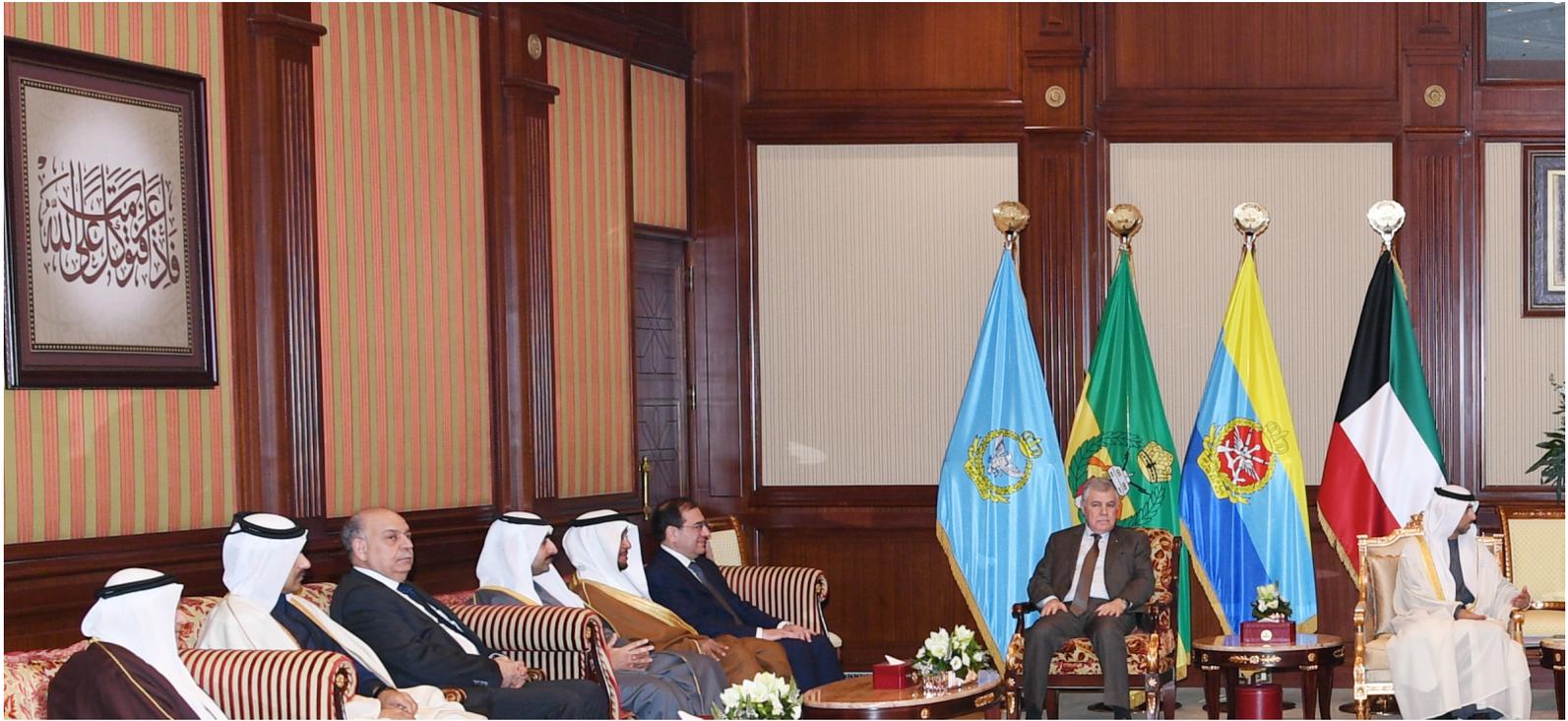
On another note, the 101st ministerial meeting gave a good

opportunity to review the organisation's year-round efforts. During 2018, the Secretariat General organised various conferences and coordination meetings, most importantly the 11th Arab energy Conference in Marrakech, Morocco. It also finalised 8 technical and economic studies on oil and energy. Moreover, OAPEC presented a group of papers during its participation in regional and international oil, gas and energy conferences.

The Secretariat General has also been following up environmental, climate change, and UNFCCC issues in line with the Ministerial Council's directives through preparing periodical reports. In this vein, the Secretariat General took part in the COP-24 in December 2018 in Katowice, Poland, where it organised an important seminar on "Using Modern Technology to Cut CO2 Emissions" in collaboration with the Saudi Energy, Industry and Mineral Resources Ministry. Experts from KSA, Bahrain, and Kuwait presented the seminar.

It is worth mentioning that the Secretariat General has been preparing specialised studies on oil, gas and energy industries for years. It also prepares studies on health, safety, environment, and petroleum products' quality improvement methods. Environment and climate change are usually on the agenda of the scientific conferences and seminars held by the organisation.

Following the closure of OAPEC Ministerial Council's meeting in Kuwait, the Secretariat General expresses its sincere appreciation and gratitude to HH the Emir, government, and people of the State of Kuwait for embracing OAPEC's meetings and facilitating their success. It also thanks the members of the Executive Bureau for their efforts during the preparatory meetings prior to the ministerial meeting. These combined efforts contribute to the continuity of OAPEC so that it can perform its duties in the best manner that meets its member countries' aspirations.

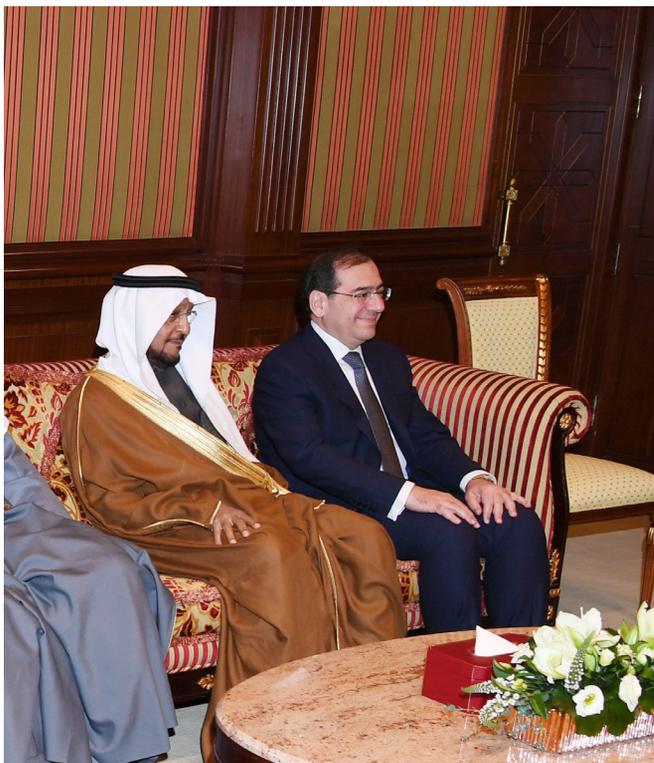


The Ministerial Council's Chairman sent a cable on behalf of the Council to the Emir of Kuwait HH Sheikh Sabah Al Ahmad Al Jaber Al Sabah, expressing thanks





and appreciation for Kuwait's hospitality and warm welcome while hosting the meeting.

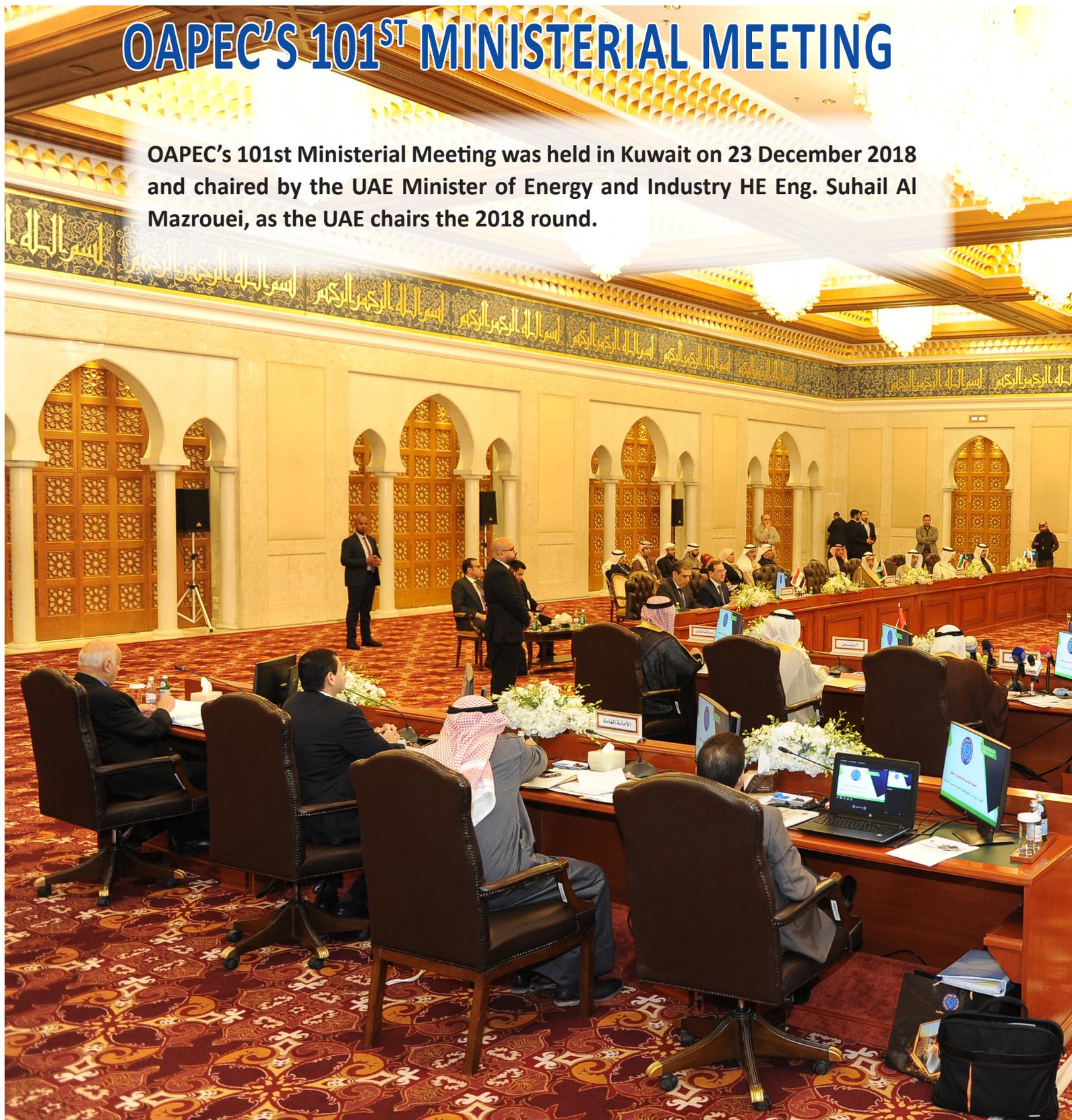


On 23 December 2018, the Emir of Kuwait HH Sheikh Sabah Al Ahmad Al Sabah received at Bayan Palace HE Dr Nayef Al Hajraf, Kuwait's Minister of Finance and Acting Minister of Oil, Electricity, and Water, accompanied by OAPEC oil and energy ministers taking part in the 101st Ministerial Meeting.



OAPEC'S 101ST MINISTERIAL MEETING

OAPEC's 101st Ministerial Meeting was held in Kuwait on 23 December 2018 and chaired by the UAE Minister of Energy and Industry HE Eng. Suhail Al Mazrouei, as the UAE chairs the 2018 round.





The Chair inaugurated the meeting welcoming Their Excellencies the ministers and heads of delegations. The Minister expressed thanks and appreciation to the State of Kuwait for the hospitality and warm welcome. He wished the meeting all success while stressing that OAPEC's ultimate goal is achieving cooperation between its member countries in all aspects related to the petroleum industry to serve the interests of these countries and their people's aspirations.

OAPEC Secretary General HE Abbas Al Naqi then followed with a speech welcoming Their Excellencies the ministers and heads of delegations. He also welcomed HE Thamer Al





Ghadhban, Iraq’s Deputy Premier for Energy Affairs and its Minister of Oil; and HE Saad Al Kaabi, Qatar’s State Minister for Energy Affairs/ QP CEO & Managing Director, for taking part in the meeting for the first time.

HE Al Naqi expressed thanks and appreciation to the State of Kuwait for the hospitality and warm welcome wishing Kuwait prosperity and further development. He also wished the ministerial meeting all success.

The Council then approved the agenda, and deliberated its items as follows:

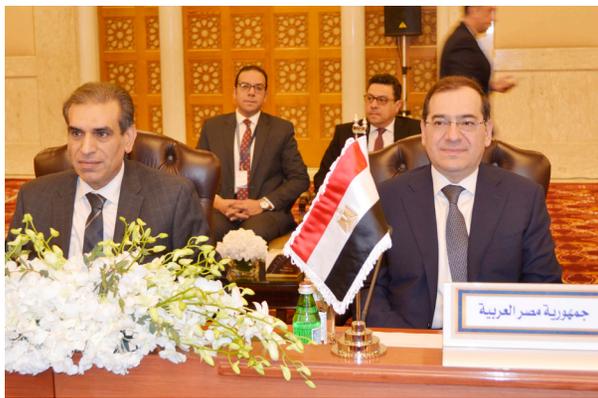
- The Council endorsed the minutes of the 100th Ministerial Council Meeting, held

in Kuwait, at representatives’ level on 30/04/2018.

- The draft OAPEC projected budget for 2019 (Secretariat General and Judicial Tribunal) was approved.
- Al Bassam & Partners were reappointed as OAPEC (Secretariat General and Judicial Tribunal) Auditors for 2019.
- The Council was informed about the contents of OAPEC Report on the World’s Petroleum Conditions.

The Council reviewed the Secretariat General’s report on the proceedings of the 11th Arab Energy Conference held in Marrakesh, Morocco, from 1 to 4 October 2018.







Reviewing the Secretariat General’s report on OAPEC activities on:

- Finalized studies prepared by the Secretariat General during 2018 (8 technical and economic studies on oil and energy)
- Following up environment and climate change issues, most importantly the outcome of the COP-24 held in Katowice, Poland, from 3 to 14 December 2018.
- Databank progress and activity development
- All activities which the Secretariat General organized or took part in during the second half of 2018 (14 events)
- The Council reviewed OAPEC Joint Ventures Activity Report in 2017 and the first half

- of 2018, and took note of the outcome of the 47th Coordinating Meeting of the Joint Ventures Officials held in Marrakech, Morocco, on 04/10/2018, which encouraged continued coordination and cooperation among these joint ventures.
- The Council resolved to extend the period where the Republic of Iraq is assigned to supervise the Arab Oil Training Institute, for one year, with effect from 1 January 2019.
- The chairmanship of the next round of the Ministerial Council and Executive Bureau will be assigned to Bahrain as of January 2019.
- It was agreed to hold the next Ministerial Meeting in Kuwait on 22 December 2019.











152ND MEETING OF OAPEC EXECUTIVE BUREAU

OAPEC Executive Bureau held its 152nd Meeting on 20 December 2018 in Kuwait. It was chaired by HE Dr Matar Al Niyadi, Undersecretary at the Energy and Industry Ministry/ UAE’s Representative at the Executive Bureau. UAE is president of the current round 2018.

His Excellency the Chairman opened the meeting welcoming Their Excellencies the members of the Executive Bureau and wishing them a pleasant stay in Kuwait. His Excellency the Chairman extended thanks to Kuwait for the hospitality and warm welcome. He also thanked OAPEC Secretariat General for arranging the meeting.

On his part, OAPEC Secretary General HE Abbas Ali Al Naqi welcomed the conveners and thanked Kuwait, especially Kuwait’s Rep. at the Executive Bureau and the Oil Ministry’s Acting Undersecretary HE Sheikh Talal Al Athbi Al Sabah and his staff, for hosting and facilitating the Organization’s meetings while wishing the



event all success.

He then reviewed the resolutions to be submitted to the Ministerial Council for endorsement and the main discussion points on the agenda including OAPEC’s 2019 projected budget (Secretariat General and Judicial Tribunal). The Executive Bureau made the required recommendations respectively.





IRAQ'S, UAE'S, & ALGERIA'S OIL & ENERGY MINISTERS' JOINT PRESS CONFERENCE OPEC & NON-OPEC PRODUCERS COMMITTED TO OUTPUT CUTS



UAE Minister of Energy and Industry HE Eng. Suhail Al Mazrouei said OPEC and non-OPEC oil producers agreed that OPEC members' oil output cut will be 3% and non-OPEC allies' cut will be 2% for six months as of January 2019.

The statement came at a joint press conference between UAE's, Iraq's, and Algeria's oil and energy ministers at the end of OAPEC's 101 ministerial meeting in Kuwait City on 23 December 2018, in the presence of the Kuwaiti and Saudi OPEC governors.

HE Al Mazrouei said the countries who agreed the deal have made waivers to help the oil industry and market stability to recover. He clarified that October has been set as the output cut-rate reference.

The Minister added that three countries have been exempted from the deal, i.e. Iran, Venezuela, and Libya. He stressed that all countries have been informed of the new quotas and that all OPEC and allied non-OPEC



countries are committed to these quotas as of January 2019.

On the US President Donald Trump's calls for increasing production to reduce prices,



the Minister said “we only consider market variables and balance, and investment rates. We are committed before our countries to serve their interests.” He clarified that OPEC and non-OPEC producers have proved their commitment to the world over the past two years, and they are capable of renewing this commitment. The Minister added that there are 24 countries committed to the output cut deal and that there is consensus on reconsidering production levels to maintain market and countries’ interests.

HE Al Mazrouei pointed out that the sharp decline of oil prices in October and November 2018 has driven OPEC to look into reasons; OPEC research centre has made studies on the issue clarifying that the current increase in the global stocks has reached 37 million barrels compared to 340 million barrels in the beginning of the deal two years ago.

The Minister indicated that the USA has become the biggest oil producer as shale oil production has reached about 8 million barrels/day, which an unexpected increase. He stressed “we are not against shale oil.” while drawing the attention to the fact that increasing oil prices could lead to slow-down in the production of shale oil as “there will be suffering in some fields. The first to suffer will be some shale oil producers.”

HE Al Mazrouei expected the market to balance in Q1 of 2019 saying that OPEC and non-OPEC producers’ deal to cut output by



1.2 million b/d will rebalance the market. He added “these countries’ commitment will be 100% as their average commitment to the previous agreement reached 116%. Moreover, in certain months there was even a 150% commitment.”

On his part, Iraq’s Deputy Premier for Energy Affairs and Oil Minister HE Thamer Al Ghadhban said that it was normal for oil prices to go up and down at times. He pointed out that research centres have various scenarios in this regard and that OPEC produces only 1/3 of the world’s output while there are other influencers.

HE Al Ghadhban added that in spite of the severe economic difficulties which Iraq is facing and the emergence of the so called “Da’esh” that Iraq has fought over the past years simultaneously with the sharp drop of oil prices, Iraq remained committed to the output cut.

HE Al Ghadhban continued saying “today, Iraq remains committed and responsible in its capacity as an OPEC founding country” while stressing that declining prices will lead to halt of investments.

Algeria’s Energy Minister HE Mustapha Guitouni on his part emphasised his country’s commitment to the output cut deal pointing out that it has always been seeking to harmonise the views of all parties. He also thanked Kuwait and HH the Emir for the hospitality and warm welcome.



15TH INTERNATIONAL ARAB MINERAL RESOURCES CONFERENCE

Under the high patronage and presence of Egypt’s President HE Abdel Fattah El Sisi, the Arab Industrial Development and Mining Organization launched the 15th International Arab Mineral Resources Conference, on 26-28 November 2018, titled “Mining, investment and economic development in the Arab World.”





The conference was chaired this year by Egypt’s Minister of Petroleum and Mineral Resources HE Tarek El Molla. A number of senior Arab officials, including Saudi Arabia’s Minister of Energy, Industry and Mineral Resources HE Eng. Khaled Al Faleh, and OAPEC Secretary General HE Abbas Al Naqi attended the conference.

The 3 - day - conference included 12 discussion sessions, papers and presentations on mining and its technologies. The conference discussed boosting the role of mining industries in maximizing the added value of mineral resources and opening new job opportunities. This is in addition to developing and marketing Arab mineral resources, Arab coordination and integration in executing mining projects, achieving sustainable development and societal responsibility, as well as, qualifying Arab workforce in the mining sector.





HE DR AL FADHEL: FORECASTS ON OIL MARKET IMPROVEMENT WITH THE BEGINNING OF 2019

Kuwait’s Oil, Electricity and Water Minister HE Dr Khaled Al Fadhel said Kuwait supports all efforts on rebalancing the oil market in a way that serves the interests of both producing and consuming countries. He underscored Kuwait’s commitment to the new 6-month-deal between OPEC and non-OPEC producers concluded in Vienna in December 2018, which cuts output by about 1.2 million b/d as of January 2019.

In a debut of his press statements as Oil Minister, he added that Kuwait will fully commit to its 3% quota of the cut. HE Dr Al Fadhel expected the oil market to improve in light of the new deal in the beginning of the new year with projections on growing demand. He said “I believe that the oil market is way much better than it was 2 or 3 years ago. This is due the unprecedented cooperation between the oil producing countries in the past two years. The high commitment to the oil output cut led to reducing the global oil surplus.”

He pointed out that Kuwait chaired the ministerial and technical committees on monitoring the execution of the OPEC deal in 2017 and it is still an active member in the two committees. He clarified that the current deal ends by December 2018.

On his part, OAPEC Secretary General HE Abbas Al Naqi send a cable of congratulations to HE Dr Al Fadhel on his appointment wishing him all success and hoping for the continuation of the Minister’s support to OAPEC’s activities to continue serving the joint Arab action.



ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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24TH CONFERENCE OF THE PARTIES TO UNFCCC (COP-24)

In its capacity as an IGO, OAPEC Secretariat General took part in the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP-24), the 14th session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP) and the third part of the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 1-3), the 49th sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI), and the seventh part of the first session of the Ad Hoc Working Group on the Paris Agreement (APA 1-7), in Katowice, Poland, from 2 to 15 December 2018.

Over 20,000 participants including about 14,000 governmental officials and over 7000 representatives of the UN agencies, international governmental organisations, civil societies, and 1500 media figures. The Secretariat General was represented by the Secretary General HE Abbas Al Naqi and the Director of the Information and Library Department Mr Abdul Kareem Ayed.

The representatives of the Parties agreed on activating the Paris Agreement concluded in 2015, and preparing a common “rulebook.” The rulebook will be an operating manual needed for the implementation of the Agreement where countries will step up their targets on cutting emissions to 50% before 2030 by keeping a global temperature rise

well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase even further to 1.5 degrees Celsius.

The governments and member-countries agreed on a group of principles to implement the Paris Agreement, most importantly:

- Preparing a rulebook including detailed directive and technical principles needed for measuring mitigation, funding, transparency, and the scope and methods of regular evaluation of the technology mechanism and its framework.
- Establishing the Katowice Technical Committee to evaluate any negative impacts of response measures



- Continuation of the response measures' programme "FORUM" and approving a number of workshops
- Enlisting negative impacts of the response measures within compliance- transparency framework
- Activating the mitigation co-benefits represented in emission cutting and adding them to transparency measures and NDCs instructions
- Conducting studies on developing countries' financial needs every four years
- Agreeing technology framework, activating its role and facilitating its transfer to developing countries
- Establishing information provision mechanism covering future financial resources available for developing countries according to article 9.5 of the Paris Agreement



This range of measures has been approved by a single resolution as has been pushed by the Arab Negotiating Group during all negotiation phases.

Among the important issues for the Parties- especially fossil fuel producers- is the IPCC report on climate change (1.5 degrees Celsius), which will be the target of next negotiations in Bonn 2019.

It was agreed that Chili will host the "COP-25" from 11 to 22 November 2019.

On the side-lines of COP24, OAPEC Secretariat General organised an important seminar, in collaboration with the Saudi Ministry of Energy,

Industry, and Mineral Resource, on 10 December 2018 titled "Using Modern Technology to Cut CO2 Emissions". Four speakers from oil companies in the member countries (KSA, Bahrain, and Kuwait) presented the seminar in the presence of a group of the Parties' experts and negotiators.

Among the most important topics presented at the seminar:

- "Fuel Consumption Reduction Programme with a Focus on Gas Flaring" presented by Mr Adel Al Ghamdi, ARAMCO, KSA.
- "Generating Profits from CO2 Extracted through Carbon Capture, Utilization, and Sequestration (CCUS) Mechanisms" presented by Dr Yasmin Al Dossary, ARAMCO, KSA.
- "Environmental Challenges Facing Maritime Shipping and Energy Efficiency Improvement Initiatives" by Mr Bader Al Najjar, KOTC, Kuwait.
- "Petroleum Sector's Efforts in Combatting Climate Change Issue" by Mr Hussein Makki, NOGA, Bahrain.

The participants also discussed the role of oil and gas in the global energy mix and CCUS.



AICTO SECRETARY GENERAL VISITS OAPEC



On 5 December 2018, OAPEC Secretary General HE Abbas Al Naqi received at OAPEC headquarters in Kuwait the Secretary General of the Arab Information and Communication Technologies Organization (AICTO) HE Eng. Mohammed bin Omar. The two officials discussed the various potential aspects of cooperation between the two organisations.

HE Al Naqi welcomed the guest and thanked him for his keenness on visiting OAPEC which is keen in turn to boost cooperation with other Arab organisations within the framework of the joint Arab action. HE Bin Omar on his part expressed his thanks and appreciation to HE Al Naqi for the warm welcome. He also gave a brief introduction to AICTO in order to identify cooperation opportunities between the two organisations. The Director of the Technical Affairs Department at OAPEC Dr Samir Al Kara'eish attended the meeting.

HE Bin Omar said that AICTO is an Arab governmental organization working under the aegis of the League of Arab States. It was established in 2001 and started operating in 2008 in Tunisia. It aims at allowing Arab

countries to benefit from the fourth industrial revolution while developing ICTs throughout the Arab region and providing the necessary mechanisms to support cooperation and complementarity between AICTO members, promote and enrich common policies and strategies to develop vital technological domains like 5G and industrial computation. AICTO has also tailor-made various training courses and organised a number of conferences on smart agriculture and the digitalisation of the financial sector.

AICTO has also allocated an "Arab Digital Banking Excellence Award" to encourage institutions make use of the cyphered fiscal technology trend and enhance digital trust. The organisation supports establishing a regional communication and information technologies hub by organising the Arab-African Forum on Digital Trust. They supported the countries in need in this field. AICTO now seeks to release a white book on digital economy.

At the end of the meeting, HE Al Naqi emphasised OAPEC's keenness on cooperating with AICTO to serve common Arab interests.

INTRODUCTORY MEETING ON JOINT ARAB ECONOMIC REPORT 2019

OAPEC Secretariat General took part in the Introductory Meeting on the Joint Arab Economic Report 2019 held at the headquarters of the Arab Fund for Economic and Social Development in Kuwait from 4 to 6 December 2018. Representatives from the Arab League's Secretariat General, the Arab Monetary Fund, and the Arab Fund for Economic and Social Development took part in the event. Mr. Abdul Fattah Dandy, Director of the Economic Affairs Department, and Mr. Majed Amer, Economic Researcher at the same department, represented OAPEC Secretariat General at the meeting.

During the meeting, the contents of the 2019 report chapters have been discussed. Their structure has been approved according to the format presented by the institutions working on the report. Chapter 5 on oil and energy developments,

prepared by the Secretariat General, has also been discussed. It covers the general status of exploration, reserves, production (both on Arab and international levels), energy demand, world oil stocks (commercial and strategic), oil and natural gas exports, and the value of the Arab oil exports. OAPEC also prepares the section on hydrocarbon industries in chapter 4 on the industrial sector.

The conveners discussed a number of proposals on the development of the report, including the establishment of a database. Also, it was advised to continue preparing sections in individual chapters to cover the latest on each chapter's topic, while relating to the report's main issue/theme that changes every year, whenever possible. It has been agreed that the topic of the pivotal chapter for 2019 will be on the "Contribution of Financial Inclusion in the Arab Economic Growth."

17TH REGIONAL JODI TRAINING WORKSHOP FOR MENA

OAPEC took part in the 17th Regional JODI Training Workshop targeting MENA countries in Beirut, Lebanon from 11-14 December 2018. Coordinated by the IEF, the Workshop took place as part of Training on Energy Statistics hosted by the United Nations Economic and Social Commission for Western Asia (UNESCWA). It was supported by the International Energy Agency (IEA) and the Lebanese Ministry of Energy, as well as, other JODI Partners, including GECE, and UNSD and the newest JODI Associate, OAPEC.

More than 40 delegates from 17 countries took part in the workshop which built better understanding of the Joint Organisations Data Initiative (JODI), and raised awareness of the



importance of data transparency and strengthening capacity of statistical agencies in this region.

The workshop aimed to train energy data professionals in charge of energy data collection and dissemination at national administrations in this region, raise awareness of the importance of data transparency and strengthen the capacity of statistical agencies in this region and internationally, and tackle energy balance and its

calculations and the evolution of energy efficiency indices.

The Secretariat General was represented by Mr Fuad Ali Abdul Rahman, Senior Economist, who presented a paper on "OAPEC's Experience in Preparing Oil and Energy Statistics and Direct Database."



Petroleum Developments in the World Market and Member Countries*

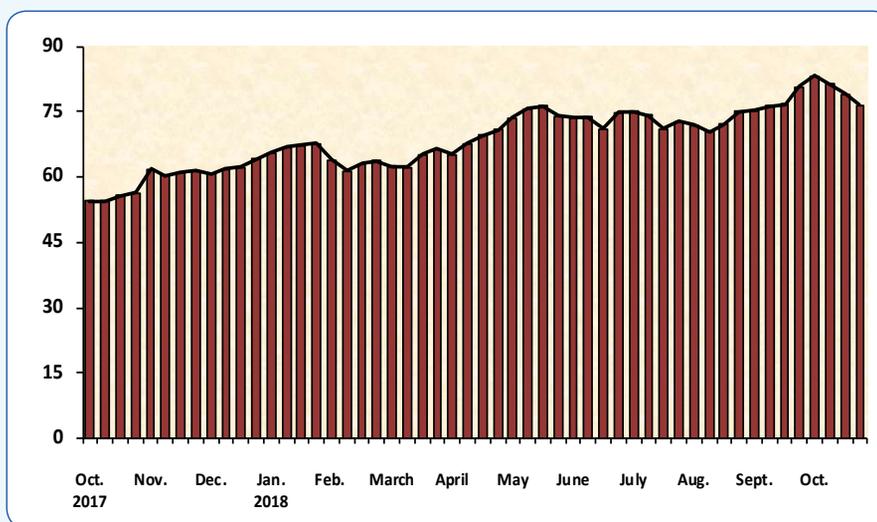
1. Oil Market

1. Prices

1-1 Crude Oil Prices

Weekly average price of OPEC basket increased during the first week of October 2018, to reach \$83.2/bbl, then decline during the second week, to reach \$81.4/bbl and continue to decline thereafter to reach its lowest level of \$76.4/bbl during the fourth week, as shown in **figure 1**:

Figure - 1 Weekly Average Spot Price of the OPEC Basket of Crudes 2017 - 2018 (\$/bbl)



On monthly basis, OPEC Reference Basket in October 2018, averaged \$79.4/bbl, representing an increase of \$2.2/bbl or 2.9% comparing with previous month, and an increase of \$23.9/bbl or 43% from the same month of previous year. Growing concerns over global oil supply shortage in the first half of the month, was major stimulus for the increase in oil prices during the month of October 2018 to reach its highest level since October 2014, even though weaker refining margins and higher crude oil inventories, particularly in the US, in the second half of the month.

Key Indicators

- In October 2018, **OPEC Reference Basket increased** by 2.9% or \$2.2/bbl from the previous month level to stand at \$79.4/bbl.
- **World oil demand** in October 2018, **increased** by 1.9% or 1.9 million b/d from the previous month level to reach 101.1 million b/d.
- **World oil supplies** in October 2018, **increased** by 0.4% or 0.4 million b/d from the previous month level to reach 101.4 million b/d.
- **US tight oil production** in October 2018, **increased** by 1.7% to reach about 7.8 million b/d, and **US oil rig count increased** by 8 rig from the previous month level to stand at 947 rig.
- **US crude oil imports** in October 2018, **decreased** by 4.3% from the previous month level to reach 7.5 million b/d, and **US product imports decreased** by 21% to reach about 2 million b/d.
- **OECD commercial inventories** in October 2018 **increased** by 6 million barrels from the previous month level to reach 2872 million barrels, whereas **Strategic inventories** in OECD-34, South Africa and China **decreased** by 5 million barrels from the previous month level to reach 1841 million barrels.
- **The average spot price of natural gas** at the Henry Hub **increased** in October 2018 to reach \$3.28/million BTU.
- **The Price of Japanese LNG imports** in October 2018 **increased** by \$0.3/ m BTU to reach \$10.9/m BTU, and the **Price of Korean LNG increased** by \$0.4/m BTU to reach 11.1/m BTU, whereas **the Price of Chinese LNG imports remained stable** at the same previous month level of \$8.5/m BTU.
- **Arab LNG exports to Japan and Korea** were about 1.961 million tons in October 2018 (a share of 13.1% 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:

	Oct. 2017	Nov.	Dec.	Jan. 2018	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
OPEC Basket Price	55.5	60.7	62.1	66.9	63.5	63.8	68.4	74.1	73.2	73.3	72.3	77.2	79.4
Change From previous Month	2.1	5.2	1.3	4.8	-3.4	0.3	4.7	5.7	-0.9	0.1	-1.0	4.9	2.2
Change from same month of previous Year	7.6	17.5	10.4	14.5	10.1	13.4	17.1	24.9	28.0	26.4	22.7	23.7	23.9

* 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 excludes the Indonesian crude. As of Jan. 2016, the basket price includes the Indonesian crude. As of July 2016, the basket price includes the Gabonese crude. As of Jan. 2017, the basket excludes the Indonesian crude. As of June 2017, the basket price includes the Equatorial Guinean crude "Zafiro". As of June 2018, the basket includes the Congolese crude "Djeno".

Figure - 2 Change in the Price of the OPEC Basket of Crudes, 2017-2018 (\$/bbl)

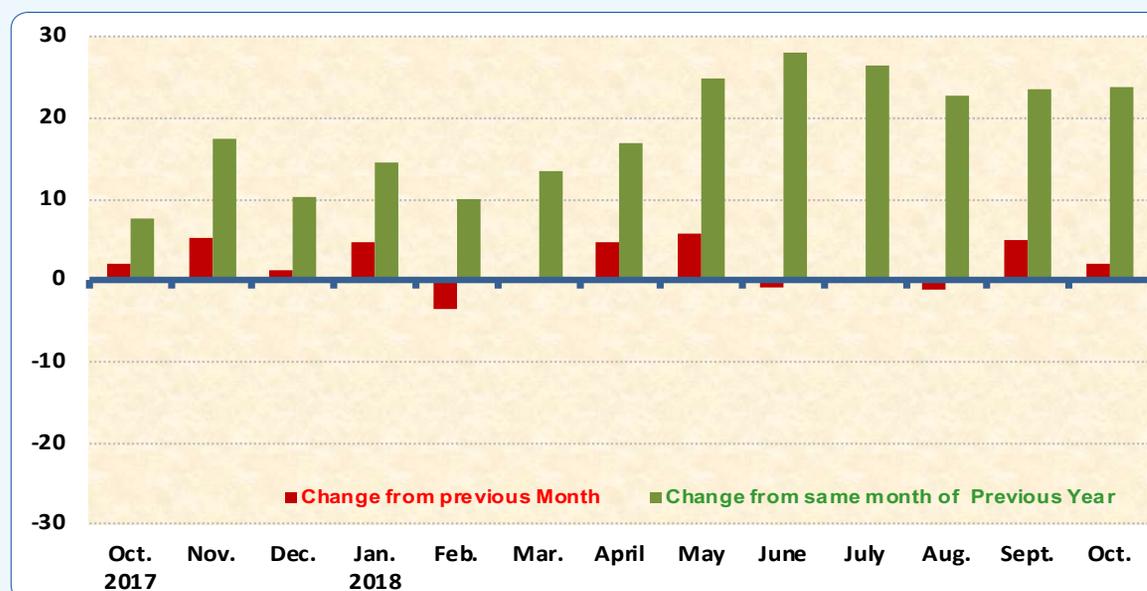


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2016-2018.

1-2 Spot Prices of Petroleum Products

- US Gulf

In October 2018, the spot prices of premium gasoline decreased by 1.9% or \$1.7/bbl comparing with their previous month levels to reach \$89.6/bbl, whereas spot prices of gas oil increased by 4.1% or \$3.7/bbl to reach \$93.3/bbl, and spot prices of fuel oil increased by 6.1% or \$4/bbl to reach \$69.2/bbl.



- Rotterdam

The spot prices of premium gasoline in October 2018, decreased by 4% or \$3.8/bbl comparing with their previous month levels to reach \$91.2/bbl, whereas spot prices of gas oil increased by 4.6% or \$4.3/bbl to reach \$97.2/bbl, and spot prices of fuel oil increased by 7.8% or \$5.3/bbl to reach \$73.1/bbl.

- Mediterranean

The spot prices of premium gasoline decreased in October 2018, by 5.6% or \$4.9/bbl comparing with previous month levels to reach \$82.5/bbl, whereas spot prices of gas oil increased by 4.1% or \$3.8/bbl to reach \$96.8/bbl, and spot prices of fuel oil increased by 6.8% or \$4.7/bbl to reach \$73.4/bbl.

- Singapore

The spot prices of premium gasoline decreased in October 2018, by 2.1% or \$1.9/bbl comparing with previous month levels to reach \$87.6/bbl, whereas spot prices of gas oil increased by 3.7% or \$3.5/bbl to reach \$96.9/bbl, and spot prices of fuel oil increased by 8.6% or \$6.1/bbl to reach \$76.8/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from October 2017 to October 2018.

Figure - 3

Monthly Average Spot Prices of Premium Gasoline, 2017-2018

(\$/bbl)

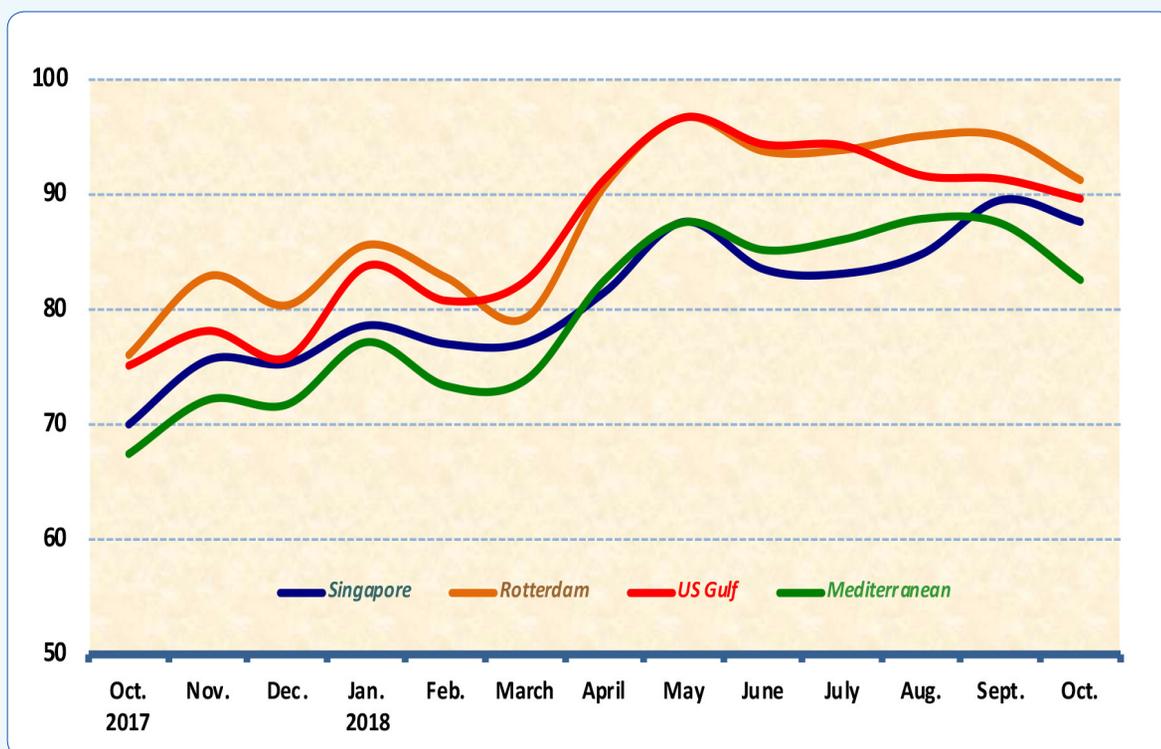


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2016-2018.

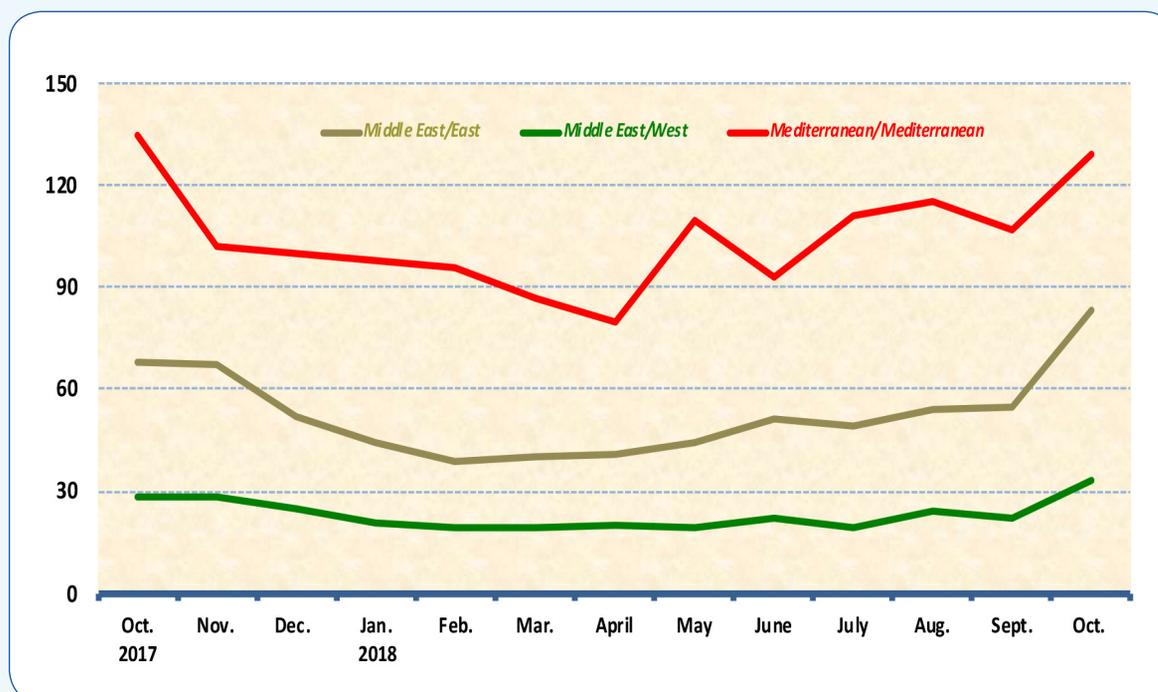
1-3 Spot Tanker Crude Freight Rates

In October 2018, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 28 points or 50.9% comparing with previous month to reach 83 points on the World Scale (WS*).

And freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, increased by 11 points or 50% comparing with previous month to reach 33 points on the World Scale (WS), freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), increased by 22 points or 20.6% comparing with previous month to reach 129 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from October 2017 to October 2018.

Figure - 4 Monthly Spot Crude Oil Tanker Freight Rates, 2017 -2018 (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 October 2018, monthly spot Tanker freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Middle Eastern ports to the East, increased by 14 points, or 12.7% comparing with previous month to reach 124 points on WS.



And Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], increased by 30 points, or 25% comparing with previous month to reach 150 points on WS, freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe increased by 32 points, or 24.6% comparing with previous month to reach 162 points on the World Scale (WS).

Figure (5) shows the freight rates for oil products to all three destinations from October 2017 to October 2018.

Figure - 5

Monthly Spot Product Tanker Freight Rates, 2017 -2018

(World Scale)

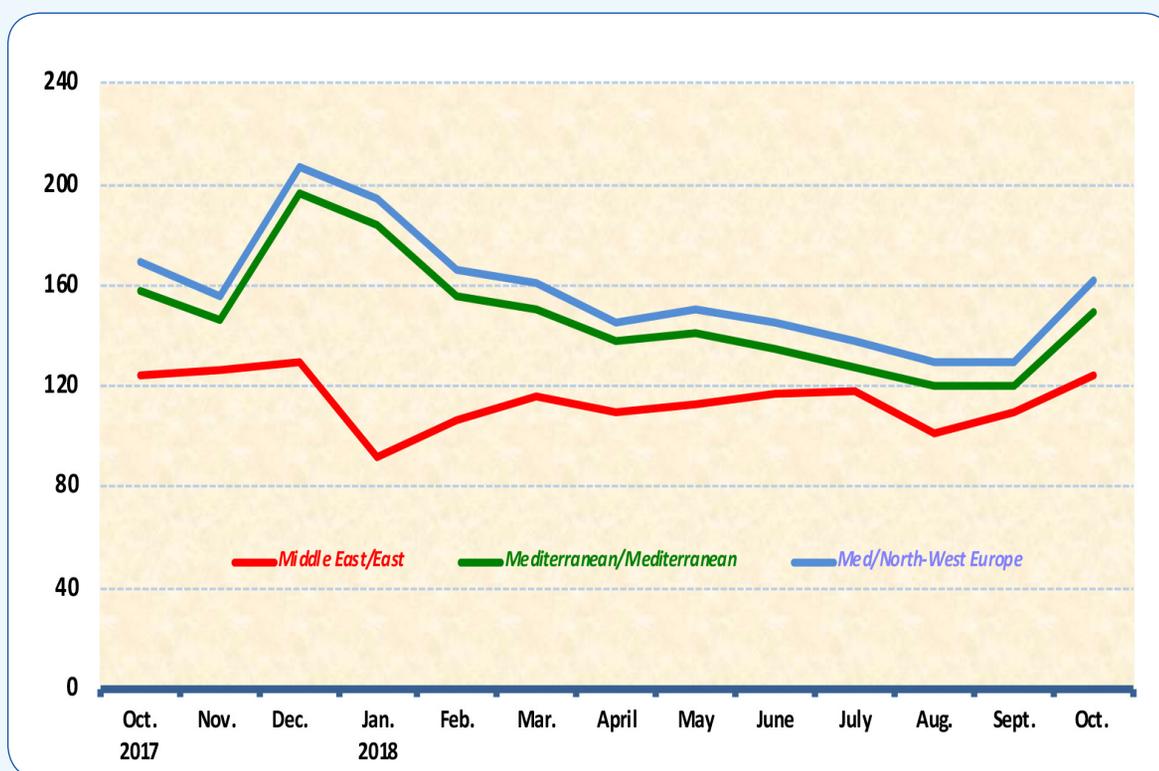


Table (5) and **(6)** in the annex show crude and products Tankers Freight Rates, 2016-2018.

2. Supply and Demand

Preliminary estimates in October 2018 show an increase in world oil demand by 1.9% or 1.9 million b/d, comparing with the previous month level to reach 101.1 million b/d, representing an increase of 1.6 million b/d from their last year level.

Demand in OECD countries increased by 1.5% or 0.7 million b/d, comparing with the previous month level to reach 47.7 million b/d, representing an increase of 0.5 million b/d from their last year level. And demand in Non-OECD countries increased by 2.3% or 1.2 million b/d comparing with their previous month level to reach 53.4 million b/d, representing an increase of 1.1 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for October 2018 increased by 0.4% or 0.4 million b/d, comparing with the previous month to reach 101.4 million b/d, representing an increase of 3.2 million b/d from their last year level.

In October 2018, OPEC crude oil and NGLs/condensates total supplies increased by 0.5% or 0.2 million b/d, comparing with the previous month to reach 39.4 million b/d, representing an increase of 0.2 million b/d from their last year level. And preliminary estimates show that Non-OPEC supplies increased by 0.3% or 0.2 million b/d, comparing with the previous month to reach 62 million b/d, representing an increase of 3 million b/d from their last year level.

Preliminary estimates of the supply and demand for October 2018 reveal a surplus of 0.3 million b/d, compared to a surplus of 1.8 million b/d in September 2018 and a shortage of 1.3 million b/d in October 2017, as shown in [table \(2\)](#) and [figure \(6\)](#):

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

	October 2018	September 2018	Change from September 2018	October 2017	Change from October 2017
<i>OECD Demand</i>	47.7	47.0	0.7	47.2	0.5
<i>Rest of the World *</i>	53.4	52.2	1.2	52.3	1.1
<i>World Demand</i>	101.1	99.2	1.9	99.5	1.6
<i>OPEC Supply :</i>	<u>39.4</u>	<u>39.2</u>	<u>0.2</u>	<u>39.2</u>	<u>0.2</u>
<i>Crude Oil</i>	32.8	32.5	0.3	32.6	0.2
<i>NGLs & Cond.</i>	6.6	6.7	-0.1	6.6	0.0
<i>Non-OPEC Supply</i>	59.7	59.2	0.5	56.7	3.0
<i>Processing Gain</i>	2.3	2.6	-0.3	2.3	0.0
<i>World Supply</i>	101.4	101.0	0.4	98.2	3.2
<i>Balance</i>	0.3	1.8		(1.3)	

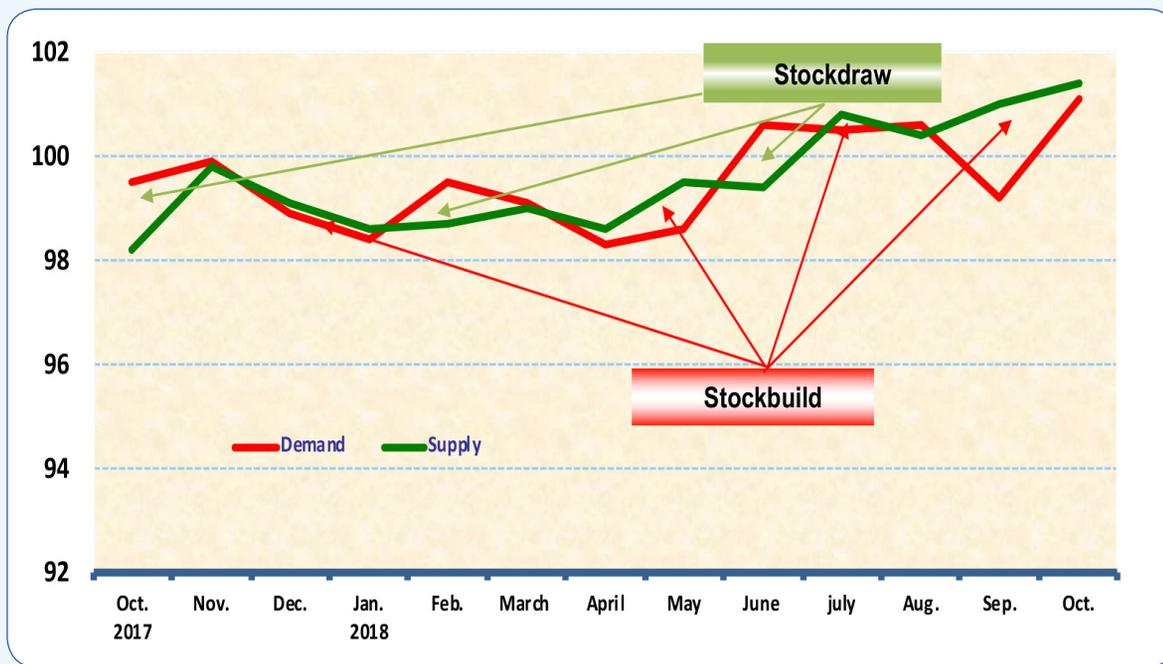
Source: Energy Intelligence Briefing Dec. 20, 2018.

* include 0.2 million b/d of oil needed to fill up the supply system for crude and products, and strategic reserves.



Figure - 6 World Oil Supply and Demand

(Million b/d)



Tables (7) and (8) in the annex show world oil demand and supply for the period 2016-2018.

US tight oil production

In October 2018, US tight oil production increased by 130 thousand b/d or 1.7% comparing with the previous month level to reach 7.8 million b/d, representing an increase of 1.4 million b/d from their last year level. The US oil rig count increased by 8 rig comparing with the previous month level to reach 947 rig, a level that is 151 higher than last year, as shown in table (3) and figure (7):

Table 3 US tight oil production*

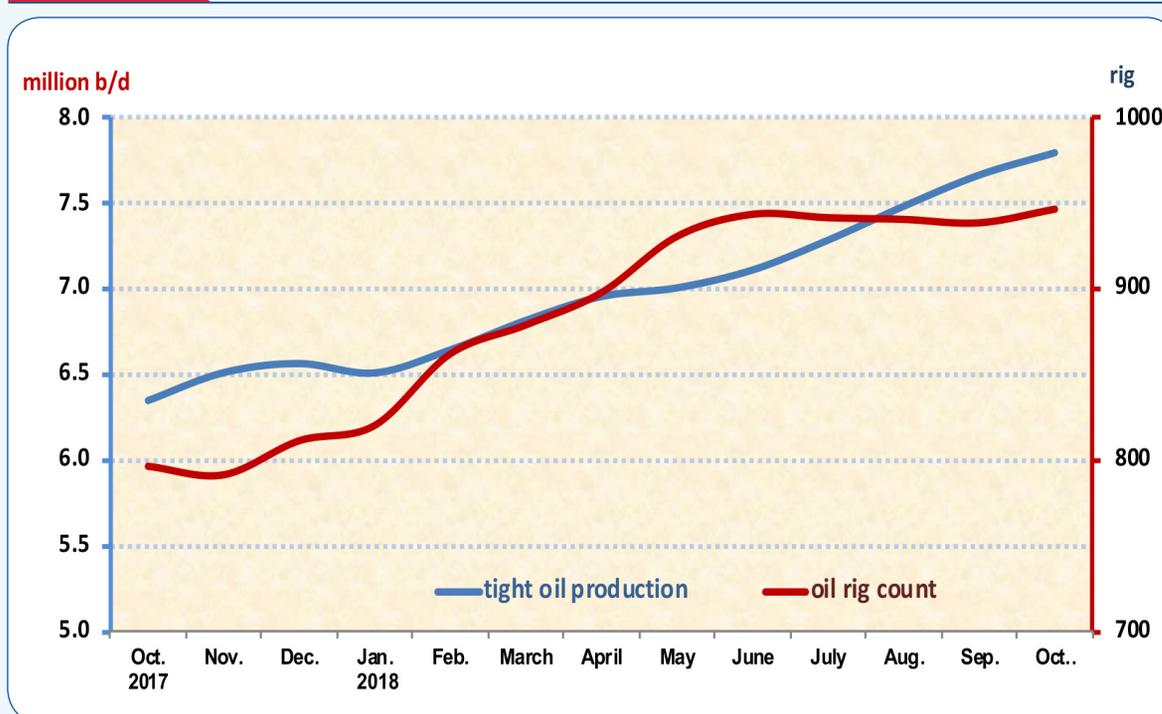
(Million b/d)

	October 2018	September 2018	Change from September 2018	October 2017	Change from October 2017
<i>tight oil production</i>	7.792	7.662	0.130	6.346	1.446
<i>Oil rig count (rig)</i>	947	939	8	796	151

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, December 2018.

* focusing on the six most prolific areas, which are located in the Lower 48 states. These six regions accounted for 92% of domestic oil production growth during 2011-2014, Bakken, Eagle Ford, Haynesville, Niobrara, Permian, Appalachia (Utica and Marcellus), in addition to Anadarko region which become the target of many producers in the recent years, as of July 2017, there are 129 operating rigs in the Anadarko region.

Figure - 7 US tight oil production and oil rig count



3. Oil Trade

USA

In October 2018, US crude oil imports decreased by 337 thousand b/d or 4.3% comparing with the previous month level to reach 7.5 million b/d. And US oil products imports decreased by 529 thousand b/d or 21% to reach about 2 million b/d.

On the export side, US crude oil exports increased by 116 thousand b/d or 5.4% comparing with the previous month level to reach 2.3 million b/d, and US products exports increased by 105 thousand b/d or 2% to reach 5.3 million b/d. As a result, US net oil imports in October 2018 were 1.087 thousand b/d or nearly 36.5% lower than the previous month, averaging 1.9 million b/d.

Canada remained the main supplier of crude oil to the US with 46% of total US crude oil imports during the month, followed by Saudi Arabia with 12%, then Mexico with 10%. OPEC Member Countries supplied 35% of total US crude oil imports.

Japan

In October 2018, Japan's crude oil imports increased by 170 thousand b/d or 6% comparing with the previous month level to reach 3.1 million b/d. And Japan oil products imports except LPG increased by 68 thousand b/d or 11% comparing with the previous month to reach 676 thousand b/d.



On the export side, Japan’s oil products exports decreased in October 2018, by 209 thousand b/d or 33% comparing with the previous month, averaging 418 thousand b/d, the lowest level since October 2017. As a result, Japan’s net oil imports in October 2018 increased by 446 thousand b/d or 15.4% to reach 3.3 million b/d.

Saudi Arabia was the big supplier of crude oil to Japan with a share of 41% of total Japan crude oil imports, followed by UAE with 25% and Kuwait with 7% of total Japan crude oil imports.

Table (4) shows changes in crude and oil products net imports/(exports) in October 2018 versus the previous month:

Table 4 USA, Japan and China Crude and Product Net Imports / Exports (Million bbl/d)

	Crude Oil			oil Products		
	October 2018	September 2018	Change from September 2018	October 2018	September 2018	Change from September 2018
USA	5.253	5.706	-0.453	-3.363	-2.730	-0.633
Japan	3.088	2.918	0.170	0.258	-0.018	0.276

Source: OPEC Monthly Oil Market Report, various issues 2018.

4. Oil Inventories

In October 2018, OECD commercial oil inventories increased by 6 million barrels to reach 2872 million barrels – a level that is 56 million barrels lower than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD increased by 46 million barrels to reach 1085 million barrels, whereas commercial oil products inventories decreased by 40 million barrels to reach 1787 million barrels.

Commercial oil inventories in Americas increased by 2 million barrels to reach 1543 million barrels, of which 603 million barrels of crude and 940 million barrels of oil products. Commercial oil inventories in Pacific increased by 15 million barrels to reach 404 million barrels, of which 157 million barrels of crude and 247 million barrels of oil products. Whereas Commercial oil Inventories in Europe decreased by 11 million barrels to reach 925 million barrels, of which 325 million barrels of crude and 600 million barrels of oil products.

In the rest of the world, commercial oil inventories increased by 10 million barrels to reach 2801 million barrels, and the Inventories at sea increased by 33 million barrels to reach 1221 million barrels.

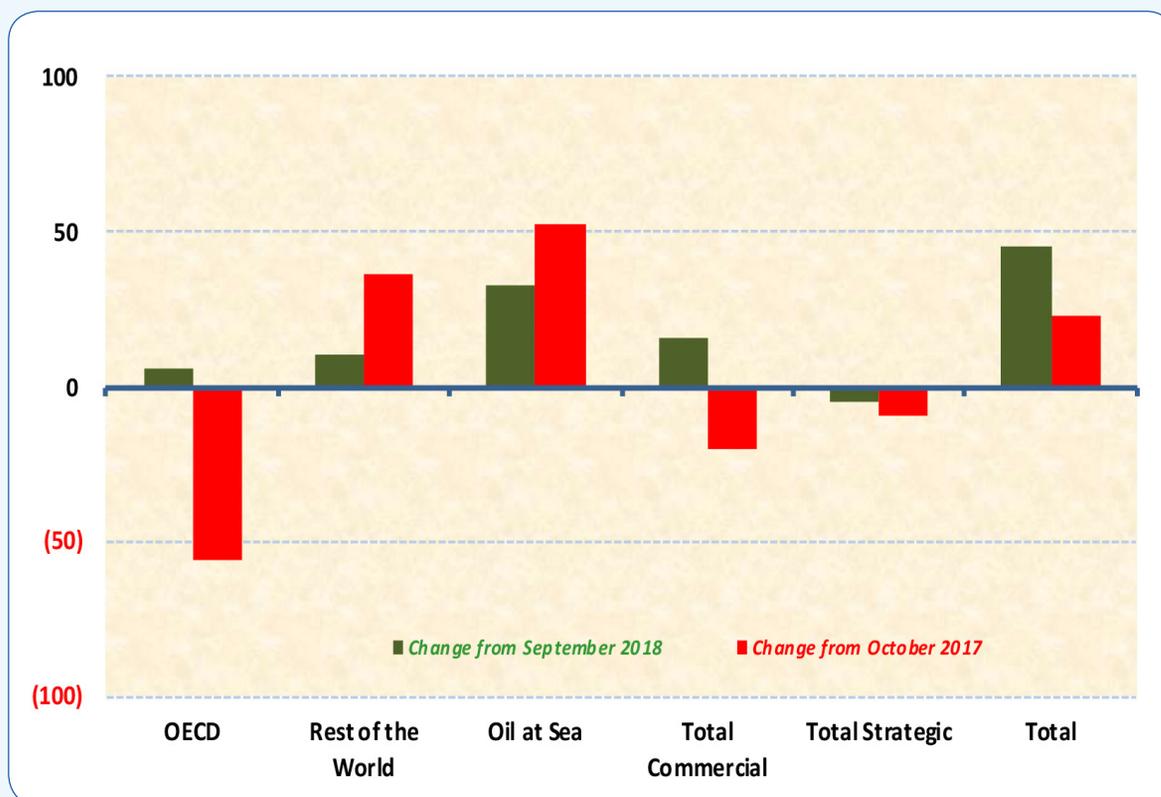
As a result, Total Commercial oil inventories in October 2018 increased by 16 million barrels to reach 5673 million barrels – a level that is 20 million barrels lower than a year ago.

Strategic inventories in OECD-34, South Africa and China decreased by 5 million barrels to reach 1841 million barrels – a level that is 9 million barrels lower than a year ago

Total world inventories, at the end of October 2018 were at 8735 million barrels, representing an increase of 45 million barrels comparing with the previous month, and an increase of 23 million barrels comparing with the same month a year ago.

Table (9) in the annex and **figure (8)** show the changes in global inventories prevailing at the end of October 2018.

Figure - 8 Changes in Global Inventories at the End of October 2018 (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 October 2018 increased by \$0.28/ million BTU comparing with the previous month, to reach \$3.28/ million BTU.

The comparison, shown in **table (5)**, between natural gas prices and the WTI crude reveal differential of \$8.9/ million BTU in favor of WTI crude.

Table 5 Henry Hub Natural Gas and WTI Crude Average Spot Prices, 2017-2018 (\$/ Million BTU¹)

	Oct. 2017	Nov.	Dec.	Jan. 2018	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
<i>Natural Gas</i> ⁽²⁾	2.9	3.0	2.8	3.9	2.7	2.7	2.8	2.8	3.0	2.8	2.9	3.0	3.3
<i>WTI Crude</i> ⁽³⁾	8.9	9.8	10.0	11.0	10.7	10.8	11.4	12.1	11.7	12.2	11.7	12.1	12.2

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: <http://www.eia.gov/dnav/ng/hist/rngwhhdM.htm>

2- LNG Markets in North East Asia

The following paragraphs review the developments in LNG Markets in North East Asia, concerning prices and Japanese, Chinese and South Korean imports of LNG and their sources, and Spot LNG Exporters Netbacks.

2.1. LNG Prices

In October 2018, the price of Japanese LNG imports increased by \$0.3/million BTU comparing with the previous month to reach \$10.9 million BTU, and the price of Korean LNG imports increased by \$0.4/million BTU comparing with the previous month to reach \$11.1/ million BTU, whereas the price of Chinese LNG imports remained stable at the same previous month level of \$8.5/ million BTU.

2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 6.6% or 931 thousand tons from the previous month level to reach 14.933 million tons.

Table (6) shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2016-2018.

Table6 LNG Prices and Imports: Korea, Japan, and China 2016-2018

	Imports (thousand tons)				Average Import Price (\$/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
2016	82767	33257	26017	142041	6.9	6.9	6.5
January 2016	7245	3338	2464	13047	7.9	8.0	7.3
February	7370	2998	1801	12169	8.0	7.8	6.9
March	7959	3282	1702	12943	7.2	7.3	6.6
April	6382	2177	1861	10420	6.4	6.6	6.6
May	5455	2218	1425	9098	5.9	6.0	6.3
June	6193	2484	2146	10823	6.0	5.7	6.0
July	6460	1918	1604	9982	6.3	5.9	5.4
August	7656	1971	2257	11884	6.7	6.3	6.0
September	6671	2236	2527	11434	7.1	6.8	6.1
October	6282	3187	1838	11307	7.2	7.3	6.7
November	7545	3422	2659	13626	7.1	7.5	6.8
December	7549	4026	3733	15308	7.1	7.3	7.1
2017	6969	3138	3191	13298	8.1	8.0	7.3
January 2017	8302	4294	3436	16032	7.5	7.9	7.0
February	7790	3600	2372	13762	7.9	8.0	7.0
March	8143	3527	1991	13661	7.7	7.8	6.9
April	6573	2337	2171	11081	8.2	7.8	7.0
May	6239	2488	2911	11638	8.5	8.3	7.3
June	6185	3460	3038	12683	8.3	7.8	7.1
July	6817	2716	3121	12654	8.3	7.9	7.4
August	7259	2603	3140	13002	8.3	8.2	7.4
September	5821	2368	3454	11643	8.1	8.1	7.2
October	6137	2760	3567	12464	7.8	8.1	7.4
November	6411	3328	4056	13795	7.9	7.7	7.7
December	7953	4176	5029	17158	8.1	8.3	8.1
January 2018	8263	4144	5184	17591	8.7	8.7	8.4
February	8294	4588	3993	16875	9.2	9.9	8.6
March	7934	4304	3254	15492	9.5	9.4	8.7
April	5608	3217	3254	12079	9.4	9.3	8.7
May	6407	2784	4150	13341	9.6	9.8	8.5
June	5547	3758	4000	13305	9.8	9.8	8.5
July	6813	2746	4150	13709	9.8	10.0	8.5
August	7575	2920	4710	15205	10.2	10.2	8.5
September	6274	3358	4370	14002	10.6	10.8	8.5
October	6538	3795	4600	14933	10.9	11.1	8.5

Source: World Gas Intelligence various issues.



2.3. Sources of LNG imports

Australia was the big supplier of LNG to Japan and Korea with 2.927 million tons or 28.3% of total Japan, Korea and China LNG imports in October 2018, followed by Qatar with 18.7% and Malaysia with 11.4%.

The Arab countries LNG exports to Japan and Korea totaled 1.961 million tons - a share 13.1% of total Japanese and Korean LNG Imports during the same month.

2.4. LNG Exporter Netbacks

With respect to the Netbacks at North East Asia markets, Russia ranked first with \$9.90/million BTU at the end of October 2018, followed by Indonesia with \$9.68/million BTU then Malaysia with \$9.62/million BTU, and Australia with \$9.55/million BTU. LNG Qatar's netback reached \$9.17/million BTU, and LNG Algeria's netback reached \$8.57/million BTU.

Table (7) shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of October 2018.

Table7 LNG Exporter Main Countries to Japan, Korea and China, And Their Netbacks* at The End of October 2018

	Imports (thousand tons)			Spot LNG Netbacks at North East Asia Markets (\$/million BTU)
	Japan	Korea	Total	
<u>Total Imports, of which:</u>	<u>6538</u>	<u>3795</u>	<u>10333</u>	
Australia	2338	589	2927	9.55
Qatar	781	1153	1934	9.17
Malaysia	796	377	1173	9.62
Indonesia	495	193	688	9.90
Russia	334	254	588	9.68

* Export Revenues minus transportation costs, and royalty fees.
Source: World Gas Intelligence various issues.

Tables Annex

