



# How Will the UAE Expand its Oil Production Capacity?

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The UAE's plans to expand its oil production capacity from four million barrels per day (bpd) today to five million bpd by 2030 are continuing apace. Last month, the state-owned oil company ADNOC announced that it had awarded multiple contracts worth a cumulative \$653 million to a variety of different companies operating in the industry.

Those deals will allow the UAE to drill thousands of new oil wells, augmenting its already plentiful production capacities. They also followed hot on the heels of a tender process worth near \$1 billion that was won by the National Petroleum Construction Company (NPCC) to maintain and increase capacity at existing facilities. Together, these ventures should help the government to achieve their targets ahead of schedule.

## Breaking new ground

The raft of new deals announced last month are just one prong of the UAE's strategy to expand its output potential. At the same time, it is refocusing efforts on its Lower Zakum, Umm Shaif and Nasr offshore concessions. As well as granting NPCC the contract to develop one of those sites, it has also renegotiated the ownership rights of two of them to better optimise their performance.

Meanwhile, those developments have been pursued in tandem with intensified activity at its Block 4 onshore concession. It was recently revealed that a newly discovered site within the concession is likely to yield as much as 480 million barrels of product, based upon a conservative recovery estimate of 40% for crude oil and 70% for natural gas.

## Establishing Murban

As well as boosting its production capacity, the Block 4 concession is also likely to help establish Murban as the chief asset of its ICE Futures Abu Dhabi (IFAD) platform. The UAE hopes that IFAD will become the pre-eminent trading mechanism in the UAE and believes Murban will thrive in the role of its prized commodity.

Murban is a sweet, light crude oil grade that, according to [various different oil analysis methods](#), is extremely high quality and therefore expected to experience



significant demand in the coming years. At present, it comprises around half of the UAE's output capacity and has enjoyed the equivalent of one billion barrels' worth of transaction since the launch of the IFAD platform.

## **Infrastructural improvements**

Not satisfied with ramping up its production capabilities and establishing its oil grade as the premier choice in the region, the UAE also wishes to improve its processing, storage and distribution infrastructure as well. Key to this ambition is the development of Fujairah Port, which can serve as a rival to the perennially problematic Strait of Hormuz channel.

As the principal shipping route for all types of commercial and industrial traffic in the Gulf, the Strait is prone to bottlenecks and sometimes susceptible to geopolitical tensions, too. With the completion of the Abu Dhabi Crude Oil Pipeline in 2012, the Fujairah Port has since become a credible alternative. Ongoing work to add 1.3 million metric tonnes of container capacity has only strengthened Fujairah's position.