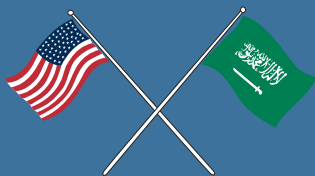


# The Petrochemicals and Plastics Sector in the Kingdom of Saudi Arabia



## U.S.-SAUDI ARABIAN BUSINESS COUNCIL



مجلس الأعمال السعودي الأمريكي  
U.S.-Saudi Arabian Business Council

Strengthening  
Bilateral Business  
Relations through  
Trade and Investment

## LETTER FROM THE PRESIDENT

Dear Reader,

The U.S.-Saudi Arabian Business Council (USSABC) is pleased to offer you this **summary** of our recently released *Petrochemicals and Plastics Sector in the Kingdom of Saudi Arabia* report. Based on extensive research gathered from Saudi Government documents, media agencies, and studies by non-governmental organizations, this report presents a concise yet thorough overview of Saudi Arabia's petrochemicals and plastics industry, including billions of dollars worth of investment opportunities.

The report provides an analysis of the most recent statistics and ongoing trends in the industry. It describes the sector's regulatory structure and major developments. More importantly, these topics are discussed within the framework of private and foreign investment opportunities. A current list of key contacts for government ministries and leading Saudi companies in the industry is also included.

The 2009 *Petrochemicals and Plastics Sector* report is a great resource for companies interested in learning more about Saudi Arabia's growing chemicals industry. Combined with the Council's other business development services, the report provides companies with a valuable "first step" toward breaking into the Saudi market, which boasts a combined \$1.4 trillion worth of investment opportunities through 2020.

To obtain a complete copy of the report, please see the back cover for additional information.

Sincerely,



Edward Burton  
President and Managing Director  
U.S.-Saudi Arabian Business Council

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## SUBSIDIARIES OF SAUDI BASIC INDUSTRIES CORPORATION

In Saudi Arabia, the dominant player is the state firm Saudi Basic Industries Corporation (SABIC), which accounts for 95 percent of domestic petrochemical output. SABIC is comprised of numerous subsidiaries, the largest of which are listed below:

Company	Location	Partnership	Feedstock	Products
<b>ALBAYRONI</b> Jubail Chemical Fertilizer Company	Jubail	A 50/50 SABIC joint venture formed in 1971 with Taiwan Fertilizer Company (Republic of China)	Methane, Propylene (supplied by PETROKEMYA)	Ammonia, Urea, 2-Ethyl Hexanol, DOP
<b>IBN SINA</b> National Methanol Company	Jubail	SABIC (50%), CTE (50%, owned by Duke Energy and Hoechst-Celanese, USA)	Methane, Butane	Chemical Grade Methanol, MTBE
<b>IBN ZAHR</b> Saudi-European Petrochemical Company	Jubail	SABIC (80%), Ecofuel-Italy (10%), Arab Petroleum Investment Corporation APICORP (10%)	Chemical Grade Methanol, Butane, Propylene	MTBE, Polypropylene
<b>KEMYA</b> Jubail Petrochemical Company	Jubail	A 50/50 SABIC joint venture with ExxonMobil (USA)	Ethylene (supplied by SADAF)	Polyethylene
<b>PETROKEMYA</b> Arabian Petrochemical Company	Jubail	A wholly-owned affiliate of SABIC	Ethane, Styrene, Propane, Butane, Natural Gas	Ethylene, Polystyrene, Butene-1, Propylene, Butadiene, Benzene
<b>SADAF</b> Saudi Petrochemical Company	Jubail	A 50/50 SABIC joint venture with Pecten Arabian Company, a subsidiary of Shell Oil Company (USA)	Ethane, Salt, Benzene, Methanol, Butane	Ethylene, Crude Industrial Ethanol, Styrene, Caustic Soda, Ethylene Dichloride, MTBE
<b>SHARQ</b> Eastern Petrochemical Company	Jubail	A 50/50 SABIC joint venture with a consortium of Japanese companies led by Mitsubishi Corporation	Ethylene (supplied by PETROKEMYA)	Linear Low Density Polyethylene (LLDPE), Ethylene Glycol
<b>TAYF</b> Ibn Hayyan Plastic Products Company	Jubail	SABIC affiliate IBN HAYYAN (57.17%), Saudi Industrial & Commercial Agencies Company (30.83%), Saudi Industrial Development Company (TATWEER 10%), Saudi Ceramic Company (2%)	Polyvinyl Chloride (supplied by IBN HAYYAN), Di-Octyle Phthalate (sourced from SAMAD)	Plastic Boards, Wall Covering, Artificial Leather, Book Binding Products

## OVERVIEW OF THE PETROCHEMICALS AND PLASTICS SECTOR IN SAUDI ARABIA

Home to more than a quarter of the world's proven oil reserves, Saudi Arabia boasts over 257.8 trillion cubic feet of gas reserves, 40 percent of which is non-associated, making the Kingdom's quantity of reserves the fourth largest in the world after Russia, Iran, and Qatar. Since more than 95 percent of the Saudi Arabia's basic petrochemicals are derived from methane and natural gas feedstock, the country's commitment to expanding its natural gas infrastructure will enhance its competitive advantage in the global petrochemical and plastics markets.

According to the Royal Commission for Jubail & Yanbu, Saudi Arabia produces 49 unique petrochemical products. Product slates of public petrochemical companies, which are currently dominated by upstream base chemicals and polymers, are undergoing change to reflect the growing trend in downstream chemical production. Of the 59 petrochemicals projects currently in the pipeline and valued at approximately \$48.5 billion, an estimated 7 percent are "Greenfield" projects. The PetroRabigh Petrochemical Complex, the Ras Tanura Integrated Refinery and Petrochemicals Complex, and the Saudi Kayan Petrochemical Complex are considered to be among the major, large-scale petrochemical projects that are expected to dramatically mould the future landscape of the Kingdom's growing petrochemical industry.



Despite the global economic downturn, the volume of the Saudi petrochemical industry is expected to triple. The Kingdom may already have as many as 80 new chemical plants under construction. Looking ahead, Saudi Arabia plans to spend approximately \$91 billion over the next 10 years to build new plants, expand existing ones, and integrate refineries with new or existing petrochemical units. Although the Saudi petrochemicals landscape remains dominated by state-owned industrial leader SABIC and its various affiliates, the Saudi private sector has, from the outset, sought to capture a portion of the market, both in partnership with SABIC and, more recently, on its own. The Saudi Arabian General Investment Authority, the authority entrusted with attracting investment in the Kingdom, considers that the unprecedented number of new upstream projects launched by the private sector will lead to a reduction of the prices for resins, therefore, making downstream operations more attractive to investors. Saudi private investors are expected to invest over \$10 billion in petrochemical projects by 2010. Another important turning point has been the partnering of SABIC with Saudi Aramco on a number of chemical projects. The sustained partnership between the two industrial giants will likely bolster the Kingdom's petrochemical industry to an unrivaled level of development in the years to come.

The development of Saudi Arabia's plastics industry is part of the country's overall economic diversification program away from hydrocarbons. The industry started with a polymer processing facility established in 1956. A significant turning point for the Saudi plastics sector took place in 1987, when SABIC started producing plastic resins for the 75 plastics manufacturing units then operating in the Kingdom. SABIC is now the source of raw materials for numerous national and international chemical and plastics processing companies.

The expansion of Saudi Arabia's plastics industry can be attributed to low domestic energy costs, a ready supply of raw materials, a rapidly increasing population, 38 percent of which is under the age of 15, and the Saudi Government's commitment to industrial diversification through foreign investment. With increased investment and technological know-how, the plastics industry in the Kingdom has undergone a major diversification from basic to more sophisticated products. Through a number of financial incentives and a supportive national policy, the Saudi Government encourages industrial joint ventures or licensing technology and has helped the industry to move away from import substitution to actual growth in domestically manufactured plastic products.

Joint venture partnerships between local companies and U.S., European, and Asian counterparts are playing an increasing role in the growth of the upstream and downstream plastics industry in Saudi Arabia. Because of their role in the Kingdom's diversification program, plastics projects benefit from significant government incentives. Incentives include a 10-year tax holiday, access to low-cost feedstock from Saudi Aramco and SABIC, and loans on favorable terms commonly covering 50 percent of the total capital cost from the Saudi Industrial Development Fund. There are excellent opportunities evolving from new joint venture projects undertaken by SABIC and the private sector for U.S. manufacturers and suppliers of industrial equipment to the petrochemical and plastics industry. American design and engineering companies/licensors have good opportunities to license their processes or provide technical know-how through licensing agreements. American technology and production processes maintain a reputation for being technically advanced, and for high quality and durability. Arrangements already exist with a number of U.S. companies including UOP, Great Lakes Chemical Corp., Union Carbide, Halliburton Kellogg Brown & Root, Dow Chemical, and Bishop Technology Co.

## SELECT USSABC MEMBERS ENGAGED IN THE PETROCHEMICALS & PLASTICS INDUSTRY

### A. H. Abdullah Al-Qahtani & Sons Group of Companies

Website: [www.ahqsons.com](http://www.ahqsons.com)

### Ahmad Hamad Algosaibi & Bros.

Website: [www.ahalgosaibi.com/home.htm](http://www.ahalgosaibi.com/home.htm)

### Delmon Group of Companies

Website: [www.delmon.com.sa](http://www.delmon.com.sa)

### Jeraisy Group

Website: [www.jeraisy.com](http://www.jeraisy.com)

### The Olayan Group

Website: [www.olayangroup.com](http://www.olayangroup.com)

### Saudi Arabian Oil Company (Saudi Aramco)

Website: [www.saudiaramco.com](http://www.saudiaramco.com)

### Saudi Brothers Commercial Company

Website: [www.saudibrothers.com](http://www.saudibrothers.com)

### Xenel Group

Website: [www.xenel.com](http://www.xenel.com)

### Aggad Investment Company (AICO)

Website: [www.aico.com.sa](http://www.aico.com.sa)

### Al Moaibed Group Co. Ltd.

Website: [www.napcogroup.com](http://www.napcogroup.com)

### E.A. Juffali & Brothers

Website: [www.eajb.com.sa](http://www.eajb.com.sa)

### National Industrialization Company

Website: [www.nic.com.sa](http://www.nic.com.sa)

### Omar K. Al-Esayi & Co. Ltd.

Website: [www.alesayi.com](http://www.alesayi.com)

### Saudi Basic Industries Corporation

Website: [www.sabic.com](http://www.sabic.com)

### Saudi International Petrochemical Company

Website: [www.sipchem.com](http://www.sipchem.com)

### Zamil Group Holding

Website: [www.zamil.com](http://www.zamil.com)

## U.S.-SAUDI ARABIAN BUSINESS COUNCIL PRODUCTS & SERVICES

Taking full advantage of the experience and expertise of Business Council staff in both the Washington, D.C. metropolitan area and Riyadh, the USSABC offers a wide range of tailored products and services offers a full menu of business development, networking, and communications and information services to **Members** and **Non-Members**. Products and services include:

### Business Development Services

- Market Insight & Analysis
- Competition Analysis
- Market Entry Strategy
- Partner Identification & Introduction
- Company Profiles & Contact Information
- In-Country Partnership Screening & Analysis
- In-Country Appointments & Logistical Support
- Trade Show Support Services
- Trade Missions to and from Saudi Arabia
- Advisory Services

### Networking Services

- Annual Business Conference/Plenary Meeting
- Business Round Tables/Issue Luncheons
- Business Dialogue Sessions
- Pre-dinner or reception meeting with dignitaries

### Communications & Information Services

- Newsletter
- A Business Guide to Saudi Arabia
- Industry Sector Reports

## U.S.-SAUDI ARABIAN BUSINESS COUNCIL MEMBERSHIP BENEFITS

### **\$5,000 Platinum Member**

- Priority notice of special events
- Priority Table Seating for CEO/Chairman at selected events
- CEO receives direct access to dignitaries at events
- Pre-dinner or reception meeting with dignitaries
- Special invitations to round table executive discussions
- Unlimited Saudi visa sponsorships
- Limit of ten copies of Business Guide, limit of ten sector reports per year; additional copies at a discount
- Ten free hours for research requests; additional hours at a discount
- Ten free hours for identifying partners or distributors; additional hours at a discount
- Corporate logo displayed on the Council's website with link to company site

### **\$2,500 Gold Member**

- Priority notice of special events
- Special invitations to round table executive discussions
- Limit of five Saudi visa sponsorships per year
- Limit of five copies of Business Guide, limit of five sector reports per year; additional copies at a discount
- Five free hours for research requests; additional hours at a discount
- Five free hours for identifying partners or distributors; additional hours at a discount

### **\$1,000 Silver Member**

- Invitations to special events
- Limit of three Saudi visa sponsorships per year
- Limit of three copies of Business Guide, limit of three sector reports per year; additional copies at a discount
- Three free hours for research requests; additional hours at a discount
- Three free hours for identifying partners or distributors; additional hours at a discount

## ABOUT THE U.S.-SAUDI ARABIAN BUSINESS COUNCIL

The U.S.-Saudi Arabian Business Council (USSABC) was established in December 1993 to improve the mutual knowledge and understanding between the private sectors of the United States and Saudi Arabia, and to promote and facilitate increased trade and investment between the two countries. Our mission is to foster, develop, and expand the strategic business alliance between the U.S. and Saudi Arabia by promoting trade and investment between the two countries and contributing to the accurate depiction of the business environment within the Kingdom of Saudi Arabia. The USSABC also seeks to create awareness of the opportunities for small and medium sized businesses in both countries.

The USSABC has built a membership base of leading companies in the U.S. and Saudi Arabia, enjoys strong government support from both countries, and interacts regularly with officials to promote issues of mutual interest to U.S. and Saudi firms. The Business Council serves as the central source of information and assistance for companies that want to pursue specific business activities in the Kingdom of Saudi Arabia. Furthermore, the USSABC organizes conferences and seminars in both countries to promote dialogue between the two private sectors, as well as trade and investment missions that provide networking opportunities for U.S. and Saudi companies.

The USSABC provides a wide variety of business development services to Council members and non-members alike. These services include market entry strategy, partner identification and introduction, in-country appointments and logistical support, and the organization of trade missions to and from Saudi Arabia. The USSABC also provides up-to-date information on market opportunities in Saudi Arabia through a number of publications, including *A Business Guide to Saudi Arabia*, a bi-monthly newsletter, *the U.S.-Saudi Business Brief*, and special reports on Saudi Arabian industry sectors. For more information on Council membership or services, please visit [www.us-sabc.org](http://www.us-sabc.org).

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