



## INCREASED INVESTMENT NEEDED TO UNDERWRITE MARKET STABILITY



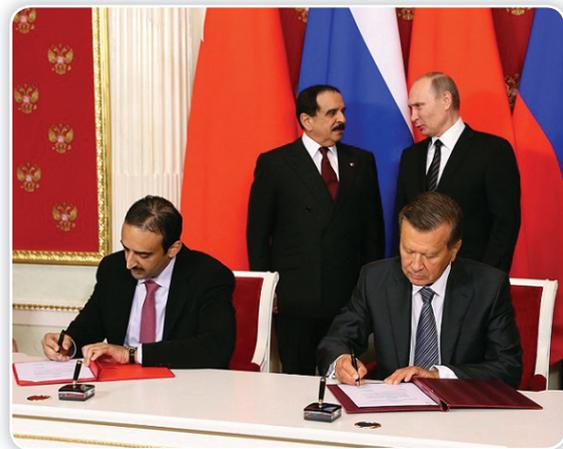


### The Cover

The International Energy Forum has played an important role in the dialogue between oil exporting and importing countries. Its efforts are essential in this regard to deepening dialogue and expanding the cooperation between the two groups. The world community has common objectives as it strives to maintain economic growth, secure reliable energy services, eradicate poverty, in the developing countries, and address issues related to the environment. To achieve these goals, greater cooperation between these groups is needed and required.



**15<sup>th</sup> Session of the IEF Ministerial Dialogue (IEF15)**



**New Era of Cooperation between Bahrain and Russia**

## 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.

# 10



**Saudi & Russian Energy Ministers' Joint Meeting**



# 14

**OAPEC Secretary General Received Delegation of Petrotech 2016 Organizing Committee**

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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.

# INCREASED INVESTMENT NEEDED TO UNDERWRITE MARKET STABILITY

The International Energy Forum has played an important role in the dialogue between oil exporting and importing countries. Its efforts are essential in this regard to deepening dialogue and expanding the cooperation between the two groups. The world community has common objectives as it strives to maintain economic growth, secure reliable energy services, eradicate poverty, in the developing countries, and address issues related to the environment. To achieve these goals, greater cooperation between these groups is needed and required.

Oil exporting and importing countries face common challenges, so working together to identify common targets is necessary. Joint action and co-ordination among these two groups is required to provide a stimulus for development of an exporter-importer dialogue. Energy security with its both sides — security of supply and security of demand — is essential for the stability of the market. Countries that are net exporters are concerned about the security of demand, while net importing countries focus on the security of supply. The security of supply and the security of demand are one major field of co-operation among these two groups.

As exporting and importing countries share the same object of achieving stability in the oil market, the dialogue should focus on devising bilateral and multilateral arrangements to deal with energy market instability. These include how to avoid the negative effects of price fluctuations and how to mitigate the adverse macroeconomic effects of instability.

The International Energy Forum (IEF) celebrated the 25th anniversary of the producer-consumer dialogue at the 15th Session of the IEF

Ministerial Dialogue (IEF15) hosted by the Democratic People's Republic of Algeria in Algiers on 26-28 September 2016.

Dialogue among IEF15 Delegations took place in 4 Plenary Sessions dedicated to:

- Oil Markets: Outlook and the stability challenge.
- Natural gas: challenges for the industry, the LNG chain and implications for market structure.
- Renewables and energy efficiency: prospects and challenges after COP21.
- Energy governance: global energy dialogue revisited.

Market stability with all its related matters should be handled by all concerned bodies through cooperation among formal and private sectors, such as governments, national oil companies and international oil companies. Arranging and organising international dialogue and activities, conferences and forums in this regard are urgently required. Improving market transparency should be one of the major aims and achievements in this regard.

OAPEC calls for an increase in investment to guarantee the stability of the market. The current price situation has reduced investments in the energy sector, as many projects have been postponed or cancelled. Energy data shows that a total capital investment of US\$222 billion and the development of nearly 4.2 million barrels of oil equivalent per day of peak production capacity has been delayed since mid 2014. This may lead, in the long run, to supply reductions

and a rise in prices. Where proven reserves and current supply are concerned, the following is relevant.

According to the latest BP Statistical Review of World Energy, the world's proven oil reserves were 1,697.6 billion barrels at the end of 2015. At the same time the total proven reserves of OAPEC member countries stood at 701.6 billion barrels, that is 41.3 per cent of world oil reserves. The oil reserves of three Arab countries, namely Saudi Arabia, Iraq, and Kuwait reached 511.2 billion barrels, accounting for 30.1 per cent of world oil reserves. Oil production in OAPEC member countries averaged 27 million barrels per day (mb/d) in 2015, that is 29.5 per cent of total world production.

The International Energy Agency's World Energy Outlook 2015 stated that total world oil production is expected to reach 100.4 mb/d in 2040, while oil production in seven Arab countries, namely Algeria, Iraq, Kuwait, Qatar, Libya, Saudi Arabia, and the UAE, is expected to amount to 35.3 mb/d, or 35.2 per cent of total world production, in 2040.

OAPEC emphasises the importance of protecting the environment, at both regional and international levels. It draws attention to article 4 of the UN Framework Convention on Climate Change (UNFCCC), whereby governments agreed to give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country parties arising from the adverse effects of climate change. ●

**ALGERIA**

# 15<sup>TH</sup> SESSION OF THE IEF MINISTERIAL DIALOGUE (IEF15)



Upon a kind invitation of The International Energy Forum (IEF), HE Abbas Ali Al Naqi, OAPEC Secretary General, took part in the 15<sup>th</sup> Session of the IEF Ministerial Dialogue (IEF15) hosted by the Democratic People's Republic of Algeria in Algiers on 27-28 September 2016. Energy and Oil Ministers of IEF member countries along with Heads and Secretary Generals of international energy organizations took part in the event.

Algeria's Prime Minister HE Abdul Malik Al Sallal inaugurated the meeting. In his speech, the PM stressed his country's keenness on dialogue

and cooperation among the various parties relevant to the energy industry to ultimately contribute to pacifying the oil market. He added that the



## 25 YEARS OF ENERGY PRODUCER-CONSUMER DIALOGUE

IEF15 is held at a time when the petroleum market is stepping into a third year of “big deflation and deterioration” of prices due to unbalanced supply and demand. He underscored that this situation does not serve the interests of any country in the world. He hoped that a positive and transparent atmosphere would prevail in energy markets to secure best possible economic revenues for the exporting countries.

IEF15 is considered one of the most important international energy events in 2016. It provides the world’s largest neutral platform for open and inclusive energy dialogue among and between the producers and consumers. The current session discussed a number of issues including: low energy prices, environment, increasing energy demand in emerging countries, oversupply, proliferation of renewables, efforts to combat climate change, and energy poverty.

Main pivots of the meeting included:

- Global Energy Transition: an enhanced role for energy dialogue
- Oil Markets: Outlook and stability challenges
- Natural gas: challenges for



**HE Abbas Ali Al Naqi, OAPEC Secretary General met with HE Mohammed Barkindo, OPEC Secretary General on the sidelines of the IEF15. Issues of mutual interest to both organizations were discussed during the meeting.**

## OAPEC SECRETARY GENERAL PARTICIPATED IN IEF15

- the industry, the LNG chain and implications for market structure
- Sustainable energy access: a critical factor for human development
  - Enhancing energy security: the role of technology
  - Renewables and energy efficiency: prospects and challenges after COP21
  - Energy governance: global energy dialogue revisited

The meeting released its final communiqué that highlighted the structural challenges facing the oil industry due to falling prices.

It stressed the role of natural gas in contributing to meeting the increasing global energy demand. The communiqué also referred to the necessity of a continued dialogue between producers and consumers to enhance energy security.

**OAPEC Secretary General HE Abbas Ali Al Naqi contributed to writing an article on OAPEC’s vision of the producer-consumer dialogue. The article has been endorsed as one of the IEF15 official documents and it was circulated to all participants.** ●

**BAHRAIN**

# NEW ERA OF COOPERATION BETWEEN BAHRAIN AND RUSSIA

In the presence of HM Hamad bin Isa Al Khalifa, King of Bahrain, and HE Vladimir Putin, President of the Russian Federation, two Memorandums of Understanding were signed on the sidelines of the King’s visit to Russia. Bahrain’s Oil Minister HE Sheikh Mohammed bin Ahmed Al Khalifa represented the Bahraini side and Gazprom Chairman Viktor Zubkov represented the Russian side at the signing ceremony of the first MoU on cooperation in the field of liquefied gas. The second MoU was signed by the Bahraini Oil Minister and Rosgeologia Chairman Roman Panov on partnership in geophysical surveys for the exploration and production of oil and gas.

The National Oil and Gas Authority, in a statement, welcomed the oil cooperation between



the two countries first established during the first historic visit of HM the King to Russia in 2005.

It described the oil cooperation as the locomotive power that leads the cooperation, coordination and exchange of expertise between the two countries. 🌐

## FOUNDING MEETING OF GULF REFINING UNION

Bahrain’s Minister of Oil His Excellency Sheikh Mohammed bin Khalifa bin Ahmed Al Khalifa attended the founding meeting of the Gulf Refining Union at the National Oil and Gas Authority (NOGA) on Thursday, 11 August 2016, with a number of senior officials and executives from the GCC oil companies and NOGA.

HE Sheikh Mohammed praised the commendable efforts made to establish the refining union, which would help member states achieve their aspirations and strategic objectives in

the field of refining, while strengthening the leaderships of the GCC countries, and expanding regional and worldwide networks in downstream industry. The Minister wished participants great success in their efforts to form a systematic and tangible union.

He stressed that Bahrain, which hosts the Union’s headquarters, was keen on the successful establishment of such specialized entities in the country and was keen to provide all necessary assistance in realising the objectives of such non-profit

institutions that serve to enhance cooperation and coordination among member countries as well as share views on the oil and gas market conditions, provide communication opportunities and information exchange and sharing expertise between oil and gas sector professionals in the future.

Attendees discussed a number of important topics related to appointment to administrative positions, regulatory matters and protocols, as well as routine affairs related to the day to day functioning of the union. 🌐

 IRAQ

## HE JABAR ALI AL LUAIBI APPOINTED IRAQ'S NEW OIL MINISTER

HE Abbas Ali Al Naqi, OAPEC Secretary General, sent a cable of congratulations, also on behalf of OAPEC staff, to HE Jabar Ali Al Luaibi, on the occasion of his appointment as Iraq's Oil Minister wishing him all success in his new post while looking forward to continuing to receive Iraq's great support for OAPEC activities.

On his part, HE Al Luaibi replied with a thanking cable expressing gratitude and appreciation for the good wishes while stressing Iraq's keenness on continuing to support the Organisation's activities to serve the member countries' interests. 🌐


 UAE

## HE AL MAZROUEI: UAE WILL BE AN EXAMPLE FOR DIVERSIFICATION OF INCOME SOURCES

HE Suhail bin Mohammed Faraj Faris Al Mazrouei, UAE's Minister of Energy, has said that the UAE with its leadership vision will set an example for countries in the region with regards to diversifying income sources. The country is working on achieving its goals on integrating all economic sectors and enhancing ultimate capacities to boost the national economy for post-oil era. It is putting plans into actions to achieve sustainable economy for future generations.

Tweeting on his official twitter account the Minister said, "We acknowledge that OPEC's current market share is at good level despite different views on the oil market." He added, "We don't deny the market challenges but in my view our sector is resilient to overcome them and achieve stability soon. I believe that any future decision will require full participation from all OPEC members plus major non-OPEC oil producers." 🌐



 **KSA**

## ON THE SIDELINES OF G-20

# SAUDI & RUSSIAN ENERGY MINISTERS' JOINT MEETING

**CONSTRUCTIVE DIALOGUE & CLOSE COOPERATION BETWEEN MAJOR OIL PRODUCERS IS A MUST FOR A STABLE OIL MARKET**



Saudi Energy, Industry, and Mineral Resources Minister HE Khalid Al Falih met with his Russian counterpart HE Alexander Novak at the G-20 summit in Hangzhou, China. During their meeting, the ministers said they realize the importance of maintaining the existing dialogue between the two countries on current developments of the oil and gas market. They expressed their reciprocal will to expand the scope of bilateral relations in the field of energy. This is based on the fact that together, the two countries meet 21% of the global oil demand that is necessary to steer economic development, improve living conditions, and contribute to the

achievement of the millennium development goals.

Following the meeting the ministers released a joint statement that included the following:

Both ministers acknowledge current challenges in terms of supply in the global oil market, including a considerable drop in capital investments in oil production worldwide, especially exploration. Also, large numbers of investment projects have been postponed which exposes the market in general to more fluctuations and creates an unsustainable situation for both producers and consumers alike. There is a dire need for mitigating major fluctuations which harm

the stability and growth of the global economy.

The two ministers agreed on bilateral or multilateral cooperation with other producers. Also, they will hold further talks and coordinate a bilateral working group on oil and gas cooperation to constantly review oil market fundamentals and submit recommendations on joint measures that secure market stability and make it more predictable.

The two ministers agreed on boosting bilateral cooperation in the oil and gas sector including using new technologies, exchanging information and expertise to improve technical applications

in production, refining, storing, transportation, distribution, equipment production, as well as, supporting services like engineering, manufacturing, and research activities. This is in addition to cooperation in power generation and renewables.

Both ministers pledged to explore the possibility of setting up a joint database on advanced energy technologies, assessing their usage feasibility, and funding them through sovereign investment funds of the two countries.

The two ministers decided that the Saudi- Russian oil and gas cooperation group, formed according to article 4 of the oil and gas cooperation agreement between KSA and the Russian Federation on 2 September 2003, and its executive programme dated 18 June 2015, should hold its first meeting during October 2016 in order to boost cooperation and execute what has been agreed earlier. Moreover, the two ministers will meet again on the sidelines of the coming IEF meetings in Algiers and OPEC meeting in November 2016 in Vienna.

Positive reactions to the Saudi-Russian meeting's outcome:

Following the meeting, their Excellencies the oil ministers of the United Arab Emirates, Qatar, and Kuwait voiced their support for the Saudi- Russian pledge to cooperate. They confirmed that such efforts come in light of the keenness of the world's largest oil producing and exporting countries to maintain the market's balance and the interests of both producers and consumers. ●

## EGYPT

# EGYPT EXPORTS FIRST TWO SHIPMENTS OF POLYETHYLENE TO INTERNATIONAL MARKETS



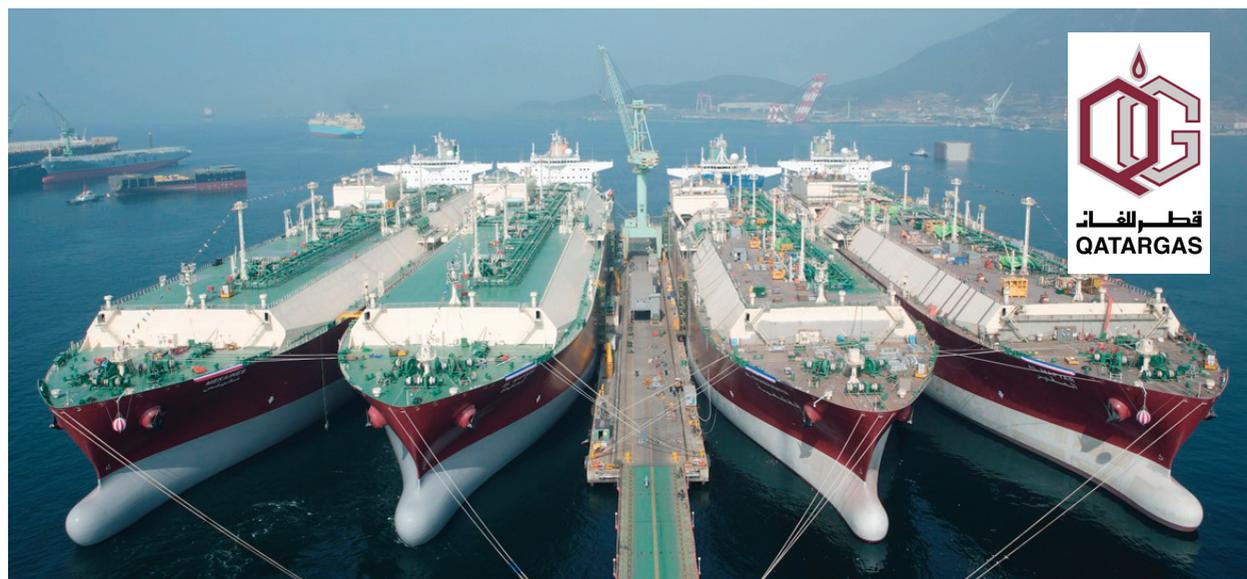
According to a report submitted by Eng. Mohammed Saafan, President of the Egyptian Petrochemicals Holding Company, to Egypt's Petroleum and Mineral Resources Minister HE Tariq Al Mulla, Egypt has exported the first two batches of 3.8 thousand tons of polyethylene manufactured at the new EthydcO Complex in Alexandria to international markets. The complex was opened in mid August 2016.

The first shipment of 1992 tons was exported to Germany, Poland, and Spain, while the second of 1800 tons went to Italy, North Africa, Greece, and the Balkans, which reiterates the success of the complex's exports marketing strategy.

Additionally, 7300 tons were supplied to the domestic market to support the various petrochemical industries to multiply the added value, encourage SMEs depending on this product, open job opportunities, encourage local investments, and allocate part of these plant's products for exporting.

The report explained that plant is considered one of the sources that help boosting the Egyptian economy. ●

**QATAR**



## QATARGAS & CENTRICA SIGN NEW AGREEMENT

Qatargas announced a new Sale and Purchase Agreement (SPA) with Centrica, the largest supplier of gas to households in the UK, to deliver up to 2 million tonnes of Liquefied Natural Gas (LNG) per annum to Centrica until 2023.

The LNG will be supplied from Qatargas 4, a joint venture between Qatar Petroleum (70%) and Shell (30%), with a production capacity of 7.8 million tonnes-per-annum. Qatargas-

chartered Q-Flex and Q-Max LNG vessels will deliver the LNG to the Isle of Grain Terminal, in the United Kingdom.

Qatargas initially entered into a three-year contract with Centrica to supply LNG from June 2011. Later on, the Company entered into a further four-and-a-half-year contract, with the latest five-year contract extending the agreement until December 2023. ●

**ALGERIA**

## SONATRACH'S EXPORTS UP BY 8% IN FIRST EIGHT MONTHS OF 2016

Sonatrach announced that it has exported 71.5 million tons of oil equivalent (TOE) in the first eight months of 2016, up by 8% compared with the same period in 2015. But for crude oil, the group's exports declined by 8% at the end of August 2016 compared with the same period in 2015.

Gas exports via pipelines increased by 43% compared with the same period in 2015, which exceeded the target percentage by about 12%. During the same period, Sonatrach refineries processed 19.9 million tons of crude oil and condensates, representing an increase of 7% (1.26 million tons) compared with the same period in 2015. In terms of fuel, Sonatrach registered an increase of 6% (114.000+ tons) against a drop of imports by 10% (-110.000 tons).

Initial fuel production reached 127.4 million (TOE) until 21 August 2016, representing 99% of the targeted levels for that period. ●



# APICORP AND BAHRI TO LAUNCH INVESTMENT FUND

**In a step reiterating the good economic performance of OAPEC joint ventures, The Arab Petroleum Investments Corporation (APICORP) and The National Shipping Company of Saudi Arabia (Bahri) announced the launch of a landmark shipping fund.**

An agreement to establish the APICORP Bahri Oil Shipping Fund (ABOSF) between APICORP and Bahri was formally signed at a ceremony held in the presence and under the patronage of His Excellency Eng. Khalid Al Falih, Minister of Energy, Industry and Mineral Resources for the Kingdom of Saudi Arabia.

The Fund's target is to acquire approximately 15 Very Large Crude Carriers (VLCCs) over three phases with total investments of up to \$1.5 billion composed of debt and equity. APICORP will be the main investor and fund manager, whilst Bahri will be the exclusive commercial and technical manager. APICORP will invest 85% in the Fund with Bahri investing the remaining 15%. The Fund will be a closed-end fund with a 10 years life period, and will deliver returns derived from the commercial employment of the VLCCs.

In a statement to SPA, HE Al Falih welcomed the signing of the agreement considering it a



strategic and vital step to enhance KSA's status as the world's biggest oil exporter. It also goes in line with its developmental and integrating plans and contributes to supporting the shipping industry in harmony with KSA's long term economic plans through the Kingdom's 2030 vision. The Minister added that the investment is a new window for shipping investment in KSA and it will be an important source for the building of the Saudi shipyard by using marine utilities and spaces, as well as, exploiting all kinds

of technical and technological support. This will provide more job opportunities to the Saudi youth.

On his part, Dr. Aabed Bin Abdulla Al Saadoun, Chairman of APICORP said that such distinguished partnerships are evidence of APICORP's quality and specialized support for the energy sector in the Arab world. Such pioneer initiatives help encourage various funding entities to enter and invest in the shipping sector in the region in general. 🌐



## OAPEC SECRETARY GENERAL RECEIVED DELEGATION OF PETROTECH 2016 ORGANIZING COMMITTEE

On 23 August 2016, OAPEC Secretary General HE Abbas Ali Al Naqi received in his office a delegation of the Organizing Committee for the 10<sup>th</sup> Middle East Refining & Petrochemicals Conference and Exhibition (Middle East Petrotech 2016) taking place from 26–29 September 2016 in Bahrain. The delegation included Mr Fawzi Al Shahabi, Sales and Marketing Manager, Arabian Exhibition Management, and Dr Ahmed Al Qattan, Head, System Quality and Special Studies Taskforce, Q8. OAPEC was represented also by Mr Abdul Kareem Ayed, Director, Information and Library, and Mr Nasser

Bakheet, Managing Editor, OAPEC monthly bulletin.

HE Al Naqi was informed about the latest preparations for Petrotech 2016 as OAPEC is one of Petrotech 2016 supporting organizations. The internationally important event is expected to attract wide participation from senior officials and experts in the petroleum downstream industry (refining and petrochemicals) both from Arab and foreign countries.

HE Al Naqi praised the organizers' efforts while wishing the Kingdom of Bahrain all prosperity and progress. 🌐

Organization of Arab Petroleum Exporting Countries

OAPEC



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## Newly released

Producing oil and gas generates waste gases either in upstream, midstream or downstream stages. Disposing of the gases must be in a controlled manner, just like any other wastes from other industries.

However, flaring of associated gas is constantly judged as a wasting of depleted-energy source and as an environmental pollutant. Media has been focusing on this issue since the outbreak of the USA shale oil revolution between 2008 and 2009, controversial media and scientific arguments have taken place long time before that.

Many parties led by the World Bank adopted an international partnership agreement to reduce the routine gas flaring, yet, no detailed updates of the flared gas volumes is known after 2012, even for those countries that have signed the agreement in 2002.

Flaring has been under focus from merely two points of view, economic prospect and global warming stand, but only few wonder if there is a reasonable justification for routine gas flaring, especially that most of the flaring takes place in oil fields, comparing to a low percentage flared in gas plants and refineries.

This study aims to track the most important sources of gas flaring in the world, explain some of the reasons of gas flaring, and highlight the real potential impact on the environment comparing to other sources of the so-called greenhouse gases. ●





ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES  
OAPEC

The General Secretariat



Upcoming  
Events

25

October 2016

**Meeting of OAPEC Award for Scientific Research Committee**

**Kuwait**

26-27

October 2016

**16<sup>th</sup> Experts Meeting on Potential Cooperation in Natural Gas Investment**

**Kuwait**

29

October 2016

**45<sup>th</sup> OAPEC Joint Ventures Coordination Meeting**

**Egypt**

30-31

October 2016

**23<sup>rd</sup> Meeting of OAPEC Environment Experts**

**Egypt**

## 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 July 2016, to reach \$44.3/bbl, and continued to decline thereafter, to reach its lowest level of \$40.2/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 July 2016, averaged \$42.7/bbl, representing a decrease of \$3.2/bbl or 6.9% comparing with previous month, and a decrease of \$11.5/bbl or 21.3% from the same month of previous year. Rising supply, high stocks, particularly of refined products, and Unexpected decline in oil demand, were major stimulus for the decrease in oil prices during the month of July 2016, after a significant recovery for five consecutive months from its lowest level in year, when it reached \$26.5/bbl in January 2016.

#### Key Indicators

- In July 2016, **OPEC Reference Basket** decreased by 6.9% or \$3.2/bbl from the previous month level to stand at \$42.7/bbl.
- **World oil demand** in July 2016, decreased by 0.1% or 0.1 million b/d from the previous month level to reach 97.1 million b/d.
- **World oil supplies** in July 2016, decreased by 0.1% or 0.1 million b/d from the previous month level to reach 97.6 million b/d.
- **US tight oil production** in July 2016, decreased by 2.7% to reach about 4.7 million b/d, whereas **US oil rig count** increased by 26 rig from the previous month level to stand at 300 rig.
- **US crude oil imports** in June 2016, increased by 2.7% from the previous month level to reach 7.8 million b/d, and **US product imports** increased by 12.5% to reach about 2.5 million b/d.
- **OECD commercial inventories** in June 2016 decreased by 9 million barrels from the previous month level to reach 3079 million barrels, whereas **Strategic inventories** in OECD-34, South Africa and China remained stable at the same previous month level of 1866 million barrels.
- **The average spot price of natural gas** at the Henry Hub in July 2016 increased by \$0.23/ million BTU comparing with the previous month to reach \$2.82/million BTU.
- **The Price of Japanese LNG imports** increased in June 2016 by \$0.1/m BTU to reach \$6/m BTU, the **Price of Korean LNG imports** decreased by \$0.3/m BTU to reach \$5.7/m BTU, and the **Price of Chinese LNG imports** decreased by \$0.2/m BTU to reach \$6/m BTU
- **Arab LNG exports to Japan, Korea and China** were about 3.219 million tons in June 2016 (a share of 29.7% 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)

	July 2015	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2016	FEB.	Mar.	Apr.	May	June	July
OPEC Basket Price	54.2	45.5	44.8	45.0	40.5	33.6	26.5	28.7	34.7	37.9	43.2	45.8	42.7
Change From previous Month	-6.0	-8.7	-0.6	0.2	-4.5	-6.9	-7.1	2.2	5.9	3.2	5.4	2.6	-3.1
Change from same month of previous Year	-51.4	-55.3	-51.2	-40.0	-35.1	-25.9	-17.9	-25.3	-17.8	-19.4	-19.0	-14.4	-11.5

\* 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)

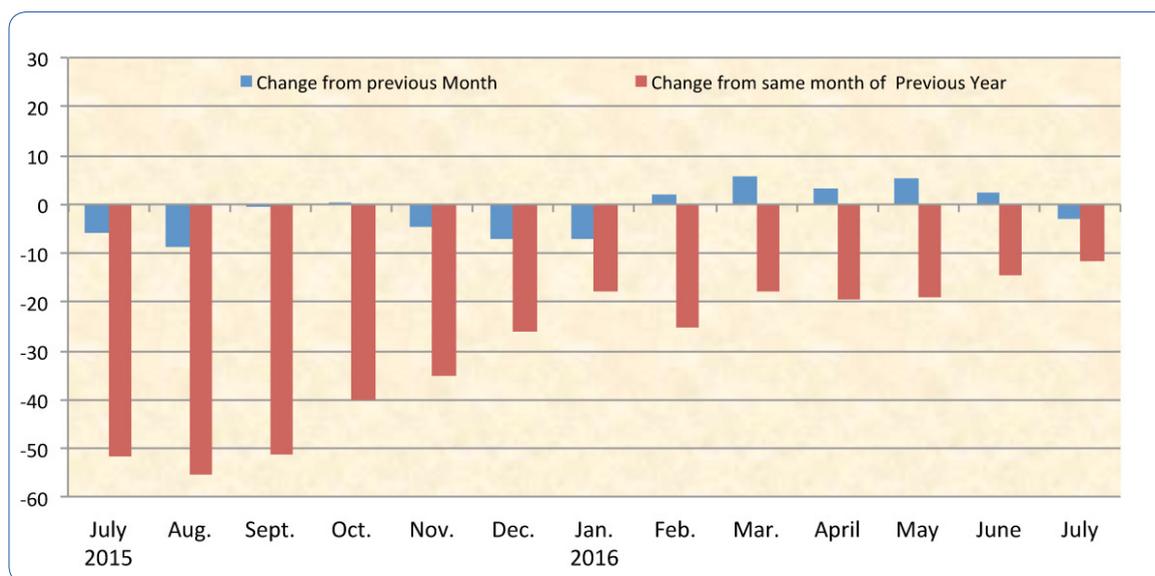


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2014-2016.

### 1-2 Spot Prices of Petroleum Products

#### - US Gulf

In June 2016, the spot prices of premium gasoline increased by 0.6% or \$0.4/bbl comparing with their previous month levels to reach \$69.1/bbl, spot prices of gas oil increased by 7.4% or \$3.9/bbl to reach \$56.7/bbl, and spot prices of fuel oil increased by 10% or \$3.2/bbl to reach \$35.2/bbl.

**- Rotterdam**

The spot prices of premium gasoline increased in June 2016, by 1% or \$0.7/bbl comparing with previous month levels to reach \$70.2/bbl, spot prices of gas oil increased by 4.8% or \$2.7/bbl to reach \$59.4/bbl, and spot prices of fuel oil increased by 16.3% or \$5.3/bbl to reach \$37.8/bbl.

**- Mediterranean**

The spot prices of premium gasoline increased in June 2016, by 2.6% or \$1.6/bbl comparing with previous month levels to reach \$62.7/bbl, spot prices of gas oil increased by 4.3% or \$2.5/bbl to reach \$60.4/bbl, and spot prices of fuel oil increased by 9.8% or \$3.3/bbl to reach \$37 bbl.

**- Singapore**

The spot prices of premium gasoline remained stable in June 2016, at the same previous month level of \$59.1/bbl, whereas spot prices of gas oil increased by 5.4% or \$3/bbl to reach \$59/bbl, and spot prices of fuel oil increased by 7.8% or \$2.8/bbl to reach \$38.6/bbl.

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

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

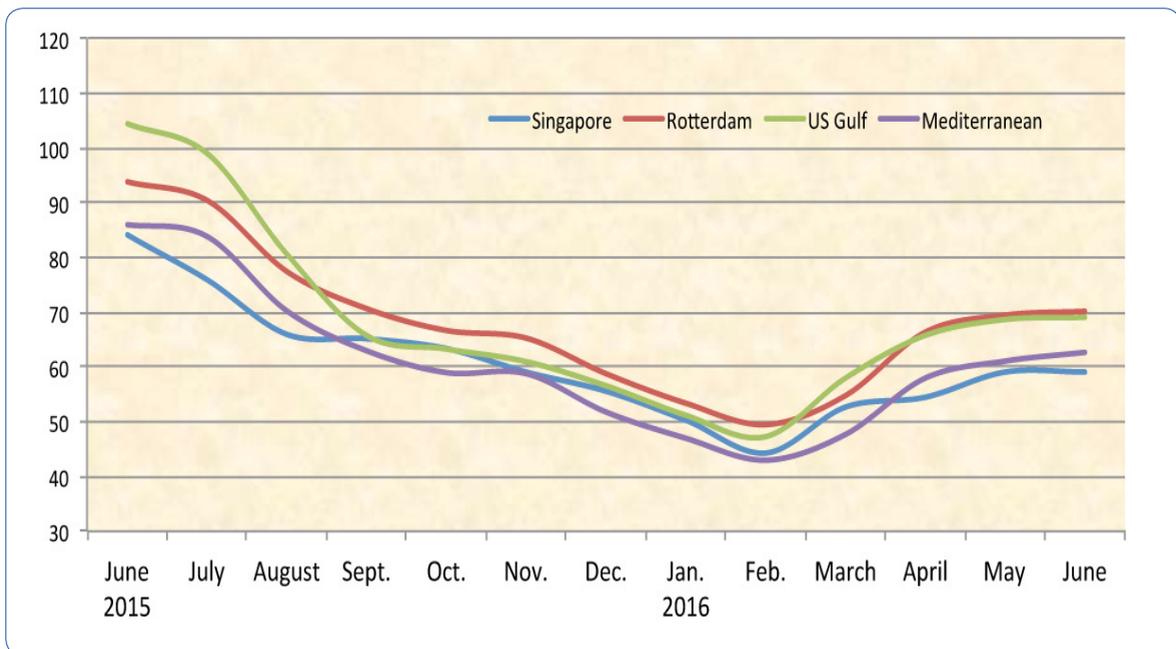


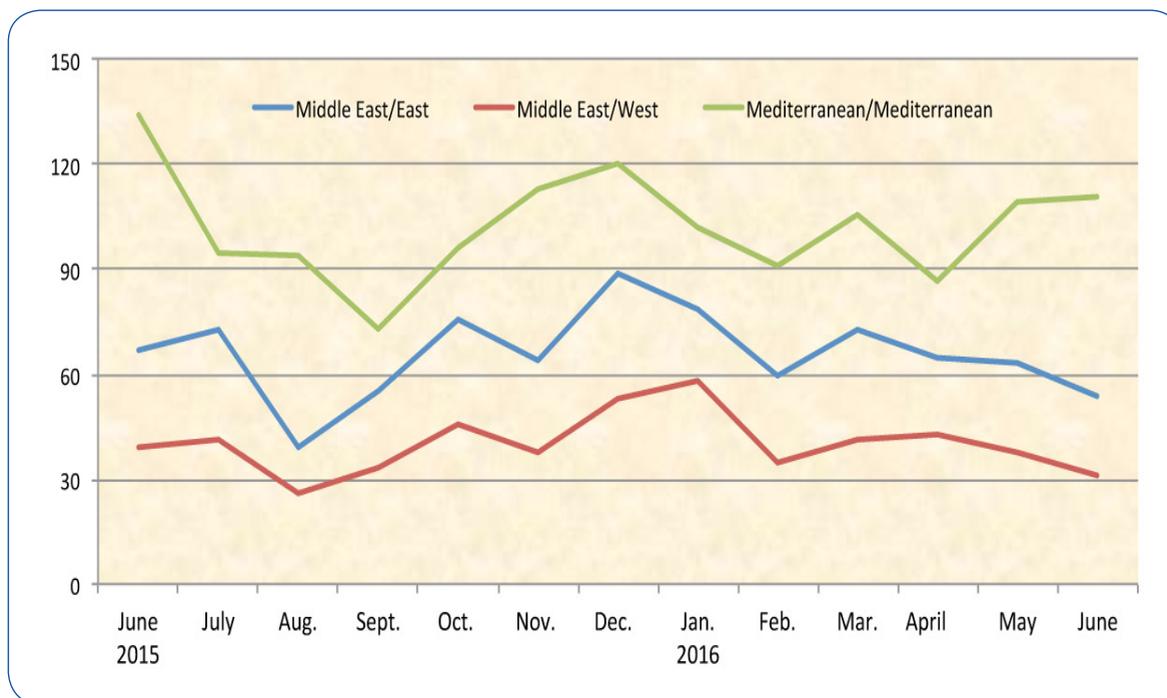
Table (4) in the annex shows the average monthly spot prices of petroleum products, 2014-2016.

### 1-3 Spot Tanker Crude Freight Rates

In June 2016, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, decreased by 9 points or 14.3% comparing with previous month to reach 54 points on the World Scale (WS\*), and freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, decreased by 7 points or 18.4% comparing with previous month to reach 31 points on the World Scale (WS), Whereas freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), increased by 2 points or 1.8% comparing with previous month to reach 111 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from June 2015 to June 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 June 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, decreased by 6 points, or 5.9% comparing with

previous month to reach 96 points on WS. Whereas freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], increased by one point, or 0.8% to reach 133 points on WS, and freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe increased by one point, or 0.7% to reach 143 points on WS.

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

**Figure - 5** Monthly Spot Product Tanker Freight Rates, 2015 -2016 (World Scale)

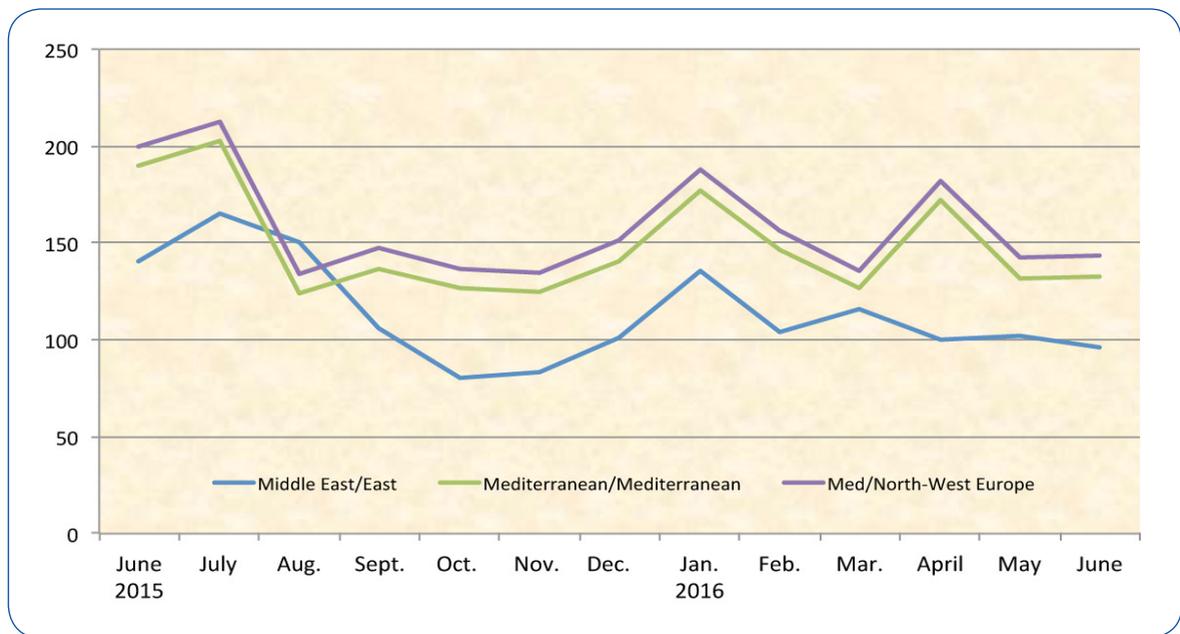


Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2014-216.

## 2. Supply and Demand

Preliminary estimates in July 2016 show a decrease in world oil demand by 0.1% or 0.1 million b/d, comparing with the previous month to reach 97.1 million b/d, representing an increase of 1.2 million b/d from their last year level.

Demand in OECD countries increased by 2.4% or 1.1 million b/d comparing with their previous month level to reach 47.2 million b/d, representing an increase of 0.3 million b/d from their last year level. Whereas demand in Non-OECD countries decreased by 2.3% or 1.2 million b/d comparing with their previous month level to reach 49.9 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 July 2016 decreased by 0.1% or 0.1 million b/d, comparing with the previous month to reach 97.6 million b/d, representing an increase of 0.9 million b/d from their last year level.

In July 2016, OPEC crude oil and NGLs/condensates total supplies increased by 1% or 0.4 million b/d comparing with the previous month level to reach 40.4 million b/d, a level that is 1.5 million b/d higher than last year. whereas preliminary estimates show that Non-OPEC supplies decreased by 0.9% or 0.5 million b/d comparing with the previous month level to reach 57.2 million b/d, a level that is 0.6 million b/d lower than last year.

Preliminary estimates of the supply and demand for July 2016 reveal a surplus of 0.5 million b/d, compared to a surplus of 0.4 million b/d in June 2016 and a surplus of 0.8 million b/d in July 2015, as shown in table (2) and figure (6):

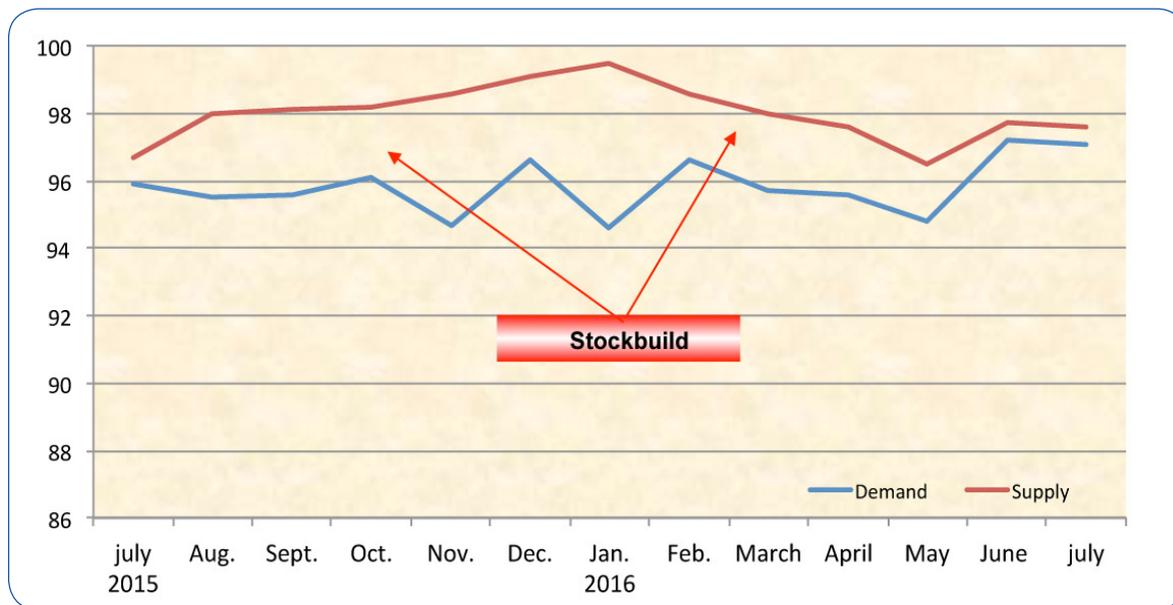
	<i>July 2016</i>	<i>June 2016</i>	<i>Change from June 2016</i>	<i>July 2015</i>	<i>Change from July 2015</i>
<i>OECD Demand</i>	47.2	46.1	1.1	46.9	0.3
<i>Rest of the World</i>	49.9	51.1	-1.2	49.0	0.9
<i>World Demand</i>	<b>97.1</b>	<b>97.2</b>	<b>-0.1</b>	<b>95.9</b>	<b>1.2</b>
<b><i>OPEC Supply:</i></b>	<u>40.4</u>	<u>40.0</u>	<u>0.4</u>	<u>38.9</u>	<u>1.5</u>
<i>Crude Oil</i>	33.6	33.2	0.4	32.2	1.4
<i>NGL's &amp; Cond.</i>	6.8	3.8	0.0	6.7	0.1
<b><i>Non-Opec Supply</i></b>	54.8	55.3	-0.5	55.5	-1.7
<i>Processing Gain</i>	2.4	2.4	0.0	2.3	0.1
<b><i>World Supply</i></b>	<b>97.6</b>	<b>97.7</b>	<b>-0.1</b>	<b>96.7</b>	<b>0.9</b>
<b><i>Balance</i></b>	<b>0.5</b>	<b>0.2</b>		<b>0.8</b>	

Source: Energy Intelligence Briefing August 1, 2016.

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

**Figure - 6 World Supply and Demand**

(Million b/d)



**US tight oil production**

In July 2016, US tight oil production decreased by 129 thousand b/d or 2.7% comparing with the previous month level to reach 4.671 million b/d, representing a decrease of 647 thousand b/d from their last year level. The US oil rig count increased by 26 rig comparing with the previous month level to reach 300 rig, a level that is 278 rig lower than last year, as shown in table (3) and figure (7):

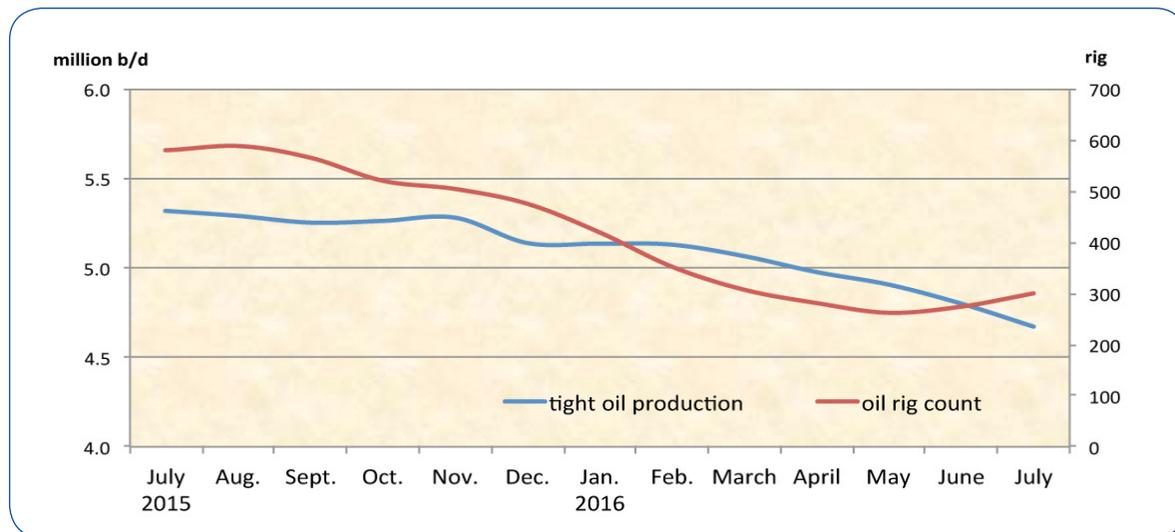
**Table 3 US\* tight oil production**

(Million b/d)

	July 2016	June 2016	Change from June 2016	July 2015	Change from July 2015
<b>tight oil production</b>	<b>4.671</b>	<b>4.800</b>	<b>-0.129</b>	<b>5.318</b>	<b>-0.647</b>
<b>Oil rig count (rig)</b>	<b>300</b>	<b>274</b>	<b>26</b>	<b>578</b>	<b>-278</b>

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, August 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 June 2016, US crude oil imports increased by 209 thousand b/d or 2.7% comparing with the previous month level to reach 7.8 million b/d, and US oil products imports increased by 276 thousand b/d or 12.5% to reach about 2.5 million b/d.

On the export side, US crude oil exports increased by 102 thousand b/d or 24% comparing with the previous month level to reach about 516 thousand b/d, and US products exports increased by 132 thousand b/d or 4% to reach 3.8 million b/d. As a result, US net oil imports in June 2016 were 251 thousand b/d or nearly 4.4% higher than the previous month, averaging 6 million b/d.

Canada remained the main supplier of crude oil to the US with 39% of total US crude oil imports during the month, followed by Saudi Arabia with 14%, then Venezuela with 10%. OPEC Member Countries supplied 40% 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 June 2016, China's crude oil imports decreased by 140 thousand b/d or 2% to reach 7.5 million b/d, and China's oil products imports decreased by 130 thousand b/d or 9.3% to reach 1.3 million b/d.

On the export side, China's crude oil exports reached 34 thousand b/d, and China's oil products exports increased by 167 thousand b/d or 17% to reach 1.2 million b/d. As a result, China's net oil imports reached 7.6 million b/d, representing a decrease of 5.9% comparing with the previous month.

Saudi Arabia was the big supplier of crude oil to China with 18% of total China's crude oil imports during the month, followed by Russia with 13% and Angola with 10% .

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

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

	Crude Oil			oil Products		
	June 2016	May 2016	Change from May 2016	June 2016	May 2016	Change from May 2016
USA	7.314	7.207	0.107	-1.284	-1.428	-0.144
Japan	3.132	3.324	-0.192	-0.163	-0.111	-0.051
China	7.438	7.613	-0.175	0.129	0.426	-0.297

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

### 4. Oil Inventories

In June 2016, **OECD commercial oil inventories** decreased by 9 million barrels to reach 3079 million barrels – a level that is 172 million barrels higher than a year ago. It is worth mentioning that during the month, **commercial crude inventories in OECD** decreased by 18 million barrels to reach 1235 million barrels, whereas **commercial oil products inventories** increased by 9 million barrels to reach 1844 million barrels.

**Commercial oil inventories in Americas** increased by 1 million barrels to reach 1636 million barrels, of which 677 million barrels of crude and 959 million barrels of oil products. **Commercial oil Inventories** in Pacific increased by 4 million barrels to reach 438 million barrels, of

which 202 million barrels of crude and 236 million barrels of oil products. **Commercial oil inventories in Europe** decreased by 14 million barrels to reach 1005 million barrels, of which 356 million barrels of crude and 649 million barrels of oil products.

**In the rest of the world**, commercial oil inventories decreased by 16 million barrels to reach 2974 million barrels, whereas the Inventories at sea increased by 12 million barrels to reach 1241 million barrels.

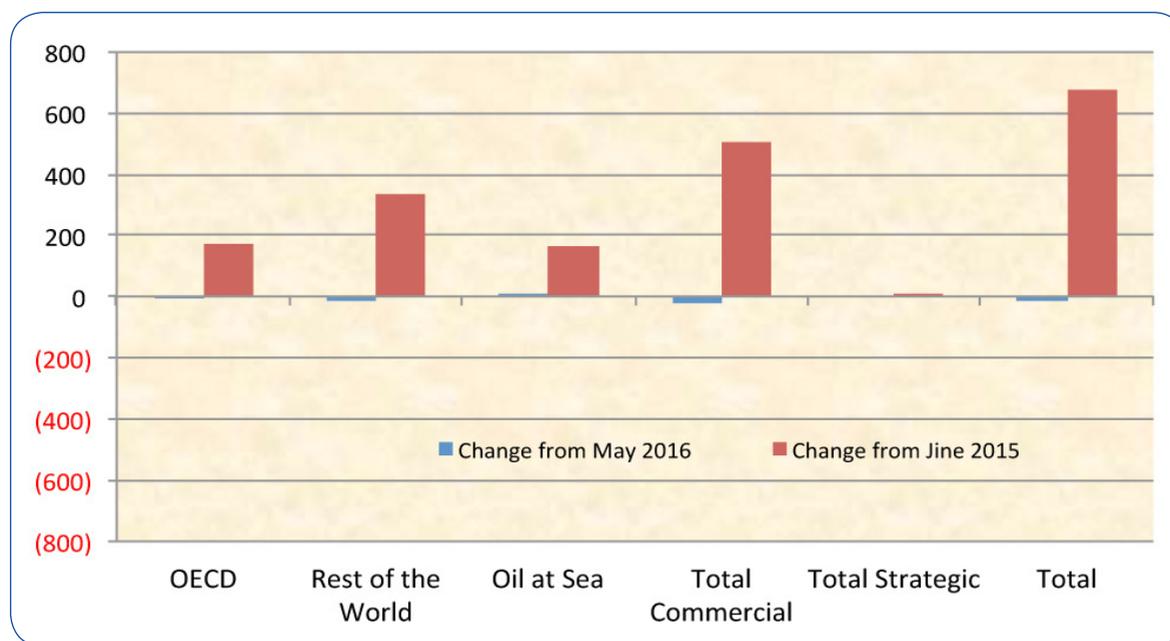
As a result, **Total Commercial oil inventories** in June 2016 decreased by 25 million barrels comparing with the previous month to reach 6053 million barrels – a level that is 504 million barrels higher than a year ago.

**Strategic inventories** in OECD-34, South Africa and China remained stable at the same previous level of 1866 million barrels – a level that is 10 million barrels higher than a year ago.

**Total world inventories**, at the end of June 2016 were at 9160 million barrels, representing a decrease of 13 million barrels comparing with the previous month, and an increase of 679 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 June 2016.

**Figure - 8** Changes in Global Inventories at the End of June 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 July 2016 increased by \$0.23/ million BTU comparing with the previous month to reach \$2.82/ million BTU.

The comparison, shown in [table \(5\)](#), between natural gas prices and the WTI crude reveal differential of \$4.9/ 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>)

	July 2015	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2016	Feb.	Mar.	Apr. 2016	May	June	July
Natural Gas <sup>(2)</sup>	2.8	2.8	2.7	2.3	2.1	1.9	2.3	2.0	1.7	1.9	1.9	2.6	2.8
WTI Crude <sup>(3)</sup>	8.8	7.4	7.8	8.0	7.4	6.4	5.4	5.2	6.5	7.1	8.1	8.4	7.7

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 June 2016, the price of Japanese LNG imports increased by \$0.1/ million BTU comparing with the previous month to reach \$6/ million BTU, whereas the price of Korean LNG imports decreased by \$0.3/million BTU comparing with the previous month to reach \$5.7/ million BTU, and the price of Chinese LNG imports decreased by \$0.2/million BTU comparing with the previous month to reach \$6/ million BTU.

#### 2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 19% or 1.725 million tons from the previous month level to reach 10.823 million tons.

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

**Table 6** 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
<b>April</b>	6382	2177	1861	10420	6.4	6.6	6.6
<b>May</b>	5455	2218	1425	9098	5.9	6.0	6.3
<b>June</b>	6193	2484	2146	10823	6.0	5.7	6.0

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 2.585 million tons or 23.9% of total Japan, Korea and China LNG imports in June 2016, followed by Qatar with 20.7% and Malaysia with 18.2%.

The Arab countries LNG exports to Japan, Korea and China totaled 3.219 million tons - a share 29.7% 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 \$4.85/million BTU at the end of June 2016, followed by Indonesia with \$4.77/million BTU then Australia with \$4.73/million BTU. And LNG Qatar's netback reached \$4.60/million BTU, and LNG Algeria's netback reached \$4.32/million BTU.

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

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

	Imports (thousand tons)				Spot LNG Netbacks at NE Asia Markets (\$/million BTU)
	Japan	Korea	China	Total	
<b>Total Imports, of which:</b>	<b>6193</b>	<b>2483</b>	<b>2147</b>	<b>10823</b>	
Australia	1356	187	1042	<b>2585</b>	<b>4.73</b>
Qatar	940	1116	181	<b>2237</b>	<b>4.60</b>
Malaysia	1433	230	309	<b>1972</b>	<b>4.72</b>
Indonesia	433	429	250	<b>1112</b>	<b>4.77</b>
Russia	460	63	64	<b>587</b>	<b>4.85</b>
Nigeria	201	-	-	<b>201</b>	<b>4.32</b>

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

A decorative horizontal band featuring a complex pattern of mathematical symbols, numbers, and geometric shapes in shades of gold and olive green. The symbols include pi (π), infinity (∞), percent (%), hash (#), and various numbers like 0, 1, 2, 3, 4, 5, 9, 10, 15, 20, 24, 40, 49, 59, 65, 90, 99, 100, 109, 110, 115, 120, 124, 140, 149, 150, 159, 165, 190, 199, 200, 209, 210, 215, 220, 224, 240, 249, 250, 259, 265, 290, 299, 300, 309, 310, 315, 320, 324, 340, 349, 350, 359, 365, 390, 399, 400, 409, 410, 415, 420, 424, 440, 449, 450, 459, 465, 490, 499, 500, 509, 510, 515, 520, 524, 540, 549, 550, 559, 565, 590, 599, 600, 609, 610, 615, 620, 624, 640, 649, 650, 659, 665, 690, 699, 700, 709, 710, 715, 720, 724, 740, 749, 750, 759, 765, 790, 799, 800, 809, 810, 815, 820, 824, 840, 849, 850, 859, 865, 890, 899, 900, 909, 910, 915, 920, 924, 940, 949, 950, 959, 965, 990, 999, 1000. The background of the band is dark olive green with a subtle grid pattern.

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## Tables Annex

