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E-Weekly

Jun 1st, 2007

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Calling all processors: PetroRabigh wants you

By Tony Deligio

New York — Awash in oil, gas, and increasingly, resin, Saudi Arabia is aggressively pushing to become a hub of plastics converting, evidenced in part by the four-city global tour of one project, which is cultivating foreign processors to invest. Addressing potential partners at a one-day conference on June 13 in New York, representatives from the PetroRabigh Conversion Industrial Park (CIP) and the Saudi government laid out potential opportunities at the new site, which is a joint venture between oil and gas refiner/explorer Saudi Aramco, and Japanese chemicals giant Sumitomo.

Located on the Red Sea coast, the project, in addition to a worldscale refinery and petrochemical production operation, will integrate a converter's park that will occupy 40 to 60 tenants once fully occupied, according to Teruhiko Tsumura, managing director of London Research International, a consulting firm, which is assisting PetroRabigh with the marketing of the project. Currently construction is ongoing nearly around the clock, with the site scheduled for completion by the fourth quarter of 2008, although processors could begin moving in by Q1 2008.

Not far from a planned "Plastics Valley", Rabigh is one of the Kingdom's new economic cities, four of which are already under construction, with two more planned in 2008, according to Talah Tamimi, U.S. country director for the Saudi Arabian General Investment Authority (SAGIA). SAGIA was formed in 2000 to encourage foreign investment in Saudi, and it has identified 400-plus projects, including Rabigh, related to manufacturing and petrochemicals. To encourage foreign investment, Saudi Arabia has changed several laws and is offering multiple incentives. The foreign investment law was altered to grant overseas firms Saudi status, and in May, the government eliminated the minimal capital investment requirement to form a limited liability corporation in the Kingdom. In addition, there will be no custom duties for machinery imports and no personal income tax for foreign investors. The maximum corporate income tax rate will be 20%, and it will not kick in until a profit is made.

Tamimi said such projects are part of SAGIA and Saudi's far-reaching "10 by 10" program to achieve 10 primary goals relating to the country's economy by 2010. Specific to plastics, as of now, Saudi Arabia accounts for 1% of the global plastics market, but the goal is to reach 15% by 2010. An emphasis has been placed on exports, given the Kingdom's position between Europe, Asia, and Africa, and in the King Abdullah economic city, up the coast from Rabigh, construction is already under way on what Tamimi says will be the third-largest container port in the world.

PetroRabigh officials cited competitive resin costs, and a fixed electricity rate at CIP of roughly \$0.03 kw/hr, as additional incentives. In its first phase, the petrochemical portion of PetroRabigh will manufacture high-density polyethylene (PE), linear low-density PE, PE, random copolymer polypropylene (PP), homopolymer PP, impact copolymer PP, and some chemical monomers. A second phase would include engineering materials and possibly be online by 2012.

In part to broaden the country's economy away from oil, which still accounts for 75% of budget revenue, and to address booming population and high unemployment, projects like Rabigh are popping up throughout the country, as the Kingdom capitalizes on revenues generated by high oil prices, plowing money into economic development with an eye to the future. "We're interested in the transfer of knowledge and know how," Tamimi said. "Saudi has plenty of liquidity—that's not the issue."

The New York event, held at the Hyatt Grand Central, was

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slated to attract 70 individuals, although poor weather affected the final count, which came in slightly lower. In addition to Wall Street analysts and U.S./Saudi chambers of commerce representatives, a number of compounders as well as processors, from end markets as diverse as medical, automotive, and flexible packaging, turned out. The event was the second of four, with the first, held May 28 in Riyadh attracting 133. Next up will be London on Sept. 7, with an event during K, on Oct. 25 in Düsseldorf at the Hilton Hotel. In December, the project will hold a business matching/networking seminar in Jeddah, with Japanese investors being organized to potentially attend that event.—
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