
Aramco cut refinery costs by around USD 2 billion

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Reuters reported that Saudi Aramco and France's Total will invest USD 9.6 billion to build the Jubail oil refinery and picked Technip and Tecnicas Reunidas among the main contractors.

Aramco and Total delayed the bidding process for the JV refinery by 7th months, sending contractors back to the drawing board to revise bids and chop costs. The price tag for the 400,000 barrels per day refinery was over USD 2 billion below the highest estimate last year of around USD 12 billion.

The JV Satorp said that "The target has been achieved, whereby the overall project cost now stands at USD 9.6 billion."

The cost of the refinery had doubled from an initial USD 6 billion, as commodity and raw material prices soared and contractors strained to deal with backlogs on order books for energy projects. Prices for steel and labour then fell with the global economic downturn and contractors were forced to compete for a smaller number of projects.

A source said that "We are really happy that we were able to keep the overall amount below the USD 10 billion threshold."

Satorp in the statement that said that Spain's Tecnicas Reunidas won a contract to build crude and hydrotreating units and France's Technip won 2 separate contracts for refining unit work and utilities.

The Tecnicas Reunidas package was worth about USD 1 billion, a company director told Reuters in early June.

Industry sources said that these 3 contracts were the biggest of the 15 packages that were up for bidding. Satorp did not detail the final value of each package. Technip had already carried out engineering and design work on the refinery. Other winners included South Korea's Daelim Industrial Company, Samsung, SK Engineering & Construction, and Japan's Chiyoda Corporation.

(Sourced from Reuters)

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