



# Why Are Oil Firms Selling Assets?

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Saudi Aramco appear to be following the example of the Abu Dhabi National Oil Company (ADNOC) in selling off stakes in their energy assets, according to sources within the sector. They companies are expecting to raise tens of billions of dollars as they attempt to diversify their economic portfolios in a world where fossil fuels are increasingly maligned for their environmental impact.

The moves represent something of a change in tactic for the Middle Eastern nations, who have traditionally been quite possessive of the assets at their disposal. As well as selling off stakes in power plants, refineries and export terminals, it's thought that interests in [upstream projects like blue ammonia](#) could also be up for grabs in the coming years. Meanwhile, smaller Gulf nations like Bahrain and Oman are also weighing up the option to follow in their footsteps in the near future.

## ADNOC leading the way

The UAE-state owned firm ADNOC has been something of a trailblazer when it comes to selling off Gulf assets in the energy industry. Over the last four years, ADNOC have entered into partnerships for core and non-core assets, raising a cool \$30 billion in the process.

The company is also in the process of listing the drilling arm of its operation, which was priced at roughly \$11 billion three years ago. Should that deal go through, it will become the second time that the company has made an initial public offering (IPO) for its assets, with its distribution division listed in 2017. ADNOC are hoping to attract the attention of major overseas investors in the upcoming IPO as they seek to stimulate the local stock market.

When previously questioned over what ADNOC planned to do with the proceeds from those sales and partnerships, a spokesperson for the company said that all funds would be reinvested in its core business and strategic development proposals. No further details were forthcoming.

## Saudi Aramco et al following suit

Saudi Aramco now appears to be taking a leaf out of the ADNOC playbook. After concluding a \$12.4 billion deal to sell off a minority stake in its pipeline infrastructure to foreign investors in June, there are rumours that the company will also listen to offers for both upstream and downstream assets in the coming months.



“All of the oil producers are looking to recycle capital that they have tied up in infrastructure assets and deploy that for other things,” [explained one senior executive](#) involved in the industry, who asked to remain anonymous. “Private investors find these assets attractive.” That’s due to the fact that they generally provide steady returns over a long period of time, especially in a low-interest rate economic climate such as the one we are facing now.

For their part, it’s thought that Saudi Aramco are seeking to use the funds to investigate more sustainable forms of energy generation and exportation, though confirmation was not available as the company declined to comment. Elsewhere, state-associated firms in both Bahrain and Oman are considering similar deals to restructure their financial profiles through the sale of certain assets.