Kuwait Times
Established 1961
SUNDAY, APRIL 11, 2021

Business

Saudi Aramco in $12.4 billion oil pipeline deal with EIG-led group

EIG deal marks a crucial step for energy giant as it seeks to monetize assets

RIYADH: Energy giant Saudi Aramco said it has struck a 12.4-billion-dollar deal to sell a minority stake in a newly formed oil pipeline business to a consortium led by US-based EIG Global Energy Partners. The deal underscores how Aramco-the kingdom's cash cow-seeks to monetize its once-untouchable assets to generate revenue for the Saudi government as it accelerates efforts to diversify the oil-reliant economy. "Upon closing, Aramco will receive upfront proceeds of around $12.4 billion, further strengthening its balance sheet through one of the largest energy infrastructure deals globally," the company said in a statement late Friday.

"As part of the transaction, a newly-formed Aramco subsidiary, Aramco Oil Pipelines Company, will lease usage rights in Aramco's stabilized crude oil pipelines network for a 25-year period." The EIG-led consortium will hold a 49 percent stake in the subsidiary, Aramco said, adding that it will retain "full ownership and operational control".

In a separate statement, EIG, a Washington-based energy investment firm, said the new venture is valued at approximately $25.3 billion. The deal covers all of Aramco's "existing and future stabilized crude pipelines" in the kingdom, an elaborate network that connects oil fields to downstream facilities, EIG said. "We are proud to partner with Aramco in this marquee global infrastructure asset," said EIG chairman R Blair Thomas.

Neither company said which other firms were part of the consortium. The announcement comes as Aramco faces pressure to maintain hefty dividend payments to the Saudi government, its biggest shareholder, despite posting consecutive falls in profits since it began disclosing earnings in 2019.


Aramco engineers working in eastern Saudi Arabi. Energy giant Saudi Aramco said it has struck a $12.4-billion deal to sell a minority stake in a newly formed oil pipeline business to a consortium led by US-based EIG Global Energy Partners. — AFP

Last month, Aramco posted a 44.4 percent slump in 2020 net profit due to lower crude prices, piling pressure on government finances as Riyadh pursues multi-billion dollar projects to diversify the economy. The company's debt has climbed as Saudi Arabia, the world's biggest crude exporter, was hammered last year by the double whammy of low prices and sharp cuts in production triggered by the coronavirus pandemic. Even so, Aramco said it stuck by its commitment to pay shareholders dividends worth $75 billion in 2020 — an amount that exceeds the declared profit and available cash flow.

Saudi 'crown jewel'

"The (EIG) deal marks an innovative step for Aramco as it seeks to monetize its assets to pay down debt, maintain its dividend payments and fund planned investments," the Energy Intelligence group said. Long seen as the kingdom's "crown jewel", Aramco and its assets were once tightly under government control and considered off-limits to outside investment. But with the rise of de facto ruler Crown Prince Mohammed bin Salman, who is pushing to implement his "Vision 2030" reform program, the kingdom has shown readiness to cede some control. Aramco sold a sliver of its shares on the Saudi bourse in December 2019, generating $29.4 billion in the world's biggest initial public offering.

In January, Prince Mohammed said the kingdom would sell more Aramco shares in the coming years.

He said future share offerings would be a key way to boost the Public Investment Fund, the kingdom's sovereign wealth fund which is the main engine of its diversification efforts. In a major new diversification push late last month, Saudi Arabia announced plans to pump investments worth $3.2 trillion into the national economy by 2030, roping in the kingdom's biggest companies including Aramco. Under a program named "Shareek", or partner, Aramco and other top Saudi companies will lead the investment drive by contributing five trillion riyals ($1.3 trillion) over the next decade, Prince Mohammed said. In a briefing to reporters, he added that the companies, many of them listed, had agreed to lower their dividends and redirect the money into the domestic economy in exchange for incentives such as subsidies. In the statement announcing the deal with the EIG-led group, Aramco chief executive Amin Nasser said the company was "capitalizing on new opportunities that also align strategically with the recently-launched Shareek program". — AFP


Virgin Galactic's Spaceflight System as it prepares for flight at Spaceport America in the desert near Truth or Consequences, New Mexico. — AFP

All aboard! Next stop space...

WASHINGTON: Several hundred people have already booked their tickets and begun training for a spectacular voyage: a few minutes, or perhaps days, in the weightlessness of space. The mainly wealthy first-time space travellers are getting ready to take part in one of several private missions which are preparing to launch. The era of space tourism is on the horizon 60 years after Soviet cosmonaut Yuri Gagarin became the first person in space.

Two companies, Virgin Galactic and Blue Origin, are building spacecraft capable of sending private clients on suborbital flights to the edge of space lasting several minutes. Glenn King is the director of spaceflight training at the National Aerospace Training and Research Center, a private company based in Pennsylvania which has already trained nearly 400 future Virgin Galactic passengers for their trips.

"The oldest person I trained was 88 years old," King said. The training program lasts two days-a morning of classroom instruction and tests in a centrifuge. This involves putting the trainee in a single-seat cockpit at the end of a 25-foot-long (eight-meter-long) arm and spinning them around to simulate gravitational force, or G force. A medical team is on hand at all times.

'Enjoy the view'

NASA's training for shuttle crew members lasted two years but the duration has been drastically reduced by the commercial space industry because of the "numbers of people that want to get up in space," King said. "We can't take two years to train these people," he said. "We've got to get this down to a matter of days to get these people up."

"These people aren't crews, just strictly passengers," he noted. "For a passenger, there isn't a lot of work for you to do other than just relax, endure the G forces of launch or reentry.

"And then once you're orbital, enjoy the view out the window." King said the pass rate for the training course has been "99.9 percent." The cost ranges from several thousand dollars to as much as $10,000 if special care or medical monitoring is needed. The single biggest barrier to "spaceflight for all" remains the price tag. Some 600 people have booked flights on Virgin Galactic, the company owned by British billionaire Richard Branson, and thousands more are on a waiting list.

The cost per flight? $200,000 to $250,000. Virgin Galactic hopes to take its first private astronaut on a suborbital flight in early 2022, with eventual plans for 400 trips a year. Blue Origin, owned by Amazon's Jeff Bezos, has not yet published prices or a calendar. Money aside, pretty much anybody could go on a spaceflight. "You don't have to be in perfect physical health now to be able to go to space," King said. "I've trained people with prosthetic devices. I've trained people with pacemakers.

All kinds of people

The US Federal Aviation Administration, which oversees the aviation industry, recommended in 2006 that future "commercial passengers" on suborbital flights fill out a "simple medical history questionnaire." Orbital flights which go further and last longer would require a more detailed form and blood tests, X-rays and urine specimens. Such flights, which cost millions of dollars each, are envisioned by SpaceX, the company founded by billionaire Elon Musk, which has at least four planned over the coming years. The first launch of only civilians, baptized "Inspiration4," is scheduled to take place in September. The American billionaire Jared Isaacman has fully paid for a trip powered by a SpaceX Falcon 9 rocket that will take him and three passengers on a three-day flight in low Earth orbit. In January 2022, the company Axiom Space plans to send a former astronaut and three newcomers to the International Space Station. —AFP

China hits Alibaba with record $2.78bn fine for market abuses

SHANGHAI: Chinese regulators hit e-commerce giant Alibaba with a record 18.2 billion yuan ($2.78 billion) fine yesterday over practices deemed to be an abuse of the company's dominant market position. Alibaba, the Jack Ma-founded Chinese e-commerce leader and one of the world's most valuable companies, said it accepted the penalty and pledged to outline plans tomorrow for bringing its operations in compliance. The fine appeared to cap a government crackdown on major Chinese tech platforms, and Alibaba in particular, over allegations of anti-competitive behavior and misuse of consumer data.

The State Administration for Market Regulation said it assessed the fine after concluding an investigation into Alibaba that began in December. The probe centred on Alibaba's practice of forbidding merchants who wish to sell their wares on its popular online marketplaces from simultaneously offering them on rival e-commerce sites. "Since 2015, Alibaba Group has abused its dominant position in the market" with the exclusivity requirement, the regulator said. The requirement harmed competition, innovation, and the interests of merchants and consumers, it added.

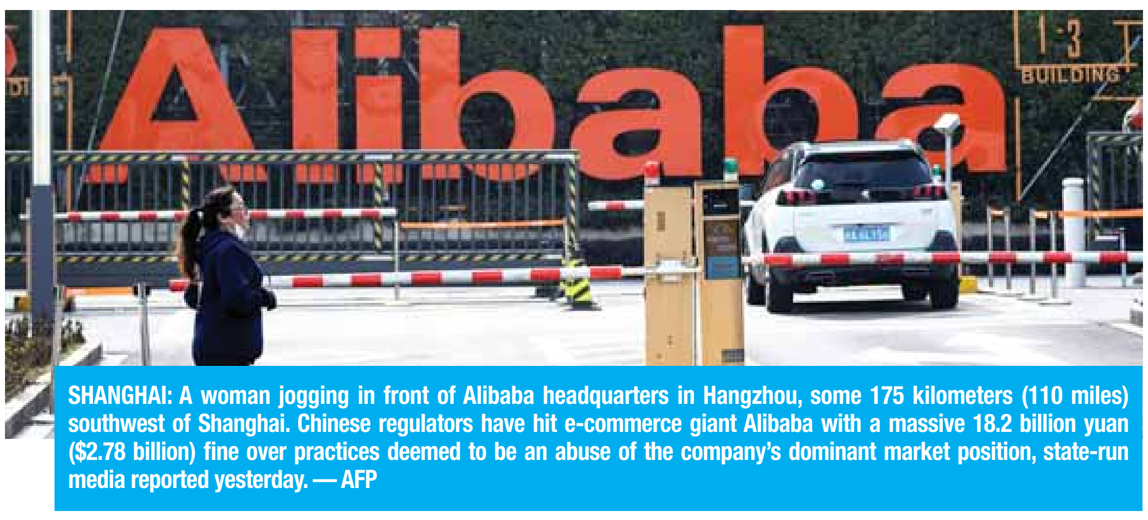
The fine was a record and nearly three times the almost $1 billion levied against Qualcomm in 2015, Bloomberg said. The size of the penalty was determined after the market watchdog decided to fine Alibaba four percent of its 2019 sales of 455.7 billion yuan.

Shortly after the decision was announced Alibaba issued a contrite statement that used many of the government's recent talking points on the issue, pledging to make changes to safeguard fair competition. "We accept the penalty with sincerity and will ensure our compliance with determination," it said. The company added that it would hold a conference call with investors on Monday to share its "thoughts and plans for the long-term healthy development of our business in the future." "We are committed to ensuring an operating environment for our merchants and partners that is more open, more equitable, more efficient and more inclusive in sharing the fruits of growth," it said.

Big Tech under scrutiny

E-commerce giants Alibaba and JD.com, along with messaging-and-gaming colossus Tencent, became hugely profitable on the back of growing Chinese digital lifestyles and government restrictions on major US competitors in the domestic market. But as the platforms amassed hundreds of millions of regular users, concern has risen over their influence in China, where tech-savvy consumers use them to communicate, shop, pay bills, book taxis, take out loans and perform a range of other daily tasks.

Alibaba has faced special scrutiny after Ma publicly criticized Chinese regulators in October as being stuck in the past after they expressed growing concern over the push into online lending, wealth management and insurance products by Alibaba's online-payments arm, Ant Group. The government has in recent years sought to rein in runaway personal debt and chaotic lending, and upstart Ant's growing profile-and Ma's rare public criticism-have been widely viewed as a challenge to vested interests in the country's state-dominated financial sphere. The government campaign against its tech giants reflects the growing global unease with the clout wielded by Big Tech and which has Facebook, Google and others also facing scrutiny at home and abroad. Even before yesterday's announcement, the Chinese crackdown had already cost Alibaba and Ma dearly. A planned record-shattering $35 billion Hong Kong-Shanghai IPO by Ant Group, which would have added to Ma's already massive wealth, was abruptly shelved.—AFP



SHANGHAI: A woman jogging in front of Alibaba headquarters in Hangzhou, some 175 kilometers (110 miles) southwest of Shanghai. Chinese regulators have hit e-commerce giant Alibaba with a massive 18.2 billion yuan ($2.78 billion) fine over practices deemed to be an abuse of the company's dominant market position, state-run media reported yesterday. — AFP

Workers urge Google parent to get tough on harassment

SAN FRANCISCO: A letter calling for Google's parent company Alphabet to better protect people who report sexual harassment on the job was signed by more than 1,000 workers soon after being posted online Friday. The open letter contended the tech giant had a pattern of safeguarding or even rewarding those responsible for sexual harassment while leaving victims to suffer in the workplace. "Alphabet does not provide a safe environment for those who face harassment in the workplace," the text says. "Even when (human resources) confirms harassment, no action is taken to make the reporter safe."

Anyone found to have harassed a co-worker should be barred from leadership roles, and be made to switch teams to be distanced from victims, the letter demanded.

"We're deeply aware of the importance of this issue," a Google spokesperson said in response to an AFP inquiry. "We work to support and protect people who report concerns, thoroughly investigate all claims and take firm actions against substantiated allegations."

In a column published Friday on the New York Times website, former Google engineer Emi Nietfeld said her "stalker" co-worker was left sitting at a desk next to her in the office even after she complained to human resources. Google has faced criticism in recent years regarding its internal response to sexual harassment, especially if the accused were executives.

Thousands of Google employees joined a coordinated worldwide walkout in late 2018 to protest the US tech giant's handling of the issue. Some 20,000 Google employees and contractors participated in the protest in 50 cities around the world, according to organizers. "We've made significant improvements to our overall process, including the way we handle and investigate employee concerns, and introducing new care programs for employees who report concerns," the Google spokesperson said. "Reporting misconduct takes courage and we will continue our work to improve our processes and support for the people who do." — AFP