

Saudi oil-to-chemicals project to take first tentative step this year: reports

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Saudi Arabia is close to completing a feasibility study for a pioneering new facility to convert crude oil directly to petrochemicals, bypassing the need for the refining process, senior officials said Wednesday.

The study is being jointly carried out by Saudi Aramco and Saudi Basic Industries Corp. Once concluded, the kingdom's two industrial giants will form a joint venture to take the project forward.

They are expected to sign a memorandum of understanding for the fully integrated complex's development before the end of the year, and then to appoint a project management consultant for its design.

Saudi Aramco's CEO Amin Nasser said Tuesday he expects a final decision to be made by the end of the year, according to media reports from Riyadh.

Neither Aramco nor Sabic would comment on the project, and its details are still sparse.

A member of the project's research team told S&P Global Platts soon after it was first formed last year, the proposed facility would use super-light crude from a field south of Riyadh, possibly the 100,000 b/d capacity Nuayyim field, about 250 km south of the capital.

The process involves purifying the crude before sending it to a catalytic cracking unit to maximize light-olefin output, the building blocks for globally important plastics including polyethylene and polypropylene.

ExxonMobil was the first to use this kind of technology, commissioning a commercial crude-to-chemicals facility in Singapore in 2014, producing 1 million mt/year of ethylene directly from crude oil, with significant costs savings compared to the conventional naphtha-to-olefin process.

Sabic carried out its own initial crude-to-chemicals study in mid-2014, and decided in June 2016 to enter into a heads of agreement with Aramco.

The pair have said they have no intention of merging their petrochemicals businesses, but would continue to explore mutually beneficial opportunities to work together.

Sabic, which produces petrochemicals and metals in the kingdom, is already listed on the Saudi Stock Exchange. Aramco could also be partly listed next year, under a new economic development plan outlined by Crown Prince Mohammed Bin Salman. The plans include both companies being owned by the state's Public Investment Fund.

The project is a major step towards Riyadh's goal of integrating and broadening the scopes of its petroleum, minerals and industrial sectors.

It could also help push Saudi Arabia up the petroleum value chain, allowing the kingdom to export more of its oil in the form of value-added fuels and petrochemicals products in place of crude.