

## **An *IFC Reports* Interview with**

# **His Excellency Sheikh Ahmed Abdullah Al-Sabah, Outgoing Minister of Oil, State of Kuwait**

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**For our special report on Kuwait**



**IFC REPORTS:** Since its discovery back in 1938, oil has played a major role in Kuwait's economy and has been the catalyst for economic growth. A major focus of our report is the development plan which was unanimously approved last year and aims to diversify the Kuwaiti economy and reduce its dependency on oil. However, this does not mean that oil will have less of a role in the economy; as there are many investments to increase capacity production even further to 4 million barrels per day by 2020 in crude oil for example. I'd firstly like to ask if you think that diversification of the economy can be achieved through the approved development plan?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** We have been trying to diversify the economy for the past 20 years so that the economy is not dependent on oil revenues, but look at the industry and our budget. I definitely agree however that we need to increase non-oil revenues. Once the 5 year plan is implemented, things will definitely change, but it is hard work. The last plan was approved in 1986, but it was not as good as this one.

**IFC REPORTS:** Do you think that the non-oil and oil sectors can both grow in parallel at sustained levels?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** Their growth may be, but non-oil contribution to the national economy will be limited. Oil will still play a major role in fuelling the 5-year plan.

**IFC REPORTS:** Current targets state that you would like to increase oil production capacity to 4 million barrels per day by 2020. Is this on track?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** Our quota is currently 2.2 million barrels per day and our production capacity is 3.2, so we have 1 million extra on standby. We are on course to achieve this. We have already signed agreements with Shell and we are in negotiations with other oil majors including Exxon, Chevron, Total and BP. But our operations are not only built on Kuwait – we have international bilateral relationships. I do not like to talk just about Kuwait. Instead; I speak about the overall relationship.

**IFC REPORTS:** You started engaging with various IOCs (International Oil Companies) back in 2007 and we understand that by the end of 2010 you were going to announce details of a deal which incorporates Shell, Total and Exxon.

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** When we signed the Shell agreement, everyone opened their eyes because they knew that Kuwait was serious about doing business.

**IFC REPORTS:** In 1975 the Amiri Decree nationalised the oil sector. Now you have discovered a way to allow participation in upstream through TSAs/OSAs (Technical/Operating Service Agreements) and downstream through JVs (Joint Ventures).

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** IOC's cannot own the oil whatsoever, it is against our Constitution. But we are offering them good incentives instead.

**IFC REPORTS:** Given this, what opportunities are there for IOCs to work with Kuwait?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** They know what the opportunities are but I cannot tell you. You cannot implement exactly the same thing for each IOC, because each one has its own technology and speciality. We do not focus on just one area.

**IFC REPORTS:** Are you looking for any specific technologies at the moment internationally?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** We are talking to them.

**IFC REPORTS:** Regarding diversification and the deal with Shell, natural gas is expected to increase from 140 million cubic feet per day to 1 billion per day. How is this going? Are you on target to reach 1 billion?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** We will know tomorrow after our meeting with Shell. They will give me an update.

**IFC REPORTS:** I wanted to touch on some of the problems which have surrounded the sector in the past. We know that various agreements were made with IOC's in the past but certain things have happened which have led to the demise of the contract. But the management has been restructured and there is a clear example through the Shell agreement that people can work in Kuwait once again. Are there any other changes which are reassuring IOC's that agreements can be made with Kuwait and what further opportunities are there to be explored in the future?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** Shell in itself is a good example. We are also looking at opportunities outside of Kuwait – not only in Asia, but also in Europe, Africa and Latin America. We are going to have a refinery in China and Vietnam, and we supply oil to South Korea, Indonesia and India. We invest in different projects there as well.

**IFC REPORTS:** What happened with the Dow Chemical deal?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** The market crashed and people were afraid. How can you pay that much money when the market price is much lower? Dow Chemical is more of a financial company than an oil company. I know it is under my umbrella, but it is a financial transaction as opposed to an oil transaction. Dow is a partner here in local projects. We do not mix issues.

**IFC REPORTS:** I would like to talk about corporate social responsibility. I understand that you are aiming for zero emissions within the next few years and you have a partnership with the Scientific Centre here in Kuwait.

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** Yes, and we are building a training centre here as well.

**IFC REPORTS:** When do you expect to achieve zero emissions?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** We will achieve zero emissions in two years' time. We are on track to achieve this. We are not joking about this because the environment contributes to the health of our people.

**IFC REPORTS: Given that oil is an expendable energy source, what efforts are being made to diversify into other energies such as solar?**

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** I had a meeting with Sir Hayward before he left last year. During our discussion he asked what we wanted from them, and I said renewable energy. He told me bluntly that he had been investing in it for 20 years and got nothing out of it so I should not waste my time. But we have a fund of around \$100 million invested in renewable energy technology. We invest in small promising companies that specialise in renewable energy.

**IFC REPORTS: There is no shortage of cash in this country so sectors in Kuwait do not require the actual capital to come into the country, but rather a transfer of technology and knowledge to create more jobs in the private sector here. Is it the same case in the oil sector? Do you also require cash due to the large size of projects?**

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** We do not need cash, but as you said rightly, we need technology. We need to increase the percentage of oil extraction activity from the ground. Some technologies give you 40% and others 70%. You have to differentiate between the oil in place and the reserves. You can extract the reserves, but the oil is in the ground, and that is where technology comes into the picture. For example, we have a joint operation with Chevron in the Wafra area between Kuwait and Saudi Arabia. They are using steam, and this will increase the extraction of oil from 30 to 70%, but you have to use gas.

**IFC REPORTS: Given that oil prices are rising and OPEC did not raise output quotas in June, do you think there should be a meeting to reassess the quotas if prices continue to increase?**

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** We are watching the market closely. An increase in oil prices would benefit us, but we are not greedy. We do not like to see oil prices reaching levels it has done in the past, forcing the world economy into recession. We are not in favor of this. We are very practical and we know that any price increase, within limits is acceptable, but we will discuss any unexpected increase in prices immediately. For the time being, we are pleased with the way prices are performing.

**IFC REPORTS: You have held many positions in both the public and private sector. What is the most important experience you have gained that has led you to where you are today?**

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** It is a good mix between banking and politics. But it is definitely more relaxing and more productive in the private sector. In the oil sector we have two enemies: the Ministry and KPC. They are two different worlds. If you go to the offices of the Ministry, it is a waste, and if you go to KPC they all have their heads down and it is a completely different environment. Privatisation is coming and that is why part of the 5-year plan is to cater to and build the private sector around our petrochemical projects. We are inviting the private sector to participate. This is happening; we do not have to sit and wait. The most profitable unit for Dow Chemical is here in Kuwait. The rate of return on their investment here is highest.

**IFC REPORTS: You have quite a global vision when it comes to Kuwait and its potential. Where do you see Kuwait in ten years' from now?**

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** If things go as we plan, we will be ahead of any other Arab country.

**IFC REPORTS:** What role do you think KPC, as the flagship institution for Kuwait is going to play in achieving this?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** I would love to see the private sector in the driving seat, not KPC. They will be supporting them and giving them all the assistance they need. That is why part of the 5-year plan is to invite the private sector to build around our projects and grow with us both within Kuwait and beyond.

We are establishing international companies, and we use our expertise from outside and bring it inside. We are active in Europe and we are bringing this expertise to take over our gas stations, not the private sector's. We have 40; we used to have 120 but we privatised 80 of them. We have given them enough time to improve their facilities and they did not, so it is now time to go and compete with them.

**IFC REPORTS:** Seeing as you have such vast experience in the public and private sector and today you are Minister of Oil and Chairman of KPC and Minister of Information, you lead the vision behind 10% of the whole world's oil reserves. What's next? Where do you see yourself in the future?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** God knows! That is very hard to answer.

**IFC REPORTS:** Finally, given oil is the largest part of this economy, and given the importance of this Ministry and KPC as representatives of Kuwait, in the year of the 50th anniversary and 30 years since the formation of the GCC (Gulf Cooperation Council) as well as 5 years since His Highness the Amir and the Crown Prince ascended to the throne, what message would you like to send to our American readers regarding Kuwait?

**H.E. SHEIKH AHMED ABDULLAH AL-SABAH:** Kuwait is the Promised Land. We have a very ambitious 5-year plan amounting to \$ 120 billion. This might not be big enough for a U.S. company but at least there is a business. This is an ongoing programme – after 5 years you have another 5 years with another large amount. My message would be that there are a lot of opportunities available, so please come and make the most of them, but at a very competitive price. You have to work hard to get involved in such projects.

**IFC REPORTS:** Thank you very much.