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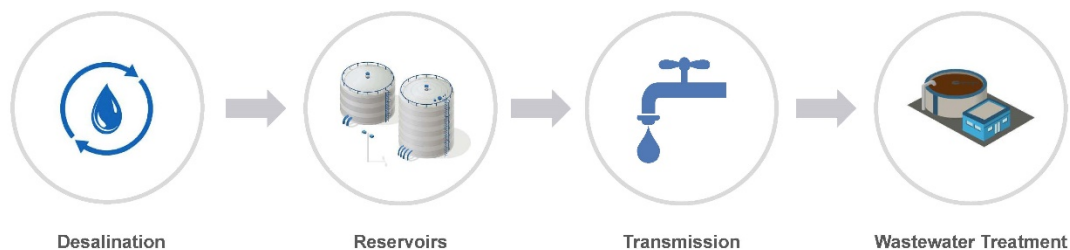
## Foreign Investment Opportunities in the Middle East Water Market

***The Middle East water market continues to expand, creating new opportunities for foreign developers and lenders.***

From Oman to Qatar, Saudi Arabia, and the United Arab Emirates (UAE), the Middle East water market continues to rapidly expand to satisfy increasing demand from population growth. For Asian, European, and US developers and their lenders, there are numerous opportunities of differing scale across the supply chain — notwithstanding fierce competition from market leaders. Investment attraction, of course, depends on risk profile, and different contractual models (including counterparty risk, shareholder control, equity funding, and government credit support) will appeal to different investors.

This *Client Alert* will examine these contractual models as they apply to Oman, Qatar, Saudi Arabia, and the UAE. First, a look at the water supply chain.

Fig. 1 – Supply Chain



### Saudi Arabia

Saudi Water Partnerships Company (SWPC) is currently the leading regional procurer (by volume) of desalination and treatment capacity, and all such projects are currently backed by sovereign credit support from the Ministry of Finance.

In addition to launching new desalination and treatment capacity to the market in Q4 2019, SWPC plans to tender the region’s first independent water strategic reservoirs (IWSRs) in the first half of 2020 and is also looking to tender the region’s first independent water transmission projects (IWTP) in the second half of 2020 (see Table 1 below).

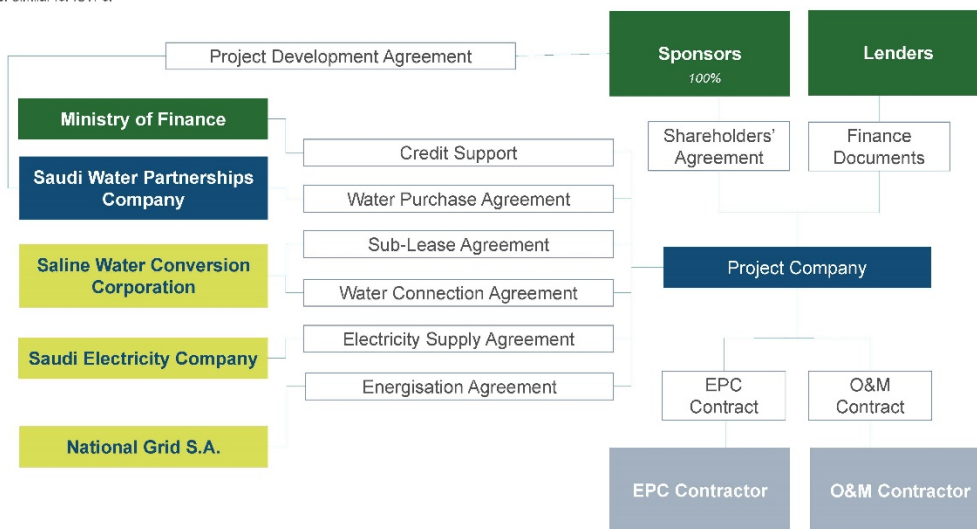
Table 1: SWPC Procurement Plans 2020

Independent Sewage Treatment Projects (ISTPs)	Independent Water Projects (IWPs)	Independent Water Strategic Reservoirs (IWSRs)	Independent Water Transmission Projects (IWTPs)
100 MIGD Madinah 3 (Q1)	150 MIGD Jubail 3B (Q1)	Makkah 1 for north and south Jeddah (H2)	572km Riyadh to Qassim (H2)
40 MIGD Buraydah 2 (Q1)		Makkah 2 for Taif, Al Juranah and Al Jmoom (H2)	350km Jubail to Buraydah (H2)
24 MIGD Tabuk 2 (Q1)		Makkah 3 for Mughammas (H2)	300km Ras Mohaisan to Makkah (H2)

Below is a look at the SWPC contractual model (IWPs).

Fig. 2 – SWPC Contractual Model (IWPs)

Source: PFI Issue 647, 25 April 2019  
 Note: Similar for ISTPs.



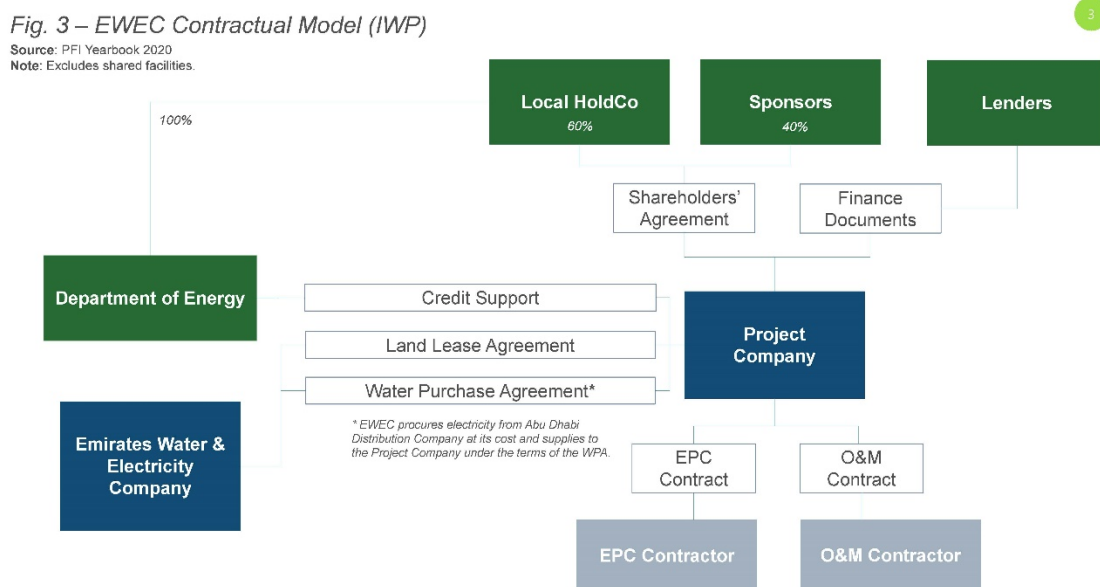
Also in Saudi Arabia, the National Water Company (NWC), which focuses primarily on distribution and transmission, is planning to tender Phase 2 of the NWC Regional Cluster Integration Program in H2 2020. NWC is seeking to privatise the management, operation, and maintenance of its water transmission assets.

Further, the Saline Water Conversion Corporation (SWCC) is currently studying the privatization of all of its production assets in seven phases, and plans to tender the sale of the 1.025m<sup>3</sup>/day and 2,400 MW Ras Al-Khair IWPP (commissioned in 2016) in H1 2020.

### United Arab Emirates

The Department of Energy is planning to procure, on behalf of the Emirates Water & Electricity Company (EWEC), a reverse osmosis (RO) and solar photovoltaic (PV) scheme with a size similar to the recently procured 200 MIGD Taweelah IWP (which will be the world’s largest reverse osmosis plant in the world when it is completed in 2022) and the 1.5GW Al Dharfa solar PV IPP currently out for tender.

Below is a look at the EWEC contractual model (IWPs).



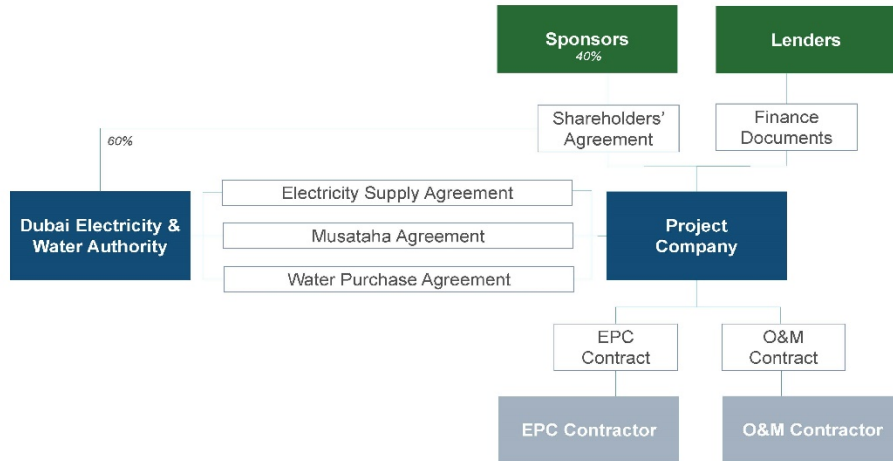
Dubai Electricity & Water Company (DEWA) is currently procuring the 120 MIGD Hassyan IWP. Unlike other regional water procurement programs, the Hassyan IWP is not backed by any guarantee from the Department of Finance. Only two regional consortia submitted a bid, with the Asian and European developers noticeably absent.

Below is a look at the DEWA contractual model (IWPs).

Fig. 4 – DEWA Contractual Model (IWP)

Source: PFI Issue 664, 15 January 2020 and based on IPP model.  
 Note: Excludes shared-facilities.

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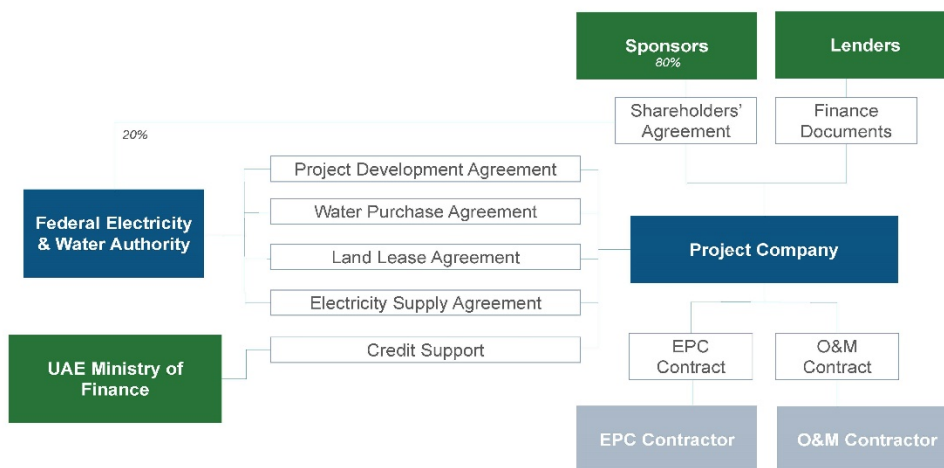
In November 2019, the Federal Electricity & Water Authority (FEWA) procured a 150 MIGD IWP in the Emirate of Umm Al Quwain. This is the first large-scale infrastructure project in the UAE backed by federal government credit support from the Ministry of Finance. This is a remarkable milestone for FEWA that provides a bankable platform for the procurement of much-needed additional desalination capacity in the Northern Emirates.

Below is a look at the FEWA contractual model (IWPs).

Fig. 5 – FEWA Contractual Model (IWPs)

Source: PFI Issue 663, 18 December 2019

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In the Emirate of Sharjah, Sharjah Electricity & Water Company (SEWA) successfully procured a 1.8GW gas-fired IPP in April 2019 and has not made any market announcements to procure stand-alone IWPs.

## Oman

Haya Water recently commenced the prequalification process for the 10 MIGD Misfah ISTP, which is the first in a series of planned ISTPs. And Oman Power and Water Procurement Company (OPWP) is currently procuring the 22 MIGD Barka V IWP, the 33 MIGD North Batinah IWP, and the 66 MIGD Ghubrah 3 IWP, and plans to procure the 27.5 MIGD Wadi Dayqah IWP in 2020.

The Omani government is currently working on a plan to restructure the water sector into a number of regional water companies, which may impact OPWP's future role as a procurer of additional desalination capacity.<sup>1</sup> Water projects are usually backed by credit support from the Ministry of Finance, which would be expected to continue notwithstanding the restructuring of the sector.

## Qatar

The Public Works Authority (Ashghal) is currently procuring a 40 MIGD ISTP, and the Qatar Electricity & Water Company (QEWC) is currently procuring a 2.3 GW / 137 MIGD IWPP — but neither Ashghal nor QEWC have made any market announcements to procure stand-alone IWPs.

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**Endnotes**

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<sup>1</sup> OPWP 7 Year Statement, Issue 13 (2019 – 2025) <https://www.omanpwp.om/PDF/7%20Year%20Statement%202019-2025%20New.pdf>.