

Al Naqi: Natural gas basic for Arab economic development

**HRH Prince Abdulaziz bin Salman:
Bright future for GCC.. Region towards prosperity**

UN Climate Summit

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 activities stopped since 1987). 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.

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UN Climate Summit

The UN Climate Summit 2014, which was held at the United Nations Headquarters in New York on the sidelines of the 69th Session of the United Nations General Assembly, acquired a specific significance for being the most senior international gathering to discuss the phenomena in the past five years, as its high profile audience included state leaders, prime ministers, international organizations, and private sector companies.

The Summit targeted building momentum by urging political leaders to take relevant action and encouraging international measures, initiatives, plans, and projects to reduce greenhouse emissions. This is to pave the way for the UNFCCC negotiations at the COP21 in Paris, France, December 2015.

The Summit also sought agreeing a mutual global vision on achieving economic development with low carbon footprint by focusing on emissions reduction, funding, markets, and carbon pricing.

The Climate Summit highlighted some common grounds shared by all countries from around the world. The shared issues included: the importance of boosting international efforts to face climate change, the relationship between fighting climate change and poverty and supporting sustainable development plans, commitment

to avoiding earth warming beyond 2°C, commitment to finalizing an international agreement at the COP21 in Paris 2015 following a draft agreement to be written at the COP20 in Lima, Peru, December 2014.

OAPEC member countries' delegations, they made a strong and active presence felt at the Summit. The speeches delivered by Their Highnesses and Excellencies the Heads of States and Their Excellencies Petroleum and Energy Ministers in the member countries highlighted clearly the stances of these countries on the climate change issue, which shared the international community's concerns over the phenomena as a major international issue, but at the same time looked into emission reduction solutions without a negative impact on the economic and social development of the developing countries, or the stability of the global energy market. The speeches also stressed the importance of tackling climate change according to the concept of "common but differentiated responsibilities", and the importance of a climate change response that does not affect the economies and sustainable development of member countries.

It is worth mentioning that OAPEC member countries have taken various practical measures towards economic diversification and adaptation in line with the

sustainable development requirements and international efforts to face climate change. These measures included developing energy efficiency, adopting renewable energy (solar and wind), promoting carbon capture and storage (CCS) techniques, converting from liquid fuel to gas, and encouraging clean energy research and development.

OAPEC member countries have hosted a number of international activities in relation to the international efforts to combat climate change, most important of which Qatar's hosting of the COP18, and UAE's hosting of the high profile preparatory ministerial meeting from 4 to 5 May 2014 prior to the UN Climate Summit 2014.

OAPEC Secretariat General has also been so keen on organizing coordination meetings among member countries before the COP meetings and participating in Arab and international events on climate change negotiations. Moreover, the Secretariat General holds regular meetings for member countries in coordination with the Arab Group affiliated from the Arab League or the Group of 77 and China, or with a full coordination with OAPEC member countries and the GCC especially before the annual COP in order to coordinate and unify stances among member countries and other Arab countries.

With the advent of Lima conference in December 2014, an event that enjoys a special significance due to its influence on the international climate change negotiations, developing countries, including Arab countries, are in need of escalating the pace of coordination and communication to safeguard and defend their interests at this international forum. They also need to stress the historical responsibility of the developed countries and their role in creating this phenomena and the necessity of the developed countries' commitment to their duties towards the developing countries.

While following up the developments of the international UNFCCC negotiations, OAPEC Secretariat General has been stressing the importance of observing the general guidelines of the agreement on top of which fair and common but differentiated responsibilities, and the developing countries' right to achieve sustainable development according to their national priorities and development strategies.

The Secretariat General hopes that its member countries succeed in defending their interests in the coming COP meetings within a subjective and comprehensive framework that contributes to protecting their petroleum industry from any measures that could harm this vital industry.

KSA

HRH Prince Abdulaziz bin Salman: Bright future for GCC.. Region towards prosperity



“As global economic activity and energy flows continue to be redirected away from traditional centers of consumption in the OECD towards emerging economies, GCC countries are in a very strong position to benefit from these shifts in economic growth and wealth.”

HRH Prince Abdulaziz bin Salman bin Abdulaziz, Assistant Minister of Petroleum and Mineral Resources for Petroleum Affairs in Saudi Arabia, stressed that the future of Saudi Arabia and fellow GCC countries remains bright as they work diligently to maintain their role as key

exporters in the energy industry while simultaneously taking a larger role in the global economy.

This was the message that HRH Prince Abdulaziz bin Salman bin Abdulaziz, delivered during the Conference on the Arabian Gulf and Regional Challenges, organized by the Institute of Diplomatic Studies from 13 to 17 September in Riyadh. Prince Abdulaziz noted that despite some gloomy predictions spurred by current geopolitics, a perceived lag in the economic recovery and a belief by some that a current abundance of crude oil

points to a potential glut, the Kingdom and its GCC neighbors will continue to prosper for decades to come.

“These supply and demand patterns indicate that the long-term fundamentals of the energy complex remain robust,” Prince Abdulaziz said,

Source: ARAMCO website



noting that like any other

market, temporary factors can affect a short-term price movement. “But for a major oil producer and exporter such as Saudi Arabia with long-term interest in the stability of the market, weekly and even monthly gyrations have little meaning.”

The Prince offered several positive signs in his address, including:

A growing global middle class in emerging markets, especially in Asia where 525 million people — more than the whole population of the European Union — can be considered middle class. And the trend isn’t expected to change, as the middle class worldwide is anticipated to grow from 1.8 billion now to 3.2 billion by 2020 and 4.9 billion by 2030. It is in these markets, said Prince Abdulaziz, that the economy

will be fueled by energy.

Despite recent discoveries in North America and technology’s ability to deliver more output, they have been “just enough to replace the declining rates in existing fields” around the world. Add in to that decreases in exploration investment by some of the industry’s major companies and the Kingdom and GCC’s role as the only supplier of spare oil production capacity ensures its place as a key player in global markets.

That spare capacity also bodes well for the Kingdom’s place in the market, as seen when global demand increased to 8 million bpd between 2002 and 2007 and Saudi Arabia and other GCC producers were able to ramp up production in a relatively short period of time.

Energy Efficiency Programs

Meanwhile, Saudi Arabia and other GCC nations have “been working hard on programs

to increase the efficiency in energy use,” Prince Abdulaziz said, highlighting efforts to promote energy efficiency and increasing the role of renewable energies and nuclear energy into the mix.

This coincides with efforts to diversify the economy in several ways, including:

- Investment in refined and chemicals products seen in such mega-projects as Sadara, Petro Rabigh, Yasref, SATORP and Jazan in Saudi Arabia.
- The development of industrial parks and clusters around the industry (i.e., Saudi Arabia’s industrial clusters) that will help various sectors expand, including minerals and metals processing, automotive ventures, solar energy, plastics and packaging and others.)
- The Kingdom’s support of training and research centers and R&D labs at home and abroad.
- Substantial investments in Saudi Arabia’s mineral and precious stone industry by building up infrastructure, including: power plants; water production, treatment and distribution facilities; roads; and telecommunications.
- Continued investment to upgrade the Kingdom’s transportation industry, including multi-modal facilities in its economic cities.
- The Prince concluded his address by reaffirming the region’s strong position today and in the future. “The GCC will not lose its international and regional prominence and will continue to play a key role in the global political, economic and energy scenes,” he said.

Saudi Aramco has set its October 2014 contract price for propane at \$735 a ton, down \$10 from the September level. The prices provide a benchmark against which Middle East sales of liquefied petroleum gas (LPG) to Asia are priced.

UAE

United Arab Emirates and United States Sign MOU on Energy and Water Cooperation

The U.S. Secretary of Energy Ernest Moniz and UAE Minister of Energy Suhail Al Mazrouei signed a Memorandum of Understanding (MOU) on energy and water cooperation.



The Memorandum of Understanding between the U.S. and the UAE creates a framework for cooperation in the areas of energy and the energy-water nexus, and facilitates sharing technical knowledge, skills and expertise. Planned cooperation will initially focus on five areas, including energy policy formulation, energy efficiency, the energy-water nexus, carbon capture and storage, and unconventional oil and gas development.



The signing of the MOU took place during the UAE Energy Minister's visit to the USA heading a delegation of senior Emarati energy officials. The Minister discussed bilateral cooperation

methods with his US counterpart including clean energy, energy efficiency and means of promoting them. The UAE Energy Minister Suhail Al Mazrouei and his accompanying delegation also took part in the US-UAE Strategic Energy Dialogue.

The visit is an example of the distinguished relations between the UAE and the USA. It also represents the UAE's keenness on cooperating with friendly countries in the fields of water, clean energy, and energy efficiency.



Abu Dhabi Wins Bid to Host 2019 World Energy Congress



Abu Dhabi has won the bid to host the 2019 World Energy Congress, one of the largest energy forums in the world, which is held every three years. The forum gathers leaders and think tanks to come up with solutions on energy issues. Hosting the Congress in Abu Dhabi would mark the first time in the event's 90-year history that it has been held in one of the OPEC member countries.

HE Eng Suhail Bin Mohammad Faraj Faris Al Mazrouei, the UAE Minister of Energy and Chairman of the UAE National Committee for the World Energy Council, WEC, said he was pleased with this achievement, which is a result of the wise directives of the UAE leadership and of the sincere efforts of the UAE's National Committee for WEC. The Minister thanked all countries that voted in favour of the UAE and also members of the UAE's National Committee for WEC.

The first WEC was held in 1923. 20 cities have hosted the event so far, the latest of which was Daegu in Korea with the participation of more than 7000 participants from 120 countries and more than 30 ministers from around the world.



Kuwait

KUFPEC Joins International Shale Oil Venture in Canada

Kuwait Foreign Petroleum Exploration Company (KUFPEC), Kuwait Petroleum Corporation (KPC) subsidiary, announced that its wholly-owned subsidiary KUFPEC Canada Inc. has reached an agreement to create a strategic partnership with Chevron Canada Limited, a wholly-owned subsidiary of Chevron Corporation, to develop liquids-rich shale resources in the Duvernay basin in Canada. This strategic partnership will be made through acquiring a 30% interest in Chevron's entire position for \$1.5 billion, some of which will be paid over time.

The joint venture position consists of approximately 330000 net acres of Chevron-operated leases in the emerging liquids-rich Kaybob area of the Duvernay play in Alberta. The extensive exploration program completed over the last 5 years has produced encouraging well results. These wells and a growing number of others in the Kaybob area with a high liquid content are comparable to the best in the US Eagle Ford shale play.

16 wells have been drilled, and 13 wells completed using multi-stage hydraulic fracturing. 10 wells are currently tied into the extensive local pipeline and processing infrastructure, with initial production rates up to 7.5 million cubic feet of natural gas per day and 1300 barrels of condensate per day.

Chevron has now commenced a full appraisal drilling program which will be conducted between 2014 and 2017. Thereafter, a rolling development is planned, which will see the position developed in phases. KUFPEC estimates that its share of production will contribute materially to its strategic goal of 200000 barrels of oil equivalent per day (BOEPD).

Commenting on the transaction, KUFPEC Chief Executive Officer Shaikh Nawaf Saud Nasir Al-Sabah said: "KUFPEC is delivering on its strategic targets. This project will provide diversified, material, long-life reserves, production and upside in a low-risk business environment, with strong and stable cash flows for decades to come. We are securing the future of the company." This transaction, which will be



KUFPEC's first investment in North America, provides KUFPEC with the opportunity to develop shale technology with a world-class shale operator. Transfer of knowledge and skills to the Kuwaiti oil sector will be driven by Kuwaiti staff working with Chevron on the project in Canada. The transaction is expected to close during November 2014.

KUFPEC is an international petroleum company engaged in the exploration, development, and production of crude oil and natural gas outside the State of Kuwait. It is currently active in 14 countries with 60 projects in the international upstream sector.

KUFPEC continues to work aggressively towards meeting its targets and achieving its strategy plans aiming to increase its production to 200000 BOEPD with reserves of 650 million barrels of oil equivalent (MMBOE) by year 2020 while delivering value to the Kuwaiti oil sector.



TENTH ARAB ENERGY CONFERENCE

Energy & Arab Cooperation

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

Under the Patronage of

His Highness Sheikh Khalifa bin Zayed Al Nahyan,
President of the United Arab Emirates

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.

Organizers



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



المنظمة العربية للتنمية الصناعية والتعدين
Arab Industrial Development and Mining Organisation



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



جامعة الدول العربية
League of Arab States

Egypt

Egypt Signs New Gas Refinery Project

In the presence of senior petroleum officials, Egypt's Minister of Petroleum HE Eng Sherif Ismail witnessed the signing of a contract on building a new gas unit at Suez Refinery at a cost of about \$36 million with production capacity of 200000 tons/year. Following the signing ceremony, the Minister stressed that work is now being done to speed up crucial decisions to develop refinery laboratories and inject fresh investments through adding new developed production units to help boost the laboratory output. The laboratory development will be undertaken in five years at a total value of nearly \$12.5 billion.

HE Eng Sherif Ismail said that regular refinery upgrading is crucial for maintaining them as they are among the most important factors of a strong infrastructure. He explained that refineries also add value to the Egyptian economy especially that the new projects enjoy high economic feasibility. The Minister added that regular refinery upgrading also plays an important role in securing meeting the increasing demand for petroleum products and reducing short and long run imports.

He said that the new unit is the outcome of the scheduled development, placement, and upgrading projects at Suez Refinery aiming at increasing its efficiency and maximizing



its capacity to produce high value petroleum products in demand at the domestic market. Currently, there are plans to start executing a number of other new refinery projects and upgrading existing ones after finalizing the required studies and the ongoing industrial and safety systems development operations at the laboratory to ensure maximum operating rates.

Eng. Mohammed Orabi, Chairman of Suez Oil Processing, said the new unit comes as part of the investment projects priorities scheduled for the fiscal year 2014/2015. It will replace the over 50 years old Unit 14 at the coking and distillation complex.

He noted that the new unit will produce naphtha and gases used in the operating process. He added that the new project observed precise economic principles of operation. It is due to be completed in 29 months.

Agiba Petroleum reported a new production record jumping to 63000 barrels of crude oil per day from its oilfields in West Desert and Gulf of Suez. This success is attributed to the positive output in Emri field in West Desert, which added more than 10000 b/d of crude oil from two new wells Emri-15 and -9. It is a reflection of the petroleum sector's strategy to reach the most ideal economic exploitation of the petroleum resources.



Egypt's Minister of Petroleum HE Eng. Sherif Ismail said that there were good exploration opportunities in the Mediterranean, land and maritime Nile Delta, and Western Sahara. He pointed out that the results of the international bidding by Egypt's General Petroleum Corporation (EGPC) and Natural Gas Holding Company (EGAS) were good and reflected the interest of international investors in the Egyptian petroleum sector.



In a speech delivered during the meeting organized by Dana Gas after winning two blocks in the Nile Delta, part of Egypt's latest oil and gas bidding round, the Minister said that the Egyptian petroleum sector will soon repay about \$1 billion to foreign partners. A further amount will be reimbursed before the end of 2014. The sector also seeks to reduce the amount to \$3 billion to encourage foreign partners to inject more investments which will in turn increase production and reduce import. He explained that the petroleum sector is keen on introducing biddings and concluding petroleum agreements as cornerstone to achieve more discoveries. More investment opportunities will be introduced during the Economic Conference in February 2015 covering petrochemical, refining, and infrastructure projects of high economic feasibility.

The Minister extended thanks and appreciation to the UAE government and people for all the support for Egypt in the past period. He hailed the constructive cooperation between the petroleum sector and Dana Gas since it started operations in Egypt.

Algeria

Sonatrach said it made 18 hydrocarbon finds from January till August 2014. The company explained that thirteen finds were made during the first six months of 2014, seven of which are relating to oil and six to gas, in the basins of Berkine, Illizi, and Oued Mya, around the fields of Hassi Messaoud, as well as in the basin of Gourara, in the country's southwest. As part of the same exploration programme, Sonatrach made five other oil and gas discoveries in July and August. The latest finds, under assessment currently, bring the number of (hydrocarbon) discoveries since the beginning of 2014 to eighteen. The thirteen finds made in the first half of 2014 contain a volume of hydrocarbons estimated, according to Sonatrach, at 235 million proven and probable tons of oil equivalent (TOE) and



159 million possible TEO. In 2013, Sonatrach made 32 new discoveries and drilled 93 wells.

On another note, Sonatrach and Russia's Gazprom announced oil discovery in Berkin Basin (250km from Algeria's largest oil well Hassi Massoud). Exploration took place at a depth of 4120m. The two companies made earlier discoveries in the same area.

In another development, Minister of Energy, Youcef Yousfi, declared that Algeria will build its first nuclear plant before 2029. The country is preparing the experimental reactors and investing in the field of human expertise to reach this goal. Algeria signed a number of international cooperation agreements to use nuclear energy for peaceful purposes.



Qatar



Oilfield services company Gulf Drilling International Ltd (GDI), has signed four new contracts and four contract extensions with Qatar Petroleum (QP), valued at QR 5.2 billion.

The new contracts are for the provision of two new offshore drilling rigs, Dukhan and Halul, and two new land rigs, GDI-7 and GDI-8. The contract extensions allow the continuation of services performed by four land rigs, GDI-1, GDI-2, GDI-3 and GDI-4.

The deal was signed by Minister of Energy and Industry and QP chairman and managing director HE Dr Mohammed bin Saleh Al Sada, and GDI CEO Ibrahim J Al Othman.

Iraq

Kuwait Energy announced that the consortium comprised of Kuwait Energy (70% and operator) and Dragon Oil (30%) has made its first oil discovery at 'Block 9', Iraq. The successful discovery was at the consortium's first target, the Mishrif formation at 2700 meters, in its Block 9 exploration well, 'Faihaa-1', located in Northern Basra, Iraq. Preliminary tests of the Faihaa-1 Mishrif formation resulted in a flow rate of circa 2000 BOPD of 20 API oil on 32/64" choke. The consortium will conduct more detailed testing on Mishrif towards the end of 2014.



On another note, Iraqi Oil Ministry announced August 2014 crude oil exports according to SOMO statistical report. The country brought in \$7.172 billion from exporting 73.6 million barrels of crude. Average selling price was \$97.446 per barrel. 33 international oil companies loaded the amounts from Basra, Khur El Amya, and the Arabian Gulf single floating platforms.

Libya

Indonesia's PT Medco Energi Internasional Tbk, through its subsidiaries PT Medco E&P Indonesia (Medco E&P) and Medco International Venture Limited (MIVL), reported that it has successfully explored and discovered a new oilfield in Nafusah Mountain (Ghadames basin) at the O2 well in Area 47, Libya. Initial tests demonstrated the well was flowing at 3300 barrels of oil per day and 140000 standard cubic feet per day of gas.

Since 2012, the Indonesian company started developing its own production facility including 26 oil wells, due for completion in 2015. Initial production is estimated at a rate of 50000 b/d. The total estimated cost of the project investment is \$800 million funded by MedcoEnergi, with its partners National Oil Corporation (NOC) Libya and Libyan Investment Authority (LIA).

An Invitation to Contribute to the

Oil and Arab Cooperation Journal

The “*Oil and Arab Cooperation Journal*” has the pleasure to invite researchers and specialists of the petroleum industry and developmental issues to participate by publishing their research work and scientific reports in accordance with the following requirements:

1. The magazine publishes original scientific research works in the areas of oil and gas, energy, and economic development which adhere to scientific research methodology and globally recognized procedures. Articles must be written in Arabic and should not be previously published.
2. Article should contain 15-40 pages (and more if required), computer typed. Original shall be printed on A4 in Simplified Arabic font, and shall be paginated.
3. An abstract shall be presented in English, briefing the objective, scope, research methodology, main ideas and conclusions. The abstract should be in the vicinity of 2-3 pages, in clear conceivable manner, without referring to the original text.
4. First page of the research shall contain the time, name(s) of researcher(s), employer, address, telephone numbers, and e-mail. Researcher's name should not be mentioned in the research body.
5. Reference to all sources is made by numbers of footnotes, which are published at the end of the research paper. Recognized scientific principles of documentation shall be considered, including:
 - When the source is mentioned for the first time, the following items should be provided: Book title, name of author, name of publishers, place of publication, number of edition, year of publication, page number.
 - For repeated use, book title and page number shall be mentioned.
6. The research shall be provided with a separate list of footnotes. In the event of foreign sources, an additional list shall be added, apart from the Arabic list, in alphabetical order giving book/research titles, as published in bulletins.
7. A copy of the scientific resume shall be attached, if the researchers has cooperation with the magazine for the first time.
8. The research should not be quoted from a university degree thesis, not previously published, and should not have been submitted to any other publication. The researcher shall provide a separate declaration accordingly.
9. All ideas published on the magazine shall express the opinions of their writers, and not necessarily the view of publishers. Order of researches shall be subject to technical consideration.
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 - The researchers shall be notified, within a maximum of 3 weeks, of receipt of the material for publication.
 - Accepted research authors shall be notified of the approval of the editing panel of publication and date of publication.
 - Researches to which assessors decide any additions of modifications prior to publication shall be returned to their authors, along with comments, for necessary action.
 - Authors of rejected researches shall be notified, without giving reasons.
 - Each author shall be provided with 5 copies of the volume where their research is published.



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The 139th Meeting of OAPEC Executive Bureau



Mr Hassan Mohammed Al Rufai'e
Iraq

OAPEC Executive Bureau held its 139th Meeting on 11 and 12 October 2014 at the Arab Organizations Headquarters Building in Kuwait. The meeting was chaired by HE Mr Hassan Mohammed Al Rufai'e, Iraq's Representative at the Executive Bureau. Iraq heads OAPEC's current round of the year 2014 (including both the Ministerial Council and the Executive Bureau). Their Excellencies the Executive Bureau Members represented their countries in the meeting:

Dr Matar Hamed Al Niyadi	UAE
Mr Ali Abdul Jabbar Al Sawwad	Bahrain
Mr Abdul Qader La'allam	Algeria
Eng. Nasser bin Ibrahim Al Fouzan	KSA
Mr Hassan Mohammed Al Rufai'e	Iraq
Sheikh Misha'al bin Jabr Al Thani	Qatar
Sheikh Talal Nasser Al Athbi Al Sabah	Kuwait
Eng. Mohammed Kamel Al Zindah	Libya
Eng. Amr Abdel Halim	Egypt



Dr Matar Hamed Al Niyadi
UAE



Mr Ali Abdul Jabbar Al Sawwad
Bahrain



Mr Abdul Qader La'allam
Algeria



Eng. Nasser bin Ibrahim Al Fouzan
KSA



Sheikh Misha'al bin Jabr Al Thani
Qatar



Sheikh Talal Nasser Al Athbi Al Sabah
Kuwait



Eng. Mohammed Kamel Al Zindah
Libya



Eng. Amr Abdel Halim
Egypt

Most important topics tackled in the meeting were OAPEC's (Secretariat General and Judiciary Tribunal) provisional budget for the year 2015, and the Secretary General's note on specifying the topic for OAPEC Award 2015.

HE Mr Hassan Mohammed Al Rufai'e opened the meeting with a speech welcoming the Executive Bureau Members while thanking the State of Kuwait for hosting the meeting and providing all facilities to make it happen. He also thanked the Secretariat General for their sincere efforts in organizing the meeting wishing them all success in taking its outcome forward.



OAPEC Secretary General HE Abbas Ali Al Naqi addressed the meeting welcoming Their Excellencies the Executive Bureau Members and wishing them success in their discussions. HE Mr Al Naqi extended thanks to the State of Kuwait for hosting the meeting and for the management of the Arab Organizations Headquarters Building for their efforts which contributed to the success of the meeting.



The 14th Meeting of Experts on Natural Gas Investment Cooperation Potentials in OAPEC Member Countries

Al Naqi: Natural gas basic for Arab economic development



The 14th Meeting of Experts on Natural Gas Investment Cooperation Potentials in OAPEC Member Countries took place on 13 and 14 October 2014 at OAPEC Secretariat General Headquarters. The meeting was attended by OAPEC member countries representatives. OAPEC Secretary General HE Abbas Ali Al Naqi opened the meeting with a speech

stressing the Secretariat General's keenness on encouraging mutual Arab cooperation in the gas industry, and its efforts in providing relevant data and information, in addition to; following up Arab and international developments in the industry. This keenness stems from OAPEC's belief in the importance of natural gas as a basic source for Arab economic development.

HE Al Naqi added that since 2001, the Secretariat General has been eager to hold this meeting regularly to seek potential cooperation opportunities in gas investments in OAPEC member countries. This was done by reviewing developments in the natural gas industry at OAPEC member countries and drawing conclusions from the participants' technical discussions and relevant views in order to enhance mutual cooperation, strengthen relationships, and create an



appropriate atmosphere for Arab cooperation in gas investments.

The Secretary General gave an overview of some of the significant indicators in the natural gas industry during 2013, which witnessed a decline in global demand for natural gas by 1.4% compared to 2.2% in 2012. The world's natural gas production increased by 1.1%, which is less than its growth average of 2.6% in the past ten years. The world's natural gas trade (whether LNG or through pipelines) grew by about 1.8%. His Excellency Mr Al Naqi drew the attention to the increase in domestic demand for natural gas in a number of Arab countries, which led to a drop of about 4% in their total exports compared to 2012. Arab natural gas exports account for about 20% of the world's total trade.

The Secretary General concluded his speech by wishing the participants success in achieving the goals of the meeting while

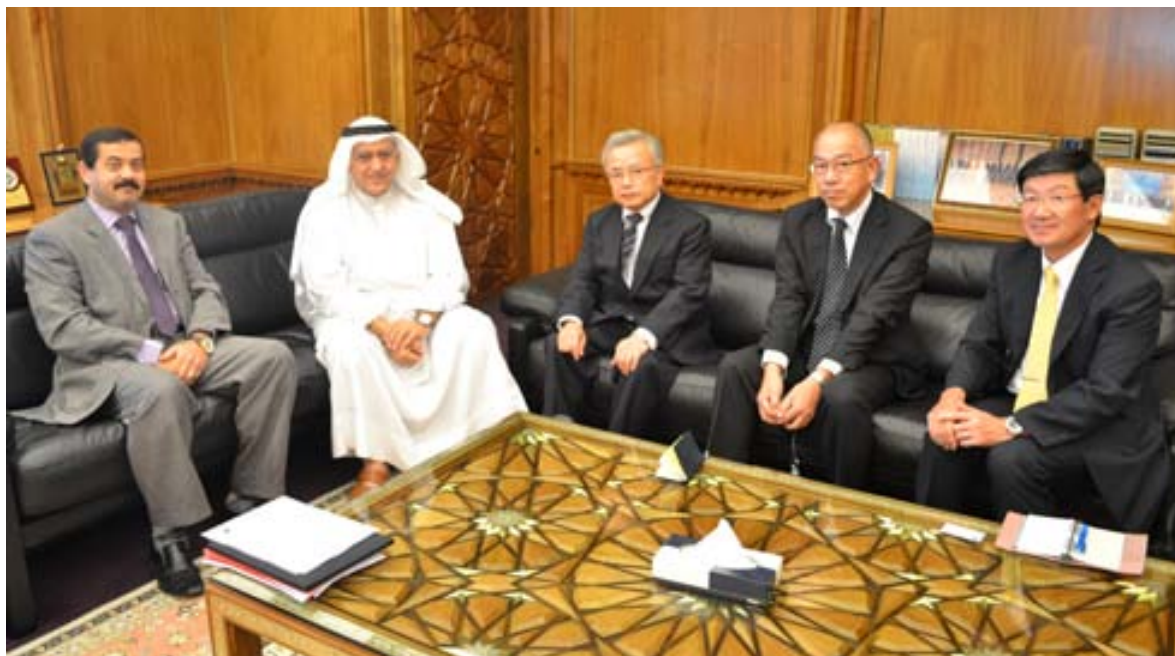
enjoying a pleasant stay in Kuwait.

Experts in the gas industry from Bahrain, KSA, Iraq, Qatar, Kuwait, and Egypt took part in the meeting along with OAPEC Secretariat General Representatives. The participants presented papers on natural gas developments in their countries. The Secretariat General presented a paper summing up a study titled "Natural Gas Industry: Present and Future Prospects in the Arab Countries". Rich discussions followed.

By the end of the meeting, the participants concluded that the member countries were keen on increasing their natural gas reserves, adopting strategic plans for exploiting these resources, and continuing work on executing their development plans. They also stressed the importance of boosting bilateral and multilateral cooperation among member countries in the field of natural gas as significant growth has been noticed in the number of Arab joint ventures.



JCCP Delegation visits OAPEC



OAPEC Secretary General HE Abbas Ali Al Naqi, received Japan's Cooperation Center, Petroleum (JCCP) delegation including:

Mr Eiji Hiraoka, Special Counselor and JCCP President

Mr Tsuyoshi Ota, Technical Cooperation Manager

Mr Junichi Kasuya, General Manager (Riyadh Office)

The Secretary General welcomed the delegation and congratulated Mr Eiji Hiraoka on assuming his new position as President of JCCP. Mr Al Naqi expressed the Organization's keenness on continuing cooperation with JCCP and hailed JCCP's former President Mr Yushida and his prominent role during his tenure in making any joint events a success. Dr Samir Al Qar'esh, Head of the Technical Department (OAPEC), took part in the meeting.

The two sides discussed means to boost future cooperation within the framework of the MOU signed between OAPEC and JCCP. Moreover, measures for ensuring success for the scheduled activities in this year's action plan were discussed. These activities included The Energy Conservation Option in the Oil Refining Industry Conference to be held in Bahrain from 3 to 5 February 2015.



OAPEC Award 2014 Arbitration Committee Meeting



On 16 October 2014, OAPEC Award 2014 Arbitration Committee convened at the Organization's Headquarters in Kuwait. OAPEC Secretary General, **HE Abbas Ali Al Naqi**, chaired the meeting which was attended by committee members:

Dr Samir Mahmoud Al Qar'esh, Head of the Technical Department (OAPEC);

Engineer Emad Nasif Makki, Senior Refining Expert, Technical Department (OAPEC);

Dr Ma'amoun Absi Halabi, Senior Researcher, Petroleum Research Center (KISR), Kuwait;

Dr Mohammed Mahmoud Al Sukkari, Tenured Professor, Petrochemicals Department, Petroleum Research Center, Egypt.

A final report was prepared after collating and discussing the Committee members' remarks on the quality of the presented research works. The report will be presented to the Executive Bureau for consideration then submission to OAPEC Ministerial Council's meeting scheduled to be held in Abu Dhabi on 21 December 2014 to announce winners. The 2014 Award's topic was "Integrity between Refining and Petrochemicals Industries".

OAPEC Scientific Award is a token of the Organization's policy on promoting scientific research by allocating two biannual awards. The first award is KD7,000 (or about \$25,000), the second award is KD5,000 (or about \$18,000).



OAPEC Discusses Media Cooperation with GCC



Upon an invitation by GCC Secretariat General, OAPEC Secretariat General took part in the First Meeting for Petroleum Media Experts from 21 to 22 October 2014 at the GCC Headquarters in Riyadh, KSA. Members of the Petroleum Media Committee, officials from regional and international organizations, and the GCC Secretariat General's media department participated in the event.

The meeting aimed at seeking means of cooperation in petroleum media between OAPEC and the GCC Secretariat General. OAPEC delegation attended a presentation on the GCC petroleum media strategy, including the activation of cooperation between OAPEC and the GCC. OAPEC delegation gave a presentation on the goals and activities of the Organization.

At the end of the meeting, a number of recommendations to activate media cooperation between the two organizations were suggested. OAPEC delegation thanked the GCC Secretariat General for their hospitality and warm welcome.

OAPEC was represented at the meeting by Mr Abdul Karim Ayed, Head of Media and Library Department, and Mr Nasser Bakheet, OAPEC's Monthly Bulletin Editor - In- Charge.



21st Meeting of OAPEC Environment Experts

In line with the action plan of the Organization of the Arab Petroleum Exporting Countries (OAPEC), the 21st Meeting of the Environment and Climate Change Experts of OAPEC took place in Cairo, Egypt, from 27 to 28 October 2014 with the participation of experts from Bahrain, Algeria, KSA, Qatar, Kuwait, Egypt, the Arab League and Gulf Cooperation Council (GCC) General Secretariat, in addition to OAPEC Secretariat General's delegation.

OAPEC Secretary General HE Abbas Ali Al Naqi, opened the meeting welcoming the participants and pointing out that OAPEC has been always keen on arranging such meetings prior to the annual Conference of the Parties (COP) meetings on UNFCCC, which will be held this year in Lima, Peru, from 1 to 12 December 2014. He explained that the goal of the OAPEC meeting is to discuss complicated issues which require advance coordination among member countries and regional organizations in order to safeguard their various interests.

HE Al Naqi underscored the need for a unified stance in Lima COP 2014 since the first draft of the Climate Change Convention beyond 2020 will be issued as an outcome of the conference. The Secretary General stressed the importance of developed countries' commitment to their obligations towards the Convention by introducing an ambitious programme to meet the needs of developing countries in light of the challenges that threaten these countries including climate change. He said that the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts also needs to be activated through funding, technology transfer, and capacity building.

The Secretariat General presented two papers. The first covered 5 main points: UNFCCC negotiations developments, UN Climate Summit held in New York last September, features of the new COP Paris2015 Convention, in addition to Arab and different parties stances towards the negotiations. The second paper tackled IPCC developments, predicted scenarios on reducing greenhouse emissions, their impact on global energy demand until 2100, oil demand according to these scenarios, and the negative impacts of responsive measures taken by developed countries on the economic and social development of member countries.

Two other papers were presented by the Arab League and the GCC tackled Arab countries' efforts to face climate change.

The meeting issued a number of recommendations urging Arab countries to coordinate stances at the COP20.



OAPEC Joint Ventures' 43rd Coordination Meeting

On 29 October 2014, OAPEC Secretariat General held the 43rd Coordination Meeting for OAPEC Joint Ventures in Cairo, Egypt. The meeting was attended by the joint ventures' CEOs or their representatives. OAPEC joint ventures are: Arab Maritime Petroleum Transport Company (AMPTC), Arab Petroleum Investments Corporation (APICORP), Arab Petroleum Services Company (APSCO), Arab Shipbuilding and Repair Yard Company (ASRY),

Arab Drilling and Work-over Company (ADWOC), Arab Well Logging Company (AWLCO), and Arab Geophysical Exploration Services Company (AGESCO).

The meeting aimed at highlighting the activities of the joint ventures during 2013 and the first half of 2014 to maximize inter-cooperation whenever possible. A recommendations and conclusions report will be then submitted to the next OAPEC Ministerial Council's meeting.

3rd Annual Flare Management and Reduction Summit

OAPEC Secretariat General took part in the 3rd Annual Flare Management and Reduction Summit that took place from 26 to 29 October in Abu Dhabi, UAE. The event was organized by the International Quality and Productivity Center (IQPC).

The event included 14 presentations, 2 seminars, and 2 workshops. The Secretariat General presented a keynote opening speech titled **"To Flare or Not To Flare: that is the question?"** by Engineer Torki Hasan Hemsh, Petroleum, Exploration, and Production Expert, Technical Department, OAPEC. He represented OAPEC in the first session on **Current Flare Reduction Methods**. It tackled many important points including the following:

- Specifying total flare levels in the region and understanding relevant strategies for further reduction
- Identifying ideal techniques for gas recovery and flare reduction
- Companies' role in limiting unplanned flare and reducing its environmental effects
- Role of operating companies and new technology producers in improving flare management
- The second session tackled Reduction of Greenhouse Gases Emissions. It focused on:
- Specifying and analyzing current greenhouse gases emissions resulting from flare
- What can be done by companies to reduce its environmental impacts?
- Are there any techniques or strategies that can be adopted by companies in this field?
- Managing flare: an environmental trend or economic strategy?



APICORP Annual Report 2013

Diversifying investments.... leveraging growth opportunities

The Arab Petroleum Investments Corporation (APICORP) released its annual report 2013, which included a full overview of its last year's projects and agreements. It also included a comprehensive analysis of the current situation and future prospects of energy investments in the Arab countries.

The report started with an introduction by Dr Aabed bin Abdullah Al Saadoun, APICORP Chairman, in which he indicated that APICORP posted record financial results for 2013, with net income increasing to a new level of \$112.06 million from \$108.89 million in 2012. On 31 December 2013, total assets had grown by 11.8% to US\$ 5.67 billion; while total shareholders' equity stood at \$1.81 billion, a 38% increase from the end of 2012. This increase was due to successfully securing new investments, plus the revaluation of certain of the Corporation's unlisted direct equity investments to a fair market value, which resulted in the portfolio's book value increasing from \$318 million to \$823 million.

Ahmad Bin Hamad Al Nuaimi, APICORP's CEO and GM said that APICORP continued its efforts in expanding its investment and financing activities' scope to cover new oil and gas sectors, in addition to; supporting projects contributing to boosting economic revenues of energy resources in Arab countries. Al Nuaimi said that in 2013, APICORP has made an acquisition of 6% of the shares of KSA's The Industrialization & Energy Services Company (TAQA). APICORP has also increased their shares in Egypt's EMethanex from 7% to 17%.

Al Nuaimi explained that since its establishment, APICORP has made a significant contribution to the region's energy industry. It has invested, as an equity owner, around \$0.5 billion in 22 oil and gas joint-venture projects worth over \$16 billion.

Business growth

The Corporation's project and trade finance business posted another strong performance in 2013, with net total income growing to a historical level of \$66.7 million, and net loan assets increasing to \$2.92 billion. As a result of the agreement signed with JP Morgan in 2012, APICORP now offers a complete suite of trade finance products and services, comprising letters of credit (LCs) and letters of guarantee, and the handling of export LCs, including advising, negotiation and confirmation. Also during the year, the Corporation introduced residual value guarantees in relation to the APICORP Petroleum Shipping Fund.





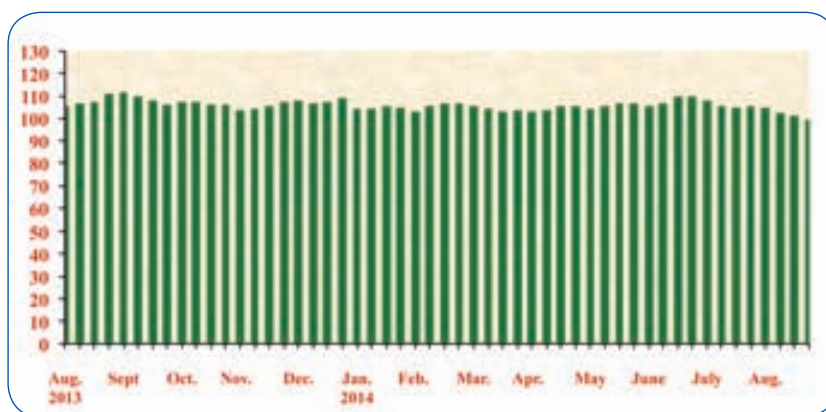
1. Oil Market

1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of August 2014, recording \$104.5/bbl, and continued to decline after that, to reach its lowest level of \$99.2/bbl in the fourth week, 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 \$100.8/bbl, the lowest level in more than a year, representing a decrease of \$4.9/bbl or 4.6% comparing with previous month, and a decrease of \$6.8/bbl or 6.3% from the same month of previous year. Ample supplies, abating the risk of supply disruptions and lackluster refinery demand, were major stimulus for the decrease in oil prices during the month of August 2014.

Key Indicators

- 📁 In August 2014, **OPEC Reference Basket decreased** by 4.6% or \$4.9/bbl from the previous month level to stand at \$100.8/bbl.
- 📁 **World Oil Demand** in August 2014, **decreased** by 0.3% or 0.3 million b/d from the previous month level to reach 93.8 million b/d.
- 📁 **World oil supplies** in August 2014, **increased** by 0.2% or 0.2 million b/d from the previous month level to reach 94.4 million b/d.
- 📁 **US crude oil imports** in July 2014, **increased** by 1.7% from the previous month level to reach 7.4 million b/d, whereas **US product imports decreased** by 11.5% to reach about 1.7 million b/d.
- 📁 **OECD commercial inventories** in July 2014 **increased** by 24 million barrels from the previous month level to reach 2679 million barrels, whereas **Strategic inventories** in OECD-34, South Africa and China **remained stable** at 1758 million barrels.
- 📁 **The average spot price of natural gas** at the Henry Hub in August 2014 **increased** by \$0.1/million BTU from previous month level to reach \$3.85/ million BTU.
- 📁 **The Price of Japanese LNG imports** in July 2014 by \$0.04/m BTU to reach \$16.1/m BTU, **the Price of Korean LNG imports decreased** by \$0.3/m BTU to reach \$16.3/m BTU, and **the Price of Chinese LNG imports decreased** by \$0.9/m BTU to reach \$10.3/m BTU.
- 📁 **Arab LNG exports to Japan, Korea and China** were about 4.098 million tons in July 2014 (a share of 34.6% 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)

	Aug. 2013	Sept.	Oct.	Nov.	Dec.	Jan 2014	Feb.	Mar.	Apr.	May	June	July	Aug.
OPEC Basket Price	107.5	108.7	106.7	105.0	107.7	104.7	105.3	104.2	104.3	105.4	107.9	105.6	100.8
Change From previous Month	3.0	1.2	-2.0	-1.7	2.7	-3.0	0.7	-1.2	0.1	1.2	2.5	-2.3	-4.9
Change from same month of previous Year	-2.0	-2.0	-1.7	-1.9	1.1	-4.6	-7.4	-2.2	3.2	4.8	6.9	1.2	-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)

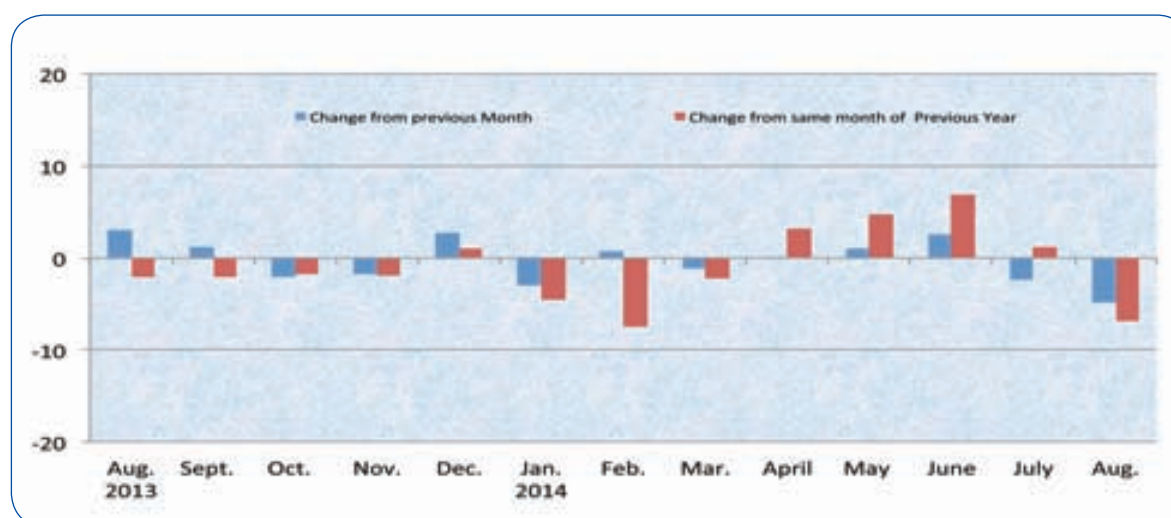


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2012-2014.

1-2 Spot Prices of Petroleum Products

- US Gulf

In July 2014, the spot prices of premium gasoline decreased by 5.3% or \$7.2/bbl comparing with their previous month levels to reach \$128.2/bbl, spot prices of gas oil decreased by 2.7% or \$3.3/bbl to reach \$117.6/bbl, and spot prices of fuel oil decreased by 4.8% or \$4.8/bbl to reach \$94.5/bbl.



- Rotterdam

The spot prices of premium gasoline decreased in July 2014, by 1.8% or \$2.3/bbl comparing with their previous month levels to reach \$128.1/bbl, spot prices of gas oil decreased by 2.0% or \$2.4/bbl to reach \$119.2/bbl, and spot prices of fuel oil decreased by 5.0% or \$4.9/bbl to reach \$93.8/bbl.

- Mediterranean

The spot prices of premium gasoline decreased in July 2014, by 2.7% or \$3.5/bbl comparing with previous month levels to reach \$122.9/bbl, spot prices of gas oil decreased by 2.4% or \$3.0/bbl to reach \$119.8/bbl, and spot prices of fuel oil decreased by 5.7% or \$5.7/bbl to reach \$94.5/bbl.

- Singapore

The spot prices of premium gasoline decreased in July 2014 by 1.4% or \$1.7/bbl comparing with previous month levels to reach \$122.0/bbl, spot prices of gas oil decreased by 1.6% or \$2.0/bbl to reach \$120.2/bbl, and spot prices of fuel oil decreased by 2.8% or \$2.7/bbl to reach \$94.5/bbl.

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

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

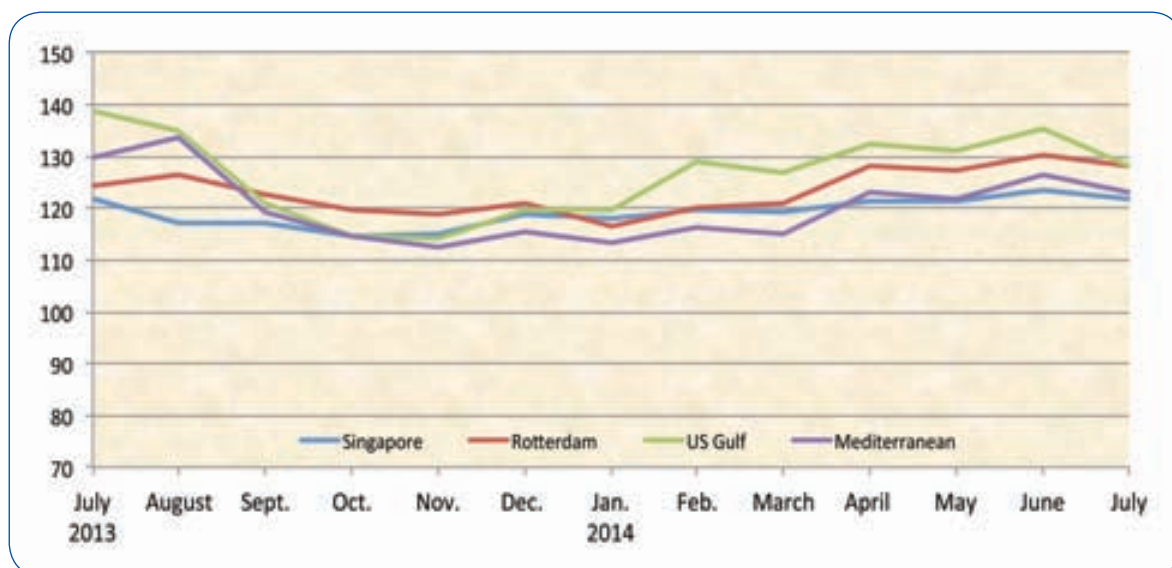


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2012-2014.



1-3 Spot Tanker Crude Freight Rates

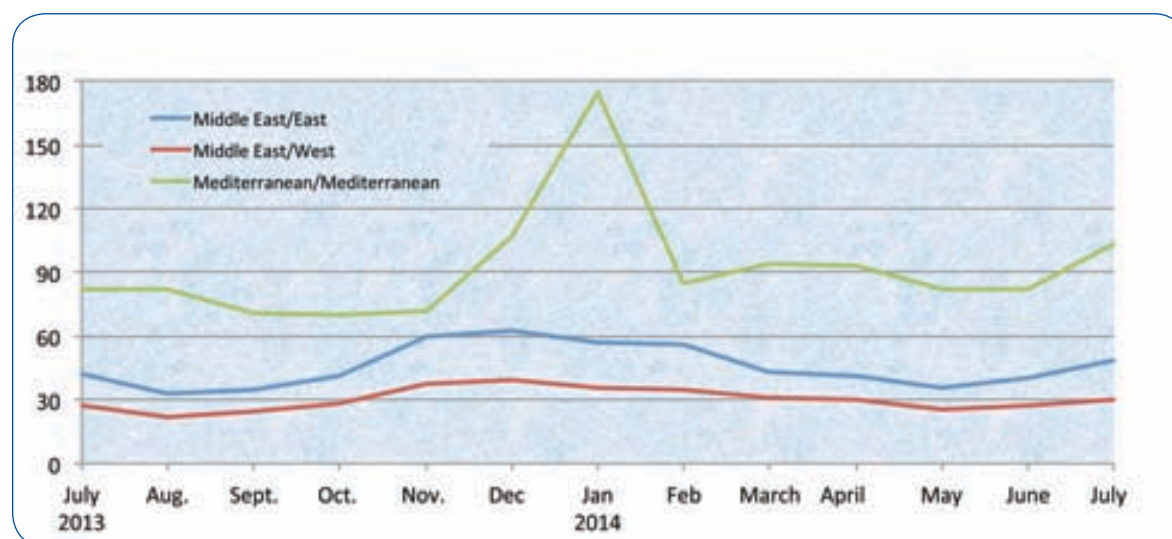
In July 2014, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 9 points or 22.5% comparing with previous month to reach 49 points on the World Scale (WS*).

Freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, increased by 3 points or 11.1% 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)), increased by 21 points or 25.6% comparing with previous month to reach 103 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from July 2013 to July 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 July 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 6 points or 5.5% comparing with previous month to reach 104 points on WS.

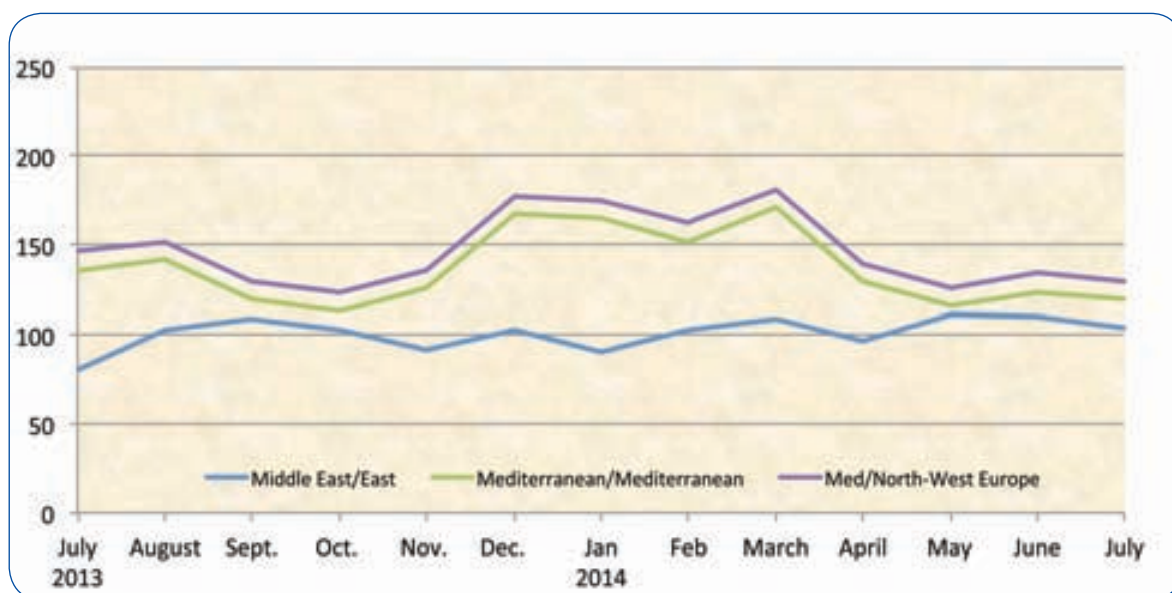


Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 4 points, or 3.2% to reach 120 points on WS, similarly freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe decreased by 4 points, or 3.0% to reach 130 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from July 2013 to July 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 August 2014 show a decrease in world oil demand by 0.3% or 0.3 million b/d, comparing with the previous month to reach 93.8 million b/d, representing an increase of 0.6 million b/d comparing with their last year level.

Demand in OECD countries decreased by 0.2% or 0.1 million b/d comparing with their previous month level to reach 46.4 million b/d, the same level of last year, and demand in Non-OECD countries decreased by 0.4% or 0.2 million b/d comparing with their previous month level to reach 47.4 million b/d, representing an increase of 0.6 million b/d from their last year level.



On the supply side, preliminary estimates show that world oil supplies for August 2014 increased by 0.2% or 0.2 million b/d comparing with the previous month level to reach 94.4 million b/d, a level that is 2.8 million b/d higher than last year.

In August 2014, OPEC crude oil and NGLs/condensates total supplies increased by 0.5% or 0.2 million b/d comparing with the previous month level to reach 36.8 million b/d, a level that is 0.1 million b/d lower than last year. Preliminary estimates show that Non-OPEC supplies remained stable at the same previous month level of 57.6 million b/d, a level that is 2.8 million b/d higher than last year.

Preliminary estimates of the supply and demand for August 2014 reveal a surplus of 0.6 million b/d, compared to a surplus of 0.1 million b/d in July 2014 and a shortage of 1.6 million b/d in August 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)

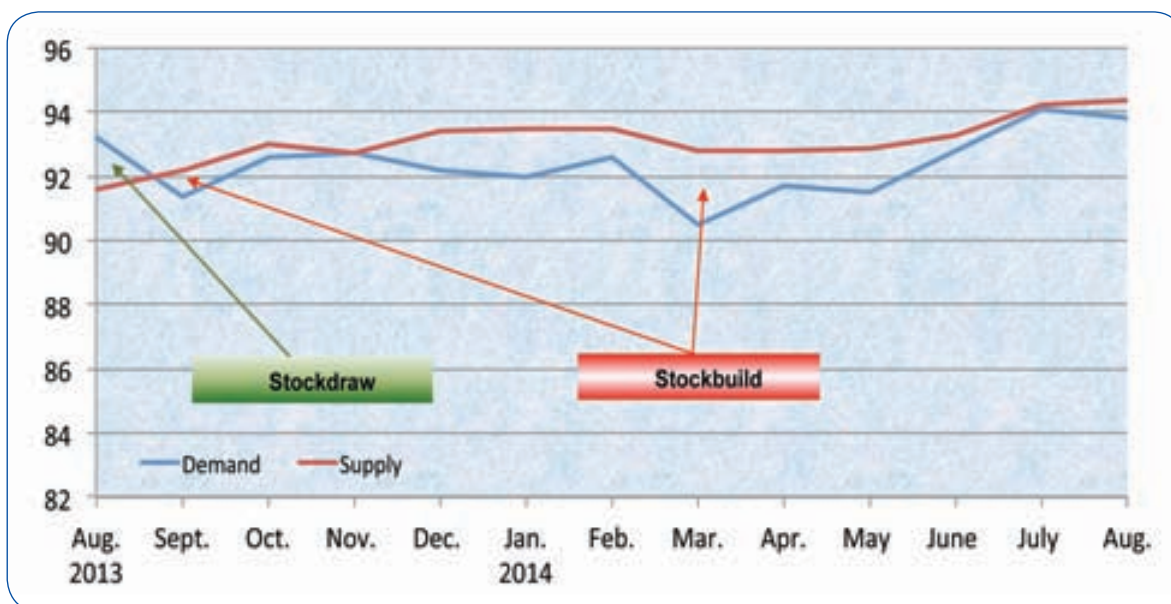
	<i>August 2014</i>	<i>July 2014</i>	<i>Change from July 2014</i>	<i>August 2013</i>	<i>Change from August 2013</i>
<i>OECD Demand</i>	46.4	46.5	-0.1	46.4	0.0
<i>Rest of the World</i>	47.4	47.6	-0.2	46.8	0.6
<i>World Demand</i>	93.8	94.1	-0.3	93.2	0.6
<i>OPEC Supply:</i>	36.8	36.6	0.2	36.9	-0.1
<i>Crude Oil</i>	30.3	30.1	0.2	30.5	-0.2
<i>NGL's & Cond.</i>	6.5	6.5	0.0	6.4	0.1
<i>Non-Opec Supply</i>	55.3	55.1	0.2	52.6	2.7
<i>Processing Gain</i>	2.3	2.5	-0.2	2.2	0.1
<i>World Supply</i>	94.4	94.2	0.2	91.6	2.8
<i>Balance</i>	0.6	0.1		-1.6	

Source: Energy Intelligence Briefing September 14, 2014.



Figure - 6 World Supply and Demand

(Million b/d)



3.Oil Trade

USA

In July 2014, US crude oil imports increased by 125 thousand b/d or 1.7% comparing with the previous month level to reach 7.4 million b/d, whereas US oil products imports decreased by 221 thousand b/d or 11.5% to reach about 1.7 million b/d.

On the export side, US crude oil exports increased by 151 thousand b/d to reach about 262 thousand b/d and US products exports increased by 59 thousand b/d or 2% comparing with the previous month level to reach 3.1 million b/d. As a result, US net oil imports in July 2014 were 306 thousand b/d or nearly 5% lower than the previous month, averaging 5.7 million b/d.

Canada remained the main supplier of crude oil to the US with 39% of total US crude oil imports during the month, followed by Saudi Arabia with 25% and Mexico with 10%. OPEC Member Countries supplied 43% of total US crude oil imports.

Japan

In July 2014, Japan's crude oil imports increased by 87 thousand b/d or 3% comparing with the previous month to reach 3.1 million b/d. Japan oil product imports also increased by 65 thousand b/d or 12 % comparing with the previous month to reach 631 thousand b/d, the highest level the Japan had seen since March 2014.



On the export side, Japan's oil products exports increased in July 2014, by 12 thousand b/d or 3% comparing with the previous month, averaging 475 thousand b/d. As a result, Japan's net oil imports in July 2014 increased by 140 thousand b/d or 4.5% to reach 3.2 million b/d.

Saudi Arabia remained the main supplier of crude oil to Japan with 34% of total Japan crude oil imports, followed by UAE with 27% and Qatar with 11% of total Japan crude oil imports.

China

In July 2014, China's crude oil imports decreased by 70 thousand b/d or 1% to reach 5.6 million b/d, and China's oil products imports decreased by 162 thousand b/d or 17% to reach 797 thousand b/d.

On the export side, Chinese oil products exports remained stable at the same previous month level of 662 thousand b/d. As result, China's net oil imports reached 6.0 million b/d, representing a decrease of 4% comparing with the previous month.

Saudi Arabia remained the main supplier of crude oil to China with 16% of total China's crude oil imports during the month, followed by Angola with 12% and Iraq with 10% of total China's crude oil imports.

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

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

	Crude Oil			Total Products		
	July 2014	June 2014	Change from June 2014	July 2014	June 2014	Change from June 2014
USA	7.094	7.120	-0.026	-1.432	-0.152	-0.280
Japan	3.097	3.011	0.087	0.156	0.103	0.053
China	5.610	5.680	-0.070	0.135	0.297	-0.162

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



4. Oil Inventories

In July 2014, OECD commercial oil inventories increased by 24 million barrels to reach 2679 million barrels – a level that is 6 million barrels higher than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 13 million barrels to reach 1002 million barrels, whereas commercial oil products inventories increased by 37 million barrels to reach 1677 million barrels.

Commercial oil inventories in Americas increased by 13 million barrels to reach 1394 million barrels, of which 516 million barrels of crude and 878 million barrels of oil products. Commercial oil Inventories in Europe increased by 8 million barrels to reach 890 million barrels, of which 327 million barrels of crude and 563 million barrels of oil products. Commercial oil inventories in Pacific increased by 3 million barrels, to reach 395 million barrels, of which 159 million barrels of crude and 236 million barrels of oil products.

In the rest of the world, commercial oil inventories decreased by 25 million barrels to reach 2352 million barrels, whereas the Inventories at sea increased by 30 million barrels to reach 1023 million barrels.

As result, Total Commercial oil inventories in July 2014 decreased by 1 million barrels comparing with the previous month to reach 5030 million barrels – a level that is 157 million barrels higher than a year ago.

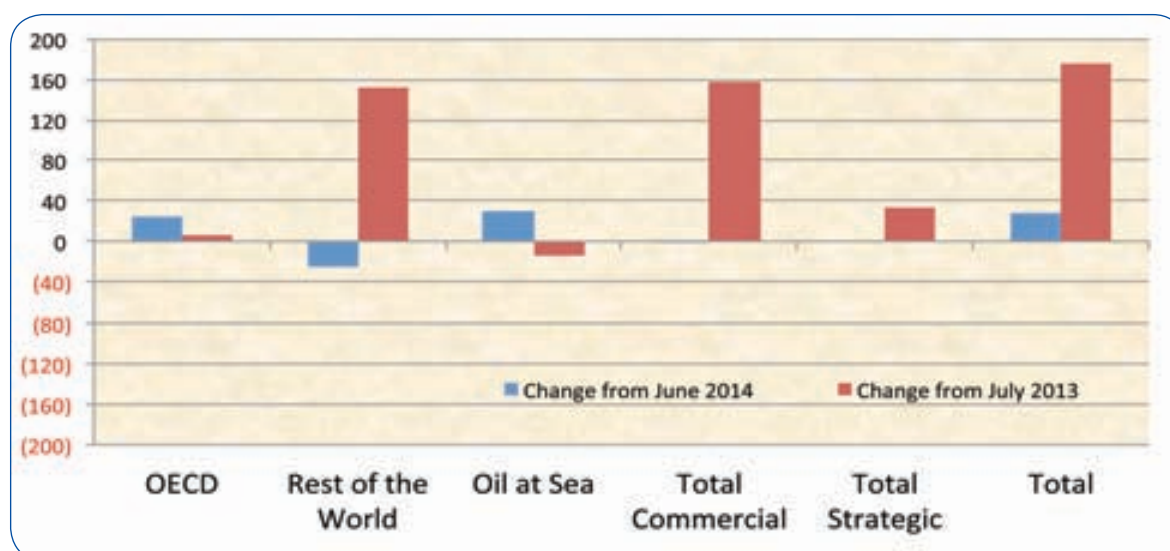
Strategic inventories in OECD-34, South Africa and China remained stable at the same previous month level of 1758 million barrels – a level that is 33 million barrels higher than a year ago.

Total world inventories, at the end of July 2014 were at 7811 million barrels, representing an increase of 28 million barrels comparing with the previous month, and an increase of 176 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 July 2014.

**Figure - 7** Changes in Global Inventories at the End of July 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 August 2014 increased by \$0.1/million BTU comparing with the previous month to reach \$3.85/ 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 \$12.7/ million BTU in favor of WTI crude and \$12.4/ 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 BTU¹)

	Aug. 2013	Sept.	Oct.	Nov.	Dec.	Jan. 2014	Feb.	Mar.	Apr.	May	June	July	Aug.
Natural Gas ⁽²⁾	3.4	3.6	3.7	3.6	4.2	3.3	5.8	3.8	4.7	4.6	4.1	3.8	3.9
WTI Crude ⁽³⁾	18.4	18.3	17.3	16.2	16.8	16.4	17.4	17.3	17.6	17.6	18.1	17.7	16.6
Low Sulfur Fuel Oil (0.3%)	16.7	17.0	17.7	19.1	19.4	19.0	20.7	18.3	18.0	17.1	16.9	17.4	16.4

1. British Thermal Unit.

2. Henry Hub spot price.

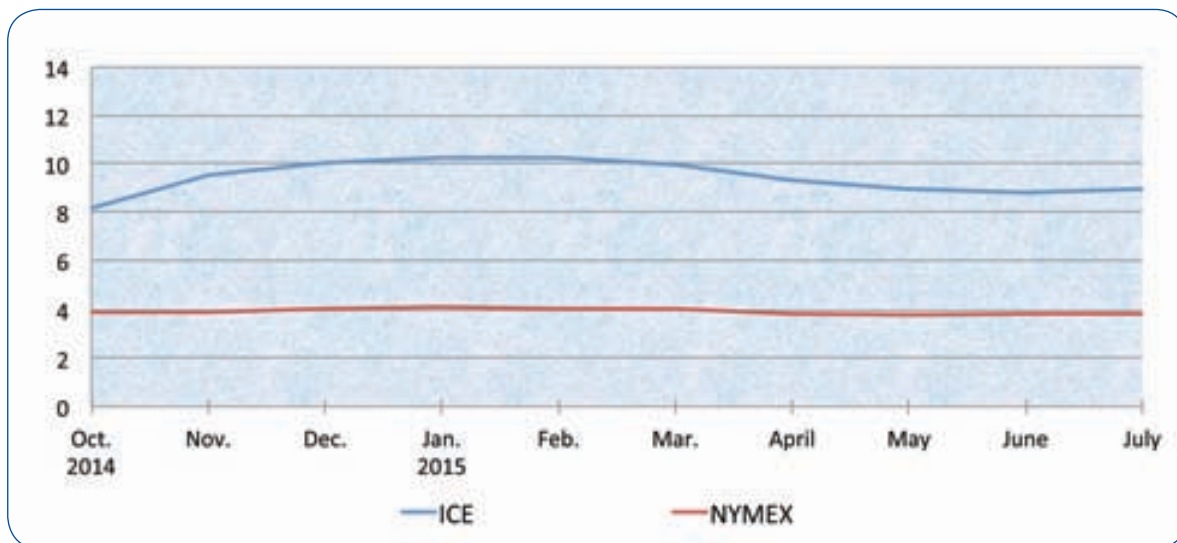
3. WTI – West Texas Intermediate Crude oil price, in dollars per barrel, is converted to dollar per million BTU using a conversion factor of 5.80 million BTU/bbl.

Source: World Gas Intelligence September 3, 2014.



Futures gas prices recorded on September 8, 2014, indicate that those quoted at the London's ICE were higher than those quoted at the NYMEX for the period from October 2014 to July 2015, with maximum differential of \$6.17/ million BTU in February 2015. These developments are shown in figure (8).

Figure - 8 Gas Futures, September 8, 2014 (\$/Million BTU)



Source: World Gas Intelligence September 10, 2014.

2- Asian LNG Markets

In July 2014, the price of Japanese LNG imports decreased slightly by \$0.04/million BTU comparing with the previous month to reach \$16.1/ million BTU, the price of Korean LNG imports decreased by \$0.3/million BTU comparing with the previous month to reach \$16.3/ million BTU, and the price of Chinese LNG imports decreased by \$0.9/million BTU comparing with the previous month to reach \$10.3/ million BTU.

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 14.3% or 1.484 million tons from the previous month level to reach 11.855 million tons.

The Arab countries LNG exports to Japan, Korea and China totaled 4.098 million tons - a share 34.6% 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				10.Average Import Price		
	(thousand tons)				(\$/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
May	6495	2212	1579	10286	16.3	16.3	11.4
June	6821	2207	1343	10371	16.1	16.6	11.2
July	7838	2182	1835	11855	16.1	16.3	10.3

Source: World Gas Intelligence various issues.



Oman

BP Oman announced that Oman's Abraj Energy Service has been awarded more than \$330 million contracts to supply three drilling rigs for the full field development of the Khazzan Project. Also, KCA Deutag has been awarded more than \$400 million contracts for the construction and operation of five new build land rigs for Khazzan. The rigs are being assembled in Nizwa to help increase production up to about one billion cubic feet of gas per day and 25000 b/d of gas condensates.

On another note, Oman Oil Company Exploration and Production LLC ("OOCEP") is planning to start commercial production at Abu Tubul Field Block 60 in the Sultanate of Oman. OOCEP will become the first Omani company to produce unconventional gas following its success in using the potentials of the field, which exists within tight reservoirs.

Russia

Russian Energy Ministry's data showed that Russia's crude oil production reached 10.6 million barrels per day (bpd) in September compared to 10.52 barrels per day in August 2014, or an increase of 8%. Gas production reached 1.47 billion cubic meters per day in September compared to 1.38 billion cubic meters per day in August.

China

China National Offshore Oil Corp. Ltd. Announced the discovery of a giant gas field in the deep waters to the north of the South China Sea; named Lingshui 17-2. It is a significant discovery for the oil and gas exploration in China's deep waters. CNOOC said that its HYSY 981 — China's first deepwater drilling rig- has broken 3 records, namely its success in deepwater testing, the discovery of the first highly-rewarding gas field during exploration, in addition to using Chinese-made testing technology for the first time for such a discovery.

OPEC

Oil price forecasts cut, to stay subdued in 2015: Reuters poll

Reuters' monthly energy survey results showed that the production of members of the Organization of the Petroleum Exporting Countries (OPEC) have risen to 810000 b/d in Septemebr compared to August 2014. This rise has been supported by an increase of oil supplies from Iraq and Libya. Other OPEC members maintained their current production rates unchanged. Supplies remained higher than OPEC target rates of 30 million b/d.



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