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### Abu Dhabi Banks on Booming Petchems Demand

**A**bu Dhabi's various state-owned oil and gas companies are all singing from the same sheet when it comes to the future of oil and gas.

They are banking on petrochemicals as the key growth market and plan on investing accordingly. This is a tune that resonates elsewhere in the Gulf, with Saudi Arabia, Kuwait and Qatar also all betting on petrochemicals.

The only dissenter is Bahrain which is adamantly relying on continued strong demand for transportation fuels. It plans to benefit from the looming IMO regulations which will ban high sulfur shipping fuel from 2020. Bapco's Dawood Nassif told MPGC this week that he expects diesel to emerge as the key maritime bunkering fuel and that its downstream focus therefore remains firmly on middle distillates diesel and kerosene.

#### PETCHEMS DRIVING DEMAND

Adnoc's marketing director Abdullah al-Dhaheri clearly spelled out the company's viewpoint at this week's MPGC conference in Abu Dhabi. "Looking out over the next two decades, we anticipate the sharpest growth within the energy sector will be in petrochemicals, with demand expected to grow 150% by 2040." This was echoed by Adnoc's downstream strategy chief Rizwan Sheikh: "we see petchems as being the real driver [of demand] rather than transport fuel."

This expectation is in line with the IEA's recent 'Oil 2018' 5-year outlook. "Growth in oil products demand for petrochemical use is the fastest in our forecast" the organization says. Mr Dhaheri says "we are pivoting our business to take full advantage of the demand for higher value petrochemical and refined products. Particularly in high growth economies." High-growth economies means Asia, which currently takes more than 90% of UAE crude exports.

#### OPEN FOR BUSINESS

Adnoc currently has 4.3mn t/y petrochemicals capacity through its Borouge joint venture (60:40) with Borealis, itself largely owned by Abu Dhabi (Mubadala 64%, OMV 36%). It plans to more than triple this to 14.4mn t/y by 2025 and is holding its Downstream Investment Forum on 13-14 May to secure investment.

"We are actively seeking likeminded value adding partners with whom we can work to deliver mutual benefits to our organizations... Adnoc is open for business" says Mr Dhaheri. Adnoc will be looking both to existing partners and newcomers for the expansion project.

The new facilities will be located at the Ruwais hub in western Abu Dhabi. This is the existing site of Borouge's three facilities as well as the 420,000 b/d Ruwais refinery and 417,000 b/d Ruwais West refinery. It is also where new refining units will be installed under Adnoc's plan to boost capacity 60% to 1.44mn b/d by 2025 (MEES, 1 December 2017). Mr Sheikh highlights

the centrality of Adnoc's downstream facilities at Ruwais as a major strategic advantage.

The official also flagged up Adnoc's wealth of feedstock available for an expanded petrochemicals sector. The UAE regularly exports in excess of 400,000 b/d of NGLs - including ethane and propane - although this fell below 300,000 b/d in Q4 thanks to low December numbers. It also exports around 200,000 b/d Naphtha (see chart).

Adnoc's refinery expansion plans will also boost the volumes of naphtha feedstock available for petrochemical plants. Access to cut-price feedstock will be the key competitive advantage for Adnoc's petrochemicals ventures.

#### OVERSEAS EXPANSION

Like its neighbors, Abu Dhabi isn't limiting its downstream expansion to its own territory. Saudi Arabia recently signed preliminary agreements for the 3.3mn t/y Rapid facility in Malaysia and the 18mn t/y Ratnagiri plant in India (MEES, 13 April). Kuwait too is advancing its overseas petrochemicals agenda with projects in Alberta, Canada, and Freeport, USA (MEES, 8 December 2017).

Adnoc International was set up with \$1bn (MEES, 8 January 2016) and its primary focus will be on the downstream. Mr Dhaheri says it will be used as a vehicle to penetrate markets to secure access for Emirati supplies and that it has already identified ten potential opportunities. The current focus is on Asia, with India a cited possibility, and it is examining both acquisitions and greenfield opportunities.

Will this include petrochemical projects or just refineries? That's unclear, but Adnoc International is not Abu Dhabi's only state firm with international downstream aspirations. Investment vehicle Mubadala has a range of petrochemical plants. Alongside its involvement in Borouge, Mubadala has around 3.5mn t/y capacity through its wholly-owned subsidiary Cepsa.

When asked whether there would be any collaboration between Cepsa and Adnoc International, Mr Dhaheri responded that there is "already something in mind."

Certainly Mubadala's priority lies towards boosting its petrochemicals capabilities. The CEO of the group's petroleum and petrochemicals platform Musabbeh Al Kaabi described petrochemicals as "an enabler for the new industrial revolution" in January (MEES, 20 April).

#### ADNOC TRANSFORMATION CONTINUES

As Adnoc eyes this transformation from an upstream-dominated firm to an integrated company, Mr Dhaheri says "our marketing sales and trading function will play an even more critical role."

On 23 April Adnoc therefore announced the creation of "a new trading unit within its Marketing, Sales and Trading Directo-

UAE KEY PRODUCTS EXPORTS: PLENTY OF NGL, NAPHTHA FEEDSTOCK FOR PETCHEMS EXPANSION ('000 B/D)



rate to maximize value from its output.

The move is the latest element of the transformation of Adnoc undertaken by the firm's CEO Sultan al-Jaber since his appointment in February 2016 (MEES, 19 February 2016).

Adnoc also announced the reshuffling of senior personnel at key subsidiaries. Yasir al-Mazrouei was appointed CEO of Adnoc Onshore, while his previous position as CEO of Adnoc Offshore was taken by Ahmad al-Suwaidi. Meanwhile, Mr Suwaidi's former position as CEO of Adnoc Sour Gas was taken on an acting basis by Omar al-Nasser.

Fatima al-Nusami was appointed acting CEO of Adnoc LNG, having previously served as a senior vice president at Borouge. Finally, Tayba al-Hashemi was appointed acting CEO of Al Yasat Petroleum, a 60:40 JV between Adnoc and China's CNPC. Al Yasat started producing crude in March, with first oil from its offshore Bu Haseer field.

However, despite these positive developments, the wait for the start-up of Abu Dhabi's new Umm Lulu crude grade goes on. Slated for Q1 startup, Mr Dhaheri could merely offer to MEES that it would be "coming soon." ♦♦

#### NEW ADNOC TRADING UNIT

Adnoc is establishing a "non-speculative" trading unit to handle sales of products from its expanding downstream operations as well as crude oil. Adnoc CEO Sultan Ahmed al-Jaber says it "will allow us to maximize value from our domestic and, over time, international downstream operations."

Adnoc plans to hike refining capacity by 60% to 1.44mn b/d by 2025, while in petrochemicals the aim is to more than triple capacity to 14.4mn tons/year by 2025 (MEES, 1 December 2017). "We aim to capture more value further along the value chain," says Mr Jaber. "Our goal is to become a major global downstream player." Adnoc marketing director Abdullah al-Dhaheri says that petrochemicals demand is "expected to grow 150% by 2040" (see above).