

Course of Renewal for ADCO Concession Expiring in 2014 (Summary)

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Abu Dhabi in the United Arab Emirates is approaching a series of renewals of its oil concession contracts concluded since 2010. Japan has been participating in Abu Dhabi's offshore concessions and in view of securing our own developed crude oil and our stable energy supply, and given the fact that the January 2014 renewal of the concession of Abu Dhabi Company for Onshore Oil Operations (ADCO), which possesses one of the largest onshore oil fields in the world, will act as the key to renewal of other concessions to follow. With this in mind, we have begun exploring the actions of existing concession holders and companies now seeking to newly participate, as well as the thinking of the Abu Dhabi National Oil Company (ADNOC), which establishes petroleum policies, and the Supreme Petroleum Council (SPC), which reviews them.

ADCO's concession has a long history and the stance of the Abu Dhabi Government has changed significantly from when the concession was granted. The government has come up with production increase plans to cope with the increase in global oil demand. It intends to apply the measure of CO₂ EOR (an enhanced oil recovery method using CO₂) to the ADCO concession mine, which will increase production of crude oil, use the natural gas effectively, and counter global warming by using reinjection of carbon dioxide (CO₂) into the petroleum layer for effective use of natural gas, thus wanting to appoint oil companies with this technology. SPC, on the other hand, is trying to tie the nation's military security into the granting of the ADCO concession. New and existing oil companies are now scrambling to participate in the ADCO concession by establishing a cooperative relationship with Abu Dhabi in diverse fields, focused on the energy sector.

In this study, we have clarified the moves of the countries and companies involved in the concession and the thinking of the oil-producing countries, starting with the history of the ADCO concession and moving to the current state of production and future development plans, to draw out the requirements for granting the concession and the status of each company and country with regard to these requirements.

Based on these, we have compared the possibility of obtaining the concession between our country and the international oil majors. Japan's oil development company does not trail the international oil majors in terms of CO₂ EOR technology, experience of operating in large oil fields,

financial strength backed by governmental organizations, and other tangible and intangible cooperative relationships, but when seen from the standpoint of ADNOC and especially of SPC, while there is not zero chance of Japan's oil development company participating, it can be said to be extremely difficult. However, if the ADCO concession mine site is broken into segments or is left behind for small to midsize oil fields, there is a fair chance that in the future concessions will be granted to those who are pre-qualified for participation in the ADCO concession. There are still also possibilities that CO₂ EOR will be applied not only to onshore but also to offshore oil fields in future. It is now also extremely important that we prepare ourselves, based on the renewal of the ADCO concession, to rally the full strength of both the public and private sectors from now to firmly establish CO₂ EOR technology so that Japan will be able to renew a concession, as the existing concession holder, in the upcoming renewal of the ADMA-OPCO concession in 2018.

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