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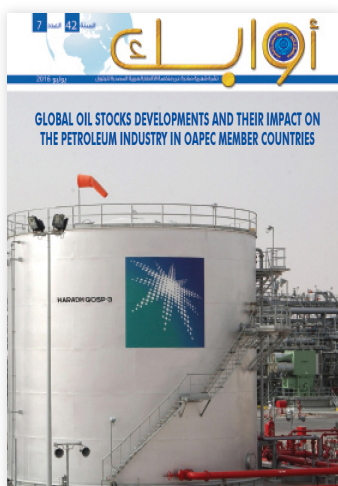
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Organization of Arab Petroleum Exporting Countries

July 2016

GLOBAL OIL STOCKS DEVELOPMENTS AND THEIR IMPACT ON THE PETROLEUM INDUSTRY IN OAPEC MEMBER COUNTRIES





The Cover

Current developments in the global oil market highlighted the great impact of oil stocks (crude oil and petroleum products) of the major consuming countries on the oil prices movement. Prices have been fluctuating and experiencing great pressure due to a number of factors, most important of which is the rise of US petroleum products' stocks according to the US Energy Information Administration (EIA) recently.



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ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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

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

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

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



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OAPEC'S ORGANS

The Organization carries out its activities through its four organs:

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

GLOBAL OIL STOCKS DEVELOPMENTS AND THEIR IMPACT ON THE PETROLEUM INDUSTRY IN OAPEC MEMBER COUNTRIES

Current developments in the global oil market highlighted the great impact of oil stocks (crude oil and petroleum products) of the major consuming countries on the oil prices movement. Prices have been fluctuating and experiencing great pressure due to a number of factors, most important of which is the rise of US petroleum products' stocks according to the US Energy Information Administration (EIA) recently.

Oil stocks are defined as 'the amounts of oil held by countries to be used in case of supply discontinuity for any emergency and to tackle any unexpected oil demand and supply disruption; they are considered an indicator of a country's ability to handle oil market fluctuations.'

Oil stocks can be classified, according to purpose, into three types: Primary Stocks, which consist of Commercial Stocks and Strategic Stocks. It is held by developed countries to be used in their oil industry during production and refining. The second type is the Secondary Stocks, which include oil amounts held by distributors and secondary distribution centres. The third type is Oil Products Stocks available at distribution centres for the end consumer like gasoline, heating oil, etc. Also, oil stocks can be classified according to the goals behind keeping them: Non-Discretionary Stocks like Government Compulsory or Strategic Stocks, Minimum Operating Stocks and In-Transit Stocks; and Discretionary Stocks like Commercial and Producing Countries' Stocks.

Oil stocks emerged as a result of the political developments in the Arabian region in the mid-1970s. At that time, the US Congress passed a legislation committing the federal government to establish locations for oil reserves. Also, energy companies held their own stocks, whose total

size equalled that of the federal stocks, to be used at any emergency oil supply disruption. Moreover, the continued increase of oil prices in the 1970s encouraged companies to store oil for speculation purposes in order to make high profits.

In 2014, the EIA adopted more flexible stances on withdrawing from the strategic stocks to compensate for shortages in supply. This added a commercial flavour to strategic stocks compared to previous policies that thought of stocks as a last defence line to resort to in major crises only.

According to data available at OAPEC Secretariat General, oil stocks have witnessed major developments in 2015, which reflected directly on the oil prices movement whether upwards or downwards. By the end of 2015, total global oil stocks (commercial and strategic) reached 8842 million barrels, an increase of about 750 million barrels compared to the same period in 2014. Floating crude oil stocks in tankers reached 1164 million barrels by the end of 2015, representing an increase of 120 million barrels compared to the same period in 2014. Developed countries' commercial stocks have been witnessing a continued increase reaching 3010 million barrels by the end of 2015.

On another note, a study under the title "The Role of Oil Stocks in the Global Market and the Implications for OAPEC Countries", prepared by OAPEC Secretariat General, mentions that there is a close link between change in oil stocks and change of OAPEC member countries' oil prices. It states that fluctuations in the global oil stocks' levels have

indirect implications on OAPEC members' supplies, especially at times of crises, i.e. oil supply glut or shortage.

The study explained that oil supplies from OAPEC and Arab OPEC members, including the UAE, Algeria, KSA, Qatar, Kuwait, Libya, and Iraq, had disparities during 2010-2014, as a result of OPEC decisions regarding its members' production shares, which are taken in light of the status of the developed countries' oil stocks. The study clarified that current developments of oil production from unconventional resources (shale oil), as well as, security developments in some member countries affected OAPEC members' oil prices.

This happens at a time when OAPEC member countries continue their efforts to develop and invest in all stages of the petroleum industry whether exploration, production, or downstream industries; in spite of the current economic challenges resulting from the drop of revenues due to the falling oil process.

While observing the global oil stocks developments, OAPEC Secretariat General commits itself to following up on this vital issue and monitoring its implications for its member countries. The Organisation reiterates that the global oil market stability and balance is a common responsibility between exporting and importing countries. OAPEC sees that dialogue and transparency among all parties of the petroleum and energy industry guarantee the oil market stability. The Organisation hopes that the unstable conditions in some Arab countries would improve in order to help restoring oil supplies to their norms.



BAHRAIN'S OIL MINISTER RECEIVED OAPEC SECRETARY GENERAL

On 20 July 2016, Bahrain's Oil Minister HE Sheikh Mohammed bin Ahmed Al Khalifa received at the National Oil and Gas Authority (NOGA) the Secretary General of the Organization of Arab Petroleum Exporting Countries (OAPEC) HE Abbas Al Naqi, in the presence NOGA Secretary General HE Dr. Ahmed Ali Al Sharyan, and Director General of NOGA's Strategies and Planning and Bahrain's representative at OAPEC Executive Bureau HE Ali Abdul Jabbar Al Sawad.

The minister lauded the efforts exerted by the OAPEC Secretariat General to consolidate joint Arab action and highlighted the effective role of the organization worldwide to serve its goals.

They discussed a number of topics, including OAPEC

studies, events and affiliate companies, as well as areas of joint cooperation and oil investments boosting across Arab countries. Also, OAPEC reports on environment and climate change developments have been tackled during the meeting.

On his part, HE Abbas Ali Al Naqi, OAPEC Secretary General, congratulated HE Al Khalifa on his appointment wishing him all success in his new post while looking forward to more cooperation in the petroleum activities between member countries to serve OAPEC members' goals.

BAHRAIN'S OIL MINISTER GULF REFINING UNION TO ENHANCE GCC'S REFINING INDUSTRY COOPERATION

On the occasion of Bahrain's Cabinet's endorsement of a proposal to establish a Gulf Refining Union in Bahrain, Bahrain's Oil Minister HE Sheikh Mohammed bin Khalifa bin Ahmed Al Khalifa said in a press statement that the union will enhance cooperation among the GCC countries. He added that it will facilitate communication and knowledge-sharing between industrial and educational institutions, as well as, investment agencies and experts in this vital sector. The union's establishing meeting is scheduled to be held within the next two months to agree administrative, financial, and legal preparations.

The Minister added that the establishment of the union has been completed thanks to the efforts of the establishers who represent a number of GCC oil companies in their sincere efforts to boost GCC refining industry cooperation. He thanked all those who contributed to the union's establishment.

He added that Bahrain's hosting of the union's headquarters will have positive impact in stressing Bahrain's pioneer role in the refining industry, and will help widening the scope of networking with all stakeholders in this industry both regionally and globally. The Minister clarified that the union will also promote Bahrain as an advanced platform for oil and gas related services, which would attract training, development, technology transfer activities and programmes, as well as, conferences, exhibitions, and specialized international events that will develop Bahrain's investment and economic environment, and increase the efficiency of Bahraini manpower; Bahrain's real unexhausted wealth.





10TH MIDDLE EAST REFINING & PETROCHEMICALS CONFERENCE AND EXHIBITION (MIDDLE EAST PETROTECH 2016)

The Organizing Committee for the 10th Middle East Refining & Petrochemicals Conference and Exhibition (Middle East Petrotech 2016) taking place from 26–29 September 2016 in Bahrain announced that it received 340 submissions from 111 organisations and 24 countries, marking an increase of 70% on the previous edition of Petrotech in 2014.

The Technical Committee explained that 63 papers have been selected by the committee to be presented during the technical sessions covering

topics on current Arabian and global petroleum industry developments, including operational excellence, reliability and integrity, project challenges, energy management, HSE, smart plants, market intelligence, catalyst management and people advancement.

Also, a number of economic topics will be highlighted during the event including current global petroleum market developments and their implications for the petroleum producing and exporting

countries. The committee added that more than 100 institutions from 20 countries will take part in the Petrotech 2016 exhibition.

In the same vein, HE Sheikh Mohammed bin Khalifa Al Khalifa, Bahrain's Oil Minister, received Petrotech 2016 Organizing Committee delegation. During the meeting, preparations for Petrotech 2016, its programme, and other organizational issues were discussed.

It is worth mentioning that OAPEC is one of Petrotech 2016 supporting organizations.

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His Royal Highness Prince Khalifa bin Salman Al Khalifa
Prime Minister of the Kingdom of Bahrain

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HE ENG AL FALIH: 5 PILLARS TO MEET GLOBAL GOALS IN ECONOMY, RENEWABLE ENERGY, AND ENVIRONMENT



HE Eng Khalid Al Falih, Saudi Minister of Energy, Industry and Mineral resources, took part in the ministerial meeting of the energy ministers of Group of Twenty (G20) in Beijing, China, from 28 to 30 June 2016. The minister provided a plan based on five areas to meet global goals in the fields of economy, renewable energy, and environment; including the following:

- **Facilitating investment in all energy sources, without discrimination, including**



- investment in technology to make all energy sources environmentally friendly
- Innovation and technology are the strategic pillars for reducing the impact of using energy on the environment
- Focusing on energy efficiency research and development
- Utilizing the cleaner natural gas to cut GHG

emissions since natural gas emissions are half that resulting from the use of coal

Continuing to spread the use of renewable energy sources at a pace that is technically and economically affordable to all countries

The minister pointed out that the Saudi energy policy seeks to secure the Kingdom's sustainable energy supply to global markets, continue to cooperate with international research and development centres on cleaner fuels and engines with lower GHG emissions, in addition to invent modern CCS technologies.

He explained that Saudi Arabia focuses its efforts on the cleaner gas while implementing an ambitious programme on energy efficiency across KSA in transport, housing, commercial buildings, and industry to reduce energy consumption rates. KSA also plans to inject more investments in the renewable energy field on the long run, especially solar power under the umbrella of the interim energy programme.

OPEC SECRETARY GENERAL VISITS SAUDI ARABIA



Saudi Energy, Industry, and Mineral Resources Minister HE Eng. Khaled Al Falih received OPEC Secretary General HE Dr. Mohammed Sanusi Barkindo and congratulated him on his appointment as OPEC Secretary General. The Minister lauded OPEC's important role in maintaining the petroleum markets' stability. The two officials exchanged views on the petroleum market conditions and the world's petroleum demand and supply. They agreed that the petroleum markets are on their way to balance and that prices have started to stabilize. During the meeting, the importance of the cooperation between major petroleum producers and consumers has been stressed. Efforts should continue in this regard to serve all parties of the petroleum market and the global economy.

HE Al Falih pointed out that KSA is seeking, through OPEC, to continue playing its role in meeting the world's increasing demand for petroleum via securing the flow of petroleum supplies. On his part, HE Barkindo hailed KSA's efforts in the petroleum industry and its pioneer role in supporting efforts aiming at stabilizing the petroleum markets and securing the supplies flow.

KUWAIT



70TH ANNIVERSARY OF EXPORTING FIRST KUWAITI OIL SHIPMENT

The 30th of June 2016 marked the 70th anniversary of exporting the first Kuwaiti oil shipment. At 7:00AM on 30 June 1946, a grand celebration under the auspices and presence of the late HH Sheikh Ahmed al Jaber Al Sabah (then Emir of Kuwait) was held. The ceremony was attended by a large number of senior officials from the government and Kuwait Oil Company LTD, as well as foreign officials and massive crowds. HH Sheikh Ahmed turned the wheel to start the

first Kuwaiti crude oil shipment flowing smoothly through an offshore pipeline to the tanker Fusilier declaring Kuwait as one of the oil exporters.

HH Sheikh Ahmed said “Every one of my people and my friends will rejoice with me in this happy event, which by the grace of Allah is for our future and welfare. I thank God for such an opportunity as this will help us carry on with the various improvements which we desire for the happiness and welfare of the Kuwaiti people.”

He added “I would like to further mention the assistance offered by the Company during their operations in our country. My thanks are also due to Her Majesty’s Government for their help in making such operations a success, and to my personal friends the British and American members of the Board as well as the Company’s staff for their valuable assistance. I am sure our friendship with the Company will continue to exist in a spirit of cordiality and good will.”

SYRIA

HE ENG ALI GHANEM NAMED SYRIA’S NEW OIL AND MINERAL RESOURCES MINISTER

A new government has been formed by a decree, appointing HE Eng Ali Ghanem as Syria’s new Oil and Mineral Resources Minister, in succession to HE Eng. Sulayman Al-Abbas.

On his part, HE Abbas Ali Al Naqi,

OAPEC Secretary General, has sent a cable of congratulations to HE Al Ghanem, on the occasion of his appointment wishing him all success in his new post while looking forward to continuing Syria’s support for OAPEC activities.



HE DR MATAR AL NEYADI: **POSITIVE OUTCOME OF UAE'S FUEL PRICES LIBERALIZATION POLICY**

HE Dr Matar Al Neyadi, Undersecretary of the UAE's Ministry of Energy and UAE's representative at OAPEC Executive Bureau, said that the UAE's decision on liberalizing fuel prices last year contributed to boosting the country's economic performance and improved its competitiveness. He said that the deregulating decision was taken following thorough studies that proved its economic, social, and environmental feasibility. HE Dr Al Neyadi stressed that the liberalization of the fuel prices contributes actively in strengthening consumption rationalization concepts, reducing fuel waste rates, reducing traffic on roads, and maintains the stability of natural resources for coming generations. It also encourages using alternative means of transportation.

The Undersecretary said that after one year of implementing the decision, prices have been marked by slight fluctuations due to global oil price fluctuations, as no sudden or remarkable rises or falls have been registered. It is noted that gasoline prices increased over the past few months due to the increase in the global oil prices, in addition to the increase in European and US consumption rates.

However, Al Neyadi attributed the big drop in diesel prices to the abundant supply at the world market since most large refineries have completed their regular maintenance work, in addition to the drop in global oil prices and the noticeable weak demand for heating fuel from major countries this year due to a relatively warm winter in the beginning of January. He clarified that studies showed that the petroleum products prices in the UAE were the lowest per capita income compared to other markets and that the decision had positive impacts on boosting the investment climate in the country.

Al Neyadi added that the UAE benefited from the period of low oil prices in developing its national economy through the law on the liberalization of diesel and gasoline prices. He stressed that the fuel prices liberalization contributed to creating a positive and healthy environment in the energy sector that helps striking a balance between the consumers, individuals, and society interest and that of the fuel producing and distributing companies.



IRAQ

IRAQ EXPORTS FIRST SHIPMENT OF LIQUID GAS FROM UMM QASR

Iraq's Oil Ministry announced on its website the export of the first shipment of compressed liquid gas through the port of Umm Qasr, southern Iraq. The exported amount is estimated at about 2000 tons of compressed liquid gas. The Ministry's Undersecretary HE Dr Hamed Younis said that the Ministry pays great attention to the gas sector, which witnessed remarkable developments and increasing liquid gas production lately, to the extent that enabled Iraq to achieve self-sufficiency. Iraq's daily liquid gas production reached 5000 tons/day. Condensates used in the petrochemical industry have been exported too. The production of dry gas has also risen, which enabled the country to meet the needs of power plants across Iraq. The percentage of associated gas is about 70% of Iraq's production against 30% of non-associated gas.



EGYPT

EGYPTIAN - JORDANIAN PETROLEUM TALKS

Egyptian- Jordanian bilateral talks were held at the Egyptian Ministry of Petroleum and Mineral Resources between HE Eng. Tarek El Molla, Egypt's Minister of Petroleum and Mineral Resources and HE Dr. Ibrahim Saif, Jordan's Minister of Energy and Mineral Resources. The meeting reviewed oil and natural gas joint cooperation and the mechanisms for implementing cooperation protocols signed between the two countries.

The two Ministers reviewed the latest developments related to the work of Egyptian companies in the implementation of major projects in various domains, particularly in energy. Also, latest developments of Egypt's mega gas discoveries have been reviewed. Egyptian- Iraqi-Jordanian regional cooperation has also been discussed



especially the status of the execution of the (Basra/Aqaba) crude oil pipeline to transport

Iraqi crude via oil tankers to Egypt for exporting or refining at Egyptian refineries.

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THE JOINT ARAB ECONOMIC REPORT 2016 COMMITTEE MEETING



OAPEC Secretariat General took part in the meeting of the institutions working on the preparation of the Joint Arab Economic Report for the Year 2016, held in the headquarters of the League of Arab States (LAS), in Cairo, Egypt, from 26 to 30 June 2016. The meeting was attended by representatives from LAS Secretariat General, the Arab Monetary Fund, and the Arab Fund for Economic and Social Development, in addition to OAPE Secretariat General's representative Mr. Abdul Fattah Dandi, Director, Economic Affairs Department, and Mr. Majid Amer, Economic Researcher from the same department.

During the meeting, chapters prepared by the contributing institutions have been discussed, including two chapters prepared

by OAPEC Secretariat General: Chapter 5 on the "Oil and Energy Developments"; and Chapter 10 "The Pivot", which is prepared by the Secretariat General for the second time tackling "Unconventional Oil Resources: Reality, Future, and Implications for Arab Countries".

The latter covered the following points:

- **An overview of the unconventional oil resources worldwide.**
- **The oil industry from unconventional resources.**
- **Probable implications of the unconventional resources developments for the Arab countries.**

The Secretariat General also contributed to preparing the section on hydrocarbons industries in Chapter 4 about the industrial sector.

Study:

FUTURE PROSPECTS OF THE GLOBAL OIL MARKET MAP AND POTENTIAL IMPLICATIONS FOR OAPEC MEMBER COUNTRIES

The study aims at monitoring the map of the global oil market developments from 2004 to 2014, and stating the potential implications for OAPEC member countries. This would help in determining whether to follow new production and marketing policies in line with the recent developments in order to strike a balance between supply and demand in the global oil market, which would lead to price stability and proper oil revenues for the member countries since oil is the main source of income for these countries.

Section 1 has been devoted to present and analyze the global crude supply and demand developments in general between 2004 and 2014 according to major international groups, with focus on OPEC members' (including UAE, Algeria, KSA, Iraq, Qatar, Kuwait, and Libya) supply developments. Also, demand from developed countries including OECD members and non-industrialized countries including the non-OECD members has been highlighted.

Section 2 tackled nominal crude oil prices' development (OPEC crude basket, BRENT, West TEXAS) in the main global markets from 2004 to 2015, explaining the main factors influencing them. This section also covers oil products spot prices' development (super gasoline, gasoil, diesel, and fuel oil) in the main international markets (Singapore, Rotterdam, US Gulf Coast, and the Mediterranean).

Section 3 has been dedicated to present and analyze the world's oil trade map evolution (crude oil and oil products) according to the main international groups. It also includes the developments in the global oil demand and supply and the net oil trade balance during 2004-2014. OPEC members' oil trade map evolution has been highlighted including OAPEC member countries.

Section 4 is the main part of the study as it presents future prospects for the development of the world oil market on the medium run (until 2020) and on the long run (until 2040) according



to the basic OPEC scenario released in the World Oil Outlook 2015. The potential implications of the oil trade for OAPEC members, the trade's future map, and the members' oil refining industry have been tackled.

Most important findings of the study include stating that the future prospects of the world oil market map involve various challenges for OAPEC members, topped by maintaining an appropriate stake in the world oil market in light of increasing oil supplies from non-OPEC countries along with a clear drop in oil demand. Also, competitiveness should be enhanced in the world oil markets, especially Asian markets as forecasts expect their oil demand to keep rising in the future.

Petroleum Developments in the World Market and Member Countries*

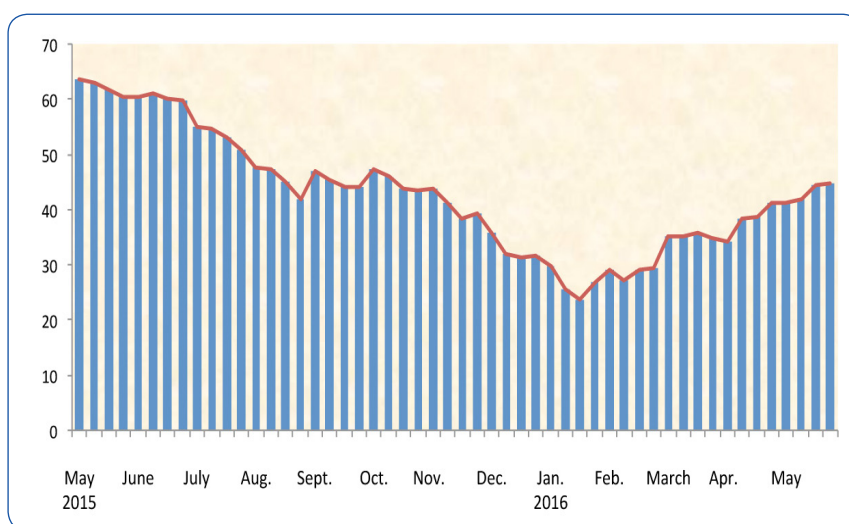
1. Oil Market

1. Prices

1-1 Crude Oil Prices

Weekly average price of OPEC basket increased during the first week of May 2016, to reach \$41.1/bbl, and raise thereafter, to reach its highest level of \$44.7/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 May 2016, averaged \$43.2/bbl, representing an increase of \$5.4/bbl or 14.1% comparing with previous month, and a decrease of \$19/bbl or 30.5% from the same month of previous year. Supply disruptions (shutdowns in Nigeria and Canada) and signs of firming global demand, were major stimulus for the increase in oil prices during the month of May 2016 to reach seven-month highs.

Key Indicators

- In May 2016, **OPEC Reference Basket increased** by 14.1% or \$5.4/bbl from the previous month level to stand at \$43.2/bbl.
- **World oil demand** in May 2016, **decreased** by 0.8% or 0.8 million b/d from the previous month level to reach 94.8 million b/d.
- **World oil supplies** in May 2016, **decreased** by 1.1% or 1.1 million b/d from the previous month level to reach 96.5 million b/d.
- **US tight oil production** in May 2016, **decreased** by 2.3% to reach about 5 million b/d, and **US oil rig count decreased** by 19 rig from the previous month level to stand at 262 rig.
- **US crude oil imports** in April 2016, **decreased** by 1.7% from the previous month level to reach 7.8 million b/d, whereas **US product imports increased** by 15% to reach about 2.1 million b/d.
- **OECD commercial inventories** in April 2016 **increased** by 14 million barrels from the previous month level to reach 3064 million barrels, whereas **Strategic inventories** in OECD-34, South Africa and China **decreased** by 3 million barrels to reach about 1864 million barrels.
- **The average spot price of natural gas** at the Henry Hub in May 2016 **remained stable** at the same previous month level of \$1.92/ million BTU.
- **The Price of Japanese LNG imports decreased** in April 2016 by \$0.9/m BTU to reach \$6.4/m BTU, the **Price of Korean LNG imports decreased** by \$0.7/m BTU to reach \$6.6/m BTU, and the **Price of Chinese LNG imports remained stable** at the same previous month level of \$6.6/m BTU.
- **Arab LNG exports to Japan, Korea and China** were about 2.740 million tons in April 2016 (a share of 26.3% 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)

	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2016	FEB.	Mar.	Apr.	May
OPEC Basket Price	62.2	60.2	54.2	45.5	44.8	45.0	40.5	33.6	26.5	28.7	34.7	37.9	43.2
Change From previous Month	4.9	-2.0	-6.0	-8.7	-0.6	0.2	-4.5	-6.9	-7.1	2.2	5.9	3.2	5.4
Change from same month of previous Year	-43.3	-47.7	-51.4	-55.3	-51.2	-40.0	-35.1	-25.9	-17.9	-25.3	-17.8	-19.4	-19.0

* 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)

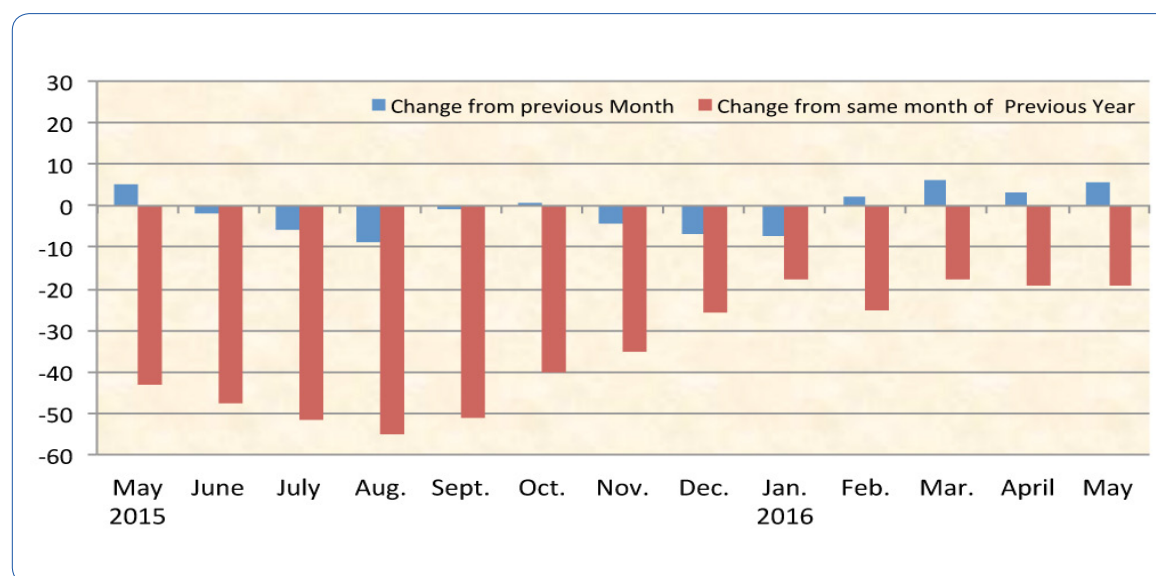


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2014-2016.

1-2 Spot Prices of Petroleum Products

- US Gulf

In April 2016, the spot prices of premium gasoline increased by 13.4% or \$7.8/bbl comparing with their previous month levels to reach \$65.8/bbl, spot prices of gas oil increased by 10.9% or \$4.5/bbl to reach \$45.6/bbl, and spot prices of fuel oil increased by 9.6% or \$2.3/bbl to reach \$26.2/bbl.

- Rotterdam

The spot prices of premium gasoline increased in April 2016, by 21.2% or \$11.6/bbl comparing with previous month levels to reach \$66.4/bbl, spot prices of gas oil increased by 5.3% or \$2.5/bbl to reach \$49.6/bbl, and spot prices of fuel oil increased by 12.1% or \$3/bbl to reach \$27.8/bbl.

- Mediterranean

The spot prices of premium gasoline increased in April 2016, by 21.6% or \$10.3/bbl comparing with previous month levels to reach \$58/bbl, spot prices of gas oil increased by 4.8% or \$2.3/bbl to reach \$50.6/bbl, and spot prices of fuel oil increased by 13.8% or \$3.4/bbl to reach \$28 bbl.

- Singapore

The spot prices of premium gasoline increased in April 2016, by 3.4% or \$1.8/bbl comparing with previous month levels to reach \$54.5/bbl, spot prices of gas oil increased by 6.5% or \$3/bbl to reach \$49.3/bbl, and spot prices of fuel oil increased by 9.9% or \$2.8/bbl to reach \$31/bbl.

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

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

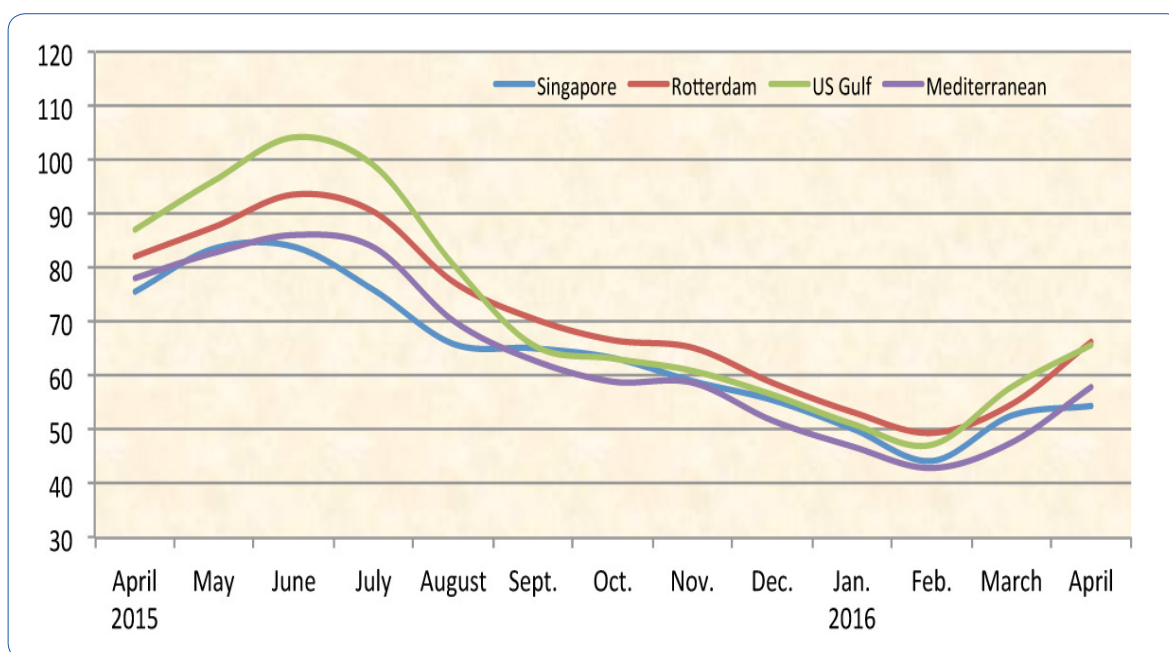


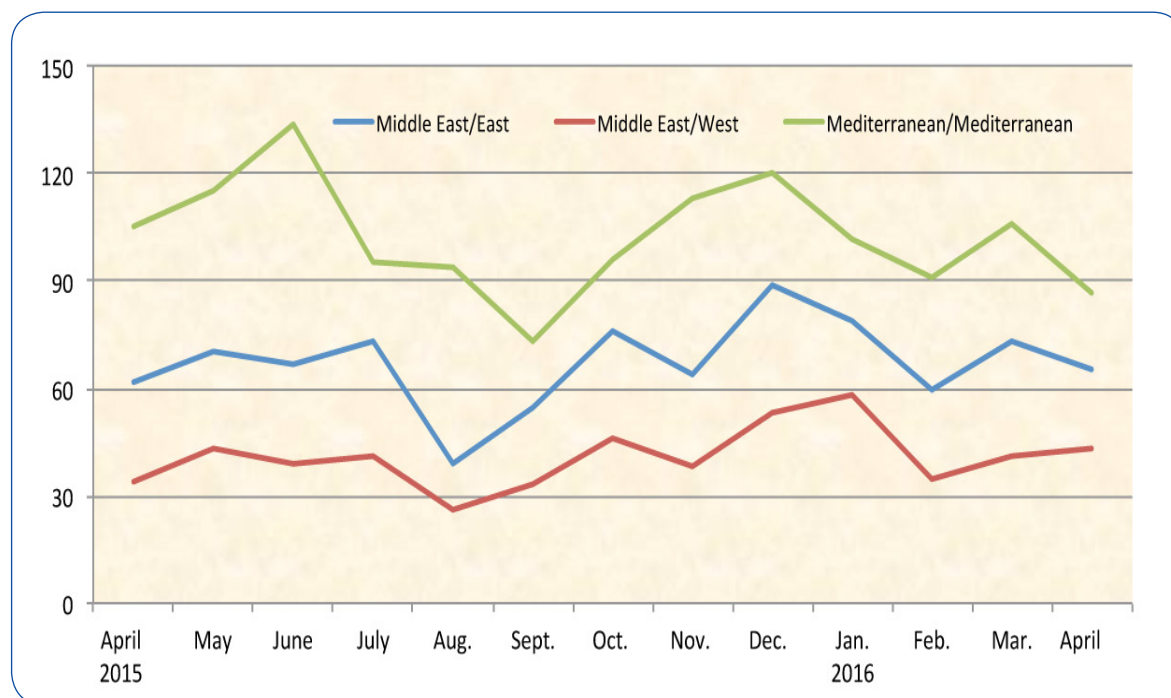
Table (4) in the annex shows the average monthly spot prices of petroleum products, 2014-2016.

1-3 Spot Tanker Crude Freight Rates

In April 2016, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, decreased by 8 points or 11% comparing with previous month to reach 65 points on the World Scale (WS*), and freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), decreased by 19 points or 17.9% comparing with previous month to reach 87 points on the World Scale (WS). Whereas freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, increased by 2 points or 4.9% comparing with previous month to reach 43 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from April 2015 to April 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 April 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 16 points, or 13.8% comparing

with previous month to reach 100 points on WS. Whereas freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], increased by 45 points, or 35.4% to reach 172 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 46 points, or 33.8% to reach 182 points on WS.

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

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

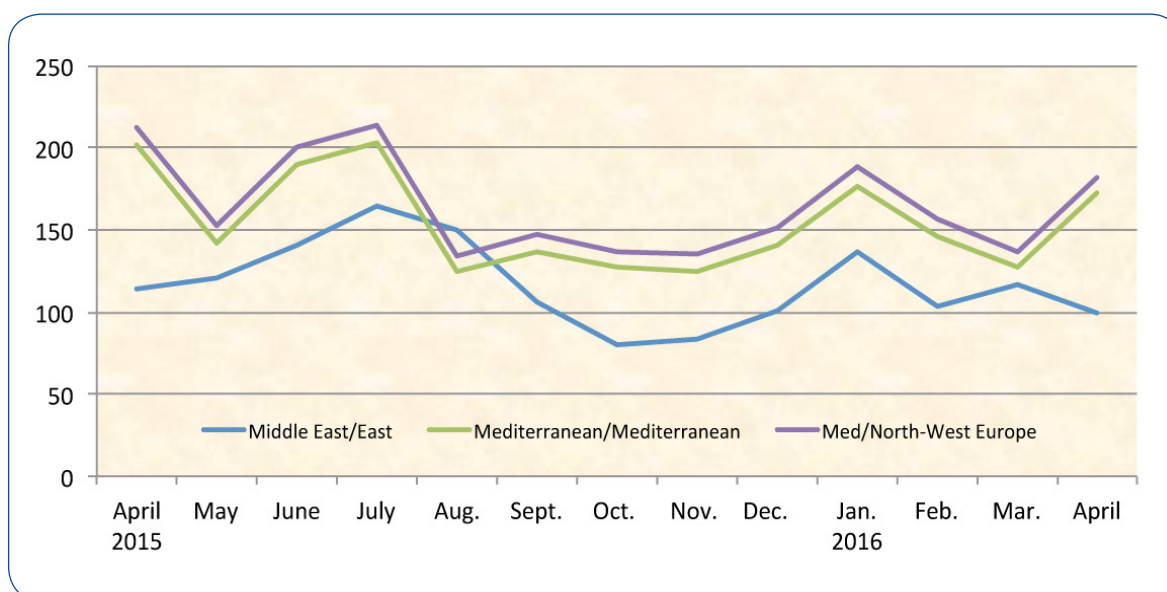


Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2014-216.

2. Supply and Demand

Preliminary estimates in May 2016 show a decrease in world oil demand by 0.8% or 0.8 million b/d, comparing with the previous month to reach 94.8 million b/d, representing an increase of 1.6 million b/d from their last year level.

Demand in OECD countries decreased by 1.5% or 0.7 million b/d comparing with their previous month level to reach 45 million b/d, representing an increase of 0.6 million b/d from their last year level. Demand in Non-OECD countries also decreased by 0.2% or 0.1 million b/d comparing with their previous month level to reach 49.9 million b/d, representing an increase of 1.1 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for May 2016 decreased by 1.1% or 1.1 million b/d, comparing with the previous month to reach 96.5 million b/d, representing an increase of 0.2 million b/d from their last year level.

In May 2016, OPEC crude oil and NGLs/condensates total supplies decreased by 0.5% or 0.2 million b/d comparing with the previous month level to reach 39.2 million b/d, a level that is 0.6 million b/d higher than last year. And preliminary estimates show that Non-OPEC supplies decreased by 1.5% or 0.9 million b/d comparing with the previous month level to reach 57.2 million b/d, a level that is 0.5 million b/d lower than last year.

Preliminary estimates of the supply and demand for May 2016 reveal a surplus of 1.7 million b/d, compared to a surplus of 2 million b/d in April 2016 and a surplus of 3.1 million b/d in May 2015, as shown in [table \(2\)](#) and [figure \(6\)](#):

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

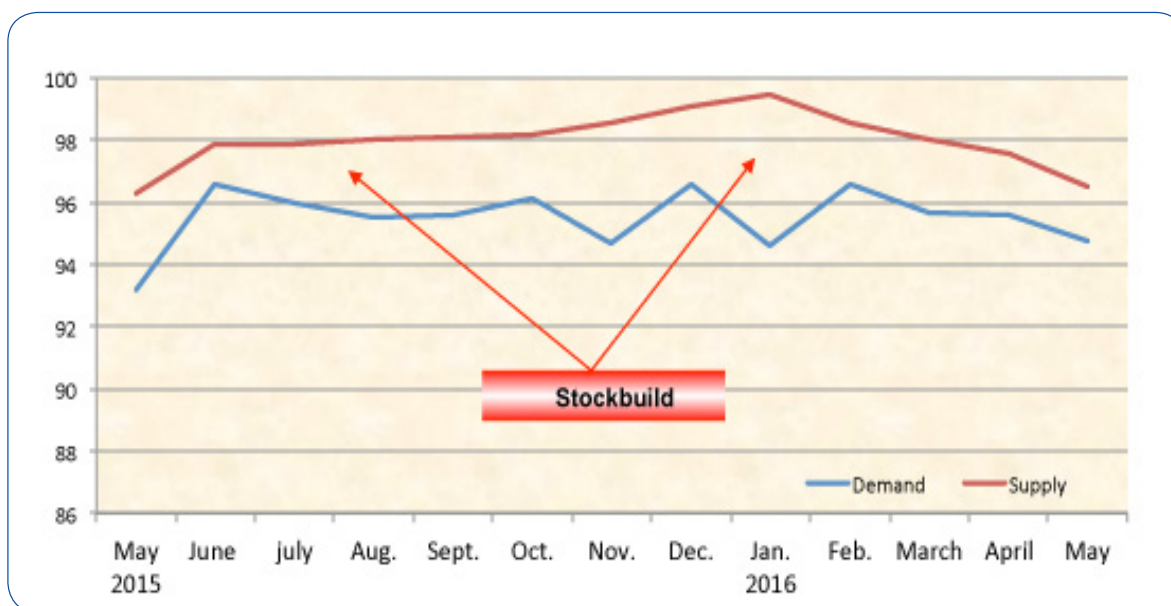
	May 2016	April 2016	Change from April 2016	May 2015	Change from May 2015
<i>OECD Demand</i>	45.0	45.7	-0.7	44.4	0.6
<i>Rest of the World</i>	49.9	50.0	-0.1	48.8	1.1
<i>World Demand</i>	94.8	95.6	-0.8	93.2	1.6
<i>OPEC Supply:</i>	<u>39.2</u>	<u>39.4</u>	<u>-0.2</u>	<u>38.6</u>	<u>0.6</u>
<i>Crude Oil</i>	32.6	32.8	-0.2	32.0	0.6
<i>NGL's & Cond.</i>	6.6	6.6	0.0	6.6	0.0
<i>Non-Opec Supply</i>	54.9	55.8	-0.9	55.3	-0.4
<i>Processing Gain</i>	2.3	2.3	0.0	2.4	-0.1
<i>World Supply</i>	96.5	97.6	-1.1	96.3	0.2
<i>Balance</i>	1.7	2.0		3.1	

Source: Energy Intelligence Briefing June 7, 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 May 2016, US tight oil production decreased by 114 thousand b/d or 2.3% comparing with the previous month level to reach 4.955 million b/d, representing a decrease of 488 thousand b/d from their last year level. The US oil rig count decreased by 19 rig comparing with the previous month level to reach 262 rig, a level that is 341 rig lower than last year, as shown in table (3) and figure (7):

Table 3 US* tight oil production

(Million b/d)

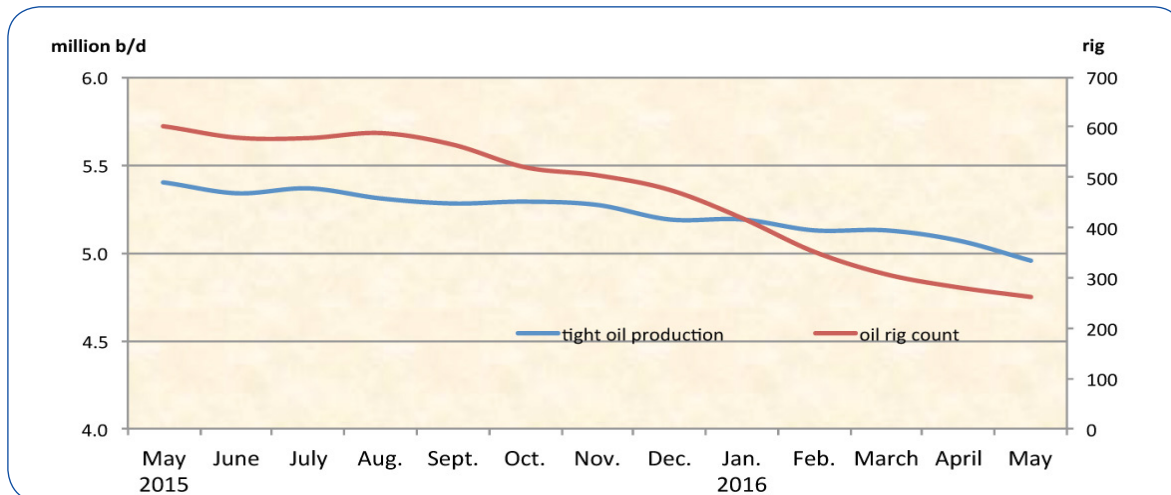
	May 2016	April 2016	Change from April 2016	May 2015	Change from May 2015
tight oil production	4.955	5.069	-0.114	5.403	-0.488
Oil rig count (rig)	262	281	-19	603	-341

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, June 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 count

(Million b/d)



3.Oil Trade

USA

In April 2016, US crude oil imports decreased by 134 thousand b/d or 1.7% comparing with the previous month level to reach 7.8 million b/d, whereas US oil products imports increased by 278 thousand b/d or 15% to reach about 2.1 million b/d.

On the export side, US crude oil exports decreased by 23 thousand b/d or 5.8% comparing with the previous month level to reach about 365 thousand b/d, and US products exports decreased by 739 thousand b/d or 17% to reach 3.6 million b/d. As a result, US net oil imports in April 2016 were 906 thousand b/d or nearly 17.9% higher than the previous month, averaging 6 million b/d.

Canada remained the main supplier of crude oil to the US with 41% of total US crude oil imports during the month, followed by Saudi Arabia with 16%, then Venezuela with 10%. OPEC Member Countries supplied 41% of total US crude oil imports.

Japan

In April 2016, Japan's crude oil imports decreased by 93 thousand b/d or 3% comparing with the previous month to reach 3.5 million b/d. Whereas Japan oil products imports increased by 47 thousand b/d or 9.8% comparing with the previous month to reach 525 thousand b/d.

On the export side, Japan's oil products exports decreased in April 2016, by 73 thousand b/d or 11.7% comparing with the previous month, averaging 551 thousand b/d. As a result, Japan's net oil imports in April 2016 increased by 28 thousand b/d or 0.8% to reach 3.4 million b/d.

Saudi Arabia was the big supplier of crude oil to Japan with a share of 41% of total Japan crude oil imports, followed by UAE with 19% and Qatar with 10% of total Japan crude oil imports.

China

In April 2016, China's crude oil imports increased by 249 thousand b/d or 3% to reach 7.95 million b/d, and China's oil products imports increased by 19 thousand b/d or 1.4% to reach 1.4 million b/d.

On the export side, China's crude oil exports reached 64 thousand b/d, and China's oil products exports increased by 55 thousand b/d or 5.5% to reach 1.05 million b/d. As a result, China's net oil imports reached 8.2 million b/d, representing an increase of 4.1% comparing with the previous month.

Russia was the big supplier of crude oil to China with 15% of total China's crude oil imports during the month, followed by Saudi Arabia with 13% and Angola with 12% .

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

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

	Crude Oil			oil Products		
	April 2016	March 2016	Change from March 2016	April 2016	March 2016	Change from March 2016
USA	7.470	7.581	-0.111	-1.496	-2.513	1.017
Japan	3.467	3.559	-0.092	-0.026	-0.146	0.120
China	7.885	7.550	0.335	0.351	0.359	-0.008

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

4. Oil Inventories

In April 2016, **OECD commercial oil inventories** increased by 14 million barrels to reach 3064 million barrels – a level that is 222 million barrels higher than a year ago. It is worth mentioning that during the month, **commercial crude inventories in OECD** increased by 14 million barrels to reach 1251 million barrels, whereas **commercial oil products inventories** remained stable at the same previous month level of 1813 million barrels.

Commercial oil inventories in Americas increased by 13 million barrels to reach 1637 million barrels, of which 703 million barrels of crude and 934 million barrels of oil products. **Commercial oil Inventories**

in Pacific increased by 1 million barrels to reach 422 million barrels, of which 194 million barrels of crude and 228 million barrels of oil products. **Commercial oil inventories in Europe** remained stable at the same previous month level of 1005 million barrels, of which 354 million barrels of crude and 651 million barrels of oil products.

In the rest of the world, commercial oil inventories increased by 13 million barrels to reach 2977 million barrels, and the **Inventories at sea** increased by 35 million barrels to reach 1237 million barrels.

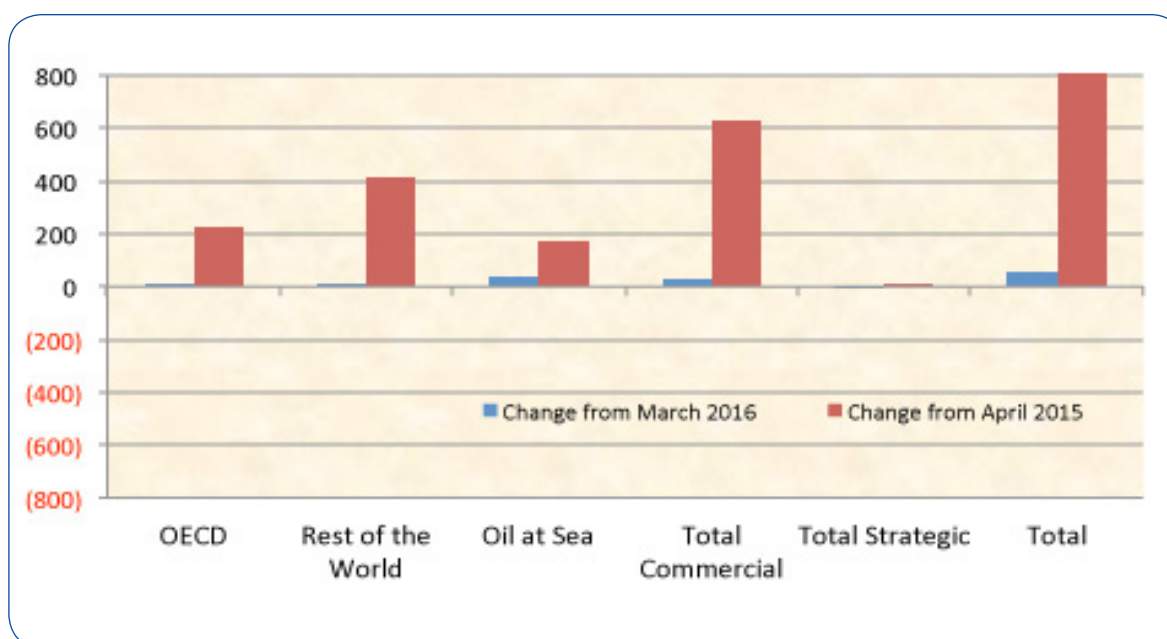
As a result, **Total Commercial oil inventories** in April 2016 increased by 27 million barrels comparing with the previous month to reach 6041 million barrels – a level that is 632 million barrels higher than a year ago.

Strategic inventories in OECD-34, South Africa and China decreased by 3 million barrels comparing with the previous month to reach 1864 million barrels – a level that is 11 million barrels higher than a year ago.

Total world inventories, at the end of April 2016 were at 9142 million barrels, representing an increase of 59 million barrels comparing with the previous month, and an increase of 816 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 April 2016.

Figure - 8 Changes in Global Inventories at the End of April 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 May 2016 remained stable at the same previous month level of \$1.92/ million BTU.

The comparison, shown in [table \(5\)](#), between natural gas prices and the WTI crude reveal differential of \$6.2/ million BTU in favor of WTI crude.

Table 5 Henry Hub Natural Gas, WTI Crude Average, and Low Sulfur Fuel Oil Spot Prices, 2015-2016 (Million BTU¹)

	May 2015	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2016	Feb.	Mar.	Apr.	May 2016
Natural Gas ⁽²⁾	2.9	2.8	2.8	2.8	2.7	2.3	2.1	1.9	2.3	2.0	1.7	1.9	1.9
WTI Crude ⁽³⁾	10.2	10.3	8.8	7.4	7.8	8.0	7.4	6.4	5.4	5.2	6.5	7.1	8.1

1. British Thermal Unit.

2. Henry Hub spot price.

3. WTI – West Texas Intermediate Crude oil price, in dollars per barrel, is converted to dollar per million BTU using a conversion factor of 5.80 million BTU/bbl.

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

2- LNG Markets in North East Asia

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

2.1. LNG Prices

In April 2016, the price of Japanese LNG imports decreased by \$0.9/ million BTU comparing with the previous month to reach \$6.4/ million BTU, the price of Korean LNG imports decreased by \$0.7/million BTU comparing with the previous month to reach \$6.6/ million BTU, and the price of Chinese LNG imports remained stable at the same previous month level of \$6.6/million BTU.

2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, decreased by 19.5% or 2.523 million tons from the previous month level to reach 10.420 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
2014	88505	37402	19891	145798	16.1	16.3	11.7
2015	84850	33141	19606	137597	10.2	10.6	8.6
January 2015	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
January 2016	7245	3338	2464	13047	7.9	8.0	7.3
February	7370	2998	1801	12169	8.0	7.8	6.9
March	7959	3282	1702	12943	7.2	7.3	6.6
April	6382	2177	1861	10420	6.4	6.6	6.6

Source: World Gas Intelligence various issues.

2.3. Sources of LNG imports

Australia was the big supplier of LNG to Japan, Korea and China with 3.112 million tons or 29.9% of total Japan, Korea and China LNG imports in April 2016, followed by Qatar with 16.8% and Malaysia with 16%.

The Arab countries LNG exports to Japan, Korea and China totaled 2.740 million tons - a share 26.3% of total Japanese, Korean and Chinese LNG Imports during the same month

2.4. LNG Exporter Netbacks

With respect to the Netbacks at North East Asia markets, Russia ranked first with \$3.52/million BTU at the end of April 2016, followed by Indonesia with \$3.44/million BTU then Australia with \$3.40/million BTU. And LNG Qatar's netback reached \$3.28/million BTU, and LNG Algeria's netback reached \$3.00/million BTU.

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

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

	Imports (thousand tons)				Spot LNG Netbacks at NE Asia Markets (\$/million BTU)
	Japan	Korea	China	Total	
Total Imports, of which:	6382	2177	1861	10420	
Australia	1806	247	1059	3112	3.40
Qatar	842	585	325	1752	3.28
Malaysia	1180	357	127	1664	3.39
Indonesia	487	297	188	972	3.44
Russia	662	256	-	918	3.52
Nigeria	143	-	-	143	3.00

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



Tables Annex

