

Saudi Arabia eyes Indian crude market comeback, new downstream ventures

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Saudi Arabia was not bothered by "short-term fluctuations" in its share of crude oil supplies to India, the world's third largest importer, and was looking to take on new joint venture refinery projects in the country, energy minister Khalid al-Falih said Saturday.

"We are not bothered by short-term fluctuations of volumes. We've seen refiners react to buy opportunities that they get from time to time. But at the end of the day we know from eight decades of supplying the world with energy that our partners will find the value in long-term stability," Falih told reporters in the Indian capital New Delhi.

Long India's top crude oil supplier, Saudi Arabia lost its top spot last year to Iraq, and has seen its export numbers fall. India is set to import 36.5 million mt from the kingdom in the current fiscal year to March, down 7.6% from 39.5 million mt last year, according to the Indian petroleum ministry.

This is from total imports of 214 million mt, meeting 80% of its crude oil needs.

"For us we feel quite comfortable, quite at home in India doing business, and again that goes back to the relationship between the two people before even the modern Saudi Arabia and India were created as nation states," he added.

Falih was in India, the main driver of global oil demand growth in 2017, on a two-day visit to discuss increased Saudi involvement in the Indian energy sector. This includes an invitation by the petroleum ministry to participate in its Strategic Petroleum Reserve program.

India has become Saudi Arabia's priority destination for investment, with Saudi Aramco CEO Amin Nasser saying in October that it was keen to play a bigger role as a crude and LPG supplier to feed an anticipated rise in demand. The company forecasts Indian crude oil demand could nearly double to 10 million b/d by 2040 while its gas demand would also more than triple.

MAHARASHTRA REFINERY STAKE

State energy giant Aramco also hopes to take part in a number of major refining projects with Indian oil companies. This includes plans by Indian Oil Corp., Hindustan Petroleum Corp. Ltd. and Bharat Petroleum Corp. Ltd. to build a new 60 million mt/year (1.2 million b/d) grassroots refinery in Maharashtra state on India's western coast.

"The more the better," Falih said when asked how much stake Aramco was looking to acquire in the project. "But certainly we are not constrained by capital, and we are not constrained by feedstock, and we are not constrained by size", he said.

"Aramco probably is the only company in the world that can do so many things at the same time and can bring all the ingredients for success from technical knowledge to commercial to feedstock to global logistics, of course financing and

then offtake and marketing to the netback to the JV a very stable and profitable future. We want to bring that to India," he added.

The refinery is expected to start up around 2020-21. It would be Aramco's first foray into India's refining sector. It already has joint ventures in the US, South Korea, Japan, China and Indonesia. It also has plans for further projects in China and Malaysia, and wants to eventually raise its total downstream capacity to 8 million-10 million b/d from around 5.4 million b/d currently.

Falih also said Aramco was "in principle" interested in entering India's fuel retail business, but would not provide details of any discussions on the matter. "I will leave that to Aramco downstream organizations to look at," he said.