



# China National Petroleum Corporation (CNPC) Oil and Gas Development Strategy Study in the United Arab Emirates under the Background of "One Belt one and Road"

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**Abstract.** The UAE is rich in oil and gas resources, has a stable investment environment, is a major member of OPEC and an important pivot country along the "Belt and Road", and has a certain influence on the international oil and gas market. It has a certain influence on the international oil and gas market. The geopolitical factors and oil resources of the UAE make its advantages in the context of the "One Belt one and Road" very obvious. In this paper, starting from the current situation of CNPC's oil and gas development in the UAE, we analyze the advantages, disadvantages, opportunities and threats of CNPC's oil and gas development in the UAE based on the SWOT analysis model, summarize CNPC's oil and gas development strategy in the UAE and put forward its development-related suggestions, so as to enhance the efficiency of CNPC's investment by investing in the UAE, safeguard China's rights and interests, and protect the country's overseas oil and gas assets from losses.

**Keywords:** One Belt and One Road, CNPC, UAE, Oil and gas development, Strategy.

## 1 Introduction

Located in the eastern part of the Arabian Peninsula and bordered by the Persian Gulf to the north, the United Arab Emirates is very rich in oil and natural gas resources. By the end of 2022, it had the world's 6th largest proven reserves of both oil and natural gas. Currently the UAE imports most of its natural gas needs, so the Abu Dhabi National Oil Company (ADNOC) plans to increase the UAE's natural gas production to make it a net exporter and increase crude oil production to 4 million barrels per day (bpd) in 2020 and 5 million bpd 10 years later (2030). The UAE's stable political situation, favorable economic development conditions, rich hydrocarbon resources and neutral, non-aligned foreign policy attract more and more Chinese oil companies to invest in the country<sup>[5]</sup>.

In May 2013, China National Petroleum Corporation (CNPC) and Abu Dhabi National Oil Company (ADNOC) formally signed an agreement to jointly explore and

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develop two upstream cooperation zones in Abu Dhabi, offshore and onshore, with ADNOC taking a 60% stake and CNPC a 40% stake. Immediately thereafter, a joint venture company was formed under the Abu Dhabi Emirate Decree to jointly operate the oil and gas project (the "Onshore and Offshore Project"). In February 2017, CNPC and ADNOC signed a share purchase agreement in relation to the Abu Dhabi ADCO (now ADNOC Onshore) onshore oil field development project. Pursuant to the agreement, CNPC will acquire 8% of the shares of Abu Dhabi Onshore Company (ADCO) and be granted an 8% interest in ADCO's onshore field development project with a contract term of 40 years (the "Onshore Project"); In March 2018, CNPC signed an offshore (currently ADNOC Offshore) Una agreement with ADNOC in Abu Dhabi. ADNOC Offshore) Una Project and Lower Zakum Project Cooperation Agreement in Abu Dhabi in March 2018. Pursuant to the agreement, CNPC was granted a 10% interest in each of the UAE Offshore Una Project and Lower Zakum Project, with a contract term of 40 years (the "Offshore Una Project" and the "Offshore Lower Zakum Project"). Thus, with the continuous breakthroughs made by PetroChina in Abu Dhabi, a high-end international oil market, it marks the gradual expansion of PetroChina's influence in this market, and comprehensively enhances the scope and strength of bilateral cooperation between PetroChina and ADNOC, laying a solid foundation for PetroChina to further demonstrate its integration strength, optimize the allocation of its overseas assets, as well as stabilize the overall income.

## **2 SWOT Analysis of CNPC's Oil and Gas Development in the UAE**

SWOT analysis is actually a method to synthesize and summarize all aspects of the internal and external conditions of an enterprise, and then analyze its strengths and weaknesses, opportunities and threats. It is an effective analysis method for enterprises to formulate development strategies. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. The SWOT matrix of CNPC's oil and gas development in the United Arab Emirates is shown in Table 1

### **2.1 Strengths analysis**

CNPC has rich experience in the operation and management of overseas oil and gas fields, and has cultivated a group of composite overseas management and technical cadres. CNPC currently operates more than 90 overseas oil and gas cooperation projects in more than 30 countries and regions around the world, and has built five major oil and gas cooperation zones, four major strategic oil and gas corridors and three major oil and gas operation centers. Overseas employees rotate in different countries and regions from time to time. Different contract models, different partners, and different operation and management methods have created composite talents who are familiar with financial and tax terms and conditions, good at business operation, and proficient in language communication. This group of talents is also playing its due role in the United Arab Emirates.

**Table 1.** The SWOT matrix of CNPC's oil and gas development

|  |   |   |
|--|---|---|
| Internal capacity  | <b>Advantage (S)</b>  | <b>Weaknesses (W)</b>   |
|  | High-level visits boost energy cooperation  | Limited role of minority shareholders in the management of shareholders' affairs  |
| External factors   | Oil and gas investment projects lead to engineering, engineering and construction business  | Insufficient reserve of excellent talents who understand technology, excel in management and are proficient in business |
|  | <b>Opportunities (O)</b>  | <b>WO Strategy</b>  |
| Opportunity to learn advanced technology and management concepts from major international oil companies              | Implementing an integrated strategy to train and develop multinational management teams and reduce project risks  | Technology innovation strategy to improve core competitiveness in the high-end oil and gas market                       |
| Strong demand for increased oil and gas production in the UAE fits with PetroChina's international business strategy | Implementation of the first mover strategy and gas strategy, and active participation in bidding for international oil and gas projects in the UAE, especially gas projects | Low-cost strategies to improve project economics  |
| <b>Threat (T)</b>  | <b>ST Strategy</b>  | <b>WT Strategy</b>  |
| Competition in the talent market from international oil majors   | Implementation of localization strategy, fulfillment of social responsibility, and establishment of good relationship with government and enterprises                       | Maintain the status quo and operate cautiously  |

## 2.2 Analysis of disadvantages

Insufficient reserve of excellent talents who know technology, are good at management and are good at business. The UAE oil and gas market has high entry thresholds, especially offshore blocks adjacent to shipping lanes, complex sea conditions, drilling operations and marine engineering, and other challenges, with high requirements for technical personnel, and there is an urgent need for high-quality personnel with strong business skills, high foreign language proficiency, and international standards to support the project's operation and development in the high-end market<sup>[1]</sup>.

## 2.3 Analysis of potential opportunities

Enhance CNPC's technical and management capabilities by becoming partners with major international oil companies. At present, the world's famous oil companies, such as Shell, BP, Total, Eni, etc., are investing and operating oil and gas projects in the UAE. By investing in oilfield projects, CNPC has the opportunity to become a partner with major oil companies, learn their advanced technology and management concepts

in deep-sea, LNG and unconventional oil and gas exploration and development, improve its own internationalized and standardized professional management system, and enhance its basic management and decision-making support level<sup>[2]</sup>.

## **2.4 External threat analysis**

Competition in the talent market from major international oil companies. The introduction of the UAE's oil and gas vision plan has made the competition for high-quality oil talents crucial. In the process of competing for talents with international oil companies, CNPC may face the dilemma of not being able to recruit suitable talents in the oil and gas talent market due to the failure to provide matching lucrative treatment for the high-quality talents of CNPC's overseas projects who jumped to the international oil companies.

# **3 CNPC's Oil and Gas Development Strategy in the UAE**

## **3.1 Technological innovation strategy**

CNPC will face more intense market competition on the way of upgrading internationalization level, implementing international operation strategy and building international brand. Strengthening corporate technological innovation has become an important way to improve quality and efficiency. The fact that international big oil companies have been able to cultivate deeply in the UAE for decades, thrive and gain competitive advantages, and be recognized and trusted by the UAE government and ADNOC, is inextricably linked to their own continuous technological innovation and strengthening of technological research. For this reason, CNPC must implement the technology innovation strategy, strengthen technology research and innovation, take the national oil and gas demonstration project and the national oil and gas major special project as the basis, and increase the investment of capital and talents in the key technologies such as deep-sea exploration and development, unconventional, petroleum-related software, drilling and completing, logging and other key technologies, so as to shorten the gap with the international advanced level at an early date, and improve the core competitiveness in the high-end oil and gas market.

## **3.2 Integration strategies**

After decades of development, CNPC has formed a set of mature integrated development strategies for upstream, midstream and downstream. In the upstream field, through the comprehensive application of seismic exploration acquisition and processing, logging, geological modeling, reservoir numerical simulation, drilling, oil recovery and other technologies, it can tap the potential of exploration and development as much as possible, increase the output, and create good economic benefits for the UAE government and its partners; in the middle and downstream fields, it can effectively solve the problem of crude oil sales through the laying of oil and gas pipe-

lines, the construction of oil gathering stations and oil refineries. This will inevitably also drive the petroleum engineering technology contracting, which makes the engineering technology contractors directly participate in the international bidding or joint bidding with large foreign companies, and participate in the contracting of all or part of the project after winning the bid. Project contracting can also drive China's petroleum equipment, materials and labor exports, learning from foreign advanced oil and gas engineering construction management technology experience, training and exercising multinational management team, reduce project risks.

## **4 Proposals for CNPC's Oil and Gas Development in the UAE**

### **4.1 Formation of a corresponding risk dynamic monitoring mechanism in line with national foreign policy**

Influenced by the geopolitics of the UAE as well as domestic political, religious, economic and cultural factors, CNPC should actively cooperate with the national foreign policy when entering the UAE oil and gas market, understand in-depth the domestic political dynamics of the UAE, its attitude towards China and its oil and gas policies, and take the initiative to contact the Ministry of Foreign Affairs, the Ministry of Commerce, and the embassies in the UAE to keep track of the UAE's political and economic situation in real time, and listen to suggestions from the governmental departments. During the operation of the project, it pays close attention to the dynamics of investment in the oil and gas industry, receives information about the oil and gas industry, and feeds it back to the top management of the enterprise to form a corresponding risk dynamic monitoring mechanism and adjust the risk countermeasures at any time. The above measures can help the enterprise establish a risk management mechanism and strengthen the identification, monitoring and early warning management of risks.

### **4.2 Actively fulfill social responsibility and do a good job in sustainable development of enterprises**

According to the UAE concession contract, foreign oil companies are obliged to pay a certain amount of training fees to train their local staff in order to improve the knowledge and technology level of their nationals. In the process of project implementation, CNPC should actively organize training for local staff, create as many job opportunities as possible for the local community, fulfill its social responsibility, and give back to the local community by helping to build mosques, schools, hospitals, roads, etc., so as to let the people of the UAE have a deeper understanding of China as a friendly neighbor, and to set up the image of a responsible international petroleum company<sup>[7]</sup>.

### 4.3 Respect for local religious beliefs and customs

Islam is widely practiced in the UAE, and as such, the national emblem, the Qur'an and other relevant religious symbols are sacred and supreme in the UAE. All Islamic taboos apply in the UAE. Therefore, CNPC and its Chinese employees should follow the customs of the country and refrain from any blasphemous, defamatory or insulting words or actions. They should fully understand and respect the prayers held by local people in the UAE at different times and places. Chinese personnel should pay attention to the dress code when visiting government officials or going out in the UAE. Men should not wear shorts and should preferably wear suits, while women should not wear tight and revealing clothes and should wear headscarves. When in public, they should not drink alcohol, and should not persuade local people to drink alcohol<sup>[3-4]</sup>.

## 5 Conclusion

The unique geopolitical advantages and potential oil and gas resources of the UAE have become a hotspot for foreign oil companies in recent years, and should be included as one of the important strategic resource countries in China's "One Belt, One Road" development strategy and from the perspective of national energy security. CNPC has been out of the country for more than 20 years, and is quite capable of recognizing, evaluating and monitoring different risks, and has accumulated a lot of experience in coping with and controlling risks, so that it can avoid and reduce risks to the maximum extent possible, and ultimately safeguard the country's energy security and realize win-win cooperation in the field of oil and gas<sup>[6]</sup>.

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