

Everyone's Smart University

Assignment 1 (Spring 2021)

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Section

**Master of Project
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Project Risk Management

Company name: Saudi Aramco

Saudi Aramco operates in an industry characterized by price volatility, hazardous operations, and uncertain project outcomes. Taking informed risks is an inherent and necessary part of doing business.

The risk #1

Risks related to crude oil supply and demand

Why is this risk?

related to sales. Accordingly,
cash flow is significantly impacted by the
price at which it is able to sell crude oil.

What type of risk is it?

Control or uncertainty risk

What is the likelihood of the risk?

High likelihood.

How great is the impact?

High impact.

What strategy or policy does the company use to manage the risk?

decision by the Company to reduce oil
official selling prices.

The risk #2

Risks related to operational risks and hazards

Why is this risk?

These risks could result in damage to Saudi Aramco's properties
and facilities, death or injury to people and harm to the environment or
result in significant liabilities and remediation costs.

What type of risk is it?

Hazard or pure risks.

What is the likelihood of the risk?

High likelihood.

How great is the impact?

High impact because it could have a significant impact on Saudi Aramco's
operations or result in significant liabilities and remediation costs.

What strategy or policy does the company use to manage the risk?

the oil industry is characterized by prevention practices to reduce the
probability of damage occurrence and by protection practices to limit the

damage magnitude. Such practices, popular as loss control techniques, involve both actions (maintenance activities, safety tools and operators training) and financial tools (insurance and not insurance transfers). Actions. An oil company can decide to completely eliminate a risk by harvesting the business activities or (more often) the geographical areas where the risk can rise from. The financial tools aim at reducing risks according to a protection approach.

The risk #3

Risks related to climate change.

Why is this risk?

Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Saudi Aramco to incur costs or invest additional capital.

What type of risk is it?

Mandatory risk.

What is the likelihood of the risk?

low likelihood.

How great is the impact?

High impact existing and future climate change concerns and impacts, including physical impacts to infrastructure and reduce demand for hydrocarbons and hydrocarbon-based products.

What strategy or policy does the company use to manage the risk?

The United Nations Framework Convention on Climate Change involves negotiations among delegates on climate change framework. Discussions center on mitigation, adaptation, technology development and transfer, and financial resources and investment.

The risk #4

Risks related to availability of SAR

Why is this risk?

The inability of foreign investors to exchange SAR for other currencies could have a material adverse effect on demand for, and the trading price of, the shares

What type of risk is it?

Control or uncertainty risk

What is the likelihood of the risk?

High likelihood.

How great is the impact?

High impact because any actual or perceived inability for foreign investors to exchange SAR for other currencies could have a material adverse effect on demand for, and the trading price of, the shares.

What strategy or policy does the company use to manage the risk?

The link to the dollar aims to protect the value of the Saudi riyal from rapid declines and rises, as well as the pricing of oil in dollars contributed to the riyal's link to the green currency, while the value of the riyal was Linked to a major currency basket.