

Oil Market Monthly Report

December-2014

In this Report...

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

Oil prices continue to face growing surplus supply pressure in Nov-14 to drop for the fifth consecutive month in a row across all baskets, the longest losing streak since the financial crisis in 2008. The ongoing fall in oil prices reflects the bearish global crude oil market fundamentals as ample supply remains significantly higher than demand.

The International Energy Agency (IEA) Oil Market Report for December cut the outlook for 2015 global oil demand growth by 230 000 barrels per day (230 kb/d) to 0.9 million barrels per day (mb/d) on lower expectations for the Former Soviet Union and other oil-exporting countries. The monthly report indicated that a strong dollar and the lifting of subsidies have so far limited supportive price effects on demand, which is now seen reaching 93.3 mb/d next year, from 92.4 mb/d in 2014.

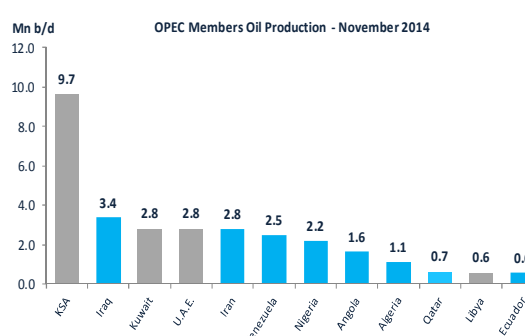
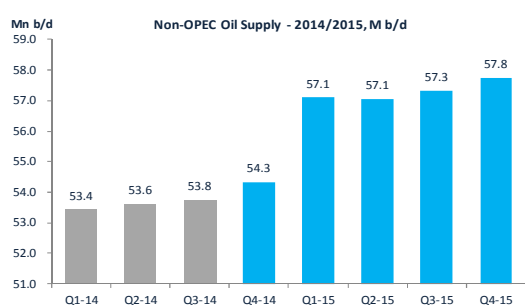
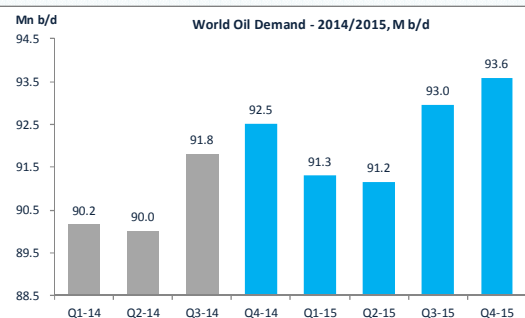
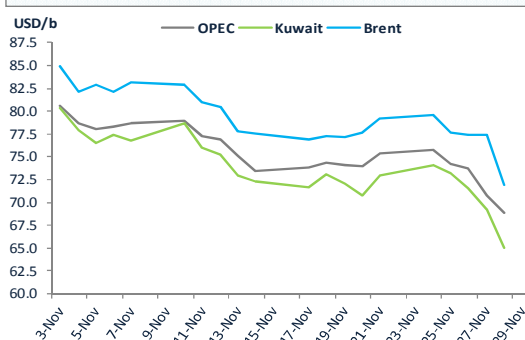
OPEC Reference Basket slumped to a four-year low this month to average around USD 75.57/b in November, the lowest level since July-2010, down by a hefty USD 9.5/b or around 11.2% below last month's price level when it reached an average of USD 85.06/b, and closed the month at a low of USD 68.69/b. Moreover, the basket saw further substantial drops during the early part of December by around 13.1% or USD 10/b, to reach a low of USD 62.33/b as of 9-Dec-2014 and average around USD 65.65/b.

Total world oil demand growth for 2014 has been revised lower by 0.12 mb/d from last month's forecast and is now estimated at 0.93 Mn b/d, or an increase of 1.04%, to stand at 91.13 Mn b/d compared to 90.20 Mn b/d for the year 2013. According to OPEC Monthly Report, oil demand growth in the OECD region has been trimmed down by 90 tb/d, to currently stand at 0.30 mb/d for 2014.

Total world oil demand for 2015 was revised down by 0.07 mb/d from last month's forecast, yet still estimated to expand at a higher rate than the previous year, growing by 1.12 Mn b/d from the 2014 level to average around 92.26 Mn b/d.

Non-OPEC oil supply growth is expected to continue in 2015 and to expand by 1.36 Mn b/d to average at 57.21 Mn b/d, representing an upward revision of 0.12 mb/d over the previous estimate. This growth is mainly supported by higher oil supply from OECD Americas, Latin America and China.

OPEC production declined by around 1.4% during Nov-14, to stand at 30.56 Mn b/d, lower by 424 thousand b/d compared to last month. This drop in oil output came mainly from a lower production by GCC oil producers as well as Libya and Angola all together amounting to a total of 0.570 Mb b/d during the month, while this decline was partially offset by the higher production in Iraq and Nigeria.



Source for the above charts : OPEC and Bloomberg

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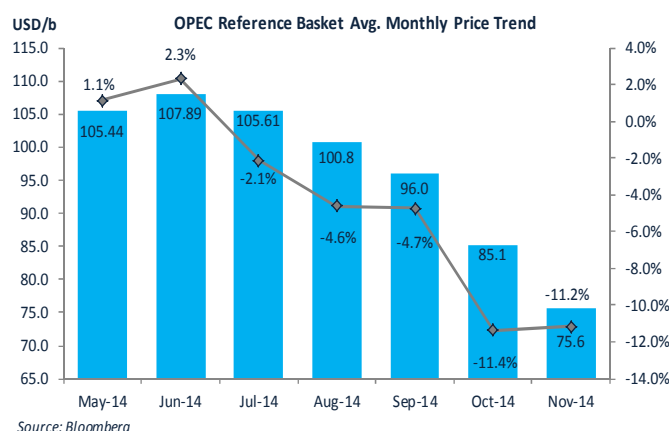
Oil Prices

Oil prices continue to face growing surplus supply pressure in Nov-14 to drop for the fifth consecutive month in a row across all baskets, the longest losing streak since the financial crisis in 2008. The ongoing fall in oil prices reflects the bearish global crude oil market fundamentals as ample supply remains significantly higher than demand.

OPEC Reference Basket slumped to a four-year low this month to average around USD 75.57/b in November, the lowest level since July-2010, down by a hefty USD 9.5/b or around 11.2% below last month's price level when it reached an average of USD 85.06/b, and closed the month at a low of USD 68.69/b. Subsequent to OPEC's conference on the 27th of Nov and the decision to maintain the

production level of 30 mb/d, OPEC basket prices drop by a total of USD 4.8/b, on the 27th and 28th Nov. Moreover, the basket saw further substantial drops during the early part of December by around 13.1% or USD 10/b, to reach a low of USD 62.33/b as of 9-Dec-2014 and average around USD 65.65/b, a level last seen since mid-2009. The Basket's accumulated loss since it peaked in June-14 up till 9-Dec-2014 reached around USD 42.24/b, reflecting the ongoing supply pressure on all crude oil prices. Likewise, on a YTD basis, OPEC Reference Basket's average value was 5.8% lower compared with the same period one year earlier, standing at an average of USD 99.56/b compare to an average of USD 105.72/b a year ago.

On the other hand, Kuwait Blend Spot Price FOB averaged USD 73.9/b, down from an average of USD 84.6/b in Oct-2014 or by around 12.6%, and closed the month at a low of USD 65.07/b that is a drop of around 19.8% compared to October closing price of USD 81.1/b; moreover, prices continued the downward movement to drop by around 12% during the first few days of December to reach USD 62.1/b as of 10-Dec-14. Meanwhile, European Brent Spot Price FOB averaged around USD 78.9/b, down from an average of USD 87.4/b recorded during Oct-2014. The basket closed the month at USD 71.89/b, lower by 14.6% compared to last month closing price of USD 84.17/b.



Average Crude Oil Prices, USD/b	Oct-14	Nov-14	% Chg.	2013	YTD-2014
OPEC Reference Basket	85.1	75.6	(9.5)	105.7	99.6
Arab Light	85.9	76.1	(9.9)	106.4	100.5
Basrah Light	83.6	73.9	(9.6)	103.5	97.7
Bonny Light	88.5	80.1	(8.4)	111.2	104.2
Es Sider	86.3	78.9	(7.4)	108.4	101.8
Girassol	86.8	78.7	(8.1)	109.0	102.5
Iran Heavy	84.6	74.5	(10.2)	105.5	99.5
Kuwait Export	84.0	74.0	(10.0)	104.9	98.6
Marine	86.1	75.4	(10.7)	105.1	99.7
Merey	76.2	68.4	(7.8)	96.7	90.1
Murban	89.1	77.9	(11.3)	108.0	102.8
Oriente	76.8	69.5	(7.3)	97.8	90.3
Saharan Blend	87.6	79.6	(8.0)	109.1	103.0
Other Crudes					
Brent	87.4	78.9	(8.5)	108.4	102.3
Dubai	86.7	76.3	(10.4)	105.3	100.0
Isthmus	85.4	79.0	(6.4)	105.7	96.7
LLS	87.6	79.6	(8.0)	107.7	100.1
Mars	83.6	75.8	(7.8)	102.6	96.1
Minas	84.5	75.9	(8.5)	107.5	102.1
Urals	86.6	78.9	(7.7)	107.8	101.3
WTI	84.4	76.0	(8.4)	98.0	96.3
Differentials					
Brent/WTI	3.0	2.9	(0.1)	10.5	6.1
Brent/LLS	(0.2)	(0.7)	(0.6)	0.7	2.2
Brent/Dubai	0.7	2.6	1.9	3.2	2.4

Source: OPEC Monthly Oil Market Report - December 2014

World Oil Demand

Total world oil demand growth for 2014 has been revised lower by 0.12 mb/d from last month's forecast and is now estimated at 0.93 Mn b/d, or an increase of 1.04%, to stand at 91.13 Mn b/d compared to 90.20 Mn b/d for the year 2013. According to OPEC Monthly Report, oil demand growth in the OECD region has been trimmed down by 90 tb/d, to currently stand at 0.30 mb/d for 2014. Moreover, the estimated non-OECD oil demand also experienced a downward revision, by 30 tb/d, in big part due to less than-expected oil consumption in Other Asia and the Middle East.

On the other hand, European oil demand is estimated to show a contraction of around 0.21 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 0.16 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 0.94 Mn b/d in oil consumption, or equivalent to 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	24.08	23.87	23.76	24.41	24.55	24.15	0.07	0.30
of which US	19.27	19.16	19.02	19.52	19.67	19.34	0.08	0.40
Europe	13.61	13.01	13.46	13.72	13.39	13.39	(0.21)	(1.56)
Asia Pacific	8.32	8.85	7.65	7.74	8.40	8.16	(0.16)	(1.91)
Total OECD	46.01	45.73	44.87	45.88	46.34	45.71	(0.30)	(0.65)
Other Asia	11.06	11.08	11.37	11.34	11.35	11.28	0.23	2.04
of which India	3.70	3.85	3.80	3.63	3.86	3.78	0.09	2.32
Latin America	6.50	6.42	6.69	6.98	6.78	6.72	0.22	3.45
Middle East	7.81	8.07	7.93	8.42	7.93	8.09	0.28	3.53
Africa	3.63	3.75	3.75	3.61	3.76	3.72	0.09	2.47
Total Developing Countries (DCs)	29.00	29.31	29.74	30.35	29.82	29.81	0.81	2.81
Former Soviet Union (FSU)	4.49	4.39	4.24	4.63	4.93	4.55	0.06	1.25
Other Europe	0.64	0.64	0.60	0.64	0.72	0.65	0.01	1.85
China	10.07	10.08	10.56	10.31	10.72	10.42	0.35	3.49
Total "Other Regions"	15.20	15.11	15.39	15.58	16.36	15.62	0.42	2.76
Total World	90.20	90.16	90.01	91.81	92.52	91.13	0.93	1.04

Source: OPEC Monthly Oil Market Report - December 2014

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Total world oil demand for 2015 was revised down by 0.07 mb/d from last month's forecast yet still estimated to expand at a higher rate than the previous year, growing by 1.12 Mn b/d from the 2014 level to average around 92.26 Mn b/d. The downward adjustments took place in OECD Europe, Asia-Pacific, as well as Latin American, according to the latest OPEC report. On the other hand, OPEC data shows that non-OECD countries are expected to lead oil demand growth with 1.18 Mn b/d in total demand while OECD nations are predicted to show a marginal drop of 6 tb/d.

World Oil Demand - 2014/2015, M b/d	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015	Y-o-Y Growth	% Chg.
Americas	24.15	24.03	23.90	24.59	24.71	24.31	0.16	0.64
of which US	19.34	19.29	19.12	19.66	19.80	19.47	0.13	0.65
Europe	13.39	12.92	13.38	13.61	13.29	13.30	(0.10)	(0.71)
Asia Pacific	8.16	8.76	7.57	7.61	8.22	8.04	(0.12)	(1.51)
Total OECD	45.71	45.71	44.85	45.80	46.21	45.64	(0.06)	(0.14)
Other Asia	11.28	11.30	11.61	11.59	11.56	11.52	0.23	2.06
of which India	3.78	3.94	3.89	3.73	3.96	3.88	0.10	2.51
Latin America	6.72	6.61	6.89	7.18	7.02	6.93	0.21	3.05
Middle East	8.09	8.36	8.20	8.73	8.22	8.38	0.30	3.65
Africa	3.72	3.84	3.84	3.70	3.85	3.81	0.09	2.42
Total Developing Countries (DCs)	29.81	30.12	30.54	31.20	30.65	30.63	0.82	2.76
Former Soviet Union (FSU)	4.55	4.44	4.28	4.68	4.98	4.60	0.05	1.10
Other Europe	0.65	0.65	0.60	0.65	0.72	0.66	0.01	1.08
China	10.42	10.39	10.87	10.63	11.01	10.73	0.31	2.95
Total "Other Regions"	15.62	15.47	15.76	15.96	16.71	15.98	0.36	2.33
Total World	91.13	91.30	91.15	92.96	93.58	92.26	1.12	1.23

Source: OPEC Monthly Oil Market Report - December 2014

World Oil Supply

Total non-OPEC supply has been revised up by 40 tb/d compared to last month's forecast and is now estimated to have averaged 55.95 Mn b/d by the end of 2014, an increase of 1.72 Mn b/d or 3.17%. This growth is mainly attributable to higher oil supply from OECD Americas which is estimated to have increased their supplies by 1.54 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, Europe and Middle East 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 political risk.

Total OECD supply is expected to see one of the highest supply growth since 2003 to an estimated average of 23.72 Mn b/d during 2014, an increase of 1.54 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	18.13	19.12	19.66	19.82	20.05	19.67	1.54	8.49
of which US	11.22	11.96	12.69	12.91	13.10	12.67	1.45	12.92
Europe	3.58	3.75	3.51	3.39	3.58	3.56	(0.02)	(0.56)
Asia Pacific	0.48	0.50	0.50	0.51	0.51	0.50	0.02	4.17
Total OECD	22.19	23.36	23.67	23.72	24.14	23.72	1.54	6.89
Other Asia	3.59	3.55	3.52	3.46	3.49	3.51	(0.09)	(2.23)
Latin America	4.78	4.86	4.92	5.10	5.14	5.01	0.23	4.81
Middle East	1.36	1.34	1.33	1.35	1.35	1.34	(0.02)	(1.47)
Africa	2.40	2.44	2.41	2.40	2.38	2.41	0.01	0.42
Total Developing Countries (DCs)	12.13	12.20	12.18	12.31	12.36	12.26	0.13	1.07
Former Soviet Union (FSU)	13.41	13.48	13.36	13.38	13.43	13.41	0.01	0.00
of which Russia	10.51	10.59	10.55	10.52	10.58	10.56	0.05	0.48
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00	0.00
China	4.24	4.24	4.27	4.20	4.27	4.24	0.01	0.00
Total "Other regions"	17.78	17.86	17.76	17.72	17.84	17.80	0.01	0.11
Total Non-OPEC Production	52.10	53.43	53.61	53.75	54.34	53.78	1.68	3.22
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	55.78	55.91	56.50	55.95	1.72	3.17
OPEC NGLs and non-conventionals	5.65	5.73	5.79	5.86	5.93	5.83	0.18	3.19
OPEC Crude Oil Production	30.20	29.84	29.77	30.23	-	-	-	-
Total World Supply	90.08	91.16	91.34	92.00	-	-	-	-

Source: OPEC Monthly Oil Market Report - December 2014

Non-OPEC oil supply growth is expected to continue in 2015 and to expand by 1.36 Mn b/d to average at 57.21 Mn b/d, representing an upward revision of 0.12 mb/d over the previous estimate. This growth is mainly supported by higher oil supply from OECD Americas, Latin America and China, yet partly offset by expected decline in supply from FSU and Africa. Supply growth from OECD countries is expected to average at 1.23 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	19.67	20.29	20.65	21.11	21.38	20.86	1.20	0.06
of which US	12.67	13.20	13.65	13.95	14.06	13.72	1.05	0.08
Europe	3.56	3.68	3.53	3.42	3.64	3.57	0.01	0.00
Asia Pacific	0.50	0.53	0.54	0.53	0.50	0.53	0.02	0.04
Total OECD	23.72	24.50	24.72	25.07	25.52	24.96	1.23	0.05
Other Asia	3.51	3.59	3.55	3.51	3.46	3.53	0.02	0.01
Latin America	5.01	5.18	5.12	5.14	5.07	5.13	0.12	0.02
Middle East	1.34	1.37	1.36	1.34	1.33	1.35	0.01	0.01
Africa	2.41	2.44	2.40	2.38	2.35	2.39	(0.02)	(0.01)
Total Developing Countries (DCs)	12.26	12.58	12.42	12.37	12.22	12.40	0.13	0.01
Former Soviet Union (FSU)	13.41	13.41	13.32	13.29	13.34	13.34	(0.08)	(0.01)
of which Russia	10.56	10.56	10.54	10.53	10.55	10.54	(0.02)	(0.00)
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00	0.00
China	4.24	4.29	4.27	4.29	4.35	4.30	0.06	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	53.78	54.92	54.87	55.16	55.58	55.13	1.35	0.03
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01	0.00
Total Non-OPEC Supply	55.95	57.10	57.05	57.33	57.75	57.31	1.36	0.02

Source: OPEC Monthly Oil Market Report - December 2014

OPEC Oil Production & Spare Capacity

OPEC production declined by around 1.4% during Nov-14, to stand at 30.56 Mn b/d, lower by 424 thousand b/d compared to last month. This drop in oil output came mainly from a lower production by GCC oil producers as well as Libya and Angola all together amounting to a total of 0.570 Mb b/d during the month, while this decline was partially offset by the higher production in Iraq and Nigeria. OPEC crude oil production, excluding Iraq, averaged 27.2 Mn b/d; lower by around 1.71% compared to last month's level.

During the month of Nov-14, OPEC was producing at 82%, lower than last month's production rate of 83.1%, while the largest OPEC oil producer Saudi Arabia was operating at 77.2% of its capacity along with Iraq at 91.8%. The total spare capacity by OPEC countries stood at around 6.7 Mn b/d, or around 18% of total capacity.

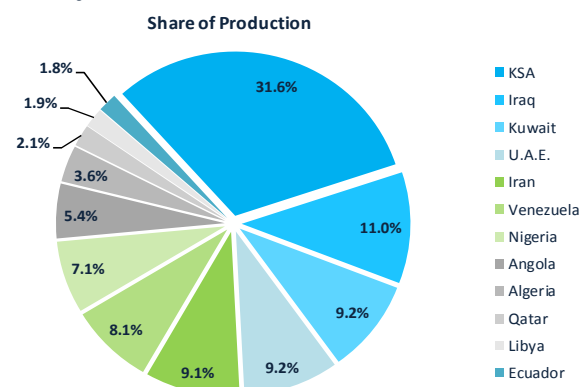
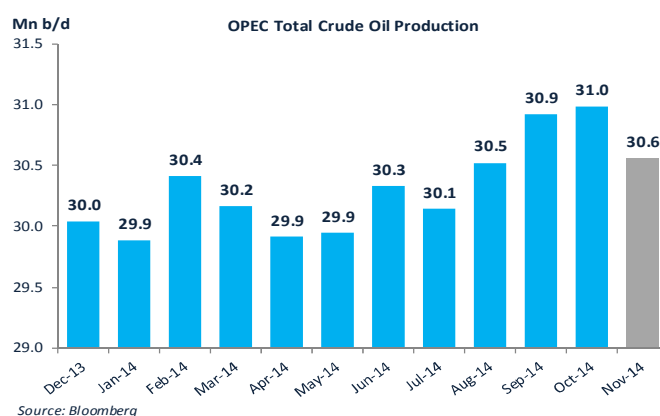
Production ('000 b/d)	November	October	Change		Capacity	Spare Capacity
Total OPEC-12	30,560	30,984	-424	-1.4%	37,255	6,695
KSA	9,650	9,750	-100	-1.0%	12,500	2,850
Iraq	3,350	3,300	50	1.5%	3,650	300
Kuwait	2,800	2,850	-50	-1.8%	3,250	450
U.A.E.	2,800	2,850	-50	-1.8%	3,000	200
Iran	2,780	2,780	0	0.0%	3,500	720
Venezuela	2,470	2,469	1	0.0%	3,000	530
Nigeria	2,180	2,090	90	4.3%	2,400	220
Angola	1,640	1,700	-60	-3.5%	1,870	230
Algeria	1,100	1,100	0	0.0%	1,200	100
Qatar	650	690	-40	-5.8%	780	130
Libya	580	850	-270	-31.8%	1550	970
Ecuador	560	555	5	0.9%	555	-5
Total OPEC-11	27,210	27,684	-474	-1.71%	33,605	6,395

Source: Bloomberg

Nevertheless, on a year-to-date basis, OPEC crude oil average monthly production for YTD-Nov-14 saw a decline of 1.0 % or around 294,000 b/d to average around 30.34 Mn b/d, compared with 30.64 Mn b/d for the last comparable period a year earlier.

Saudi Arabia and Libya have led the decline in crude oil production during the month by a total of 370,000 b/d compared to last month; while on the other hand, crude oil production from Iraq and Nigeria experienced an increase during Nov-14 for a total of 140,000 b/d, therefore partially offsetting the overall monthly decline in production.

Saudi Arabia share of production during Nov-14 stood at 31.6% to register a production of 9.65 Mn b/d as compared to 9.75 Mn b/d in Oct-14, followed by Iraq at 11% (or 3.35 Mn b/d), while Kuwait and UAE's production represented an equal 9.2% (or 2.8 Mn b/d); on the other hand, Iran's share of production dropped to 9.1% compared to last month's level of 10%, yet with the same production rate as last month. The share of production by the GCC states represented 58.4% or 15.9 Mn b/d of total OPEC-11 which stood at 27.2 Mn b/d in Nov-14.



Source: OPEC Monthly Oil Market Report - December 2014

Oil Market News & Developments

Saudi Arabia adds to oil power with new refineries (Reuters)

Saudi Arabia's tighter grip on the oil market from the desert derrick to the petrol pump, thanks to two new refineries, is redefining its role as a crude exporter and OPEC kingpin. The two state-of-the-art plants will give it 800,000 barrels per day in refining capacity online in 2015, part of an ambitious downstream drive which will see its refining capacity rise to 8 million bpd in a decade.

Kuwait to raise crude oil exports to Egypt, could send diesel (Reuters)

Kuwait plans to raise its crude oil exports to Egypt to up to 100,000 barrels per day from 65,000 bpd now and is ready to supply it with refined fuel too if needed, a Kuwaiti oil official said on Tuesday.

Planned oil shale project to produce up to 40,000 barrels per day (The Jordan Times)

The government of Jordan will sign a memorandum of understanding within a week for the production of up to 40,000 barrels per day of oil from oil shale, according to Energy Minister Mohammad Hamed.

Private sector invests in building refinery complex in Bushehr (IRNA)

Managing Director of Biran Arya Refinery Complex Esfandiar Zar Ali says construction of a refinery complex in north of Bushehr Province with a fund of 20 thousand billion rials will be launched this year.

UAE to increase oil production to 3.5m barrels per day (Gulf News)

The UAE pledged to increase oil production to 3.5 million barrels per day to meet energy demand by 2017 as Abu Dhabi International Petroleum Exhibition and Conference (Adipec) got under way in Abu Dhabi.

OPEC sees lower 2015 demand for its oil, Saudi output still high (Reuters)

Global demand for oil from OPEC next year will be far below its current output level because of the U.S. shale boom, as its top producer, Saudi Arabia, kept silent on whether it will cut output to remove surplus oil from the market.

Saudi Arabia to double natural gas output by 2030, no exports planned (Reuters)

Saudi Arabia, the world's top oil exporter, will double its natural gas output by 2030 but plans to keep all of it at home to fuel domestic growth, according to the country's oil minister.

Kuwait to spend \$40 bln to boost oil output to 4 mln bpd by 2020 (Al Arabiya News)

Kuwait plans to invest around \$40 billion to boost its oil production capacity to 4 million barrels per day (bpd) by 2020, an executive from Kuwait's state oil company (KOC) reported.

Qatar QIA says change in oil prices won't affect investment (Reuters)

Changing oil prices will not affect investments by the Qatar Investment Authority (QIA), the sovereign wealth fund's chief executive said.

Kuwait's KNPC to invest \$40 bln to 2022 (Reuters)

Kuwait National Petroleum Co (KNPC) plans to spend \$40 billion in the period to 2022 on projects including a new refinery and a clean fuels project, according to its chief executive.

Saudi's Naimi says oil market will stabilize eventually (Reuters)

Saudi Arabian Oil Minister Ali al-Naimi told reporters that he believed the oil market "will stabilize itself eventually".

Egypt expects 25 pct savings on fuel subsidies due to cheaper oil (Reuters)

Egypt expects to spend 25 percent less than budgeted for on fuel subsidies this fiscal year due to a fall in crude oil prices, a top oil ministry official said, offering help to the government's efforts to slash its deficit.

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