

OAPEC Joint Ventures Role in Boosting Mutual Arab Energy Cooperation



The Arab Energy Conference
The Fruit of Energy Cooperation among Arab Institutions

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

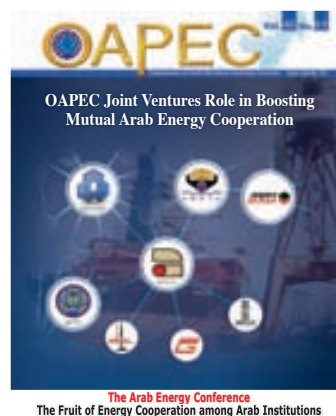


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OAPEC Joint Ventures Role in Boosting Mutual Arab Energy Cooperation

OAPEC member countries have been working keenly on establishing an Arab economic cooperation concept as a means to face mutual challenges in the energy industry both regionally and internationally. This cooperation has been interpreted through the establishment of OAPEC joint ventures in the dawn of the 1970s inspired by the OAPEC establishment agreement that encouraged economic cooperation among its member countries in all petroleum industries whether individually or collectively. The agreement also urged collaborating efforts to secure the access of petroleum to consumer markets with fair and reasonable conditions, and creating appropriate conditions for investment capitals and expertise in its member countries' petroleum industry.

OAPEC joint ventures do business as independent institutions both financially and administratively. Their general assemblies and executive boards, appointed by the shareholding member countries, prepare their strategies and decisions, which contribute to the development of these companies. OAPEC joint ventures are Arab Maritime Petroleum Transport Company (AMPTC) in Kuwait, Arab Shipbuilding and Repair Yard Company (ASRY) in Bahrain, Arab Petroleum Investments Corporation (APICORP) in Saudi Arabia, Arab Petroleum

Services Company (APSCO) in Libya (which established The Arab Drilling and Work-over Company (ADWOC) in Libya, The Arab Well Logging Company (AWLCO) in Iraq, and The Arab Geophysical Exploration Services Company (AGESCO) in Libya). OAPEC has also established the Arab Petroleum Training Institute (APTI) in Iraq, to prepare instructors qualified to provide training in the many technical aspects of the oil industry, and to augment the administrative and technical personnel responsible for the different fields of the industry. The other objectives of APTI include performing research and conducting studies related to the modern techniques of industrial organization, and the methodology and techniques of training and education, as well as the creation of a central information and documentation system.

In 2013, these joint ventures have achieved good financial results. APICORP, contributing to the development of hydrocarbon industries in the region through direct involvement, financing services and consultancies, and economic research and studies, posted net profit of \$65.8 million in 2013 while operating in various other projects worth \$495 million in total.

ASRY, handling shipbuilding and repair of all kinds of ships, tankers and other maritime transports, has also recorded good

financial revenues in 2013 with \$199 million, an increase of 12% compared to 2012. The company broke the records of the number of ship repairs with 184 ships.

AMPTC, handling all maritime hydrocarbon transport, has continued carrying out its plans to upgrade and expand its maritime fleet consisting of 11 tankers (crude oil, LNG, and clean petroleum products). The company leases its tankers for offshore oil transport markets on Time Charter Contracts or Spot Voyage System in line with current market prices.

For decades, OAPEC joint ventures have been facing various challenges, the most important of which are fierce competitiveness with international companies working in hydrocarbon transport activities which are similar to those carried out by these companies, difficulties in accessing some markets due to strict organizational and administrative procedures, political and economic instability in some headquarter countries which led to a decline in their businesses, projects and activities.

OAPEC joint ventures are seeking to overcome these challenges by relying on the substantial and direct support of their shareholding member countries, their executive boards' efforts, their general

assemblies and staff. The joint ventures also look for making use of the positive signs in the energy industry in the Arab region resulting from some OAPEC member countries announcements on launching a number of mega petroleum projects in the near future.

OAPEC Secretariat General organizes an annual coordination meeting for its joint ventures' senior leaders and officials where they discuss means of boosting cooperation, and identifying challenges in light of accelerating developments in the Arab and global petroleum industries. OAPEC joint ventures' next meeting is due in Cairo, Egypt, in October 2014.

The Secretariat General also works on the media side to ensure spreading the word on the financial results and projects of its joint ventures through press releases, OAPEC monthly bulletin, and the recently launched OAPEC website.

OAPEC Secretariat General loads its joint ventures' good results depending on their individual financial resources while hoping that they, and all national Arab petroleum companies, will be the preferable choice in their business areas and will observe accomplishing their work in the best form. By this, OAPEC joint ventures would fulfill the purposes for which they were created.



● Their Excellencies the GCC Petroleum and Energy Ministers

GCC 33rd Petroleum Cooperation Meeting

The GCC's 33rd Petroleum Cooperation Committee Meeting and 14th Petroleum Undersecretaries' Committee Meeting were held in Kuwait on 10 and 11 September 2014. The 33rd Meeting was attended by Their Excellencies the GCC Petroleum and Energy Ministers. The Committee started its meetings by congratulating His Highness the Emir of Kuwait Sheikh Sabah Al Ahmad Al Jaber Al Sabah on the occasion of the United Nations celebrating His Highness as 'Humanitarian Leader' and the State of Kuwait as 'Humanitarian Center'.



The Committee discussed the recommendations submitted by the preparatory meeting of the Petroleum Undersecretaries Committee and took decisions in this regard. The Petroleum Cooperation Committee's agenda included various vital issues on activating the mutual petroleum cooperation among the GCC countries and enhancing the strategic and petroleum importance of the GCC on international level.

The Committee has reviewed the outcome of the Gulf Industrial Consultation Organization's study on the possibility of unifying petroleum product prices in the GCC, in addition to the results of the GCC energy team meetings with international economic groups and blocs, and the latest

developments on the UNFCCC and WTO negotiations.

The Committee has also reviewed the decisions of the Supreme Council relevant to mutual work and the Kuwaiti proposal on mechanisms to activate cooperation among GCC national petroleum companies. The proposals of the petroleum media experts on activating the role of petroleum media to maintain GCC petroleum and economic interests were also discussed. Many other issues of mutual interest were tackled.

During his speech at the opening session, Kuwaiti Oil Minister HE Dr Ali Al Omair welcomed the participating ministers and undersecretaries wishing them a pleasant stay in Kuwait. HE Al

**HE Al Omair:
GCC
countries enjoy
abundant
petroleum
resources**



● Their Excellencies the GCC Petroleum and Energy Ministers' Undersecretaries



● 14th Petroleum Undersecretaries' Committee Meeting

Activating GCC petroleum cooperation and enhancing GCC's international strategic importance

Omair highlighted the abundance of petroleum resources in the GCC countries which contributed to their development in various economic fields boosting the GCC's international strategic importance and position. He stressed the GCC's commitment towards stabilizing international petroleum markets and their prosperity through securing continuous and stable petroleum supplies in normal and extraordinary circumstances resulting from various geopolitical and economic factors.

HE Al Omair said that GCC states have many features and relative advantages in common. He added that GCC countries outdo other countries in terms of their huge proven oil and natural gas reserves, in addition to their distinct geographical position.



● HE Dr Ali Al Omair

The Minister said that Kuwait followed a balanced and wise oil policy which helped stabilizing its petroleum supplies to international markets. This has made Kuwait a major trusted supplier in main markets.

He also pointed out that Kuwait has drawn up an ambitious petroleum strategy for 2020 and 2030 to expand production capacity and meet the world's energy needs. He added that Kuwait was keen on using the latest technology and implementing health, safety, and environment systems in all petroleum operations to save the local environment.

The Minister concluded by calling on GCC countries to strengthen



● Abdullatif bin Rashid Al Zayani

their role especially in international energy organizations like OPEC, OAPEC, and IEF as they can contribute to drawing up the global economic roadmap and maintaining commercial and economic balances.

Developing Relations among GCC Countries and International Energy Organizations



KUWAIT

Kuwait Petroleum Corporation (KPC) announced its August 2014 prices for Propane and Butane gas. Price of the metric ton of Propane is set at USD 780 with a drop of \$40 compared to \$820 in July. Butane is set at \$800 per metric ton with a drop of \$40 compared to \$840 in July.

On another development, KOTC announced receiving the new state of the art Very Large Crude Carrier (VLCC) “Al Yarmouk”. In a press statement, the KOTC said that “Al Yarmouk” is 333 m in length, 60 m in breadth, and a draft (Summer) of 22.5m, having a cargo capacity of approxi-

mately 2.2 million barrels with a cruising speed of 16.2 knots. “Al Yarmouk” is the third in a series of four new VLCCs to be built at DSME, where the fourth vessel “Al Kout” is expected to be delivered towards the end of October 2014. The entering of “Al Yarmouk” into fleet service brings the total number of tankers operated by KOTC to 28 different tankers of various sizes and types to meet the strategic and marketing plans of Kuwait Petroleum Corporation (KPC), where towards October this year the fourth and last oil tanker “Al Kout” should be received.

On another note, State-run Kuwait Petroleum Corporation (KPC) and China’s Sinopec signed a landmark deal on 22 August 2014 that will almost double crude oil deliveries over a decade, the biggest-ever contract in KPC’s history.

Under the agreement, KPC will provide Sinopec crude oil, starting from August 2014, with the volume expected to reach 300,000 barrels per day (bpd). KPC reached the historic 10 year deal to replace the 160,000-170,000 bpd supply contract that had lapsed. According to KPC, it is a strategic contract based on cost-and-freight (C&F) basis, which will involve utilizing of Kuwait Oil Tanker Co. fleet. KPC International Marketing Managing Director Nasser Al-Mudhaf, who led the Kuwaiti side, said the successful conclusion of the agreement is important as “The deal comes at a right time, because this is the first contract on C&F basis with the use of our own vessels to deliver crude oil. It will help smooth operation, production and exports from Kuwait,” the official said. “China is our new outlet where we will use more than 50 percent of our fleet for deliveries of crude oil,” he noted.

He added “Therefore, KPC has placed China on its priority list, and this is agreement is one of the most important crude contracts for KPC. With this landmark contract, I think we will be the third-largest crude oil supplier to China.”

QATAR

Qatargas delivered the first cargo of Liquefied Natural Gas (LNG) to China National Oil Corporation’s (CNOOC) Hainan LNG terminal located in the Hainan province. The cargo arrived aboard of a Q-Max class LNG vessel Rasheeda and it will be used to commission the new LNG terminal which CNOOC owns and will be operating soon. It is worth mentioning that Qatargas and CNOOC have signed an agreement on buying and selling LNG back in 2008 according to which 2 million tons of LNG should be supplied. The first Qatari shipment arrived in China in October 2009.





UAE

UAE's New Energy Ministry's Organizational Structure Approved

HE Suhail Mohamed Faraj Al Mazrouei, Minister of Energy, UAE stated that the Cabinet endorsement of the new organizational structure of the Energy Ministry gives the green light for the beginning of a new stage in institutional excellence and executing the ministry's general policies and strategies in the coming years. He appreciated the substantial support his Ministry receives from the UAE's leadership.

The Minister added that the ministry's new organizational structure will help it carry out its strategic plans for the coming years and support the preparation of the drafts of budget and accounts closing statements as well as propose draft laws and regulations in line with the UAE's leading regional and international role. The new organizational structure will open new job opportunities to UAE nationals as well as allow skilled national labor to develop and improve.



Fujairah to Host 4th Energy Markets Forum

The Fourth Gulf Intelligence Energy Markets Forum will be held for the first time in Fujairah on 23 September 2014 under the Patronage of His Highness Sheikh Hamad Bin Mohammed Al-Sharqi, Supreme Council Member and Ruler of Fujairah. The Fourth Gulf Intelligence Energy Markets Forum will be titled "Transformative Developments in Energy Sector". Top energy industry officials and executives will gather at the Forum including UAE Minister of Energy Suhail Mohammed Al Mazrouei, Azerbaijan's Minister for Industry & Energy Natig Aliyev, OPEC Secretary General Abdalla El-Badri, and Secretary General of the Gas Exporting Countries Forum Seyed Mohammad Hossein Adeli.

The Forum will discuss current developments in global oil and gas markets including the increasing unconventional oil and gas production on the one hand and the growing global energy demand on the other hand.

"We are delighted that the Energy Markets Forum will take place in the United Arab



THE GULF INTELLIGENCE

Emirates in the emirate of Fujairah this year and we look forward to welcoming a multitude of distinguished speakers and delegates to address some of the energy industry's most critical issues of the time," said H.H. Sheikh Saleh bin Mohammed Al-Sharqi, Chairman of the Department of Industry and Economy in Fujairah, and Chairman of the Board of Port of Fujairah. "Hosting this year's event in Fujairah is not only a reflection of the emirate's role as one leading global bunkering center but also of its status as an emerging energy hub that is well positioned to benefit from the transformational forces shaping the sector today and in the years to come."

Fujairah Government is a main partner of the Fourth Energy Markets Forum with two prime partners, namely Platts Energy and Vitol Group.

IRAQ

Iraq Appoints HE Adel Abdul-Mahdi as Oil Minister

Iraq's Prime Minister His Excellency Mr Haider Al Abadi has recently announced the formation of the new Iraqi government. HE Al Abadi has named His Excellency Mr Adel Abdul-Mahdi as the new Minister of Oil in succession of his predecessor His Excellency Engineer Abdul Kareem Laibi Bahidh. HE Abdul-Mahdi has taken the constitutional oath in the Parliament before the Head of the Supreme Judicial Council.

HE Abdul-Mahdi has previously served as Finance Minister from June 2004 till April 2005, and as Vice President in 2005, and was reelected by the Parliament for the same position from 2006 till 2010. In 2011, he was appointed as the President's first deputy.

OAPEC Secretary General His Excellency



Abbas Ali Al Naqi has sent a cable of congratulations to His Excellency Abdul-Mahdi wishing him all success in his new position and hoping for Iraq's continuous support of the Organization's activities.

Russia's Lukoil said on 19 August 2014 that it had shipped 1 million barrels of crude oil produced from southern Iraq's giant West Qurna-2 oilfield, its first shipment from the field. Shipping its first oil, Lukoil said the Sea Triumph tanker had left the port of Basra bound for Augusta in Sicily, where Lukoil owns the ISAB refinery.

Ranked as one of the largest oil fields in the world, West Qurna-2, where Lukoil holds a 75-percent stake, is one of several big fields under development which are set to boost Iraq's economy. West Qurna-2's output alone is expected to peak at 1.2 million barrels per day from estimated recoverable reserves of about 13 billion barrels. Production at West Qurna-2 is a key part of Lukoil's efforts to make up for its declining production elsewhere, chiefly in western Siberia.

Lukoil said that production at West Qurna-2 has increased to 280,000 barrels per day since commercial production started in March at a rate of 120,000 bpd.

On another note, the Iraqi Oil Marketing Company (SOMO) announced that oil exports in the first half of this year amounted to more

than 450 million barrels and revenue exceeded 45 billion dollars, noting that 27 international companies bought Iraqi crude oil.

The company said in a statement that "total oil exports for the first half of this year amounted to 449 and 983 000 barrels," indicating that "the rate of monthly export stood at 74.983 million barrels and an average of 2.499 million barrels every day."

The company added that "the revenues from sales of crude oil amounted to 45 billion and 711 million dollars at seven billion and 618 million dollars a month," pointing out that "the average monthly selling price of crude oil reached 101 dollars and 621 cents."

The company indicated that "the rate of oil exports from Basra ports amounted to 434.9 million barrels and an average of 72.483 million barrels per month, while the rates of oil exports via the Northern Line 1.48 million barrels through the export of three months, the first of this year," pointing out that "the number of companies that bought Iraqi crude oil amounted to 27 global company."



KSA

Saudi Aramco cut its September 2014 Arab light crude oil prices to Asian customers by a discount of 40 cents a barrel compared to last August, more than \$1.65 per barrel compared to the Oman-Dubai benchmark.

Meanwhile, Aramco rose official September 2014 Arab light crude selling prices to West European customers by \$1.50 per barrel compared to last August, less than the predicted Brent crude average by \$2.85 per barrel. Also, the company has fixed official September 2014 Arab light crude selling prices to the USA by an increase of \$2.85 per barrel according to Argus Sulfur Index with a drop of 80 cents per barrel compared to August.

On another note, Aramco awarded a front-end engineering and design (FEED) contract to Foster Wheeler for work on Aramco's unconventional gas program. According to Riyadh newspaper, Aramco involve the development of tight gas fields around the Kingdom in the Empty Quarter, South Ghawar, and Jalamid regions. The tight gas projects come as Saudi Aramco is prioritizing such projects over development on shale gas. Recent assessments suggest that tight gas production costs may be as low as \$2-3 per million British thermal units, substantially lower than preliminary shale gas production cost estimates. Global gas prices exceed \$3.75 per million British thermal units.



ALGERIA

Algeria and Russia have signed a mutual declaration for cooperation between the two countries in the field of energy and consultation. A Ministry's communiqué said that the declaration that was signed in Moscow by Algeria's Energy Minister Youcef Yousfi and his Russian counterpart Alexander Novak aims at promoting the development of oil, gas and electrical industries and renewable energies in the two countries.

The communiqué added that the

Algerian Minister and his Russian counterpart have discussed energy cooperation and prospects for their development and enhancement particularly in such fields as petrochemical industry, exploration of hydrocarbons and renewable energies. The two sides also discussed the situation in the global hydrocarbon market and exchanges views on issues of common interest within the framework of the Forum of Gas Exporting Countries (FGEC).

Egypt

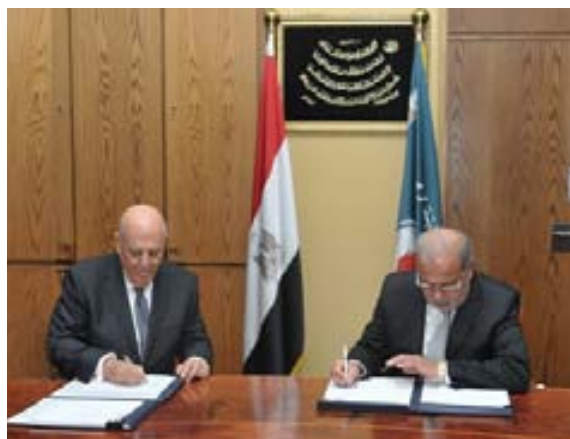
New Petroleum Agreement in Ganoub El-Wadi

Egypt's Petroleum and Mineral Resources Minister His Excellency Engineer Sherif Ismail has stressed that signing new petroleum agreements reflects a number of positive outcomes including increasing and intensifying research and exploration activities which increase Egypt's petroleum production. He said that the existence of new search and exploration areas and introducing them through new bids prove that Egypt still has promising petroleum potentials. The Minister drew the attention to the fact that the petroleum sector is currently preparing for a new bidding round to attract more foreign investments. He said that increasing local petroleum production would have a positive impact on the continuation of securing petroleum supplies for the local market.

The statement came during the new petroleum agreement signing ceremony between Ganoub El-Wadi Petroleum Holding Co. (Ganope) and the British Vega Petroleum Pvt. Ltd in the Gulf of Suez.

According to the agreement, investments with a minimum of \$9.5 million and a grant of one million US dollars should be injected throughout two search terms which would last for 3 years each over an area of 69km to drill 2 new wells.

The Minister has said that the signing of the agreement is a continuation of the Petroleum



Ministry's policy on paying more attention to Ganoub El-Wadi areas and intensifying search and exploration activities in order to increase its contribution as a virgin petroleum area to Egypt's total petroleum production.

Ganoub El-Wadi Petroleum Holding Co. (Ganope) explained that the total number of petroleum and natural gas exploration agreements signed since the company's establishment reached 19 agreements worth \$294.4 million of investments; out of which seven petroleum agreements signed since 2013 with minimum investments worth \$115 million.

The Egyptian Petroleum Ministry's Official Spokesman Mr Hamdi Abdul Aziz has announced the launch of natural gas production from the treatment plant of the Disouq development project in Egypt after connecting 5 new wells. It has taken the production capacity from 60 million standard cubic feet of natural gas and 70 barrels of condensates per day in April 2014 up to 150 million standard cubic feet of natural gas and 150 barrels of condensates per day during the past few days. The total number of producing Disouq wells in the first stage has reached 9 wells.

The project is an example of the distinguished partnership between Germany's RBW and Suez Oil Company (SUOCO). The volumes produced from the fields of the Disouq project make an important contribution to Egypt's domestic energy production to meet the needs of the country's growing electricity demand. Currently, 7 more wells will be connected to the gas treatment plant and put on the production list next year. This will boost production up to more than 200 million standard cubic feet of natural gas per day. The investments of the new stage together with Stage 1 amount to about \$300 million.



ARAB REPUBLIC OF EGYPT
**MINISTRY OF
PETROLEUM**



The National Project for the Development of Suez Canal A vital Role in Supporting Egypt's Economy

The Egyptian Government has announced plans to mobilize all resources to carry out a strategic project to develop Suez Canal which it called The National Project for the Development of Suez Canal with a direct supervision of the executive council of the Suez Canal Region Development Project. This vital project aims at establishing a distinguished industrial, maritime, logistic, and urban area in line with the latest international standards. The aim is to boost a number of economic goals which should contribute to supporting the Egyptian economy including increasing exports, diversifying economic activities, developing Egyptian trade and creating job and investment opportunities for Egyptian nationals. A number of sub projects will be connected to the main project including those relevant to the infrastructure, transport, housing, and trade in collaboration with local and international companies.

The goals of the project will be achieved through improving development capacities in the Suez Canal area on the short, medium and



long terms; in addition to preparing an integrated development plan and infrastructure development covering transport, housing, and businesses.

Recently, the international consortium that won the project to create the master plan for the Suez Canal area development has been announced. Dar al-Handasah Shair and Partners has won the project to develop an industrial and logistics hub in the Suez Canal area. Egypt invited 14 consortia to bid for the development of area around the canal, only 13 complied with the set conditions. Egypt cooperated with the World Bank to assess the bidding companies.

The consortium is scheduled to finalize the master plan in 6 to 8 months since the contracting date including logistic activities and industrial projects that should be set up at the northern and southern exits of the canal in Port Said and Suez.

The Suez Canal is the fastest shipping route between Europe and Asia and plays a strategic role in international trade.



The Arab Energy Conference

The Fruit of Energy Cooperation among Arab Institutions

Since its establishment in 1968, OAPEC has been paying special attention to supporting initiatives that aim at activating mutual Arab work through constructive cooperation among OAPEC member countries, Arab institutions, and regional and international energy organizations. This is done through bringing these objectives into reality by organizing and partaking in regional and international meetings, conferences, seminars and forums in order to achieve a common platform among member countries, Arab countries, and oil and gas consuming countries to understand the reality and future of international oil, gas, and energy industry. The Secretariat General activities come in line with this trend including preparing scientific studies and reports, keeping and analyzing oil data via OAPEC databank, encouraging scientific research through OAPEC Award, in addition to its petroleum media efforts through documentation, publication and public communication.



Arab Energy Conference

The idea of convening an Arab Energy Conference was initiated with a resolution adopted by the Ministerial Council of the Organization of Arab Petroleum Exporting Countries (OAPEC) in May 1977. Ensuing consultations between OAPEC and the Arab Fund for Economic and Social Development (AFESD) led to an agreement that the two organizations jointly sponsor the Conference, thereby ensuring the representation of all Arab countries and underscoring the interrelationship between energy and development.

Objectives

The objectives of the Arab Energy Conference are as follows:

- 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 for 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.

Historical Progress of the Conference

The First Arab Energy Conference was held in **March 1979 in Abu-Dhabi, UAE**, under the theme, “The Arab and Energy Issues.” After the Conference, contacts were made between the League of Arab States and OAPEC to incorporate the activities of the Arab Petroleum Congress, which had been convened by the Arab League since 1959, into those of the Arab Energy Conference. With this the Arab League became one of the sponsors of the Arab Energy Conference. It was also decided



The Tenth Arab Energy Conference (AEC10) will be held under the high patronage of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates.

**Abu Dhabi to
host the 10th
Arab Energy
Conference
(AEC10) from 21
to 23 December
2014**



AEC 10 will be held with the collaboration of 4 Arab organizations

to include the Arab Industrial Development Organization (AIDO) as a co-sponsor of the Conference because of its interest in petrochemical industries.

The Second AEC was held in **March 1982 in Doha, Qatar, under the theme “Energy for Development and Arab Economic Integration”**, under the sponsorship of the four above mentioned organizations. As the Arab Organization for Mineral Resources showed interest in the AEC, it also joined as a sponsor of the Conference.

The Third AEC was held in **May 1985 in Algiers, Algeria under the theme “Energy and Arab Cooperation”** which was adopted as a permanent AEC theme.

The Fourth AEC was held in **March 1988 in Baghdad, Iraq when it was decided to convene the Conference every four years (rather than three)**; hence the Fifth Conference was scheduled to be held in Amman, Jordan in 1992.

Events witnessed by the **Arab world in 1990 however led to the postponement of the Fifth Conference**. It was convened later in Cairo, Egypt in May 1994.

In the meantime the merger of the Arab Organization for Mineral Resources and the Arab industrial Development Organization to form the Arab Industrial Development and Mining Organization (AIDMO) meant that the latter joined OAPEC, AFESD and the League of Arab States as a sponsor of the Conference.



The Sixth Conference was held in Damascus, Syria in May 1998. The Seventh in Cairo, Egypt in **May 2002, the Eighth in Amman, Jordan in 2006**, and the Ninth was held in Doha, Qatar in May 2010.

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) sponsored these conferences.

The Tenth Arab Energy Conference

Under the high patronage of HH Sheikh Khalifa bin Zayed bin Sultan Al Nahyan, the President of the United Arab Emirates, The Tenth Arab Energy Conference will be convened in YAS Abu Dhabi/VICEROY Hotel, Abu Dhabi, UAE, during the period from 21 to 23 December 2014. The theme of the Conference will be “Energy and Arab Cooperation.” The Conference will be chaired by HE Suhail Mohamed Faraj Al Mazrouei, Minister of Energy, UAE. It is worth mentioning that this will be the second time the UAE hosts the AEC; the first was in 1979.

Like previous rounds of the Conference, wide participation is expected including official delegates from the Arab countries headed by Their Excellencies Oil and Energy Ministers, speakers invited by the Follow-up Committee, and other selected institutions and individuals involved in energy issues; in addition to Arab and international media. Participation and attendance are restricted to those invited by the organizers of the Conference. Participating Arab countries will present “Country Paper” giving an overview of the present situation and future prospects of their petroleum industry. The Conference Organizing Committee has received a large number of Country Papers from participating Arab countries.

Huge Preparations for AEC10

The Conference Organizing Committee including The Organization of Arab Petroleum Exporting Countries (OAPEC), The Arab Fund for Economic and Social Development (AFESD), in collaboration with the UAE Energy Ministry are sparing no effort to make the tenth round of the Arab Energy Conference a great success. The Organizing Committee has received a large number of country papers from Arab countries participating in the Conference.



**Arab Energy
Conference Seeks
Institutional
Framework for
Arab Oil and
Energy Visions**



OAPEC Secretary General Receives Yemeni Oil Ministry Undersecretary



On 19 August 2014, OAPEC Secretary General His Excellency Abbas Ali Al Naqi received in his office in OAPEC headquarters in Kuwait the Undersecretary of the Ministry of Oil and Minerals in Yemen, His Excellency Engineer Shawki Seif Al Mikhlaifi and the accompanying delegation.

The two sides discussed mutual Arab energy cooperation and possible means of cooperation in fields relevant to the petroleum industry. They have also tackled the role of OAPEC joint ventures in enhancing this cooperation.

Moreover, the meeting touched upon OAPEC's preparations with relevant authorities to hold the Tenth Arab Energy Conference from 21 to 23 December 2014 in Abu Dhabi, UAE. Their Excellencies the Ministers of Oil and Energy in the Arab countries and elite oil and energy experts and specialists in Arab and non Arab countries will participate in the event.

At the end of the meeting, HE Mr Al Naqi extended his thanks to the Yemeni delegation appreciating their visit and its outcome that would help developing bilateral relations even further. HE Al Naqi wished them all success for their visit.



OAPEC and Bahrain Society of Engineers Discuss Mutual Cooperation



On 3 and 4 September 2014, OAPEC Secretariat General received a delegation from Bahrain Society of Engineers. The delegation included Engineer Ayman Mohammed Nasser, Head of Training and IT, Engineer Saleh Taher Tarada from the National Oil and Gas Authority, and Engineer Hussein Jaafar Makki. During the visit, the two sides discussed potential cooperation in IT, energy information, training and media.

The visit basically aimed at familiarizing the delegation with OAPEC Secretariat General experience in the field of electronic/web publishing. The Secretariat General prepared an intensive informative program including a lecture on the Organization's role on the Arab and international levels, its role in encouraging energy cooperation among its member countries, in addition to its media activities delivered by the Media and Library Department aiming at promoting OAPEC activities and boosting energy cooperation among Arab countries.

Another lecture has been delivered on OAPEC Databank introducing its statistical services including information on oil and natural gas reserves, production and consumption, downstream petroleum industries in member



countries in particular and Arab countries in general.

At the end of the visit, the delegation loaded OAPEC's experience in connection to the energy databank and its efforts to enhance petroleum media cooperation among its members in addition to its fruitful cooperation with regional and international oil, gas and energy institutes.

It is worth mentioning that Bahrain Society of Engineers was established in 1972. It is a professional society aiming at contributing to industrial and urban development, defending its member professional rights, regulating engineering as a profession in Bahrain and boosting it through cooperation with other relevant authorities.



OAPEC Launches its New Website



OAPEC Secretariat General has launched recently its new website with a new vision. The new website observes the latest technological developments in order to facilitate browsing and access to tools, information, and data on oil and gas industry in the OAPEC member countries in particular and Arab countries in general.

The new website has many features and sections that have been developed to serve users and researchers including OAPEC databank, library, organizational structure, and latest/breaking news bar. New sections have been added to the website including the OAPEC establishment agreement, international relations, FAQ's, social media, and monthly E-newsletter.

As part of its efforts to enhance interaction and improve communication with its website users, the Secretariat General has created a new section under "Cases and Opinions" aiming at knowing the website visitors' views on energy, oil, gas, and sustainable development issues. The webmaster would introduce topics for discussion regularly and invite the website visitors from all walks of life to participate and send their views to enrich the ongoing discussion.

It is worth mentioning that the new website has a dedicated page for the Tenth Arab Energy Conference to be held in Abu Dhabi, UAE, from 21 to 23 December 2014. The page covers all updates on the upcoming prestigious event.



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.

Sponsors of the Conference



منظمة الأقطار العربية المصدرة للبترول (أوابك)
Organization of Arab Petroleum Exporting Countries



المنظمة العربية للتنمية الصناعية والتعدين
Arab Industrial Development and Mining Organisation



المستوفى العربي للإمداد الاقتصادي والاجتماعي
Arab Fund for Economic and Social Development



جامعة الدول العربية
League of Arab States



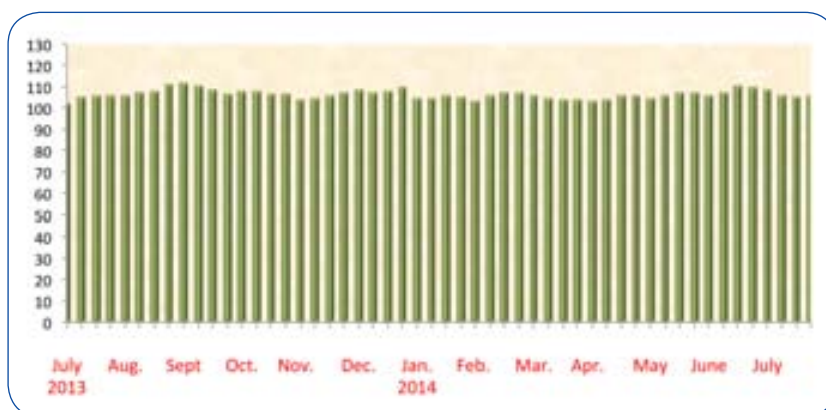
1. Oil Market

1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of July 2014, recording \$108.0/bbl, and continued course after that, to reach its lowest level of \$104.6/bbl in the third week, During the fourth week, weekly average price raised to \$105.3/bbl, as shown in figure 1:

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



On monthly basis, OPEC Reference Basket averaged \$105.6/bbl, representing a decrease of \$2.3/bbl or 2.1% comparing with previous month, and an increase of \$1.2/bbl or 1.1% from the same month of previous year. worries about supply disruptions and weaker-than-expected refinery crude demand in Asia and Europe, were major stimulus for the decrease in oil prices during the month of July 2014.

Key Indicators

- 📄 In July 2014, **OPEC Reference Basket decreased** by 2.1% or \$2.3/bbl from the previous month level to stand at \$105.6/bbl.
- 📄 **World Oil Demand** in July 2014, **increased** by 0.9% or 0.8 million b/d from the previous month level to reach 93.6 million b/d.
- 📄 **World oil supplies** in July 2014, **increased** by 1% or 0.9 million b/d from the previous month level to reach 94.5 million b/d.
- 📄 **US crude oil imports** in June 2014, **increased** by 0.4% from the previous month level to reach 7.1 million b/d, whereas **US product imports decreased** by 20% to reach about 1.8 million b/d.
- 📄 **OECD commercial inventories** in June 2014 **remained stable** at the same previous month level of 2671 million barrels, and **Strategic inventories** in OECD-34, South Africa and China **remained stable** at 1759 million barrels.
- 📄 **The average spot price of natural gas** at the Henry Hub in July 2014 **decreased** by \$0.3/million BTU from previous month level to reach \$3.75/ million BTU.
- 📄 **The Price of Japanese LNG imports decreased** in June 2014 by \$0.2/m BTU to reach \$16.1/m BTU, whereas the **Price of Korean LNG imports increased** by \$0.3/m BTU to reach \$16.6/m BTU, and the **Price of Chinese LNG imports decreased** by \$0.2/m BTU to reach \$11.2/m BTU.
- 📄 **Arab LNG exports to Japan, Korea and China** were about 4.147 million tons in June 2014 (a share of 40% 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)

	July 2013	Aug.	Sept.	Oct.	Nov.	Dec.	Jan 2014	Feb.	Mar.	Apr.	May	June	July
Monthly Change	3.4	3.0	1.2	-2.0	-1.7	2.7	-3.0	0.7	-1.2	0.1	1.2	2.5	-2.3
Month-on-Month Change from the Previous Year	4.9	-2.0	-2.0	-1.7	-1.9	1.1	-4.6	-7.4	-2.2	3.2	4.8	6.9	1.2

* 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)

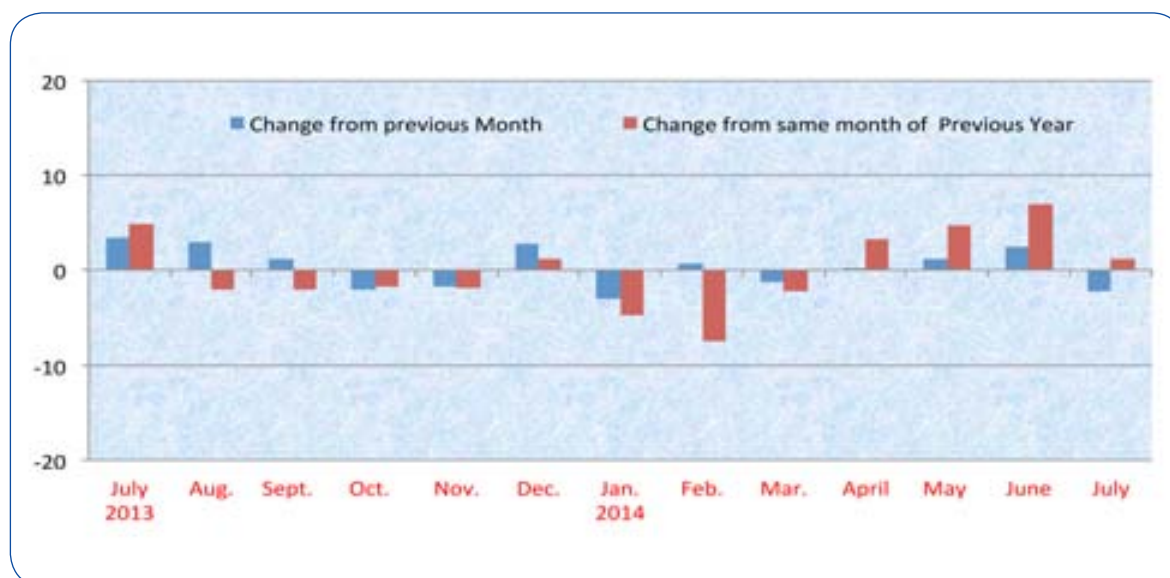


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2012-2014.

1-2 Spot Prices of Petroleum Products

- US Gulf

In June 2014, the spot prices of premium gasoline increased by 3.2% or \$4.2/bbl comparing with their previous month levels to reach \$135.4/bbl, spot prices of gas oil increased by 0.7% or \$0.8/bbl to reach \$120.9/bbl, and spot prices of fuel oil increased by 0.9% or \$0.9/bbl to reach \$99.3/bbl.



- Rotterdam

The spot prices of premium gasoline increased in June 2014, by 2.4% or \$3.1/bbl comparing with their previous month levels to reach \$130.4/bbl, spot prices of gas oil increased by 0.2% or \$0.3/bbl to reach \$121.6/bbl, and spot prices of fuel oil increased by 0.1% or \$0.05/bbl to reach \$98.7/bbl.

- Mediterranean

The spot prices of premium gasoline increased in June 2014, by 3.6% or \$4.5/bbl comparing with previous month levels to reach \$126.4/bbl, spot prices of gas oil increased by 0.5% or \$0.6/bbl to reach \$122.8/bbl, and spot prices of fuel oil increased by 0.4% or \$0.4/bbl to reach \$100.2/bbl.

- Singapore

The spot prices of premium gasoline increased in June 2014 by 1.9% or \$2.3/bbl comparing with previous month levels to reach \$123.7/bbl, whereas spot prices of gas oil decreased by 0.7% or \$0.8/bbl to reach \$122.2/bbl, spot prices of fuel oil increased by 2.3% or \$2.2/bbl to reach \$97.2/bbl.

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

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

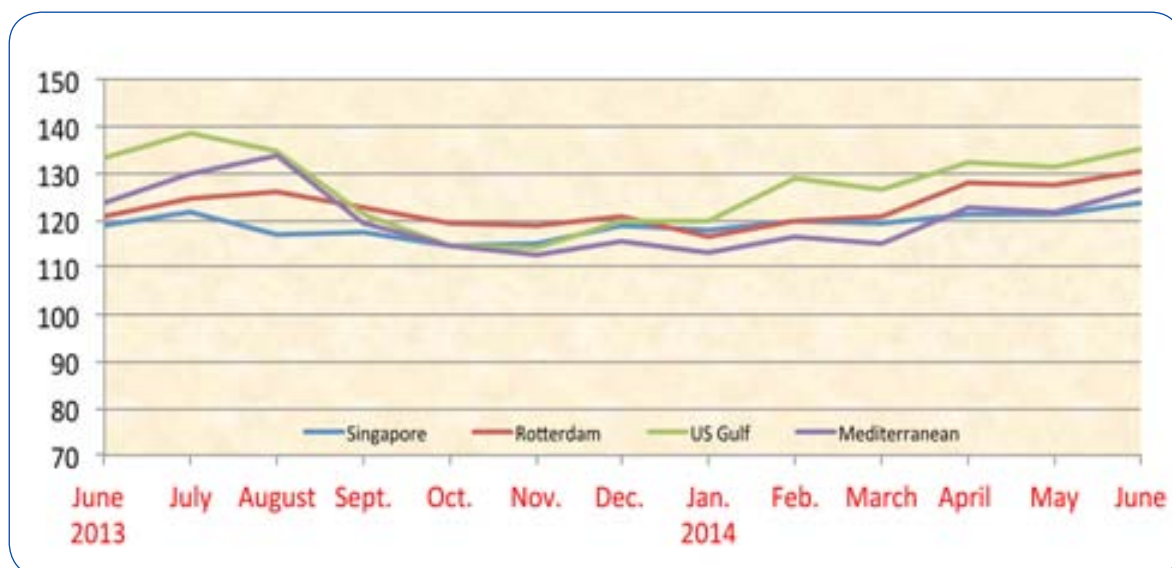


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2012-2014.



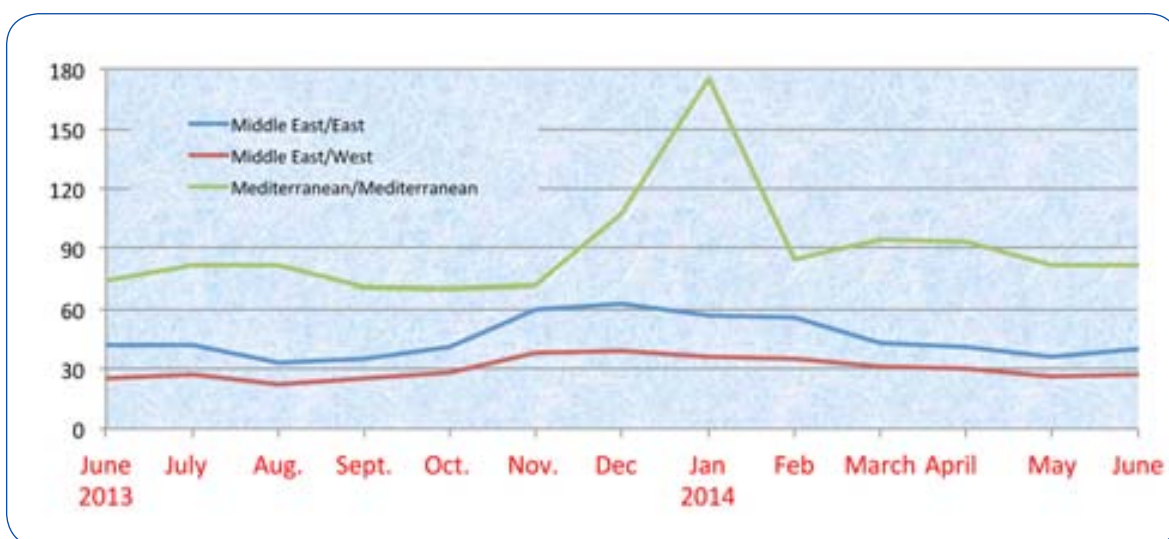
1-3 Spot Tanker Crude Freight Rates

In June 2014, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 4 points or 11.1% comparing with previous month to reach 40 points on the World Scale (WS*).

Freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, increased by one point or 3.8% comparing with previous month to reach 27 points on the World Scale (WS), whereas freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), remained stable at the same previous month level of 82 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from June 2013 to June 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 June 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, decreased by one point or 0.9% comparing with previous month to reach 110 points on WS.

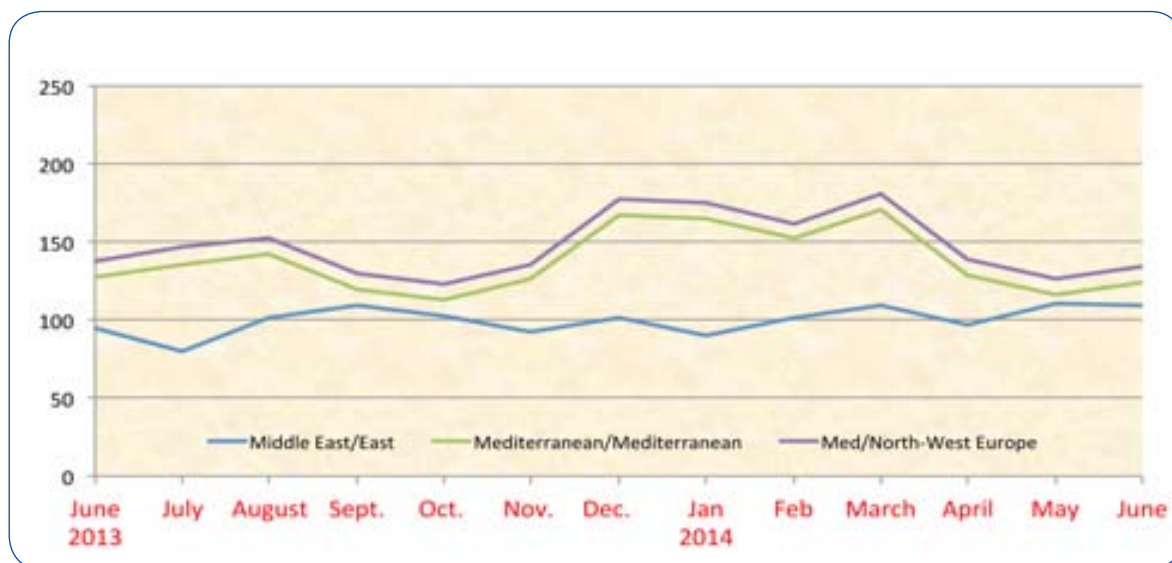


Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], increased by 8 points, or 6.9% to reach 124 points on WS, similarly freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe increased by 8 points, or 6.3% to reach 134 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from June 2013 to June 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 July 2014 show an increase in world oil demand by 0.9% or 0.8 million b/d, comparing with the previous month to reach 93.6 million b/d, representing an increase of 0.8 million b/d comparing with their last year level.

Demand in OECD countries increased by 2.2% or 1 million b/d comparing with their previous month level to reach 46.4 million b/d, a level that is 0.1 million b/d lower than last year. whereas, demand in Non-OECD countries decreased by 0.4% or 0.2 million b/d comparing with their previous month level to reach 47.2 million b/d, representing an increase of 0.9 million b/d from their last year level.



On the supply side, preliminary estimates show that world oil supplies for July 2014 increased by 1% or 0.9 million b/d comparing with the previous month level to reach 94.2 million b/d, a level that is 2.2 million b/d higher than last year.

In July 2014, OPEC crude oil and NGLs/condensates total supplies increased by 1.7% or 0.6 million b/d comparing with the previous month level to reach 36.4 million b/d, a level that is 0.7 million b/d lower than last year. Preliminary estimates show that Non-OPEC supplies increased by 0.5 % or 0.3 million b/d comparing with the previous month level to reach 57.8 million b/d, a level that is 2.9 million b/d higher than last year.

Preliminary estimates of the supply and demand for July 2014 reveal a surplus of 0.6 million b/d, compared to a surplus of 0.5 million b/d in June 2014 and a shortage of 0.8 million b/d in July 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)

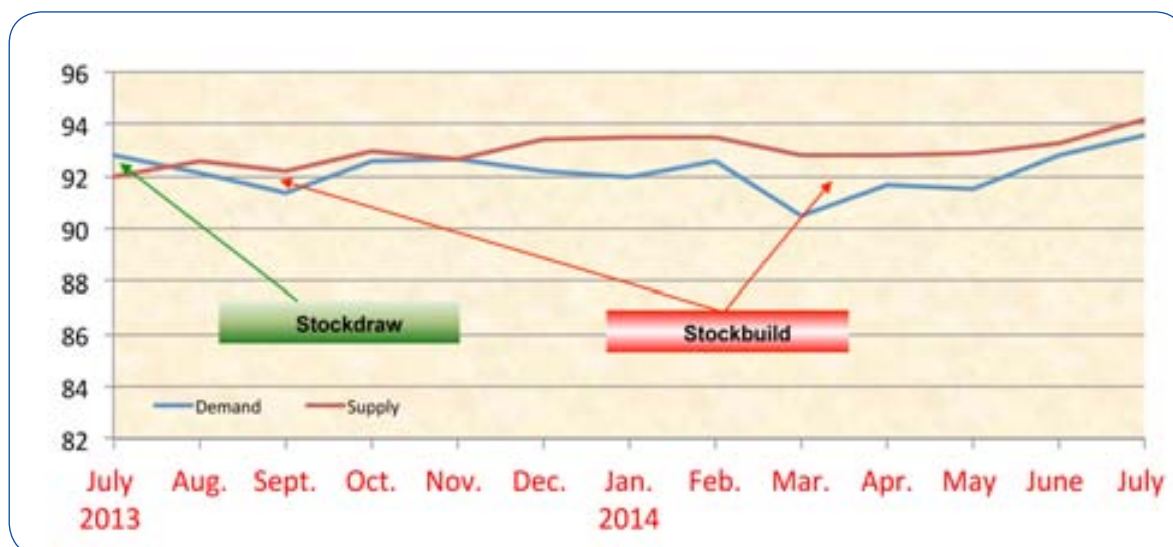
	<i>July 2014</i>	<i>June 2014</i>	<i>Change from June 2014</i>	<i>July 2013</i>	<i>Change from July 2013</i>
<i>OECD Demand</i>	46.4	45.4	1.0	46.5	-0.1
<i>Rest of the World</i>	47.2	47.4	-0.2	46.3	0.9
<i>World Demand</i>	93.6	92.8	0.8	92.8	0.8
<i>OPEC Supply:</i>	36.4	35.8	0.6	37.1	-0.7
<i>Crude Oil</i>	29.8	29.4	0.4	30.8	-1.0
<i>NGL's & Cond.</i>	6.6	6.4	0.2	6.3	0.3
<i>Non-Opec Supply</i>	55.3	55.1	0.2	52.7	2.3
<i>Processing Gain</i>	2.5	2.4	0.1	2.2	0.3
<i>World Supply</i>	94.2	93.3	0.9	92.0	2.2
<i>Balance</i>	0.6	0.5		-0.8	

Source: Energy Intelligence Briefing August 4, 2014.



Figure - 6 World Supply and Demand

(Million b/d)



3.Oil Trade

USA

In June 2014, US crude oil imports increased by 30 thousand b/d or 0.4% comparing with the previous month level to reach 7.1 million b/d, whereas US oil products imports decreased by 463 thousand b/d or 20% to reach about 1.8 million b/d, the lowest level since January 2014.

On the export side, US product exports increased by 54 thousand b/d or 1.8% comparing with the previous month level to reach 3.0 million b/d. As a result, US net oil imports in June 2014 were 487 thousand b/d or nearly 8% lower than the previous month, averaging 5.7 million b/d.

Canada remained the main supplier of crude oil to the US with 38% of total US crude oil imports during the month, followed by Saudi Arabia with 18% and Mexico with 11%. OPEC Member Countries supplied 43% of total US crude oil imports.

Japan

In June 2014, Japan's crude oil imports decreased by 256 thousand b/d or 8 % comparing with the previous month to reach 3.0 million b/d, the lowest level that Japan had seen in several years. Japan oil product imports also decreased by 21 thousand b/d or 4 % comparing with the previous month to reach 565 thousand b/d.



On the export side, Japan's oil products exports increased in June 2014, by 62 thousand b/d or 15% comparing with the previous month, averaging 462 thousand b/d. As a result, Japan's net oil imports in June 2014 decreased by 339 thousand b/d or 10% to reach 3.1 million b/d.

Saudi Arabia remained the main supplier of crude oil to Japan with 31% of total Japan crude oil imports, followed by UAE with 25% and Qatar with 8% of total Japan crude oil imports.

China

In June 2014, China's crude oil imports decreased by 479 thousand b/d or 8% to reach 5.7 million b/d, whereas China's oil products imports increased by 47 thousand b/d or 5% to reach 956 thousand b/d.

On the export side, Chinese oil products exports increased by 22 thousand b/d or 3.5% to reach 658 thousand b/d. As result, China's net oil imports reached 6.0 million b/d, representing a decrease of 7% comparing with the previous month.

Saudi Arabia was the main supplier of crude oil to China with 17% of total China's crude oil imports during the month, followed by Oman with 12% and Angola with 12% of total China's crude oil imports.

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

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

	Crude Oil			Total Products		
	June 2014	May 2014	Change from May 2014	June 2014	May 2014	Change from May 2014
USA	7.073	7.043	0.030	-1.382	-0.864	-0.517
Japan	3.011	3.267	-0.256	-0.103	0.185	-0.082
China	5.680	6.159	-0.479	0.297	0.272	0.026

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



4. Oil Inventories

In June 2014, OECD commercial oil inventories remained stable at the same previous month level of 2671 million barrels – a level that is 12 million barrels higher than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 21 million barrels to reach 1003 million barrels, whereas commercial oil products inventories increased by 21 million barrels to reach 1668 million barrels.

Commercial oil inventories in Americas decreased by 9 million barrels to reach 1383 million barrels, of which 511 million barrels of crude and 872 million barrels of oil products. Commercial oil Inventories in Europe increased by 8 million barrels to reach 893 million barrels, of which 331 million barrels of crude and 562 million barrels of oil products. Commercial oil inventories in Pacific increased by 1 million barrels, to reach 395 million barrels, of which 161 million barrels of crude and 234 million barrels of oil products.

In the rest of the world, commercial oil inventories decreased by 12 million barrels to reach 2350 million barrels, whereas the Inventories at sea increased by 30 million barrels to reach 1023 million barrels.

As result, Total Commercial oil inventories in June 2014 decreased by 12 million barrels comparing with the previous month to reach 5021 million barrels – a level that is 88 million barrels higher than a year ago.

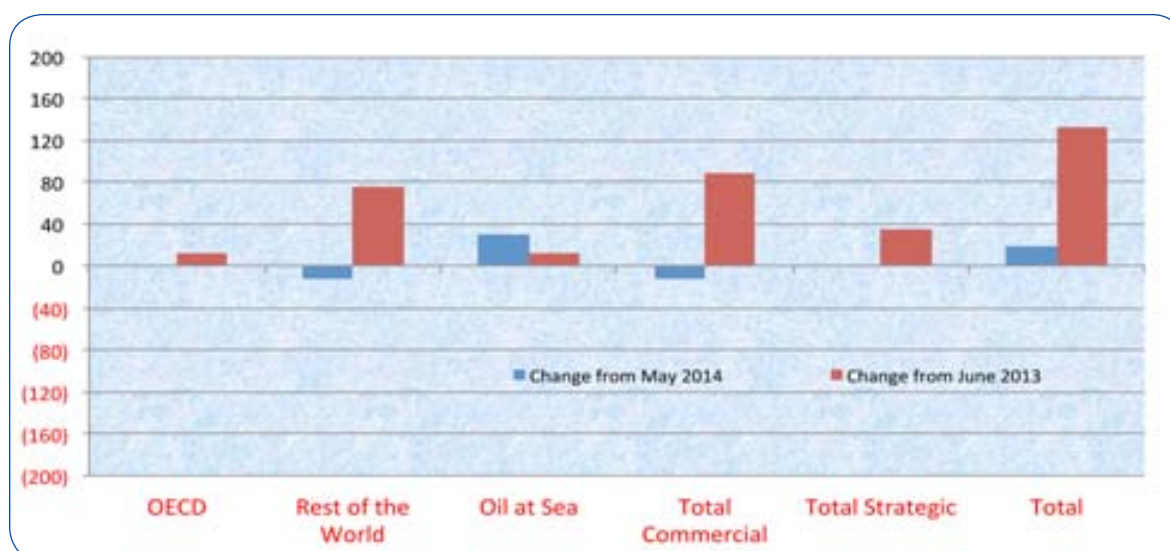
Strategic inventories in OECD-34, South Africa and China remained stable at the same previous month level of 1759 million barrels – a level that is 35 million barrels higher than a year ago.

Total world inventories, at the end of June 2014 were at 7803 million barrels, representing an increase of 18 million barrels comparing with the previous month, and an increase of 133 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 June 2014.

**Figure - 7** Changes in Global Inventories at the End of June 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 July 2014 decreased by \$0.3/million BTU comparing with the previous month to reach \$3.75/ 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 \$13.9/ million BTU in favor of WTI crude and \$13.6/ 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 BTU¹)

	July 2013	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2014	Feb.	Mar.	Apr.	May	June	July
<i>Natural Gas</i> ⁽²⁾	3.6	3.4	3.6	3.7	3.6	4.2	3.3	5.8	3.8	4.7	4.6	4.1	3.8
<i>WTI Crude</i> ⁽³⁾	18.0	18.4	18.3	17.3	16.2	16.8	16.4	17.4	17.3	17.6	17.6	18.1	17.7
<i>Low Sulfur Fuel Oil (0.3%)</i>	16.1	16.7	17.0	17.7	19.1	19.4	19.0	20.7	18.3	18.0	17.1	16.9	17.4

1. British Thermal Unit.

2. Henry Hub spot price.

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

Source: World Gas Intelligence August 6, 2014.

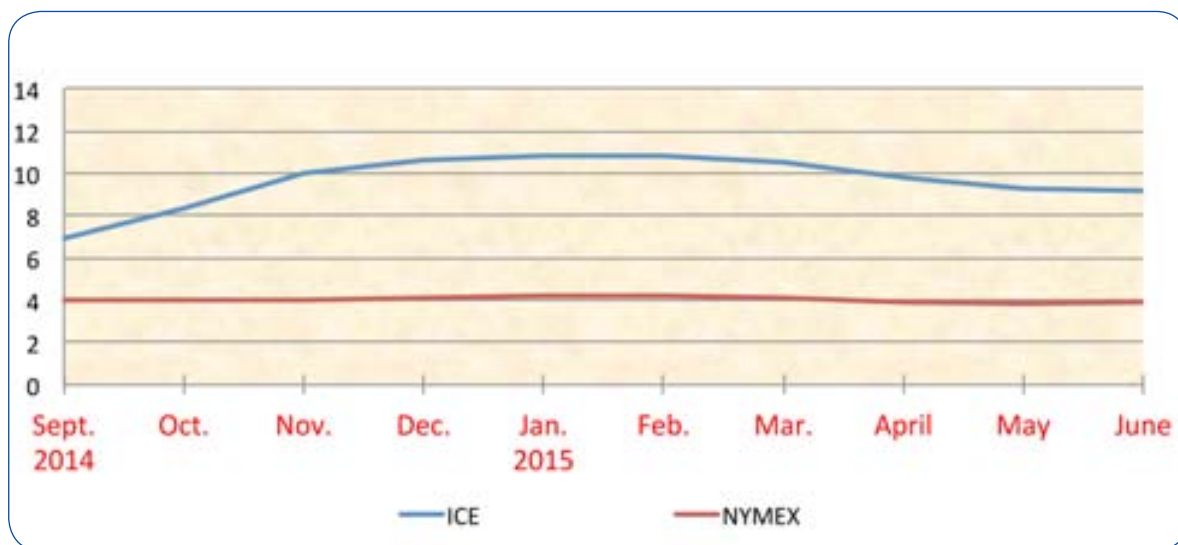


Futures gas prices recorded on August 11, 2104, indicate that those quoted at the London's ICE were higher than those quoted at the NYMEX for the period from September 2014 to June 2015, with maximum differential of \$6.68/ million BTU in February 2015. These developments are shown in figure (8).

Figure - 8

Gas Futures, August 11, 2014

(\$/Million BTU)



Source: World Gas Intelligence August 13, 2014.

2- Asian LNG Markets

In June 2014, the price of Japanese LNG imports decreased by \$0.2/ million BTU comparing with the previous month to reach \$16.1/ million BTU, whereas the price of Korean LNG imports increased by \$0.3/million BTU comparing with the previous month to reach \$16.6/ million BTU. and the price of Chinese LNG imports decreased by \$0.2/million BTU comparing with the previous month to reach \$11.2/ million BTU.

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 0.8% or 85 thousand tons from the previous month level to reach 10.371 million tons.

The Arab countries LNG exports to Japan, Korea and China totaled 4.147 million tons - a share 40% 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				10.Average Import Price		
	(thousand tons)				(\$/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

Source: World Gas Intelligence various issues.



Jordan

Jordan's Industry, Commerce, and Subsidies Ministry decided to reduce oil product prices in August 2014. Unleaded 90-octane gasoline will be sold at JD0.850 per liter instead of JD0.855 a liter. Under the new monthly pricing update, one liter of 95-octane gasoline will be sold at JD1.035, from JD1.040, while the diesel and kerosene will be sold at JD0.660 per liter, from JD0.675. Domestic jet fuel price is reduced to JD0.597 instead of JD0.606, while foreign jet fuel price is reduced from JD0.611 to JD0.602. Emergency flight fuel price is reduced from JD0.626 to JD0.617. Ship fuel price is reduced from JD477.57/ton to JD473.39/ton. JD=\$1.41.

India

India has taken over from the US as the largest importer of Nigerian oil, followed by China and Malaysia. The country is currently buying about 250,000 barrels a day.

The Nigerian National Oil Corporation has said that India now buys considerably more - about 30% of the country's 2.5 million barrels of production; which means about 750000 b/d.

USA

U.S. crude oil production averaged an estimated 8.5 million barrels per day in July 2014, the highest level since April 1987, the Energy Information Administration said.

In its monthly short term energy outlook, the EIA also raised its crude production forecasts for this year to 8.5 million b/d from its previous estimate of 8.42 million b/d and for next year's output to 9.3 million b/d from 9.27 million b/d previously. The 2015 forecast represents the highest annual average level of oil production since 1972.

The growth in domestic production has caused a decline in petroleum imports, said the EIA, which expects the share of imports of total U.S. consumption of petroleum and other liquids in 2015 to fall to 22 percent from the 2013 rate of 33 percent. The import share in 2015 would be the lowest level since 1970.

Russia

Based on data from Russia's Energy Ministry, exports of natural gas increased by 4.4% in the first seven months of 2014 reaching 117.003 billion cubic meters while its oil exports dropped by 5% during the same period.

The Ministry's data showed that Gazprom reduced its natural gas production in the first seven months of 2014 by 4.7% reaching 260.881 billion cubic meters while Novitec Group increased natural gas production by 7.5% reaching 36.314 billion cubic meters. Russia's natural gas production has fallen by 1.7% in the first seven months of this year compared to the same period last year. It is noteworthy that Russia's gas production has increased by 4.4%.



إصدارات الأمانة العامة لمنظمة الأقطار العربية المصدرة للبترول (أوابك)



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Tables Annex