

Developing on all fronts

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has a bachelor degree in geology from Le High University and a masters from Stanford University in the U.S. He joined Aramco in 1947, became a board director in 1980 and was appointed president in 1983. He assumed his current position as minister of petroleum and mineral resources in 1995.

The Kingdom of Saudi Arabia is endowed with considerable natural resources. What do you seek to achieve through the use of these resources?

As you are aware the Kingdom owns massive reserves of oil, natural gas, and mining ores such as bauxite, phosphate and others. Our petroleum reserves amount to about 264 billion barrels, or one quarter of the world's proven reserves. Furthermore, all indications highlight the possibility of increasing these reserves by almost 200 billion barrels. In other words, the Kingdom will continue to be the largest and the most important oil producer and exporter during the 21st century, just as it has been over the past half-century.

As for gas, the Kingdom boasts reserves amounting to 250 trillion cubic feet, the fourth-largest in the world. However, the exploration activities undertaken by Saudi Aramco and the international companies operating in the Rub' al-Khali area hold out tremendous promise of the discovery of additional gas volumes which will increase both the Kingdom's reserves and its production. Over the next ten years, we will be attempting to bring in a minimum of 100 trillion standard cubic feet of non-associated gas.

Besides the Kingdom's ambitious plans to increase its oil and gas reserve volumes, we are also working to minimise dependence on exporting raw materials. This initiative is coupled with the effort to sustain the Saudi economy's growth rate at a level similar to or higher than the global economic growth rate, in order to keep pace with population growth and the future expectations and aspirations of our society.

This entrusts government organisations with a great responsibility to maintain the favourable conditions of life for the Saudi citizen and maintain and consolidate the Kingdom's position in the global economy, not only as a raw material-exporting country, but also as a state with a multifaceted economy. Of course, it must assume this position in the context of a global economy which is characterised by constant changes and cut-throat competition, and we must recognise that it will be difficult for anyone who falls behind the march to catch up with the leaders of the pack.

Given this context, what are the key objectives of your international and domestic petroleum policy?

In both its international and domestic aspects, Saudi petroleum policy aspires to attain two key objectives.

The first is worldwide, as in our effort to stabilise the global oil market, and the second is local, as in diversification of income sources, the avoidance of relying on a single commodity, and establishing grassroots industries and economic activities that are associated with the energy sector, but are at the same time semi-independent of it.

On the international front, the Kingdom of Saudi Arabia was able, working in concert with other producing countries both inside and outside OPEC, to achieve market stabilisation over the past seven years, despite the many massive jolts which occurred on both the supply and demand sides of the ledger. This stability has realised a fair income level for oil producers and maintained the status of oil as a base source of energy in the face of higher global economic growth, especially in the economies of developing countries.

We must highlight the fact that strong oil prices have encouraged producers to notch up production to meet global growth in demand, to make up for any supply deficit or interruptions from producers as a result of political strife or natural disasters, and to avoid shortages stemming from reduced natural production from other suppliers. The present supply-demand equilibrium and relative price stability are expected to continue well into the next decade, contributing to meeting growing global demand as well as the availability of spare production capacity.

What about the domestic side?

On the domestic front, Saudi petroleum policy focuses on the conservation of national resources, the maximisation of their value, and the exploitation of our relative advantage accruing from the availability of massive oil and gas volumes at low production costs, as well as our proven ability to deliver them to domestic consumers and industries. In other words, the Kingdom's entire gas production and about 15 per cent of its oil production will be directed to the domestic market in order to meet the Kingdom's needs for energy, water desalination and the various downstream industries.

What are the key components of the Kingdom's domestic petrochemical industry expansion?

This sector was born in the late 1970s, with the establishment of the Master Gas System, the Royal Commission for Jubail and Yanbu', and the Saudi ►

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◀ Basic Industries Corporation, or SABIC. The nation's first petrochemical facility was inaugurated in 1983, and since then the Kingdom's petrochemical industry has grown year after year, particularly over the past decade.

The Kingdom's petrochemical production grew from two million tons when established and about five million tons in 1985, to close to 60 million tons today. This is ample testimony that the Kingdom has achieved impressive growth in this industry over the past thirty years, making it one of the biggest ten petrochemical producers in the world with a share of about 8 per cent of total global production.

Will this expansion continue into the foreseeable future?

This expansion will continue over the coming years in terms of both quality and quantity. In fact, the Kingdom's production in 2015 is expected to hit the 100 million ton mark, at an annual growth rate of about 12 per cent per annum. This will make the Kingdom the third-largest petrochemical producer in the world. Similarly, investments in petrochemical projects in the early eighties did not exceed half a billion dollars, but culminated at \$20 billion in the year 2000. We can safely say that the increase in investments between 2005 and 2015 will total some \$70 billion.

As regards variety, the Kingdom used to produce a limited number of primary petrochemical substances, but now we account for some 40 different products. Our plans envisage bringing the number of new petrochemicals produced during the next five years to 120 products. This has special significance; it will expand the scope for investment in downstream and finished petrochemical industries in the Kingdom.

Do you intend to extend production into middle and finished petrochemicals?

Our efforts will certainly move into the production of middle and finished petrochemicals based on primary petrochemicals. In this respect, the Kingdom of Saudi Arabia has initiated an ambitious program: the National Program for the development of Industrial Clusters.

This initiative will power the Kingdom's entry into a new phase in industrial investment, characterised by greater distribution of economic activities undertaken in co-operation with the domestic and foreign private sectors; the realisation of more economic diversity through the utilisation of the natural resources and basic materials; and the development of major sustainable industrial sectors that will export their products to regional and international markets, with priority given to the sectors which will provide the greatest numbers of well-paying jobs to Saudi citizens.

These industrial clusters will include auto manufacturing, construction and building materials, manufacturing of home appliances, mining processes, and flexible packaging materials. These clusters will provide ample employment opportunities for our people, support our infrastructure systems, and create an appropriate environment for industrial investments. These steps will, in turn, attract foreign capital, technology and human resources, and encourage co-operation and co-ordination between the relevant government agencies, academia, the private sector, research centres, and other major players.

How is the mining sector developing?

We will be further developing the mining sector and linking it with the energy sector. Over the past several years, the mining sector has been overhauled with the establishment of Ma'aden, which is specialised in mining investments; and the establishment of the Saudi Geological Survey, which is concerned with prospecting for minerals and developing the Kingdom's geological map. Furthermore, a new mining code was issued for the purpose of encouraging domestic and international investment in this important sector.

All these developments have contributed to the establishment of mega mining projects. Recently, an agreement was signed for the construction of a 1,400 km-long railway for the transportation of raw bauxite and phosphate from north and central Arabia to the grassroots mining city located in Rasa az-Zawar on the Arabian Gulf. This city's production is expected to go on stream in the year 2010 with a complex for phosphate treatment and conversion into ammonia diphosphate fertilizer, an aluminium industries complex, in addition to support industries and services. The ultimate cost of these projects will total some US\$13 billion including the railway, and upon their completion the Kingdom will be one of the world's most important producers of phosphate fertilizers.

What are the plans for the energy support sector?

The indigenisation of the energy-support sector played an important role during the initial decades of the Saudi petroleum industry, and contributed significantly to the development and growth of the Saudi private sector. This sector encompassed several major Saudi companies and coincided with the beginnings of many well-known Saudi businessmen. Its importance stemmed from the number and variety of the opportunities it extended to national and international investors, which included fields as varied as engineering, construction, all kinds of seismic survey, well drilling, training, transportation, material supply, and other sectors.

Since we are passing through a phase of monumental growth in the petroleum and energy sector in the ►

The Kingdom's economic growth is expected to grow at a rate higher than the average global economic growth rate

◀ Kingdom of Saudi Arabia, the Ministry of Petroleum and Mineral Resources for the purpose of local development of this sector, 'Taqah' (meaning Energy) Company with the participation of private sector equity. Its current operations include seismic survey operations; and drilling. However, the company has started a large project for manufacturing seamless pipes. Another project involving the construction of marine platforms, the first of its kind in the region; and a third project for manufacturing automated control rooms for the production process.

The formation of this company is an extension of the policy embraced by the Saudi petroleum industry over the past 50 years to promote and increase business opportunities for the Saudi private sector in the field of support petroleum industries and services. Besides the formation of this company and encouraging the formation of similar companies, the plan for indigenisation of this sector rests on two key pillars, namely the endeavour to increase local content in the petroleum industry up to a minimum of 30 per cent, and the imposition of a reasonable, steadily escalating percentage of 'Saudization' on the Saudi private sector associated with the petroleum sector.

I believe that the petroleum services sector will make substantial contributions to the support of the domestic economy over the coming years.

There is a global shortage of skilled human resources in the sector. Is this a challenge in the Kingdom?

We are focusing on the efficacy of the national pool of human capital. The international petroleum industry does have to contend with a severe shortage in suitable human efficiencies and skills. However, we in the Saudi petroleum industry have not encountered this problem, owing to the fact that we embraced a long-range vision based on ongoing employment, qualification and training of Saudi nationals in various energy sectors.

In the oil and gas sector, for example, we attract annually the crème-de-la-crème of high school graduates and sponsor them at the best schools in the Kingdom and worldwide to study the specialisations required by the Saudi oil industry. They are accorded the opportunity, once they demonstrate their efficiency and acquire the appropriate skills and training, for promotions along their career ladder in both technological and administrative fields.

The sector depends on research and technology development. What is your strategy in this area?

We are sharpening our focus on the development of new technology and exciting research programs. The oil and gas industry is heavily reliant on technology, whether in terms of exploration, production, refining or

distribution. This also applies to the industries associated with oil and gas, such as the petrochemical business.

Technology and scientific breakthroughs have contributed – and continue to contribute – to the discovery of more proven oil reserves and facilitate the management of oil reservoirs, resulting in a reduction of our ultimate production costs. When it comes to petrochemical industries, technology contributes to the creation of new substances or otherwise furthers the development of certain products with lower costs and higher efficiency. Perhaps this is one of the most important fields leading to commercial success and the global competitiveness of this industry.

Is technology development a priority throughout the industry?

Considering the vital importance of modern technology today, the Kingdom seeks to exploit it in all aspects of the petroleum industry. As a result, we have managed to employ the best and most sophisticated technologies in oil reservoir management. Saudi Aramco has also developed a specialised research and development centre in Dahrán, which provides the right environment for its scientists and researchers to further enrich its stellar record in the area of innovation. Their inventions contribute to the reduction of the overall cost of production and operations, increasing the Saudi oil industry's profitability and consolidating Saudi Aramco's global leadership position.

In the area of petrochemicals, SABIC maintains research and development centres in the US, Europe, the United Kingdom and India, which enabled it to develop new petrochemicals. Also, other Saudi petrochemical companies are working hard to establish similar research centres.

How do you see the future of the Saudi economy?

The future of the Saudi economy is, indeed, bright and promising. The Kingdom's economic growth is expected to grow at a rate higher than the average global economic growth rate. In terms of supply and demand and price levels, the international oil market will remain stable for many years to come. The nation's economic reforms will be sustained with the same momentum and level of commitment, and will be further consolidated.

We in the oil, gas and mining sectors will continue to focus on the domestic market in terms of attracting foreign investment; the creation of mega, medium and small projects; encouragement of production efficiency; enhancing the spirit of competition; and focusing on national competencies, particularly those that add significant value to the economy. **F**

This article is based on comments made by the Minister of Petroleum and Mineral Resources at the Arab Economic Forum.