



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

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**Instructions:**

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## SAUDI ARAMCO COMPANY

There are many risks that Saudi Aramco Company might face such as the followings:

### 1) The risks associated with supply & demand of crude oil

According to Aramco, the results of the company's operations and cash flows are greatly affected by the global supply and demand for crude oil and the price at which it can be sold. As a result of several factors, including global economic and political conditions, epidemics, geopolitical events, and decisions related to production levels taken by the Kingdom or other producing countries. This risk can be considered as an opportunity risk. It is high likelihood to happen, but if happened, it will have greater impact to the business of the company. As Aramco has risk management program, the epidemics are among the sub-risks that the company deals with, however, epidemics have now been reclassified to be one of the main risks for the company. The strategic that Aramco use to manage the risk is to convert the crude oil directly into chemicals (Petrochemicals) and reducing crude oil production in a manner that does not contradict the laws of OPEC (Reducing production will increase the crude oil price).

### 2) The risks associated with operational aspects

The operational risks might be significantly affect its business. It incurring large obligations and costs, such as leakage of crude oil or gas, pipelines leaks and cracks, storage tank leaks, explosions related accidents, fires, well eruptions, the formation of ground holes, shortage or interruption of electrical power, transport disturbances and accidents, and others. These risks may cause damage to Aramco property and facilities, or cause deaths, injuries, or environmental impact. This risk can be considered as a hazard risk. It is high likelihood to happen as it is daily operational issues, but if happened, it will have low impact to the company. The strategic that Aramco use to manage the risk is to manage equipment failure regularly, keep strong business to business relationships & having adequate insurance.

### **3) The risks associated with the reliability and security of its IT systems.**

As in biggest companies in the world, Aramco business depends on the reliability and security of its IT systems. It relies on the security of critical information, operational systems and technologies in several matters, including exploration, development, production, storage, processing financial records, property information, intellectual property, personal information, operational data, and communications between management, employees, and business partners, and their use and protection. Aramco always remains at risks of hacking its system. This risk can be considered as compliance & hazard risks. It is low likelihood to occur as it is a very secured company, but if happened, it will have high impact to the company. Aramco is following strict procedures to enhance its cybersecurity by doing the implementation of monitoring and control systems using artificial intelligence, partnerships with leading authorities in the field of cybersecurity, and continuous training and development of employees.

### **4) The risks associated with terrorism and armed conflict**

Saudi Aramco facilities were attacked in the last of 2019. Attacks have resulted in a temporary halt in processing work at it facilities, thus reducing total crude oil and gas production. Terrorism and armed actions could negatively and materially affect the company and the market value of its shares. This risk can be considered as hazard risk & compliance risk in somehow. Now a days, it could be considered as high likelihood to occur as the conflict between Saudi & Yamen, but if happened, it will have high impact to the company. Aramco has taken a number of measures to limit the impact of the decline in Arab crude oil, in light and very light quality, by exploiting Saudi Aramco's stock outside the Kingdom and switching to supplying medium Arab crude and Arab heavy crude.