

Oil Market Monthly Report

July-2014

In this Report...

Oil Prices	2
Oil Demand	3
Oil Supply	4
Reserve & Capacity ..	5
Oil News	6

Uplift in oil prices was seen across all oil basket values during June-2014, mainly due to renewed geopolitical tension in Iraq in addition to the ongoing conflicts in Libya and Ukraine that raised the concerns on disruption in exports mainly from the Middle East region, therefore increasing the geopolitical risk premium.

OPEC Reference Basket improved to an average of USD 107.9/b during June-13, the highest level since last sept-13 when the average price peaked at USD 108.7/b, to increase by 2.3% compared to last month's average of USD 105.4/b, and close the month at USD 108.59/b. On a quarterly basis, the OPEC Reference Basket added a total of USD 3.75/b in Q2-14, or 3.6%, therefore fully offsetting the drop seen in the first quarter of the year.

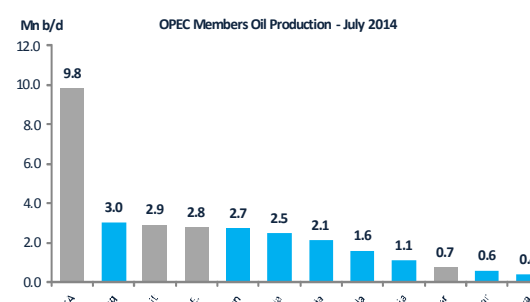
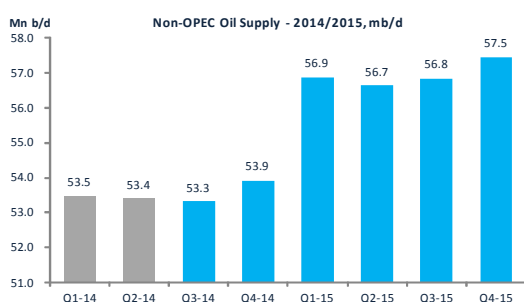
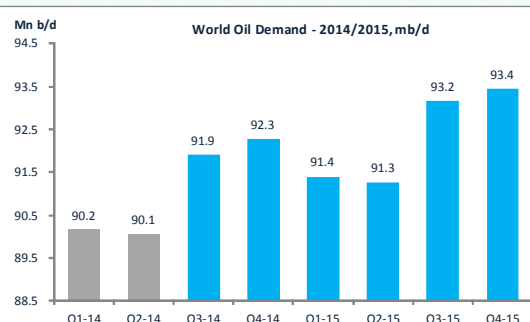
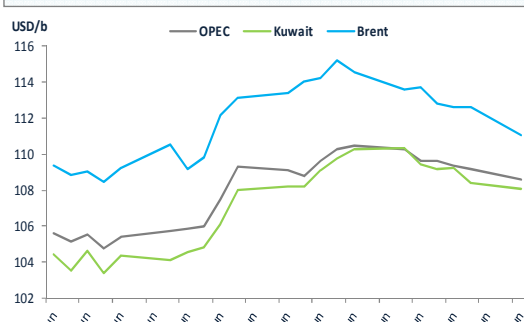
Total world oil demand growth for 2014 is estimated at 1.13 Mn b/d, or an increase of 1.25%, to stand at 91.13 Mn b/d compared to 90.01 Mn b/d for the year 2013. This growth is driven in part by OECD Americas higher oil demand, as well as India, Latin America, Middle East and China; while an estimated contraction in European oil demand in 2014 is expected to partially offset the increase in world consumption.

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 92.35 Mn b/d. The expected growth level in 2015 of 1.21 Mn b/d implies an increase of 0.08 Mn b/d from the growth forecasted for this year.

Total non-OPEC supply is estimated to have averaged 55.65 Mn b/d by the end of 2014, an increase of 1.47 Mn b/d or 0.03%. This growth is one of the highest supply growth as seen over the past 10 years due to higher oil supply from OECD Americas which is estimated to have increased their supplies by 1.27 Mn b/d during 2014, the highest recorded supply growth from this region.

OPEC production increased by 0.9% during June-14, to add around 278,000 b/d to the oil output led by Saudi Arabia, Nigeria and UAE all together adding around 530,000 b/d, therefore more than fully offsetting the production decline of 400,000 b/d from Iraq.

Saudi Arabia share of production during June-14 stood at 32.8%, followed by Iraq and Iran at 9.6% and 9.4%, respectively, while Kuwait and UAE had an equal share of 9.3%. The share of production by the GCC states represented 53.7% of total.



Source for the above charts : OPEC and Bloomberg

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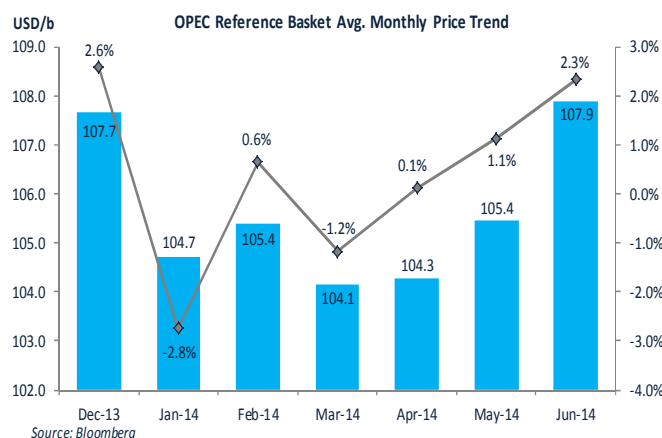
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Oil Prices

During June-14, uplift in oil prices was seen across all oil basket values mainly due to renewed geopolitical tension in Iraq in addition to the ongoing conflicts in Libya and Ukraine that raised the concerns on disruption in exports mainly from the Middle East region, therefore increasing the geopolitical risk premium.

On a monthly basis, OPEC Reference Basket improved to an average of USD 107.9/b during June-13, the highest level since last sept-13 when the average price peaked at USD 108.7/b, to increase by 2.3% compared to last month's average of USD 105.4/b, and close the month at USD 108.59/b. On a quarterly basis, the OPEC Reference Basket added a total of USD 3.75/b in Q2-14, or 3.6%, therefore fully offsetting the drop seen in the first quarter of the year.



On the other hand, Kuwait Blend Spot Price FOB averaged USD 107.1/b, up from an average of USD 105/b in May-2014, and closed the month at USD 108.5/b. Meanwhile, European Brent Blend Spot Price FOB averaged around USD 111.8/b, from an average of USD 109.5/b recorded during May-2014. On June 30, 2014, the basket price stood at USD 111.03/b.

According to OPEC Latest Monthly Oil Report, despite all the concerns crude oil markets were adequately supplied during the month of June-14. In fact, some markets were over supplied amid poor refining economics, which caused physical crude oil markets in many regions to weaken significantly. Physical crude markets were under pressure with the differentials of physical crudes to their respective benchmarks at their lowest in over a year in most markets. Moreover, these supply-related headlines and geopolitical tension in Iraq and Ukraine kept the speculators on the long side of the market, supporting a rise in prices.

OPEC & Selected Crude Oil Baskets, USD/b	May-14	Jun-14	% Chg.	2013	YTD-2014
OPEC Reference Basket	105.4	107.9	2.5	105.1	105.3
Arab Light	105.8	108.6	2.8	106.0	106.0
Basrah Light	103.2	105.8	2.6	102.8	103.2
Bonny Light	112.2	114.4	2.1	110.2	111.2
Es Sider	109.4	111.3	1.9	107.5	108.6
Girassol	110.2	111.2	1.0	108.2	109.4
Iran Heavy	105.4	107.5	2.1	104.3	105.2
Kuwait Export	104.2	106.6	2.4	104.1	104.2
Marine	105.4	107.9	2.4	104.3	105.1
Merey	96.1	98.7	2.7	96.7	95.0
Murban	108.4	110.7	2.4	107.0	108.5
Oriente	95.5	98.8	3.3	98.9	95.8
Saharan Blend	110.4	112.7	2.3	107.9	110.1
Other Crudes					
Brent	109.7	111.7	2.0	107.4	109.0
Dubai	105.6	108.0	2.5	104.4	105.3
Isthmus	102.6	106.5	3.9	107.4	101.0
LLS	104.3	108.2	4.0	109.1	105.0
Mars	99.8	103.5	3.7	104.1	100.8
Minas	107.2	112.1	4.9	108.1	110.5
Urals	107.8	109.4	1.6	106.7	107.4
WTI	102.0	105.2	3.2	94.2	100.9
Differentials					
Brent/WTI	7.6	6.4	(1.2)	13.2	8.1
Brent/LLS	5.4	3.4	(2.0)	(1.7)	4.0
Brent/Dubai	4.1	3.6	(0.5)	3.0	3.7

Source: OPEC Monthly Oil Market Report - July 2014

World Oil Demand

Total world oil demand growth for 2014 is estimated at 1.13 Mn b/d, or an increase of 1.25%, to stand at 91.13 Mn b/d compared to 90.01 Mn b/d for the year 2013. This growth is driven in part by OECD Americas (including US) higher oil demand of around 0.19 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 0.17 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 0.12 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 0.96 Mn b/d in oil consumption, or around 85% of the total expected increase in world oil demand for the year.

World Oil Demand - 2013/2014, mb/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 92.35 Mn b/d. The expected growth level in 2015 of 1.21 Mn b/d implies an increase of 0.08 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 1.18 Mn b/d in total demand while OECD nations are predicted to marginally rise for the first time since 2010, recording growth of 35 tb/d. The progress of economic development in major economies around the globe is the key risk factor affecting the world oil demand projection in 2015.

World Oil Demand - 2014/2015, mb/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 55.65 Mn b/d by the end of 2014, an increase of 1.47 Mn b/d or 0.03%. This growth is one of the highest supply growth as seen over the past 10 years due to higher oil supply from OECD Americas which is estimated to have increased their supplies by 1.27 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, these declines are expected to be at a slower pace as compared to 2013 due to the commencement of new projects as well as deployment of EOR techniques whereas production declined in the Middle East 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 23.4 Mn b/d during 2014, an increase of 1.26 Mn b/d on the back of re-evaluation of individual countries' supply profiles.

Non-OPEC Oil Supply - 2013/2014, mb/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 is expected to continue to expand in 2015 by 1.31 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 and Africa and Other Asia. Supply growth from OECD countries is expected to average at 1.13 Mn b/d during 2015, the largest from among the non-OPEC suppliers. The increase in oil supply during 2014 and 2015 is expected to be supported by a higher upstream capital expenditure, according to data from six major IOCs.

Non-OPEC Oil Supply - 2014/2015, mb/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 increased by 0.9% during June-14, to add around 278 tb/d to the oil output led by Saudi Arabia, Nigeria and UAE all together adding around 530 tb/d, therefore more than fully offsetting the production decline of 400 tb/d from Iraq.

During the month of June-14, OPEC was producing at 82.4%, while the largest OPEC oil producer was operating at 79.2% of its capacity along with Iraq at 79.5%. The total spare capacity by OPEC countries stood at around 6.44 Mn b/d, or around 17.6% of total production 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

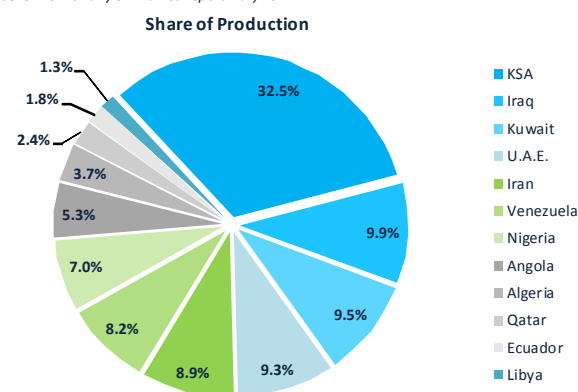
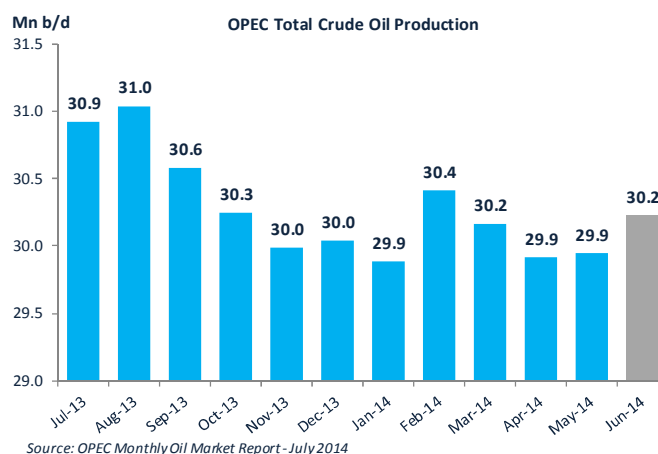
Source: Bloomberg

Total OPEC crude oil production averaged 30.2 Mn b/d in June-2014, representing an increase of 278,000 b/d compared with the previous month. OPEC crude oil production, excluding Iraq, averaged 27.4 Mn b/d, an increase of 678,000 b/d over the same period.

However, on a quarterly basis, OPEC crude oil production in Q2-2014 saw a decline of 127,000 b/d to average around 30.03 Mn b/d, compared to 30.15 Mn b/d in Q1-14.

Iraq, has led the decline in crude oil production by 400,000 b/d compared to last month, mainly due to the political situation in the country, while on the other hand, crude oil production from Saudi Arabia and Nigeria experienced an increase in June, together adding around 430,000 b/d, therefore offsetting the decline coming from Iraq.

Saudi Arabia share of production during June-14 stood at 32.8% to register a production of 9.9 Mn b/d as compared to 9.67 Mn b/d in May-14, followed by Iraq and Iran at 9.6% and 9.4%, respectively, while Kuwait and UAE had an equal share of 9.3% with a same size of production of 2.8 Mn b/d in June14 as compared to same size of production for Kuwait in May-14, while UAE registered 2.7 Mn b/d during May-14. The share of production by the GCC states represented 59.4% or 16.23 Mn b/d of total OPEC-11 which stood at 27.3 Mn b/d in June-14.



Source: OPEC Monthly Oil Market Report - July 2014

Oil Market News & Developments

Iraq says Oil Exports to surge as violence spares production (Source: Bloomberg)

Iraq's oil minister said the nation's crude exports will accelerate next month, adding to signs that violence in the country's north isn't affecting the oil-rich south. "Oil exports will witness a big increase, as recent events didn't reflect negatively on Iraq's crude output and exports,"

Iran's rising oil exports challenge Obama Nuclear Sanctions (Source: Bloomberg)

Iran's oil exports have risen this year, according to Bloomberg calculations, a trend that threatens to violate U.S. sanctions on the Islamic Republic's main source of revenue.

Scotland holds billions of barrels of Shale Oil (Source: Bloomberg)

Scotland may have billions of barrels of shale oil buried under its most densely populated areas, geologists said today. Scotland's central belt, running between Glasgow and Edinburgh, may have 6 billion barrels of oil in place, according to a report by the British Geological Survey.

World needs \$48 trillion in investment to meet its energy needs to 2035 (Source: International Energy Agency)

Meeting the world's growing need for energy will require more than \$48 trillion in investment over the period to 2035, according to a special report by the International Energy Agency (IEA) as part of the World Energy Outlook series. Today's annual investment in energy supply of \$1.6 trillion needs to rise steadily over the coming decades towards \$2 trillion.

OPEC oil output slips in June on Iraq (Source: Thomson Reuters)

OPEC's oil output has fallen in June from May's three-month high, as fighting in Iraq closed its largest oil refinery and technical problems slowed its southern exports. The slight decline underlines how unrest and outages in the Middle East and Africa are taking their toll on OPEC supply, just as the International Energy Agency is highlighting a greater need for OPEC oil in the rest of the year.

Shell, BAPET Co to Pump New Investments worth USD 402 mn in Egypt

Oil giant Shell and its joint venture partner Badr El Din Petroleum Company (BAPETCo) are planning upcoming investments worth US\$402 million in Egypt, said BAPETCo's chairman Emad Hamdy.

US shale oil production to reach 8.4m bpd by 2019 (Source: Gulf News)

The United States' shale oil production is expected to grow from its current capacity of 8.4 million barrels per day (bpd) to 9.6 million bpd by 2019, US Deputy Secretary of Energy, Daniel Poneman.

Saudi remains committed to supplying market with extra oil if needed (Source: Thomson Reuters)

Top oil exporter Saudi Arabia is committed to supplying the market with extra crude to meet any rise in demand or if there are disruptions in oil supplies. Saudi Arabia, which currently produces around 9.7 million barrels per day (bpd), has the ability to pump to its full capacity of 12.5 million bpd.

Three global companies win Kuwait's USD2.33bn oil-gathering deals (Source: Zawya)

Kuwait plans to officially award three oil gathering contracts worth USD 2.33 billion (KWD 662 million) to three global firms this week, according to a media report. South Korea's SK group won the oil gathering Project 30 deal worth USD 845 million (KWD 239.6 million), Dubai-based Dodsai bagged the Project 31 deal for USD 805 million (KWD 228.1 million) and US-based Petrofac won the Project 29 deal for USD 685 million (KWD 194.2 million).

U.S denies any agreement allowing Sri Lanka to import Iran crude via third parties (Source: Thomson Reuters)

The United States denied that it had any agreement with Sri Lanka to allow Colombo to import Iranian crude oil through third parties, avoiding Western sanctions aimed at curbing Iran's nuclear programme.

India sees no impact on fuel supplies from Iraq conflict (Source: Thomson Reuters)

India's domestic fuel supplies will not be affected by fallout from the ongoing conflict in Iraq although state-run refiners have been asked to draw up a contingency plan, the oil ministry said in a statement.

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