

Organization of Arab Petroleum Exporting Countries

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# OAPEEC

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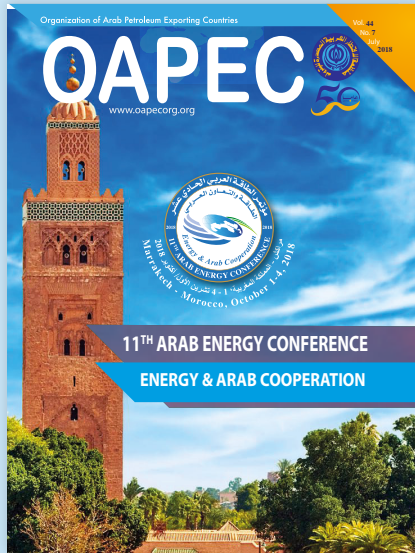
## 11<sup>TH</sup> ARAB ENERGY CONFERENCE

## ENERGY & ARAB COOPERATION





# The Cover



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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.



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• **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.



## **THE ELEVENTH ARAB ENERGY CONFERENCE “ENERGY & ARAB COOPERATION”**

The Eleventh Arab Energy Conference (AEC11) will be held in Marrakesh, Morocco, from 1 to 4 October 2018 under the high patronage of His Majesty King Mohammed VI of Morocco. The theme of the Conference will be “Energy and Arab Cooperation.” Official delegations representing the Arab countries and regional and international energy organizations will take part in the prestigious event.

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

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

The Eleventh Arab Energy Conference will be held in extraordinary circumstances for the Arab and international oil and gas industry, especially in light of the developments in the oil market since 2014 with

enormous efforts by OPEC and non-OPEC oil producing countries to contribute to the stability and balance of the world's oil market. This is in addition to an increasing international interest in producing oil and gas from unconventional resources, and post- Paris Agreement 2015 (COP21) international negotiations on the UNFCCC. This and other current world energy industry issues will be covered by the technical sessions and discussion panels at the Conference.

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

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

With the advent of the AEC11, OAPEC Secretariat General wishes success to all the sincere efforts done to create this platform for a constructive dialogue among Arab countries on energy issues, and to highlight the Arab petroleum exporting countries' efforts in securing safe and continuous flow of oil and natural gas supplies.



## HE AL FALIH: WORLD LIKELY TO FACE INCREASE IN DEMAND IN SECOND HALF OF 2018



Saudi Energy, Industry, and Mineral Resources HE Eng. Khalid Al Falih said close and continued cooperation between OPEC and non-OPEC producers has contributed to safeguarding the oil industry against one of the hardest decline waves encompassing changes in energy mix and demand levels.

In his speech at the 7th OPEC International Seminar in Vienna, Al Falih pointed out that the past 18 months have been difficult. There were ups and downs, however, the end results were good. He added “we managed to bring balance back and saw investments flowing back. We hope to continue in the same manner in the coming years as the mission hasn’t finished yet. We are looking for more.”

He underscored KSA’s endeavours as being directed towards meeting all demand needs and compensating for any shortage in oil supplies. He clarified that the decision to increase production is governed by a number

of technical and political factors, therefore, the decision needs a thorough study as “we in Saudi Arabia have huge reserves and are able to meet any forecasted and urgent increase in demand.” The Minister signalled that demand would increase in the second half of 2018.

HE Al Falih said there will likely be a deficit of 1.6 – 1.8 million barrels in the second half of this year 2018 assuming that the main production continues at May 2018 levels. That will continue to drive inventories down. He added that OPEC cannot accept this situation; it will work on the deal in terms of supply levels to ease consumer anxiety.

He stressed that OPEC is committed to its responsibility towards the consumer and the market, in a way that resembles the Saudi stance. He explained that any excess in the oil market is bad for both producers and consumers; “it is through cooperation with oil producing countries that we will not allow that to happen again.”

## IRAQ'S OIL EXPORT REVENUES RISE IN FIRST HALF OF 2018

Iraq's Oil Minister HE Eng. Jabbar Ali Al Allaibi said the rate of exports and revenues from crude oil sales for the first half of the current year 2018 has risen compared to the first half of last year.

He added that the total revenues for the first half of 2018 amounted to more than \$40 billion compared to \$27 billion for the same period in 2017.

HE Al Allaibi pointed out that the total exports in the first half of 2018 also increased to about 625 million barrels compared to about 592 million barrels.

He clarified that the average selling price for June 2018 has risen to about \$69 per barrel compared to \$42,067 a barrel in June 2017.

The Minister said this will contribute to reducing the proportion of the deficit in the federal budget for this year.





## HE AL RASHIDI: KUWAIT WILL RAISE OIL OUTPUT TO KEEP MARKET STABILITY



Kuwait's Oil, Electricity and Water Minister HE Eng. Bakhit Al Rashidi said that Kuwait will raise oil output to keep market stability as agreed during the meetings of OPEC's ministerial committee on price monitoring.

He added in a press statement following the end of the 4th ministerial meeting between OPEC and non-OPEC producers that he expects the oil market to stabilize in general and that the decision to increase production by one million bpd will have positive effects on the world's oil market.

Answering a question on the target price for Kuwait, the minister said that Kuwait, like other producers, is not looking for a specific price but basically seeking the stability of the global oil market to serve the interests of producers and consumers alike, as well as, the interests of oil investors.

He referred to investment in the oil industry saying that price fluctuation would not serve market stability nor investing in the oil industry on the long run as investors would find it difficult to draw long term plans in light of such fluctuations.





## ENI COMPLETES 10% STAKE SALE IN SHOROUK CONCESSION, OFFSHORE EGYPT, TO MUBADALA PETROLEUM



Egypt's Petroleum and Mineral Resources Minister HE Tarek El Mulla has signed a final agreement with Italy's Eni, UAE's Mubadala Petroleum, and EGAS. The agreement sees Eni finalizing a 10% stake sale in the Shorouk concession to Mubadala Petroleum. The Shorouk concession is offshore Egypt, where the Mediterranean's Zohr gas field is located. The deal is worth around \$934 million with a \$94 signing bonus.

Following the signing, HE El Mulla stressed that the unprecedented results achieved in Zohr field at all stages have strongly contributed to attracting investors to partner in the supergiant project. It has made Egypt under the spotlights attracting the attention of global oil and gas investments.

He pointed out that the entry of new partners to invest in the petroleum sector reflects its unique investment opportunities. It also serves the Egyptian economy greatly in the next stages through utilizing the new partners' wide experience, as well as, supporting the Ministry's efforts to increase investments in the petroleum sector to maximise production and reserves. He drew the attention to the fact that this is the first investment of UAE's Mubadala in Egypt as the company has showed interest in the promising investment opportunities in the petroleum sector.





## DR. AL NEYADI: ROTATIONAL ELECTRICITY RESERVES SYSTEM BARS POWER FAILURES IN THE GCC



The UAE's Energy and Industry Ministry's Undersecretary and its Representative at OAPEC Executive Bureau, Board Member of the GCC Interconnection Authority HE Dr Matr Al Neyadi said that the GCC electrical interconnection network that started in 2009 has contributed to avoiding hundreds of power cuts in the GCC countries. These countries have saved large sums of money through the rotational electricity reserves system.

He pointed out that the GCC countries have saved over \$2.4 billion from this project since its completion and full operation back in 2011. The project is expected to provide around \$30 billion over the next 23 years according to the GCC Interconnection Authority Report 2017.

The GCC electrical interconnection network is one of the most successful GCC strategic projects that targets comprehensive and integrated development that serves the interests of the GCC people.

## QATAR PETROLEUM ACQUIRES 30% EQUITY IN 2 EXXONMOBIL AFFILIATES

Qatar Petroleum has signed an agreement with ExxonMobil to become a 30% equity holder in two ExxonMobil affiliates in Argentina, which hold different interests in hydrocarbon licenses for seven blocks in Vaca Muerta play in the onshore Neuquén basin.

The agreements were signed by Saad Sherida Al Kaabi, president & CEO of Qatar Petroleum, and Andrew P. Swiger, Senior VP of ExxonMobil Corp., at a special ceremony held in Doha recently, in the presence of senior executives from both companies.

As per the signed agreements, Qatar Petroleum will have a 30% share in two



ExxonMobil local affiliates in Argentina, namely, ExxonMobil Exploration Argentina S.R.L. and Mobil Argentina S.A., which hold rights with other partners for seven blocks under exploration licenses with active drilling plans, as well as exploitation licenses with pilot drilling and production.

## SONATRACH SIGNS \$324 MILLION DEAL WITH TOTAL & REPSOL

Algeria's Sonatrach signed an exploration and development contract for its Tin Foye Tabankort gas field with France's Total and Spain's Repsol over a period of 24 years. Sonatrach owns 51% of the field, Total 26.4% and Repsol 22.6%. The project will invest \$324 million in operations including the drilling of 11 new wells.

The step aims at maintaining the current field output of 80000 BOE/D, representing 3 billion cubic metres of gas per year for the next six years. They will also develop additional reserves at the field estimated at more than 250 million BOE. It is worth mentioning that \$1.2 billion have been allocated as investments to develop the field.





## Petroleum Developments in the World Market and Member Countries\*

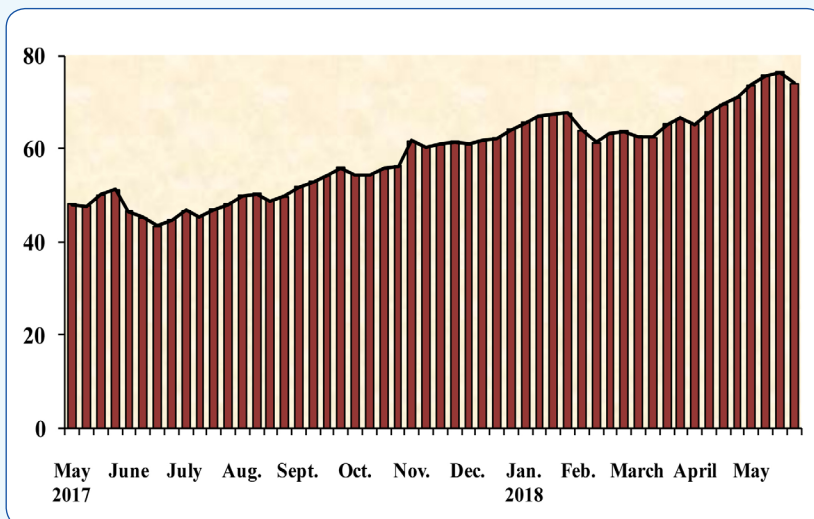
### 1. Oil Market

#### 1. Prices

##### 1-1 Crude Oil Prices

Weekly average price of OPEC basket increased during the first week of May 2018, to reach \$73.5/bbl, then raise thereafter, to reach its highest level of \$76.3/bbl during the third week, before decline to 73.9 during the fourth week, as shown in **figure 1**:

**Figure - 1** Weekly Average Spot Price of the OPEC Basket of Crudes 2017 - 2018 (\$/bbl)



On monthly basis, OPEC Reference Basket in May 2018, averaged \$74.1/bbl, representing an increase of \$5.7/bbl or 8.3% comparing with previous month, and an increase of \$24.9/bbl or 50.6% from the same month of previous year. Strong conformity by OPEC and participating non-OPEC countries in terms of production adjustments through the Declaration of Cooperation, as well as escalating geopolitical tensions, and bullish drawdowns in US crude inventories, were major stimulus for the increase in oil prices during the month of May 2018, to reach its highest monthly value since November 2014.

### Key Indicators

- In May 2018, **OPEC Reference Basket increased** by 8.3% or \$5.7/bbl from the previous month level to stand at \$74.1/bbl.
- **World oil demand** in May 2018, **increased** by 0.3% or 0.3 million b/d from the previous month level to reach 98.6 million b/d.
- **World oil supplies** in May 2018, **increased** by 0.9% or 0.9 million b/d from the previous month level to reach 99.5 million b/d.
- **US tight oil production** in May 2018, **increased** by 1.7% to reach about 7.1 million b/d, and **US oil rig count increased** by 33 rig from the previous month level to stand at 931 rig.
- **US crude oil imports** in April 2018, **increased** by 9.4% from the previous month level to reach 8.4 million b/d, whereas **US product imports decreased** by 8% to reach about 2 million b/d.
- **OECD commercial inventories** in April 2018 **decreased** by 4 million barrels from the previous month level to reach 2809 million barrels, and **Strategic inventories** in OECD-34, South Africa and China **decreased** by 3 million barrels from the previous month level to reach 1852 million barrels.
- **The average spot price of natural gas** at the Henry Hub in May 2018 **remained stable** at the same previous month level of \$2.80/million BTU.
- **The Price of Japanese LNG imports** in April 2018 **decreased** by \$0.02/m BTU to reach \$9.4/m BTU, the **Price of Korean LNG decreased** by \$0.1/m BTU to reach \$9.3/m BTU, whereas **the Price of Chinese LNG imports remained stable** at the same previous month level of \$8.7/m BTU.
- **Arab LNG exports to Japan, Korea and China** were about 3.527 million tons in April 2018 (a share of 29.2% of total imports).

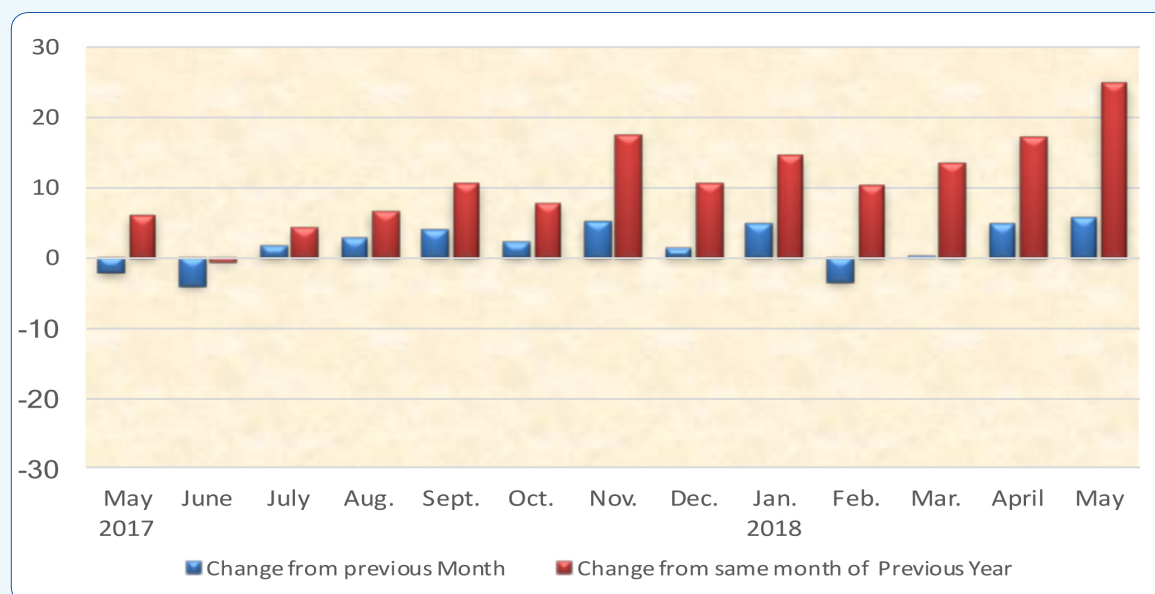
\* Prepared by the Economics Department.

**Table (1)** and **figure (2)** show the change in the price of the OPEC basket versus last month and the corresponding month of last year:

	May 2017	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2018	Feb.	Mar.	Apr.	May
OPEC Basket Price	49.2	45.2	46.9	49.6	53.4	55.5	60.7	62.1	66.9	63.5	63.8	68.4	74.1
Change From previous Month	-2.2	-4.0	1.7	2.7	3.8	2.1	5.2	1.3	4.8	-3.4	0.3	4.7	5.7
Change from same month of previous Year	6.0	-0.6	4.2	6.5	10.5	7.6	17.5	10.4	14.5	10.1	13.4	17.1	24.9

\* 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 excludes the Indonesian crude. As of Jan. 2016, the basket price includes the Indonesian crude. As of July 2016, the basket price includes the Gabonese crude. As of Jan. 2017, the basket excludes the Indonesian crude. As of June 2017 the basket price includes the Equatorial Guinean crude "Zafiro".

**Figure - 2** Change in the Price of the OPEC Basket of Crudes, 2017-2018 (\$/bbl)



**Table (3)** in the annex show spot prices for OPEC basket and other crudes for the period 2016-2018.

## 1-2 Spot Prices of Petroleum Products

### - US Gulf

In May 2018, the spot prices of premium gasoline increased by 5.8% or \$5.3/bbl comparing with their previous month levels to reach \$96.6/bbl, and spot prices of gas oil increased by 6.7% or \$5.4/bbl to reach \$85.5/bbl, whereas spot prices of fuel oil remained stable at the same previous month level of \$52.6/bbl.



**- Rotterdam**

The spot prices of premium gasoline increased in May 2018, by 6.5% or \$5.9/ bbl comparing with previous month levels to reach \$96.6/bbl, spot prices of gas oil increased by 6.8% or \$5.8/bbl to reach \$91.3/bbl, and spot prices of fuel oil increased by 11.9% or \$7/bbl to reach \$65.7/bbl.

**- Mediterranean**

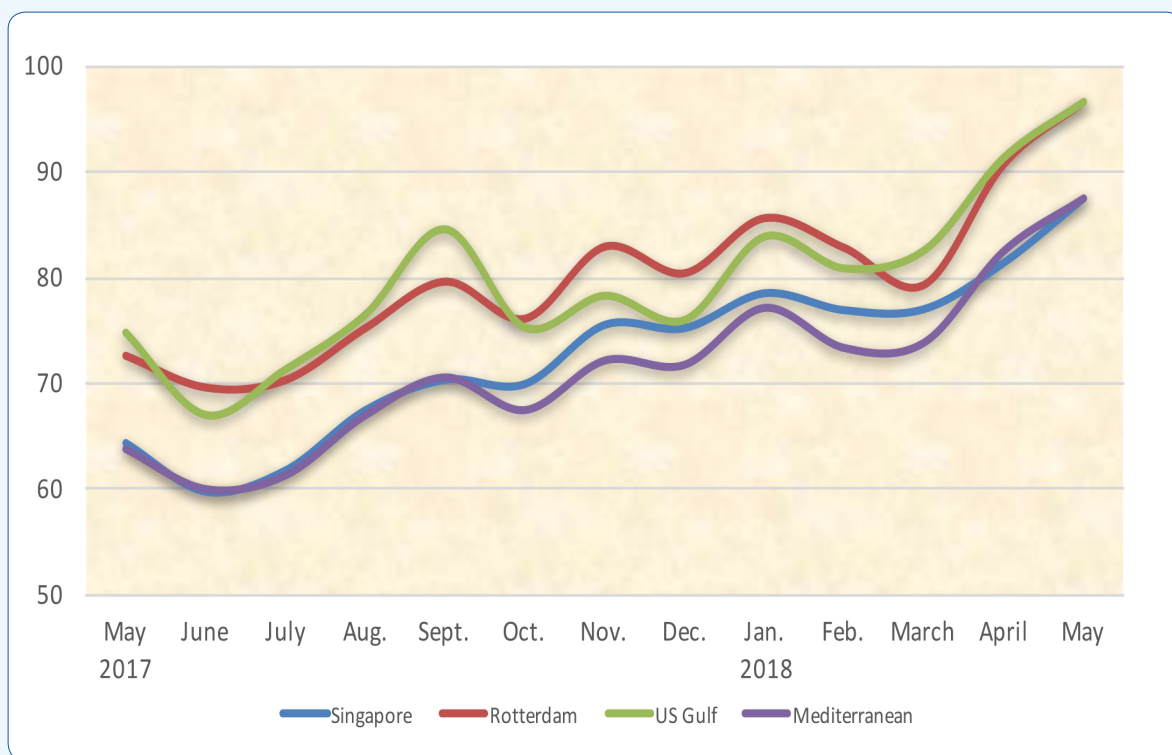
The spot prices of premium gasoline increased in May 2018, by 6.1% or \$5/ bbl comparing with previous month levels to reach \$87.5/bbl, spot prices of gas oil increased by 6.9% or \$5.9/bbl to reach \$91.5/bbl, and spot prices of fuel oil increased by 11.7% or \$7/bbl to reach \$66.6 bbl.

**- Singapore**

The spot prices of premium gasoline increased in May 2018, by 7.5% or \$6.1/bbl comparing with previous month levels to reach \$87.6/bbl, spot prices of gas oil increased by 7.5% or \$6.3/bbl to reach \$90.3/bbl, and spot prices of fuel oil increased by 11.5% or \$7/bbl to reach \$68.1/bbl.

**Figure (3)** shows the price of Premium gasoline in all four markets from May 2017 to May 2018.

**Figure - 3** Monthly Average Spot Prices of Premium Gasoline, 2017-2018 (\$/bbl)



**Table (4)** in the annex shows the average monthly spot prices of petroleum products, 2016-2018.

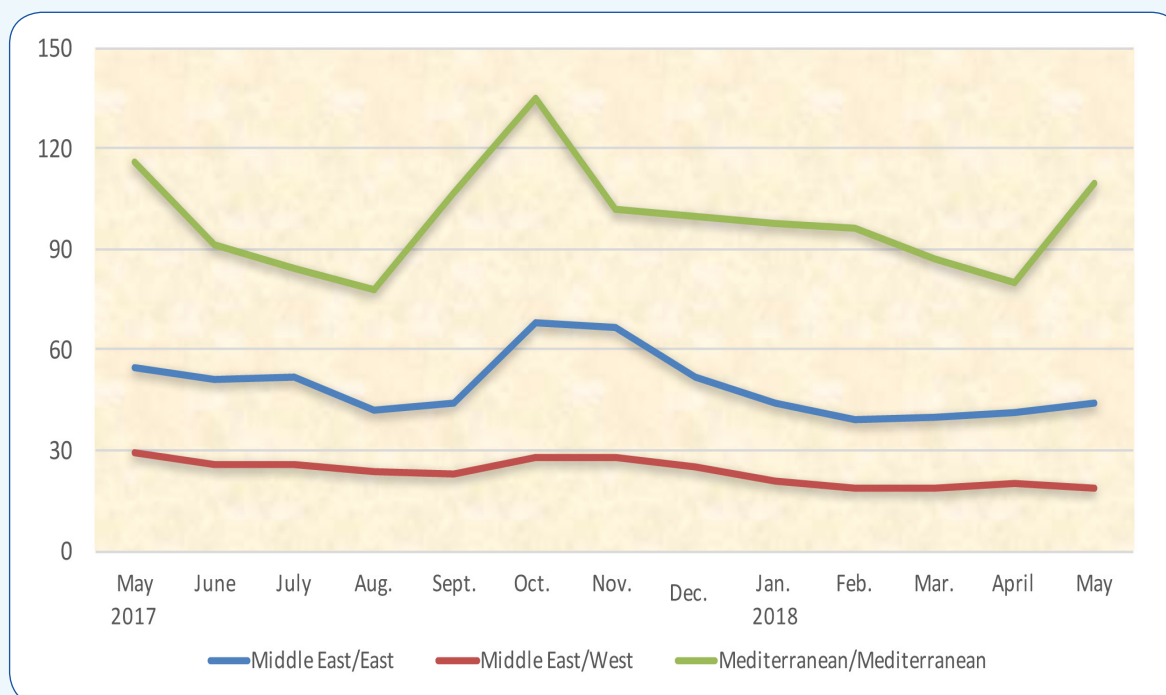
### 1-3 Spot Tanker Crude Freight Rates

In May 2018, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, increased by 3 points or 7.3% comparing with previous month to reach 44 points on the World Scale (WS\*), freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), also increased by 30 points or 37.5% comparing with previous month to reach 110 points on the World Scale (WS).

Whereas freight rates for crude oil for tanker size (270-285 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the West, decreased by one point or 5% comparing with previous month to reach 19 points on the World Scale (WS).

**Figure (4)** shows the freight rates for crude oil to all three destinations from May 2017 to May 2018.

**Figure - 4 Monthly Spot Crude Oil Tanker Freight Rates, 2017 -2018** (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 May 2018, monthly spot Tanker freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Middle Eastern ports to the East, increased by 3 points, or 2.7% comparing with previous month to reach 113 points on WS.



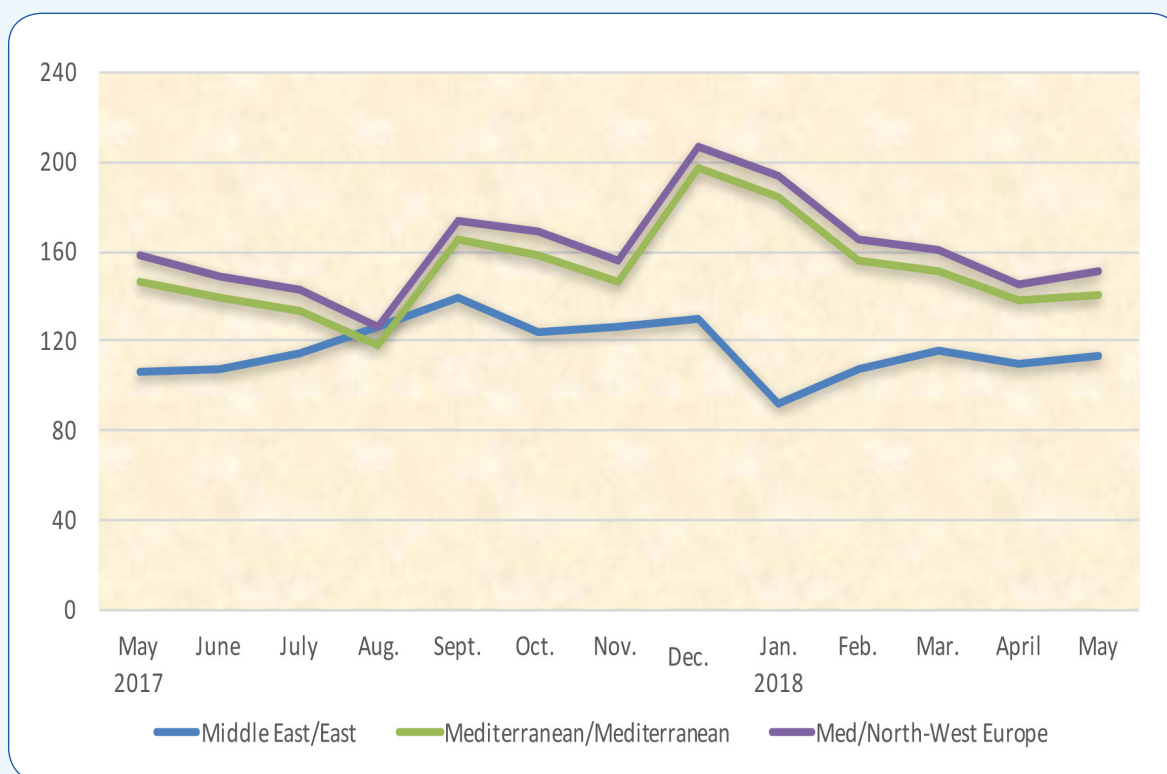
Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], increased by 3 points, or 2.2% to reach 141 points on WS, and freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe increased by 6 points, or 4.1% to reach 151 points on WS.

**Figure (5)** shows the freight rates for oil products to all three destinations from May 2017 to May 2018.

**Figure - 5**

**Monthly Spot Product Tanker Freight Rates, 2017 -2018**

(World Scale)



**Table (5)** and **(6)** in the annex show crude and products Tankers Freight Rates, 2016-2018.

## 2. Supply and Demand

Preliminary estimates in May 2018 show an increase in world oil demand by 0.3% or 0.3 million b/d, comparing with the previous month level to reach 98.6 million b/d, representing an increase of 0.7 million b/d from their last year level.

Demand in OECD countries increased by 1.1% or 0.5 million b/d comparing with their previous month level to reach 47.1 million b/d, the same previous month level. Whereas demand in Non-OECD countries decreased by 0.4% or 0.2 million b/d comparing with their previous month level to reach 51.5 million b/d, representing an increase of 0.7 million b/d from their last year level.



On the supply side, preliminary estimates show that world oil supplies for May 2018 increased by 0.9% or 0.9 million b/d, comparing with the previous month to reach 99.5 million b/d, representing an increase of 2.6 million b/d from their last year level.

In May 2018, OPEC crude oil and NGLs/condensates total supplies increased by 0.3% or 0.1 million b/d, comparing with the previous month to reach 38.2 million b/d, representing a decrease of 0.2 million b/d from their last year level. And preliminary estimates show that Non-OPEC supplies increased by 1.2% or 0.7 million b/d, comparing with the previous month to reach 61.2 million b/d, representing an increase of 2.7 million b/d from their last year level.

Preliminary estimates of the supply and demand for May 2018 reveal a surplus of 0.9 million b/d, compared to a surplus of 0.3 million b/d in April 2018 and a shortage of 1 million b/d in May 2017, as shown in [table \(2\)](#) and [figure \(6\)](#):

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

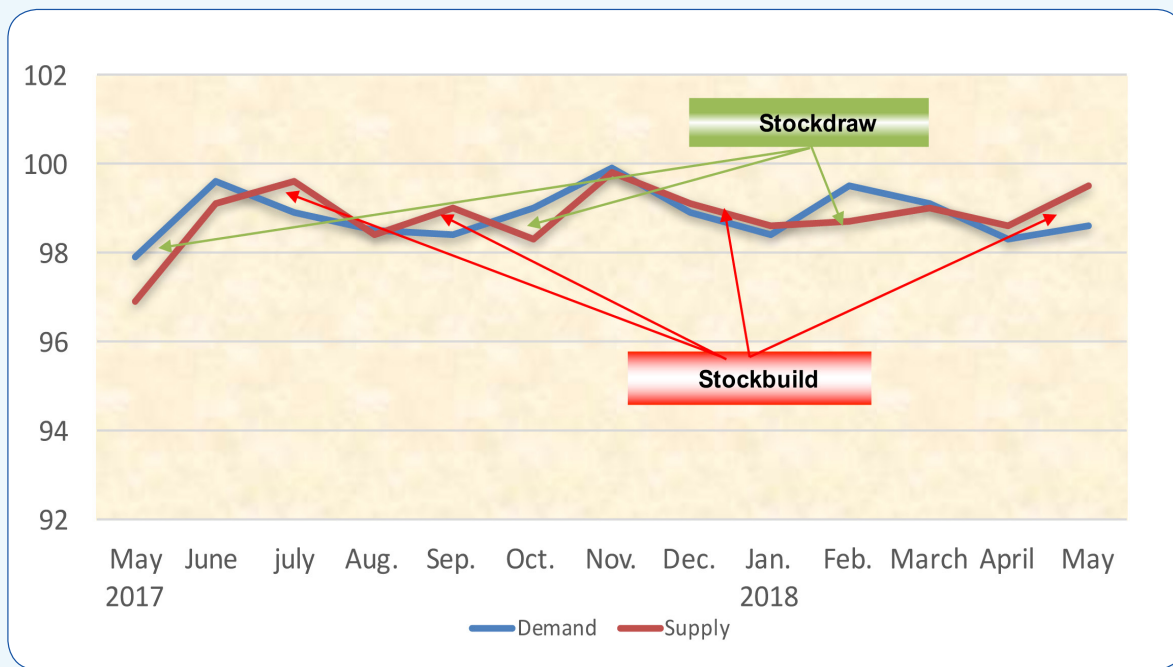
	May 2018	Abril 2018	Change from Abril 2018	May 2017	Change from May 2017
<i>OECD Demand</i>	47.1	46.6	0.5	47.1	0.0
<i>Rest of the World</i>	51.5	51.7	-0.2	50.8	0.7
<i>World Demand</i>	<b>98.6</b>	<b>98.3</b>	<b>0.3</b>	<b>97.9</b>	<b>0.7</b>
<b><i>OPEC Supply :</i></b>	<u>38.2</u>	<u>38.1</u>	<u>0.1</u>	<u>38.4</u>	<u>-0.2</u>
<i>Crude Oil</i>	31.8	31.7	0.1	32.0	-0.2
<i>NGLs &amp; Cond.</i>	6.4	6.4	0.0	6.4	0.0
<b><i>Non-OPEC Supply</i></b>	58.9	58.2	0.7	56.1	2.8
<i>Processing Gain</i>	2.3	2.3	0.0	2.4	-0.1
<b><i>World Supply</i></b>	<b>99.5</b>	<b>98.6</b>	<b>0.9</b>	<b>96.9</b>	<b>2.6</b>
<b><i>Balance</i></b>	<b>0.9</b>	<b>0.3</b>		<b>1.0</b>	

Source: Energy Intelligence Briefing June. 19, 2018.



**Figure - 6** World Oil Supply and Demand

(Million b/d)



Tables (7) and (8) in the annex show world oil demand and supply for the period 2016-2018.

**US tight oil production**

In May 2018, US tight oil production increased by 118 thousand b/d or 1.7% comparing with the previous month level to reach 7.1 million b/d, representing an increase of 1.5 million b/d from their last year level. The US oil rig count increased by 33 rig comparing with the previous month level to reach 931 rig, a level that is 162 rig higher than last year, as shown in table (3) and figure (7):

**Table 3** US tight oil production\*

(Million b/d)

	May 2018	April 2018	Change from April 2018	May 2017	Change from May 2017
<i>tight oil production</i>	7.070	6.952	0.118	5.600	1.470
<i>Oil rig count (rig)</i>	931	898	33	769	162

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, June 2018.

\* focusing on the six most prolific areas, which are located in the Lower 48 states. These six regions accounted for 92% of domestic oil production growth during 2011-2014, Bakken, Eagle Ford, Haynesville, Niobrara, Permian, Appalachia (Utica and Marcellus), in addition to Anadarko region which become the target of many producers in the recent years, as of July 2017, there are 129 operating rigs in the Anadarko region.

**Figure - 7 US tight oil production and oil rig count**



### 3. Oil Trade

#### USA

In April 2018, US crude oil imports increased by 723 thousand b/d or 9.4% comparing with the previous month level to reach 8.4 million b/d. Whereas US oil products imports decreased by 175 thousand b/d or 8% to reach about 2 million b/d.

On the export side, US crude oil exports increased by 155 thousand b/d or 9.1% comparing with the previous month level to reach 1.9 million b/d, and US products exports increased by 300 thousand b/d or 6.1% to reach 5.3 million b/d. As a result, US net oil imports in April 2018 were 93 thousand b/d or nearly 3% higher than the previous month, averaging 3.3 million b/d.

Canada remained the main supplier of crude oil to the US with 46% of total US crude oil imports during the month, followed by Saudi Arabia with 10%, then Iraq with 9%. OPEC Member Countries supplied 33% of total US crude oil imports.

#### Japan

In April 2018, Japan's crude oil imports remained stable at the same previous month level of 3.2 million b/d. Whereas Japan oil products imports decreased by 193 thousand b/d or 27.9% comparing with the previous month to reach 499 thousand b/d.



On the export side, Japan’s oil products exports decreased in April 2018, by 44 thousand b/d or 7.8% comparing with the previous month, averaging 521 thousand b/d. As a result, Japan’s net oil imports in April 2018 decreased by 146 thousand b/d or 4.4% to reach 3.2 million b/d.

Saudi Arabia was the big supplier of crude oil to Japan with a share of 40% of total Japan crude oil imports, followed by UAE with 28% and Kuwait with 9% of total Japan crude oil imports.

**Table (4)** shows changes in crude and oil products net imports/(exports) in April 2018 versus the previous month:

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

	Crude Oil			oil Products		
	April 2018	March 2018	Change from March 2018	April 2018	March 2018	Change from March 2018
USA	6.541	5.974	0.567	-3.247	-2.772	-0.475
Japan	3.220	3.218	0.002	-0.022	0.126	-0.148

Source: OPEC Monthly Oil Market Report, various issues 2018.

#### 4. Oil Inventories

In April 2018, OECD commercial oil inventories decreased by 4 million barrels to reach 2809 million barrels – a level that is 248 million barrels lower than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 3 million barrels to reach 1087 million barrels, and commercial oil products inventories decreased by 1 million barrels to reach 1722 million barrels.

Commercial oil inventories in Americas decreased by 6 million barrels to reach 1460 million barrels, of which 584 million barrels of crude and 876 million barrels of oil products. Commercial oil inventories Europe decreased by 1 million barrels to reach 968 million barrels, of which 346 million barrels of crude and 622 million barrels of oil products. Whereas Commercial oil Inventories in Pacific increased by 3 million barrels to reach 381 million barrels, of which 157 million barrels of crude and 224 million barrels of oil products.

In the rest of the world, commercial oil inventories increased by 34 million barrels to reach 2790 million barrels, whereas the Inventories at sea decreased by 11 million barrels to reach 1172 million barrels.

As a result, Total Commercial oil inventories in April 2018 increased by 32 million barrels to reach 5600 million barrels – a level that is 177 million barrels lower than a year ago.

Strategic inventories in OECD-34, South Africa and China decreased by 3 million barrels comparing with the previous month to reach 1852 million barrels – a level that is 27 million barrels lower than a year ago

Total world inventories, at the end of April 2018 were at 8623 million barrels, representing an increase of 17 million barrels comparing with the previous month, and a decrease of 224 million barrels comparing with the same month a year ago.

**Table (9)** in the annex and **figure (8)** show the changes in global inventories prevailing at the end of April 2018.

**Figure - 8** Changes in Global Inventories at the End of April 2018 (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 May 2018 remained stable at the same previous month level of \$2.80/ million BTU.

The comparison, shown in **table (5)**, between natural gas prices and the WTI crude reveal differential of \$9.3/ million BTU in favor of WTI crude.

**Table 5** Henry Hub Natural Gas and WTI Crude Average Spot Prices, 2017-2018 (\$/ Million BTU<sup>1</sup>)

	May 2017	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2018	Feb.	Mar.	Apr.	May
<i>Natural Gas</i> <sup>(2)</sup>	3.2	3.0	3.0	2.9	3.0	2.9	3.0	2.8	3.9	2.7	2.7	2.8	2.8
<i>WTI Crude</i> <sup>(3)</sup>	8.4	7.8	8.1	8.3	8.3	8.9	9.8	10.0	11.0	10.7	10.8	11.4	12.1

1. British Thermal Unit.

2. Henry Hub spot price.

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

Source: <http://www.eia.gov/dnav/ng/hist/rngwhhdM.htm>

### 2- LNG Markets in North East Asia

The following paragraphs review the developments in LNG Markets in North East Asia, concerning prices and Japanese, Chinese and South Korean imports of LNG and their sources, and Spot LNG Exporters Netbacks.

#### 2.1. LNG Prices

In April 2018, the price of Japanese LNG imports decreased by \$0.02/million BTU comparing with the previous month to reach \$9.4 million BTU, the price of Korean LNG imports decreased by \$0.1/million BTU comparing with the previous month to reach \$9.3/ million BTU, whereas the price of Chinese LNG imports remained stable at the same previous month level of \$8.7/ million BTU.

#### 2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, decreased by 22% or 3.413 million tons from the previous month level to reach 12.079 million tons.

**Table (6)** shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2016-2018.

**Table6 LNG Prices and Imports: Korea, Japan, and China 2016-2018**

	Imports (thousand tons)				Average Import Price (\$/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
<b>2016</b>	<b>82767</b>	<b>33257</b>	<b>26017</b>	<b>142041</b>	<b>6.9</b>	<b>6.9</b>	<b>6.5</b>
January 2016	7245	3338	2464	13047	7.9	8.0	7.3
February	7370	2998	1801	12169	8.0	7.8	6.9
March	7959	3282	1702	12943	7.2	7.3	6.6
April	6382	2177	1861	10420	6.4	6.6	6.6
May	5455	2218	1425	9098	5.9	6.0	6.3
June	6193	2484	2146	10823	6.0	5.7	6.0
July	6460	1918	1604	9982	6.3	5.9	5.4
August	7656	1971	2257	11884	6.7	6.3	6.0
September	6671	2236	2527	11434	7.1	6.8	6.1
October	6282	3187	1838	11307	7.2	7.3	6.7
November	7545	3422	2659	13626	7.1	7.5	6.8
December	7549	4026	3733	15308	7.1	7.3	7.1
<b>2017</b>	<b>6969</b>	<b>3138</b>	<b>3191</b>	<b>13298</b>	<b>8.1</b>	<b>8.0</b>	<b>7.3</b>
January 2017	8302	4294	3436	16032	7.5	7.9	7.0
February	7790	3600	2372	13762	7.9	8.0	7.0
March	8143	3527	1991	13661	7.7	7.8	6.9
April	6573	2337	2171	11081	8.2	7.8	7.0
May	6239	2488	2911	11638	8.5	8.3	7.3
June	6185	3460	3038	12683	8.3	7.8	7.1
July	6817	2716	3121	12654	8.3	7.9	7.4
August	7259	2603	3140	13002	8.3	8.2	7.4
September	5821	2368	3454	11643	8.1	8.1	7.2
October	6137	2760	3567	12464	7.8	8.1	7.4
November	6411	3328	4056	13795	7.9	7.7	7.7
December	7953	4176	5029	17158	8.1	8.3	8.1
January 2018	8263	4144	5184	17591	8.7	8.7	8.4
February	8294	4588	3993	16875	9.2	9.9	8.6
March	7934	4304	3254	15492	9.5	9.4	8.7
April	5608	3217	3254	12079	9.4	9.3	8.7

Source: World Gas Intelligence various issues.



### 2.3. Sources of LNG imports

Australia was the big supplier of LNG to Japan, Korea and China with 3.841 million tons or 31.8% of total Japan, Korea and China LNG imports in April 2018, followed by Qatar with 22.7% and Malaysia with 10.7%.

The Arab countries LNG exports to Japan, Korea and China totaled 3.527 million tons - a share 29.2% of total Japanese, Korean and Chinese LNG Imports during the same month.

### 2.4. LNG Exporter Netbacks

With respect to the Netbacks at North East Asia markets, Russia ranked first with \$7.17/million BTU at the end of April 2018, followed by Indonesia with \$7.05/million BTU then Malaysia with \$6.99/million BTU, and Australia with \$6.98/million BTU. LNG Qatar's netback reached \$6.77/million BTU, and LNG Algeria's netback reached \$6.38/million BTU.

**Table (7)** shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of April 2018.

**Table 7** LNG Exporter Main Countries to Japan, Korea and China, And Their Netbacks at The End of April 2018

	Imports (thousand tons)				Spot LNG Netbacks at North East Asia Markets (\$/million BTU)
	Japan	Korea	China	Total	
<b>Total Imports, of which:</b>	<b>5608</b>	<b>3217</b>	<b>3254</b>	<b>12079</b>	
<b>Australia</b>	2172	448	1221	<b>3841</b>	<b>6.98</b>
<b>Qatar</b>	868	972	896	<b>2736</b>	<b>6.77</b>
<b>Malaysia</b>	678	354	257	<b>1289</b>	<b>6.99</b>
<b>Indonesia</b>	409	315	215	<b>939</b>	<b>7.05</b>
<b>Russia</b>	469	259	—	<b>728</b>	<b>7.17</b>

\* Export Revenues minus transportation costs, and royalty fees.  
Source: World Gas Intelligence various issues.



A decorative horizontal banner with a dark olive green background. It features a complex pattern of mathematical symbols, including numbers (0-9), fractions (1/2, 1/4, 3/4), and geometric shapes like squares and circles, all rendered in a lighter, semi-transparent olive green color.

## Tables Annex



## ANNOUNCEMENT



### OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2018

Pursuant to its policy of encouraging scientific research by awarding two prizes on a biennial basis (First Prize KD 7000, Second Prize KD 5000, equivalent to USD \$23000 and USD \$16000), upon the resolution number 1/147 of OAPEC Executive Bureau at its meeting dated 14/5/2017. The Organization of Arab Petroleum Exporting Countries (OAPEC) is pleased to announce that the research field selected for the "OAPEC Award for Scientific Research for the Year 2018" is:

#### **"Petroleum and Energy- Related Economic Research Including Supply, Consumption and Prices"**

##### **Research Field:**

The economic dimension represents a major component of energy industry, in general, and oil and gas in particular. Economic research addressing petroleum and energy industry covers a broad spectrum of expanses, including supply, demand, trade movements, prices trend, petroleum revenues, investment, and the various energy policies. Correlation between energy and sustainable development goals, as well as numerous other aspects, are also targeted by the research. A whole host of addressable thrusts are tackled in the different parts of the research. The economic aspect, pertinent to one of the proposed petroleum and energy, should be tackled by the researcher. These domains include:

1. **Current and Future Developments in Energy Markets.**
2. **Global Supply of Various Energy Sources.**
3. **Global Energy Demand: Current and Future Prospects.**
4. **Developments in Energy Prices and Their Implications for Demand and Supply Levels.**
5. **Energy Subsidy Policies and Their Impacts on Domestic Economies.**
6. **Petroleum Revenues and Their Impact on Producing Countries' Economies.**
7. **Investment in Energy, Enhancing The Role of The Private Sector: Current Status and Future Prospects.**
8. **The Energy Policies in The Main Consuming Countries and Their Implications for The Energy Future.**

##### **Conditions for Submitting the Research**

1. The research may be submitted by one or more author(s). Institutions and organizations are excluded.
2. The research submitted must be new and original, and has not been granted an award previously.
3. The author(s) shall agree in advance to give OAPEC the right to print and publish the research in case his/her/their win one of the prizes. A signed statement to this effect must be submitted with the research (sample provided below). The author(s) will maintain all other rights, including patent rights (if applicable). OAPEC shall not exercise its right to publish the winning research for a period of six months commencing with the date of advising the winning author (s) with the decision of the Award Committee.
4. A statement by the author(s), attesting that the research is original. Segments fully or partially adopted from other sources should be properly cited. A detailed list of all references used must also be attached.

**Deadline for receiving research papers for OAPEC Scientific Award 2018 has been extended to 15 June 2018.**

5. Four hard copies and a digital copy of the research (either in Arabic or English) should be submitted, along with the Curriculum Vitae of each researcher, to the Organization of Arab Petroleum Exporting Countries.
6. The deadline for submitting the research is 31<sup>st</sup> May, 2018. No submission will be accepted after that date.
7. Prizes are awarded to individuals of all nationalities advised of the Award Committee's decision.
8. **The award will not be presented twice consecutively to the same recipient.**
9. Any research that does not fulfill the above conditions shall be disregarded.

Researchers will be notified by OAPEC Secretariat of the Award Committee's decision. The winners will be officially announced at the end of the OAPEC's Ministerial Council in 2018.

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

**Organization of Arab Petroleum Exporting Countries (OAPEC)**  
**Secretariat of the Award Organizing Committee**  
**P.O.Box 20501 Safat 13066 Kuwait**  
**Tel.: (+965) 24959766 - Fax: (+965) 24959755**  
**E-mail: oapecaward2018@oapecorg.org**  
**Website: www.oapecorg.org**

**Organization of Arab Petroleum Exporting Countries (OAPEC)**  
**OAPEC AWARD FOR SCIENTIFIC RESEARCH FOR THE YEAR 2018**

**Field**

**“Petroleum and Energy-Related Economic Research  
Including Supply, Consumption and Prices ”**

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

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to the Organization of the Arab Petroleum Exporting Countries (OAPEC), in the event of winning one of the two prizes of OAPEC Award for Scientific Research for the year 2018.

Name: .....

Signature: .....

Date: / /