

Bahrain: Betting on Industry

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A key component of Bahrain's economic vision is its economic growth through industrial development. Despite the slowing of manufacturing worldwide, the kingdom maintains a steady course in drawing in significant industrial capital.

Figures released by the Ministry of Industry and Commerce (MoIC) in early February show that a total of 144 industrial projects - totalling an estimated value of BD242.1m (\$640.6m) - have been approved since the beginning of 2008.

Moreover, 295 projects - valued at BD844.8m (\$2.2bn) - have passed the primary approval stage and are currently in the pipeline awaiting feedback on environmental, health and municipal requirements. If final permission is granted, these projects are expected to create a total of 4650 new jobs.

But Bahrain's strong appetite for industrial projects does not stop there. Late January Singapore-based engineering services company MTQ Corporation announced plans to build a \$20m facility primarily focused on the repair and reconditioning of blowout prevention equipment on oil and gas rigs. When the plant becomes operational in 2010, MTQ foresees employing a total of 250 employees.

Soon after, local media announced the establishment of the Pearl Industrial Chemicals Company, a joint venture between Bahrain's EBH Holding and India's Archean Group of Companies. The \$100m plant, due to be operational in 2011, will produce aluminium fluoride catering to the expanding capacity of aluminium smelters in the region. The plant will employ around 150 people.

Both project investments are a boon to the sector at a time of global recession. Industry insiders attribute these achievements to the successful cooperation between the MoIC and the Economic Development Board (EDB). One of the pillars to this alignment is providing investors with a competitive cost base while strategically locating them at short distance from Gulf economies, in particular Saudi Arabia's big domestic market.

"In Bahrain, we are able to offer international companies easy access to Gulf markets, a pro-business culture, a world-class infrastructure, a well-educated work force and a cosmopolitan lifestyle. Importantly, the cost of doing business here is lower than elsewhere in the region and we are the only member of the Gulf Cooperation Council (GCC) to permit 100% foreign ownership of companies,"

Sheik Mohammed bin Essa Al Khalifa, chief executive of the EDB, told the local media upon announcing MTO's investment plans.

However, Bahrain is not immune to the deteriorating economic situation worldwide. A shortage of gas and falling commodity prices around the world are forcing a shift in policy, from expansion to improvement of efficiency levels.

Alba - one of the world's largest aluminium smelters based in Bahrain - provides a clear example of that trend. The company has been planning to introduce a sixth production line for some time. However, "due to the current slowdown in global demand for aluminium and the uncertain supply of gas, all expansion plans have temporarily been shelved, and Alba is currently focusing on ways to increase efficiency", the company's Chief Executive Ahmed S. Al Noaimi told OBG.

The demand for additional gas supplies has not gone unnoticed by the Ministry of Oil and Gas, headed by Minister Abdul-Hussain Ali Mirza. As Mirza told OBG "we have opened various options to increase gas supplies."

The priority has been placed on increasing domestic supplies by applying new technologies to existing oil and gas fields. A tender for deep drilling of gas has recently been announced with the aim of reaching new depths of up to 20,000 ft.

"So far 18 international oil companies have shown serious interest (in the tender) and will be visiting us shortly to gain further insight in the possibilities of drilling for gas. At present we are still inviting companies and I am expecting to see at least two more interested parties," Mirza told OBG.

The country is looking at other solutions too. A framework agreement with Iran over the import of 1bn cubic feet of gas per day has been signed and is currently being finalised, pending agreement on price. Earlier this month the country's oil and gas holding company NOGA, chaired by Mirza, signed a memorandum of understanding (MoU) with leading oil and gas drilling company Shell to study the possibilities of shipping in LNG from neighbouring countries.

"The Kingdom of Bahrain has embarked on an ambitious path of economic and social development," Mirza told the local media at a conference on development of clean industries in January. He went on to say, "to meet our strategic objectives, we believe the country will require important energy resources that include clean natural gas."

Although discouraging energy intensive industries, the shortage of gas has had the broader benefit of leading the government to promote energy efficiency throughout the country.

In January 2009, while opening the second Gulf Industrial Fair, Prime Minister Sheikh Khalifa bin Salman Al Khalifa called for the development of a common vision for industrial development within the GCC, with a focus on knowledge-based and clean industries.

Mirza made a similar call by presenting key statistics on the Clean Development Mechanism (CDM) during the January conference; a United Nations regulatory mechanism that offers financial incentives to countries to turn emission reductions

into Certified Emission Reductions (CERs).

CDM was shown to generate up to BD11.3bn (\$30bn) a year. Mirza said pursuing CDM projects would both help Bahrain to meet its Kyoto Protocol obligations to reduce harmful emissions and contribute to sustainable growth. "We aspire to attract local, regional and international parties concerned with implementing CDM projects," he said.

The Gulf Petrochemical Industries Company (GPIC), a subsidiary of NOGA holding, has taken a lead in the adoption of CDM by building a carbon dioxide recycling facility in partnership with Italy's Technoment and Japan's Mitsubishi Heavy Industries. The \$52m plant, with a daily production capacity of 450 tonnes, will capture and recycle carbon dioxide from GPIC's methanol plant to be reused as feedstock in the production of urea and methanol project.

A frontrunner in the promotion of environmental friendly industrial development, GPIC will become the first petrochemical plant in the region to use this technology a process that is expected to reduce its carbon dioxide emissions by more than 100,000 tonnes per year as of 2010.

Although challenges are plenty, Bahrain is seizing a range of opportunities to further develop its industrial base; the focus on both alternative industries and technologies seems to be the way forward. As the need for diversification from oil is at a high, the country will build on its pioneering character to attract further investment.