

KD 6.5bn needed to help push oil output to 4m bpd

'Land allocated for second LPG plant in Kuwait'

By Francis A. Clifford Cardozo
Arab Times Staff

KUWAIT CITY, May 17: Hani A. Hussain, CEO of Kuwait Petroleum Corporation (KPC) on Tuesday said Kuwait will need investments worth KD 6.5 billion over next 20 years to increase its domestic crude oil production capacity to 4 million barrels per day.

He was speaking at the MEED's 2nd Major New Project Opportunities in Kuwait Conference which is being held at the Courtyard Marriott and will continue until May 18.

Hussain added that this growth will help to serve the increasing oil demand projected for the next 15 years, noting several projects have already been identified for coming five years.

He said the main projects include expanding Kuwait's crude export facilities, building new gathering center at North Kuwait as well as installing and upgrading new booster station with interconnecting lines.

"The other projects are building new crude oil export pipeline from North Kuwait to Central Mixing Manifold, drilling and surface facilities in all areas of Kuwait and water injection and gas lift facilities in North Kuwait."

"For the future, several opportunities are being evaluated for privatization in different activities. Our growth strategy will not be easy to achieve. However, we have now embarked on the implementation of these long-term plans, which will require an investment of almost KD 16.2 billion over the next 20 years and we will require the active cooperation of the private sector."

Operates

"For our upstream KUPPEC subsidiary which operates outside Kuwait, we have established a goal of 100,000 barrels a day of production, which is more than double of KUPPEC's current rate of production."

He said in the downstream business outside Kuwait, KPC's strategy is to expand refining and marketing outlets in high growth strategic areas, especially in the Asian countries.

Hussain went on to add that KPC has signed Memorandum of Understanding (MoU) with Shell and BP regarding investments in Asian growth areas, adding KPC is looking for investments opportunities to process Kuwaiti crude and distribute products in these growth areas.

He said KPC is presently considering securing natural gas imports from neighbouring countries in order to satisfy Kuwait's future energy demand, particularly the electricity sector.

Hussain said negotiations with neighboring countries, including Iran, Qatar and Iraq are in progress. "We have also approved building a second LPG canister filling plant in Kuwait. Land has been allocated for this plant and bidding for construction should take place later this year."

He observed that the plant which will be commissioned by 2008, will meet the growth in Kuwait and demand for LPG. He said the company also plans to develop its operations outside Kuwait.



Sullivan addressing the conference.

Photo by Hisham Kamel

"We have obtained approval to build a new refinery that will meet Kuwait's projected future demand. This refinery will primarily supply low sulfur fuel oil to Kuwait's power plants. But, with the expected import of natural gas into Kuwait, this refinery will then be upgraded to an export refinery. This refinery is expected to be on stream by 2010."

"We now produce well over 2 million barrels per day of crude oil, refine almost 1 million barrels per day, produce a variety of petrochemical products, and market our crude oil and products on a world-wide basis. We also have refining operations and retail gasoline stations under the Q8 brand over most of Europe. Our fleet of tankers helps us deliver crude oil and products safely to our customers throughout the world."

"In petrochemicals, KPC will be expanding its olefins business through the Olefins II expansion initiative. We are also expanding into aromatics business, which will produce Para xylene and Benzene and expanding into Styrene business. These major petrochemical projects will cost about KD 1 billion. These projects are planned to be on stream by 2008."

He said through KOTC, the company has ordered nine vessels which are projected to be in operation by early 2008, adding KPC has also signed a strategic alliance agreement with Dow Chemical Company to work as partner with PIC in investment opportunities in the Olefins business inside and outside Kuwait.

"We received long-term forecasts a few years ago, which projected considerable demand growth, especially in the Far East. Recognizing that this region of the world is a natural market for our crude and products, we undertook a review of our long term plans to meet this potential growth."

He noted that KPC's strategic directions also call for the support and development of the Kuwaiti economy through creation of viable investment opportunities for the private sector.

Farouk Al-Zanki, Deputy Chairman and Managing Director of Kuwait Oil Company (KOC) said Kuwait has ambitious goals for the future, adding the goals cannot be achieved in isolation.

He added that it is widely believed that local demands for oil will increase at a steady rate, noting many energy companies are pumping less oil today than a year ago.

"We have to modernize the production facilities in order to enhance the production capabilities. We are planning to build a new gathering center at Sabhiya, North of Kuwait. KOC is using state-of-the-art technology yet maintaining the highest safety standards."

Designed

Hashim Al-Refaai, Executive Assistant Managing Director of Project Kuwait said Kuwait Project is an Operating Services Agreement whereby the IOCs produce oil, provide all investments and fulfill the goals in return for pre-agreed-upon service fees designed to create incentives for the IOCs to produce efficiently.

Explaining the objectives of the Kuwait Project, he said the primary aim is to improve the development of four fields in Northern Kuwait in addition to improving the reservoir management practices, and maximize the economic recovery of hydrocarbons.

He also called upon to reduce the potential increase in production costs and creating employment as well as developing the technical capabilities of Kuwaitis.

Touching on the challenges of North Kuwait development, he said they are mainly from carbonate and layered sandstone reservoirs and complex geology.

Al-Refaai said based on production volumes IOCs revenues would be derived from actual production levels as more production would mean more revenue, regardless of costs incurred.

Payments

He added that fees made as cash payments based on 50 per cent of actual permissible costs incurred would be independent of production volumes. He explained that IOC as a contractor will develop and recruit Kuwaitis.

Dr Randa Azar, Chief Economist of National Bank of Kuwait said "with a real growth rate of 5.6 per cent v/s a world average of 5 per cent — GCC was the second fastest growing region in the world after China."