



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

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Section

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Project Risk Management

Instructions:

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Saudi Aramco Associate Risks

Saudi Aramco is said to be among the most profitable organizations worldwide, however, its products such as oil and gas are currently visible to various risks. As Aramco was getting ready for the grand public offering, it has listed a large descriptive number of threats. Saudi Aramco faces common threats such as demand, supply and price of oil and gas. Nonetheless, Aramco is facing wide varieties of risks, such as fire and explosions, climate change, terrorist invasions and reliance on Asia's oil demanding.

Aramco is facing a hazard risk of operational such as explosions and fires because oil and gas processing is classified as one of the most critical operation among several industries. The company deals with gas and crude oil production that can easily cause fires and lead to extreme destructions. The risk occurred due to poor operational activities that can be utilized from individual or groups. The likelihood of the risk occurring is average, although it can lead to extreme destructions if it occurs. The company has taken insurance cover against operational risks because some are unpreventable.

Climate change is a risk in Saudi Aramco because it is causing a rise in temperature and sea levels. The risk can permanently submerge the company's infrastructure. Increased rain and floods can shut down the company's equipment, affect productivity and adversely affect turbine performance and its condensation capacity, which can stop some of its operations. Climate change is a control risk because it is depending on the emissions that can be controlled by encouraging the use of carbon emissions. There is a very high likelihood of the risk of climate change occurring, and it can have extreme impacts on the company. However, Saudi Aramco is implementing strategies such as limiting the temperatures not to go beyond 50 degrees Celsius and investigating its coastal equipment's problems, preparing for future adaptability and determining the future impact of the risk.

Saudi Aramco's oil processing facilities are attacked by terrorists targeting crude oil supply. Terrorist attacks are risk because the recent attack has led to the suspension of 5.7 million barrels which is more than fifty percent of the daily oil production. Gas production has also been lowered by fifty percent. Terrorist attacks are a safety risk

because the attacks threaten the security of Aramco's and its staff. There is a higher likelihood of the risk occurring and can affect about half of its production. Nevertheless, Aramco has resolved to take an insurance cover for its facilities against terrorist attacks.

Dependence on demand from Asia is a risk faced by Aramco company because it is the main Saudi oil market. The reduction of oil demand from Asia has made Aramco company experience huge losses because low demand leads to low prices, and the cost of production is not covering its returns. The Asian demand is an opportunity risk because it involves oil market fluctuations although there are times the market rises in Asia. Aramco company is diversifying its market to stop depending on Asia. Additionally, the company is more productive in refining petroleum to reduce reliance on one product.

In short, Saudi Aramco has been in operation for a long time, making it one of the largest oil producers in the world. The company is exposed to risks such as fire and explosions, climate change, terrorist invasions and the dependency of the Asian market. Although some risks are hard to mitigate, the company has established strategies such as regulating temperature and preparing for the risk's impacts. Every organization faces various risks, and it is upon the management to prepare for the risks.

References

Ramady, M. A. (2018). *Saudi Aramco 2030*. Springer.

[Saudi-Aramco-ARA-2019-EN.pdf](#)