

KPC2030
The Energy of Kuwait

عدد خاص من قطاع التخطيط
Special E-Publication by the Corporate Planning Sector



التجهات الاستراتيجية العامة ٢٠٣٠ لمؤسسة البترول الكويتية وشركتها

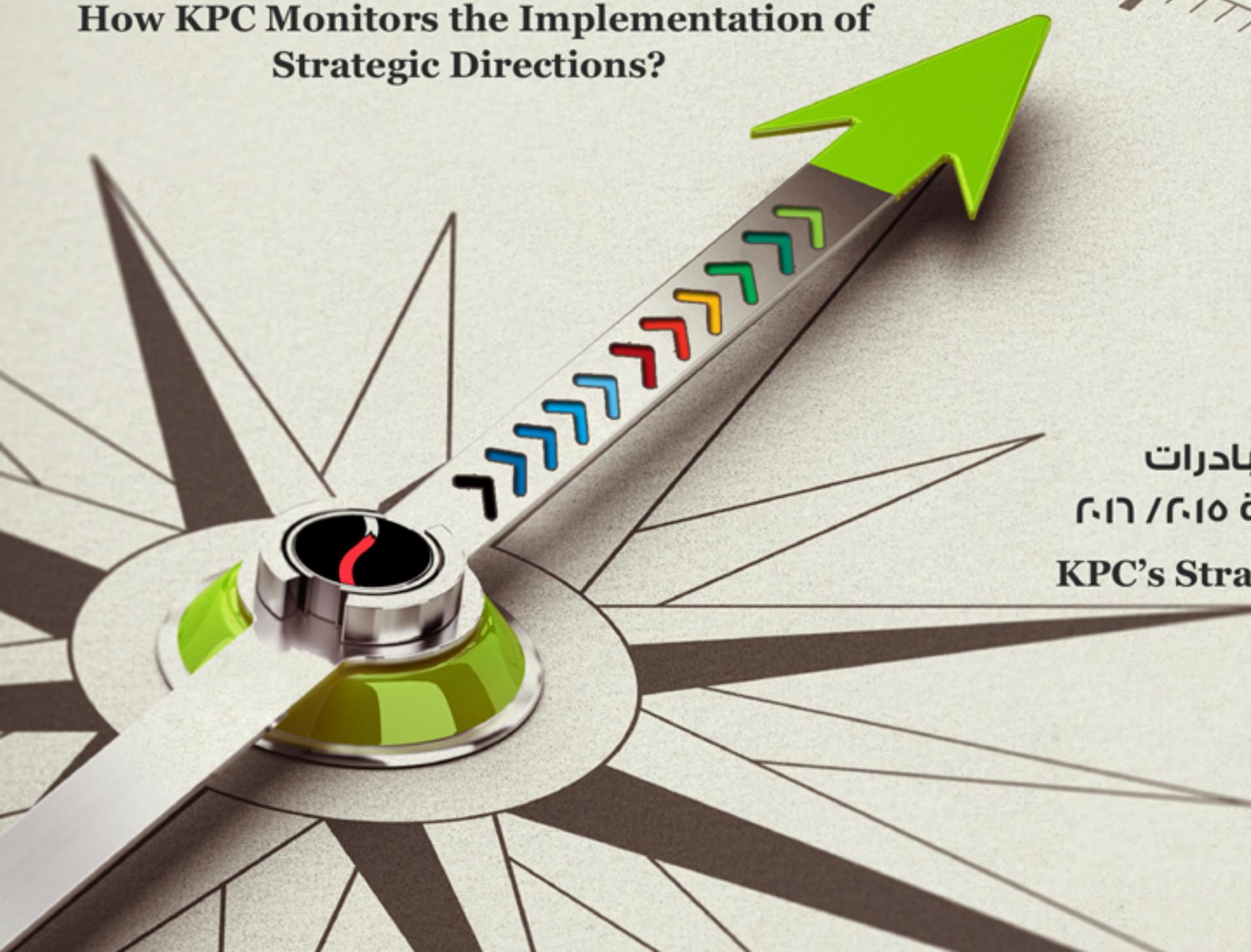
**KPC & Subsidiarie's
2030 Strategic Directions**

STRATEGY

كيف تتم متابعة تنفيذ التوجهات الاستراتيجية؟

How KPC Monitors the Implementation of
Strategic Directions?

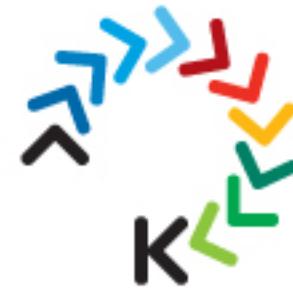
تقرير حول تقدم سير عمل المبادرات
الاستراتيجية خلال الربع الأول لسنة ٢٠١٥ / ٢٠١٦
KPC's Strategic Initiatives Progress Report
for Q1 2015/16





contents

- Introduction
- Our 2030 Strategic Directions
- Major Strategic initiatives progress as of quarter-1 (2015/16)



KPC2030

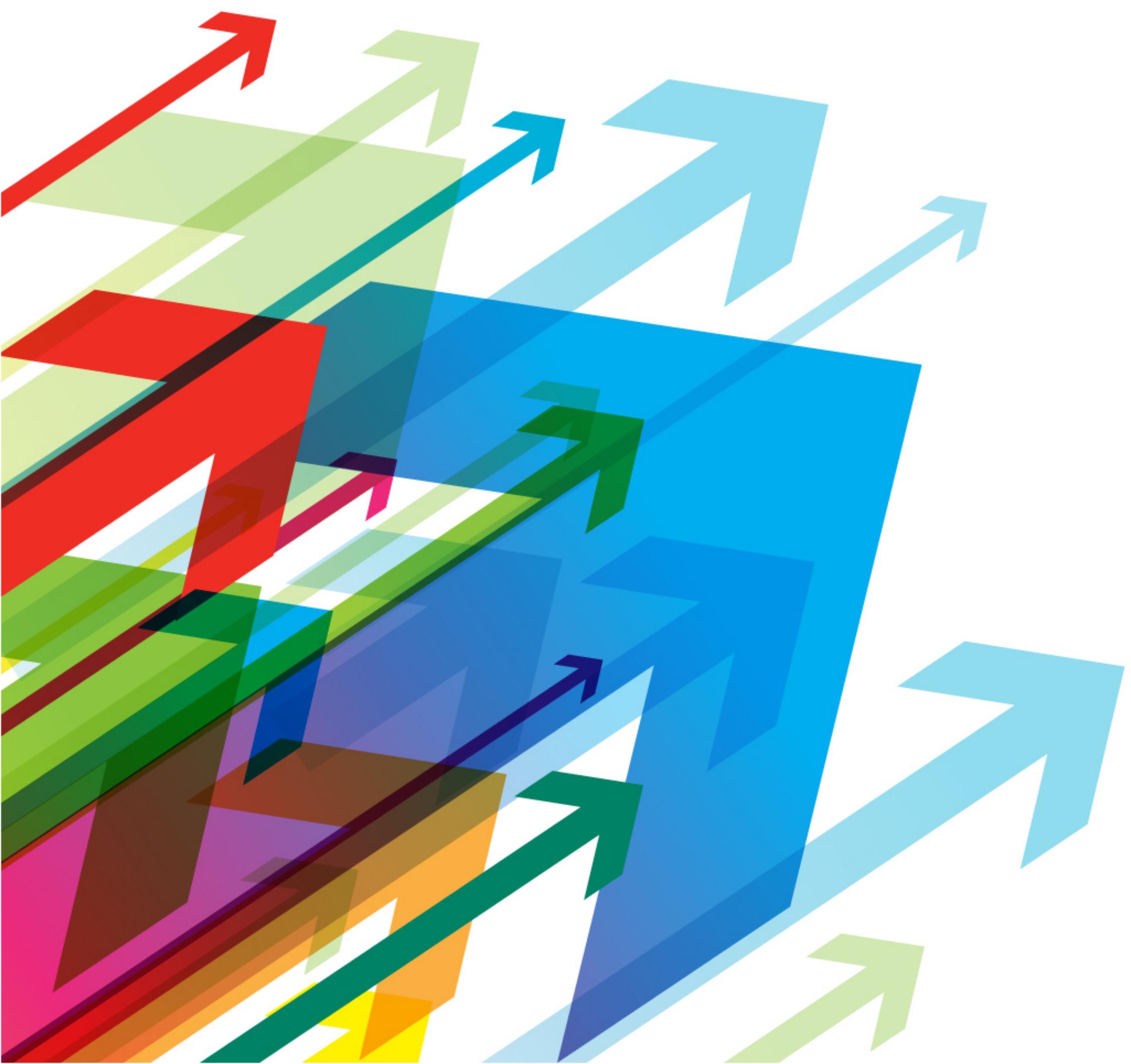
The Energy of Kuwait

Introduction

Kuwait Petroleum Corporation (KPC) has reviewed and updated the 2020 strategic directions during 2008 in order to outline the objectives of the Kuwaiti Oil Sector and its aspirations for the next phase until 2030. Therefore, KPC has developed a new set of Strategic Directions in order to align the Kuwaiti Oil Sector with global developments and future movements in oil markets. The document called KPC 2030 Strategic Directions (KPC 2030 SDs). This document has been created after internal discussions and interaction between KPC and the various K companies. A review of progress on the 2020 Strategic Directions has also been carried out along with other research. The KPC 2030 Strategic Directions are of utmost importance for all concerned parties, which include KPC, the K Companies, involved ministries, regulatory authorities, media, local and international partners, contractors and the general Kuwaiti public.



Our 2030 Strategic Directions





Our Mission

Kuwait Petroleum Corporation is Kuwait's national Oil and Gas company with international presence. A performance-based company entrusted to optimize the value of Kuwait's hydrocarbon resources through effective integrated value chain activities. And seeks to care for the interest of stakeholders and the environment of the communities where it operates.

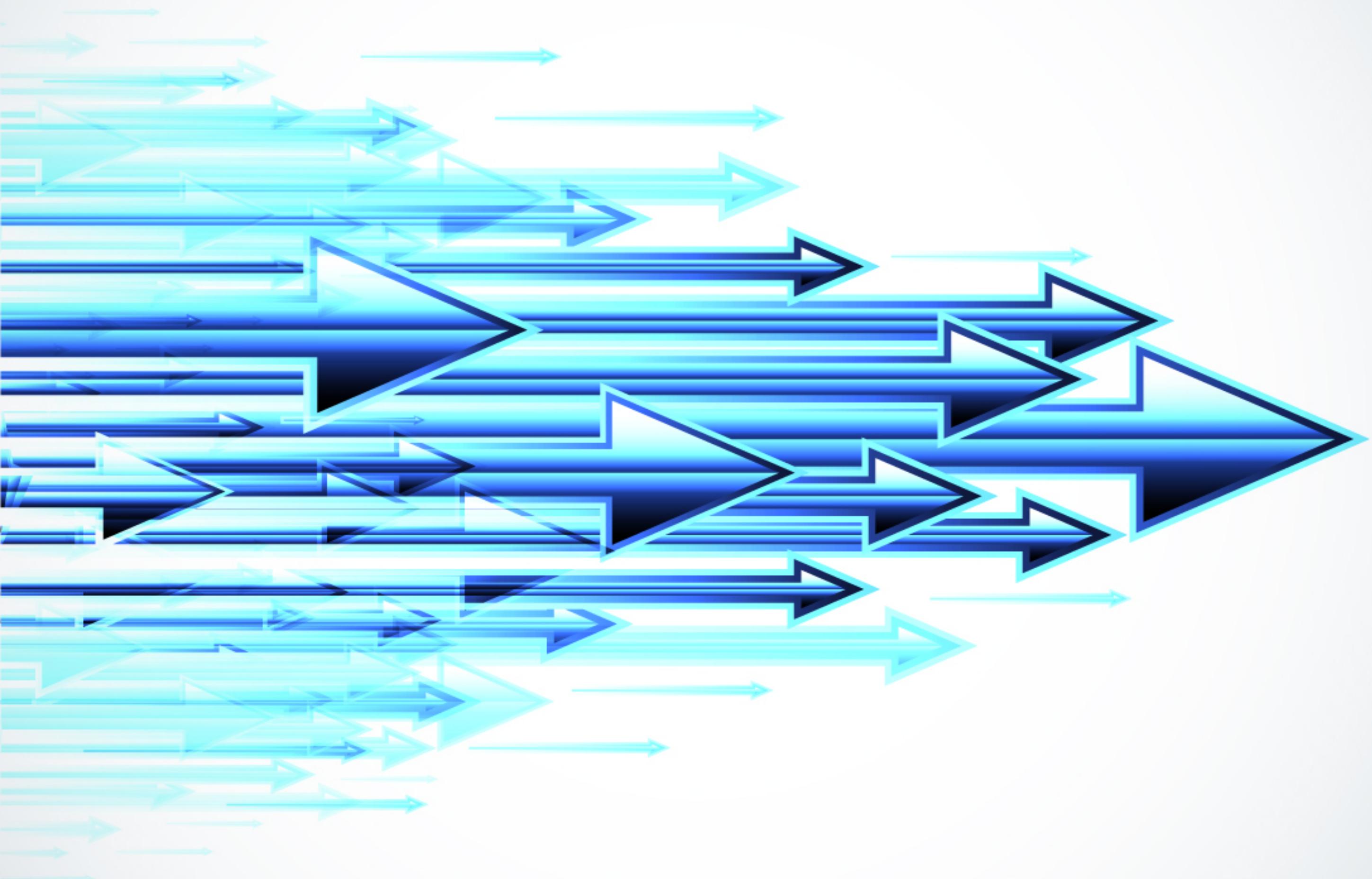
Our Vision

Excellence and integration are our path to globality

Our Vision is to reach a leading global position in the oil and gas field through:

- Being a secure and reliable supplier of hydrocarbons
- Manage our operations with world-class HSSE standards
- Being highly profitable and performance-driven enterprise
- Being an actively integrated organization with corporate thinking approach.
- Being an employer of choice
- Being a positive role model for Kuwait Society

Our 2030 Strategic Directions





Our Values

Integrity

We will act with openness, trust, respect, fairness, transparency, honesty, reliability, high ethical standards, professionalism, accountability

Motivation

Collaborative work place, teamwork; loyal environment driven by appropriate performance culture

Corporate Thinking

Care for KPC's interest and issues and ensure alignment to achieve KPC's overall goals as a total rather than segment

Commitment to HSSE and Society

- Commitment to environmental protection, safety, security, and healthy workplace
- Corporate social responsibility in Kuwait and in host communities

Partnership

Build and sustain long-term, value-adding relationships that support growth and enhance operational excellence

Flexibility

Willingness to change, Innovation, Responsiveness

Excellence

High performance, operational excellence, continuous improvement, high quality products and services, customer focus

Main 2030 Strategic Directions





Upstream (Domestic)

- Achieve sustainable crude oil production capacities in the State of Kuwait 4.0 MM bpd by 2020 and maintain through 2030
- Achieve sustainable non-associated gas production capacities in the State of Kuwait 2.5 Bcf/d by 2030
- Compensate for produced Hydrocarbons by annually adding proven reserve through improvement of hydrocarbons recovery from existing reservoirs and pursue an aggressive onshore and offshore exploration program to compensate for the 3-years average hydrocarbons production in order to meet the needs of future production targets (100% Reserve Replacement Ratio).

Downstream (Domestic)

- Grow KPC domestic refining capacity up to 1.4 MM bpd in the medium term
- Maximize conversion complexity of KPC domestic refineries, while meeting local energy demand
- Provide petroleum products that meet domestic energy requirements and international market needs in terms of quantity and quality

Upstream (International)

- Achieve crude oil and gas production outside Kuwait of 200 MBOEPD by 2020 and maintain through 2030 and reserves of 650 MMBOE by 2020 and maintain through 2030
- Give preference for investments which facilitate technology and capability transfer between domestic and international upstream businesses
- Become operator of international upstream assets by reaching 20% operatorship by 2030

Downstream (International)

- Grow KPC international refining capacity while ensuring secure outlet for 800 mbpd by 2020 of Kuwaiti hydrocarbon
- Enter into economically viable investment opportunities through partnership with an international partner or alliance with oil company, focusing on high growth market, specifically Asia
- Divest unprofitable investments that do not provide acceptable returns in the short term in Europe and merge current operations with competitors operations through JV(s)/partnership(s) to improve performance

Petrochemical

- Pursue growth in petrochemical core business inside and outside the State of Kuwait by new builds or acquisitions to maintain leading position in the high growth Olefins and Aromatics products through partnerships, with a focus on Asia and other emerging markets
- Maximize value-added integration between petrochemicals and KPC's operations inside and outside the State of Kuwait

Transportation

- Maintain the size and the configuration of the fleet that meet long-term strategic cover and KPC marketing requirements for crude oil, petroleum products and LPG in-line with targeted domestic production

International Marketing

- Maximize the value of Kuwaiti hydrocarbons in secure, long-term, and diverse outlets Improve the value chain optimization of KPC's operations

Enabling Functions

- Continuous Improvement and development of essential processes and applications linked to manpower planning, workforce and leadership training and development to manage all operations, improve performance and productivity while integrating all elements of employee lifecycle
- Increase attraction and retention of talent through creation of working environment that encourage highest employee satisfaction, loyalty and engagement
- Achieve world class HSSE performance
- Build capabilities for conducting R&D programs and technology development and deployment related to KPC's activities, including establishing a multi-partner international petroleum research center
- Implement risk management best practices in all activities related to KPC businesses
- Pursue the integration of common systems to establish a global information architecture model and focus on strategic IT activities/services
- Proactively improve and manage KPC's corporate identity and image, represent its interests domestically and internationally
- Maximize Corporate Social Responsibility (CSR) domestically and internationally
- Develop a cohesive and comprehensive program to strengthen KPC role in local economy development Enhance private sector contribution in KPC's activities/investments

Strategic Directions Implementation

After developing the KPC 2030 Strategic Directions, all Subsidiaries and Functional Areas translated SDs into detailed long term plan that consists of Major Strategic Initiatives/Programs / Capital Projects. These Strategic Initiatives has been rationalized into total around 70 Strategic Initiatives across to be reported to KPC CP on a quarterly basis.

In order to ensure the implementation of the Strategic Initiatives a new management governance established with an appropriate processes that will assure their delivery.

The management of governance consist of three layers in the organization that define accountability for the portfolio, programs and projects with certain key processes cutting through the layers to provide visibility and assurance over progress of the entire strategic portfolio.

- Portfolio layer : A Steering Committee of KPC CEO & all MDs / CEOs, with Corporate Planning acting as Portfolio Management Office (PMO)
- Program layer: Steering Committees established for Business & Function clusters to create clear ownership and accountability for delivery, with each Committee supported by a Program Management Office (PMO)
- Project layer: Every project has a Sponsor and Project Manager who will drive its implementation

These governance bodies form a comprehensive structure to drive implementation of 2030 Strategic Directions.

The main role of Management Office (PMO)

- Coordinating the implementation effort and reducing complexity for stakeholders
- Creating transparency and contributing to fair treatment across the project portfolio
- Standardizing implementation management procedures leading to increased efficiency
- Integrating across business units and functional areas by identifying/leveraging interdependencies
- Facilitating issue resolution by raising awareness and involving decision makers

Furthermore, in order to ensure progress against Strategic Directions, we are using the following tools for additional monitoring the implementations:

- Five Year Plan: This document is developed to provide senior management with a high-level roadmap that describes the expected financial and operational performance of KPC and its subsidiaries based on the current plans (in terms of KPMs, Capital Projects and Strategic Initiatives and Strategic Plans). In addition, this document shows the progress of the activities against the Strategic Directions. This document is being presented to the CEOs/MDs and KPC BOD annually.
- Performance Management System: This system has been adopted to measure and track the performance of Subsidiaries and Functional Areas in the implementation of Strategic Directions and Strategic Plans on a quarterly basis. The performance report is being presented to CEOs/MDs on quarterly basis.



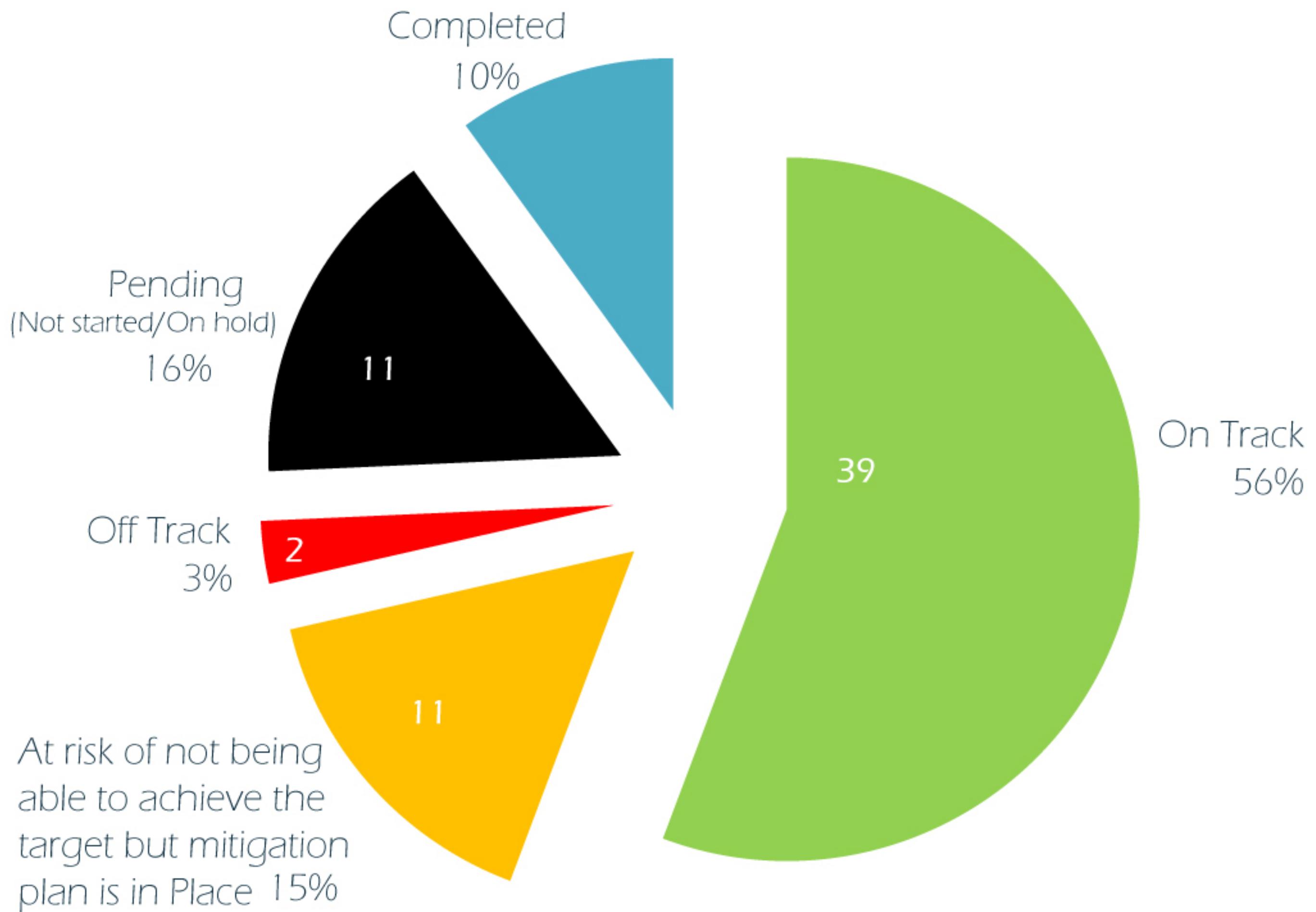
Strategic initiatives progress
as of quarter-1 (2015/16)



Strategic Initiatives Status

initiatives which falls within the Scope of the KPC Portfolio SC, 10% are completed and 56% are on track

Number of Initiatives (70)





Strategic initiatives progress as of quarter-1 (2015/16)

High Priority Strategic Initiatives Status

Out of the 16 initiatives that were considered as high priority, 12 are On Track

Initiative	Status	Remarks/Highlights
Upstream		
Deploy successfully piloted Enhanced Recovery Techniques - Upstream		<p>KOC is implementing the following program:</p> <ul style="list-style-type: none"> • Raudatain-Zubair (RAZU) ASP (Alkaline-Surfactant-Polymer) Flooding Pilot Design • Minagish Oolite (MNMO) Miscible Gas EOR Pilot Design & Drill Pilot Wells • Sabiriyah Maddud (SAMA) Reservoir EOR <p>KGOC is implementing the following:</p> <ul style="list-style-type: none"> • Wafra 1st Eocene Steamflood EOR • Wafra Ratawi Chemical EOR • SF Ratawi Oolite IOR (Multi-Lateral Wells)
Develop and Sustain non-associated Jurassic gas reservoirs		<p>KOC: Jurassic Gas Facility-I (Phase II): Front End Engineering (FEED) 24% completed. Delay in licensor selection/award which will have considerable impact on FEED completion schedule Jurassic Gas Facility-II (Phase III) (Off Track): Three horizontal wells under drilling. Two Pre Drilling Data Packages submitted to the drilling group. 56 well surveillance jobs had been rollout –out. The project is delayed and will not complete the Stage Gate 2.1 until year end 2015/16 due to a shortage of drilling and workover rigs which are required for appraisal drilling.</p> <p>KGOC: Dorra field project is on hold until conclusive agreement reached with partner</p>
Grow Heavy Oil Production to Achieve KPC Target Capacity – KOC		62 wells were released. Demonstrated 1493 BOPD crude production potential by analyzing 6 Horizontal, 3 vertical wells cold production and 6 CSS wells.
Explore for new Oil and Gas		<p>KOC is implementing the following program which are On Track:</p> <ul style="list-style-type: none"> • Short term testing for exploratory wells • Exploration to Production (Rahiyah-Marrat, Umm Roos-Marrat, Kabd-Marrat): Drilling & Testing was completed and the results have been evaluated • Kuwait Bay 3D Seismic Survey: 3% of mobilization completed. Acquisition operations are expected to commence in October 2015 <p>KGOC is implementing the following program which are On Track:</p> <ul style="list-style-type: none"> • Maturing of Appraisal Opportunities • Acquisition of 3D Seismic Data

Status:

On Track

At Risk With Mitigations

Off Track

High Priority Strategic Initiatives Status

Out of the 16 initiatives that were considered as high priority, 12 are On Track

Initiative	Status	Remakes/Highlights
Downstream		
Pursue Clean Fuel Project (CFP) and Zour Refinery (ZOR) projects to reach 1.4 MMbpd refining Capacity		<p><u>CFP: 27.4% actual Progress</u></p> <ul style="list-style-type: none"> Main 3 Engineering, Procurement and construction (EPC) Contracts – Engineering and Procurement jobs are in Progress. Construction work has been started Pre-Works , FCC and HV (High Voltage) Contracts implementation are in progress <p><u>ZOR: Completed 48.81% Site Preparation work. (As of 27th June 2015)</u></p> <ul style="list-style-type: none"> Evaluation of bids for EPC tender is completed. However, one EPC tender (Package 4) was cancelled and reissued as Momarasah on 10th May 2015 with Bid closing date on 23rd June 2015 which has been extended to 7th July 2015 based on Bidders' request
Grow in refining, petchem and marketing activities in Vietnam to secure an outlet for Kuwaiti crude		<p><u>Refinery & Petrochemical</u></p> <ul style="list-style-type: none"> EPC progress as of (end May 2015) 50.57% and it is ahead of the EPC% target of Q1 which is 45% <p><u>Marketing</u></p> <ul style="list-style-type: none"> Signing a 2 party JVA and JV Charter (KPI/IKC) as well as submitting the Investment Certificate application to the relevant authorities. Obtaining the Investment Certificate (IC) to establish a 2 party Marketing JV Company (IKC & KPI). Setting up the Marketing JV. The MoU discussions will take place during Q2 whilst the MoU signature with PVN will be rolled over to Q3
Grow in refining, petchem and marketing activities in China to secure an outlet for Kuwaiti crude		<ul style="list-style-type: none"> Reminders was sent to SINOPEC and NEA requesting for a meeting, however no feedback yet The plan is to finalize the issue by Q2 15/16
Al-Zour LNG Import Project (LNGI)		<ul style="list-style-type: none"> EPCC ITB were finalized and Tender was published in Kuwait Al Youm on 31st May 2015 with bid closing date on 29th September 2015
Integration project between ZOR, Olefins-III and Aromatics-II		<ul style="list-style-type: none"> On May 21, 2015 KPC gave the go ahead to start the Feasible study with two configuration options out of six options evaluated during the Pre-Feasibility Stage. Detailed scope is finalized with the study Consultant and the feasibility study is started
LNG Facility Life Extension Project (South Pier Integrity)		<ul style="list-style-type: none"> Completed 50% of steel repair Works for Oil Pier Area 3 (Bents 1 to 74) - Completed 100% of steel repair Works for Trestle Area-1 - Current overall Cumulative Completion is 58.5 % against target of 50 %
Petrochemical Attractive opportunities (Asia country)		<p><u>OPAL:</u></p> <ul style="list-style-type: none"> Negotiations between PIC and Oil and Natural Gas (ONGC) regarding the revised offer has been going since October 2014 PIC Final Position in this opportunity will be presented to KPC by Q2 2015/2016

Status:

On Track

At Risk With Mitigations

Off Track

High Priority Strategic Initiatives Status

Out of the 16 initiatives that were considered as high priority, 12 are On Track

Initiative	Status	Remakes/Highlights
Midstream		
Implementation of KPC value chain optimization (VCO) study recommendation for the Short-to-medium term horizon		<ul style="list-style-type: none"> The operating model of the VCO has been defined and finalized including the main dimensions in terms of operating philosophy, roles and responsibilities, required processes, data flows and organization governance Three VCO opportunities were presented to DCEOs, agreed and selected for piloting The piloting activities have been initiated with concerned subsidiaries. The outcome of the three pilots to be socialized accordingly
Human Resources		
Leadership		<ul style="list-style-type: none"> A total of 11 modules have been conducted in Kuwait and UK, 2 Executives modules and 9 Managers modules. Value Creation guidelines have been conducted and distributed among participants. 1 Mega event conducted on May 3rd,2015 / AUDIENCE- Executives & Managers "Future of oil – Economics, geopolitics and renewables"
Organizational Capability & Development (OCD)		<ul style="list-style-type: none"> The Unified PDP form and target effectiveness process and procedures were completed 2014/2015 The Unified Technical Competencies (common functions) the design phase will be completed within 2015/2016 & 2016/2017
HSSE		
Enhance Contractor requirements and focus under the KPC HSE MS Policies and Standards		<ul style="list-style-type: none"> The review and update of the documents based on the consultant comments will be done, after incorporating all comments the finalized document will be scrutinized by the Team comprises from all Subsidiaries. After recommendations from the Team the document will be released for implementation at subsidiaries The developed database was tested at all KNPC sites as pilot project. After testing KNPC came up with implementing issues due to ownership between KNPC departments. Keeping in view of the issues KNPC decided to implement the same with different approach
R&T		
KIPRC (Kuwait International Petroleum Research Center)		<p>Facility Design & Construction</p> <ul style="list-style-type: none"> Architecture design competitions started on 22 April 2015. Pre-Tender Meeting held with 6 bidders. Bid closing date is 18 August 2015 <p>Organizational design and operating model</p> <ul style="list-style-type: none"> Scientific Advisory Board's composition and compensation model have been designed HR Value proposition for KIPRC has been designed

Status:

On Track

At Risk With Mitigations

Off Track



KPC 2030

The Energy of Kuwait