

the INVESTOR

Issued by Union of Investment Companies - January 2021 - Issue No.10

THE FUTURE IS FINTECH

BOURSA KUWAIT TACKLES
INVESTOR RELATIONS,
TRANSPARENCY AS PART
OF GROWTH STRATEGY

CRUDE PRODUCTION
TO CONTINUE WITH
MINIMAL DISRUPTION
AND ADEQUATE SUPPLY



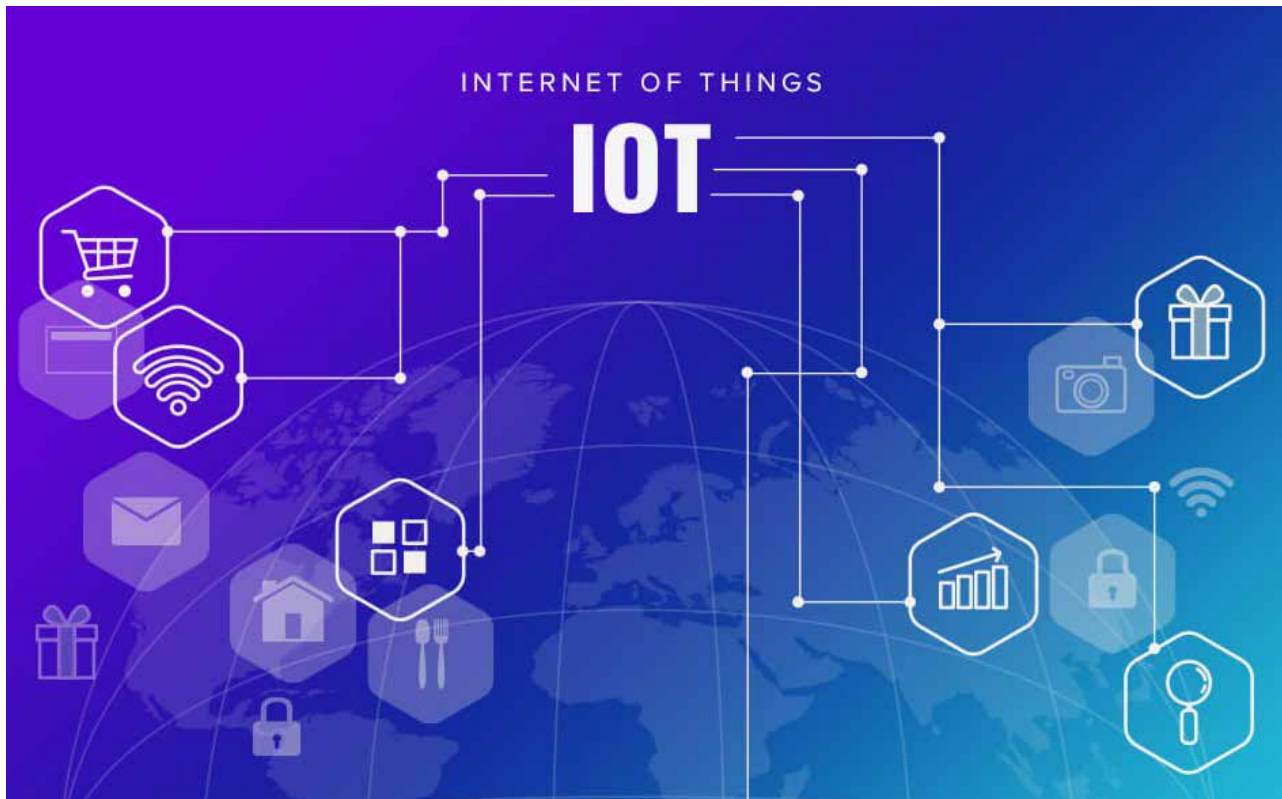
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UNION OF INVESTMENT COMPANIES



WE WORK TO PROMOTE INVESTMENT OPPORTUNITIES AND ACTIVITY IN KUWAIT, STRENGTHEN INVESTMENT POLICY AND REGULATION FOR THE BENEFIT OF THE COUNTRY'S NATIONAL ECONOMY AND FUTURE DEVELOPMENT.

Embracing digital economy:

Kuwait makes great strides



By Sajeev K Peter

Kuwait's ambitious digital transformation strategy as envisaged in the "New Kuwait" 2035 vision will radically alter the way we live and the way businesses function in the coming decades. Internet of Things (IoT) is critical to Kuwait's economic diversification strategy as the country takes measures to transform itself into an information and communication technology (ICT) hub in the region.

"Disruption is everywhere, affecting every aspect of our lives in Kuwait today. Technology innovation is constantly evolving and accelerating at a significant pace. This has led to challenges across all industries, be it in banking, telecom, healthcare, hospitality or even in the retail sector. It is inevitable that an entity now needs to keep abreast with the high pace of digitization, including use of artificial intelligence and big data analytics in their businesses," said a technology expert on the condition of anonymity.

As Kuwait seeks to embrace the digital economy in

a rapidly changing IT landscape, analysts also see meaningful collaboration between the public and private sectors. "One of the focal points of Kuwait's 2035 vision is to ensure digital growth through use of modern fintech. Significantly, the government launched a \$200 million fund in January 2019 for technology investments, which is expected to serve as a catalyst to the 2035 vision. Firms that embrace technological challenges will have a head-start in this emerging tech-driven era," he pointed out.

"The technology fund is a landmark step towards embracing a digital economy and driving transformation through emerging technologies. This in turn will give great boost to economic growth and invite more investments from the region and the world by positioning Kuwait as a tech hub as part of the leadership's efforts," Charles Nahas, Country General Manager, Microsoft Kuwait, told The Investor.

This government initiative is expected to create more jobs in the technology sector, which has a

multiplier effect as well. A World Bank report found that for every one high-tech job, 4.3 jobs are created across all other occupations. In 2009, Kuwait launched a \$500 million fund that helped save 437,000 jobs in the region and financed more than 7,000 Arab-launched initiatives in the post-crash global economy.

“Kuwait is ambitiously steering towards achieving the country’s 2035 ‘New Kuwait’ vision. Cloud and artificial intelligence can be at the heart of this journey to accelerate the pace of e-services in the public sector, while overcoming future challenges and meet the needs and expectations of citizens,” Nahas added.

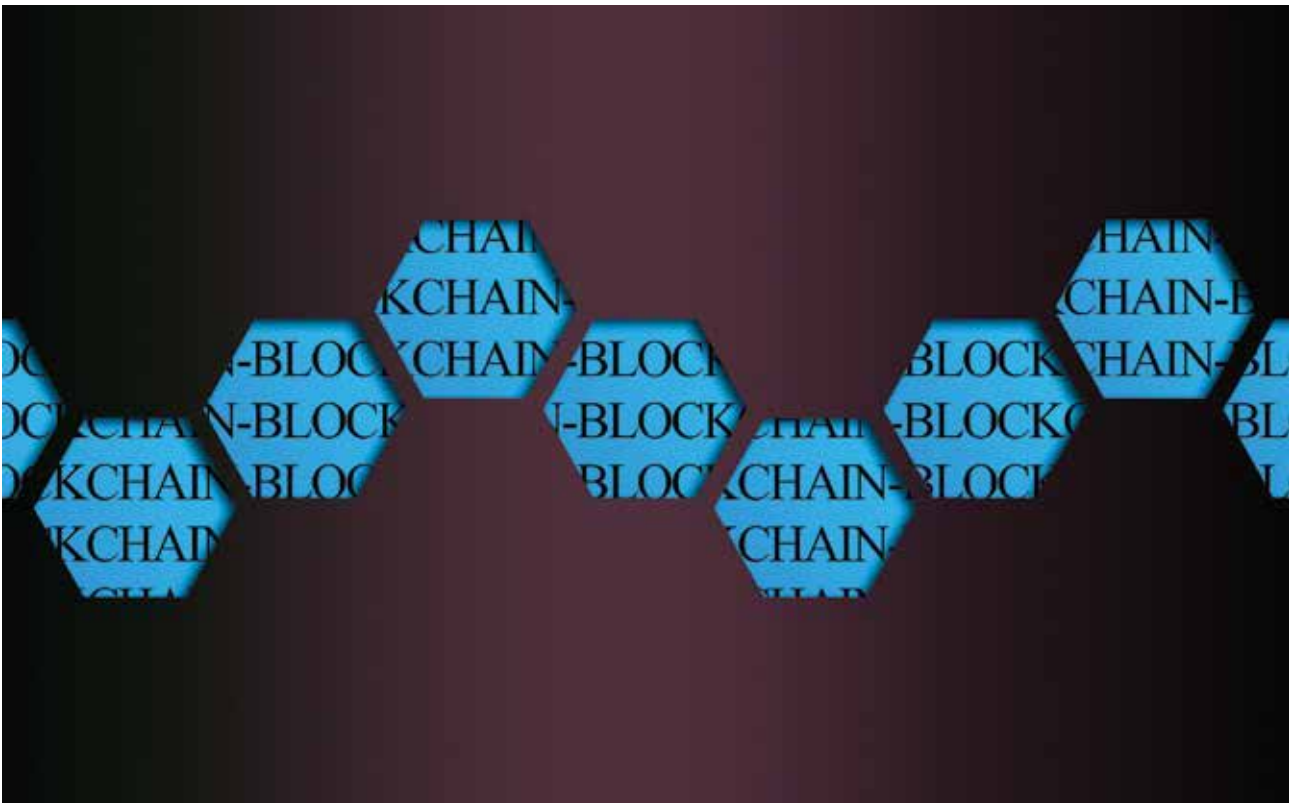
Fintech revolution

The use of fintech has grown manifold across the globe and it is predicted that more companies will join this race in the next decade. Kuwait has always been in the forefront in encouraging its citizens to adapt and embrace technology. Some of the major players in this space are Talabat, Carriage, Boutiqaat and Careem. In Kuwait, fintech startups are pushing the limits and trying out new ideas. In the finance sector, mobile payment apps like Tap and MyFattourah shook up the payments market and opened an entirely new segment dominated by fintech.

Meanwhile, Kuwaiti banks are introducing new features their customers can use conveniently and allow them to collect bills or rent by sending an SMS to the recipient. The banks are also embracing open API specifications and data standards which can be beneficial to the industry’s development, and most importantly, enhance customer experience.

“Kuwait is taking leaps and bounds in its efforts to lead the fintech revolution in the country and the wider region. Leading financial institutions in Kuwait are adopting and deploying a range of innovative technologies across various business functions that will enable them to reinvent customer experiences,” Nahas said.

Zain has announced the launch of zBot, its first smart customer service channel. Built on Microsoft artificial intelligence (AI) technologies, zBot is an autonomous virtual employee, fulfilling the role of frontline service agent for Zain’s customers, who make up the largest subscriber base in the country. zBot is a great example of how the intelligent Microsoft Cloud can help organizations to engage customers, empower employees, optimize operations and reinvent products and services. This is digital transformation in action, and Zain is once more stepping forward as a leader in its sector and





showing both customers and industry peers exactly what is possible.

Kuwait Finance House (KFH) has launched the first banking robot in Kuwait leveraging artificial intelligence to accelerate customer transactions in consumer and installment financing. Its performance helps reduce processing time and save customers time and effort by reducing significantly turnaround time. KFH has also launched an artificial-intelligence chatbot, also built on AI technologies, in a move that promises to drive digital transformation by improving customer engagement and empowering KFH employees.

Technology specialists see huge potential for investments in the fintech sector in Kuwait in the wake of the government initiative. "Recently, we have noticed a significant increase in the number of venture capital funds that are willing to fund startups, especially small and medium businesses such as laundry services, coffee marketplaces and e-groceries. The Kuwait government has also established a National Fund for SME Development (the 'SME Fund') with an intention to help the coun-

try make a major stride in the efforts to support the youth, combat unemployment and enable the private sector to drive economic growth. This fund is also expected to support building an innovative ecosystem for young entrepreneurs driven by technology," a banking expert pointed out.

5G is a game-changer for Kuwait as well and will fix a lot of latency issues. It is a leap forward in wireless technology that promises much higher speeds and performance, far broader capacity and a platform for a variety of new computing scenarios such as IoT. The intelligent cloud paves the way forward with 5G and other technologies, enabling digital transformation journeys in the country and the wider region.

"At the same time, financial innovation can also create heightened sensitivity for investors, regulators and the broader market," a banking expert warned. "It is therefore essential for fintech entities to demonstrate a heightened focus on risk management activities, giving investors the confidence to invest in financial innovation and new products to keep pace with consumer demand," he pointed out.



Investment in fintech has soared and big tech firms are developing financial products and services that may redraw the globe's entire financial landscape.

The future is fintech

Fintech has picked up momentum and increased investment in recent years.



Local fintechs have scaled to operate throughout the region and are building collaborations with traditional finance and government.

By Jamie Etheridge

The future is fintech – maybe. There is a lot of excitement and anxiety surrounding the latest darling of the start-up and venture capital world. Fintech, short for financial technology, has taken the globe by storm.

From blockchain to payment aggregators, Libra to bitcoin, peer-to-peer lending and micro insurance, fintech is challenging traditional finance in a way never seen before. But how much is hype and how much substance remains to be seen. There are some spectacular successes and many failures.

Bitcoin, a popular cryptocurrency triggered a global investment frenzy over the summer, with prices jumping 43% in just 17 days in a massive bull run. Though its price has fallen by early October back to the below \$8,000 range, the crypto asset still held a 115% gain for the year (as of 1 October 2019).

Investment in fintech has soared and big tech firms like Facebook, Google, Alibaba

and Apple are developing financial products and services that may ultimately redraw the globe's entire financial landscape.

In Kuwait, fintech has picked up momentum – and increased investment – in the last few years. Mostly developed as SME startups, several local fintechs have scaled to operate throughout the region and are building collaborations with traditional finance and government. What happens in the next year or so – both globally and here in the region – will be critical for the fintech trajectory and its impact on global finance.

RISING INVESTMENT

Investors have been betting on fintech's future in evergrowing numbers. Investment in fintech soared beyond expectations in 2018, grabbing an estimated \$111 billion in funding, up 120 percent from 2017 levels of \$50 billion, according to KPMG Pulse of Fintech report.

In the first six months of 2019, the total value of fintech deals dropped 29%, down from

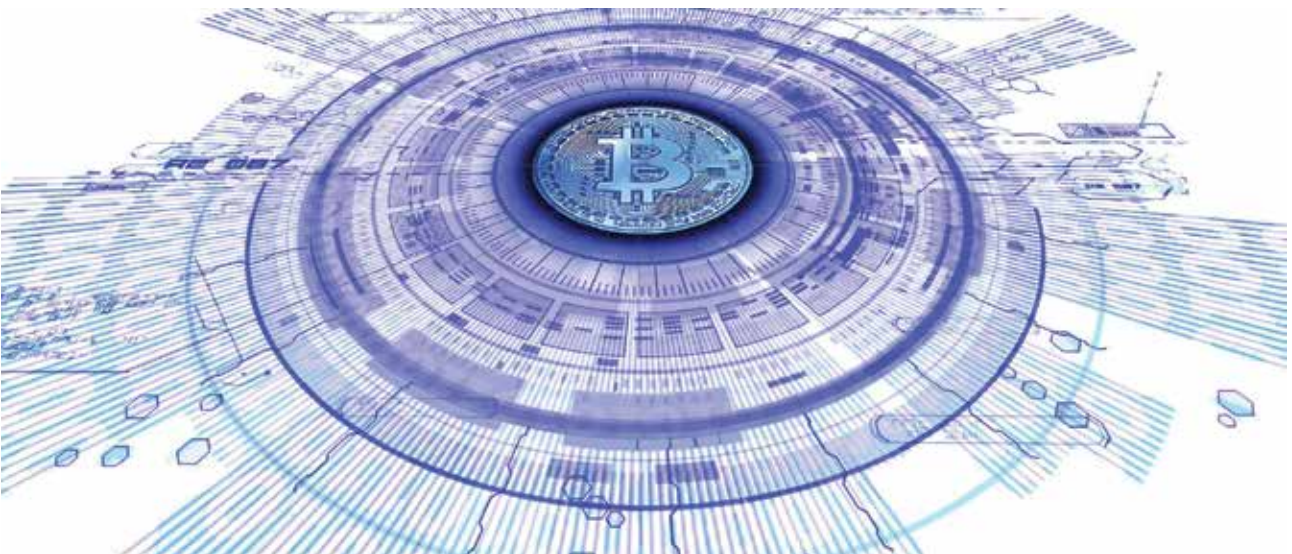


'Disruption is the buzzword across the region with regards to fintech. But rather than trying to compete with traditional finance, many startups, and fintech startups in particular, are looking at collaboration and cooperation as the key'

\$31.2 billion (2018) to \$22 billion as of June 30, 2019 but the slide reflects the lack of a megadeal like the 2018 Ant Financial \$14 billion investment. Excepting this transaction, global fintech investment climbed 28% in first half 2019 year on year, reported Accenture. The trend is expected to continue well into 2020 even as regulators and the traditional financial sector in the region wake up to the possible challenges posed by fintech.

Fintech, which marries emerging technologies with financial services, is attractive in emerging markets, where its ease of access and mobile-friendly format make it especially customer-friendly. It is already being identified as the next big leap in the start-up landscape and is causing excitement – and anxiety – among traditional financial services and investors.

Already, businesses in the Gulf are gearing up for major investments in technology in the coming years. According to the Dell Transformation Index, 93% of businesses surveyed in the UAE and Saudi Arabia have said that they plan to invest in powerful technologies in the next three years. Around 35% of businesses surveyed plan to invest in multi-cloud in the next one to three years, 36% plan to spend on artificial intelligence (AI) and 52% on the Internet of Things (IoT). Though the Dell index didn't focus on fintech specifically, it's like that a significant amount of planned investment by GCC companies will also be looking at fintech opportunities.





COLLABORATION AND COOPERATION

In the Gulf region and in Kuwait specifically, fintech has been growing for years. In the last year, however, there’s been a real explosion in interest and awareness.

“Awareness is in place and growing exponentially,” explains Shaheen Alkhudhari, co-founder of the Kuwait-based app disrupting the local real estate market, Ajar Online. “Different stakeholders are realizing the value of fintech in the region, and investments in startups are growing in both ticket value and number of deals.”

Awareness is key to building out the fintech portfolio of products and services and for attracting more investment and opening the sector to future opportunities. Investors are interested but there remains a lot of uncertainty surrounding the sector. Many investors

are also concerned by the specialist knowledge often required of the technologies and greater awareness and interest helps ease those concerns for first time investors.

Disruption is the buzzword across the region. But rather than trying to compete with traditional finance, many startups, and fintech startups in particular, are looking at collaboration and cooperation as the key to a successful future. Banks and even telecoms are developing fintech offerings in partnership with fintech startups.

As Alkhudhari points out, the future for fintech may also include working with systems already in place.

“I believe that more startups will join the ecosystem, each with a different value proposition. Most will have a period of consolidated competition and strong partnerships will

form between fintech startups or traditional fintech companies and different stakeholders in the financial sector. Ajar currently enjoys such partnerships with banks around the region," Alkhudhari notes.

REGULATORY ROLE

The role of regulators is also coming to the fore as a major outstanding question regarding fintech's future.

In the United States, Facebook's push to bring Libra to the market has been slowed by concerns from authorities and regulators, forcing the company to set up a Libra Association in Switzerland as a first step at greater governance and privacy control. Even this, however, may not be enough to bring the digital currency to the market, as key backers like PayPal have now pulled out and European regulators continue to warn that they will oppose it.

Regulators themselves are worried about the impact fintech can have on the stability of financial markets and traditional financial services as they expand their products and services and threaten the market share of traditional banks.

"The latest digital technologies are transforming the economic landscape and are disrupting many traditional industries along the way. Banking is no exception, where financial technology is fast-evolving and being adopted at a breathtaking pace," noted HE Dr Mohammad Y Al-Hashel, Governor, Central Bank of Kuwait in his keynote address at the CBK International Banking Conference: Shaping the Future in late September.

Dr Al-Hashel notes, "Cutting edge technologies such as digital payments, mobile banking, data analytics, artificial intelligence, and blockchain are changing the way banks operate and interact with customers. Fintech firms are beginning to eliminate the role of many traditional intermediaries in the financial services industry."

How regulators respond will be critical for how fintech develops.

"It's important to be clear on where regulation is headed," explains Haider Al-Mosawi, co-founder of Sirdab Lab, a startup hub in Kuwait. "New policies may impact the landscape. Too much regulation could cripple innovation and restrict new players. I don't think it's a good thing."

The need to protect the public good, keep out bad actors and at the same time allow innovation to flourish is a delicate balance to achieve.

As part of its efforts, the Central Bank of Kuwait has launched a sandbox aimed at allowing local fintech startups to experiment and test their products or services in a safe, controlled environment. How beneficial this will be and how much technical support regulators can provide remains to be seen.

Some fintechs themselves are getting involved in shaping the regulatory environment as a way to position the sector for future growth. For example, Kuwaiti fintech startup, Tap Payments, is actively engaged in initiatives around the region that aim to foster a rich and nurturing environment for fintechs. It is working with the Central Bank of Bahrain to develop the 'Bahrain Fintech Bay', an incubator for MENA fintechs and is also



a member of the Fintech Saudi initiative to promote the founding and development of fintech inside the kingdom.

These initiatives can have a longer term impact on fintech's ability to operate cross border and to develop products and services with regional, even global, scalability.

FINTECH AS AN INVESTMENT

Looking forward, the sector may be ripe for expansion and development but it's unclear if the timing will cooperate. Maturing investor expectations combined with of a possible recession may put the brakes on fintech's meteoric ambitions this coming year.

2019 has witnessed several instances of major tech-based startups with lackluster IPOs. Uber, Lyft, Slack and Peleton all saw their share price shrink considerably, providing a cautionary tale for would-be investors eager to jump into tech-based startups.

Meanwhile traditional financial services and even governments are identifying fintech opportunities – sometimes in collaboration with startup fintechs and sometimes through developing their own products and services. Rather than wait for startup fintech firms to steal market share, traditional banks are racing to build out their own fintech offerings.

When it comes to what the future holds for fintech, the outlook is mixed.

"I see the competition with banks and the new payments solutions they provide for their clients. Also, the entry of Apple pay in the region, all these will effect fintech startups [in the region]," warns Aljazi Alajmi, co-founder of TechnoCare, a wearable technology firm in Kuwait.

Investors should be excited, however, about the seemingly unlimited application of tech to the problems of the world today.

Industry insiders like Sirdab's Al-Mosawi are positive on what the future holds for fintechs and startups generally. He sees potential for: "the proliferation of many more consumer-facing startups that solve specific problems, such as parking and traffic issues. There are many opportunities for enterprise solutions for businesses and large organizations, such as platforms to increase employee engagement, productivity, and greater employee satisfaction and, therefore, retention."

Employee engagement and satisfaction may actually turn out to work in fintech's favor – and not just as an opportunity for an app.

Nearly half of the region's population are under the age of 25, a youth bulge that is millennial in outlook and expectations and this is especially true when it comes to digital life.

"We're looking to invest in talent acquisition, and what's exciting is the shifting mindsets of people towards startups. High potential startups are attracting more and more quality talent as people start to recognize the growth opportunities within," says Ajar Online's Alkhudhari, highlighting a nascent but important facet of fintech and startup culture in the region.

In other words, digital is where it's at, both from a customer prospective and from the viewpoint of young employees and tomorrow's entrepreneurs.



Boursa Kuwait tackles investor relations, transparency as part of growth strategy



Effective Investor Relations (IR) adds a median premium of 10 % to the valuation of a company, while ineffective IR can cost a median discount of almost 20 % to the valuation of a company.

By Nawara Fattahova

Improving communication and transparency, especially between Kuwait's publicly listed companies and asset managers and analysts is a key aspect of Boursa Kuwait's growth strategy. During a seminar titled "Investors relations, the link between companies and investors: Best practice considerations for the Kuwait market", The Investor interviewed Noura Alabdulkareem, Head of Markets, Boursa Kuwait to learn more about why investor relations is critical and how it is changing companies in Kuwait. Some excerpts:

The Investor: What is the situation with the market maker?

Noura Alabdulkareem: Three companies have received pre-licensing and are undergoing testing with regards to the system and technicalities. Once they conclude this, they will get their full license, be registered

on the shares or securities they choose and will start operating immediately.

The Investor: What is the overall view and investor interest in Boursa Kuwait?

Alabdulkareem: The interest is great as we have been holding many meetings with investors who are flying into Kuwait. Also,

we have been flying out to meet potential investors and asset managers who are interested in emerging markets and investing in Kuwait. The feedback has been positive. We are expecting KD 2.8 billion in passive money to enter the market following the MSCI upgrade of Kuwait to emerging markets status, which will be in May 2020. We have already completed all the requirements which were set for us by MSCI and everything is ready for the inclusion.

The Investor: What are the challenges facing Boursa in 2020?

Alabdulkareem: Some of the major challenges that the bourse faces are to do with education and knowledge. We have created the Boursa Academy to tackle this issue, in addition to holding regular training and seminars for market participants in order to be aware of all the changes that we are implementing.

The Investor: Any other expectations or plans for 2020?

Alabdulkareem: We will continue working with the market development program and bring new products to the market, and hopefully it will all go well.

The Investor: Tell us about Boursa Kuwait's recent upgrades and prospects on investor relations.

Alabdulkareem: Boursa Kuwait was officially privatized recently, and since 2016 is operating the Kuwait Stock Exchange. Prior to that, we were working on the strategy and initiatives that Boursa Kuwait needs to address in order to upgrade the market in terms of infrastructure, attract more issuers, and other issues.

One of the main things that we identified was the lack of transparency. This was due to unavailability of bilingual disclosures and the non-present investor relations function. The changes in the market wouldn't have been possible without market participants, the support of Kuwait Clearing Company, investment companies and brokerage firms. There are a lot of changes that we implemented for the recognition of international index providers and investors started being more aware of the Kuwaiti market.

May 2016 witnessed the first set of changes which the market implemented, which were mostly to do with infrastructure. These changes included unification of the settlement cycle and international style





corporate action which made a lot of international investors understand how the market operates. For the first time, a trading rule was published. It aggregated all the valid market regulations into rules that can be viewed in both Arabic and English, which increased the attractiveness of our market.

The market adjusted for these infrastructural changes. The first international acknowledgment came through the inclusion of Kuwait into the FTSE emerging markets global indices. With such privilege comes great responsibility, and as part of Boursa Kuwait's strategy and continuing the momentum of developments, almost a year later we launched market segmentation. We got a lot of resistance in the market in this regard, but market segmentation enabled us to distinguish between companies and their capabilities in terms of their continuous obligations on one hand, and on the other hand to update the listing requirements for companies and issuers to join the market.

One of the main issues that we faced in the market with regards to international investment was their accessibility to information

and transparency in the market. This was due to publication of disclosures in Arabic only. So a lot of investors missed out on the opportunity. It was made mandatory for all companies in the premier market to have all their disclosures in Arabic and English. In addition to that, we had quarterly analyst conferences, under which companies are obligated to publish their complete presentations on the Boursa Kuwait website.

The setup of our strategy:

It measures Kuwait's ability to be covered by analysts and researchers. Unfortunately in 2014, Kuwait came up short in terms of cover by researchers and analysts, whether it was by the number of analysts covering Kuwait or covering the companies themselves. We barely averaged one analyst for the top 80 percent of trading companies in Kuwait. That was an alarming indicator for us to tackle this issue.

Cycle:

Having information available transparently shows how effective it will be on a company and the research and coverage



it gets by investors, researchers or asset managers. In terms of measuring or coordinating the effect of investor relations to the performance of the company, we found that effective Investor Relations (IR) adds a median premium of 10% to the valuation of a company, while ineffective IR can cost a median discount of almost 20% to the valuation of a company. Discount is more of lost opportunity for the company if they don't address the needs of international investors and their questions with regards to transparency and information.

As for effective IR, it's a subject not set in stone. It can be measured either by IR function or by how it's translated into quality and quantity of meetings that the IR has with a company, which will be reflected on the company itself. It will always be translated into an increase of the company's liquidity and performance.

Increased interaction, quarterly analyst conferences, and roadshows and conferences that Bursa Kuwait sponsored all contributed to increased trading activity and performance of companies in Kuwait. At Bursa Kuwait it's our duty to promote

Kuwait's market and its constituency. We have participated in a lot of roadshows.

Initiatives of Bursa Kuwait:

Infrastructure, transparency, upgrade of Bursa Kuwait website and publication of reports. We track the increase of international investors in the top banks of Kuwait. Some banks started with 3% of foreign investors featured in the report, which went up to 11%. This highlights the effective communications between the IR officers in Kuwait and these companies.

Future of improving of market in general:

We proposed to the Capital Markets Authority to include the IR function as a mandatory function for companies listed in the premier market. All companies will have one year to comply with these requirements in order for them to set up. In addition, there is a huge increase in demand for environmental, social and corporate governance. Companies are advised to have an ESG program, which is one of the things we will be focusing on in 2020. Furthermore we are planning some roadshows in East Asia in 2020, in addition to our New York, London, and Dubai events.



Oil market outlook remains 'stable' despite volatility

Crude production to continue with minimal disruption and adequate supply

The world is accelerating its transition to a more sustainable, secure and affordable energy system. As a result, global energy production is witnessing a paradigm shift and oil producing countries are compelled to rework their strategies to produce energy.

By Sajeev K Peter

Oil prices are expected to remain largely 'stable' throughout 2020 and beyond, despite the market volatility and uncertain geopolitical situation in the Middle East, especially with the abundance of energy supply in terms of oil and gas

across the world. Many industry analysts are of the view that despite the cuts coming from OPEC+, there will be a surplus of at least one million bpd of crude oil around the world this year, keeping the price at a comfortable level of \$60 per barrel. However, according to recent IMF projections, lower oil prices and an uncertain output in the region might cloud

the market outlook in the medium term and prices could decline further to about \$56 per barrel by 2023.

“Nobody is expecting a dramatic rise in oil prices, at least in the short-term, although the market will continue to be on guard in view of the uncertain geopolitical situation in the Middle East and the outbreak of the coronavirus in China,” said Bovan K George, an oil market professional.

While any regional geopolitical tension could spike oil prices resulting from a ‘fear premium’ due to concerns about oil supply, incidents like the coronavirus outbreak could send the prices lower over worries about a potential decline in demand for oil in China, one of the largest oil consumers in the world. Oil prices slipped by almost three percent immediately after the outbreak as fears over a potential slowdown in crude demand pressured prices. A slowdown in China’s economy would impact oil demand, since it is the world’s largest crude oil importer and the world’s second-largest oil consumer, according to data from the General Administration of Customs.

Market balance

A ‘fear premium’ fueled a sharp \$3 surge in oil prices immediately after the killing of Iran’s general Qasem Soleimani in a US drone attack and the subsequent developments in the region. Given the current geopolitical situation, the chances are remote for a sudden and definitive escalation that could result in a ‘fear premium’, since the Unit-

ed States retains its ‘escalation dominance’. Many market analysts point out the fact that the markets regained their composure sooner than later and prices dropped around 5% in the week following the attack.

“Nobody is anticipating a full-scale conflict between the United States and Iran although both countries have claimed they are prepared for an all-out confrontation. In all probability, the countries might pursue a strategy of ‘escalation and control’,” said an oil engineer in Kuwait on condition of anonymity.

According to him, Washington could ratchet up sanctions against Iran and Tehran might possibly attempt to resort to some sporadic attacks on US military bases or oil facilities in the region. “The net result is that the oil market will perennially be in a state of caution and anxiety, keeping prices at a comfortable level. As a result, oil production in the Middle East is expected to continue with minimal disruption and adequate supply, maintaining stability in the market and keeping crude prices from rising dramatically,” he argued.

It may be recalled that the attacks in 2019 on a tanker in the Strait of Hormuz and on oil installations in Saudi Arabia had only a short-lived impact on prices because of abundant shale production and a slowdown in oil consumption growth globally. Although the volume of Iran’s crude exports has dropped drastically following international sanctions, the shortfall was largely compensated by increased output from Saudi Arabia and a significant rise in shale gas production in the US.



“With the oil companies in the US and other places mastering shale oil technology and making it cost effective even at \$50 per barrel, oil prices will always be under pressure whenever it rises. With the shale oil boom, the US has become the largest producer and a net exporter of crude oil. So in the long-term, crude oil price is bound to be around the breakeven cost of shale oil at that time. Also, with the development of electric cars, the demand for oil will come down in the long-term”, said George, an oil industry professional working with an oil company in Qatar.

According to International Energy Agency (IEA) Executive Director Fatih Birol, a surplus of one million barrels per day (bpd) of oil is expected to keep a lid on prices in the first half of 2020. He does not expect prices to rise significantly under ‘normal conditions’, although unexpected geopolitical developments could alter the situation.

OPEC+ production cuts

Recognizing the demand-supply imbalance, OPEC+ deepened production cuts by a further 500,000 bpd to 1.7 million bpd, OPEC reduced output by a further 372,000 bpd from baseline and the Russian-led non-OPEC group cut production by an additional 132,000 bpd. Saudi Arabia, Iraq and Nigeria brought their own output down to the new target levels. The total OPEC+ output adjustment would therefore amount to more than 2.1 million bpd. OPEC+ will meet time-to-time to assess compliance and the state of the oil market.

The IEA forecast an increase of 100,000 bpd in supplies from non-OPEC members in 2020 and oversupplies from non-OPEC producers would be adequate to sustain any possible geopolitical shocks to oil prices. More than two million bpd of oil is expected from non-OPEC countries such as the United States, Brazil, Norway and Guyana in the next few years. US crude production has reached a record high of 13 million bpd. While OECD inventories also stood at 9 million bpd above the five-year average, Norway’s oil production increased to a 9-year-high of 1.76 million bpd.

According to George, prediction of future crude oil prices has always been very risky mainly because oil price depends on many



unknown factors. “Prices are basically determined by the demand-supply scenario at that given time. In the short-term (a few months to one year), oil price is impacted by geopolitical events like the US-Iran conflict, attacks on Saudi oil facilities and oil tankers, disturbances in Venezuela, attacks on Nigerian oil facilities and pipelines, concerns over the coronavirus, etc,” he said.



4) development of fuel efficient/alternate energy cars, 5) search for greener energy to reduce the carbon footprint/global warming, etc play an important role, George explained.

The paradigm shift

According to industry specialists, the world is accelerating its transition to a more sustainable, secure and affordable energy system. As a result, global energy production is witnessing a paradigm shift and oil producing countries are compelled to rework their

The net result is that the oil market will perennially be in a state of caution and anxiety, keeping prices at a comfortable level.

strategies to produce energy. The emerging trends and technologies are changing the way energy is produced, delivered and consumed.

The new IMO regulations that came into effect on January 1, 2020, limit sulfur emissions in fuels used by seagoing vessels (bunker fuels) to 0.5% from 3.5%, and consequently, the price of medium/heavy sour crudes, which yield refined products containing a greater percentage of sulfur (eg high sulfur fuel oil - HSFO), is expected to drop in future compared to light sweet crudes. As experts point out, renewable energy is the way of the future as fossil fuels will eventually run out. A shift to renewable energy looks inevitable for oil producing countries in view of the exhaustibility of natural resources and long-term cost savings, in addition to helping provide a better planet for future generations.

In the medium term (from one year to 10 years), the economic growth/slowdown of major oil consuming countries like China, India, etc plays an important role in either boosting or dwindling demand for oil. In the long-term (more than 10 years), factors like 1) finding new oil reserves, 2) new methods of crude production like shale oil, 3) development of new technology, eg deep water,



Published by the Union of Investment Companies Kuwait in cooperation with Kuwait Times Publishing House under the leadership of UIC President Saleh S. Al-Selmi, the Investor Editor-in-Chief Bader N. Al Subaiee and Kuwait Times Editor-in-Chief Abd Al-Rahman Al-Alyan.

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