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A Rapid Recovery

Demographics and hydrocarbons make the Middle East a dynamic region that is rapidly advancing, despite the debt overhang in Dubai. A young and fast-growing population is demanding jobs, and regional governments are responding with a massive infrastructure-spending spree. The financing and wealth management requirements of this oil-rich region are growing. Local and expatriate bankers appreciate the business, particularly after what they have been through in the past few years. As economies in the region diversify and reform, they are expected to attract growing amounts of foreign direct investment (FDI).

Surprisingly, the region is also taking the lead in creating the alternative energy sources of the future. The relentless desert sun and thoughts of what to do once the oil runs out have focused attention on the solar power industry. The Sahara desert could host huge solar power installations that will provide a significant portion of Europe's electricity needs in the future.

In one of the more encouraging developments in the region lately, Kuwait's parliament has broken a deadlock on stimulus and reforms that will unleash a burst of economic activity, not only in 2010 but also for years to come. Meanwhile, neighboring Iraq is emerging as a major oil exporter. Qatar is one of the fastest growing economies in the world, thanks to its booming exports of LNG.

Despite all of the reasons for hope and progress, however, many challenges remain. The global financial crisis revealed weaknesses in financial markets in the region, which could lead to stronger regulation and supervision. The highly publicized debt problems in Dubai and the lack of transparency in some large, family-owned businesses have caused lenders to be cautious.

Economic activity will, however, rebound this year along with the global economy and rising oil prices, economists predict. Growth probably will accelerate in 2011, as credit restraints loosen and non-oil export markets improve around the world.

Islamic finance continues to expand rapidly, although recent events have shown that it is vulnerable to the same liquidity and confidence crises that plague conventional banking. There is a need for more transparency and regulation here as well. Fortunately, regulators in the region have shown a new willingness to cooperate. This will help to create an environment where FDI will pour in to take advantage of the many opportunities in a region that is undergoing an impressive economic and financial transformation.

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Oil Wealth Keeps Economic Stimulus Flowing

Government spending will keep the Middle East's economic recovery on track in 2010. By Gordon Platt

The Middle East rode out the global recession better than the major industrialized economies, and the region is well positioned to benefit from the global recovery. The oil-exporting nations of the Gulf drew on their ample reserves in 2009 to support expansionary fiscal policies. The oil importers—Egypt, Jordan, Lebanon and Syria—which are less integrated with global markets, escaped the brunt of the downturn. They also enjoyed spillover effects from the economic growth of their neighbors.

Oil prices and production levels remain critical to the Middle East's economy, despite increasing efforts to diversify. Oil was trading above \$80 a barrel last month, well

above budgeted levels but down from a peak of \$147 during July 2008. Government spending will continue to increase, even if oil prices decline, with sovereign wealth funds available to finance potential fiscal deficits, says Moody's Investors Service. The ratings agency expects the region's sovereign ratings to remain relatively steady in 2010, as a sluggish global recovery gains momentum and investor confidence rebuilds.

After stagnating at less than 1% growth in 2009, real GDP (gross domestic product) growth in the six nations of the Gulf Cooperation Council (GCC) is expected to rebound to 5% in 2010, according to economists at Riyadh-based Samba Fi-

nancial Group. Total GCC budget spending is likely to increase by 14% this year to a record \$354 billion, they predict. Saudi Arabia's exceptionally large planned budgetary spending is expected to result in a second straight year of fiscal deficits. The kingdom is halfway through a four-year, \$400 billion spending program.

The GCC's \$1 trillion economy is on a par with that of India, and it will double to \$2 trillion by 2020, says Kamal Ahmed, chief operating officer of Bahrain's Economic Development Board. "Shortly, people will view the Gulf as one bloc," he says.

By early next year the GCC will have a joint power grid that will guarantee an adequate supply of power in member coun-

tries. Construction will begin later this year on the Qatar-Bahrain causeway, the largest marine causeway in the world. As infrastructure developments, including \$100 billion of planned spending on railroads, draw the six GCC members closer together, monetary union remains elusive.

Much remains to be done in terms of building GCC-wide institutions before the region can move closer to introducing a common currency, according to a report by Standard Chartered Bank, Dubai. "We do not see how the common currency can be introduced anytime soon, as the necessary supranational institutions are not yet in place," it says.

The GCC's fast-growing population of 39 million, with half below the age of 20, means there is a need to create jobs, says Ahmed of Bahrain's EDB. As the smallest GCC nation, Bahrain has positioned itself as a business-friendly gateway to the Middle East. "We are only a half hour from Saudi Arabia via an existing causeway," Ahmed says. "We have skilled people, and we are very cost competitive."

Bahrain has doubled the number of jobs in the private sector in the past five years. "It was the first country in the region to liberalize its economy," Ahmed says. "The whole country is a free zone, and we have the largest FDI [foreign direct investment] as a percentage of GDP in the Gulf."

Standard Chartered Bank was the first bank to be established in Bahrain, and this year it is celebrating its 90th anniversary. Today Bahrain has 414 financial institutions, making it the largest financial center in the region. "The Central Bank of Bahrain has played a major role in shaping and maintaining Bahrain's financial sector's reputation," says Jonathan Morris, CEO of Standard Chartered Bank Bahrain. The development of the offshore banking business, where Bahrain-based wholesale banks are supporting clients and projects across the northern Gulf, and in Saudi Arabia in particular, was also important in shaping Bahrain as a financial center, Morris says. More recently, Bahrain has emerged as a center of Islamic finance, with 26 Islamic banks. Stan-

dard Chartered's global Islamic brand, Saadiq, which means "truthful," was introduced in Bahrain last year. In February 2010 global consultant Deloitte selected Bahrain as the site for its Islamic Finance Knowledge Center, which will support the firm's businesses in the Middle East.

"Going forward, we see the financial sector in Bahrain developing more niche segment expertise, with a focus on asset management, insurance and, of course, Islamic finance," Morris says. "Bahrain has a strong entrepreneurial spirit, and the economy's success over the years has been built on an ability to adapt and change," he says.

“[Bahrain’s economic] success over the years has been built on an ability to adapt and change”

“The SME sector is one of the key contributors to the country’s economic growth” —Jonathan Morris, Standard Chartered

Standard Chartered will focus on increased lending to small and medium-size enterprises in 2010. "The SME sector is one of the key contributors to the country's economic growth and is an area with significant potential," Morris says.



Ahmed: “Shortly people will view the Gulf as one bloc”

Elsewhere in the northern Gulf, Kuwait recently announced plans to create a Capital Markets Authority to boost its financial sector and attract more foreign investment. In February Kuwait's parliament, the National Assembly, passed a \$107 billion, four-year development plan to further diversify the economy and stimulate private sector investment in infrastructure projects. The plan, which had been delayed for years by political bickering, could stimulate Kuwait's non-oil private sector, including real estate and construction, as well as increase investment in its oil and gas industries. An upgrade of the country's power grid, con-

struction of a container port and a 16-mile causeway, and the further development of a new business hub, known as Silk City, are also envisioned.

Meanwhile, the planned privatization of Kuwait Airways moved a step closer last month when the Kuwait Investment Authority was authorized to set up a holding company for the airline's assets. The government plans to offer a 40% interest in the airline to the public by the end of 2010.

"The region's business landscape has undergone a significant transformation in 2008 and 2009, and local corporations are facing several challenges," says Manaf Alhajeri, general manager of Kuwait Financial Center, Markaz. "Sourcing of new capital has slowed amid tightening of credit and poor investment sentiment."

In 2010 more companies will seek advice on disposing of non-core assets and refocusing on core operations, Alhajeri says. Liquidity appears to be slowly returning, and companies needing financing will return to the public and private capital markets for both debt and equity issues, he says. "We



Alhajeri: "We expect an increased need for non-conventional financing"

also expect an increased need for non-conventional financing, such as mezzanine financing, convertible and exchangeable debt, and preferred stock offerings," Alhajeri says.

Markaz was the first company in the Middle East to introduce stock options, which began trading on the Kuwait Stock Exchange in 2005. The firm is now seeking KSE approval to introduce a shariah-compliant equivalent to call options, known as an arboun contract.

The product, which would be issued only on the shares of shariah-compliant companies, would allow an investor to purchase shares at a predetermined price with a downpayment, known as an arboun. The buyer would have the right, but not the obligation, to pay the remaining purchase price and take delivery of the shares before the contract's expiration.

Kuwait's central bank cut its discount rate a half point to 2.5% in February to encourage banks to lend and help fund development. The move does not indicate any deterioration in the economy, says Daniel Kaye, senior manager of economic research at National Bank of Kuwait, the country's biggest lender. "Rates were already low, but the cut was designed to get credit going and to support the massive in-

vestment plan," he says.

The central bank was one of the first in the region to react to the global financial crisis by pumping funds into the banking system in the form of short-term deposits. The government also agreed to guarantee 50% of the amount of new loans extended to local firms. The Kuwait Investment Authority, the country's sovereign wealth fund, helped to stabilize the market by buying local shares.

"The government's large role in the Kuwait economy has been a stabilizing factor," Kaye says. The central bank has required a high level of disclosure about banks' balance sheets, as well as stress testing by third-party consultants, he says. "Bank capitalization ratios are fine," he adds.

National Bank of Kuwait was relatively unaffected by the financial crisis. Its earnings rose 4% in 2009 to \$925 million. Impairment charges were lowered last year, and the outlook for loan-loss provisions is positive, says Amir Hanna, NBK's executive manager of investor relations. The bank's asset quality has improved through the cri-

"The government's large role in the Kuwait economy has been a stabilizing factor"

The central bank has required a high level of disclosure about banks' balance sheets —Daniel Kaye, National Bank of Kuwait

sis, he says, and provisions are equivalent to 200% of non-performing loans.

Kuwait's GDP will grow by 3% in 2010, somewhere in the middle of the outlook for the six GCC economies, NBK forecasts. GDP growth rates in the region will vary widely this year, from near zero in the United Arab Emirates to more than 18% in Qatar, economists estimate. Regional growth is likely to accelerate in 2011, as credit restraints loosen and non-oil export markets improve.

As economies diversify and reform, they are attracting a rising tide of foreign direct investment. There are ample opportuni-

ties for foreign investors in major Saudi Arabian projects in the oil and petrochemicals sectors, as well as in power, water and infrastructure, according to National Commercial Bank. Education, healthcare and manufacturing are other areas where foreign investment is encouraged. In 2008 Unctad ranked the kingdom number 14 in the world and number 1 in the Middle East for FDI inflows.

In February Saudi Arabia announced plans for a world-class tourist center in the eastern coastal city of Al Oqair. The city is the site of an ancient fort and already receives a large number of visitors from within the kingdom and neighboring countries. Another tourist center is planned for Jeddah's Obhur Corniche on the Red Sea, in addition to seven other resorts along the west coast of the Arabian Peninsula.

Oil revenues are a vital source of finance for the economic transformations under way in the Gulf and underpin the public sector's large infrastructure developments, according to economists at Samba Financial Group. Oil-price fluctuations also have

a large influence on consumer and investor confidence, according to Samba.

"Residual strains in some real estate and financial sectors will dampen domestic credit growth and private sector activity [in 2010], but this will be mitigated by a general recovery in the global economy, which will boost export demand and support a revival of capital inflows," Samba says.

Meanwhile, new markets are opening in Syria and Libya, while Iraq is emerging as a major oil exporter. Iraq has the world's second-largest proven oil reserves. The country received \$4.4 billion in January from the export of nearly 60 million barrels of oil. ■

Bankers Survey A Changed Landscape

Banks across the region learned many painful lessons during the crisis but have emerged stronger than ever. By Gordon Platt

Financial institutions across the Middle East are carefully monitoring their loan portfolios after posting big increases in loss provisions in 2009. Growing economies, supported by high and steady oil prices and increased government spending, will help to end further deterioration in regional credit markets this year, but bankers say they are not about to resume aggressive lending.

Banks in the Gulf Cooperation Council (GCC) countries face another difficult year as they clean up their loan books, Standard & Poor's Rating Services said in a report released in February. "The economic slowdown reveals a growing divergence in credit quality among Gulf banks," the report said. S&P took dozens of negative rating actions in the sector in 2009, especially for banks in Kuwait and Dubai. About one-third of the banks in the GCC have a negative outlook. Banks in Saudi Arabia and Qatar

are relatively stronger than those in Kuwait and Dubai, and Bahrain-based investment banks, S&P says.

"We are still dominated by vulnerability," explains Adel El-Labban, group CEO and managing director of Bahrain-based Ahli United Bank (AUB), which has an extensive regional network. "The financial world seems to be in a parallel universe to the real world," he suggests. "Rising price-earnings multiples reflect confidence in future earnings, but the earnings may not be there."

AUB sailed through the financial crisis

relatively unscathed as a result of prudent risk management, careful lending and cost controls, El-Labban says. "After increasing provisions for non-performing loans last year, we know where we stand," he says. "I would be very disappointed if we did not reduce provisions dramatically this year."

GCC banks will perform better in 2010 as economic growth accelerates, according to a study by Kuwait-based Global Investment House. "We believe that the GCC banks collectively have already seen the worst, and 2010 will be a year of asset and profit

Islamic "transactions are grounded in real underlying commodity transactions"

With any financial instrument, Islamic or conventional, "the question is, who is your true underlying counterparty?" – Ted Pretty, Gulf Finance House

consolidation before the banks embark on a steeper profitability trajectory in the years ahead," the study says. The net income of GCC banks is forecast to rise by about 7% in 2010, with provisions falling by 16% after jumping by nearly 64% in 2009.

Despite the challenging environment, AUB has been able to maintain its regional expansion. It recently increased its ownership stake in AUB Egypt to 79.6% from 35.3%. "Egypt has weathered the turmoil of the last few years better than most countries because of its strong domestic demand," El-Labban says. "We have a focused, hybrid business model, which is not purely a local play but also a bridge to GCC markets." As growth resumes in the Gulf, investors will want to invest their rising wealth in Egypt, El-Labban says.

AUB also has received central bank approval from Bahrain and Libya to acquire 40% of United Bank for Commerce and Investment. "We see Libya as a pre-emerging market with excellent macroeconomic fundamentals," El-Labban says. "It has oil, record foreign currency reserves and good growth with controlled inflation."

Banks Go Back to Basics

The recession was an eye-opener for many organizations and financial institutions around the world, suggests Abdul-Aziz Al-Ghurair, CEO of Dubai-based Mashreq. "Now, organizations are vigilant when doing business and are going back to the basics of customer service," he says. "The economy of the region is coming up and is stronger now than ever."

Financial institutions are adopting stricter lending principles to manage risks, Al-Ghurair says. "With the economy improving slowly, we will witness more banks lending again."

Last year, Mashreq focused on keeping liquidity high by reducing loans while increasing deposits. "In 2010 we will continue to manage our liquidity position prudently and keep our advances [loans] to deposits ratio in the same range," Al-Ghurair says. "Having said that, we expect both advances and deposits to grow in 2010. Mashreq has always been a responsible lender and never stopped lending, even with the financial cri-

sis," he says.

In Saudi Arabia, the biggest economy in the region, bank credit to the private sector was flat in 2009 after growing at a compounded annual rate of 26% in the preced-



Al-Ghurair: "We ... continue to manage our liquidity position prudently"

ing five years. "A slowdown was inevitable in light of previous strong growth and the turbulence and uncertainty that characterized financial markets," says Abdulkareem Abu Alnassr, CEO of National Commercial Bank. There was lower demand for loans, and banks tightened lending criteria, he says.

"However, I expect loan growth to rebound in 2010," Abu Alnassr says. "The massive investment program being undertaken

Saudi Arabian Monetary Agency (SAMA) and are looking to redeploy these funds into assets that produce a higher return, Abu Nasr says, but the banks will not compromise their underwriting standards.

As investor confidence is restored, bankers expect to see a moderate rise in capital market activity in 2010. The market for sukuk, or shariah-compliant financial certificates that are similar to bonds, is becoming more active after being rattled by the Dubai World debt woes. Saudi Arabian Oil, also known as Aramco, and Total, Europe's largest refiner, have selected Deutsche Bank, Samba Financial Group and Credit Agricole to manage a \$1 billion sukuk for a 400,000 barrels-per-day refinery. Meanwhile, Saudi property developer Dar Al Arkan Real Estate Development raised \$450 million in February through a global sukuk sale.

The Dar Al Arkan five-year sukuk was the first international issue from the GCC in 2010. It was also the first by a company based in Saudi Arabia to take advantage of Rule 144A, which exempts private placements with qualified institutional buyers from registration with the US Securities and Exchange Commission. The 144A route made it possible for US investors to participate directly in a Saudi issue for the first time, notes Majid Al-Sayed Bader Al-Refai, managing director and CEO of Bahrain-based Unicorn Investment Bank, a lead manager and shariah adviser for the offering.

While sukuk issuance is picking up, no flood of offerings is likely. "The market is not

"A slowdown was inevitable in light of previous strong growth and the turbulence and uncertainty"

"I expect loan growth to rebound in 2010 ... Saudi banks have the appetite and capacity to lend" —Abdulkareem Abu Alnassr, National Commercial Bank

by the Saudi government and state-owned enterprises will stimulate demand for credit, and the Saudi banks have the appetite and capacity to lend." Banks currently earn 25 basis points on their placements with the

exactly at its best right now," Al-Refai says. However, there are a number of solid family-run businesses in Saudi Arabia that would make good candidates for public offerings, he adds. "I tell them they are sitting on gold,"

Al-Refai says. “The kingdom is a treasure chest for sukuk issues.”

The global financial crisis was a blessing in disguise for Islamic finance, which uses safer methodology in structuring issues, Al-Refai says. The biggest roadblock to the further development of Islamic capital markets, he adds, is what he calls the herd mentality of Islamic bankers. “When the crisis hit, they were all in real estate,” he says. “The R&D [research and development] concept doesn’t exist in the Gulf.”

Islamic Principles Pay Off

The fundamentals of Islamic finance should deliver a better result than conventional finance during such crises, says Ted Pretty, acting CEO of Gulf Finance House (GFH), a leading Bahrain-based Islamic investment bank that has promoted or sponsored some of the biggest infrastructure projects in the region. Islamic banks have had less impact from the causes of the downturn be-



Abu Alnasr: “Investment programs... will stimulate demand for credit”

cause they were not involved with high-risk financial derivatives, he says. “Transactions are grounded in real underlying commodity transactions,” he adds. Any financial instrument, Islamic or conventional, is only as good as the credit quality of the borrower. “The question is, who is your true underlying counterparty?” Pretty says.

Like other investment banks, GFH was hit by the property market downturn across much of the region. Islamic financial institutions and Islamic investment banks had a higher degree of exposure to real estate, Pretty explains. “Liquidity dried up, and there

were no buyers for some projects,” he points out. “No one was immune.”

“The financial world seems to be in a parallel universe to the real world”

“Rising price-earnings multiples reflect confidence in future earnings, but the earnings may not be there” —Adel El-Labban, Ahli United Bank

GFH successfully refinanced a WestLB-led syndicated facility after paying down \$300 million when due in February and getting \$100 million back, as part of an Islamic financing arrangement. The bank also reached an agreement with Bahrain-based Liquidity Management Center syndicate to rearrange its wakalah facility. Wakalah is an Islamic financial contract in which an investor places cash with a lender who then uses it to buy qualifying financial assets. “These agreements demonstrate that people have confidence in our business model and strategy,” Pretty says. “We had some speed bumps in our debt profile, and given that liquidity is tight, we are smoothing them out.”

Pretty says GFH kept assets on its balance sheet too long. “An investment bank should take the view that these assets are stocked for sale and should be held no longer than two or three years,” he points out. “GFH is good at originating and packaging new deals, he adds. “We are traders. We incubate banks and insurance companies and then sell them.” GFH announced last month that it is at an advanced stage for establishing Syria’s largest Islamic bank. It is working with local Syrian business partners to create Syria Finance House, which will be capitalized at \$333 million. “Islamic commercial and investment banking in Syria promises great potential for growth with a significant demand for Islamic financial ser-

VICES and low penetration,” Pretty says. GFH plans to complete \$250 million in asset sales by the end of the second quarter, including its stake in Khaleeji Commercial Bank, a successful Islamic retail bank that it created. “I think we are out of the woods,”

Pretty says. “We have taken the pain up front, although we still have to work through some legacy assets.” The Central Bank of Bahrain, the single integrated regulator of Bahrain’s financial services industry, is more hands-on than most similar institutions, Pretty says. “It wants regular updates on projects, including investor exits, balance-sheet and liquidity measures, exposures and compliance,” he says. “We walk them through the results once a week.”

Following the crisis, the central bank is being proactive in ensuring that individuals in control positions in banks are competent by interviewing them before approving their appointment. Other regulators in the region are also becoming more rigorous. The Qatar Financial Center Regulatory Authority (QFCRA) and Dubai Financial Services Authority (DFSA) have agreed to share supervisory information on financial institutions operating in both centers. “As markets and regulatory jurisdictions are brought closer together in today’s ever more complex financial environment, it is increasingly important that regulators share information and working practices as a means of bolstering their effectiveness,” says Phillip Thorpe, chairman and CEO of QFCRA.

“In the past year, the importance of effective coordination and cooperation between regulators cannot be overstated,” says Paul Koster, CEO of DFSA. “We are looking forward for better ways of working together to resolve problems and prevent their repetition.” ■

Region Takes The Lead In Going Green

Oil producers aim to turn the desert sunshine into a new export: solar energy. By Gordon Platt

When the oil runs out, the sun will still be shining and the Middle East may be the world's biggest exporter of solar energy. Ironically, the oil-exporting nations of the Gulf are taking the lead in developing "green" technologies and alternative energy sources that will one day replace fossil fuels.

Abu Dhabi, the capital of the United Arab Emirates, was chosen last year to be the headquarters of the newly formed International Renewable Energy Agency (Irena). Some 500 delegates from Irena's 120 member states met in Abu Dhabi in January to decide on the agency's tasks and projects for 2010. One of Irena's main activities will be the collection, generation and sharing of knowledge about renewable energy.

Irena, the first international agency to be based in a developing country, will create an international network of experts and will advise members on the financing of renewable energy projects. It also will build a comprehensive global database of policies to promote renewable energy.

The agency will be housed in Masdar City, a new, \$22 billion city, under construction near Abu Dhabi International Airport, that will be powered entirely by renewable energy. Masdar City aims to become the Silicon Valley for clean, green and alternative energy. More than 1,500 companies from around the world will locate there to fund, research, develop and implement new and sustainable technologies.

The carbon-neutral, zero-waste city, designed by UK-based architectural firm Foster & Partners, will include the Masdar Institute of Science and Technology. The institute,

which is modeled on the Massachusetts Institute of Technology, enrolled 90 students from 22 countries in September 2009.

Masdar, also known as Abu Dhabi Future Energy, is a subsidiary of Mubadala Development, the investment vehicle of the Abu Dhabi government. "The Masdar Initiative is a continuation and evolution of Abu Dhabi's five decades of leadership as a global energy provider," says Sultan Ahmed Al Jaber, CEO of Masdar. The city will also demonstrate the practical viability and appeal of living in an alternative-energy environment, he says in a statement on the company's website.

Abu Dhabi has committed \$14 billion to the project, with another \$8 billion expected to come from outside investors. The Masdar Clean Tech Fund closed its first round of financing in February after raising \$265 million. The fund is co-managed by Masdar Venture Capital and DB Climate Change Advisors, part of Deutsche Bank's asset management business. Credit Suisse and Siemens were among the investors. The fund will support water and waste-management projects.

No automobiles will be allowed within Masdar City's walls. A solar-powered water desalination plant will provide water for the city's population, which could reach 50,000.

Meanwhile, neighboring Saudi Arabia has

expressed interest in joining Irena and has begun work on its first solar-powered desalination plant to serve 100,000 people in Al Khafji, which is located near the border with Kuwait.

Saudi Arabia will emerge as a major exporter of solar energy, which could reach the current level of the kingdom's oil exports, according to US energy secretary Steven Chu. "The kingdom's drive to invest a portion of its oil revenue on scientific and technical research will enable it to strengthen diversification of energy sources and promote renewable energy programs," Chu said following a lecture in February at the Riyadh office of the International Energy Forum.

Khaled Al-Nabulsi, a professor at King Abdulaziz University in Jeddah, says that studies have proved that Saudi Arabia could become the largest exporter of solar energy in the world. The country has the capability to produce large amounts of solar energy due to its great expanse of open areas exposed to direct sunlight, he says.

Planners Think Big

In the most ambitious plan to date, known as the Desertec Industrial Initiative, a consortium of companies from Europe and North Africa plans to build a network of solar power plants in the Middle East and North

“The world must adopt a low-carbon model for growth as it rebuilds from the crisis”

“Green financing and climate change have achieved significant importance due to global warming” —R. Seetharaman, Doha Bank Group

Africa that would be connected by a super grid of high-voltage, direct-current transmission lines to Europe. The consortium is led by Germany-based Siemens and Munich Re, which hope to obtain above-market prices for the energy they would export to Europe. Deutsche Bank, E.ON, RWE, ABB and MAN are also involved in the project. Other participants from Morocco, Tunisia, Spain, France and Italy will be announced shortly.

Desertec plans to invest \$550 billion by 2050 in the project, which it says would produce \$3 trillion worth of energy and supply 15% of Europe's electricity. The plants would use concentrated solar power, a technique whereby the sun's rays are focused by curved mirrors to heat liquids that turn generating turbines. The first plant is expected to be located in Morocco, which will begin talks soon with the European Union on price arrangements.

"The largest investors in clean energy are existing energy companies," says Ted Pretty, acting CEO of Bahrain-based Gulf Finance House, which pioneered the concept of "energy cities," or purpose-built business clusters with shared infrastructure and services that are dedicated to the energy industry, including transport, trading and support services.

The \$2.6 billion Energy City Qatar project is the first in a series of such cities planned for Libya, India and Kazakhstan. They will host the latest training and educational facilities, along with oil and gas service businesses. "The business clusters can coalesce and create a catalyst for development," Pretty says.

Located in the new city of Lusail, near Doha, the business and residential facility will incorporate multiple sustainable technologies to achieve a Leadership in Energy and Environmental Design (LEED) gold certification. A carbon-neutral office building is planned, including a district cooling system that will provide air conditioning for the entire project.

The first building in the Middle East to receive LEED certification was Dubai's District Cooling Chiller Plant, DCCP One. Central chilled-water plants can reduce air-conditioning costs by up to one-third. DCCP One is designed and managed by Green Technologies, a mechanical and electrical engineering firm based in the Dubai Airport free

zone. Green Technologies, a founding member of the Emirates Green Building Council, was instrumental in developing the LEED rating system. Dubai hosted an international exhibition of "eco-friendly" technologies in the energy sector last month, which attracted representatives from 490 companies in 23 countries.

Lower Costs Boost Projects

Back in Qatar, plans are afoot for a \$1 billion solar project, according to Shadi Abu Daher, manager of the World Trade Center in Doha. This is the right time to launch major proj-

"Banks have a role to play in sustainable development," says R. Seetharaman, CEO of Doha Bank Group. "It's a good business model." Doha Bank, the third-largest commercial bank in Qatar, has been very active in helping to create awareness of the dangers of climate change. Earlier this year the bank joined with the United Nations' Educational, Scientific and Cultural Organization, Unesco, in an alliance to work together on environmental programs. The idea is to get children involved at a young age in eco-friendly school projects, such as beach cleanups and tree-planting, that will make them environmentally aware, Seethara-



An artist's impression of Masdar City: The Silicon Valley for clean, green energy

ects, he says, because construction costs in Qatar have fallen by 40% from their peak as a result of the financial crisis and real estate slowdown. Qatar Foundation announced a joint venture with SolarWorld, based in Germany, to produce polysilicon, the main ingredient in solar panels, at a \$500 million plant in northern Qatar.

More than a dozen UK-based construction-related companies with experience in "green" building techniques have located in Qatar to meet the country's demand for sustainable structures. The British Embassy organized a seminar at the Diplomatic Club Doha last month that showcased UK architects, consultants and producers of green buildings.

man says. He travels the world addressing seminars on the environment and performing a show with two hand puppets named Global Warming and Climate Change.

Doha Bank established a Planet Savers Club in February 2008, designed to make its employees aware of the need to protect the earth's limited resources. "We wanted to make it a corporate work culture and habit to protect the environment and reduce our carbon footprint," Seetharaman says. "The world must adopt a low-carbon model for growth as it rebuilds from the global economic crisis," he adds. "Green financing and climate change have achieved significant importance due to global warming." ■