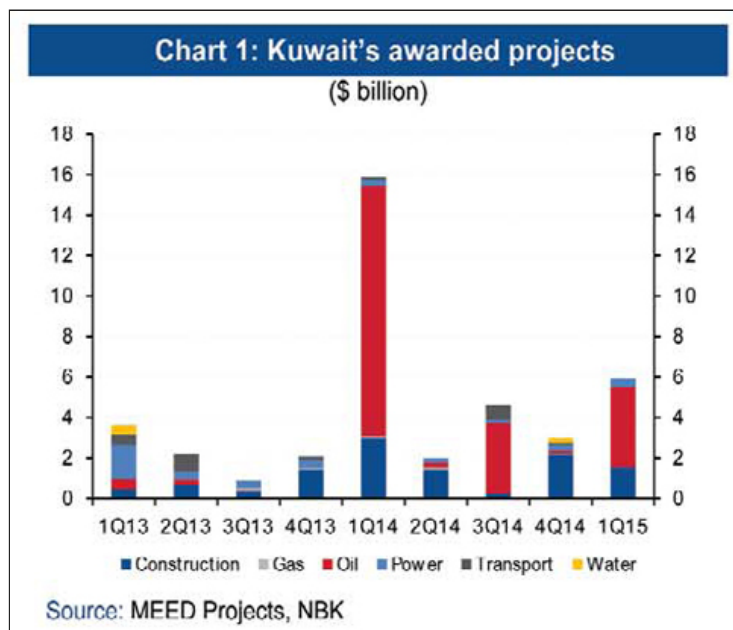


Kuwait heavy oil projects lead contracts worth \$6bn in 1Q15 – NBK ECONOMIC REPORT



KUWAIT: The Kuwaiti government issued the bylaws for the 2014 Public Private Partnership (PPP) law on 29 March 2015, essentially kick-starting the long-awaited PPP scheme. The bylaws allow the new Kuwait Authority for Partnership Projects (KAPP) to start tendering stalled PPP projects. These are estimated to be valued at KD 6 billion. According to press reports, phase 1 of the Umm Al-Hayman Wastewater Treatment Plant (WWTP) and the Kabd Municipal Solid Waste Treatment Facility are likely to be the first projects tendered under the new law. KAPP has also issued a request for qualification (RFQ) for phase 2 of the Al-Zour North Independent Water and Power Producer (IWPP) project. However, the IWPP is regulated under a separate law that was issued in 2012 that has also been recently amended to provide the government with more flexibility in executing power projects.

According to MEED Projects, Kuwait awarded KD 1.8 billion (\$6 billion) worth of contracts in 1Q15. Furthermore, the total value of the country's projects market (planned and active projects) grew to over KD 68 billion (\$230 billion) by the end of 1Q15, its highest level since 2010.

Below is a breakdown of developments relating to Kuwait's major projects in 1Q15.

Oil & gas

Kuwait National Petroleum Company (KNPC) was hoping to follow last year's successful awarding of the KD 3.4 billion Clean Fuels project in the first quarter with the tendering of the KD 4 billion New Refinery Project (NRP) in 2015. Once completed, the Al-Zour refinery will effectively double Kuwait's refining capacity.

Meanwhile, Kuwait Oil Company (KOC), the state's upstream operator, did manage to award the contract for phase 1 of the Lower Fars Heavy Oil Handling Facilities in 1Q15. The KD 1.2 billion (\$4 billion) contract was awarded to UK-based Petrofacin February. KOC aims to extract 65,000 barrels per day (bpd) of 'heavy' oil from Kuwait's northern desert by the

project's fifth year.

Construction

According to MEED Projects, local contractor has been approved for the KD 380 million (\$1.2 billion) Jahra Hospital after the Amiri Diwan revived the project in January 2015. The Amiri Diwan also awarded a contract worth KD 8 million (\$27 million) for the repair and refurbishment of Jaber International Stadium, the venue for the upcoming Gulf Cup in November 2015.

In April 2015, the government issued the bylaws to law 113/2014, allowing the private sector (real estate developers) to develop housing units on land allocated to the Public Authority for Housing Welfare (PAHW). Developers can now buy, develop and sell land from the PAHW to beneficiaries on the PAHW waiting list (at a price set by the PAHW). This should help speed up completion of PAHW's projects. The authority is also currently working on the Khairan and Mutlaa city projects. According to the Minister for Housing Affairs, the government aims to start distributing units in Mutlaa by 2016.

Power & Water

On 9 April, the newly formed Kuwait Authority for Partnership Projects (KAPP) received prequalification documents for two of its projects: Al-Khairan IWPP and phase 2 of the Al-Zour North IWPP. Implementation of the two projects should expand total power capacity by 1,500 MW and desalination capacity by 102 million imperial gallons a day (MIGD) for each plant.

Transport

According to MEED Projects, the government is considering converting the new airport terminal project at Kuwait International airport to a BOT project under the new PPP law. KAPP has already taken formal control of several other projects including both the metro and railroad projects. In November 2014, bids for construction of the airport terminal came in well over the KD 1 billion budget, which prompted the government to look for alternative ways to tender the project. Once complete, the new terminal will increase the airport's capacity to 20 million passengers a year.

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This article was published on 04/05/2015