

## Projects

# Kuwait: Projects awards rise to KD 2.25 billion in first half of 2016

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Kuwait's projects market continues to expand in spite of the backdrop of low oil prices and their impact on government finances. Kuwait awarded KD 812 million (\$2.7 billion) worth of contracts in 2Q16, according to MEED Projects, bringing the total value of contracts awarded so far this year to KD 2.25 billion (\$ 7.5 billion). By the end of June, Kuwait's projects market (active and planned) grew to KD 76.8 billion (\$255 billion), an increase of 2.9% year-to-date.

Looking ahead to the rest of 2016, Kuwait is expected to award another KD 8.4 billion (\$27 billion) worth of contracts before year-end. Although Kuwait's project market faces many challenges on top of low oil prices, such as lack of FDI interest, a weak private sector and a less attractive environment than its neighbors, the economy is cash-rich and the government has an ambitious five-year plan that includes currently over 8 public private partnership schemes aimed at improving the country's aging infrastructure. According to MEED Projects, bids for the bulk of 2016's planned projects (44%) are currently under evaluation, followed by 27% that are in the main contract bid stage which means that over 71% of the planned projects are within their final stage prior to execution.

Below is a breakdown of major project developments, by sector.

### Oil & gas

Following the awards of the two huge Clean Fuels Project (CFP) and New Refinery Project (NRP) in 2014 and 2015 respectively, the value of Kuwait's oil sector projects in the pipeline has begun to soften. Oil & Gas projects account for 27% of the planned projects in Kuwait for 2016, behind the transport and the Power & Water sectors. However that is not to say the Oil & Gas sector is slowing down, as Kuwait still has KD 2.3 billion worth of projects to award this year.

In 1H16, Kuwait National Petroleum Company (KNPC) awarded a KD 882 million (\$2.9 bn) contract to build the liquefied natural gas (LNG) Import and Regasification Terminal. However, Kuwait is also expanding domestic gas production with the tendering of the Jurassic Non-Associated Gas Reserves project in northern Kuwait. Kuwait Oil Company (KOC), the state's upstream operator, has tendered three contracts worth KD 1.7 billion (\$5.7 billion) for the development of The project, which aims at producing 10,472 tons of natural gas per day. In January, US firm Schlumberger was awarded the KD 144 million (\$480 million) contract to develop the Sabriyah and Umm Niqa fields. Schlumberger also reportedly submitted the lowest bids for the East Raudhatain package & West Raudhatain package; however, according to MEED, it is unlikely for the company to win all three contracts as the remaining two are still being evaluated. The two contracts are valued at KD 542 million (\$1.8 billion) each.

KOC has also retendered the KD 240 million New Refinery FEED pipeline contract, which aims to connect the South Tank Farm to the New Refinery at Al-Zour. The contract has been retendered following parliamentary criticism of its initial tendering in 2015.

Chart 1: Awarded projects

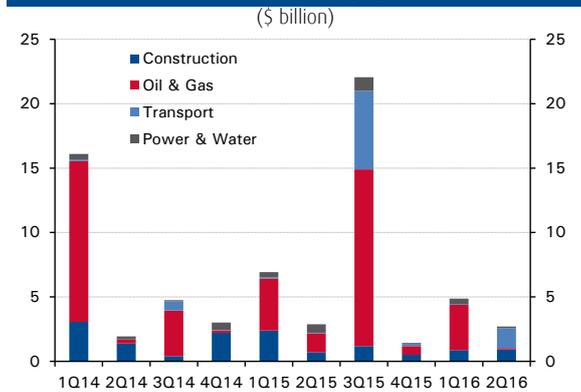


Chart 2: Kuwait's projects market

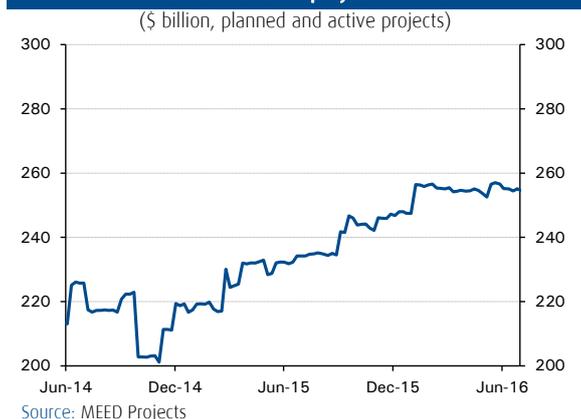


Table 1: Kuwait's largest projects for 2016

( \$ billion)

Project	Sector	Value
Jurassic Non-Associated Oil & Gas Reserves Expansion: Phase 2	Oil & gas	4.1
LNG Import and Regasification Terminal	Oil & gas	2.9
Al-Zour North IWPP (Phase 2)	Power & water	2.7
Umm Al-Hayman Wastewater Treatment Plant Expansion	Power & water	1.5
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
Al-Jahra Ministerial Complex	Construction	0.2

Source: MEED Projects, NBK

## Construction

Kuwait awarded KD 570 million (\$1.7 billion) worth of construction projects in the first half of 2016. The biggest and most notable award was for the New Maternity Hospital. The new 600-bed Maternity Hospital is to be built opposite the existing maternity hospital in Sabah Medical Area. The hospital is one of four that were tendered and then canceled in 2013 for being over budget. The contract has been awarded to Italian firm Pizzaroti for KD 219 million (\$730 million).

Under the direction of His Highness the Amir, the Amiri Diwan has taken on several key projects in Kuwait. The Diwan answers to the Amir himself, therefore bypassing government's red tape and the plethora of decision-making bodies. The Diwan's project portfolio includes projects such as the new Al-Jahra Hospital, Al-Shaheed Park and Kuwait's two cultural centers (Abdullah Al-Salem & Jaber Al-Ahmed) set to be complete by year's end. On 20 June, the Amiri Diwan announced the awarding of a KD 49 million contract to local developer Bayan National Trading Company to design and build Kuwait's Motor Town. According to press reports the project aims at building seven race circuits compatible with international standards. These circuits would enable Kuwait to host Formula 1 and MotoGP races in the future. The project is located south of the city, in Orafjan, adjacent to the Wafra road. The contract also includes the construction of a pit building and a media center. According to press reports, the project is set to include a hotel and shopping mall at a later stage (not part of the current package).

The Amiri Diwan works independently and with larger resources than traditional government entities, enabling their projects a faster execution period. For this reason, the Diwan has also recently taken over the Passenger Support Terminal Project at Kuwait's International Airport. The project was originally tendered by the Directorate General of Civil Aviation (DGCA) but ownership was transferred in May 2016 to the Diwan. The Passenger Support Terminal is supposed to accommodate 4.5 million passengers per year and serve as a quick fix while the New Airport Terminal is being constructed. The project (i.e. expansion) is expected to be operational 450 days from the signing of the contract, which is scheduled for November 2016.

## Power & water

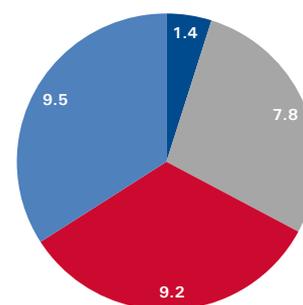
Kuwait Authority for Partnership Projects (KAPP) has extended the deadline for three of its projects that were scheduled to be tendered this year. The main contract bid for the KD 450 million (\$1.5 billion) Umm Al-Hayman Wastewater Treatment Plant has been pushed (three times) to 31 August, while the bid for the Kabd Municipal Solid Waste Project has been rescheduled to 28 July. Bids for the Al Abdaliya Integrated Solar Combined Cycle (ISCC) Power Plant (CSP) have also been pushed to 28 July. The project will see Kuwait utilizing solar energy and help reduce the level of environmental pollution. The project will be developed on an area of 2 km<sup>2</sup>.

KAPP did announce the bids for the main contract bid for phase 2 of the Al-Zour North IWPP. The project aims at producing 1,800 megawatts (MW) of electricity and 464,100 cubic meters a day of desalinated water. Three consortiums involving 11 companies have submitted their bids, according to an announcement by KAPP on 21 June, though no details were provided.

Kuwait's PPP plan is considered to be one of the projects market's main strengths, public private partnerships (PPP) were identified as one of the

Chart 3: Planned projects for 2016

(\$ billion)



■ Construction ■ Oil & Gas ■ Power & Water ■ Transportation

Source: MEED Projects, NBK

six pillars of Kuwait's economic reform plan. However, recent news reports suggest that the government is looking to merge KAPP with other government agencies, primarily Kuwait Direct Investment Promotion Authority (KDIPA). Though such a move will most likely maximize efficiency and cut red tape, any merger at this point will most likely have the effect of slowing awarding process, at least for the time being.

### Transportation

Kuwait is investing heavily in the transportation sector. The sector accounts for 34% of the value of planned projects in 2016. According to MEED Projects, Kuwait is planning the development of the North & East Regional Highway, a KD 517 million upgrade to roads that will facilitate the growth of inter-regional and international trade within the GCC states; the project includes various packages (not all have been announced). In May, local contractor Kuwait Company for Process Plant Construction & Contracting was awarded a KD 97 million (\$324 million) contract for a renovated Road from Saad Al Abdulla area to Buhaith (north of Kuwait). The Ministry of Public Works is also evaluating bids for a KD 181 million (\$ 600 million) road connecting Salmi (near the Saudi Border) to the 6<sup>th</sup> ring road.

In late June, The Public Authority for Housing Welfare (PAHW) signed Kuwait's second largest contract so far this year. PAHW awarded the KD 288 million South Mutlaa City Major Infrastructure Works Package Contract 1 to a joint venture between Italy's Salini and Turkey's Kolin. The contract oversees the development of the main roads and infrastructure for the city, which is expected to house almost 30,000 residential units. The organization is also preparing to tender two additional roads and infrastructure packages for the project before year-end.

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