

Oil Market Monthly Report

August-2014

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Oil prices dropped across-the-board amid easing worries about supply disruptions and weaker-than-expected refinery crude demand in Asia and Europe; as well, speculators reduces net long positions as prices tumbled to put a further downward pressure on the oil market during the month.

OPEC Reference Basket lost all the gains earned over the previous month dropping to an average of USD 105.6/b in July, down by USD 2.28/d or around 2.1% below last month's price when it reached the highest level for the year of USD 107.9/b, as the market put aside its worries over supply disruptions. On a year-to-date basis, the basket's value was 0.34% higher compared with the same period one year earlier, standing at USD 105.35/b compared with an average of USD 105.87/b a year ago.

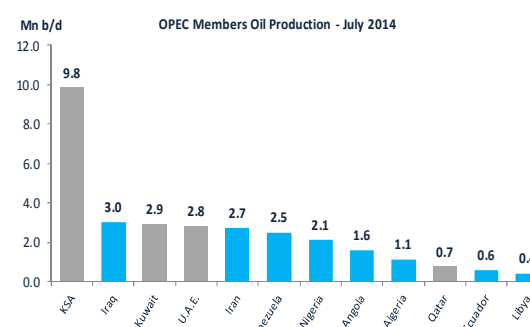
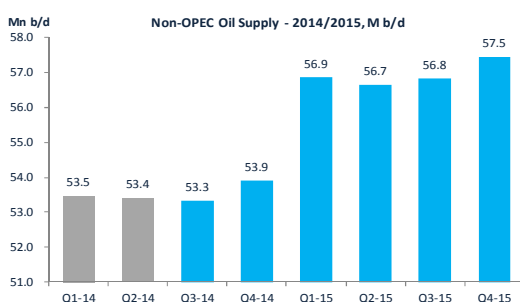
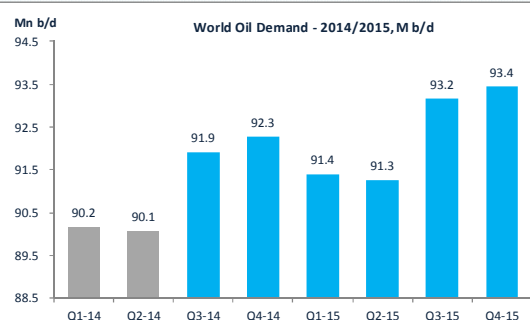
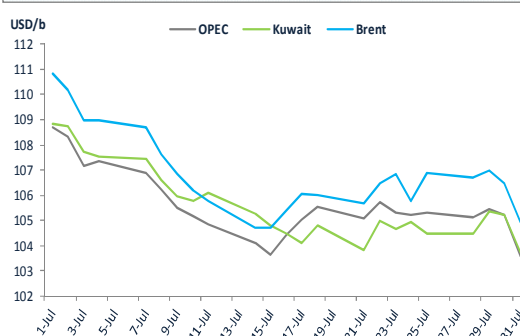
Total world oil demand growth for 2014 is estimated at 1.10 Mn b/d, or an increase of 1.23%, to reach 91.11 Mn b/d compared to 90.01 Mn b/d reported for the year 2013. According to OPEC Monthly Report, the forecast was revised down slightly following the lower-than-expected 2Q-14 performance of the OECD Americas, mainly Canada and Mexico, as well as from OECD Europe and Asia Pacific. The major part of the anticipated growth in world oil demand for 2014 is mainly originated from OECD Americas, India, Latin America, Middle East (particularly Saudi Arabia) and China.

Total world oil demand for 2015 is projected to expand at a higher rate than the previous year, growing by 1.21 Mn b/d from the 2014 level to average around 92.32 Mn b/d, implying an increase of 0.11 Mn b/d from the growth forecasted for this year.

Total non-OPEC supply is estimated to have averaged 55.69 Mn b/d by the end of 2014, an increase of 1.50 Mn b/d or 0.03%, the highest supply growth as seen over the past 10 years. This growth is mainly due to the supply increase of 1.32 Mn b/d from OECD Americas, the highest recorded growth from this region.

OPEC production declined by 0.3% during July-14, to reach 30.22 Mn b/d, recording a drop of 104,000 b/d compared with last month. This decline in oil output came mainly from a lower production by Iran, Iraq, Angola and Nigeria for a total of 310,000 b/d, yet partially offset by the higher production in Libya, Kuwait and Saudi Arabia together adding around 200,000 b/d in July-14.

Saudi Arabia share of production during July-14 stood at 32.5%, followed by Iraq, Kuwait and UAE at 9.9%, 9.5% and 9.3%, respectively, while Iran's share of production dropped to 8.9% compared to last month's level of 9.4%. GCC states' share of production represented 59.6% total OPEC-11.



Source for the above charts : OPEC and Bloomberg

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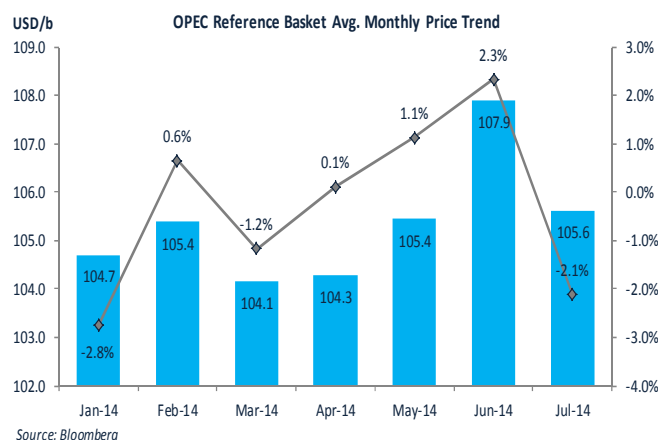
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Oil Prices

During July-14, oil prices have seen drops across-the-board amid easing worries about supply disruptions and weaker-than-expected refinery crude demand in Asia and Europe; as well, speculators reduces net long positions as prices tumbled to put a further downward pressure on the oil market during the month.

On a monthly basis, OPEC Reference Basket slipped to an average of USD 105.6/b in July, down by USD 2.28/d or around 2.1% below last month's price when it reached the highest level for the year of USD 107.9/b, as the market put aside its worries over supply disruptions. On a year-to-date basis, the basket's value was 0.34% higher compared with the same period one year earlier, reaching USD 105.35/b compared to an average of USD 105.87/b a year ago.



The OPEC Reference Basket lost all the gains earned over the previous month as the crude oil market has become more at ease about the risk of supply disruptions, while a supply overhang and dull refinery demand in Asia and Europe drove prices lower.

On the other hand, Kuwait Blend Spot Price FOB averaged USD 105.7/b, down from an average of USD 107.1/b in June-2014, and closed the month at USD 103.8/b. Meanwhile, European Brent Blend Spot Price FOB averaged around USD 106.9/b, from an average of USD 111.8/b recorded during June-2014. On July 31, 2014, the basket price stood at USD 104.9/b.

The Brent/WTI spread narrowed further USD 3.8/b, the closest alignment since September 2013. As stated in OPEC latest Monthly Oil Report, the narrowing is justified given the weak east Atlantic Basin market and high US refinery run rates.

OPEC & Selected Crude Oil Baskets, USD/b	Jun-14	Jul-14	% Chg.	2013	YTD-2014
OPEC Reference Basket	107.9	105.6	(2.3)	105.0	105.4
Arab Light	108.6	107.2	(1.5)	105.8	106.2
Basrah Light	105.8	103.8	(2.0)	102.9	103.3
Bonny Light	114.4	109.2	(5.2)	110.2	110.9
Es Sider	111.3	106.2	(5.1)	107.6	108.2
Girassol	111.2	107.0	(4.2)	108.1	109.0
Iran Heavy	107.5	106.2	(1.2)	104.2	105.3
Kuwait Export	106.6	105.5	(1.1)	104.0	104.4
Marine	107.9	106.0	(1.9)	104.1	105.3
Merey	98.7	95.1	(3.7)	96.5	95.0
Murban	110.7	108.9	(1.9)	106.8	108.5
Oriente	98.8	95.2	(3.5)	99.0	95.7
Saharan Blend	112.7	106.7	(5.9)	107.8	109.6
Other Crudes					
Brent	111.7	106.6	(5.0)	107.5	108.6
Dubai	108.0	106.1	(1.9)	104.3	105.4
Isthmus	106.5	102.2	(4.3)	107.7	101.2
LLS	108.2	106.4	(1.8)	109.3	105.2
Mars	103.5	102.2	(1.3)	104.2	101.0
Minas	112.1	105.1	(7.1)	107.4	109.7
Urals	109.4	106.2	(3.2)	106.9	107.3
WTI	105.2	102.9	(2.4)	95.8	101.2
Differentials					
Brent/WTI	6.4	3.8	(2.7)	11.7	7.4
Brent/LLS	3.4	0.2	(3.2)	(1.8)	3.4
Brent/Dubai	3.6	0.5	(3.1)	3.2	3.2

Source: OPEC Monthly Oil Market Report - August 2014

World Oil Demand

Total world oil demand growth for 2014 is estimated at 1.10 Mn b/d, or an increase of 1.23%, to reach at 91.11 Mn b/d compared to 90.01 Mn b/d for the year 2013. According to OPEC Monthly Report, the forecast was revised down slightly following the lower-than-expected 2Q-14 performance of the OECD Americas, mainly Canada and Mexico, as well as from OECD Europe and Asia Pacific. The growth in oil demand for 2014 is driven in part by OECD Americas higher oil demand of around 0.17 Mn b/d, on the back of the growing distillate fuel requirements resulting from improved industrial production and improvements in gasoline demand.

On the other hand, European oil demand is estimated to show a contraction of around 0.18 Mn b/d in 2014, in line with the continuing economic concerns in some parts of the region particularly in countries that undergo strict measures aiming at the reduction of public debt. As well, Asia Pacific oil demand is seen to contract by around 0.13 Mn b/d, mainly owing to Japan substituting fuel and crude burning for electricity generation with natural gas and coal. Furthermore, the major part of the anticipated growth in world oil demand for 2014 is mainly originated from India, Latin America, Middle East (particularly Saudi Arabia) and China, all together accounting for an increase of 0.97 Mn b/d in oil consumption, or around 88% of the total expected increase in world oil demand for the year.

World Oil Demand - 2013/2014, M b/d	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Y-o-Y Growth	% Chg.
Americas	23.96	23.90	23.90	24.38	24.35	24.13	0.17	0.73
of which US	19.20	19.20	19.07	19.56	19.57	19.35	0.15	0.78
Europe	13.59	13.04	13.48	13.74	13.37	13.41	(0.18)	(1.33)
Asia Pacific	8.36	8.88	7.68	7.92	8.47	8.23	(0.13)	(1.51)
Total OECD	45.91	45.82	45.05	46.04	46.18	45.77	(0.13)	(0.29)
Other Asia	11.06	11.10	11.31	11.37	11.39	11.29	0.23	2.11
of which India	3.70	3.85	3.80	3.68	3.86	3.80	0.10	2.65
Latin America	6.50	6.42	6.69	6.99	6.79	6.73	0.23	3.51
Middle East	7.81	8.07	7.98	8.48	7.95	8.12	0.31	3.92
Africa	3.55	3.68	3.68	3.53	3.68	3.64	0.09	2.51
Total Developing Countries (DCs)	28.92	29.27	29.66	30.37	29.81	29.78	0.86	2.96
Former Soviet Union (FSU)	4.48	4.39	4.23	4.63	4.87	4.53	0.06	1.25
Other Europe	0.64	0.63	0.57	0.62	0.72	0.63	0.00	(0.68)
China	10.07	10.06	10.54	10.27	10.70	10.39	0.33	3.24
Total "Other Regions"	15.18	15.08	15.34	15.52	16.29	15.56	0.38	2.49
Total World	90.01	90.17	90.06	91.92	92.27	91.11	1.10	1.23

Source: OPEC Monthly Oil Market Report - August 2014

Total world oil demand for 2015 is projected to expand at a higher rate than the previous year, growing by 1.21 Mn b/d from the 2014 level to average around 92.32 Mn b/d. The expected growth level in 2015 of 1.21 Mn b/d implies an increase of 0.11 Mn b/d from the growth forecasted for this year. According to OPEC Monthly Oil Report, Non-OECD countries are likely to lead oil demand growth with 1.17 Mn b/d in total demand while OECD nations are predicted to marginally rise for the first time since 2010, recording growth of 30 tb/d. The key factor affecting the world oil demand projections in 2015 remains the progress of economic development in major economies around the globe.

World Oil Demand - 2014/2015, M b/d	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015	Y-o-Y Growth	% Chg.
Americas	24.13	24.11	24.09	24.60	24.55	24.34	0.21	0.85
of which US	19.35	19.38	19.22	19.75	19.76	19.53	0.18	0.91
Europe	13.41	12.98	13.43	13.65	13.29	13.34	(0.07)	(0.52)
Asia Pacific	8.23	8.79	7.61	7.81	8.32	8.13	(0.10)	(1.22)
Total OECD	45.77	45.89	45.13	46.06	46.16	45.81	0.03	0.08
Other Asia	11.29	11.32	11.53	11.61	11.60	11.52	0.22	1.97
of which India	3.80	3.94	3.89	3.78	3.96	3.89	0.10	2.50
Latin America	6.73	6.64	6.90	7.21	7.05	6.95	0.23	3.34
Middle East	8.12	8.36	8.25	8.79	8.24	8.41	0.30	3.63
Africa	3.64	3.75	3.75	3.59	3.75	3.71	0.07	1.92
Total Developing Countries (DCs)	29.78	30.07	30.43	31.20	30.64	30.59	0.81	2.73
Former Soviet Union (FSU)	4.53	4.44	4.28	4.68	4.93	4.58	0.05	1.10
Other Europe	0.63	0.63	0.58	0.63	0.72	0.64	0.01	1.11
China	10.39	10.37	10.85	10.59	10.99	10.70	0.31	2.96
Total "Other Regions"	15.56	15.44	15.71	15.90	16.64	15.93	0.36	2.34
Total World	91.11	91.40	91.27	93.16	93.44	92.32	1.21	1.33

Source: OPEC Monthly Oil Market Report - August 2014

World Oil Supply

Total non-OPEC supply is estimated to have averaged 55.69 Mn b/d by the end of 2014, an increase of 1.50 Mn b/d or 0.03%, the highest supply growth as seen over the past 10 years. This growth is mainly due to higher oil supply from OECD Americas which is estimated to have increased their supplies by 1.32 Mn b/d during 2014, the highest recorded supply growth from this region. Growth in oil supply is also expected to come, although to a relatively lesser extent, from Latin America, Africa, Russia, China and OECD Asia Pacific. On the other hand, OECD Europe, Other Asia and the Middle East are expected to see supply declines during 2014; however, as stated in OPEC Monthly Report, these declines are expected to be at a slower pace as compared to 2013 due to the commencement of new projects, whereas production declined in the Middle East is due to political issues in Syria and Yemen.

Total OECD supply is expected to see one of the highest supply growth since 2003 to an estimated average of 23.44 Mn b/d during 2014, an increase of 1.30 Mn b/d on the back of re-evaluation of individual countries' supply profiles.

Non-OPEC Oil Supply - 2013/2014, M b/d	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Y-o-Y Growth	% Chg.
Americas	18.09	19.10	19.53	19.36	19.63	19.40	1.32	0.07
of which US	11.18	11.94	12.50	12.29	12.45	12.30	1.12	0.10
Europe	3.58	3.75	3.50	3.37	3.58	3.55	(0.03)	(0.01)
Asia Pacific	0.48	0.50	0.49	0.50	0.48	0.49	0.01	0.02
Total OECD	22.14	23.34	23.51	23.22	23.69	23.44	1.30	0.06
Other Asia	3.58	3.55	3.50	3.51	3.50	3.52	(0.06)	(0.02)
Latin America	4.78	4.84	4.87	4.97	5.05	4.93	0.16	0.03
Middle East	1.36	1.35	1.32	1.33	1.34	1.33	(0.02)	(0.01)
Africa	2.42	2.51	2.47	2.45	2.44	2.47	0.05	0.02
Total Developing Countries (DCs)	12.13	12.25	12.16	12.26	12.33	12.25	0.12	0.01
Former Soviet Union (FSU)	13.41	13.48	13.36	13.42	13.42	13.42	0.02	0.00
of which Russia	10.51	10.59	10.55	10.55	10.55	10.56	0.05	0.00
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00	0.00
China	4.23	4.24	4.23	4.27	4.33	4.27	0.03	0.01
Total "Other regions"	17.78	17.86	17.73	17.84	17.89	17.83	0.05	0.00
Total Non-OPEC Production	52.06	53.46	53.41	53.32	53.91	53.52	1.47	0.03
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03	0.01
Total Non-OPEC Supply	54.19	55.62	55.58	55.49	56.07	55.69	1.50	0.03
OPEC NGLs and non-conventionals	5.66	5.71	5.77	5.84	5.91	5.81	0.15	0.03
OPEC Crude Oil Production	30.20	29.83	29.72	-	-	-	-	-
Total World Supply	90.05	91.16	91.07	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - August 2014

Non-OPEC oil supply growth is expected to carry on in 2015 and to expand by 1.27 Mn b/d to average at 56.96 Mn b/d supported by higher oil supply from OECD Americas, Latin America and China, partly offset by expected decline in supply from FSU, Africa and Other Asia. Supply growth from OECD countries is expected to average at 1.08 Mn b/d during 2015, the largest from among the non-OPEC suppliers. According to OPEC Report, the increase in oil supply during 2014 and 2015 is expected to be supported by a higher upstream capital expenditure.

Non-OPEC Oil Supply - 2014/2015, M b/d	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015	Y-o-Y Growth	% Chg.
Americas	19.40	20.09	20.20	20.58	20.93	20.46	1.05	0.05
of which US	12.30	12.79	12.96	13.25	13.47	13.12	0.82	0.07
Europe	3.55	3.68	3.53	3.42	3.64	3.57	0.02	0.01
Asia Pacific	0.49	0.51	0.52	0.51	0.47	0.50	0.01	0.02
Total OECD	23.44	24.27	24.25	24.51	25.05	24.52	1.08	0.05
Other Asia	3.52	3.56	3.53	3.49	3.45	3.51	(0.01)	(0.00)
Latin America	4.93	5.11	5.11	5.13	5.17	5.13	0.20	0.04
Middle East	1.33	1.36	1.35	1.34	1.33	1.35	0.02	0.02
Africa	2.47	2.48	2.44	2.42	2.40	2.44	(0.03)	(0.01)
Total Developing Countries (DCs)	12.25	12.53	12.45	12.38	12.35	12.43	0.17	0.01
Former Soviet Union (FSU)	13.42	13.44	13.35	13.32	13.37	13.37	(0.05)	(0.00)
of which Russia	10.56	10.57	10.55	10.54	10.56	10.56	0.00	0.00
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00	0.00
China	4.27	4.31	4.29	4.31	4.37	4.32	0.05	0.01
Total "Other regions"	17.83	17.89	17.78	17.77	17.88	17.83	0.00	0.00
Total Non-OPEC Production	53.52	54.69	54.48	54.67	55.28	54.78	1.26	0.02
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01	0.00
Total Non-OPEC Supply	55.69	56.87	56.65	56.84	57.45	56.96	1.27	0.02

Source: OPEC Monthly Oil Market Report - August 2014

OPEC Oil Production & Spare Capacity

OPEC production declined by 0.3% during July-14, or 104,000 b/d compared with last month. This decline in oil output came mainly from a lower production by Iran, Iraq, Angola and Nigeria for a total of 310,000 b/d, yet partially offset by the higher production in Libya, Kuwait and Saudi Arabia together adding around 200,000 b/d in July-14.

During the month of July-14, OPEC was producing at 82.4%, while the largest OPEC oil producer was operating at 78.6% of its capacity along with Iraq at 82.2%. The total spare capacity by OPEC countries stood at around 6.44 Mn b/d, or around 17.6% of total capacity.

Production ('000 b/d)	July	June	Change		Capacity	Spare Capacity
Total OPEC-12	30,222	30,326	-104	-0.3%	36,658	6,436
KSA	9,820	9,800	20	0.2%	12,500	2,680
Iraq	3,000	3,100	-100	-3.2%	3,650	650
Kuwait	2,880	2,800	80	2.9%	3,000	120
U.A.E.	2,800	2,800	0	0.0%	3,250	450
Iran	2,700	2,840	-140	-4.9%	2,900	200
Venezuela	2,475	2,470	5	0.2%	3,000	525
Nigeria	2,130	2,150	-20	-0.9%	2,400	270
Angola	1,610	1,660	-50	-3.0%	1,870	260
Algeria	1,125	1,125	0	0.0%	1,200	75
Qatar	725	725	0	0.0%	780	55
Ecuador	557	556	1	0.2%	558	1
Libya	400	300	100	33.3%	1,550	1,150
Total OPEC-11	27,222	27,226	-4	-0.01%	33,008	5,786

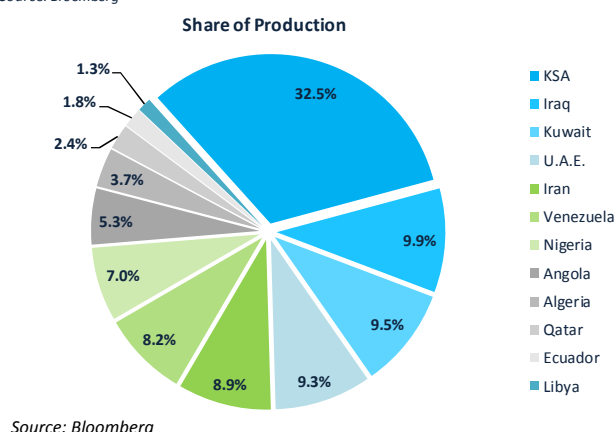
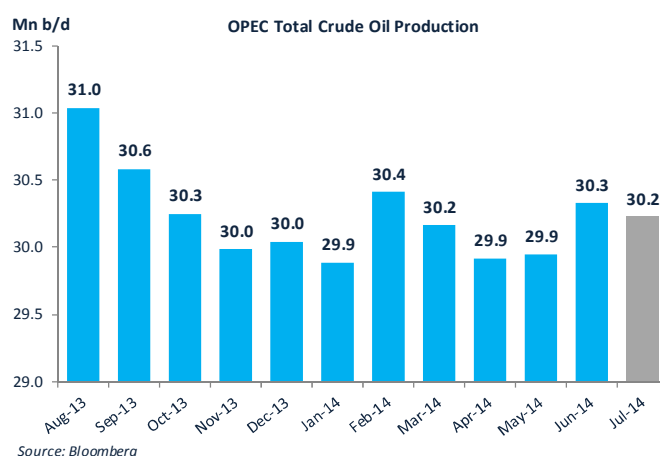
Source: Bloomberg

Total OPEC crude oil production averaged 30.2 Mn b/d in July-2014, representing a decline of 104,000 b/d compared with the previous month. OPEC crude oil production, excluding Iraq, averaged 27.2 Mn b/d, almost equivalent to last month's level.

However, on a year-to-date basis, OPEC crude oil average monthly production for YTD-July-14 saw a decline of 2% or around 612,000 b/d to average around 30.12 Mn b/d, compared to 30.74 Mn b/d for the last comparable period a year earlier.

Iran and Iraq have led the decline in crude oil production by a total of 240,000 b/d compared with last month, mainly due to the political situation in the region; while on the other hand, crude oil production from Libya, Kuwait and Saudi Arabia experienced an increase in July-14, together adding a total of 200,000 b/d, therefore partially offsetting the decline coming from Iran & Iraq.

Saudi Arabia share of production during July-14 stood at 32.5% to register a production of 9.82 Mn b/d as compared to 9.8 Mn b/d (revised) in July-14, followed by Iraq, Kuwait and UAE at 9.9% (or 3 Mn b/d), 9.5% (or 2.9 Mn b/d) and 9.3% (or 2.8 Mn b/d) respectively, while Iran's share of production dropped to 8.9% compared to last month's level of 9.4%, with a lower output by 140,000 b/d. The share of production by the GCC states represented 59.6% or 16.23 Mn b/d of total OPEC-11 which stood at 27.2 Mn b/d in July-14.



Oil Market News & Developments

Asia to get most of Middle East fuel shipment in 2014 (*The Saudi Gazette*)

Gulf oil refineries, undergoing their biggest expansion in decades, are poised to ship the largest amount of gasoline and other fuels to Asia in eight months, tanker bookings compiled by Bloomberg show.

Iran ready to increase oil exports shortly after sanctions lifted (*IRNA*)

A senior official at the National Iranian Oil Company (NIOC) has voiced Tehran's readiness to increase oil exports shortly after the anti-Iran sanctions are lifted. NIOC Director for International Affairs Mohsen Qamsari told IRNA that Iran can increase its daily oil exports up to four million barrels.

Syria says crisis has cost its oil sector USD23.5bn (*Reuters*)

Syria's oil sector has lost around \$23.5 billion due to damage to facilities and pipelines, looting and production delays since the start of the country's crisis in 2011 and output has fallen sharply.

China's oil imports from Iran rise nearly 50% Jan-June (*Bloomberg*)

China's crude imports from Iran in the first half of the year were up nearly 50 percent, although shipments in June dropped nearly a third from May to the lowest level in four months.

Iraq expects July oil exports of 2.6 million bpd (*Reuters*)

Iraq expects oil exports to reach 2.6 million barrels per day (bpd) this month and has expanded the capacity of its export facilities in the south to 3 million barrels daily, Oil Minister Abdul Kareem Luaibi said to Reuters.

Kingdom's oil exports hit 1.38bn barrels in 6 months (*Arab News*)

Saudi Arabia exported nearly 1.38 billion barrels of oil in the first six months of the current year (2014) that yielded SR565 billion, an economic expert was quoted by the local media.

World's largest gas recovery project for Q3 commissioning (*Gulf Times*)

The 'energy-saving' environmental project aims to recover gas currently being flared during LNG ship loading at Ras Laffan Port. A landmark project, underlining Qatar's strong commitment to protecting the environment, is to be commissioned in the next few months.

OPEC's oil market share to shrink in 2015, despite growing demand (*Reuters*)

OPEC expects its share of the world oil market to shrink in 2015 for a third year running, due in part to the U.S. shale oil boom, giving the exporter group little comfort from acceleration in global demand.

Libya declares oil crisis over after state reclaims ports (*Reuters*)

Libya's acting Prime Minister Abdullah al-Thinni said the government had reached a deal with a rebel leader controlling oil ports to hand over the last two terminals and end a blockade that crippled the OPEC nation's petroleum industry.

Iran can make up for world's oil shortage (*Iran Daily*)

Iranian Deputy Oil Minister Rokneddin Javadi said the country can supply enough crude oil to compensate for any shortage in the international markets. "In case of oil shortage in the world markets, Iran will be ready to make up for the shortage in three months," he said.

OPEC oil output rises in July on fragile Libyan rebound (*Reuters*)

OPEC's oil production rose in July from June according to Reuter's survey, as a fragile recovery in Libyan supply outweighed fighting in Iraq and reduced output from Angola.

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