



Libyan British Business Council

"Building Business Bridges with Libya"

Doing Business in Libya – The Second Step

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OUR AIM:

Through Presentations and discussion, for Participants to increase their understanding of business in Libya, including how to design an approach which places them alongside the right partners and clients, which suits their needs, and which is consistent with Libyan laws and tax codes.

CASE STUDIES:

- **Selling to the National Oil Company**
- **Law 5 investment and other legal issues**
- **Starting up in Libya**
- **Supply of goods or services through another UK company in Libya**
- **Selling direct to Libyan companies and organisations**
- **Supply of goods and services direct to a Libyan government agency**

THIS NOTE:

- **Background**
- **Eleven sectors**
- **Your approach**

1. THE BACKGROUND *Libya Taking Off*

- Population 6m and 1m foreigners, growing at 2.4%, some 30% under 20
- Unemployment 20-30% (officially 15%)
- Hydrocarbons (1.85 mbpd oil and significant gas) are high value. Currently distribution, and services are low in value, but have high potential for employment and are being encouraged.
- Growth rate 7% expected in 2008 and beyond. Inflation currently 7%.
- GDP per capita over \$13,000
- Official reserves: \$100 billion plus by end 2008



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- Libya has decided to spend for current and future generations; the government says it will invest \$150 billion over 4-5 years; though problems of capacity (including in planning, decision-making and project management) and lack of transparency are considerable.
- The State dominates the economy, but the Private Sector is growing and is being encouraged, eg through the Libyan Businessmen Council (LBC) which provides access to potential Libyan partners.
- UK goods and services are welcomed and have a good reputation. The UK is the third source of FDI under the relevant Libyan Law (No 5) with \$800 m (early 2008 figure). Under separate law relevant to oil and gas, BP, Shell and BG are investing large sums.
- Other well-known names: Amec, Atkins, Mott Macdonald, Marks and Spencer, HSBC, BACB, GD (UK), Wood Group, KPMG, Rentokil, De La Rue, Ernst and Young, Land Rover, Laing O'Rourke, Interserve.
- Over 150 companies active (100 are members of LBBC – see <http://www.lbbc.org.uk/>)
- 2007 UK visible exports, £232m: up 14% on 2006. 2008 showing so far a 32% increase on corresponding period of 2007
- Reform of banking and financial law and services is underway.
- Relations with the UK have improved and developed since Diplomatic Relations restored in 1999
- Competition increasing, especially from the US
- If you are not there, don't leave getting into Libya too late

SECTORS

2. Banking and service-based business

The Libyan Central Bank has undertaken a programme to reform the Libyan banking system. There are now four private banks. BNP Paribas SA won a bid for the management control and part-privatization of Libya's Sahara Bank. The Amman-based Arab Bank won a tender to take a share in Wahda Bank in February 2008. The establishment of Ernst & Young in Tripoli in January 2008 is an indicator of the changing environment for international service-based business. The Libyan Investment Authority (LIA) is a new but increasingly important player in several respects: as Libya's sovereign wealth fund, with rapidly growing overseas holdings – as an investor in a portfolio of 80 or so companies worth some \$8bn – as the parent of the (initially) \$5 bn Libyan African Investment Fund – as an upstream investor (eg as Shell's partner) - and as a downstream oil investor eg as owner of Tamoil.

3. Oil and Gas

Libya is the fifteenth biggest oil producer in the world with total proven oil reserves of 39 billion barrels according to Libyan officials, albeit a speculative figure which according to some geologists should be divided by two. However Libya retains an



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excellent potential for more oil discoveries, and only around 25% of Libya’s area is covered by oil agreements. 35 IOCs are at present operating in Libya. Libyan oil production in 2007 reached 1.9 million bbl/d and the objective is 3 million bbl/d by 2015. Libya is hoping to double recoverable reserves from fields that require enhanced recovery. However a shortage of engineers and project managers as well as rising costs of drilling could slow down the rise as far as the production of oil is concerned.

NOC is also planning on developing its refinery capacities. Libya has a combined capacity of 380,000 bbl/d, significantly higher than the volume of domestic oil consumption (c. 227,000 bbl/d). Nevertheless, more stringent fuel emission requirements across Europe mean Libya needs to upgrade its refining processes to ensure it does not lose market share in the future. The current plans would see around 200,000 bpd of new capacity possibly on stream by the end of 2010, giving total processing of 600,000 bpd.

Libya ranks thirty-second in the world in gas production, rising fast. Proven natural gas reserves in July 2007 were at 52 trillion (tcf) to which could be added potential reserves of 120 tcf, figures that have to be taken cautiously. Following the first gas-focused exploration licensing round, Libya plans to build two liquefied natural gas plants after 2010. Talks have been held with unnamed international oil companies about projects to build the plants in central and western parts of the country.

Expansion of petrochemicals production is a prime objective.

3. Electricity

State owned GECOL (General Electric Company of Libya) serves around 1.4 million customers. The available installed generating capacity in the existing power plants is 5500 MW. The current system maximum demand is approaching 4000 MW, a total that is expected to double by 2014. Libya’s power demand is therefore rapidly growing (6% - 8% annually). The need to expand capacity is becoming crucial as at the moment Libya is not able to keep up. By 2012, a further 5550 MW of capacity will be needed to meet the demand of electricity consumption and to replace the capacity deficiency attributable to time-expired generating units. The prime fuels used by power plants are natural gas, residual fuel oil and distillate. Great opportunities could be exploited with renewable energies such as photovoltaic cells or wind energy. Transmission-systems are currently being upgraded and others are being built. Desalination plants are being built and their role will be more and more crucial in the coming years.

4. Great Man Made River and Agriculture

A proportion of the water from the Great Man Made River is for agricultural purposes. One plan indicates 130,000 new hectares of land for agriculture, some of which may



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be purchased outside Libya. Developers aim to increase food security, increase the capital investment and job opportunities in the sector, produce raw materials for the food processing industry, encourage and support agricultural settlement and enhance foreign investment while minimising water losses through state-of-the-art irrigation techniques.

5. Industry

Cement, steel, animal feeds and metal fabrication are well established. Petrochemical plants are on their way. Libya also hopes to create a modern manufacturing sector, though it is not yet clear which new areas it will be competitive in. It is attracting investment through its privatization organization into state owned industries that need total regeneration and modernization – eg \$350 million into the Azizia glass factory.

6. Telecommunications

Demand for telecommunications is high but waiting time exceeding 14 months reflects the low quality of service provided. For now the strategy seems to be the strengthening of the two state-owned companies before liberalising the market. Due to the size of the country, mostly very sparsely inhabited, important investments in new optical fibre networks are needed. WiMAX technology has just been introduced by Norwegian and Chinese firms, which will help enhance the coverage of the network and speed up network installation. In August 2007, the first satellite TV channel was launched, the first TV channel out of 12 others not owned by the state to broadcast from Libya for nearly four decades.

7. Infrastructure

Libya railways ceased operation in 1965. Government plans are to construct a railway with a standard gauge line from the Tunisian frontier to Tripoli, Misratah and Sirte, then a 992 km southern line, connecting Sirte and a new Port to be built there, with Sebha in the south. The railway will eventually link Tunisia to Egypt and will possibly extend to Chad and Niger. The project has been given national priority and is estimated to be worth USD9 billion. Chinese and Russian companies have already won bids for some projects.

Civil Aviation was grounded by UN sanctions until 1999. The Civil Aviation Authority has announced a US \$1.5 billion programme to modernise the country's airports. There are numerous air transport projects underway, including the completion, development and construction of a number of local and international airports and runways including Tripoli International Airport. In 2005 there were 1.5 million air travelers, a 14% increase on the year before. US\$1.2 billion are reported to have been allocated to modernise the fleets of Libyan Airways and Afriqiyah Airways and to upgrade their management and services. Helicopters have also been bought.

8. Defence and weapons



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Libya's defence equipment aged with the international sanctions imposed on Libya from 1992 to 2003 and is therefore being renewed on a large scale. As in the past, Russia is likely to be one of Libya's main partners. France and UK are also actively involved in Libya's rearmament process. Libya has a problem of unexploded mines and other material, much of it dating from the Second World War. Oil companies exploring a new areas have had to take their own measures to deal with the problem. Mine survey and removal services are needed.

9. Construction

Construction is one of the fastest growing industries in the country, with a growth of 5% in 2005. By 2015, US \$ 60 billion plus is to be spent on housing and urban infrastructure especially by the Hosuing and Infrastructure Board, in contracts nerly all let already to local and international contractors. The Project Manager is AECOM of Texas.. The UAE is planning on building a "UAE in Libya". Refurbishment and building of universities such as Al Fateh University, he construction of water supplies and sewage networks as well as the expansion of electricity and phonline networks is meant to develop quickly over the coming years.

10. Tourism

A combination of history and geography could make Libya an attractive holiday destination for tourists as it has many historical sites to offer as well as a vast desert. The warm climate is suitable for all year-round tourism. The country also has a coastal line of almost 2,000 km of beaches. Libyan officials have made contradictory statements on whether the country's tourism strategy is to promote cultural and adventure tourism or mass tourism (which would probably imply relaxing the ban on alcohol). The tourism development plan highlights a number of possible resorts. Among the greenfield sites are Silin Beach, Al-Twebya Beach, Ras al-Tin Beach, Al-Khouf National Park, Surman National Park and St. Mark's Valley. Desert sites slated for development include Allud Valley, the Bzimah Oasis and the Zallaf and Ubari Oasis. There are a number of training requirements throughout the sector and the development of tourism schools and overseas training schemes will be key to boost the industry. Cooperation with the private sector will be required to encourage on-the-job training and attract more Libyans into employment in the hospitality trade. At present it is estimated that over 40% of employees in the sector, who amount to a little more than 6,000, are foreign nationals.

11. Health and Education

Big initiatives are being prepared in both fields to increase both the scope and the quality of provision. At all levels. The British Council has a large presence and undertakes both Direct Teaching of English and the support of ELT specialists in Libyan HE. There is a major need for more education in finance, management and



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economics. Some project decisions are held up at present as a consequence of internal debate about the future of government.

3. YOUR APPROACH

The Basics for good business

- Good product or service the Libyans want
- Choose right local partner: caution, lots of new entrants to Libyan private sector making big claims
- Get a good local lawyer
- Use local knowledge eg British Business Group
- Be in it for the long term
- Persistence and personal relationships are the keys to success
- Incorporate training Libyans in your plans

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