

Field of bidders for Abu Dhabi oil concession has narrowed, says Adnoc head

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The field of companies bidding for a stake in Abu Dhabi's prime [onshore concession](#) has narrowed, the head of Adnoc said.

Abdulla Al Suwaidi, the director general of [Adnoc](#), however, would not say which companies were still in the running for the concession known as Adco.

Speaking at the Middle East Petroleum and Gas Conference in the capital, he said that all of the planned projects to expand oil production in the emirate were progressing despite the decline in oil prices since last year.

Oil prices have recovered from their lowest levels earlier this year, but they are still well below the average of about \$100 per barrel in the previous four years. This has led private sector international [oil](#) companies to cut capital expenditure by 20 per cent on average, leading to thousands of industry job losses.

The European benchmark Brent crude was up 0.3 per cent at US\$63.65 early afternoon UAE time.

But the Middle East has been more resilient on projects, with the national oil companies generally taking a long-term view.

"The rising source of oil supplies, including from unconventional sources in North America, has changed the role of traditional oil suppliers," Mr Al Suwaidi said. "But it has not changed our goals: all of our committed projects are in progress and our production targets are the same."

Abu Dhabi has a goal to increase its crude oil production capacity. "Adnoc's current crude oil production capacity is around 3 million barrels per day and is well on its way to achieve 3.5 million bpd by 2018," Mr Al Suwaidi said.

The UAE has been producing at a rate above 2.9 million bpd since December, up from about 2.7 million bpd in previous months, with the additional production from the offshore Umm Lulu likely accounting for the extra barrels.

The increased production capacity is coming from onshore and offshore in roughly equal proportion, with the Adco onshore fields aiming to increase output from a current level of about 1.6 million bpd to 1.8 million bpd by the end of 2017 and plateau there for a decade.

The original onshore Adco concession expired at the end of 2013 and competition for the new 40-year concession has been tough. Total of France won the prime contract this year, getting a 10 per cent stake in Adco and the most sought-after of its 15 fields, South East and Bu Hasa.

Adnoc owns 60 per cent of Adco, leaving another 30 per cent to allocate.

Of the partners in the original concession, BP and Shell have remained in the running, although ExxonMobil dropped out last year, preferring to concentrate on its offshore Upper Zakum concession.

Other bidders have included Korea National Oil Company (KNOC), PetroChina and Inpex of Japan.

Rosneft of Russia and Norway's Statoil are, according to industry sources, not in contention.

Total surprised some in the industry by meeting the fee required to enter the Adco deal, which was more than US\$2 billion. Others have had to match those terms to stay in the deal.

"Whoever meets our conditions will be considered," Mr Al Suwaidi said, adding, when asked if remaining contenders had, "some yes, but ... we have no timeline".

Adnoc has played its cards close to its chest but KNOC is considered likely to be awarded a piece as it has been a major and consistent buyer of Abu Dhabi crude oil and has recently deepened its relationship with the emirate by taking on work in a complicated marginal oilfield.

"The Koreans seem to be likely to get a stake but it won't be above 5 per cent," said a senior oil company executive familiar with the process. Adnoc has offered bidders either 5 per cent or 10 per cent stakes in Adco.

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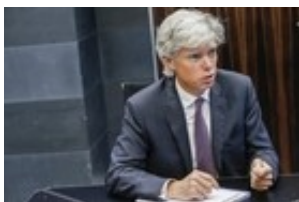
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