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SAUDI ARABIA, UAE PUSH REGIONAL GAS PLANS

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Mideast Gulf states Saudi Arabia and the United Arab Emirates are looking to boost domestic gas supplies to meet local demand, reform subsidized prices, and develop a regional gas grid, officials said Monday.

Driven by rising requirements from the power sector and industries such as petrochemicals, Mideast countries have seen gas demand soar over the past 1015 years, prompting some of them including Bahrain, Kuwait and the UAE to start importing the resource in liquefied form via onshore or floating terminals.

Saudi Arabia, the world's top oil exporter, hasn't begun importing gas but also hasn't ruled out doing so in the future. Both Saudi Arabia and the UAE are investing heavily in boosting domestic gas production capacity, including by developing previously untapped resources such as unconventional gas.

In Saudi Arabia, the government has said it will spend as much as \$160 billion on raising overall gas output to 23 billion cubic feet per day (237 billion cubic meters per year) including 3 Bcf/d from unconvensionals by 2030 from 15.5 Bcf/d today, while seeking to expand globally. In the neighboring UAE, which presently receives up to 2 Bcf/d of gas via pipeline from Qatar and has an LNG import unit in Dubai, Abu Dhabi is looking to become self sufficient in gas by 2030 and potentially even a net gas exporter while also sustaining LNG production until 2040.

"There is a second wave of gas developments in the kingdom, which has emerged with the great work that Aramco has been doing over the past couple of years by developing our own unconventional resources, mainly shale gas," Saudi Energy Minister Khalid al-Falih said at the Gulf Intelligence Saudi Arabia Energy Forum in Riyadh. Going forward, the kingdom aims to replace some 600,000-800,000barrels per day of liquid fuels still being burnt to generate power with gas in coming years.

"Anything in excess will be exported by 2025-26," said al-Falih, adding that a fresh look at the country's resources had raised the prospects of exports. "The change is that the resource base has changed for us we have always looked at conventional as the limit for us."

The plans are driven at least in part by political considerations. Talks on importing Qatari gas were under way before Saudi Arabia, the UAE and Bahrain began to boycott their gas rich neighbor in 2017 over its alleged support for terrorist groups and relatively warm relations with Iran. Without the prospect of Qatari gas, Aramco has additional incentive to develop its domestic resources and invest internationally.

At the same time, the kingdom is mulling the possibility of piping gas to neighboring countries, many of which are or will be short of gas, a move that would also increase Saudi influence in the region.

"There are already discussions with our brothers in the GCC [Gulf Cooperation Council] about interconnection through pipelines, all the way from Oman to Kuwait through to Iraq," al-Falih said, adding that the gas would be traded via pipelines. No capital has been allocated, but technical studies are under way, he said.

UAE Energy Minister Suhail alMazrouei, at the 27th Middle East Petroleum and Gas Conference in Dubai, said the pipeline plans previously proposed by al-Falih were presently being followed up on. "There is a potential for linking [countries] if the gas price is right. The issue in the Middle East was the local price of gas was not incentivizing the IOCs [international oil companies] to develop it, and not incentivizing the NOCs [national oil companies] to look at it," he said.

However, with price reforms for some fuels such as gasoline already implemented and others, including gas, to follow, this is expected to change. "With the reforms that we have made ... we are looking to increase the local gas price. I am not only talking about the UAE Oman, Saudi Arabia, Kuwait, every country that has gas is looking to increase the price of gas through reforms," al-Mazrouei said.

"I think we are looking at around \$5 [per million Btu] local price for gas. That's almost double what you have in the US," he said, adding that this would support the development of more domestic gas resources.

An industry source told Energy Intelligence that, as part of the UAE's overhauled gas sector strategy, it was looking to create a unified gas price that would be capped at 25% below the cost of importing LNG to the country.