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Abu Dhabi hires ex-HSBC banker to head new oil trading unit

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Abu Dhabi National Oil Co. hired Philippe Khoury, formerly an energy banker at HSBC Holdings, to head up its new unit for trading crude oil and refined products.

Khoury was one of the HSBC executives working on the potential initial public offering of Saudi Aramco.

Prior to joining the bank, he also worked for the French oil major Total SA in Russia, Africa and ran its trading business in the Americas, Khoury said in dinner remarks at a conference in Abu Dhabi on Monday.

State-owned Adnoc is bolstering its capacity to buy and sell crude and fuels as it expands oil-production and refining capacity and looks to buy crude-processing plants abroad, according to a statement on Monday.

“As Adnoc grows and expands its upstream and downstream businesses,” Adnoc Chief Executive Officer Sultan Al Jaber said in the statement, trading “will play an even more critical role.” The new unit will help to “maximise value from our domestic and, over time, international downstream operations.”

Middle Eastern energy producers from Oman to Saudi Arabia and Iraq are expanding trading of both products and crude to claw back some of the profit traders like Vitol Group and Glencore Plc earn by buying and selling the region’s oil.

Maximise profit

Adnoc has so far sold most of its refined products and crude on “free-on-board” basis, which means the buyer takes delivery at a port within the emirate, Khoury said. The company is setting up the trading unit to maximise profit and “gradually reclaim ownership” of those sales, while also preparing for an expansion of refining and marketing capacity at home and abroad, he said.

National oil companies in the world’s biggest crude-producing region prospered for decades by supplying the raw commodity to refiners and independent traders. Now they want to expand their refining and petrochemicals businesses to add value to their main export.

By trading their oil and refined products, these companies hope to squeeze more money from each barrel they produce.

The regional trend toward trading began with Oman, the biggest Arab oil producer that’s not a member of the Organization of Petroleum Exporting Countries. Oman formed a trading company with Vitol in 2006, then bought out its partner in 2015.

Saudi Arabia’s state oil giant, known as Aramco, started a trading unit in 2012 and currently handles between 3.3 million to 3.6 million barrels of products and crude a day, Aramco Trading CEO Ibrahim Al-Buainain said in an interview in Abu Dhabi. The unit intends to increase that to 6 million barrels a day by 2020 as the kingdom opens new refineries

in Malaysia and Saudi Arabia, he said at the Middle East Petroleum and Gas Conference.

Saudi Aramco, the world's biggest oil exporter, plans to trade as much as 6 million barrels a day, a jump in oil-trading volume that would put it in the top tier of companies that buy and sell crude and refined products.

The trading arm of the state-run giant known officially as Saudi Arabian Oil Co. currently handles between 3.3 million and 3.6 million barrels a day, Ibrahim Al-Buainain, the unit's chief executive officer, said in an interview in Abu Dhabi. Aramco Trading, as the business is known, targets 5.5 million to 6 million barrels a day by 2020 as its parent opens new refineries in Malaysia and Saudi Arabia, he said.

Saudi Arabia is counting on Aramco to anchor an economic transformation that the kingdom's Crown Prince is promoting to create industries and jobs. The government plans to sell shares in Saudi Aramco as early as this year in what could be the largest initial public offering. While Aramco is extremely profitable, the government has yet to choose an international exchange on which to sell the shares and could push the IPO into 2019.

If it reaches its target, Aramco Trading would rival Vitol Group, the world's largest independent trader, which trades about 7 million barrels a day of crude and products. Royal Dutch Shell Plc buys and sells about 12 million barrels a day, and BP Plc deals in about 8 million. Shell and BP, like Aramco, are integrated oil companies engaged in production, refining and trading.

Middle Eastern oil producers are adding refining capacity through joint ventures and will need to find new buyers for their larger product volumes, according to Chris Bake, Vitol's head of origination. Bake and Al-Buainain both spoke on Monday at the Middle East Petroleum and Gas Conference in Abu Dhabi.

Aramco Trading dealt only in refined products when it started operating in 2012. Last year it began buying and selling third-party crude — oil pumped by other producers — to supply its overseas refineries. Aramco Trading also sells Saudi crude to refineries that lack long-term supply contracts with its parent company, in return for products from those same facilities. Crude-trading volumes are still small, Al-Buainain said.