

Organization of Arab Petroleum Exporting Countries

# OAPEC

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## OPEC & NON-OPEC PETROLEUM EXPORTING COUNTRIES COOPERATION AND COORDINATION FOR A MORE SECURE AND STABLE GLOBAL PETROLEUM MARKET

**HE AL NAQI PARTICIPATES  
IN 7<sup>TH</sup> OPEC INTERNATIONAL SEMINAR**

**EGYPT'S MIDOR SIGNS DEAL  
WITH ITALY'S TECHNIP**







## The Cover



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## ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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

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

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



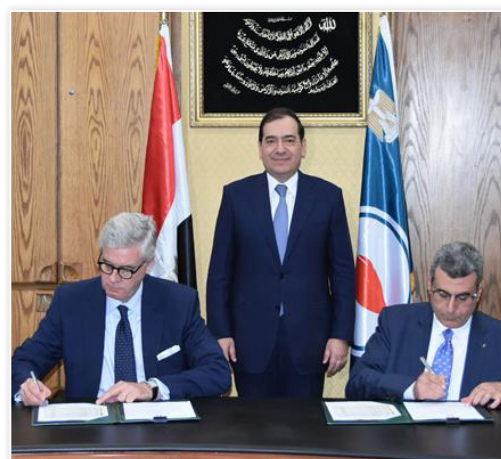
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### • OAPEC-Joint Ventures:

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

### OAPEC'S ORGANS

The Organization carries out its activities through its four organs:

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



## **OPEC & NON-OPEC PETROLEUM EXPORTING COUNTRIES COOPERATION AND COORDINATION FOR A MORE SECURE AND STABLE GLOBAL PETROLEUM MARKET**

Dialogue between oil producers and consumers as a mechanism to achieve mutual interests for both sides and maintain market stability is not a novelty. It is a continuous process that has roots back to 1975. It works to tackle challenges and eliminate obstacles facing dialogue activation between the world energy producers and consumers. Dialogue that has started many years ago under the umbrella of the International Energy Forum (IEF) is in need for a practical mechanism to maintain prices within their appropriate and stable levels.

Towards the end of 2016, OPEC and non-OPEC oil producers, including Russia, have announced an agreement to coordinate and cooperate to cut a total of 1.8 million barrels/day of global crude oil supplies with the beginning of 2017. The move aimed at supporting prices and bringing back stability and balance to the global petroleum market following shocks and fluctuations that led to a noticeable price decline to \$30 per barrel.

This historic move has led to supporting and re-strengthening oil prices as well as re-balancing the global petroleum market relatively. Restabilising the market in a sustainable way serves the interests of both producers and consumers, and the global economy in general. These global oil market developments had a positive impact on the economic performance of many countries, including some OPEC countries, in Q2 of 2018.

Cooperation, coordination, and partnership efforts between OPEC and non-OPEC oil producing countries have proven to be successful and fruitful in the past period. There is no doubt that such cooperation and coordination can meet growing demand and compensate for supply cuts and sharp drops, especially those resulting from geopolitical and security risks, as well as, technical issues in the production process. These efforts by all parties contributed to achieving the main goal, that is rebalancing the market.

OPEC will continue its joint leading role with non-OPEC producers, oil industry stakeholders, and the International Energy Agency (IEA) in promoting a balanced global oil market supported by reliable and sufficient oil supplies. During the 7th



OPEC International Seminar on consumer-producer cooperation and energy future held at OPEC headquarters in June 2018, stress was put on the importance of boosting the organisation's commitment to continued cooperation and dialogue with all stakeholders in the global oil industry, including producers and consumers, and stressing that OPEC member states are sparing no effort to maintain a stable and balanced global oil market. This is in addition to emphasising that work will continue to secure oil supplies regardless of the geopolitical developments and technical issues.

Also, the move seeks to stress the importance of harmonising and integrating the interests of both oil producing and consuming countries, the positive impact this cooperation and mutual understanding have on the oil industry in order to safeguard the role of the various OPEC and non-OPEC oil producers in meeting the needs of the consumer and building trust among all parties.

Success that has been reached as a result of this organised cooperation between OPEC and non-OPEC producers and genuine commitment to the output cut decision at the time have proved to all the importance of cooperation and continued support of the world economic development process. OPEC countries seek to maintain this cooperation as a basis for future joint plans to keep production levels within the supply and demand balance in order to boost further price stability. Therefore, OPEC has encouraged other concerned countries to join this cooperation and coordination effort.

This type of cooperation and coordination- with external parties and between influential producers and consumers around the world- is seen as one of the most prominent features of change that took place in the oil market. While observing these developments, OAPEC Secretariat General would like to stress its member countries' keenness on collective action with producers around the world and to share responsibility to help the oil market and industry to flourish. In this regard, OAPEC would like to hail its member countries' efforts on maintaining strong cooperation ties between all producers to safeguard collective action and share responsibility to boost the conditions of the oil market and industry.



# SAUDI ARABIA & RUSSIA AGREE TO EXPAND COOPERATION ON OIL, GAS, & ENERGY



Saudi Energy, Industry, and Mineral Resources Minister HE Khalid Al Falih and his Russian counterpart HE Aleksandr Novak held a meeting recently on the side-lines of the official visit of Saudi Crown Prince, Deputy Premier, and Defence Minister HRH Mohammed bin Salman to Russia.

During the meeting, the two sides stressed their commitment to expanding energy cooperation, especially oil and gas, between the two countries according to the following:

- Boosting a balanced global oil market that is supported by reliable and sufficient oil supplies.
- Stressing the common responsibility between oil producing and consuming countries in achieving global oil market stability.
- It is important that national policies work on enlisting oil and gas among the basic components of the energy resources used

around the world; boosting investments in this sector to meet growing demand and compensate for natural decline in production around the world.

- Boosting investment in the energy sector and supporting energy efficiency, sustainability, and energy technology development.

The two ministers agreed on preparing a comprehensive bilateral energy agreement reflecting the above and specifying the joint action measures between the two countries.

They have also agreed to work with the OPEC-plus agreement to continue the cooperation for a longer term between OPEC, Russia, and other non-OPEC producers that began in 2016. This would add an institutional framework to the comprehensive multi- party cooperation to stabilise the market. They have also agreed to invite other major oil producing countries to join this common effort.



## IRAQ BEGINS EXPORTING CRUDE OIL VIA SOUTHERN PORTS FOLLOWING AROUND 3 DECADES OF SUSPENSION



The Iraqi Oil Ministry announced loading an oil shipment that will be exported through its southern ports for the first time in around three decades.

Hussein Allawi, General Manager of the Iraqi Tanker Company of the Ministry of Oil said that the move comes to restore the activity of transporting crude and oil derivatives to all parts of the world. He added that the company is planning to build an integrated fleet of giant tankers.

He explained that the company has concluded a number of cooperation agreements with the Arab Shipping Company [an OAPC joint venture], in a step to the gradual construction

of this sector, which has ceased its activity since 1991, including transport and joint cooperation, and the preparation and training of national cadres, at a rate of 100 trainees/year in order to manage the tankers fleet in the future.

On his part, the Ministry of Oil Spokesperson Mr Assem Jihad clarified that the cargo load is two million barrels. The Tankers Company will load and transport the shipment to the United States, in favor of a company contracting with the state-owned Oil Marketing Company [Sumo]. He added that the tankers company has recently obtained ISO; an important step to activate the company and transform it from loss to gains.



## EGYPT'S MIDOR SIGNS DEAL WITH ITALY'S TECHNIP



In the presence of Egypt's Minister of Petroleum and Mineral Resources HE Eng. Tarek El Molla, The Middle East Oil Refinery (Midor) has signed a \$1.7 billion agreement with Italy's Technip to expand the Midor refinery's production capacity from 115,000 to 175,000 barrels per day. The project's total cost is about \$2.2 billion.





**OAPEC Secretary General His Excellency Abbas Ali Al Naqi sent a cable of congratulations to the Egyptian Minister of Petroleum and Mineral Resources, HE Eng. Tarek El Molla, on the occasion of the renewal of his tenure in the new Egyptian Government wishing him all success and Egypt all prosperity.**

The deal was signed by Midor Chairman Mohamed Abdel Aziz and Technip CEO Marco Villa.

Following the signing ceremony, HE El Molla emphasized that the project is part of a comprehensive plan laid by the ministry stressing the importance of the project in helping the country cope with the increasing demand for petroleum products. Expanding refineries will reduce the country's reliance on gasoline, diesel and gas exports, and will contribute towards the national strategy of turning Egypt into a regional natural gas hub.

It is worth mentioning that the expansion project, which will be co-executed with ENPPI and Petrojet, will increase the laboratory's design capacity by 60%. It will increase the current production capacity of gas by about 145 thousand tons/year, 95 octane gasoline by about 600 thousand tons/year, solar by about a million tons/year, jet fuel by about 1.3 million tons/year, in addition to coal and Sulphur.



# UAE HOSTS THE 24<sup>TH</sup> WORLD ENERGY CONGRESS IN 2019

Under the patronage of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE, the 24th edition of the WORLD ENERGY CONGRESS will take place from 9 to 12 September 2019 at the Abu Dhabi National Exhibition Centre (ADNEC). This will mark the first time the Congress has been hosted in a Middle Eastern city, and by an OPEC member country, in the event's 94-year history that started in 1924. The Congress is held every 3 years and considered the world's largest and most influential energy event covering all aspects of the energy agenda.

The 4-day event that is held under the slogan "Energy for Prosperity" is expected to attract over 15 thousand visitors. It will be attended by head of states and governments, about 70 ministers, and 2500 exhibitors. It is one of the most prestigious seasonal energy events worldwide.

In a press statement, HE Dr Matar Al Neyadi, Undersecretary at the UAE Ministry of Energy and Industry and Chairman of the UAE Organising Committee for the 24th World Energy Congress and UAE's Rep. at OAPEC Executive Bureau, said that his country explores the future realistically



and optimistically. It believes that dialogue, exchanging expertise, and creativity are the means to development, growth, and prosperity. It is through gathering active institutions in the energy sector at this conference that "we would be able to enhance the understanding of major issues that affect our lives and the future of next generations."

He added that the Congress will discuss developments in various sectors including: oil and gas, renewables, power generation, hydropower, energy storage, nuclear energy, infrastructure, networks technology, energy conservation, creativity, and funding for investment opportunities in the energy sector.

## KUWAIT PETROLEUM CORPORATION BECOMES THE FIRST REGIONAL SPONSOR OF THE 2019 ABU DHABI WORLD ENERGY CONGRESS

The UAE Organising Committee of the 24th World Energy Congress has announced that Kuwait Petroleum Corporation will be a Silver Sponsor for the Congress, taking place in Abu Dhabi from 9 to 12 September 2019.

The announcement sees Kuwait Petroleum Corporation (KPC) become the first regional company to endorse the Congress.

During the signing ceremony, HE Dr Matar Al Neyadi, Undersecretary at the UAE Ministry of Energy and Industry and Chairman of the UAE Organising Committee for the 24th World Energy Congress and UAE's Rep. at OAPEC Executive Bureau, said: "We are delighted to have partnered with Kuwait Petroleum Corporation, and honoured that they are the first regional company to become a sponsor at the Congress. KPC is well placed to provide their knowledge of the industry and share their insights into future trends in the oil and gas industry. Their participation is testament to our ambition in bring leading companies and investors, industry experts and entrepreneurs to Abu Dhabi next year, and we hope their participation will be the spur for other regional companies to come on board."





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## HE AL NAQI PARTICIPATES IN 7<sup>TH</sup> OPEC INTERNATIONAL SEMINAR

Upon a kind invitation by HE Mohammad Barkindo, OPEC Secretary General, HE Abbas Al Naqi, OAPEC Secretary General, took part in OPEC 7th International Seminar at the Imperial Hofburg Palace in Vienna, Austria, on 20 and 21 June 2018. The two-day event was held under the theme of “Petroleum – cooperation for a sustainable future.”

The Seminar is one of the major activities in the world’s energy industry. It attracts wide ministerial participation from OPEC and non-OPEC oil producing and exporting countries, as well as, some of the leading figures in the international energy industry.

The seminar covered topics relevant to global energy current developments and futures; demand growth; the future of oil, gas and energy production from conventional and unconventional resources and renewables; global energy mix future; economic growth rates; and opportunities of boosting energy investments.





# JOINT ARAB ECONOMIC REPORT 2018 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 2018, held in the headquarters of the Arab Monetary Fund, in Abu Dhabi, UAE, from 24 to 28 June 2018. The meeting was attended by representatives from the Arab League Secretariat General, the Arab Monetary Fund, and the Arab Fund for Economic and Social Development. Mr. Abdul Fattah Dandi, Economic Affairs Department Director, and Mr Majed Amer, Researcher from the same department, represented OAPEC at the meeting.



Draft chapters prepared by the concerned institutions have been discussed during the meeting, including Chapter 5 on oil and energy developments and the hydrocarbon industries section in Chapter 4, which were prepared by OAPEC Secretariat General.

Also, means of developing the Report have been discussed since it represents a principal and important source of official data on Arab countries for officials and economic researchers alike. It was agreed that the final version of the report will be distributed in the last week of December 2018.



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

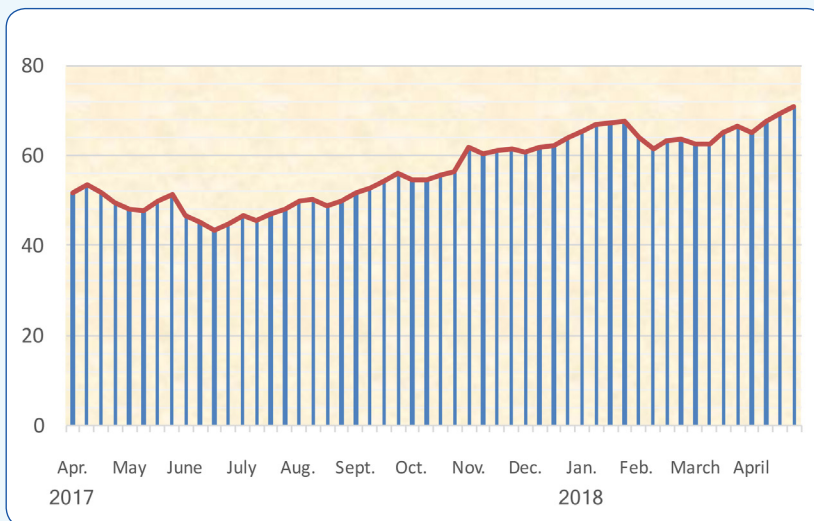
### 1. Oil Market

#### 1. Prices

##### 1-1 Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of April 2018, to reach \$65.1/bbl, then raise thereafter, to reach its highest level of \$70.9/bbl during the fourth week, as shown in **figure 1**:

**Figure - 1** Weekly Average Spot Price of the OPEC Basket of Crudes 2017 - 2018 (\$/bbl)



On monthly basis, OPEC Reference Basket in April 2018, averaged \$68.4/bbl, representing an increase of \$4.7/bbl or 7.3% comparing with previous month, and an increase of \$17.1/bbl or 33.2% from the same month of previous year. Strong conformity by OPEC and participating non-OPEC countries in terms of production adjustments through the Declaration of Cooperation, as well as geopolitical tensions, and robust global demand that dampened the effects of a stronger dollar and rising US production, were major stimulus for the increase in oil prices during the month of April 2018, to reach its highest monthly value since November 2014.

### Key Indicators

- In April 2018, **OPEC Reference Basket increased** by 7.3% or \$4.7/bbl from the previous month level to stand at \$68.4/bbl.
- **World oil demand** in 1Q2018, **decreased** by 1.1% or 1.1 million b/d from 4Q2017 level to reach 97.6 million b/d.
- **World oil supplies** in 1Q2018, **increased** by 0.4% or 0.4 million b/d from 4Q2017 level to reach 98.0 million b/d.
- **US tight oil production** in April 2018, **increased** by 1.9% to reach about 6.9 million b/d, and **US oil rig count** **increased** by 19 rig from the previous month level to stand at 898 rig.
- **US crude oil imports** in March 2018, **increased** by 2.1% from the previous month level to reach 7.7 million b/d, and **US product imports** **increased** by 9.7% to reach about 2.2 million b/d.
- **OECD commercial inventories** in March 2018 **decreased** by 26 million barrels from the previous month level to reach 2819 million barrels, whereas **Strategic inventories** in OECD-34, South Africa and China **increased** by 3 million barrels from the previous month level to reach 1855 million barrels.
- **The average spot price of natural gas** at the Henry Hub in April 2018 **increased** by \$0.1/million BTU comparing with the previous month level to reach \$2.80/million BTU.
- **The Price of Japanese LNG imports** in March 2018 **increased** by \$0.3/m BTU to reach \$9.5/m BTU, the **Price of Chinese LNG imports** **increased** by \$0.05/m BTU to reach \$8.7/m BTU, whereas the **Price of Korean LNG** **decreased** by \$0.5/m BTU to reach \$9.4/m BTU,
- **Arab LNG exports to Japan, Korea and China** were about 4.442 million tons in March 2018 (a share of 28.7% 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:

	Apr. 2017	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2018	Feb.	Mar.	Apr.
OPEC Basket Price	51.4	49.2	45.2	46.9	49.6	53.4	55.5	60.7	62.1	66.9	63.5	63.8	68.4
Change From previous Month	1.1	-2.2	-4.0	1.7	2.7	3.8	2.1	5.2	1.3	4.8	-3.4	0.3	4.7
Change from same month of previous Year	13.5	6.0	-0.6	4.2	6.5	10.5	7.6	17.5	10.4	14.5	10.1	13.4	17.1

\* 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. As of July 2016, the basket price includes the Gabonese crude. As of Jan. 2017, the basket excludes the Indonesian crude. As of June 2017 the basket price includes the Equatorial Guinean crude "Zafiro".

**Figure - 2** Change in the Price of the OPEC Basket of Crudes, 2017-2018 (\$/bbl)

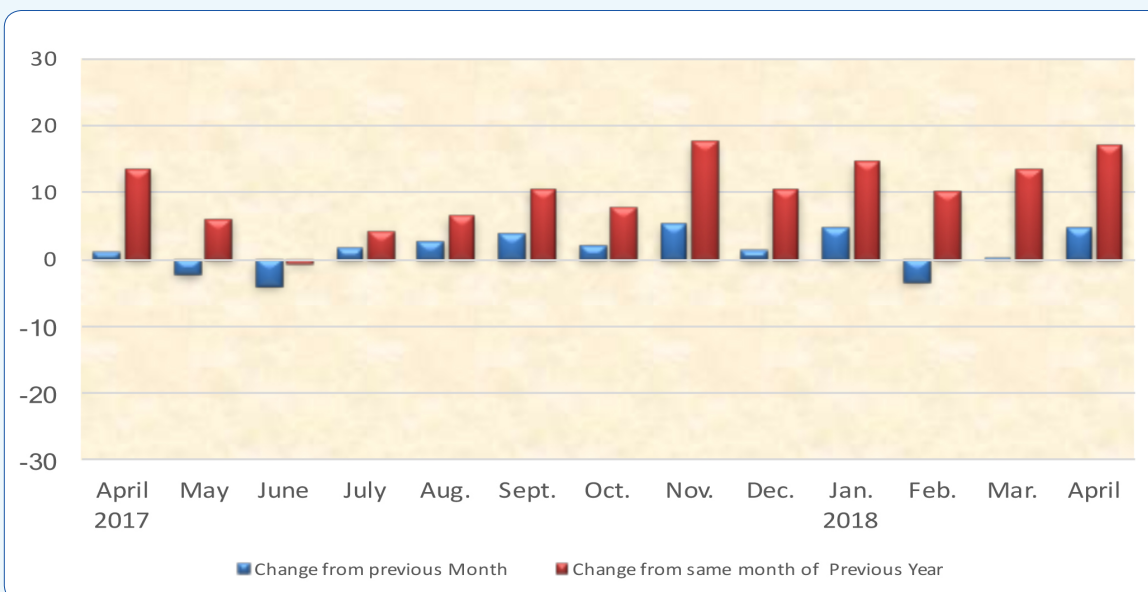


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2016-2018.

## 1-2 Spot Prices of Petroleum Products

### - US Gulf

In April 2018, the spot prices of premium gasoline increased by 10.7% or \$8.8/bbl comparing with their previous month levels to reach \$91.3/bbl, and spot prices of gas oil increased by 9.7% or \$7.1/bbl to reach \$80.1/bbl, whereas spot prices of fuel oil decreased by 0.4% or \$0.2/bbl to reach \$52.6/bbl.



#### - Rotterdam

The spot prices of premium gasoline increased in April 2018, by 14.4% or \$11.4/bbl comparing with previous month levels to reach \$90.7/bbl, spot prices of gas oil increased by 8.8% or \$6.9/bbl to reach \$85.5/bbl, and spot prices of fuel oil increased by 6.3% or \$3.5/bbl to reach \$58.7/bbl.

#### - Mediterranean

The spot prices of premium gasoline increased in April 2018, by 11.8% or \$8.7/bbl comparing with previous month levels to reach \$82.5/bbl, spot prices of gas oil increased by 8.8% or \$6.9/bbl to reach \$85.6/bbl, and spot prices of fuel oil increased by 5.7% or \$3.2/bbl to reach \$59.6 bbl.

#### - Singapore

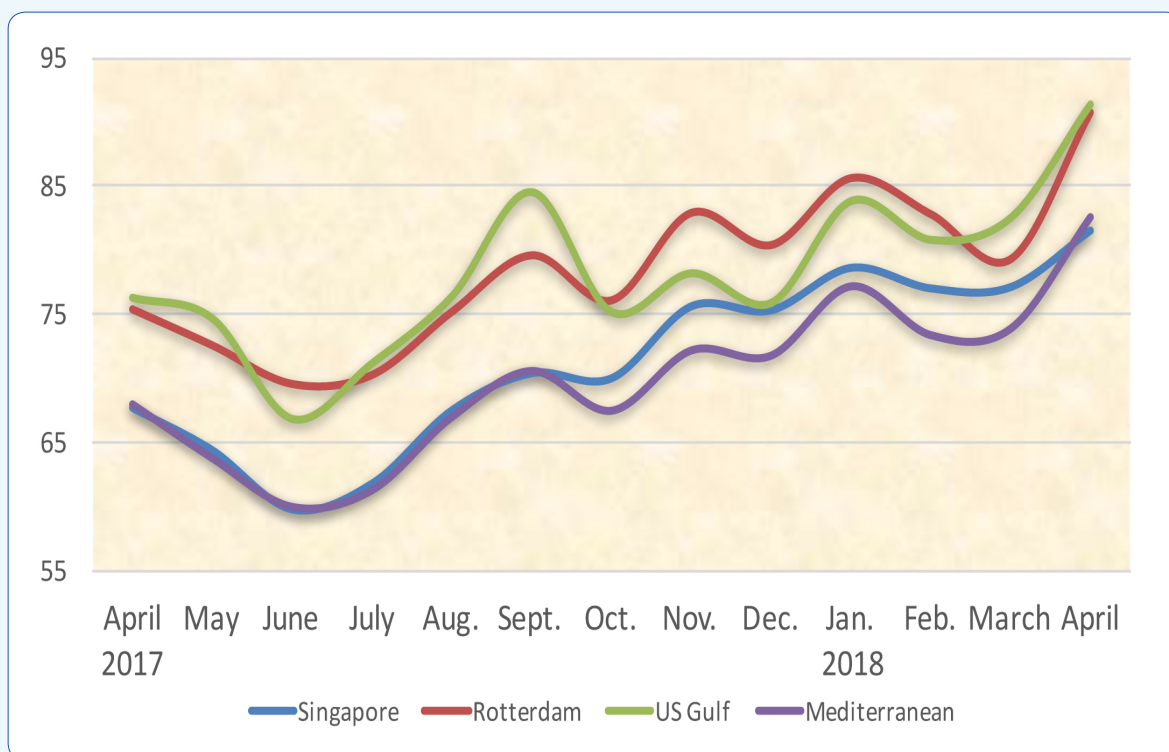
The spot prices of premium gasoline increased in April 2018, by 5.7% or \$4.4/bbl comparing with previous month levels to reach \$81.5/bbl, spot prices of gas oil increased by 7.3% or \$5.7/bbl to reach \$84/bbl, and spot prices of fuel oil increased by 7.4% or \$4.2/bbl to reach \$61.1/bbl.

**Figure (3)** shows the price of Premium gasoline in all four markets from April 2017 to April 2018.

**Figure - 3**

**Monthly Average Spot Prices of Premium Gasoline, 2017-2018**

(\$/bbl)



**Table (4)** in the annex shows the average monthly spot prices of petroleum products, 2016-2018.



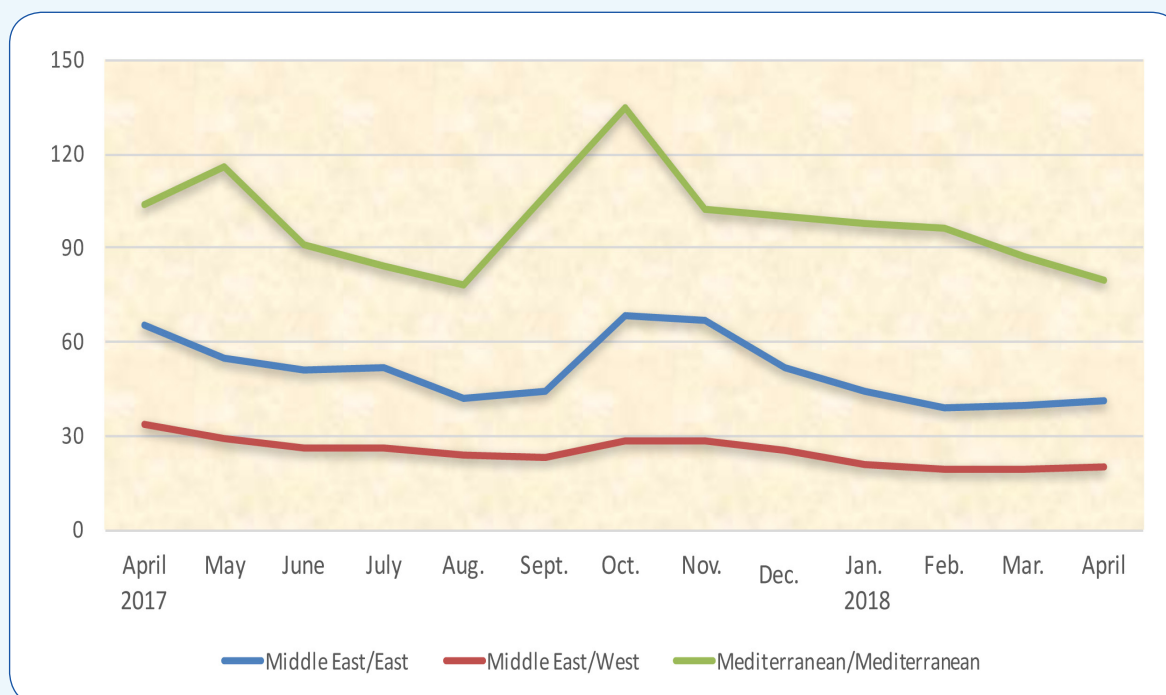
### 1-3 Spot Tanker Crude Freight Rates

In April 2018, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by one point or 2.5% comparing with previous month to reach 41 points on the World Scale (WS\*), freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, increased by one point or 5.3% comparing with previous month to reach 20 points on the World Scale (WS).

freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), also decreased by 7 points or 8% comparing with previous month to reach 80 points on the World Scale (WS).

**Figure (4)** shows the freight rates for crude oil to all three destinations from April 2017 to April 2018.

**Figure - 4** Monthly Spot Crude Oil Tanker Freight Rates, 2017 -2018 (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 2018, 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 5.2% comparing with previous month to reach 110 points on WS.



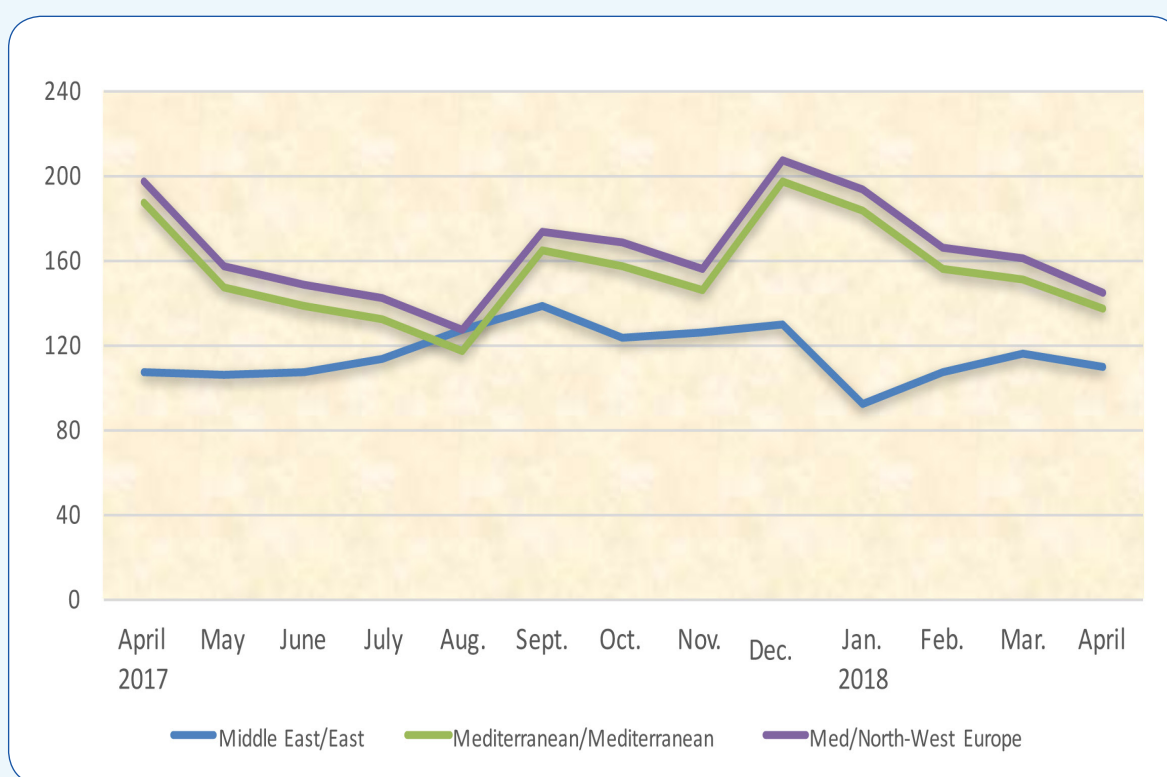
Whereas Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 13 points, or 8.6% to reach 138 points on WS, and freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe decreased by 16 points, or 9.9% to reach 145 points on WS.

**Figure (5)** shows the freight rates for oil products to all three destinations from April 2017 to April 2018.

**Figure - 5**

**Monthly Spot Product Tanker Freight Rates, 2017 -2018**

(World Scale)



**Table (5)** and **(6)** in the annex show crude and products Tankers Freight Rates, 2016-2018.

## 2. Supply and Demand

Preliminary estimates in 1Q2018 show a decrease in world oil demand by 1.1% or 1.1 million b/d, comparing with 4Q2017 level to reach 97.6 million b/d, representing an increase of 1.9 million b/d from their last year level.

Demand in OECD countries decreased by 1% or 0.5 million b/d comparing with 4Q2017 level to reach 47.5 million b/d, representing an increase of 0.5 million b/d from their last year level. And demand in Non-OECD countries decreased by 1.2% or 0.6 million b/d comparing with 4Q2017 level to reach 50.1 million b/d, representing an increase of 1.4 million b/d from their last year level.



On the supply side, preliminary estimates show that world oil supplies for 1Q2018 increased by 0.4% or 0.4 million b/d, comparing with 4Q2017 level to reach 98 million b/d, representing an increase of 2.2 million b/d from their last year level.

In 1Q2018, OPEC crude oil and NGLs/condensates total supplies decreased by 0.5% or 0.2 million b/d, comparing with 4Q2017 level to reach 38.6 million b/d, representing an increase of 0.3 million b/d from their last year level. Preliminary estimates show that Non-OPEC supplies increased by 1% or 0.6 million b/d, comparing with 4Q2017 level to reach 59.4 million b/d, representing an increase of 1.9 million b/d from their last year level.

Preliminary estimates of the supply and demand for 1Q2018 reveal a surplus of 0.4 million b/d, compared to a shortage of 1.1 million b/d in 4Q2017 and a surplus of 0.1 million b/d in 1Q2017, as shown in [table \(2\)](#) and [figure \(6\)](#):

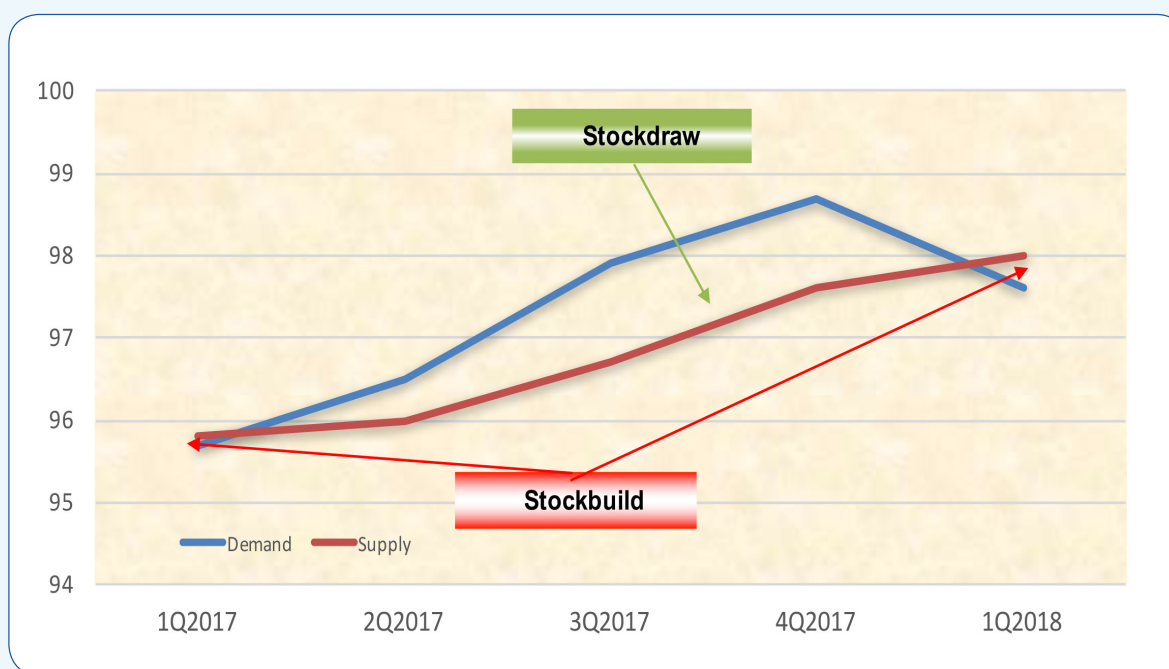
**Table 2** World Oil Supply and Demand (Million b/d)

	February 2018	January 2018	Change from January 2018	February 2017	Change from February 2017
<i>OECD Demand</i>	47.5	48.0	-0.5	47.0	0.5
<i>Rest of the World</i>	50.1	50.7	-0.6	48.7	1.4
<i>World Demand</i>	<b>97.6</b>	<b>98.7</b>	<b>-1.1</b>	<b>95.7</b>	<b>1.9</b>
<i>OPEC Supply :</i>	<u>38.6</u>	<u>38.8</u>	<u>-0.2</u>	<u>38.3</u>	<u>0.3</u>
<i>Crude Oil</i>	32.1	32.4	-0.3	32.1	0.0
<i>NGLs &amp; Cond.</i>	6.5	6.4	0.1	6.2	0.3
<i>Non-OPEC Supply</i>	57.1	56.6	0.5	55.3	1.8
<i>Processing Gain</i>	2.3	2.2	0.1	2.2	0.1
<i>World Supply</i>	<b>98.0</b>	<b>97.6</b>	<b>0.4</b>	<b>95.8</b>	<b>2.2</b>
<i>Balance</i>	<b>0.4</b>	<b>(1.1)</b>		<b>0.1</b>	

Source: OPEC Monthly Oil Market Report, May 2018.


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

(Million b/d)



**Tables (7)** and (8) in the annex show world oil demand and supply for the period 2016-2018.

### US tight oil production

In April 2018, US tight oil production increased by 126 thousand b/d or 1.9% comparing with the previous month level to reach 6.901 million b/d, representing an increase of 1.4 million b/d from their last year level. The US oil rig count increased by 19 rig comparing with the previous month level to reach 898 rig, a level that is 162 rig higher than last year, as shown in **table (3)** and **figure (7)**:

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

(Million b/d)

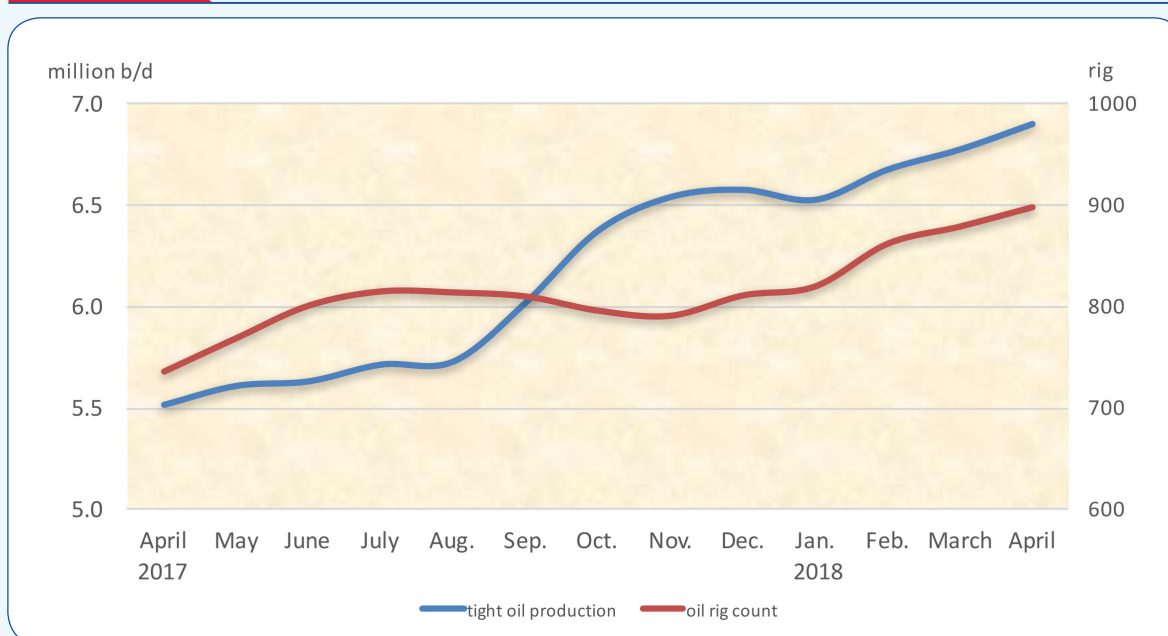
	April 2018	March 2018	Change from March 2018	April 2017	Change from April 2017
<i>tight oil production</i>	6.901	6.775	0.126	5.511	1.390
<i>Oil rig count (rig)</i>	898	879	19	736	162

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, May 2018.

\* focusing on the six most prolific areas, which are located in the Lower 48 states. These six regions accounted for 92% of domestic oil production growth during 2011-2014, Bakken, Eagle Ford, Haynesville, Niobrara, Permian, Appalachia (Utica and Marcellus), in addition to Anadarko region which become the target of many producers in the recent years, as of July 2017, there are 129 operating rigs in the Anadarko region.



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



### 3.Oil Trade

#### USA

In March 2018, US crude oil imports increased by 156 thousand b/d or 2.1% comparing with the previous month level to reach 7.7 million b/d. And US oil products imports increased by 193 thousand b/d or 9.7% to reach about 2.2 million b/d.

On the export side, US crude oil exports increased by 179 thousand b/d or 11.7% comparing with the previous month level to reach 1.7 million b/d, and US products exports increased by 373 thousand b/d or 8.2% to reach 5 million b/d. As a result, US net oil imports in March 2018 were 203 thousand b/d or nearly 6% lower than the previous month, averaging 3.2 million b/d.

Canada remained the main supplier of crude oil to the US with 48% of total US crude oil imports during the month, followed by Mexico with 9%, then Saudi Arabia with 8%. OPEC Member Countries supplied 32% of total US crude oil imports.

#### Japan

In March 2018, Japan's crude oil imports increased by 224 thousand b/d or 8% comparing with the previous month to reach 3.2 million b/d. Whereas Japan oil products imports decreased by 18 thousand b/d or 2.5% comparing with the previous month to reach 692 thousand b/d.

On the export side, Japan's oil products exports increased in March 2018, by 35 thousand b/d or 6.6% comparing with the previous month, averaging 565 thousand b/d. As a result, Japan's net oil imports in March 2018 increased by 171 thousand b/d or 5.4% 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 26% and Qatar with 10% of total Japan crude oil imports.

### China

In March 2018, China's crude oil imports increased by 816 thousand b/d or 9.7% to reach 9.3 million b/d. And China's oil products imports increased by 41 thousand b/d or 2.7% to reach 1.5 million b/d.

On the export side, China's crude oil exports reached 118 thousand b/d. And China's oil products exports increased by 693 thousand b/d or 70% to reach 1.7 million b/d. As a result, China's net oil imports reached 8.9 million b/d, representing an increase of 0.6% comparing with the previous month level.

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 12% and Angola with 10%.

**Table (4)** shows changes in crude and oil products net imports/(exports) in March 2018 versus the previous month:

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

	Crude Oil			oil Products		
	March 2018	February 2018	Change from February 2018	March 2018	February 2018	Change from February 2018
USA	-0.181	-2.591	-2.772	-0.022	5.996	5.974
Japan	-0.053	0.180	0.127	0.224	2.994	3.218
China	-0.652	0.410	-0.242	0.707	8.425	9.132

Source: OPEC Monthly Oil Market Report, various issues 2018.

## 4. Oil Inventories

In March 2018, OECD commercial oil inventories decreased by 26 million barrels to reach 2819 million barrels – a level that is 214 million barrels lower than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 7 million barrels to reach 1096 million barrels, and commercial oil products inventories decreased by 19 million barrels to reach 1723 million barrels.

Commercial oil inventories in Americas decreased by 14 million barrels to reach 1460 million barrels, of which 583 million barrels of crude and 877 million barrels of oil products. Commercial oil inventories in Pacific decreased by 16 million barrels



to reach 383 million barrels, of which 167 million barrels of crude and 216 million barrels of oil products.

Whereas Commercial oil Inventories in Europe increased by 4 million barrels to reach 976 million barrels, of which 346 million barrels of crude and 630 million barrels of oil products.

In the rest of the world, commercial oil inventories increased by 28 million barrels to reach 2758 million barrels, and the Inventories at sea increased by 1 million barrels to reach 1183 million barrels.

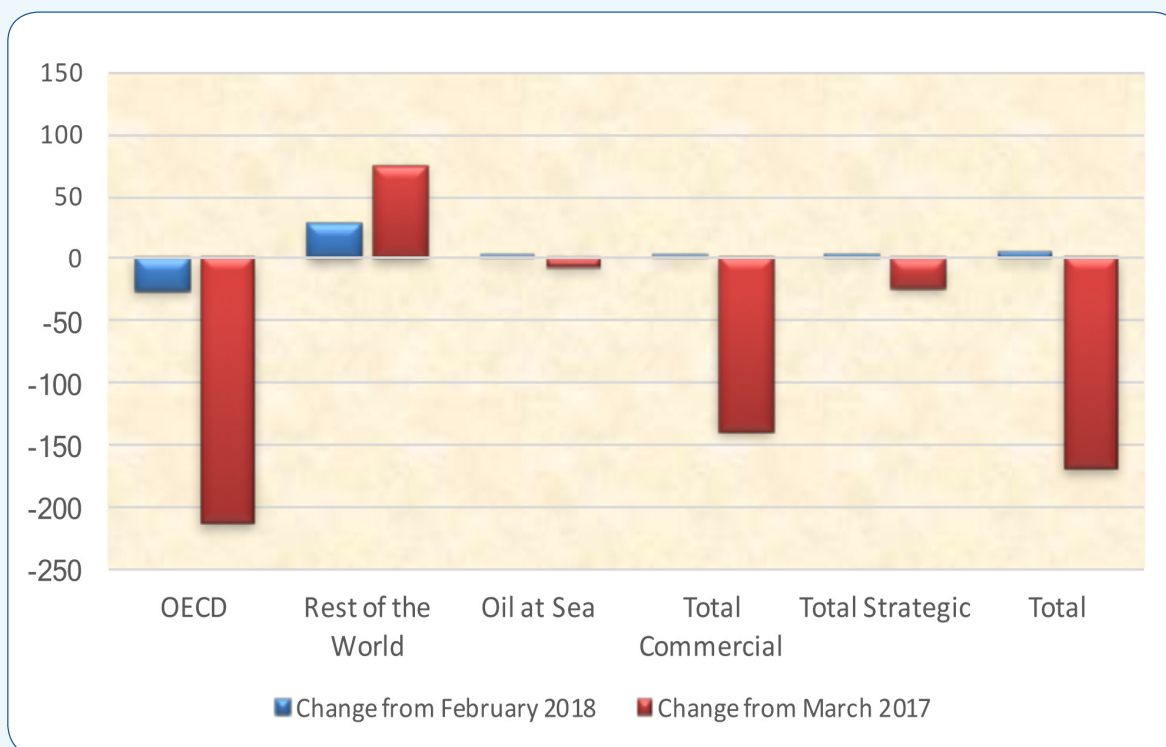
As a result, Total Commercial oil inventories in March 2018 increased by 1 million barrels to reach 5577 million barrels – a level that is 139 million barrels lower than a year ago.

Strategic inventories in OECD-34, South Africa and China increased by 3 million barrels comparing with the previous month to reach 1855 million barrels – a level that is 24 million barrels lower than a year ago

Total world inventories, at the end of March 2018 were at 8615 million barrels, representing an increase of 5 million barrels comparing with the previous month, and a decrease of 170 million barrels comparing with the same month a year ago.

**Table (9)** in the annex and **figure (8)** show the changes in global inventories prevailing at the end of March 2018.

**Figure - 8** Changes in Global Inventories at the End of March 2018 (Million bbl)





## II. The Natural Gas Market

### 1- Spot and Future Prices of Natural Gas in US market

The monthly average of spot natural gas price at the Henry Hub in April 2018 increased by \$0.1/million BTU comparing with the previous month level to reach \$2.80/million BTU.

The comparison, shown in **table (5)**, between natural gas prices and the WTI crude reveal differential of \$8.6/ million BTU in favor of WTI crude.

**Table 5**

Henry Hub Natural Gas and WTI Crude Average Spot Prices, 2017-2018

(\$/ Million BTU<sup>1</sup>)

	Apr. 2017	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2018	Feb.	Mar.	Apr.
<i>Natural Gas</i> <sup>(2)</sup>	3.1	3.2	3.0	3.0	2.9	3.0	2.9	3.0	2.8	3.9	2.7	2.7	2.8
<i>WTI Crude</i> <sup>(3)</sup>	8.8	8.4	7.8	8.1	8.3	8.3	8.9	9.8	10.0	11.0	10.7	10.8	11.4

1. British Thermal Unit.

2. Henry Hub spot price.

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

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

### 2- LNG Markets in North East Asia

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

#### 2.1. LNG Prices

In March 2018, the price of Japanese LNG imports increased by \$0.3/million BTU comparing with the previous month to reach \$9.5 million BTU, the price of Chinese LNG imports increased by \$0.05/million BTU comparing with the previous month to reach \$8.7/ million BTU, whereas the price of Korean LNG imports decreased by \$0.5/million BTU comparing with the previous month to reach \$9.4/ million BTU.

#### 2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, decreased by 8.2% or 1.383 million tons from the previous month level to reach 15.492 million tons.

**Table (6)** shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2016-2018.



**Table6 LNG Prices and Imports: Korea, Japan, and China 2016-2018**

	Imports (thousand tons)				Average Import Price (\$/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
<b>2016</b>	<b>82767</b>	<b>33257</b>	<b>26017</b>	<b>142041</b>	<b>6.9</b>	<b>6.9</b>	<b>6.5</b>
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
May	5455	2218	1425	9098	5.9	6.0	6.3
June	6193	2484	2146	10823	6.0	5.7	6.0
July	6460	1918	1604	9982	6.3	5.9	5.4
August	7656	1971	2257	11884	6.7	6.3	6.0
September	6671	2236	2527	11434	7.1	6.8	6.1
October	6282	3187	1838	11307	7.2	7.3	6.7
November	7545	3422	2659	13626	7.1	7.5	6.8
December	7549	4026	3733	15308	7.1	7.3	7.1
<b>2017</b>	<b>6969</b>	<b>3138</b>	<b>3191</b>	<b>13298</b>	<b>8.1</b>	<b>8.0</b>	<b>7.3</b>
January 2017	8302	4294	3436	16032	7.5	7.9	7.0
February	7790	3600	2372	13762	7.9	8.0	7.0
March	8143	3527	1991	13661	7.7	7.8	6.9
April	6573	2337	2171	11081	8.2	7.8	7.0
May	6239	2488	2911	11638	8.5	8.3	7.3
June	6185	3460	3038	12683	8.3	7.8	7.1
July	6817	2716	3121	12654	8.3	7.9	7.4
August	7259	2603	3140	13002	8.3	8.2	7.4
September	5821	2368	3454	11643	8.1	8.1	7.2
October	6137	2760	3567	12464	7.8	8.1	7.4
November	6411	3328	4056	13795	7.9	7.7	7.7
December	7953	4176	5029	17158	8.1	8.3	8.1
January 2018	8263	4144	5184	17591	8.7	8.7	8.4
February	8294	4588	3993	16875	9.2	9.9	8.6
March	7934	4304	3254	15492	9.5	9.4	8.7

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 4.443 million tons or 28.7% of total Japan, Korea and China LNG imports in March 2018, followed by Qatar with 20.7% and Malaysia with 10.7%.

The Arab countries LNG exports to Japan, Korea and China totaled 4.442 million tons - a share 28.7% 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 \$7.72/million BTU at the end of March 2018, followed by Indonesia with \$7.58/million BTU then Malaysia with \$7.53/million BTU, and Australia with \$7.51/million BTU. LNG Qatar's netback reached \$7.28/million BTU, and LNG Algeria's netback reached \$6.87/million BTU.

**Table (7)** shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of March 2018.

**Table7** LNG Exporter Main Countries to Japan, Korea and China, And Their Netbacks at The End of March 2018

	Imports (thousand tons)				Spot LNG Netbacks at North East Asia Markets (\$/million BTU)
	Japan	Korea	China	Total	
<b>Total Imports, of which:</b>	<b>7934</b>	<b>4304</b>	<b>3254</b>	<b>15492</b>	
<b>Australia</b>	2449	723	1221	<b>4443</b>	<b>7.51</b>
<b>Qatar</b>	1075	1238	896	<b>3209</b>	<b>7.28</b>
<b>Malaysia</b>	1311	356	257	<b>1924</b>	<b>7.53</b>
<b>Indonesia</b>	455	312	215	<b>982</b>	<b>7.58</b>
<b>Russia</b>	653	127	—	<b>780</b>	<b>7.72</b>

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

## Tables Annex



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## ANNOUNCEMENT



### OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2018

Pursuant to its policy of encouraging scientific research by awarding two prizes on a biennial basis (First Prize KD 7000, Second Prize KD 5000, equivalent to USD \$23000 and USD \$16000), upon the resolution number 1/147 of OAPEC Executive Bureau at its meeting dated 14/5/2017. The Organization of Arab Petroleum Exporting Countries (OAPEC) is pleased to announce that the research field selected for the "OAPEC Award for Scientific Research for the Year 2018" is:

#### **"Petroleum and Energy- Related Economic Research Including Supply, Consumption and Prices"**

##### **Research Field:**

The economic dimension represents a major component of energy industry, in general, and oil and gas in particular. Economic research addressing petroleum and energy industry covers a broad spectrum of expanses, including supply, demand, trade movements, prices trend, petroleum revenues, investment, and the various energy policies. Correlation between energy and sustainable development goals, as well as numerous other aspects, are also targeted by the research. A whole host of addressable thrusts are tackled in the different parts of the research. The economic aspect, pertinent to one of the proposed petroleum and energy, should be tackled by the researcher. These domains include:

1. **Current and Future Developments in Energy Markets.**
2. **Global Supply of Various Energy Sources.**
3. **Global Energy Demand: Current and Future Prospects.**
4. **Developments in Energy Prices and Their Implications for Demand and Supply Levels.**
5. **Energy Subsidy Policies and Their Impacts on Domestic Economies.**
6. **Petroleum Revenues and Their Impact on Producing Countries' Economies.**
7. **Investment in Energy, Enhancing The Role of The Private Sector: Current Status and Future Prospects.**
8. **The Energy Policies in The Main Consuming Countries and Their Implications for The Energy Future.**

##### **Conditions for Submitting the Research**

1. The research may be submitted by one or more author(s). Institutions and organizations are excluded.
2. The research submitted must be new and original, and has not been granted an award previously.
3. The author(s) shall agree in advance to give OAPEC the right to print and publish the research in case his/her/their win one of the prizes. A signed statement to this effect must be submitted with the research (sample provided below). The author(s) will maintain all other rights, including patent rights (if applicable). OAPEC shall not exercise its right to publish the winning research for a period of six months commencing with the date of advising the winning author (s) with the decision of the Award Committee.
4. A statement by the author(s), attesting that the research is original. Segments fully or partially adopted from other sources should be properly cited. A detailed list of all references used must also be attached.

**Deadline for receiving research papers for OAPEC Scientific Award 2018 has been extended to 15 June 2018.**

5. Four hard copies and a digital copy of the research (either in Arabic or English) should be submitted, along with the Curriculum Vitae of each researcher, to the Organization of Arab Petroleum Exporting Countries.
6. The deadline for submitting the research is 31<sup>st</sup> May, 2018. No submission will be accepted after that date.
7. Prizes are awarded to individuals of all nationalities advised of the Award Committee's decision.
8. **The award will not be presented twice consecutively to the same recipient.**
9. Any research that does not fulfill the above conditions shall be disregarded.

Researchers will be notified by OAPEC Secretariat of the Award Committee's decision. The winners will be officially announced at the end of the OAPEC's Ministerial Council in 2018.

For further information you may contact the OAPEC General Secretariat at:

**Organization of Arab Petroleum Exporting Countries (OAPEC)**  
**Secretariat of the Award Organizing Committee**  
**P.O.Box 20501 Safat 13066 Kuwait**  
**Tel.: (+965) 24959766 - Fax: (+965) 24959755**  
**E-mail: oapecaward2018@oapecorg.org**  
**Website: www.oapecorg.org**

**Organization of Arab Petroleum Exporting Countries (OAPEC)**  
**OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2018**

**Field**

**“Petroleum and Energy-Related Economic Research  
Including Supply, Consumption and Prices ”**

Statement of relinquishment of printing and publication right for the research

I, undersigned:

Hereby undertake to relinquish all printing and publications right of the research submitted by me entitled:

to the Organization of the Arab Petroleum Exporting Countries (OAPEC), in the event of winning one of the two prizes of OAPEC Award for Scientific Research for the year 2018.

Name: .....

Signature: .....

Date:    /    /