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LATEST OPEC+ DECISION ON CUTTING PRODUCTION:
RIGHT DECISION AT THE RIGHT TIME

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Organization of Arab Petroleum Exporting Countries

The Cover

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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-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.

LATEST OPEC+ DECISION ON CUTTING PRODUCTION: RIGHT DECISION AT THE RIGHT TIME

By: Ali Sabt Ben Sabt
OAPEC Secretary General

Since its emergence, the OPEC+ group has held 33 ministerial meetings, the latest of which was on 5 October 2022. The decisions taken by the OPEC + countries since its formation have provided living evidence of the important role they played in achieving balance and stability in the global oil market thanks to their acquisition of 53% of the global proven crude oil reserves and 54% of the total global crude oil production.

In light of the uncertainty surrounding the performance of the global economy and the extent to which this is reflected on the global demand for oil, and in line with the successful approach taken by the OPEC + group, which is to take proactive measures to avoid any imbalances or undesirable fluctuations in the global oil market, OPEC + group decided, at its latest meeting, to take the right decision on cutting oil production levels by 2 million barrels per day, as of the beginning of November 2022, from the target production level for August 2022, which was 43.856 million barrels per day, to reach 41.856 million barrels per day. This reduction represents 2% of the world's daily production of oil.

Reactions to this decision were divided and varied. Some believe that the decision has taken into account the International Monetary Fund (IMF) forecasts in its report issued last July regarding the decline in global economic growth during 2023, at a rate of 2.9%, and a continued upward trend of the inflation index in the global economy, and its repercussions on the levels of demand for oil. Others believe that cutting production of this size would push oil prices to rise again, which may exceed the ceiling of $100 per barrel, especially with the advent of winter in Europe.

While closely monitoring the recent global oil market developments, the Secretariat General reiterates that achieving stability in the global oil market and bringing prices to reasonable and acceptable levels for all parties (whether producers, consumers or investors) have become more urgent than ever before and require higher degrees of dialogue and coordination between all relevant parties.

OAPEC believes that the role entrusted to the OPEC + group and their good performance will continue in the future, especially after they agreed to extend the period of the declaration of cooperation until 31 December 2023 during their last ministerial meeting.

THIRD MEETING OF OFFICIALS OF PETROLEUM RESEARCH INSTITUTES & CENTRES IN OAPEC MEMBER COUNTRIES

OAPEC Secretariat General held the Third Meeting of Officials of Petroleum Research Institutes and Centres in OAPEC Member Countries on Tuesday, 6 September 2022, via video conferencing.

In his opening speech, OAPEC Secretary-General, HE Ali Sabt Ben Sabt, thanked the attendees for their keenness on participating in the meeting, wishing that the desired goals would be achieved to contribute to the progress and prosperity of the petroleum research institutes and centres in the member countries.

He pointed out that the notion of this periodic meeting aimed at discussing opinions and perceptions to strength cooperation and exchange expertise in the field of scientific research. This is in order to contribute to: meeting the requirements of the oil and gas industry in the member countries, developing the industry's performance and enabling it to tackle challenges, such as strict environmental requirements for the implementation of neutrality

plans, transition to carbon-free energy, reducing carbon dioxide emissions, addressing the problems of the accumulation of plastic waste, and the growing reliance on renewable energies, as well as fluctuations in oil prices in global markets. These factors emphasize the need to accelerate efforts and give more attention to scientific research as a fundamental pillar to confront these challenges and find appropriate solutions to them.

He also thanked their Excellencies the Ministers of Oil and Energy of the member countries, and the members of the Executive Bureau for their support by nominating distinguished participants to take part in this meeting.

About 25 experts and specialists in the field of petroleum research in the member countries participated in the meeting. Eleven technical papers were presented at the event on: the capabilities available in each petroleum institute and research centre; research projects in various activities of the petroleum industry in all its stages, such as green hydrogen production, and CCS technologies, enhanced oil recovery techniques, artificial intelligence and digital technologies, integration between bio-refineries and oil-refineries, in addition to other related topics. The attendees also discussed areas of joint cooperation between petroleum research institutes and centres on a regional and global scale, and mechanisms for activating them.

In the closing session, the attendees discussed a number of recommendations, the most important of which is the need to strengthen cooperation between petroleum research institutes, industrial institutions and universities in the member countries in the areas that contribute to the development of the oil and gas industry. They also called for coordination and cooperation with the authorities in OAPEC member countries to reach solutions that ensure a balance between mitigating environmental burden and achieving economic growth. The participants also stressed the need to boost policies that attract private investment and increase spending on research and development projects, including infrastructure projects and green cities. They also urged for adopting renewable energy technologies in domestic markets and changing the prevailing perception towards them, from a competitor to fossil fuels to an important strategic partner in energy markets.

“OAPEC Secretary General HE Ali Sabt Ben sabt sent a cable of congratulations to the Energy Minister in the Kingdom of Saudi Arabia, HRH Prince Abdulaziz bin Salman, on the occasion of the Saudi National Day.”

OAPEC SECRETARIAT GENERAL AT THE 3RD ARAB SAFETY CONFERENCE

Dr Yasser Baghdadi

Upon an invitation by the Arab Institute for Safety Sciences, OAPEC Secretariat General participated in the activities of the Third Arab Safety Conference, which was held during the period 22-24 September 2022, via video conferencing.

In the opening speech at the third session of the conference, the representative of the Secretariat General, Dr Yasser Baghdadi, Senior Expert in Oil Industries, indicated that the Third Arab Safety Conference is being held in circumstances where industries in general, and oil industries in particular, face various challenges requiring more efforts and measures to face the difficulties resulting from legislations related to reducing emissions, achieving sustainable development, and protecting the environment from pollution. Attention to occupational health and safety requirements is one of the most important means that enables the industry to meet these challenges, and avoid emergency stops and major risks to public health and the safety of workers in industrial facilities.

The speech also indicated that the oil industry is characterized by its various risks, which require finding innovative ways to manage its safety systems. In this context, the oil companies in OAPEC member countries have achieved remarkable success in implementing occupational safety systems, through the continuous pursuit of applying best practices and advanced technologies that help identifying critical risks, analyzing the causes of accidents, finding preemptive solutions, as well as spreading safety awareness.

Many companies in the member countries that are operating in the oil sector have obtained ISO certificates in quality management, environment, security and safety ISO 9001, OHSAS 45001, and EMS 14001, which are compatible with best international practices, which aim to reduce the occurrence of workplace accidents. The member countries also paid special attention to training workers and holding seminars, workshops, and specialized conferences in this regard.

The speech also included a review of some examples of the achievements and corrective measures made by the member countries to reduce the rates of work accidents and injuries, which were the result of continuous follow-up and the accumulation of experiences gained by workers in the oil sector for a period of more than a century.

It is worth noting that the participation of the Secretariat General came within the framework of the cooperation agreement signed between OAPEC and the Arab Institute for Safety Sciences.

QATARENERGY
RENEWABLE SOLUTIONS & QAFCO LAUNCH THE WORLD'S LARGEST BLUE AMMONIA FACILITY

QatarEnergy's affiliates, QatarEnergy Renewable Solutions and Qatar Fertiliser Company (QAFCO) signed agreements for the construction of the Ammonia-7 Project, the industry's first world-scale and largest Blue Ammonia project.

QatarEnergy Renewable Solutions (owned 100% by QatarEnergy) and QAFCO (owned 100% by QatarEnergy's subsidiary, Industries Qatar which is listed on the Qatar Stock Exchange), have joined hands to establish the Ammonia-7 Project, which will have a capacity of 1.2 million tons per annum (MTPA) of Blue Ammonia, making it the world's largest such facility. With a targeted start-up date of Q1 2026, the new plant will be located in Mesaieed Industrial City (MIC) and will be operated by QAFCO as part of its integrated facilities.

The announcement was made during a ceremony held recently at QatarEnergy's headquarters in Doha to sign the project agreements, including the engineering, procurement, and construction (EPC) contract. Valued at approximately 1 billion USD, the EPC contract was awarded to a consortium of ThyssenKrupp and Consolidated Contractors Company (CCC).

The ceremony was attended by His Excellency Mr. Saad Sherida Al Kaabi, the Minister of State for Energy Affairs in the State of Qatar, President & CEO of QatarEnergy, Mr. Abdulrahman Al Suwaidi, the CEO of QAFCO, Ms. Martina Merz, CEO Thyssenkrupp AG, Dr Cord Landsmann, CEO Thyssenkrupp Uhde, and Mr. Oussama El Jerbi, CCC Area Managing Director (Qatar), as well as senior executives of QatarEnergy. QAFCO, ThyssenKrupp and CCC.

Commenting on the occasion, His Excellency Mr Al Kaabi said: "Ammonia-7 is a landmark project for Qatar and for the industry as a whole. It builds on our expertise in installing, operating, and maintaining conventional ammonia plants to produce fertilizers. We are also building on our unique position in the renewables and carbon capture and sequestration space, as well as on our ideal logistical capabilities and advantages to supply differentiated, low carbon products and fuels to the world."

"Our investment in this project speaks to the concrete steps we are taking to lower the carbon intensity of our energy products, and is a key pillar of QatarEnergy's sustainability and energy transition strategy," His Excellency added.

His Excellency Minister Al Kaabi concluded

his remarks by saying: "I would like to take this opportunity to thank Mr. Abdulrahman Al-Suwaidi, the CEO of QAFCO, and QAFCO's executive leadership team and employees for their hard work and dedication. Thanks are also extended to the executive leadership team and all employees of QatarEnergy for their great contributions to the development of Qatar's energy sector. To conclude, I would like to express our deep gratitude to His Highness the Amir Sheikh Tamim bin Hamad Al Thani for his wise leadership and for his unwavering support and guidance to the energy sector."

Blue Ammonia is produced when the CO2 generated during conventional Ammonia production is captured and stored. Blue Ammonia, which can be transported using conventional ships, can then be used in power stations to produce low-carbon electricity.

Pursuant to the agreements signed today, QatarEnergy Renewable Solutions will: (i) develop and manage integrated CCS facilities capable of capturing and sequestering about 1.5 million tons of CO2 per annum, to cater for the new Ammonia-7 plant; (ii) supply more than 35 MW of renewable electricity to the Ammonia-7 facility from its PV Solar Power Plant in MIC, which is currently under construction; (iii) develop and lead the process for certifying the product produced by the Ammonia-7 facility as Blue Ammonia, with the involvement of leading industry experts and relevant independent bodies; and (iv) be the sole off-taker and marketer of all Blue Ammonia produced by Ammonia-7.

QatarEnergy Renewable Solutions is a wholly owned affiliate of QatarEnergy charged with investing in and marketing of renewable energy and sustainability products and solutions within the State of Qatar and across the globe. QAFCO is the world's largest integrated single-site producer of Ammonia and urea, with a current production capacity of approximately 4 MTPA of Ammonia and 6 MTPA of urea.

The investment in Blue Ammonia and the expanded CCS facilities are part of the steps QatarEnergy is taking to deliver on its sustainability strategy, which emphasizes QatarEnergy's commitment, as a major energy producer, to the responsible production of clean and affordable energy to facilitate the energy transition. The strategy stipulates multiple initiatives to reduce greenhouse gas emissions, including flagship projects such as the further deployment of carbon capture and storage technology to capture over 11 million tons per annum of CO2 in Qatar by 2035.

IRAQ'S MINISTER OF OIL STRESSES IMPORTANCE OF DEVELOPING AREEDO FIELD AND GAS INVESTING IN WEST QURNA-2

Iraq's Minister of Oil, HE Ihsan Abdul Jabbar Ismail, stressed the importance of speeding up and starting the development and production operations in Areedo field, which is located within the 10th exploration block located between the provinces of Muthana and Dhi Qar, for its importance in promoting national production. This came during his meeting with the Vice President of Lukoil Company for Central Asia, Middle East, and North African affairs Mr Stepan Gorgi and the accompanying delegation. The Minister of Oil, HE Ihsan Abdul Jabbar Ismail, said that the ministry is awaiting the approval of the Council of Ministers to the joint development program for the said field, commending the technical study of Lukoil in cooperation with national effort, hoping to inaugurate the production operations in the period ahead.

HE Ismail added that he stressed the need to continue the development of West Qurna/2 field as part of the development program and to increase the production and work to improve economic indicators that are in the interest of both parties, stressing the importance of expediting the expansion of optimal investment projects for the associated gas from the aforementioned field.

The Minister of Oil commended the joint work and cooperation between the ministry and Lukoil to develop oil and energy sector.

HE Ihsan Abdul Jabbar Ismail

KPC: THE UNPREDICTABILITY OF SUPPLY AND DEMAND IS A MAJOR CHALLENGE FACING THE GAS INDUSTRY

The CEO of Kuwait Petroleum Corporation, Sheikh Nawaf Saud Al Nasser Al Sabah, said on 18 September 2022, that the unpredictability of supply and demand is one of the most important challenges facing the gas industry, especially in light of the potential economic downturn and rapidly changing geopolitical balances. This came in a speech by Sheikh Nawaf Al Sabah during the opening of the 28th session of the Conference and Exhibition of the Gas Manufacturers Association of the Gulf Cooperation Council, which comes under the title (Opportunities and Challenges in the Natural Gas Value Chain).

He added that despite the growth of the natural gas industry, it is facing increasing competition from the global shift towards renewable energy sources, "and this transformation is another major challenge that must be dealt with seriously." He stated that other known challenges facing the gas industry still exist in terms of exploration and development of gas fields, means of gas transportation and distribution, as well as measures to ensure the safety and viability of gas infrastructure, which are challenges of paramount importance. He pointed out that the oil and gas sector was negatively affected as a result of the fluctuations caused by the Corona virus pandemic and the accompanying closures and ban measures, as oil and gas prices reached their lowest historical levels, which prompted oil and gas companies to take fateful decisions and sharply reduce capital and operating expenses in order to achieve a kind of financial stability. He stated that the world is recovering "slowly" from the epidemic and the level of demand for energy has begun to gradually rise in conjunction with the interruption of gas supplies in Europe due to the Russian-Ukrainian crisis, noting that the reaction of gas consumers in Europe to the lack of supplies and the huge rise in gas prices proved the extent of the world's dependence on Natural gas as a clean source for power generation and heating. He pointed to the importance of natural gas as a major component of the fuel mix for power generation in addition to its importance as a raw material for petrochemical industries, indicating that to this end, further steps were taken to modernize the gas infrastructure, including the development of associated and free gas production facilities and gas processing facilities. He said that one of the largest import facilities for liquefied natural gas in the world with a capacity of three billion cubic feet was established and a comprehensive fuel gas network was built across the country for local consumption.

He noted the role of the oil sector in achieving the (New Kuwait Vision 2035), which aims to transform Kuwait into a financial and commercial center by providing clean energy necessary for the growth of the national economy and infrastructure.

For his part, the Acting CEO of the Kuwait Oil Company, Khaled Al Otaibi, said in a similar speech that the demand for oil and gas has returned to levels before the Corona (Covid-19) pandemic, indicating that the (Kuwait Oil Company) intends to increase its production of natural gas in line with the KPC's strategy to meet Domestic demand for energy. Al-Otaibi added that the increase in production will take place mainly through the development of free gas production from the Jurassic fields, pointing out that the company signed a contract for offshore drilling and oil and gas exploration in Kuwaiti territorial waters, which is one of the most important projects currently being implemented within the framework of the KPC strategy for the year 2040.

The Head of the Gas Manufacturers Association, the Gulf Cooperation Council Branch, Hamad Al Zuwair, said in his speech that this conference was scheduled to be held in March 2020, the same month in which the World Health Organization declared a health emergency as a result of the (Covid-19) epidemic, so the association resorted to virtual platforms and electronically via the Internet to continue its activities. Al Zuwair added that the alternating periodic hosting of the conference, exhibition and annual seminars proved to be an effective way to enhance technical knowledge and attract the active participation of many companies across the region and also helped encourage participation among the members of the Executive and Technical Committee of the Association to enhance their activities. The conference is held under the patronage of the Deputy Prime Minister, Minister of Oil, Minister of State for Cabinet Affairs and Acting Minister of State for National Assembly Affairs, HE Dr Mohammed Al Faris, and includes a series of specialized sessions and workshops in the presence of the most prominent stakeholders and experts in the gas industry from the region and the world, in addition to officials of oil companies. The five-day conference aims to exchange experiences, knowledge and best practices regarding the development of the gas industry regionally and globally.

ARAMCO AND SABIC AGRI-NUTRIENTS RECEIVE WORLD'S FIRST TÜV CERTIFICATE OF ACCREDITATION FOR "BLUE" HYDROGEN AND AMMONIA PRODUCTS

The Saudi Arabian Oil Company ("Aramco") and the SABIC Agri-Nutrients Company ("SABIC AN"), have recently obtained the world's first independent certifications recognizing "blue" hydrogen and ammonia production.

The certifications were granted by TÜV Rheinland, a leading independent testing, inspection and certification agency based in Germany, to SABIC AN, in Jubail, for 37,800 tons of "blue" ammonia and to Aramco's wholly-owned refinery (SASREF), also in Jubail, for 8,075 tons of "blue" hydrogen. To certify ammonia and hydrogen as "blue", a significant part of the CO2 associated with the manufacturing process needs to be captured and utilized in downstream applications.

Olivier Thorel, Aramco Vice President of Chemicals, said: "These certifications are the first of their kind in the world and signify a major milestone in our efforts to develop clean energy solutions, and advance our hydrogen and ammonia export capabilities. This independent recognition reinforces the work of Aramco and SABIC in decarbonizing multiple sectors, including energy, aviation, transportation chemicals and fertilizer industries."

SABIC Agri-Nutrients CEO, Abdulrahman Shamsaddin, said: "We are indeed proud of this certification, which is part of our journey towards carbon neutrality. We are confident of further boosting growth with our low carbon portfolio helping our fertilizers as well as chemicals customers achieve their very own sustainability ambitions. We are fully aware that the current global industry challenges related to climate change and greenhouse gas emissions will require us to accelerate our pace of innovation to further strengthen our sustainability commitment. We are well positioned to move forward in this direction."

SABIC Vice President, Energy Efficiency and Carbon Management, Fahad Al-Sherehy said: "We are leveraging our strong existing infrastructure to produce blue ammonia that can help meet the world›s growing needs for sustainable solutions. To help achieve Saudi Arabia's target for net-zero by 2060 as part of the Saudi Green Initiative, SABIC recognizes that hydrogen will play an essential role

> *Major milestone in the development of "blue" hydrogen and ammonia business*
>
> *Products certified for capturing and utilizing CO2*

in decarbonisation and it is part of SABIC's overall roadmap toward carbon neutrality by 2050, with a 20% reduction target in carbon emissions by 2030. Furthermore, SABIC is exploring opportunities to utilize hydrogen for green chemistry to strengthen its sustainable solution offerings."

Aramco and SABIC's hydrogen and ammonia journey in 2020, Aramco and SABIC collaborated on the world's first shipment of blue ammonia, a carrier of hydrogen, from Saudi Arabia to Japan. Forty tons of high-grade blue ammonia were dispatched for use in low-carbon power generation.

The new certifications represent another milestone for Aramco and SABIC to become global leaders in hydrogen and ammonia. Aramco has recently announced its target to produce up to 11 million tons per annum of blue ammonia by 2030, and is currently developing carbon capture and hydrogen capabilities. Blue hydrogen production will contribute to Aramco's ambition to achieve net-zero scope 1 and scope 2 greenhouse gas emissions across its wholly owned operations by 2050.

ARAMCO ANNOUNCES RECORD SECOND QUARTER AND HALF-YEAR 2022 RESULTS

The Saudi Arabian Oil Company (Aramco) announced on 14 August 2022, its financial results for the second quarter of 2022, posting a 90% year-on-year (YoY) increase in net income and declaring a dividend of $18.8 billion to be paid in the third quarter.

The results set a new quarterly earnings record for the Company since its Initial Public Offering in 2019, and were primarily driven by higher crude oil prices and volumes sold, and higher refining margins.

Commenting on the results, Aramco President & CEO Amin H. Nasser, said: "Our record second-quarter results reflect increasing demand for our products — particularly as a low-cost producer with one of the lowest upstream carbon intensities in the industry.

"While global market volatility and economic uncertainty remain, events during the first half of this year support our view that ongoing investment in our industry is essential — both to help ensure markets remain well supplied and to facilitate an orderly energy transition.

"In fact, we expect oil demand to continue to grow for the rest of the decade, despite downward economic pressures on short-term global forecasts.

"But while there is a very real and present need to safeguard the security of energy supplies, climate goals remain critical, which is why Aramco is working to increase production from multiple energy sources — including oil and gas, as well as renewables, and blue hydrogen.

"We are progressing the largest capital program in our history, and our approach is to invest in the reliable energy and petrochemicals that the world needs, while developing lower-carbon solutions that can contribute to the broader energy transition."

Financial Highlights

Aramco achieved a record quarterly and half-year net income of $48.4 billion in the second quarter and $87.9 billion in the first half of 2022, compared to $25.5 billion and $47.2 billion, respectively, for the same periods in 2021. The

> *Strong market conditions during second quarter drive up net income 22.7% from Q1 2022*

> *Net income: $48.4 billion during (Q2) Comparing $87.9 billion (H1)*

> *Progress continues on oil and gas expansion, as well as development of lower-carbon energy solutions*

increase in both periods was primarily driven by higher crude oil prices and volumes sold, as well as strong refining margins during the second quarter and higher downstream margins in the first half of 2022.

Free cash flow increased by 53% to $34.6 billion in the second quarter and was $65.2 billion during the first half of 2022, compared to $22.6 billion and $40.9 billion, respectively, for the same periods in 2021. This increase was mainly driven by higher cash from operating activities.

Return on average capital employed* (ROACE) for the second quarter and half year ended June 30, 2022, was 31.3%, compared to 16.7% for the same periods in 2021, reflecting stronger crude oil prices and volumes sold, and improved downstream margins.

The Company continues to strengthen its balance sheet to maintain a high investment grade credit rating across market cycles. The gearing ratio was 7.9% on June 30, 2022, compared to 14.2% on December 31, 2021, primarily due to higher operating cash flows, mainly reflecting stronger earnings, as well as improved downstream margins.

Funding costs continue to be optimized and the Company made a partial prepayment to the Public Investment Fund of the debt related to the Company's acquisition of a 70% stake in SABIC in 2020. This reduced the principal amounts of the promissory notes outstanding by $12 billion, in addition to the $8 billion reduction in Q1 2022.

Aramco declared a dividend of $18.8 billion for the second quarter, to be paid in Q3 2022. In addition, and as previously disclosed in its 2021 Annual Report, the Company distributed bonus shares to shareholders in Q2 2022, at a rate of one share for every 10 shares held. Aramco aims to maintain a sustainable and progressive dividend in line with future prospects and underlying financial results.

Capital expenditure increased by 25% to $9.4 billion in the second quarter and by 8% to $16.9 billion for the first half of 2022, compared to the same periods in 2021. Aramco continues to invest to capture growth opportunities, progressing the strategic integration of its upstream and downstream segments, expanding its chemicals business, and developing prospects in low-carbon businesses.

Operational Highlights

The Company also demonstrated its reliable upstream performance, with average total hydrocarbon production of 13.6 million barrels of oil equivalent per day in the second quarter of 2022. The Company continues to work on increasing its crude oil Maximum Sustainable Capacity from 12 million barrels of oil per day to 13 million barrels of oil per day by 2027.

Aramco continued its strong track record of reliable supply, achieving 99.8% reliability in the delivery of crude oil and other products in the second quarter of 2022.

The Company's gas expansion program is progressing towards increasing production with initial construction and design of the Jafurah Gas Plant ongoing. The facility has a planned processing capacity of 3.1 billion standard cubic feet per day (bscfd) of raw gas, expected to be completed in two phases by 2027. The Jafurah field is expected to commence production in 2025 and will gradually increase natural gas deliveries to reach a sustainable rate of 2.0 bscfd by 2030, which will provide feedstock for hydrogen and ammonia production and will help meet expected growing local energy demand.

Meanwhile, construction of the Hawiyah Unayzah Gas Reservoir Storage has reached an advanced stage, with the injection phase nearing

completion. This is expected to provide up to 2.0 bscfd of natural gas to be injected into the Master Gas System by 2024. It is the first underground natural gas storage project in the Kingdom, which helps to manage seasonal changes in demand and in turn improves asset utilization and cost efficiency.

Aramco successfully deployed the Ghawar-1 supercomputer for reservoir simulation. It is the second largest supercomputer in the MENA region and is expected to increase the number of completed simulation runs, enabling Aramco to explore more opportunities within its existing resources.

Most recently, the Company announced an equity purchase agreement to acquire Valvoline Inc.'s global products business (Valvoline Global Products) for $2.65 billion. This strategic acquisition will complement Aramco's line of premium branded lubricant products, optimize its global base oils production capabilities, and expand its own R&D activities and partnerships with OEMs.

The transaction is subject to customary closing conditions, including the receipt of regulatory approvals.

The integration of SABIC into Aramco is progressing ahead of schedule and the Company continues to capture synergies in multiple areas, including procurement, stream integration, feedstock optimization and maintenance activities, among others. Aramco further completed the transfer of offtake rights for PRefChem polymers and monoethylene glycol to SABIC.

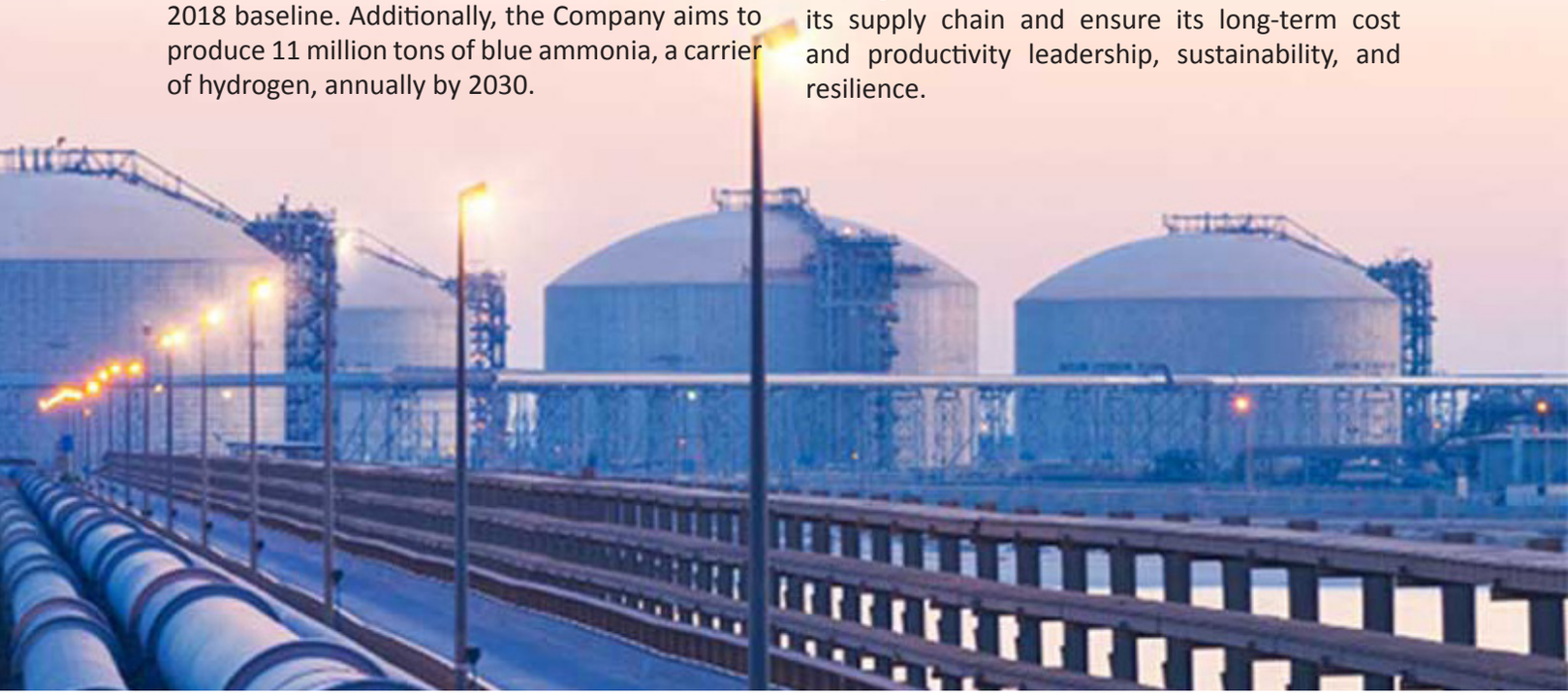
In May, Aramco's refining and petrochemical joint ventures with PETRONAS in Malaysia, collectively known as PRefChem, started operations and will reach full capacity of 300,000 barrels per day by the end of the year. Aramco's investment in PRefChem provides an expansion opportunity in an important growth market and offers new geographies for its crude oil production.

On June 15, Aramco published its inaugural Sustainability Report, which outlines ways the Company plans to achieve net-zero Scope 1 and Scope 2 greenhouse gas emissions across its wholly-owned operated assets by 2050. Objectives outlined in the report include capturing, utilizing, or storing 11 million metric tons of CO2 equivalent annually by 2035; investing in renewables that aim to generate 12 gigawatts of solar and wind power by 2030; reducing or mitigating more than 50 million metric tons of CO2 equivalent annually by 2035, and reducing upstream carbon intensity by at least 15% by 2035 compared to a 2018 baseline. Additionally, the Company aims to produce 11 million tons of blue ammonia, a carrier of hydrogen, annually by 2030.

> ***"The Company continues to work on increasing its crude oil Maximum Sustainable Capacity from 12 million barrels of oil per day to 13 million barrels of oil per day by 2027"***

To accelerate the development of lower-carbon solutions in the energy industry, on June 27 Aramco inaugurated the Aramco Research Center at the King Abdullah University of Science and Technology, which uses artificial intelligence and machine learning to develop innovative ways to enable a Circular Carbon Economy.

Aramco also announced a major expansion of its Namaat industrial investment program with 55 agreements and Memoranda of Understanding now in place across the sustainability, digital, industrial, manufacturing, and social innovation sectors, aiming to create jobs and expand the Kingdom's energy and chemicals value chains. Through Namaat, Aramco seeks to localize its supply chain and ensure its long-term cost and productivity leadership, sustainability, and resilience.



ADNOC SENDS FIRST LOW-CARBON AMMONIA SHIPMENT FROM THE UAE TO GERMANY

Abu Dhabi National Oil Company (ADNOC) announced, that its first shipment of low-carbon ammonia has left the United Arab Emirates (UAE) bound for Hamburg, Germany. This is the first ever cargo of low-carbon ammonia to be shipped to Germany.

The demonstration cargo will be delivered to Aurubis, a leading global provider of non-ferrous metals and one of the largest copper recyclers worldwide, that has its headquarters in Hamburg. On arrival in Germany, Hamburger Hafen und Logistik AG (HHLA), one of Europe's leading logistics companies will handle the cargo.

Produced by Fertiglobe, a partnership between ADNOC and OCI, at its Fertil plant in Abu Dhabi's Ruwais industrial complex, the demonstration cargo is the first of several test cargoes sold to customers in Germany as ADNOC expands its strategic energy partnership across the hydrogen value chain. The cargo follows a number of similar low-carbon ammonia sales that have been made to customers in Asia. Aurubis plans to utilize the low-carbon ammonia as a feedstock in its wire rod plant, testing its application as an additional, lower-carbon energy source for industial ulilization. The hydrogen it contains has the potential to be a low-carbon energy alternative for the energy-intensive processes in multi-metal production.

This is another important milestone in the planned scale-up of hydrogen and low-carbon ammonia production capabilities in Abu Dhabi, where ADNOC is developing a new world-scale 1 million tons per annum low-carbon ammonia plant at TA'ZIZ, the chemicals, industrial services

> *ADNOC plans to significantly grow its hydrogen production in support of the UAE's ambition to supply up to 25 per cent of hydrogen demand in key global markets*

and logistics hub in the Ruwais Industrial Complex.

His Excellency Dr Sultan Ahmed Al Jaber, UAE Minister of Industry and Advanced Technology and ADNOC Managing Director and Group CEO, said: "This demonstration cargo of low-carbon ammonia builds upon the longstanding bilateral relationship between the UAE and Germany and our growing partnership in clean energy. It highlights ADNOC's expanding role as a trusted exporter of low-carbon fuels, as the UAE focuses on the industrial growth opportunities within the energy transition.

"Our collaboration with customers in Germany also underlines ADNOC's ambitious growth plans for the production of clean hydrogen, and its carrier fuels such as ammonia, which will play a critical role in decarbonizing hard-to-abate industrial

> *Demonstration cargo is first of several test cargoes bound for Hamburg in Germany as ADNOC expands strategic energy partnership across the hydrogen value chain*

sectors. We are committed to accelerating and deepening private and public sector collaboration in clean hydrogen projects that will reduce carbon emissions and the carbon intensity of the energy that supports our everyday lives."

Roland Harings, CEO of Aurubis, said: "As the most efficient and sustainable smelter network in the world, Aurubis provides metals that are key for megatrends such as renewable energies, electric mobility and digitalization and hence for decarbonization. To guarantee stable processes at our sites, we are expanding our portfolio of reliable energy sources and thus investing in the decarbonization of our production at the same time. This first trial shipment of low-carbon ammonia from ADNOC represents an important milestone in our long-term vision for hydrogen solutions that will help meet our decarbonization goals."

Angela Titzrath, CEO of HHLA, said: "With its experience in port handling and logistic of containerized dangerous goods, its vast network of seaport terminals, hinterland connections and intermodal hubs across Europe, HHLA is pleased to facilitate the import of hydrogen and its derivates to Germany and Europe as part of the strategic energy partnership."

H.E. Michael Westhagemann, Hamburg Senator for Economy and Innovation, said: "I very much welcome the fact that our international and

"Collaboration with end-user Aurubis and logistics company HHLA underscores expanding role of ADNOC as a trusted exporter of low-carbon fuels as the UAE focuses on industrial growth opportunities within the energy transition"

national partners in business and the port are leading the way with these real-world trials for decarbonizing industry. We need these real-world findings and commitment to support the ramp-up of a Green Hydrogen Economy. Hamburg as an industrial location and as a European distribution port is a blueprint for this transformation and is therefore also in the German focus."

During the visit of H.E. Dr. Robert Habeck, Germany's Vice Chancellor and Federal Minister for Economic Affairs and Climate Action to the UAE in March 2021, ADNOC signed agreements with a number of German companies to explore opportunities for collaboration in low-carbon and renewable hydrogen derivatives.

Building on its position as an early mover in the production of hydrogen, ADNOC plans to significantly grow its hydrogen production in support of the UAE's ambition to supply up to 25% of imported hydrogen in key global markets. Germany's national hydrogen strategy expects an import demand for clean hydrogen of approximately 3 million tons per annum (mtpa) by 2030 and up to 15 mtpa by 2050 when, according to research from the Hydrogen Council, hydrogen could meet up to 18% of the world's energy demand.

Low-carbon ammonia is the most promising at-scale hydrogen carrier and potential clean fuel for a wide range of applications, including transportation, power generation and industrial, including steel, cement, and fertilizer production. It is made from nitrogen and clean hydrogen derived from natural gas feedstocks, with the carbon dioxide by-product from hydrogen production captured and stored.

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Monthly Report on Petroleum Developments in The World Markets

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September 2022

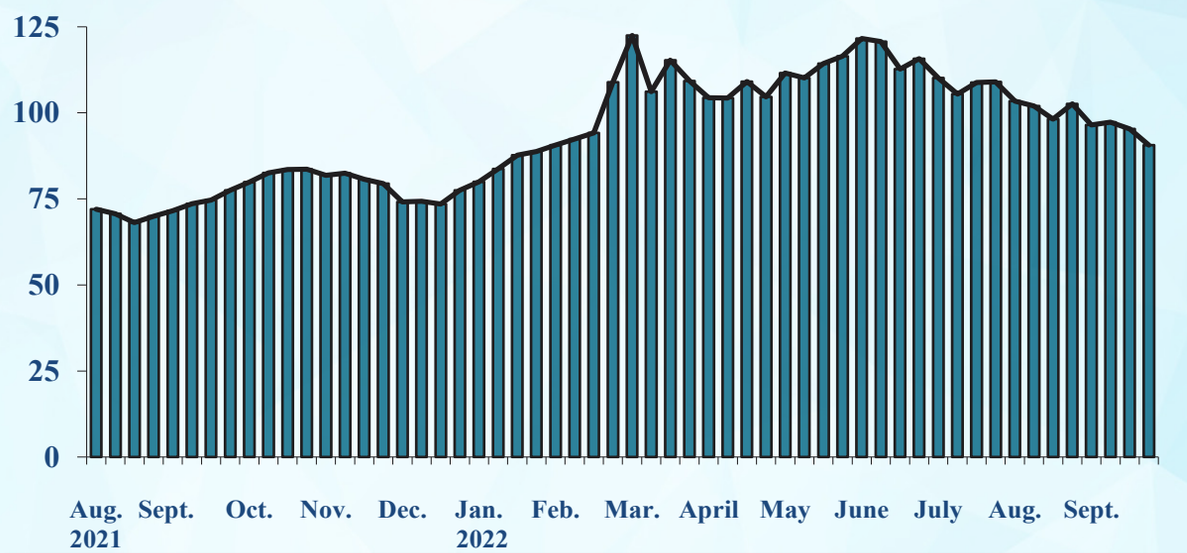
First: World Oil Markets

1. Oil Prices

OPEC primary estimates indicate that OPEC Reference Basket price decreased in September 2022 by 6.3% compared to the previous month, to reach $95.5/bbl. While annual price of OPEC Basket is estimated to increase in 2022 by 49.1% compared to 2021, to reach $104.2/bbl.

It's worth mentioning that, OPEC Reference Basket decreased in August 2022 by 6.1% or $6.6/bbl compared to the previous month, to reach $101.9/bbl. This is mainly attributed to heavy selloffs in futures markets elevating market volatility. Along with softening crude buying interest in the spot market, including from European and Chinese refiners ahead of the refinery maintenance season expected to peak in October and November 2022.

Weekly Average Spot Prices of OPEC Basket of Crudes, 2021-2022 ($/bbl)



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

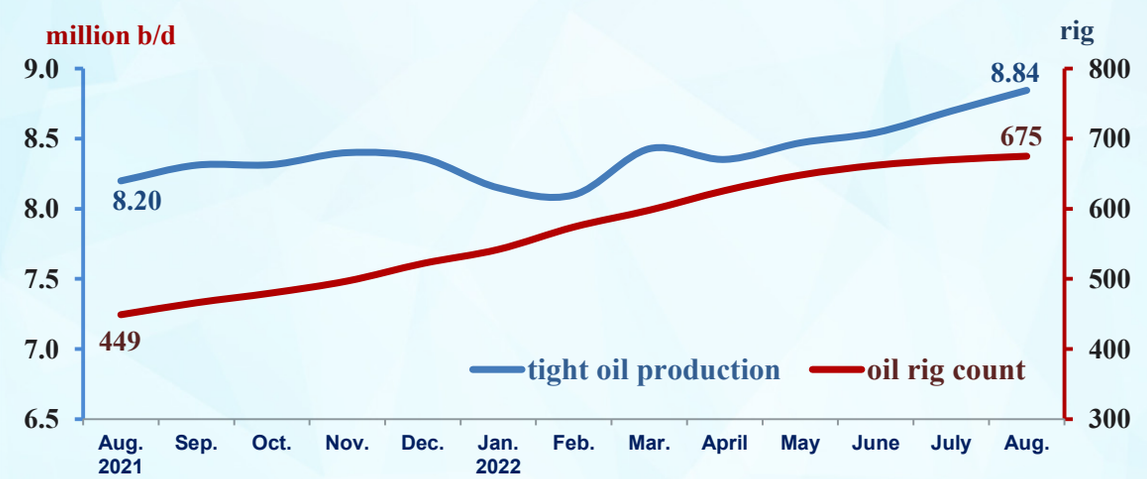
2. Supply and Demand

- Primary estimates indicate that world oil demand is decreased in Q2 2022 by 0.7% compared with previous quarter, to reach 98.6 million b/d. As demand in OECD countries decreased by 0.9% to reach 45.4 million b/d. And demand in Non-OECD countries decreased by 0.6% to reach 53.3 million b/d.

Projections indicate that world oil demand is expected to increase in Q3 2022 to reach 99.7 million b/d. As Demand in OECD countries is expected to increase to reach 46.6 million b/d. And demand in Non-OECD countries is expected to increase to reach 53.1 million b/d.

- Primary estimates indicate that **world** crude oil and NGLs/condensates total supplies in August 2022, increased by 0.5 million b/d or 0.5% comparing with previous month level to reach 100.9 million b/d. Non-OPEC supplies decreased by 0.2% to reach 65.9 million b/d. Whereas OPEC supplies increased by 1.8% to reach 35 million b/d.
- **OPEC+** crude oil total supplies in August 2022, is increased by 134 thousand b/d, or 0.3% comparing with previous month level to reach 40.5 million b/d. Non-OPEC supplies, which are members in OPEC+, decreased by 0.3% to reach 15.2 million b/d. Whereas OPEC-10 supplies, which are members in OPEC+, increased by 0.7% to reach 25.3 mb/d.
- US tight oil production increased in August 2022 by 148 thousand b/d compared to previous month level to reach 8.845 million b/d. Production is expected to continue rising in September and October 2022 to reach 9.116 million b/d. On other development, US oil rig count increased in August 2022 by 5 rigs, to stand at 675 rigs.

US tight oil production and oil rig count

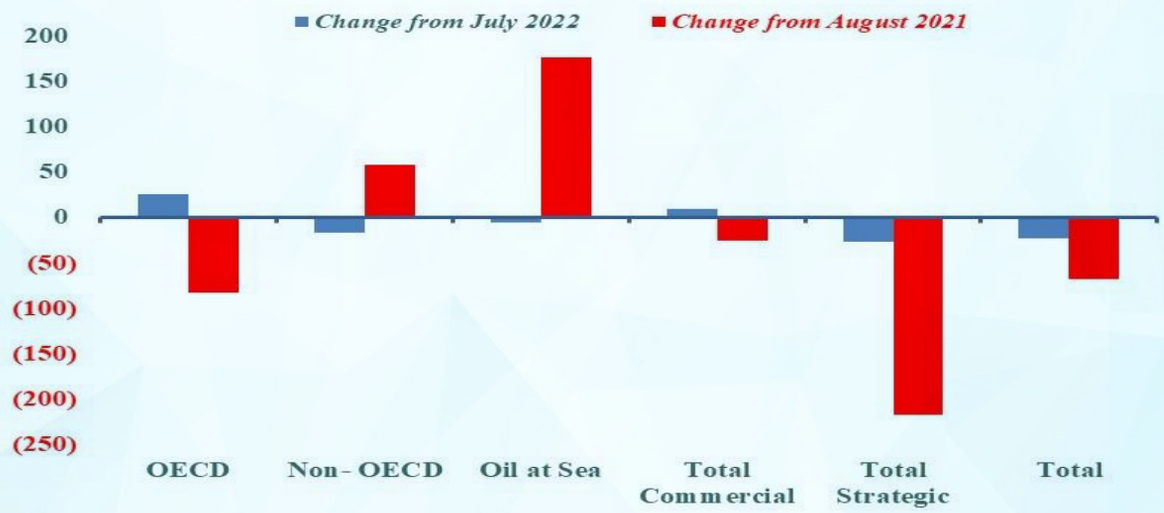


Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions Sept. 2022.

3. Oil Inventories

- OECD commercial inventories in August 2022 increased by 25 million barrels from the previous month level to reach 2730 million barrels, whereas strategic inventories decreased by 27 million barrels from the previous month level to reach 1586 million barrels.

Change in Global Inventories at the End of August 2022 (million bbl)



Source: Oil Market intelligence, November 2021 and September 2022.

4. Oil Trade

US Oil Imports and Exports

- US crude oil imports in August 2022, decreased by 8.5% from the previous month level to reach about 6.1 million b/d, whereas US crude oil exports increased by 2.8% to reach about 3.8 million b/d.
- US petroleum products imports in August 2022 decreased by 5.8% from the previous month level to reach about 2 million b/d, whereas US petroleum products exports increased by 3.4% to reach 6.3 million b/d.

Second: Natural Gas Market

1. Prices

- The average spot price of natural gas at the Henry Hub increased in August 2022 to reach $8.81/million BTU.
- The price of Japanese LNG imports in July 2022 increased by $3.17/m BTU to reach $17.66/m BTU, the price of Korean LNG imports increased by $5.27/m BTU to reach $19.9/m BTU, and the price of Taiwan LNG imports increased by $0.62/m BTU to reach $16.87/m BTU. Whereas the price of Chinese LNG imports decreased by $0.18/m BTU to reach $13.45/m BTU.

2. Exports

Arab LNG exports to Japan, South Korea and Taiwan were about 3.573 million tons in July 2022 (a share of 22.3% of total imports).

Tables Annex