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SINGAPORE: This general view of Marina Bay shows 5,000 red spheres (on the water) been added to the wishing white spheres to form a giant number '50' on the bay yesterday to mark Singapore's 50th anniversary in 2015. Singapore's Prime Minister Lee Hsien Loong said in his New Year message released to the media yesterday that Singapore's trade-sensitive economy grew at a slower-than-expected rate of 2.8 percent in 2014 as the city-state cut its reliance on foreign workers. — AFP

US opens door to oil exports

Move to unleash wave of ultra-light shale onto global markets

WASHINGTON: The Obama administration on Tuesday bowed to months of growing pressure over a 40-year-old ban on exports of most domestic crude, taking two steps expected to unleash a wave of ultra-light shale oil onto global markets. The Bureau of Industry and Security, or BIS, which regulates export controls, said it had granted permission to "some" companies to sell lightly treated condensate abroad. Condensate is a form of ultra-light crude. Some two dozen energy companies had asked the agency for clarification on permissible exports earlier this year, but until Tuesday those requests had been put on indefinite hold.

The BIS also released guidance in the form of frequently asked questions, or FAQs, to explain what kind of oil was generally allowed under the ban, the first effort by the administration to clarify an issue that has caused confusion and consternation in energy markets for more than a year. The two measures are clearest signs yet that the administration is ready to allow more of the booming US shale oil production to be sold overseas, where drillers have said it can fetch a premium of $10 a barrel or more.

They follow a year of murky messages and widespread uncertainty over what is or is not allowed under a trade restriction that critics say is a relic of a bygone age, when oil was seen as scarce after the 1970s Arab oil embargo. A domestic drilling boom of the past six years has transformed the United States into an energy powerhouse, boosting US production by more than 50 percent and reversing decades of decline.

Output of very light oil has been especially strong, leading to a glut that threatens to overwhelm domestic demand. The constraints helped fuel bumper profits for refiners such as Valero Energy Corp and PBF Energy Inc, but angered drillers such as Hess Corp that say they were selling at a discount. Jamie Webster, the senior director of oil markets at research firm IHS, said the FAQ "takes the leash off of (the US Department of) Commerce" and signals it may take additional action on crude exports after several months of inaction. While likely to draw broad support from many quarters, the measures also open the Obama administration to attack by environmentalists and Democrats who may see it encouraging more hydraulic fracking and as a sop to big oil companies.

Steps to Clarify

How the measures will affect flows of condensate is uncertain, particularly given the dramatic slump in global oil markets, where prices have nearly halved since the summer. An administration official said that the oil market - not a "fairly arcane clarification" in guidelines - would ultimately determine how much oil is exported. That echoed the Obama administration's policy on exports of liquefied natural gas, or LNG, which are also now generally allowed. The steps on Tuesday were "certainly not designed to add or detract from what can be exported. We are trying to make the boundary line clearer," said the official.

In its FAQ, which the agency has been working on for most of this year, the BIS confirmed or clarified a number of nuanced issues related to the rules, including:

• Confirmation that lease condensate processed through a distillation tower is considered a petroleum product, and therefore can be exported without constraint.

• Clarification of what constitutes "distillation" for export, including the fact that pressure reduction alone, and flash drums with so-called heater-treaters or separators, would not be sufficient to qualify oil for overseas sales.

• A reminder that most petroleum products may be "exported to most of the world without a license," a message seen by many analysts as blessing the process of self-certification.

• And clarification that "a minimum amount of mixing" between exportable foreign crude and restricted domestic crude may be allowed, a note likely making it easier to ship Canadian crude through US pipelines and ports.

Frustration Building

Uncertainty about what kind of petroleum can be shipped abroad has frustrated oil market players since the BIS, an office of the Commerce Department, quietly gave permission in 2013 to a small company, Peaker Energy, to export minimally treated light oil called condensate. Last spring BIS gave permission to export treated condensate in private letters to two other companies, Pioneer Natural Resources Co and Enterprise Products Partners LP.

The private nature of the communications between the government and the three energy companies left a wide range of other drillers in the dark about investing in expensive infrastructure to process condensate. One company, Australia's BHP, said last month it would press ahead with exports without having received a formal approval from the BIS, but other energy companies have been reluctant to follow suit without further guidance. Domestic pressure has also grown. Several lawmakers in the House of Representatives and Senate have said that unless energy companies can export oil to Asia and Europe, the drilling boom will eventually choke on its own output. — Reuters

Oil price slump erases Gulf stocks 2014 gains

Kuwait biggest loser

KUWAIT: Stock markets in the energy-rich Gulf states dived in the fourth quarter due to the slump in oil prices after posting strong gains in the first nine months of 2014. All the seven bourses ended the October to December period in the red amid a wave of panic sell-offs after oil lost about 50 percent of its value because of weak demand, a glut in production and a strong US dollar. In the fourth quarter, the Saudi stock market slumped 23.2 percent, Dubai dived 23 percent, Oman dropped 15.2 percent and Kuwait by 14.3 percent. Abu Dhabi dipped 11.2 percent, Qatar lost 10.5 percent and Bahrain was 3.4 percent down.

But by the end of 2014, four markets - Qatar, Dubai, Abu Dhabi and Bahrain - posted annual gains while the Saudi, Kuwaiti and Omani bourses recorded dips. Oil income makes up around 90 percent of revenues of most of the Gulf states which are forecast to lose half of their oil revenues, which stood at $729 billion in 2013. "The fall in the fourth quarter was a direct result to the sharp drop in oil prices," said Humoud Al-Sabah, senior analyst at Kuwait Financial Center (Markaz). "Most of the Gulf bourses ended the first three quarters with strong gains but shed most of it due to the impact of oil prices," Sabah told AFP.

He said Gulf shares performed well in the first three quarters despite turbulent geopolitical developments especially the expansion of Islamist State jihadists in Iraq and Syria and the start of the US-led air campaign against them. The capitalisation of the seven bourses, however, rose by around $70 billion to $1.04 trillion at the end of 2014 from $970 billion a year ago. But they shed around $131 billion from their value on September 30.

Dubai Most Volatile

The Saudi Tadawul All-Shares Index (TASI), the largest bourse in the region, closed the year down 2.4 percent at 8,333.30 points after repeatedly dipping below the 8,000-point mark. During the year, TASI had surged by over 30 percent but was pulled down mainly by the leading petrochemicals sector, which dived 33.7 percent in the fourth quarter. The drop came despite the kingdom issuing a highly expansionary budget for 2015 but which projected a deficit of around $39 billion.

Dubai Financial Market (DFM) Index, which has increased steadily for the past three years, was the most volatile in 2014, surging by about 60 percent in the year before losing most of the gains in the fourth quarter. The DFM Index ended the year up 12 percent at 3,774.00 points after dipping below the 2013 close in December. Its neighbouring Abu Dhabi Securities Exchange also relinquished most of the year's gains but ended 2014 up 5.6 percent on 4,528.93 points.

Qatar Exchange, the second largest in the Gulf, emerged as the top gainer with 18.4 percent on 12,285.78, after surging close to the 14,000-point mark on several occasions. Kuwait Stock Exchange was the biggest loser, dropping 13.4 percent to 6,535.72 points. Muscat Securities Market ended 2014 down 7.2 percent at 6,343.22 points, while the tiny Bahrain bourse finished the year up a healthy 14.2 percent at 1,426.57 points. — AFP

KUWAIT: Traders are seen at the Kuwait Stock Exchange in Kuwait City yesterday. — Photo by Yasser Al-Zayyat