



**H.E. Anas Al-Saleh
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Gulf Affairs: How has Kuwait's energy sector adjusted to this lower oil price environment?

Anas Al-Saleh: The Kuwait oil sector has focused on: (1) optimization of operations' activities across the barrel, (2) rationalization of costs, and (3) execution of all major projects. Accordingly, Kuwait Petroleum Corporation (KPC) and its affiliates have developed more than 100 initiatives as a means to move the sector into a better position and effectively survive current weak oil prices and achieve sustainability.

Furthermore, Kuwait is devoting extra effort to reduce its operational costs without affecting its overall strategic plan. Measures include re-negotiation of contracts related to operations and maintenance and training outside Kuwait. Other measures include applying technology, adopting digital management of fields, and liaising with IOCs to better enable more efficient operations and developments. We are evaluating all existing activities and ongoing investments to continue with those activities that are profitable and commercially viable while exiting unprofitable ones. As you are aware, we have already sold a refinery in Europe, and a decision was made to exit the fertilizer business in Kuwait.

We are seeking to implement a new project finance policy that would require executing some of the main projects via loans from international markets and banks. This would ensure better project management and may improve overall economics. These projects include the Clean Fuel Project, Vietnam Refinery, LNG import facilities, KUFPEC upstream projects outside Kuwait, and expansion in petrochemical activities inside and outside Kuwait.

We are pushing forward with the concept of Value Chain Optimization as an effective and efficient mechanism to manage operations. This would drive cost reduction and result in the highest added value that can be attained throughout all activities including upstream, logistics, operations, refining, petrochemicals, marketing and sales, human resources, technological development as well as HSSE.¹ One of the aspects where we have achieved the highest operational optimization is the expansion of LNG imports for power generation locally. We are also using the Kuwait Integrated Digital Field, where every well is instrumented with state-of-the-art technology and connected to Collaboration Centers which allow engineers from all disciplines across upstream in Kuwait to work together and take decisions on how to optimize production in a collaborative environment.

Gulf Affairs: What are the key projects in place that will help Kuwait reach its target of pumping four million barrels of oil per day by 2020? In addition, what is the status of those projects? Are they likely to reach completion in time?

Al-Saleh: Kuwait is producing 3 million barrels of oil per day today. By 2020, we should be able to produce 4 million barrels per day. All major upstream projects to boost production and achieve this target have been signed and are in the process of implementation. These include an aggressive drilling program in all areas during the next five years and the development of heavy oil. The fourth gathering center (GC32) is in the contractual tendering process. We have already completed three gathering centers and two booster stations.

Gulf Affairs: Can we expect to see new privatization efforts in the downstream sector in the short-to-mid-term?

Al-Saleh: Initiatives have been launched to implement the local content's² strategic program through partnerships with the private sector to support the local economy and enhance its role to become a dynamic partner in Kuwait's development. These initiatives will encourage and facilitate the transfer of knowledge and modern technologies to the local private sector. This process will assist in developing Kuwaiti talent and support the establishment of manufacturing industries in Kuwait. Possible activities will be identified and evaluated carefully before deciding if any unit or company will be privatized. This will need more time.

Gulf Affairs: Is it likely that Kuwait will raise gasoline, diesel and fuel oil prices shortly? If so, on what basis? Is this going to help the fiscal balance?

Al-Saleh: The Kuwait government has proposed a plan to raise gasoline prices at retail stations, which will be implemented once approvals are completed. This step follows the raising of diesel prices in 2015. The reduction of subsidies to bring local fuel prices more in line with international price levels will help

¹ Health, Safety, Security, and Environment

² 'local content' refers to added value brought to a host nation.

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rationalization of consumption and is crucial in the face of the sharp decline in oil revenues and the impending budget deficit.

Gulf Affairs: In light of the agreement reached at the Paris Climate Conference (COP21), what role do you see for renewable energy in Kuwait and the wider GCC region? What renewable energy projects has Kuwait initiated and what are the plans for the future?

Al-Saleh: As a directive to meet the State of Kuwait's current and future energy demand by providing an economically and environmentally optimal mix of fuels, as well as strategic backup, the 2030 KPC Strategic Directions encouraged the pursuit of alternative and renewable energy sources and conservation efforts. We are identifying improvement opportunities relevant to solar energy technologies within Kuwait's oil sector and ways to enable KPC and its subsidiaries to play a more active role in energy saving by developing an effective action plan for utilizing solar energy technologies in K-Companies' facilities.³ This will complement the vision of His Highness the Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah for a practical action plan to produce 15 percent of the country's total energy needs from renewable energy sources by 2030.

Renewable energy technology will play an important role in addressing both issues—air pollution and carbon emissions—and it is more relevant to the 2015 UN climate conference in Paris (COP21). The investments into renewable energy technology can be viewed as a long-term solution to the surging energy demand globally as well as locally, and hence, limiting pollution as well as emissions levels. Renewable energy is a promising growing industry that can generate more jobs, improve overall productivity, and ensure the involvement of different parties including the private sector in addition to contributing effectively to the diversification of the economy and to Kuwait's energy efficiency. Renewables, especially solar photovoltaic (PV), have seen costs fall markedly in recent years, spurring rapid growth. Costs continue to fall, and the range of renewables' cost neutrality with thermal generation continues to expand.

The Shagaya project is part of Kuwait's Innovative Renewable Energy plan. This will be comprised of three main facilities: a concentrated solar power plant and two facilities for wind and PV research. The project sponsor is the Kuwait Institute for Scientific Research (KISR). This project is in the early stages and will be done in phases with the help of the oil industry. Kuwait National Petroleum Company (KNPC) leads a team whose aim is to evaluate and assess the installment, operation and maintenance of PV. The charge and electricity generated will be distributed among all K-Companies proportionally depending on their electricity consumption. Proposed solar projects include installations of solar water heaters, LED solar light fixtures, and solar reflective paint in Petrochemical Industries Company (PIC) headquarters and the fertilizer plant.

In addition to utilizing solar energy applications, PIC has approved two capital projects to optimize energy, resulting in additional savings per year including the replacement of lights from incandescent to LED type at its headquarters and replacement and installation of energy-saving equipment in the fertilizer plant's offices and factory. Moreover, KPC plans to have more than 20 solar energy based gas stations by 2017. We have already commissioned two in 2015.

³ K-Company is shorthand for KPC affiliates.

Kuwait plans to transform all government buildings to be fully green along with a comprehensive study to assess the possibility of converting Kuwait oil sector buildings to green buildings and utilizing solar energy applications by 2020. The Kuwait Foundation for the Advancement of Sciences also has plans to transform a growing number of housing into green buildings.