

## Projects

# Kuwait: Projects off to a good start in 2016 with KD 1.5 billion awarded in Q1

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Kuwait's projects market continues to expand against a backdrop of low oil prices and its impact on government finances. Kuwait awarded KD 1.5 billion (\$4.8 billion) worth of contracts in 1Q16, according to MEED Projects. This brought the total size of the local projects market (private and public, active and planned) to KD 76.6 billion (\$254 billion), an increase of 2.8% year-to-date.

Looking ahead to the rest of 2016, Kuwait is expected to award KD 10.8 billion (\$35 billion) worth of contracts before year-end. This figure has been revised down from the KD 16 billion reported earlier due to changes in the awarding schedule. The Kuwaiti government remains committed to its infrastructure development plan, however, and has stressed that development projects will move ahead in 2016 regardless of the trajectory of oil prices. According to MEED Projects, Kuwait has already prequalified companies for more than 60% of the projects it has planned this year.

Below is a breakdown of major project developments according to sector.

### Oil & gas

The overhaul of the Mina Abdullah and Mina Al-Ahmadi refineries, known as the Clean Fuels Project (CFP), has been pushed to 2019, according to a report by MEED. The KD 3.7 billion (\$12 billion) project aims to upgrade both the quality and quantity of Kuwait's refined petroleum products. The project was originally scheduled for completion in 2017.

Kuwait National Petroleum Company (KNPC) has been in talks with banks to borrow KD 3 billion since 2015. It was reported recently that KNPC is to close the first phase of funding, worth KD 900 million, with local banks soon.

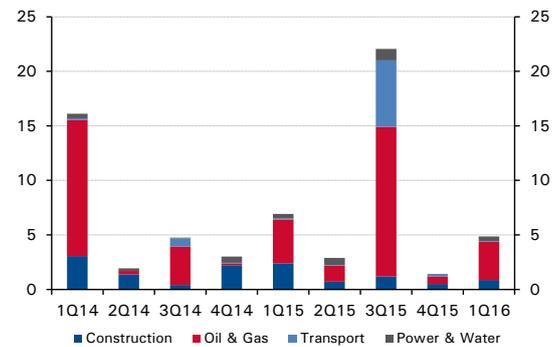
In 1Q16, KNPC awarded its largest contract for the year: a KD 882 million (\$2.9 bn) contract to build the liquefied natural gas (LNG) Import and Regasification Terminal. The project, which will be situated in the Al-Zour area, was awarded to a consortium of South Korea's Hyundai Engineering and Construction (E&C). The terminal includes four full-containment LNG tanks with a capacity of 1.5 trillion BTUs a day.

With imports of over 3 million tons in 2015, Kuwait is the Middle East's largest LNG importer. At the same time as it prepares to import additional gas supplies from Qatar, Kuwait is also expanding domestic gas production. 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 Jurassic Non-Associated Gas Reserves in northern Kuwait. The project, which is split into three packages, aims to produce 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. Bids for the East & West Raudhatain packages are still being evaluated.

### Construction

Chart 1: Awarded projects

(\$ billion)



Source: MEED Projects, NBK

Chart 2: Kuwait's projects market

(\$ billion, planned and active projects)



Source: MEED Projects

Table 1: Projects awarded in 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

Kuwait University is constructing a new campus at Shadidiyah to bring all of the university's 14 faculties under one roof. The new university will accommodate up to 30,000 students. In January, the university awarded the KD 173 million (\$574 million) contract for the administration facilities buildings to China State Construction International Holdings and Combined Group Contracting Company, a joint venture. The package is one of 22 relating to the new campus and includes the construction of a Central Administration Building, Grand Mosque, Conference Center, Library, and Visitor Center. The University was also scheduled to award a contract for the College of Dentistry package this year but the project has been put on hold, MEED reports.

### 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 phase 2 of the Al-Zour North IWPP, which aims to produce 1,800 megawatts (MW) of electricity and 464,100 cubic meters a day of desalinated water, has been pushed to 10 May, when four of the seven prequalified companies are expected to bid in three consortiums. The main contract bid for the KD 450 million (\$1.5 billion) Umm Al-Hayman Wastewater Treatment Plant has been pushed to 28 April, while the bid for the Kabd Municipal Solid Waste Project has been rescheduled to 26 May. It remains unclear whether the delays are related to the recent change in KAPP's management.

Mutlaq Mubarak Al-Sanei was recently appointed to head KAPP after Adel Al-Roumi, who oversaw the authority's mandate since 2008 when it was known as the Partnerships Technical Bureau (PTB), stepped down earlier this year.

KAPP is now at the forefront of Kuwait's economic reform plan after public private partnerships (PPP) were identified as one of the six pillars of Kuwait's economic reform plan. Kuwait's deputy prime minister, finance minister and acting oil minister, Anas Al-Saleh, highlighted the importance of PPPs in an interview with MEED. PPP schemes, according to Al-Saleh, will increase the private sector's involvement in infrastructure projects. Kuwaiti citizens will be offered a 50% equity stake in these schemes through public offerings.

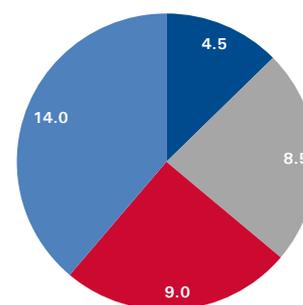
### Transportation

KAPP also delayed the prequalification process for its national railroad and metro projects. According to MEED, the prequalification process has been moved from the first to the second quarter of this year. KAPP says it is finalizing the feasibility studies for both schemes.

First announced in 2007, the national railroad project has faced numerous delays and obstacles, including over the route of the planned railway line. The project experienced some delay as authorities sought to iron-out some issues with the project's path through the farms area in Wafra, but those issues were resolved in December 2015. The railroad will be approximately 575 km long and link up with the proposed GCC railway line by 2018. However, that date looks like being pushed back. Once it is completed, Kuwait's railroad will link the new Mubarak Al-Kabeer Seaport on Boubyan Island with the Shuwaikh and Shuaiba ports and connect with Al-Salmi along the Kuwait-Saudi Border.

Chart 3: Planned projects for 2016

(\$ billion)



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

Source: MEED Projects, NBK

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