

points, because oil is a huge national asset, and a better approach can be adopted towards this job.

● You rightly pointed out the preservation of oil. In the partnership projects, the dominant idea is that the maximum use should be made of the deposit within a minimum period of time. This type of deal may, in some cases, fail to take notice of the preservation considerations. What is your opinion?

○ What you said is right. I did not go into the details, because I wanted to make it short. This confirmation does not mean that the current contracts miss the preservation considerations. The proof is that skilled experts are handling these projects. At any rate, this is the nature of a buyback deal. The contractor decides to make an investment in a certain span of time. However, in the deals characterised by participation for production, there is no such pressure on either side. The nature of the job dictates us to move forward gently, and at the same time, implement the development plan.

At the moment, we set an output ceiling and make our investments accordingly, whereas the field may have a far larger capacity. Now, if the foreign company decides to withhold some part of the information, the same prediction of yours will happen. After all, the foreign party naturally thinks of regaining its expenses. Meantime, the responsibility for the timing of the project falls on the foreign contractor. So, it tries to wield the maximum pressure on the deposit. Now the most pressing question is that "how much can our experts resist this matter?"

Thus, we need to grant incentives to the oil company that the further it preserves the oil field, the more profits it will reap proportionately. The natural impulse for the contractor is that it

should complete its work as soon as possible, raise output, and leave the project after the start of production.

● I think some monitoring mechanisms can be set in place. Is there any such mechanism in the implementation of projects?

○ As I said earlier, it is the NIOC that draws up the initial contract. So, it will evidently envision several controls in it. The NIOC does not neglect any matter the contractor can not do whatever it wishes. What I am going to say is that we have to make a comparison between the contract where the contractor's profits lies in the further production of the field in its 30-year age, and the one in which the contractor attempts to receive its money as soon as possible and leave the project. Which one of these projects meets our interest most?

● Can you outline some key aspects of your management experience at the NIOC and the Offshore Oil Company?

○ My greatest experience in the oil industry is that I came to believe in the innovation and efficiency of the Iranian manpower and oil experts-whether in drilling or in the offshore-and that they are a great asset for our nation. I reached the conclusion that the main asset of the two companies is their manpower not installations. Therefore, wherever I faced a problem and raised it with the colleagues at the two companies, it was settled in the best possible manner. We managed to finish the most important of tasks in the least period with the least experiences.

My friends remember that we purchased and inaugurated 17 platforms in one single year. It was such a mammoth task. In other words, we doubled the NIOC's capacity in a short period, an issue which became possible only with the efforts of those drilling

men. In the offshore field, these colleagues helped us raise offshore oil production to more than 500 thousand barrels per day, without implementing any development plans.

Every inch of this industry was a new experience for me, which I combined with my theoretical knowledge. I may put them into a book in the future. My recommendation to colleagues at different organisational ranks is that they should appreciate the Iranian workforce, who are the most valuable asset of our nation. They can optimally protect our material assets. Negligence of these resources will make us regret.

● How can we use the modern breakthroughs of the science of management to preserve our specialised workforce and technicians in the oil sector? What kind of mechanisms do we have to adopt to reach those goals?

○ It is not easy to prescribe a panacea in this respect, because the Oil Ministry's structure is state-dominated. The public structures do not act like the private companies. At any rate, we have to use the experiences of others. My first recommendation is that we should avoid irrational measures and discuss the large plans or infrastructure projects with the relevant experts, and compare the congregation of their ideas with the methods of the successful international companies to reach the best solution.

It is unreasonable to make instant decisions. Besides, the organisational ranks must be filled in accordance with the level of qualifications. In order to have skilled managers, we should provide the necessary training and education. Experience or technical education is not, by itself, sufficient for occupying a managerial post. Management is a science and art, which should be heeded. ■

tender and hope to win the drilling task.

● **In view of your mastery of the buyback deals, what is your recommendation to make the maximum use of domestic power in such projects? What points should be followed in the future deals?**

○ The contracts contain very nice words. They have envisioned that 40-50 per cent of the project should be carried out by the Iranian side. In the Sirri A and B projects, the share of the Iranian side was raised from 30 per cent. Yet, the identity of the buyback deal is such that the foreign company is bound to fulfil the project with the minimum expenses and in the shortest period. It should notch up the project in accordance with the initial schedule agreed with the Oil Ministry, and hold a tender to cede the project to another contractor at the least expenses. Thus, the foreign companies such as Shell and Total hold their international tenders in accordance with the schedule. Then the Iranian companies take part in those tenders.

The main problem arises at this stage. Because of lacking sufficient international experience, the Iranian companies often bid a higher price than the international rates, or they are rejected from the very beginning because of their lead-time or quality. Therefore, these are the areas where the Iranian companies lag behind their foreign counterparts, otherwise there is no problem with the content of the contracts.

The first buyback deals including Sirri A and E were signed under my chairmanship of the Offshore Company. We even signed the buyback deals for the development of phases one to three of the South Pars offshore gas field. The task was devolved to the Pars Oil and Gas Company. All the contracts that were signed during my company

presidency including Dorood, Balal, Nowrooz, etc. were of a buyback nature. So, we have achieved a good experience.

During the conclusion of deals for the Sirri A and E projects, we well noted the problems of the Iranian companies. We found out that before the beginning of any tender, we should hold sessions with the Iranian contractors, set up action committees if necessary, establish consortiums comprising the Iranian companies, guide them, extend foreign consultancy services to them, or acquaint them with foreign partner firms.

These measures help prepare the Iranian companies for the international tenders. Should the employer have the necessary time and patience to conduct such efforts, it will be definitely instrumental in raising the share of the Iranian companies of these projects. Unless the Iranian companies become fully engaged in the international projects, obtain the necessary experience and power of competition against their foreign counterparts, and become relatively self-sufficient, such measures should continue. All this depends on the co-operative stance of the employer. As far as I remember, as an employer, I made every co-operation with the Iranian companies. In every case that we helped the Iranian firms, they posted success, although they had some problems in the implementation of the project. At any rate, some facilities were provided and the Iranian side completed some part of the job.

● **Was this procedure extended to other fields, or it was confined to the specific area which you were following at that particular time?**

○ I am certain that more constructive works have been done since then. When we began our job, it was the first buyback deal. There are now numerous projects and the Iranian

companies have certainly obtained further experience. I am sure that the Oil Ministry, as the employer, has better strategies now. It is noteworthy to say that we have had seasoned Iranian contractors in the designing, construction and installation of onshore equipment since a long time ago. Although there was no noticeable experience in the offshore projects at the time of the Sirri project, we created it. For instance, we set up the Saf Company in Bandar Abbas.

● **What is your assessment of the progress of the buyback deals? Do you have any suggestions for the improvement of the procedures?**

○ As a person outside the structure of the Oil Ministry, I can express my opinions more easily. As you know, the buyback projects are aimed at attracting foreign investments, an issue for which the country is faced with hardships. Every year, the law sets a new ceiling for the projects and grants the ministries certain appropriations. The world countries usually implement their oil projects as partnership for production. These projects usually contain special flexible terms and conditions, based on the interests of the two sides.

In order to circumvent the constitutional ban, a new method was designed, based on which the oil field would be totally in the ownership of the government and the Iranian side would lead the implementation of the project. Such contracts became known as the buyback in Iran. These contracts have some positive and negative features. I think it is now the time that some national expert committees compare these contracts with each other.

Of course, I know that through the efforts of the oil minister, some changes have been made to the deals to remove their disadvantages. Yet, I think it is necessary to take a closer look at these

manpower, I have to say that this issue depends on the nature and size of the project. In the huge projects, we will definitely co-operate with the Iranian and foreign companies.

● **In order to parade their capability in the international tenders, the Iranian firms should compete in the tenders. Such a task will help them receive better conditions and offers. In view of this reality, how far can the Iranian companies including yours meet the expectations of the employers?**

○ Our rival companies have a crucial role in the international tenders especially drilling. This is an important point. Because when we try to exploit domestic resources to the maximum, the project costs are normally low. The first body to enjoy from this situation is the Oil Ministry. We believe in our path, and think we are carrying out a national task. With the growth of demand for drilling in the country, we should strengthen such firms as the Naftkav Company. Otherwise, we shall witness the presence of multinational companies in the drilling projects of Iran.

We and other companies attempt to curb the flow of foreign exchange into the overseas and rely as much as possible on the Iranian power. I would like to remind that the concept of preventing the creation of new drilling firms or the use of public facilities for unequal competition will be detrimental to the oil industry. After all, I think competition is the key to the survival of companies. We have to welcome the presence of rivals in the scene of competition, rather than be fearful of their presence or try to eliminate them at any cost.

● **Does any foreign company co-operate with your company in the international tenders?**

○ On the one hand, the law has assigned the foreign companies to choose an Iranian partner company for their projects. On the other, the foreign companies wishing to work in Iran often seek an Iranian partner company to devolve some of their jobs on it. In view of our understanding of the country's conditions, we try to choose our foreign partners ourselves, so that we can both offer a competitive price and the foreign company would guarantee the technical requirements of the Oil Ministry.

● **What are the areas in which the foreign companies seek to co-operate with the Iranian companies and use Iran's resources? Do they merely think of manpower and basic technical facilities, or they consider other matters?**

○ Any company which approaches a foreign country attempts to secure its maximum-or at least the minimum-profits. Therefore, it is natural of them to claim the whole project. It depends on our capability as to what we can offer. The lawmaker has even allocated 51 per cent of the project to the Iranian side. Yet, three main elements must be heeded including capital, skilled manpower and modern technology. The capital used in the oil sector is mainly in the form of foreign exchange-and of a large amount.

With a combination of these factors, we have always tried to set our partnership deals with the foreign companies based on mutual interests. It means there is no fixed and inflexible condition. Wherever there is the possibility of investment, we propose to make investments. We may even supply over 50 per cent of the project's money. Otherwise, we will enter the partnership project with our workforce and the goods and services manufactured inside the country.

● **Do you have any plans or follow any short- and long-term schemes for the tenders which are put forth by the NIOC and the NIDC or you wait to see the tender terms and conditions?**

○ The structure of our company is founded on the implementation of contracts. Yet, it does not mean that we have restricted ourselves to that area. In the cases where there is the opportunity for investments, or there is a shortage and the facilities must be imported, we try to invest in the project. For instance, we have already begun to invest in some of the peripheral services of drilling and the engineering of reserves.

A new body has been set up to work alongside the Naftkav Company and conduct engineering studies of the deposits. It boasts highly skilled experts. Fortunately enough, the new entity was passed by the High Council of Deposits and has been officially registered. Besides, we have signed a co-operation deal with the NIDC, based on which we have been awarded the cementing and acid work of a project in Libya. We are the partner company of the NIDC in that project. The contract dates back to a long time ago, but it had been halted due to some problems. We began our work recently. It is expected to become operational in the first quarter of 2001.

● **Have you had any activities in the South Pars field?**

○ We do not have any specific activity in this respect. However, we purchased the contract documents, and gave our proposal to the Pars Oil and Gas Company. Yet, the Oil Ministry's management decided to change the format of the project, and commissioned the Pars Oil and Gas Company to drill three appraisal wells. After the drilling of the wells and completion of appraisal and drilling, a new tender was advertised. We took part in the new



INTERVIEW

Capacity of Domestic Experts Drives Oil Projects

By: Farhad Mohammadi

Translated by:

Amir Masood Peymankhah



The Oil Investment Company was formed as a part of the Oil Ministry's bid for privatisation of affiliated companies aimed at raising their efficiency. The Naftkav Company is one of the subsidiary firms of the Oil Investment Company, which was kicked off two years ago to implement upstream oil projects especially drilling. In order to gain a better picture of the Naftkav Company, we held an interview with the company's managing director. Here are excerpts:

● Mr Jalilian, First of all, please explain a summary of your educational record and working experiences.

○ Apart from works at the private sector, I have been mainly working in the National Iranian Drilling Company (NIDC), where I was the managing director and the chief of the board of directors. In 1994, I moved to the Offshore Oil Company, and headed the company. At the same time, I was a member of the board of directors of the National Iranian Oil Company (NIOC). I have a BA degree in management and an MA in public management. I am now a student of PhD in public management.

● Please explain about the establishment of the Naftkav Company, its legal structure, and its organisational situation in the new format of the Oil Ministry.

○ The Naftkav Company is one of the subsidiary firms of the Oil Investment Company. As you know, the Oil Investment Company was set up almost seven years ago, based on the decisions made by the board of directors of the NIOC. At that time, I was a member of the NIOC board of directors.

Around 90 thousand Oil Ministry workers are the shareholders of the joint stock company. The remaining shares were bought by the Bureau of Funds and Retirement Affairs of the Oil Ministry and the Retirement Fund of the Social Security Organisation. Legally speaking, the company is a private and non-public entity. The aim of the establishment of the company was to direct the funds of the workers of the Oil Ministry to investments in the required areas of the oil industry. These funds were viewed as a means of implementing small projects and moving towards larger oil projects, which are now being completed by the domestic or foreign contractor companies. The move was aimed at building potentials and preparing the ground for raising Iran's

share of the international projects and tenders. The Naftkav Company is actually one of the subsidiary firms of the Oil Investment Company.

● In which oil sector is this company working, and what goals does it pursue?

○ The Naftkav Company is designed to perform upstream oil projects especially drilling services. The Iranian oil industry is now developing. According to estimates, the value of upstream oil projects in the next five years will amount to 30 billion dollars. These projects are predominantly done through foreign investments or by foreign contractor companies.

The Naftkav Company feels committed to pick up some of the country's development projects. Taking into account Iran's industrial difficulties, the company is trying to transfer modern international technology, whether hardware or software, to raise productivity and reduce production expenses, protect the environment, and work as a strong arm of the oil industry.

● What are the projects which you specifically undertake? What is the working field of the Drilling Company? Do you transfer the works to other contractors or you have the necessary skilled experts to carry out the projects?

○ The Naftkav Company is a newly established entity, which is barely one and a half years old. However, it has actively taken part in the international tenders. These tenders view our company as an independent firm, and grant us no privileges. We have even tried to act competitively in terms of giving bills of guarantee, technical affairs, etc, to be approved by the experts and management of the Oil Ministry.

Regarding the supply of skilled