

UAE may cut energy investments by \$8bn in 5 years

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The UAE is expected to slash investment in its hydrocarbon and other energy projects by nearly \$8 billion (Dh29bn) in the next five years because of lower costs and the global financial turmoil, an official report said yesterday.

Other oil producers in the Middle East and North Africa (Mena) region are also expected to trim capital requirements in the energy sector during 2010-14 but the UAE will be the least affected, showed the report by the Dammam-based Arab Petroleum Investment Corporation (Apicorp).

The report, sent to **Emirates Business**, showed the total Mena energy investments during that period would plunge by around 30 per cent, or nearly \$271bn, from \$550bn to \$385bn.

The figures showed the percentage of the investment reduction in the UAE is the lowest in the region, standing at 17 per cent.

It was put at 21 per cent in Saudi Arabia, 43 per cent in Qatar, 36 per cent in Iran and 20 per cent in Algeria.

In terms of project value, Saudi Arabia is expected to lower investments by around \$29bn during the review period while the decline was estimated at nearly \$26bn in Qatar, \$30bn in Iran and \$7bn in Algeria.

"The steep upward trend in Mena energy capital investments over the last six reviews has now reversed. Indeed, the current preview for the five-year period 2010–14 points to lower capital investment potential," Apicorp said in the study, authored by its chief economist Ali Aissaoui.

"It also confirms a further drop in actual capital requirements. At the present time, we expect the capital investment potential to decrease by 15 per cent, to \$550bn, and the actual capital requirements to fall by 30 per cent below this potential, to around \$385bn."

Apicorp, an affiliate of the 11-nation Organisation of Arab Petroleum Exporting Countries, said two-thirds of the energy capital investment potential continues to be located in five countries—the UAE, Saudi Arabia, Iran, Qatar and Algeria.

In Saudi Arabia, potential capital investments have come down to \$139bn, with shelved or postponed projects estimated at 21 per cent of this potential, mostly in the downstream sector, according to the study.

It said Iran has maintained its second place in the new ranking with \$82bn but added that about 36 per cent of this potential may have been shelved or postponed as international sanctions continue to hamper the industry.

In Qatar, the world's largest gas power, the potential capital investment is now estimated at \$62bn.

As a result, shelved and postponed projects during the review period are put at an even higher rate of 43 per cent of potential.

"To cope with the global credit and oil markets crises, Mena energy policy makers and project sponsors have had little option but to reassess their investment strategies and scale down projects portfolios. As a result, the uptrend momentum achieved in recent years has reversed," Apicorp said.

"The preview has also confirmed a further drop in actual capital requirements as a consequence of the continuing shelving and postponement of projects that are no longer viable and fundable.

How quickly and at what cost these projects will be brought back when the investment climate improves depends very much on how the engineering and contracting industry is affected in turn and the ways it will itself be responding."

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