

# [Saudi aramco: looking ahead](https://assignbuster.com/saudi-aramco-looking-ahead/)

Armco is a unique company which is the only one in the world which funds 86% percent of their country's budget. No other energy sector entity in the world can come any closer to them In sheer size. However the history has proven time and again that change Is the only constant. So, even though Armco enjoys being the world leader In crude OLL production even after 80 years of dominance, they have a task ahead of them to maintain their lead In the decades to come. This paper offers the perspective on the challenges Armco is facing and their vision and initiatives to dress them.

The cornerstone of their strategy moving forward is based on the triad in the areas of: \* To be the fully Integrated Energy ; Chemicals company across value chain \* Expand in Natural Gas, Oil refining and Chemicals Operations with planned $200 Ban USED additional investments in the coming decade. \* Secure future beyond oil and gas They have been steadily covering the entire value chain through Joint ventures, partnerships and forays Into new areas. \* Their Upstream dominance in crude oil includes the exploration and production assets of \* Their Midstream presence includes pipelines and tankers fleet. Their Downstream presence and major expansion Includes refineries at Saudi Arabia Is a rapidly developing country with a population of about 27. 6 million people In 2007, Including about 5. 6 million non- nationals, according to the CIA World Fact Book (www. CIA. Solitary/publications/the- world-fastback/). It has an oil-based economy with strong government controls over major economic activities. It possesses about one-fifth of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading ole in OPEC.

The petroleum sector accounts for roughly 80% of budget revenues, 45% of GAP, and 90% of export earnings. Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Diversification efforts are focusing on power generation, telecommunications, natural gas exploration, and petrochemical sectors. Almost 6 million foreign workers play an important role In the Saudi economy, particularly In the OLL and service sectors, while Riyadh Is struggling to reduce unemployment among its own nationals.

Global Challenges they face include: Less expertise in acquiring global assets outside of Saudi Arabia \* Competition from other NO'S National Oil Companies \* Competition from CICS, International Oil Companies \* Access to Technology and sustainable competence in Nuclear \* Dependence on cutting edge R; D in Solar on US and Europe \* Schedule Risks from outside E; C, Engineering and Construction Domestic Challenges: The Kingdom has one of the fastest-growing populations, with inhabitants of the capital, Riyadh, doubling during the past decade.

The rising per capita income and he region's vibrant economy have contributed to an Increase of more than 45% of the number of the Gloom's registered vehicles during the past 10 years. The domestic refined product outlook predicted that during the next decade, annual demand for diesel and gasoline will grow at an average rate of 4%, reaching about and a rapidly growing population, causing robust growth in fuel demand, particularly in the utilities and transportation sectors.

The challenges they face are: \* Adequate Production Levels Assurance \* Containing internal consumption in Saudi Arabia Maintaining export capacity to retain the lead \* Competition from CABIN in chemicals sector \* Retaining Saudi Governments trust to retain decision making in companies expenditures, investment projects and operation \* Ensuring employment opportunities for growing young Saudi To address these challenges Saudi officials are particularly focused on employing its large youth population, which generally lacks the education and technical skills the private sector needs.

The SOOT analysis emphasizes the areas of: Domestic strategies: Armco has substantially boosted spending on Job training and education, most gently with the opening of the King Abdullah University of Science and Technology Saudi Arabia" s first co-educational university. As part of its effort to attract foreign investment, Saudi Arabia has acceded to the WTFO in December 2005 after many years of negotiations.

They are partnering with the government and has begun establishing six " economic cities" in different regions of the country to promote foreign investment and plans to spend $373 billion between 2010 and 2014 on social development and infrastructure projects to advance Saudi Arabia" s economic development. Revitalization Exploration : 4 New fields added in recent years \* Expansion of production capacity of existing fields: 3. 1 MBA/d recent \* Vertical Integration: Securing market.

Growing employment \* Foray in Petrol Chemicals : Petrol Arabia and Isadora \* Investing in research. Developing new technologies Global Strategies: \* International Downstream Joint Ventures \* Securing growth in China : Influence on Government for WTFO participation \* Maintaining export capacity to retain the lead : \* Invest in Technology and Talent : STATUS and KAPPA'S : Superpowers To realize heir vision they have embarked on the Journey of transforming themselves by making sure the price of the oil stays around USED 95 / bulb.

They have vowed to maintain their crude oil spare capacity of 2 Mumble/d. They have proved their skeptics wrong by producing 12 Mumble old crude oil even though many of their fields are old and there was a suspicion in the market that their production levels were declining. The massive projects they are implementing in promoting gas via Master Gas Plan will ensure that they will be able to contain domestic energy demand.

Their global mint ventures to expand refining capacity will ensure the market for their crude oil. The chemicals projects at Isadora will go live in 2016 and will offer tremendous opportunity for employment to Saudi Rabbi's growing young population. On diversification of energy supplies they have set the target of 20% local energy demands to be met by solar. They are planning to have 16 nuclear reactors operational by 2030. The tender for the very first one is in the works for 2012-2013.

Today's Dominance: \* valuation : 7 Trillion USED \* Influence : Funds 85% of Saudi Rabbi's budget Core Operations: Mostly in Saudi Tomorrow's Vision \* World ranking : World's dominant Energy ; Chemicals company \* Diversified energy sources: Fossil, Solar, ; Nuclear \* Influence: Maintain Autonomy \* Global Presence: Successful Jobs In conclusion, the grand vision and the big pockets to support the plan are their pluses while it will be interesting to see how they will be able to maintain the government support, mitigate the political and social risks and how they experience the impact of Arab spring.