

مشروع الكويت

ملخص ما نشر في الصحف المحلية اليوم الاثنين الموافق ٢١ مارس ٢٠٠٥

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'North Oilfields project requires oil majors' technical expertise'

CEO Al-Arbeed sheds light on difficulties awaiting project

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KUWAIT CITY, March 20: Kuwait needs the technical expertise and financial support of multinational oil companies to effectively execute the Northern Oilfields project, Managing Director of Project Kuwait Ahmed Rashid Al-Arbeed told a meeting held Sunday at Kuwait Chamber of Commerce and Industry's Al-Bahra Hall to shed light on the project.

"Oil production in the Northern Oilfields will be very difficult compared to other oilfields because of the geographical challenges, technical expertise and huge financial outlay required. That is why the country must contract foreign investors to execute the project and be paid for their services," he said.

Al-Arbeed added that the local expertise available on water injection, water treatment, managing non-traditional oil wells, dealing with corrosion and erosion and secondary production is limited and inadequate to meet the requirements for developing the Northern Oilfields. He said this can only be provided by multinational corporations with good track records in such ventures.

Process

One of the challenges that will be faced is the pumping out of water during the oil drilling process. It is currently estimated that 65,000 bpd of water will have to be disposed of and this amount is expected to reach 1,000,000 bpd.

Al-Arbeed said Kuwait Oil Company has planned as part of its '2020 Strategy' to produce 3 million bpd oil in 2005 (which is currently impossible), 3 million bpd by 2010, 3.5 million bpd by 2015, and 4 million bpd by 2020. This plan will mean increasing the country's oil reserves through the exploitation of other oilfields to reduce dependence on the overstretched Burgan oilfields which had been the backbone of the oil sector.



Photo by Mohammed Hashem
GM of KCCI - Al-Haroun

"It has therefore become necessary to exploit the Northern Oilfields at Ratqa, Abdalli, Raudhatain and Sabiriya to produce an estimated 900,000 bpd to meet the company's future production target."

Al-Arbeed said Kuwait is the only country that does not only rely on multinational corporations to produce oil for the country unlike other countries like Saudi Arabia, Iran, the United Arab Emirates, Qatar and Iraq.

He said the Project Kuwait team has finished studies on all aspects of the Northern Oilfields project and presented the report to the National Assembly's Finance and Economic Committee to craft a new law on the project for presentation to the house.

Based on the proposals presented to parliament, the foreign investor that will be awarded the contract will provide its own capital and technology. It will not own, determine the price of the oil or sell it on behalf of the country. The investor will be paid production costs and other expenses it incurs on the project by the country.

A national company will be formed to manage and the project after the law is passed by parliament. Al-Arbeed said the

team has also put in place a mechanism to ensure that 60 per cent of the workforce running the project is Kuwaiti within the first 18 months of operation. This number will be increased to 80 per cent by the end of the tenth year. A training program will also be introduced to ensure cross posting of Kuwaiti employees to work on projects undertaken by the investor abroad.

He said Project Kuwait is also studying the possibility of allowing a national company like Kufpec to join a consortium to provide technical services for the project.

Presentation

In a presentation, deputy managing director of Project Kuwait Hashim Mustapha Al-Rifaie said the project is scheduled to be completed in 20 years with the possibility of the renewal of the contract with the investor.

He added that the timeframe for the project should not be deemed too short for investors to profit from the project. "It is also not too long given the fact that developing human resources requires a long time and developing oilfields require even a much longer time."



Photo by Mohammed Hashem
CEO of Project Kuwait - Al-Arbeed

He added that it is possible to train the envisaged number of Kuwaitis to satisfy the percentage of the workforce required judging by the success of similar ventures in Pakistan, Kazakhstan and Angola.

Al-Rifaie said as far as the financial aspect and time frame are concerned the team took into consideration the necessity for the government to minimize the contract's renegotiation risk, maximize government profit, ensure cost effectiveness because the cost is definitely going to rise, ensure long term commitment by investors, minimize windfall profit risk by both parties and encourage incremental investment by the investor.

"There are other expensive projects but we should not forget the Northern Oilfields is one of the best we have in the country at the moment," he added.

For his part, general manager of Kuwait Chamber of Commerce and Industry (KCCI) Ahmed Rashid Al-Haroun said KCCI had always wanted to see the bidding for the project conducted in a transparent manner to give an equal opportunity to qualified investors because of the importance it attaches to the project.