

Saudi Arabia Oil and Gas : Emerging Opportunities



Introduction

The award in early 2004 of three areas for gas exploration to foreign oil companies was a significant moment in Saudi Arabia's history. Joining another deal made at the end of 2003 these contracts opened one of the last off-limits areas in the hydrocarbon world. They also proved that the Saudi authorities are learning to change.

Saudi Arabia's status as the world's largest crude oil producer, its well-developed energy infrastructure, access to areas of high demand and now apparently a strong political will to adapt, means that the Gas Initiative holds out the dazzling prospect that gas could become as important to the Saudi economy one day as crude is today.

Oil remains off limits to foreign investors, but the authorities are opening up much of the economy to foreign investment. A privatisation programme of many state sectors is in its third year of operation, the economy is being overhauled, fiscal and legal reforms are being introduced and there are attempts to become more transparent in dealing with the outside world.

This report highlights the kingdom's oil wealth, its future plans for crude output and assesses the gas potential and the impact of the Gas Initiative. It also looks at the future for gas-related industries, particularly power and combined water projects, and the further development of the already large petrochemical sector. The management of the hydrocarbon sector and the major players, including Saudi Aramco, are also discussed.

It also addresses the state of the Saudi economy, plans to diversify away from an over-reliance on crude, the status of the reform process and the privatisation process. Legal and fiscal reforms specifically aimed at foreign investment are also discussed and the specific opportunities for foreign investment analysed.

To summarise, opportunities in gas, power and petrochemicals are vast and attractive to foreign investors but there are still several challenges when it comes to doing business in the kingdom.

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