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### **Background**

The UAE Offsets Group's (UOG) task is to generate wealth among the people of the UAE and assist with the global integration of its economy by the creation of commercially viable and sustainable ventures through partnerships and strategic alliances between the domestic private sector and international businesses.

UOG's strategy was based on leveraging UAE defense procurements into investments into the UAE. But the organization has become increasingly entrepreneurial, its role evolving into one variously described as that of a venture capital organization or (recently in MEED) as the UAE's economic "think tank".

The Dolphin concept is a direct result of the development of UOG's strategy.

- Founded in 1992
- 31 offsets projects have been announced to date – 17 are now running successfully under their own management with UOG maintaining representation at board level and 8 others are currently being implemented. The remaining 6 projects did not fulfil the required profitability criteria and were either wound up or sold on.

The UOG record of 80 per cent success with start-ups compares favorably with that of conventional venture capital organizations.

### **NOTE:**

Dolphin is not included in these figures since it is not being funded under the offsets program.

- Initial investment value of projects launched to date amounts to AED 2-billion (US\$ 550-million). Capitalization is not, however, the basis used by UOG for calculating offsets credits – credits are based mainly on profits generated by a project, typically over a seven year period.
- The projects sponsored by UOG range from the setting up of a business incubator (a joint venture with United Technologies Corporation) and a company manufacturing mobile solar generators (in partnership with GEC-Marconi), to the establishment of an agricultural management venture and a large fish farming enterprise (both jointly owned with Dassault) and a high tech healthcare center (partnered by Lockheed Martin).
- The first offsets project to be successfully launched was GAM-AERO, a joint venture between the French aircraft manufacturer Aerospatiale and GAMCO, a UAE aircraft maintenance company. With an initial investment of AED 74-million (US \$ 20-million). It was set up to provide services for testing and repairing avionics equipment.
- The two largest projects sponsored to date by UOG have been Oasis International Leasing Co, a capital equipment leasing venture, and National District Cooling Co, providers of district cooling services and equipment. Both were the subject of highly successful IPOs and both were initially capitalized at AED 500-million (US\$ 135-million).
- In addition to the projects it sponsors, UOG is used as an advisory body on other inward investment projects. It is in particular closely involved in Sina'at, the UAE's initiative aimed particularly at developing basic industries in the petro-chemical sector. Under current plans, Sina'at will be the subject of a \$1-billion Initial Public Offering.

### **EXAMPLES OF UAE OFFSETS PROJECTS**

#### **Abu Dhabi Shipbuilding (ADSB)**

**Capital:** 178 million AED

**Defence contractor:** Newport News Shipbuilding

Abu Dhabi Ship Building (ADSB) has brought world class ship construction and repair to the UAE. The strategic alliance with Newport News gives ADSB access to the latest technology as well as over 100 combined years of experience in shipyard management. ADSB offers its full range of services and expertise to all GCC naval and commercial ships.

#### **International Fish Farming Co. (ASMAK)**

**Capital:** 300 million AED

**Defence Contractor:** Dassault

The International Fish Farming Company (IFFC) will set up two hatcheries in the UAE and three grow-out farms (one outside UAE) as well as a fish processing plant. The target annual capacity is 6,000 tons of fish and 2,500 tons of shrimp. Initially the fish will be collected from outside the UAE for re-exporting and domestic distribution. One hatchery, located in the Northern Emirates will concentrate on international species, the other, in Abu Dhabi, on indigenous species. The company intends to build a viable aquaculture industry by investing in related projects both within and outside the region. The IFFC will also work closely with the government to develop programmes aimed at enhancing the wellbeing of fishermen (restocking of wild fisheries, training and support). Nireus, the Greek aquaculture company, will provide technological and management services.

#### **National District Cooling Company (Tabreed)**

**Capital:** 500 million AED

**Defence contractor:** Outgrowth of Gulf Energy Systems (GES), a joint venture with Giat, National Investor and Concept Engineering). The National District Cooling Company, also known as Tabreed (Arabic for 'cooling), designs, installs, operates and maintains centralised air conditioning systems that serve groups of buildings and complexes in the UAE and GCC region. Tabreed's gas powered chilled water plants operate on a larger scale than traditional decentralised systems. This reduces machinery investment and maintenance costs as well as conserving valuable space within the buildings they serve. The systems only utilise environmentally friendly coolants.

**Gulf Centre for Remote Sensing (GCRS)****Capital:** 5 million AED**Defence Contractor:** GEC-Marconi

The Gulf Centre for Remote Sensing (GCRS) offers comprehensive mapping and GIS services using airborne and satellite sensors. Data is acquired, selected and then processed for application in a diverse range of fields. These include agriculture, water resources, minerals development, oil and gas productions, map-making and environmental studies.

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