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GROWING ROLE OF OAPEC MEMBERS IN STABILISING THE OIL MARKET UNDER THE UMBRELLA OF OPEC+





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.

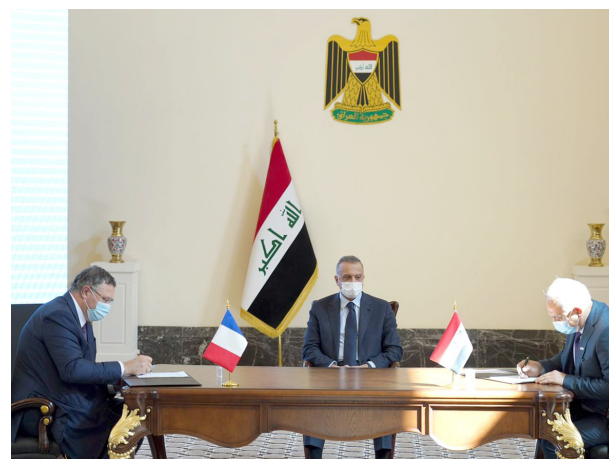
The principal objective of the Organization is the cooperation of the members in various forms of economic activity in the petroleum industry, the determination of ways and means of safeguarding the legitimate interests of its member countries in this industry, individually and collectively, the unification 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.

GROWING ROLE OF OAPEC MEMBERS IN STABILISING THE OIL MARKET UNDER THE UMBRELLA OF OPEC+

The global oil market has gone through significant organizational phases since the beginning of the modern oil industry due to the importance of oil as a strategic good and its vital role in the global economy. Organising the oil market was not limited to OPEC, which has 6 OAPEC countries as members, but included other non-OPEC producing countries too.

OPEC members are sparing no effort in seeking balance and stability of the world oil market through activating dialogue with non- OPEC oil producing countries. The non-stop developments of the global oil market have made it imperative for OPEC members to alter their market approach in a way that suits current conditions. It has become obvious that achieving market stability requires the efforts of all stakeholders and active parties in that market.

In this vein, OPEC members, along with some non- OPEC oil producing countries, have reached an agreement known as The Declaration of Cooperation (DoC); and a Joint Ministerial Monitoring Committee has been formed and tasked with close monitoring of the DoC implementation and conformity, which has resulted in the emergence of OPEC+ as an active international bloc in the global oil market. The activation

of OPEC+ DoC as of 1 January 2017 and the improving conformity to this Declaration had a notable impact on the world oil market. The outbreak of the COVID-19 pandemic in the beginning of 2020 has undoubtedly underscored that international cooperation is the only means to achieve the global oil market balance and stability. Since its formation to date, OPEC+ and its decisions have proven their importance in achieving balance and stability of the volatile world oil market.

While closely monitoring the successive and rapid developments of the oil market, OAPEC Secretariat General hopes that OPEC+, especially the Arab countries, continue to play their future role in stabilising the oil market and price due to the positive impact on the value of oil exports, which are the main drive for the Arab economic and social development. These exports are also key to supporting the member countries' central banks reserves of foreign currencies and the main booster for the state budget surplus. Necessity calls for continued and serious collaboration to boost dialogue between the relevant parties of the oil market, especially at this critical stage, in order to secure oil supply, which is an essential and urgent issue that has to be supported and developed.



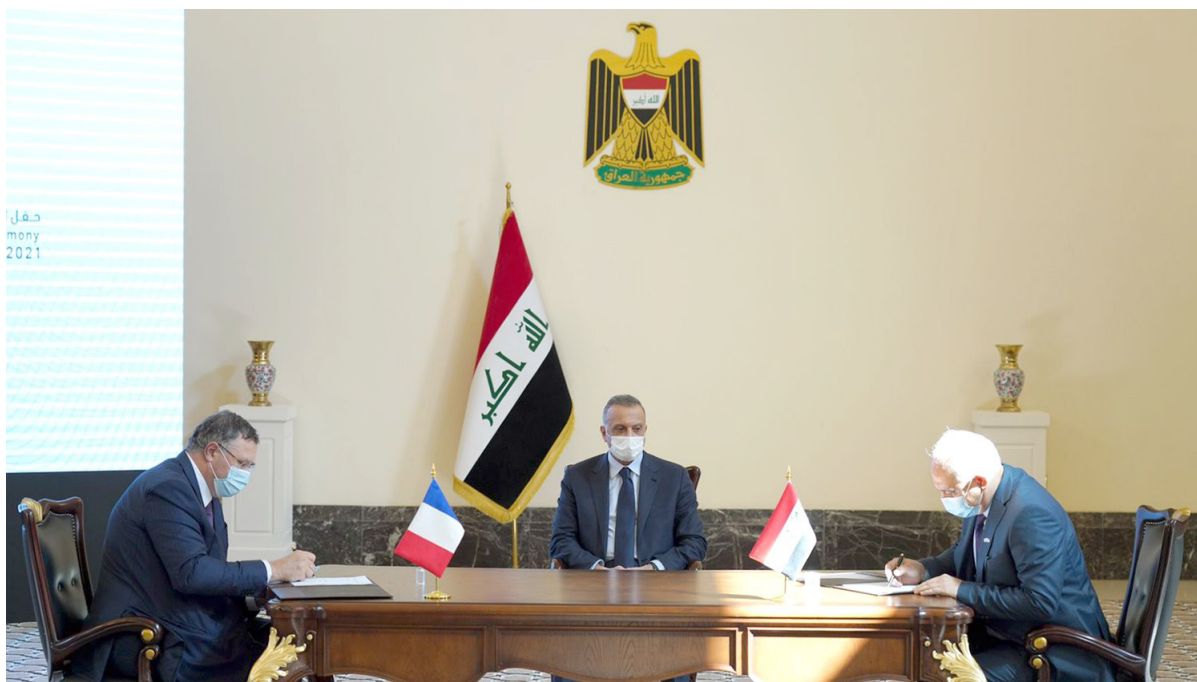
FORTHCOMING QUALITATIVE EVOLUTION OF EGYPTIAN PETROCHEMICALS INDUSTRY



Egyptian Minister of Petroleum and Mineral Resources HE Eng. Tarek El Molla said there will be a forthcoming qualitative evolution in the Egyptian petrochemicals industry in light of many new projects currently under execution worth about \$ 8 billion of investments. The Red Sea Refining and Petrochemicals Complex project at the economic zone in the Suez Canal comes on top of these projects with investments worth about \$7.5 billion. He pointed out that a number of contracts have been signed recently with a group of companies to execute the basic engineering and design work, as well as provide the project's licensing technology. The minister added that the updating of the national plan on the petrochemicals industry has been completed until 2040, which contributes positively to maximizing the value-added of natural resources. He pointed out that there are new petrochemicals projects currently under consideration to be executed soon in order to ensure the sustainability of petrochemical products supply to the domestic market as many complementary industries rely on them. The surplus should be exported in a way that supports the national economy.

HE El Molla hailed the efforts of the Egyptian Petrochemicals Holding Co for achieving significant results. He stressed the importance of adhering to the scheduled timetable for the execution of new projects and the necessity of removing all obstacles that hinder their execution and production by using the latest technology and observing the highest ISO, safety, occupational health, and environmental standards.

IRAQ & FRENCH TOTAL SIGN ENERGY DEALS



The Government of Iraq and France's TotalEnergies initiated an agreement to execute a group of investment projects on associated gas; develop oilfields; and establish a solar power plant. The agreement consists of 3 contracts with the Ministry of Oil and one (the solar power plant project) with the Ministry of Electricity.

The first contract includes increasing output of the Artawi oil field from 85,000 barrels per day (bpd) to 210,000 bpd, introducing modern technology and training Iraqis while providing job opportunities for Iraqi citizens.

The second contract comprises building Artawi gas complex at a capacity of 600 million standard square feet to invest in associated gas from the oil field which would in turn decrease gas imports from neighbouring countries and produce about 12000 b/d of condensates and 3000 tons/d of LPG for the domestic market. The project will also be introducing modern technology and provide training and job opportunities for Iraqi citizens.

The third contract will be using seawater with a design capacity of 7.5 million bpd of water and introducing modern technology, as well as, providing training and job opportunities for Iraqi citizens.

The fourth is a solar power plant project, with a total production capacity of 1,000 megawatts, to generate electricity at a cost lower by 45% from current plants.

QATARGAS DELIVERS FIRST Q-MAX LNG CARGO TO KRK LNG TERMINAL IN CROATIA



Qatargas Operating Company Limited (Qatargas) announced on 15 August 2021 the delivery of the first cargo of liquefied natural gas (LNG) on a Q-Max LNG carrier to the Krk LNG Terminal in Croatia.

The cargo aboard the Qatargas-chartered LNG vessel, 'Al Dafna,' was loaded at Ras Laffan on 19 July 2021 and delivered to the Krk LNG Receiving Terminal on 27th July 2021. This is the first cargo discharge operation by Qatargas to this LNG terminal involving a Q-Max LNG carrier. The Q-Max is the largest LNG vessel class in the world and has the ability to deliver 260,000 cubic metres of LNG.

The Krk LNG terminal is a floating liquefied natural gas (LNG) regasification terminal in Omišalj on the island of Krk, Croatia. It commenced operations on 1 January 2021 and has capacity of 2.1MTPA. The terminal provides natural gas for the Croatian market, and the terminal is also connected to export into neighboring natural gas markets including Italy, Austria, Hungary, Romania and Slovenia.

SPAIN'S TÉCNICAS REUNIDAS CONTRACTED FOR QATAR'S NORTH FIELD EXPANSION PROJECT



Qatar Petroleum (QP) has awarded Spanish engineering firm Técnicas Reunidas a major engineering, procurement, and construction (EPC) contract for its North Field Expansion Project. Técnicas Reunidas will be the EPC contractor for the expansion of existing liquid products (condensates, propane, butane) storage and loading facilities. Also, it will handle the expansion of the monoethylene glycol import facilities in Ras Laffan and other subsidiary facilities and pipelines serving the North Field.

The new facilities will be used to handle liquid products from the four new LNG production trains in the eastern north field, scheduled to start production before the end of 2025. The facilities will also support the two new LNG trains in the southern north field.

Once completed, the eastern north field project will raise Qatar's LNG production capacity from 77 million tons/annum to 110 million tons/annum. The southern north field will raise the production capacity from 110 million tons/annum to 126 million tons/annum.



ARAMCO ANNOUNCES SECOND QUARTER AND HALF-YEAR 2021 RESULTS



Saudi “Aramco” announced its second quarter 2021 financial results, reporting a 288% increase in net income from the same quarter of last year to \$25.5 billion and declaring a dividend of \$18.8 billion. The Company’s net income for the first half of the year was \$47.2 billion, representing a 103% increase over the same period in 2020.

The results were primarily driven by higher oil prices and a recovery in worldwide demand, supported by the global easing of COVID-19 restrictions, vaccination campaigns, stimulus measures and accelerating activity in key markets.

Commenting on the results, Aramco President & CEO Amin H. Nasser, said: “Our second quarter results reflect a strong rebound in worldwide energy demand and we are heading into the second half of 2021 more resilient and more flexible, as the global recovery gains momentum. While there is still some uncertainty around the challenges posed by COVID-19 variants, we have shown that we can adapt swiftly and effectively to changing market conditions.

“Our historic \$12.4 billion pipeline deal was an endorsement of our long-term business strategy by international investors, representing significant progress in our portfolio optimization program. Our landmark \$6 billion Sukuk reinforced our robust balance sheet, further diversifying our funding sources and expanding our investor base. And, once again, we delivered a dividend of \$18.8 billion for our shareholders.

“We continue to move forward on a number of strategic programs, which focus on sustainability and low-carbon fuels, maximizing the value of our assets, and advancing our downstream integration and expansion journey. For all these reasons and more, I remain extremely positive about the second half of 2021 and beyond.”

SONATRACH “WE ARE AT EASE AND RENEWING NATIONAL RESERVES IS OUR PRIORITY”



Sonatrach President/Director General, Mr Tawfik Hakkar, stated that the company had a good financial performance during 2021 following an improvement of oil market indicators worldwide. He pointed out that the company's revenues could reach about \$33 billion by the end of the year. He disclosed the completion of technical studies on the gas pipeline project between Nigeria and Europe through Algeria.

In a radio interview, Hakkar added that these financial revenues would contribute to covering all investment projects of the company, especially in exploration and production. He explained that the increase of national fuel reserves is a priority to make up for the consumed amounts pointing out that the company managed to increase consumer reserves in 2020 by 120%, in spite of the COVID-19 challenges that hit all global companies alike.

He mentioned that the company is currently conducting studies on developing exploration in Libya and Nigeria in the future with the signing of new exploration and production contracts by the beginning of 2022.

As for Sonatrach LNG export investments, Hakkar said the company has high exporting capacities via pipelines; it does not need to build additional capacities until 2030, except for a number of expansion projects in Skikda petroleum port to allow for the entry of giant vessels and to facilitate entry to Asian and South American markets.



OAPEC Secretary General, HE Ali Sabt Ben Sabt, received on 9 September 2021 at his office Kuwait's Deputy Foreign Affairs Minister, His Excellency Ambassador Majdi Ahmed Al Thefiri. Issues of mutual interest have been discussed during the meeting.



OAPEC Secretary General, HE Ali Sabt Ben Sabt, received on 5 September 2021 at his office the United Arab Emirates' Ambassador to Kuwait HE Dr Matar Hamed Al Neyadi. The Ambassador has been updated about OAPEC Secretariat General activities in terms of boosting petroleum cooperation between the member countries, as well as OAPEC's latest economic and technical studies.

BOOSTING COOPERATION BETWEEN OAPEC AND THE OXFORD INSTITUTE FOR ENERGY STUDIES



Energy transition is a hot issue for energy producers and consumers alike. It enjoys an important position on the agenda of energy policymakers. The impact of energy transition has become obvious on the current global energy system. Carbon- free energy resources are expected to play a growing role over the next decades. Energy exporting countries in general need to take substantial steps and radical measures to restructure and direct the global energy system towards sustainability. These were the words of OAPEC Secretary General HE Ali Sabt Ben Sabt during his contribution at the joint videoconference meeting, on 8 September 2021, between OAPEC and The Oxford Institute for Energy Studies, represented by its Director Dr Bassam Fattouh.

The meeting comes under the umbrella of OAPEC role activation plan endorsed by its Ministerial Council, especially in terms of boosting cooperation with Arab and international organisations. The Oxford Institute for Energy Studies is a key stakeholder for cooperation with international energy

institutes due to their prestigious status in the field of energy studies. HE Ben Sabt appreciated the interest of The Oxford Institute for Energy Studies in boosting cooperation with OAPEC in various aspects of common interest.

On his part, Dr Fattouh introduced the main aspects of the new Energy Transition Initiative launched by The Oxford Institute for Energy Studies in order to analyse key issues of energy transition and the removal of carbon. The initiative consists of a series of research modules, which could become projects on their own that would at the same time, collaborate and interact closely with relevant programmes of the Institute. The research modules focus on studying: the impact of geopolitical variables on the energy industry supply chain; circular economy; and the evolution of hydrogen economy.

It is worth noting that OAPEC is a founding organization of The Oxford Institute for Energy Studies that was established in 1982.



OAPEC AT THE 2ND MENA ENERGY MEET

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UNDER THE PATRONAGE
Ministry of Energy & Minerals

**“Hydrogen Development in the Arab Countries”
Success Factors and Challenges”**

Hydrogen H₂

H₂

Eng. Wael Hamed Abdel Moati
Gas Industries Expert
Organization of Arab Petroleum Exporting Countries (OAPEC)

Wael Hamed

Melwin D'Cunha

OAPEC Secretariat General presented a key paper on “Success Factors and Challenges to Build a Hydrogen Sector in the Arab World” at the 2nd MENA Energy Meet, held virtually on 30-31 August 2021, in Oman under the auspices of Oman’s Ministry of Energy and Minerals.

The paper, prepared and presented by Eng. Wael Abdul Moati, Gas Industries Expert at OAPEC, indicated that the Arab region is promising for hydrogen investments. It is one of the main regions attracting foreign investments in carbon-free energy due to its geographical proximity to target markets, especially Europe, which enjoys decades-long economic partnerships with the region. This is in addition to deep-rooted strategic ties between national petroleum companies and global energy firms. The Arab region has the world’s cheapest costs in terms of grey and blue carbon production (\$1-\$1.5/kg). The region is also rich with renewable energy resources that can be used in producing green hydrogen like wind and solar powers.

These factors together form a basis for starting investment projects for exporting to potential markets. In this connection, OAPEC paper clarified that the Arab countries that are interested in hydrogen have succeeded in signing 5 MOUs at governmental level with huge potential markets of Germany and Japan to cooperate on hydrogen and its exports. At the level of companies, about 10 MOUs and partnerships have been signed between Arab firms and leading global energy firms specialised in hydrogen.

The paper has explained that forecasts show that hydrogen demand would reach 650 million tons/annum by 2050, about nine-fold the current global demand of 72 million tons/annum. This calls for executing mega projects on hydrogen



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Ministry of Energy & Minerals

SPEAKER



Wael A. Moati
Gas Industries Expert
Organization of Arab Petroleum Exporting countries (OAPEC)
Topic : Hydrogen in the Arab Countries:
Success Factors and Challenges

production to meet this enormous growth. At this point the Arab region's importance emerge due to its attractive investment potentials, as well as, its huge natural gas infrastructure that can be relied on as a basis for developing the hydrogen sector in the future.

The paper also clarified that some Arab countries have already started serious and tangible steps to overcome challenges and obstacles facing the emerging hydrogen sector. Five Arab countries (UAE, KSA, Egypt, Oman, and Morocco) are working on drawing up national plans and strategies to take into consideration the future role of hydrogen in meeting energy demand. In terms of organisational measures covering commercial, occupational, security and safety measures, OAPEC paper stated that the sector is still at a very early stage that calls for drawing up legislations and organisational measures to organise work at hydrogen production projects and their applications. Current gas regulations and legislations can be used as a starting point in this respect. Arab countries can also collaborate to benefit from their achievements in this regard, like the UAE that has already prepared and endorsed

technical regulations for some hydrogen applications, especially at the initial phase of building a hydrogen economy that needs exchanging expertise among countries and boosting cooperation between research centres.

Concluding the paper, Eng. Abdul Moati explained that the number of announced hydrogen investment projects in the Arab countries is growing continuously. There are 21 projects on the current list, including a variety of 19 hydrogen production projects (on green and blue hydrogen, and blue and green ammonia) that are spread across 8 Arab countries targeting European and Asian markets. This is along with two other projects on the use of hydrogen as fuel in fuel cell powered vehicles (FCVs), that have already started pilot operations in the UAE and KSA.

OAPEC's participation in the Meet comes as part of the Organisation's interest in hydrogen and to introduce their viewpoint on the role it can play in energy transition. It also seeks to highlight the Arab countries' potentials for playing a leading role in this promising market and the means to combat the obstacles hindering building a hydrogen economy.



Monthly Report on Petroleum Developments in The World Markets

Monthly Report on Petroleum Developments in The World Markets *

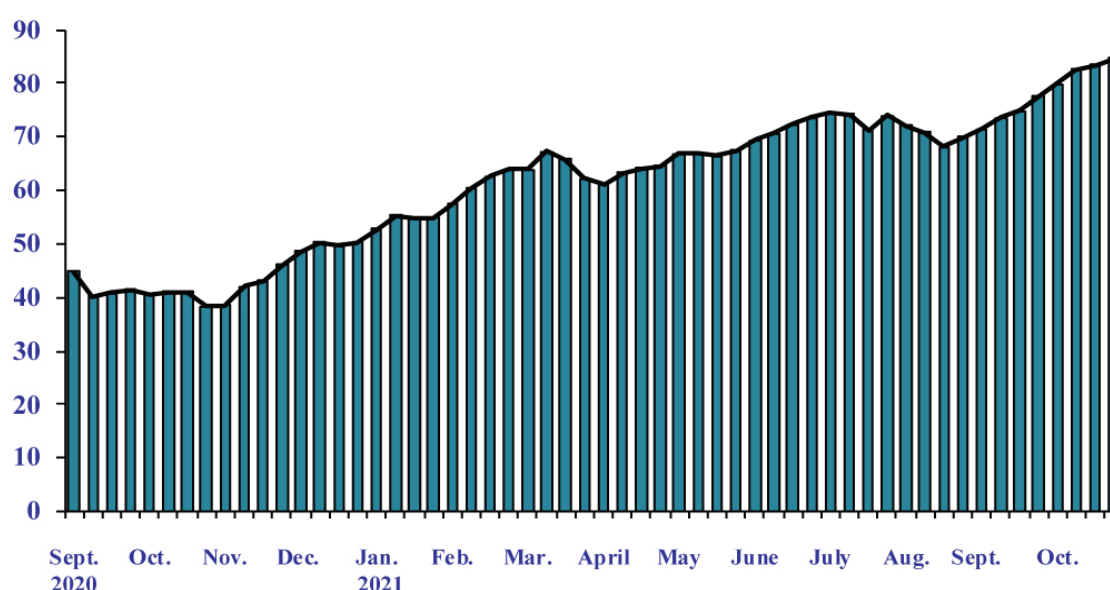
First: World Oil Markets

1. Oil Prices

OPEC primary estimates indicate that OPEC Reference Basket price increased in October 2021 by 11.1% compared to the previous month, to reach \$82.07/bbl. While annual price of OPEC Basket is expected to increase in 2021 by 64.6% compared to 2020, to reach \$68.26/bbl.

It's worth mentioning that, OPEC Reference Basket increased in September 2021 by 5% or \$3.6/bbl compared to the previous month. This is mainly attributed to robust oil market fundamentals and a rally in futures markets, amid Signs of a recovery in oil demand in Asia. and Supply disruptions in many areas due to planned and unplanned outages, including disruptions in the US Gulf of Mexico as a result of Hurricane Ida, field maintenances at Caspian, lower loading programs in several West African crudes, and temporary export disruptions in Libya.

Weekly Average Spot Prices of OPEC Basket of Crudes, 2020-2021 (\$/bbl)



Source: OPEC, Monthly Oil Market Report, Various issues.

2. Supply and Demand

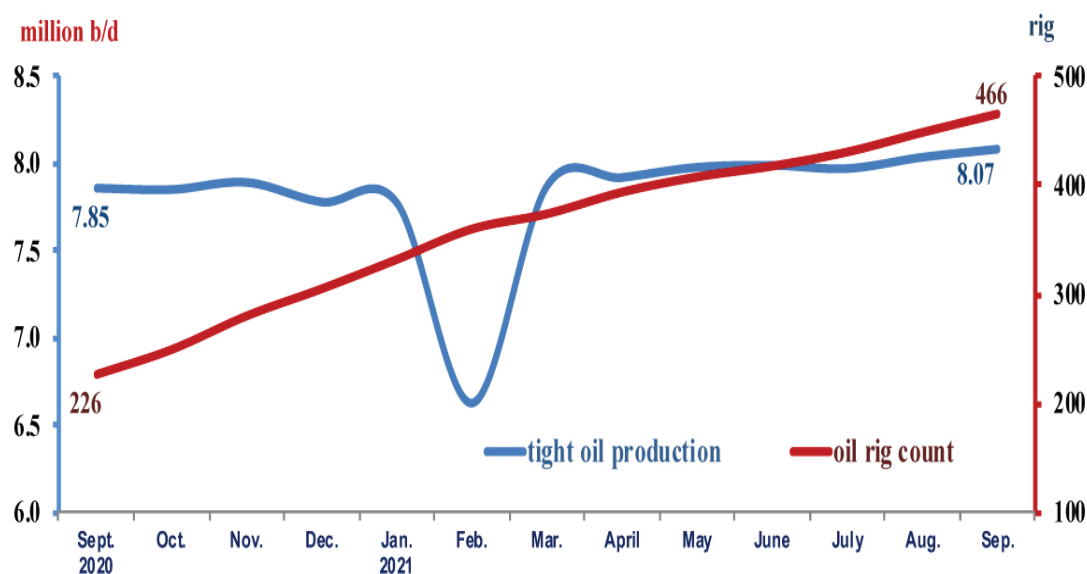
- Primary estimates indicate that world oil demand is increased in Q3 2021 by 3.1% compared with previous quarter, to reach 98.3 million b/d. As demand in OECD countries increased by 4.1% to reach 46.03 million b/d. And demand in Non-OECD countries increased by 2.1% to reach 52.3 million b/d.

* Prepared by the Economics Department.



- Projections indicate that world oil demand is expected to increase in Q4 2021 to reach 99.8 million b/d. As Demand in OECD countries is expected to decrease to reach 45.99 million b/d. Whereas demand in Non-OECD countries is expected to increase to reach 53.8 million b/d.
- Primary estimates indicate that world crude oil and NGLs/condensates total supplies in September 2021, increased by 598 thousand b/d or 0.6% comparing with previous month level to reach 97 million b/d. Non-OPEC supplies increased by 0.2% to reach 64.5 million b/d, and OPEC supplies increased by 1.5% to reach 32.5 million b/d.
- OPEC+ crude oil total supplies in September 2021, is increased by 991 thousand b/d, or 2.7% comparing with previous month level to reach 38.4 million b/d. Non-OPEC supplies, which are members in OPEC+, increased by 2% to reach 15.3 million b/d. And OPEC-10 supplies, which are members in OPEC+, increased by 3.1% to reach 23.1 mb/d.
- US tight oil production increased slightly in September 2021 by 46 thousand b/d compared to previous month level to reach 8.075 million b/d. Production is expected to continue rising in October and November 2021 to reach 8.219 million b/d. On other development, US oil rig count increased in September 2021 by 17 rigs, to stand at 466 rigs.

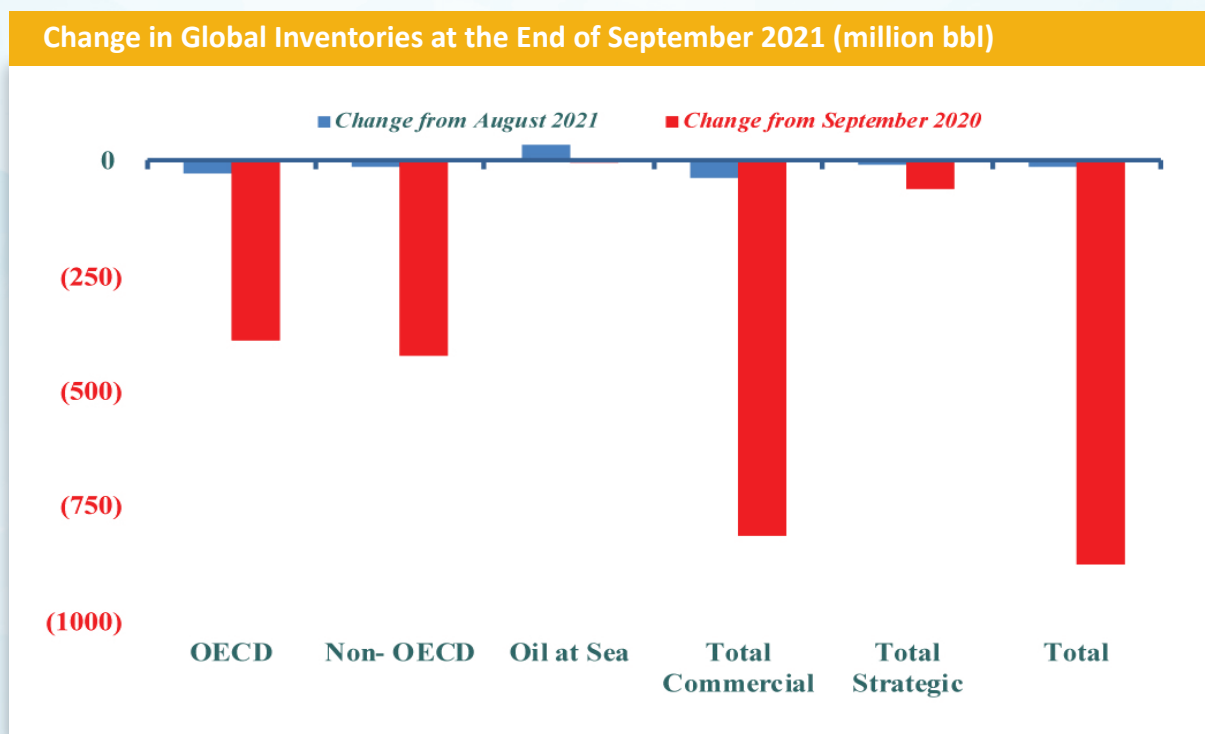
US tight oil production and oil rig count



Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions Oct. 2021.

3. Oil Inventories

- OECD commercial inventories in September 2021 decreased by 28 million barrels from the previous month level to reach 2796 million barrels, and strategic inventories decreased by 6 million barrels from the previous month level to reach 1798 million barrels.



Source: Oil Market intelligence, December 2020 and October 2021.

4. Oil Trade

US Oil Imports and Exports

- US crude oil imports in September 2021, increased by 2.3% from the previous month level to reach about 6.5 million b/d, whereas US crude oil exports decreased by 11.5% to reach about 2.6 million b/d.
- US petroleum products imports in September 2021 decreased by 4.5% from the previous month level to reach about 2.4 million b/d, and US petroleum products exports decreased by 15.3% to reach 5.4 million b/d.

Second: Natural Gas Market

1. Prices

- The average spot price of natural gas at the Henry Hub increased in September 2021 to reach \$5.16/million BTU.
- The price of Japanese LNG imports in August 2021 increased by \$0.40/m BTU to reach \$10.09/m BTU, the price of Korean LNG imports increased by \$0.72/m BTU to reach \$10.28/m BTU, and the price of Chinese LNG imports increased by \$0.94/m BTU to reach \$10.52/m BTU.

2. Exports

- Arab LNG exports to China, Japan and South Korea were about 3.438 million tons in August 2021 (a share of 20.9% of total imports).

Tables Annex