ARABIA MONITOR ENERGY

January & February 2021

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HIGHLIGHTS

- **Saudi Aramco** to unexpectedly leave Asia-bound OSPs unchanged for March, despite higher prices reaching a 10-month high of US$ 59/bbl following its 1 Mb/d voluntary cut to balance the market amid calls for production ramp-up by Russia and other countries.

- **Iraq's SOMO** to cut oil supply contracts for Indian customers by 10-20% in line with its commitment to OPEC+ deal, after it introduced its new Basra Medium grade. Federal oil revenues reached a 10-month high of US$ 4.739 B, despite falling exports, as oil prices soared.

- **ADNOC** awarded promising offshore Block 4 to Japanese Cosmo in 2nd licensing round. Cosmo E&P Albahriya paid US$ 145 M as a participation fee for the block, covering 4,865 km² northwest of Abu Dhabi. Cosmo's contribution will be both financial and technical, including acquiring 3D seismic data, which will further determine the block's prospects.

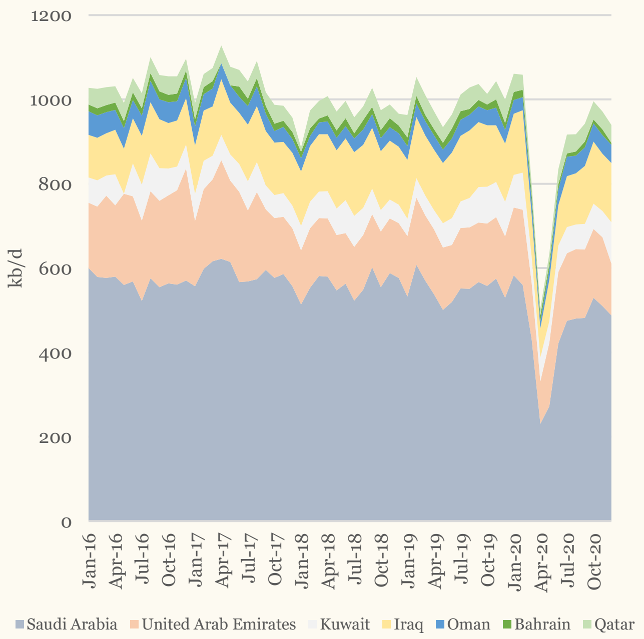
- **Qatar Petroleum** awarded the NFE expansion project to Japanese Chiyoda and TechnipFMC JV. The contract was awarded for the North Field East onshore facilities, comprising two additional LNG trains, 8 Mt/y capacity each and a CO_2 carbon capture and sequestration facility. The expansion will cost US$ 28.75 B – likely the biggest project sanctioned across the global upstream business in 2021.

- **Iran** hopes its oil production will reach pre-sanctions levels in a month or two. Building on hopes of a relaxed US-Iran foreign policy, Iran is ramping up production and looking ahead towards a full return to the global oil markets. Technically, output could increase from the current 2.1 Mb/d to a pre-sanctions level of 3.8 Mb/d within months. However this remains dependent on a speedy easing of sanctions.

CORONAVIRUS (COVID-19) UPDATE SCORECARD

IMPACT OF COVID-19 ON DEMAND & TRANSPORT
(Qamar Energy Analysis, based on lockdown restrictions lifted in May/June)

MOTOR & AVIATION GASOLINE



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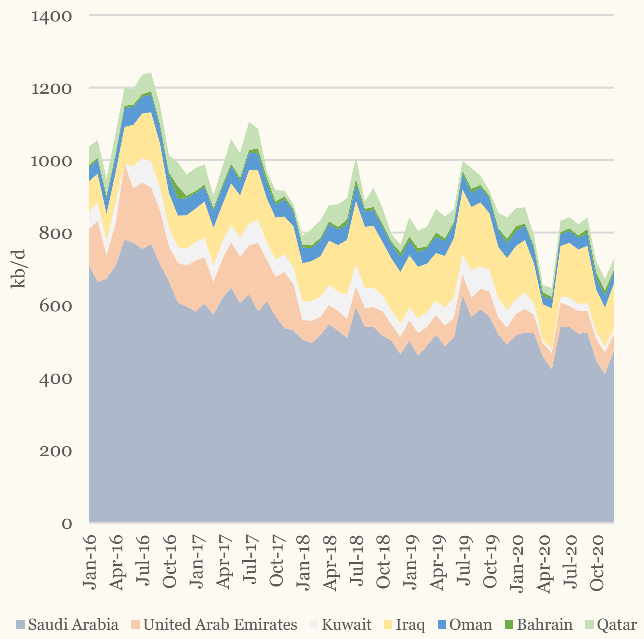
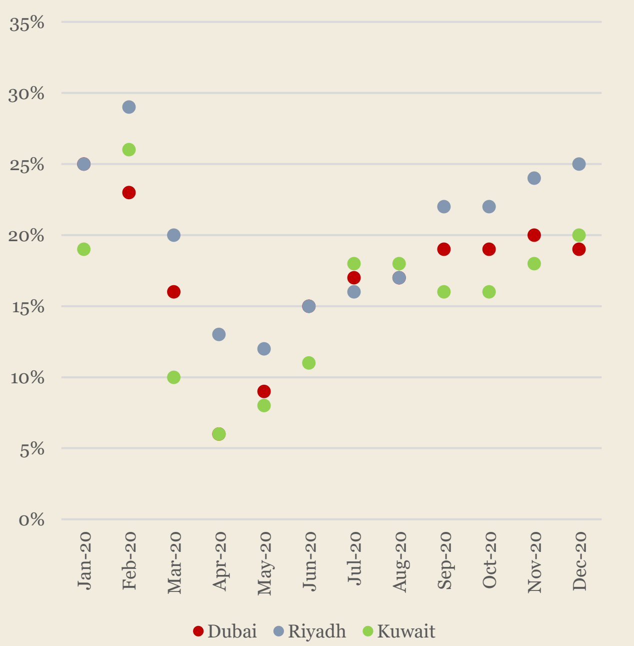
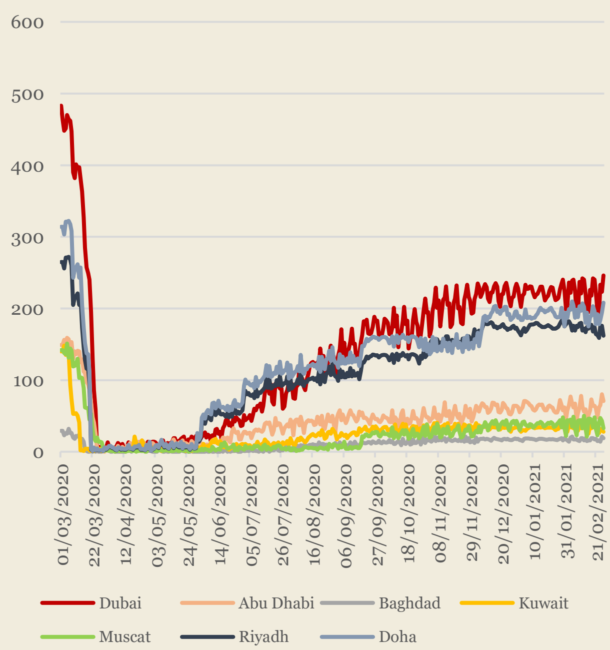


2020 TRAFFIC CONGESTION LEVELS



DAILY FLIGHTS



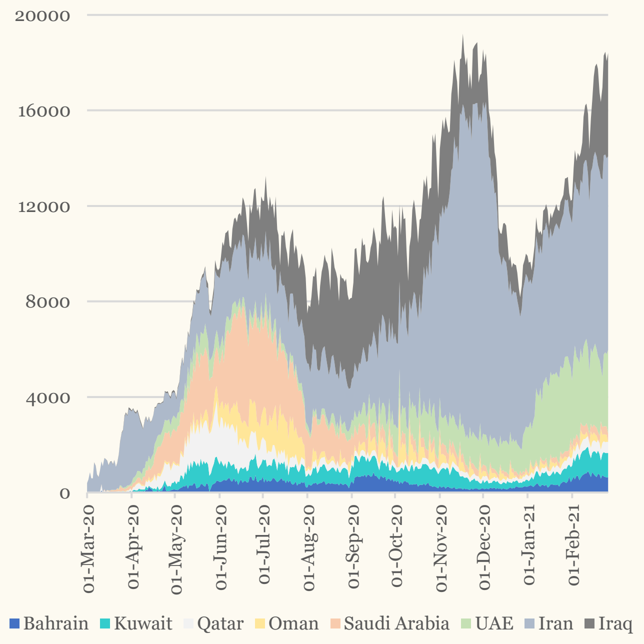
[1]

[1] Flight statistics for Doha between March and October 2020 are estimated on % change between flight stats for other tracked cities.

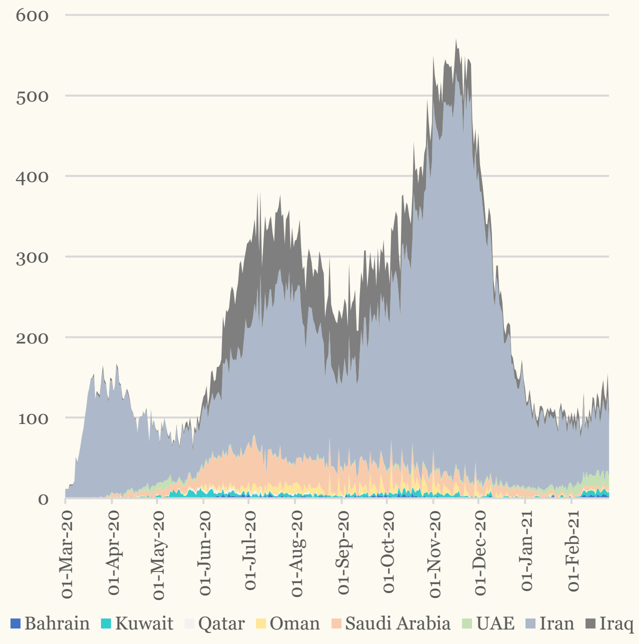
CORONAVIRUS (COVID-19) UPDATE SCORECARD

DAILY REPORTED CASES & DEATHS IN MENA[2]
(World Health Organisation Statistics)

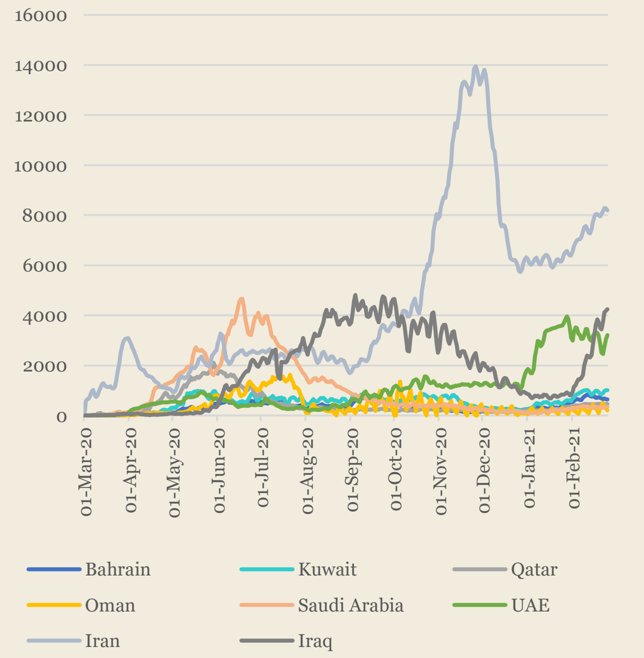
DAILY CASES



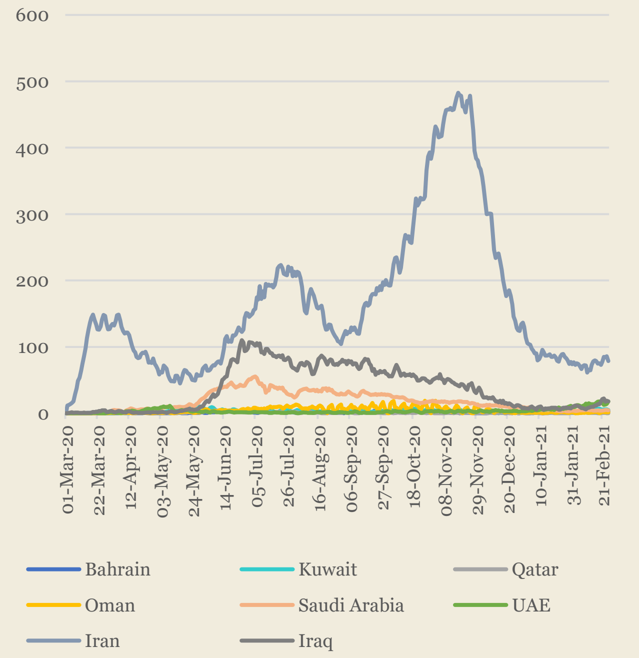
DAILY DEATHS



3-point Moving Average, Cases



3-point Moving Average, Deaths

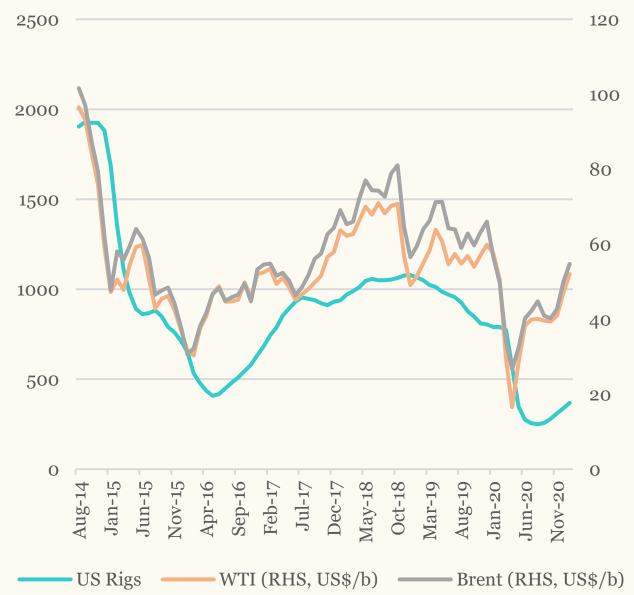


[2] Although lockdowns have been eased in almost all major Middle East countries, a second wave of infections has hit all major economies. The UAE has reached its highest rate of daily cases, while daily deaths are on the rise in Iran and Iraq.

CORONAVIRUS (COVID-19) UPDATE SCORECARD

US RIGS REACH THEIR HIGHEST LEVEL IN 9 MONTHS ON THE BACK OF IMPROVED PRICES

US RIGS VS OIL PRICE



US oil rigs have begun recording a modest incline in recent weeks, increasing by 30 in January to reach a 9-month high of 369.

Brent futures for January have increased 10% from December's prices of US$ 50/b while WTI closed at US$ 52/b for January futures, recording strong growth for 3-months running.

Both WTI and Brent have strengthened in recent weeks even as tanker rates remain tepid, due to positive momentum from news of vaccine rollouts and the success of the OPEC+ cuts so far.

Some companies have begun turning their wells back on, including Texas producers who had to temporarily shut-in facilities, due to the unprecedented impact of a particularly cold winter spell.

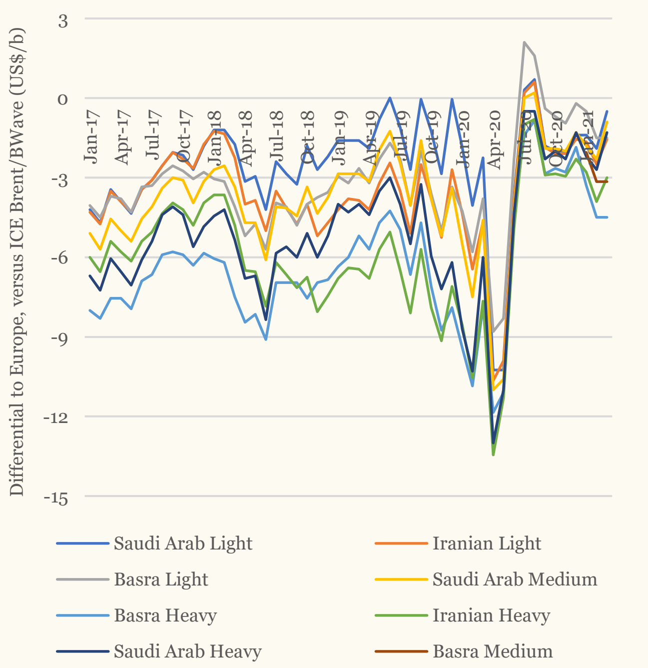
Most wells should return to production with modest expenditure but sudden uncertainty in prices due to renewed lockdowns will put a question mark over new US supplies.

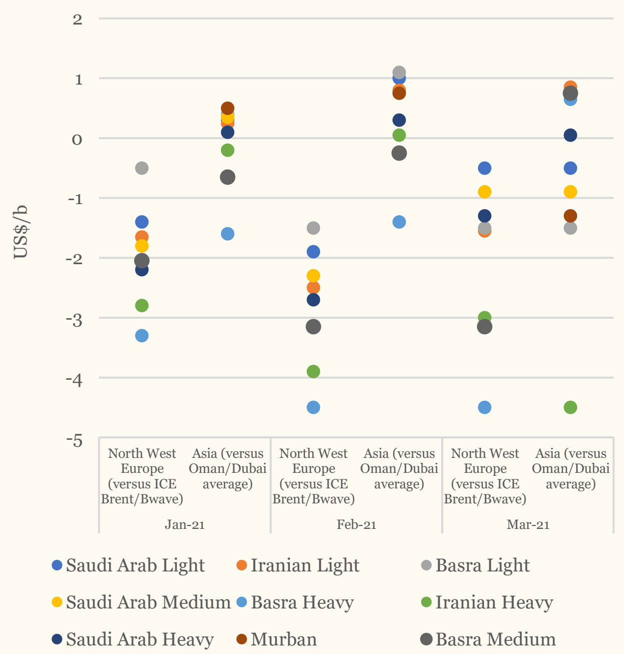
Further upside in prices will be modest due to higher oil stocks and constraints around US supply, and an uncertain demand outlook.

US crude output improved marginally in January by 44 kb/d from December due to slower production during a particularly cold winter spell in major producing areas.

Expenditures in 2021 shall not decline by as much as in 2020. The index for CAPEX for E&P firms has increased from -16.4 in Q3 to 18.5 in Q4, indicating less-severe reduction in capital spending[3].

MENA OSPs HIGHLIGHT UNCERTAIN LIGHT DISTILLATES' DEMAND



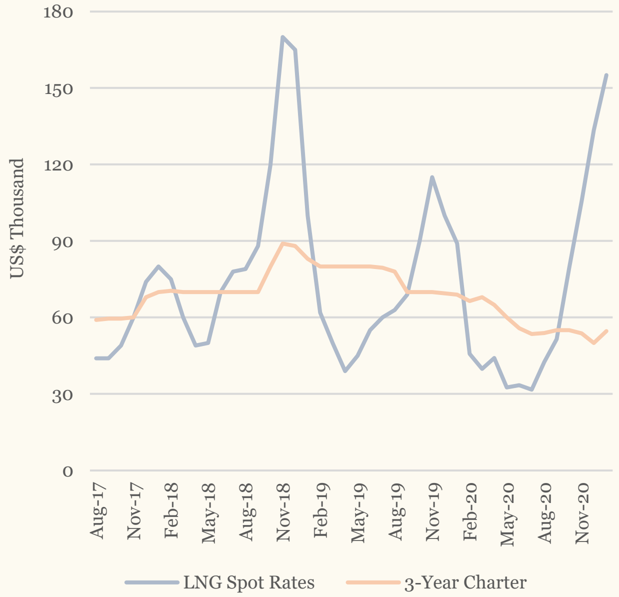


[3] Federal Reserve Bank of Dallas Energy Survey

VLCC & LNG TANKER PRICES: SPOT VS 3-YEAR CHARTER[4]

LNG FREIGHT SPOT RATES SHOWED THE FIRST NOTICEABLE INCREASE SO FAR THIS YEAR

LNG TANKER RATES



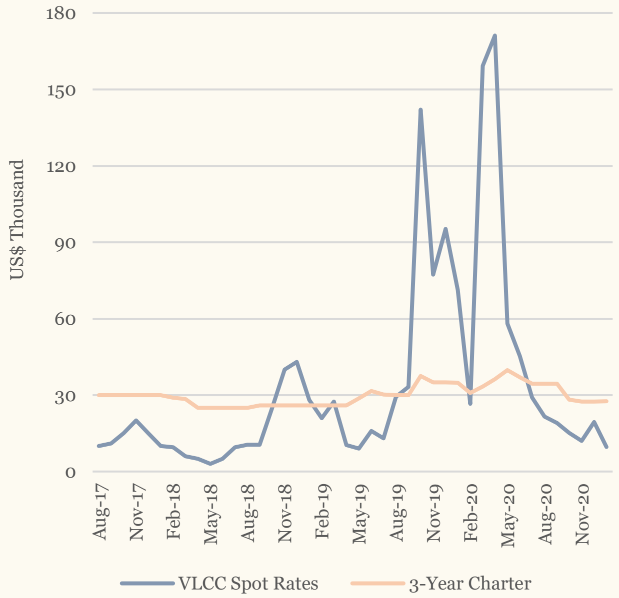
LNG Rates, US$	Spot Rates	1-Year Charter	3-Year Charter
January 2021	155,100	49,400	54,600
December 2020	133,500	43,750	50,000
Monthly Change %	16.2%	12.9%	9.2%
2021 Average	155,100	49,400	54,600
2020 Average	59,527	55,323	58,765
2019 Average	69,498	80,674	76,446

LNG freight spot rates in January witnessed a strong spike due to the colder-than-expected winter in key North Asian markets.

Ongoing slow transit through the Panama Canal are tying up vessels for longer, further limiting availability and pushing spot rates higher.

VLCC TANKER RATES CONTINUE FALLING DUE TO EXCESS TONNAGE AND WEAK DEMAND

VLCC TANKER RATES



VLCC Rates, US$	Spot Rates	1-Year Charter	3-Year Charter
January 2021	9,674	24,325	27,625
December 2020	19,465	25,000	27,500
Monthly Change %	-50.3%	-2.7%	0.5%
2021 Average	9,674	24,325	27,625
2020 Average	53,995	39,607	33,220
2019 Average	41,827	36,388	30,094

VLCC tanker rates continued falling in January, as weak oil demand, OPEC+ cuts, and excess tanker tonnage pushed rates lower.

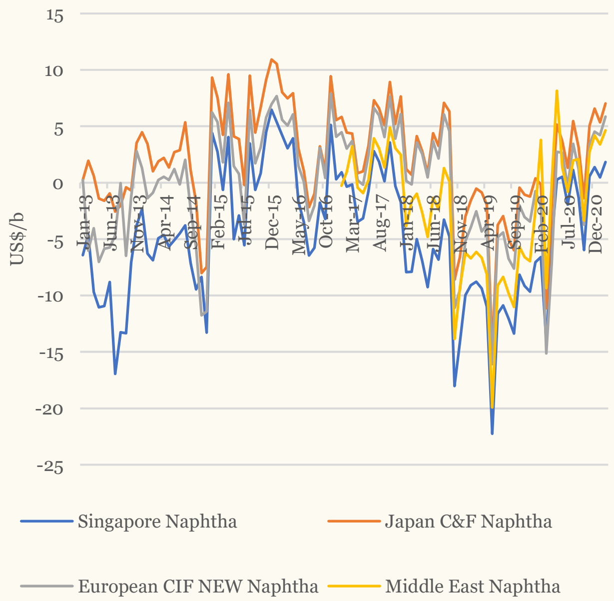
Unwinding of floating storage has added to inventories at demand centres, reducing demand for tankers as tonnage is released.

[4] MISC Monthly

GASOLINE & NAPHTHA CRACK SPREADS TO BRENT

NAPHTHA MARKET CONTINUES CLIMBING ON CONSISTEND DEMAND

Naphtha Crack Spread to Brent



Asian naphtha markets continue climbing on consistent petrochemicals demand and expectations for tighter supplies in the coming months

Demand and supply dynamics are still relatively balanced, with consistent demand for petrochemical output lending market support

Light naphtha demand for downstream olefins production is expected to stay positive, coinciding with reduced arbitrage flows

Healthy downstream ethylene margins offered greater feedstock buying incentive for northeast Asia producers

The main contributors to tight supply have been firm freight costs and the return of petrochemical producers from recent outages

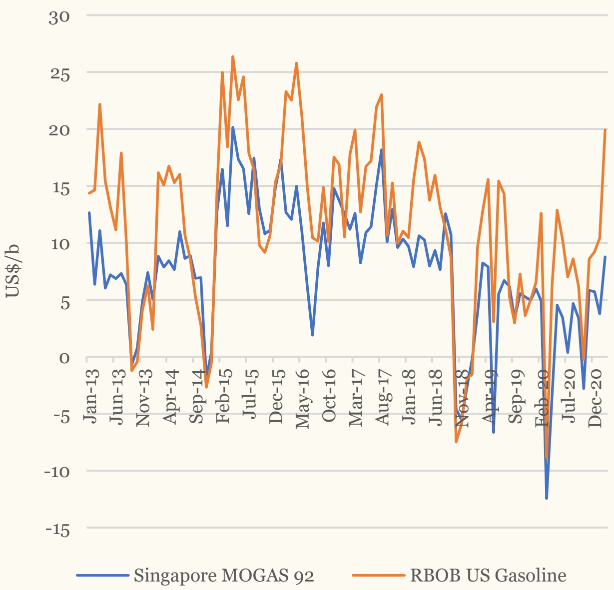
Lower arbitrage naphtha arrivals from Europe could also keep supply in check

Asian firms might float tenders in Q1 2021 to buy spot naphtha for heavy full-range naphtha as light naphtha supply tightens

However, uncertainty in crude markets and lingering demand concerns over the pandemic could temper the upbeat sentiment

GASOLINE CRACKS REMAIN VOLATILE DUE TO DEMAND-SUPPLY UNCERTAINTIES

Gasoline Crack Spread to Brent



Asia's gasoline crack has risen to its highest since October, supported by expectations of tighter supplies and firm demand

Gasoline supplies may tighten in the lead-up to spring maintenance season in most of north Asia, which starts in April

The Philippines, Australia and Malaysia are importing more gasoline as some of their domestic refineries are due to shut, while Indonesian and Chinese demand continues to strengthen

Narrowing of the east-west spread may lead to lower arbitrage supplies in Q2 2021

Taiwan and South Korea have issued tenders seeking lighter naphtha, due to expected tightness in the market

Meanwhile, gasoline with specifications suitable for winter usage is currently in strong demand, supporting positive cracks

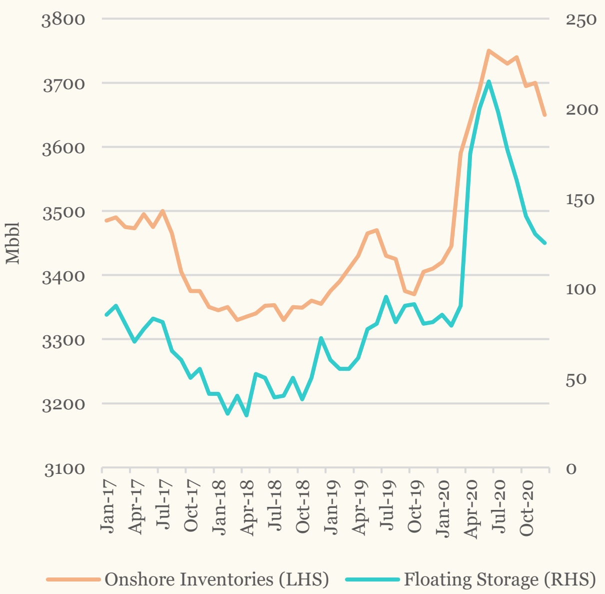
However, markets like China might reduce imports as arbitrage windows narrow and earlier purchases result in a supply overhang

Asian markets remain fragile and increased outflows concluded earlier in 2020 could keep Eastern arbitrage discouraging in Q1 2021

GLOBAL FLOATING STORAGE ON DOWNWARD TREND

CRUDE OIL FLOATING STORAGE HAS MAINTAINED A DOWNWARD TRAJECTORY SINCE Q3 2020

GLOBAL STORAGE LEVELS



Global crude oil floating storage has maintained a downward trend since reaching a peak of 215MMbbl in June 2020

A spike in storage was witnessed once again at the start of Q3 2020, mainly due to delayed Chinese unloading, unfavourable arbitrage and poor demand

Chinese floating storage / deferred unloading reached a high of 105.5 Mbbl on August 29, 2020, but has since declined

As of December 2020, global floating storage has fallen >40% from July levels to 120 MMbbl

Asian floating storage has fallen 116.6 MMbbl, of which Chinese storage has witnessed a sharp drop of 41% from August levels

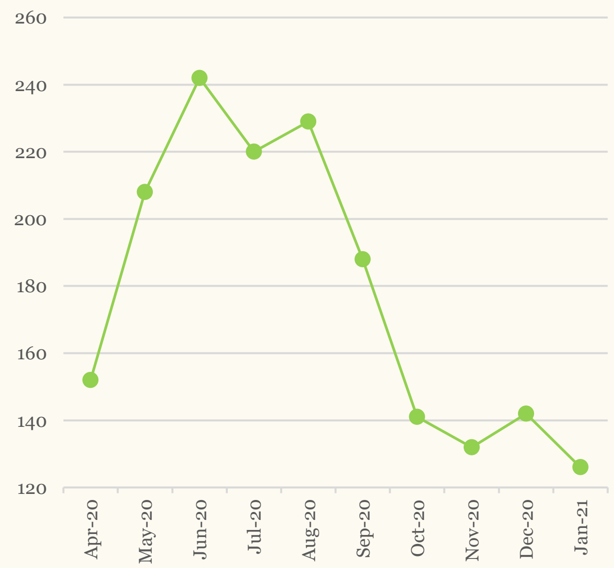
Traders have accelerated crude oil sales from floating storage in December to meet higher demand in Asia as the region's refineries throttled up for peak winter consumption

Oil prices are up, and backwardation has widened in expectation of a tighter crude market

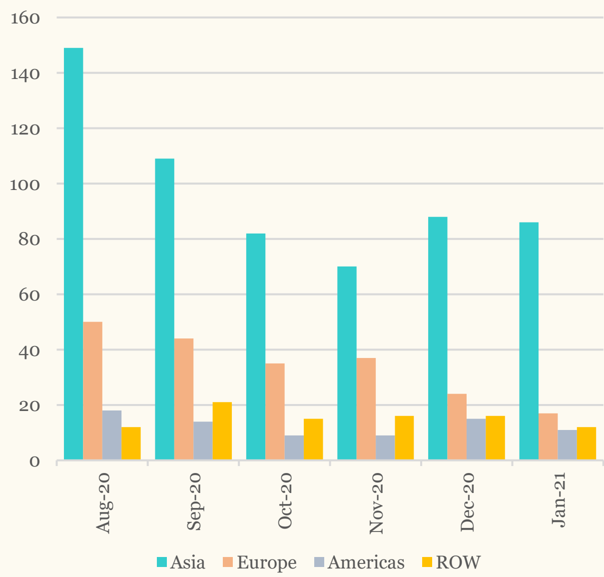
This has reduced the incentive to move crude oil into storage; backwardation lessens the incentive to push crude into storage

FLOATING CRUDE STORAGE VESSELS[5] HAVE FALLEN TO THEIR LOWEST IN 9 MONTHS

FLOATING STORAGE CRUDE VESSELS



FLOATING STORAGE CRUDE VESSELS BY LOCATION

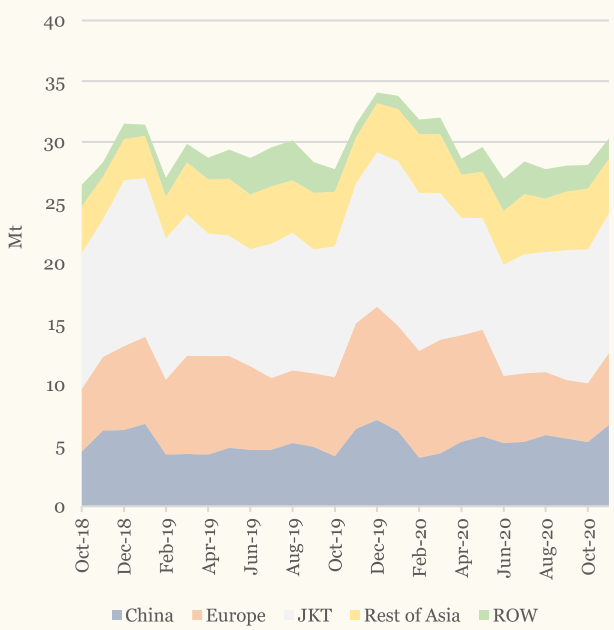


[5] Data from TankerTrackers; floating crude storage is defined as oil aboard idle tankers that are sitting anchored off ports. Data is based on three vessels sizes: Aframax, Suezmax, and VLCC, and includes *only* fully laden vessels, not partially laden ones.

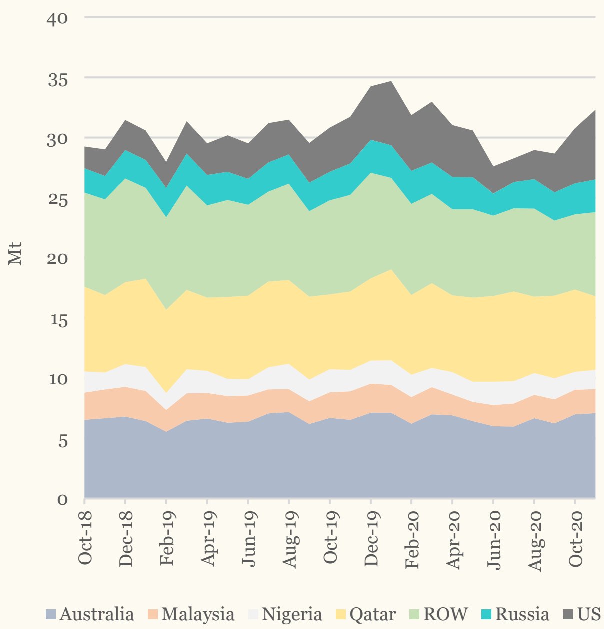
LIQUIFIED NATURAL GAS MARKETS REMAIN VOLATILE

GLOBAL LNG DEMAND-SUPPLY DYNAMICS
(Qamar Energy analysis, based on data from McKinsey, ClipperData, and ICE/CME)

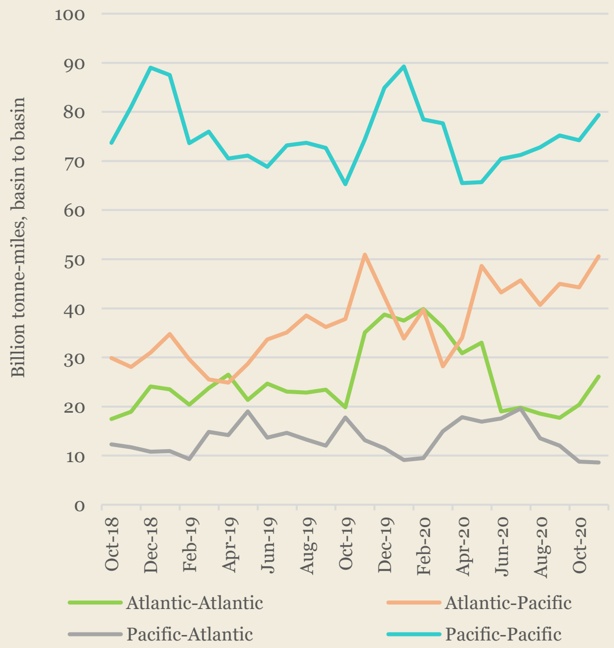
GLOBAL LNG DEMAND



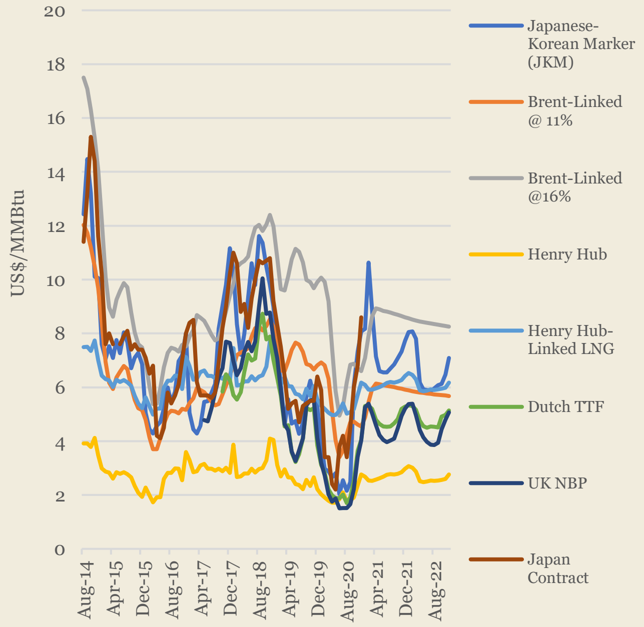
GLOBAL LNG SUPPLY



LNG SHIPPING INTENSITY



GLOBAL LNG PRICES



OIL PRICE SCORING

OIL PRICE SCORING (Rated Based on Impact on Oil Price)			
OPEC+ agreement	Positive	↑	Phase-3 of the pact stipulates 7.2 Mb/d cuts in January 2021, doing away with the April 2020 decision of 5.8 Mb/d cuts from January 2021 to April 2022. Future cuts will be decided at monthly ministerial meetings. Although the pact anticipated an increase of 0.5 Mb/d each month in January-March 2021, OPEC+ limited its January production growth, leading to an increase of 0.11 Mb/d only, the smallest monthly increase since September but still the 7th consecutive monthly increase. The biggest growth came from Iran (80 kb/d) raising output to 2.07 Mb/d expecting a more constructive new US administration. Libyan output decreased to 1.16 Mb/d in January due to pipeline leaks, ending 4 consecutive monthly increases. Saudi and Emirati production increased by 40 kb/d each, still below their Q1 allocations. Iraq upped its production to 3.88 Mb/d, adding 40 kb/d, and will be required to produce 285 kb/d below its allocation to fulfil its OPEC+ obligations end-March.
OPEC supply outlook	Positive	↔	OPEC's supply in 2020 averaged 25.64 Mb/d, with January's output up by 0.18 Mb/d m-o-m at 25.50 Mb/d, expecting recovery by end-Q2, due to increased vaccination campaigns with major economies partly restarting; OPEC+ members Saudi Arabia and Russia, still, are complying strongly with cuts, with Saudi Arabia planning a 1 Mb/d voluntary cut in February and March. Supply volatilities in Iran and Venezuela shall continue. Falling production in Libya and news of coronavirus vaccine rollouts have returned some bullish sentiment to markets.
Non-OPEC supply outlook	Positive	↔	Non-OPEC supply outlook was revised down slightly by 0.05 Mb/d m-o-m and is now forecasted to contract by 2.54 averaging 62.66 Mb/d. This comes as a result lower-than-expected production in Brazil and Thailand in Q4 2020, while Canada's production was revised up. The forecast for non-OPEC supply growth in 2021 has also been revised down by 0.2 Mb/d to average 63.3 Mb/d. This reflects downward revisions from the US and Asian countries. The key contributors to non-OPEC supply growth in 2021 are expected to be Canada, Brazil, the US, Norway, Ecuador, Qatar and Guyana.
Global Demand	Positive	↓	OPEC's global demand estimate for 2020 was revised lower by 0.3 Mb/d from January's estimate. Overall demand shall now decline by 9.7 Mb/d in 2020 averaging 90.3 Mb/d due to further bleak indications for the transportation sector in OECD Americas and Europe, following the reimposition of lockdowns in major European cities. Oil demand growth was revised higher in non-OECD countries, reflecting the unexpected petrochemical demand recovery and uptick in gasoline needs in China and India. Newly imposed lockdowns and restrictions triggered by a spike in CoVid-19 cases in MENA are expected to cause a downward trend in demand, particularly jet fuel. Global demand for 2021 is forecasted to increase to an average 96.1 Mb/d, up 5.8 Mb/d y-o-y and down 0.1 Mb/d from January's assessment.
Progress of non-oil technologies	Neutral	↔	The 800 MW 3rd phase of the MBR solar project was inaugurated; Azelio AB will supply the 950 MW phase IV of the MBR with its thermal energy storage unit; TAQA reached financial close for the 2 GW al Dhafra PC project; ACWA Power signed financing agreements for the 900 MW Shuaa Energy 3 PSC project in Dubai; the Public Investment Fund raised its interest in ACWA Power from 33.36% to 50%; German Schmid created a JV with Nusaned Investment for development of Vanadium Redox Flow Batteries, plans 3 GWh factory.

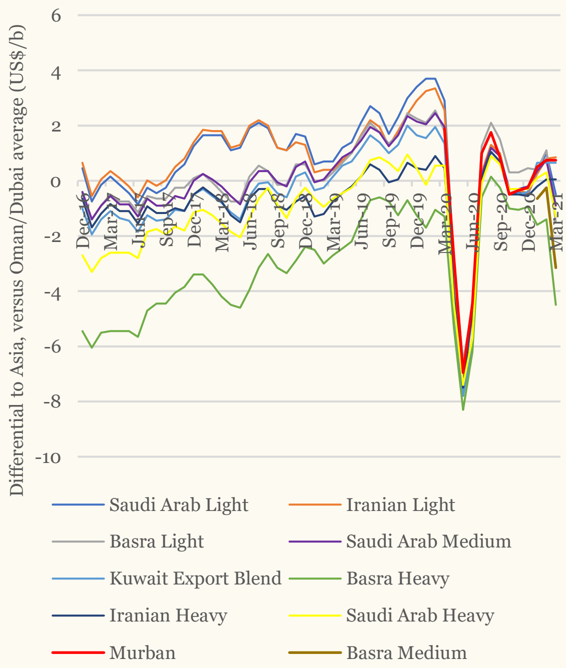
Very positive · Positive · Neutral · Negative · Very negative · Improvement in last month · No change · Deterioration in last month

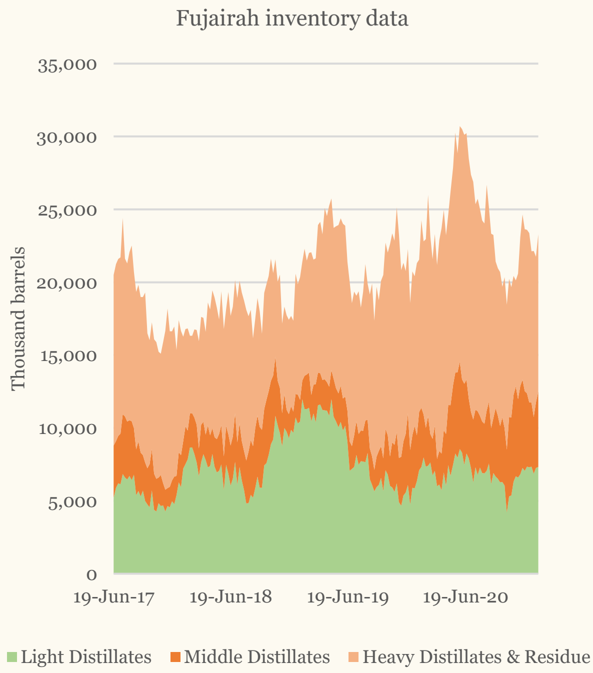
SECTION SNAPSHOT

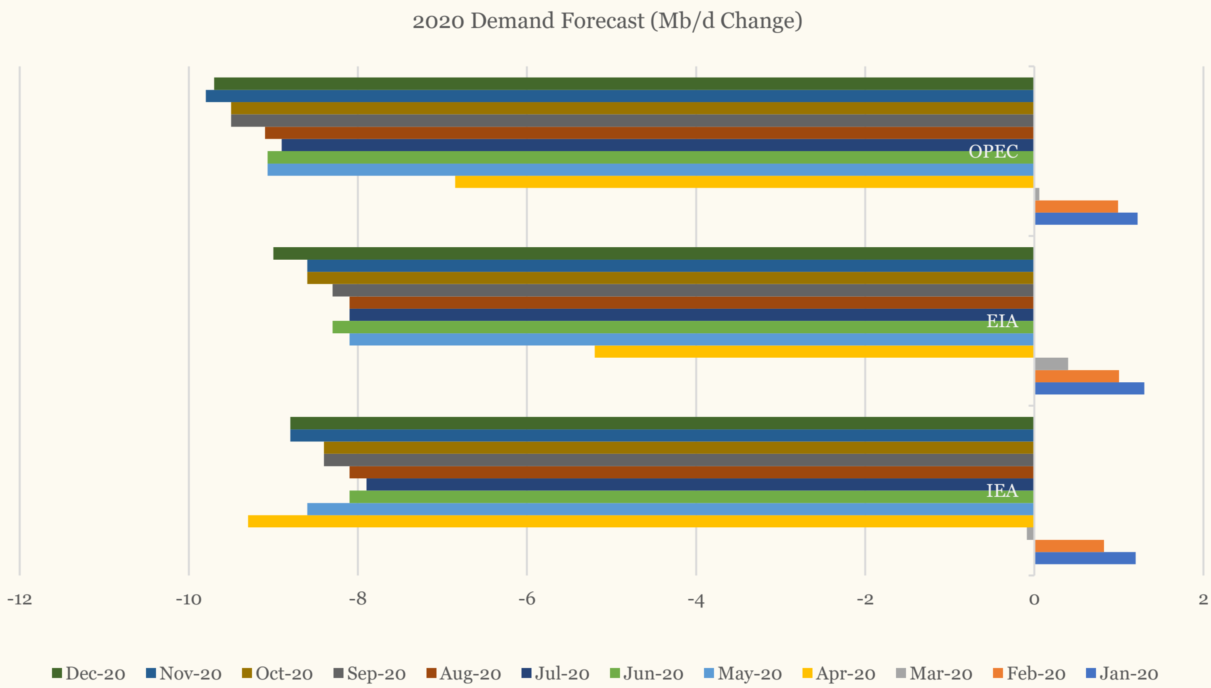
- Saudi Arabia has kept its March official selling price (OSP) for all grades to Asian customers steady from February, while increasing prices for all grades, except Arab Heavy, bound to the US. Prices to NW Europe and the Mediterranean for all grades have been reduced. Arab Extra Light and Arab Light to the US are now at a US$ 0.85/b and US$ 1.20/b premium, respectively. ADNOC's March OSPs remained unchanged from February, except its Medium Sour Upper Zakum which was lowered by US$ 0.5/b, placing it in parity with its flagship Murban crude oil at Platts Dubai set at US$ 0.75/b. Iraq upped its February OSPs for all Asia-bound grades, increasing Light and Medium grades for the US, while reducing those for Europe-bound grades. Asia-bound Basrah Light's February OSP were raised by US$ 0.70/b to a premium US$ 1.10/b to the Oman/Dubai average, while the Basrah Heavy OSP was raised by US$ 0.20/b to a discount of US$ 1.40/b against Oman/Dubai.

- Fujairah oil stocks climbed to a four-week high as of February 1, with total inventory at 23.282 Mbbl. Middle distillates drove the growth, up by 15% to 5.171 Mbbl marking a six-week high. Heavy distillates inventories, including marine bunkers and fuel used in electricity generation, increase by 8% to reach 10.78 Mbbl on February 1. Marine fuel with 0.5% sulphur bunker was US$ 6/Mt lower than in Singapore, at US$ 461/Mt.

- The EIA estimates global demand averaged 92.2 Mb/d for all of 2020, while the IEA expected demand averaged 91.2 Mb/d for 2020. 2020 world oil demand declined by 9 Mb/d according to the EIA and 8.8 Mb/d according to the IEA, and is forecasted to grow by 5.6 Mb/d in 2021 according to the EIA and 5.5 Mb/d according to the IEA. The major contributor to demand decline is the coronavirus pandemic-induced economic slowdown and continued bleak indications for transport fuel in major OECD and non-OECD.







Sources:

1. Figure 1: News sources; MEES; NIOC; SOMO; Qamar Energy Research
2. Figure 2: FEDCom/S&P Global Platts Fujairah Inventory Data
3. Figure 3: IEA, OPEC and EIA monthly oil reports

WORLD OIL DEMAND OUTLOOK

BEARISH MARKET SENTIMENT TO CONTINUE WEIGHING ON WORLD OIL DEMAND OUTLOOK	
OPEC, IEA, EIA Forecasts	• OPEC's global demand estimate for 2020 was revised lower by 0.3 Mb/d from January's estimate. Overall demand shall now average 90.3 Mb/d, 9.7 Mb/d down from January's assessment. Major demand downfalls are expected in OECD Europe, where Q4 demand is expected to fall by 0.54 Mb/d from the previous quarter, and in the Middle East, where demand is estimated to fall by 0.38 Mb/d. • The IEA's demand forecast for 2020 remained unchanged in December, down 0.4 Mb/d from October, due to the return of lockdowns in North American and European territories. • The EIA has revised its demand forecast in December by 0.4 Mb/d, largest annual decline in EIA data since 1980.
Key Demand Change Factors	• Key contributor to the less-than-positive demand outlook is continued bearishness surrounding the return of road and transportation fuel demand in OECD Europe, now that various EU governments and some jurisdictions in the US have re-introduced curfews and partially or fully shutdown hospitality services. • Non-OECD demand might improve slightly in Q1 due to positive momentum from Q3 carrying forward in China, where industrial activity indicators and petrochemical activity have improved.
Chinese Demand	• After expanding its GDP by 2.3% in 2020, with 2021's economic growth expected to be even higher, China's demand is likely to grow by 3.5%-4.5% y-o-y, although crude imports may not see the same growth as inventories are bloated. • Industrial fuel demand could provide rare upside for potential 2021 oil demand growth; LPG and naphtha have been performing better, and an expected rise in GDP (+6.9% from 2020) in 2021 should support demand. • Y-o-y demand growth in China was more than 0.4 Mb/d in December, compared to 0.8 Mb/d in November. This is a result of an expansion in petrochemicals, mainly naphtha, adding around 0.5 Mb/d y-o-y, which was supported by healthy and rising cracker margins. Gasoline demand increased for the 2nd consecutive month, up 0.2 Mb/d from 2019, as mobility and motor vehicle sales increased
Other Asia Demand	• In other Asia, weakness as a consequence of slower economic momentum has affected all petroleum products with transportation fuels affected the most.
Qamar Energy Outlook	• Our outlook estimates global demand averaged ~90.3 Mb/d in 2020, ~9.4 Mb/d lower than 2019's levels. Main reasons include a rapidly falling global GDP, now seen to have declined by 4.1% from the previous estimate of -3.7%, in 2020. We see this reflected in the weaker-than-expected demand in non-OECD countries, many of which are facing a delayed impact of mobility restrictions that has eliminated a large portion of jet fuel and gasoline consumption.

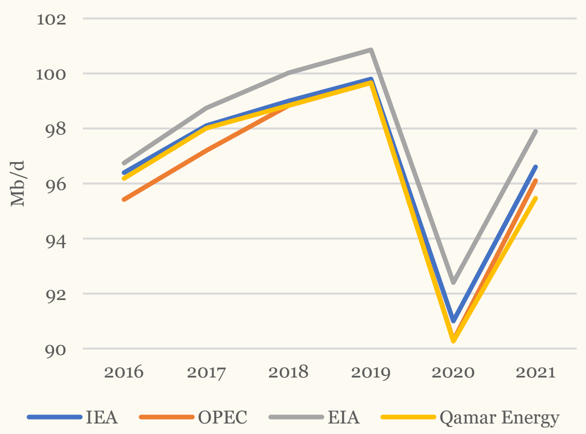


FIGURE 1 Global Oil Demand Forecasts

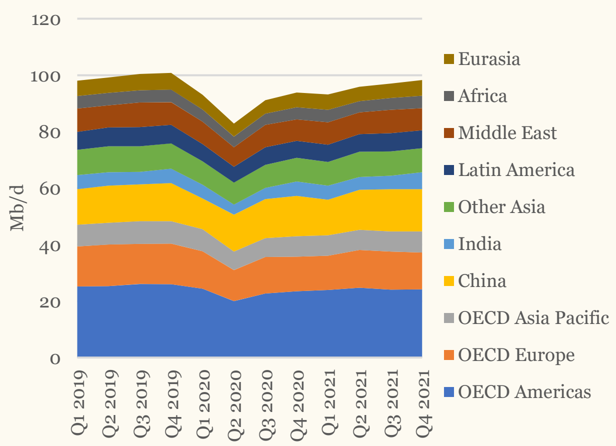


FIGURE 2 Global Oil Demand Forecast by Region till 2021, OPEC

2021 Demand Forecasts	• In 2021, OPEC forecasts global oil demand to reach 96.1 Mb/d, a 5.8 Mb/d increase from 2020 levels. This is a downward revision of 0.3 Mb/d from the previous month's estimate due to slower economic growth. • The IEA expects demand to increase by 5.6 Mb/d in 2020, 0.3 Mb/d below its previous month's assessment due to the continuous implementation of public health measures to curb CoVid-19's spread, with lockdowns imposed in Europe and parts of China. • The EIA expects demand to average 97.9 Mb/d in 2021, the highest among all 3 agencies.
Key Contributors	• A major reason is the downward trend in the economic outlook in OECD economies as new and more contagious strains of CoVid-19 emerged in the UK and other countries, leading to renewed lockdowns across the world.
Challenges	• Second-wave and in some economies, third-wave infections, continue to weigh on the prospects of robust oil demand recovery till Q1 2021. The IEA believes global oil demand could return to pre-crisis levels only by 2023. • Our estimate is the most conservative, and expects demand to rise by 5.2 Mb/d, due to containment measures carrying over into H1 2021, and slower-than-expected growth in the manufacturing and construction sectors.

MIDDLE EAST DEMAND OUTLOOK

LARGE INCREASES IN SECOND-WAVE CORONAVIRUS INFECTIONS WILL KEEP DEMAND UNCERTAIN	
Latest Updates	• Overall Middle East demand is expected to have contracted by 380 kb/d in Q4 2020 from Q3 levels, and by 630 kb/d in 2020 from 2019's levels. • The yearly decline in diesel was offset by an uptick in construction and trucking activities in Saudi Arabia, which recorded a 0.1 Mb/d increase in y-o-y demand in November before it flipped back to a declining trend in December. Meanwhile, demand dropped in every other country, mainly Iraq and Iran, where it contracted by a combined 0.3 Mb/d y-o-y. Fuel oil gained 0.2 Mb/d y-o-y in December propelled by higher power generation demand.
Key Demand Change Factors	• Large increases in second-wave CoVid-19 cases, in the UAE and Iran, with a new variant detected across the region, led to newly-imposed restrictions likely to limit demand growth. Jet fuel and gasoline remain affected, with each dropping 0.1 Mb/d y-o-y. • Although oil demand is anticipated to bounce back solidly in 2021, the risk of a CoVid-19 resurgence remains major, despite the recent rollout of vaccination programs in Saudi Arabia, UAE, Kuwait and Israel.
Main Sectors Impacted	• Slower economic activity and smaller populations because of expatriate departures will affect infrastructure and construction projects particularly, reflected in lower diesel consumption. A yearly decline in diesel is offset by an uptick in construction and trucking activities in Saudi Arabia, but continued uncertainty around workforce limitations might cause the rise to remain minimal. • Although fuel oil gained 0.2 Mb/d y-o-y in December propelled by higher power generation demand in Saudi Arabia, transportation fuels remained a drag, despite some easing of restriction measures.
Saudi Arabia Updates	• Demand for oil products in Saudi Arabia declined in December by 0.03 Mb/d y-o-y, mainly due to reimposed flight restrictions and curfews amid concerns over the new CoVid-19 variant. • Motor gasoline consumption declined by 20 kb/d in December from November levels, while diesel increased by 60 kb/d. • Local sentiment remains wary, with teleworking and distance education expected to continue well into Q4.
UAE Updates	• Our analysis indicates no significant change in gasoline and diesel demand in the UAE for November. Logistical activity continues to remain positive, evidenced by large online orders. • The re-opening of public spaces like Global Village, and the launch of the next Dubai Shopping Festival on December 17 is expected to keep demand for road transportation fuels stable, if not robust.

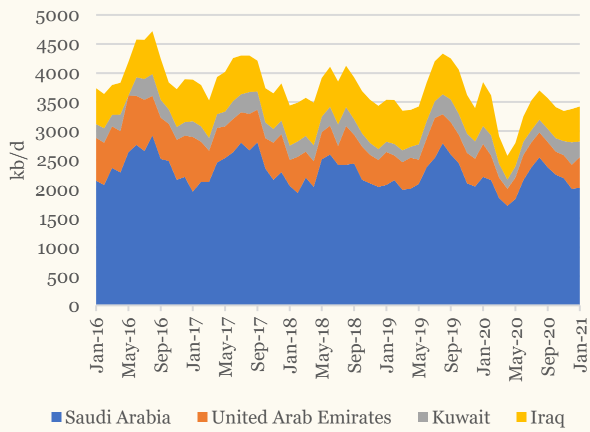


FIGURE 3 Total Oil Products' Demand

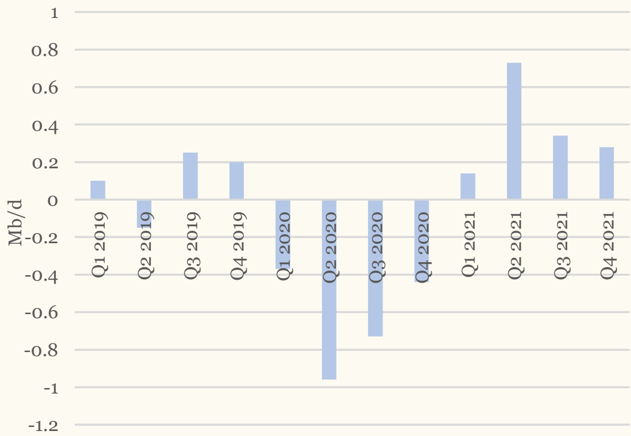


FIGURE 4 Middle East demand, year-on-year change

Other MENA Updates	• In Iraq, total oil products demand increased from a record low of 435 kb/d in June to 574 kb/d in December, while in Iran, oil demand has stagnated at 1.4 Mb/d, after increasing to near 1.5 Mb/d in July, as the massive surge in coronavirus cases takes its toll on economic activity, already under strain due to unilateral US sanctions. • In Kuwait, total oil products' demand in November was 9 kb/d higher than October levels, and >55% higher than in April, when it fell to a historic low of 156 kb/d, indicating positive economic momentum.
2021 Demand Forecast	• Overall MENA oil demand according to OPEC is expected to reach ~8 Mb/d, a 370 kb/d increase from 2020 levels, with the highest growth witnessed in Q3 2021, in line with historic seasonal demand patterns. • A key contributor is expected to be Expo 2020, which shall begin in October 2021 in Dubai, and is expected to draw in visitors from over 190 countries.
Challenges	• Severely constrained medical capabilities and a rising death rate in lesser-able MENA countries like Iraq and Iran, and in GCC states like Oman, could temper the growth of demand in 2021. • The outflow of expatriate populations from the GCC shall also lower demand, though not as severely as previously expected. In the UAE, a new retirement visa is expected to boost foreign migration into the country.

OPEC COMPLIANCE & SUPPLY OUTLOOK

LARGE INCREASES IN SECOND-WAVE CORONAVIRUS INFECTIONS WILL DAMPEN DEMAND GROWTH

Country	Dec. Pledged Cuts	December '20 Compliance	Jan. Pledged cuts	January '21 Compliance		Cuts
Algeria	-193	102%	-182	103%	↑	-187
Angola	-379	100%	-261	141%	↑	-368
Congo	-59	126%	-56	116%	↑	-65
Equatorial Guinea	-23	30%	-22	-14%	↓	3
Gabon	-34	50%	-32	53%	↓	-17
Iraq	-1016	79%	-796	105%	↑	-833
Kuwait	-514	105%	-48	102%	↑	-489
Nigeria	-449	82%	-313	115%	↑	-359
Saudi Arabia	-2012	102%	-1881	100%	↑	-1890
UAE	-579	122%	-542	103%	↑	-558

- Apart from Equatorial Guinea, and Gabon, all OPEC-10 members recorded an increase in their compliance for January from December levels. The main reason for higher compliance is the easing of OPEC+ cuts to 7.2 Mb/d, lifting quotas by 0.5 Mb/d. The coalition will meet March 4 to decide on April quotas.
- Overall compliance from OPEC-13 increased to 101% in January, supported by the easing of quotas, with output up 270 kb/d from December levels. This brings the pact's total output rise close to 2 Mb/d since May. January's production growth is led mostly by ramp-ups from Russia, Saudi Arabia, UAE and Kuwait, along with a recovery in Iran and Venezuela. February and March's compliance likely to be higher as Saudi Arabia pledges a 1 Mb/d voluntary cut.
- The UAE continued to push output higher in January by 40 kb/d, but still below its January quota of 2.62 Mb/d. ADNOC informed its term customers of its plans to reduce nominations in January for all its four grades, with a 20% cut for flagship grade Murban.
- While Russia pumped 130 kb/d above its January quota, making it the worst quota violator, Saudi Arabia boosted output by 100 kb/d, but still 10 kb/d below its new quota, while its exports falling and domestic consumption rose as the 400 kb/d Jazan refinery started test runs.

JANUARY 2021 OPEC+ CUTS (kb/d)

Country	Reference	Target	Pledged Cut
Algeria	1057	875	181
Angola	1528	1267	261
Congo	325	269	56
Eq. Guinea	127	105	22
Gabon	187	155	32
Iraq	4653	3857	796
Kuwait	2809	2329	480
Nigeria	1829	1516	313
Saudi Arabia	11000	9119	1881
UAE	3168	2626	542
Total OPEC-10	26,683	22,120	4,563
Total non-OPEC	15,417	12,780	2,637
Total OPEC+	**42,100**	**34,900**	**7,200**

- Iraqi output fell 30 kb/d from December at 3.82 Mb/d in January, following a slight dip in southern exports. This places the country comfortably below its OPEC+ quota of 3.857 Mb/d. The country pledges to remain "resolute" to its OPEC+ obligations, but its compliance struggled in recent months due to fiscal and political pressures.
- Meanwhile, Iranian crude jumped by 100 kb/d to 2.14 Mb/d, highest since November 2019, as the country builds its hopes on relaxed relations with the new US administration. Iran targets 2.3 Mb/d of exports if sanctions are lifted and ordered oil operators to ramp-up production from South Azadegan and other West Karun fields.
- Libya, on the other hand, produced 1.14 Mb/d in January, 40 kb/d down from December levels and first m-o-m production fall since May. The fall was due to pipeline maintenance at the Waha oilfields, along with a strike at some of Libya's key eastern terminals disrupting exports.

2020 DEMAND-SUPPLY BALANCE, OPEC

MB/D	Q1 2020	Q2 2020	Q3 2020	Q4 2020
World Demand	92.71	82.60	90.99	96.1
Non-OPEC Supply[6]	71.93	65.92	66.49	62.66
Call on OPEC	20.79	16.69	24.50	25.64
OPEC Supply	**28.25**	**25.59**	**23.83**	**?**

[6] Including OPEC NGLs and non-conventionals

HEADLINE DEVELOPMENTS

Established Producers Supply

Aramco's 1 Mb/d voluntary cut to raise prices despite anaemic demand

On January 5, Saudi Arabia surprised the market with a large voluntary cut of 1 Mb/d, a unilateral decision made by Crown Prince Mohammed bin Salman. This contrasts the recent Saudi oil-policy priorities and comes after the decision to ease quotas by a collective 0.5 Mb/d for January, instead of the original 2 Mb/d tapering. The new OPEC+ agreement locks in quotas through Q1, scheduling the alliance's next meeting in March 4 to set April levels.

Global oil markets welcomed the decision viewing it as a "New Year's Gift," showing Saudi Arabia as a key player in market stability. A report issued by the UK-based Oxford Institute mentioned that Saudi Arabia's voluntary cut prevented high levels of demand uncertainty and led to market stability, stopping oil from plunging under US$ 50/bbl.

The cut is expected to bring the Kingdom's production down to 8.125 Mb/d in February and March, which will eventually bring OPEC down to a range of 24.50-24.75 Mb/d, in line with October 2020 levels.

The cut will more than offset a planned increase for Russia and Kazakhstan which can boost production starting February by a combined 75 kb/d. The latter is expected by IHS Markit to be absorbed by domestic consumption during the winter months, suggesting no export increase.

Oil markets ahead of current fundamentals with future ramp-up expected to lower prices

Continued strong compliance and the voluntary cut have supported global oil prices which jumped to a 10-month high of US$ 59/bbl, with energy shares surging in London and Texas, despite persisting concerns of falling energy demand in China which introduced lockdowns just weeks ahead of the Lunar New Year, keeping demand contra-seasonally weak.

OECD stocks still stood at 3.1 billion barrels (166 Mbbl) above the five-year average, the metric preferred by OPEC. An OPEC+ committee mentioned that global oil inventories will drop to their five-year-average this year. Other sources foresee a demand overhang in 2021, with Goldman Sachs predicting a 900 kb/d deficit in H1 2021, compared with a previous estimate of 500 kb/d.

Since demand is still restrained and far from being in line with 2019's levels, these oil prices are in a way artificially high and reflect more on future expectations than on current fundamentals.

The increase in oil prices could give Saudi Arabia a new headache, as some of the OPEC+ members, whose compliance has already been shaky, might now be tempted to produce more, potentially destabilizing the market. Although, Saudi Arabia's decision should give it the moral authority to ask for better compliance from Iraq and Nigeria to compensate for previous overproduction.

OPEC+ producers are anxious to ramp up production, with higher oil prices very likely to lead to some cheating on production commitments. As oil prices breached the US$ 60/bbl mark and stockpiles are falling, Russia and others are calling for higher production.

TABLE 1 OPEC+ Production Agreement for Selected Countries[7]

Country	Baseline	Jan. '21 cut	Jan. '21 target	+/- target	Oct. '20 output
Saudi Arabia	11,000	1,881	9,119	126	8,940
Iraq	4,653	769	3,857	53	3,850
Kuwait	2,809	480	2,329	32	2,270
UAE	3,168	542	2,626	36	2,460
Algeria	1,057	181	876	12	840
Nigeria	1,829	313	1,516	21	1,460
Angola	1,528	261	1,267	18	1,150

Even if the Kingdom manages to pacify calls for a production ramp-up, there will be larger challenges ahead, among which is the potential return of Iranian oil as the Biden Administration looks to revive the JCPOA talks.

Aramco March OSPs to Asia remained unchanged despite expectations and the 1 Mb/d voluntary cut

While Aramco was expected to reduce its official selling prices, given the sluggish demand and available crude from sources such as Russia and the Americas, the company kept

[7] Argus Media; See also P15

its oil pricing unchanged for its main market, Asia. It kept its benchmark Arab Light crude for Asia steady at US$ 1/bbl above the benchmark, highest premium for the grade since August.

Aramco has been expected to pare the pricing by US$ 0.20/bbl, according to Bloomberg. This is due to tepid buying intent from key Asian economies amid a peak refinery downtime season, exacerbated by CoVid-19. Instead, Aramco raised all pricing to the US by US$ 0.10/bbl and increased prices to Europe by US$ 1.30/bbl or US$ 1.40/bbl.

TABLE 2 ARAMCO OSPs to Asia

Crude Oil Grade	February Delivery	March Delivery	+/- change
Super Light	+1.85	+1.85	+/-0
Extra Light	+0.60	+0.60	
Light	+1	+1	
Medium	+0.75	+0.75	
Heavy	+0.30	+0.30	

Yet, prices remain below the levels that the Kingdom needs to balance its budget. According to the IMF, Saudi Arabia would need an oil price of US$ 80-85/bbl to balance its budget deficit.

ADNOC awards potentially promising offshore Block 4 to Japanese Cosmo in 2nd licensing round

In February 10, ADNOC awarded offshore Block 4's exploration rights to Japan's Cosmo Energy as part of its 2nd upstream licensing bid.

Cosmo E&P Albahriya paid US$ 145 M in exploration costs anda participation fee for the block, covering 4,865 km² northwest Abu Dhabi.

The award falls within ADNOC's 2nd licensing round launched in May 2019, offering five blocks, spanning an area of around 34,000 km². Since the launch of the bidding round, ADNOC allotted concessions to US Occidental (Onshore Block 5) along with a consortium of Italy's Eni and Thai PTTEP (Offshore Block 3). Occidental has disclosed a multi-reservoir discovery at Onshore Block 3, awarded in the first round in 2019.

Offshore Blocks 3, 4 and 5, along with onshore Blocks 5 and 2 were included in the bid round, with two separate licensing opportunities for conventional and unconventional resources.

Under the agreement, which builds on a long-standing relationship between the UAE and Japan, starting since the sixties with crude exports from the Umm Shaif offshore field, Cosmo will hold 100% of the block's rights in the exploration phase. The company is owned 20.8% by Abu Dhabi sovereign wealth vehicle Mubadala.

The award to Cosmo is the first to be approved by Abu Dhabi's newly-formed Supreme Council for Financial and Economic Affairs (SCFEA), which was formed end-December to replace the Supreme Petroleum Council.

Cosmo will contribute both financially and technically during the exploration phase

Cosmo will have a 35-year lease for Block 4 from the beginning of exploration. The company showed an optimistic view of the potential of the block by creating synergies with its existing oilfields and Mubarraz island, operated by ADNOC. The company, in which Abu Dhabi's Mubadala has a 20.8%, also has an interest in the Bunduq Company that operates an offshore concession.

The existing 3D seismic data over a large part of the block along with its proximity to existing oil and gas fields imply that the concession area's potential might be promising. According to seismic survey and exploration and appraisal data, the blocks offered by ADNOC's 2nd licensing round hold "multiple billion barrels of oil and multiple trillion cubic feet of natural gas."

Cosmo's contribution to offshore Block 4 will be both financial and technical, including acquiring 3D seismic data, which will further determine the block's prospects.

ADNOC and ICE Futures Abu Dhabi (IFAD) signed agreements with Cosmo and other Japanese end-users to explore the potential opportunity to price crude oil with reference to the new ICE Murban Crude Oil Futures.

ADNOC has other agreements with Japanese firms, including an upstream agreement with Inpex that holds an interest in onshore Block 4. In January 2020, ADNOC signed an agreement with the Agency for Natural Resources and Energy of Japan to store over 8 Mbbl of crude at facilities in Japan. In fact, the UAE supplies around 30% of Japan's crude oil needs.

If the exploration phase proves fruitful, ADNOC will hold 60% interest during the production phase. The stepped-up emphasis on exploration is part of Abu Dhabi's plans to reach 5 million b/d production capacity by 2030 and to monetise its hydrocarbon resources more quickly.

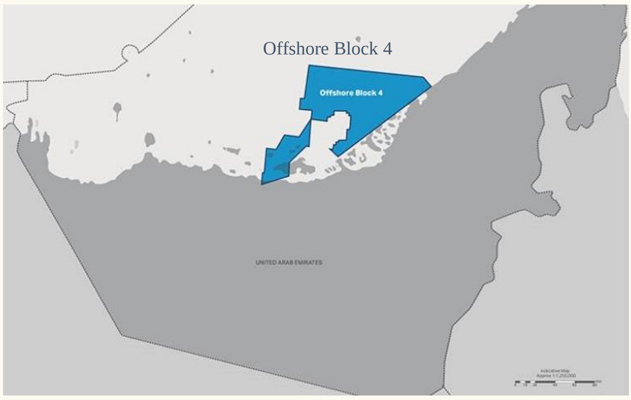


FIGURE 5 Offshore block 4 awarded to Cosmo[8]

QP awards NFE expansion project to Japanese Chiyoda and TechnipFMC JV

After delaying the project's timeline by around a year due to CoVid-19, Qatar Petroleum awarded the main engineering and construction contract for phase 1 of its giant North Field's planned LNG expansion to a JV of Japan's Chiyoda Corp. and Technip.

The EPCC contract was awarded for the North Field East onshore facilities, comprising two additional LNG trains, 8 Mt/y capacity each and a CO_2 carbon capture and sequestration facility – aiming to reduce CO_2 emissions by 25% compared to similar LNG facilities, with about 5 Mt/y of capture.

The expansion will cost a massive US$ 28.75 B – likely the biggest project sanctioned across the global upstream business in 2021 – and is expected to boost Qatar's LNG production to 110 Mt/y from the current 77 Mt/y by Q4 2025. Recently, Qatar is considering raising capacity beyond the 126 Mt/y that was previously announced.

At 32 Mt/y, the NFE project is the largest single LNG project sanctioned in history, with a long-term breakeven price just over US$ 4/MMBtu, the cheapest worldwide alongside Russia's Arctic projects[9]

Qatar will face the challenge to find customers for its uncontracted LNG capacity

The LNG market has been in oversupply since 2018, but is heading into a tighter supply-demand balance later this year through 2024. Over this period, there will be limited new projects coming online, allowing demand to catch up with the record build in liquefaction capacity in 2018-19.

JKP spot Asian LNG priced rallied from an record low US$ 1.825/MMBtu end-April to an all-time high of US$ 32.50/MMBtu in January, showing how vulnerable the market is to supply shocks and extreme winter demand.

QP is beyond well-positioned to fill any supply-side gaps in the next two decades, enjoying the lowest product costs worldwide, with estimated long-run breakeven cost of new expansions at under US$ 5/MMBtu landed into Asia.

By 2027, QP is likely to have more than 75 Mt/y of uncontracted LNG volumes to sell, accounting for 70% of its LNG portfolio, according to Farrer. MEES estimates 48 Mt/y of new capacity between 2025-27 (Figure 6).

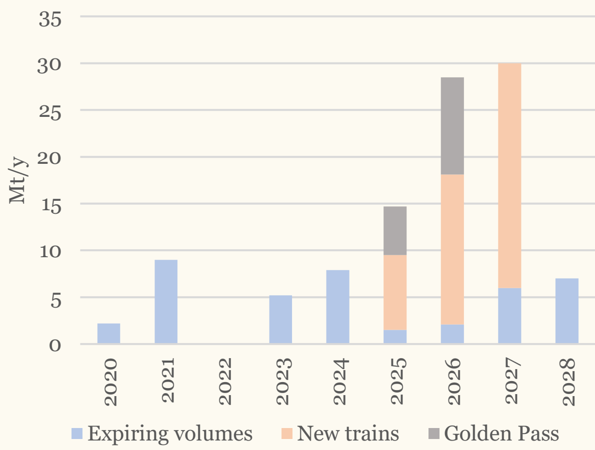


FIGURE 6 Qatar's uncontracted LNG volumes by 2028[10]

Meanwhile, Platts Analytics suggests that QP faces over 50 Mt/y of uncontracted supply in the next 6 years: 31.2 Mt/y of new uncontracted capacity (apart from the 11 Mt/y of equity production from Golden Pass) and 23 Mt/y of expiring contracts, 60% of which are with Qatar's traditional Asian customer base.

In 2019, global LNG market witnessed just 15 Mt/y of new end-user backed contracts signed. This suggests that, even for LNG's most powerful player, Qatar will face the challenge to find new buyers for its uncontracted LNG. The chance for international partners to acquire 30% of its new trains could be important if they commit to offtake.

[8] ADNOC
[9] Platts Analytics
[10] MEES; assumes Golden Pass start-up staggered over 2025-26

Emerging Producers Supply

Libya's oil production swinging from a record 1.3 Mb/d back to 1.25 Mb/d after a decade of civil war

An affiliate of the Libyan state-owned National Oil Corp., Waha Oil Company, was forced to shut down a leaking pipeline mid-January, halting oil production by around 200 kb/d, indicating the implications of years of war and neglect.

The almost 60 year-old pipeline is not the only infrastructure unit in need of repair. A decade of political strife and volatile production deprived the government and NOC from funds. The oil company is scrapping to fix its oilfields, storage tanks, pumping stations, and pipelines, with some damaged by the conflict, while others are suffering corrosion due to neglect.

In 2020, exports fell 65% to 357 kb/d, according to Kpler data, due to the oil blockade imposed by eastern-based General Khalifa Haftar from January till September 2020. NOC puts losses resulting from the blockade at about US$ 11 B.

The pipeline connects the Samah and Dahra fields to the 350 kb/d Es Sider terminal. Maintenance in the Waha fields was supposed to last 14 days, but Waha engineers completed repair work on the pipeline much earlier than scheduled. An interview between The Times and NOC chairman Mustafa Sanalla confirmed that output was at 1.3 Mb/d, higher than even pre-blockade levels. Still, Sanalla warned that danger is always lurking in the background of the country's oil industry. "We reached 1.303 Mb/d two weeks ago, then we come back to 1.25 Mb/d," he added.

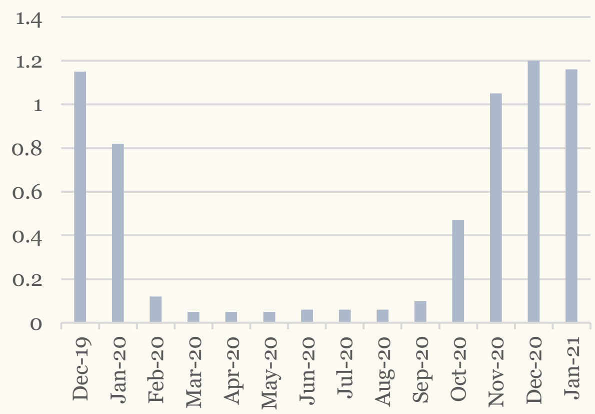


FIGURE 7 Libyan oil production pre, during and post-blockade[11]

[11] MEES

Libya's output is expected to reach 1.4 Mb/d by April

NOC has an ambitious target to reach 1.6 Mb/d by end-2021, through restarting shut-in fields, well maintenance and development drilling. By April, the company expects to add 80 kb/d, potentially raising output to around 1.4 Mb/d. Currently, Waha Oil Company is working to restart the Dahra field, which had a capacity of 120 kb/d before it was shut down. This could add up to 10 kb/d by April if start-up takes place in March.

Sanalla also spoke about NOC preparation to open a London office in the medium term. However, NOC's success to boost production capacity is highly contingent upon the country's security and political circumstances. The combined effect of limited budgets and reoccurring forced shutdowns jeopardizes any progress made by the Libyan oil industry.
Despite the recovery, members of the Petroleum Facilities Guards (PFG) are threatening to stop Es Sider, Hariga and Ras Lanuf terminals' shipments, in a dispute over unpaid wages. Currently, government officials are in talks with PFG members to resolve the issue.

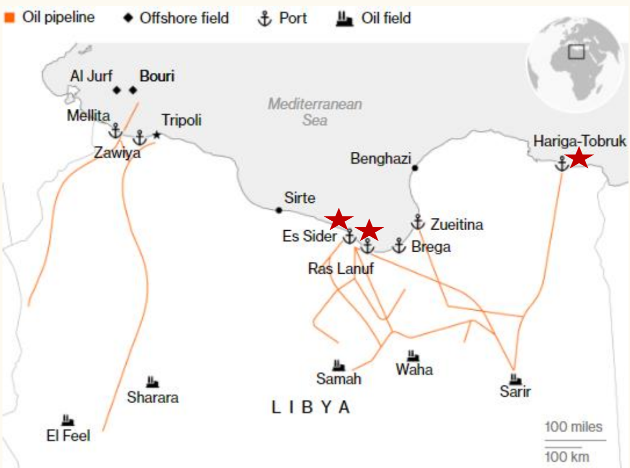


FIGURE 8 Libya's oil network[12]

Whether the PFG's strike would actually disrupt shipments remains to be seen. Other PFG members threatened to shut the Zawiya refinery in western Libya end-January if they do not receive their unpaid salaries.

Although strike at Libya's oilfields end quickly, the dispute represents how fragile the oil industry have become following almost a decade of civil war and instability.

[12] Bloomberg; Red stars indicate potential threats to energy infrastructure security by PFG members

Iran's oil production is expected to reach pre-sanctions levels in one a month or two

Building on hopes of a relaxed US-Iran foreign policy, Iran is ramping up production and looking ahead towards a full return to the global oil markets.

Deputy Oil Minister Amir Hossein Zamaninia mentioned that the market could accommodate Iran's maximum oil output of 3.9-4 Mb/d, while creating no surplus in the oil market. Due to the imposed US-sanctions, Iran is barely producing half of that amount currently. Output stood at 1.99 Mb/d in December, down by nearly 50% from the levels before Trump tightened sanctions in 2018.

Although the new US President Joe Biden seems to follow a more reconciliatory approach, top officials in his administration mentioned that Washington is not going to "take a quick decision on any deal with Iran."[13]

Iranian officials stressed the need to maximize production capacity rapidly before peak oil demand, while rival producers take over what's left of market share.

Soon after Biden's elections, President Hassan Rouhani ordered the oil ministry in December to prepare installations for the production and export of oil at their full capacity within three months. If sanctions are lifted, output could increase from the current 2.1 Mb/d to a pre-sanctions level of 3.8 Mb/d within months. Although it might be great news for Iran, production ramp-up would cause major concerns to OPEC+ members which struggled to keep production down amid falling global demand and bloated inventories.

Iran hopeful to regain market share despite sanctions and falling demand as it signed 8 oil projects

In January 11, the National Iranian Oil Co. signed 8 oil projects as part of a US$ 6.2 B national program started in January 2019 which aimed to raise production by 355 kb/d at 33 fields. The 8 projects are worth US$ 1.2 B and will potentially boost production by 95 kb/d. The first phase of this program is about 30% complete, with some of the fields to have started production already.

Oil minister Bijan Zanganeh mentioned that the contractors will not be paid if they don't raise production. The 8 projects are the first to be financed by capital markets, particularly bonds, as opposed to the National Development Fund or usual state resources.[14]

Yet, Iran's parliament rejected a draft budget that includes oil exports of 2.3 Mb/d from the Iranian year beginning March, with lawmakers sceptical about any immediate relief from the sanctions.

Over the last 20 years, regional rival producers including the UAE, Iraq, and Saudi Arabia have each raised production by at least 1-2 Mb/d and built additional capacity, according to OPEC. Even before the sanctions were imposed in 2018, Iran's ageing mainstay fields kept production far below the 6 Mb/d that Iran produced before the 1979 Islamic Revolution.

Yet, Zamaninia seemed confident about regaining oil market share, mentioning that Asian and European companies made contact with Iran ahead of the potential sanctions relief.

In December, Zanganeh surprised the market with an ambitious plan to boost output to more than 6.5 Mb/d by 2040, which seems unrealistic and requires massive investment.

In fact, a lack of funds and plunging exports led Iranian oil companies to cut the number of newly-drilled oil wells from 300 in 2018 to 100 in 2020. The country's exports were at a high 2.8 Mb/d in 2018, which fell to around 300 kb/d in 2020.

According to Rystad Energy, Iran's production could exceed 4 Mb/d by 2023. Meanwhile, FGE suggests output will exceed 4 Mb/d by 2025, plateauing at approximately 5 Mb/d before it falls in 2037.[15]

Still, these forecasts can only be possible if the US and Iran reached a deal, leading to the removal of sanctions and opening ways for international investors and contractors into Iran's energy sector.

Exports

Iraq export revenues reach a 10-month high despite falling exports amid OPEC+ scrutiny

Although nationwide oil exports in Iraq declined slightly from 3.304 Mb/d in December to stand at 3.266 Mb/d in January, Federal oil revenues reached a 10-month high of US$ 4.739 B as the government's average sale price rose

[13] Reuters
[14] S&P Global Platts

[15] Reuters

from US$ 41.89/bbl in October to US$ 47.76/bbl in November to US$ 53.29/bbl in January (Figure 9).

The decline in exports indicates that the country's compliance with its OPEC+ quota may have improved, although 285 kb/d "catch-up" cuts still apply till March.

Oil sales from the semi-autonomous Kurdistan Regional Government (KRG) declined to 397 kb/d, mainly due to the timing of tanker loadings and storage builds. According to Iraq Oil Report, January's KRG oil sales stood at about US$ 530 M.

The 0.8% increase in Federal oil exports to 2.868 Mb/d was significantly offset by the 10.2% fall in Kurdish exports. Shipments from the southern terminals in the Gulf increased to 2.770 Mb/d, up from December's 2.748 Mb/d and November's 2.779 Mb/d. Likewise, shipments from Kirkuk oil via the port of Ceyhan rose to 98,450 b/d.

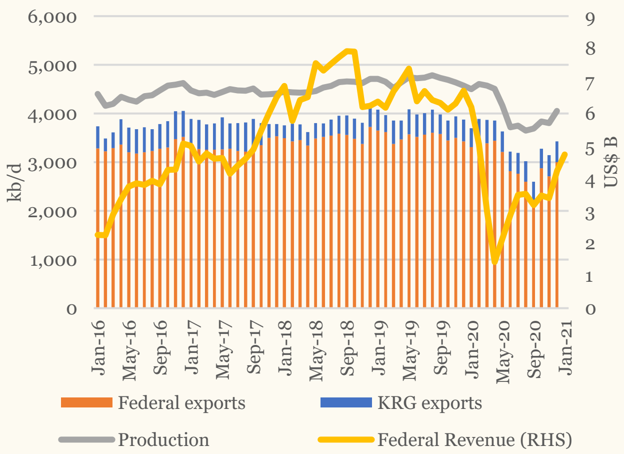


FIGURE 9 Federal Iraq Exports & Revenues till January 2021[16]

Iraq began loading its new grade Basra Medium for the first time in January, which is designed to help the oil industry maximize its oil sales value by stabilising the quality specifications of its Basra Light and Basra Heavy grades. Although the ministry didn't disclose the average price at which each grade was sold, overall Iraqi oil exports were sold at a discount of US$ 1.40/bbl.

SOMO cuts supply to Indian clients after selecting Chinese Zhenhua Oil in a five-year 130 kb/d oil deal

Industry sources mentioned that Iraq's Oil Marketing Company (SOMO) has reduced the 2021 Basra term volumes to a number of Indian refiners by 10-20%. The reduction of annual contracts for Asian customers potentially seeks to compensate for higher volumes produced in 2019, hence, to comply with OPEC+ obligations. The reduction goes in line with Iraqi Oil Minister Ihsan Abdul Jabbar's announcement earlier in January that the country will stay committed to OPEC decisions.

Iraq was the top oil supplier to India in 2020 and a decline in long-term Basra crude supply could affect Baghdad's market share in India, the world's 3rd largest oil importer. These changes came at a time when refiners are preparing to increase run rates amid an improved fuel demand. This will lead to supply uncertainty issues on the side of Indian customers, pushing them to look for alternative sources, like tapping spot markets.

SOMO will cut term supplies to Indian Oil Corp., the country's top refiner and its largest Indian customer, by 10% to 350 kb/d for Basra Light, Basra Medium and Basra Heavy. Meanwhile, volumes for Mangalore Refinery and Petrochemicals declined by 17% to 50 kb/d.

SOMO is also planning to reduce the oil contract of Bharat Petroleum from 2020's 100 kb/d by about a quarter. However, discussion with Bharat is still ongoing since the Indian company's annual contract starts from April.

Hindustan Petroleum asked SOMO to reduce its 2021 term supplies of Basra Light oil to about 50 kb/d, down from 2020's 80 kb/d. Iraq agreed to Hindustan's request, with ongoing talks about additional supply of Basra Medium oil.

Reliance Industries' annual oil contract has also changed, replacing 66 kb/d of Basra Light oil by 33 kb/d of Basra Medium crude.

These flow cuts to Indian customers come amid a potential prepayment oil deal between SOMO and China's state-owned Zhenhua Oil Co., currently on hold pending government approvals. After intense competition between European and Chinese companies, SOMO selected Zhenhua Oil Co. as a winner in a five-year 4 Mb/month oil supply deal that includes one-year prepayment of US$ 2 B.

Under the agreement, Zhenhua is allowed to choose destination and resell cargoes. While the KRG often has engaged in prepaid deals with its traders before, this agreement is considered Federal Iraq's first prepayment deal.
Ali al-Shatari, SOMO deputy Director General, mentioned that Iraq is unlikely to pursue such agreements in the near future. The deal's completion is dependent on higher authorities' meetings along with the decision of the cabinet and a guarantee letter from the ministry of finance to Zhenhua Oil Co.

[16] Qamar Energy Research

New Supplies/Discoveries

Early January, Muhammad al-Faris, Kuwait's newly-appointed oil minister, announced the discovery of three new oilfields, potentially adding to the country's production capacity. Two of the discoveries are located north of Kuwait and contain light oil and gas, while the third is an extension of the northern part of the Burgan oilfield.

The finds were welcomed by the Kuwait Oil Company (KOC), whose production capacity plans of 3.10 Mb/d by 2020 were upset due to curtailed production following CoVid-19's impact on demand. Al-Faris mentioned that the new finds unlock further low-cost resources and that additional appraisal wells will be drilled to confirm the reserves.

The Houma field is one of the new discoveries, covering an area of 70 km², with Houma-1 well flowing at a rate of 1,452 b/d of light oil from the Jurassic reservoir. The find sheds light on undiscovered areas in western and northwest Kuwait likely to boost production under KOC's 2040 strategic plan.

Although the exact location of the new discoveries is not yet announced, the Ministry of Oil mentioned that the fields are situated in an area where KOC conducted a 3D seismic survey. The latter was carried out in the "Khabrat Ali" area, west of the North Kuwait asset (Figure 10).

FIGURE 10 Kuwait oil infrastructure[17]

In 2021, KOC plans to conduct an additional seismic survey to determine the prospects within the south of the Khabrat Ali area. The survey will not focus only on the West Kuwait asset, but also the area around the Mutriba field to the north of Khabrat Ali. For this, bids were launched in February 1.

Al-Qashaniya field, the second new discovery, is located near the Raudhatain and Sabriyah fields, with Qashaniyah-1 well flowing at a rate of 1,819 b/d of light 49°API oil with 2.78 MMscf/d of associated gas.

Meanwhile, in a northern extension of the Wara, Mauddud and Burgan reservoirs of the Greater Burgan field, KOC discovered "conventional oil," as reported by al-Faris. A 3D seismic survey has also been carried out at the Burgan area in 2020, with several wells drilled to determine the reserves in the northern area of the field. These wells added more than 2 kb/d of capacity and can possibly pave the way for further increases in reserves.

In recent years, Burgan's production has declined from 1.7 Mb/d to just 1.5 Mb/d, leading KOC to appoint British major BP to assist in bringing back lost capacity under an enhanced technical service agreement (ETSA) awarded since 2016.

SPOTLIGHT OF THE MONTH

One year on: The Impact of the Coronavirus on Energy

The coronavirus pandemic has provided a glimpse of a new baseline for the energy industry.

The oil and gas industry has grown accustomed to shocks since the 1970s, but 2020 has provided a glimpse of what a new baseline could look like. The coronavirus led to an unprecedented collapse in oil demand in 2020, with after-effects carrying forward into 2021. The instantaneous falls are sharper than the 2009 financial crisis or even the Great Depression, with almost all world economies registering negative GDP growth.

Oil and coal have been the most affected, followed by gas, with renewables the least impacted.

Several legacy coal-fired power plants were mothballed or completely shut down in Europe and North America, while numerous projects in their pre-construction phase were cancelled, especially in China. A weakening competitive position versus gas and renewables, along with increasing

[17] MEES

adoption of environmental policies on the back of significantly lower carbon dioxide emissions in 2020, will continue to reduce coal-fired electricity generation in 2021.

Oil producers will remain under pressure in 2021, even as volatility surrounding prices has reduced.

The volatile and low prices triggered by the pandemic have put oil producers under pressure. Shell cut its dividend for the first time since the Second World War, while US producers shut-in some 1.6 Mb/d of output by June as it had become uneconomic.

With the realisation that returns on investments in development projects are not guaranteed, investment in unconventionals and long-cycle challenging environments such as deep water and/or Arctic locations have been reduced dramatically.

In the downstream, reduced capital spending, deferral of refinery enhancement projects, delaying refinery turnarounds, and closure of several older OECD refineries are expected to continue well into the first half of 2021.

Natural gas demand fell by 120 BCM in 2020, the largest annual drop on record.

Still, it was less impacted than its oil and coal counterparts. Most of the decline took place in mature markets across Europe, North America and Asia, which collectively account for 80% of the estimated drop in global natural gas demand for 2020. LNG continued to play a central role in balancing global gas markets and at the same time creating flexibility to match fluctuations in demand.

Already in oversupply, spot LNG prices slumped in mid-year to record lows, but reached record highs in January 2021 as supply outages and logistical constraints coincided with cold weather in east Asia.

Renewable-based power, meanwhile, increased by 7%, making it the least impacted energy sector.

Because renewables have minimal variable costs and typically priority grid access, their output is unaffected by demand. Renewables-based generation increased by an estimated 7%, mainly due to a double-digit percentage growth for wind power and an increase in solar PV output from new projects, and higher residential power demand (due to work-from-home policies) with the share of RE in electricity supply nearing 28% in Q1 2020, up 26% from 2019's levels.

Two major geopolitical events will determine the pandemic's legacy in world energy markets in 2021.

First, for the new US Administration, climate emergency will be prioritised through sweeping regulation, reducing greenhouse gas emissions, investment in low-carbon energy and bans on drilling across federal lands and waters, in addition to returning to the Paris Agreement.

Two, US relations with China appear to remain negative in the near-term, meaning both will look to exploit their indigenous fossil fuel resources fully. China will continue to dominate the manufacturing of renewable energy technology, while the US shall seek to gain in areas such as advanced batteries, autonomous vehicles and EVs, giving significant boost to these sectors, while at the same time using coal and natural gas as primary playing cards in the trade dispute.

Other countries will be drawn into the US-China face-off, giving new flavour to the energy transition.

Europe will be drawn in as a third pole of clean energy technology development and deployment; Japan as a Chinese rival, US ally and key potential hydrogen market; Australia as a politically-exposed source of coal, LNG, iron ore and other key commodities to China; and Russia as an important but subordinate energy partner to Beijing, providing gas and oil through secure land and marine routes, while having rivalries in Central Asia.

Overall, however, the energy market has shown remarkable resilience under such unprecedented stress.

With the exception of the brief WTI negative excursion, oil and gas prices dropped but remained in reasonable ranges. There were no serious shortages of energy products or blackouts.

Most major energy companies survived, despite financial strain. The action of OPEC+ was crucial in supporting the recovery of oil prices during 2020 and avoiding a complete filling of global storage.

Nevertheless, coronavirus will prove to have accelerated and reshaped existing trends more than creating them. The drop in oil demand has likely brought forward the date of peak oil demand, which could occur during the 2020s. That will require major producers to concentrate on cost-competitiveness and the best strategies to cope in a shrinking market.

SCENARIOS TO WATCH

Federal Iraq to import Kurdistan's Khor Mor gas by 2025

Timing: Q1 2025

Event: In the Kurdistan Region of Iraq (KRI), Dana Gas[18] is discussing a US$ 250 M loan with the US Development Finance Cooperation (DFC) for the expansion of gas production in the region. The Sharjah-based gas company plans to boost production from Khor Mor and Chemchemal fields to 940 MMscf/d beginning-2025 from the current 440 MMscf/d, with 36 kb/d of condensate in 2021. This would necessitate two gas processing trains with a combined capacity of 500 MMscf/d, with the 1st train expected to start operations by 1Q23, while the second will start production 18 months later. Securing the development loan would be vital to the expansion project, given Dana Gas' US$ 376 M net loss in 2020, compared with a net profit of US$ 157 M in 2019, mainly due to nCoVid-19's impact on demand and prices – leading to a 24% revenue decline in 2020. Subsequently, Federal Iraq expressed interest in acquiring the 250 MMscf/d of gas from Khor Mor's second phase expansion project, in an attempt to lower its dependence on Iranian gas imports. Baghdad had to secure waivers from the US government to carry on energy trade with Iran since 2018 and will still need it if no sanctions-relief is granted to Iran.

Opportunity: Acquiring the US$ 250 M development loan would serve the different parties' political interests and address energy security concerns in the region. On the one hand, the KRI would be able to boost its gas production capacity, providing feedstock for its fuel-short power plants, hence, avoiding gas flaring and displacing the more polluting diesel in power generation. The volumes could also be used in emerging industries – mainly cement, steel and petrochemicals – and as exports to regional markets, including Federal Iraq and Turkey, to help generate much-needed revenues. On the other hand, Baghdad gas imports from the KRI would reduce Iraq's reliance on Iranian gas imports, accelerating the transition away from energy trade with Iran as it advances its own gas production. The deal could also be a bargaining chip in negotiations over the KRI's share of the federal budget, and in government formation following the planned October 2021 national elections.

Probability: **40%**

Alternate Future:

Project hiatus:

30%: Khor Mor is developed for internal use in the KRI, but difficult negotiations with Baghdad and a lack of appetite from Turkey prevent full expansion or significant exports.

Continued sanctions on Iran:

10%: Dana Gas develops its expansion project as it secured DFC's US$ 250 M development loan. This is used to finance the development, construction and operation of the 500 MMscf/d gas processing facilities and the associated infrastructure. Dana Gas exports almost one third of the gas volumes from the Khor Mor field to Federal Iraq, which is still required to secure US waivers for its remaining Iranian gas imports, as it develops its own associated gas production in an attempt to end gas imports from Iran. The latter fails to acquire a sanctions relief under the Biden administration, despite efforts to revive the JCPOA negotiations.

Sanctions-relief granted to Iran:

20%: Upon completion of the expansion project, Iraq imports relatively lower volumes from KRI's Khor Mor field, while still receiving gas volumes from Iran. This comes as the US-imposed sanctions on Iran reach an end following intense and long negotiations, with Iran striking a deal with the International Atomic Energy Agency to allow the monitoring of its nuclear program. Iraq is now exempt from acquiring US waivers to conduct energy trade with Iran, allowing gas imports from the latter to resume smoothly. KRI gas volumes find their way to the Turkish market along with Southeast European countries.

Venezuela raises production to 1.5 Mb/d after oil swaps deal

Timing: Q3 2021

Event: In 2020, Venezuela's production declined dramatically, from 501 kb/d in Q1 to 403 kb/d in Q4, due to the combined effect of US sanctions along with nCoVid-19's impact on oil prices and demand. With oil prices hitting the US$ 60/bbl mark, Venezuela increased oil output in January to 487 kb/d from December's 415 kb/d, despite continuous US sanctions, still less than half of its 2019's average of 1 Mb/d. Yet, according to Bloomberg, at least 11.3 Mbbl of Venezuelan heavy crude have been surreptitiously exported to China. Recently, President Nicolas Maduro announced plans to boost production to 1.5 Mb/d in 2021.[19]

[18] Part of the Pearl Consortium

[19] Reuters

By end-January, Chevron and Reliance Industries requested US State Department officials to rollback some of Trump's administration's restrictions against Venezuela's oil industry, particularly oil swaps. While production ramp-up would be a step forward to Venezuela's oil sector, it could only be achieved under a US sanctions-relief, and would potentially add to the global oil supply surplus, further affecting oil prices – likely endangering the country's exemption from OPEC+ cuts.

Opportunity: Sanctions relief would partly revive the country's oil industry, which makes up 99% of export earnings and roughly one-quarter of GDP. The latter shrank by almost two-thirds between 2014 and 2019, with a further decline estimated at 30% in 2020. Oil swaps would at least allow the country to receive refined products, mainly diesel, which it failed to produce due to mechanical issues at refineries. This would also lessen the humanitarian crisis currently taking place in the country due to fuel shortage in power generation, public transportation, agriculture and food and medicine delivery. Henceforth, the resumption of oil swaps could allow production to increase up to 750 kb/d if the Biden administration eases some of the sanctions.

Probability: **50%**

Alternate Future:

Continued sanctions on Venezuela:
20%: Venezuela continues to secretly send oil shipments to China, making Chinese refineries an essential lifeline for its waning oil sector. This is carried out through doping the oil with chemical additives and changing its name in paperwork to sell it as a different crude while hiding any trace of its Venezuelan origin, defying US sanctions. Production increases but remains below the 1 Mb/d as Swissoil, acting on behalf of Mexican oil trader Libre Abordo SA, among other traders, become subjects to US sanctions. This lowers Venezuelan's oil production impact on global oil markets, allowing it to remain exempt from OPEC+ output cuts.

Partial easing of sanctions:
30%: Venezuelan oil production and exports witness gradual rebound following the easing of fuel swaps restrictions by the Biden administration. While oil swaps operations do not provide financial returns to the Venezuelan government, they help lessen the pressure on the country's energy needs, hence, alleviate the humanitarian crisis. Increased output might raise concerns within the OPEC+ pact, with potential cuts to be imposed on Venezuelan oil

TOP ENERGY DEALS IN THE NEWS

Project	Summary	Client	Contractor	Implications
Chevron Subsea pipeline to Egypt	Chevron and other companies helping to develop Israel's natural gas fields will invest US$ 235 M in pipelines to export gas to Egypt.	Israel natural Gas Lines (INGL)	Chevron, Delek	Israel Natural Gas Lines (INGL) will build a pipeline between the Israeli coastal cities of Ashdod and Ashkelon, near the border of the Gaza Strip. The partners in the Leviathan and Tamar fields will be able to export as much as 7 bcm/y of gas to Egypt. The new route will cost US$ 228 M, while the expansion work will account for US$ 7 M. The gas firms will pay 56% of the new pipeline and provide INGL guarantees on the funding used to cover the rest. The partners in the Israeli fields previously agreed to export 44 bcm of gas to Egypt over eight years, with flows starting between July 2022 and April 2023. The connection is important for deeper relations between Israel and Egypt, which have joined other countries in the East Mediterranean Gas Forum, a body which excludes Turkey due to border and political disagreements. The additional gas could be important for sustaining Egyptian LNG exports as mature fields decline over the next few years. Egypt plans to export gas it buys from Israel, along with that from its own giant Zohr field, to European markets, sending it in the form of LNG.
McDermott NFS project engineering	McDermott International Ltd has been awarded a contract from Qatargas to deliver FEED work for Qatar Petroleum's	Qatar Petroleum (QP)	McDermott International Ltd	The contract scope covers the replications of five offshore wellhead platforms. NFS is designed to boost liquefaction capacity from 110 Mt/y to 126 Mt/y by 2027. The North Field East (NFE), which

	North Field South (NFS) project.			is the Phase-1 expansion, will increase capacity from its current 77 Mt/y to 110 Mt/y in 2025. McDermott was awarded FEED for NFE in 2019 and is also running for NFE's major four-train EPC award in a consortium with Saipem and Taiwan's CTCL. This is a major tangible sign of progress after about a year's delay on the NFE, which is crucial to Qatar's strategy of deterring competition from higher-cost projects contemplating investment decisions in the near future, given a boost by recent high LNG prices over the 2020-21 winter.

MACRO DASHBOARD

MENA OIL EXPORTERS	REAL GDP GROWTH (%)		FISCAL BALANCE (% OF GDP)	
	2020f	2021f	2020f	2021f
Algeria	-5.5	3.2	-16.4	-16.4
Bahrain	-4.9	2.3	-13.1	-9.2
Iran	-5.0	3.2	-9.6	-6.8
Iraq	-12.1	2.5	-17.5	-13.1
KSA	-5.4	3.1	-10.6	-6
Kuwait	-8.1	2.5	-8.5	-10.7
Libya	-66.7	76.0	-102.9	-43.2
Oman	-10.0	-0.5	-18.3	-16.9
Qatar	-2.5	2.5	3.0	3.3
UAE	-6.6	1.3	-9.9	-5.1
Yemen	-5.0	0.5	-9.2	-6.0

* Subject to downward revision

MENA OIL IMPORTERS	REAL GDP GROWTH (%)		FISCAL BALANCE (% OF GDP)	
	2020f	2021f	2020f	2021f
Djibouti	-1.0	7.0	-1.5	-3.0
Egypt	3.5	2.8	-7.5	-8.2
Jordan	-5.0	3.4	-9.1	-7.4
Lebanon	-25.0	...	-16.5	...
Mauritania	-3.2	2.0	-3.8	-0.8
Morocco	-7.0	4.9	-7.8	-6.0
Palestine	-12.0	8.2	-15.4	-12.7
Somalia	-1.5	2.9	...	...
Sudan	-8.4	0.8	-6.9	-4.3
Syria	...	...	...	...
Tunisia	-7.0	4.0	-8.1	-5.1

	Economic updates	Comments
Inflation	• Egypt's annual core inflation eased to 3.6% YoY in January, from 3.8% in December 2020. • Headline Consumer Price Index (CPI) slid to 4.3% YoY in January from 5.4% YoY in December 2020.	• The slowdown in inflation was driven by a decline in food and beverage prices, which fell 0.5% YoY and 1.6% MoM. Overall prices fell by 0.4% on a monthly basis – at the same rate as the previous month. • The CBE held interest rates steady once again on February 4, with the overnight lending rate at 9.25% and the overnight deposit rate is at 8.25%. • With prices easing and inflation remaining within the CBE's new target of 7% (±2%), we expect a cut to the policy rate in its MPC upcoming meeting on March 18. • This would support recovery while keeping the real interest rates relatively high. High rates are key to attracting additional portfolio flows.
	• Saudi Arabia's CPI accelerated to 5.7% in January, from 5.3% in December.	• The increase in inflation was driven by a surge of 12% YoY in the average prices of food and beverages. This

		followed the 9.6% YoY rise in the transport sector as vehicle prices rose by 11%. • The effect of the 15% VAT increase at the beginning of July 2020 is starting to ease, but average inflation is projected to remain elevated for Q1 2021, at the same rate as Q4 last year, at 5.4%.
PMI	• Saudi Arabia's PMI rose slightly to 57.1 in January from 57 the month before. This is the fifth consecutive month of expansion and the highest reading since November 2019.	• A pick-up in activity had been expected following the optimism around vaccine rollout, which has helped business output to expand. • Improving market conditions, rising online sales and higher export demand have also supported the up-turn. New orders from foreign businesses have also peaked to the highest level in almost four years. • The recovery will remain slower than previous ones. We expect that it may take until H2 of 2022 for the lost private sector output of 2020 to be fully recov-ered.
	• The UAE's PMI is unchanged from the previous month of December, re-maining at 51.2 in January 2021.	• While the latest reading is the highest since August 2019, there has been marginal improvement in over-all business conditions since the end of 2020. This is due to the surge in COVID-19 cases and the renewed lockdown restrictions. • In Dubai, PMI declined to 50.6 in January from 51 the month before. • Despite the rapid rollout of vaccines in the UAE, ex-pectations for business demand remain weak. This is increasing the likelihood of a W-shaped recovery in UAE's private sector. • Unemployment, meanwhile, improved, with the in-dex reaching above 50. This has put an end to 2020's year-long period of job shredding.
Policy and Geopolitics	• The slow start to the vaccination pro-gramme, voluntary cuts to oil output, and tight fiscal policy indicate that Saudi Arabia's recovery in the first part of this year will be slow going. But the overall outlook augurs well for the kingdom as it makes headway with its Vision 2030 diversification plans.	- Saudi Arabia's central bank and the Public Investment Fund (PIF) are set to play a prominent role in powering the domestic recovery at a time when the government is seeking to maintain fiscal consolidation. - We are already witnessing a wave of re-forms and a step up in the PIF's investment plans, as it unveils ambitious projects and partnerships in emerging sectors. ○ The PIF's new five-year plan sets out that around USD 320B will be contributed to non-oil GDP by 2025 and around USD 800B will

		be invested in new sectors over the next 10 years. o To provide flexibility in its financial strategy, the PIF is also planning to obtain a loan worth up to USD 7B from international banks. Fundraising is set to be completed in early 2021. - Significant progress has been made, under the Vision 2030 Financial Sector Development Program, in improving access to SMEs and deepening the kingdom's financial markets. - All this is a step in the right direction towards making the kingdom more attractive to investors. But, more will be needed to balance its risk-reward trade-off. o Factors such as reputational risk and ease of doing business could weigh heavily on investor sentiment.
	• Egypt's recovery appears to be gaining traction as investor sentiment continues to turn in its favour. Vaccine efficacy and the Central Bank of Egypt's (CBE) ability to stabilise exchange rates have restored confidence and helped reverse the country's two-year-long inverted yield curve.	- The Ministry of Finance is shifting its approach to issuing longer-maturity debt and taking advantage of lower interest rates. o This will ease government borrowing costs, with overall debt expected to reach 68.3% of GDP this year, based on IMF forecasts. - Egypt issued a USD 3.8B three-part tranche bond for the first time this year. It closed a five-year USD 750M note with a yield of 3.9%, a 10-year USD 1.5B bond at 5.9%, and a 40-year USD 1.5B offered at 7.5%. o This is the second time Egypt has issued notes with maturity as long as the latter. - With the market wide open for high-yielding EM issuers, the issuance was more than four times oversubscribed, with total bids reaching USD 16.5B. - Additionally, as Egypt offers some of the highest carry trades among EMs, with short-term debt yielding around 13%, we expect international appetite for Egypt's bond market to remain strong.

	• For Iran, since President Joe Biden took office in the United States, establishing a pathway to diplomacy has been a priority for Tehran. A return to a nuclear deal, however, is not on the cards just yet.	- While Iran is eager to re-enter the nuclear deal – at least while President Hassan Rouhani is still in office, as the upcoming presidential election is likely to see a hardliner take the reins – the process will take much longer than the public has anticipated. - Compliance from Iran and the US is unlikely to come before a meeting. - Iran has been piling on the pressure for the US to lift sanctions first. o Tehran is walking a fine line, with parliament's decision to partially ban IAEA access to Iran's sites, and the recent announcement of the development of uranium metals which could be used to develop a weapon. - International support, including from the EU and Qatar, could bring additional pressure for Iran to return to the table, but, unlike the first deal, Iranian and American officials are well-aware and in contact with their counterparts. - This means that the introductions that were previously required are not needed, which in turn limits the need for external mediators to help facilitate talks. - Nonetheless, Iran's regional neighbours and international stakeholders will still want to have a say in the terms of the deal, meaning that a pathway to a final deal will remain long-winded and bumpy with various parties chiming in.
	• After enduring years of civil war, which divided Libya to the brink of partition, the country has finally had a breakthrough with the formation of an interim executive authority, which	- The latest developments have been a massive breakthrough in Libya. However, the situation remains fragile, with the next few months serving as a vital indicator of medium- and long-term opportunities. - Following the informal October 2020 ceasefire, the Libyan Political Dialogue Forum (LPDF) put forward a roadmap which helped to facilitate the unification of the country's institutions, as well as outline the

	is taking the reins until elections next year.	process which was used to select the executive authority that would be in charge of the country until the December 2021 elections.
		  - A unified budget was also established for the first time since 2014.
		- It seems clear that Libya is moving in a positive direction, although we remain wary as long as foreign mercenaries maintain a presence in the country.
		- While leaders of Turkey, the UAE, and Russia have endorsed the peace process, foreign troops have remained in the country.
		  - The 5+5 security talks' 23 January deadline of withdrawal expired with the terms yet to be met.
		  - The UN will continue to double down on mercenaries, but without foreign leaders buttressing the UN's initiative, these players will remain, posing an ongoing risk to the stability of the ceasefire.

	• Following months of technocratic rule, the Sudanese Prime Minister Abdalla Hamdok named a more diverse and expanded 25-member transitional cabinet. The new government faces myriad challenges, as Sudan is still reeling from 30 years of al-Bashir rule, which decimated the economy and security of the country.	- The new cabinet includes members of different rebel groups, including the Sudan Revolutionary Front, in a bid to fulfil the peace agreement signed last October.
		- Prime Minister Hamdok was forced to reshuffle as he struggled to push through much-needed reforms and secure foreign funding, as the situation was still strained between the different factions of the country.
		  - Only five members of the previous cabinet were retained by Hamdok, most importantly the Minister of defence, and other positions were awarded to a variety of organisations – including the Umma Party, the National Ba'ath Party and the Beja Congress – to present a united front.
		- The new cabinet will shift its focus to the peace agreement, which aims to end the conflict in Darfur.
		  - The conflict has been ongoing since 2003 and has left an estimated 300,000 people dead and 2.5 million displaced, according to UN figures.

		- The reshuffle will be crucial in easing the country's transition to democracy and putting an end to years of civil unrest.

OUTLOOK FOR 2021

Rows with a red border indicate updates to previous developments, or new developments, relevant to the sector

ALGERIA	
Oil	• Sonatrach and Italy's Eni signed an MoU to boost their exploration and production partnership in the Berkine Basin. The MoU aims to define the following steps in order to conclude one or more contracts under the new legal framework • Thailand's state-firm PTT has agreed to buy Chinese state-firm CNOOC's 24.5% stake in Algeria's 60 kb/d Hassi Bir Rekaiz development in the Berkine Basin, doubling its share to 49%, while Sonatrach will hold 51%; Phase-1 of the field's development (13 kb/d) is expected to be brought online in H2 2021 • Algeria has said it is willing to back an extension of OPEC+'s current 7.7 Mb/d cuts through the first months of 2021 as this might provide a boost to prices and facilitate faster inventory drawdowns
Gas	• UK-services firm Petrofac is demanding US$ 533 M compensation from BP, Equinor and Algerian state-firm Sonatrach owing to a security-related disruption at the 9 BCM/y In Salah gas development back in 2013-14 • Petrofac initiated the arbitration on August 07 as its finances continue getting stretched after being implicated in corruption allegations in Saudi Arabia and Iraq, its former core markets • The arbitration runs the risk of souring relations with Sonatrach, a significant blow to Algeria, who is relying on Petrofac on two other EPC contracts worth a combined US$ 1.5 B: the US$ 500 M 4.8 BCM/y Tinhert Phase-1 expansion at Sonatrach's aging Ohanet field, and the US$ 1 B, 4.8 BCM/y Ain Tsila project
Alternative Energy	• Algeria has announced plans for a giant, 4 GW solar project costing US$ 3.2-3.6 B, which will be developed through five annual tenders up to 2024, the Tafouk 1 solar field; current total renewables capacity is 673 MW • In light of these plans, Systeme Panneaux Sandwichs (SPS), Algerian solar panel maker, formed a partnership with UAE mounting system provider Qi-energy to jointly manufacture mounting structures for PV systems; the JV's new product will be offered domestically and on the African market
Geopolitics	• On November 01 Algeria approved a new constitution that will hand more powers to parliament, limit presidents to two terms, and allow the Algerian army to intervene abroad • The new constitution has been hailed by President Abdelmadjid Tebboune as the beginning of a 'New Algeria', a vision not shared by the 'Hirak' movement which continues to demand a complete uproot of the system • The constitution referendum was marked by turnout of a mere 23%, highlighting citizens' lack of faith in their government's efforts to remedy the ongoing crisis • Over 5,000 people gathered in the northern town of Kherrata to mark two-year anniversary of the Hirak protest movement, which ousted former president Abdelaziz Bouteflika from power in 2019. Smaller demonstrations have been taking place across the country in recent weeks. Concerned about the implications of the movement, Algeria's current president announced the dissolution of the parliament, allowing for early elections and ordered an amnesty for 55-60 detained Hirak protesters

EGYPT	
Oil	• The Egyptian Ministry of Petroleum and Mineral Resources signed 9 new petroleum agreements to explore for oil and gas in the Mediterranean and Red Sea with six major international and local companies • The Ministry reached a total of 12 agreements in 2020, with a minimum investment of about US$ 1.4 B, planning to drill 23 wells in nine regions in the Mediterranean and three regions in the Red Sea, with three further agreements to be signed • The country added to its international partnerships portfolio by forging new agreements with ExxonMobil and Chevron, entering Egypt for the first time to invest in oil and gas exploration

	• Exxon will search in the North Marquia area in the Mediterranean, with a minimum investment of US$ 122 M, which includes drilling three wells. Meanwhile, Chevron and its partner Tharwa Petroleum, an Egyptian-based company, will search in the North Sidi Barrani area, with a minimum expenditure of US$ 70 M, which entails the drilling of only one exploration well
Gas	• UK-listed upstream junior SDX Energy plans to accelerate new drilling at the South Disouq concession onshore Egypt. SDX is drilling Hanut, a well targeting 139 Bcf of P50 prospective resources. Hanut is similar to the Sobhi discovery made in April, although significantly bigger. Gross production from South Disouq averaged 49 MMscf/d of dry gas and 467 b/d of condensate in the first nine months of the year • BP has started gas production from the Qattameya gas field in the north Damietta concession offshore Egypt via its Pharaonic Petroleum Co. (PhPC) joint venture; the field, discovered in 2017, is located in 108 metres of water west of the Ha'py platform (of the Ha'py and Tuart field development) and is expected to produce up to 50 MMscf/d • BP has tied the field back to the Ha'py and Tuart field via a new 50 km pipeline
Alternative Energy	• Mumbai-based Sterling and Wilson Solar (SWSL) signed a US$ 127.5 M engineering, procurement and construction project in Kom Ombo, Egypt. The company did not disclose the details of the project, announcing only that it is set to be commissioned by Q1 2022. A presentation by SWSL shows that the awarded capacity under the contract stands at 230 MW • SWSL has executed five projects in Egypt so far, with a combined capacity of 322 MW at the Benban Solar Park • Egypt's Ministry of Electricity and Renewable Energy is looking to increase power generation from RE sources to 60% by 2035; current RE share in the power generation mix is at 11% • Siemens has delivered the first blades for the 250 MW West Bakr wind project under a turnkey EPC contract with project developer Lekela Power; once online, West Bakr will increase Egypt's wind power capacity by 19% • The farm shall operate under a PPA with the Egyptian Electricity Transmission Company (EETC)
Geopolitics	• Amnesty International published a report on prison conditions in Egypt, detailing 67 individuals in detention, 10 of whom died in custody and two died shortly after being released, suggesting inhumane treatment by the authorities, particularly in providing unhealthy food, no proper access to healthcare, poor ventilation, and limited access to water and toilets, leading to substantial outbreaks of CoVid-19 • Egyptian authorities continue to carry out large-scale arrests and over-incarceration after 10 years from the Arab spring uprisings, with prisoners left with only 1.1 square meters of floor space each in the 16 prisons examined by Amnesty – the International Committee of the Red Cross (ICRC) recommends at least 3.4 square meters • Egyptian President al-Sisi met incoming Libyan prime minister Abdulhamid Dbeibeh in Cairo, offering support in achieving stability in the war-torn Libya. Egypt welcomed the new interim government, the latest UN-brokered effort to unite Eastern and Western administrations in Libya • Consequently, Egypt is planning to reopen its embassy in Libya's capital for the first time in six years, marking a shift to a more reconciliatory approach towards western Libya-bound factions

KUWAIT	
Oil	• Oil Producer Kuwait Petroleum Corp. (KPC) is discussing the shortening of its annual supply deals with Indian and Japanese customers to nine months in 2021 to meet demand from its 615 kb/d Al-Zour refinery. KPC will sign 12-month contracts beginning April 2022 • KPC plans to send oil supplies to Indian buyers from April to December 2021, rather than to March 2022. The company mentioned that it would assess the situation over October and November before committing supplies for Q1 2022 • This comes as KPC's fourth new refinery is due to start operations end-2021, making Kuwait one of the largest fuel producers in the region • Indian refiners had hoped to increase imports from Kuwaiti oil after Iraq's announced term supplies cuts of its Basra Light grade this year • Bharat Petroleum Co. has aimed to increase KPC supplies by 25% to 60 kb/d, with an option to buy an additional 50 kb/d for 2021-22. Bharat had the option to import 28 kb/d in this financial year to March 31 Mangalore Refinery and Petrochemicals has sought a 14% increase to 40 kb/d while raising optional volumes to 15 kb/d from 10 kb/d in 2021-22. Meanwhile, Indian Oil Co. plans to reduce its contract to 100 kb/d from 120 kb/d but aims to increase optional volumes to 50 kb/d from 30 kb/d

	• KPC is still negotiating contracts volumes under the new supply deals, while it is discussing the duration of a Japanese refiner's contract • Halliburton Company was awarded a contract from Kuwait Oil Company (KOC) to collaborate on their digital transformation through the maintenance and expansion of digital solutions for their North Kuwait asset. This would allow KOC to accelerate data-to-decisions cycle by designing and operating digital twins of the field to automate processes, backed up by DecisionSpace 365 – a cloud-based subscription service for E&P applications
Gas	• KOC has pre-qualified three Chinese companies and one local firm for Northern Jurassic gas projects worth US$ 1.5 B; the Central Agency for Public Tenders pre-qualified the Kuwaiti-based Gas and Oilfield Services Company, China's Sinopec Engineering, Sinopec Luoyang Engineering, and Jereh Oil and Gas Company
Alternative Energy	• Kuwait has abandoned plans to build the 1.5 GW al-Dabdaba solar complex due to the CoVid-19 pandemic's economic impact. The cancellation was said to allow Kuwait Petroleum Corp. to better focus on its priorities and keep its position in the international oil markets, but marks a setback for Kuwait's renewable plans and its attempts to reduce domestic oil consumption • The project was undertaken by Kuwait National Petroleum Co. (KNPC) in 2018 and was planned to become operational in February 2021 in the Al-Shagaya Renewable Energy Park bordered by Saudi Arabia. It was expected to cover 15% of the electricity needs of the oil sector
Geopolitics	• Kuwait held its first National Assembly election since the ascension of Sheikh Nawaf al-Ahmad al-Sabah as Emir. The final count of the votes showed 31 new candidates had been elected to the 50-seat assembly as members of parliament. 29 female candidates campaigned for seats, with none of them succeeding. • Kuwait's Emir, Sheikh Sabah al-Ahmad al-Jaber al-Sabah, known for his humanitarian and mediation efforts, died on September 28 at the age of 91. Subsequently, Sheikh Nawaf Al Ahmed Al Sabah, aged 83, the Crown Prince and Deputy Emir, will take the constitutional oath to become the new Kuwaiti Emir • The more controversial point is who he will choose as his Deputy Emir and nominated successor. • The Emir issued a decree to postpone parliament meetings for a month starting from February 18, based on Article 106 of the constitutions, without stating further details. This came following a standoff between the elected assembly and the appointed government leading the cabinet to resign in January • Consequently, the Emir reappointed Prime Minister Sheikh Sabah al-Khalid al-Sabah to nominate a new cabinet

IRAN	
Oil	• The National Iranian Oil Co. signed eight more oil projects, part of the US$ 6.2 B national program aimed to boost production by 355 kb/d at 33 fields • The eight projects will cost US$ 1.2 B, potentially adding capacity of 85 kb/d. The first phase of the projects signed since January 2019 has reached a 30% completion rate, with some fields already producing • The Iranian Continental Shelf Company announced the installation of a 680 tonnes platform on October 31 for developing the Forouzan oilfield, shared with Saudi Arabia's 405 kb/d Marjan oilfield • The field is located ~100 kilometres south of Kharg; Iran's share of reserves is 11%, while Saudi Arabia owns 89%. Iran's share can produce ~40 kb/d, and is part of the "33 projects on the agenda of the Ministry of Oil to stabilise and increase oil production." • Development is not the most expensive, but US$ 314 M is a significant cost for cash-strapped Iran
Gas	• After cutting gas supplies to Iraq over arrears of more than US$ 6 B, Iran resumes normal gas flows to its neighbouring country after reaching an agreement, which entails the use of financial resources in Iraq to purchase CoVid-19 vaccines from Europe. Tehran received approval from US authorities to transfer US$ 244 M to buy CoVid-19 vaccines from the World Health Organization-led COVAX alliance. • Iran has launched three major gas projects worth over US$ 5.5 B to develop the Phase 1 of Bushehr Petrochemical plant, national gas network lines and the West Karun Oil Cluster power plant • Phase 1 of Bushehr Petrochemical Plant aims to produced 4 Mtpa, in which the plant will receive 9.6 MCM of sour gas from South Pars Complex fourth refinery • Meanwhile, the 1,850 km long national gas network lines project aims to accelerate the gas transfer capacity by 110 MCM/d, which enables the National Iranian Gas Co. to ensure continuous supply of gas for exports to the western and north-western regions; the 492 MW West Karun power plant seeks to provide electricity for the joint fields and oil facilities in the region

Alternative Energy	• Six new solar plants will come online in Fars province in Southern Iran, raising overall RE capacity in Fars province to 58.6 MW. Iran's solar plants continue to be small compared to its Gulf neighbours', due to lack of access to finance for the mostly private developers • Permits have been issued to set up 17 more solar plants with capacities ranging from 1-25 MW in the province
Geopolitics	• The International Atomic Energy Agency (IAEA) reached a 3-month deal with Iran to continue its verification and monitoring of nuclear activities • Iran's Atomic Energy Association mentioned that the Additional Protocols and IAEA access, as part of the 2015 nuclear deal, will be fully suspended, leaving the agency with limited access covering the safeguards of the Non-proliferation Treaty only • Iran blames Israel for the assassination of Mohsen Fakhrizadeh, a top nuclear scientist, while implying that they had the blessing of US president Donald Trump. The country stresses that the incident would not slow down its nuclear programme while promising to retaliate • A series of fires and explosions broke out at military, nuclear and industrial facilities in the country last month, presumed by many sources to be connected to Israeli sabotage to disrupt Iran's re-emerging nuclear program • Meanwhile, a significant surge in CoVid-19 cases is also raising concerns, with cases likely under-reported according to Iranian Health Ministry documents obtained by BBC

IRAQ	
Oil	• Iraq has reduced annual supplies of Basra crude oil to several Indian refiner by up to 20% for 2021, in an attempt to comply with the OPEC+ production cuts after a year of overproduction • Iraq began loading its new grade Basra Medium for the first time in January, which is designed to help the oil industry maximize its oil sales value by focussing on the quality specifications of its Basra Light and Basra Heavy grades • Russia's Lukoil is seeking to develop new oilfield projects in Iraq even as falling crude prices and the OPEC+ curbs have caused the company to reduce production in the country • The firm is expected to "soon" submit proposals to Iraqi authorities to develop the 300 kb/d (potential) Eridu field in Block 10 • Oil companies in Iraq were ordered to increase production by 250 kb/d in October due to the protracted financial crisis and soft oil prices, plummeting Iraq's compliance for the month 12% lower than September
Gas	• The Oil Ministry announced the completion of an 18", 22 km gas pipeline to Mosul's 750 MW Al Qayara power plant. The pipeline connects to the Baiji-Mosul gas pipeline which feeds power plants from Kirkuk. It was built and commissioned by the State Company for Oil Projects (SCOP) and Oil Pipelines Company (OPC) in three months • The new pipeline will supply 130 MMscf/d of gas to the power station from Kirkuk. However, if Iraq does not tackle its flaring issue, supplying Al Qayara with gas implies that less gas will go to other plants. • In an attempt to lower its dependence on Iranian gas imports, Iraq is moving ahead with plans to develop associated gas projects in the next two to three years • Currently the country is looking to develop 1.2 Bcf of associated gas projects; this includes 200 MMscf/d at Nasiriyah field, 300 MMscf/d at Halfaya, 400 MMscf/d at Ratawi and 300 MMscf/d from other fields
Alternative Energy	• The Ministry of Electricity kicked off a 755 MW solar tender mapped across the provinces of Wasit, Karbala, Al-Muthanna, Babel and Diwaniyah. The awards had been hoped to be completed by the end of 2020 but delays are likely
Geopolitics	• Two wells at the small Khabbaz oilfield in Kirkuk were bombed on December 9, signalling persistent energy infrastructure security risks in northern Iraq. About 2 kb/d of the field's 26 kb/d capacity has been taken offline • Iraq's parliament has failed in its attempt to pass a new electoral law for elections to be held next year, even as protestors are calling for a new wave of demonstrations against the current government • Amid these circumstances, the head of the Hikma Movement, Ammar al-Hakim, is calling for a new social contract to form a new political system responding to the Iraqi people's demands – a non-sectarian alternative to the existing political structure • PM Kadhimi has called for elections to be held in June 2021; however this requires approving the electoral law and forming the federal court and the electoral commission, which are yet to be realised

	• The Iraqi dinar is being devalued to help the government meet its budgetary obligations; the rate of 1182 IQD:1 USD will fall to 1450, cutting living standards for those on government salaries and raising inflation, but still stronger than the IMF-recommended rate of 1600 IQD:1 USD.

IRAQI KURDISTAN	
Oil	• Total SE is in talks on the sale of its 18% stake in the Sarsang block, advised by Jefferies Financial Group. Total already completed US$ 1.1 B in asset sales during the first nine months of the year, as to curb debt, with oil and gas prices plunging • Iraqi Kurdistan's November exports rose slightly to 435 kb/d up from October's 401 kb/d, indicating a recovery from the attack on the oil pipeline which halted exports in October and led to US$ 6 M loss in revenues. Oil sales are estimated at US$ 388 M in November, up from US$ 355 M in October • The PKK is suspect in the attack, who has long been carrying out guerrilla warfare against Turkey, claiming to fight for the rights of the long-oppressed Kurdish minority there
Gas	• Dana Gas, part of the Pearl consortium, plans to secure US$ 250 M development loan from the US Development Finance Cooperation to build two gas processing facilities, each has a 250 MMscf/d capacity. This is likely to boost production at the Khor Mor field from the current 440 MMscf/d to 940 MMscf/d in Q1 2025. • Dana Gas will boost its investment in Kurdish gas following sales of its onshore Egyptian assets to Wastani Petroleum, which will reportedly increase its focus on the development of "world-class assets" in Kurdistan • The company operates 2 major natural gas fields in the region: Khor Mor and Chemchemal, owning 35% shares through Pearl Consortium since 2007; the firm has signed a 20-year GSA with the Kurdish government to enable production sales of an additional 250 MMscf/d by 2021
Alternative Energy	• Limited investment in renewables (priority would be given to thermal power stations), but some interest in small-scale solar (including a new EU-funded 2 MW solar plant in Duhok) • Slow progress in construction and rehabilitation of new dams.
Geopolitics	• The yet-to-be completed 2020 Iraqi budget brought to the fore the long-standing disputes between FI and the KRG over the rights to sell oil and the sharing revenue mechanisms, especially after Baghdad passed the US$ 10.2 B emergency financing bill • Federal Iraq has resumed KRG monthly transfers at US$ 270 M, ~30% lower than 2019 and January-March transfers of US$ 384 M per month (which were based on the 2019 budget) • The transfers seem to be calculated on a 75-80 kb/d cut from the KRG under the OPEC+ pact at KRG oil prices of US$ 30/b (including a US$ 11/b discount) • The resumption of transfers (which had halted after April following the failure of KRG to transfer 250 kb/d of oil exports to SOMO) is "in partial fulfilment of the budget" and in exchange for progress on the disputed territories

LEBANON	
Oil	• Tensions with Israel over both countries' maritime borders (which have gained importance after large and lucrative natural gas discoveries in the region) has resulted in US-mediated negotiations, even though a settlement to the dispute is likely a long way off, and should not impact current hydrocarbon efforts in the region • On October 29, mediators announced that Israeli-Lebanese maritime talks were productive. The Lebanese delegation raised issued related to areas outside the disputed waters, including the Karish and Tanin gas fields currently operated by Energean, which Israel rejected to discuss in the second meeting. This was followed by a letter from Udi Adiri, Israel's Ministry of energy's director general, to Energean clarifying "matters"
Gas	• Lebanon will continue using fuel oil power ships for electricity supplies till at least 2021/22 until the country's two planned LNG FSRUs are ready • The Ministry of Electricity wants to add a third temporary power ship (1.45 GW) to ease the power supply-demand gap (estimated to be 1 GW); this could delay LNG imports further
Alternative Energy	• Lebanon is planning up to 400 MW of wind farms and 300 MW of solar PV plants with electricity storage, as was announced by the Ministry of Electricity on September 13
Geopolitics	• Former Lebanese PM Saad Hariri has been tasked with forming his fourth government winning a slim majority of votes in parliament just under a year after his resignation amid mass-protests last year

	• Hariri has promised to form a government of non-partisan experts to implement economic and political reforms outlined in an initiative proposed by French President Emmanuel Macron during a September visit • Hariri's re-election highlights Lebanon's deep political crisis, after little-known academic Hassan Diab – who succeeded in forming a government – resigned after the August 04 blast

LIBYA	
Oil	• An affiliate of the Libyan state-owned National Oil Corp. was forced to shut down a leaking pipeline mid-January, halting oil production by around 200 kb/d, indicating the implications of years of war and neglect • An interview between The Times and NOC chairman Mustafa Sanalla confirmed that output was at 1.3 Mb/d, higher than even pre-blockade levels • Despite the recovery, members of the Petroleum Facilities Guards (PFG) are threatening to stop Es Sider, Hariga and Ras Lanuf terminals' shipments, in a dispute over unpaid wages
Gas	• The NOC said that an agreement was struck with Egyptian Minister of Petroleum Tarek El Mulla for Egyptian companies to resume work in Libya • Projects to be resumed include a Petrojet contract to build a gas transmission pipeline from Intisar oil field to Sarir power plant
Alternative Energy	• Libya has inaugurated the construction of a 100 MWp solar PV power plant in Kufra by a Chinese company, southeast Libya; the plant should help secure electricity supply for the town's population, which is currently supplied by a 75 MW thermal power plant • The thermal plant has been out of service for several months because of a fuel supply issue caused by the country's instability.
Geopolitics	• After being split between east and west since 2014, Libya has welcomed a new interim government to unite the Eastern and Western factions beginning February, an outcome of UN sponsored talks. However, with many factions afraid to surrender power and with foreign influence on local allies, the new government will come likely under immense pressure • The appointment of the new government might not change a lot in terms of the balance of military power in Libya, where armed groups rule the streets while factions remain split between east and west • Mohammed al-Menfi, a former diplomat from Benghazi, will head a three-man presidency council, while Abdulhamid Dbeibeh heads the government as prime minister

OMAN	
Oil	• Oman awarded the E&P rights for the concession Block 71 to the Omani energy exploration and production company Majan Energy. • Block 71 covers 282 km² and is home to proven ultra-heavy oil reserves. Majan's responsibilities comprise obtaining geological and geophysical studies, drilling appraisal and pilot wells along with the use of enhanced oil recovery (EOR) technology to assess and produce the ultra-heavy oil in Habhab field in Block 71, with 2.4 billion barrels in place. • Dr. Salman Mohammed al Shidi, director general of oil and gas investments affairs at the Ministry of Energy and Minerals, mentioned that the Habhab oilfield is a promising reservoir, which the company plans to explore and develop through partnerships between Majan Energy and Chinese partners using "the latest technology," with a minimum investment of US$ 15-20 M in its tasks, which entail the drilling of wells • Oman's Ministry of Finance announced on December 7 the foundation of 100% government-owned Energy Development Oman (EDO) company. The latter will receive oil and gas revenues to settle annual capital and operational production costs. The company will own the government's 60% share in the state-owned PDO which operates Block 6, the country's largest block • Drilling of the second development well on the Yumna oilfield in block 50 (100% held by Masirah Oil) offshore south-eastern Oman has started, with a third well to follow on completion of Yumna 2. These serve to optimize reservoir drainage and to maximize recovery. Drilling is expected to last for 90 days, after which the newly contracted Tenacious rig, previously contracted by Dubai Petroleum, will be released. This is Oman's first offshore oil and gas development outside the Gulf.

	• Sweden's Tethys Oil has increased its stake in Oman's Block 56 from 20% to 65%, also assuming operatorship from Indonesia's Medco for US$ 5 M; Medco will retain a 5% stake in the southern Oman exploration acreage, which Tethys entered in late-2019 • Medco drilled 3 wells in Q1 2020, one of which produced 20-25° API crude, but commerciality is yet to be determined by Tethys
Gas	• Thai PTTEP will buy a 20% stake in Block 61 from BP, as part of the latter's fossil fuels asset divestment campaign as it focusses more on renewable energy. • Block 61 is BP's biggest asset in Oman and has a capacity of 1.5 Bcf/d and more than 65 kb/d of condensate. The company expects the deal to close this year, after which it will stay the block's operator and largest shareholder with 40% ownership • BP is also eyeing start of production from its Phase-2 1 Bcf/d Khazzan tight gas project (also known as Ghazeer) by end-2020, well ahead of the major's initial mid-2021 plan • The project will add 500 MMscf/d to total Khazzan output, bringing Oman's capacity close to 5 Bcf/d
Alternative Energy	• Sterling and Wilson has commissioned its second solar project in Oman. The 25 MW array was awarded to SWSL by Shell. The project is located on a 50-hectare site within Sohar Freezone. • In June 2020, SWSL commissioned its first 125 MW solar energy project in Oman, Amin solar PV. • Deme Concessions of Belgium to develop a 500 MW large-scale green hydrogen plant, HYPORT, at Duqm, based on wind and solar power • The FID for the other stages will be announced by 2021
Geopolitics	• Oman is planning income tax on wealthy individuals starting in 2022 as part of a broader program to tackle a budget deficit that's ballooned due to low oil prices and the coronavirus pandemic • By reducing government spending while spurring investments, the plan is projected to bring the budget deficit – estimated to reach nearly 19% of gross domestic product in 2020 by the IMF – to 1.7% by 2024 • Revenue from the income tax will be used to fund social programmes; it's unclear whether both citizens and expats will be subject to the tax, which raises concerns of discontent among residents

QATAR	
Oil	• Qatar's North Oil Company (NOC) has issued huge Gallaf offshore tenders for work on multiple packages involving further expansion of its Al Shaheen field, the country's largest offshore oilfield, located in Qatar peninsula
Gas	• QP awards NFE expansion project to Japanese Chiyoda and TechnipFMC JV. The EPCC contract was awarded for the North Field East onshore facilities, comprising two additional LNG trains, 8 Mt/y capacity each and a CO_2 carbon capture and sequestration facility • The expansion will cost a massive US$ 28.75 B – likely the biggest project sanctioned across the global upstream business in 2021 • QP has placed an order with Baker Hughes for multiple main refrigerant compressors for the North Field East (NFE) project, largest deal Baker Hughes has won with QP in the past 5 years • The deal is part of four mega trains, with a combined total production of 33 Mtpa, which will take the Qatari liquefaction to 110 Mtpa by 2025
Alternative Energy	• Qatar's 800 MW solar tender (Kharsaah) was awarded to a consortium of Total and Marubeni for US¢ 1.6/kWh. A further 800 MW solar plant is planned to help power the North Field Expansion LNG project, with Qatar Petroleum targeting 3000 MW by 2030.
Geopolitics	• Diplomatic relations between Qatar and Saudi Arabia have been restored, with the Kingdom opening its borders in a move to end a dispute of more than 3 years. The UAE, Bahrain and Egypt followed suit, with all the six GCC member states meeting at al-Ula summit to sign an agreement affirming the restored ties • With the campaign to normalise ties with Israel spreading across the Middle East, Qatar announced that it will not join Gulf Arab neighbours in establishing diplomatic relations with Israel until its conflict with the Palestinians is resolved

SAUDI ARABIA

Oil	• Saudi Arabia surprised the market with a large voluntary cut of 1 Mb/d, a unilateral decision made by Crown Prince Mohammed bin Salman. The cut is expected to bring the Kingdom's production down to 8.125 Mb/d in February and March • A report issued by the UK-based Oxford Foundation mentioned that Saudi Arabia's voluntary cut prevented high levels of demand uncertainty and led to market stability, stopping oil from plunging under US$ 50/bbl. • On November 18, Saudi Aramco awarded long-term (6 years per each) agreements to 8 firms for oil and gas brownfield projects. Following a new sustainability-focused contracting strategy, the company awarded a consortium comprising Nasser Saeed Al-Hajri and Contracting and Samsung EPC, Daelim Saudi Arabia, Engineering for the Petroleum and Process Industries branch, Snamprogetti Engineering and Contracting (Saipem), JGC Gulf Engineering, Branch of Technip Italy, and Branch of Hyundai Engineering and Construction. The scope of the contracts includes engineering, procurement, construction, start-up, and pre-commissioning of each project. • On August 30, Saudi Aramco announced the discovery of two new oil and gas fields, Hadabat Al Hajarah and Abraq Al Talul, both located in the northern region of Al Jouf, bordering Jordan; Hadabat Al Hajarah had a flow rate of 16 MMscf/d of gas and 1,944 b/d of condensate production • Meanwhile, flow rates at Abraq Al Talul, which lies to the south east of the northern city of Arar, were 3.5 MMscf/d of gas and 3,189 b/d of Arab Light crude • This suggests opening of a potentially significant area of unconventional (tight) resources in the undeveloped north-west is significant particularly for gas supply in western Saudi Arabia
Gas	• Malaysian Sapura Energy has been awarded contract by Saudi Aramco involving projects in the Zuluf, Ribyan and Abu Safah oilfields offshore the Kingdom. • The scope of work entails the engineering, procurement, fabrication, transportation and installation and pre-commissioning of jackets for three new wellhead platforms at the three oilfields. The work completion is scheduled on Q1 2022. • The 2.5 Bcf/d Fadhili gas processing plant has begun partial operations, supplying power plants and desalination plants in Saudi Arabia with gas; Fadhili will help displace liquids from power plants and boost Riyadh's flexibility in managing its crude oil reserves
Alternative Energy	• German Schmid has created a JV with Nusaned Investment for the development and manufacture of Vanadium Redox Flow Batteries (VRFB) with plans for a 3 GWh factory
Geopolitics	• Aramco shares have recovered to US $9.36, after falling in March to their lowest level (US$6.74) since the IPO began trading in December 2019, due to the oil market collapse amid worries about the coronavirus • This marks a recovery above the IPO price of US$ 8.53
SYRIA	
Oil	• Syria's parliament approved contracts for oil exploration with Russia's Mercury LLC and Velada LLC • The deals cover exploration and production in three blocks, including an oilfield in north-eastern Syria, scene of Turkey's recent offensive and also desired by Ankara, and a gas field north of the capital Damascus
Gas	• Palmyra gas fields under government control
Alternative Energy	• The Syrian Ministry of Electricity Transmission Establishment has issued two tenders for the construction of solar power plants with a combined generation capacity of 63 MW • The first tender is for a 40 MW solar plant near the Jandar natural gas power plant in the Homs province, and the second tender is for a 23 MW solar plant near Damascus. Bid deadline was set for March 20, but the continuing war, sanctions, and pandemic-induced economic recession have delayed these, and should also exclude serious bidders
Geopolitics	• The Syrian Democratic Forces (SDF) have initiated withdrawal of troops from the Turkish border as part of a Russian-Turkish cease-fire deal, after which Syrian government troops will take control of the border • However Russian-Turkish tensions have intensified after Turkey shot down two Syrian fighter jets (backed by Russia) over Idlib on March 01 • Two Russian warships armed with cruise missiles have transited from Sevastopol, Crimea, through the Bosporus Strait in Istanbul to Mediterranean waters.

UAE

Oil	• ADNOC awarded offshore Block 4's exploration rights to Japan's Cosmo Energy as part of its 2nd upstream licensing bid. • Cosmo E&P Albahriya paid US$ 145 M towards exploration and appraisal drilling, which entails a participation fee for the block • Cosmo's contribution to offshore Block 4 will be both financial and technical, including acquiring 3D seismic data, which will further determine the block's prospects. • Abu Dhabi plans to spend US$ 122 B in oil and gas projects over the next 5 years to boost production capacity, despite OPEC obligations. ADNOC has raised production capacity to 4 Mb/d in 2020 and plans to increase it further to 5 Mb/d by 2030 through multiple new projects and existing field upgrades. Funds allocated to the US$ 30 B Upper Zakum field expansion were delayed by the pandemic, and would have raised capacity by 1 Mb/d by 2024. • ADNOC's new budget is slightly higher (US$ 120 B) than the previous one – presumed to be US$ 119 B for investment between 2019-24 – but less than anticipated as Synergy Offshore's CEO estimated it would be US$ 130 B, accounting for US$ 26 B per year. • Abu Dhabi's Supreme Petroleum Council (SPC) confirmed the discovery of an estimated 22 billion stock tank barrels (STB) of unconventional oil resources located onshore, and a 2 billion STB increase in conventional oil reserves. SPC gave approval for ADNOC to award exploration blocks in Abu Dhabi's competitive block bid round, launched in 2019. • ADNOC signed an exploration concession agreement with Occidental Petroleum for onshore Block 5. Occidental will hold a 100% stake in the exploration phase and will invest up to US$ 140 M, including a participation fee. ADNOC Onshore has awarded US$ 324M worth of contracts to UAE-based, Galfar E&C and RobtStone LLC to optimise onshore field operations and enhance their efficiencies • The first contract was valued at US$ 71M and was awarded to Galfar E&C for the procurement and construction of flowlines and wellhead installations for ADNOC Onshore's operations on the Asab and Sahil fields. A second contract was awarded to RobtStone LLC for US$ 168M with a similar scope of work on the Murban Bab field • A third contract was awarded to Galfar E&C for US$ 84M to create a new bypass system that provides critical backup for ADNOC Onshore's existing crude receiving stations at the Jebel Dhanna and Fujairah export terminals; the project is expected achieve commercial operations in Q2 2023
Gas	• ADNOC also announced the successful conclusion of a US$ 5.5 real estate investment deal with a consortium of investors, led by US Apollo Global Management; The latter will receive rental income from select ADNOC properties over the next 24 years, while ADNOC will receive US$ 2.7 B as an upfront payment
Alternative Energy	• TAQA has reached financial close for the 2 GW Al Dhafra PV project in Abu Dhabi, world's largest single-site solar plant • Sheikh Mohammed bin Rashid Al Maktoum inaugurated the 800 MW third phase of the MBR solar project in Dubai. Meanwhile, Swedish company Azelio AB secured an order to supply its thermal energy storage unit for a side project at the 950 MW phase IV of the MBR project • Saudi ACWA Power signed financing agreements for the 900 MW Shuaa Energy 3 PSC project in Dubai; the project, now in its fifth phase, will feature bifacial panels with tracking technology • DEWA will own 60% in Shuaa Energy 3 PSC, the special purpose vehicle for this project, while the remaining 40% stake will be held by ACWA Power and Gulf Investment Corp. The project cost of US$ 564 M will be secured from bank and investment organisations including ADIB, Arab Petroleum Investment Corp., Industrial and Commercial Bank of China, ENBD, Natixis, Samba Financial Group, Standard Chartered Bank and Warba Bank
Geopolitics	• On August 13, the UAE and Israel agreed to establish bilateral relations, under direct administration of the US to normalise talks • The 'Abraham Accord' agreement comes in exchange for an Israeli guarantee to suspend its planned annexation of parts of the West Bank • Normalized relations could facilitate energy partnerships between the two countries. Israel plans to increase its solar power capacity to 15 GW by 2030 at US$ 22 B, which could be an opportunity for UAE companies such as Masdar, which proved competitive around the region in terms of renewable energy R&D and financing. This could see Masdar's success repeated in the Negev (Naqab) desert and over Israeli houses' rooftops. • Energy relations have seen progress already, with the Israeli pipeline company EAPC to sign a preliminary deal to transport oil from the UAE to Europe via the Ashkelon-Eilat oil pipeline. Upon finalization, the deal will be one of the most significant partnerships to emerge from the normalization

YEMEN	
Oil	• OMV is resuming production at 13 kb/d and could increase to 20 kb/d (the level it was producing before the unrest) • Calvalley was the operator of Malik Block 9 (but the company is now defunct); Hood Oil, its local partner, to restart production around 1.2-1.5 kb/d • Oil pipeline, used by OMV among others, blown up in Shabwa province by unknown attackers
Gas	• State firm Safer restarted operations at Block 18 which is crucial to providing gas feedstock for Yemen LNG
Alternative Energy	• Yemen Ministry of Electricity 60 MW solar power plant on hold, unlikely to be revived in the short-term • However, local installation of distributed solar, estimated at 400 MW, has been a success to mitigate wartime power shortages
Geopolitics	• The UN had warned international actors about a potential spill from a deteriorating 44-year old oil tanker loaded with 1.1 Mb/d, moored off the coast of Yemen, stating that the oil spill could be four times worse than Exxon Valdez' • On October 03, news emerged of an oil spill from the ship, though it seems to have been controlled; Houthi rebels who control the area where the ship is moored have insisted on setting conditions linked to Yemen's 6-year civil war before allowing UN inspections

ABOUT US

Arabia Monitor is an independent research firm specialised in economic and market analysis, and strategy advisory on the Middle East and North African region, which it views as the new emerging market. Arabia Monitor's in-depth, locally informed analysis by Arabic, Persian and Chinese speakers has placed it consistently ahead of the curve in identifying new trends within and around the region, and understanding its geopolitics.

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