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Aramco signs USD 15.5 billion gas pipeline deal with BlackRock-led consortium

[1]

Saudi state oil company Saudi Aramco has signed a USD 15.5 billion lease and leaseback deal with a consortium led by BlackRock Real Assets and Saudi state-backed Hassana Investment Company for usage rights in its gas pipelines.

As part of the deal – one of the world's largest on energy infrastructure assets – a newly-formed subsidiary, Aramco Gas Pipelines Company, will lease usage rights in Aramco's gas pipelines network and lease them back to Aramco for a 20-year period, the company said in a statement Monday.

In return, Aramco Gas Pipelines Company will receive a tariff payable by Aramco for the gas products that will flow through the network, backed by minimum commitments on throughput.

Aramco will hold a 51% majority stake in Aramco Gas Pipeline Company and sell a 49% stake to the investors.

Aramco will continue to retain full ownership and operational control of its gas pipeline network and the transaction will not impose any restrictions on Aramco's production volumes, the company said.

The deal is expected to close "as soon as practicable," Aramco said, subject to regulatory approvals.

The agreement progresses Aramco's asset optimisation efforts and follows a USD 12.4 billion oil pipeline infrastructure deal with an EIG-led consortium announced earlier in 2021, as the company looks to invest the money raised with the transactions in new industries such as chemicals, technology and renewables.

Innovative model

The deal's structure is similar to the one signed in 2020 by the UAE's ADNOC with a number of international investors for its gas pipeline assets, an industry expert tells Gas Matters Today.

In June 2020 ADNOC announced it had entered an agreement worth USD 20.7 billion with global infrastructure investors and operators, sovereign wealth and pension funds for the acquisition of a 49% stake in the newly formed company ADNOC Gas Pipeline Assets, in which ADNOC retains a 51% stake.

The innovative transaction structure allowed ADNOC to tap new pools of global institutional investment capital, whilst at the same time maintaining full operating control over the assets included as part of the investment, it said at the time of the announcement.

"It's an interesting model as both ADNOC and, in this case, Saudi Aramco remain responsible for the pipeline, all their expertise is still applied going forward as there's no change in who is transporting the gas," the expert says.

"The main value for these companies is to raise cash from investors that they can use elsewhere."

Moreover, "with Covid, big oil companies have seen the revenues of crude drop, so this is a good time for this type of transaction."

While similar deals might be replicated elsewhere such as in Qatar, certain ownership arrangements such as joint ventures might however present a barrier to leasing gas assets, he adds. - BB

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