

Projects

Kuwait: Projects market looks to capitalize on record-breaking 2014

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2014 was a very successful year for Kuwait’s projects market. Project activity was among the fastest expanding in the region, with Kuwait awarding KD 7.3 billion (\$25 billion) worth of contracts as part of its infrastructure development plans. (Chart 1.) This was almost four times as much as in 2013 and more than the last three years combined. The total value of Kuwait’s projects market (planned and active projects) is estimated to be in the region of KD 64 billion (\$220 billion), according to MEED Projects. With at least KD 14 billion (\$48 billion) worth of projects due to be awarded this year, the authorities will be hoping to capitalize on the momentum achieved in 2014 and finally gain some traction on rolling out the country’s development plan. (See Table 1. for a list of selected strategic projects according to value.)

Last year, the authorities introduced a new law to regulate all public private partnerships (PPP), which, it is hoped, will accelerate the involvement of the private sector in Kuwait’s projects market. Under the new law, the Partnerships Technical Bureau (PTB) will be superseded by the Kuwait Authority for Partnership Projects (KAPP), an independent government body that will be vested with greater executive powers in order to more effectively manage all PPP projects.

The government reaffirms its commitment to deliver on development projects in spite of the oil price decline

To that end, following the release of Kuwait’s new 5-year development plan (2015-2020) in the summer of 2014 and the recently announced annual plan for the 2015/16 fiscal year (FY15/16), 30 projects of strategic and economic importance have been earmarked for investment spending of KD 6.6 billion (\$22.4 billion) during the next fiscal year, according to press sources. The entire budget for the projects is estimated to be in the region of KD 34 billion (\$115 billion) over at least 5 years.

Moreover, in the official budget for FY15/16, which is still to be approved by parliament, however, the government is expected to reaffirm its commitment to delivering on these targets even in the current environment of low oil prices. Capital expenditures are likely to increase on the previous budget, albeit marginally, to KD 3.1 billion (this also includes capital spending on items unrelated to the development plan and excludes items normally accounted for off-budget, such as capital spending on the oil and gas sector). (Chart 2. shows gross domestic investment in KD billion and as a share of GDP in Kuwait since 2006.)

What follows below is a breakdown of the major projects awarded in 2014 (Charts 3-4) and planned for 2015.

Oil & gas

2014 was a momentous year for Kuwait’s all important oil and gas sector. Two high profile projects, the KD 4.0 billion (\$13.6 billion) New Refinery project (Al-Zour) and the long-delayed KD 4.6 billion (\$15.6 billion) Clean Fuels project finally received the go-ahead, with contracts signed to commence work on some of their constituent packages. Total contracts awarded in the sector reached KD 4.8 billion (\$16.3 billion), which

Table 1: Kuwait’s strategic projects

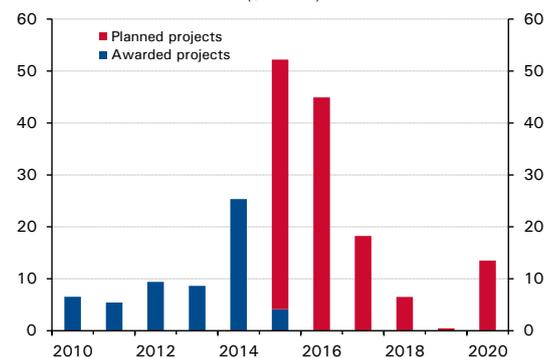
(by value)

Project	Sector	KD bn
Clean Fuels	Oil & Gas	4.6
New Refinery (Al-Zour)	Oil & Gas	4.0
Khairan City	Construction	3.9
Al-Zour North IWPP	Power & Water	2.4
Mubarak Al-Kabeer Port	Transport	2.3
Kuwait Metro	Transport	2.0
Kuwait National Railroad	Transport	2.0
Kuwait International Airport	Transport	1.7
Jaber Al-Ahmad Causeway	Transport	0.7
Mutla City	Construction	0.7

Source: MEED Projects, NBK

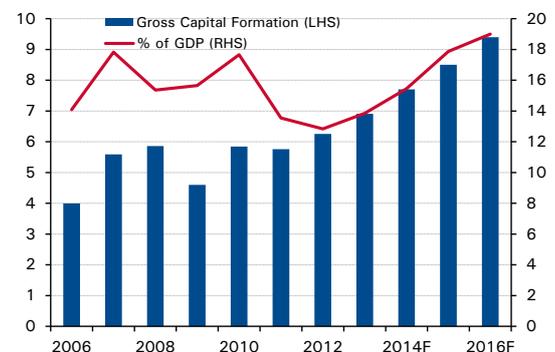
Chart 1: Awarded and planned projects in Kuwait

(\$ billion)



Source: MEED Projects, NBK

Chart 2: Total investment spending



Source: Ministry of Planning, NBK Forecasts

represented more than 60% of all contracts awarded (by value) during the year.

In March, Kuwait National Petroleum Company (KNPC), the downstream operating arm of state-owned Kuwait Petroleum Corporation (KPC), awarded a KD 194 million (\$660 million) contract to commence soil reclamation at the site for the new refinery. Then in April, KNPC awarded three contracts totaling KD 4.6 billion (\$15.6 billion) for the Clean Fuels project (packages 1 & 2 for Mina Abdullah as well as the Mina Al-Ahmadi package). The two mega projects are scheduled for completion in 2018-19, after which two of the country's existing three refineries, Mina Abdulla and Mina Al-Ahmadi, will see their combined refining capacity expand to 800,000 barrels per day (b/d) from the current 730,000 b/d while the third, the Shuaiba refinery, will be decommissioned. With the new refinery at Al-Zour, Kuwait's refining capacity should double to 1.4 mb/d.

In upstream operations, Kuwait Oil Company (KOC) awarded three contracts worth KD 678 million (\$2.3 billion) for gathering centers (nos. 29, 30, 31). KOC also awarded a KD 280 million (\$952 million) contract to Dubai-based Dodsal to build an effluent water treatment and injection plant in northern Kuwait.

Auguring well for the rest of the year, KOC awarded in January the contract for the Lower Fars Heavy Oil (LFHO) production facility, another project of strategic importance. The first phase of the LFHO project has a production target of 60,000 b/d of heavy crude by 2018. Once complete, the project should deliver about 270,000 b/d by 2030. The KD 1.1 billion contract was awarded to the UAE-based Petrofac and the Athens-based Consolidated Contractors Company.

More than KD 6.5 billion (\$22.1 billion) in oil and gas contracts are expected to be signed this year, with packages 1-5 of the New Refinery project (Al-Zour), worth KD 3.4 billion (\$11.6 billion), likely to dominate the awards.

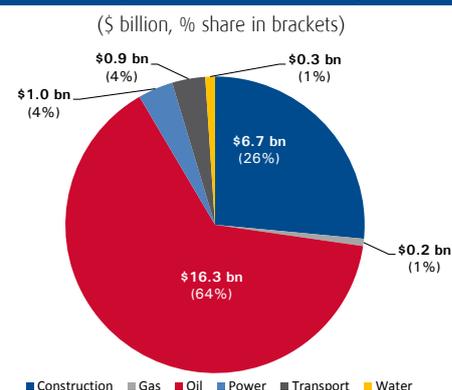
Construction

In 2014, KD 1.7 billion (\$5.8 billion) worth of construction sector contracts were signed, equivalent to 24% of all contracts awarded during the year. Expansions at Al-Sabah, Farwaniya, and Al-Adan hospitals totaled KD 678 million (\$2.3 billion), while the awarding of the KD 354 million (\$1.2 billion) Al-Jahra hospital was delayed to February 2015. Unlike other hospitals which fall under the purview of Kuwait's Ministry of Health, the Al-Jahra Hospital is to be commissioned by the Amiri Diwan after the Amir took personal interest in the project two years ago. This should expedite delivery of the project. The Amiri Diwan also awarded KD 287 million (\$976 million) in contracts for the construction of the Jaber Al-Ahmed Cultural Center, which will contain a 2,000 seat world class theatre, and for the refurbishment of the historic Al-Salam Palace, which used to house Kuwait's foreign dignitaries.

Power

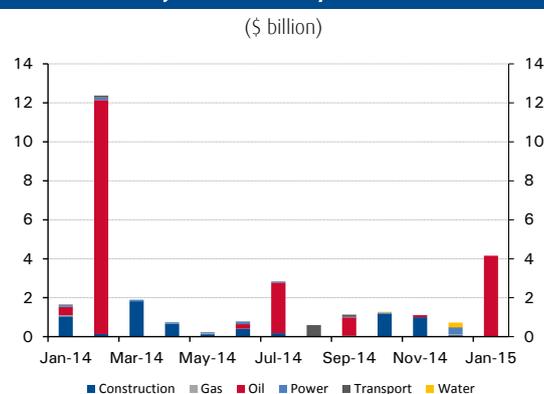
Following on from the award of phase 1 of the KD 2.4 billion (\$8.1 billion) Al-Zour North IWPP in 2013, Kuwait awarded KD 283 million (\$962 million) worth of power sector-related contracts in 2014. Notably, the KD 13 million (\$44 million) contract for phase 1 of the Shagaya Renewable Energy Complex, a joint venture between the Ministry of Electricity and Water (MEW) and the Kuwait Institute for Scientific Research (KISR) was awarded. The complex will produce 70W of renewable (solar & wind) energy and help Kuwait to achieve its aim of deriving 5% of its total energy requirements from renewable sources by 2020.

Chart 3: Projects awarded in 2014 by sector



Source: MEED Projects, NBK

Chart 4: Projects awarded by month in 2014-15



Source: MEED Projects, NBK

Other projects in the power sector have had to be rescheduled on account of the authorities' desire to reissue them as Public Private Partnerships (PPP)—a program which is still in its infancy. The newly formed Kuwait Authority for Partnership Projects (KAPP) is scheduled to roll out several power generation projects over the next two years including the Al-Khiran IWPP, the Al-Abdaliya Integrated Solar Combined Cycle (ISCC) Power Plant (CSP) and phase 2 of the Al-Zour North IWPP.

Transport

Kuwait awarded KD 267 million (\$908 million) worth of contracts in the transport sector in 2014. These include the delayed KD 147 million (\$500 million) Doha Link project, which will connect Doha port to the Jaber Al-Ahmad Causeway, which is currently under construction.

Kuwait was set to award the contract for a new main terminal as part of the country's airport expansion project in November of 2014 but the project was delayed when the lowest bid KD 1.38 billion (\$4.7 billion) by Turkey's Limak Construction came in above the KD 1 billion (\$3.4 billion) budget. The Ministry of Public Works (MPW) has since formed a committee to evaluate the tenders. As of early February, the MPW has asked the Central Tenders Committee (CTC) to cancel the tender for the main terminal of Kuwait's airport expansion project.

Kuwait also revived the Metro and National Railroad projects last year, though no award is expected before 2016.

Water

Kuwait awarded KD 79 million (\$268 million) worth of contracts in 2014 in the water sector. Under the PPP model, Kuwait is hoping to award the KD 442 million (\$1.5 billion) Umm Al-Hayman Wastewater Treatment Plant in Q4 of 2015. KAPP is also looking to award the desalination plants at Al-Zour North: Phase 2 and Al-Khiran IWPPs by 2016.

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