EIC INSIGHT REPORT
DOWNSTREAM

Executive summary

The Gulf Cooperation Council (GCC) is formed by six Middle Eastern countries which heavily depend on oil and gas as their main source of economic revenue. In recent years, the GCC countries have focused on moving down the hydrocarbon value chain and started to undertake several multi-billion-dollar downstream projects to upgrade and expand their current facilities as well as constructing new grassroots refineries and petrochemicals facilities.

The opening section of the report gives a brief introduction to the region's oil and gas production and consumption as well as the downstream related activities of major GCC players abroad. The report then focuses on major project activities in the GCC countries, which include upgrade and expansion projects to produce high volumes of clean fuels, providing a competitive edge in a tough market. GCC countries are investing billions of dollars in clean fuel projects (CFPs) to expand their product portfolio and meet the latest stringent environmental regulations. Major process units, proprietary process technologies and catalysts involved in CFPs are outlined in the report.

At the end of 2017, the region's total refining capacity was just under 6bn barrels per day (Bbbl/d). Newer and cleaner refining capacity of 2.16Bbbl/d is expected to be added in the region between 2018 and 2025, a 35% increase on the current capacity. Details of refinery expansion projects to meet domestic and international demand for products such as diesel, gasoline and jet fuel are outlined.

The GCC countries have captured a significant share of global petrochemical output over the years due to the availability of low-cost gas feedstock from oil and gas production. However, changing dynamics, such as reduced feedstock advantages, increasing economic competition from the growth of shale in the US as well as coal-to-chemicals in China are forcing the GCC countries to look at alternatives to remain competitive in the petrochemical industry. Traditionally, the GCC countries have used ethane as feedstock for steam crackers, however, they are now shifting to mixed-feed steam crackers to utilise naphtha from local refineries as additional feedstock. Supply chain opportunities including major equipment associated with steam cracker processes and projects are also outlined in the report.

The region's new focus involves integrating new build petrochemical and aromatics plants with refineries to drive maximum efficiency and flexibility. Added-value is achieved by the integration of different units, sharing of units, the transfer of products between refining and petrochemicals, reduced transportation costs, energy savings and flexibility on production of high-value products depending on market requirement.

The report also details the involvement of contractors from feasibility stage to EPCM on major projects. The activities of major international Tier 1 contractors such as CB&I, Petrofac, Saipem, TechnipFMC and Tecnicas Reunidas as well as South Korean contractors are analysed. In addition, types of loans and organisations financing downstream projects in GCC countries with project case studies are described.

With over US$164bn of projects planned or underway, the GCC region has a substantial pipeline of projects with numerous opportunities for the UK supply chain. About US$40.4bn is to be invested to upgrade and expand the GCC countries' current facilities, approximately US$122bn to construct new grassroots refineries and petrochemicals facilities, and about US$2.6bn to construct new chemical plants. There are currently 19 projects with an estimated CAPEX of US$59bn at pre-EPC stage being tracked on EICDataStream. Although not all projects currently tracked are expected to go ahead or start-up on schedule, spending levels in the region will remain relatively high in the coming years. The most promising projects, likely to move forward and with the most opportunities for the supply chain, are highlighted in the report.

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