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Sharjah to launch exploration tender this summer



The port of Hamriyah in Sharjah. (Sharjah Ports)

Verity Ratcliffe /
London



SHARJAH NATIONAL OIL Corp.'s (SNOC's) seismic programme has revealed "positive signs" and the company is preparing to launch a tender to explore its acreage, according to its chief executive. However, SNOC has yet to decide whether it will offer investment or service contracts.

"We are in the data interpretation phase [of the seismic survey]; there are positive signs," Hatem al-Mosa told *Interfax Natural Gas Daily*, adding the prospects are mostly gas. "The analysis will be concluded very soon and then we will move to the next phase [of the exploration programme] this summer."

SNOC will invite either service companies or IOCs to bid. "[We] could [drill] ourselves, which would mean tendering for the services, or [we may] invite investors [...] The signs are positive to move forward with the programme," he said.

While Gulf states have predominantly used service contracts to develop their oil and gas resources in the past, SNOC may decide to opt for IOC investment instead.

"The service contract model was, and still to a great degree is, the dominant investment/production model in the MENA region. However, that is evolving at the moment," Justin Dargin, a Middle East energy expert

at the University of Oxford, told *Interfax Natural Gas Daily*.

"Fundamentally, SNOC desires to see which model would be more profitable for them to pursue. However, it seems more likely that they will go with a full competitive bidding round in the last instance," said Dargin.

The UAE's other emirates have decided to tender for investment in rounds. Abu Dhabi launched its first ever licensing round last month. Six blocks are on offer, and Abu Dhabi National Oil Co. held roadshows in Abu Dhabi, Houston, London and Hong Kong in April and early May to promote them. Ras al-Khaimah launched its first licensing round on 1 April.

There may be opportunities for collaboration between Sharjah and Ras al-Khaimah, although their tender rounds will be operated completely separately, said Mosa. "Should there be a discovery in Ras al-Khaimah, we will definitely offer our capacity to them if they are interested. They would have to decide which is the most economic way," he said.

"If a structure extends across the border between two emirates, a unitisation agreement would be the most logical thing. We already have one between Sharjah and [the emirate of] Ajman in the offshore," Mosa added.

Energy independence

Sharjah is keen to develop new sources of gas to replace declining production from the Sajaa field. It wants to secure its energy independence, starting with using imported LNG in the short term and then developing its domestic resources in the long term.

"Each emirate is responsible for developing its own energy policy," said Dargin. "It is not a recent phenomenon of the northern emirates desiring to develop their own gas fields; this has been ongoing for some time. But, there is the related concept that they seek



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The emirate of Ras al-Khaimah. (Bob McCaffrey/Flickr)

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some slight independence from Abu Dhabi as well,” he added.

Sharjah’s aim to prioritise energy independence has prompted SNOC to look more seriously at storing gas in its old fields.

“We’re still trying to identify options to start a gas storage project in Sharjah. We are conducting the pilot test,” said Mosa. “No decision has been made on moving forward with the project yet. It’s an idea that has been on the table quite a few times over the past decade.”

But Sharjah will need to secure huge volumes of gas and this could be costly, particularly if the emirate uses imported LNG. “The project requires a significant capital investment, which

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Ras al-Khaimah invites exploration bids

The UAE’s northernmost emirate has opened bids and is expected to draw interest from companies already operating in the Gulf state.

has to be justified economically; that’s why it hasn’t happened yet. It’s not just capital in terms of equipment but also in terms of putting sufficient cushion gas in the reservoir to be able to cycle it,” said Mosa.

The northern emirates may stand to benefit. “Gas storage in the region is important for energy security in the whole country. Of course, it’s primarily going to be for Sharjah. But once infrastructure is available it can be used by any of the other emirates, provided we have a framework for using it. We are inviting investors from other emirates to participate in this project,” said Mosa. ■

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Energy front-month futures, 8 May

	Close	% change
Brent Crude, \$/bbl	76.77	0.79
WTI Crude, \$/bbl	70.85	0.17
Henry Hub, \$/MMBtu	2.74	0.00
NBP, p/th	53.67	2.66
TTF, €/MWh	21.15	2.42
Gaspool, €/MWh	20.68	0.00
NCG, €/MWh	20.80	0.00
CSX Coal, \$/t	56.55	0.00
Newcastle Coal, \$/t	101.00	0.00
South China Coal, \$/t	83.00	0.00

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