The GCC hydrocarbon sector: big and getting bigger

- Despite the push for greater economic diversification over the past decade or so, no sector comes even close to rivaling the hydrocarbon sector as the backbone of the GCC economy. In recent years, it has accounted for more than half of all economic output and up to 85% of government revenues.
- At an international level, too, the region's standing is immense. It accounted for 17% of world crude output in 2009, and 9% of output of natural gas. In energy equivalent terms, it also holds around 30% of world hydrocarbon reserves. Its share of oil refining capacity, however, is much smaller.
- The **resources** of each GCC country vary considerably. Saudi Arabia owns more than half of the region's oil reserves, production and refining capacity, but Qatar produces the most natural gas.
- The **industry's organization** also varies across countries. Giant state-owned firms dominate the corporate scene – particularly upstream. But some countries – notably the Oman, Qatar and the UAE – rely on a considerable amount of private sector involvement.
- Current investment plans are impressive. Regional **crude oil production** capacity could rise by 3.7 million barrels per day (mbpd) over the next decade, or around 20%. This does not account for output declines in existing fields, but in most cases, this effect is unlikely to change the broader picture very much .
- Four countries could see increases of at least 0.7 mbpd. Among the major projects are increases in heavy oil production in Kuwait and Saudi Arabia, while the UAE is trying to develop previously untapped fields offshore.
- Plans in the **natural gas** sector are even more extensive, as the region grapples with rapidly rising local demand. New projects may add 23 billion cubic feet per day (bcfd) of gas output capacity between 2010 and 2020, a rise of more than 70% .
- More than half of the new capacity comes from Qatar – some of which was effected in 2010 but is not yet fully on-stream. Outside Qatar, the biggest increases are due to come from non-associated gas projects in Saudi Arabia.
- Downstream, **oil refining** capacity could jump 60% to 7 mbpd by 2015. Nearly half of the increase comes from 3 new refineries in Saudi Arabia, while Kuwait's Zour refinery accounts for one quarter. On the **LNG** front, regional capacity is likely to plateau with the start-up of QatarGas' 7th train in 2011 .
- **Kuwait** is set to be at the heart of the region's expansion efforts. Under the massive investment program planned by the Kuwait Petroleum Corporation, oil production capacity is set to climb from 3.3 mbpd to 4 mbpd by 2020 .
- Plans include a 0.3 mbpd increase in output of condensates from northern Kuwait by the middle of the decade and rising production of heavy oil. At current oil prices, this extra output could be worth an extra USD 10 billion per year in export revenues.
- In addition, Kuwait's gas output could rise from around 1.3 bcfd to well over 2 bcfd by 2020 – and even higher beyond then. Meanwhile, the proposed new refinery at Al Zour – alongside upgrades to existing plants - could boost refining capacity by 0.6 mbpd to 1.4 mbpd.
- These region-wide expansions should provide a substantial boost to the GCC economy. GCC oil and gas output could rise by 30% between 2010 and 2020, or 2.4% per year on average. This could add 1.3% per year to real GDP .
- This may complicate the region's economic diversification goals, but – as the world's conventional hydrocarbon resources become ever more stretched – it also promises to enhance the GCC's standing on the global energy scene.