OAPEC

Vol. 40 No. 11

Organization of Arab Petroleum Exporting Countries

November. 2014

The Tenth Arab Energy Conference

“Energy and Arab Cooperation”

OPEC Keep Current Production Levels Unchanged

HE Al Naqi: OAPEC members will remain the main hydrocarbon supplier for decades to come

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.

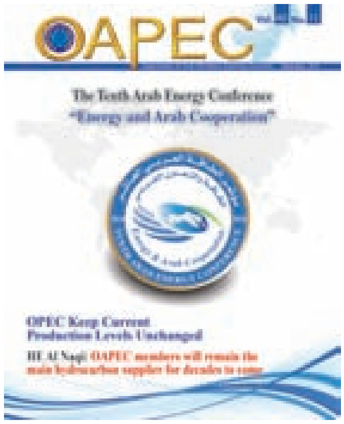
OAPEC'S ORGANS

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



Cover of the issue

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In this issue

OAPEC Monthly Bulletin is published by the General Secretariat of OAPEC- Information and Library Department.

(ISSN: 1018-595X)

Annual Subscription (11 issues)

Arab Countries Individuals: KD **10** or equivalent in USD $

Institutions: KD **15** or equivalent in USD $

Other Countries Individuals : USD $ **40**

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The Tenth Arab Energy Conference
"Energy and Arab Cooperation"

The Tenth Arab Energy Conference (AEC10) will be held in Abu Dhabi, UAE, from 21 to 23 December 2014 under the high patronage of HH Sheikh Khalifa bin Zayed bin Sultan Al Nahyan, the President of the United Arab Emirates. The theme of the Conference will be "Energy and Arab Cooperation." Official delegations representing the Arab League member countries and regional and international energy organizations will take part in the prestigious event.

Since its launch with the First Arab Energy Conference held in Abu Dhabi in 1979, then in many other Arab capitals, The Arab Energy Conference has become the Arab energy industry's living memory for over three decades. During these years, the Arab and international energy industry witnessed relentless developments that were monitored and documented through studies, papers, and country papers presented by the Arab and non-Arab experts who enriched the Conference with their invaluable scientific views and clear vision of the current status and future trends of the Arab energy industry.

The success of the Arab Energy Conference for more than three decades with an increasing participation in every new round has been the fruit of the sincere work by its organizers: the Organization of Arab Petroleum Exporting Countries (OAPEC), the Arab Fund for Economic and Social Development (AFESD), the League of Arab States (LAS), and the Arab Industrial Development and Mining Organization (AIDMO), in addition to the great support of the Arab countries. The Conference has become a landmark among Arab conferences and a major tool to monitor Arab developments in the energy industry.

The Tenth Arab Energy Conference will be held in extraordinary circumstances for the Arab and international oil and gas industry where oil prices have been dropping continuously in the world's oil market, in addition to; an increasing international interest in producing oil and gas from nonconventional resources, and the critical stage of the UNFCCC international negotiations. This and other current world energy industry issues will be covered by the technical sessions and discussion panels at the Conference.

The active participation of Their Excellencies the Petroleum and Energy Ministers from the OAPEC member countries and other non- member Arab countries, and the Heads of international organizations specialized in energy and economy will undoubtedly enrich the Conference's discussions. They will help greatly in coming up with objective recommendations and visions about the reality of the Arab and international energy industry.

The Conference Organizing Committee, represented by OAPEC Secretariat General and AFESD, took all measures to approve the scientific papers to be presented at the Conference. The Committee spares no effort in making all the arrangements for a well organized reception of the Conference participants and guests and highlighting its activities through extensive media coverage in collaboration with the host country represented by the UAE's Ministry of Energy.

With the advent of the AEC10, the OAPEC Secretariat General wishes success to all the sincere efforts done to create this platform for a constructive dialogue among Arab countries on energy issues, and to highlight the Arab petroleum exporting countries' efforts in securing safe and continuous flow of oil and natural gas supplies.

OPEC 166th Ministerial Meeting

The 166th Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held in Vienna, Austria, on 27th November 2014. The Conference decided to keep production levels unchanged at the current 30 million barrels as agreed in December 2011.

The Conference statement said that OPEC members were ready to respond immediately to any developments that could have negative impacts on the stability of the oil market. Agreeing on the need to be vigilant given the uncertainties and risks associated with future developments in the world economy, the Conference directed the Secretariat to continue its close monitoring of developments in supply and demand, as well as non-fundamental factors such as speculative activity, keeping Member Countries fully briefed on developments.

TENTH ARAB ENERGY CONFERENCE

Energy & Arab Cooperation

Abu Dhabi - United Arab Emirates, December 21-23, 2014

Under the Patronage of

His Highness Sheikh Khalifa bin Zayed Al Nahyan,

President of the United Arab Emirates

The Tenth Arab Energy Conference will be convened in Abu Dhabi, UAE, during the period 21 – 23 December 2014, under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum. The theme of the Conference will be **"Energy and Arab Cooperation."** Discussions will cover: energy resources and their development prospects; energy consumption and conservation in Arab Countries; environment and energy for sustainable development; the role of regional markets and energy institutions in world market stability. Discussions will also include international developments in oil and natural gas markets; investment in oil and natural gas projects; prospective technology developments and their impact on Arab energy; and Arab cooperation in the energy sector.

OBJECTIVES

- To establish an Arab institutional framework to review oil and energy issues in order to develop a Pan-Arab perspective.
- To coordinate relations among Arab institutions concerned with energy and development.
- To harmonize energy policies with development issues.
- To investigate present and future Arab energy requirements and the means of meeting them.
- To identify and assess energy resources existing in the Arab countries, and to coordinate and enhance efforts towards developing these resources.
- To identify and evaluate the impact of international energy policies on the Arab countries.

Conference Organizers and Sponsors

Arab Fund for Economic and Social Development

League of Arab States

Organization of Arab Petroleum Exporting Countries

Arab Industrial Development and Mining Organization

KSA

HRH Crown Prince Salman bin Abdulaziz

KSA Continues its Positive Role to Stabilize World's Oil Market

HRH Crown Prince Salman bin Abdulaziz Al Saud, Head of the Saudi delegation to the G20 Summit, delivered the speech of the Kingdom of Saudi Arabia, on behalf of the Custodian of the Two Holy Mosques His Majesty King Abdullah bin Abdulaziz Al Saud, at the G20 Summit held in Brisbane, Australia.

The Crown Prince stressed that the Kingdom of Saudi Arabia continues its balanced policies and positive role in cementing the stability of oil markets, taking into account the interests of the producing and consuming countries.

Crown Prince Salman stressed that Saudi Arabia's economy achieved strong growth, particularly in non-oil sectors due to its economic policies. The Crown Prince also said that enhancing access to sustainable and reliable energy sources with reasonable costs, particularly for poor countries, is an essential condition for alleviating poverty and achieving development. He stressed at the same time the important role of fossil fuel in balancing the world's energy mix, securing energy supplies, and enabling developing countries to obtain energy at reasonable costs which enhance development.

HRH Prince Salman underscored energy conservation and the need to enhance energy efficiency worldwide while taking into consideration the unique domestic situation of each country. The Crown Prince said that KSA started implementing a comprehensive national program on energy efficiency and conservation in light of the current domestic needs for development.

Official data published by the Joint Organizations Data Initiative (JODI) showed that Saudi Arabia's crude oil exports edged up in September 2014, by around 59,000 barrels per day (bpd) while volumes used by domestic refineries remained high. KSA shipped 6.722 million bpd of crude in September 2014 up from 6.663 million in August 2014 but lower than July's 6.989 million.

Al Naimi:
Oil price stability is in the interest of both producers and consumers

HE Eng. Ali bin Ibrahim Al Naimi, Minister of Petroleum and Mineral Resources of the Kingdom of Saudi Arabia, delivered a speech at the 4th Ministerial Gas Forum, organized by the International Energy Forum and Global Gas Union, in Acapulco, Mexico.

Al Naimi confirmed that his country is among the pioneering producers of oil and petrochemicals in the world. He explained the efforts by KSA to develop petroleum industries.

The Minister pointed out to the increasing role of gas in meeting domestic power demand. He said gas reserves are used in promoting the transfer process currently underway in the Kingdom as gas helps to meet the increasing demand on energy given the fact that it is the most favorable fuel for power generation, water desalination, stimulation for finding new industries, and provision of more job opportunities in transformable industrial complexes.

HE Al Naimi tackled current developments in the world's oil market saying "I'd like to conclude my speech by a short comment on the world's oil market and the Saudi oil policy. We have been exposed to harsh and inaccurate speculations although the Saudi oil policy remained unchanged for the past few decades. Saudi Arabia does not set the oil price, the market sets the price." He added "We work with other producers to guarantee prices stability for the good of the producers, consumers and the industry as a whole. Saudi Aramco prices oil according to sound marketing procedures -- no more, no less." He added "take into account a host of scientific and practical factors, including the state of the market, refinery margins and long-term relationships with customers. Talk of a price war is a sign of misunderstanding -- deliberate or otherwise -- and has no basis in reality. We don't plot conspiracies. It is a matter of demand and supply. A mere trade. "

Al-Naimi concluded his speech by saying that the oil market stability is important because this is good for producers, consumers and investors. It helps the world's economic growth on the long run, especially the developing and emerging economies. Therefore, OPEC and non-OPEC countries should continue dialogue whether producers or consumers. The International Energy Forum has always played an active role in gathering all countries for dialogue, and this will surely continue in the future.

Qatar

Accelerating Growth of Petrochemicals Industry in the GCC

Qatar's Minister of Energy and Industry HE Dr Mohammed bin Saleh Al Sada said his country has drawn up ambitious plans to enhance its prominence as a major player in the world's petrochemical industry, and open new opportunities for further development to secure increasing the country's petrochemical production.

The Minister was speaking at the opening session of the annual Gulf Petrochemicals and Chemicals Association (GPCA) forum in Dubai, UAE. He reviewed the achievements of Qatar in the field, which plays a role in achieving Qatar National Vision 2030. He highlighted the establishment of QAPCO 40 years ago to signal the start of the petrochemical industry for the GCC.

He expected the production of petrochemicals in the GCC to increase by 50 percent, with more than 190 million tonnes produced by 2020. The growth in petrochemicals production was a result of good planning of GCC countries.

He said many factors had a role in the growth of the petrochemicals industry in the GCC among which: the availability of the crude feed which made the petrochemicals sector the second biggest industrial sector in the region, with annual production worth $100 billion.

Al Sada said that around $380 million was invested in the sector in 2012, a 30 percent increase over the previous year. The global levels of investment in the sector increased by an average of 10 percent annually. The Minister noted however, that the real challenge was to keep the industry in the region on the right track especially in the light of the big growth of the petrochemicals industry in the GCC in the past 25 years. There are predictions of a steady growth in the near future.

He underscored that the strategic importance of investments in the sector needed looking into the prevailing trends worldwide, and following up developments affecting the industry like the global economic growth, future demand for petrochemicals, the influence of competitiveness and so on.

The Minister also noted that the production of shale gas in the United States could be another factor that affects petrochemicals and the competitiveness of its products in the region in the future. This is in addition to the probable impact of coal-based polyethylene production in China, which can boost the plastic industry to become a relatively cheap alternative of the region's products or North America's shale gas-based products.

All these factors and developments together can form dangerous challenge for the GCC petrochemicals and chemicals industry, and can affect its competiveness. "The Forum should take into consideration these developments to safeguard the petrochemicals industry in the region and the common interests of the GPCA".

Qatargas has announced the safe start-up of the Jetty Boil-off Gas Recovery (JBOG) Project in Ras Laffan Industrial City. This $1billion project is designed to eliminate flaring at the LNG Terminal. The main shareholders of the JBOG Project are Qatar Petroleum, ExxonMobil, Total, ConocoPhillips and Shell, while the facilities are operated by Qatargas and RasGas, the two largest LNG producers in the world.

The JBOG facilities started up successfully during the first week of October 2014, and have been performing safely and reliably. Around 100 million standard cubic feet per day of natural gas which used to be burnt and wasted during LNG ship loading is now being recovered and utilized in the LNG production plants as fuel. Over a period of 30 years the JBOG Project will save nearly one trillion cubic feet of gas for the State of Qatar.

In another development, Qatargas announced that it sold its first cargo of liquefied natural gas (LNG) to Jovo LNG Storage and Transportation Co., Ltd. (“JOVO”), an independent LNG importer from the People’s Republic of China. The 64,000 cubic meter cargo was sold on a free-on-board basis and loaded on to the vessel LNG Lerici at Ras Laffan port on 22 October 2014 pursuant to the FOB Master Sale and Purchase Agreement signed by the parties earlier this summer. The cargo will be delivered to JOVO’s LNG terminal.

This represents the first deal of its kind concluded by Qatargas with an independent and privately owned LNG importer in the People’s Republic of China where until today Qatargas has only supplied LNG to Chinese state-owned national oil and gas companies.

UAE

HE Suhail bin Mohammed Faraj Faris Al Mazrouei: Projects to Develop Natural Gas Fields in the UAE

HE Suhail bin Mohammed Faraj Faris Al Mazrouei, UAE's Minister of Energy, has revealed that Abu Dhabi National Oil Company (ADNOC) has so far invested $70 billion to develop new oil and gas fields to boost the current output capacity of the UAE.

"The Shah Gas Project is on track to commence production in 2014. Developed by Al Hosn Gas, the project is the first of its kind to process sour gas. ADNOC is also developing the Bab sour gas field, making the UAE the first country in the region and the world at large to implement such gas fields," the Minister said in an interview with the Emirates News Agency (WAM).

On how the UAE will meet the exponential demand for gas required by industry, water and electricity projects, Al Mazrouei said the UAE was planning a raft of projects under its national strategy to diversify the energy mix as the liquefied natural gas (LNG) production is enough to meet 50 per cent of the local demand while the remaining 50 per cent was imported.

He expected to develop new gas fields and launch new projects to import LNG. These projects include the awarding of a contract for the Emirates LNG project in Fujairah by the end of 2014 or early 2015. The project, the largest of its kind in the region, was designed on the concept of land-based re-gasification and storage terminal with a total capacity of 9 million tonnes per year (t/y) of LNG.

The Minister said that the UAE is considering diversifying LNG import markets for conventional and unconventional resources.

He said that the Ministry was preparing the energy conservation draft law, the first of its kind in the region, to be submitted to the Cabinet in 2015.

On another note, HE Suhail bin Mohammed Faraj Faris Al Mazrouei, UAE's Minister of Energy, has revealed that Abu the United Arab Emirates has issued the 'State of Energy Report in the UAE 2015', highlighting the status of energy and focusing on the important measures taken by the UAE in the context of its efforts aimed at defining the features of renewable energy and reducing the effects of climate change as part of international sustainability efforts. Within the framework of efforts to create a future based on sustainability, the energy report seeks to become a printed reference source of best practices and success stories in the field of sustainable energy in the U.A.E

The report also focuses on renewable energy contributions in the U.A.E.'s energy diversification policy and energy efficiency criteria as well as the consolidation of efforts to achieve clean, safe and sustainable energy as the main basis of promoting economic and social growth and development.

Dr. Mattar Hamed Al Neyadi, Under-Secretary of the Ministry of Energy and the UAE's representative at OAPEC's Executive Bureau, said that the 'State of Energy Report in the UAE 2015' represents the UAE's vision for the year 2021. The vision is based on an overall and balanced diversification of hydrocarbon, renewable, and nuclear energy resources to meet the future electricity needs and limit negative impacts of climate change and secure energy for the future. The report highlights best practices and success stories of national activities in the process of developing the energy sector in the UAE.

Bahrain

HE Dr Abdul Hussain bin Ali Mirza Appointed as Bahrain's New Energy Minister

His Majesty King Hamad bin Isa Al-Khalifa, The King of Bahrain, issued on 6 December 2014 Royal Decree No. (83) / 2014 appointing a new Cabinet headed by HRH Prince Khalifa bin Salman Al Khalifa. HE Dr Abdul Hussain bin Ali Mirza has been appointed as Minister of Energy in succession to HH Sheikh Ahmed bin Mohammed Al Khalifa.

OAPEC Secretary General HE Abbas Ali Al Naqi sent a cable of congratulations to HE Dr Mirza on the occasion of his appointment. HE Al Naqi hoped that Bahrain will continue to support OAPEC activities. Also, he thanked HH Sheikh Ahmed bin Mohammed Al Khalifa for all his support to the Organization during his tenure.

Kuwait

Kuwait's Oil Minister and State Minister for National Assembly Affairs Dr. Ali Al-Omair said that the drop in oil prices will not have negative impacts on the country's economy and development projects.

The Minister hoped that the prices would not drop to levels that could cause damage to the national economy. He explained that supply and demand were major factors influencing oil prices in the world's oil market. He added that there are signs of a global growth slowdown while there is abundant production in the oil market as OPEC members alone produce one third of the world's oil.

Algeria

Algerian Minister of Energy HE Youcef Yousfi said that Algeria's oil and gas revenues reaching $60 billion by the end of 2014 is governed by oil prices. However, he stressed that there was no concern over the country's budget and programs in light of the drop in oil prices. He explained that OPEC will study the drop in oil prices at their meeting on 27 November 2014. HE Yousfi said that the decline was due to imbalanced demand and supply in addition to other geopolitical factors.

The Minister called for accelerating the thinking process for diversifying the economy to build a strong one in order to secure Algeria's future. He said fuel is not non exhaustive and the prices are not fixed. He also confirmed that Sonatrach intends to drill its first offshore well by the end of 2015. 2.5 billion barrels of oil have been already discovered in the first 9 months of 2014, which increased Algeria's fuel reserves.

Syria

The Syrian Cabinet bulletin said that natural gas production declined from 543.11 million cubic meters in March 2013 to 504.1 million cubic meters in April 2013, a drop of 7.2%. Crude oil production dropped from 229.24 thousand tons in March 2013 to 74.35 thousand tons in April 2013, a drop of 67.6%.

Oil products exports have dropped by 9.4% in 2013. Total power production has dropped from 2708.9 million kilo watts per hour in March 2013 to 2427.9 million kilo watts per hour, a drop of about 10.4%.

Libya

Libya's National Oil Corporation (NOC) announced that GX Technology, a wholly-owned subsidiary of ION Geophysical Corporation, will commence the first phase of seismic data acquisition in the Libyan regional waters of the Mediterranean in November. The whole program covers 21,000 km of 2D regional survey onshore and offshore Libya and will be completed in 6 phases. Final delivery of the fully-imaged dataset and regional interpretation is scheduled for late 2015.

Iraqi

Iraqi November Oil Exports Rise

Iraq's Oil Minister HE Mr Adel Abdul Mahdi took part in the Energy and Economics Summit which was held in Istanbul, Turkey, with the participation of many energy ministers from different European countries. The Summit discussed a number of current issues in the world's energy market including the drop in oil prices and their implications for the economies of producers and consumers, means to secure stability of oil prices, world's energy safety, challenges and investment in the 21th of century, as well as renewable energy issues.

In a speech at the Summit, HE Abdul Mahdi spoke about the current situation and future prospects of the oil industry in Iraq. He highlighted the importance of the southern Iraqi oil on the one hand and the Kirkuk oil from the other hand. He stressed the importance of resuming Kirkuk oil exports to the market in full capacity. The Minister underscored that the Iraqi oil industry is currently witnessing an unprecedented growth with regard to increasing oil production which will contribute to increasing Iraq's financial resources.

HE Abdul Mahdi met with his Turkish counterpart on the sidelines of the Summit. The two Ministers reviewed cooperation in economy, investment, oil and trade, in addition to bilateral efforts to resolve any pending issues for the interest of the two countries and people.

On another note, the Iraqi Oil Ministry announced initial statistics on Iraq's November oil exports which increased compared to previous months. In November 2014, Iraqi oil exports reached 2.51 million b/d while total exports reached 75.31 million barrels. The revenues reached $5.25 billion. November 2014 exports reached 74.473 million barrels from southern ports, and 836 thousand barrels from Kirkuk. Selling price was $70.04 per barrel.

The 20th Annual Energy Conference Future Energy Trends: Innovation, Markets and Geopolitics

Under the patronage of His Highness General Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces and President of the Emirates Center for Strategic Studies and Research (ECSSR), the ECSSR organized its 20th Annual Energy Conference - Future Energy Trends: Innovation, Markets and Geopolitics - on 18 and 19 November 2014, at its office complex in Abu Dhabi. HE Eng Suhail Mohamed Faraj Al Mazrouei, Minister of Energy, UAE attended the event. The Secretary General HE Abbas Ali Al Naqi represented the Organization of Arab Petroleum Exporting Countries (OAPEC).

This year’s conference addressed ways in which production and distribution of the world’s energy resources are being transformed by the introduction of

innovative new technologies and policies. It considered the effects of technological development on conventional energy markets, discussed the prospects for unconventional and renewable energies, and traced the economic and geopolitical consequences of these transformations for the Gulf region and the world.

The conference comprised four panels, each featuring three sessions:

- **The first panel:** "Innovation and Conventional Energy Sources"
- **The second panel:** "Innovation and Trends in Unconventional and Renewable Energies"
- **The third panel:** "Emerging Geopolitical Developments and Competition"
- **The fourth and final panel:** "Energy Market Developments and their Effects on the GCC"

HE Al Naqi gave a speech at the Conference in which he highlighted the current situation and future trends for energy in the Arab World and worldwide.

HE Abbas Ali Al Naqi
OAPEC Members will remain the main hydrocarbon supplier for decades to come

Upon a kind invitation from HE Ibrahim Al Fasi Al Fahri, Head of Amadeus Institute, OAPEC Secretary General HE Abbas Ali Al Naqi took part in the Amadeus Conference activities held in Tangier, Morocco from 12 to 15 November 2014.

Following are some of the most important issues covered by the conference:

- The new world energy order
- Economic and political challenges for emerging Africa
- The reformation of the ever changing Arab World
- The new security threats versus multi-polar crises
- BRICS Group and the emerging markets: the mobilizers of the south

HE Al Naqi delivered a speech at the first session titled "The World's Energy Horizons: new energy, new policies" in which he said that renewable energy resources and shale oil and gas in general, in addition to; other complimentary resources would have an important role in meeting the world's future energy needs, but would remain under the pressure of many challenges and restrictions.

HE Al Naqi mentioned that renewable energy has been witnessing a rapid growth, however, the fact that its resources exist in limited areas means that its share of the world's energy mix will still be meager by 2035. He added that renewable energy resources would keep playing a secondary role for the fossil fuel (oil, gas and coal); the most important and popular energy resources.

The Secretary General concluded his speech by saying that with the presence and availability of large proven reserves of conventional oil and gas, they will remain the dominating energy resources for many decades to come over the world's energy mix. They will continue to provide the world with a large share of its energy needs. The Arab region, OAPEC member countries in particular, will remain the main suppliers of hydrocarbons for decades to come.

Fourth GCC- Moroccan Forum and Expo

Upon a kind invitation by Mr Abdul Rahim Hassan Naqi, Secretary General of the The Federation of GCC Chambers of Commerce & Industry (FGCCC), OAPEC Secretary General HE Abbas Ali Al Naqi took part in the Fourth GCC- Moroccan Forum and Expo held in Casablanca, Morocco from 29 to 29 November 2014 under the High Patronage of His Majesty King Mohammed VI of Morocco, with the support of the Moroccan Government.

HE Al Naqi gave a speech highlighting the significant position of the Arab petroleum producing countries, especially the GCC, in maintaining the world energy balance due to possessing a big share of the world's oil and natural gas reserves, in addition to; their production and exporting capacities which mean continuing their focal role in shaping the world's energy future. The future of oil and gas roles worldwide, demand and supplies predictions, the world petroleum market developments, political, security and geographical circumstances, and other factors have become important benchmarks for deciding development strategies in the Arab oil exporting countries in general. These factors influence these countries' options with regard to oil and gas production, investment, domestic consumption and exports and consequently they continue their active progress which helps achieving stability, growth, prosperity, and sustainable development.

The Forum sought utilizing available opportunities in GCC and Morocco, boosting communication channels, increasing commercial relationship, and opening new horizons for GCC- Moroccan partnerships and investments in Africa.

Some of the most important topics discussed during the Forum were:

- Horizons for GCC- Moroccan partnership and investment in Africa
- GCC- Moroccan collaboration in communication, transportation, and railways

- GCC- Moroccan collaboration in SMEs (legal framework for launching business in the GCC and Morocco)
- GCC- Moroccan collaboration and integration in agriculture and food security
- Aspects of GCC- Moroccan businesswomen collaboration
- GCC- Moroccan real estate and contracting investment opportunities
- Investment in tourism and hospitality .

1. Oil Market

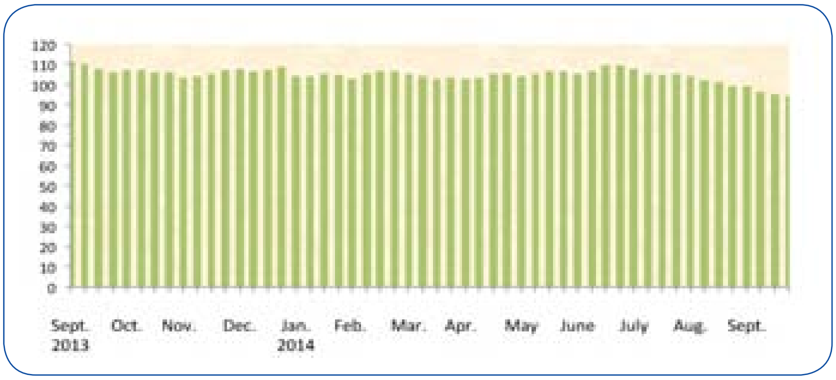
1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of September 2014, recording $99.1/bbl, and continued to decline after that, to reach its lowest level of $94.3/bbl in the fourth week, as shown in figure 1:

On monthly basis, OPEC Reference Basket averaged $96.0/bbl, the lowest level in more than a year and half, representing a decrease of $4.8/bbl or 4.7% comparing with previous month, and a decrease of $12.7/bbl or 11.7% from the same month of previous year. Slow demand and ample supply – particularly in the Atlantic Basin and Asia, were major stimulus for the decrease in oil prices during the month of September 2014. Meanwhile, weak economic data from Europe and China, as well as a strong US dollar and seasonal refinery maintenance, were also stimulus for this decline.

Figure - 1 Weekly Average Spot Price of the OPEC Basket of Crudes 2013 - 2014 ($/bbl)



Key Indicators

- *In September 2014,* ***OPEC Reference Basket decreased*** *by 4.7% or $4.8/bbl from the previous month level to stand at $96.0/bbl.*
- ***World Oil Demand*** *in September 2014,* ***decreased*** *by 1.1% or 1.0 million b/d from the previous month level to reach92.3 million b/d.*
- ***World oil supplies*** *in September 2014,* ***increased*** *by 0.6% or 0.6 million b/d from the previous month level to reach 94.8 million b/d.*
- ***US crude oil imports*** *in August 2014,* ***increased*** *by 4% from the previous month level to reach 7.6 million b/d, and* ***US product imports increased*** by *2.4% to reach about 1.8 million b/d.*
- ***OECD commercial inventories*** *in August 2014* ***increased*** *by 31 million barrels from the previous month level to reach 2691 million barrels* , whereas **Strategic inventories** in OECD-34, South Africa and China ***remained stable*** at *1758 million barrels.*
- ***The average spot price of natural gas*** *at the Henry Hub in September 2014* ***increased*** *by $0.05/million BTU from previous month level to reach $3.90/ million BTU.*
- ***The Price of Japanese LNG imports decreased*** *in August 2014 by $0.4/m BTU to reach $15.7/m BTU, the* ***Price of Korean LNG imports decreased*** *by $0.1/m BTU to reach$16.2/m BTU, whereas* ***the Price of Chinese LNG imports increased*** *by $1.5/m BTU to reach $11.7/m BTU.*
- ***Arab LNG exports to Japan, Korea and China*** *were about 4.078 million tons in August 2014 (a share of 36.5% 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, 2013-2014** ($/bbl)

	Sept. 2013	Oct.	Nov.	Dec.	Jan 2014	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
OPEC Basket Price	108.7	106.7	105.0	107.7	104.7	105.3	104.2	104.3	105.4	107.9	105.6	100.8	96.0
Chamge From previous Month	1.2	-2.0	-1.7	2.7	-3.0	0.7	-1.2	0.1	1.2	2.5	-2.3	-4.9	-4.8
Change from same month of previous Year	-2.0	-1.7	-1.9	1.1	-4.6	-7.4	-2.2	3.2	4.8	6.9	1.2	-4.8	-12.7

* 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, 2013-2014** ($/bbl)

Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2012-2014.

1-2 Spot Prices of Petroleum Products

- **US Gulf**

In August 2014, the spot prices of premium gasoline decreased by 4.7% or $6.0/bbl comparing with their previous month levels to reach $122.2/bbl, spot prices of gas oil decreased by 1.1% or $1.3/bbl to reach $116.3/bbl, and spot prices of fuel oil decreased by 0.3% or $0.3/bbl to reach $94.2/bbl.

- Rotterdam

The spot prices of premium gasoline decreased in August 2014, by 6.4% or $8.2/bbl comparing with their previous month levels to reach $119.9/bbl, spot prices of gas oil decreased by 2.1% or $2.5/bbl to reach $116.7/bbl, and spot prices of fuel oil decreased by 5.5% or $5.2/bbl to reach $88.6/bbl.

- Mediterranean

The spot prices of premium gasoline decreased in August 2014, by 6.3% or $7.7/bbl comparing with previous month levels to reach $115.2/bbl, spot prices of gas oil decreased by 2.3% or $2.7/bbl to reach $117.1/bbl, and spot prices of fuel oil decreased by 5.1% or $4.8/bbl to reach $89.7/bbl.

- Singapore

The spot prices of premium gasoline decreased in August 2014 by 8.7% or $10.6/bbl comparing with previous month levels to reach $111.4/bbl, spot prices of gas oil decreased by 2.0% or $2.4/bbl to reach $117.8/bbl, and spot prices of fuel oil decreased by 1.1% or $1.0/bbl to reach $93.5/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from August 2013 to August 2014.

Figure - 3 **Monthly Average Spot Prices of Premium Gasoline, 2013-2014** ($/bbl)

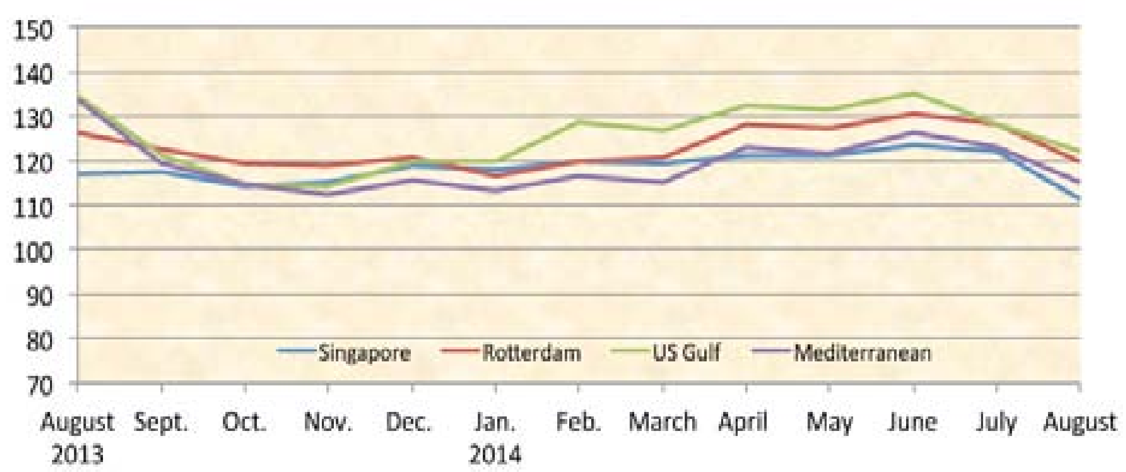


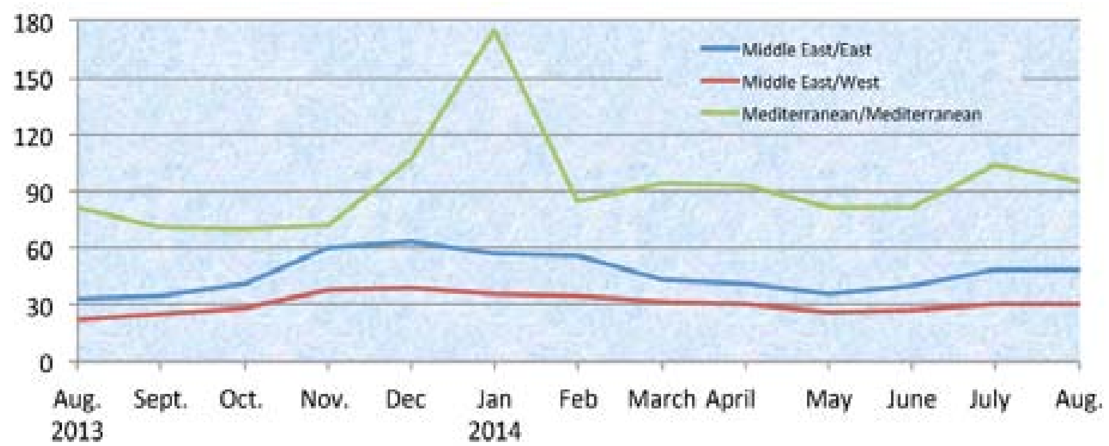
Table (4) in the annex shows the average monthly spot prices of petroleum products, 2012-2014.

1-3 Spot Tanker Crude Freight Rates

In August 2014, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, remained stable at its previous month level of 49 points on the World Scale (WS*), and freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, remained stable at its previous month level of 30 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 9 points or 8.7% comparing with previous month to reach 95 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from August 2013 to August 2014.

Figure - 4 Monthly Spot Crude Oil Tanker Freight Rates, 2013 -2014 (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

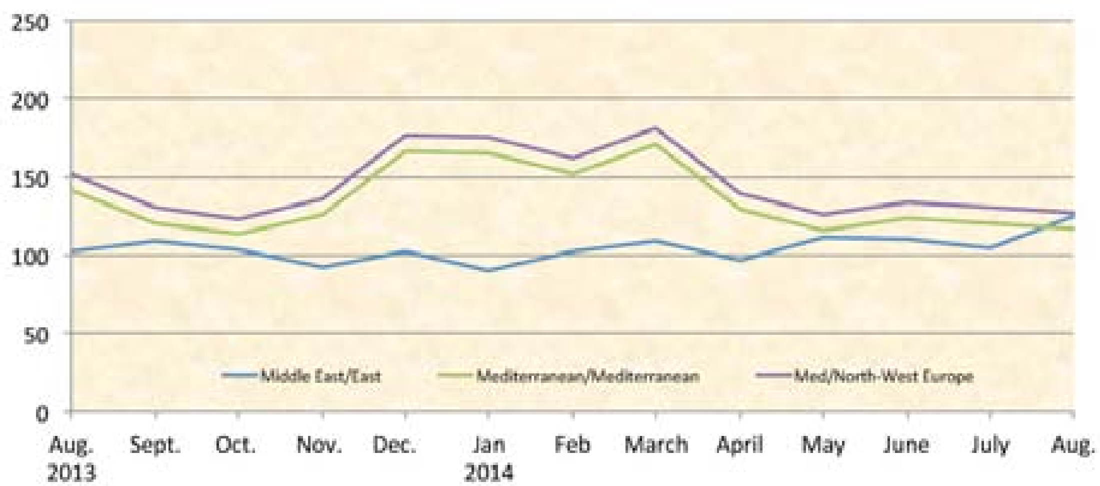
In August 2014, monthly spot Tanker freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Middle Eastern ports to the East, increased by 20 points or 19.0% comparing with previous month to reach 125 points on WS.

Whereas freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 3 points, or 2.5% to reach 117 points on WS, similarly freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe decreased by 3 points, or 2.3% to reach 127 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from August 2013 to August 2014.

Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2012-2014.

Figure - 5 **Monthly Spot Product Tanker Freight Rates, 2013 -2014** (World Scale)



2.Supply and Demand

Preliminary estimates in September 2014 show a decrease in world oil demand by 1.1% or 1.0 million b/d, comparing with the previous month to reach 92.3 million b/d, representing an increase of 0.4 million b/d comparing with their last year level.

Demand in OECD countries decreased by 1.5% or 0.7 million b/d comparing with their previous month level to reach 45.6 million b/d, representing a decrease of 0.1 million b/d from their last year level. and demand in Non-OECD countries decreased by 0.6% or 0.3 million b/d comparing with their previous month level to reach 46.7 million b/d, representing an increase of 0.5 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for September 2014 increased by 0.6% or 0.6 million b/d comparing with the previous month level to reach 94.8 million b/d, a level that is 3.5 million b/d higher than last year.

In September 2014, OPEC crude oil and NGLs/condensates total supplies increased by 0.5% or 0.2 million b/d comparing with the previous month level to reach 36.9 million b/d, a level that is 0.7 million b/d higher than last year. Preliminary estimates show that Non-OPEC supplies increased by 0.7% or 0.4 million b/d comparing with the previous month level to reach 57.9 million b/d, a level that is 2.8 million b/d higher than last year.

Preliminary estimates of the supply and demand for September 2014 reveal a surplus of 2.4 million b/d, compared to a surplus of 1.0 million b/d in August 2014 and a shortage of 0.6 million b/d in September 2013, as shown in table (2) and figure (6):

Tables (7) and (8) in the annex show world oil demand and supply for the period 2012-2014.

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

	September 2014	*August 2014*	*Change from August 2014*	*September 2013*	*Change from September 2013*
OECD Demand	45.6	46.3	-0.7	45.7	-0.1
Rest of the World	46.7	47.0	-0.3	46.2	0.5
World Demand	**92.3**	**93.3**	**-1.0**	**91.9**	**0.4**
OPEC Supply:	36.9	36.7	0.2	36.2	0.7
Crude Oil	30.3	30.2	0.1	29.9	0.4
NGL's & Cond.	6.6	6.5	0.1	6.3	0.3
Non-Opec Supply	55.6	55.2	0.4	52.9	2.7
Processing Gain	2.3	2.3	0.0	2.2	0.1
World Supply	**94.8**	**94.2**	**0.6**	**91.3**	3.5
Balance	**2.4**	**1.0**		**-0.6**	

Source: Energy Intelligence Briefing October 6, 2014.

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

3.Oil Trade

USA

In August 2014, US crude oil imports increased by 287 thousand b/d or 4% comparing with the previous month level to reach 7.6 million b/d, and US oil products imports increased by 41 thousand b/d or 2.4% to reach about 1.8 million b/d.

On the export side, US crude oil exports increased by 49 thousand b/d to reach about 311 thousand b/d and US products exports increased by 314 thousand b/d or 10% comparing with the previous month level to reach 3.5 million b/d. As a result, US net oil imports in August 2014 were 35 thousand b/d or nearly 0.6% lower than the previous month, averaging 5.6 million b/d.

Canada remained the main supplier of crude oil to the US with 37% of total US crude oil imports during the month, followed by Saudi Arabia and Venezuela with 16% per each. OPEC Member Countries supplied 44% of total US crude oil imports.

Japan

In August 2014, Japan's crude oil imports increased by 255 thousand b/d or 8% comparing with the previous month to reach 3.4 million b/d. Whereas Japan oil product imports decreased by 44 thousand b/d or 7 % comparing with the previous month to reach 587 thousand b/d.

On the export side, Japan's oil products exports decreased in August 2014, by 4 thousand b/d or 0.8% comparing with the previous month, averaging 470 thousand b/d, As a result, Japan's net oil imports in August 2014 increased by 216 thousand b/d or 7% to reach 3.5 million b/d.

Saudi Arabia remained the main supplier of crude oil to Japan with 29% of total Japan crude oil imports, followed by UAE with 27% and Qatar with 13% of total Japan crude oil imports.

China

In August 2014, China's crude oil imports increased by 338 thousand b/d or 6% to reach 5.9 million b/d, and China's oil products imports increased by 78 thousand b/d or 10% to reach 875 thousand b/d.

On the export side, China's crude oil exports reached 25 thousand b/d after exporting nothing for five months, and Chinese oil products exports increased by 114 thousand b/d or 17% to reach 776 thousand b/d. As result, China's net oil imports reached 6.0 million b/d, representing an increase of 5% comparing with the previous month.

Saudi Arabia remained the main supplier of crude oil to China with 15% of total China's crude oil imports during the month, followed by Angola with 13% and Oman with 11% of total China's crude oil imports.

Table (3) shows changes in crude and oil products net imports/(exports) in August 2014 versus the previous month:

Table 3 USA, Japan and China Crude and Product Net Imports / Exports (Million bbl/d)

	Crude Oil			Total Products		
	August 2014	July 2014	Change from July 2014	August 2014	July 2014	Change from July 2014
USA	7.332	7.094	0.238	-1.704	-1.431	-0.273
Japan	3.352	3.097	0.255	0.117	0.156	-0.039
China	5.923	5.610	0.313	0.099	0.135	-0.036

Source: OPEC Monthly Oil Market Report, various issues 2014.

4. Oil Inventories

In August 2014, OECD commercial oil inventories increased by 31 million barrels to reach 2691 million barrels – a level that is 13 million barrels higher than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 15 million barrels to reach 976 million barrels, whereas commercial oil products inventories increased by 46 million barrels to reach 1715 million barrels.

Commercial oil inventories in Americas increased by 3 million barrels to reach 1396 million barrels, of which 510 million barrels of crude and 886 million barrels of oil products. Commercial oil Inventories in Europe increased by 11 million barrels to reach 880 million barrels, of which 300 million barrels of crude and 580 million barrels of oil products. Commercial oil inventories in Pacific increased by 17 million barrels, to reach 415 million barrels, of which 166 million barrels of crude and 249 million barrels of oil products.

In the rest of the world, commercial oil inventories decreased by 3 million barrels to reach 2388 million barrels, whereas the Inventories at sea increased by 9 million barrels to reach 1032 million barrels.

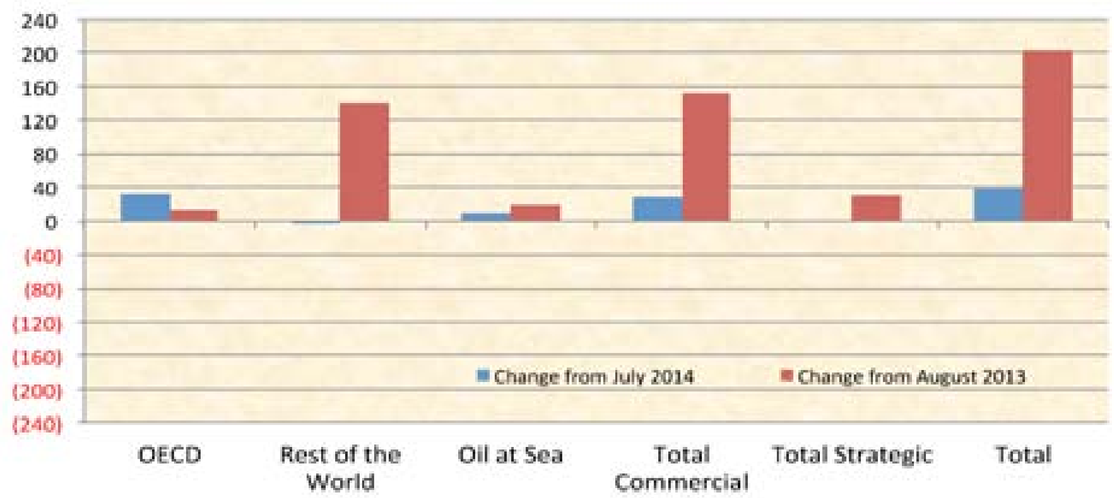
As result, Total Commercial oil inventories in August 2014 increased by 28 million barrels comparing with the previous month to reach 5079 million barrels – a level that is 154 million barrels higher than a year ago.

Strategic inventories in OECD-34, South Africa and China remained stable at the same previous month level of 1758 million barrels – a level that is 29 million barrels higher than a year ago.

Total world inventories, at the end of August 2014 were at 7870 million barrels, representing an increase of 38 million barrels comparing with the previous month, and an increase of 203 million barrels comparing with the same month a year ago.

Table (9) in the annex and figure (7) show the changes in global inventories prevailing at the end of August 2014.

Figure - 7 **Changes in Global Inventories at the End of August 2014** (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 September 2014 increased by $0.05/million BTU comparing with the previous month to reach $3.90/ million BTU.

The comparison, shown in table (4), between natural gas prices and those for the WTI crude and low sulfur fuel oil reveal differential of $12.2/ million BTU in favor of WTI crude and $12.0/ 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, 2013-2014** (Million BTU[1])

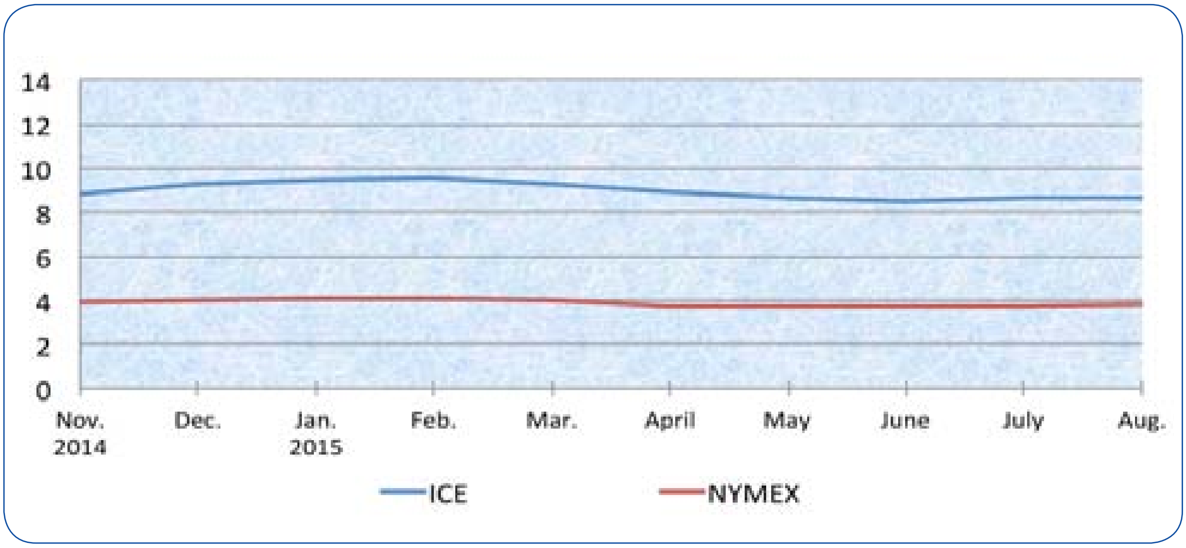
	Sept. 2013	Oct.	Nov.	Dec.	Jan. 2014	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Natural Gas [2]	3.6	3.7	3.6	4.2	3.3	5.8	3.8	4.7	4.6	4.1	3.8	3.9	3.9
WTI Crude [3]	18.3	17.3	16.2	16.8	16.4	17.4	17.3	17.6	17.6	18.1	17.7	16.6	16.1
Low Sulfur Fuel Oil (0..3%)	17.0	17.7	19.1	19.4	19.0	20.7	18.3	18.0	17.1	16.9	17.4	16.4	15.9

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 October 8, 2014.

Futures gas prices recorded on October 6, 2104,indicate that those quoted at the London's ICE were higher than those quoted at the NYMEX for the period from November 2014 to August 2015,with maximum differential of $5.48/ million BTU in February 2015.These developments are shown in figure (8).

Figure - 8 **Gas Futures, October 6, 2014** ($/Million BTU)



Source: World Gas Intelligence October 8, 2014.

2- Asian LNG Markets

In August 2014, the price of Japanese LNG imports decreased by $0.4/ million BTU comparing with the previous month to reach $15.7/ million BTU, the price of Korean LNG imports decreased by $0.1/million BTU comparing with the previous month to reach $16.2/ million BTU, whereas the price of Chinese LNG imports increased by $1.5/million BTU comparing with the previous month to reach $11.7/ million BTU.

Total Japanese, Korean and Chinese LNG imports from various sources, decreased by 5.7% or 680 thousand tons from the previous month level to reach 11.175 million tons.

The Arab countries LNG exports to Japan, Korea and China totaled 4.078 million tons - a share 36.5% of total Japanese, Korean and Chinese LNG imports.

Table (5) shows the prices and quantities of LNG imported by Japan, South Korea, and China in 2009-2014.

Table 5 LNG Prices and Imports: Korea, Japan, and China 2009-2014

	Imports (thousand tons)				10.Average Import Price ($/million BTU)		
	Japan	Korea	China	**Total**	Japan	Korea	China
2009	**64492**	**25847**	**5532**	**95871**	**9.0**	**10.0**	**4.4**
2010	**70008**	**32466**	**9295**	**111769**	**10.8**	**10.4**	**6.1**
2011	**78411**	**36679**	**12215**	**127305**	**14.7**	**12.5**	**9.1**
2012	**87184**	**36399**	**14698**	**138281**	**16.6**	**14.5**	**10.8**
2013	**87490**	**40175**	**17997**	**145662**	**16.0**	**14.7**	**11.1**
Jan. 2013	8230	3982	1505	13717	15.9	14.8	11.5
February	7525	4144	1412	13081	16.5	15.0	13.3
March	7739	4174	1257	13170	16.3	15.2	10.5
April	7050	3513	1559	12122	16.2	14.3	10.9
May	6421	2915	1352	10688	16.2	14.6	9.1
June	6442	2788	1250	10480	16.6	14.9	11.0
July	7412	2426	1347	11185	16.2	14.9	10.8
August	7249	3271	1689	12209	15.6	14.7	11.5
September	6582	2476	1517	10575	15.0	14.9	11.8
October	7538	3189	1356	12083	15.2	14.4	9.4
November	7217	3277	1318	11812	15.4	14.5	9.5
December	8085	4020	2435	14540	16.4	14.6	13.8
Jan. 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

Source: World Gas Intelligence various issues.

Oman

BP Oman awarded $400 million in land gas rig construction contracts and $330 million in supply contracts to the UK's KCA Deutag and Oman's Abraj Energy Service, as BP Oman develops its Khazzan tight gas project in the country. KCA Deutag will build five rigs and Abraj Energy Service will supply them. The construction will take place in the city of Nizwa. BP's investment will cover 15 years of drilling. BP's project will drill 300 wells, in order to reach production of 1 billion cubic feet of gas and 25,000 barrels of condensate per day.

On another note, **Oman Oil Company Exploration and Production LLC** (OOCEP) announced that it is preparing to bring its Abu Butabul tight gas field in Block 60 into commercial production. The project will be **Oman**'s first unconventional hydrocarbon project to become operational.

Russia

Russian Energy Ministry data showed that Russia's crude oil production in September reached 10.6 million b/d, up from 10.52 million b/d in August 2014. This is an increase of 0.8%. Meanwhile, Russia's natural gas production reached 1.47 billion cubic meters/day in September compared to 1.38 billion cubic meters in August 2014.

China

China National Offshore Oil Corp (CNOOC) has made a deepwater gas field discovery in the northern part of the South China Sea. The offshore oil and gas specialist found a high volume of gas flows in the Lingshui 17-2 well.

Lingshui 17-2 is the first significant deepwater gas discovery made by semi-submersible rig CNOOC 981. By this discovery, CNOOC 981 rig broke 3 records: success in deepwater tests, the discovery of the first high volume gas well, and it is the first time to make a discovery using Chinese-made rigs.

OPEC

Reuters' monthly survey has found out that OPEC member countries' production rose up to 810,000 b/d in September compared to August 2014 supported by increasing oil supplies from Libya and Iraq. Other member countries' production levels remained unchanged. Oil supplies remained higher than OPEC's target level of 30 million b/d.

Tables Annex