

MARRAKECH 2016 COP22 CMP12 CMA1

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MARRAKECH CLIMATE CHANGE CONFERENCE (COP22)

INTENSIFYING INTERNATIONAL EFFORTS ON CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT

MARRAKECH COP22 2016 CMP12 JN CLIMATE CHANGE CONFERENCE

IN AN INTERVIEW WITH AL YOUM AL SABE' HE AL NAQI: THE ARAB REGION IS WELL-PREPARED TO MAKE MORE PETROLEUM DISCOVERIES



The Cover

Morocco's Marrakech hosted the High-Level Segment of the 22nd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP22) and the 12th Session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol CMP-12 from 7 to 18 November 2016 with a significant international turnout led by Their Excellencies and Highnesses the Heads of States, Heads of Governments, and Ministers of the parties of the agreement. Also, chiefs and secretary generals of concerned international and regional organizations attended the event. OAPEC participated in the COP22 in its capacity as an IGO.



GCC Oil and Energy Ministers Hold their 35th Meeting



18th Meeting of the Gas Exporting Countries Forum in Qatar

ORGANIZATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC)



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

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

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

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

HE Al Naqi: The Arab region is well-prepared to make more petroleum discoveries





5th China-Arab Energy Cooperation Forum

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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

MARRAKECH CLIMATE CHANGE CONFERENCE (COP22) INTENSIFYING INTERNATIONAL EFFORTS ON CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT

Morocco's Marrakech hosted the High-Level Segment of the 22nd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP22) and the 12th Session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol CMP-12 from 7 to 18 November 2016 with a significant international turnout led by Their Excellencies and Highnesses the Heads of States, Heads of Governments, and Ministers of the parties of the agreement. Also, chiefs and secretary generals of concerned international and regional organizations attended the event. OAPEC participated in the COP22 in its capacity as an IGO.

The COP22 and negotiators mainly reviewed the progress in the international arena of the post- Paris COP21, where the Paris Agreement was concluded. That agreement basically aimed at reaching a long-term goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels, while maintaining the efforts to limit the increase to 1.5°C. Also, the COP22 agenda included holding the first meeting for the Ad-hoc Working Group on the Paris Agreement (APA) following the entry into force of the agreement on 4 November 2016 after more than 100 countries had signed it until now and after 55 countries that account for at least 55% of global emissions have deposited their instruments of ratification.

Following extensive talks and negotiations, countries participating in the COP22 agreed its communiqué titled the "Marrakech Action Proclamation for Our Climate and Sustainable Development". The proclamation reiterated the Paris Agreement call on the parties to submit their national climate action plans and its reflection of equity and common but differentiated responsibilities, as well as, enhancing efforts on adaptation, poverty eradication, and food security. This is in addition to supporting the sustainable development plan and goals for the year 2030; working on mobilizing a \$100 billion/year funding for developing countries in order to help them face the impact of climate change and find solutions well in advance of 2020 taking into account the specific needs and special circumstances of developing countries, the least developed countries and those particularly vulnerable to the adverse impacts of climate change; and doubling the World Bank's funding by \$1.5 billion for the MENA region by 2020.

Moreover, the Marrakech Proclamation called for boosting capabilities and facilitating technology transfer from advanced countries to developing countries. It also stressed the nationally determined contributions' (NDCs) transparency through commitment, reporting, and revision for all parties. The proclamation praised the unprecedented dynamism of the climate change dossier in the various international activities and events. A call has been made to make use of the increasing momentum around the climate change phenomenon by the international community in order to step ahead towards cutting emissions and supporting sustainable the development plan for 2030 and its ambitious goals.

Arab countries- including OAPEC membershave participated actively in the COP22. They reiterated a number of issues including: their commitment to play their roles in combating climate change under the umbrella of the developing countries' efforts in this regard; the importance of taking into account the basic principles that govern international cooperation on climate change represented in the reflection of equity and common but differentiated responsibilities; and the historic responsibility of the developed industrial countries of the increasing GHG; as well as these countries responsibility towards leading international efforts on cutting emissions, transferring technology on mitigation and adaptation to developing countries, and providing appropriate funding to build the capacities of the developing countries.

OAPEC Secretariat General observes closely all the UNFCCC's developments through active participation in its meetings and other related meetings. It also plays a prominent role in the Arab Negotiating Group and in preparing periodical reports and studies on the UNFCCC developments and its implications for the petroleum industry on the OAPEC member countries.

It is worth mentioning that on 10 November 2016, OAPEC Secretariat General organized an event, in collaboration with the Qatari Ministry of Energy and Industry and the Saudi Ministry of Energy, Industry, and Mineral Resources, on the sidelines of the COP22 in Marrakech under the title "Creating Value-Added from CO2 Emissions". The event aimed at reviewing current CCS technology developments and the aspects available for the sustainability of such a technology in the oil, gas, petroleum downstream industries, food industries, waste treatment, and other industries. OAPEC Secretary General HE Abbas Ali Al Naqi took part in this event as a keynote speaker, along with a group of experts from KSA, Kuwait, and Qatar. Current and future challenges facing the CCS technology were tackled along with proposed solutions. A large group of Arab and foreign environment experts also participated in the event.

Having participated in the COP 22, OAPEC Secretariat General highly appreciates Arab countries' efforts during the international negotiations on climate change, and praises the content of the Marrakech Action Proclamation for Our Climate and Sustainable Development, which forms an important part of the international efforts progress on environment, climate change, and their implications for the developing and leastdeveloped countries. OAPEC also appreciates the efforts of all those who contributed to making this important international conference a success.



GCC OIL AND ENERGY MINISTERS HOLD THEIR 35TH MEETING

On 23 October 2016, Ministers of Oil and Energy of Gulf **Cooperation** Council held (GCC) their 35th meeting chaired by Saudi Minister of Energy, Industry and **Mineral Resources HE** Engineer Khalid bin Abdulaziz Al Faleh. The GCC Secretary General HE Dr Abdullatif bin Rashid Al Zayani attended the meeting.

At the beginning of the meeting, HE Al Faleh delivered a speech in which he welcomed the attendees and conveyed the greetings of the Custodian of the Two Holy Mosques HM King Salman bin Abdulaziz Al Saud.

He said, "The Custodian of the Two Holy Mosques is looking forward to our success in promoting the progress of the GCC after he launched an integrated vision including boosting the GCC joint action and stating that we consider our integration into our Gulf surroundings and promoting the GCC joint action at all levels as our most important priorities".

HE Al Faleh stressed the importance of the GCC countries in terms of economy especially in the petroleum market. He clarified that the total GCC countries' production reached about 18 million b/d, representing more than20% of the world production. Their role is significant and



influential in the stability of the market. He added that the GCC countries always play a responsible role through close coordination and collaboration whether amongst themselves or with other OPEC and non-OPEC petroleum producing countries.

He said "our joint action goes beyond our interest in the market variables in the short and medium terms. It focuses on facing big challenges and changes that take place in energy, climate, and international trade in the long run. He stressed that joint action needs handling these issues in a comprehensive way that takes into account the impacts in the long run, the exploitation of available opportunities, and the ultimate use of the member countries' negotiating skills as an influential economic bloc since we deal with major economic blocs as well as individual countries."

HE Al Zayani also delivered a

speech in which he said that the abundant petroleum resources of the GCC countries have contributed to their development and strengthened their position in the world. This has also imposed duties and burdens to maintain the world petroleum market stability, contribute to supporting the global economic growth by guaranteeing secure and sustainable petroleum supplies whether in normal or extraordinary circumstances that might face the GCC countries due to various political and economic factors.

He reiterated the GCC countries' great efforts on fostering their energy relations with other producing and consuming countries in order to achieve the aspired global integration collectively. This would ensure better global economic growth and sustainable development for all countries around the world.



<complex-block>

UAE's Ministry of Energy announced that the Atlantic Council Global Energy Summit will be held in Abu Dhabi on 12-13 January 2017. This initiative will be held in parallel with Abu Dhabi Sustainability Week, aiming at strengthening energy markets, fostering climate action, and encouraging creativity and the use of advanced technology.

The partnership between the the UAE Ministry of Energy and the Atlantic Council was formalized in a memorandum of understanding signed by His Excellency Suhail Mohamed Faraj Al Mazrouei, UAE's Minister of Energy, and Mr Frederick Kempe, President and Chief Executive Officer of Atlantic Council.

"In line with the efforts of the UAE leadership to position the nation as a global leader in the energy sector, we are pleased to partner with the Atlantic Council to host the inaugural Atlantic Council Global Energy Summit in Abu Dhabi, marking this occasion as the first time the Atlantic Council has hosted a flagship event in a GCC country," said HE Al Mazrouei.

He added "this summit will serve as an ideal platform for crucial discussions with world leaders and key players in the global energy sector about the future of the energy sector and how it will be affected by recent political and security trends."

Abu Dhabi Summit will discuss various important issues, most significant of which: energy systems and technologies; oil, gas, and nuclear energy studies: renewable energy market developments in light of major political and security challenges with a focus on 3 pivotal points: the impact of the USA elections on the world's security; energy scope; and the new oil, gas, and advanced technologies regime in the context of energy transition and climate change.



18TH MEETING OF THE GAS EXPORTING COUNTRIES FORUM IN QATAR



Qatar hosted the 18th Ministerial Meeting of the Gas Exporting Countries Forum (GECF) on 17 November 2016 under the chairmanship of the State of Qatar's Energy and Industry Minister HE Dr Mohammed Al Sada; and the attendance of the GECF energy ministers. HE Al Sada inaugurated the meeting with a speech that reviewed current developments and future prospects of the world energy market. He stressed the vital role of the GECF member countries in providing the world with gas.

The Minister said that the Gas Exporting Countries Forum (GECF) is a special event due to two reasons. First; the current status and future prospects of the natural gas market which call for intensifying joint efforts to face the various challenges. Second; there are two documents to be discussed during the meeting: one on a GECF longterm strategy, the other on a future vision for the world gas by GECF until 2040.

He added that the meeting comes at a time when the energy sector in general, and the gas sector in particular, are witnessing many developments that embrace opportunities and challenges for the gas producing countries. The Minister clarified that the positive side of the issue is that the demand for gas has risen by about 1.9% during 2015. It is expected to continue growing during 2017 especially with the declining prices.

HE Al Sada said that the GECF is held while Morocco is hosting the COP22. He pointed out that the world's commitment to face climate change has won momentum on a large scale and faster than expected since the goals of the COP21 have become a binding law earlier this month. He reiterated the importance of collaborating the world's efforts to face global warming.

The Minister said that gas producers should exploit the chance to present gas as an ideal option to face climate change since it is a clean source of energy that can help facing this phenomenon. However, it should be looked at in a fair way by regimes and policies.



ADVISORY MEETING OF OPEC AND NON-OPEC OIL PRODUCING COUNTRIES

Within the framework of dialogue and coordination between oil producing countries, Qatar hosted an unofficial advisory meeting of OPEC and non-OPEC oil producing countries on 18 November 2016. HE Dr Mohammed Al Sada, Qatar's Energy and Industry Minister, said that the meeting comes as part of the regular consultation meetings between OPEC and non-OPEC oil producing countries to negotiate freezing oil output. All issues relevant to the freezing of the oil production have been tackled during the meeting.

Russia's Energy Minister, HE Alexander Novak, said that various issues related to the coordination with OPEC members have been discussed during the meeting. He hoped that an agreement could be reached on freezing the oil output at OPEC's meeting end of November 2016.





HE MOHAMMED RAS EL KAF APPOINTED ALGERIA'S REP AT OAPEC EXECUTIVE BUREAU

Algeria appointed HE Mr Mohammed Ras El Kaf, Advisor at the Energy Ministry, as the country's Representative at OAPEC Executive Bureau, in succession of HE Mr Mohamed Bouamama, as of 10 November 2016.

HE Abbas Ali Al Naqi, OAPEC Secretary General, sent a cable of congratulations to HE Ras El Kaf on his new appointment wishing him all success and progress. HE Al Naqi also sent a cable to HE Bouamama thanking him for all his valuable contributions throughout his tenure.



ALGERIA'S OIL AND GAS EXPORTS INCREASED IN 2016

Algeria's Sonatrach said it exported a total of 89 million tons of oil equivalent (TOE) from January to October 2016, representing an increase of 9% compared the same period of last year. Output grew by 80,000 barrels per day in Q3 of 2016, which resulted in an increase of about one million tons of crude exported to Cuba. Natural gas exports increased by 40% compared to the same period in 2015. Estimations indicated that Algeria's exports were valued at \$11.86 billion in the first half of 2016, representing a decline of about \$6 billion out of the \$17.86 billion of the same period last year. On another development, Sonatrach signed a contract with the Chinese company for the engineering, construction, and fuel (CBOC) for the rehabilitation of the refining plant of Sidi Rezine in Beraki. The company has been chosen out of 7 bidders.



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OAPEC Member Countries



KUWAIT AND OMAN SIGN PETROLEUM MOU



Under the umbrella of between cooperation Arab countries, Oman Oil Company S.A.O.C. (OOC) and Kuwait Petroleum International Ltd (KPI) have signed a Memorandum of Understanding (MOU) to cooperate in the development of the Duqm Refinery in Oman. The refinery's capacity is 230 thousand b/d of Kuwaiti and Omani crude mix. Petroleum products with the highest world specifications and standards will be produced with competitive

costs. The project aims at boosting the Kuwaiti-Omani strategic partnership to ensure refining the Kuwaiti-Omani crude oil in the long run and contributing to supporting the economies of both countries.

H.E. Mr. Anas Al Saleh, Deputy Prime Minister, Minister of Finance, and Acting Minister of Oil in Kuwait, said that the signing of the MoU is part of the efforts being made to boost the economic cooperation between the two countries and to seek further investment opportunities in mega energy projects in a way that contributes to supporting



Kuwait Petroleum Corporation (KPC)'s strategy on boosting its position in the world's oil markets. He stressed that the coming stage requires the coordination between the GCC countries on petroleum and mega energy projects. He added that Al Duqm Refinery project is one of the most important, vital, and promising industrial projects developed in the region.

The Minister said that this strategic partnership completes the success story of the partnership between Kuwait and Oman. They now share challenges and reap the fruits of this cooperation with a brotherly spirit of the GCC countries.



IRAQ SIGNS MOU WITH EGYPT



Iraq's Oil Ministry signed a memorandum of understanding with Egypt on joint cooperation to develop oil and gas industries. The ceremony was attended by the Iraqi Oil Minister HE Jabbar Alla'ibi and the Egyptian Petroleum Minister HE Eng. Tariq Al Mulla. The MoU included promoting cooperation between Egyptian and Iraq oil companies in the various aspects of the oil industry.

In a joint press conference following the signing ceremony, HE Alla'ibi said that the Iraqi Oil Ministry has previously announced introducing five oil refineries for investment and it welcomes the entry of Egyptian companies to bid for these mega projects. He added that Egyptian companies were also invited to invest in and develop 12 oilfields that have been announced by the ministry recently. He clarified that there are promising investment opportunities in the Iraqi oil sector.

On his part, HE Al Mulla expressed his country's will to increase petroleum cooperation with Iraq. He stressed that the Egyptian oil companies are ready to enter into real partnerships with Iraq in the different aspects of the petroleum industry; indicating that Egyptian oil companies are currently working in south Iraq. The minister added that the MoU signed with the Iraqi side will open the door for the aspired partnership and cooperation between the two countries.

OAPEC Member Countries





BAHRAIN'S MINISTER OF OIL MEETS AMPTC CHAIRMAN

Bahrain's Oil Minister HE Sheikh Mohammed bin Khalifa Al Khalifa met the Chairman of the Arab Maritime Petroleum Transport Company (A.M.P.T.C.), a joint venture of OAPEC, on 13 November 2016. The meeting was attended by HE Dr Ahmed Ali Al Sharyan, NOGA Secretary General, and HE Ali Al Sawad, General Manager for Strategies and Planning at NOGA, and Bahrain's Representative at OAPEC Executive Bureau.

During the meeting, the Minister lauded Mr Al Jassim's sincere efforts to achieve more progress and success. His efforts paid off as AMPTC has become one of the pioneer Arab companies in maritime transport. AMPTC's activities and aspects of cooperation with Bahraini oil companies have also been discussed. Moreover, the developments of the maritime crude oil, petroleum products, and LPG transport have also been tackled.

On his part, HE Jassim expressed his thanks and appreciation to HE Al Khalifa for the hospitability and rich discussions that feed into the development of the company's work and the promotion of the aspired Arab joint action.





EGYPT'S PETROLEUM MINISTRY AND APICORP TALKS

Egypt's Petroleum and Mineral Resources Minister HE Eng. Tariq Al Mulla held talks with a delegation from the Arab Petroleum Investments Corp (APICORP) headed by its Chairman Dr Abid bin Abdullah Al Sa'adoun. The talks tackled the status of Apicorp's petroleum projects in Egypt and the potential investment opportunities between the company and Egypt in the coming period.

HE Al Mulla stressed the importance of furthering cooperation between the two sides in light of Apicorp's funding capacities that enable it to contribute strongly to the new projects launched by the petroleum sector. This is based on Apicorp's current successful projects in Egypt that encourage increasing its activities there.

On his part, Dr Al Sa'adoun showed interest in considering and funding new projects launched by the Egyptian petroleum sector as part of the long-term and successful partnership between the two sides.

The talks were attended by Mr Raed Al Rayyes, Deputy CEO & General Manager of APICORP, and Eng. Shirin Ahmed, Undersecretary for Planning and Follow Up at Egypt's Petroleum Ministry.

Organization of Arab Petroleum Exporting Countries



OAPEC



IN AN INTERVIEW WITH AL YOUM AL SABE' HE AL NAQI: THE ARAB REGION IS WELL-PREPARED TO MAKE MORE PETROLEUM DISCOVERIES

OAPEC Secretary General HE Abbas Al Al Naqi said that the petroleum industry enjoys a prestigious status in the world's economy. Crude oil is an important strategic good and the main source in the global energy mix in terms of its consumption compared to other energy sources. Petroleum is used heavily in activities and industries like aluminum and steel. He stressed that member countries spared no effort in the past decades to develop their petroleum industry through executing many pioneer projects that resulted in significant achievements.

HE Al Naqi added in an interview with Egypt's Al Youm Al Sabe' newspaper, that OAPEC Secretariat General closely monitors the petroleum industry's current developments. It also recognizes its member countries' great efforts in this sector in spite of the negative impact of the declining oil prices in

the world markets. The Secretary General called for cooperation among all international parties relevant to the petroleum industrywhether producers, consumers, international organizations, national and international petroleum companies- to contribute to the stability of the world oil market.

He explained that according to most of the data released by international organizations, the Arab region is considered a promising area for making more petroleum discoveries. Some Arab countries have recently announced oil and gas discoveries.

HE Al Naqi pointed out that OAPEC Secretariat General is keen on identifying petroleum

cooperation opportunities between its member countries. To this end, it holds coordination meetings for experts in the different aspects of the petroleum industry in order to seek cooperation and





investment opportunities in the member countries. The Secretariat General also organizes many conferences and forums that tackle the status quo and future prospects of the petroleum industry in the member countries.

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5TH CHINA-ARAB ENERGY COOPERATION FORUM



In line with the communiqué of the Fourth China-Arab Energy Cooperation Conference held in Riyadh, KSA, from 18 to 20 November 2014, and as part of the forum's sectoral activities, the Fifth China-Arab Energy Cooperation Conference was held under the slogan "Energy: a cornerstone for Arab- Chinese Cooperation". The event was co-organized by the Chinese National Energy Authority and the Arab League (AL).

HE Dr Saleh Al Awaji, Saudi Arabia's deputy minister for water and electricity, headed the Arab side that also included representatives of Arab energy ministries and authorities, AL Secretariat General, OAPEC, and Arab Atomic Energy Authority (AAEA). As for China, representatives of the Chinese National Energy Authority, Foreign Ministry, and major Chinese power and energy companies took part in the event.

The conference covered many important topics including oil and natural gas, electricity generation, renewable energy, and the civil use of nuclear energy. OAPEC Secretariat General was represented by Mr Abdul Fattah Dandy, Director, Economic Affairs Department, who chaired a session and participated as a keynote speaker in another session. He presented a paper at the first session on "The Current Status and Future Prospects of the Arab- Chinese Oil and Natural Gas Cooperation". **The paper tackled three main points:**

- Current and future status of Arab countries in the world oil and natural gas markets
- Current and future status of oil and natural gas sectors in China
- Potentials of boosting Arab- Chinese energy cooperation in terms of supply security for China, and demand security for Arab oil and gas producing and exporting countries

The paper concluded by stating that in light of the shortage in oil and natural gas in China to meet its increasing energy needs in the future, and in light of the Arab countries' surplus of both sources, joint action is needed to boost the existing cooperation between the two sides in terms of energy security.

Petroleum Developments in the World Market and Member Countries*

1. Oil Market

1. Prices

1-1Crude Oil Prices

Weekly average price of OPEC basket decreased during the first week of September 2016, to reach \$43.7/bbl, and continued to decline thereafter, to reach its lowest level of \$42.5/bbl during the third week. During the fourth week, weekly average price raised to \$43.1/bbl, as shown in figure 1:



On monthly basis. OPEC Reference Basket in September 2016, averaged \$42.9/bbl, representing a decrease of \$0.2/bbl or 0.5% comparing with previous month, and a decrease of \$1.9/bbl or 4.3% from the same month of previous year. The reduction in the official selling price monthly offsets for key Middle East Gulf crudes loading in September and destined largely to Asia, was major stimulus for the decrease in oil prices during the month of September 2016.

Key Indicators

- In September 2016, **OPEC Reference Basket decreased** by 0.5% or \$0.2/bbl from the previous month level to stand at \$42.9/bbl.
- World oil demand in September 2016, decreased by 0.8% or 0.8 million b/d from the previous month level to reach97.2 million b/d.
- *World oil supplies* in September 2016, *increased* by 1.4% or 1.4 million b/d from the previous month level to reach99.3 million b/d.
- US tight oil production in September 2016, decreased by 1.7% to reach about 4.5 million b/d, whereas US oil rig count increased by 19 rig from the previous month level to stand at 352 rig.
- US crude oil imports in August 2016, increased by 3% from the previous month level to reach 8.5 million b/d, whereas US product imports decreased by 2.6% to reach about 2.3 million b/d.
- **OECD commercial inventories** in August 2016 **decreased** by 11 million barrels from the previous month level to reach 3092 million barrels, and **Strategic inventories** in OECD-34, South Africa and China **increased** by 2 million barrels from the previous month level to reach 1870 million barrels.
- The average spot price of natural gas at the Henry Hub in September 2016 increased by \$0.17/million BTU comparing with the previous month to reach \$2.99/million BTU.
- The Price of Japanese LNG imports increased in August 2016 by \$0.4/m BTU to reach \$6.7/m BTU, the Price of Korean LNG imports increased by \$0.5/m BTU to reach \$6.3/m BTU, and the Price of Chinese LNG imports increased by \$0.6/m BTU to reach \$6/m BTU
- Arab LNG exports to Japan, Korea and China were about 3.310 million tons in August 2016 (a share of 27.9% of total imports).

* Prepared by the Economics Department.

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(\$/bbl)

versus last month and the corresponding month of last year :								
Table 1	Change in Price of the OPEC Basket of Crudes, 2015-2016							

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 :

											(4,001)		
	Sept. 2015	Oct.	Nov.	Dec.	Jan. 2016	FEB.	Mar.	Apr.	May	June	July	Aug.	Sept.
OPEC Basket Price	44.8	45.0	40.5	33.6	26.5	28.7	34.7	37.9	43.2	45.8	42.7	43.1	42.9
Chamge From previous Month	-0.6	0.2	-4.5	-6.9	-7.1	2.2	5.9	3.2	5.4	2.6	-3.1	0.4	-0.2
Change from same month of previous Year	-51.2	-40.0	-35.1	-25.9	-17.9	-25.3	-17.8	-19.4	-19.0	-14.4	-11.5	-2.4	-1.9

* 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.



Table (3) in the annex show spot prices for OPEC basket and other crudes for the period 2014-2016.

1-2 Spot Prices of Petroleum Products

- US Gulf

In August 2016, the spot prices of premium gasoline increased by 2.5% or \$1.6/bbl comparing with their previous month levels to reach \$65/ bbl, spot prices of gas oil increased by 3.8% or \$1.9/bbl to reach \$52.5/ bbl, and spot prices of fuel oil increased by 1.2% or \$0.4/bbl to reach \$34.5/bbl.

- Rotterdam

The spot prices of premium gasoline increased in August 2016, by 2.7% or \$1.7/bbl comparing with previous month levels to reach \$64.1/bbl, spot prices of gas oil increased by 0.9% or \$0.5/bbl to reach \$54.3/bbl, whereas spot prices of fuel oil decreased by 2.1% or \$0.8/bbl to reach \$36.8/bbl.

- Mediterranean

The spot prices of premium gasoline increased in August 2016, by 2.9% or \$1.6/bbl comparing with previous month levels to reach \$56.5/bbl, spot prices of gas oil increased by 1.1% or \$0.6/bbl to reach \$55.6/bbl, and spot prices of fuel oil increased by 1.4% or \$0.5/bbl to reach \$37.4bbl.

- Singapore

The spot prices of premium gasoline increased in August 2016, by 4.4% or \$2.3/bbl comparing with previous month levels to reach \$54.2/bbl, spot prices of fuel oil increased by 0.8% or \$0.3/bbl to reach \$38.7/bbl, whereas spot prices of gas oil decreased by 1.5% or \$0.8/bbl to reach \$54/bbl.

Figure (3) shows the price of Premium gasoline in all four markets from August 2015 to August 2016.



Table (4) in the annex shows the average monthly spot prices of petroleum products, 2014-2016.

1-3 Spot Tanker Crude Freight Rates

In August 2016, Freight rates for crude oil for tanker size (230-280 thousand deadweight tons (dwt)), leaving Middle Eastern ports to the East, decreased by 6 points or 14% comparing with previous month to reach 37 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 2 points or 7.7% comparing with previous month to reach 24 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 16 points or 19.5% comparing with previous month to reach 66 points on the World Scale (WS).

Figure (4) shows the freight rates for crude oil to all three destinations from August 2015 to August 2016.



* World Scale is a method for calculating freight prices. One point for the WS means 1% of the standard price of freight in the direction in the WS book, which is published annually by the World Scale Association. The book contains a list of prices in the form of US dollar per ton, called "World Scale 100," for all the major routes in the world.

1-4 Spot Tanker Product Freight Rates

In August 2016, 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 10 points, or 9.9% comparing with previous

month to reach 111 points on WS. Whereas freight rates for Petroleum Products across Mediterranean [for tanker size 30-35 thousand deadweight tons (dwt)], decreased by 8 points, or 6.6% to reach 113 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 8 points, or 6.1% to reach 123 points on WS.

Figure (5) shows the freight rates for oil products to all three destinations from August 2015 to August 2016.



Table (5) and (6) in the annex show crude and products Tankers Freight Rates, 2014-216.

2.Supply and Demand

Preliminary estimates in September 2016 show a decrease in world oil demand by 0.8% or 0.8 million b/d, comparing with the previous month level to reach 97.2 million b/d, representing an increase of 1 million b/d from their last year level.

Demand in OECD countries decreased by 1.1% or 0.5 million b/d comparing with their previous month level to reach 46.6 million b/d, representing an increase of 0.2 million b/d from their last year level. And demand in Non-OECD countries decreased by 0.6% or 0.3 million b/d comparing with their previous month level to reach 50.6 million b/d, representing an increase of 0.8 million b/d from their last year level.

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On the supply side, preliminary estimates show that world oil supplies for September 2016 increased by 1.4% or 1.4 million b/d, comparing with the previous month to reach 99.3 million b/d, representing an increase of 2.3 million b/d from their last year level.

In September 2016, OPEC crude oil and NGLs/condensates total supplies increased by 1% or 0.4 million b/d comparing with the previous month level to reach 40.5 million b/d, a level that is 1 million b/d higher than last year. preliminary estimates show that Non-OPEC supplies increased by 1.6% or 0.9 million b/d comparing with the previous month level to reach 58.7 million b/d, a level that is 1.2 million b/d higher than last year.

Preliminary estimates of the supply and demand for September 2016 reveal a surplus of 2.1 million b/d, compared to a shortage of 0.1 million b/d in August 2016 and a surplus of 0.8 million b/d in September 2015, as shown in table (2) and figure (6):

Table 2 World Supply and Demand (Million b/d)										
	September 2016	August 2016	Change from August 2016	September 2015	Change from September 2015					
OECD Demand	46.6	47.1	-0.5	46.4	0.2					
Rest of the World	50.6	50.9	-0.3	49.8	0.8					
World Demand	97.2	98.0	-0.8	96.2	1.0					
OPEC Supply:	40.5	_40.1	0.4	<u> </u>	<u> 1.0</u>					
Crude Oil	33.6	33.2	0.4	32.7	0.9					
NGL's & Cond.	6.9	6.9	0.0	6.8	0.1					
Non-Opec Supply	56.3	55.4	0.9	55.2	1.1					
Processing Gain	2.4	2.4	0.0	2.3	0.1					
World Supply	99.3	97.9	1.4	97.0	2.3					
Balance	2.1	-0.1		0.8						

Source: Energy Intelligence Briefing October 6, 2016.

Tables (7) and (8) in the annex show world oil demand and supply for the period 2014-2016.



US tight oil production

In September 2016, US tight oil production decreased by 76 thousand b/d or 1.7% comparing with the previous month level to reach 4.505 million b/d, representing a decrease of 740 thousand b/d from their last year level. The US oil rig count increased by 19 rig comparing with the previous month level to reach 352 rig, a level that is 213 rig lower than last year, as shown in table (3) and figure (7):

Table 3 US* tight oil production (Million b/d)										
	September 2016	August 2016	Change from August 2016	September 2015	Change from September 2015					
tight oil production	4.505	4.581	-0.076	5.245	-0.740					
Oil rig count (rig)	352	333	19	565	-213					

Source: EIA, Drilling Productivity Report for key tight oil and shale gas regions, October 2016.

* focusing on the seven most prolific areas, which are located in the Lower 48 states. These seven regions accounted for 92% of domestic oil production growth during 2011-2014 (Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian, Utica)



3.Oil Trade

USA

In August 2016, US crude oil imports increased by 252 thousand b/d or 3% comparing with the previous month level to reach 8.5 million b/d, whereas US oil products imports decreased by 60 thousand b/d or 2.6% to reach about 2.3 million b/d.

On the export side, US crude oil exports increased by 44 thousand b/d or 7% comparing with the previous month level to reach about 682 thousand b/d, and US products exports increased by 98 thousand b/d or 2.5% to reach 4 million b/d. As a result, US net oil imports in August 2016 were 50 thousand b/d or nearly 0.8% higher than the previous month, averaging 6.1 million b/d.

Canada remained the main supplier of crude oil to the US with 36% of total US crude oil imports during the month, followed by Saudi Arabia with 14%, then Venezuela with 11%. OPEC Member Countries supplied 43% of total US crude oil imports.

Japan

In August 2016, Japan's crude oil imports increased by 62 thousand b/d or 2% comparing with the previous month to reach 3.2 million b/d. And Japan oil products imports increased by 25 thousand b/d or 4.5% comparing with the previous month to reach 575 thousand b/d.

On the export side, Japan's oil products exports increased in August 2016, by 70 thousand b/d or 12.1% comparing with the previous month, averaging 649 thousand b/d. As a result, Japan's net oil imports in August 2016 increased by 18 thousand b/d or 0.5% to reach 3.1 million b/d.

Saudi Arabia was the big supplier of crude oil to Japan with a share of 31% of total Japan crude oil imports, followed by UAE with 26% and Qatar with 10% of total Japan crude oil imports.

China

In August 2016, China's crude oil imports increased by 421 thousand b/d or 6% to reach 7.8 million b/d, the highest level since April 2016. And China's oil products imports increased by 29 thousand b/d or 2.5% to reach 1.1 million b/d.

On the export side, China's crude oil exports reached 52 thousand b/d, And China's oil products exports decreased by 197 thousand b/d or 16.6% to reach 990 thousand b/d. As a result, China's net oil imports reached 7.9 million b/d, representing an increase of 9.1% comparing with the previous month level.

Russia was the big supplier of crude oil to China with 14% of total China's crude oil imports during the month, followed by Saudi Arabia with 13%, and Oman with 11%.

Table (4) shows changes in crude and oil products net imports/(exports) in August 2016 versus the previous month:

Table 4	Table 4 USA, Japan and China Crude and Product Net Imports / Exports (Million bbl/d)										
		Crude O	il	oil Products							
	August 2016	July 2016	Change from July 2016	July 2016	June 2016	Change from June 2016					
USA	7.857	7.650	0.207	-1.740	-1.583	-0.157					
Japan	3.206	3.144	0.062	-0.074	-0.029	-0.045					
China	7.706	7.278	0.428	0.158	-0.068	0.226					

Source: OPEC Monthly Oil Market Report, various issues 2016.

4. Oil Inventories

In August 2016, **OECD commercial oil inventories** decreased by 11 million barrels to reach 3092 million barrels – a level that is 115 million barrels higher than a year ago. It is worth mentioning that during the month, **commercial crude inventories in OECD** decreased by 28 million barrels to reach 1179 million barrels, whereas **commercial oil products inventories** increased by 17 million barrels to reach 1913 million barrels.

Commercial oil inventories in Americas decreased by 2 million barrels to reach 1634 million barrels, of which 635 million barrels of crude and 999 million barrels of oil products. **Commercial oil Inventories in Europe**

decreased by 5 million barrels to reach 1020 million barrels, of which 361 million barrels of crude and 659 million barrels of oil products. **Commercial oil inventories in Pacific** decreased by 4 million barrels to reach 438 million barrels, of which 183 million barrels of crude and 255 million barrels of oil products.

In the rest of the world, commercial oil inventories increased by 20 million barrels to reach 3034 million barrels, whereas the **Inventories at sea** decreased by 17 million barrels to reach 1208 million barrels.

As a result, **Total Commercial oil inventories** in August 2016 increased by 9 million barrels comparing with the previous month to reach 6126 million barrels – a level that is 382 million barrels higher than a year ago.

Strategic inventories in OECD-34, South Africa and China increased by 2 million barrels to reach 1870 million barrels – a level that is 16 million barrels higher than a year ago.

Total world inventories, at the end of August 2016 were at 9204 million barrels, representing a decrease of 6 million barrels comparing with the previous month, and an increase of 517 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 August 2016.



II. The Natural Gas Market

1- Spot and Future Prices of Natural Gas in US market

The monthly average of spot natural gas price at the Henry Hub in September 2016 increased by \$0.17/million BTU comparing with the previous month to reach \$2.99/ million BTU.

The comparison, shown in table (5), between natural gas prices and the WTI crude reveal differential of \$4.8/ million BTU in favor of WTI crude.

Table 5	Henry	Henry Hub Natural Gas, WTI Crude Average, and Low Sulfur Fuel Oil Spot Prices, 2015-2016										i (Mil	llion BTU ¹)
	Aug. 2015	Sept.	Oct.	Nov.	Dec.	Jan. 2016	Feb.	Mar.	Apr. 2016	May	June	July	Aug.
Natural Gas ⁽²⁾	2.8	2.7	2.3	2.1	1.9	2.3	2.0	1.7	1.9	1.9	2.6	2.8	2.8
WTI Crude ⁽³⁾	7.4	7.8	8.0	7.4	6.4	5.4	5.2	6.5	7.1	8.1	8.4	7.7	7.7

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 August 2016, the price of Japanese LNG imports increased by \$0.4/ million BTU comparing with the previous month to reach \$6.7/ million BTU, the price of Korean LNG imports increased by \$0.5/million BTU comparing with the previous month to reach \$6.3/ million BTU, and the price of Chinese LNG imports increased by \$0.6/million BTU comparing with the previous month to reach \$6/ million BTU.

2.2. LNG Imports

Total Japanese, Korean and Chinese LNG imports from various sources, increased by 19.1% or 1.902 million tons from the previous month level to reach 11.884 million tons.

Table (6) shows the prices and quantities of LNG imported by Japan, South Korea, and China for the period 2014-2016.

Table6

LNG Prices and Imports: Korea, Japan, and China 2014-2016

			o orts nd tons)		a ge Import /million BT		
	Japan	Korea	China	Total	Japan	Korea	China
2014	88505	37402	19891	145798	16.1	16.3	11.7
2015	84850	33141	19606	137597	10.2	10.6	8.6
January 2015	8434	4122	2121	14677	15.1	14.3	11.1
February	7730	3098	1661	12489	13.3	13.4	10.3
March	8137	3048	1346	12531	12.2	13.1	10.1
April	6598	2839	1545	10982	10.2	11.7	8.1
May	5755	2364	1123	9242	8.7	9.5	8.8
June	6633	1777	1724	10134	8.6	9.1	9.5
July	6953	2271	1922	11146	8.9	8.8	7.5
August	7062	1998	1348	10408	9.2	9.2	7.1
September	6853	2450	1295	10598	9.6	9.6	7.4
October	6057	2915	1602	10574	9.4	9.7	8.0
November	6694	2706	1818	11218	8.9	9.5	7.9
December	7944	3553	2101	13598	8.5	8.7	7.6
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

Source: World Gas Intelligence various issues.

2.3. Sources of LNG imports

Qatar was the big supplier of LNG to Japan, Korea and China with 3.730 million tons or 31.4% of total Japan, Korea and China LNG imports in August 2016, followed by Australia with 19.6% and Malaysia with 15.1%.

The Arab countries LNG exports to Japan, Korea and China totaled 3.310 million tons - a share 27.9% 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 \$4.89/million BTU at the end of August 2016, followed by Indonesia with \$4.82/million BTU then Australia with \$4.77/million BTU. And LNG Qatar's netback reached \$4.64/million BTU, and LNG Algeria's netback reached \$4.36/million BTU.

Table (7) shows LNG exporter main countries to Japan, South Korea, and China and their netbacks at the end of August 2016.

	Japan	Imp (thousar Korea	Spot LNG Netbacks at NE Asia Markets (\$/million BTU)		
Total Imports, of which:	<u>7656</u>	<u>1971</u>	<u>2257</u>	<u>11884</u>	
Australia	2302	308	1120	3730	4.64
Qatar	1229	825	277	2331	4.77
Malaysia	1341	174	275	1790	4.77
Indonesia	557	294	315	1166	4.82
Russia	720	64	64	848	4.89

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

Table7

LNG Exporter Main Countries To Japan, Korea and China, And Their Netbacks At The End Of August 2016



Tables Annex