North Kuwait Collaboration Center

163rd OPEC Conference convenes in Vienna

Kuwait – expanding for the future
OPEC’s Oil/Energy Ministers will gather in Vienna on May 31 for the 163rd Meeting of the Conference. They will review the state of the oil market and the world economy since their last meeting on December 12, as they assess the outlook for the rest of this year and beyond.

They will notice a downward price trend since the winter, as well as continued volatility. Indeed, OPEC’s Reference Basket price fell for the second month in a row in April, and, when this issue of the OPEC Bulletin went to press, it was $99.15/barrel.

Why is there this present price weakness?

The latest OPEC Monthly Oil Market Report, released three weeks ago, put it as follows: “Several key factors continue to pressure crude oil prices, including weak economic data from the world’s two largest oil consumers, the United States and China, which necessitated a cut in this year’s oil demand forecasts by major energy agencies. Additionally, ongoing Euro-zone economic turmoil and record levels of US crude oil inventories have contributed greatly to the downturn in crude oil prices.” It added that speculative activity had magnified the bearish sentiment, adding to the price weakness.

Undoubtedly, these are difficult times for the market. But what is certain — and, in fact, commendable — is that OPEC’s commitment to order and stability in the international oil market will guide their deliberations and eventual decisions. This commitment remains as strong today as it was when the Organization was created more than half a century ago in 1960.

In examining the outlook for the market, what will be uppermost in the minds of OPEC’s Ministers is the need to ensure stable prices at fair and reasonable levels in the second half of the year.

They have been well briefed for the occasion by a series of internal meetings over the past month involving, in particular, OPEC’s Board of Governors and Economic Commission Board and backed up by insightful reports and analyses prepared by the Secretariat.

The Ministers’ deliberations will be carried out in the interests of all parties in the industry, as well as in support of steady growth in the world economy.

However, the concluding message from the Conference will be the familiar one that, for all parties to benefit from price stability, they must all contribute to it in whatever way they can. This includes not just OPEC’s Member Countries, but also non-OPEC producers, consumers, the international oil companies and the financial institutions. We all have a part to play if we wish to enjoy the fruits of an orderly, stable oil market.

Most importantly, the cement that binds all this together is dialogue and cooperation, and this again is applicable to all parties. OPEC has always been a strong advocate of this, in the knowledge that this is essential to achieving our goals in the oil market.
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KUWAIT — small in size, huge in stature!

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OPEC Membership and aims
OPEC is a permanent, intergovernmental Organization, established in Baghdad, on September 10–14, 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective — to coordinate and unify petroleum policies among its Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. 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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Editorial policy
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What started as an idea by the OPEC Board of Governors in the late 1990s has rapidly become an entity in its own right. The Multi-Disciplinary Training Course, held annually at the Organization’s Secretariat in Vienna, continues to evolve. The OPEC Bulletin’s Maureen MacNeill reports from the 2013 event.
OPEC’s commitment to a healthy, productive oil industry with secure supply and reasonable prices involves tending to its future needs as much as those of the present.

Nowhere is this more true than with human resources. Indeed, for many years, it has been observed that there is a serious shortage of dynamic, qualified people entering the industry and, equally importantly, staying there and devoting their careers to it.

OPEC has been active in addressing this issue, and this has seen the Secretariat in Vienna running a series of annual Multi-Disciplinary Training Courses (MDTCs). The 13th course in this series was held on April 15–18.

Dr Mohammad Taeb, Environmental Coordinator and Chairman of the OPEC Academic Committee.

Oswaldo Tapia, Head of OPEC’s Energy Studies Department, in charge of the Research Division, addressed the MDTC on behalf of the OPEC Secretary General.
“We consider this course to be the starting point of our relationship with you and your relationships among yourselves. Each of you has the potential to make an impact — in one way or another — on the future of the oil industry”, said Oswaldo Tapia, Head of the Energy Studies Department, in charge of Research Division, in his opening remarks, made on behalf of the Secretary General. “We hope that this training course will help set you on the right path and that you will enjoy successful and exciting careers, making a positive impact on both OPEC and your home countries.”

OPEC’s policy decisions have supported fair oil prices and restored stability to the market in volatile times, continued Tapia, which in turn has played an instrumental role in promoting global economic growth. “These noble goals and actions have led to OPEC’s standing as one of the most respected and influential intergovernmental institutions today,” he stressed.
The MDTC was first mentioned in 1997 at the 94th OPEC Board of Governors (BoG) meeting, as was noted in that BoG report: “In the interest of improving awareness of the Organization and its activities within Member Countries themselves, the Secretariat was directed to conduct a pre-feasibility study on beginning a programme of multi-disciplinary courses for invited trainees from all Member Countries, thereby building an attachment of the new generation to OPEC and the oil industry in general.”

The MDTC has held fast to these initially espoused ideals, though its programme and staff efforts have become more streamlined over time.

At the 96th BoG, it was decided that the course be limited to once per year (there had also been discussion about holding it twice annually), that speakers be confined to OPEC Secretariat personnel, and that “the

**Platform for discussions**

The event also offers a platform to discuss the oil market, its supply and demand determinants, the world economic outlook, pricing, product markets, transportation and energy policies, among other things, added Tapia.

The delegates were personally welcomed by the Organization’s Secretary General, Abdalla Salem El-Badri, on the second day of the event, and provided the opportunity to ask him questions directly.

Bringing eager Member Country representatives together at OPEC Headquarters also allows them a chance to understand the inner workings of the Secretariat and how it supports Member Countries, as well as the Long-Term Strategy of OPEC, which provides a clear framework for the Organization’s future, he maintained.

**Above: Delegates and officials come together for a group photograph with OPEC Secretary General, Abdalla Salem El-Badri (front row eighth right).**
training courses should, initially, be general in nature, covering market issues and oil industry structure, as well as an introduction to OPEC; that trainees … should be individuals with two or three years’ oil-industry exposure …”

The course “was directed at young staff seeking to understand the changing oil industry and fundamentals of the oil market in which OPEC Member Countries had to operate and aimed at providing them with a foundation for working in any particular function of the industry in their future assignments.”

But that does not mean that OPEC has been content to ride on its successes regarding the MDTC. The course has been undergoing changes every year under the direction of the OPEC Academic Committee (AC), which was itself revamped over the winter.

Members of the Academic Committee are nominated by their various Departments or Director of Research (in the case of the Research Division) based on what they can bring to the Committee. Since the chair of the AC is newly elected each year, and each task force under the committee (including the MDTC Task Force) is only assigned for one year, next year may again see new changes.

The success of the MDTC over the years has been the result of a cross-departmental collaboration between different departments of the Secretariat, said Chairman of the Academic Committee, Dr Mohammad Taeb, each bringing its own expertise.

“The Academic Committee is not a static entity. It is dynamic and responds to needs of Member Countries as they arise. We learn as we move forward and as the scene changes, we adapt to that,” said Taeb.

A successful new idea this year was the introduction of ‘break-out sessions’ at key moments during the training course. Each lasting around half an hour, these sessions gave participants the opportunity to discuss issues that had arisen during the lectures in greater depth with the course presenters. Within the sessions, talks were informal in nature; they were sometimes one-on-one, and on other occasions held in small groups.

Feedback questionnaire

Another change included a request for this year’s participants to fill out feedback questionnaires at the end of every session, as well as the end of the course covering the whole event. In the past they only completed one at the end of the entire course.
countries. Overall, participants rated the organization of the course very highly, with some room for improvement in the area of “time allotted to topics”. All of the sessions also received high ratings, with a few comments including: “A really impressive course” and “I would recommend it to others.”

Over the four days of the MDTC, experts from the OPEC Secretariat delivered concise presentations on various OPEC-related subjects, each followed by a question and answer session.

This year’s MDTC was sometimes challenging for participants: “Why monitor the global economy?” asked OPEC Senior Research Analyst Dr Joerg Spitzy, in one of the first sessions (the answer is: economic growth very largely drives energy demand). It was also sometimes challenging for OPEC staff: “Did OPEC anticipate the US developments on fracking?” questioned an inquisitive participant from Qatar (yes, indeed).

Included among the topics in over 26 presentations was the balance between supply and demand, which is very delicate and determined by many factors, according to OPEC’s experts. “It is very important to know supply … what will be the call on OPEC to maintain stability,” stated Taeb.

When asked by an Algerian participant how OPEC can guarantee demand, Tapia stated that dialogue is an essential element. “We need feedback from the consuming countries and it is up to the consuming countries to provide the right feedback for the certainty of demand so that producing countries can invest in the long term.

**Ambiguous policies confuse**

“There is no way to guarantee demand, we want to know as best possible what the demand is likely to be … ambiguous policies confuse the market,” he added.

Modelling was also touched upon, both the different types (they contain variables in time and can be linear or non-linear) and their evolution: modelling accelerated in 1963 and since 1980 has been a dynamic system, stated Modelling and Forecasting Analyst, Afshin Javan.

“Energy modelling is complex, requiring mathematics, engineering and econometrics,” he maintained, adding that the most difficult part “is choosing variables and the relationship between variables.”

Senior Research Analyst, Garry Brennand, discussed the OPEC World Energy Model (OWEM), which, he said, is being constantly updated and “distils the knowledge and analysis of all the experts in the Secretariat.”

The model places emphasis on the transport sector as an important driver of demand, while also examining supply economics, particularly rising upstream and downstream costs. Brennand stated: “The concept of the

“It is affected greatly by financial markets, maybe more than by supply/demand,” stated Senior Research Analyst Dr Aziz Yahyai. “Speculation is now becoming a main driver,” he added, later explaining the five historical phases of crude oil pricing which have evolved since OPEC’s inception in 1960.
saturation of developing countries will become increasingly relevant."

However, overall, he said, “when we look at all the energy types, oil will remain the leading fuel and there is a resource base sufficient to support that demand.”

Modelling is an essential activity at the Secretariat, as models based on firm economic theory are used to structure debate, he stated, adding that the results of these models are also used in OPEC’s annual World Oil Outlook.

The Downstream Optimization Model (WORLD) focuses on other aspects of the industry, according to Dr Jan Ban, OPEC Senior Research Analyst.

Supporting the flow of oil

“The model suggests the optimal way to support the flow of oil, while maintaining costs in the entire system.” The main output of runs is physical information about flows,
future capacity expansion and where future refining capacity should be built, he said, along with outlining what kind and how much investment is needed in various regions to meet demand and supply.

Product markets and refinery operations were also discussed: “Several processes are required to turn oil into its final products,” said Refinery and Products Analyst Elio Rodriguez. “They are producing exactly for the market … we follow the prices of all the products.”

Above left (l–r): Asma Muttawa, General Legal Counsel; Abdullah Al-Shameri, Head, Office of the Secretary General; and Zoreli Figueroa, PR Coordinator, at the podium.

Above (l–r): Oswaldo Tapia, Head, Energy Studies Department, in charge of Research Division; Asma Muttawa, General Legal Counsel; Abdullah Al-Shameri, Head, Office of the Secretary General; Alejandro Rodriguez Rivas, Head, Finance & HR Department, in charge of Administration and IT Services Department; Dr Adedapo Odulaja, Head, Data Services Department; Dr Mohammad Taeb, Environmental Coordinator; and Angela Ulunma Agoawike, Head, PR and Information Department, at the podium.

MDTC delegates gather for a group picture, with OFID’s Director-General, Suleiman J Al-Herbish (eighth from right), at OFID’s headquarters in Vienna.
Rodriguez also provided an insight into the current conditions of the business, “they are building more than double the capacity; the spare capacity of refineries that will be idle is increasing and increasing. It means margins will be depressed in the coming years.”

Transportation is another area that is suffering in current market conditions, stated Petroleum Trade and Transport Analyst Anisah Almadhayyan.

“There has been a dramatic increase in bunker prices over the past three years; this is a major part of operating costs, therefore margins are dropping a lot.”

She also touched on the issue of rising piracy, especially since 2009 “the oldest crime in history … tankers are the main targets,” adding that the tanker industry is also being hit by rapidly expanding pipeline networks.

The examination of the long-term issues encompassed a look at the OPEC Long-Term Strategy highlights. It also included the development of transportation technologies, addressing fuel-saving technologies.

**Revolutionary technologies**

Dr Ralf Vogel, Senior Research Analyst, discussed the possibilities for liquefied natural gas, which could become a ‘disruptive’ or paradigm-shifting technology. In general, more revolutionary technologies are not expected to appear on the scene until after 2025, he stated.

Discussion about reserve and resource classification included outlining the standards and guidelines in place for estimating quantities of reserves, as well as their evolution.

Julio Arboleda Larrea, Energy Policy Analyst, talked about energy policies in the BRIC (Brazil, Russia, India and China) countries. They are essential to analysis because they are huge drivers of demand, but also energy producers. The BRICs will be mainly responsible for oil demand in the long term, especially India and China, because of their large populations and rates of economic growth.

The drivers of long-term oil demand include five main factors, stated Dr Jorge Leon, Energy Demand Analyst: economic growth (the main driver), population dynamics, technology, policies and oil prices. These affect oil demand through direct and indirect channels. It is also important to look at regional differences between OECD and non-OECD countries, he said.

Research Analyst, Dr Eleni Kaditi, stated that population and economic growth are also the two key drivers affecting energy, environment and sustainability. Energy is a multidimensional and cross-cutting issue; developed countries have to spend money to aid adaptation and to help developing countries with technical development and capacity-building, she said.

Further topics touched upon included data collection and handling; proper data collection is essential for short- and long-term forecasting, OPEC publications, Member Country reports and in-house research, reports and studies. “The OPEC supply database is one of the best and most sophisticated in the world, having collected data from 90 countries for 60 years,” stated Yayahi, who moderated the session.

The last day provided extensive insight into the role of various divisions within the Secretariat. This included presentations about ‘the role of the SGO’ by the Head of the Office of the Secretary General, Abdullah Al-Shameri; the ‘prospects and challenges of information dissemination and management’ by Public Relations Coordinator, Zoreli Figueroa; the ‘role of the Legal Office within the Secretariat’ by Ali Nasir, Legal Advisor for international matters; and information about the departments of Information Technology, Finance and Administration by Alejandro Rodriguez Rivas, Head of the Finance and Human Resources Department, in charge of Administration and IT Services Department, who also discussed ‘Working at an International Organization’.

**No threat to OPEC**

Finally, in response to a question about new sources of energy threatening OPEC, the Organization’s Secretary General stated that the BRICS (BRIC + South Africa) countries can absorb the extra quantities being produced.

“I do not see any threat to OPEC, frankly,” he said. “I see it only maybe with non-conventional sources. If the price comes down it could compete with us … there is no threat, at least not for now. OPEC will still be the main supplier of oil for many years to come.”

And the future for OPEC? “OPEC has been around for 53 years,” commented El-Badri, adding that the same reason the Organization’s forefathers established OPEC still exists and will not change. “Only OPEC can save the market,” he affirmed.

At the end of the training, participants received certificates for the successful completion of the MDTC and were treated to a final dinner.
OPEC hosts workshop on physical and financial energy markets

OPEC, the International Energy Agency (IEA) and the Riyadh-based International Energy Forum (IEF) jointly hosted their third high-level technical workshop in Vienna in March.

The event brought together a broad range of experts from industry, government, academia, and the financial and regulatory sectors of the developed and emerging economies to discuss interactions between the physical and financial energy markets.

**Range of views expressed**

The workshop, which witnessed “open and fruitful discussion on this complex and evolving subject,” as well built on the insights gained from the previous two workshops, held in London in 2010 and Vienna in 2011.

Discussions, which were held under the Chatham House Rule, covered a range of views regarding interactions of the physical and financial energy markets, including the role derivatives and physical transactions play in oil price discovery.

Delegates observed that short-term volatility had eased significantly of late and that longer-term prices on the back-end of the forward curve were also more stable.

However, it was stressed that uncertainties regarding a host of fundamental and non-fundamental factors translated into more volatile spreads between spot and longer-term prices.

The talks also highlighted the change in commodity investment strategies over the last ten years and looked at the progress being made in regulatory reform.

Discussions also covered the various efforts to develop or establish oil futures markets in Asia that reflected regional supply/demand fundamentals, attracted sufficient liquidity, including broad participation by international investors, and allowed for physical delivery.
In the past years, OPEC Member Countries have convened annually to discuss the latest issues related to research and development (R&D) in the oil and gas industry and to exchange information on innovation and technology projects being carried out in their countries.

In 2012, OPEC decided to expand these meetings to become more international and broader in scope by inviting international R&D experts and leaders from both the public and private sectors, as well as academia and non-profit organizations.
The end result was the launch of the first-ever OPEC R&D Forum, which had as its theme Technology Challenges, Opportunities and Collaboration.

The forum, held on May 7–8 at the OPEC Secretariat in Vienna, was attended by Member Country delegates, OPEC officials, as well as keynote speakers and invited experts.

The agenda comprised eight technical sessions, with presentations by keynote speakers and Member Country participants, an open discussion with a panel of technology experts, and concluded with a brainstorming session involving Member Country and Secretariat participants.

Oswaldo Tapia, Head of the OPEC Energy Studies Department and Officer in Charge of the Research Division, opened the forum on behalf of OPEC Secretary General, Abdalla Salem El-Badri.

In his opening remarks, Tapia welcomed the delegates to Vienna and explained the reason for establishing this forum.

“In 2012, it was decided that these meetings should be expanded to become more international,” he said.

“Given the global nature of our industry — and the increasing inter-linkages between companies and experts in this field — it was recognised that it was important to also draw upon the expertise and insights of high-level speakers from outside our Member Countries.”

Tapia stressed the vital importance of R&D in virtually every aspect of the oil and gas industry and then went on to speak about the goals of the forum.

“Over the next two days, we will hear from OPEC Member Country experts, as well as prominent external speakers. They all have a broad range of experiences and specialized knowledge that we believe will make this forum rewarding and productive,” he affirmed.

“We also hope the forum will help establish relationships between renowned world-class technology leaders and create links between Member Country and international institutions. Collaboration and cooperation is an essential part of technological innovation.”

Broad range of topics

A broad range of R&D topics were presented and discussed over the two-day event, from upstream to downstream, oil and the environment, energy savings and efficiency, best practices in R&D, as well as technology transfer and cooperation.

Each session was followed by a question and answer period, allowing participants to dig deeper into the subject areas and share their experiences and success stories.

After the presentations concluded on the second day, an open discussion was held with a panel of technology experts during which participants were able to explore some of the issues discussed during the forum in more detail.

This was then followed by a brainstorming session during which Member Country delegates and OPEC officials gave their initial impressions of the forum and exchanged ideas for future editions.
Recently, the OPEC Bulletin visited OPEC Founder Member Kuwait for a petroleum media forum. During our stay, we managed to look around the city and find out a bit more about what makes this small Gulf country tick. It proved fascinating, albeit too short.
Flying into Kuwait International Airport at night, one is immediately struck by how flat everything appears. With the array of landing lights illuminating the desert dusk, barely an undulation can be detected in any direction.

But there is certainly nothing flat about this vibrant country. After just a few days travelling around the busy city in pleasant spring weather, one can immediately see how the Gulf nation’s oil wealth has — and is — being put to good use.

New state-of-the-art buildings are beginning to sprout up in and around the capital, while other office blocks are undergoing extensive renovation. A striking new Central Bank building, being built in the city, which towers over other structures, is somehow significant in Kuwait’s quest to be known also as a global financial centre, not just a producer of petroleum.

Of course, it is a very different picture today than just over two decades ago, when the streets of Kuwait were in turmoil as a result of the invasion by military forces from its neighbor, Iraq, under Saddam Hussein.

But even though that regretful part of its eventful history most likely will never be forgotten — in fact there are constant reminders of it everywhere one goes — the country has chosen to move on ... in leaps and bounds.

Last year, Kuwait celebrated 50 years of its Constitution, a milestone that was marked with a fireworks display so spectacular that it ended up in the Guinness Book of World Records! But then that is Kuwait...
today — a geographically small country, but thinking very big.

The Golden Jubilee celebrations and festivities reflected the great pride of the nation, particularly in what has been achieved by both the government and the people in a relative short period of time.

**Future energy supplies**

The petroleum-rich Gulf region is one of the most important areas in the world, particularly with regard to future energy supplies. Geographically speaking, Kuwait occupies a mere fraction of it with a land area of just 18,000 square kilometers, the second smallest in OPEC, after Qatar. And its population is under 3.6 million.

But what it lacks in size it more than makes up for in economic stature. In the testing times of the past few years, not many countries can boast of having a surplus in their fiscal budgets for 14 successive years. Kuwait can. In fact, during the onset of the subprime mortgage crisis and subsequent global recession, it only suffered a momentary dip in its financial position in 2010, before once again resuming its path of impressive growth.

But that is largely down to its petroleum prowess. The country holds around seven per cent of the world’s proven oil reserves at over 101 billion barrels, with natural gas
$107/b for the year. A similar surplus is expected for fiscal 2013–14.

Both these figures represent new records for the country, following on from the 13.2bn dinar ($47bn) surplus secured last year, also a record.

Today, Kuwait relies on the export of crude oil and petroleum products for around 95 per cent of its total earnings, but serious efforts are now being made to reduce that dependency.

With so much extra cash at its disposal, the country is moving ahead — albeit steadily — with plans to implement major infrastructure projects.

This forms part of an economic development plan deposits amounting to 1.8 trillion cubic metres, resources it is now looking to develop for domestic energy consumption purposes.

And thanks to high oil prices in recent years, coupled with stable production and exports of crude and oil products, the Kuwaiti government has been able to use the extra revenues generated to hike development spending, as well as earmark considerable monies for its commendable Reserve Fund for Future Generations.

Fiscal 2012–13 has been a particularly good year with the country in line to enjoy a budget surplus of up to 14.4 billion dinars ($51bn), which will have been attained with an export crude price averaging around
HH Sheikh Ahmad Al-Jaber Al-Sabah signing Kuwait’s oil concession agreement in 1934.

Below: An aerial view of one of Burgan’s oil rigs taken in 1954.

Left: First producing oil well at the giant Burgan field (1938).

Kuwait’s North oil tank farm.
Below is a panoramic view showing the greenery of Al Ahmadi and, inset, a typical employee’s residence in the area.

Below: A tanker loads up its crude at Kuwait’s North Pier.

All images on this spread courtesy Kuwait Ministry of Oil.
passed by the government in 2010 to spend hundreds of billions of dollars over five years to diversify the economy away from oil, in addition to attracting more investment and boosting the private sector’s participation in the economy.

The plan includes increasing the country’s crude and gas production capability, building a metro and rail network, providing new hospitals, roads and power stations, as well as expanding its airport and building a port on Boubyan Island. For the oil sector alone, Kuwait intends spending around $56bn over the next five years on development schemes, with $11.6bn of that earmarked for the current year.

The country is also committed to implementing economic reforms and liberalization policies with the ultimate aim of improving the business environment and bolstering foreign direct investment. A recently approved SME Fund, initially worth 1bn dinars ($3.54bn), has the objective of providing financing for small businesses, which will improve the overall business environment in the country.

However, for the next financial year, the National Bank of Kuwait (NBK) has warned of an economic downturn of sorts for the country. After recording real economic growth of 8.2 per cent in 2011 and 6.3 per cent last year, fiscal expansion for 2013 was revised down by the NBK in March to 1.9 per cent from 3.2 per cent just one month earlier.

The revision is due to a forecast contraction in the contribution of the Kuwaiti oil sector to GDP, as a result of lower market requirements globally. This is in line with OPEC’s projections, showing that the call on the Organization’s oil in 2013 will be 400,000 b/d less than in 2012. At the same time, non-OPEC oil production is set to rise by 1m b/d.

But the good news is that the NBK and several experts see the slower performance in the domestic oil industry actually being offset by higher growth in the non-oil sector, which could see expansion of up to five per cent in fiscal 2013–14.

Said the NBK in its March report: “The bank has raised its forecast for real non-oil growth in 2013 to five per cent,
from four per cent, based largely on signs of a greater determination by Kuwaiti authorities to implement large infrastructure projects.

“This should ease the economy’s dependence on growth in the consumer sector, which will nevertheless remain firm, thanks to high employment levels and fresh government measures to support income growth.”

Oil production to expand

After 2013, the country’s economy is expected to rebound back to above five per cent as its oil production capability expands and the strength of the non-oil and private business sectors increases further.

With domestic crude oil production currently standing at just below 3m b/d, and the country’s output capacity on track to expand to 4m b/d by 2020, petroleum will remain the bedrock of the country’s economic good fortune and development for the foreseeable future.

This is obviously good news for the stability of the petroleum market in the years ahead and the countries of the world that will need extra oil to fuel the expansion of their economies, especially the high-growth non-OECD developing and emerging states.

In this regard, Kuwait’s internationalization thrust is already reaping rewards. Its main trading partners include China and India, two of the best performing global economies for quite some time, as well as other powerhouses, such as South Korea and Japan. Add to that the United States and fellow
OPEC Founding Member, Saudi Arabia, and one can see why Kuwait is doing so well.

Out and about in Kuwait City

Our visit from the OPEC Secretariat in Vienna was for the two-day First Petroleum Media Forum of the Gulf Cooperation Council, hosted by Kuwait at the end of March. But we also took time out to explore the capital and its surroundings.

And for that, we must pay special thanks to our very accommodating guide, Nawal Alfezaia, who took valuable time out from her job as Assistant Undersecretary for Economic Affairs at the Kuwaiti Ministry of Oil, to show us around.

But as Nawal, who is also Kuwait’s National Representative to the OPEC Economic Commission Board (ECB), was quick to point out, it was also an opportunity for her to take a closer look at what was going on in her country.

So, with her expert guidance, we managed to visit facilities of the Kuwait Oil Company (KOC) at Al Ahmadi, the National History Museum, Dickson House, a significant cultural centre, as well as sample the exclusive atmosphere, culinary delights and unique hospitality of the oldest market, or souk, in the city.

First port of call was the southern oil capital of Al Ahmadi Governorate. This area is like no other in Kuwait — it has a lot of greenery! There is little evidence of the scorched land, where temperatures can reach over 50° Centigrade in the summer months.

Speeding out of Kuwait City along the busy main...
highway in our air-conditioned limousine, courtesy of the Oil Ministry, and leaving the traditional Arab architecture behind, one is surprised some 30 minutes or so later at the appearance of the Al Ahmadi suburb, or the ‘home of KOC’ as it is known locally.

It resembles British/American landscape with bungalow-type housing, complete with lawns and flower beds, and intersecting streets that would be perfectly at home in New York State. There are widespread recreational facilities — even for cricket.

But when one realizes the history of this place — where Kuwait’s oil journey was mapped out over 65 years ago — then it all becomes clear.

**First oil discovered**

It was back in 1934 that KOC was founded by the then Anglo-Persian Oil Company, later to be known as British Petroleum, and Gulf Oil of America. Two years later, KOC started drilling operations and, in 1938, Kuwait’s first oil was discovered in the Burgan field, which later turned out to be one of the largest onshore oil concentrations in the world.

There were then subsequent oil finds at Magwa in 1951, Ahmadi in 1952, Raudhatain in 1955, Sabriyah in 1957, and Minagish in 1959. Kuwait’s destiny as an oil producer was complete!
By the time first commercial oil production from the Burgan field was made in 1946, thousands of British expatriates, including engineers and administrators, had settled in the new oil town of Ahmadi, which was modelled on a typical British locality.

The development of Ahmadi and especially the training of Kuwaiti oil personnel led to excellent relations between Kuwait and both Britain and the US. In 1975, the Kuwaiti government took over the ownership of KOC, but to this day, one clearly sees that original Western influence in Al Ahmadi.

**New technology at work**

Our visit to the oil suburb was specifically to learn more about the history of the oil industry in Kuwait and see some of the latest oil technology at work.

But there is more to Al Ahmadi than first meets the eye. Apart from being home to both the upstream oil company, KOC, and its downstream sister, the Kuwait National Petroleum Company (KNPC) — both are affiliates of the Kuwait Petroleum Corporation (KPC) — it also serves as a popular retreat for city dwellers, looking for relaxation amid idyllic surroundings.

First arriving at KOC’s ultra-modern information centre, we were given the guided tour, which took us through the different stages of the country’s oil operations, from first oil to how the crude today is optimally developed, transported, refined and exported. A very impressive permanent exhibition at the centre takes the visitor through the history of Kuwait’s oil industry and all facets of its operations.

The all-important optimization of the country’s crude oil resources, which Kuwait takes very seriously, was the subject of our next port of call. KOC operates three pilot projects called ‘collaboration centres’, which monitor and control the oil flowing from wells in various fields. These are concentrated on the Burgan and Sabriyah oil fields, as well as the Jurassic sour gas field. A fourth centre is also in the pipeline.

The centre at Al Ahmadi proved to be as impressive technically as it appeared visually with its banks of computers, terminals and giant ‘live’ wall screen.

Through specially developed software, the collaboration centre — so-called because a close coordinated approach is deemed essential to the success of the operation — uses higher artificial intelligence to determine the best production scenario for every well monitored.

By using a series of sensors strategically placed in various locations of the wells, KOC engineers, geologists and technicians can get a constant performance flow of data from the wellheads, which are situated some 30–50 km away from the centre. In effect, the wells are talking...
Mixed aromas of spices and foodstuffs fill the air at the old souk, where traditional Arabic food can be found on every corner, along with the very popular chai tea.

to the engineers on how they are performing and whether they require attention. It is a unique system.

The information gathered is ‘crunched’, or processed, enabling the centre to analyze and determine solutions as to how to get the best out of the wells, to optimize production, by either increasing or reducing it.

But, at the same time, every decision taken considers the preservation of the reservoir because it would be counter-productive to damage the oil pool by producing excessively.

The overall aim of the project is for a five to ten per cent increase in each well’s production, which, when combined for any given field, can be a significant amount.
The projects depend on the close collaboration of several operating teams, incorporating field development, production and operation personnel.

When certain data and instructions received by the centre needs to be acted upon, then the collaboration comes into effect. The various teams sit down together on one platform — the geologists and the reservoir and petroleum engineers — and make informed decisions about what action should be taken for best optimizing the production.

The collaboration centres, which are run by geologists and reservoir and petroleum engineers, are assisted by field decision rooms, which are manned by operations staff.

After a very interesting and informed morning, we headed back into the city — it was time for some culture. No trip to Kuwait City would be complete without a visit to one of its famous markets. We were treated to the splendours of the old souk — Souk Al Mubarakiya.

History and tradition

Named after the late seventh Ruler of the country, Sheikh Mubarak Al-Sabah, this market in downtown Kuwait, parts of which date back 250 years, is as old as the modern buildings surrounding it are new. It is steeped in history and tradition.

In fact, it is described by some as being in the top ten of the world’s finest heritage souks. Few would disagree after a few hours of walking its long and winding
streets, soaking up its atmosphere and sampling its wares.

Passing the lines of stores and stands, greeted with smiles and genuine warm hospitality, one is virtually assaulted by the continual waft of different aromas coming from the spices, herbs, incense, foodstuffs and other goods on offer.

The area, which we were told is always very busy, really had an authentic, traditional feel about it. One can find just about everything imaginable there — from tea, coffee and perfumes to kitchenware, fish, meat, vegetables, shoes and clothing. And, as one would expect, bargaining is the way of doing business and those bold and determined enough will generally get a good deal.

But the souk is not only for shopping for the best bargains. It is also an important meeting place for friends and families.

At one of the main entrances, we see many children laughing and playing in the ‘coloured’ fountains that have been provided there as a ‘welcoming’ feature. One could only imagine just how welcoming these streams of water are in the hot summer evenings when families venture out.

Importantly, the souk and its environs epitomize Kuwait’s determination to retain its heritage, preserve its historical identity and maintain its family values. As a country that, like many, is embracing all the processes of
modernization, this is evidence that its traditions stand as strong today as before the oil boom when pearls were more important than the black gold that lay under the desert waiting to be exploited.

Continuing our tour, we are unable to resist the temptation of the fragrant aromas any longer and decide to sit at an outside café. Our host orders kebabs all round, which come together with generous helpings of fresh warm Arabic bread and a mixed leafy salad that is so sweet it could almost be a dessert! Of course, the meal would not be complete without a generous glass of the traditional sour yoghurt, although some of the party refused to experiment that far and opted for the ‘safe’ international beverage — coca cola.

Having eaten as much as we could, and then finished off with the traditional ‘chai’ — black tea, we again took to the market’s streets and come across Mubarak Kiosk, a two-storey building located in the main square. This is significant in that it was one of the first two kiosks established in 1897 by the late Sheikh Mubarak, which served as his ‘office’ and where he met with locals and addressed their concerns.

Today it is a museum, but over the century or more of its existence, it has been a court, a pearl diving affairs office, a post office, a real estate records office, a pharmacy, and a library. It took on its latest guise in 2011 and is now a central attraction for visitors of the souk.

Sadly, it was time for us to leave the market, but we were so enthralled with our visit that we pleaded for a return the following day, which we managed to secure to snap up those valuable last-minute gifts — and drink more of the addictive chai, of course.

**Historical artifacts**

But before that, we had two more appointments to keep. The first was the Natural History Museum, which was undergoing reorganization, but still offered us plenty of items of interest to appreciate. It was fascinating to see some of the country’s historical artifacts, including items associated with its world-famous pearl diving. But also of special interest were the many life-size exhibits depicting the traditional Arab and nomadic family way of life.
From the museum it was on to the Dixon House Cultural Centre, considered one of the most unique historical buildings in Kuwait. Along with the current British Embassy, it is the only surviving example of British/Indian colonial architecture in the city.

It dates back to 1899 when Mubarak the Great, the Ruler of Kuwait, signed a historic agreement with Britain, cementing relations between the two countries. Up to 1935, it was the residence and office of British political agents sent to represent their country in Kuwait, before they moved out to larger and more fitting accommodation.

But over the years, the Dickson House has been maintained as a symbol of the deep friendship and strong relations that exist between the two countries on a political, commercial, educational and cultural footing. It is now cared for by Kuwait’s National Council for Culture, Arts and Letters.

There was, of course, a lot more for us to see — particularly concerning the petroleum sector — but that would have to keep for another time. A quick return to the souk, some chai by the harbour front and then it was time to leave for dinner — Iranian style.

But as we packed our belongings and headed for the airport, there was a tinge of sadness about our leaving. As first impressions go, there is something very appealing about this tiny Gulf state that might easily be overlooked on a world map, but is quietly going about its business and holds so much promise for the future. It all prompts one to return.
Two generations of Nigerian Petroleum Ministers honoured in Vienna

Two generations of Nigerian petroleum sector leaders were honoured in Vienna, Austria in May for their respective services to the industry. 

*Mrs Diezani Alison-Madueke*, Nigeria’s current Petroleum Resources Minister, stood alongside elder statesman, 

*Dr Rilwanu Lukman*, who held the petroleum ministerial portfolio on two occasions and, in a long and distinguished career, was heavily involved in OPEC affairs as both Secretary General and Conference President. *Angela Agoawike*, Head of the Public Relations and Information Department at the OPEC Secretariat, herself a Nigerian, reports on the awards ceremony.
In 2008, I was at the Murtala Mohammed International Airport in Nigeria’s premier commercial city, Lagos, on my way back to Vienna on a Lufthansa flight. But first, we had to go through the usual airport formalities.

At every point that the officials on duty checked my travel documents — and there were quite a number of them — one question I was asked constantly was: “Where do you work?”

“OPEC,” I would respond. The reaction was always the same: “So you work with Lukman.” As it was always more of a statement than a question, I only smiled and simply said: “Yes”, in affirmation.

Of course, ‘the Lukman’ they were referring to was no other than Dr Rilwanu Lukman, who, at that time, had just been, once again, appointed Nigeria’s Minister of Petroleum Resources.

Long before that appointment, he had been associated with Nigeria’s petroleum industry and, during his close and influential involvement in OPEC affairs, also served as both OPEC Secretary General and the Organization’s Conference President at various times.

So, it was no wonder that his was a household name in Nigeria — one of those people everyone speaks so familiarly about, even though they have not yet had the privilege to meet him — and most probably never would.

But that is not surprising: petrol plays such an important part in the everyday lives of Nigerians. As a result, anyone publicly associated with the sector, especially from the policy-making and implementation quarters, becomes a ‘familiar stranger’ to us all.

Lukman might be well known in his native Nigeria, but he is even...
Petroleum Resources, Diezani Alison-Madueke, along with the Minister of Mines, Industry and Energy of Equatorial Guinea, Gabriel Mbaga Obiang Lima.

The event, which took place at the Hilton Hotel in the Austrian capital, attracted dignitaries from various walks of life, including OPEC Secretary General, Abdalla Salem El-Badri, who delivered a brief laudation in honour of Lukman. He also personally handed over the glass plaque to the Nigerian elder statesman.

Dr Alirio Parra, a former Venezuelan Minister of Energy and Head of his Country’s Delegation to the OPEC Conference, also spoke glowingly about Lukman, as did

better known outside the shores of his country. The numerous honours and awards he has received from governments, private and public organizations attest to this.

The media constantly seeks him out for interviews and comments on a variety of issues, while governments value his services as a consultant. In addition, organizations — public and private — look to bestow honours on him, which, there is no doubt, he truly deserves.

One such honour again came his way on May 13 in Vienna, Austria, when he was presented with a Lifetime Achievement Award by the Foreign Investment Network (FIN), a United Kingdom-based investment consulting and publishing company.

Honoured alongside Lukman was the current Nigerian Minister of

Above: Seated (l–r): Olayinka Fayomi; Mrs Diezani Alison-Madueke; Dr Rilwanu Lukman; Mrs Lukman; Alhaji Mukhtar Ramalan Yero; surrounded by well-wishers.

Right (l–r): Abdalla Salem El-Badri; Dr Rilwanu Lukman; Alhaji Mukhtar Ramalan Yero; Dr Alirio Parra.
the Governor of his home state in Nigeria, Alhaji Mukhtar Ramalan Yero, who led a high-powered delegation from the state of Kaduna to support his countryman as he received his Award.

Born on August 26, 1938, in Zaria, Kaduna State, Lukman trained as a mining engineer at the College of Arts, Science and Technology, Zaria (now Ahmadu Bello University) and the Imperial College, London.

He holds a Post-Graduate Certificate in Mining and Mineral Exploration from the Institute of Prospecting and Mineral Deposits, University of Mining and Metallurgy, Leoben, Austria, and another degree in Mineral Economics from the McGill University, Montreal. He also received an Honorary Doctorate Degree in Chemical Engineering from the University of Bologna, Italy.

Lukman has served Nigeria in various capacities as Inspector and later, Acting Assistant Chief Inspector of Mines in the Federal Ministry of Mines; General Manager, Cement Company of Northern Nigeria; General Manager and CEO, Mining Corporation of Nigeria; Federal Minister of Mines, Power and Steel; Chairman, National Electric Power Authority; Minister of Foreign Affairs; and Minister of Petroleum Resources of Nigeria at different times.

He also served as the OPEC Conference President from 1986 to 1988 and as OPEC Secretary General from 1995 to 2000.

Lukman has been honoured by countries such as the UK (Knight of the British Empire), France (Officer of the Legion d’Honneur) and Venezuela (First Class rank of the Order of the Liberator).

As a Nigerian, he would no doubt be even more delighted by the recognition accorded him through the award of the Commander of the Order of the Niger (CON) and Commander of the Federal Republic (CFR) given to him.

His Alma Mater, Imperial College, London, also conferred on him its prestigious Fellowship, making him the first African to be so honoured.

**First female Head of Delegation**

At its 157th Ministerial Meeting in Vienna, in October 2010, the OPEC Conference welcomed its first female Head of Delegation — Mrs Diezani Alison-Madueke.

A trailblazer in her own right, she had also previously held the record of being the first female Executive Board Member of the Shell Petroleum Development Company (SPDC), where she had worked as Head of the Project Unit, Estate Development Division; Head of Corporate Issues, Identification and Management Department, External Affairs Directorate; and also External Affairs Director. She was also, Senior JV Relations Adviser for Strategy and Planning and Lead Ventures Relation Adviser for the oil major.

And that is not all. Mrs Alison-Madueke, who also served as Nigeria’s Minister of Mines and Steel Development, holds the record of having been her country’s first female Minister of Transport.

Articulate and focused, she has, since coming into office as Minister of Petroleum Resources, worked hard to transform her country’s oil and gas sector and ensure the passage of the Petroleum Industry Bill (PIB), a key tool in the transformation process of the domestic petroleum sector.

**Transformed industry**

No wonder then that FIN had this to say about her: “She has been very innovative, promoted transparency and transformed the industry.”

The Minister received the Distinguished Achievement Award for Innovation and Transformation in the Petroleum Industry. Receiving her award, presented by the founder of FIN, Olayinka Fayomi, Mrs Alison-Madueke thanked FIN for the recognition and also paid tribute to Lukman, during whose tenure the process of enacting the PIB began. She is also the immediate successor to Lukman as Minister.

Mrs Alison-Madueke holds a Bachelor’s Degree in Architecture from Howard University in the United States and an MBA from the University of Cambridge, England.

She has worked as a Project Engineer with American Interior Builders Incorporated; a Design Coordinator at Furman Construction Management Incorporated; and a Project Manager and Member of the Planning and Development Team at Howard University.

In her homeland, she holds the national honour of Commander of the Order of the Niger (CON).

Also honoured at the Vienna event — Gabriel Mbaga Obiang Lima, Minister of Mines, Energy and Industry of Equatorial Guinea was described as a “transformational leader”. He received the African Petroleum Leaders Award.

Lima, who studied Economics in the United States, is one of the emerging leaders on the African continent. He is a frequent speaker at oil, gas and leadership fora.

Currently, he is in the process of developing a national content policy which would make it possible for his countrymen and women to be involved in the running of Equatorial Guinea’s oil and gas industry.

The conferment of awards was preceded by a lecture entitled ‘Innovations and 21st century oil and gas: increasing global oil reserves to sustain development’, delivered by Professor Jean-Pierre Favennec, of the IFP School for Petroleum and a Board Member of FIN.
Algeria planning to double domestic refining capacity

Algeria is planning to double its domestic refining capacity over the next five years, in order to satisfy its growing domestic energy demand.

According to the country’s Energy and Mines Minister, Dr Youcef Yousfi, the higher capacity, which would come from the provision of six new refineries, was also required to support the expansion of the domestic petrochemical industry.

“The current refining capacity in Algeria stands at around 700,000 barrels/day, which will double in the next five years through completing six new refineries,” Yousfi was quoted as saying by the state-owned Algerie Presse Service (APS).

He disclosed that construction on five of the new plants would start at the end of this year. Around 50 per cent of Algeria’s current 30 million tonne refining output was used to supply the domestic market.

“The increase in refining capacity will allow Algeria to meet its domestic needs until 2040 and develop petrochemical industries near the refineries,” he added.

The country’s state-run energy company, Sonatrach, recently announced plans to invest $80 billion in oil and natural gas projects through 2016 in a bid to expand the gas resource base, boost refining and petrochemical capacity and curb dependence on imported fuel.

According to data submitted to the OPEC Secretariat in Vienna, Algeria produced 1.19m b/d of oil in April, compared with 1.20m b/d the previous month.

In opening remarks to the 9th Sonatrach Scientific and Technical Seminar, Yousfi explained that the refining developments formed part of Sonatrach’s plan to step up research across the entire country to identify resources that would “make it possible to meet the long-term needs of the domestic market and strengthen our country’s position as a hydrocarbons supplier at the international level, with a focus on Europe and Asia.”

Algeria’s current largest refinery at Skikda has a capacity of over 300,000 b/d. Other plants include Algiers, Arzew and Hassi-Messaoud.

As reported earlier in the year, the country is also looking to hike its liquefied natural gas (LNG) output capacity by up to 10m tons a year in 2014, with the addition of two new production trains.

APS carried a report stating that the country’s LNG capacity was expected to reach 60m t a year in 2014.

It said the two new trains — at Skikda and Arzew on the Mediterranean coast — would be in production during 2013.

Meanwhile, Algeria’s crude oil and natural gas output declined by six per cent in 2012.

Data from the National Statistics Office and published in the government newspaper El Moudjahid, also showed an 8.6 per cent decrease in liquefied natural gas (LNG) production, while refined oil products’ output dropped by 7.8 per cent.

The country’s central bank said that, overall, energy exports declined by 3.3 per cent last year, pushing earnings down to $70.59bn from $71.66bn in 2011.
Angola looking to increase oil production to two million b/d

Angola is looking to increase its oil production to two million barrels/day by 2015, compared with current output of 1.75m b/d, according to the country’s Minister of Petroleum, Eng José Maria Botelho de Vasconcelos.

The Minister was quoted in an interview as saying that the government was also aiming to boost domestic gas production. Its Soyo liquefied natural gas (LNG) project in Zaire Province was scheduled to go onstream later in 2013.

Deliveries to China

He pointed out that with its oil exports to the United States declining, as a result of higher domestic output in the world’s top consumer, Angola was increasingly looking to boost its oil deliveries to China.

“There is a reduction in petroleum imports to the US,” he said, but “emerging markets like India and China have been growing, and they have absorbed a large part of Angolan exports.”

Figures from the US Energy Information Administration (EIA) reveal that Angola’s oil exports to the US fell by 34 per cent in 2012. Deliveries amounted to an average of 221,000 b/d, down from around 500,000 b/d in 2006.

Lower exports to the US

But at the same time, data from OPEC shows the West African producer steadily increasing its exports to China to become its second-largest oil supplier after Saudi Arabia.

De Vasconcelos backed these figures, stating that around 15 per cent of Angola’s oil was now destined for the US, while some 40 per cent of its deliveries went to China.

Angola, which is still recovering from 27 years of civil war, which ended in 2002, has been strengthening its ties with China since 2004. China has supported Angola’s development with loans for construction and energy infrastructure projects.

De Vasconcelos said that his and the government’s concern was that demand in its oil export markets would suddenly decline, meaning that prices would also fall. Under current market circumstances, he saw the price of crude holding at least at around the $100/b level.

OPEC has forecast that demand for the Organization’s crude oil in 2013 will fall by around 400,000 b/d from the 2012 level. At the same time, non-OPEC output is expected to expand.

According to figures submitted directly to the OPEC Secretariat in Vienna, Angola produced 1.71m b/d of crude oil in April, down from 1.75m b/d the previous month.

The country, which joined OPEC in 2007, has enjoyed considerable production growth from its offshore fields, where US majors, including Chevron and ExxonMobil, are working.
Libya’s oil production expansion spurring economic growth

Libya is on course to boost its crude oil production by around 150,000 barrels/day by mid-summer, according to the country’s Oil and Gas Minister, Dr Abdel Bari Ali Al-Arousi.

“We are now producing about 1.55 million b/d and we hope to reach 1.7m b/d in the next two or three months, once we resolve some technical issues related to production,” he was quoted as saying by Dubai-based Al Arabiya television.

“Of course, before we reach this level, we need the approval of OPEC in order to ensure that the process is transparent and we are in agreement with the Organization’s members,” he added.

The Minister revealed that the North African country was currently exporting around 1.1m b/d of crude. Before the civil conflict, the country produced around 1.7m b/d.

According to data submitted directly to the OPEC Secretariat in Vienna, Libya produced 1.51m b/d of crude oil in April, compared with 1.52m b/d the previous month.

Al-Arousi said recently that oil production continued to be hiked as the security situation in the country improved.

Speaking to reporters in December last year, he forecast that extra output would be in place by the end of the first quarter of 2013. By drilling more wells, a production figure of 1.7m b/d was targeted for the end of the year.

The Minister stressed that Libya’s overall aim short-term was to increase crude oil output to 2m b/d by 2015.

New bidding round

He was also quoted as saying that Libya could soon proceed with a new bidding round for exploration, as well as securing new production agreements, but the priority for the present was to continue maintaining existing production levels.

“First of all, we have to maintain the current production rate — that is the priority, as well as having all the international service companies back in Libya and ensuring that all security measures have been taken,” he stated.

Meanwhile, the country’s economy is expecting to see growth of around three per cent this year.

Economy Minister, Mustafa Abofanas, told Reuters in an interview that the growth was being driven by a resurgence of oil production.

“We expect growth of three per cent this year, mainly driven by oil. This year is different from 2012. Libya is currently producing 1.5m b/d.”

Libya currently relies on revenues from hydrocarbon exports for 95 per cent of its income, but Abofanas said he was looking at ways to boost the private sector and help diversify the economy.

“The Ministry is looking at privatization plans for certain industries; there are projects being studied for small and medium enterprises. We are discussing mechanisms for funds to finance this,” he was quoted as saying.

Abofanas said his Ministry was also looking at boosting exports. “There are many producers who are interested in exporting dates, olives and olive oil. We are also looking at developing tourism.

“But it is difficult to give a percentage of how much this will represent in terms of Libyan income in the future as we still need to do our research and this takes time,” he added.
Nigeria will continue to earmark more of its oil exports for Asian destinations after losing its market share in the United States, where domestic production from shale concentrations has surged in recent months.

Figures from the US Energy Information Administration (EIA) show that crude oil imports to the US from Nigeria declined by a hefty 246,000 b/d in February to 194,000 b/d. This represented the lowest level of imports from the West African OPEC nation since February 1985.

The EIA also noted that imports of Nigerian crude into the Atlantic Coast fell by 170,000 b/d to 140,000 b/d, while imports into the Gulf Coast fell by 58,000 b/d to just 49,000 b/d.

With US domestic crude production surging by 172,000 b/d to 7.18m b/d in February, the highest monthly figure since April 1992, the nation’s crude imports slumped to their lowest level in 17 years.

EIA Administrator, Adam Sieminski, announced in March that their studies showed that between 2008 and 2019, US tight oil production would rise by 2.6m b/d to nearly 10m b/d, backed by production growth from the Bakken and the Eagle Ford shale concessions in South Texas.

Speaking about Nigeria’s loss of market share in the US, Andrew Yakubu, Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), said the good news was that there was still huge capacity in Asia for his country to tap.

Various assessments showed that Asia’s demand for refined oil products was forecast to increase by 2.3 per cent, or by over 10m b/d, through to 2025.

At the same time, high-performing China was expected to be importing some 10m b/d of crude by the end of the decade, double the existing levels.

Speaking during a presentation at this year’s annual Offshore Technology Conference, Yakubu stated that Nigeria’s oil production was expected to get a sustained boost following a reduction in domestic incidents of oil theft.

He pointed out that the domestic oil industry had witnessed a significant drop in crude oil theft — close to 50 per cent — since the government began an amnesty programme in October 2009, following unrest in the Niger Delta, the main oil-producing region of the country. At the height of the problems, domestic oil production fell to below 1m b/d.

Nigerian officials have estimated that up to 250,000 b/d of the country’s crude output was being siphoned from pipelines.

According to data submitted to the OPEC Secretariat in Vienna, Nigeria’s crude oil production in April amounted to 1.73m b/d, slightly lower than the 1.75m b/d recorded the previous month.

The NNPC head also stated that demand for the country’s refined oil products was also growing. In fact, the figure had almost doubled since the late 1980s to around 25m liters/d.

“There is no doubt there is need for additional domestic refining capacity, but there is no point in adding additional capacity if we do not address our existing assets,” he was quoted as saying.

Yakubu was referring to Nigeria’s four state-run refineries, which had a combined capacity of 445,000 b/d, but which, over the years, had struggled to operate at efficient capacity levels.

The NNPC recently announced that during the past three months the plants had operated at an average utilization rate of 65 per cent, better than in previous years.

Andrew Yakubu, Group Managing Director of NNPC.
Qatar’s QAPCO prides itself on commitment to sustainability

Dr Mohammed Al Mulla, Vice Chairman and Chief Executive Officer of the Qatar Petrochemical Company.

Qatar is the only country in the world where reporting on sustainability is mandatory for all companies related to the national energy concern, Qatar Petroleum (QP), according to Dr Mohammed Al Mulla, Vice Chairman and Chief Executive Officer of the Qatar Petrochemical Company (QAPCO).

Companies in the country, he said, were required to report the impact of their operations on the environment and society using a range of standard indicators, as the country, especially the Energy and Industry Ministry, regarded the issue of sustainability very seriously.

“They are now accountable for their actions,” he pointed out.

Speaking on the sidelines of QP’s Environment Fair, Al Mulla was quoted as saying that sustainability reporting was regarded as a best practice and was fast becoming a must on the international scene.

He explained that measuring the impact of a company’s activities and operations on its stakeholders represented a new way of reporting that was gaining enormous momentum because it encouraged firms to always strive for a more sustainable performance, for the benefit of present and future generations.

“Growth and profit are not anymore the sole focus — we are now in a new era where sustainable green growth is the benchmark and goal to achieve,” he professed.

Al Mulla noted that at QAPCO, which had been in operation for 40 years, they were continually investing to modernize and upgrade the company’s facilities.

They were adopting the latest and most sophisticated technologies and monitoring systems and pursuing comprehensive environmental programmes, in a bid to further contribute to the preservation of the environment, limiting emissions, protecting flora and fauna, and focusing on sustainable development.

“For instance, via the replacement of our previous furnaces, we are now using the latest and greenest technology in combustion, waste control and on-line monitoring, allowing significant reduction in NOx air emissions, the reuse of coke inside the furnaces preventing air and soil contamination, increasing efficiencies in fuel consumption and improving the yield to increase productivity and reduce waste,” he was quoted as saying.

Al Mulla stated that incorporating energy efficiency was also an important part of the company’s operations, adding that new technologies and progress in environmental friendly techniques were able to comply with the strictest rules of local and international environmental regulations.

Referring to QAPCO’s LDPE 3 plant, which was launched last summer, he said it was a perfect example of technology advancement, with no run-off flows into the clear waters off the coast of Mesaieed. Additionally, the heat produced at the plant was being recycled for heating and power.
Saudi Arabia likely to opt for variety of different nuclear plants

Saudi Arabia, which is seriously considering launching a nuclear energy programme, is likely to opt for a variety of different plants to meet its rapidly rising domestic power demand, according to Waleed Abulfaraj, Vice President of King Abdullah City for Atomic and Renewable Energy (KACARE).

He explained that more than one design would avoid overstretching one reactor builder and allow the Kingdom to sign politically potent, long-term contracts with several of its biggest trading partners.

“We see unique benefits of diversifying acquired technologies in terms of job creation, value chain localization, and knowledge transfer,” he was quoted as saying.

“The current frontrunners are all countries which Saudi Arabia has already signed a nuclear cooperation agreement with, which include France, Korea, China, and Argentina,” he added.

Advanced reactors

Abulfaraj pointed out that the Kingdom was only considering Generation 3 and 3+ advanced reactors which had already been licensed, built and operated safely. Importantly, they had added safety features and longer operating lives of around 60 years.

Despite opposition to nuclear power in many countries, following the disaster in Japan and rising construction costs, the technology is gaining popularity in the Middle East, where soaring electricity demand is affecting oil and gas export levels.

Latest figures show that there are 435 civil nuclear power reactors operating around the world, with 67 plants under construction.

Officials at a conference organized by KACARE, the government body responsible for establishing and overseeing Saudi Arabia’s nuclear programme, said they were looking to finalize a list of potential vendors for the first nuclear scheme by the end of 2013. Construction of the first unit was planned by 2016, with first nuclear supplies reaching the electricity grid by 2022.

KACARE hoped to award the first contract for one or more nuclear units at the end of 2014.

The Kingdom plans to build 17,600 megawatts of nuclear capacity by 2032. Over the same period, it is looking to add 54,000 MW of renewable energy, mostly solar.

Meanwhile, James Smith, United States Ambassador to the Kingdom, was quoted as saying that it was unlikely government approval for the nuclear plans would be attained this year.

He told the Nuclear Energy Institute’s annual meeting in Washington that Saudi Arabia needed more electricity as its economy and population grew.

Smith pointed out that Saudi Arabia was looking to reduce the amount of crude it burned domestically to produce electricity, leaving more oil available for export.

He stressed that the US government was ready to support American company involvement in the Kingdom’s nuclear power programme, adding that US Nuclear Regulatory Commission officials had already visited the country for discussions.

Smith explained that the US was in talks with Saudi Arabia on a nuclear cooperation agreement that met the requirements of section 123 of the Atomic Energy Act. Such an agreement was required for US companies to become suppliers of certain nuclear goods and services for export.

“I believe there is goodwill and a desire on both sides to get this done,” he was quoted as saying. “The challenge for Saudi Arabia is how to get a guaranteed fuel supply.”

Smith predicted that the Kingdom’s renewable energy sources would be developed before nuclear power and would advance more quickly.
Royal Dutch Shell has secured a multi-billion dollar project to develop a sour gas field in the United Arab Emirates (UAE).

The British-based company was chosen over France’s Total to work on the $10 billion Bab gas project with the Abu Dhabi National Oil Company (ADNOC), the UAE’s state oil company.

According to the UAE news agency, WAM, ADNOC will hold a 60 per cent interest in the project, while Shell will possess the remainder.

**World class energy sector**

“Today’s deal, the largest secured by a British company in the UAE in recent years, is a fantastic outcome for Shell and highlights the United Kingdom’s world class energy sector,” British Prime Minister, David Cameron, was quoted as saying in a statement.

He was announcing Shell’s success in winning the 30-year contract at the beginning of a visit to the UK by UAE President, Sheikh Khalifa Bin Zayed Al-Nahyan.

In winning the contract, Shell is also hoping to renew its role in the UAE’s largest onshore oil concession, on which the Bab field stands, when that contract comes up for renewal early next year.
Venezuela manages to stem decline in production of crude, natural gas liquids

Venezuela has managed to halt a decline in its crude oil production and natural gas liquids, which now stands at around 3.12 million barrels/day.

According to Rafael Ramirez, the country’s Minister of Popular Power of Petroleum and Mining, production was going up, particularly in the Orinoco Oil Belt.

He revealed that the state oil company, Petróleos de Venezuela SA (PDVSA), had discovered new reserves of one billion barrels of light crude in the eastern Monagas region, where production had been slowly but steadily declining since last year.

“The situation in the east has been solved and output there will continue to rise following the discovery we have made in El Furrial,” he said in a telephone interview with Reuters.

Reserves being certified

The new reserves found at El Furrial were 42° API light crude and were in the process of being certified.

Meanwhile, the company has announced that its net earnings in 2012 declined by 6.1 per cent to $4.21 billion from $4.50bn in 2011.

According to the PDVSA Annual Report for 2012, crude oil and natural gas liquids output fell by three per cent to 3.03 m b/d from 3.13 m b/d in 2011.

The volume of crude oil processed at its refineries dropped by 13 per cent to 1.89 m b/d from 2.18 m b/d in 2011.

PDVSA noted that Orinoco Oil Belt production dropped by around three per cent last year to 1.17 m b/d from 1.21 m b/d in 2011.

The company said its total crude exports rose to 2.06 m b/d last year from 1.92 m b/d in 2011. Exports of refined products fell from 553,000 b/d in 2011 to 508,000 b/d last year.

This year, PDVSA is aiming to sustain crude oil output of 3.25 m b/d, compared with a total capacity of 3.5 m b/d.

The report disclosed that the company’s operating costs surged by over 58 per cent in 2012 to $23bn, while its contribution to domestic social programmes and the national development fund fell to $17.3bn.

More oil service work

In his interview with Reuters, Ramirez stated that from this year, PDVSA would begin carrying out more of the oil field service activities that are currently performed on its behalf by international firms, such as Schlumberger, Baker Hughes and Halliburton.

“We are autonomous in many areas and now we would like to see the same thing in the service sector. We are opening up this market,” he maintained.

But the Minister made it clear that its service partners were not being pushed out. “It just means more competition,” he affirmed.

PDVSA ended last year with 381 rigs working in the country, many of them built in China. This year, said Ramirez, it had started importing machinery to provide more services at drill sites.

PDVSA, he added, was negotiating with some foreign partners for the companies to have their own rigs brought to Venezuela, which would speed up the work.

Concerning the Orinoco Oil Belt, Ramirez was quoted as saying that the country’s joint-venture partners, such as Petrovietnam, Eni and a Russian consortium headed by Rosneft, had begun providing financing for the early production at their projects in the Belt.

The government hoped that several ambitious projects in the region would eventually add 2 m b/d of new output capability there, involving investments of more than $80bn.
Sixteen months is a long time to be without income and for newly established South Sudan, frosty relations over oil transit fees stopped cross-border oil flows to Sudan, forcing the former to cut back on monthly public expenditure by half and tighten its grip on its reserves.

For Sudan, annual inflation hit almost 50 per cent as citizens protested over rising food prices and cuts to fuel subsidies.

But now that South Sudan has restarted the Palouge oil field in the north-eastern state of Upper Nile, which accounts for 80 per cent of its oil production, both nations hope to see improvement in their economies as they need oil income to pay for food and imports.

Given that South Sudan took with it the lion’s share of the two countries’ oil production, the absence of Juba’s volumes has been a blow.

Production from Sudan and South Sudan was estimated at some 124,000 barrels/day in 2012, nearly
three-quarters less than the 455,000 b/d pumped in 2011. South Sudan previously produced 350,000 b/d, but is initially resuming output at levels between 150,000 b/d and 200,000 b/d.

Sudan is currently pumping 136,000–140,000 b/d, having lost three-quarters of its output when South Sudan seceded. With domestic needs estimated at 115,000 b/d, this leaves it with no more than 25,000 b/d for export.

The country had originally planned to reach output of 180,000 b/d by the end of 2012, but damage to the 60,000 b/d Heglig oil field put that target out of reach. In recent months, new oil production has come onstream, adding a modest 20,000 b/d to total output.

Oil flows slowly

In spite of instability on the border, both Sudans are eager to get — and keep — the oil flowing. In April, South Sudan restarted production at the Thar Jath field in Unity state and crude from South Sudan was pumped through Sudan for the first time in over a year.

However, the start is slow with only a small amount of oil being piped 1,500 km to the export terminal at Port Sudan on the Red Sea. With the length of time it takes to transport the oil to market, revenue is unlikely to flow before August, which will undermine Sudan’s hopes to collect up to $1.2 billion in transit fees in 2013.

Nevertheless, the two countries remain at loggerheads over oil revenue and territory. South Sudan halted production in January 2012 after accusing the northern government of stealing $815 million of its oil revenue, although Khartoum insisted that it was taking money to recover unpaid transport and processing fees.

A full-scale conflict was narrowly averted in April last year as tensions...
erupted over oil revenue and border security. Fighting damaged operations at the Heglig oil field, leading to a loss of output. The shutdown has worsened the economic welfare of both countries which depend on crude exports for foreign currency.

Juba and Khartoum agreed to resume exports in September last year via pipelines through Sudan to Port Sudan. Sudan also demanded that South Sudan stop supporting rebels fighting in the Sudanese border states of Southern Kordofan and Blue Nile before letting oil pass through its pipelines.

The governments then agreed to a demilitarised zone along the 2,000 km border, but low-level conflict persists. Talks between the presidents of Sudan and South Sudan have failed to reach agreement on ways to implement demilitarization.

**Technical obstacles**

Operators are faced with immense technical challenges as they restart production from fields that may have been damaged when hastily shut down. Fighting has also damaged infrastructure and labour shortages have in the past impacted on output — a challenge the oil sector may yet face again. As a result, South Sudan may take up to a year to reach pre-shutdown output levels.

Despite ambitious pronouncements about raising production and pledges of investment from a number of Chinese, Malaysian and other foreign operators during a 2012 licensing round, Sudan’s ageing fields are rapidly approaching decline.

Continued sanctions and an assumption that greater hydrocarbon rewards lie in the south may limit upstream investment in Sudan and see the country’s oil sector further deteriorate as volumes decline.

Nevertheless, the high-risk environment did not deter Turkish independent, Som Petrol, from signing a Memorandum of Understanding in April with the Sudanese government to explore block 23 in the disputed South Kordofan region.

The pressure is on the South to bring new oil fields into production. Light, sweet Nile blend crude extracted from the mature Muglad Basin is falling in volume. As such, South Sudan will be increasingly reliant on the Dar Blend from the Melut Basin, which is low value, due to being highly acidic and high in arsenic, making it difficult to refine, and heavily paraffinic, which poses transportation problems.

There are few refineries that can process Dar Blend, although the South Sudanese government hopes to open a small 5,000 b/d plant at Bentiu, Unity state by the end of the year that can handle the crude.

Coupled with the problematic environment, Dar Blend is likely to remain low in price and unattractive to investors who have to factor in the high risk of operating there.

However, South Sudan has plenty of underexplored
acres that may yield sizable untapped hydrocarbon resources. The presence of majors Total and likely ExxonMobil support that optimism. South Sudan plans to break up large oil blocks and sell off smaller concessions for exploration. Concessions in Warrap, Lakes, Central Equatoria and Northern Bahr el Ghazal states are expected to be awarded over the coming months.

In the long-run, South Sudan is considering building two pipelines, one via Ethiopia and another across Kenya to the port of Lamu, as an alternative to the conduit that runs through neighbouring Sudan.

A 700,000–1,000,000 b/d pipeline linking oil fields with a new export terminal in Lamu, Kenya, would form part of the flagship Lamu Port and Southern Sudan-Ethiopia Transport Corridor (LAPPSET) infrastructure project. In August 2012, Japan’s Toyota Tsusho Corporation issued a $5bn tender for the 2,000 km pipeline. Given the cost and technical difficulties associated with the project, completion is not expected in the next five years.

The absence of alternative export routes in the meantime and continued tensions with Khartoum indicate that South Sudan is likely to perform well below potential and may lose out on investment to rising oil players in neighbouring states where exploration is intensifying.

This could have a long-term impact on Juba’s output, which without investment in existing fields and new exploration, may see production falter.

South Sudan signed an agreement with Ethiopia and Djibouti in March that may enable it to export oil by truck from July, while a study on a pipeline linking the three countries is completed.

An accord envisages crude being exported via Djibouti’s Red Sea port of Douraleh, some 1,500 km from Juba. Yet, its poor infrastructure — with just 300 km of paved roads — will present a challenge to such a proposal.

Truck transportation also puts South Sudanese output at a competitive disadvantage. Without more reliable links, the majors could be reluctant to spend significant sums on exploration without certainty that volumes will consistently make it to markets.

**Threat of more conflict**

Transport challenges aside, the security situation remains volatile. Recent disputes over borders and proxy rebel groups have been obstacles to the resumption of oil production.

Sudan has demanded the disarmament of the rebel Sudan People’s Liberation Movement-North, which it claims is destabilising southern areas.

Meanwhile, Juba has accused Khartoum of supporting the Murle insurrection led by David Yau Yau, in order to block its plans for a pipeline into Ethiopia.

Last year, ethnic clashes between the Murle and Lou Nuer communities in South Sudan’s eastern Jonglei state killed at least 1,600 people, according to the United Nations.

The region is the site of Block B, in which Total was given a 33 per cent interest in September 2012, so the stakes are high for South Sudan.

The Abyei dispute is still the biggest short-term political and security challenge to the oil industry. The region is situated in the oil-rich Muglad Basin and once represented a major source of Sudanese oil supply.

The Greater Nile Oil Pipeline runs through the area, linking the Heglig and Unity oil fields to Port Sudan. The Abyei Protocol of the Comprehensive Peace Agreement put in place an interim measure where it was simultaneously part of the states of Sudan’s South Kordofan province and South Sudan’s Northern Bahr el Ghazal province.

A referendum to resolve the sovereignty of the disputed and strategically important Abyei area is due in October, but continuing disagreements over a commission to oversee the vote and the composition of the local joint administration are likely to lead to a postponement. As such, the vote may be postponed, although a resumption of conflict is a lingering threat that would set back attempts to revive the oil industries of both Sudan and its new southern neighbour.
OFID Director General appointed to new Advisory Board

Sustainable Energy for All initiative gets substantial boost from UN-World Bank partnership
United Nations Secretary-General Ban Ki-moon and World Bank President Jim Yong Kim have announced the formation of a new Advisory Board to lead the global Sustainable Energy for All (SE4All) initiative through its next phase.

The Board includes HRH Prince Abdulaziz bin Salman Al-Saud, Saudi Arabia’s Assistant Minister of Petroleum and Mineral Resources, and OFID Director-General, Suleiman J Al-Herbish.

OFID has been a powerful advocate and leading ally in the creation of the SE4All effort, pioneering energy poverty alleviation through its innovative Energy for the Poor Initiative since 2008.

The joint announcement of the latest phase of the SE4All initiative was made on the sidelines of the World Bank Spring meetings in Washington DC in April.

The Advisory Board, an elite 34-member panel representing business, finance, government and civil society, held its inaugural meeting the same day.

In a move underscoring the importance that the UN and the World Bank attach to the SE4All initiative, Ban Ki-moon and Kim are to serve as co-chairs of the Advisory Board, the first time the two heads have jointly led such an effort.

“SE4All represents a new era in World Bank-UN relations,” said Ban Ki-moon, describing the partnership as “the cornerstone of SE4All” and pledging to use the combined powers of the two institutions to mobilize action against energy poverty.

“The Advisory Board has the top-flight expertise and experience needed to help us reach our goal of providing sustainable energy for all by 2030,” he added.

Other Advisory Board members include President Olafur Ragnar Grimsson of Iceland, Sultan Ahmed Al Jaber, Chief Executive Officer and Managing Director of MASDAR, Abu Dhabi’s pioneering renewable energy initiative, as well as a clutch of government officials and the heads of a number of UN agencies and other international organizations.

**Strategic guidance**

The development finance community is represented by the presidents of both the Inter-American Development
Bank and the African Development Bank, which will host the SE4All Africa Hub.

Advisory Board members will provide strategic guidance and serve as global ambassadors for the initiative, conducting high-level advocacy for action and mobilizing stakeholders on behalf of SE4All.

Addressing the Advisory Board at its first meeting, the World Bank President spoke of “an emerging coalition to build a sustainable energy future” which, if successful, would give everyone in the world access to electricity.

“Imagine that world,” he said. “Power will come from cleaner sources. Families will be spared the harmful effects of indoor air pollution from cooking and heating with wood and waste. People and firms all over will be using energy more responsibly and efficiently. We have the incredible opportunity of making all this happen through our collective will and effort.”

Kim also urged Advisory Board members “to find a way to hold our feet in the fire” in delivering on all the SE4All objectives.

Launched by Ban Ki-moon in 2011 as a multi-stakeholder partnership between governments, the private sector and civil society, the SE4All initiative has three interlinked goals to be achieved by 2030: universal access to modern energy; double the share of renewables in the global energy mix; and double the global rate of improvement in energy efficiency.

This commitment was underscored in December 2012, when the UN General Assembly announced a ‘Decade for Sustainable Energy for All’ to run from 2014 to 2024. Its resolution calls upon member states to make universal access to sustainable energy a priority.

To date, more than 70 countries have opted in to SE4All, with support coming from all over the world. The initiative has demonstrated the ability to marshal multi-billion dollar commitments, leverage large-scale investments, and build upon a rapidly expanding knowledge network.

Currently, the initiative is working to mobilize businesses, investors and civil society to focus on “high-impact opportunities” that can make an immediate contribution to the 2030 objectives. These include schemes such as off-grid lighting, the use of clean cookstoves and other innovative solutions to the challenge of energy provision in rural communities.

OFID is fully committed to the aims, objectives and ideals of the new initiative.

True to its pledge to intensify efforts to combat energy poverty, the Vienna-based institution more than doubled its commitments to the energy sector in 2012, the UN Year of Sustainable Energy for All.

With resources worth $382.6 million supporting a total of 27 projects, the sector secured close to 30 per cent of aggregate approvals for the year. This pushed cumulative approvals to the sector to $2.9bn.

The surge came in a year that saw the release of a seminal Ministerial Declaration on Energy Poverty by OFID’s Ministerial Council.

The Declaration reaffirmed the commitment of OFID to the eradication of energy poverty and announced the provision of a minimum $1bn to finance the institution’s Energy for the Poor Initiative, an amount that may be scaled up “if demand warrants”.

The Declaration represents the first such pronouncement made by the Ministerial Council — OFID’s highest authority — in the institution’s 37-year history.

It is a significant milestone, and one that may be seen as a reflection of the priority conferred on the issue by OFID and Member Countries alike.

“When it comes to fighting energy poverty, it has become clear that business-as-usual policies are not sufficient,” OFID Director-General Al-Herbish told delegates...
at the recent 9th International Energy Conference in Tehran.

“We need to spark effective change. Not least, because energy is the key to wider social and economic development and, for millions, the path out of poverty.”

A total of 36 developing countries benefited from the new resources committed by OFID in 2012, the majority of them African nations. All financial mechanisms were mobilized in order to allow as much scope as possible with regard to the type and size of the projects as well as to the fuel source.

Since launching its Energy for the Poor Initiative in 2008, OFID has adhered to a “technology-neutral” approach.

“Our objective is to provide people with energy through whatever means appropriate,” Al-Herbish explained. “We do not prioritize fossil fuels over renewables or vice versa. The aim is to meet people’s needs and to do so sooner rather than later.”

Of the 27 operations approved in 2012, eight were based on renewable energy sources, including wind parks in Yemen and Kenya, and several small-scale solar and hydro-power schemes designed to deliver energy to off-grid rural communities. The latter are being financed under OFID’s Energy Poverty Grant Programme.

Public sector loans accounted for 57 per cent of commitments and will be used primarily to expand electricity generation and distribution in nine countries — six in Africa and three in Asia.

Private sector investments included loans to Côte d’Ivoire and Ghana for power plant upgrading and to Kenya for the wind farm project.

Trade financing, meanwhile, supported the import of petroleum products to Lebanon, Mauritania, Pakistan and Turkey.

As a means of generating synergies and leveraging additional funds, OFID has pledged within the context of its Energy for the Poor Initiative to work with a wide network of partners, including other development finance institutions, non-governmental organizations (NGOs), governments and the petroleum industry itself.

To this end, cooperation agreements targeting the energy sector (among other priorities) have been entered into with a number of partners, among them the World Bank, the Asian Development Bank and the Andean Development Corporation.

Cooperation in 2012 included these organizations and others, most notably sister institutions such as the Arab Bank for Economic Development in Africa, the Arab Fund, the Islamic Development Bank and the Saudi Fund.

OFID has also taken on a high-profile advocacy role, using its influence wherever possible to spread the message and mobilize support for the battle against energy poverty.

Working both independently and in collaboration with other lead actors, OFID maintained its advocacy efforts throughout 2012.

As part of the UN Secretary-General’s High-Level Group on Sustainable Energy for All, the institution helped to develop the Action Agenda that was submitted to the Rio+20 Global Summit in June, where OFID was an active participant in its own right as well as part of the Group.

OFID’s strong support

Other high-level events utilized as an advocacy platform in 2012 included the World Future Energy Summit, the 13th International Energy Forum, the 5th OPEC Forum and the 5th Global South-South Development Expo.

OFID’s strong support to the energy sector is by no means a recent development. On a cumulative basis, resources amounting to $2.9bn have been distributed among a total of 85 countries for a diverse range of operations, from infrastructure and equipment provision to research and capacity building.

This equates to 20 per cent of all approvals, placing energy marginally behind transportation (21 per cent) as the sector with the second-largest share of total commitments.

Given recent trends, however, and the building momentum in the execution of the Energy for the Poor Initiative, it is a share that is certain to grow rapidly and significantly.
Forthcoming events

17th Asia oil and gas conference, June 9–11, 2013, Kuala Lumpur, Malaysia. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0320; fax: +65 6222 0121; e-mail: info@ccconnection.org; website: www.ccconnection.org.

FLNG 2013, June 10–13, 2013, London, UK. Details: IBC Global Conferences, 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.

Water solutions for the oil and gas industry, June 11–12, 2013, Dubai, UAE. 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.thecwcgroup.com.

Gas and oil expo, June 11–13, 2013, Calgary, AB, Canada. Details: DMG Events (Canada) Inc., Suite 302, 1333-8th Street SW, Calgary, AB, T2R 1M6, Canada. Tel: +1 403 209 35 55; fax: +1 403 245 86 49; e-mail: kellybrose@dmgevents.com; website: http://gasandoilexpo.com.

Equatorial Guinea gas forum, June 12–14, 2013, Malabo, Equatorial Guinea. 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.thecwcgroup.com.

Iraq power, June 17, 2013, 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.thecwcgroup.com.

4th Eastern Africa oil, gas and energy, June 18–20, 2013, Nairobi, Kenya. 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.petro21.com.

Iraq petroleum 2013, June 18–20, 2013, 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.thecwcgroup.com.

World national oil companies congress, June 18–20, 2013, London, UK. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

Atlantic Canadian petroleum show, June 19–20, 2013, St John’s, Canada. Details: DMGE Events, Suite 302, 1333-8th Street SW, Calgary T2R 1M6, Canada. Tel: +1 403 209 35 55; fax: +1 866 245 86 49; e-mail: bettyshea@dmgevents.com; website: http://atlanticcanadianpetroleumshow.com.

China downstream, June 19–20, 2013, Beijing, PR of China. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 357 8394; fax: +44 207 357 8395; e-mail: enquiries@europetro.com; website: www.europetro.com.

Automation and control for energy conference, June 24–25, 2013, Houston, TX, USA. Performance Excellence for Oil and Gas. 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.iqpc.co.uk.

North Africa gas summit, June 24–26, 2013, Rome, Italy. 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.thecwcgroup.com.

Oil and gas export infrastructure, June 24–26, 2013, 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.iqpc.co.uk.

World shale oil and gas: Asia Pacific summit, June 24–26, 2013, Singapore. 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.thecwcgroup.com.

5th Algae world Europe, June 25–26, 2013, Nantes, France. 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@cmtpm.com.sg; website: www.cmtevents.com.

10th annual FLNG Asia Pacific summit, June 25–26, 2013, Singapore. 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.iqpc.co.uk.

Caribbean gas trading and supply conference, June 25–26, 2013, Port of Spain, Trinidad. Details: IBC Global Conferences, 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.

Shale gas world UK, June 25–26, 2013, Manchester, UK. Details: Terrapinn Holdings Ltd, First Floor, Modular Place, Turnberry Office Park, 48 Grosvenor Road, Bryanston 2021, South Africa. Tel: +27 11 516 4000; fax: +27 11 463 6000; e-mail: enquiry.za@terrapinn.com; website: www.terrapinn.com.

11th Russian petroleum congress, June 25–27, 2013, Moscow, Russia. Details: ITE Group, Oil and Gas Division, 105 Salisbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

Solution to the Puzzel Page (p73) of the OPEC Bulletin April 2013:

1. **E V A P O R I T E**
2. **K E R O G E N**
3. **B I T U M E N**
4. **R E F I N E**
5. **H Y D R O C A R B O N**
6. **C R A C K I N G**
7. **V A L V E S**
8. **G A S O L I N E**
Brain teaser

Below is a crossword puzzle for you to complete. The clues to the puzzle are given below.

Across
1  Apparatus (9)
6  Number information system (4)
7  Pile of things (4)
8  Symbol for cobalt (2)
9  Experience (4)
11 Picture showing climbing routes (4)
13 Cutting tool (3)
14 Discretion (4)
16 State in the north central USA (4)
18 Process of finding crude petroleum (9)

Down
1  Increased (9)
2  Below surface (5)
3  Mathematical constant (2)
4  Computer executable file, abbr (3)
5  Study of fossilization (9)
7  Very high temperature (3)
10 Swallow (3)
12 Yellowish earthy iron oxide (5)
17 Energy (2)
We invite you to submit a well researched scholarly paper for publication in OPEC’s relaunched quarterly academic journal, the OPEC Energy Review, which specializes in the fields of energy economics, law, policy, the environment and international relations.

The OPEC Energy Review, which is prepared by the OPEC Secretariat in Vienna, is distributed to universities, research institutes and other centres of learning across the world.

The criteria for publication in the OPEC Energy Review are that the material is the product of research in an area of interest and value to the readership, and that it is presented in an objective and balanced manner. Submission of a paper will be held to imply that it contains original, unpublished work and is not being submitted for publication elsewhere. Manuscripts are evaluated by referees.

Abstracts of up to 150 words should be included. In the covering letter, or on a separate sheet, the following details of the principal author should be given: full name (and, if different, desired name for publication purposes), title, affiliation, full postal address, e-mail address and telephone numbers. Similar details should be provided for all co-authors. Authors will retain copyright to their papers, while giving the Publishers’ Exclusive Licence to publish.

Manuscripts should be written in clear English and not exceed 8,000 words. Submissions should be done electronically either via e-mail attachment or compact disc (CD). Tables and figures should carry titles, relate directly to the text and be easily comprehensible. Mathematical expressions should be clearly presented, with equations numbered.

Endnotes should be indicated in the text consecutively, with superscript numbers, and should be explained in a list at the end of the text. Reference citations in the text should be by last name(s) of author(s) and date (for joint authorship of three or more names, the words ‘et al’ should be inserted after the first name); references should be spelt out and listed in alphabetical order at the end of the paper (after the endnote listings). For more details of style, please refer to a recent issue of the OPEC Energy Review.

Submissions should be made to: Executive Editor, OPEC Energy Review, OPEC Secretariat, Helferstorferstrasse 17, 1010 Vienna, Austria (tel: +43 1 211 12-0; e-mail: prid@opec.org).
Economic uncertainty warrants close scrutiny of world oil market

May 2013

Developments in the international oil market warrant close monitoring over the coming months, according to OPEC’s Monthly Oil Market Report (MOMR) for May.

The need for this scrutiny was due to the prevailing situation in the global economy, which posed possible downward risks to oil demand growth, along with the potential for a significant increase in non-OPEC oil supply.

A feature article in the publication said that total world oil demand growth in 2013 remained broadly unchanged at 800,000 b/d, but a number of downward risks to the forecast remained.

Assessing the state of the global economy, the report noted that when the global growth forecast for 2013 was published in July last year at 3.2 per cent, the estimate seemed rather conservative.

“However, almost a year later, the forecast remains unchanged, although with risks currently skewed to the downside.”

It said the on-going challenges to the global economy had also been highlighted in the most recent World Economic Outlook of the International Monetary Fund (IMF), which had reduced its forecast for 2013 to 3.3 per cent, from 4.1 per cent a year ago.

The article said that while at the beginning of the year it looked as if further momentum was building up, the continued decline in the Euro-zone, the significant deceleration in the first quarter in some of the Asian economies and the recently acknowledged slowdown in Russia all had the potential to again push growth down further.

“This recent deceleration has also become obvious in the continued slowdown in global industrial output, which began in May 2010 and has been mainly due to lower growth in the industrialized economies.”

However, the MOMR maintained that some global regions could provide upside-potential. This would mainly come from the United States, where the most recent progress in the labour market had provided some indications of economic improvement.

“At the same time, uncertainty prevails, given the emerging impact of the sequester cuts and ongoing budget negotiations. If challenges can be successfully overcome, then this could lift US growth beyond the current forecast of 1.8 per cent,” it observed.

In the Euro-zone, said the report, a meeting of the European Council at the end of May was expected to discuss easing some austerity measures. This might reduce the 0.5 per cent economic contraction expected for this year.

In Japan, it was still too early to tell if the recently announced monetary stimulus would be accompanied by additional fiscal measures to further lift the current growth forecast of 1.1 per cent.

In the major emerging economies, some further stimulus measures might provide upside support. However, given rising inflation levels, central banks and policymakers alike would be careful in pursuing such a policy, said the MOMR.

China was likely to consider its first-quarter growth level of 7.7 per cent as reasonable, as it was higher than the country’s official forecast for the year of 7.5 per cent, although below the MOMR forecast of 8.0 per cent.

India had continued lowering its key policy rate in April, in order to provide some momentum to its economy, which was forecast to grow at around 6.0 per cent.

“However, elsewhere, the most recent data indicates a more severe slowdown in the first quarter in many of the Asian economies and the latest PMIs for April point to a continued deceleration,” commented the feature article.

“Given the unbalanced growth levels, various economic challenges, and the significant impact of the unprecedented increase in monetary supply, the global economy has become more complex in the recent years,” it stated.

The MOMR pointed out that monetary policies in particular had had an effect on foreign exchange levels, foreign investments and rising asset markets. However, the full consequences were not yet clear.

“Although world GDP growth has remained unchanged from the initial forecast, substantial revisions have been made to the economies of some regions since then.

“Consequently, regional oil demand growth projections have been revised, with upward revisions in emerging and developing countries and sharp downward changes in the OECD economies, mostly in Europe and the Asia Pacific,” said the article.
The OPEC Reference Basket dropped for the second-consecutive month in April, declining by $5.39, or more than 5.0 per cent, to stand at $101.05/b. Year-to-date, the Basket declined by $10.22, or 8.7 per cent, from the same period last year. Crude oil futures took a substantial hit again in April, with Brent falling by 5.6 per cent to July 2012 levels with a monthly average of around $103/b. Nymex WTI edged one per cent lower to average $92/b. A vulnerable global economy combined with the prospect of moderate demand growth, rising crude production, and high stocks sent prices tumbling. Crude oil also lost ground amid cross-commodity and equity market herd behaviour as momentum trading led to a selloff that sent commodities, such as gold and silver, plunging by record levels. The latest CFTC and ICE commitment of traders’ reports confirmed the bearish investor sentiment towards oil in April. However, the Basket has shown some improvement since the start of the month to stand at $101.67/b on May9.

World economic growth is forecast at 3.2 per cent in 2013, following growth of 3.0 per cent in the previous year, unchanged from the last report. The US housing and labour markets continue to show a recovery, but given persistent fiscal uncertainties, the US growth forecast for 2013 remains unchanged at 1.8 per cent. Japan’s forecast has been revised up to 1.1 per cent from 0.8 per cent, on support from recent monetary stimulus. The Euro-zone’s forecast remains unchanged, with an expected contraction of 0.5 per cent. Slowing exports have impacted China’s economy and growth has been revised down to 8.0 per cent from 8.1 per cent, while India’s forecast is unchanged at 6.0 per cent. A fragile recovery in the global economy has been visible since the beginning of the year, but momentum has started slowing again and growth risks are skewed to the downside.

World oil demand growth in 2013 remains unchanged from the previous report at 800,000 b/d, broadly in line with the estimate for 2012. However, the performance of the first quarter of this year has been revised down, based on actual data. A large portion of the growth is seen coming from China, with a 400,000 b/d increase. The other non-OECD countries are expected to add some 800,000 b/d, with the Middle East region accounting for around 300,000 b/d, followed by Other Asia and Latin America with growth of about 200,000 b/d each. In contrast, OECD demand is expected to see a contraction of around 400,000 b/d, which is slightly less than in 2012.

Non-OPEC supply is forecast to grow by 1.0m b/d in 2013, following an increase of 500,000 b/d in 2012, broadly unchanged from the previous report. OECD Americas remains the driver of growth in 2013, while OECD Europe is seen experiencing the largest decline. Output of OPEC natural gas liquids (NGLs) and non-conventional oils is expected to increase by 200,000 b/d in 2013. In April, total OPEC crude oil production, according to secondary sources, was estimated to average 30.46m b/d, an increase of 280,000 b/d over the previous month.

Product markets continued losing ground in April, due to sharp declines in light and middle distillate cracks, which have been pressured by rising supplies along with weaker demand worldwide. In Asia, refinery margins fell mostly for the top of the barrel. US margins experienced a strong correction, due to the recovery in WTI prices. In Europe, the drop in the Brent price allowed European margins to recover, despite weak market fundamentals, due to lacklustre domestic demand.

In the tanker market, a general bearish sentiment could be seen in both dirty and clean markets in April, due to low tonnage demand. On average, dirty spot freight rates dropped by 4.0 per cent from the previous month. The drop in freight rates was mainly driven by lower demand on refinery maintenance and the end of the winter season. OPEC and Middle East sailings declined from the previous month, along with arrivals in all reported ports.

OECD commercial oil stocks fell marginally in March, remaining in line with the five-year average. Crude stocks stood 19.0m b above the seasonal average, while products indicated a deficit of about the same amount. In terms of forward cover, OECD stocks stood at 59.1 days, some 1.3 days above the five-year average. Preliminary data shows US commercial stocks rose by 20.0m b in April. This indicates a surplus of 42.0m b, compared with the seasonal average, with the bulk coming from crude.

Demand for OPEC crude in 2012 is estimated to have been 30.2m b/d, following an upward revision of 100,000 b/d from the previous report and broadly unchanged, compared with the previous year. In 2013, demand for OPEC crude is expected to average 29.8m b/d, representing an upward revision of 100,000 b/d from the previous report and a 400,000 b/d decline from last year.

The feature article and oil market highlights are taken from OPEC’s Monthly Oil Market Report (MOMR) for May 2013. 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

<table>
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<tr>
<th>Crude/Member Country</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Jun Jul</td>
</tr>
<tr>
<td>Arab Light – Saudi Arabia</td>
<td>118.94</td>
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<td>Bonny Light – Nigeria</td>
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<tr>
<td>Es Sider – SP Libyan AJ</td>
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<td>111.27</td>
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<td>Girassol – Angola</td>
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<td>Iran Heavy – IR Iran</td>
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</tr>
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<td>Kuwait Export – Kuwait</td>
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</tr>
<tr>
<td>Marine – Qatar</td>
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<tr>
<td>Merey* – Venezuela</td>
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<td>Murban – UAE</td>
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<td>Oriente – Ecuador</td>
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<td>Saharan Blend – Algeria</td>
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<td>OPEC Reference Basket</td>
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Table 2: Selected OPEC and non-OPEC spot crude oil prices

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</tr>
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<td>Jun Jul</td>
</tr>
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<td>Minas – Indonesia³</td>
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<td>Arab Heavy – Saudi Arabia</td>
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<td>Brega – SP Libyan AJ</td>
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<td>Brent – North Sea</td>
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<tr>
<td>Dubai – UAE</td>
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<tr>
<td>Ekofisk – North Sea</td>
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<td>Iran Light – IR Iran</td>
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<td>Isthmus – Mexico</td>
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<td>Suez Mix – Egypt</td>
<td>114.58</td>
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<td>Tia Juana Light² – Venez.</td>
<td>114.07</td>
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</tr>
<tr>
<td>Ural’s – Russia</td>
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<td>109.21</td>
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<td>WT1 – North America</td>
<td>103.35</td>
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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.
2. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.
3. Brent for dated cargoes; Ural’s c/ Mediterranean. All others for load into port.

Sources: The netback values for TJL price calculations are taken from RVM, Plait’s, Secretariat’s assessments.
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

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<th>premium</th>
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<th>jet kero</th>
<th>fuel oil 1 per cent S</th>
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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

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

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Source: Platts. Prices are average of available days.
Table and Graph 6: Caribbean market — spot cargoes, fob

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Source: Platts. Prices are average of available days.
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