OPEC bulletin

12/20–1/21

Happy New Year!

60 YEARS

OPEC

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We are not here to curse the darkness but to light a candle that can guide us through the darkness

And so, after 12, grueling, relentless months, the year 2020 drew to a close. The world will never be the same for it. Unquestionably, it was the most trying year in the majority of our lifetimes. There has simply been too much sorrow, heartache, loss and suffering. Humanity breathes a collective sigh of relief the year is over and hopes for better fortunes in 2021.

No country or sector of the global economy has been spared. This has been very apparent with the energy industry, particularly the oil industry. Some commentators have even concluded that the oil sector may have been more severely affected than any other by the pandemic. Industry veterans have seen things in 2020 they never could have imagined or compared it with. There are no parallels to the events of 'Black Monday' on April 20, 2020.

Yet, as OPEC and the 'Declaration of Cooperation' (DoC) participating countries have shown, this was not a time for despair. Indeed, the oft-quoted famous phrase seemed particularly pertinent to their efforts:

We are not here to curse the darkness, but to light a candle that can guide us through the darkness to a safe and sane future.

Ministers discussed at the 180th Meeting of the OPEC Conference, held on November 30 and December 1, 2020, and the 12th OPEC and non-OPEC Ministerial Meeting, held on December 3, 2020, how they could continue to act as a light for an industry buffeted by the impact of COVID-19. Their actions proved essential in reviving the fortunes of the market.

The 12th ONOMM made a number of critical decisions. In light of the current oil market fundamentals and outlook for 2021, the participating countries reconfirmed the existing commitment under the DoC decision from April 12, 2020, then amended in June and September 2020, to gradually return 2 million barrels/day (m b/d), given consideration to market conditions. They also decided to voluntary adjust production by 500,000 b/d from 7.7m b/d to 7.2m b/d beginning in January 2021. Furthermore, participating countries agreed to hold monthly OPEC and non-OPEC ministerial meetings starting January 2021 to assess market conditions and decide on production adjustments for the following month; and extended the compensation mechanism to the end of March 2021.

The year 2021 began with careful analysis and deliberations at the 13th ONOMM, held over January 4 and 5. Reflecting on the year that had just passed, the Meeting noted the "unprecedented events of 2020 and shocking impact of the COVID-19 pandemic on the world economy and markets."

At the press conference following the Meeting, the Kingdom of Saudi Arabia, in an act of extraordinary goodwill, announced a further unilateral adjustment of 1 m b/d for the months of February and March 2021. This noble and selfless act served to fulfil the purpose, which HRH Prince Abdul Aziz Bin Salman Al Saud, Minister of Energy and Chairman of the ONOMM, explained was taken with the purpose of "supporting our economy, the economy of our colleagues in OPEC+ countries, to support the global economy."

Prince Abdul Aziz added, "We take it that this gesture of goodwill will not be in vain. It will help and support our friends and colleagues to continue this unprecedented commitment of achieving 100 per cent conformity and also lend support to those countries that are still trailing with their compensation."

Alexander Novak, Deputy Prime Minister of the Russian Federation and co-Chair of the ONOMM said that the additional voluntary production adjustment was "a great New Year present to the whole industry and great contribution by the Kingdom of Saudi Arabia for speedier and more consistent inventory draws, which will help to stabilize the market faster."

The 12th and 13th ONOMM's marked the end of the fourth year and beginning of the fifth year of the 'Declaration of Cooperation'. The year 2020 saw DoC participating countries faced with their greatest challenge to date. They proved themselves able and willing to meet the adversity head on. Saudi Arabia has further solidified this achievement, with its inspiring leadership role. With this act, the year 2021 has gotten off to a bright a start; a harbinger for better things ahead.

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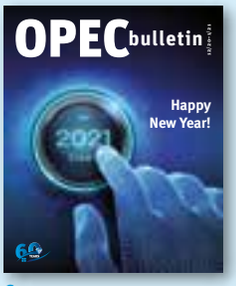

Cover

The OPEC Bulletin wishes all our readers a Happy New Year for 2021!
Photograph courtesy Shutterstock.

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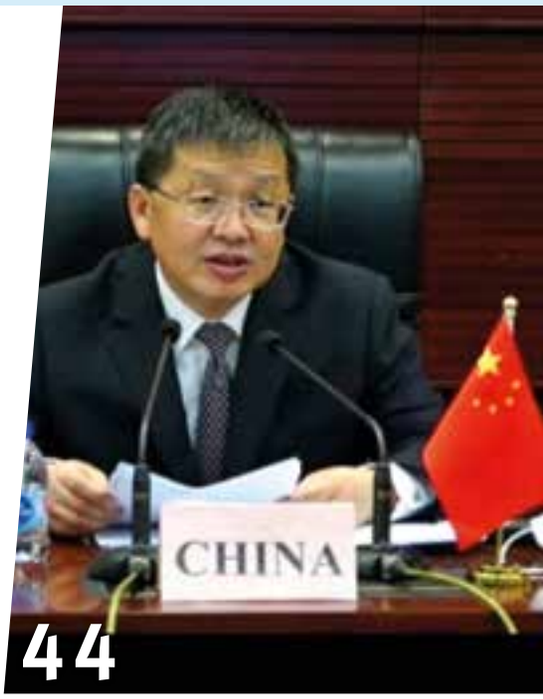
OPEC Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, on September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective — to coordinate and unify petroleum policies among its Member Countries, in order to secure a steady income to the producing countries; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the petroleum industry. Today, the Organization comprises 13 Members: Libya joined in 1962; United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007); Equatorial Guinea (2017). Ecuador joined OPEC in 1973, suspended its Membership in 1992, rejoined in 2007, and suspended its Membership again on December 31, 2019. Qatar joined in 1961 and left on December 31, 2018. Indonesia joined in 1962, suspended its Membership on December 31, 2008, reactivated it on January 1, 2016, but suspended its Membership again on December 31, 2016. Gabon joined in 1975 and left in 1995; it reactivated its Membership on July 1, 2016. The Republic of the Congo joined the Organization on June 22, 2018.



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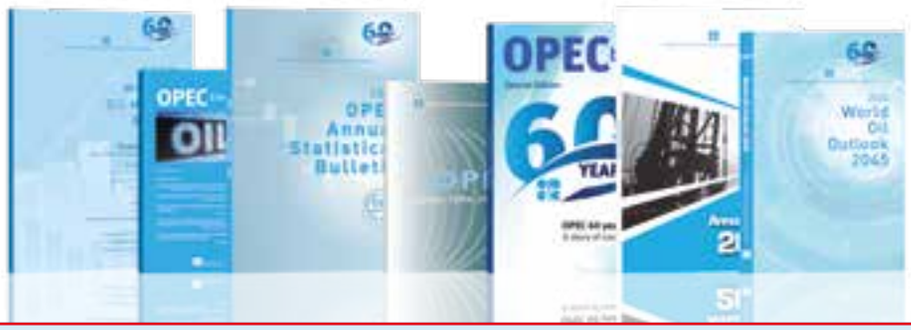

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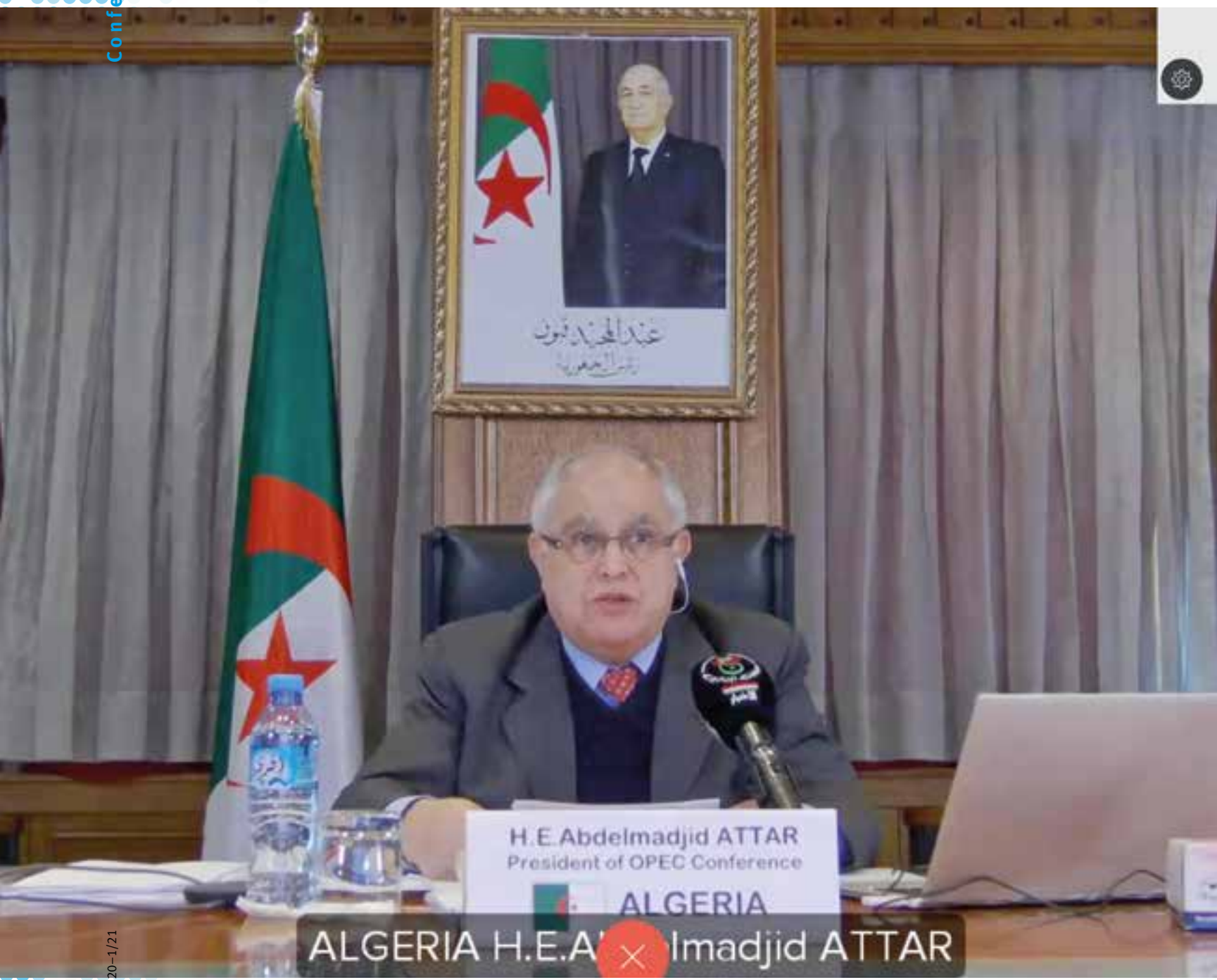
180th Meeting of the OPEC Conference



Abdelmadjid Attar, Algeria's Minister of Energy and President of the OPEC Conference for 2020.

The 180th Meeting of the OPEC Conference, which was held via videoconference on November 30, 2020, was a further sign of the commitment of OPEC Member Countries to a balanced oil market and sustainable stability. This was reflected in the ministerial talks, which then led onto the decision taken at the 12th OPEC and non-OPEC Ministerial Meeting. The* OPEC Bulletin *files this report on the Conference.

Mohammed Sanusi Barkindo, OPEC Secretary General.

The 180th Meeting of the OPEC Conference initially assembled only ten days before the fourth anniversary of the landmark 'Declaration of Cooperation' (DoC) on December 10, 2020. Despite this auspicious date, the Conference was fully focused on the road ahead, as Ministers looked to plot a course for 2021 that could then be further reviewed and decided upon at the 12th OPEC and non-OPEC Ministerial Meeting.

In his opening remarks to the Conference, Abdelmadjid Attar, Algeria's Minister of Energy and President of the OPEC Conference for 2020, began by welcoming a new minister from Iraq to the Conference for the first time, Ihsan Abdul Jabbar Ismaeel, the country's Minister of Oil, who assumed his position on June 7, 2020. Attar said, on behalf of OPEC "we wish you great success in your important role and look forward to continuing to work closely with you."

HRH Prince Abdul Aziz Bin Salman Al Saud, Saudi Arabia's Minister of Energy and Chairman of the JMMC.

Members of the OPEC Management with the Secretary General attending the 180th Meeting of the Conference.

He also extended the Conference's sincerest thanks to his predecessor, Thamir Abbas Al-Ghadhban, who has "positively contributed to the work of the Conference and has been an untiring promoter for OPEC."

Attar was also attending the Conference for the first time, having assumed the position of Minister of Energy of Algeria and OPEC Conference President in June 2020, succeeding Mohamed Arkab, who had served so diligently as Conference President earlier in 2020.

Appointments for 2021

In looking to 2021, the Conference announced appointments for a number of its key governing bodies, including the OPEC Conference itself.

The Conference elected Dr Diamantino Pedro Azevedo, Angola's Minister of Mineral Resources and Petroleum as President of the Conference for one year, with effect from January 1, 2021, and Jean-Marc Thystere Tchicaya, Congo's Minister of Hydrocarbons as Alternate President, for the same period.

Eng José Barroso, Secretary of State for Oil and Gas, Republic of Angola, Head of Angola's Delegation to the 180th Meeting of the OPEC Conference.

Dr Khaled A Al-Fadhel, Kuwait's Minister of Oil, Chairman of the Board — Kuwait Petroleum Corporation (KPC).

Appointments for 2021

President of the OPEC Conference

*The Conference elected Dr Diamantino Pedro Azevedo, Angola's Minister of Mineral Resources and Petroleum as **President of the OPEC Conference** for one year, with effect from January 1, 2021.*

*The Conference elected Jean-Marc Thystere Tchicaya, Congo's Minister of Hydrocarbons as **Alternate President of the OPEC Conference**, for the year 2021.*

OPEC Board of Governors

*Dr Amir Hossein Zamaninia, IR Iran's Governor for OPEC, **Chairman of the Board of Governors** for 2021.*
*Alaa K Alyasri, Iraq's Governor for OPEC, **Alternate Chairman of the Board of Governors** for 2021.*

The Conference paid tribute to the outgoing President of the Conference, Algeria's Minister of Energy, Attar, as well as his predecessor, Arkab, for their excellent leadership during 2020, an extraordinary year for all.

The Conference also appointed Dr Amir Hossein Zamaninia, IR Iran's Governor for OPEC as Chairman of the Board of Governors for the year 2021, and Alaa K Alyasri, Iraq's Governor for OPEC as Alternate Chairman for the same period.

Huge challenge

Attar told assembled ministers, delegates and media in his opening remarks that "2020 continues to be a year of immense challenges caused by the COVID-19 pandemic, which has led to dramatic loss of lives and livelihoods. My thoughts and prayers are with those who have lost their loved ones."

He added that "the pandemic continues to rage with cases soaring in many regions around the world. It continues to affect adversely the global economy and, consequently, the world energy markets, in an unprecedented manner. The shock to the oil industry is massive and its severe impacts will likely reverberate in the years to come.

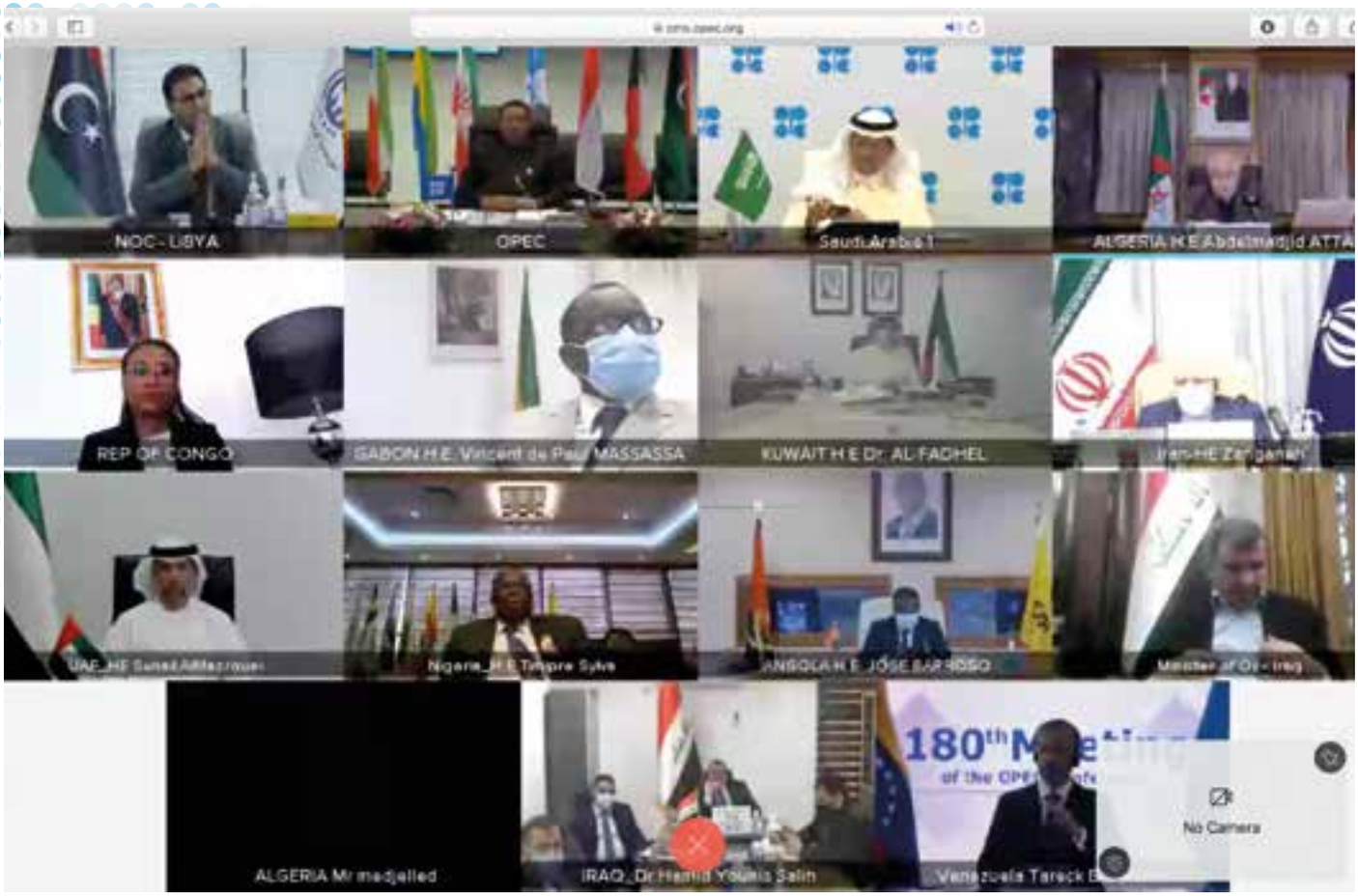
"The global economy is still in deep recession with growth pegged at minus 4.3 per cent for 2020. Global oil demand for 2020 is expected to decline by around 9.8 million barrels a day (m b/d) as the second wave of the pandemic and related lockdowns put a damper on demand."

Markets had reacted positively in the days leading up

Tribute

The Conference paid tribute to the outgoing President of the Conference, Abdelmadjid Attar (l), Algeria's Minister of Energy and President of the OPEC Conference for 2020, Algeria's Minister of Energy and President of the Conference, as well as his predecessor, Mohamed Arkab (r), Algeria's former Minister of Energy and President of the Conference, for their excellent leadership during 2020, an extraordinary year for all.

The President of the OPEC Conference welcomed Ihsan Abdul Jabbar Ismaeel (l), Iraq's new Minister of Oil, who assumed his position on June 7, 2020. Attar also extended the Conference's sincerest thanks to his predecessor, Thamir Abbas Al-Ghadhban (r), who said that he had "positively contributed to the work of the Conference and has been an untiring promoter for OPEC."



Above and right: Pictured are some of the delegates to the 180th Meeting of the OPEC Conference, which was held via videoconference.

to the Conference, as various pharmaceutical companies made positive strides in the development and approval of safe and effective COVID-19 vaccines. However, Attar noted, "it is clear that a global deployment of vaccines will take time, and its effect will likely begin to be significantly apparent in the second half of 2021."

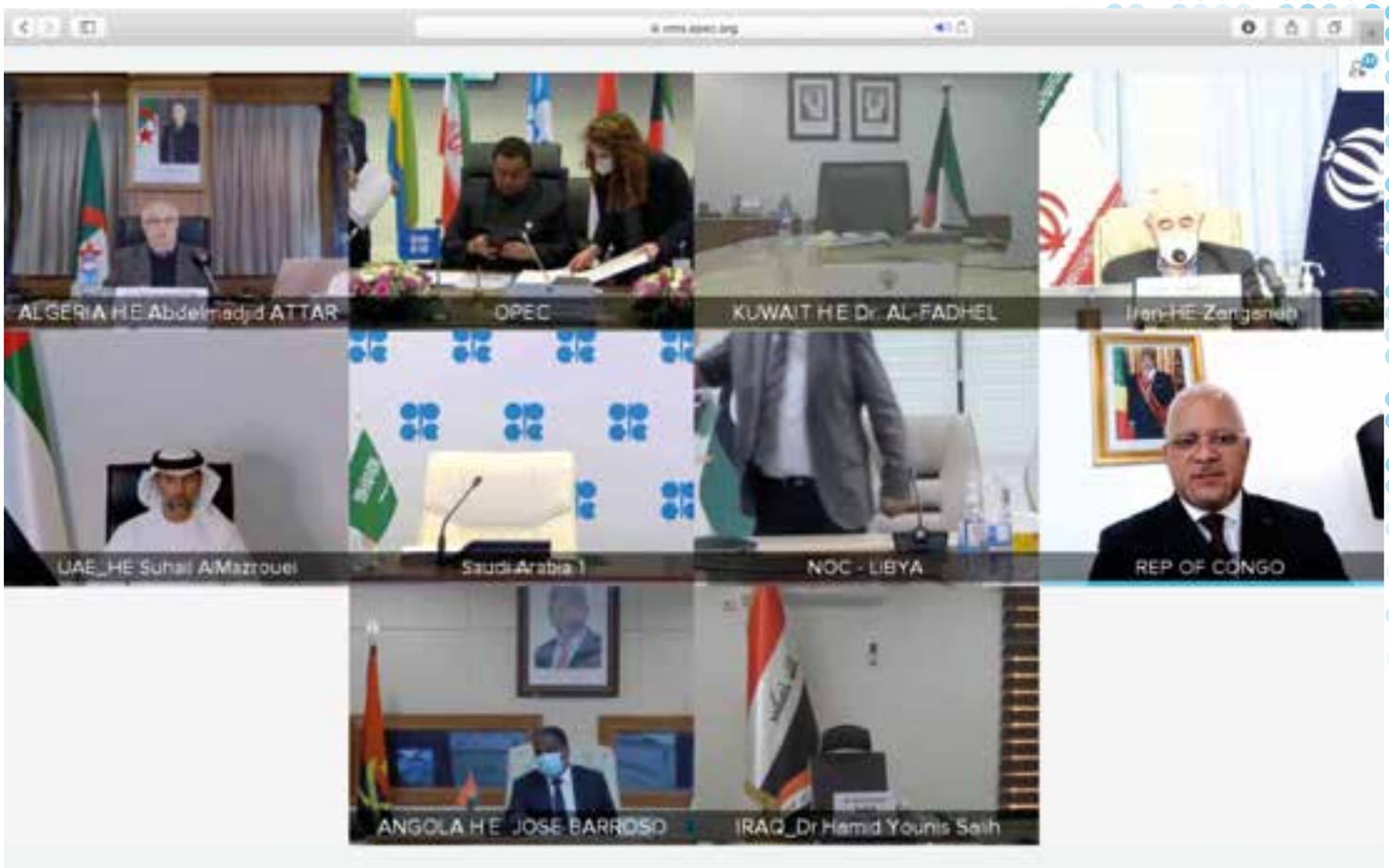
Patience required

Looking ahead, Attar said the "road to recovery is long and bumpy … and requires great patience," but there is evidently a brighter outlook for 2021, with global economic growth at 4.4 per cent and oil demand expected to grow by 5.9m b/d, which gives rise to "cautious optimism". He also referenced the positives of OPEC's continued support for the global oil market, in cooperation with partner countries in the DoC.

It has been "instrumental in coping with the biggest crisis that the oil market has faced since World War II. Our combined efforts through the largest and longest production adjustment in history continue to provide a vital foundation of stability in the market at a critical moment in history."

He added that "the positive contributions of the DoC continue to be recognized by world leaders, who are highly supportive of our efforts on the global stage. The most recent example of this was at last week's G20 Meeting where reference was made to the effective role of OPEC+ as a stabilizing force in the energy markets.

"The leaders emphasized the crucial need for stable and uninterrupted energy supplies to support the economic recovery and achieve a secure, sustainable and inclusive energy future. Allow me to congratulate the Kingdom of Saudi Arabia for the leadership it has



exhibited in steering the G20 through one of its most challenging years ever."

Attar also expressed his gratitude to "the Honourable Heads of Delegation that are members of the Joint Ministerial Monitoring Committee, to the co-Chairs, HRH Prince Abdul Aziz Bin Salman Al Saud (Minister of Energy of Saudi Arabia) and Alexander Novak (Deputy Prime Minister of the Russian Federation), to the members of the Joint Technical Committee, and to the able staff of the OPEC Secretariat, led by the Secretary General, Mohammad Sanusi Barkindo."

Resilience, commitment and perseverance

Despite the critical matters before the Conference, Attar also took the opportunity to step back and "remember that this is a monumental year for OPEC as we celebrate the 60th Anniversary of our founding in Baghdad in 1960.

In these 60 years, he added, "OPEC has been through thick and thin. Through ever-evolving oil market cycles, OPEC has risen to mountain peaks and has experienced the depths of deprivation. But three words could describe this Organization's trajectory through it all: resilience, commitment and perseverance.

"Resilience to repeatedly rise from the depths brought on by challenging times, an unwavering commitment to the goals of oil market stability in the interest of producers, consumers and the global economy, and perseverance in implementing our decisions despite the difficulties."

These would be in evidence as the Conference, and then the 12th OPEC and non-OPEC Ministerial Meeting, looked to build consensus and pursue a sustainable rebalancing path in 2021.

Abdelmadjid Attar, Algeria's Minister of Energy and President of the OPEC Conference for 2020.

OPEC and non-OPEC Ministers take further proactive steps to support market

Nearly four years after the signing of the 'Declaration of Cooperation' (DoC), participating countries come together once again to help pave the way for a more stable 2021.

In a meeting greatly anticipated by the global oil industry and energy stakeholders, the 12th OPEC and non-OPEC Ministerial Meeting agreed to phased adjustments starting in January 2021 and to monthly meetings to review market conditions.

The virtual meeting took place on December 3, 2020, nearly four years to the day after the countries met in Vienna to agree the DoC. The ground-breaking framework, signed on December 10, 2016, created a pathway to sustainable oil market stability and earned its place in the annals of industry history through its unparalleled response to the COVID-19 crisis.

In his opening remarks, Abdelmadjid Attar, Algeria's Minister of Energy and President of the OPEC Conference, alluded to the historic nature of the final Ministerial Meeting of 2020 and the overall achievements of the DoC.

"Looking at the screen in front of me, it is truly satisfying to see so many OPEC Ministers and other heads of delegation from non-OPEC producing countries. It is a clear sign that our ground-breaking cooperation continues to go from strength-to-strength, particularly in this dramatic and unprecedented year of 2020," Attar said.

HRH Prince Abdul Aziz Bin Salman Al Saud, Saudi Arabia's Minister of Energy and Chairman of the 12th ONOMM.

Alexander Novak, Co-Chair of the 12th ONOMM and Deputy Prime Minister of the Russian Federation.

Mohammad Sanusi Barkindo, OPEC Secretary General, also referred to the historic contributions of the 23 DoC participating countries in remarks at the opening of the Ministerial Meeting. "In a few days, we will mark the fourth anniversary of the signing of the historic 'Declaration of Cooperation' on December 10, 2016. Since that fateful day, we have carefully cultivated a reputation as a beacon of stability and reliability, no matter the uncertainties of our times.

"A hard-won good reputation has been the hallmark of the DoC," Barkindo said. "Its importance cannot be overstated."

Crucial timing

The meeting, held two days after the 180th Meeting of the OPEC Conference to allow for additional discussions, came at a crucial time. Market sentiment was buoyed by the upcoming DoC meetings and by prospects that regulators were on the cusp of approving COVID-19 vaccines in a number of countries and clearing the way for the start of mass immunizations. The UK became the first country to launch a mass vaccination programme on December 8, five days after the OPEC and non-OPEC meeting.

Delegates to the 12th OPEC and non-OPEC Ministerial Meeting held via videoconference.

Barkindo, in his remarks, referred to both the remaining market challenges and promising developments driven in part by the DoC heading into the new year.

"Despite our achievements to date, continued vigilance and alertness are necessary on all our parts. The global economic outlook presents a mixed picture and is heavily laden with uncertainties," he said.

For his part, Attar noted that in a turbulent year, "What has been consistent in response to the impact of the pandemic on the oil market is that of participants in the DoC, based on the historic voluntary production adjustments taken in April and further reinforced in June. These are the largest and longest in the history of OPEC, the DoC and the oil industry, but that was only the start. The implementation phase would be the proof of the commitment of this group of 23 OPEC and non-OPEC producers."

New adjustments for the new year

During the Ministers' videoconference — their fourth virtual meeting of 2020 — the DoC participating countries reconfirmed the existing commitment under the 10th (Extraordinary) OPEC and non-OPEC Ministerial Meeting of April 12 and the 11th Ministerial Meeting on June 6, to gradually return 2 million b/d to the market.

Mohammed Sanusi Barkindo, OPEC Secretary General.

Nikolai Shulginov, Russia's new Minister of Energy.

Starting in January 2021, DoC participating countries decided to voluntary adjust production from 7.7m b/d to 7.2m b/d. Furthermore, they agreed to hold monthly OPEC and non-OPEC Ministerial Meetings starting in January to assess market conditions and decide on further production adjustments for the following month, with additional monthly adjustments amounting to no more than 500,000 b/d.

The Ministers also agreed to extend the compensation period established during the 11th Ministerial Meeting from January until the end of March 2021, to ensure full compensation of overproduction.

The Meeting reaffirmed the continued commitment of the DoC participating countries to a stable market, to the mutual interest of producing nations; the efficient, economic and secure supply to consumers; and a fair return on invested capital.

In addition, the Ministers:

- Recalled the rights of peoples and nations to permanent sovereignty over their natural wealth and resources.
- Welcomed the positive performance in overall conformity levels to the production adjustments since the 11th Ministerial Meeting in June. Furthermore, they praised the response from many countries in accommodating their underperformed volumes as agreed at the June meeting, and amended in September 2020.

Delegates to the 12th OPEC and non-OPEC Ministerial Meeting held via videoconference.

- Emphasized that it was vital that DoC participants, and all major producers, remain fully committed to efforts aimed at balancing and stabilizing the market. They further noted that renewed COVID-19 containment measures continue to impact the global economy and oil demand recovery.

Also during the meeting, HRH Prince Abdul Aziz Bin Salman Al Saud accepted the offer to continue in his role as Chairman of the Meeting and vowed to vigorously pursue the sustainable oil market stability desired by both producers and consumers.

Russia's new Minister welcomed

The meeting offered the occasion for Ministers to roll out the red carpet for Nikolai Shulginov, Russia's new Minister of Energy. Shulginov was appointed to the post on November 10, 2020, when his predecessor, Alexander Novak, became Deputy Prime Minister. Shulginov is an engineer who was Chairman of the Management Board and General Director of the electricity firm RusHydro.

The Ministers also expressed their appreciation and gratitude to Novak for his exemplary leadership as co-Chair of the OPEC and non-OPEC Ministerial Meetings. The Ministers asked him to continue in this role and thanked him for his tireless efforts and strong support for the DoC during these extremely challenging times.

In his remarks, Attar also thanked Novak for his leadership since the beginning of the DoC process. "He has been a strong advocate and dedicated leader in the cooperation between OPEC and non-OPEC since the DoC was initiated back in 2016. His recent promotion to Deputy Prime Minister at home is thoroughly deserved," the President said in his opening remarks.

Ministers hail 'extraordinarily successful meeting' at press conference

Following the successful conclusion of the 12th OPEC and non-OPEC Ministerial Meeting (ONOMM), eager members of the media and analysts joined Ministers for a press 'videoconference'. HRH Prince Abdul Aziz Bin Salman Al Saud, Saudi Arabia's Minister of Energy, Alexander Novak, Deputy Prime Minister of the Russian Federation, and Mohammad Sanusi Barkindo, OPEC Secretary General, fielded questions from the 68 journalists and analysts who joined the call.

Alexander Novak, Deputy Prime Minister of the Russian Federation, took the first few questions. He emphasized that the 12th ONOMM has been a "very important meeting" with current market conditions, extensively deliberated. He thanked all ministers, in particular HRH Prince Abdul Aziz Bin Salman Al Saud and the OPEC Secretary General for helping all parties arrive at a "constructive and precise decision." He then provided an overview of the key decision of the meeting, as described on *page 12*.

Novak said: "Despite difficult negotiations, we arrived at a very balanced decision which responds to the challenges we faced and … gives us flexibility." With regard to the decision to have monthly meetings of the ONOMM in the early part of 2021, Novak stated: "This is a good decision, allows us to stop and pause and consider what needs to be done." He said that participants agreed that 2 million b/d needed to return to the market "at some point" but that any increase would be gradual.

In response to a question about when the market will see a full recovery, Novak answered: "Now it is difficult to say. It does not depend on the oil industry. The oil industry will return to the previous levels very quickly. The question is in the recovery of demand, in the recovery of the global economy, the consequences of the pandemic, how long will anti-crisis measures be in effect. We hope that it will be next year."

Prince Abdul Aziz described the outcome of the meeting as a "grand commitment." He stated that it is "a demonstration of responsibility by all participants … a mature agreement … people have played their roles responsibly … Without the cohesion and consensus building, we would not have this solid agreement."

Prince Abdul Aziz outlined how any negotiation is a balancing act between building consensus and responding to what the market needs and requires. He emphasized the importance of flexibility.

In discussing current conditions in the market, Prince Abdul Aziz spoke of the serious lockdowns, however, they have not been hampering demand as was the case during the first wave. "The jury is still out and because of that we are cautious. We are hoping this new wave will be short lived, contained and not spread around; hopefully we will see a reversal with vaccines."

He added that with the monthly meetings of the OPEC and non-OPEC ministers, "we could tweak upward, we could tweak downward, we could stay put." He also noted: "The compensation scheme is working … do not forget that a respected government like the UAE have compensated, Iraq did contribute, and certainly, Angola did. There are quite a few countries that did their part."

Overall, Prince Abdul Aziz described the 12th ONOMM as "an extraordinary successful meeting." He praised 'the remarkable achievements of the group," adding "we are a group of responsible countries."

After a 'rollercoaster ride' in 2020, the New Year brings fresh hopes for greater stability

HRH Prince Abdul Aziz Bin Salman Al Saud, Saudi Arabia's Minister of Energy and Chairman of the 13th OPEC and non-OPEC Ministerial Meeting (ONOMM).

Meeting for the first time in 2021, Ministers of the OPEC and non-OPEC countries participating in the 'Declaration of Cooperation' take steps during deliberations on January 4 and 5 to provide further support for the global recovery.

The 13th OPEC and non-OPEC Ministerial Meeting (ONOMM) kicked off 2021 by acknowledging the need to gradually return 2 million b/d (m b/d) to the market, with the pace being determined according to market conditions.

The ministers reconfirmed their decision made at the 12th ONOMM to increase production by 500,000 b/d starting in January 2021, and adjusting the overall production reduction from 7.7m b/d to 7.2m b/d. For February, the agreed adjustment reductions will be

Delegates to the 13th ONOMM.

7.125m b/d and in March 7.05m b/d. The Ministers also agreed that adjustments for April and subsequent months would be decided during the next monthly ONOMM.

Saudi Arabia announced that it would voluntarily adjust its output downwards by an additional 1m b/d for the two months "with the purpose of supporting our economy, the economies of our friends and colleagues in the OPEC+ countries for the betterment of the industry at all levels," HRH Prince Abdul Aziz Bin Salman Al Saud,

Alexander Novak, Co-Chair of the 13th OPEC and non-OPEC Ministerial Meeting (ONOMM) and Deputy Prime Minister of the Russian Federation.

Saudi Arabia's Minister of Energy and Chairman of the ONOMM, explained in a news conference following the meeting.

Although the COVID-19 pandemic weighed heavily on the deliberations, the rapid progress on deploying vaccinations and an expected bounce in economic growth in the New Year provided a backdrop of cautious optimism.

In his opening remarks on January 4, Mohammad Sanusi Barkindo, OPEC Secretary General, noted that the collective efforts of the 'Declaration of Cooperation' (DoC) participating countries since the establishment of the production adjustment framework in December 2016 has made a major contribution to the crude oil market.

"This has not been easy. It has required painful sacrifice, commitment and responsibility on all our parts over the past four years," Barkindo said in his remarks to the 13th ONOMM. "Our results are testimony to what can be achieved by cooperation, dialogue and respect among nations, based on the principles of equity, fairness and transparency. These principles will guide us throughout this fifth year of the DoC."

But Barkindo noted that the job is far from over. "The capricious nature of our modern world means we cannot rest on our laurels. We need to continue to monitor market conditions closely, exhibit flexibility and act accordingly."

Overcoming 'acute adversity'

Similarly, Prince Abdul Aziz referred in his remarks to both the achievements of the past year and the potential challenges that remain going forward.

"I am sure that each of us has a story to tell of the roller-coaster ride we experienced, and of the trials and tribulations we faced in the year just gone," Prince Abdul Aziz said. "But when the historians look back on this period, we should hope they write a big chapter on the extraordinary success of OPEC+ and what has been achieved in 2020 in the face of such acute adversity.

"Not only did we achieve the biggest-ever adjustments to the oil supply, but we also saw those through in a disciplined and united manner that says a lot about the effectiveness of our joint efforts," he said.

The DoC has reduced global oil supply by an unparalleled 1.9 billion barrels since the decisive 10th

Dr Diamantino Pedro Azevedo, Angola's Minister of Mineral Resources and Petroleum and President of the OPEC Conference.

(Extraordinary) ONOMM. That meeting, held on April 12, 2020, paved the way for the longest and largest production adjustments ever undertaken, a bold decision that boosted market confidence at a time when the global economy was enveloped in gloom.

Prince Abdul Aziz also noted that the DoC participating countries have achieved the highest levels of conformity since the first adjustments were implemented in January 2017, and for the first time in the process, agreed a mechanism for compensation "to make up for any past slippage from our goals.

"Now, as we see light at the end of the tunnel," he said, "we must — at all costs — avoid the temptation to slack off our resolve."

With vaccines offering promise, Prince Abdul Aziz said: "At the risk of being seen as a killjoy in the proceedings, I want to urge caution, even in this generally optimistic environment. The level of uncertainty in the world remains high."

He concluded by saying: "There is no room for complacency. The markets have rewarded our determined efforts of the past year, but now is not the time to rest on our laurels."

A proud moment for Angola

Making his debut as President of the OPEC Conference for 2021, Dr Diamantino Pedro Azevedo, Angola's Minister of Mineral Resources and Petroleum, thanked his fellow ministers and the OPEC Secretariat for their support. He also praised the cooperation of his predecessor as Conference President, Abdelmadjid Attar, Algeria's Minister of Energy, "for so ably guiding us through many difficult months in 2020."

Azevedo reflected on his own country's decision to join OPEC in 2007 and the benefits it has accrued since then.

"By being part of the OPEC family, we have not only strengthened our capacity and expertise. We have also gained stature and influence on the global stage," he said.

He also said that Angola is proud to have engaged directly in the decision-making process to expand the scope of collaboration through the DoC, and noted that it paved the way for the 'Charter of Cooperation' (CoC) in 2019, "giving us a new platform for collaboration beyond the important market-balancing process."

Mohammed Sanusi Barkindo, OPEC Secretary General.

Participants seen on the videoscreen.

Dr Mohammad Alfares, Kuwait's Minister of Oil.

"Last year, however, was truly a defining moment for our cause," Azevedo said.

"Since the decisive 10th (Extraordinary) OPEC and non-OPEC meeting last April, we have taken unprecedented steps to prevent a market collapse; restore stability; and breathe new life into the industry. Rarely in the history of crude oil have we witnessed such swift, decisive and determined action to help put the market on the road to recovery. World leaders, oil majors and energy stakeholders everywhere turned to us to take the lead, and lead we did."

Azevedo noted that 2020 was exceptionally difficult for all DoC participating countries. "COVID-19 has been a blow to our economies; it has torn deep holes in budgets; it has significantly set back investment plans."

But he added that a new year brings hope for better months ahead, noting that OPEC's projections of crude oil demand growth of around 5.9m b/d in 2021 "are a welcome turn of events from last year's market devastation."

Strengthened monitoring

The 13th ONOMM took place immediately after the 25th Meeting of the Joint Ministerial Monitoring Committee (JMMC) on January 4 and the 47th meeting of the Joint Technical Committee (JTC) on January 3.

The accelerated pace of meetings is itself a by-product of the COVID-19 crisis, as the DoC participating countries seek to strengthen monitoring and proactive decision-making amidst the rolling aftershocks of the pandemic.

The 13th ONOMM, the 25th JMMC and 47th JTC took place against a backdrop of heightened lockdowns and news about the spread of new, and pernicious, variants of COVID-19. The rollout of vaccination campaigns in many countries came even as governments and public health workers battled to staunch rising numbers of infections.

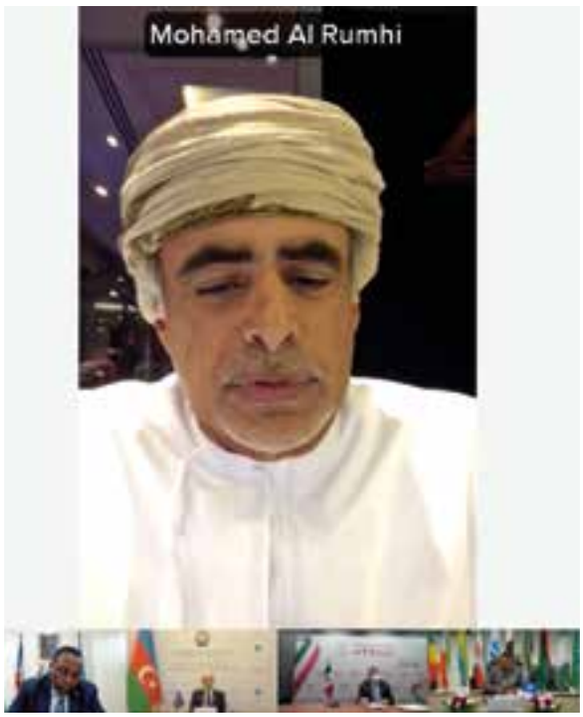
As the two days of ONOMM discussions concluded on January 5, the World Health Organization (WHO) announced that the total number of COVID-19 cases globally had surpassed 84 million in 222 countries, with more than 1.8 million deaths reported since the outbreak a year earlier.

By comparison, on April 12, 2020, when the 10th ONOMM reached its historic production adjustment decisions, there were 1.7 million cases and nearly 106,000 deaths attributed to the virus worldwide.

By early January this year, there was hope that the

Rocio Nahle, Mexico's Energy Minister.

Parviz Shahbazov, Minister of Industry and Energy, Azerbaijan.



Dr Mohammed bin Hamad Al Rumhi, Minister of Oil and Gas, Oman.

worst days had passed and that the DoC had — and continues — to pave the way for a sustained recovery.

Timely and constructive cooperation

In his remarks to the 13th ONOMM, Alexander Novak, Deputy Prime Minister of the Russian Federation and co-Chair of the ONOMM and Joint Ministerial Monitoring Committee (JMMC), praised all participating countries for their collective efforts and achievements.

"I want to thank each and every one of you for the work which we have jointly done and for everything we have gone through together," Novak said in his opening remarks.

"Our efforts were constructive, they were timely and they allowed us to weather all the challenges which

Tareck El Aissami, People's Minister of Petroleum, Venezuela.

we saw in the market, they allowed us to compensate for the collapse of the market to minimize the consequences of the huge demand decline, and helped us to restore it to a much less volatile and much healthier shape," he added.

Novak expressed his appreciation to Prince Abdul Aziz and Mohammad Sanusi Barkindo, congratulated Dr Diamantino Pedro Azevedo as the new OPEC Conference President, and thanked the OPEC Secretariat staff for their support throughout the trials of 2020. "Their research and facilities have helped our efforts materialize," he said.

During the 13th ONOMM, the Ministers also:

- Reaffirmed the continued commitment of the DoC participating countries to a stable market in the mutual interest of producing nations; the efficient, economic and secure supply to consumers; and a fair return on invested capital.
- Highlighted the unprecedented events of 2020 and shocking impact of the COVID-19 pandemic on the world economy and markets, and commended the DoC participating countries for undertaking the largest and longest crude oil production adjustments in history in response to the exceptional challenges and market conditions caused by the pandemic.
- Drew attention to the exceptional year of 2020 as an outlier that distorts the latest five-year average of OECD commercial oil stock levels. It recommended retaining the 2015–19 average as a more representative metric, while keeping the latest five-year average for the time being.
- Expressed appreciation to participating countries, particularly the United Arab Emirates (UAE) and Angola, which have performed beyond expectation. At the same time, it reiterated the critical importance of adhering to full conformity, and compensating the overproduced volumes in accordance with the statements of the 11th and 12th ONOMM, in order to achieve the objective of market rebalancing and avoid undue delay in the process.
- Welcomed Dr Mohammad Alfares, Kuwait's new Minister of Oil and Minister of Electricity and Water, and expressed its appreciation to his predecessor, Dr Khaled A Al-Fadhel, for his dedication to the DoC process.

'A win-win situation for the DoC'

More than 70 leading journalists and analysts attend the first OPEC and non-OPEC news conference of 2021.

Above: HRH Prince Abdul Aziz Bin Salman Al Saud, Saudi Arabia's Minister of Energy and Chairman of the 13th OPEC and non-OPEC Ministerial Meeting (ONOMM); and above right: Alexander Novak, Co-Chair of the meeting and Deputy Prime Minister of the Russian Federation.

In an engaging exchange with the news media and analysts, HRH Prince Abdul Aziz Bin Salman Al Saud, Saudi Arabia's Minister of Energy and Chairman of the 13th OPEC and non-OPEC Ministerial Meeting (ONOMM), outlined the latest efforts by the 'Declaration of Cooperation' (DoC) participants and his own country's additional voluntary contributions to help stabilize and rebalance the global oil market.

In the wide-ranging virtual news conference on January 5, Prince Abdul Aziz noted at the outset that the DoC participating countries were unanimously committed to supporting the market and the industry, describing it as a "win-win situation".

He also announced that in addition to the planned adjustment schedule agreed one month earlier, at the 12th ONOMM, Saudi Arabia would adjust production by an additional 1 million b/d in February and March.

"We do that willingly and we do that with the purpose of supporting our economy, the economies of our friends and colleagues in the OPEC+ countries, for the betterment of the industry at all levels," he said.

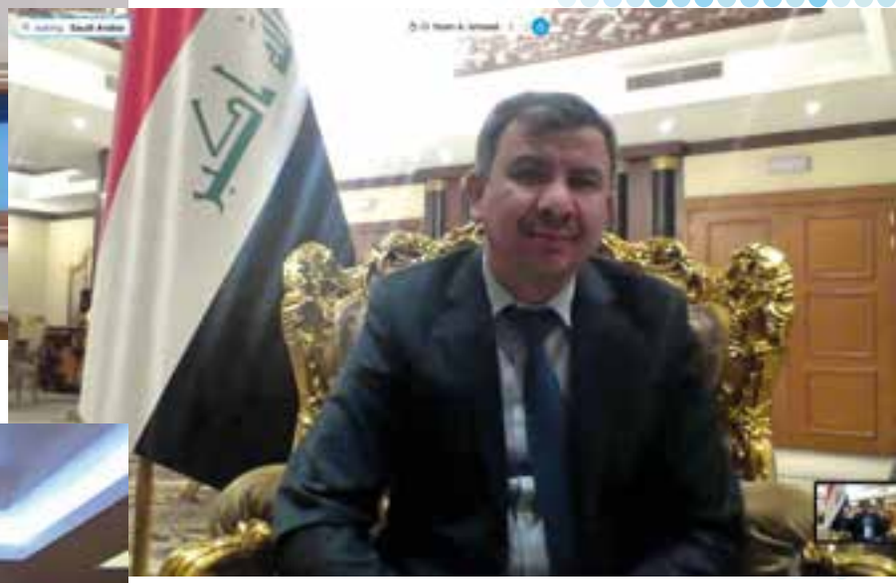
"We also do it with the hope that this gesture of goodwill made by our leadership in the name of HRH Mohammed Bin Salman, the chair of the Supreme Hydocarbon Committee. We take it that this gesture of goodwill will not be in vain. It will help and support our friends and colleagues to continue this unprecedented commitment of achieving 100 per cent conformity and also lend support to those countries that are still trailing with their compensation" in January, February, March and April, Prince Abdul Aziz said.

He went on to say that if the DoC participating countries achieve what they have set out to deliver, "we will be doing ourselves and the industry a great service because we will be destocking inventory at a more precipitous pace, which would help us all to attend to this market."

In his remarks, the ONOMM Chairman stressed that his country had moved quickly to address the human, health, social and economic challenges posed by COVID-19, while also working globally to promote cooperation, including through its widely praised leadership of the G20. Saudi Arabia held the rotating presidency of the group of leading economies in 2020 and was credited for its swift and decisive leadership in promoting collaboration to address the global impacts of the pandemic.

Turning to the announcement of the voluntary oil production adjustment, he said: "What we are doing today is not a compromise, it is not a little thing, it is not a little tweak. It is the continuity of what we have been doing

Dr Diamantino Pedro Azevedo, Angola's Minister of Mineral Resources and Petroleum and President of the OPEC Conference.

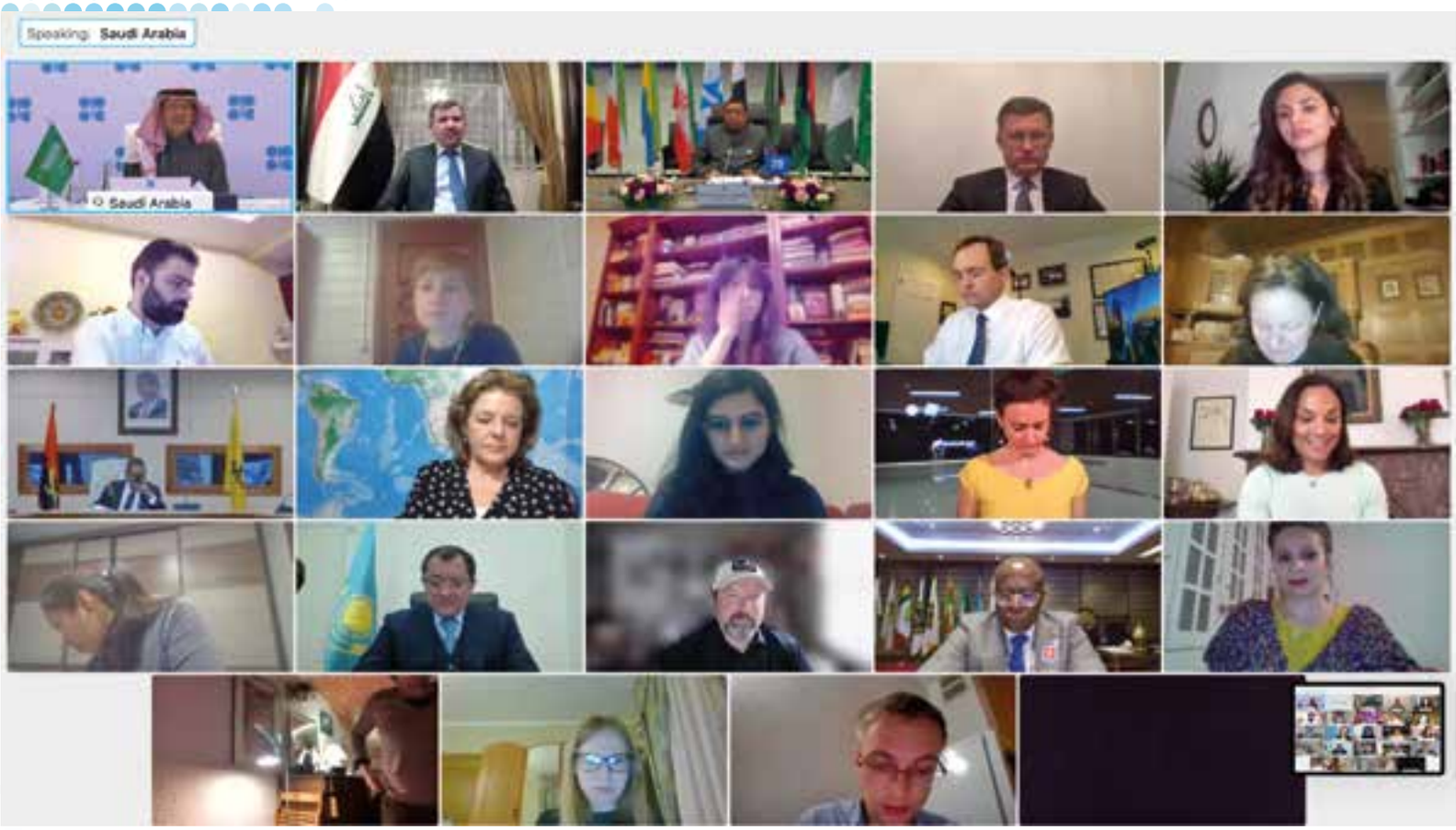


Ihsan Abdul Jabbar Ismaeel, Iraq's Minister of Oil.

Timipre Sylva, Minister of State for Petroleum Resources, Nigeria.

Nurlan Nogayev, Minister of Energy, Kazakhstan.

Mohammed Sanusi Barkindo, OPEC Secretary General.



Media representatives and delegates to the 13th Meeting of the ONOMM, attending the videoconference.

and the continuity for the trust we are getting from our friends and colleagues, and all participants at the G20, and any forum that Saudi Arabia has been involved in and is participating in."

70+ participants in news conference

More than 70 journalists and analysts attended the first ONOMM news conference of the year. The lively virtual exchange lasted nearly one hour and 18 minutes.

There were 1,598 viewers of the press conference on the OPEC website and 723 viewers followed the conference on Youtube.

Alexander Novak, Deputy Prime Minister of the Russian Federation and co-Chair of the ONOMM, thanked Prince Abdul Aziz for his leadership and called the additional voluntary production adjustment "a great New Year present to the whole industry and great contribution by the Kingdom of Saudi Arabia for speedier and more consistent inventory draws, which will help to faster stabilize the market."

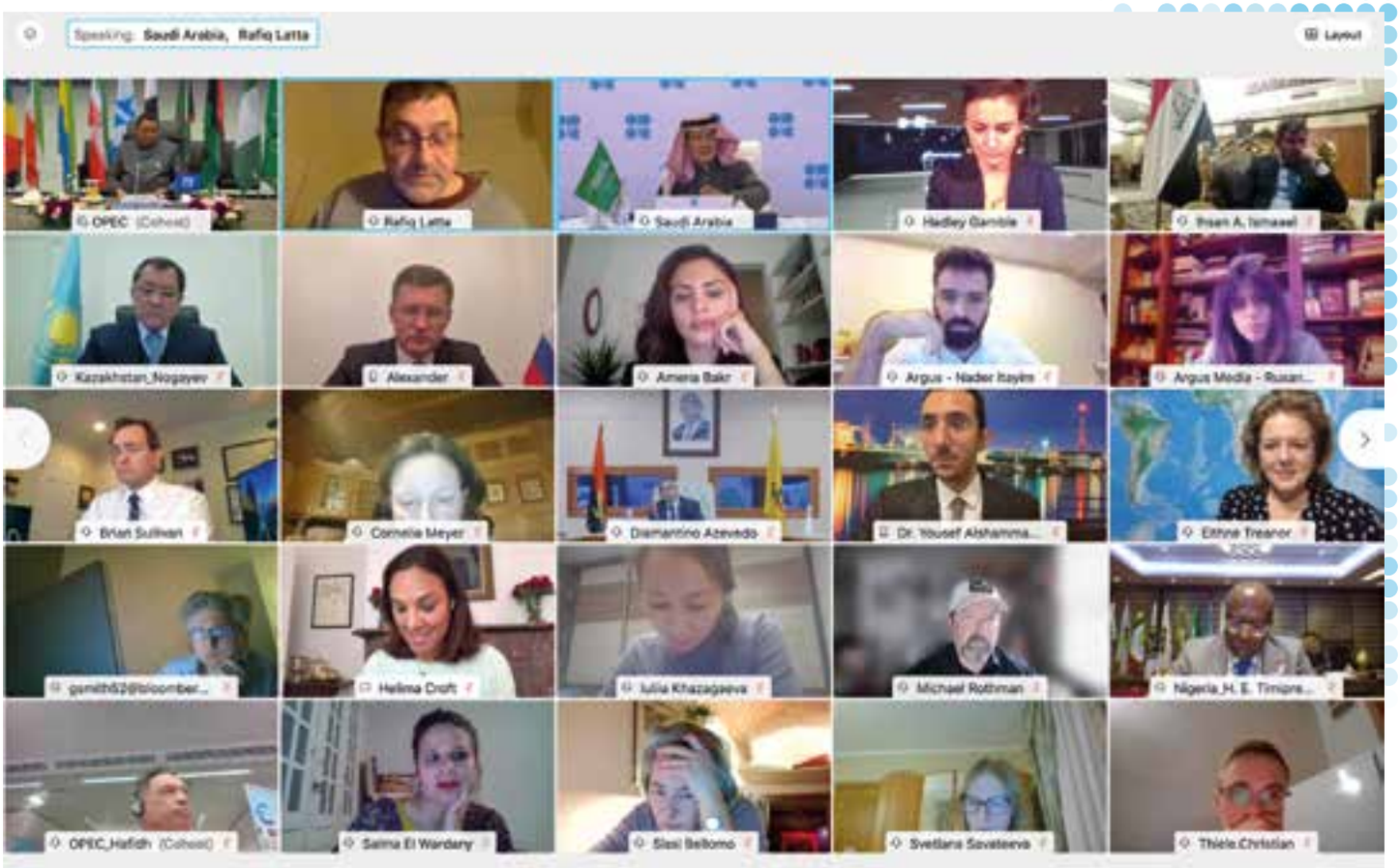
Novak said that the DoC participating countries re-emphasized the agreement reached at the 12th ONOMM in December to gradually start to return oil to the market because "that's what the industry demands, that's what consumers demand and that's what the market demands. But at the same time, the market is still very fragile, there are a lot of uncertainties and all our steps should be very carefully placed, very carefully analysed and they should be very flexible to not distort the market," he said. "The ultimate goal," he added "is to reduce inventories and to ensure that inventory levels are normalized."

"We are optimists," Novak told the news conference, referring to the progress on COVID-19 vaccinations and a return to economic growth. "We're optimistic about the outlook."

Compensation contributions

In addition to the overall DoC adjustments and the voluntary contributions by Saudi Arabia, Prince Abdul Aziz noted that additional market support will come from the compensation for past overproduction as agreed by individual countries that have not achieved 100 per cent.

Ihsan Abdul Jabbar Ismaael, Iraq's Minister of Oil, thanked all participating countries and Saudi Arabia's



voluntary contribution for helping to rebalance the market. "Iraq is doing our best to achieve this target. It is hard work and Iraq is committed to compensate."

Timipre Sylva, Nigeria's Minister of State for Petroleum Resources, affirmed his country's commitment to the production adjustments and to achieving 100 per cent conformity. Speaking to the news conference, he said: "We believe that we will be able to liquidate our overproduction figures by March."

Nurlan Nogayev, Minister of Energy of Kazakhstan — which along with Russia is one of the ten non-OPEC oil-producing countries in the DoC — emphasized his country's efforts to "compensate and fulfil our obligations" and pledged his country's commitment to "the principles of cooperation that is beneficial to all."

All those speaking at the news conference emphasized the unity of the participating countries and the collective efforts to help achieve a stable and balanced oil market over the long term.

Prince Abdul Aziz said the impact of lockdowns in the first month of 2021 are not as drastic as those last year. But he stressed the importance of being proactive and pre-emptive, and the need to be prepared should conditions change.

Hasan Hafidh, Head of OPEC's Public Relations and Information Department, attending to the media during the press conference.

"It's a win-win situation. If things go south and sour, which we don't believe they would, we've taken pre-emptive action. If they don't, it just expedites the rebalancing of the market."

OPEC, non-OPEC participants hold 8th Technical Meeting

The 8th Technical Meeting of the OPEC and non-OPEC countries of the Declaration of Cooperation (DoC) was hosted by the OPEC Secretariat via videoconference on November 27, 2020. The* OPEC Bulletin's *Maureen MacNeill reports.

Delegates attending the videoconference.

The 8th edition of the meeting took place in preparation for the 180th Meeting of the OPEC Conference, held on November 30 and the 12th OPEC and non-OPEC Ministerial Meeting, held December 3.

The technical meeting was established under the framework of the landmark DoC. It provides OPEC Member Countries and non-OPEC participants of the DoC with a platform to connect on technical issues and share data insights, thus deepening bonds with one another and mutual understanding of the issues facing the world oil market.

"This meeting has become a mainstay between our OPEC and non-OPEC DoC partners," said Mohammad Sanusi Barkindo, Secretary General of OPEC, in his opening remarks.

He added that we live in very strange times: "Never before in living memory has mankind been called upon to adapt to such sudden change than with the outbreak of the COVID-19 pandemic earlier this year. Societies have been turned upside down. The focus of very many on the planet has bowed to essentials: health care and survival."

Despite the battle fatigue everyone is experiencing after months of fighting the virus, Barkindo said we must all keep moving forward. He added he is "cautiously optimistic we are turning a corner, step-by-step" in the oil market recovery.

Key role of the DoC

Barkindo acknowledged the key role played by the DoC technical meetings in providing OPEC and non-OPEC Ministerial Meetings with reliable and accurate analyses, which form a crucial foundation for decision-making.

The Secretary General highlighted the need for ongoing cooperation and dialogue during the COVID-19 pandemic, noting: "We are facing a resurgence of the pandemic, which is locking down countries and regions once again. And once again we must keep moving forward."

In this context, the Secretary General commended the efforts undertaken by DoC participants to support oil market stability, stating, "The successes to date have called for great patience, endurance and unwillingness to give up, values strongly displayed by our DoC countries over these past months. I congratulate you for the fruits of your labour so far.

"High conformity levels by participating countries under the DoC to voluntary adjustments have gradually scaled back record-high inventory levels seen earlier in the year. However, the pace in destocking has slowed down in the face of renewed lockdown measures in many major economies and weakened demand recovery."

He noted that *Monthly Oil Market Report* figures for November 2020 show a reassuring picture. "The oil market downturn is gradually reversing, though this is taking place in fits and starts … Importantly, China sees growth of 6.9 per cent in 2021 and India 6.8 per cent. With these two powerhouses coming back strongly, it will definitely make the upcoming year hopefully much brighter."

Mohammad Sanusi Barkindo (second r), OPEC Secretary General, with members of the OPEC team during the videoconference.

He added that OPEC and DoC participants must continue to vigilantly monitor the market and its uncertainties moving forward.

Vaccine developments

On recent COVID-19 vaccine developments, Barkindo said: "The perspective of vaccines coming to the market has urged on positive sentiment. Yet, we must continue to hold our ground until these are able to knock down infection rates. We are still in the thick of this disaster."

Barkindo also addressed the devastating impact of the pandemic on the world economy and the global oil market, noting that investment in the oil sector has declined tremendously.

"Investment dropped up to 30 per cent for this year, even more than in the 2014–16 downturn, from which the oil industry was still recovering when COVID-19 struck," the Secretary General said, adding that the oil industry requires $12.6 trillion in investment to reduce volatility and avoid a possible future energy crisis.

The G20 Riyadh Summit, hosted by OPEC Member

Country Saudi Arabia, concluded on November 22 and shared many of the same sentiments espoused at OPEC, said Barkindo, including supporting coordinated global action, solidarity and multilateral cooperation in the face of this unprecedented challenge. He highlighted that the G20 has been instrumental in fostering dialogue, cooperation and multilateralism to underpin the recovery process and help support a sustainable energy future.

"It has been clear since the beginning of this pandemic that we are facing circumstances well beyond anything the world has had to cope with before. All voices need to be heard and perspectives considered if we are going to overcome this pandemic and its impact on the oil market and move into a positive growth trajectory next year."

The Secretary General concluded by stressing that in OPEC's 60th Anniversary year, the Organization has demonstrated unparalleled resilience during difficult times, affirming its relevance and necessity.

"I can assure you, history will not forget our actions during the course of this historic year."

Presentations

The first presentation was on the assessment of non-OECD oil inventories. Many developing countries have been expanding their pipeline, refinery and storage infrastructure recently in response to increasing oil demand in non-OECD economies. Additionally, many emerging economies are building strategic petroleum reserves (SPR) to secure their future oil needs, in addition to commercial stockpiling.

The meeting aimed to assess recent developments in non-OECD regions, particularly in Asia and China, with regard to increased creation of storage capacity. Monitoring the development of oil inventories in non-OECD countries, including floating storage, is considered to be fundamental in order to grasp the full picture of global oil inventories and reduce observed discrepancies with the world supply/demand balance.

The moderator stated that although there is a good grasp of OECD storage, the same does not exist for non-OECD stocks, which the International Energy Agency (IEA) states comprise 53 per cent of the world's total, a figure that is growing.

Some of the take away points from the first session included:

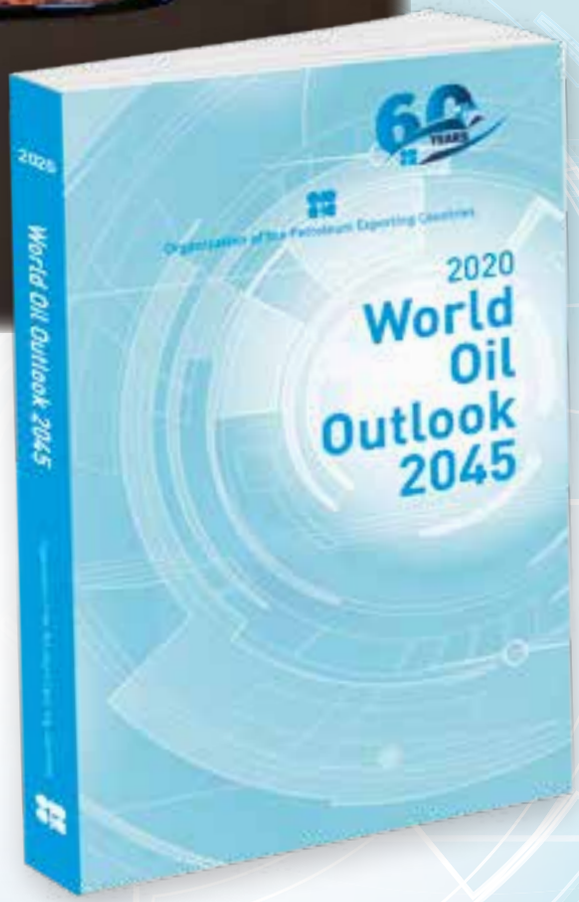
- Inventories are important and there is ample room for further improvement in terms of data transparency.
- It is important to examine the top 20–30 consuming, but also producing countries.
- Stocks were higher due to COVID-19, up to 1.7 billion barrels, and should come down to 200–300 million barrels by the end of 2022.
- Non-OECD stocks have in increased in Asia in the last decade.
- The DoC has gone a long way to stabilizing the oil market.
- Reporting of methane emissions and well completions is very much under actual amounts.
- The fullness of tank farms is an important measuring tool.
- The industry is moving into a new world change post-pandemic but has a better handle on data than ever before.
- There is a lack of transparency in oil stocks, which is more pronounced in non-OECD countries.
- There have been improvements in oil data transparency, and there is renewed determination to improve data transparency under JODI.
- Global stocks contains a lot of "missing barrels".
- It is critical for traders to have accurate stock data.

A second, closed presentation took place on the assessment of the impact of the implementation of the DoC between OPEC and participating non-OPEC countries from January 2017 to date on the global oil market.

The OPEC Secretary General closed by stating that stocks are a very important metric for OPEC and have been a core tool for the Organization over the last 60 years in maintaining oil market stability.

"Other variables are important but we use the important metric of stocks to gauge the market. It is a very important subject for us. Also very important is the rise of non-OECD stocks. The industry is moving ahead of time to focus on non-OECD."

Barkindo said he would like to see emerging economies raise levels of transparency, comprehensiveness and timeliness of data.



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OPEC's Barkindo Honorary Chairman at first Virtual Nigeria Oil and Gas Conference

***Mohammad Sanusi Barkindo**, OPEC Secretary General, was deeply honoured to have been granted the title of Honorary Conference Chairman for the virtual Nigerian Oil and Gas Conference and Exhibition, which took place on December 8. By Maureen MacNeill.*

Mohammad Sanusi Barkindo, OPEC Secretary General.

The Secretary General started out in his Honorary Conference Chairman address by honouring Nigeria's Dr Rilwanu Lukman and Venezuela's Dr Alirio Parra, of blessed memory, for the legacy they left behind in the Nigeria Oil and Gas event.

"These two legendary OPEC and oil industry icons had a vision to inspire the next generation of industry leaders, and the fruits of this vision can be viewed through the conference we are all part of today."

Barkindo went on to praise Nigeria's effective handling of the COVID-19 pandemic through virus containment measures, sensitizing the population and putting

forth economic stimulus packages, all of which protected the economy from a more severe contraction.

The country's crude oil expert earnings fell by 77 per cent in the three months between January and April of this year, but have since gradually improved, rebounding by 116 per cent in November compared with April levels, he said.

Barkindo praised Nigeria's President, Muhammadu Buhari, both for his handling of the COVID-19 crisis, along with his advocacy of OPEC and its commitment to oil market stability.

"All of us in the OPEC family know the enormous debt of gratitude we owe President Buhari for the pivotal role he has played in the 'Declaration of Cooperation' (DoC) process between OPEC and non-OPEC producers. Particularly his interventions at the highest level to secure the decisions at the 10th (Extraordinary) OPEC and non-OPEC Ministerial Meeting in April 2020."

These decisions were taken in response to the unprecedented demand slump resulting from the COVID-19 pandemic. OPEC and non-OPEC DoC partners agreed over two Extraordinary Meetings on April 9 and 12 to new voluntary production adjustments, which are the largest and longest in the history of OPEC and the oil industry.

The President's inspirational leadership, visionary courage and diplomatic judgement were instrumental in bringing together OPEC and non-OPEC countries and reaching consensus, said Barkindo. He also paid tribute to Timipre Silva, Nigeria's Minister of State for Petroleum Resources, who he called "a man of timbre and calibre, bringing his wisdom and experience to the process, for which we are all appreciative."

On the global oil market, Barkindo underscored the efforts undertaken by OPEC Member Countries and non-OPEC countries participating in the DoC, particularly during the current unprecedented challenges.

Timipre Silva, Nigeria's Minister of State for Petroleum Resources.

On this, the Secretary General quoted an African proverb that states: "Smooth seas do not make skillful sailors." The DoC partners took quick and proactive action in the face of an unparalleled situation in April 2020, he said. "This helped reduce volatility and stabilize the oil market, and created a platform for recovery for the coming years."

Through the decisions taken by the group, participating OPEC and non-OPEC countries contributed to reducing the global supply by approximately 1.6 billion barrels, including voluntary adjustments, between May and October, which has been key to market rebalancing.

The Secretary General also commended the decisions taken at the 12th OPEC and non-OPEC Ministerial Meeting held on 3 December, which witnessed participating countries reaffirm the group's commitment to a stable oil market, along with the decisions adopted in April, June, and September 2020.

The Secretary General noted that multilateralism, cooperation, dialogue, and commitment have become all-important in combatting the COVID-19 pandemic, adding that these principles are also the pillars of the DoC, which was established on December 10, 2016.

Barkindo added that on this fourth anniversary of the DoC, the group of producers has proven decisive in helping the oil market confront two downturns. The earlier work of the DoC was excellent preparation for the much bigger disaster that befell the world economy and oil industry in the year of COVID-19, he added. The cooperation is mature and relationships consolidated, giving the DoC the ability to engage quickly and effectively. Additionally, monitoring bodies and architecture have been tried and tested.

Here he quoted another African proverb: "If you make friends with the boatman in the dry season, you will be the first to cross when the rains come and the tide is high."

Upcoming year

Barkindo also welcomed recent developments regarding COVID-19 vaccines. "The year 2021 looks brighter, with preparation underway for widespread delivery of COVID-19 vaccines. Once this process is in motion, the global economy and oil demand are expected to progress in leaps and bounds," he said.

On the global energy mix, the Secretary General noted that after a large drop in 2020, global primary energy demand is forecast to continue growing in the long term, increasing by a significant 25 per cent in the period to 2045.

"The petroleum sector will remain the secure base in meeting global energy needs. … We expect oil to retain the largest share of the energy mix throughout the forecast period, providing nearly 28 per cent of global requirements in 2045."

He added that all forms of energy will be needed to address long-term energy needs and ensure that no one is left behind.

Barkindo echoed the importance of stimulating investment in the oil sector in the interest of future energy security and sustainable supply.

"Our current assessments show that upstream capital expenditure could fall by more than 30 per cent this year, beyond the losses experienced in 2015 and 2016," he said, adding, "OPEC's *World Oil Outlook* shows that $12 trillion will be needed between now and 2045 in the upstream, midstream and downstream. We are alarmed at the pull back of capital from the industry."

Africa connection

OPEC is working to enhance its ties with Africa, which in turn supports the Organization's goals regarding energy poverty eradication. Recently, more African oil producers have been joining or re-joining OPEC: Congo, Equatorial Guinea and Gabon are new members, in addition to long-time members Algeria, Angola, Libya and Nigeria.

"We would like to intensify our focus on the continent. Africa's potential regarding energy and sustainable development is impressive, and we hope to help unlock it together," said Barkindo.

"There are vast possibilities to achieve more in terms of production. Local production could in turn be used in a win-win scenario to alleviate the energy poverty facing millions on the continent."

He stated that many, if not most, African countries face severe energy shortages, which holds back industrial development. "With the continent's tremendous conventional and renewable energy potential, this need not be the case."

OPEC data show that the world's deficit in global electrification is concentrated in Sub-Saharan Africa, where 47 per cent of the population have no electricity. On top of that, the number of people without access to clean fuels and technologies for cooking has further increased as a result of fast population growth. About 85 per cent of people in the region lack access to clean fuels and technologies for cooking.

Africa stands to disproportionately suffer from the impacts of climate change, as well as the COVID-19 pandemic, as it is coming from a less secure economic base.

"The inequalities already in place before stand to be exacerbated," said Barkindo.

Minister Sylva

The Honorable Minister of State for Petroleum Resources for Nigeria, Timipre Sylva, spoke on 'Fortifying the Nigerian Oil and Gas Industry

for Economic Stability and Growth', which was also the theme of this year's event. Due to the impact of the COVID-19 pandemic, the Nigerian President is focusing on cost-cutting and efficiency measures to enable growth and the development of the country's economy, he said.

Sylva stated that the Ministry of Petroleum Resources is looking at the Natural Gas Expansion Programme, inaugurated in January of this year to boost utilization of natural gas in both the short and medium term. The Ministry has initiated efforts to deliver sustainable energy by improving gas availability and accessibility, with Sylva calling 2020 the 'Year of Gas'.

He added that the previous week, President Buhari rolled out the Autogas Initiative to support the adoption of LPG and CNG as an alternative fuel for Nigerians. Sylva added that this alternative fuel option will afford Nigerians a cheaper, cleaner and better choice of fuel.

The government will also be focusing on changing the narrative of Nigeria being an import-dependent nation. The Federal government is committed to rehabilitating existing state-owned refineries, co-locating new refineries and building greenfields to make the country a net petroleum-product exporter over the next few years, said the Minister. Not only does this represent a great investment opportunity in the midstream and downstream sectors, according to Sylva, but it will create jobs and grow the nation's GDP.

The Minister also talked about removal of the petrol subsidy, which he states is in the interest of all Nigerians and would save the government up to 1 trillion naira per year. This money could then be used to develop other elements of the economy.

Another pillar is supporting local content, which brings formerly outsourced fabrication, engineering and procurement jobs in the industry back into the country.

Director/CEO of the Department of Petroleum Resources (DPR) Sarki Auwalu stated: "There is no gainsaying that the oil and gas sector is pivotal to the Nigerian economy, accounting for approximately ten per cent of gross domestic product (GDP), 65–70 per cent in government revenues and over 80 per cent in forex earnings. Thus, when the oil and gas sector sneezes, the economy catches cold."

He stated that the DPR contemplates five broad areas in which the industry needs fortification to support national economic stability, robustness and resilience. This includes legal, institutional, financial focuses, in-sector diversification and indigenous capacity.

Auwalu pointed to the long-awaited Petroleum Industry Bill

(PIB) as an important tool to enhance clarity in legislative, regulatory, fiscal and administrative frameworks. "It is expected that the evolving commercial institutions would be strengthened for efficiency, prudent management and financial stewardship. By the same token, the regulatory institution should be structured to streamline roles, prevent duplication and promote consolidation which will engender regulatory clarity and 'ease of doing business'."

He added the industry's financial position must improve in order to achieve sustainability, and in-sector diversification would also support economic sustainability and growth. Building competent indigenous capacity which can compete with international counterparts is essential, said Auwalu.

Discussions took place over two sessions, with the second being the Ministerial Dialogues on 'The energy transition and the future of global upstream production.'

The second session included several panelists from OPEC Member Countries, along with Barkindo and Sylva. The panelists were: HRH Prince Abdul Aziz Bin Salman Al Saud, Minister of Energy, Saudi Arabia; John Peter Amewu, Ministry of Energy and Petroleum, Ghana; Suhail Mohamed Al Mazrouei, Minister of Energy, United Arab Emirates; Gabriel Obiang Lima, Minister of Mines, Industry and Energy, Equatorial Guinea; and Aziz Rabbah, Minister of Energy, Mines, and Sustainable Development, Kingdom of Morocco.

Crescent Ideas Forum focuses on post-pandemic outlook

***Mohammad Sanusi Barkindo**, OPEC Secretary General, highlights the important G20 outcomes in creating a platform for recovery, and provides an overview on the critical importance of oil in the decades to come.*

Mohammad Sanusi Barkindo, OPEC Secretary General, participated in the Crescent Ideas Forum on November 23, 2020, offering the select audience a short- and longer-term assessment of the energy outlook.

The virtual event was hosted and moderated by Majid Jafar, CEO of Crescent Petroleum, and also featured a presentation by Dr Fatih Birol, Executive Director of the International Energy Agency (IEA). Crescent is based in Sharjah, United Arab Emirates (UAE).

Barkindo opened the session by lauding the Kingdom of Saudi Arabia for its exemplary leadership of the G20 during a period of unseen challenges and volatility induced by the COVID-19 pandemic.

The Secretary General highlighted that the G20, with Saudi Arabia holding the rotating Presidency in 2020,

was instrumental in fostering high-level dialogue and cooperation throughout the year. Multilateralism, he said, has provided vital support to the global economic recovery and is helping to prepare the world's energy system going forward.

Referring to the G20 leadership summit, which concluded the day before the Crescent Ideas Forum discussion, Barkindo said: "As part of yesterday's G20 outcomes, the world's leading economies underscored the pivotal importance of a stable and uninterrupted energy supply to the recovery process, and to achieve a secure and sustainable energy future.

"The G20 endorsed the Circular Carbon Economy (CCE) platform with its 4Rs (reduce, reuse, recycle and remove), recognizing the key importance and objective of reducing emissions, taking into account system efficiency and national circumstances," he said. "The CCE is a voluntary, holistic, integrated, inclusive, practical and complementary approach to promote economic growth while enhancing environmental stewardship through managing emissions in all sectors, including — but not limited to — energy, industry, mobility and food."

Barkindo urged all parties to the United Nations Framework Convention on Climate Change (UNFCCC) to also endorse this game-changing toolbox.

DoC response to coronavirus crisis

The Secretary General also cited the pivotal importance of the production adjustments undertaken by OPEC and the non-OPEC oil-producing countries participating in the 'Declaration of Cooperation' (DoC). He emphasized that the DoC was decisive in helping to stabilize the oil market sparked the pandemic-induced economic crisis, and to provide a platform for recovery.

"Since May, the production adjustments undertaken by the participating countries have helped reduce the global supply by around 1.6 billion barrels, a truly impressive feat given the economic uncertainty overshadowing the industry," Barkindo said.

"I would like to stress that these efforts were undertaken not just for the good of the DoC participating countries, but in the wider interests of consumers, investors and the global economy in general. There can be no recovery without market stability, and no one stands to benefit from volatility," he added.

Barkindo recognized the positive role that the IEA has played in the energy sector, noting that the OPEC and the IEA "share a commitment to improving data timeliness,

The virtual event was moderated by Majid Jafar, CEO of Crescent Petroleum.

Mohammad Sanusi Barkindo, OPEC Secretary General, participated in the Crescent Ideas Forum.

Dr Fatih Birol (on video screen), Executive Director of the IEA.

quality and transparency, and to strengthening producer and consumer dialogue in pertinent areas."

The Secretary General reiterated the devastating effect of the pandemic on the people's livelihoods, as well as on the global economy and the energy markets. Barkindo noted that oil demand for 2020 is forecast at 90 million b/d (m b/d), representing a decline of around 10m b/d from initial projections. He added that oil demand is expected to bounce back in 2021, rising 6.2m b/d, and pick up steam in the years thereafter.

In this context, he stated: "We are heartened by the promising vaccine developments, and the hope that they can quickly be brought to market to save lives, first and foremost, but also to help reboot the global economy."

Trade pact a 'beacon of hope'

Looking beyond the pandemic-induced crisis, Barkindo said that crude oil is expected to account for a nearly 28 per cent share of the global energy mix in 2045, followed by gas at around 25 per cent.

Barkindo also referred to key findings from OPEC's *2020 World Oil Outlook*, which was released on October 8, 2020. The 14th edition of the Organization's flagship annual publication for the first time extended its outlook to 2045, providing an in-depth look at the unprecedented scale and impact of the COVID-19 pandemic on the global energy. The publication also provides insights on the oil markets, medium- and long-term market prospects, as well as analysis of various alternative scenarios and sensitivities that have the potential to impact the petroleum industry in the years ahead.

"The outlook for crude oil may look anaemic now, but we anticipate a gradual normalization of demand growth as the world recovers from the COVID-19 shock," Barkindo said. "Our analysts foresee global oil demand returning to relatively robust annual growth and reaching nearly 104m b/d by 2025."

Barkindo highlighted in his remarks the new trade agreement involving the Association of Southeast Asian Nations (ASEAN) and China, Japan, South Korea, Australia and New Zealand. The deal, signed on November 15, 2020, represents around 30 per cent of the global GDP and 28 per cent of the world's population.

"The pan-Asian agreement is a beacon of hope for the recovery and longer-term growth, and a model of regional cooperation and the critical importance of multilateralism," Barkindo said.

Factors driving crude oil demand

In the longer term, he continued, there are a number of factors that will drive consumption, such as population and economic growth, especially in developing and emerging economies. "We expect the global economy to more than double from 2019 to 2045, to $258 trillion, and the population to grow by at least 20 per cent, to 9.5 billion," he explained.

"Simply put," Barkindo said, "our world will continue to thirst for energy. The *WOO* anticipates that oil will remain the dominant fuel in the global energy mix for the foreseeable future, accounting for a nearly 28 per cent share in 2045, followed by gas at around 25 per cent."

In absolute terms, the *WOO* sees oil demand rising by almost 10m b/d from 2019's levels to around 109m b/d in 2040, and then begin to plateau. The non-OECD will be the growth powerhouse, accounting for around 68 per cent of overall oil demand by 2045, with the economic tigers of India and China leading this growth.

"In absolute terms, we expect oil demand in the developing and emerging economies to rise by 22.5m b/d to around 74m b/d in 2045," Barkindo said.

The Secretary General's presentation also featured the playing of the *WOO* launch video, which provides an overview of the publication's findings. Barkindo's remarks also touched on such critical areas as stable investment, energy poverty and the energy transition.

Tackling global challenges

"We cannot have a meaningful conversation about the energy future without addressing the pressing global challenges of climate change and energy poverty, two of the action areas addressed at the G20 Summit this past weekend," he said.

"We must not forget that there can be no fair and responsible transition without addressing energy poverty. The coronavirus pandemic has been a rude awakening for rich and poor, but this and other public health threats add a new layer of vulnerability for the 800 million people in the world who lack access to electricity.

"We cannot take a leap forward without first taking steps to significantly expand energy access," Barkindo said.

More about Crescent

Launched in 2019, the Crescent Ideas Forum is holding a series of roundtable discussions involving prominent representatives of government, the energy industry, finance and other key stakeholders.

Crescent Petroleum, part of the Crescent Group, was founded in 1971 and is one of the region's biggest and oldest private firms, with upstream and midstream oil and gas operations.

The event took place a day after the UAE announced visionary plans to invest around $122 billion in its oil industry over the next five years. "This is a powerful example of how a leading oil-producing nation is looking at the road ahead, fully focused on its continued leadership in exploration, technological advancement and environmental innovation," Barkindo told the Crescent videoconference.

OPEC Secretary General addresses ADNOC Youth Forum

Mohammad Sanusi Barkindo, OPEC Secretary General, participated in the Abu Dhabi National Oil Company (ADNOC) Youth Forum held on November 23, 2020.

In a videotaped message to the virtual forum, Barkindo thanked ADNOC for organizing the event and highlighted its importance in promoting the oil industry and attracting young people with diverse skills and educations.

"I commend ADNOC's vision of making our youngest generation a top priority, for you are the future of our industry," he said.

Barkindo noted the impact of the COVID-19, pointing to the fact that this year's forum was held virtually because of the pandemic.

"Our virtual meeting today is a reflection of how much the coronavirus has disrupted our lives and livelihoods, and shaken the global economy," Barkindo said.

On oil markets, the Secretary General reiterated that the pandemic has had a devastating impact on oil demand, noting, "At the start of 2020, the world consumed nearly 100m b/d of crude oil. OPEC's forecasts now put demand at around 90m b/d for this year — levels not seen since 2013."

Barkindo briefed participants on the efforts undertaken by OPEC Member Countries and non-OPEC oil producers participating in the 'Declaration of Cooperation' (DoC) to support oil market stability for the benefit of producers, consumers, investors and the world economy at large.

"We are doing our part to put the global economy on a path to recovery, and prepare for a future where crude oil will remain the workhorse of our energy system," he said, adding, "Crude oil will retain its lead role and supply around 28 per cent of global energy needs in 2045."

The Secretary General also addressed the energy transition and energy poverty, emphasizing that all forms of energy have a role to play in expanding energy access. He noted that around 800 million people worldwide lack access to electricity, which limits their opportunity to thrive and develop resilient communities.

Mohammad Sanusi Barkindo, OPEC Secretary General.

"Energy poverty is a very personal and emotional issue for me," Barkindo told the ADNOC Youth Forum, "because the vast majority of the energy poor live in my home continent, Africa. I know from experience that the energy access challenge calls for all available energy options, not one-size-fits-all solutions."

"Looking ahead," he added, "the oil industry needs to be able to meet the demand challenges in an environmentally responsible way. A vital element in achieving this is to have the human capacity — innovators, thinkers and skilled workers — to drive our industry and the global economy."

The Secretary General concluded by inviting the world's young people to join the industry and the ongoing efforts to create a sustainable, inclusive and secure energy future.

In memoriam:

Dr Francisco R Parra, former OPEC Secretary General

***Dr Francisco R Parra**, one of the Organization's and the petroleum industry's most respected leaders and scholars, sadly passed away on December 18, 2020. The OPEC Secretariat extends its deepest and heartfelt condolences to his family and friends.*

Dr Francisco R Parra, Venezuela, OPEC Secretary General from January 1, 1968–December 31, 1968.

Mohammad Sanusi Barkindo, OPEC Secretary General, said: "This is an extremely sad day for the entire OPEC family. Francisco Parra was a legendary oil industry man, a former OPEC Secretary General who helped advance one of the Organization's most important declarations, and a technocrat and economist whose acclaimed book on the industry, *'Oil Politics, a Modern History of Petroleum'*, is widely revered."

Dr Parra was born in Caracas, Venezuela, in 1929 and was involved with OPEC throughout much of the Organization's first decade in the 1960s. He served as the fifth OPEC Secretary General in 1968 for the then statutory period of one year. It was a seminal year for the Organization, with Dr Parra leading a team to evolve a statement of principles and specific objectives to help guide the fledgling Organization. This led to the adoption of the 'Declaratory Statement of Petroleum Policy in Member Countries' at the 16th Meeting of the OPEC Conference in Vienna on June 24–25.

The provisions of the 'Declaratory Statement' were built upon the inalienable right of all countries to exercise permanent sovereignty over their indigenous natural resources in the interests of national development and incorporated nine basic principles. In later years the 'Declaratory Statement' became a byword for a turning point in OPEC's history and in the policies of its Member Countries, by providing vision and intellectual weight to OPEC's decisions.

In 2004, Dr Parra published the acclaimed book *'Oil Politics, a Modern History of Petroleum'* drawing on his long experience in the oil world and giving an insider's view of OPEC's activities and the challenges it faced during its first few decades. It charts the ever-shifting dynamics amongst major oil producers, major oil companies, as well as examining their relationships with major oil importing countries.

Dr Parra also served in various management and directorship roles, including with PDVSA, Arthur D Little, the International Energy Development Corporation and Energy Economics Research, Ltd.

Dr Abderrahman Khene, former OPEC Secretary General

***Dr Abderrahman Khene** of Algeria, who served the Organization as Secretary General in the 1970s, passed away on December 14, 2020, at his home in Algiers, at the age of 89.*

Dr Abderrahman Khène, Algeria, OPEC Secretary General from January 1, 1973–Deccember 31, 1974.

As the year 2020 approached to its end, OPEC lost another eminent figure and distinguished member of its family.

Following a highly honourable involvement in the war of independence of his country and a distinguished political career thereafter, including in the development of Algeria's petroleum industry, Dr Abderrahmane Khene was appointed Secretary General of OPEC from 1973 to 1974. During his tenure, he played a key role in a historic period in the life of the Organization.

Grief and sorrow

In a tribute to Dr Khene, Abdelmadjid Attar, Minister of Energy of Algeria, and President of the OPEC Conference (in 2020) said: "It is with great sadness that I learned of the passing of Dr Abderrahmane Khene, former Secretary General of OPEC, Dr Khene took successfully the lead of the OPEC Secretariat in one of the most challenging and demanding times. He also contributed to the liberation of Algeria from colonialism and to its development therefater. May Allah shower His Mercy on him and grant him Janat Al-Firdous, and give his family and friends strength and patience."

Mohammad Sanusi Barkindo, Secretary General of OPEC, and staff members of the Secretariat offered their deep and sincerest condolences to the family of Dr Khene, and to the people and Government of Algeria.

Secretary General Barkindo said: "It is with a great sadness and sorrow that we at the OPEC Secretariat have learned about the sad passing of Dr Abderrahman Khene, who served the Organization with great commitment as Secretary General during a critical period in OPEC's journey." He participated in the negotiations with oil companies on the revision of fiscal terms.

Barkindo also noted, "Since it joined OPEC in 1969, Algeria has generously provided the Organization with many exemplary leaders and managers that have tirelessly supported OPEC and its objectives."

Distinguished career

The remarkable career of Dr Khene started at the age of 15 with his militancy in favour of the independence of Algeria. After the war of independence started, Dr Khene interrupted his medical studies to join the National Liberation Army and eventually became a member of the pre-independence Provisional Government of the Algerian Republic. After the independence of his country in 1962, Dr Khene spearheaded Algeria's efforts to develop its hydrocarbon industry before becoming Minister of Public Works. He also resumed and earned a medical doctorate at the University of Algiers.

During his tenure as Secretary General, Dr Khene presided over the negotiations with the Austrian authorities to successfully revise and improve the terms of the Host Country Agreement. He was a key contributor in the preparations of the First OPEC Summit, which was held in Algiers in 1975. In this context, Dr Khene paved the ground to the establisment of OPEC's Special Fund to help developing nations, which was transformed later on into the OPEC Fund for International Development.

Upon completion of his mandate as OPEC's ninth Secretary General, Dr Khene was appointed as Director General of the United Nations Industrial Development Organization (UNIDO), and led this Organization from 1975 to 1985, succeeding in its conversion to a Specialized Organization of the United Nations.

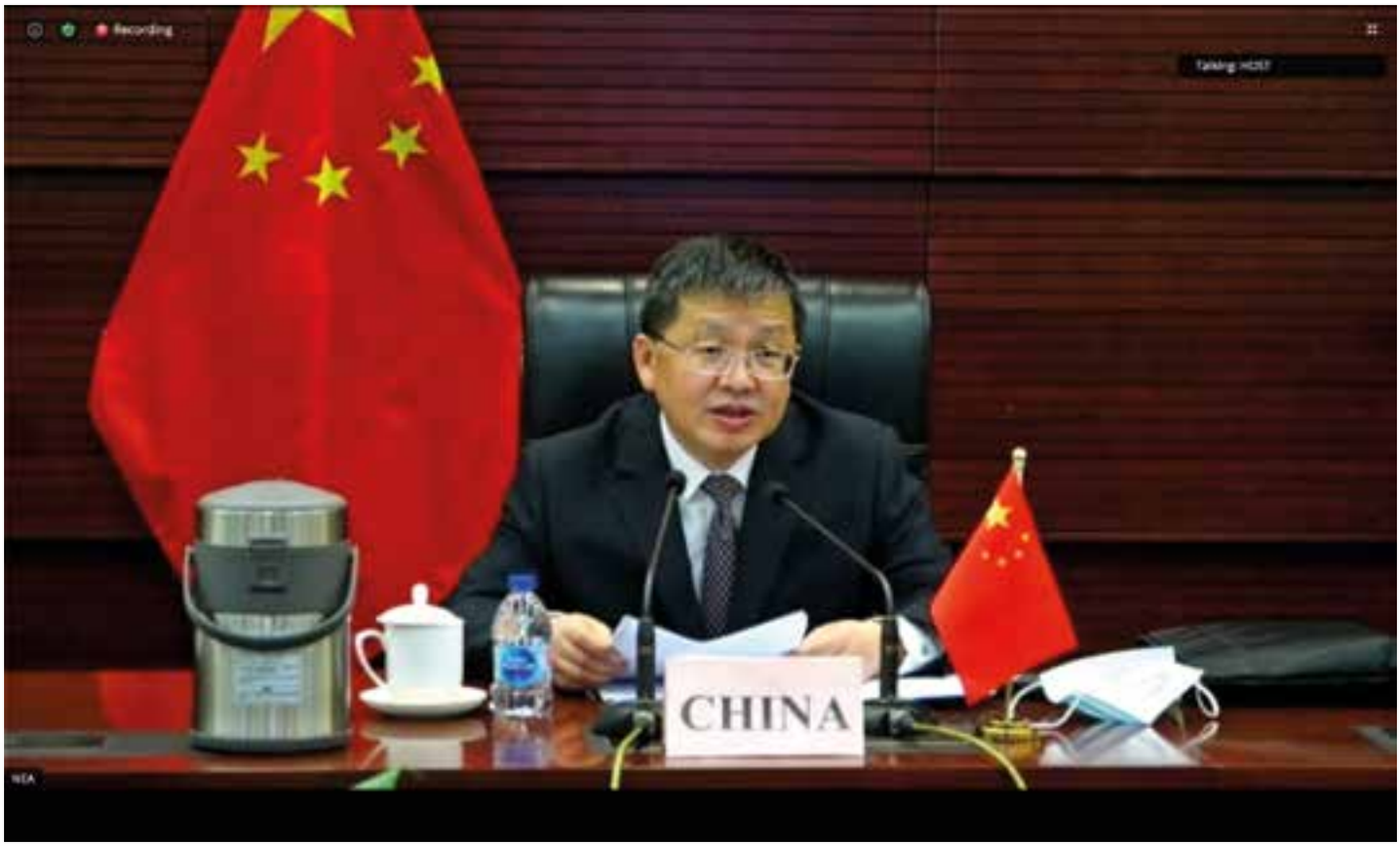
Dr Khene was born in 1931 in Collo, Algeria. He is survived by his wife, and their four children.

OPEC and China further cement bilateral ties

Participants of the videoconference.

The year 2020 has underscored just how important international dialogue among major stakeholders in the energy industry is in confronting the global challenges of our age. It was in this spirit that the Fourth High-Level Meeting of the OPEC-China Energy Dialogue took place via video conference. The* OPEC Bulletin *files this report.

The Meeting was co-chaired by Zhang Jianhua, Administrator of the National Energy Administration (NEA), People's Republic of China, and Mohammad Sanusi Barkindo, OPEC Secretary General. Wang Qun, Ambassador of the Permanent Mission of China to the United Nations and other International Organizations in Vienna also attended the meeting and delivered remarks. Representatives from several Chinese companies also attended, namely, China National Petroleum Corporation(CNPC), China



Zhang Jianhua, Director of the Chinese National Energy Administration.

Petrochemical Corporation (Sinopec Group), China National Offshore Oil Corporation (CNOOC), SINOCHEM and PipeChina.

International Cooperation Essential

Zhang expressed his appreciation of OPEC's ongoing efforts and contributions towards market stability, emphasizing that China is the world's largest oil importer and OPEC is an important partner on energy matters. He stressed that closer collaboration will benefit both parties and contribute to the long-term prosperity and sustainable stability of the global oil market. He noted that relations between China and OPEC have been guided by a commitment to multilateralism and dialogue.

Zhang said that the Chinese people have been united as one with the great achievements in working against the COVID-19 pandemic. As a result of China's ability to recover, it will be one of the few major economies to experience positive economic growth in 2020. This is also a conclusion in OPEC's December 2020/January 2021 editions of the *Monthly Oil Market Report*.

In the face of the great global challenges unleashed by COVID-19, Zhang emphasized how countries need to work together. Energy plays an important role for a country's economy and society, which means that we need to strengthen our cooperation on energy resources, infrastructure and innovation, he added. He also stated: "China is willing to join hands with the international community to safeguard the trend of globalization."

Mohammad Sanusi Barkindo, OPEC Secretary General.

The OPEC Secretariat team with Mohammad Sanusi Barkindo (c), OPEC Secretary General; Dr Ayed S Al-Qahtani (l), Director of OPEC's Research Division; and Dr Abderrezak Benyoucef, Head, Energy Studies Department.

Wang Qun, Ambassador of the Permanent Mission of China to the United Nations and other International Organizations in Vienna also delivered remarks.

Zhang outlined China's successful efforts in eradicating energy poverty, "an outstanding achievement in the history of human beings". He also noted that China is committed to contributing to the eradication of energy poverty at a global level. It is committed to work through the G20 and other multilateral frameworks, including through 'Sustainable Energy For All.'

Zhang noted that in Chinese President Xi Jinping's speech at the General Debate of the 75th session of the United Nations General Assembly, he announced that China aimed to have CO_2 emissions peak before 2030 and achieve carbon neutrality before 2060. China is committed to using fossil fuels in a cleaner and more efficient manner.

Zhang noted OPEC's excellent leadership in responding to volatility in the oil market. He also noted the positive role OPEC intends to play during the energy transition. Furthermore, China will pay close attention to the analysis in OPEC's recently published *2020 World Oil Outlook,* which for the first time extended its outlook to 2045.

15-year anniversary

In his opening remarks, Barkindo said: "The year 2020 marks the 15th anniversary of the OPEC-China Energy Dialogue, the first High Level Meeting of which took place on December 22, 2005, in Beijing. Since then, cooperation between OPEC and China has intensified across a range of fronts, particularly on the technical level."

With regard to the crisis unleashed by COVID-19, Barkindo said: "This global crisis requires a global response. Multilateralism, international dialogue and cooperation among nations have become more essential than ever. These are the principles that underpin the OPEC-China Energy Dialogue."

Barkindo then provided an overview of the eight points in a speech by President Xi at Session I of the 15th G20 Leaders' Summit on November 21. This outlined a response to the COIVD-19 pandemic that chimes with the work of OPEC. For example, Barkindo said: "At OPEC, we recognize the important role the oil industry will play in ensuring the speedy distribution of vaccines, particularly through the transportation sector. Additionally many of the medical supplies, surgical masks and respirators, as well as other equipment essential in the fight against COVID-19 come from petroleum-based products.

"In such circumstances, volatility in the oil market is simply unthinkable, and consistently, OPEC and our partners in the 'Declaration of Cooperation' (DoC) have taken action to contribute to sustainable oil market stability."

The Secretary General continued: "These two points were at the forefront of the minds of the DoC partners when the COVID-19 pandemic and its resultant impacts severely imperiled our industry. The month of April 2020 was ghastly. Large-scale oil demand destruction, at a level never seen before; a massive supply and demand imbalance; and, global storage capacity filling quickly. Perhaps the nadir of this was April 20, or what some have called 'Black Monday', when the WTI May contract went negative, ending the day at close to minus $40/b."

Barkindo then provided an overview of the DoC decisions taken at the 10th, 11th and 12th OPEC and non-OPEC Ministerial Meetings in April, June and December 2020. "These are the largest and longest in the history of OPEC and the oil industry," he added.

Barkindo quoted President Xi's G20 speech again. The President said: "Global governance should be based on the principle of extensive consultation, joint cooperation and shared benefits." Barkindo emphasized how these sentiments form the basis of a host of OPEC activities, including the DoC process, the energy dialogues and outlook with other energy industry stakeholders.

2020: A tough year

In his remarks, Ambassador Wang said: "2020 is indeed a tough year, with the COVID-19 pandemic plunging the people of all countries into deep suffering, and the world economy into recession. However, more and more countries have been working in a concerted effort and adopting more resolute and effective prevention and control measures in fighting the pandemic. And with good news coming from the R&D of vaccines, we have reasons to be optimistic about the recovery of the world economy in the coming year."

When looking to China's recovery from the pandemic, Ambassador Wang said: "China, for its part, has taken the lead, though through painstaking efforts, in controlling the pandemic, but also managed to maintain its economic recovery steadily by bringing its work and production back on track again. China will become the only major economy in the world to achieve positive economic growth this year."

Ambassador Wang outlined several important decisions from Chinese authorities with regard to the field of development. He said: "The 19th Central Committee of the Communist Party of China concluded its 5th Plenary Session successfully last October. The Session adopted Recommendations for Formulating the 14th Five-Year for

OPEC-China Energy Dialogues

2005 2006 2007 2008 2009 2010 2011 2012

1st High-Level Meeting December 22 Beijing

1st High-Level Roundtable April 27–28 Vienna

2nd High-Level Roundtable October 24 Beijing

Date established:	2005
Main activities until now:	**Four** high-level meetings **Three** technical meetings
Upcoming activities:	5th High-Level Meeting

National Economic and Social Development and the Long-Range Objectives through 2035, which has laid out not only the vision of basically realizing socialist modernization by 2035, but also set out clearly the priorities of China's economic development during the 14th Five-Year Plan period."

He also outlined how during the 14th Five-Year Plan period, the Chinese government would intensify its economic cooperation with countries throughout the world. China intends to work together with all other countries to build the 'Belt and Road' on the principle of extensive consultation, joint contribution and shared benefits. China will "intensify international macro-economic policy coordination, safeguard the multilateral trading system, advance infrastructure inter-connectivity in the promotion of the development of an open world economy."

Ambassador Wang also said that China would accelerate international cooperation in the digital field by focusing on the role of innovation in steering global development. Furthermore, the nation will support the indigenous capacity of the developing countries in a bid to facilitate solutions to imbalances within global development.

Ambassador Wang concluded his remarks by noting two significant anniversaries in 2020: "This year marks the 60th anniversary of the founding of OPEC and the 15th anniversary of the establishment of the dialogue mechanism between China and OPEC. Under the new situation, I see great prospects for a more fruitful cooperation between China and OPEC. The Chinese Permanent Mission in Vienna stands ready to play a greater role as a bridge to facilitate such a cooperation between the two sides."

Cooperation to intensify

Following the opening remarks, presentations were given on a number of topics, including: a briefing on the OPEC-China Energy Dialogue; China's secure supply of energy; the impact of COVID-19 on global energy markets, short-, medium- and long-term outlook; the energy transition in China; the DoC and Charter of Cooperation; mid-stream reforms (PipeChina) and effects on the oil market; cooperation in the upstream and downstream sectors; and, the OPEC-China Energy Dialogue: Future activities and way forward.

The press release issued after the Meeting stated: "Both parties are committed to multilateralism and international dialogue to help overcome challenges in the market. Annual energy dialogue meetings will be held to facilitate an increase in the sharing of data, information and outlooks, especially on technological developments and implications. OPEC invited China to participate at the 8th OPEC International Seminar, under the theme 'Towards an Inclusive Energy Transition.' This invitation is extended to the NEA, as well as senior executives in Chinese energy companies."

The year 2021 promises to be another productive year for OPEC-China relations, building on the many contacts established in 2020. This is an important platform for dialogue, which contributes to a sound flow of information between two critical actors in the energy industry.

Technical meeting on Asian Energy and Oil Outlook focuses on COVID-19 impact

OPEC delegates of the 6th Technical Meeting on Asian Energy and Oil Outlook.

The OPEC Secretariat hosted the 6th Technical Meeting on Asian Energy and Oil Outlook on December 14, 2020. The meeting focused on the impact of COVID-19 on global energy markets in the short, medium and long term from the Asian perspective, as well as the implications of the pandemic for the Asian energy demand outlook and post-COVID recovery plans and strategies. By Maureen MacNeill.

OPEC's Director of the Research Division (DRD), Dr Ayed Al-Qahtani, delivered opening remarks on behalf of Secretary General Mohammad Sanusi Barkindo.

He stated that the topics of the day have changed from the future of Asia and its growing impact on the world energy markets to COVID-19.

"Those original topics still demand discussion, as they are underlying future direction and decisions. However, today our overwhelming focus is on overcoming the market imbalances caused by this deadly pandemic and rebuilding in post-COVID-19 times."

The Asian response to the pandemic has been and will continue to be key to the world's recovery from COVID-19, said Al-Qahtani. China's success at keeping infections down led to its early recovery and helped prevent a larger-scale market meltdown, he added.

"When many countries around the world were going into lockdown in the second quarter of this year, China was already coming out of its lockdown. In addition, the country made extra efforts to purchase oil, which prevented demand from dropping off even more seriously." Despite this, demand fell by as much as 30 per cent for the month of April, he said.

India has faced higher numbers of COVID-19 infections, but has nonetheless managed to increase its mobility in recent months, said the DRD, adding that this has provided great support to the market. COVID-19 has exacerbated past divergent trends and projections between OECD and non-OECD countries.

The DRD highlighted some points in this year's *World Oil Outlook* in relation to Asia, including that the global population is expected to increase by over 1.7 billion between 2019 and 2045 to reach around 9.5bn by 2045. Nearly 96 per cent of this growth will come from non-OECD regions, including Asia.

Dr Ayed Al-Qahtani, OPEC's Director of the Research Division.

This population boom will be reflected in energy demand as well. India and China in particular will play a key role in increasing energy demand; nearly half of total primary energy demand growth is expected to come from these two countries.

The global economy will more than double in size from 2019 to 2045. Again, China and India alone will account for 40 per cent of global GDP in 2045, while the share of OECD countries will fall to 31 per cent in 2045 compared with 43 per cent in 2019.

India's GDP is set to quadruple by 2045, representing the fastest growth within the regional grouping. In response, oil demand is expected to more than double between 2019 and 2045.

Although oil's share of the energy pie will shrink from 31 per cent in 2019 to more than 27 per cent in 2045, it will remain the largest contributor to the global energy mix in that time frame. Medium-term oil demand is also projected to grow at relatively high annual rates, reaching 103.7 million barrels/day (m b/d) by 2025.

A clear migration of refining capacity will take place to non-OECD over the longer term, with 13m b/d of new demand moving to Asia-Pacific, the Middle East and Africa. The Asia-Pacific by far sees the greatest increase with 7.2m b/d of new capacity.

Meanwhile, Asia-Pacific will remain the most important crude importing region throughout the forecast period to 2045. Long-term world oil demand is estimated to increase by 9.4m b/d from 2019 levels to reach 109.1m b/d in 2045. Oil demand in non-OECD countries is expected to increase by a significant amount, almost 22.2m b/d in this time frame, with OECD demand eroding.

India is anticipated to be the largest contributor to future incremental demand, accumulating some 6.3m b/d between 2019 and 2045.

Investment issue

"As Asia's influence continues to grow in the upcoming decades, we hope you will consider OPEC a solid partner in the energy dialogue," said Al-Qahtani to the delegates. "We greatly appreciate your input and your outlooks, as they deepen our knowledge base and understanding. We hope to see this relationship continue to grow."

The DRD talked about how 'Declaration of Cooperation' (DoC) decisions over 2020 have helped steer the market back from the brink of disaster and introduce an element of stability and a fragile recovery.

"In the face of this adversity, the world has pulled together in a way never before witnessed. DoC producers agreed upon the biggest oil adjustment decision of all time back in April this year of 9.7m b/d. This was supported by leaders of the G20 and heads of state of major oil producing countries, which made real contributions to market stability."

The DoC's position as an anchor for the global oil market has been supported by excellent conformity, which was reported at 101 per cent in mid-November at the Joint Ministerial Monitoring Committee meeting.

Although the work of the group has been recognized internationally, "We have far to go, as the pandemic rages on and numbers are skyrocketing. We must also prepare for a return to the 'new normal' in the post-pandemic era."

Sessions

The sessions discussed the implications of the pandemic for the Asian energy demand outlook, along with post-COVID recovery plans and strategies. Panellists included esteemed experts from China, India, Korea and Japan. Some of the points made in the course of discussions include:

- COVID-19 has had a tremendous impact on energy and oil demand this year.
- Energy demand is expected to continue growing in the medium and long term, mainly in non-OECD countries, including Asia.
- All energy sources will be needed in the long term. Oil will continue play a key role.
- CO_2 can be greatly reduced through the Advanced Technology Scenario (ATS) and Circular Carbon Economy (CCE) scenario, which still allow for the use of carbon-based fuels and supply affordable energy for all.
- CCE is a holistic approach to managing carbon emissions as in a closed circular system. Blue hydrogen will play an important role and technology development is one of the main drivers of CCE.

Delegates to the videoconference of the 6th Technical Meeting on Asian Energy and Oil Outlook.

- Asia has demonstrated a strong recovery and is ahead of the curve in terms of oil demand currently during the ongoing COVID-19 pandemic.
- The OECD region is clearly losing the most ground in terms of energy consumption in light of the pandemic; there is a clear split between East and West of Suez.

In terms of China, the country will improve its NDCs target to achieve carbon neutrality by 2060. By 2030 non-carbon fuel will rise to 25 per cent from 20 per cent. China's energy consumption reached peak growth last year. The power sector will have more non-carbon fuel and oil consumption in the country will peak in the next five years.

India's recovery plan is based on five pillars: economy, infrastructure, system, vibrant demography and demand. It will see the largest oil demand growth worldwide by 2045. The country saw a great GDP contraction during lockdown, but there has been a huge recovery since then, faster than expected. Energy demand saw a reversal in late March until August; now growth is being seen. Economic activity is back on track and mobility is picking up, with gasoline ahead of pre-COVID levels, which is positively impacting energy markets. This year India forecasts negative GDP growth of 8.5 per cent, though next year sees India as one of fastest-growing countries from that time going forward. Oil will meet 26 per cent of the country's energy requirements, thus India will be a main contributor to oil demand in the coming decades.

Korea is currently experiencing a third COVID-19 wave. So far the country has dealt with the pandemic quite successfully, requiring no full-scale lockdown. Consumption decreased in Korea, especially in the services sector, and investment plans are all on hold. GDP growth is expected to remain supressed in the second half of the year, but consumer sentiment is starting to recover. People prefer to avoid public transport because of the risk of contracting COVID-19; other consumer behaviour changes will remain for some time, including home office. Renewables are increasing quickly as the country invests a lot in this capacity. Although the government policy is to reach net zero by 2050, there is no concrete plan yet in place. The Korean New Deal is "Green and Digital" and will focus on a sustainable, innovative and inclusive society.

Meanwhile, energy demand in Japan will continue growing, with hydrogen one of the key future energy carriers. The impact of COVID-19 has caused a sharp decline in Japanese energy markets over the year. The country is currently experiencing a third wave of COVID-19. There may be some recovery in demand next year, but people are changing their behaviour post-COVID and there will be an acceleration to a structural change using less oil. The Japanese oil industry is looking for future opportunities to make up for declining domestic demand. Japan has announced it will reach net-zero carbon by 2050, but this will be very challenging. The country admits it would be difficult to eliminate carbon fuel consumption, and is thus thinking about how to eliminate emissions, such as through carbon capture utilization and storage (CCUS).

There are many headwinds facing the oil industry post-COVID-19, stated Al-Qahtani, not only policy changes, but climate change, investment and many others. However, OPEC sees the future of the oil industry as bright and full of promise.

"We will continue to seek your insights as usual and your regional expertise in addressing the challenges in the future, in order to fulfil our goal of energy security and sustainable development for the planet."

OPEC participates at 31st Energy Charter Conference

Azerbaijan has been an integral member of the 'Declaration of Cooperation' (DoC) process. The partnership between OPEC and Azerbaijan continues to strengthen and intensify. OPEC was therefore happy to accept a gracious invitation by Azerbaijan, which had assumed the Chairmanship of the Energy Charter Conference in 2020, to participate at the 31st Energy Charter Conference. The* OPEC Bulletin *reports.

Parviz Shahbazov, Azerbaijan's Energy Minister.

Azerbaijani statesmanship

The Energy Charter Conference, an inter-governmental organization, is the governing and decision-making body for the Energy Charter process, and was established by the Energy Charter Treaty in 1994. The priorities of the Azerbaijani Chairmanship in 2020 built upon areas already explored and discussed by recent chairmanships: innovations, sustainability and investments supporting energy transition.

In his remarks to the Conference, OPEC Secretary General, Mohammad Sanusi Barkindo, paid tribute to Azerbaijani statesmanship: "Azerbaijan's Chairmanship is a fitting demonstration of the country's commitment to the promotion of dialogue between cultures. Throughout the world, Azerbaijan is recognized as a centre of multiculturalism. This is clear through the 'Baku Process' launched in 2008 to strengthen inter-cultural dialogue and the World Forum on Intercultural Dialogue held every two years in Azerbaijan."

Barkindo recalled the unique role Baku has played in the history of the oil industry. Azerbaijan was the location of many 'firsts'. In 1846, more than a decade before 'Colonel' Edwin L Drake struck oil on American soil for the first time, a 21-metre well was drilled in Bibi-Heybat for oil exploration — the first successfully drilled oil well in human history. Within three decades of the first oil well being drilled in 1846, the world witnessed the building of the first wooden oil derrick in 1871, the first distillery in 1876 and the first oil tanker ship in 1877 — all in Azerbaijan — truly the cradle of the oil industry.

The Secretary General outlined the pivotal role Azerbaijan, particularly President Ilham Aliyev, has played in the DoC process: "At OPEC, we know first-hand about Azerbaijani statesmanship. Azerbaijan has been a pivotal member of the DoC since its inception in 2016. President Aliyev was the first world leader to publically call upon OPEC and non-OPEC countries to close ranks and collaborate in order to rescue the oil industry. His visionary leadership honours his country's incredible history."

Mohammad Sanusi Barkindo, OPEC Secretary General.

Dr Urban Rusnák, Secretary General, Energy Charter Secretariat.

Barkindo also noted how relations with the Energy Charter Conference continue to blossom. He said, "OPEC's relationship with the Energy Charter Secretariat goes from strength to strength. Earlier this year, we convened the First OPEC–Energy Charter Secretariat–OPEC Fund Annual Legal Workshop. We were honoured to learn from the wise words of my colleague and friend Dr Urban Rusnák, Secretary General of the Energy Charter Secretariat."

Importance of energy efficiency

Barkindo commended the Chairmanship for its focus on the topic of energy efficiency. The Secretary General stated: "We commend the chair for the judicious selection of the topic of this conference, 'Energy efficiency for all: innovations and investments'. Azerbaijan and the Energy Charter Secretariat have worked well together on this critical issue, including through the Energy Charter Secretariat's *'In-depth review of the energy efficiency policy of the Republic of Azerbaijan,'* prepared in 2019. This helped the development of an energy strategy and the preparation of Azerbaijan's first national Energy Efficiency Action Plan."

Barkindo continued: "It is worth recalling that energy efficiency requires efficiency improvements in both demand and supply. It is often said that digitalization is one of the most effective means of unlocking energy efficiency improvements. OPEC is extremely supportive of measures to improve data transparency, particularly through our proactive role in the Joint Organizations Data Initiative. Additionally, we organize a multitude of meetings with our partners on the issue of data transparency, including with the International Energy Agency (IEA) and International Energy Forum (IEF), as well as secondary source reporting agencies. Our aim is to constantly improve the accuracy and timeliness of data.

"We also believe that dialogue between consumers and producers is critical to improving efficiency. For this reason, we have an extensive range of formalized, international dialogues with a broad range of partners.

Above: Ilham Aliyev (r), President of the Republic of Azerbaijan, met with Mohammad Sanusi Barkindo (second l), OPEC Secretary General, in Azerbaijan in March 2018. In attendance are Parviz Shahbazov (second r), Azerbaijan's Minister of Energy; and OPEC delegates (l).

These offer indispensable platforms for exchanging views, providing clarity and finding mutually beneficial solutions."

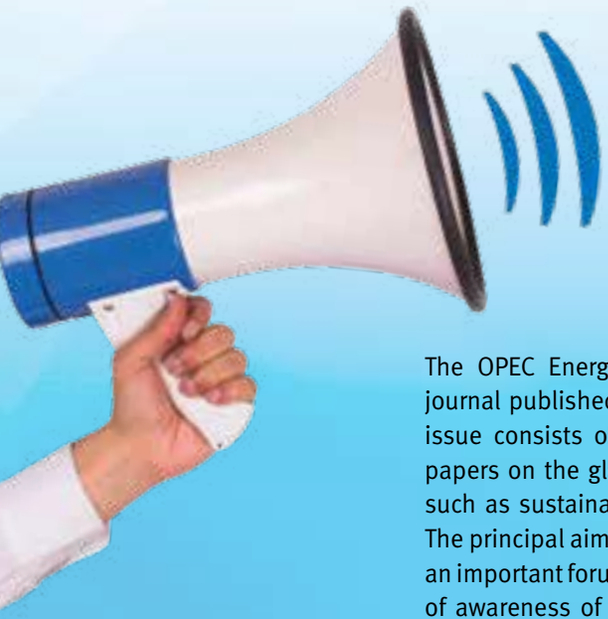
DoC played a critical role in 2020

Barkindo provided an overview of some of the monumental events for the oil industry during 2020: "The pandemic has underscored how unity and efficiency are required in response to these unprecedented times. The oil demand destruction caused by the COVID-19 pandemic greatly imperilled our industry, which threatened to present even greater challenges to the global economy.

"To help counter the situation, OPEC and our DoC partners agreed at two Extraordinary Meetings on April 9 and 12 to new voluntary production adjustments, beginning with 9.7 million b/d, in May and June 2020, which was extended to July. Moreover, the tailored adjustments would also run two years until April 2022. Azerbaijan, ably represented by Minister Shahbazov, played a critical role in ensuring the adoption of these decisions, by ably deploying his immense diplomatic skills and acumen during these contentious moments." He also provided an updated on the decisions taken at 12th OPEC and non-OPEC Ministerial Meeting, held on December 3, 2020.

The Secretary General described how oil market stability is crucial for the long term prospects of the industry, adding: "The objective behind our actions is the pursuit of a sustainable stable market in the interests of producers and consumers. This is essential to attract the levels of investment necessary to meet the oil demand of the future. According to OPEC's *2020 World Oil Outlook,* the global oil sector will need cumulative investment of $12.6 trillion in the upstream, midstream and downstream through to 2045. These investments will be vital for improving the efficiency of the industry."

The event itself proved a welcome opportunity to strengthen relations with the Energy Charter Conference, discuss issues of critical importance to the oil market and outline OPEC's recent decisions. It was a further indication that the future of the OPEC-Azerbaijani relationship is extremely bright.



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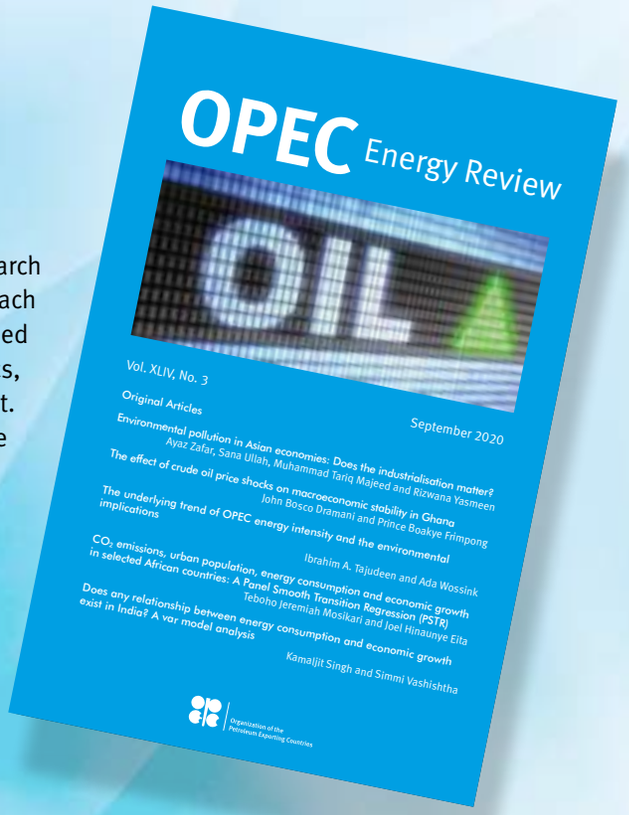

The OPEC Energy Review is a quarterly energy research journal published by the OPEC Secretariat in Vienna. Each issue consists of a selection of original well-researched papers on the global energy industry and related topics, such as sustainable development and the environment. The principal aim of the OPEC Energy Review is to provide an important forum that will contribute to the broadening of awareness of these issues through an exchange of ideas. Its scope is international.

The three main objectives of the publication are to:

1. Offer a top-quality platform for publishing original research on energy issues in general and petroleum related matters in particular.
2. Contribute to the producer-consumer dialogue through informed robust analyses and objectively justified perspectives.
3. Promote the consideration of innovative or academic ideas that may enrich the methodologies and tools used by stakeholders.

Recognizing the diversity of topics related to energy in general and petroleum in particular which might be of interest to the journal's readership, articles will be considered covering relevant economics, policies and laws, supply and demand, modelling, technology and environmental matters.

The OPEC Energy Review welcomes submissions from academics and other energy experts. Submissions should be made via Scholar One at: https://mc.manuscriptcentral.com/opec (registration required).

A PDF of "Author Guidelines" may be downloaded at Wiley's OPEC Energy Review page at: http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1753-0237/homepage/ForAuthors.html

All correspondence about subscriptions should be sent to John Wiley & Sons, which publishes and distributes the quarterly journal on behalf of OPEC *(see inside back cover)*.

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OPEC FUND NEWS

1976/2021

45 YEARS ANNIVERSARY

CELEBRATING 45 YEARS OF SUCCESS

45 firsts, facts and fitting insights to celebrate the diversity of our partners and people, and to showcase our achievements over the past 45 years.

1

The OPEC Fund works with its partners to stimulate economic growth and social progress in low- and middle-income countries around the world.

2

The organization has a global mandate. So far, the OPEC Fund has partnered with 135 countries.

3

Dr Abdulhamid Alkhalifa
Director-General

In 2019, the OPEC Fund embarked on a new strategy to maximize its development impact. "The OPEC Fund's new strategy, backed by our member countries, has enabled us to be more agile and responsive to complex and fast-changing development needs. Now is the time for development institutions like ours to demonstrate how we can help bridge the gap between the 'haves' and the 'have-nots' by moving smart and fast, and working together to deliver resources to the people most in need."

4

Originally known as the OPEC Special Fund, it began operations in 1976 with an initial endowment of $800 million.

1976

$800 MILLION

5

The OPEC Special Fund's first operation was to provide support to Sudan in Africa.

6

The first operations in Latin America (Guatemala, Haiti and Honduras) also took place in 1976.

7

Scherazade Deneuve-Ikour
Director, Private Sector and Trade Finance Operations, Business Development

"The journey has mattered to me the most — all the successes and the challenges along the way. It has been extremely gratifying to have been involved in almost 60 projects during my 15 years at the OPEC Fund, and to have contributed to the effort to transform the institution in the early days, launching the Trade Finance window and implementing new instruments. In some cases, we were ahead of major market players, such as when we ventured into structured commodity finance. Navigating the global financial crisis of 2008 and now managing through COVID-19 — while growing our activities, balancing mandate and sustainability — is also part of that journey. Above all, I believe it's about ensuring that the OPEC Fund lives on long after we're all gone, and that it is there for future generations."

staff stories

8

The organization was established by the member countries of OPEC with a distinct mandate: to drive development, strengthen communities and empower people.

9

"Nothing is particularly new about a group of countries establishing a common financial aid facility. What is new, however, is the trend towards establishing international financial facilities designed exclusively to assist non-member countries, with the donors standing to gain no economic return."

The late Dr Ibrahim Shihata, the organization's first Director-General, soon after the establishment of what is now known as the OPEC Fund.

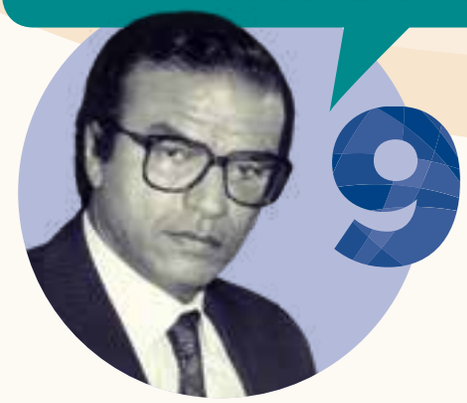


PHOTO: OPEC Fund Archive

10

Bangladesh was among the first Asian countries to benefit from OPEC Fund project financing in 1977 for the construction of the Dacca International Airport.

11

Andrea Grubel
Senior Operational Risk Officer

staff stories

We live in a constantly changing world, where our only limits are our imagination. I think fear often gets in the way of our creativity and searching for different approaches. But with innovation, we can overcome that. Innovation doesn't always need to be new or disruptive. For me, it's about finding the most efficient way. I think it's also a great chance to collaborate and co-create with colleagues and stakeholders.

12

Today, OPEC Fund member countries are Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, the United Arab Emirates and Venezuela.

13

Vietnam's Central Transport Hospital is a beneficiary of OPEC Fund financing. Pham Duc Huy, the hospital's Vice Director, says: "We were able to improve our facilities to better serve our patients... On behalf of the hospital's management, I would like to send our sincere thanks to the OPEC Fund." The OPEC Fund has been partnering with Vietnam since 1978 and has approved more than $280 million in development finance for the country.

14

By 2020, the OPEC Fund's cumulative approvals for development projects amounted to more than $25 billion.

15

In 1981, the OPEC Fund purchased its still current headquarters building, located on Parkring in Vienna's first district. Once the residential palace of the Austrian Archduke Wilhelm Franz Karl, who was Grand and German Master (1863-1894) of the Order of the Teutonic Knights, it was originally built between 1864 and 1868 to the architectural design of Danish-born Theophil von Hansen. The organization undertook a comprehensive programme of restoration and refurbishment.

16

Since launching, with partners we have supported bulk terminals with 15 million tons of annual handling capacity.

Private & sector trade finance stories

17

Albania is the first European country to benefit from OPEC Fund assistance for the construction and equipping of a new hospital in Durres in 1993.

18

staff stories

Jaafar Al-Mahdi
Acting Director, Public Sector Operations, Asia and Pacific

Seeing our projects implemented, from paper to reality, and knowing that people of all ages benefit, is the most rewarding bit of my job. I have an engineering background, and I've not necessarily always focused on people. But our Communication Department, by asking me to photograph the people (rather than a machine or a building) while on mission, have helped me to see that it's the people that matter most. Previously, I would even ask people to move out of the way before I took a photograph. Now I see that the people are the gold star before, during and at the end of the project cycle.

19

The establishment of a Private Sector Facility in the late 1990s meant that the OPEC Fund could begin to promote socio-economic development through financing the establishment and growth of private enterprise and encouraging the development of local capital markets.

Public sector stories

20

Since launching, we have contributed to the construction and development of 11,360 km of roads and railways.

21

staff stories

Shaimaa Al-Sheiby
Acting Director, Public Sector Operations, MENA, Eastern Europe & Central Asia

One project stands out because it tested our ability to adapt to change and unforeseen circumstances. It was a project in Pakistan, which we (together with our partners) studied, developed and financed for a specific purpose. Unfortunately, as soon as we approved the loan, the country suffered devastating floods and an earthquake. The entire project — including the financing — had to be redesigned. Given the change in scope, the cost doubled, which made many partners hesitant. But the OPEC Fund's management could see the long-term benefits of providing more support. Our efforts inspired co-financiers and brought everyone together to get the project going again. It really moved me to see our leadership capabilities. We're innovative and agile. Regardless of our smaller relative size, we'll always lead when needed.

22

The OPEC Fund joined the fight against HIV/AIDS when it became clear it had become a serious threat to socio-economic development. Given its own member countries, the organization often approaches development issues from a unique angle. The OPEC Fund worked with the International AIDS Society, for example, to create a forum for scientific exchange on implementing HIV programmes and research within 'conservative social settings'. Between 2005 and 2010, the OPEC Fund approved grants amounting to more than $10 million to UNICEF to address the impact of HIV/AIDS on children and vulnerable mothers.

23

In 2006, the organization launched its Trade Finance Facility. Through this facility, the OPEC Fund supports private enterprises and governments by facilitating the import and export of strategic commodities and capital goods.

24

staff stories

Violet Onyemenam
General Counsel

Development is driven by a mix of complex factors and every contribution counts. Personally, I am motivated by the realization that every loan agreement we sign represents not just a legal prerequisite, but eventually translates into more jobs, hospitals, schools, water, energy and better opportunities in our beneficiary countries.

Public sector stories

25

To date, the OPEC Fund's public sector operations have helped develop 15 GW of electricity generation capacity.

26

Today, nearly 70 per cent of financing is provided through public sector and grants, and 30 per cent is provided through private sector and trade finance.

27

Fuad Albassam
Assistant Director-General, Public Sector Operations, on the importance of partnerships.

Working with like-minded institutions has always been central to the OPEC Fund's operations. Of utmost importance is the OPEC Fund's role in the Coordination Group, which consists of Arab and Regional Development Institutions, the Islamic Development Bank Group and the OPEC Fund. Among its many development-related roles, the Group works to improve cooperation and development effectiveness by harmonizing the processes by which developing countries may apply for and receive financial support.

28

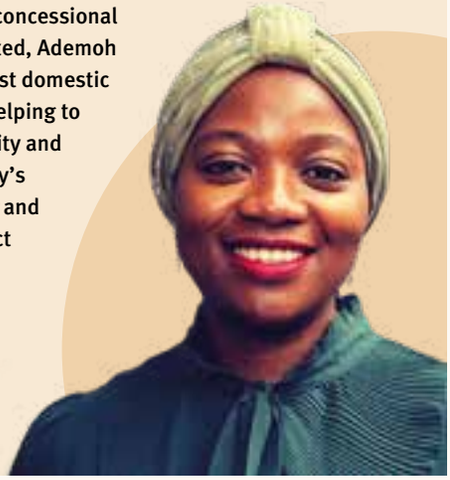
The OPEC Fund Annual Award for Development was introduced in 2006 to highlight the achievements of organizations and individuals in reducing poverty and supporting sustainable development. Past winners include: Vida Duti, in recognition of her remarkable work in striving for sustainable water, sanitation and hygiene (WASH) services for the population of Ghana; Bangladesh-based BRAC for its support of Rohingya refugees in Bangladesh; and Syrian refugee Doaa Al Zamel (**http://doaa.news/about/**). The award includes a $100,000 prize. In 2020, it was awarded to EarthSpark International, Haiti, in recognition of its innovative solutions to energy access and climate change mitigation.

29

staff stories

Fatima Ademoh
Investment Manager

Commenting on a Nepal development project that was named Power Deal of the Year by *The Asset* magazine, Fatima Ademoh says: "It achieved a milestone with the signing of $453 million in loan agreements in October 2019 with a consortium of nine lenders. It's the largest foreign direct investment in Nepal and it utilizes several innovative financing structures (a mix of commercial and blended concessional financing)." Once completed, Ademoh adds "the project will boost domestic power generation while helping to reduce imports of electricity and contributing to the country's long-term energy security and sustainability." The project is set to increase Nepal's electricity supply by one-third from today's levels and provide clean, reliable power to millions of people.



30

The OPEC Fund Scholarship Award has supported 56 students from 38 countries. After qualifying, many 'student ambassadors' have returned to their home countries to work in development-related fields.

31

staff stories

Ramina Samii
Director of the Private Sector and Trade Finance Portfolio Management Unit

The part of my job I enjoy the most is identifying long-term solutions that address structural issues facing a project's ability to meet its obligations. This can involve complex and protracted negotiations with multiple stakeholders — shareholders, DFIs and commercial lenders, government authorities and project-related advisors. It's about finding a middle ground between conflicting and shifting short- and long-term objectives. There is no greater satisfaction than successfully completing these negotiations with our partners, putting a project back on track and safeguarding its initial development objectives.

Private & sector trade finance stories

32

Since launching, our private sector and trade finance operations have contributed to the development of 3.9 GW of electricity generation capacity.

33

Khalid Al-Zayer
Acting Director, Public Sector Operations, Eastern and Southern Africa

staff stories

One project is particularly memorable. I was on mission in Malawi, when the country's Minister of Health approached me. Malawi was recording some 14,000 cases of cancer every year, he explained, but the country had no facilities to treat patients. Many people were dying. I extended my stay and we discussed the project thoroughly. Thanks to the OPEC Fund's subsequent loan, the National Cancer Treatment Center — the first dedicated cancer treatment facility in Malawi — will be fully operational by the end of 2021. The chemotherapy facility is already open.

Public sector stories

34

Since launching, we have provided 11.5 million households with access to water supply and sanitation.

35

An OPEC Fund co-financed development project in Malawi was named a 2019 Prince Talal International Prize for Human Development award winner by the Arab Gulf Programme for Development (AGFUND). The AGFUND announced the project as one of four winners from 83 projects and 38 countries in the water and sanitation category. The OPEC Fund partnered with the African Development Bank to provide finance and guidance for the project's implementation, which will raise health and living standards, as well as improve livelihoods, for over 100,000 people.

36

In May 2020, the OPEC Fund joined other institutions within the Arab Coordination Group in scaling-up cooperation in response to COVID-19. The group committed to jointly allocate $10 billion to help developing countries mitigate, contain and recover from the destabilizing effects of the pandemic.

37

In 2020, the OPEC Fund made $1 billion available to developing countries for COVID-19 impact and recovery efforts.

38

Musab Alomar
Senior Country Manager

staff stories

Tajikistan is a wonderful country; and despite the poverty and hardship that its people experience, they still are most kind and hospitable. I have visited Tajikistan several times, to appraise and monitor the OPEC Fund's projects in the country. Our projects there are all located in the mountainous regions, where the climate is harsh, with ferociously hot summers and extremely cold and windy winters. These regions are rural, with no electricity, and hardly any infrastructure — so you can imagine how appreciated our projects are by the local communities. One of my most fond memories is from a site visit. On our way to the site, on extremely rough terrain, we saw children elegantly wearing their uniforms, waiting for the school bus. They were all crowded at the bus stop, which sheltered them from the pouring rains. The bus stop was part of an OPEC Fund co-financed project.

staff stories

39

Juan Limandibhratha
Chief Risk Officer

It has been very gratifying to have led the team in developing the OPEC Fund's risk management framework in line with best industry practices, particularly those of leading multilateral development banks. The many initiatives currently underway to enhance the OPEC Fund's profile and impact require the highest standards of corporate governance and risk management. We look forward to building on this strong foundation to meet the risk management needs of the OPEC Fund in the years ahead in line with the goals of Strategic Framework 2030.

Private & sector trade finance stories

Since launching, we have directly supported over 350,000 micro-, small- and medium-sized enterprises.

40

41

In 1979, working with the Central American Bank for Economic Integration (CABEI), the OPEC Fund co-financed the first hydropower plant in Honduras.

42

During 2019 alone, the OPEC Fund approved $550 million for public sector operations co-financed with other development actors. The total cost of these operations was $3.7 billion. Private sector and trade finance co-financiers in 2019 were many and varied, including the likes of the African Development Bank, the European Bank for Reconstruction and Development, the International Finance Corporation and the Korean Development Bank, to name just four. Today, partnerships are more important than ever before.

43

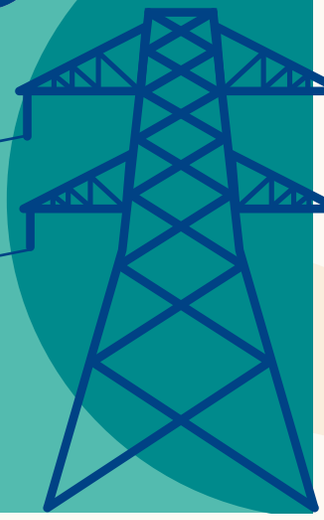
The OPEC Fund's vision is a world where sustainable development is a reality for all. Our operations focus on the development priorities of partner countries and are aligned with the United Nations Sustainable Development Goals.

The OPEC Fund has now approved almost 4,000 projects across its public sector (1,612), private and trade finance sector (500), and grants (1,889) financing mechanisms.

44

45

Public sector stories



Since the organization was established, public sector operations have contributed to a total of more than 67,000 km of power transmission and distribution lines.

Feature originally published in the OPEC Fund Quarterly 1/21. Images courtesy OPEC Fund.

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Review of 2020, outlook for 2021

December 2020

While 2020 began on relatively solid footing, the COVID-19 pandemic upended all expectations, especially for 1H2020. Indeed, global growth recovered considerably in 3Q20, with the rebound mainly supported by exceptional fiscal and monetary stimulus, as well as the easing of lockdown measures by the end of 2Q20. Additionally, savings mainly in OECD economies during the lockdown built a solid base for reviving consumption, as well as lifting global trade and investment. More recently, rising infections and growing uncertainties have left the global economic recovery more fragile, with global GDP now forecast to show a decline of 4.2 per cent in 2020.

Next year, global GDP is forecast to grow by 4.4 per cent. This rebound will be mainly driven by emerging and developing economies, especially in Asia. The actual growth trajectory will very much depend on uncertainties related to COVID-19 developments, policies of the incoming US administration and Brexit negotiations, as well as ongoing trade negotiations. Recent news about the possibility of vaccination programmes in most major economies provides upside to the current forecast, which assumes that a vaccination will gradually be globally available by 2H21. Earlier availability would allow a faster-than-anticipated move towards normalization.

The COVID-19 pandemic and accompanying lockdown measures have had an unprecedented impact on world oil demand, with the latest data pointing to a historic contraction of 9.8 million barrels/day (m b/d) in 2020. Oil demand in the OECD is estimated to fall by 5.5m b/d in 2020, while non-OECD oil demand is anticipated to drop by 4.3m b/d, despite a notable recovery in China in 3Q20, and more lately in India. For 2021, global oil demand is estimated to rebound by 5.9m b/d, with OECD increasing by 2.6m b/d, led by OECD Americans contributing 1.6m b/d. In the non-OECD, oil demand growth is projected to be around 3.3m b/d, with growth focused in China and India. The solid economic recovery coupled with the low baseline of 2020 will support oil demand growth next year. Transportation and industrial sectors are projected to lead oil demand growth in 2021. However, uncertainties remain high, mainly surrounding the development of the COVID-19 pandemic and rollout of vaccines, as well as the structural impact of COVID-19 on consumer behaviours, predominantly in transportation sector. On the supply side, non-OPEC growth in 2020 has been lower than initial expectations as the COVID-19 outbreak led to a drastic fall in demand and prices. In an effort to address the unprecedented turmoil in the market, OPEC members and non-OPEC participating in the 'Declaration of Cooperation' (DoC) removed some 9.5m b/d of excess supply from the market, with an estimated 2.6m b/d contributed by non-OPEC partners in the DoC. The US and Canada contributed a further reduction of 3.6m b/d through shut-in wells. As a result, non-OPEC supply is now expected to show a decline of 2.5m b/d this year. In 2021, non-OPEC supply is projected to see a mild recovery of 800,000 b/d, y-o-y, on the back of a gradual increase in drilling and completion activities in North America, as well as an rise of 700,000 b/d from non-OPEC producers in the DoC. US tight crude output is expected to remain flat, although total liquids will grow by 300,000 b/d. Canada, Norway, and Brazil are also expected to see growth in 2021, amid considerable uncertainties on the overall forecast, as the industry responds to conditions related to the pandemic.

Following the drastic impact of the COVID-19 pandemic on the global economy and world oil demand in 2020, OPEC and the non-OPEC countries participating in the DoC acted swiftly and decisively earlier in the year to adjust oil production to avoid a severe oil market imbalance. The recent OPEC and non-OPEC Ministerial Meeting on December 3 reconfirmed the existing commitment under the DoC decision from April 12, 2020, then amended in June and September 2020, to gradually return 2m b/d, given consideration to market conditions. Beginning in January 2021, DoC participating countries decided to voluntarily adjust production by 500,000 b/d from 7.7m b/d to 7.2m b/d. Furthermore, DoC participating counties agreed to hold monthly OPEC and non-OPEC ministerial meetings starting January 2021 to assess market conditions and decide on further production adjustments for the following month, with further monthly adjustments being no more than 500,000 b/d.

MOMR ... oil market highlights

December 2020

Crude oil price movements — The OPEC Reference Basket (ORB) rose by $2.53, or 6.3 per cent, month-on-month (m-o-m), to stand at $42.61 per barrel in November. Year-to-date (y-t-d), the ORB has averaged $40.75/b, down by $23.07 compared to the same period last year. Spot crude prices bounced back in November, following a rally in crude futures contracts after positive news on COVID-19 vaccines raised optimism about a recovery in oil demand. Crude oil futures prices on both sides of the Atlantic settled higher in November, with front-month ICE Brent increasing $2.46, m-o-m, to average $43.98/b, and NYMEX WTI $1.79 higher to settle at $41.35/b, m-o-m. Consequently, the Brent-WTI spread widened slightly by 66¢, m-o-m, to average $2.63/b. The contango structure of crude oil futures prices flattened considerably in November, and prompt time-spreads of DME Oman flipped into backwardation in the second half of the month. In November, hedge funds and other money managers turned more positive on the outlook for oil prices, amid prospects for improving global oil demand fundamentals in the coming months.

World economy — Global economic growth is revised up slightly for 2020, after a better-than-expected performance in 3Q20, now showing a contraction of 4.2 per cent y-o-y, compared to the previous month's forecast of –4.3 per cent. While the 2021 forecast remains at 4.4 per cent, recent positive news about faster-than-anticipated vaccination programmes in major economies provides potential upside for next year's growth forecast. US economic growth remains unchanged at –3.6 per cent for 2020 and at 3.4 per cent for 2021. The Euro-zone forecast is revised down to –7.3 per cent, while the 2021 growth forecast remains at 3.7 per cent. Japan's economic forecast is revised up to –5.2 per cent for 2020 but remains at growth of 2.8 per cent for 2021. China's economic growth remains at 2.0 per cent for 2020 and at 6.9 per cent in 2021. The forecast for India remains at –9.2 per cent for 2020 and 6.8 per cent for 2021. Brazil's 2020 forecast is revised up to –5.8 per cent, but remains at 2.4 per cent for 2021. Russia's economic growth forecast in 2020 is revised up to –4.5 per cent, while the growth forecast for 2021 remains unchanged at 2.9 per cent.

World oil demand — World oil demand for 2020 is expected to decline by 9.77m b/d, marginally lower than in last month's assessment. Weaker-than-expected data in the OECD in 3Q20, mainly due to lower transportation fuel demand in the US and OECD Europe, led to a downward revision of around 180,000 b/d for the OECD group. However, this is mostly offset by an upward revision to the non-OECD, by 160,000 b/d. Better-than-expected oil demand in China, amid a steady recovery across various economic sectors, and improving oil demand from India support this upward revision. Total oil demand is estimated to reach 89.99m b/d in 2020. For 2021, world oil demand growth is revised lower by 350,000 b/d, to growth of 5.90m b/d. This is due to the uncertainty surrounding the impact of COVID-19 and the labour market on the OECD transportation fuel outlook for 1H21. Petrochemical feedstock and industrial fuels are forecast to gain momentum on the back of improving economic activities, with total oil demand projected to reach 95.89m b/d in 2021.

World oil supply — Non-OPEC liquids production in 2020 is revised down by 80,000 b/d, m-o-m, contracting by 2.50m b/d, to average 62.67m b/d. This is mainly due to downward revisions in Brazil, the US, the UK and Norway, following lower-than-expected output in 4Q20, although partially offset by upward revisions to production in Russia and Canada. For the year, oil supply shows declines mainly in Russia, the US and Canada, while production in Norway, Brazil, China and Guyana is estimated to have grown. Non-OPEC supply for 2021 is adjusted down by 100,000 b/d and is now forecast to grow by 850,000 b/d to average 63.52m b/d, mainly due to downward revisions in Russia's output. The US liquids supply forecast remains unchanged at 300,000 b/d, while uncertainties persist. The main drivers for supply growth are expected to be the US, Canada, Brazil and Norway. OPEC NGLs in 2020 are estimated to decline by 100,000 b/d y-o-y, and forecast to grow by 100,000 b/d y-o-y in 2021, to average 5.2m b/d. OPEC crude oil production in November increased by 710,000 b/d, m-o-m, to average 25.11m b/d, according to secondary sources.

Product markets and refining operations — Refining margins globally showed mixed movement. The USGC, the only positive performing region, benefitted from strength at the middle and bottom of the barrel, due to sharp declines in diesel floating storage, reduced jet/kerosene refinery output, and an uptick in transportation activity during the Thanksgiving holidays. In Europe and in Asia, margins weakened with solid losses witnessed at the top of the barrel, affected by lower regional naphtha and gasoline consumption amid closed arbitrage and higher feedstock prices.

Tanker market — Dirty tanker rates remained weak in November, with historically low levels so far in 2H20, amid ample tonnage lists. However, signs indicating that November could be the bottom of the market have provided some hope for ship owners as they look to the coming year. Clean tanker rates picked up from multi-year lows, supported by improving West of Suez activities.

Crude and refined products trade — Preliminary data shows that US crude imports remained near a three-decade low for the second consecutive month, averaging 5.3m b/d in November. US crude exports picked up from an almost two-year low in October, to average just under 3m b/d in November, supported by a return of Chinese purchases, with the release of 2021 import quotas. US product exports fell below 5m b/d for the first time in five months, as diesel outflows declined, amid lower demand from Mexico. Japan's crude imports recovered from a decline the month before to average 2.3m b/d in October, on the back of demand for heating. China's crude imports averaged 10.0m b/d in October, falling below 11m b/d for the first time in six months. The decline came as independent refineries awaited new quotas and amid a pause due to the Golden Week holiday, which also reduced product imports. In contrast, China's product exports jumped 40 per cent to average almost 1.5m b/d as refiners pushed out gasoline and diesel amid high inventory levels. India's crude imports declined further, although at a slower pace, to average 3.4m b/d in October. India's product imports plunged by almost half to average 600,000 b/d in October, as inflows were almost solely limited to LPG.

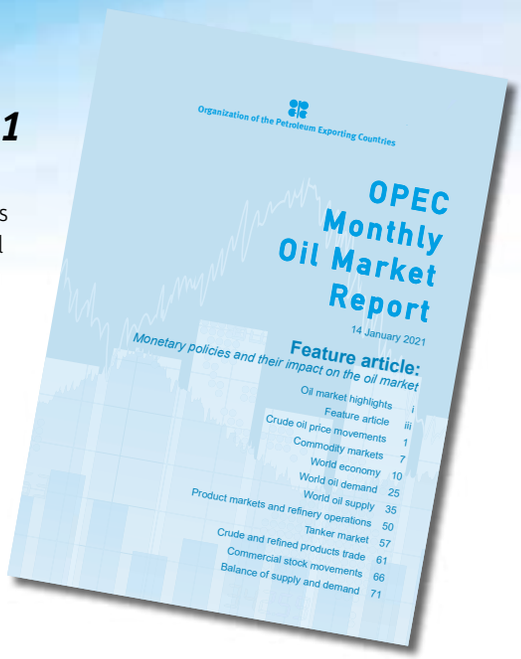
Commercial stock movements — Preliminary October data shows total OECD commercial oil stocks down by 46.3m b, m-o-m. At 3,145m b, they were 252.5m b higher than the same time one year ago and 200.3m b above the latest five-year average. Within the components, crude and product stocks declined by 21.5m b and 24.8m b, m-o-m, respectively. In terms of days of forward cover, OECD commercial stocks fell by 1.0 days, m-o-m, in October to stand at 72.2 days. This is 11.1 days above the October 2019 level and 10.1 days above the latest five-year average.

Balance of supply and demand — Demand for OPEC crude in 2020 is revised up by 100,000 b/d from the previous month to stand at 22.2m b/d, around 7.1m b/d lower than in 2019. Demand for OPEC crude in 2021 is revised down by 200,000 b/d from the previous month to stand at 27.2m b/d, around 5.0m b/d higher than in 2020.

The feature article and oil market highlights are taken from OPEC's Monthly Oil Market Report (MOMR) for December 2020. Published by the Secretariat's Petroleum Studies Department, the publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage. The additional graphs and tables on the following pages reflect the latest data on OPEC Reference Basket and crude and oil product prices in general.

Monetary policies and their impact on the oil market

January 2021


Organization of the Petroleum Exporting Countries

OPEC Monthly Oil Market Report

14 January 2021

Feature article:
Monetary policies and their impact on the oil market

Oil markets faced an unprecedented volatile environment in 2020, impacted massively by COVID-19 and its ensuing demand collapse, necessitating considerable reactions by policy-makers. At one point in April, a confluence of factors even pushed WTI futures into negative territory for the first time in the history of the oil market. In response, OPEC and non-OPEC countries under the 'Declaration of Cooperation' (DoC) met in the same month to reach another landmark decision to stabilize and rebalance oil markets. This impressive effort was also commended by the G20 at their extraordinary Energy Minsters' Meeting in April. At the same time, central banks across the world stepped up their efforts to provide sufficient liquidity and to stem the negative impact of lockdowns. These monetary interventions provided the financial basis for a swift recovery in the global economy, which also had a positive effect on oil markets.

Among the central banks of the major developed economies, the US Federal Reserve provided a large stimulus, cutting interest rates by 150 basis points to around zero in March. Meanwhile, the European Central Bank (ECB) and the Bank of Japan (BoJ), left their policy rates unchanged, as these were already effectively at zero, or even slightly negative. However, all of them engaged in considerable expansion of their balance sheet to assist access to credit. These looser monetary policies helped to restore calm in government and corporate credit markets, including the energy credit market, which had been very distressed in March.

While fiscal deficits, and hence public debt, increased substantially across major developed economies — for example in the US alone, public debt rose by $2.8 trillion during 2Q20 — the low interest rate resulted in lower cost of service for the newly issued debt and hence alleviated concerns of being able to sustain this debt. The combination of stabilizing oil prices and lower cost of debt has also helped energy producers.

Another area particularly impacted by central banks' interventions was currency markets. The intervention by the Federal Reserve resulted in the US dollar depreciating against its major counterparts, following an initial spike in March. This has been especially helpful for emerging markets, which have the majority of their foreign currency debt denominated in the US dollar, and whose financial markets are more vulnerable to capital outflows in times of crisis. In the past, a gradually weakening US dollar has also been supportive to oil prices and oil producing exporters.

In the meantime, monetary policy-makers stated that both monetary and fiscal support are necessary to achieve a sustained recovery. Furthermore, considering the increase in forced savings by consumers during lockdowns, the positive impact of public investment to compensate for the shortfall in household demand could be stronger than expected.

With this, the combination of monetary, fiscal and oil market-related policies may support central banks' efforts to achieve their inflation targets, which have been rarely met since the global financial crisis. However, it should be noted that the expectation of further fiscal stimulus in the US, in combination with a recovery in the global economy, may lead to the re-emergence of a spike in key market interest rates as experienced in 2013.

Therefore, markets may expect monetary policy to begin tightening earlier than anticipated, which would have a potentially negative effect on the global economy and oil markets. In their continued efforts to support the global economic recovery, the countries participating in the DoC undertook tremendous measures to stabilize the global oil market, most recently at the beginning of January 2021. Together with the various national fiscal and monetary stimulus measures, the decisions reached by the DoC to rebalance the oil market will provide further upside potential for economic recovery in 2021 and make monetary policy efforts by central banks more effective.

MOMR ... oil market highlights

January 2021

Crude oil price movements — Spot crude prices settled sharply higher in December, extending the previous month's gains, buoyed by a further improvement in physical market fundamentals and strong crude buying from the Asia Pacific region. The OPEC Reference Basket increased by $6.56 million barrels/day (m b/d), or 15 per cent, month-on-month (m-o-m), to stand at $49.17/b in December. However, in annual terms, the ORB dropped $22.57, or 25 per cent, to average $41.47/b in 2020, which represents the lowest yearly average since 2016. Crude oil futures prices extended their previous month's surge in December, rising sharply on both sides of the Atlantic. The ICE Brent front month rose by $6.24, or 14.2 per cent, m-o-m in December to average $50.22/b, while NYMEX WTI gained $5.72, or 13.8 per cent, m-o-m to average $47.07/b. As a result, the Brent-WTI spread widened 52¢ to average $3.15/b in December. The price structure of the forward curve strengthened further in December. The ICE Brent stood in shallow backwardation for most of the month, while DME Oman and Dubai remained in strong backwardation. However, the WTI structure remained in contango. Hedge funds and other money managers continued to boost bullish positions, providing additional momentum to the steady ongoing gains in crude oil prices.

World economy — Global economic growth was revised up slightly for 2020, after a better-than-expected performance in 3Q20. As a result, the global economy is now expected to contract by 4.1 per cent in 2020, compared to the previous month's forecast of –4.2 per cent. While the 2021 forecast remains at 4.4 per cent, recent news of fiscal stimulus in the US and the likelihood of a stronger-than-anticipated recovery in Asian economies provide potential upsides for this year's growth prospects. US economic growth in 2020 was revised slightly higher by 0.1 percentage point (pp) to show a contraction of 3.5 per cent, while the 2021 forecast remains at 3.4 per cent. The Euro-zone forecast was also adjusted slightly higher by 0.1 pp to –7.2 per cent, while the 2021 growth forecast remains at 3.7 per cent. Japan's figures remain unchanged, contracting by 5.2 per cent in 2020 followed by growth of 2.8 per cent in 2021. China's economic growth remains at 2.0 per cent in 2020 and at 6.9 per cent in 2021. India is now expected to have seen a shallower contraction of 9.0 per cent in 2020, compared to a previously forecast –9.2 per cent. Expected growth in 2021 remains at 6.8 per cent. Brazil's economy is now estimated to have contracted by 5.2 per cent, revised up from the previous expectation of –5.8 per cent, while forecast growth in 2021 remains at 2.4 per cent. Russia's economy is seen contracting by 4.1 per cent in 2020, compared to the previous forecast of –4.5 per cent, while forecast growth in 2021 remains unchanged at 2.9 per cent.

World oil demand — World oil demand growth in 2020 was revised marginally higher from last month's report and is now estimated to have declined by 9.8m b/d year-on-year (y-o-y) to average 90.0m b/d in 2020. OECD America, led by the US, was revised lower particularly in 2H20 amid a sluggish recovery in transportation fuels. In the non-OECD region, oil demand growth was revised higher in 2020, mainly reflecting better-than-expected demand in China and India. Strong petrochemical feedstock demand along with a healthy uptick in gasoline requirements supported the upward revision in both countries. For 2021, global oil demand is forecast to increase by 5.9m b/d y-o-y to average 95.9m b/d. The growth forecast was kept unchanged compared to last month's assessment. In the OECD region, oil consumption is estimated to increase by 2.6m b/d y-o-y but will still lag pre-pandemic levels. OECD Americas is estimated to increase the most amid a rebound in transportation fuels. In the non-OECD region, oil demand is estimated to increase by 3.3m b/d y-o-y, driven by China followed by India and Other Asia, and supported by a rebound in economic activities.

World oil supply — Non-OPEC liquids production in 2020 is estimated to average 62.7m b/d, representing a contraction of 2.5m b/d, y-o-y. This is broadly unchanged from the previous report, despite several upward and downward revisions in the production of various countries in 4Q20. The oil supply forecast for the US and Brazil was revised down, while the figures for Canada and Russia were adjusted higher due to better-than-expected output in 4Q20. The contraction in 2020 is driven mainly by Russia, the US, Canada and the UK, while production in Norway, Brazil, China, and Guyana is expected to increase. The forecast for non-OPEC supply in 2021 also remains unchanged, with growth expected at 800,000 b/d. The upward revision in US supply offset the downward revision in the supply forecast for Russia. Market conditions have improved for US shale as oil prices have moved into a range where output is likely to recover at a higher-than-expected rate in 2H21. As a result, the US liquids supply forecast was revised up by around 100,00 b/d to average just under 18.0m b/d, representing y-o-y growth of 400,000 b/d although uncertainties remain. The main contributors to supply growth are expected to be the US, Canada, Brazil and Norway. OPEC NGLs are forecast to grow by about 100,000 b/d y-o-y in 2021 to average 5.2m b/d, following an estimated contraction of 100,000 b/d in 2020. OPEC crude oil production in December increased by 280,000 b/d, m-o-m, to average 25.36m b/d, according to secondary sources.

Product markets and refining operations — Refining margins showed mixed results across the globe in December. The only positive performing region was the US, where margins were supported by strength across the barrel with the exception of fuel oil. Product markets improved on increased transportation activities during the year-end holidays, amid still-suppressed refinery intakes relative to the previous year. In Europe, margins weakened weighed down by stronger crude prices at a time of seasonal weakness with notable losses seen at the top and bottom of the barrel. The hard lockdowns implemented during the month amid pandemic-related concerns exacerbated the pressure on product markets. In Asia, refining margins experienced losses, dragged down by the fuel oil segment as utility sector demand declined. In addition, the surge in crude prices weighed further on Asian refining economics. For the most part, refineries have returned from the peak autumn refinery maintenance season, resulting in a slight rise in available spare capacity globally, awaiting the right incentives to be utilized.

Tanker market — Dirty tanker rates experienced a slight improvement in December, while still remaining near historically low levels, amid a persistent imbalance in tanker demand and availability. VLCC and Suezmax rates saw some improvement on eastward rates from the Middle East and West Africa, as well as from West Africa to the US Gulf Coast. Meanwhile, Aframax rates declined, weighed down by a sluggish intra-Med performance. Clean tanker rates continued to pick up in December from multi-year lows seen in at the start of the fourth quarter, with gains both East and West of Suez.

Crude and refined products trade — Preliminary data shows US crude imports averaged 5.6m b/d in December, resulting in an annual average of 5.9m b/d in 2020, the lowest since 1991. US crude exports ended the year averaging just below 3m b/d in December, down from a record high of 3.7m b/d in February 2020. In annual terms, US crude exports averaged 3.1m b/d in 2020 for a y-o-y increase of 200,00 b/d. The latest data shows Japan's crude imports recovered for the second month in a row to average 2.3m b/d in November, reflecting winter demand, but were still sharply lower y-o-y, declining 22 per cent. China's crude imports averaged 11.1m b/d in November, recovering from a decline the month before as a backlog of inflows continued to clear customs. Preliminary data shows crude imports declining m-o-m in December. China's product imports recovered in November from the weak performance in the previous month, averaging 1.3m b/d, while product exports fell back from the relatively high level seen in the previous month to average almost 1.3m b/d. India's crude imports jumped 24 per cent to an eight-month high, averaging 4.5m b/d in November, as an easing of lockdown measures led refineries to boost runs. Both product imports and exports increased in November to average around 1.0m b/d, respectively.

Commercial stock movements — Preliminary data shows total OECD commercial oil stocks down by 24.5m b, m-o-m, in November. At 3,104m b, inventories were 205.1m b higher than the same period a year ago and 163.1m b above the latest five-year average. Within the components, crude and products stocks declined, m-o-m, by 11.2m b and 13.3m b, respectively. At 1,546m b, OECD crude oil stocks are 98.4m b higher than the same time a year ago, and 72.6m b above the latest five-year average. Total product inventories stood at 1,558m b, some 106.7m b above the same period a year ago, and 90.5m b higher than the latest five-year average. In terms of days of forward cover, OECD commercial stocks fell, m-o-m, by 1.6 days to stand at 70.5 days in November. This is 8.8 days above the November 2019 level and 8.5 days above the latest five-year average.

Balance of supply and demand — Demand for OPEC crude in 2020 remained unchanged from the previous report to stand at 22.2m b/d, around 7.1m b/d lower than in 2019. Demand for OPEC crude in 2021 remained unchanged from the previous report to stand at 27.2m b/d, around 5.0m b/d higher than in 2020.

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Table 1: OPEC Reference Basket spot crude prices

$/b

Crude/Member Country	2019 Dec	2020 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Weeks 49/20-01/2021 (week ending) Dec 4	Dec 11	Dec 18	Dec 25	Jan 1
Arab Light – Saudi Arabia	67.45	66.56	56.84	35.58	18.27	24.99	36.12	43.52	45.33	42.09	40.32	42.98	49.24	47.25	48.42	50.23	49.73	50.41
Basrah Light – Iraq	65.83	64.06	54.75	33.25	16.82	24.73	37.23	44.63	46.10	42.09	40.60	43.12	49.95	47.88	49.22	50.94	50.46	50.97
Bonny Light – Nigeria	68.18	65.89	57.77	33.41	15.54	24.86	39.03	43.46	45.40	40.78	39.64	41.91	49.59	47.42	49.13	50.53	50.14	50.20
Djeno – Congo*	66.05	62.95	54.37	29.11	11.91	21.36	32.63	35.82	37.34	33.13	32.56	35.09	42.29	40.21	41.83	43.23	42.84	42.90
Es Sider – Libya	67.60	63.63	55.70	31.49	14.58	24.56	38.68	42.17	43.69	39.18	37.71	40.24	48.09	45.88	47.63	49.03	48.64	48.70
Girassol – Angola	69.69	65.41	57.25	32.45	14.70	28.62	43.10	45.78	45.83	41.10	40.72	44.11	51.50	49.67	51.25	52.47	51.84	51.77
Iran Heavy – IR Iran	63.80	62.61	52.87	32.79	17.16	23.55	36.26	43.30	45.07	41.93	40.24	42.88	49.20	47.17	48.38	50.19	49.70	50.37
Kuwait Export – Kuwait	66.26	65.37	55.90	34.85	17.22	24.54	35.58	43.31	45.08	42.12	40.38	42.99	49.36	47.34	48.53	50.36	49.86	50.53
Merey – Venezuela	49.94	56.20	35.99	18.39	7.04	16.33	24.73	28.32	35.21	28.22	26.23	27.07	32.70	30.88	31.96	33.61	33.16	33.75
Murban – UAE	66.66	66.09	57.06	35.60	23.94	28.23	39.33	43.73	45.49	41.88	41.06	43.09	49.48	47.04	48.66	50.51	50.08	50.95
Rabi Light – Gabon	64.08	60.80	53.27	30.16	13.30	26.08	40.70	43.56	43.75	39.38	39.01	42.12	49.28	47.20	48.82	50.22	49.83	49.89
Saharan Blend – Algeria	68.10	65.28	57.91	34.23	17.08	26.31	40.48	44.12	45.64	40.98	39.76	42.59	49.99	47.87	49.53	50.93	50.54	50.60
Zafiro – Equatorial Guinea	69.74	65.31	56.65	30.95	13.40	26.76	40.79	43.82	45.19	40.62	39.99	43.41	50.43	48.76	50.06	51.34	50.89	50.67
OPEC Reference Basket	**66.48**	**65.10**	**55.53**	**33.92**	**17.66**	**25.17**	**37.05**	**43.42**	**45.19**	**41.54**	**40.08**	**42.61**	**49.17**	**47.13**	**48.46**	**50.17**	**49.64**	**50.18**

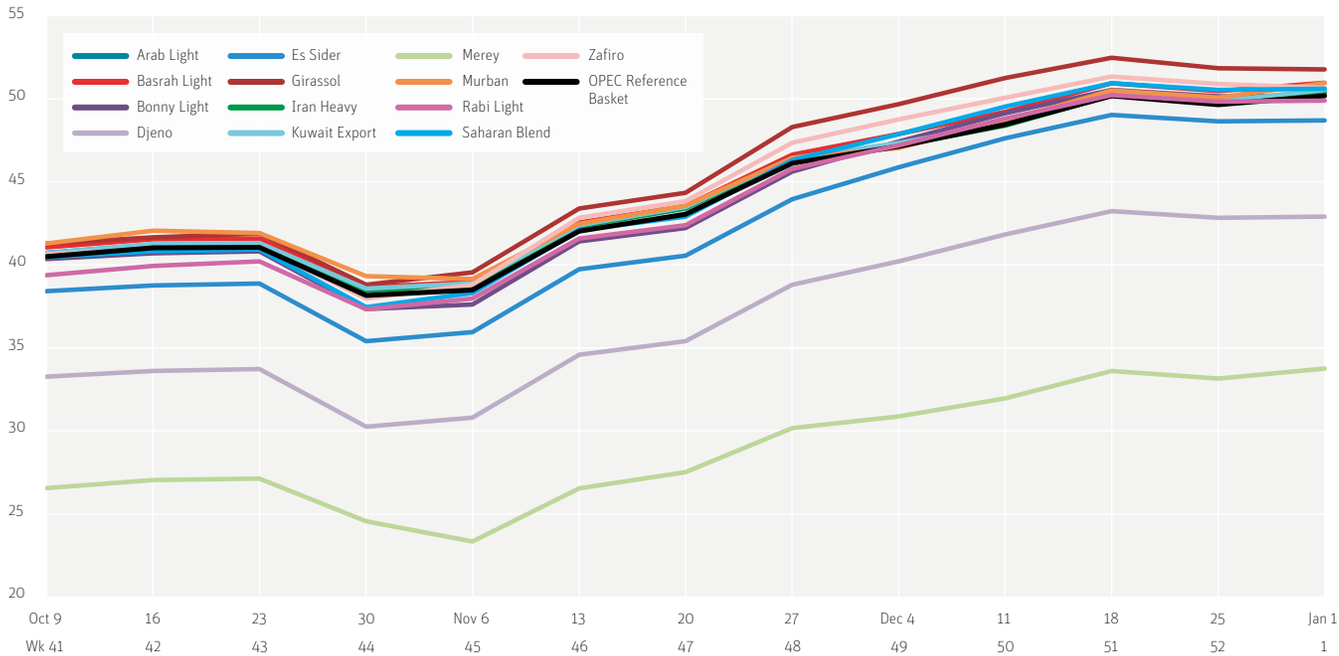
Table 2: Selected spot crude prices

$/b

Crude/country	2019 Dec	2020 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Weeks 49/20-01/2021 (week ending) Dec 4	Dec 11	Dec 18	Dec 25	Jan 1
Arab Heavy – Saudi Arabia	65.63	64.41	54.98	34.87	18.05	24.51	35.45	43.33	45.01	42.13	40.61	43.28	49.59	47.56	48.76	50.60	50.10	50.76
Brega – Libya	66.95	63.33	55.40	31.36	14.48	24.46	38.73	42.27	43.85	39.28	37.81	40.69	48.69	46.45	48.23	49.63	49.24	49.30
Brent Dtd – North Sea	66.90	63.38	55.45	31.71	18.83	28.81	40.08	43.27	44.79	40.58	40.01	42.54	49.74	47.66	49.28	50.68	50.29	50.35
Dubai – UAE	64.86	64.10	54.25	33.78	21.33	30.35	40.71	43.19	43.89	41.45	40.70	43.33	49.78	47.55	48.86	50.83	50.42	51.00
Ekofisk – North Sea	69.17	65.42	58.45	32.64	15.55	28.54	41.18	44.27	45.66	40.94	40.14	42.64	50.29	48.05	49.92	51.33	50.88	50.90
Iran Light – IR Iran	65.49	61.29	53.54	27.94	14.93	29.27	40.79	42.71	43.44	39.41	38.69	41.78	48.50	46.86	48.09	49.31	48.92	49.08
Isthmus – Mexico	60.28	55.93	47.50	23.99	7.78	25.17	35.07	38.45	41.24	38.06	38.15	40.26	46.60	44.69	45.70	47.53	47.24	47.72
Oman – Oman	65.49	65.01	54.61	34.85	23.65	33.48	41.58	43.68	44.32	41.60	41.11	43.83	50.00	48.16	49.26	50.96	50.37	51.11
Suez Mix – Egypt	65.36	61.16	53.41	27.81	14.80	29.14	40.66	42.58	43.31	39.28	38.56	41.65	48.37	46.73	47.96	49.18	48.79	48.95
Minas – Indonesia*	62.78	62.10	53.39	32.40	24.24	29.66	38.42	41.01	42.78	39.81	39.30	41.42	47.91	45.92	47.05	48.75	48.37	49.27
Urals – Russia	67.09	62.86	55.11	29.51	16.61	30.65	42.36	44.28	45.03	40.98	40.26	43.35	50.07	48.43	49.66	50.88	50.49	50.55
WTI – North America	59.81	57.56	50.60	29.89	16.52	28.57	38.30	40.75	42.36	39.61	39.53	41.52	47.05	45.41	46.05	47.98	47.68	48.14

Notes:
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.
** The Republic of the Congo joined on June 22, 2018.*
Sources: Argus; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket spot crude prices, 2020–21 $/b



Graph 2: Evolution of selected spot crude prices, 2020–21 $/b

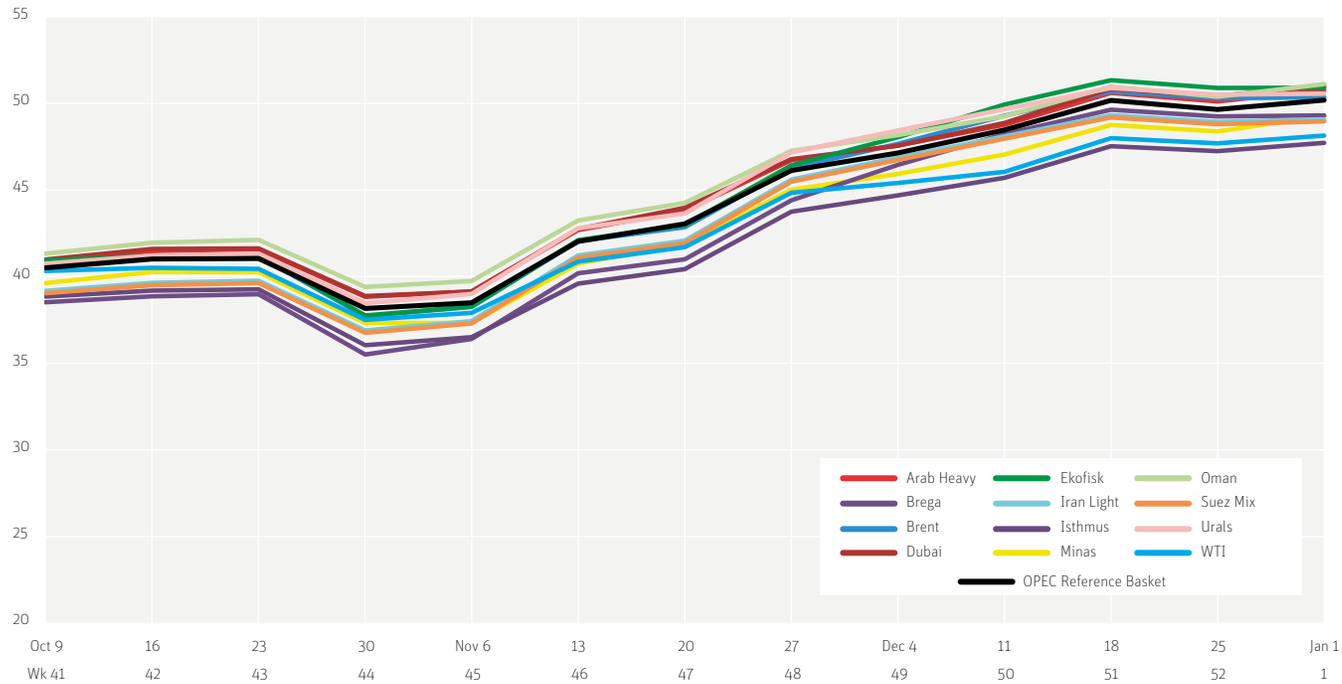


Table and Graph 3: North European market — spot barges, fob Rotterdam

$/b

		naphtha	regular gasoline unleaded	diesel ultra light	jet kero	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2019	December	59.70	77.35	80.25	80.37	65.03	32.15
2020	January	58.21	76.19	76.93	76.07	68.08	38.57
	February	51.30	69.65	65.67	66.45	54.82	38.21
	March	27.08	40.52	40.49	46.36	29.98	21.12
	April	15.14	27.61	23.24	33.12	22.25	15.50
	May	24.74	37.80	28.25	34.10	25.95	20.92
	June	37.59	49.75	41.26	44.56	35.88	32.56
	July	42.04	54.10	44.92	49.53	39.08	35.96
	August	41.95	53.41	44.60	49.70	41.17	39.65
	September	40.42	50.45	39.93	41.92	37.71	33.88
	October	41.26	50.19	42.55	44.17	40.57	37.12
	November	40.67	49.86	46.07	47.45	44.46	39.90
	December	47.63	55.64	54.25	55.20	50.02	43.65

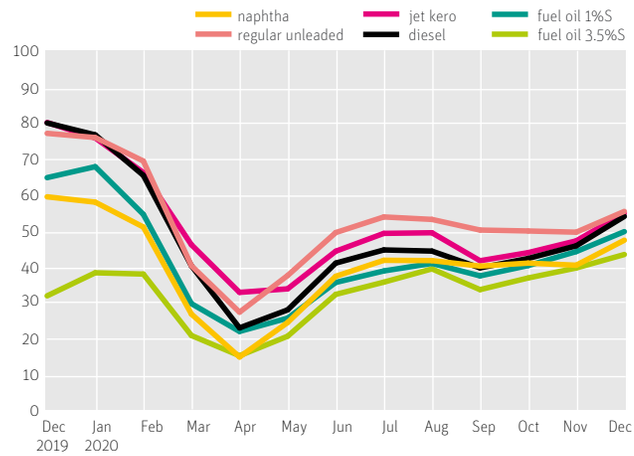


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2019	December	56.98	72.47	81.57	69.69	32.85
2020	January	56.03	70.83	76.90	71.66	40.11
	February	49.46	64.69	67.60	58.81	40.47
	March	24.88	34.88	46.76	33.38	22.93
	April	10.50	23.42	32.21	25.41	15.90
	May	22.71	32.59	35.23	28.78	21.71
	June	36.60	43.96	45.89	38.36	32.68
	July	41.56	47.45	50.49	41.68	36.18
	August	41.49	49.00	50.33	43.66	38.20
	September	39.21	48.52	44.31	40.56	34.92
	October	41.07	46.18	45.12	43.27	36.10
	November	40.34	46.11	48.17	46.17	38.25
	December	47.08	52.12	56.16	50.76	42.21

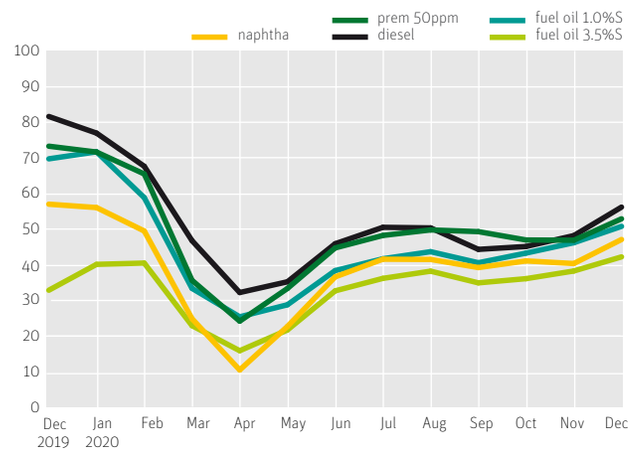
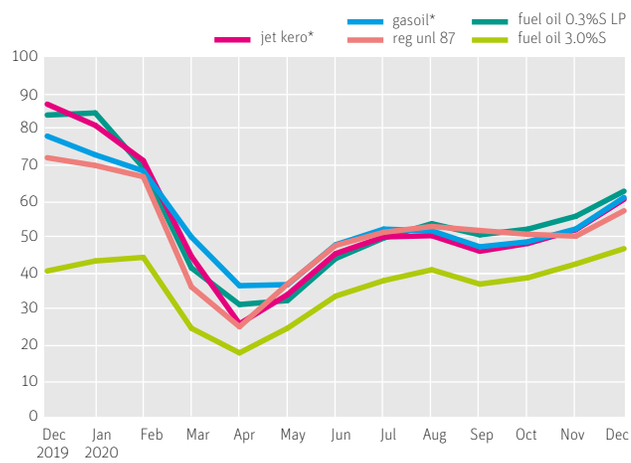


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil*	jet kero*	fuel oil 0.3 per cent S	fuel oil 3.0 per cent S
2019	December	71.78	77.78	86.65	83.63	40.35
2020	January	69.63	72.58	80.77	84.21	43.13
	February	66.51	68.13	70.97	69.02	44.12
	March	35.93	49.77	44.40	41.19	24.44
	April	24.87	36.26	25.67	31.03	17.61
	May	36.74	36.56	33.80	32.15	24.48
	June	47.44	47.62	45.16	43.79	33.37
	July	51.09	51.96	49.80	49.49	37.67
	August	52.70	51.50	50.15	53.48	40.68
	September	51.58	47.05	45.83	50.37	36.70
	October	50.53	48.45	47.99	51.96	38.47
	November	50.01	52.02	51.83	55.55	42.30
	December	57.06	60.75	60.24	62.50	46.54



* *FOB barge spot prices.*

Source: Argus. Prices are average of available days.

Table and Graph 6: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2019	December	63.62	74.82	71.34	78.24	76.59	77.75	41.20
2020	January	61.06	71.13	69.08	76.03	74.85	75.34	49.41
	February	52.56	64.34	62.62	64.66	63.98	63.05	44.34
	March	30.60	36.42	35.08	44.42	43.72	39.39	30.06
	April	17.86	20.49	19.42	28.85	28.32	21.35	22.23
	May	26.49	33.44	30.81	34.04	33.74	28.94	24.92
	June	39.06	45.21	42.75	46.05	45.32	41.16	34.66
	July	43.60	46.56	44.74	49.82	49.02	43.92	38.43
	August	43.08	48.18	46.96	48.10	47.61	43.28	40.60
	September	43.19	47.27	45.66	43.30	43.07	39.37	37.98
	October	41.88	45.96	44.79	43.43	43.28	41.65	38.90
	November	40.71	46.67	45.51	47.15	47.01	45.64	42.72
	December	47.80	53.43	52.40	54.50	54.40	53.87	46.08

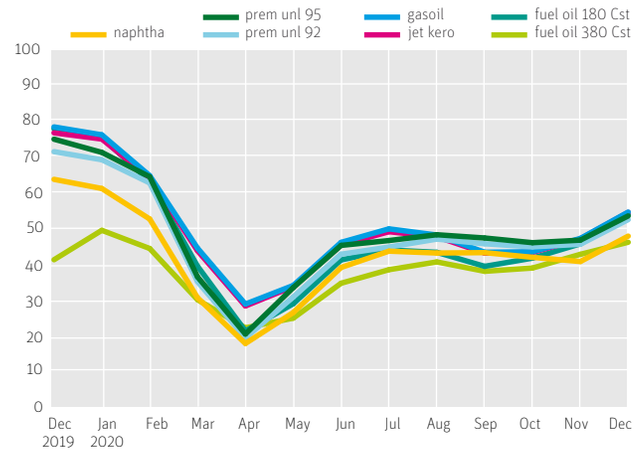
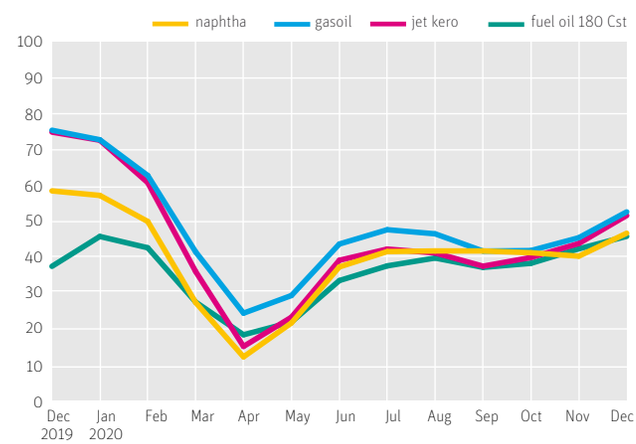


Table and Graph 7: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2019	December	58.54	75.36	74.85	37.61
2020	January	57.28	72.72	72.59	45.90
	February	50.06	62.81	60.82	42.76
	March	27.60	41.63	36.18	27.71
	April	12.50	24.62	15.40	18.63
	May	21.91	29.52	23.50	22.15
	June	37.45	43.80	39.30	33.67
	July	41.71	47.77	42.40	37.74
	August	41.88	46.63	41.33	39.92
	September	41.88	41.85	37.66	37.32
	October	41.39	41.99	40.06	38.45
	November	40.43	45.55	43.95	42.48
	December	46.80	52.72	51.72	45.94

Source: Argus. Prices are average of available days.



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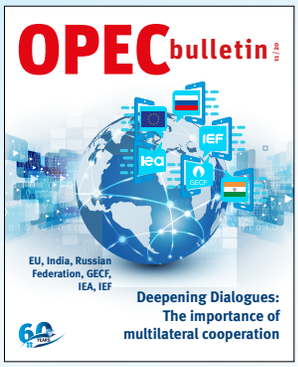

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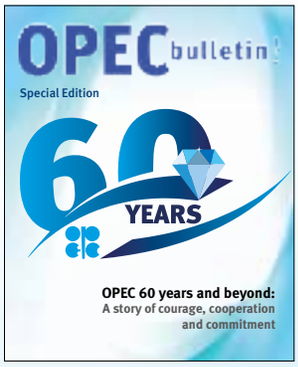

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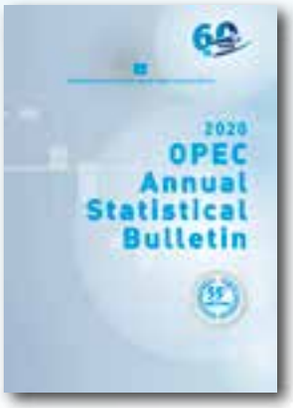

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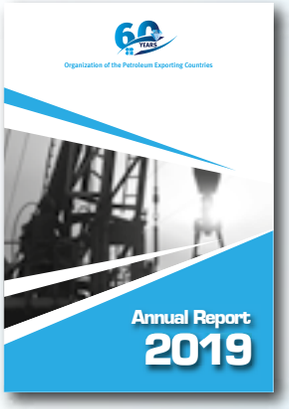

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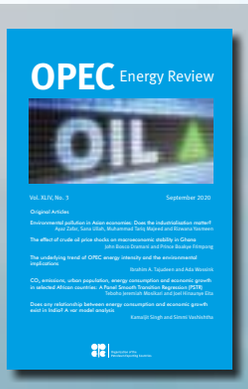

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