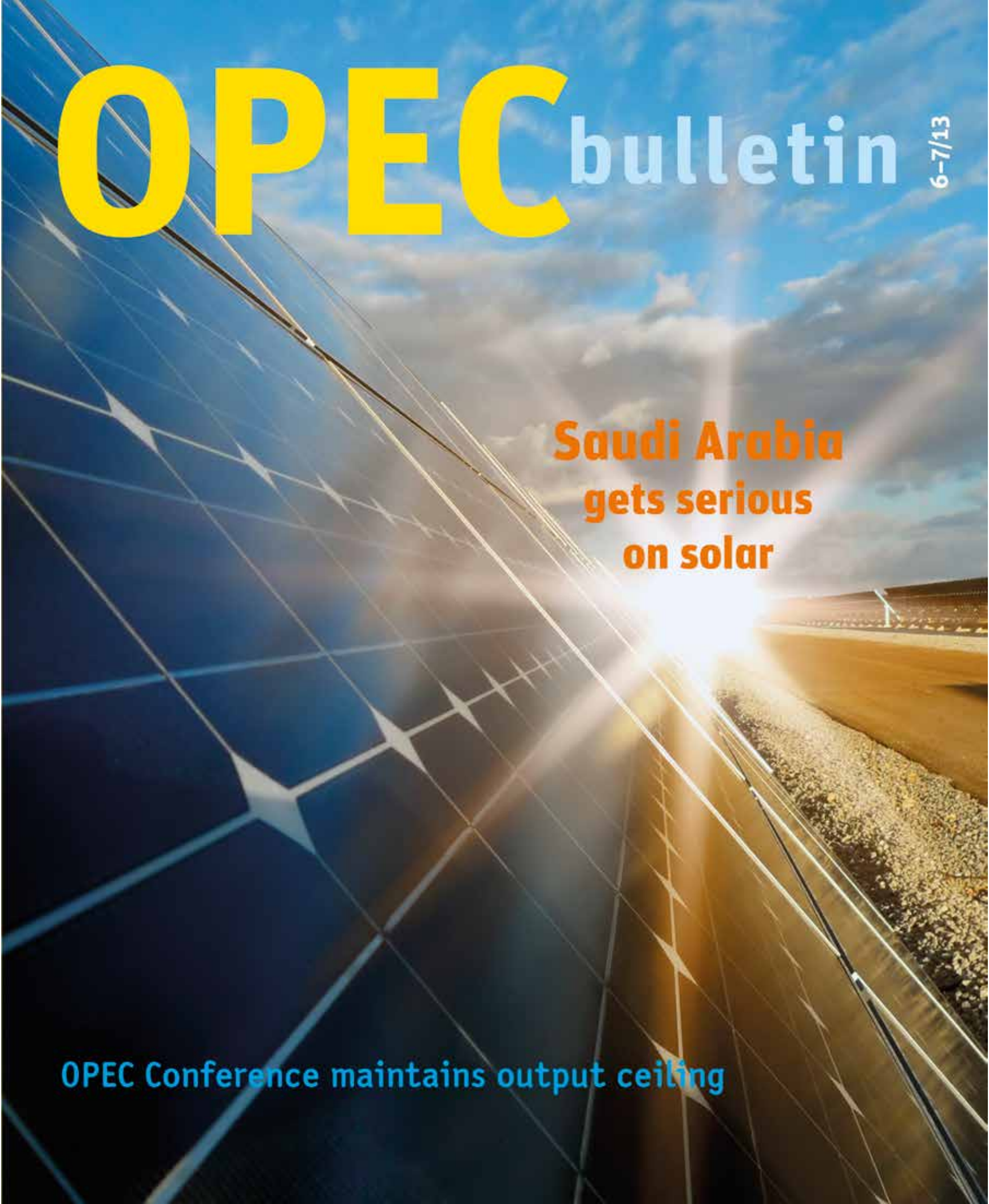
OPEC bulletin

6–7/13



Saudi Arabia gets serious on solar

OPEC Conference maintains output ceiling

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Conference meets amid relative calm in market

The 163rd Meeting of the OPEC Conference passed in a quiet and effective manner in Vienna with the widely expected outcome.

The Oil/Energy Ministers reviewed the oil market outlook for the rest of the year and beyond, assessed associated matters and retained the existing production ceiling of 30 million barrels/day for the *Reference Basket.*

Meetings of the Conference are less frequent now than at any other time this century. And when they do occur — twice a year — they tend to be shorter. This is good for order and stability in the market and is precisely what is needed at the present time.

There was, indeed, general satisfaction with price levels as the Ministers gathered. After a significant fall in early-April, the average weekly price of the Basket had settled in a comfort zone of around $99–102/barrel in the six weeks up to May 31 meeting. And it stayed there until early July.

Secretary General, Abdalla Salem El-Badri, said after the meeting that the Ministers were very happy with the current level of oil prices. Moreover, with the market well-supplied with oil and OPEC's own production at a moderate level, he asked: "Why should we change anything? It is working."

The outlook for the second half of the year is a positive one and a welcome contrast to some of the gloomier forecasts we have seen since the financial crisis of 2008.

June's OPEC *Monthly Oil Market Report,* which appeared 11 days after the meeting, wrote: "Overall, existing fundamentals portray a market with ample supply, which is further reflected in comfortable crude oil stock levels and improving gasoline inventories at the start of the driving season." But it cautioned: "Uncertainties on both the demand and supply side have the potential to undermine the expected market balance in the second half of 2013."

In short, there is no room for complacency among groups like OPEC that are committed to market stability.

Nevertheless, as we enter the summer holiday season — which this year includes the holy month of Ramadan — there is a relative calm in the market, and we hope that this will remain the case well into the future.

We shall do our best to support this.

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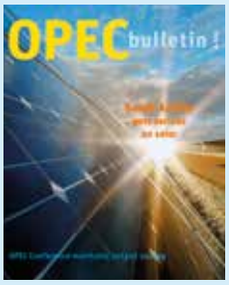

Cover

This month's cover reflects the power potential offered by solar energy (see Saudi Arabia feature on p82).
Image courtesy Shutterstock.

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OPEC Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, on September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective — to coordinate and unify petroleum policies among its Member Countries, in order to secure a steady income to the producing countries; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the petroleum industry. Today, the Organization comprises 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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The *OPEC Bulletin* welcomes original contributions on the technical, financial and environmental aspects of all stages of the energy industry, research reports and project descriptions with supporting illustrations and photographs.

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163rd Meeting of the OPEC Conference convenes in Vienna

Ministers exercise caution in sticking to existing oil production ceiling

OPEC's Oil and Energy Ministers, at their Meeting in Vienna at the end of May, decided to err on the side of caution by again retaining the Organization's current production ceiling of 30 million barrels/day of crude oil for the rest of this year.

In what proved to be a widely expected outcome of the 163rd Meeting of the OPEC Conference in the Austrian

Dr Youcef Yousfi (c), Algeria's Minister of Energy and Mines; Mohamed Benhocine (l), Algeria's Ambassador to Austria; and Ms Yamina Hamdi (r), UAE's National Representative to OPEC.

capital, Ministers from the 12-Member Organization expressed concern that there could be a further easing of market fundamentals in the second half of the year.

They decided that despite forecasts of seasonally higher demand in the second half of 2013, taking all developments into account, it would be wise to maintain the status quo and adhere to the Organization's existing output allocations.

In explaining the Ministers' decision, an OPEC communiqué, issued after the one-day Meeting at the Organization's Secretariat, noted that crude oil prices

Left: Dr Abdel Bari Ali Al-Arousi (c), Libya's Minister of Oil & Gas and Alternate President of the OPEC Conference; Abdalla Salem El-Badri (r), OPEC Secretary General; and Yasser Mufti (l), Saudi Arabia's Governor for OPEC, and Chairman of the OPEC Board of Governors.

Eng José Maria Botelho de Vasconcelos (c), Angolan Minister of Petroleum; Maria de Jesus Ferreira (r), Angola's Ambassador to Austria; Félix Manuel Ferreira (l), Angolan Governor for OPEC.

Eng Pedro Merizalde-Pavón (c), Ecuador's Minister of Non-Renewable Natural Resources; Diego Stacey Moreno (r), Ecuador's Ambassador to Austria; and Eng Diego Armijos-Hidalgo (l), Ecuador's Governor for OPEC.

Eng Rostam Ghasemi (c), Iran's Minister of Petroleum; Dr Ali Asghar Soltanieh (r), Iran's Ambassador, Permanent Representative to the United Nations (Vienna), UNIDO and CTBTO; and Habib Aghjari, Member of the Iranian Delegation (l).

Abdul-Kareem Luaibi Bahedh (c), Iraq's Minister of Oil; Dr Surood Najib (r), Iraq's Ambassador to OPEC; and Dr Falah Alamri (l), Iraq's Governor for OPEC.

had been relatively steady so far in the year, with periodic fluctuations being a reflection of geopolitical tensions.

Oil stock levels in the OECD region remained comfortable, while the international market was adequately supplied with crude.

However, whilst world oil demand was expected to rise to 89.7m b/d in 2013 from 88.9m b/d last year, driven almost entirely by the non-OECD region, non-OPEC crude oil supply was projected to grow by 1.0m b/d, it pointed out.

Out of this equation, demand for OPEC crude in the third quarter of the year was forecast to stand at 30.4m b/d, rising to 30.5m b/d in the last three months of the year.

The Conference also observed that whilst world economic growth was projected to reach 3.2 per cent in 2013, up from three per cent in 2012, downside risks to the global economy, especially in the OECD region, also remain unchecked.

"Taking all these developments into account, the second half of the year could see a further easing in fundamentals, despite seasonally-higher demand," the communiqué observed.

"In the light of the foregoing, the Conference again decided that Member Countries should adhere to the existing production ceiling of 30.0m b/d."

The communiqué again stressed that Member Countries would, if required, take steps to ensure a balanced market and reasonable price levels for producers and consumers.

"Member Countries reiterated their readiness to rapidly respond to developments that might place oil market stability in jeopardy," it stated.

The Conference's decision to retain the existing oil production ceiling was expected in most quarters within the industry, due to the prevailing situation in the market.

Commenting ahead of the Meeting, Ali I Naimi, Saudi Arabia's Minister of Petroleum and Mineral Resources, said the situation in the international oil market at present was characterized by stability and balance of supply, demand and commercial inventories.

"Oil prices are at the level suitable for producing and consuming nations and the petroleum industry," he was quoted as saying by the *Saudi Press Agency (SPA)*.

The Minister was also quoted as saying that it was the best environment for the market right now. "Supplies are plentiful, demand is great and inventories are balanced," he added.

Meanwhile, Suhail Mohamed Al Mazrouei, United Arab Emirates (UAE) Minister of Energy, maintained that the current level of crude oil prices at around $100/b was fair and reasonable.

"It has been sustained (at this level) for some time without impacting the economies of the producers and

Siham Abdulrazzak Razzouqi (c), Kuwait's Governor for OPEC and Head of Kuwait's Delegation to the Meeting; Mohammed S Al-Sallal (l), Ambassador, Resident Representative to the IAEA, Permanent Representative to the United Nations (Vienna), UNIDO and CTBTO; and Nawal Alfezaia (r); Kuwait's National Representative to OPEC.

the countries that are buying the crude. It also encourages investment in future supply," maintained the Minister, who was attending his first OPEC Conference as Head of his country's Delegation.

The Conference considered the OPEC Secretary General's report on oil market developments, in particular supply/demand projections and the outlook for the second half of 2013, as well as the report of the

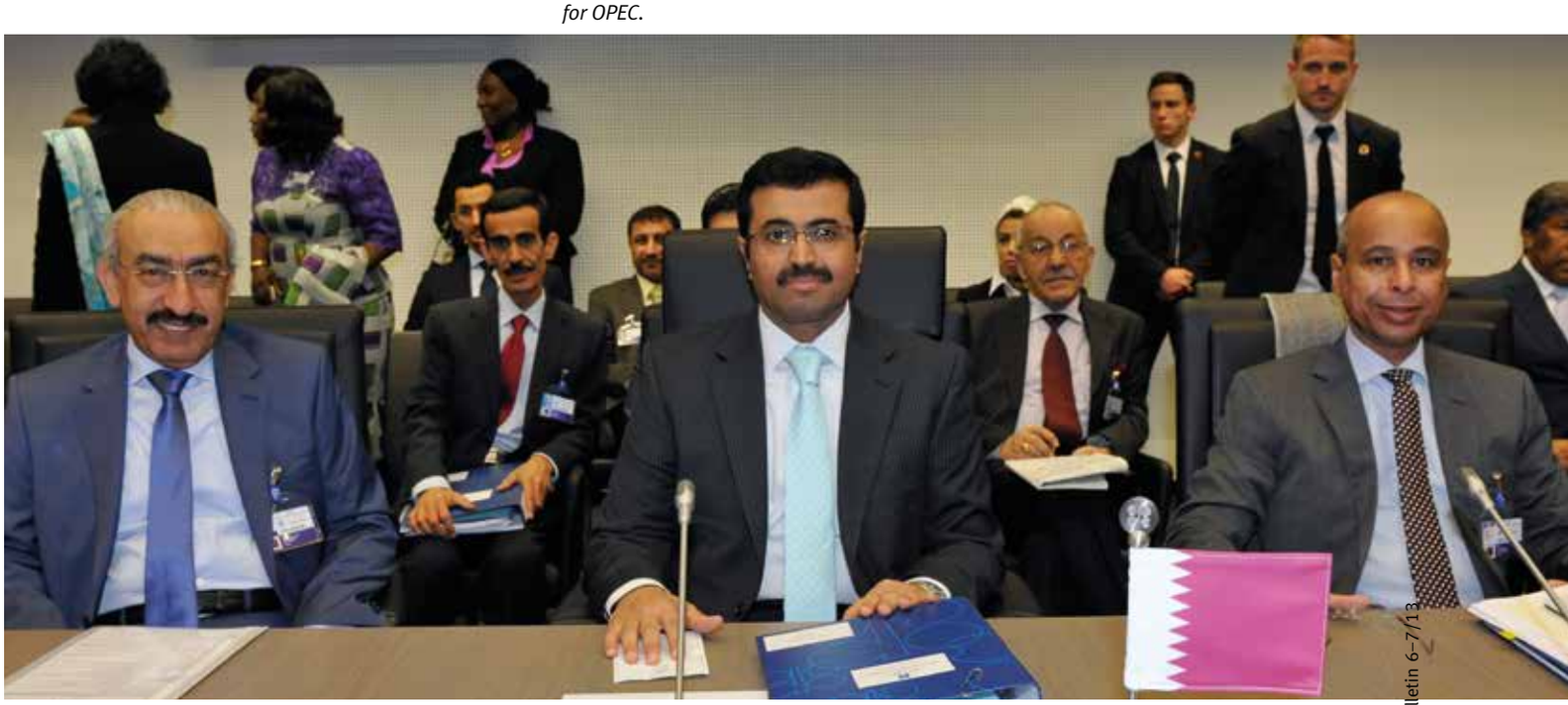
Samir Kamal (c), Libya's Governor for OPEC; Abdulla Hebrara (l), Charge d' Affaires at the Libyan Embassy in Vienna; and Imad A Ben Rajab (r), Libya's OPEC National Representative.

Diezani Alison-Madueke (c), Nigeria's Minister of Petroleum Resources; Maria Laose (r), Nigerian Ambassador to Austria; and Eng Abiye Membere (l), Member of the Nigerian Delegation.

Organization's Economic Commission Board (ECB), in addition to various administrative matters.

As is customary, the Ministers listened to presentations and exchanged views on a variety of topics, including: multilateral developments on environment matters; the Organization's energy dialogue with the European Union (EU); the outcome of continuing cooperation between OPEC, the International Energy Forum (IEF) and

Dr Mohammed Bin Saleh Al-Sada (c), Qatar's Minister of Energy and Industry; Mohammed Ali Al-Malki (l), Member of the Qatari Delegation; and Issa Shahin Al-Ghanim (r), Qatar's Governor for OPEC.



Ali I Naimi (c), Saudi Arabia's Minister of Petroleum and Mineral Resources; HRH Prince Abdulaziz Bin Salman (l), Assistant Minister of Petroleum and Mineral Resources; and Dr Ibrahim Muhanna (r), Adviser to Saudi Arabia's Minister of Petroleum and Mineral Resources.

Suhail Mohamed Al Mazrouei (c), UAE's Minister of Energy; Mohammed Hamad Omran (r), UAE's Ambassador to Austria; and Dr Matar Hamed AlNeyadi (l), Member of the UAE Delegation. Standing (l–r): Hamdan Mubarak Al Akbari, the UAE's National Representative to OPEC; Dr Ali Obaid Al Yabhouni, the UAE's Governor for OPEC and Alternate Chairman of the Board of Governors; and Ms Noora Saeed Al Junaibi, Member of the UAE Delegation.

Rafael Ramírez, Venezuela's Minister of Popular Power of Petroleum and Mining (c); Alí Uzcategui (r), Venezuela's Ambassador to Austria; and Dr Bernard Mommer (l), Venezuelan Governor for OPEC.

the International Energy Agency (IEA) in areas defined by the Cancun Declaration; and the status of collaborative work with the G20.

Of note, the Conference endorsed the formulation of a report on the shale oil revolution, which has effectively and quickly changed the energy fortunes of the United States.

OPEC Secretary General, Abdalla Salem El-Badri,

Members of OPEC Management (l–r): Ms Asma Muttawa, General Legal Counsel; Dr Adedapo Odulaja, Head, Data Services Department; Oswaldo Tapia, Head, Energy Studies Department; Abdulla Al-Shameri, Office of the OPEC Secretary General.

OPEC Management (l–r): Ms Angela Agoawike, Head, PR and Information Department; Dr Omar Abdul-Hamid, Director, Research Division; Alejandro Rodriguez Rivas, Head, Finance and Human Resources Department; Dr Hojatollah Ghanimi Fard, Head, Petroleum Studies Department.

referred to the proposed report at the press conference convened immediately after the Ministerial talks.

He said the Organization had discussed shale gas and tight oil at its meetings in the Secretariat, within the OPEC ECB, and also at the Conference.

"It represents a new supply of liquids and the Ministers would like to know the magnitude of this new supply, including how long it will last, its sustainability, the costs involved and the effects on the environment and what the future for tight oil is," he said.

El-Badri disclosed that the OPEC Secretariat was already looking into the situation and would assess shale oil and shale gas just it as did any other source of energy.

"Some of the information we have been receiving on this subject has been different, from different sources. We have not really received accurate information, so we have to do it ourselves, using accurate sources, to see how much of this tight oil will be sustainable going into the future," he explained.

By the end of last year, the US had recorded the biggest annual rise in its domestic oil output since it first pumped oil in the early 1860s. International crude oil prices above $100/b had enabled the world's largest oil consumer to free up vast quantities of shale oil in North Dakota and Texas, which helped boost the nation's output by 850,000 b/d by the end of 2012.

Said El-Badri: "We need to look into this process more deeply, to get accurate numbers about how much supply can be expected year-on-year and how much of the production will be sustainable.

"We do know that the operation is very costly and difficult and the decline rate of wells in the first year is up to 60 per cent. There is a lot of uncertainty. So the OPEC Secretariat would like to get more information," he added.

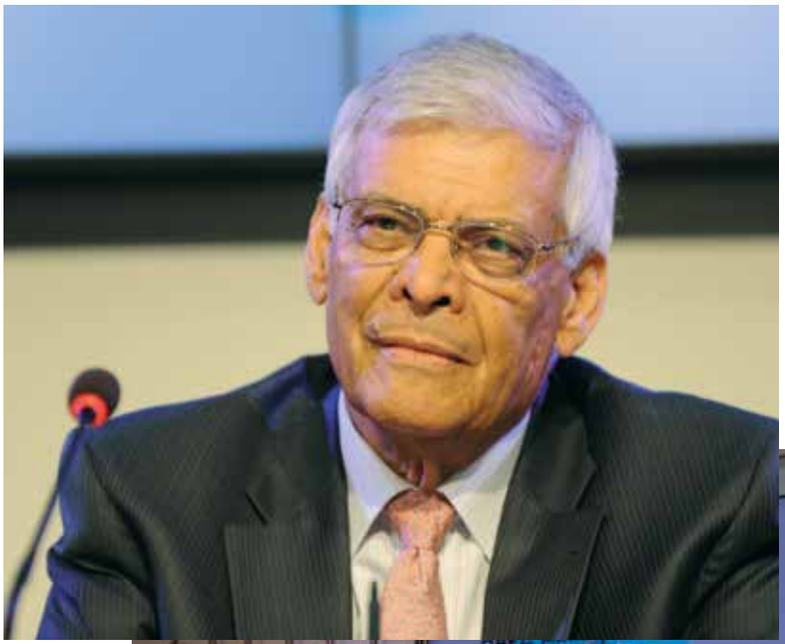
Spare capacity

Speaking on the Organization's spare production capacity, the OPEC Secretary General said that "for sure" OPEC producers needed to have spare capacity because this was required to reduce speculation and volatility in the market.

"This spare capacity is not only of benefit to OPEC Member Countries, but also for the market and for the consumers — for everyone," he stressed.

"We cannot have a tight market where volatility will then remain very high," he added.

Asked whether he thought $100/b was a fair price for crude oil in the marketplace, El-Badri reiterated that



Abdalla Salem El-Badri, OPEC Secretary General, during the press conference.

Ms Angela Agoawike, Head, PR and Information Department, moderating the press conference.

the Organization did not have a target price. Oil prices were set by the market and had nothing to do with conventional or non-conventional supplies of oil.

Commenting on the global economy, he said Europe was still in recession, but with regards to the cost of energy for the consumer, he pointed out that this was not just a question of the cost of a barrel of oil, but also the taxes involved.

"When you fill your tank at the petrol station, there is the cost of the oil and the cost of the taxes you have to consider. And as I have repeated many times, in the case of the G7 or G8 countries, they receive more income from taxation than OPEC producing countries do from the crude they sell.

"So if governments really want to help their countries, they should reduce these taxes so that the consumers can buy more gasoline," he stated.

Concerning the appointment of a new OPEC Secretary General, El-Badri said no decision had been taken as yet, but discussions were ongoing concerning the criteria for choosing a new Secretary General. "We still have the three candidates," he affirmed.

OPEC's next Ordinary Conference will be convened in Vienna on December 4, 2013.

OPEC remains committed to ensuring oil market is well supplied

Dr Abdel Bari Ali Al-Arousi, Libya's Minister of Oil and Gas, and Alternate President of the OPEC Conference.

OPEC will continue its efforts to achieve a stable international oil market by ensuring that it remains well supplied with crude to meet demand from consumers at fair and reasonable prices.

That was the message delivered by the Alternate President of the OPEC Conference, Dr Abdel Bari Ali Al-Arousi, to the opening of the 163rd Meeting of the Conference in Vienna at the end of May.

"Given the prevailing global economic situation, OPEC will, as always, closely monitor developments in the oil market in the coming months," Al-Arousi, Minister of Oil and Gas of Libya, told the one-day Meeting held at the Organization's Secretariat.

The Minister was referring to the continued uncertainty stemming from the slow pace of global economic growth, the Euro-zone debt crisis, high unemployment in the advanced economies and the risk of inflation in developing countries.

These factors, he said, had contributed to dampening what appeared as a clear momentum in the global economic recovery at the beginning of the year.

"This has, however, not affected our economic growth forecast of 3.2 per cent for the year," he affirmed, referring to OPEC's latest monthly forecast for the world.

Oil price fluctuations

Al-Arousi noted that more than five months had passed since the OPEC Conference last met to review the situation in the oil market, the impact of the recent developments and how the market behaved in the face of the many challenges during this period.

Since that time, he said, there had been continuing fluctuations in the oil price, with a general downward trend in the last few months.

"In mid-April, we saw the OPEC Reference Basket price reach $98/barrel. It then fluctuated for the remainder of the month, ending at $101.05/b from $106.86/b, a drop of $5.81/b (5.75 per cent) and is presently averaging at $100.85/b," he said.

The Minister said that overall in 2013, the world oil demand growth forecast was expected to increase by 800,000 b/d. Total non-OPEC supply had seen a slight upward adjustment to 1.0 million b/d for the year, while output of OPEC natural gas liquids and non-conventional oils was expected to grow by 0.2 per cent.

"This situation is likely to continue through the third and into the fourth quarters as we head into the driving season," he maintained.

Al-Arousi said that, at the Ministerial talks, delegates would have the opportunity to examine closely the important issues regarding the market outlook for the rest of the year and beyond.

"Our focus will remain on doing all we can to provide stability in the market. This stability will benefit all stakeholders and contribute to growth in the world economy," he stressed.

"However, as we have repeatedly said, this is not a job for OPEC alone. Every stakeholder has a part to play in achieving this. Together, through cooperation and dialogue, we can achieve our goal," he added.

Al Arousi also took the opportunity in his address to welcome two new Ministers to the Conference as Heads of their Countries' Delegations. They comprised Eng Pedro Merizalde-Pavón, Minister of Non-Renewable Natural Resources of Ecuador, and Suhail Mohamed Al Mazrouei, Minister of Energy of the United Arab Emirates (UAE).

"We welcome you both and look forward to benefiting from your contributions to this and future meetings," he said.

Al-Arousi also welcomed a 'new colleague' from Kuwait — Mustafa Al-Shamali — who was appointed Acting Oil Minister just three days before the Conference. Al-Shamali, who is Kuwait's Deputy Prime Minister and Minister of Finance, was represented at the Conference by Kuwait's OPEC Governor, Siham Abdulrazzak Razzouqi.

Predecessors thanked

"We look forward to welcoming him to our future Meetings and wish him every success in his assignment," said Al-Arousi, who went on to thank the new incumbents' predecessors in office, Wilson Pástor-Morris of Ecuador; Hani Abdulaziz Hussain of Kuwait; and Mohamed bin Dhaen Al Hamli of the UAE, for their contributions to the Conference during their time in office.

"We wish them well in their future assignments," he said.

Also, on behalf of the Organization and its Member Countries, Al-Arousi expressed deepest condolences to the Government and people of the Bolivarian Republic of Venezuela for the sad loss of their President, Hugo Chávez Frías, who passed away on March 5, 2013, after a long battle with cancer.

"Additionally, I should like to extend our deepest sympathies to the Government and people of the Islamic Republic of Iran for the loss of life and damage caused by the earthquakes that have hit their country recently," said the Alternate Conference President.

Ramirez pays tribute to Venezuela's 'El Comandante'

Chavez: "A staunch defender of OPEC and its principles"

Above: Rafael Ramirez (c), Venezuela's Minister of Popular Power of Petroleum and Mining; Alí Uzcategui (r), Venezuelan Ambassador to Austria; and Dr Bernard Mommer (l), Venezuelan Governor for OPEC.

Venezuela's Minister of Popular Power of Petroleum and Mining, Rafael Ramirez, has paid tribute to the late Venezuelan President, Hugo Chávez Frías, who he described as being a "staunch defender of OPEC and its principles".

Message from Venezuela

In addressing delegates and officials attending the 163rd Meeting of the OPEC Conference in Vienna at the end of May, he stated that he wanted to take the opportunity

to address the Ministerial Meeting, in order to convey a message from the people and government of Venezuela following the death of President Chavez in March.

"I am talking from the depth of my heart. After 12 years of working together, we stayed with him up to the last moment, during his strong battle for life," said the Minister.

"For us, and especially for our poorest people, this circumstance meant a strong pain for our nation because President Chávez was the leader of our Revolution and our hopes."

Ramirez, pointed out that, following his death, the Venezuelan people went to the streets to walk along with their President to the Cuartel de la Montaña, where he now rests in one of the militant barrios of the capital, Caracas.

El Comandante, as Chavez was popularly known, was elected President of Venezuela in December 1998. He led the country as Head of State until he passed away on March 5 this year.

"President Chávez was always an enthusiastic and staunch defender of OPEC and its principles. He played an active role in promoting the Second Summit of OPEC Heads of State and Government in Caracas in September 2000, which gave him the opportunity to build a close and solid friendship with all the leaders of our Member Countries.

"He thus contributed significantly to re-establishing unity and confidence within OPEC, which further consolidated the Organization and stabilized the international oil market."

Ramirez said that Chavez's visits to all Member Countries and to the OPEC Secretariat in Vienna prior to the Summit were testimony to these endeavours.

"He always understood the significance and relevance of OPEC and developed a sincere love for the Arabian, Persian and African people as brothers of our South American people," maintained Ramirez.

He stated that within Venezuela, Chávez fought "an extraordinary battle" to re-establish the sovereign management of the nation's petroleum resources and to channel the country's oil revenues to the benefit of the Venezuelan people.

Petroleum legacy

"His political contributions, especially in the field of petroleum, are a legacy which is the patrimony of all oil-producing countries and of our Organization, OPEC," professed the Minister.

Ramirez said he wanted to express his country's sincere gratitude to the Secretary General of OPEC for honouring the memory of Hugo Chávez in the February/March edition of the *OPEC Bulletin,* the flagship publication of the Organization.

Chavez's picture appeared on the cover of the issue, while several pages of text and photos were dedicated to his life and outstanding performance in the interest of the Organization.

"We deeply appreciate that this edition of the *OPEC Bulletin* also included the condolence message which the OPEC Secretary General, His Excellency Abdalla Salem El-Badri, transmitted to us.

"I would also like to take this opportunity to convey my sincere thanks for the condolences received from other high-level representatives of fellow Member Countries who shared our grief at this difficult time," said Ramirez.

He concluded by saying that, on behalf of President Nicolás Maduro Moros, "may I assure you that our government and people continue to feel strongly committed to the oil policy of the late President Chávez and to the unity and strength of our Organization, OPEC."

Ecuador appoints new Non-Renewable Natural Resources Minister

Eng Pedro Merizalde-Pavón, Ecuador's Minister of Non-Renewable Natural Resources.

Eng Pedro Merizalde-Pavón has been appointed Ecuador's Minister of Non-Renewable Natural Resources. He succeeds Wilson Pastor-Morris, who had held the position since April 2010.

The new incumbent, who attended the 163rd Meeting of the OPEC Conference in Vienna at the end of May as Head of his country's Delegation, was formerly Chief Executive Officer of Ecuador's Pacific Refinery Project, a position he had held since July 2011.

Born in April 1952, Merizalde-Pavón, a Petroleum Engineer, studied at Universidad Central del Ecuador and at Escuela Politécnica del Ejercito, the Army Polytechnic School, both situated in the Ecuadorean capital, Quito, attaining his MBA in the process.

He started his career in 1977 as a Corrosion Engineer with the Texaco Petroleum Company venture working on SOTE, the Trans-Ecuadorean Pipeline System, and during a span of 14 years with the operation became Maintenance Supervisor and Superintendent of Operations and Maintenance.

In 1991, Merizalde-Pavón was appointed Pipeline Manager at the national oil concern, Petroecuador.

Five years later, he became Engineering Chief at Osensa, SA (Colombia) and the following year was appointed Consultant, Engineering Corps of the Army.

In 1999, Merizalde-Pavón became Consultant at Azul (Oil Services Company) and in 2001 he was appointed Construction Manager of the Amazonas and Cayagama pumping stations, and Operational Manager of the Esmeraldas Maritime Terminal, Heavy Crude Oil Pipeline, OCP.

In 2004, he became Engineering Manager at OXXO, where he stayed for two years, and in March 2007, he was appointed President of the Board of Directors of EmelSucumbios and became a Member of the Board of Termoesmeraldas, the Solidarity Fund of Ecuador.

The following year, Merizalde-Pavón was appointed Executive Officer, CNEL Sucumbios Regional Electric Company, and two years later became an Oil Pipeline Specialist, Hydroelectric Project, Coca Codo Sinclair.

In 2011, he was appointed Ministerial Oil Advisor, Coordination Ministry for Strategic Sectors.

Kuwaiti Deputy Prime Minister appointed Acting Oil Minister

Mustafa Al-Shamali, Kuwait's Deputy Prime Minister, Minister of Finance, and Acting Minister of Oil.

Kuwait has appointed Mustafa Al-Shamali, Deputy Prime Minister and Minister of Finance, as the country's Acting Minister of Oil. With the appointment, he also assumes the role of OPEC Conference President for 2013.

Al-Shamali, who is also the new Chairman of the Kuwait Petroleum Corporation (KPC), replaces Hani Abdulaziz Hussain, who had held the position since February last year.

Al-Shamali holds a Bachelor's Degree in Commerce and Business Administration, which he attained at Shams University, in Cairo, Egypt.

During his career, he was Head of the Arab Affairs Section at the Kuwait Ministry of Trade and Commerce between 1968 and 1975.

He then became Manager of the Economic Cooperation Department at the Ministry of Finance, a position he held for seven years.

Between 1982 and 1984, he entered into private business and, in 1985, he took up an appointment as Manager in the Kuwait Ministry of Finance.

One year later, he became Assistant Undersecretary at the Ministry of Finance, a position he held for nine years before being promoted to Undersecretary.

In October 2007, Al-Shamali was appointed Minister of Finance and four years later also received the portfolio of Minister of Health for one year.

In February 2012, he was appointed Deputy Prime Minister and Minister of Finance.

The OPEC Secretariat's Webcast team customarily talks to delegates, high-ranking officials, industry analysts and petroleum media representatives attending OPEC Meetings to gain a cross-section of opinion on the issues at hand. The following interviews were conducted during the 163rd Meeting of the OPEC Conference, held in Vienna on May 31.

OPEC Ministers maintain the *status quo*

Abdalla Salem El-Badri
OPEC Secretary General

Abdalla Salem El-Badri.

Asked why OPEC's Oil and Energy Ministers had decided to keep the Organization's production ceiling at the same level, Abdalla Salem El-Badri, OPEC Secretary General, said this action was agreed because international crude prices were at a comfortable level, coupled with the fact that OPEC's own production was at a moderate level and Members were adhering to what they had agreed to at the previous Meeting.

He pointed out that the Ministers were very happy with the current level of crude oil prices.

"We do see some oil demand growth in the third and fourth quarters — 30.4 million barrels/day in the third and 30.5m b/d in the fourth — so, yes, the market is being very well supplied and the price is comfortable. So why should we change anything? It is working," he stated.

Study on shale oil

Regarding the rise and impact of shale oil, El-Badri said the Organization had agreed to prepare a study on the subject. They needed to determine what the sources of the shale oil were, for example in the United States, and how much production was now and what the pattern for output was, not only for this year, but also to look up to 2035 and 2040 to determine how much shale oil will likely be produced every year.

Questioned about the state of the global economy, the OPEC Secretary General said he was very encouraged with the growth seen in the US, which was a good sign. Japan was also expanding, while the only problem appeared to be the European Union.

"We hope that in some way their economic problems will be solved. I am sure they will be solved, but that will not be this year. Hopefully by next year they can solve their problems," he affirmed.

Concerning high-performing China, El-Badri noted that the Organization had forecast the country's economic growth at eight per cent for 2013, although the International Monetary Fund (IMF) recently announced that it saw the Chinese economy slowing to 7.75 per cent.

"But China is working hard to maintain its economy. The only problem is with inflation there. But even growth at 7.75 per cent is not bad," maintained El-Badri.

Johannes Benigni

Managing Director, JBC Energy, Vienna

Reflecting on the global economic situation, Johannes Benigni, Managing Director of JBC Energy in Vienna, said the first few months of 2013 were not looking great, although there was some hope for the second half of the year.

He said if one looked purely from an oil demand point-of-view, demand in the second quarter stood at about 89.5m b/d. This was expected to rise by 1.5m b/d in the third quarter to about 90.9m b/d and moving on to the fourth quarter, it was forecast to increase by almost another 1m b/d.

"So, in terms of oil demand, it does not look so bad. Most of the extra demand is focused on the second half of the year. However, the global economy does not support this situation so much and there is a lot of downside potential."

Benigni said everyone in the industry was optimistic about the economic situation in the United States because the signs were still good there, but China was somehow moving sideways and Europe was still very low.

"In theory, of course, in Europe, when there is such a low base, there should be an opportunity for the market to have growth potential. But right now, we are more hopeful than anything," he affirmed.

Benigni stressed that it had been pretty bad in Europe

Johannes Benigni.

and the numbers coming out now were positive in terms of Germany, but they were not necessarily going to sustain the region over the second half.

"We would need more economic stimulus to see things moving in the right direction in this region. At the moment, Europe is a sideways issue at best."

Asked about the surge in oil production in the US and whether this would affect other producers, Benigni said there was no doubt that shale oil was adding significant supply to the world's largest oil consumer, as well as Canada.

"If one looks at these two countries, it is a surprise what they have supplied in the last two years. And they will continue to add more supply in the years ahead," he observed.

However, Benigni maintained that the supply addi-

tions from this source of oil in the future were overrated and there was too much expectation on what could be produced.

"Shale oil output in the US will increase, but not to the levels Americans are hoping for," he professed. "In most of the rest of the world, oil supply has not been meeting expectations. This means that one has to be very US-centric, almost egocentric, to believe that the US and Canada can change the oil balance of the world. Overall, producers in OPEC are going to do fine. I feel very comfortable about that," he said.

Benigni said his firm envisaged that the call on OPEC oil was going to increase in the second half of 2013, by something like 500,000 b/d more than in the first half, "which will be very comfortable for the Organization and give room to some producers to increase production."

Questioned further about shale oil and why he thought its potential was overrated, he explained that from a technical point-of-view, each of the wells one drilled with shale oil usually had a decline rate of some 50 per cent after just five months.

"This means that if you want to have a sustainable production, you have to continually drill more and more wells, just to maintain production. That costs a lot of money, so the procedure will require crude oil prices remaining high, in order to allow for the excavations to be carried out.

"A lot of work and capital is required. It is a completely different ball game to say drilling an oil well in the Middle East, where the quantities of oil you get actually increase over a period of time and are sustained for much longer periods.

"So, there is a lot of opportunity with shale oil, but it costs. And if prices of crude were to come down, it would have an impact on such developments.

"And one also has to consider that not each spot that is being drilled in the US for shale oil turns out to be a sweet spot."

Benigni said he did not think the US would be in a position to export oil any time soon. "The US is still a significant importer, although we have seen that certain qualities of oil, such as light sweet crude oil from West Africa, are not any more in demand, so the country will not import them anymore."

He stated that he thought it more likely that they would see shale gas exports from the US to countries like Mexico and the provision of more LNG terminals in the country.

"But as far as oil balances are concerned, we are far away from a situation where the US will be a net exporter of crude oil," he added.

Jamie Webster

PFC Energy

Asked if he was optimistic about economic growth in the US continuing, Jamie Webster, of PFC Energy, said that in the first quarter the figure had been revised down from 2.5 per cent to 2.4 per cent, which was not overly a surprise.

"There are concerns about what this means for GDP growth in the US going forward and we expect that, for the remainder of the year, it will continue to be slow at around the same level as in the first quarter. It could even be slower at around maybe two per cent, which is not spectacular, but at least it is keeping us moving forward," he said.

"And even though it is going in the right direction, it is a process that could take a number of years, a time during which we will see growth maintained at modest levels," he maintained.

Webster said that for OPEC and the oil market it was actually good news since it was not envisaged that they would again see the strong declines in growth witnessed in 2007 and 2008. "We expect demand for crude oil in the US to fall by about 160,000–170,000 b/d, which is not too bad," he affirmed.

He stated that despite the fact that the weight of the world was moving more towards Asia, the US was still very much a home for a lot of import demand.

"The US has a long history of being a place where people really want to look at high frequency data. The non-OECD countries, while they are getting better at it, are still not at that same sort of level. The US can put out data that is just a few days old, whereas in China, the data might be months old."

Webster said that concerning economic growth in China, everyone still looked at the country's numbers because they were a good indicator for figuring out how the rest of the world was performing.

"China is still very much the home of where products come from. But the country is also going through a process right now with regard to internal rebalancing where it is trying to move more towards domestic growth and being able to support itself and not just from export-oriented growth, but from being able to grow from domestic demand.

"I think that over the next several months we are going


John Hall.

to see some relatively positive indicators from China in this regard," he maintained.

Asked about the shale oil revolution in the US, Webster said he expected it to last for quite some time.

"It is a very quickly moving process and it is already dramatically changing what is happening in the oil market," he said.

At the beginning of last year, noted Webster, the Energy Information Administration (EIA) had forecast oil production growth in the US at around 60,000 b/d.

"By the end of the year, they realized it was actually 860,000 b/d. This was a huge change in expectations. The problem is that with each of the shale oil wells putting out such a small level of supply, you actually have the potential at some point in the future that the reverse could happen."

Webster explained that, in this regard, the EIA and other organizations could expect a huge amount of growth from shale oil in a given year, only to see by the end of the year that it was not that much.

He said that unlike most of the conventional oil production, shale output could be impacted by changes in prices quite quickly.

"The decline rates with shale oil are between 50 and 60 per cent in the first year and this is an enormously fast decline rate. They used to talk about Brazil's deep offshore oil production with a decline rate of 30–35 per cent as being large. So the decline rates with shale oil are very extreme," he noted.

He said he eventually expected to see crude exports from the US, but initially these would be made to Canada.

Gas exports were much more likely and the Obama Administration had already given the green light to the country's second LNG project, which would be able to export gas anywhere in the world.

John Hall
Chairman, Alfaenergy

Speaking on the economic situation in Europe, John Hall, Chairman of Alfaenergy, said there was a glimmer of hope in the region and people were talking about a more positive feeling.

"It is not all doom and gloom, but there has to be a strong political will to sort the situation out in Europe," he maintained.

Hall noted that the EU was taking a slightly softer line on those countries in the region that were in dire straits a few months ago, "but we need them to do this because we need to get these countries back into action again."

He said correcting the situation would take some time because too many of the countries in Europe had suffered over the past months.

"But once we get them back on track, we will be able to feel much more positive and hopefully business will start to pick up again."

Hall maintained that one of the difficulties facing Europe right now was that energy prices were high and this was having a detrimental effect on manufacturing.

"Hopefully, one would expect to see lower prices coming after next year. But in the short term, they are having a major impact on manufacturing."

However, Hall said that with crude oil prices, there was a balancing act one had to consider.

"Today prices might be a little too high, but they are encouraging research and development into areas like shale oil. If the price of oil was back down to $50/b or $60/b, we would not have much in terms of shale.

"What we are also finding out now is that where the oil price is today is encouraging the development of alternative fuels. Germany is going for renewables big time and there is a change in the requirement for such fuels across Europe in terms of what the energy mix is going to be.

"In the UK, they are also now looking at renewables.

Whether they get there or not, we do not know. It is changing day by day. One of the difficult elements here is that we are looking ahead and things can change very quickly," he said.

Asked about shale oil and shale gas, Hall noted that Europe was also looking in this direction. However, in the UK there was concern over the 'fracking' process involved and the environmental aspects.

"But when you consider that recently the UK's gas supplies became precariously low, one feels they are going to have to look seriously again at shale gas," he affirmed.

Giving an example of the changing energy landscape, Hall said that latest reports pointed to the fact that the US would be self-sufficient in energy in 2020 or 2030.

"Five or six years ago, the US was running out of natural gas. A few years later, it is awash with gas. We were talking about peak oil, now we are talking about demand of peak oil. It has reversed completely. A number of areas have actually reversed over the last five years. If we are looking ahead 10, 15, or 20 years, we don't really know where we are going to be until we get there," he added.

Neil Atkinson

Energy Economist, Datamonitor

In assessing the global economic picture, Neil Atkinson, Energy Economist with Datamonitor, said that since the OPEC Conference last met in December 2012, the outlook for the world economy had been changing.

The economic recovery in the US was a lot stronger than in Europe where, he said, there was no economic recovery at all to speak of.

"Europe is not a happy place — the Euro-zone crisis remains unresolved. We think we have reached a resolution and then more problems come along," he affirmed.

"But what I think is a little bit ominous, especially for the oil market, is the fact that we are also downgrading the GDP outlook for China. The country is still going to go strongly of course — the latest figure is 7.75 per cent growth, which is still terrific — but China is essentially contributing about 50 per cent of total global oil demand growth.

"So, any slowdown in China and any of the other developing countries means that the scope for global oil demand to grow is significantly reduced."

Atkinson said that as far as Europe was concerned, oil demand in the region peaked ten years ago so nobody really looked on this area as being a major growth opportunity.

"There is some opportunity in Eastern Europe, but certainly not in 'Old Europe' as some people refer to it."

Overall, reiterated Atkinson, the economic recovery had proven to be not as strong as analysts thought, a situation that eventually would feed through into oil demand.

"This means that since the beginning of 2013, our outlook for world oil demand growth has been reduced. We are now in a situation where most of the OECD countries are seeing no growth at all. We are also seeing slower-than-expected growth and demand in China as a result of the downgrading of the country's GDP outlook. So, on the demand side, there are weaker expectations."

However, on the supply side, said Atkinson, they were seeing a lot of supply coming into the markets, not only from the US, but also from countries like Brazil, Russia and Kazakhstan.

"So, essentially, in this worse-than-expected demand outlook, we have plentiful supply growth and we are in a situation now where most analysts and experts think that if there were to be a decisive break for oil prices, it would likely be down, not up," he affirmed.

"But it is not all doom and gloom. We are in a situation where the price of Brent is still above $100/b. For most of the OPEC Ministers this is a fairly happy place to be in."

Asked how he thought prices managed to remain above $100/b, given the state of the global economy, Atkinson said even though there had been some fluctuations in prices, the fundamentals of the oil market remained relatively balanced.

"This $100/b figure is very important because, according to estimates we have been seeing, the average fiscal breakeven price that most OPEC Member Countries need is roughly $100/b," he said.

However, Atkinson warned that with the weaker oil demand growth running up against "this wall of oil supply" meant that the price outlook was weak.

Concerning the rise in US oil production and whether it was a threat to other producers, he said the output surge was a huge boon for the US because it provided more domestic energy, increased its level of energy independence and provided a huge cost advantage to US industry.

"But if you look back to the 1980s, when the North Sea countries — Norway and the UK — started to see their production ramp up very quickly, the line I have been taking is that the US shale revolution is essentially the 'new' North Sea.

Neil Atkinson.

"In the US, we virtually have a new producer arriving on the scene very quickly. Some OPEC Members might see this as a competitive threat, but I think that on the basis of oil demand growth being maintained and OPEC Member Countries keeping their production close to the current output levels agreed upon, there should be room for US production in the marketplace without significantly damaging the $100/b price."

Atkinson said there was now huge pressure in the US for the government to relax the law preventing the country from exporting crude oil so that the market could operate freely with US crude supplies "moving to places in the world where customers demand it."

He continued: "We may see that, in the future, but initially, we will not see huge volumes of US crude leaving the country and moving anywhere."

Atkinson said the challenge for OPEC was that some producers who traditionally supplied the US with oil would suddenly find there was a potential threat to their market share.

"That is a challenge they are going to have to face. But they can meet it by moving their crude to other markets in Asia over time," he added.

Bill Farren-Price

Chief Executive Officer, Petroleum Policy Intelligence

Touching on the key issues facing the oil market today, Bill Farren-Price, Chief Executive Officer of Petroleum Policy Intelligence, said one of the issues was the extent of the stimulus in the US economy, while another was China's potential new direction in its economic management, where there was less focus on GDP and more focus on structural reform.

"China is in a slowdown at the moment. But more importantly, the new government is concerned with rebalancing the economy towards internal demand, rather than exports. The authorities are prepared to take a much longer-term view about how this is achieved. What this will mean is that we will likely see lower GDP figures in the short term," he maintained.

Farren-Price said this would mean there would be less energy demand from the country which was becoming more energy efficient and was also interested in developing its own energy resources.

"It has been long the case that China and its companies have been very active in investing in upstream activities in Africa in conventional oil and gas. They are now leading the charge in the US gas market and they are building up a level of expertise that they will be able to apply to their own economy in due course," he observed.

Bill Farren-Price.

Concerning the US, Farren-Price said the economy there was recovering, but it was not clear to what extent an energy recovery was taking place at the same time.

"We are still seeing evidence that oil product demand is down. There is no shortage of energy resources in the US with the shale oil and shale gas, but the main issue now with hydrocarbons around the world is the cost of production and how competitive that cost of production is within the prevailing oil price.

"Right now, with the current level of oil price, there should not be any shortage of supply, but the issue is whether we see softer oil prices, which could lead to a cap in some of the growth," he said.

Asked about the key uncertainties surrounding the oil market, Farren-Price said the current narrative was that there was oversupply in the market from all the extra non-OPEC supply coming onstream, combined with a softening in Asian demand, which had led to stocks building too fast.

"But the untold story is that there is still a certain amount of supply risk which we have seen in certain countries, which has to be a concern.

"This balance of risk however is fairly even. We have worries about the economic slowdown and new supplies coming into the market, but at the same time, we have issues that are holding back supplies.

"There is too much happening on both sides of the ledger to be able to make a firm call one way or the other in terms of oil balance. In this environment, OPEC has proven to be traditionally reactive, rather than proactive and I think this is the right stance to take.

"The Organization has done very well with its informal supply management system that has taken over from the formal quota system. As one says, if it is not broke — don't fix it. If it is working, then leave it alone."

Cornelia Meyer

Chief Executive Officer, MRL Corporation

Speaking on the situation in the global economy, Cornelia Meyer, Chief Executive Officer of the MRL Corporation, said the state of the economy was very important to OPEC because it determined oil demand.

"We have seen the US and Europe growing anemically, Southern Europe imploding and even China performing more weakly, which has led to a weakening of demand in the traditional markets of the OECD and the BRICs," she observed.

However, she said there were countries that were growing. Africa, for instance, had seen its fastest growth over the last few years, "so there is some good news out there, at least in the N-11 countries, which are the countries after the BRICs with big populations of 100 million plus where there are lots of people in poverty who need to be lifted into the middle class."

"In Africa, we are seeing more demand and very big growth patterns. There is a lot of need for people to catch up there and make it into the middle class. There is more liberalization and there is more access to infrastructure. In this respect, China has had a very positive impact by going in there and building roads, power stations and other infrastructure. This then helps local companies to expand," she said.

Ms Mayer said all the people stepping up into the middle class wanted to drive cars and, after all, that was what oil was largely used for — transportation.

"Providing power is increasingly done through nuclear, gas or renewables. It is the transportation fuels, which are needed for cars and air transport — that is the good news for oil demand," she affirmed.

Looking at Europe, she said there were 26 million people unemployed, and 112m people on the brink of poverty. Unfortunately, she said, If you were on the brink of poverty, you were not going to buy that new car.

"It is not all doom and gloom in Europe, but even in Germany, the growth is only one per cent, maximum two per cent. It does not look good. Europe has been hit so hard by austerity."

Cornelia Meyer.

Looking at China, Ms Mayer said there were two things. Any growth under five per cent and China stood still because it had to take so many people out of poverty.

"Chinese growth of seven per cent would be more like OECD growth of two per cent. China needs export markets and, in that sense, the OECD region is important."

Secondly, she said, China's domestic consumption was increasing, whereby the middle class was having more of an influence and industry was selling more to its own people.

"We are starting to see a shift in the manufacturing base there and I think we will see oil demand rise again."

Ms Mayer said that looking at the longer term for the world economy, she forecast there would still be 50 per cent growth in primary energy demand over the next 30 years "but we will see a shift in the trading patterns with oil being consumed more in the N-11 countries than in the OECD and BRICs." She was also optimistic Japan was moving in the right direction with its recovery. The country's current two per cent inflation growth came after 20 years of deflation which "is a good thing".

She added: "Industry is consuming more power and consuming more oil. The Japanese yen is weak and domestic companies are at long last able to export more again."

Jason Schenker

President and Chief Economist, Prestige Economics

Addressing conditions in the global economy, Jason Schenker, President and Chief Economist of Prestige Economics, said that quantitative easing (QE) in the US had proved to be one of the key factors that had instilled demand in the country, helping global growth "at a pretty solid level".

He said: "Without QE, the US would not be in nearly as good a position. However, when the QE does end, the question will be how bad an impact it will have and whether the US economy will be stable enough on its own to maintain the growth rates, or will there be a little bit of a pullback."

Schenker said QE in the US was likely to end at the end of this year or the beginning of next year and "we are hoping the growth will be better by then. But we are not out of the woods yet."

OPEC, he said, was very cognizant of the fact that the global economy was still on a somewhat shaky footing with Europe contracting, China slowing down and only the US really holding it all together.

"There is an economic theory about pent-up demand and this is what everyone is betting on. Essentially, if you keep rates low enough and long enough, you make money cheap and people spend. You then get more growth and have a perfect landing.

"But that is where the trick comes in. Everyone, including OPEC, is betting on the fact that with all this accommodative monetary policy in place everywhere globally, it will lead to stronger growth at the end of this year and going into next year," he affirmed.

Referring to OPEC as the "central bank of oil", Schenker explained that the Organization was trying to influence how much supply went into the market, in order to help reach a reasonable target for Member Countries' volumes and pricing.

"They are planning on what happens in the global economy, just like the central banks, to determine what is going to happen next. Demand is really critical here. In a good year, what OPEC is producing now would not be enough. In a weak year, it could be producing too much.

"But in 2013, people are expecting things to get better in the second half, which is why I do not expect any change in OPEC's production policies at this Meeting."

Regarding prices, Schenker said OPEC did not have an explicit price target, although many Ministers had said that the $100-$110/b level was a range they were comfortable with — it was fair and it was sustainable for growth.

Jason Schenker.

"I think we will see the current range continue for the rest of this year, but if there is more growth in demand in the second half, then prices could be again on the upside. However, if there is less growth, which some are expecting, we could see a very different OPEC Meeting in December," he stated.

Looking at the global economy as a whole, Schenker referred to 2013 as "another year of getting rich very slowly." The global economy was expanding at between three and 3.5 per cent, the US economy's growth would come in at around two per cent, which meant it would not be a great year, but an okay year.

"But this okay year still means oil demand growth will occur because the emerging markets' demand for oil on a per capita basis is so low and there is so much headroom. When we look out further and think about things like shale oil, we are going to need that oil because we might suddenly have a good year and then we are going to need a lot more oil," he maintained.

Speaking on shale oil, Schenker pointed out that the US was the exception and not the rule with this process. Other places where shale oil existed could be drilled, but there were political and economic reasons and a lack of infrastructure that were going to keep that from happening.

"In the US alone, to develop more shale oil and shale gas over the next 25 years is expected to cost around $200 billion in the provision of additional infrastructure. So we will need to spend a lot more money to get that oil and gas out of the ground.

"Yes, there will be more supply, but there are also decline curves that are quite steep. It is unlike conventional wells, which may be easy or difficult to drill, but you pull out the oil at a fairly consistent rate over a period of time with a slow decline curve.

"With shale oil opportunities, you frack the well, pull out the oil — it comes out in a big burst and then it drops off very sharply, which means that you continually have to drill and frack, drill and frack," he explained.

"The question is, are you going to continue to find wells that are easy to drill and frack, or are you going to have to go to the next level of marginal wells. When you keep drilling in this way, it is never a process that is going to slow down, and the more oil you want, the more holes you are going to have to drill.

"I think this is a part of the shale oil and shale gas process that people watching have not really paid much attention to," he added.

Schenker said he recently attended a two-day conference on shale oil in the US, but there had been nothing mentioned about decline curves. "But I think this is really important to think about for the future of this process. We are going to need shale oil, but we have to bear in mind that the decline curves are going to be steep."

He asserted that shale oil was not really a global solution, but all the extra oil in the US, which freed up other supplies from elsewhere in the world, meant that the oil which would normally have gone to the American market, could now go to Asia, for example, and other emerging markets where they were seeing growth.

"Some 80 per cent of the future demand growth over the next few years is coming out of Asia and China. So the emerging market demand is going to need the extra oil.

"At the moment, the US has become a net exporter of petroleum products, of coal, and of natural gas liquids. Eventually, it will likely become a net exporter of natural gas. But as this happens, it frees up other supplies for other markets where it is more drastically needed."

Schenker said that, right now, OPEC Member Countries were concerned about Europe, because while some people were worried about China, China was the symptom and not the problem.

"Europe, the US and Japan are three of the biggest consuming economies in the world and if they stop consuming, countries like China that make the goods that the others consume, will also grow at a slower pace.

"And for OPEC, the oil demand is not coming from Europe or the US or Japan, but from emerging countries in Asia. But that growth will not continue to be robust unless regions like Europe continue to grow and right now that is not happening," he observed.

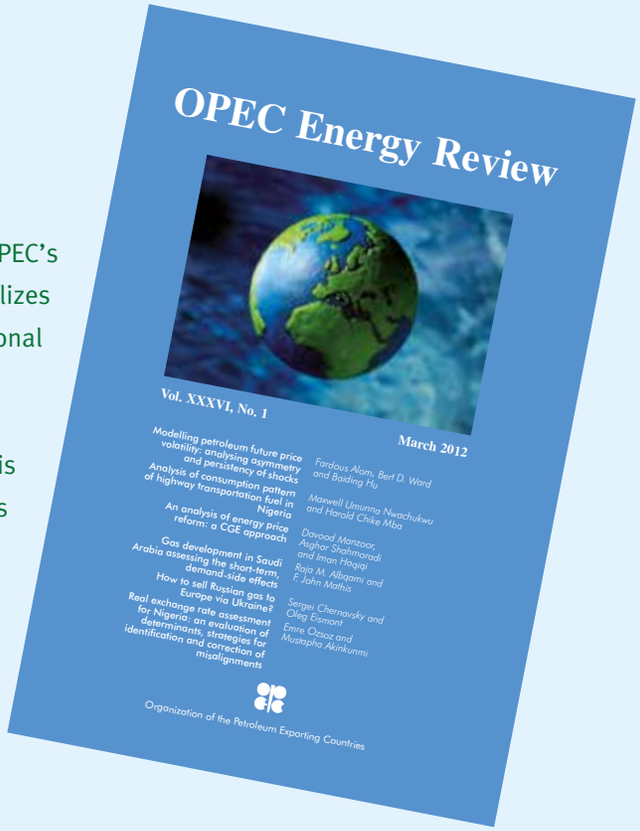
Schenker forecast that this year, "we are likely to see less of a contraction or recession in Europe, but that is not necessarily going in the right direction."

In the longer run, he continued, "we are going to need all the oil available — conventional, non-conventional and shale oil — to meet global demand as middle class wealth increases."

Looking ahead, Schenker said everyone was looking for better growth in the second half of 2013 and 2014. For next year, growth expectations were already at four per cent for the world economy which was better than in 2013.

"What OPEC needs to be worried about is whether it is going to happen that way. And that has to be their number one concern. Shale oil and any additional oil — that will always find a home as long as global growth is okay," he concluded.

Call for papers



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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).

OPEC Ministers visit King Abdullah centre for dialogue

Above: Faisal Bin Abdulrahman Bin Muaammar, Secretary-General of KAICIID, and inset, Claudia Bandion-Ortner, Deputy Secretary-General.

The King Abdullah Bin Abdulaziz International Centre for Interreligious and Intercultural Dialogue (KAICIID) recently played host to OPEC Oil and Energy Ministers and Heads of Delegation who were in Vienna to attend the 163rd Ordinary Meeting of the OPEC Conference, which took place on May 31.

OPEC delegates and officials pictured during their visit to the Centre.

The reception was hosted by KAICIID's Secretary-General, Faisal Bin Abdulrahman Bin Muaammar, at KAICIID's premises in Vienna's historic First District.

It was organized to introduce KAICIID to the Ministers and give them an overview of the centre's "status in Vienna, an insight into the KAICIID journey, from concept to reality, and an outline of programmes the centre will undertake."

According to the KAICIID Secretary-General, in a release posted on the centre's website, "while OPEC has been integral in making Vienna a hub for energy issues, and the United Nations and the Organization for Security and Cooperation in Europe (OSCE) use Vienna as a centre for security matters, KAICIID, a new face on the scene, will enhance Vienna's credentials as a city for dialogue and a prime proponent of a culture of peace."

KAICIID DIALOGUE CENTRE

The King Abdullah Bin Abdulaziz International Centre for Interreligious and Intercultural Dialogue (KAICIID) was established in 2012 with the objective of creating a global hub for dialogue among followers of diverse religions and cultures.

It actively creates opportunities for the world's religions and cultures to work together, through a varied range of channels, including dialogue, conferences and public health programmes.

KAICIID carries out activities under the oversight of a multi-religious Board of Directors and support from the governments of Saudi Arabia, Spain and Austria, each of which has representation on the centre's Council of Parties.

Iran elects Hassan Rouhani to be new President

by Scott Laury


ddp images

Millions of Iranian voters went to polling stations across the country on June 14, 2013, to cast their votes in the Islamic Republic's 11th national election.

After the votes were counted and the results confirmed, Hassan Rouhani emerged victorious over his fellow candidates — Mohammad Qalibaf and Saeed Jalili — by taking more than 50 per cent of the vote and thereby avoiding a run-off.

His path to victory was bolstered by the endorsements of two former Presidents — Mohammad Khatami and Akbar Hashemi Rafsanjani.

According to the *Fars News Agency,* Rouhani, who is 64, took 52.49 per cent of the vote. He succeeds two-term President, Mahmoud Ahmadinejad, who has led the country for nearly eight years after taking office in 2005.

Qalibaf, who is the Mayor of Iran's capital city, Tehran, was the runner-up in the election with 16.56 per cent of the vote, while Supreme National Security Council Secretary, Jalili, was in third place. Mohsen Rezayee Mir-Qaed, Expediency Council Secretary, ranked fourth.

High turnout

The polls were originally scheduled to be open from 8:00 am to 6:00 pm, but the Interior Ministry decided

to extend the voting hours, due to an unexpectedly high turnout.

More than 72 per cent of the 50 million eligible voters cast their ballots nationwide, a massive turnout which required additional ballots to be sent to polling centres in various cities.

Interior Minister, Mostafa Mohammad Najjar, made the official announcement regarding Rouhani's victory on Saturday evening, after which crowds gathered in various cities and towns across the country to celebrate.

Some of the larger gatherings were reported in Vali-Asr Square in central Tehran and Kaj Square in the north-west section of the capital.

One celebrant described the scenes playing out in the streets to the *Reuters* news agency: "Many people are holding Rouhani posters. Some are hugging and crying. We are all so happy here."

After the election, Supreme Leader Ayatollah Ali Khamenei congratulated Rouhani on his victory.

"I urge everyone to help the President-elect and his colleagues in the government, as he is the President of the whole nation," he remarked.

Striking a conciliatory tone, Rouhani portrayed his victory as an opportunity to provide stability and engagement in the years to come.

"This victory is a victory for wisdom, moderation and maturity over extremism," he said.

He went on to add that his country's rights must also be respected, saying: "The nations who tout democracy and open dialogue should speak to the Iranian people with respect and recognize the rights of the Islamic Republic."

Supreme Leader Khamenei will ratify the vote on August 3, at which time the new President will take the oath of office.

Youth, education and political career

Hassan Rouhani was born in November 1948 in Sorkheh, a town in the north of Iran. He began to study religion at an early age. In 1969, he enrolled at the University of Tehran, earning a Bachelor's Degree in Law three years later.

He continued his studies in Scotland, the United Kingdom, where he earned his Master's and Doctorate degrees at Glascow Caledonian University.

After his education was completed, Rouhani went on to serve in various key governmental positions, including Secretary and Representative of the Supreme National Security Council; Member of the Assembly of Experts; Member of the Expediency Discernment Council; President of the Centre for Strategic Research; as well as multiple roles in Parliament. He has also served as Iran's top nuclear negotiator for many years.

Rouhani has often been affectionately labeled "the diplomat sheikh", a reference to his unique combination of diplomatic skills as a negotiator and his religious devotion.

Hossein Mousavian, a Princeton University Professor and former Iranian diplomat, has known Rouhani for more than 20 years and referred to his affable nature and ability to unify the country.

"He has a good sense of humour," Mousavian said in comments to the *BBC*. "His school of thought is completely moderate and centrist. He has always tried to unify the country."

Iran and Venezuela: New Presidents to meet

Venezuelan President, Nicolas Maduro, who was elected just over two months ago, has announced plans to visit Iran to meet the newly elected Iranian President, Hassan Rouhani.

In a recent telephone conversation, the Venezuelan leader congratulated Rouhani on his electoral victory and expressed his interest in visiting and discussing how the two countries can work together in the coming years.

"I held a telephone conversation with the Iranian President-elect and congratulated him on his election win and we will soon meet each other to show our determination to continue close bilateral ties," Maduro said.

The date for Maduro's visit to Tehran has not yet been confirmed. However, it is expected to take place before the current President, Mahmoud Ahmadinejad, leaves office (August 3).

As sources confirm, Maduro would like to personally thank Ahmadinejad for being a friend and ally of Venezuela during his time in office.

Former Venezuelan President, Hugo Chávez, worked very closely with Iran and President Ahmadinejad to expand cooperation between the two countries in the areas of economy, trade and industry.

This fruitful partnership is expected to continue with the two new leaders at the helm.

Emir of Qatar transfers power to his son

by Scott Laury

Sheikh Tamim Bin Hamad Al Thani.

The Emir of Qatar, His Highness Sheikh Hamad Bin Khalifa Al Thani, has transferred power to his son, the heir apparent, Sheikh Tamim Bin Hamad Al Thani.

The 61-year-old Emir made the announcement on Qatari national television on June 25, saying it was time for a new generation to lead the Emirate into the future. He expressed full confidence in his son's abilities.

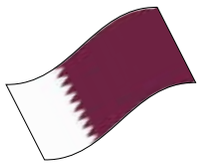
"I declare that I will hand over the reins of power to Sheikh Tamim Bin Hamad Al Thani," he said. "I am fully certain that he is up to the responsibility, deserving the confidence, capable of shouldering the responsibility and fulfilling the mission."

He also stated that his son, who is 33, would be in a very good position to provide Qatar with "young leadership", adding: "Our youth have proved in recent years that they are resolute people, that they comprehend the spirit of the times and participate in it."

This move came as a surprise to many in the Gulf region as it is customary for rulers to stay in office for decades.

After the announcement was made, state television coverage showed Qataris greeting the outgoing Emir and Sheikh Tamim at the Royal Court. Both leaders received citizens who wanted to "swear allegiance" to the new Emir.

Above: His Highness Sheikh Hamad Bin Khalifa Al Thani (r), The Emir of Qatar, with his son, Sheikh Tamim Bin Hamad Al Thani (l).



The Al Thani dynasty

The Al Thani family has roots that run deep into the history of Qatar, having ruled the Emirate for nearly 150 years.

Sheikh Hamad has led Qatar, which became an OPEC Member in 1961, when he took over from his father Sheikh Khalifa.

In 2003, Sheikh Hamad named Sheikh Tamim as his heir apparent, replacing his elder brother, Sheikh Jassim Bin Hamad Al Thani, who renounced his claim to the throne.

Childhood, education and military service

Sheikh Tamim, the fourth son of Sheikh Hamad, was born in 1980 in Qatar's capital city, Doha. He was sent to Britain to attend the Sherborne School in Dorset.

After his schooling, he followed in his father's footsteps by attending the Royal Military Academy in Sandhurst. He graduated in 1998, after which he was made a Second Lieutenant in the Qatari armed forces. He rose in the ranks of the military over the next 11 years and, in 2009, was appointed Deputy Commander-in-Chief.

Leadership in sports administration

In addition to his important military role, Sheikh Tamim has been very successful in raising the level of sport in Qatar and across the region by hosting large-scale, international sporting events in the Emirate.

In 2006, he served as Chairman of the Organizing Committee of the 15th Asian Games in Doha, achieving a 100 per cent participation rate among the member countries for the first time ever.

World Cup and Olympic Games

Qatar has been selected by the Fédération International de Football Association (FIFA) to host the 2022 World Cup football tournament. As a member of the International Olympic Committee, Sheikh Tamim also led Qatar's bid to host the 2020 Olympic Games, which unfortunately failed. But Qatar will be hosting other major events, including the 2014 World Swimming Championships.

In 2005, Sheikh Tamim founded Qatar Sport Investments, which owns the renowned Paris Saint-German football club. The club, which recently acquired Swedish star forward Zlatan Ibrahimovic, won France's highly competitive premier league (Ligue 1) championship in the2012–13 season and nearly made it to the semifinals of the prestigious Champions League.

Overseeing development goals

In addition to his military and sport administration roles, Sheikh Tamim is Chairman of the National Vision 2030 project, which sets out the future development goals for Qatar.

Its objectives, as described in the project's online brochure, are aimed at "transforming Qatar into an advanced country by 2030, capable of sustaining its own development and providing for a high standard of living for all of its people for generations to come."

Leadership on environment, education and investments

Sheikh Tamim is involved in other leadership roles in areas such as environment, education and investments. He is Chairman of the Supreme Council for the Environment and Natural Reserves, Chairman of the Supreme Education Council and Chairman of the Board of the Qatar Investment Authority.

Change in the nation's interest

Before announcing his abdication, Sheikh Hamad met with fellow royals and eloquently explained to them that his motivation to step down was guided only by what he thought was best for his beloved country.

"God Almighty is aware that I had not desired power for the sake of power, nor endeavoured to rule for personal motives," he said. "It has always been the nation's interest, and that interest has dictated that we lead through a new chapter. The time has come to turn a new leaf in the history of our nation, where a new generation steps forward to shoulder the responsibility with their dynamic potential and creative thoughts."

Economic sanctions serve to boost Iran's self-sufficiency campaign

Iran's 18th International Oil, Gas, Refining and Petrochemical Exhibition, held recently in the capital Tehran, showcased the progress achieved in the country's "burgeoning oil industry", as well as the "creativity and self-confidence" being displayed by the Iranian people on a national scale.

That was the overriding message relayed by senior Iranian officials at the beginning of the annual event, when they spoke of the minimal effect the imposition of long-running economic sanctions was having on the country.

The show, billed as the largest oil industry event in the Middle East, this year carried the message of the 'Manifestation of the economic epic in the Iranian petroleum industry's self-sufficiency campaign'.

Ineffectiveness of sanctions

In comments carried by *Iran Petroleum,* the monthly magazine of the Petroleum Ministry, officials stressed that the attendance at the exhibition — many hundreds of Iranian and foreign companies — "proves the failure and ineffectiveness of the sanctions, which were engineered by global arrogance."

Each of the four days of the exhibition was dedicated to portraying different aspects of the Iranian oil-based economy and showing the progress being made in all areas, particularly its efforts towards diversification.

As Iran's Supreme Leader, Ayatollah Ali Khamenei, said in a special message to the publication, an oil-independent economy should top the agenda of the next Iranian government.

"It is possible to have an oil-independent economy, but it needs accurate planning," he was quoted as saying.

Khamenei underscored the major progress that had been achieved in domestic infrastructural projects in 2012 in defiance of the international sanctions.

These included the discovery of new reserves of oil and uranium, the construction and development of power plants and refineries, as well as the provision of infrastructural projects in the road and energy sectors.

There had also been important scientific and technological achievements, such as the launch of the Nahid satellite and Pishgam Explorer, the development of sophisticated warships, the production of new pharmaceuticals, as well as progress in nanotechnology.

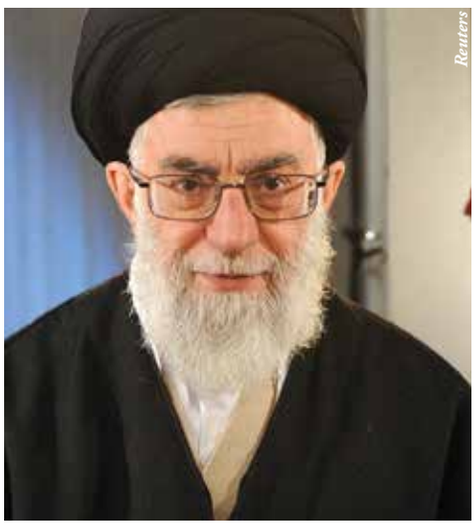
In addition, he said, there had been scientific achievements in stem cells, new energies and nuclear energy, which were "only the tip of the iceberg in a year when the Iranian nation was supposed to be crippled by sanctions."

The Petroleum Ministry's magazine said numerous opportunities had emerged in the country in the oil, gas and petrochemical sectors to help the Islamic Republic realize its objective of national production and supporting Iranian labour and assets.

The prioritization of fighting the sanctions and giving all-out support for oil industrialists and engineers, as well as comprehensive planning for the maximum use of national talents for the domestic manufacture of equipment, had contributed to the self-sufficiency of the petroleum sector.

The Petroleum Ministry had decided to manufacture strategic equipment required for the oil industry. In fact, the country was currently manufacturing nearly 80 per cent of the equipment it required in this all-important sector.

"To that effect, all industrial capacities of the country have been mobilized and Iranian manufacturers have been supported in terms of technology, the necessary data, raw materials and finance," said the publication.




Pictured above are (l–r): Ayatollah Ali Khamenei, Iran's Supreme Leader; Rostam Ghasemi, Iran's Minister of Petroleum; and Mehdi Ghazanfari, Iran's Minister of Industry, Mines and Trade.

Due to these efforts, Iran had manufactured strategic equipment like offshore and onshore drilling rigs, equipment for refineries, gas compressors and downhole tools.

It had also launched oil, gas and petrochemical mega projects last year. Among these were the development of the Imam Khomeini refinery, the inauguration of the natural gas liquids (NGL) plant in the Gulf, the Kavian petrochemical plant, the West ethylene pipeline, the development of new phases of the South Pars gas field, the inauguration of two onshore oil fields, a gas storage facility and the commencement of gas pipeline construction in Pakistan.

Industry project boost

"In the new calendar year, named the 'Year of Political and Economic Epic', Iran is poised to accelerate its oil industry projects in view of achieving economic prosperity. Iran will owe such an epic to its own engineers and industrialists ..."

Iran's First Vice-President, Mohammad-Reza Rahimi, also pointed to the fact that the country planned to wean its economy off oil revenues.

"Given our progress in different sectors of industry and the development of oil industry equipment, we can soon bid farewell to the involvement of petrodollars in the economy," he told the exhibition's inauguration ceremony.

"Sanctions flooded our country, but Iranian officials and the nation benefited from the sanctions to improve the country's industry," he maintained.

Rahimi said countries seeking to impose such sanctions on Iran should keep in mind that they had actually strengthened the nation and its economy. "We can see this strength in an overview of the significant success attained by domestic companies."

He pointed out that the exhibition provided a good opportunity for foreign participants to get to see the achievements of Iranian scientists, despite the widespread sanctions."

In highlighting the progress made in 2012, Rahimi said the country had managed to indigenize the manufacture of 70 per cent of the equipment required by the oil industry.

Supporting his comments, Iran's Minister of Petroleum, Rostam Ghasemi, told the opening ceremony that the country would soon be celebrating self-sufficiency

Es'haq Royvar, Public Relations Manager at Iran's Petroleum Ministry.

in the oil industry, stressing that Iran was "short of nothing to develop its oil sector."

He continued: "Today, Iranian manufacturers and contractors have taken long steps towards self-sufficiency by embracing the slogan 'we can'.

"Although we welcome the cooperation of all industrial companies in the world oil industry, we pay special attention to our manufacturers and industrialists and we support them," he stated

Stressing that energy formed the base of global economic development, Ghasemi said hydrocarbons enjoyed a special position in this regard as they continued to play a fundamental role in world markets, due to their accessibility and fair price.

Iran, he said, as one of the major holders of hydrocarbon reserves, could continue to play a significant role as one of the largest suppliers of secure energy in the world in the coming years.

In this regard, said Ghasemi, enhanced oil recovery was a must in the development of the international oil industry. Countries' petrodollars must serve to enhance infrastructural development.

"In the past, due to the easy access of hydrocarbon sources, the methods of recovery were not seriously taken into account. But in recent years and (in the case of Iran), under conditions of sanctions, enhanced recovery has become more important," he affirmed.

"Today, Iran's oil industry plays a strategic role in the production and development of the country and we can create jobs and gain revenues by ceasing to sell crude oil," he contended.

The Minister referred to the construction of 70 petrochemical plants in the country, saying that these would bring the country's annual petrochemical production up to over 130 million tons.

Iran also currently produced around 700 million cubic metres/day of natural gas, a figure that would exceed 1.47 billion cu m/d by 2015. In this way, the country's gas output would meet domestic demand and provide exports to a large number of neighboring countries.

Ghasemi said the level of dependence on foreign assistance in the country's giant offshore South Pars gas field in the last Iranian calendar year had been reduced from 90 per cent to 50 per cent.

In the year, Iran had attracted $30 billion into its oil sector, he said, adding that several refining projects had come onstream.

Competing with rivals

Also speaking at the opening ceremony, Iran's Minister of Industry, Mines and Trade, Mehdi Ghazanfari, conceded that while certain sectors of the economy had felt some effects from the sanctions, at the same time they had provided domestic producers with an opportunity to compete with their rivals in international markets.

"The sanctions were intensified against our country last year, reducing foreign income, which led to some pressure on the oil sector," he observed.

"The depreciation of the national currency has created some problems for producers and also exerted some pressure on people's livelihoods, but we should also take the positive impacts into consideration," the Minister said.

Ghazanfari maintained that the exhibition provided an ideal opportunity for competition between Iranian companies and their foreign rivals. It could demonstrate the capabilities of domestic manufacturers and industrialists to the world.

"The reduction in the import of goods provided domestic producers with the opportunity to rely on their own capabilities to produce the commodities and equipment previously imported. This was one of the positive impacts of the sanctions," he added.

Regarding Iran's exports of non-oil goods last year, Ghazanfari said: "We saw a very desirable trend. Although we had a reduction in the sale of oil and petrochemicals, our exports in other sectors increased, which made up for the reduction."

Explaining the shift in trade, he said that in 2005, some 82 per cent of Iran's exports went to Asian countries, while 14 per cent went to Europe.

"But in 2012, the trend was changed — our exports to Europe were reduced to five per cent and our exports to Asia stood at 92 per cent."

He continued: "Our trade has found its path and now we are moving towards increasing our non-oil exports. In fact, we have put the sanctions behind us.

"During the past decade, 80 per cent of our imports were capital goods, used for laying the economic infrastructure for production. Our non-oil exports show a 20 per cent annual increase," he added.

Es'haq Royvar, Public Relations Manager of Iran's Petroleum Ministry, said that without a doubt Iran's latest oil and gas show had symbolized once more the liveliness of the Islamic Republic and "its incessant efforts towards development, dynamism and prosperity."

He said it sought to showcase Iran's unique capabilities and progress in technology and science, elucidate the capacities and opportunities for investment in Iran and offer a golden opportunity for broader cooperation.

The exhibition also offered an exchange of technical savvy between Iran's state-run and private sectors and major international companies.

Royvar stated: "Sitting atop one of the richest oil and gas reserves in the world and enjoying special geopolitics in the sensitive West Asian region, the Islamic Republic is instrumental in global oil and energy equations.

"Iran's hosting of the exhibition offers a unique opportunity for countries and companies involved in this sector to exchange experiences and know-how.

"Needless to say, the participation of more than 1,000 Iranian and foreign companies from the five continents, including Italy, Germany, Ukraine, Armenia, South Africa, Russia, Spain, Finland, Britain, France, Japan, Switzerland and the Netherlands, is a clear indication of the significance of this international event in the industrial world of today," he added.

Royvar, who is also Managing Editor of *Iran Petroleum,* wrote in the magazine that Iran's annual oil show was proof of the progress, creativity and self-confidence of the country and its people on a national scale.

The exhibition represented the manifestation of a regional and global convergence in the exchange of energy knowhow and technology.

"A brief look at Iran's burgeoning oil industry is indicative of the honorable and pleasant fact that 34 years of sanctions against Iran's energy sector have been defeated by the talented youngsters of this nation," he asserted.

The sanctions, he said, had even been turned into opportunities with the emergence of domestic industrialists, who, along with Iran's youth, had proven their capability of "transforming threats into opportunities in view of making stunning achievements at national and international level in the oil industry."

Key energy transit route

Royvar said Iran's strategically unique position, in terms of its natural resources, had led the country into becoming a key energy transit route.

He professed that, as an important factor contributing to stronger ties between Iran and the countries in the region and the world, Iran's oil industry could bring about a regional and global convergence.

"To that effect, development of infrastructure, as well as the upstream and downstream oil and gas sectors, is of high significance."

Royvar explained that Iran was targeting $200bn of investment in the oil, gas, refining and petrochemical sectors in the country's fifth five-year Economic Development Plan (March 2010–15).

"Such a perspective is indicative of the Islamic Republic's firm determination to achieve eight per cent economic growth and realize its oil industry goals," he said.

Royvar said broadening cooperation among regional nations within the framework of the Economic Cooperation Organization (ECO) could clear the way for economic growth.

ECO member states, comprising Iran, Pakistan, Turkey, Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, held-one quarter of the world's gas deposits and one-eighth of its oil reserves. ECO countries also accounted for five per cent of the world's population.

Royvar noted that ECO oil and energy ministers met in Tehran in March this year and declared 2013–22 as the decade of ECO energy cooperation.

Under this umbrella, the economic bloc's member states would cooperate in the production and distribution of crude oil, natural gas, petrochemicals and oil products, energy transit through pipelines, energy swaps and electricity transmission.

"Iran's oil industry can accelerate regional and economic cooperation and the oil show can make a great contribution to that effect," he added.

UAE Foreign Minister visits Austria to strengthen bilateral relations

United Arab Emirates Foreign Minister, Sheikh Abdullah bin Zayed Al Nahyan (l), with Michael Spindelegger, Austrian Vice Chancellor and Federal Minister for European and International Affairs.

United Arab Emirates Foreign Minister, Sheikh Abdullah bin Zayed Al Nahyan, paid a working visit to Austria in June to discuss expanding ties and closer cooperation with its European partner.

Sheikh Abdullah held talks in Vienna with Michael Spindelegger, Austrian Vice Chancellor and Federal Minister for European and International Affairs.

According to the UAE Foreign Affairs Ministry's website, the two sides discussed ways of strengthening bilateral relations, particularly in trade and investment.

They also explored the key opportunities and incentives made available by the governments of the two countries to attract investment, expand trade and enhance cooperation between their respective private sectors.

The latest developments in the Middle East, as well as regional and international matters of common interest relating to security in the Middle East region and Europe, also figured in their discussions.

Enhancing ties

In separate talks, Sheikh Abdullah held a meeting with Austria's Federal Minister of Economics, Family and Youth, Dr Reinhold Mitterlehner, to look at ways of enhancing ties in such areas as culture, youth, sports, as well as exploring the possibilities of opening new avenues of cooperation for the future.

According to the report, Sheikh Abdullah expressed his appreciation for the efforts made by the UAE-Austrian Joint Committee, which concluded its meeting during his visit, to further bilateral relations between the two countries in all domains and to reinforce bilateral cooperation that served the interests of the two countries' peoples.

The visiting Minister emphasized the importance of holding further meetings to enhance bilateral relations

Sheikh Abdullah (r), with Mohammed Hamad Omran, UAE Ambassador to Austria.

and of implementing the recommendations of the joint committee.

He expressed confidence that the successful outcome of the latest meeting would serve the interests of both countries, enhancing their progress and the prosperity of their peoples.

For his part, Mitterlehner applauded the outstanding stature attained by the UAE in different fields as a result of its modernization strategy.

He also expressed his satisfaction with the outcome of cooperation between the two countries and emphasized the importance of exchanging visits at all levels.

During his stay in the Austrian capital, Sheikh Abdullah also visited Austria's state energy company, OMV in which Abu Dhabi's International Petroleum Investment Company (IPIC) has a 24.9 per cent interest.

In talks with OMV's Chief Executive Officer, Gerhard Roiss, the two sides discussed cooperation between the UAE and Austria and explored ways to promote ties in the field of energy and related industries.

Promising opportunities

Sheikh Abdullah pointed out during the discussions that the UAE had a steadily growing economy that offered promising investment opportunities. The openness of its markets had enabled the Gulf country to promote its economic and trade relations, in the renewable energy sector in particular, which could serve the common interests of both countries.

For his part, Roiss expressed his country's interest in taking advantage of the investment opportunities available in both countries, in the field of energy, in particular.

Sheikh Abdullah completed his stay in Austria with a visit to Parliament. He also took the opportunity to inaugurate the UAE's new embassy in the capital.

OPEC Secretariat hosts 12th Annual Statistical Meeting

Improved data submissions and timeliness necessary

by Alvino-Mario Fantini

Dr Omar Abdul-Hamid (c), Director of OPEC's Research Division; Dr Adedapo Odulaja (l), Head of OPEC's Data Services Department; and Ramadan Janan (r), Statistical Systems Analyst in OPEC's Data Services Department.

The importance of statistical data flow to the overall work of the OPEC Secretariat and the decision-making process of its Member Countries was highlighted once again at this year's Annual Statistical Meeting held in Vienna on June 4–5.

The 12th annual meeting was attended by delegations from all of OPEC's Member Countries. The two days of talks provided an opportunity to go through current data requirements, consider the effectiveness of data survey tools, such as the Annual Questionnaire, and discuss challenges that may exist.

As in previous meetings, some of the discussions included a re-consideration of the methodology, quality and quantity of data flows.

During both days, delegates and officials from OPEC's Data Services Department (DSD) discussed data flow as related to oil, gas and economic conditions, and as provided by the Member Countries themselves.

The meeting started with opening remarks from Dr Omar Abdul-Hamid, Director of the Research Division at the OPEC Secretariat, followed by comments by Dr Adedapo Odulaja, Head of DSD.

Dr Omar Abdul-Hamid, Director of the Research Division at the OPEC Secretariat.

Crucial data

Abdul-Hamid noted the importance of timeliness and reliability of data, emphasizing how Member Country data is crucial for informed policy decisions, and for the elaboration and preparation of different research reports.

Afterwards, Odulaja spoke of the overall importance of ensuring improved data submissions, including the quality, as well as timeliness and coverage.

Both OPEC officials stressed the need for improved collaboration, enhanced cooperation and stronger communications between OPEC and its Member Countries, which has been a recurring theme during the annual meeting. Presentations from the Secretariat's statistics team followed the opening remarks. First, a presentation on the 2012 and 2013 editions of the *Annual Statistical Bulletin (ASB)* was given by Ramadan Janan, (then) Statistical Systems Analyst.

He briefed the audience on the process leading up to the preparation and publication of last year's *ASB* and then outlined the work plan for the 2013 edition of the publication.

Janan also noted the importance of the *ASB* for the oil industry and stressed that data received through direct communications from Member Countries is an important part of the publication's make-up.

DSD's statistical team (l–r): Harvir Kalirai, Statistician; Dr Pantelis Christodoulides, Senior Statistician; Klaus Stöger, Statistician; Mouhamad Moudassir, Statistician; and Dr Hannes Windholz, Statistical Database Specialist.

He also spoke of the lead-up to the publication's launch last year, the media coverage that was provided, and the content of future editions of the *ASB*.

With regard to last year's *ASB* launch, Janan stated that coverage by the media was good, as the publication was extensively quoted by several media outlets.

The *ASB* has become one of the benchmarks for the oil industry, he said, since it covers comprehensive data on oil, gas and national economies. It currently has more than 600 subscribers, he added, and last year was accessed online more than 34,000 times.

Annual Questionnaire

Other presentations during the two-day meeting focused on specific aspects of the statistical data used by the OPEC Secretariat. Statistician, Harvir Kalirai, offered an overall assessment of oil data quality received from Member Countries.

In her points, she elaborated on the content of the Annual Questionnaire, which is used to elicit data submissions directly from Member Countries.

Ms Kalirai concluded by highlighting recent improvements in the submission of the Annual Questionnaire, which have helped to improve the overall quality of OPEC's work.

Klaus Stöger, Statistician, also gave a presentation on the Production/Supply Statement (PSS) and the NGL Quarterly Questionnaire, stressing the importance of submission of the PSS.

The data provided on this form is an essential input to the Organization's *Production Monitoring Report (PMR)*

and *Monthly Oil Market Report (MOMR),* as well as the *ASB* and other in-house research publications.

With regard to NGL data submissions, Stoeger noted that such data is essential in performing supply and demand analysis of the oil market and is thus of great importance.

JODI coverage

Finally, Dr Pantelis Christodoulides, Senior Statistician, gave a presentation on the latest developments with regard to the Joint Organizations Data Initiative (JODI).

In his presentation, he provided a brief background of JODI and explained the content of the initiative's oil database and the questionnaires on which the initiative relies.

He also briefed the audience on the overall coverage of JODI oil data by Member Countries and concluded by presenting results on a recent assessment of the quality of JODI data.

After the various presentations, delegates and participants at the meeting were given a chance to ask questions and initiate discussions on matters of interest.

The various matters raised were discussed during the plenary session and break-out sessions, as well as one-on-one meetings held in the afternoon.

One of the more promising outcomes of this year's meeting was discussion of the possibility of using on-line resources and tools for the submission and reporting of data.

However, it was pointed out that while such an approach implies great benefits, there were also many challenges and these would have to be considered and discussed in the coming months.

In closing, both Abdul-Hamid and Odulaja, underlined the importance of collaboration, cooperation and communication between the Secretariat and OPEC Member Countries in their data collection efforts.

They expressed thanks to all participating delegates for their work and input, adding that they looked forward to further discussions in the future about data flows.

Participants assemble for a group photograph.

World National Oil Companies Congress meets in London

The emergence of the 'international' national oil company

On the global stage, it is evident that many national oil companies (NOCs) are gaining increasing traction, proving themselves to be strong partners, not only at home but also internationally. They are now able to compete head-to-head with international oil companies (IOCs). The rise of what many are calling the 'international' NOC is evidently having a substantial impact on the dynamics of today's oil industry. This was a topic of much conversation at the recent World National Oil Companies Congress in London. The OPEC Bulletin's ***James Griffin****, who was in attendance, reports on this development, as well as some of the other key issues discussed, including technology and innovation, and transparency and trust.*

All images in this article courtesy Terrapinn.

Peter Voser, Chief Executive Officer, Royal Dutch Shell.

Helge Lund, CEO, Norway's Statoil.

There was no doubt among speakers at the World National Oil Companies Congress in mid-June that fossil fuels would remain central to the world's energy future.

Helge Lund, Chief Executive Officer (CEO) of Norway's Statoil, stressed how oil and gas were embedded in modern society, and that this would be true for many decades to come.

Peter Voser, his counterpart at Royal Dutch Shell, also shared this opinion. Voser acknowledged that the overall percentage for fossil fuels in the energy mix would drop, but given that the world's population is continuing to expand and that many people still needed to be lifted out of energy poverty, it would only mean that fossil fuels would supply a "smaller slice of a larger pie."

Of course, this long-term demand growth will have to be met by more exploration and production, more innovation and new technologies, as well as expanding partnerships and sizeable investments. It was clear from the

Paolo Scaroni, CEO, Eni.

comments of many speakers that NOCs are likely to play an ever-greater role in meeting this future demand growth.

Looking at oil, the reasons for this are two-fold. Firstly, NOCs and their countries hold the majority of the world's proven crude oil reserves, with OPEC NOCs, possessing over 80 per cent of the deposits. This figure visibly underscores the potential that many NOCs have in their home markets.

And secondly, NOCs are increasingly looking beyond the boundaries of their home countries. Many already have international operations in other countries. For example, Qatar Petroleum International (QPI) has a broad portfolio of investments in the global energy market covering upstream, gas and power, refining and petrochemicals, as well as other midstream/downstream projects.

Malaysia's Petronas operates in more than 35 countries and Brazil's Petrobras in 25 nations, while Chinese and Indian NOCs are making deals in Africa, the Middle East, Latin America and Central Asia.

In terms of numbers, Alex Oliveira, Global Oil and Gas Emerging Markets Leader for Ernst and Young, underscored that there had been a record level of international investment by NOCs in 2012, with over 100 deals and around $70 billion in investment.

Ahmed Al-Ahmed, Executive Director Upstream, QPI said: "NOCs are becoming more mature and are no longer passive players." They were, he added, "playing a much bigger role in investments, partnerships and such."

Jay Pryor, Vice President, Business Development at Chevron, said a lot of NOCs were becoming 'international' NOCs, which was now blurring the distinction between the two.

And looking ahead, Paolo Scaroni, CEO of Italian group Eni, said "the importance of NOCs is set to grow."

Despite the advancement of many NOCs globally, it was clear from many presentations that partnerships remained the central tenet of the future roles for both NOCs and IOCs.

Lund cited Statoil's many long-term partnerships, and specifically the one with OPEC Member Angola, where it had been active for over 20 years. "It is," he said, "still one of our most important assets."

In terms of the future, Voser stressed that "no one company can go it alone today; the challenges are too complex." There was a need, he added, "for partnerships within the industry and across industry boundaries."

This point was reiterated by Pryor, who noted that "big projects need big money and big vision — which means the need for good partners."

Technology and innovation

While NOCs are evidently taking greater strides into the international arena, there is one area of the industry that is regularly cited as the domain of IOCs: technology and innovation. The issue of technology was prevalent in many of the presentations from the IOCs.

Voser highlighted Shell's floating liquefied natural gas (FLNG) Prelude project, which, he stressed, had the potential to revolutionize the way natural gas resources were developed. He said the offshore Australia project would help to unlock vital energy resources offshore, without the need to lay pipelines and build processing plants on land.

He also cited Shell's Pearl gas-to-liquids (GTL) facility in Qatar; the world's largest GTL plant.

For Chevron, Pryor underscored the importance of technology to make the industry safer, faster and more efficient. He gave an example of Chevron's steam flooding at Kern River in California, which had improved the recovery rate to 70 per cent, from around ten per cent previously.

Scaroni also emphasized the importance of recovery rates, stating that in terms of technology, this was "the name of the game" for the business.

There was also talk from Voser and Lund about the importance of developing carbon capture and storage (CCS) projects. Voser said CCS was a big part of

the future, with which Lund agreed, although he was keen to stress that it should not be viewed as "a silver bullet".

Voser added that Shell's view was not to wait for a regulatory framework, but to "do research and development now and develop projects to make the case."

Jay Pryor, Vice President, Business Development, Chevron.

BP is currently developing projects in Australia and Canada. Lund stressed the need for more projects on an industrial scale, with a focus "on driving down costs." Statoil is currently working with Algeria's Sonatrach and BP at the In Salah CCS project in Algeria.

In general, Pryor added that "innovation is key in this business" and it was clear that IOCs saw it as a major differentiator, although it was evident that NOCs did have the lead in some areas. For example, Brazil's Petrobras was world-renowned for its ultra-deep water oil exploration technology, given its long history of deep water development.

The point about history and experience was taken up by Tony Hayward, CEO of Genel Energy, who said the actual "key differentiator is know-how. If you have the opportunity to practice, practice, use, use … then it differentiates you."

Everyone could access technology, he added, but know-how was vital. Nevertheless, the trend for NOCs to catch up with IOCs in terms of technical expertise was there, Hayward stressed, but this may take a couple of decades.

And this timeframe may also come down to how each NOC evolved, as underlined by Alexandre Oliveira, O&G Emerging Markets Sector Leader at Ernst and Young, who said that "international expansion also helps gain access to technology."

Transparency and trust

The Congress also saw much discussion over issues related to transparency and building trust. This was not only from the viewpoint of the involvement of NOCs (and IOCs) in numerous countries — many with different needs — but also from the perspective of getting the industry's message across.

Scaroni was keen to emphasize the trust Eni was building in the countries in which it operated. He underscored the importance of local employees to Eni, with the company having "increased by 60 per cent our local staff, and management by more than 500 per cent" over the last ten years.

He also emphasized the importance of supporting local communities, specifically in terms of development. "We need to benefit the communities in which we operate, in terms of health, education, agriculture, as well as power generation for electricity," he maintained.

ENI, he added, had spent $2bn in power generation projects in its host countries and now produced 60 per cent of Congo's electricity and 20 per cent of Nigeria's power.

In terms of the industry as whole, Voser and Lund highlighted the importance of all companies and stakeholders working together to improve trust and transparency.

Lund emphasized the need to improve trust with those outside of the industry, but said that this was impossible for one company to handle alone. It was important that the industry was able to gain the trust of all parties, so that "policies were based on facts, not fears."

Voser agreed and cited the triangle between the public, government and industry. It needed to work much better, he said, adding that "there is a need to focus on realities."

There was also recognition among a number of speakers that, as NOCs became more international in their outlook, some of the issues surrounding transparency and trust, both from the company and industry perspective, would play a greater role.

The 'international' NOC

The traditional role of NOCs has moved on significantly from what it was only a couple of decades ago. Many are evolving and, in effect, becoming international NOCs. They have growing activities at home, are increasing global partnerships and are competing far more internationally.

It is a trend that is expected to continue, with stronger NOCs working with IOCs — and other NOCs — globally to make sure the oil and gas industries remain strong, stable and able to deliver the supply to meet the world's demand.

Putting it succinctly, Oliveira concluded that for NOCs "international engagement is not optional, it is an imperative."

Kremlin hosts Second Summit of Gas Exporting Countries Forum

Photo Service of the President of the Russian Federation

At the start of July, Moscow was the venue for the Second Summit of the Gas Exporting Countries Forum (GECF). Hosted by Vladimir Putin, President of the Russian Federation, the Summit brought together Heads of State and Government of GECF Member Countries and Observers, as well as a number of international organizations. The OPEC Bulletin's James Griffin reports.

"Imposing" was a word we heard uttered as the walls of the Kremlin came into view. It was perhaps an understatement. Dominating the centre of Moscow and sitting on the banks of the Moscow River, the Kremlin encloses an area of approximately 275,000 square metres and is seen as one of the greatest architectural complexes in the world. Evolving over many centuries — the word 'Kremlin' is believed to have been first used in the 14th century — it is a treasure house of magnificent art, relics, squares, palaces and cathedrals.

At the start of July, the Kremlin was the setting for the Second Summit of the Gas Exporting Countries Forum (GECF). The gathering came two years after the First Summit, which was held in Doha, Qatar, in 2011.

Strong position in gas market

While much younger than the Kremlin — the GECF was only established as an international governmental organization in 2008 — it does hold a strong position in the world gas market, with its Members together accounting for 62 per cent of the world's proved natural gas reserves.

And it was evident from the Summit that its Members hope to see the organization go from strength-to-strength in the years ahead.

Delegates to the GECF Summit pictured in the Great Kremlin Palace.

Hosted in the Great Kremlin Palace by President Putin, the Summit was attended by GECF Members, Algeria, the Bolivarian Republic of Venezuela, Bolivia, Egypt, Equatorial Guinea, the Islamic Republic of Iran, Libya, Nigeria, Oman, Qatar, Russia, Trinidad and Tobago and the United Arab Emirates (UAE).

Observer nations — Iraq, Kazakhstan the Netherlands and Norway — were also in attendance, as were international organizations, such as OPEC, the International Energy Agency (IEA) and the International Energy Forum (IEF).

In his opening remarks, Putin welcomed the Heads of State and Government to the Summit, gave an overview of the gas market and outlined the challenges facing the GECF and its Member Countries.

He underscored the need for GECF countries to move ahead with closer interaction to effectively protect gas exporting countries' interests and to strengthen the competitiveness of gas as a promising and clean fuel.

Putin added: "We need to work together to resist unfair pressure and defend producers' and suppliers' interests on external markets. We want fair consideration of our interests."

The floor was then given in turn to GECF Members, international organizations and Observer nations. This included the Heads of State and Government of a number of OPEC Member Countries, as well, as Ministers and other high-ranking officials.

Included were: Nicolás Maduro Moros, President of the Bolivarian Republic of Venezuela; Mahmoud Ahmadinejad, President of the Islamic Republic of Iran; Nouri al-Maliki, Prime Minister of Iraq (Observer to the GECF); Abdelkader Bensalah, Speaker of the Council of the Nation, Algeria; Dr Abdel Bari Ali Al-Arousi, Libya's Minister of Oil and Gas; Diezani Alison-Madueke, Nigeria's Minister of Petroleum Resources; Dr Mohammed Bin Saleh Al-Sada, Qatar's Minister of Energy and Industry; and Suhail Mohamed Al Mazrouei, the UAE's Minister of Energy.

Abdalla Salem El-Badri, OPEC Secretary General, spoke on behalf of the Vienna-based Organization, stating that OPEC recognized the important role played by the Forum in the global gas market and its significance to its Members — a number of whom were also Members of OPEC.

Strengthening cooperation

"The GECF is focused on establishing a platform for the exchange of analysis and information in areas such as natural gas production, gas supply and demand balances, gas transportation and technologies, and strengthening cooperation and coordination among its Members and external parties," he said.

El-Badri pointed out that of all fossil fuels, natural gas was expected to witness the fastest growth rate going forward , at close to 2.5 per cent annually. Its overall share in the fuel mix was projected to rise from 23 per cent today to 26 per cent by 2035 *(see full address opposite)*.

In its conclusion, the Summit reinforced the commitment of the GECF to its mission and objectives, with the 'Moscow Declaration'. In this, GECF Member Countries unanimously affirmed to strengthen the Forum, enhance global-scale coordination to protect the interests of the GECF, preserve principles of international trade, as well as uphold the fundamental role of long-term gas contracts and continue to support gas pricing based on oil/oil products indexation.

The Summit also approved Iran as the venue for the Third GECF Gas Summit, with the details and timing of this to be announced at a later date.

GECF fact file

Headquarters:	Doha, Qatar
Members:	Algeria, Bolivia, Egypt, Equatorial Guinea, the Islamic Republic of Iran, Libya, Nigeria, Oman, Qatar, Russia, Trinidad and Tobago, United Arab Emirates and the Bolivarian Republic of Venezuela.
Observers:	Kazakhstan, Iraq, the Netherlands and Norway.
Mission:	"The Mission and objective of the Forum in accordance with the Statute is to support the sovereign rights of member countries over their natural gas resources and their abilities to independently plan and manage the sustainable, efficient and environmentally conscious development, use and conservation of natural gas resources for the benefit of their peoples."
Secretary General:	Leonid Bokhanovskiy
Natural gas reserves:	Members account for 62 per cent of the world's proved natural gas reserves.

GECF playing important role in global gas market

*The following address was given by **Abdalla Salem El-Badri** , OPEC Secretary General, to the Second Summit of the Gas Exporting Countries Forum (GECF), held in Moscow on July 1–2, 2013.*

Abdalla Salem El-Badri.

"Mr President, Excellencies, Heads of State of Member Countries of the Gas Exporting Countries Forum (GECF), Ministers and Ambassadors, distinguished delegates, esteemed guests, ladies and gentlemen.

On behalf of the Organization of the Petroleum Exporting Countries, it is a great honour to be here at the Second Heads of State and Government of the GECF.

OPEC welcomed the formation of the GECF and recognizes its important role in the global gas market and its significance to its Members — a number of whom are also Members of OPEC.

The GECF is focused on establishing a platform for the exchange of analysis and information in areas such as natural gas production, gas supply and demand balances, gas transportation and technologies, and strengthening cooperation and coordination among its Members and external parties.

The goal is helping to deliver gas market stability for the benefit of both producers and consumers. This is something OPEC fully appreciates given its position in the oil market.

The significance of this stability is amplified when we look at the expected future roles of both oil and gas.

Looking ahead, it is clear that world energy demand is set to grow. In OPEC's most recent *World Oil Outlook,* world energy demand increases by 54 per cent over the period 2010–35.

While renewables, biofuels and nuclear will play an important part in a diverse future energy mix, it will be fossil fuels that remain dominant in meeting energy demand for the foreseeable future. They currently account for 87 per cent of global energy demand, and will still make up 82 per cent by 2035.

Of all fossil fuels, natural gas is expected to witness the fastest growth rate, at close to 2.5 per cent annually. And its overall share in the fuel mix rises from 23 per cent today to 26 per cent by 2035.

For oil, although its overall fuel share falls from 35 per cent to just over 27 per cent between 2010 and 2035, demand still increases by more than 20 million barrels a day over this period.

Combined, natural gas and oil will still meet well over 50 per cent of the world's energy needs by 2035.

That is not to say, however, that the future will be straightforward. As well as opportunities, there will also be challenges and some of these are shared by both oil and gas.

For example, challenges related to the environment, human resources and technology and investments. There is much our industries can learn from each other.

Permit me to also share with you the principles that the Heads of OPEC States agreed upon during their most recent Summit held in Riyadh, the Kingdom of Saudi Arabia. This included among others:

— Stability in global energy markets;
— Energy for sustainable development; and
— Energy and environment.

They recognized the importance of reliable and affordable energy supplies in ensuring global prosperity for all. This reaffirms our commitment to the principles and objectives in the Organization's Statute, the Solemn Declarations from the Summits in Algiers in 1975 and Caracas in 2000, as well as our Long-Term Strategy.

Before I finish, allow me to thank the hosts of this important summit, Russia: a principal player in both oil and gas markets, particularly given its location between Europe and Asia. In OPEC we value the dialogue we continue to have with Russia.

With that, Mr President, I would like to wish the GECF all the best in meeting its mission and objectives. I hope the organization continues to go from strength-to-strength.

Excellencies, thank you for your attention."

Under the leadership of President Goodluck Jonathan, Nigeria is aspiring to become one of the world's top economies by 2020. One of the elements to attaining this goal will be the successful development of its domestic gas industry. Possessing some 187 trillion cubic feet of proven gas reserves, the country is in a position to develop gas-related industries, such as power generation, fertilizer and petrochemical complexes. The government is aggressively promoting these plans as it aims to build sub-Sahara's largest gas city in Ogidigben, Delta State. Our correspondent reports.

Nigeria outlines plans for burgeoning gas sector

Shell

With over 50 years of oil production that have catapulted Nigeria into being one of the world's most important energy players, discovering natural gas along the way has actually been accidental.

Indeed, Nigeria has never pursued gas exploration and yet the country's proven reserves today stand at 187 trillion cubic feet. Unfortunately, little has been put to good use, due to commercial and infrastructure constraints.

The reality is that Nigeria's gas potential could far exceed this current figure with estimates from international and Nigerian agencies pointing towards over 600 tcf of gas.

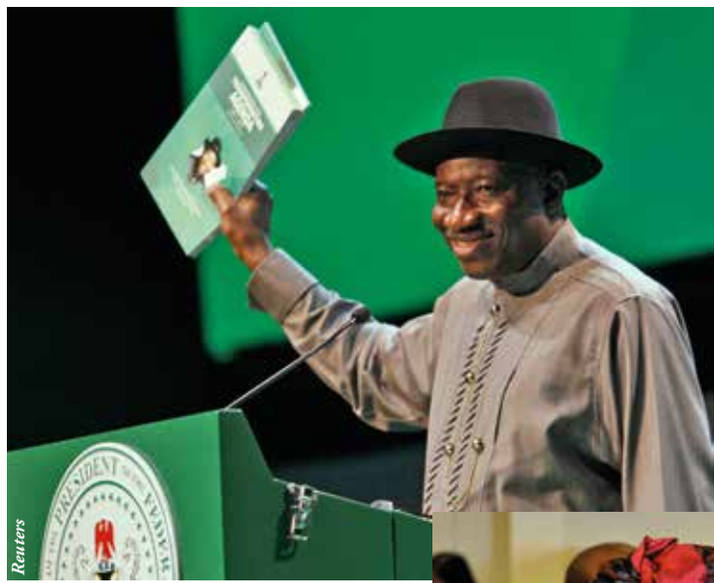
The country's gas riches paved the foundation for establishing the Nigeria LNG (NLNG) company in 1999, which has grown to become a six-train production complex with a capacity of 22 million tonnes of the super-cooled fuel per annum at Bonny Island that serves North American and European markets.

Last year, NLNG reported the best ever financial performance in its history with revenue amounting to $11.5 billion, an impressive 20 per cent higher than any figure delivered in the past, according to Babs Omotowa, the Managing Director and Chief Executive Officer of NLNG.

The company is now targeting over $8bn in revenue in 2013, but this will be difficult considering that Shell, one of its shareholders and upstream gas suppliers, was forced to call force majeure over its operations in February that lasted over eight weeks.

Although LNG exports have been the preferred method to commercialize the West African country's gas in the light of low domestic gas demand, changes in the market are forcing the Nigerian government to implement alternatives.

A vessel loads up with LNG at the Bonny Island terminal in Nigeria.



Nigerian President, Goodluck Jonathan.

Diezani Alison-Madueke, Nigerian Minister of Petroleum Resources.

The transformation of the US energy sector in becoming a major gas producer, due to the shale gas revolution, has taken the industry by surprise.

Between 2007 and 2011, the US's shale gas share of total gas supply increased from eight per cent to 32 per cent; consequently pipeline and LNG imports declined from 16 per cent and three per cent, respectively, in 2007 to 12 per cent and one per cent.

And due to the country's shale gas production, it is projected that the US will become a net exporter of natural gas in 2020.

"We are committed to finding new markets and processing most of our crude domestically to meet our growing demand for refined products," Nigeria's Minister of Petroleum Resources, Diezani Alison-Madueke, commented recently.

In Europe, coal has become much cheaper than gas as the US is no longer a significant importer of the solid fuel, due to the now abundance of natural gas. The consequence is that coal is being used for power generation, rather than gas in Europe.

Mega gas city

Nigeria's gas development is being driven by the government's Gas Master Plan (GMP) which is guiding the development of gas infrastructure across the country.

According to the GMP, gas for power will support at least a threefold increase in generation capacity to 12,000 megawatts by 2015. Furthermore, Nigeria is to become the regional hub for gas-based industries, such as fertilizer, petrochemicals and methanol by 2014.

The offshoot from this is that the federal government is inviting private investors to participate in the gas-based industrial park it is building in Ogidigben, Delta State, which will cost around 1.11 trillion Nigerian naira. Work is expected to be finished by 2017.

"The Ogidigben Industrial Park will have a fertilizer plant, a petrochemical plant, a central processing facility and a power plant of 350 MW capacity. There will be big commercial and residential areas," pointed out Dr David Ige, Group Executive Director, Gas and Power, at the state-owned Nigerian National Petroleum Corporation (NNPC).

Originally intended to be sited in Koko, Delta State, the location was shifted to Ogidigben because of the extensive dredging required for the Koko channel to satisfy the increased capacity of the proposed fertilizer, methanol, and power plants.

Ige added: "Opportunities for investments exist in the areas of financial services, gas transmission pipelines, pipe milling and fabrication yards, upstream gas development, LNG and liquefied petroleum gas (LPG) plants and gas processing facility/gas based manufacturing industries."

Data from the Global Gas Flaring Reduction Partnership shows that Nigeria flares 2bn cu ft/d, resulting in huge financial losses in revenues for the government, as well as environmental problems.

In June, the World Bank commented that Nigeria could enjoy as much as $7.5bn in net additional economic gains by 2020 by cutting down the amount of associated gas that is currently flared and redirecting it to be used for power generation.

Monetizing the nation's gas resources is a major lynchpin in President Goodluck Jonathan's Transformation Agenda as it relates to the industrialization of Nigeria and his ambition to position the country as one of the world's top economies by 2020.

Nigeria's estimated power generation is 3,700 MW, despite having over 150 million citizens. Integral to its industrial ambitions, therefore, is improving this capacity to 10,000 MW by the end of the year. By 2020, the target for power generation is 35,000 MW in a fully deregulated market.

Multiple challenges

But serious challenges lie ahead in realizing the country's gas industrial agenda, which fall into three categories, namely pricing, regulatory change, and security.

For gas to be utilized internally, domestic prices need to be market driven and far more attractive. Investors have been wary because of low prices compared with international markets, coupled with worries about the ability of customers to pay and the lack of infrastructure to send gas to customers.

One of the objectives of the GMP is to create a structured and transparent framework for the pricing of gas driven by market prices.

Three categories exist under the policy: the domestic sector, which will use power for residential and light commercial users; the industrial sector, which will use gas as feedstock for fertilizer, methanol, petrochemicals and LNG; and finally, the commercial sector, which uses gas as industrial fuel, such as manufacturing industries.

This categorization of the domestic market will form the basis for the pricing framework, which will determine the floor price for the different sectors.

Mrs Alison-Madueke said that implementing a Domestic Supply Obligation to "jump start gas availability in the short and medium terms" is one of the policy measures to encourage gas utilization.

Others include "the provision of bankable commercial framework reforms in pricing and revenue securitization to enable sustainable investment in domestic gas supply.

"The development of a national gas infrastructure blueprint for which supply flexibility through the use of open access rules will be encouraged," she added.

Addressing the situation of the poor infrastructure currently in existence, the GMP calls for the construction of three central processing facilities (CPFs) in the Warri/Forcados, Akwa Ibom/Calabar and Obiafu (north of Port Harcourt) areas.

These CPFs will be the major gas hubs where wet gas from gas fields will be treated and processed. LPG and condensate will be extracted at these facilities and the dry gas fed into a network of gas transmission lines.

Also required are three major domestic gas transmission systems covering the West, South-North, and an

inter-connector that links the Eastern gas reserves centre with the West and South-North systems.

Despite the availability of the policy, perhaps the biggest problem for investors is the proposed radical overhaul of the petroleum industry in Nigeria's Petroleum Industry Bill (PIB).

The petroleum sector contributes to over 80 per cent of the country's foreign exchange earnings and so any changes will have a huge impact on attracting investment.

The PIB legislation document spans over 200 pages and envisages changing the NNPC into a competitive national oil company (NOC) like Brazil's Petrobras and Statoil of Norway and transferring its policy and regulatory functions to other agencies, amongst other changes.

How does the PIB affect the implementation of the GMP? According to Akasemi Ollor, an associate at the Nigerian law firm, George Etomi and Partners, the PIB seeks to reinforce the GMP "by mandating that all gas producers meet Domestic Gas Supply obligations as specified by the Inspectorate (the successor to the Department of Petroleum Resources under the PIB) from time to time."

He continued: "The PIB also prohibits the flaring of natural gas after a flare-out date to be determined by the Minster (of Petroleum Resources) and also provides that anyone who flares gas without the permission of the Minister shall be liable to a fine not less than the cost of the gas flared.

"The PIB also provides for third party access to gas pipelines and licensing issues which have the potential of generally improving the efficiency and availability of gas supply and transportation in the domestic gas market," she added.

Fiscal debate

The most controversial elements of the PIB, however, are the fiscal changes — a point that the major oil companies have lobbied hard on, arguing that they make their deep-water projects, in particular, uneconomic.

They have subsequently warned that 470,000 jobs and up to $100bn in investment could be lost by 2020.

Operators also contend that there are little incentives to develop gas projects. Under current terms, the royalties amount to between five and seven per cent of the gas revenues.

However, the PIB requires a production-based rate of between five and 12.5 per cent, as well as a price-based rate of between nil and 21 per cent. Presently, operators enjoy tax holidays in downstream gas, while the PIB proposes a five-year tax holiday for those that exclusively supply gas to the domestic market.

Mrs Alison-Madueke has responded that Nigeria would still be attractive, compared with other petroleum provinces. Nevertheless, without a doubt, the government needs to carefully consider the effect the proposed fiscal regime will have on existing contracts and hold discussions with affected parties.

Since the PIB was sent by the executive to the National Assembly in 2007, another reason its passage has been stalled is concerns over how host communities should benefit from oil and gas developments.

Once the PIB is approved, it will create certainty for investors. The big question is: when will it be passed?

Security in the Niger Delta has improved since the late President, Umaru Musa Yar'Adua, offered amnesty to militants to stop them from sabotaging oil and gas infrastructure.

Unfortunately, Nigeria still continues to experience prolific bunkering and vandalism, which affects gas supplies and revenues.

The country is poised to see sweeping changes if the elements of policy, investment and transparent partnerships between the government and industry can come together to build a vibrant gas industry.

If these can come together, then the country will be some steps closer towards realizing the ambition of being one of the world's top economies by 2020.

Bonny Island, Nigeria, LNG loading facilities.

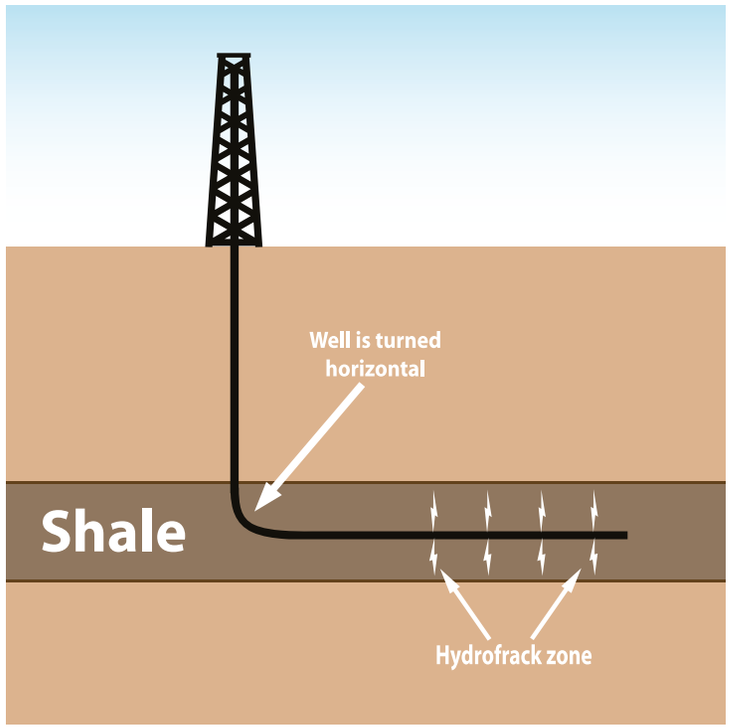
Shell

Shale oil revolution: No threat to oil producers

Shutterstock

The shale oil revolution has been one of the hottest topics of debate within energy circles of late. In fact, OPEC's Oil and Energy Ministers, meeting in Vienna at the end of May, called on the Organization's Secretary General to organize an in-depth study on it. Is it really a game changer? How extensive are the resources? What are the pitfalls and costs involved? And where does one stand on sustainability of production?

In this article, which is independent of OPEC's study, **Saadallah Al Fathi**, a former Head of Energy Studies at the OPEC Secretariat, who now lives in Dubai, gives an assessment of this unconventional process and determines that it is not "the next big thing" and actually poses little threat to conventional oil producers, including those in OPEC.



Shale oil extraction involves the contraversial process of 'fracking', which many experts warn can contaminate local water supplies.

Left: Shale gas drilling in the province of Lublin, Poland.

The international oil market has been taken somewhat by surprise over the last few years with the speed of the production of shale oil and shale gas and their potential impact on other producers.

While there is no doubt about the potential of shale gas and tight oil resources in the United States specifically and the rest of the world to a lesser extent, the potential of this new process may have been overstated by special groups who have a speculating interest in the oil market.

And the media, which is always seeking spectacular headlines, has played its part, to the extent that some reporters are really not interested in the facts about shale, as much as in the hype surrounding the issue.

Shale petroleum is oil or natural gas trapped in deeper shale formations of insufficient permeability to easily allow hydrocarbons to flow to a well. It is described as unconventional for this reason.

Although the resources have been known for a long time, the production of shale gas and later shale or tight oil in the US started in earnest only a few years ago, due to the difficulties and higher costs associated with the production of both. But the development of hydraulic fracturing, in combination with deep horizontal drilling, have made the production of shale oil and gas competitive under the price regime in place.

US gas production had stagnated since the 1990s and some thought it was in permanent decline. In fact, the nation started to prepare for the import of liquefied natural gas (LNG) with the provision of nine receiving terminals, with two additional plants still under construction.

Increased gas supplies

However, in later years, gas imports declined, not only because of the 2008 recession, but also because of the increased supplies of shale gas which have come onstream, encouraged by high gas prices, at least until the middle of 2008.

Reuters

US production of natural gas has increased from 49.5 billion cubic feet a day (bcfd) in 2005 to 63.01 bcfd in 2011 and more growth is forecast for the future such that production could reach around 73 bcfd in 2020 and close to 86 bcfd in 2030, according to data published by the Energy Information Administration (EIA), the statistics and research arm of the US Department of Energy. Interestingly, the greater majority of the increase is associated with shale gas.

To demonstrate the significance of shale gas, its production in the US in 1990 stood at just two per cent. Just over a decade later, in 2011, it had surged to 34 per cent and could increase to almost 39 per cent in 2020, reaching 49 per cent by 2035.

While gas prices originally drove the interest in shale gas, advances in horizontal drilling and the process of hydraulic fracturing have combined technically to overcome the low permeability of the shale formations and enabled wells to be commercially viable.

However, a decline in gas prices to about $4/million per British thermal units is said to be slowing development right now.

Furthermore, shale gas reserves may have been overestimated by the sheer euphoria surrounding the topic. The EIA (2013) report estimated that US gas reserves are in line to increase from 299 trillion cubic feet (tcf) in 2011 to 312 tcf in 2035.

But in 2009, the Administration commissioned specialized consultants, INTEK Incorporated, to independently estimate the reserves of shale plays. Those results showed that the country's shale gas "resources" may be a mammoth 750 tcf.

With this kind of disparity, it is difficult to come to a definite estimate for actual gas resources in place, to the extent that BP has announced that, in its opinion, "unconventionals need to be appraised in detail globally."

Details show that in one instance, reserve estimates in one particular basin, put at 410 tcf, were found to be contrary to a recent *US Geological Survey* figure of only 84 tcf.

Economics of shale gas

For this reason, some observers are even questioning the economics of shale gas. The *New York Times,* in an article published in June 2011, found that "the financial benefits of unconventional shale gas extraction may be less than previously thought, due to companies intentionally overstating the productivity of their wells."

Nevertheless, the fact is that the shale developments

Far left: A worker walks past stacks of drill pipe needed to tap oil and gas trapped deep in rock like shale at a Chesapeake oil drilling site on the Eagle Ford shale near Crystal City, Texas.

Left: An oil derrick is seen at a fracking site for extracting oil outside of Williston, North Dakota.

taking place in the US have encouraged many countries the world over to take a fresh look at their own potential resources. China, in fact, is said to have more reserves than the US and is cooperating with American companies to develop some of its basins.

US President, Barack Obama, and Chinese General Secretary, Hu Jintao, agreed to the US–China Shale Gas Resource Initiative back in November 2009. China already has a target of reaching a gas production level of 2.8 tcf by 2020.

But that is not the case, for example, in Poland. There, Talisman Energy of Canada and the US firm, Marathon Oil, have announced they are pulling out of what was seen as potentially one of the largest sources of shale gas in Europe. Marathon said it had faced "unsuccessful attempts to find commercial levels of hydrocarbons." This follows ExxonMobil's exit last year, also citing disappointing drilling results.

The potential for Polish shale gas was estimated by the EIA to be at reserves of 5.3tr cu metres, enough to cover domestic demand for 300 years. But the original estimate was slashed by almost 90 per cent last year.

In the United Kingdom, The shale gas company, Cuadrilla, has delayed its plans to carry out fracking in Lancashire until 2014. Its 1,200 square kilometre licence area holds at least 200 tcf of gas. The reason for the delay is concern over the contamination of waste or flow-back water once it has been used in the fracking process. Drilling there was also blamed for two earth tremors in Blackpool in 2011.

US oil production increase

Nevertheless, the shale gas development successes have spilled over into the exploitation of shale oil, which has brought about a substantial increase in US oil production at a time when the nation's conventional oil capability has long been in decline.

However, the increase in US output in the last few years has driven some reporters and even analysts to go out of their way to tender numbers and pronounce expectations that, in truth, have no bearing on reality.

Patrice Hill, writing in the *Washington Times* in February, referred to a "growing school of bullish analysts believing that booming production in the US will put energy independence within reach." This was followed by: "With oil production from shale rock, oil sands and deep-sea drilling booming in the US, Canada, Brazil and elsewhere, worries about Middle East-based oil cartels

A pumpjack drills for oil in Monterey Shale, California. The vast Monterey shale formation is estimated by the EIA to hold 15bn b of technically recoverable oil.

and vulnerable Gulf supply lines are close to becoming things of the past."

Dan Denning of the *Daily Reckoning* was equally as exuberant, stating in his assessment of US resources that the "land contains enough recoverable oil and gas to make you forget about the Middle East for the rest of time."

Another outlandish statement boasted that the US would instantly have the world's largest oil reserves. This was capped with: "We might see oil tankers lined up waiting to export America's tremendous oil bounty to the rest of the world."

Such unqualified and emotive reports are apparently more interested in putting OPEC and its Members down than actually researching the true value and impact of shale oil and gas. Their intention surely is also to propagate special interests, including local industry, as well as Wall Street investors.

However, it is good to see that these reports are being countered by analysts, experts and institutions whose reputations and responsibility to the public at large far outweigh what might be popularly gained from over-exaggerating shale oil and gas resources.

They agree that, at best, shale or tight oil will not be sufficient to make the US free from oil imports. Even the EIA affirms this. In its annual *Energy Outlook for 2013,* it notes that the nation's oil import dependency fell from 60 per cent in 2005 to 45 per cent in 2011 and is forecast to reach a figure of 37 per cent in 2035.

And the claim that US oil production will soon surpass that of Saudi Arabia is again based on wishful thinking, rather than reality. US crude oil production in 2012 stood at about 6.2 million barrels/day, while that of Saudi Arabia was close to 10m b/d.

Looking ahead, the EIA forecasts US crude oil production to stand at 7.5m b/d in 2019, out of which shale oil may increase by about 2m b/d. The total figure is somewhat countered by the expected fall in crude oil production from conventional fields in the US.

Even in a very high speculative growth situation, US crude oil production will not reach 10m b/d before 2025.

In any case, the country's import dependency ratio does not depend solely on domestic oil production, but on a combination of production and demand. Therefore, we have to remember that the sharp fall in import dependency since 2005 is not entirely due to rising oil production, but a sharp decline in demand in the aftermath of the financial and economic crises of 2008.

The EIA clearly states that net US oil imports were 8.82m b/d in 2012 and are likely to be 7.52m b/d in 2035.

Currently, US oil demand is expected to fall further because of the uncertainty about the economy and the high unemployment rate and any positive change in this situation is likely to increase demand and US oil imports in the coming years.

One article suggested that shale oil had failed "to

Workers on a drilling rig for Crescent Point Energy add a pipe extension to drill deeper into the Bakken formation near Oungre, Saskatchewan.

dent Middle East shipments" as the US is still importing about 2m b/d from the Gulf region — as it has done in the past, in line with the average of the last 20 years.

Recoverable reserves

In the US, the Bakken and Eagle Ford shales under Montana and North Dakota are reported to contain up to 700bn b of oil. But the *US Geological Survey* says that only 3.0 to 4.3bn b of this will be recoverable. Even if the recovery rate is doubled, it would take care of perhaps a year of current US consumption.

The fact is that in spite of thousands of oil wells being drilled in shale plays, production has increased from a few thousand b/d in 2005 to just about 2m b/d in 2012. Further increases are expected, such that output of shale and tight oil supply in the US is likely to reach 2.8m b/d in 2020 and then gradually decline thereafter, according to the EIA.

However, BP is more optimistic. It estimates shale oil production in the US to increase by 2.2m b/d from the level of 2010, to about 3.02m b/d. Looking worldwide in the long run, the EIA sees shale oil production growing to 5m b/d in 2030.

As good as these numbers are they are not sufficient to counter the decline from currently producing conventional oil fields in the world. Therefore, other resources, including OPEC crude, OPEC natural gas liquids (NGLs), deep-sea oil, biofuels and Canadian tar sands, will have to come to the rescue to help meet world oil demand in 2030.

Again, according to BP, OPEC liquids production (crude plus NGLs) will have to increase by about 11.8m b/d from 2010 to 2030, which would see the Organization's market share increasing to about 45 per cent, "a level not reached since the 1970s."

Chris Martenson, of *Oilprice.com,* recently said that "there has been a very strong and concerted public relations effort to spin the recent shale energy plays of the US as complete game-changers for the world energy outlook. The world remains quite hopelessly addicted to petroleum and the future will be shaped by scarcity — not abundance — as some have claimed."

There is also another side to shale oil that has to be taken into account. The depletion rates in shale wells are very high. For the giant Bakken field, for instance, the decline rate is as high as 69 per cent in the first year and 94 per cent in the first five years. This is a huge logistical problem where thousands of oil wells have to be drilled just to stabilize production. All this with its associated negative impact on costs and the environment.

That brings us to the next drawback. Shale oil and gas production has a number of significant environmental challenges. The development and production of shale oil and gas fields are increasingly under intense pressure from environmental groups as intensive hydraulic fracturing and deeper horizontal drilling are seen as a potential source of contamination of water resources,

A drilling rig at Grabowiec 6 near the village of Lesniowice, south-east Poland, home to Chevron's first shale gas well in the country.

in addition to their high water requirement and energy needs.

Hydraulic fracturing or 'fracking', where water, chemicals and special grades of sand are pumped into the well to unlock the hydrocarbons trapped in shale formations, needs a huge amount of water — some 20,000 cu m per well. Sourcing, transporting and treating this water is a major cost item and where water is scarce, development becomes practically impossible.

While 50–70 per cent of the injected water may be recovered and treated for reuse or disposal, there is a danger that the remaining water may lead to contamination of groundwater aquifers. Another problem arises if there is a fault in the casing or the cementing of the well.

A study published in May 2011 concluded that fracking has seriously contaminated shallow groundwater supplies in north-east Pennsylvania with flammable methane. The *New York Times* reported that "a well can produce over a million gallons of wastewater that is often laced with highly corrosive salts, carcinogens like benzene and radioactive elements like radium, all of which can occur naturally thousands of feet underground. Other carcinogenic materials can be added to the wastewater by the chemicals used in the hydrofracking itself."

The claim that shale gas produces less greenhouse emissions than conventional gas is challenged by many who maintain that it may emit as much, or more, than oil or coal when methane leakages and the full life cycle of a project are considered.

Studies concluded with the US Environmental Protection Agency (EPA) pronouncing that shale gas emits much larger amounts of methane, a potent greenhouse gas, than conventional gas resources.

No wonder then that public concern is mounting in the US and Europe against hydraulic fracturing. This process is also risky in a seismically active region like California. The *Guardian* reported that operations actually caused two tremors in Lancashire. In France, the resistance is even stronger with hundreds of anti-shale groups having been established.

There is no doubting then that there is a need for more research and a tightening of the regulations before this new petroleum resource is able to live up to the promise already shown by its supporters.

Of particular concern, is the serious risk from the contamination of water resources used in the process of shale oil and gas production. This issue is increasingly coming to the fore as companies are not yet legally bound by the Safe Drinking Water Act, which means that operators are not required to disclose the chemicals they are using for trade reasons.

Methane in drinking water

A recent *US Geological Survey* study of "decades-old wells in eastern Montana found plumes of salt water migrating into aquifers and private wells, rendering the water from them unfit for drinking." And another case in Texas is reporting methane in drinking water taps and a contaminated well of one family that may have come from fracking operations.

Experts are also questioning the availability of water for shale oil and gas production, which is set to rise at a time when many regions are experiencing drought. Hydraulic fracturing requires huge amounts of water that is not always readily available and has to be trucked in from faraway places.

Bill Chameides of Duke University recently questioned in the *Huffington Post* if shale oil production will "continue apace, or sputter out".

He quoted David Hughes of the Post Carbon Institute as saying that "the sustainability of tight oil production

over the longer term is questionable," and "declaring US energy independence and laying plans to export the shale bounty is unwise."

There is also a competition angle to consider. Shale oil, being the better quality crude and relatively cheaper to produce than Canada's oil sands, is already affecting that country's production, as reported by *Reuters* in February. Suncor Energy is now re-examining a plan to build a multi-billion dollar upgrading plant in northern Alberta. This may affect the long-term expectations from tar sands and call for increased production from other sources to meet demand.

Reasoned speculation over shale oil and gas is understandably rife right now and discussions surrounding prospects for the future are for the most part sober and reasonable. But there is no excusing the anti-OPEC, anti-Middle East, anti-Arab and anti-Saudi Arabia sentiments being expressed in certain media outlets in this regard.

The hundreds of billions of barrels of crude oil provided by OPEC Member Countries over the last 50 odd years for the benefit of the world economy, especially the western countries, appear to have been conveniently forgotten by some individuals.

It is somehow a sad indictment of certain segments of society that such unjustified and often confrontational statements, in which certain people are bent on celebrating OPEC's demise, can surface in all forms of social media, just because of rising US oil production from shale, a resource that is definitely to be taken seriously, but surely without such vitriol hype and enmity for an essential and responsible group of producers that the world will continue to need for the foreseeable future.

Jumping on the bandwagon

Okay, the media may be excused for some of the provocative statements because its reporters thrive on headlines and all they can generate. But why should certain respected institutions jump on the bandwagon?

Even the modest estimates for shale oil production may be uncertain, due to the recent history of the process and the lack of sufficient accumulated experience. There may be many surprises on the way.

One such surprise has already surfaced with the news of disappointing results in Ohio reported recently by *Reuters*, where, in spite of investment by many companies, "released annual data on 2012 production showed the state pumped less than 700,000 barrels of oil from its shale wells" a result that was "lower than initially estimated." The average oil production per well, per day is reported to be "80 barrels — about one-tenth of what it is in North Dakota." These results, according to *Reuters*, "offer a reality check for the wave of euphoria that has washed across the industry" and were "a sign that the flush of enthusiasm and rush of investment that piled into shale fields from one coast to the other has hit a curve."

In the course of discussing this article, I received two interesting comments. The first came from an expert in an oil-producing country, who said that "shale oil, as far as I can see, is an American version of Midsummer's Night Dream and that even a nuclear explosion cannot release the oil from shale rock."

Of course, this view is extreme as shale oil is already being produced. I suspect the comment is aimed at the exaggeration being displayed in forward projections and that the recovery is so little compared with the original oil in shale plays.

The second comment was from an expert already involved in shale oil production. He said that operators were no longer accelerating output "due to very high costs and infrastructure bottlenecks."

The reason for the original enormous acceleration in drilling was to maintain the operators' hold on their land leases, which are tied to production and once production is achieved, "companies are reducing their capital expenditures and going into full development in a much more controlled fashion in the hope that costs will come down and infrastructure issues are resolved."

Furthermore, he observed that the hype about US energy independence "is based on brokers drawing straight lines through the growth of the past few years and extrapolating it 20 years into the future, which any rational, thinking person knows is never going to happen."

I may add that the rhetoric in the media is political and is intended to hurt the interests of producing countries.

Therefore, taking all this analysis, observation and interpretation into account, the reality is slowly but surely dawning about the true extent of the shale oil revolution.

Nevertheless, crude oil-producing countries may have to be prudent in the short to medium term, in order not to allow the rise of shale oil production impact negatively on crude oil prices, as every analyst is expecting.

In the long run, the recovery of the world economy and with it crude oil demand will take care of the rest. That is a given!

Can the discovery of oil aid nation-building in Somalia?

Somalia is not a country often associated with being frontier oil territory. However, this could all be about to change.

Oil exploration began in earnest in the country in the 1980s only to stop completely by 1991 at the outbreak of civil war. Twenty-two years later and the quest to find oil has started to gather pace once more.

Political progress and sincere efforts at reconciliation and construction have started to reopen Somalia to the international community. In this article, **Ben Turney** examines recent developments in the East African country and looks at what role the discovery of oil could have in assisting the efforts there in building this fledgling nation state.

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Excitement in East Africa

In May 2011, the *OPEC Bulletin* visited the development of the African oil industry with a special report on production in Nigeria, Ghana and Angola. Since the publication of that report, excitement has been building about the huge potential for oil discovery in East Africa.

In 2012, the *United States Geological Survey* released the findings of its survey of coastal waters stretching from southern Kenya to southern Mozambique and out to Madagascar. It suggested this area alone could play host to 27.6 billion recoverable barrels of oil and 441.1 trillion cubic feet of natural gas.

Major onshore commercial oil finds in Uganda and Kenya and world class gas discoveries in Tanzania and Mozambique have further confirmed the prospectivity of the region and some estimate that, in total, there could be over 71bn b of oil waiting to be discovered.

Such promising and underexplored frontier territory will naturally provide many opportunities for trade and the sharing of technology and expertise with existing oil-producing nations. However, it is on the very tip of the Horn of Africa that an underreported and intriguing story is starting to unfurl.

In Somalia, the efforts for finding oil now go hand-in-hand with the efforts of reconciliation and nation-building. The recent troubled history of the country is well known, but last year it went through several key milestones on its road to recovery, including the adoption of a national provisional constitution in August, the establishment of a new federal government and the successful drilling of two exploration wells in the north-east of the country.

The likely presence of significant, yet undiscovered, oil reserves could well prove to be a decisive factor in determining whether or not these successes can be built upon and a new era of unaccustomed prosperity introduced.

Map 1: The map Somalia, its autonomous regions and Somaliland

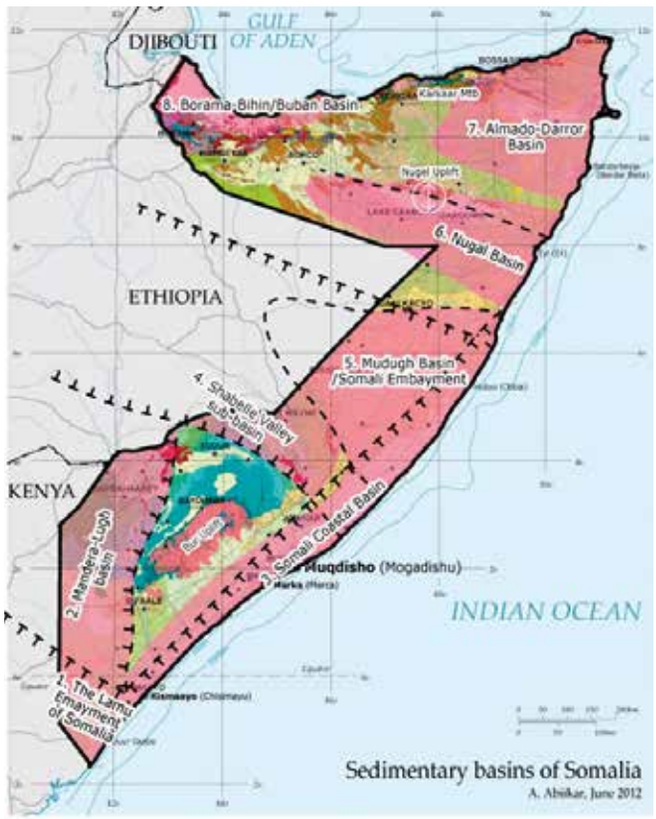
Dealing first with a burdensome reputation

There is a feeling that writing about Somalia should be treated with a degree of circumspection. The country has tended to attract fairly sensationalist reporting. It is true that the recent history, ongoing insurgency, lack of infrastructure and a complex political situation are fertile breeding ground for attention-grabbing headlines, but is such negative coverage helping the local efforts at reaching accord?

Most recently, an article appeared in the *Financial Times* about the attempts to find oil in Somalia. It had the headline 'Oil thrown on the fire' and went on to describe in detail the potentially devastating domestic and international impact this could have by igniting various rivalries.

This report all but ignored the steady progress that has been made in bringing stability to the country, since the establishment of the transitional national government in 2000, and painted a very one-sided view.

Map 2



Petroleum basins of Somalia

1. The Lamu Emayment of Somalia
2. Mandera-Lugh basin
3. Somali Coastal Basin
4. Shabelle Valley sub-basin
5. Mudugh Basin/Somali Embayment
6. Nugal Basin
7. Almado-Darror Basin
8. Borama-Bihin/Buban Basin

The article drew a strong response from Norwegian Minister of International Development, Heikki Eidsvoll Holmås, who wrote to the newspaper disputing certain claims as lacking "any basis in reality".

Specifically, he pointed out that the claims of international tensions over geological boundaries (and therefore probable oil provinces) were inaccurate. The minister wrote that both Somalia and Kenya had made clear to the Secretary General of the United Nations that the disagreement over the continental shelf boundary had not been settled, but was still going through the proper process of international resolution. Suggestions to the contrary were misleading and unhelpful.

No one will claim that the situation in Somalia is simple, or will be easily resolved. However, persistent pessimistic treatment of what is happening there will do nothing to aid the efforts at construction.

Rather than focussing so much attention on the obvious problems facing the country, perhaps a little more attention could be paid to what is being done to resolve them.

The map Somalia, its autonomous regions and Somaliland

This said, it is impossible to discuss Somalia without acknowledging at least some of the problems it must resolve. Understanding a little about the constituent parts of the Somali nation helps contextualise many of the challenges facing it.

For the purposes of this article, the internationally recognized definition of Somalia is used, as demonstrated in ***Map 1***.

However, there are limitations using this interpretation,

as the internationally recognised view of Somalia fails to take into account the intricacy of national relations. Officially, the Federal Republic of Somalia is a combination of eight centrally managed areas and autonomous regions. Unofficially, the political landscape is more fragmented than that.

In large part, the situation on the ground is a legacy of the civil war and the absence of a centrally managed government. During this chaotic period, certain local groups took the initiative in managing their affairs and this gave rise to a process of self-determination and decentralization, which endures today.

This decentralized approach to government is most apparent in the north of the country. In the northeast are the states of Puntland and Galmudug, which are officially autonomous regions of Somalia. Meanwhile, the northwestern province of Somaliland has gone so far as to declare itself an independent state, although it has not received any international recognition for this.

The Federal Government of Somalia (FGS) is based in the capital, Mogadishu, further to the south. As the internationally recognized ruling body, it is the FGS that foreign governments and supra-national organizations have dealt with.

However, to complicate matters, it is the northern states of Puntland and Somaliland which have been most active attracting foreign investment, directly signing production sharing agreements (PSAs) with oil companies.

A partial explanation for the more vigorous action by the northern regions is that these administrations are more embedded in their respective areas, having been operational longer than the FGS and its immediate predecessors.

This temporal advantage has meant the northern administrations have been able to rely on better developed bureaucracies than the centrally organized government and so were able to move faster.

Of course, the nature of politics has provided additional motivation to secure access to resources. Unsurprisingly, with the establishment of this nascent nation still in its infancy, there is a degree of jockeying for position, while the various groups involved seek to gain influence over the formation of the new government.

The two key bargaining chips in this game appear to be international legitimacy and direct foreign investment. While this does leave the potential for tension the situation is not necessarily as dire as some would like to maintain.

One indication of this is the willingness of foreign companies to continue work programmes, investing fairly significant funds in the regions. Although the regional PSAs have not been formally sanctioned by the FGS, this has not stopped these companies embarking on the first oil exploration efforts in the country for 20 years.

The geology of Somalia and historical exploration

To explain why foreign companies are prepared to take the apparent commercial risk of working directly with Puntland and Somaliland it helps to examine the geology of Somalia and some of the historical exploration efforts. The data collected from these has helped establish the country as such a prospective territory.

Positioned around the rim of Africa's Horn, basic analysis of Somalia's regional geology gives a strong indication of the potential for oil production. In total there are eight major oil basins, each of which could host huge reserves (see ***Map 2***).

Of these, the basins to the north and southwest of the country appear to be most enticing. Some estimate these have the potential for billion barrel fields.

The south-western zones are contiguous with a Cretaceous Rift Basin, which runs through Kenya and last year yielded a discovery of several billion barrels worth of oil by a joint venture led by Africa Oil, a Canadian listed company.

However, the operating environment in this part of Somalia is still hazardous. Although significant progress has been made in restricting their operations, the Al-Shabab insurgency remains regionally active and would likely pose too great a threat to any exploratory drill site.

By contrast, the sparsely populated north of Somalia is much more stable and has arguably even more favourable geology. Now separated by the Gulf of Aden, the diagrams (see ***Map 3***) show how the basins of northern Somalia were once contiguous with the prolific and producing oil basins in Yemen.

Although Yemen has never been one of the largest oil producers, its production history has still been notable. The relative ease with which its shallow reserves have been accessed and its close proximity to seaborne traffic have led to hopes that similar operations can be created in Somalia, without huge investment.

Compared with the costs of drilling in other frontier territories, such as the Arctic or off the Falklands, the

financial outlay for conducting seismic surveys and drilling exploration wells is much lower in Somalia.

There is also another historical connection between Yemeni oil and the potential in Somalia. Following the first discoveries of oil in Yemen in the early 1980s, this led to an intensification of exploration efforts in Somalia in the following years.

By the end of the decade, 12 international oil companies, including Shell, ENI, Agip, Conoco and Amoco, were all actively looking for oil in the country. Unhappily, just as their labours were starting to bear fruit, the civil war broke out and each of the companies withdrew from Somalia, declaring force majeure.

Where exploration continued in Yemen and several major finds were made, oil exploration then stopped in Somalia for nearly 20 years.

Exploration begins again in the autonomous regions

Although 60 wildcat drills had been drilled in Somalia and oil had not been found in sufficient quantities to allow commercial exploitation, a vast amount of data had been assembled about the region's geology.

This suggested that sizeable oil reserves should be present, but no further attempts to find these deposits could be made until recently. Understandably local security concerns and failing infrastructure were the key impediments preventing further exploration.

It took a joint venture, led by the small Canadian listed operator Horn Petroleum, to lead the way in opening up northern Somalia for foreign investment again.

Following an extensive seismic survey and drawing from the historical data compiled before 1991, at the start of 2012 the Horn joint venture began drilling the first of two exploration wells in the Dharoor basin in northeastern Puntland.

Unfortunately, this campaign was not successful in finding commercial quantities of oil, but it did nevertheless prove the presence of a working hydrocarbon system, good quality reservoirs and thick seal rocks.

It was far from being a technical failure, but the real triumph was that this venture had passed off without any major security or operational incidents. Fears of local attacks and lack of appropriate infrastructure proved unfounded. Horn Petroleum had clearly demonstrated that it was once again possible to search for oil in Somalia.

Since completion of the second Dharoor well in Puntland, other larger companies have announced plans for further and more ambitious exploration initiatives over 2013 and 2014.

This time, efforts will focus on license areas awarded by Somaliland and the companies include Genel Energy, Ophir Energy and DNO of Norway. In Puntland, the Horn joint venture is required to complete two further exploration wells by October 2015.

How the FGS responds to these regional efforts will likely prove telling in the coming months.

Political progress in Somalia

There is no denying that the PSAs are causing a degree of discord between the FGS and Somaliland and Puntland. The FGS questions the validity of these PSAs and comments have been attributed to Somali President, Hassan Sheikh Mohamoud, criticizing them.

Most recently, however, he made the following statement addressing the Somali people, after his visit to the G8 meeting in June:

"We have made very considerable progress over the past year on security sector reform, political issues and rebuilding state institutions. But I am not under any illusion about the challenges that remain, and nor should you be. This is a job in progress but with much still to do.

"My priority now is to agree an inclusive political settlement on the federal framework for all Somalia; this will include agreement on power and resource sharing between the federal government and the regions.

"Additionally, I am building strong public financial management systems, in particular increasing transparency and strengthening our controls over revenue collection, allocation of budgets, and expenditure of public money."

The "considerable progress" President Mohamoud refers to should not be underestimated.

There have been sustained and serious attempts at reconciliation in the aftermath of the civil war, which continue today. The formation of the current FGS was the culmination of a measured and inclusive process, which started in 2000 with the creation of the Transitional National Government. This was succeeded in 2004 by the Transitional Federal Government and after eight years of deliberation and carefully taken steps the Provisional Constitution was adopted in August 2012.

The Provisional Constitution formally designated Somalia as a federation. It paved the way for the establishment of the FGS, which is Somalia's first permanent

Map 3

government since the start of the civil war. The length of time it has taken for the country to reach this point is hopefully an indicator that this administration has a firm foundation to build on.

The reaction of the international community to the new government also appears to have been positive and supportive.

In April this year, UN Secretary-General Ban Ki-moon appointed Nicholas Kay, a British Diplomat, as his new Special Representative for Somalia. Then on May 7, the Somali and British governments co-hosted the Somalia Conference in London.

The aim of this conference was to help build international support for the FGS and resulted in several major international donations to assist construction, including $18 million from OPEC Member Qatar. This was followed by further UK-brokered meetings with other world leaders at the G8 meeting in Lough Erne, Northern Ireland, in June.

Can commercial expediency trump historical enmity?

The steps taken in normalizing Somalia's international relationships should prove helpful, but the crucial tests remain at home. Much is still be decided about the relationships between the FGS, the autonomous regions and the self-declared independent Somaliland. The situation is finely balanced, but it is not without hope.

Ultimately, what happens in Somalia will probably be the same as happens in most other countries. If the interests of enough groups are aligned then peaceful solutions can be found to the various challenges facing the country.

Even so, there persists a fairly widespread international belief that the discovery of oil in the north of Somalia could reignite the old conflict. Media coverage, such as that in the recent Financial Times piece, has reinforced this view, but this could well prove to be deeply misguided.

One thing that all the various political groups need to sustain their efforts at building functioning administrations is tax revenue. The discovery of commercial oil fields offers Somalia a unique chance at an unparalleled revenue stream.

For a country whose economy is usually towards the bottom of most league tables for indicators of wealth and economic activity, the compelling geological evidence of the presence of massive hydrocarbon systems is a generational opportunity for the people of the region to seize.

Now that international companies have once more started to pour investment into exploration activity and foreign governments are supporting infrastructure construction, it is hard to imagine a scenario that would be in the interests of the regions and the central government, which sees a return to violence.

While such an outcome is not impossible, there have been encouraging signs which hopefully make it unlikely. The consistent political progress of the last 13 years suggests that the various groups in the country have it within their grasp to reach practical and mutually acceptable accommodations.

No one will pretend the path in the future is going to be easy, but Somalia and its autonomous regions at least have vast potential resources to draw from. If these can be tapped effectively there is genuine hope that the revenue oil sales can generate will be a crucial contributor to the efforts at rebuilding this once stricken nation.

Fifty-seven years and counting — OMV driving for new success

Pictured above is OMV's imposing headquarters in Vienna.

*What do **OPEC** and Austria's national oil company, **OMV**, have in common? Yes, they are both in the same business, providing much-needed energy supplies to consumers. But they also share an important 'birthday'. OPEC was founded in Baghdad, Iraq, in September 1960, while OMV staked its early claim on the petroleum world map through its refinery at Schwechat, located just outside the capital, Vienna, which it brought onstream just three months after OPEC was formed. In the following article, The **OPEC Bulletin**, with the assistance of **Kurt Avard**, a 23-year-old graduate student from Webster University in Vienna, who recently spent time at the OPEC Secretariat as an intern in the Public Relations and Information Department, looks at the past, present and future of Austria's largest listed industrial firm today.*

"In the first quarter of 2013, we again showed a strong operational performance and continued to deliver on our strategy."

Gerhard Roiss, OMV's Chief Executive Officer.

From initially operating a single refinery near the Austrian capital to today managing a global integrated oil and gas business, Österreichische Mineralölverwaltung — more commonly known as OMV — is definitely going places.

After over half a century of steady growth and development, achieved despite some troubled and testing times, OMV's progressive management is pursuing an ambitious investment programme that promises to reap dividends, both for its shareholders and the company's growing international standing.

OMV's latest results — achieved in testing times — already confirm that the company is on the right track.

In May, it reported that with its cash flow from operating activities surging by an impressive nine per cent to €1.40 billion, underlying profit in the first quarter was lifted by six per cent to €851 million, which exceeded all analysts' forecasts.

The company's prudent approach to business in the first three months of the year saw it reduce its working capital by €500m, while its exploration expenses fell to €115m from €130m a year earlier after it wrote off unsuccessful wells in Norway and Britain. In addition, production expenses declined by two per cent, on a combination of cost savings and higher volumes.

Not surprisingly, the announcement of the results led to an immediate four per cent rise in OMV's shares, which hit a four-and-a-half year high on the European oil and gas index.

Ambitious targets

Gerhard Roiss, OMV's Chief Executive Officer, stated that the group's excellent first-quarter results and its strong cash flow generation "confirm the progress we are making, in order to achieve our ambitious profitability targets and to support our investment programme."

He added: "In the first quarter of 2013, we again

An example of a modern-day OMV filling station.

showed a strong operational performance and continued to deliver on our strategy."

In that period, OMV saw its oil and gas output rise to 302,000 barrels/day of oil equivalent, as a result of an improved production performance in OPEC Member Country Libya, as well as Yemen.

In a trading statement, OMV disclosed that first-quarter production was one per cent higher than the 299,000 b/d of oil equivalent recorded for the same period last year and was 1,000 b/d higher than the 301,000 b/d output seen in the last three months of 2012.

"Overall, production was driven mainly by a better production performance in Yemen and Libya, reflecting a more stable environment, as well as an improved production contribution from Maari in New Zealand," OMV pointed out.

"This compensated for the production decrease resulting from the completion of the UK North Sea asset sale in the fourth quarter of 2012 and the suspension of production at Schiehallion in the UK from January onwards," it added. This suspension was due to the installation of a new floating production, storage and offloading vessel at the field.

OMV said that in Romania and Austria production remained stable at levels close to the upper end of its 200,000–210,000 b/d of oil equivalent target range. It stressed that its Libyan output had been as high as pre-civil war levels, which had helped stabilize production in the North African country.

Earlier this year, the company announced that it expected total production in 2013 to average the same level as in 2012 — at around 303,000 b/d of oil equivalent — and was still aiming to hit a new output target of 350,000 b/d by 2016.

Downstream strategy

Roiss, in his statement, noted that OMV had taken a final investment decision to develop the promising Aasta Hansteen gas field, including new pipeline infrastructure, which would further embed Norway as a core country within OMV's portfolio.

"Downstream, we took another important step in implementing our strategy by divesting our marketing subsidiary in Croatia. We also reduced our working capital by more than €500 million as part of our performance improvement programme to energize OMV," he added.

The excellent first-quarter performance follows OMV's record 2012 results, which saw the company record a 26 per cent increase in its net profit, backed by returning production in Libya after the crisis.

Net income last year rose to €1.36bn, while earnings before interest and tax were 24 per cent higher at €3.10bn. Sales in 2012 increased by 25 per cent to €42.65bn, again exceeding expectations.

Said Roiss on last year's showing: "In 2012,

Bright lights ... OMV's refinery at Schwechat, outside Vienna.

we managed to deliver a record financial performance, while successfully progressing our strategy. We have set ourselves ambitious targets but I am convinced that we are fit for the future and we will continue to deliver on our commitment to profitable growth."

The recent results will undoubtedly help OMV pursue its ambitious investment programme, under which it is switching its focus from refining and selling oil and gas to exploration and production.

That is already bearing fruit. Its Romanian subsidiary, Petrom, is jointly exploring with ExxonMobil what could be OMV's biggest ever gas find — the Neptun block in the Black Sea, which has potential output of 630m cubic feet/day.

OMV's core countries are Austria and Romania, but it also operates in the North Sea, North Africa, the Middle East, Australia and New Zealand. To support its objectives, it is hiking its planned capital expenditure to €2.8bn this year from €2.4bn in 2012.

Over the years, OPEC and OMV have established an excellent relationship. In fact, even though they mostly pursue different interests, the two entities have grown in stature alongside each other since OPEC put down roots in Vienna in 1965, after moving to Austria from Geneva, Switzerland.

OMV started out as a joint stock firm with Sowjetischen Mineralölverwaltung, or SMV, in 1956. With the opening of its 1.6m ton a year refinery at Schwechat four years later, the company has not looked back and today employs some 29,000 people.

OVM and OPEC Member Countries have had an evolving relationship since the 1980s. While initially just a business relationship, OVM began to invest in OPEC Member Countries' infrastructure development, as well as creating opportunities for community involvement.

Like OPEC Member States, OVM currently invests in several programmes and technologies that promote the care of natural resources of host countries; other programmes have been created to sponsor the wellbeing of local populations, such as the OMV Libya Youth Centre, which looks to help the younger generation recover from war trauma.

Additionally, OVM continues to explore avenues for alternative energy

sources which can contribute to world energy supply. While OMV's concerns fan out beyond strictly oil-based products, the company continues to invest in cutting-edge technology in areas such as the fuel efficiency of second generation biofuels, as well as hydrogen mobility technology and infrastructure.

This is the OMV of the future. But it is necessary to have a look at what got the company to where it is today.

Brief history lesson

Although the Middle East attracted the bulk of foreign oil investment in the early 1920s, Austria concurrently developed its own extraction operation after locating small quantities of crude oil in the Vienna Basin.

Following the Second World War, Austria found itself divided into four zones, each controlled by a different major Allied nation. As this left all proven Austrian reserves in the Soviet Union-controlled section of the country, Soviet companies moved to seize control of all production and distribution of Austrian oil, including that in the Vienna Basin.

Soviet control of Austrian oil extraction and production was countered by extensive negotiations on the part of both Austria and the Western Allied powers (the United States, the United Kingdom and France). In 1955, one year before the establishment of OMV, Austrian negotiations with the Soviet Union came to fruition and the Austrian State Treaty was signed, returning all control of oil resources to the Austrian government.

Early years

Quickly establishing OMV in conjunction with SMV as an incorporated partner, the Austrian oil industry rapidly developed, centralizing all oil refining under a single OMV facility in Vienna.

Replacing four smaller facilities, the Vienna Schwechat refinery rapidly catapulted OMV into the role of primary upstream producer in Austria (to this day, the Schwechat facility is the only operating oil refinery in the entire country).

Yet, while OMV was dominant in its position as sole oil refiner, its growth was hampered by a lack of retail and distribution markets. To counter this shortcoming, the company diversified, making large-scale purchases in 1965 of major distribution networks Martha and OROP.

Through the expansion of a more collective business plan, the company was able to keep costs low by controlling more of the process. By 1970, OMV accounted for 25 per cent of the domestic Austrian market. This percentage skyrocketed to 75 per cent of the market following major acquisitions in 1971 and 1986.

Expansion and diversification

There was an unexpected consequence of such major financial acquisitions. Expanding domestic infrastructure and the development of larger supply ranges forced OMV to search elsewhere to balance rapidly growing domestic energy demand.

While initially turning to the Soviet Union to absorb spare capacity, the company began to look for a more international market, bringing it into contact with OPEC for the first time in the late 1970s. These initial moves were minor purchases of oil, but by 1980 OMV was receiving one-fifth of its imports from Saudi Arabia and was active in several other OPEC Member Countries.

By the middle of the 1980s, OMV signed its first exploration and production agreement with Libya, and would continue to diversify its interests with deals in Canada, Tunisia, and other oil-rich locations.

The company's retail operations similarly became more international, with OMV filling stations appearing in Hungary, the Czech Republic, Slovakia, Germany, and Italy by 1991; Romania and Bulgaria joined the list in 1999.

OMV in the market today

OMV's increased diversification in both upstream and distribution activities has allowed the company to expand on a global scale, with recent developments including several different energy firms and portfolios, such as Petrom Capital in Romania and Pioneer in Tunisia.

Yet, while increasing its market share, the company has also increased its vulnerability to supply shocks and price volatility. The recent economic concerns on European stability, due to an unsteady euro, are an example of the latter, as share prices fell by almost 50 per cent in late 2008 in response to stability concerns.

However, this price volatility is mitigated by two factors: the sizeable quantity of free floating shares, and the mixed ownership of the company, a process begun in the mid-1980s.

In addition to price volatility, recent political turmoil in the Middle East and North Africa (MENA) region caused some problems for the company.

In a November 2009 statement, OMV's leadership was very optimistic and planned to move forward with all current MENA projects, despite the uneasy situation. Two years later, regional issues continued to deleteriously affect OMV revenues, as production numbers dropped in response to attacks on pipelines and national government closure of facilities.

Thankfully, the company has now recovered from the volatility and political instability of the last several years and is poised to grow strongly in the region: the effects of unrest seem to have disappeared in Libya, after production was restarted following an eight-month stoppage in mid-August 2012. An increased presence in the Kurdistan region of Iraq uphold this optimism.

However, recent political tensions between the Iraqi government and local Kurdish authorities may limit OMV's potential growth.

While the company's stock prices are not what they were before the financial crisis, it has recovered, despite recent political turmoil near several of its sites.

Today, OMV's drive for further market success seems inevitable. A quick look at its pedigree, main activities and achievements verifies this.

As at the end of 2012, OMV had proven oil and gas reserves of around 1.12bn b of oil equivalent. In refining and marketing, it manages an annual refining capacity of 22m t through four refineries — Schwechat (Austria), Burghausen and Bayernoil (Germany), and Petrobrazi (Romania), as well as operates some 4,400 filling stations in 13 countries, including Turkey.

In gas and power, OMV sold approximately 437 TWh of gas in 2012. In Austria, OMV operates a 2,000 km long gas pipeline network with a marketed capacity of around 103bn cu m.

With a trading volume of around 528 TWh last year, OMV's gas trading platform — the Central European Gas Hub — is amongst the most important hubs in Continental Europe.

And in 2011, OMV further strengthened its position through the ownership of a 97 per cent stake in Petrol Ofisi, Turkey's leading company in the retail and commercial business.

It would appear that the next few years leading up to the company's 60th birthday will prove very telling, but all the signs are that OMV will cautiously and confidently continue to grow once more to attaining its ambitious goals.

All images in this feature courtesy OMV.

Offshore Ashtart, Tunisia, part of OMV's expansion activities.

Organization's supply role not diminished by US output surge

OPEC to continue as important, reliable player in oil market — *IEA head*

Abdalla Salem El-Badri (l), OPEC Secretary General, with Maria van der Hoeven, Executive Director of the IEA.

OPEC will continue to be an important player in the world oil market in the years ahead as global demand for crude increases, according to the Executive Director of the Paris-based International Energy Agency (IEA).

Maria van der Hoeven said in an interview with *Platts* that OPEC's role in the world oil market was as important as ever.

"I don't think that OPEC will be less important than it used to be," she was quoted as saying on the sidelines of the St Petersburg International Economic Forum in Russia.

"It will be a very important player — it is a reliable player," she pointed out.

Shifting trade patterns

Mrs van der Hoeven stressed that OPEC's role in supplying global oil markets had not been diminished by the surge in oil production in the United States, although she added that trade patterns would shift as a result of the shale boom in North America.

By the end of last year, the US had recorded the biggest annual rise in its domestic oil output since it first pumped oil in the early 1860s. The exploitation of vast quantities of shale oil in North Dakota and Texas had helped boost the nation's output by 850,000 b/d by the end of 2012.

OPEC Secretary General, Abdalla Salem El-Badri, announced at the 163rd Meeting of the OPEC Conference at the end of May that the Organization would be conducting a detailed study on the shale oil and gas revolution.

"It represents a new supply of liquids and the Ministers would like to know the magnitude of this new supply, including how long it will last, its sustainability, the costs involved and the effects on the environment and what the future for tight oil is," he said.

"Some of the information we have been receiving on

this subject has been different, from different sources. We have not really received accurate information, so we have to do it ourselves, using accurate sources, to see how much of this tight oil will be sustainable going into the future," he added.

Demand growing

However, in backing up her statement that OPEC's operations had not been affected by shale oil and gas, Mrs van der Hoeven stressed that demand for oil was still growing, especially in the Asian market," so there will be a shift in trade routes. That is true — that will happen."

The IEA head stated that Saudi Arabia's spare production capacity was still one of the most important factors in OPEC and the wider oil world.

"This is something that is important not only to OPEC, but to the rest of the world as well," she contended.

Regarding the US shale gas revolution, Mrs van der Hoeven said it was unlikely to be replicated elsewhere in the world. Its international impact was most likely to be felt through an increase in liquefied natural gas (LNG) supplies, *Platts* quoted her as saying.

She contended that "major obstacles" would impede the development of shale gas in Europe and China.

"China holds very large shale gas reserves; they are there, perhaps comparable with the US, but they are very difficult to access," she said. "There are obstacles — complex geology, population density, water questions and regulatory impediments."

In Europe, said Mrs van der Hoeven, the population density, regulatory obstacles and different geology meant it would likely not mirror the shale gas revolution in the US.

Poland, for example, she said, would become a shale gas producer, but what it would be able to produce would be very small in comparison with output from Eagle Ford in the US.

"But whatever happens with shale gas, be it in Russia, China or the US, it will have an impact on the global industry," she said.

Mrs van der Hoeven said it was the projected start of LNG exports from the US and Canada that would have the biggest impact on global gas markets.

"The North American revolution will impact gas markets more by spilling exports onto the LNG market than by the spread of that revolution itself," she observed.

"But the LNG market is tight — the extra supplies will be welcome. It will enhance energy security," she added. "The US is moving ahead and it will be a relevant LNG exporter."

The IEA's outlook for the gas market estimated that global demand would grow at an annual rate of 2.4 per cent, down from a predicted 2.7 per cent annually that the IEA gave in its previous report in 2012.

'Golden age' of gas

The IEA blamed "persistent" demand weakness in Europe and production difficulties in the Middle East and Africa for the lower rate. The IEA, however, still maintained that the "golden age" of gas remained in full swing.

"The next five years will be very important for the gas economy. In many countries it is a major fuel in power generation, but in the next five years we will see gas emerge as a major transportation fuel," said Mrs van der Hoeven.

She pointed out that global trade in LNG would expand by nearly a third by 2018, with supplies from the US and Australia reversing a shortage expected over the next two years.

Algeria to launch first maize production, open up farming sector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Algeria is this year planning to launch its first commercial production of maize to help offset high levels of imports of the agricultural product.

The move, expected in October, comes at a time when the North African OPEC Member, one of the world's largest grain importers, is opening up its domestic farming sector to foreign investors, in a bid to reduce overall food imports.

Mohamed Alioui, Head of the country's Farmers Union, said in an interview that foreigners seeking to invest in Algeria's maize cultivation projects were more than welcome.

Figures show that, last year, Algeria's three million tonnes of maize imports, which are primarily used for animal feed, cost the country some $951 million.

Algeria's own maize production is minimal. It is only grown by subsistence farmers, who sell very small amounts.

"Our production of maize is very weak," Alioui was quoted as saying. "We will officially launch maize cultivation in the 2013–14 season, which starts in October this year."

He continued: "We want to promote this cultivation because it is very important and prices are high on international markets."

Production targets and the amount of acreage to be set aside for cultivation purposes had not yet been decided, said Alioui, but he revealed that a commission would be set up to decide on these matters.

At the moment, Algeria's primary crops comprise wheat, barley and potatoes, but even with these products, domestic output is insufficient.

It means that the country's food imports account for around 20 per cent of Algeria's estimated $45 billion annual import bill.

"This project is just a beginning. We will be able to reduce imports in the next three to four years," said Alioui, pointing out that maize farming would be open to both the public and private sectors, as well as foreigners.

He stressed that fertile land for the purpose existed and that importantly the government had approved incentives, including tax exemption, for investment in the southern areas of the country.

Looking at the bigger picture, Kamel Chadi, Chairman of SGP-Proda, a holding firm for animal production in Algeria, said the country wanted to open up its farming sector to foreign investors to try and cut food imports and diversify its economy from oil and gas.

He revealed that some 16 pilot farms, involving the production of grains, vegetables, fruit trees and cattle breeding, would be on offer via tender to potential investors. Algeria's main food imports include wheat, barley, milk and meat.

"This is intended for both Algerian private investors and foreigners," Chadi emphasized. "The invitation stipulates creating joint ventures for managing and operating farms. The land is not for sale," he was quoted as saying.

The Algerian government is committed to reforms to reduce the country's dependence on oil and gas, which today account for about 97 per cent of total exports.

It has already started offering financial incentives for farmers, including interest-free loans.

Chadi said that the pilot farms on offer would be located in the central, western and eastern provinces and would each have an area of between 100 and 500 hectares. Some of the farms would produce fruit, including olives, apples and dates. Foreign investors would also help develop breeding methods for poultry, dairy cattle and even beekeeping,

"We are optimistic agriculture will play a leading role in our economy," stated Chadli.

Qatar looking to boost oil output capability through contract switch

Qatar is hopeful of increasing its oil production potential by changing the nature of the contracts it operates with its oil company partners.

According to a report by the Qatar National Bank (QNB), Qatar Petroleum (QP) planned to step up investments at not only its wholly owned oil fields, but also at those 100 per cent operated by international oil companies.

"Qatar's crude oil production will receive a boost from the decision by QP to convert all production-sharing agreements (PSAs) with foreign partners into joint ventures (JVs)," said the report, quoted by the *International Oil Daily*.

Renegotiate terms

Such a decision had the potential to reverse Qatar's declining crude oil production.

QNB said that with some of the of PSAs with international oil partners nearing expiry, QP was taking the opportunity to renegotiate terms at some of the country's larger producing fields, which were mature and declining.

It noted that, in 2012, QP negotiated the terms of a 25-year extension to Total's license to operate the Al-Khalij field. Starting in 2014, the type of accord will shift from a PSA to a JV, whereby Total's operating stake in the field will be reduced from 100 per cent to 40 per cent, with QP taking the majority.

Al-Khalij only produces around 25,000 barrels/day of oil, but QP has its sights on two much larger fields. Maersk's license to operate the 300,000 b/d Al-Shaheen field expires in 2017 and Oxy's license at the 90,000 b/d Idd al-Shargi field comes to an end in 2019.

Said the report: "QP will directly invest in projects as crude oil production has been declining in some of the major oil fields in recent years."

With the current limited options to boost production, QNB forecasts that Qatar's output will rise only to 780,000 b/d in 2016, from around 740,000 b/d in 2012.

"QP is also looking at increasing reserves/production and sustaining current reservoirs through enhanced oil recovery techniques," the QNB report noted.

This, it stated, was expected to increase reserves by an additional one billion barrels and production by 40,000 b/d by 2016, while slowing the decline from mature fields.

Qatar, which is the world's largest producer of liquefied natural gas (LNG), has proven oil reserves of 25.4 billion barrels, so there is plenty of scope for developing a long-term plan for sustaining production.

However, industry officials have stressed that the decline in Qatar's crude output capability over the past five years has been more than offset by a significant increase in condensate production.

The QNB report noted that despite domestic crude oil production falling by around 100,000 b/d since 2008, the loss had been more than replaced by a 350,000 b/d rise in condensate output, stemming mainly from increased gas production from the thriving LNG sector.

In fact, it disclosed, in 2012 domestic condensate output of 900,000 b/d exceeded Qatar's crude oil production of 740,000 b/d for the first time.

"Condensate output has overtaken crude oil production and is expected to rise further," the report affirmed.

Including condensate, Qatar produced a total of 1.64m b/d in 2012, up from 1.39m b/d in 2008. QNB forecasts that Qatar will produce a total of 1.76m b/d in 2016.

The report added that in addition to the projected 40,000 b/d increase in crude output, Qatar's condensate production was expected to rise by about 80,000 b/d by 2016 as a result of higher gas production.

Saudi Arabia aiming to become world leader in solar power


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Saudi Arabia is aiming to move aggressively into renewable energy with plans to install more solar and wind power in the next 20 years than the rest of the world has installed to date.

The Kingdom is working with the United States Department of Energy's National Renewable Energy Laboratory (NREL) for training and expertise in measuring its solar potential.

In May, engineers from Saudi Arabia spent nine days at NREL, an institute that is dedicated to transforming the way the world uses energy, to study and discuss topics regarding geothermal technologies, the provision of solar energy and resource forecasting.

NREL and its partner, Battelle, will now support the installation of more than 50 monitoring stations in the Kingdom this year to measure Saudi Arabia's solar resource and gauge the best spots for power plants. It will also train local Saudis to operate and maintain instruments and stations.

According to NREL, the move formed a crucial part of Saudi Arabia's plan to spend billions of dollars over the next two decades to install more than 50 gigawatts of renewable power in the Kingdom and meet at least 30 per cent of its electricity needs with solar energy by 2032.

That figure represents more GW of renewable energy than were installed in the entire world, as of 2012.

"The overarching goal is to double electricity capacity by 2030 and have half of that energy originate from renewable sources, such as wind, solar, and geothermal. The Kingdom is expected to write a number of large contracts in 2013 alone," an NREL report stated.

Saudi Arabia's government has estimated that demand for electricity in the Kingdom may exceed 120 GW in 20 years' time, and the need to find ways of meeting that requirement was of paramount importance. The authorities were looking towards renewable power to meet that need, including 41 GW of solar generating capacity by 2032.

Contracts for the first round of 500–800 megawatts of solar capacity are expected before the end of 2013 in pursuit of a target that over 5,000 MW of installed capacity will be in place in the next five years.

Analysts have pointed out that now is the perfect time for Saudi

Arabia to be exploiting its renewable energy potential, particularly solar. High crude oil prices supported investment in such projects, while the costs of solar technology had fallen by a considerable 80 per cent in some cases.

Arabian Business has also observed that seriously developing its solar power potential would allow the Kingdom to save more crude oil, currently used for domestic electricity generation, for export. At the same time, producing electricity from solar would half the cost of current oil-fired power plants.

"Saudi Arabia is determined to diversify its energy sources and reduce its dependence on hydrocarbons," said Wail Bamhair, Project Manager for the Saudi team that visited NREL.

"Renewable energy is not just an option, but absolutely necessary. We have the means to build renewable energy — and we need to do it," he was quoted as saying.

"Our dream is to move Saudi Arabia to the first rank of nations in terms of sustainable energy. We have the smart young people, but we are looking to NREL and Battelle to share their expertise.

"This is the time for it and NREL is the right facility to help us move forward. They are opening the door — and we have to walk through it," he affirmed.

The NREL report noted that Saudi Arabia used a tremendous amount of energy to desalinate water and heat turbines to bring electricity to homes and businesses.

Electricity is particularly in high demand during the summer months when temperatures routinely top 110° Fahrenheit and air conditioners are working flat out.

Bamhair said that while Saudi Arabia had a lot of sun, it also had challenges, such as a variable climate, sandstorms and even the occasional snowstorm in the northern regions.

"We are working hand-in-hand with experts from NREL and Battelle who have these amazing minds," he said. "We are looking for them to build our human capacity. We are here to see, to learn, and to transfer the knowledge."

The report revealed that Saudi Arabia envisioned a new organization to bring together researchers and manufacturing facilities for the renewable energy push. It was called the King Abdullah City for Atomic and Renewable Energy, or K.A.CARE.

It stated that Nancy Carlisle, Director of NREL's Integrated Applications Centre, and her team were assisting the Saudis by providing expert insight into lab design and how it could integrate with the city.

"The King and the Kingdom recognize that it is important to look at non-fossil energy sources," said Tom Stoffel, NREL's Group Leader for Solar Resources and Forecasting. "They need to demonstrate to stakeholders and potential investors a Kingdom-size capacity for renewable energy."

New partnership

Saudi Arabia and NREL have worked together before. In the 1990s, NREL helped launch research centres for the King Abdulaziz City for Science and Technology that was established in 1977. The new partnership grew out of a visit to the institute by Saudi officials in 2010.

"The Kingdom is tapping into our expertise on climatology, geography, and population density to make the best decisions on where to put the monitoring stations and the solar power plants," NREL Senior Engineer Stephen Wilcox commented.

NREL has already set up three solar measurement stations in Saudi Arabia as part of an initial training and outreaching event, including one in Riyadh, one just outside the capital, and one near where the new city will be built, about a 45-minute drive from the current K.A.CARE headquarters in Riyadh.

"It is important that they know precisely what the solar resource is so the financial stakeholders can know exactly what kind of return to expect," Wilcox explained.

"The more uncertainty in the measurements, the more uncertainty there is in the analysis. They could either make $100 million or lose $100m based on how well the measurements are taken," he added.

The report disclosed that Saudi Arabia also planned to make a big leap into concentrating solar power (CSP), the cousin of solar PV technology. In fact, 25 GW of the 41 GW of planned solar energy would come from CSP.

NREL explained that PV panels converted photons from the sun directly into electrons for electricity, but only worked when the sun was shining. CSP technologies used mirrors to reflect and concentrate sunlight onto receivers that collected the sun's heat.

"This thermal energy can then be used to drive a steam turbine that produces electricity. CSP can store that heat in molten salts for up to 15 hours and can thus team with PV to help bring electricity to homes and businesses when it is most needed," said the report.

It added that NREL would be overseeing the installation of the solar monitoring stations in Saudi Arabia, while the K.A.CARE Renewable Energy Atlas would be ready for access by late summer, with the full monitoring network in place before the end of the year.

UAE starts construction of second nuclear power plant

The United Arab Emirates (UAE) has started construction work on its second nuclear power plant, which it expects to go into commercial production in 2018, according to the Emirates Nuclear Energy Corporation (ENEC).

"With the construction of our second plant now underway, we have reached another important milestone in our mission to bring safe, clean, reliable and efficient nuclear energy to the UAE," ENEC Chief Executive Officer, Mohamed Al Hammadi, said in a statement.

A South Korean consortium, headed by the Korea Electric Power Corporation, is contracted to build four nuclear reactors for the Gulf OPEC Member to help meet the country's demand for electricity, which is rising continually.

In 2017, the UAE's Barakah-1 nuclear plant will be operational. Construction on this first facility began in 2012. ENEC has already applied for licences to build the third and fourth reactors. All four plants are expected to be in operation by 2020. Each will be capable of producing 1,400 megawatts of electricity.

Apart from the environmental benefits the nuclear plants will bring the UAE, the country will also be able to conserve its gas supplies, which are currently used to fuel electricity generation.

Meanwhile, the UAE and Japan have signed a nuclear cooperation agreement during a visit by Japanese Prime Minister, Shinzo Abe.

The accord was signed in Dubai in the presence of UAE Prime Minister, Sheikh Mohammed bin Rashif Al-Maktoum, and Abe, who, according to the UAE news agency, WAM, was on a regional tour aimed at selling Japanese nuclear technologies.

Hamad Al Kaabi, the UAE's Permanent Representative to the International Atomic Energy Agency (IAEA), said it was likely that Japanese technology would be used in the four nuclear reactors being built in Barakah, in the UAE's Western Region.

"The agreement constitutes a framework that governs and facilitates cooperation in the area of peaceful nuclear energy and related applications between the two countries," he said.

"The general agreement does not preclude specific commercial deals, but is very significant as it provides the framework for any deals reached between the vendors and suppliers," he added.

The Japanese premier arrived in the UAE to participate in a Japan-UAE Business Forum. The UAE is Tokyo's eighth-largest world economic partner.

"Japan can contribute to UAE energy supplies by means of nuclear energy conservation and renewable energy," Abe said at the forum.

Since 2009, in pursuit of its nuclear programme, the UAE has signed agreements with the United States, the United Kingdom, South Korea, Argentina, France, Russia and Australia.

And in September last year, the UAE signed a nuclear deal with Canada that will see Ottawa supply uranium for the UAE nuclear reactors.

Meanwhile, other agreements signed during the Japanese premier's visit include patient transfers to Japan; the building of a Japanese medical centre at Al Ain Hospital; an education exchange; and the opening of a Japanese school in the UAE.

Talks also included cooperation between the two sides in renewable energy and water-saving technology.

In addition, Abe held a meeting with Sheikh Mohammed bin Zayed, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the Armed Forces, to renew Japan's participation in an oil and gas concession, set to expire in 2018.

Japanese Prime Minister, Shinzo Abe, participated in the Japan-UAE Business Forum in Abu Dhabi in May.

Venezuela steps up production plans to meet increasing Asian oil demand


Rafael Ramirez.

Venezuela is stepping up its oil production plans to meet the expected rise in petroleum demand from fast-growing Asian countries, according to the country's Minister of Popular Power of Petroleum and Mining, Rafael Ramirez.

Speaking after talks with Japanese Minister of Economy, Trade and Industry, Toshimitsu Motegi, Ramirez disclosed that Venezuela was looking to increase its oil production capability to four million barrels/day in 2014 and to hike output to 6m b/d in the following two years.

According to industry observers, the 6m b/d figure included in the latest business plan of the state oil company, Petroleos de Venezuela (PDVSA), would be in place three years ahead of what was initially planned

Venezuelan exports

Ramirez said Venezuela last year exported 620,000 b/d of oil to China and 400,000 b/d to India, two countries that are leading the energy demand growth statistics in Asia. It also exported 1.3m b/d of crude and oil products to the United States in 2012.

He said that Venezuela's oil and fuel shipments to China rose by 18 per cent in the first four months of 2013 to reach 626,000 b/d. An agreement is in force for deliveries to be increased to 1m b/d in 2015.

Speaking during a trip to the Orinoco Oil Belt with visiting Chinese Vice President, Li Yuanchao, Ramirez was quoted as saying: "Venezuela went from sending 49,000 b/d to China in 2005 to 626,000 b/d during the course of this year."

Ramirez said his country's oil expansion operations were being backed by a series of loans from Chevron, the Japan Bank for International Cooperation, and China.

He noted that Venezuela and China had already finalized terms for a $4bn loan to support a project in the Orinoco Oil Belt, under which production at the Sinovensa joint venture was expected to double to 330,000 b/d in 2016.

Output at Petrosinovensa has already risen to 140,000 b/d from 20,000 b/d in 2007. The scheme is 60 per cent owned by PDVSA, while China's CNPC holds the remaining stake.

Last year, PDVSA and CNPC started construction of a 400,000 b/d refinery in China's southeastern Guangdong province. The plant is due to come onstream next year and will refine Venezuela's extra-heavy crude.

Ramirez said Chevron had granted PDVSA a $2bn loan for the Petroboscan joint venture, created in 2006.

During his discussions with the Japanese Economy Minister, Ramirez was said to have called for the two sides to convene the fifth round of their Japan-Venezuela energy cooperation working group sessions in Caracas in the second half of this year.

The sessions were last held in Tokyo in April 2012, when Japanese firms inked a series of accords with PDVSA. These included the extension of an energy cooperation deal with the Japan Oil, Gas and Metals National Corporation.

Japan's Marubeni signed a memorandum of understanding with Venezuela to study the provision of additional financing for oil product deliveries, while Mitsui signed a protocol with PDVSA to study the provision of additional funding for the 140,000 b/d El Palito refinery in Venezuela.

Ramirez told reporters that he would meet with officials from Japan's Inpex and Jogmec, both of which are taking part in Venezuela's Orinoco Belt development. He said exports of Venezuelan oil to Japan would increase.

Oil, gas investment to hit record after slump in renewables spending

There will be record spending by oil and gas companies on international exploration and production (E&P) activities this year. The performance follows a slump in investment in renewables in 2012, due to the poor economic environment.

According to a study by Barclays, in 2013 oil and gas companies will spend a record $678 billion on E&P work, ten per cent higher than in 2012.

Barclays *Global 2013 E&P Spending Update* paints a rosy picture for the energy industry, stressing that oil demand will continue to exceed supply with oil firms having to invest more to pinpoint oil resources in more difficult areas.

And in a further sign that the world's major oil thrust is moving towards the high-growth countries of Asia, Barclays forecasts that E&P spending by PetroChina will outstrip that of ExxonMobil for the first time since the 1980s.

The expected investment is being supported by high crude oil prices. In a survey, Barclays found that E&P companies were basing their spending budgets for 2013 on $101/barrel for North Sea Brent crude, and $86.5/b for United States benchmarker, West Texas Intermediate (WTI)

The report noted that in 2013 there would be increased investment in the Middle East, driven mainly by higher spending by Saudi Aramco and in Iraq, while Asia, including India and Australia, would also see increased E&P investment.

For North America, a two per cent hike in E&P investment was forecast, but outside this region, Barclays said it expected a hefty 13.2 per cent rise in spending.


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The higher projections for oil and gas spending follow news that global investment in renewable energy fell in 2012 for the first time since 2009.

According to reports by the United Nations Environment Programme (UNEP) and the Renewables Policy Organization (REN21), this was due to the effects of the world economic slowdown, combined with a decline in the costs of providing solar technology.

Figures showed that investment in renewables in 2012 fell by 12 per cent to $244 billion, after mostly attaining record highs each year since 2004.

"The main reason for the decline in 2012 was investor concern over policies to support renewable energy in its longest-established markets — Europe and the United States," UNEP was quoted as saying.

Potential project developers were unsure whether subsidies for renewables would continue after several governments in Europe cut support for solar and wind schemes as they implemented austerity measures.

However, the reports pointed out that last year's renewables investment total was still the second highest figure ever and six times the amount invested in 2004.

Investment in renewables by developing countries, which accounted for 46 per cent of the global total, rose to a record $112bn, while developed countries' spending declined by 29 per cent to $132bn.

The geographical shift was fuelled by increasing demand for power in the emerging markets and more favourable conditions and natural resources for wind, solar and geothermal technologies than in the developed economies.

The reports showed that, during 2012, total world renewable power capacity increased by 8.5 per cent to 1,470 gigawatts (GW). Wind power accounted for 39 per cent of the total, followed by hydropower and solar photovoltaic (26 per cent each).

Solar PV installations, which saw costs fall by some 40 per cent, reached a record 30.5 GW last year, even though overall investment was down. Installed wind capacity reached a record 48.4 GW, but investment fell by ten per cent.

Non-OECD oil demand outstrips OECD figure for first time ever

Oil demand in the world's developing countries exceeded that of the developed world for the first time ever in April this year, according to figures contained in a report by the United States Energy Information Administration (EIA).

The announcement is a further demonstration as to how the flow of oil in international trade is moving towards Asia and away from the traditional markets in the OECD and Europe.

Oil demand in the developing countries "was higher than consumption in OECD countries for the first time in history," the EIA said in its monthly *Short Term Energy Outlook,* which put non-OECD demand at 44.5 million barrels/day in April, compared with 44.3m b/d for the OECD countries.

It noted that led by high-performing countries like China, non-OECD oil demand has surged by almost a half in the last ten years.

The EIA conceded that while its data for April could represent a seasonal blip, with oil demand in the US and Europe customarily falling in the spring, figures for the whole of 2014 should see the developing world implanted firmly as the biggest group consumer of global oil.

The figures showed that, just a decade ago, the developing countries were consuming two-thirds as much oil as the developed states.

Analysts pointed to the fact that oil demand in the developing countries had been steadily growing over the past years, while OECD demand had been falling off, due in part to reduced consumption as a result of conservation practices, due to high prices and environmental controls.

The EIA said that global oil demand was expected to average 89.2m b/d in 2013, up by almost 900,000 b/d from last year. This compared with about 78m b/d ten years ago.

Leading contributor

"Non-OECD Asia, particularly China, is the leading contributor to projected global consumption growth," it observed.

The EIA said that oil production in non-OPEC countries this year was seen increasing by a near 1.2m b/d to 53.91m b/d, which was in excess of the demand forecast.

"North America accounts for much of the projected growth in non-OPEC supply over the next two years because of continued production growth from US tight oil formations and Canadian oil sands," the Administration was quoted as saying in the report.

It conceded that the pace of China's oil demand growth looked to be slowing in 2013, forecasting that consumption would rise by around 430,000 b/d this year and in 2014, compared with an average of 520,000 b/d between 2004 and 2012.

In the course of his official duties, OPEC Secretary General, Abdalla Salem El-Badri, visits, receives and holds talks with numerous dignitaries. The following pages record those events.

OPEC Secretariat receives high-level Australian delegation

Quentin Bryce (l), Australia's Governor-General, with Abdalla Salem El-Badri, OPEC Secretary General.

At the beginning of June, OPEC Secretary General, Abdalla Salem El-Badri, received a delegation from Australia headed by its Governor-General, Ms Quentin Bryce. The delegation also included David Stuart, Australia's Ambassador to Austria, and a host of Australia's business and industry leaders, including many in the energy and resources sector.

The Secretary General welcomed the delegation to the Secretariat and specifically underscored one similarity that both Australia and OPEC Member Countries share: the fact that they are all major resources and energy exporters. He added that he felt there was much that could be learnt from each other and looked forward to fruitful discussions.

In response, the Governor-General thanked the Secretary General and his staff for welcoming the delegation to the Secretariat. She said that the delegation was here to talk about trade and investment and recognized the important role OPEC plays as a leading organization in the oil market. And in terms of energy, she underlined that it was clear that energy demand would continue to grow and she looked forward to hearing OPEC's views on the state of the oil market.

While developments in OPEC Member Countries are obviously covered regularly in the *OPEC Bulletin,* Australia's mineral and resources boom of the past decade has received little detailed coverage.

A report from Australia's Department of Foreign Affairs and Trade, titled *Composition of Trade, Australia 2011*, puts Australia's position as a major resource exporter in some context. It states that resource exports have more than tripled over the past decade from $57.1 billion in 2001 to $190.5bn in 2011. Exports of resources in 2011 accounted for 60.8 per cent of Australia's total exports, compared with 36.2 per cent in 2001.

According to Australia's Bureau of Resources and Energy Economics, the country is the world's leading

Quentin Bryce (c), Australia's Governor-General; with Austrialia's Ambassador to Austria, David Stuart (l); and Michael Happell, Chairman, PwC Australia.

The visiting Australian team holds talks with Members of OPEC's Management.

producer of bauxite, alumina, rutile and zircon; the second-largest producer of gold, iron ore, lead, lithium, manganese ore, tungsten and zinc; the third-largest producer of ilmenite and uranium; the fourth-largest producer of black coal (and the largest exporter), nickel and silver; and the fifth-largest producer of aluminium, brown coal and copper.

In terms of gas, the country is currently making huge strides in developing its liquefied natural gas business, and has proven natural gas resources, according to OPEC's *Annual Statistical Bulletin 2012,* of just over 3.7 trillion cubic metres. In the same publication, Australia's proven crude oil reserves are put at 4.15bn barrels. Current liquids supply is around 440,000 b/d.

This last figure was emphasized in OPEC's presentation on recent oil market developments.

The presentation also included highlights of the world economy, supply and demand, as well as product markets and refinery operations.

OPEC also offered its insights into the long-term market outlook, with a specific focus on its annual *World Oil Outlook*. This was followed by some constructive exchanges and a brief discussion on the benefits of developing existing and new avenues of dialogue and cooperation.

The delegation's visit was part of a week-long mission undertaken by the European Australian Business Council to connect business and policymakers on key issues. The Mission travelled to Paris, Brussels, Bratislava and Vienna.

El-Badri visits Austria's largest gas-storage facility

Abdalla Salem El-Badri (second r), OPEC Secretary General, seen during his visit to the gas facility at Haidach. He is pictured here with Dipl Ing Markus Mitteregger (r), MBA, Director-General at RAG; Kurt Sonnleiter (l), Chief Technical Officer at RAG; and Bernhard Schmidt (second l), Chairman, Petroleum Equity.

OPEC Secretary General, Abdalla Salem El-Badri, visited Austria's largest gas-storage facility in Haidach near Salzburg towards the end of June. This was at the invitation of the Austrian firm, Rohöl-Aufsuchungs Aktiengesellschaft (RAG), one of three partners and the technical operator in a two-stage joint-venture project in this small town near Salzburg.

The underground gas-storage facility, which is also the second-largest in central Europe, has a capacity to hold up to 2.64 billion cubic metres of working gas, which is equal to around one-third of Austria's annual demand.

The Haidach formation extends over an area of some 17.5 kilometres, at a depth of about 1,600 metres, making the porous sandstone reservoir ideal for storage.

Massive shale layers

The sandstone, the pores of which contain the gas, is up to 100 metres thick with massive shale layers located on top. The high permeability of the reservoir rock allows withdrawing around 1m cu m of natural gas per hour from the storage facility.

Gas-storage facilities perform a seasonal balancing function for gas-supply companies by enabling surplus gas to be injected in summer for withdrawal in winter. This means that they compensate for peaks in demand and supply outages. The gas is then transported to consumers via underground pipelines.

The operation of the first stage of the project began in July 2007, marking the completion of the first part of the project within what is claimed to be a record time of only two years.

At the same time, it complied with the most stringent environmental and safety standards.

The implementation of the second stage started at the end of 2008 and was completed on April 1, 2011. The other two partners in the project are Russia's Gazprom Export and Germany's Wingas GmbH.

The gas reservoir was originally found by RAG in 1997 and represents the largest gas source discovered in Austria since 1982, with regard to the initial gas in place of 4.3bn cu m.

Since the beginning of gas production in 1998, more than 2.9bn cu m of natural gas have been produced for the Austrian market.

Secretariat visits ...

Above: Maria Mittermair-Weiss (l), Head of Public Affairs at OMV Exploration & Production, visited Abdalla Salem El-Badri (c), OPEC Secretary General, on May 13, 2013. She was accompanied by Ali Amer Moghrabi (second l), Reservoir Engineer; Ziad Tajalden Aboksissa (second r), Facility Engineer; Abdulhamid Al Shibani (r), Geophysicist; all from the National Oil Company of Libya and attending an internship programme at the Vienna Head Office of the Austrian oil and gas company, OMV.

Eng Pedro Merizalde-Pavón (l), Ecuador's new Minister of Non-Renewable Natural Resources, visited Abdalla Salem El-Badri, OPEC Secretary General, on May 31, 2013.

Suhail Mohamed Al Mazrouei (r), the UAE's new Minister of Energy, visited Abdalla Salem El-Badri, OPEC Secretary General, on May 28, 2013.

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

Visits

Students from the Michigan State University, US, visited OPEC.

Students from the Moore School of Business at the University of South Carolina, visited the Secretariat.

A group of students from the Texas Tech University, visited OPEC.

A group of students from the University of Graz, Austria, visited the Organization.

A group of students from the Faculty of Law (Juridicum), of the University of Vienna, Austria, visited OPEC.

Students from all over the world attending the Global Young Leaders Conference (GYLC) in Vienna, visited the OPEC Secretariat.

Students from Petroleum Business Institute, Moscow, Russia, visited OPEC.

Head, Administration and IT Services Department

Within the Support Services Division, the Administration and IT Services Department coordinates all matters pertaining to administering and providing services to the Secretariat, including managing the building and its offices. It handles office and conference services, travel, documents and visa, communication and logistics, as well as office supplies and documentation, security, safety and parking, and furnishes IT infrastructure facilities and support.

Objective of position:
The Head plans, organizes, coordinates, manages and evaluates the work of Administration and IT Services Department in accordance with the approved medium term and annual work programmes and budget of the Department so as to optimize its support to the Secretariat in achieving its overall objectives.

Main responsibilities:
Plans, organizes, coordinates, manages and evaluates the work in the Administration and IT Services Department by providing services to the Secretariat relating to: the building, offices and the residence; procurement, office supplies and printing services; travel, hotel, visa arrangements, removal of personal effects, legitimation cards, license plates; logistics for all meetings and entertainment functions; transportation, inter-office mail delivery and kitchen services; security, safety and parking; computer network facilities: e-mail, internet, printing; telecommunication system.

Works closely with Data Services Department, IT Development, to ensure that adequate hardware and software are implemented for the smooth functioning of their programmes, and Finance and HR Department to liaise the smooth transition of incoming/outgoing staff. Ensures full responses to requests by the Conference, the Board of Governors and standing committees for studies and special reports relevant to the work programme of the Department. Arranges presentations at relevant OPEC meetings and international forums representing the Secretariat as required. Develops and maintains networks with external experts and institutions in fields relating to the work of the Department. Keeps the Director of the Support Services Division fully informed on all aspects of the work of the Department, and draws his/her attention to important analyses performed by it.

Evaluates the performance of the staff of the Department, and recommends to the Director, Support Services Division, staff development, salary increase, promotion and separations as appropriate. Ensures that the staff of the Department receive the supervision and guidance necessary to broaden and deepen their skills and continuously improve their performance. Prepares the annual budget for the Department.

Required competencies and qualifications:
Advanced University degree (PhD preferred) in Business Administration or equivalent subject; A minimum of 12 years (ten years in case of a PhD degree) with a minimum of four years in a managerial position, preferably at large national, regional, or international institutions; Training/specialization: Office Administration, Computer Facility Scheduling and Operations, Professional Management and Leadership; Competencies: Managerial and leadership skills, communication skills, decision making skills, strategic orientation, analytical skills, presentation skills, interpersonal skills, customer service orientation, negotiation skills, initiative and integrity. Language: English.

Status and benefits:
Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality. The post is at grade B reporting to the Director of the Support Services Division. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Applications:
Applicants must be nationals of Member Countries of OPEC and should not be older than 58 years. Applicants are requested to fill out the application form which can be received from their Country's Governor for OPEC. In order for applications to be considered, they must reach the OPEC Secretariat through the relevant Governor not later than August 10, 2013, quoting the job code: 10.1.01.

Statistical Systems Coordinator

Within the Research Division, the Data Services Department collects, retrieves and provides statistical data as support to the research and analytical studies in the other RD Departments and other activities of the Secretariat. The Department also develops up-to-date IT applications and database systems, and provides specialized relevant documents and references. The Department thus has the responsibility of a central, timely provider of reliable up-to-date data, documentation and information pertaining to oil markets in particular and energy markets and related issues in general as well as rendering IT development services.

Objectives of the position:
To assist the Head of Data Services Department and to coordinate, supervise and carry out statistical activities, to manage and guide staff assigned to the Statistics Group in identifying, collecting, storing and retrieving statistical data for the Secretariat and in providing statistical assistance to researchers in the Secretariat; to carry out statistical research in energy, oil and economics related projects and other administrative tasks relating to the Group.

Main responsibilities:
Plans, develops, organizes, coordinates and supervises the activities relating to statistical data support and analysis and coordinates staff assignments within the Group. Guides staff in the group in compiling and analyzing statistical data as reported by Member Countries and secondary sources. Supervises the staff in the group in maintaining and updating the statistical database of the Secretariat. Guides the Department's staff, in close cooperation with the staff of other Departments in the Secretariat, to generate and improve the statistical data reporting by the Secretariat. Maintains and develops networking with other national organizations to improve the quality of statistics data in the Secretariat. Coordinates and assists the Head in administrative matters referring to the Statistics Group. Carries out any other tasks assigned by the relevant superiors as pertain to his/her background, qualifications and position.

Required competencies and qualifications:
Education: University degree in Statistics, Mathematics, Operational Research or Economics; advanced degree preferred. Experience: University degree: ten years; advanced degree: eight years. Specialized Training: Statistical methods and analysis, Econometrics, database queries and data mining, relational databases, design principles (ER-Modeling, Data Flow Diagram), extraction and transformation tools, application Software: Excel, Access, Oracle, B20/20,PL/SQL, IT skills (Internet, Networking, FTP, TCP/IP), oil industry operations, firm knowledge in the area of energy with specific expertise in the oil sector. Skills: Managerial and leadership, communication, analytical, presentation, interpersonal, customer service orientation, team-building, initiative and integrity. Excellent command of written and spoken English.

Status and benefits:
Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality. The post is at grade D reporting to the Head of Data Services Department. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Applications:
Applicants must be nationals of Member Countries of OPEC and should not be older than 58 years. Applicants are requested to fill out the application form which can be received from their Country's Governor for OPEC. In order for applications to be considered, they must reach the OPEC Secretariat through the relevant Governor not later than July 24, 2013, quoting the job code: 3.2.01.

Statistical Systems Analyst

Within the Research Division, the Data Services Department collects, retrieves and provides statistical data as support to the research and analytical studies in the other RD Departments and other activities of the Secretariat. The Department also develops up-to-date IT applications and database systems, and provides specialized relevant documents and references. The Department thus has the responsibility of a central, timely provider of reliable up-to-date data, documentation and information pertaining to oil markets in particular and energy markets and related issues in general as well as rendering IT development services.

Objectives of the post:
To carry out statistical activities, identifying, collecting, storing and retrieving statistical data for the Secretariat and providing statistical assistance to researchers in the Secretariat; to carry out statistical research in energy, oil and economics related projects and other tasks relating to the Group.

Main duties and responsibilities:
Develops, organizes activities relating to statistical data support and analysis within the Group. Collaborates with the Department's staff in compiling and analyzing statistical data as reported by Member Countries and secondary sources. Collaborates with the Department's staff in maintaining and updating the statistical database of the Secretariat. Collaborates with the Department's staff, as well as the staff of other Departments in the Secretariat, to generate and improve the statistical data reporting by the Secretariat. Maintains and develops networking with other national organizations to improve the quality of statistics data in the Secretariat. Assists Statistical Systems Coordinator in matters referring to the Statistical Data Services. Carries out any other tasks assigned by the relevant superiors as pertain to his/her background, qualifications and position.

Required competencies and qualifications:
Education: University degree in Statistics, Mathematics, Operational Research or Economics; advanced degree preferred. Experience: University degree: eight years; advanced degree: six years. Specialized Training: Statistical methods and analysis, Econometrics, database queries and data mining, relational databases, design principles (ER-Modeling, Data Flow Diagram), extraction and transformation tools, application software: Excel, Access, Oracle, B20/20,PL/SQL, IT skills (Internet, Networking, FTP, TCP/IP), oil industry operations, firm knowledge in the area of energy with specific expertise in the oil sector. Skills: Communication, analytical, presentation, interpersonal, customer service orientation, initiative and integrity. Good command of written and spoken English.

Status and benefits:
Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality. The post is at grade E reporting to the Statistical Systems Coordinator. The compensation package, including expatriate benefits, is commensurate with the level of the post.

Applications:
Applicants must be nationals of Member Countries of OPEC and should not be older than 58 years. Applicants are requested to fill out the application form which can be received from their Country's Governor for OPEC. In order for applications to be considered, they must reach the OPEC Secretariat through the relevant Governor not later than August 31, 2013, quoting the job code: 3.2.02.

Chinua Achebe — Tributes pour in for late renowned Nigerian author


ddp images

The Nigerian community in Austria, under the auspices of the Nigerians in Diaspora Organization Europe (NIDOE) Austrian Chapter, recently teamed up with the Nigerian Embassy in Austria and the Institute of African Studies, University of Vienna, to honour one of Nigeria's most illustrious sons and finest writers — Professor Chinua Achebe (pictured left) — as he was laid to the rest in his native Ogidi, Anambra State, on May 23. Achebe died on March 21 in Boston, Massachusetts, at the age of 82.

by Angela Agoawike

Nigeria's President, Goodluck Jonathan (c), walks with Ghana's President, John Mahama (r), after attending the funeral of author Chinua Achebe in his hometown of Ogidi, south-east Nigeria.

Revered as the "patriarch of African literature" for his pioneering role in writing about Africa from African perspectives, Chinua Achebe inspired a whole generation of writers on the continent and beyond. His first novel, *Things Fall Apart*, written in 1958, won him international acclaim. With a print-run of over 12 million copies and translations in over 50 languages around the world, the success was indeed phenomenal.

Things Fall Apart was a work of fiction that told the story of an African culture in conflict with Western Christianity and colonial rule. The book went on to become a recommended literature for many schools around the world. It was also adapted into a drama series for the Nigerian Television Authority.

Achebe was a man who told great stories about his people — the Igbo of south-eastern Nigeria — their culture and world view, stories that impacted globally on all who read his books.

While *Things Fall Apart* had been his first and most famous novel, Achebe wrote other award-winning literature with the ways of life of his native Igbo people as his setting. These include *No Longer at Ease* (1960), *Arrow of God* (1964), *A Man of the People* (1966), *Girls at War* and other stories, *Anthills of the Savannah, Home and Exile, Chike and the River, The Trouble with Nigeria* and African short stories, among others.

And so, when Nigerians and friends/admirers of the works of Achebe, led by NIDOE's Presdient, Dr Jones Edobor, gathered at the Kirche in der Donau-City on the evening of May 23, to pay tribute to Achebe as he was buried at home, they were honouring a man, an academic, intellectual and master story-teller who touched lives and educated many around the world about the Igbo and, indeed, about Nigeria as a country.

Evening of tributes

The evening of tributes witnessed 19 readings from five of Achebe's books, namely *Things Fall Apart, No Longer at Ease, Arrow of God, A Man of the People* and *Chike and the River.* The resource persons were drawn from all walks of life and included readings in German, English and a special tribute by a flutist in his local Igbo language.

There were also musical performances by singers Awoba Bagshaw-Macheiner and Patience Omorodion, a cultural performance by the traditional Ohafia war dance and, to cap it all, a rendition of John Newton's *Amazing Grace*.

The Nigerian community in Austria pay their respects to the late Chinua Achebe.

In her welcoming remarks, Nigeria's Ambassador to Austria, Maria Laose, traced the life of Achebe, highlighting his many contributions to the development of African literature and opening the eyes of the world to the fact that a unique way of life existed on these shores long before colonization.

World acclaim

All around the world, tributes also poured in as Achebe was laid to rest. Goodluck Jonathan, Nigeria's President, under whose leadership Achebe rejected a national honours award, personally attended the funeral and even read an excerpt on political corruption from Achebe's last published work: *There was a Country*.

Despite the furor raised by the book when it was published in 2012, Jonathan, after reading the excerpt asked: "For those of us holding political office, we should ask ourselves — have we changed?"

Also, in a tribute earlier sent to a symposium entitled 'Life and times of Chinua Achebe: Lessons for Nigeria' by the South College, University of Massachusetts, President Jonathan had said of Chinua Achebe: His "frank, truthful and fearless intervention in national affairs will be greatly missed at home in Nigeria because while others may have disagreed with his views, most Nigerians never doubted his immense patriotism and sincere commitment to the building of a greater, more united and prosperous nation that all Africans and the entire black race could be proud of."

Ghana's President, John Mahama, who also personally attended the burial, described the late Achebe as "an icon of African literature who helped shape my formative years with his writing."

Ngugi wa Thiongo, an acclaimed African writer from Kenya, in a tribute published in Leeds University's Centre of African Studies Bulletin, in the United Kingdom, said of Achebe: "He was the single most important figure in the development of modern African literature as a writer, editor and quite simply a human being.

"His novel, *Things Fall Apart*, the most widely read novel in the history of African literature, since its publication in 1958, became an inspiring model."

Also, Raila Odinga, Kenya's former Prime Minister had this to say of the man who was often referred to as the 'Iroko' in his native country: "Achebe's writing — whether fiction or non-fiction — can be read as probably the most sustained defense of Africa's collective identity. From *Things Fall Apart* which celebrates the culture of his Igbo people to *There Was a Country,* Achebe has relentlessly written about what is good and bad about Africans ..."

In an obituary announcing his death on March 22, *BBC News* described Achebe as a man "revered throughout the world for his depiction of life in Africa."

And in the United States, Washington DC's Mayor, Vincent Gray, said of Achebe's death: "I grieve the passing of Chinua Achebe. His respected legacy will be the young writers he inspires to tell their stories for future generations to enjoy."

In addition, the New York State Senate passed a resolution that acknowledged Chinua Achebe's landmark achievements in the field of literature: "It is the sense of this legislative body to pay tribute to the lives of those

esteemed individuals of international renown who distinguish themselves through their life's work. Foremost novelist, Professor Chinua Achebe, died on Thursday, March 21, 2013, at the age of 82.

"Born Albert Chinualumogu Achebe, on November 16, 1930, Chinua Achebe was a Nigerian novelist, poet, professor, and critic; he was best known for his 1958 novel, *Things Fall Apart*, selling over 12 million copies around the world, and having been translated into 50 languages, making him the most paraphrased African writer of all time.

"Raised by his parents in the Igbo town of Ogidi in south-eastern Nigeria, Chinua Achebe excelled academically and earned a scholarship for undergraduate studies; he became fascinated with world religions and traditional African cultures, and began writing stories as a college student.

"Chinua Achebe's commitment to excellence and his spirit of humanity carried over into all fields of enterprise, including charitable and civic endeavors," the resolution read in part.

In her welcoming remarks, Nigeria's Ambassador to Austria, Maria Laose, traced the life of Achebe, highlighting his many contributions to the development of African literature.

Early days

Albert Chinualumogu Achebe was educated at the Government College Umuahia, University of Ibadan, both in Nigeria and in the UK where he studied broadcasting at the *British Broadcasting Service*. He published his first book — *Things Fall Apart* in 1958, aged 26.

He worked at the *Nigerian Broadcasting Corporation* (NBC) as Director of External Broadcast. Together with another literary giant of his time — the late Nigerian poet, Christopher Okigbo — Achebe co-founded the Citadel Press. He was also the editor of *Okike*, a literary magazine.

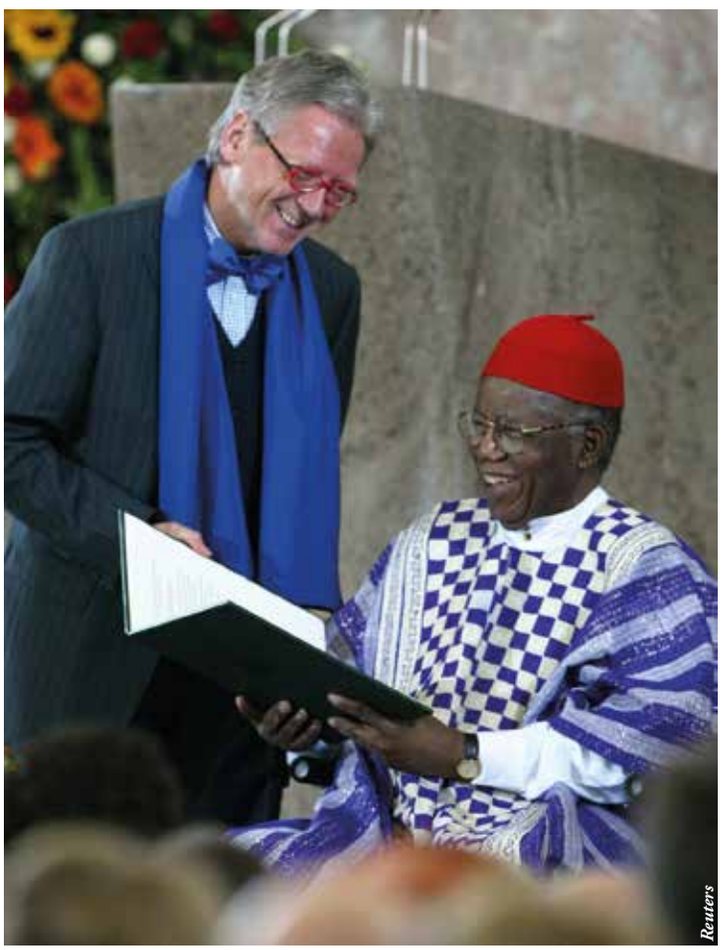
He taught at the University of Massachusetts at Amhrest and the University of Connecticut, both in the US. He later returned to Nigeria as a fellow and, later, Professor of English at the University of Nigeria, Nsukka.

In 1990, a car accident in Awka, a nearby town to his ancestral home, Ogidi, left Achebe paralyzed from the waist down. He was confined to a wheelchair for the rest of his life. However, this did not stop him as he joined New York's Bard University where he taught for 15 years.

In 2009, Achebe joined Brown University in Providence, Rhode Island as Professor of African Studies, as well as David and Marianna Fisher University as a professor.

Achebe won several literary prizes in his lifetime, including the Man Booker International Prize and Dorothy and Lilian Gish Prize.

Chinua Achebe (r) receives the Peace Prize of the Association of Publishers and Booksellers of Germany from their President Dieter Schormann (l) during an award ceremony in Frankfurt's St Paul's Church in October 2002.



OFID Ministerial Council reappoints Al-Herbish to new five-year term

Suleiman J Al-Herbish (r), OFID Director-General; Yousef Hussain Kamal (c), Ministerial Council Chairman; and Abdul Wahab Ahmed Al-Bader (l), OFID Governing Board Chairman.

Suleiman J Al-Herbish, Director-General of the OPEC Fund for International Development (OFID), has been reappointed head of the Vienna-based institution for a third term of office.

The unanimous endorsement of his new five-year term was made by OFID's Ministerial Council at its 34th Annual Session, held in Vienna, on June 13.

The Council, the highest policy-making body of the institution, is made up of finance ministers and other high-level representatives of OFID's Member Countries. It meets each June to review performance and set policy for the institution for the coming year.

Announcing the reappointment, which will commence on November 1 this year, Yousef Hussain Kamal, Ministerial Council Chairman, said the Council appreciated the vigorous efforts of Al-Herbish in spearheading the implementation of OFID's mandate, most notably the Energy for the Poor initiative.

Kamal, Qatar's Minister of Economy and Finance, assured the Director-General of the Council's continuing support in the tasks and challenges ahead.

Responding, Al-Herbish said he was "honoured and privileged" to be appointed for a third term. He thanked the Council for their vote of confidence, stating that he looked forward "together with all OFID staff" to continue serving the institution and fulfilling its mission of alleviating poverty in the disadvantaged regions of the world.

Al-Herbish described his past ten years at OFID as "a period of dramatic change" for the institution.

"This transformation is reflected in the outstanding

operational and financial results of recent years, which are the outcome of a process of strategic repositioning, financial realignment and organization strengthening.

"These developments have allowed the institution to substantially enhance the execution of its mandate and consolidate its standing as a prominent and respected player in the global development arena," he told the Council.

Renewable energy sources

Al-Herbish highlighted OFID's record approvals to the energy sector in 2012, whereby funds had supported projects in 37 partner countries.

He noted that 11 of these operations were based on renewable energy sources, illustrating OFID's belief in a technology-neutral approach to the problem of energy poverty.

"Our objective is — and should be — to meet the needs of the poor sooner rather than later, rather than waste time debating the pros and cons of fossil fuels versus renewables," he stated.

The Director-General described as "timely and astute" OFID's decision to adopt energy poverty alleviation as its flagship programme and reminded the Council that it was OFID's advocacy that had seen energy poverty labelled as the missing ninth Millennium Development Goal (MDG).

"We should take pride in the fact that our efforts helped trigger the international response ... and that our commitment to this cause has positioned OFID as a key partner in the global Energy for All initiative," he said, adding: "The opportunities that this presents to us in terms of recognition and influence should not be underestimated."

The latest Ministerial Council Session re-elected the State of Qatar, represented by Kamal, to the Chair. Algeria, represented by Farid Tiaiba, was elected as Vice-Chair.

In his address to the Council, Kamal, in reviewing the global economic situation, highlighted the negative impact of the Eurozone crisis on international aid flows.

However, he stressed that developing countries had weathered the financial crisis better than the rest of the world and were set to enjoy growth rates of up to six per cent in the next year.

"These successes have deepened our faith in the need to adopt the national priorities of our partner countries when we work with them to strengthen their development process," he affirmed.

Such considerations, said Kamal, would form an integral component of OFID's upcoming 19th lending programme.

Due to run for three years from January 1, 2014, he stated that the programme included "new standards" and would "open up new horizons in order to participate in larger projects."

Kamal called attention to the ongoing international dialogue on the post-2015 development agenda and OFID's "pivotal role" in coordinating with the United Nations and other institutions to make energy a central theme in the new goals.

"A hard and programmed effort will make our work and voice even more influential in serving the post-2015 development goals," he added.

Also addressing the meeting, OFID Governing Board Chairman, Abdul Wahab Ahmed Al-Bader, of Kuwait, paid tribute to the Board for its work in 2012.

In the course of the year, he said, the Board had approved 76 development operations in the total amount of $1.4 billion, a sum almost double that approved in 2011.

The Council Session also considered other administrative matters, including OFID's financial statements for fiscal 2012 and the Annual Report for the same year, which the Council approved.

Also at the meeting, the OFID Annual Award for Development 2013 was presented to Malala Yousafzai, the 15-year-old Pakistani activist for education and women's rights. Ms Yousafzai's father accepted the award on her behalf *(see overleaf)*.

The next Session of the Ministerial Council will be held in Doha, Qatar, in June 2014.

OFID's 2012 performance highlights growing focus on alleviating energy poverty

Around one-third of the new funding agreed to by the OPEC Fund for International Development (OFID) in 2012 went to the energy sector, in support of the institution's landmark Energy for the Poor initiative.

According to OFID's 2012 Annual Report, which was released in June following its adoption by the institution's Ministerial Council, total new approvals in all sectors last year amounted to $1,301.9m, of which energy schemes, supporting 27 operations in 37 countries, accounted for $382.6m.

OFID's thrust towards alleviating energy poverty was "the most significant" development of the year, Suleiman J. Al-Herbish, the Vienna-based institution's Director-General commented.

He was referring to OFID's ground-breaking Ministerial Declaration, drawn up in 2012, which pledges a minimum of $1 billion to help finance the eradication of energy poverty.

"For all of us here at OFID, where we have lobbied tirelessly to push energy poverty to the top of the global development agenda, the Declaration has lent a fresh impetus to our work," Al-Herbish, who has just been extended for another five-year term at OFID's helm, stressed in a Foreword to the report.

"These resources, which may be scaled up if demand warrants, will enable us to do more, faster, as we strive to realize our objectives," he added.

As usual, the Annual Report details OFID's performance during the year. It disclosed that, from its inception in 1976, and with the addition of 2012's $1.3bn injection, the institution's overall contribution to international development, as at the end of December last year, stood at a cumulative $15.1bn.

It noted that in the course of 2012, new approvals increased by some $543m over commitments agreed to in 2011. Assistance to Africa which supported 45 projects in 28 countries, represented the largest share — at $558m, accounted for 43 per cent of the total. Of this total, more than half ($315m) went to projects targeting energy provision and food security.

The institution's Public Sector and Trade Finance windows represented the chief channels of support, attracting $330.6m and $279.6m, respectively.

Operations in 2012 were distributed across a broad range of social and economic sectors. Behind energy came transportation, taking $275m (21 per cent) of approvals.

Multi-sectoral initiatives secured $207.3m (15.9 per cent), the bulk of this — some $200m — for a trade finance participation scheme with the Islamic Trade Finance Corporation.

The financial sector accounted for $181.6m (13.9 per cent) of commitments, a rise in monetary terms of around 50 per cent over 2011.

The report pointed out that the funds, which were provided in private sector and trade financing, would help bolster trade, capital markets and the activities of micro-, small- and medium-sized enterprises (MSMEs).

Other sectors to receive support were agriculture ($91.2m), education ($46.1m), water and sanitation ($35.5m), telecommunications ($30m), health ($26.1m) and industry ($25m).

Some 20 Asian countries received a collective $438.6m in 2012. Transportation ($168m) and energy ($90m) secured the lion's share of funding, although numerous smaller projects were supported in other sectors.

In terms of financing mechanisms, around 61 per cent ($269m) of the total was approved through the Public Sector window, with OFID's Trade Finance and Private Sector facilities accounting for $65m and $95m, respectively.

The Latin America and Caribbean region attracted $101.3m for initiatives in 18 countries, including an innovative grant-financed Energy for the Poor Projects' Preparation Facility, which will be implemented jointly with the Andean Development Corporation and deliver potential benefits to 14 eligible countries across the region.

In Emerging Europe, two countries shared $150,000 in grant financing.

As the central pillar of OFID's development activities, Public Sector operations accounted for $676.7m (52 per cent) of the institution's approvals in 2012.

The largest share (51 per cent) went to Africa, home to the majority of the world's least developed countries, followed by Asia (39.7 per cent) and Latin America and

the Caribbean (8.8 per cent). Together, transportation (41 per cent) and agriculture (32 per cent) secured almost three-quarters of Public Sector commitments.

Some $441.6m (34 per cent) of total commitments supported Trade Finance operations, a sum equal to almost four times that approved in 2011.

The resources were distributed among the multi-sectoral (45 per cent), financial (33 per cent) and energy (22 per cent) sectors. Of particular note was the strengthening of operations in the Middle East and North Africa (MENA) region, mostly for strategic commodities, as well as transactions in markets new to the Trade Finance Facility, namely Colombia, Georgia and Lebanon.

Private Sector approvals amounted to $165m (13 per cent) of commitments last year and supported operations in the agriculture, energy, industry and telecommunications sectors, as well as MSMEs through credit lines to financial intermediaries.

In terms of grant financing, 2012 saw some $18.5m committed in much-needed resources for a host of important initiatives across all developing regions.

Of special note were intensification of the energy poverty programme and the maintenance of support to HIV/AIDS interventions and activities in Palestine.

Award winning activist, Malala Yousafzai.

Young activist wins OFID's 2013 Annual Award

Malala Yousafzai, a 15-year-old Pakistani national and activist for education and women's rights, has won the 2013 OFID Annual Award for Development.

The Award, presented by OFID Ministerial Council Chairman, Yousef Hussain Kamal, at a ceremony held during the 34th Annual Session of the Council in June, was accepted on Malala's behalf by her father, Ziauddin Yousafazai.

In a citation, Kamal, Qatar's Minister of Economy and Finance, paid tribute to Malala's "fearless struggle to uphold the right of girls and women in the Swat Valley of Pakistan to receive an education."

Malala came to the public's attention in early 2009, through her blog in Urdu with the *BBC* about her life in the Swat Valley and the struggle of young women to be educated.

In October last year, while returning home on a school bus, she was shot and wounded in an assassination attempt. She was subsequently airlifted to the United Kingdom where she was successfully treated at the Queen Elizabeth Hospital in Birmingham and has since made a full recovery.

Malala, in expressing her gratitude for being honoured with such a "prestigious award" in a video, went on to stress her personal hope that all organizations could work together to educate girls, to teach them and to empower them. "Education is the true development," she said.

She has asked for the OFID Award prize money of $100,000 to be given to the newly launched Malala Fund, a non-governmental organization (NGO) which was established on behalf of Malala and her family, working together with supporters of her cause.

Malala has already received many accolades the world over in recognition of her cause.

She has won Pakistan's first National Youth Peace Prize, the Simone de Beauvoir Prize and was featured on Foreign Policy magazine's list of top global thinkers. The teenager is the youngest nominee for the Nobel Peace Prize in history and she has also been put forward for the International Children's Peace Prize by Desmond Tutu.

And a United Nations' petition in Malala's name, which uses the slogan "I am Malala" and demands that all children be in school by the end of 2015, has become a global symbol of her dedication.

Malala made her first major public speech since the attack to an audience of children at the United Nations on July 12, her 16th birthday.

Speaking at the award ceremony, Malala's father said her whole family hoped that receiving the OFID Award would further strengthen and promote the cause of educating underprivileged people, especially education for girls.

Forthcoming events

Unconventional resources technology conference, August 12–14, 2013, Denver, CO, USA. Details: Society of Petroleum Engineers, 10777 Westheimer, Suite #335, Houston, TX 77042, Tel: +1 713 779 9595; fax: +1 713 779 4216; e-mail: spehou@spe.org; website: www.spe.org.

ONS Norway 2013 conference and exhibition, August 19–21, 2013, Stavanger, Norway. Details: Offshore Northern Seas Foundation, P O Box 175, NO-4001 Stavanger, Norway. Tel: +47 51 84 90 40; e-mail: info@ons.no; www.ons.no.

Crans Montana Forum's summer session, August 22–25, 2013, Crans Montana, Switzerland. Details: Crans Montana Forum, Switzerland. Tel: +37 79 77 07 000; fax: +37 79 77 07 040; e-mail: info@cmf.ch; website: www.cmf.ch.

1st annual international conference on power, energy and electrical engineering, August 26–27, 2013, Singapore. Details: Global Science and Technology Forum, 10 Anson Road, International Plaza, 079903 Singapore. Tel: +65 6327 0166; fax: +65 6327 0162; e-mail: info@elec-eng-conf.org; website: www.elec-eng-conf.org.

Liquefied natural gas export development, August 26–28, 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.

3rd Algae world Australia, August 27–28, 2013, Adelaide, Australia. Details: Centre for Management Technology, 80 Marine Parade Road #13–02, Parkway Parade, 449269 Singapore. Tel: +65 6345 7322 / 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

Shale gas world Argentina, August 27–29, 2013, Buenos Aires, Argentina. 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.

Tanks and terminal management in the hydrocarbon industry, September 1–4, 2013, Abu Dhabi, UAE. Details: IQPC Ltd, Anchor House, 15–19 Britten Street, London SW3 3QL, UK. Tel: +44 207 368 9300; fax: +44 207 368 9301; e-mail: enquire@iqpc.co.uk; website: www.iqpc.co.uk.

5th international oil and gas of the south of Russia, September 3–5, 2013, Krasnodar, Russia. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

Oil and gas projects and operations management, September 3–5, 2013, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

Offshore Europe oil and gas conference and exhibition, September 3–6, 2013, Aberdeen, UK. Details: Society of Petroleum Engineers, Part Third Floor East, Portland House, 4 Great Portland Street, London W1W 8QJ, UK. Tel: +44 207 299 3300; fax: +44 207 299 3309; e-mail: spelon@spe.org; website: www.spe.org.

Petroleum and unconventional resources reserves, September 4–5, 2013, Bogota, Colombia. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: +1 972 952 9435; e-mail: spedal@spe.org; website: www.spe.org.

Power industry India, September 4–5, 2013, New Delhi, India. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

Arabian water power forum, September 9, 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.

World shale oil and gas: Latin America summit, September 9, 2013, Buenos Aires, Argentina. 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.

Global oil and gas professional forum: human resources, September 10–11, 2013, Amsterdam, The Netherlands. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

Pan African refining technology conference, September 10–11, 2013, Cape Town, South Africa. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

Queensland gas conference and exhibition, September 10—11, 2013, Brisbane, Australia. Details: Reed Exhibitions Australia, Locked Bag 7888, Chatswood, DC NSW 2067, Australia. Tel: +61 2 9422 2370; e-mail: anamaria.faust@reedexhibitions.com.au; website: www.queenslandgasconference.com.au.

Supply and distribution: organization, operations and economics, September 10–13, 2013, London, UK. Details: Energy Institute, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 207 467 7116; fax: +44 207 580 2230; e-mail: jwarner@energyinst.org.uk; website: www.energyinst.org.uk.

European power grid and storage development, September 16–17, 2013, Hamburg, Germany. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Moscow refining, gas and petrochemicals week, September 16–20, 2013, Moscow, Russia. 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: ww.europetro.com.

Solution to the PUZZLE PAGE *(p53)* of the OPEC Bulletin May 2013:

E	Q	U	I	P	M	E	N	T
S	■	N	■	I	■	X	■	A
C	O	D	E	■	H	E	A	P
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Oil demand forecast higher in second half, but uncertainties remain

June 2013

Global oil demand is forecast to increase in the second half of this year, but uncertainties on both the demand and supply side have the potential to undermine the expected market balance in the remainder of 2013.

According to OPEC's *Monthly Oil Market Report (MOMR)* for June, world oil demand is expected to reach 90.5 million barrels/day in the second half of the year, higher than the estimated 88.8m b/d in the first six months.

"In terms of demand growth, the expected global economic recovery in the second half of this year could also add more barrels to seasonally higher global consumption," the report's customary feature article said.

Oil demand growth in the second half of the year was projected to increase by 900,000 b/d, compared with 700,000 b/d over the first two quarters of 2013. However, the report warned that risks were skewed towards the downside.

In the OECD region, it noted, this uncertainty was due largely to the weak economic outlook for Europe, as well as to any possible setbacks in the United States economic recovery.

For the non-OECD countries, risks stemmed from any slowdown in economic growth, especially in the emerging economies, the major contributors to demand growth in recent years.

"The Middle East and Latin America are the main regions with the potential to surpass current demand expectations, due to expansion in the transportation, power generation, and construction sectors," it maintained.

The *MOMR* said that on the supply side, non-OPEC supply was expected to continue the healthy performance seen in the first half, supported by anticipated growth in the OECD Americas, as well as the Former Soviet Union (FSU), Africa, and Latin America.

"The US and Canada are seen to be the main drivers of non-OPEC supply growth in 2013," it said.

The report forecast that in the second half, non-OPEC crude oil supply was projected to increase by 1.1m b/d, outpacing the estimated growth of 900,000 b/d in the first half of the year.

"However, this forecast is associated with risks due to weather and technical factors, as well as geopolitics," the *MOMR* pointed out.

Over the same period, it said, output of OPEC natural gas liquids (NGLs) and non-conventionals was projected to continue to increase, adding 200,000 b/d. "Taking into account all of these developments, demand for OPEC crude in the second half of 2013 is expected to average 30.5m b/d. This is broadly in line with current OPEC production as estimated by secondary sources," the feature article informed.

Looking at the economic picture surrounding the oil market situation, the report said 2013 had so far been characterized by slowing momentum in the world economy.

This had been due to lower growth, not only in the developed countries, but also in some emerging economies.

"As a result, the forecast for global oil demand growth in the first half has been revised down from initial projections, as the contraction in OECD demand was larger than expected and the pace of growth in the non-OECD has slowed."

Looking at the second half of the year, the *MOMR* said the world economy was expected to experience slightly higher growth. This was due to a base-effect from low growth levels in the first and the second quarters of the year and on the assumption of some recovery in the US, as well as in the major emerging economies and the Euro-zone.

Meanwhile, it said, Japan was already enjoying steady growth, as a result of the government's ambitious stimulus initiatives.

"However, developments such as the slowdown in the major emerging economies and in the US in the first half of the year highlight the continued fragility of the global economy."

The report noted that recent signs of a lower-than anticipated expansion in the US and China, such as the latest PMI numbers for manufacturing, underscored this trend, although the global momentum remained intact.

It continued: "Whether a host of factors – the recovery in the US labour market and the improvement in the housing sector, the relaxation of austerity measures in the Eurozone, the stimulus in Japan, improving export opportunities, and expected government-led support in the major emerging economies – will materialize to support the expected rise in growth levels for the second half should be clearer as data becomes available."

In the oil market, the second half of the year was expected to see higher demand in absolute terms, primarily due to the structural change in the seasonal pattern.

"A number of factors are driving these developments, particularly the falling share of winter fuels in total oil demand, as a result of increasing fuel substitution by natural gas."

Growing use of air conditioning in the summer, particularly in the developing countries, had also pushed third quarter demand higher.

"Overall, existing fundamentals portray a market with ample supply, which is further reflected in comfortable crude oil stock levels and improving gasoline inventories at the start of the driving season," the *MOMR* affirmed.

MOMR oil market highlights ... June 2013

The **OPEC Reference Basket** averaged $100.65/b in May, representing a slight decline of 40¢ from the previous month. Year-to-date, the Basket value declined by $9.75, or 8.4 per cent, compared with the same period last year to stand at $105.85/b. The performance of the Basket's components was mixed. While the Middle Eastern spot-related crudes fell the most, the Latin American grades improved. Nymex WTI and ICE Brent crude prices moved in opposite directions in May. US light crude futures rose sharply on the easing overhang in inventories in the US Midwest, as well as recent macroeconomic data pointing to a gradual improvement in the United States economy. In contrast, the ICE Brent contract was affected by the persistently weak economic outlook in Europe, as well as poor Chinese economic growth, amid improving crude oil supplies. Nymex WTI gained $2.73 to average $94.80/b for the month, while ICE Brent slipped 15¢ to average $103.28/b.

World economic growth is forecast at 3.2 per cent for 2013, unchanged from the previous month, although with some revisions to the individual forecasts. Japan's forecast has been revised higher to 1.5 per cent from 1.1 per cent amid ongoing stimulus efforts. The Euro-zone's challenges continue, with the forecast now showing a deeper contraction of 0.6 per cent, although a recovery is expected for later in the year. While the possibility of some adjustment in the Fed's monetary stimulus exists, the recovery in the US housing and labour markets has been positive and GDP growth for 2013 remains unchanged at 1.8 per cent. China has been impacted by decelerating activity and growth has been revised to 7.9 per cent from 8.0 per cent, while India's forecast is unchanged at 6.0 per cent. While the global economic momentum has started slowing recently, some rebound is currently forecast for the second half of the year.

World oil demand is expected to increase by 800,000 b/d in 2013, in line with the growth seen last year. The forecast remains unchanged from the previous report, despite a downward revision to the first quarter, due to actual data. In the non-OECD region, oil consumption is projected to grow by 1.2m b/d, slightly lower than last year. China is seen continuing to grow at 400,000 b/d, the Middle East at 300,000 b/d and the Other Asia and Latin America regions at 200,000 b/d each. In contrast, OECD demand is expected to see a contraction of 400,000 b/d, although a slight improvement over 2012.

Non-OPEC oil supply growth is projected at 1.0m b/d in 2013, unchanged from the last report, supported by strong anticipated growth from the US. Estimated non-OPEC supply growth in 2012 stands at 500,000 b/d. Output of OPEC NGLs and nonconventional oils is expected to average 5.9m b/d in 2013, a gain of 200,000 b/d over the previous year. In May, OPEC crude oil production averaged 30.57m b/d, according to secondary sources, an increase of 106,000 b/d over the previous month.

Product markets exhibited a mixed performance in May. The top of the barrel strengthened slightly, with gasoline demand beginning to show signs of snapping out of its spring slump. However, the improvement in the top was not enough to offset losses at the middle of the barrel, as distillate demand remained weak, thus preventing any upward movement in refinery margins. Overall, the summer demand season has been off to a slow start on both sides of the Atlantic.

In the **tanker market**, dirty spot freight rates were mixed in May. Average VLCC rates have increased for both eastern and western destinations, mainly as a result of the end of the refinery maintenance. Meanwhile, average Suezmax and Aframax rates declined from a month earlier. Clean spot freight rates fell East and West of Suez on the back of high tonnage availability. OPEC spot fixtures rose by ten per cent in May over the previous month and OPEC sailings were 1.2 per cent higher.

Total **OECD commercial oil stocks** rose for the second consecutive month in April, up by 19.2m b, but remained broadly in line with the five-year average. Crude stocks stood at a comfortable level, with a surplus of 18.0m b over the five-year average, while product inventories remained tight with a deficit of 19.0m b with the seasonal average. In terms of days of forward cover, OECD commercial inventories stood at 59.1 days, some 1.1 days over the five-year average. Preliminary data for May shows that total US commercial oil stocks rose by 15.5m b to show a surplus of 45.0m b with the five-year average. US crude oil commercial stocks finished May at 35.9m b over the five-year average, while products were 8.8m b higher.

Demand for OPEC crude in 2012 stood at 30.2m b/d, unchanged from the previous assessment and broadly in line with the 2011 level. Demand for OPEC crude in 2013 is forecast at 29.8m b/d, unchanged from the previous report and 400,000 b/d lower than last year.

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

OPEC sees more positive outlook for economy, oil market in 2014

July 2013

World oil demand in 2014 is projected to grow at a higher rate than this year, partially on the back of an expected improvement in global economic growth.

That is the view of the OPEC Secretariat in projections featured in the Organization's *MOMR* for July.

A feature article in the publication said global oil demand was projected to increase by 1.0m b/d to average 90.7m b/d next year, representing higher growth of around 200,000 b/d over the current year.

"This is also the highest growth since 2010 and broadly in line with the historical average seen over the last ten years," it commented.

The *MOMR* contended that while the softer-than-expected recovery in the global economy this year continued to impact the oil market, the outlook for 2014 expected some improvement.

"The initial forecast for global economic growth in 2014 stands at 3.5 per cent, compared with the revised forecast of 3.0 per cent in 2013," it pointed out.

The report said the main underlying assumption was that of a recovery in the OECD region, which was expected to grow by 1.8 per cent next year, after 1.2 per cent growth in 2013.

"Expected higher growth in the US and a recovery in the Euro-zone are the main drivers behind the forecast. Both should benefit from acceleration in their underlying economies and from less fiscal contraction," the report maintained.

It said non-OECD countries were projected to continue to lead oil demand growth in 2014 with an expansion figure of 1.2m b/d, while OECD economies were slated to remain in decline mode, with a contraction of 200,000 b/d, or only half the rate expected for this year.

OECD Americas' oil demand was projected to see positive growth of around 100,000 b/d.

For oil products, the *MOMR* said diesel was seen contributing the largest growth share in 2014 on the back of higher demand in the transportation and industrial sectors.

However, the article stressed that next year's forecast for world oil demand was subject to uncertainties linked closely to the pace of the recovery in some major economies, particularly the US and the Euro-zone and GDP growth in China.

"In addition, oil demand growth in 2014 could be capped by the implementation of policies targeting energy efficiency in transportation, as well as subsidies in some countries," it observed.

Looking ahead at the economic picture, the MOMR said Japan's economy should see continued government efforts to support growth, although with some negative impact from next year's rise in the consumption tax.

Emerging economies continued to expand at levels below the high rates seen in past years. China's growth was expected to remain at 7.7 per cent in 2014, in line with the revised estimated figure for this year, due to a decline in total investments, offset to some degree by rising net exports.

India was forecast to benefit from improving domestic demand and rising exports, leading to a growth forecast of 6.0 per cent, up from the downwardly-revised 5.6 per cent figure for 2013. "Global growth will remain uneven and the continued influence of monetary policies of central banks will need to be carefully monitored. Reduced monetary stimulus in some developed economies, as well as developments in China's financial sector, might have an impact on growth next year," said the feature article.

It continued that fiscal consolidation in the US and the Euro-zone could also have a larger-than-expected negative impact. "At the same time, these two economies could provide some upside to next year's growth, particularly if better-targeted budget cuts and easing austerity measures offer greater certainty for investors, potentially leading to higher growth."

The *MOMR* said non-OPEC supply in 2014 was expected to grow by 1.1m b/d to average 55.1m b/d, slightly higher than this year's forecast increase of 1.0m b/d.

Among non-OPEC supply regions, the OECD Americas was expected to see the highest growth – supported by tight oil and oil sands developments in the US and Canada – followed by Latin America and the FSU.

"A high level of risk is associated with the 2014 non-OPEC supply forecast, mainly due to geopolitical and environmental issues, as well as production decline rates, price developments, weather conditions, unplanned shutdowns, and the ability of operators to bring on new volumes as planned," said the feature article.

"These risk factors could impact supply projections in either direction," it added.

The *MOMR* said production of OPEC NGLs and non-conventional oils was expected to increase by 100,000 b/d to average 6.0m b/d in 2014, following 200,000 b/d growth this year. "Based on the above forecasts, incremental oil demand in 2014 will be less than the expected increase in non-OPEC supply and OPEC NGLs.

"As a result, demand for OPEC crude in 2014 is projected to stand at 29.6m b/d, representing a decline of around 300,000 b/d, following an expected drop of 400,000 b/d this year. This would imply a further build in global crude inventories, which currently stand at high levels."

MOMR oil market highlights ... July 2013

The **OPEC Reference Basket** averaged $101.03/b in June, representing an increase of 38¢ over the previous month. In the first half of the year, the Basket averaged $105.09/b, a decline of $6.96. Most component values improved in June, particularly sour grades, which were supported by increased buying interest and better refining margins. Nymex WTI found support from positive economic data from the US, reduced Canadian crude shipments due to flooding and restricted crude production from oil sand projects. However, later in the month, crude futures prices weakened on data showing slowing economic growth in China and hints from the US Federal Reserve that it may start reining in quantitative easing.

World economic growth for 2013 has been revised down to 3.0 per cent from 3.2 per cent, driven mainly by slowing growth in emerging economies. In 2014, an expected rebound in the OECD economies should lead to global growth of 3.5 per cent. US growth remains at 1.8 per cent for 2013 and is forecast to grow by 2.5 per cent next year. The Euro-zone's growth remains unchanged at minus 0.6 per cent for this year, but is expected to rebound to plus 0.6 per cent in 2014. Japan's growth for the current year has been revised up to 1.8 per cent from 1.5 per cent, but is forecast to slow to 1.4 per cent next year. Decelerating total investments and slowing exports continue to impact China and India. China's growth in 2013 has been revised down to 7.7 per cent from 7.9 per cent and is forecast to grow at the same level in 2014. India's growth this year has been revised down to 5.6 per cent from 6.0 per cent, and is expected to expand by 6.0 per cent in the coming year.

World oil demand growth for 2013 now stands at around 800,000 b/d, following a marginal downward revision. This has been mainly due to the release of the latest actual data for the first quarter of 2013 and preliminary data for the second quarter. In 2014, world oil demand is projected to grow at a higher rate of 1.0m b/d to average 90.7m b/d. This represents an around 300,000 b/d rise from the growth predicted for the current year. In 2014, non-OECD countries are projected to lead oil demand growth with 1.2m b/d, while OECD consumption is seen continuing to decline, but at a lower rate, contracting by 200,000 b/d. The pace of recovery in growth in major economies around the globe is one of the main uncertainties affecting world oil demand projections in 2014.

Non-OPEC oil supply is expected to increase by 1.0m b/d in 2013, supported by anticipated growth from the OECD Americas, the FSU and China. In 2014, non-OPEC supply is forecast to grow by 1.1m b/d. The US, Canada, Brazil, the Sudans, Kazakhstan and Australia are expected to be the main contributors to the supply increase, while Norway, Syria, Mexico and the UK are forecast to see the largest declines. OPEC output of NGLs and non-conventional oils is seen averaging 6.0m b/d in 2014, indicating an increase of 100,000 b/d over the current year. In June, according to secondary sources, OPEC production is estimated to have stood at 30.38m b/d, a decline of 310,000 b/d from a month earlier.

Product markets exhibited a mixed performance in June. The top of the barrel weakened in the Atlantic Basin, with gasoline losing ground, due to lower demand, as the driving season has so far not provided the strong boost expected. In contrast, middle distillates strengthened worldwide on the back of a slight recovery in demand amid a temporary tightening in some regions, which allowed the margins to recover in Asia and Europe.

Tanker market sentiment was mixed in June as VLCC freight rates increased, while Suezmax and Aframax spot rates declined. Shipments from the Middle East to Asia supported VLCC rates, while low tonnage requirements and delays in the US Gulf influenced the Suezmax and Aframax markets. Product spot freight rates in June fell by 10.0 per cent, reflecting limited activities and ample tonnage availability. OPEC sailings dropped by 0.7 per cent in June.

Total **OECD commercial oil stocks** rose by 11.7m b in May for the third consecutive month, but remained broadly in line with the five-year average. Crude stocks stood at a comfortable level, with a surplus of 13m b over the five-year average, while product stocks remained tight, showing a deficit of 17.3m b. In days of forward cover, OECD commercial inventories stood at 58.9 days, 1.2 days over the five-year average. Preliminary data for June shows that US total commercial oil stocks rose by 14.2m b, showing a surplus of 48.2m b over the five-year average. US crude oil stocks at the end of June stood at 33.8m b above the five-year average, while products showed a surplus of 14.4m b.

Demand for OPEC crude in 2013 is forecast to average 29.9m b/d, almost unchanged from the previous report and a decline of 400,000 b/d from 2012. Based on the initial 2014 forecasts for world oil demand and non-OPEC supply (including OPEC NGLs), demand for OPEC crude next year is slated to average 29.6m b/d, representing a decline of 300,000 b/d.

The feature article and oil market highlights are taken from OPEC's Monthly Oil Market Report (MOMR) for July 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 $/b

Crude/Member Country	2012 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May	June	Weeks 22–26/13 (week ending) May 31	Jun 7	Jun 14	Jun 21	Jun 28
Arab Light – Saudi Arabia	94.51	99.90	109.94	111.32	109.09	108.47	108.35	110.64	113.95	107.61	101.97	101.06	101.30	100.19	100.63	101.80	102.68	100.08
Basrah Light – Iraq	92.02	98.16	108.68	109.39	106.66	105.45	105.04	107.51	110.48	104.17	98.22	98.23	98.94	97.31	98.42	99.46	100.16	97.73
Bonny Light – Nigeria	97.19	104.24	114.63	114.06	113.31	110.91	111.19	115.41	118.69	110.57	105.17	105.83	106.12	105.25	106.16	106.59	107.07	104.64
Es Sider – SP Libyan AJ	96.04	102.89	112.18	112.16	111.41	109.01	109.29	113.01	116.29	108.37	102.22	102.63	103.07	102.05	103.11	103.54	104.02	101.59
Girassol – Angola	96.44	103.01	113.08	113.14	111.00	108.91	108.92	112.24	116.22	109.48	103.84	103.69	104.23	103.52	104.22	104.93	105.20	102.56
Iran Heavy – IR Iran	93.09	98.81	109.36	110.99	108.11	106.80	106.56	108.52	112.24	105.47	99.71	99.72	100.61	99.18	99.99	101.04	102.19	99.24
Kuwait Export – Kuwait	93.32	98.75	108.91	110.02	107.56	106.82	106.19	108.31	111.79	105.17	100.07	99.82	100.22	99.08	99.47	100.65	101.78	98.99
Marine – Qatar	94.86	99.47	108.57	111.17	108.63	107.12	106.25	107.87	110.94	105.36	101.55	100.22	100.20	99.68	99.44	100.60	101.94	98.83
Merey* – Venezuela	87.52	91.86	99.89	101.84	97.50	93.28	91.68	96.99	101.94	98.55	93.84	94.02	95.37	93.54	94.70	95.96	96.62	94.21
Murban – UAE	96.76	101.48	110.88	113.57	111.36	109.69	108.90	110.39	113.92	108.45	104.46	102.83	102.61	102.30	101.92	103.04	104.40	101.09
Oriente – Ecuador	89.22	94.13	102.21	102.81	98.74	97.15	98.68	101.39	103.41	100.86	95.56	96.40	96.01	94.59	93.76	96.24	97.94	96.10
Saharan Blend – Algeria	94.69	99.64	112.23	112.06	111.41	109.36	109.89	114.21	116.99	108.87	102.97	102.83	102.07	102.25	102.11	102.54	103.02	100.59
OPEC Reference Basket	**93.98**	**99.55**	**109.52**	**110.67**	**108.36**	**106.86**	**106.55**	**109.28**	**112.75**	**106.44**	**101.05**	**100.65**	**101.03**	**99.95**	**100.48**	**101.52**	**102.39**	**99.73**

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

Crude/Member Country	2012 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2013 Jan	Feb	Mar	Apr	May	June	Weeks 22–26/13 (week ending) May 31	Jun 7	Jun 14	Jun 21	Jun 28
Minas – Indonesia[1]	104.83	106.62	115.46	113.06	111.47	108.26	108.96	116.92	119.62	109.47	101.25	99.11	103.19	98.45	101.09	104.19	106.26	101.23
Arab Heavy – Saudi Arabia	92.67	98.24	108.47	109.76	106.91	106.13	104.79	106.54	110.15	103.16	98.50	98.98	99.64	98.41	98.81	99.98	101.39	98.37
Brega – SP Libyan AJ	95.49	102.69	111.78	111.76	110.89	108.61	108.99	113.01	116.49	108.62	102.67	103.03	103.27	102.45	103.31	103.74	104.22	101.79
Brent – North Sea	95.19	102.59	113.48	112.86	111.61	109.11	109.29	113.01	116.29	108.37	102.17	102.53	102.92	101.95	102.96	103.39	103.87	101.44
Dubai – UAE	94.44	99.15	108.62	111.22	108.80	107.22	106.34	107.94	111.25	105.55	101.68	100.30	100.32	99.73	99.49	100.66	102.08	99.07
Ekofisk – North Sea	95.96	103.49	114.05	113.29	112.49	110.46	110.66	113.67	117.68	110.43	103.53	103.60	103.79	103.42	104.01	104.40	104.57	102.17
Iran Light – IR Iran	93.35	99.97	111.30	112.24	109.60	107.77	107.61	110.38	114.68	108.52	101.27	100.98	101.73	101.23	101.88	102.43	102.57	100.03
Isthmus – Mexico	93.16	99.63	107.22	107.90	104.39	99.37	99.03	106.48	113.44	109.86	105.48	105.48	104.08	103.99	103.18	104.85	104.74	103.54
Oman – Oman	94.49	99.43	108.92	111.31	108.83	107.23	106.34	107.94	111.25	105.56	101.72	100.46	100.35	99.89	99.53	100.69	102.10	99.07
Suez Mix – Egypt	90.46	99.66	110.23	109.08	107.42	105.38	105.35	108.73	111.68	104.23	99.12	99.89	100.13	99.43	99.93	100.82	101.11	98.66
Tia Juana Light[2] – Venez.	91.48	98.04	105.61	105.85	102.20	97.28	96.95	104.03	110.72	107.99	103.90	103.90	102.20	102.43	101.33	102.96	102.85	101.67
Urals – Russia	93.81	102.63	113.18	111.92	110.26	108.23	108.21	111.62	114.51	107.01	102.06	102.52	102.74	101.88	102.51	103.41	103.73	101.29
WTI – North America	82.33	87.79	94.08	94.55	89.47	86.59	88.23	94.77	95.31	92.87	91.97	94.60	95.74	93.44	94.26	96.32	96.55	95.85

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).

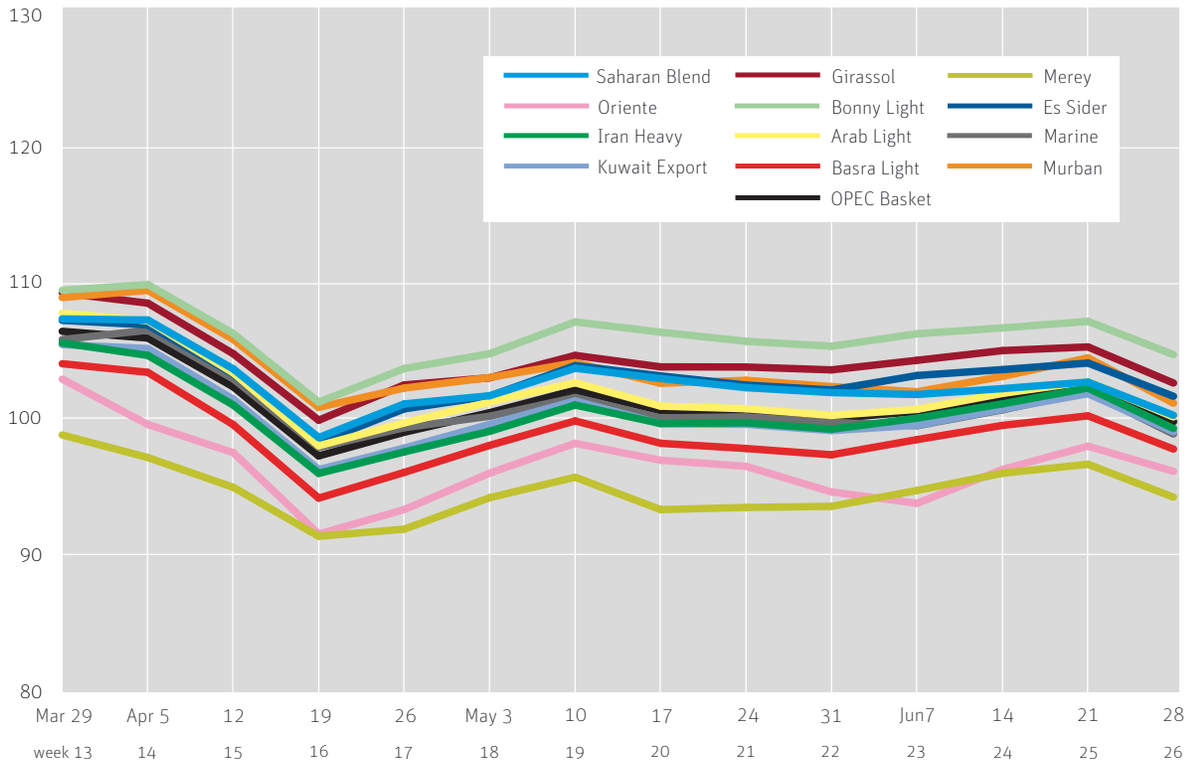
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

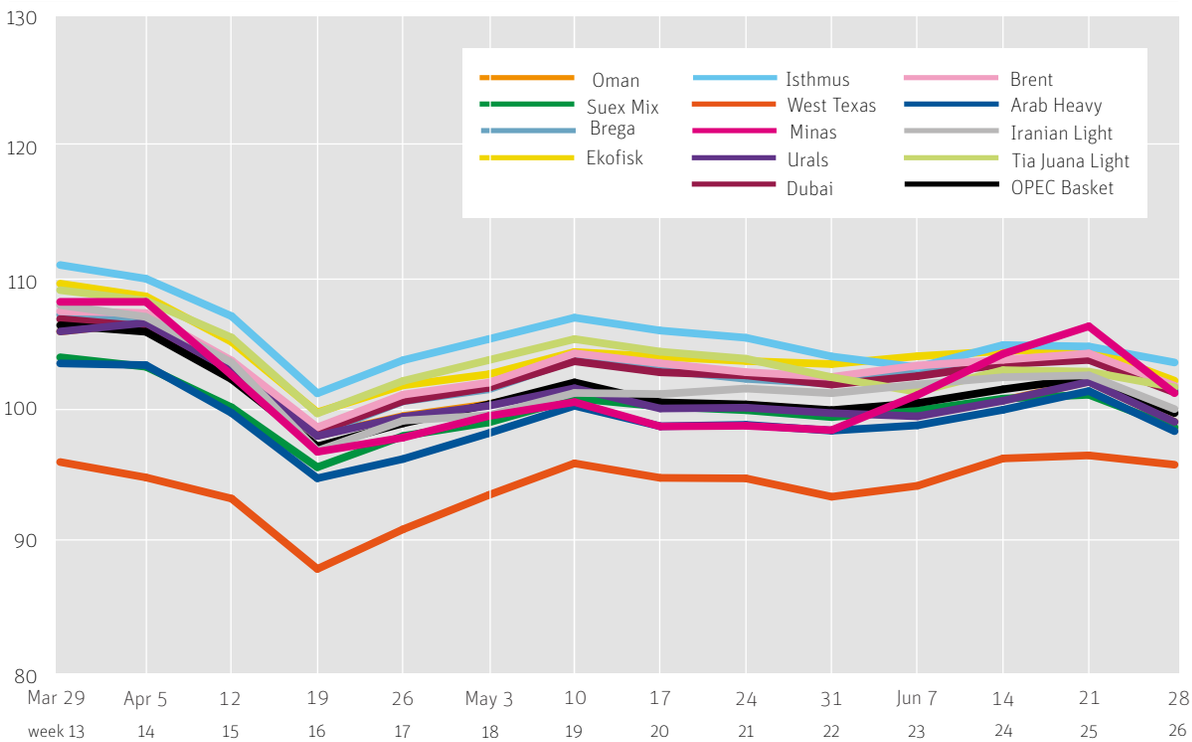
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, 2012/13 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, 2012/13 *$/b*



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

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2012	June	80.61	110.72	114.57	113.43	114.30	93.24	88.76
	July	91.27	117.81	121.02	121.32	121.58	99.09	93.14
	August	103.46	130.10	133.11	131.33	133.19	108.06	100.94
	September	106.90	133.41	137.67	134.72	136.77	109.44	102.07
	October	105.62	132.35	126.60	135.41	135.41	101.15	96.86
	November	103.00	125.92	117.89	129.48	129.34	95.37	92.46
	December	103.83	127.74	120.03	124.71	128.37	94.35	91.16
2013	January	103.22	129.56	124.95	128.47	131.56	99.44	96.75
	February	109.76	131.37	133.87	133.30	136.61	104.22	99.85
	March	100.70	127.37	122.54	123.85	125.31	96.98	95.40
	April	99.04	126.29	120.47	123.27	124.75	92.63	92.86
	May	99.30	128.47	121.53	123.97	125.12	94.10	93.63
	June	99.06	127.46	119.86	123.75	124.82	93.11	91.93

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

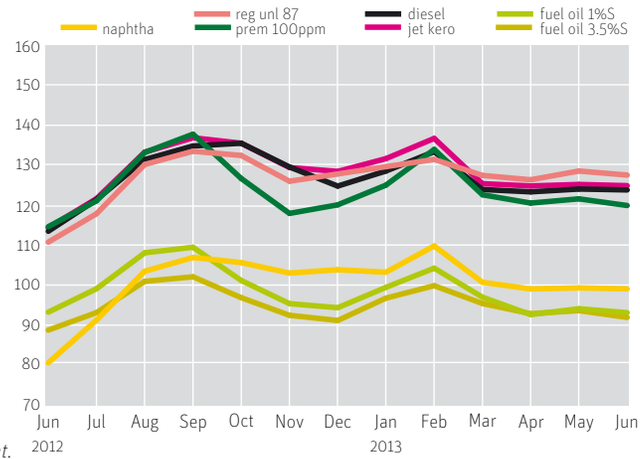


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2012	June	98.22	128.86	117.72	82.32	75.20
	July	111.30	135.85	126.39	87.78	78.92
	August	126.09	148.43	136.46	95.66	85.71
	September	130.38	154.44	139.88	97.82	86.67
	October	128.77	142.47	138.57	90.60	82.16
	November	125.67	133.02	131.63	85.54	78.40
	December	126.41	131.52	129.88	84.58	77.22
2013	January	125.25	137.69	134.06	90.27	82.02
	February	133.61	148.51	138.38	94.78	84.69
	March	121.97	139.34	132.70	91.30	83.36
	April	119.52	137.80	128.68	88.19	79.66
	May	121.05	139.46	129.80	89.36	81.15
	June	120.40	137.65	127.57	88.38	78.75

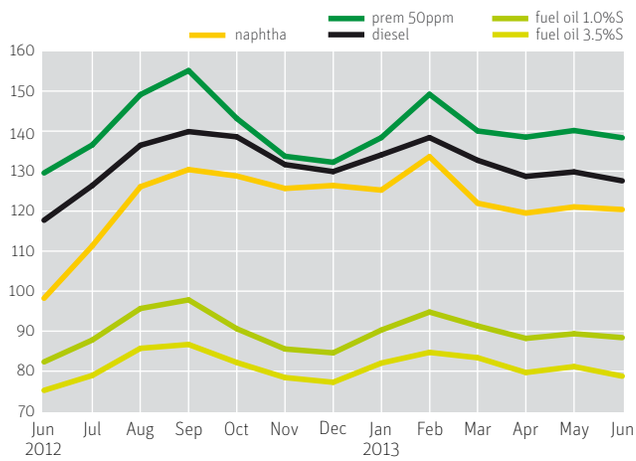
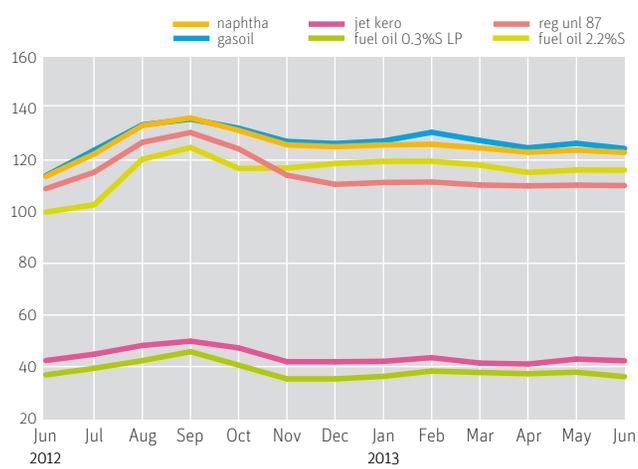


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		naphtha	regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3 per cent S	fuel oil 2.2 per cent S
2012	June	99.86	108.91	113.70	113.95	42.35	36.78
	July	102.69	115.26	122.36	123.81	44.79	39.35
	August	120.32	126.88	133.35	133.64	48.18	42.32
	September	124.84	130.65	136.32	135.87	49.84	45.78
	October	116.75	124.33	131.48	132.32	47.23	40.54
	November	116.92	114.12	125.90	127.22	41.88	35.24
	December	118.67	110.59	125.17	126.42	41.87	35.23
2013	January	119.50	111.31	125.88	127.40	42.04	36.21
	February	119.55	111.50	126.12	130.75	43.45	38.27
	March	118.07	110.35	124.71	127.57	41.35	37.72
	April	115.18	110.01	123.03	124.73	40.99	37.24
	May	116.15	110.29	123.88	126.48	42.91	37.84
	June	116.10	110.12	122.95	124.48	42.26	36.08



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2 per cent S	fuel oil 2.8 per cent S
2012	June	88.94	109.97	113.93	80.57	79.17
	July	91.77	116.99	123.01	86.69	84.91
	August	109.40	127.23	133.95	96.63	93.18
	September	114.59	131.98	135.20	99.31	97.06
	October	108.35	126.71	131.77	94.27	92.19
	November	108.52	121.99	125.88	90.89	89.02
	December	110.27	121.72	125.49	89.46	87.80
2013	January	113.55	122.08	131.81	95.58	92.82
	February	127.69	127.55	136.72	99.34	96.50
	March	119.80	123.03	125.96	94.15	91.25
	April	119.08	118.70	125.70	92.62	88.89
	May	120.51	121.20	127.57	93.07	90.46
	June	119.83	119.01	126.75	91.69	90.04

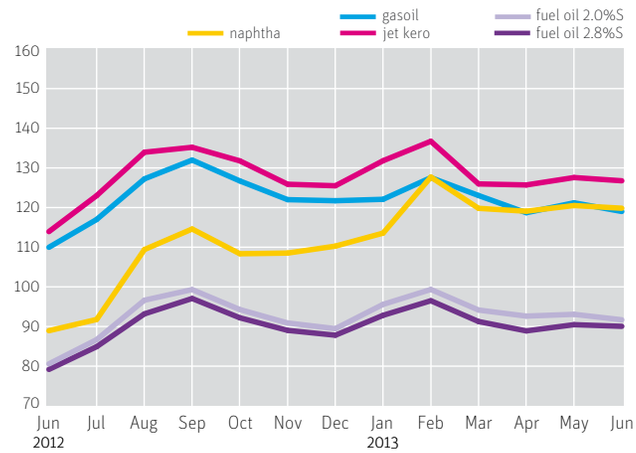


Table and Graph 7: Singapore market — spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2012	June	80.72	104.46	101.16	111.98	110.29	91.87	91.40
	July	91.13	113.37	110.19	119.30	117.52	95.63	95.30
	August	102.89	127.20	123.78	130.75	129.51	103.55	103.09
	September	106.81	125.97	122.25	132.61	132.57	105.32	104.70
	October	104.91	124.07	120.42	129.85	130.17	100.04	99.89
	November	102.64	119.61	116.47	125.69	125.21	94.51	94.59
	December	103.21	118.85	115.89	125.07	124.75	94.14	94.20
2013	January	105.55	122.77	120.07	127.01	128.09	97.46	98.48
	February	111.89	132.98	129.78	132.75	133.77	100.22	101.44
	March	102.09	124.00	120.78	123.64	123.50	97.98	98.49
	April	99.88	123.12	118.75	120.56	121.39	94.19	96.32
	May	100.73	123.71	120.09	122.30	123.81	96.44	98.50
	June	98.40	121.41	117.81	120.75	123.22	96.29	97.33

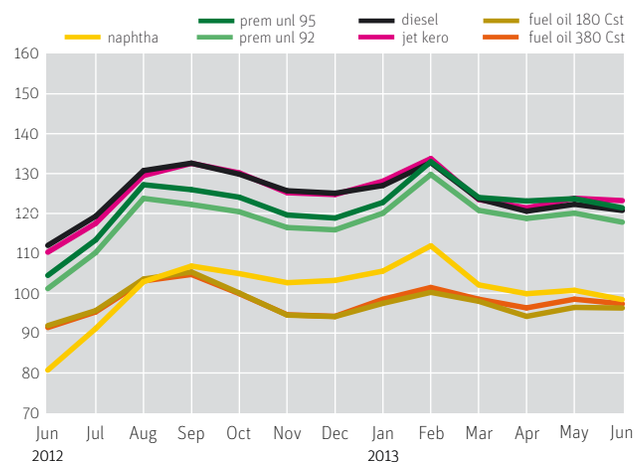
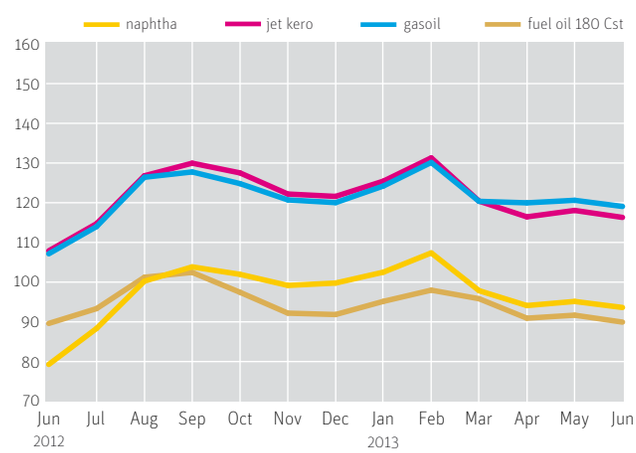


Table and Graph 8: Middle East Gulf market — spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2012	June	79.27	107.14	107.88	89.60
	July	88.34	114.00	114.72	93.33
	August	100.24	126.41	126.79	101.23
	September	103.84	127.75	129.96	102.45
	October	101.96	124.81	127.51	97.44
	November	99.17	120.71	122.19	92.19
	December	99.77	120.02	121.59	91.84
2013	January	102.51	124.21	125.44	95.16
	February	107.36	130.14	131.30	97.98
	March	97.85	120.35	120.40	95.82
	April	94.10	119.97	116.44	90.92
	May	95.14	120.61	118.06	91.68
	June	93.61	119.06	116.30	89.93



Source: Platts. Prices are average of available days.

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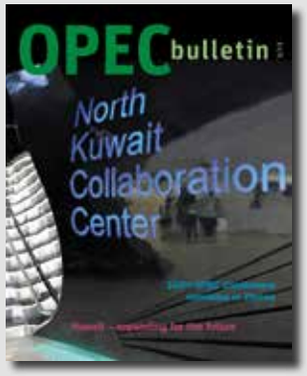

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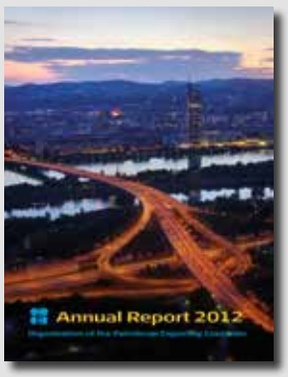

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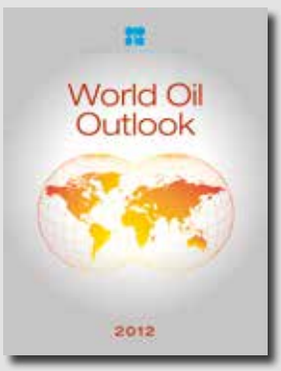

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