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# Contractors Are Busy as Aramco Steps Up Investment

Upstream contractors in Saudi Arabia have their hands full as Saudi Aramco steps up investment to expand its oil and gas production capacity, but they are not complaining. Far from it.

"After a period where we had Covid lockdowns for everything, being overworked is a nice problem to have," said one contractor who attended Saudi Arabia's annual In-Kingdom Value Add (iktva) Forum in Dhahran this week.

Recently tendered work includes packages related to the expansions of the Safaniya and Manifa offshore oil fields.

And bids for the second phase of the Jafurah gas field are due to be submitted this year, according to contractors.

Other projects in the pipeline include an expansion of the kingdom's Master Gas System, which involves building a pipeline from its east coast to the west coast with a length of more than 4,000 kilometers.

With contracts worth billions of dollars up for grabs, contracting companies are keen to get in on the action, without biting off more than they can chew.

"We are focused on supporting Aramco where we believe that we have the capacity and capability to deliver the projects, and these are all critical projects because they are production related," says Firas Soussan, McDermott International's vice president of operations in Saudi Arabia.

"So we are looking at all these projects and strategizing which is the best fit for us, what can be the best fit for Aramco to have us on," he told Energy Intelligence.

He said Aramco has been very transparent with contractors and the market about what it wants to achieve in terms of production targets.

## Rebound in Spending

Aramco signaled last year that after the industry's Covid-19-related slowdown in 2020 and 2021, it was planning to increase its capital spending again.

The increase in capex is being driven in part by Aramco's plans to raise its sustained oil production capacity by 1 million barrels per day to around 13 million b/d by 2027 and increase its gas production by 50% over several years.

The volume of work involved is stretching the capacity of engineering, procurement and construction (EPC) contractors, at a time when there is also strong demand for human resources and materials from other big projects in Saudi Arabia, such as the Neom "city of the future" and a related green hydrogen plant.

Fuad Mosa, deputy minister for local content at the Saudi energy ministry, told Energy Intelligence that last year contractors at the iktva forum were expressing concern about the level of low demand for their services and their light workload.

"This year they are trying to run away from overdemand which they cannot meet … in one year do you see how this country is transforming?" he asked.

One of the ways that companies are working to overcome supply chain problems is by manufacturing more of what they need locally, which also helps them to meet local content requirements embedded in Aramco contracts.

To encourage companies to increase local content and manufacture more products in the kingdom, the energy ministry is providing incentives and keeping red tape to a minimum for companies that build production facilities.

"Our job is to communicate what is needed to companies so they can scale the demand and scale their production facilities in a proper way," Mosa said.

*Amena Bakr, Dhahran*