## Saudi, Tunisia agree to boost economic ties

Saudi Minister of Trade and Investment Majid Al-Qasabi has said that the Kingdom is keen on boosting economic and trade ties with Tunisia, as well as supporting the country to counter all challenges facing it.

Following his talks with Tunisian President Beji Caid Essebsi on Friday, Al-Qasabi's added in a press statement that his visit to the North African country, leading a delegation from 18 government bodies and more than 50 businessmen, reflected the "dynamism" of bilateral ties and the mutual desire to promote them, especially on the economic, trade and investment levels.

The high profile delegation represented the Saudi side in the 9th session of the Tunisian-Saudi Joint Committee, July 26-28.

Over two days, the committee, held for the first time in ten years, discussed the challenges Tunisia is facing and the opportunities available for bolstering bilateral ties, Al-Qasabi said.

The two sides agreed to work out a crystal-clear work plan to implement what they agreed upon in that respect.

The Saudi delegation arrived in Tunisia on Thursday for the committee meeting that saw the two sides sign agreements to consolidate investment, social, and cultural cooperation. (KUNA)

## Jordan's Arab Bank says H1 net profit falls 2 pct

Jordan's largest lender, Arab Bank Group, reported a 2.3 percent fall in first-half net profit to $415.2 million from $424.9 million a year earlier.

A statement released on Saturday by the bank, one of the Middle East's major financial institutions, said its loan book and overall operations continued to grow despite exchange-rate fluctuations.

Total loans rose 4 percent to $24.7 billion as of the end of June, while deposits fell to $33.5 billion from $34.8 billion a year earlier.

Chairman Sabih al Masri said the bank was able to "adjust to a challenging business climate in a difficult economic environment" thanks to its diversified operations.

Arab Bank operates in 30 countries on five continents, and owns 40 percent of Saudi Arabia's Arab National Bank ANB .

CEO Nemeh Sabbagh said liquidity continued to be robust with a loan-to-deposit ratio of 68.2 percent. The bank's provisions coverage ratio for non-performing loans stood in excess of 100 percent.

Net operational revenue rose 7 percent to $593.5 million excluding exchange rate fluctuations, the statement said. (RTRS)

**Market** Movements 28-07-2017

| | | | Change | Closing pts |
|---|---|---|---|---|
| PHILIPPINES | - | All Shares | +9.02 | 4,790.60 |

| | | | Change | Closing pts |
|---|---|---|---|---|
| AUSTRALIA | - | All Ordinaries | -77.00 | 5,755.20 |
| JAPAN | - | Nikkei | -119.80 | 19,959.84 |
| GERMANY | - | DAX | -74.64 | 12,162.70 |
| FRANCE | - | CAC 40 | -55.56 | 5,131.39 |
| EUROPE | - | Euro Stoxx 50 | -25.41 | 3,467.73 |
| S. KOREA | - | KRX 100 | -84.97 | 4,893.41 |
| INDIA | - | Sensex | -73.42 | 32,309.88 |

# Business

### Shale producers provide refiners with abundant, cheap domestic crude supplies

## Why record US oil exports are poised for even more growth

NEW YORK/HOUSTON, July 29, (RTRS): US refineries are producing more fuel than ever as they seek to meet rising demand — from overseas, rather than the drivers on nearby roadways.

Last year, the US became the world's top net exporter of fuel, an outgrowth of booming domestic production since the shale oil revolution started in 2010. That's a fundamental shift from the traditional US role in global markets as a top importer and consumer.

Net exports are on track to hit another record in 2017, making foreign fuel markets increasingly important for the future growth prospects and profit margins of US refiners.

Shale oil producers have provided refiners with abundant and cheap domestic crude supplies, giving them the raw material they need to produce internationally competitive fuel.

The nation set a record in 2016 by sending a net 2.5 million barrels per day (bpd) of petroleum products to foreign markets. That compares to net fuel imports of 2.3 million just a decade ago, according to US government data.

Booming exports have bolstered margins at the biggest US refiners - including Marathon Petroleum and Valero — and compensated for lack of strong growth this year in US fuel demand.

Now, the government of US President Donald Trump is seeking to deregulate oil and gas production to further leverage rising US exports for international political gain — a policy Trump calls "energy dominance".

Surging US crude production has already complicated the ongoing effort by the Organization of the Petroleum Exporting Countries (OPEC) to tame a global glut that has halved oil prices since 2014.

The United States remains a massive importer of crude oil — regularly trading the top spot with China — but American refineries now re-export much of that oil as jet fuel, diesel and gasoline.

The US has a growing role in satisfying demand for motor fuel in countries such as Mexico and Brazil, where the thirst for US fuel is likely to accelerate amid refinery outages and high production costs.

Refined US exports are also going further afield to Asia, and diesel exports to Europe increased in June to levels not seen in nearly two years, traders have said.

Traditionally, oil traders, refiners and investors have considered US fuel demand as one of the leading metrics for predicting international crude oil supply and price trends. Now, they are increasingly looking to foreign demand for US fuel for guidance.

"Globally, you're going to have increased demand for all of our products, and so our focus will go beyond the US borders," said Texas-based Valero's Chief Executive, Joe Gorder.

In contrast, he predicted a "slight decline" in US gasoline demand over the next decade.

US gasoline demand hit a record in 2016, as low pump prices encouraged consumption, but has leveled off this year. Rising fuel efficiency in cars is expected to limit future domestic demand growth.

US refined products are filling shortages in countries such as Mexico and Venezuela, where refineries have been running below capacity. US exports have also made inroads into Brazil's market by undercutting the price of locally produced fuel.

Latin America's imports of US fuels reached almost 2.5 million bpd in the first quarter compared with 2.32 million bpd in 2016. The growth was fueled by Mexico, Brazil, Peru, Venezuela and Central America, according to the US Energy Information Administration (EIA).

Mexico — already the biggest export market for US gasoline and diesel — is seeking higher-than-usual volumes in July and August to fill a void left by a fire at its biggest refinery last month.

In recession-scarred Venezuela, the country's largest refining complex has lowered operating rates this month to less than half of its 955,000-barrel-per-day capacity, a level that has required state-run oil company PDVSA to import more fuel to meet domestic demand.

Between them, Mexico and Venezuela have recently said they want to buy extra volumes of almost 19 million barrels in the second half of the year — mostly from the United States — an amount suggesting that US exports will grow again this year over last year's record levels.

Net US exports of transport fuels could rise 8.8 percent this year, according to PIRA Energy, an analytics and forecasting unit of S&P Global Platts.

In Brazil, fuel distributors have begun buying more US imports because they are cheaper than fuel sold by state-run oil firm Petrobras.

Petrobras had failed to align its wholesale prices with international markets, opening a window for importers to bring fuel into Brazil.

Petrobras last month said it would peg its fuels more closely to international prices as it tried to slow the expansion of US imports. Analysts said supply from US refiners was unlikely to slow much.

US refiners have also boosted exports to Europe and Asia.

In Europe, US shipments of diesel rose to nearly 500,000 bpd in June, according to traders, well above flows that have rarely exceeded 370,000 bpd since July 2015.

US global distillate exports, including diesel, hit a record that month, said researcher ClipperData, which tracks global oil flows.

Exports of refined products to several Asian countries, including India, Japan and South Korea, rose to record levels in 2016, and China took a record 303,000 bpd of US produced fuels in February.

US refiners are likely to play in important role in meeting rising demand from Asia, said Nicole Leonard, senior project consultant at Platts Analytics Oil & Gas Consulting.

Analysts and traders expect US refined products exports to continue to grow, even with increased competition from large exporters in the Middle East, Europe and India.

Demand for US fuels is underpinned by refinery challenges in neighboring countries, said Sandy Fielden, director of oil and products research for Morningstar Commodities Research in Austin, Texas.

"It doesn't seem that these Latin American countries are going to cure their refining problems overnight," he said.

### Higher oil prices cited

## Exxon & Chevron Q2 earnings soar

NEW YORK, July 29, (AFP): US petroleum giants ExxonMobil and Chevron reported big jumps in second-quarter profits Friday, the latest boost from a recovery in oil prices that still feels shaky to many industry officials.

Exxon's profit for the quarter ending June 30 nearly doubled to $3.4 billion, while Chevron nabbed $1.5 billion in earnings, up from a $1.5 billion loss in the year-ago period.

The big improvement in profits came on the heels of a recovery in oil prices in the wake of agreements by the Organization of the Petroleum Exporting Countries to limit production. Oil prices in the second quarter were about 15 percent above the level in the comparable 2016 quarter.

"These solid results across our businesses were driven by higher commodity prices and a continued focus on operations and business fundamentals," Exxon chief executive Darren Woods said.

### Margins

Other factors included better refining margins, higher natural gas prices and a restrained approach to capital spending.

Chevron chief executive John Watson said, "Second quarter results improved substantially from a year ago."

"We're delivering higher production with lower capital and operating expenditures."

Despite the big jump, Exxon's profits missed Wall Street expectations. Analysts also hit the company for a one percent drop in oil and gas production compared with the year-ago period.

By contrast, Chevron's earnings bested analyst expectations and reflected a 10 percent increase in oil and gas production amid solid output at its Gorgon LNG project in Australia and its shale properties in Texas.

Exxon recovered by the close to end 1.5 percent lower, while Chevron gained 1.9 percent.

Oil producers have been cautious in boosting investment, in part because of worries that oil prices could retreat again amid surging US shale production.

Oil services companies that reported earnings over the last week said US upstream investment remains solid, but international capital spending continues to lag.

Halliburton chief executive Jeffrey Allen Miller said aggressive drilling in North America boosted its US business, but the international market is likely to "move sideways" in part because of uncertainty about oil prices.

"Our international customers need confidence in commodity prices in order to overcome the duration risk in their projects," Miller said.

US oil output has risen more than 10 percent from a year ago to 9.4 million barrels per day, according to data from the US Energy Information Administration.

Schlumberger chief executive Paal Kibsgaard said investors have been "spooked" into thinking production in the United States "will flood the markets and leave inventory levels elevated for the foreseeable future."

John Hess, chief executive of mid-sized US oil company Hess, said he planned to trim $100 million from 2017 capital spending to $2.15 billion, citing "the current low price environment."

# Physical oil market tightens

## Refiners scramble for crude

**LONDON, July 29, (RTRS): Physical crude markets are at last showing signs of tightening as record refinery consumption in the United States coincides with a slowdown in oil exports from the Middle East Gulf.**

US refineries processed an average of almost 17.3 million barrels of crude per day last week, an increase of 620,000 barrels per day (bpd) compared with the same week in 2016.

Fuel consumption by US motorists remains largely flat but US refineries are seeing higher demand for gasoline and diesel from Latin America where supplies have been hit by local refinery problems.

Refinery crude consumption remains high in most other geographical markets in an indication fuel demand is growing strongly, especially in emerging economies.

OPEC exports have been rising as a result of increasing output from Libya and Nigeria, which are not capped under the organisation's production deal, and poor compliance from some members.

But Saudi Arabia has been restricting exports in recent weeks and has stated exports will be below 6.6 million bpd in August, compared with 7.3 million bpd in August 2016, and the lowest for the month since 2010.

Saudi Arabia and Iraq both tend to export less during the summer because they use more crude domestically to burn in power plants to meet airconditioning demand.

### Sharply

So some of the slowdown in Saudi exports may be seasonal, but officials are keen to frame it as a deliberate policy to accelerate the reduction of global oil stocks. Saudi sources have said export allocations to the United States, Europe and Asia will all be cut sharply in August ("Saudis to cut Aug oil exports to lowest level this year", Reuters, July 12 ).

The prospective reductions have left refiners scrambling to find replacement crude which is tightening the physical market for all grades.

Demand for medium and heavy crudes, with a high yield of middle distillates, has been strong since the start of the year, helping narrow the light-heavy differential.

But intensive refinery runs during the second and third quarters have seen strong demand for light crudes as well, tightening the market for light oils, even as supplies from North America and Africa have increased.

One consequence is that commercial crude stocks in the United States have fallen more rapidly than normal at this time of year and are now below year-ago levels. The tightening supply-demand balance has been reflected in a sharp improvement in the calendar spreads for Brent crude for the remainder of 2017 and through 2018. The Brent spread between September and October 2017 has tightened to just 3 cents per barrel contango on Thursday, from 32 cents per barrel in the middle of June.

\This file photo shows the Shell logo at a petrol station in London. Royal Dutch Shell is planning for the day when demand for oil starts fading major economies move away from oil and increasingly turn to electric powered cars. (AP)

### Co looking at 'very aggressive scenarios'

## Shell preparing for world economy that 'shifts' away from oil – CEO

LONDON, July 29, (AP): Royal Dutch Shell is planning for the day when demand for oil starts fading as major economies move away from oil and increasingly turn to electric-powered cars, Chief Executive Ben van Beurden said.

Van Beurden welcomed recent proposals to phase out passenger vehicles powered by fossil fuels in Britain and France, saying they are needed to combat global warming. Shell is looking at "very aggressive scenarios" as it makes plans to remain competitive in a world that gets more of its energy from renewable sources and less from crude oil, or "liquids," he said.

"The most aggressive scenario — much more aggressive than what we are seeing at the moment, by the way — with maximum policy effect, with maximum innovation effect, can see us peaking in liquids consumption somewhere in the early thirties," he said as Shell reported second-quarter earnings. "If there are a lot of biofuels in the mix, that may mean that oil will peak in the late twenties, but then everything has to work up."

### Future

Van Beurden's comments come amid increased focus on the future of the industry after the Paris climate agreement saw governments commit to tougher action on emissions and shareholders push for more long-term plans.

Britain this week pledged to ban the sale of new cars and vans using diesel and gasoline starting in 2040 as part of a sweeping plan to tackle air pollution. France announced a similar initiative earlier this month.

Car makers are also moving in this direction. Volvo says that by 2019 all of its cars will be powered by electricity or hybrid engines.

"It's not a surprise that the international super-majors are starting to accept a future with the question of just how much oil and gas is needed," said David Elmes, an energy industry expert at Warwick Business School. "They realize that is now in their planning horizons and therefore needs to be discussed with shareholders because it is influencing the decisions today, and one might argue that has been prompted by shareholder activism." Shell has already begun to respond to changing energy demand by increasing its focus on natural gas, van Beurden said. But the company also needs to get involved in electricity and renewable energy and expand its petrochemicals business, he said.

Van Beurden also stressed that while developed nations are moving away from gasoline- and diesel-powered passenger vehicles, the world will continue to depend on these fuels for many years.

Developing nations don't yet have the money or electricity networks needed to shift away from fossil fuels, and aviation, shipping and trucking can't easily shift to non-hydrocarbon energy sources, he said.

"As far as oil and gas are concerned, and certainly as far as oil is concerned, you have to bear in mind that if we have a peak and then go into decline, this doesn't mean that it is game over straight away," van Beurden said.

Shell's discussion of the future came as it said second-quarter earnings more than tripled due to cost cuts and recovering oil prices.

The Anglo-Dutch energy giant said profit adjusted for changes in the value of inventories and excluding one-time items rose to $3.60 billion from $1.05 billion in the same period last year. Net income rose 31 percent to $1.55 billion.

The earnings reflect efforts to restructure the business to cope with lower oil prices and the purchase of natural gas producer BG Group. Shell's oil price averaged $45.62 a barrel for the quarter, up 16 percent from a year earlier. Prices were above $100 a barrel as recently as 2014.

### 'Our oil should not be traded or gambled with'

## KPC marketing on a new dangerous path

**By Kamel Al-Harami**
Independent Oil Analyst

The statement issued last week by Kuwait Petroleum Corporation (KPC) concerning establishment of a new marketing and trading company is the first step towards dealing directly with traders and becoming involved in open trading with the only source of our daily income.

It is a complete deviation from our established oil policy since the inception of international marketing in 1965.

KPC went on to state the various benefits of the new marketing company in terms of enhancing returns and profitability by being more flexible towards its customers, trading through third party, perhaps storing products outside Kuwait, hedging and taking positions and risks which means added costs. However, there is no assurance for its success, as using unknown tools and methods could end up in huge losses.

Al-Harami

Playing with our only source of income is not the right of KPC or any other national oil company, as it can result in corruption, hidden losses and even bankruptcy. If a few members of KPC wish to deal with risky markets, they can simply quit the company and launch their own private trading company using which they can play, gamble and take all kinds of risk instead of playing around with the wealth of the nation.

A recent example in this regard is KPC's decision to market stored crude oil in the Far East which had resulted in huge losses due to deduction of costs of insurance, time, money value, and value of original price of crude oil.

KPC concluded its statement by affirming that it will establish the new marketing company in line with the practices of other national oil companies.

It ignores or pretends not to know the fact that none of those companies publish their annual financial reports or issue their profit-loss statements. They do not undergo audit of their accounts or have free press. They do not need approvals from their board, supreme petroleum council, or even the free elected parliament. Therefore, such a comparison does not apply in this case.

In addition, the national oil companies are not prohibited from dealing with traders. They are free to deal with any party unlike KPC, which, since its inception, was banned from dealing through third party and had to deal directly with the end consumers. This was reinforced in 2005 by the minster of oil at that time.

Another fact that KPC should bear in mind is that trading companies do not invest directly or own oil and gas fields and refineries. They do not invest in refineries or in downstream marketing. This is because oil is not their core business. They deal and trade with commodities, minerals, steel, gold, metals, precious stones, oil, and gas. They can switch from one to another, as their investments are minimal and can be ended overnight.

We were wondering for some time about the main reason behind building Doqum refinery in Oman because there wasn't any justification behind this, as it was neither built for domestic consumption nor is it an export refinery. However, it has become crystal clear now – it is simply to trade with and to be used for trading by selling all its throughputs in the open market, hedging, and for various high-risk trading tools and purposes that are totally foreign to KPC.

It should have instead properly invested in a reliable consuming country that can ensure stable and reliable stream of income and steady long-term supply.

How could the KPC board agree to such a venture at a cost of nearly $18 billion to be used for trading and to create a new marketing company for selling our petroleum products? All investments from our own money will be directed for trading, hedging, taking positions, and all other tools that available in the markets for the sake of gambling. Have they forgotten what happened to some of our banks in Kuwait when they did the same a few years ago? They ended up losing everything, and became bankrupt.

This time KPC is trying to gamble with the wealth of the nation. Its board has approved such uncalculated risks that could take us all down. Our oil should not be traded or gambled with; it belongs to all and should not be used for hedging or any other risk-taking tools. Certainly not to be used for public trading!

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