

Oil Market Monthly Report

September-2014

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Oil prices dipped for the second consecutive month in a row across most baskets as the crude oil market perceived the risk of supply disruptions fading, while a supply overhang and dull refinery demand drove prices down for two consecutive months. Besides, speculators continued to sharply cut net long positions amid ample supply and low demand.

OPEC Reference Basket dropped to an average of USD 100.8/b in August, the lowest level seen since May-13, down by a substantial USD 4.85/d or around 4.6% below last month's price when it reached an average of USD 105.6/b, and closed the month at USD 99.9/d. On a YTD basis, the basket's value was 0.51% lower compared with the same period one year earlier, standing at USD 104.78/b compared to an average of USD 105.32/b a year ago.

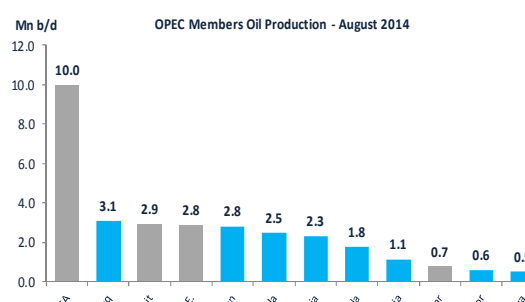
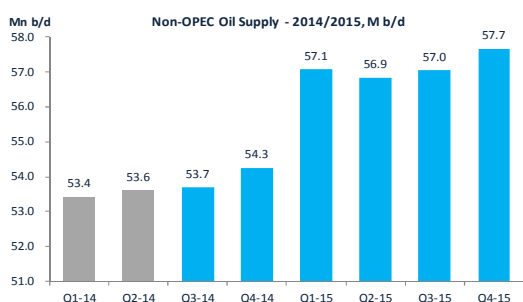
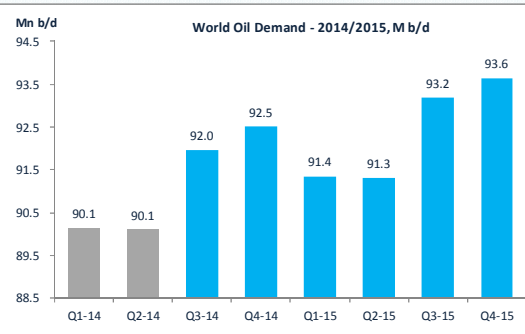
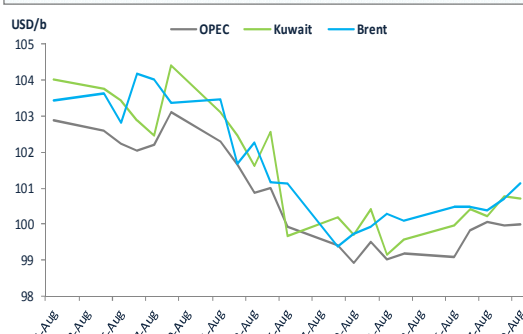
Total world oil demand growth for 2014 was revised down by 50 tb/d and is estimated at 1.05 Mn b/d, or an increase of 1.17%, to stand at 91.19 Mn b/d compared to 90.14 Mn b/d for the year 2013. According to OPEC Monthly Report, the forecast was revised down mainly due to weaker-than-expected performance of the OECD region in 1H-14; as well, other marginal downward revisions were also accounted for in Other Asia and Latin America. 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.

Total world oil demand for 2015 is projected to grow by 1.19 Mn b/d from the 2014 level to average around 92.38 Mn b/d. The expected growth level in 2015 of around 1.31% implies an increase of 0.14 Mn b/d from the growth forecasted for this year.

Total non-OPEC supply is estimated to have averaged 55.91 Mn b/d by the end of 2014, an increase of 1.68 Mn b/d or 2.83%. This growth is mainly attributable to higher oil supply from OECD Americas which is estimated to have increased their supplies by 1.49 Mn b/d during 2014.

OPEC production increased by 3% during August-14, to stand at 31.03 Mn b/d, a jump of 0.89 Mn b/d compared to last month. This surge in oil output came mainly from a higher production by KSA, Iraq, Nigeria, Angola and Libya all together adding a total of 0.87 Mb b/d during the month, while slightly offset by the lower production in Iran and Venezuela.

Saudi Arabia share of production during August-14 stood at 32.2% to register a production of 9.98 Mn b/d as compared to 9.8 Mn b/d in July-14, followed by Iraq, Kuwait and UAE at 10% (or 3.01 Mn b/d), 9.3% (or 2.89 Mn b/d) and 9.2% (or 2.84 Mn b/d) respectively, while Iran's share of production dropped to 9.0% compared to last month's level of 9.4%, with a lower output by 30,000 b/d. The share of production by the GCC states represented 58.8% or 16.44 Mn b/d of total OPEC-11 which stood at 27.9 Mn b/d in August-14.



Source for the above charts : OPEC and Bloomberg

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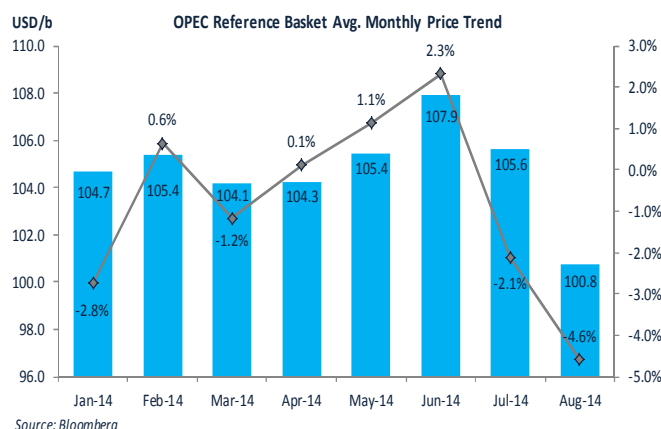
Oil Prices

During August-14, oil prices dipped for the second consecutive month in a row across most baskets as the crude oil market perceived the risk of supply disruptions fading, while a supply overhang and dull refinery demand drove prices down for two consecutive months. Besides, speculators continued to sharply cut net long positions amid ample supply and low demand. Furthermore, crude oil futures fell to their lowest levels of the year as weak underlying market fundamentals and intense speculative behavior drove down prices.

On a monthly basis, OPEC Reference Basket dropped to an average of USD 100.8/b in August, the lowest level seen since May-13, down by a substantial USD 4.85/d or around 4.6% below last month's price when it reached an average of USD 105.6/b, and closed the month at USD 99.9/d. On a YTD basis, the basket's value was 0.51% lower compared with the same period one year earlier, standing at USD 104.78/b compared to an average of USD 105.32/b a year ago.

On the other hand, Kuwait Blend Spot Price FOB averaged USD 101.5/b, down from an average of USD 105.7/b in July-2014, and closed the month at USD 100.7/b. Meanwhile, European Brent Blend Spot Price FOB averaged around USD 101.6/b, from an average of USD 106.9/b recorded during July-2014. The basket closed the month at USD 101.1/b.

After touching a year low of about USD 5.80/b in July, the WTI/Brent spread bounced back to levels seen in the first half of this year at around USD 7.30/b, as stated in OPEC latest Monthly Oil Report. The Brent/WRI spread stood at an average of USD 5.18/b during August compared to an average of USD 3.77/b in the previous month.



OPEC & Selected Crude Oil Baskets, USD/b	Jul-14	Aug-14	% Chg.	2013	YTD-2014
OPEC Reference Basket	105.6	100.8	(4.9)	105.3	104.8
Arab Light	107.2	102.2	(4.9)	106.1	105.7
Basrah Light	103.8	99.2	(4.6)	103.3	102.8
Bonny Light	109.2	102.3	(6.9)	110.6	109.9
Es Sider	106.2	100.6	(5.6)	108.0	107.3
Girassol	107.0	101.5	(5.5)	108.4	108.1
Iran Heavy	106.2	101.4	(4.8)	104.5	104.9
Kuwait Export	105.5	100.6	(4.9)	104.3	103.9
Marine	106.0	101.5	(4.4)	104.5	104.8
Merey	95.1	92.3	(2.8)	96.7	94.7
Murban	108.9	104.3	(4.5)	107.1	108.0
Oriente	95.2	89.5	(5.7)	98.9	94.9
Saharan Blend	106.7	100.9	(5.9)	108.4	108.5
Other Crudes					
Brent	106.6	101.6	(5.1)	108.0	107.7
Dubai	106.1	101.7	(4.4)	104.6	105.0
Isthmus	102.2	96.8	(5.4)	107.8	100.6
LLS	106.4	100.1	(6.3)	109.5	104.6
Mars	102.2	96.7	(5.5)	104.4	100.4
Minas	105.1	99.9	(5.1)	107.1	108.5
Urals	106.2	102.0	(4.3)	107.4	106.6
WTI	102.9	96.4	(6.5)	97.2	100.6
Differentials					
Brent/WTI	3.8	5.2	1.4	10.8	7.1
Brent/LLS	0.2	1.4	1.2	(1.5)	3.2
Brent/Dubai	0.5	(0.2)	(0.7)	3.4	2.8

Source: OPEC Monthly Oil Market Report - September 2014

World Oil Demand

Total world oil demand growth for 2014 was revised down by 50 tb/d and is estimated at 1.05 Mn b/d, or an increase of 1.17%, to stand at 91.19 Mn b/d compared to 90.14 Mn b/d for the year 2013. According to OPEC Monthly Report, the forecast was revised down mainly due to weaker-than-expected performance of the OECD region in 1H-14; as well, other marginal downward revisions were also accounted for in Other Asia and Latin America. The growth in oil demand for 2014 is driven in part by OECD Americas higher oil demand of around 0.15 Mn b/d given the growing usage in the industrial and transportation sectors, yet partly affected by fuel substitution with other commodities.

On the other hand, European oil demand is estimated to show a contraction of around 0.19 Mn b/d in 2014, corresponding to the continuing economic concerns in some parts of the region mostly in countries which struggle with the reduction of their public debt. Besides, Asia Pacific oil demand is seen to contract by around 0.13 Mn b/d, primarily owing to Japan substituting fuel and crude burning for electricity generation with natural gas and coal. Moreover, 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 0.96 Mn b/d in oil consumption, or around 91% 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	24.05	23.88	23.91	24.42	24.55	24.19	0.15	0.60
of which US	19.27	19.18	19.07	19.59	19.72	19.39	0.12	0.64
Europe	13.61	13.02	13.49	13.76	13.38	13.41	(0.19)	(1.43)
Asia Pacific	8.29	8.85	7.58	7.84	8.40	8.16	(0.13)	(1.55)
Total OECD	45.95	45.75	44.98	46.02	46.32	45.77	(0.18)	(0.39)
Other Asia	11.06	11.08	11.37	11.37	11.35	11.29	0.23	2.10
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	6.98	6.78	6.72	0.22	3.46
Middle East	7.81	8.07	7.98	8.47	7.95	8.12	0.31	3.92
Africa	3.63	3.75	3.75	3.61	3.76	3.72	0.09	2.46
Total Developing Countries (DCs)	29.00	29.31	29.79	30.43	29.84	29.85	0.85	2.94
Former Soviet Union (FSU)	4.49	4.39	4.23	4.63	4.93	4.55	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"	15.20	15.08	15.34	15.52	16.34	15.57	0.38	2.49
Total World	90.14	90.14	90.11	91.97	92.50	91.19	1.05	1.17

Source: OPEC Monthly Oil Market Report - September 2014

Total world oil demand for 2015 is projected to expand at a higher rate than the previous year, growing by 1.19 Mn b/d from the 2014 level to average around 92.38 Mn b/d. The expected growth level in 2015 of around 1.31% implies an increase of 0.14 Mn b/d from the growth forecasted for this year. According to OPEC Monthly Oil Report, Non-OECD countries are expected to lead oil demand growth with 1.20 Mn b/d in total demand while OECD nations are predicted to show a marginal drop 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	24.19	24.04	24.05	24.59	24.70	24.35	0.16	0.64
of which US	19.39	19.31	19.17	19.73	19.85	19.52	0.13	0.65
Europe	13.41	12.96	13.44	13.67	13.29	13.34	(0.07)	(0.52)
Asia Pacific	8.16	8.76	7.51	7.73	8.26	8.06	(0.10)	(1.23)
Total OECD	45.77	45.76	45.00	45.99	46.25	45.75	(0.02)	(0.03)
Other Asia	11.29	11.30	11.61	11.62	11.56	11.52	0.23	2.06
of which India	3.80	3.94	3.89	3.78	3.96	3.89	0.10	2.50
Latin America	6.72	6.64	6.90	7.20	7.04	6.95	0.23	3.35
Middle East	8.12	8.36	8.25	8.78	8.24	8.41	0.30	3.64
Africa	3.72	3.84	3.84	3.70	3.85	3.81	0.09	2.42
Total Developing Countries (DCs)	29.85	30.15	30.60	31.30	30.69	30.69	0.84	2.82
Former Soviet Union (FSU)	4.55	4.44	4.28	4.68	4.98	4.60	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"	15.57	15.44	15.71	15.90	16.69	15.94	0.36	2.34
Total World	91.19	91.35	91.31	93.19	93.64	92.38	1.19	1.31

Source: OPEC Monthly Oil Market Report - September 2014

World Oil Supply

Total non-OPEC supply is estimated to have averaged 55.91 Mn b/d by the end of 2014, an increase of 1.68 Mn b/d or 2.83%. This growth is mainly attributable to higher oil supply from OECD Americas which is estimated to have increased their supplies by 1.49 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 minor magnitude, from Latin America, Africa, Russia, China and OECD Asia Pacific. On the other hand, Other Asia and the Former Soviet Union are expected to see supply declines during 2014; however, as indicated 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 forecast in the Middle East remains associated with a high level of risk, mainly due to the political situation.

Total OECD supply is expected to see one of the highest supply growth since 2003 to an estimated average of 23.70 Mn b/d during 2014, an increase of 1.50 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	18.14	19.10	19.63	19.78	19.97	19.62	1.49	8.16
of which US	11.23	11.95	12.64	12.73	12.79	12.53	1.30	11.58
Europe	3.58	3.75	3.52	3.41	3.62	3.57	0.00	(0.28)
Asia Pacific	0.48	0.50	0.50	0.53	0.48	0.50	0.02	4.17
Total OECD	22.19	23.35	23.65	23.72	24.07	23.70	1.50	6.80
Other Asia	3.59	3.55	3.51	3.51	3.53	3.53	(0.06)	(1.67)
Latin America	4.78	4.84	4.90	4.97	5.05	4.94	0.16	3.35
Middle East	1.36	1.34	1.33	1.33	1.34	1.33	(0.02)	(2.21)
Africa	2.40	2.49	2.45	2.44	2.42	2.45	0.05	2.08
Total Developing Countries (DCs)	12.13	12.22	12.18	12.25	12.35	12.25	0.12	0.99
Former Soviet Union (FSU)	13.41	13.48	13.36	13.34	13.37	13.39	(0.02)	(0.15)
of which Russia	10.51	10.59	10.55	10.47	10.50	10.53	0.02	0.19
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00	0.00
China	4.23	4.24	4.27	4.24	4.33	4.27	0.04	0.95
Total "Other regions"	17.78	17.86	17.77	17.73	17.84	17.80	0.02	0.11
Total Non-OPEC Production	52.10	53.43	53.60	53.69	54.26	53.75	1.65	3.17
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03	1.41
Total Non-OPEC Supply	54.23	55.59	55.77	55.86	56.42	55.91	1.68	3.10
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.81	0.18	2.83
OPEC Crude Oil Production	30.20	29.83	29.75	-	-	-	-	-
Total World Supply	90.08	91.15	91.31	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - September 2014

Non-OPEC oil supply growth is expected to continue in 2015 and to expand by 1.24 Mn b/d to average at 57.16 Mn b/d supported mainly by higher oil supply from OECD Americas, Latin America and China, partly offset by expected decline in supply from FSU and Africa. Supply growth from OECD countries is expected to average at 1.06 Mn b/d during 2015, the largest from among the non-OPEC suppliers.

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	19.62	20.28	20.40	20.78	21.12	20.65	1.02	0.05
of which US	12.53	12.97	13.15	13.43	13.66	13.31	0.78	0.06
Europe	3.57	3.72	3.57	3.46	3.68	3.61	0.03	0.01
Asia Pacific	0.50	0.51	0.52	0.51	0.47	0.50	0.00	0.00
Total OECD	23.70	24.50	24.48	24.75	25.28	24.76	1.06	0.04
Other Asia	3.53	3.60	3.57	3.53	3.48	3.54	0.01	0.00
Latin America	4.94	5.11	5.11	5.13	5.17	5.13	0.19	0.04
Middle East	1.33	1.37	1.36	1.34	1.33	1.35	0.02	0.02
Africa	2.45	2.47	2.43	2.41	2.39	2.42	(0.02)	(0.01)
Total Developing Countries (DCs)	12.25	12.55	12.47	12.40	12.37	12.45	0.19	0.02
Former Soviet Union (FSU)	13.39	13.39	13.30	13.27	13.32	13.32	(0.07)	(0.01)
of which Russia	10.53	10.52	10.50	10.49	10.51	10.51	(0.02)	(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"	17.80	17.84	17.73	17.72	17.83	17.78	(0.02)	(0.00)
Total Non-OPEC Production	53.75	54.89	54.68	54.87	55.48	54.98	1.23	0.02
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01	0.00
Total Non-OPEC Supply	55.91	57.07	56.85	57.04	57.65	57.16	1.24	0.02

Source: OPEC Monthly Oil Market Report - September 2014

OPEC Oil Production & Spare Capacity

OPEC production increased by 3% during August-14, to stand at 31.03 Mn b/d, a jump of 0.89 Mn b/d compared to last month. This surge in oil output came mainly from a higher production by KSA, Iraq, Nigeria, Angola and Libya all together adding a total of 0.87 Mb b/d during the month, while slightly offset by the lower production in Iran and Venezuela.

During the month of August-14, OPEC was producing at 83.5% compared to a production rate of 82.4% a month earlier, while the largest OPEC oil producer Saudi Arabia was operating at 79.8% of its capacity along with Iraq at 84.7%. The total spare capacity by OPEC countries stood at around 6.13 Mn b/d, or around 16.5% of total capacity.

Production ('000 b/d)	August	July	Change		Capacity	Spare Capacity
Total OPEC-12	31,033	30,142	891	3.0%	37,160	6,127
KSA	9,980	9,820	160	1.6%	12,500	2,520
Iraq	3,090	3,000	90	3.0%	3,650	560
Kuwait	2,890	2,880	10	0.3%	3,250	360
U.A.E.	2,840	2,800	40	1.4%	2,900	60
Iran	2,800	2,830	-30	-1.1%	3,500	700
Venezuela	2,471	2,475	-4	-0.2%	3,000	529
Nigeria	2,300	1,920	380	19.8%	2,400	100
Angola	1,750	1,610	140	8.7%	1,870	120
Algeria	1,125	1,125	0	0.0%	1,200	75
Qatar	727	725	2	0.3%	780	53
Ecuador	560	557	3	0.5%	560	0
Libya	500	400	100	25.0%	1,550	1,050
Total OPEC-11	27,943	27,142	801	2.95%	33,510	5,567

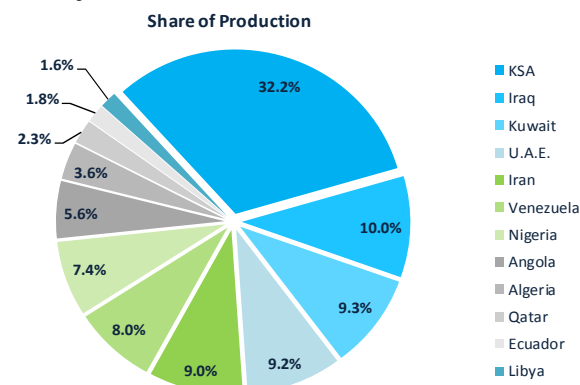
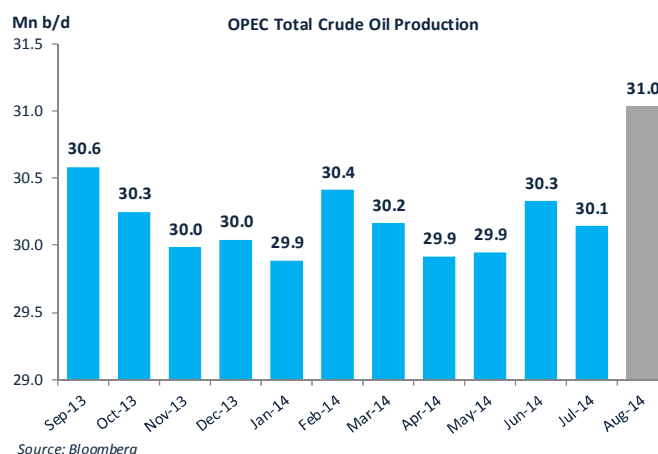
Source: Bloomberg

Total OPEC crude oil production averaged 31.03 Mn b/d in August-2014, representing an increase of 0.89 Mn b/d compared to the previous month. OPEC crude oil production, excluding Iraq, averaged 27.9 Mn b/d, higher by around 3% compared to last month's level.

However, on a year-to-date basis, OPEC crude oil average monthly production for YTD-Aug-14 saw a decline of 1.8% or around 546,000 b/d to average around 30.23 Mn b/d, compared with 30.77 Mn b/d for the last comparable period a year earlier.

Nigeria, Saudi Arabia and Angola have led the increase in crude oil production during the month adding a total of 680,000 b/d compared to last month; while on the other hand, crude oil production from Iran and Venezuela experienced a decline in August-14 for a total of 34,000 b/d, therefore had no major impact on the increased level of production.

Saudi Arabia share of production during August-14 stood at 32.2% to register a production of 9.98 Mn b/d as compared to 9.8 Mn b/d in July-14, followed by Iraq, Kuwait and UAE at 10% (or 3.01 Mn b/d), 9.3% (or 2.89 Mn b/d) and 9.2% (or 2.84 Mn b/d) respectively, while Iran's share of production dropped to 9.0% compared to last month's level of 9.4%, with a lower output by 30,000 b/d. The share of production by the GCC states represented 58.8% or 16.44 Mn b/d of total OPEC-11 which stood at 27.9 Mn b/d in August-14.



Source: OPEC Monthly Oil Market Report - September 2014

Oil Market News & Developments

Kuwait Energy keen to invest more in Iraq – CEO (Reuters)

The recent flare-up of violence in Iraq is past its worst and Kuwait Energy is keen to invest more in the country because of its potential, according to Chief Executive Sara Akbar.

Kuwait to boost oil exports to China to 500,000 bpd in three years (KUNA)

Kuwait plans to increase the volume of crude oil exports to China to 500,000 barrels a day (bpd) in three years, according to an executive at the state-run Kuwait Petroleum Corporation.

Iran negotiating to export natural gas to Dubai and Abu Dhabi (Trend)

Iran is currently negotiating to export natural gas to Dubai and Abu Dhabi. Ali Majedi, Iran's deputy oil minister for international affairs and trade, said "Of course the volume of gas requested by them is not as much as the volume of gas which is currently exported to Iraq and Turkey."

KNPC to invest USD35bn in oil and gas projects (Arab Times)

A new five-year development plan, or Kuwait Development Plan (KDP) for 2015-2020 was announced earlier in August with a focus on economic reform and the implementation of several long-stalled mega strategic projects, a senior government official said. The plan, which includes the establishment of joint Public Private Partnership (PPP) projects with capital exceeding KD 8bln, was debated and approved by the cabinet but, must still be approved by the parliament.

KSA oil exports hit SR657bn in 7 months (Arab News)

Saudi Arabia's oil exports reached 1.6 billion barrels in the first seven months of the current year (2014) with proceeds amounting to SR657 billion, local media said quoting an expert. Meanwhile, domestic consumption during the same period is expected to stand at nearly 475 million barrels, or 23 percent of the total output, Fahad bin Jumaa was quoted by Al-Riyadh daily.

Iran President promises rise in oil, gas output capacity (IRNA)

President Hassan Rouhani said that the country's oil and gas output capacity will be increased. President Rouhani said made the remarks in a press conference. In the field of energy, government has made lots of efforts to sell oil and gas liquids to the extent the country needed as you see we are under the sanctions.

Iran to export 20 mcm/d of gas to Oman (Iran Daily)

Oil Minister Bijan Namdar Zanganeh announced that Iran will soon start gas supplies to Oman as per the agreement reached between the two countries.

Iraqi Kurdistan oil shipments reach 8.8 mln barrels - Turkish minister (Reuters)

Iraqi Kurdistan has shipped 8.8 million barrels of oil from the Turkish port of Ceyhan since May, Turkish Energy Minister Taner Yildiz said, as the autonomous region employs new tactics to establish independent oil sales in defiance of Baghdad.

Work on Iraq's Karbala refinery to start in Sept-media (Zawya)

A South Korean joint venture led by Hyundai Engineering & Construction will begin work on Iraq's Karbala Refinery Project in September, a governorate official said in published remarks.

Europe willing to import gas from Iran (IRNA)

Talking to IRNA, Deputy Oil Minister for International Affairs Ali Majedi said Iran enjoys various export opportunities, adding the European countries could import Iran's gas through Turkey.

Indian oil imports from Iran rise nearly 46% (Iran Daily)

India increased its oil imports from Iran by 45.72 percent in January-July compared with the corresponding figure of last year, tanker arrival data from trade sources show.

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