Above: President Putin inaugurates a gas pipeline in eastern Russia
Kiev Times

February 2014

UAE: **Office No.606, 6th F, Sama Tower, Sheikh Zayed Road**
P.O. Box: 192089, Dubai, United Arab Emirates
Tel: +971-4-3266300, Fax: +971-4-3266363
E-mail: admin@manaarco.com

Iraq: **Hai Al Tashreefat, International Zone, Baghdad**
Tel: +964-780-738-5724
Kurdistan Region, Iraq: Sofi Mall, Gullan Street, Erbil, Iraq

EU needs strategic energy policy over Ukraine

By Robin Mills

"Counter Putin by liberating US natural gas", advocates John Boehner, speaker of the House of Representatives. "American officials should use natural gas exports as one component of diplomacy" proposes the New York Times. US commentators are keen to use their new-found energy resources as a geopolitical tool against Russia during the Ukraine crisis. But Europe needs a strategy of its own, not just passively waiting for the US cavalry.

"Gas diplomacy" advocates expediting liquefied natural gas (LNG) exports from the US's shale fields. That would give the EU an alternative to Russian gas, making it less dependent on Mr Putin. Russia supplies about one-third of Europe's gas, and half of that comes via Ukraine. At the same time, 70 percent of Russian exports and half of its government budget are oil and gas.

The idea of expanding LNG exports has merit in the longer term. But it's useless in the current crisis. The US has already approved six LNG export projects, but the first will only start by late 2015. Although Boehner uses the crisis to attack the Obama administration, not even under a Cold War warrior such as Reagan would the plants have been built any faster. And relatively expensive LNG exports will not dramatically undercut Russian gas in Europe.

A stronger political coalition in favour of gas exports does send a signal to Russia that its market share will be eroded. But Europe cannot let itself be dependent on the fickle winds of American politics. With Russia as in the Middle East, US foreign policy has been equalled in irresolution only by Europe's itself.

The EU needs to find an energy policy that balances its vital environmental goals with economic security. Since the last Ukraine gas crisis, in 2009-10, Europe has indeed made progress. It has assisted Ukraine to cut its gas consumption by 20 percent.

European gas demand has fallen because of replacement by cheap (but dirty) coal, economic recession, mild winters, improved efficiency and more renewable energy. New LNG import terminals in Poland and Croatia, and interconnections will improve Eastern Europe's security of supply. A new Trans-Adriatic Pipeline (TAP) will bring extra gas from Azerbaijan to Greece and Italy by 2018.

But European countries still allow themselves to be picked off individually by Russia. Germany and Italy, in particular, strike cosy side-deals with the Kremlin. In 2012, leaked Gazprom data showed that, contrary to the single market ideal, Eastern European countries paid much more for Russian gas than Western ones: Macedonia was charged $564 per thousand cubic metres, while Germany paid just $379. Many interconnections – particularly reverse flow into Ukraine – are still missing.

The relatively small TAP is a far cry from the ambitious plans to bring Caspian, Iranian and Iraqi gas to Europe. The EU, its attention too often dispersed between member states, has been unable to exert its diplomatic muscle to cajole Iraq, Cyprus and Turkey, or Turkmenistan to solve disputes that stand in the way of new gas supplies.

And European energy policy remains self-indulgent and prone to political reversals. The UK, Poland, Ukraine and others have promising shale resources. Yet Europe is looking to the US for shale gas because it has done so little to develop its own– in the face of environmentalist pressure and government dithering. Meanwhile Germany, cool to shale, having shut down its nuclear industry in post-Fukushima panic, and secured its own direct gas line to Russia, now fears to anger Moscow.

Most of Europe's energy options are long-term. Precisely for that reason, they need to be implemented now. The aim is not to replace Russian energy, but to diminish its leverage and lower its price. American gas is a bonus, but the EU can extend a helping hand to Ukraine, and seize its own energy security.

Ukraine can't shake off its dependency on the oligarchs

By Robin Mills

With its leader stripped of the presidency and fleeing the country, journalists strolling around the deserted presidential palace and Kiev abandoned by police, Ukraine's crisis seemed to be moving towards resolution. But after the occupation of its Crimea region, the country will not achieve real independence until it can escape gas dependence on Russia and a circle of oligarchs.

Although far more violent, this conflict is reminiscent of the 2004 Orange Revolution, in which Viktor Yushchenko overturned an apparently fraudulent election "victory" by the just-deposed president Viktor Yanukovych. Mr Yushchenko and his temporary ally, Yulia Tymoshenko, ruled badly enough to lose fairly at the polls in 2010. Ms Tymoshenko was then imprisoned; the crimes for which she was convicted appeared fictional.

Politics and the ethnic divide between south-eastern Russian speakers, who tend to support Mr Yanukovych, and western, more pro-European Ukrainian speakers are certainly major factors in Ukraine's repeated upheavals. But this is also an economic struggle in which energy becomes a weapon.

Ukraine is an important transit state for Russian gas flowing to the European Union. It is also a major consumer in its own right, particularly for its large steel industry, but its antiquated plants are very inefficient. The country has promising gas resources in shale and the Black Sea, but political uncertainty and widespread corruption make it a difficult place for international companies. So, the economy is badly dependent on imports of cheap gas.

This creates an odd dynamic. Russia demands higher gas prices from Ukraine, which cannot pay. Russia then threatens to cut supplies, usually in the middle of winter. Ukraine makes some political concessions, prices are reduced, some dubious intermediaries profit by handling the gas trade, and normal deliveries are resumed.

This happened several times during the 1990s, and – after the Orange Revolution – again in 2005-2006, 2007-2008 and 2008-2009.

The 2009 dispute cut gas supplies to Eastern Europe. This left European consumers shivering in winter, and badly damaged Russia's reputation as a reliable supplier, and Ukraine's as a trustworthy transit state.

The new Nord Stream pipeline, directly from Russia beneath the Baltic Sea to Germany, allows Russia to cut off Ukraine selectively without interrupting EU supplies. The eye-wateringly expensive South Stream pipeline, at some US$65 billion, will provide another alternative route under the Black Sea, and also undermines European imports of Middle Eastern or Caspian gas.

The former German chancellor Gerhard Schröder became the chairman of Nord Stream, while the former Italian Prime Minister Romano Prodi was offered, but declined, the same position at South Stream. This is part of Russia's strategy to weaken EU energy solidarity by detaching key members, with the cooperation of major European gas suppliers such as Italy's ENI.

Russia actually wants to sell to Ukraine at below-market prices – because this creates the room for political bargains and private corruption. This time, Russia threatened Ukraine with higher gas prices to pressure Mr Yanukovych into dropping an association agreement with the EU, triggering the current turmoil.

To break free from this cycle, Ukraine needs to upgrade its obsolete infrastructure to reduce waste, develop its own gas fields, and improve pipeline links with the rest of Europe so that Russia cannot cut off its supplies selectively. The EU needs to support this with real resources, as one pillar of common European energy security.

But Ukraine's revolution must not be a victory just for one gas mafia over another.

A ***version of this article appeared in The National newspaper on February 3, 2014***

Oil supermajors should reconsider austerity and refocus on delivery

By Robin Mills

Shell's US$46 billion of capital expenditure last year was more than the GDP of Ethiopia, whose population is almost 100 million. Yet the company's oil and gas production fell 5 per cent, and profits were down sharply.

If shareholders don't want unprofitable growth, even less do they like unprofitable shrinkage. The oil giant responded by shelving a number of major projects – from drilling off Alaska, to a gas-to-liquids plant in Louisiana – and announcing $15bn of asset sales, as part of plans to reduce this year's capital spending to a mere $37bn.

But Shell is not alone. On Friday, Norway's Statoil said it would cut investment and push back its 2020 production target. The chief executive Helge Lund explained: "We are prioritising value creation rather than growing as fast as possible", as the company delayed plans for an Arctic oilfield and a North Sea heavy oil development.

Meanwhile, ExxonMobil slipped behind Google as the second most valuable company in the United States, after its production fell in 9 of the last 10 quarters.

The supermajors all face similar problems. Their legacy assets are increasingly mature – as their output falls, higher spending is needed to maintain safety. In their new core areas, such as Brazil, Kazakhstan and Russia, financial gains are whittled away by government attempts to claw back the windfall – or, as in Australia, by heavier regulation. BP, Shell, ExxonMobil and Total each lost about 140,000 barrels per day of production – perhaps temporarily – as their stake in Abu Dhabi's onshore fields expired.

Costs are not rising because fields are growing more difficult – the "end of easy oil" fallacy. It's more the converse. High oil prices allow expensive projects to go ahead and create a scramble for scarce rigs, compressors and pipelines. But the whole industry is grappling with an ageing workforce. Failure to invest in the next generation in the 1990s now manifests itself in soaring salaries and worrying skills shortages.

What can the big oil companies do? If record spending levels do not lead to growth, then cutting spending and selling assets will obviously cause even faster declines in oil and gas production. That may be acceptable if it is part of a well thought-out plan to transform to smaller, leaner and nimbler entities.

But an elephant on a diet is still an elephant – shrinkage on its own is not a strategy.

The supermajors need to learn again how to deliver major frontier projects. The giant new Kashagan field in Kazakhstan now faces months of delays after a pipeline was corroded by toxic gases. The cost of Chevron's flagship Gorgon liquefied natural gas project in Australia has ballooned from $37bn to $54bn. BP was almost ruined by the 2010 Macondo oil spill in the Gulf of Mexico.

These kinds of stumbles undermine the supermajor rationale – that only they, with their financial muscle and organisational strength, could execute huge and challenging projects. With the cancellation of a raft of projects in the Arctic and other technological frontiers, the companies themselves seem to have lost some confidence in their ability to deliver.

In deep water – Macondo apart – they have done much better, but here even midsized companies and national oil companies have come to compete with them.

Otherwise, exploration results have mostly been dismal. Nor – having completely missed the initial shale boom then overpaid to get back in - have they cracked the code of operating shale cost-effectively. Perhaps they need to take a chance on decentralisation and create specialist shale and mature-asset divisions.

But shareholders have some responsibility, too. It's odd to call for spending cuts while oil prices remain at historic highs. Instead of reflexively demanding austerity, perhaps investors should challenge chief executives to explain how they can still grow while on a capital diet.

A ***version of this article appeared in The National newspaper on February 9, 2014***

Both wealth and challenges flow in Kurdish Iraq

By Robin Mills

A shiny new airport that offers visas on arrival. Dubai-style property developments whose prices, doubling in a year, have attracted Emaar. A lively bazaar, and a historic citadel under renovation.

Erbil, the capital of Iraq's autonomous Kurdish region, now attracts glowing praise from travel magazines and international investors alike.

The emergence of this newest petro-state presents the Kurds with a historic opportunity, but they are also beginning to discover the pitfalls of oil-fuelled development. To make the most of their bounty, they have to make some critical decisions and tough choices.

The region has made headlines for the discovery of giant oil and gasfields – the arrival first of buccaneering wildcatters and then of industry luminaries such as ExxonMobil – and the high-profile personalities that follow: Ashti Hawrami, the wily oil minister; the colourful, big-spending Todd Kozel of Gulf Keystone Petroleum; and Tony Hayward, BP's sacrificial former chief executive now reinvented as the head of Genel Energy.

From being the poorest part of Iraq under Saddam Hussein, the Kurdish region has become one of the wealthiest and most secure, attracting some mixture of envy and emulation from other provinces.

But ironically, the region's own oil makes only a small contribution to the region's finances, which still mostly come from its share of the central budget. The attempts by the Kurdish authorities to export oil independently of Baghdad have led to threats to cut off this disbursement.

Part of the downside of the boom are the growing pains common to any nouveau riche economy. Urban planning is haphazard, building quality often poor and roads are increasingly choked by traffic. Signs of conspicuous consumption interweave with poverty, as gold-plated BMWs cruise past boys selling windscreen washes on the street. Electricity provision is far better than in the rest of Iraq, but four power cuts interrupted my last dinner.

But more important are the foundations of the type of society the Kurds are trying to build. Some temptations, common to all oil countries, have to be resisted. A robust private sector is one of the region's great strengths, compared with the rest of Iraq. But this can easily degenerate into crony capitalism and nepotism.

A certain amount of corruption, although wrong and undesirable, need not impede democracy or economic growth too much. But in countries such as Russia or Azerbaijan, pervasive corruption is not just part of the system – it has become the system. The Goran party, which did well in recent Kurdish elections, has based its appeal partly on advocating clean government. Yet the magazine editor Kawa Germyani, gunned down south of Sulaymaniyah in December, was just one of several journalists murdered recently while investigating corruption.

The other critical issue is to ensure that oil does not dominate the economy. This is dangerous for strategic, as well as social reasons. The landlocked Kurdish region is always going to be dependent either on the Baghdad budget or its pipeline through Turkey.

The easy response to meet people's aspirations – and dispense political patronage – is to hand out petroleum revenues to create government jobs. The authorities need to build a cadre of skilled administrators, but the state should not be the employer of last resort. The capital-intensive oil industry can absorb only a small number of job-hunters.

Tourism is developing, and with attractive scenery, ancient sites and relatively liberal social attitudes it could become a mainstay of the economy. Agriculture, producing excellent fresh meat and vegetables, should be promoted so rural areas keep up with the cities.

But the region also needs a high-value manufacturing and services sector that can overcome its geographic disadvantage. Transport, clean and efficient government and education are top priorities. Perhaps, as well as from Dubai, the Kurdish region can draw inspiration from a fellow landlocked, mountainous state – wealthy and high-tech Switzerland.

A version of this article appeared in The National newspaper on February 2, 2014

Key MENA Energy Issues Scorecard

MENA energy price reform	🟠	⇔	Morocco ended subsidies of gasoline and fuel oil and has started to cut diesel subsidies significantly to improve public finances; businesses in Jordan face up to 7.8% price hike in electricity rates for companies consuming over 10 000 kWh
MENA unconventional oil & gas	🟠	⇔	The 11th Middle East Geosciences Conference is set to take place in Bahrain with a panel on the future of unconventional resources in the Middle East.
MENA alternative energy	🟢	⇔	MENA set to invest up to $50 billion in solar power sector by 2020
MENA nuclear power	🟡	⇔	3rd & 4th UAE reactors approved to start construction; condenser installed
Energy infrastructure security	🟠	⇔	Sonangol leaves Iraq due to insecurity
OPEC production	🟠	↑	OPEC production up 410 kbpd in February on gains from Iraq; but OPEC ex-Iraq down 130 kbpd on Libya losses, most other countries steady
East Mediterranean gas commercialisation	🟡	↑	New Lebanese government may finally be able to advance bid round; more Cyprus drilling expected this year; deal signed to export Israeli gas to Jordan; Woodside deal threatened by tax concerns; Italy's Edison in talks to buy stakes in 2 Israeli gas fields.
Kuwait energy projects progress	🟠	⇔	Kuwait delays heavy oil bids; proposal for Fars now due in May; Kuwait approves power lines to boost transmission from Subaiya power plant; however Kuwait's projects market underperforms in the New Year to date.
Abu Dhabi concessions renewal	🟠	⇔	ADNOC to not renew its concession agreement with BP, Exxon Mobil, Royal Dutch Shell, Total and Partex to run ADCO fields; bids under evaluation
Baghdad-Erbil oil agreement	🔴	↓	Erbil and Baghdad failed in any breakthrough agreements to allow autonomous Kurdistan Region for export of own oil to Turkey; Baghdad has cut Kurdish budget
Iraq oil production build-up	🟡	↑	Oil exports increase 550 kbpd as export infrastructure expanded; Iraqi Cabinet approves two new power plants adding 4500 MW; on the downside Sonangol leaves Iraq due to insecurity around its fields
Egypt subsidy reform	🔴	⇔	Egypt suffering power cuts; government plans to cut subsidies 25-30% over 5-6 years
Iran oil sanctions	🟡	↑	American companies contemplating investment in Iran's oil sector if USA lifts sanctions; Tehran unveils new contract terms with 20-25 year terms; Iran oil exports up in January

Source: Manaar research

🟢	Very positive	↑	Improvement in last month
🟡	Positive	⇔	No change
🟠	Negative	↓	Deterioration in last month
🔴	Very negative		

Energy Prices and Generation Costs in the Middle East

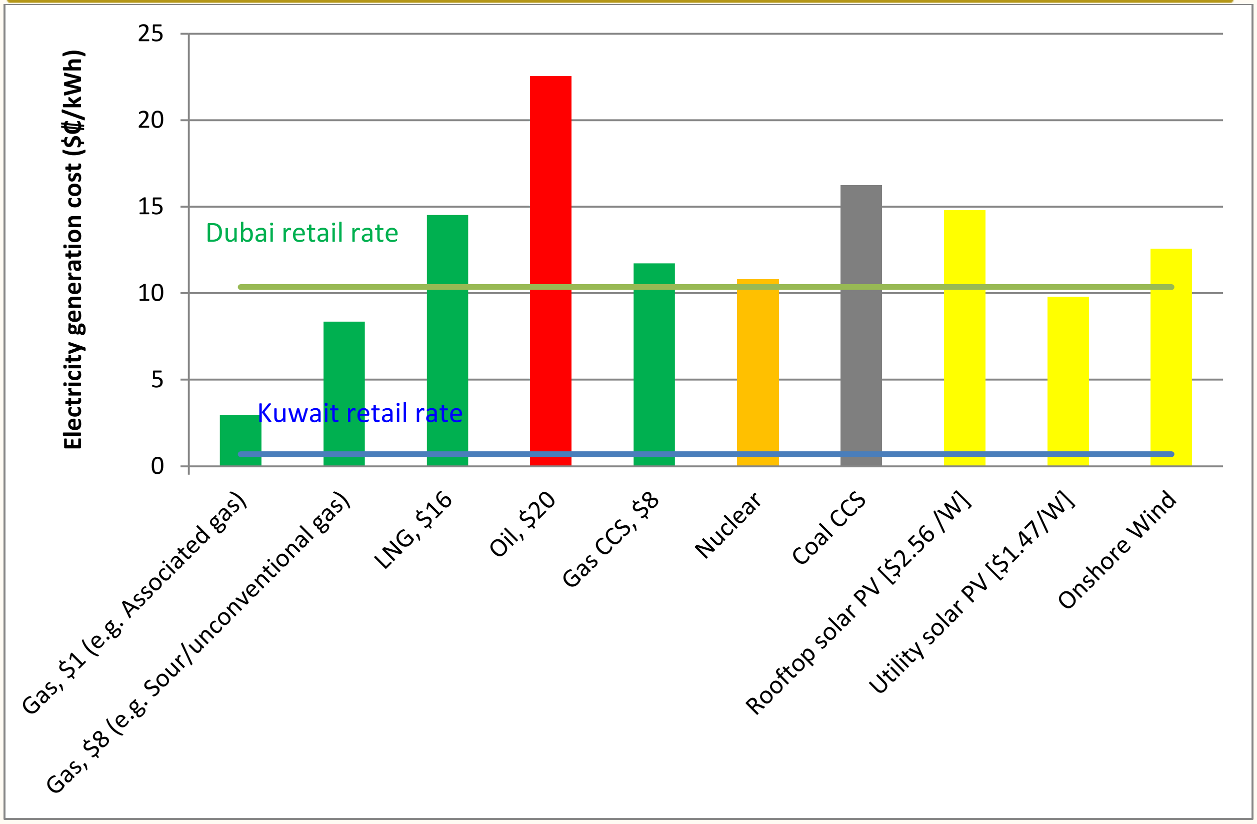
The following table represents February 2014 gasoline, diesel and electricity prices (top rate for residential consumers) in selected MENA countries, with the US for comparison, and the direction of change since last month.

<table>
<tr><th colspan="2"></th><th>Gasoline ($/Litre)</th><th>Diesel ($/Litre)</th><th>Electricity ($₵/kWh)</th></tr>
<tr><td colspan="2">Saudi</td><td>0.21</td><td>0.09</td><td>6.9</td></tr>
<tr><td colspan="2">Qatar</td><td>0.25</td><td>0.25</td><td>2.7</td></tr>
<tr><td colspan="2">Bahrain</td><td>0.27</td><td>0.26</td><td>4.2</td></tr>
<tr><td colspan="2">Kuwait</td><td>0.32</td><td>0.27</td><td>0.7</td></tr>
<tr><td colspan="2">Iraq</td><td>0.34</td><td>0.72</td><td>6.7</td></tr>
<tr><td colspan="2">Yemen</td><td>0.35</td><td>0.47</td><td>7.9</td></tr>
<tr><td colspan="2">Oman</td><td>0.40</td><td>0.48</td><td>7.8</td></tr>
<tr><td rowspan="3">UAE</td><td>Dubai</td><td>0.48</td><td>1.01</td><td>10.35</td></tr>
<tr><td>Abu Dhabi</td><td>0.48</td><td>0.88</td><td>4.0</td></tr>
<tr><td>Sharjah</td><td>0.48</td><td>0.90</td><td>8.0</td></tr>
</table>

	Gasoline ($/Litre)	**Diesel ($/Litre)**	**Electricity ($₵/kWh)**
Egypt	0.59	0.46	6.8
Iran*	0.7** ↑	0.35** ↑	1.64**
US	*0.87*↓	*1.027*↑	*12.61*
Lebanon	0.878 ↓	0.87	13.3
Jordan	1.4 ↑	0.98 ↑	33.2

* Non-subsidized allocation, at current (volatile)
** Values changed mainly due to changes in the exchange rate
Open-market exchange rate (US$1:IR 24942)
Source: Gulf Oil Review; Manaar research

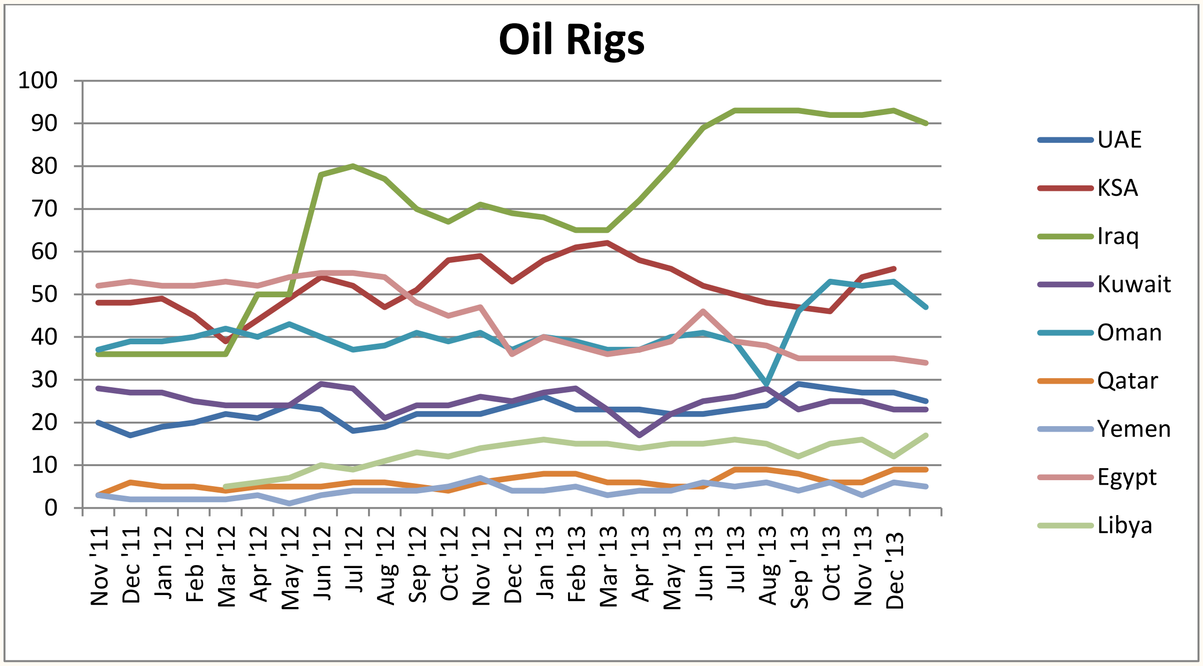
Note: The figures of the gasoline and diesel in the table above represent the pump prices. Only the US, Lebanon and Jordan prices can be considered non-subsidised.



Main changes: increased capital cost of nuclear in line with UAE programme; reduced uranium price; included nuclear decommissioning costs; included onshore wind in UAE conditions; differentiation of utility-scale and rooftop solar; inclusion of 1 c/kWh transmission & distribution credit for rooftop solar; slight increase to assumed LNG price; significant increase to capital & operating costs of coal CCS based on latest EIA assessment; minor changes to costs & heat rates for other plants based on latest EIA assessment.

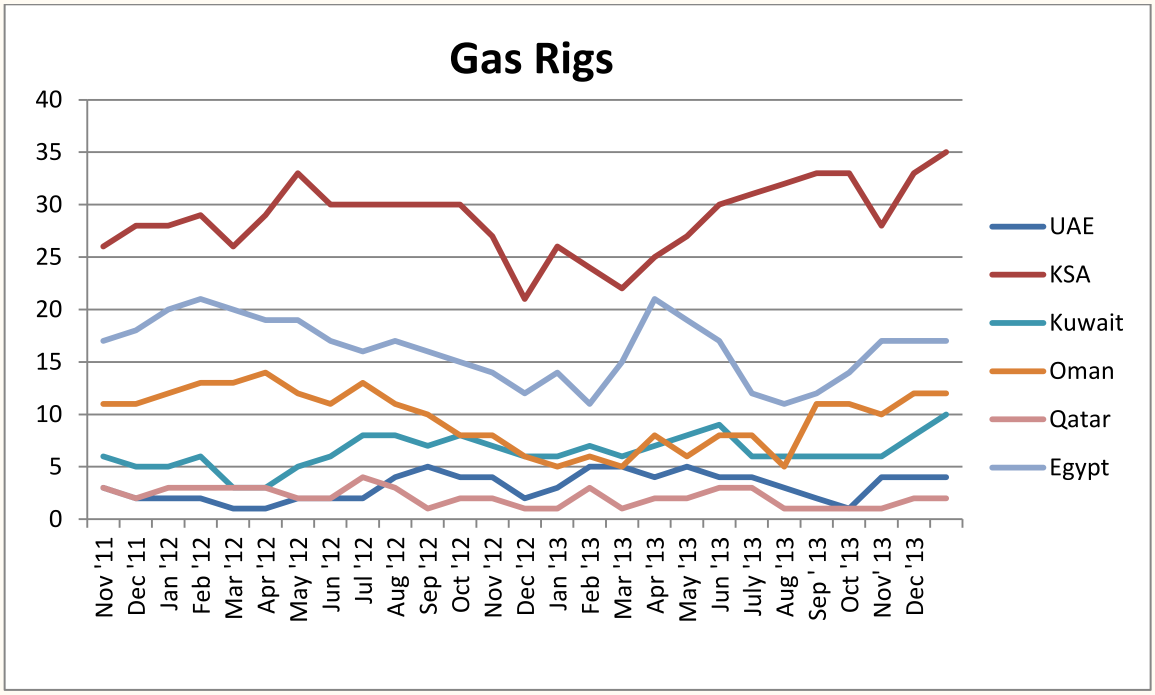
- Utility-scale solar PV is now clearly a more economic option than LNG- or oil-fired power generation, even allowing for the cost of back-up plants
- Gas CCS, though higher cost than solar and nuclear, could still be a viable low-carbon option, particularly if combined with use of CO_2 for enhanced oil recovery
- Coal CCS is much less attractive now, due to the significant increase in its capital and operating costs
- Unconventional gas remains economically attractive, still with a 15-25% cost advantage over nuclear and solar PV
- Onshore wind (based on UAE conditions), even with gas backup, appears competitive with LNG-fired power, but may be limited to suitable sites. Areas with good wind resources, such as the Red Sea coast of Saudi Arabia and Egypt, may offer lower costs
- In the GCC, only Dubai has top-rate tariffs that are representative of the new era of generation costs

Regional Energy Statistics



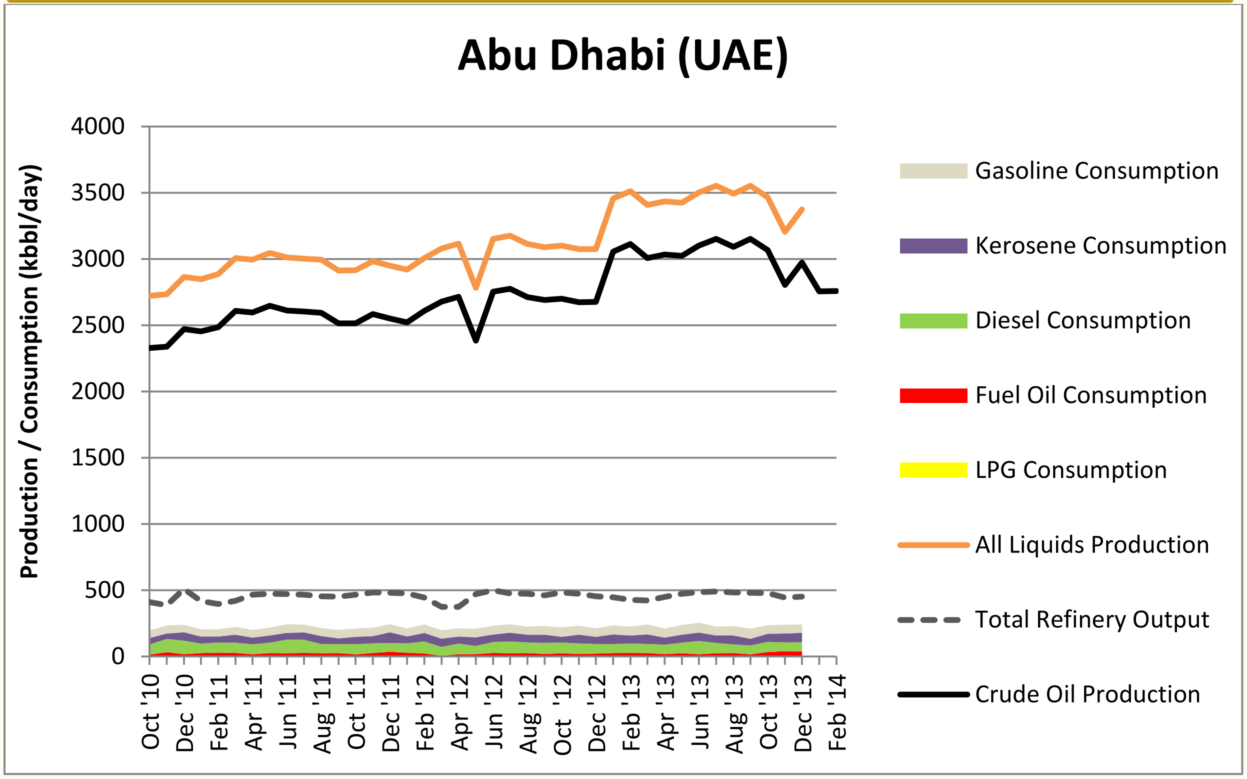
Source: Baker Hughes, Iraq: Baker Hughes and OPEC Monthly Oil Market Report

- Iraq remains the country with the highest oil rig count (currently at 90) followed by Saudi Arabia (currently at 58).
- Iraq rig count decreased from 93 in December to 90 in January, however the decrease is not significant.
- Saudi Arabia drilling rebounded after a continuous decrease for seven months as the Kingdom is expected to increase to a record 170 rigs (oil + gas) by the end of 2014 due to Khurais and Shaybah expansions. The oil rig count increased by two in January.
- Abu Dhabi plans to increase its oil output by 35 percent in 2018 and more than double its rig count.
- The Oman rig count, from a high of 53 in December, dropped to a count of 47 by January.
- Libya oil rig count increased from 12 to 17 in January as the political scenario in the company remained relatively stable in the past month.
- All other countries' rig counts remain fairly stable over the past two months.



Source: Baker Hughes

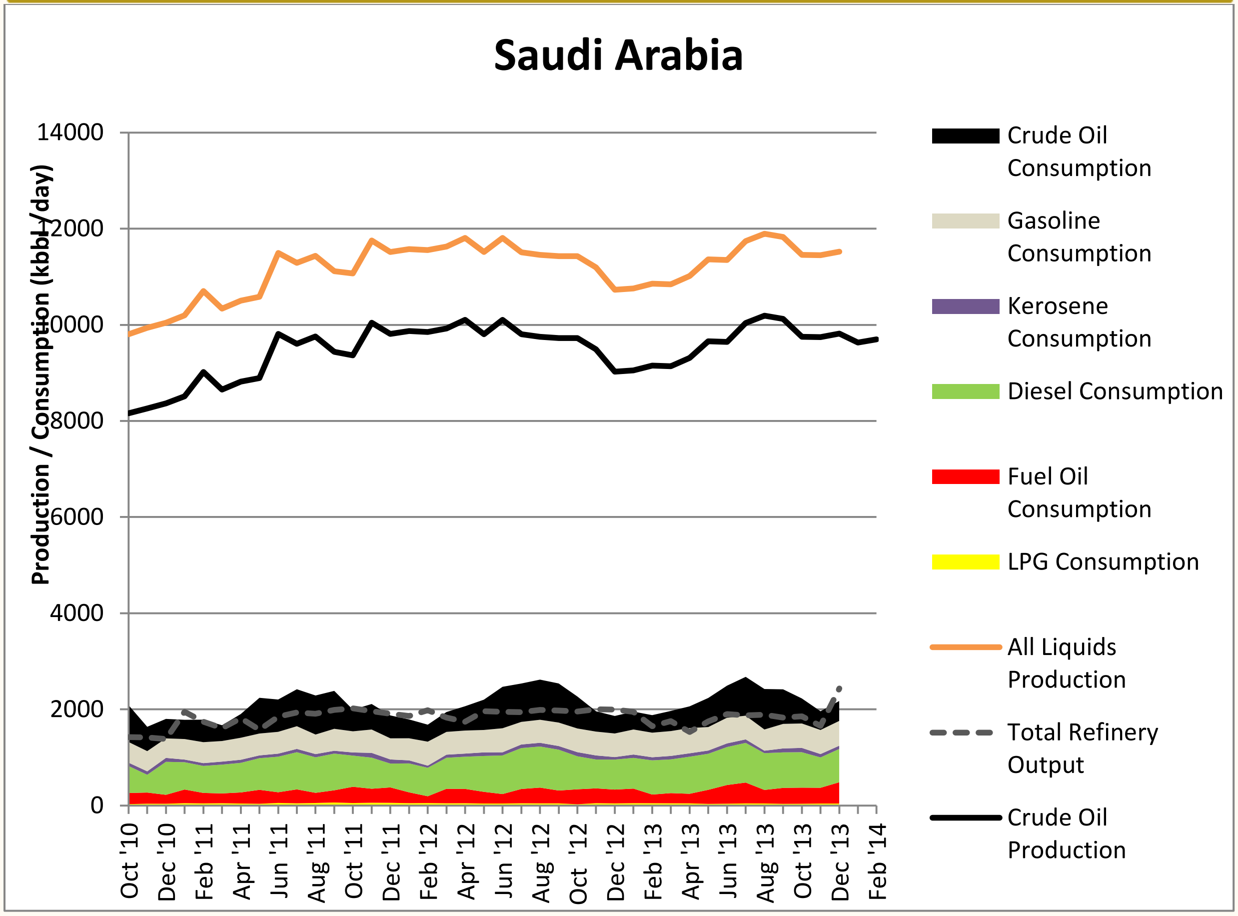
- Drilling rigs in Saudi Arabia went up to 35, extending its lead as the region's dominant gas driller, with plans for tight and shale developments.
- Kuwait increased its gas rig count by two, while Oman remained constant at 12, and Qatar went down by two.
- Egypt remained steady at 17 gas rigs during the past three months.
- Jordan has had one gas rig operational during the past eight months, but BP has now withdrawn.



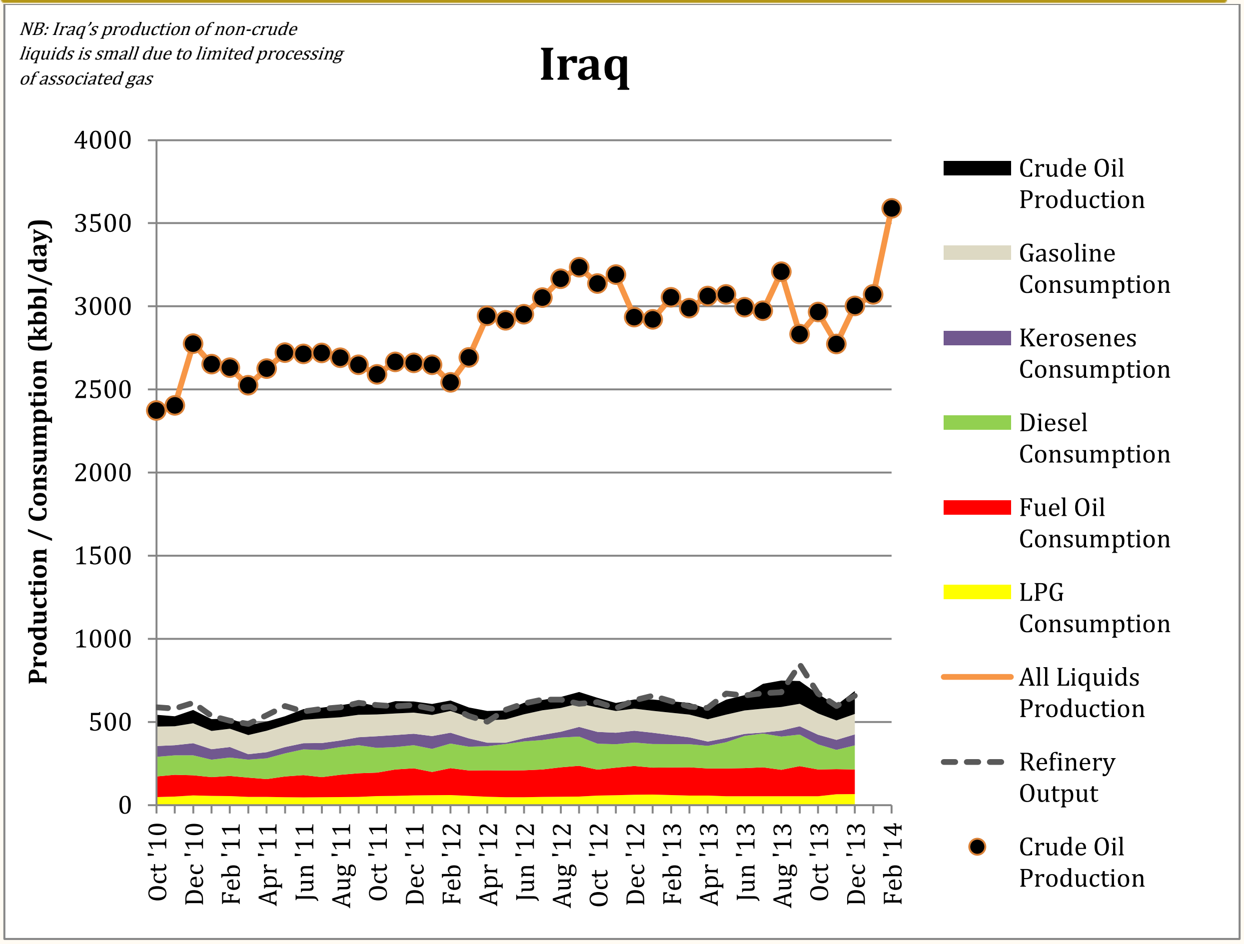
Source: JODI, OPEC, Middle East Economic Survey & EIA

NOTE: All crude oil consumption values are apparent due to unreported / misreported stock change values and refining gains/losses.

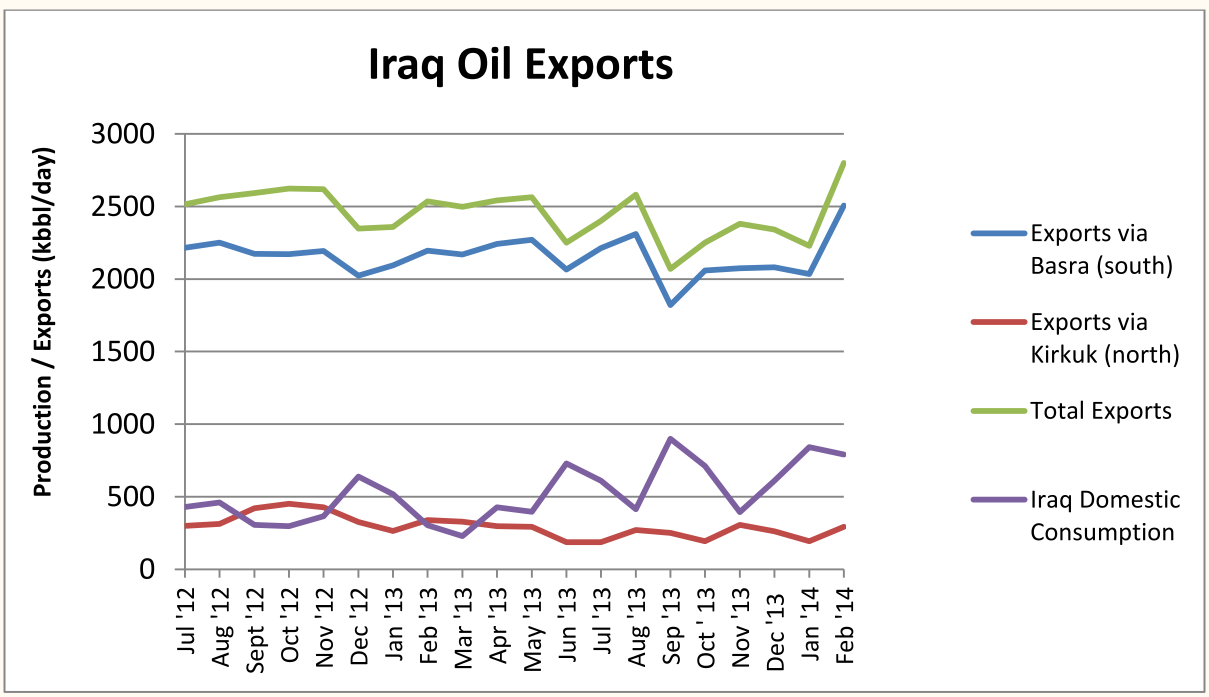
- The UAE's production remained at an elevated level, although down somewhat on late 2013
- ADNOC is pushing forth with plans to boost production at the Upper Zakum field by 28 percent to 750 000 barrels per day from 585 000 barrels per day by 2017
- Abu Dhabi also plans to increase production in the Bu Hasa, Bab, and SAS fields with increases expected to approach 200 000 barrels per day as soon as 2014.



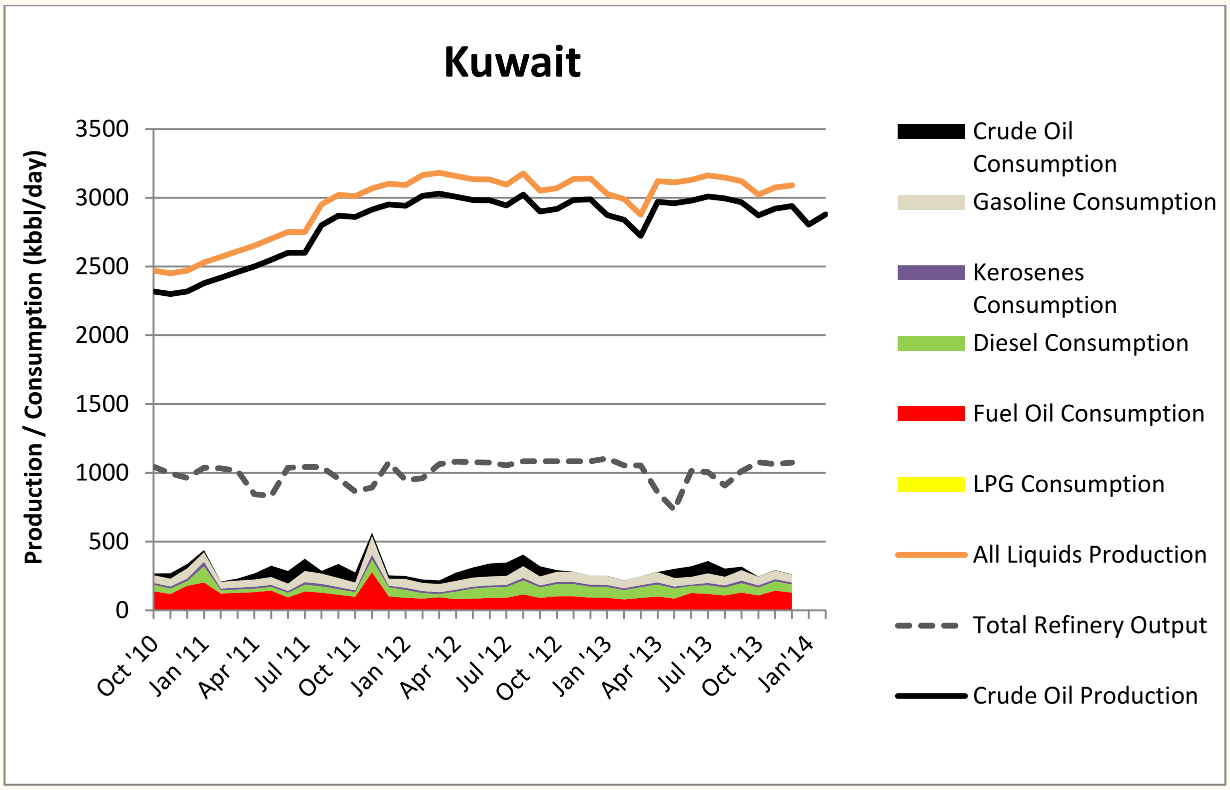
- Saudi production dipped due to seasonal factors late in the year and direct crude burning reduced into the autumn and winter
- An average 2014 oil price of $81/b for Saudi export crude, or about $85/b for Brent, is likely to be needed for Saudi Arabia to balance state revenues with government spending in the coming year as oil production is scaled back to 9.3 million bpd
- In a report on the kingdom's 2014 budget, the Saudi investment bank Jadwa forecast a budget surplus of Saudi riyal 140.8 billion ($37.45 billion), equivalent to 4.8% of expected GDP
- Platts estimated that the decline rates for existing fields in Saudi Arabia could range from 6 to 8 percent annually meaning that the country needs about 700 000 bbl/d in additional capacity each year to compensate for the natural decline



Source: Iraq Oil Ministry, Bloomberg

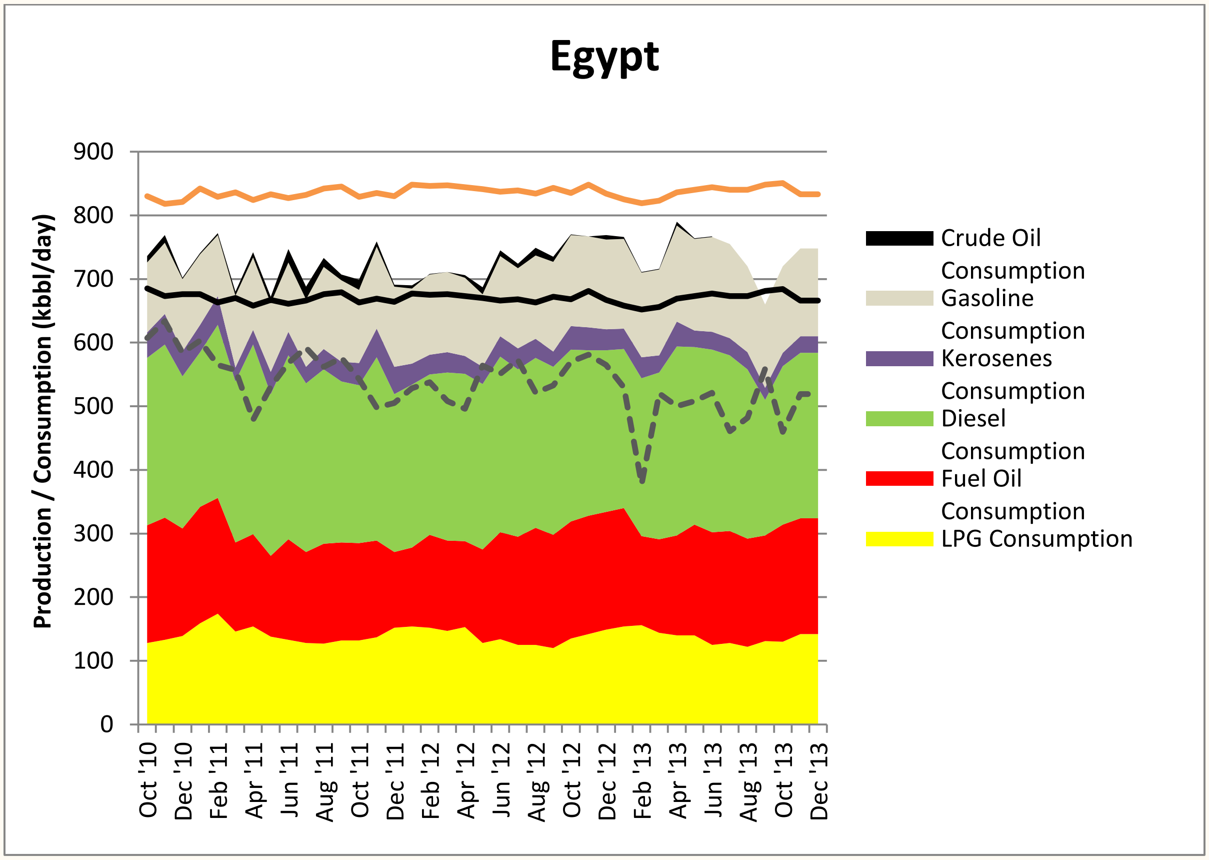


- Iraqi exports jumped sharply in February, up 550 kbpd on completion of expansion work at the Gulf export terminals, and new field start-ups should support this during the year
- As usual, direct crude and diesel burn dropped into the winter months while use of kerosene for heating increased
- Royal Dutch Shell's Majnoon oil field has quickly increased to more than 200,000 barrels per day (bpd) over the past three months, following nearly a year-long shut-down, as other key Basra fields also increase production
- Rumaila, operated by BP, is on track to hit 1.5 million bpd next year and 2.1 million bpd in 2017 – reflecting the unofficial reduction of the production plateau target from the 2.85 million bpd in the 2009 contract
- Lukoil expects to reach production of 400 000 barrels per day at its Iraqi West Qurna-2 field this autumn, with initial output of 120 000 bpd seen in April to May



- Kuwait is currently producing 2.9 Mbpd and has the capacity to produce 3.2 Mbpd. Production has been quite steady since mid-2012
- Kuwait's crude oil exports to China in December 2013 hit a 5 month high of 267 000 barrels per day
- Direct crude burn dipped into the cooler winter months

- France's Technip announced a $400 million contract with Kuwait Oil Company (KOC) to support the renovation and development of its oil and gas infrastructure.
- National targets for Kuwait aim to achieve oil production capacity of 4 Mbpd by 2020 (however this continues to face significant political challenges)
- Mina Abdullah oil refinery and the Shuaiba refinery shut down due to power cuts on January 22nd ; the Mina Ahmadi refinery was back to full production the morning of the 24th of January while Shuaiba took longer to recover



- Refinery output rebounded somewhat as GCC aid helped the country's financial and fuel situation
- EGPC is expected to issue international tenders in early 2014 to search for shale oil
- Egypt's natural gas exports have fallen due to declining natural gas production. The government is considering importing natural gas for the first time, to satisfy rising domestic demand and continue to export natural gas to global markets, especially through the Arab Gas Pipeline.
- Egyptian gas exports to Jordan were affected again by a pipeline bombing in Sinai

- BG Group has been forced to declare force majeure on LNG deliveries from Egypt amid continuing unrest in the country and is also reducing its 2014 production target after Egyptian Natural Gas Holding Company (EGAS) diverted larger than expected volumes away from the LNG export plant towards the domestic market

Recent & Forthcoming MENA Licensing Rounds

Country	Round	Launch Date	Blocks on Offer	km² offered	Blocks Awarded	Closing Date
Egypt	EGAS	Jun – 12	15	57,300	9	Feb – 13
Egypt	Ganope	Dec – 12	20	125,577	1*	
Jordan	South Jordan Block	April - 12	1	10,416	-	June - 13
Egypt	EGAS	Dec – 13	22	NA	-	May - 14
Iraq	Nassiriyah refinery / field development	Dec - 13	1			
Iraq	5th Licensing Round	NA	10	NA	-	NA
Lebanon	1st Licensing Round	May – 13*	10	17,901	-	Jan - 14
Oman	MOG	Jan – 12	4	26,837	2	Aug – 12
Oman	MOG	Nov – 12	7	103,422	-	Jan – 13
Yemen	6th Licensing Round	Sep – 12	5	20,132	-	NA
Yemen	March 2013 Licensing Round	March – 13	20	222,812	-	May - 13

Updates since last issue in red

Source: Deloitte; Manaar Research

* Participating in the Ganope International 2012 Bid Round #1, Dragon Oil awarded 100% interest in shallow-water block 19 in the Gulf of Suez.

Current studies

Hydraulic fracturing

Manaar has recently updated its study of the market for hydraulic fracturing in the MENA region, with PacWest Consulting. The 2014 MENA hydraulic fracturing report addresses historical and forecasted frac demand, supply, utilization, constraints and trends for all MENA countries. Market coverage also includes current hydraulic fracturing projects, unconventional potential assessments, past and forecasted unconventional wells in Oman and Saudi Arabia, historical proppant volumes in all MENA countries as well as the dominant proppant type and detailed basin and play maps. The majority of the information gathered in the reports relies on primary intelligence: in-depth surveys and conversations with industry leading experts and technical specialists.

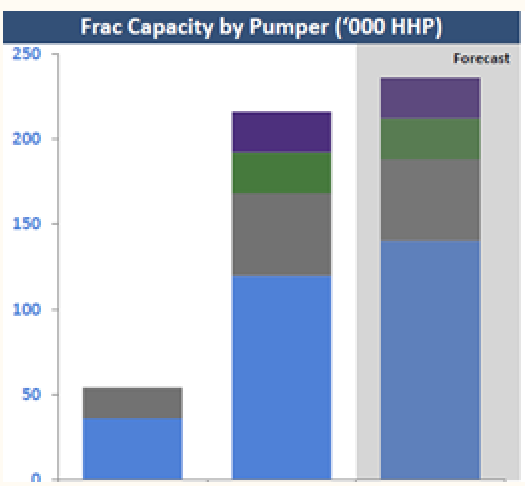


Figure 1. Oman frac capacity, by pumper (also available for Saudi Arabia, Algeria, Egypt, Libya, Tunisia, Bahrain, Kuwait, Iraq and Jordan)

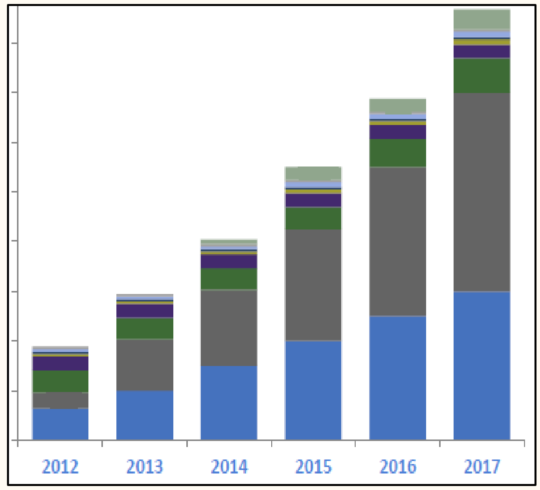


Figure 2. Forecast frac capacity, per MENA country

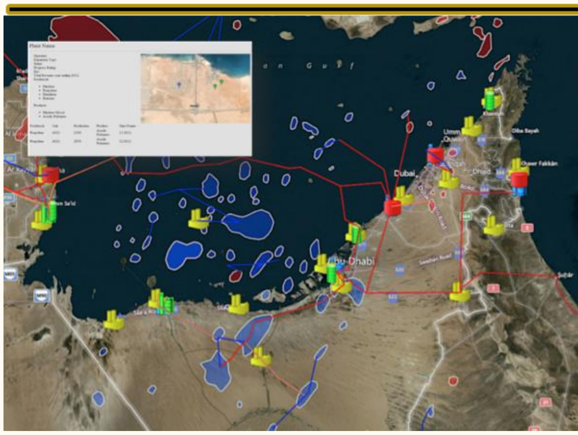
Please contact Roa Ibrahim r.ibrahim@manaarco.com, +971 4-3266-300 for further information and purchases.

MENA petrochemicals

Manaar is preparing a potential study of MENA petrochemicals and gas feedstock. The study will focus on

- the current gas situation in MENA,
- implications for petrochemicals in the region
- the downstream / speciality petrochemical value chain
- competitiveness of MENA petrochemical companies versus the US, EU and Asia

This study will be of key interest to Gulf-based and international petrochemical producers and gas suppliers.



MENA Shale Study

Manaar has prepared a study on the impact of global shale resources on MENA. The study will focus on:

- The strengths, weaknesses, threats and opportunities of unconventional gas in the MENA region.
- Differences in the development of unconventional gas between North America and MENA.
- Identifying MENA's unconventional gas potential; understanding current and planned activity levels per country, company and basin.
- The impact of the shale boom on future demand for MENA oil & gas, oil and gas prices, possible new pricing hubs, and oil and gas exports.

Recent & Forthcoming Events

Robin Mills spoke on:

- UAE and Oman gas at ACG Gas Forum at the Burj Al Arab Hotel on 13th February
- Moody's Conference on Oil Price Impact and Fiscal Implications in the GCC on 4th March.

Upcoming Events:

- Jaafar Altaie and Robin Mills will be speaking on the Brookings Energy Forum in Doha from the 1st to the 3rd April, 2014

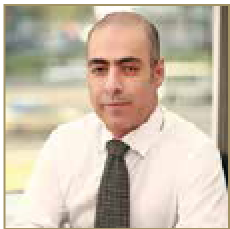
Please visit the links below to view some of the presentations by Manaar:

Impact of MENA insecurity on regional and global energy market

Middle East shale: Potentials and implications

EPC Market Summary 2014

Key Manaar people



JAAFAR ALTAIE
MANAGING DIRECTOR

• Jaafar founded Manaar in 2009. He is an energy economist and petroleum business advisor to IOCs and NOCs on regional upstream business and economics issues.

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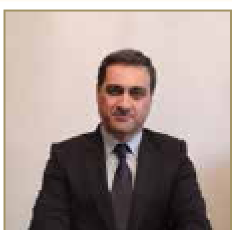
ROBIN MILLS
HEAD OF CONSULTING

• Head of Consulting at Manaar Energy, Robin is an expert on energy strategy and economics, described by Foreign Policy magazine as "one of the energy world's great minds".



MOHAMMED JAMBAZ
HEAD OF KURDISTAN OFFICE, ERBIL, IRAQ

• Mohammed represents Manaar in the Kurdistan Region of Iraq from our office in Erbil. He leads our support of companies in seismic, geoscience, exploration & production, logistics, laboratory services, energy market analysis, and other sectors of the oil industry.

DR. SADIK AL JADIR
LEAD CONSULTANT

- Dr. Sadik is a Lead Consultant at Manaar with a focus on business operations consulting in Iraq and the UAE.

ROA IBRAHIM
CONSULTANT

- Roa is a specialist in assessing markets for energy industry technology in the Middle East, with a background in finance.

GARY LAKES
SENIOR ASSOCIATE

- Gary Lakes is a Nicosia-based editor and journalist whose current primary focus is East Mediterranean energy.

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