

Keynote by Amin H. Nasser, President & CEO, Saudi Aramco

Your Excellencies, distinguished guests, ladies and gentlemen, good morning. Thank you for joining us from near and from far, which is making this a truly global event.

We are honored that His Royal Highness, the Amir of the Eastern Province, Prince Saud bin Naif bin Abdulaziz, could join us today.

Your Royal Highness, your belief in the power of business to drive national development is an inspiration to us all.

I would also like to welcome the Minister of Commerce and Industry, His Excellency Dr. Tawfiq Al-Rabiah, and His Excellency Abdullatif Al-Othman, Governor of the Saudi Arabian General Investment Authority.

Today is a landmark day for us at Saudi Aramco and all of you – our business partners. While you have successfully served our need for materials and services over many decades there is still a gap that needs to be closed – and that is local content.

The Saudi business community has accomplished a lot from modest beginnings, and I am inspired by success stories of local companies being able to compete internationally.

But the majority of our materials are manufactured elsewhere, and the majority of our services are provided from other countries. Consequently, our local content levels remain modest at just 35%.

For something that is so strategically important, that is not good enough for our company, for your companies, or for the country where the business is.

So today we are announcing a long overdue step-change in our commitment to local content levels. We are setting three critical objectives to guide our localization program. The first is to double the percentage of locally-produced energy-related goods and services to 70% by 2021.

The second is our local energy goods and services industry exporting 30% of its output over the same timeframe.

And the third is that we want this thriving sector to deliver half a million well-paid direct and indirect jobs for talented Saudis over the long-term. These are challenging targets, but I believe they are achievable if we work together.

Before we get into the detail, however, let me answer three simple questions:

- Number one: why are we changing our business model with our supply chain?
- Number two: what are we doing at Saudi Aramco to make it a success?
- Number three, and most important of all: why do we see this as a win-win for everyone?

So why are we changing our business model?

There is a growing recognition around the world, especially in the developing world, that suppliers and investors must build long-term partnerships with companies and countries they do business with.

They must invest in the long-term prosperity of their host nations. And they must help with long-term employment opportunities. In fact, you would be hard-pressed to find many countries that do not have this mandated by governments across a range of materials and services.

Take Norway, for example. They have successfully maximized the multiplier effects so that their local content levels have soared to nearly 80%.

And over 1,000 companies support the industry with an annual turnover of \$60 billion. On the other hand, the experience of others is more mixed. In several cases, deficiencies in program design and implementation have led to significant cost increases, and delays in oil and gas field development, directly impacting revenue. So we know what local content can deliver if correctly designed and implemented for each country's unique circumstances, and the pitfalls, if it is not. Therefore, continuing to import materials and services at growing levels cannot be our long-term strategy. What has been missing is a formal mechanism that enables fair competition as part of a local content strategy.

With our In-Kingdom Total Value Add – or IKTV – program we now have that mechanism, which is systematic, fair, and transparent. It puts local content at the heart of our procurement process, and will be a requirement of doing business with Saudi Aramco going forward.

This does not mean we are abandoning our long-standing commitment to cost, quality, and schedule, or our commitment to safety and the environment. In fact, in the present challenging market environment, these principles are even more important to sustaining our global leadership in energy.

But we realize that favorable local conditions are necessary to make local content a reality.

Some attractive enablers are already in place such as a favorable tax regime, a stable currency, an extensive, modern infrastructure, ample and competitively-priced supplies of energy, feedstocks, chemicals, and minerals, and a large, young, and fast-learning workforce.

Furthermore, strong R&D capabilities, and entrepreneurship centers and incubation hubs such as the Dhahran Techno Valley are just a few miles from here.

Above all, let me be candid: we have the business! However, we know we must do more to improve the enabling environment and overcome challenges. That is why we are helping to improve the quality of education from primary schools to universities with a special focus on Science, Technology, Engineering and Mathematics, or the STEM disciplines.

We are leveraging our own training resources to assist Kingdom organizations to train a high quality, technical workforce that can meet our needs and yours. In fact, we are working with the Ministry of Labor to establish 22 national training centers around the Kingdom by 2025, and seven are already active.

We are also working with stakeholders to ensure that regulations help business rather than tie them up in red tape. And we are promoting economic and industrial diversification through our work on anchor projects such as the Maritime Yard at Ras Al-Khair. On top of this, we are promoting the Small and Medium Enterprises, or SME sector, and helping to create an extensive supply chain that is essential to local manufacturing.

We also want to give you a clearer view of our future requirements, and a greater understanding of the local and regional markets when you operate from here – and we will be sharing more details with you later today.

And by setting a target of 70% local content by 2021, we have given you sufficient time to deliver. So we are improving our proposition to you, just as we expect you to improve yours to us, and we will support you every step of the way.

On top of this, we believe that IKTVA offers enormous opportunities to suppliers and service providers in its own right.

I want to be absolutely clear about this: this is not about being charitable. We want IKTVA to be mutually beneficial, which means your investments making a reasonable rate of return.

If they are not, IKTVA will not be the success we all want it to be. And companies that build a deep and lasting relationship with the Kingdom by setting up shop here and investing in workforce development will capture the major share of Saudi Aramco's spend on materials and services.

To put that in monetary terms, we expect to spend more than 300 billion dollars over the next 10 years, of which 70 percent will eventually be local content.

I have no doubt that additional business will come your way – not only from Saudi Aramco, but from other entities within the Kingdom and the region.

Ladies and Gentlemen, Saudi Aramco is on the move, and so is Saudi Arabia.

The key to our long-term stability will be our economic strength. But for too long, local content has not been a formal requirement of doing business with Saudi Aramco. And current local content levels are simply unsustainable for our country, our society, and our citizens.

So things have to change. IKTVA ensures that they will change. And that change to a more strategic, sustainable, and successful relationship starts right here, right now.

Thank you.