

OAPEC



www.oapecorg.org

Organization of Arab Petroleum Exporting Countries

Vol. 47 No. (6-7) June - July 2021



**A COUPLE OF DYNAMIC
MONTHS AT OAPEC**



The Cover



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**
Institutions : USD \$ **60**

Subscription orders should be sent to :

P.O. Box 20501 Safat - Kuwait 13066 - State of Kuwait

Tel : (+965) 24959724

Fax : (+965) 24959755

E-mail : mail@oapecorg.org

Web-site: www.oapecorg.org

@OAPEC1 OAPEC1

OAPEC Oapec Oapec

All rights reserved. No reproduction is permitted without prior written consent of OAPEC.

Contents

IN THIS ISSUE

6

**OAPEC
ACTIVITIES**

18

**PETROLEUM
DEVELOPMENTS**

22

TABLES ANNEX

ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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

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

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



6 THE FIRST FORUM ON ARAB- INDIAN ENERGY COOPERATION



10 THE SECRETARIAT GENERAL'S MEETING WITH OAPEC JVS

• OAPEC-Joint Ventures:

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

OAPEC'S ORGANS

The Organization carries out its activities through its four organs:

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

A COUPLE OF DYNAMIC MONTHS AT OAPEC

June and July 2021 were very busy and active months for OAPEC Secretariat General. A series of scientific symposiums and coordinating meetings took place, via videoconferencing, with the participation of an elite of experts and specialists from OAPEC member countries. The Organisation has also released a number of scientific studies and reports, and took part in international conferences and meetings on petroleum, energy, environment and climate change. This is in addition to continued media activity to highlight the organisation and its goals through social media platforms, as well as, traditional Arab and international media outlets. Moreover, OAPEC has welcomed visitors of all walks of life whether journalists or those interested in the Organisation's activities. OAPEC has also carried on with coordination meetings with its joint ventures' officials, via videoconferencing, in order to identify opportunities available for further commercial cooperation between these JVs.

Most important activities of the past two months included: the release of OAPEC Secretary General's Annual Report for the Year 2020; a seminar on "Hydrogen and its Role in Energy Transition"; and a symposium on "Plastic Waste Recycling and the Concept of Circular Economy" (both seminars were held via Zoom technology).

OAPEC Secretariat General activities are embraced

by a plan on activating its role. The plan has been endorsed by its Ministerial Council and represents a core turning point in the Secretariat General's approach to its activities, based on identifying the energy industry's current challenges and future developments in general, with a special focus on the petroleum industry. The plan also comes in response to the member countries' desire to support all initiatives and strategies aiming at the development of the Organisation to offset its prestigious status as one of the pioneer joint Arab action Organisations of regional and international nature that is specialised in the petroleum industry.

The Secretariat General's vision on developing the Organisation's work and activities stems from the goals stated in its founding agreement that focus on boosting cooperation between its member countries in all aspects of the petroleum industry. OAPEC relies on the direct and continued support it receives from its Ministerial Council with the assistance of its Executive Bureau.

While progressing in delivering on its role activation plan, the Secretariat General aspires for serving the interests of its member countries in the best possible manner while hoping that the current COVID-19 pandemic and its restrictions come to an end to enable the Organisation to gradually resume its business as usual for a face-to-face interaction through coordination meetings, conferences, and scientific seminars.



THE FIRST FORUM ON ARAB- INDIAN ENERGY COOPERATION

OAPEC SECRETARY GENERAL: UNPRECEDENTED INTERNATIONAL MOMENTUM ON HYDROGEN USE AS A “SOURCE OF ENERGY”



OAPEC Secretary General, HE Ali Sabt Ben Sabt, said that governments showed growing interest in diversifying energy sources in recent years in order to attain cleaner, more sustainable, and more efficient energy mix. However, this choice has been facing a group of technical and economic challenges that hindered its wide use in some sectors like transportation. Therefore, Arab countries were keen on highlighting the importance of integration between natural gas and renewables in the energy system. This would contribute to improving energy efficiency, upgrading the energy system flexibility, and mitigating greenhouse gas emissions.

Participating at a high-profile session on “Transition to Clean Energy” as part of the First Forum on Arab- Indian Energy Cooperation held on 8 June 2021 via videoconferencing, HE Ben Sabt indicated in his speech to the unprecedented international momentum on using hydrogen as a “source of energy” and its contribution to achieving a global low- carbon economy.



He explained that a number of Arab countries like: the UAE, KSA, Egypt, Oman, and Morocco have shown wide interest in investing in hydrogen production projects, whether green or blue hydrogen. HE Ben Sabt clarified that the Arab countries can take the lead in blue hydrogen production depending on natural gas along with implementing CCS technology due to the availability of raw material at competitive prices. This should ensure continued development of their natural gas resources, while taking international trends on cutting Co2 emissions into consideration.

Arab- Indian Oil & Gas Cooperation: Current Status & Future Prospects

On Day 2 of the Forum, the Director of the Economic Department at OAPEC, Mr Abdul Fattah Dandi, presented a paper on “Arab- Indian Oil & Gas Cooperation: Current Status & Future Prospects” at the fourth session allocated for Arab- Indian oil and natural gas cooperation. The paper tackled 3 key pivots: the current status and future prospects of the oil and natural gas sector in the Arab countries; the current status and future prospects of the oil and natural gas sector in India; and the opportunities of boosting Arab- Indian energy cooperation in terms of supply security in return for demand security.

The paper highlighted the prestigious status of the Arab countries in the world oil market by having about 716 billion barrels of proven oil reserves, representing about 55.7%. Their oil output has reached to about 21.8 million b/d in 2020, representing a share of 26.8%, while India has only 0.3% of the world’s reserves and 0.8% of the world’s output.

Comparing Arab oil exports with imports, it is notable that export surplus will be increasing from 21.6 million b/d in 2019 to 24.9 million b/d in 2030 then to 26.4 million b/d in 2040; against a growing

shortage and need for imports on the Indian side as the shortage will increase from the current 4.1 million b/d to 6.3 million b/d in 2030 then to 7.9 million b/d in 2040. The Arab countries will have a pivotal role in meeting the world’s growing demand for oil in general. Arab OPEC member countries’ share of global oil supplies will rise from the current 25.5% to about 30% in 2040; and their share of OPEC supplies will increase from the current 74.4% to 77.1% in 2040. Meanwhile, the growing gap between oil output and consumption in India will rise from 4 million b/d in 2019 to 9.1 million b/d in 2040 reflecting growing reliance on imports to meet domestic oil needs; here is where Arab countries can play an important role in meeting India’s growing oil demand.

Arab countries will also have a pivotal role to play in the world gas markets. Their gas supplies will rise from the current 597 billion cubic metres to 800 billion cubic metres in 2040 and will maintain a share of 15% of the world’s total. India’s growing reliance on imports to meet its LNG needs is expected to increase as local production would cover 60% of the forecast demand in 2040. Future forecasts show more than 4-fold rise in India’s LNG imports from 31 billion cubic metres to 145 billion cubic metres during the same period.

The paper concluded that oil and gas demand is growing in India until 2040 against insufficient output rates, which means a growing gap and shortage between Indian output and demand, which requires the country to resort to exports to cover its domestic needs to boost supply security by diversifying the resources. In contrast, the Arab oil and gas surplus available for exporting can be noted; and within the framework of Arab countries’ endeavours to secure demand for these two resources, India can play an important role in this aspect.



OAPEC SECRETARY GENERAL:

ARAB COUNTRIES HAVE SIGNIFICANT POTENTIALS FOR A PROMISING HYDROGEN SECTOR

OAPEC Secretary General, HE Ali Sabt Ben Sabt, said that using hydrogen as a source of energy has won growing global interest recently supported by international legislations, plans, and policies targeting cutting Co2 emissions, as hydrogen can be used as fuel in many sectors without releasing any carbon emissions.



In his speech at the opening of OAPEC’s regional seminar on “Hydrogen and its Role in Energy Transition,” held on 12 July 2021, via videoconferencing with more than 200 participants, HE Ben Sabt added that Arab countries have

significant potentials enabling them to build a promising hydrogen sector. He clarified that these potentials include: a massive natural gas infrastructure that can be used for hydrogen; availability of renewable resources; in addition to a distinguished geographical location that enables them to export to large consumer markets in Europe and Asia.

He pointed out that many countries, including the UAE, Algeria, KSA, Egypt, Oman, and Morocco, have shown interest in investing in hydrogen projects, with more than 15 planned projects. This trend will support diversifying the national economy, ensure investing in gas resources available in the Arab countries, and help integration with renewables.

HE Ben Sabt clarified that organizing this important regional seminar, with the participation of experts from both governmental and private sectors,



stems from the keenness of the Secretariat General to follow up and analyse current international developments on hydrogen, review opportunities and points of strength that can serve the member countries' interests, in addition to contribute to building a sustainable future for energy.

HE Ben Sabt expressed thanks to OAPEC ministers and members of its Executive Bureau on their nonstop support for the Secretariat General activities, especially to render this seminar successful through nominating an elite of participants and speakers. He also thanked participating speakers from the Arab League, Iraq's Ministry of Oil, Regional Center for Renewable Energy and Energy Efficiency (RCREEE), United Nations Economic and Social Commission for Western Asia (ESCWA), Arab Petroleum Investments Corporation (APICORP), Kuwait Institute for Scientific Research (KISR), Germany's Siemens, and Algeria's Sonelgaz.

The seminar then proceeded with Eng. Emad Mekki, Supervisor of the Technical Affairs Department at OAPEC, pointing out that the seminar aims at reviewing the various methods of hydrogen production and its uses, as well as, looking ahead at the role it can play to contribute to energy transition in line with the efforts aiming at highlighting the various technologies that are expected to help with achieving sustainable future for energy. It tackled:

The various phases of the hydrogen industry value chain (production, transport, storage, use) in addition to the technical and economic challenges for each.

International policies and strategies targeting expansion of hydrogen uses, in addition to the role hydrogen can play in the energy transition process.

Success elements for establishing an integrated hydrogen industry in the Arab countries and current challenges.

On his part, Eng. Wael Hamid, Gas Industries Expert at OAPEC, presented a paper on "The Role of Hydrogen in Energy Transition" during session 1 highlighting the regional institutions and organisations' vision on establishing a hydrogen economy.

The seminar came out with the following recommendations:

- It is important to update national energy plans to take into consideration the future role hydrogen can play in meeting energy demand; benefitting from the low cost of blue hydrogen production in a way that ensures exploitation of gas resources in the future and creating an opportunity that supports gas demand.
- Seeking strategic partnerships with hydrogen's large markets that would need to import it in the future, like the European and Asian markets
- Establishing research centres on hydrogen production technologies and applications. In addition to, supporting their integration while training manpower to be qualified to work with hydrogen technologies.
- Raising awareness on hydrogen and its safety measures



ورشة عمل حول :
الآثار الاقتصادية والصناعية لتطبيق الذكاء الاصطناعي في الدول العربية

المنظمة العربية للتنمية الصناعية والتقييس والتعدين
 كلية الابتكار
 Talal Abu-Ghazaleh University College for Innovation

الجلسة الافتتاحية

الدكتور
فلاح أبو غزالة
 مؤسس ورئيس
 كلية فلاح أبو غزالة الصناعية للابتكار

المهندس
عادل صقر الصقر
 مدير عام المنظمة العربية للتنمية الصناعية والتقييس والتعدين

مدير الجلسة العلمية الأستاذ **عبد الحميد كاسري** - من إدارة التنمية الصناعية بالمنظمة العربية للتنمية الصناعية والتقييس والتعدين

الأستاذ الدكتور
أحمد عبد العزيز

المهندس
مصطفى العاطفي

الدكتورة
مفيدة حنوزات

الأستاذ الدكتور
انس أبو الكلام

مفوضة المهندس
بلال خالد الحفظاني

الدكتور
محمد فريجات

المهندس
قيس العاجري

OAPEC AT “ECONOMIC & INDUSTRIAL IMPACTS OF ARTIFICIAL INTELLIGENCE APPLICATIONS IN ARAB COUNTRIES” WORKSHOP

Under the umbrella of boosting cooperation with Arab and regional institutions, OAPEC Secretariat General took part in a workshop titled the “Economic and Industrial Impacts of Artificial Intelligence Applications in the Arab Countries” organized by the Arab Industrial Development, Standardization, and Mining Organisation via videoconference.

The event was co-organised with Talal Abu Ghazaleh University College for Innovation (TAGUCI). The main goal of the workshop is to introduce challenges imposed by artificial intelligence applications, exchange expertise among Arab countries, work on securing and fortifying industrial and technological security through raising awareness and building human capacity on development, innovation, and best use of these applications.

The workshop concluded by agreeing a number of recommendations, most importantly:

- The Arab countries should be ready to join the competition of controlling artificial intelligence applications
- It is necessary to draw a strategic plan for labour force
- Skills development and rebuilding
- Promoting the concept that learning is a lifetime process
- Reconsidering talent recruitment strategies
- Investing in corporate academies and training partnerships
- The importance of developing a self-assessment framework on Arab countries' readiness in terms of their infrastructure and its capacity to embrace artificial intelligence technologies in all aspects relevant to education
- Man is always the drive for all technological development operations. They should use technology to serve this world not vice versa

More than 150 participants took part in the workshop. They came from 18 Arab countries. OAPEC Secretariat General was represented by Eng. Turki Hemish, Petroleum Expert (Exploration and Production); Dr Yassir El Baghdadi, Oil Industries Expert; Eng. Wael Hamid, Gas Industries Expert; Mr Majed Amer, Senior Economist; and Sheikh Fahad Al Sabah, Information Expert/ Documenter.



THE SECRETARIAT GENERAL'S MEETING WITH OAPEC JVS

As part of its role activation plan endorsed by the Ministerial Council, OAPEC Secretariat General held a videoconference meeting chaired by the Secretary General, HE Ali Sabt Ben Sabt, with the representatives of OAPEC joint ventures (JVs) on 21 June 2021. The JVs were represented at the meeting by: Eng. Mazen Matar (Managing Director, Arab Shipbuilding and Repair Yard Company (ASRY)); Mr Ali Al Saghir (Director General, Arab Petroleum Services Company (APSCO)); Mr Yaseen Al Sayyad (Commercial Manager, Arab Maritime Petroleum Transport Company (AMPTC)); and Mr Suhail Shatila (Arab Petroleum Investments Corporation (APICORP)).



The Secretariat General was represented by Engineer Emad Mekki (Supervisor of the Technical Affairs Department) and Engineer Wael Abdul Moati' (Gas Industries Expert).

HE Ben Sabt lauded what has been achieved during previous introductory meetings that contributed to outlining a roadmap on collaboration potentials and measures between

OAPEC and its JVs. He then clarified that the meeting would tackle three key issues:

- Proposals on potential studies of common interest between OAPEC and its JVs

- Cooperation opportunities between JVs and their execution mechanisms
- Identifying challenges hindering the work of JVs while working on finding proper solutions to overcome these challenges in a way that serves the interests of all parties
- The Secretary General concluded by appreciating the cooperation spirit between OAPEC and its JVs and wishing the meeting success in delivering on the aspired goals. He also hoped that the meeting would draw an executive plan specifying measures and activities of common interest in the coming period to be endorsed in the next meeting.
- HE Ben Sabt then gave the floor to Eng. Abdul Moati to give a presentation on the outcomes and recommendations of the previous meetings, as well as, the Secretariat General's vision on the roles OAPEC can play to boost cooperation with its JVs, which can be categorised as follows:
 - Joint Executive Role: shared between OAPEC Secretariat General and the JVs to execute activities of common interest.
 - Coordinating Role played by the Secretariat General to boost cooperation and integration between its JVs and national companies in the member countries and other Arab countries to open the door for more joint action.
 - Organisational Role played by the Secretariat General through receiving JVs proposals to be submitted as recommendations to the Ministerial Council.

After that, the Secretary General gave the floor for discussion on the proposed key issues. JVs representatives introduced various ideas and proposals contributing to boosting constructive cooperation between the JVs and the Secretariat General; including organising conferences to tackle hot issues of the industry. The JVs also showed interest in joining OAPEC

in organising a workshop scheduled for next October on the maritime transportation market. Conveners also underscored the importance of conducting studies of interest to the JVs fields of specialisation, including: future prospects for the maritime transportation market (oil, petroleum products, LNG); bunker fuel in light of global developments on using new types of fuel like LNG and hydrogen; CCS technologies and their use in enhanced oil recovery (EOR); regional exploration and drilling activities; and shipbuilding and maintenance activities. Opportunities sought after by the JVs in the member countries have also been discussed.

At the end of the meeting, the following points have been agreed:

- In terms of the executive role of the Organisation, continuing forming taskforces by the JVs to pull together an "action plan" identifying procedures and activities of common interest in the coming period to be endorsed in their final form in the next meeting.
- In terms of the Organisation's coordinating role, the Secretariat General should be receiving JVs' proposals on boosting cooperation opportunities and integration among themselves, as well as, with other companies of the same nature in the member countries and other Arab countries.
- In terms of the organisational role of the Organisation, the Secretariat General should prepare reports on the procedures required for boosting the work of the JVs, and propose solutions and recommendations to be submitted to the Ministerial Council in its next meeting to take necessary action.
- In his concluding speech, HE Ben Sabt extended thanks to the JVs for their constructive collaboration while stressing the importance of continued communication through holding such fruitful meetings.



FIRST TRAINING COURSE ON BUILDING NATIONAL CAPACITIES ON PREPARING OIL & ENERGY STATISTICS IN OAPEC MEMBER COUNTRIES



OAPEC Secretary General, HE Ali Sabt Ben Sabt, emphasized OAPEC’s keenness on disseminating statistical awareness for those working in the oil and energy industry. The Organisation also seeks to help experts in OAPEC member countries in preparing oil and energy statistics, improve applied statistical skills, develop practical measures to improve data collection efficiency at the concerned statistical bodies and oil and energy ministries in order to synchronise these measures with international standards.

The statements came at the First Training Course on Building National Capacities on Preparing Oil and Energy Statistics in OAPEC Member Countries, organised by OAPEC Secretariat General via videoconferencing on

23-24 June 2021, with the participation of more than 100 statistical experts from OAPEC members and other Arab countries.

In his speech inaugurating the training course, the Secretary General added that the Secretariat General is currently working on executing the Council of Ministers’ endorsed plan on activating the role of the Organisation and developing its activities.

On top of these activities comes activating OAPEC Databank that plays a massive role in providing researchers and experts with data and information that contribute to improving the quality of studies and specialised research prepared by the Secretariat General and oil and energy experts in OAPEC members.

He clarified that the development process requires collaboration with those in charge of preparing statistics and data on oil and energy industry in OAPEC member countries to update official statistics and data on a regular and sustainable basis.

HE Ben Sabt pointed out that this is the first training course that would be followed by more in the future. The next will be on preparing natural gas industry statistics. Dates to be announced later. He wished all participants success and delivering on the set-goals of the course.

MEETING ON JOINT ARAB ECONOMIC REPORT 2021

OAPEC Secretariat General took part in the meeting discussing the Joint Arab Economic Report 2021 drafts (held via videoconferencing) on 20-24 June 2021. Representatives from the Arab League Secretariat General, the Arab Monetary Fund, and the Arab Fund for Economic and Social Development took part in the meeting. Mr. Abdul Fattah Dandy, Director of the Economic Affairs Department; and Mr. Majed Amer, Senior Economist from the same department, represented OAPEC Secretariat General at the meeting.

During the meeting, the drafts of the report chapters have been discussed. Some remarks have been made and it was agreed to take them into consideration upon preparing the final draft. OAPEC Secretariat General prepares Chapter 5 on oil and energy developments (covering Arab and world exploration and reserves; energy demand; world oil inventories (commercial and strategic); oil and gas exports; Arab oil exports value and their implications for Arab economies). OAPEC also prepares the section on hydrocarbon industries in chapter 4 covering the industrial sector.

The conveners underscored the importance of continuing developing the statistical methods followed in calculating economic and social data chains. This would be done by benefitting from the Arabsat Initiative on boosting statistical skills in the Arab countries with the help of regional and international expertise. It has also been agreed to continue developing the report's database to be shared among the institutions that prepared it. Moreover, it was advised to continue developing the methods of preparing the report both in content and form, in addition to providing constructive recommendations in terms of policy making by benefitting from regional and international experiences.





OAPEC AT THE 9TH TECHNICAL MEETING OF OPEC & NON-OPEC COUNTRIES PARTICIPATING IN DOC



Within the framework of boosting cooperation with international and regional organisations, OAPEC Secretariat General took part in The Ninth Technical Meeting of the OPEC and non-OPEC Countries participating in the Declaration of Cooperation (DoC), which was organized by OPEC via videoconference. The Meeting aimed at reviewing current oil market developments and discussing next year's forecasts. It also tackled uncertainties that might cast a shadow on growth rates of market fundamentals represented in demand and supply.

Over 150 participants from international, regional, and Arab organisations took part in the event. Mr Abdul Fattah Dandi, Director of the Economic Department, and Mr Majed Amer, Senior Economist, represented OAPEC Secretariat General at the meeting.

SEMINAR ON

“THE IMPACT OF DECLINING OIL PRICES DRIVEN BY COVID-19 PANDEMIC ON EXPLORATION & PRODUCTION IN THE PETROLEUM INDUSTRY”

As part of the ongoing cooperation between OAPEC and the Ministry of Oil in the State of Kuwait, the Secretariat General presented a paper on “The Impact of Declining Oil Prices driven by COVID-19 Pandemic on Exploration & Production in the Petroleum Industry” at the Ministry’s seminar held on 7 June 2021 via ZOOM technology.



Eng. Turki Hemish

The seminar tackled three key issues. The first revolved around the important historical features of the petroleum industry during the 20th century, which showed that looking back at past petroleum crises allows a better understanding of what is currently happening or what would happen when oil prices fall; it also enables recognition of later market recovery mechanisms. A good example is when oil prices hit \$147 per barrel back in 2008 but then fell towards the end of the year due to the global economic crisis to reach \$34 in the beginning of 2009. Indicators of price recovery emerged in 2010 but then reverted to declining from 2014 to 2016. In 2020, oil prices witnessed a sharp decline due to the COVID-19 pandemic, however, easing lockdown measures, growing demand rates, and OPEC+ cutting of production have contributed to a notable price improvement.

The second pivot tackled the impact of the COVID-19 pandemic on the petroleum industry. It has brought to surface the changing patterns of supply and demand in 2020 and their impacts on drilling, number of wells, and the number and size of discoveries. It also showed that COVID-19 crisis is not the first health crisis to affect the petroleum industry in the world, albeit the first in terms of size and impact. The pivot also explained the drop in the US shale oil production, and the extent of the impact of restricting the movement of transportation and travelling on the global oil

demand. Moreover, the discussion reviewed the impact of the pandemic on renewables, which eventually benefitted from declining demand for electricity to increase their contribution to European grids as they have priority access driven by governmental support.

The third topic covered risk indicators, peak of energy demand, and future prospects.

Amidst the frenzy of low oil prices that prevailed in 2020, which came hand in hand with falling energy demand, a new wave of forecasts emerged to champion that oil demand was on the verge of hitting its peak, or has indeed already hit it. However, comparing actual production data with earlier long-run forecasts in unusual events indicated that such forecasts have led to hasty judgements and unrealistic figures. It showed that talks about demand/output peak are premature at this stage of the petroleum industry’s lifetime. It has also been found that oil demand forecasts reach as far as 104-109 million b/d in 2040. The conclusion underlined that the petroleum industry is recovering faster than believed back in 2020 indicating that COVID-19 crisis may have had a role in creating a competitive environment that stimulated countries with petroleum-dependent economies to diversify their sources of income to face demand/price volatility.

Answering questions at the end of the seminar, it was made clear that replacing hydrocarbon fuel with renewables is not an easy matter. Hence, fossil fuel will remain a basic part of the energy mix for many decades to come. Renewables would complement- not threaten- fossil fuel.

The seminar was moderated by Eng. Turki Hemish, Petroleum Expert (Exploration and Production) at the Technical Affairs Department in OAPEC.



Monthly Report on Petroleum Developments in The World Markets

Monthly Report on Petroleum Developments in The World Markets *

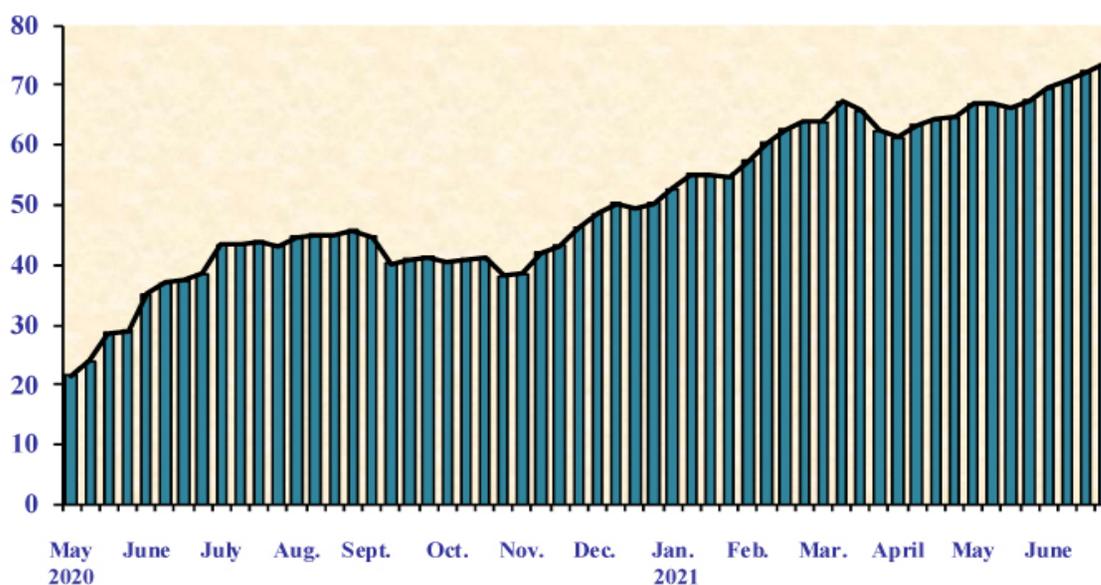
First: World Oil Markets

1. Oil Prices

OPEC primary estimates indicate that OPEC Reference Basket price increased in June 2021 by 7.4% compared to the previous month, to reach \$71.89/bbl. While annual price of OPEC Basket is expected to increase in 2021 by 54.2% compared to 2020, to reach \$63.93/bbl.

It's worth mentioning that, OPEC Reference Basket increased in May 2021 by 5.8% or \$3.7/bbl, compared to the previous month, to reach \$66.9/bbl, its highest monthly average since May 2019. This is mainly attributed to stronger oil market fundamentals. As refiners in Asia Pacific and Europe showed higher buying interests on the expectation of further recovery of oil demand in the approach of the summer driving season. In the US, the continued recovery in refinery runs and declining crude stock lent support to prices.

Weekly Average Spot Prices of OPEC Basket of Crudes, 2020-2021 (\$/bbl)



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

2. Supply and Demand

Primary estimates indicate that world oil demand is increased in Q2 2021 by 2.5% compared with previous quarter, to reach 95.3 million b/d. As demand in OECD countries increased by 4.1% to reach 44.5 million b/d. And demand in Non-OECD countries increased by 1.1% to reach 50.7 million b/d.

* Prepared by the Economics Department.



- Projections indicate that world oil demand is expected to increase in Q3 2021 to reach 98.2 million b/d. As Demand in OECD countries is expected to increase to reach 45.5 million b/d. And demand in Non-OECD countries is expected to increase to reach 52.7 million b/d.
- Primary estimates indicate that world oil supplies in May 2021, increased by 859 thousand b/d or 0.9% comparing with previous month level to reach 94.3 million b/d. Non-OPEC supplies increased by 0.7% to reach 63.7 million b/d, and OPEC crude oil and NGLs/condensates total supplies increased by 1.3% to reach 30.6 million b/d.
- US tight oil production remained stable in May 2021 at the same previous month level of 7.738 million b/d. Production is expected to continue rising in June and July 2021 to reach 7.802 million b/d. On other development, US oil rig count increased in May 2021 by 14 rigs, to stand at 408 rigs.

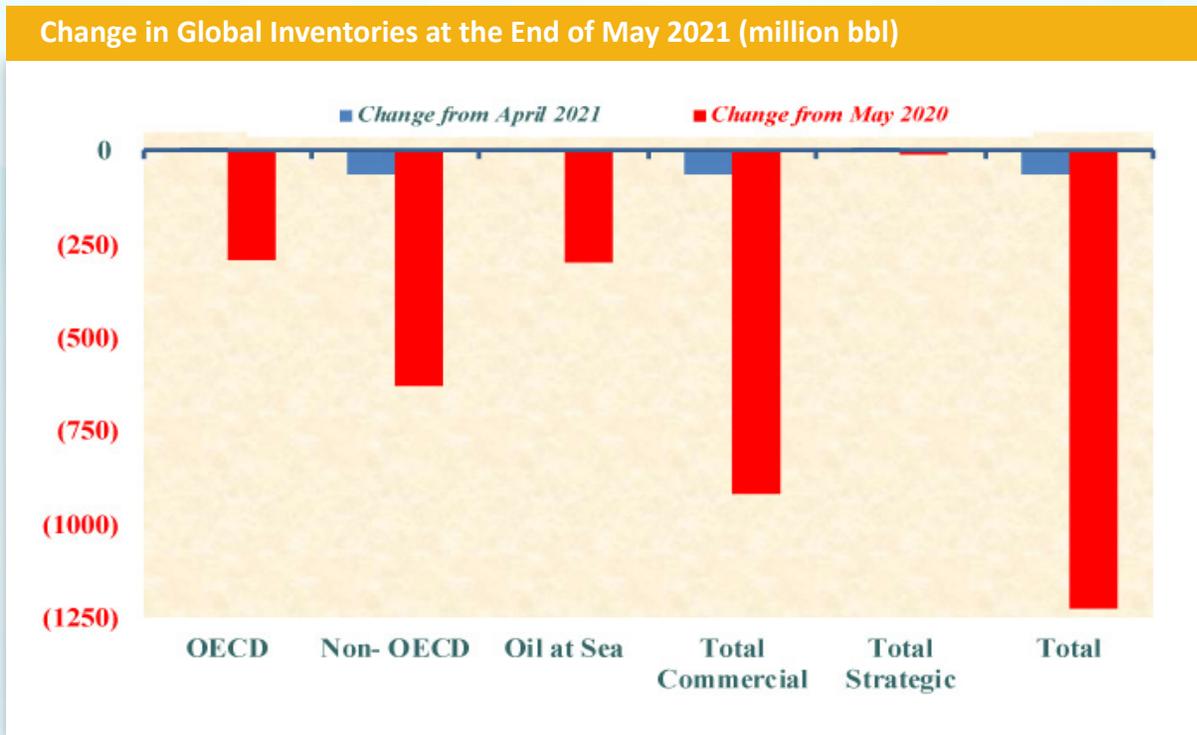
US tight oil production and oil rig count



Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions June 2021.

3. Oil Inventories

- OECD commercial inventories in May 2021 increased by 2 million barrels from the previous month level to reach 2928 million barrels, and strategic inventories increased by 5 million barrels from the previous month level to reach 1851 million barrels.



Source: Oil Market intelligence, August 2020 and June 2021.

4. Oil Trade

- US crude oil imports in May 2021, increased by 2.1% from the previous month level to reach about 6 million b/d, whereas US crude oil exports decreased by 6% to reach about 2.8 million b/d.
- US petroleum products imports in May 2021 increased by 11.3% from the previous month level to reach about 2.8 million b/d, and US petroleum products exports increased by 5.4% to reach about 5.4 million b/d.

Second: Natural Gas Market

1. Prices

- The average spot price of natural gas at the Henry Hub increased in May 2021 to reach \$2.91/million BTU.
- The price of Japanese LNG imports in April 2021 increased by \$0.36/m BTU to reach \$7.74/m BTU. Whereas the price of Korean LNG imports decreased by \$1.01/m BTU to reach \$7.40/m BTU, and the price of Chinese LNG imports decreased by \$1.02/m BTU to reach \$6.95/m BTU.

2. Exports

- Arab LNG exports to China, Japan and South Korea were about 2.469 million tons in April 2021 (a share of 17% of total imports).

Tables Annex