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Aramco to Lift Oil-Trading Volume to 6 Million Barrels a Day

- Targeted volume would get Aramco close to Vitol's trade level
- Global refinery expansion boosts state firm's need for trading

Saudi Aramco, the world's biggest oil exporter, plans to trade as much as 6 million barrels a day, a jump in 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.

Boosting 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.

Expanding into additional refinery ventures globally will help Aramco Trading boost volumes even beyond the 6 million barrel-a-day target once those plants come online after 2020, Al-Buainain said. Saudi Aramco is discussing oil-processing projects with partners in India, Indonesia and China.

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.

Adnoc Trading

Neighboring Abu Dhabi is also joining the trading industry as the largest sheikhdom in the United Arab Emirates prepares to sell more fuel from increased domestic and overseas refining capacity. Abu Dhabi National Oil Co. hired Philippe Khoury, formerly an energy banker at HSBC Holdings Plc and trader at Total SA, to head a new unit to buy and sell crude oil and refined products.

Adnoc has so far sold most of its refined products and crude on a “free-on-board” basis, which means the buyer takes delivery at a port within the emirate, Khoury said in a dinner speech Monday at the conference in Abu Dhabi. The company is setting up the trading unit to maximize profit and “gradually reclaim ownership” of those sales, he said.

Adnoc is seeking a strategic partner to take a stake in its domestic oil-refining business, Abdulla Salem Al Dhaheri, the company’s director of marketing, sales and trading, said at the same conference Monday. Adnoc’s international unit is already looking at 10 potential opportunities to buy or build refineries in India and Asia to secure a home for the country’s future production, he said.

— With assistance by Javier Blas, Andy Hoffman, and Mahmoud Habboush