



# The Edge Economic Update

## Kuwait Energy Sector Report

June 30, 2025

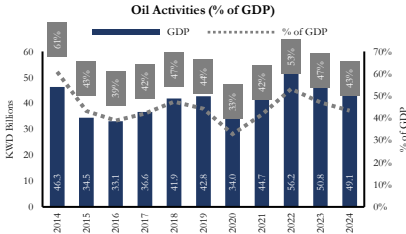
# Executive Summary



- OPEC+ production cuts have dampened Kuwait's oil revenues over the past few years. The current geopolitical scenario is likely to curtail demand to an extent in the near-term thus exerting further downward pressures on oil revenues. Kuwait's fiscal deficit could creep upwards compared to the previously estimated KWD 6.3 billion for FY 2025-26.
- The escalation of Iran-Israel conflict led to a spike in crude oil prices to USD 77/bbl in June 2025, amidst fears of disruption in global crude supply. Developments over the coming months will determine the crude price trajectory, and subsequently the impact on Kuwait's fiscal position and GDP growth – considering that oil revenues account for ~43% of the country's total GDP.
- Kuwait's oil industry is primarily operated by the state-owned Kuwait Petroleum Corporation and its domestic and international subsidiaries. The company registered a 26.7% y/y decline in revenues in 2024, due to the production cuts and decline in oil prices. Further, higher costs associated with crude oil extraction, refining, and manufacturing of petrochemicals eroded margins – reducing profitability over the year.
- The financial performance of the publicly listed companies in Kuwait's energy sector also declined. Independent Petroleum Group registered a 23.7% y/y decline in revenues in Q1 2025. Burgan Company for Well Drilling registered a 6.9% y/y decline in 9M 2024 revenues – primarily driven by a decline in revenues from drilling services.
- Erstwhile, Kuwait's Vision 2035 initiative remains on track to diversify the economy – especially driving the energy transition in the country. Electricity generation from renewables is projected to reach 15% of total capacity by 2030. Kuwait is also exploring the introduction of green hydrogen – advisory contract awarded to KBR in 2024 for the development of a masterplan on the implementation of 17GW of renewables and 25GW of green hydrogen capacity by 2050. To date, Kuwait's EV market remains in a nascent stage. However, regulatory reforms and government incentives could ramp up EV adoption – aligning with the Vision 2035 goals of reducing oil dependency and enhancing sustainability.
- **Outlook:** Near-term increase in Kuwait's fiscal deficits due to lower oil revenues, as the region explores alternate channels of operation due to the Iran-Israel conflict. Inflationary pressures likely to be observed in the near-term. Industry and GDP growth to be impacted in the near-term but, will normalize in the long run.

## Industry Overview

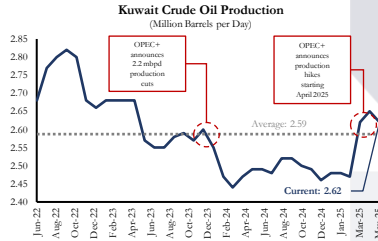
Kuwait accounts for 8.3% of total global crude reserves and considerable natural gas reserves, almost all in the form of associated gas. The country produces three grades of crude, depending on the reservoir – traditional Kuwait export crude, heavy oil in the 16 to 18 °API range, and a light crude produced in deeper horizons. However, despite the abundance of crude, Kuwait’s oil sector has registered a decline in its contribution to GDP, falling from a peak of 61% in 2014 to 43% in 2024.



Source: CSB Kuwait

Over the past 3 years, Kuwait has produced an average of 2.59 mbpd of crude. However, with OPEC+ announcement of 2.2-million-barrel production cuts in 2023, Kuwait’s production declined to an average of 2.49 mbpd between December 2023 and February 2025.

OPEC+ announcements since April 2025 to increase crude production between April-July has led to an increase in Kuwait’s production to 2.62 mbpd as of May 2025.

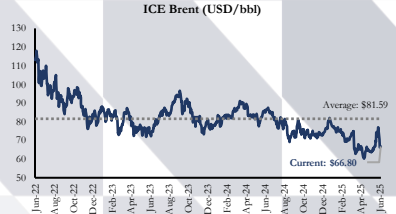


Source: OPEC, IEA

Considering the fiscal dependency on oil revenues, any changes in the global energy markets can have a significant impact on Kuwait’s fiscal position. Key trends that are driving the global energy market’s trajectory include – the proliferation of electric vehicles (EVs), transition to renewable energies, and the geopolitical developments due to the announcements of revised tariffs by the US government.

The combined impact of these trends has led to muted

crude oil demand thus, dampening oil prices globally, including Kuwait Export Crude’s prices.



Source: Investing

Since the start of 2025, crude has trended below USD 80/bbl. Subsequent to the US’s tariff announcements, crude prices dropped to USD 60/bbl, which is close to the break-even price for most oil exporters. However, the resumption of trade talks between US and its trade partners was followed by the escalation of the Iran-Israel conflict which led to a spike in crude prices, reaching USD 77/bbl on June 19, 2025. As of June 27, 2025, ICE Brent is priced at USD 66.80/bbl while the Kuwait Export Crude (KEC) price stands at USD 69.34/bbl. The KEC’s higher price compared to the Brent signifies the higher risk associated with the geography due to the Iran-Israel conflict.

# Kuwait Energy Industry (Continued)



## Industry Participants

While, geopolitical and technological developments drive the crude oil market movements, Kuwait has been increasing its investments in the oil and gas industry to improve the infrastructure and expand production capacities of the country. Established in 1980, Kuwait Petroleum Corporation (KPC) is the state-owned enterprise that operates the country's oil sector and is supervised by the Ministry of Oil. The company operates through its subsidiaries, that are spread across the crude oil supply chain in Kuwait – employing close to 23,000 people (as of 2024) of which 90.8% are Kuwaiti nationals.

Key fully-owned subsidiaries include:

- \* Kuwait Oil Company: 541 wells & 2,149 workovers -> ~2.6 mbpd crude oil.
- \* Kuwait Gulf Oil Company: Participant in Khafji Joint Operations (KJO) and Wafra Joint Operations (WJO).
- \* Kuwait Foreign Petroleum Exploration Company: 30 projects across 10 countries.
- \* Kuwait National Petroleum Company: 0.8 mbpd crude oil and 3.125 mmscfd gas refining capacity.
- \* Kuwait Integrated Petroleum Industries Company: 0.6 mbpd crude oil and 2.7 Mtpa Petrochem refining capacity.
- \* Petrochemical Industries Company: 9 Mtpa production capacity.
- \* Kuwait Oil Tanker Company: 11 crude carriers, 13 product carriers, 5 LPG carriers, and 2 bunker vessels.
- \* Kuwait Petroleum International Limited: 3 joint ventures, 3.5K+ service stations, and direct services.

Historically, KPC's revenues have been primarily generated from sales of crude oil and refined petroleum products. KPC's **refined petroleum products (RPP)** segment has grown by 19.8% between 2020-24 to become the primary revenue contributor for the company, **accounting for 49.4% of the company's revenues in 2024**, compared to 40.4% from crude oil. KPC's profitability is subject to crude price movements and thus, remains volatile. This is further highlighted by the **substantial variations in the Return on Equity & Return on Asset ratios of the company** – which cratered between 2020-21 due to the Covid-19 pandemic then, peaked due to the Russia-Ukraine conflict in 2022-23, and **dropped back in 2023-24** owing to subdued oil prices resulting from muted demand.

Key Financials	2020	2021	2022	2023	2024
Revenue (KWD Bn)	25.4	16.4	32.0	42.2	36.6
Crude Oil (% of Revenue)	55.6%	55.4%	53.3%	47.6%	40.2%
RPP (% of Revenue)	34.6%	32.6%	35.4%	42.1%	49.4%
RoE	1.64%	0.40%	4.84%	9.91%	5.00%
RoA	0.15%	-0.50%	2.40%	5.29%	2.13%

The KPC liabilities primarily include profit distribution to the government (60 quarterly instalments of KWD 137,543 each, between June 2021 – March 36), long-term loans granted to KPC and its subsidiaries amounting to KWD 2.9 billion, lease liabilities amounting to KWD 1.1 billion, and employee benefits amounting to KWD 1.6 billion, as of 2024 – resulting in a **low debt-to-equity ratio of 0.15** – which can support further growth with KPC taking on more leverage.

Apart from KPC and its subsidiaries, Kuwait is home to 5 listed companies in the energy industry the most important of which are:

**Independent Petroleum Group (IPG)** [Market Cap: KWD 109.3 million] is a marketer of petroleum products and crude oil across the MENA region. IPG's revenues declined to KWD 265.1 million in revenues in Q1 2025 (vs. KWD 347.7 million in Q1 2024).

**National Petroleum Services Company (NAPESCO)** [Market Cap: KWD 123.5 million] is a provider of pressure pumping services in Kuwait. The company recorded KWD 41.0 million in revenues in 2024 (vs. KWD 39.5 million in 2023) – equivalent to a 29.5% in return on equity.

**Burgan Company** [Market Cap: KWD 42.3 million] is a provider of development & exploratory services, drilling & maintenance of wells across Kuwait. The company recorded a slight decline in 9M 2024 revenues to KWD 35.0 million (vs. KWD 37.6 million in 9M 2023), due to a decline in revenues from drilling services.

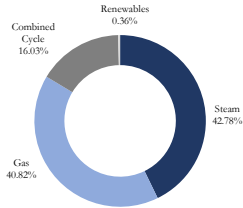
# Kuwait Energy Industry (Continued)

## New Vision 2035: The Energy Transition Era

Introduced in 2017, Kuwait Vision 2035 is a strategic initiative by the government to transform Kuwait with a focus on economic diversification, technological advancements, and infrastructural enhancements.

A fundamental aspect of Vision 2035 is to reduce Kuwait's dependency on crude oil, which is the primary export commodity for the country, and transform Kuwait into a diversified economy. In the process of the transition away from oil, the government **aims to generate 15% of the country's energy requirements through renewable sources by 2030 (or 4.5-5GW)** – primarily solar, wind, and green hydrogen initiatives. As of May 2025, renewables accounted for 70MW in installed capacity (Shaqaya station).

Electricity Generation - Installed Capacity



Source: Ministry of Electricity & Water

A key development in the renewable energy transition was the advisory consulting contract awarded by Kuwait Oil

Company to US- based KBR – for the development of a country wide masterplan for generating 17GW from renewables and 25GW from green hydrogen by 2050 in the country. KBR is expected to present its plan by YE 2025 or early 2026 and will offer a phased strategy of deployment of wind, solar, green hydrogen, and power storage capabilities within Kuwait's electrical grid.

As per Kuwait Institute of Scientific Research (KISR) estimates, electrical generation capacity is projected to reach 32 GW by 2035, a 65% increase over the current installed capacity. The Shaqaya station's projected capacity, once completed, will account for ~15% of the total generation capacity.

## The Case for Electric Vehicles

The electric vehicle (EV) market in Kuwait is in a nascent stage with <1,000 active EVs in the country as of 2024, compared to over 2.5 million traditional vehicles. The country's EV market is forecasted to grow at a CAGR of 41.9% to reach USD 1.1 billion by 2030 (Astute Analytica estimates).

EVs are a cleaner option than traditional vehicles due to significantly emissions. Economic efficiency is another key factor, with EVs offering reduced fuel expenses in the long-run.

At present, due to lack of direct availability of EVs, customers import the cars from other regions. However, all imported cars are subject to import taxation, regardless of the type or shape. The price of EVs is 20–30% higher than that of ICE vehicles, which reflects the extra production cost of EV batteries.

Considering that, Kuwait's Vision 2035 plans to introduce substantial renewable energy capacity, a framework to incentivize EV purchases over traditional cars will align with the country's long-term strategy. A key factor would be the establishment and development of rapid charging infrastructure to support on-the-go charging thus, enabling enhanced mobility across the country. The adoption of EVs will enable a faster transition towards renewable energy, further diversifying the economy.

# Kuwait Energy Industry (Continued)



## Outlook

Despite the implementation of a strategy to diversify away from oil, Kuwait is expanding its fossil fuel capacities at a rapid pace. The capacity expansion is being implemented through KPC's

**Strategy 2040 targets** which include:

- Increasing crude oil production to 4.0 mbpd
- Increase non-associated natural gas production to 2.0 BSCFD
- Increase petrochemicals production base to 14.5 Mtpa
- Increase petrochemical derivatives production to 1.2 Mtpa

The increase in investments in the energy sector require substantial government funding and will be one of the key drivers in changes in Kuwait's national accounts. Due to higher volatility in the energy markets resulting from geopolitical developments and Kuwait's dependency on oil, the country's fiscal deficits are likely to be impacted in the near-term.

### Optimistic Scenario:

Minimal change in trade tariffs as US and other countries establish mutually beneficial trade accords; improvement in the Chinese economy, which will be a key driver in improving global demand for crude oil; Europe's economic recovery bolsters natural gas demand; and the Iran-Israel conflict ends in a diplomatic agreement thus, averting any impact on the Strait of Hormuz; rapid adoption of EVs and substantial integration of renewable energy into the electrical grid, leading to economic diversification.

**Minimal impact on Kuwait's oil activities with fiscal deficit potentially in line with government's initial estimate of KWD 6.3 billion. Industry and GDP growth remain on track with minor revisions.**

### Base Scenario:

Long-term but slight increase in US tariffs and reciprocal tariffs which will lead to muted consumption patterns in the near-term; inflationary pressures dampen consumer demand; sustained Iran-Israel conflict to disrupt supply through the Strait of Hormuz – driving traffic to alternate routes thus, increasing transportation costs; capacity expansion of renewable energies remains on track as per initial estimates; regulatory reforms drive EV adoption in the near-term.

**Near-term increase in Kuwait's fiscal deficits due to lower oil revenues, as the region explores alternate channels of operation. Inflationary pressures likely to be observed in the near-term. Industry and GDP growth are impacted in the near-term but, normalize in the long run.**

### Pessimistic Scenario:

US-China trade war adds a contagion effect to the global supply chain with substantial tariffs, introducing significant inflationary pressures across the world; Iran-Israel conflict escalates further, resulting in a blockade of the Strait of Hormuz; disrupting ~20% of world's crude supply – significantly driving up crude oil prices; constrained funding leading to project delays could prolong Vision 2035 timelines; subdued markets and lack of demand reduce viability for entry of EV manufacturers thus, delaying EV adoption.

**Substantial increase in Kuwait's fiscal deficits as oil revenues crater along with a lack of equivalent alternative revenue streams. Industry and GDP growth register a significant drawdown.**

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