Acwa Power was awarded the contract to develop Dubai's first CSP project in 2017

ACWA POWER NARROWS EQUITY GAP WITH ENGIE

It is a close race at the top of MEED's annual GCC power developer ranking as Saudi's Acwa Power ups its game

Saudi Arabia's Acwa Power has narrowed the gap with France's Engie at the top of MEED's annual GCC power developer ranking after the Saudi developer secured both of the two private power projects let in the past 12 months.

Just one month after the 2017 MEED rankings were published, Acwa Power was awarded the contract to develop Dubai's first concentrated solar power (CSP) project, the fourth phase of the emirate's ambitious Mohammed bin Rashid (MBR) solar park. The 700MW solar array and thermal storage unit will require an investment of about $3.9bn and will be Acwa Power's second project at the site, with the developer having already commissioned the 200MW second phase in April 2017.

In July this year, Acwa Power sold a stake in this project to China's Silk Road Fund, leaving the developer with a 34.3 per cent share in the development.

The Saudi developer's first success of 2018 was in its home market, when it was awarded the contract to develop the kingdom's first utility-scale renewable energy project in early February. The developer signed a 25-year power-purchase agreement for the 300MW Sakaka photovoltaic independent power project (IPP) for a world-record tariff of 2.34 $cents a kilowatt hour ($c/kWh).

The solar project will require an investment of $302m and will be located at a site in Al-Jouf in the northern part of the kingdom, over an area of 6 square kilometres. Acwa Power will hold a 70 per cent equity stake in the project – the first under Saudi Arabia's National Renewable Energy Programme (NREP).

Gaining ground

Acwa Power's latest two triumphs bring its total number of IPPs and independent water and power projects (IWPPs) in the GCC up to 18 – just three behind Engie's portfolio of 21.

Engie established its dominant position in the GCC private power market following the merger of the non-European assets of the UK's International Power (IP) and France's GDF Suez in early 2011. The French group's 2014 successes with Abu Dhabi's Mirfa IWPP and Kuwait's first IWPP, Al-Zour North 1, further bolstered its position at the top.

Engie's last success in a GCC private power project was with the 1,500MW Fadhili IPP in Saudi Arabia, for which it signed the contract in July 2016.

Despite Engie's sizable head start following the IP/GDF Suez merger, Acwa Power has made significant progress towards closing the gap at the top of the MEED ranking. In the 2013 developer survey, Engie (then called GDF Suez Energy International) had a 7,449MW equity capacity – almost three times the 2,634MW Acwa Power held at that time.

In the 2018 ranking, Engie's total equity capacity is only about 27.6 per cent larger than its second-placed rival, down from its 37.3 per cent lead in the 2017 list.

Acwa Power's rapid rise is largely due to unprecedented success in 2015 and 2016, when it achieved a strike rate of more than 90 per cent of all tenders it participated in, including major renewables projects outside the GCC in Morocco and Jordan.

The developer has also shown an aptitude for winning tenders across various technologies, having been awarded the contract for the 2,400MW Hassyan coal project in Dubai, the first major coal-fired plant in the GCC.

Upcoming opportunities

Acwa Power may further boost its GCC equity capacity in the coming months, after being one of only two groups to submit proposals for the Al-Dur 2 IWPP in Bahrain in June. The Saudi developer is competing with Japan's Sumitomo Corporation – which made sixth place in the latest developer ranking – for the cogeneration project, which will have a power generation capacity of 1,200-1,500MW. If Sumitomo is successful, it will leapfrog Kuwait's Gulf Investment Corporation to fifth place in the MEED index.

While the GCC's utility providers have all made good progress in awarding or launching renewable energy projects over the past couple of years, there have been major delays on some of the region's largest planned conventional thermal IPP and IWPP projects.

Kuwait has been one of the biggest disappointments for energy firms competing for private power projects in the GCC. In late August last year, the Kuwait Authority for Partnership Projects, the country's public-private partnership (PPP) body, cancelled the tender for the planned Al-Zour North 2 IWPP – more than a year after bids were received from developers in June 2016.

The tender, which was first launched in 2013, suffered from a number of delays as the government reformed the PPP agency and amended the PPP law. The cancellation of the Al-Zour North 2 project also derailed the tender of Al-Khiran IWPP, another major cogeneration plant, which

MEED ANNUAL POWER DEVELOPER RANKING

Company	Country of origin	Equity capacity (MW)	Number of IPPs/IWPPs
Engie	France	8,137	21
Acwa Power International	Saudi Arabia	6,376	18
Marubeni Corporation	Japan	3,158	12
Mitsui	Japan	2,208	4
Gulf Investment Corporation	Kuwait	1,531	5
Sumitomo Corporation	Japan	1,203	4
Samsung C&T	South Korea	945	2
Korea Electric Power Corporation (Kepco)	South Korea	805	2
Chubu Electric	Japan	788	3
Mitsubishi	Japan	712.5	1

Source: MEED

"There have been major delays on some of the GCC's largest planned conventional thermal IPP and IWPP projects"

was originally planned to follow the Al-Zour North 2 scheme.

However, government approval of the long-awaited Umm al-Hayman wastewater and Kabd solid waste PPP projects earlier this year has raised optimism that progress can be made with the IWPP programme. In late July, Kuwait's PPP body launched the expression of interest (EOI) for the next Al-Zour and Al-Khiran projects. The Al-Zour North project will merge the previous planned second and third phases, with a generation capacity of 2,700MW, while the Al-Khiran IWPP is scheduled to have an installed capacity of about 1,800MW. Developers have been invited to submit EOIs by 18 November.

"The UAE will also offer developers opportunities to expand their clean energy portfolios"

There has also been a delay to major power and cogeneration plants in Saudi Arabia, the region's largest utilities market. Developers were invited to express interest in the planned 5,400MW PP15 independent power project in 2016, but as of August this year the request for qualification had not been issued, and the client has provided no timeline for tendering the scheme.

According to sources close to the kingdom's electricity provider, the delay to PP15 and other major IPPs is due to a combination of recent capacity additions coming online, reducing urgent demand for new projects, and major reforms being undertaken across the kingdom's utilities and wider energy sectors, including programmes to privatise the kingdom's existing generation and desalination assets.

The kingdom is, however, expected to issue a tender for a major IWPP before the end of 2018. Saudi Arabia's Water & Electricity Company invited developers to prequalify for the planned Jubail 3 IWPP in June, and is planning to invite bids for the plant – which will have a capacity of 3,000MW and desalination component of 1.17 billion cubic metres a day – before the end of the year. There is also expected to be progress with the procurement of the next phase of projects under the NREP, which is targeting the development of 3.45GW of renewable capacity by 2020.

Alternative energy pipeline

The UAE will also offer developers opportunities to expand their clean energy portfolios. Dewa received consultancy proposals for the planned fifth phase of its MBR solar park, while Abu Dhabi's Department of Energy is currently working on securing land agreements and government approval for its next solar project, expected to have a capacity of 1.5GW. Both of these projects are likely to be tendered in 2019.

Oman, meanwhile, is pushing ahead with two utility-scale solar projects. State oil company Petroleum Development Oman received bids from five developers in July for a planned 100MW project, and Oman Power & Water Procurement Company (OPWP), the state utilities company, has prequalified 12 firms to participate in an upcoming tender for a planned 500MW photovoltaic installation.

In addition to its renewable energy ambitions, Oman is planning to integrate coal into its power sector as part of its energy diversification programme. OPWP is currently finalising the prequalification list for a planned 1,200MW coal-fired IPP and is expected to issue tender documents before the end of October. The sultanate is following in the footsteps of Dubai, which is developing the GCC's first coal power plant. The emirate is planning to tender the next 1,200MW phase of the coal development in the coming year, with state utility Dewa having appointed US-based Deloitte as adviser for the project in July.

UPCOMING PRIVATE POWER PROJECTS

Project	Country	Client	Capacity (MW)	Status
Al-Dur 2 IWPP	Bahrain	EWA	1,500	Bid evaluation
Dumat al-Jandal wind IPP	Saudi Arabia	Repdo	400	Bid evaluation
Solar IPP	Oman	PDO	100	Bid evaluation
Solar IPP	Oman	OPWP	500	Prequalification
Jubail 3 IWPP	Saudi Arabia	SWCC	3,000	Prequalification
Al-Zour North 2/3 IWPP	Kuwait	KAPP	2,700	Bid evaluation
Al-Khiran IWPP	Kuwait	KAPP	1,500	Consultancy EOI
Coal IPP	Oman	OPWP	1,200	Prequalification
Phase 5 solar IPP	Dubai	Dewa	200	Advisers appointed
Facility E IWPP	Qatar	Kahramaa	2,500	Prequalification

Source: MEED

New players

Although the ranking of the top 10 GCC developers remained unchanged in 2018, there is likely to be increased competition from regional and international developers in the coming years.

Japanese and South Korean developers account for seven of the current top 10 positions in MEED's GCC developer ranking, but will face increasing competition from Chinese companies moving forward, due to their experience and capacity for developing renewable, coal and hydropower projects.

China's Harbin Electric and Jinko Solar have both gained GCC equity capacity in the past couple of years, having been partners in successful consortiums for the 2.4GW Hassyan coal IPP in Dubai and Sweihan solar scheme in Abu Dhabi, respectively. Chinese developers seeking to break into the top 10 will likely be able to rely on the support of their local financial institutions, with Chinese banks financing 78 per cent of the total $2.5bn debt for the Hassyan coal project.

It is not only Chinese developers threatening the established order, however, with France's EDF also closing in on the top 10.

Dubai is currently developing the GCC's first coal power plant

After acquiring a stake in the 800MW third phase project of Dubai's MBR solar park in 2017, the French firm recently submitted the lowest bid for Saudi Arabia's first major wind project.

If successful with the Dumat al-Jandal tender, EDF will move to within striking distance of 10th-placed Mitsubishi.

"The planned privatisation of Saudi Arabia's utilities assets is set to have a significant impact on the GCC developer ranking in the coming years"

In addition to the region's energy diversification drive, the planned privatisation of Saudi Arabia's utilities assets is set to have a significant impact on the GCC developer ranking in the coming years.

While the programmes for privatising assets of both Saudi Electricity Company and the Saline Water Conversion Corporation (SWCC) have both faced numerous delays, the recent inclusion of the SWCC's Ras al-Khair power and desalination plant in the kingdom's 2020 Privatisation Road Map affirms Riyadh's commitment to selling generation assets to private investors.

With the kingdom planning to sell off up to 80GW of generation capacity in bundles of 15-20GW, major changes could lie ahead for the Gulf's private developer market.

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