June 2005

Kuwait

Kuwait contains 99.0 billion barrels of proven oil reserves (including its share of the Neutral Zone), or roughly 8 percent of the world's total oil reserves.

Note: Information contained in this report is the best available as of June 2005.

BACKGROUND

Kuwait's economy is heavily dependent on oil export revenues. Current high oil prices are producing a surge in oil export revenues for Kuwait, with 2004 the the best year for oil export revenues in the past decade. Non-oil sectors of the Kuwaiti economy, particularly services, have experienced strong growth fueled by the inflow of oil revenues. Real gross domestic product (GDP) grew by 5.7 percent in 2004, and is forecast to grow by 5.8 percent in 2005. Inflation is running at around 2 percent.

Despite its currently strong macroeconomic position, including sizable fiscal and trade surpluses, Kuwait would like to diversify its economy away from near-complete dependence on oil revenues. Currently, the country relies on oil revenues for around 90-95 percent of total export earnings and around two-fifths of GDP. Kuwait channels around 10 percent of its oil revenues into the "Future Generations Fund" for the day when oil income runs out.

With approximately 65 percent of the population under the age of 25, and with around 90 percent of employees in the private sector currently non-Kuwaiti citizens, creating jobs for young Kuwaitis 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). Privatization is complicated by the need to protect the jobs of Kuwaiti citizens, who traditionally have been employed mostly (over 90 percent) 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 Kuwaiti government is currently making an attempt to enact legislation to facilitate foreign investment in the upsteam oil sector, as part of its "Project Kuwait" initiative to boost production capacity. The Kuwaiti parliament is expected to act on the proposed legislation sometime in 2005.

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. According to the U.S. State Department, Kuwait was a "vital coalition partner" during the spring 2003 war against Iraq, "donating upward of $350 million in assistance in kind (primarily fuel) to the effort." Since the war, Kuwait has been "consistently involved in reconstruction efforts in Iraq, pledging $1.5 billion at the October 2003 international donors' conference in Madrid." In February 2004, Kuwait and the United States signed a "Trade and Investment Framework Agreement" (TIFA). In January 2003, Kuwait pegged the country's currency, the Dinar, to the U.S. dollar.

OIL

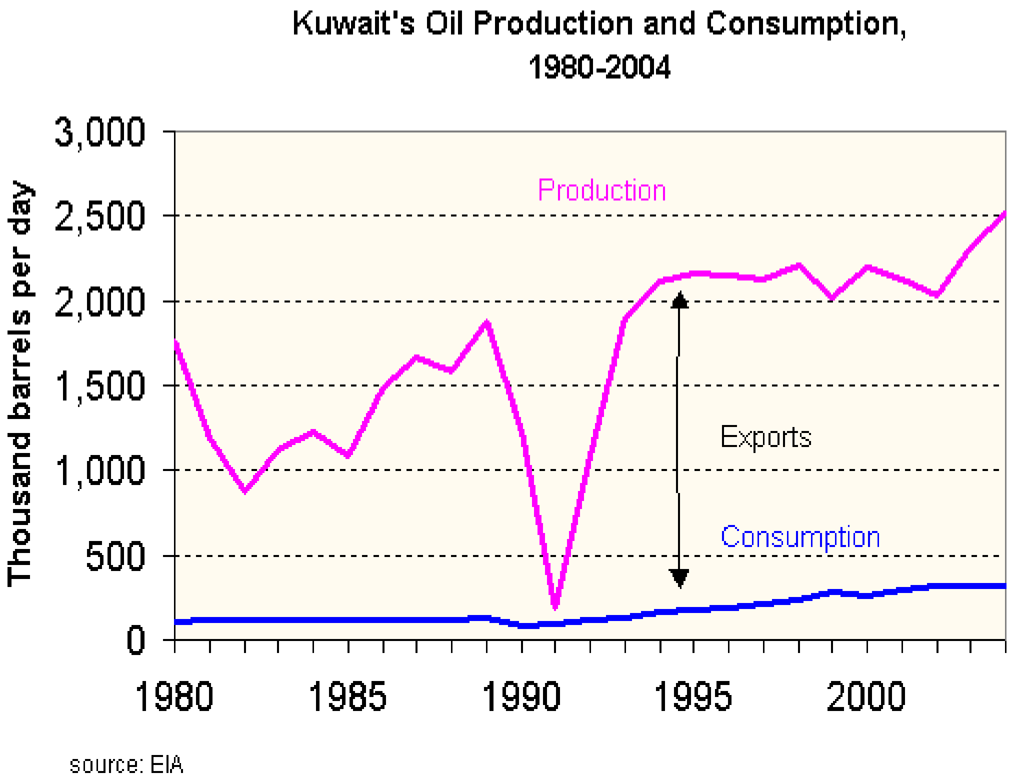
Kuwait itself contains an estimated 99 billion barrels of proven oil reserves, around 8 percent of the world total, and around 1,600 producing oil wells. The Saudi-Kuwaiti Neutral Zone (also known as the "Divided Zone") area, which Kuwait shares with Saudi Arabia, holds an additional 5 billion barrels of reserves, half of which belong to Kuwait, bringing Kuwait's total oil reserves to 101.5 billion barrels. 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 Raudhatain, 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 1950's. 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 to the west of Burgan, is estimated to hold at least 25 billion barrels of light crude oil with a 35^{o}-40^{o} API gravity. In September 2003, Kuwait announced as much as 1 billion barrels of very light oil had been found in western Kuwait at the Kara al-Marou field. And in October 2003, Kuwait announced a new discovery of light crude oil (42.6^{o} API) at Sabriya.

Current Oil Production

Kuwaiti oil output is divided about equally between shallow wells and high-pressure wells producing up to 10,000 bbl/d each from the deep, "Marrat" structure which runs north-south through the country and contains an estimated 20 billion barrels of oil in place. The bulk of Kuwait's oil production capacity is located in the southeastern onshore Greater Burgan field, whose Burgan, Magwa, and Ahmadi structures have production capacity of around 1.6 million bbl/d. Kuwait's other main producing fields include the northern fields of Raudhatain (220,000 bbl/d of production capacity, with higher "surge" capacity) and Sabriya (95,000 bbl/d of production capacity, with plans to raise this to 200,000 bbl/d); the southwestern fields of Minagish and Umm Qudayr (200,000 bbl/d); Abdali, Bahra and Ratqa (50,000 bbl/d) in the north; and Kuwait's share of the Saudi-Kuwaiti Neutral Zone (270,000 bbl/d). Overall, around two-thirds of Kuwaiti oil production comes from the southeast of the country, with about one-fifth from northern Kuwait and about one-tenth from the west.

On January 31, 2002, an explosion and fire at an oil-gathering center near Kuwait's northern Raudhatain 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 (the 280,000-bbl/d GC-15, 120,000-bbl/d GC-23, and 200,000-bbl/d GC-25), an electrical substation, and a natural gas booster station (BS-130). Production at Raudhatain was quickly restored to around 300,000 bbl/d by the end of February 2002, but further repairs were required on GC-15 to restore the rest. The facility reopened in January 2005, with repairs costing around $250 million. SK Corporation of South Korea was awarded a contract in May 2005 for construction of ten additional gathering centers, as well as other associated infrastructure. The $1.2 billion project is scheduled for completion in mid-2007.

Crude Oil Exports



Kuwait exports the majority of its oil (over 60 percent) to Asian countries such as Japan, India, Singapore, South Korea, Taiwan, and Thailand. Other oil exports go to Europe and to the United States, which averaged 250,000 bbl/d of Kuwaiti oil imports during 2004. This compares to the peak of 353,000 bbl/d (4.1 percent of U.S. oil imports) reached in 1993. Kuwait's single export blend ("Kuwait Export") has a specific gravity of 31.4^{o}API (a typical medium Mideast crude), and is considered sour with 2.52 percent sulfur content. Around 90 percent of Kuwaiti crude oil is sold on term contracts, with the price of Kuwaiti crude oil tied to Saudi Arabian Medium (for western customers) and a monthly average of Dubai and Oman crudes (for Asian buyers).

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. 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

Kuwait's current OPEC production quota of 2.207 million bbl/d became effective March 16, 2005. Currently, Kuwait produces about 2.5 million bbl/d of crude oil, with the next OPEC meeting scheduled for June 15, 2005.

Plans to Expand Oil Production
Kuwait continues to plan for significant expansion in its production capacity. Kuwait hopes to reach capacity of 4 million bbl/d by 2020, up from around 2.5 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, although only on "incentivised buy-back contract" (IBBC) arrangements, which do not involve production sharing, concessions, or the "booking" of reserves by foreign companies. Kuwait's constitution -- and longtime policy -- bars foreign investment in the country's natural resources, except as provided for by law. Unlike PSA's, the structure of the IBBC agreements allows the Kuwaiti government to retain full ownership of oil reserves, control over oil production levels, and strategic management of the ventures. 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.

"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, Raudhatain, and Sabriya (Kuwait's third largest field) -- from their current rate of around 650,000 bbl/d to 900,000 bbl/d within three years. Project Kuwait has been repeatedly delayed, however, due to political opposition and resistance from nationalists and Islamists in parliament to the idea of allowing foreign companies into the country's oil sector. Legislation which would facilitate Project Kuwait has been introduced again in the Kuwaiti parliament in early 2005. The bill was approved by the Finance and Economic Committee in June 2005, but with amendments limiting its scope to four of the five fields, excluding Bahra. Final action on the bill by the full parliament is still pending, but is expected by the end of 2005.

In February 2003, KPC completed a draft contract and proposed financial terms for Project Kuwait. There are three major consortia competing for the project, led by: 1) ChevronTexaco (along with Total, PetroCanada, Sibneft and Sinopec); 2) ExxonMobil (along with Shell, ConocoPhillips, and Maersk); and 3) BP (along with Occidental, ONGC/Indian Oil Corp.). Reportedly, KPC prefers to have three groups working under three separate IBBCs: one for Raudhatain and Sabriya (the largest IBBC); one for Ratqa, Bahra and Abdali; and one for Minagish and Umm Gudair. Currently, foreign companies like BP, Shell, and ChevronTexaco operate in Kuwait strictly under service contracts (SCs).

The fields which the Kuwaiti government intends to open to foreign investment are all currently operating fields in northern or western Kuwait, including Raudhatain, Sabriya, Ratqa, Bahra, Minagish, and Umm Gudair. Kuwait's largest field, Burgan, is to remain off-limits to foreign investment under the new plan. Kuwait also reportedly is planning to invest $6 billion in three areas near the Iraqi border -- Abdali, Ratqa, and Raudhatain -- while utilizing enhanced oil recovery (EOR) techniques in order to increase production capacity at Minagish from 150,000 bbl/d to 250,000 bbl/d. One challenge that often comes along with EOR techniques like water injection is an increasing "water cut." KPC has estimated that increasing Kuwait output to 4 million bbl/d will produce 10 million bbl/d of water, which will need to be processed and disposed of.

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.

Neutral Zone
The Neutral Zone (or "Divided 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 600,000 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, which produce 33^{o} API and 28^{o} API gravity oils, respectively.

Onshore, U.S.-based ChevronTexaco and KPC produce heavy, sour oil 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 percent stake in the Kuwaiti portion, with the remaining 60 percent 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 offshore 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 and will continue to act as a technical services contractor in the Neutral Zone.

Foreign Upstream Operations
Kuwait holds equity interests in oil production in several countries through the Kuwait Foreign Petroleum Exploration Company (KUFPEC), established in 1981. 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. During the first nine months of 2003, KUFPEC recorded net profits of $60 million, up from $46 million during the entire year of 2002. According to KUFPEC's website, 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/Shipping
At present, Kuwait's three domestic refineries have a combined capacity of nearly 900,000 bbl/d, although throughput has been less since an accident in 2000 (see below). The country's largest refinery is Mina al-Ahmadi, with capacity of 442,700 bbl/d. Other large refineries include Mina Abdullah (256,500 bbl/d) and al-Shuaiba-1 (190,000 bbl/d). The bulk of Kuwait's refined products are exported, mostly to Asia, and high demand over the last two years has kept Kuwait's refining sector running at close to full capacity.

Kuwait reportedly is planning to spend over $5 billion through 2010 on upgrading its refining sector. One purpose of this upgrading would be to increase capacity to produce ultra-low-sulphur transportation fuels. Another would be to process an increasingly heavy and sour crude oil production slate as new oilfield developments come online. A contract for an upgrade to the Mina al-Ahmadi refinery was signed with Hyundai in May 2005, which will allow it to reconfigure lower-sulfur diesel and gasoline, and reduce the proportion of fuel oil in its product mix. The upgrade project is expected to be completed in 2007 at a cost of $400 million.

Kuwait also is considering construction of a new refinery at Azour, with possible capacity of 450,000-600,000 bbl/d (and at a cost of $2.5 billion), which would begin operation around 2010, replacing the Shuaiba refinery, which is the country's oldest and least technologically advanced. U.S.-based Fluor-Daniel was awarded a contract for the initial design and engineering work in November 2004, and bids for the construction contract are expected to be solicited in early 2006.

Foreign Downstream Operations
Kuwait Petroleum International (KPI) manages KPC's refining and marketing operations in Western Europe. KPC also owns refineries in Rotterdam and Italy. These refineries enable KPI 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 gave KPC an 8 percent of the retail market share in Belgium. KPI began operations in Spain in 1992 and two years later acquired BP's Luxembourg assets. KPI entered the Italian market as well, with a refining joint venture with AGIP at Milazzo, and invested further in Italy's retail stations. Kuwait Petroleum Italia (Kupit) is now the third largest oil distributor in Italy. Besides Italy, KPI and KPC have invested in Belgium, Sweden and Thailand, while discussing possible joint venture refining and marketing arrangements with China, India, Indonesia, Pakistan, Singapore, South Korea, and others. Today, KPI markets approximately 300,000 bbl/d in Western Europe and Thailand through 5,000 retail stations, and operates its own refinery in the Netherlands and Milazzo.

With the growth of downstream markets in Asia, Kuwait has been keenly interested in acquiring downstream assets in large emerging markets such as China and India. To this end, KPC has entered into preliminary strategic alliances with both Shell and BP over the last year, which it hopes will help it secure a foothold in these high-growth markets.

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.

The Equate joint venture, involving PIC and Union Carbide (part of Dow Chemical), 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 (t/y), and a 350,000-t/y 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 percent 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.

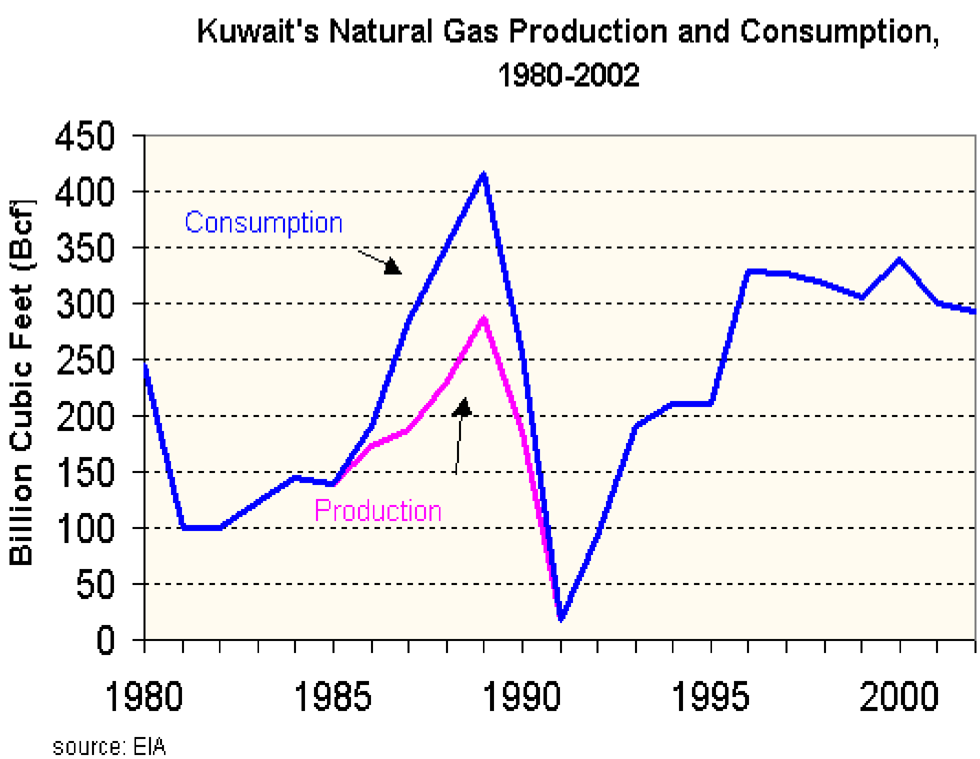
In April 2001, KPIC approved a $1.5 billion plan to construct "Equate II," which would produce olefin (ethylene, polyethylene, ethylene glycol). In May 2003, PIC and Dow Chemical announced that Equate II would be built at Shuaiba and integrated fully with Equate I when it comes online in

2007. Equate II is to have ethylene capacity of 850,000 t/y, ethylene glycol/ethyleneoxide capacity of 600,000 t/y, and polyethylene capacity of 450,000 t/y.

NATURAL GAS

Kuwait produces a relatively modest volume of natural gas (around 293 billion cubic feet -- Bcf -- in 2002), the vast majority of which is "associated gas" (i.e., found and produced in conjunction with oil). Kuwait hopes to significantly increase its use of natural gas, both domestic and imported, especially in electricity generation, water desalination, and petrochemicals. A switch to natural gas would free up a substantial amount of oil -- possibly as much as 100,000 bbl/d -- for export. 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, while reducing natural gas flaring to a minimum.

In July 2000, Kuwait and Qatar signed a memorandum of understanding (MOU) for possible import of Qatari gas from the offshore North Field -- the largest non-associated natural gas field in the world -- into Kuwait. In February 2003, memoranda of understanding were signed for a $2 billion pipeline project from Qatar's port of Ras Laffan to Al-Zour South in southern Kuwait. 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. In addition, Saudi Arabia has expressed opposition to the pipeline, which is to pass through Saudi territorial waters, and has not granted approval as of May 2005.



Besides Qatar, Kuwait is also looking at importing natural gas from Iran, most likely from its huge South Pars gas field, via pipeline. Iran and Kuwait signed a preliminary memorandum of understanding for natural gas sales in March 2005. The gas is to be used for power generation and water desalination. It remains unclear whether Kuwaiti gas demand could support both Iranian, Qatari, and Iraqi export projects simultaneously. In any event, a natural gas deal with Iran is being held up by the need to resolve maritime border issues in the region, specifically on the Dorra offshore gas field (see below).

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, 300 Mmcf/d pipeline to Kuwait's central manifold at Ahmadi. The gas was used in Kuwaiti electric power stations and liquefied petroleum gas (LPG) plants. Currently, Kuwait and Iraq are making plans to restart the pipeline. A memorandum of understanding between the two governments was concluded in December 2004. The first phase of the project is modest, involving only 35 million cubic feet per day (Mmcf/d), which would be transported through the existing pipeline. The second phase would involve an $800 million investment in refurbishment of the pipeline and associated pumping stations, which would allow the volume to increase to 200 Mmcf/d. For the time being, though, the security situation in Iraq has prevented even the first phase of the plan from being implemented.

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 Raudhatain oilfield, reaching geological formations much deeper than the oil deposits, which are believed to be gas rich.

Negotiations are continuing between Kuwait and Iran on the issue of the disputed Dorra offshore natural gas field. The Dorra field has been claimed by Saudi Arabia, Kuwait, and Iran, and may contain up to 11 trillion cubic feet (Tcf) of recoverable natural gas reserves. In July 2000, Saudi Arabia and Kuwait agreed on an equal sharing of the gas resources between the two countries. In 2000, Iran began drilling Dorra unilaterally, but stopped after protests from Kuwait and Saudi Arabia.

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 9.4 gigawatts (GW). Kuwait's per capita electricity consumption is amongst the highest in the world, with heavy use of air conditioning, reliance on desalination for water, and highly subsidized electricity prices. Overall, Kuwaiti power demand has been growing rapidly in recent years, and is expected to continue increasing at a 7-9 percent 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.

In March 2005, Siemens completed construction of the Al-Zour South power plant, which has a total generating capacity of 1,000 MW. Bids have been solicited for the 2,500-MW Al-Zour North power project, which involves five 500-MW steam turbine generating units and 75 million gallons-per-day of desalination capacity, with seven firms prequalified. The contract for construction of the plant is expected to be awarded in late 2005, with the first generating unit commissioned in 2008 and reaching full capacity by the end of 2009. The next project planned following Al-Zour North is Al-Zour South II, which will also involve 1,000 MW of generating capacity.

Currently, Kuwaitis pay among the lowest prices for power in the world, and the MEW has urged them to use power more judiciously to reduce waste. 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.

In July 2003, the Water and Electricity Ministry was merged, along with the Oil Ministry, into a new Energy Ministry. The new Ministry is in charge of power and water provision, management and operation of power plants, and general policy for the Kuwaiti energy sector.

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

COUNTRY OVERVIEW
Head of State: Sheikh Jaber al-Ahmad al-Jaber al-Sabah
Crown Prince: Sheikh Saad Al-Abdallah Al-Sabah
Prime Minister: Sheikh Sabah al-Ahmad al-Jaber al-Sabah
Independence: June 19, 1961 (from United Kingdom)
Population (7/04E): 2.3 million (includes 1.3 million non-nationals)
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%)

ECONOMIC OVERVIEW
Currency: Kuwaiti Dinar (KD)
Market Exchange Rate (5/25/05): US$1 = 0.2948 KD
Nominal Gross Domestic Product (GDP; using market exchange rates) (2004E): $51.2 billion
Real GDP Growth Rate (2004E): 5.7% **(2005F):** 5.8%
Inflation Rate (Consumer Price Index) (2004E): 2.1% **(2005F):** 2.3%
Current Account Balance (2004E): $12.8 billion **(2005F):** $14.8 billion
Major Trading Partners: United States, Japan, Europe, Singapore
Merchandise Exports (2004E): $28.4 billion
Merchandise Imports (2004E): $12.0 billion
Merchandise Trade Balance (2004E): $16.4 billion
Major Export Products: Petroleum (95% of total export revenues)
Major Import Products: Industrial goods, consumer goods, machinery, transport equipment, food

ENERGY OVERVIEW
Energy Minister: Sheikh Ahmad Fahd al-Sabah
Proven Oil Reserves (1/1/05E): 99.0 billion barrels (plus an additional 2.5 billion barrels in the Neutral Zone)
OPEC Crude Oil Production Quota (effective March 16, 2005): 2.207 million bbl/d
Crude Oil Production Capacity (2005E): 2.5 million bbl/d (includes half of Neutral Zone)
Oil Production (Jan.-May 2005E): 2.6 million bbl/d (includes half of Neutral Zone); of which 2.5 million bbl/d was crude oil
Oil Consumption (2005E): 293,000 bbl/d
Net Oil Exports (Jan.-May 2005E): 2.3 million bbl/d
Crude Oil Refining Capacity (1/1/05E): 889,200 bbl/d
Major Crude Oil Customers: Asia (around 60%); United States; Europe
Natural Gas Reserves (1/1/05E): 55.5 trillion cubic feet (Tcf) (includes 0.5 Tcf in Neutral Zone)
Natural Gas Production/Consumption (2002E): 293 billion cubic feet (Bcf)
Electric Generation Capacity (2002E): 9.4 gigawatts
Net Electricity Generation (2002E): 32.4 billion kilowatt hours (all thermal)

ENVIRONMENTAL OVERVIEW

Total Energy Consumption (2002E): 0.95 quadrillion Btu* (0.2% of world total energy consumption)
Energy-Related Carbon Dioxide Emissions (2002E): 62.2 million metric tons (0.2% of world total carbon dioxide emissions)
Per Capita Energy Consumption (2002E): 390.4 million Btu (vs U.S. value of 339.1 million Btu)

Per Capita Carbon Dioxide Emissions (2002E): 25.4 metric tons (vs U.S. value of 20.0 metric tons)
Energy Intensity (2002E): 30,881 Btu/ $1995** (vs U.S. value of 10,618 Btu/ $1995)**
Carbon Dioxide Intensity (2002E): 2.01 metric tons of carbon dioxide/thousand $1995** (vs U.S. value of 0.63 metric tons/thousand $1995)**
Fuel Share of Energy Consumption (2002E): Oil (67.8%), Natural Gas (32.2%)
Fuel Share of Carbon Dioxide Emissions (2002E): Oil (72.8%), Natural Gas (27.2%)
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 figures from OECD estimates based on purchasing power parity (PPP) exchange rates.

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, 2005E): 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:
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Links to other U.S. Government sites:
CIA World Factbook - Kuwait
U.S. Department of Energy's Office of Fossil Energy - Kuwait
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