OIL AND GAS COMPANY PROFILE

Case Study:

EMIRATES NATIONAL OIL COMPANY L.L.C

(ENOC)

Report submitted as Peer-graded Assignment for the Oil & Gas Industry Operations and Markets Course from the University of Duke

Prepared by: Demian Chebo Bamu

OVERVIEW OF THE EMIRATES NATIONAL OIL COMPANY LIMITED (ENOC) L.L.C

Company Overview

ENOC (Emirates National Oil Company) is a wholly owned entity of the Government of Dubai, established in 1993. The group is a leading integrated international oil and gas player with operations across the entire energy sector value chain.ENOC owns and operates assets in the fields of exploration and production, supply and operations, terminals, fuel retail, aviation fuel and petroleum products for commercial and industrial use. The group also operates another arm beyond its oil and gas operations; general services which has a solid presence in related fields and subsidiary enterprises. Its activities include convenience store franchises, added value propositions, automotive and fabrication services. As a group ENOC comprises more than 30 related subsidiaries involved both in exploration and production (E&P) as well as general business operations [1].

ENOC's primary purpose and strategic goal is to supply energy to the population of Dubai. It also seeks to perform several other roles vital to the future success of the emirate and its citizens and residents. The company has contributed significantly to the growth of the emirate's economy and infrastructure playing its part in the global recognition of Dubai as a thriving metropolis of commerce, community and tourism.

The company currently services over 140 million customers with geographical footprints across 60 countries globally including employing a workforce of over 11,000 employees.

ENOC annual review of 2018 reported 256 million barrels in sales volume from its exploration and production segment and annual revenue of USD 21,022 million [2].

The group is currently one of the largest companies in its sector in the United Arab Emirates. In 2018 ENOC declared that it intends to continue its expansion outside of the UAE, as it cements its position in a number of key energy provinces, thereby promoting its brand internationally

Business and Operational Overview

The oil and gas sector of the UAE has experienced continued growth over the last few years largely due to the economy's increasing GDP's *(US $358.14m in 2015 to US $425m in 2019)*[4] and an expanding population []. The *Dubai Economic Report of 2019* [3] highlighted that a mix of the government's policies to stimulate the economy as well as its global networks and partnerships have contributed to significant inflows of investments, high tourism and trade. UAE cabinet decision in 2018 allowed foreigners to set up businesses outside free zones and a US $13.6 billion stimulus package supporting SMEs and new industries accelerated growth in the financial and construction sectors. As such developmental projects throughout the emirates have played a significant part in a growing the demand for oil and gas and in Dubai. Some notable examples mentions are the jet fuel pipeline to the Al Maktoum Airport, the expansion of the Jebel Ali refinery and the highly anticipated *Dubai Expo 2020* all playing their part in influencing the demand for oil and gas products in recent years. On an overall basis the oil and gas sector in Dubai continues to show positive growth which is expected to continue as the government continues to push forward its agenda of creating world-class projects and infrastructure and help diversification of the territory's economy.

In parallel with Dubai's spectacular growth the company matches that strategy through digitalization as well as implementing the most innovative and new state-of-the art solutions to make the business more efficient, more responsive and better placed to extract value across all its business segments. Technological investments have seen the group respond swiftly and decisively to the changing market demand delivering sales volume growth at a rolling rate of 10 percent in the last five years [1].

ENOC’s financial performance saw revenues for the year 2018 of US $21,022 million a 28 percent increase over 2017 [2] *(at the time of writing this review 2019 annual review report is not out yet)* despite increased competition. This was largely due to introducing a range of initiatives aimed at enhancing margins and driving profitability. Operational performance showed upstream operations produced more than 86,000 barrels of oil per day, an increase of 3 percent jump from 2017, and the segment’s contribution to Group’s profit remained higher the previous year.

KEY CHALLENGES AND SUCCESSES

CHALLENGES

Despite reporting solid financial and operational performances in the past years, the ENOC Group hasn’t been without its own challenges notably:

- Greater competition through government policies and stimulus facilitating new entrants into the industry thus increasing competition and diluting market share.
- The volatility of oil and gas prices in the last few years resulting in a more challenging environment.
- A pessimistic economic outlook ;high level of economic risk including the possibility of prolonged Brexit uncertainty and indications of decelerating economic growth in China , a potential escalation in U.S. – China trade tensions affecting energy demand for transport and shipping globally.

The key challenges in the future will continue to rest in growing demand for oil & gas as population continues to grow in the emirate as well as having to absorb the challenges in the geopolitical sphere. However, ENOC’s recent investments in new technologies notably artificial intelligence (AI) have already resulted in production yields of over 10 percent in each of the past 5 year a trend which can be expected to only get better as the company continues to invest and rely in technological advancements.

SUCCESSES

- Investments in high-tech solutions such as artificial intelligence have increase production and profitability despite recent falling prices.
- In recognition of the Group’s efforts to achieve and promote excellence in sustainable development in the region, it won the 2018 Golden Peacock Global Award for Sustainability – a worldwide corporate excellence benchmark, for the second consecutive year in the global institutional award category, and for the third time in a row, ENOC won the Arabia CSR Award.
- Despite a challenging Geopolitical environment in recent years the group has consistently delivered increasing production volumes and higher margins making it a very attractive option for investors.

Acknowledgements

1. https://www.enoc.com/en/
2. https://www.enoc.com/portals/0/ModuleContent/PDF/Files/ENOC_32162_Annual_Review_2018.pdf
3. https://dubaided.gov.ae/English/DataCenter/Pages/DER-2019.aspx
4. https://tradingeconomics.com/united-arab-emirates/gdp