

Qatar Remains Central to Global Hydrocarbons

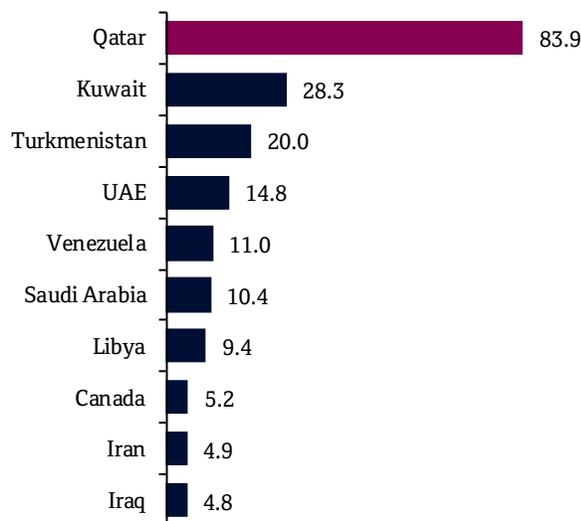
Qatar remains central to the global hydrocarbon sector based on new data for 2014 released in BP’s Statistical Review of World Energy last week. Qatar remains the third largest producer of natural gas in the world after the US and Russia with 5.1% of global production. The country is also the world’s top exporter of liquefied natural gas (LNG) with 31.0% of total global exports in 2014. This central role is a result of its large endowment of hydrocarbon reserves. In terms of oil and gas reserves per capita, Qatar remains well ahead of the other major oil and gas producers with 83.6k barrels of oil equivalent (boe) in 2014. The revenue generated from Qatar’s hydrocarbon exports provides a stable source of financing for major infrastructure investments that are driving the growth and diversification of the domestic economy.

exploration and development projects are likely to have led to an increase in the level of proven oil reserves. Meanwhile, gas reserves in Qatar fell 0.6% in 2014 as a result of the extraction of gas and in the absence of exploration and development of new reserves due to the moratorium on further gas development and exploration in the North Field where almost all of Qatar’s gas reserves are situated.

In terms of production, Qatar’s total hydrocarbon output was virtually unchanged in 2014 at 5.2m barrels of oil equivalent per day (boe/d)—3.2m from gas and 2.0m from oil. This was largely due to the above mentioned moratorium on further gas development projects. As a result, gas production only crept up in 2014 by 0.4%. The increase in gas production was offset by a decline in oil production in 2014 (-0.8%) as Qatar’s oil fields are maturing. The implementation of large investment projects should help to stabilise oil production, such as the USD4.0bn Bul Hanine plans to update facilities and increase production from 40k barrels per day (b/d) to 95k b/d.

Most of Qatar’s gas production is exported as LNG (58% in 2014). Heavy investment in LNG facilities over the last 20 years and a vast ramp up in production has made Qatar the world’s largest LNG exporter, driving the establishment of a global LNG market. Gas is a clean and relatively low cost source of energy in comparison to other hydrocarbons, such as coal and oil. The rise of LNG exporters has made it possible to move natural gas around the globe. This has opened up a new source of clean energy for many countries and encouraged them to invest in the necessary infrastructure to import and regasify LNG.

Oil and Gas Reserves Per Capita (2014)
 (thousand barrels of oil equivalent)



Sources: BP, IMF and QNB Economics analysis

The report from BP indicated that reserves of oil and other liquids had risen 2.6% to 25.7bn barrels in 2014. Recent studies and oilfield

The switch to a cleaner source of energy as well as strong economic growth have made the Asia Pacific region the largest market for Qatar's LNG exports, taking 72.0% of Qatar's exports in 2014. But Qatar's LNG exports are not confined to Asia. Cheaper LNG prices relative to pipeline gas prices in Europe has prompted the UK to switch to LNG. As a result, the UK increased its imports of LNG from Qatar by 20.5% in 2014.

Looking forward, Qatar is expected to maintain its dominant role in the global hydrocarbon sector. Global demand for clean energy is expected to continue rising, and Qatar is a leader in the LNG market. Moreover, domestic energy demand is expected to rise strongly as the population grows rapidly due to the influx of expatriates being called in to work on the country's large infrastructure programme. To meet this rising domestic

demand, the Barzan project—a USD10.3bn North Field gas development to increase production for domestic use—is coming online and is expected to drive growth in the hydrocarbon sector. First production from Barzan is expected during the second half of this year. At the same time, oil production is expected to stabilise, leading to an increase in real GDP growth in the hydrocarbon sector to 0.8% in 2015, 1.8% in 2016 and 1.9% in 2017. Meanwhile, we expect the non-hydrocarbon sector to grow at around 10.8% in 2015-17, driven by investment in major infrastructure projects. This should lead to overall growth of 7.0% in 2015, 7.5% in 2016 and 7.9% in 2017. Qatar has enough gas reserves to maintain production at current rates for 138 years and is therefore likely to remain central to global hydrocarbon markets for a number of years to come.

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