

Aramco Revives Talks on Multi-Billion Dollar Refinery in China



Saudi Arabia's state oil company Aramco has revived discussions to build a multi-billion dollar refining and petrochemicals complex in China, according to several people with knowledge of the matter.

Aramco is holding preliminary negotiations about a facility in the Northeastern province of Liaoning with partners including Norinco, a state-owned defense contractor, said the people.

Talks over what was meant to be a \$10 billion venture were suspended in 2020 as oil crashed at the start of the pandemic. Now, with crude approaching \$100 a barrel, Aramco's finances have been transformed, freeing up money for investment in its biggest export market.

China and Saudi Arabia's ties have strengthened as Beijing's need for oil has grown along with its economy. The kingdom was the biggest supplier of crude to China last year, according to

data compiled by Bloomberg.

As part of the Chinese refinery plan, Aramco is negotiating terms that could include its trading unit providing crude to the venture, said two of the people. Aramco Trading Co. purchases and sells oil from Saudi Arabia and other countries. An agreement is not imminent and it's still unclear how much of the original plan still stands, said the people.

Aramco didn't immediately respond to a request for comment. Calls to a Norinco spokesman's office after business hours weren't answered. An email to a spokesman and the general address of the company wasn't immediately answered.

Downstream Expansion

Aramco and Norinco signed a framework agreement in 2017 to construct a refinery capable of handling 300,000 barrel per day of crude. They were also meant to build a 1.5-million-ton-per-year ethylene plant.

Saudi Aramco cut spending and shelved several projects in 2020 to protect its \$75 billion annual dividend, the world's biggest. Its cashflow has jumped this year and rose above its quarterly dividend in the second and third quarters.

The company's downstream business, which includes chemicals subsidiary Sabic, swung to a profit as margins for refined fuel climbed. The unit – which includes refineries, retail operations, trading and Sabic – made a \$4 billion profit before interest and tax in the third quarter.

Aramco aims to roughly double its global refining network to handle as much as 10 million barrels a day by 2030. It was mulling a \$15 billion investment in Reliance Industries Ltd.'s oil-to-chemicals unit in India, but the plan was scrapped late last year.