

## Summary

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**Oil & Gas**

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### Key points

- Bahrain is setting up the Bahrain Energy Fund Limited Partnership, a \$1 billion fund focusing on seven main projects that will further grow its economy.
- The decline in oil prices has pushed government-related entities to move away from using government funds to finance oil and gas development in favour of tapping capital markets.
- Privatisation of the oil and gas sector in the GCC is bringing in greater transparency, accountability and sustainability.

### Synopsis

Emerging supply and demand trends reflect some major transformations underway around the world. There is greater oil demand from non-OECD (Organisation for Co-operation and Development) countries. New discoveries of shale oil have threatened the profitability of traditional oil producers that are part of the Organization of the Petroleum Exporting Countries (OPEC), even as the United States has become a net exporter, achieving unprecedented energy security. The growing global economy is putting pressure on OPEC countries to boost production, even as changing public opinion on climate change is driving countries to lower their CO<sub>2</sub> emissions. At the same time, heightening tensions between Russia and the western world are pushing the search for alternative sources, especially gas.

Bahrain's oil and gas sector generates its government's largest share of revenues, making it the most important sector in the economy. It is in this context that H.E. Shaikh Mohammed bin Khalifa Al Khalifa, Minister of Oil of Bahrain, announced that the Kingdom will offer investors the opportunity to invest in various oil and gas-related asset classes through a private equity fund. The Bahrain Energy Fund Limited Partnership is a \$1 billion fund focused on seven projects, which include a refinery, a liquefied natural gas (LNG) project, the 'AB Pipeline' with Saudi Arabia, and an offshore field. "This is a structure that has never been made available in the region," he said, noting that its main advantage is that the projects are all well into their construction phase.

In terms of maturity of concept, the fund is well developed, said Neeraj Agrawal, Group Chief Financial Officer and Board Member, Crescent Group Holdings, United Arab Emirates. He noted that it would benefit from more transparency, especially in terms of its monetisation five to seven years from now. This is because funds of this type necessarily have a long-term vision while oil and gas projects have short-term cycles. Thus, "putting money alongside investors is very important" to such a fund, said Amjad Bseisu, Chief Executive, EnQuest, United Kingdom. Moving towards a cash flow-based mindset with capital flows is galvanising others to do the same, which will open up more and more opportunities. Such oil and gas projects have not been offered to financial investors before, only to oil and gas investors, making the fund a significant opportunity.

The ongoing economic downturn may throw up some good things, said James Janoskey, Managing Director, Global Co-Head, Oil and Gas, J.P. Morgan, citing the possibility that the GCC may become a key region for global investors. Agrawal built on this, saying that government-related entities, including in Saudi Arabia and Kuwait, are moving away from using government funds and are increasingly using the capital markets to raise money. This is bringing in greater transparency, accountability and sustainability, in addition to spreading wealth more widely.

TechnipFMC is building the BAPCO refinery, one of the fund's seven projects. Marco Villa, TechnipFMC's President for Onshore-Offshore EMIA, said the company is supporting the Bahrain government by investing in digitisation and building local capacity in terms of knowledge and skills.

Capacity building is a necessity throughout the region and companies must partner with governments, universities and other stakeholders on knowledge transfer programmes. Khaled Al-Mushaileh, Vice President, Europe, Kuwait Petroleum International, noted that 75% of oil and gas investments in his country will be domestic as the government has set an obligation for the sector to increase local participation. Kuwait Petroleum is seeking to do the same as it branches out towards other GCC countries.

Yet, Bseisu said, oil is a sunset industry as many forces are set against it over the long term. Key among these are climate change negotiations and organisational restrictions preventing capital from entering the industry, such as World Bank restrictions from 2019. Al Khalifa, however, cautioned against this sentiment. "It is easy to believe that peak demand is just around the corner," he said, asserting instead that the era of easy oil is in the past and, should supply challenges arise, it will suddenly be clear "how much we have lost out on by not investing". Challenging the idea of a sunset, he said, "The true risk is the shortage of supply in the medium term."

The GCC is a low-cost region that will weather any potential problems, Janoskey said, adding that lower prices across the region have allowed the industry to become much more efficient. This raises certain fears that rather than complementing each other, GCC countries will compete for the capital available. But actually, he said, they are already complementing each other – only one country produces wellheads, while another is specialising in metering systems. The real competition lies in attracting workers with the requisite talent and skills.

#### **Session panellists**

**Arnoud van der Slot**, Senior Partner, Roland Berger

**H.E. Shaikh Mohammed bin Khalifa Al Khalifa**, Minister of Oil, Bahrain

**Khaled Al-Mushaileh**, Vice President, Europe, Kuwait Petroleum International

**Neeraj Agrawal**, Group Chief Financial Officer and Board Member, Crescent Group Holdings, United Arab Emirates

**Amjad Bseisu**, Chief Executive, EnQuest PLC, United Kingdom

**James Janoskey**, Managing Director, Global Co-Head, Oil and Gas, J.P. Morgan

**Marco Villa**, President, Onshore-Offshore EMIA, TechnipFMC, France

Moderator: **Zeinab Badawi**, International Broadcaster and Chair, Royal African Society, United Kingdom

#### **Disclosures**

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