



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

Assignment 1 (Spring 2021)

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Section

**Master of Project
Management**

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(PMG510)

Project Risk Management

Saudi Aramco

Saudi Aramco identified various material risks in its 2020 corporate report. These include:

- A. Supply and demand for crude oil
- B. Highly competitive industry environment
- C. Climate change
- D. Terrorism and armed conflict

Type and Justification

A. Fluctuations in crude oil prices in the global market can lead the cash flow and operations of Aramco to vary considerably. For instance, while crude oil prices fluctuated between \$50-\$75 from January 2016 to early March 2020, due to Covid-19, prices fell below \$37-per-barrel resulting in a material adverse impact on Aramco's cash flow and **cause operational risks**.

B. Given the highly competitive nature of the industry, Aramco could be influenced in a materially adverse way leading to significant variations concerning the price points at which it sells petroleum and **causes operational risks** by reducing profitability.

C. The global demand for hydrocarbon can be reduced by climate change concerns manifested in government laws/regulations and public sentiment. The regulatory environment of regions in which Aramco operates can become extremely stringent and can have material adverse (Saudi Aramco, 2020). It is identified as an **industry and regulatory environment risk**.

D. Aramco's facilities have been subjected to various terrorist and other attacks. Abqaiq and Khuaris, 2 of Aramco's major processing facilities, were attacked in September 2019 temporarily causing operations to be suspended. Terrorism is identified by the company as a **risk to the industry and regulatory environment**.

Likelihood and Impact Matrix

	Impact					
		Trivial	Minor	Moderate	Major	Extreme
Likelihood	Rare					
	Unlikely					
	Moderate			Risk D	Risk A	
	Likely		Risk C		Risk D	
	Very likely					

Table 1: Risk Likelihood and Impact Analysis

Source: Author

Potential Strategies/Policies

To mitigate the influence of price fluctuations Aramco may adopt a performance-based contract revenue model to offer operators improved flexibility to reduce cost base to create a more stable income flow. While climate change risks related to the production of fossil fuel are inevitable, the company could adopt greener production methods to improve compliance with regulatory standards in the regions it operates in. To reduce exposure to hazards related to armed conflict and terrorism, Aramco could improve its dependence on production through inventories located outside the Kingdom.