

TOP OF THE NEWS

The Coalition Led by the United States Continues to Strike Oil Targets Controlled by the Islamic state in Syria

Since August 2014, strikes against the **Islamic state** (IS) in Iraq and Syria have continued unabated (more than 3,220 by U.S. forces as at 7 January). The objectives are clearly of a military nature, logistical or similar (from IS fighting units, battle positions, artillery, command and control centers, armored vehicles, other vehicles, buildings), but in September the diversity of these targets was increased with the inclusion of small refineries as **Arab Oil & Gas** (AOG) had pointed out. On September 24, the **Pentagon** announced that 12 **refineries** in eastern Syria had been destroyed or damaged (AOG, 1 Oct., 2014).



Military objectives remain largely predominant but oil targets have not been forgotten. Oil and refined products are indeed a source of fuel for vehicles, a source of income through exports and a source of population control in areas dominated by the IS. In recent times, these targets did not include refineries but focused on **collection points for crude oil and oil pipelines in Syria**. Thus, on January 5, five collection points and a pipeline were struck near **Deir ez-Zor**.

That same day, 14 air strikes were carried out in Syria and six in Iraq under the *Inherent Resolve* operation. The **United States**, which are the leaders of the coalition against the IS, are responsible for most of the strikes in both countries. In Syria, they are supported by **Saudi Arabia, Bahrain, the United Arab Emirates and Jordan**. In Iraq, U.S. forces are associated with **Australia, Belgium, Canada, Denmark, France, the Netherlands and the United Kingdom**.

The spokesman for the Pentagon, Rear Admiral John Kirby, said on January 6 that the IS - ISIS for the Pentagon - was now on the defensive in Iraq even if it was necessary to be very careful about it. The United States believes that several hundred IS fighters were killed. In **Baiji**, Iraqi security forces control the refinery but the IS tries to take it back. In addition, we have dramatically reduced their ability to generate revenue from oil, added the spokesman of the **Department of Defense**. However, he did not detail this for accredited journalists at the Pentagon.

Francis Perrin

Tunisia Oil and Gas Summit 2015 (Hammamet, October 8-10, 2015)

The fifth edition of the *Tunisia Oil and Gas Summit (TOGS)* will be held from 8 to 10 October 2015 in Hammamet. **Arab Oil & Gas** will regularly inform its readers on the program of the 5th TOGS and on the speakers who will participate in this event.

The website of the TOGS is www.tunisiaoilandgas.com

The Prices of Brent and WTI at \$50 per Barrel

The year 2015 began with prices of around \$50 per barrel for the light reference crudes North Sea **Brent** and **West Texas Intermediate** (WTI). On 8 January in the morning, Brent was at \$51.50/b and WTI at **\$49.20/b** for February 2015 contracts. For Brent, the fall is about 55% since the recent peak of nearly \$115/b reached in June 2014.

The main cause of the collapse, which brings oil prices back to their May 2009 level, is the excess of oil supply over demand, itself linked to the growth of the production of unconventional crudes in the **United States** and **Canada**, in a context of global economic slowdown. According to the **U.S. Energy Information Administration** (EIA), which is part of the **U.S. Department of Energy**, global production of liquid fuels was higher than consumption in each of the four quarters of 2014. During the five previous years, between 2009 and 2013, production had never exceeded consumption for more than two consecutive quarters, according to the EIA estimates.

From the point of view of the petroleum exporting countries, 2015 does not start very well. According to the EIA, in the December 2014 edition of its *Short-Term Energy Outlook* (STEO), U.S. crude production would increase by 700,000 barrels per day this year to stand at an average of **9.32 million barrels per day**, against **8.60 million b/d** in 2014 (which was its highest level in almost 30 years) and 7.44 million b/d in 2013. This country drove up world oil production in recent years.

Also for producers, after the bad news, there is some (relatively) good news. The increase in U.S. production continues but the rate of increase is slowing down. The increase was 1.2 million b/d in 2014 (+16%). In addition, growth projected for 2015 was 900 000 b/d in the November edition of the *STEO*. The EIA explains, however, that this slowdown will occur only during the second half of 2015.

These projections, which are normally very reliable, are obviously much more difficult to make because of plummeting prices and their impact on the profitability of production and investment. Given the evolution of prices over the past six months - no one had foreseen the extent of this fall - we do not really know today what will be the price of oil in 2015.

The role of the United States will in any case be crucial. Liquids production in the country (crude, condensate, natural gas liquids, biofuels, other liquids and processing gains) increased from 12.34 million b/d in 2013 to **13.90 million b/d** in 2014 and the EIA projection of December 2014 for 2015 was **14.89 million b/d**. In 2013, production in Russia and Saudi Arabia was 10.50 million b/d and 9.65 million b/d respectively, according to the same source.

Francis Perrin

Great Potential for Discovery in Algeria

Sonatrach recently presented its 2013 annual report and it contains a lot of very interesting operational information despite its unfortunately belated publication. This report includes in particular many details on hydrocarbon discoveries in Algeria in 2013. The following are **Arab Oil & Gas'** main comments on these data:

- The total number of discoveries was **32** in 2013, which is a high figure.
- This very good result is not an exception or aberration. According to the acting Chairman of the national company, Mr. Said Sahnoun, **112 discoveries** have been made over the period 2010-2013, 28 per year on average.
- The number of discoveries is important but not sufficient because you can do a lot of small discoveries. For 2013, the company said the proven and probable volumes highlighted through these discoveries were **416 million tons of oil equivalent**, which is the highest level since 1967. The concept of proven and probable volumes is not very clear and it would be better to refer to volumes in place or to recoverable reserves but the 2013 result is the best for nearly 50 years, which is noteworthy.
- According to Mr. Sahnoun, the reserve base of Algeria has increased by 5% since 2010 (see page 20 in this issue).
- As is the case for several years, **Sonatrach has been at the origin of the vast majority of the discoveries in 2013 with 29 of them** (which means on permits held at 100% by the national company). This is both a very good news (it means that Sonatrach is very active in the exploration field and that its work leads to positive results) and bad news (foreign firms are not much involved in exploration in Algeria, which is regrettable).
- In 2013, only three discoveries were made by foreign companies working in partnership with Sonatrach. This was the association between the Thai company **PTTEP** and the Chinese company **CNOOC**.
- These three findings related to oil only.
- Examination of the geographical distribution of discoveries recorded in 2013 shows the considerable weight of two well-known basins, **Berkine** (18 findings) and **Illizi** (9). These two zones thus represented 84% of all discoveries in 2013. This shows that, despite having been extensively explored for quite some time, their potential remains significant even today, which is very positive.
- The five other discoveries are located in the basins of **Ahnet** (three), **Oued Mya** (one) and **Amguid Messaoud** (one).
- This distribution also shows that Algeria has a significant discovery potential outside the areas well known by the industry even if the geological risk level is much higher.
- **Natural gas** dominates the discovery landscape, which is not surprising since this energy constitutes the bulk of the Algerian hydrocarbon reserves. In 2013, its share in the primary production of hydrocarbons (**186.9 million tonnes of oil equivalent**) was 64%. Crude oil is well

represented, however, which is also very interesting. Of the 29 discoveries made by Sonatrach, nine were of oil, five of gas, 11 of gas with condensate and four of oil, gas and condensate.

- Algerian leaders and Sonatrach do not intend to reduce the exploration effort. In the 2015-2019 development plan of the national society, the first goal is **the expansion of the reserve base**, which implies an intensification of exploration.
- This enhanced exploration program will cover both mature basins and those which are much less well known and both **conventional and unconventional resources**. Mr. Sahnoun said in December that unconventional gas production capacity of around **30 billion cubic meters per year** could be in place by 2025-2027 (see page 20).

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