

Covering the energy industry: A media challenge

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The Challenges

- Oil producing nations in OPEC and the MENA region are still struggling with communicating with the market and global society.
- Media organizations are in daily battles to break news in a world of secrecy
- Lack of transparency, data is still a major issue
- Government agencies are trying to control the message
- The structure of the industry doesn't help reporters from OPEC, MENA producers to develop skills. "Very few pull factors and too many push factors"
- Lack of qualified local media organizations in oil producing nations in OPEC, MENA
- The result: 1) sending effective messages to the market is hard; 2) the image of the energy producers in OPEC, MENA didn't change a lot since the Arab oil embargo in 1974



The Players in the oil industry

- Organizations: OPEC; IEA; IEF; EIA
- National Oil Companies (NOCs): Saudi Aramco, KPC, Adnoc.. Etc.
- International Oil Companies (IOCs): Exxon Mobil, Shell, BP, Total... Etc.
- Media organizations: Bloomberg, Platts, Argus, Reuters, WSJ, FT... Etc.
- Financial players: traders, speculators, hedge funds,... Etc.
- At the heart of trading



Example of confusion: The role of OPEC



- Was OPEC ever a “true” **cartel**? Self-delusion.

Table 2: OPEC quota and price setting regimes 1965-2014

Period	Price-setting	Production quotas
1964-1966	No	Yes
1966-1973	No	No
1973-1979	Yes, fixed	No
1979-1981	No	No
1981-1982	Yes, fixed	No
1982-1985	Yes, fixed	Yes
1985-1986	No	Yes
1986-1990	Target/Weak form	Yes
1990-1992	Target/Weak form	Abandoned/Gulf War
1992-1997	Target/Weak form	Yes
1997-2001	Target/Weak form	Yes
2001-2003	Target/Weak form	No
2003-2004	Target/Weak form	Yes
2005-2014	Target/Weak form	No

Table 3: OPEC quotas and production 1982-2009

OPEC member	% months production exceeds quota
Algeria	100%
Iran	72%
Iraq*	82%
Kuwait	90%
Libya	83%
Nigeria	88%
Qatar	90%
Saudi Arabia	82%
UAE	96%
Venezuela	71%
OPEC 9 (excl. Iraq)	96%

*Up to March 1998 only. Iraq was not assigned an OPEC quota after March 1998.

- A **cartel** is an association of manufacturers or suppliers with the purpose of maintaining prices at a high level and restricting competition.

- **OPEC is not good at fixing, regulating prices.**

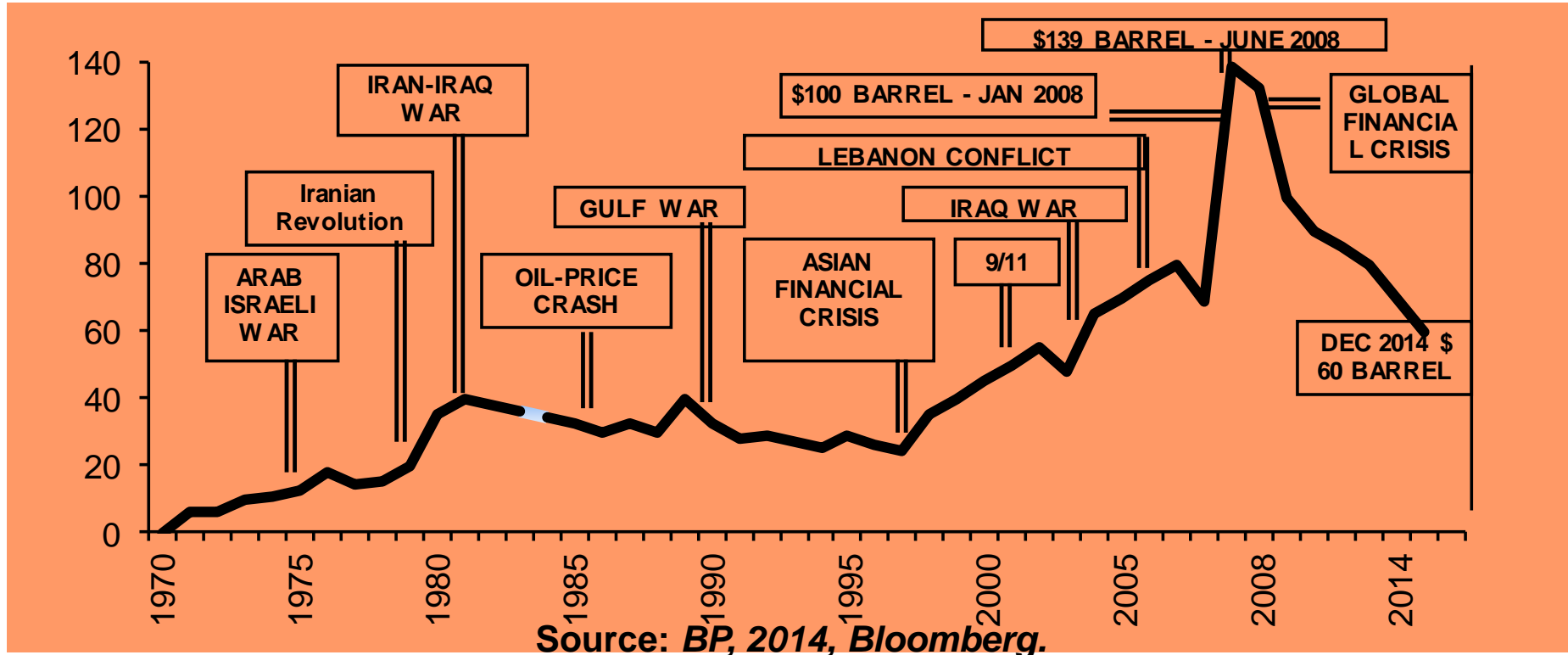


Example of confusion in market: Market share war, Price war



Oil price booms and shocks: The Need for Media

Figure 1 Crude oil prices 1970-2014 (US \$ per barrel)

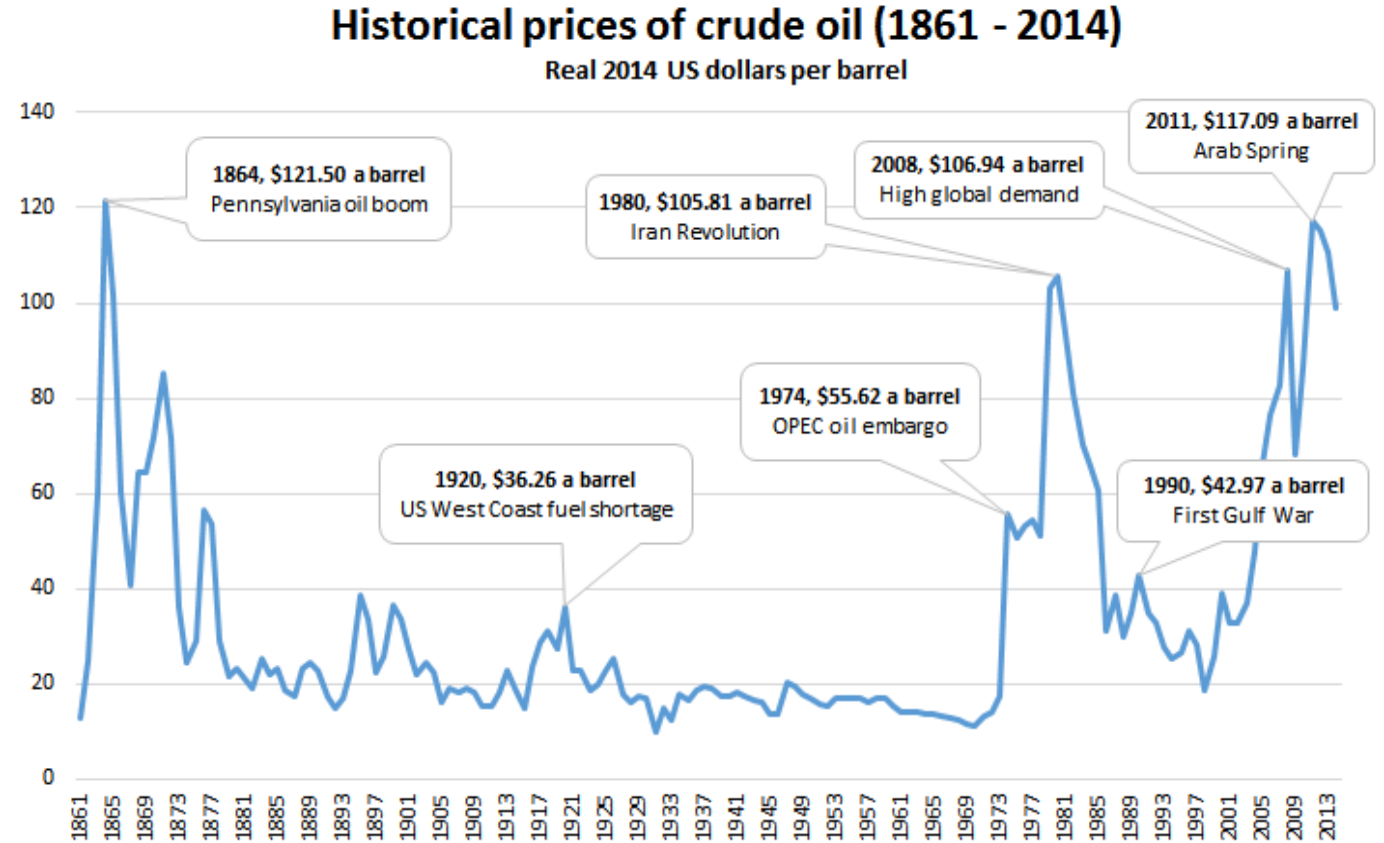


- **Boom and bust cycles:**
 - 1985/86 crash
 - Saudi 'swing producer role': from 8.5 mb/d to 2.5 mb/d
 - 2008/2009 swings from \$ 40- \$ 139 p/b
 - 2014 -\$110 to \$49



When market in turmoil, media is needed

- In 2012, the resort of oil producers to media to calm the market was intense
- Saudi oil minister Ali al-Naimi wrote a column in Financial Times in 2012
- Media, market were reacting to negative geo-political news
- At times of supply disruption and political upheavals, market resort to media more than official statements

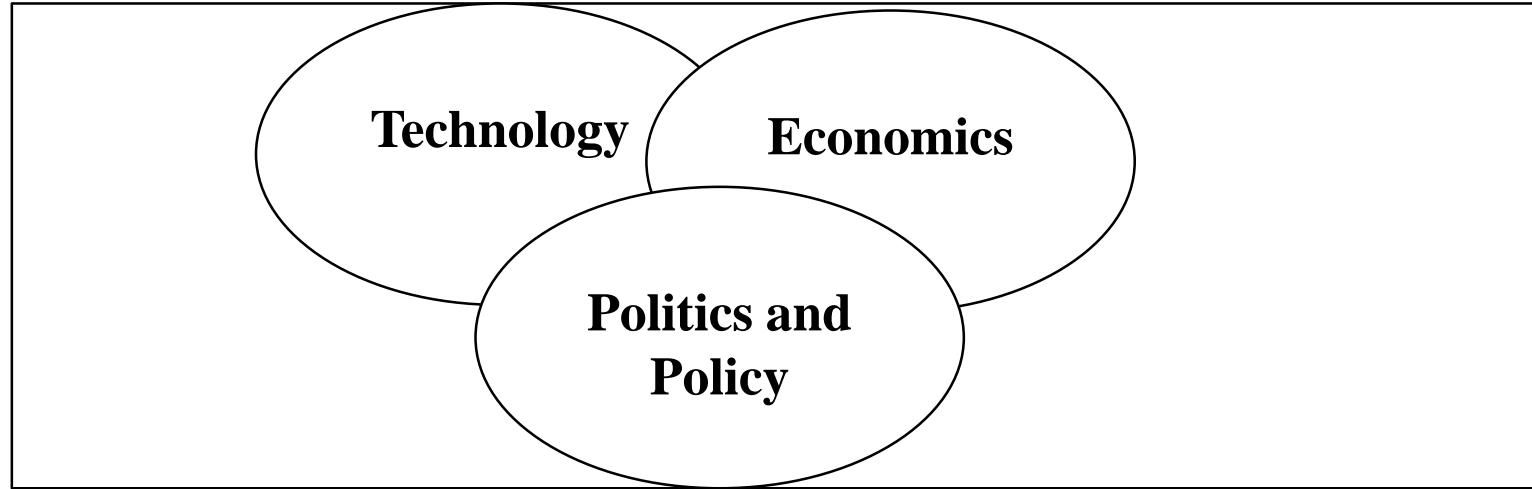


Source: BP Statistical Review of World Energy 2015



What determine oil prices? (*T, E and P*)

Figure 4 The confluence of key factors as determinants of oil prices



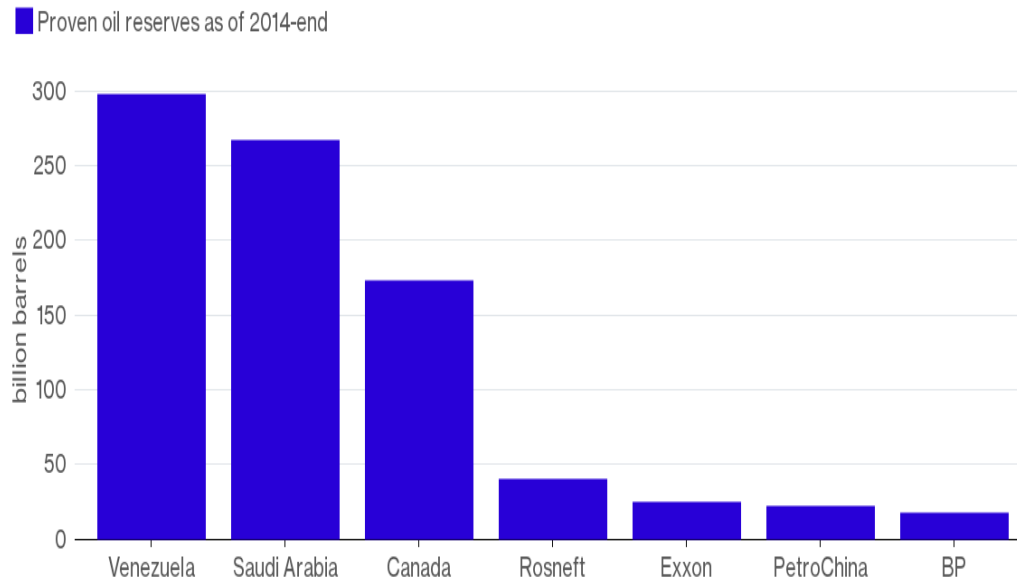
- “T”: **Technology** - Prospective developments in fields of geology, engineering and processes (boom in Shale oil ‘fracking’ , Horizontal Drilling).
- “E”: **Economics** – Viability of different upstream projects under prevailing and forecasted geological, technological, ***environmental*** and credit market risk. Financial investments in future markets.
- “P”: **Politics and Policy** – Sovereign political decision making with regard to legislation, regulation and fiscal/tax regimes.
- Media is at the heart of all this as future market, investors need information, news, data to act.



Saudi Aramco IPO: a game changer

Massive Reserves

Saudi Aramco is the sole producer of Saudi Arabia's reserves which are six times higher than its closest listed rival Rosneft



Note: Data for Venezuela, Saudi Arabia, Canada's reserves are from BP. Rosneft, Exxon, PetroChina, BP reserves data provided by the companies

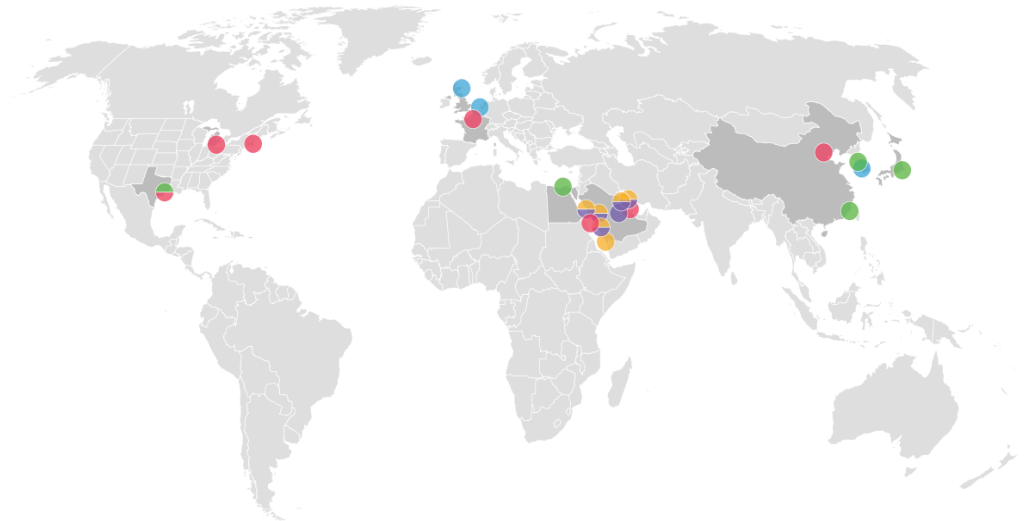
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Saudi Aramco's Vast Reach

The world's biggest crude exporter is considering selling a stake in its state-owned company, which controls more than a tenth of the global oil market. Saudi Aramco controls 261 billion barrels in oil reserves, more than 10 times the amount held by Exxon Mobil Corp.

Saudi Aramco locations worldwide

● Terminals ● Research centers ● Technology offices ● International joint ventures
● Refineries (including joint ventures) ⊖ Multiple entities in one city



Sources: Saudi Aramco, data compiled by Bloomberg

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JODI: A step on the way

- Jodi database is an example of the efforts of producers to become more transparent
- It's the only platform where media, investors, and academics, analysts, and researchers can find detailed data on production, exports, consumption of crude oil and petroleum products
- The database still faces some challenges but it's always improving and expanding



www.jodidata.org



The crude oil is going to stay with us for long time



Thank you

IPRA-GC

Dubai

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