



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

Special Review: Saudi Arabian Monthly Contracts – May 2018

Key Contract Awards for May 2018

In the month of May, Saudi Arabian government entities and firms awarded an estimated \$220 million worth of new contracts, down from April's \$2.1 billion total. Slowed deals activity is expected during the holy month of Ramadan, which began on May 17 this year.

By value, the largest contracts were awarded in the water sector (\$211 million) and the oil sector (\$200 million). *Saudi Aramco* and *Saudi Electricity Company (SEC)* awarded the majority of contracts. *Saudi Aramco* awarded three major contracts totaling \$469 million while *SEC* awarded eight contracts totaling \$153 million. Aramco awarded the largest contract (a \$200 million value) to the Egyptian firm *Engineering for the Petroleum & Process Industries (ENPPI)* for the construction of sulfate removal facilities at Aindar.

Key Deals:

- *Saudi Aramco* and *SABIC* jointly awarded *KBR* a contract for the project management, front-end engineering, and design of a fully-integrated crude oil-to-chemicals complex that is expected to process 400,000 barrels per day of crude oil and to produce nearly 9 million tons of chemicals and base oils. The deal covers finalization of the project scope, selection of technology providers, and front-end engineering and design (FEED). Previously, *John Wood Group* was awarded a contract for preliminary FEED and project management services during the engineering, procurement, and construction phases of the complex.
- *Saudi Aramco* has awarded a contract to the Spanish firm *Acciona* for construction of a reverse osmosis desalination plant that will provide water for Saudi Aramco's residential complex in Dhahran. Reportedly, once finished, the plant will have a capacity of 100,000 cubic meters per day. The *National Water Company (NWC)* and *Saline Water Conversion Corporation (SWCC)* previously appointed the Austrian firm *ILF* to provide design services for the desalination project.
- Under the Kingdom's Vision 2030 goal to develop a self-sufficient gas supply, *Saudi Aramco* has been pursuing the development of unconventional and shale gas resources. As part of this program, *Saudi Aramco* awarded the U.S. firm *Halliburton* a contract to 'improve the commercial viability of its unconventional gas resources.' Halliburton will



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

provide lump sum turnkey stimulation services (including major hydraulic fracturing and well intervention operations).

- **GE** signed a contract with *Saudi Cement* for the upgrade of three turbines at the Hofuf power plant. The contract includes increasing the power plant's output by up to 16.9 percent and reducing the power that Saudi Cement draws from the grid. This in turn will free up power required by the Kingdom's higher residential and industrial demand.
- As part of Saudi Aramco's gas compression program at Haradh and Hawiyah, **Saudi Aramco** awarded a contract to the Saudi-based firm *Networks and System Integration* (NESIC Saudi Arabia, a subsidiary of the Japanese information and technology company NEC). The award is for engineering, procurement and construction (EPC) of a permanent communications system to be installed at the Haradh Increment Program.
- The *Yanbu Aramco Sinopec Refining Company* (a joint venture between **Saudi Aramco** and *Sinopec*), awarded engineering firm **WorleyParsons** a general engineering service (GES) contract. Under the deal to optimize production, **WorleyParsons** will provide engineering and consultancy services for the refinery. The contract includes concept studies, feasibility studies as well as engineering, procurement and construction support, and commissioning assistance.
- **Sadara Chemical Company** (a joint venture between **Saudi Aramco** and **Dow Chemicals**) awarded a detailed engineering contract to a consortium of the U.K.'s *Wood Group* and Al-Khobar-based *Partners Engineering Company*. In the first EO/PO pipeline transportation system in the Middle East and North Africa region, the contract covers two pipelines transporting special feedstock to chemicals manufacturers in a nearby industrial park. The two 7 kilometer-long special material pipelines will transport ethylene oxide (EO) and propylene oxide (PO) from its plants to PlasChem Park, an industrial complex project undertaken jointly by *Sadara* and the *Royal Commission for Jubail and Yanbu*.
- **Saudia Cargo** signed three agreements for the construction of a new cargo handling facility at King Abdulaziz International Airport (KAIA). The new facility will span 75,000 square meters, double the area of the existing facility. It will increase Saudia Cargo's handling capabilities for hazardous material, pharmaceuticals, frozen materials and other various goods. The deal with **Al-Bawani** includes the construction and implementation of the project. A contract with *Siemens* covers provision of mechanical



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

equipment and advanced cargo handling systems. Finally, *AECOM* will act as supervisor of the new facility's engineering works. The first phase of the project is planned to begin in June 2018 and to conclude by November 2019. The second phase is scheduled to begin in June 2020 and to end in December 2021.

- *Middle East Healthcare Company (Saudi German Hospital)* awarded \$160 million worth of contracts to the Saudi-based *International Hospital Construction Company (IHCC)* for the design and construction of hospitals in Dammam and Makkah. For the work in Makkah, the first award is \$103.7 million for building a hospital. The second deal is \$30.3 million for the building of staff accommodations. In Dammam, the contract is \$26.1 million for staff housing.
- *Dammam Airports* awarded the U.K.-based *Serco Group* a contract (value undisclosed) to provide fire and rescue services for King Fahd International Airport over the next 10 years. Reportedly, the deal included training of airport personnel in fire safety and rescue operations and also aims to boost efficiency and increase airport capacity (presently 12.6 million passengers a year).

Saudi Arabian Joint Venture and Partnership Summary

U.S. Petrochemicals Plant

Saudi Arabia Basic Industries Corporation (SABIC) and ***ExxonMobil Chemical Company*** formed a new joint venture worth nearly \$10 billion for their Gulf Coast Growth Ventures project in Portland, Texas. The project is expected to include a 1.8 million ton ethane cracker, two polyethylene units, and a monoethylene glycol unit.

The joint venture for the new U.S. petrochemicals plant is SABIC and ExxonMobil's third joint venture. The two companies already have two long-standing joint ventures in Saudi Arabia. SABIC operates the other two long-standing joint ventures at Kemya in Jubail and Yanpet in Yanbu.

Before beginning construction, the companies must complete the environmental permitting process. Reportedly, the plant will be operational by 2022 and is expected to create 600 permanent jobs, 3,500 indirect operational jobs, and up to 6,000 construction jobs. The project is expected to generate over \$22 billion in economic output during construction and more than \$50 million within the first six years of operations.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

Licensing for Cancer Pain Medication

Insys Therapeutics and *Lunatus* entered an exclusive licensing partnership for the Middle East commercialization of the medication *Subsys*. The medication is manufactured and distributed by *Insys* in the U.S. and has received FDA approval for the ‘management of breakthrough cancer pain in opioid-tolerant adult cancer patients.’ *Lunatus* is the exclusive licensee for *Subsys* in Saudi Arabia as well as in the U.A.E., Bahrain, Jordan, Kuwait, Lebanon, Oman, and Qatar. The partnership terms specify that *Insys* supply *Subsys* to *Lunatus*. The latter party will then obtain the required regulatory approvals for the commercialization of *Subsys* in the licensed countries.

Industry Feature – Desalination Projects

Saudi Arabia continues to emphasize the development of its desalination and water storage facilities across the country given the dry climate and high levels of water consumption. Increasing use of water by the residential and industrial segments has contributed to the depletion of scarce freshwater sources and some instances of water shortages. Water costs in the Kingdom are heavily subsidized, with an increase in taxes on water consumption in 2016 adding little to the overall cost.

Several large desalination projects are under construction. The Al-Khafji Solar-Powered Saline Desalination Plant currently under construction in Saudi Arabia’s Eastern Province will have a capacity of 15MW photovoltaic (PV) solar power and will use the new desalination method known as Solar Saline Water Reverse Osmosis (SWRO) using ultra-filtration (UF) for the pre-treatment process. The plant will have the capacity to supply 60,000 cubic meters of desalinated seawater per day to the city to provide a constant water supply throughout the year.

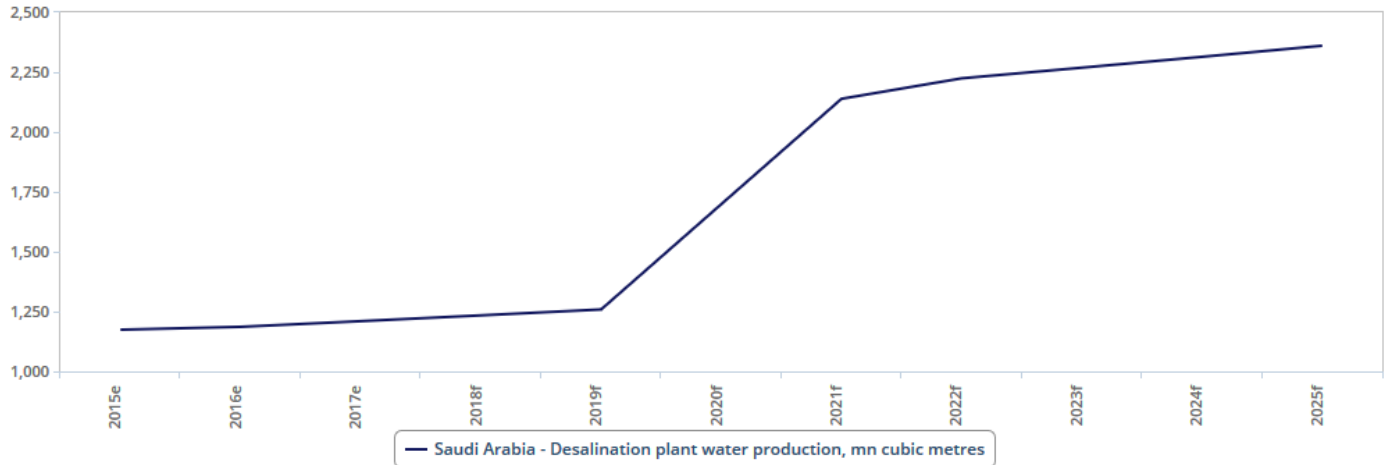
Another important desalination project currently underway is the Yanbu Power and Desalination Plant Expansion project. Once completed, it will have a desalination system capable of producing 30,000 cubic meters of desalinated water per day.

The desalination capacity in Saudi Arabia will increase sharply over the next couple of years as major projects are completed. In particular, we project a 35 percent y-o-y increase in production capacity from 2019 to 2020.



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U.S.-Saudi Arabian Business Council

Saudi Arabian Desalination Plant Water Production (mn cubic meters)
2015-2025 Forecasts



Source: The Council, BMI Research

Megaproject Feature – 5G Technology

Early in 2018, Saudi Arabia established a task force to prepare the administrative foundations to launch 5G technology. Al Khobar, Saudi Arabia announce that it would be the first city in the Middle East to pilot 5G technology. A report by the International Telecommunication Union (ITU) noted that the launch of the project would follow license issuances from Saudi Arabia’s national ICT regulator.

The Kingdom’s Communications and Information Technology Commission (CITC) issued licenses to test the 5G mobile network using 100 MHz channels with the bandwidth range 3.6GHz - 3.8GHz. The CITC outlined a plan to transition from the first batch of trial licenses to full and exclusive 5G spectrum license awards (3.6GHz - 3.8GHz) by 2019. An additional round of awards in a mm-wave spectrum will likely follow in 2020.

The new technology is expected to surpass the limits of previous wireless technologies with a data-transmission speed of more than 1Gbps. While the short-term impact of 5G may be limited, in the long-term, the new technology would support other technologies, especially robotics, virtual reality, and the Internet of Things (IoT). Many large operators have noted they expect 5G technology to drive IoT, smart cities, digital transformation, and a fourth industrial revolution.



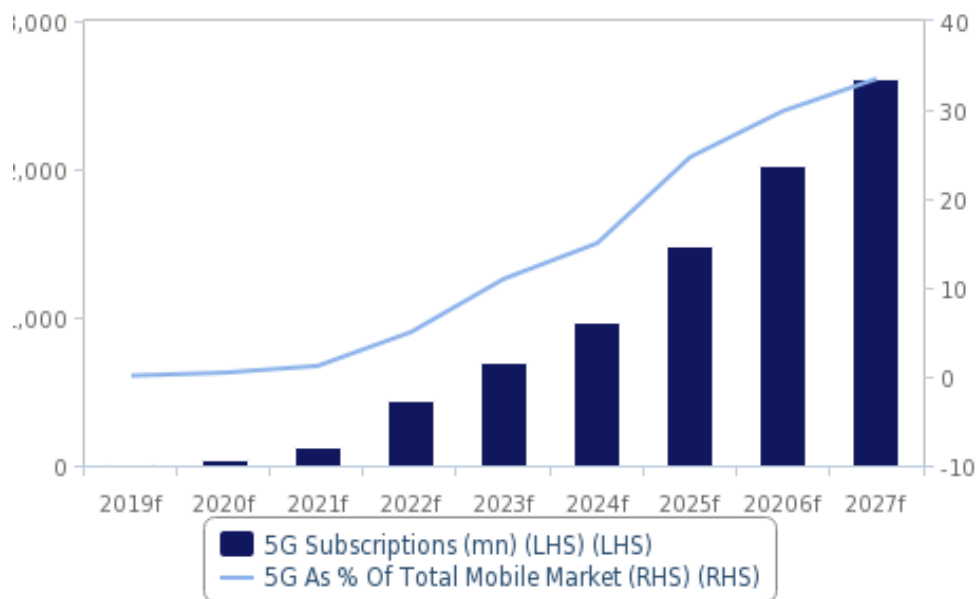
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U.S.-Saudi Arabian Business Council

In rapid succession of one another, *Etisalat*, *STC*, *Ooredoo*, and *du* have each claimed to be the first entities to launch commercial 5G technology.

Saudi Arabia’s *STC* reported its 5G launch and first wave of service expansion in the Eastern Province. The company will initially focus on network building across the other regions as compatible devices become more readily available in 2019.

The standards for 5G standalone and not well defined. The market for 5G services will initially remain limited as consumer devices – like smart phones and tablets – that are compatible with 5G will not yet be available until 2019 or 2020.

5G Forecasts, 2019-2027



Source: *The Council*, *BMI Research*



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U.S.-Saudi Arabian Business Council

Megaproject Feature – Makkah-Madinah Railway

The Haramain High Speed Rail (HHR) connecting Makkah and Madinah is scheduled to open in September 2018 according to the Saudi Arabian Ministry of Transport. The publicly-funded electric high-speed rail was designed and executed in two phases. The local/Spanish consortium Al-Shoula Group was awarded a \$8.2 billion contract for phase 2 of the project in 2011. The Al-Shoula consortium includes the following companies and functions.

- Adif/Renfe (12-year operation and maintenance)
- OHL/Copasa/Imathia (tracking construction and maintenance)
- Inabensa/Cobra (electrification and electro-mechanical equipment)
- Talgo (rolling stock)
- Dimetronic - recently acquired by Siemens (signaling)
- Indra (ancillary and control systems including intrusion detection and ticketing)



The project will have the capacity to operate trains at a speed of over 300 kilometers per hour. The Haramain line is designed with five passenger stations at Central Jeddah, King Abdulaziz International Airport (KAIA), Makkah, Madinah and King Abdullah Economic City in Rabigh. Once operational, the new line is likely to carry passengers for the Hajj and Umrah pilgrims and to relieve traffic congestion by transporting 60 million passengers a year.

The project includes a 450km main line and a branch line of around 4km which will extend to King Abdulaziz International Airport (KAIA) in Jeddah. The first pilot journey of the first 450km was tested in January 2018.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

Contract Awards Summary May 2018

New Saudi Arabian Contract Awards, May 2018

Industry	Project	Client	Contract Value (\$m)
Power	Taibah to Madinah OHTL	SEC	45
Gas	Permanent Communication System in Haradh and Hawiya	Saudi Aramco	100
Power	Construction Of 380 KV D/C OHTL for TBH PP BSP	SEC	23
Transport	King Fahd International Airport: Baggage Handling System	GACA	70
Water	Jabal Omar: Expansion Of District Cooling Plant	Saudi Tabreed	42
Power	Haradh & Hawaiyah BSP North(4400010707)	SEC	15
Power	Haradh And Hawaiyah BSP South (4400010708)	SEC	15
Oil	Sulphate Removal Facilities Project	Saudi Aramco	200
Power	132/13.8 kV Substation in Riyadh (8197)	SEC	13
Power	Construction of 132/13.8kV Substation (8196)	SEC	13
Construction	KAIA : Cargo Terminal in Jeddah	Saudi Arabian Airlines	90
Water	South Dhahran Residential Project: Seawater Desalination Plant	Saudi Aramco	169
Power	Haradh & Hawaiyah BSP Satellite (400010830)	SEC	15
Power	132/13.8 kV Substation in Riyadh (8195)	SEC	14

Source: The Council, MEED

Dow Chemical Company is a Chairman's Circle member of USSABC.

ExxonMobil Corporation is a Chairman's Circle member.

Saudi Aramco is a Chairman's Circle member.

WorleyParsons is a Chairman's Circle member.

KBR is a Platinum member of USSABC.

GE is a Platinum member.



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

SABIC is a Platinum member.

Sadara Chemical Company is a Platinum member.

Saudi Electricity Company is a Platinum member.

Al-Bawani is a Gold member.

Saudi Electricity Company is a Silver member.

The U.S.-Saudi Arabian Business Council (USSABC) is the premier organization connecting U.S. and Saudi businesses. The Council provides Access, Networking, and Insight to member and non-member companies that look to achieve strategic market and investment objectives in Saudi Arabia or the U.S. The USSABC has a broad membership base of leading companies from the U.S. and Saudi Arabia, and enjoys strong government support from both countries. The Council's mission is to foster, develop, and expand the strategic business alliance between the U.S. and Saudi Arabia. For more information, please visit www.us-sabc.org.