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CONFERENCE**

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**UREA AND AMMONIA SUPPLY OUTLOOK FOR
GULF COOPERATION COUNCIL PRODUCERS**

2002 – 2006

by

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QATAR**

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I would first of all like to thank the organizers and the participants on behalf of all the GCC⁽¹⁾ producers for giving us this opportunity to introduce our companies and discuss the important role they play in the International Fertilizer Market and to present the Urea & Ammonia Supply Outlook in the region for 2002-2006.

In this presentation I will give a brief introduction to the history of the GCC Fertilizer Industry and introduce the GCC producers together with a summary of each company's production capacity, export availability, main markets and regional distribution and highlight the advantages of the GCC Producers.

I will then present future projects and cover production capacity development and export supply development in the region till 2006 and finally a comparison between GCC supply versus world supply for 2002 and 2006.


Introduction

The GCC Fertilizer Industry started back in the 60's to take advantage of the vast reserves of natural gas in the region. The first fertilizer complex was set up in Kuwait and was completed in 1966 with an initial annual production capacity of 107,000 metric tonnes of ammonia and 168,000 metric tonnes of urea.

Today, almost all GCC countries have established their own plants with a total annual production capacity of about 5 million metric tonnes (Mt) of ammonia and over 6 Mt of urea with exports to over 40 countries worldwide.

⁽¹⁾ *Gulf Cooperation Council*

GCC Producers – Production & Export Availability



GCC Producers
Production & Export Availability :

Company	Country	Est.	Product	Annual (in 000mt)	
				Prod.	Export
PIC	Kuwait	1963	NH3	485	85
			Urea	650	644
SABIC	S. Arabia	1969	NH3	2,200	500
			Urea	2,800	2,450
QAFCO	Qatar	1969	NH3	1,430	473
			Urea	1,600	1,597
GPIC	Bahrain	1979	NH3	425	113
			Urea	570	567
FERTIL	U.A.E	1980	NH3	430	68
			Urea	600	540
TOTAL			NH3	4,970	1,239
			Urea	6,220	5,798

Currently there are 5 producers : PIC in Kuwait, SABIC in Saudi Arabia, QAFCO in Qatar, GPIC in Bahrain and FERTIL in the United Arab Emirates.

PIC : Established in 1963, produces 485,000 metric tonnes of ammonia and 650,000 metric tonnes of urea and exports 85,000 metric tonnes of ammonia and 644,000 metric tonnes of urea annually.

SABIC : Established in 1969, produces 2.2 Mt of ammonia and 2.8 Mt of urea and exports 500,000 metric tonnes of ammonia and around 2.5 Mt of urea annually.

QAFCO : Also established in 1969, produces above 1.4 Mt of ammonia and 1.6 Mt of urea and exports 473,000 metric tonnes of ammonia and almost all of its urea production annually.

GPIC : Established in 1979, produces 425,000 metric tonnes of ammonia and 570,000 metric tonnes of urea and exports 113,000 metric tonnes of ammonia and almost all of its urea production annually.

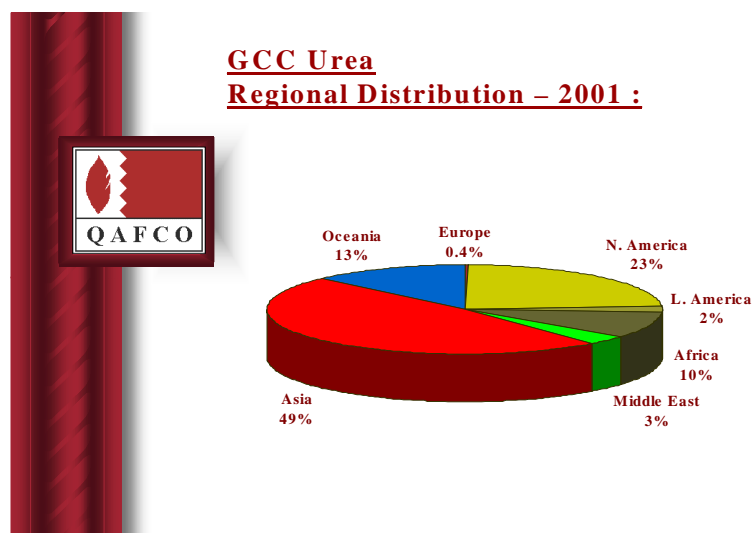
FERTIL : Established in 1980, produces 430,000 metric tonnes of ammonia and 600,000 metric tonnes of urea and exports 68,000 metric tonnes of ammonia and 540,000 metric tonnes of urea annually.

GCC Main Markets



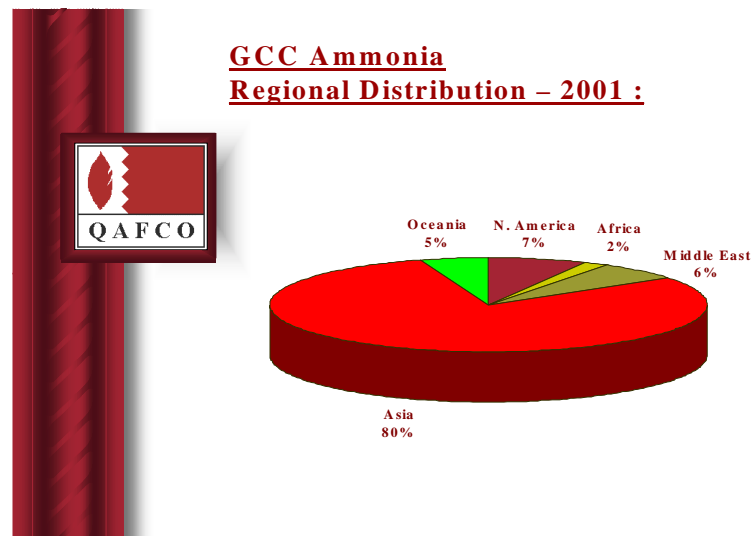
Over the past 37 years, the GCC producers have exported their products to over 40 countries worldwide, especially in the Indian sub-continent, South East Asia, and the Far East. With the development of granular capacities, the GCC have managed to capture large market shares especially in Oceania and North America.

GCC Urea Regional Distribution



In 2001, the GCC producers exported 49% of their urea to Asia, 23% to North America, 13% to Oceania, 10% to Africa and the remaining 5% to the Middle East, Latin America and Europe.

GCC Ammonia Regional Distribution



As for ammonia, 80% was exported to Asia, 7% to North America, 6% to the Middle East, 5% to Oceania and 2% to Africa.

Advantages of GCC producers

The GCC producers play an important role in the fertilizer industry and their success has been attributed to the vast reserves of natural gas with gas prices at less than US\$ 1.2/MMBtu, coupled with low production cost, places our products at very competitive prices.

For instance, the North Field in Qatar is considered to be the world's largest recoverable non-associated natural gas field. With 380 trillion cubic feet of proved reserves, 500 trillion cubic feet of total reserves, and an estimated reserve life of 200 years, the North Field offers low-cost and secure supplies of natural gas.

Almost all plants are export-oriented, hence reliability in supply/availability is almost guaranteed, bearing in mind that local consumption for urea does not exceed 400,000 metric tonnes per annum and almost all the surplus of ammonia is exported.

The geographical location also plays a very important role. Being closer to target markets gives us a freight advantage on our competitors making our products even more competitive and in demand.

Furthermore, with the use of latest technology and processes in addition to the continuous maintenance plans and dedicated jetties, quality is assured.

Finally, the region enjoys a rapid increase in economic growth and political stability allowing for new investments in the fertilizer industry.

GCC Future Projects

GCC Future Projects
2002-2006

(Metric Tonnes)

Company	Unit	Project Type	Start Date	Product	Annual Capacity	Export Availability
PIC	UREA A & NH3 II	Convert to Granular	2002	Urea NH3	1,006,500 620,400	1,006,500 16,500
QAFCO	QAFCO IV	New Plant	2004	Urea NH3	1,100,000 700,000	1,100,000 60,000
SABIC	SABIC IV	New Plant	2004	Urea NH3	720,000 500,000	720,000 50,000
OMIFCO (Oman)	UREA & NH3	New Plant	2005	Urea NH3	1,668,000 1,156,000	1,650,000 250,000
Sohar Fertilizer (Oman)	UREA & NH3	New Plant	2006	Urea NH3	1,160,000 660,000	1,150,000 -

During 2002-2006, 5 projects are expected to be on-line : 1 conversion project from prilled to granular which has completed this year in Kuwait (PIC) and 4 new plants in Qatar (QAFCO IV), Saudi Arabia (SABIC IV) and 2 in Oman (OMIFCO & Sohar Fertilizer).

The PIC Conversion project is expected to produce just over 1 Mt of granular urea and 620,000 metric tonnes of ammonia out of which all the urea is for export and 16,500 metric tonnes of ammonia will be available for export. PIC has already commenced export of granular urea last August.

By 2004, QAFCO IV project will be on-line with a production capacity of 1.1 Mt of granular urea and 700,000 metric tonnes of ammonia out of which all urea will be for export and an additional 60,000 metric tonnes of ammonia will be available for export.

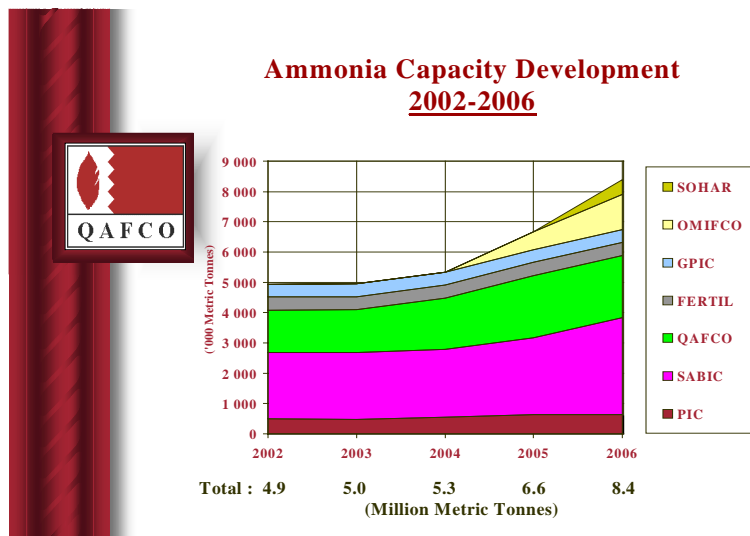
Similarly by 2004, SABIC IV will be on-line with a production capacity of 720,000 metric tonnes of granular urea and 500,000 metric tonnes of ammonia out of which all urea will be for export and an additional 50,000 metric tonnes of ammonia will be available for export.

By 2005, Oman Indian Fertilizer Company (OMIFCO) in Oman is expected to be on-line with a production capacity of about 1.6 Mt of urea and 1.1 Mt of ammonia, out of which all urea will be for export and 250,000 metric tonnes of ammonia will be available for export.

Furthermore, Sohar Fertilizer is expected to be on-line by 2006 (exact date not confirmed yet) with a production capacity of about 1.2 Mt of urea and 660,000 t of ammonia, out of which almost all urea will be for export and no ammonia surplus will be available for export.

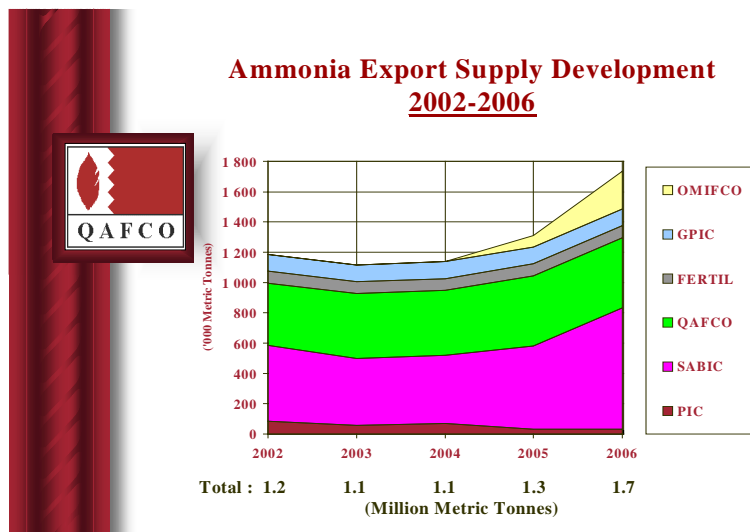
FERTIL is also expected to construct a new plant by 2007.

Ammonia Capacity Development



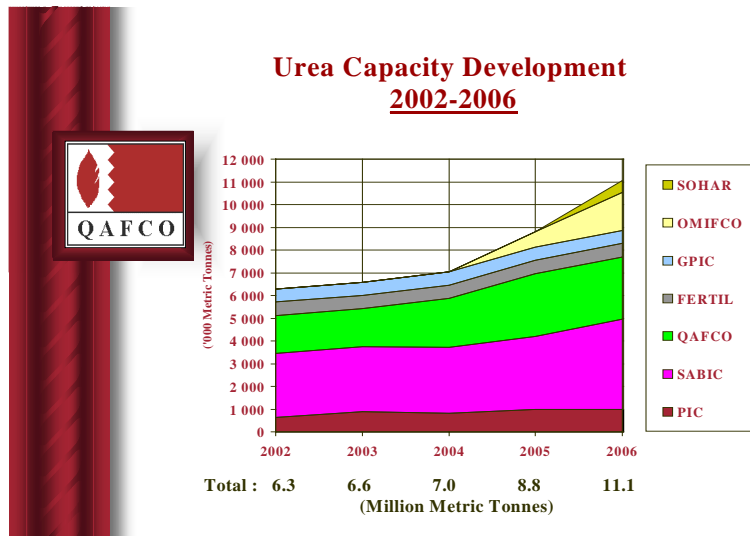
As a result of new projects by 2004 and 2006 in Saudi Arabia, Qatar and Oman, the GCC ammonia production capacity is expected to increase by 71% by 2006, from 4.9 Mt to 8.4 Mt, equating to an increase of 3.5 Mt.

Ammonia Export Supply Development



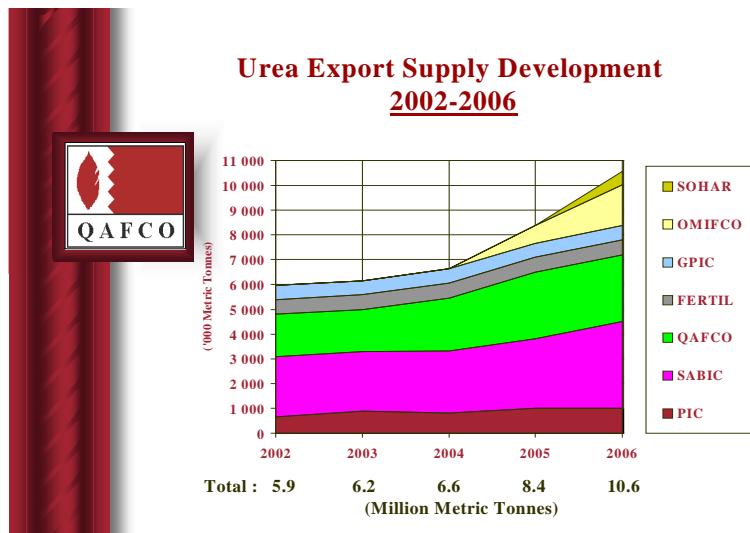
Similarly GCC ammonia export supply is expected to increase by 42% (i.e. 500,000 metric tonnes) by 2006 from 1.2 Mt to 1.7 Mt.

Urea Production Development



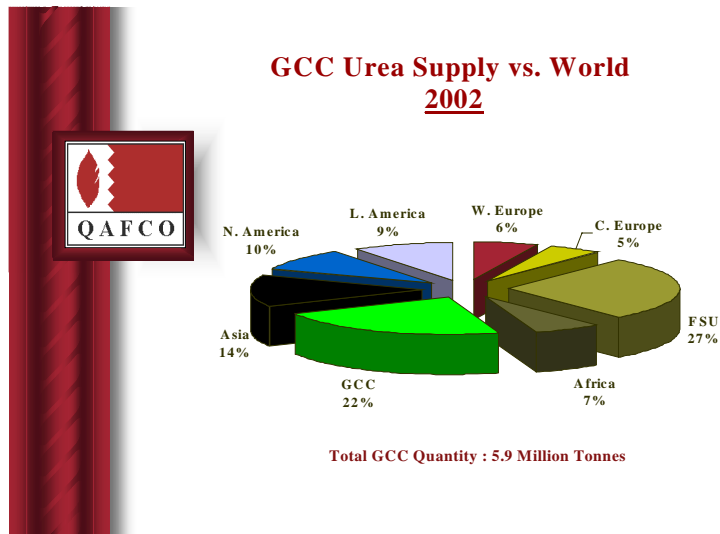
GCC urea production capacity is expected to increase by 76% by 2006, from 6.3 Mt to 11.1 Mt, equating to an increase of 4.8 Mt.

Urea Export Supply Development



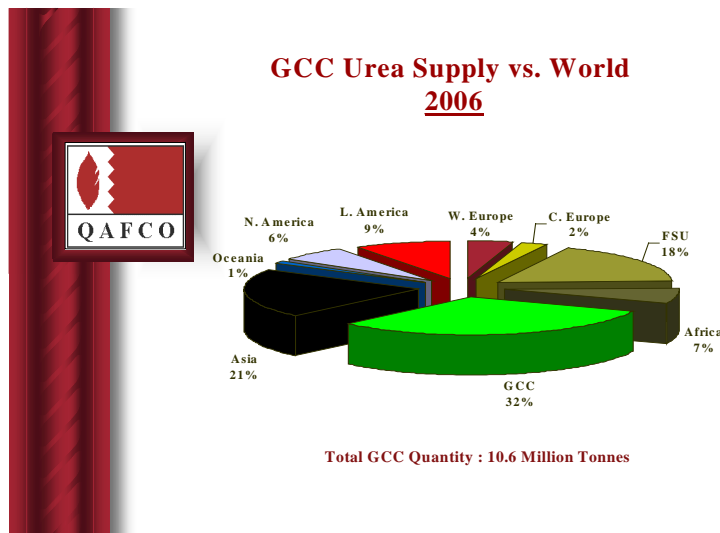
Similarly, GCC urea export supply is expected to increase by 80% by 2006, as the new projects are all export-oriented, from 5.9 Mt to 10.6 Mt.

GCC Urea Supply vs. World 2002



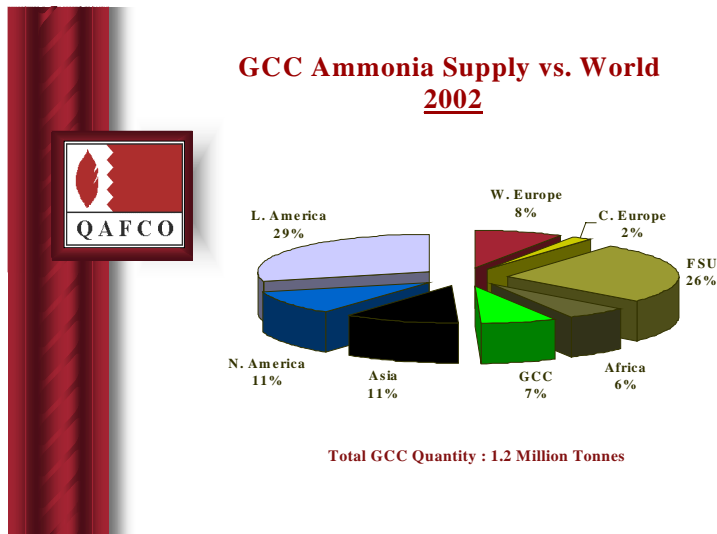
By comparing the GCC export supply to world's total supply, the GCC are in second place with a share of 22%, after the largest exporter, the FSU, with a share of 27%.

GCC Urea Supply vs. World 2006



By 2006, the GCC will become the largest exporter of urea with a share of 32% (i.e. an increase of 10%), followed by Asia with 21% and FSU with 18%.

GCC Ammonia Supply vs. World 2002/2006



For ammonia, the GCC's share to global supply in 2002 is 7% and is expected to increase to 10% by 2006.

