



OAPEC

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Organization of Arab Petroleum Exporting Countries

July 2009

Sonatrach ... the Crane of the Algerian Economy



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OAPEC's 82nd Ministerial Council Meeting



July 2009

EDITORIAL

Climate Change and the Need for Coordination among Petroleum Exporting Countries

Since the 1980s increasing international scientific attention has been paid to climate change. International meetings and conferences have been held in rapid succession, under the umbrella of the UN, to coordinate international efforts to study, understand and address the impact of climate change. They led in 1988 to the establishment of Intergovernmental Panel on Climate Change (IPCC) by the World Meteorological Organization (WMO) and the UN Environment Program (UNEP). The IPCC was charged with studying climate change, evaluating scientific research on the phenomenon, and assessing its probable repercussions and options for adapting to it and mitigating its severity. It has published a series of technical reports on climate change and its view of the probable socioeconomic effects of climate change.

Despite the importance of these reports, they are not devoid of specific political orientation, which sometimes detracts from their objectivity and scientific accuracy. This applies particularly to the explanation of reasons for the phenomenon and the role of fossil fuels (especially oil and gas), which are portrayed as the main cause of the phenomenon. The petroleum producing and exporting countries feel a need to combat this understanding, which is not based on incontrovertible scientific evidence, because if the concept becomes accepted, it might seriously harm the petroleum industry in the long term, under the guise of cutting greenhouse gas emissions in the atmosphere, particularly carbon dioxide caused by burning fossil fuels. Numerous studies indicate that implementing the Kyoto Protocol will mean that the oil producing and exporting countries will lose 3%-5% of their GDP in the medium term, which will impede their socioeconomic development.

From the early years of the negotiations, the oil producing and exporting countries coordinated their efforts, either on an individual basis or through specialized organizations, particularly OPEC and OAPEC, to address such challenges. The constructive coordination between these two organizations was beneficial in protecting the rights of petroleum exporting countries and clarifying their position toward climate change. They managed to balance opinions and reduce the severity of accusations against fossil fuels. One of their major achievements was the inclusion of articles in the UN Framework Convention on Climate Change (UNFCCC) of 1992 and in the Kyoto Protocol of 1997 that protect the interests of producers and exporters of fossil fuels (oil and gas). The articles include 4.8 and 4.9 of the UNFCCC and 3.2 and 3.14 of the Protocol, the rejection of new voluntary or compulsory commitments for developing countries, which include petroleum producing countries, and the adoption of the principle of clean technology transfer, the principle of helping prepare national communications and enabling developing countries to benefit from the funds attached to the UNFCCC and the Protocol, and the principle of joint, but different, responsibility. The petroleum producing and exporting countries are still striving

To be continued in p. 4

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Key Indicators

❖ In May 2009, the OPEC Reference basket increased by 13.5% or \$6.8/bbl to stand at \$57/bbl.

❖ World Oil Demand increased in May 2009 by 0.1% or 0.1 million b/d to 82.9 million b/d.

❖ World oil supplies in May 2009 increased by 0.2 million b/d to 85.1 million b/d.

❖ USA crude oil imports went up in April 2009 by 0.39 million b/d to 9.72 mb/d, where USA product imports decreased by 0.366 million b/d to average 2.76 mb/d.

❖ OECD commercial inventories were up in April 2009 by 14 mn bbls to 2760 mn bbls. Total Commercial inventories were up by 23 mn bbls to 5169 mn bbls – a level that covered 72 days of forward consumption.

❖ The average spot price of natural gas at the Henry Hub went up in May 2009 by 8.6% to stand at \$3.8/m BTU.

❖ The Price of Japanese LNG imports was down in April 2009 to \$8.1/m BTU, and Korean Price was down to \$8.7/m BTU.

❖ Arab LNG exports to Japan and Korea were down by 17% in April 2009 to 2.253 million tons (a share of 31.2% of total imports).

I. Oil Market

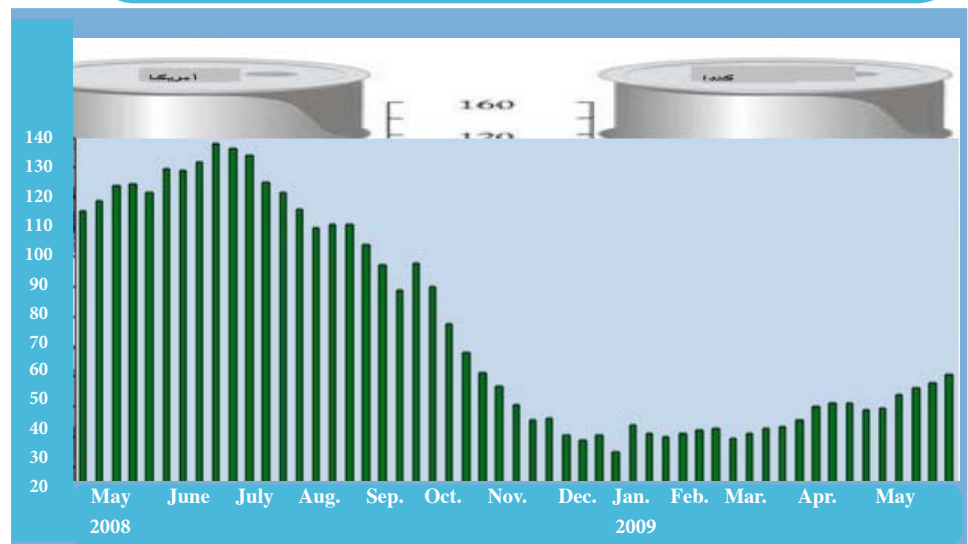
1. Prices

1.1 Crude Oil Prices

The Weekly average price of OPEC basket shows a noticeable rise in May 2009, when it passed the \$60.0 ceiling during the last week of the month, weekly prices were at \$54.3/bbl during the first week and up to reach their highest level (\$60.7/bbl) in the second week of the month.. As

indicated in **Figure 1**.

Fig - 1: Weekly Average Spot Price of the OPEC Basket of Crudes 2008 - 2009 (\$/bbl)



On monthly basis, the average price of OPEC basket in May 2009 increased by 13.5% or \$6.8/bbl from the previous month level to \$57.0/bbl. This level was 52.3% or \$62.4/bbl lower than a year ago.

The oil market was driven by improving economic sentiment lending hope for a recovery in petroleum demand. Weakening of US dollar to a five-month low and fluctuations in the equity markets have promoted higher price forecasting and increases of investment into the oil futures as dollar weakened.

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 :

Tables -1 to 3 in the annex show spot prices for OPEC basket and other crudes for the period 2008-2009.

* Prepared by the Economics Department

Continuation of the Editorial

to coordinate dialogue with developing and advanced nations and with relevant international organizations, particularly with regard to the forthcoming phase of negotiations on post-Kyoto commitments.

Out of a belief in the need to protect the environment in their own countries and the whole world and to shoulder responsibility for environment protection, Saudi Arabia, Kuwait, Qatar, and the UAE decided at the third OPEC summit held in Riyadh in November 2007 to allocate \$750 million to set up a fund to support research on the environment and climate issues.

The Organization of Arab Petroleum Exporting Countries (OAPEC) has been monitoring climate change and supporting the stands of member countries since the beginning of talks on the subject. It has also sought to coordinate with the Group of 77, China, and relevant international organizations, particularly OPEC, the Arab League, and the UN.

In order to monitor developments in climate change, OAPEC's General Secretariat has taken part in meetings of the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI), meetings of the action groups charged with following up implementation of the UNFCCC and the Kyoto Protocol and discussing post-Kyoto commitments (Bonn, June 2009). These meetings aimed to discuss the texts that could form the basis of a draft new international document or legal instrument on climate change and related measures at the meetings of the Conference of Parties to the UNFCCC and Protocol (COP 15/CMP 5), which will be held in Copenhagen in December 2009.

The General Secretariat also took part in the ninth meeting on sector cooperation between the Arab League and the UN and its agencies, which was held at the Arab League headquarters in Cairo in June 2009. At the meeting, which was devoted to discussing climate change, the General Secretariat presented the Arab paper on mitigating and coping measures. Moreover, the General Secretariat organizes annual meetings of energy experts from member countries to coordinate their stands at regional and international forums on climate change. These are also attended by representatives from the Arab League and OPEC.

While waiting to see what form regional and international efforts take to combat the probable effects of climate change on all aspects of human life, the General Secretariat hopes to pursue coordination and cooperation among all concerned parties. It urges petroleum producing and exporting countries to attend such important international meetings so as to defend their interests and the welfare of their people, since oil and gas constitute the mainstay of their revenues earmarked for development and commitments toward their own people and those of other developing countries.

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- Singapore

The spot prices of the three products, in April 2009 went up from their previous month levels by 11.6% (\$6.3/bbl) for the Premium gasoline, 8.7% (\$4.9/bbl) for the gas oil, and by 18.1% (\$7.0/bbl) for the fuel oil, to \$60.5/bbl, \$61.1/bbl, and \$45.7/bbl respectively.

Figure -3 shows the price of Premium gasoline in all four markets from April 2008 to April 2009.

Table - 4 in the annex shows the average monthly spot prices of petroleum products, 2008-2009.

1.3 Crude Freight Rates

Freight rates for crude oil continued their decline during the month of April 2009. Freight rates for crude oil for tanker size (230-280 thousand deadweight tons dwt), leaving Middle Eastern ports to the East went down by 25.0% (10points) to 30 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, also went down by 33.3% (11 points) to 22 points on the World Scale* (WS).

Figure - 3: Monthly Average Spot Prices of Premium Gasoline, 2008-2009 (\$/bbl)

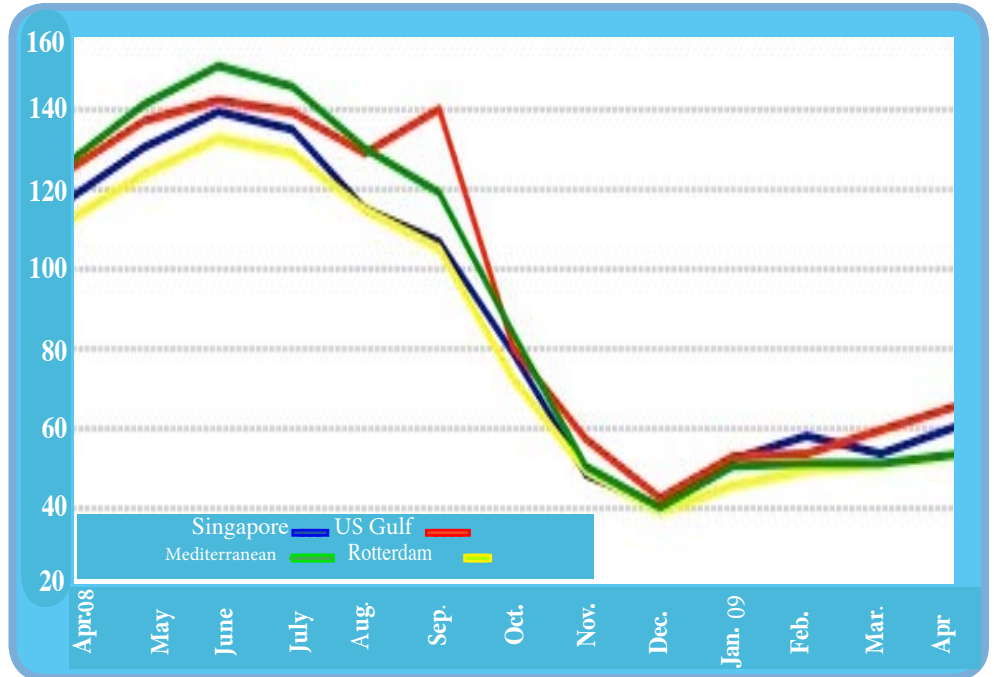
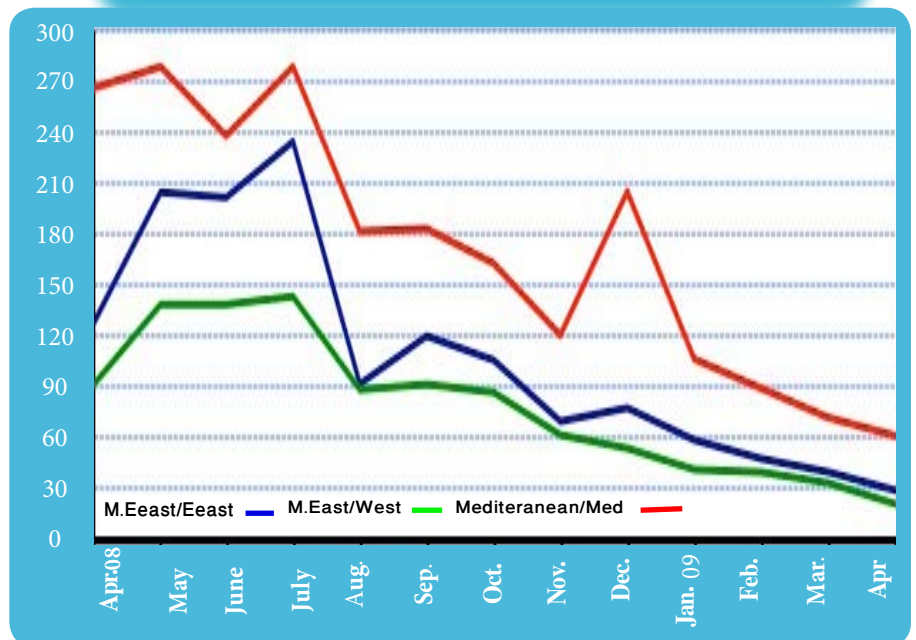


Fig. - 4: Monthly Spot Crude Oil Tanker Freight Rates, 2008 -2009 (World Scale)



(*) 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.

Table - 1: Change in the Price of the OPEC Basket of Crudes*, 2008-2009 (\$/bbl) *

	May 2008	June	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2009	Feb.	Mar.	Apr.	May
Monthly Change	14.2	8.9	2.9	-18.8	-15.6	-27.7	-19.4	-11.2	2.9	-0.1	4.4	4.4	6.8
Month-on-Month Change from the Previous Year	54.9	61.4	59.3	43.7	22.7	-10.2	-39.1	-48.6	-46.9	-49.2	-53.2	-55.0	-62.4

1.2 Spot Prices of Petroleum Products

- US Gulf

The spot prices of Premium gasoline, gas oil and fuel oil, in April 2009 were up from their previous month levels, by 10.1% (\$6.0/bbl) for the Premium gasoline, and by 8.1% (\$4.2/bbl) for the spot prices of gas oil, and by 19.9% (\$7.7/bbl) for the spot prices of fuel oil, to \$65.7/bbl, \$56.0/bbl and \$46.4/bbl respectively.

Fuel oil market performance in the US improved as demand outpaced average domestic production, the decline in US refineries capacities as a result of seasonally maintenance.

- Rotterdam

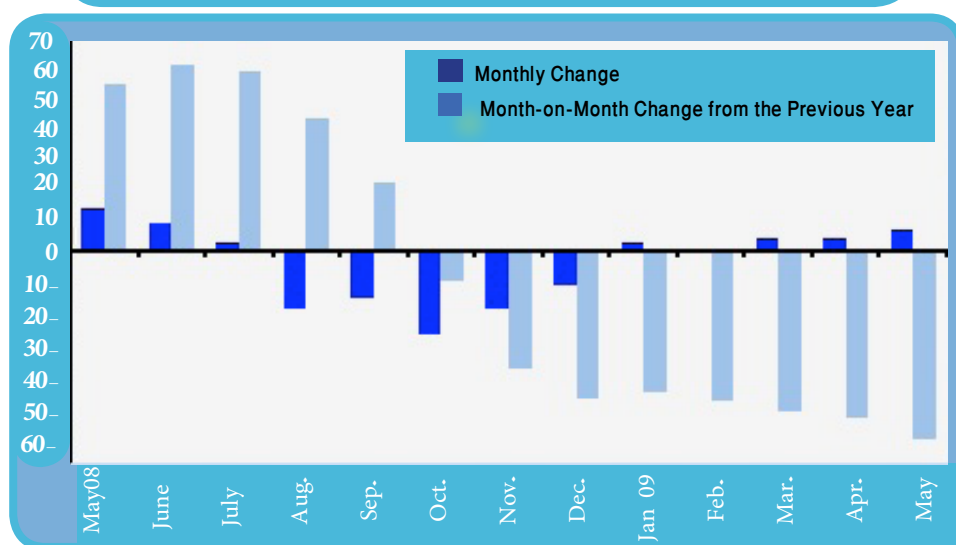
The spot prices of the three products, in April 2009 increased from their previous month levels, by 4.4% or (\$2.3/bbl) to \$54.2/bbl for the Premium gasoline, and by 1.8% or (\$1.0/bbl) to \$56.9/bbl for the gas oil. Where the spot prices of fuel oil, rose by 14.6% or (\$5.3/bbl) to \$41.7/bbl. Export opportunities to Asia and limited supplies from Russia have provided support for the fuel oil spot prices in Europe.

- Mediterranean

The spot prices of Premium gasoline and fuel oil, in April 2009 rose from their previous month level by 4.9% (\$2.5/bbl) for the Premium gasoline and by 7.4% (\$2.9/bbl) for the fuel oil, to \$53.8/bbl and \$42.3/bbl respectively. By contrast, the spot prices for gas oil declined during April 2009, by 0.9% (\$0.7/bbl) to \$75.9/bbl.

* 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 December 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.

Figure - 2: Change in the Price of the OPEC Basket of Crudes, 2008-2009 (\$/bbl)



July 2009

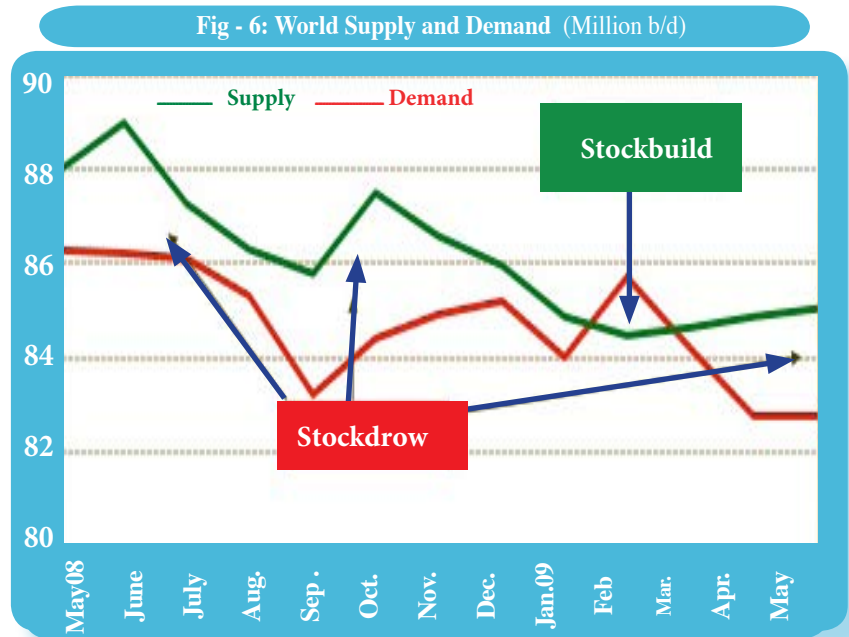


by 0.2% or 200 thousand b/d from their previous month level to (85.1 million b/d), a level that is 2.9 million b/d (3.3%) lower than a year ago.

OPEC Crude Oil supplies for the month of May 2009, remained at same level of previous month, making OPEC total Crude Oil and NGLs/condensates supplies stands at 33.0 million b/d.

By contrast, Preliminary estimates show that Non-OPEC supplies for the month were slightly up by 0.4% or 200 thousand b/d to 52.1 million b/d.

Preliminary estimates of the supply and demand balance for May 2009 reveal a surplus of 2.2 mn b/d compared to a surplus of 2.1 mn b/d and surplus of 2.0 mn b/d in April 2009 and May 2008 respectively, as shown in **table -2** and **figure -6** :



Tables -7 and -8 in the annex show World Oil Demand and Supply for the period 2008-2009.

3. Oil Trade

USA

US crude oil imports increased in April 2009, by 4.0% or 390 thousand b/d, averaging 9.72 mb/d, where US product imports decreased by 12% or 366 thousand b/d to 2.76 mb/d.

By contrast, US product exports went up in April by 112 thousand b/d or 7.0% compared to the previous month averaging 1.78 mb/d. As a result, **US net oil imports** decreased by 85 thousand b/d or 0.8% in April compared with the previous month to reach about 10.67 mb/d. This is mainly due to the 393 thousand b/d increase in net crude oil and the 478 thousand b/d decrease in net product imports.

Canada was the top US crude oil supplier during March 2009, with a share of 19.5%, followed by Mexico with 11.6%, Venezuela and Saudi Arabia came next with 10.1% and 10.0% respectively. Altogether, OPEC Member Countries supplied 50.0% of total US crude oil imports. For product imports, Canada was the top product supplier to the US with share of 19.6%, Russia came next with a share of 14.2%, followed by Virgin Islands and Algeria with 8.7% and 8.1% respectively. Altogether, OPEC Member Countries supplied 16.4% of US product imports.

Japan

Japan's crude oil imports in April 2009 went down by 7.0% or 265 thousand b/d to average 3.53 mb/d, similarly Japan's Petroleum product imports decreased by 16.0% or 116 thousand b/d averaging 0.89 million b/d.

Freight rates for inter- Mediterranean for small to medium sized tankers (80-85 thousand dwt) decreased by 12.7% (9 points) to 62 points on the WS. **Figure -4** shows the freight rates for crude oil to all three destinations from April 2008 to April 2009.

1.4 Products Freight Rates

Similarly, monthly spot freight rates for petroleum products to all three destinations were in decline during the month of April 2009. Freight rates for tanker size 30-35 thousand dwt, leaving Middle Eastern ports to the East were down by 37.9% (33 points) to 54 points on WS.

Freight rates across Mediterranean and Med/North-West Europe for tanker size 30-35 thousand dwt, declined by 26 points each (22.8% and 21.0%) to 88 points and 98 points on WS respectively.

Figure -5 shows the freight rates for oil products to all three destinations from April 2008 to April 2009.

Table -5 and (6) in the annex show crude and products Tankers Freight Rates, 2008-2009.

2. Supply and Demand

Preliminary estimates of the world oil demand in May 2009 show slight increase by 0.1% or 0.1 million b/d from the previous month to 82.9 Million b/d - a decline by 3.6% or 3.1 million b/d from a year ago.

Demand in **OECD** countries declined by 0.9% or 0.4 million b/d, from the previous month to 44.4 million b/d – a level that is 2.5 million b/d lower than a year ago. By contrast, **Non-OECD** countries demand rose by 1.3% or 0.5 million b/d from the previous month to 38.5 million b/d – a level that is 400 thousand b/d lower than a year ago.

On the supply side, estimates show that world oil supplies for May 2009 were slightly up

Fig. - 5: Monthly Spot Oil Product Tanker Freight Rates, 2008 -2009 (World Scale)

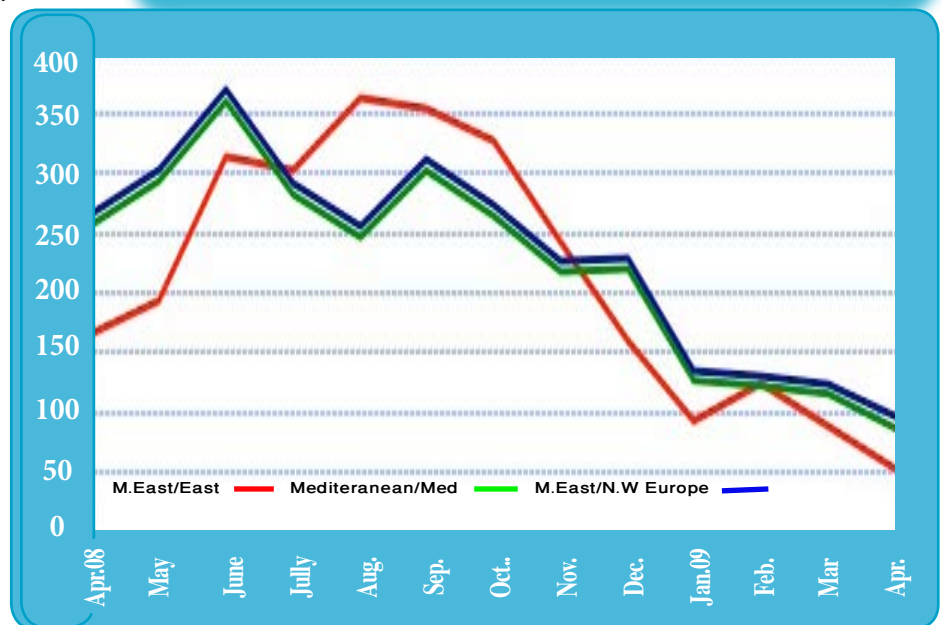


Table - 2: World Supply and Demand (Million b/d)

	May 2009	April 2009	Change from Apr. 09	May. 2008	Change from May. 08
OECD Demand	44.4	46.8	- 0.4	46.9	- 2.5
Rest of the World	38.5	38.0	0.5	38.9	- 0.4
World Demand	82.9	82.8	0.1	86.0	- 3.1
OPEC Supply:	33.0	33.0	0.0	37.2	- 4.2
Crude Oil	27.8	27.8	0.0	32.2	- 4.4
NGL's & Cond.	5.2	5.2	0.0	5.0	0.2
Non-Opec Supply	49.8	49.6	0.2	48.8	1.0
Processing Gain	2.3	2.3	0.0	2.1	0.2
World Supply	85.1	84.9	0.2	88.0	- 2.9
Balance	2.2	2.1		2.0	

Source: Energy Intelligence Briefing June 2, 2009.



4. Oil Inventories

OECD commercial inventories in April 2009 went up by 14 million barrels from the previous month to 2760 million barrels- a level higher by 200 million bbls than a year ago- from which were 1026 million bbls crude and 1734 million bbls products. It worth mentioning that during the month crude inventories increased by 9 million bbls, where **products inventories** increased by 5 million bbls.

Inventories in North America increased by 21 million bbls, to 1361 million barrels, from which 516 million bbls crude and 845 million bbls products. **Inventories in Europe** decreased by 9 million bbls, to 991 million barrels, from which 342 million bbls crude and 649 million bbls products. By contrast, **Pacific inventories** went up by 3 million bbl to 408 million barrels of which 168 million bbls crude, and 240 million barrels petroleum products.

In the **rest of the world**, April inventories were up by 9 million bbls, to 1378 million barrels - a level that is 28 million bbls lower than a year ago. **Inventories at sea** rose by 5 million bbls from the previous month to 956 million barrels, where **Caribbean inventories** decreased by 4 million bbls from the previous month to 75 million barrels

Commercial inventories in April 2009 were up by 23 million bbls to 5169 million barrels – a level that is 170 million barrels higher than a year ago. Inventories covered 72.0 days of forward consumption.

Strategic inventories in OECD-30, South Africa and China went up by 9 million bbls from the previous month to 1718 million barrels – a level that is 61 million bbls higher than a year ago.

Total World inventories, at the end of April 2009 were at 6887 million barrels, representing increase of 32 million bbls from the previous month, and 231 million bbls higher than a year ago.

Usable commercial inventories also increased by 24 million bbls to 1318 million barrels - covering 18.4 days of forward consumption.

Fig - 7: changes in global inventories at the end of April 2009. (Million b/d)

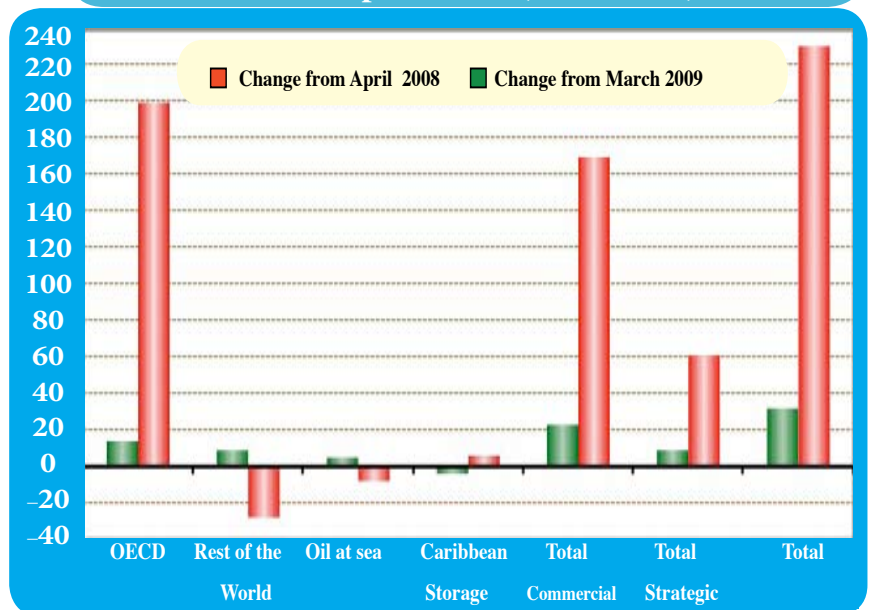


Table -9 in the annex and **figure -7** show the changes in global inventories prevailing at the end of April 2009.

On the export side, Japan's **Petroleum products exports** in April 2009, decreased by 10.0% or 61 thousand b/d averaging 563 thousand b/d. As a result, Japan net oil imports decreased by 370 thousand b/d in April, to reach about 3.85 mb/d. This is mainly due to the 265 thousand b/d decrease in net crude oil imports and the 105 thousand b/d decrease in net product imports.

Saudi Arabia was Japan's top crude oil supplier in April 2009 with a share of 28.8%, followed by UAE with share of 21.0%, Qatar and Iran came next with share of 13.7% and 11.1% respectively. Altogether, **OPEC Member Countries** supplied 88.6% of Japan's crude oil imports. For product imports, UAE was the top product supplier to Japan in April 2009 with share of 14.2%, Saudi Arabia came next with a share of 13.8%, and Kuwait with 9.7%. Altogether, **OPEC Member Countries** supplied 47.8% of Japan product imports in April 2009.

China

China's crude oil imports in April 2009 increased by 2.0% or 87 thousand b/d to average 3.95 mb/d, and **China's Petroleum product imports** went up by 19.0% or 194 thousand b/d, to average 1.24 mb/d.

On the export side, **China's crude oil exports** in April 2009 were down by 21.4% or 24 thousand b/d to average 88 thousand b/d. As a result, China's net oil imports increased by 192 thousand b/d in April 2009, to reach about 4.52 mb/d. This is mainly due to the 112 thousand b/d increase in net crude oil and the 80 thousand b/d decrease in net product imports.

Saudi Arabia was China's top crude oil supplier in April 2009 with a share of 23.0%, followed by Iran with share of 13.6%; Angola came next with share of 9.4%. Altogether, OPEC Member Countries supplied 63.6% of China's crude oil imports.

Table -3 shows change in crude and products net imports/(exports) in April 2009 versus the previous month:

Table - 3: OECD and China Crude and Product Net Imports / Exports (million bbl/d)

Regions	Crude Oil			Total Products		
	April 2009	March 2009	Change from Jan. 2009	April 2009	March 2009	Change from Jan. 2009
OECD of which :						
USA	9.690	9.297	0.393	0.979	1.457	- 0.478
Japan	3.526	3.792	- 0.265	0.326	0.430	- 0.105
China	3.864	3.752	0.112	0.654	0.574	0.080

Source: OPEC Monthly Oil Market Report 2009. Various issues.



Total Japanese, Korean and Chinese LNG imports from various sources in April 2009 declined by 19.4% or 1.740 Million tons from the previous month to 7.226 million tons. The Arab countries (UAE, Qatar, Algeria, and Oman) exports to Japan and Korea went down in April 2009 by 17.0% or 0.462 Million tons to 2.253 million tons - a share of

Table - 5 : LNG Prices and Imports: Korea and Japan, 2007-2009

	Imports				Average Import Price		
	(thousand tons)				(\$/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
2007	66816	25577	2913	95306	7.7	9.5	4.0
2008	69628	26257	3336	99221	12.5	13.8	5.4
Oct.2008	5869	1810	258	7937	15.1	16.6	3.1
Nov.	5240	1810	270	7320	15.1	16.6	3.7
Dec.	6206	2442	195	8843	13.8	16.5	3.1
Jan 2009	5896	3909	203	10008	12.7	15.1	3.9
Feb.	5250	2855	334	8439	10.5	12.8	3.5
March	5789	2855	322	8966	9.5	12.8	4.5
April	5266	1760	200	7226	8.1	8.7	3.9

Source: World Gas Intelligence, June 8, 2009

31.2% of total Japanese and Korean LNG imports. **Table -5** shows the prices and quantities of LNG imported by Japan South Korea and China in 2007-2009.

III. News of OAPC Member and Other Countries

Egypt

Total ship tonnage transiting the Suez Canal in 2008 increased by 7.3% to 910mn tons, the Suez Canal Authority (SCA) said in its latest Annual Report. But oil tanker tonnage through the canal remained almost flat against the previous year. Despite record shipments of oil through the canal in August, the global economic downturn slashed the flow of oil shipments in 4Q08. Accordingly, net oil tanker tonnage passing through the canal in 2008 actually rose year-on-year by 0.5%, to 146.7mn tons. But this compares with a rise of 7.2% in 2007. Unlike the dramatic slowdown in oil shipments, 2008 marked a rise in LNG traffic of 18.9%, with 39mn net tons of LNG passing through the canal. And data for end-2008 and early-2009 show the volume of LNG shipments holding up, if not actually rising, while oil ship tonnage passing through the canal fell to an average of 9 mn tons per month in 1Q09.

Iraq

Iraq intends to impose a tax of at least 35% on the earnings of foreign oil companies operating in the country. The Iraqi Oil Ministry has drafted a bill to that end and it has been adopted by the government. The draft legislation is now to be introduced into Parliament. The rate of profits tax imposed on companies operating in all other sectors of the Iraqi economy is currently 15%.

Announcing the adoption of this bill, the federal government spokesman explained that the main objectives behind it were to increase budgetary receipts and support the national economy, which is very dependent on the oil sector and the revenues it generates. In deciding to impose this tax, the government followed the advice of the Consultative Council of State.

Kuwait

Kuwait and China signed a memorandum of understanding (MOU) on 11 May agreeing that their long planned refinery project be relocated and calling on the authorities in China to expedite approving the project in the southern province of Guangdong. The project is expected to cost \$9 billion, according to the official

II. The Natural Gas Market

1. Spot and future Prices of Natural Gas in US market

The average spot price of natural gas at the Henry Hub in May 2009 was up by 8.6% or \$0.3/million British Thermal Units (BTU) compared with the previous month, to stand at \$3.8/million BTU.

The comparison, shown in **table -4**, between natural gas prices and those for the WTI crude and low sulfur fuel oil reveals differential of \$6.4/ million BTU in favor of WTI crude and \$ 4.7/ million BTU in favor of low sulfur fuel oil.

Table - 4: Henry Hub Natural Gas, WTI Crude Average, and Low Sulfur Fuel Oil Spot Prices, 2008-2009 (\$/Million BTU) ⁽¹⁾

	May 2008	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2009	Feb.	Mar.	Apr.	May
Natural Gas ⁽²⁾	11.2	12.6	11.4	8.3	7.6	6.7	6.6	5.8	5.3	4.6	4.0	3.5	3.8
WTI Crude ⁽³⁾	21.6	23.1	23.0	20.1	16.7	13.2	8.4	7.1	7.2	6.7	7.6	8.6	10.2
Low Sulfur Fuel Oil (0..3%)	15.5	18.7	19.6	17.5	15.1	11.0	7.8	6.5	7.1	7.1	7.3	7.7	8.5

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.

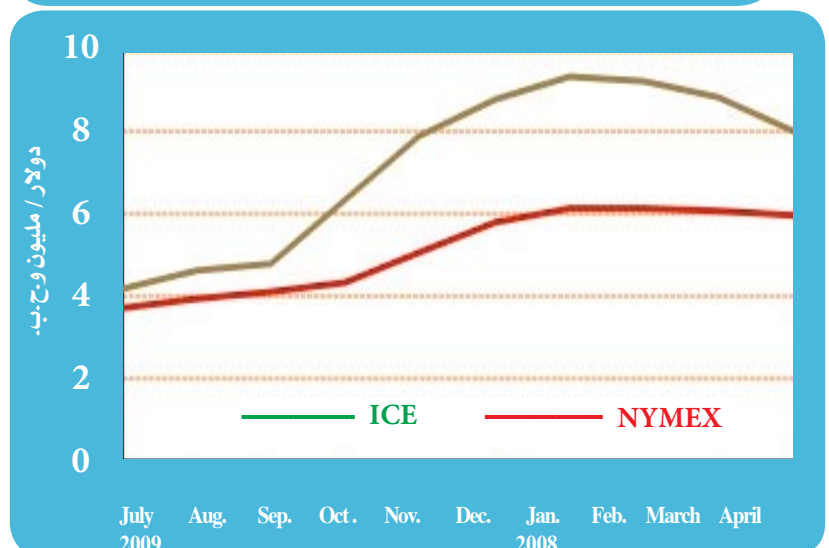
Source: World Gas Intelligence, June 3, 2009.

Prices of gas futures at the London’s ICE on June 08, 2009 were higher than those quoted at the NYMEX for the period July 2009 to April 2010, with maximum differential of \$3.26/ million BTU in January 2010. These developments are shown in **figure -8**.

2. Asian LNG Markets

In April 2009, the price of Japanese LNG imports went down by \$1.4/ MMBtu from the previous month to settle at \$8.1/ MMBtu. The price of Korean LNG imports decreased by \$4.1/ MMBtu from the previous month to settle at \$8.7/ MMBtu, where the price of Chinese LNG imports decreased by \$0.6/ MMBtu, from the previous month to \$3.9/ MMBtu.

Fig. - 8: Gas Futures, June 8, 2009



Source: World Gas Intelligence June 8, 2009

July 2009

OAPEC ACTIVITIES



5th Coordination Meeting for Managers of Arab Petroleum Training Institutes in OAPEC Member Countries

In response to an invitation from OAPEC's General Secretariat, the 5th Coordination Meeting for Managers of Petroleum Training Institutes was held in Cairo, Egypt, 27-28 May 2009.

The meeting was attended by 25 specialists as follows: Algeria (1), Bahrain (2), Egypt (3), Iraq (4), Kuwait (4), Libya (2), Saudi Arabia (2), Syria (3), the Arab Petroleum Training Institute (1), H.E. OAPEC Secretary General, Director of OAPEC's Technical Department, and OAPEC's Director of Public Relations and Services.

The meeting was opened by H.E. Abbas Naqi, OAPEC Secretary General, who welcomed the participants. He stated that the optimum benefit of the petroleum training institutes can be achieved by holding regular meetings to exchange knowledge and information with the aim of strengthening cooperation and knowledge. He directed that coordination among the training institutes be through annual meetings and that the host country would convene it in coordination with the General Secretariat.

Accordingly, the four previous meetings had been held in Cairo, Algiers, Damascus and Tripoli. In order for such meetings to continue, the General Secretariat convened the fifth meeting since no country offered to host it. It coordinated with Egypt's Ministry of Petroleum to arrange a field visit to Maharat Oil and Gas Company. He thanked H.E. the Minister of Petroleum, and Egypt's representative on the Executive Bureau and Maharat officials in Egypt.

Dr Mukhtar Lababidi, Director of the Technical Department, was elected to chair the meeting. He thanked the participants for their trust in him and then reviewed the results of the fourth meeting.

He handed over to H.E. Shaban Agha, Director-General of Libya's Petroleum Training Institute, who chaired the fourth meeting. He thanked OAPEC's General Secretariat for convening the meeting and expressed the willingness of his institute to cooperate and exchange information with other institutes. He spoke about a visit to his institute by an Algerian delegation and that the institute received a request from Iraqi training specialists who would like to visit the institute. Preparations for the visit are under way.

Next came Mr Zuhair Shakir, Director-General of the Arab Petroleum Training Institute, who spoke about the institute's potential, contributions and activities. He called for it to be returned to its natural position under the OAPEC umbrella, noting that the institute is self-financing.

Managers of the institutes reviewed training activities in their countries and the abilities of their institutes as well as their readiness to cooperate with other institutes. They proposed suggestions to increase the benefits of such meetings.

Participants emphasized the need to work to achieve some of the goals they had identified. They also suggested some ideas to increase the benefits of such meetings in the future. They promised to submit their proposals to OAPEC's General Secretariat by the end of June 2009 for consideration when preparing the next meeting's agenda.

Kuwait's delegation welcomed the convening of the upcoming meeting in Kuwait in March 2010 in coordination with the General Secretariat. Participants welcomed the invitation and expressed their gratitude to the Kuwaiti delegation for taking the initiative.

Kuwait News Agency (Kuna), and is to be undertaken by a joint venture between Sinopec (50%), Kuwait Petroleum International (KPI 30%), Royal Dutch Shell (10%) and the Dow Chemical Company (10%). The complex is scheduled to enter production in 2013. The refinery will have a capacity of 300,000 b/d and process entirely Kuwaiti crude. The complex will also include a 1-million ton/year ethylene cracker.

In a separate development, H.E. Sheikh Ahmad Al-Abdullah Al-Sabah, Kuwait's Minister of Oil and the Chairman of KPC Board, announced that Kuwait Petroleum Corporation (KPC) earned KD 2.051 billion in the 2008-2009 fiscal year which constitutes a 46 % increase than the budget projections, adopted for the same year, forecast at KD 1.4 billion." KPC had earned KD 2.3 billion in 2007-2008 fiscal year, in shadow of the international financial crisis.

Tunisia

French oil company Perenco announced on 13 May that it has started pumping gas through a new pipeline that connects the El-Franig and Baguel fields in central Tunisia directly to the national grid. The valve at the central processing facility (CPF) was turned at an official opening ceremony on 6 May, and production has now been increased to the target rate of 40 mn cfd of commercial gas and associated NGLs, the company said. The 72km, 10in gasline, called South Loop, has enabled the company to double production from the two gas fields, which is in turn understood to have freed up additional transport capacity along the pipeline carrying gas from southern Tunisia. The new pipeline cost almost \$ 100mn and was a joint investment between Tunisia's state-owned energy firm ETAP and Perenco.

Jordan

After years of negotiation, Royal Dutch Shell has finally inked an agreement to explore and develop deep lying oil shale resources that could, if successful, allow the country to achieve self-sufficiency in oil and even become a net exporter. The 50-year concession calls for initial investment of \$340 million, but could lead to a multibillion-dollar development meeting all of the country's current oil demand of around 100,000 b/d, Natural Resources Authority Director-General said. He added that the Anglo-Dutch super major will spend at least \$340 million over the first four stages of the project, which will run for two decades.

China

China and Brazil have agreed a loan-for-oil deal which will see a \$ 10 billion loan extended to state Petrobras from the China Development Bank (CDB). In exchange, Brazil has agreed to increase crude exports to China to 150,000 b/d this year and to 200,000 b/d for the following nine years. This will be done through a long-term export agreement with Unipac Asia, a subsidiary of state Sinopec. Brazil's crude exports to China averaged just 60,000 b/d last year, up 30.5% from 2007. Petrobras and Sinopec also signed a memorandum of understanding on cooperation in "several areas of mutual interest comprising exploration, refining, petrochemicals and the supply of goods and services". Petrobras said.

Venezuela

A preliminary version of the 2008 financial report from state Petroleos de Venezuela (PDV) reveals that as that oil prices surged in 2008, the country's crude basket averaged more than \$87/bbl, helping PDV deliver revenues for the year of \$134.6 billion and profits of \$12.1 billion. But the report also shows that PDV ended the year owing \$13.9 billion to services firms. The preliminary annual report also shows that PDV is owed \$22 billion, some 60% of which analysts ascribe to the Petrocaribe scheme under which Venezuela supplies oil to Caribbean and Central American nations on highly favorable terms. Many of PDV's financial problems can be explained by the heavy burden of its spending in areas that fall outside its oil and gas operations.



Speech of H.E. Abbas Ali Naqi

Your Excellencies, Chairman, Members of the Executive Bureau,

On behalf myself and the staff of OAPEC's General Secretariat, I am pleased to welcome you to Cairo. I wish you a pleasant stay in Egypt.

I would like to take the opportunity to express my gratitude to Egypt for its warm hospitality and to officials at Egypt's Ministry of Petroleum for their usual efficiency in organizing our meeting in Cairo. Special thanks go to H.E. Ahmad al-Ashmawi, Chairman of the Executive Bureau's current session and representative of Egypt, for his efforts in this regard.

The 123rd meeting is being held to discuss the items proposed in the agenda and prepare an agenda for the 82nd meeting of OAPEC's Ministerial Council (delegates only), to be held on next Monday, 25 May 2009. A dossier with all items on our agenda was sent beforehand.

As you can see, we have a long agenda that includes many topics. I am confident that we will all cooperate to achieve the desired results.

Once again, I wish you a pleasant stay and every success in your deliberations.

Thank you.

OAPEC's 82st Ministerial Council Meeting



The Organization of Arab Petroleum Exporting Countries held its 82st in Cairo, Egypt, on 25 May 2009. The meeting was at the level of the Executive Bureau members representing the ministers and was chaired by Mr. Ahmad al-Ashmawi, Representative of Egypt, which holds the chairmanship of the Executive Bureau in its current session.

H.E president of the meeting welcomed the attendees and expressed the Ministerial Councils appreciation for the efforts of the Secretariat General in their implementation of the recommendations and decisions of the Ministerial Councils.

(See H.E Abbas Ali Naqi speech and the press release in the next page).



Technical Seminars & Meetings 2009

The 16th Coordination Meeting
of Environment Experts
in OAPEC Countries
Cairo 14-15 October, 2009

The 9th Meeting of Working Group
on Prospects for Cooperation in
Natural Gas Investment
Cairo 17-18 October 2009.

For more information:
Organization of Arab Petroleum Exporting
Countries (OAPEC)

P.O. Box 20501, Safat 13066 Kuwait

Tel: 00965 24959000

Fax: 00965 24959755 or 00965
24815747

Email:

opaectech@oapecorg.org

oapec@oapecorg.org

oapec@oapec.fasttelco.com

Meetings of Arab Electricity Experts Cairo, 17-21 May 2009

In response to an invitation from the Arab League's Secretariat General (Energy Department—Secretariat General of the Council of Arabs Ministers Responsible for Electricity), OAPEC's General Secretariat took part in the meetings of experts, members of the Executive Bureau and the Council of Arab Ministers Responsible for Electricity, which were held at the headquarters of the Arab League's Secretariat General, 17-21 May 2009.

The meetings were attended by experts from the Arab countries represented on the Executive Bureau, the chair and members of the Executive Bureau, and the ministers. Representatives came from Algeria, Bahrain, Egypt, Jordan, Libya, Qatar, Saudi Arabia (as an observer), Syria, the UAE, the Arab Industrial Development and Mining Organization, the Arab Atomic Energy Agency, OAPEC, the GCC Interconnection Authority, ESCWA and the General Secretariat of Interconnection Project.

The meetings addressed a number of topics, including following up the resolutions of the Arab Economic, Social and Development Summit, Arab electricity interconnection, renewable energy, improving energy efficiency, peaceful uses of nuclear power, scientific symposiums of the Council and cooperation with countries and regional and international organizations and blocs.

The General Secretariat was represented at the meeting by Dr. Jamil Tahir, Director of the Economics Department.



Press Release on 82nd Meeting of OAPEC's Ministerial Council

OAPEC's Ministerial Council held its 82st meeting in Cairo, Egypt, on 25 May 2009. The meeting was at the level of the Executive Bureau members representing the ministers and was chaired by Mr. Ahmad al-Ashmawi, Representative of Egypt, which holds the chairmanship of the Executive Bureau in its current session.

The Council approved the final accounts for 2008 for the General Secretariat and the Judicial Tribunal. It reviewed the Secretariat's activities since its last meeting and the studies it had conducted on oil, energy and the environment. It also reviewed reports on the Secretariat's symposiums and meetings in addition to planned symposiums on various topics for this year.

The Council followed up preparations for the 9st Arab Energy Conference to be held in Doha, Qatar, 9-12 May 2010.

The Council sent a letter of condolence to President Mubarak, expressing its deep sorrow for the loss of his grandson.

The Council concluded its meeting, expressing its gratitude to Egypt for facilitating the success of the meeting.

Cairo, 25 May 2009

July 2009



Sonatrach ...

the Crane of the Algerian Economy



ALGERIA is one of the largest oil and gas exporting countries in the world, the economic improvement in recent years contributed the implementation of several major oil projects. the petroleum industry considered as is the main engine of the algerian economy.

In this report we will address the main feature of the gas sector in Algeria, and the role of Sonatrach company in this sector..

9th Meeting of Sectoral Cooperation Between the Arab League and the UN and its Specialized Agencies

In response to an invitation extended by the Arab League General Secretariat (Multilateral Relations Department), OAPEC participated in the 9th Meeting of Sectoral Cooperation between the Arab League and the United Nations and its Specialized Agencies. The meeting was held at the headquarters of the Arab League in Cairo, 17-18 June 2009, and was preceded by a coordination meeting of experts on 16th June 2009, devoted to discussing climate change phenomenon.

The General Secretariat of OAPEC was represented at the meeting by H.E. the Secretary General Mr. Abbas Ali Naqi, and Dr. Mohammed Mukhtar Al-Lababidi, Director of the Technical Department.

The meeting was inaugurated by H.E. Mr. Ahmed Benhelli, Deputy Secretary General of the Arab League, and H.E. the Representative of the Secretary General of the UN and the General Manager of ESCWA Mr. Bader Defia'a.

In his intervention his H.E. the Secretary General of OAPEC, noted the need to conduct a study on the effects of the application of the United Nations Framework Convention on Climate Change and the Kyoto Protocol on petroleum exporting countries. For his part H.E. the General Manager of ESCWA promised to do so.

The meeting addressed the following key topics:

- Adjustment to the effects of climate change.
- Possible mitigation actions.
- Managing interrelated themes.

A panel discussion on ways to strengthen the cooperation between the Arab League and the UN in the adaptation and mitigation fields, was also convened.

Two keynote speeches were delivered by the Arab League, and the UN. The General Secretariat of (OAPEC) was assigned to submit a paper on the Arab view with respect to "The Potential of Mitigation Measures", which was delivered by Dr. Mohammed Mukhtar Al-Lababidi.

At the end of the meeting the participants issued a final declaration, which summarized its proceedings and referred to the possibilities of cooperation between the two Organizations (the UN and the Arab League) in implementing projects on adaptation and mitigation in the context of climate change in the Arab region.



July 2009



Good results in light of the global financial crisis:

Despite the negative effects of the global financial crisis, Sonatrach has shown its determination to continue their petroleum ventures, and in this regard has made a budget estimated at 63 billion dollars to develop its infrastructure in the areas of prospecting, exploration, transportation and marketing, including 1.5 billion dollars for exploration, as the company seeks to strengthen the capabilities of the maritime transport fleet, which in 2008 received two tankers, and is considering the purchase of new vessels.

Also strengthened its presence in many regions in South America, Africa and Europe.

Cooperation with international companies:

International oil companies have shown interest to invest in Algeria, where Sonatrach managed the, in cooperation with international companies to increase crude oil production of about 750 thousand b/d in the early nineties of the last century, to about 1.4 million b/d, not to mention the achievements of the marked increase in the Liquids production of oil and natural gas.

In March 2009, Sonatrach and the US' Anadarko have awarded construction contracts worth \$3bn on their El-Merk oil production hub. The hub will have capacity of 130,000 barrels a day (b/d) of liquids across two 65,000 b/d oil and condensate trains, and 600 million cubic feet a day (cf/d) of natural gas liquids (NGL).

New gas projects:

MEDGAZ:

MEDGAZ is a strategic project for Algeria, Spain, and the rest of Europe. On the one hand, natural gas will be supplied directly from Algeria, without requiring transit through third countries, which will considerably enhance security of supply. On the other hand, it is the most cost-effective way of delivering natural gas to Southern Europe and creating a future gas hub, as highlighted by renowned energy pundits and experts such as the Mediterranean Energy Observatory (OME) and Wood Mackenzie. MEDGAZ will also help to meet growing demand for natural gas in Europe. Lastly, the planned sub-sea link complies with the Kyoto Protocol.

As a result, the gas pipeline has received considerable support from a variety of government institutions and agencies. In Spain, it was included in the document titled "Planning



Sonatrach Company

Sonatrach founded in 1963, it is a state-owned company and a major player in the global oil industry. Sonatrach activities cover the whole hydrocarbon chain from exploration and production through pipeline transport to processing and marketing of hydrocarbons and their derivatives. Sonatrach is involved in other activities such as power generation, new and renewable energies, mining and seawater desalination. Sonatrach is also active internationally in several countries in Europe, Africa, Middle East and Latin America.



Sonatrach headquarter

Oil & Gas reserves

Algeria contained an estimated 12.2 billion barrels of proven oil reserves as of January 2009, Algeria's largest proven reserves are located in the eastern half of the country. Algeria's Saharan Blend oil, 45° API and 0.1 percent sulfur content, is among the highest quality in the world. European countries rely on Algerian oil to help meet increasingly stringent European Union regulations on sulfur content of gasoline and diesel fuel.

Algeria had 159 trillion cubic feet (Tcf) of proven natural gas reserves (the eighth-largest natural gas reserves in the world) as of January 2009. Algeria's largest gas field is Hassi R'Mel, discovered in 1956 and holding proven reserves of about 85 Tcf. Hassi R'Mel accounts for about a quarter of Algeria's total dry natural gas production.

Production and operation of the Algerian fields:

Sonatrach oversees the operation and production of all oil and gas fields in Algeria:

- Hassi Messaoud field
- Hassi R'Mel field
- Zerzaitine Field
- Ait field
- Ait khair field
- Haod Barkaoui

Tables Annex

of Electrical Power and Gas Sectors. Development of Transportation Networks 2002-2011”, drafted by the Spanish Finance Ministry (MINECO, September 13, 2002). The Spanish Ministry of Industry, Tourism and Commerce has recently awarded “priority” status to MEDGAZ. In Europe, MEDGAZ has been approved by the European Commission as a “Project of Priority Interest within Trans-European Networks in the Energy Sector” (Decision 1229/2003/EC).

Galsi project:

In November 2007 Italy and Algeria signed an agreement on to create a 900-km (560 mile) pipeline that will carry Algerian natural gas to Italy starting in 2012. The Galsi project is expected to supply Italy with 8 billion cubic metres of gas a year. Galsi partners are Sonatrach, Italian utilities Enel, Hera and Edison, the Sardinian regional government and Wintershall, a unit of Germany’s BASF. Snam Rete Gas will also participate in the Italian part of the Galsi project, and has estimated its potential investment at about 1.3 billion euros (\$1.91 billion). SRG is half owned by oil and natural gas company Eni. Most of the pipeline, 600 km, will pass offshore, reaching a maximum depth of 2,800 metres.



The GK3 pipeline:

In 3 June 2009, Italian oilfield services firm Saipem and Egypt’s Petrojet signed deals worth over \$1.4 billion on Wednesday to build a gas pipeline in Algeria, Algerian state energy firm Sonatrach said. The GK3 pipeline will boost capacity out of Hassi R’Mel, one of the world’s largest gas fields, to 9 billion cubic metres per year, Sonatrach said in a statement. Capacity would feed two power stations, the north African country’s domestic gas network, a liquefied natural gas terminal and the planned Galsi pipeline to Italy via Sardinia.

The first two stretches of pipeline totalling 433 kilometres (270 miles) and linking Hassi R’Mel to Mechtatine were awarded to Petrojet while Saipem won the remaining 351 km (218 miles) as far as Skikda port and El Kala, Sonatrach added. The combined value of the deals signed in Algiers at more than 100 billion dinars (\$1.39 billion).



fully or partially adopted from other sources should be properly cited. A detailed list of references, cited or used, must be attached.

- 5- Four hard copies along with a digital copy of the research (either in Arabic or English) should be submitted. The author(s) resumé giving his/her/their professional background(s) should also be included.
- 6- The Deadline for submitting the research is May 31st, 2010.
- 7- The competition is open to all nationalities.
- 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.

The OAPEC Secretariat shall notify the author(s) of the Award Committee's decision. The official declaration of the winner(s) will be announced at OAPEC's 2010 Ministerial Council Meeting.

For further information, please contact OAPEC General Secretariat at:

Organization of Arab Petroleum Exporting Countries (OAPEC)

Technical Affairs Department

P.O.Box: 20501 Safat 13066- Kuwait

Tel: (+965) 2 4959000

Fax: (+965) 2 4959755

e-mail: oapectech@oapecorg.org

website: www.oapecorg.org

Organization of Arab Petroleum Exporting Countries (OAPEC)

OAPEC AWARD FOR THE SCIENTIFIC RESEARCH FOR THE YEAR 2010

TOPIC

Results of New Technologies Applications in Petroleum Exploration and Production in Arab Countries, and its Economics

Statement of relinquishment of printing and publication right for the research

I, the undersigned: _____

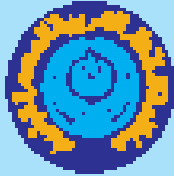
hereby undertake to relinquish all printing and publications right of the research submitted by me entitled:

to the Organization of Arab Petroleum Exporting Countries (OAPEC), in the event of winning one of the two prizes of OAPEC Award for Scientific Research for the year 2010.

Name: _____

Signature: _____

Date: _____



ANNOUNCEMENT

OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2010

Pursuant to its policy in encouraging scientific research by awarding two prizes on a biennial basis (First Prize is KD 7000 and KD 5000 for the Second Prize, equivalent to \$ 25000 and \$18000 as per end of 2008 exchange rates). The Organization of Arab Petroleum Exporting Countries (OAPEC) is pleased to announce that the topic for its Scientific Research Award for the year 2010 is:

“RESULTS OF APPLYING NEW TECHNOLOGIES IN PETROLEUM EXPLORATION AND PRODUCTION IN ARAB COUNTRIES, AND THEIR ECONOMIC RETURNS”.

Research Theme:

With increasing demand for oil and gas, new improvements and developments in exploration and production technologies have emerged. This has led to locating new geological prospects, identifying opportunities for horizontal and vertical extensions in previously discovered structures, decreasing the percentage of dry exploration wells, better understanding of reservoirs, as well as increasing recovery factors and reserves, etc.

The objective of the research is to review one or more techniques used in Arab countries, that have proved successful.

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

- 1- Brief review of the geology of the studied structure(s), and its exploration and production history (if applicable).
- 2- Illustration of the technology applied in exploring or developing the structure(s) or the field(s), and the reason for choosing that technology (be it seismic, geophysical, drilling techniques, geological models, reservoir characterization, IOR, etc...).
- 3- The application outcome.
- 4- Economic evaluation.
- 5- 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 must be new, and has not been granted an award previously.
- 3- The author(s) shall, in advance, agree to give OAPEC the right to print and publish the research in case he/she/they win one of the prizes. A signed statement to this effect must be submitted with the research (Sample appended). The author(s) maintains all other propriety rights including that of patent (if applicable). OAPEC shall exercise its right to publish the winning research after six months from the date of advising the winning author (s) with the decision of the Award Committee.
- 4- The author(s) should submit a statement to declare that the research is new and original. Segments