Organization of Arab Petroleum Exporting Countries

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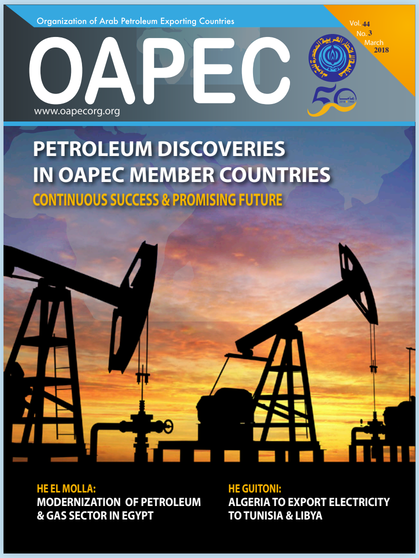
PETROLEUM DISCOVERIES IN OAPEC MEMBER COUNTRIES

CONTINUOUS SUCCESS & PROMISING FUTURE

HE EL MOLLA:
MODERNIZATION OF PETROLEUM & GAS SECTOR IN EGYPT

HE GUITONI:
ALGERIA TO EXPORT ELECTRICITY TO TUNISIA & LIBYA

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.

EDITORIAL

PETROLEUM DISCOVERIES IN OAPEC MEMBER COUNTRIES

CONTINUOUS SUCCESS & PROMISING FUTURE

OAPEC member countries are endeavouring to increase their hydrocarbon (oil and natural gas) reserves through developing and boosting production capacities of existing fields and making more new petroleum discoveries, which would contribute to securing growing domestic and global demand for energy and achieving further stability for the global oil market.

Data available at OAPEC Secretariat General showed that member countries managed to achieve good results during 2017 in terms of onshore and offshore exploration and development with a total of 5 new oil discoveries and 4 new natural gas discoveries.

Among the large gas discoveries announced lately is Zohr gas field in Egypt with gas reserves that are estimated over 30 trillion cf. (850 billion cubic metres). Upon reaching its ultimate production capacity of 2.7 billion cf./d by the end of 2019, it would actively contribute to help Egypt become gas self-sufficient. Bahrain has also announced recently a light shale oil discovery, that would contribute to Supportins Bahrain’s petroleum sector and help to execute development projects.

As for exploration, OPEC Annual Report (ABS 2017) mentioned that operating rigs in Iraq, Egypt, and Oman have dropped by 21, 20, and 14 rigs respectively between 2015 and 2016. However, rig numbers have increased for the same period in UAE, Algeria, KSA, and Qatar by 28, 3, 16, and 4 rigs respectively. The number of operating rigs in these countries combined in 2016 were 504 rigs, lesser by 18 rigs than the year 2015.

During 2017, many member countries confirmed their continued plans to execute mega projects in oil and gas discoveries, as well as, seismic surveys. This is based on the belief that such projects are of strategic nature and would not be affected by price fluctuations in the oil market. KSA announced plans to spend $300 billion of investments in the 10 coming years to underscore its leading position in oil, maintain a backup production capacity, and continue its huge exploration and production program focused on conventional and unconventional gas resources. Also, Kuwait has announced recently targeting to spend about half a trillion US dollars on oil projects until 2040.

In spite of the good and encouraging results of OAPEC members in terms of petroleum discoveries, there are still promising prospects for more discoveries that would contribute to increasing the oil and gas reserves depending on the advanced technologies to be used. Estimates indicate that proven conventional oil reserves in OAPEC member countries are more than 706.8 billion barrels in the beginning of 2018, representing about 48.8% of the world's total. Natural gas reserves are about 53.5 trillion cubic metres, representing 27.2% of the world's total.

While observing Arab and global developments in the oil and natural gas exploration and production sectors, OAPEC Secretariat General hails the endeavours of its member countries aiming at maintaining their production capacity and increasing their oil and gas reserves. OAPEC hopes that joint action progresses even further between its member countries in exploration and production in a way that helps to exchange expertise, face current and future challenges, and boost cooperation and dialogue with importing countries in order to enhance development in the member countries.

HE KHALID AL FALIH AWARDED 'INTERNATIONAL OIL DIPLOMACY PERSON OF THE YEAR 2017'

Saudi Arabia's Minister of Energy, Industry & Mineral Resources, HE Eng. Khalid Al Falih was awarded the 'International Oil Diplomacy Person of the Year 2017' Award, which he received in person during the Energy Institute's International Petroleum (IP) Week on 22 February 2018 in London.

The selection of Al Falih came in appreciation and recognition of the pivotal role he played during 2017 in the implementation of the Vienna Agreement to cut global oil supply, which played a seminal role in eroding record inventories and pushing oil prices to consolidate above $60 a barrel.

Al Falih, who remains Chairman of the Joint Ministerial Monitoring Committee for the OPEC non-OPEC Vienna Agreement, said he was happy to receive the Award.

"As President of the OPEC Conference, you have shown exemplary vision and leadership through 2017 with your stewardship of the implementation of the "historical" agreement to seek oil market stability among some 20 OPEC and non-OPEC countries to the benefit of producing and consuming nations alike," said Malcolm Brinded CBE, President, Energy Institute.

ARAMCO & PETRONAS SIGN SPA

Saudi Aramco and Malaysia's PETRONAS signed a Share Purchase Agreement (SPA) to build a giant refining complex in the southern Malaysian state of Johor. The project, with a capacity of 300,000-b/d, is joint venture between the two companies.

Aramco will supply as much as 50% to 70% of the refinery's feedstock requirements, representing a large percentage of the commercial exchange between KSA and Malaysia. The project will also contribute to increasing KSA's current refining capacity from 5 million b/d to 8-10 million b/d by 2030. Chemicals production should increase from the current 12 million MT to 34 million MT/year during the same period.

IRAQ TO REDUCE ITS PETROLEUM PRODUCTS IMPORTS BY 25%

Iraqi Oil Minister HE Eng. Jabar Al Luaibi issued directives to reduce Iraq's petroleum products imports by 25 percent in a step to make available more revenues for the federal treasury. He explained that the measure is part of the ministry's policy for strategic planning.

The Minister added that the rehabilitation and resumption of production from a number of refineries that have been destroyed earlier by terrorist groups, have contributed to injecting additional volumes to the national economy, in addition to adding more production units at refineries in the central and southern parts of the country. He added that achieving self-sufficiency of natural gas liquids production had a great impact on reducing import rates through meeting a large segment of consumption by NGL. Also, production at the Seeniya, Hadeetha, Qayara, and Kirkuk refineries that have recently restarted production had a role in increasing petroleum products production.

The ministry has announced earlier plans on mega investment projects in the refinery sector including Kirkuk, Maysan, Naseriyyah, Fao, Anbar, Ninawa and other oil refineries, to increase production capacities of petroleum products. The ministry also has plans on establishing refineries outside Iraq.

In another development, HE Al Luaibi opened the wet oil treatment unit in the 6th gas insulation unit in West Qurna /1 field with capacity of 50 thousand barrels/ day. He said that the project is a pride for the oil industry. It had been completed in record time to raise and improve the production from the field. He clarified that this project will contribute to resuming operations in 15 wells shut because of water. It will add 20 thousand barrels to increase the total capacity of the plant to 160 thousand barrels/ day.

GULF REFINING UNION LAUNCHED

Bahrain's Minister of Oil HE Sheikh Mohammed bin Khalifa Al Khalifa and Kuwait's Minister of Oil, Electricity and Water Bakheet Al Rashidi, along with an entourage of officials attended a ceremony marking the establishment of the Gulf Refining Union (GRU) in Bahrain.

GRU, based in Bahrain, aims at boosting GCC leadership in refining and expanding their regional and global ties with all refining stakeholders. It is a platform comprising refineries, gas plants, distribution facilities, and petrochemicals hubs of the oil and gas companies in the GCC.

In his speech, HE Al Khalifa underscored the kingdom's keenness on helping such entities to succeed on its soil while providing them with all support to achieve their goals. He pointed out to the importance of making communication opportunities and data exchange available, as well as, exchanging expertise to help promote the oil and gas sector in the GCC countries.

The Minister congratulated the establishing companies: the Saudi Arabian Oil Company (Aramco), Kuwait Petroleum International, the Bahraini Petroleum Company (Bapco), the

Kuwaiti National Petroleum Company and Abu Dhabi National Oil Company (Adnoc) on this distinguished achievement of an international flavour wishing them all success.

On his part, HE Al Rashidi praised the efforts of the Bahraini government and Bahrain's Oil Minister, as well as, GCC oil companies that contributed to realizing this Gulf dream.

Eng. Mohammed Al Mutairi, KNPC CEO, has been chosen as GRU President.

BAHRAIN'S OIL MINISTER VISITS SAUDI ARAMCO

HE Sheikh Mohammed bin Khalifa Al Khalifa, Bahrain's Oil Minister & Bapco Chairperson, visited Saudi Aramco recently heading a delegation of Bapco's senior officials. The visit comes as a token of appreciation to the strategic role and distinguished historical ties between the two pioneer companies and sisterly kingdoms. Mr Abdul Rahaman Abdul Kareem, Counsellor for Companies Affairs at the Energy Ministry, and Mr Ameen Al Naser, Aramco's President and Senior CEO with a number of leading Executives at Aramco received the Bahraini delegation.

A presentation on Aramco's operations and future plans was given. HE Al Khalifa said in a press statement that next September will witness the completion of the new pipeline between the two kingdoms from the Bahraini side. This is after conducting tests needed for the pumping of oil through the new pipeline following a speedy execution form the Saudi side.

HE AL MAZROUEI:

COORDINATION BETWEEN OIL PRODUCING COUNTRIES TO AVOID BIG MARKET SHCOKS

HE Eng. Suhail Al Mazrouei, UAE Energy Minister, said that OPEC and non-OPEC oil producers, including Russia, will consider continuing their cooperation beyond 2018 to help avoid any future oil glut or shortage. He added in an interview with Reuters in London that he expects that a framework cooperation will be discussed by OPEC ministers in their next meeting in Vienna in June 2018. The meeting is expected to be attended by other producers who are part of the output cut deal.

HE Mazroui explained “there are enormous potentials for cooperation, whether in oil or energy in general.” He explained that oil market monitoring beyond 2018 is the minimum OPEC and other producers participating in the supply-reduction agreement can do.

HE EL MOLLA:
MODERNIZATION OF PETROLEUM & GAS SECTOR IN EGYPT

Egypt's Minister of Petroleum and Mineral Resources HE Eng. Tarek El Molla said that his country witnessed rapid successive changes in the past few years that imposed enormous challenges which were the main drive for the economic reforms adopted by the government in various sectors. He stated that work is in progress to develop and modernize the petroleum and gas sector in Egypt according to international standards under the umbrella of the Sustainable Development Strategic Vision 2030.

During his participation in the International Petroleum Week Conference in London recently, HE Al Molla tackled the efforts to transform Egypt into a regional hub for the trading of gas, petroleum, and energy. In his speech, he reviewed his country's economic, logistic, technical, and commercial potentials. He also showcased the most important projects and cooperation plans in the petrochemicals industry between Egypt and other Arab and non- Arab countries.

HE El Molla concluded his speech by stressing that energy is an opportunity to achieve reciprocal benefits in terms of regional cooperation and forming new political partnerships and market integration. He added that transforming Egypt into a regional hub for gas and petroleum trading would benefit all relevant parties. Also, diversifying energy supplies would be available for Europe to ensure energy security since its imports are expected to grow beyond 2020 due to the growing gap between demand and supply and the expiry of long-term contracts.

HE GUITONI: ALGERIA TO EXPORT ELECTRICITY TO TUNISIA & LIBYA

Algerian Energy Minister HE Mustapha Guitoni said Algeria will soon be exporting electricity to Libya and Tunisia, in addition to other African countries in the future. Technical negotiations are currently underway between Algeria's Sonelgaz and its Libyan and Tunisian counterparts. The export of some 400 megawatts of electricity will go towards these two countries, starting from the cities of Batna and Khenchela.

It is worth mentioning that the Tunisian- Algerian Joint Committee for Energy held its meeting in February 2018 in Tunisia with the attendance of the energy ministers and senior officials in the two sisterly countries. Exporting electricity to Libya through the Tunisian territories has been discussed.

On his part, Mr Mohammed Irqab, Sonelgaz GM, talked in press statements about the possibility of Algerian provision of surplus electricity to Libya especially in winter.

19TH MEETING OF THE ARAB NEGOTIATING GROUP

OAPEC Secretariat General took part in the 19th Meeting of the Arab Negotiating Group held at the Arab League (LAS) headquarters in Cairo on 4 and 5 February 2018. The meeting was attended by members of the Arab negotiation team working on the Paris Agreement, a representative from the United Nations Economic and Social Commission for Western Asia (ESCWA), and OAPEC representative Mr Abdul Kareem Ayed.

After long negotiations, the Arab Negotiating Group on Climate Change agreed on the main points of the Arab stance during 2018 negotiations that specify a strategic vision to execute the Paris Agreement and the detailed points of the Talanoa Dialogue in a way that does not affect Arab interests.

Here are the main points of the Arab stance during the next phase of the negotiations:

- Specifying the points in the texts under negotiation that might affect Arab interests and their rights to development (economic diversification, financial and technical support, execution measures and methods, the impacts of response measures)
- Coordinating with other regional groups from a mutual-goal-perspective and submitting reports and INDCs pre- and during negotiations, while distinguishing between reports and INDCs
- Stressing that the 6th IPCC report should not mention the so-called climate funding or any other issues relevant to investment and attracting finance, due to their contradiction with the purpose of the committee.

OAPEC Secretariat General presented a paper on the consequences of Climate change policies and the Paris Agreement on the Arab Oil Sector.

THE EIGHTH IEA-IEF-OPEC SYMPOSIUM ON ENERGY OUTLOOKS

OAPEC Secretariat General took part, as Observer, in the 8th IEA-IEF-OPEC Symposium on Energy Outlooks on 14 February 2018, which the International Energy Forum (IEF) convenes yearly in collaboration with the International Energy Agency (IEA), and the Organization of the Petroleum Exporting Countries (OPEC). Energy Ministers of KSA, Russia, Sudan, and Morocco, in addition to over 150 energy and climate change experts and specialists participated in the event.

HE Khalid Al Falih, Minister of Energy, Industry, and Mineral Resources in Saudi Arabia, said his country was proud to host the IEF headquarters in Riyadh. The event has become a platform for cooperation and data exchange between producers and consumers.

He stressed the importance of sustaining the joint efforts between KSA and Russia because they represent the world's top petroleum producers, in addition to the economic, political, and strategic importance of petroleum. He pointed out that the Forum is a tremendous opportunity to collaborate and bring views together between oil producing and consuming countries. He said he was confident that the existing cooperation between OPEC members and their Non- OPEC allies will continue to serve the stability of oil prices and achieve the aspired outcome.

HE the Ministers and the Secretaries-General of the participating international organizations also referred to the following:

- Understanding all major trends and factors affecting the global market.
- The importance of a comprehensive dialogue on global energy security and transparency of energy data to achieve common goals, especially in the current global situation.
- To promote mutual understanding between the International Energy Forum, the International Energy Agency and OPEC.
- Cooperation, dialogue and transparency to promote the stability and sustainability of the world oil market.

GAS NETWORKS REGIONAL FORUM

OAPEC Secretariat General took part in the regional forum on natural gas pipeline networks in Bahrain on 12 and 13 March 2018 under the auspices of Bahrain's Oil Minister HE Sheikh Mohammed bin Khalifa Al Khalifa who inaugurated its activities.

The event was organised by the National Oil and Gas Authority (NOGA) in collaboration with the International Gas Union (IGU) and attended by a large number of participants including senior officials, experts in the industry, representatives of regional and international organisations, governmental institutions, oil firms operating in the region under the umbrella of the IGU.

In his inaugural speech, the minister welcomed the guests and appreciated the government support to NOGA's attracting regional and international actors to support Bahrain's national sustainable development goals (SDGs).

The minister said that the scientific papers at this forum highlight the constructive regional cooperation in gas pipeline networks, stressing Bahrain's oil and gas sector's keenness on qualifying the national labour force through local and international participation. He added that NOGA is working on increasing Bahrain's gas resources, since its main source of gas is Bahrain Field that covers 100% of the country's gas needs. This is in addition to various other projects on developing the recently discovered deep gas and the new LNG harbour under construction that will be completed this year.

Dr Samir Al Karaeish, Director of the Technical Affairs Department, represented the Secretariat General at the event. He presented a paper titled the "Arabian Gas Pipeline" that tackled the importance of the Arabian Gas Pipeline, its progress, phases, and current situation. The pipeline is considered a distinguished example of strategic Arab cooperation projects as it represents a strategic economic link between Egypt, Jordan, Syria, Lebanon and Iraq in the future, and Africa, Asia, and Europe in later stages.

Petroleum Developments in the World Market and Member Countries*

1. Oil Market

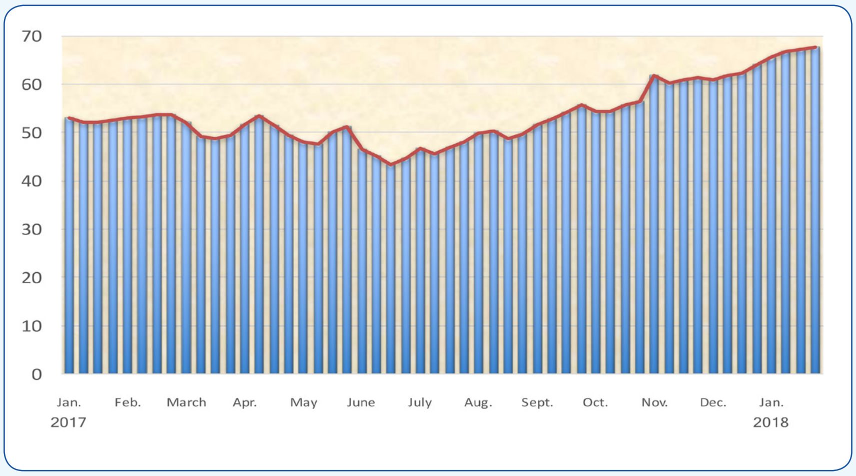
1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket increased during the first week of January 2018, to $65.5/bbl, and continued to raise thereafter, to reach its highest level of $67.6/bbl during the fourth week, as shown in **figure 1**:

On monthly basis, OPEC Reference Basket in January 2018, averaged $66.9/bbl, the highest level since November 2014, representing an increase of $4.8/bbl or 7.7% comparing with previous month, and an increase of $14.5/bbl or 27.6% from the same month of previous year. Wide-ranging support from production adjustments under the Declaration of Cooperation between OPEC and non-OPEC through year 2018, as well as weaker US dollar, geopolitical tensions, improving oil demand, and World oil stocks decline (specially Us crude oil inventories which decline to its lowest level since February 2015), were major stimulus for the increase in oil prices during the month of January 2018.

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



Key Indicators

- *In January 2018, **OPEC Reference Basket increased** by 7.7% or $4.8/bbl from the previous month level to stand at $66.9/bbl.*
- ***World oil demand** in January 2018, **decreased** by 0.3% or 0.3 million b/d from the previous month level to reach98.6 million b/d.*
- ***World oil supplies** in January 2018, **increased** by 0.1% or 0.1 million b/d from the previous month level to reach99.2 million b/d.*
- ***US tight oil production** in January 2018, **increased** by 3.1% to reach about 6.5 million b/d, and **US oil rig count increased** by 9 rig from the previous month level to stand at 820 rig.*
- ***US crude oil imports** in December 2017, **increased** by 2.2% from the previous month level to reach 7.8 million b/d, and **US product imports increased** by 10.5% to reach about 2.2 million b/d.*
- ***OECD commercial inventories** in December 2017 **decreased** by 56 million barrels from the previous month level to reach 2850 million barrels*, whereas **Strategic inventories** in OECD-34, South Africa and China ***increased** by 2 million barrels from the previous month level to reach 1847 million barrels,*
- ***The average spot price of natural gas** at the Henry Hub in January 2018 **increased** by $0.9/million BTU comparing with the previous month level to reach $3.69/million BTU.*
- ***The Price of Japanese LNG imports** in December 2017 **increased** by $0.2/m BTU to reach $8.1/m BTU, the **Price of Chinese LNG imports increased** by $0.4/m BTU to reach $8.1/m BTU, and **the Price of Korean LNG increased** by $0.6/m BTU to reach $8.3/m BTU,*
- ***Arab LNG exports to Japan, Korea and China** were about 4.188 million tons in December 2017 (a share of 24.4% 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, 2017-2018 ($/bbl)

	Jan. 2017	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2018
OPEC Basket Price	52.4	53.4	50.3	51.4	49.2	45.2	46.9	49.6	53.4	55.5	60.7	62.1	66.9
Change From previous Month	0.7	1.0	-3.1	1.1	-2.2	-4.0	1.7	2.7	3.8	2.1	5.2	1.3	4.8
Change from same month of previous Year	25.9	24.7	15.7	13.5	6.0	-0.6	4.2	6.5	10.5	7.6	17.5	10.4	14.5

* 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)

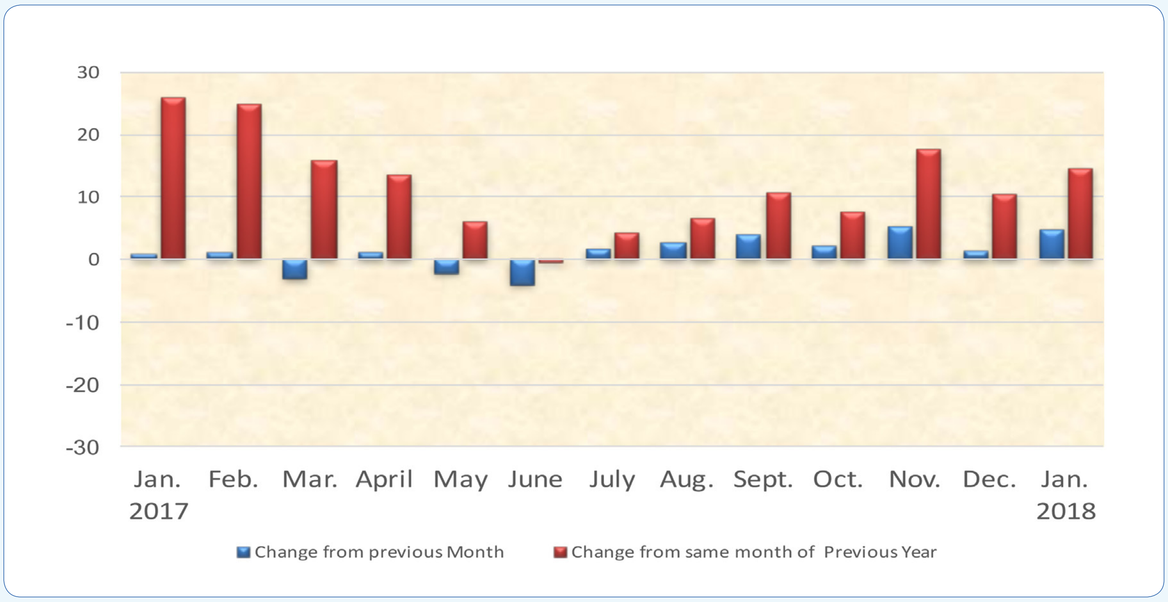


Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2016-2018.

1-2 Spot Prices of Petroleum Products

- **US Gulf**

  In January 2018, the spot prices of premium gasoline increased by 10.4% or $7.9/bbl comparing with their previous month levels to reach $83.8/bbl, spot prices of fuel oil increased by 4.6% or $2.5/bbl to reach $56.9/bbl, and spot prices of gas oil increased by 7.2% or $5.3/bbl to reach $78.9/bbl.

- Rotterdam

The spot prices of premium gasoline increased in January 2018, by 6.5% or $5.2/bbl comparing with previous month levels to reach $85.6/bbl, spot prices of fuel oil increased by 5.9% or $3.2/bbl to reach $57.7/bbl, and spot prices of gas oil increased by 7.3% or $5.6/bbl to reach $82.2/bbl.

- Mediterranean

The spot prices of premium gasoline increased in January 2018, by 7.5% or $5.4/bbl comparing with previous month levels to reach $77.1/bbl, spot prices of fuel oil increased by 6.7% or $3.7/bbl to reach $59.2/bbl, and spot prices of gas oil increased by 7.4% or $5.6/bbl to reach $81.5 bbl.

- Singapore

The spot prices of premium gasoline increased in January 2018, by 4.4% or $3.3/bbl comparing with previous month levels to reach $78.6/bbl, spot prices of fuel oil increased by 4.6% or $2.6/bbl to reach $58.9/bbl, and spot prices of gas oil increased by 7.8% or $5.9/bbl to reach $81.7/bbl.

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

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

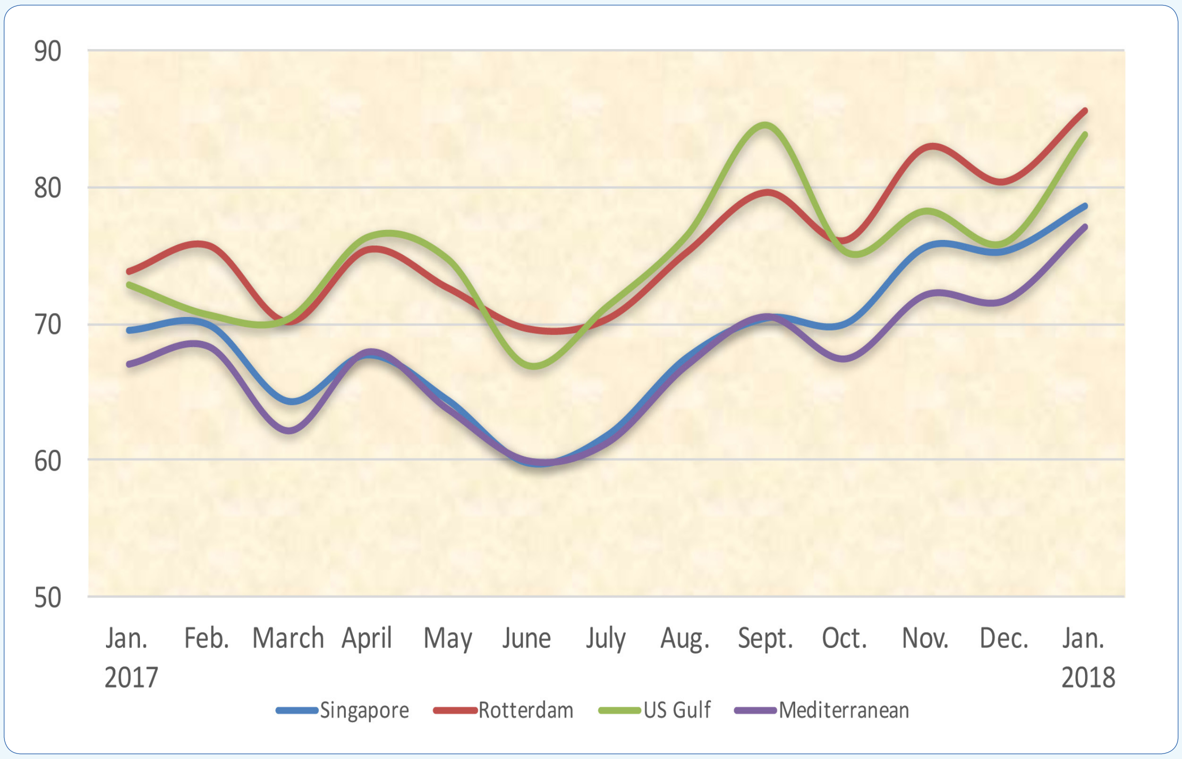


Table (4) in the annex shows the average monthly spot prices of petroleum products, 2016-2018.

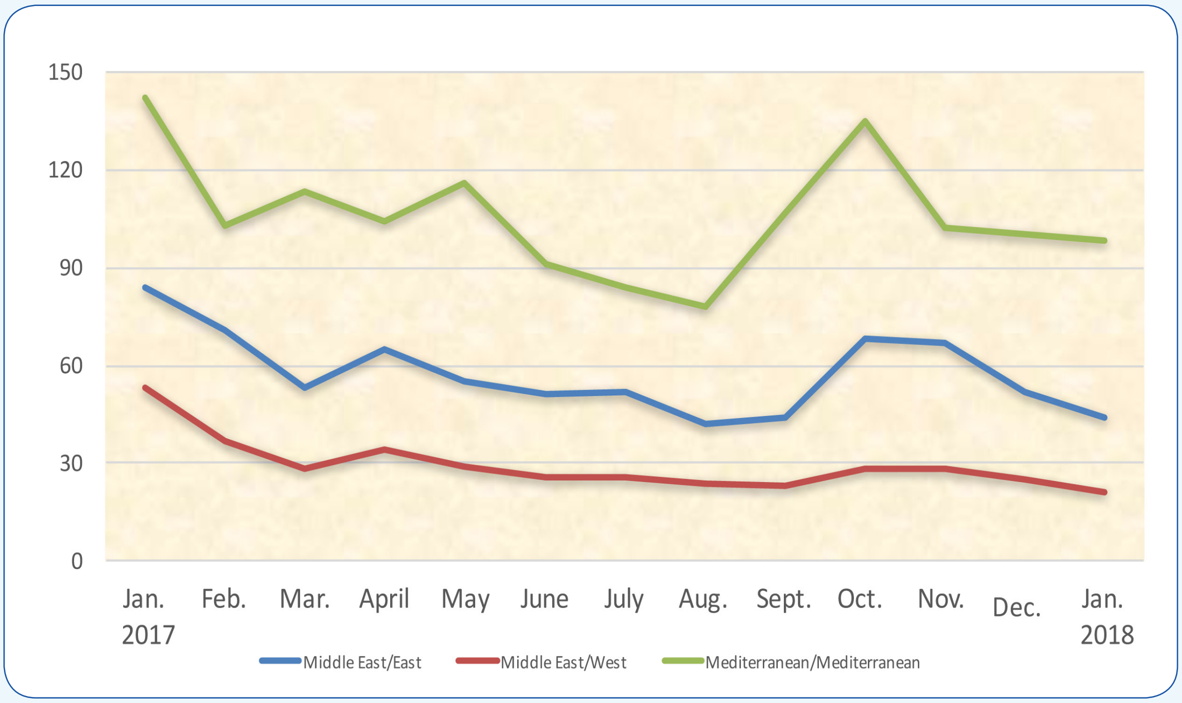
1-3 Spot Tanker Crude Freight Rates

In January 2018, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, decreased by 8 points or 15.4% comparing with previous month to reach 44 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, decreased by 4 points or 16% comparing with previous month to reach 21 points on the World Scale (WS).

And freight rates for inter - Mediterranean for small to medium sized tankers (80-85 thousand deadweight tons (dwt)), decreased by 2 points or 2% comparing with previous month to reach 98 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from January 2017 to January 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 January 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, decreased by 38 points, or 29.2% comparing with previous month to reach 92 points on WS.

Freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 13 points, or 6.6% to reach 184 points on WS, and freight rates for petroleum products [for tanker size 30-35 thousand deadweight tons (dwt)], leaving Mediterranean to North-West Europe decreased by 13 points, or 6.3% to reach 194 points on WS.

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

Figure - 5 **Monthly Spot Product Tanker Freight Rates, 2017 -2018** (World Scale)

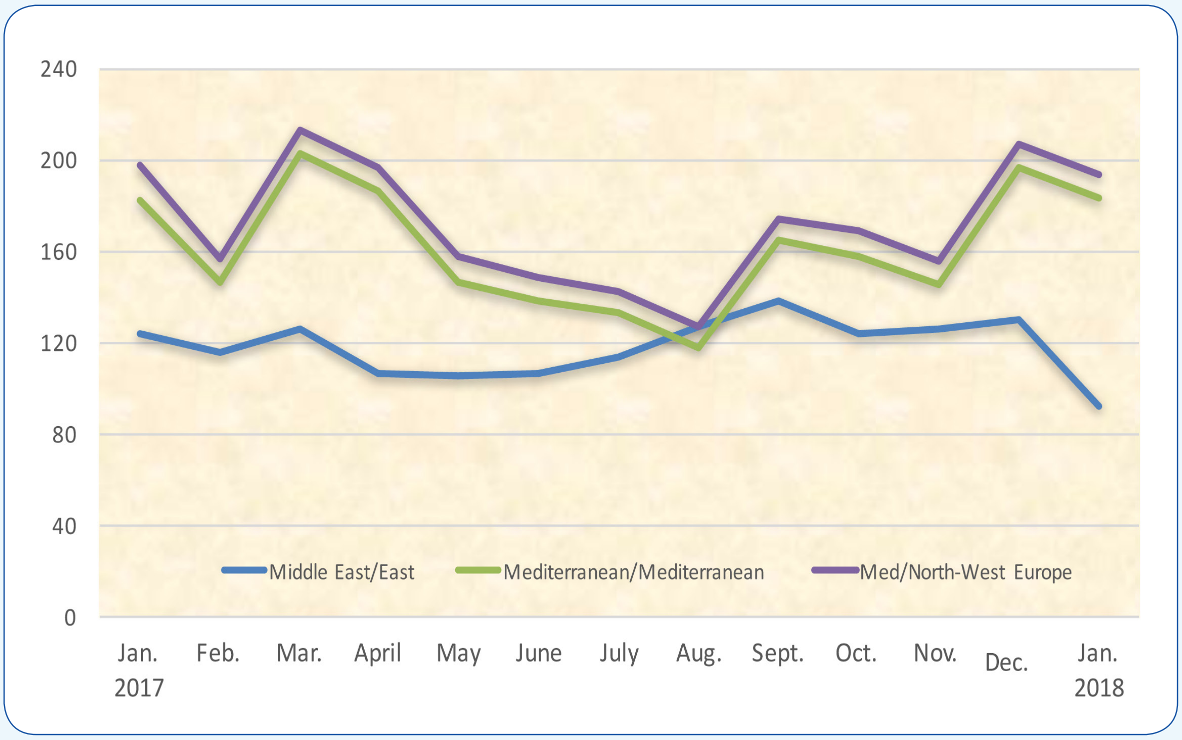


Table (5) and **(6)** in the annex show crude and products Tankers Freight Rates, 2016-2018.

2.Supply and Demand

Preliminary estimates in January 2018 show a decrease 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 2.4 million b/d from their last year level.

Demand in OECD countries decreased by 1.8% or 0.8 million b/d comparing with their previous month level to reach 47.1 million b/d, representing an increase of 1.1 million b/d from their last year level. Whereas demand in Non-OECD countries increased by 1.1% or 0.6 million b/d comparing with their previous month level to reach 51.6 million b/d, representing an increase of 1.4 million b/d from their last year level.

On the supply side, preliminary estimates show that world oil supplies for January 2018 increased by 0.1% or 0.1 million b/d, comparing with the previous month to reach 99.2 million b/d, representing an increase of 2.3 million b/d from their last year level.

In January 2018, OPEC crude oil and NGLs/condensates total supplies decreased by 0.3% or 0.1 million b/d, comparing with the previous month and their last year level to reach 38.7 million b/d. Preliminary estimates show that Non-OPEC supplies increased by 0.3% or 0.2 million b/d, comparing with the previous month to reach 60.5 million b/d, representing an increase of 2.4 million b/d from their last year level.

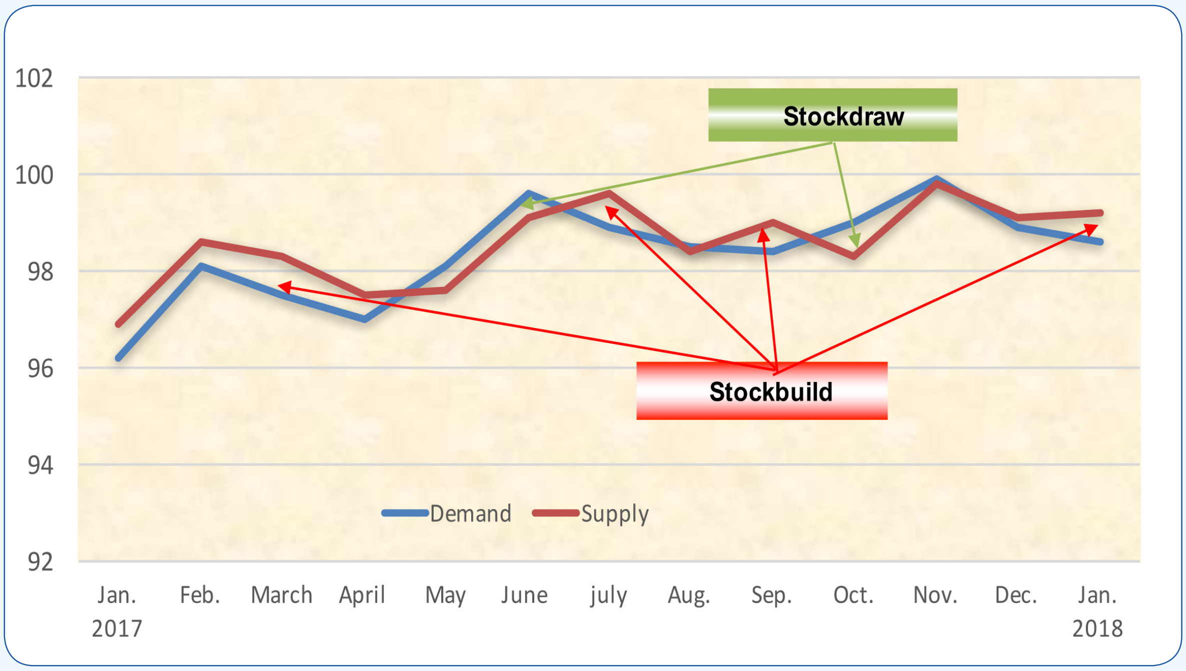
Preliminary estimates of the supply and demand for January 2018 reveal a surplus of 0.6 million b/d, compared to a surplus of 0.2 million b/d in December 2017 and a surplus of 0.7 million b/d in January 2017, as shown in **table (2)** and **figure (6)**:

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

	January 2018	December 2017	Change from December 2017	January 2017	Change from January 2017
OECD Demand	47.1	47.9	-0.8	46.0	1.1
Rest of the World	51.6	51.0	0.6	50.1	1.4
World Demand	**98.6**	**98.9**	**-0.3**	**96.2**	**2.4**
OPEC Supply :	38.7	38.8	-0.1	38.8	-0.1
Crude Oil	32.1	32.2	-0.1	32.2	-0.1
NGLs & Cond.	6.6	6.6	0.0	6.6	0.0
Non-OPEC Supply	58.2	58.0	0.2	55.7	2.5
Processing Gain	2.3	2.3	0.0	2.4	-0.1
World Supply	**99.2**	**99.1**	**0.1**	**96.9**	**2.3**
Balance	**0.6**	**0.2**		**0.7**	

Source: Energy Intelligence Briefing Feb. 15, 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 2015-2017.

US tight oil production

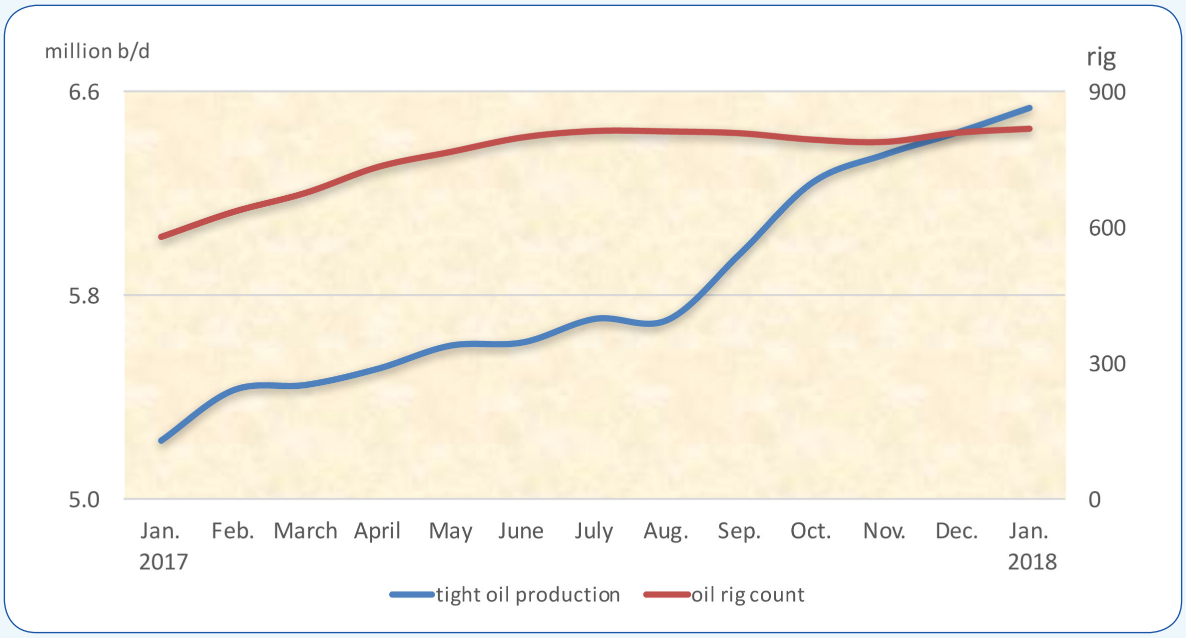
In January 2018, US tight oil production increased by 199 thousand b/d or 3.1% comparing with the previous month level to reach 6.537 million b/d, representing an increase of 1.3 million b/d from their last year level. The US oil rig count increased by 9 rig comparing with the previous month level to reach 820 rig, a level that is 238 rig higher than last year, as shown in **table (3)** and **figure (7)**:

Table 3 **US tight oil production*** (Million b/d)

	January 2018	December 2017	Change from December 2017	January 2017	Change from January 2017
tight oil production	6.537	6.338	0.199	5.233	1.304
Oil rig count (rig)	820	811	9	582	238

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, February 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 December 2017, US crude oil imports increased by 170 thousand b/d or 2.2% comparing with the previous month level to reach 7.8 million b/d. And US oil products imports increased by 208 thousand b/d or 10.5% to reach about 2.2 million b/d.

On the export side, US crude oil exports increased by 157 thousand b/d or 12.6% comparing with the previous month level to reach 1.4 million b/d, whereas US products exports decreased by 259 thousand b/d or 4.9% to reach 5.1 million b/d. As a result, US net oil imports in December 2017 were 480 thousand b/d or nearly 15.9% higher than the previous month, averaging 3.5 million b/d.

Canada remained the main supplier of crude oil to the US with 43% of total US crude oil imports during the month, followed by Mexico with 10.3%, then Saudi Arabia with 10%. OPEC Member Countries supplied 37% of total US crude oil imports.

Japan

In December 2017, Japan's crude oil imports increased by 200 thousand b/d or 6% comparing with the previous month to reach 3.5 million b/d. And Japan oil products imports increased by 55 thousand b/d or 9% comparing with the previous month to reach 666 thousand b/d.

On the export side, Japan's oil products exports increased in December 2017, by 82 thousand b/d or 14% comparing with the previous month, averaging 653 thousand b/d. As a result, Japan's net oil imports in December 2017 increased by 173 thousand b/d or 5.1% to reach 3.5 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 26% and Qatar with 7% of total Japan crude oil imports.

China

In December 2017, China's crude oil imports decreased by 1.1 million b/d or 12% to reach 8 million b/d. And China's oil products imports decreased by 117 thousand b/d or 7.7% to reach 1.4 million b/d.

On the export side, China's crude oil exports reached 37 thousand b/d. And China's oil products exports increased by 54 thousand b/d or 3.3% to reach 1.6 million b/d. As a result, China's net oil imports reached 7.7 million b/d, representing a decrease of 12.3% comparing with the previous month level.

Russia was the big supplier of crude oil to China with 15% of total China's crude oil imports during the month, followed by Saudi Arabia with 14% and Angola with 9%.

Table (4) shows changes in crude and oil products net imports/(exports) in December 2017 versus the previous month:

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

	Crude Oil			oil Products		
	December 2017	November 2017	Change from November 2017	December 2017	November 2017	Change from November 2017
USA	6.382	6.369	0.013	-2.879	-3.347	0.467
Japan	3.525	3.325	0.200	0.012	0.039	-0.027
China	7.919	8.831	-0.912	-0.208	-0.037	-0.171

Source: OPEC Monthly Oil Market Report, various issues 2017.

4. Oil Inventories

In December 2017, OECD commercial oil inventories decreased by 56 million barrels to reach 2850 million barrels – a level that is 134 million barrels lower than a year ago. It is worth mentioning that during the month, commercial crude inventories in OECD decreased by 39 million barrels to reach 1106 million barrels, and commercial oil products inventories decreased by 17 million barrels to reach 1744 million barrels.

Commercial oil inventories in Americas decreased by 27 million barrels to reach 1499 million barrels, of which 582 million barrels of crude and 917 million barrels of oil products. commercial oil inventories in Pacific decreased by 15 million barrels to reach 412 million barrels, of which 190 million barrels of crude and 222 million barrels of oil products.

And Commercial oil Inventories in Europe decreased by 14 million barrels to reach 939 million barrels, of which 334 million barrels of crude and 605 million barrels of oil products.

In the rest of the world, commercial oil inventories decreased by 20 million barrels to reach 2682 million barrels, and the Inventories at sea decreased by 7 million barrels to reach 1172 million barrels.

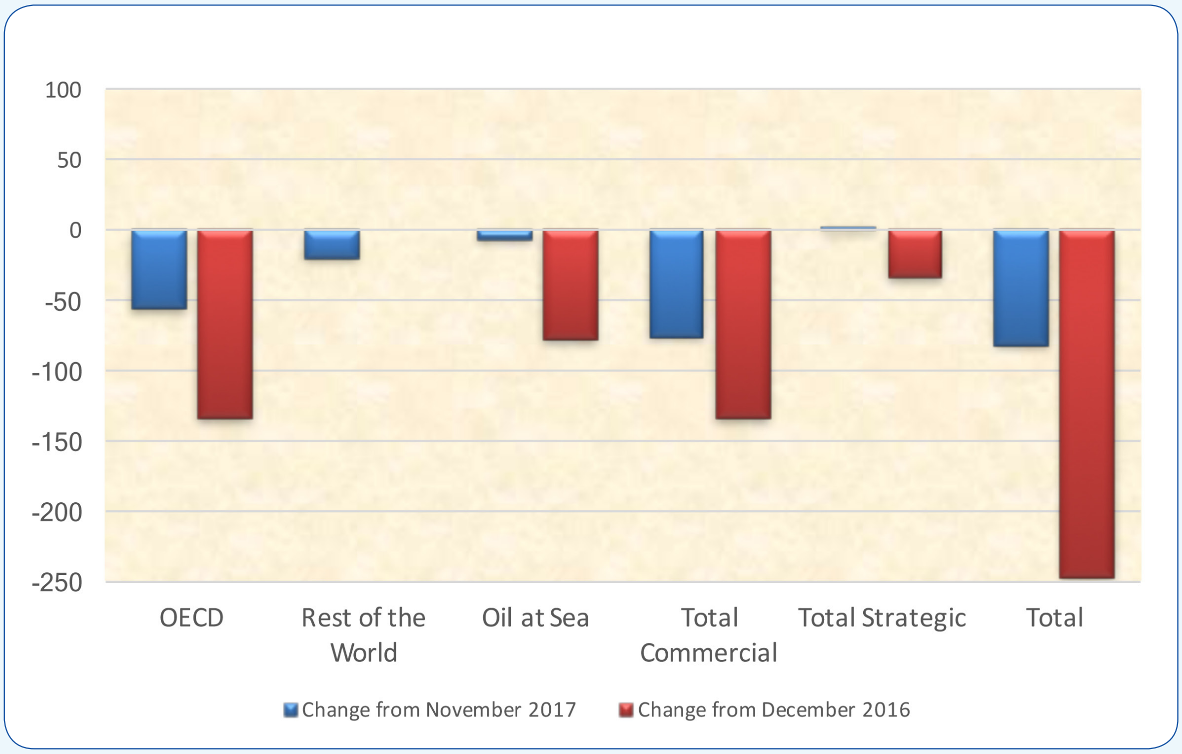
As a result, Total Commercial oil inventories in December 2017 decreased by 76 million barrels to reach 5532 million barrels – a level that is 134 million barrels lower than a year ago.

Strategic inventories in OECD-34, South Africa and China increased by 2 million barrels to reach 1847 million barrels – a level that is 34 million barrels lower than a year ago

Total world inventories, at the end of December 2017 were at 8551 million barrels, representing a decrease of 82 million barrels comparing with the previous month, and a decrease of 247 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 December 2017.

Figure - 8 **Changes in Global Inventories at the End of December 2017** (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 January 2018 increased by $0.87/million BTU comparing with the previous month level to reach $3.69/million BTU.

The comparison, shown in **table (5)**, between natural gas prices and the WTI crude reveal differential of $7.3/ million BTU in favor of WTI crude.

Table 5 Henry Hub Natural Gas and WTI Crude Average Spot Prices, 2017-2018 ($/ Million BTU[1])

	Jan. 2017	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2018
Natural Gas [2]	3.3	2.8	2.9	3.1	3.2	3.0	3.0	2.9	3.0	2.9	3.0	2.8	3.7
WTI Crude [3]	9.1	9.2	8.6	8.8	8.4	7.8	8.1	8.3	8.3	8.9	9.8	10.0	11.0

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 December 2017, the price of Japanese LNG imports increased by $0.2/million BTU comparing with the previous month to reach $8.1 million BTU, the price of Chinese LNG imports increased by $0.4/million BTU comparing with the previous month to reach $8.1/ million BTU, and the price of Korean LNG imports increased by $0.6/million BTU comparing with the previous month to reach $8.3/ million BTU.

2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 24.4% or 3.4 million tons from the previous month level to reach 17.158 million tons.

Table (6) shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2015-2017.

Table6 LNG Prices and Imports: Korea, Japan, and China 2015-2017

	Imports (thousand tons)				Average Import Price ($/million BTU)		
	Japan	Korea	China	Total	Japan	Korea	China
2015	**84850**	**33141**	**19606**	**137597**	**10.2**	**10.6**	**8.6**
2016	**82767**	**33257**	**26017**	**142041**	**6.9**	**6.9**	**6.5**
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
2017	**6969**	**3138**	**3191**	**13298**	**8.1**	**8.0**	**7.3**
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

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 5.511 million tons or 32.1% of total Japan, Korea and China LNG imports in December 2017, followed by Qatar with 17.3% and Malaysia with 13.4%.

The Arab countries LNG exports to Japan, Korea and China totaled 4.188 million tons - a share 24.4% 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 $9.43/million BTU at the end of December 2017, followed by Indonesia with $9.31/million BTU then Malaysia with $9.26/million BTU, and Australia with $9.25/million BTU. LNG Qatar's netback reached $9.05/million BTU, and LNG Algeria's netback reached $8.67/million BTU.

Table (7) shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of December 2017.

Table7 LNG Exporter Main Countries To Japan, Korea and China, And Their Netbacks At The End Of December 2017

	Imports (thousand tons)				Spot LNG Netbacks at North East Asia Markets ($/million BTU)
	Japan	Korea	China	Total	
Total Imports, of which:	**7953**	**4176**	**5029**	**17158**	
Australia	2521	927	2063	**5511**	**9.25**
Qatar	812	1127	1025	**2964**	**9.05**
Malaysia	1552	422	321	**2295**	**9.26**
Indonesia	663	177	438	**1278**	**9.31**
Russia	790	196	64	**1050**	**9.43**

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

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 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.**

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 31st 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:

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P.O.Box 20501 Safat 13066 Kuwait
Tel.: (+965) 24959766 - Fax: (+965) 24959755
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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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