

Aramco eyes LNG deals in next gas strategy



LONDON (Bloomberg) – Saudi Aramco aims to become one of the world’s largest players in natural gas and the company is eyeing projects in Russia, Australia, America and Africa to kick-start a global business in the liquefied form of the fuel.

“Gas is a major market and we want to be one of the largest players,” Amin Nasser, the chief executive of Saudi Arabia’s state-run oil company, said in an interview in London. “There’s appetite to invest in natural gas and LNG.”

Asked whether the company, formally known as Saudi Arabian Oil Co., will have made a major overseas investment in gas in a year’s time, Nasser responded: “I hope so.”

Natural gas is turned into a liquid by super cooling it to minus 162° Celsius (minus 260° Fahrenheit). After that, the liquefied natural gas, known as LNG, gets loaded onto massive ships and transported around the world. The liquefaction technology, which was developed commercially in the 1960s and

1970s, gave natural gas access to global markets, allowing it to reach countries from Japan to Spain.

The world's biggest oil companies have invested heavily in natural gas and LNG, with Royal Dutch Shell Plc and Exxon Mobil Corp. operating large projects from Qatar to Australia. In many ways, Western oil companies also see natural gas as part of their energy transition strategy: it's far less polluting than crude oil, releasing less carbon dioxide that contributes to climate change.

Gas strategy

The push into natural gas is a change of strategy for Aramco, which is already the world's largest oil exporter. The company, fully owned by the Saudi government since its nationalization in the 1970s, has a relatively small natural gas business today, which focuses on meeting local demand. Nasser wants to change that, starting gas exports both from fields in Saudi Arabia but also from outside the kingdom.

"We are in discussions with Russia, Australia, America and Africa," Nasser said, declining to name any of the companies involved in the talks. In the past, Saudi officials have said the kingdom is talking about taking a stake in a Russian project known as Arctic LNG 2 controlled by Novatek PJSC.

Saudi Arabia's efforts to build a global natural gas business follow in the footsteps of regional rivals, including Qatar, one of the world's largest LNG exporters. The U.S. is also emerging as a large LNG shipper thanks to booming natural gas production from shale fields, from Texas to Pennsylvania.

Downstream investments

The gas shift comes as Aramco also invests heavily in oil refining and petrochemicals, in an effort to secure long-term outlets for its crude production. The company is mulling its first ever international bond later this year to help finance

the acquisition of a majority stake in local chemical company Saudi Basic Industries Corp. The kingdom has promised an initial public offering of Aramco by late 2020 or early 2021, after shelving plans originally targeting 2018.

Aramco is also planning to boost the kingdom's domestic use of natural gas, aiming to replace the bulk of the 400,000 bpd or so of crude oil and refined products that Saudi Arabia burns to generate electricity. The oil freed by using gas instead for electricity generation could be exported, earning hard currency.

At peak times during the torrid desert summer, Riyadh burns through as much as 800,000 bpd of crude to produce electricity to meet peak seasonal demand for air conditioning. "We plan to eliminate most oil burning for electricity by 2030," Nasser said. "As a strategy, we will replace oil with gas."