



Dr. Mohamed Yousef  
AL-MULLA

**Q**atar's largest petrochemical player is in full development mode, expanding its sizeable share in the polymer business and investing further downstream. Already selling to 4,500 customers in more than 85 countries, it is one of Qatar's most globally branded companies.

## A power in polymers

TOGY talks to

**Dr. Mohamed Yousef AL-MULLA,**  
General Manager  
**QATAR PETROCHEMICAL COMPANY**  
**(QAPCO)**

**The Oil & Gas Year:** As a company created in 1974, can you present QAPCO's milestones since its establishment?

**Dr. Mohamed Yousef Al-Mulla:** QAPCO is playing an active role in sustaining a robust petrochemical industry, which Qatar has been developing for the past 30 years based on the best utilization of its hydrocarbon reserves. QAPCO has witnessed several expansion projects for developing the petrochemicals industry in Qatar.

The first major expansion project was completed in 1996, when ethylene production capacity was raised to 525 KMTPA (thousand metric tonnes per annum) and LDPE (low-density polyethylene) production capacity was increased to 360 KMTPA. In 2007, QAPCO completed its second ethylene Expansion project (EP2) that increased ethylene production capacity to 720 KMTPA. QAPCO's success has led to the further development of other petrochemical joint ventures in Qatar such as QVC, QATOFIN, and RLOC, wherein QAPCO is a partner. We are currently operating LDPE capacity at over 400 KTA. This capacity is being expanded further through the new LDPE-3 plant of the capacity of 250-300 KTA.

**TOGY:** QAPCO posted record numbers in 2007 and halfway through 2008 it reported more than double the profits since the previous year. What is your assessment of your 2008 performance?

**MYA:** The year 2007 was one of the most rewarding years in the history of QAPCO, on both the financial and operational levels. We achieved a net profit of over 550 million US dollars. The year 2008 showed far better financial results on account of historic prices of our products in the international market coupled with value added from expanded capacity and valorisation of by-products. We also achieved better performance on efficiency levels covering all areas of activities – production, marketing and safety issues.

**TOGY:** Your new joint venture Qatofin was due to be online by the end of 2008. What is the status of that project?

**MYA:** Qatofin is a joint venture between Qatar Petrochemical Company (63 percent) Total Petrochemical France (36 percent) and Qatar Petroleum (1 percent). The project is progressing very well and production is hoped to begin during the second quarter of 2009, at Mesaieed Industrial City. It is estimated to produce 450 KTA (expandable to 600 KTA) of high-quality linear low-density polyethylene (LLDPE). The LLDPE produced by Qatofin will be marketed under the 'LOTRENE' brand name worldwide. The ethylene for the production of LLDPE will be supplied by Ras Laffan

*"Our vision is simple: To produce more and add more tonnage. This is the only way we can stay competitive with overseas companies."*

Cracker, with a capacity of 1.3 million tonnes. QATOFIN Company owns approximately 46 percent of the shares – about 600 KTA of ethylene.

**TOGY:** Besides its core ethylene and LDPE production activities, QAPCO also owns significant shares of companies lying further downstream, such as Qatar Vinyl Company, QATOFIN and Ras Laffan Olefins Company. Which of these are most significant today?

**MYA:** QAPCO has undertaken investments in all these vital projects for its continuing growth with a view to contribute more and more to the Qatari economy. Hence all projects are equally important. All these ventures are of great significance

for the petrochemical industrial development process in the State.

**TOGY:** *With exports to more than 85 countries and offices now in nearly 20 nations, what is your strategy for global expansion and what markets are you most focused on?*

**MYA:** The vision for QAPCO from the outset was to be in every market available worldwide. For the past ten years we have established offices in important regions such as India and China, throughout the Middle East and we are going to expand more in the Far East in the future. In order to fulfil this strategy we have to be close to the customers. Part of our strategy is not just to have the marketing bodies in those countries but also to have our own warehouses.

Our vision is simple: To produce more and add more tonnage. This is the only way we can stay competitive with overseas companies. We won't just concentrate on our core products, low-density polyethylene, but also high-quality linear low-density polyethylene through Qatofin. Besides, we are also selling High Density polyethylene supplied from QChem and thus cover most of the range of the polyethylene portfolio. The success of QAPCO will rely on these three main polymer businesses.

**TOGY:** *In media reports in 2008, you expressed worries about escalating EPC costs in the range of 20-30 percent since the previous year. Since those predictions have materialized, how are you reacting to those costs and what will be the impact on the major projects you have in store?*

**MYA:** For the polymer business we had been approaching EPC contractors in Europe who were quoting 30-35 percent higher prices. But today the dollar is strong and the euro is weak. Besides, due to ongoing financial turmoil and fear of recession, all businesses has come to almost a complete standstill. We are already seeing a drop in the prices of various commodities, including cement & steel, but whether this is going to continue isn't known yet. We are waiting for the bids now and we will see how we can handle it. Two of our major projects – the Ras Laffan ethylene

cracker and the Qatofin plant – are not in danger because they're in the final stages. But the LDPE-3 project is still awaiting a commercial bid and we won't award that until beginning of 2009.

It's too early to comment in detail about the prospects of that financing because even the best analysts worldwide can't predict where the market will go. What we know is that many petrochemicals plants are shutting down worldwide because they can't find any buyers. But the raw material feed is very economical in Qatar and with our resources we hold a considerable advantage over other markets.

**TOGY:** *In February 2008 you told Reuters you had huge expectations of QAPCO since polyethylene prices were nearly 2,000 US dollars a tonne. Now that the prices have dropped substantially, has your perspective changed?*

**MYA:** The sharp price drop is something nobody expected. But our strategy did not change and we continue to produce with maximum capacity and finding various opportunities to sell our products worldwide. Even though the margins have become thin, we are still better off compared to many other producers due to feed cost advantage. In addition, what helps QAPCO is that we have offices close to the customers and we have warehouses in our foreign markets. In a world of low polyethylene prices, we have to work extra closely with our customers.

**TOGY:** *What is your outlook for Qatar weathering the global financial storm and continuing to secure foreign investment in the economy?*

**MYA:** Whether it's oil, gas or even petrochemicals, giant companies are coming here. You name them, they all want to be partners with us. There is a crisis nowadays but the market is strong for us because we have a clear vision and it is better to produce more and once you have more tonnage, you have a better basket of polymers. We are doing fine and will continue to be fine.

**TOGY:** *With some companies looking vulnerable, do you foresee capitalizing on this opportunity by making acquisitions?*

**MYA:** We were looking for these opportunities even before the crisis. Qatar Petroleum International is looking after those interests. As a subsidiary of Qatar Petroleum, QAPCO is providing its assistance and know-how.

**TOGY:** *At the time of its inception, QAPCO was the only ethylene producer in the Gulf and until 2003 there were no competitors on the local Qatari market. How has the arrival of other players changed the way you do business?*

**MYA:** From our perspective, we see that there is a big demand on ethylene feedstock for downstream industry, which is so promising in terms of growth. We see some products growing at around two percent above world GDP growth, but on average we have around four to five percent growth in the market. Plastic is increasingly the material of choice and it's cheaper than most other materials. It is replacing paper and metal, which are becoming more expensive around the world, so the plastics market is still becoming more and more competitive as demand grows. Moreover, petrochemical producers from the Middle East are the most competitive due to their leverage on feedstock. They are the first ones to take the prominent share of global demand, thus QAPCO does not feel any pressure from other local producers.

**TOGY:** *How much does diversification of your products factor into your growth strategy?*

**MYA:** QAPCO as a national company is committed towards the State of Qatar in diversifying and maximizing its wealth resources through utmost operation and development of the downstream petrochemical industries. We believe the diversification process would further help the company keep up its competitive position and will continue to play its anticipated role in the industrialization process in Qatar. We want to expand the economic base, thereby helping in optimum utilization of national resources – oil and natural gas reservoirs and human resources.

**TOGY:** *Throughout its history, QAPCO has given strong attention to reducing noxious emissions. Can you elaborate on that commitment and the environmental contributions you've made?*

**MYA:** We are investing heavily whenever it comes to reducing nitrous oxide and carbon dioxide emissions. For the past 25 years QAPCO has invested millions of dollars in the area of environment, and we will continue that investment in the future. We are following the country regulations given to us by the Qatar Ministry of Environment and we are following international standards related to environment. We are already certified for ISO 14001 (for environmental management) and ISO 18001 (for health and safety management). In 2007 we undertook a big project for the reduction of nitrous oxide emissions, in which we are investing heavily.

**TOGY:** *How much further down the supply chain will QAPCO reach?*

**MYA:** Our value chain currently involves mainly the sale of polyethylene to the manufacturer of end use plastic products such as films, pipes, bottles, toys and other major moulded products that have wide usage all over the world and touch everyone's daily life. In the future we may also produce the end use products in partnership with our customers.

**TOGY:** *Beyond Qatarization, what is your vision for QAPCO in the next ten years?*

**MYA:** Our vision and outlook will always remain as to contribute maximum to the economy of Qatar. Besides our current polymer business, we will focus on growing the upstream production of basic intermediates with the transformation and end products segments of the industry. To do that, we will need to enlist all the available resources, not only from Qatar Petroleum, but also from the private sector. QAPCO then can play an active role in the further expansion of the downstream industry.

