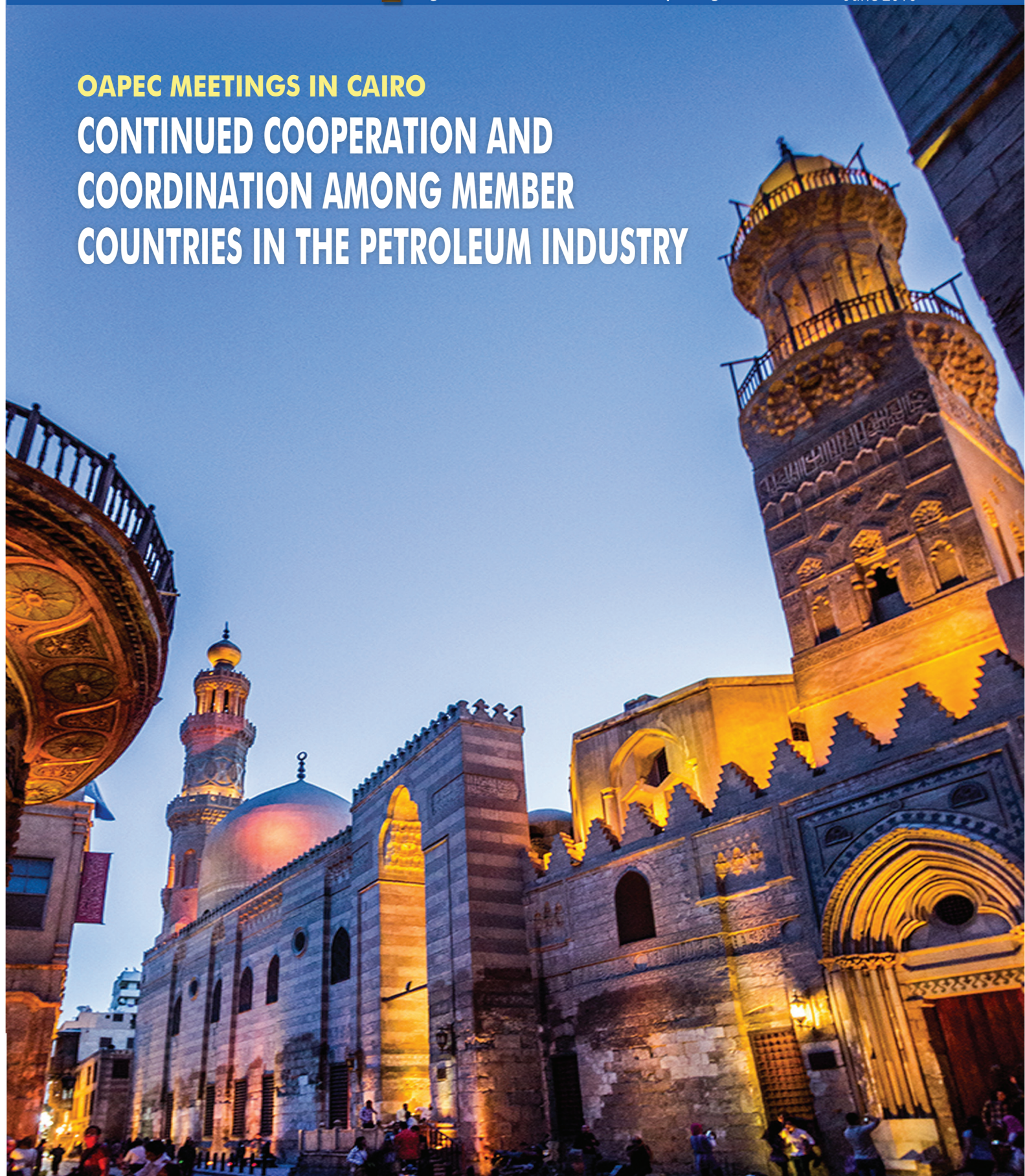


## OAPEC MEETINGS IN CAIRO

# CONTINUED COOPERATION AND COORDINATION AMONG MEMBER COUNTRIES IN THE PETROLEUM INDUSTRY







### The Cover

The Egyptian capital, Cairo, hosted OAPEC meetings from 14 to 16 May 2016 including OAPEC Executive Bureau's 144th Meeting from 14 to 15 May 2016, which was followed by the 96th OAPEC Ministerial Meeting (at the level of representatives). The meetings discussed issues relevant to the activities and work of the OAPEC Secretariat General during the first half of 2016. They also tackled the Arab and international petroleum industry's developments.

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### HE Sheikh Mohammed Al Khalifa Named Bahrain's New Oil Minister



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### OAPEC MEETINGS IN CAIRO

## 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.

- **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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## 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.

## **ECONOMIC DIVERSITY OPTIONS FOR OAPEC COUNTRIES**

OAPEC member countries are facing various challenges due to the falling oil prices since mid 2014 that led to a tangible drop in petroleum revenues. This has affected public budgets; many of which suffered deficit with rising total public debt, which resulted in the cancellation or postponement of various capital projects in some countries that depend on oil as their main source of income and revenues.

According to the latest quarterly report issued by OAPEC Secretariat General, OAPEC crude oil exports' value is estimated at about \$50.4 billion during Q1 of 2016, which is lower by about \$24.5 billion compared to Q1 of 2015. Negative impacts of the dropping value have extended to hit non-oil sectors, which have in turn affected consumption and investment spending levels.

Consequently, OAPEC member governments opted for implementing a set of economic measures to handle deficit, including withdrawal from public reserves and rationalizing public spending especially capital expenditure. However, these countries avoided affecting current expenditure like wages and subsidies on basic consumer goods in varied levels from one country to another. Also, core energy policies amendments have been made in order to reduce energy waste and ensure its sustainability. Such measures might have an impact in the short run, however; it is hoped that their positive outcome would unfold in the medium and long terms.

In spite of the efforts of OAPEC members to handle economic challenges resulting from the oil prices drop, there is a dire need for more flexible and effective economic solutions, with an active participation of all economic sectors. This would ultimately lead to achieving sustainable economic growth.



OAPEC member countries have many promising economic solutions, most significant of which is the **privatization** of some major economic sectors like industry, logistic services, free zones, financial and banking services, technology, tourism, public transport, communications, and other fields. Member countries seek achieving additional state revenues and reducing burden resulting from government's management of public facilities. Downstream industry (refining and petrochemicals) is classified among the most attractive sectors for local and foreign investors. Some member countries have actually started taking measures in this regard in cooperation with some international companies to execute joint ventures in refining and petrochemicals.


**Sovereign Funds** are good economic tools for some member countries, through which investment opportunities available in the world markets can be hunted. In this vein, we refer to the significant economic step announced by Saudi Arabia under the umbrella of the Kingdom's 2030 Vision to establish the world's largest sovereign fund. Also, Kuwait, the UAE (Abu Dhabi Investment Authority (ADIA)), and Qatar have internationally renowned sovereign funds that are considered safe havens for their economies.

In a new development, some member countries have announced plans to develop their **tax system** in order to support public budgets and boost their ability to handle the negative impacts of the fluctuating oil prices. It is worth mentioning that the GCC countries have worked hard to coordinate efforts on preparing a unified VAT framing convention in the Gulf countries.

Launching economic reforms is facing many obstacles in some member countries since some

of them fund their projects via loans from local or foreign banks, or even international funds, in spite of the economic risks of increasing foreign debt, which could lead to increasing financial obligations on the state and the possibility of national currency exchange rates drop. They also face other challenges related to the economic laws and legislations in force, especially on the role of the public sector in managing and operating the energy sector, as well as, the room available for the private sector to contribute, the level of improvement in the investment climate, and incentives available for foreign investors.

While closely observing OAPEC members' efforts in developing and diversifying their economic bases and increasing the efficiency of these countries' public financial performance, OAPEC Secretariat General highly appreciates and lauds these efforts, and hopes for utilizing the promising investment opportunities in the petroleum industry (oil and natural gas) in particular, in addition to some renewable energy resources like solar and wind, in parallel with investment opportunities in other various economic sectors, to serve the economic and social development in these countries.

The Secretariat General also hopes that Arab economic cooperation in general, and among member countries in particular, would witness more progress and growth, in a way to help exchanging different expertise and experiences. It also calls for benefiting from the recommendations of the research work and studies prepared by the Arab joint action institutions specialized in economy and energy, which present some of the best solutions and future visions to develop the Arab economic and industrial sectors. 

## BAHRAIN

# HE SHEIKH MOHAMMED AL KHALIFA NAMED BAHRAIN'S NEW OIL MINISTER

The King of Bahrain HM Hamad bin Isa Al Khalifa has made a cabinet reshuffle through the Royal Decree number 45/2016 appointing HE Sheikh Mohammed bin Khalifa Al Khalifa as the new Oil Minister, replacing HE Dr Abdul Hussain bin Ali Mirza, who has been appointed Minister of Electricity and Water.

HE Sheikh Mohamed graduated with honors from the King Fahd University of Petroleum and Minerals with a B Sc. degree in Electronics.

He completed his higher education in the United Kingdom with a postgraduate diploma from the University of Cambridge and an Advanced Masters from the Imperial College of Science, Technology and Medicine. He also holds an MBA from DePaul University's Kellstadt Graduate School of Business.

Sheikh Mohammed joined Bahrain's Ministry of Finance in 1999, and became director of Government Shareholdings in 2005. During his tenure, he worked

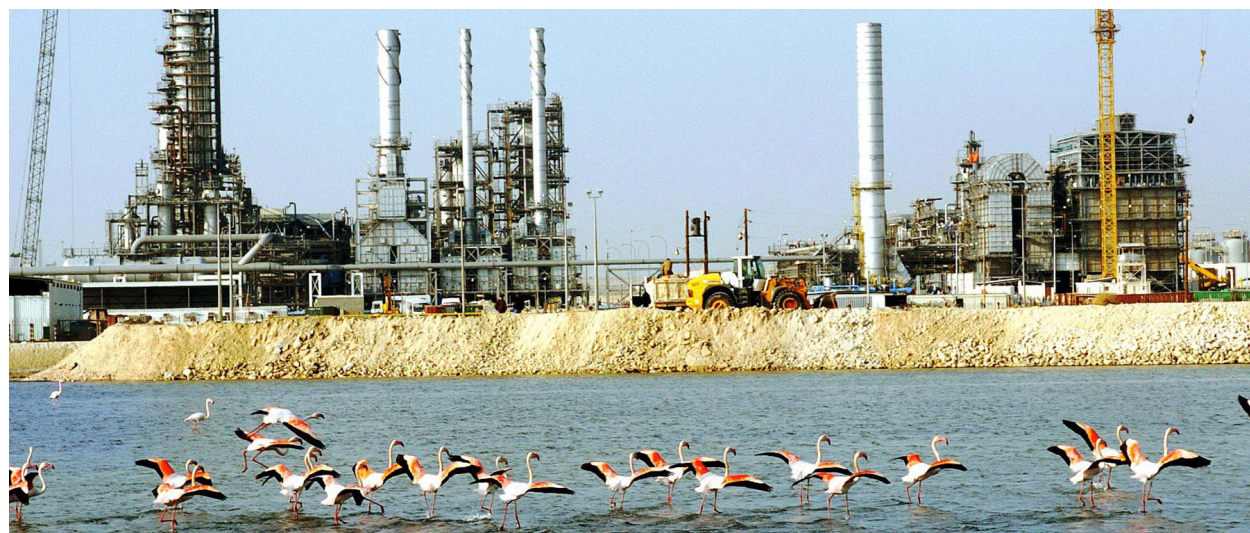


on privatizing a number of major governmental projects like energy plants, Al Seef Real Estates, and Muharraq wastewater treatment plant.

In 2011, he was appointed the chief executive of the National Oil and Gas Holding Company (Nogaholding). He has also been a board member of several companies, including the National Oil and Gas Authority (Noga), the Bahrain Petroleum Company, the Central Bank of Bahrain (CBB), the Aluminium Bahrain (Alba) and the Lulu

Tourism Company. In July 2015, he was appointed Chairman of the Bahrain Petroleum Company.

On his part, HE Abbas Ali Al Naqi, OAPEC Secretary General, has sent a cable of congratulations, also on behalf of OAPEC staff, to HE Al Khalifa, on the occasion of his appointment wishing him all success in his new post while looking forward to continuing Bahrain's great support for OAPEC activities.







## MOPCO FERTILIZERS' EXPANSIONS OPENED IN EGYPT

Egypt's President His Excellency Abdel Fattah El Sisi opened the expansions of Misr Fertilizers Production Company (MOPCO) at the Petrochemicals and Gas Complex in Dameitta governorate. The project is among Egypt's mega petrochemical projects. Two new lines, namely 2 and 3, have been added to the complex with investments worth about \$2 billion from the Egyptian petroleum sector, local banks, public tenders, local insurance companies, as well as, Arab and foreign investments. PETROGATE executed expansion works.

The total production of the lines 2 and 3 is about 1.4 million tonnes/year, in addition to 650,000 tonnes/year from line 1. This raises the complex total production to more than 2 million tonnes/year, representing about 30% of the urea production in Egypt. It will attract about \$300 million/year of foreign currencies from exports.

Egypt's Petroleum and Mineral Resources Minister HE Tarek Al Mulla said that the petrochemicals industry is one of the strategic industries that support the Egyptian economy. He explained that his country prepared a comprehensive national plan to develop the petrochemicals industry back in 2001. Following the plan, the Egyptian Petrochemicals Holding Company (ECHM) was established in 2002. Six of the plan's projects have been executed with investments worth about \$3.5 billion to produce about 3 million tonnes/year of petrochemicals.

The Minister explained that MOPCO complex observes the highest international standards through its advanced bio-treatment unit for industrial waste, the first of its kind in the Middle East. It conforms to international and local criteria, as the complex emissions are less than 1% to 10% of international standards.

## ALGERIA

# HE NOURREDDINE BOUTERFA NAMED ALGERIA'S NEW ENERGY MINISTER

Algeria's President HE Abdelaziz Bouteflika announced a cabinet reshuffle that included naming HE Nourredine Bouterfa as the new Energy Minister succeeding HE Dr Salah Khebri.

HE Bouterfa is one of the well-known leading figures in the field of energy in Algeria. Before his appointment, he was head of the Algerian domestic natural gas company Sonelgaz.

During his appointment ceremony, HE Bouterfa called upon all the ministry staff to continue joint action with full determination to face current challenges in the energy sector.

**On his part, HE Abbas Ali Al Naqi, OAPEC Secretary General, has sent a cable of congratulations, also on behalf of OAPEC staff, to HE Bouterfa, on the occasion of his appointment wishing him all success in his new post while looking forward to continuing Algeria's great support for OAPEC activities.**



# APICORP COMPLETES FINANCING FACILITIES IN ALGERIA

The Arab Petroleum Investments Corporation (APICORP), a multilateral development bank established in 1975 by the 10 member states of the Organization of Arab Petroleum Exporting Countries (OAPEC), announced the completion of an innovative Sharia-compliant financing facility for Oil Recovery Services SAL (ORS Sal), whose operations are based in Algeria. The financing was arranged in conjunction with France-based oil and gas private equity firm 4D Global Energy Advisors (4D GEA).

The facility is the first of its kind for APICORP in the Algerian market, and is dedicated to support a service contracting company working for Sonatrach. As such, it showcases APICORP's ability and determination to diversify its investment geographically.

In March 2015, "ORS Sal" was awarded a \$ 47.6 million in Algeria by Sonatrach for providing drilling/completion fluids, waste management and engineering services over a period of three years. The



purpose of the facility is to finance part of the cost of the equipment and to cover the working capital requirements for implementing the contract. The initial \$ 10 million financing provided by APICORP will act as a template for the financing of several other contracts in the pipeline.

Dr Raed Al Rayes, Deputy CEO and General Manager of APICORP, commented: "Completing this facility for "ORS Sal" is a timely

step for APICORP, as it helps us strengthen our position in the Algerian lending market, which is consistent with APICORP's objectives to develop the energy sector in the Arab world. The facility will also help APICORP take advantage of other attractive business opportunities available within the Algerian market for years to come."

Dr Al Rayes added: "This facility once again demonstrates APICORP's expertise in providing innovative financing solutions to meet the needs of various projects."



## 376 NEW OIL WELLS DRILLED IN KUWAIT DURING 2015

Kuwait Oil Company (KOC) said that Kuwait's crude oil production hit 2.810 million b/d by the end of the fiscal year 2014-2015, less than the targeted 2.950 million b/d. In its recently-issued 2014-2015 annual report, the company noted that the 140,000bpd shortage in output, was mainly due to the decline of production capacity in some of the company's production areas for technical reasons.

The report added that within the company's plan to increase production at northern oilfields up to one million b/d in the next five years, it has concluded contracts to build three gathering hubs at the sites of its operations northern Kuwait in coordination with some international petroleum companies.

The company noted that it had dug 376 new wells for crude oil and non-associated gas, 33 wells more than the targeted 343. The company revealed that for the first time in its history, the technique of injecting acids into Um Gadeer (UG-42) well cracks and Marrot oil reservoir has been adopted, leading to oil flow reaching about 3,500 b/d. This opens the door to exploiting the low-permeability Marrat reservoirs in north Kuwait. It is expected to raise the production and improve the recovery of oil in all of the company's production areas.

As for the daily production of associated and non-associated gas during the same period, the company said that it hit 1.596



billion cubic feet daily, marking a rise of about 187 million more than the targeted 1.409 billion cubic feet.

The company concluded by saying that in 2016, it will start

executing the offshore drilling project within the onshore and offshore exploration operations in order to increase oil and free gas production and to reach 3.150 million b/d of oil production. 🌐





## OAPEC MEETINGS IN CAIRO

# CONTINUED COOPERATION AND COORDINATION AMONG MEMBER COUNTRIES IN THE PETROLEUM INDUSTRY

The Egyptian capital, Cairo, hosted OAPEC meetings from 14 to 16 May 2016 including OAPEC Executive Bureau's 144<sup>th</sup> Meeting from 14 to 15 May 2016, which was followed by the 96<sup>th</sup> OAPEC Ministerial Meeting (at the level of representatives). The meetings discussed issues relevant to the activities and work of the OAPEC Secretariat General during the first half of 2016. They also tackled the Arab and international petroleum industry's developments.





## OAPEC EXECUTIVE BUREAU'S 144<sup>TH</sup> MEETING

OAPEC Executive Bureau's 144<sup>th</sup> Meeting was held from 14 to 15 May 2016. The meeting was chaired by HE Sheikh Talal Nasser Al Athbi Al Sabah, Kuwait's Representative at the Executive Bureau. Kuwait chairs OAPEC's current round for the year 2016. Their Excellencies the Executive Bureau Members represented their countries at the meeting.

The Chairman opened the meeting with a speech welcoming their Excellencies the Executive Bureau Members wishing them a pleasant stay in Egypt and conveying his best wishes on the occasion of Ramadan.

After approving the agenda of the meeting, the Executive Bureau looked into the following issues:

- OAPEC (Secretariat General

and Judicial Tribunal) final annual accounts and financial statements for the year 2015 have been approved.

- The Executive Bureau looked into the Secretariat General's memo on the quarterly report on the "Global Petroleum Status" consisting of 6 pivotal points. The Executive Bureau appreciated the Secretariat General's efforts in preparing





**HE Dr. Mattar Al Neyadi**  
UAE



**HE Ali Abdul Jabbar Al Sawad**  
BAHRAIN



**HE Mohammed Bu Emamah**  
ALGERIA



**HE Eng. Nasser Bin Ibrahim Al Fawzan**  
KSA



**HE Eng. Abdullah Al Khattab**  
SYRIA



**HE Hasan M. Habibib Al Rufaii**  
IRAQ



**HE Sheikh Mishall bin Jabor Al Thani**  
QATAR



**HE Sheikh Talal Naser Al Sabah**  
KUWAIT



**HE Eng. Mohammed K. Zendah**  
LIBYA



**HE Eng. Gamal Abdul Hameed Hijagzi**  
EGYPT

this report and stressed the need for continuing to monitor the global petroleum status on a regular basis. The next report to be presented to the Council of Ministers should cover the latest global petroleum developments. The Executive Bureau reiterated the necessity of sending the report to the Representatives prior to the meetings in order to be able to review it.

- The Executive Bureau looked into the Secretariat General's memo on following up on environment and climate change issues, as well as, the Secretariat General's efforts in coordinating with Saudi Arabia in this regard, as it chairs the Arab Group for the SBI44 to be held in Bonn, Germany, UN Headquarters, between 16 and 26 May 2016; and the COP-22 to be held in Marrakesh, Morocco, from 7 to 18 November 2016.

The Executive Bureau praised the Secretariat General's efforts on following up environment and







climate change issues, and the UNFCCC and legal mechanisms stemming from it both on the Arab and international levels. The Bureau recommended that the Secretariat General continues its efforts on environment and climate change, and stressed the importance of active participation in all regional and international conferences and meetings in this regard.

- The Executive Bureau looked into the Secretariat General's memo on the studies finalized by OAPEC Secretariat General in the first half of 2016 including: "Developments of the Global Oil Market and their Potential Impacts on OAPEC Members", and "Unconventional Oil and Natural Gas outside Northern America and its Future Prospects".

The Executive Bureau recommended that the Secretariat General continues conducting such studies and increasing their number due to their importance. Copies of these studies should be sent to member countries.

- The Executive Bureau looked into the Secretariat General's memo on the progress of the databank work and development of its activities in the first half of 2016. They also reviewed the outcome of the 5th

Coordinating Meeting for OAPEC Databank Liaison Officers held at OAPEC Headquarters in Kuwait on 27 and 28 April 2016.

The Executive Bureau lauded the Secretariat General's efforts on developing the databank in a way that contributes to boosting cooperation with the member countries on the one hand and with international organizations on the other hand. The Bureau called upon relevant authorities at the member countries to provide the Secretariat General with data in order for the databank to have a reliable reference in the fields of energy.

- The Executive Bureau looked into the Secretariat General's memo on the activities it organized or took part in during the first half of 2016.
- It was agreed to hold the 145th Executive Bureau Meeting in Kuwait on Saturday 15 and Sunday 16 October 2016. 🌐





## 96<sup>TH</sup> MEETING OF OAPEC MINISTERIAL COUNCIL (AT THE LEVEL OF THE REPRESENTATIVES)

OAPEC Ministerial Council convened its 96th meeting on 9 Shaban, 1437H, corresponding to 16 May 2016, in Cairo, Egypt. The meeting was held at the level of the Executive Bureau Representatives and was chaired by HE Sheikh Talal Nasser Al Athbi Al Sabah, the Executive Bureau Representative of the State of Kuwait that is heading the current term 2016.

His Excellency the Chairman opened the meeting and welcomed their Excellencies the Representatives of the member countries and His Excellency OAPEC Secretary General. He expressed thanks to the General Secretariat for the good preparation for the meeting. His Excellency also extended thanks and gratitude to the Arab Republic of Egypt for hosting the meeting.

HE Abbas Ali Al Naqi, OAPEC

Secretary General, followed with a speech welcoming their Excellencies the Representatives of the member countries. HE Al Naqi expressed profound thanks and appreciation to HE Engineer Tarek Al Mulla, Egypt's Petroleum and Mineral Resources Minister and all Ministry staff for their hospitality and for facilitating the meeting.

The Council discussed the points on the meeting agenda and approved the following items:

- The Council approved OAPEC's financial statements (Secretariat General and Judicial Tribunal) for 2015.
- The Council reviewed the activity report of OAPEC Secretariat General during the first half of 2016, adopted the Executive Bureau recommendations including following up on environment

and climate change issues, the course of work at the databank, and the annual program of seminars and meetings organized or attended by the Secretariat General.

- The Council reviewed the economic and technical studies prepared by the Secretariat General during the first half of 2016.
- The Council reviewed a report on the petroleum conditions.
- Their Excellencies the Ministers have previously agreed that the next Ministerial Meeting will be held in Cairo on 11/12/2016.

**The Council concluded the meeting, expressing their thanks and appreciation to the Arab Republic of Egypt for the hospitality and quality preparations for the meeting.**



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# REGIONAL CONFERENCE ON THE REPERCUSSIONS OF THE OIL CRISIS ON ARAB ECONOMIES' MANAGEMENT

## REVIEWING CURRENT OIL MARKET DEVELOPMENTS

Upon a kind invitation by the Arab Administrative Development Organization (ARADO), OAPEC Secretariat General took part in the **Conference on the Repercussions of the Oil Crisis on Arab Economies' Management** held at the headquarters of the Arab League's Secretariat General (LAS), in Cairo, Egypt, under the auspices of the Egyptian Petroleum and Mineral Resources Minister HE Engineer Tarek Al Mulla, who delegated the Undersecretary of the Ministry HE Engineer Mohammed Taher on his behalf. The event was attended by a number of senior officials from LAS and the Egyptian Petroleum Ministry, in addition to a group of Arab experts and specialists.

The conference was opened by HE Dr Nasser Al Hatlan, ARADO's Director General, HE Ambassador Ahmed bin Helli, Head of the Political Sector, LAS, on behalf of LAS Secretary General HE Dr Nabil Al Arabi, and HE Engineer Mohammed Taher, Undersecretary of the Egyptian Petroleum and Mineral Resources on behalf of the Minister.

The conference included 4 technical sessions, where 18 papers have been presented on the reasons of the oil crisis and its potential repercussions on the MENA region and the world. The Secretariat General presented a paper at the event entitled "Oil Market Developments: Influencing Factors and Potential Implications for the Arab Oil Producing and Exporting Countries' Economies" by Mr Abdul Fattah Dandi, Director, Economic Department/OAPEC Secretariat General's Representative to the Conference.

### **The paper included the following pivots:**

1. A summary on the major crises during which oil prices dropped
2. Investigating major factors influencing oil prices during the recent crisis
3. The status of Arab oil producing and exporting countries in the oil market and the significance of the oil sector to their economies.



4. The implications of the falling oil prices for the Arab oil producing and exporting countries.

The paper concluded by stating that achieving oil market stability is a mutual responsibility on the part of OPEC and non-OPEC oil producing countries. It stressed that the drop of oil revenues in Arab oil producing countries has negative effects on the economies of these countries, which calls for diversifying income resources and activating the role of non-oil sectors. The paper also called for the necessity of reconsidering energy subsidies policies in the Arab countries with the stress that these amendments should not affect people with limited low incomes.



Newly released



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الربع الأول - كانون الثاني / يناير - آذار / مارس

2016

## OPEC'S 169<sup>TH</sup> MEETING

# CONTINUED COORDINATION WITH NON-OPEC PRODUCERS

The 169<sup>th</sup> Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held in Vienna, Austria, on 2 June 2016. A number of OPEC-relevant decisions have been made, most important of which was the appointment of Nigeria's candidate HE Mr Mohammed Sanusi Barkindo, as the new Secretary General of the Organization in succession to HE Abdalla Salem El Badri.

The Conference re-emphasized the coordination between Member Countries and with non-OPEC producers to ensure market stability in the global oil market; to obtain reasonable and sustainable revenue for oil-producing nations; and to provide a stable, reliable, efficient and economic supply to consuming countries and a fair return to investors in the oil industry.

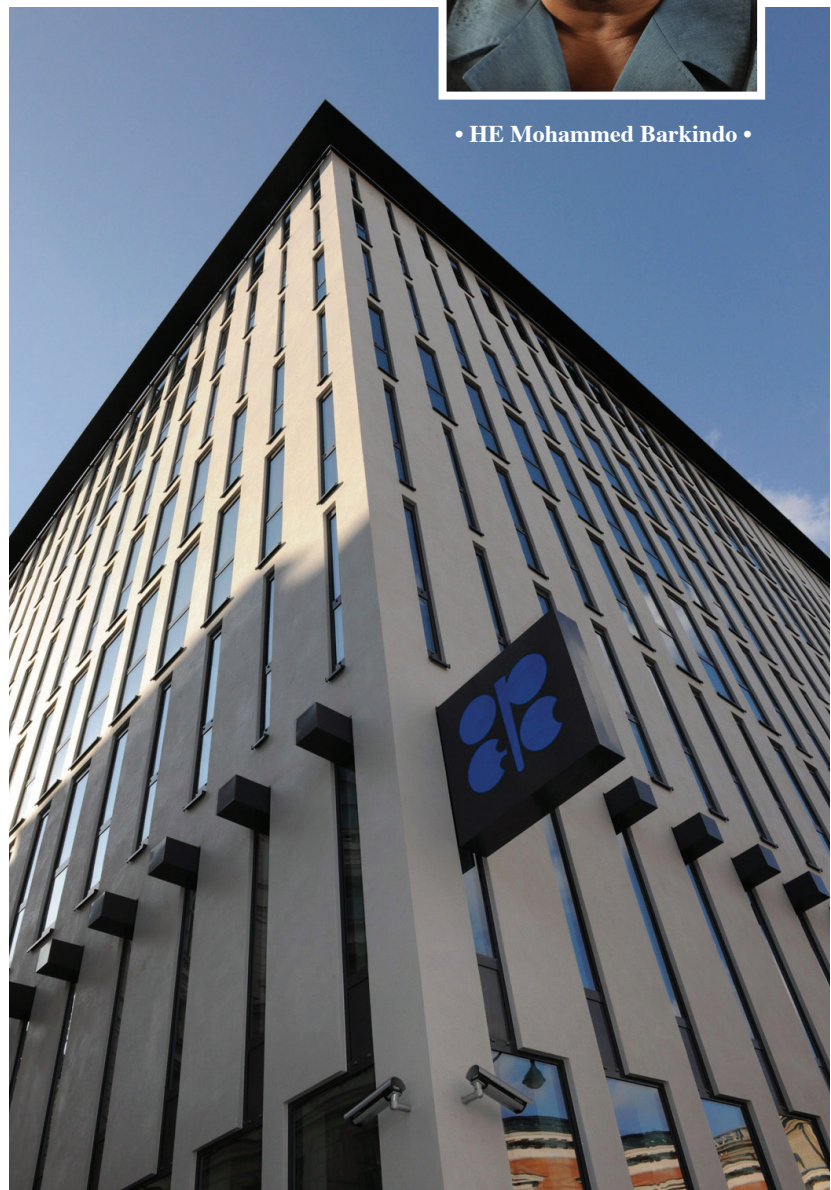
On his part, HE Dr Mohammed bin Saleh Al Sada, President of the current round and Minister of Energy and Industry of the State of Qatar, said in a speech at the opening of OPEC's Ministerial Meeting that continued dialogue with non-OPEC producers is important to maintain the stability of the oil market.

He said that a more stable and balanced market will benefit all parties. He hoped for adhering to every possible means of cooperation and understanding to serve the interests of OPEC and the whole world. HE Al Sada also gave an overview of the current developments in the oil market and their implications for the world's oil investments.

He concluded by referring to the bilateral dialogues organized by OPEC with India and the EU in the past months. He also announced that the 15th International Energy Forum (IEF) will be held in Algeria in September 2016.



• HE Mohammed Barkindo •





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## Petroleum Developments in the World Market and Member Countries\*

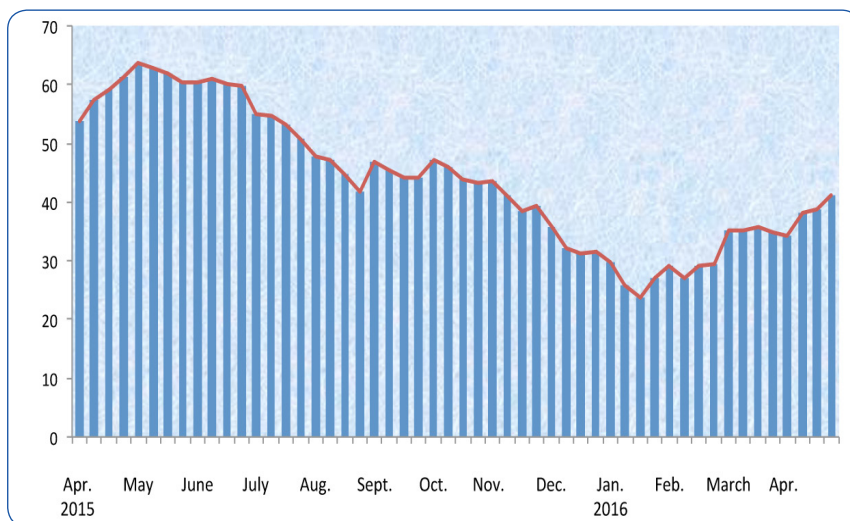
### 1. Oil Market

#### 1. Prices

##### 1-1 Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of April 2016, to reach \$34.2/bbl, and raise thereafter, to reach its highest level of \$41.1/bbl during the fourth week, as shown in figure 1:

Figure - 1 Weekly Average Spot Price of the OPEC Basket of Crudes 2015 - 2016 (\$/bbl)



On monthly basis, OPEC Reference Basket in April 2016, averaged \$37.9/bbl, representing an increase of \$3.2/bbl or 9.3% comparing with previous month, and a decrease of \$19.4/bbl or 33.9% from the same month of previous year. An acceleration in the decline of US crude production, a weaker US dollar, supply disruptions and forecasts for a sharp fall in non-OPEC production, were major stimulus for the increase in oil prices during the month of April 2016.

#### Key Indicators

- In April 2016, **OPEC Reference Basket** increased by 9.3% or \$3.2/bbl from the previous month level to stand at \$37.9/bbl.
- **World oil demand** in April 2016, increased by 0.4% or 0.4 million b/d from the previous month level to reach 96.1 million b/d.
- **World oil supplies** in April 2016, remained stable at the same previous month level of 98 million b/d.
- **US tight oil production** in April 2016, decreased by 1.8% to reach 5 million b/d, and **US oil rig count** decreased by 26 rig from the previous month level to stand at 281 rig.
- **US crude oil imports** in March 2016, increased by 2.4% from the previous month level to reach 8 million b/d, whereas **US product imports** decreased by 8.1% to reach about 1.9 million b/d.
- **OECD commercial inventories** in March 2016 decreased by 1 million barrels from the previous month level to reach 3045 million barrels, and **Strategic inventories** in OECD-34, South Africa and China remained stable at the same previous month level of 1863 million barrels.
- **The average spot price of natural gas** at the Henry Hub in April 2016 increased by \$0.19/million BTU from previous month level to reach \$1.92/ million BTU.
- **The Price of Japanese LNG imports** decreased in March 2016 by \$0.8/m BTU to reach \$7.2/m BTU, the **Price of Korean LNG imports** decreased by \$0.5/m BTU to reach \$7.3/m BTU, and the **Price of Chinese LNG imports** decreased by \$0.3/m BTU to reach \$6.6/m BTU.
- **Arab LNG exports to Japan, Korea and China** were about 4.035 million tons in March 2016 (a share of 31.2% 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, 2015-2016 (\$/bbl)

	Apr. 2015	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2016	FEB.	Mar.	Apr.
OPEC Basket Price	57.3	62.2	60.2	54.2	45.5	44.8	45.0	40.5	33.6	26.5	28.7	34.7	37.9
Change From previous Month	4.8	4.9	-2.0	-6.0	-8.7	-0.6	0.2	-4.5	-6.9	-7.1	2.2	5.9	3.2
Change from same month of previous Year	-47.0	-43.3	-47.7	-51.4	-55.3	-51.2	-40.0	-35.1	-25.9	-17.9	-25.3	-17.8	-19.4

\* Effective June 16, 2005 OPEC replaced its seven-crude basket with one comprised of eleven crudes, one from each member country (weighted according to production and exports to major markets). Effective 1 January and mid of October 2007, Angola's Girassol and Ecuadorian Oriente crudes have been incorporated to become the 12th and 13th crudes comprising the new OPEC Basket. As of Jan. 2009, the basket excludes the Indonesian crude. As of Jan. 2016, the basket price includes the Indonesian crude.

**Figure - 2** Change in the Price of the OPEC Basket of Crudes, 2015-2016 (\$/bbl)

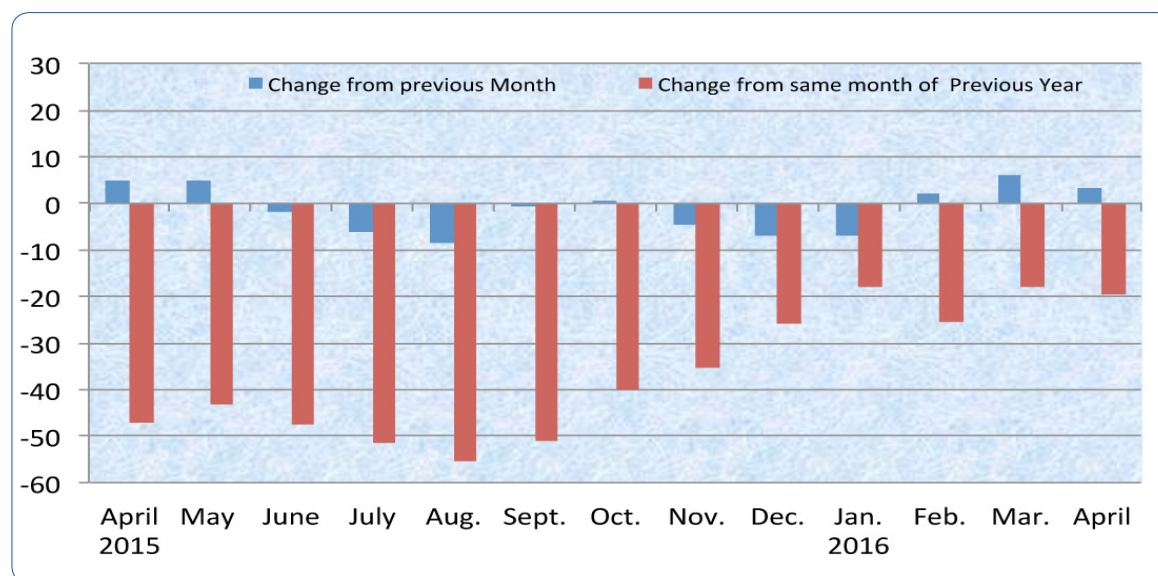


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2014-2016.

## 1-2 Spot Prices of Petroleum Products

### - US Gulf

In March 2016, the spot prices of premium gasoline increased by 22.6% or \$10.7/bbl comparing with their previous month levels to reach \$58/bbl, spot prices of gas oil increased by 11.1% or \$4.1/bbl to reach \$41.1/bbl, and spot prices of fuel oil increased by 16% or \$3.3/bbl to reach \$23.9/bbl.

### - Rotterdam

The spot prices of premium gasoline increased in March 2016, by 10.7% or \$5.3/bbl comparing with previous month levels to reach \$54.8/bbl, spot prices of gas oil increased by 16.6% or \$6.7/bbl to reach \$47.1/bbl, and spot prices of fuel oil increased by 15.3% or \$3.3/bbl to reach \$24.8/bbl.

### - Mediterranean

The spot prices of premium gasoline increased in March 2016, by 10.9% or \$4.7/bbl comparing with previous month levels to reach \$47.7/bbl, spot prices of gas oil increased by 15.3% or \$6.4/bbl to reach \$48.3/bbl, and spot prices of fuel oil increased by 9.3% or \$2.1/bbl to reach \$24.6 bbl.

### - Singapore

The spot prices of premium gasoline increased in March 2016, by 19% or \$8.4/bbl comparing with previous month levels to reach \$52.7/bbl, spot prices of gas oil increased by 15.5% or \$6.2/bbl to reach \$46.3/bbl, and spot prices of fuel oil increased by 8.9% or \$2.3/bbl to reach \$28.2/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from March 2015 to March 2016.

**Figure - 3** Monthly Average Spot Prices of Premium Gasoline, 2015-2016 (\$/bbl)

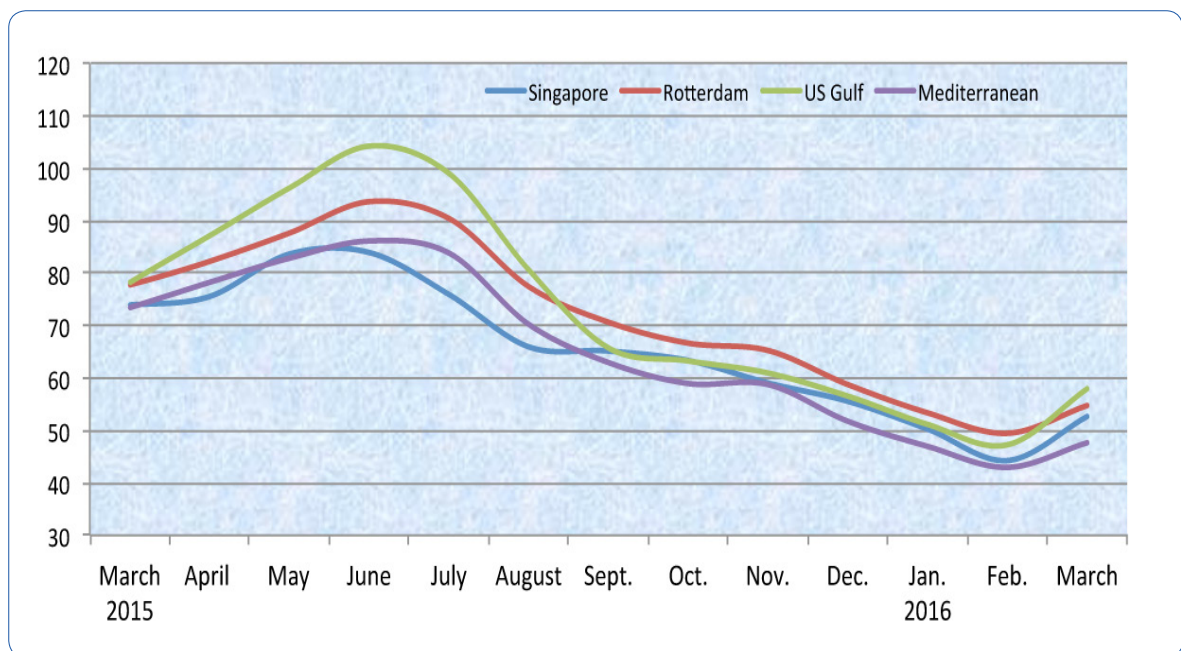


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2014-2016.

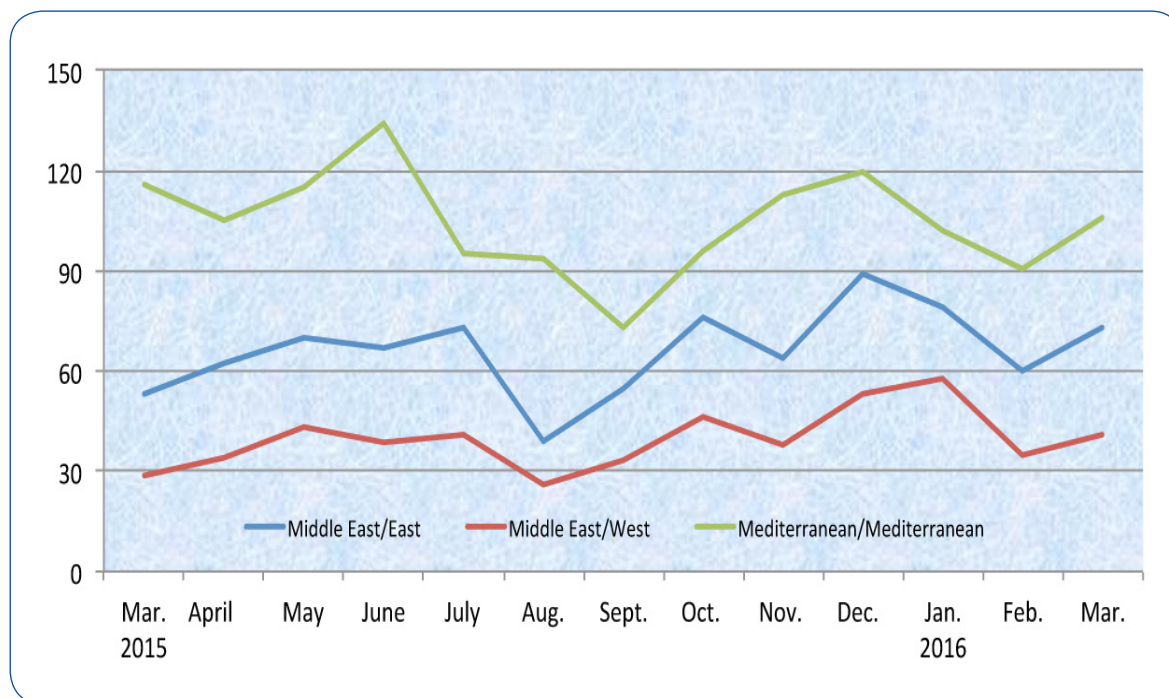


### 1-3 Spot Tanker Crude Freight Rates

In March 2016, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 13 points or 21.7% comparing with previous month to reach 73 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 6 points or 17.1% comparing with previous month to reach 41 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 15 points or 16.5% comparing with previous month to reach 106 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from March 2015 to March 2016.

**Figure - 4** Monthly Spot Crude Oil Tanker Freight Rates, 2015 -2016 (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 March 2016, monthly spot Tanker freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Middle Eastern ports to the East, increased by 12 points, or 11.5% comparing

with previous month to reach 116 points on WS. Whereas freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 19 points, or 13% to reach 127 points on WS, and freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe also decreased by 20 points, or 12.8% to reach 136 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from March 2015 to March 2016.

Figure - 5

Monthly Spot Product Tanker Freight Rates, 2015 -2016

(World Scale)

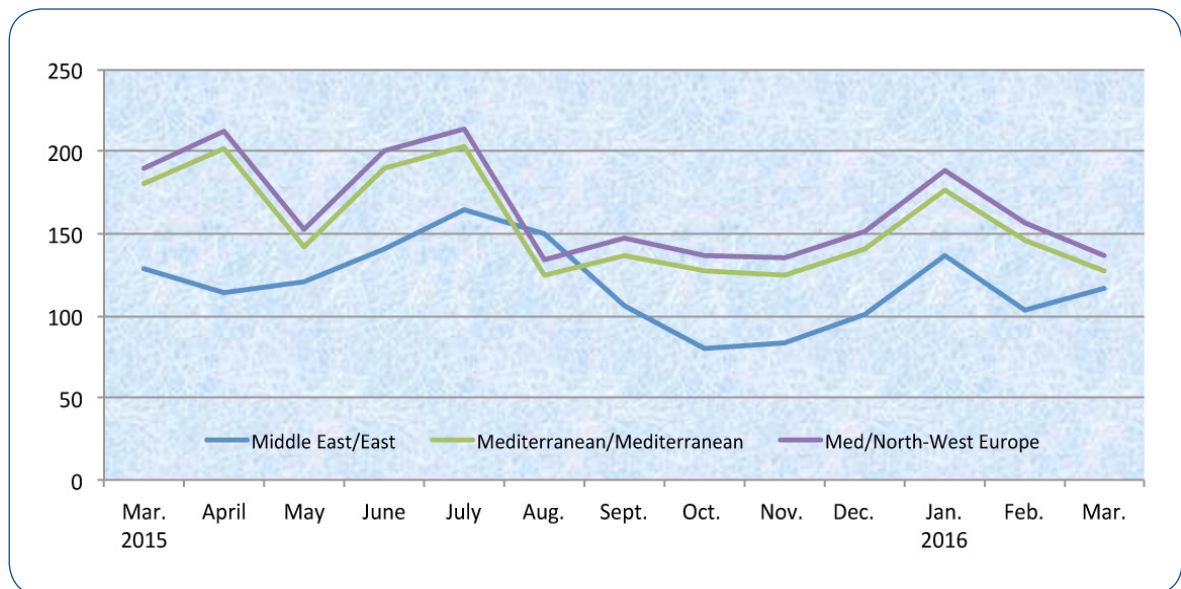


Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2014-216.

## 2. Supply and Demand

Preliminary estimates in April 2016 show an **increase** in **world oil demand** by 0.4% or 0.4 million b/d, comparing with the previous month to reach 96.1 million b/d, representing an increase of 1.3 million b/d from their last year level.

Demand in **OECD** countries **decreased** by 1.3% or 0.6 million b/d comparing with their previous month level to reach 45.9 million b/d, representing an increase of 0.3 million b/d from their last year level. Whereas demand in **Non-OECD** countries **increased** by 2% or 1 million b/d comparing with their previous month level to reach 50.2 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 April 2016 **remained stable** at the same previous month level of 98 million b/d, a level that is 1.7 million b/d higher than last year.

In April 2016, **OPEC** crude oil and NGLs/condensates total supplies **decreased** by 0.3% or 0.1 million b/d comparing with the previous month level to reach 39.4 million b/d, a level that is 1.2 million b/d higher than last year. And preliminary estimates show that **Non-OPEC** supplies **remained stable** at the same previous month level of 58.5 million b/d, a level that is 0.4 million b/d higher than last year.

Preliminary estimates of the supply and demand for April 2016 reveal a surplus of 1.9 million b/d, compared to a surplus of 2.2 million b/d in March 2016 and a surplus of 1.5 million b/d in April 2015, as shown in table (2) and figure (6):

Tables (7) and (8) in the annex show world oil demand and supply for the period 2014-2016.

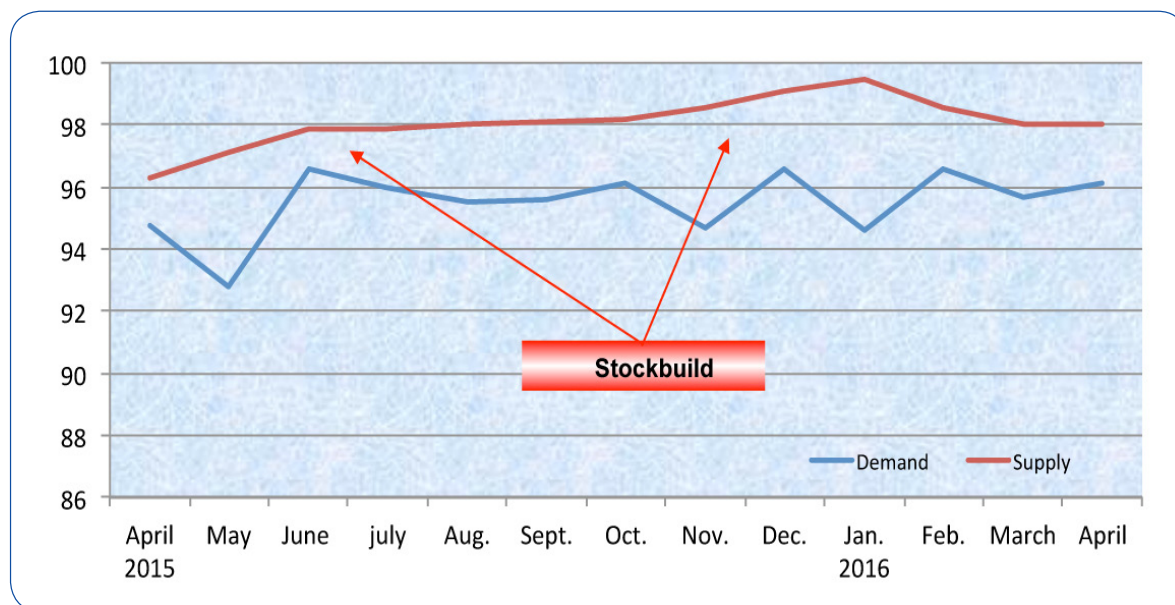
**Table 2** **World Supply and Demand** (Million b/d)

	<i>April 2016</i>	<i>March 2016</i>	<i>Change from March 2016</i>	<i>April 2015</i>	<i>Change from April 2015</i>
<i>OECD Demand</i>	45.9	46.5	-0.6	45.6	0.3
<i>Rest of the World</i>	50.2	49.2	1.0	49.3	0.9
<i>World Demand</i>	<b>96.1</b>	<b>95.7</b>	<b>0.4</b>	<b>94.8</b>	<b>1.3</b>
<i><b>OPEC Supply:</b></i>	<u>39.4</u>	<u>39.5</u>	<u>-0.1</u>	<u>38.2</u>	<u>1.2</u>
<i>Crude Oil</i>	32.8	32.8	0.0	31.6	1.2
<i>NGL's &amp; Cond.</i>	6.6	6.7	-0.1	6.6	0.0
<i><b>Non-Opec Supply</b></i>	56.2	56.2	0.0	55.8	0.4
<i>Processing Gain</i>	2.3	2.3	0.0	2.3	0.0
<i><b>World Supply</b></i>	<b>98.0</b>	<b>98.0</b>	<b>0.0</b>	<b>96.3</b>	<b>1.7</b>
<i><b>Balance</b></i>	<b>1.9</b>	<b>2.2</b>		<b>1.5</b>	

Source: Energy Intelligence Briefing May 10, 2016.

**Figure - 6** **World Supply and Demand**

(Million b/d)



### US tight oil production

In April 2016, US tight oil production decreased by 93 thousand b/d or 1.8% comparing with the previous month level to reach 5.034 million b/d, representing a decrease of 430 thousand b/d from their last year level. The US oil rig count decreased by 26 rig comparing with the previous month level to reach 281 rig, a level that is 385 rig lower than last year, as shown in table (3) and figure (7):

**Table 3** **US\* tight oil production**

(Million b/d)

	<i>April 2016</i>	<i>March 2016</i>	<i>Change from February 2016</i>	<i>April 2015</i>	<i>Change from April 2015</i>
<b>tight oil production</b>	<b>5.034</b>	<b>5.127</b>	<b>-0.093</b>	<b>5.464</b>	<b>-0.430</b>
<b>Oil rig count (rig)</b>	<b>281</b>	<b>307</b>	<b>-26</b>	<b>666</b>	<b>-385</b>

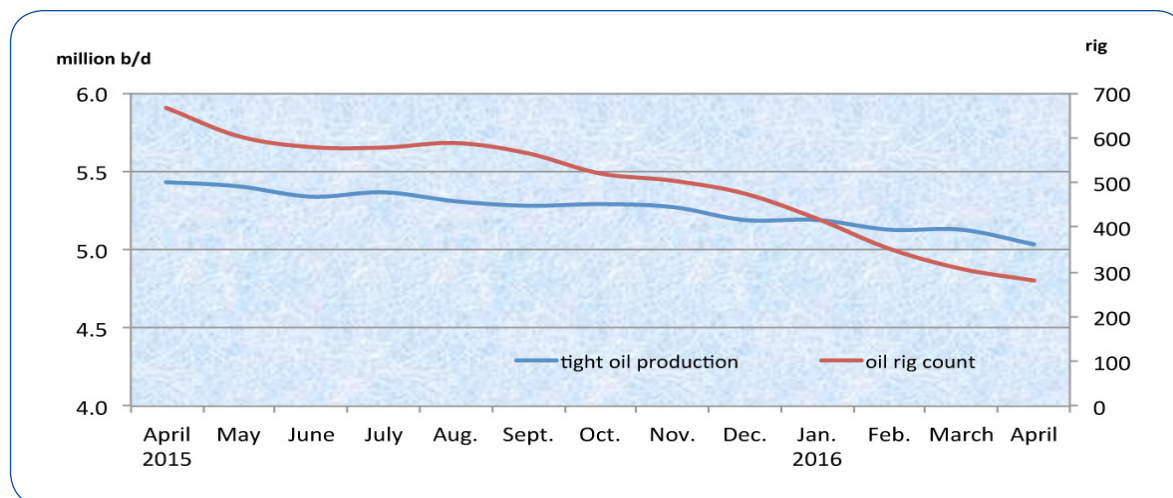
Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, May 2016.

\* focusing on the seven most prolific areas, which are located in the Lower 48 states. These seven regions accounted for 92% of domestic oil production growth during 2011-2014 (Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian, Utica)



**Figure - 7 US tight oil production and oil rig comt**

(Million b/d)



### 3.Oil Trade

#### USA

In March 2016, US crude oil imports increased by 184 thousand b/d or 2.4% comparing with the previous month level to reach 8 million b/d, whereas US oil products imports decreased by 165 thousand b/d or 8.1% to reach about 1.9 million b/d.

On the export side, US crude oil exports decreased by 9 thousand b/d or 2.3% comparing with the previous month level to reach about 387 thousand b/d, whereas US products exports increased by 315 thousand b/d or 7.7% to reach 4.4 million b/d. As a result, US net oil imports in March 2016 were 286 thousand b/d or nearly 5.4% lower than the previous month, averaging 5.1 million b/d.

Canada remained the main supplier of crude oil to the US with 45% of total US crude oil imports during the month, followed by Saudi Arabia with 13%, then Venezuela with 10%. OPEC Member Countries supplied 37% of total US crude oil imports.

#### Japan

In March 2016, Japan's crude oil imports increased by 97 thousand b/d or 3% comparing with the previous month to reach 3.6 million b/d. Whereas Japan oil products imports decreased by 90 thousand b/d or 15.8% comparing with the previous month to reach 478 thousand b/d, the lowest level since April 2010.

On the export side, Japan's oil products exports decreased in March 2016, by 30 thousand b/d or 4.6% comparing with the previous month, averaging 624 thousand b/d. As a result, Japan's net oil imports in March 2016 increased by 36 thousand b/d or 1.1% to reach 3.4 million b/d.

Saudi Arabia was the big supplier of crude oil to Japan with a share of 38% of total Japan crude oil imports, followed by UAE with 26% and Kuwait with 9% of total Japan crude oil imports.

## China

In March 2016, China's crude oil imports decreased by 327 thousand b/d or 4% to reach 7.7 million b/d, whereas China's oil products imports increased by 81 thousand b/d or 6.2% to reach 1.4 million b/d.

On the export side, China's crude oil exports reached 150 thousand b/d, the highest level since March 2015, and China's oil products exports increased by 122 thousand b/d or 14% to reach 994 thousand b/d. As a result, China's net oil imports reached 7.9 million b/d, representing a decrease of 6% comparing with the previous month.

Russia was the big supplier of crude oil to China with 14% of total China's crude oil imports during the month, followed by Saudi Arabia with 12% and Angola with 11%.

Table (4) shows changes in crude and oil products net imports/(exports) in March 2016 versus the previous month:

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

	Crude Oil			oil Products		
	March 2016	February 2016	Change from February 2016	March 2016	February 2016	Change from February 2016
USA	7.581	7.388	0.193	-2.034	-2.513	-0.479
Japan	3.559	3.462	0.097	-0.146	-0.085	-0.061
China	7.550	8.006	-0.456	0.359	0.401	-0.042

Source: OPEC Monthly Oil Market Report, various issues 2016.

## 4. Oil Inventories

In March 2016, **OECD commercial oil inventories** decreased by 1 million barrels to reach 3045 million barrels – a level that is 229 million barrels higher than a year ago. It is worth mentioning that during the month, **commercial crude inventories in OECD** increased by 8 million barrels to reach 1230 million barrels, whereas **commercial oil products inventories** decreased by 9 million barrels to reach 1815 million barrels.

**Commercial oil inventories in Americas** increased by 12 million barrels to reach 1621 million barrels, of which 685 million barrels of crude and 936 million barrels of oil products. **Commercial oil Inventories in Europe** decreased by 10 million barrels to reach 1005 million barrels, of



which 349 million barrels of crude and 656 million barrels of oil products. **Commercial oil inventories in Pacific** decreased by 3 million barrels to reach 419 million barrels, of which 196 million barrels of crude and 223 million barrels of oil products.

**In the rest of the world**, commercial oil inventories increased by 55 million barrels to reach 3006 million barrels, and the **Inventories at sea** increased by 22 million barrels to reach 1202 million barrels.

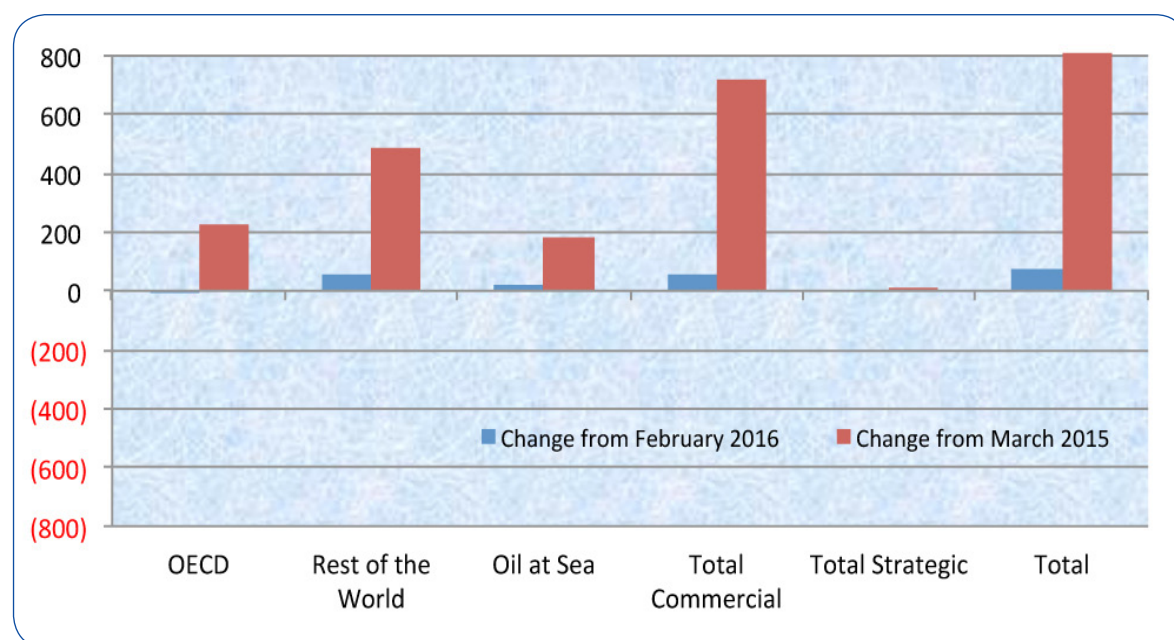
As a result, **Total Commercial oil inventories** in March 2016 increased by 54 million barrels comparing with the previous month to reach 6051 million barrels – a level that is 717 million barrels higher than a year ago.

**Strategic inventories** in OECD-34, South Africa and China remained stable at the same previous month level of 1863 million barrels – a level that is 13 million barrels higher than a year ago.

**Total world inventories**, at the end of March 2016 were at 9116 million barrels, representing an increase of 76 million barrels comparing with the previous month, and an increase of 908 million barrels comparing with the same month a year ago.

Table (9) in the annex and figure (8) show the changes in global inventories prevailing at the end of March 2016.

**Figure - 8** Changes in Global Inventories at the End of March 2016 (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 April 2016 increased by \$0.19/million BTU comparing with the previous month to reach \$1.92/ million BTU.

The comparison, shown in [table \(5\)](#), between natural gas prices and the WTI crude reveal differential of \$5.2/ million BTU in favor of WTI crude.

**Table 5** Henry Hub Natural Gas, WTI Crude Average, and Low Sulfur Fuel Oil Spot Prices, 2015-2016 (Million BTU<sup>1</sup>)

	<i>Apr. 2015</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>	<i>Jan. 2016</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr. 2016</i>
<i>Natural Gas</i> <sup>(2)</sup>	2.6	2.9	2.8	2.8	2.8	2.7	2.3	2.1	1.9	2.3	2.0	1.7	1.9
<i>WTI Crude</i> <sup>(3)</sup>	9.4	10.2	10.3	8.8	7.4	7.8	8.0	7.4	6.4	5.4	5.2	6.5	7.1

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

### 2- LNG Markets in North East Asia

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

#### 2.1. LNG Prices

In March 2016, the price of Japanese LNG imports decreased by \$0.8/ million BTU comparing with the previous month to reach \$7.2/ million BTU, the price of Korean LNG imports decreased by \$0.5/million BTU comparing with the previous month to reach \$7.3/ million BTU, and the price of Chinese LNG imports decreased by \$0.3/million BTU comparing with the previous month to reach \$6.6/million BTU.

#### 2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 6.4% or 774 thousand tons from the previous month level to reach 12.943 million tons.

[Table \(6\)](#) shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2014-2016.



**Table6** LNG Prices and Imports: Korea, Japan, and China 2014-2016

	Imports (thousand tons)				Average Import Price (\$/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
<b>2014</b>	<b>88505</b>	<b>37402</b>	<b>19891</b>	<b>145798</b>	<b>16.1</b>	<b>16.3</b>	<b>11.7</b>
<b>2015</b>	<b>84850</b>	<b>33141</b>	<b>19606</b>	<b>137597</b>	<b>10.2</b>	<b>10.6</b>	<b>8.6</b>
<b>January 2015</b>	8434	4122	2121	14677	15.1	14.3	11.1
February	7730	3098	1661	12489	13.3	13.4	10.3
March	8137	3048	1346	12531	12.2	13.1	10.1
April	6598	2839	1545	10982	10.2	11.7	8.1
May	5755	2364	1123	9242	8.7	9.5	8.8
June	6633	1777	1724	10134	8.6	9.1	9.5
July	6953	2271	1922	11146	8.9	8.8	7.5
August	7062	1998	1348	10408	9.2	9.2	7.1
September	6853	2450	1295	10598	9.6	9.6	7.4
October	6057	2915	1602	10574	9.4	9.7	8.0
November	6694	2706	1818	11218	8.9	9.5	7.9
December	7944	3553	2101	13598	8.5	8.7	7.6
<b>January 2016</b>	7245	3338	2464	13047	7.9	8.0	7.3
<b>February</b>	7370	2998	1801	12169	8.0	7.8	6.9
<b>March</b>	7959	3282	1702	12943	7.2	7.3	6.6

Source: World Gas Intelligence various issues.

### 2.3. Sources of LNG imports

Australia was the big supplier of LNG to Japan, Korea and China with 2.943 million tons or 22.7% of total Japan, Korea and China LNG imports in March 2016, followed by Qatar with 21.2% and Malaysia with 17.2%.

The Arab countries LNG exports to Japan, Korea and China totaled 4.035 million tons - a share 31.2% of total Japanese, Korean and Chinese LNG Imports during the same month.

### 2.4. LNG Exporter Netbacks

With respect to the Netbacks at North East Asia markets, Russia ranked first with \$3.71/million BTU at the end of March 2016, followed by Indonesia with \$3.64/million BTU then Australia with \$3.60/million BTU. And LNG Qatar's netback reached \$3.47/million BTU, and LNG Algeria's netback reached \$3.20/million BTU.

Table (7) shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of March 2016.

**Table7** LNG Exporter Main Countries To Japan, Korea and China, And Their Netbacks At The End Of March 2016

	Imports (thousand tons)				Spot LNG Netbacks at NE Asia Markets (\$/million BTU)
	Japan	Korea	China	Total	
<b>Total Imports, of which:</b>	<b>7959</b>	<b>3282</b>	<b>1702</b>	<b>12169</b>	
Australia	1927	495	521	<b>2943</b>	<b>3.60</b>
Qatar	1335	878	531	<b>2744</b>	<b>3.47</b>
Malaysia	1656	377	189	<b>2222</b>	<b>3.59</b>
Indonesia	541	425	125	<b>1091</b>	<b>3.64</b>
Russia	748	255	-	<b>1039</b>	<b>3.71</b>
Nigeria	245	114	15	<b>374</b>	<b>3.20</b>

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



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## Tables Annex

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