The Mineral Industry of Kuwait

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Kuwait's economy revolved around the production and refining of crude oil. Of the world's leading crude oil producers, Kuwait ranked 12th (BP p.l.c., 2004§[1]). In 2003, the petroleum and natural gas sector contributed about 51% of the gross domestic product (GDP) at current prices and accounted for about 88% of Government revenue (Central Bank of Kuwait, 2004§). The GDP at constant prices increased by 10.1% in 2003 compared with a 0.4% drop in 2002. The GDP based on purchasing power parity was estimated to be $34.93 billion[2] (International Monetary Fund, 2004§).

In 2003, Amiri decree No. 153 established the Ministry of Energy and transferred to it the functions and staff of the Ministry of Oil and the Ministry of Electricity and Water.

Trade

Kuwait was a member of the Arabian Gulf Cooperation Council, the Organization of Arab Petroleum Exporting Countries, and the Organization of the Petroleum Exporting Countries (OPEC). In 2003, total exports (free on board) were valued at $20.8 billion, of which oil exports accounted for about $19.1 billion and manufactured fertilizer exports accounted for $123.6 million. In 2002, total exports were valued at $15.4 billion, of which oil exports accounted for about $14.1 billion and manufactured fertilizer exports accounted for $51.1 million. Total imports (cost, insurance, and freight paid to point of destination) in 2003 were estimated to be $10.8 billion compared with $9.0 billion in 2002 (Central Bank of Kuwait, 2004§).

A majority of exports and imports were transported by sea. In 2003, however, seaborne transport through the Persian Gulf to Kuwait was disrupted by the military action in Iraq that began on March 19. By the end of March, insurance premiums on ships that docked in Kuwait had increased by 300%. For non-oil shipments, this was equivalent to an increase of about $100 to $150 per shipping container (Cundy, 2003; Middle East North Africa Financial Network, Inc., 2003§).

In 2003, the Government signed a memorandum of understanding (MOU) with Iran to import natural gas and water from Iran. The gas imports from Iran would supplement proposed imports of natural gas from Qatar.

Commodity Review

Proposed mineral-related construction in Kuwait included Al-Fada Trading and Contracting Co.'s $398-million carbon anode plant, which would be operated by Gulf Carbon Industries Co., and General Trading and Contracting Co.'s $27 million high-carbon ferrochrome plant, which would be operated by Kuwait Ferrochrome Co. (Middle East Economic Digest, 2003a; Ministry of Finance, 2003).

Industrial Minerals

Nitrogen (Fertilizer).—In March, Petrochemical Industries Co. suspended production at its ammonia and urea plants because of the war in Iraq. Production resumed on April 3, and shipments, in mid-April. The company renovated ammonia line 2 and, in May, converted the prilled urea production unit to a granular urea unit, which increased the granular urea production capacity to 1,750 metric tons per day (t/d) from about 1,100 t/d (KPC World, 2003, p. 21).

Mineral Fuels

Natural Gas.—The Kuwait Government planned to substitute cleaner-burning natural gas for the fuel oil that fired the country's powerplants. Domestic Kuwaiti natural gas production, however, was associated with crude oil production that was subject to OPEC production quotas and not power demand. In January, the Government signed an MOU to import from 8 billion to 10 billion cubic meters per year of natural gas from Iran. Imports were scheduled to begin in 2005, the same year that from 8 billion to 15 billion cubic meters per year of natural gas was projected to begin to be imported from Qatar (Petroleum Economist, 2003).

Petroleum.—In December 2002, the OPEC crude oil production ceiling allocation for Kuwait was 1.741 million barrels per day (Mbbl/d). The quota increased to 1.846 Mbbl/d in January 2003, 1.966 Mbbl/d in February, and 2.038 Mbbl/d in June before falling back to 1.966 Mbbl/d in November (Organization of the Petroleum Exporting Countries, 2004, p. xiii).

Project Kuwait, which was the proposed $7 billion expansion of production of five oilfields in northern Kuwait to about 900,000 barrels per day (bbl/d) from 450,000 bbl/d by foreign oil companies, continued to be discussed in Parliament. Because the Kuwaiti constitution prohibited foreign ownership of Kuwaiti mineral resources, the proposed Project Kuwait development was to be performed by international oil companies under service contracts that would pay the foreign companies a per-barrel fee and other fees, which would allow ownership of the oil resources to remain under Government control (Oster, 2003§).

In late 2003, a meeting on the development of the offshore Dorra Gasfield was held between the Kuwaiti and the Saudi Arabian oil ministries. Portions of the field are located in Iran, Kuwait, and Saudi Arabia. Development had been on hold for 4 decades because of a maritime border dispute between Iran and Kuwait. Iran objected to development of the field, which had

[1] References that include a section mark (§) are found in the Internet References Cited section.

[2] Where necessary, values have been converted from Kuwaiti dinars (KD) to U.S. dollars (US$) at the rate of KD0.297=US$1.00 for 2003 and KD0.304=US$1.00 for 2002.

estimated recoverable reserves of 200 billion cubic meters, until the border was demarcated (Rigzone.com, 2003§).

In mid-March, Kuwait National Petroleum Co. (KNPC) ceased production at the 460,000 bbl/d-capacity Mina al-Ahmadi, the 270,000 bbl/d-capacity Mina Abdulla, and the 200,000 bbl/d-capacity Shuaiba refineries because of the threat from stray Iraqi missiles. The refineries reopened a few days later. In October, KNPC proposed building a second refinery at Shuaiba by 2006. The new $800 million to $1.2 billion refinery would have a production capacity of 350,000 bbl/d. By 2008, KNPC also planned to rehabilitate the existing three refineries and to increase their total production capacity to 1 Mbbl/d at a cost of $3 billion (Middle East Economic Digest, 2003b; World Refining, 2003; AME Info, 2003§; Ministry of Oil, 2003§).

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TABLE 1
KUWAIT: PRODUCTION OF MINERAL COMMODITIES[1]

(Metric tons unless otherwise specified)

Commodity[2]		1999	2000	2001	2002[e]	2003[e]
Cement		1,435,000	1,187,000 r	920,700 r	1,584,000 r	1,600,000
Lime, hydrated and quicklime[e]		40,000	40,000	40,000	40,000	40,000
Natural gas:[e, 3]						
Gross	million cubic meters	10,144 [4]	11,000	10,900	9,900	10,000
Dry	do.	8,688 [4]	9,600	9,500	8,700	8,800
Natural gas liquids[e]	thousand 42-gallon barrels	38,000	41,100	44,300	40,000	40,000
Nitrogen:						
N content of ammonia		396,800	409,500	400,000	414,400 r, 4	444,400 [4]
N content of urea		330,900	287,600	290,000	320,000	330,000
Petroleum:						
Crude[3]	thousand 42-gallon barrels	708,000	766,000	745,000	680,000	817,000
Refinery products:[e]						
Liquefied petroleum gases	do.	3,228 [4]	2,997 [4]	3,000	3,000	3,000
Gasoline, motor	do.	16,784 r, 4	11,757 r, 4	10,000	15,000 r	15,000
Kerosene	do.	57,012 r, 4	45,049 r, 4	30,000	40,000 r	40,000
Distillate fuel oil	do.	97,142 r, 4	83,981 r, 4	70,000	80,000 r	80,000
Residual fuel oil	do.	73,598 r, 4	57,116 r, 4	60,000	70,000 r	70,000
Other	do.	82,996 r, 4	71,769 r, 4	70,000	80,000 r	80,000
Total	do.	327,532 r, 4	269,672 r, 4	240,000	285,000 r	285,000
Salt[e]		100,000	100,000	100,000	100,000	100,000
Sulfur:[e]						
Elemental, petroleum byproduct		639,000	512,000	524,000	634,000	714,000
Sulfuric acid		10,000	100,000	150,000	150,000	150,000

[e]Estimated; estimated data are rounded to no more than three significant digits and may not add to totals shown. [r]Revised.
[1]Table includes data available through September 2004.
[2]In addition to commodities listed, caustic soda, chlorine, clays, clay products, and sand and gravel were produced, but available information is inadequate to make estimates of output.
[3]Includes Kuwait's share of production from the Partitioned Neutral Zone.
[4]Reported figure.