

“Strengthening ties between Saudi Arabia and Japan in the era of Vision 2030”. Speech to JCCP Symposium.

His Excellency Dr. Abed Al Saadoun, Deputy Minister for Petroleum and Gas.

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It is a great pleasure to be here with you today.

The annual JCCP Symposium is one of the highlights of the international oil and gas calendar and I am honored to be addressing such a distinguished audience.

I would like to convey greetings from His Royal Highness Prince Abdulaziz Bin Salman, Saudi Arabia’s Energy Minister, and I am giving this speech on his behalf.

I was requested to shed light today about Saudi Arabia’s Vision 2030 and Saudi Government policy, but let me start by emphasizing how important relations with Japan are to my country.

Saudi-Japanese relations.

Diplomatic relations between our two countries started in 1955, but the connections go back a lot further. Indeed, it was in the nineteenth century when Japanese pilgrims started visiting Makkah.

Links have grown ever stronger in recent times.

Japan is now the third most important trading partner of my country, with trade between both nations amounting to \$38 billion in 2018¹,

¹ “\$38 billion is the volume of trade exchange between Saudi Arabia and Japan” Ministry of Commerce and Investment, Saudi Arabia, 2 July 2019.

which represents an increase in trade activity of 17% on the previous year².

Saudi Arabia is proud to be one of the largest suppliers of oil to Japan³, amounting to close to 40% of total Japanese imports.

Investment is flowing between our countries in both directions.

And we were delighted to welcome Prime Minister Shinzo Abe and his delegation to Saudi Arabia this month for important talks with the Kingdom's leadership.

But most importantly of all, there are growing connections between our two peoples.

Cultural links are expanding and I am delighted to report that hundreds of Saudi students are studying at Japanese universities⁴.

Vision 2030.

As you know, Saudi Arabia has an ambitious policy program to diversify our economy and expand new sectors, known as Vision 2030. The Vision outlines Saudi Arabia's future trajectory, including the further development and diversification of the economy and a more prosperous, more tolerant and more sustainable nation. The Vision will be driven by multiple economic engines, led by the private sector and accompanied by the privatization of state-owned enterprises.

Of course, the biggest example of this so far, which took place last month, was the Initial Public Offering on the Saudi stock exchange of shares in Saudi Aramco. The float, which broke records as the world's biggest IPO, was recognized around the world as a great success. The

² Ibid

³ "Import volume of crude oil to Japan in fiscal year 2018, by country", Statista website, "Saudi Arabia loses spot as Japan's top supplier in Aug as refiners favor lighter crudes" S&P Global Platts, 1 October 2019.

⁴ "Saudi-Japanese relations continue to evolve and grow, says former ambassador" Arab News 1 July 2019.

IPO is an important part of Vision 2030 and will provide extra support to diversify the economy.

The foundations of this diversification strategy are the strengthening of existing pillar industries and the creation of new ones. The first pillar will place increased emphasis on oil, gas, chemicals and mining, while major industries to be created include the automobile sector, the 4th Industrial Revolution technologies of the new knowledge economies, and services ranging from health and education to finance and entertainment.

Large domestic sectors will meet demand for goods and services procured from localized industries, such as oil and gas, defense and pharma. To support local industries, special attention is being placed on creating sufficiently wide and deep supply chains. This is part of an effort to provide fulfilling jobs for our expanding local work force.

Potential for collaboration.

Looking at Saudi-Japanese relations, there are vast areas of potential collaboration. These opportunities fall into three broad categories:

- First, there is potential for Saudi investment in Japan.
- Second, there are tremendous opportunities for Japanese investments in strong economic sectors that already exist in Saudi Arabia.
- And thirdly, there are further opportunities for Japanese investment in the new industries being opened up by Vision 2030.

Let me briefly touch upon each of these three categories, beginning with potential Saudi investment in this nation's economy.

Saudi Arabian entities are already investing in Japan. As an example, the Saudi Public Investment Fund has invested \$45bn in the Softbank

Vision Fund⁵. This is an example of Saudi Arabia's commitment to the industries of the future and to cooperation with Japan.

We know we have much to learn from Japan's experience of moving its economy in the 1970s towards "knowledge intensive" industries.

Through forums such as the Saudi-Japan 2030 Business Forum, co-hosted by the Saudi Arabian General Investment Authority and Japan External Trade Organization, Saudi businesspeople are learning from their Japanese counterparts and seeking out investment opportunities in your country.

And through forums such as this, Japanese investors can discover new investment opportunities in the Kingdom.

There are currently 130 Japanese direct investment projects in the Kingdom⁶ - and there is potential for much more activity.

I was glad to see that recently the Saudi Arabian General Investment Authority signed agreements with Japanese entities in areas such as finance, education, industry and manufacturing. We are working closely with Japanese financial institutions, such as Mitsubishi UFJ Financial Group and Mizuho Bank, to identify investment opportunities for Japanese investors. A good example of cooperation is Yokogawa Electric Company working with the Saudi chemicals company, SABIC, to establish a local franchise in the Kingdom⁷.

There are great opportunities for investment in Saudi Arabia as we move forward with our localization agenda to provide a skilled Saudi workforce to international investors. In terms of sectors, hospitality and tourism are growing fast in the Kingdom and would welcome Japanese

⁵ "Saudi Arabia, Japan and the world beyond oil" Kent Calder, Japan Times, 18 September 2019

⁶ "\$38 billion is the volume of trade exchange between Saudi Arabia and Japan" Ministry of Commerce and Investment, Saudi Arabia, 2 July 2019.

⁷ "Saudi Arabia, Japan sign new agreements" Arab News, 20 June 2019

investment and expertise. And there are so many other areas of the economy where Japanese investors will find Saudi counterparts eager to engage.

In terms of the third category, the potential for Japanese investments in the high-tech Saudi industries of the future, there is tremendous scope for cooperation. This includes but is not limited to ICT, robotics and automation; Big Data and the Cloud; artificial intelligence; genomics and bioengineering; renewable energy and electrical storage; and other future-oriented sectors.

Circular Carbon Economy.

Ladies and Gentlemen,

The theme of today's conference is "Aiming for the Sustainability of the Oil and Gas Industry". Clearly, a huge challenge is how we can target growth and development in a sustainable way, mindful of climate goals. As all of you will know, Saudi Arabia is a global energy leader with more than 260 billion barrels of reserves of oil and over 300 trillion standard cubic feet of proven gas reserves⁸.

Given our pivotal role, we feel it is our responsibility to help find solutions through innovation and collaboration to create a sustainable framework for growth.

I would like to take this opportunity to briefly set out a framework that has been put forward by Saudi Arabia to offer a holistic and pragmatic framework to achieve these ends.

It is known as the Circular Carbon Economy and provides a framework where emissions of carbon from all sectors, and all types of greenhouse

⁸ "Independent certification of the Kingdom's oil and gas reserves within Saudi Arabia's concession area results in upward revision of the Kingdom's overall reserves, and confirms the highest standards of governance". Press release from the Ministry of Energy, Industry and Mineral Resources, 9 January 2019.

gases, are addressed through what we describe as the 4Rs : reduce, reuse, recycle and remove. This closed loop system, much like what happens in nature, will help restore the balance of the carbon cycle. The driving force behind this concept is the insight that life is based on carbon so obviously carbon is not the enemy. This new approach to energy sustainability will transform how the world views carbon and, consequently, the petroleum industry. With the Circular Carbon Economy, carbon will be the opportunity.

In Saudi Arabia, we are putting our resources behind this framework by investing heavily in the sector. We are reforming our entire energy ecosystem. This includes the development of several programs, such as Power System Integration, greater use of gas, renewables and cleaner fuels and increased focus on research and development.

As you know, Saudi Arabia now holds the Presidency of the G20. We have a hard act to follow, taking over the Presidency after a very successful year of leadership from Japan.

Throughout our G20 Presidency we will be engaging with partners, such as Japan, to develop the Circular Carbon Economy framework. I wanted to mention it today, not only because it is so relevant to the theme of the conference, but also because I believe it will offer great opportunities for Japanese companies to provide expertise and know how to support the initiative.

Conclusion.

Ladies and Gentlemen, this is an exciting time for Saudi Arabia and I was glad to be able to describe the extraordinary changes taking place in my country.

Relations with Japan are crucial for Saudi Arabia and I am certain that both countries have much to gain from working together and strengthening our ties as Vision 2030 transforms the Kingdom.

Thank you for taking the time to listen to me today and I look forward to engaging with you during the rest of the conference.

