OAPEC'S SIGNIFICANCE IN THE INTERNATIONAL OIL AND NATURAL GAS MARKETS

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The Organization of Arab Petroleum Exporting Countries (OAPEC) is a regional inter-governmental organisation established by an agreement signed on January 9, 1968, by Saudi Arabia, Kuwait and Libya. The three founding members chose the state of Kuwait for the organisation's domicile and headquarters. OAPEC is concerned with the development of the petroleum industry through fostering co-operation among its members. It contributes to the effective use of the resources of member countries through sponsoring joint ventures.

The organisation's membership is restricted to Arab countries to whom petroleum forms an important source of national income. Currently, the organisation has a total of 11 member countries, namely Saudi Arabia, Kuwait, Libya, Algeria, Bahrain, the United Arab Emirates, Qatar, Syria, Egypt, Iraq and Tunisia. The total population of OAPEC is about 239 million, representing 66 percent of the Arab population. OAPEC's total GDP amounted to $2,334 million, accounting for 86.7 percent of total Arab Gross Domestic Product measured in current price.

OAPEC member countries occupy a significant position in the international oil and natural gas markets. The most prominent parameters that illustrate their significance – present and future – are: oil and gas reserves, oil and gas production, oil and gas consumption and oil and gas exports.

OIL AND GAS RESERVES: The world's total oil proven reserves witnessed a sharp rise in the last decade, increasing from 1,138.6 billion barrels in 2003 to 1,277.7 billion barrels in 2013. OAPEC member countries were the origin of about 40 percent of the increase in the world's proven reserves. OAPEC proved reserves amounted to 703.3 billion barrels (55 percent of the world's total) in 2013. That puts OAPEC at the top versus other international groups. Five OAPEC members (Saudi Arabia, Iraq, Kuwait, United Arab Emirates and Libya) hold 51.6 percent of the world's proven reserves. As for natural gas, the world's proven reserves reached a level of 198.9 tcm in 2013. Natural gas reserves are more dispersed than those of oil, with OAPEC accounting for 26.6 percent of the world's total. By the end of 2013, OAPEC natural gas reserves had reached 52.9 tcm, and they are concentrated in Qatar, which holds about 46.2 percent of OAPEC total and 12.3 percent of the world's total.

OIL AND GAS PRODUCTION: The world's production of crude oil (excluding condensates and natural gas liquids) amounted to 75.5 million barrels per day (b/d) in 2013. OAPEC crude oil production reached 21.8 million b/d, or 28.9 percent of the world's total.

Saudi Arabia holds about 20.8 percent of the world's proven reserves. In 2013, Saudi Arabia produced 9.7 million b/d or 13 percent of the world's total followed by Kuwait with 2.9 million b/d or 3.8 percent and the United Arab Emirates with 2.7 million b/d or 3.6 percent of the world's total. OAPEC members play a central role in balancing and stabilising the world oil market, not only because of the size of their production, but also because of their spare production capacity. Saudi Arabia, the world's leading exporter, with total capacity of more than 12 million b/d, holds the bulk of the world's spare capacity.

It is worth mentioning that OAPEC oil production share from the world's total (28.9 percent) is much less than its share from the world's proven reserves (55 percent). The opposite is true for other regions. This fact strengthens OAPEC capability in meeting the expected increase in world oil demand. Among the world's top 16 countries, whose production exceeded 1.5 million b/d in 2013, there were four OAPEC countries, headed by Saudi Arabia followed by the UAE, Kuwait and Iraq. Turning to marketed natural gas, OAPEC production of marketed natural gas amounted to 566.2 bcm or 16.4 percent of the world's total.

OIL AND GAS CONSUMPTION: In general, OAPEC countries witnessed a steady increase in consumption of both oil and natural gas. Oil consumption reached 5.6 million barrels of oil equivalent per day (boe/d) (6 percent of the world's total) in 2013, representing an annual growth rate of 4.9 percent during the last decade, while production was close to 22 million b/d. The difference between OAPEC member countries production and consumption of oil, illustrates their significance to oil markets stability.

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Domestic consumption of natural gas, on the other hand, reached 7 million boe/d (11 percent of the world's total) in 2013, with an average annual growth rate of 8.9 percent during the last decade. Consumption varied from one country to another due to the differences in availability of oil and gas, energy-intensive local industries and standard of living in each country. Saudi Arabia consumed 25 percent of OAPEC's total, followed by Qatar (19 percent) and the United Arab Emirates (17 percent).

OIL AND GAS EXPORTS: During 2012, OAPEC crude oil exports estimated at 17.9 million b/d and oil products exports estimated at 3.8 million b/d. Total OAPEC oil exports represented 33.9 percent of the world's total. Of the world largest seventeen oil exporters, (i.e. countries that export more than 1.0 million b/d), there were seven OAPEC countries in 2012 headed by Saudi Arabia with an export level of more than 8 million b/d. On other hand, OAPEC exports of natural gas more than doubled in the last decade, to 194.4 bcm in 2012, accounting for about 19 percent of the world's total. Approximately 66.8 percent of OAPEC's natural gas exports were in the form of LNG, while the rest was pipeline gas from Algeria, Qatar, Libya and Egypt. Qatar is OAPEC's largest exporter of natural gas (62.5 percent of OAPEC), followed by Algeria (26.9 percent). In 2012, OAPEC's surplus exceeded 161 bcm, versus deficits of 197.4 bcm in Western Europe, 148.2 bcm in Asia Pacific and a surplus of 12.1 bcm in North America.

FUTURE OUTLOOK: OAPEC member countries are projected to remain the main providers of hydrocarbons for decades to come. Irrespective of their high consumption rates of both oil and gas, they have the potential for a further increase of their export capacity. In fact, they are the source for the major part of any additional conventional oil supply capacity in the future. Middle East and North Africa (MENA) oil production is expected to reach 38.2 million b/d in 2035, a rise of 6.7 million b/d from 2012. Natural gas output is expected to be 985 bcm in 2035, a rise of 381 bcm from 2011. OAPEC member countries are likely to continue to play a major role in meeting future world demand for oil and natural gas, contributing effectively towards market stability. OAPEC major producing member countries (Saudi Arabia, Iraq, Kuwait and the United Arab Emirates), accounting for around 47.8 percent of the world's proven reserves, will be the main oil suppliers in the medium to long term. For this to be realised, additional production capacity will be needed which require large investment outlays. This will take place only if there is confidence in the materialisation of anticipated demand (demand security) and access to sufficient funds.

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Top-15 countries by oil reserves, 2012

Rank	Country	Reserves (in barrels)
1	Venezuela	297.6 billion
2	Saudi Arabia	265.9 billion
3	Canada	173.9 billion
4	Iran	157 billion
5	Iraq	150 billion
6	Kuwait	101.5 billion
7	UAE	97.8 billion
8	Russia	87.2 billion
9	Libya	48 billion
10	Nigeria	37.2 billion
11	US	35 billion
12	Kazakhstan	30 billion
13	Qatar	23.9 billion
14	China	17.3 billion
15	Brazil	15.3 billion

Source: BP 2013 Statistical Review

RENEWABLES: With their huge hydrocarbon reserves, OAPEC countries appear to be an unlikely advocate for renewable energy. However, with excellent solar and wind conditions across the Arab region and rising energy demand, renewable energy is attracting an unprecedented attention in the region. Many Arab countries are planning a substantial hike in renewable energy capacity over the coming decade.

Some Arab countries, including OAPEC member countries, have the potential to become important producers and exporters of solar-generated electricity in the future. In such a case, geographical proximity suggests that Europe will be the natural market for such exports. However, renewables can only complement rather than supplant the hydrocarbon fuels, which will remain OAPEC's main business and the world's dominant source of energy for the foreseeable future, since the energy market is expected to witness an increasing demand for all kinds of energy sources.

ENERGY SECURITY: The security of supply and security of demand are two faces of the same coin. Security resides in the stability of the entire market, to the benefit of consuming and producing nations alike. The need for enhanced energy security has to be seen from both supply and demand perspectives, which should be mutually supportive. Uncertainty over future demand translates into uncertainties over the amount of oil that our oil producing countries will eventually need to supply, signifying a heavy burden of risk as investment requirements are very large. By promoting transparency between the major players in the oil market, producers and consumers, the world will definitely take a major step towards Energy Security.

CLIMATE CHANGE ISSUE: We believe any agreement related to a post-Kyoto protocol should take into consideration the interests of all parties, including oil producing and exporting countries, whose economies and revenues are highly dependent on a single and very limited resource for their development while taking into consideration the current framework convention (UNFCCC) and the Kyoto Protocol on the other.■