



Japan's Cosmo Backs ADNOC with Exploration Deal

The state-owned oil company Abu Dhabi National Oil Company (ADNOC) has signalled its intention to continue expanding its production capacity and enhance its international partnerships by signing a deal with Japan's Cosmo Energy Holdings Company last month.

Under the terms of the deal, Cosmo are granted permission to search for new offshore oil and gas fields in Emirati waters. The Japanese firm are rumoured to have set aside \$145 million for the exploration project, which constitutes just part of ADNOC's plans to increase its capacity to five million barrels per day by 2030.

The small print

Abu Dhabi is home to most of the known oil deposits in the UAE. Under the terms of ADNOC's landmark deal with Cosmo, the latter company will be permitted to explore Offshore Block 4 of the country's territory to seek new fields. It has reportedly earmarked a sum of up to \$145 million for the job.

If Cosmo is successful in locating fresh oil deposits, it will have the opportunity to instigate a 35-year concession agreement to develop them. It can take years for such fields to be developed to the point where oil can be extracted from them, which explains the length of the agreement. ADNOC will also have first refusal on a 60% stake in any project going forwards.

Oil on the up?

After a disastrous 12 months for the oil industry, during which [demand for the commodity slumped to record-low levels](#), the sector does finally appear to be rebounding. Greater containment of the coronavirus pandemic, alongside rapid deployment of effective vaccines, mean that oil demand is predicted to grow in the coming year.

Of course, the slow transition to renewables and other sustainable sources of energy mean that fossil fuels are being gradually phased out. But even if demand for oil is likely to drop in the long term, it will still comprise a key facet of the global energy mix for decades to come, say experts on the subject. It's for that reason that ADNOC is keen to continue expanding its capacity.



Complying with OPEC

2020 saw the UAE at loggerheads with some members of OPEC, the Organisation of Petroleum Exporting Countries, over the limits on capacity that were imposed to try and instigate a rise in sluggish prices. However, the UAE has complied with OPEC's decreed cuts throughout the downturn and is now hoping to benefit from a resurgence by upping its capacity from four million barrels per day today to five million barrels per day by 2030.

Given that the oil fields in the Middle East have some of the lowest-carbon crude oil and the least expensive extraction costs in the world, the region is expected to provide the majority of the world's oil even as the industry enters its twilight years. The UAE is not alone in wishing to expand its capacity, with Saudi Arabia, Iraq and Kuwait all implementing similar plans in the coming years.