



Interview

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What is the general outlook and main trends of the Bahraini oil industry?

With the establishment of the National Oil and Gas Authority (NOGA) with clear strategy and objectives spanning the whole oil and gas sector, there are many trends and developments relating to both upstream and downstream operations.

With respect to upstream operations, there are many activities going on offshore and onshore. We are in process of awarding two exploration packages to the US's Occidental Petroleum and one exploration block to the Thailand's PTTEP who won the access to offshore blocks.

However, on the onshore oil field development, bids were opened on 31st October 2007, and we are pleased to see eight global oil companies, including majors, competing to upgrade Bahrain's onshore oil production and tap new resources, such as Exxon Mobil, Mersck, Occidental, PTTEP, etc. Their interest is a vote of confidence in Bahrain.

With the growing demand locally for natural gas, Bahrain Petroleum Company (BAPCO) has started a project to increase gas production by drilling additional wells in Khuff Gas Field. Also, as another strategic alternative, we have initiated negotiations with some of our neighbors to import natural gas.

With respect to downstream operations, BAPCO's refinery modernization programme has involved significant investment funds. Our aim is to make BAPCO's refinery one of the most competitive refinery in the region with the latest technology and compliance with environmental regulations. At the forefront of this is the Low Sulphur Diesel Project (LSDP) which is currently under commissioning phase.

The project would enable us to produce low sulphur diesel, meeting the highest European and other international

standards, with cost in the range of US \$ 700 million. It would cost us more than US \$ 2 billion to build the same nowadays. There are also other major projects such as the Gas Desulphurization Project and Effluent Treatment Project.

In addition, in terms of general trends, one of the most important issues that we place on the top of our agenda is the energy conservation. We aim at implementing a strategy to increase the efficiency of natural gas utilization.

Bahrain is not the richest GCC country in terms of natural resources. So you confront to the challenge to implement the special strategies?

It is right that we do not enjoy such rich resources as other GCC states, but we are content with our utmost resource that is the human capital. The number of Bahraini employees in the oil and gas sector makes up on average 88%. In fact, in some of oil sector companies, the percentage of national workforce has reached 90 – 98%.

Bahrain implements gas supply agreements with its GCC neighbors, particularly with Qatar. What strategical importance do these agreements have for the sector development?

As we have limited gas reserves, we decided to import natural gas from neighboring countries. This will not only assist us in meeting the growing demand from power generation and manufacturing sectors, but also will contribute in conserving our own resources for emergencies and strategic purposes.

Recently the Bahraini oil and gas sector have been entirely modernized. What are the most important points and achievements of this modernization so far?

Since its inception in November 2005, NOGA has led the oil and gas industry in the kingdom to witness major changes in the structure, the policies and the strategies relating to

oil and gas industry. The restructuring started with making NOGA the sole authority overseeing all activities related to oil and gas. One of the key assets of NOGA is the fact that the board members represent some of the best management talents in the industry. They are directors of oil and industrial enterprises who possess decades of years of experience.

The restructuring has progressed last August when we announced the creation of the new holding company that will take control of all state-owned energy assets in a move designed to reinvigorate the country's oil and gas sector. The holding company, operating under supervision of NOGA, will manage the government's holdings in a number of local oil companies, establish new companies and take stakes in domestic and international projects. We believe that such structure will assist in making the investment decisions purely commercial-based and minimize the government interference.

Besides the reorganization, various strategies are currently under implementation one of which is the involvement of the private sector through privatization and / or outsourcing of some facilities. We are studying the privatization of fuel service stations. Another example of NOGA's strategic directions is to attract International Oil Companies (IOCs) to participate in oil and gas exploration. We have been successful in receiving offer bids for both onshore and offshore and have also received considerable interest among IOCs, as I mentioned earlier.

How important these international partnerships are for you?

International partnerships and participations are of considerable importance not to attract investments only, but also to assist us in developing Bahrain Field using latest technologies, which are proprietary to IOCs. Today, Technological advances allow us to access oil and gas reservoirs that were out of reach a decade ago. Applying

such technologies has not been economically feasible until recently due to the high oil prices.

The projects that are actually being implemented are extremely capital-intensive. How does the industry contribute to creating the more attractive financial environment in the country?

Bahrain is actually implementing a wide international promotion of its investments opportunities. The kingdom has reinforced its status as an international financial and investment hub in the region, and the oil and gas sector have a huge range of diversified investment opportunities as I outlined before.

What are the key assets of Bahrain in these terms?

The key advantages that Bahrain possess are very favorable environment for foreign investments, investment-protective legislation, transparency, qualified human resources, developed infrastructures and facilities, and high security level. Moreover, what is very important, we do not have any cultural, race, and religious prejudices. Besides, Bahrain is an international trade center, with very cosmopolitan and open-minded mentality. All these factors make up the uniquely investment attractive climate that Bahrain enjoys.