MEED Projects

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PROJECTS

What to expect in 2018

Following the subdued project activity of 2016 and 2017, the outlook for the year ahead provides cause for optimism

Good things come to those who wait, or so the saying goes. For the winning joint venture contractors on Abu Dhabi National Oil Company's Crude Flexibility Project (CFP) at its Ruwais refinery, this was certainly the case. Almost three years after the engineering, procurement and construction tender was originally released, and 10 months on from the submission of final commercial bids, the team of Samsung Engineering and CB&I received the $3.1bn order in early February.

Notable for its size and scope, the contract was also important from the perspective of the Abu Dhabi oil and gas industry. It has been a lean two years for the local market since lower oil prices took hold in the region, with the only significant contracts awarded in that time being the $1.8bn Bab integrated facilities and the estimated $1.7bn Mandous underground crude storage deals.

This is despite the large number of stagnant projects in the pipeline, including the $1bn-plus third phase of the inter-refineries project at Ruwais, phase two of the Qusahwira field development and the second stage of the integrated gas development at Habshan – all of which have been tendered, cancelled and then retendered in the past three years.

The award of the long-awaited CFP has raised hopes that it could mark the first in a series of contract awards in 2018, especially now that higher oil prices have improved the emirate's fiscal position.

These raised hopes are not confined to the Abu Dhabi hydrocarbons sector. Across the region, contractors, consultants and suppliers alike will be hoping

TOP GCC PROJECTS UNDER BID EVALUATION

Project	Country	Value ($m)
Mecca Metro: phase 1 (Lines B, C): part 1: package 3	Saudi Arabia	3,547
Mecca Metro: phase 1 (Lines B, C): part 1: civil: package 1	Saudi Arabia	2,653
Ras Markaz crude storage terminal: phase 1	Oman	1,756
Al-Jahra ministerial complex	Kuwait	1,200
Kuwait National Guard: Kazema camp project	Kuwait	1,000
Ammonia plant in Ras al-Khair	Saudi Arabia	1,000
Dubai Creek Harbour: Dubai Creek Tower	UAE	1,000
Doha Metro: phase 1A Green Line extension	Qatar	1,000
Mecca Metro: phase 1 (Lines B, C): part 1: civil: package 2	Saudi Arabia	949
Amiri Diwan: New Palace of Justice	Kuwait	800
Duqm power and desalination plant	Oman	800
Regional road south part project: central section	Kuwait	750
Saadiyat Island: Guggenheim Abu Dhabi Museum	UAE	680
Yas Island: Water's Edge	UAE	653
Saudi-Egypt power interconnection: Madina Tabuk Aqaba transmission line	Saudi Arabia	650

Source: MEED Projects

that a combination of oil prices above $60 a barrel, government reforms and more bullish capital expenditure budgets will result in a better year ahead.

An analysis of recent developments supports this view. Under bid evaluation since late 2016, Dubai's $865m Warsan waste-to-energy plant was finally awarded in January, as was the first deal in Saudi Arabia's renewable energy programme.

Hopes are also high that an award is imminent on the Zayed National Museum on Saadiyat Island, under bid evaluation for more than four years, as well as on the $1bn-plus Al-Jahra ministerial complex and Kazema National Guard camp in Kuwait, both of which have been on the drawing board for more than five years.

Backlog of projects

One of the unanticipated benefits of the projects slump since 2016 has been the growth in the backlog of awaited projects. Today, there are more than 570 individual projects worth more than $77bn under commercial bid evaluation in the region, and more than $109bn if this is extended to contracts tendered, almost the same as the value of deals let in 2017 as a whole.

For 2018 to improve on the previous two years, the taps will have to be opened on this backlog. Although bidding contractors have been compliant in extending their bid bonds year after year on delayed tenders, there is no guarantee they will continue to do so. If they do not, clients may find themselves retendering projects, losing both time and money, just as they are given the green light to go ahead.

Equally uncertain is how the market will cope with another year of sluggish project spending. Outside of Dubai, the majority of GCC firms are at breaking point having faced a squeeze on their order books and cashflow as work has dried up. For further contraction of the market to be avoided, the industry has to keep pushing governments to move ahead with their project programmes.
Ed James

Oman gains as others lose or remain stagnant

Oman is the only country that gained on the Gulf Projects Index in the week ending 9 February, on account of the revival of the $1.2bn Sur urea plant debottlenecking facility owned by Oman India Fertiliser Company. However, Oman's 0.7 per cent gain was unable to keep the index from registering an overall loss of 0.1 per cent.

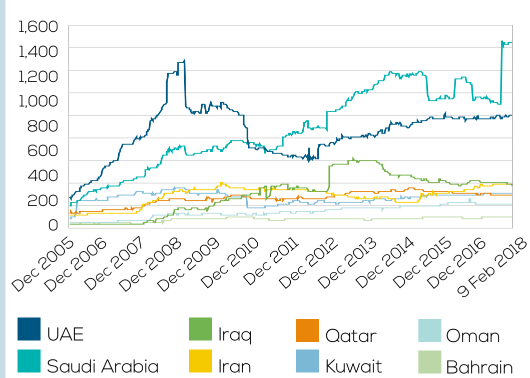
Iraq registered the biggest loss of the eight countries at 0.9 per cent. This is due to the putting on hold of the Samawah refinery, budget at $2bn by the Oil Ministry, due to a lack of progress – as well as the completion of $800m-worth of projects, including the $700m first phase of the Basmaya power plant.

Iran, Bahrain and the UAE also shed 0.4 per cent on the index, 0.3 per cent and 0.1 per cent, respectively. Kuwait, Qatar and Saudi Arabia, meanwhile, all remained stagnant.

Two plants in Iran were put on hold or cancelled, while no major new projects were recorded for Bahrain or the UAE, save for the $100m second phase of Bateen al-Samar, part of the Sheikh Zayed Housing Programme in the northern UAE emirate of Ras al-Khaimah.
Jennifer Aguinaldo

GULF PROJECTS INDEX

Value of projects planned or under way ($bn)



Source: MEED Projects

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