



Projects

Kuwait: Projects market healthy with KD 3.6 bn awarded 9 months into 2016

Kuwait's projects market maintained its relatively healthy momentum in the third quarter of 2016, with the government committed to implementing its development plan even as lower oil prices continue to dampen state oil earnings. According to MEED Projects, Kuwait awarded KD 1.0 billion (\$3.4 billion) in contracts in 3Q16, an increase of KD 129 million (14.8%) over the previous quarter. This brings the total value of contracts awarded so far this year to KD 3.6 billion (\$12.0 billion), roughly KD 1.5 billion (\$4.8 billion), or 42%, of which are oil and gas contracts. With another KD 2.3 billion (\$7.7 billion) expected before year-end, 2016 should be another stellar year in terms of contract awards. Last year saw almost KD 10.0 billion (\$33.2 billion) in contracts signed.

By the end of September, the total value of Kuwait's projects market (active and planned) stood at KD 75.1 billion (\$247 billion), up 0.8% year-to-date.

Looking ahead to 2017, the total value of awarded projects is expected to increase to KD 11.5 billion (\$38.1 billion). In spite of the challenges facing Kuwait's project market—mainly lower oil earnings and sub-optimal levels of foreign direct investment (FDI)—capital for projects is not in short supply thanks to the government's commitment to rolling out its infrastructure development plan. Moreover, a central plank of the plan is the participation of the private sector through at least eight public private partnerships (PPP).

Below is a breakdown of major project developments by sector.

Oil & gas

After softening in 2Q16, project awards in the oil and gas sector were boosted in 3Q16 by Kuwait Oil Company's (KOC) signing of the remaining two packages (Packages 1 & 2) of the Jurassic Non-Associated Gas Reserves project: the West and East Raudhatain fields. Local company Spetco International Petroleum Company was awarded the contract for the west field while US firm Schlumberger secured the contract for the east field. The two packages together are worth around KD 228 million (\$758 million). Schlumberger had already won the contract to develop the Sabriyah and Umm Niqa fields (Package 3) earlier in the year for KD 144 million (\$480 million). Upstream operator KOC aims to expand domestic production of natural gas to 300 million cubic feet per day (cf/d) in order to keep up with rising domestic consumption.

During the same quarter, KOC also awarded two FEED pipeline projects, one for oil transmission worth KD 84 million (\$280 million) and another for gas transmission valued at KD 53 million (\$177 million). They were awarded to local firms Combined Group and Arabi Eneritech, respectively.

Construction

After coming in at over KD 301 million (\$1 billion) in the first two quarters of 2016, the value of awarded projects in the construction sector fell to KD 63 million (\$210 million) in 3Q16. However, the sector is expected to get a boost in 4Q16 after KIPCO (the Kuwait Projects

> Dana Al-Fakir

Economist

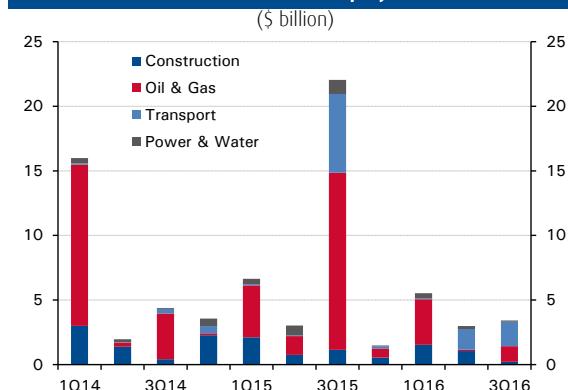
+965 2259 5373, danafakir@nbk.com

> Omar Al-Nakib

Senior Economist

+965 2259 5360, omarnakib@nbk.com

Chart 1: Awarded projects



Source: MEED Projects, NBK

Chart 2: Kuwait's projects market



Source: MEED Projects

Table 1: Kuwait's largest projects for 2016

Project	Sector	Value (\$ billion)
LNG Import & Regas. Terminal	Oil & Gas	2.9
Al-Zour North IWPP (Phase 2)	Power & Water	2.7
Hessah Al-Mubarak	Construction	2.4
Umm Al-Hayman Wastewater Treatment Plant Expansion	Power & Water	1.5
Jurassic Non-Assoc. Oil & Gas Reserves Expansion: Phase 2	Oil & Gas	1.2
South Al-Mutlaa City	Construction	1.0
Kabd Municipal Solid Waste	Power & Water	0.9
Al-Abdaliya (ISCC) Power Plant (CSP)	Power & Water	0.7
Airport Expansion Phase 1: Runway & Taxiways: Package 3	Transport	0.5

Source: MEED Projects, NBK

Company) awarded its KD 723 million (\$2.4 billion) Hessah Al-Mubarak project to the Ahmadiyah Contracting & Trading Company. The project, which is situated in Al-Daiya area on the outskirts of Kuwait city, will be the country's first mixed-used development. It will cover 381,000 sqm and include 82 plots for both residential and commercial spaces as well as infrastructure such as roads, parks and walkways. Through its subsidiaries, KIPCO will be developing 38 plots of the development scheme. The rest of the project will be developed by other parties.

The project's infrastructure is expected to be completed by September of 2017. The first phase of the project, which will include residential properties developed by KIPCO's subsidiaries, should be ready for habitation by 2020. The rest of the project is due in 2030 or sooner.

Power & water

The value of awarded projects in this sector came to KD 28 million (\$92 million) in 3Q16, which is the lowest level this year. However, there are major projects in the pipeline under the ownership of the Kuwait Authority for Partnership Projects (KAPP) that should result in at least KD 2.1 billion (\$7.1 billion) in contracts awarded over 4Q16 and 1Q17.

KAPP had to extend the bid submission deadline for three of its projects several times this year. After the bid submission deadline for its Umm Al-Hayman Wastewater Treatment Plant project was extended four times, according to media reports in early October, a consortium led by the Commercial Bank of Kuwait agreed to finance the KD 450 million (\$1.5 billion) project. The bids for the KD 265 million (\$880 million) Kabd Municipal Solid Waste project are currently under review, with the contract expected to be awarded by the end of this year. The bid submission date for the KD 217 million (\$720 million) Al-Abdaliya Integrated Solar Combined Cycle (ISCC) Power Plant (CSP) has been pushed back again, to early November of this year; it is now scheduled to be awarded in the first half of 2017, according to MEED.

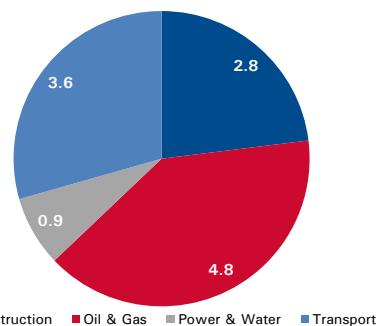
Earlier this year, KAPP had also announced bids for Phase 2 of the Al-Zour North IWPP, valued at KD 810 million (\$2.7 billion). The project aims to produce 1,800 megawatts (MW) of electricity and 464,100 cubic meters of desalinated water a day. Three consortiums involving 11 companies submitted their bids in June. According to MEED Projects, as of the end of September, the technical bids were still under evaluation and the commercial bids were still to be opened.

Transportation

The authorities continue to press ahead with upgrading and developing Kuwait's transport infrastructure. According to MEED projects, the sector currently accounts for the second largest share of the awarded projects market in 2016. In 3Q16, KD 572 million (\$1.9 billion) worth of projects were awarded, 86% of which were awarded by the Ministry of Public Works (MPW). Some of the MPW's major projects include the development of the Northern Regional Road (to facilitate the growth of inter-regional and international trade with the GCC states), the 6.5 Ring Road and the improvement of the Sheikh Jaber Al-Ahmed Al-Sabah Road. Another major project that was signed in 3Q16 was the Kuwait Airport Expansion Passenger Support Building project by the Amiri Diwan. Valued at KD 52 million (\$174 million), the project will serve as a back-up for the current terminal until the new terminal is completed. It is expected to accommodate about 4.5 million passengers a year and all the departure and arrivals facilities as well as a 1,600 vehicle capacity parking lot.

Chart 3: Awarded projects for 2016

(\$ billion)



Source: MEED Projects, NBK

A further KD 572 million (\$1.9 billion) worth of projects is expected to be awarded in 4Q16 in this sector.

Head Office

Kuwait

National Bank of Kuwait SAKP
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain

National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates

National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoum, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia

National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan

National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon

National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

NBK Capital

Kuwait

NBK Capital
38th Floor, Arraya II Building, Block 6
Shuhada'a street, Sharq
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

National Bank of Kuwait
(International) Plc
Portman Square Branch
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

France
National Bank of Kuwait
(International) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China

National Bank of Kuwait SAKP
Shanghai Representative Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

Associates

Turkey
Turkish Bank
Valikonagi CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353