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With prices rallying, it is now time for OPEC+ to regain market share. Cover story by Robin Mills.

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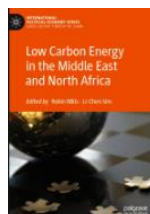
Authored by Robin Mills, Maryam Salman, Maryem El Farsaoui

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Qamar Energy, headquartered in Dubai, is the leading regionally-based energy consultancy on the Middle East and North Africa (MENA).

The QAMAR NEWSLETTER is a monthly publication that provides critical appraisal and focussed assessments of the month's energy developments across the MENA region.



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WITH OIL PRICES RALLYING, IT IS NOW TIME FOR OPEC+ TO REGAIN MARKET SHARE

Robin Mills • A version of this article appeared in *The National*, Jun 28 '21 • COVER STORY



The OPEC meeting at the start of July faces quite a different mood from last year's gatherings. After battling low prices, a coronavirus-induced slump in demand and a cautious recovery, the market's alarm signals are now flashing orange. It is time for the producers' organisation to move on to the next phase of the campaign.

The headline price is striking enough, with Brent crude at more than \$76 a barrel on Friday – its highest level since late 2018, bringing it close to breaching a seven-year record. However, there are plenty of other signs of market tightness. The discount of US benchmark West Texas Intermediate to Brent now sits at \$2, compared to \$10 at the last peak in 2018. As American demand picks up while production remains subdued, there is less incentive to export surplus crude.

The premium between September and October WTI futures has widened to more than \$1 a barrel, indicating that prompt supplies are strained. The premium for immediate delivery over longer-dated futures, the situation known as backwardation, encourages traders to empty oil from storage to avoid receiving a lower price later.

Apart from China, surplus inventories built up earlier during the pandemic have almost dissipated. Stocks in developed countries are now below their five-year average before the pandemic. Major traders such as Vitol expect global demand to be back at pre-Covid levels by the second half of next year.

The global economy is picking up as key countries overcome the worst of the pandemic. The global composite purchasing managers' index, a good advance indicator, reached its highest level in more than 15 years in May.

Manufacturing has led the recovery so far as people stuck at homes buy computers and make house improvements. Now services are starting to pick up in the US and Europe as the pace of vaccinations rises – meaning more car travel to restaurants, malls and cinemas, as well as holidays by road and, increasingly, air.

Concerns remain over the new coronavirus variants, particularly the now-infamous Delta strain, the slow pace of vaccination in many parts of the world and the problem of reopening Asian countries such as Japan that managed to keep infection levels low but have little established immunity. The key factor still depressing oil demand is the lack of air passengers. The UK's problems over its "traffic light" system and quarantine policies indicate how hard restarting mass international travel will be.

Aviation, which in 2019 consumed about 7.5 million barrels per day, is set to recover about 1.5 million bpd next year. As and when restrictions are substantially eased, there will probably be an initial rush of leisure flights, even if business travel never returns to its pre-pandemic ways. The planned "green recovery" in Europe and the US is not an immediate threat. Even though sales of petrol and diesel

passenger cars probably reached their peak in 2017, and electric vehicles are rapidly gaining market share, this will have only a limited near-term effect on oil consumption. The effect of climate policies and newly competitive renewables, battery-powered vehicles and others will have a big effect on global petroleum in the coming decades. For now, the main effect is to discourage investment in new oil supply. The usual characters among bank analysts are hitting the headlines by forecasting oil prices of \$100 a barrel by the second half of next year. However, this depends critically on what OPEC does. It will still have 6.9 million bpd in spare capacity in its pocket after July, according to the International Energy Agency's estimates.

OPEC itself, ahead of its scheduled meeting on July 1, seems confident that it faces no major competition. Iran, an OPEC member that is not subject to the current cuts, is the main wild-card, with US sanctions still holding back about 1.4 million bpd in exports. Yet, there has still been no breakthrough in the US-Iran talks. It would take several months for any deal to be enforced and for more cargoes to be sold and arrive at destinations, even though some Iranian crude is floating in storage off Asian ports.

OPEC's regular monthly meetings mean it can monitor this situation without needing to pre-empt it. Estimates for US production growth next year range from 0.5 million bpd to 1.3 million bpd. Canada, Norway, Brazil and new entrant Guyana are gaining too. OPEC seems quite confident that US shale producers will never return to pre-pandemic levels of growth. Burnt twice, investors are demanding drillers return cash rather than grow aggressively.

However, the producers' organisation should be wary. They have written off shale at least twice before and it has demonstrated its resilience. A spell of prices at \$100 a barrel will result in shale companies generating strong cash flows, and privately held producers will step in even if the public companies stay reticent. Shell, Occidental and others are selling off acreage that more aggressive companies could pick up.

The OPEC+ alliance has succeeded better than anyone might have expected in pulling prices back from the brink. Its caution is understandable after such an unprecedented and scarring event, with a lot of uncertainty still ahead. Apart from a brief pullback in March, prices have risen almost linearly since November, even as producers gradually brought back supply. As Saudi Arabia's Energy Minister Prince Abdulaziz has vowed repeatedly to surprise the market, OPEC+ should not allow the oil price to become a simple one-way bet for traders and competitors. With prices running ahead of recovery, now is the time for the organisation to be bolder in regaining its lost market share.

FUTURE OF IRAN'S OIL INDUSTRY REMAINS UNCERTAIN AS IT HEADS TO THE POLLS

Robin Mills • *A version of this article appeared in The National, Jun. 07, '21*

Iranian oil minister Bijan Zanganeh must be looking forward to retirement after 16 years in the hot seat. The country's presidential elections are colliding with crunch time in the nuclear talks, determining whether and when Iranian oil returns to the world market. In the tradition of bullish pronouncements, Mr Zanganeh goes out with a few parting shots. Last week's OPEC+ meeting ended exceptionally quickly and smoothly, with an agreement to continue with plans to steadily ease production cuts. The group will add 2 million barrels per day by July, with 700,000 bpd of this coming this month. Ministers will have been encouraged by strong prices, with Brent crude trading at about \$72 per barrel on Friday, the highest level in two years.

The market is set to be about 2 million bpd in deficit for the rest of this year, with swollen stocks from last year drawn down to almost normal levels. OPEC forecasts a 6 million bpd gain in demand this year, mostly concentrated in the second half, even as rising Covid-19 infections in parts of Asia keep the picture cloudy. Iran's return would quickly bring back between 1 million bpd to 1.5 million bpd of exports – as was the case after the first lifting of sanctions under Barack Obama, US president at the time – plus a temporary surge from drawing down the remainder of the country's excess stocks.

OPEC+ will still have 5.8 million bpd of cuts in place after July. Accommodating the resurgence of Iran would slow the pace of normalisation, depending on demand and production elsewhere, but there seems to be enough space in the market. Iran, alongside troubled Venezuela and Libya, has been exempt from quotas. It is not expected to discuss joining the framework of production limits until it has had at least a few months to operate at full output.

So, what happens then? Mr Zanganeh told journalists last week that Iran could and should raise output to 6.5 million bpd, exceeding record levels reached in the 1970s. It would be emulating its neighbours – the UAE, Saudi Arabia and Iraq, which all have plans for production growth. As with them, Iran may be increasingly mindful of the need to be ahead of a threatened decline in global oil demand highlighted in the International Energy Agency's latest report.

Contracts were awarded last month to local companies for the further development of the new West Karoun fields on the Iraqi border amid plans to add about 200,000 bpd over the next couple of years. But gaining 2.5 million bpd or more beyond pre-sanctions levels while mitigating declines in the mature fields might cost in the order of \$100 billion. Iran has suffered a string of fires and explosions in recent months, several of which have affected the petroleum industry. They include a blaze at a refinery near Tehran last Wednesday that was sparked by a leaking pipeline, a blast that hit an oxygen pipeline serving petrochemical plants in the southern industrial centre of Assaluyeh the week before and a blaze last month at the Kangan refinery, which was inaugurated by President Rouhani a few months earlier.

While some of these, especially an explosion that damaged the Natanz uranium enrichment plant in April, are suspected to be acts of sabotage, others could be the result of hot weather, poor safety policies and the use of sub-standard parts because of sanctions. Whatever the cause, Iran needs both cash and international

equipment. One big mistake Iran made after the nuclear deal – called the Joint Comprehensive Plan of Agreement – came into effect in January 2016 was moving too slowly to attract foreign investment. It dawdled on drawing up its new “Iran Petroleum Contract”, which in the end was not that appealing to international oil companies and laid out an over-ambitious scope of projects with too small a team of negotiators.

This was the fault of hardline parliamentary opponents of President Hassan Rouhani’s government, institutional atrophy after eight years of the maverick Mahmoud Ahmadinejad and residual political and sanctions risk. In the end, Tehran signed numerous preliminary agreements but the most substantial deal – with Total and the China National Petroleum Corporation for the development of liquefied natural gas exports, after the deal was abandoned by Donald Trump, Mr Obama’s successor, and sanctions were reimposed.

A string of major investments by European, Chinese, Japanese and Russian companies, and expanded gas exports to neighbours would have given their governments more incentive to resist Mr Trump’s torching of the nuclear deal. The window for Iran to use its hydrocarbon resources strategically closed then, and may soon close again, possibly forever. Mr Rouhani’s administration only has until early August to seal any revival of the nuclear deal with the US. With the election on June 18, OPEC+ will know the next Iranian president by its next meeting on June 24, unless the election goes to a run-off the day after. The tiny slate of candidates who passed the vetting process includes two uninspiring moderates, four conservatives or hardliners and the hand-picked and probable winner, Ebrahim Raisi.

Mr Raisi, a hardline judiciary chief who lost to Mr Rouhani in 2017, could be declared the winner this time on a low turn-out. However, he will be problematic for western countries and Iran’s regional rivals to deal with. He or another hardliner may well return to the JCPOA and bring Iran’s oil back to the market but it will not be a friendly place for international investment. Subsidiaries of supreme leader Ali Khamenei’s organisation were awarded two of the West Karoun contracts. Despite attempts to maintain the power of the clergy, he and an unpopular president will need the support of the Revolutionary Guard, whose engineering arm already plays a major role in the domestic oil industry.

The course of Iranian politics rarely runs smooth. Despite Mr Zanganeh’s long efforts, he is unlikely to see his country’s petroleum industry ever reach its potential.

WHY THE DRIVE FOR CLEANER ENERGY IS CAUSING SOME MINERAL PRICES TO RISE

Robin Mills • *A version of this article appeared in The National, Jun. 14, '21*

Four thousand years ago, the early civilisation of Sumeria in southern Iraq imported their copper from the land of Magan, which covered parts of the modern UAE and Oman.

The metal was one of the two ingredients that make up the alloy bronze, whose tools and weapons gave them mastery over nature and other people. Now, the transformation of global energy makes copper a crucial commodity once more. The metal – along with

lithium, cobalt, rare earth metals and a few other substances – is one of the “critical minerals” that have emerged as crucial to the transition to new energy systems. The reddish metal is an excellent electrical conductor that cannot be easily replaced.

It has been used in large quantities throughout history but its demand is set to rise steeply: an electric car needs five times as much copper as a petrol or diesel-powered vehicle and a single wind turbine requires 4.7 tonnes. The metal is essential in electric wiring for an “energy transition” from combusting fuels to relying on electricity for travel, heating and industrial processes.

The other minerals all have their specific uses: lithium in batteries for cars and renewable electricity back-ups in power grids; silver in electronics and solar cells; graphite, cobalt, nickel and manganese in batteries; rare earths in powerful magnets for wind turbines and electric cars; zirconium, platinum and palladium in fuel cells and electrolyzers for making hydrogen.

Much commentary has focused on the geopolitical role of these critical minerals and the dominance of China in mining and processing many of them, particularly rare earths. At times, misleading analogies are applied to the 20th-century dominance of oil geopolitics. However, the most serious and imminent problem for the green energy revolution is more straightforward: a simple lack of supply, which is causing prices to rise. Already, a tripling of prices for steel and polysilicon, along with higher copper and freight prices, has begun to push up the cost of solar systems.

This is not for lack of minerals in the ground – unlike the supposed reasons for the “peak oil supply” scare of the early 2000s. As with the China-driven commodity boom of those years, it represents the collision of insufficient investment with a sudden surge in demand. Post-coronavirus pandemic stimuli and easy money are set to feed traditional uses of metals along with ambitious zero-carbon plans.

Capital spending on all mining peaked in 2012 at more than \$200 billion annually. Industry investment was barely half that last year and is expected to fall further. Big mining and resource extraction companies, including oil entities, are responding to shareholder imperatives to return cash, not expand output. New mines, such as those in Chile, the world’s leading producer, have significantly lower ore grades. Governments from Jakarta to Kinshasa are tightening their grip on the industry, raising taxes and local processing requirements.

Copper supply is adequate for now but it looks tight by the middle of the decade. Copper is particularly visible because it is already a huge business. Designing and constructing a new mine worth several billion dollars will tax the human and financial resources of even a big company and its engineering contractors. Most of the other critical minerals were niche commodities until quite recently. For instance, while the combined market for copper, nickel, lead and zinc was worth about \$111bn last year, all rare earths were valued at only \$3bn, lithium \$4bn and cobalt \$7bn.

A wild ride of surging demand, new mines, price increases and crashes is almost guaranteed and could eventually deter both mining investors and low-carbon energy adopters. The US

administration of Joe Biden recognises the tension at the heart of its green agenda but it does not want to expend political capital on expanding domestic mining, given opposition from environmentalists and local communities. Instead, it wants to rely on allies. However, Europe is an even less favourable place to start new mines quickly.

That leaves Brazil, Canada, Australia and some other mostly African countries as the likely options. What are the solutions? Higher prices will certainly drive mining of lower-grade or more remote or difficult deposits. Seabed mining has great promise but is in its infancy and may be ecologically damaging for the barely known abyssal depths. There is growing interest in recovering lithium and other minerals from geothermal and oilfield brines in Germany's Rhine Valley, western Canada and the Permian Basin of West Texas. The leftover saline residue from desalination is another potential source that could be of interest in the Gulf.

Recycling should be greatly stepped-up and products such as consumer electronics designed better. About 95 per cent of minerals in a smartphone can be recovered but only 3 per cent are currently

recycled properly. Still, given the enormous planned growth of new energy systems, recycling is only a small part of the solution for now. Rare and costly minerals can be substituted with others, for instance, copper with aluminium and lithium in batteries with aluminium, sodium or zinc. These alternatives are so far not commercially available or their performance is poor. This is a crucial conundrum: how to obtain the new energy minerals to save the climate without ripping up landscapes and communities.

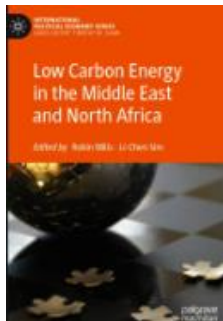
The efficiency of material use and recycling are one element. Another is for miners to clean up: cut greenhouse gas emissions and other pollution, limit environmental damage, engage more responsibly with society and avoid corruption. At the same time, environmentalists should recognise that new mines are essential and not only in remote developing countries. Squaring this circle needs research and development into new, more sustainable materials, technology and resource extraction. The ancient copper miners of Magan profited from their part in forging a new civilisation. The green energy future offers even greater rewards to those who can supply its building blocks responsibly.



POWERING IRAQ: CHALLENGES FACING THE ELECTRICITY SECTOR IN IRAQ

Authored By: Robin Mills and Maryam Salman

On February 21, 2020, Iraq recorded its first case of the novel coronavirus. Five months later, total recorded cases are 129 000 at the time of writing, and daily reported deaths almost 100. The crisis has battered the country's economic development plans, and put an indefinite question mark over the realisation of a massive US\$ 15 billion electricity infrastructure upgrade roadmap announced by former Prime Minister Adel Abdel Mehdi in April last year. Simultaneously, global energy markets continue to struggle ever since the oil market collapsed between March and April... Read the full report [here](#)

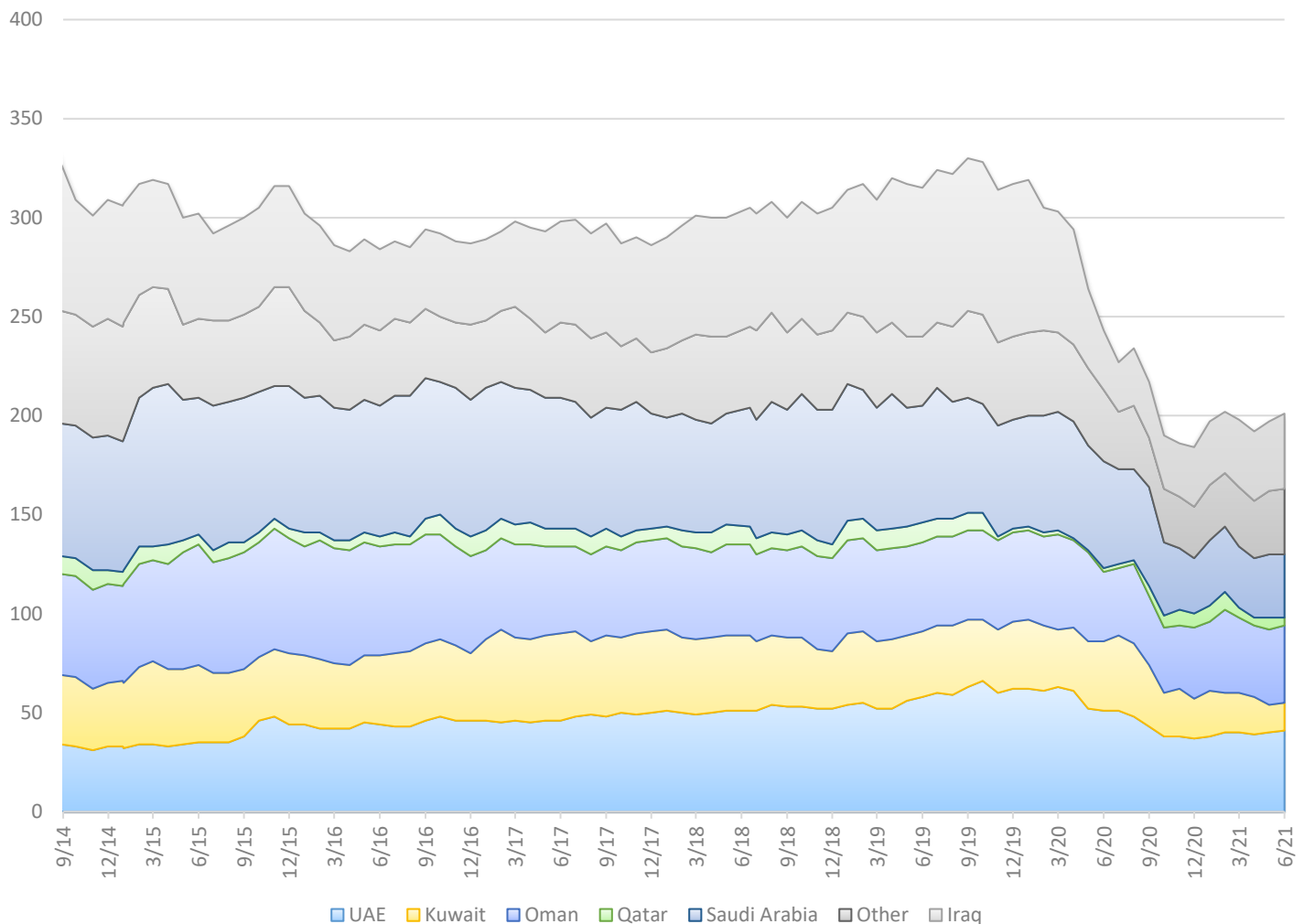


LOW CARBON ENERGY IN THE MIDDLE EAST AND NORTH AFRICA

Authored By: Robin Mills, Li-Chen Sim

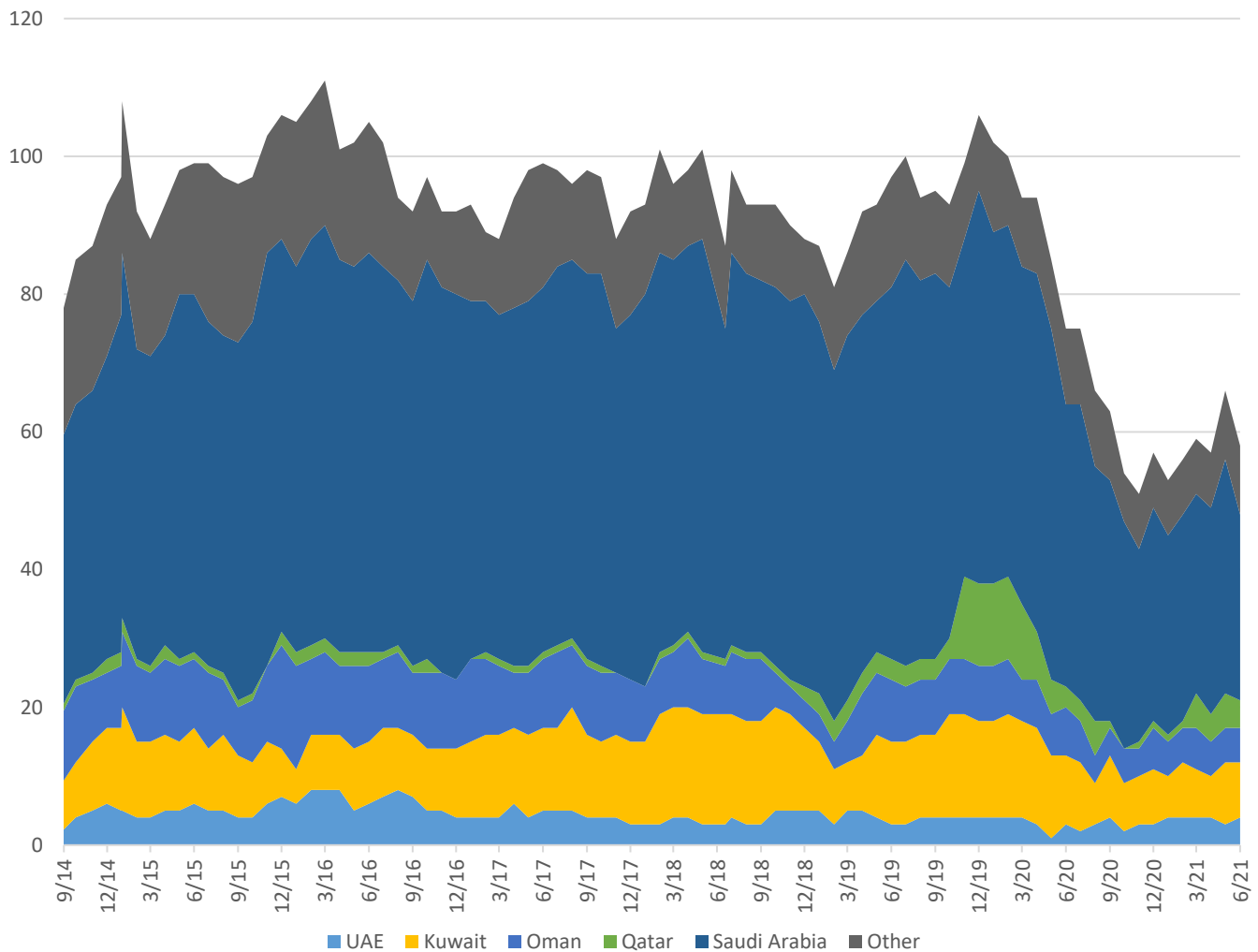
Over the next few decades, favorable economics for low carbon energy sources combined with stagnant oil demand growth will facilitate a shift away from today's fossil fuel-based energy system. Although the transition will impact all countries, its effects are arguably more profound in the Middle East and North Africa (MENA). This is because MENA countries are major hydrocarbon producers and significant hydrocarbon consumers and because hydrocarbons underwrite the ruling bargain between states, societies, and business. Read the full book [here](#)

RIG COUNT SNAPSHOT: OIL



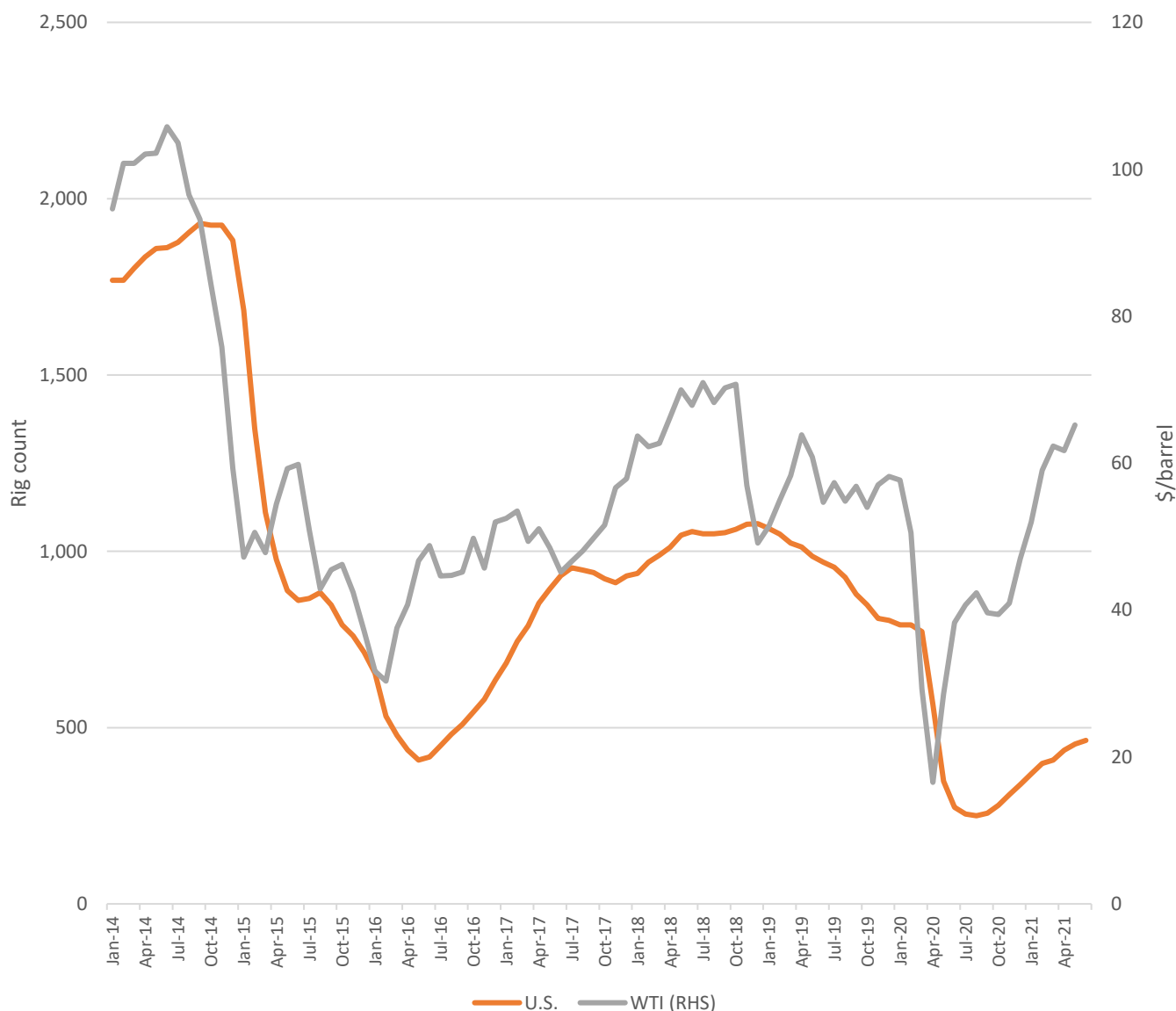
- The Middle East's overall oil rig count in June decreased by -4 excluding Iran due to the OPEC+ agreement.
- Iran's rig count is not included by Baker Hughes; OPEC estimates total (oil and gas) rig count in Iran at 157 in 2018, remaining the same till December 2019, which is doubtful, due to limited production and exports in the face of sanctions and CoVid-19.
- Iraq's rig count increased in June 2021 to stand at 38, gradually increasing but still well below its pre-CoVid-19 levels. The rig count is expected to increase further following (1) the resumption of oil production at the 30 kbpd Qayarah oilfield, (2) the country's recent agreement with French major Total to boost production at the Ratawi oilfield from the current 60 kbpd to 200 kbpd, and (3) the Iraqi Oil Minister Ihsan Abdul-Jabbar's target to boost oil production to 8 Mbpd by 2029, which really requires addressing the challenges of the Iraqi budget in repaying IOCs and delays in required infrastructure.
- The UAE's rig count increased by +1 to 41 in June. This comes as ADNOC plans to increase oil production capacity to 5 Mbpd by 2030. Belbazem oilfield development should also lead to an increase in rig count as the block will contribute to 45 kbpd to the target.
- Kuwait's June rig count remained stable at 14, the lowest, since June 2010. We expect rig count to rise as Kuwait plans to award contracts worth US\$ 754 M to regional companies for 31 drilling towers to increase production from 3.15 Mbpd to 4 Mbpd by 2040. The three oil and gas discoveries made early this year are also likely to lead to an increase in rig count.
- Saudi Arabia's June rig count remained stable at 32, although below the country's pre-pandemic levels (53), due to continuing OPEC+ production cuts. Rig count is likely to remain stable as the country plans a US\$ 7 trillion spending push to diversify the economy's revenue streams, which requires cutting dividends to the government to boost capital spending. This implies that Aramco's investment towards its 13 Mbpd production target will be restrained.

RIG COUNT SNAPSHOT: GAS



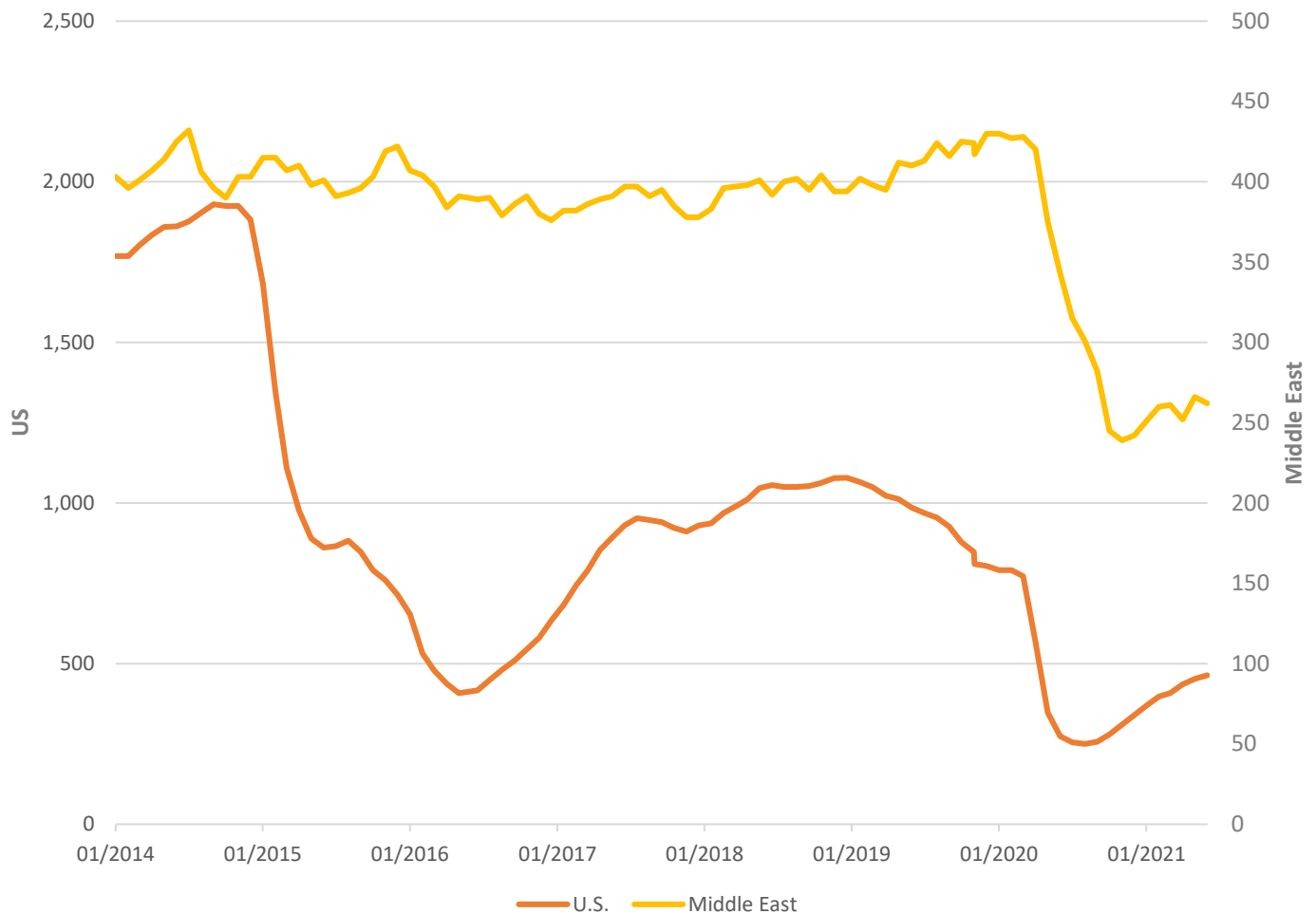
- The Middle East's overall gas rig count decreased by -8 in June to reach 58, up from a record-low of 51 in November 2020.
- Oman's rig count remained stable in June to stand at 5. This is likely to increase further as gas production commenced at the BP-operated Ghazeer field (Phase 2), ahead of schedule, which will add another 0.5 Bcf/d and over 30 kbpd of condensate production. The Ghazeer project is expected to contribute an additional 410 MMscf/d by 2022, boosting the block's total capacity to 1.5 Bcf/d gas and 65 Mbpd condensate.
- Kuwait's rig count fell by -1 to stand at 8 in June, still far below 2019's levels. In the long-term, rig count might increase as the country pre-qualified three Chinese companies and local firm SPETCO for Northern Jurassic gas projects (worth US\$ 1.5 B). Kuwait also plans to allocate an additional US\$ 200 M to expand Jurassic gas facilities in its Northern region, near the border with Iraq. However, there are reports these contracts may be cancelled to save capital.
- The UAE's June rig count increased by +1 at 4. This is likely to increase as Abu Dhabi Gas Industries Ltd (Gasco) awarded US firm Bechtel a US\$ 1.458 B EPC contract for its second package in the Onshore Gas Development (OGD-II) scheme, which will process 1,300 MMscf/d of Thamama-F well fluid to produce 125 kbpd of condensates, and 12,000 tons per day of NGL that includes around 3,200 tons per day of ethane. ADNOC's Shah Sour Gas plant's expansion to 1.45 Bcf/d should also contribute to the increase.
- Qatar's rig count decreased by -1 at 4 in June after falling to 0 in October 2020. This could increase, as the signing of a \$19.1 B deal with South Korea to build >100 ships for its LNG exports shows some progress on the planned 2027 capacity expansion. Additionally, Qatar Petroleum awarded the NFE project's EPC contract to Samsung C&T, weeks after selecting a JV of Technip Energies and Chiyoda Corp. to build four LNG mega-trains with associated facilities.
- Saudi Arabia's rig count decreased by -7 in June to 27, the lowest since May 2013. This is expected to fall further after the Kingdom delayed the \$110 B development project of the 200 Tcf Jafurah unconventional gas field due to CoVid-19's economic impact. Yet, the 2.5 Bcf/d Fadhili gas processing plant has started partial operations feeding power plants and desalination plants across Saudi Arabia with gas.

RIGS VERSUS OIL PRICES: US RIGS & WTI



- US rig count for June increased by +11 to 464, +190 rigs from 2020's June levels.
- Rig count at the Permian Basin was down -1 to 236 rigs across the region, still up 105 rigs (80%) from last year this week, as the OPEC+ agreement has helped shore up prices and demand somewhat. Permian basin's rig count has driven the US' nationwide increase, with Lea County in New Mexico remaining the most active in the region, with 46 rigs, up two this week. Rig count lacked direction, however, across the other major named oil basins. This is, of course, supported by expenditure cuts by high-cost producers as debts and pressure rose for shareholder returns. Operating costs in the Permian Basin have not reduced, even though it has better economics than other basins.
- The EIA revised US crude production to average 11.1 Mbpd in 2021, which is a 0.2 Mbpd downgrade from 2020 levels (11.3 Mbpd).

RIG COUNT: US & MIDDLE EAST

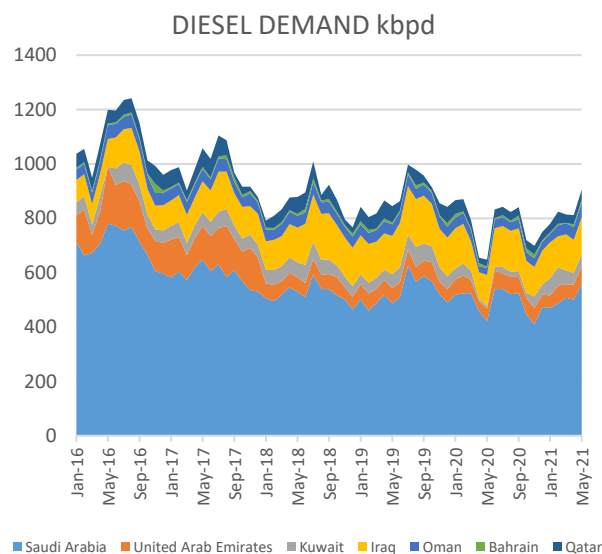
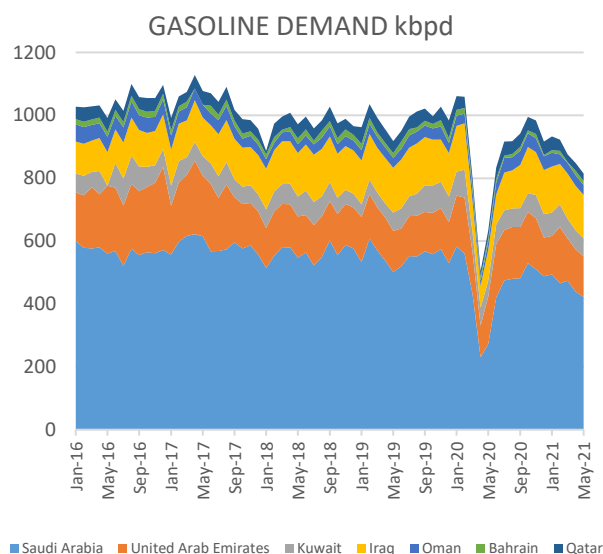
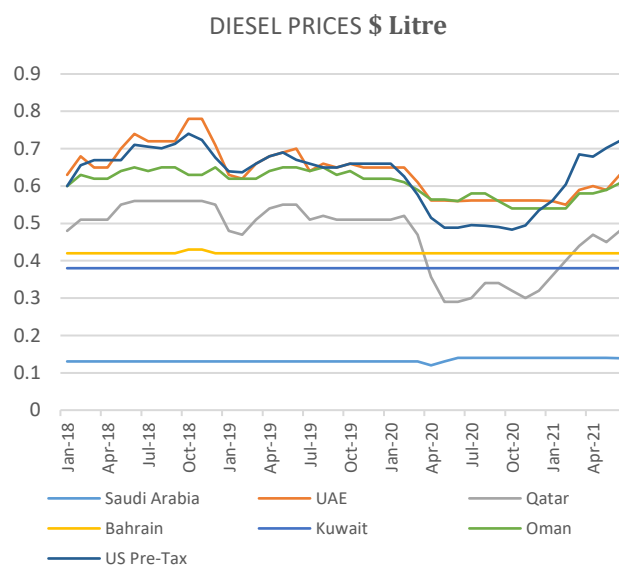
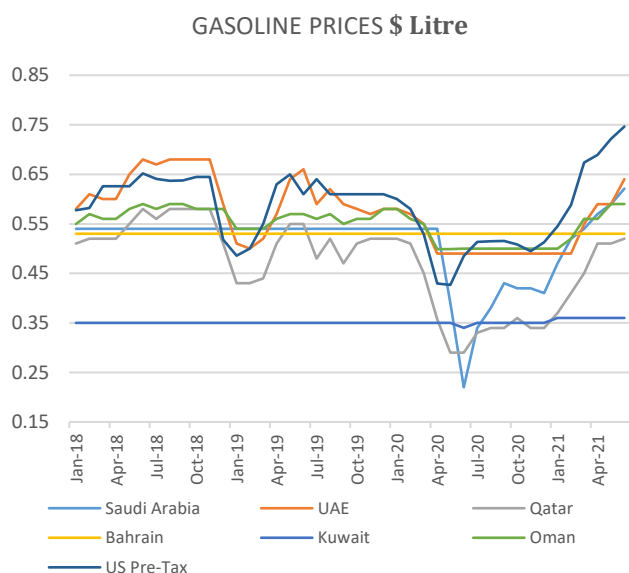


- The US' offshore rig count remained unchanged at 14, up 2 y-o-y. This comes as the Biden administration halted lease sales for federal acreage onshore and offshore, through June as the program is being reviewed. Still, since January, the US Interior Department approved over 500 drilling permits on federal lands and waters, while operators hold around 8,000 permits ready to be used. A permanent ban on federal leasing would lead to a decline in onshore production by 1-1.2 Mbpd in the next 5 years or by 1.6 Mbpd if operators with existing leases are not allowed to get new permits. Meanwhile, offshore production will not be seriously hampered, at least not in the next 10 years.
- Total Middle East rig count fell by -4 to 262 in June, which is likely to increase as major MENA producers plan to ramp up their production (Saudi Arabia's output increased to 8.54 Mbpd) in line with the OPEC+ agreement.

FUEL PRICES & SUBSIDY REFORMS

- In the UAE, gasoline and diesel June prices soared to \$0.64 and \$0.63 per litre, respectively, the highest since June 2019, signalling a return to pre-CoVid-19 prices.
- In Qatar, June prices for gasoline and diesel also increased to \$0.52 and \$0.48 per litre, respectively, with gasoline prices up by almost 80% from 2020's levels.
- In Oman, the price of M95 and diesel in June jumped to \$0.59 and \$0.60 per litre respectively.
- In Kuwait, the Parliament's Financial and Economic committee has approved the cancellation of the decision enforced in September 2016 to raise fuel prices, to 'reduce financial burdens on citizens.'
- In Saudi Arabia, gasoline prices have recovered slightly to \$0.41 per litre after falling to lows of \$0.22 per litre in May 2020 as part of relief measures introduced by the government in the wake of the pandemic. Prices will be capped at \$0.62/litre in July.

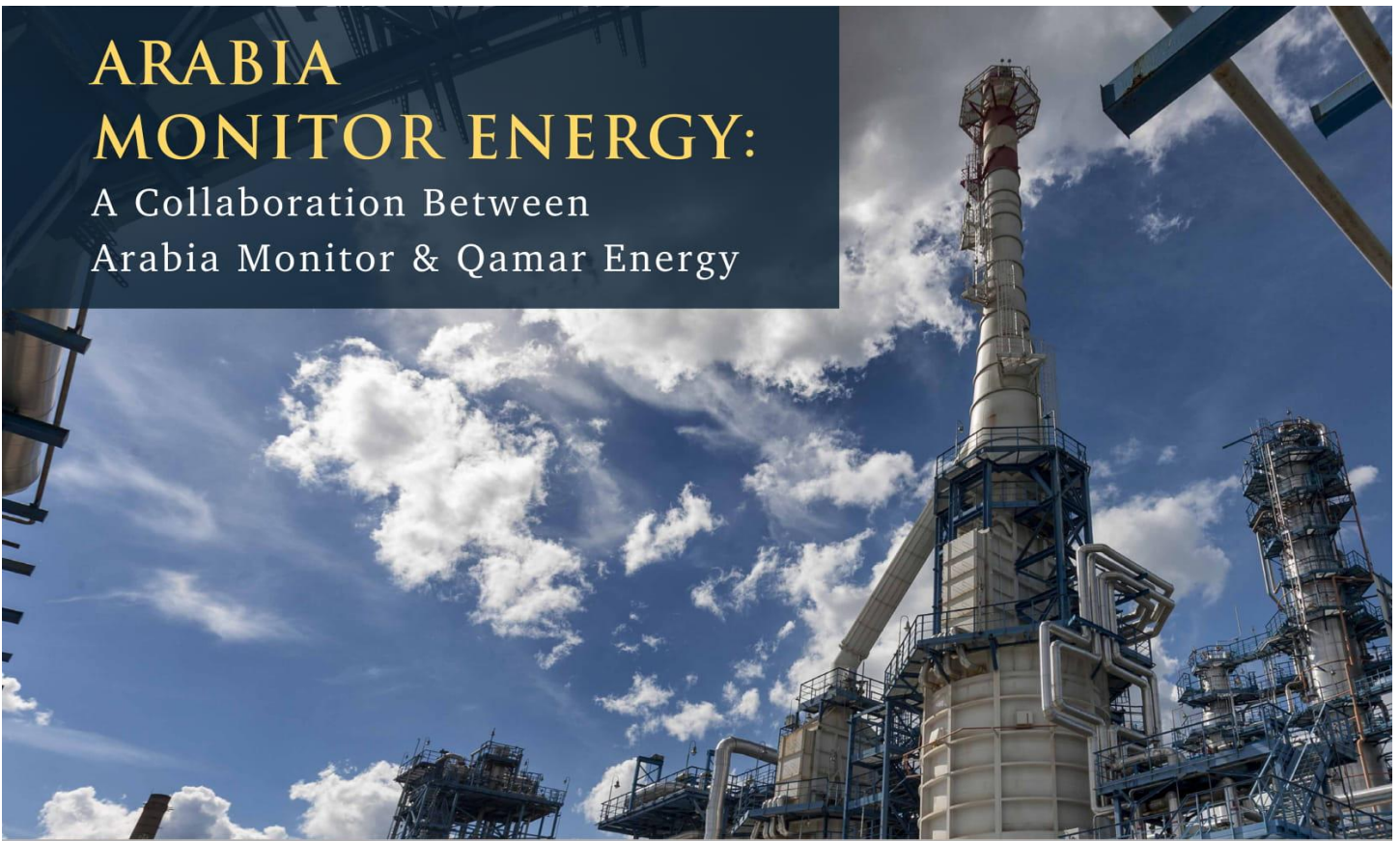
The following charts represent the prices of gasoline 95 and diesel (\$/litre) till June 2021 in the GCC countries.



Note: JODI UAE and Qatar gasoline and diesel figures are unavailable for 2019, 2020 and 2021.

ARABIA MONITOR ENERGY:

A Collaboration Between
Arabia Monitor & Qamar Energy



ARABIA MONITOR ENERGY

Oil and gas tensions in the Middle East continue to influence the volatility of the world's energy markets. The Arabia Monitor Energy, a novel collaborative effort by Qamar Energy and Arabia Monitor, combines macroeconomics, geopolitics and energy intelligence to explain what the region's energy geo-economics mean for business.

WHAT SETS IT APART?

1. INSIDE OPEC

Focussed assessment of the month's OPEC developments, policy advancements and strategies.

2. NOC & IOC ANALYSES

Examination of factors affecting NOC and IOC policies, and their impact on regional diversification schemes.

3. SPOTLIGHT THIS MONTH

Targeted reading of the geopolitical, macroeconomic and energy landscape of a MENA country utilising our specialised energy intel.

4. SCENARIOS TO WATCH

Detailed forecast of global oil developments and their impact on the risks and opportunities for MENA's oil production.

5. STRATEGIC IMPLICATIONS

Concise summary of major oil trends and their effect on investment strategies under bearish, bullish, and wobble scenarios.

6. OUTLOOK FOR THE YEAR

Cohesive outlook of the oil production, gas production, renewable energy projects, and geopolitics of key MENA countries.

WHO BENEFITS?

ENERGY TRADERS

- What factors will contribute to oil and gas price fluctuations?
- What is the outlook for oil and gas pricing?
- What is the outlook for OPEC's production and export strategy?
- How are NOCs adapting their oil marketing strategies?

INVESTMENT AND RISK ANALYSIS

- What are the operational risks and investment opportunities in MENA?
- How do economics, politics, government policy changes, production and export bottlenecks contribute to risk mitigation?

UPSTREAM FIRMS

- What are the chief economic, political and fiscal regime factors driving/limiting upstream investment decisions and progress?
- What are the oil supply outlooks for the countries by project?

DOWNSTREAM FIRMS

- What are the demand challenges, patterns, and trends for oil and oil products?

NATIONAL OIL COMPANIES

- What are future oil and gas pricing trends?
- What developments will intensify or weaken demand?
- What are IOCs' incentives and drawbacks in operating in the country?

ALTERNATIVE / RENEWABLE ENERGY ORGANISATIONS

- What are the challenges to renewable energy targets?
- What is the progress of major renewable energy projects?
- Are there opportunities for more entrants?

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- Spotlight this Month
- Scenarios to Watch
- Projects in the News
- Macro Dashboard for Oil Exporters/Importers
- Outlook for the year

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- MENA Map as per Political Grouping
- Map of New Licensing Rounds
- Political & Regional Security Issues
- Oil & Gas Prices Outlook
- Global Barriers to Oil & Gas Production
- Deep Dive into OPEC & NOPEC
- MENA Energy Investments
- MENA Energy Fiscal System
- MENA Energy Upstream Bidding map
- MENA Economic Outlook
- Probability Scorecard for Bearish & Bullish Oil Supply/Demand
- Investor Implication Scenarios (Under 3 Oil Price Dynamics)

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With a new period of dynamism across the energy sector, cost control, insight into expenditure, and added value from procurement beyond lowest-cost are essential to allow regional companies to stay competitive.

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IMPROVING
OPERATIONS/PRODUCTIVITY

MAXIMISING REVENUE

INCREASING SUPPLY NETWORK AGILITY

DEBOTTLENECKING SHORTCOMINGS

OPEC WATCH

OPEC Production	OPEC+ Compliance
<ul style="list-style-type: none"> In June, OPEC members increased output by around 560 kbpd, with Saudi Arabia accounting for the lion's share, as it brought back another 350 kbpd of the extra 1 Mbpd cut it implemented in February through April. Kuwait increased production in June to 2.38 Mbpd from May's 2.36 Mbpd, still in line with its quota for the month (2.39 Mbpd). This upward trend is also seen in the UAE's June output which rose to 2.68 Mbpd, although still in line with its OPEC+ obligations. Output policy beyond this month remain uncertain. Production from exempt OPEC members continues to be volatile; especially Iran whose production rose in June to reach 2.44 Mbpd, up 50 kbpd from May levels and its highest production since August 2019, as talks to revive the JCPOA negotiations continue in Vienna. Venezuela followed suit, pumping 530 kbpd in June, up 40 kbpd from last month's volumes. Meanwhile, Libya's June output remained stable at 1.13 Mbpd, still the highest since June 2013. The country's oil production rebound might soon find it under pressure to become subject to an OPEC+ quota. 	<ul style="list-style-type: none"> OPEC+ overall compliance reached 111% in June, with strongest compliance recorded from Saudi Arabia (127%), Kuwait (102%) and all other OPEC-10, except Congo and Gabon, in an attempt to balance the market. Iraq's compliance has dramatically increased to 103% in June, as production was below its ceiling for the first time since February at 3.93 Mbpd in June. This reflects declining exports from Basra. Nigeria's compliance also increased in June reaching 152% as the country's production dropped heavily to 1.41 Mbpd from May's 1.55 Mbpd, the heaviest drop since January as some of its largest oilfields, including those in the Niger Delta like Bonny, Escravos, Brass River and Qua Iboe are producing well below their full capacity due to significant operational issues. The UAE's June compliance remained unchanged at 102% with output reaching 2.68 Mbpd, in line with its OPEC+ quota of 2.69 Mbpd.

OPEC Production, Mbpd			Non-OPEC Production ¹ , Mbpd		
April	May	Change (%)	April	May	Change (%)
25.07	25.46	--1.5	63.83	63.7	--0.1

Latest Organisational Changes
<ul style="list-style-type: none"> At the 19th Ministerial Meeting, OPEC+ agreed to an easing of cuts to meet the rising demand. The group agreed to extend the cuts till end-2022 two weeks after the meeting took place, as the UAE initially rejected the eight-month extension, mentioning that its baseline production was set too low for its current 4.1 Mb/d production capacity. Subsequently, the UAE's baseline level was increased to 3.5 Mbpd starting May 2022, below the 3.8 Mbpd it initially requested, but still above the previous baseline of 3.17 Mbpd. The group agreed to adjustments in baselines also for Saudi Arabia, Russia, Iraq and Kuwait, amounting to an extra 1.633 Mbpd between the five countries from May 2022. The OPEC+ alliance agreed in principle to raise supply by 400 kbpd each month from August to December 2021. The 20th OPEC and non-OPEC Ministerial Meeting will be held on September 1, 2021.

¹ Excluding OPEC NGL and non-conventionals

KEY MENA ENERGY SCORECARD

Abu Dhabi Developments

Oil & Gas	<ul style="list-style-type: none"> ADNOC announced the award of a US\$ 744 M contract to the National Petroleum Construction Co. (NPCC) for the development of the Belbazem offshore block, 120 kms northwest Abu Dhabi, consisting of three marginal offshore fields: Belbazem, Umm Al Salsal and Umm Al Dholou. Abu Dhabi's Mubadala signed a non-binding agreement with Israel's Delek Drilling to buy a stake in the East Mediterranean Tamar gas field for US\$ 1.1 B ADNOC awarded Saipem a US\$ 510 M contract to expand the ADNOC Shah Sour Gas Plant to 1.45 Bcf/d, in line with the UAE's gas self-sufficiency target by 2030
Alternative Energy	<ul style="list-style-type: none"> Masdar along with Abu Dhabi Airports finalised the installation of 3 MW of solar PV to shade a car park in Abu Dhabi International Airport. Masdar will perform operation and maintenance for 25 years as per the lease agreement Mubadala Investment Company, ADNOC and ADQ signed an MoU to establish the Abu Dhabi Hydrogen Alliance, and ADNOC joined the international Hydrogen Council. ADNOC announced a US\$ 1 B green hydrogen and ammonia plant situated at the Khalifa Industrial Zone. The solar-powered facility will be built by Helios Industry and will initially include a 100 MW solar plant, which will rise to 800 MW in the future. The plant will have a peak capacity of 40 ktpa of green hydrogen ADNOC announced it will develop a world-scale blue ammonia production facility in Ruwais, Abu Dhabi. Currently, the facility is in the design phase and will be developed at the new Ta'ziz industrial ecosystem and chemicals hub in Ruwais. The plant will have a capacity of 1 Mtpa On April 6, Barakah unit 1, the UAE's first nuclear reactor, entered commercial operation, reaching 100% power since December and generating 1,400 MW of electricity. 3 more units are now closer to completion, with Unit 3 connected to the country's electricity grid on 5th August 2019. Overall construction completion of the plant is at 94%

Kuwait Developments

Oil & Gas	<ul style="list-style-type: none"> As GCC countries accelerate their efforts to diversify their energy and power generation mix, Kuwait opened the Al Zour LNG terminal, an LNG import facility, which already received its first cargo of gas from Qatar mid-July. With a 20 Mtpa capacity, Al Zour LNG will replace the existing smaller floating LNG terminal, and displace fuel oil and crude burnt in power plants Kuwait signed an agreement with Japan's Ministry of Economy, Trade and Industry to lease out 3.14 Mbbl of oil storage The country plans to award contracts worth US\$ 754 M to regional companies for 31 drilling towers, aimed as part of long-delayed plans to boost production from 3.15 Mbpd to 4 Mbpd by 2040
Alternative Energy	<ul style="list-style-type: none"> The Kuwait Authority for Partnership Projects (KAPP) extended the bid submission date for the planned 1.5 GW Al-Dibdibah solar project's advisory roles. Consultants have until July 27 to submit their bids

Qatar Developments

Oil & Gas	<ul style="list-style-type: none"> ExxonMobil, Royal Dutch Shell, TotalEnergies and ConocoPhillips were joined by two other majors including Chevron and Eni in submitting bids to take equity stakes in Qatar's North Field Expansion project on May 24 QP will not be renewing the Qatargas Natural Gas Company limited (QG1) JV and will become the sole owner of Qatargas 1 by 2022. Qatar Petroleum (QP) will own 100% of the QG1 – a JV between QP and affiliates of Total, ExxonMobil Marubeni and Mitsui – assets on 1st January 2022 Italy's Saipem received a US\$ 1.7 B contract from Qatargas for the development of the North Field Production Sustainability project. Saipem will be responsible for the engineering, procurement, construction and installation of various offshore facilities to extract and transport gas. It will also decommission a pipeline and other modifications to existing facilities
Alternative Energy	<ul style="list-style-type: none"> Hitachi ABB Power Grids Ltd will deliver a 220-kV grid connection solution for the 0.8 GW Al Kharsaah solar PV project. The solar park is scheduled for partial commissioning in the second quarter of 2021

Federal Iraq Developments

Oil & Gas	<ul style="list-style-type: none"> The Ministry of Oil has announced the inauguration of a new project to upgrade the existing gas isolation plant in the Abu Ghirab field south of Missan province to a capacity of 100 kb/d and 20 MMscf/d to enhance and maintain electricity production in the province. Production has resumed at the Qayarah oil field in Ninewa province, after a 14-month production shut-in, mainly due to protests at export terminals, OPEC+ cuts, and crude transport disputes. Iraq is planning to boost the production capacity of West Qurna-1 by 40% to more than 700 kb/d over the next 5 years at a time when operator ExxonMobil is seeking to exit the field.
Alternative Energy	<ul style="list-style-type: none"> On June 24, Abu Dhabi's Masdar signed a preliminary agreement to develop 2 GW of solar capacity in southern and central Iraq. Another 1 GW of solar capacity will be developed under the TotalEnergies agreement, part of a broader US\$ 7 B contract with the French major. Iraq expects 500 MW of Total's project to come online by end-2020, with the additional 500 MW to follow by 2023.

Saudi Arabia Developments

Oil & Gas	<ul style="list-style-type: none"> Saudi Aramco has raised US\$ 12.4bn from the sale of a minority stake in Saudi Aramco Oil Pipeline Ventures to a consortium of investors led by US-based EIG Global Energy Partners Malaysian Sapura Energy has been awarded a contract by Saudi Aramco for new platforms in the Zuluf, Ribyan and Abu Safah oilfields offshore the Kingdom
Alternative Energy	<ul style="list-style-type: none"> A multinational consortium, led by Masdar, France's EDF Renewables and Saudi's Nesma, kicked off the construction of a 300 MW solar park. The farm is scheduled to come online by 2022 The Kingdom has also awarded India's Larsen & Toubro construction group an EPC contract for a 1.5 GW solar project that signed a power off-take deal just recently Saudi Arabia signed PPAs of roughly 3 GW of solar PV projects. The capacity will come from 7 projects. The Kingdom plans to build large nuclear power plants to achieve 17 GWe of nuclear capacity by 2040, potentially meeting 15% of the country's needs.

	<ul style="list-style-type: none"> • Saudi Arabia is assessing Umm Huwayd and Khor Duweihin for its first nuclear power plant near the UAE and Qatari borders and has shortlisted Rosatom and KEPCO, among others • Tendering was set for 2020, but will face significant delays due to technical plans, and ongoing negotiations with the US, who insists that it shall provide Saudi Arabia with nuclear technology only if the latter agrees to “intrusive snap inspections” by the IAEA
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Oman Developments

Oil & Gas	<ul style="list-style-type: none"> • Petroleum Development Oman (PDO) announced the launch of a subsidiary company, PDO Services (PDO-S). The latter will be responsible for the commercialisation of the company’s expertise in the oil and gas value chain • Omani energy investment company OQ announced the successful commissioning of the OQ Liquefied Petroleum Gas Plant. The project has been constructed at a total investment of US\$ 826 M, with a capacity of 283 Mcf/d
Alternative Energy	<ul style="list-style-type: none"> • PDO and its parent Energy Development Oman (EDO) are building a 100 MW solar PV project, which will include 30 MW of battery storage capacity, at the Block 6 concession in Oman. The plant will be finalised by end-Q1 2023 • Oman will build one of the world’s largest green hydrogen plants, with state-oil firm OQ, Hong Kong-based Intercontinental Energy and Kuwait’s EnerTech working jointly on a 25 GW-powered electrolyser. A final investment decision is not expected until 2026

MENA Energy Pricing Reform

- Oman introduced a 5% value-added tax across the country, expanding its application on goods and services from 93 commodities to 488, with services such as education, healthcare, and financial services to be exempt. Annual revenue from the new tax is estimated at approximately US\$ 1.04 B
- In UAE, DEWA’s new net metering regulations introduced 2.08 MW cap for rooftop installations and excluded ground-mounted solar projects to limit competition with its retail rates, damaging the so-far very successful commercial and industrial rooftop market, where several local players have emerged
- Saudi Arabia increased VAT to 15%, while cost of living allowances were suspended to raise revenues; meanwhile, UAE ruled out any plan to increase VAT and has considered temporary suspension till economy is back on track
- Abu Dhabi will offer industrial companies a reduction of 40% on electricity tariffs under Ghadan-21 Programme to support the private sector in exchange for significant contributions to the economy; scheme dependent on companies improving energy efficiency
- Dubai and Sharjah cut utility prices by 10% in March 2020 and FEWA (northern emirates) by 20%
- Oman will start removing utility subsidies from January 2021 in a plan, along with revised labour laws, privatisation, and new taxation, aimed at reducing a widening fiscal deficit expected to reach 10% of economic output this year



ABOUT US

Qamar Energy provides leading-edge strategy, commercial and economic consulting across the energy spectrum to governments, international oil companies (IOCs), national oil companies (NOCs), investors, and oil traders.



Robin Mills, CEO

Robin is an expert on Middle East energy strategy and economics, described by Foreign Policy as "one of the energy world's great minds". He is the author of two books, *The Myth of the Oil Crisis* and *Capturing Carbon*, columnist on energy and environmental issues for Bloomberg and The National, and comments widely on energy issues in the media, including the Financial Times, Foreign Policy, Atlantic, CNN, BBC, Sky News and others. He is a Senior Fellow with the Iraq Energy Institute, and a non-resident fellow at the Columbia Centre for Global Energy Policy. He holds a first-class degree in Geology from the University of Cambridge, and speaks five languages including Farsi and Arabic.

UPCOMING TALKS & APPEARANCES



Gulf Intelligence Energy Transition Dialogues Webinar
July 14, 2021

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