

Projects

Kuwait: Awards eased on delays and cancellation; healthy pipeline expected

Projects awards has moderated going into the third quarter of the year and the cancellation of the highly anticipated Al-Zour North 2 project held back the third quarter from a stronger performance.

Year to date (YTD) contracts awarded reached KD 2.93 billion, down 39% from the same period last year. Contracts worth KD 0.81 billion were awarded in 3Q17, underperforming relative to the five-year quarterly average of KD 1.4 billion according to data from MEED Projects. The scrapping of Al-Zour North 2 independent water and power project (IWPP) meant a loss of a contract worth up to an anticipated KD 0.8 bn for 3Q17. The Kuwait Authority for Partnership Projects (KAPP), however, plans to retender the project as an integrated part of the Al-Zour North 3 IWPP in the coming future.

Awards in 3Q17 were boosted by the oil as well as the power sectors, each contributing KD 402 million and KD 277 million, respectively. Construction activity was slow—in line with prior quarters at KD 103 million—though slightly improved from the previous quarter. The transport sector, however, showed the slowest activity for the first time in five consecutive quarters of healthy activity, contributing a mere KD 31 million in Q3. Delays in contract awards in the transport sector, such as those related to South Al Mutlaa City, affected the quarterly performance.

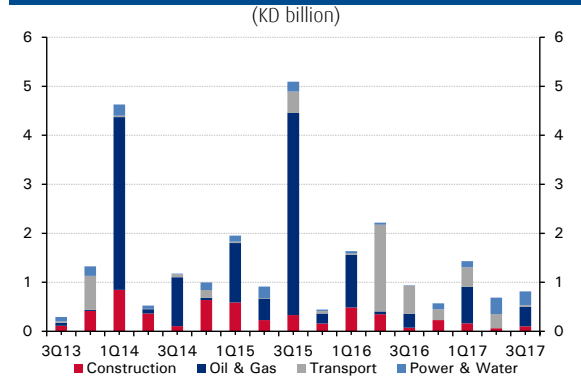
Delays have pushed the award dates for projects further out into the coming few quarters, especially in the transport and construction sectors, but the pipeline remains healthy. In the next two quarters, 4Q17 and 1Q18, the transport sector has up to a total of KD 2 billion in contracts that are expected to be awarded; these projects are currently in the bidding phase. Delays are always on the horizon, but significant award activity at the end of year is likely. The construction sector pipeline remains promising with up to a possible KD 1 billion in awards in the upcoming quarters, barring any unexpected delays.

Transport

The transport sector had been dominating project awards the previous five quarters, with an average quarterly contribution of over KD 500 million, but cooled in 3Q17 due to delays. In 3Q17, two contracts were awarded in the transport sector worth a total of KD 30 million, KD 26 million of which was a contract awarded by the Ministry of Public Works (MPW) regarding roadwork connecting the 5th Ring Road to King Abdul Aziz Road. The Central Tenders Committee postponed awarding the contract related to road and crossroad construction in the South Al-Mutlaa area. The lowest bidder, a team of Ali Al-Kharafi & Brothers and Metallurgical Corporation of China, was not able to raise the required bank guarantee. The team had bid KD 85 million for the contract. MEED reports that a team comprising of Turkey's Makyol and Kuwait's Contec United General Contracting could win the contract, offering the second lowest bid at KD 109 million.

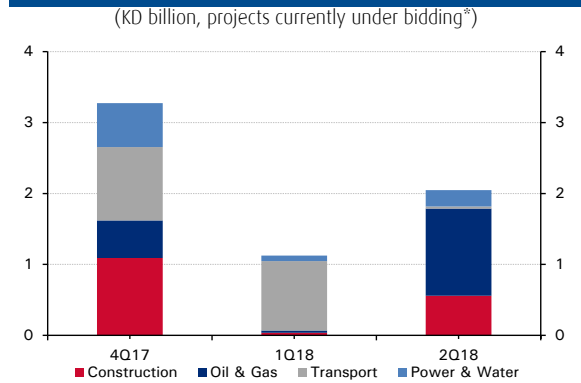
Up to a possible KD 2 billion in awards are expected in the next few

Chart 1: Awarded projects



Source: MEED Projects

Chart 2: Projects awards outlook



Source: MEED Projects. *As of October 1, 2017.

quarters in transport contracts. The MPW and Public Authority for Housing Welfare (PAHW), have a combined twelve contracts currently in the bidding phase. The contracts are related to the northern section of the regional road, the southern section of the regional road, and roads at South Al-Mutlaa. Several of these projects' awards had been delayed but are expected to be awarded in the coming few quarters.

Power & Water

The power sector awarded four contracts worth a total of KD 280 million in 3Q17, which was made up mostly of the awaited waste-to-energy public private partnership project (PPP). The Kabd municipal solid waste project was awarded to a consortium led by France's Constructions industrielles de la Méditerranée that bid KD 236 million; the project will be developed through a PPP-scheme. Though the cancellation of the Al-Zour North IWPP was a setback for both the power sector—and the public-private endeavor as a whole—the upside is that the second phase is planned to be integrated with the third phase of Al-Zour North. There are still no further developments on the Khairan IWPP, which was awaiting the progress on Al-Zour North 2.

Up to KD 640 million in power sector contracts are expected to be awarded in the coming four quarters. Among the anticipated awards is the Al-Dibdibah solar PV power plant in the upcoming Shagaya renewable energy complex. In line with the development plan goals, the Kuwait National Petroleum Company (KNPC) has tendered this project in the hopes it will contribute to the goal of solar energy providing 15% of the electricity demand in Kuwait by 2030.

Construction

Four small-scale contracts were awarded in the construction sector in 3Q17, resulting in a low contribution of KD 100 million in the third quarter, but there is a strong project award pipeline in the coming quarters. The Jahra Ministries Complex is a possible KD 260 million deal that could be awarded in the coming few quarters, possibly the second quarter of 2018. MEED Projects reports that the lowest bidder is United Gulf Construction Co., and it is very likely it will be awarded the tender. There are, however, delays in the final award process due to budgetary constraints, pushing the award date to 2018 instead of 2017.

Oil & Gas

Activity in the oil sector picked up in the third quarter with the award of the new refinery feed pipeline and three other contracts. Italian company Saipem won the bid for the feed pipeline for the new refinery in Al-Zour, a contract worth KD 255 million. The sector as a whole achieved deals that totaled KD 402 million. The second noteworthy contract is the crude transit pipeline from North Kuwait to Al-Ahmedi's central mixing manifold. The KD 113 million contract was awarded to Indian contractor Larsen & Toubro. In the pipeline over the next couple of quarters are seven possible contracts worth in total up to KD 460 million, the client of all but two is Kuwait Oil Company (KOC).

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