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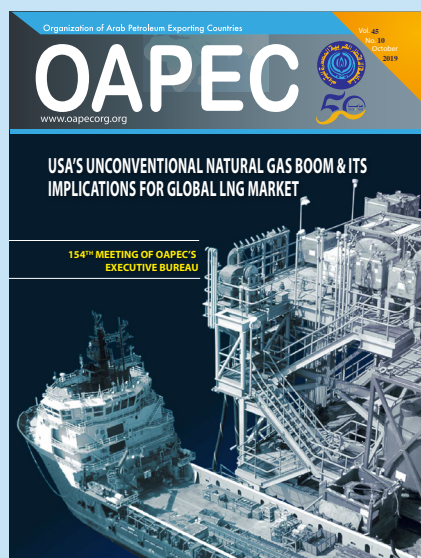
USA'S UNCONVENTIONAL NATURAL GAS BOOM & ITS IMPLICATIONS FOR GLOBAL LNG MARKET

**154TH MEETING OF OAPEC'S
EXECUTIVE BUREAU**





The Cover



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ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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

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

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



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• OAPEC-Joint Ventures:

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

OAPEC'S ORGANS

The Organization carries out its activities through its four organs:

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



USA'S UNCONVENTIONAL NATURAL GAS BOOM & ITS IMPLICATIONS FOR GLOBAL LNG MARKET

For decades, the world relied on conventional gas resources to meet its need of this vital source. Conventional resources still have the largest share in the natural gas production today. They are the cheapest and easiest to extract in comparison to other unconventional resources which are harder and more expensive to extract (i.e. technically and economically). However, technological development has paved the way for exploiting unconventional resources, especially shale (shale gas), to add a new gas resource to be used for meeting global energy needs for decades to come.

There is no doubt that the boom in exploiting unconventional resources is mainly due to the leading experiment by the USA in developing horizontal directional drilling (HDD) and hydraulic fracturing. With the hike of natural gas prices in the US market, exploiting unconventional resources has become economically feasible. Hence, using these techniques widely has helped the USA achieve an unprecedented boom in gas production until it topped the world (since 2009) as the largest gas exporter, overcoming the well-established Russia. The USA is now contributing by about 25% of the world's gas production and has become a net-exporter in 2017.

Within its endeavours to monitor and analyse the natural gas industry's developments and their implications regionally

and internationally, OAPEC Secretariat General has recently released a study on the "USA's Unconventional Natural Gas Boom & its Implications for Global LNG Market". It tackles natural gas developments in the USA in the last decade, in addition to its experience in developing unconventional resources, especially shale resources (shale gas), which resulted in domestic and international impacts.

Domestically in the USA, natural gas has become the main fuel used in the electrical power generation sector with a share of 35.1% in 2018 compared to 21% in 2008 on the expenses of coal's share that dropped sharply to 27.4% in 2018 compared to 48.2% in 2008. It is expected that coal-fired power stations will be put out of service with the operation of new electricity generating plants powered by natural gas and renewables. Natural gas and renewables will reign over the electricity sector in the USA during the coming decades with a 50% share by 2050 in contrast to past decades when coal and nuclear power prevailed.

On the foreign front, the USA has launched a new era in its LNG industry's history following the operating of the first liquefaction projects in Louisiana in 2016, then in Maryland and Texas. The USA managed to penetrate all global markets in a very short time, even more, it enjoyed an advanced status among the top largest gas exporting countries to become the world's fourth top LNG exporter (6%) after

Qatar, Australia, and Malaysia. The USA's influence has been obvious on the growth in LNG sales in the spot and short-term markets, which used to be almost stable at 28% of the world's total trade in recent years until 2017. Spot and short-term market sales have risen to 32% in 2018 with a total of about 99.3 million tons (an increase of 21.7 million tons compared to 2017 sales). The US has become the second top supplier of LNG in the spot and short-term markets (after Australia) with a market share of 13.5% of the spot market. These developments provide a clear evidence that the impact of shale gas boom in the USA has reached all global energy markets and enhanced the US status as an influential player in the global LNG market.

The study concluded that liquefaction projects in the US now require lower capital costs as some rely on exploiting former LNG receiving terminals from the time when the country used to be an LNG exporter. Thus, it benefitted from the existing infrastructure including storage tanks; docks; and gas pipelines to execute export projects at lower capital costs. In 2019, there are 4 projects under execution in the USA; they will contribute to making the US the third largest LNG exporter by 2021 at a total capacity of 74 million tons/year just after Australia and Qatar.

The study also concluded that the global LNG demand is expected to continue growing

at a rate exceeding supplies which would create a gap between supply and demand up to 80 million tons/year by 2025 and 125 million tons/year by 2030. This is due to a decline in investments in liquefaction projects in some regions as a result of price volatility in recent years that forced a number of companies to reduce their investments. This is a good opportunity for Arab countries, that still dominate one third of the global LNG trade, to invest in executing new export projects to bridge the projected gap and secure the world demand of the more environment friendly LNG. This calls for the success of companies developing liquefaction projects in concluding long-term commercial contracts with potential buyers to provide for funding and secure markets. This is a real challenge for these companies as buyers currently tend to conclude short-term contracts or buy from spot-markets in light of the abundant supplies and various sources.

OAPEC Secretariat General always seeks to highlight the latest and most important developments in the global energy scene, and study their implications, as well as, shed the light on the experiences and models that can be followed by the Arab countries in a way that serves their interests and leading status as a reliable, secure and sustainable source to ensure the availability of conventional energy, especially oil and gas.



154TH MEETING OF OAPEC'S EXECUTIVE BUREAU

The 154th Meeting of OAPEC's Executive Bureau took place in Kuwait on 19 October 2019. It was chaired by Bahrain's Rep at OAPEC Executive Bureau HE Fayhan Al Fayhani. Bahrain chairs the 2019 term.

The Chair inaugurated the meeting welcoming Their Excellencies the members of the Executive Bureau wishing them a pleasant stay in Kuwait. He expressed thanks and appreciation to the State of Kuwait, represented by its Oil Ministry, for the hospitality and warm welcome and to OAPEC Secretary General HE Abbas Al Naqi and his team for organising the meeting.

OAPEC Secretary General HE Abbas Al Naqi then followed with a speech welcoming Their Excellencies the Chair and members of the Executive Bureau and expressing thanks and appreciation to the State of Kuwait for the hosting the meeting. He wished the meeting all success.



HE Abbas Al Naqi

Secretary General, Organization of Arab Petroleum Exporting Countries (OAPEC)

He then reviewed the main discussion points on the agenda including OAPEC's 2020 projected budget (Secretariat General and Judicial Tribunal) and OAPEC Secretariat General's activities in 2019.

The next meeting will be held in Kuwait on 19-20 December 2019, followed by the 102nd Meeting of OAPEC Ministerial Council that will be held in Kuwait on 22 December 2019.



HE Mohammed Ras El Kaff
ALGERIA



HE Fyhan M. AL Fihany
BAHRAIN



HE Geologist Ashraf Mahmoud Mohammad Faraj
EGYPT



HE Eng. Mahmoud Abdel Amir Hashem
IRAQ



HE Sheikh Dr. Nimer Fahad AlMalek AlSabah
KUWAIT



HE Sheikh Mishall bin Jabor Al Thani
QATAR



HE Eng. Nasser Bin Ibrahim Al Fawzan
KSA



HE Dr. Mattar Al Neyadi
UAE



HE SHEIKH DR NIMR AL SABAH APPOINTED KUWAIT'S REP AT OAPEC EXECUTIVE BUREAU

OAPEC Secretariat General received a letter from Kuwait's Oil Minister and Minister of Electricity and Water HE Dr Khaled Al Fadhil on 8 October 2019 appointing HE Sheikh Dr Nimr Fahad Al Malik Al Sabah as Kuwait's new representative at OAPEC Executive Bureau in succession to the late Sheikh Talal Al Athbi Al Sabah.

OAPEC Secretary General HE Abbas Ali Al Naqi sent a cable of congratulations to HE Sheikh Nimr Al Sabah on the occasion of his appointment wishing him all success in his new post. HE Sheikh Nimr has replied with a thanking cable.

MENA'S LEADING WELL INTERVENTION CONFERENCE (OWI MENA 2019)



OAPEC took part in the MENA's Leading Well Intervention Conference organized by Offshore Network Ltd, in Abu Dhabi, the UAE, on 6-7 October 2019.

The conference, which was attended by a large number of participants, focused on four pivots:

1. Production enhancement solutions
2. Digitalization
3. Collaboration between organizations
4. Late life recovery or P&A?

OAPEC's paper was part of the second pivot under the title "Current Role of Smart Fields in the Upstream Industry" and it was presented by Eng. Turki Hemish, Petroleum Exploration and Production Expert.

The conference included training comprising of a workshop on helping companies to face critical regional challenges.

Discover the latest well intervention techniques and digital models that enhance production and campaign performance.



26TH COORDINATION MEETING OF OAPEC ENVIRONMENT AND CLIMATE CHANGE EXPERTS

In line with the action plan of the Organization of the Arab Petroleum Exporting Countries (OAPEC) for the year 2019, the 26th Coordination Meeting of OAPEC Environment and Climate Change Experts took place in Kuwait, on 13 and 14 October 2019 with



the participation of experts from Kuwait, KSA, and Qatar, in addition to representatives from the GCC Council's Secretariat General. Mr Abdul Kareem Ayed, Director of the Information and Library Department at OAPEC, administered the meeting.



The meeting preceded the UNFCCC COP 25, scheduled to be held in Madrid, Spain, on 2-13 December 2019. It discussed the new climate change agreement based on the Paris Agreement and its implications for the parties.

OAPEC Secretary General HE Abbas Ali Al Naqi opened the meeting welcoming the participants and reiterating that the

ramifications of climate change depend on the collaboration of all international community components and the use of modern technology in terms of energy efficiency and tackling environmental pollution. Since the world will still be relying on oil and gas as the main source of energy for decades to come, energy demand will rise significantly in the next two





decades. In order to meet this rise in demand, the world needs a comprehensive response that relies on a more diverse mix including all energy resources and a national, regional, and international action plan to mitigate all sources and types of emissions in fair ways that conform to the sustainable development goals while taking into consideration the interests of fossil-fuel dependant economies.

On his part Mr Abdul Kareem Ayed reviewed the developments of the Paris Agreement 2015 during the SB50 and Bonn meeting in June 2019, as well as, the New York United Nations' Climate Action Summit held by the UN during its General Assembly's 74th meeting where environment and climate issues topped its agenda. World trade issues in the second half of 2019 and the Arab stances at the climate change negotiations have also been tackled.

This was followed by a speech by Mr Adel Al Bastaki, Representative of the GCC Council's

Secretariat General, on the importance of coordinating efforts with regional and international groups like the Arab Group, G77 and China, OPEC, and the Like-Minded Group, in addition to defending the interests of countries relying on a single source of income, especially fossil fuel.

In her two papers on observing transparency, KSA's representative at the meeting Ms Bushra Al Hanae'i pointed out to the new transparency framework under the Paris Agreement and article 6 on carbon markets.

Following extensive discussions on climate change issues, the participants underscored the components of the Arab negotiating stance that has been endorsed at the Arab League economic and social council meetings.

OAPEC Secretariat General will submit the outcomes and recommendations of this meeting to the next OAPEC Ministerial Council's meeting on 22 December 2019 in Kuwait.

14TH JOINT ORGANIZATIONS DATA INITIATIVE CONFERENCE (JODI)



OAPEC took part in the 14th JODI Conference was held in Cairo, Egypt, on 20-21 October 2019. It was organized by the IEF in collaboration with organisations sponsoring the Joint Organizations Data Initiative (JODI) and the Egyptian Ministry of Petroleum and Mineral Resources.

The conference was attended by HE Eng. Tarek El Molla, Minister of Petroleum and Mineral Resources of Egypt; HE Dr Sun Xiansheng, IEF Secretary General; as well as, the JODI Partners (OPEC, APEC, Eurostat, GECF, IEA, IEF, OLADE, UNSD). AFREC and OAPEC took part in the event as JODI Associates.

The Agenda discussion items for IJC14 were:

- JODI Success Stories and Improvement Opportunities
- Redefining Value of the Energy Data Transparency Initiative
- Benefits of JODI Cooperation Mechanism Across Energy Data Supply Chain
- Make JODI Capacity Building Efforts Truly Beneficial for All
- Strategies for Enhanced Visibility of Energy Data Transparency and its Benefits

- Maximise Benefits of Energy Data Transparency – Beyond Current JODI Framework
- JODI Actions toward 2025

IJC14 offered a rare opportunity for a cross-section of data providers and users from around the globe to meet and share their experiences. The JODI Partners have envisaged that discussions and exchange of ideas during the conference would help to strengthen existing JODI activities, and would also serve as a catalyst to enhance the role of JODI beyond its current framework.

JODI represents more than a database; it is a commitment to on-going dialogue and actions among all stakeholders. Coordinated efforts on this scale require constant reinforcement and adaptation.

OAPEC was represented at the event by Mr Mohammed Amer, System Programmer, Economic Department, who presented a paper at the opening session on the role of OAPEC databank in collecting oil and energy data in the member and Arab countries. OAPEC was also present at the associate exhibition and distributed statistical and informative publications.



OAPEC SECRETARY GENERAL'S 45TH ANNUAL REPORT 2018 RELEASED



OAPEC has released the Secretary General's 45th Annual Report for the year 2018. The report analyses in depth the various Arab and international developments in the oil, natural gas, and energy industry during 2018. It tackles current conditions and future prospects of the petroleum industry in the member countries in light of the current developments in the global economy and the petroleum and energy industry worldwide.



=OAPEC Secretary General HE Abbas Al Naqi said in the report's introduction that global oil markets witnessed significant fluctuations during 2018. Market conditions improved significantly in Q1 coinciding with OPEC+ decision to extend oil production reduction until the end of 2018 on the one hand; it also reflected rising global oil demand and improving global economy performance that started in 2017 to gain more strength on the other hand. The recovery continued in Q2 of 2018 that witnessed amending the OPEC+ agreement against a backdrop of increasing concerns on a shortage in global oil supplies. In Q3, oil markets were relatively affected by increasing geopolitical unrests and the US-China trade tensions. In Q4, there were increasing concerns over a drop in global oil demand and renewed concerns over growing global oil supplies. This has led to concluding a new agreement on reducing production by OPEC+ in order to maintain market balance in light of uncertainty over the growth of the global economic performance that might have a negative impact on the global oil market.

The report consists of two main sections; the first includes 3 chapters as follows:

Chapter 1: Developments in World Oil Markets and their Implications for OAPEC

Member Countries:

This chapter reviews the world oil market and the main factors influencing it throughout the whole year, especially in connection to the subsequent hikes that happened which were similar to pre-2014 oil prices, as OPEC basket monthly price reached \$79.4 per barrel in October, the highest since October 2014, under the influence of various and interrelated factors in connection to market basics. Primary data on crude oil supply and demand levels in 2018 showed a surplus of 1.4 million b/d compared to 500 thousand b/d in 2017. Global oil demand registered a growth of about 1.5 million b/d reaching 98.8million b/d in 2018. Supply abundance continued as total oil supplies increased by 2.4 million b/d to reach 100.2 million b/d.

The chapter also introduces the Arab countries' energy consumption developments (2014-2018) drawing an overall picture of energy consumption in the Arab countries. It also sheds the light on energy consumption, increased energy consumption, and petroleum products prices in domestic markets of the member countries in 2018.

Chapter 2: Arab and World Developments in the Exploration, Reserves, and Production of Energy Resources:



SECRETARY GENERAL, OAPEC



This chapter reviews the world and Arab developments in the exploration, reserves, and production of energy resources. The chapter indicated that 2018 has been distinguished by a relative optimism following relative improvement in oil prices. This optimism has reflected on forecasts of future projects worldwide in spite of some gaps in the global markets. The report pointed out that OAPEC member countries had many activities related to the petroleum industry, especially in exploration and production.

The report explained that the number of operating seismic survey teams worldwide has dropped by about 1%, from an average of 378 team/month in 2017 to 374 team/month in 2018. The number has dropped in Russia, the Far East, and Latin America, while it has risen in Canada and Africa. It remained unchanged in the Middle East. Teams operating offshore were 57 teams/month, representing 15% of the total, against 316 onshore teams/month.

As for oil reserves, estimates indicate a rise in oil reserves worldwide by no more than 0.66% from 1460.8 billion barrels in 2017 to 1470.5 billion barrels in 2018. OAPEC member countries' oil reserves were estimated at about 705 billion barrels in 2018, representing 47.9% of the world's total reserves. Combined Arab oil reserves are estimated at about 714.5 billion barrels, representing about 48.6% of the world's total conventional crude oil reserves.

As for natural gas reserves, estimates indicate a rise in natural gas reserves worldwide by 1.9% from 197 trillion cubic metres in 2017 to about 201 trillion cubic metres in 2018. The USA had the greatest role in this rise; its reserves rose from 9 trillion cubic metres in 2017 to about 12.3 trillion cubic metres in 2018, representing an increase of more than 36%. China's reserves have risen by about 2% from 5.8 trillion cubic metres in 2017 to about 6 trillion cubic metres in 2018.

Chapter 3: Arab and World Developments in Petroleum Downstream Industries:

This chapter offers an overview on the Arab and world developments in petroleum downstream industries (refining and petrochemicals). Total refining capacity worldwide posted a net growth of 873 thousand b/d (0.95%) compared to 2017 levels; it reached about 92.89 million b/d by the end of 2018 against 92.02 million b/d by the end of 2017. Total number of operating refineries worldwide has risen to 637 in 2018 compared to 634 in 2017.

The report clarified that during 2018, the oil refining industry trend was countries across the globe gearing towards projects on operational performance improvement, and maximising integration between refining in existing refineries (including expansion in downstream conversion operations). The trend



was influenced by two key factors: increasing restrictions in environmental legislations and crude price stability at low values throughout the year.

The Second Section of the report includes a summary of the conferences, seminars, and meetings organised or attended by the Secretariat General during 2018; most important of which were the Ministerial Council and Executive Bureau meetings, and the 11th Arab Energy Conference, held in Marrakech, Morocco, from 1 to 4 October 2018; as well as, the coordination meetings organized by the Secretariat General on the level of gas, environment, climate change, databank and other experts. It also covers the technical, economic, and environmental studies prepared or co-authored by the Secretariat General including "The Joint Arab Economic Report".

The report also presents in detail the fiscal and administrative results of OAPEC joint ventures; which are Arab Maritime Petroleum Transport Company (AMPTC), Arab Shipbuilding and Repair Yard Company (ASRY), Arab Petroleum Investments Corporation (APICORP), Arab Petroleum Services Company (APSCO), and the Arab Oil Training Institute.

The Secretariat General hopes that the new edition of the Secretary General's Annual Report would be a distinct addition to the Arabic



library, and to provide researchers and those interested in energy, the oil and gas industry in particular, with a reliable scientific reference containing a comprehensive overview of the petroleum sector's developments during 2018.





DIGITAL OIL FIELDS

Companies in the petroleum industry have long recognized the vital role of technology in accessing new resources, improving efficiency, and working in a safe and environmentally sound manner. Such a role is well established in the industry, but a variable is how companies seek progress in this field, the factors affecting the pace and trend of different technologies development, and the mechanism the companies follow to ensure their place on the map of these technologies.

This study acknowledged the general concept of Digital Oil Fields and the need for them. It was divided into three chapters:

Chapter 1: This chapter defined the digital fields; and provided a historical overview of them from early 80s to date.

Chapter 2: This chapter indicated the benefits of these types of fields, their necessity and importance from the point of view of the petroleum industry in the light of the growth of global demand for oil and gas. Chapter 2 also pointed out the most important challenges that stand as obstacles to the application of digital fields technologies.

It examined the meaning of the Fourth Industrial Revolution and its role in the value chain. It was made clear that digital fields were not merely a simple concept, and their costs suggested that the application of that concept would not be a substitute to experience. The question of what can be done? must be replaced by the question of: what should be done? Because the large increase in the adoption of cloud computing by petroleum industry seems inevitable.

Chapter 3: This chapter examined and



highlighted several Arab and international experiences in the digital field technology domain, in an attempt to clarify the image of this technique. It also looked at the digital transformation initiative adopted by the World Economic Forum few years ago, focusing on the oil and gas part of the initiative.

Chapter 3 showed that adopting digital field techniques contributes to low operating costs, early production, increase of production rate and increase of recovery factors. This chapter pointed out that Digital field techniques may also reduce capital for development, and cut down costs of field abandonment. Furthermore, a significant increase in the value of assets and properties can be achieved when the reservoirs are managed in real time.

MOODY'S UPGRADES APICORP'S CREDIT RATING TO 'AA2' WITH 'STABLE' OUTLOOK REFLECTING THE COMPANY'S STRONG FINANCIAL PROGRESS

The Arab Petroleum Investments Corporation (APICORP), a multilateral development financial institution, announced that its credit rating has been upgraded by Moody's Investors Service from 'Aa3' to 'Aa2' with 'stable,' outlook driven by the Corporation's progress in sustaining and further improving its financial performance and resilience. APICORP's short-term issuer rating was also affirmed at Prime-1.

According to Moody's, "the key drivers for the upgrade include the steady improvement that APICORP has made in its liquidity and funding profile by diversifying its funding sources. This has allowed APICORP to significantly reduce its reliance on short-term wholesale deposits and eliminate short-term asset-liability mismatches. Furthermore, the upgrade also takes into account the building track record of strong development-related asset performance, reflected in a substantial reduction of the nonperforming assets (NPA) during the past three years. Moody's expects the higher quality of funding and very strong asset performance to stay."



Dr. Ahmed Ali Attiga, Chief Executive Officer, APICORP, said: "The upgraded rating of APICORP to Aa2 with stable outlook by Moody's reaffirms our growing financial strength and robust business model. Indeed, in the face of challenging global and regional market conditions, APICORP has shown a remarkable degree of resilience in not only improving its credit rating, but also significantly enhancing its profitability. We are particularly proud of the remarkable accomplishment of having our credit rating upgraded to the level of being one of the highest rated institutions in the MENA region as it demonstrates the power of collaboration amongst our Member Countries"

Notably, Moody's latest update stated that APICORP over the past four years has diversified its funding options, with offerings in multiple products, currencies and jurisdictions. Remarkably, APICORP has built up a well-diversified investor base in international capital markets, where close to half of APICORP's investor base now lies outside the Gulf Cooperation Council (GCC) states.

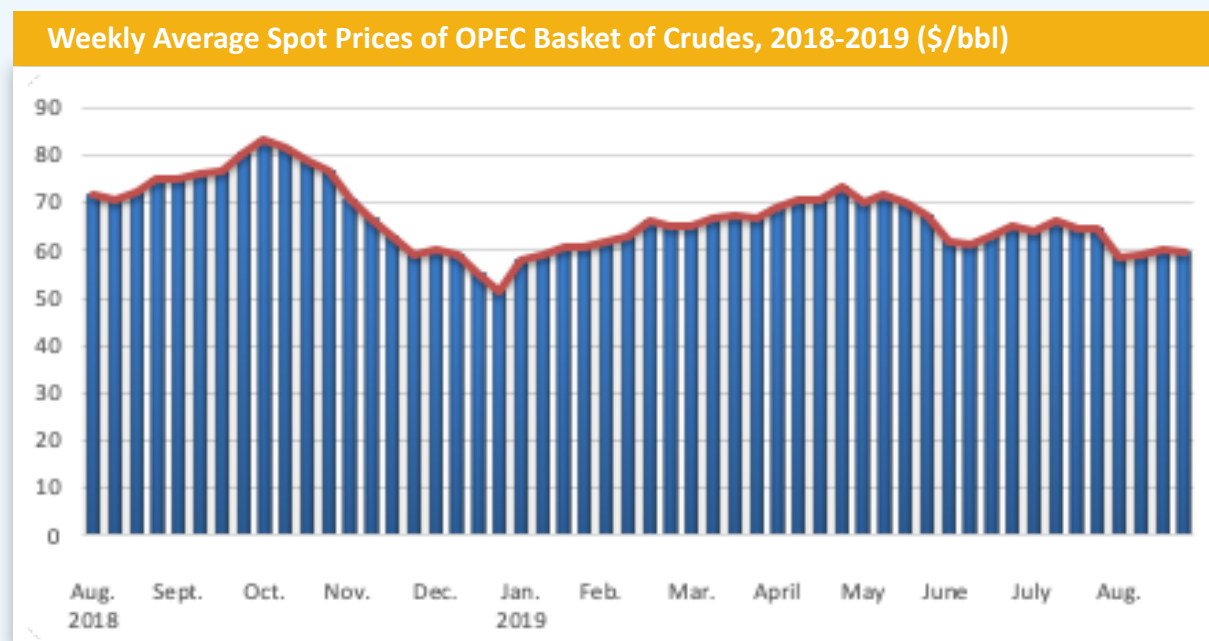


Petroleum Developments in the World Market and Member Countries*

First: World Oil Markets

1. Oil Prices

In August 2019, OPEC Reference Basket decreased by 7.9% or \$5.1/bbl from the previous month level to stand at \$59.6/bbl. Fears of a slowing global economy and the escalating trade dispute between the US and China, were major stimulus for the decrease in oil prices during the month of August 2019 to reach its lowest level in seven months.



Source: Organization of Petroleum Exporting Countries, OPEC.

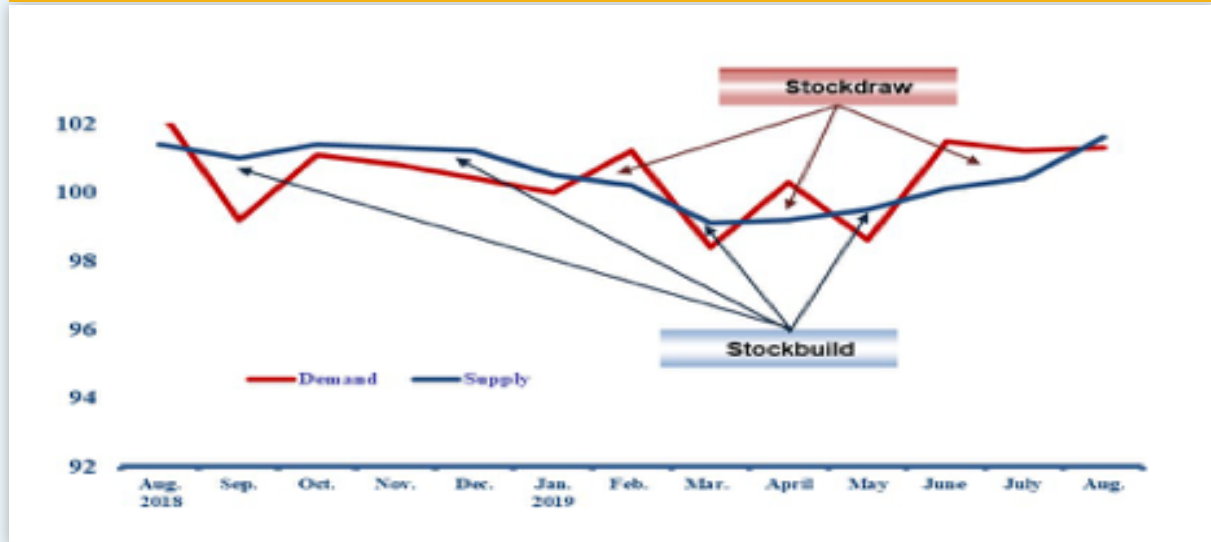
2. Supply and Demand

World oil demand in August 2019, increased by 1.2 million b/d or 1.2% from the previous month level to reach 102.4 million b/d. Demand in OECD countries increased by 1.6% comparing with the previous month to reach 49.4 million b/d. And demand in Non-OECD countries increased by 0.8% comparing with their previous month level to reach 53 million b/d.

* Prepared by the Economics Department.

World oil supplies in August 2019, increased by 1 million b/d or 1% comparing with the previous month to reach 101.4 million b/d. OPEC crude oil and NGLs/condensates total supplies increased by 1.1% comparing with the previous month to reach 35.2 million b/d. And preliminary estimates show that Non-OPEC supplies increased by 0.8% comparing with the previous month to reach 66.2 million b/d.

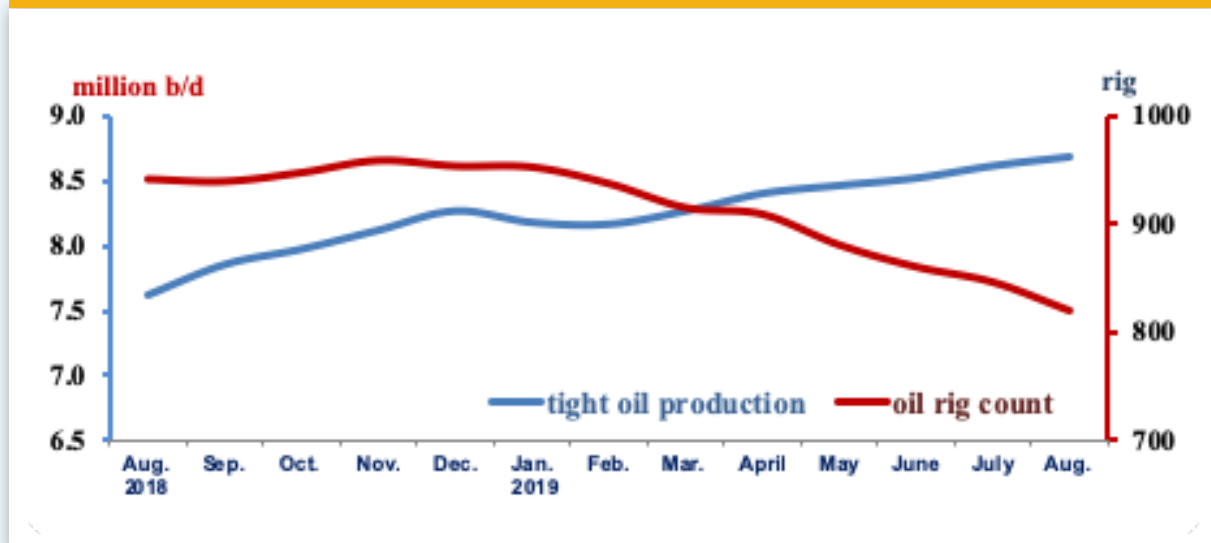
World Oil Supply and Demand (million b/d)



Source: Energy Intelligence Briefing Sep. 6, 2019.

US tight oil production in August 2019, increased by 0.8% to reach about 8.7 million b/d, whereas US oil rig count decreased for the ninth month in a row, by 26 rig from the previous month level to stand at 821 rig.

US tight oil production and oil rig count



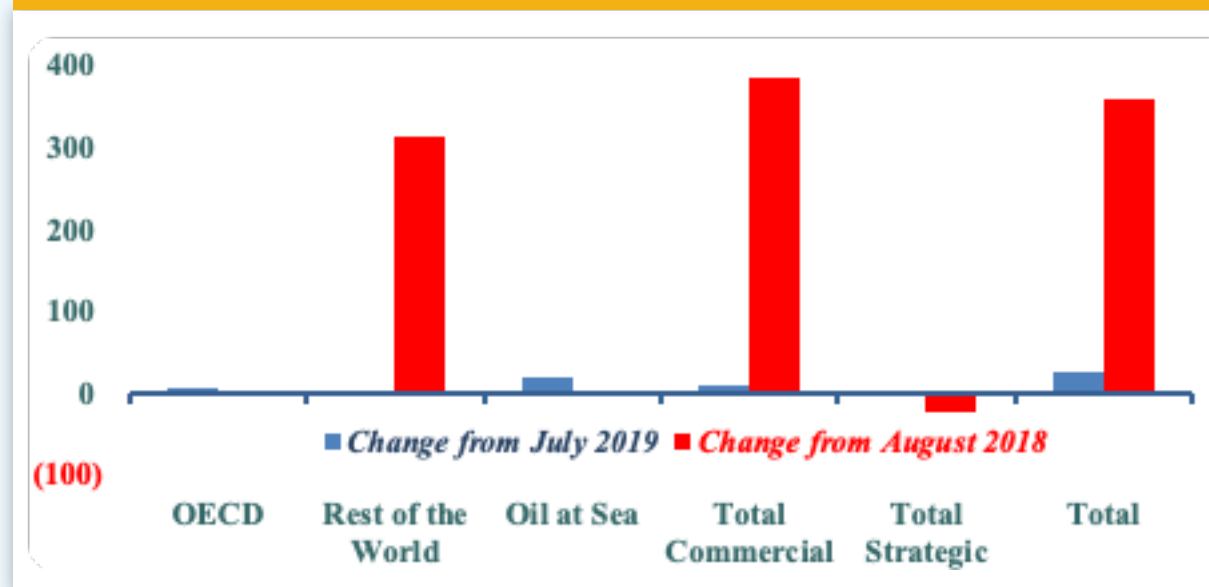
Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions Sep. 2019.



3. Oil Inventories

OECD commercial inventories in August 2019 increased by 6 million barrels from the previous month level to reach 2937 million barrels, whereas Strategic inventories in OECD-34, South Africa and China decreased by 4 million barrels from the previous month level to reach 1826 million barrels.

Change in Global Inventories at the End of August 2019 (million bbl)



Source: Oil Market intelligence, Nov 2018 and Sep. 2019.

4. Oil Trade

US Oil Imports and Exports

US crude oil imports in August 2019, decreased by 0.2% from the previous month level to reach 6.9 million b/d, and US product imports decreased by 5.6% to reach about 2.4 million b/d.

US crude oil exports in August 2019, increased by 1% from the previous month level to reach 2.9 million b/d, and US product exports increased by 3.1% to reach about 5.2 million b/d.

Second: Natural Gas Market

1. Prices

- The average spot price of natural gas at the Henry Hub decreased in August 2019 to reach \$2.22/million BTU.
- The Price of Japanese LNG imports in July 2019 increased by \$0.08/m BTU to reach \$9.46/m BTU, the Price of Korean LNG increased by \$0.35/m BTU to reach 9.38/m BTU, whereas the Price of Chinese LNG imports decreased by \$0.17/m BTU to reach \$8.36/m BTU.

2. Exports

Arab LNG exports to Japan, Korea and China were about 2.949 million tons in July 2019 (a share of 20% of total imports).

Tables Annex

