Saudi Aramco, Dow announce joint venture

Saudi Aramco and The Dow Chemical Company announced July 25 that the Boards of Directors of both companies have approved the formation of a joint venture to build and operate a world-scale, fully integrated chemicals complex in Jubail Industrial City, Kingdom of Saudi Arabia.

The authorization for the new joint venture, named “Sadara Chemical Company,” comes after an extensive project feasibility study and front-end engineering and design effort which began in 2007.

Comprised of 26 manufacturing units building on Saudi Aramco’s project management and execution expertise, and utilizing many of Dow’s industry leading technologies, the complex will be one of the world’s largest integrated chemical facilities, and the largest ever built in one single phase. The complex will possess flexible cracking capabilities and will produce over 3 million metric tons of high value-added chemical products and performance plastics, capitalizing on rapidly growing markets in energy, transportation, infrastructure and consumer products.

Construction will begin immediately and the first production units will come on line in the second half of 2015, with all units expected to be up and running in 2016. Once operational, Sadara is expected to deliver annual revenues of approximately $10 billion within a few years of operation and generate thousands of direct and indirect employment opportunities through the complex and related investments in downstream value parks.

Khalid Al-Falih, president and CEO of Saudi Aramco, said, “This project represents a key milestone in Saudi Aramco’s ambitious downstream growth strategy. We are pleased to have Dow as our partner, as they bring a fantastic record of success in the chemicals business and a top tier brand to the project. Dow also brings a superior mix of downstream product technologies, and world-class operational and marketing capabilities to the Sadara joint venture. These will complement the strengths of Saudi Aramco as the world’s largest integrated and most reliable supplier of energy and petroleum-based derivative products.”

Al-Falih explained, “Many of Sadara’s products will be produced for the very first time in Saudi Arabia. This enterprise will play a key role in the Kingdom’s industrial and economic diversification while contributing to the creation of thousands of high quality jobs. It will enable significant development in the country’s conversion industry, thereby supporting Saudi Arabia’s ambition to be a magnet for downstream manufacturing investments that add significant value to the Kingdom’s hydrocarbon resources.”

Total investment for the project, including third party investments, will be approximately $20 billion. Sadara will become an equal joint venture between Saudi Aramco and Dow after an initial public offering. In addition to equity from the partners, Export Credit Agencies and financial institutions will provide project financing to Sadara.

“Today’s announcement is outstanding proof of Dow’s ongoing commitment to our growth strategy,” said Andrew N. Liveris, Dow’s chairman and chief executive officer. “This premier partnership is the right economic ownership model with the right partner. It is designed to capture growth in the rapidly growing sectors of energy, transportation and infrastructure, and consumer products by creating a manufacturing hub that will provide a differentiated product slate and an advantaged cost position.”

Liveris added, “We are bringing the best of Dow’s technology-differentiated and globally leading products to Sadara. Customers in emerging geographies such as China, the Middle East, Eastern Europe and Africa will benefit from a strong supplier with feedstock integration, in-market commercial and supply capabilities,”
advanced technologies and resources to grow with their demand. Taken together, Sadara will deliver significant new equity earnings to Dow.”

The complex will include a world-scale cracker that will be able to crack a wide range of feedstocks and be supplied by Saudi Aramco’s extensive integrated hydrocarbon infrastructure. Utilizing Dow’s state of the art product technologies and Saudi Aramco’s project management and execution capabilities, the manufacturing units will produce a wide range of performance products such as Polyurethanes (isocyanates, polyether polyols), Propylene Oxide, Propylene Glycol, Elastomers, Linear Low Density Polyethylene, Low Density Polyethylene, Glycol Ethers and Amines.

Sadara will have responsibility for product marketing within a local zone of eight countries. Dow will market and sell on behalf of Sadara to all countries outside of the Middle East zone.

Jubail Industrial City is the largest industrial complex of its kind in the world. It is located in the Eastern Province of the Kingdom of Saudi Arabia, approximately 100 kilometers northwest of Dammam.