
Oil & Gas Industry & Services Sector

## Sector Overview

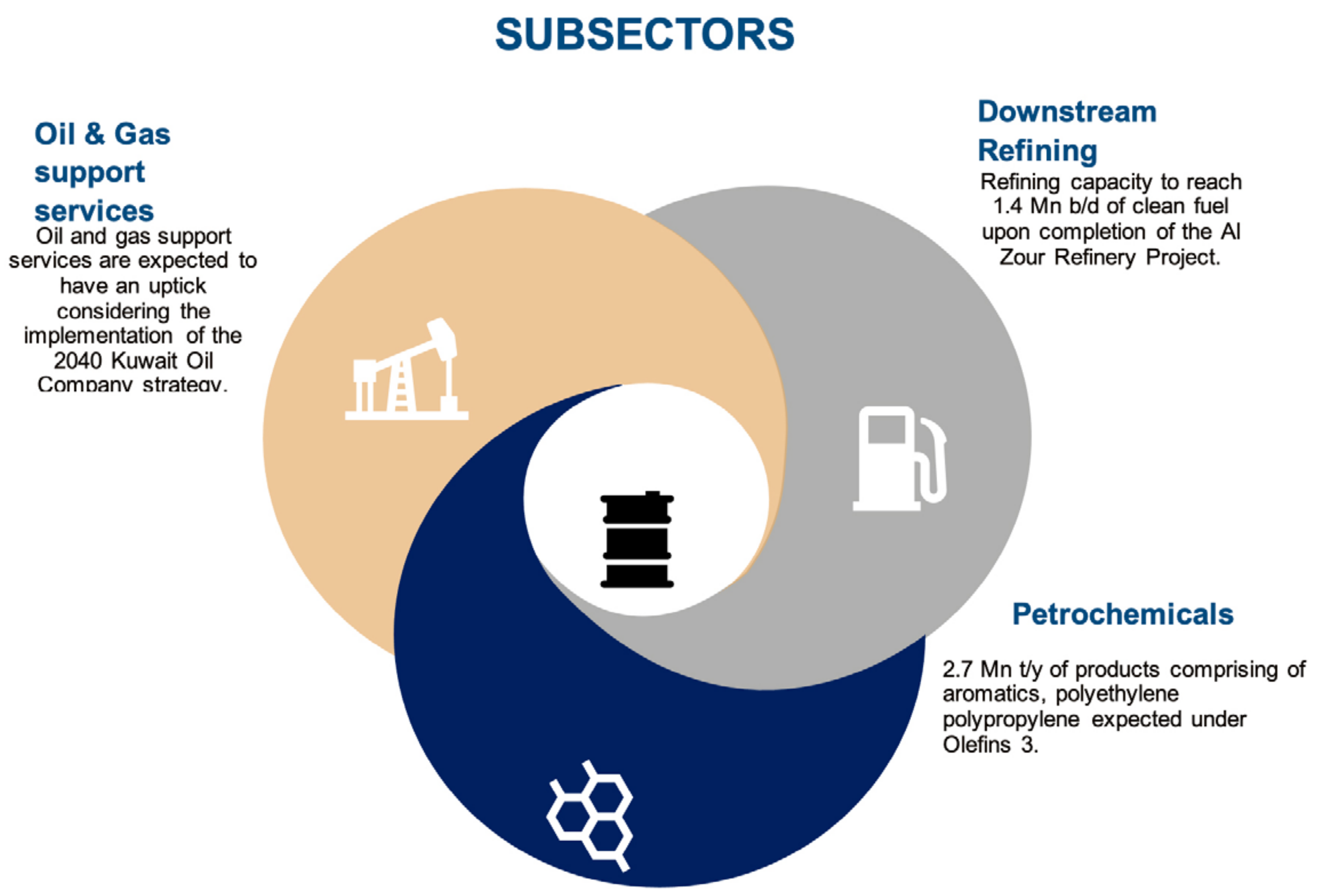
Kuwait continues to explore for new oil and gas reserves as part of the Kuwait Oil Company (KOC) strategy till 2040. A lot of importance is placed on the clean fuel projects in the country and the processing of oil is expected to be environmentally friendly.

**Pillars of Kuwait National Vision 2035**

**Sustainable Diversified Economy**

**Sustainable Development Goals (SDGs) 2030**

**Goal 8: Decent Work & Economic Growth**
**Goal 9: Industry, Innovation & Infrastructure**




Kuwait offers interested investors a host of mega investment opportunities in downstream refining, petrochemicals, and support services for the oil and sector projects to attain the goals of the National Vision 2035 and its development plans.

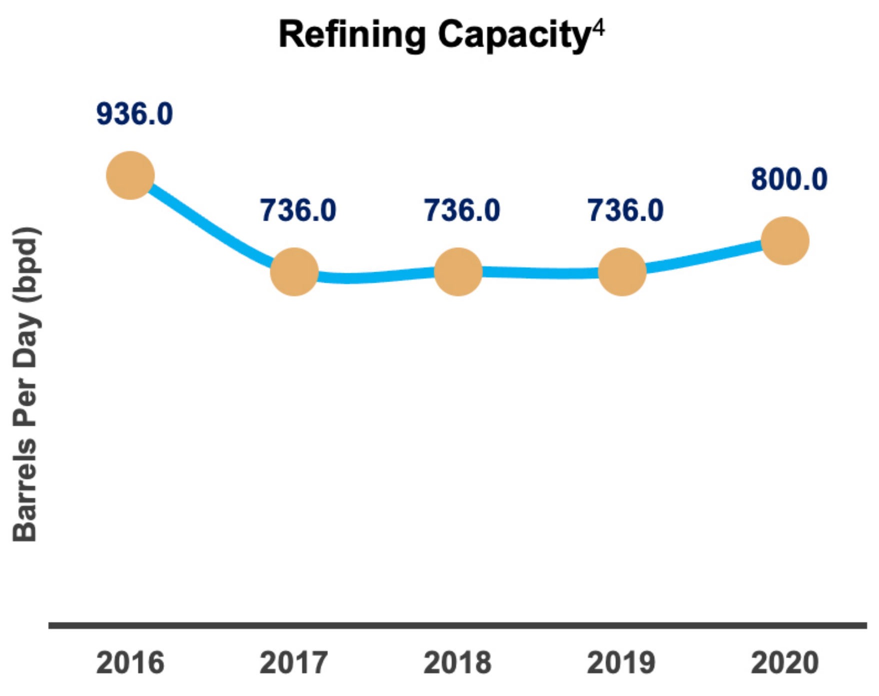
## Downstream Refining

**MARKET FACTORS**

- The oil exploration, development, and production is performed by Kuwait Oil Company (KOC), which produced 2,686 thousand b/d of crude oil and 15 Bn cubic meters of natural gas In 2020.[1]

- Kuwait's refining infrastructure is controlled and managed by the government through Kuwait National Petroleum Company (KNPC).

- Fuel is currently refined through two refineries in the country namely Mina Al-Ahmadi (MAA) Refinery and Mina Abdullah (MAB) Refinery. The combined refining capacity of both refineries are currently 736,000 b/d, as MAA has a refining capacity of 466,000 b/d and MAB has a refining capacity of 270,000 b/d, with the total gas processing capacity of 2,485 mmscfpd through 4 gas trains in MAA. The overall refining capacity in 2020 increased to 800,000 b/d from 736,000 b/d, with MAA refinery capacity of 346,000 b/d and MAB refinery capacity of 454,000 b/d. The refined output at MAA includes gasoline, Kerosene, Gasoil (Diesel), Bitumen, Naphtha, LPG, and Sulfur. The refined output at MAB includes Naphtha, Kerosene, Low-Sulfur Gasoil, Coke, Fuel Oil and Sulfur.[1]




- Kuwait government launched the Clean Fuels Project at a total cost of USD 15.5 Bn.[2] This project envisages the upgrade/ expansion of MAA and MAB to integrate the refining system into one complex with full conversion operation. while the sulfur content of the petroleum products produced will be lower by 5%.[3] Several international companies were involved in the project management, engineering design, procurement, and construction of the project. The output of the refineries is expected to be fuel that is environmentally friendly and graded at levels that are acceptable in the US and Euro markets.

- Another mega project is the development of at Al-Zour as an integrated refining and petrochemical zone. The project, when completed, is expected to have the ability to produce 215,000 b/d of fuel oil and refine 615,000 b/d of clean fuel. It will also have a Liquid Gas Import Infrastructure storage facility of 3,000 Bn heating units per day.[5] The Al Zour Refinery is expected to be constructed at a cost of USD 16.2 Bn. Kuwait Integrated Petroleum Industries Company (KIPIC), established in 2016, is the main sponsor appointed by the government for developing this project. It will by far be the largest clean fuel refinery in the country when commissioned. The engineering, procurement, and construction (EPC) contracts for its development were awarded to a number of international companies in 2015.

- Kuwait announced plans for two new oil refineries with a capacity of 300,000 b/d to be completed in 2025 and 2035.5 Also a fifth gas train in the country is being undertaken at a cost of USD 1.45 Bn, and there are studies for undertaking a sixth and seventh gas trains by 2025, bringing the total gas processing capacity to 3.7 Bn cubic feet per day.[6]

Sources: [1]KNPC, [2]Kuwait Vision 2035 Development Plan, [3]Fluor Corporation, [4]British Petroleum, [5]Hydrocarbons Technology, [6]MEED.

## Petrochemicals

### MARKET FACTORS

- The petrochemical infrastructure of the country is controlled and managed by the government through the Petroleum Industries Company (PIC) established in 1963.[1]

- The petrochemical products of Kuwait primarily include Ethelene, Polyethylene, Urea, Ethylene Glycol, and chemical catalysts.

- There is limited demand for petrochemical products from the local market and most of the demand is derived from exports to the Chinese and the Indian markets.

- PIC operates in Kuwait through a wide range of subsidiaries and Joint Ventures, with local and international companies, to produce petrochemical products, some of which include[3]:

| Name of the Company | Year of incorporation | Main products produced | Ownership |
|---|---|---|---|
| PP Plant | 1997 | Polypropylene | 100% |
| Equate Petrochemical Company | 1995 | Polyethylene & Ethylene Glycol | 42.5% |
| The Kuwait Olefins Company | 2004 | Ethylene Glycol | 24.5% |
| The Kuwait Aromatics Company | 2004 | Paraxylene & Benzene | 20% |
| Kuwait Paraxylene Production Company | 2004 | Paraxylene | 100% |
| The Kuwait Styrene Company | 2004 | Styrene monomer | 57.7% |
| Qurain Petrochemical Industries Company | 2004 | Petrochemicals | 10% |

- **Boubyan Petrochemical Company (BPC) and QPIC**: were established by PIC in 1995 and 2004 respectively, however they were sold off through initial public offerings with the intention of forming joint ventures. PIC continues to own a 10% stake in QPIC3. Today, both BPC and QPIC operate in petrochemicals and have diversified stakes in other non-oil companies.

- **Equate**: PIC has a share pf 42.5%, US-based Dow Chemicals (Dow) at 42.5%, Boubyan Petrochemical Company (BPC) at 9% and Al Qurain Petrochemical Industries Company (QPIC) at 6%.3 Equate today produces 5 Mn tons of petrochemicals a year and contributes to over 60% of Kuwait's non-oil export.[2]

- **The Kuwait Olefins Company (TKOC)**: PIC has also entered a similar ownership structure as that of Equate for its establishment. The details of plants operated under this company include[3]:
  - The Olefins II ethylene plant was set up as a Joint Venture with the Dow Chemical Company in Shuaiba in 2008 and has a total production capacity of 850,000 tons annually.
  - The Olefins III plant is being implemented by Kuwait Integrated Petrochemical Industries Company (KIPIC), a subsidiary of Kuwait Petroleum Corporation (KPC) and will be integration between Petrochemical Refinery Integration Al Zour (PRIZe) project, the Aromatics 2 complex, and the Al Zour Refinery. It will produce nearly 2.7 Mn t/y of products comprising of aromatics, polyethylene, and polypropylene. It is expected to be commissioned at the end of 2024.
  - The Olefins IV plant is currently under study and will include the development of a petrochemical complex to produce ethylene, polyethylene, ethylene glycol as well as specialized petrochemical products. The JV Partner is yet to be selected. The complex will utilize the Ethane feedstock from Kuwait. The commissioning of the project is planned in 2028.

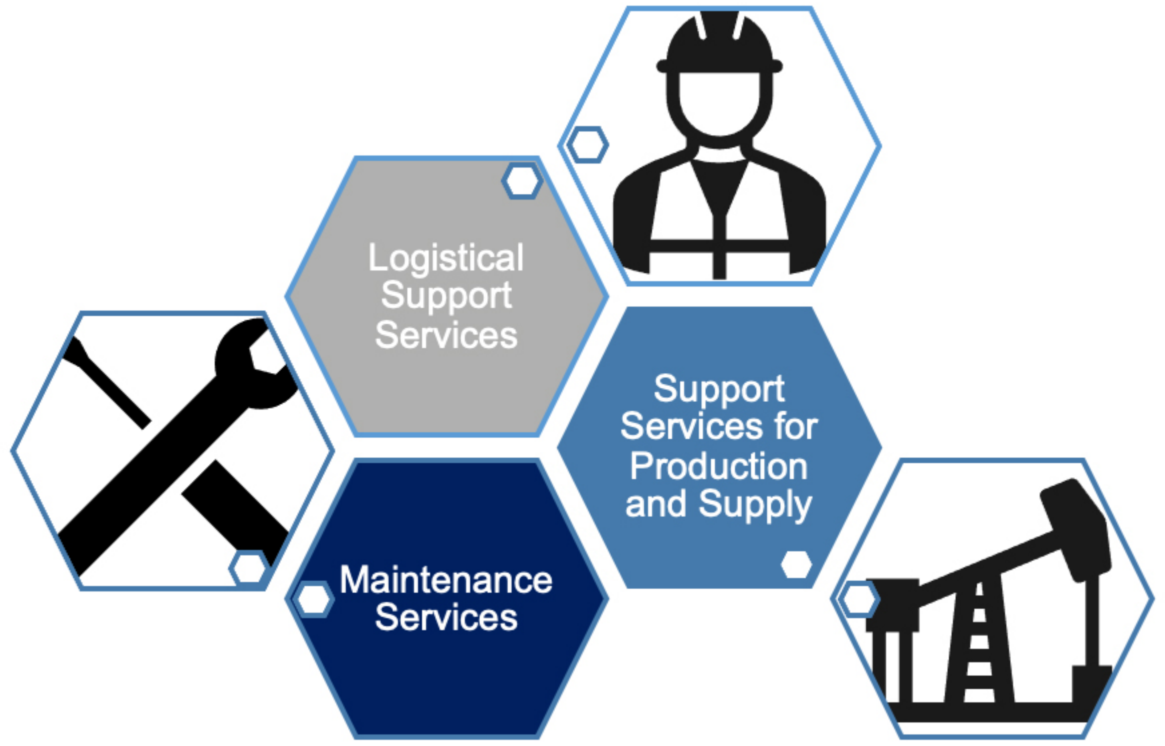
- **The Kuwait Aromatics Company (TKAC)**: PIC has a share of 40%, Kuwait National Petroleum Company (KNPC) at 40%, and QPIC at 20%. TKAC owns the Kuwait Paraxylene Production Facility, and owns a 57.5% stake in a joint venture with Dow Chemicals called The Kuwait Styrene Company. It produces styrene monomer from benzene feedstock procured from TKAC and ethylene from TKOC.[3]

- The government has been actively pursuing the implementation and expansion of oil refinery projects. The output of the oil refinery projects is expected to rise significantly and cross the threshold of about 1.5 Mn b/d.[4] This output will further support the petrochemical industry by providing feedstocks for the chemical processes

Sources: [1]PIC, [2]Equate, [3]OBG, [4]Kuwait Vision 2035.

# Oil & Gas Support Services

### MARKET FACTORS




- The oil and gas support services market is expected to grow at a CAGR of 3.5% in the Middle East region during the period 2020-2025. Oil drilling services are expected to account for approximately 20% of all the oil and gas services provided in the region.[4]

- Kuwait Oil Company (KOC) 2040 strategy, intends to drill more than 750 wells in Kuwait. This strategy is considered by KOC as one of its main projects for the future progress of the country and will create a great demand for oil and gas support services.[1]

- In 2021, Kuwait discovered two new oil fields and reserves at the Great Burgan Oilfield. One of the discoveries was in the Houma oil field, which has a production capacity of 1,452 b/d of light oil and the second is in Al-Qashaniya field 1,819 b/d. Further 2.78 Mn cubic feet of associated gas a day (scf/d) was also discovered.[2]

- A number of maintenance contracts for oil refineries are being tendered to the private sector. Some of them include:
  – KNPC's request for expression of interest from contractors related to the maintenance of Mina Abdullah Refinery.
  – KIPIC awarded the tender of the contract for maintenance services related to the Al Zour oil refinery for a period of 5 years to Woods Group.[3]

- There are many prominent companies that provide oil and gas support services in Kuwait, such as Halliburton, Schlumberger, Weatherford.

Sources: [1]KOC, [2]Kuwait Times, [3]Hydrocarbons Technology, [4]Mordor Intelligence.