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Saudi Arabia leads GCC petrochemical industry growth in ’16

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The Kingdom of Saudi Arabia led GCC petrochemical industry growth in 2016, expanding by 5.8%, according to the Gulf Petrochemicals and Chemicals Association (GPCA), the go to source for industry data in the region. The Kingdom outpaced regional growth of 3.7% across the GCC last year, which in total reached 150 million tons of capacity.

The figures show that the Gulf region’s petrochemicals industry grew quicker than global average in 2016, of 2.2%. The growth is largely due to new capacity added in Saudi Arabia, the region’s largest petrochemical producer and the only country to add production capacity in the GCC last year. The Kingdom’s 99.1 million tons of capacity, is equivalent to a 66% share of regional capacity. The figures emerged from ‘Arabian Gulf Industry Year in Review’, part of GPCA’s recently released Annual Report.

“Saudi Arabia continues to demonstrate leadership in the expansion and development of the downstream industry in the Gulf region,” said Dr. Abdulwahab Al-Sadoun, Secretary General of GPCA. “As one of the few markets in the region growing its downstream capacity in 2016, the petrochemical business is proving to be of strategic long-term interest to the Kingdom’s economic development.”

“The region as a whole continues to make significant investments in greenfield plant operations as well as brownfield efficiency gains as GCC producers explore new and often unconventional sources of feedstock to drive chemical output,” Dr Al-Sadoun added. “The results of the 2016 report are a testament to the agility and resilience of this region’s industry and the Kingdom’s contribution to its success.”

While the report highlights a fall from the Gulf chemical industry’s growth of 5% in 2015, due in part to feedstock and global economic uncertainty, ‘transformational’ new, highly complex projects in the region, such as the $20 billion Sadara Chemical joint venture between Saudi Aramco and Dow, and Kemya Elastomer Plant, an affiliate of SABIC and ExxonMobil Chemicals, point to a positive medium term outlook for growth. The drop from 2015 figures can also be attributed to new capacity additions coming from specialty chemicals, which tend to be lower in volume but higher in value compared to commodity chemicals.

The report noted that GCC chemicals capacity utilization was more than 90% over the past five years, twelve percentage points above the 78% global utilization average in 2016.

In 2016, projects worth $13 billion were announced in the region, coming online between 2020 and 2024 and adding 8 million tons production capacity. The projects contribute to as many as new 4,000 jobs.

Further to expanding its upstream capacity, the Kingdom announced a number of new downstream projects over the past year including a new $500 million chemical complex in PlasChem Park in Jubail Industrial City due to be built by the Rufayah Chemicals Company.

The Saudi Arabian Mining Company (Ma'aden) has announced plans to expand its phosphate based business with the addition of a third project to manufacture phosphate fertilizers which will be executed gradually over the coming seven years till 2024.

Worldwide, chemical production in North America expanded by 1.1% in 2016, lower than in 2015. In addition, chemical production in Western Europe demonstrated a modest growth in 2016 of 1%, much lower than in the previous period. Growth decline in Europe was the highest among other parts of the world despite the fact that European chemical sites, as in the previous year, benefited from low oil prices compared with US competitors whose production is based on gas.

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