INTERVIEW:
Nizar Al-Adsani, Deputy Chairman & CEO, Kuwait Petroleum Corporation (KPC)

Dyala Sabbagh (GI Partner): *How is Kuwait strategizing for the new dynamic in global oil and gas trade flows that we have witnessed in recent years?*
Nizar Al-Adsani: Trading continues to be dynamic for our part of the world. We've seen Venezuelan crude coming to India's Gujarat refinery, we've seen West African crude migrate from the US to Asia and Iraqi crude production grow to almost 5m b/d and penetrate the Asian market. We may eventually also see South American crude enter the arena from offshore Brazil. I see all these dynamics continuing.

2040
Half a trillion US dollars will be invested in oil and gas projects in the next 25 years as part of Kuwait's 2040 Energy Strategy.

On the products side, the US has been quite aggressive into Europe. But eventually you will see [the impact of the] new Gulf refineries coming onstream; Saudi Arabia's Jizan refinery at 400,000 b/d, the UAE's Ruwais refinery, Oman's Duqm oil refinery, Kuwait's Al-Zour and the Bapco refinery in Bahrain. There will be an enormous amount of middle distillates coming from the Gulf and moving into Europe and Asia.

Dyala Sabbagh: *Is the advent of US crude exports to Asia a threat to Kuwait's market share? Is there enough demand to absorb all of today's suppliers?*
Nizar Al-Adsani: There is enough demand. Kuwait has long held alliances with the likes of SK of Korea, and we also have a refinery in Vietnam that's being commissioned for 200,000 b/d. Kuwaiti crude will go to the refinery. We are thinking about another refinery in Vietnam and expanding that by the end of this year to 200,000 b/d, therefore creating another opportunity. We are also in a long-term relationship with Unipec and Sinopec. We will continue as long as the margins are healthy; we are a low-cost producer and we are aggressive enough to penetrate the Asian markets. It's a competition at the end of the day between us, the US, other producers in the Gulf, as well as other regions, such as West Africa or even South America.

$100bn
The amount Kuwait will spend in the next two years, with an additional $300 billion in the next 10 to 15 years.

Dyala Sabbagh: *You mention Kuwait's investment in downstream assets abroad, such as in Vietnam, which is one avenue to securing*

"We see great appetite from the financial community to work with us on our many ambitious projects. There is competition – but we're getting good margins."

Asian customers. Looking at the bigger picture, Kuwait is planning to invest half a trillion US dollars on oil and gas projects in the next 25 years as part of its 2040 Energy Strategy. How do you plan to finance this? We are seeing a lot of foreign investment going into Asian oil and gas infrastructure. Are you facing any challenges when it comes to competing for funding? After all, Kuwait is planning to spend $100 billion in the next two years and another $300 billion in the next 10 to 15 years. And Kuwait, like other Gulf economies, is running budget deficits compared to the steady years of surplus before 2014.

Nizar Al-Adsani: In terms of the $100 billion expenditure, 76% of that will be spent domestically on upstream. We plan to increase our production to 4m b/d by 2020 and to 4.7m b/d by 2040. We already have 150 rigs drilling in Kuwait and we will have 180 before the end of this year. We also plan to tap Kuwait's offshore potential next year.

We have already secured financing for our refining projects. We have spent $50 billion in the last five years upgrading our refineries in Kuwait and building 600,000 b/d of capacity. We have just finished the Vietnam refinery with PetroVietnam and our Japanese partners and have initiated the 200,000 b/d Duqm refinery in a 50-50 joint venture with Oman Oil.

76%
Just over three-quarters of the $100 billion expenditure will be spent domestically on upstream.

4.7m b/d
Kuwait aims to increase production to 4m b/d by 2020 and then 4.7 million b/d by 2040.

20%
Approximately 150 rigs are already drilling in Kuwait, with this figure rising by 20% to 180 rigs before 2019. The country also plans to tap its offshore potential next year. This will be relatively new territory for KPC, which has historically focused its domestic efforts on onshore assets.

#5
Kuwait has a feasibility study on a new 300,000 b/d refinery, which would mark the country's 5th such project. Kuwait's plans for another refinery by 2040 would bring domestic refining capabilities to 2m b/d.

All these refineries are integrated with petrochemical projects.

We have secured $19.5 billion in financing from commercial banks, local banks, export credit agencies (ECA), sukuks and bonds. We have another $6.5 billion that we will tap in the coming two months, which will help the LNG import facility that we're building in Kuwait and the $1.2 billion Dibdibah Solar Power Plant.

We also currently have a feasibility study on a new refinery in Kuwait of 300,000 b/d (which would be the country's 5th refinery), which will take us up to 1.7m b/d of capacity by 2025. Another refinery is planned by 2040, which will take us to 2m b/d of domestic refinery capabilities.

We see great appetite from the financial community to work with us on our many ambitious projects. There is competition – but we're getting good margins.

Dyala Sabbagh: *Do you feel that there is perhaps too much new refinery capacity in the region? Is there a risk of over supply?*

Nizar Al-Adsani: The winners of the energy scene are those who are well integrated – in upstream, downstream, petrochemicals, retail and transport – across the whole value chain. I don't see this new supply as a threat. I see it as an added value for all the countries and this is what the national oil companies (NOCs) are working on. Once you secure that value chain, you will mitigate any volatility in prices. We are dependent on oil and gas and we need to maintain a steady stream of revenue for the state.

Dyala Sabbagh: *To diversify portfolios and maximize revenues, what are KPC's plans to set up a fully-fledged trading arm along the lines of Saudi Aramco Trading or Oman's OTI, for example? Has Kuwait been considering joint ventures with various trading houses and majors?*

Nizar Al-Adsani: We have the approvals to start a trading arm. On the physical front, we have been working in trading for a long time. In Europe, we have a huge retail network of 5,000 gas stations and we also supply around 70 airports from Sydney to Heathrow with jet fuel. We consume 400,000 barrels of products in Europe between jet fuel, gasoline and diesel. All of this is done through trading hubs that we have in London and elsewhere and we will try to replicate that in the future.

Dyala Sabbagh: *How challenging is the situation of power shortages in the region? We've seen Saudi Arabia signal it wants to invest in gas assets as far away as Russia and the US to secure supplies. Does Kuwait have any aspirations to go after more assets abroad on this front?*

Nizar Al-Adsani: We have been active in exploration and production (E&P) outside Kuwait since 1981 in places such as Egypt, Tunisia, the Norwegian part of the North Sea and Alberta, Canada. We also have our investment in Wheatstone Australia and exported our first liquefied natural gas (LNG) cargo from there last October. Train 2 will start this year, so we will have more LNG exports, which will go to Asian markets. We can always swap cargoes if they are needed domestically in Kuwait. We have also issued a tender and signed a 15-year contract with Shell for LNG supplies to Kuwait and we will sign another tranche next month with a second supplier of LNG. We are also working with Petronas on various LNG opportunities in Malaysia.

Dyala Sabbagh: *The agreement by the group of 24 OPEC and non-OPEC producers to trim oil output has been successful in regards to compliance and supporting the oil price. How do you think 2018 will play out?*

Nizar Al-Adsani: Kuwait is committed to the OPEC accord but even with the production quotas that we have, we will continue to increase our capacities in Kuwait. Future demand requires it. We also have to make up for the drop in global E&P investments in 2015 and 2016. We will be there to make sure that the markets are balanced and that we meet our customers' needs with reliable sources of energy. ■

**Edited transcript*

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$26bn
Kuwait has secured $19.5 billion in financing from commercial banks, local banks, export credit agencies (ECA), sukuks and bonds and has another $6.5 billion it can tap into. The total financing of $26 billion will help develop the country's LNG import facility and Dibdibah Solar Power Plant.

$50bn
The amount Kuwait has spent in the last five years upgrading its refineries.

5,000
Kuwait's reach spreads far and wide. The country has a significant retail network of 5,000 gas stations in Europe and supplies approximately 70 airports from Sydney to Heathrow with jet fuel.