OPEC bulletin

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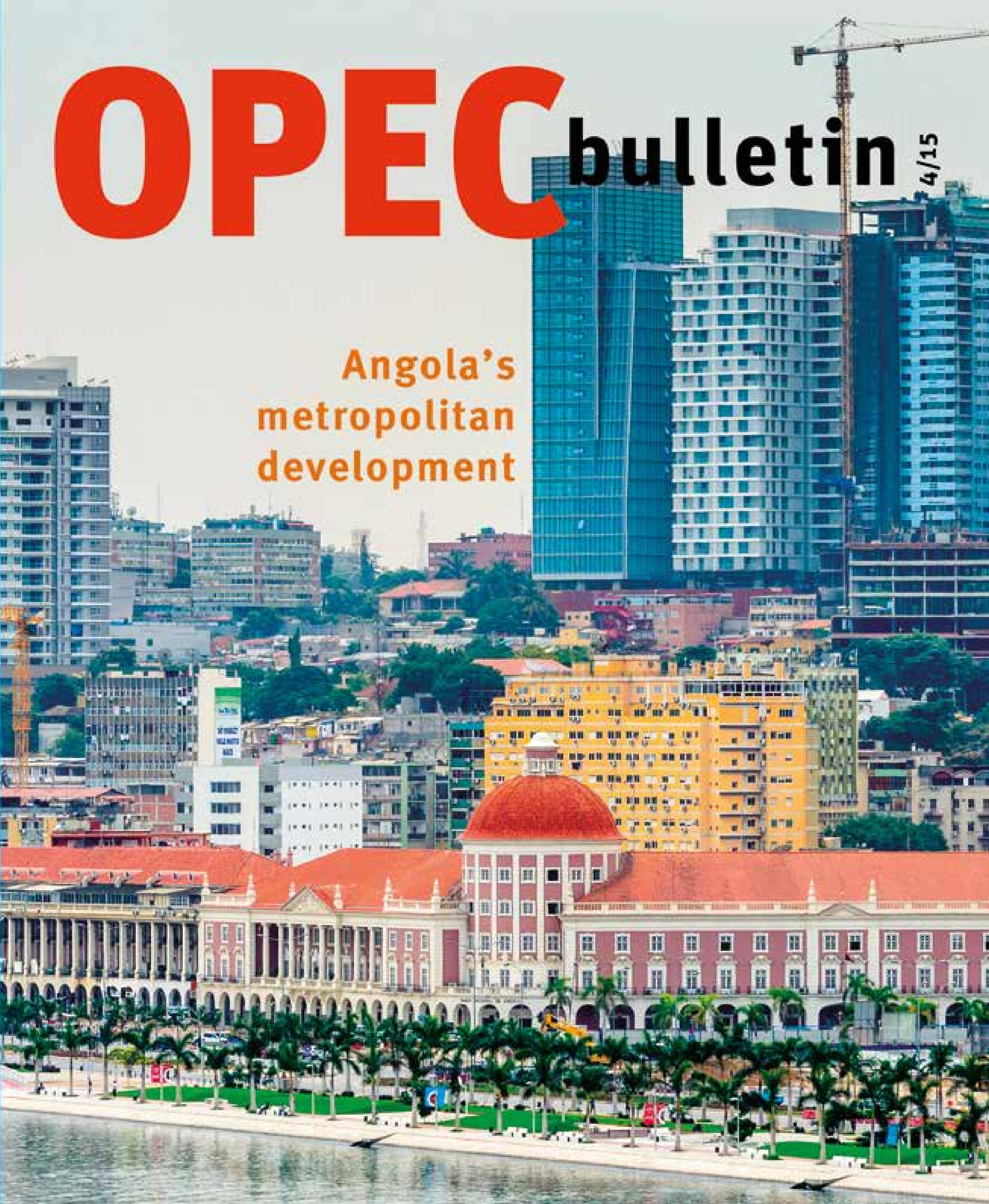
Angola's metropolitan development




6th
OPEC
International Seminar
Petroleum: An Engine for Global Development
3–4 June 2015
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Gambling on oil: The price the market pays

When international crude oil prices fell by over $50/barrel between June 2014 and January this year, many industry commentators were quick to lay the blame squarely on growing oversupply in the market. Yes, a surge in non-OPEC supply, during weak demand, was the main culprit. But there was one other important factor that contributed to the downturn, especially as the price decline gained momentum. And that was speculation.

As OPEC Secretary General, Abdalla Salem El-Badri, stressed to the media at recent industry events, the Organization did not believe that actual market fundamentals warranted the almost 60 per cent drop in prices witnessed during that period. He stressed that it was clear that speculators had also played a role in the fall.

But this phantom of the energy markets is nothing new. OPEC has long warned of the actions of speculators as they ply their trade on the various energy exchanges around the world. These playmakers, that comprise many entities, thrive on risk and opportunity and are driven by the prospect of making maximum profit out of minimum exposure. When the conditions in the market are ripe, they ghost onto the trading stage. Like puppeteers, they pull the strings from the wings, manipulating positions and unsettling what are already delicate and often precarious trading environments. Prowling the exchanges, they are quick to exploit any situation that can bring them the desired big pay day that feeds their burning ambition and bank balances. They can be unscrupulous, at times ruthless, especially when the stakes are high.

Commodity exchanges, by their very nature, are complex undertakings. They are extremely active with countless daily toing and froing of positions and prices. But the procedures speculators follow in 'working' the market to their advantage fall under one simple aim — to buy at the lowest price, bid it up and sell at the highest. A golden opportunity presents itself to these 'investors' when crude oil prices fall suddenly, as has been the case most recently. At the opportune time, they flood into the market and buy up massive quantities of so-called paper barrels, of course at the lowest price possible. It is then a case of sitting patiently on their acquisitions and waiting for the price to rise again — as it invariably does — before selling at a handsome profit. It is not uncommon for such speculators to make millions of dollars on just a single paper contract.

Interestingly, this type of speculator never takes physical possession of actual barrels of oil. It means that in any given trading day the oil futures markets can routinely trade more than one billion barrels of oil — even though actual global supply is a fraction of that at around 92.5m b/d.

Another way speculators are operating today is through the actual purchase of the low-priced crude barrels, which they hold in storage at sea. Then, when oil prices move higher, they sell the oil on, pocketing huge profits.

The actions of speculators can also drive the price lower. As the *OPEC Monthly Oil Market Report (MOMR)* observed in September last year, while prices were falling, hedge funds and other money managers chose to reduce their net long positions in ICE Brent and Nymex WTI futures trading by a hefty 73 per cent and 45 per cent, respectively, exerting even more downward pressure on prices.

Today, energy exchanges are a hive of activity as speculators seek to take full advantage of the volatility of crude oil, which has increasingly become a new asset class.

Figures from asset manager, BlackRock, show that in the first quarter of the year, investors, chasing an oil-price rebound, channelled more than $8bn into energy exchange traded products (ETPs). This amount is more than what has been seen in the last five years put together!

And a *Reuters* study in February showed that average trading volume across Brent futures was showing a 42 per cent increase over 2014, while the volume for US benchmark WTI had soared by more than 50 per cent. As a result, oil volatility had jumped to its highest level since the financial crisis, it observed.

All in all, little wonder oil market instability, fragility and price volatility are so rife.

Under the age-old businessman's creed, one is encouraged to speculate, so as to accumulate. And there is nothing wrong with that. But surely the extent of one's trading activities should not be to the point where the very structure of the market you are working in is distorted and destabilized.

In the case of the world's commodity exchanges — whether energy, metals, or agriculture — it is the fundamentals of supply and demand that should be dictating how prices perform. Sadly, under the current trading environment, which is engulfed in the now all-familiar culture of greed and self-interest, this is not the case. And it has not been so for some considerable time.

The other alarming aspect to consider is that it is difficult to gauge just what premium is added to energy prices as a result of speculator activity. Various commentators say it can be anything from $10/b to $30/b, even more when conditions allow.

The fact is that hedge funds and speculators need prices to oscillate to make their profits, which literally run into billions of dollars. The stability that OPEC and other energy stakeholders seek is of no help to them and severely limits their scope for gain.

OPEC's El-Badri has repeatedly said at international fora that an oil market without some level of speculation will never exist. But there are limits as to what is healthy trading and what is excessive and irresponsible. Perhaps the regulators that govern the world's energy exchanges need to take another long, hard look at the activities of these moneymen, who it is clear are doing a lot more harm than good in conducting their everyday business.

OPEC for one would certainly welcome such a move.

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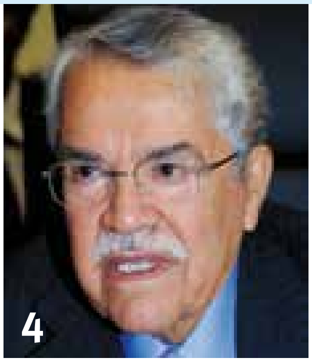

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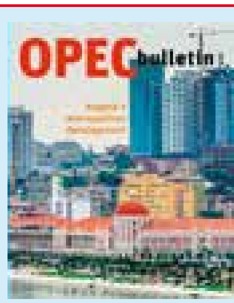

Cover
This month's cover shows Luanda, the bustling capital of Angola (see Feature on page 22). Image courtesy Shutterstock.

Vol XLVI, No 3, April 2015, ISSN 0474–6279

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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 12 Members: Qatar joined in 1961; Libya (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007). Ecuador joined OPEC in 1973, suspended its Membership in 1992, and rejoined in 2007. Gabon joined in 1975 and left in 1995. Indonesia joined in 1962 and suspended its Membership on December 31, 2008.

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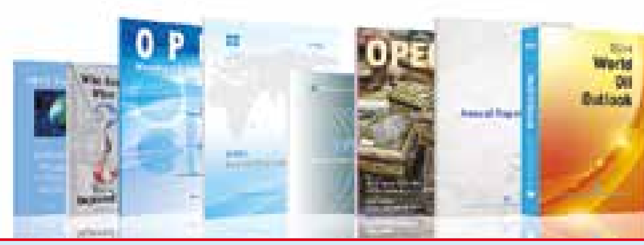

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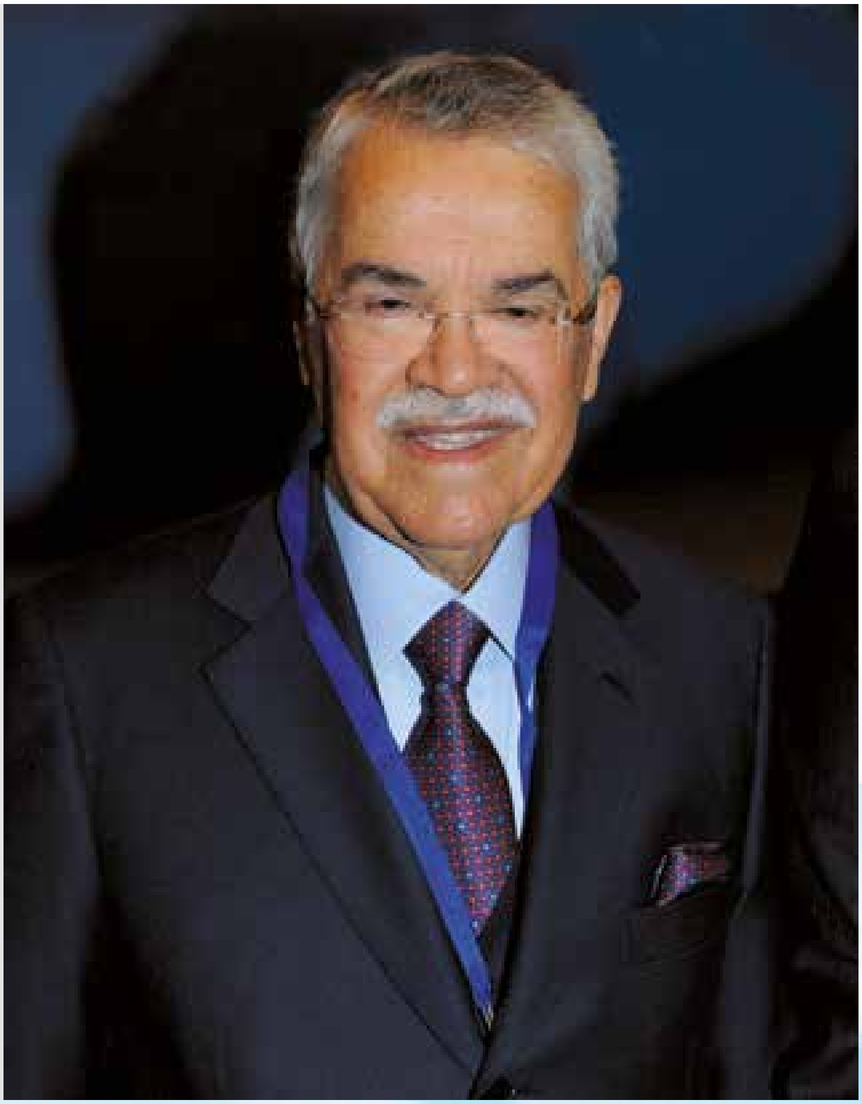
Saudi Arabia fully supports OPEC's international role

Talk of Organization's weakening "unfounded, politicized, untrue" — *Naimi*



Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources.

Saudi Arabia passionately supports OPEC's role as the world's most important and most active international petroleum organization.

That was the view stressed by Ali I Naimi, the Kingdom's longstanding Minister of Petroleum and Mineral Resources, who stated that while it had close relationships and ongoing cooperation with all major oil producing and consuming nations, Saudi Arabia's "first and most important cooperative relationship" is with OPEC, of which it is a founding state.

"Since its establishment in 1960, OPEC has played an effective and positive role serving Member Countries, producing countries, the oil industry and the global economy," Naimi told the Saudi Economic Association in Riyadh in early April.

He pointed out that talk by some of OPEC's weakening or division was unfounded, politicized and untrue.

World needs OPEC

"Producing nations need OPEC in order to maintain market stability. So do consuming nations. And so does the global economy. If OPEC did not exist, it would have been created, even if under a different name," he affirmed.

The Saudi Minister noted that, just like any major international organization, OPEC faced challenges. "There may be differences of opinion between Member States, but this is quite natural. This has always been OPEC's reality since it assumed its leadership position in the market in the early 1970s."

In addition to OPEC, he said, the Kingdom was an active and effective member of various international oil and energy organizations, such as the Organization of Arab Petroleum Exporting Countries (OAPEC), and the International Energy Forum (IEF), which is based in Riyadh.

"The Kingdom also plays an important and effective role in international talks on environmental and climate change-related issues. The Saudi oil industry cares about, and gives priority to, the environment and climate change. For example, we are pioneers when it comes to climate change technology, such as re-injecting carbon dioxide into old oil fields. That said, we will stand up, firmly and resolutely, in solidarity with a number of countries, against any attempt to marginalize the use of oil in a way that could undermine sustainable development. We prefer to focus on sustainable development with its economic, social and environmental elements."

Naimi said Saudi Arabia's huge oil and gas reserves made it an important international power.

"We are committed to stability and creating prosperity for our people. Saudi Arabia's petroleum policy seeks to strike a balance between the present and the future. It aims to boost national income and preserve our share of the oil market. And it seeks to continue in its role as a major supplier of energy to the world," he said.

Turning to the recent fall in international crude oil prices, Naimi explained that market fluctuations were inevitable. "The challenge is to restore the supply-demand balance and reach price stability. This requires the cooperation of major non-OPEC producers, just as it did in the 1998–99 crisis."

The Minister stated that with the oil price fall, caused mainly through weak demand growth and excessive non-OPEC supply, the Kingdom made it clear to its colleagues inside OPEC that it was willing to participate in production cuts in accordance with a fair and credible mechanism.

Joint action required

"Market conditions, however, require joint action by major oil-producing and exporting nations. Extensive communications and visits were made and joint meetings were held. However, some major non-OPEC producing countries said they were unable, or unwilling, to participate in production cuts.

"For this reason, OPEC decided, at its meeting on November 27, last year, to maintain production levels and not to give up its market share in favour of others."

Naimi said that the experience of the first half of the 1980s was still in their minds. At that time, OPEC cut production several times.

"Some OPEC Countries followed our lead, and the aim was to reach a specific price that we thought was achievable. It did not work. In the end, we lost our customers and the price.

"The Kingdom's crude oil production dwindled from over 10 million barrels/day in 1980 to less than 3m b/d in 1985. The price fell from over $40/b to less than $10. We are not willing to make the same mistake again," he professed.

Restore market stability

"That said, I would like to be absolutely clear. The Kingdom remains willing to participate in restoring market stability and improving prices in a reasonable and acceptable manner. But this can only be with participation from major oil-producing and exporting countries. And it must be transparent. The burden cannot be borne by Saudi Arabia, the Gulf Cooperation Council (GCC) countries, or OPEC Countries, alone.

The Minister said he also wished to clarify conclusively that the Kingdom did not use oil for political purposes against any country and it was not in a competition with shale or other high-cost oils.

"On the contrary, we welcome all new energy sources which add depth and stability to the market and that will help meet growing oil demand in the years to come."

Moving on to Saudi Arabia and its domestic petroleum policy, Naimi reminded delegates that the Kingdom possessed huge oil and gas resources.

"With today's technology, our proven recoverable reserves stand at 267 billion barrels. Our proven natural gas reserves are 300 trillion cubic feet. Annual production is compensated with new discoveries. Upstream technology is advancing, and Saudi Aramco is a leader in this area.

"We are also one of the most active countries in terms of exploring for shale oil and gas and detecting their reservoirs and volumes. We know that we have huge volumes in several places.

"In terms of oil refining capacity, both in-Kingdom and out-of-Kingdom, we are now at a level of 5m b/d. Each year, our refining capacity increases and improves in quality. We are building advanced refineries which can treat heavy crude oil. Increasingly, they can produce petroleum and petrochemical products that rank

"The Kingdom remains willing to participate in restoring market stability and improving prices in a reasonable and acceptable manner. But this can only be with participation from major oil-producing and exporting countries."

highest in terms of price, demand and added-value realization."

Naimi said that, of course, The Kingdom sought to generate the highest revenues for the Kingdom, in the short and long term, and it aimed to preserve oil's status as a major source of energy.

"But we also aim to build a solid Saudi oil industry that can compete in all areas. Our key objective, therefore, is to ensure oil and gas can help boost the national economy and expand Saudi Arabia's industrial base."

The Minister stated that the Saudi oil industry was expanding and growing more important year-on-year.

"I am not referring just to Saudi Aramco, the world's largest oil company and one of the best in terms of management and production. Rather, I am talking about oil and energy-related businesses, industries and services. These range from geological and seismic surveying companies, to sectors such as drilling, building platforms, crude and product haulage companies, engineering firms, the construction sector, even through to simple services.

"Producing nations need OPEC in order to maintain market stability. So do consuming nations. And so does the global economy. If OPEC did not exist, it would have been created, even if under a different name."

"Our future plans and ambitions far exceed even this. We aspire for the Kingdom not only to be an oil-producing nation, but also a global centre for the production of the materials and services needed by the oil, energy, petrochemical and other industries.

"The oil and petrochemical industries focus on scientific research and studies and obtaining patents. We believe that, for any industry, scientific research and new inventions are the best way to progress and compete."

Scientific research centres

In this area, said Naimi, Saudi Aramco had research labs and centres in Dhahran and a number of locations around the world with research activities, including prospecting operations, drilling, reservoir management, enhanced oil recovery and building environment-friendly, low-emission engines that run on oil. Saudi Aramco managed during the past few years to obtain and register scores of patents, with more in the pipeline.

"We are thrilled to see numerous Saudi companies, such as the Saudi Arabian Basic Industries Corporation (SABIC), Tasnee' and Ma'aden, have scientific research centres of their own. Also, some Saudi universities have research centres specialized in such arenas. The King Fahd University for Petroleum and Minerals and the King Abdullah University for Science and Technology have special divisions for energy research, which include solar power, bio-mass and more."

Naimi continued that the Ministry of Petroleum and Mineral Resources focused on the Saudi oil industry's integration and ability to compete globally. It also tried to keep abreast of international developments in the oil arena and generate added-value for the industry and the Kingdom as a whole.

Downstream operations

"This is why Saudi Aramco and some of its affiliated companies are engaging in operations further downstream. In addition to being in line with international developments in the refining area, this generates added value to the Kingdom, expands its industrial base and creates numerous major opportunities for the private sector and small and medium enterprises," he maintained.

Naimi said that, in addition to all this, the Kingdom was also striving to develop industrial clusters.

"In this regard, I would like to mention two important examples. The first is the Red Sea area. Here, there is an industrial-commercial extension starting from the industrial city of Yanbu' in the north, to Rabigh which hosts PetroRabigh, the company owned by Saudi Aramco and Sumitomo of Japan. This includes an advanced refinery, a large petrochemical industries complex and another complex which is still under construction.

"After Rabigh comes Thuwal, hosting KAUST, which has a research and development complex for Saudi and international companies wishing to turn their inventions into new industrial products.

"Then comes the King Abdullah Economic City with its various industrial and commercial projects. This is a commercial-industrial strip that expands and grows more important each and every year, helping give the Kingdom a prominent global industrial position in the areas of manufacturing and applied sciences."

Naimi said that in the eastern part of the Kingdom, on the Gulf coast, there was another industrial-economic cluster developing. This started with Jubail, a city with various industrial projects that had become one of the world's most important industrial cities. Then the strip extended north to the city of Ras Al-Khair, now hosting several mining and other industries and expanding to include other industries and activities.

He said that in addition to those two industrial-economic clusters, there were industrial cities currently under construction. One of these was Jazan Industrial Economic City, where work would commence in 2017 and Wa'd Al-Shamal, in which work was expected to start in 2016.

"There are more industrial cities in the final planning or initial construction phases," he revealed.

In highlighting three aspects that were of special importance to the Ministry of Petroleum and Mineral Resources, Naimi pointed firstly to its contribution to the building of educated, professional men and women who honoured work ethics.

"It is the human element that builds and gives success and continuity to nations, as well as companies, industries and trade, not only at the leadership level, but at all work levels as well. If well-educated, trained and organized, human energy can lead to unlimited development in terms of strength, competition and progress. In fact, human energy is the source of all other energies."

Human aspects

Naimi noted that the Kingdom had given this aspect a great deal of attention since the days of the Founding King, King Abdulaziz. His instructions and conditions to Aramco, when it started its operations in the Kingdom more than 80 years ago, were to focus on recruiting, training, educating and qualifying citizens in all areas.

"The company gave this area considerable attention. Saudi Aramco now has an advanced sponsorship programme, another pre-university programme for vocational training on technical jobs needed by the company and on-the-job training programmes. All the company's employees, at all levels, join continuing educational and professional programmes up to a short time before their retirement," he said.

The Minister said Saudi Aramco and other companies reporting to the Ministry of Petroleum and Mineral Resources were leaders in the area of recruiting, qualifying and training Saudis.

In conjunction with other government agencies, particularly the Technical and Vocational Training Corporation, as well as some companies, the Ministry of Petroleum and Mineral Resources had helped build and supervise several professional specialized and highly-efficient institutes.

"It is a source of pleasure for me to mention that trainees at such institutes obtain good jobs even before graduating," disclosed Naimi.

He said the second area of importance to the Ministry was the preservation of energy and rationalization of consumption in all areas — from air conditioning equipment to household appliances, cars, through to factories and public and commercial buildings.

Saudi Energy Efficiency Programme

Although the Saudi Energy Efficiency Programme only started three years ago, it had achieved distinguished results.

"It will achieve more in the future, saving for the Kingdom approximately 20 per cent of the expected energy consumption by 2030. This is the equivalent of 1.5m b/d."

The third area of importance to the Ministry, said Naimi, was the focus on local content and the establishment and success of small and medium enterprises. "We seek to have the materials, services and products needed by the energy and petrochemical companies locally sourced; ie, manufactured in the Kingdom, by Saudi or mainly-Saudi manpower," he stated.

In concluding his address, the Minister said he was extremely optimistic about the future of the Saudi economy and the continuation of its growth and diversification, as well as the further prosperity of its citizens.

In economic terms, he expected the Kingdom's gross national product (GNP) to reach more than $1 trillion before the end of the current decade.

"In terms of petroleum, I expect that prices will improve in the near future, that the Kingdom's production will continue at approximately 10m b/d. I also expect our discoveries of the various types of oil and gas will continue in all areas of the Kingdom and that our economic base will continue to expand, turning us into a truly industrialized country, not just a country dependent on oil production and exports," he added.

"We aspire for the Kingdom not only to be an oil-producing nation, but also a global centre for the production of the materials and services needed by the oil, energy, petrochemical and other industries."

IEA-IEF-OPEC Symposium convenes in Saudi Arabia

Outlooks & Observations

L–r: Abdalla Salem El-Badri, OPEC Secretary General; Aldo Flores-Quiroga, Secretary General of the IEF; and Maria van der Hoeven, IEA's Executive Director.

IEF

Riyadh, Saudi Arabia, was once again the host for the IEA-IEF-OPEC Symposium on Energy Outlooks. Held at the headquarters of the International Energy Forum (IEF), the fifth symposium in the series brought together experts from OPEC, the IEF and the International Energy Agency (IEA), as well as from a plethora of other industry organizations, companies and governments. The* OPEC Bulletin *reports on the day-long event.

For the 100 or so experts from around the world that convened in Riyadh for the Fifth IEA-IEF-OPEC Symposium on Energy Outlooks on March 23, 2015, energy markets, particularly from the perspective of oil, looked decidedly different from the fourth symposium that took place in January 2014.

In the period since, oil prices have witnessed a sharp drop (between June 2014 and January 2015) and subsequently some companies have cancelled or deferred projects, investment plans have been revised and costs have being squeezed. It was clear from delegates that the industry is currently witnessing a period that is shifting the global oil landscape.

These changing dynamics evidently offered much to deliberate and debate and a number of these issues were highlighted in both the opening remarks and later comments from the Heads of the IEA, the IEF and OPEC.

In his opening remarks, OPEC Secretary General, Abdalla Salem El-Badri, stressed that the three organizations "have come a long way in our cooperative efforts over the last five years," stating that "although we may not reach an accord on all issues, I am sure this Symposium will continue to help our organizations identify areas of mutual interest and explore opportunities for strengthening relationships."

As well as the comparison of IEA and OPEC outlooks, he also highlighted the last session of the Symposium — 'uncertainties in coping with appropriate investment decisions', which would explore some of the key elements of investment uncertainty, including issues related to economic growth, rising production costs, policies, developments in technology and ongoing market turbulence.

El-Badri said "this is obviously extremely relevant given the current market environment where some investments are being put on hold or cancelled altogether."

The IEA's Executive Director, Maria van der Hoeven, also iterated that much progress had been made through the Symposium over the years and later added that "what I have seen in the last few years is that cooperation between OPEC, the IEA and the IEF has been expanding on all levels — on the working level, on the project level, and also between the directors. I think this is very important."

She stressed, however, that the three organizations needed to take into account that the market had changed, volatility would be there, and that there were issues such as oil intensity, climate change and a more globalized natural gas market that could potentially reshape oil markets.

The Secretary General of the IEF, Aldo Flores-Quiroga, said regarding the Symposium that "at this time of uncertainty there are so many questions about what is going on with markets that it is very interesting to receive over 100 experts from all sectors of the energy industry. And this is a meeting we host together with OPEC and the IEA, so we think it is very representative of all the views that matter in the markets."

He added that in terms of bringing people together "it is not an easy road ahead; it is not an easy task. Producers and consumers and companies themselves have interests that are not always matching. And our task at the IEF is to provide the platform that makes it easier for them to exchange their perspectives and to help us in promoting more informed dialogue that helps world energy security."

Comparison of outlooks

The first session of the Symposium facilitated the sharing of insights and an exchange of views about energy market trends and short-, medium-, and long-term energy outlooks from the IEA and OPEC. The main focus was on the most recent outlooks from the organizations, specifically the key findings and where differences in methodologies, definitions and numbers occurred.

The IEA's presentations were made by Antoine Halff, Head, Oil Industry and Markets Division, and Nathan Frisbee, Senior Analyst, Global Energy Economics. And from OPEC they were given by Dr Hojatollah Ghanimi Fard, Head of the Petroleum Studies Department, and Oswaldo Tapia, Head of the Energy Studies Department.

The presentations were supported by a report — 'A comparison of recent IEA and OPEC outlooks' — prepared by the IEF and the Duke University Energy Initiative, in consultation with the IEA and OPEC.

Professor Richard G Newell, Director of the Duke University Energy Initiative and Gendell Professor of Energy and Environmental Economics, served as the Principal Researcher on the project.

The study concluded that the purpose of the comparison was "not to harmonise all assumptions or to eliminate differences in perspectives," stressing that "the goal is to pursue higher-quality data and control for differences in convention, in order to better inform stakeholders worldwide."

It was noted that progress had been made on a number of issues, reflecting the cooperation and flexibility of both the IEA and OPEC to discuss and review their methods. However, a number of issues were highlighted that warranted further discussion, including: bridging historical data differences; harmonising baseline years; understanding factors that underscored differences in medium- and long-term oil price assumptions; advancing efforts to standardise liquids fuel supply categories; adopting consistent approaches in classifying fuels at regional versus global levels; and standardising unit conversion processes.

Some of these issues were discussed by experts from both OPEC and the IEA at a technical meeting the day after the Symposium.

In addition to the IEA-OPEC outlooks session, the Symposium also included a session of presentations from other industry stakeholders on their views on short-, medium- and long-term energy outlooks. This was chaired by David Fyfe, Head, Market Research and Analysis, Gunvor Group, and included presentations on various issues from ConocoPhilips, the China National Petroleum Corporation, Hartree Partners, and Japan's Ministry of Economy, Trade and Industry.

This was followed by a session on the 'Uncertainties in coping with appropriate investment decisions'. This was moderated by Harry Tchilinguirian, Global Head, Commodity Markets Strategy — Commodity Derivatives, BNP Paribas, and included presentations from the Alberta Department of Energy, the Inter American Development Bank, the Arab Petroleum Investments Corporation, and Schlumberger Business Consulting.

Ever-evolving efforts

There was general agreement that the Symposium had once again been a success and that work between the organizations on better harmonising energy outlooks would continue in the coming year.

The three organizations also have other joint events planned for 2015, including the 5th Workshop on Interactions between Physical and Financial Energy Markets and the 3rd Symposium on Gas and Coal Market Outlooks.

Riyadh hosts Second GCC Petroleum Media Forum

Delegates see need for independent media association

The Forum was held under the auspices of the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud.

Gulf Cooperation Council (GCC) Oil and Energy Ministers, as well as prominent local media officials, attended the Second GCC Petroleum Media Forum in the Saudi Arabian capital, Riyadh, towards the end of March.

The three-day event, held under the auspices of the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al Saud, followed up on the first such Forum, held in Kuwait in March 2013.

High-level attendance

Among those at the opening ceremony were Dr Ali Saleh Al-Omair, Kuwait's Oil Minister, Dr Mohammed Bin Saleh Al-Sada, Qatar's Minister of Energy and Industry, Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources, and Suhail Mohamed Al Mazrouei, United Arab Emirates (UAE) Minister of Energy.

Also present were Dr Abdul Hussain Bin Ali Mirza, Bahrain's Minister of Energy, Assistant GCC Secretary-General for Economic Affairs, Abdullah Al-Shibli, as well as a delegation from the Abu Dhabi National Oil Company (ADNOC).

Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources, who gave the opening address to the Forum.

In addition to the GCC ministers, a high-level delegation led by the Director-General of the Vienna-based OPEC Fund for International Development (OFID), Suleiman J Al-Herbish, was also in attendance.

Other participants included various leaders in the industry and media specialists from local and international news agencies, television stations and newspapers.

Media relationship

The Forum was held under the theme 'Gulf Petroleum Media, Issues and Challenges'. It was aimed at enhancing the relationship between the media and the oil industry in the GCC region and looked at ways and means of improving the standard and accuracy of reporting.

The GCC petroleum media strategy primarily stipulates enhanced cooperation between the petroleum media in regional countries and the international media to "defend petroleum interests and attitudes."

Its second objective comprises organizing regular media forums in the GCC countries to exchange ideas and information, thereby helping to eliminate obstacles and promoting stronger ties.

The GCC, which was established in the UAE capital, Abu Dhabi, in 1981, comprises OPEC Member Countries Kuwait, Qatar, Saudi Arabia, and the UAE, along with Oman and Bahrain.

Today, its Members, supported by their oil and petroleum-related wealth, are among the fastest-growing economies in the world and having great influence on present and future world energy supplies. The relationship with the media is therefore an extremely important issue going forward.

The inaugural Media Forum in Kuwait in 2013 proved very successful. After extensive discussions, delegates to those talks agreed to a series of recommendations, aimed at moving the process forward to the next scheduled meeting — in Saudi Arabia in 2015.

This followed an invitation by Saudi Arabian Minister, Naimi, who attended the Kuwaiti meeting and also opened the second Forum.

Naimi opening remarks

In his opening speech in Riyadh, Naimi used the occasion to dismiss claims that geopolitical reasons and plans to curb shale oil production were behind the recent fall in crude oil prices. The price of crude has basically halved since the summer of last year.

He stated: "There are no conspiracies behind OPEC's decision (at its Conference in November 2014) to keep

Dr Ali Saleh Al-Omair, Kuwait's Oil Minister.

its target output (of 30 million barrels/day) unchanged," he was quoted as saying.

"We are not against anyone, but we always seek to achieve an oil market balance between supply and demand and let demand and supply decide the prices," he stated.

The Minister stressed that the Kingdom stood ready to meet any increase in demand for crude oil, but added that it was not planning to increase its oil production capability to more than 12.5m b/d.

Concerning the GCC's relations with the media, the Forum approved Naimi's call for the creation of an independent media association, to include all media people from the GCC, Arab and foreign countries, who specialized in the areas of oil and energy.

The Minister said that launching such an association would help in underlining the GCC's contribution to global economic growth.

He also suggested that special training workshops could be established that would help educate industry journalists, so as to "portray the correct picture of the oil market."

Professional skills

Naimi maintained that to cover oil reports accurately, journalists needed professional skills and a specialization in the field.

"Every ministry of energy and petroleum holds workshops annually or biennially for a certain period to explain the petroleum industry. This is what happened two years ago for media personnel. They were given lessons for two weeks and I think that was useful. This will be repeated to strengthen knowledge and understanding, not only for us, but for the whole world," he affirmed.

Naimi contended that the Media Forum was aimed at maintaining professionalism and defending the stand of GCC countries in the important economic sector.

The Forum also recommended launching an award for distinguished petroleum media personalities; such an award would be given by the GCC country hosting the biennial Forum.

Delegates felt that more efforts were needed to improve the standing of GCC countries in the international media, especially in highlighting the role they played in stabilizing the world oil market and helping to sustain economic growth through the provision of sufficient oil supplies.

They called for holding more training programmes for the petroleum media, on both a national and GCC level, in coordination with the oil ministries and

Dr Mohammed Bin Saleh Al-Sada, Qatar's Minister of Energy and Industry.

companies, on the one hand, and press institutes, on the other.

They also considered that the oil companies operating in the region should be more prominent in boosting their social, cultural and economic activities, and preparing qualified media cadres, who could keep abreast of the revolution in digital technology.

Credible information

Forum participants pointed to the importance of providing the public with timely and credible information on the oil industry, in order to stem rumours circulated via social media. It was also felt important to strengthen confidence among the decision-makers (the ministries of oil), operating companies, and the research centres.

The Forum also featured an exhibition featuring stands from the ministries of petroleum of the GCC countries, national oil and petrochemical firms, as well as OFID.

Suhail Mohamed Al Mazrouei, United Arab Emirates (UAE) Minister of Energy.

Iranians celebrate tentative accord over removal of economic sanctions

Hassan Rouhani, Iran's President.

Jubilant Iranians took to the streets in Tehran in early April to celebrate the announcement of a framework agreement reached between the OPEC Member Country and a group of Western nations which could see an end to sanctions against the country after over a decade.

After a week of intense negotiations in the Swiss city of Lausanne, Iran and the so-called 5+1 group (the five permanent United Nations Security Council members — China, France, Russia, the United Kingdom, and the United States, plus Germany) reached a tentative accord, under which Iran will commit to limiting its nuclear activities in return for the lifting of the sanctions, which have been in place for 12 years.

The parties will now work towards a full working agreement, scheduled to be in place by the end of June.

Iranian Foreign Minister, Dr Mohammad Javad Zarif, who headed his country's negotiating team at the protracted talks, received a hero's welcome upon his arrival back in Tehran.

Historical memory

Crowds of cheering supporters surrounded his vehicle, chanting slogans of support for him and President Hassan Rouhani, who on hearing the news stated: "Today is a day that will remain in the historical memory of the Iranian nation." Rouhani said a new chapter of "cooperation with the world" would begin when the final deal went into effect after July.

Quoted by Iran's *Mehr News Agency,* he hailed the framework nuclear deal as a step toward mending frayed relations with the West.

In a televised address, Rouhani pledged that his nation would abide by its commitments in the historic accord, declaring that the deal opened a "new page" for Iran in its relations with the rest of the world over the nuclear agreement.

However, he stressed that a final agreement would depend on both sides living up to their commitments. "If the other side honors its promises, we will honor ours too," he maintained.

Progress, development and stability

Rouhani emphasized the need for cooperation in the international arena, saying that, in today's world, progress, development and stability in the region and the world was not possible without cooperation and coordination.

Also quoted by the *Islamic Republic News Agency (IRNA),* the Iranian President said a "difficult path" was still ahead in the nuclear field despite existing achievements.

"Of course, we still have a difficult path ahead of us to reach the final destination, in order to be able to guarantee the right of the Iranian nation in this domain and for the entire world to acknowledge the right of the Iranian nation and also to ensure that the Iranian people enjoy their rights in various domains and economic activities," he added.

Ayatollah Akbar Hashemi-Rafsanjani, Chairman of Iran's Expediency Council, in pointing to the skills of Iranian diplomats over the discussions, termed the framework deal as a significant outcome for the country.

He expressed hope that the world would recognize Iran's legitimate nuclear programme within the coming three months.

Regarding reactions to the accord by other world

At the talks in Lausanne (l–r) Wu Hailong, Chinese Ambassador to the United Nations; Laurent Fabius, French Foreign Minister; Frank Walter Steinmeier, German Foreign Minister; Federica Mogherini, European Union High Representative for Foreign Affairs and Security Policy; Dr Mohammad Javad Zarif, Iranian Foreign Minister; Alexey Karpov, Russian Deputy Political Director; Philip Hammond, British Foreign Secretary, and US Secretary of State, John Kerry.*

leaders, United States President, Barack Obama, described it as a "historic understanding with Iran." His Energy Secretary, Ernest Moniz, commented that Iran and the US were "on the same page" about the framework agreement for a nuclear deal.

French President, Francois Hollande, also welcomed the framework accord.

The move spells good news for Iran's petroleum industry investment. The country is due to unveil new oil contracts in London in September.

Mehdi Hoseyni, head of the Committee set up to review Iran's oil contracts, was quoted by *IRNA* as saying that both American and European companies had faced huge losses as a result of the sanctions imposed on Iran's petroleum operations.

Investment opportunities

He stated that if the sanctions were removed, US and European firms would have the opportunity to invest in Iran's investment projects, including the oil industry.

Hoseyni underlined that Iran's oil industry was very attractive to foreign investors from both an economic and technical point of view.

Ecuador signs oil deal with Chile, Belarus state firms

Oswaldo Madrid, Petroamazonas Chief Executive Officer.

Ecuador has signed a deal with companies from Chile and Belarus to explore for and exploit crude oil resources in an area of the Amazon region.

The agreement has been reached between Petroamazonas, the oil exploration and development arm of Ecuador's state oil company, Petroecuador, and Empresa Nacional del Petroleo (Enap), Chile's state oil and gas company, and Belorusneft, the leading oil enterprise in the Republic of Belarus.

According to a report by *Reuters*, the parties will explore and produce crude in a little-known Amazon region in a project involving estimated investment of $400 million.

Petroamazonas will hold the controlling 51 per cent share in the consortium, while Enap will possess 42 per cent and Belorusneft the remaining seven per cent.

An initial $30m will be spent for exploration on the block which is thought to hold between 30m and 50m barrels of crude.

Explore in difficult times

Oswaldo Madrid, Petroamazonas Chief Executive Officer, was quoted as saying that in the middle of the world oil crisis, it was some good news, "because there is a group of companies prepared to explore in difficult times."

The company said in a statement that Block 28 — the concession in question — would be the first Petroamazonas asset in Ecuador's south-east area to be exploited, pointing out that the region had not been explored for more than 20 years.

The report also revealed that Ecuador had modified a separate contract with Enap for the Paraiso-Biguno-Huachito block. This enabled the Chilean firm to expand its reach to include a nearby area where the company has discovered an estimated 8m b of oil.

This, in turn, enabled the company to invest $82m in drilling and infrastructure at the concession.

Investment in both Block 28 and in Enap's individual contract is expected to reach $100m in the next four years.

International bidding round

Reuters noted that Ecuador held an international oil bidding round in late 2012 to find suitable takers for 13 blocks in a remote but promising area near the border with Peru, but had not allocated any so far.

Petroamazonas was handed three other blocks in the same area at the time, including Block 28 which the consortium will now explore.

Ecuador produces around 550,000 b/d of crude oil and has used a service contract for its oil production since 2010 instead of a production-sharing system. This means that it owns all of the output but pays operators a fee for every barrel pumped.

Kuwait discovers four new oil fields with "huge" commercial potential

Kuwait has announced the discovery of four new oil fields in the north and western areas of the country, which have been described as having "huge" commercial potential.

Hashem Sayed Hashem, Chief Executive Officer of the upstream state Kuwait Oil Company (KOC), said the fields would be developed and production would start briefly.

He was quoted by the *Kuwait News Agency (KUNA)* as saying that the new discoveries had been pinpointed after two years of "positive" exploration activities.

The finds are good news for the OPEC Member Country which is pursuing a capacity expansion programme, which will see its oil output capability rise to four million barrels/day by 2020.

KOC plans to invest up to $40 billion on upstream developments over the next six years in an effort to boost the firm's oil output capacity to 3.65m b/d from around 3.1m b/d currently.

Hashem said the crude grades found in the new fields were both light and heavy oil, with preliminary results showing "huge commercial volumes".

KOC is aiming to launch a set of new oil contracts for international firms later this year as it seeks to press ahead with developing the country's increasingly difficult resources.

Hashem announced that the so-called enhanced technical service agreements (ETSAs) will be with four international oil firms — BP, Shell, Total and Chevron.

The Kuwait Petroleum Corporation (KPC) has said that help from international companies was deemed essential for meeting the challenges of attaining its ambitious goals for 2020.

KOC has announced that the new ETSAs would aim to address the shortcomings of the old contracting model.

The company is still planning to proceed with an offshore drilling programme in 2016 to boost its capacity expansion plans.

Some 35 new wells are expected to be excavated in 2015.

Building capacity

The number of oil and gas drilling rigs would be increased by 50 per cent by early 2016, rising from 80 now to 120 rigs by the start of next year.

"We are continuing our programme, building capacity, especially in the oil and gas programme. We are not stopping ... we are growing our activities on the drilling side," Hashem was quoted as saying by *Reuters*.

KOC is planning to sustain crude oil production of 3.15m b/d over the next two years. Then, following the development of a number of oil fields in areas throughout the country, its production goal of 3.65m b/d of crude should be reached in 2020.

This amount, Hasan said earlier, would represent KOC's share of the overall target of attaining a total production capacity of 4m b/d by the start of the next decade.

Nigerian President-elect praises democratic process, “vote for change”

Muhammadu Buhari.

New Nigerian President-elect, Muhammadu Buhari, has praised the democratic process of his country after winning national elections at the end of March.

Buhari, a former army general who was President of Nigeria from 1983 to 1985, defeated present incumbent, President Goodluck Jonathan, by over two million votes.

Victory for Buhari marks the first time in Nigeria’s history that an opposition party has democratically taken control of the country from the ruling party.

“We have proven to the world that we are people who have embraced democracy. We have put a one-party state behind us,” he told newsmen after his victory was confirmed.

Buhari received 15.4 million votes at the ballot box, compared with13.3 million for Jonathan.

Said the President-elect: “You voted for change and now change has come.”

Buhari stressed that President Jonathan had been a worthy opponent. “I extend the hand of fellowship to him.”

Rules state that Jonathan must now officially hand over power to Buhari on May 29. Jonathan has been President of Nigeria for five years. His People’s Democratic Party (PDP) has run Nigeria since the end of military rule in 1999.

Lai Mohammed, spokesman for Buhari’s party, the All Progressives Congress (APC), announced that President Jonathan had called Buhari to congratulate him.

“There had always been this fear that he might not want to concede, but he will remain a hero for this move. The tension will go down dramatically,” he affirmed.

In stating that the country was “witnessing history”, Mohammed pointed out to *Reuters* that this was the first time in Nigeria that a sitting government would be voted out of power using purely democratic means.

Buhari ruled Nigeria from 1983 following a coup but lost his position in another military takeover led by General Ibrahim Babangida in August 1985.

Buhari then pledged his support for the democratic process, but, until now, had lost in previous elections.

To win the election, Buhari, who is 72, had needed to win more than 50 per cent of the total votes nationally, as well as take at least 25 per cent of the vote in two-thirds of the states.

He established an early lead in the country’s northern states dominated by the mainly Muslim, Hausa-Fulani ethnic group, of which he is a member.

Born in December 1942, Buhari initially joined the military and then entered politics in 1976 as a minister under the Presidency of Olusegun Obasanjo. He was then asked to lead the country by military officers after the coup in 1983.

He unsuccessfully ran for president in the country’s 2003 and 2007 elections.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UAE committed to oil development plans

Suhail Mohamed Al Mazrouei, Minister of Energy.

United Arab Emirates (UAE) Minister of Energy, Suhail Mohamed Al Mazrouei, has outlined his country's oil development plans for the next few years.

Speaking during a lecture at the Higher Colleges of Technology in Dubai in April, he stated that the UAE had decided to invest in raising its crude oil production capacity from the current three million barrels/day to 3.5m b/d by 2017.

Boost refining capacity

In addition, and over the same period, it planned to boost the capacity of its domestic refineries from 707,000 b/d to 1.1 million b/d, he said in the presentation entitled 'The future of energy and security of resources in the UAE'.

In giving an overview of the UAE's oil production and domestic consumption of petroleum derivatives, the Minister pointed out that that the planned investment reflected the strategic outlook of the UAE to maintain its current position as a major world oil exporter.

Quoted by the UAE news service, *WAM*, he said the country possessed four per cent of the world's crude oil reserves and nearly 3.5 per cent of global gas deposits.

Rapid growth

The UAE's current oil production, he said, accounted for nearly ten per cent of OPEC's output.

Al Mazrouei noted that the steady increase in domestic energy demand was accelerated by the rapid economic and population growth.

He stressed that the UAE leadership attached great importance to the energy sector through diversifying its resources, adding: "The UAE government's goal is to make the country one of the world's best in the areas of energy policies, the best possible means for investment of energy resources, and focus on innovation in this sector."

Al Mazrouei also spoke about the main patterns of energy and water consumption in the UAE, adding that the rapid economic and population growth had led to a six per cent annual increase in electricity and water consumption.

"This rate is considered significant compared to average global growth," he explained.

The Minister touched on the major challenges facing the energy and water sector globally, adding that those challenges were triggered by the high oil and gas prices. He pointed out that electric power generation and water desalination plants depended on fuels.

Venezuela proposes blending oils to get new medium grade

Venezuela, which has been experimenting with mixing its heavy crude oil with light oil from fellow OPEC Member Country Algeria to get a medium blend, has now proposed expanding on the idea.

Eulogio del Pino, President of state oil company, Petroleos de Venezuela SA (PDVSA), has launched talks to blend its heavy crude with light oil from other OPEC Member States.

He unveiled his idea at the Summit of the Americas in Panama in early April. He said he had also met with Ambassadors from OPEC Member Countries in the Venezuelan capital, Caracas, to discuss his proposal.

Medium-grade blend

Such a mixing process, he said, would result in a new medium-grade blend that could compete against rising supplies in the United States and Canada.

Del Pino said the idea would be to supply refineries geared for medium-grade crudes, rather than the light oil which was in abundance right now as a result of the surge in North American production.

"We are proposing to blend oils from here with theirs (OPEC Members), to go to the market together," the PDVSA head told reporters.

Such a move, he was quoted as saying, would offer a new perspective on Venezuela's relations within OPEC.

"It is a perfect complement of partners," Del Pino said.

He stated that Algeria and Angola were seen as potential partners in the blending process, given that they both had suitable light oils.

Last year, Venezuela imported Algerian Sahara crude to blend with its ultra-heavy oil from the Orinoco Belt. It then used the new grade as a substitute for more expensive naphtha.

The country had produced 20 million barrels from the 4m b of Saharan Blend it bought from Algeria in two cargoes.

"We are evaluating that (blending oil) to (perhaps) repeat it," said Del Pino.

PDVSA Director, Ruben Figuera, told journalists that the Algerian crude imports had saved Venezuela between \$10–20/b in a strategy that worked and left "everyone happy".

Reuters pointed out in its report on the subject that there was growing interest in medium-grade blends that were easier to refine than heavy crudes, but cheaper than light oils.

Del Pino disclosed that Venezuela had five refineries in the Gulf of Mexico that it either owned or shared. "Most of the refineries were built there for medium-heavy oil. They are not adapted for the new light oil from fracking in the US," he added.

New Angola and Luanda: the African 'Big Apple'

Angola, OPEC's newest Member, is the second-largest oil economy on the African continent after Nigeria. After decades of civil war, it saw a change in fortunes in 2002 when it entered a six-year oil boom, derived mostly from petroleum reservoirs discovered offshore. The country is now looking to boost its production capacity to

two million barrels/day by 2016. Looking at the country's capital, Luanda, today one can see evidence everywhere as to how this oil wealth is being put to good use. OPEC Bulletin *correspondents, Nilza Rodrigues and Verónica Pereira, report from the capital on how such investment is transforming the country.*

The new Angola transforms itself every night — and is reborn every morning.

This oil country, which has now been living in peace for 13 years, is undergoing one of the most dynamic periods of its history after being engulfed in civil war for over a quarter of century from 1975 onwards.

Angola's motto is *virtus unita fortior,* a Latin phrase meaning: "Virtue is stronger when united." It could not be more apt right now.

In little less than a decade, the Angolan economy has witnessed considerable growth and is steering a new course that, once consolidated, will make the southern African state a regionally competitive nation.

This is backed by its substantial oil credentials. Angola is the second-largest oil producer in sub-Saharan Africa, behind Nigeria. Despite some new oil fields coming online, the OPEC Member Country's production of petroleum and other liquids has remained relatively stagnant over the past few years. In fact, in 2014, it declined slightly by 50,000 barrels/day to average 1.75 million b/d.

The lack of output growth has been the result of persistent technical problems. However, the recent drop in global oil prices is not expected to substantially affect domestic oil production in the medium term. But it will most likely delay investment decisions in the country's less-developed and expensive presalt formations.

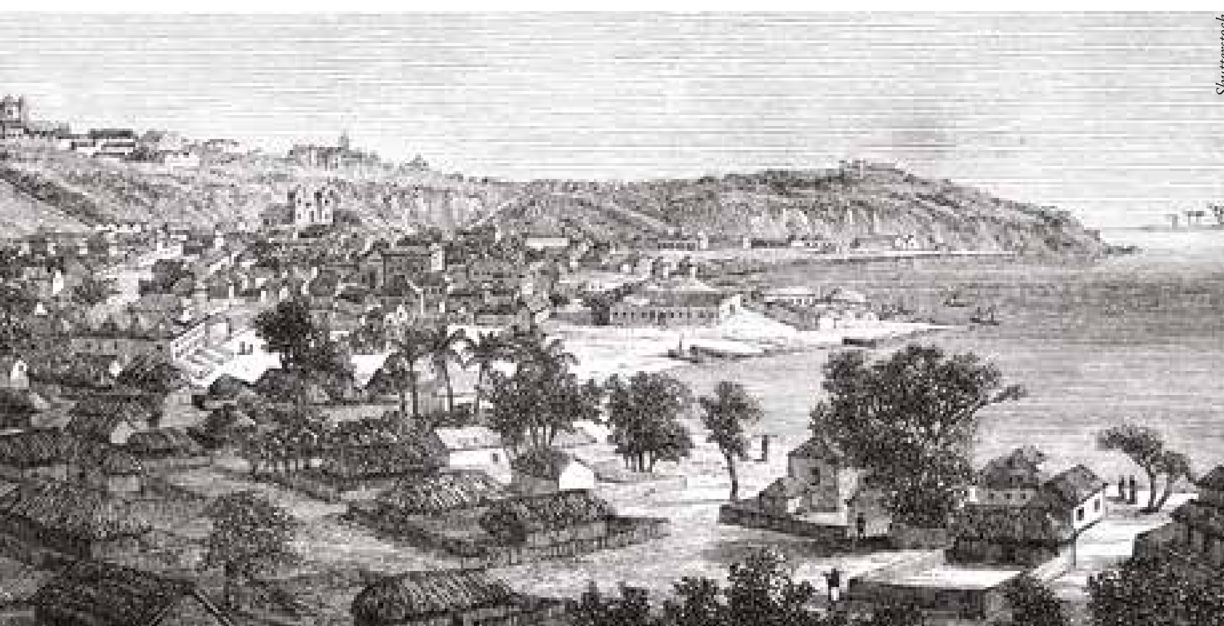
And away from the oil operations, the country is progressing well. The capital, Luanda, is nowadays a city under constant renovation. It is reminiscent of a sprawling building site, where new and modern architectural shapes, similar to those seen in other major world capitals, are changing the appearance of the skyline.

The new Luanda — standing tall and proud — is made up of significant buildings that are redesigning a future that will make the capital a business centre in which numerous multinationals will set up shop and conduct important meetings at the highest possible level.

Founded in 1575, Luanda is a centre with a big inflow of entrepreneurs and government officials from all over the world, who have been attracted by the natural potential of the country. Diplomatic representations increase every year and foreign investment in crucial areas for the development of the country has been constant.

According to the most recent data released in the last quarter of 2014 by the United Nations Conference on Trade and Development (UNCTAD), Angola is one of the African countries that have received more foreign investment in the last two years — some $219 per capita, on average.

The programme to speed up the diversification of the economy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The old Luanda — a drawing by Monteiro, vintage engraved illustration. Le Tour du Monde, Travel Journal, 1881.

comprises a number of private projects of national reach. Investment in this area already amounts to $22.7 billion, focusing on seven priority clusters: agriculture, fisheries, oil and gas, geology and mines, tourism, transportation and energy, and water supply.

Oil revenues enable investment

Up until now oil revenues have enabled Angola to build and renovate 1,114 kilometres of roads in the country and to create 'Special Economic Areas' covering different industries, in addition to 50 industrial units in Luanda-Bengo that are designed to foster local production.

These revenues also enable huge public investment in the renovation and building of dams and hydroelectric power plants, in order to ensure a rate of electrification of the country of around 60 per cent by 2025.

Luanda is the image of the new Angola, rising from the ashes after the devastating years of civil war, which came to an end in 2002.

This is a city where old and new is forced to live together without nostalgia and without looking back to the past. The African *'Big Apple'* stands out with its fast pace as the constant addition of new infrastructure completes the transformation, bringing with it a new way of living in the capital.

According to Angolan architect, Ivo Aguilar, Luanda is a booming city. But he maintains that the city is confronted with critical and unresolved issues, such as basic infrastructure (water, sewers and telecommunications).

"Unfortunately, everything is a priority at the moment, considering the dramatic increase in the capital's population as a result of the migration to the city, which has generated serious imbalances," he says.

"But it can be solved as there is the technical potential and capacity to do so," he maintains.

Referring to the fact that many see one of the handicaps of Angola as being a lack of better energy use, Aguilar states that, in Luanda, "we use air conditioning to a large extent. We have a number of buildings that do not ventilate and where there is poor air circulation (often forced by the urbanistic situation these buildings were built in).

"We have serious problems of electricity supply, which leads to the constant use of alternative energy (power generators), which in turn generates much heat, high fuel consumption and so forth. This generates very high and expensive energy consumption," he observes.

"And we are talking about the most expensive city in the world — a position that Luanda year-in and year-out disputes with Tokyo."

However, adds Aguilar, in the last three years "we opened the seaside avenue in downtown Luanda and the city stopped being known just for the road congestion and high cost of living.

"The routine of most inhabitants from Luanda has changed. This new area does more than just embellish the city. It has sports fields and tracks which are used by hundreds of people of all ages who practice sports there and improve their physical condition.

"Families gather there, friends chat and it has

Construction sites surrounding the national Bank of Angola landmark can be found all over the bay area.

Residential area in Zango.

become the privileged shelter for many couples to spend time together," he affirmed.

Katila Mendes, a young entrepreneur, says this is definitely her preferred spot: "I love the bay because it gives me the possibility, after a stressful day at work, to walk in the open air and to do a bit of exercise, along with the fact that it is also a good place to get together with friends. There is already a small regular group who meet there to do sports and who provide good stimulus for each other."

New commercial areas stimulate the economy

Luanda is to have six new shopping centres, according to a research by Zenki Real Estate. The new commercial ventures, which will add to existing space, total more than 100 square metres of gross lettable area (GLA), while new hotel units will add 1,294 rooms to the already existing 2,000 accommodation.

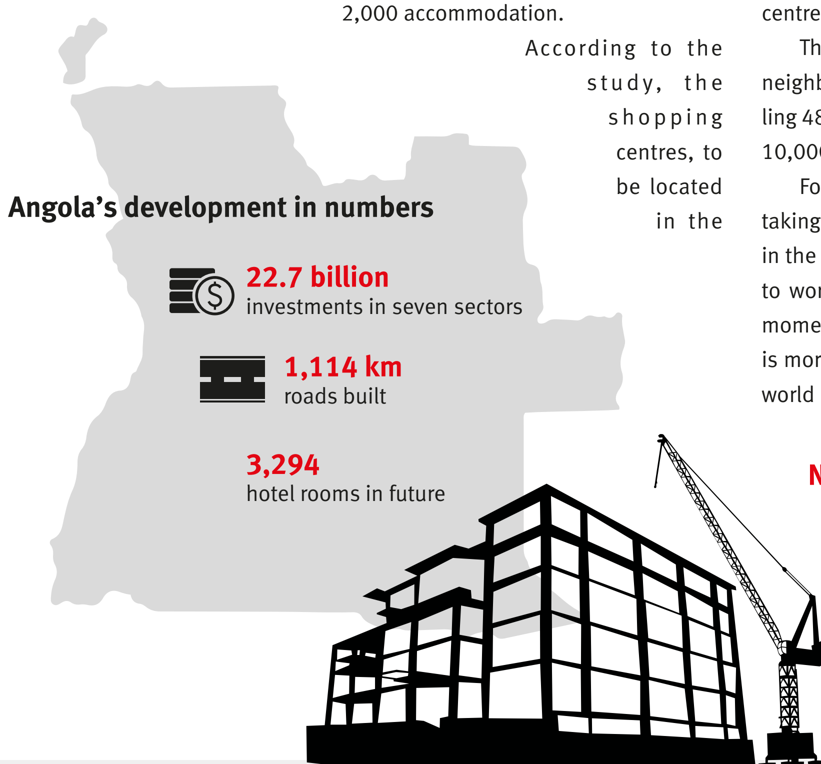
According to the study, the shopping centres, to be located in the centre of the capital, comprise Kinaxixi Shopping, on Kinaxixi, with 27,402 sq m of GLA, Luanda Shopping, in the Alvalade neighbourhood (35,000 sq m), Shopping Fortaleza, on the seaside avenue, aka Marginal (26,000 sq m), Sky Centre, also on Kinaxixi (6,000 sq m), Torres Kianda, equally on the Luanda Marginal (5,784 sq m) and Vista Club Shopping, on Rainha Ginga (6,000 sq m).

"Angola, and Luanda in particular, have a huge potential to develop the trade sector considering the current shortage of supply and the expectations of economic and demographic growth, namely with the emergence and consolidation of a new middle class," explains the Managing Partner of Zenki Real Estate, Diogo Gonçalves.

Of all the new shopping centres, Empreendimento Comandante Gika stands out. This is the biggest real estate project in Angola and one of the largest in Africa, totalling more than \$800m in investment and including two office and two apartment towers, a huge shopping centre and a five-star hotel.

This ambitious project, located in the cosmopolitan neighbourhood of Alvalade, covers a huge block totalling 483,637 sq m of building area. It promises to create 10,000 jobs and attract one million visitors a day.

For Sónia Campos, Managing Director of the undertaking, "Comandante Gika will bring important changes in the life of thousands of Angolans who will come here to work, to shop, to be offered services and to enjoy moments of leisure and entertainment similar to what is more sophisticated in the most important capitals at world level."



New lives with decentralization

With more than six million inhabitants, Luanda everyday witnesses a huge flow of people

moving in the same direction: from the peripheral areas to the urban centre.

The Angolan government has used part of its oil revenues to build new urban centres and has been betting on the decentralisation of services. Under this decentralisation policy, in less than five years new housing projects were built for different levels of society.

New neighbourhoods

The centrally located Kilamba, Nova Vida, Zango and Cacuaco are new neighbourhoods built 30 km, 50 km and 80 km from the city centre and are now housing thousands of Angolans. Some of these people lived in 'musseques' (shanty towns) and were resettled in requalified areas, but many others, mostly young, part of an emerging middle class, had the opportunity to buy their own house here.

As one would expect, the new central areas have brought with them a good deal of new services. With 750 buildings, a dozen schools and around 100 areas for trade and services, Kilamba is a city on its own and, albeit dormitory, was built to house more than 500,000 people. Currently, thousands of families live in Kilamba, in an organized and healthy environment.

Angola is moving at a different pace these days. Despite the fact that the rating agencies have come up recently with more cautious statistics for the country, the path is still that of diversification of the economy, so that its inhabitants will have a sustainable way of life, aside from diamonds and oil.

The changing world of oil geopolitics

***Salim Valimamade**, an Economist and University Professor in Angola, believes that the world of oil geopolitics has changed, both from the demand and supply side. He spoke briefly to the* OPEC Bulletin.

What is your realistic vision regarding Angola at the moment, given the fall in oil prices?

The fall in international crude oil prices by more than 50 per cent since June last year naturally affects the Angolan economy. A reflex of that is last February's budget review which estimates a loss of fiscal revenues of around $15 billion. Hence, we anticipate a year of accrued difficulties in the Angolan economy in many sectors. However, that is precisely when deep measures are to be taken in order to make the necessary reforms, so that the Angolan economy can grow stronger and depend less on the oil sector.

What are the priority investment areas at this stage, considering that choices will have to be made?

I believe that the priority areas are agriculture, industry and the education system. The country needs more production and this production ought to be competitive. That is why it is a priority to bet strongly in the system of training and education of people.

There is speculation as to a possible tax on the outflow of currency out of the country which can go up to 18 per cent ... will this inhibit foreign investment by companies that have to make payments in its country of origin?

There is the need for the authorities to control the outflow of currency and to find a mechanism that will not affect the balance of payments to a big extent. However, it is necessary to ponder the negative impacts this measure might have in attracting foreign investment in the country, particularly in the oil sector, which has a number of services that depend on foreign suppliers.

In a scenario of tightening fiscal revenues and bigger restrictions to indebtedness abroad, the best option is to attract foreign direct investment that may help leverage the remaining sectors of the economy that the country needs by means of capital and know-how.

And should the oil price go up again, what lesson can we learn from this "alert"?

I believe that prices will hardly go back to their previous levels. The world of oil geopolitics has changed, both from the demand and supply side. However this "crisis" is an opportunity to take measures and to speed up investment in other sectors of the economy, such as agriculture and industry so that economic growth may come from more diversified sources generating more employment and income for the people of Angola.

Students and professional groups wanting to know more about OPEC visit the Secretariat regularly, in order to receive briefings from the Public Relations and Information Department (PRID). PRID also visits schools under the Secretariat's outreach programme to give them presentations on the Organization and the oil industry. Here we feature some snapshots of such visits.

Visits

Officials from the German Air Force and the Junge Union Thüringen, Germany, visited the OPEC Secretariat on March 19, 2015.

Students from the Danube School Vienna, Austria, visited the OPEC Secretariat on March 24, 2015.

Visitors from the Indian Institute of Management (IIM), Calcutta, India, and senior managers from the Indian Oil and Natural Gas Corporation (ONGC), visited the OPEC Secretariat on March 25, 2015.

Students from the Studierendeninitiative Club of Rome e V (SICoR), Mannheim, Germany, visited the OPEC Secretariat on March 31, 2015.

IIM, Calcutta, India, and ONGC, India, visitors attended a briefing at the OPEC Secretariat on April 14, 2015.

Students from the Colgate University, New York, US, visited the OPEC Secretariat on April 16, 2015.

Students from various US universities visited the OPEC Secretariat on April 20, 2015.

Honduras pursues solar energy agenda

The OPEC Fund for International Development (OFID) has joined with the International Finance Corporation (IFC) and the Central American Bank for Economic Integration (CABEI) in an ambitious project to construct the largest solar power development in Central America.

In an important step toward reducing its dependency on fossil fuels, the Honduran government is investing over $204 million in the construction and operation of three solar photovoltaic plants in the country's southern Choluteca District.

The mega-project is being co-financed by OFID, the IFC, and CABEI through a syndicated facility totaling some $146m.

With a combined output of 81.7 megawatts, it is hoped that the new plants will galvanize efforts to increase the share of renewable sources in Honduras' energy production to 60 per cent by 2022, up from the current 35 per cent. OFID's participation in the syndicate is $15m.

Tareq Alnassar, Head of OFID's Private Sector and Trade Finance Operations, said: "OFID is proud to be a partner in this ground-breaking project, which aligns perfectly with our strategic focus on energy poverty alleviation and our commitment to supporting renewable energy solutions."

The three plants are expected to be interconnected and commissioned during the second half of 2015. They will provide energy to the national grid, operated by ENEE, the state-owned electricity generation, transmission and distribution company. SunEdison, a leading global solar energy developer, will operate and manage the plants.

José Pérez, President of SunEdison for Europe, the Middle East, Africa and Latin America, stated: "We are delighted to enter this new market with high growth potential and to expand our collaboration with world-class financial institutions such as IFC, CABEI and OFID."

According to the World Bank, power consumption in Honduras is just 708 kilowatt/hours per capita annually and nearly 20 per cent of the population has no access to electricity. At 13 per cent of GDP, its hydrocarbon imports are the highest in Central America.

Such circumstances place a heavy burden on a country where poverty affects 69 per cent of the population — the highest rate in Central America

Honduras currently has installed capacity of 1,700 MW, which is inadequate to meet domestic energy demand, expected to grow and continue to exceed supply beyond 2020.

With the government seeking to increase capacity, make energy less expensive and, at the same time, expand access in underserved rural areas, solar is poised to play a major role in the nation's future energy mix.

Developments in the area of renewables have gathered pace since the introduction in January 2014 of a new legal framework for the electricity sub-sector, which opened up private sector participation in operating functions currently controlled by ENEE. Since then, the use of renewable sources has expanded and multiple projects are under implementation.

In addition to low and stable prices, which enhance competitiveness, renewable energy resources have other positive impacts on economic development, including foreign exchange savings from reduced oil imports and new employment opportunities.

According to the Honduran Association of Renewable Energy Producers, the country's renewable energy market has already generated over 11,300 direct and some 34,000 indirect jobs.

Call for papers

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 intellectual exchange of ideas. Its scope is international.

The three main objectives of the publication are to:

1. Offer a top-quality original research platform for publishing 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 which 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 its readership, articles covering relevant economics, policies and laws, supply and demand, modelling, technology and environmental matters will be considered.

The OPEC Energy Review welcomes submissions from academics and other energy experts. Prospective authors wishing to submit papers should send them to: Executive Editor, OPEC Energy Review, OPEC Secretariat, Helferstorferstrasse 17, 1010 Vienna, Austria; tel: +43 1 21112-0; e-mail: prid@opec.org.

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)*.

Vacancy announcements

Legal Advisor, International Matters

Within the Secretariat, the Legal Office contributes to the conduct of the affairs of the Organization by promoting the rule of law within the Organization and in its relation with governments, organizations, enterprises and individuals and by maintaining and defending the legal claims and interests of the Organization. The Office participates in the drafting and negotiations of contracts and agreements with external entities. It provides legal support and proposes amendments in respect of the Organization's organs, statutes and programs as well as of financial and staff regulations. It monitors developments of relevant legal aspects pertaining to the energy sector, nationally and internationally, conducts research and publishes up to date legal articles on recent and emergent trends. It protects and advances the interests of the Organization and its Member Countries in international forums.

Objective of position:

Under the overall supervision of the General Legal Counsel, the Legal Advisor, International Matters, provides legal advice to the Secretary General and to senior management regarding the Organization's relation with external entities. He/she addresses and defends international legal claims and interests of the Organization within the scope of its Statute and follows, analyses and advises on issues of national and international legal policies of relevance to OPEC and its Member Countries.

Main responsibilities:

- Identifies international legal issues of significance to OPEC, examines, studies and analyses these with a view to protecting and promoting the Organization's interests, goals and claims.
- Reports on emerging international legal issues of significance to OPEC, draws conclusions regarding possible implications for OPEC and its Member Countries and advises on appropriate responses.
- Conducts research into multilateral agreements relating to the WTO, global climate change, competition, energy and environment in collaboration with OPEC's Research Division.
- In close collaboration with the Environmental Matters Unit, monitors international legal developments at the multilateral level (ICN, WTO, UNCTAD, etc) and in international legal professional associations with a view to protecting and promoting the interest of the Organization.
- Examines, studies and analyses relevant national legal systems, policies and practices in the energy sector that may impact on OPEC.
- Provides legal advice and interpretation on legal aspects of the Organization's relations with other entities, including contractual relations, questions of liability, arbitration and claims against the Organization.
- Follows up relevant decisions of the Governing Bodies of the Organization, in particular regarding legal studies and other international legal issues of significance to OPEC.

Required competencies and qualifications:

- University degree in International Law (Masters).
- University degree: eight years with a minimum of three years at the international level.
- Advanced degree: six years with a minimum of three years at the international level.
- Training/specialization — a combination of two or more of the following specializations: Public International Law; Competition law and Policy; International Environmental Law and Policy; International Petroleum Law and Policy; Comparative Energy Law; The Institutional Law of International Organizations; International Law on Foreign Investments; and other relevant specializations in international law.
- Competencies: communication skills, analytical skills, presentation skills, interpersonal skills, customer service orientation, initiative and integrity.
- Language: English.

Status and benefits:

Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality.

The post is at grade E reporting to the General Legal Counsel. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Applications:

Applicants must be nationals of Member Countries of OPEC and should not be older than 58 years.
Applicants are requested to fill in a résumé and an application form which can be received from their Country's Governor for OPEC.
In order for applications to be considered, they must reach the OPEC Secretariat through the relevant Governor not later than **June 12, 2015**, quoting the job code: 1.1.02 *(see www.opec.org — Employment)*.

Systems Administrator

The Organization of the Petroleum Exporting Countries (OPEC) has a vacancy based in Vienna, Austria, for a Systems Administrator in its Administration & IT Services Department.

Main responsibilities:
Monitors and tunes system, ensuring efficient functioning of the computer and network facilities, maintains operating systems/third-party packages according to in-house needs, and backups regularly; determines and resolves problems, including analysis of causes of hardware/software malfunctions and general network failure; renders user support and accommodates special ad-hoc requests, including in-house training, support for Member Countries' requests, and outside-contacts with suppliers of third-party packages; conducts research on security and related activities, including firewall maintenance and anti-virus measures and advise supervisor appropriately; installs new software/hardware, including periodic upgrades of operating systems and third-party packages; evaluates and implements new technologies that are relevant for the smooth running of the Secretariat; examines trade magazines and attends computer trade shows to obtain latest information on technology that will benefit the Secretariat as necessary and appropriate.

Requirements:
University degree in computer science or related field; professional certification in Microsoft OS and Network and certification in Network Security an asset. Six years of work experience.

Skills and knowledge:
Computer Operating Systems (various MS Windows); Network Operating System (Preferably Microsoft OS); Networking Concept, Technologies, Security, Storage Area, Unix; Network Technologies; MS Office, MS Exchange; Intranet & Internet Configurations; video and web conferencing; computer security (firewalls, anti-virus systems); disaster recovery planning; computer hardware; communication and interpersonal skills; analytical and presentation skills; customer service orientation; initiative and integrity; proficiency in written and spoken English.

Offer:
Commensurate remuneration package ie monthly basic salary of (€4,287 x 12 per year) with tax-free benefits and six-week annual leave.

Applications:
Online applicants should quote 'Job Code 10.3.03' in the 'Subject' field. An automatic reply will be sent to confirm the successful submission of the documents.

Administrative Coordinator

The Organization of the Petroleum Exporting Countries (OPEC) has a vacancy based in Vienna, Austria, for an Administrative Coordinator in its Administration & IT Services Department.

Main responsibilities:
Manages, supervises and coordinates the activities of the Administration Section and monitors/controls the relevant budget implications, such as travel arrangements, registration of staff, visas, removal arrangements, home leave, as well as purchases, provision of stationary, refreshments, security, garage matters, and transportation matters; coordinates the arrangements and services for all meetings; obtains and evaluates major purchases, negotiates with suppliers and coordinates purchases through the Contracts Committee; dictates, drafts and checks correspondence and reports on the relevant matters of the Administration Section; maintains inventories of assets of premises and residence, ensures up-keeping of the same, arranges for repairs as necessary, ensures proper write-off and sale/disposal of redundant items; evaluates staff performance of the Section.

Requirements:
University degree in Business Administration or equivalent. Six years of work experience.

Skills and knowledge:
International relations; representation and diplomatic relations; managerial and leadership skills; communication and interpersonal skills; analytical and presentation skills; customer service orientation; initiative and integrity; proficiency in written and spoken English; German an asset.

Offer:
Commensurate remuneration package ie monthly basic salary of (€4,287 x 12 per year) with tax-free benefits and six-week annual leave.

Applications
Online applicants should quote 'Job Code 10.2.01' in the 'Subject' field. An automatic reply will be sent to confirm the successful submission of the documents.

Applications:
Applicants should kindly complete the 'Application Form' which can be downloaded from our website (www.opec.org) and send it to:
OPEC, Finance & Human Resources Department, Helferstorferstrasse 17, A-1010 Vienna, Austria, or e-mail: recruitment@opec.org.
The deadline for receipt of applications is **May 17, 2015**. Acknowledgements will only be sent to short-listed candidates.

Forthcoming events

FPSO topsides design and layout, May 18–19, 2015, London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: www.ibcenergy.com/event/fpso-topside-design-layout.

The Argentina shale gas and oil summit 2015, May 18–19, 2015, Buenos Aires, Argentina. Details: Charles Maxwell Ltd, 14 Colquitt Street, Liverpool L1 4DE, UK. Tel: +44 203 131 00 48; email: nicklewis@charlesmaxwell.co.uk; website: www.a-sgos.com.

Myanmar oil and gas week, May 18–21, 2015, Yangon, Myanmar. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: www.myanmar-oilgas.com/Home.aspx.

Brazil local content, May 19, 2015, Rio de Janeiro, Brazil. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.brazil-local-content.com/visit-exhibition.

Russia-Asia energy summit, May 19–20, 2015, Singapore. Details: Adam Smith Conferences, 6th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7444; fax +44 207 017 7447; e-mail info@adamsmithconferences.com; website: www.russia-asia-energy.com.

Turkmenistan gas congress, May 19–21, 2015, Turkmenbashy, Turkmenistan. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: http://turkmenistangascongress.com.

Fundamentals in oil and gas exploration and production, May 19–22, 2015, Yangon, Myanmar. Details: Centre for Management Technology, 80 Marine Parade Road #13–02, Parkway Parade, 449269 Singapore. Tel: +65 6345 7322/6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com/aboutevent.aspx?ev=T140808M.

Oil and gas leaders of the future summit, May 24–27, 2015, Abu Dhabi, UAE. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.oilandgasleadersme.com.

Well abandonment summit, May 25–26, 2015, Abu Dhabi, UAE. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.wellabandonmentsummit.com.

Oil and gas transportation Canada, May 25–27, 2015, Calgary, Canada. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.oilandgastransportation.com.

12th Africa Independents Forum, May 26–27, 2015, London, UK. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.globalpacificpartners.com/events/?fa=overview&id=933.

US ethane and LPG export Asia 2015, May 26–27, 2015, Singapore. Details: London Business Conferences, First floor, 44–46 New Inn Yard, London EC2A 3EY, UK. Tel: +44 207 7033 4970; fax: +44 207 7749 0704; e-mail: info@london-business-conferences.co.uk; website: www.lbcg.com.

Oil and gas mobility summit Houston, May 26–28, 2015, Houston, TX, USA. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.oilandgasmobility.com.

9th Annual Asia LNG Summit 2015, May 28–29, 2015, Beijing, PR of China. Details: Shine Media World, 28th Floor, Wantai Building, No 480, Wulumuqi North Road, Shanghai 200040, PR of China. Tel: +86 21 5236 0030/52428100; fax: +86 21 5236 0029/52428141; e-mail: amber.huang@shinemediaworld.com; website: www.lng-summit.com.

3rd annual crisis and risk management summit 2015, May 31–June 3, 2015, Kuwait City, Kuwait. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.crisisandriskmanagementsummit.com.

Benchmarking performance of oil and gas assets and companies, June 1–2, 2015, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org/events/view/1166.

SPE Europec, June 1–4, 2015, Madrid, Spain. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelon@spe.org; website: www.spe.org/events/euro/2015.

26th world gas conference 2015, June 1–5, 2015, Paris, France. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.wgc2015.org.

EIC connect Middle East 2015, June 2, 2015, Abu Dhabi, UAE. Details: The EIC, 89 Albert Embankment, London SE1 7TP, UK. Tel: +44 75 95 08 21 62; e-mail: sarah.lansdell@the-eic.com; website: www.the-eic.com/EICConnect/MiddleEast/AbouttheEvent.aspx.

6th OPEC international seminar, June 3–4, 2015, Vienna, Austria. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; e-mail: energycustserv@informa.com; website: http://www.opecseminar.org/page/contact.

China offshore engineering symposium, June 3–4, 2015, Beijing, PR of China. Details: BMC China Exhibition Co, Ltd, Building #7 Shuangxin Administrative Area, Beixinzhuang Road, Sijiqing Town, Haidian District, Beijing, PR of China. Tel: +86 10 6273 0706; fax: +86 10 6273 0705; e-mail: sales@bmc-china.cn; website: www.bmc-china.cn.

Iraq petroleum, June 8, 2015, London, UK. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.cwciraqpetroleum.com.

MENA economies — diversification, growth and employment, June 8, 2015, London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710; e-mail: contact@chathamhouse.org; website: www.chathamhouse.org/conferences/MENA-Economies.

FLNG 2015, June 8–11, 2015, London, UK. Details: ICBI Customer Services, Maple House, 149 Tottenham Court Road, London W1T 7AD, UK. Tel: +44 207 017 72 00; fax: +44 207 017 78 07; e-mail: info@icbi.co.uk; website: www.icbi-events.com/event/flng-conference.

Crude oil demand forecast to grow over the summer months

***April* 2015**

Higher global refinery runs, driven by increased seasonal demand, along with an improvement in refinery margins, are likely to increase demand for crude oil over the coming months.

That is according to the OPEC *Monthly Oil Market Report (MOMR)* for April, issued by the Organization's Secretariat in Vienna, Austria.

It said that, given expectations for lower United States crude oil production in the second half of the year, the higher refinery needs would be partially met by crude oil stocks, reducing the current overhang in inventories.

A feature article in the publication on the summer oil market outlook said refinery margins in the Atlantic Basin, particularly in the US, would continue to be supported by healthy domestic demand.

It maintained that the onset of the upcoming driving season in the US was expected to provide continued support for the upward trend in gasoline demand, particularly as miles driven and new car sales had been on the rise.

Meanwhile, in Europe and Asia, margins were likely to come under pressure from an expected increase in inflows from the Middle East and Russia.

The *MOMR* noted that, since the beginning of the year, oil product markets and refinery margins across the world, and particularly in the US, had seen steady improvement.

During the first quarter of 2015, margins in the Atlantic Basin were supported by healthy light distillate demand, amid a general tight sentiment in product markets.

Refining operations were impacted by a series of unplanned shutdowns and the early effects of the spring maintenance cycle in the US, while export opportunities lent support to the European market.

Meanwhile, in Asia, it said, crack spreads had been supported by strong gasoline and naphtha demand.

"Worldwide gasoline demand has been soaring in recent months, driven by strong demand growth in the OECD region. In the first quarter of the year, gasoline demand in the US showed a sharp year-on-year increase of more than 250,000 b/d," noted the *MOMR*.

This, it observed, came despite the dampening effect that cold weather typically had on gasoline demand.

The improvement was supported by a rise of almost five per cent in vehicle miles travelled in January, encouraged by lower retail gasoline prices.

The report said demand for the light end of the barrel — mainly gasoline — had also shown a sharp increase in the non-OECD region, particularly in China, India, Vietnam and Pakistan.

Asian gasoline demand growth continued, despite the removal of subsidies, the implementation of new taxes, and ongoing policies to increase biofuels in several countries in the region.

Moreover, global middle distillate demand growth had also accelerated in the first quarter, boosted by recent increases in China and India.

In the Atlantic Basin, new regulations had come into force establishing maritime Environment Control Areas (ECAs), resulting in the replacement of residual fuel oil with marine gasoil in bunker demand, thus boosting gasoil consumption.

The *MOMR* pointed out that despite the increase in demand, pressure on the middle distillates market could come from the supply side.

New refinery capacity coming onstream in the Middle East was likely to lead to increased competition in the global gasoil market, which could further pressure gasoil crack spreads, starting in Europe and then spreading to other markets.

MOMR oil market highlights …

April 2015

The **OPEC Reference Basket** retreated in March by $1.60 to $52.46/b as the market refocused on the oversupply situation as demand remained subdued. ICE Brent and Nymex WTI futures contracts fell by $1.86 and $2.87 to average $56.94/b and $47.85/b, respectively, for the month. The Brent-WTI spread widened to around $9/b.

World economic growth for 2015 is forecast at 3.4 per cent, unchanged from the previous report. The OECD growth estimate for the year also remains the same at 2.2 per cent. US growth in 2015 remains unchanged at 2.9 per cent, while better-than-expected growth in the Eurozone has resulted in an upwardly revised forecast of 1.3 per cent. In contrast, Japan's growth has been revised lower to 0.8 per cent. China's growth forecast remains unchanged at 7.0 per cent in 2015. India is forecast to see growth of 7.5 per cent for the year. The most recent softening trend in the US and some major emerging markets will need to be carefully monitored.

World oil demand growth in 2014 was revised down marginally to 950,000 b/d. For 2015, oil demand growth is anticipated to be around 1.17m b/d, unchanged from the previous *MOMR*. Almost two-thirds of 2015 oil demand growth is seen coming from China, Other Asia and the Middle East.

Non-OPEC oil supply growth in 2014 now stands at 2.17m b/d, following an upward revision of 130,000 b/d since the previous report. In 2015, non-OPEC oil supply is now projected to grow by 680,000 b/d, following a downward revision of 165,000 b/d compared to the previous assessment. US tight oil and Canadian oil sands output are expected to see lower growth following the recent strong declines in rig counts. Output of OPEC NGLs is expected to grow by 190,000 b/d in 2015, following growth of 180,000 b/d last year. In March, OPEC crude oil production increased by 810,000 b/d to average 30.79m b/d, according to secondary sources.

Product markets remained healthy in the Atlantic Basin in March. Higher gasoline demand ahead of the driving season provided support amid tight sentiment fuelled by the heavy maintenance season and some outages in the United States. Meanwhile, the Asian market exhibited a positive performance supported by the increasing light and middle distillates demand in several countries in the region.

Dirty **tanker spot freight rates** declined in March, mainly due to declines in VLCC and Aframax spot freight rates, which fell by 14 per cent and three per cent, respectively. Freight rates in March were influenced by high tonnage availability and low tonnage demand ahead of the refinery maintenance season in the East. High activity supported clean tanker spot freight rates for both East and West of Suez. On average, clean tanker spot freight rates improved by 16 per cent in March.

OECD commercial oil stocks declined by 10.4m b in February to stand at 2,723m b. At this level, stocks were 74m b higher than the five-year average. Crude inventories showed a surplus of 106m b, while product stocks remained 32m b below the five-year average. In terms of days of forward cover, OECD commercial stocks stood at 60.9 days, some 2.8 days higher than the five-year average.

Demand for OPEC crude is estimated at 29.0m b/d in 2014, a decline of 100,000 b/d from the previous assessment. In 2015, required OPEC crude is projected at 29.3m b/d, following an upward adjustment of 100,000 b/d.

The feature article and oil market highlights are taken from OPEC's Monthly Oil Market Report (MOMR) for April 2015. 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.

Table 1: OPEC Reference Basket crude oil prices $/b

	2014										2015			Weeks 10–14/15 (week ending)				
Crude/Member Country	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Mar 6**	**Mar 13**	**Mar 20**	**Mar 27**	**Apr 3**
Arab Light – Saudi Arabia	104.80	104.87	105.80	108.61	107.15	102.24	97.23	85.93	76.07	60.13	44.47	53.78	52.20	55.49	52.69	49.36	51.67	52.19
Basrah Light – Iraq	102.10	102.11	103.16	105.80	103.83	99.20	94.49	83.57	73.94	57.94	42.58	51.82	50.53	54.03	51.03	47.59	49.93	50.26
Bonny Light – Nigeria	109.50	110.19	112.22	114.36	109.19	102.26	98.07	88.51	80.10	63.81	48.51	58.46	56.75	61.10	57.18	53.45	55.96	55.51
Es Sider – Libya	107.15	107.39	109.42	111.31	106.19	100.56	96.20	86.31	78.90	61.53	46.76	56.83	54.78	59.13	55.21	51.48	53.99	53.38
Girassol – Angola	108.67	108.80	110.21	111.23	107.02	101.52	97.15	86.78	78.68	61.83	47.98	58.27	56.86	60.60	57.01	53.79	56.60	55.78
Iran Heavy – IR Iran	104.01	104.32	105.40	107.45	106.21	101.42	96.14	84.61	74.46	58.99	42.84	53.26	51.27	54.82	51.93	48.23	50.64	50.88
Kuwait Export – Kuwait	103.05	103.13	104.21	106.56	105.50	100.57	95.30	83.99	74.04	58.25	42.31	52.25	50.52	53.87	51.08	47.62	49.95	50.48
Marine – Qatar	104.07	104.53	105.44	107.85	105.96	101.52	96.08	86.14	75.43	59.48	45.51	55.38	54.27	57.75	54.92	51.33	53.71	53.24
Merey* – Venezuela	93.23	93.99	96.06	98.71	95.06	92.31	88.61	76.17	68.42	51.17	37.96	48.41	45.79	49.26	45.95	42.91	45.44	44.99
Murban – UAE	107.60	107.75	108.35	110.74	108.87	104.33	98.93	89.10	77.85	62.27	48.41	58.56	57.41	60.82	57.97	54.53	56.87	56.42
Oriente – Ecuador	94.96	94.73	95.47	98.75	95.21	89.53	87.20	76.84	69.52	53.86	42.26	47.00	45.79	49.18	45.96	42.70	45.51	45.96
Saharan Blend – Algeria	108.95	108.09	110.36	112.66	106.74	100.86	97.10	87.61	79.60	62.93	47.91	58.18	56.93	61.28	57.36	53.63	56.14	55.15
OPEC Reference Basket	**104.15**	**104.27**	**105.44**	**107.89**	**105.61**	**100.75**	**95.98**	**85.06**	**75.57**	**59.46**	**44.38**	**54.06**	**52.46**	**55.98**	**52.93**	**49.50**	**51.91**	**51.98**

Table 2: Selected OPEC and non-OPEC spot crude oil prices $/b

	2014										2015			Weeks 10–14/15 (week ending)				
Crude/Member Country	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Mar 6**	**Mar 13**	**Mar 20**	**Mar 27**	**Apr 3**
Minas – Indonesia[1]	113.60	111.12	107.22	112.13	105.06	99.94	95.07	84.46	75.92	59.95	46.37	55.90	54.11	57.73	54.96	50.91	53.41	52.77
Arab Heavy – Saudi Arabia	101.63	101.61	102.72	104.50	103.69	99.14	93.73	82.45	72.18	56.65	40.25	51.07	49.34	52.89	50.03	46.28	48.68	48.97
Brega – Libya	107.80	107.99	110.02	112.01	105.34	100.21	96.05	86.26	79.10	62.43	47.71	57.73	55.68	60.03	56.11	52.38	54.89	54.28
Brent – North Sea	107.55	107.69	109.67	111.66	106.64	101.56	97.30	87.41	78.90	62.53	47.86	58.13	55.93	60.28	56.36	52.63	55.14	54.53
Dubai – UAE	104.32	104.68	105.55	108.03	106.13	101.73	96.47	86.73	76.33	60.25	45.57	55.85	54.66	58.22	55.26	51.59	54.10	53.72
Ekofisk – North Sea	108.60	108.65	110.86	112.67	107.33	102.04	97.75	87.87	79.27	63.15	48.48	59.22	57.18	61.28	57.77	54.09	56.50	55.30
Iran Light – IR Iran	105.63	106.03	107.42	110.27	105.73	101.30	96.41	84.90	76.88	61.32	47.42	55.97	54.79	58.39	54.85	51.97	54.55	53.60
Isthmus – Mexico	98.87	101.29	102.59	106.47	102.20	96.78	93.70	85.40	79.04	59.74	45.52	52.68	51.41	53.96	50.92	48.42	52.32	52.94
Oman – Oman	104.34	104.93	105.71	108.06	106.15	102.15	97.18	86.77	77.81	61.16	46.61	56.58	55.12	58.65	55.90	52.07	54.36	54.11
Suez Mix – Egypt	103.92	104.12	105.14	106.81	103.41	99.34	93.48	83.91	75.58	58.72	44.07	54.70	52.05	55.98	52.67	48.75	51.42	51.07
Urals – Russia	106.66	106.91	107.84	109.44	106.23	101.98	96.13	86.63	78.92	61.53	47.03	57.81	55.07	58.91	55.58	51.80	54.62	53.98
WTI – North America	100.53	102.02	102.03	105.24	102.87	96.38	93.36	84.43	76.04	59.50	47.29	50.76	47.77	50.47	47.80	44.21	48.44	48.86

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

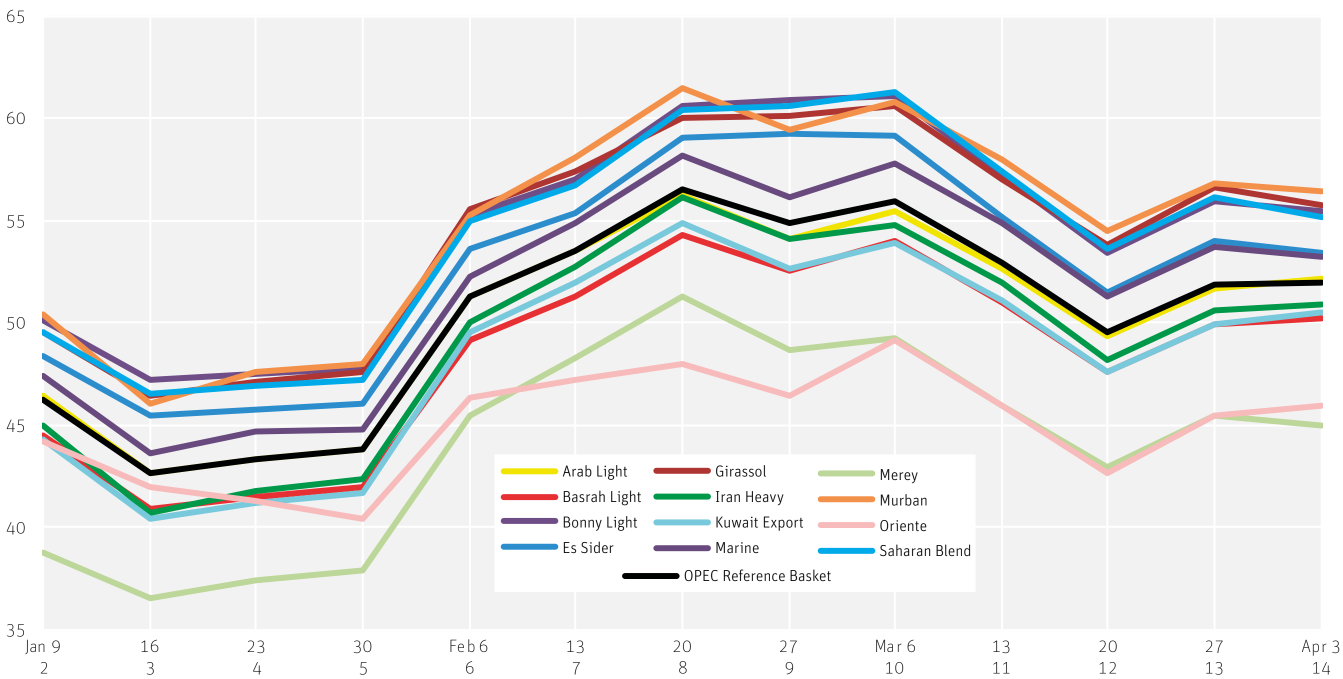
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*

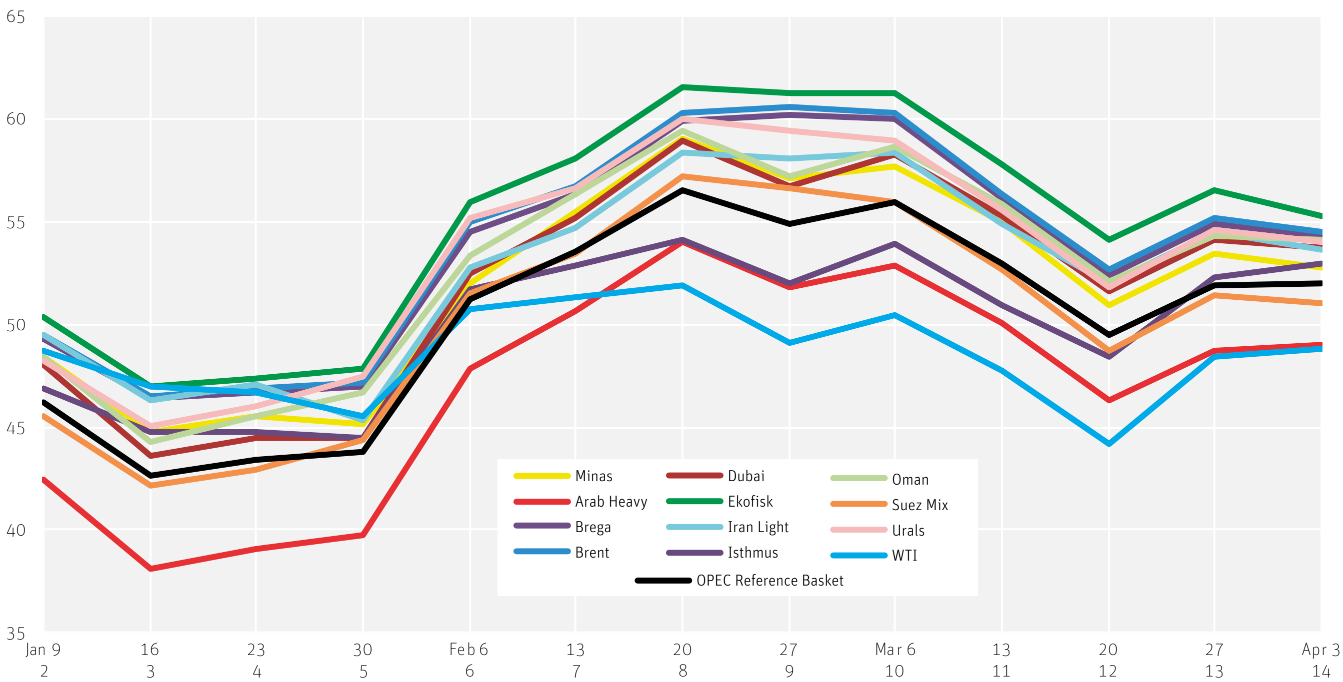
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket crudes, 2014–15 $/b



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2014–15 $/b



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

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
2014	March	100.82	120.86	121.01	121.71	100.10	91.27
	April	102.40	128.03	122.13	122.24	98.07	91.32
	May	103.76	127.36	121.29	123.29	98.66	91.19
	June	105.38	130.41	121.59	124.73	98.71	93.20
	July	103.50	128.08	119.20	122.77	93.75	90.81
	August	95.76	119.86	116.65	120.02	88.64	89.16
	September	93.04	117.23	111.88	114.54	86.50	86.14
	October	78.61	103.90	102.35	105.32	76.50	75.06
	November	69.44	95.79	96.25	98.35	65.55	65.66
	December	54.22	73.31	77.45	81.09	49.59	49.44
2015	January	43.66	61.80	63.24	66.67	37.20	37.79
	February	55.35	73.71	75.02	75.70	47.05	47.79
	March	55.65	77.62	71.77	71.93	45.35	46.07

Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

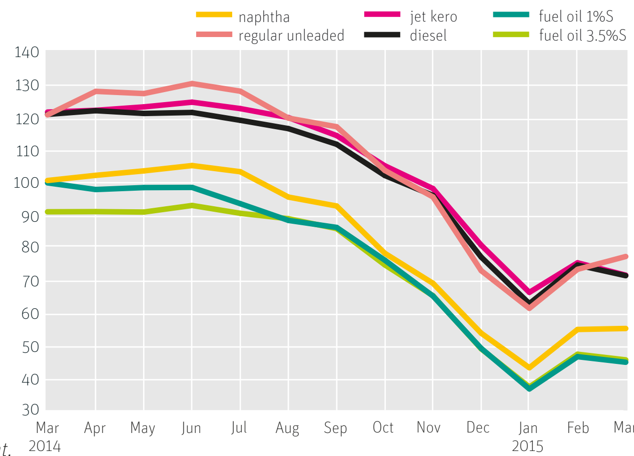


Table and Graph 4: South European market — spot cargoes, fob Italy $/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2014	March	97.86	115.23	121.46	100.69	90.48
	April	100.23	122.87	122.04	98.72	90.17
	May	101.83	121.92	122.22	99.73	91.55
	June	103.30	126.37	122.79	100.17	92.20
	July	101.50	122.91	119.77	94.49	91.00
	August	93.81	115.19	117.07	89.68	88.87
	September	90.97	113.54	112.15	88.60	85.92
	October	75.96	99.57	101.58	76.56	75.70
	November	66.15	91.37	95.41	66.33	65.65
	December	50.28	68.70	77.48	50.62	48.88
2015	January	39.92	56.54	64.39	39.43	38.01
	February	52.53	68.31	76.34	49.07	46.78
	March	52.55	73.37	73.42	47.87	46.03

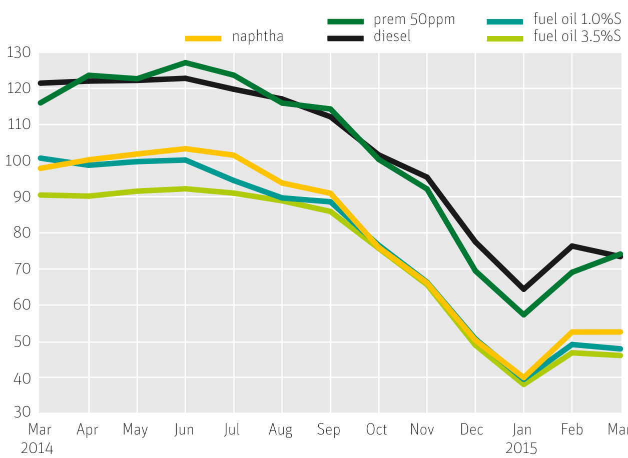


Table and Graph 5: US East Coast market — spot cargoes, New York $/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3 per cent S	fuel oil 2.2 per cent S
2014	March	115.94	121.77	124.16	118.41	94.11
	April	122.60	120.79	122.17	112.75	92.74
	May	120.49	119.69	121.43	107.82	93.37
	June	121.86	120.46	122.17	106.62	95.50
	July	118.21	116.19	120.48	109.23	92.39
	August	114.09	115.18	123.25	102.58	88.74
	September	113.53	110.29	117.10	99.44	87.09
	October	100.85	101.51	104.76	89.41	75.28
	November	91.42	94.39	103.46	83.40	65.14
	December	71.13	77.33	84.20	69.84	50.19
2015	January	57.53	67.44	67.31	57.16	40.53
	February	67.86	78.24	76.87	66.91	50.72
	March	69.59	67.93	72.37	60.93	46.49

Source: Platts. Prices are average of available days.

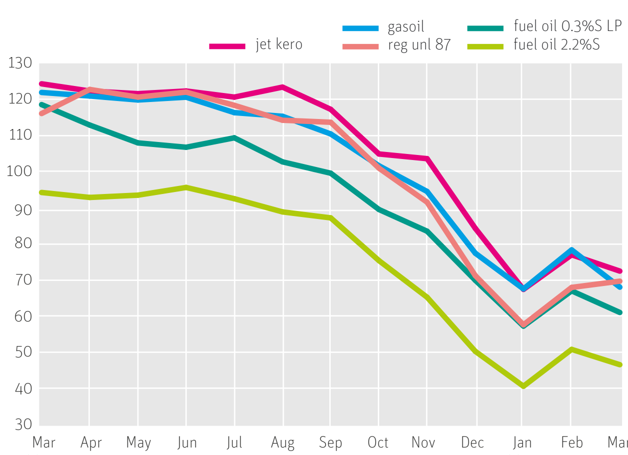


Table and Graph 6: Caribbean market — spot cargoes, fob $/b

		naphtha	gasoil	jet kero	fuel oil 2 per cent S	fuel oil 2.8 per cent S
2014	March	108.79	121.01	122.93	91.83	86.83
	April	110.21	122.28	122.90	92.15	87.15
	May	110.66	121.27	122.01	91.09	86.09
	June	113.92	122.06	122.73	92.18	87.18
	July	109.39	118.78	120.25	87.70	82.70
	August	103.46	117.51	121.28	86.93	81.93
	September	99.20	112.29	116.34	84.72	79.72
	October	83.11	103.03	105.12	71.56	66.56
	November	74.99	94.66	98.86	62.68	57.68
	December	53.81	73.84	77.19	47.07	42.07
2015	January	53.64	65.95	64.93	36.49	31.49
	February	64.50	74.64	74.74	47.16	42.16
	March	63.59	69.96	70.21	44.71	39.71

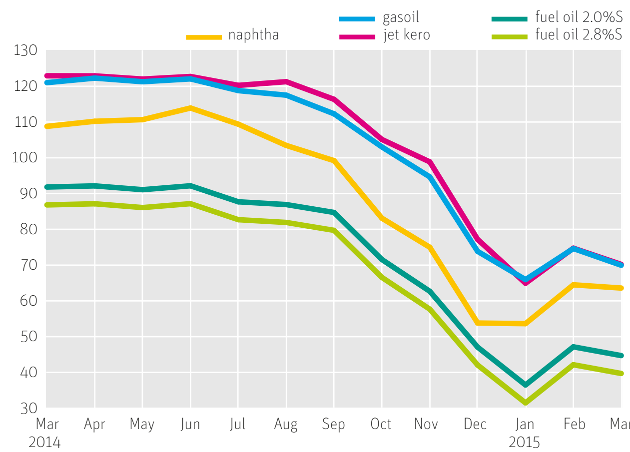


Table and Graph 7: Singapore market — spot cargoes, fob $/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2014	March	102.08	119.37	116.53	121.68	119.99	95.00	93.13
	April	103.99	121.39	117.64	122.90	120.56	93.81	91.76
	May	105.31	121.43	117.96	122.35	119.88	95.08	92.86
	June	106.17	123.74	120.46	121.24	120.80	97.24	95.13
	July	106.34	121.99	119.78	118.96	118.79	94.51	93.35
	August	98.87	111.35	109.26	116.74	116.60	93.50	91.86
	September	94.45	110.58	108.61	111.95	112.48	90.86	89.14
	October	79.79	101.17	98.19	100.22	101.56	79.24	77.41
	November	71.86	90.44	87.94	93.85	96.41	71.68	70.38
	December	56.33	71.91	69.58	77.10	78.36	55.52	54.60
2015	January	45.23	57.42	54.66	62.67	63.66	43.99	42.59
	February	57.39	70.46	67.06	71.14	73.25	54.93	52.24
	March	57.38	73.84	70.34	70.75	70.01	51.54	49.42

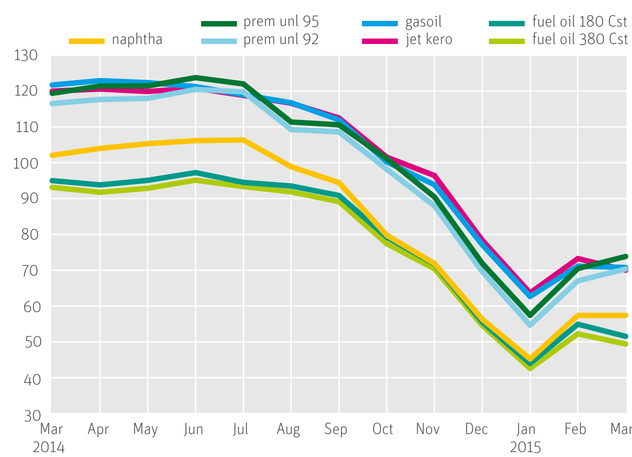
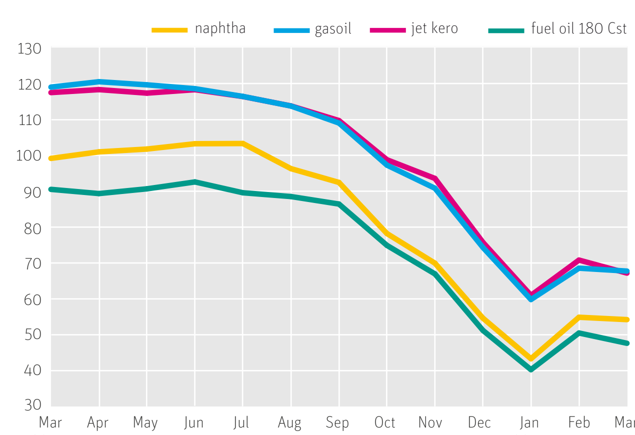


Table and Graph 8: Middle East Gulf market — spot cargoes, fob $/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2014	March	99.14	119.00	117.47	90.51
	April	100.96	120.50	118.30	89.34
	May	101.74	119.63	117.32	90.66
	June	103.22	118.56	118.28	92.58
	July	103.28	116.40	116.37	89.56
	August	96.28	113.73	113.76	88.51
	September	92.44	108.99	109.68	86.42
	October	78.20	97.26	98.76	74.90
	November	69.94	90.82	93.55	66.95
	December	54.62	74.32	75.73	51.21
2015	January	43.32	59.82	60.98	40.28
	February	54.88	68.55	70.81	50.49
	March	54.22	67.74	67.18	47.63



Source: Platts. Prices are average of available days.

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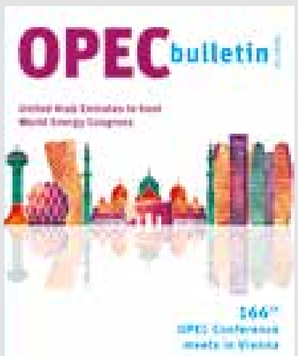

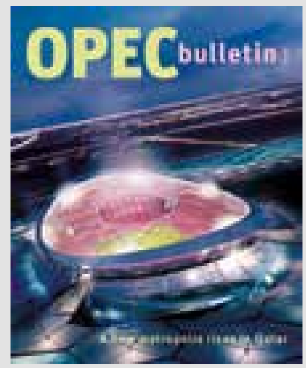

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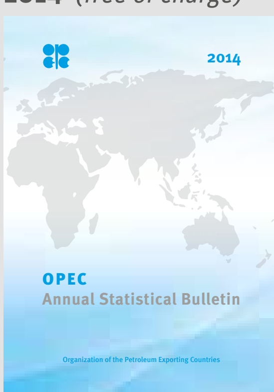

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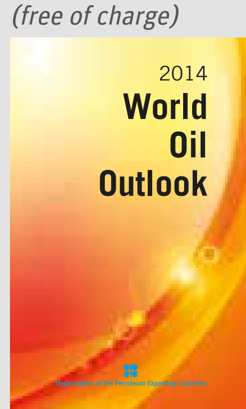

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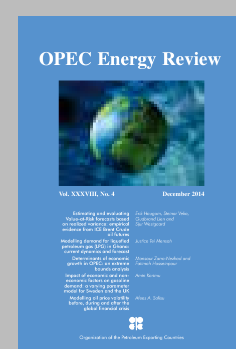

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