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ENI in the Gulf

Present Opportunities and Prospects

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Between December 2018 and January 2019, Italy's energy giant, Ente Nazionale Idrocarburi (ENI), launched a business offensive in the Arabian Peninsula, signing strategic and lucrative contracts in Bahrain, Oman and the United Arab Emirates (UAE). Undoubtedly, ENI retained an important position in the global oil and gas markets even before signing its latest agreements in the Arab Gulf, however, such developments have the potential to significantly impact ENI – and, therefore, Italy's energy interests.

IN THE UAE

In Abu Dhabi, ENI signed two concession agreements for the acquisition of a 70% stake in the UAE's Offshore Block 1 and Offshore Block 2 exploration areas for a duration of 35 years. Successful exploration would lead, according to the contract, to an overall concession to ENI. The exploration areas are located on the north-west coast of Abu Dhabi and are the first blocks to be awarded among those that were offered for commercial bidding by the Abu Dhabi National Oil Company (ADNOC). The bidding took place in April 2018 and was part of Abu Dhabi's first-ever step to an open block licensing strategy. Prior to this deal ENI had only been awarded minor concessions in the UAE, such as a 10% stake in the Umm Shaif and Nasr Offshore concessions, a 5% stake in the Lower Zakum concession as well as a 25% stake in the Ghasha concession. The considerable temporal length of the new concession clearly represents the strategic depth of ENI's new UAE focus. The other strategic element is represented by the long-term perspective for both ENI and ADNOC in the largely unexplored and potentially

very attractive UAE gas market. Surely the potential discovery of large quantities of oil in the aforementioned blocks would be a desirable and lucrative outcome, however, new gas reserves would entail even longer term dividends for both ENI and Abu Dhabi. ENI would inevitably be in a very privileged position, ahead of its global competitors, with regard to the exploitation of the new gas resources. The UAE, a net importer of natural gas, would certainly welcome the perspective of becoming independent from the gas supplies it receives from Qatar. Abu Dhabi regards total energy independence as increasingly desirable to enhance its regional status and further constrain Doha's bargaining power as Gulf tensions between Qatar and Saudi Arabia, Egypt, Bahrain, and the UAE continue.

IN BAHRAIN

ENI's new contracts in the UAE must be understood within a wider effort in the Arabian Peninsula – by Italy's energy giant – to diversify its activities and supplies from operations in Iran, Iraq and Libya. ENI plans to expand to Bahrain where it recently signed a Memorandum of Understanding (MoU) with Bahrain's National Oil and Gas Authority for exploration and a preliminary understanding to retain a privileged position for future exploitation in the recently discovered Khaleej Al-Bahrain oil field. The field is expected to contain some 80 billion barrels of oil, making it the largest oilfield in the Kingdom.

IN OMAN

Oman is also high on ENI's agenda. ENI was already active in Oman, partnering the Sultanate's Oman Oil Company Exploration and Production (OOCEP) in country's Bloc 52. In January 2019, ENI signed an Exploration and Production Sharing Agreement (EPSA) for a 90% share in Bloc 47 and 50% in Bloc 77.

AND BEYOND

ENI's business cooperation with Arab Gulf governments goes beyond exploration and production rights in onshore and offshore facilities within the Gulf itself. Qatar Petro-

leum is an increasingly important partner with regard to ENI's operations worldwide. The two companies are currently proceeding to the joint development of both Bloc 1 and Bloc 24 in Mexico. Interestingly, ENI's future plans in the gas sector, coincide in time with the announcement of cooperation projects in the same sector, between Saudi Arabia and the Gulf countries in which ENI has recently decided to invest significantly. Interviewed in January 2019, Saudi Arabia's Energy Minister, Khalid Al-Falih, declared he was in talks with his Omani and Emirati counterparts to extend Saudi Arabia's gas network to its Gulf neighbours.

The Euro Gulf Information Centre (EGIC) will continue to monitor major developments in the energy market, especially these linking businesses and governments in Europe to their counterparts in the Gulf. Enhanced business relations often result in stronger political synergies. ENI, in its various engagements in the Middle East, demonstrates that a solid strategic and long-term approach, which is needed to become an established regional player, could potentially benefit Italy's posture as a whole. In fact, the lack of such strategic vision has penalised Italy's most recent governments, characterised instead by limited political leverage in a strategically important region. While businesses have their own priorities, which are often independent from government needs or aspirations, global business groups, for better or worse, increasingly have the capacity to achieve political influence.

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