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Dr. Mohamed Saad Eldin – Chairman, Saad Eldin Group, Egypt

18.04.2017 / Energyboardroom

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Dr. Mohamed Saad Eldin, Chairman of Saad Eldin Group, tells us how the Group developed from an LPG gas cylinder distribution and refilling company into a diversified empire today with over 1800 employees and involvement in a number of sectors, from oil and gas to solar energy to salt mining to refining; his philosophy on crisis management; and his hopes for Egypt to succeed under the current leadership.

Dr. Mohamed, can you begin by telling us about the activities of Saad Eldin Group?

I started the company in 1985 as the first private factory for the filling of LPG gas cylinders. Previously, this industry was fully public and non-profit-making, because the companies were asking people to come to their premises to refill and change their cylinders. My idea was to change the strategy: to deliver new cylinders directly to homes and offices instead of waiting for customers to come to us. It did not make sense to ask, for instance, 10,000 people to each come to the factory when I can send one car to 100 people – this is also more efficient. This changed the sector and made it profitable. Our company increased production by more than 20 times in the first year alone because consumers were really happy to have their needs met so conveniently.

We now have six factories producing between 150,000 to 200,000 cylinders per day and we have around 18 percent market share in terms of the refilling and distributing of LPG. We also offer transportation services for bulk orders and deliver directly to industrial consumers in ports or refineries. We have also set up a factory to recondition old cylinders and manufacture new ones.

Our initiative was so successful that private sector companies now account for 55 percent of the entire market share and new entrants have been prohibited for a decade now as capacity current outstrips local demand.

Today, we are an extremely diversified holding group with over 1,800 employees, with investments and operations in various industries, from oil and gas to power generation to solar energy to salt mining to ensure a stable growth foundation. For instance, through the partnership we established with a Swiss solar energy company in 2008, we have delivered many projects in Germany, Switzerland and Italy. In the last two years, we have worked together with the Abu Dhabi energy company, Masdar, to construct and install around 35 megawatts (MW) of solar energy capacity, which Masdar presented to the Egyptian government as a gift. We also have several salt mining operations in Egypt.

That said, energy remains at the core of the company – and it is the future. Egypt as a country was poor in energy production but with our recent discoveries and projects, Egypt will be a very energy-rich country. As a company,

if we focus on this, it means we are looking to the future. This will be the dark horse sector in the next few years to come and it is important for any enterprise to have a clear perspective on the potential of the future to take advantage of it.

Given the importance of the energy sector to Saad Eldin Group, what other projects do you have in the works?

Firstly, we have reached an agreement with the government to build a refinery in Ain Soukhna, with a capacity of 200,000 barrels per day (bpd) and a capital investment of USD 5.5 billion – the government will receive a 20 percent stake. All the necessary licenses have been acquired and we will begin construction by the end of this year. Production will begin in around three to four years. While this is happening, we have also negotiated to manage a share of the MIDOR refinery – 100 barrels per day – to start the process, which will be transferred to our refinery after completion.

We also have another project to transport and distribute LNG in tankers instead of pipelines, which will begin in two months. This is a key difficulty for Egypt: households and industries need natural gas for power generation but Egypt is a huge country, stretching almost one million kilometers, so accessing these areas can be difficult, especially as Egypt is now developing industrial parks and residential areas. Building pipelines to these places are expensive longer-term investments. What we are doing is to partner with a leading [Brazilian](#) transport company to deliver CNG in specially designed tankers to these users. South American is considered the top user of natural gas for industry. We are in the process of designing our own technology to track, navigate and maneuver the trucks, in accordance with international safety regulations. We already have 45 staff and expect to increase to 300 staff in a few years.

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We are also in discussion with the government to provide gas and LPG storage facilities in Ain Soukhna. This will increase Egypt's LPG storage capacity by at least 50,000 tonnes. As you know, Egypt is currently still facing a domestic shortage of petroleum and petroleum products. Egypt has already increased reserves from 7 to 10 to 12 days, but it needs to be further increased to 25 days at the very least. We already have the equipment and facilities to start this project but we are waiting for the regulatory environment to improve. Firstly, the new gas law currently being debated in the parliament needs to be passed to allow buyers and sellers to negotiate directly. Secondly, gas subsidies need to be reduced, because currently it is not profitable for us to buy LPG outside of Egypt at a higher price than we can sell it for within Egypt. Once these two aspects are resolved, we will become the market leader in LPG storage and distribution in Egypt.

Finally, we also have a 1,300 MW steam turbine ready to be installed. We purchased it from Germany a few years ago and we had originally wanted to install it in Egypt but this was not permitted under current regulations. We are now exploring opportunities in Iraq or other African countries.

These are our strategic headline energy projects for the next five years.

With such ambitious plans to operate and further expand into a number of sectors, how do you ensure that the group has the resources and expertise needed for each?

Fundamentally, when you have a clear vision and a clear direction, you will inspire people. As a business organization, we look at the potential in the country and we set out a strategy to follow. Then we integrate all the components necessary: finance, technical expertise and management. That is our main focus. We do not have to

be specialized in one area or another, we are rather attracting and collecting the requisite talent to integrate within Saad Eldin Group. We have already seen the fruits of this approach and many parties have approached us to offer financial support, investment and expertise.

Furthermore, we are open to complementary cooperation with any group, inside or outside of Egypt. Such collaboration will bring benefits to all parties, including Egypt.

As a local company, you are very familiar with the corporate and bureaucratic environment here. How do you adapt the group to this?

Bureaucracy is an issue in Egypt and we are combating it. I personally have made many public appearances in Egypt and written many reports discussing solutions to reduce the bureaucratic burden in this country.

It is very important to note that the government is already addressing this issue, supported from the highest level by H.E. President Sisi. He has set the goal that he would like to transform Egypt within the next five years. This will not materialize through talk or little changes. H.E. President Sisi has considered the areas of greatest need for Egypt and he has developed plans to meet all these areas. For instance, Egypt had an electricity shortage for the past few years. Therefore, he expanded the infrastructure to double our electricity capacity. The country was facing a gas shortage and so he invested in upstream production. Now the country is set to change from a gas importer to a gas exporter with all the new gas discoveries. We needed better transport links and roads. He expanded many highways and roads from two lanes to six or seven lanes, across the country. He built six new ports in areas like Port Said and the Suez Canal. He has even developed plans to build three new airports. Economically speaking as well, he has implemented some key reforms, most notably the flotation of the Egyptian pound. This has automatically improved the trade balance, which used to be negative for Egypt. It goes on and on.

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- The country has really suffered in the past five years during the revolution. What is critical is that there is now a vision for the country, not simply for a small sector or industry but holistically for the country. This vision and strategy cannot be applied within months, it will take several years to implement. I believe that the country and also the international community need to be patient to see the effects of all these changes. I am confident that Egypt will be in a very good position within two to three years.

You have a PhD in crisis management and extensive business experience working both in and outside of Egypt. What do you see as the greatest challenges that Egypt is facing right now?

Crisis management means being able to find a solution for any problem – not only in theory, but a tangible plan that can be applied step by step. My philosophy is that we always have to analyze the problem and identify the source of the issue. This needs to be addressed first. There is no need to waste resources on solving anything else before this is addressed. For me personally, I have worked inside and outside Egypt for over 45 years now. While education and experience are important, so is maintaining an open mind.

In terms of Egypt, one of the key issues is that subsidies need to be reformed. The government should not be subsidizing the entire country, just the groups that need it most. One of the main obstacles to subsidy reform used to be the lack of a welfare database to identify who the target recipients should be. My suggestion was to forget about the database and to use the Egyptian ID number instead, which is assigned to every citizen. Firstly, this eliminates foreigners and organizations – maybe 40 percent of the overall. Secondly, you can look at consumer patterns: who is spending more than EGP 2000 on electricity, more than 500 EGP per month on an apartment, more than EGP 1.5 million on a car, and so on. This helps you eliminate those who are better off. Solutions to complex problems will become more obvious if you reduce them to the core issue.

On the flip side, what opportunities do you see in Egypt today?

Egypt has always had rich resources but the curse of mismanagement. Now, under the right management, any international investor will be able to take advantage of the bountiful opportunities present in Egypt, not only in energy but in terms of other mineral resources, tourism, and the size of the domestic market. It is not about the nitty gritty details like investment law or regulations – it is about the management and the people in the country. I would say the most important ingredients of success are: management, management, management. The next? Marketing, marketing, marketing!

Egypt is able to discuss win-win business partnerships with any country. There are complementary areas to exploit, whether it is with [Saudi](#) Arabia, Russia or the US. Egypt is open for business with anyone.

Do you have a final message?

To the government, I would say that they need to support the local sector more. The local sector needs to share in the business opportunities and contribute to the development of the country.

To the local sector, I would say, please look to yourself and see what you can contribute to your country. Everyone must produce more than what he needs – if everyone did this, all problems will be solved. It is very important to work hard and to be independent. Personally, I have worked since I was a student and did not ask

anything from my parents. A successful individual contributes to a successful country, and a successful country contributes to a successful world.

In general, everyone should collaborate and work together. Neither politics nor religion should affect business. If you are guided by good intentions, things will work out well.