



Why Have Companies Invested \$20 Billion in ADNOC's Pipeline?

The Abu Dhabi National Oil Company – or ADNOC for short – has announced a landmark \$20.7 billion deal with six international companies for a minority stake in its domestic pipeline infrastructure. The deal was made with a consortium of the world's foremost sovereign wealth funds and infrastructure specialists and is expected to yield attractive advantages for all involved parties.

On the one hand, ADNOC will gain access to significant capital while still retaining operational control and ownership over the assets in question. On the other, the six participating firms have secured a low risk investment opportunity which offers steady capital gains returns, making it win-win all round.

A bumper deal

The six companies involved in the investment deal are Brookfield Asset Management (headquartered in Canada but serving an international market), the US-based Global Infrastructure Partners, GIC from Singapore, NH Investment from South Korea, the Ontario Teachers' Pension Plan Board from Canada and Snam of Italy.

Together, the six companies have invested a cumulative \$20.7 billion into ADNOC Gas Pipeline Assets, which is a recently founded subsidiary of ADNOC itself. In return, they will receive 49% ownership and leasing rights to 38 pipelines across the UAE for the next two decades. The pipelines involved span almost 1,000km and constitute the primary method [how oil is transported](#) to the country's domestic customers.

It's the second recent influx of cash into ADNOC's energy infrastructure, after the company announced a similar minority stake deal last year. On that occasion, \$4.9 billion was invested into pipeline leasing rights, with major investors including BlackRock, KKR and GIC once more.

A symbiotic setup

The deal makes good business sense on all sides. As the largest single energy transaction this year anywhere in the world, it will funnel \$10.1 billion of foreign direct investment (FDI) into the country. At the same time, ADNOC will retain a controlling stake in the pipelines and will recoup ownership when the 20-year lease comes to an end.



For their part, the consortium can benefit from an opportunity to invest in the UAE’s booming energy infrastructure, while enjoying the security of stable, long-term cash flows that such a reliable business partner like ADNOC brings. More than anything, it provides all parties with the chance to drive growth in the sector and attempt to return to something resembling normalcy after the upheaval caused by COVID-19.

“This milestone transaction demonstrates the trust and confidence placed in ADNOC by the global investment community and unlocks significant value from our pipeline portfolio, following last year’s ground-breaking oil pipeline infrastructure investment partnership,” [explained Dr Sultan Al Jaber](#), who is CEO of the ADNOC group and the current Minister of State for the UAE.