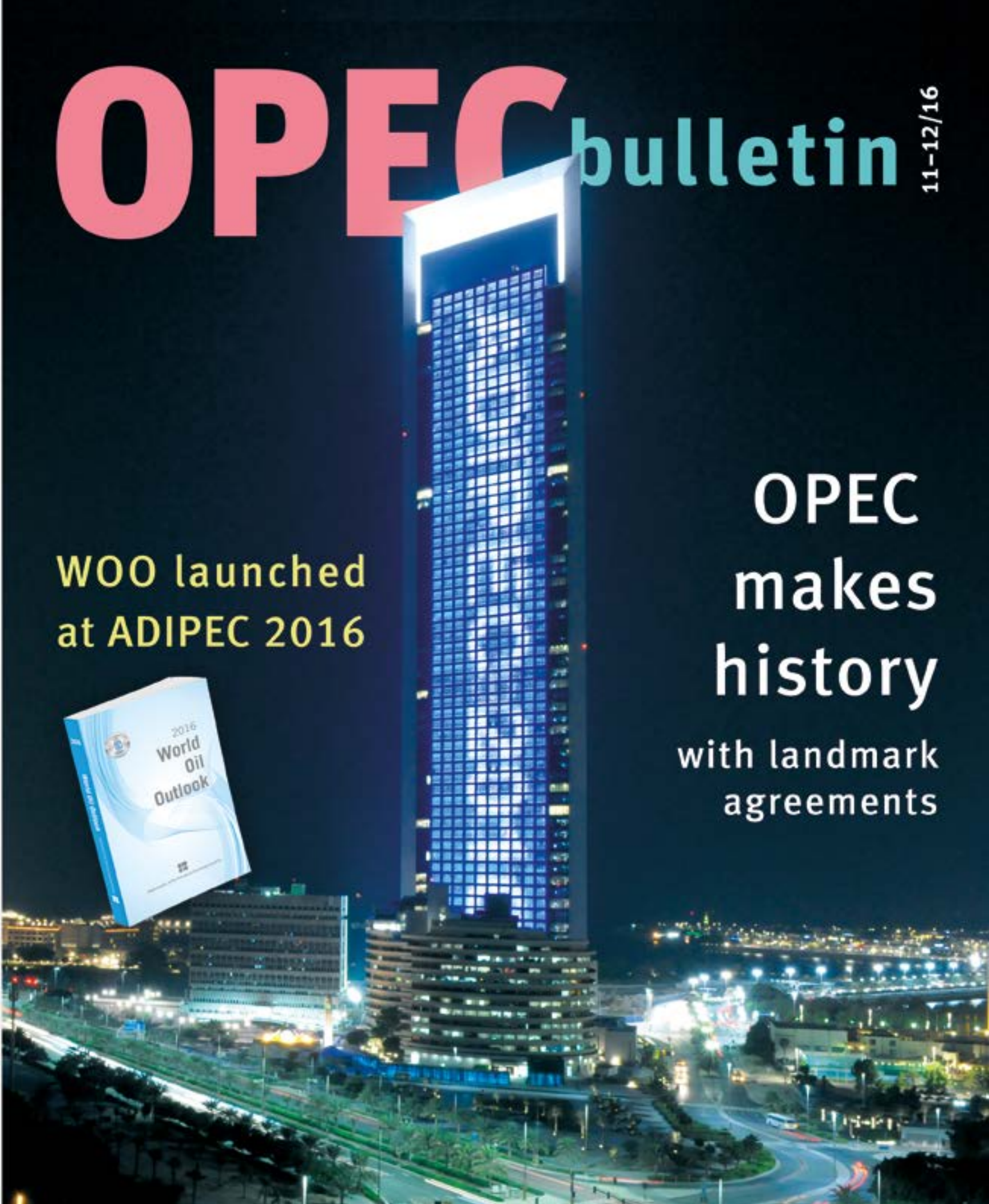
OPEC bulletin

11–12/16



OPEC makes history

with landmark agreements

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OPEC makes history in Vienna

When the major international energy exchanges opened their doors for business at the beginning of 2017, they were greeted by a positive air of anticipation and expectation not experienced on trading floors for quite some time. Thanks to OPEC and a group of leading non-OPEC producers this year's opening took on a very special significance. That is because January 1, 2017 signified the activation of the landmark OPEC/Non-OPEC crude oil production accord. Reached in Vienna, Austria, in early December 2016, the agreement entails 24 of the world's leading oil producers committing to removing around 1.8 million barrels/day of crude oil from global supplies from the beginning of 2017 over an initial six-month period that can be extended for another six months. The principle aim is to help ease an ongoing oversupply situation and importantly reduce a stock overhang that has been delaying the much-needed rebalancing of the oil market. It should also lead to a return of investment that is vital for the future of the sector.

Since December 10, 2016, when the historic 'Declaration of Cooperation' was forged in the Austrian capital, industry experts and analysts have been busy dissecting the decision, which came after many months of intense discussion and deliberation. They have been scrutinizing its workability, its likely impact and especially the seriousness of the producers that have signed up to it. The response across the entire international oil and gas chain has been positive. There is a widespread belief throughout the sector that the producers are determined to correct the oil market imbalance, which now represents the longest downturn in the industry's history.

Understandably for OPEC, reaching this agreement has been immense. It is the culmination of many years of hard work and repeated appeals for producers to band together to form a unified front in tackling the problems facing the industry. In fact, this Bulletin's editorials have been part of OPEC's past efforts at bringing producers around a common negotiating table. That finally happened at the OPEC Secretariat on December 10 last year, just a few days after OPEC itself agreed to reduce production by 1.2m b/d. A group of 11 non-OPEC countries, led by the Russian Federation, then agreed to make their contribution — with an additional reduction amounting to almost 600,000 b/d.

It was a significant decision, in fact the first time in 15 years such an arrangement between OPEC and non-OPEC producers was made. And as senior OPEC officials have stressed, the tripartite OPEC agreements reached in 2016 — the 'Algiers' Accord in September, the 'Vienna Agreement' in November, and the 'Declaration of Cooperation' in December — have taken a lot of time, effort and dedication by many devoted individuals to bring to fruition. It all capped a year that will forever go down in OPEC's history as one of its most challenging, yet perhaps most rewarding.

There has been no doubting the positive vibes sweeping through the oil sector. In fact, from the very moment the accord was endorsed by the 24 signatories on December 10, news agencies were announcing a firm rise in oil and gas prices, buoyed by a confidence not seen in oil circles since before the summer of 2014. And on January 1, 2017, when the accord became 'live', the first trading moves of the New Year came under close scrutiny. Just how would the markets perceive the much-lauded agreement now that it was physically in being? Again, all the news was good. Prices once again rang out their endorsement, rising by around three per cent from 2016 closing levels. This painted a completely different picture for the OPEC Basket of crudes. At the beginning of 2016, it opened at a depressed $31.79/b. In January 2017, it stood at over $53/b. In fact, and mostly as a result of OPEC's untiring efforts, international crude oil prices in 2016 surged by some 45 per cent in value, the largest annual gain since after the global financial crisis in 2009.

Of course, despite the euphoria, the industry is not out of the woods yet. But December 10, 2016, was the start of something considerable and meaningful and which points to the determination and resolve of OPEC and its Member Countries who have been working towards this moment for some considerable time. It is also important to stress that the agreement comes with a lot more than just the six months arbitrary action. There is a monitoring system in place and a structure under which enhanced relations between OPEC and non-OPEC producers will be institutionalized and taken to their highest level. It all certainly augurs well for the future.

In a world where interdependence is increasingly seen as the bedrock of growth and prosperity it is indeed gratifying that OPEC's voice of reason on the need for concerted cooperation and coordination of action on oil affairs has finally been heard. Since its inception over half a century ago, the Organization has never wavered from its determination to pursue this goal. It rightfully feels that the stakeholders that benefit from the oil market when it is functioning properly also have to play their part when things go wrong. The OPEC/non-OPEC 'Declaration of Cooperation' promises to correct that anomaly. The OPEC and non-OPEC producers that signed the Declaration now need to show the global community that they can work together and that together they can make a difference. This is about unity, it is about solidarity and it is about personal sacrifice for the eventual general good of all!

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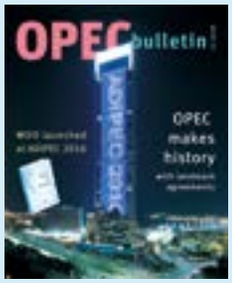

Cover

This month's cover shows the headquarters of the Abu Dhabi National Oil Company (ADNOC), in the United Arab Emirates, which hosted ADIPEC 2016 (see feature starting on p48).

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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. Of the Organization, 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. Indonesia joined in 1962, suspended its Membership on December 31, 2008, reactivated it on January 1, 2016, but suspended its Membership again on December 31, 2016. Gabon joined in 1975 and left in 1995; it reactivated its Membership on July 1, 2016.

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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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Two accords in ten days — Organization reaches new heights

OPEC makes history with landmark oil agreements

Dr Mohammed Bin Saleh Al-Sada (c), President of the OPEC Conference and Minister of Energy & Industry, Qatar; Mohammad Sanusi Barkindo (r), OPEC Secretary General; and Eng Mohamed Hamel (l), Algeria's Governor for OPEC, and Chairman of the OPEC Board of Governors.

OPEC is celebrating the signing of two landmark agreements that are unprecedented in its 66-year history and will go down as one of the Organization's greatest triumphs in its longstanding commitment to bringing about a stable international oil market.

The first accord was reached in Vienna, Austria, on November 30, 2016, when after intensive discussions the 171st Ordinary Meeting of the OPEC Conference agreed to reduce total oil production by 1.2 million barrels/day from January 1, 2017.

That, in itself, proved to be a historic moment — representing the first such agreement by the Organization since 2008, when Member Countries responded to the onset of the global financial crisis.

But there was more to come. Ten days later, again in the Austrian capital, which has been OPEC's home for over half a century, the Organization reached a supplementary deal with a group of non-OPEC producers, led by the Russian Federation, which committed to a reduction in output of almost 600,000 b/d.

And for that kind of agreement, one has to look back 15 years — to 2001.

"We are happy to announce that a historic agreement was made here today," OPEC Conference President, Dr Mohammed Bin Saleh Al-Sada, told a press conference after the day-long OPEC/non-OPEC Ministerial Meeting on December 10.

Transparent discussions

"Our discussions with the participating non-OPEC countries were transparent and constructive and culminated in today's successful agreement," pointed out Al-Sada, who is Qatar's Minister of Energy and Industry.

He explained that OPEC had held a similar press conference at the Organization's Secretariat in Vienna on November 30 when it announced its decision to reduce output by 1.2m b/d for the first half of 2017.

"In our agreement we promised that we would work with the non-OPEC countries," explained Al-Sada.

Dr Mohammed Bin Saleh Al-Sada (second r), President of the OPEC Conference and Minister of Energy & Industry, Qatar; Alexander Novak (second l), Minister of Energy of the Russian Federation; Mohammad Sanusi Barkindo (r), OPEC Secretary General; and Eng Mohamed Hamel (l), Algeria's Governor for OPEC, and Chairman of the OPEC Board of Governors.

Subsequently, 11 non-OPEC producing countries agreed to a total production reduction of 558,000 b/d.

"The agreement has really stemmed from the sense of responsibility towards the rebalancing of the international oil market which will lead to positive results, not only for producers and exporters, but also for the consumers and to the health of the world economy, which we all require," said Al-Sada.

He stressed that, in reaching the agreement, OPEC and non-OPEC countries had shown the "ultimate cooperation and responsibility", not only towards their countries, but also to the long-term security of energy supplies.

Historic agreements

Also speaking at the press conference, Khalid Al-Falih, Saudi Arabia's Minister of Energy, Industry and Mineral Resources, said he was "delighted to have been part, not only of this agreement today, but more importantly of the process that has culminated in what has already been termed by people as being historic."

Al-Falih, who will be OPEC's Conference President in 2017, stated that the reason it was historic was because of the impact it would have in bringing stability, reducing volatility, encouraging investment in the oil sector, and serving the interests of the global economy, not just the producers and the oil and gas industry.

"It is historic given the number of countries that are participating from both OPEC and non-OPEC.

"And it is historic given the fact it has been a process that involved extensive consultations, until we reached the conviction that everybody was not only willing to sign this agreement, but was also extremely enthusiastic in doing so, leading me to believe that compliance and implementation is going to be very high," he noted.

Speaking for the non-OPEC side, Alexander Novak, Minister of Energy of the Russian Federation, said: "This is truly a historic event and is the first time so many countries from different parts of the world producing oil have gathered together in one room to accomplish what we have done.

"This process actually started at the beginning of 2016. There have been numerous talks and discussions which have allowed us to arrive at this point and the signing of this declaration of cooperation which is aimed at stabilizing the market and improving the situation," he said in English through his translator.

"We believe that today's agreement will speed up the rebalancing of the market, which is happening as we speak. It will help stabilize the market and reduce volatility and speculation and improve the climate for new investment in the oil industry globally.

"Our actions have been carried out in both the interests of producers and consumers and the primary goal of what we have done here is to ensure a stable and safe supply of energy to the world economy.

"And after today's deal, I think it would be safe to say that as a result of this the relationship between OPEC and non-OPEC countries has reached a new peak and this creates a foundation for future medium- and long-term cooperation" he maintained.

Ten days earlier, the OPEC Conference President was sitting at the same table, announcing the Organization's own landmark agreement.

"We had great success today," a smiling Al-Sada told newsmen and analysts crammed into the OPEC Secretariat's press conference room on November 30.

"With the cooperation and understanding of all our Members, we have been able to reach an agreement … that is a major step forward.

"… we feel in OPEC that this is a historic moment which will definitely help in the rebalancing of the market, especially in reducing the stock overhang," he stated.

Rebalancing the oil market

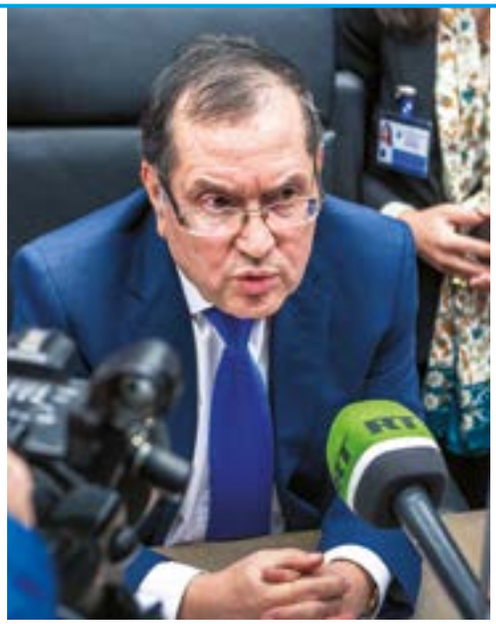
Both agreements, which amount to a total adjustment in oil production of around 1.8m b/d, are designed to speed up the rebalancing of the oil market and help reduce the large oil stock overhang, which has been pressuring crude prices for many months.

The international oil sector has been struggling to find equilibrium since oil prices fell in July 2014. It is now the longest downcycle in OPEC's history and has left its mark in all areas of the sector, including huge manpower layoffs and serious consequences for future investment.

To ensure compliance with the OPEC/non-OPEC agreement the two sides have set up a monitoring committee. This comprises three OPEC Member Countries — Kuwait (Chairman), Algeria and Venezuela — along with two countries from the non-OPEC group — Oman and the Russian Federation.

This will meet periodically to ensure full implementation of the accord.

The next few pages detail the two historic agreements and give a full perspective of events leading up to their outcome.



Noureddine Boutarfa, Minister of Energy, Algeria.

Eng José Maria Botelho de Vasconcelos, Minister of Petroleum, Angola.

Guillaume Long, Minister of Foreign Affairs, Ecuador, and Head of Ecuador's Delegation to the 171st OPEC Conference.

171st Meeting of the Conference convenes in Vienna

OPEC reaches historic 'Vienna Agreement' to reduce output

OPEC's Oil and Energy Ministers reached a historic agreement in Vienna, Austria at the end of November when they decided to reduce the Organization's total oil production from January 1, 2017, in support of a more stable and balanced oil market.

The 171st Ordinary Meeting of the OPEC Conference agreed to reduce the Organization's crude oil output by 1.2 million barrels/day to a ceiling of 32.5m b/d, for the first six months of 2017.

"We had great success today," a smiling OPEC Conference President told newsmen and analysts crammed into the press conference room at the OPEC Secretariat in the Austrian capital.

"With the cooperation and understanding of all our Members, we have been able to reach an agreement that is borne out of a sense of responsibility for OPEC Member Countries, for non-OPEC producers and for the general wellbeing and health of the world economy," Dr Mohammed Bin Saleh Al-Sada, Qatar's Minister of Energy and Industry, said.

"This agreement is a major step forward and we feel in OPEC that this is a historic moment which will definitely help in the rebalancing of the market, especially in reducing the stock overhang," he affirmed.

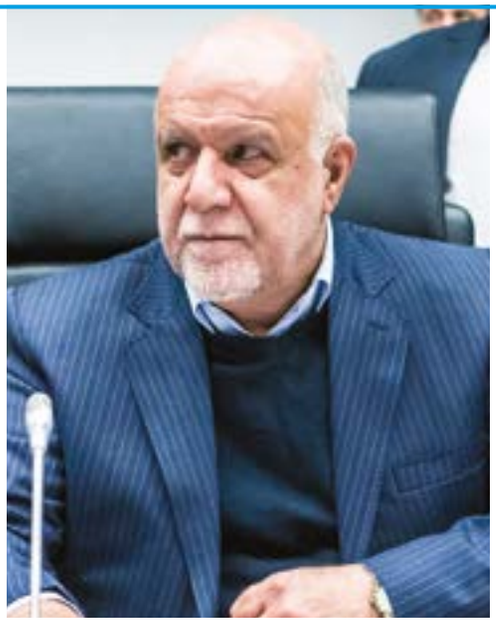
Indeed, the oil market responded positively on news of OPEC's intentions, which will be the Organization's first oil output reduction since 2008.

Follow-up of Algiers Accord

Al-Sada said the Ministers, who met for several hours in intense discussion, had reviewed all scenarios and had followed up on the plan announced in Algeria in September.

Etienne Dieudonné Ngoubou, Minister of Petroleum and Hydrocarbons, Gabon.

Ignasius Jonan, Minister of Energy and Mineral Resources, Indonesia.



Eng Bijan Namdar Zanganeh, Minister of Petroleum, IR Iran.

He was referring to the 'Algiers Accord', reached by the Ministers at the 170th (Extraordinary) Meeting of the Conference in the Algerian capital on September 28, which committed the Organization to a production adjustment.

"We responsibly considered all factors," commented Al-Sada. "We considered the need for catalyzing the oil supply and demand process which will ultimately help the industry to revive and come back and reinvest in future oil production capacity, in order to secure the mid- to long-term security of supply of this important source of energy.

"We considered all aspects and we came to the understanding that the market needs to be rebalanced and that rebalancing the market will require courageous decisions from OPEC, with the support of some key countries outside the Organization."

Al-Sada explained that OPEC had been in contact with leading non-OPEC countries who had since given their support and commitment to participating in reducing production.

"We agreed to reduce OPEC's production by 1.2m b/d to 32.5m b/d from January 1. 2017. But after our long discussions, we agreed to take into consideration that some Member Countries of OPEC need special consideration," said the Conference President.

He revealed that Indonesia, which only rejoined OPEC on January 1, 2016, could not, as a net importer of crude, participate in the OPEC agreement. "They decided to freeze their Membership again, which we can fully understand."

Al-Sada pointed out that OPEC was now looking to non-OPEC producers to also reduce production — by a total of around 600,000 b/d. Of this amount, the Russian Federation is committed to lowering its output by 300,000 b/d.

One has to look back some 15 years to see the last time OPEC and the Russian Federation took part in coordinated joint action to help the market.

Ministerial Monitoring Committee

The OPEC Conference President disclosed at the press conference that the Ministers had established a Ministerial Monitoring Committee consisting of three OPEC Countries — Kuwait, as Chairman, along with Algeria and Venezuela — that would work closely with the OPEC Secretariat to monitor the implementation of the 'Vienna Agreement', as well as the compliance to the adjustments by participating countries. "This Committee will report its findings to the Conference," he added.

It later became known that the Russian Federation and Oman had joined the Monitoring Committee.

A *communiqué* issued at the end of the one-day

Jabbar Ali Hussein Al-Luiebi, Minister of Oil, Iraq.

Anas Khaled Al-Saleh, Deputy Prime Minister, Minister of Finance, Acting Minister of Oil, Kuwait.

Mossa Elkony, Vice President of The Presidency Council of the Government of National Accord, Libya.

Ministerial Meeting said that after reviewing several reports and studying short-term market developments it was agreed that global economic growth forecasts were reasonable for both 2016 and 2017, at 2.9 per cent and 3.1 per cent, respectively.

Forecasts showed that non-OPEC oil supply was expected to contract by around 800,000 b/d in 2016, before returning to growth of 300,000 b/d in 2017 and that world oil demand was anticipated to grow at healthy levels of around 1.2m b/d in both 2016 and 2017.

"The numbers underscore that the market rebalancing is underway, but the Conference stressed that OECD and non-OECD inventories still stand well above the five-year average," the *communiqué* pointed out.

Ministers stressed that it was vital that stock levels be drawn down to normal levels.

They also voiced concern over the drop off in investment levels in both 2015 and 2016, as well as the huge layoffs the industry had witnessed in recent years.

The Conference emphasized the importance of continued investments for an industry that needed regular and predictable investments to provide the necessary supply in the medium- and longer-terms.

Ministers recorded their "deep appreciation" to the commitment and valued contribution of the Organization's High-level Committee on the implementation of the 'Algiers Accord'.

"The Committee's efforts helped form a consensus among Member Countries on the basis of a proposal put forward by Algeria to implement a new range of targeted production levels," the *communiqué* observed.

"Accordingly, and in line with the 'Algiers Accord', the Conference decided to implement a new OPEC-14 production target of 32.5m b/d, in order to accelerate the ongoing drawdown of the stock overhang and bring the oil market rebalancing forward. The agreement will be effective from January 1, 2017."

Member Countries, in agreeing to the decision, confirmed their commitment to a stable and balanced oil market, with prices at levels that are suitable for both producers and consumers.

The *communiqué* said that, in line with recommendations from the High-level Committee of the 'Algiers Accord', the Conference also agreed to institutionalize a framework for cooperation between OPEC and non-OPEC producing countries on a regular and sustainable basis.

"The Conference underscored the importance of other producing countries joining the Agreement," it affirmed.

The Conference recorded its deep appreciation to the country of Algeria, its Minister of Energy, Noureddine Boutarfa, and Eng Mohamed Hamel, Algeria's Governor for OPEC, "for their outstanding contribution" to the implementation of the 'Algiers Accord'.

Dr Emmanuel Ibe Kachikwu, Minister of State for Petroleum Resources, Nigeria.

Dr Mohammed Bin Saleh Al-Sada, President of the OPEC Conference and Minister of Energy & Industry, Qatar.

Khalid A Al-Falih, Minister of Energy, Industry & Mineral Resources, Saudi Arabia.

There was great euphoria over the 'Vienna Agreement' amongst OPEC's Heads of Delegation.

Algeria's Minister of Energy, Noureddine Boutarfa, told the OPEC webcast team after the Meeting that all OPEC Member Countries had been aware of the responsibility they had to the Organization, regrading both their Countries and the world economy.

"All eyes were on the Conference. And we saw that with the reaction of the market and the price of the barrel today." He stressed that Algeria would respect its output reduction commitment of 50,000 b/d, adding that he did not think the output goals would interfere with the accord.

He said that global demand for energy would grow in the future so there was no choice other than to invest. "But to invest, one has to have money. And to have money, prices have to create incentive.

"Regarding today's decision, we hope it will lead to price stabilization in the range of $50–60/b. This would be a good sign to stimulate investment."

He said the Ministers had 'hit the ground running' with preparations for the Algiers informal meeting that then became an Extraordinary Meeting of the Conference. It had not been easy to take the initiative and then reach the agreement in Vienna.

"We had two months to build a consensus, often with divergent interests. But finally, after a tremendous effort put in by all parties, we were able to reach this result today. This was a historical decision and the return of OPEC to its initial function that also has a market monitoring aspect.

Guillaume Long, Ecuador's Foreign Minister, who was deputizing as Head of Delegation for the Minister of Hydrocarbons, stated: "It was a historic meeting — a very good day for OPEC."

Strong impact on the oil market

Also speaking to the OPEC webcast team, he said the Ministers had reached an agreement which, he thought, would have a strong impact on the market and on investment, "which is what we need if we want to avoid these boom/bust periods that have been so detrimental to the energy market, both for exporters and importers and the global economy in general."

He continued: "It is a very positive agreement with a significant reduction in production. It is not only a great day for the oil market, but also for OPEC which needed to show its relevance in the 21st century. And it has done so here.

"OPEC is setting an example for the rest of the world and it is having a significant impact on its Member Countries and on oil production.

"And in accordance with non-OPEC members, who we have been consulting with constantly, I think we

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

Eng Eulogio Del Pino, People's Minister of Petroleum, Venezuela.

have reached a historic deal for the oil market and for the world."

Long said he was proud his country was part of such a historic deal. "Ecuador has its voice out there. The country is playing a prominent role in international relations and international politics," he stressed.

"And as a Member of OPEC, it was very important for Ecuador to be there, to be part of the negotiations and part of this agreement. Today, OPEC's Member Countries made history, including Ecuador," he added.

Long said they would now wait and see how the market reacted to the adjustments, but one of the main concerns for OPEC had always been the sharp decline in oil investment.

"It is not just about trying to get back to better prices but also to have more stability in the markets and the industry so that investments are more sustainable in the long run.

"We do not want to have these nefarious boom and bust cycles that affect the exports because they cannot plan and also importers who also cannot plan. It also affects the good functioning of the global economy.

"I think we are going to have a positive impact on investments and on the sustainability of the energy markets. This is about sustainability and stability. It is also about allowing non-fossil fuel investments to thrive. But you need certainties for that to happen.

Long pointed out that Ecuador was committed to the output reduction and "we are going to take part in this joint mutual sacrifice in order to stabilize the markets. This agreement is for six months and we are then going to have to analyze whether it will need to be extended."

Jabbar Ali Hussein Al-Luiebi, Iraq's Minister of Oil, also spoke of his delight at the agreement.

"Yes, I am very happy with the result," he told the OPEC webcast.

"We had long, extensive discussions that were very fruitful," said the Minister in agreeing that all the months of hard work put in had paid off.

"I am very optimistic for 2017 and I am confident that the oil market will improve," he added.

Very difficult process

Meanwhile, Eng Eulogio Del Pino, Venezuela's People's Minister of Petroleum, spoke of the very difficult process the Ministers had gone through since earlier in the year.

"After the price collapsed in January, we started to talk. We had two meetings in Doha, Qatar, and even though we did not reach an agreement then, we continued with our efforts, our negotiations and our discussions.

"Finally, today we were able to say that we had done

Dr Mohammed Bin Saleh Al-Sada (second l), President of the OPEC Conference and Minister of Energy & Industry, Qatar; Mohammad Sanusi Barkindo (second r), OPEC Secretary General; Eng Mohamed Hamel (l), Algeria's Governor for OPEC, and Chairman of the OPEC Board of Governors; and Hasan Hafidh, Head of OPEC's PR and Information Department.

Members of the OPEC Management (l–r): Abdullah Alakhawand, Head, Administration and IT Services Department; Jose Luis Mora, Head, Finance and Human Resources Department; Abdullah Al-Shameri; Oswaldo Tapia, Head, Energy Studies Department, In Charge of the Research Division;

... Hasan Hafidh, Head, Public Relations and Information Department; Dr Adedapo Odulaja, Head, Data Services Department; Dr Hojatollah Ghanimi Fard, Head, Petroleum Studies Department; and Asma Muttawa, General Legal Counsel.

Representatives of the international media interview Ministers during the opening ceremony of the 171st Meeting of the OPEC Conference.

it. We are very happy. These meetings have involved a lot of work. This has been the longest cycle for a low price for the last 50 years and for a country like Venezuela, which has its economic problems, this action we are going to take next year — we hope it will help us to recover.

"So it was very important to have this solution. It is very important for Venezuela to have a crude price that supports investment in its domestic oil resources, especially the heavy oil of the Orinoco Belt," he added.

In other matters, the Conference elected Khalid A Al-Falih, Minister of Energy, Industry and Mineral Resources of Saudi Arabia as President of the OPEC Conference for one year, with effect from January 1, 2017, and Suhail Mohamed Al Mazrouei, Minister of Energy of the United Arab Emiratres (UAE) as Alternate President, for the same period.

It also appointed Estévâo Pedro, Governor for Angola, as Chairman of the OPEC Board of Governors for the year 2017, and Wilson Pástor Morris, Governor for Ecuador, as Alternate Chairman for the same period.

The Ministers adopted the new OPEC Long-Term Strategy that has been produced over the last two years, the result of "exhaustive and robust research and analysis," and recorded the Organization's particular thanks to the Board of Governors and all other delegates to the meetings.

In addition, the Conference welcomed the recent early enforcement of the 'Paris Agreement' on climate change, stressing that OPEC would continue to support the successful and comprehensive implementation of the agreement to ensure a 'win-win' outcome for all.

In this regard, it stated that it was important to recognize that the agreement was under the United Nations Framework Convention on Climate Change (UNFCCC) and should continue to be guided by its principles and provisions.

"In particular, the unique situation of developing countries should be given the top priority it deserves," the OPEC *communiqué* read.

The Conference decided that its next Ordinary Meeting will convene in Vienna, Austria, on May 25, 2017.

Indonesia suspends OPEC Membership

OPEC Country Indonesia, which rejoined the Organization on January 1 this year, has chosen to suspend its Membership once again.

The Southeast Asia nation, which is a net importer of crude oil, informed OPEC's Oil and Energy Ministers of its decision at the 171st Meeting of the Conference in Vienna, Austria on November 30, 2016, saying that it could not take part in the 'Vienna Agreement'.

OPEC agreed to reduce its total oil production by 1.2 million barrels/day from January 1, 2017, which would have necessitated Indonesia lowering its output by 37,000 b/d.

However, Indonesia's Energy and Mineral Resources Minister, Ignasius Jonan, who attended the Vienna meeting, told the Conference that the only reduction Indonesia could accept was 5,000 b/d, which had been approved in the country's 2017 budget.

"There are still big government revenue needs in the 2017 budget," Jonan was quoted as saying, adding that as a net oil importer, lower output would not benefit the country, especially at a time when oil prices were expected to go up.

The nation's Energy and Mineral Resources Ministry said in a statement that the temporary suspension from OPEC was in the best interest of all OPEC Member Countries.

Indonesia initially joined OPEC in 1962, but suspended its Membership in December 2008. When it rejoined the Organization at the beginning of this year the country said it was looking forward to benefiting from closer ties with its fellow OPEC Member Countries, which it hoped could help it improve its oil production outlook for the future.

Conference President Al-Sada gives opening address ...

Secretary General, OPEC officials praised for "their hard work" over Algiers Accord

OPEC Conference President, Dr Mohammed Bin Saleh Al-Sada, has paid tribute to the "hard work" of the Organization's officials in following up on the 'Algiers Accord' and developing an important framework of consultations with key non-OPEC producing countries.

Dr Mohammed Bin Saleh Al-Sada, President of the OPEC Conference and Minister of Energy & Industry, Qatar.

Al-Sada, Qatar's Minister of Energy and Industry, paid special mention of the shuttle diplomacy of the Organization's new Secretary General, Mohammad Sanusi Barkindo, in organizing a series of meetings aimed at supporting OPEC's plan to adjust oil production.

In his opening address to the 171st Meeting of the OPEC Conference in Vienna, Austria on November 30, 2016, Al-Sada highlighted the work of the Organization's High-level Committee, set up by the 170th (Extraordinary) Meeting of the Conference, which convened in the Algerian capital on September 28, 2016.

That Meeting saw OPEC Member Countries agree to the 'Algiers Accord', which committed the Organization to a new oil production target range. The focus of the agreement was on accelerating the drawdown of the oil stock overhang and bringing the market rebalancing forward.

The 'Algiers Accord' also saw the establishment of a High-level Committee to study and recommend the implementation of the production level of Member Countries.

In addition, the Committee was tasked with developing a framework of high-level consultations between OPEC and non-OPEC oil-producing countries, including identifying risks and taking pro-active measures that would ensure a balanced oil market on a sustainable basis.

"Over the past two months, this Committee has done some excellent work," Al-Sada told OPEC delegates in the Austrian capital. "The meetings it has undertaken have been extremely constructive, providing us all with a better appreciation and understanding of the various viewpoints among OPEC and non-OPEC producers.

"On behalf of the Organization, I would like to express our deep appreciation to those who have been involved in these meetings."

Al-Sada stated that in the period since the 'Algiers Accord' was agreed they had also seen extensive bilateral and multilateral consultations, across countries and continents, and between Ministers, as well as Heads of State.

"Here, I would also like to highlight the diplomacy work of the OPEC Secretary General, Mohammad Sanusi Barkindo, who has paid visits to a number of our Member Countries and engaged in extensive talks with both OPEC and non-OPEC producers."

Build consensus among producers

"These further exhaustive efforts to build consensus among all producers have been vital to the process. The efforts made have been laudable. I am very hopeful that the positive talks will continue here in Vienna today leading to a mutually acceptable solution on the way forward."

The Conference President pointed out that OPEC fully appreciated the importance of bringing forward the rebalancing of the fundamentals and returning sustainable stability to the oil market.

"This will be beneficial to our economies, the global oil market and the world economy as a whole," he told the plenary session of the Meeting. Al-Sada said that in examining the current market situation, "we can grasp the urgency of the situation."

He noted that when OPEC met in Algiers on September 28, the OPEC Reference Basket stood at just above $42/b.

"The agreement reached in Algiers was effective in arresting any further deterioration in prices and also helped reduce relative volatility. In fact, the OPEC Reference Basket climbed to above $49/b by mid-October," he observed.

However, he continued, the price then started falling and by November 14 it had dropped below $41/b, although there had been an uptick since. "The past month or so has shown that price volatility is still a significant concern," he maintained.

From the supply and demand perspective, Al-Sada said there were signs that the rebalancing of the fundamentals was underway.

"This year, we expect non-OPEC oil supply to contract by 800,000 b/d, compared to growth of 1.5m b/d in 2015. And in 2017, we only see a small growth in non-OPEC supply."

Al-Sada said world oil demand was expected to grow at healthy levels of around 1.2m b/d in both 2016 and 2017.

In addition, global economic growth forecasts remained reasonable for both 2016 and 2017, at 2.9 per cent and 3.1 per cent, respectively.

"Nonetheless, as we have repeated on many occasions throughout the year, the large stock overhang continues to be a major worry," he stated.

"Despite the fact OECD commercial oil stock levels this year have seen little change, with the total level in September only slightly higher than that seen in January, they remain stubbornly high. Moreover, they are still more than 300m b above the five-year average."

"Furthermore, we also need to recognize that in recent years we have also seen a rise in non-OECD inventories, plus an expansion in some non-OECD strategic petroleum reserves."

The Conference President said it was vital stock levels started to fall, as the decision taken in Algiers recognized.

"As we have seen in previous cycles, once this overhang starts falling on a regular basis then prices start to rise and more stability will return to the market," he explained.

"This persistent stock overhang, as well as the recent price volatility, has sharpened our minds. All producers now understand the gravity of the situation. And I should add that all consumers should comprehend the gravity of the situation too."

Al-Sada said it was also important to underscore that they needed to not only consider the short-term, but the medium- and long-term as well.

"Of course, the short-term directs our current thinking, but as we all know, this is very much a medium- to long-term business."

In this regard, Al-Sada reiterated two key points that he said he had made on many occasions.

"Firstly, this remains a growth business, with oil demand in OPEC's 2016 *World Oil Outlook* reaching over 109m b/d by 2040, a healthy increase of over 16m b/d. "And secondly, this growth will require significant investments in the upstream, midstream and downstream. Overall, estimated oil-related investment requirements are close to $10 trillion in the period to 2040."

Al-Sada continued: "We need to ask ourselves whether the situation that has evolved over the past two years or so is putting this future at risk."

He stressed that global spending on exploration and production investments fell in both 2015 and 2016, and some were now even talking about this continuing.

"A third year of investment falls would be unprecedented for the industry," he professed.

Road to success

The Conference President told the Meeting that, as the history of OPEC had shown and as many of their predecessors would no doubt acknowledge, the road to success was not always easy to navigate.

"However, as we have shown over the past few months, with hard work, drive and commitment from all of us, we can overcome challenges and obstacles through cooperation and compromise.

"I feel we have already taken great steps to shape a fair and common understanding among us all. And I have the sense that everyone here remains committed to ensuring we find the solutions needed to implement the 'Algiers Accord'.

"We all have a common goal of developing a lasting solution that brings forward the rebalancing process, reduces the length of the downturn, lessens volatility and stabilizes the market," he added.

At the beginning of his address, the Conference President offered a very warm welcome to Ignasius Jonan, Indonesia's Minister of Energy and Mineral Resources, who was attending a meeting of OPEC Ministers for the first time.

"We would like to extend our sincere appreciation to the work of his predecessor in office, Sudirman Said, who oversaw Indonesia's reactivation of its OPEC Membership at the end of last year."

Al-Sada also gave a warm welcome to a number of Ministers to a Vienna OPEC Conference for the first time.

"Noureddine Boutarfa, Algeria's Minister of Energy, who of course made an enormous contribution in helping the Organization deliver the landmark 'Algiers Accord' at the 170th (Extraordinary) Meeting of the OPEC Conference at the end of September.

"And there is also Etienne Dieudonné Ngoubou, Gabon's Minister of Petroleum and Hydrocarbons; Jabbar Ali Hussein Al-Luiebi, Iraq's Minister of Oil; and Dr Guillaume Long, Ecuador's Minister of Foreign Affairs, who is heading his country's delegation at this Meeting," he noted.

Non-OPEC producers join OPEC action for first time in 15 years

Dr Mohammed Bin Saleh Al-Sada (second r), President of the OPEC Conference and Minister of Energy & Industry, Qatar; Alexander Novak (second l), Minister of Energy of the Russian Federation; Mohammad Sanusi Barkindo (r), OPEC Secretary General; and Eng Mohamed Hamel (l), Algeria's Governor for OPEC, and Chairman of the OPEC Board of Governors.

OPEC's landmark agreement to reduce oil production from January 1, 2017, took on ever greater historic significance in early December when a group of producers outside the Organization also agreed to reduce output in the first half of next year, in support of OPEC's oil market stability efforts.

Eleven non-OPEC producers sat down with OPEC Member Countries in the Austrian capital on December 10, 2016, and under a 'Declaration of Cooperation', agreed to a combined output reduction of 558,000 b/d.

This amount, added to the 1.2 million barrels/day output reduction already decided upon by OPEC at its 171st Ordinary Meeting of the Conference in Vienna on November 30, means that, from the beginning of 2017, some 24 of the world's oil producers will implement joint reductions totalling near to 1.8m b/d, which will go a long way to easing the oversupply in the market.

And it is hoped that more non-OPEC producers can be persuaded to join the agreement, which could be extended after July for another six months if market conditions so warrant.

Dr Mohammed Bin Saleh Al-Sada, President of the OPEC Conference and Minister of Energy & Industry, Qatar.

Welcome agreement

A supply glut, followed by a growing stock overhang, has been pressuring the market and prices since mid-2014. The very welcome OPEC/non-OPEC agreement comes after many months of discussion and deliberation, particularly between OPEC and the Russian Federation.

The agreement represents the first time in 15 years that OPEC has reached such an understanding with non-OPEC producers. Calculations show that the countries involved in the decision together account for around 55 per cent of total world crude oil production, while the reduction itself represents around two per cent of current supply and deemed sufficient to spark an all-important drawdown in stocks.

The OPEC/non-OPEC Ministerial Meeting, held at the

Alexander Novak, Minister of Energy of the Russian Federation.

Mohammad Sanusi Barkindo, OPEC Secretary General.

Eng Mohamed Hamel, Algeria's Governor for OPEC, and Chairman of the OPEC Board of Governors.

OPEC Secretariat, was jointly chaired by Dr Mohammed Bin Saleh Al-Sada, President of the OPEC Conference and Minister of Energy and Industry of Qatar, and Alexander Novak, Minister of Energy of the Russian Federation.

A communiqué issued at the end of the talks importantly stressed that the Meeting recalled the rights of peoples and nations to permanent sovereignty over their natural wealth and resources.

Assembled Ministers took into account the current oil market conditions and short- to medium-term prospects and recognized the need for joint cooperation of oil-exporting countries, "to achieve lasting stability in the oil market in the interest of oil producers and consumers."

The communiqué recalled how OPEC's decision on November 30, 2016 to implement a production adjustment of 1.2m b/d, effective January 1, 2017, confirmed Member Countries' commitment "to a stable and balanced oil market" and underscored the importance of other oil-producing countries joining their efforts.

"The Meeting recognized the desire of Azerbaijan, the Kingdom of Bahrain, Brunei Darussalam, Equatorial Guinea, Kazakhstan, Malaysia, Mexico, the Sultanate of Oman, the Russian Federation, the Republic of Sudan, and the Republic of South Sudan, as well as other non-OPEC producers, to achieve oil market stability in the interest of all oil producers and consumers.

"In this regard, the aforementioned countries proposed to adjust their oil production, voluntarily or through managed decline, starting from January 1, 2017, for six months, extendable for another six months, to take into account prevailing market conditions and prospects," it stated.

Joint cooperation

It added: "The aforementioned countries and OPEC, convinced of the necessity to jointly cooperate to help stabilize the oil market, reached and observed the following:

- OPEC maintains its decision made on November 30, 2016, whereby arrangements were recorded following the extensive understanding of OPEC's adjustment;

- Azerbaijan, the Kingdom of Bahrain, Brunei Darussalam, Equatorial Guinea, Kazakhstan, Malaysia, Mexico, the Sultanate of Oman, the Russian Federation, the Republic of Sudan and Republic of South Sudan commit to reduce their respective oil production, voluntarily or through managed decline, in accordance with an accelerated schedule. The combined reduction target was agreed at 558,000 b/d for the aforementioned producers;
- That two participating non-OPEC countries shall join the OPEC Ministerial Monitoring Committee, consisting of oil ministers, chaired by Kuwait with the Russian Federation as alternate chair, and assisted by the OPEC Secretariat;
- To strengthen their cooperation, including through joint analyses and outlooks, with a view to ensuring a sustainable oil market, for the benefit of producers and consumers;
- To regularly review at the technical and ministerial levels the status of their cooperation.

Natiq Aliyev, Minister of Industry and Energy.

Sheikh Mohammed Bin Khalifa Al Khalifa, Minister of Oil.

Extensive discussions

For the past 18 months, OPEC has been in discussion with non-OPEC producers, led by the Russian Federation, on ways and means of restoring balance to the international oil market, particularly in supporting healthy prices and drawing down the excessive level of petroleum stocks, brought on by many months of oversupply.

Initially, discussions centred on the possibility of oil-producing countries implementing a production freeze, rather than an actual adjustment in output.

In a meeting hosted by Qatar in April 2016, some 18 OPEC and non-OPEC oil nations gathered in Doha to look at reaching some form of effective deal.

However, despite a positive round of talks, an agreement did not materialize, prompting Al-Sada to tell reporters that the Organization needed more time to construct the outlines of a deal to freeze output.

But as developments unfolded, it became apparent that just freezing oil output would not be sufficient in dealing with the current oversupply situation and the growing problem associated with swollen stocks.

Julian Abia Biteo May, Presidential Advisor of Petrochemical Project.

Kanat Bozumbayev, Minister of Energy.

In May 2015, in stressing the importance of maintaining dialogue with oil-producing countries outside the Organization, OPEC convened a technical meeting of oil and economic experts from both OPEC and non-OPEC countries.

Held in Vienna, the meeting discussed oil market fundamentals and the global economy, with participants concluding that market stability remained a common objective for all producers and was attainable through cooperative effort.

Threat to investment

Delegates agreed to convene again before the end of the year and a second meeting was subsequently held in October where officials spoke of the threat to future oil investment from the continuing low oil prices.

It was at this meeting that Venezuela's People's Minister of Petroleum, Eng Eulogio Del Pino, made the long trip to Vienna especially to present his country's proposals for measures to bolster prices, including a suggestion for an OPEC/non-OPEC summit on the subject.

In between these technical meetings, OPEC reached its landmark 'Algiers Accord' at the 170th (Extraordinary) Meeting of the OPEC Conference in the Algerian capital on September 28, at which Member Countries made a commitment to reduce OPEC's total oil production.

And high-ranking officials from OPEC and non-OPEC countries took the process of dialogue to stabilize the oil market one step further when they held informal consultations in Istanbul, Turkey on October 12, on the sidelines of the 23rd World Energy Congress (WEC).

The talks included the Oil and Energy Ministers of OPEC Members Algeria, Gabon, Qatar, the United Arab Emirates (UAE) and Venezuela, as well as non-OPEC ministers from Russia and Mexico.

Specifically, Conference President Al-Sada and OPEC Secretary General, Mohammad Sanusi Barkindo, met with Algerian Minister of Energy, Noureddine Boutarfa, and Venezuela's Del Pino, in addition to Russian Energy Minister Novak.

Separately, Barkindo met with the President of the Bolivarian Republic of Venezuela, Nicolás Maduro Moros, who gave a presentation to the WEC.

At the informal meetings, officials discussed the situation in the international petroleum market and a roadmap to stabilize it and move it forward.

"We are building on Algiers," Novak was quoted as saying, stating that the Istanbul meeting did not discuss specific figures, but rather focused on interaction mechanisms and studied analysis and data.

"OPEC has keen discussions with different blocks in the international community. We are working very hard now within our sphere to do our best and try to rebalance the market to the interest of everybody," OPEC's Al-Sada told the press.

He pointed out that a fair crude price was necessary

Datuk Abdul Rahman Dahlan, Minister in the Prime Minister's Office.

Dr Aldo Flores-Quiroga, Deputy Secretary of Energy for Hydrocarbons.

to address the decreasing levels of oil sector investment experienced in the past two years.

Ahead of OPEC's November 30 Conference in Vienna, OPEC Oil and Energy Ministers and Russia's Novak met in Doha to further their discussions about what action to take to correct the market imbalance.

Concern about the oil market situation has been prevalent for many months. It is now the longest down cycle suffered by the industry in OPEC's history. And that stretches well over half a century.

Oil and energy ministers, industry experts and analysts have been reiterating the need for producers to form some form of alliance to ease the oversupply situation and stabilize the market and prices.

This action was taken up by OPEC's new Secretary General, Barkindo, who since assuming office on August 1, 2016, has worked tirelessly, travelling to OPEC Member Countries and speaking with non-OPEC officials, all in pursuit of an agreement to better the market conditions.

One other voice of reason has been that of Abdullah Bin Hamad Al Attiyah, one of the oil industry's most respected elder statesmen, who called on non-OPEC oil producers to sit down with OPEC to try and solve the oil market's problems.

Al Attiyah, Qatar's former Energy and Industry Minister, who spent some 18 years working with OPEC at often difficult meetings, stressed the point that OPEC was "powerless" to cure the market's ills on its own.

In an interview with the *Daily Telegraph*, he maintained that OPEC should seek a deal with major non-OPEC producers to arrest the oil price decline.

"OPEC cannot solve this problem alone like before. Now it is a different story. Russia, Norway and Mexico all must sit down with OPEC to discuss making (production) adjustments," he was quoted as saying.

Worst expectations exceeded

Al Attiyah professed that the crude oil price decline since September 2014 had "exceeded our worst expectations."

The charismatic Al Attiyah is recognized globally for his years of experience in the oil and gas sector and especially for having made a formidable contribution to the international energy industry over the course of many decades.

Now a senior adviser to the Emir of Qatar, he was a leading figure in OPEC affairs. He was President of the OPEC Conference on no fewer than four occasions.

On November 30, 2016, after many months of hard work by OPEC officials, the Organization reached its historic agreement in Vienna — to reduce oil production by 1.2m b/d from January 1, 2017.

Ministers also called on non-OPEC producers to show similar resolve by committing to reducing production by at least 600,000 b/d. The Russian Federation immediately announced it would account for 300,000 b/d of that amount.

Mohammed Hamad Al Rumhy, Minister of Oil and Gas.

Alexander Novak, Minister of Energy.

'Algiers Accord' paves way for 'Vienna Agreement'

OPEC Secretary General, Mohammad Sanusi Barkindo, has stressed the importance of the Organization's 'Algiers Accord', reached in Algeria towards the end of September 2016, in preparing the ground for the historic 'Vienna Agreement' forged two months later in Vienna, Austria.

"It was truly a landmark achievement," he told the 1st Meeting of the High-level Committee of the Algiers Accord (OPEC and non-OPEC Countries), in Vienna on October 29, 2016.

"It was a collective decision reached by consensus of all 14 OPEC Member Countries. It hindered a further slide in crude oil prices — which have since reversed direction — and also reduced volatility. These were certainly positive and encouraging," he stated.

Barkindo explained that the decision in Algiers enabled a common platform for an effective action "for us all".

The 170th (Extraordinary) Meeting of the OPEC Conference, which began as a Consultative Meeting at the end of the 15th Ministerial Meeting of the International Energy Forum (IEF) on September 28, 2016, in the Algerian capital, committed Member Countries to a crude production target ranging between 32.5 and 33.0 million barrels/day.

At the same time, the Ministers established the High-level Committee to study and oversee the adjustments, as well as develop a framework of high-level consultations between OPEC and non-OPEC oil producers.

Barkindo said the first meeting of the High-level Committee came at a critical time for the global oil market as producers jointly put efforts into taking action for the sake of "the 'sustainable market stability' we all desire."

The 'Algiers Accord', he said, mandated several important things. Not only did it mandate the High-level Committee to work towards the implementation of production levels among Member Countries, it also called for the development of a framework of high-level consultations between OPEC and non-OPEC producing countries "a mechanism to facilitate long-term dialogue between us."

Said Barkindo: "This is meant to be a process through which we may together identify risks and take pro-active measures to ensure a balanced oil market on a sustainable basis."

Ezekiel Lol Gatkuoth, Minister of Petroleum and Mining.

Dr Mohamed Zaid Awad, Minister of Petroleum and Gas.

He pointed out that in recent months OPEC had been part of many consultations and discussions — both with fellow OPEC Countries and non-OPEC nations — about how best to return stability to the market.

"Let me state that our talks with non-OPEC countries — in which the Russian Federation has played an extremely active role — have been very constructive."

Barkindo said such close interactions were indeed very supportive and were exemplary for the cooperation and joint actions "we clearly seek among producers."

He highlighted the important leadership role already played by some non-OPEC countries.

"The statements of some national leaders — of countries such as Oman and Russia, for example — have demonstrated their support for this meeting and reflect a broad understanding of the importance of sharing contributions among non-OPEC countries.

"I was very much encouraged by the statement made by Vladimir Putin, President of the Russian Federation, at the World Energy Congress in October in Istanbul when he said Russia was ready to join joint measures on reducing the production of oil and invited other oil exporters to do so.

"Such support is important at critical times like these. It gives testimony to what some might think is only a narrow concern of a few countries. And it exemplifies the readiness of non-OPEC producers to enhance the rebalancing process.

"If we can remember that it is only together — not individually — that we can move forward, then I remain hopeful that the outcome of today's meeting will be positive. This calls for joint, coordinated and timely actions. And we hope to discuss how to implement such actions across both OPEC and non-OPEC producers.

"These talks are vital to better understand each other, our current circumstances and what options are available to us to help reduce the imbalance and increase the stability of the market.

"We believe that by finding common ground among all producers, we will be able to develop lasting and sustainable solutions to the challenges we all face today," he added.

The 1st Meeting of the High-level Committee of the Algiers Accord (OPEC and non-OPEC Countries), which was preceded the day before by the first High-Level Committee Meeting among OPEC Member Countries, in addition to OPEC Member Countries, was attended by six non-OPEC countries — Azerbaijan, Brazil, Kazakhstan, Mexico, Oman and the Russian Federation.

The Meeting acknowledged the landmark 'Algiers Accord' and underscored the positive impacts it had had on the markets, with a reversed trend in oil prices and reduced volatility, providing a common platform for all producers to work jointly on restoring stability to the markets.

Delegates discussed the oil market conditions and prospects for the rest of the year and in 2017. Deliberations focused on oil market fundamentals and

driving factors for the economy, oil demand and supply, including the exceptionally high stock overhang.

The Meeting noted that the world economy, despite prevailing uncertainties, was expected to see improvements in the current year and in 2017.

Delegates observed that there had already been an increase in oil demand growth in 2016 in both the OECD and other regions, with potential for similar growth in 2017. On the supply side, significant declines were noted in non-OPEC regions in 2016. However, the stock overhang continued to be very high.

"In addition, the negative impact of prolonged low oil prices, which has resulted in deep cuts in upstream investments, is expected to extend into an unprecedented third year. Furthermore, despite gradual adjustment, persistent oversupply with excess stocks was noted as a concern, exerting adverse pressure in the market," a press release issued after the Meeting stated.

The participants shared their readiness to enhance the rebalancing process, including through joint coordinated actions implemented on a sustainable basis, in order to accelerate the ongoing drawdown of the stock overhang and bring the rebalancing forward.

In this regard, the Meeting emphasized the value of more frequent consultations towards contributing to the effective implementation of the 'Algiers Accord'.

"In view of the market complexities and large uncertainties going forward, the Meeting stressed the importance of enhanced cooperation for all times, along with technical interactions, so that future consultative meetings may adequately address topical issues affecting the oil market and the industry at large."

At the conclusion of the Meeting, participating countries resolved to strengthen their cooperation through regular, structured and sustainable consultations among OPEC and non-OPEC producers in accordance with the mandate of the 'Algiers Accord'.

OPEC and non-OPEC Ministers take time out for a group photo.

Ministers highlight significance of oil agreement between OPEC, non-OPEC producers

Three high-ranking officials representing OPEC and non-OPEC oil-producing countries addressed the press conference at the culmination of the OPEC/non-OPEC Ministerial Meeting, which was held at the OPEC Secretariat in Vienna, Austria, on December 10, 2016. Each described just what the historic joint agreement to reduce crude oil production by around 1.8 million barrels/day from January 1, 2017, meant for the producers, the consumers, the oil sector, the international oil market, and the world economy in general.

Dr Mohammed Bin Saleh Al-Sada
OPEC Conference President, Minister of Energy and Industry, Qatar

"We are happy to announce that a historic agreement was made here today. We had a similar press conference on November 30, 2016, after the 171st Meeting of the OPEC Conference and in our 'Vienna Agreement' we promised that we would work with non-OPEC countries. There were then intensive discussions with key non-OPEC countries that yielded so positively in our successful agreement today. The agreement has really stemmed from the sense of responsibility towards the rebalancing of the international oil market which will lead to positive results, not only for producers and exporters, but also for the consumers and to the health of the world economy, which we all require. Our discussions with the participating non-OPEC countries were transparent and constructive and culminated in today's successful agreement.

"The 11 non-OPEC countries participating in the Meeting committed to a reduction in production of 558,000 b/d. However, the agreement is open to other non-OPEC countries too, if they want to join the collective effort. In this agreement, OPEC and non-OPEC countries showed the ultimate cooperation and responsibility, not only towards their countries, but also to the long-term security of energy supplies. We have noticed with concern the drop in investment over the last couple of years. In the first year, we cut through the fat, then through the muscles. Now, in the upcoming year, we are going to cut

Dr Mohammed Bin Saleh Al-Sada, OPEC Conference President, Minister of Energy and Industry, Qatar.

through the bone which will be extremely harmful for security of energy supply.

"Concerning the Monitoring Committee, set up to ensure the accord's implementation and to scrutinize adherence to the output adjustments, this will comprise Kuwait (Chair), Algeria and Venezuela. Russia and Oman have now been added to that from the non-OPEC side. We have already prepared a draft *modus operandi*. The Committee will be entrusted with developing an articulated mechanism regarding the monitoring process.

"The whole intention of the accord is to accelerate the rebalancing of the international oil market. There has been a high accumulation of stocks for many months and the process we started, first with OPEC and now with non-OPEC, is meant to accelerate the natural process of the rebalancing. What we are doing here is catalyzing that process.

On the OPEC Conference Presidency held by Qatar in 2016 ...

"It was a very active year for us. I took part in some 16 major meetings at different levels, in addition to numerous bilateral talks. I would like to thank all the countries and organizations that I have been interacting with, be it OPEC or non-OPEC countries, most notably, the Russian Federation, who gave us the encouragement, the support and the cooperation, along with many other countries. This confidence in the Qatari Presidency role has been augmented by the fact that Qatar has always been a peace and prosperity-loving nation for the interest of all. This has always been the policy led by the Emir. Qatar is doing its best for the interests of all. This policy has helped us considerably in our OPEC Presidency. In 2017, Saudi Arabia will take the Presidency and OPEC will be in the safest of hands. The interaction with non-OPEC producers I am sure will be further augmented."

Alexander Novak, Minister of Energy of the Russian Federation.

Alexander Novak

Energy Minister, Russian Federation

"I would like to thank the Secretary General of OPEC and the Organization's Conference President for allowing us to organize this gathering in Vienna on this great day. I would also like to thank all the Heads of Delegation here. I would like to say thank you to all the OPEC Member Countries present and for Khalid Al-Falih, Saudi Arabia's Minister of Energy, Industry and Mineral Resources, for the immense work he has done on this deal. Thanks also to all the non-OPEC Heads of Delegation here because without them this would not have been possible.

"This process actually started at the beginning of 2016. There have been numerous talks and discussions which have allowed us to arrive at this point and the signing of this declaration of cooperation which is aimed at stabilizing the market and improving the situation.

"This is truly a historic event and is the first time so many countries from different parts of the world producing oil have gathered together in one room to accomplish what we have done. This includes all the Countries from OPEC, as well as the 11 non-OPEC countries here. Altogether, in this room, we have more than half of global output of over 90m b/d.

"In accordance with the agreement, the production adjustment will run for the first six months of 2017. Together with the OPEC reduction, we will have a total adjustment in output in the first half of next year of about 1.7–1.8m b/d. In order to monitor the progress of the deal and to recommend to members what action to take, the Monitoring Committee will comprise five countries — three from OPEC and two from non-OPEC.

"It is very important to note that this is not a closed agreement and that we will continue to work together to attract more non-OPEC countries to join our efforts to stabilize the market for the benefit of both the producers and the consumers.

"We believe that today's agreement will speed up the rebalancing of the market, which is happening as we speak. It will help stabilize the market and reduce

volatility and speculation and improve the climate for new investment in the oil industry globally. Our actions have been carried out in both the interests of producers and consumers and the primary goal of what we do here is to ensure a stable and safe supply of energy to the world economy.

"After today's deal, I think it would be safe to say that as a result of this the relationship between OPEC and non-OPEC countries has reached a new peak and this creates a foundation for future medium and long-term cooperation.

"Since he took office as Minister, Khalid Al-Falih played a very big role in the resumption of the OPEC/non-OPEC discussions after the breakdown of the Doha talks in April, bringing them now into an active phase. He came with new ideas, new energy and with these renewed efforts he has played a fundamental role in bringing in non-OPEC countries.

"The level of trust that was built up over the summer during our meetings and communications allowed us to sign another historic agreement in September on the sidelines of the G20 meeting. That was on cooperation between Russia and Saudi Arabia in the oil markets. A lot of work has been done since then in order to bring this deal closer. It might have seemed easy — what we arrived at today — but it was not. It is an extremely difficult task bringing together the interests of so many different countries from different parts of the world to reach an agreement like this.

"I am happy that we are now at an intermediate point in the process. We have reached the agreement and signed it. But this is not yet the end. There is a still a lot of work ahead of us when we start implementing the agreement in order for it to be successful.

"In the declaration of cooperation we have signed, the possibility of the agreement being extended beyond the first six months of 2017 is quite clearly spelled out. There is the possibility to extend for another six months if the conditions in the market warrant it. We will carefully monitor the market conditions and the agreement and we will have regular expert meetings of the five members of the Monitoring Committee.

"As far as United States shale oil is concerned, my personal opinion is that this is more a question of competition between producing countries and that is the way we have to look at it. We cannot stop technological progress — it will still be happening. Productivity will also be growing as will other components of global competition. We just have to look at this situation realistically — it is a global competitive market. We should not be looking at the US shale recovery as being the only factor. And it should not stop us from taking action when we believe it is necessary. What we are aiming to achieve is to reduce instability in the markets and to speed up the supply and demand rebalancing and improve the attractiveness for investment."

Khalid A Al-Falih
Minister of Energy, Industry and Mineral Resources, Saudi Arabia.

Khalid A Al-Falih

Minister of Energy, Industry and Mineral Resources, Saudi Arabia

"I am obviously delighted to have been part, not only of this agreement today, but more importantly of the process that has culminated in what has already been termed by people as being historic. The reason it is historic is because of the impact it will have in bringing stability, reducing volatility and encouraging investment and serving the interests of the global economy, not just the producers and the oil and gas industry. It is historic given the number of countries that are participating from both OPEC and non-OPEC. And it is historic given the fact it has been a process that involved extensive consultations until we reached the conviction that everybody was not only willing to sign this agreement, but was also extremely enthusiastic in doing so, leading me to believe that compliance and implementation is going to be very high.

"There are two broad objectives — one is the short- to medium-term to stabilize the market during 2017, but in fact starting now and encouraging a reasonable level of investment flows back into the upstream oil and gas industry and ensuring reliable energy supply for the global economy. The other track that this agreement cements and prepares us for is the long-term collaboration through which we spread the burden of monitoring, consulting and then occasionally when the need arises, intervening at the right time to bring stability to the oil market.

"The shock that the oil market experienced over the last couple of years has brought to life the fact that the oil industry is unique. We spoke about this today. Less than two per cent of oversupply caused more than a 70 per cent drop in prices with a matching drop in investment, putting at risk the long-term stability of supply coming to the oil market.

"This illustrated that there needs to be cooperation among producers. Traditionally, OPEC has taken on that role by itself. But we made it clear that this time around OPEC, only accounting for one-third of global oil supply, would not be carrying 100 per cent of the burden. Our non-OPEC colleagues, led by Russia, being the largest non-OPEC producer, have acknowledged that there is a need to cooperate and come together.

"The process was not quick and overnight — it has taken us a year — and it has gone through many milestones. And there have been many instrumental leaders that have played key roles throughout the process. Of the milestones along the way, two of them were in Doha when the groundwork was laid concerning a production freeze. But by the Algeria Meeting we moved into a discussion about a reduction in production to bring us closer to the volumes that we had earlier in the year when we talked about the concept of a production freeze.

"I am extremely thankful to those that have provided leadership, particularly Alexander Novak, Dr Mohammed Bin Saleh Al-Sada, Algerian Energy Minister, Noureddine Boutarfa, who played a key role in bringing together the 'Algiers Accord', as well as the OPEC Secretariat led by Secretary General, Mohammad Sanusi Barkindo, who provided the back office support and the facilitations, as well as being a good catalyst for bringing us together.

"The process that started at the beginning of this year and has culminated in this agreement is not ending. We now want a framework to help us manage a very fragile market that is very sensitive to imbalances. We all remember 2007 when we were close to a shortage, although we had no shortage. We had spare capacity in Saudi Arabia, but the market was extremely nervous, extremely alarmed and prices shot up to $148/b and put the global economy at risk. That is as much a concern to me as the last couple of years of oversupply and depressed prices.

"Our objective at OPEC is to provide a stable energy supply to the world economy — from the Far West to the Far East, developed and developing countries — and give long-term stability of supply and reasonable predictability of prices, which is always a function of balanced supply and demand which we intend to bring about with maximum extent to provide foresight, management and visibility. In terms of the actions of OPEC and as the incoming OPEC Conference President for 2017, I am inheriting a much better situation than my colleague had to manage in 2016. We will put great effort into the monitoring process to make sure we institutionalize it and we will build on the process we have started with Russia and other non-OPEC producers to make sure that we build on

Dr Mohammed Bin Saleh Al-Sada (c), President of the OPEC Conference and Minister of Energy & Industry, Qatar; Alexander Novak (l), Minister of Energy of the Russian Federation; Khalid A Al-Falih (r), Minister of Energy, Industry and Mineral Resources, Saudi Arabia.

this foundation to have a long-term framework for OPEC and non-OPEC cooperation.

"I can tell you with absolute certainty that effective January 1, 2017, we (Saudi Arabia) are going to reduce, and reduce substantially to be below the level that we have committed to on November 30. We have already notified our customers of the production limits from January 1. We will continue in this way for the first six months of 2017 and if necessary we are willing and able to extend it for the rest of the year, or for whatever period the collective will of OPEC/non-OPEC is.

"I have confidence and I have trust in the non-OPEC countries. I am also optimistic that the market is rebalancing, demand is picking up, the global economy in 2017 is going to do slightly better than in 2016 — developing nations are demanding more oil. In general, the demand numbers from customers, even in the low demand season, are indicative of a healthy economy of countries growing, of populations prospering and people wanting more oil. So I think that 2017 is going to be a healthy year.

No room for complacency

"That does not mean we relax or become complacent. We have to keep our eyes on the market. We have to demonstrate absolute 100 per cent compliance to our agreement and we have to build the trust with each other, among OPEC Countries and certainly between OPEC and non-OPEC nations. There is an element of reciprosity here. OPEC Countries waited for non-OPEC countries before our agreement and now our non-OPEC colleagues, led by Russia, are putting their faith in us. That is why the responsibility is multiplied and we will really have to make sure that we comply fully with the letter and the intent and the nearest barrel to the commitments we have made. In my capacity as incoming Conference President, I will do my utmost to ensure that OPEC as a whole is in full compliance.

"The rebalancing of the market was already underway before our agreements. We have seen drops in inventories in the third and fourth quarters of 2016, but I think this will accelerated by the agreement, which is desired by all. Prices are ultimately not the direct objective of this agreement. We did not have a price in mind when we agreed to the 'Algiers Accord' or the 'Vienna Agreement' and nor did we set a price target today. Prices will be set by the market. They will always change based on market forces and producers and consumers alike have to be willing to accept and live with market-determined prices. But the equilibrium price that the market will determine will need to be in a range that attracts enough investment to cater for long-term supply, in balance with the expectations of demand.

"When we had prices above $100/b, investments in the oil sector were so excessive that, despite disruptions, the market ultimately suffered a glut. So my feeling is that those high prices are not sustainable, especially given the fact that the industry has got more efficient with costs recently after the market downturn. But the prices we have seen since 2014 have caused significant stress and we have seen the most efficient producers being unable to sustain their operations, unable to invest, unable to pay dividends and governments unable to support their budgets. So we know that this level of price is also equally unsustainable on multiple fronts. Somewhere in between the market will determine an equilibrium price that will bring long-term stability.

"The intent of the OPEC/non-OPEC cooperation we are marking today is to help steward that process, but at the same time respect and recognize that it is the market that sets the price. But there are many variables that can get in the way and nobody on the planet can predict the price and what it is going to be. All going well, producers should be able to return to their normal production levels after the six-month period. If conditions change, then there is the option within the framework to extend the accord.

"As for US shale oil, there is still a considerable lag time for bringing it back onstream. Therefore, I do not see any response from shale oil in 2017. Also, the cost of the oil service industry will pick up in 2017. Going forward, and after being hurt in 2015 and 2016, we see signals that the service industry costs are increasing in response to higher demand for projects and drilling. So I think 2017 is going to be the beginning of a healthier oil market and business environment, not only for producers, but ultimately consumers.

"I have been in major discussions with consumer country leaders who have indicated that the drop in commodity prices in general and oil in particular has been a net negative for the global economy. It has contributed to lower growth in global economies, to deflation, and to extremely low to negative interest rates. It is all putting a drag on the world economy.

"What we hope with this historic accord between OPEC and non-OPEC producers is that it is going to narrow the volatility and put us in a better space in terms of the global economy."

Institutionalized framework for oil cooperation "vital"

— *Conference President*

Dr Mohammed Bin Saleh Al-Sada, President of the OPEC Conference and Minister of Energy & Industry, Qatar.

OPEC believes it is vital to institutionalize a framework for cooperation between its Member Countries and non-OPEC producing countries to help better adapt and react to future oil industry cycles.

That was the view put forward by OPEC's Conference President, Dr Mohammed Bin Saleh Al-Sada, at the OPEC/non-OPEC Ministerial Meeting, held in Vienna on December 10, 2016.

"We all recognize that the oil industry is cyclical by nature, but with regular, structured and sustainable interactions, both at the policy and technical levels, and through working together towards common goals, we can attempt to take the sharp edges off future cycles," Al-Sada, who is Qatar's Minister of Energy and Industry, told assembled delegates in his opening address.

"I believe everyone here has the sense that right now is one of those historical moments in which we can together positively influence the future; for the benefit of our countries, and for the future stability of the oil industry, and the global economy at large," he affirmed.

In welcoming everyone to the OPEC Secretariat, he explained that the recent more structured dialogue between OPEC and non-OPEC producers was initiated following OPEC's decision at the 170th (Extraordinary) Meeting of the OPEC Conference in Algeria on September 28, 2016, referred to as the 'Algiers Accord'.

"We are very pleased to see so many Ministers and Heads of Delegation from non-OPEC producers present as we look to build on the 'Vienna Agreement', the result of the 'Algiers Accord'.

Al-Sada was referring to the decision taken by OPEC at its 171st Ordinary Meeting of the Conference to reduce total oil production by 1.2 million barrels/day from January 1, 2017, in support of rebalancing the market.

"We value your contributions, your readiness to be part of this process and your attendance today for such an important meeting," he said. "It is a meeting that is vital for all producers, the oil industry, and the global economy as well."

Al-Sada gave a specific thank you to the meeting's co-Chair, Alexander Novak, Minister of Energy of the Russian Federation, who he said had been a strong advocate of the consultations that had taken place between OPEC and non-OPEC producers.

"His dedication and leadership in this process has been acclaimed by all," he pointed out.

The OPEC Conference President explained that the 'Algiers Accord' had set up a High-level Committee that was tasked with recommending the implementation of new production levels for OPEC Member Countries, as well as developing a framework of high-level consultations between OPEC and non-OPEC oil-producing countries.

"From the OPEC and non-OPEC perspective, this set in motion a series of extensive bilateral and multilateral consultations, across countries and continents, and between OPEC and non-OPEC, as well as Heads of State and governments. We have seen commitment to this market rebalancing process from the very highest levels of our sovereigns," he stressed.

Most recently, he continued, OPEC and non-OPEC producers had met at the OPEC Secretariat for a technical meeting of the High-level Committee on October 29, 2016 — a meeting that discussed oil market fundamentals, specifically issues related to market over-supply, demand, the stock overhang and the sharp contraction in industry investments.

It had also recommended strengthening cooperation through regular, structured and sustainable consultations among OPEC and non-OPEC producers.

"What the past two months have shown is that there is a growing consensus among producers that the market recovery process has taken far too long, with severe consequences for both producer and consumer countries.

"It has had a major impact on all our countries, in terms of economic growth, heavy losses in revenue and deep social spending cuts," he maintained.

Moreover, said Al-Sada, it had also had an adverse impact on consumers.

"We only have to look at the damaging levels of deflation in some OECD countries, as well as the record low interest rates, sometimes in negative territory in real terms, which is partly attributed to lower oil prices," he observed.

"It is thus vital we look to return sustainable stability to the market, in order to accelerate the ongoing drawdown of the stock overhang, bring the market rebalancing forward and ensure that the necessary future oil industry investments take place in a timely fashion."

Challenges ahead

Al-Sada said these challenges were firmly in focus when OPEC Ministers met on November 30, 2016, for the 171st Meeting of the OPEC Conference in Vienna.

"This historic meeting delivered the 'Vienna Agreement', with the Conference deciding to adjust OPEC production by around 1.2m b/d, to bring it to 32.5m b/d, effective as of January 1, 2017."

The OPEC Conference President stated that this decision was a collaborative timely action to address the prevailing market realities and prospects. And it was a commitment to the global community to help restore and sustain market stability with positive and broad implications on the world economy, the oil industry and oil-producing and exporting nations.

"The efforts made by OPEC Member Countries were extremely constructive. They have shown great resolve, flexibility, responsibility, as well as a sense of compromise," he added.

"The 'Vienna Agreement' is OPEC's first production adjustment since the Oran meeting in Algeria in 2008, at the onset of the global financial crisis," informed Al-Sada.

The agreement had also been openly shared with the public to reflect its credible, equitable, transparent, measurable and verifiable features, he professed.

"We hope that today's meeting will complete the picture from the non-OPEC perspective. We should aspire to announce to the world a responsible and timely joint action to help rebalance the market and see sustainable market stability return.

"I can only reemphasize the importance of this — for our countries, for the oil industry and for the global economy as a whole," he said.

Russian Energy Minister praises OPEC for 'Vienna Agreement'

Alexander Novak, Minister of Energy of the Russian Federation.

Alexander Novak, Energy Minister of the Russian Federation, congratulated OPEC on reaching the historic 'Vienna Agreement' at its 171st Meeting of the Conference on November 30, 2016, which decided on production limitations amounting to 1.2 million barrels/day by Member Countries.

In opening comments to the OPEC/non-OPEC Ministerial Meeting on December 10, 2016, he pointed out that OPEC had been historically active in the market, removing instability and discrepancies, especially through managing its production.

"Today we are seeing that the Organization is ready to play a key role in removing instability and the inefficiencies of the market," he maintained.

Novak, who has spent the whole of 2016 in close consultation with the Organization on the market situation, said the decision taken in Vienna by OPEC was a big step for the whole petroleum industry.

"It will prove to be fundamental in restoring a healthy balance between supply and demand and also support investment requirements for the sector in the long term," he professed.

"The global oil industry today is going through very challenging times. The current crisis is the biggest since 2008. The price collapse in 2014 and 2015 has significantly limited investment in oil projects. Oil investment since 2014 has fallen by a factor of two," he observed.

"At the same time, the oversupply in the oil sector has not declined as fast as some people expected. As a result of this, we are seeing significant oversupply remaining in the market and commercial inventories have significantly exceeded their five-year average levels."

Novak stressed that without cooperation by the world's biggest oil producers the market rebalancing would be difficult to realize.

Global cooperation

"That is why this meeting today is important with the non-OPEC countries represented here which account for a large part of global oil production which have the potential of production adjustments of around 600,000 b/d," he explained.

"I would like to stress that the whole world depends on the active responsible participation of non-OPEC producers. This is a unique window of opportunity for these oil producers to help the market recover. Missing this chance would just be wrong," stated Novak.

He pointed out that over the past four months a lot of work and time had been invested in the process — "the result of which we see today. It is the convergence of the positions between OPEC and non-OPEC Countries in relation to this issue."

Novak said the OPEC decision made at the Algeria Meeting and then the agreement taken in November were a result and a breakthrough in the right direction.

"Back in April 2016, we were close to reaching a historic agreement that would have marked the beginning of a new era in the global oil market. Not being able to conclude the agreement then was disappointing.

"But today I am sure we will be able to overcome any difficulties."

Novak said he would like to express his sincere thanks to all OPEC Member Countries that had participated in the agreement, especially the key players, such as Saudi Arabia, Iran and Iraq, for being so constructive in the process of reaching this deal.

"I would also like to note the extremely big contribution made by the OPEC Secretary General and the OPEC Conference President and from our colleagues in Venezuela and Algeria for all their time and efforts to helping to make this decision possible.

"I would like to point out that theses consultations have boosted the level of trust between the countries participating in the process.

"I would like to say a special thank you to the non-OPEC ministers present here today. This deal would not have been possible without your constructive and active involvement in the process," added Novak.

OPEC and non-OPEC Ministers seen during the signing of the 'Declaration of Cooperation'.

OPEC's landmark 'Vienna Agreement'

The global oil market has witnessed a serious challenge of imbalance and volatility pressured mainly from the supply side. It has led to significant investment cuts in the oil industry, which has a direct impact on offsetting the natural depletion of reservoirs and in ensuring security of supply to producers.

Current market conditions are counterproductive and damaging to both producers and consumers, it is neither sustainable nor conducive in the medium- to long-term. It threatens the economies of producing nations, hinders critical industry investments, jeopardizes energy security to meet growing world energy demand, and challenges oil market stability as a whole.

There is a firm and common ground that continuous collaborative efforts among producers, both within and outside OPEC, would complement the market in restoring a global oil demand and supply balance, in particular the drawdown in the stocks overhang, which is currently at a very high level.

At this conjuncture, it is foremost to reaffirm OPEC's continued commitment to stable markets, mutual interests of producing nations, the efficient, economic and

The OPEC Secretariat in Vienna, Austria, venue of the OPEC and non-OPEC Ministerial Meeting.

secure supply to consumers, and a fair return on invested capital.

Consequently, the recovery of oil market balance could be addressed through dialogue and cooperation among producing countries as a way forward for cohesive, credible, and effective action and implementation.

Hence, it is under the principles of good faith that countries participating in today's meeting agree to commit themselves to the following actions:

- In the fulfilment of the implementation of the 'Algiers Accord', the 171st Ministerial Conference has decided to reduce its production by around 1.2 million barrels/day to bring its ceiling to 32.5m b/d, effective January 1, 2017;
- The duration of this agreement is six months, extendable for another six months to take into account prevailing market conditions and prospects;
- To recognize that this Agreement should be without prejudice to future agreements;
- To establish a Ministerial Monitoring Committee composed of Algeria, Kuwait, Venezuela, and two participating non-OPEC countries, chaired by Kuwait and assisted by the OPEC Secretariat, to closely monitor the implementation of and compliance with this Agreement and report to the Conference;
- This Agreement has been reached following extensive consultations and understanding reached with key non-OPEC countries, including the Russian Federation that they contribute by a reduction of around 600,000 b/d in production.

In testimony of the above-stated the undersigned, authorized by their governments, have signed this Agreement.

Agreed crude oil production adjustments and levels* *(1,000 b/d)*

Member Country	Reference production level	Adjustment	Production level effective January 2017
Algeria	1,089	–50	1,039
Angola	1,751	–78	1,673
Ecuador	548	–26	522
Gabon	202	–9	193
Indonesia**			
IR Iran	3,975	90	3,797
Iraq	4,561	–210	4,351
Kuwait	2,838	–131	2,707
Libya			
Nigeria			
Qatar	648	–30	618
Saudi Arabia	10,544	–486	10,058
United Arab Emirates	3,013	–139	2,874
Venezuela	2,067	–95	1,972

* *Reference base to crude oil production adjustment is October 2016 levels, except Angola for which September 2016 is used, and the numbers are from Secondary Sources, which do not represent a quota for each Member Country.*

** *Indonesia suspended its membership.*


OPEC and non-OPEC Ministerial Meeting
0 December 2016
OPEC Secretariat

Impressions from the Meeting

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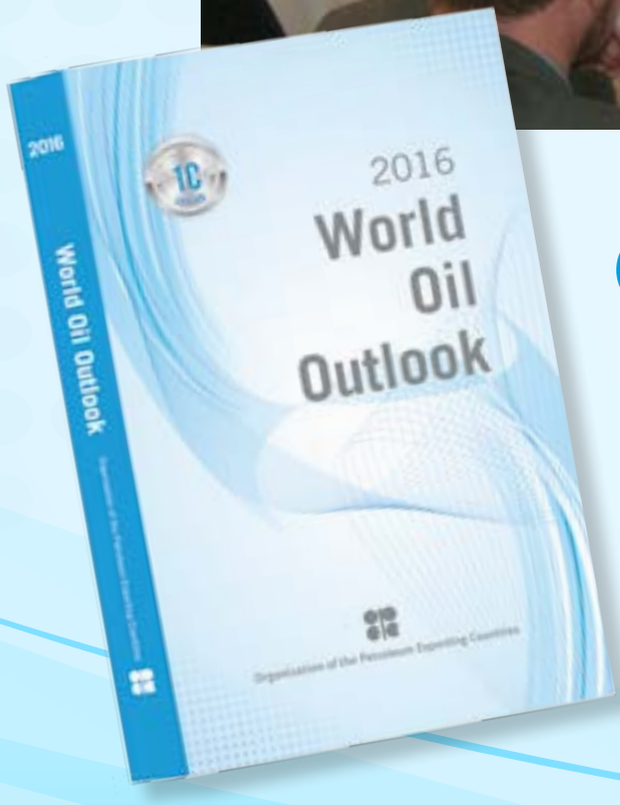

OPEC's *World Oil Outlook* launched in Abu Dhabi

The 2016 edition of the OPEC *World Oil Outlook (WOO)* was launched at the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) 2016 in the United Arab Emirates (UAE). The launch, on November 8, was the first time that the Organization's flagship publication has been unveiled outside the OPEC Secretariat in Vienna, Austria. And one day before, on November 7, a new Smart App version for OPEC's *Annual Statistical Bulletin (ASB)* was also launched in the UAE capital.

This year sees the tenth edition of the *WOO*, a significant milestone for the publication, which offers a thorough review and assessment of various scenarios related to the medium- and long-term development of the upstream and downstream sectors of the international oil industry.

In introducing the publication at ADIPEC, Mohammad Sanusi Barkindo, OPEC Secretary General, told assembled guests: "In general, the *WOO 2016* underlines the increasingly complex nature of the oil industry, both in the upstream and downstream sectors."

He said it reflected the market adjustments that have taken place since the crude price drop that began in mid-2014; the continued interdependence of all nations; how security of supply and security of demand are very much interlinked; and the need to better understand the market drivers, challenges, uncertainties, as well as opportunities, we face.

OPEC said that, in this year's *WOO*, it is again essential to emphasize that given the ever-shifting dynamics of the current global oil market, alongside the need to freeze the Outlook's modelling processes and certain assumptions by mid-year 2016, some of the short-term numbers will have naturally shifted to reflect the fast-changing fundamentals.

"It is important to stress that the *WOO* is not about making predictions. The Outlook should be viewed as a tool of reference to stimulate discussion and debate among all industry stakeholders," it stated.

Barkindo said OPEC believes that this publication evidently demonstrates this and underscored that it is not only the result of close collaboration and coordination between the Secretariat and Member Countries, but also a sign of OPEC's ongoing commitment to dialogue as a means to help secure a sound and stable oil industry.

The OPEC Secretary General added that he was proud to see the publication launched in an OPEC Member Country for the first time and thanked the Government of the UAE, its Energy Ministry, the organizers of ADIPEC, and all the OPEC Secretariat staff involved in putting together the W*OO 2016*.

Following his remarks, Barkindo called on Jabbar Ali Hussein Al-Luiebi, who was also present at ADIPEC, to formally launch the publication.

The Minister said he had been very gratified to read the publication, which he said contained very useful data concerning the future of world energy.

A presentation on the 2016 *WOO* was then made by OPEC Energy Demand Analyst, Dr Jorge Leon, who began by saying that the Outlook provides many details on issues that affect the global oil industry, but for his presentation he concentrated on the questions:

How do the socio-economic, energy and oil market outlooks evolve up to 2040 and how could future energy policy changes affect the energy outlook?

At the end of his presentation, Dr Leon offered some takeaways from the *WOO*, stating that by 2040, energy demand increases by 40 per cent reaching 382 million barrels of oil equivalent/day, while the energy mix will continue to shift from fossil fuels to renewables.

He said global oil demand is expected to reach 109.4m b/d in 2040, but growth is seen decelerating over the long term.

Non-OPEC oil supply is expected to recover in the medium term and then remain fairly flat before declining.

Against this background, Dr Leon pointed out that demand for OPEC crude in 2040 is expected to amount to 41m b/d.

Concerning the downstream and refining, he said the majority of new capacity will be located in the demand growth regions.

Finally, Dr Leon stated that changes in energy policies could reduce energy demand and further shift the energy mix towards renewables.

Highlights

The press release also listed some other specific highlights from this year's publication:

- Combined, oil and gas are expected to supply around 53 per cent of the global energy demand by 2040;
- The outlook for the long-term global economic growth rate to 2040 is at 3.5 per cent per annum, the same as the *WOO 2015*;
- Medium-term oil demand is revised upward by one million barrels/day, compared to the *WOO 2015*, rising above 99m b/d by 2021;
- Long-term oil demand is revised slightly downwards by 400,000 b/d, with total demand at over 109m b/d by 2040;
- Developing countries will continue to lead demand growth, increasing by close to 25m b/d, to reach over 66m b/d by 2040;
- Long-term demand growth comes mainly from the road transportation (6.2m b/d), petrochemicals (3.4m b/d) and aviation (2.8m b/d) sectors;
- Oil demand in the road transportation sector is driven by the increasing car fleet in developing countries and declining oil use per vehicle in the OECD region;
- Non-OPEC liquids supply is expected to drop from close to 57m b/d in 2015 to just below 56m b/d in 2017, before recovering slowly to just over 58.5m b/d in 2021;
- In the long-term, non-OPEC liquids output is anticipated to see a slow rise to just under 61.5m b/d by 2027, before dropping to just under 59m b/d by 2040;
- Demand for OPEC crude expands to 41m b/d by 2040, with the estimated share of OPEC crude in total liquids supply increasing to 37 per cent from 34 per cent in 2015;
- New refining capacity continues to follow demand growth to developing regions, led by the Asia-Pacific, which is projected to add 9.5m b/d by 2040;
- Capacity rationalization remains a long-term requirement, with some 2.5m b/d of net refinery closures expected by 2040, an estimated 4m b/d by 2025, and a further 5m b/d are indicated as needed by 2040 if refining regions are to maintain utilization rates of at least 80 per cent;
- The primary trend in long-term oil trade is expanding crude imports into the Asia-Pacific from the Middle East, with an expected addition of 6.5m b/d by 2040;
- At the global level, oil-related investment required to cover future demand for oil over the forecast period 2016–40 is estimated at almost $10 trillion (in 2015 dollars); and
- The future tightening of climate change policies will likely lead to reduced energy demand and a further shift in the energy mix towards renewables.

Following the successful launch of the interactive version of the *WOO* in 2014 and its follow up in 2015, a more comprehensive interactive version will be made available this year.

This can be accessed at the following link: www.opec.org/opec_web/en/publications/340.htm.

Mohammad Sanusi Barkindo (c), OPEC Secretary General; Eng Ahmed Mohamed Alkaabi (l), Assistant Undersecretary for Petroleum, Gas and Mineral Resources at the UAE Ministry of Energy and the country's Governor for OPEC; and Eithne Treanor (r), Moderator.

VIP briefing

Following the launch of the *WOO 2016*, Mohammad Sanusi Barkindo, OPEC Secretary General, shared a platform with Eng Ahmed Mohamed Alkaabi, Assistant Undersecretary for Petroleum, Gas and Mineral Resources at the UAE Ministry of Energy and the country's Governor for OPEC.

The two-man VIP briefing at the Middle East Petroleum Club, focused on the 'World oil outlook — the road ahead.'

Alkaabi said the UAE was proud to launch this year's *WOO* at ADIPEC and provided attendees with an overview of this year's key analysis and numbers. He also offered some background on a number of the major challenges facing the industry, including economic uncertainties, non-OPEC supply developments, sustainable and timely oil investments, the financialization of oil, technology developments, as well as environmental and energy policies.

Barkindo stated that the Secretariat was very grateful to the UAE and ADIPEC "for providing us with a global platform" from where our work can be seen and heard. He underlined how the WOO has evolved over the years through a "sharpening of our tools and models," as well as in the Organization's data collection and analysis.

He went on to highlight the vital role data plays and the growing importance of it due to "the increasing complexities and challenges the industry faces." In this regard, he said: "I am pleased to highlight that the Joint Organizations Data Initiative (JODI) has evolved over the years and has now become a dependable and reliable source of industry data."

JODI is a concrete outcome of the producer-consumer dialogue and aims to continually improve oil and gas data transparency.

Both Barkindo and Alkaabi also underlined the importance of dialogue and cooperation among industry stakeholders. Alkaabi stressed that OPEC's *WOO*, as well as the new Smart App version for OPEC's *Annual Statistical Bulletin*, were signs of the Organization adding value to the global oil market.

The Secretary General agreed with Alkaabi and added that it is vital for all stakeholders to undertake bilateral and multilateral dialogues, to advance cooperation and collaboration. This is particularly evident, he stressed, in the current oil market event.

ADNOC visit

Whilst also in the UAE, staff from OPEC's Energy Studies Department (ESD), as well as the Organization's Public Relations & Information Department (PRID), were invited to the headquarters of the Abu Dhabi National Oil Company (ADNOC) to present key findings from this year's *WOO*.

In opening the proceedings, Oswaldo Tapia, Head of ESD and Officer-in-Charge of the Research Division, said the event was a means to collaboratively share analysis and ideas and build bridges to help further dialogue. He added that he hoped that the meeting would be a two-way dialogue, with opportunities for feedback and networking.

The first of the OPEC presentations was delivered by Dr Jorge León, the OPEC Secretariat's Energy Demand Analyst, who focused on the energy and oil demand outlook to 2040.

The second presentation was from Ms Amal Alawami, Upstream Oil Industry Analyst, who provided an overview of the oil supply outlook to 2040.

And the third presentation was from Dr Jan Ban, Senior Research Analyst, who delivered background and analysis on the Paris Agreement on climate change, the outcome of last year's COP21 meeting.

After a robust and informative question and answer session, both ADNOC and OPEC thanked each other and underlined the importance of further evolving the dialogue.

OPEC Secretariat officials on their tour of ADNOC headquarters

First-ever Smart App for OPEC ASB

OPEC and the United Arab Emirates (UAE) Ministry of Energy unveiled a new Smart App version for OPEC's *Annual Statistical Bulletin (ASB)* on November 7, 2016, also during ADIPEC.

The mobile application was officially presented at a press conference where both OPEC and the UAE Ministry offered information about the Smart App's development, which was achieved through a joint IT project team.

"This app will make the *ASB*'s content of international oil and gas data available from any mobile device, at any time, on any day, from anywhere," OPEC Secretary General, Mohammad Sanusi Barkindo, commented.

He pointed out that the development was another prime example of OPEC's support for data-sharing and transparency.

After the remarks, a demonstration of the Smart App was provided, followed by a question and answer session. At the event, attendees were able to obtain the printed edition of the *ASB*, as well as the pocket and USB versions.

The *ASB* Smart App was developed to provide increased access to the publication's important energy data, which will now be available for download on iOS and Android mobile devices.

A press release issue by the OPEC Secretariat in Vienna pointed out that using the Smart App's search function, academics, researchers, journalists, policy-makers and analysts will be able to instantaneously download charts and tables to visualize the latest trends occurring in the energy markets.

Now in its 51st edition, the primary goal of the *ASB* is to make reliable data on the global oil and gas industry easily available to industry stakeholders and the public at large.

The publication has become a valued and trusted source among energy players around the world, while promoting data sharing and transparency throughout the industry.

The PDF file and the interactive online version of the *2016 ASB* can be accessed on the OPEC website at: http://www.opec.org/opec_web/en/publications/202.htm.

The ASB app can be downloaded on iTunes and Google Play.

First-time launch of WOO outside the OPEC Secretariat

Barkindo stresses importance of *World Oil Outlook* for supporting stable oil industry

OPEC's flagship publication — the *World Oil Outlook* — not only demonstrates the close collaboration and coordination that exists between the Organization's Secretariat and Member Countries, but also OPEC's ongoing commitment to dialogue as a means to help secure a sound and stable oil industry, according to OPEC's Secretary General.

"The *WOO* is not about making predictions," Mohammad Sanusi Barkindo *(pictured left)* said at the launch of the 2016 edition of the publication at this year's Abu Dhabi International Petroleum Exhibition and Conference in the United Arab Emirates (UAE) capital.

"We believe the Outlook should be viewed as a tool of reference to stimulate discussion and debate among industry stakeholders, which we hope will lead to a better understanding of the future of the industry," he told assembled guests.

"It is clear that the sharing of viewpoints is critical to our industry's future, not only in the short-term, but in the medium- and long-term too," he stated.

The launch of the *2016 WOO*, on November 8, was the first time the Organization's flagship publication has been unveiled outside the OPEC Secretariat in Vienna, Austria.

In thanking the UAE Government, the Energy Ministry, as well as the organizers of ADIPEC, for providing the platform to launch the publication, Barkindo praised the many dedicated and professional staff at the OPEC Secretariat that had worked on the Outlook.

"The fruits of their labour can undoubtedly be seen here in the publication we are launching today. And, of course, in the joint venture *Annual Statistical Bulletin (ASB)* Smart App, in conjunction with the UAE Ministry of Energy."

Barkindo was referring to the release of the first-ever *ASB* Smart App, a joint development by IT experts from OPEC and the UAE Ministry of Energy.

"This app will make the *ASB*'s content of international oil and gas data available from any mobile device, at any time, on any day, from anywhere," observed the OPEC Secretary General. He stressed that these recent developments are prime examples of OPEC's support for data-sharing and transparency.

Speaking on the *WOO*, Barkindo noted that the 2016 edition is the tenth edition, a significant milestone for the publication.

He explained that, in the first edition back in 2007, it was emphasized that the Outlook was meant to contribute to the Organization's commitment to support market stability and to provide a platform from which to review, analyze and evaluate various scenarios as to how the oil and energy scene may develop.

"This guiding principle has remained central to the Outlook over the past decade, as the publication has evolved and expanded its research and analysis," he affirmed.

Today, said Barkindo, the Outlook also has an online interactive version, first launched in 2015, that enables users to download specific data and information that lies behind the analysis and commentary.

He stated that the publication underlines the increasingly complex nature of the oil industry, both in the upstream and downstream sectors.

It addressed the market adjustments that have been taking place since the price drop that began in mid-2014; the continued interdependence of all nations; how security of supply and security of demand are very much interlinked; and the need to better understand the market drivers, challenges, uncertainties, as well as opportunities faced.

These, he said, include such issues as policies, technology developments, the shifting energy mix, energy poverty and sustainable development concerns.

Fundamentals are rebalancing

In outlining some of the *WOO*'s key findings, Barkindo noted that since the publication of the 2015 edition in December 2015, the oil market has shown some signs that fundamentals are rebalancing.

"However, high inventory levels continue to be a major concern," he pointed out.

Barkindo explained that the need to accelerate the drawdown of the stock overhang and bring the market rebalancing forward were at the heart of the landmark 'Algiers Accord' taken by OPEC at the 170th (Extraordinary) Meeting of the OPEC Conference in Algeria at the end of September.

"Let me stress that OPEC Member Countries remain fully committed to implementing the 'Algiers Accord'. Our consultations will continue in the coming weeks and this includes with non-OPEC nations.

"It is essential that all producers, both OPEC and non-OPEC, take coordinated action to help return sustainable stability to the market," he maintained.

The OPEC Secretary General said this is not only vital for the short-term, but the long-term too, "as our industry looks to fund investment in new exploration and

production, arrest decline rates in existing fields, expand midstream and downstream capacity, and hire, train and support the people that will continue to drive this industry forward in the years ahead."

He said the impact of the current industry cycle on investments has been unmistakable in both 2015 and 2016. "While global spending on exploration and production by oil and gas producers is expected to fall slightly less this year, when compared to 2015, the combined amount over the two years equates to a loss of more than $300 billion," he revealed.

Looking ahead, said Barkindo, this will likely impact not only new projects coming onstream, but new discoveries too.

"Here, I should like to stress the continued commitment of OPEC Member Countries to invest in existing and new production capacity so as to ensure they meet the future requirements of consumers in a timely and sustainable manner."

Perspective of the future energy mix

Looking ahead, the OPEC Secretary General said that, from the perspective of the future energy mix, renewables will continue to see the fastest growth, albeit from a low base.

Fossil fuels are expected to see their share in the energy mix fall from 81 per cent to 77 per cent by 2040. Nonetheless, oil and gas combined are still anticipated to account for 53 per cent of the energy needs in 2040, similar to current levels.

"It is clear that oil will continue to be a fuel of choice for many years to come," professed Barkindo. He said oil demand is estimated to reach over 109 million barrels/day by 2040, a healthy increase of over 16m b/d.

"The main driver of this growth is the road transportation sector in developing countries," said Barkindo.

On the supply side, he said non-OPEC sees a recovery in the medium-term, but then plateaus, before declining post-2030. "It means that in the long-term it is OPEC that will be required to meet much of the expected additional demand."

Barkindo said the estimated share of OPEC crude in the total world liquids supply in 2040 is 37 per cent, which is three per cent higher than the 2015 level.

Turning briefly to the downstream, he said key points include the expectation for new refining capacity to follow future oil demand growth to developing regions, while crude trade flows between the Middle East and the Asia-Pacific will make up almost 50 per cent of global oil trade movements by 2040.

Barkindo disclosed that this year's Outlook also devotes a specific chapter to the Paris Climate Agreement from the COP21 meeting, which entered into force on November 4. "I should like to congratulate the UAE as one of the countries that has already ratified it," he said.

Barkindo said that from the perspective of OPEC, "we welcome this agreement. Our Member Countries played a role in drafting the agreement and they will also play a role in its implementation, based on the convention principle of 'common but differentiated responsibilities' and respective capabilities.

"However, I should like to make reference to the fact that the Paris Agreement has reduced Annex 1 nations to voluntary contributions and somewhat blurred the previous distinct classification between developed and developing countries."

Barkindo said that, in this regard, it is important to note that the Paris Agreement also calls for 'equity' for all parties. "Each country should be allowed to develop in a sustainable manner with a focus on the principle of 'common but differentiated responsibilities'. It is critical to ensure that less-developed countries and future generations have equitable access to development opportunities," he pointed out.

The Outlook, he continued, provides some analysis of the intended policy measures related to the Paris Agreement, underlines the uncertainties around its implementation and highlights its possible impact on the energy mix through a number of scenarios.

World Oil Outlook

OPEC's *World Oil Outlook (WOO)* is part of the Organization's commitment to market stability.

The flagship annual publication is a means to highlight and further the understanding of the many possible future challenges and opportunities that lie ahead for the oil industry.

It is also a channel to encourage dialogue, cooperation and transparency between OPEC and other stakeholders within the industry.

The interactive version of the *WOO* also provides the possibility of downloading specific data and information.

The *World Oil Outlook* combines the expertise of the OPEC Secretariat, professionals in OPEC Member Countries and the Organization's Economic Commission Board (ECB), as well as input from various other sources.

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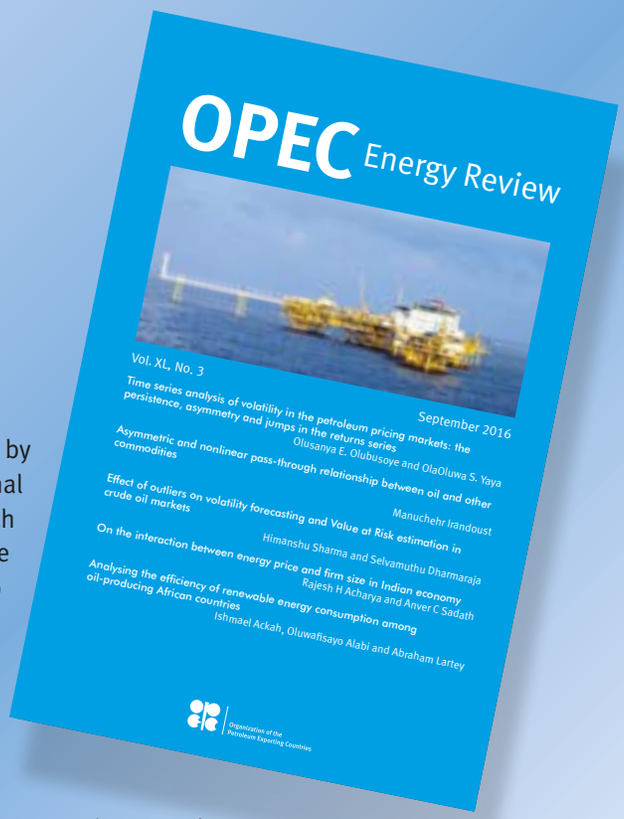


The OPEC Energy Review is a quarterly energy research journal published by the OPEC Secretariat in Vienna. Each issue consists of a selection of original well-researched papers on the global energy industry and related topics, such as sustainable development and the environment. The principal aim of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

The three main objectives of the publication are to:

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

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

The OPEC Energy Review welcomes submissions from academics and other energy experts.
Submissions should be made via Scholar One at: https://mc.manuscriptcentral.com/opec (registration required).
A PDF of "Author Guidelines" may be downloaded at Wiley's OPEC Energy Review page at:
http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1753-0237/homepage/ForAuthors.html

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

ADIPEC 2016: Innovate and collaborate

The Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) attracts industry leaders from around the world. It is a global forum that brings together a plethora of high-level industry stakeholders to discuss the industry's challenges, as well as its opportunities, and forms a platform to showcase the technological innovations that continue to drive the industry forward. The OPEC Bulletin *reports from the 2016 event.*

Mohammad Sanusi Barkindo, OPEC Secretary General, made the keynote address.

ADIPEC أديبك
The Abu Dhabi International Petroleum Exhibition & Conference
7-10 November 2016

Held in Abu Dhabi, the capital of the United Arab Emirates (UAE), ADIPEC 2016 was an intensive four-day industry gathering held under the theme 'Strategies for the New Energy Landscape'. The theme was certainly apt given developments in the oil industry since mid-2014, as well as the long-term outlook as presented by various speakers, including OPEC, which launched its World Oil Outlook (WOO) 2016 at the event *(see p38 for more information on the WOO launch)*.

It was evident from the outset that innovation and collaboration were to the fore as delegates discussed the myriad of challenges, as well as the huge opportunities the industry has before it in the months, years and decades ahead.

The focus was summed up succinctly by Bob Dudley, BP's Chief Executive Officer, who underscored that demand for hydrocarbons continues to grow, particularly from the developing world, and the fact that there was a heightened need for competitiveness in the current price environment.

He said this put a premium on three things: efficiency — driving down the cost of supply; technology and innovation; and relationships.

Innovation and efficiency

Speaking at the opening ceremony, Sultan Ahmed Al Jaber, UAE Minister of State and ADNOC Group CEO, said that "while we cannot predict the future price of oil, one factor remains well within our control, and that is the cost of every barrel we produce."

He stated: "In this new energy era we must reflect on how to make the most of our resources, enhance our performance and find new ways to be more competitive."

Al Jaber added that time and again the industry has shown it can engineer around obstacles, create ground-breaking solutions and catalyze human progress.

In looking at today's new energy landscape, he said it is clear that it "calls on us to once more break from old conventions and welcome new paradigms. By embracing the new energy era, we will thrive and we will shape our future."

This point was further elaborated on by Suhail Mohamed Al Mazrouei, UAE Minister of Energy, who said: "Continuous industry developments, combined with a rapidly evolving global economy, are creating an increasingly competitive world energy market. This makes it essential that we leverage research, technology, and innovation to optimize both the exploration and production costs of every barrel that we produce.

"By doing so, our industry will thrive and remain competitive in this new energy world. I am confident that with our collaborative efforts, and by working both harder and smarter, we can help create a sustainable energy future for generations to come."

The importance of innovation, technology and efficiencies from companies around the world was on display throughout the exhibition hall, where over 2,000 exhibitors showcased new technologies, products and ideas, as well as at the ADIPEC 2016 Awards that celebrated petroleum industry innovation. OPEC also had a stand at the exhibition.

Mohammad Sanusi Barkindo, OPEC Secretary General, speaking to journalists.

Abdul Munim Saif Al Kindy, Director of Exploration,

Development and Production at ADNOC, and ADIPEC 2016 Awards Chairman, said of the winners: "Today's achievements represent the industry's unwavering commitment to continuously improve the way it operates. More than ever before, oil and gas companies across the industry landscape — from producers to service providers — are under tremendous pressure to optimize their business functions, in order to prosper and thrive in today's competitive marketplace and challenging global economy.

He continued: "The ADIPEC Awards bring those who have succeeded in doing so into the spotlight, setting industry benchmarks and inspiring others to follow suit. Such achievements enable energy sector progress and support the petroleum industry's valuable role in meeting the world's growing energy demand."

The 2016 ADIPEC Award winners were:

- ***Best Oil & Gas Innovation or Technology (Upstream)*** — Saudi Aramco, Big Bore Gas Completions Saves Significant Development Cost and Adds Critical Production Flexibility
- ***Best Oil & Gas Innovation or Technology (Downstream)*** — GASCO,Habshan-5 SRU Incinerator Fuel Gas Optimization
- ***Best Oil & Gas HSE Project or Initiative*** — Saudi Aramco, Uthmaniyah CCS and CO_2-EOR Project
- ***Best Oil & Gas CSR Project*** — Petroleum Development Oman, Local Community Contractors and Super Local Community Contractors
- ***Oil & Gas Woman of the Year*** — Badria Abdul Rahman, Kuwait Oil Company (KOC)
- ***Young ADIPEC Engineer*** — Mohannad Abdelaziz, Saudi Aramco
- ***Best Dissertation of the Year*** — Dr Ali S Al-Menhali, Imperial College London, Multiphase Flow for CO_2 Injection in Saline Aquifers and Oil Reservoirs: Multi-Scale Observations
- ***Best Practice Award*** — Petroleum Development Oman, Early Monetization of New Discoveries through Early Development Facilities with a New Project Execution Strategy

Throughout the event, innovation and efficiency issues were to the fore and often combined with the importance of collaboration. This was summed up by Jeff Miller, President of Halliburton, one of the world's largest providers of products and services for the energy industry, who said: "We must collaborate and engineer solutions that maximize asset value. We need to take what is best from each company and really put that to work."

Collaboration

Alongside the talk of the importance of collaboration between OPEC and non-OPEC producers in the current oil market environment, there was also much discussion of the importance of collaboration among all industry stakeholders for the future success of the industry.

This was evident in remarks at the opening ceremony by Rex Tillerson, CEO of ExxonMobil. He said that throughout his 40 years in the industry, he has seen markets fluctuate and new challenges and opportunities arise and the most successful companies are the ones that plan — and prepare — for the long term.

He added that such policies in turn foster collaboration and investment in long-term, major projects that are mutually beneficial to resource owners, national oil companies and international oil company partners.

In highlighting this, he said that "today's environment requires strong partnerships to ensure there is an incentive to make significant, sustained investments in the research, development and deployment of technologies to meet the energy demand challenge.

"It is not just the level of investment that is significant. We need to have partnerships that foster a commitment to technical expertise, collaboration and ingenuity that will sustain complex projects that have lifespans that last decades."

Tillerson maintained that the industry has proven that effective partnerships can add efficiency at every stage of the energy value chain, maximize the value of resources and increase the safe and reliable delivery of energy.

New and more collaborative working relationships were also to the fore in a CEO Roundtable held on the eve of ADIPEC, when 20 of the world's leading oil and gas companies gathered to discuss strategies for future growth and how to stay competitive in the evolving energy landscape.

The meeting, held at ADNOC's headquarters, was attended by HH Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, while the talks

A general view of the exhibition area at ADIPEC.

Jabbar Ali Hussein Al-Luiebi (r), Minister of Oil, Iraq; pictured with Dr Mohammed Bin Saleh Al-Sada (c), President of the OPEC Conference and Minister of Energy & Industry, Qatar; and Mohammad Sanusi Barkindo (l), OPEC Secretary General.

were chaired by Sultan Ahmed Al Jaber. Among the executives present were Bob Dudley, Rex Tillerson, Patrick Pouyanne of Total, Amin Al Nasser, CEO of Saudi Aramco, Nizar Al Adsani, CEO of Kuwait Petroleum, and Saad Al Kaabi, President and CEO of Qatar Petroleum.

Oil industry remains vibrant

The four days at ADIPEC 2016 underscored the sheer size and scope of the oil and gas industry. It remains a vibrant industry, and as the WOO 2016 underlined, one that continues to grow.

The publication sees global oil demand increasing from around 93 million barrels/day in 2015 to over 109m b/d by 2040. And from the perspective of natural gas, demand increases from close to 350 billion standard cubic feet a day in 2015 to 590bn cu ft/d in 2040.

To meet the opportunities this growth presents, as well as the many challenges the industry faces, requires all stakeholders to draw on the industry's strengths.

The focus at ADIPEC was on such key issues as innovation, human ingenuity, technology and collaboration, with Mohammad Sanusi Barkindo, OPEC Secretary General, stating that he had no doubt "the industry will be able to continually transform itself to overcome the challenges it faces, and unlock the many opportunities before it in the years ahead *(see his full speech on p52)."*

Mohammad Sanusi Barkindo (c), OPEC Secretary General, is seen at the OPEC exhibition stand at ADIPEC with members of his Secretariat team and other officials.

OPEC Secretary General gives keynote address to ADIPEC

Petroleum industry will continue to be vital global economic sector

The international oil and gas industry is one of the most vital global economic sectors and will continue to be so in the years to come, according to OPEC Secretary General, Mohammad Sanusi Barkindo.

"These products will remain vital in continuing to provide heat, light and mobility to billions," he said in a keynote address on November 7, 2016, at the opening of the 2016 Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC), held under the Patronage of His Highness, Sheikh Khalifa Bin Zayed Al Nahyan, President of The United Arab Emirates (UAE).

"We also need to remember that there remain billions of others that still have no access to modern energy services. It is critical that this is rectified, and oil and gas can play a vital role in this regard," he affirmed.

Barkindo was speaking on a high-level panel that comprised Dr Sultan Ahmed Al Jaber, UAE Minister of State and Chief Executive Officer of the Abu Dhabi National Oil Company (ADNOC); Suhail Mohamed Al Mazrouei, UAE Minister of Energy; and Rex Tillerson, Chairman and CEO of Exxon Mobil.

"I would like to thank everyone involved — the Government of the UAE, its Energy Ministry and 'dmg events' — for the invitation, all the excellent arrangements, as well as the hospitality we have received since arriving," the OPEC Secretary General said at the outset of his address.

He stressed that with a 31-year history, ADIPEC is today one of the premier global energy industry conferences and exhibitions, attracting more than 100,000 oil and gas industry professionals from 120 countries around the world.

"It is a platform that allows industry stakeholders to come together to discuss viewpoints, share analysis, network, showcase technologically innovative solutions and provide a platform for bilateral trade. At OPEC, we are extremely proud to see such an event taking place in a Member Country," he stated. "The importance of such an event cannot be over-estimated."

Barkindo told delegates that, as the ADIPEC event highlights, there are many reasons why they should be optimistic about the industry's future.

"It is clear that oil and gas will continue to be fuels of choice. And I have no doubt that through innovation, human ingenuity and technology, the industry will be able to continually transform itself to overcome the challenges it faces and unlock the many opportunities before it in the years ahead," he professed.

Of course, continued Barkindo, the current oil market is a challenging environment.

"However, as I have been witness to over the past couple of months, and I am sure will be readily apparent here at ADIPEC, the best way forward is for all industry stakeholders to continually dialogue and work towards achieving more stability for our industry.

"This is not only in the short-term, but in the long-term as well. This will help us deliver a sustainable energy future; for all producers and for all consumers too," he maintained.

Paris Agreement

Barkindo said that, in talking about sustainable development, "I feel I should also make reference to the ratification of the Paris Agreement only a few days ago."

He stressed: "OPEC welcomes this agreement and as I am here in the UAE I should like to highlight the fact that the UAE has already ratified it.

"However, we should not forget that the Paris Agreement calls for 'equity' for all Parties. Each country should be allowed to develop in a sustainable manner. Therefore, it is vital to ensure that less-developed countries have equitable access to development opportunities," he asserted.

Highlighting the importance of oil and gas to the future, the OPEC Secretary General said this is underscored in OPEC's *2016 World Oil Outlook* (this year launched at ADIPEC) which sees global oil demand increasing from around 93 million barrels/day in 2015 to over 109m b/d by 2040.

And from the perspective of natural gas, demand increases from close to 350 billion standard cubic feet a day in 2015 to 590bn cu ft/d in 2040.

"In fact, oil and gas are still expected to contribute 53 per cent to the global energy mix by 2040," commented Barkindo.

"Of course, all this will require huge investments with new barrels needed to not only increase production, but also to accommodate for decline rates from existing fields."

He said estimated oil-related investment requirements are close to $10 trillion in the period to 2040. And from the perspective of gas, the number is around $6tr.

"Let me stress here that OPEC Members are committed to invest in existing and new production capacity. They remain unswerving in their commitment to meeting the future requirements of consumers in a timely and sustainable manner," said the OPEC Secretary General.

At the global level, however, he said the situation that has evolved over the past two years or so is putting this future at risk given the dramatic drop off in investments.

Global oil and gas exploration and production spending fell by around 26 per cent in 2015 and a further 22 per cent drop is anticipated in 2016. Combined, this equates to above $300bn.

"If market and financial conditions do not improve, there is the distinct possibility that we could see a third year of investment cutbacks. To put this into some oil industry context, there has never been a consecutive three-year decline in its history," noted Barkindo.

"This is a major concern for an industry that needs regular and predictable investments to provide the necessary supply in the medium- and longer-terms," he affirmed. "It is why we at OPEC have been undertaking intensive consultations over the past few months about how best to return stability to the market."

'Algiers Accord'

Barkindo said that from the perspective of OPEC, this led to the landmark 'Algiers Accord' at the 170th (Extraordinary) Meeting of the OPEC Conference in Algeria at the end of September.

"The agreement underlined the Organization's continued commitment to a 'sustainable stability' in oil markets and was focused on accelerating the ongoing drawdown of the stock overhang and bringing the market rebalancing forward," he explained.

"The 'Algiers Accord' also highlighted the importance of developing a framework of high-level consultations between OPEC and non-OPEC oil-producing countries."

This, said Barkindo, led to the formation of a High-Level Committee that convened in Vienna at the end of October, with a meeting between OPEC Members, and then a meeting between both OPEC and some non-OPEC nations.

"These discussions were positive and have allowed us to better understand the viewpoints of all the various parties present." He said consultations among OPEC, as well as non-OPEC, will continue in the coming weeks.

"We believe it is vital that OPEC and non-OPEC come together and take coordinated and timely action to rebalance the market, for the common good of all. Our industry works best with collaboration, cooperation and consensus," he stated.

Secretary General addresses climate change talks in Morocco

OPEC committed to implementation of 'win-win' Paris Agreement

OPEC remains committed to the Paris Agreement on climate change and will continue to support its successful and comprehensive implementation to ensure a 'win-win' outcome for all. That was the overriding message of a statement put forward by the Organization's Secretary General, Mohammad Sanusi Barkindo, in Marrakesh, Morocco, in early November.

Addressing the United Nations Climate Change Conference (COP 22/CMP 12), the OPEC Secretary General stated that the Organization hoped that the same cooperative and positive spirit that led to the successful adoption of the Paris Agreement at COP 21 in December 2015 would be maintained in its implementation stage.

"In addition, we should also remind ourselves that the Agreement is under the Convention and should continue to be guided by its principles and provisions. In particular, the unique situation of developing countries should be given the top priority it deserves," said Barkindo.

At the beginning of his address he joined all parties in congratulating Salaheddine Mezouar, Morocco's Minister of Foreign Affairs, "on your well-deserved election to preside over this important COP.

"In similar vein, I also wish to congratulate our newly appointed Executive Secretary of the UNFCCC, Patricia Espinosa, a veteran diplomat and climate change negotiator," he affirmed.

The OPEC Secretary General stressed that COP 22 was significant not only because it coincided with the coming into force of the Paris Climate Agreement, but was also being held at a time of uncertainty.

"Negotiations between the Parties have come a long way — leading to this historic moment. Thirteen out of 14 OPEC Member Countries have signed the Agreement and five have indeed already ratified it," he informed.

Barkindo pointed out that OPEC and its Member Countries had been active partners in climate change negotiations and welcomed the early enforcement of the Paris Agreement.

"Our Member Countries joined the global consensus in Paris in order to midwife this Agreement and move the process forward.

"However, we remain concerned on the weakening of some key principles of the Convention. The Principle of Equity; principle of common but differentiated responsibilities and respective capabilities; the convention provision of response measures on developing countries; are just some of these issues that COP 22 should revisit and strengthen," he observed.

Hundreds of activities

The latest climate change conference comprised two weeks of negotiations involving hundreds of activities and side-events, featuring heads of state and government, delegations and participants from around the world.

COP 22 President Mezouar told a press conference after the event of his pride as a Moroccan in hosting the international climate change conference in Marrakesh.

"Many key initiatives for the pre-2020 period were set in motion during the conference." And despite resoundingly delivering on the promise of a COP of "action", Mezouar said: "We have just started. We have a year ahead of us in our Presidency to accelerate and achieve even bolder climate action."

He stated that the conference produced scores of declarations, initiatives, MoUs, agreements and "an undeniable air of positive forward momentum in the fight against climate change."

Mezouar thanked the meeting's steering committee members, the UNFCCC "and all those that have worked on this successful conference."

More than 110 Parties have now ratified the Paris Agreement providing a key political signal towards global commitment to climate action.

And for the first time in COP history a meeting will take place in January between the COP 22 Presidency and civil society to take stock and chart a roadmap for collaboration over the next year.

> "Negotiations between the Parties have come a long way — leading to this historic moment. Thirteen out of 1 4 OPEC Member Countries have signed the Agreement and five have indeed already ratified it."

COP 23 will be presided over by Fiji and held in Bonn, Germany in 2017 and COP 24 will take place in Poland.

Meanwhile, in the run up to the Marrakesh meetings, the OPEC Secretary General met with UNFCCC head, Ms Espinosa, in Bonn, Germany.

The meeting took place just a few days after the Paris Agreement reached the threshold for entry into force on October 5 and in the run-up to the Marrakesh climate change conference, which ran from November 7–18.

Enhanced cooperation

Barkindo and Ms Espinosa, along with senior delegations from both organizations, exchanged views on recent developments and discussed the importance of enhancing cooperation between the UNFCCC and OPEC, especially on matters related to climate change, sustainable development and economic diversification.

The meeting built on the ongoing involvement of OPEC in the climate change negotiations and the active participation of its Member Countries.

The OPEC Secretary General congratulated Ms Espinosa on the entering into force of the Paris Agreement and the significant and effective support provided by the UNFCCC Secretariat in this process.

He pointed out that successful implementation of the Agreement is a priority for OPEC, adding that OPEC Member Countries have been involved in climate change negotiations and the implementation of the Convention since its inception process.

Both Barkindo and Ms Espinosa agreed that enhancement of cooperation between the two organizations is beneficial, particularly since the OPEC Secretariat is an intergovernmental organization representing 14 developing countries, all of which are also Parties to the UNFCCC. It was felt that such teamwork enhances input from developing countries in the implementation of both the Convention and the Paris Agreement.

Poverty alleviation

The importance of inclusiveness and participation by all Parties in implementing the Paris Agreement was emphasized during the meeting, taking into account that sustainable development and poverty alleviation are high priorities for all.

The key role of oil in economic development and the right of developing countries to develop was stressed. In this regard, OPEC efforts towards sustainable market stability were recognized as a contribution to a healthy global economy and helping implementation of the Convention and the Paris Agreement and the transition to a low-emission economy.

Both officials acknowledged that economic diversification is an important objective for building economic resilience and agreed to explore all available capacities which can assist OPEC Member Countries in diversifying their economies and achieving a just transition of the workforce.

The Paris Agreement entered into force on November 4, 2016. As a result of this, the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA1) took place in Marrakesh in conjunction with COP 22/CMP 12.

Other important consequences of the above include the transformation of Parties' INDCs into Nationally Determined Contributions, or NDCs, which oblige governments to take action to contribute to achieving the temperature goals enshrined in the Agreement.

Additionally, negotiations to develop the Paris Agreement's implementation rule book are to be completed as soon as possible.

In August, the OPEC Secretary General discussed COP 22 with Ali El Mhamdi, Morocco's Ambassador/Permanent Representative in Vienna, Austria.

Referring to the conference, El-Mhamdi stated that it was "a tremendous event for us and I have been

instructed by my government to conduct an outreach campaign for OPEC as I know already that the Organization will again be involved in the talks."

He continued: "My request is for the Organization to be as visible as possible and I ask that OPEC's participation be the best possible. It is great for my country to be able to extend this invitation."

Barkindo pointed out that the climate change meetings were a priority for OPEC since the Organization had been involved in the negotiations since the establishment of the Intergovernmental Negotiating Committee by the United Nations General Assembly in 1991.

It was this Committee that negotiated the UN Framework Convention on Climate Change (UNFCCC), which was adopted at the Rio Earth Summit in 1992. The Treaty entered into force in March 1994 and was presented to the first Conference of the Parties (COP 1) meeting in Berlin, in 1995.

Bible of negotiations

"The convention was the bible of our negotiations," commented Barkindo, adding that it led to the Kyoto Protocol, which was adopted in Kyoto, Japan, in December 1997 and entered into force in February 2005.

"All this was made possible because of the active and constructive participation of all developing countries and OPEC," he maintained.

Barkindo pointed out that he had been Vice President at COP 1 in Berlin, working alongside former research scientist Angela Merkel, the current German Chancellor.

"I actually attended and negotiated as Vice President on several occasions from COP 1 in Berlin to COP 15 in Copenhagen. So you can see that these negotiations are very personal to me."

He was obviously delighted that the Paris Agreement, seen as a major breakthrough in the climate change debate, was reached at COP 21 in Paris in 2015.

The OPEC Secretary General stressed that Morocco was already an important contributor to the climate change negotiations having convened an earlier meeting in Marrakesh, which he attended, and at which the Marrakesh Accord, a very important agreement in the process after Kyoto, was agreed upon.

He was confident that Morocco, with its long and proud history, and Marrakesh, with all its experience of hosting previous high-level international meetings, would prove the ideal setting for the talks.

"All OPEC delegates will be supportive of the efforts of the Moroccan Presidency at COP 22," he assured.

Reuters

Delegates take time out for a group photograph at the climate change talks in Marocco.

OPEC Secretary General attends Oil & Money conference

OPEC and the IEA underline the investment conundrum

L–r: Mohammad Sanusi Barkindo, OPEC Secretary General; Dr Fatih Birol, Executive Director, IEA; and moderator, Alex Schindelar.

Top officials from both OPEC and the International Energy Agency (IEA) have highlighted the importance of speeding up the rebalancing of the oil market so as to avoid a possible supply crunch in the coming years.

Speaking at the Oil & Money conference in October 2016, OPEC Secretary General, Mohammad Sanusi Barkindo, said the world would need to take "seriously" the threat of a supply crunch if industry investments contracted for a third year in 2017.

"I think there is a growing consensus in the industry that one of the fallouts of this cycle is the contraction in investments in exploration and production in the last two years — hence the need to restore investment on a sustainable basis," he said.

Dr Fatih Birol, Executive Director of the Paris-based IEA, said the recent downturn in investments was unprecedented for the industry and added that new investments were not only needed for new fields, but also to cater for declines in existing ones.

"Every year we are losing two million barrels per day as a result of the decline in existing fields — this means every two years we are losing Iraq," Birol highlighted. That means the industry will not be able to meet the expected rise in energy demand in the coming years, even if demand surprises to the downside, he explained.

In OPEC's *World Oil Outlook 2016*, oil demand is expected to reach over 109 million barrels of oil/day by 2040, an increase of over 16m b/d, with expected upstream investment requirements at $7.4 trillion.

Barkindo added that overall oil-related investment requirements, including the midstream and downstream, are $10 trillion over the period 2016–40.

In looking to the future, he underlined the importance of the recent Algiers Agreement taken by the Organization at the 170th (Extraordinary) Meeting of the OPEC Conference in helping restore balance and sustainability to the oil market.

He stressed that the accord was driven by supply fundamentals, specifically the high level of inventories that had built up in recent years on the back of excess supply, often from high-cost regions.

The OPEC Secretary General said it was vital to see a continued drawdown in stocks and to quicken the market rebalancing process.

The annual Oil & Money conference is co-hosted by Energy Intelligence and the New York Times, and this year's theme was *'Boom, Bust and Beyond: Strategies for Survival'*.

2016 Petroleum Executive of the Year Award

Saudi Arabia's Al-Falih sees healthy future ahead

October's Oil & Money conference in London saw Khalid A Al-Falih, Saudi Arabia's Minister of Energy, Industry & Mineral Resources and Chairman of the Board of Directors of Saudi Aramco, receive the 2016 Petroleum Executive of the Year Award. The honour, administered by Energy Intelligence, and based on nominations solicited from chief executive officers and other senior managers of over 100 of the world's largest oil and gas firms, recognizes outstanding executive leadership in the energy sector. The *OPEC Bulletin* reports on the keynote speech given by Al-Falih at the conference.

Khalid A Al-Falih, Minister of Energy, Industry & Mineral Resources of Saudi Arabia.

Khalid A Al-Falih joined Saudi Aramco back in 1979 and over the years he has held a number of positions of increasing responsibility, including Executive Vice President of Operations and CEO and President from January 1, 2009, until May 1, 2015. He was then appointed Chairman of the Board of Saudi Aramco in May 2015 and at the same time the Minister of Health for Saudi Arabia. He became Minister of Energy, Industry and Mineral Resources in May 2016.

During his executive career, he led the expansion of Saudi Aramco's oil production capacity, the world's largest, through a number of upstream projects and also significantly increased its refining and petrochemical capabilities through a series of new world class facilities.

Under his leadership, the company also became a major natural gas producer as part of a strategy to reduce domestic use of liquid fuel for power generation and to drive economic growth and diversification. In addition, Al-Falih was instrumental in Saudi Aramco's emergence as a leading innovator and creator of advanced technology through the establishment of a network of research centres, both in the Kingdom and internationally, in partnership with world-renowned academic and industry research institutions.

The Petroleum Executive of the Year Award acknowledges these achievements, with Thomas Wallin, Editor-in-Chief of Energy Intelligence, which administers the annual award, saying: "The selection of Khalid A Al-Falih by his peers is a reflection of his strong leadership of Saudi Aramco, the world's largest oil company, during a period of dynamic growth and severe challenges to the international petroleum industry."

Khalid A Al-Falih, Minister of Energy, Industry & Mineral Resources of Saudi Arabia.

The current situation

Al-Falih began his Oil & Money speech by stating that the oil industry is now coming to the end of a considerable downturn, which followed a period of marked expansion.

He recalled that at a conference back in 2013 when the industry "was enjoying the euphoria of that expansion," he tried to wave a red flag by observing a note of prudent caution.

He said at the 2013 conference: "This healthy picture ... should not make us complacent. Let's just make sure that we are — collectively and individually — robust enough to withstand the shocks and black swans that we know are inevitably out there. Now is the time to think about preparing ourselves for their certain arrival ... if we are to position our industry for the future we surely need to build greater resilience."

... "even though the market continues to correct, it has proven to be a slower process than many had anticipated. The reason for this is the lag time between investment decisions and production response, which has resulted in the extended build-up of inventories."

He stressed that his crystal ball "is no clearer than my colleagues', but there can be no doubt that the dynamics of our industry are synonymous with change." This has clearly been evident over the past two years or so.

In looking at the oil market situation at the end of October 2016, Al-Falih underscored that there were many questions circulating about where the markets are heading and what producers should and should not do. In this regard, he felt it was important to look back at the history of the current cycle.

He highlighted that supply disruptions combined with robust demand growth, "helped oil prices to stay above $100/barrel from the period of early 2011 to the third quarter of 2014." And in turn, "these healthy prices attracted enormous investments into expensive, marginal resources. That influx, alongside technological advancements, helped United States oil production to soar, reaching a peak of 12.7m b/d last year."

However, toward the end of that period and as expensive barrels continued to pour into the market, he said, supply and demand trajectories diverged and prices crashed in 2014.

"At that point, one option posed by many for OPEC was to reduce production to support prices, but if they had," he maintained, "the effect would have been to encourage continued investments in expensive resources like shale, oil sands, deep sea and the Arctic, etc." It would have led, he added, to OPEC having to successively reduce production year after year.

Al-Falih said he believed market forces were working today with fundamentals improving and the market rebalancing due to both the supply and demand sides of the equation. He added, however, that "even though the market continues to correct, it has proven to be a slower process than many had anticipated. The reason for this is the lag time between investment decisions and production response, which has resulted in the extended build-up of inventories."

Khalid A Al-Falih (l) with moderator, Alex Schindelar.

In this regard, he stressed that it was vital for both OPEC and non-OPEC producers to take action to accelerate the ongoing trend of natural rebalancing and reduce the time required to achieve greater market stability.

Beyond the short-term

The importance of this sustainable stability extended beyond the short-term, Al-Falih said. He stated that he had "no doubt that oil and gas will continue to serve as the core energy sources for many decades to come, even as the world endeavours to transition to a new global energy system." He stressed that he sees a healthy future ahead for the oil industry and ample growth opportunities for individual oil enterprises.

Keeping in mind the long-term prospects for oil, in his view, the industry will need to focus on four key imperatives:

- Replace natural decline of maturing fields;
- Prepare to meet incremental demand;
- Play a central role in meeting COP21 commitments and collective climate change goals; and
- Invest in technology and innovation to reduce the industry's cost structure, deal with challenges of complex new resources and maturing ones, while reducing the environmental footprint of oil.

To meet these requirements, he said, over the next quarter of a century the industry is estimated to need close to $24 trillion of capital spending on oil and gas upstream and transport. He added that if these investments are to become a reality, the oil industry must work hand-in-hand with the financial industry, before adding that prospective policy and regulatory changes impacting fossil fuels are introducing additional uncertainties and insecurities into the future funding environment.

Vision 2030

In looking to the future, Al-Falih briefly outlined Saudi Arabia's Vision 2030. The mainstays of this, he said, include economic diversification, promotion of the private sector, significant localization of goods and services, comprehensive reforms, and intensive capacity-building and job creation. He added, however, that while the Kingdom will pursue greater diversification, it will also continue to build upon the three existing pillars of its economy — namely oil and gas, chemicals and mining.

In expanding, he remarked on specific aspects of the Vision, such as privatization and the public offering of a portion of Saudi Aramco that he said would "be the largest IPO in history." Other state-owned assets in utilities, airports, seaports and transportation will follow, he added, "helping to increase the asset portfolio of the Public Investment Fund, or PIF, to some $2tr." And he also noted the Vision's development of a more vibrant and tolerant society, as well as greater opportunities for Saudi youth and women.

Photographs in this feature, unless otherwise credited, courtesy Heather Shuker & Eclection Photography.

OPEC's 'Vienna Agreement' ...

Turning a historic page in global oil

Continuing his tour of important global economies, OPEC Secretary General, Mohammad Sanusi Barkindo *(pictured)*, visited leading oil consumer India in early December. It was his first trip overseas after OPEC's Oil and Energy Ministers reached their landmark 'Vienna Agreement' in the Austrian capital at the end of November, which will see the Organization reduce crude oil production by a total of 1.2 million barrels/day from January 1, 2017. In a speech delivered to the 12th International Oil and Gas Conference and Exhibition (Petrotech 2016) in New Delhi, Barkindo talked about the "historic" accord. Taking part in a panel discussion, he also spoke of the uncertainty brought about by oil price volatility, as well as on the challenges and opportunities facing the international oil industry going forward.

The world is on the verge of turning a historic page in global oil. That is the considered opinion of OPEC Secretary General, Mohammad Sanusi Barkindo.

He made the pronouncement at Petrotech 2016, just a few days after the 171st Meeting of the OPEC Conference in Vienna, Austria, agreed to lower the Organization's total oil production to 32.5m b/d from the beginning of next year in support of securing oil market stability and reducing the level of global oil stocks.

Barkindo used his address to the conference to underscore some of the characteristics of "this historic achievement." In reviewing the outcome of the landmark OPEC Ministerial talks, he stated that it represented the first production adjustment by the Organization since the Oran, Algeria OPEC Conference in 2008.

And for the first time since 1998, Iraq, one of OPEC's Founding Members, effectively became part of the Organization's production management.

In addition, continued Barkindo, fellow Founding Member Iran had accepted a compromise solution that took into account its temporary special circumstances with a cap on its production.

Continuing with his review, the OPEC Secretary General pointed out that participating non-OPEC countries, for the first time, had pledged commitment to a joint agreement for production adjustment.

In support of this initiative, he said, an OPEC and non-OPEC Ministerial Monitoring Committee had been established to monitor the implementation and compliance of the agreement and to demonstrate the joint commitment to and collaboration in production management.

Collaborative action

"The 'Vienna Agreement' has institutionalized a framework for structured, sustained and transparent partnership with non-OPEC countries," stressed Barkindo, adding that the accord was openly shared with the public to reflect its "credible, equitable, transparent, measurable and verifiable features."

He told delegates: "Overall, it was a collaborative action to address the prevailing market realities and, more importantly, a commitment to the global community in an effort to restore and sustain market stability with positive and broad implications on the world economy, on the oil industry and on the oil-producing countries.

"This is a message OPEC has always emphasized in its discussions with major stakeholders, including producers, consumers and the industry," he affirmed.

Barkindo explained that throughout the process leading to the 'Vienna Agreement', constructive dialogue, along with flexible yet effective cooperation among OPEC producers, had played a key role.

"This is the ongoing and evolving work that the OPEC Secretariat in Vienna has tried to facilitate — and which I, as Secretary General, have been participating in and supporting since my arrival in the Austrian capital on August 1, 2016."

Speaking of his delight at being in New Delhi, Barkindo pointed to the "dynamic and ever-growing country of India" as one of the world's largest consumers of crude oil.

"India is of great importance to OPEC and non-OPEC oil producers alike," he said. "Its vibrant economy currently enjoys the fastest growth in the world with a rate of 7.5 per cent in 2016."

India, he enthused, at one level represented an important source of rapidly growing oil demand that appeared to now be the highest — at nearly 300,000 b/d, a rate that surpassed China. This expansion was being generated by the country's transition to modern fuels in households, as well as rising demand in the transportation sector and in the petrochemical industry.

"This has provided a great incentive to the world's oil producers, OPEC Member Countries in particular, to ensure that India's future demand needs are met," said Barkindo.

At another level, continued Barkindo, India was also home to one of the most important single consumers of crude oil — Reliance Petroleum — the world's largest oil refinery. The new Jamnagar refinery had an annual processing capacity of about 1.2m b/d. "That is truly impressive.

"There is, therefore, no doubt that India has emerged as a global player on the energy scene. And as a large oil consumer, India also shares with us and other global oil producers another important goal: oil market stability. The flip side of this is, of course, oil price volatility," he stated.

"Hence, it is very timely indeed that I headed to this great country almost immediately after our OPEC Ministerial Conference to share recent developments in the oil market and provide OPEC's perspectives, particularly in view of the OPEC Ministers' landmark agreement, which, once again, demonstrated the Organization's steadfast commitment to market stability in the interest of all producers and consumers of oil."

The OPEC Secretary General stated that this also fitted perfectly with the theme of the panel session and would hopefully provide food for thought and stimulate deliberation.

"The 'Vienna Agreement' has institutionalized a framework for structured, sustained and transparent partnership with non-OPEC countries."

Giving an overview of the oil market, he said as everyone had witnessed with anxiety in recent years, they had been characterized by a sustained drop in crude prices, accompanied by volatility.

The current downward cycle in prices, which was one of the longest in history, began its precipitous decline in June 2014 and reached a low of $20/b in early 2016, a massive decline of 80 per cent.

"This downward spiral has given oil prices increased visibility in recent years — both in the media, in major economic centres and in various industry fora. It is only recently that we have started to see encouraging signs of a reversing trend upwards," he maintained.

"However, if we refer to low prices and volatility, it is helpful to step back and recall our recent history. As they say, those who ignore the past are destined to repeat it."

In recalling the impact that the low oil price environment of the 1980s and 1990s had on producing countries and the global oil industry in general, Barkindo professed that during both cycles, low prices achieved only one thing — they dramatically choked off investments.

Research and development spending was reduced. And drastic cost-cutting strategies were put in place across the board. Young people also lost any interest they might have had in making a career in the oil sector. And, in the long term, global supplies were put at risk.

"This, of course, sounds strikingly similar to the conditions we have been seeing lately — with global investments falling, oil revenue decreasing and impacts on the global economy, including declining trade."

In fact, continued Barkindo, global exploration and production spending fell by around 26 per cent in 2015, and a further 22 per cent drop was anticipated in 2016.

"Combined, this amounted to more than $300 billion and this trend is expected to extend into its third year, which is unprecedented in the history of oil industry.

"This is a stark contrast and challenge when we all know that, apart from the development aspirations and healthy economic growth of many producing countries, our capital-intensive industry always requires huge investments for the production of new barrels, not only to meet growing demand but also to accommodate for decline rates from existing fields.

"With the current state of the oil market, the industry will simply not be able to comply with the massive oil-related investment requirements that are estimated to be around $10 trillion in the period to 2040," he warned.

Barkindo told delegates that, as in the previous downward cycles of the 1980s and 1990s, it had been necessary to find a way to expedite the long-delayed rebalancing of the market in order to restore stability.

"This current cycle's recovery process has taken far too long and the risk of delaying the adjustment any longer would be costlier and more complicated with a host of negative implications in the coming years," he said.

The OPEC Secretary General said that over the busy months of 2016 and after a show of unity and cohesion of the kind the Organization experienced at the 171st Meeting of the Conference, OPEC Countries were able to reach an agreement on the implementation of the 'Algiers Accord'.

"With efforts that were constructive, comprehensive and timely, OPEC's Members were engaged in extensive bilateral and multilateral consultations over the past months that culminated in the 'Algiers Accord' on September 28, 2016, and then finalized with a consensus decision of its implementation on November 30, 2016, in Vienna. The 'Vienna Agreement'.

"These were landmark decisions and they included the participation of non-OPEC countries, who declared their resolve to join OPEC in achieving an accelerated realignment of global oil supply and demand," he added.

Turning to OPEC affairs, Barkindo stressed that Member Countries maintained a steadfast commitment to ensuring the long-term supply of the market.

Up- and downstream investments

"Our Member Countries continue to invest heavily in both the upstream and the downstream, despite recent increases in costs and despite a continuing shortage of skilled labour across the industry."

Barkindo noted that global macro conditions had continued to offer numerous other challenges as well. These had ranged from questions about global economic growth to environmental policies and political uncertainties in both oil-consuming and producing countries. Such forms of uncertainty could be very costly for oil producers.

However, looking forward to the medium and long term, he said OPEC remained confident that demand

"Our Member Countries continue to invest heavily in both the upstream and the downstream, despite recent increases in costs and despite a continuing shortage of skilled labour across the industry."

for oil would continue to rise steadily in the foreseeable future. According to the recently published *OPEC World Oil Outlook 2016,* global demand was forecast to increase by nearly 17 million b/d until 2040 — at which time it could reach around 110m b/d.

Barkindo noted that in this, a pivotal role would be played by Asia, which was set to be the engine for future growth in world energy demand.

"In fact, emerging and developing economies in Asia are expected to make up roughly 70 per cent of this growth, which is being spurred on by the region's population growth, a rapidly expanding middle class, urbanization and industrialization," he maintained.

Population growth

Barkindo said that India was projected to see its population grow by 317 million, surpassing that of China by 2030, and reaching 1.6 billion by 2040. This would correspond to around 18 per cent of the world population, compared to 16 per cent for China, during the same projection period in 2040.

GDP growth in India and China was especially noteworthy, he said, with rates estimated at 6.9 per cent and 4.9 per cent per year, respectively, over the forecast period up to 2040.

In particular, China ($41.3 trillion) and India ($31.6tr) would together contribute more than half of the total global economic growth between 2015 and 2040.

India would also see dramatic increases in its real GDP over the next 25 years. It was anticipated to surpass OECD Europe in 2034 and by 2040 India's real GDP was estimated to be about the same size as OECD Americas.

Alone in India, oil demand was projected to rise to more than 10m b/d by 2040 compared, to 4.1m b/d in 2015.

"Such a substantial expansion in India and other fast growing economies in Asia will require supplies from all producing regions. Thankfully, OPEC Member Countries will play a crucial role in fuelling this dynamic growth," commented Barkindo.

"But for this to happen, continued investment in our Member Countries' energy industries is required. There is thus a clear need to ensure that prices are supported and stabilized.

This is something that can only be achieved together, by sharing outlooks and through collaboration among the world's producers, particularly as the world continues to evolve towards more inter-dependence and more tightly integrated energy markets.

"And it is exactly this spirit of cooperation that guided the actions of our Member Countries when they found firm and common ground during the Meeting of the Conference on November 30 in Vienna," stressed the OPEC Secretary General.

He said such thinking also lay behind the establishment of active, formal and ongoing dialogues with the European Union, China and Russia, as well as with a number of other non-OPEC producers.

In fact, he added, in December 2015, OPEC held the first OPEC-India Energy Dialogue with the participation of India's Ministry of Petroleum and Natural Gas.

"This meeting was considered a milestone in setting such a dialogue in motion. While the discussions mainly focused on trade between OPEC Member Countries and India, and energy consumption in India, special importance was given to India's crude oil demand and gas requirements. Roughly 85 per cent of crude and 90 per cent of gas going to India are sourced from OPEC Member Countries," revealed Barkindo.

He said this dialogue was the first step in the development of what the Organization hoped would be a long-lasting, symbiotic partnership.

"Such a substantial expansion in India and other fast growing economies in Asia will require supplies from all producing regions ... OPEC Member Countries will play a crucial role in fuelling this dynamic growth."

In concluding his remarks, the OPEC Secretary General stated that he was optimistic about "all these laudable activities," as they could lead to more transparent security, stability and sustainability.

"But nothing can be taken for granted and we must continue to work together: producers and consumers, OPEC and non-OPEC producers, and those working in the upstream as well as the downstream. We all have something to gain by working together — and much to lose if we do not.

"I am sure you will agree that today's complex energy markets require open communication and collaboration in order to ensure that the world's future energy needs are met," he affirmed.

"This 12th edition of Petrotech is one of the most important initiatives taken by this fine country of India to enhance and promote such open communication. I am certain that through continual dialogue, collaboration and the exchange of information, we all stand to benefit — producers and consumers alike."

Some 10,000 energy experts gather in Istanbul

World Energy Congress brings opportunity to exchange with leading experts

OPEC Secretary General, Mohammad Sanusi Barkindo, took the opportunity provided by the 23rd World Energy Congress (WEC) meeting in Istanbul in October 2016 to continue talks with various OPEC and non-OPEC officials, continuing diplomatic efforts started in relation to the 'Algiers Accord', as well as to participate in various panel discussions.

The WEC meeting in Istanbul represents the first time OPEC has participated in a WEC meeting. The Istanbul gathering attracted 10,000 energy specialists from around the world.

The WEC has been running since 1924 and is one of the world's premier energy gatherings, bringing together an impressive lineup of ministers and heads of state.

This year's event, which took place from October 9–13, was co-hosted by the President of Turkey and officially inaugurated with a keynote address by Khalid Al-Falih, Minister of Energy, Industry and Mineral Resources of the Kingdom of Saudi Arabia.

An informal OPEC-non-OPEC meeting was held near the WEC following OPEC's landmark agreement reached in Algiers, Algeria on September 28 at the 170th (Extraordinary) Meeting of the Conference when the Organization decided on a production target in order to draw down the existing substantial stock overhang and move the rebalancing of the market forward.

The OPEC Secretary General also conducted a set of informal meetings together with OPEC Conference President and Minister of Energy and Industry of Qatar, Dr Mohammed Bin Saleh Al-Sada on the sidelines of the WEC with OPEC and non-OPEC energy officials to discuss the international petroleum market and possibilities for stabilizing it.

The two met with Algerian Minister of Energy, Noureddine Boutarfa, Venezuelan People's Minister of Petroleum, Eng Eulogio Del Pino, and Russian Minister of Energy, Alexander Novak. Separately, Barkindo met with the President of the Bolivarian Republic of Venezuela, Nicolás Maduro Moros.

Commodity price storm

The Secretary General contributed to a session entitled, 'The commodity price storm: Signal of a new normal' on the third day of the five-day Congress.

Other discussion leaders included Patrick Pouyanné,

Dr Mohammed Bin Saleh Al-Sada (c), OPEC Conference President and Minister of Energy and Industry of Qatar; Alexander Novak (second l), Russia's Energy Minister; Noureddine Boutarfa (second r), Algeria's Minister of Energy; and Mohammad Sanusi Barkindo (r), OPEC Secretary General.

Chief Executive Officer of Total, France; Vagit Alekperov, President of Lukoil, Russia; Maarten Wetselaar, Integrated Gas and New Energies Director at Royal Dutch Shell PLC, The Netherlands, Lorenzo Simonelli, President and CEO of GE Oil and Gas, UK, Alexander Novak, Minister of Energy, Government of the Russian Federation and Eng Eulogio Del Pino, People's Minister of Petroleum, Government of Venezuela. The session was moderated by CNBC's Stephen Sedgwick.

The panelists were asked a series of questions and were given the chance to add their comments on various topics, including the current market situation, investment, prices and climate change.

In his remarks to the panel, the OPEC Secretary General stated that the current oil market cycle was the most severe in recent times and that after extensive consultations to try and obtain a new direction and restore stability, OPEC's landmark agreement in Algiers at the end of September had marked a turning point.

New production ceiling

He said this was the first time since 2008 that OPEC Member Countries had agreed to the establishment of a new production ceiling for the Organization, adding that there was now broad agreement among oil-producing and consuming countries that the oil market situation needed to improve, adding that the "climate" among oil producers especially had changed and a global consensus was now gradually building up.

"What Algiers demonstrated to the world is that OPEC still has the resolve — and is capable of and able — to defend its collective group interests, not only on behalf of the Organization's Member Countries, but for all producers and consumers," Barkindo stressed. He explained that a framework was now being built to implement the Algiers decision and "to engage friends and partners from non-OPEC."

He told the panel that the most pressing issue for the market right now was dealing with the extreme stock overhang. Inventories had risen to stand some 380 million barrels over the five-year average.

"This must be as quickly as possible brought to acceptable levels by both OPEC and non-OPEC producers. Only then can a fair price for oil be addressed," he affirmed.

Meanwhile, Venezuela's Del Pino told the panel that OPEC had taken a "big step" in Algiers in reaching a consensus on production. He pointed out that the Organization had a long history of collaboration and a great deal of communication and discussion had gone into reaching its latest agreement.

He stated that there are several factors which pose challenges to an effective deal which is why the Algiers Accord sanctioned a high-level group to openly discuss various issues. These include which secondary sources are used to measure production, defining oil sold in the market, seasonal imbalances, market conditions and the current overhang in oil stocks.

"Now a framework can be built to start discussions with non-OPEC producers," he maintained, adding that the world economy was waiting for a firm decision to be taken by oil producers.

The Minister explained to the

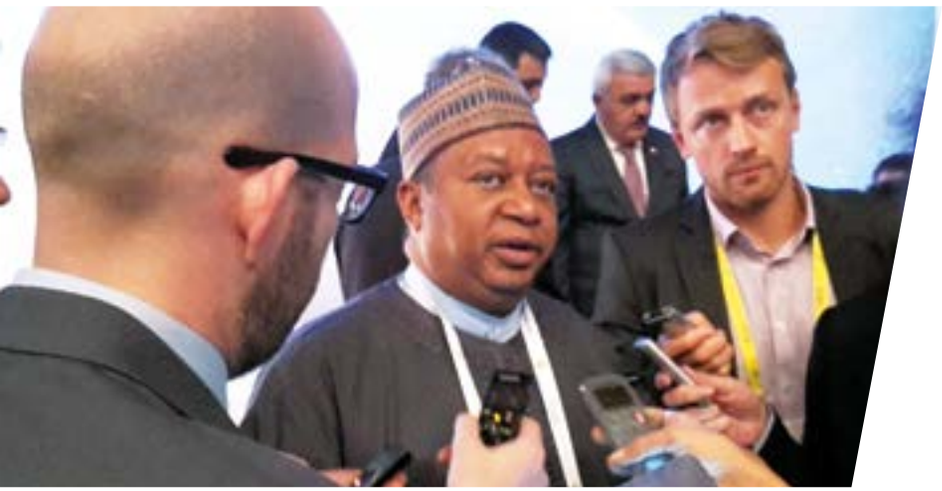
"What Algiers demonstrated to the world is that OPEC still has the resolve — and is capable of and able — to defend its collective group interests ..."

— Barkindo

Mohammad Sanusi Barkindo, OPEC Secretary General.

"Now a framework can be built to start discussions with non-OPEC producers."

— Del Pino



Mohammad Sanusi Barkindo, OPEC Secretary General, talking to the press.

panel that no other commodity traded on world markets today faced such volatility as crude oil — and no other commodity had such an important role to play in the world economy, so it was essential to restore market stability.

Russian Minister Novak stated that the OPEC Meeting in Algiers showed that the Organization's Member Countries were keen on achieving a balance in the market, adding that the Russian Federation was also prepared to participate in the effort.

He pointed out that new technologies have played a great role in opening up production from oil sources not before considered, he added. Technological innovations have also shortened market cycles from their earlier time of 10–12 years and increased volatility, he stated.

Novak said his country currently supported freezing or reducing production to balance the market, in order to bring much-needed investment back online. The government has already undertaken discussions with the more than 200 producing companies in Russia and they expressed readiness to take part in joint actions.

Of the other speakers, Total's Pouyanné said the producing countries' decision to reduce output was good, adding that Total would like to see a balanced market with prices in the range of $50–70/barrel.

He stated that volatility is inherent to the oil market, but he thinks producers should focus on what they can control, such as costs, capital and assets. He said he feels the current severe volatility is hindering investment, which could have a negative effect on the market in the future.

He stated that he tries to maintain a long-term outlook regarding investments, rather than reacting to each cycle. "If I lose money every year over 50 years, I have an issue."

Feldun maintained that a 'gold' oil price, which he placed at $80/b, was needed to guarantee returns on investment, adding that it was important to take into consideration that one-third of existing production would need to be replaced and by 2025 production has to double. "If it continues as it is for the next three to four years, we will have a very high price for oil."

For Wetselaar, two questions sprang to mind — the effect of the removal of subsidies on future oil demand when prices were higher; and to what extent the electrification of cars would penetrate the oil-based transportation market.

He said it is important to focus on controlling cost, by improving design and operating practices, rather than revenue. "The low-cost barrels will survive in every price scenario … it is like running from a bear. As long as you are running fast enough the bear will eat the slowest first."

Simonelli pointed out that if the price of oil production per barrel was lower, a rebalancing of the market could take place to ensure profitability and reinvestment.

He focused on reducing inefficiencies and increasing productivity through collaboration, standardization of products, streamlining project management and reducing unplanned downtime.

Simonelli said he believes the fourth industrial

revolution aiding in all these areas will come through data analytics. "... that's where the future could also provide more stability and make the oil and gas industry more efficient from an energy mix perspective."

All panelists agreed that the Paris Agreement on climate change taken at the COP21 meeting last year must be taken on board and that the inevitable changes that would follow should be viewed as opportunities and not obstacles.

The OPEC secretary General stated that, in the light of this agreement, it was more important than ever that all oil producers cooperated and moved forward together.

He said OPEC Member Countries had been actively engaged in the climate change talks and were part of the group that drafted the Paris Agreement, adding that it was important that countries and companies did not adopt discriminatory policies against hydrocarbons, which were needed to fuel the world economy, particularly the developing world where energy poverty still existed for so many.

According to Pouyanné, energy resources should be reliable, affordable and clean, adding that hydrocarbons would be needed by the global community for a long time to come.

Presidential Plenary

The OPEC Secretary General also attended an impromptu meeting with various presidents, as well as a follow-up session with other energy officials on the first day of the WEC.

The meeting was entitled 'Presidential Plenary Session' and included the President of Venezuela, Nicolás Maduro Moros, the President of Russia, Vladmir Putin, the President of Azerbaijan, Ilham Aliyev, and the President of Turkey, Recep Tayyip Erdogan.

Each president spoke at the session, with Barkindo stating during a follow-up session that there could not be a better time to bring such delegates together to discuss matters of global significance.

Also present at the presidential session were Turkey's Minister of Energy and Natural Resources, Berat Albayrak, and Turkey's Prime Minister, Binali Yildirim.

The OPEC Secretary General also participated in a follow-up session with Rovnag Abdullayev, President of the State Oil Company of Azerbeijan (Socar), which produces oil and natural gas from onshore and offshore fields in the Caspian Sea.

In his comments, Abdullayev spoke about the importance of a stable political environment for the industry. The large-scale projects undertaken by Azerbeijan today, he said, would not have been possible without political stability. "We need peace for development," he said. Azerbaijan this year is celebrating its 25th year of independence.

In his statement, Barkindo said the current price cycle, driven by excessive supply, is the most severe of the last six cycles. Prices have plunged by over 80 per cent from the middle of 2014 until early this year, he noted, which has had negative implications for investment and could potentially threaten future supply.

He said there has been a convergence of views between producer and consumer countries in recent months. For the first time in recent memory, consuming countries are equally concerned as producing countries about the price cycle, he said, which has taken longer to turn around than expected.

He further noted that no forecasting agency had predicted that the current cycle would last longer than six months to one year.

Barkindo said he did not believe in the forecast scenarios put forward by the World Energy Council that by 2030 energy demand will peak with potential stranded reserves by 2060.

He said demand for energy will continue to rise, noting that global population growth continues at a strong pace, particularly in the developing world and that the global economy is predicted to keep growing.

According to OPEC's estimates, projected demand is expected to rise by 17 million b/d by 2040 to bring it to roughly 120m b/d.

In comments to the OPEC Secretary General, moderator, John Defterios, CNN's Emerging Markets Editor, and host of 'Marketplace Middle East', congratulated Barkindo on his "shuttle diplomacy" and for his ability to build bridges among different stakeholders.

Photos courtesy of Maureen MacNeill.

OPEC hosts fifth High-level Meeting of Russia Energy Dialogue

Continued cooperation vital for sustainable market stability

L–r: Alexander Novak, Minister of Energy, Russian Federation; Mohammad Sanusi Barkindo, OPEC Secretary General, and Hasan Hafidh, Head of OPEC's PR & Information Department.

The fifth High-level Meeting of the OPEC-Russia Energy Dialogue was held at the OPEC Secretariat in Vienna on October 24, 2016.

The Meeting was jointly chaired by Mohammad Sanusi Barkindo, Secretary General of OPEC, and Alexander Novak, Minister of Energy of the Russian Federation.

"... the OPEC-Russia Energy Dialogue has become an established platform, among others, to discuss the variety of challenges that we face, as well as the opportunities that our industry continues to offer," Barkindo said in opening the meeting.

"Over the years, our bilateral cooperation has flourished and we value the direct and open channels of communication that have evolved," he stated.

Barkindo stressed that the leadership role of the Russian Federation is crucial in combating the current energy challenges that are often intertwined and complex in nature. "I am sure that this meeting will be enriched and informed by the insights and experiences of everyone here as we look to further build this Dialogue and explore ways and means to work collectively to bring about the sustainable market stability we all desire," he said.

The meeting was attended by a high-level delegation from the Russian Federation, as well as senior officials of the OPEC Secretariat.

According to a press release issued after the meeting, discussions focused on the short-term oil market outlook, as well as the medium- and long-term outlooks.

They also stressed the impact that recent price volatility and the high level of stocks have had on the industry.

"In addition, the deliberations considered scenarios depicting the effects that climate change mitigation policies could have on oil and energy demand, and on investments in the industry," observed the release.

It said the parties also discussed the importance of technological innovation and its potential impact on the market, particularly with regard to oil supply.

In their concluding statements, given the market's complexities and uncertainties going forward, the parties stressed the importance of cooperation, along with well-established technical interactions, so that future Energy Dialogue meetings may consider pertinent issues affecting the industry.

"The OPEC-Russia Energy Dialogue is a valuable contribution among producing countries towards collective efforts in support of sustainable market stability," the two sides stressed. "The ongoing consultation taking place currently is a reflection of these efforts," said the release.

It pointed out that there was a common understanding to expand activities in research and analysis and it was agreed that the first joint studies will assess the impact on the oil sector of access to capital and international fiscal regimes.

Furthermore, the parties agreed to focus on two technical themes for the next meeting: the effects of the current market situation on energy investments; and analysis of breakthrough demand-side technologies, including medium- and long-term perspectives on disruptive transportation technologies.

The parties agreed to have their next High-level Dialogue Meeting in Moscow during the second half of 2017.

Dialogue essential for sharing viewpoints, reaching better understanding

— Barkindo

OPEC Secretary General, Mohammad Sanusi Barkindo, has stressed the importance of the OPEC-Russia Energy Dialogue, stating that the annual meetings were vital for sharing viewpoints and outlooks and "improving our understanding of each other".

Barkindo was speaking at the fifth High-level Meeting of the Dialogue at the OPEC Secretariat in Vienna on October 24, 2016, which was jointly chaired by Alexander Novak, Minister of Energy of the Russian Federation.

The OPEC Secretary General said the Organization appreciated Russia's continued support of the Dialogue and also praised the Federation for its valuable input to the recent consultations held between OPEC and non-OPEC countries, "as we look to put in place the building blocks that would bring the oil market rebalancing forward."

He told Novak: "Your leadership role is not only evident, but widely acknowledged and appreciated."

In giving an overview of the OPEC-Russia Energy Dialogue, Barkindo revealed that OPEC's relationship with the Russian Federation was initially shaped in the early 1990s.

He explained that, in 1992, Russia was given observer status to the OPEC Conference, and in subsequent years it participated in many OPEC Ministerial Meetings. Moreover, during this period there were also technical exchanges and workshops organized and attended by both sides.

Barkindo said the OPEC-Russia Energy Dialogue was then itself formalized in 2005. This evolved through OPEC's participation and input to the preparatory process for Russia's assumption of the G8 Presidency in 2006.

"This proved to be a good example of our expanding cooperation," commented the OPEC Secretary General.

He recalled addressing the International Energy Week in Moscow in October 2006 when he met the then Russian Minister of Industry and Energy, Viktor Khristenko.

"In our talks, we both restated the importance of strengthening the OPEC-Russia Energy Dialogue, particularly on issues related to the producers' perspective, such as furthering cooperation in the G8 process and market management in view of the risk of market imbalances."

Barkindo said that, in 2012, the two parties brought

a more structured framework to the Dialogue by initiating annual high-level meetings.

"Today is the fifth meeting of our Dialogue and I have no doubt it will build on the successful high-level meetings we have seen in recent years," he told assembled delegates.

Barkindo said the first of these was held at the OPEC Secretariat in September 2012, a meeting that focused on the current state of the world oil market and more long-term perspectives, the oil and gas sectors in the Russian Federation, as well as global environmental and world trade matters.

"The meeting concluded with both parties underlining their commitment to furthering cooperation, not only at the high level, but also at a technical level to facilitate more regular information exchange and analysis sharing," he stated.

Barkindo said the Second High-level Meeting took place in Moscow in October 2013, with both parties focused on sharing their views on long-term oil market developments. The meeting also agreed on the creation of two committees to research tight oil and shale gas developments and global refinery developments.

"This high-level meeting was also supported by the first technical meeting of the Dialogue, following agreement at the first High-level Meeting to expand the Dialogue at the technical level."

Short- to long-term oil market analyses

Barkindo revealed that the technical meeting saw presentations covering short- to long-term oil market analyses, the prospects for shale oil and gas, as well as discussions on topics such as the global economy, energy efficiency, renewables and changing trade patterns.

This, he said, was followed by a second technical meeting that was held in Vienna at the end of March 2014, which focused on the research agreed at the last High-level Meeting, namely tight crude and unconventional natural gas liquids (NGLs) and shale gas developments and global refinery developments.

The third High-Level Meeting was then held in September 2014 in Vienna. The Meeting, said Barkindo, summarized the discussions from the last technical meeting and both parties expressed their support for these technical interactions to allow for a better understanding of viewpoints, underlying assumptions and developments.

"The Meeting also outlined themes for the Dialogue in 2015, namely the global petrochemical industry outlook and fiscal regime perspectives in the Russian oil sector."

Barkindo said the most recent meeting took place in July 2015 in Moscow, "where we shared our thoughts on short- and long-term market outlooks, as well as analysis on the two themes agreed upon at the previous meeting."

He stated that, given the volatile oil market environment at the time of the meeting, both parties also stressed that price volatility and the general oversupply were not conducive to market stability, a prerequisite for the continuity of timely and adequate investments.

"In fact, you have been actively present in all of these high-level meetings and, in looking back over the history of our cooperation, I was drawn to a comment you made about the importance of this dialogue in 2012," he told Novak.

"You stated that the 'OPEC-Russia Energy Dialogue is meant to help both sides to assess future trends in the oil sector, as well as make necessary decisions and to find joint solutions to concrete difficult situations on the world oil markets'.

"This is a timeless statement and further underscores the value of our ongoing dialogue and cooperation,' professed Barkindo.

He said that what has been evident at all the meetings, both high-level and technical, since the current series of high-level meetings began in 2012, "is the fact that both of us are committed to stable and predictable markets: for the continued health of the industry and investments, for the benefit of both producers and consumers, and for the well-being of the global economy on a sustainable basis."

Continued Barkindo: "We can all appreciate that market stability and balanced fundamentals remain critical issues today. Thus, today's fifth meeting is very timely and I look forward to hearing all the viewpoints on current market developments, as well as long-term prospects," he added.

Turning to current oil market developments, the OPEC Secretary General said that while there are signs that the rebalancing of the fundamentals is underway, with overall non-OPEC supply contracting this year and demand at healthy levels, the large stock overhang continues to be a major concern.

"In this regard, we have responded to the recent market conditions with intensive talks and relentless efforts to help bring forward the realignment in global oil supply and demand," said Barkindo.

This, he said, bore fruit at the 170th (Extraordinary) Meeting of the OPEC Conference in Algeria in September 2016, with the landmark 'Algiers Accord'.

Barkindo maintained that the consensus decision reached among OPEC Member Countries has been effective in arresting any further deterioration in prices and it has helped reduce volatility.

"In addition, it has also improved overall market sentiment and strengthened the case for burden-sharing and broader cooperation.

"We believe it is essential that producers, both OPEC and non-OPEC, look to address the issue of the high inventories. This is now central to the return of a balanced market and to establish sustainability."

Sustainable market stability

Barkindo told the meeting that the importance of this could not be overemphasized.

"We need sustainable market stability to fund investment in new exploration and production, to arrest decline rates in existing fields, to expand midstream and downstream capacity and to hire, train and support the people that will continue to drive this industry forward in the years ahead."

Of course, he said, there are also many other ongoing and related challenges for oil markets, such as: the uncertain prospects for the global economy; excessive speculation and the role of financial markets; the impact of geopolitics; advances in technology and the benefits that could spill over into other areas of the energy value chain; environmental and climate change policies; and sustainable development concerns.

"A number of these issues are on our agenda today, with specific presentations on the uncertainties associated with climate policies, and technological developments and their possible implications for oil and energy markets," he added.

In concluding his remarks, the OPEC Secretary General said it is evident that the short-term picture "is the one on all of our minds.

"But we need to appreciate the fact that all time frames are interlinked. What happens today will have a bearing on what happens in the future, particularly given that this industry is very much a medium- to long-term business.

"In this regard, the OPEC-Russia Energy Dialogue has become an established platform, among others, to discuss the variety of challenges that we face, as well as the opportunities that our industry continues to offer.

"Over the years, our bilateral cooperation has flourished and we value the direct and open channels of communication that have evolved.

"The leadership role of the Russian Federation is crucial in combatting the current energy challenges that are often intertwined and complex in nature," he said.

"I am sure that this meeting will be enriched and informed by the insights and experiences of everyone here as we look to further build this Dialogue and explore ways and means to work collectively to bring about the sustainable market stability we all desire," concluded Barkindo.

Alexander Novak (centre l), Minister of Energy, Russian Federation; Mohammad Sanusi Barkindo (centre r), OPEC Secretary General; with members of the OPEC Secretariat team and the Russian delegation.

EU-OPEC roundtable assesses future potential of non-crude liquids

The European Union (EU) and the Organization of the Petroleum Exporting Countries (OPEC) held a joint roundtable on *'Prospective for future production of non-crude liquids'* in Brussels, Belgium, in October.

The event was co-chaired by Erlendas Grigorovic, Acting Head of Unit for the European Commission's Directorate General for Energy, and Oswaldo Tapia, Head of OPEC's Energy Studies Department and Officer in Charge of the Research Division.

The roundtable is part of the formal EU-OPEC Energy Dialogue, which was established in 2005 to promote exchange of views on energy issues of common interest, including oil market developments, and the potential this has for contributing to stability, transparency and predictability in the market.

The energy dialogue has already achieved significant progress in enhancing understanding between the two groups on key energy issues through the organization of joint activities, such as workshops, studies and roundtables.

These activities, combined, have resulted in deeper insights into important topics of mutual interest. The Brussels roundtable is the latest such initiative.

Session one of the roundtable featured the presentation of the joint study entitled *'Prospective for future production of non-crude liquids,'* while session two consisted of a roundtable discussion with stakeholders on the study's outcomes.

The meeting agreed that, in the light of the current challenges in the energy markets, ongoing dialogues of this nature would continue to be of great importance.

Both parties agreed that a stable and orderly energy market is essential for both producers and consumers and a prerequisite for achieving sustained world economic growth.

The joint study discussed provided an outlook of the production levels of non-crude liquids around the world from 2000 to 2015. It then outlined projected long-term supply estimates to 2040 using three different scenarios to enable a more detailed assessment of the potential outcomes.

It focused on non-crude liquids, which include natural gas liquids, biofuels and fuels derived from gas-to-liquids, and coal-to-liquids processes.

Based on the findings of the study, natural gas liquids and biofuels are expected to make up the majority of non-crude liquids' supply in the long term, while gas-to-liquids and coal-to-liquids will most likely play a lesser role.

The study also evaluated how these liquids might impact conventional fuel production, including bioethanol's impact on gasoline supply, biodiesel production on diesel's share of the market and NGLs' market position in relation to liquefied petroleum gas.

Other topics at the roundtable included environmental impacts as well as regulatory issues and governmental policies, especially in relation to biofuels.

Both parties observed that the study was informative and useful in assessing the future outlook for non-crude liquids and any potential impacts they may have on their constituencies, either directly or indirectly.

The parties concluded that continued dialogue and exchanges of views between the EU and OPEC were essential for improving understanding and supporting their mutual interests of promoting oil market stability and predictability.

It was also agreed that the roundtable's deliberations and outcomes would provide valuable input to the next event held under the EU-OPEC Energy Dialogue, which would be the 13th High-Level Meeting to be held in Vienna, Austria in the first half of 2017.

Kuwait appoints new Oil Minister

Mechanical Engineer, Issam Abdulmohsen Almarzooq, has been appointed Kuwait's new Oil Minister. He is also Minister of Electricity and Water and Chairman of the Board of the Kuwait Petroleum Corporation (KPC).

In the oil portfolio, he succeeds Anas Khaled Al-Saleh, Kuwaiti Deputy Prime Minister and Minister of Finance, who was Acting Oil Minister for some time.

Working career

Almarzooq has a BSc in Mechanical Engineering, which he attained at the University of Southern California, United States, in 1982.

His working career began that very same year when he became a Mechanical Construction Engineer at the Kuwait National Petroleum Company (KNPC), a position he held for four years.

During this time, he became a Training Engineer in Design, Inspection and Estimation for the Japan Gas Company in 1984–85.

In 1986, Almarzooq was appointed Planning Engineer at KPC.

Three years later, he became General Manager of the Kuwait Industrial Refinery Maintenance and Engineering Company, where he remained for seven years.

In 1996, Almarzooq was appointed Board Director at the Kuwait Shipbuilding and Repair Company, a position he held for three years.

In 1999, he became Chairman and Managing Director of the Gulf Dredging Company. He remained in this position until 2007.

Between 2014 and 2016, he was Chairman of the Board of the Boursa Kuwait Company. He has been a Board Member of the KPC since 2015.

Almarzooq was appointed Minister of Oil and Minister of Electricity and Water in December 2016.

Platts

'Lifetime Achievement' award for Abdalla Salem El-Badri

Former OPEC Secretary General, Abdalla Salem El-Badri, who ended his tenure with the Vienna-based Organization in July 2016, has been honoured with a 'Lifetime Achievement' award by S&P Global Platts.

El-Badri, the longest-serving Secretary General in the history of OPEC, with over nine years in office, was handed his award in New York in early December at the 18th Annual Platts Global Energy Awards, often described as the "Oscars" of energy.

One of the first to congratulate the Libyan national on his achievement was his successor at the OPEC Secretariat in Vienna, Austria — Mohammad Sanusi Barkindo — who stated on the Organization's website that El-Badri was an extremely deserving winner of the Award after a long and successful oil industry career in both his home country of Libya and with OPEC.

He referred to El-Badri as "an icon of the global oil industry" and at the same time "a humble man of great integrity that is respected round the world." Said Barkindo: "His leadership and diplomacy skills have helped navigate OPEC through some challenging and uncertain times. He has been able to use his charisma and charm to bring people together. And he has been able to broker solutions, when there has been discord."

The Platts 'Lifetime Achievement' Award recognizes the achievements of individuals who have won widespread recognition and respect on the global stage, through outstanding contributions to the development of the energy industry in the course of their careers.

Platts receives more than 200 nominations for its awards each year. Winners are chosen after rigorous review by an independent panel of judges, comprising former national regulators, legislators, heads of major energy companies and leading analysts.

Murray Fisher, Senior Manager, Platts Global Energy

Abdalla Salem El-Badri (r), former OPEC Secretary General, and Mohammad Sanusi Barkindo (l), OPEC Secretary General, who congratulated him on the award. The above picture was taken earlier at the OPEC Secretariat.

Awards, said that El-Badri's tenure at OPEC was "but one stop" on his more than 50-year industry career, which included leadership roles both in his home country of Libya and internationally.

Judges applauded El-Badri as the epitome of a Lifetime Achievement Award winner: a "great diplomat" who "opened doors in a difficult region" and in his career "has had a major impact on the oil industry."

Fisher said that during his time at OPEC, El-Badri deftly steered the Organization through the 2008 financial crisis and its aftermath, playing a critical role in maintaining stability between demands from OPEC Members and the needs of energy-consumer economies.

"He also opened new lines of communication with countries, including China, India and Russia, as well as organizations such as the European Union, the International Energy Agency and the International Energy Forum; and enhanced the Organization's global reputation for transparency and credibility.

"El-Badri is renowned for his leadership and diplomacy skills, often serving as a broker who irons out differences between OPEC's internal rivals," he added.

Born in the small town of Ghemines, El-Badri's oil industry career began at Esso Standard in 1965. In Libya, he was subsequently Chairman of the Libyan National Oil Company (NOC), the country's Minister of Petroleum, its Minister of Energy, Oil and Electricity and its Deputy Prime Minister.

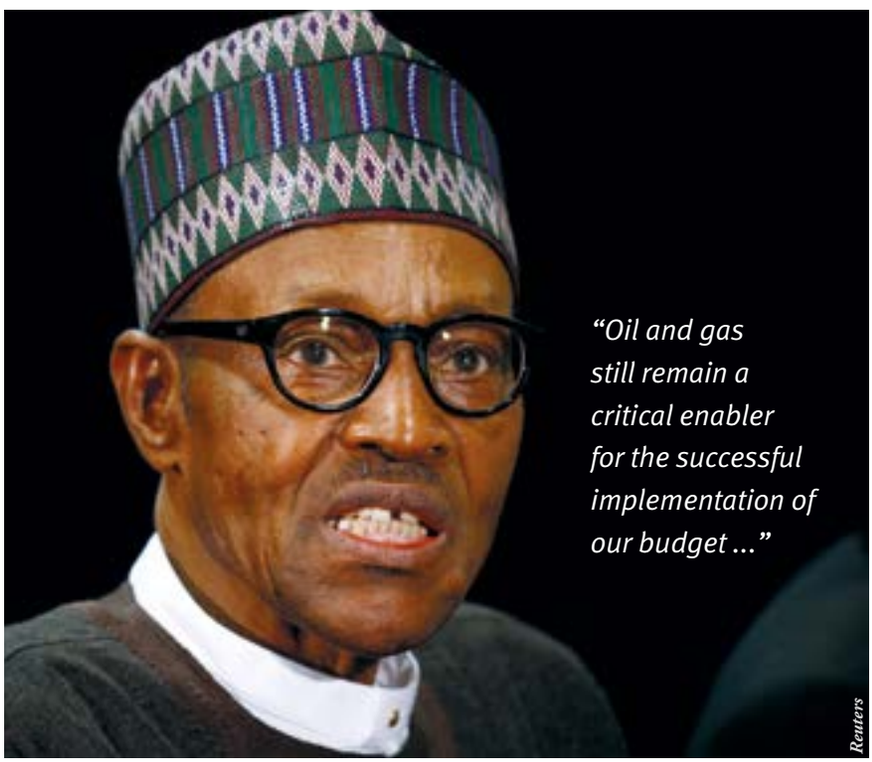
His relationship with OPEC stretches back to his time as Libya's Minister of Petroleum in the 1990s. He has represented the Organization as President of the Conference, and, of course, for nine-and-a-half years as its Secretary General.

At the awards ceremony, El-Badri gave luncheon address on 'OPEC: Past, Present and Future — a Candid Conversation'. More than 500 energy industry executives attended the black-tie Platts Global Energy Awards recognition dinner.

'7 Big Wins'

Nigeria unveils oil sector roadmap

A recession, a collapse in global oil prices, and relentless attacks in the Niger Delta petroleum-bearing region have intensified a national conversation about what Nigeria must do to better manage its oil resources. The* OPEC Bulletin *reports on President Muhammadu Buhari's new action plan.



Nigeria's President, Muhammadu Buhari.

E no be small ooo — as the Pidgin English expression goes: more than $100 billion is at stake if Nigeria cannot convince investors that it will get the oil and gas industry in order.

Launched in October 2016, at the Presidential Villa, the government's roadmap — codenamed '7 Big Wins' — focuses on growing Nigeria's hydrocarbons sector between 2015 and 2019.

Outlining its action plan and objectives in a 64-page document, these are expected to encourage private sector participation of ~$100bn across many high-value projects.

President Muhammadu Buhari said: "The golden era of high oil prices may not be here now, but oil and gas resources still remain the most immediate and practical keys out of our present economic crisis.

"Oil and gas still remain a critical enabler for the successful implementation of our budget, as well as the source of funds for laying a strong foundation for a new and more diversified economy."

He added: "If we are able to plug the leakages and tighten loose systems that characterized this industry in the days of high oil prices, we are convinced that we can do even more with the little that we are getting at the moment than we did even in the time of plenty."

This requires implementing fiscal and operational best practice and driving strategic reforms at every level of the industry as corruption and mismanagement have hampered the country from realising its full potential and citizens from enjoying socio-economic benefits.

Big wins

The roadmap prioritizes seven areas:

- ***Policy and regulation:*** providing competitive policies and regulation to facilitate investment and smooth operations.
- ***Business environment and investment drive:*** creating an attractive environment to accelerate income streams, and an investment drive that promotes opportunities across the value chain.
- ***Gas revolution:*** laying the foundation for utilising gas, rather than wasting it, which will be instrumental in improving power generation. Implementing the gas commercialisation plan will cement investor confidence to establish gas infrastructure and reduce gas flaring.
- ***Refineries and local production capacity:*** reconstruction, maintenance, and revamping existing refineries, and expanding capacity to reverse the perverse notion that Nigeria imports fuel products. By 2018, the aim is to slash the import of petroleum products by 60 per cent, and by 2019 to achieve net exporter status of petroleum products and petrochemicals.
- ***Niger Delta and security:*** bringing peace, stability and new infrastructure to the core production area which has been ravaged by oil pollution and has infuriated militants and local communities. Consequently, sabotage and vandalism of pipelines and installations have decreased government revenues and crude output fell to 1.4 million b/d in the summer.
- ***Transparency and efficiency:*** Reforming parastatals like the Nigerian National Petroleum Corporation (NNPC) and the Department for Petroleum Resources to improve efficiency, profitability and accountability.
- ***Stakeholder management and international coordination:*** Communicating and maintaining relationships with a diverse range of stakeholders.

Industry response

Operators are waiting to see how the roadmap will materialise and were unwilling to publicly comment on it. Industry expert reactions were mixed, with one senior banking source telling the *OPEC Bulletin:* "I do not believe the new roadmap (which is a rehash of previous ones) will make an iota of difference on the sector. It remains to be seen what, if anything, will actually be done by this government to improve the tragic situation in the Delta."

However, Josh Holland, senior energy analyst at IHS, said that the plan's mere publication was a step in the right direction as this showed transparency.

Bonga floating production storage and offloading (FPSO) vessel, Nigeria.

Shell

"There could be more detail about: structural changes to the hydrocarbons sector, particularly the NNPC; the government's plans for forging a political consensus and overcoming vested interests to ensure that reform moves ahead; and Nigeria's relative competiveness compared to other oil and gas investment destinations," he maintained.

Cynics would describe the crude oil output target of 2.8m b/d and gas production of 10bn standard cubic feet a day as one of musical chairs: they are not new — it is the date to achieve them that has revolved under different administrations. Now set for 2019, President Buhari has stressed that infrastructure development is critical.

President Buhari has stressed that infrastructure development is critical to the country's future.

Niger Delta woes

The nation's fall from grace as the largest oil producer in Africa was marked by the resurgence of sabotage in the Niger Delta — the heartland of onshore oil production. Environmental degradation and frustrated communities which want a greater portion of oil revenues and greater decision-making powers have spurred the latest militant group, the Niger Delta Avengers (NDA) to curb oil output.

Describing themselves as "young, educated, and well-travelled", the NDA unleashed a debilitating campaign from February — blowing up pipelines to Chevron, Shell and the NNPC's operations. What is disturbing is their ability to consistently sabotage major installations. The latest assaults were reported on November 15 with the militants claiming responsibility for the 300,000 b/d Nembe trunk line operated by Agip, Oando and Shell.

"We are determined to continue this war by all means necessary, until that environment prevails for a genuine dialogue and negotiations within the framework of the sixteen point key demands presented to President Muhammadu Buhari by [Pan Niger Delta Forum] PANDEF on November 1, 2016," said the group.

The escalating tensions has forced President Buhari to call peace talks with Niger Delta stakeholders, comprising representatives from militant groups, governors, ministers, political appointees and traditional rulers.

Splits in PANDEF regarding its demands from the government are hindering progress. Heralded as a success of former President Jonathan's administration, the amnesty agreement brought temporary relief to the region as the government made payments to reformed militants and promised them jobs. Cuts to the programme under Buhari's regime and poor management have given rise to suspicion and mistrust.

Waning investment

Investor confidence in the petroleum industry has fallen with the coalescence of insecurity in the Niger Delta, the delay to pass the Petroleum Industry Bill (PIB), and failure to meet contractual obligations in the services industry.

Data from the Nigerian Bureau of Statistics reveals that capital importation fell from $200m (90bn naira) in the second quarter of 2016 to $172m (78bn naira) in the third quarter.

A major reform of fiscal terms and effective institutional governance, the PIB has stalled in the legislative process for over seven years. A divergence of interests has derailed its passage: oil companies are opposed to fiscal terms, arguing they undermine investment plans, while the government has countered that the fiscal terms are competitive.

The oil-producing region wants more than the 13 per cent of revenues they are receiving to compensate for underdevelopment and environmental degradation, but this is fiercely opposed by those particularly from Northern Nigeria who feel that accountability of present funding is the answer.

"As much as I feel the PIB is an issue with respect to investors' confidence, it is not much of an albatross in the face of falling oil prices. I've argued in several fora that the prevailing international oil market price does not put Nigeria in a position of strength in negotiating fiscal

terms in the PIB," said Dauda Garuba, Nigeria Officer at the Natural Resource Governance Institute.

A compromise is underway where a slimmed down version of the bill focusing on industry governance passed its second reading in the Senate on November 2.

The danger with this approach, however, is that if different bills start circulating, it complicates the legislative process and increases the likelihood of misalignment. Then there is the supremacy battle between the National Assembly and the Senate to overcome.

Life after oil

Rice is now described as a rich man's food: its cost has doubled to 24,000 naira in recent months, which exceeds the minimum wage of 18,000 naira. The recession has prompted a national conversation about the country's vulnerability in relying on oil as the primary driver of government revenues. Diversification of the economy is the buzz phrase: Nigeria's wealth of natural resources, such as agriculture and mining, are potentially lucrative industries.

Minister of Finance, Kemi Adeosun, has released 700bn naira into the economy to spearhead investment in capital projects. But ordinary Nigerians remain unimpressed: memes of locked food pots and the hashtag #bringbackcorruption indicate how painful the steep rise in inflation is.

"If you want to get light manufacturing and agro processing industries going then you have to begin to address the power situation," said Alan Cameron, Director of Exotix Bank.

"Nigeria has always talked about diversification: there are aspects which were successful under former President Jonathan. Agriculture was relatively successful and predates the fall in oil prices."

Sector outlook

Facing its longest economic crisis in history as a result of falling oil prices, which started in mid-2014, is causing deep angst and social unrest. Improved security and reform are critical if Nigeria is to sustain existing — let alone attract new — investment in exploration and production: how else can it add value in terms of gas development and domestic refining?

While hydrocarbons sector reform appears increasingly likely in the short to medium term, it will need to be substantial and paired with other big reforms to the state itself, to have a major positive impact on the sector's attractiveness and productivity.

The feast is over and the loss was colossal. Nigeria's action plan can convert the present challenge into an opportunity — failure to do so will be targeted at the President Buhari regime.

NNPC poised for frontier exploration in Chad Basin

Nigeria and Niger are to exchange geological data about the Chad Basin and Benue Trough in northeast Nigeria to enable frontier exploration.

Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), Dr Maikanti Baru, said the company would offer its experience to Niger.

Encouraged by the hydrocarbons potential in Chad and some areas close to the Kolmani River, the NNPC and Shell have been unable to pursue aggressive exploration because of security problems and a focus on the Niger Delta with already proven reserves.

Exploration in the northeast has become a charged political issue with President Buhari exerting pressure to diversify oil supplies from the Niger Delta.

In the Benue Trough between Bauchi and Gombe states, there has been little drilling. Initial discoveries have been made on OPL 809 and the Department for Petroleum Resources is looking into assigning other blocks.

So far, 1,962 sq km of seismic data has been processed and drilling is scheduled in the last quarter of 2016.

Nigeria, which is struggling to provide regular crude supplies to its refineries, is also considering sourcing oil from Niger.

"We plan to set up the technical team to review the possibilities of how crude oil will be supplied to the Kaduna refinery," Baru revealed.

Helping to shape OPEC history

Since taking up office at the OPEC Secretariat on August 1, 2016, the Organization's new Secretary General, Mohammad Sanusi Barkindo, has travelled extensively in support of OPEC efforts to reach the Organization's tripartite production agreements in September, November and December 2016, aimed at speeding up the rebalancing of the international oil market.

He has held important discussions with Presidents and high-ranking officials in both OPEC and non-OPEC countries.

In the following pages, the OPEC Bulletin continues to record his busy and very successful shuttle diplomacy, which has received high praise from OPEC Ministers for contributing to the process leading up to the historic OPEC accords.

OPEC Ministers, Secretary General hold oil talks in Istanbul

OPEC Conference President, Dr Mohammed Bin Saleh Al-Sada, and the Organization's Secretary General, Mohammad Sanusi Barkindo, held a series of informal meetings with OPEC and non-OPEC oil and energy ministers on the sidelines of the 23rd World Energy Congress (WEC) in Istanbul, Turkey, on October 11, 2016.

Al-Sada, who is Qatar's Minister of Energy and Industry, and Barkindo met from OPEC, Algerian Minister of Energy, Noureddine Boutarfa, and Venezuelan People's Minister of Petroleum, Eng Eulogio Del Pino, in addition to Russian Minister of Energy, Alexander Novak.

Meeting with Venezuelan President

And separately, Barkindo met with the President of the Bolivarian Republic of Venezuela, Nicolás Maduro Moros, who gave a presentation to the WEC, one of the energy industry's premier events.

At the informal meetings, the officials discussed the situation in the international petroleum market and the possibility of taking further action towards helping to stabilize it. Ministers and high-ranking representatives from both OPEC and non-OPEC Countries also met to discuss the oil markets further.

The meetings in Istanbul followed OPEC's landmark agreement reached in Algiers, Algeria on September 28, when the Organization's 14 Member Countries committed to reducing their overall output in support of securing a more orderly market.

The 170th (Extraordinary) Meeting of the OPEC Conference decided to opt for an OPEC-14 oil production target ranging between 32.5 and 33.0 million barrels/day, in order to accelerate the draw-down of the existing substantial overhang in oil stocks and bring the rebalancing of the market forward.

Subsequently, at the 171st Meeting of the OPEC Conference, held in Vienna, Austria on November 30, the Organization's Ministers decided to reduce production by 1.2m b/d from January 1, 2017.

Ten days later, a group of 11 non-OPEC producers, led by Russia, agreed to also lower output by a combined 558,000 b/d.

Barkindo discusses oil market situation with Iraqi President, Ministers

OPEC Secretary General, Mohammad Sanusi Barkindo, met with the President of Iraq, Dr Fuad Masum, in Baghdad on October 26, 2016.

And in separate meetings, Barkindo held talks with the OPEC Member Country's Prime Minister, Dr Haider Al-Abadi, as well as Oil Minister, Jabbar Ali Hussein Al-Luiebi.

President Masum congratulated Barkindo on assuming the office of OPEC Secretary General at a very challenging period and thanked him for visiting Iraq, a Founder Member of OPEC, to discuss oil-market related issues.

He also lauded the Secretary General's productive initiatives since he assumed office on August 1, 2016.

The President called for more coordination and cooperation among all Member Countries of OPEC, irrespective of their differences, particularly in trying times, in the interests of all Member Countries.

Barkindo thanked President Masum and offered his gratitude for Iraq's support of his candidacy for Secretary General. He also conveyed greetings to His Excellency from Nigeria's President, Muhammadu Buhari.

The OPEC Secretary General stressed that he would continue to work with all Member Countries to overcome the challenges and uncertainties facing the oil market.

He called for maximum flexibility and accommodation among Member Countries to help achieve market stability, on a sustainable basis, in the overall interests of both producers and consumers.

The Secretary General underlined the key role Iraq has played within OPEC to achieve market stability and fair prices in the past, and urged the country to continue to work with Member Countries to agree on the framework for the implementation of the 'Algiers Accord'.

"Iraq is not only a Founder Member of OPEC, but it is the birth place of the Organization and also the cradle of ancient civilization," Barkindo observed.

Later in the day, the Secretary General met with Prime Minister Al-Abadi. The two conversed extensively on various issues, including the current oil market situation and the importance of restoring stability, within the framework of the 'Algiers Accord'.

The Prime Minister briefed the Secretary General on the war Iraq is waging against terrorism and ISIS in Mosul and other places in Iraq.

For his part, Barkindo congratulated the Iraqi Prime Minister for the victories the Iraqi armed forces had continued to achieve against ISIS in Mosul and other places.

"The war you are waging against terrorism is not only for the defense of Iraq but the whole region," he stressed.

Al-Abadi thanked Barkindo for his visit and stressed that Iraq will continue to support OPEC in its endeavor to stabilize the oil market. He expressed his confidence in the Secretary General, a veteran oil industry technocrat, to restore the integrity of the Organization.

The OPEC Secretary General, accompanied by a delegation from the OPEC Secretariat, also met with Oil Minister Al-Luiebi.

Al-Luiebi welcomed Barkindo and, on behalf of the Iraqi Government and its people, thanked him for visiting the country and the Oil Ministry.

He said: "Your visit comes at a time when Iraq is working hard to develop its oil industry, while at the same time fighting terrorism and achieving victories against ISIS in Mosul and other places in Iraq."

Al-Luiebi also reiterated Iraq's support for OPEC in the current oil market environment. He pledged that Iraq would continue to back the OPEC Secretariat and work together with Member Countries, as well as non-OPEC countries, to help stabilize and bring balance to the oil market.

Thanking Al-Luiebi for his welcome, Barkindo expressed his pleasure at visiting Iraq.

He stated that Iraq has played, and continued to play, an important role alongside other OPEC Member Countries in helping to achieve the stability that all producers, as well as consumers, desire.

In speaking about the current oil market situation, Barkindo said that between June 2014 and January 2016 the OPEC Reference Basket price fell by some 80 per cent — the largest percentage fall in the six cycles of sharp price declines that have been observed over the past three decades.

He also stressed that it was important to recognize that the current oil cycle has led to a dramatic drop off in oil market investments. Global exploration and production spending had fallen by around 26 per cent in 2015 and a further 22 per cent drop is anticipated in 2016, which overall equates to over $300 billion.

Later in the day, Barkindo met with the leader of the National Alliance, the largest Iraqi parliamentary bloc, and head of the Islamic Supreme Council of Iraq (ISCI), Ammar Al-Hakim.

OPEC Secretary General meets Kuwaiti Emir, senior officials

OPEC Secretary General, Mohammad Sanusi Barkindo, met with the Emir of Kuwait, His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, in Kuwait City on November 6, 2016.

At the meeting, which took place in Bayan Palace, Sheikh Sabah reaffirmed Kuwait's longstanding belief in the role of OPEC in helping the oil market maintain stability on a sustainable basis for the benefit of producers and consumers alike.

He pledged Kuwait's continued support to the Organization in the pursuit of "its noble and statutory objectives."

The Emir, in acknowledging the current market challenges that, he said, have taken too long to overcome, offered to intervene at a higher political level if needs be.

He further stressed the necessity of oil to be depoliticized and OPEC to be insulated from geopolitics.

Contraction in investments

The Emir noted with concern the sharp contraction in investments in the oil industry during the current severe cycle. He agreed with the Secretary General that OPEC Member Countries, in particular, and other stakeholders should resume investing, especially in the upstream to secure future supplies.

In this regard, the OPEC Secretary General commended the Kuwaiti Government on its plans through the Kuwait Oil Company (KOC), focused on the upstream, to invest $50 billion up to the year 2020.

Sheikh Sabah expressed his confidence in the recent appointment of Barkindo as OPEC Secretary General as the right choice and at the right time for the Organization and the global oil industry.

He also acknowledged the important work OPEC is undertaking with other producers, in order to bring forward the long-delayed market rebalancing process.

In turn, Barkindo thanked Sheikh Sabah for his warm hospitality and Kuwait's constructive leadership role as a founder Member of OPEC.

The Secretary General stressed that he would continue to work with all Member Countries in collectively protecting and defending the interests of the Organization, as well as developing a structured and sustainable relationship with non-OPEC producers in accordance with OPEC Conference decisions.

The Secretary General congratulated the Emir, the Government and the people of Kuwait on celebrating the 25th anniversary of the extinguishing of the fires at the country's oil wells.

He applauded the heroic efforts of the professional Kuwaiti team in collaboration with the international community to jointly extinguish the fires in record time in 1991 and put behind it "this dark chapter in its recent history."

The Secretary General singled out the brave and patriotic role of Ms. Sara Akbar, the only female member of the team.

Barkindo also met with Kuwait's Prime Minister, His Highness Sheikh Jaber Al-Mubarak Al-Sabah, in Bayan Palace, with Anas Khaled Al-Saleh, Deputy Prime Minister, Minister of Finance, and then Acting Oil Minister and Chairman of the Kuwait Petroleum Corporation, also in attendance.

The Prime Minister welcomed the OPEC Secretary General to Kuwait and offered his best wishes for a successful term of office. He informed Barkindo that the Government has been following oil market developments with keen interest, including the bilateral and multilateral consultations being conducted to build a consensus on the implementation of the 'Algiers Accord'.

He reiterated Kuwait's commitment to the implementation of the Accord and urged all OPEC Member Countries to coalesce around an effective agreement.

Earlier, the OPEC Secretary General met then Acting Oil Minister Al-Saleh in his office, where the officials jointly reviewed current oil market developments since the 'Algiers Accord' and the status of the ongoing consultations ahead of the OPEC Ministerial Conference on November 30 in Vienna.

The Minister reaffirmed the efficacy of the informal consultations in forging a common understanding among OPEC Member Countries, as well as other producers to jointly restore balance in the market. During his stay in Kuwait, the OPEC Secretary General also paid an official visit to KOC's Ahmad Al-Jaber Oil and Gas Exhibition Centre.

Barkindo was given a guided tour of the establishment by Jamal Jaafar, Chief Executive Officer of KOC, and was accompanied by Ms. Nawal Al-Fezaia, Kuwait's Governor for OPEC.

The tour and vast exhibition complex provided an extensive insight into the role of oil from the perspective of Kuwait. It also included a number of KOC presentations including one on the country's upstream plans to maintain its position as one of the top oil-producing countries in the world.

Venezuelan President meets with OPEC Secretary General in Caracas

OPEC Secretary General, Mohammad Sanusi Barkindo, met in Caracas with the President of the Bolivarian Republic of Venezuela, Nicolas Maduro Moros, on November 16, 2016.

Also present at the meeting at the Miraflores Palace were the Minister of the President's Office, Carmen Meléndez, Minister of Foreign Affairs, Delcy Rodríguez, and People's Minister of Petroleum, Eng. Eulogio Del Pino.

Extensive discussions

The President welcomed the OPEC Secretary General to Venezuela and congratulated him on assuming office. The two men had extensive discussions on various oil market-related issues, specifically the evolution of the market since the 170th (Extraordinary) Meeting of the OPEC Conference in Algiers at the end of September and the need to bring forward the oil market rebalancing and return stability to the market.

Maduro said he had taken note of the upward price trend in the weeks following the Algiers meeting, confirming the validity of the 'Algiers Accord', but added that the more recent downward price reversal was a sign of the urgent need to achieve its full implementation.

He urged all OPEC Member Countries to demonstrate flexibility and give due consideration to the collective interests of the Organization in achieving the market stability everyone desires.

The President said he believed there was sufficient will among OPEC Member Countries to take the steps needed to reach an agreement by the end of the month and construct new mechanisms and strategies to help stabilize the market.

He reiterated the position of Venezuela for a strong and proactive OPEC and acknowledged with appreciation the widespread consultations that are currently being carried out by all Member Countries, as well as non-OPEC producers.

Maduro also commended the OPEC Secretary General for his extensive efforts to build consensus and cohesiveness, before, during and since the Algiers meeting. He added that he would continue with his exhaustive diplomacy efforts, following recent visits to both OPEC and non-OPEC producing countries, to ensure an agreement is reached.

The OPEC Secretary General said it was "a great honour" to be visiting Venezuela as the head of OPEC, given the fact that the idea for setting up the Organization originated in Venezuela.

"This is the land of Juan Pablo Pérez Alfonzo, a great visionary leader who, together with his friends and colleagues from the Kingdom of Saudi Arabia, Iran, Iraq and Kuwait, got together in Baghdad in September 1960 to create this Organization," he said.

Strong supporter

Barkindo added that Venezuela has continued to be a very strong supporter of the Organization over the decades and praised the President for his great leadership role in striving to return balance and stability to the market through his intensive consultations with other Heads of State, both in OPEC Member Countries and those outside the Organization.

He said the President's actions were "undertaken not only for Venezuela, but for all oil producers, as well as consumers too."

Both men highlighted that the current oil industry cycle was probably the worst one seen in the past 50 years. The OPEC Secretary General stressed that "every producer, both within OPEC and outside, has been impacted negatively by the current cycle. The contraction in oil prices since mid-2014 knows no national boundaries."

Barkindo said his talks with the President had "strengthened my resolve and confidence" to keep working until we have a final agreement on the full implementation of the 'Algiers Accord'.

Barkindo holds talks with Ecuador's President in Quito

OPEC Secretary General, Mohammad Sanusi Barkindo, met with the President of Ecuador, Rafael Correa, on November 17, 2016, in the capital city of Quito. The meeting was also attended by Guillaume Long, the country's Minister of Foreign Affairs.

During the meeting, President Correa reiterated his country's commitment for "cohesion and consensus" among OPEC Member Countries in their resolve for sustainable market stability.

It was felt that these efforts should be complemented by effective contributions from non-OPEC countries, while dialogue with other producing countries should be further strengthened through active interactions and regular meetings.

President Correa praised the vigorous role of the OPEC Secretary General in this process and expressed his personal support for his unrelenting efforts.

Minister Long recalled the achievements made during the meeting in Algeria in September, which resulted in the 'Algiers Accord'.

He also confirmed that he would form part of the Ecuadorean delegation that would attend the next series of meetings among producers scheduled in November. "We need a stable market so we can ensure the sustainability of petroleum investments in the long-term, for the benefit of producers, exporters and consumers," Long said, according to a statement issued by the Foreign Affairs Ministry.

"By visiting Member Countries, the OPEC Secretary General is ensuring that the upcoming meetings will be a success," he pointed out.

At the conclusion of the one-hour meeting, the OPEC Secretary General said: "Ecuador has been the voice of reason, of stability and constructive dialogue between OPEC Members and non-members."

He urged President Correa to continue with this tradition of constructive leadership.

In addition, the Secretary General commended the President and his government for the significant economic shift achieved during his ten-year tenure, which has been reflected in a doubling of GDP and the economic diversification of the country.

OPEC Secretary General visits IR Iran

OPEC Secretary General, Mohammad Sanusi Barkindo, met with IR Iran's Minister of Petroleum, Eng Bijan Namdar Zanganeh, during a closed-door session on November 19, 2016, in the capital city of Tehran. According to sources at the Petroleum Ministry, the two oil chiefs discussed recent oil market developments and economic and geopolitical uncertainties facing the market.

They also considered the future of climate change negotiations and the United Nations Paris Agreement, following the recently concluded COP22 meeting in Marrakesh, Morocco.

Zanganeh pledged continued support for the implementation of the 'Algiers Accord' reached by OPEC in September and stated that he remained confident that an all-inclusive agreement could be reached during the OPEC Ministerial Meeting in Vienna on November 30.

In his remarks, the OPEC Secretary General acknowledged the flexibility and accommodation already shown by IR Iran in reaching the Ministerial decision of September 28 in Algeria.

He added that he looked forward to Minister Zanganeh's continuing leadership — not only by contributing to the consensus needed for implementation of the 'Algiers Accord', but also by actively working with his counterparts from other OPEC Member Countries in this regard.

"The participation of Iran in the implementation of the Accord is crucial and I remain optimistic," stressed Barkindo.

The Secretary General further acknowledged the rapidly changing dynamics in the political economy of the world with the attendant impacts on the oil market.

He highlighted the need for cohesive action by OPEC in collaboration with non-OPEC producers in the spirit of equity, fairness and transparency.

... in Vienna, Barkindo meets Heads of Delegation on eve of Conference

OPEC Secretary General, Mohammad Sanusi Barkindo, met with OPEC Member Country Heads of Delegation at the OPEC Secretariat in Vienna, Austria, on the eve of the 171st Meeting of the Conference.

Barkindo met on November 29, 2016, with the OPEC Heads of Delegation of Algeria, Ecuador, Indonesia, Iraq, Nigeria and Qatar in the lead up to the Meeting of the OPEC Conference.

The visits included Guillaume Long, Foreign Minister of Ecuador, who was representing the country's Minister of Hydrocarbons, José Icaza Romero, who was unable to attend the meeting. Barkindo welcomed Long to the Secretariat and thanked him for his support during the crucial meetings in Algiers that resulted in the adoption of the 'Algiers Accord'.

Long expressed his ongoing support for OPEC and its mission to promote stability in the oil markets. He also remarked that the President of Ecuador, Rafael Correa Delgado, was very pleased to meet Barkindo during the Secretary General's visit to Ecuador on November 17, 2016, adding that the President referred to this meeting and spoke highly of the Secretary General in a recent television broadcast.

The Secretary General also met with Ignasius Jonan, Minister of Energy and Mineral Resources of Indonesia. He welcomed Jonan to the OPEC Secretariat and congratulated him on his recent appointment.

Jonan remarked that before accepting this new assignment, he had spent seven years as Indonesia's Minister of Transportation. Barkindo complimented him on his impressive credentials and said that he would be well suited for this important new assignment. Both men agreed on the need to re-establish stability in the oil markets and vowed to maintain a fruitful collaboration in the years to come.

Also visiting the Secretary General was Dr Emmanuel Ibe Kachikwu, Minister of State for Petroleum Resources of Nigeria. The two officials discussed the oil market situation and the need to address the ongoing oversupply in the market, in order to bring the oil market back into equilibrium. They agreed that inaction could lead to an unprecedented third year of underinvestment in the industry, potentially jeopardizing future supply.

Kachikwu also spoke about his recent meetings in India with Shri Dharmendra Pradhan, Indian Minister of State in charge of Petroleum and Natural Gas, where Nigeria signed a lucrative $15 billion oil and gas deal that will enable it to bolster its crude production.

Both men agreed to continue working together for the common goal of market stability, in the interest of both producers and consumers.

Mohammad Sanusi Barkindo (l), OPEC Secretary General, with Ignasius Jonan, Indonesia's Minister of Energy and Mineral Resources.

Barkindo (l), OPEC Secretary General, meets Guillaume Long, Ecuador's Foreign Minister.

Barkindo (l) with Dr Emmanuel Ibe Kachikwu, Nigeria's Minister of State for Petroleum Resources.

In the course of his official duties, OPEC Secretary General, Mohammad Sanusi Barkindo, OPEC Secretary General, visits, receives and holds talks with numerous dignitaries.

November 21

OPEC Secretary General visits Mayor of Vienna, Austria
Mohammad Sanusi Barkindo, OPEC Secretary General, visited Michael Häupl, Mayor of Vienna, Austria.

November 28

UAE Governor meets OPEC Secretary General
Mohammad Sanusi Barkindo (centre left), OPEC Secretary General; with Eng Ahmed Mohamed Alkaabi (centre right), United Arab Emirates Governor for OPEC; Salem Hareb Al Mehairi (r), the UAE's National Representative to OPEC; here seen with the OPEC World Oil Outlook (WOO) APP team members Dr Adedapo Odulaja (second l), Head, Data Services Department; Mohamed Mekerba (l), IT Development Coordinator; and Dr Hossein Hassani (second r), Statistical Systems Coordinator.

October 17

Russian Ambassador visits OPEC Secretary General
Mohammad Sanusi Barkindo, OPEC Secretary General, received Ambassador Vladimir Voronkov, Permanent Representative to the United Nations (Vienna), UNIDO and CTBTO, Resident Representative to the IAEA.

November 11

OPEC Secretary General visits Austrian Chancellor
Mohammad Sanusi Barkindo, OPEC Secretary General, visited Christian Kern, Austria's Chancellor.

October 30

Azerbaijan's Energy Minister visits OPEC Secretary General
Mohammad Sanusi Barkindo, OPEC Secretary General, received Natiq Aliyev, Azerbaijan's Minister of Industry and Energy.

December 1

Journalists from Nigeria visit OPEC Secretary General
Mohammad Sanusi Barkindo, OPEC Secretary General, received a group of journalists from Nigeria who covered the 171st Meeting of the OPEC Conference in Vienna.

December 1

Journalists from Bloomberg visit OPEC Secretary General
Mohammad Sanusi Barkindo, OPEC Secretary General, received a team of journalists from Bloomberg.

December 2

Japanese State Minister visits OPEC Secretary General
Mohammad Sanusi Barkindo, OPEC Secretary General, received Yosuke Takagi, Japan's State Minister of Economy, Trade and Industry.

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

Visits to the Secretariat

October 5 Representatives of the German Army, Appen, Germany.

October 5 Students from the Webster Private University, Vienna, Austria.

October 10 Students from the University of Redlands, California, USA.

October 12 Professionals from ONGC, India.

October 13 Students from the Diplomatic Academy of Vienna, Vienna, Austria.

October 27 Students from the ELSA Law School, Vienna, Austria.

November 15 Students from the Stockholm Law School Association, Stockholm, Sweden.

November 17 Students from the University of Economics, Prague, Czech Republic.

November 17 Students from Kazakhstan from the Diplomatic Academy Vienna, Austria.

November 17 Students from IES Abroad Vienna Centre, Austria.

OPEC Member Countries participate in World Nomad Games

‘Save the Dream’ joins celebration of inter-cultural dialogue

ICSS
INTERNATIONAL CENTRE FOR SPORT SECURITY

Six OPEC Member Countries took part in the World Nomad Games in the Central Asian Republic of Kyrgyzstan in September. Ecuador, Indonesia, IR Iran, Kuwait, Qatar and the United Arab Emirates (UAE), joined around 56 other countries to participate in the Games, which were being held for the second time. Some 60,000 foreign visitors travelled to Kyrgyzstan for the Games. Around 10,000 people were present at the spectacular opening ceremony, which featured more than a thousand artists and performers, plus delegations from 60 countries, which is double the number that participated in the first Nomad Games in 2014.

Siham Alawami, 'Save the Dream' Director for Special Projects, and former public relations specialist at OPEC, reports.

save the dream
for the purity of sport

With the slogan *United in Force! United in Spirit!* the six-day 2016 World Nomad Games saw around 2,000 athletes competing in 23 different sporting competitions. These are very unlike Olympic events and include horse racing, archery, horseback wrestling, equestrian javelin and intellectual board games.

Normadic life and history

The Games combine sporting competition with culture to show the world the values, diversity and history of nomadic life and history.

In addition to sports, the Games also feature cultural events, concerts and a scientific conference on the theme Nomadic civilization; *Historical Heritage and Modernity.*

The main countries taking part in the Games are those located on the historical 'Silk Road', which includes Russia and the former Soviet republics. The rest are from Africa, Europa, Latin America, North America and the Middle East.

The first two World Nomad Games have been held in Cholpon-Ata, Kyrgyzstan.

However, not all of the participating countries have a nomadic history — but want to have the opportunity to take part in what is undoubtedly a unique event and a great deal of fun.

One such country is the United States, which brought a surprisingly large group to participate.

Ambassador Ramil Hasanov, Secretary General of the Turkic Council, with Mohammed Hanzab, President of the ICSS.

In fact, the American flavour was made complete with the attendance of special guest of honour, Steven Seagal, actor, producer, screenwriter, director and martial arts expert, who actually holds American, Russian and Serbian citizenship.

He rode into the arena on horseback during the opening ceremony which kicked off proceedings.

"In the modern world, people are forgetting their history, and there is a threat of extinction for traditional cultures," Kyrgyz President, Almazbek Atambayev, commented in his remarks at the opening.

The idea behind first World Nomad Games was to revive and preserve the culture, identity and ways of life of nomadic peoples in the current era of globalization. The idea was supported by the heads of state of Kazakhstan, Azerbaijan, and Turkey.

The fact is the nomad world connects millions of people. Their culture is unique and original, showing great diversity in their different ways of life.

Former OPEC public relations specialist, Siham Alawami, who attended the Games, told the *OPEC Bulletin* that the event was dedicated to and a celebration of the history of nomadic nations — their traditions, lifestyles, and culture.

Values of peace, culture and life

Asked for her impression of the Games, Ms Alawami, now Director of Special Projects at the International Centre for Sport Security (ICSS) in Qatar, said it was fascinating how they showed the world "the greatness of nomadic civilization" and "the values of peace, culture and life of each ethnic group in the nomadic world."

Ms Alawami was present in Kyrgyzstan in keeping with her work with the ICSS initiative 'Save the Dream', which seeks to promote and protect the core values of sport for the benefit of young people around the world.

Since its launch in 2012, 'Save the Dream' has gained overwhelming endorsement and support for its cause.

"We have built a strong coalition comprising sport persons, elite athletes, international bodies, sport and civil society organizations and many other entities who share our vision," commented Ms Alawami.

'Save the Dream' was conceived jointly by the ICSS and the Qatar Olympic Committee (QOC). The initiative works to empower youth and inspire societies towards a sport free from corruption, violence and discrimination.

Save the Dream is headquartered in Doha, Qatar, where the ICSS is based.

Siham Alawami, Director, Special Projects at 'Save the Dream'.

"Through our global partnerships, we implement projects using sport for socio-economic development and youth empowerment worldwide, on the ground in countries such as Brazil, Italy, Spain, India and the Middle East," said Ms Alawami.

Inter-cultural dialogue

'Save the Dream' and the Turkic Council joined forces to participate at the Nomad Games to help promote sport values and inter-cultural dialogue to athletes and young people around the world.

'Save the Dream' travelled to Issyk-Kul Lake and gained special access to the Games to capture special images and exclusive interviews at one of the world's largest ethno-sports events.

With the aim of highlighting how the World Nomad Games are an example of how sport encourages inclusion, diversity and inter-cultural dialogue between different people and communities, 'Save the Dream' and the Turkic Council will use the exclusive content captured at the event to produce a special new promotional film to be broadcasted on social media and TV stations across the Middle East and around the world.

R–l: Jenish Razakov, Deputy Prime Minister of Kyrgyzstan; Sergei Danilenko, Secretary General of the World Ethnosport Confederation; Massimiliano Montanari, 'Save the Dream' Executive Director; Aidana Omurova, 'Save the Dream' volunteer; Aibek Babakulov, Deputy Secretary General of the World Ethnosport Confederation.

The men's wrestling event.

Goals of *Save the Dream*:

- Child protection
- Inclusion
- Sport for all
- Sports values awareness

As part of their opening activities at the event, 'Save the Dream' signed a Memorandum of Understanding with the World Ethnosport Confederation, which was witnessed by Jenish Razakov, Deputy Prime Minister of Kyrgyzstan.

Workshop

"I held a sport values workshop in cooperation with Imanalieva Jypargul Tybynovna, Director of the Public school of Kasym Tynystanov in Issyk Kul, in which 500 children took part," revealed Ms Alawami.

"We also succeeded in showcasing the 'Save the Dream' banner in the middle of 10,000 spectators who came from countries along the Silk Road and from all over the world to see the competitions of the World Nomad Games," she added.

Mohammed Hanzab, ICSS President and Founder of 'Save the Dream', commented: "The Second World Nomad Games in Kyrgyzstan was an incredible celebration of diversity, culture and inter-cultural dialogue that highlighted the unique power of sport to bring different people of communities together.

"... I am delighted that 'Save the Dream' has joined forces with the Turkic Council ... this collaboration is another important step forward that will inspire many more young people to experience the power of sports and the positive values that it promotes."

Meanwhile, the Secretary General of the Turkic Council, Ambassador Ramil Hasanov, stressed that sport played a vital role in inspiring young people around the world and the Second World Nomad Games provided an important platform to bring different people and cultures together under the banner of sport.

"The Turkic Council is excited to collaborate with 'Save the Dream' on this new promotional film about the World Nomad Games and I hope that it will bring to life sport's role in promoting inter-cultural dialogue and positive change in society."

"As a foundation that is committed to sharing the values of sport with young people, Save the Dream has already brought many young people together around the world through the power of sport and teaching them about the important values and lessons it teaches. As the Turkic Council,

Extraordinary horseback riding.

Dog racing.

we will continue to work to enhance our partnership with the ICSS and 'Save the Dream' with new projects in the field of youth and sports," he stated.

Heritage and traditions

Ms Alawami pointed out that the Games were not only about sport, but also concerned with celebrating heritage and traditions. The young generations also participated in the festivities, to learn about their culture and how to treasure and share it.

She produced the promotional film for the games in three languages — Arabic, English and Russian — which was carried out in cooperation with the Turkic Council and 'Save the Dream' *(see: www.youtube.com/watch?v=eHqn1bBuKJg)*.

"This shows how the Games, through sport, can act as a means to encourage inclusion, diversity and inter-cultural dialogue between different peoples and communities," she explained.

'Save the Dream' has launched an online appeal for donations to help its worldwide cause. Details can be found at: http://donation.save-the-dream.org/.

All photographs courtesy of Rustem Ilyasow and ICSS.

Qatar's Al-Qannas sponsored the art competiton and Seloogi dog race.

Horse racing.

OFID marks 'Long Day of Flight' with refugee exhibition

In continuing its 40th anniversary refugee theme in 2016, OFID recently welcomed over 120 students from nine local schools to an exhibition — Zusammen Menschlich (Shared Humanity) — held at its headquarters in Vienna, Austria. The Fund's **Silvia Mateyka** reports.

The exhibition took place on September 26–30, 2016, at OFID headquarters in observation of the *'Long Day of Flight'*, an annual event with numerous activities under the auspices of the United Nations refugee agency, UNHCR. It aimed at raising awareness of the plight of the thousands of refugees seeking to find a better life in Europe.

Zusammen Menschlich allowed the visiting students, aged 15–20, to experience the hardships faced by refugees and to reflect on a full range of refugee experiences through images, videos and interactive exercises. The main objective was to educate and foster a sense of tolerance and understanding about this pressing issue.

"As the topic of refugees and asylum-seekers is a prominent one discussed in Austrian media and society, a positive approach to the subject flight and asylum is now more important than ever," explained OFID Director-General, Suleiman J Al-Herbish.

Several stations took the students on a journey that thousands of refugees have to endure every day — from fleeing a war torn country to transit, arrival and resettlement.

The journey

At the start, the students received important facts and figures about the current refugee crisis. With 65.3 million people fleeing their homes worldwide, students learned that the world is facing the greatest humanitarian tragedy since World War II. They also learned the differences between the terms 'refugee', 'internally displaced person', and 'asylum seeker.'

Students continued to the second station *'War breaks out'*, where they were confronted with photos of destruction by war and videos depicting the suffering of people and specifically children living in war zones.

They were invited to think about what it would be like if war broke out in Vienna. What would they do? Where would they go? And if they could only take a small bag, what would they take? They had 90 seconds to pack ten items.

Interestingly, many of the students had already dealt intensely with that subject. The top five items that were selected were passport, phone, money, documents and a first-aid kit. However, most of them were surprised to hear that refugees often lose everything during their flight and arrive in Europe with nothing more than the

clothes they are wearing and whatever they could fit in their pockets.

'Flight', the third station, elaborated on the main travel routes to Europe. In a group discussion, students talked about the biggest risks that refugees face on their journey to Europe. They also considered the challenges the refugee crisis poses for the European Union.

After the discussion, students watched a video about OFID's 2016 Annual Award winner, Doaa Al Zamel. Her incredible story of bravery and survival while fleeing from Syria to Europe brought many people to tears.

"Why are we [European countries] not doing more to save these people?" was a frequently asked question. Along with: "Why is not more being done to stop the war?"

The OFID facilitators re-emphasized the importance of the exhibition, which not only aimed at illustrating the reality of the refugee situation, but also appealed for more humanity and sympathy.

The fourth station, *'Inside a refugee camp',* gave an insight into the Za'atari Camp in Jordan, one of the biggest in the world and home to over 80,000 people. More than half the residents are children who have lost access to their essential rights, including their right to play and to an education.

The last two stages reviewed the actual figures of asylum applications in Austria, as well as some of the negative stereotyping and prejudices encountered by refugees and asylum seekers when resettling in a new country. Eager to get involved in their communities, students were presented with different possibilities to support refugees in Vienna.

At the end of the tour, the students were encouraged to write messages of hope for the future as a sign of solidarity with the millions of children who have lost everything. Photos of each student with his or her own message were mounted on a wall for every visitor to the exhibition to see.

Among the most heart-wrenching were messages written by a group of 14 Syrian refugees who fled their country two years ago and are now attending Austrian schools. Of these, the most powerful was from 15 year-old Iman, who addressed the people back home in Syria: "We will never forget you. Every day my thoughts are with you. Stay strong. We will come back."

A 'postcard' from Vienna

On the last day of the exhibition, Austrian artist and founder of the Child of Play Initiative, Lukas Hüller, and two of his colleagues joined the OFID team.

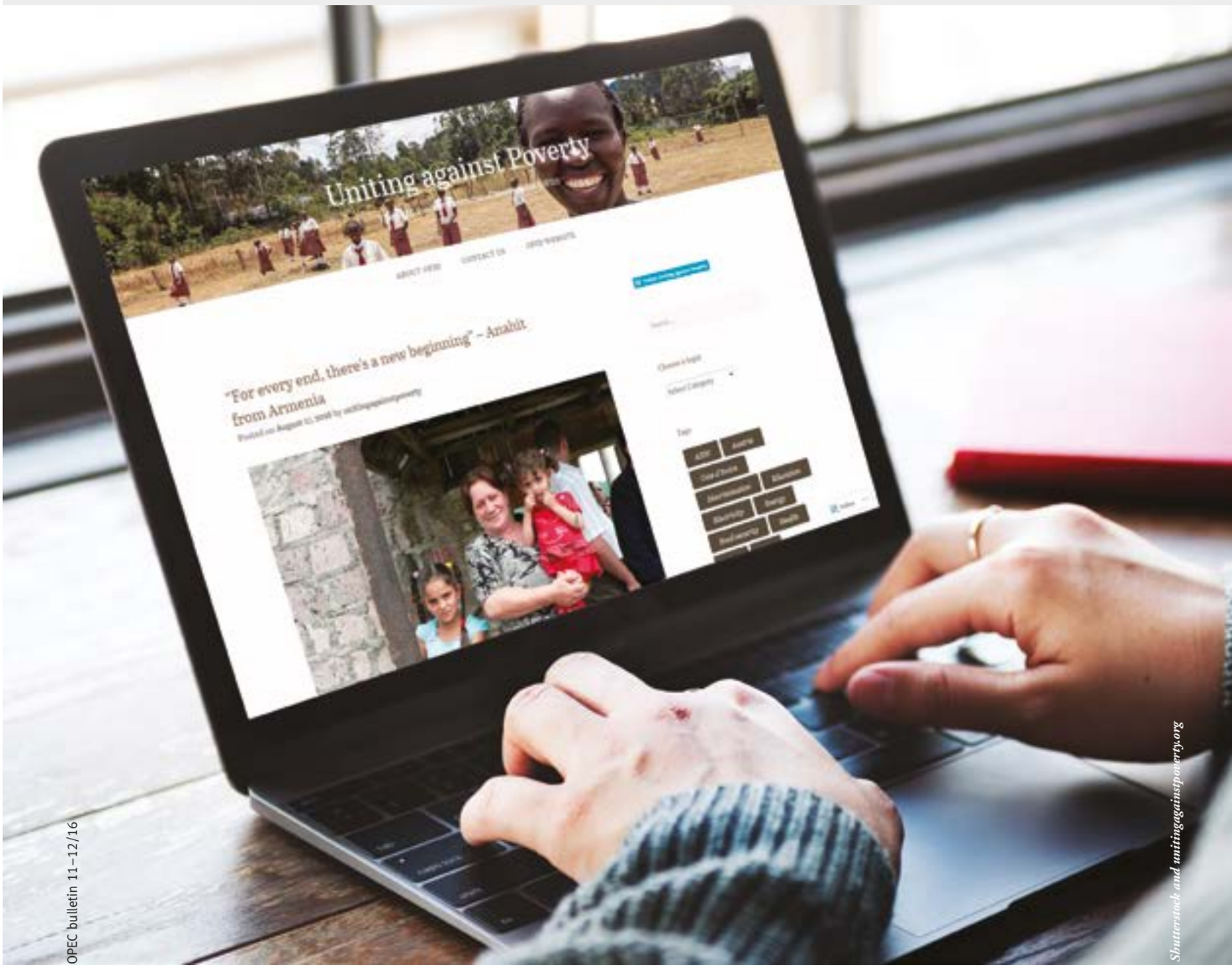
At the end of each tour, they held a creative workshop. Students were asked to paint a picture containing a message of their hopes and wishes for the future. These 'postcards' were later brought to schools in Amman, Jordan, where most of the pupils are refugees. They, in return, were asked to send messages back.

The workshop is part of a project to create a form of communication between children in Austria and Jordan.

Students watching a video about OFID's 2016 Annual Award winner, Doaa Al Zamel.

OFID

OFID enters blogosphere



Shutterstock and unitingagainstpoverty.org

With the summer launch of its blog unitingagainstpoverty.org, OFID has added another string to its digital media bow. This report is by OFID Information Officer, **Audrey Haylins**.

Featuring true stories from the field, unitingagainstpoverty gives a voice to women, men and youth, who have benefited in one way or another from OFID's support.

"Our goal is to give the people we work with a platform to tell their stories," explained Damelys Delgado, Information Officer in charge of OFID's digital media.

"Their voices are the prime advocates of OFID's global work and testimonials of how this work has had an impact on their lives," she said.

The new communication tool targets audiences through visuals, personal accounts, and simple narratives.

On the development of the blog, Ms Delgado added: "This took several months in which our digital team tested different platforms and formats."

As is typical in a blog, the stories are related in reverse chronological order, with the photos and videos playing an important communication role. New stories are regularly added.

Among the first batch is Anahit, a grandmother from Armenia, who shares a touching story of loss replaced by hope. "For every end, there's a new beginning," she says.

Kevin, a married father of two from Kenya, describes his joy at the opening of a new power plant. "At last we have our electricity back," he cheers.

Syrian refugee and 2016 Annual Award winner Doaa Al Zamel tells the horrific story of her flight across the Mediterranean Sea. She reflects: "If there was justice, I would not have gone through what I went through."

And then there is Ahmed, the small farmer struggling to support his family in the West Bank, who writes: "This [alfalfa] crop will help us feed our entire herd all year."

These and other inspirational stories of hope in the face of adversity offer a deeper insight into the human aspect of OFID's work.

"We continuously aim to stay in step with current communication trends," stressed Ms Delgado. "It is the best way to promote OFID's significant contribution to international development."

Genesis of the blog

Dave Winer of *Scripting News* wrote the first blog about politics and technology in 1997. Today, the estimates of the number of blogs in existence vary from 250 million to 480m.

Independently of precise figures, there are without doubt millions of them providing an unrestricted platform for the communication of ideas.

The word 'blog' is a contraction of the expression 'web log.' Jorn Barger of Robotwisdom.com coined the word in December 1997 to identify this new format.

The word 'blog' started being commonly used that same year and referred to a method of publishing stories online.

It led to the development of many other related words: blogging, blogger, blogosphere. It is certain that more vocabulary forms will yet be invented in the future.

"With the blog, the fascinating world of digital media has proven its potential for relating stories that have never yet been shared with a worldwide audience," added Ms Delgado.

Forthcoming events

Middle East refining technology conference 2017, January 22–24, 2017, Manama, Bahrain. Details: The World Refining Association, The World Refining Association, Bedford House, Fulham Green, 69–79 Fulham High Street, London SW6 3JW, UK. Tel: +44 207 38 48 013; fax: +44 207 38 47 843; e-mail: enquiry@wraconferences.co.uk; website: http://mertc.events.gtforum.com.

European gas conference, January 23–25, 2017, Vienna, Austria. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: http://nas.theenergyexchange.co.uk.

10th annual European oil storage conference, January 24–25, 2017, Amsterdam, The Netherlands. 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.platts.com/events/emea/European-Oil-Storage/index.

Oil and gas industry fundamentals, January 24–26, 2017, 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/training/oil-gas-training/oil-gas-fundamentals/Oil-and-gas-industry-fundamentals-3?preview=true&draftsection=pages_draft.

North Africa oil & gas summit/North Africa downstream summit, January 26–27, 2017, Milan, Italy. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: http://nas.theenergyexchange.co.uk.

Petroleum conference, January 30–February 1, 2017, Tehran, IR Iran. Details: Ener+, Tehran, IR Iran. Tel: +98 21 88 20 56 52; e-mail: info@enerevents.com; website: www.petroconfex.com.

Middle distillates conference, February 1–2, 2017, Antwerp, Belgium. 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.platts.com/events/emea/Middle-Distillates/index.

Energy storage, February 8–9, 2017, Paris, France. Details: Active Communications International, 5-13 Great Suffolk Street, 4th Floor, London SE1 0NS, UK. Tel +44 207 981 98 00; fax: +44 207 593 00 71; e-mail: claire@acieu.net; website: www.wplgroup.com/aci/event/energy-storage-conference.

Floating LNG 2017, February 13–14, 2017, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk/energy/uk/conference/flng.

LNG supplies for Asian markets 2017, February 14–15, 2017, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02, The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Developing a FLNG project, February 15, 2017, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk/energy/uk/workshop/developing-a-flng-project.

Legal and commercial issues affecting the FLNG industry, February 15, 2017, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website:www.smi-online.co.uk.

7th Russia & CIS oil & gas executive summit, February 20–21, 2017, Dubai, UAE. 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.

International gas technology conference, February 20–21, 2017, Dubai, UAE. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 357 8394; fax: +44 207 357 8395; e-mail: enquiries@europetro.com; website: www.europetro.com/en/igtc2017.

Mexico upstream, February 21–22, 2017, Mexico City, Mexico. 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.

Exploration and production of oil and gas: technical and commercial perspectives, February 21–23, 2017, 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.

Middle East technology forum for refining & petrochemicals, February 21–23, 2017, Dubai, UAE. Details: Euro Petroleum Consultants Ltd, 44 Oxford Drive, Bermondsey Street, London SE1 2FB, UK. Tel: +44 207 357 8394; fax: +44 207 357 8395; e-mail: enquiries@europetro.com; website: www.europetro.com/en/metech2017.

Papua New Guinea petroleum & energy summit, February 28–March 1, 2017, Port Moresby, Papua New Guinea. Details: CWC Associates Ltd, Regent House, Oyster Wharf, 16–18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

LPG Europe 2017, March 1–2, 2017, London, UK. Details: Active Communications International, 5-13 Great Suffolk Street, 4th Floor, London SE1 0NS, UK. Tel: +44 207 981 98 00; fax: +44 207 593 00 71; e-mail: claire@acieu.net; website: www.wplgroup.com/aci/event/lpg-europe-summit.

Stock drawdown would speed rebalancing of the oil market

November 2016

Adjustments in both OPEC and non-OPEC oil supply will accelerate the drawdown of the existing substantial overhang in global oil stocks and help bring forward the rebalancing of the market.

That was the view put forward by the OPEC Secretariat in the November 2016 issue of its *Monthly Oil Market Report (MOMR).*

In looking at developments in global oil inventories, a feature article in the publication pointed out that oil stocks had grown rapidly since oil prices began to fall in the middle of 2014. The steady decline in prices came as total oil production outpaced world oil demand.

"Lower prices and the wide contango structure of the market have provided the financial incentive to place large volumes of oil in storage," it observed.

It said this had led to an increase in OECD commercial inventories by more than 400 million barrels since the end of the second quarter of 2014, along with an estimated build of 240m b in non-OECD inventories.

In addition, floating storage had also seen a gain of 50m b over the same period.

"Altogether, OECD total commercial stocks saw a slowing build in the first three quarters of this year, increasing by 67m b compared with a build of 248m b over the same period last year," the report observed.

It said the slowdown in the build of OECD oil inventories could also be seen in the declining trend of the difference with the latest five-year average.

"The stock overhang currently stands at 304m b, compared with 350m b at the end of last year."

The *MOMR* said that, within the components, both the pace and period of stock-building had differed. Crude inventories rose slightly over the first nine months, compared with the massive build of 150m b seen during the same period a year ago.

In contrast, OECD product stocks had seen more consistent builds, increasing by 70m b since the start of this year, which was broadly in line with the 90m b increase seen in the same period a year ago.

The report noted that the slower build in crude oil stocks in 2016 had been due to lower global supply growth, which had been below the substantial rise seen last year.

"Indeed, from January to September this year, global oil supply grew by only 300,000 b/d, compared with an increase of almost 3.0m b/d in the same period last year," it disclosed.

The *MOMR* said that for product stocks, the main driver for the persistent build had been higher middle distillate production amid reduced demand for this product.

"Oil inventories in the non-OECD region have seen a reduced build this year. China's inventories have only increased by 60m b since the beginning of this year, compared with more than 90m b last year," said the feature article.

"This could be explained by the fact that the country has approached its goal to fill the second phase of its strategic petroleum reserve (SPR) by the end of this year more rapidly than expected and as a result has begun to slow purchases," it maintained.

"The recent increase in oil prices, up from the low levels seen at the start of this year, may also have discouraged China from importing more crude for storage," it added.

The report said the slowing build in global oil inventories was furthermore confirmed by the difference between global oil supply and total world oil demand – the "implied stock change."

Over the first three quarters of 2016, the implied stock change averaged 1.1m b/d, compared with almost double this amount last year during the same period.

"Looking ahead, it is important to consider the immediate impact that the assumed global supply/demand balance has on inventories, given the expected demand for OPEC crude in 2017 of 32.7m b/d," it said.

MOMR ... oil market highlights

November 2016

The **OPEC Reference Basket** rose by $4.98 in October, to average $47.87/b. ICE Brent and NYMEX WTI also surged, up by $4.15 and $4.71, to average $51.39/b and $49.94/b, respectively. Prices were lifted by declining US oil inventory levels and discussions to bring forward the market rebalancing.

However, prices came under pressure from a rise in US oil rig counts, a stronger US dollar, and profit taking. The ICE Brent-NYMEX WTI spread narrowed to $1.45/b, encouraging US imports of Brent-related grades.

World economic growth forecasts remain unchanged at 2.9 per cent for this year and 3.1 per cent for 2017. The OECD forecast also remains at 1.6 per cent and 1.7 per cent for 2016 and 2017, respectively, although growth in the Eurozone has been revised up to 1.6 per cent and 1.3 per cent for this and the coming year.

The forecasts for China were also revised up to 6.7 per cent in 2016 and 6.2 per cent in 2017, while growth in India has been left unchanged at 7.5 per cent for this year and 7.2 per cent for the coming year. Russia is forecast to see a stronger recovery of 0.8 per cent in 2017, following a contraction of 0.6 per cent this year. Brazil's growth was unchanged at 0.4 per cent in 2017 after a contraction of 3.4 per cent this year.

World oil demand growth is expected to increase by 1.23m b/d in 2016 to average 94.40m b/d. This follows a marginal downward adjustment to account for the slower-than-expected performance of Latin America and the Middle East, which was almost entirely offset by better-than-expected oil demand growth data from OECD Europe and Asia Pacific. In 2017, world oil demand growth is seen at 1.15m b/d, unchanged from the October *MOMR* to average 95.55m b/d.

Non-OPEC oil supply in 2016 is now expected to contract by 780,000 b/d, following a downward revision of around 100,000 b/d from the October *MOMR*, to average 56.20m b/d. In 2017, non-OPEC supply growth was revised down slightly by around 10,000 b/d to 230,000 b/d, averaging 56.43m b/d. Output of OPEC NGLs is expected to average 6.43m b/d in 2017, an increase of 150,000 b/d over the current year. OPEC crude production increased by 240,000 b/d in October to average 33.64m b/d, according to secondary sources.

Product markets in the Atlantic Basin continued to strengthen in October. The positive performance of the middle of the barrel, amid stronger demand and falling inventories, allowed gasoil crack spreads to show a sharp recovery. Meanwhile, some outages fueled a tightening sentiment in the gasoline market. In Asia, margins remained healthy, supported by stronger regional demand amid the peak of regional refinery maintenance.

Tanker market sentiment experienced a general improvement in October, as freight rates in both dirty and clean segments of the market increased. Dirty tanker spot freight rates averaged 13 per cent higher over the previous month on the back of improved tonnage requirements and seasonal demand, with VLCCs achieving the highest gains. Chartering activities edged up in October, although mostly remaining below year-ago levels.

OECD total commercial stocks fell in September to stand at 3,052m b, some 304m b above the five-year average, as crude and product inventories showed surpluses of 165m b and 138m b, respectively. In terms of days of forward cover, OECD commercial inventories stood at 65.7 days in September, some 6.5 days above the seasonal average.

Demand for OPEC crude in 2016 is estimated to stand at 31.9m b/d, a gain of 1.9m b/d over last year. In 2017, demand for OPEC crude is forecast at 32.7m b/d, an increase of 800,000 b/d over the current year.

The feature article and oil market highlights are taken from OPEC's Monthly Oil Market Report (MOMR) for November 2016. 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 confident oil market rebalancing will be quicker

December 2016

OPEC is confident that current developments in the energy sector will lead to lower petroleum stocks and a speedier rebalancing of the international oil market.

In its *Monthly Oil Market Report (MOMR)* for December 2016, it said that based on the Organization's latest forecasts, demand for OPEC crude in 2017 was now expected to stand at 32.6 million barrels/day.

This, it said, was slightly higher than the 32.5m b/d level referred to in the most recent OPEC Ministerial Conference, held in Vienna, Austria, on November 30, 2016.

"This, combined with the joint cooperation with a number of non-OPEC countries in adjusting production by around 600,000 b/d, will accelerate the reduction of global inventories and bring forward the rebalancing of the oil market to the second half of 2017," it stated.

The report was referring to the agreement reached with 11 non-OPEC oil-producing countries, led by the Russian Federation, in the Austrian capital on December 10, 2016.

In assessing the oil market outlook for 2017, the *MOMR* noted that in 2016 world oil demand growth was estimated at 1.24m b/d, supported by the transportation sector, reflecting low retail prices and better-than-anticipated vehicle sales.

It observed that in the non-OECD region, Other Asia and China saw solid-to-steady oil demand growth. In Latin America and the Middle East, oil requirements were lower than initial projections as slower economic developments and a high level of substitution dampened oil consumption.

"In 2017, world oil demand is projected to grow by 1.15m b/d. In the OECD, oil demand is projected to rise in OECD Americas, flatten in Europe and continue declining in the Asia Pacific," it said.

The MOMR said that, in the non-OECD region, improvement in economic activities was assumed to provide support to oil demand growth, particularly in Latin America and the Middle East.

"Non-OPEC oil supply in 2016 is estimated to contract by 780,000 b/d. The main contributors to this decline are the United States, China, Mexico, Colombia and other OECD Europe, while growth is anticipated to come from Russia, Brazil, Congo and the United Kingdom."

The report maintained that low oil prices led to a decline of around 420,000 b/d in US oil production. Declines were also seen coming from Colombia and China, as well as Canadian conventional crude output.

"In 2017, non-OPEC oil supply is projected to grow by 300,000 b/d, despite initial projections in July 2016 for a contraction. This is mainly due to higher price expectations for 2017."

The *MOMR* said the main contributors to non-OPEC supply growth were Brazil with 250,000 b/d, Kazakhstan with 210,000 b/d, and Canada with 170,000 b/d.

In contrast, Mexico, the US, China, Colombia and Azerbaijan were expected to show the main declines.

"However, this forecast remains subject to a number of uncertainties, including the pace of economic growth, potential new policies and price developments," it warned.

The *MOMR* said the recent pick-up in global economic activity in combination with supportive developments in the oil market was seen leading to higher economic growth of 3.1 per cent in 2017, following 2.9 per cent growth in 2016.

"However, some downside risks prevail as policy decisions may lead to the use of stimulus measures that may lift inflation to levels higher-than-anticipated by central banks," it said

"This, in turn, could lead to a quicker-than-expected rise in interest rates triggering numerous repercussions on economic growth in various economies, mainly in the emerging markets."

However, the report pointed out that, despite these uncertainties, the economic landscape was expected to improve in 2017.

OECD economies were forecast to grow at 1.7 per cent, the same level as in 2016. Russia and Brazil were forecast to grow by 0.8 per cent and 0.4 per cent in 2017, respectively, after two years of recession.

The report added that China and India were forecast to expand at a slightly slower pace in 2017 – at 6.2 per cent and 7.1 per cent, respectively, compared with 6.7 per cent and 7.5 per cent in 2016, but that growth remained encouraging.

MOMR ... oil market highlights

December 2016

Crude oil prices were volatile in November, with the **OPEC Reference Basket** dropping by ten per cent to $43.22/b. ICE Brent was down by 8.4 per cent at $47.08/b and NYMEX WTI fell by 8.4 per cent to $45.76/b, reflecting uncertainties in the market. However, crude futures prices moved sharply higher in the first weeks of December, following OPEC and non-OPEC meetings. In November, the Brent-WTI spread averaged around $1.30/b.

World economic growth forecasts remain unchanged at 2.9 per cent for 2016 and 3.1 per cent for 2017. Due to stronger-than-expected growth in the third quarter of 2016 in the US and Japan, OECD growth in 2016 was revised up from 1.6 per cent to 1.7 per cent, the same growth as in 2017. China's figures remain at 6.7 per cent in 2016 and 6.2 per cent in 2017. Growth in India for 2017 was revised down slightly to 7.1 per cent from 7.2 per cent, following growth of 7.5 per cent in 2016. After two years of recession, both Russia and Brazil are forecast to recover in 2017 with growth of 0.8 per cent and 0.4 per cent, respectively.

World oil demand growth in 2016 has been revised up slightly to around 1.24m b/d, following better-than-expected data from OECD Europe, to average 94.41m b/d. In 2017, world oil demand growth is forecast at 1.15m b/d to average 95.56m b/d. The OECD region will contribute some 150,000 b/d to oil demand growth in 2017, while non-OECD countries will contribute the bulk of growth with 1.00m b/d.

Non-OPEC oil supply growth in 2017 was revised up by around 70,000 b/d to now stand at 300,000 b/d, following a contraction of 780,000 b/d in 2016. Non-OPEC supply is expected to average 56.50m b/d in 2017. Output of OPEC NGLs is forecast to grow by 150,000 b/d in 2017 to average 6.43m b/d. In November, OPEC crude oil production increased by 150,000 b/d to average 33.87m b/d, according to secondary sources.

Product markets showed a mixed performance in the Atlantic Basin in November. Refining margins received support from the bottom of the barrel on the back of a tightening market. However, the sharp fall in gasoline cracks hit margins on the US Gulf Coast, while refinery margins in Europe continued to rise, supported by a more balanced gasoil market. In Asia, margins strengthened on firm regional demand.

Tanker market sentiment generally strengthened in November as freight rates in both the dirty and clean segments of the market increased. On average, dirty tanker spot freight rates rose by 24 per cent from the previous month on the back of improved tonnage requirement and steady activities, in combination with an occasional tightening in vessels' supply. Chartering activities and sailings from several ports were reported higher during the month.

OECD total commercial stocks fell in October to stand at 3,027m b, some 302m b above the latest five-year average. Crude and product inventories showed surpluses of 184m b and 118m b, respectively. In terms of forward cover, OECD commercial stocks in October stood at 65.3 days, some 6.3 days higher than the seasonal average.

Demand for OPEC crude in 2016 is estimated to stand at 31.9m b/d, an increase of 1.9m b/d over 2015. In 2017, demand for OPEC crude is forecast at 32.6m b/d, a gain of 700,000 b/d compared to 2016.

The feature article and oil market highlights are taken from OPEC's Monthly Oil Market Report (MOMR) for December 2016. 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 spot crude prices $/b

Crude/Member Country	2015 Nov	Dec	2016 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Weeks 44–48/2016 (week ending) Oct 28	Nov 4	Nov 11	Nov 18	Nov 25
Arab Light – Saudi Arabia	40.64	33.70	26.35	28.77	34.74	38.22	43.48	46.28	43.14	43.47	42.70	48.26	43.32	47.72	43.86	42.23	42.28	45.07
Basrah Light – Iraq	38.70	32.06	24.73	27.08	33.39	36.62	42.05	44.63	41.37	42.01	41.88	46.79	41.97	46.31	42.32	40.76	40.92	43.80
Bonny Light – Nigeria	44.81	38.16	30.40	32.24	38.53	41.51	46.85	48.48	45.30	46.35	47.77	50.83	45.20	50.33	45.08	43.55	44.21	47.11
Es Sider – Libya	43.30	37.16	29.75	31.46	37.51	40.48	45.83	47.28	44.00	44.85	45.69	48.74	43.63	48.24	43.40	41.98	42.64	45.54
Girassol – Angola	44.74	37.88	29.95	32.28	38.42	41.25	46.58	48.30	45.09	46.06	46.66	49.37	44.95	49.04	44.52	43.26	43.94	46.92
Iran Heavy – IR Iran	38.92	31.73	24.07	27.28	33.23	36.65	41.67	44.68	41.59	42.17	41.39	47.30	42.42	46.81	43.08	41.38	41.33	44.22
Kuwait Export – Kuwait	38.39	31.49	23.92	26.77	32.99	36.33	41.60	44.50	41.37	41.88	41.22	47.04	42.14	46.55	42.74	41.09	41.07	43.92
Marine – Qatar	41.66	34.36	26.95	29.41	35.49	38.97	44.13	46.37	43.53	43.44	43.51	48.13	44.25	47.86	44.71	43.41	43.19	46.00
Merey – Venezuela	31.87	24.42	20.80	21.38	25.83	28.84	34.28	38.22	36.71	36.46	37.38	42.36	39.37	42.56	39.22	38.26	38.21	41.32
Minas – Indonesia*	40.79	33.53	30.80	29.49	34.62	38.52	48.64	51.56	41.84	41.26	40.28	45.20	40.72	44.86	41.81	39.97	39.49	42.18
Murban – UAE	45.99	39.19	31.57	34.15	40.01	42.47	47.12	49.28	46.54	46.25	46.42	51.19	47.25	50.91	47.83	46.36	46.19	48.97
Oriente – Ecuador	36.40	32.18	24.03	24.70	31.45	35.04	41.96	44.03	40.72	40.84	41.22	45.98	41.69	45.35	41.12	40.38	41.10	43.34
Rabi Light – Gabon*	44.41	36.65	29.30	31.79	37.59	40.43	45.43	47.15	44.03	44.90	45.51	48.15	43.92	47.87	43.44	42.24	42.99	45.87
Saharan Blend – Algeria	45.30	38.59	31.28	33.26	39.41	42.33	47.73	48.98	45.30	46.35	47.09	49.79	45.13	49.29	44.81	43.48	44.14	47.04
OPEC Reference Basket	**40.50**	**33.64**	**26.50**	**28.72**	**34.65**	**37.86**	**43.21**	**45.84**	**42.68**	**43.10**	**42.89**	**47.87**	**43.22**	**47.44**	**43.58**	**42.06**	**42.17**	**45.01**

Table 2: Selected spot crude prices $/b

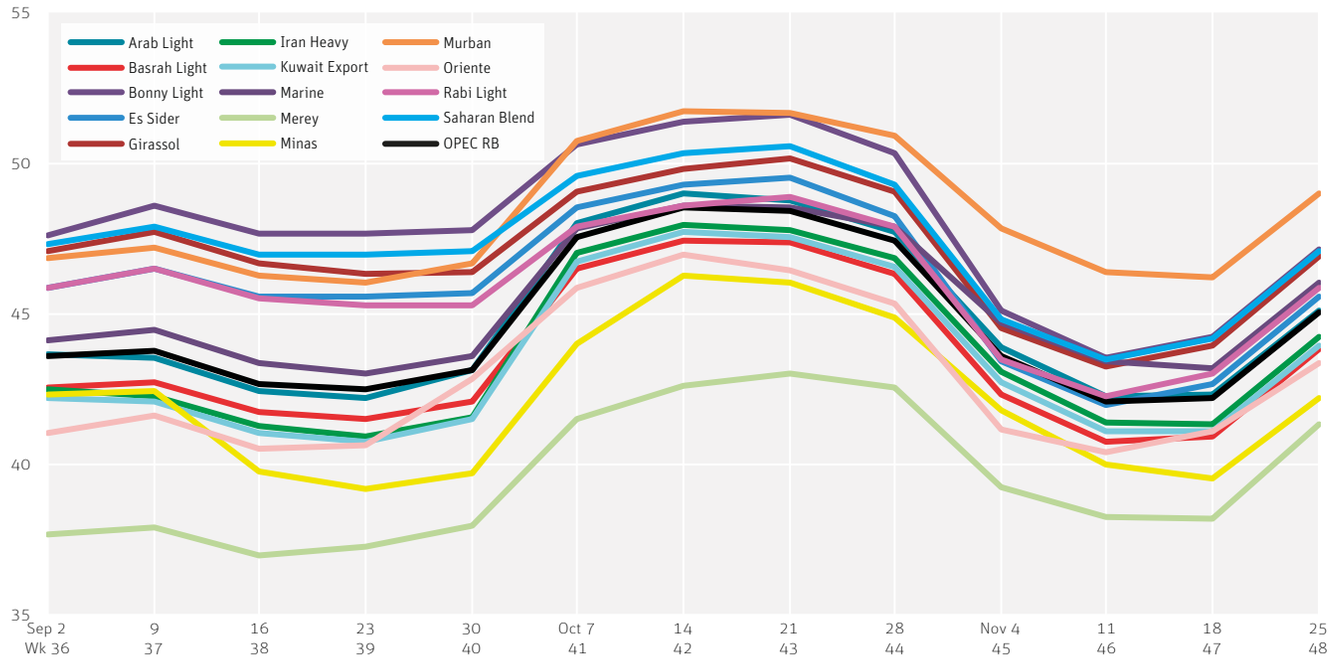
Crude/Member Country	2015 Nov	Dec	2016 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Weeks 44–48/2016 (week ending) Oct 28	Nov 4	Nov 11	Nov 18	Nov 25
Arab Heavy – Saudi Arabia	37.00	30.15	22.50	26.15	32.76	35.92	40.69	43.68	40.40	41.00	40.34	46.26	40.96	45.81	41.73	39.95	39.85	42.78
Brega – Libya	44.02	37.91	30.60	32.31	38.36	41.42	46.83	48.28	44.95	45.87	46.74	49.79	45.18	49.29	44.85	43.53	44.19	47.09
Brent – North Sea	44.30	38.16	30.75	32.46	38.51	41.48	46.83	48.28	45.00	45.85	46.69	49.74	45.13	49.24	44.80	43.48	44.14	47.04
Dubai – UAE	41.79	34.59	26.81	29.44	35.15	39.00	44.29	46.25	42.64	43.58	43.67	48.94	43.98	48.52	44.73	42.93	42.92	45.74
Ekofisk – North Sea	45.10	38.80	31.45	32.86	38.86	42.15	47.70	48.54	44.99	45.79	47.10	49.58	44.97	49.03	44.61	43.33	43.99	46.89
Iran Light – IR Iran	43.17	35.98	28.34	30.16	36.08	39.09	44.65	46.38	43.54	43.66	44.23	47.99	43.45	47.45	43.17	41.66	42.44	45.39
Isthmus – Mexico	43.29	37.68	30.03	28.68	35.45	38.14	44.76	47.51	45.07	44.22	44.55	49.91	45.64	49.45	45.59	44.54	45.06	46.63
Oman – Oman	42.10	34.61	27.48	30.37	36.46	39.43	44.37	46.61	43.45	44.02	44.01	49.18	44.54	48.70	45.13	43.56	43.38	46.41
Suez Mix – Egypt	40.07	34.07	27.45	29.17	35.15	38.19	43.31	44.90	42.06	42.20	42.78	46.54	42.13	46.00	41.72	40.28	41.18	44.13
Urals – Russia	43.05	36.97	29.15	30.87	36.87	39.89	45.08	46.60	43.76	44.06	44.48	48.24	43.83	47.70	43.42	41.98	42.88	45.83
WTI – North America	42.67	37.23	31.46	30.33	37.77	40.95	46.84	48.74	44.90	44.75	45.16	49.89	45.67	49.46	45.52	44.64	45.16	46.65

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. From January 2009–December 2015, the ORB excludes Minas (Indonesia). As of July 2016, the ORB includes Rabi Light (Gabon).

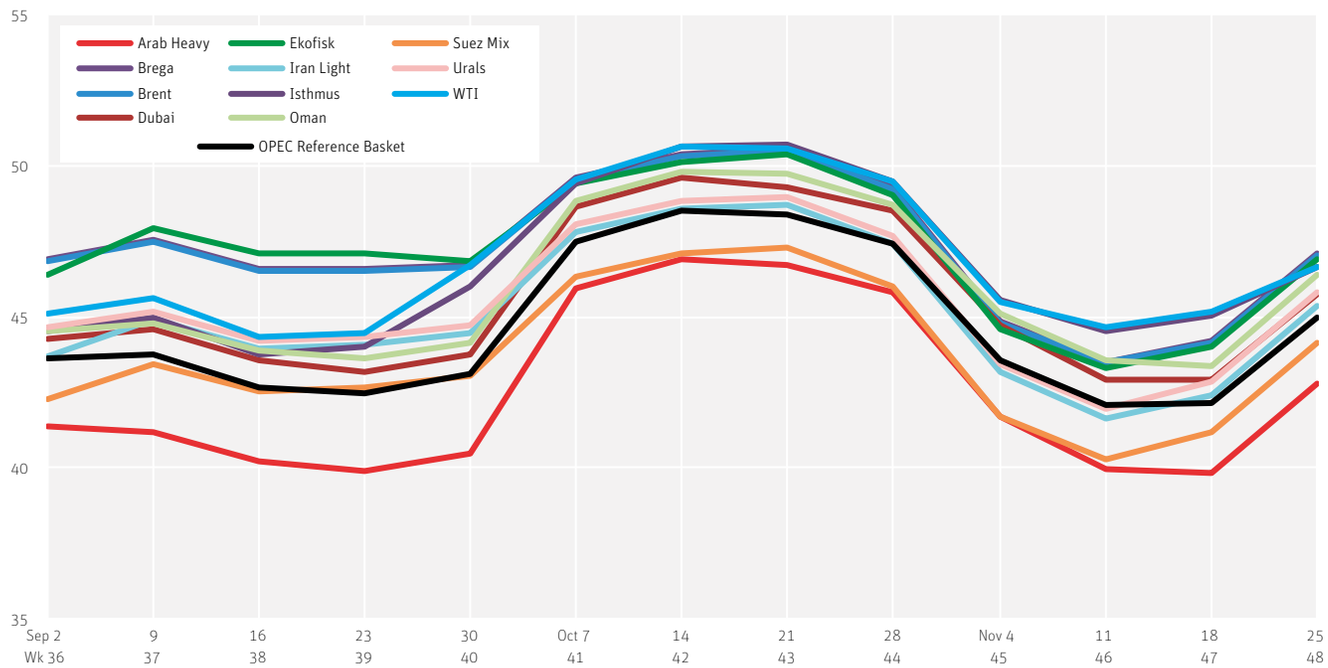
** Indonesia joined in 1962, suspended its Membership on December 31, 2008, and reactivated it again on January 1, 2016. Gabon joined in 1975 and left in 1995; it reactivated its Membership on July 1, 2016.*

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; as of January 1, 2016, Argus; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket spot crude prices, 2016 $/b



Graph 2: Evolution of selected spot crude prices, 2016 $/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).
Indonesia suspended its OPEC Membership on December 31, 2008, but this was reactivated from January 1, 2016.

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

$/b

		naphtha	regular gasoline unleaded	diesel ultra light	jet kero	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2015	November	46.13	65.27	56.78	57.06	30.20	30.68
	December	42.67	58.79	47.54	45.68	22.40	22.59
2016	January	35.13	53.41	39.21	38.11	19.85	15.08
	February	32.32	49.48	41.48	40.41	21.45	17.91
	March	38.53	54.82	47.43	47.13	24.83	21.32
	April	41.69	66.41	50.30	49.57	27.82	23.66
	May	44.28	69.51	56.15	56.67	32.52	29.28
	June	45.89	70.22	58.80	59.37	37.81	32.24
	July	41.73	62.35	54.48	53.84	37.60	32.21
	August	40.52	64.07	54.91	54.28	36.83	32.87
	September	43.57	66.62	55.92	55.93	39.48	34.97
	October	48.60	70.13	61.50	61.82	43.83	38.10
	November	45.82	64.62	57.36	57.29	40.98	35.71

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

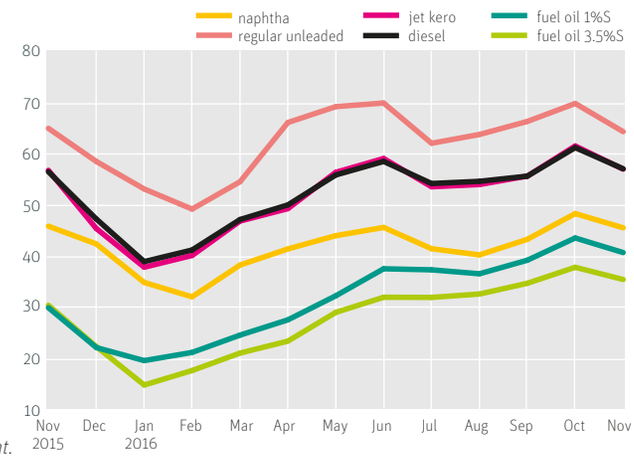


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1 per cent S	fuel oil 3.5 per cent S
2015	November	44.06	58.77	57.28	32.83	30.02
	December	40.29	51.81	46.40	25.88	22.20
2016	January	33.42	47.01	39.48	21.22	18.35
	February	30.99	42.98	41.88	22.53	21.14
	March	37.76	47.68	48.28	24.63	23.44
	April	40.39	58.04	50.56	28.01	26.30
	May	43.51	61.12	57.91	33.72	31.91
	June	45.11	62.71	60.35	36.97	34.59
	July	41.06	54.85	55.04	36.85	34.84
	August	39.93	56.45	55.56	37.35	35.36
	September	43.20	59.38	57.04	40.02	37.45
	October	48.18	62.36	62.83	44.46	40.72
	November	45.09	57.83	57.93	40.71	37.30

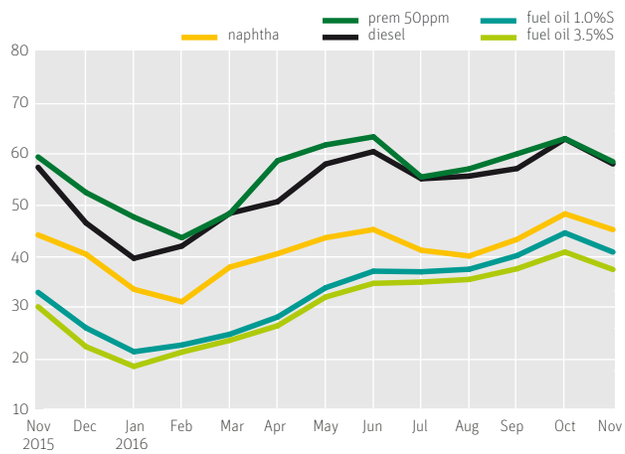
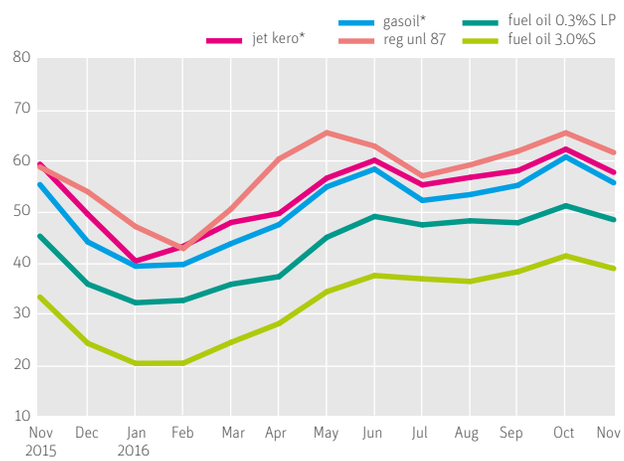


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil*	jet kero*	fuel oil 0.3 per cent S	fuel oil 3.0 per cent S
2015	November	58.51	55.08	59.07	45.01	33.12
	December	53.68	43.89	49.31	35.65	24.09
2016	January	46.88	39.14	40.13	32.01	20.16
	February	42.59	39.48	43.03	32.46	20.20
	March	50.34	43.56	47.68	35.61	24.27
	April	60.09	47.27	49.43	37.10	27.94
	May	65.21	54.64	56.35	44.78	34.16
	June	62.59	58.10	59.83	48.86	37.32
	July	56.77	51.98	55.02	47.21	36.67
	August	58.93	53.13	56.49	48.01	36.17
	September	61.62	54.94	57.81	47.63	38.07
	October	65.19	60.48	62.00	50.95	41.15
	November	61.34	55.44	57.47	48.22	38.69



* *FOB barge spot prices.*

Source: Platts. As of January 1, 2016, Argus. Prices are average of available days.

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

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2015	November	48.95	59.10	56.42	57.46	57.46	36.11	34.98
	December	45.69	55.63	52.83	46.86	47.70	28.20	27.15
2016	January	36.78	50.33	47.04	36.16	37.93	26.77	22.77
	February	33.97	44.33	41.29	38.51	40.98	25.92	23.27
	March	39.20	52.68	49.58	45.52	47.40	28.20	27.07
	April	42.52	54.49	51.45	48.08	49.51	31.02	29.17
	May	44.20	59.14	56.00	54.86	55.18	35.80	34.03
	June	45.56	59.05	56.49	58.14	58.27	38.62	36.68
	July	41.74	51.87	49.46	54.27	54.37	38.35	36.47
	August	39.96	54.18	51.52	53.47	53.55	38.67	36.61
	September	42.54	58.00	55.38	54.62	55.07	41.11	38.72
	October	47.70	62.99	60.06	61.23	61.02	45.33	43.06
	November	46.82	58.99	56.51	56.84	56.63	43.90	41.68

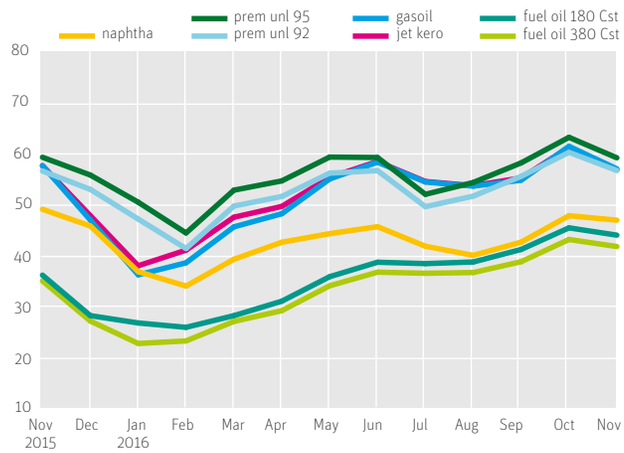
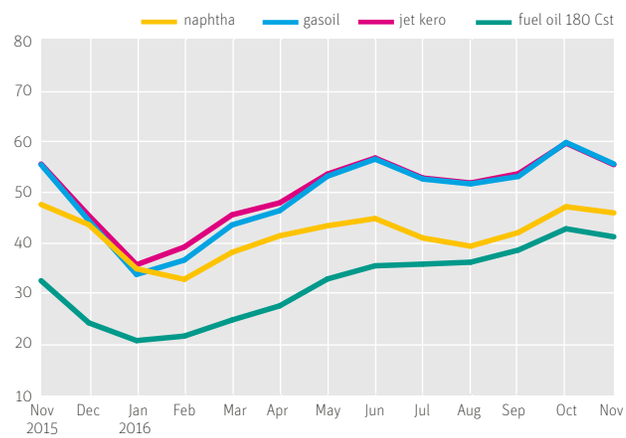


Table and Graph 7: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2015	November	47.58	55.40	55.51	32.63
	December	43.62	44.42	45.39	24.35
2016	January	34.96	33.85	35.75	20.87
	February	32.89	36.66	39.22	21.75
	March	38.18	43.56	45.54	24.90
	April	41.43	46.37	47.90	27.69
	May	43.40	53.12	53.54	32.96
	June	44.82	56.47	56.70	35.55
	July	41.00	52.57	52.76	35.87
	August	39.40	51.62	51.80	36.25
	September	42.07	53.08	53.61	38.63
	October	47.14	59.75	59.62	42.81
	November	45.93	55.53	55.39	41.24



Source: Platts. As of January 1, 2016, Argus. Prices are average of available days.

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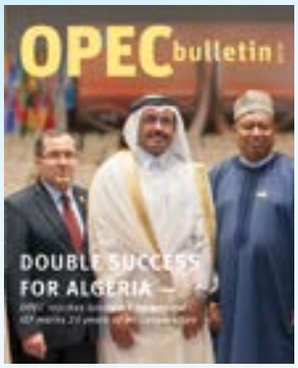

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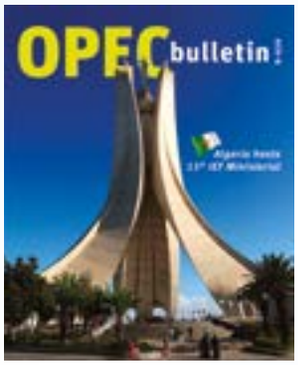

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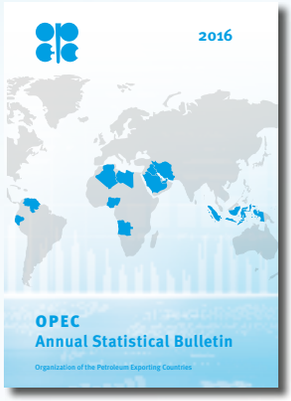

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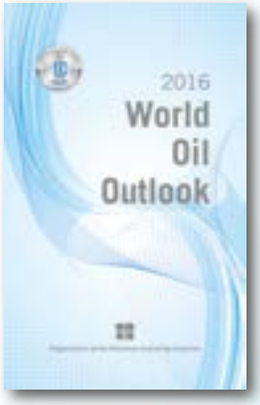

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