



Choi KYU-SUN

**U**I Energy Corp., is a South Korean energy company looking to play a large role in the energy future of the region. Already a stakeholder in the Bazian license together with Korean National Oil Company KNOC, the company is also working towards the completion of a 300 MW power plant in Tashuja, alongside Hyundai Heavy Industries.

**The Oil & Gas Year:** *Can you tell us about the background of UI Energy Corporation and the history of its involvement in Kurdistan?*

**Choi Kyu-Sun:** Korea is the world's seventh largest consumer of oil and gas, the fifth largest importer of oil and gas and we don't have natural resources. My business partners are very familiar with Iraq so when I left politics and established my business I decided to visit the country. In 2004 I wanted to visit Baghdad but I wasn't permitted because of security concerns so I went to the Kurdistan Region instead. I got to know the region and found it had many rich and promising oil structures. At the time no Korean company was willing to visit any part of Iraq, but I took the risk and brought my people into the country. At that time it took two days to get to the Kurdistan Region: we had to fly to Istanbul, then to Diyarbakir in Turkey and drive to Erbil.

Our ultimate goal was to develop oil and gas in the region but the legal issues of who controlled what had not been settled. So we had to start with reconstruction projects: UI Enc, an engineering affiliate of UI Energy started to build hospitals and power plants. I then had the good fortune to meet Prime Minister Nechirvan Barzani, I found him to be a charismatic and visionary leader. I believe that just as the value of the CEO determines the future of the company the value of the Prime Minister or head of state determines the future of the country.

Later we met with the Minister of Natural Resources and we came to know that he is an expert on oil and gas. We had to bring a qualified oil and gas operator from Korea. The largest operators in Korea are KoGas and KNOC and both are state-run companies. Through our embassy and my personal channels, aided by the fact that we had troops in the region (the 'Zaytun' units), we contacted KNOC and they dispatched a special team to the region to study and review the oil structures. They decided that the opportunity

## Energy for all

TOGY talks to

**Choi KYU-SUN, CEO and Chairman  
UI ENERGY CORP.**

and  
**Jeffrey D. JONES, Attorney  
KIM&CHANG**

was ripe and they came to the Kurdistan Region to sign a Production Sharing Contract (PSC) with the KRG.

**TOGY:** *So in effect you can be credited for what is probably the largest investment in the oil and gas sector in this region?*

**CK-S:** It is symbolic and extremely important that Korea is the largest investor in the region. Before we came here KNOC hired international global legal teams and reviewed the KRG's legal rights to finalise and sign contracts with foreign energy companies. It took almost a year before they signed an energy developing contract with the

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KRG. As you know, there has been a dispute between the KRG and the central government, but we had confidence in the region and its leadership. Korea is the world's 13th largest economy and an OECD member country. We have strong legal teams; we would not sign a foolish agreement.

Once KNOC was the largest energy investor in this region, we are happy to say that Prime Minister Barzani visited Korea three times, twice under the Lee Myung Bak administration. Lee Myung Bak was very knowledgeable about Iraq and built many infrastructure projects in Iraq during his tenure as CEO of Hyundai. Nechirvan Barzani has had two summit meetings with our president.

**Jeffrey Jones:** I think that it is significant that KNOC is the only national oil company to invest in Kurdistan. All the others are private companies who have a different risk factors, a different set of concerns, and the fact that the Korean National Oil Corporation, and President Lee Myung Bak would support the KRG tells you that the Korean government recognises the Kurdistan Region as an entity which can sign contracts.

**TOGY:** *In 2004, you signed the deal with the KRG for a hospital in Sulaymaniyah. As an energy corporation, you mentioned that your ultimate goal is to be involved in exploration and production activities in the KRG. Tell us about what took you into the hospital construction business.*

**CK-S :** This investment is to establish a good image of UI in the region. We are not a famous company and we need to establish a foothold. Korea has advanced hospital technology; this particular project is for a huge 400 bed hospital. Meanwhile we also joined with Hyundai Heavy Industries to build a power plant in Tasluja. It is a 300 megawatt heavy fuel oil (HFO) plant. We have almost finished the first 51 megawatt phase. It will start to generate electricity by the end of February (2009) and will supply power to 15,000 households.

**TOGY:** *Is power generation a large part of what UI is intended on being involved with in this region?*

**CK-S :** This region, and not only the Kurdistan Region but the whole of Iraq needs electricity. The electricity demand is huge.

**JJ:** Right now the southern regions of Iraq are able to supply only six hours a day. It's a bit ironic that a region so rich in energy resources has not yet been able to put in place a solution to the electricity shortage.

**CK-S :** Saddam Hussein prevented proper investment in energy production. Prime Minister Barzani has told us that industrial development



Jeffrey D. JONES

is not possible without more energy. So his top priority is solving the electricity problems. KNOC has joined forces with some of the largest Korean developers to build a 500 megawatt steam thermal plant in the Erbil area.

**TOGY:** *When will the other phases of the Tasluja power plant start producing and is this expected to be a BOO type of scheme?*

**CK-S :** We are in discussion with the KRG Minister of Electricity, so we'll decide the where and when, right after phase one. The investment is not under BOO: it is a turnkey project and we are contractors. Hyundai is the turbine supplier and also provides the technology, the supervisors, and the top engineers.

**TOGY:** *Your ultimate goal is to be involved in tapping the oil and gas wealth of this region. Can you tell us more about your E&P projects?*

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*// When the Prime Minister met with our President, the Kurdistan Region was big news in Korea. So this region drew our business people's attention. //*

**CK-S:** UI Energy joined a KNOC consortium for the Bazian oil structure which is a very promising structure. There will also be a refinery nearby. UI Energy has a five percent share in the consortium. We have finished mobilisation and within a few weeks we will start seismic studies, then we will drill.

**TOGY:** *What are the biggest challenges that contractors have to face here when mobilising equipment and when getting ready for working on their licences?*

**CK-S:** When you meet the Prime Minister, you realise that he is like the Prime Minister of a very advanced country. He's organised and has vision and drive. The people here are beautiful and they have warm hearts. But the biggest challenge is that they don't have qualified and experienced middle managers. When you contact the ministries at lower levels they have no experience of dealing with foreign contractors. The top managers and politicians have been educated overseas and they know how things work. But the working levels are sometimes disappointing and give us some frustration.

**JJ:** They simply have not had the experience to know how they should deal with investors. They have not been permitted to develop; they have only five years of experience and that's it.

**CK-S:** The Korean government's KOIKA, which is one of Korean government's bodies organising overseas aid for developing countries is going to build a job-training centre in this region, and also a school. Korea is one of the biggest investors. We also finished a library, called the Zaytun library.

**TOGY:** *Do you have a sense of pride in being one of the pioneers investing here and to see your nation displaying such commitment to Kurdistan?*

**CK-S:** Yes, I'm very proud of that. Now I'm also very proud to show my people that I was right about Kurdistan, the Prime Minister, and this region, and that we are preparing to go down South. When I decided to advance into this region, people called me crazy. Since I came here, I have found it has great potential. I call it the second land of promise! And then I like to show the people who criticised me and called me crazy that my decision was right. So far everything is good. There are now small companies and medium sized companies looking for the chance to get a contract from the KRG. When the Prime Minister met with our President, the Kurdistan Region was big news in Korea. So this region drew our business people's attention.

**TOGY:** *As a conclusion, where do you expect UI Energy Corp. to be in five years, based on its investment and its work in Kurdistan?*

**CK-S:** After two or three years results from Bazian and the other oil structures will come through and we will hopefully be pumping oil. I'll be very proud to make such a contribution to my country and to solve the energy problem. My company will have a strong foundation and will be a part of the large energy companies' club. I am waiting for that, but until then I'm not resting: I'm still striving and working hard for more business opportunities in the Kurdistan Region, and also in Iraq as a whole.

*UI Energy Corporation's investment in Tasluja, together with Korea's Hyundai Heavy Industries, will soon start generating 300 Megawatts*

