March 2003

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Kuwait

Kuwait contains 96.5 billion barrels of proven oil reserves (including its share of the Neutral Zone), or roughly 9% of the world's total oil reserves.

Note: Information contained in this report is the best available as of March 2003 and can change.

BACKGROUND

As one of the world's leading oil producing states, Kuwait's economy is heavily dependent on oil revenues. Current high oil prices are producing a surge in oil export revenues for Kuwait. For fiscal year 2002/03 (which runs through March 2003), Kuwait assumed oil prices of only $15 per barrel (for Kuwaiti oil), at which price the country would experience a budget deficit. However, as of early March 2003, oil prices were running significantly above (more than twice) $15 per barrel, meaning that a budget surplus was more likely. Kuwait's real gross domestic product (GDP) growth for 2002 was estimated at about 1.8%, with forecast real growth of 3.3% for 2003. In January 2003, Kuwait pegged the country's currency (the Dinar) to the U.S. dollar.

Kuwait is aiming to diversify its economy away from near-complete dependence on oil and state subsidies. Currently, the country relies on oil revenues for around 90%-95% of total export earnings and two-fifths of GDP. Kuwait channels around 10% of its oil revenues into the "Future Generations Fund" for the day when oil income runs out. As of 2000, the Fund was worth around $50 billion.

With approximately 65% of the population under the age of 25, and with around 90% of employees in the private sector currently non-Kuwaiti citizens, creating jobs for young Kuwaiti's is a major objective of the government. Kuwait hopes to attract additional foreign investment, and has started a program to privatize state-owned businesses (outside the oil sector) as a way of reducing subsidies. By 2005, Kuwait aims to begin privatizing such key sectors as utilities, ports, oil stations, and telephone service. Privatization is complicated by the need to protect the jobs of Kuwaiti citizens, who traditionally have been employed mostly (93%) by state-owned enterprises and the government.

In March 2001, Kuwait's national assembly passed the "Foreign Direct Investment Act," which aimed at promoting foreign investment. Among other things, the Act eased restrictions on foreign banks, provided long-term protection to foreign investors against nationalization or confiscation, and eliminated the requirement for foreign companies to have a Kuwaiti sponsor or partner. In the oil sector, the Kuwaiti constitution forbids foreign ownership of Kuwait's mineral resources, but the Kuwaiti government is exploring allowing foreign investment in upstream oil development under terms (see below for more details) which provide for per-barrel fees to the foreign firms rather than traditional production sharing agreements (PSA's). The idea is highly controversial in Kuwait, and thus far opposition in the Kuwaiti parliament has stalled the initiative.

Kuwait's foreign policy continues to focus on regional security issues. Since Operation Desert Storm in 1991, Kuwait has maintained close military cooperation with Western countries. In October 1994, the United States, the United Kingdom and other countries came to Kuwait's assistance after Iraq moved 70,000 troops and heavy armor close to the Kuwaiti border. In November 1994, Iraq officially recognized Kuwait's sovereignty, territorial integrity and political independence, as well as its borders as defined by the United Nations. Kuwait welcomed the move but continues to demand the release of all Kuwaiti citizens detained in Iraq and called for international sanctions against Iraq to be maintained until it was in compliance with all pertinent U.N. resolutions. In April 2001, Kuwait's cabinet agreed to a joint Gulf Cooperation Council (GCC) defense pact. The security arrangement requires parliamentary approval.

OIL

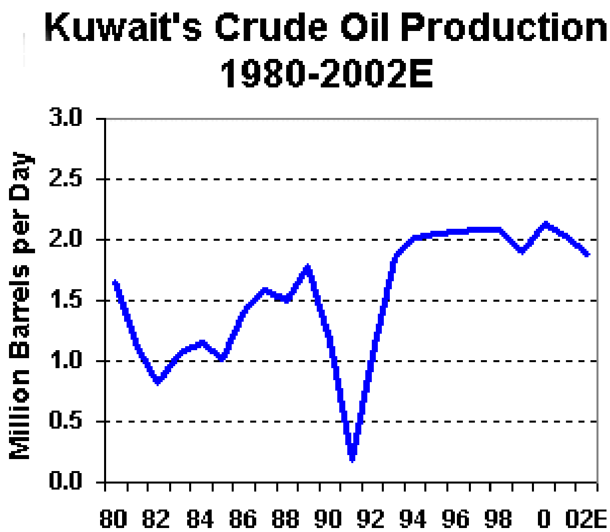
Kuwait contains an estimated 96.5 billion barrels of proven oil reserves, more than 9% of the world total. The Neutral Zone area, which Kuwait shares with Saudi Arabia, holds 5 billion barrels of reserves, half of which belong to Kuwait. Most of Kuwait's oil reserves are located in the 70-billion barrel Greater Burgan area, which comprises the Burgan, Magwa and Ahmadi structures. Greater Burgan is widely considered the world's second largest oil field, surpassed only by Saudi Arabia's Ghawar field, and has been producing oil since 1938. Kuwait's Rawdhatain, Sabriya, and Minagish fields have large proven reserves as well, with 6 billion, 3.8 billion, and 2 billion barrels of oil, respectively. All of these fields have been producing since the 1950s. They generally contain medium to light crude oil with gravities in the 30^{o}-36^{o} API range. The South Magwa field, discovered in 1984, is estimated to hold at least 25 billion barrels of light crude oil with a 35^{o}-40^{o} API gravity. In November 2000, Kuwait announced the discovery of significant amounts of light crude oil at Sabiryah.

Another Kuwaiti field -- Ratqa -- has been the subject of controversy. Once thought to be an independent reservoir, Ratqa is actually a southern extension of Iraq's super-giant Rumaila field. During the weeks preceding Iraq's August 1990 invasion of Kuwait, Iraq had accused Kuwait of stealing billions of dollars worth of Rumaila oil, and had refused to negotiate a sharing or joint development arrangement for Ratqa and southern Rumaila. After the Gulf War of 1991, a United Nations survey team made a demarcation of the border between Iraq and Kuwait, and this demarcation put all 11 of the existing wells at Ratqa within Kuwaiti territory. Despite this, in September 2000, Iraq renewed accusations it has made previously that Kuwait was "stealing" its oil. Iraq claimed that Kuwait was doing this through horizontal drilling on fields straddling the border between the two countries, and that Iraq was losing $3 billion per year worth of oil. Kuwait denied the charges. Kuwait produces around 40,000 bbl/d from Ratqa.

In early 2003, Kuwait began taking precautions to protect its oil installations in the event of any military conflict with Iraq. For instance, in mid-February, the Kuwaiti government turned much of the northern part of the country into a military exclusion zone and began to move oil rigs out of the area. Kuwait also reportedly began to limit output at its northern fields, which normally produce around 600,000 barrels per day (bbl/d). Specifically, Kuwait announced on February 17 that it was halting production at Ratqa and Abdali, which have a combined production capacity of around 100,000 bbl/d. In early March 2003, Kuwait Petroleum Corporation (KPC) announced that it would halt production completely in the northern fields in the event of war, although other Kuwaiti officials indicated that production would continue normally. Kuwait reportedly has been stockpiling crude oil reserves on tankers outside the Gulf region. Finally, Kuwait reportedly has increased security measures at its oil facilities.

Current Oil Production

The bulk of Kuwait's oil production capacity is located at the southern onshore Greater Burgan field, whose Burgan, Magwa, and Ahmadi structures normally produce around 1.35 million bbl/d. Kuwait's other main producing fields include the northern fields of Rawdhatain and Sabiryah (600,000 bbl/d of production capacity); the southern fields of Minagish and Umm Qudayr (150,000 bbl/d); and Kuwait's share of the Saudi-Kuwaiti Neutral Zone (150,000 bbl/d).



On January 31, 2002, an explosion and fire at an oil-gathering center near Kuwait's northern Rawdhatain oil field killed four workers and injured seventeen, while cutting the field's oil and gas output sharply. The explosion, which reportedly was caused by a leak at a major oil pipeline, knocked out three critical gathering centers (GC-15, GC-23, and GC-25), an electrical substation, and a natural gas booster station (BS-130). Production at Rawdhatain was quickly restored to around 300,000 bbl/d by the end of February 2002, but further repairs are required on GC-15 to restore the rest. Reportedly, U.S.-based Fluor Corp. and South Korea's SK Engineering & Construction are to work on major restoration of GS-15 and BS-130. Total repair costs could run into the $250 million range.

In late February 2002, Oil Minister al-Subaih resigned, taking responsibility for the incident, though reportedly also in protest of cost cutting and political interference in Kuwait's oil industry. Several analysts have blamed a lack of maintenance, insufficient technical expertise, and poorly trained, low-paid foreign workers. In addition, much of Kuwait's infrastructure was damaged during the Iraqi invasion of 1990/1991 and was never completely repaired.

In June 2002, another accident -- this time a significant oil spill from a broken heavy fuel oil pipeline -- took place near the al-Ahmadi refinery. And in November 2002, a fire at Burgan closed down gathering center (GC) #4, cutting production at the field by 100,000-130,000 bbl/d temporarily. In part motivated by these accidents, as well as the need to upgrade and repair damage still carried over from the 1990/1991 Gulf War, the Kuwaiti government is considering efforts aimed at attracting foreign oil companies into the country on "technical service" contracts, but this move is controversial within Kuwait.

Construction of new gathering centers is a major focus of Kuwait's upstream capacity expansion program. Prior to the Iraqi invasion in 1990, Kuwait had 26 gathering centers (GCs), with a total capacity of 4 million bbl/d. All 26 GCS were either damaged or destroyed during the war. By 1993, operations at 18 GCS had been restored. In January 1996, KPC awarded China Petroleum Engineering Construction Corporation (CPECC) a $390 million contract to build two new GCS, a significant step in Kuwait's efforts to increase its oil production. CPC and Kuwait Oil Company (KOC) constructed the GCS, designated GC-27 and GC-28, at the Umm Gudair and Minagish fields, respectively. Work was completed in early 2001, three years behind the original schedule, mainly due to construction delays. The Umm Gudair GC has capacity of 190,000 bbl/d, and Minagish has design capacity of 210,000 bbl/d. The two facilities are part of Kuwait's plan to raise oil output from West Kuwait to more than 500,000 bbl/d (from 120,000 bbl/d), and overall production capacity to more than 3 million bbl/d (from around 2.4 million bbl/d currently).

Crude Oil Exports
Kuwait exports the majority of its oil to Asian countries, especially Japan, but also refineries in South and Southeast Asia (India, Singapore, South Korea, Taiwan, Thailand, etc.). Other oil exports go to Europe and to the United States, which averaged 223,000 bbl/d of Kuwaiti oil imports during 2002. This compares to the peak of 353,000 bbl/d (4.1% of U.S. oil imports) reached in 1993. Kuwait's export blend is 31^{o}API (a typical medium Mideast crude), and is considered sour with 2.5% or greater sulfur content.

Kuwait has completed major renovations of Mina al-Ahmadi, the country's main port for the export of crude oil, virtually destroyed during the Gulf War. Kuwait also is planning a $900 million expansion at the port in order to add storage capacity and increase export capacity in conjunction with plans for expanded oil production (see below) in coming years. Current plans call for construction of 19 new storage tanks with total capacity of 11.4 milion barrels by 2005.

Besides Mina al-Ahmadi, Kuwait has operational oil export terminals at Mina Abdullah (repairs completed in September 1992), Shuaiba (restored by late 1996) and at Mina Saud. A new terminal is planned for Bubiyan Island, which will handle increased production from northern and western Kuwait under "Project Kuwait" (see below).

Production Quotas
Beginning February 1, 2003, Kuwait's crude oil production quota was set at 1.966 million bbl/d. During 2002, Kuwait produced about 2.0 million bbl/d of crude oil, with the next OPEC meeting scheduled for March 11, 2003.

Plans to Expand Oil Production
Kuwait continues to plan for significant expansion in its production capacity. Kuwait hopes to reach capacity of 3.5 million bbl/d by 2005/6 (and 4 million bbl/d by 2020), up from around 2.1-2.2 million bbl/d at present. As part of this plan, known as "Project Kuwait," Kuwait is considering permitting foreign oil companies to invest in upstream production, which would reverse more than two decades of Kuwaiti policy.

"Project Kuwait" is a $7 billion, 25-year plan, first formulated in 1997 by the SPC, to increase the country's oil production (and to help compensate for declines at the mature Burgan field), with the help of international oil companies (IOCs). In particular, Kuwait aims to increase output at five northern oil fields -- Abdali, Bahra, Ratqa, Rawdhatain, and Sabriyah -- from their current 450,000 bbl/d to around 900,000 bbl/d by 2005. To date, "Project Kuwait" has made little headway, in large part due to political opposition and resistance from parliament to the idea of allowing foreign companies into the country's oil sector. However, there are hopes that this might change in 2003. In February 2003, KPC completed a draft contract and proposed financial terms for Project Kuwait. Shortlisted IOCs reportedly include BP, ChevronTexaco, Conoco, ExxonMobil, Lasmo, Shell, and TotalFinaElf.

The fields which the Kuwaiti government intends to open to foreign investment are all currently operating fields in northern or western Kuwait, including Rawdhatain, Sabriyah, Ratqa, Bahra, Minagish, and Umm Gudair. Kuwait's largest field, Burgan, is to remain off-limits to foreign investment under the new plan. As of December 2002, Kuwait reportedly was planning to invest $6 billion in three areas near the Iraqi border -- Abdali, Ratqa, and Rawdhatain. Possible companies involved could be BP, Shell, TotalFinaElf, Sibneft, Lukoil, and Petronas.

Kuwait's current policy, in place since 1975, limits the participation of foreign oil companies to providing technical assistance and construction and maintenance services under contracts, which pay them fixed prices for specific activities. In fact, Kuwait's constitution forbids the award of concessions which give an ownership interest in Kuwait's natural resources to foreign entities. Nevertheless, the government has repeatedly hinted at a desire to find a way to involve foreign oil companies in increasing production without violating the constitution. The Supreme Petroleum Council (SPC), which controls Kuwait's oil and gas sectors on a day-to-day basis, approved foreign cooperation in principle in 1997, but opening upstream activities to deeper involvement by foreign oil companies is highly controversial with opposition members of the Kuwaiti parliament. In February 2000, the Kuwaiti parliament passed a resolution calling on the government not to proceed with the program until legal issues involving foreign interests in the Kuwaiti oil sector were resolved. New legislation dealing with the foreign investment program is currently under consideration in the Kuwaiti parliament. Some in parliament have even accused the government of "selling off" the country.

Unlike PSA's, the structure of the agreements the government is considering, called technical service contracts, allows the Kuwaiti government to retain full ownership of the oil reserves, control over oil production levels, and strategic management of the venture. Foreign firms are to be paid a "per barrel" fee, along with allowances for capital recovery and incentive fees for increasing reserves, in their role as service provider/contractor.

In other oil development news, KOC is planning to award a concession to drill at a major new oil field, called Madinah. The field is located around Kuwait City and Kuwait Bay.

Neutral Zone

The Neutral Zone encompasses a 6,200 square-mile area partitioned equally between Kuwait and Saudi Arabia under a 1992 agreement. The Neutral Zone contains an estimated 5 billion barrels of oil and 1 trillion cubic feet (Tcf) of natural gas. Oil production in the Neutral Zone, which currently is running around 579,000 bbl/d (around half offshore and half onshore), is divided equally between Saudi Arabia and Kuwait. Major Neutral Zone onshore fields include Humma, South Fawaris, South Umm Gudair, and Wafra. Offshore fields include Hout and Khafji. Onshore, U.S.-based ChevronTexaco and KPC produce from Wafra, South Fawaris, and South Umm Gudair. Offshore, the Arabian Oil Company (AOC) of Japan operates Khafji and Hout, both of which are connected to Saudi Arabia's Safaniyah, the world's largest offshore oilfield. AOC has a 40% stake in the Kuwaiti portion, with the remaining 60% held by KPC. In July 2002, Kuwait and Saudi Arabia formed a 50/50 joint venture to maintain and increase oil production at offshore Neutral Zone oilfields.

AOC lost its concession in the Saudi sector when it expired in February 2000, and also surrendered its drilling rights over Hout and Khafji on January 4, 2003. In March 2002, the Kuwait Gulf Oil Company (KGOC) was established as a wholly-owned subsidiary of KPC, with the intention of having it take over operation of onshore Neutral Zone exploration and production when AOC lost its rights. In January 2003, AOC began providing training and technical assistance to KGOC, plus $750 million in financing for Neutral Zone development. In exchange, AOC owns the rights to purchase 100,000 bbl/d of Khafji crude.

Foreign Upstream Operations

Even though Kuwait's overall overseas investments are considerably smaller than before the 1990 invasion by Iraq, Kuwait holds equity interests in oil production in several countries through the Kuwait Foreign Petroleum Exploration Company (KUFPEC). KUFPEC is active in Australia, Indonesia, and Tunisia, among others. Most of the interests are either small fields or minority stakes, though, and KUFPEC's revenues have been under $200 million in recent years, making it a relatively minor part of Kuwait's state oil establishment. According to KUFPEC's 2000 annual report, the company is aiming to increase its production capacity to 100,000 bbl/d oil equivalent by 2010, up from around 35,000 bbl/d oil equivalent currently.

Refining

Kuwait's refining capacity was damaged severely during Iraqi invasion and occupation in 1990-91. After losing most of its pre-war capacity of 820,000 bbl/d, Kuwait had only 200,000 bbl/d of refinery output by early 1992. Kuwait's $400-million downstream reconstruction program was completed in mid-1994. At present, Kuwait's three domestic refineries have a combined capacity of around 773,300 bbl/d, around 100,000 bbl/d less than normal because of damage to Mina al-Ahmadi (see below), the country's largest refinery (with capacity of 442,700 bbl/d). Other large refineries include Mina Abdullah (256,500 bbl/d) and al-Shuaiba (190,000 bbl/d). The bulk of Kuwait's refined products are exported. On August 20, 2001, *Reuters* reported that Kuwait was planning to spend "over $3 billion" to upgrade its three refineries over a five-year period.

On June 25, 2000, the Mina al-Ahmadi refinery, owned and operated by KPC subsidiary Kuwait National Petroleum Company (KNPC), experienced an explosion and fire, causing substantial damage to two of three crude distillation units (CDUs), killing six workers, and forcing the facility to shut down. In December 2000, Kuwait awarded a contract (to Fluor Corp. and Sunkyong) to rebuild Mina al-Ahmadi. As of July 2002, Mina al-Ahmadi was operating at around 300,000 bbl/d, with full capacity not expected to be restored for another year or so, at a cost of around $320 million. In addition, KNPC is working to upgrade atmospheric residue desulphurisation at the refinery.

Foreign Downstream Operations

KPC currently has around 250,000 bbl/d of refining capacity in Europe, including half of Agip's 300,000 bbl/d Milazzo refinery. KPC also owns a 75,500-bbl/d unit in Rotterdam. These two refineries enable KPC to supply a large share of its European retail outlets directly. In September 1998, KPC announced the purchase of 157 service stations in Belgium from BP. The move gives KPC an 8% of the retail market share in Belgium. KPC's subsidiary, Kuwait Petroleum International (KPI), operates approximately 5,500 service stations under the "Q8" banner in 10 countries in Western Europe and about 200 sites in Thailand.

Petrochemicals

Kuwaiti officials have expressed interest in accelerating development of the country's relatively small petrochemical sector. This would accomplish several goals: boosting the value of Kuwait's crude oil reserves; helping to protect Kuwait's revenues during periods of low crude prices; and boosting Kuwaiti revenues while adhering to OPEC crude oil quota limitations. Historically, Kuwait's Petrochemical Industries Company (KPIC) has mainly manufactured low-value products such as urea, ammonia, and fertilizer for export. PIC is now beginning to move upmarket to production of higher-value products.

According to the Kuwait News Agency, PIC may increase production at its polypropylene plant by 20% to 120,000 tons per year if the market price of polypropylene continues to rise. PIC's primary markets are Jordan, Syria, the United Arab Emirates, Morocco, China and Hong Kong, followed by India, Pakistan and countries in eastern Africa.

The EQUATE joint venture, involving PIC and Union Carbide, is the country's largest petrochemical project. The $2 billion industrial complex at Shuaiba, which came online in 1997, includes a 650,000 metric-ton-per-year ethylene cracker, two polyethylene units with a capacity of 450,000 metric tons per year, and a 350,000 metric-ton-per-year ethylene glycol plant, all of which are currently operating. The complex primarily serves the Asian and European markets. PIC and Union Carbide each have a 45% share in the project, with the remainder owned by Boubyan Petrochemical Company. The EQUATE plant was temporarily shut down by the loss of its ethane feedstock from the Mina al-Ahmadi refinery in June 2000, but has since resumed operation. In April 2001, KPIC approved a $1.5 billion plan to construct "Equate II," which would be Kuwait's second petrochemical complex, and would produce olefin (ethylene, polyethylene, ethylene glycol).

NATURAL GAS

Kuwait produces a relatively modest volume of natural gas (around 335 billion cubic feet -- Bcf -- in 2001), the vast majority of which is "associated gas" (i.e., found and produced in conjunction with oil). Kuwait hopes to increase its use of natural gas (both domestic and imported) significantly, especially in electricity generation, water desalination, and petrochemcials. A switch to natural gas (from diesel oil) would free up a substantial amount of oil for export, possibly 100,000 bbl/d by 2006. Kuwait also hopes to reduce flaring of associated gas by tying together gathering centers. Finally, Kuwait continues to seek both associated and non-associated gas supplies.

In July 2000, Kuwait and Qatar signed a memorandum of understanding (MOU) for possible export of Qatari gas from its offshore North Field -- the largest non-associated natural gas field in the world -- to Kuwait. In January 2002, the two countries signed a protocol for "gas sale and purchase agreement" on a $500 million pipeline from Qatar's port of Ras Laffan to Al-Zour South in southern Kuwait. Natural gas could begin flowing through the line by 2006, at a rate as high as 500 Bcf per year. Qatar Petroleum and ExxonMobil (operator of Qatar's North Field) also have signed an agreement on supplying the gas. A territorial dispute between Qatar and Bahrain had held up the pipeline, but this was resolved in 2001. Howver, as of February 2003, Saudi Arabia reportedly was expressing opposition to the pipeline, which would pass through Saudi territorial waters.

Besides Qatar, Kuwait also has signed an MOU with Iran for import of natural gas via pipeline, most likely from its huge South Pars gas field. As of February 2003, it appeared that the two countries were in the final stages of negotiations on a 25-year gas supply deal. Approximately 300 million cubid feet per day (cf/d) of natural gas is to be delivered, beginning in 2005. The gas will be used for power generation at two new power plants (with combined generating capacity of 3,500 megawatts) and water desalination. It remains unclear whether Kuwaiti gas demand could support both Iranian and Qatari export projects simultaneously.

Prior to the 1990/1991 Gulf War, Kuwait received significant volumes of natural gas from Iraq. The gas came from Iraq's southern Rumaila field through a 40-inch, 100-mile, 200 mmcf/d pipeline. The gas was used in Kuwaiti electric power stations and liquefied petroleum gas (LPG) plants.

Aside from imports, Kuwait hopes to increase its domestic natural gas production, both through reduced flaring of associated gas and through new drilling. Exploratory drilling is currently being undertaken at the Rawdhatain oilfield, reaching geological formations much deeper than the oil deposits, which are believed to be gas-rich. (Note: the January 2002 explosion at Raudhatain -- see above -- significantly disrupted natural gas production at the field).

In another natural gas-related development, Saudi Arabia and Kuwait concluded an agreement in July 2000 on the offshore Dorra natural gas field, which had been claimed by Saudi Arabia, Kuwait, and Iran, and which may contain up to 11 trillion cubic feet (Tcf) of recoverable natural gas reserves. The agreement calls for an equal sharing of the gas resources between Saudi Arabia and Kuwait. Negotiations with Iran over its claims to the Dorra gas field are continuing, while AOC is talking to Kuwait about possibly developing the field.

ELECTRICITY

Kuwait has five power stations (Doha East, Doha West, al-Subiya, Shuaiba South, and al-Zour South) and a total electrical generation capacity of about 9.3 gigawatts (GW). Kuwait's electricity demand has been growing rapidly in recent years, and is expected to continue increasing at a 7%-9% rate in coming years, necessitating construction of new generating capacity. A 2,400-megawatt (MW), $2.2 billion thermal plant at al-Subiya came online in 2000, which relieved pressure on the system in the short-term. Over the next 10 years, Kuwait reportedly will need to invest $3.6 billion in its power sector in order to increase generating capacity by another 3,000 MW.

In September 2001, Kuwait's Ministry of Electricity and Water (MEW), which is in charge of Kuwait's power sector, approved construction of three new power plants at a total cost of $2 billion: 1) a 2,500-MW steam turbine station at Al-Zour North; 2) a 600-MW gas-fired plant in Shuaiba; and 3) a 400-MW gas-fired facility in Subiya. The Al-Zour North plant is scheduled to come online in late 2006, and to cost $1 billion.

To reduce excessive power demand and waste, Kuwait is considering trimming some of its power subsidies. Currently, Kuwaitis pay among the lowest prices for power in the world, and the MEW has urged them to use power more judiciously. Meanwhile, Kuwait continues to expand its national power grid, and has accepted a proposal to link up with the grids of other GCC countries. This grid linkup should provide each GCC country with additional spare capacity to handle peak demand periods. Kuwait also has discussed broader linkages and cooperation with other Arab countries and its non-Arab neighbor, Iran.

Sources for this report include: Agence France Presse; APS Review Downstream Trends; Asian Wall Street Journal; CIA World Factbook 2002; Dow Jones News Wire service; Deutsche Presse-Agentur; Economist Intelligence Unit ViewsWire; Financial Times; Global Insight; Lloyd's List; Middle East Economic Digest; Middle East Economic Survey; Oil and Gas Journal; Petroleum Economist; Petroleum Intelligence Weekly; Saudi Gazette; Stratfor.com; U.S. Energy Information Administration; World Markets Online; World Oil.

COUNTRY OVERVIEW
Head of State: Sheikh Jaber al-Ahmad al-Sabah
Crown Prince, Prime Minister: Sheikh Sa'ad al- Abdullah al-Salem al-Sabah
Independence: June 19, 1961 (from United Kingdom)
Population (7/02E): 2.1 million (includes 1.2 million non-citizens)
Location/Size: Middle East, northwestern corner of the Persian Gulf between Iraq and Saudi Arabia/6,900 square miles, slightly smaller than New Jersey
Major Cities: Kuwait City (capital), Salmiya, Hawalli
Languages: Arabic
Ethnic Groups: Kuwaiti (45%), other Arab (35%), South Asian (9%), Iranian (4%), other (7%)
Religion: Sunni Muslim (45%), Shi'a Muslim (40%), Christian, Hindu, other (15%)
Defense (8/98): Army (11,000), Air Force (2,500), Navy (1,800), National Guard (5,000)

ECONOMIC OVERVIEW
Currency: Kuwaiti Dinar (KD)
Market Exchange Rate (3/04/03): US$1 = 0.3 KD
Nominal Gross Domestic Product (GDP; using market exchange rates) (2002E): $36.2 billion
Nominal Gross Domestic Product (GDP; using Purchasing Power Parity exchange rates) (2002E): $26.8 billion
Real GDP Growth Rate (2002E): 1.8% **(2003F):** 3.3%
Inflation Rate (Consumer Price Index) (2002E): 1.9% **(2003F):** 1.4%
Current Account Balance (2001E): $10.2 billion **(2002E):**$8.8 billion
Major Trading Partners: United States, Japan, Europe, Singapore
Goods and Non-Factor Service Exports (2002E): $9.1 billion
Goods and Non-Factor Service Imports (2002E): $8.4 billion
Goods and Non-Factor Service Trade Balance (2002E): $0.7 billion
Major Export Products: Petroleum (95% of total export revenues)
Major Import Products: Industrial goods, consumer goods, machinery, transport equipment, food
Total External Debt (2001E): $9.6 billion
International Reserves excl. gold (2Q02E): $11.0 billion

ENERGY OVERVIEW

Acting Minister of Oil: Sheikh Ahmad Fahd al-Sabah (replaced Adel Khaled al-Subeih after his resignation in February 2002)
Proven Oil Reserves (1/1/03E): 96.5 billion barrels (including 2.5 billion in the Neutral Zone)
OPEC Crude Oil Production Quota (effective February 1, 2003): 1.966 million bbl/d
Crude Oil Production Capacity (2003E): 2.1-2.2 million bbl/d (includes half of Neutral Zone)
Oil Production (2002E): 2.0 million bbl/d (includes half of Neutral Zone); of which 1.9 million bbl/d was crude oil
Oil Consumption (2002E): 293,000 bbl/d
Net Oil Exports (2002E): 1.7 million bbl/d
Crude Oil Refining Capacity (1/1/03E): 889,200 bbl/d
Major Crude Oil Customers: Asia (around 60%); United States; Europe
Natural Gas Reserves (1/1/03E): 52.2 trillion cubic feet (Tcf) (includes 0.5 Tcf in Neutral Zone)
Natural Gas Production (2001E): 335 billion cubic feet (Bcf)
Natural Gas Consumption (2001E): 335 Bcf
Electric Generation Capacity (2001E): 8.5 gigawatts
Net Electricity Generation (2001E): 31.5 billion kilowatt hours (all thermal)

ENVIRONMENTAL OVERVIEW

Minister of Electricity & Water: Talal al-Ayyar
Total Energy Consumption (2001E): 0.92 quadrillion Btu* (0.2% of world total energy consumption)
Energy-Related Carbon Emissions (2001E): 16.4 million metric tons of carbon (0.2% of world total carbon emissions)
Per Capita Energy Consumption (2000E): 453.7 million Btu (vs U.S. value of 351.0 million Btu)
Per Capita Carbon Emissions (2000E): 8.1 metric tons of carbon (vs U.S. value of 5.6 metric tons of carbon)
Energy Intensity (1999E): 29,483 Btu/ $1990 (vs U.S. value of 10,638 Btu/ $1990)**
Carbon Intensity (1999E): 0.53 metric tons of carbon/thousand $1990 (vs U.S. value of 0.19 metric tons/thousand $1990)**
Fuel Share of Energy Consumption (2000E): Oil (65%), Natural Gas (35%)
Fuel Share of Carbon Emissions (2000E): Oil (70%), Natural Gas (30%)
Renewable Energy Consumption (1998E): 0.17 trillion Btu* (17% decrease from 1997)
Status in Climate Change Negotiations: Non-Annex I country under the United Nations Framework Convention on Climate Change (ratified December 28th, 1994). Not a signatory to the Kyoto Protocol.
Major Environmental Issues: limited natural fresh water resources; some of world's largest and most sophisticated desalination facilities provide much of the water; air and water pollution; desertification.
Major International Environmental Agreements: A party to Conventions on Climate Change, Desertification, Environmental Modification, Hazardous Wastes, Law of the Sea, Nuclear Test Ban, Ozone Layer Protection. Has signed, but not ratified, Biodiversity, Endangered Species and Marine Dumping.

* The total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar, wind, wood and waste electric power. The renewable energy consumption statistic is based on International Energy Agency (IEA) data and includes hydropower, solar, wind, tide, geothermal, solid biomass and animal products, biomass gas and liquids, industrial and municipal wastes. Sectoral shares of energy consumption and carbon emissions are also based on IEA data.
**GDP based on EIA International Energy Annual 2000

OIL AND GAS INDUSTRIES

Organization: The *Supreme Petroleum Council* governs the nationalized oil industry, which is run by *Kuwait Petroleum Corporation* (KPC). KPC subsidiaries include: *Kuwait Oil Company* (KOC) - exploration and production of oil and gas; *Kuwait National Petroleum Company* (KNPC) - refining and

shipping; *Kuwait Petroleum International* (KPI) - refining and product marketing; *Petrochemical Industries Company* (PIC) - production and marketing of chemical products; *Kuwait Foreign Petroleum Exploration Company* (KUFPEC) - foreign exploration; and *Kuwait Oil Tanker Corporation* (KOTC) - tanker operations
Major Refineries (capacity - bbl/d, 2003E): Mina Al-Ahmadi (442,700 bbl/d), Mina Abdullah (256,500), Shuaiba (190,000)
Major Oil Fields (reserves - billion barrels): Greater Burgan -- Burgan, Magwa, and Ahmadi (50); Raudhatain (6); Sabriya (3.8); Minagish (2); Abdali; Rugei; Bahra; *Neutral Zone:* Al-Hout and Khafji (6.3); Wafra (2); South Fawaris; Umm Gudair
Major Pipelines: Raudhatain-Ahmadi; Minagish-Ahmadi; Umm Gudair-Shuaiba; Wafra-Mina Abdullah; Burgan-Ahmadi
Major Oil Terminals: Mina Al-Ahmadi, Mina Abdullah, Shuaiba, Mina Saud

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LINKS

For more information from EIA on Kuwait, please see:
EIA - Country Information on Kuwait

Links to other U.S. Government sites:
CIA World Factbook - Kuwait
U.S. Department of Energy's Office of Fossil Energy - Kuwait
U.S. State Department Consular Information Sheet - Kuwait
U.S. State Department Country Commercial Guide - Kuwait

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Kuwait's Mission to the United Nations
Kuwait Information Office -- Washington, DC
Kuwait Petroleum Company
Kuwait Foreign Petroleum Exploration Company
The Center for Middle Eastern Studies - Kuwait
Gulf Wire
Information on Kuwait from ArabNet
MENA Petroleum Bulletin
AME Info Middle East Business Information
Kuwait Law (Ali and Partners)
Persian Gulf War Chronology

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