



## **Arab Petroleum Investments:** **Reality and Ambition**

# ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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

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

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

## OAPEC'S ORGANS

The Organization carries out its activities through its four organs:

- **Ministerial Council:** The Ministerial Council is the supreme authority of the Organization, responsible for drawing up its general policy.
- **Executive Bureau:** The Executive Bureau is composed of one representative from each of the member countries, drawing recommendations and suggestions to the Council, reviewing the Organization's draft annual budget and submitting it to the Council, it also adopts the regulations applicable to the staff of the General Secretariat. The resolutions of the Executive Bureau are issued by the majority of two-thirds of all members.
- **General Secretariat:** The General Secretariat of OAPEC plans, administers, and executes the Organization's activities in accordance with the objectives stated in the agreement and directives of the Ministerial Council. The General Secretariat is headed by the Secretary General. The Secretary General is appointed by resolution of the Ministerial Council for a tenor of three years renewable for similar period(s). The Secretary General is the official spokesman and legal representative of the Organization and is accountable to the Council. The Secretary General directs the Secretariat and supervises all aspects of its activities, and is responsible for the tasks and duties as directed by the Ministerial Council. The Secretary General and all personnel of the Secretariat carry out their duties in full independence and in the common interests of the Organization member countries. The Secretary General and the Assistant Secretaries General possess in the territories of the Organization members all diplomatic immunities and privileges.
- **Judicial Tribunal:** The protocol of the Judicial Tribunal was signed in Kuwait on 9 May 1978 and came into effect on 20 April 1980. The Tribunal is competent to consider all disputes related to the interpretation and application of OAPEC's establishment agreement, as well as disputes arising between two or more member countries concerning petroleum operations.
- **OAPEC-Sponsored Ventures:** OAPEC has sponsored the creation of four companies: The Arab Maritime Petroleum Transport Company (AMPTC), established in 1972 with headquarters in Kuwait City, the Arab Shipbuilding and Repair Yard Company (ASRY) established in 1973 with headquarters in Bahrain, the Arab Petroleum Investments Corporation (APICORP) established in 1974 with headquarters in Khobar, Saudi Arabia, the Arab Petroleum Services Company (APSC) established in 1975 with headquarters in Tripoli, Libya.

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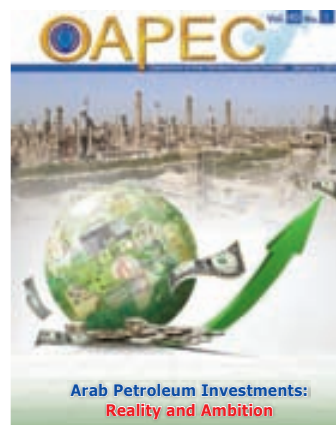


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# Arab Petroleum Investments: Reality and Ambition

Since the outset of last century, petroleum industry has attained a prominent foothold at the level of global economy. Crude oil has been viewed as a significant strategic commodity and a major source of global energy owing to the volume of consumption, compared to the other sources of energy. It has been utilized as a source of energy for activities and industries that intensively require energy, such as aluminum and steel.

The majority of international energy organizations expect that fossil fuel (oil and natural gas) will contribute, for decades to come, to meeting the global demand for energy, especially in the transport sector, which serves as the main driver of global demand for oil, and electricity generation sector, which largely relies on natural gas.

Certainly, such expectations regarding the future of demand for energy necessitate that OAPEC member countries continue their relentless efforts towards contributing to the activities that aim at stabilizing the petroleum market and maintaining its leading global position at the level of proven oil and natural gas reserves. By the end of 2012 proven oil reserves of OAPEC members amounted to about 700 billion barrels, representing 55% of total proven global oil reserves. Meanwhile, their proven natural gas reserves totaled about 53 trillion cubic meters by the end of 2012, or 28% of total proven global natural gas reserves.

Over the past decades, OAPEC member countries have spared no effort towards upgrading their petroleum industry by implementing numerous leading projects, resulting in major achievements. Collectively, the member countries, in 2012, realized 79 significant oil discoveries, including 57 in the Arab Republic of Egypt. During the same period, they made 56 major gas discoveries, mostly in the Arab Republic of Egypt and the Democratic Republic of Algeria. These obvious achievements of our member countries at the level of petroleum industry have been realized as a result of their clear efforts in prequalifying their industrial infrastructure, and by coping with the technological breakthroughs in petroleum industry.

Amongst the distinctive Arab petroleum projects recently accomplished by OAPEC member countries are Manifa submerged oil development in the Kingdom of Saudi Arabia, with estimated full production capacity of about 900,000 b/d by the end of 2014, and Pearl project in the State of Qatar to convert gas into liquids, which is classified at one of the world's major gas projects. It should also be noted that most of the member countries declared their tendency to raise their petroleum investments to increase their crude oil and natural gas production.

A recent study issued by the Arab Petroleum Investments Corporation (APICORP), one of OAPEC-sponsored ventures, indicates that during the period 2013-2017 the capital investments in Arab energy sector will amount to about \$470 billion. Oil and natural gas chain will claim one-third of investments. Kingdom of Saudi Arabia tops the list of Arab countries in terms of the volume of energy investments, with about \$165 billion, followed by the UAE, with nearly \$107 billion, and the Democratic Republic of Algeria, with projects estimated at about \$71 billion. These figures reflect the serious steps forward taken by those countries to implement their petroleum projects, in spite of the geopolitical developments in the Arab region that have taken place for two years, causing foreign direct investment (FDI) to retreat to some extent. In 2012 Arab countries group, among seven geographic groups, ranked fifth worldwide. The Kingdom of Saudi Arabia and UAE topped the list of Arab countries in terms of foreign investments attractiveness, most of which concentrated on petroleum industry.

Notably, prominent efforts exerted by our member countries were conducive to developing their economic and administrative structures within the plans aimed at effectively and tangibly achieving sustainable development, which will positively reflect on the various areas of investment, mainly petroleum investments. Against the efforts made, and being made by the petroleum producing and exporting countries to secure stable supplies to petroleum market, it is essential to stress the importance of securing demand by the major consuming countries in order to attain the appropriate economic yield on such huge petroleum investments at all stages of petroleum industries, including exploration, production, refining etc.

In this context, petroleum producing and exporting countries, including OAPEC members, stress the importance of continuing the rounds of dialogue between producing and consuming countries in respect of the reality and outlook of petroleum industry, so as to secure a better future for this industry.

OAPEC General Secretariat, while monitoring the developments in Arab and global petroleum investments, it highly commends the distinctive efforts of our member countries in this field. The General Secretariat reiterates the call for concerted efforts of all international parties related to petroleum industry, including producing and consuming countries, international organizations, national and global oil companies, to contribute to achieving stability of global petroleum market.

The Tenth Arab Energy Conference, which will be held in Abu Dhabi, UAE, during the period 27-29 October 2014, under co-sponsorship by OAPEC, Arab Fund for Economic and Social Development (AFESD), the League of Arab States (LAS), and Arab Industrial Development and Mining Organization (AIDMO), represents the proper platform for meeting by Their Excellencies the Ministers of Petroleum, Energy and Electricity in the Arab countries, as well as heads of energy and petroleum international organizations, and an elite of economists and energy experts. Current energy issues, including petroleum investments required to develop the energy sector in the Arab countries, will be reviewed during the conference.

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## Al-Naqi: UAE Substantial Role in Supporting the Arab Energy Conference



His Excellency Mr. Abbas Ali Al-Naqi, met at his office on Wednesday, 15 January 2014, a delegation from the Ministry of Energy of the UAE, headed by His Excellency Dr. Matar Bin Hamid Al-Niadi, Undersecretary of the Ministry of Energy, and Representative of the UAE to OAPEC Executive Bureau.

During the meeting, the UAE delegation members were acquainted with the General Secretariat's preparations for the Tenth Arab Energy Conference, to be convened in Abu Dhabi during the period 27-29 October 2014, under the patronage of His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Deputy President, Prime Minister and Dubai Governor. The Conference is co-organized by OAPEC, Arab Fund for Economic and Social Development (AFESD), League of Arab States (LAS), Arab Industrial Development and Mining Organization (AIDMO). It will be attended by Their Excellencies the Ministers of Energy and Petroleum in the Arab countries, as well as a group of heads of international energy organizations, Arab and foreign energy experts and specialists.

From his part, His Excellency Mr. Abbas Ali Al-Naqi, OAPEC Secretary General, commended the visit, and extended thanks and appreciation to the UAE for hosting the Tenth Arab Energy Conference. In this context, His Excellency stated that the territories of the UAE had witnessed the launch of the First Session of the Arab Energy Conference in 1979.

Since then, UAE has been keenly desirous to fully support the Arab Energy Conference through the participation of official delegations, by presenting country papers, and through the participation of UAE researchers in presenting lectures during the Conference.



**TENTH ARAB ENERGY CONFERENCE**

## His Excellency Dr. Ali Saleh Al-Umair Appointed as Minister of Oil and State Minister for National Assembly Affairs



His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, Amir of the State of Kuwait, has promulgated Decree No. (2) of 2014, reshuffling the Kuwaiti government. According to the Decree, **His Excellency Dr. Ali Saleh Al-Umair, was appointed as Minister of Oil and State Minister for National Assembly Affairs**, in succession of His Excellency Mr. Mostafa Jassim Al-Shamali, Deputy Prime Minister and Minister of Oil in the State of Kuwait.

In his name, and on behalf of OAPEC General Secretariat staff, His Excellency Mr. Abbas Ali Al-Naqi, OAPEC Secretary General, sent a congratulating cable to Dr. Ali Saleh Al-Umair on the occasion of his new post, anticipating continuation of the support provided by the State of Kuwait to the Organization's business activities, thus contributing to the endeavors to achieve the goals and objectives of OAPEC.

His Excellency Dr. Ali Saleh Al-Umair is one of the well-known academic figures in Kuwait. He is holder of Masters and PhD degrees in Analytical Chemistry from Kent University, UK. His Excellency held several positions in the State of Kuwait, mainly as Member of the Kuwaiti National Assembly (Parliament) for more than one legislative session, during which His Excellency chaired a number of parliamentary committees, including the Environment Committee. Prior to this, His Excellency held the post of Laboratories Director at Kuwait Institute for Scientific Research (KISR) during the period 1996-2006. His Excellency Dr. Ali Saleh Al-Umair has numerous researches and scientific contributions published in international scientific bulletins in the areas of water, environment and food.



## Afro-Arab Economic Forum



In response to an invitation by the Kuwait Fund for Arab Economic Development the General Secretariat participated in the events of the Afro-Arab Economic Forum, which was held in the State of Kuwait during the period 11-12 November 2013,

And was organized by the Kuwait Fund for Arab Economic Development in collaboration with the Arab League and Organization of African Union, under the slogan **“Beyond Promises: Expecting Effective Afro-Arab Partnership”**. The event was held under the auspices of HH Sheikh Jaber Al-Mubarak Al-Sabah, Prime Minister, and was attended by HE Sheikh Salem Abdul Aziz Al-Sabah, Deputy Prime Minister and Minister of Finance.

Participants to the Forum were ministers, top government officials, public and private sector entity leaders, specialized Arab and African institutions, regional and international organizations, consultants specialized in investment, economic consultants, investment promotion agencies, business councils, regional economic groups and civil society organizations.

The program covered a variety of topics, including Afro-Arab developmental cooperation, investment policy, laws and regulations in African countries, Afro-Arab bilateral investments, Afro-Arab bilateral food security cooperation, and the role of non-governmental organizations (NGOs) in developmental assistance. In conclusion of the events, the Forum came up with a number of recommendations, which were referred to the 3<sup>rd</sup> Afro-Arab Summit, also held in the State of Kuwait during the period 19-20 November 2013. The General Secretariat was represented to the Forum by **Mr. Abdul Fattah Dindi**, Director of Economic Department.

\* Prepared by the Information and Library Department



## Arab Investment Forum: Investment Attractiveness Gap



OAPEC General Secretariat participated in the events of the Arab Investment Forum: Investment Attractiveness Gap, which was held in the State of Kuwait during the period 11-12 December 2013, with the participation of a number of investment ministers, heads of investment encouragement and planning entities in the Arab countries, representatives of commercial, industrial and agricultural chambers, Arab businessmen and investors, and representatives of regional organizations and Arab countries experts.

The Arab Investment and Export Credit Guarantee Corporation (DHAMAN), in cooperation with the Arab Planning Institute, and Kuwait Direct Investment Promotion Authority organized the forum, which aims at benefiting from the successful Arab experiments in the area of foreign investment encouragement and study of the main planning, legislative and institutional obstacles, in addition to treating the shortcomings in the Arab investment environment. The forum also aims at reformulating the investment policies in the Arab countries, within the framework of the policies and strategies of the developmental plans, and transformation of the opportunities available in the Arab countries, in general, and capital recipient countries, in particular, into partnership projects that support the developmental process.

The forum addressed a number of significant topics via four sessions: The first session was entitled “Arab Countries: Investment Attracting Region, between the Attractiveness Gap and Performance Gap”, the second session was entitled “Investment Promotion within the Framework of Developmental Policies and Plans”, the third was entitled “Opportunities and Challenges of Investment in the Arab Countries, and, finally, the fourth session was entitled “Foreign Direct Investment (FDI): Axial Issues.” In conclusion, the Arab Investment Forum draw several recommendations at its first session, mainly: Objectives diagnosis of investment challenges, establishing country investment facilities and provision of investment friendly environment, activating joint Arab action in investment and setting out practical mechanism to implement the recommendations.

The General Secretariat was represented to this forum by **Mr. Abdul Fattah Dandi**, Director of Economic Department, and **Mr. Abdul Karim Ayed**, Director of Information and Library Department.

## Meeting of the Joint Higher Committee for Preparation of the 4<sup>th</sup> Session of China-Arab Energy Cooperation Conference

In line with the preparations for the 4<sup>th</sup> China-Arab Energy Cooperation Conference, a meeting was held at the headquarters of the Arab League in Cairo, on 11 December 2013, by only by the Arab side of the joint higher committee, which was attended by a delegation from the Kingdom of Saudi Arabia, chaired by the Undersecretary of the Ministry of Water and Electricity, in addition to Arab League, represented by the Director of Energy Department, and Head of Electricity Section of the Department, OAPEC, represented by Mr. Ali Rajab, Economist at the Economic Department, as well as Arab Atomic Energy Agency (AAEA), represented by the Director General.

The meeting, in addition to a number of other topics, addressed the main topics to be tackled under

the events of the 4<sup>th</sup> Session of the Conference, including China-Arab partnerships and cooperation in the areas of petroleum and natural gas, electrical power technologies and economics, renewable energy technologies and economics, and peaceful uses of atomic energy.

It is noted that the formation of the higher committee was made in accordance with the contents of the Memorandum of Understanding (MOU) between the Arab League and China National Energy Authority, which was signed on 28 January 2010 on the sidelines of the 2<sup>nd</sup> Session of the China-Arab Energy Cooperation Conference, which was held in Khartoum during the period 26-28 January 2010. The committee was assigned to prepare and monitor the China-Arab Energy Cooperation Conference.

## ANNUAL STATISTICAL REPORT 2013

### Arab and Global Statistics: Overview

In line with its relentless efforts towards disseminating energy data, making such data accessible to researchers, employees and specialists in energy and oil industry, the General Secretariat of OAPEC has published its Annual Statistical Report for 2013. The Report contains, in its nine parts, energy data of member countries and other Arab countries, in addition to aggregate data of OPEC members and the world for the period 2008-2012.

In this context, the General Secretariat updates its statistical data based on the Energy Data Collection Form of member countries, and the data issued by Arab national institutions, as well as other secondary sources in the event that the former is unavailable.

The report contains nine main parts. **Part I** includes general indicators of OAPEC member countries. **Part II** reviews data of reserves, production and new discoveries. **Part III** addresses the oil and natural gas industries. **Part IV** of the report reviews the oil and energy consumption in OAPEC member countries and other Arab countries including crude oil and petroleum products consumption, by product, and consumption of natural gas, coal, and hydroelectric energy. **Part V** of the Report reviews oil and natural gas trade in OAPEC members and other Arab countries, covering data of crude oil, petroleum products, and natural gas imports and exports.

**Part VI** tackles average spot prices of Arab and global crudes, monthly and annual spot prices of OPEC basket and energy products prices in local currencies and US dollars for the period 2010-2013.

Moreover, **Parts VII** and **VIII** of the report contains cover statistical data of oil and natural gas transport operations in terms of the number of tankers, load, and pipeline grid available in OAPEC member countries. the report also reviews the data relating to electrical power in terms of installed capacity, maximum electrical load, generated and consumed power, as well as the composed generation capacities by generation type. Finally **Part IX** reviews the conversion factors used in the report, sources, and certain technical and economical definitions.

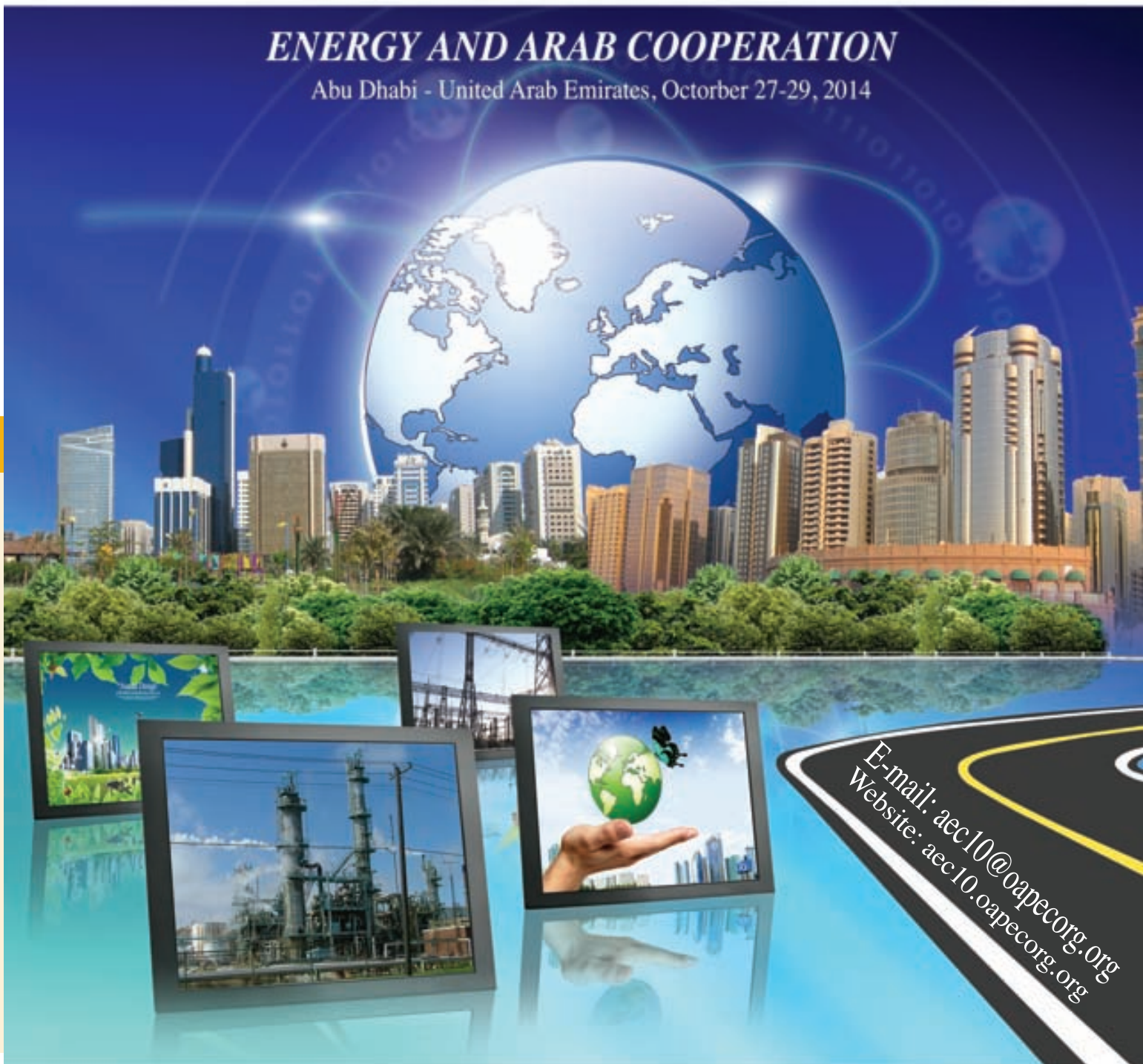




## ***TENTH ARAB ENERGY CONFERENCE***

### ***ENERGY AND ARAB COOPERATION***

Abu Dhabi - United Arab Emirates, October 27-29, 2014



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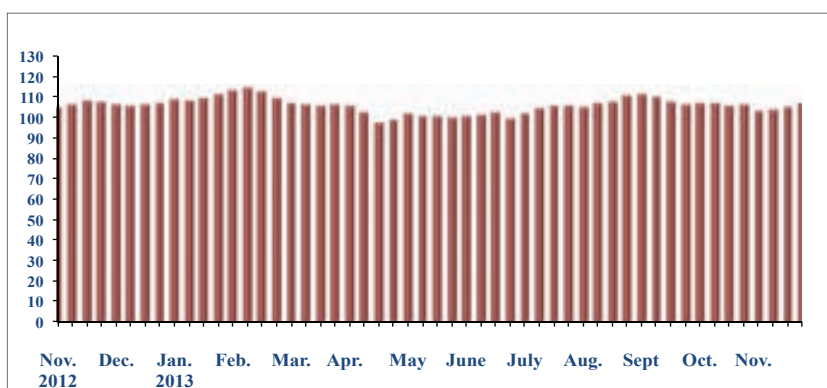
## 1. Oil Market

### 1. Prices

#### 1-1 Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of November 2013, recording \$103.3/bbl, the lowest level since the beginning of July 2013, and changed course after that, to reach its heights level of \$107/bbl in the fourth week, as shown in figure 1:

**Figure - 1** Weekly Average Spot Price of the OPEC Basket of Crudes 2012 - 2013 (\$/bbl)



On monthly basis, OPEC Reference Basket averaged \$105/bbl, representing a decrease of \$1.7/bbl or 1.6% comparing with previous month, and a decrease of \$1.9/bbl or 1.8% from the same month of previous year. Concerns about global economy recovery were major stimulus for the decline in prices during the month of October 2013.

### Key Indicators

- 📄 In November 2013, **OPEC Reference Basket decreased** by 1.6% or \$1.7/bbl from the previous month level to stand at \$105/bbl.
- 📄 **World Oil Demand** in November 2013, **increased** by 1% or 0.9 million b/d from the previous month level to reach 93.5 million b/d.
- 📄 **World oil supplies** in November 2013, **increased** by 1.2% or 1.1 million b/d from the previous month level to reach 94.1 million b/d.
- 📄 **US crude oil imports** in October 2013, **decreased** by 2.6% from the previous month level to reach 7.7 million b/d, whereas **US product imports increased** by 8% to reach about 2.0 million b/d.
- 📄 **OECD commercial inventories** in October 2013 remained stable at the same previous month level of 2644 million barrels. whereas **Strategic inventories** in OECD-34, South Africa and China **increased** by 8 million barrels to reach 1926 million barrels.
- 📄 **The average spot price of natural gas at the Henry Hub** in November 2013 **decreased** by \$0.05/million BTU from previous month level to reach \$3.62/ million BTU.
- 📄 **The Price of Japanese LNG imports increased** in October 2013 by \$0.3/m BTU to reach \$15.2/m BTU, whereas the **Price of Korean LNG imports decreased** by \$0.5/m BTU to reach \$14.4/m BTU, and the **Price of Chinese LNG imports decreased** by \$2.4/m BTU to reach \$9.4/m BTU.
- 📄 **Arab LNG exports to Japan, Korea and China** were about 4.727 million tons in October 2013 (a share of 39.1% of total imports).



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, 2012-2013** (\$/bbl)

	Nov.	Dec.	Jan 2013	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
Monthly Change	-1.5	-0.3	2.7	3.5	-6.4	-5.3	-0.4	0.4	3.4	3.0	1.2	-2.0	-1.7
Month-on-Month Change from the Previous Year	-3.2	-0.7	-2.5	-4.7	-16.6	-17.1	-7.4	7.1	4.9	-2.0	-2.0	-1.7	-1.9

\* 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 12<sup>th</sup> and 13<sup>th</sup> 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, 2012-2013** (\$/bbl)

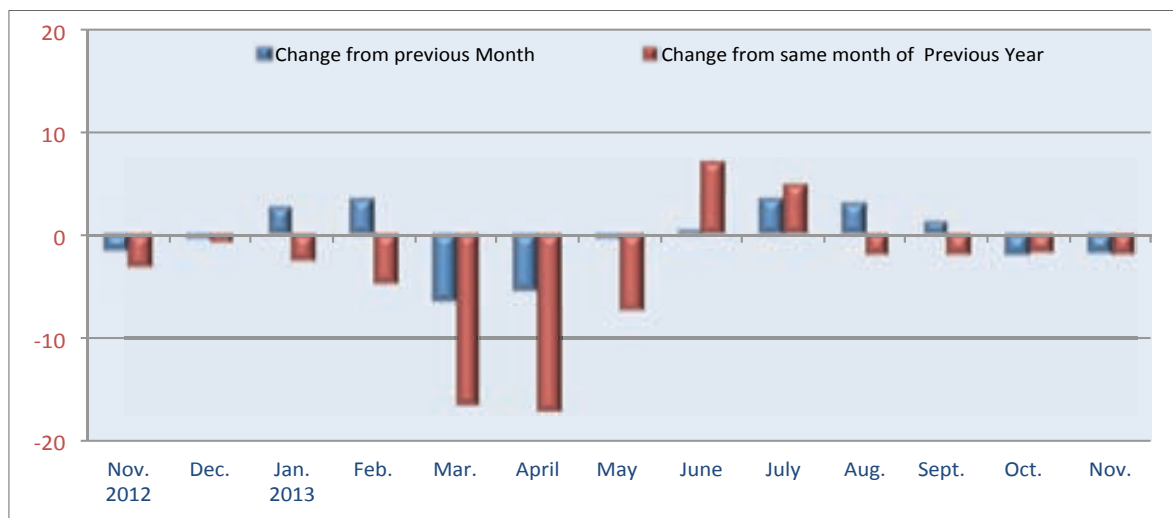


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2011-2013.

## 1-2 Spot Prices of Petroleum Products

### - US Gulf

In October 2013, the spot prices of premium gasoline decreased by 5.3% or \$6.4/bbl comparing with their previous month levels to reach \$114.7/bbl, reflecting an expected seasonal drop in demand, spot prices of gas oil decreased by 1.1% or \$1.3/bbl to reach \$122.2/bbl, and spot prices of fuel oil decreased by 2.9% or \$2.9/bbl to reach \$98.7/bbl.

### - Rotterdam

The spot prices of premium gasoline decreased in October 2013, by 2.4% or \$3.0/bbl comparing with their previous month levels to reach \$119.5/bbl, spot prices of gas oil decreased by 2.0% or \$2.5/bbl to reach \$124.8/bbl, and spot prices of fuel oil decreased by 2.1% or \$2.0/bbl to reach \$93.9/bbl.

### - Mediterranean

The spot prices of premium gasoline decreased in October 2013, by 4.0% or \$4.8/bbl comparing with previous month levels to reach \$114.5/bbl, spot prices of gas oil decreased by 0.9% or \$1.2/bbl to reach \$125.2/bbl, and spot prices of fuel oil decreased by 2.5% or \$2.5/bbl to reach \$96.5/bbl.

### - Singapore

The spot prices of premium gasoline decreased in October 2013 by 2.5% or \$2.9/bbl comparing with previous month levels to reach \$114.4/bbl, and spot prices of gas oil decreased by 0.4% or \$0.5/bbl to reach \$125.2/bbl, whereas spot prices of fuel oil increased by 0.6% or \$0.6/bbl to reach \$96.9/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from October 2012 to October 2013.

Figure - 3

Monthly Average Spot Prices of Premium Gasoline, 2012-2013

(\$/bbl)

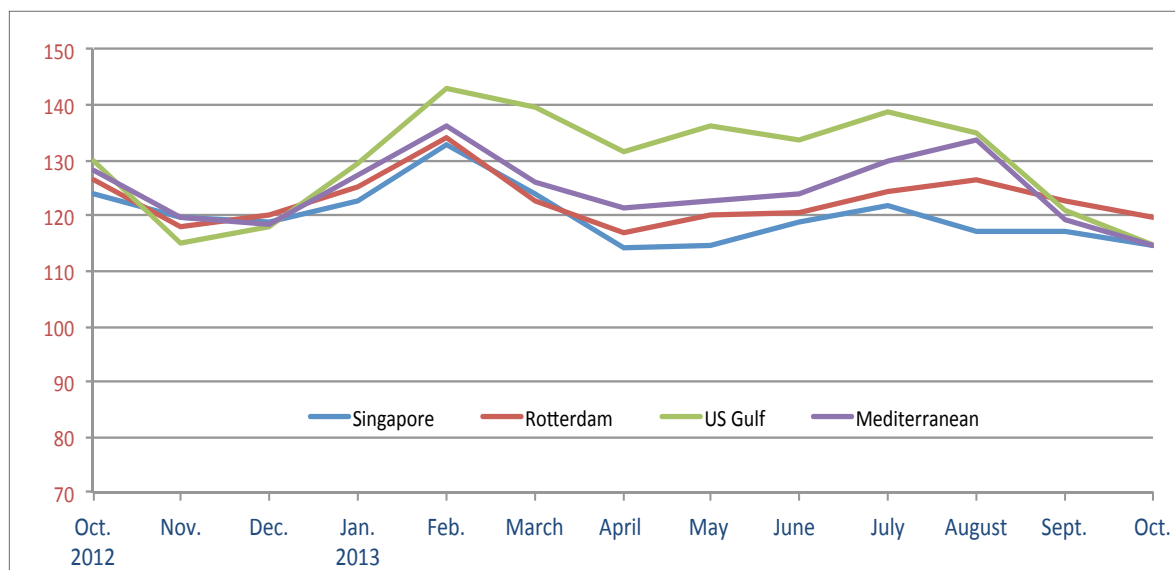


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2012-2013.

### 1-3 Spot Tanker Crude Freight Rates

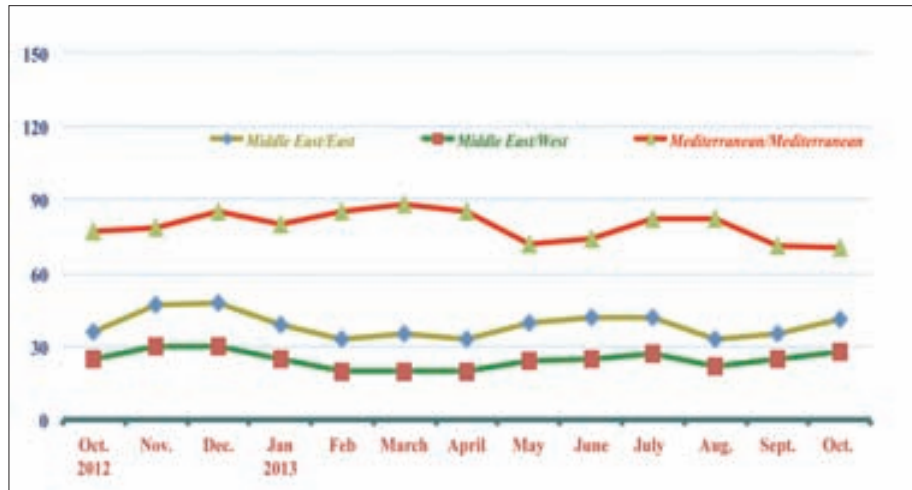
In October 2013, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 6 points or 17.1% comparing with previous month to reach 41 points on the World Scale (WS)\*.

Freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, increased by 3 points or 12% comparing with previous month to reach 28 points on the World Scale (WS), whereas freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), decreased by one point or 1.4% comparing with previous month to reach 70 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from October 2012 to October 2013.

**Figure - 4 Monthly Spot Crude Oil Tanker Freight Rates, 2012 -2013**

(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

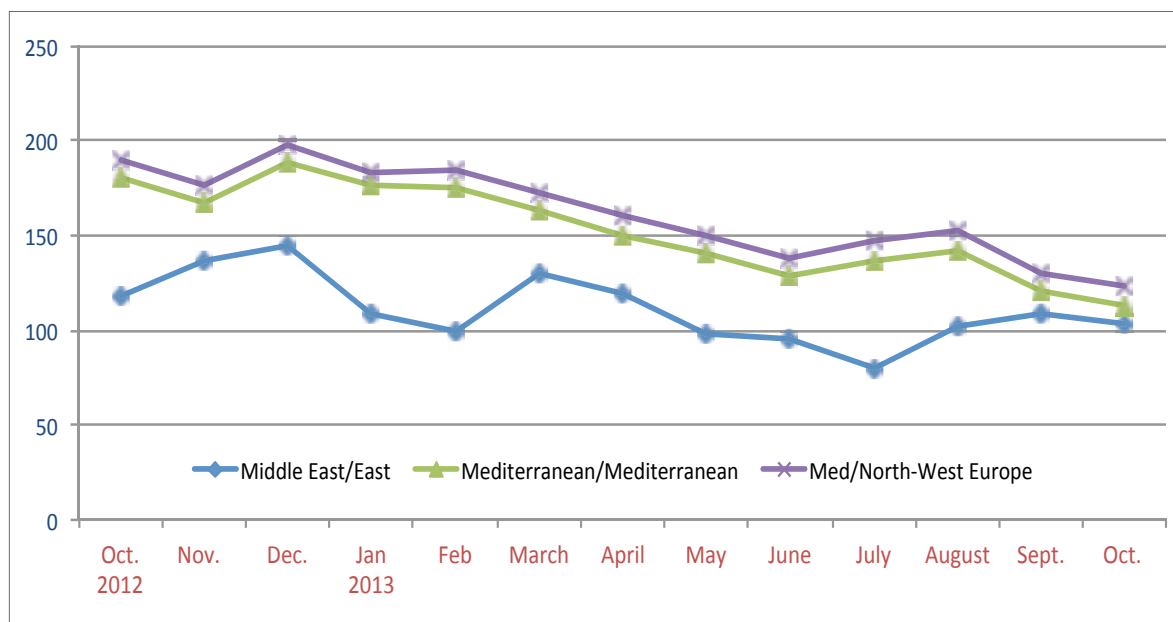
In October 2013, monthly spot Tanker freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Middle Eastern ports to the East, decreased by 6 points or 5.5% comparing with previous month to reach 103 points on WS.

Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 7 points, or 5.8% to reach 113 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 7 points, or 5.4% to reach 123 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from October 2012 to October 2013.

Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2011-2013.

Figure - 5 Monthly Spot Product Tanker Freight Rates, 2012 -2013 (World Scale)



## 2. Supply and Demand

Preliminary estimates in November 2013 show an **increase** in **world oil demand** by 1% or 0.9 million b/d, comparing with the previous month to reach 93.5 million b/d, representing an increase of 1.5 million b/d comparing with their last year level.

Demand in **OECD** countries **increased** by 0.6% or 0.3 million b/d comparing with their previous month level to reach 47.0 million b/d, representing an increase of 0.6 million b/d from their last year level, and Demand in **Non-OECD** countries **increased** also by 1.3% or 0.6 million b/d comparing with



their previous month level to reach 46.5 million b/d, representing an increase of 0.9 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for November 2013 **increased** by 1.2% or 1.1 million b/d comparing with the previous month level to reach 94.1 million b/d, a level that is 2.5 million b/d higher than last year level.

In November 2013, **OPEC** crude oil and NGLs/condensates total supplies **increased** by 0.6% or 0.2 million b/d comparing with the previous month level to reach 36.1 million b/d, a level that is 0.6 million b/d lower than last year level. Preliminary estimates show that **Non-OPEC** supplies **increased** by 1.8 % or 1.0 million b/d comparing with the previous month level to reach 58.1 million b/d, a level that is 3.1 million b/d higher than last year level.

Preliminary estimates of the supply and demand for November 2013 reveal a surplus of 0.6 million b/d, compared to a surplus of 0.4 million b/d in October 2013 and a deficit of 0.4 million b/d in November 2012, as shown in [table \(2\)](#) and [figure \(6\)](#):

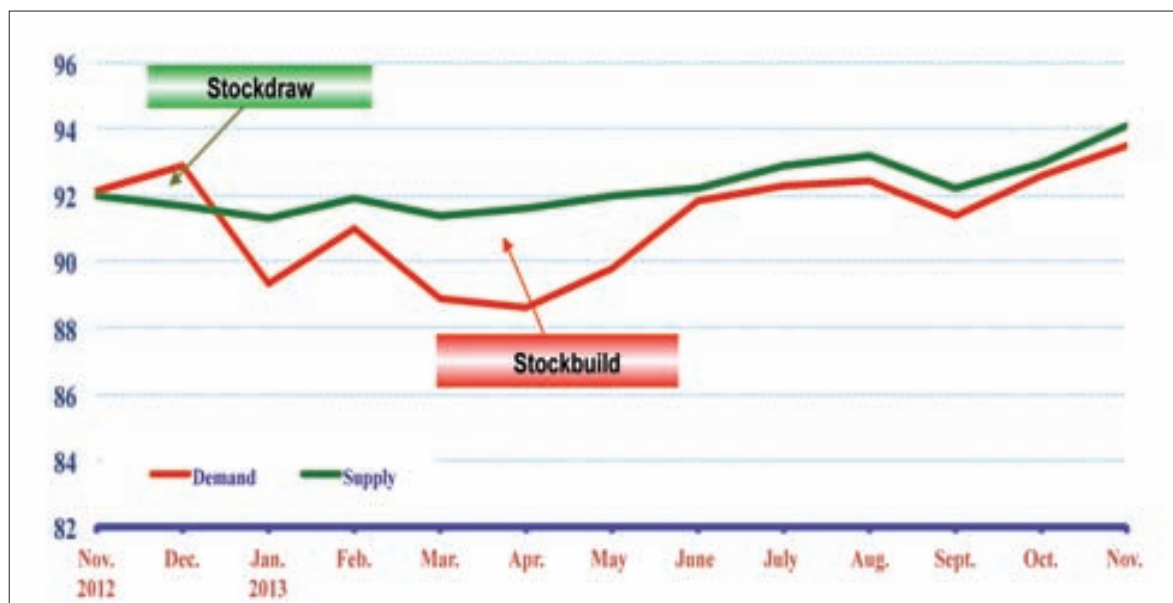
**Table 2** **World Supply and Demand** (Million b/d)

	<i>November 2013</i>	<i>October 2013</i>	<i>Change from October 2013</i>	<i>November 2012</i>	<i>Change from November 2012</i>
<i>OECD Demand</i>	47.0	46.7	0.3	46.4	0.6
<i>Rest of the World</i>	46.5	45.9	0.6	45.6	0.9
<i>World Demand</i>	<b>93.5</b>	<b>92.6</b>	<b>0.9</b>	<b>92.0</b>	<b>1.5</b>
<i>OPEC Supply:</i>	36.1	35.9	0.2	36.7	(0.6)
<i>Crude Oil</i>	29.8	29.6	0.2	30.6	(0.8)
<i>NGL's &amp; Cond.</i>	6.3	6.3	-	6.1	0.2
<i>Non-Opec Supply</i>	55.8	54.8	1.0	52.8	3.0
<i>Processing Gain</i>	2.3	2.3	-	2.2	0.1
<i>World Supply</i>	<b>94.1</b>	<b>93.0</b>	<b>1.1</b>	<b>91.6</b>	<b>2.5</b>
<i>Balance</i>	<b>0.6</b>	<b>0.4</b>		<b>(0.4)</b>	

Source: Energy Intelligence Briefing December 4, 2013.

Figure - 6 World Supply and Demand

(Million b/d)



Tables (7) and (8) in the annex show **world oil demand and supply** for the period 2012-2013.

### 3.Oil Trade

#### USA

In October 2013, US crude oil imports decreased by 210 thousand b/d or 2.6% comparing with the previous month level to reach 7.7 million b/d, whereas US oil products imports increased by 150 thousand b/d or 8% to reach about 2.0 million b/d.

On the export side, US product exports increased by 74 thousand b/d or 2% comparing with previous month level to reach 3.358 million b/d. As a result, US net oil imports in October 2013 were 133 thousand b/d or nearly 2% lower than the previous month, averaging 6.341 million b/d.

Canada remained the main supplier of crude oil to the US with 32% of total US crude oil imports during the month, followed by Saudi Arabia with 19%. OPEC Member Countries supplied 47% of total US crude oil imports.

#### Japan

In October 2013, Japan's crude oil imports decreased by 503 thousand b/d or 14 % comparing with the previous month to reach 3.2 million b/d, the lowest level since January 2011, whereas Japan oil product imports remained stable at the same previous month level of 590 thousand b/d.

On the export side, Japan's oil products exports decreased in October 2013, by 74 thousand b/d or 2% comparing with the previous month, averaging 523 thousand b/d. As a result, Japan's net oil imports in October 2013 decreased by 426 thousand b/d or 12% to reach 3.3 million b/d.

Saudi Arabia remained the main supplier of crude oil to Japan with 31% of total Japan crude oil imports, followed by UAE with 23% and Qatar with 12% of total Japan crude oil imports.

### China

In October 2013, China's crude oil imports decreased by 1.4 million b/d or 23% to reach 4.8 million b/d, the lowest level since August 2012, and China's oil products imports decreased by 147 thousand b/d or 16% to reach 924 thousand b/d.

On the export side, Chinese crude oil exports decreased by 9 thousands b/d or 26.5% comparing with the previous month to reach 25 thousand b/d, whereas Chinese oil products exports increased by 28 thousand b/d or 4.4% comparing with the previous month to reach 664 thousand b/d.

As result, China's net oil imports reached 5.0 million b/d, representing a decrease of 24% comparing with the previous month.

Saudi Arabia remained the main supplier of crude oil to China with 22% of total China's crude oil imports during the month, followed by Angola with 16%, Oman with 11% and Russia with 10% of total China's crude oil imports.

Table (3) shows changes in crude and oil products net imports/(exports) in October 2013 versus the previous month:

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

	Crude Oil			Total Products		
	October 2013	September 2013	Change from September 2013	October 2013	September 2013	Change from September 2013
<b>USA</b>	<b>7.704</b>	<b>7.914</b>	<b>-0.210</b>	<b>-1.363</b>	<b>-1.440</b>	<b>77</b>
<b>Japan</b>	<b>3.186</b>	<b>3.689</b>	<b>-0.503</b>	<b>0.067</b>	<b>-0.010</b>	<b>0.077</b>
<b>China</b>	<b>4.795</b>	<b>6.250</b>	<b>-1.455</b>	<b>0.260</b>	<b>0.434</b>	<b>-0.174</b>

Source: OPEC Monthly Oil Market Report, various issues 2013.

#### 4. Oil Inventories

In October 2013, **OECD commercial oil inventories** remained stable at the same previous month level of 2644 million barrels – a level that is 52 million barrels lower than a year ago. It is worth mentioning that during the month, **commercial crude inventories in OECD** increased by 33 million barrels to reach 989 million barrels, whereas **commercial oil products inventories** decreased by 33 million barrels to reach 1655 million barrels.

**Commercial oil inventories in Americas** increased by 4 million barrels to reach 1371 million barrels, of which 524 million barrels of crude and 847 million barrels of oil products. **Commercial oil Inventories in Europe** remained stable at the same previous month level of 878 million barrels, of which 312 million barrels of crude and 566 million barrels of oil products. Whereas **Commercial oil inventories in Pacific** decreased by 5 million barrels, to reach 394 million barrels, of which 153 million barrels of crude and 242 million barrels of oil products.

**In the rest of the world**, commercial oil inventories increased by 34 million barrels to reach 2264 million barrels, and the **Inventories at sea** increased by 14 million barrels to reach 972 million barrels.

As result, **Total Commercial oil inventories** in October 2013 increased by 34 million barrels comparing with the previous month to reach 4908 million barrels – a level that is 24 million barrels lower than a year ago.

**Strategic inventories** in OECD-34, South Africa and China went up by 8 million barrels comparing with the previous month to reach 1926 million barrels – a level that is 115 million barrels higher than a year ago.

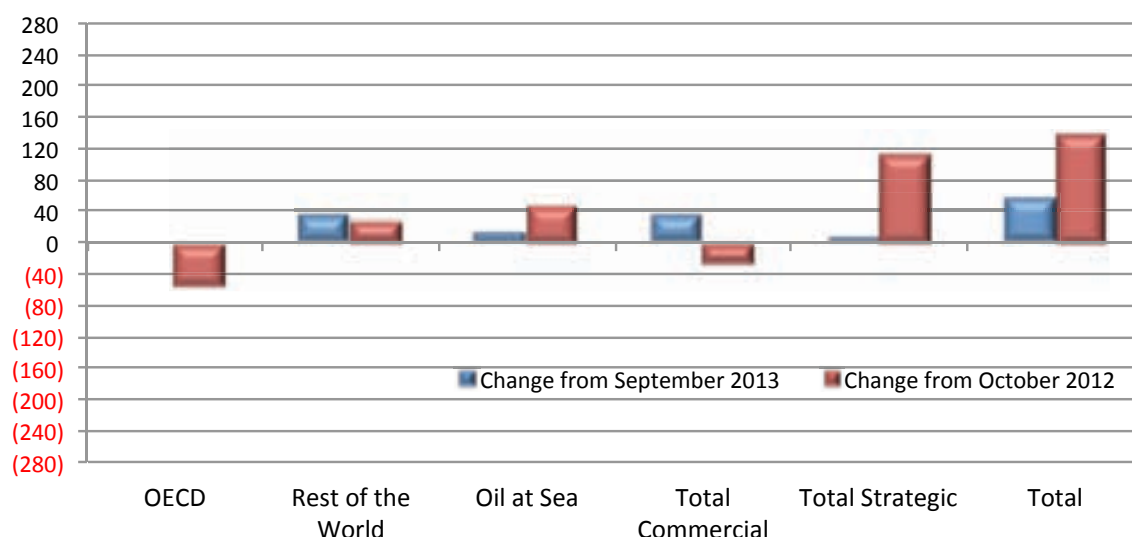
**Total world inventories**, at the end of October 2013 were at 7806 million barrels, representing an increase of 56 million barrels comparing with the previous month, and an increase of 139 million barrels comparing with the same month a year ago.

**Table (9)** in the annex and **figure (7)** show the changes in global inventories prevailing at the end of October 2013.



**Figure - 7** Changes in Global Inventories at the End of September 2013

(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 November 2013 decreased by \$0.05/million BTU comparing with the previous month to reach \$3.62/ 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 \$12.6/ million BTU in favor of WTI crude and \$15.5/ million BTU in favor of low sulfur fuel oil.

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

	Nov.	Dec.	Jan. 2013	Feb.	Mar.	Apr.	May	Jun.	July	Aug.	Sept.	Oct.	Nov.
<i>Natural Gas</i> <sup>(2)</sup>	3.5	3.4	3.3	3.3	4.0	4.2	4.0	3.9	3.6	3.4	3.6	3.7	3.6
<i>WTI Crude</i> <sup>(3)</sup>	14.9	15.2	16.3	16.4	16.0	15.9	16.3	16.5	18.0	18.4	18.3	17.3	16.2
<i>Low Sulfur Fuel Oil (0.3%)</i>	17.5	17.5	19.0	21.0	18.3	17.1	16.8	16.3	16.1	16.7	17.0	17.7	19.1

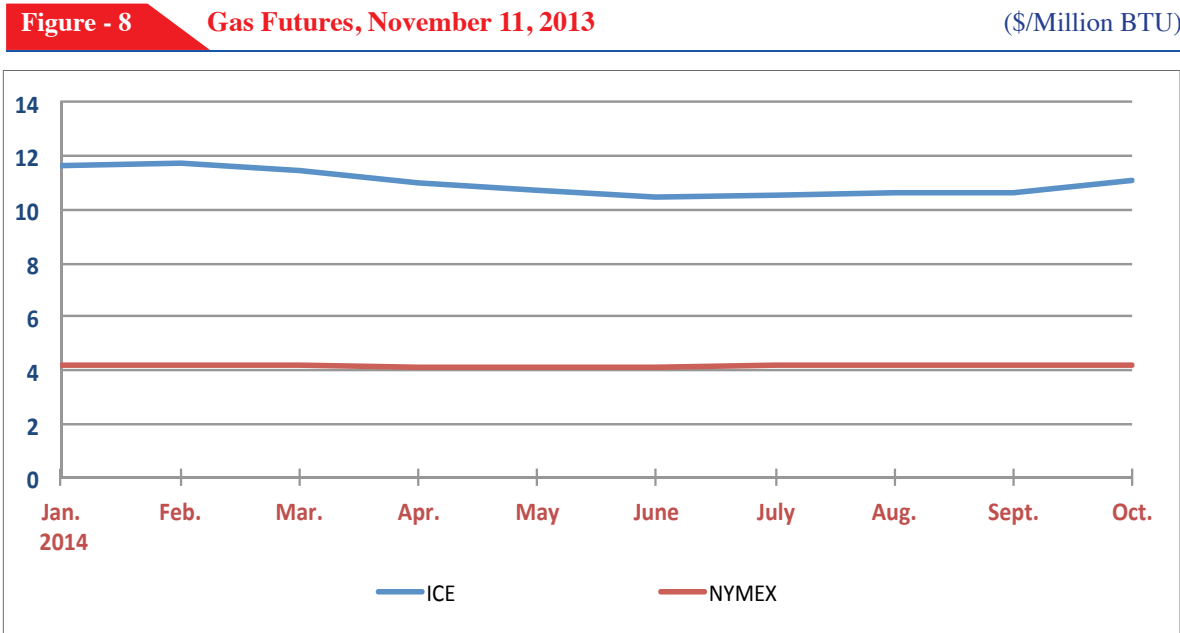
1. British Thermal Unit.

2. Henry Hub spot price.

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

Source: World Gas Intelligence December 4, 2013

Futures gas prices recorded on December 9, 2013, indicate that those quoted at the London's ICE were higher than those quoted at the NYMEX for the period from January 2014 to October 2014, with maximum differential of \$7.48/ million BTU in February 2014. These developments are shown in figure (8).



Source: World Gas Intelligence December 11, 2013.

## 2- Asian LNG Markets

In October 2013, the price of Japanese LNG imports increased by \$0.3/ million BTU comparing with the previous month to reach \$15.2/ million BTU. Whereas the price of Korean LNG imports decreased by \$0.5/ million BTU comparing with the previous month to reach \$14.4/ million BTU, Similarly the price of Chinese LNG imports decreased by \$2.4/million BTU comparing with the previous month to reach \$9.4/ million BTU.

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 14.3% or 1.508 million tons from the previous month level to reach 12.083 million tons.

The Arab countries LNG exports to Japan, Korea and China totaled 4.727 million tons - a share of 39.1% 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 2008-2013.

**Table 5** LNG Prices and Imports: Korea, Japan, and China 2008-2013

	Imports (thousand tons)				Average Import Price (\$/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
<b>2008</b>	<b>69628</b>	<b>26257</b>	<b>3336</b>	<b>99221</b>	<b>12.5</b>	<b>13.8</b>	<b>5.4</b>
<b>2009</b>	<b>64492</b>	<b>25847</b>	<b>5532</b>	<b>95871</b>	<b>9.0</b>	<b>10.0</b>	<b>4.4</b>
<b>2010</b>	<b>70008</b>	<b>32466</b>	<b>9295</b>	<b>111769</b>	<b>10.8</b>	<b>10.4</b>	<b>6.1</b>
<b>2011</b>	<b>78411</b>	<b>36679</b>	<b>12215</b>	<b>127305</b>	<b>14.7</b>	<b>12.5</b>	<b>9.1</b>
<b>2012</b>	<b>87184</b>	<b>36399</b>	<b>14698</b>	<b>138281</b>	<b>16.6</b>	<b>14.5</b>	<b>10.8</b>
<b>Jan. 2012</b>	8150	2889	1303	12342	16.7	13.3	11.6
<b>February</b>	7667	4659	832	13158	16.0	14.3	9.2
<b>March</b>	8126	3494	1127	12747	16.3	13.6	10.2
<b>April</b>	6906	2721	1057	10684	16.9	15.2	10.1
<b>May</b>	7052	2208	1139	10399	17.1	15.9	9.8
<b>June</b>	6647	2448	1211	10306	17.2	16.6	11.6
<b>July</b>	7150	2762	1331	11243	18.1	15.7	12.0
<b>August</b>	7319	2353	1087	10759	17.7	15.5	10.8
<b>September</b>	7129	2813	1379	11321	16.8	14.7	12.7
<b>October</b>	6665	2701	1322	10688	15.3	12.9	8.8
<b>November</b>	6665	3033	1082	10780	15.0	12.8	10.6
<b>December</b>	7705	4316	1827	13848	15.4	14.7	10.7
<b>Jan. 2013</b>	8230	3982	1505	13717	15.9	14.8	11.5
<b>February</b>	7525	4144	1412	13081	16.5	15.0	13.3
<b>March</b>	7739	4174	1257	13170	16.3	15.2	10.5
<b>April</b>	7050	3513	1559	12122	16.2	14.3	10.9
<b>May</b>	6421	2915	1352	10688	16.2	14.6	9.1
<b>June</b>	6442	2788	1250	10480	16.6	14.9	11.0
<b>July</b>	7412	2426	1347	11185	16.2	14.9	10.8
<b>August</b>	7249	3271	1689	12209	15.6	14.7	11.5
<b>September</b>	6582	2476	1517	10575	15.0	14.9	11.8
<b>October</b>	7538	3189	1356	12083	15.2	14.4	9.4

Source: World Gas Intelligence various issues.

II. News of OAPEC Member

Qatar

Qatar Petroleum has let a \$190 million engineering, procurement, installation, and commissioning contract to Kentz Corp. Ltd. For wellhead industrial control systems and corrosion protection for 775 wells in the Dukhan oil field in Qatar.

Kentz, which has worked with QP since 1997, is a holding company of Kentz Engineering & Construction Group. The contract will be executed by its engineering, procurement, and construction business unit for 3 years through 2016. Kentz said it will provide a supervisory control and data acquisition network infrastructure to monitor wellheads from designated stations, providing centralized real-time and historical wellhead data directly into QP’s information technology network. Kentz also will oversee the prevention of external corrosion damage to the well casings in Dukhan field by installing an impressed current cathodic protection system.

Saudi Arabia

Saudi Electricity Company (SEC) has signed a 20-year power purchase agreement with Riyadh-based ACWA Power and Korea’s Samsung C&T for the Rabigh-2 independent power producer (IPP) project. The plant will be developed under a build-own-operate (BOO) contract by Al Mourjan for Electricity Production Company, in which ACWA and Samsung hold a combined 50% equity and SEC holds 50%. Total project cost is estimated at \$1.6bn.

The award of Rabigh-2 was delayed by Saudi Aramco’s decision to switch the fuel allocated for the project from heavy fuel oil (HFO) to gas, necessitating major changes.

Samsung announced on 2 December that it had become the engineering, procurement and construction (EPC) contractor for Rabigh-2. The company

valued the EPC contract at \$1.2bn and said the 2.1GW combined-cycle gas turbine (CCGT) plant is expected to begin commercial operations in 2017. This contract is a part of SEC plan to secure future power demand, which is expected to rise from 43GW in 2010 to 85GW in 2020 and to 120GW in 2030.

SEC IPP PROGRAM			SOURCE: MEES.	
Plant	GW	Fuel	Start	Status
Rabigh-1	1.20	HFO	2013	Operating
RiyadhPP11	1.73	Gas	2013	Operating
Qurayyah	3.93	Gas	2014	U/C
Rabigh-2	2.10	Gas	2017	EPC
Dhuba-1*	0.55	Solar/gas	2017	Planning
Dhuba-2	1.70	HFO	2018	Planning
Total	11.21			
* INTEGRATED SOLAR/COMBINED CYCLE PLANT PROPOSED.				



## Tunisia

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Circle Oil is to extend its influence in Tunisia after being given the go-ahead for a permit on the Cap Bon peninsula.

The explorer will take a 100% working interest in the new permit, which lies in a similar area to the expired Grombalia block it was a partner in with Exxoil.

The block includes the existing Cap Bon gas field and Belli oil field, along with the El Manzah producing oil field. It estimates that the block could contain up to 480million barrels of oil equivalent across five separate structures.

As part of the agreement, Circle will acquire 2D and 3D surveys and carry out exploration drilling within the first three years of the licence. “We are delighted to announce that our competitive work program bid for the Grombalia permit in Tunisia has been successful,” said Circle Oil chief executive Chris Green. “We believe this under explored, but highly prospective, area, if successful, should bring significant added value to both Circle and Tunisia.”

## IV. Other Arab and World News

### Oman

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Oman Oil Refineries and Petroleum Industries Company (Orpic) has awarded a \$2.1bn engineering, procurement and construction (EPC) contract to the UK’s Petrofac and Korea’s Daelim for an expansion project at Sohar refinery. The contractors will operate under a 50:50 joint venture. Petrofac said on 25 November that the work encompasses EPC, start-up and commissioning.

It includes both the revamp of existing units and the addition of new ones. The revamped facility will increase output by more than 70% to 197,000b/d.

The Sohar expansion is intended to increase the volume and quality of produced transport fuels and reduce the output of heavy fuels, while enabling the processing of heavier crudes. The new units will include a 71,500 b/d crude distillation unit, a 96,800 b/d vacuum distillation unit, a 66,400 b/d hydrocracker unit and a 42,400 b/d solvent deasphalting unit. The refinery was originally constructed and commissioned in 2006.

## Tables Annex



# ANNOUNCEMENT

## OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2014

Pursuant to its policy in encouraging scientific research by awarding two prizes on biennial basis (First Prize KD 7000, Second Prize KD 5000). The Organization of Arab Petroleum Exporting Countries (OAPEC) is pleased to announce that the research topic for the OAPEC Award for Scientific Research for the year 2014 is:

### “THE INTEGRATION BETWEEN REFINING AND PETROCHEMICAL INDUSTRIES”

#### Research Theme:

Refining and petrochemical industries are facing several challenges that drive the refiners and petrochemical producers toward higher levels of integration in order to improve the revenues and maximize their operational performance.

The main objective of the research is to highlight the impact of the integration of petrochemical plant with the refining industry on their performance and competitiveness.

The following main issues are suggested for the research, to which the author is encouraged to add other suitable aspects:

1. **Opportunities of integration between oil refineries and petrochemical plants.**
2. **Success factors of the refinery-petrochemical integrated projects.**
3. **The technical and economic advantages of integration between oil refineries and petrochemical plants.**
4. **Case studies on projects implemented worldwide.**
5. **Review of the current and planned refining-petrochemical integrated projects in Arab countries.**
6. **Conclusion and recommendations.**

#### Conditions for Submitting the Research

1. **The research may be submitted by one or more author(s). Institutions and organizations are excluded.**
2. **The research must be new, and has not been granted an award previously.**
3. **The author(s) shall, in advance, agree to give OAPEC the right to print and publish the research in case he/she/they win one of the prizes. A signed statement to this effect must be submitted (sample appended). The author(s) maintain all other propriety rights including that of patent (if applicable). OAPEC shall exercise its right to publish the winning research after six months from the date of advising the winning author (s) with the decision of the award committee.**

4. The author (s) should submit a statement to declare that the research is new and original. Segments fully or partially adopted from other sources should be properly cited. A detailed list of reference, cited or used, must be attached.
5. Four hard copies along with a digital copy of the research (either in Arabic or English) should be submitted. The author(s) resume' giving his/her/their professional background (s) should also be included.
6. The deadline for submitting the research is 31st May, 2014
7. The competition is open to all nationalities.
8. **The award will not be presented twice consecutively to the same recipient.**
9. Any research that does not fulfill the above conditions shall be disregarded.

The OAPEC Secretariat shall notify the author (s) of the Award Committee's decision. The official declaration of the winner (s) will be announced at OAPEC's 2014 Ministerial Council Meeting.

For further information please contact the OAPEC General Secretariat at:

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**Organization of Arab Petroleum Exporting Countries (OAPEC)**  
**OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2014**

**TOPIC**

**“The Integration Between Refining  
and Petrochemical Industries”**

Statement of relinquishment of printing and publication right for the research

I, undersigned:

Hereby undertake to relinquish all printing and publications right of the research submitted by me entitled:

to the Organization of the Arab Petroleum Exporting Countries (OAPEC), in the event of winning one of the two prizes of OAPEC Award for Scientific Research for the year 2014.

Name: .....

Signature: .....

Date:    /    /