

Transformation in Bahrain

Interview with HE Sheikh Mohamed bin Khalifa bin Ahmed Al Khalifa
Minister of Oil, Kingdom of Bahrain



How important is the WPC Downstream Conference?

The WPC with its long history is very important and we were extremely supportive when they proposed this new concept for a Downstream Conference. It was their idea to come up with this concept and we were extremely supportive. Petrochemicals are a big part of refining. Today nobody thinks of building a refinery without the full configuration of a petrochemical plant to it, as these are the economics of today. Good refineries make money most of the time but if you are fully integrated you will make money all of the time and that is why petrochemicals are essential. Both we and the WPC see this as the path from where growth is going to come from in the future. You will know that Saudi Aramco and SABIC are collaborating on a fuels-to-chemicals process, which is an extremely ambitious project. We hope that we can build our own petrochemical industry here in Bahrain, and in this regard have designed the aromatics plant as part of the future expansion of BAPCO, which is very timely.

What is the progress in developing the Khalij Al Bahrain basin?

We have a discovery well from which we have flowed oil. We have been doing some seismic shooting and we have completed a number of core analyses. Currently, we are beginning to flow a test well and we will keep that on a long production timeline to study the characteristics of the resource. That will take a few months and in the meantime we are in contact with interested parties to keep them informed of developments. We are building a virtual database to eventually make data accessible in the hope that we can make it attractive for companies to invest.

LNG Offshore Terminal



Houston is the centre of the oil world and we look to it for new technologies. This is why we have been looking at resources previously thought to be out of reach. We have a lot to be grateful for from our friends across the ocean in Houston. In particular fracking has come a long way and made some difficult to reach resources affordable to exploit and made work possible on some tight oil and gas, but it is still early days. We are working on a number of appraisal wells and that is looking promising, so expectations are high and hopefully we will have some results soon.

And the state of the LNG facility?

The LNG import facility is about to be commissioned. We have the commissioning cargo ready and about to be mobilised to start the test protocols in the next few weeks. By the end of the year it should be fully commissioned and on standby for whenever we are in need of imports. For the time being we do not have any need for the import of LNG, it is now purely for security of supply. It is an important asset and there are many things that we can do with it in the future. I am talking to our GCC neighbours for the extension of a gas grid similar to what we have done on the electricity side, plus a more robust network to connect them.

When will Eni begin drilling?

Eni signed a concession earlier this year. They have a prospect which they identified before getting the concession. They are mobilising a rig so it should be in position by the end of this year or the beginning of next year - it all depends on logistics.

Bapco Modernisation Programme





Are there likely to be further block signatures?

We have just finalised a seismic shoot of the other blocks. Those will need a couple of months of processing and we will probably make them available as the data comes through and decide when would be the best time to go to the market with the other remaining blocks.

How confident are you for the Bahraini economy in the medium term?

We are very optimistic as we have several mega projects being completed or under construction. One of the biggest is the mega refinery extension which is extremely timely. We will have state of the art equipment and up to spec refined product by 2021-22 when we should see the refinery fully operational. We have also designed a petrochemical plant as part of the future expansion. We have many things happening now in the upstream and in the downstream. We had the pipeline with Saudi Arabia completed, then we commissioned the Banagas gas plant. We have the LNG terminal and to top it all out, the refinery is now in its second year of construction. We have in total US\$8 billion invested in projects in the mid and the downstream sector. The focus currently is on the upstream. We are trying to unlock oil resources, whether tight or using enhanced oil recovery. We are also trying to expand our gas reserves. We are working on what we used to call the deep gas. So I think that we are in a better position to understand how many resources there are and we have brought down the cost of extraction considerably, all thanks to the development of technologies via the shale revolution.

How does oil and gas fit into Bahrain's economic diversification?

The economy is already relatively well diversified; the oil sector is now not more than 20 per cent. But the government revenues are not, so there is a diversification drive for that. As you know VAT was recently introduced in the GCC countries and that has a direct impact on increasing the non-oil government revenues, so diversification of government revenues is the bigger challenge.

Technologies such as Fintech are important in Bahrain, but you now have artificial intelligence moving into the oil industry as well. Refineries and petrochemical plants have what is called predictive maintenance which prolongs the life of the facility and delays the time between maintenance and ultimately adds up the profitability of these assets. So the technology is not just in the finance, it is also coming into the oil and gas industry in a big way. It is adding availability and it



LNG vessel "Bahrain Spirit"



Banagas CGP III

is increasing profitability and hopefully we will see it applied in all new projects as we seek to install the latest technology.

What is the main challenge of the future?

The challenge being faced by oil companies today is price volatility and calculating the right level of investment. The break-even cost of incremental oil globally today is debatable, but we have seen more than a trillion dollars in investment wiped-out since the crash of oil prices in 2015. I think it is important to really highlight how much investment we may be missing to make sure that there is no supply challenge to meet the demand in the future. Demand is still increasing and while the extent of growth demand is open to question, nobody is talking about demand destruction. On the contrary the world needs more oil which is still the main energy source. ●