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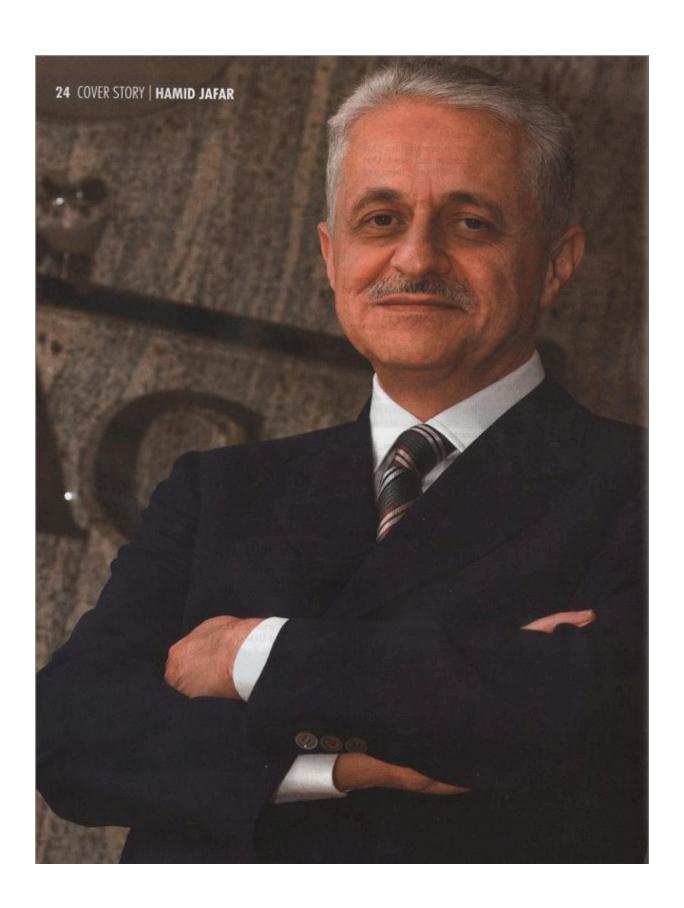
Pumped Up

Why Dana Gas boss Hamid Jafar is thriving in the downturn



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PumpedUP

Dana Gas boss Hamid Jafar explains why his company is set to weather the financial storm and emerge stronger than ever. By **Tamara Walid**.

hen it comes to oil prices, everyone likes a good prediction. The White House says energy prices will not stay cheap for much longer. Other experts suggest crude price will go up in 2009 to US\$60 a barrel. OPEC's own forecast is US\$80 a barrel. But the Dana Gas executive chairman Hamid Jafar is not about to join in the game.

"All I can predict is that all predictions will be wrong as usual!" Jafar says, adding: "We have seen unprecedented volatility in oil prices in the last couple of years. Most people thought they were abnormally high at US\$140 per barrel and some think it's oversold now, due to fears of falling demand caused by the economic slowdown."

Considering the turbulent economic environment, Jafar is convinced his company couldn't be in a much better position than where it stands today.

In just three years, Jafar has transformed UAE-based Dana Gas (PJSC) into the first private-sector natural gas company in the Middle East, with 400 employees, AED11billion (US\$3billion) in assets, more than AED1billion in annual revenues, and operations in the UAE, Egypt and Iraq.

On why the company is immune to the crisis, he says: "The key difference is that, unlike the real estate or financial sectors, the business fundamentals of our industry — the natural gas sector — are extremely strong and growing, and especially in our region. It is said that if coal was the fuel of the 19th century and oil of the 20th, then gas is the fuel of the 21st century."

He explains this demand is driven by power generation requirements and industry feedstock, which are both rapidly growing in the region.

The Middle East holds 40% of the world's gas reserves, but only 12% of gas exports, which creates a tremendous potential opportunity, according to Jafar. Moreover, the region is growing rapidly as a major gas market in its own right, he adds.

Despite the global economic crisis, Jafar says the company is financially strong. "Our success in raising US\$1billion through a convertible sukuk offering in late 2007 has provided us with adequate funding resources for the development of our projects.

"Therefore, we are financially sound and not significantly affected by the downturn in the world oil price and other effects of the global economic erisis, and our operations remain profitable," says Jafar.

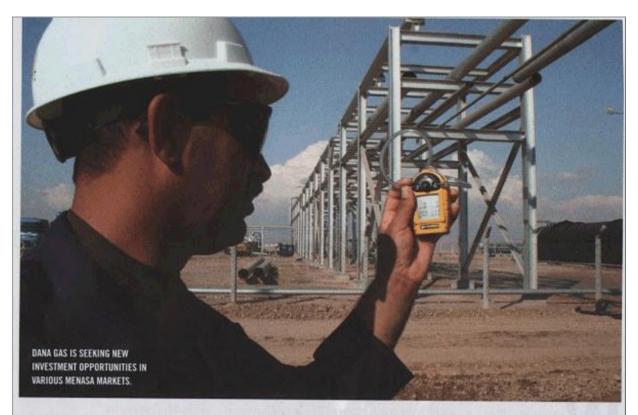
In 2008, Dana Gas celebrated a number of significant oil and gas discoveries in Egypt.

The company is also appraising and developing fields in the Kurdistan Region of Iraq. According to Jafar, this year's plan revolves around "substantially increasing production and processing capacity".

"Our daily production already exceeds 40,000 barrels of oil equivalent and continues to grow. We also have a defined yet flexible business development plan and a strategic five-year growth plan, which address and are adaptable to a host of global market scenarios to navigate through the current turbulent times," he says.

Fortunately for Jafar, he also says the effects of any market turbulence will be limited further, compared to other businesses and other sectors, because a substantial part of the company's gas revenues are generated from long-term, fixed-price contracts.

Jafar expects 2009 to be a strong year of growth for the company, both in production and operations, building on 2008 successes when it achieved revenues of AED901million in the first



nine months of the year, and grew production by more than 50%.

Dana Gas plans to increase its total production rate by 76%, to 68 thousand barrels of oil equivalent per day by the end of 2009.

But despite financial security, Jafar says it is vital to keep an open eye on the market at all times. "Even when expansion plans are moving ahead and funding is available, every company needs to continually evaluate its plans in management come in... as we consider all scenarios in the interest of operational efficiency and taking advantage of cost savings wherever possible."

Overall, if Jafar could sum up 2009 in two words he says they would be "growth and expansion". He says the company will be examining "major new opportunities" but doesn't provide much detail. The firm's focus will remain on the gas business in the MENASA (Middle East, North Africa and South

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based on market conditions, and cost optimisation will play a part of the strategy of every company in every sector in such an environment."

Additionally, Jafar notes: "The other side of the coin is that both asset prices and costs in our industry have come down substantially in the last few months as well, and this presents a growth company like ours with opportunities that need to be captured. Obviously, this is where best practices

Asia) region where opportunities in the energy field in general, and the gas sector in particular, are second to none, according to Jafar.

"In terms of acquisitions or strategic partnerships, we are continually evaluating both companies and assets that can add synergies to Dana Gas. Acquisitions can be quicker but are usually less profitable than organic growth, and for a company like Dana Gas the right combination is key — if

you just grow through acquisitions you rarely create real value, and risk becoming just like another investment fund," he says.

Jafar is looking forward to soon starting up both the UAE Gas Project and gas production from the firm's Sharjah offshore concession. Production on Dana Gas' project in the Kurdistan region of Iraq is also set to increase output to 300million standard cubic feet (mmscf) per day in 2009.

Jafar explains the company's latest discoveries in Egypt will also be brought into production, while further drilling activity will continue in the country. "These discoveries have already doubled our reserves in Egypt, and will have a major impact on our production there. In addition, we are regularly evaluating and pursuing further investment opportunities," he says.

If there's anything Jafar prides himself on it would be his Kurdistan initiatives. Last year, the company delivered the first gas from its US\$650million joint project with Crescent Petroleum in the Iraqi region in a record time of 15 months. While the initial production for the project was 75



million standard cubic feet of gas per day, this has now increased to around 90 million mmscf, and is expected to increase to 300 mmscf per day later this year, with "significant growth potential beyond that".

"We unreservedly believe that the Kurdistan region is an excellent place for investment. The Kurdistan region of Iraq is stable and secure, and the Kurdistan Regional Government (KRG) is implementing various measures, including laws and regulations, to attract and encourage foreign investment, making the investment climate particularly appealing to the private sector," says Jafar.

Dana Gas, however, has not been the only company attracted to Kurdistan, a region that remained isolated from wartorn Iraq. The total amount of investment in Kurdistan in 2008 reached US\$16billion, half of which was made by the private sector from the Gulf, according to Jafar.

"We are extremely proud of our investment in the Kurdistan region of Iraq and the record achievement of achieving first gas in such a short time, while enabling fuel for affordable electricity generation for millions of Iraqis," Jafar says.

"We are absolutely certain of the moral, legal and economic correctness of what we are doing. We have found a positive investment climate in the Kurdistan Region, and companies from our GCC region have shown an increasing interest in investments there following our lead," he adds.

But the company's plans for Kurdistan do not stop at the current gas production level. Jafar emphasises the significance of projects such as the Kurdistan Gas City for Iraq, saying it is important not just "in terms of developing general economic activity within Iraq, but also bettering the lives of the Iraqi people by creating a template that can be replicated" across a country that "holds so much potential".

The Gas City concept is designed to promote private sector investment in a variety of gas-related industries to further benefit the country's citizens through training, job creation, and the promotion of general economic activity, explains Jafar. The company plans to build such cities in different areas around the world.

"Overall, the project is expected to generate direct and indirect productive job opportunities for 200,000 citizens through infrastructure, industrial projects, support services and other business activities. Our Gas Cities concept has indeed captured the imagination and wholehearted support of policy makers throughout the MENASA Region," he says.

The company plans to expand the Gas Cities concept over the next few years. Jafar says that eight other potential locations in six MENASA countries have been identified, while proposals have been submitted and are in various stages of "high level discussion": "Interestingly, with respect to Iraq, we have been approached by local authorities in other parts of Iraq to replicate the Gas City concept in Anbar in the west and Basra in the south."

Challenges in Iraq aside, Jafar is bound to face a few hurdles in 2009. The key ones, he says, will be related to production and recruitment.

The former has to be done as rapidly as possible, ensuring revenue generation: "A key challenge will be to, continue to find and recruit top talent as we grow our company and team of executives, who are the key to our future success," he says.

Jafar describes Dana Gas as a growth company with ambitious targets. The recently approved five-year strategic plan by the board of directors stipulates that expansion will be implemented through a combination of development of current assets and new projects.

On the future, Jafar says: "We follow a combined strategy of organic growth through business development and complementary strategic acquisitions."

He adds: "We also aim to be a partner of choice in our region, for governments, state companies, and other foreign companies.

"Our central mission is to provide clean energy solutions for the region's future and, at Dana Gas, we are fully committed to becoming the region's premier natural gas resource company with assets and operations across the gas value chain."

While Jafar remains cagey on revenue estimates for 2009, when asked whether he expects a decline or increase he says: "Increase, and very substantially."