

Projects

Kuwait: Record year in 2015; projects worth KD 16.7 bn planned in 2016

2015 was a milestone for Kuwait's projects market, with an unprecedented KD 9.7 billion (\$32.2 billion) worth of contracts awarded during the year, 20% more than the year before. Over half of the contracts signed were related to the oil and gas sector, as Kuwait attempts to reach its oil production target of 4 million barrels per day (b/d) by 2020. In July 2015, Kuwait awarded the long-delayed New Refinery contract at Al-Zour for KD 3.9 billion and the contract for the development of the Lower Fars Heavy Oil production facility in the north of the country for KD 1.2 billion.

In the transportation sector, the authorities also awarded the KD 1.3 billion contract to build the New Terminal Building at Kuwait International Airport. The project should see airport passenger capacity double to 15 million passengers by 2020.

Looking ahead, 2016 should also be a bumper year, with the authorities looking to sign deals worth KD 16.7 billion (\$55 billion) before year-end. This comes at a time when Kuwait is expected to record its first actual budget deficit in 16 years, of KD 4.7 billion (11.6% of GDP) by the close of FY15/16. The government, for its part, has shown no sign of cutting capital expenditure, stressing that development projects are to move ahead in 2016.

Below is a breakdown of developments relating to Kuwait's major projects for 2015 as well as the outlook for upcoming projects in 2016.

Oil & gas

Despite the more than 70% drop in oil prices since mid-2014 and the huge uncertainties facing the global oil and gas industry in the low oil price environment, Kuwait has pressed ahead with its energy-related development spending, emerging as the region's biggest market for oil and gas projects in 2015 with an estimated KD 6 billion (\$19.8 billion) worth of contracts awarded.

In June 2015, downstream operator, Kuwait National Petroleum Company (KNPC), awarded the delayed New Refinery project at Al-Zour. With a capacity of 615,000 barrels per day, the refinery will be the largest in the region. As part of expanding the Mina Al-Ahmadi refinery, KNPC also awarded Spain's Tecnicas Reunidas a KD 450 million (\$1.49 billion) the contract to build a Gas Fractionation Train 5 at the refinery. (Table 1.) Along with the KD 3.7 billion (\$12 billion) Clean Fuels Project, which KNPC had awarded in 2014, Kuwait is overhauling its refineries in order to increase both the quality and quantity of its petroleum products.

In 2016, KNPC is planning to award the contract for the LNG Import and Regasification Terminal which is also in the Al-Zour area. The project is valued at KD 1 billion (\$3.3 billion), with a main contract award date set for April 2016.

Kuwait is also looking into integrating an Olefins III plant into the refinery complex. The KD 2.12 Billion (\$7 billion) project is still being reviewed and is not expected to be tendered before December 2016.

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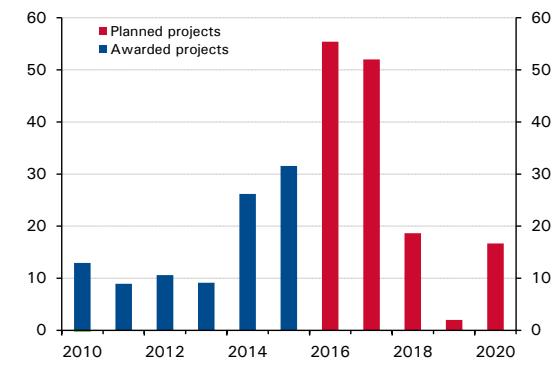
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Chart 1: Awarded & planned projects in Kuwait

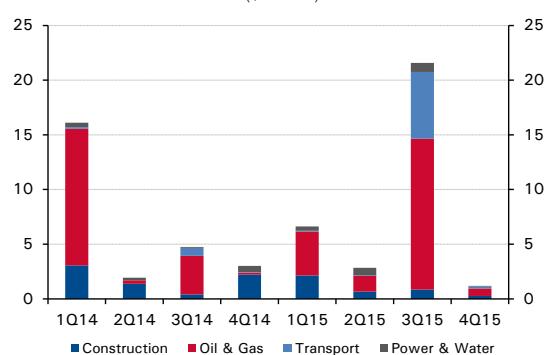
(\$ billion)



Source: MEED Projects

Chart 2: Awarded projects in Kuwait

(\$ billion)



Source: MEED Projects, NBK

Table 1: Largest contract awards in 2015

(KD billion)

Company	Sector	Value
New Refinery Project	Oil & Gas	3.9
Airport Expansion: New Passenger Building	Transport	1.3
Ratqa LFHO: Production Facilities/Support Complex/Tank Farm (Phase I)	Oil & Gas	1.2
Mina Al-Ahmadi Refinery: Gas Fractionation Train 5	Oil & Gas	0.4
Al Jahra Hospital	Construction	0.4
Main Pipelines Manifold Gathering Upgrade of Nuwaiseeb Road (Route 40)	Oil & Gas	0.2
Transport	0.2	
Sabah Al-Salem University: Activity & Athletic Facilities	Construction	0.2
Sabah Al-Salem University: Academic Support Buildings	Construction	0.1
Doha Desalination Plant: Phase I	Power & Water	0.1

Source: MEED Projects, NBK

Kuwait has also expedited plans to develop its oil & gas reserves situated in the north of the country. In January 2015, Kuwait Oil Company (KOC), the state's upstream operator, awarded a KD 1.2 billion (\$4 billion) contract to Petrofac to develop the Lower Fars heavy oil handling facilities (Phase 1). The project targets the development of 7 to 15 billion barrels of oil-in-place in the northern desert; phase 1 should see the development of 60,000 b/d of heavy oil over ten years. KOC has also tendered three contracts worth KD 1.7 billion (\$5.7 billion) for the development of Jurassic Non-Associated Gas Reserves. The three contracts cover the development of four fields: West Raudhatain; East Raudhatain; and Sabriyah and Umm Niqa. Originally scheduled for award in 4Q15, the deadline for the tender has been postponed to February and April 2016.

Construction

Kuwait's Ministry of Health plans to adopt a World Health Organization (WHO) recommendation that calls for a minimum of 22 hospital beds per 10,000 citizens by 2030. Hospitals' total bed capacity is expected to reach 12,000 beds by 2020.

The 1,168-bed Jaber Ahmed al-Jaber al-Sabah Hospital is now due to open in September 2016; it was originally scheduled for completion in 2015. In April 2015, the Amiri Diwan commissioned the KD 390 million (\$1.28 billion) New Al-Jahra Hospital, while in October the Prime Minister inaugurated the Al-Razi Hospital Expansion, which added 240 new beds to the hospital.

Taken together, the government has awarded upwards of KD 1.5 billion (\$5 billion) on new hospital projects since 2008¹. A further KD 881 million (\$2.9 billion) is expected to be awarded in 2016. The Ministry of Health is currently reviewing bids for the New Maternity Hospital; the Italian firm Pizzarotti had submitted the lowest bid of KD 221 million for the project in July 2015. The ministry also announced a new KD 152 million (\$500 million) Sabah Al-Ahmad Hospital to be constructed south of Kuwait city. The main contract tender is expected to be issued in May 2016.

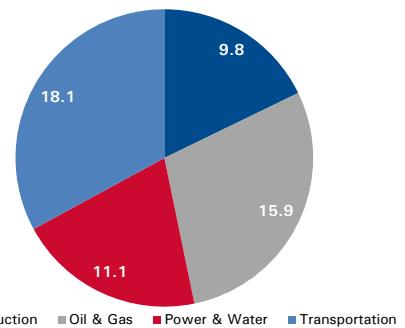
Power & water

2016 is expected to be a landmark year for the Kuwait Authority for Partnership Projects (KAPP) as it plans to award KD 2 billion (\$6.6 billion) worth of public private partnership (PPP) contracts. With phase 1 of Al-Zour North IWPP completed and close to reaching commercial capacity in the coming months, KAPP has issued the main contract bid for phase 2 of the project, which aims to produce 1,800 megawatts (MW) of electricity and 464,100 cubic meters a day of desalinated water. The main contract bid is set for February 2016, with a planned budget of KD 820 million (\$2.7 billion). KAPP also plans to award two waste-to-energy schemes: the KD 450 million (\$1.5 Billion) Umm Al-Hayman Wastewater Treatment Plant in May and the Kabd Municipal Solid Waste Project in July.

2015 proved to be a slow year for awards in this sector, with Kuwait only awarding two major power and water projects. Doosan Heavy Industries & Construction was awarded a KD 118 million (\$390 million) contract for the development of phase 1 of the Doha Desalination Plant, which is scheduled to have a capacity of 60 million gallons per day. Kuwait also awarded the TSK Electronica y Electricidad / Kharafi National joint venture a KD 117 million (\$388 million) contract to execute phase 1 of the 50 megawatts Shagaya Renewable Energy Complex, which will

Chart 3: Planned projects in Kuwait for 2016

(\$ billion)



Source: MEED Projects, NBK

¹ The Summation of Jaber Al-Ahmed Hospital, New Al-Jahra Hospital, and the Eight Hospital Expansion projects

produce solar power. The project is scheduled for completion in April 2018.

Housing and transportation

The government is pushing ahead with efforts to provide housing for 106,000 applicants. In a survey conducted in 2013 by the Speaker of the National Assembly, Marzouk Al-Ghanim, the provision of housing was the voters' most pressing concern. The government has since promised to deliver 12,000 units annually. In 2015, the government revealed plans to develop the South Mutlaa city, which will contain 29,000 housing units. The government is planning to tender three infrastructure contracts pertaining to the project worth KD 2.6 billion (\$8.7 billion). Contract number 1, for the construction of the main roads, has already been tendered, and the submission deadline set for February 2016. Meanwhile, contracts 2 and 3 are scheduled to be awarded in the last quarter of 2016.

In August 2015, Kuwait awarded Turkish firm Limak the KD 1.3 billion (\$4.3 billion) contract to build the new Main Terminal Building at Kuwait International Airport. Kuwait has also tendered a KD 151 million (\$500 million) Passenger Support Building as passenger traffic is expected to rise over the coming years until the main terminal is completed. The bids for the Passenger Support Building are currently being reviewed by the State Audit Bureau along with the contract for the main terminal building. An additional KD 334 million (\$1.1 billion) has been allocated for smaller packages in the airport expansion project, which are also scheduled to be tendered in 2016.

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