	The 25th Annual Middle East Petroleum & Gas Conference **30 April – 2 May 2017** ***Grand Hyatt Dubai, UAE***

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"MPGC" Discusses the Challenges of Reaching Sustainable Oil Price

Global energy leaders including ministers, CEOs, oil companys' senior management has successfully participated at the 25th Annual Middle East Petroleum & Gas Conference "MPGC 2017" which was held in Dubai from April 30 till May 2, 2017.

H.H Sheikh Ahmed bin Saeed Al Maktoum, Chairman of the Supreme Council for Energy, President of Dubai Civil Aviation Authority, President of Dubai Airports, Chairman and Chief Executive of Emirates airline and Group, highlighted "While the region, no doubt, has witnessed tremendous growth in the past two decades led by energy sector revenues, we are now entering a new era, where we must relook at the energy scene with greater foresight. We must place our highest priority on the reality of the turbulent path to an oil market recovery."

The discussions on the oil and gas industry outlook assumed increased significance amid improved sentiments and optimism following demand growth to 1.5 million b/p and strong refining margins. Oil recently edged below $52 a barrel as rising crude output and drilling in the US countered OPEC-led production cuts aimed at clearing a supply glut. Experts at the MPGC conference said US output gains are limiting the impact of efforts led by the OPEC to cut output by almost 1.8 million barrels per day for six months until June to banish a persistent glut.

OPEC may need to keep a lid on its production

Dr. Fereidun Fesharaki, Chairman of consultants at FGE emphasized "While a six-month deal was initially envisaged, OPEC may need to keep a lid on its production until well into 2018. The cuts will have to be extended even beyond this year to the middle or even the end of next year."

Saif Humaid Al Falasi, Group CEO of ENOC and Co-Chairman of MPGC 2017, said: “Oil remains the key contributor to the direction of GCC markets for the second consecutive year, after the oil output cut agreement was sealed. With oil prices surging to an 18-month high by year-end 2016, the priority for GCC economies will be to sustain a balanced budget for their respective nations by 2020. Given the impact of volatile price environment and strict sustainability targets on the energy industry, National Oil Companies are looking at alternative models of doing business.”

Global and Middle East Geopolitics and Economics

Ongoing political and social unrest in the Middle East, ever-increasing domestic oil production, and unpredictability in President Donald Trump’s administration are all shaping a fluid geopolitical environment that will certainly impact the global energy market.

The OPEC deal has affected the market by keeping prices from further failure. Edward Bell, Director of Commodities research in Emirates NBD said “Compared with 2016 volatility, the market has almost vanished as OPEC and shale set the bottom and top of the market respectively,” Bell also added that OPEC strategy from 2014 till 2016, as promoted by major GCC members, was to target market share at the expense of price. However, Middle East’s shares of global oil trade has fallen more than 10% in the past 20 years to take up 34% in 2015 compared with 44% in 1995.

Risk management for crude oil trading

Crude oil is vital for human being and the fluctuations in prices are causing a lot of challenges. Recently, oil prices have settled a bit higher, but still registered a weekly and monthly loss. This remains a sign of further gains in the U.S. crude output and will raise doubts over OPEC’s extension of output cuts. Mr. Owain Johnson, the Managing Director of DME/CME group pointed out that if OPEC and others cut output, the market will rebalance. Middle East share is falling that’s why sellers are seeking to maximize the value.

Commenting on the growth of LNG markets, Fesharaki said “The LNG market is growing very fast as the supply is growing faster than demand. In the oil market, supply and demand is growing similarly but in the LNG market, market players will have 5 or 6 years of problems before they adjust.”

OPEC and participating non-OPEC countries are expected to meet on May 25 to discuss whether to extend the output reduction. Given that inventories remain high and prices are half their mid-2014 level, OPEC members, including top exporter Saudi Arabia, support prolonging the curbs. The International Energy Agency said in its latest monthly market report that oil stocks in industrialized countries were about 336 million barrels above the five-year average.

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