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Sumitomo Chemical and Saudi Aramco celebrate the groundbreaking for refining and petrochemical joint venture PETRORabigh

Sumitomo Chemical Co. Ltd. (Sumitomo Chemical) announced the groundbreaking for the Rabigh Refining and Petrochemical Company (PETRORabigh), its 50-50 joint venture with the Saudi Arabian Oil Company (Saudi Aramco), which was held on Sunday March 19th in Rabigh, Saudi Arabia. The two companies plan to build an integrated refining and petrochemical complex (the Rabigh project), for which the costs of construction will total US\$9.8 billion. At present, the engineering, procurement and construction (EPC) contracts have been concluded and construction is set to commence, prompting the decision by the two companies to formally celebrate the groundbreaking.

On March 2nd, PETRORabigh signed financing agreements with the Japan Bank for International Cooperation (JBIC), the Public Investment Fund of Saudi Arabia (PIF) and a consortium of banking groups for the funding of the project. In addition, Nippon Export and Investment Insurance (NEXI), an independent administrative institution, agreed to insure the project as a means of hedging the risks associated with the investment. The actual construction of the project will now commence and is on schedule for completion in the third quarter of 2008.

The Rabigh project will build on Saudi Aramco's existing topping refinery in the town of Rabigh on Saudi Arabia's Red Sea coast to add an ethane cracker, a high olefin yield fluid catalytic cracker (HOFCC), and facilities for the production of petrochemicals. When completed, it will be one of the largest integrated refining and petrochemical complexes in the world, and its ability to take maximum advantage of a stable supply of cost-competitive feedstocks provided by Saudi Aramco, combined with its economies of scale, ensure that it will also be one of the most profitable operations of its kind. At the same time, the Rabigh project will promote the development of downstream industries, and will help contribute to sustainable economic development in the Kingdom of Saudi Arabia through the creation of employment opportunities and the diversification of its manufacturing industries. The partners in the project also hope that the undertaking may contribute to closer relations between Japan and Saudi Arabia.