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CURRENT GLOBAL OIL PRICE DEVELOPMENTS AND THEIR IMPLICATIONS FOR OAPEC MEMBER COUNTRIES' ECONOMIES

OPEC 168TH MEETING CONCLUDES
THE IMPORTANCE OF A CONTINUED DIALOGUE WITH NON-OPEC COUNTRIES

2ND ENERGY MANAGEMENT CONFERENCE AND EXHIBITION 2015

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 activities stopped since 1987). 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.

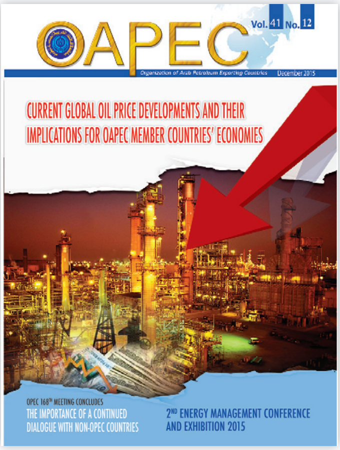
OAPEC'S ORGANS

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.

- **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.

Content



The Cover

Since the mid of 2014, global oil prices witnessed significant developments with continuous decline following 3 years of relative stability of the oil barrel price around $100. This has triggered concerns and questions over the reasons behind the oil losing its par value in a very short time within no more than 4 months. It also raised questions over the potential implications of these developments for the global economy in general and the oil producing and exporting countries and the future of the oil industry in particular.

In this issue

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Current Global Oil Price Developments and their Implications for OAPEC Member Countries' Economies

Since the mid of 2014, global oil prices witnessed significant developments with continuous decline following 3 years of relative stability of the oil barrel price around $100. This has triggered concerns and questions over the reasons behind the oil losing its par value in a very short time within no more than 4 months. It also raised questions over the potential implications of these developments for the global economy in general and the oil producing and exporting countries and the future of the oil industry in particular.

According to a recent study issued by OAPEC Secretariat General titled "Global Oil Price Developments and their Implications for OAPEC Member Countries' Economies", the falling oil prices had a direct impact on the financial resources of OAPEC member countries and consequently affected GDP growth rates, exports, trade surplus and public budget growth.

Primary projections indicate that the value of OAPEC member countries' oil exports has dropped by about $132 billion during 2014 compared to its 2012 rates, representing a decline of 18.8% and reaching about $571 in 2014.

The falling oil prices led to a drop in the governmental public revenues in varied rates in most of OAPEC member countries. Some member countries continue to spare no effort in supporting their public spending in order to boost growth in other sectors especially investment. Other member countries adopted austerity policies to reduce public spending to tackle the drop in public revenues. The International Monetary Fund projects that public budgeting deficits would be the automatic impact for the oil prices drop in most OAPEC member countries except Kuwait and Qatar.

The drop of oil prices has caused the increase of deficit in the balance of payment in most OAPEC member countries. Many of these countries had expanded their public investment spending before the current developments. Various mega infrastructure projects have been executed; however, the current situation could mean postponing the execution of some mega projects especially in the energy sector until these countries can have a clearer vision on the oil prices in the world markets.

While observing current developments in the world's oil prices, OAPEC Secretariat General lauds the sincere efforts of its member countries to re-balance the world's oil market. It hopes that the world's oil market would witness some improvement in the coming period. This calls for further dialogue between oil producing and oil consuming countries on the one hand and OPEC member and non-member oil producing countries on the other hand, in addition to including the USA in the oil producing countries' list following the congress decision to lift ban on US oil exports.

The Secretariat General also hopes that its member countries execute more economic projects through economic diversification and private sector promotion, in addition to reconsidering subsidy programmes that wary their public budgets and contribute to increasing consumption and low efficiency in using energy resources while burdening the public finance.

OPEC 168th Meeting Concludes

The Importance of a Continued Dialogue with Non-OPEC Countries

The 168th Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held in Vienna, Austria, on Friday, 4th December 2015 under the Chairmanship of its President, HE Dr. Emmanuel Ibe Kachikwu, whom the Conference congratulated on his appointment as Nigeria's Minister of State for Petroleum Resources.

The Conference also congratulated HE Eng. Eulogio Del Pino on his appointment as the People's Minister of Petroleum and Mining of Venezuela, HE Eng. Carlos Pareja Yannuzzelli on his appointment as Ecuador's Minister of Hydrocarbons, and HE Anas Khaled Al Saleh on his appointment as Acting Minister of Oil of the State of Kuwait. The Conference thanked their predecessors in office for their contribution to the work of the Organization.

In approving Indonesia's resumption of its full Membership in the Organization, the Conference extended a warm welcome to its Delegation, headed by HE Sudirman Said, Minister of Energy and Mineral Resources of Indonesia.

The Conference elected HE Dr. Mohammed Bin Saleh Al Sada, Minister of Energy and Industry of Qatar, as President of the Conference for one year, with effect from 1st January 2016, and HE Ali Naimi, Minister of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia, as Alternate President, for the same period.

The Conference considered the Secretary General's report, as well as the report of the Economic Commission Board, whose Members the Conference thanked for their efforts. The Conference deliberated on the current status of negotiations at the COP-21/CMP-11 United Nations Climate Change Conference in Paris and underscored the importance for all OPEC Member Countries to be actively and positively engaged in the negotiations. It stressed that climate change, environmental protection and sustainable development are a major concern for us all. The Conference emphasized the

significance of continued dialogue with other oil-producing countries and the importance of maintaining its energy dialogue with China, the European Union, the Russian Federation, and other industry participants and international organizations. It also welcomed the first high-level meeting of the OPEC-India Energy Dialogue later in December 2015.

In examining the current status of the oil market, the Conference respected the input and ideas of all Member Countries to find ways and means to deal with the challenges they are facing in the global oil market today. The Conference observed that, since its last meeting in June, oil and product stock levels in the OECD have continued to rise. The latest numbers see OECD and non-OECD inventories standing well above the five-year average.

Having reviewed the oil market outlook for 2015, and the projections for 2016, the Conference observed that global economic growth is currently at 3.1% in 2015 and is forecast to expand by 3.4% next year. In terms of supply and demand, it was noted that non-OPEC supply is expected to contract in 2016, while global demand is anticipated to expand again by 1.3 mb/d.

In view of the aforementioned, and emphasizing its commitment to ensuring a long-term stable and balanced oil market for both producers and consumers, the Conference agreed that Member Countries should continue to closely monitor developments in the coming months.

The Conference decided that its next Ordinary Meeting will convene on Thursday, 2nd June 2016 in Vienna, Austria Following are some press statements by Their Excellencies OAPEC Oil and Energy Ministers participating in the event.

HE Engineer Suhail Al Mazroui:

UAE's Energy Minister HE Engineer Suhail Al Mazroui underscored his country's commitment to supporting OPEC in order to contribute to stabilizing the least costly and most efficient oil supply levels, in addition to renewing its commitment towards its traditional partners. He added that he was confident that the market is able to re-balance in the coming year as all signs are positive until now. He mentioned that the falling prices meant the cancellation or postponement of many petroleum projects by international companies which would contribute positively to balancing supply and demand.

HE Dr Saleh Al Khabri:

Algeria's Energy Minister HE Dr Saleh Al Khabri called for agreeing a formula on oil pricing which represents the interest of all oil producing countries whether OPEC or non- OPEC members. He considered current prices as not serving any party and would lead to a drop in the size of energy investments worldwide. He stressed that his country spared no effort on agreeing a formula that suits all oil producing countries.

HE Eng Ali Al Naimi:

Saudi Arabia's Petroleum and Mineral Resources Minister HE Engineer Ali Al Naimi stressed that his country was ready to cooperate and coordinate with all oil producing countries whether they were OPEC or non- OPEC members in order to stabilize the oil market. He explained that the world's increasing demand was able to absorb the expected surge in Iran's production in 2016. He added that the market was open for all.

HE Adel Abdul Mahdi:

Iraq's Oil Minister HE Adel Abdul Mahdi said that balancing production in the oil market is a collective responsibility for all countries whether inside or outside OPEC. OPEC should not bear this responsibility alone. He added "if non-OPEC producers had no ceiling for their production why should OPEC have a ceiling!"

HE Dr Mohammed bin Saleh Al Sada:

Qatar's Energy and Industry Minister HE Dr Mohammed bin Saleh Al Sada said there were signs that production was dropping outside OPEC. He expected that production outside OPEC will continue to drop next year due to the drop in investments this year. He hoped that the low prices would contribute to supporting the global economy.

HE Anas Al Saleh

Kuwait's Deputy Prime Minister and Finance Minister and Acting Oil Minister HE Anas Al Saleh said that the stability of the oil market was the main concern for OPEC member countries and not the current price levels. He added that his country is coordinating policies with other member countries and is keen on maintaining the organisation's role and activities on balancing the market in a way that guarantees the interests of both producers and consumers.

KUWAIT

HE Anas Al Saleh Appointed Kuwait's Acting Oil Minister

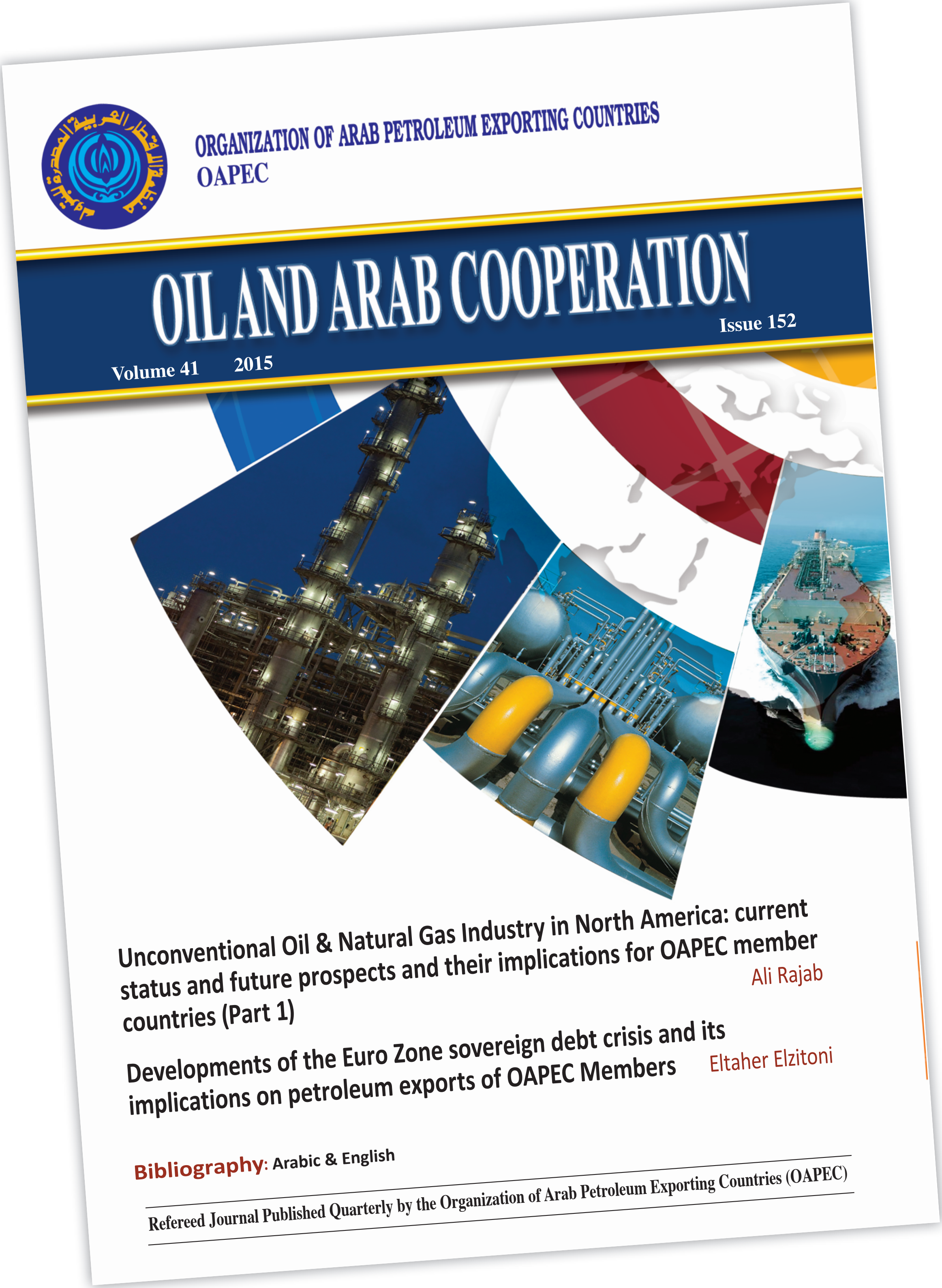
An Ameri Decree was issued in Kuwait on 29 November 2015 appointing HE Anas Khaled Al Saleh as acting Oil Minister in addition to his roles as Deputy Prime Minister and Finance Minister.

EGYPT

2 New Petroleum Agreements Signed in Egypt

Egypt's Petroleum and Mineral Resources Minister HE Eng Tarek Al Mulla signed two new agreements on oil and gas exploration in Gulf of Suez and Western Desert for The Egyptian General Petroleum Corporation (EGPC). As per the first agreement, Tunisia's HBS will drill four wells in the Halif region in the Western Desert worth $9 million, and a signature bonus of $1 million. The second agreement was for a contract extension for EGPC's Gazurina oil field for an additional 10 years, located at the West Gemsa online area in the Gulf of Suez.

HE Al Mulla said in a press statement that the Ministry has signed 63 new petroleum and gas exploration agreements with international companies with minimum investments of $3.14 billion to drill 268 wells in order to increase petroleum and gas reserves in Egypt.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OIL AND ARAB COOPERATION

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Unconventional Oil & Natural Gas Industry in North America: current status and future prospects and their implications for OAPEC member countries (Part 1)
Ali Rajab

Developments of the Euro Zone sovereign debt crisis and its implications on petroleum exports of OAPEC Members
Eltaher Elzitoni

Bibliography: Arabic & English

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Fourth GCC-India Industrial Forum 2015

Upon a kind invitation by HE Abdul Rahim Hassan Naqi, Secretary General, Federation of GCC Chambers of Commerce and Industry (FGCC Chambers), HE Abbas Ali Al Naqi, OAPEC Secretary General took part in the Fourth GCC-India Industrial Forum in Jeddah, KSA, on 18 and 19 November 2015. Businessmen and GCC and Indian government officials took part in the event.

KSA's Minister of Commerce and Industry HE Tawfiq Al Rabiah opened the forum with a speech stressing the importance of cooperation between Saudi Arabia and India. He also welcomed attracting Indian capitals to projects under the foreign investment system in KSA, or through partnerships with Saudi businessmen in the various economic sectors.

The forum, came under the slogan (Opportunities and Challenges) aimed at boosting strategic GCC-Indian economic relations and presenting policies on supporting small and medium size businesses from both sides.

The following were among the issues discussed at the forum:

- Investment environment in the GCC and India
- Renewable energies, oil and gas
- The role of sovereign institutions in project funding

HE Al Naqi chaired a workshop on "GCC-Indian Collaboration in Oil, Gas,

Petrochemicals, and Renewable Energies" held on Thursday 19 November 2015. Keynote speakers included Engineer Ahmed bin Ali Al Ibrahim, CEO, Gulf Cooperation Council Interconnection Authority (GCCIA), Mr Shri J.B. Mohapatra, Undersecretary, India's Ministry of New and Renewable Energy, and Mr Sharif Habib Al Awadhi, Director-General of Fujairah Free Zone Authority.

HE Al Naqi opened the workshop with a speech on the position of the GCC countries in the global oil markets. He also gave a summary on a study prepared by the Secretariat General on the energy balance in India and the potential implications for OAPEC member countries.

HE Al Naqi said that the GCC countries enjoyed a prime position in the Indian strategy, as GCC countries secure more than 70% of India's energy needs. GCC countries also invest in Indian companies, factories, and economy. Reciprocal recognition has been increasing as the total size of the trade between the GCC and India in 2014-2015 surpassed $133 billion; apart from employing millions of Indian labour in the region. He added that the Indian labour's financial transfers and Indian companies' interests are witnessing strong growth in the GCC countries.

At the end, the forum issued a number of recommendations including:

- Forming a joint coordination committee to follow up on economic cooperation developments between the two sides
- Boosting partnerships between the two sides in the various economic sectors
- Encouraging the private sector in the GCC to benefit from the Indian human force in IT
- Boosting cooperation in agriculture and food security
- Boosting cooperation and joint investments in the medical sector

2nd Energy Management Conference and Exhibition 2015

Sustainable Development Key to the World's Strategic Planning

In response to an invitation by Bahrain's National Oil & Gas Authority (NOGA), OAPEC Secretariat General took part in the 2nd Energy Management Conference and Exhibition 2015, from 6 to 8 December 2015 in Bahrain under the kind patronage of Bahrain's Energy Minister HE Dr Abdul Hussain bin Ali Mirza. The event's slogan was "Sustainable Energy in the Developing Countries".

Bahrain's Energy Minister HE Dr Abdul Hussain bin Ali Mirza opened the event with a speech praising the initiative of the Crown Prince HRH Prince Salman bin Hamad Al Khalifa on the sidelines of COP21 in Paris, where he announced Bahrain's readiness to host the regional hub for the Green Climate Fund to serve West Asia. The Minsiter pointed out to the coincidence of holding this conference and the COP21 simultaneously and the important dialogue between the decision makers worldwide. The Minister said that in spite of holding the events in two different cities, they were interrelated with regards to importance and solutions. He clarified that sustainable development was key for strategic planning for any country; it depends on the countries' success in energy management and all aspects of development whether social, economic, or environmental.

The conference tackled various important issues including climate change, environment, energy efficiency in industry, constructions, and renewable energies in addition to other issues relevant to the energy sector. These issues were discussed over six technical sessions and two open dialogue sessions.

OAPEC Secretariat General was represented by the Director of the Economic Department Mr Abdul Fattah Dandy, who presented a paper during the second technical session on energy management under the title "The Developments of Oil and Natural Gas Consumption in the Arab Countries". The paper introduced five focal points on: the importance of Arab countries in the world's energy markets, current oil and gas consumption trends

in the Arab countries, the main factors influencing consumption, the development of the energy intensity index in the Arab countries, and future prospects of the oil and natural gas consumption in the Arab countries until 2035.

Annual Statistical Report 2015 Launched

OAPEC Secretariat General has recently launched its Annual Statistical Report 2015 including general and comprehensive data on the petroleum industry in OAPEC member countries and other Arab countries; in addition to, total energy data for OAPEC member countries and the world from 2010 to 2014. In updating its data, the Secretariat General relied on official statistics provided by the member countries through the Energy Data Collection Form and Country Reports presented at the 10th Arab Energy Conference held in Abu Dhabi, UAE, from 21 to 23 December 2014. Data issued by Arab national institutions and other secondary resources were also used.

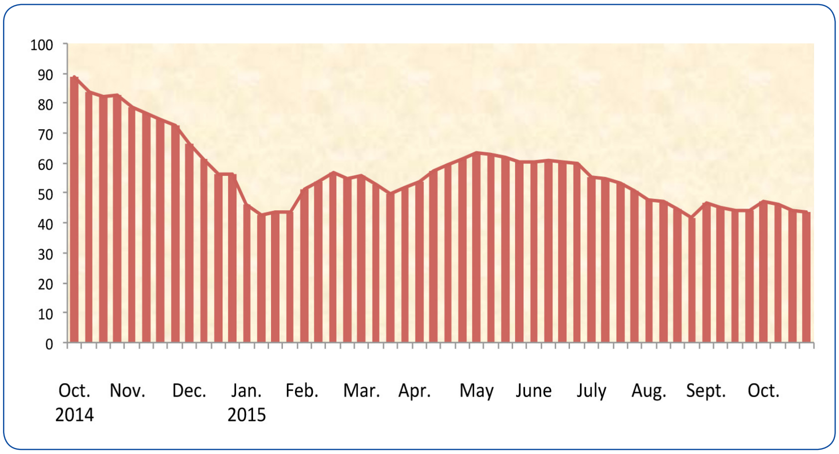
1. Oil Market

1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket increased during the first week of October 2015, recording $47.2/bbl, and decline thereafter, to reach its lowest level of $43.4/bbl during the fourth week, as shown in figure 1:

Figure - 1 Weekly Average Spot Price of the OPEC Basket of Crudes 2014 - 2015 ($/bbl)



On monthly basis, OPEC Reference Basket in October 2015, averaged $45/bbl, representing a slightly increase of $0.2/bbl or 0.4% comparing with previous month, and a decrease of $40/bbl or 47.1% from the same month of previous year. Enduring oversupply and the slowdown in the Chinese economy, were major stimulus for the remaining of oil prices almost unchanged during the month of October 2015, to reach near-January lows.

Key Indicators

- *In October 2015, **OPEC Reference Basket increased** by 0.4% or $0.2/bbl from the previous month level to stand at $45/bbl.*
- ***World Oil Demand** in October 2015, **increased** by 0.2% or 0.2 million b/d from the previous month level to reach95.8 million b/d.*
- ***World oil supplies** in October 2015, **increased** by 0.3% or 0.3 million b/d from the previous month level to reach 98.4 million b/d.*
- ***US tight oil production** in October 2015, **decreased** by 1.5% to reach 5.2 million b/d, and **US oil rig count decreased** by 44 rig from the previous month level to stand at 520 rig.*
- ***US crude oil imports** in September 2015, **decreased** by 4.2% from the previous month level to reach 7.3 million b/d, and **US product imports decreased** by 16.6% to reach about 1.9 million b/d.*
- ***OECD commercial inventories** in September 2015 **increased** by 13 million barrels from the previous month level to reach 2988 million barrels* , and **Strategic inventories** in OECD-34, South Africa and China ***remained stable** at the same previous month level of 1856 million barrels.*

***The average spot price of natural gas** at the Henry Hub in October 2015 **decreased** by $0.32/million BTU from previous month level to reach $2.34/ million BTU.*

- ***The Price of Japanese LNG imports increased** in September 2015 by $0.5/m BTU to reach $9.6/m BTU, the **Price of Korean LNG imports increased** by $0.4/m BTU to reach $9.6/m BTU, and **the Price of Chinese LNG imports increased** by $0.2/m BTU to reach $7.4/m BTU.*
- ***Arab LNG exports to Japan, Korea and China** were about 3.417 million tons in September 2015 (a share of 32.2% 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, 2014-2015** ($/bbl)

	Oct. 2014	Nov.	Dec.	Jan. 2015	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
OPEC Basket Price	85.1	75.6	59.5	44.4	54.1	52.5	57.3	62.2	60.2	54.2	45.5	44.8	45.0
Change From previous Month	-10.9	-9.5	-16.1	-15.1	9.7	-1.6	4.8	4.9	-2.0	-6.0	-8.7	-0.6	0.2
Change from same month of previous Year	-21.6	-29.4	-48.2	-60.3	-51.3	-51.7	-47.0	-43.3	-47.7	-51.4	-55.3	-5.12	-40.0

* 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 excluded the Indonesian crude.

Figure - 2 **Change in the Price of the OPEC Basket of Crudes, 2014-2015** ($/bbl)

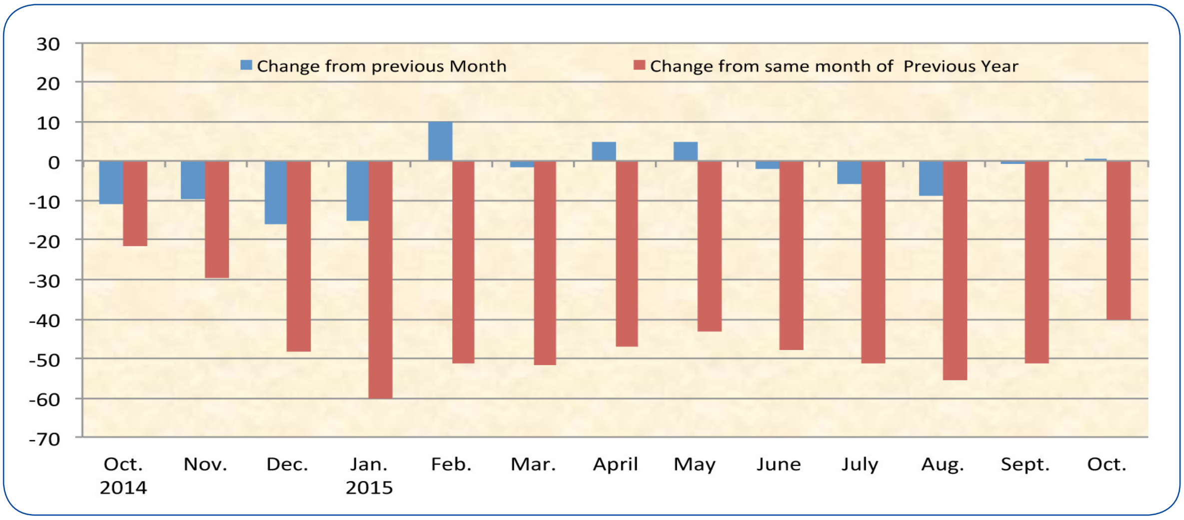


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2013-2015.

1-2 Spot Prices of Petroleum Products

- **US Gulf**

  In September 2015, the spot prices of premium gasoline decreased by 18.4% or $14.9/bbl comparing with their previous month levels to reach $65.8/bbl, spot prices of fuel oil decreased by 2.2% or $0.8/bbl to reach $34.9/bbl, whereas spot prices of gas oil increased by 0.5% or $0.3/bbl to reach $58.3/bbl.

- Rotterdam

The spot prices of premium gasoline decreased in September 2015, by 8.7% or $6.8/bbl comparing with previous month levels to reach $70.7/bbl, spot prices of fuel oil decreased by 3.8% or $1.3/bbl to reach $33.9/bbl, whereas spot prices of gas oil increased by 1.2% or $0.7/bbl to reach $61.4/bbl.

- Mediterranean

The spot prices of premium gasoline decreased in September 2015, by 10.4% or $7.3/bbl comparing with previous month levels to reach $63/bbl, spot prices of fuel oil decreased by 5% or $1.8/bbl to reach $34.5/bbl, whereas spot prices of gas oil increased by 1.8% or $1.1/bbl to reach $63.3 bbl.

- Singapore

The spot prices of premium gasoline decreased in September 2015, by 1.2% or $0.8/bbl comparing with previous month levels to reach $65.2/bbl, spot prices of fuel oil decreased by 4.2% or $1.6/bbl to reach $37.4/bbl, whereas spot prices of fuel oil increased by 1.6% or $0.9/bbl to reach $60.9/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from September 2014 to September 2015.

Figure - 3 **Monthly Average Spot Prices of Premium Gasoline, 2014-2015** ($/bbl)

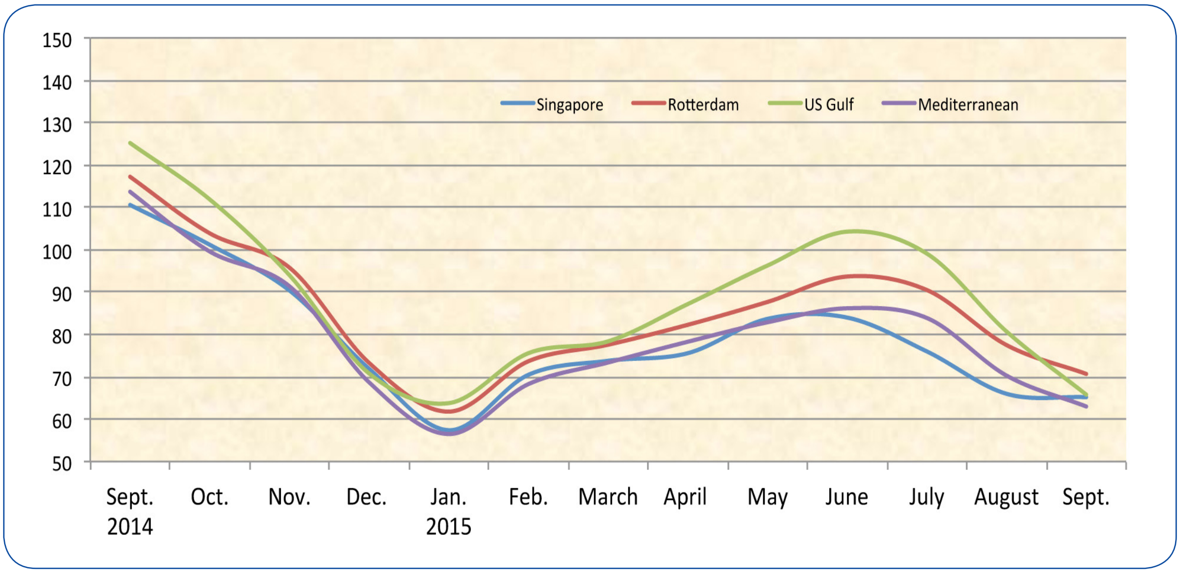


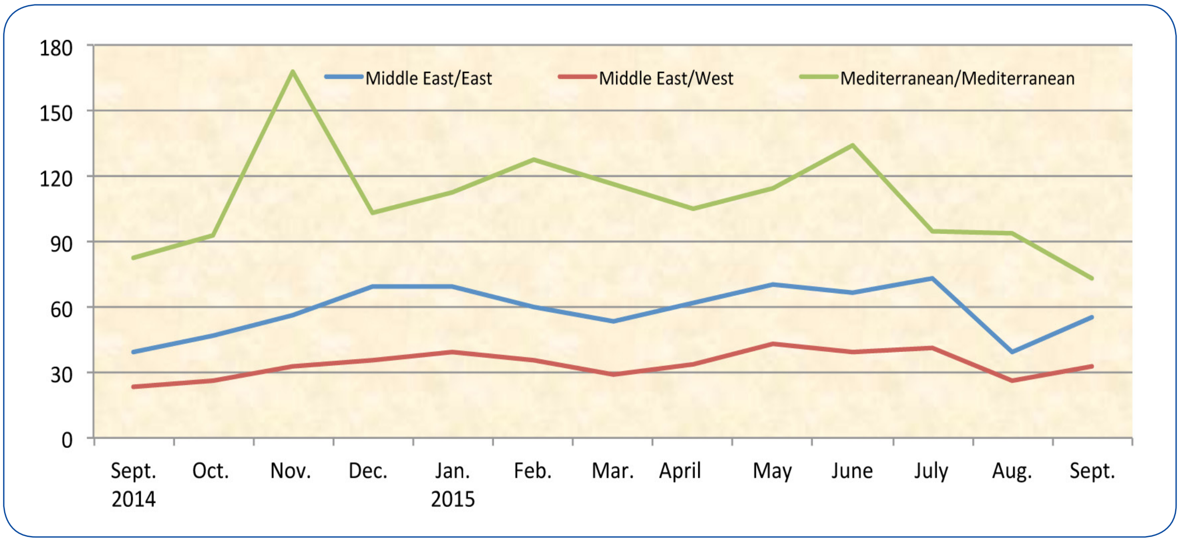
Table (4) in the annex shows the average monthly spot prices of petroleum products, 2013-2015.

1-3 Spot Tanker Crude Freight Rates

In September 2015, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 16 points or 41% comparing with previous month to reach 55 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 7 points or 26.9% comparing with previous month to reach 33 points on the World Scale (WS), whereas freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), decreased by 21 points or 22.3% comparing with previous month to reach 73 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from September 2014 to September 2015.

Figure - 4 Monthly Spot Crude Oil Tanker Freight Rates, 2014 -2015 (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 September 2015, 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 44 points, or 29.3% comparing with previous month to reach 106 points on WS, whereas freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], increased by 13 points, or 10.5% to reach 137 points on WS, and freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe also increased by 13 points, or 9.7% to reach 147 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from September 2014 to September 2015.

Figure - 5 Monthly Spot Product Tanker Freight Rates, 2014 -2015 (World Scale)

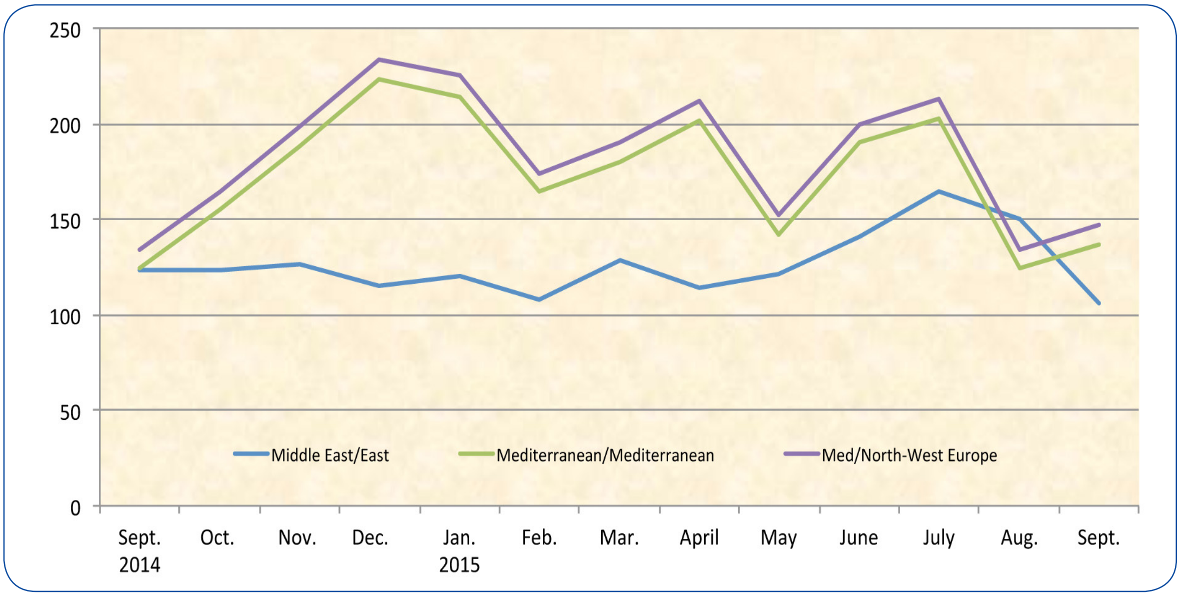


Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2013-215.

2.Supply and Demand

Preliminary estimates in October 2015 show an increase in world oil demand by 0.2% or 0.2 million b/d, comparing with the previous month to reach 95.8 million b/d, representing an increase of 1.7 million b/d from their last year level.

Demand in OECD countries increased by 1.3% or 0.6 million b/d comparing with their previous month level to reach 46.6 million b/d, representing an increase of 0.2 million b/d from their last year level. Whereas demand in Non-OECD countries decreased by 0.8% or 0.4 million b/d comparing with their previous month level to reach 49.2 million b/d, representing an increase of 1.5 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for October 2015 increased by 0.3% or 0.3 million b/d comparing with the previous month level to reach 98.4 million b/d, a level that is 4.2 million b/d higher than last year.

In October 2015, OPEC crude oil and NGLs/condensates total supplies decreased by 0.8% or 0.3 million b/d comparing with the previous month level to reach 38.8 million b/d, a level that is 2.5 million b/d higher than last year. Whereas, Preliminary estimates show that Non-OPEC supplies increased by 1% or 0.6 million b/d comparing with the previous month level to reach 59.6 million b/d, a level that is 1.8 million b/d higher than last year.

Preliminary estimates of the supply and demand for October 2015 reveal a surplus of 2.7 million b/d, compared to a surplus of 2.4 million b/d in September 2015 and a surplus of 0.1 million b/d in October 2014, as shown in table (2) and figure (6):

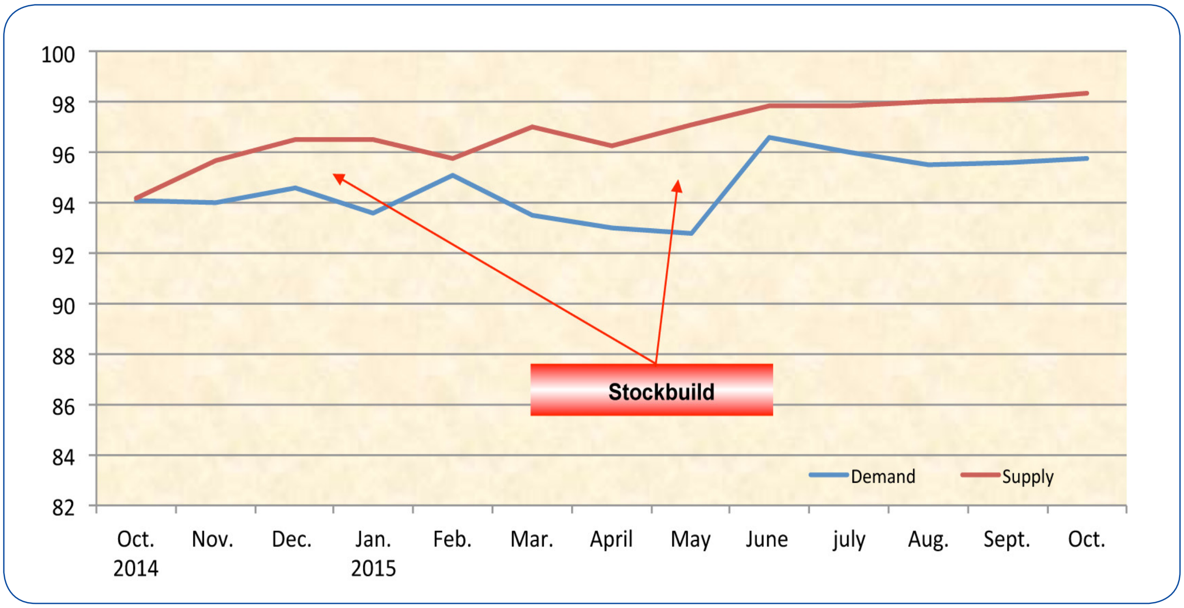
Table 2 **World Supply and Demand** (Million b/d)

	October 2015	September 2015	Change from Sept. 2015	October 2014	Change from October 2014
OECD Demand	46.6	46.0	0.6	46.4	0.2
Rest of the World	49.2	49.6	-0.4	47.7	1.5
World Demand	**95.8**	**95.6**	**0.2**	**94.1**	**1.7**
OPEC Supply:	38.8	39.1	-0.3	36.3	2.5
Crude Oil	32.0	32.3	-0.3	29.7	2.3
NGL's & Cond.	6.8	6.8	0.0	6.6	0.2
Non-Opec Supply	57.4	56.8	0.6	55.5	1.9
Processing Gain	2.2	2.2	0.0	2.3	-0.1
World Supply	**98.4**	**98.1**	**0.3**	**94.2**	**4.2**
Balance	**2.7**	**2.4**		**0.1**	

Source: Energy Intelligence Briefing November 4, 2015.

Tables (7) and (8) in the annex show world oil demand and supply for the period 2013-2015.

Figure - 6 World Supply and Demand (Million b/d)



US tight oil production

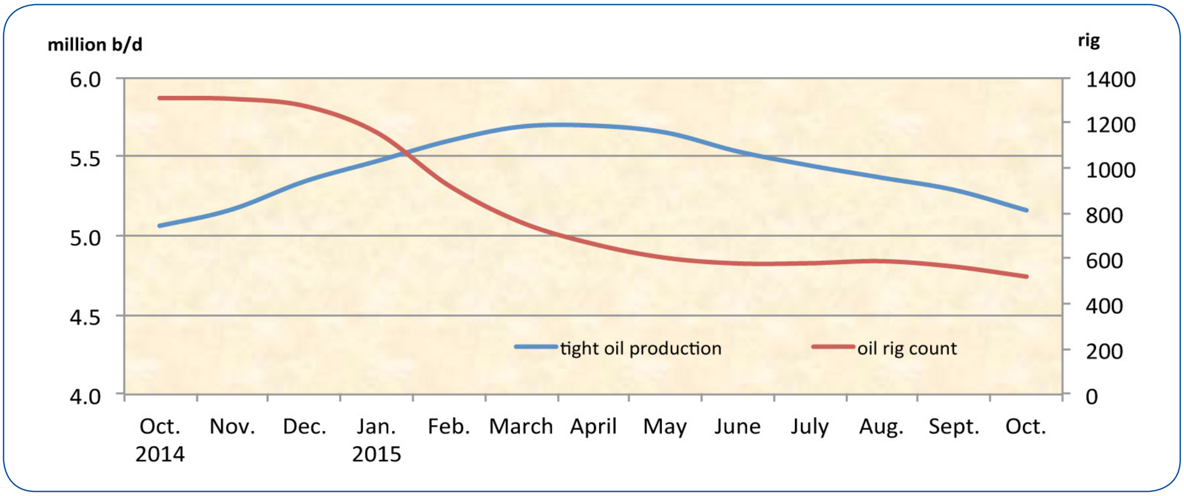
In October 2015, US tight oil production decreased by 81 thousand b/d or 1.5% comparing with the previous month level to reach 5.161 million b/d, representing an increase of 88 thousand b/d from their last year level. The US oil rig count decreased by 44 rig comparing with the previous month level to reach 520 rig, a level that is 788 rig lower than last year, as shown in table (3) and figure (7):

Table 3 US* tight oil production (Million b/d)

	October 2015	September 2015	Change from September 2015	October 2014	Change from October 2014
tight oil production	5.161	5.242	-0.081	5.073	0.088
Oil rig count (rig)	520	564	-44	1308	-788

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, October 2015.
* focusing on the seven most prolific areas, which are located in the Lower 48 states. These seven regions accounted for 95% of domestic oil production growth during 2011-13 (Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian, Utica)

Figure - 7 US tight oil production and oil rig comt (Million b/d)



3.Oil Trade

USA

In September 2015, US crude oil imports decreased by 322 thousand b/d or 4.2% comparing with the previous month level to reach 7.3 million b/d, and US oil products imports decreased by 379 thousand b/d or 16.6% to reach about 1.9 million b/d.

On the export side, US crude oil exports decreased by 37 thousand b/d or 7.1% comparing with the previous month level to reach about 489 thousand b/d, and US products exports decreased by 10 thousand b/d or 0.3% to reach 3.8 million b/d. As a result, US net oil imports in September 2015 were 655 thousand b/d or nearly 11.6% lower than the previous month, averaging 5 million b/d.

Canada remained the main supplier of crude oil to the US with 45% of total US crude oil imports during the month, followed by Saudi Arabia with 12%, then Venezuela with 11%. OPEC Member Countries supplied 33% of total US crude oil imports.

Japan

In September 2015, Japan's crude oil imports decreased by 231 thousand b/d or 7.1% comparing with the previous month to reach 3.3 million b/d. Whereas Japan oil product imports increased by 83 thousand b/d or 14% comparing with the previous month to reach 671 thousand b/d.

On the export side, Japan's oil products exports decreased in September 2015, by 16 thousand b/d or 2.5% comparing with the previous month, averaging 628 thousand b/d. As a result, Japan's net oil imports in September 2015 decreased by 132 thousand b/d or 3.8% to reach 3.3 million b/d.

Saudi Arabia was the big supplier of crude oil to Japan with a share of 34% of total Japan crude oil imports, followed by UAE with 25% and Qatar with 9% of total Japan crude oil imports.

China

In September 2015, China's crude oil imports increased by 541 thousand b/d or 8.6% to reach 6.8 million b/d, and China's oil products imports increased by 126 thousand b/d or 10% to reach 1.2 million b/d.

On the export side, China's oil products exports decreased in September 2015 to reach 12 thousand b/d. Whereas China's oil products exports increased by 142 thousand b/d or 17% to reach 978 thousand b/d. As a result, China's net oil imports reached 7.1 million b/d, representing an increase of 8.6% 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 14% and Oman with 11% and.

Table (4) shows changes in crude and oil products net imports/(exports) in September 2015 versus the previous month:

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

	Crude Oil			oil Products		
	September 2015	August 2015	Change from August 2015	September 2015	August 2015	Change from August 2015
USA	6.855	7.140	-0.285	-1.878	-1.509	-0.370
Japan	3.263	3.494	-0.231	0.043	-0.056	0.099
China	6.808	6.228	0.580	0.301	0.317	-0.016

Source: OPEC Monthly Oil Market Report, various issues 2015.

4. Oil Inventories

In September 2015, OECD commercial oil inventories increased by 13 million barrels to reach 2988 million barrels – a level that is 239 million barrels higher than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD increased by 8 million barrels to reach 1169 million barrels, and commercial oil products inventories increased by 5 million barrels to reach 1819 million barrels.

Commercial oil inventories in Americas increased by 14 million barrels to reach 1578 million barrels, of which 620 million barrels of crude and 958 million barrels of oil products. Commercial oil Inventories in Europe decreased by 1 million barrels to reach 961 million barrels, of which 342 million barrels of crude and 619 million barrels of oil products. Commercial oil inventories in Pacific remained stable at the same previous month level of 449 million barrels, of which 207 million barrels of crude and 242 million barrels of oil products.

In the rest of the world, commercial oil inventories increased by 19 million barrels to reach 2732 million barrels, whereas the Inventories at sea decreased by 19 million barrels to reach 1070 million barrels.

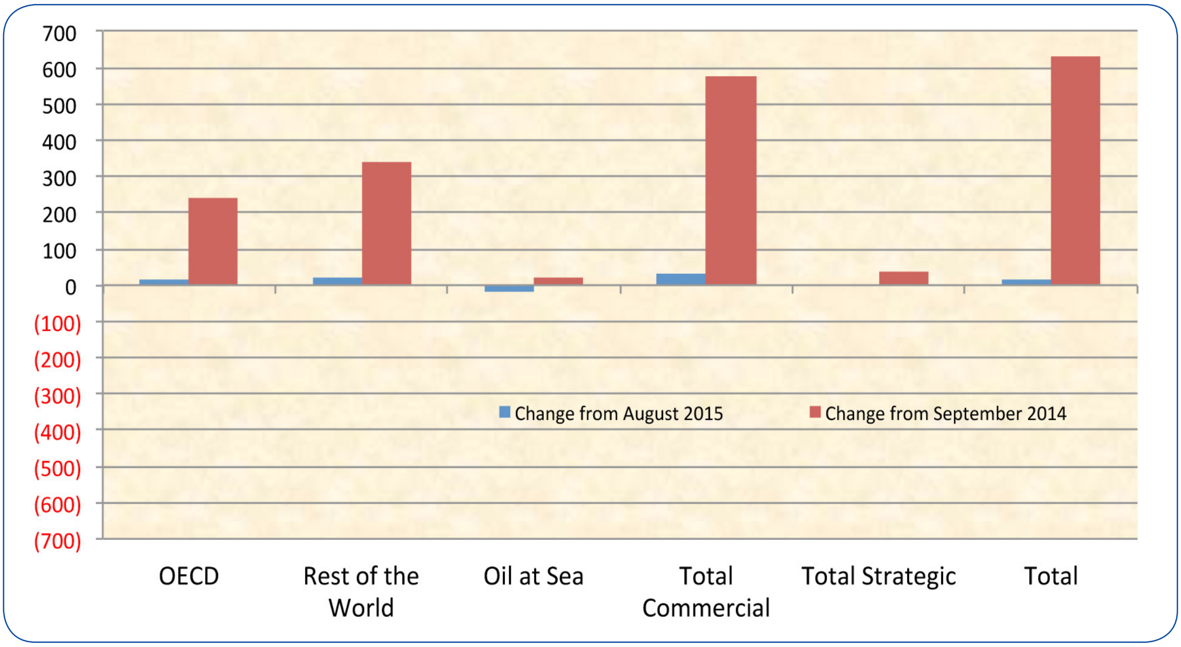
As a result, Total Commercial oil inventories in September 2015 increased by 32 million barrels comparing with the previous month to reach 5720 million barrels – a level that is 576 million barrels higher than a year ago.

Strategic inventories in OECD-34, South Africa and China remained stable at the same previous month level of 1856 million barrels – a level that is 36 million barrels higher than a year ago.

Total world inventories, at the end of September 2015 were at 8646 million barrels, representing an increase of 13 million barrels comparing with the previous month, and an increase of 630 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 September 2015.

Figure - 8 **Changes in Global Inventories at the End of September 2015** (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 October 2015 decreased by $0.32/million BTU comparing with the previous month to reach $2.34/ million BTU.

The comparison, shown in table (5), between natural gas prices and the WTI crude reveal differential of $5.7/ million BTU in favor of WTI crude.

Table 5 Henry Hub Natural Gas, WTI Crude Average, and Low Sulfur Fuel Oil Spot Prices, 2014-2015 (Million BTU[1])

	Oct. 2014	Nov.	Dec.	Jan. 2015	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
Natural Gas [(2)]	3.8	4.1	3.5	3.0	2.9	2.8	2.6	2.9	2.8	2.8	2.8	2.7	2.3
WTI Crude [(3)]	14.6	13.1	10.3	8.2	8.8	8.2	9.4	10.2	10.3	8.8	7.4	7.8	8.0

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 LNG Exporters Netbacks.

2.1. LNG Prices

In September 2015, the price of Japanese LNG imports increased by $0.5/ million BTU comparing with the previous month to reach $9.6/ million BTU, the price of Korean LNG imports increased by $0.4/million BTU comparing with the previous month to reach $9.6/ million BTU, and the price of Chinese LNG imports increased by $0.2/million BTU comparing with the previous month to reach $7.4/ million BTU.

2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 1.8% or 190 thousand tons from the previous month level to reach 10.598 million tons.

Table (6) shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2013-2015.

Table6 LNG Prices and Imports: Korea, Japan, and China 2013-2015

	Imports (thousand tons)				10.Average Import Price ($/million BTU)		
	Japan	Korea	China	**Total**	Japan	Korea	China
2013	**87490**	**40175**	**17997**	**145662**	**16.0**	**14.7**	**11.1**
2014	**104669**	**44622**	**23673**	**172964**	**18.5**	**18.6**	**13.5**
January 2014	8179	4451	2652	15282	16.7	15.5	13.3
February	7511	4194	1498	13203	16.8	16.5	11.7
March	8044	4115	1479	13638	16.6	16.5	12.0
April	7212	3220	1375	11807	16.8	16.4	10.8
May	6495	2212	1579	10286	16.3	16.3	11.4
June	6821	2207	1343	10371	16.1	16.6	11.2
July	7838	2182	1835	11855	16.1	16.3	10.3
August	7050	2543	1582	11175	15.7	16.2	11.7
September	7276	2302	1394	10972	15.2	16.5	12.2
October	6944	2755	1381	11080	15.9	16.2	12.3
November	6877	2932	1757	11566	15.6	15.9	11.6
December	8258	4289	2016	14563	15.6	16.1	12.1
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

Source: World Gas Intelligence various issues.

2.3. Sources of LNG imports

Qatar was the big supplier of LNG to Japan, Korea and China with 2.398 million tons or 22.6% of total Japan, Korea and China LNG imports in September 2015, followed by Australia with 22.1% and Malaysia with 15.1%. Whereas Algeria exported about 63 thousand tons to Japan.
The Arab countries LNG exports to Japan, Korea and China totaled 3.417 million tons - a share 32.2% of total Japanese, Korean and Chinese LNG imports during the same month.

2.4. LNG Exporter Netbacks

With respect to the Netbacks, Russia ranked first with $6.66 /million BTU at the end of September 2015, followed by Indonesia with $6.56/million BTU then Australia and Malaysia with $6.51 /million BTU. And LNG Qatar's netback reached $6.34/million BTU, and LNG Algeria's netback reached $6.01/million BTU.

Table (7) shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of September 2015.

Table7 LNG Exporter Main Countries To Japan, Korea and China, And Their Netbacks At The End Of September 2015

	Imports (thousand tons)				Netbacks ($/million BTU)
	Japan	Korea	China	Total	
Total Imports, of which:	**6854**	**2449**	**1295**	**10598**	
Qatar	1044	1048	306	**2398**	**6.34**
Australia	1585	246	514	**2345**	**6.51**
Malaysia	1108	419	78	**1605**	**6.51**
Indonesia	515	126	319	**960**	**6.56**
Russia	541	192	-	**733**	**6.66**
Nigeria	638	-	-	**638**	**6.00**
Algeria	63	-	-	**63**	**6.01**

* Total Revenues minus all costs associated, such as importing ,transportation costs, and royalty fees
Source: World Gas Intelligence various issues.

USA

The US Congress Committee on Energy and Commerce approved a bill to lift the ban on US crude oil exports for the first time since the ban was imposed in 1975 following the oil shock. The decision was then taken to avoid shortage in oil supplies. The Congress statement said that the new legislation will help energy companies put together programmes on maximum utilization of the oil exports.

JORDAN

The Jordanian Government has signed an agreement with South Korea's Electric Power Corp. (KEPCO) to build and operate a wind power plant in Jordan. The $510 million agreement calls for Korea to build the 89.1 megawatt plant. The agreement also includes a power purchase agreement (PPA) that outlines the details of the utility company operating the plant and selling the power generated to Jordan. The project allows KEPCO a 100 percent stake control in a foreign wind farm and represents the first PPA reached in the Arabian region. Construction will begin in 2016, with operations to go online by late 2018.

INDIA

Primary data on tankers' arrival in November 2015 showed that India's oil imports from Iran fell for the fourth consecutive month hitting their lowest rates in 8 months. Contrary to that, India, the world's fourth biggest oil consumer, has increased its oil purchases from other regions in Asia, the Pacific, and Latin America. India's oil imports from Iran declined by about 45% on an annual basis to about 138,000 b/d in November 2015, representing a monthly drop of 24%.

CHINA

China's commercial oil inventories registered the biggest drop since at least 2010. Official Chinese resources said that diesel led the decline by 14% for the third consecutive month, hitting the lowest rate in 2015. Kerosene stocks dropped by 7.4% in October 2015 compared to September. Also, commercial crude stocks (excluding strategic reserves) hit their lowest levels since April 2014. The decline could be attributed to the increase in crude consumption by Chinese refineries by about 1% hitting 10.42 million barrels/day.

RUSSIA

Recent data by the Russian Energy Ministry showed that Russia produced 10.78 million barrels/day in November 2015. Oil exports via pipelines have dropped to 4.318 million barrels/day from 4.465 million barrels/day in October 2015. Natural gas production for the same period hit 60.8 billion cubic metres, representing 2.03 billion cubic metres/day compared to 60.76 billion cubic metres in October 2015. These amounts are considered Russia's highest since two decades.

Tables Annex

Organization of Arab Petroleum Exporting Countries (OAPEC)

ANNOUNCEMENT

OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2016

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 $24000 and USD $17000), upon the resolution number 1/139 of OAPEC Executive Bureau at its meeting dated 12/10/2014. The Organization of Arab Petroleum Exporting Countries (OAPEC) is pleased to announce that the research topic selected for the "OAPEC Award for Scientific Research for the Year 2016" is:

"Re-Refining of Used Lubricating Oils and its Economic & Environmental Implications"

Research Theme

OAPEC members' increasing interest in re- refining of used lubricating oils comes in line with their efforts to improving the performance of oil industry, seizing the added value opportunities, and maximizing the utilization of their natural resources, in addition to enhance their compliance with the requirements of the legislation related to environment protection.

The following main issues are suggested for the research, to which the researcher is encouraged to add other suitable aspects:

1- **Historical overview of used lube oils re-refining processes.**
2- **Sources and evaluation of used lube oils.**
3- **Types of used lube oils re-refining processes.**
4- **Environmental implications of re-refining of used lube oils.**
5- **Economic viability of the re-refining process and its role in improving the added value of oil industry and natural resources conservation.**
6- **Examples and case studies of used oils re-refining projects worldwide and in Arab countries.**
7- **Conclusions and recommendations.**

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.**
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 31st May, 2016. 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 2016.

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

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Organization of Arab Petroleum Exporting Countries (OAPEC)
OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2016

TOPIC

"Re-Refining of Used Lubricating Oils and its Economic and Environmental Implications"

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:

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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 2016.

Name: ....

Signature: ....

Date: / /