

*RESEARCH &
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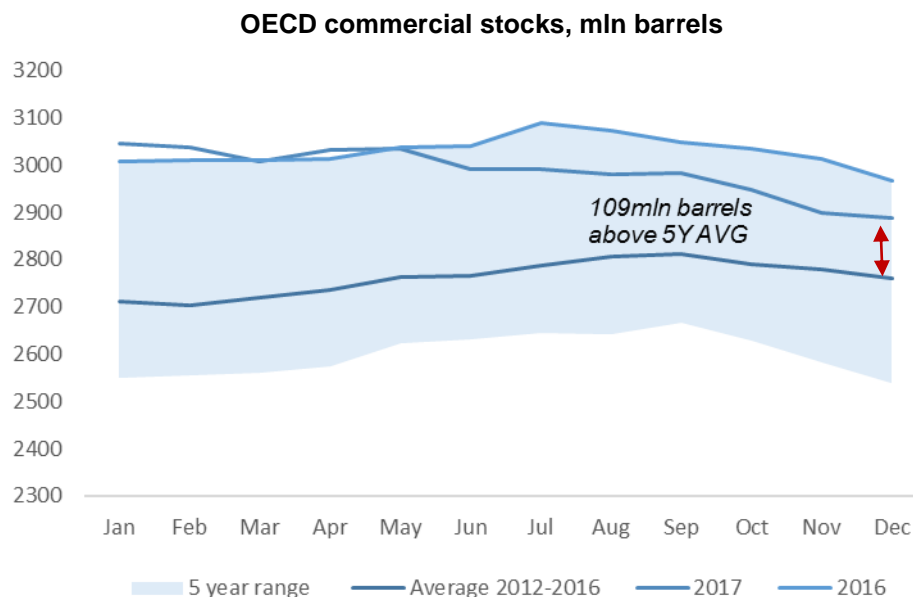


Oil & Gas Updates: OPEC supply

MARCH 2018

Key highlights

- In January 2018, OPEC output amounted to 32.3mln bpd, 8,000 bpd lower MoM and 78,000 bpd lower than 2017 average. The output cut by most OPEC producers was partially offset by production growth in Iraq, Saudi Arabia and Libya. The share of OPEC supply in total oil output was at 33.1%, 0.1pp lower MoM. Libya increased oil production reaching the highest level in almost 4.5 years at 0.978mln bpd in January 2018. The increase in oil production was due to restart of the Sharara oilfield in September 2017. Venezuela's oil output continued to decline in January 2018, with country's output reaching a 20-year low level of 1.6mln bpd. The country will have elections in April 2018 and has no indicators of increase in oil production due to economic and political crisis with expectation of a decline around 1.4mln bpd.
- OECD commercial oil stocks decreased by 22.9mln barrels in December to 2,888mln barrels, 109mln barrels above the latest five-year average. In January 2017, OECD stocks were 334mln barrels above the 5-year average. OECD crude stocks fell by 23.4mln barrels to 1,448mln barrels, 100mln barrels above the latest five-year average. The stock draws were in OECD America and OECD Europe, while OECD Asia Pacific experienced a stock build. According to Russian first deputy energy minister, commercial oil stocks in OECD countries is not likely to be a return to five-year average until the second half of the year, maybe not until September.



Source: Bloomberg, OPEC, Samruk-Kazyna

- Brent crude is trading at USD64-65pb supported by geopolitical risks in the Middle East, particularly by production outages in Venezuela, a weaker US dollar and rising demand on the back of robust global economic growth. Oil prices remained curbed by rising US shale production, which reached record levels above 10mln bpd and is now expected to reach 11mln bpd by the end of this year. Market has a positive view on oil market due to a strong commitment from OPEC and participating non-OPEC countries to deliver on the agreed deal. Brent crude YtD average price stood at USD66.53pb as of 12 March 2018. **We revised upward our forecast of average oil price to USD64-65pb for 1Q18 and 2Q18.**

OPEC supply

In January 2018, OPEC output amounted to 32.3mln bpd, 8,000 bpd lower MoM and 78,000 bpd lower than 2017 average. The output cut by most OPEC producers was partially offset by production growth in Iraq, Saudi Arabia and Libya. The share of OPEC supply in total oil output was at 33.1%, 0.1pp lower MoM.

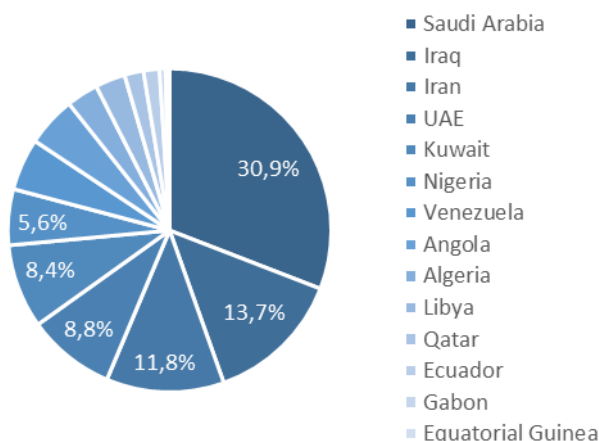
OPEC crude oil production, '000 bpd

	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18
Algeria	1,057	1,050	1,012	1,006	1,037	1,029
Angola	1,642	1,641	1,711	1,590	1,626	1,615
Ecuador	535	534	541	531	523	523
Equatorial Guinea	124	130	135	130	131	134
Gabon	185	201	203	198	199	198
Iran	3,833	3,825	3,823	3,820	3,832	3,829
Iraq	4,466	4,514	4,383	4,393	4,405	4,435
Kuwait	2,705	2,712	2,708	2,704	2,700	2,707
Libya	871	920	962	969	957	978
Nigeria	1,802	1,792	1,738	1,772	1,828	1,819
Qatar	608	606	600	608	602	596
Saudi Arabia	9,969	9,983	10,000	9,925	9,953	9,977
UAE	2,922	2,917	2,911	2,885	2,870	2,864
Venezuela	1,936	1,907	1,863	1,799	1,647	1,600
Total OPEC	32,651	32,740	32,589	32,330	32,310	32,304

Source: OPEC, Samruk-Kazyna

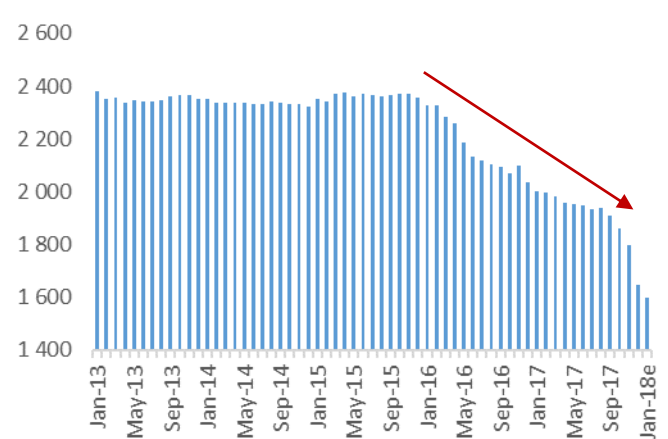
Libya increased oil production reaching the highest level in almost 4.5 years at 0.978mln bpd in January 2018. The increase in oil production was due to restart of the Sharara oilfield in September 2017. Other OPEC countries that increased oil production include Iraq (+30,000 bpd) Saudi Arabia (+24,000 bpd). These production hikes were partially offset by lower production in Venezuela (47,000 bpd), Angola (-11,000 bpd) and Algeria (-8,000 bpd). Venezuela's oil output continued to decline in January 2018, with country's output reaching a 20-year low level of 1.6mln bpd. The country will have elections in April 2018 and has no indicators of increase in oil production due to economic and political crisis with expectation of a decline around 1.4mln bpd.

Share of production, % (2018)

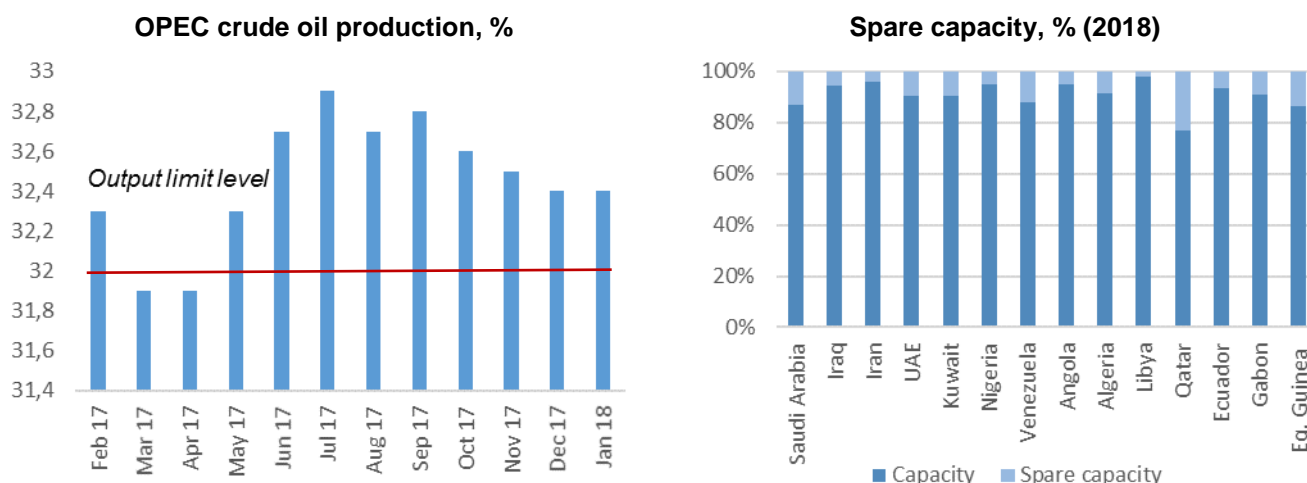


Source: OPEC, Samruk-Kazyna

Venezuela crude oil production, '000 bpd



OPEC's major producers are also planning to add capacity to boost oil production. Kuwait's oil output is forecast to reach 3.255mln bpd by March 2019 compared to current 3mln bpd. Iran is expected to add 0.7mln bpd of additional capacity in the next 4 years and increase production to 4.7mln bpd due to the development of four oil fields with the help of private investment.



Source: Kamco, Samruk-Kazyna

In January 2018, the average compliance with output cuts by OPEC countries reached a new high of 137%. The highest compliance rate was in Venezuela, Angola, Algeria and Qatar. The UAE increased its compliance rate to 117% from 103% in December 2017.

OPEC countries' compliance, % (March 2017 - January 2018)

Country	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-18	AVG
Algeria	78%	58%	58%	58%	38%	58%	58%	178%	158%	98%	138%	87%
Angola	142%	117%	181%	104%	104%	78%	117%	91%	168%	206%	232%	146%
Ecuador	108%	69%	69%	69%	31%	31%	31%	31%	31%	108%	108%	69%
Eq. Guinea	-	-	83%	167%	167%	167%	83%	83%	83%	83%	83%	120%
Gabon	78%	22%	22%	22%	-200%	133%	133%	22%	22%	22%	-89%	9%
Iran	NA	NA	NA	NA	NA	NA	NA	NA	NA	126%	114%	105%
Iraq	62%	72%	39%	29%	34%	39%	15%	58%	67%	34%	34%	41%
Kuwait	106%	98%	90%	90%	105%	105%	98%	105%	98%	105%	105%	101%
Qatar	127%	93%	60%	93%	127%	127%	227%	160%	127%	127%	127%	129%
Saudi Arabia	126%	116%	128%	102%	106%	112%	118%	102%	118%	118%	116%	120%
UAE	74%	74%	60%	60%	53%	74%	60%	67%	81%	103%	117%	62%
Venezuela	39%	49%	71%	71%	39%	49%	134%	165%	239%	481%	481%	134%
Total OPEC	100%	96%	95%	78%	75%	82%	87%	96%	115%	132%	137%	99%

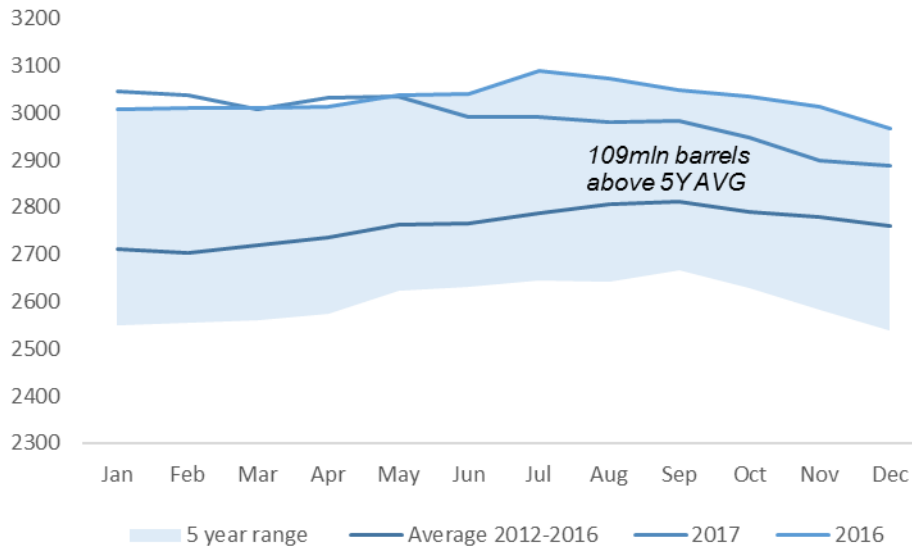
Source: IEA, Samruk-Kazyna

OPEC targets to reduce OECD stocks

OECD commercial oil stocks decreased by 22.9mln barrels in December to 2,888mln barrels, 109mln barrels above the latest five-year average. In January 2017, OECD stocks were 334mln barrels above the 5-year average. OECD crude stocks fell by 23.4mln barrels to 1,448mln barrels, 100mln barrels above the latest five-year average. The stock draws were in OECD America and OECD Europe, while OECD Asia Pacific experienced a stock build.

According to Russian first deputy energy minister, commercial oil stocks in OECD countries is not likely to be a return to five-year average until the second half of the year, maybe not until September.

OECD commercial stocks, mln barrels



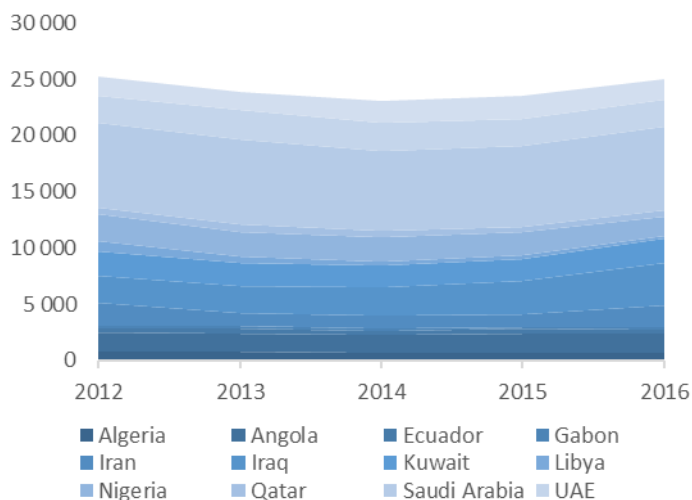
Source: Bloomberg, OPEC, Samruk-Kazyna

OPEC members' export

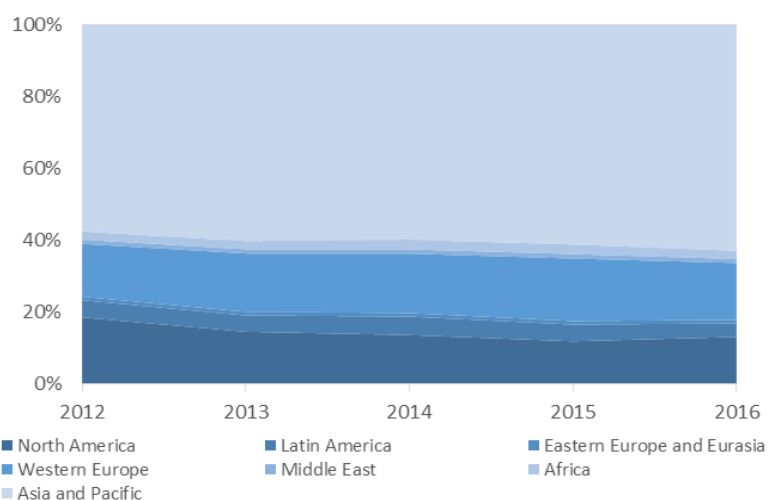
The major exporter of OPEC members in 2016 was Saudi Arabia, which export was equal to 7.5mln bpd. It was followed by Iraq, UAE and Kuwait with the value of export of 3.8mln bpd, 2.4mln bpd and 2.1mln bpd respectively. The countries with the lowest export were Gabon (0.2mln bpd) and Ecuador (0.4mln bpd).

The main export route of OPEC crude oil is Asia and Pacific, while the share of Western Europe and Latin America is decreasing.

OPEC crude oil exports by destination, '000 bpd



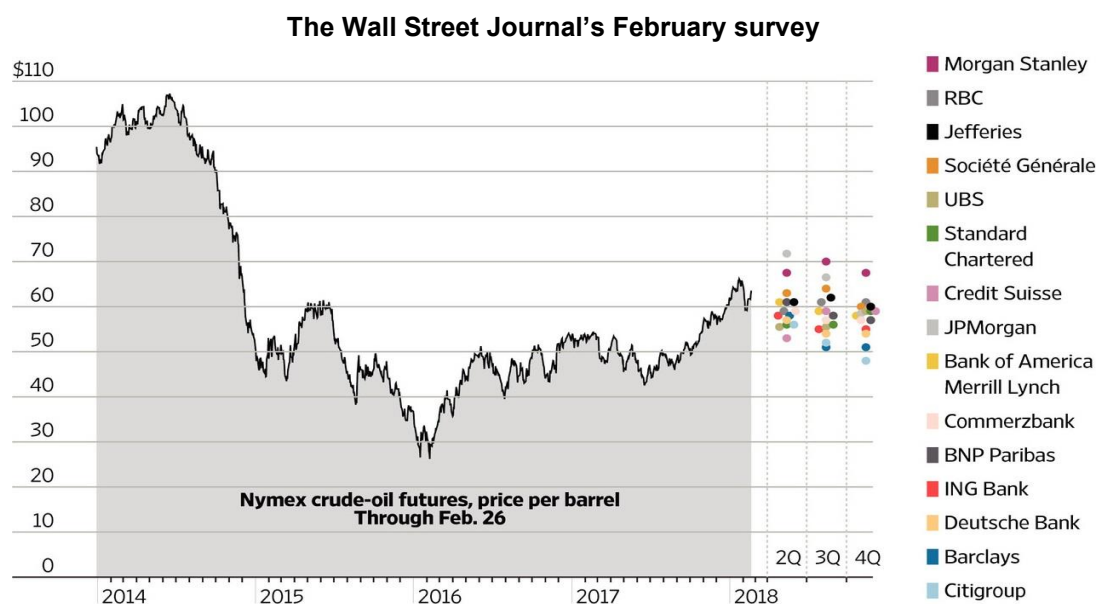
Share of OPEC members' crude oil exports by region, % (2012-2016)



Source: OPEC, Samruk-Kazyna

In-house oil price trend and outlook

According to the market consensus in February 2018, Brent is expected to average at USD62pb in 2018, which is USD1 higher than the January survey results. Market players continued to raise their forecasts for oil prices for the fifth month in a row. The positive view on oil market is due to a strong commitment from OPEC and participating non-OPEC countries to deliver on the agreed deal.



Source: the WSJ market data group

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Oil price projections 1Q2018 and 2Q18, USD pb

Price	2017 average	1Q18 average market consensus*	1Q18 forward price*	1Q18 average^	2Q18 average^
Brent	55.23	65.00	66.73	64-65	64-65

Source: Bloomberg, Samruk-Kazyna

*As of 12 March 2018

^ represents in-house projection by Samruk-Kazyna, average price expected for 1Q18-2Q18

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