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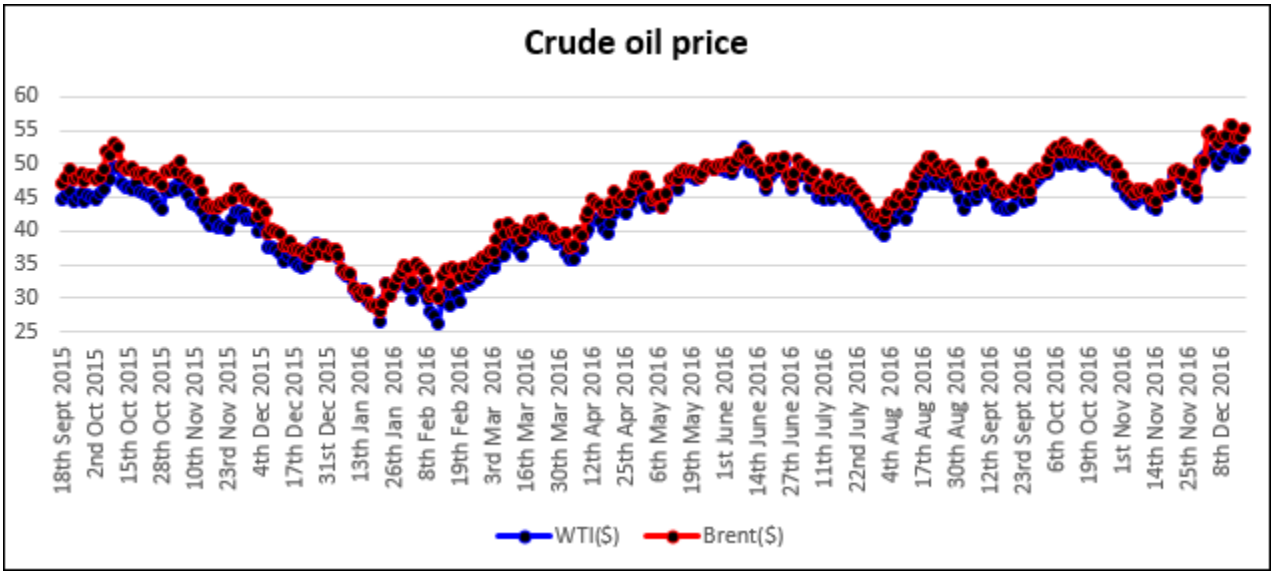
Calgary, Canada

Some of the news items for this week are as follows:



1. After the OPEC and several non-OPEC producers met in Vienna late last week (Dec 10), and pledged to reduce oil production by 558,000 b/d, in addition to OPEC's decision to curb output by 1.2 mb/d taken on Nov 30, the crude oil price surged over 15% this week. The oil price also strengthened as according to EIA, the US commercial crude oil inventories, excluding those in the Strategic Petroleum Reserve, declined 2.6 mb during the week ended Dec 9th. Finally, the prices also gained ground when Saudi Arabia signaled that it is ready to cut more than it had already agreed for next year.

   Russia had already declared that it would reduce production by 300,000 b/d, and the Russian Energy Minister, Alexander Novak has stated that his country's reduction would be gradual. At the end of March 2017, the production will be 200,000 b/d less than the October production level of 11.2 mb/d. Besides Russia, the other countries that have decided to reduce production starting January 2017, either voluntarily or through natural decline are Azerbaijan (35,000 b/d), Bahrain, Brunei, Equatorial Guinea, Kazakhstan (20,000 b/d), Malaysia, Mexico (100,000 b/d), Oman (40,000 b/d) Sudan and South Sudan.

   Saudi Arabia will cut its production from 10.7 mb/d in July to 10.07 mb/d.

   The important thing from the market point of view is how these countries comply with what they have pledged. When it comes to production cuts, historically, the record for OPEC and non-OPEC countries is not encouraging.

2. Meanwhile, in the light of the proposed production cuts mentioned above, when will the market start rebalancing, is not clear. The global demand in 2017 is seen differently by different agencies. The EIA anticipates it to be 97 mb/d, IEA expects it to be 97.6 mb/d and OPEC sees it as 95.6 mb/d. Clearly, the compliance to pledges by the individual members will decide when the market will begin to rebalance, but many analysts expect it by the middle of 2017.

3. Besides the production cuts agreed on by OPEC and non-OPEC countries, what has not been factored in is the production increase by Libya and Nigeria, the two OPEC countries that have been exempted from the OPEC agreement, as well as the US shale producers, who could begin production as the price of the barrel touches $60. Libya is preparing to reopen two of its biggest oil fields (Repsol-operated Sharara, and Eni SpA-operated El Feel) this week, and start exporting. Both these fields have been closed for a year-and-a-half, and have a combined capacity of over 450,000 b/d, which is less than half of the 1.6 mb/d that it was producing before the 2011 uprising. In line with these observations, the EIA administrator, Adam Sieminski, the US monthly oil production could increase more quickly next year.
4. According to hedge fund manager, Pierre Andurand, who had predicted the oil price to slump to $20 in the first quarter of this year, and then recover, the agreements by OPEC and non-OPEC countries will see the crude oil price touch $70 in the first half of 2017.
5. As per Wood Mackenzie, in 2017 the global spending on oil and natural gas exploration is set to fall to its lowest level in 12 years. Chevron announced this week that it would reduce spending on oil exploration and other projects by about 15% next year. Phillips 66 has also cut its capex by 10% for 2017. Such developments are going to have serious consequences to meet the future demand.

So much for the industry news this week.

For the lighter side this week

Have you wondered how different cities in the world carry their airport codes? For example, Los Angeles has a code LAX, Calgary is YYC, and so on.

All airports around the world follow the three-letter code determined by the International Air Transport Associations (IATA) as it is convenient for use by travel agents when booking reservations and tickets on computers. Cities in India carry codes with the first three letters from the city name such as BOM for Bombay (now Mumbai), HYD for Hyderabad and DEL for Delhi. There are others that have not just the first three letters but letters from the city name or the name of the airport, e.g. BLR from Bangalore, or MAA for Chennai Meenambarkkam International Airport.

There are of course exceptions.

The major Canadian airports begin with the letter 'Y', though again there are some exceptions. For example, some Canadian airports add the letters from the city after the Y, as in YVR for Vancouver, YOW for Ottawa, and YYC for Calgary. The exceptions are YYZ for Toronto, whereas one would expect it to be YTO. Perhaps this is because Toronto has more than one airport, and they are distinguished with different letters. Other exceptions are YUL for Montreal, YEG for Edmonton and YXE for Saskatoon.

Outside of Canada, in the US, Chicago airport is ORD. But then there are historical reasons why many city airports are designated as they are. Earlier, a two-letter system was used for this purpose, and was adapted from the National Weather Service (NWS) codes for different cities in the US. But as more and more airports were constructed in different cities and town where there were no weather stations, a suggestion was put forward that a three-letter system be used, such that an X could be placed after the NWS code. Los Angles got its code as LAX.

The International Civil Aviation Organization has a four letter code that is used for flight planners and air-traffic control. In the US, a letter K is put in front of the IATA code. For example JFK becomes KJFK in the US and in Canada, a letter C is added on instead of K. Calgary then carries the four-letter code CYYC, CYVR for Vancouver and CYYZ for Toronto.

Some cities in the US adopted a more logical code, e.g. SEA for Seattle, DFW for Dallas/Fort Worth.

There is no definite reason to the choice for Y for Canadian airports, but it appears that some special interest groups in Canada, such as the Navy opted for the letter N, radio stations for W and K and telecommunications for Q. Finally, the airports asked for Y.

I hope you will find this interesting.

Did you know?

…. that humans automatically blink between 10 to 15 times a minute, and this serves to moisten the cornea, and also enable it to oxygenate. The blink is instantaneous, between 100 to 150 milliseconds. It is so short that we don't realize the momentary darkness that our eyes go through.

But interestingly, while watching TV or a movie in a cinema hall, when we are following a storyline, or some specific dialogue or information, we subconsciously tend to time our blink with the visuals and commentary, so as not to miss that information. This synchronization can be different, something like 10 to 15 blinks per minute. There is nothing wrong with one or the other, and is just an observation.

So much for this week! Till the next post, stay safe and happy!

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