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SR795m daily loss if oil use not checked

JEDDAH (News agencies) – A group of economic experts has warned that the Kingdom stands to lose SR795 million per day by using oil to generate electricity and for water desalination, and called for tapping renewable and alternative energy resources.

According to statistics, the Kingdom's current oil consumption stands at 4.2 million barrels per day, and it is expected to increase to 9.5 million by 2035.

Ihsan Bu-Hulaiga, head of the Joatha Consulting, told Arab News: "Of course, this is a big loss to the country. By improving efficiency, Saudi Arabia can cut up to one-third of its current oil consumption. It makes sense to highlight the initiative that was taken by Saudi Standard, Metrology and Quality Organisation (SASO). As per that initiative, effective Jan. 1, 2016, all imported vehicles need to abide by standards of fuel efficiency."

Sami Al-Nwaisir, financial economist and chairman of the board for Al Sami Holding Group, Jeddah, said: "Saudi Arabia needs to invest in the development of nuclear power plants for electricity

generation and other purposes since the major part of oil goes to generating electricity."

He said: "The Kingdom needs to invest more in public transportation in order to reduce the number of private cars and thus oil consumption."

John Sfakianakis, Middle East director at Ashmore Group, said: "The only viable way to reduce oil consumption is to increase the electricity and water tariffs. Both can't be sustained in the longer run at the current rates, especially as Saudi Arabia doesn't have any natural sources for water and electricity. These are produced at a very high cost and can't be provided for free. Consumption needs to be tempered and costs need to represent market realities."

Echoing Sfakianakis remarks, James Reeve, deputy chief economist and assistant general manager, Samba Financial Group, said: "The most effective way to improve the Kingdom's power situation is to limit demand by raising its price. Subsidies on petroleum products, such as gasoline, need to be removed or at least reduced."