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ADNOC Sets Up Oil Trading Business to Help Find New Markets

ABU DHABI, April 23 (Reuters) - Abu Dhabi National Oil Company (ADNOC) is setting up a new trading unit to handle its crude oil and refined products, part of the state-run firm's efforts to expand its international business and secure new markets.

The new business will be part of ADNOC's Marketing, Sales and Trading Directorate, the company said in a statement on Monday. "The unit will introduce and manage non-speculative trading to further maximize value from every barrel of crude oil and refined product that is produced and marketed by the company," ADNOC said.

Middle East oil producers are branching out into trading crude oil and refined products to boost their incomes following a sharp drop in oil prices since mid-2014 which has forced them to become more efficient and commercially focused.

ADNOC had held talks with Royal Dutch Shell and Total as well as the world's biggest trading house Vitol on setting up a joint venture to trade oil and products, Reuters had reported last year.

But ADNOC has decided to set up the trading business within its existing marketing department rather than going for a separate JV trading firm.

ADNOC, regarded as one of the more conservative among Middle East oil producers, began a wide-ranging shake-up under new management appointed in 2016 to become more competitive.

The company has listed its fuel retail business, ADNOC Distribution, in an initial public offering (IPO) last year. It also aims to expand its downstream business abroad and may sell a stake in its refining assets to strategic partners.

The oil price drop since mid-2014 has forced the oil industry in general to cut costs and look for ways to boost efficiency and tackle competition from new producers such as U.S. shale firms.

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"We are in the process of hiring trading experts in key positions," Abdulla Salem al-Dhaheri, director of ADNOC's Marketing, Sales and Trading Directorate, told Reuters on the sidelines of the Middle East Petroleum and Gas Conference (MPGC).

He said the trading business would focus mainly on Asia but would also aim to expand into other markets like Europe, the traditional outlet for refined products such as jet fuel, diesel and gasoline.

ADNOC has hired Philippe Houry, a former senior HSBC banker, to head the new trading business, Dhaheri said.

Other Middle East oil producers have also ventured into trading in the past few years.

Oman was the first Middle Eastern producer to set up trading with a 50/50 venture with Vitol last decade. The venture, Oman Trading International, was ultimately bought out by the government and is currently fully owned by Oman Oil.

Saudi Aramco, the world's largest oil exporter, has up its trading arm, Aramco Trading Company (ATC), in 2012 to market refined products, base oils and bulk petrochemicals. ATC has also expanded into non-Saudi crude trading.

Iraq's state oil marketer SOMO has teamed up with Russia's Lukoil in a venture in Dubai to trade crude. The venture might expand later into refined products and petrochemical trading.

Kuwait is also looking at establishing a new firm to market refined products. The company would help Kuwait to sell products mainly from its refining venture at Duqm in Oman. (Additional reporting by Stanley Carvalho. Editing by Jane Merriman)