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Middle East Projects Update

Summer 2018

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Introduction

We are pleased to present you with our first Middle East Projects and Infrastructure update in 2018.

In this update, we highlight some of the notable developments in Bahrain, Iraq, Lebanon, Oman, Saudi Arabia, Turkey and the United Arab Emirates including:

- Strong pipeline of projects in Bahrain
- Positive outlook for Iraqi oil and gas sector
- Billion-dollars of investment projects announced in Lebanon
- PDO is set to invest more than US\$ 20 billion in its ongoing production from existing hydrocarbon projects moving forward to 2021
- UAE's ADNOC plans for attracting investment of US\$ 45 billion in downstream oil projects
- Dubai plans to develop a 300 megawatt solar power plant
- South Korean company to build state of the art hospital in Sharjah, UAE
- Third airport of Istanbul to be operational by October 2018



Bahrain

2017 proved a bumper year for the Bahraini economy in terms of GDP growth. Growth was driven by an ebullient non-oil sector which posted a 5% YoY gain in a clear positive departure from the 4% pace achieved in 2017. The strong momentum of the economy was reflective both of an unprecedented infrastructure investment pipeline as well as sustained efforts to improve the business environment.

Listed below are some of the key developments that are expected to complete in the near future:

- **Bahrain light rail network project** - Bahrain's Transport and Telecommunications Ministry expects to issue the request for proposal for the transaction advisory contract for the first phase of the Bahrain light rail network project towards the end of 2018.
- **Project Saada** - Endorsed by Bahrain's Prime Minister Prince Khalifa bin Salman Al Khalifa in October 2016, the development of Muharraq Water Front Project (Saada) is underway. The project consists of a total site area of 18,100 sqm. The project comprises of two parts - the first will include a number of restaurants and cafes, a marina, and entertainment facilities. The second part of the project will feature a 4-star hotel, a multi-story car park and a traditional souq.
- **Bahrain Airport Modernisation Programme** - The project involves a major expansion and upgrades the Bahrain International Airport's infrastructure and services. Upon the completion in 2020, it is expected that the airport's capacity will increase to accommodate 14 million passengers a year.
- **The Avenues Bahrain** - This will be the first commercial and entertainment mall of its kind in Bahrain, with a seafront location extending 1.5 km.
- **Bahrain Bay** - This is a mixed-use, urban, luxury waterfront development designed by architectural firm Skidmore Owings & Merrill. Other consultants and contractors include Atkins International, Dalkia, MACE, HAJ, Boskalis Westminster and AMA. The project will cover a total property area of 1.45 million sqm and incorporate residential, commercial, hotel, tourism, corporate headquarters, as well as community facilities and public amenities.
- **Bahrain Marina** - Bahrain Marina will be located in the capital, Manama. The 300,000 sqm mixed-used project will include five-star luxury hotel and hotel suites along with freehold apartments and waterfront villas, a shopping mall, a fully-integrated family entertainment and educational centre and a recreational waterfront space with dining and retail spaces.
- **Alba Line 6 Expansion Project** - One of the largest brownfield developments in the region. Expected to begin production by 1 January 2019, this project will boost the smelter's per-annum production by 540,000 metric tonnes, bringing its total production capacity to 1.5 million metric tonnes per year. The expansion will make Alba the world's largest single-site aluminium smelter.
- **The Mall of Dilmunia** - Bahrain's first family-centric mall concept, The Mall of Dilmunia is located in the Muharraq Governorate.
- **Marassi Al Bahrain** - An 875,000 sqm waterfront development located on the northern shores of Bahrain's largest master-development, Diyar Al Muharraq. The master plan includes several residential projects, such as Marassi Residences; Marassi Shores Residences; and Marassi Boulevard. It will also include Marassi Galleria, a 180,000sqm mall connected to the 110-room The Address Hotel and 160-room VIDA Hotel.



Iraq

Political Development

During the Kuwait International Conference for Reconstruction of Iraq held between 12-14 February 2018, some 76 countries and regional and international organisations, 51 development funds and financial institutions, and a large number of local, regional and international nongovernmental organisations attended this conference and pledged almost US\$ 30 billion to assist in Iraq's reconstruction after the war with the Islamic State. The amount pledged was less than the estimated US\$ 100 billion which Iraq requires.

On 12 May 2018, Iraq held its parliamentary elections to elect the members of the Council of Representatives who will be responsible to elect Iraq's next President and Prime Minister. On 19 May 2018, the electoral commission stated that a coalition called Sairoon Alliance (the Alliance of Revolutionaries for Reform), which is led by Muqtada al-Sadr (an Iraqi Shia cleric and leader of Sadrist Movement) won 54 seats, followed by Fatah Alliance with 47 seats and the current Prime Minister's Victory Alliance with 42 seats out of 328 seats available in the election. This means that with no clear majority, the Sairoon Alliance which has won most seats is in the best position to form a government and elect the next Prime Minister through creating a coalition with other parties.

The political affiliations of the next Prime Minister of Iraq may have some impact on the awarding of projects and availability of reconstruction pledges made during the Kuwait International Conference.

Oil and Gas Sector

In January 2018, the Iraq Ministry of Oil awarded the contract for the development of Al Faw Refinery located near Basra to PowerChina and Norinco International. The estimated cost of the project is US\$ 3 billion and once completed it will have 300,000 barrel per day capacity. The project is intended to be based on a build-operate-transfer model and is expected to be completed by 2020. This project is likely to have a significant impact on Iraq's oil refining capacity.

Six oil and gas blocks were awarded in Iraq's fifth licensing round in April. Among the successful bidders were Crescent Petroleum, Geo-Jade Petroleum Corporation and United Energy Group. In a move that reflects industry concerns with the new Iraqi petroleum contract model offered as part of the fifth licensing round, several international oil companies, which expressed initial interest in the auction, decided not to bid.

International oil companies have been fundamental in rejuvenating the country's oil and gas sector in the post-Saddam era and 2018 has seen Iraq's national oil companies taking a more dominant role in shaping the sector's future. Following Shell's announcement that it would withdraw from the giant Majnoon field, Barsa Oil Company took over operatorship of the block and sub-contracted the field's operations to Anton Oilfield Services and Petrofac. More recently it was announced that the government would assume control of the Mansuriyah gas field near the Iranian border. Citing delays in resuming operations after they were ceased in 2014 due to safety concerns relating to Islamic State, Iraq's Oil Minister, Jabar al-Luaibi, announced that the current co-venturers TPAO, Kogas and Kuwait Energy Company would be replaced by state run firms.



Lebanon

On 6 May 2018, Lebanon held its first national parliamentary elections since 2009.

In the same month, Lebanon's High Council for Privatisation and PPP announced that it has taken the preliminary steps for developing two major projects in Lebanon. The first project is the development of Khaldeh-Nahr Expressway which is estimated to cost around US\$ 2.9 billion. The project will connect Khaldeh and Nahr Ibrahim in Lebanon and will include a 12km tunnel and a 20km three to four lane expressway.

The second project is the expansion of Rafic Hariri International airport in Beirut. The project will cost around US\$ 200million and will increase its capacity from 6 to 10 million passengers per year.

Earlier this year, the Lebanese government had announced plans to seek funding for an infrastructure investment program worth between \$16 and \$17 billion at the Cèdre donor conference that was held in April in Paris during which it was also announced that investments would be allocated to more than 250 projects across transportation, water, sewage, and electricity sectors to be implemented in two phases within a period of eight to ten years.

Lebanon's first oil and gas licensing round has seen two offshore blocks awarded to a consortium of Total, Eni and Novatek. Exploratory drilling in Block 4 is expected to commence in 2019. The award includes Block 9, located partially on the disputed Lebanese-Israeli maritime border.



Oman

Oil and Gas Sector

The oil and gas sector in Oman is buoyant with investment, both foreign and domestic, on the rise. Hydrocarbon investments are increasing in Oman as majority state owned company Petroleum Development Oman (PDO) is set to invest more than US\$ 20 billion in its ongoing production from existing hydrocarbon projects moving forward to 2021. Participation in Oman's oil and gas sector by foreign investors who provide support, services and materials maximising capex savings, drilling efficiencies and well optimisation is increasing. PDO reports such efficiency measures have produced nearly US\$ 400 million savings between its oil and gas operations in recent years.

The first phase of BP's Khazzan gas development came on-line in September 2017. Phase two of the development, known as Ghazeer, was approved by BP and its co-venturer Oman Oil Company Exploration & Production in April 2018. As one of the biggest tight gas projects in the Middle East, both phases will together develop an estimated 10.5 trillion cubic feet of recoverable gas resources. It is expected that the majority of Khazzan's output will be consumed within Oman to meet rising domestic consumption and as feedstock for the on-going development of the Sultanate's downstream and petrochemical industries.

Economic Freezones

Oman boasts five economic freezones in various states of development and operations. Each of Sohar, Salalah, and Duqm is an industrial, warehousing, manufacturing (heavy and light) hub with full port and logistics facilities. Knowledge Oasis Muscat is an information and technology hub and business start-up incubator. Al Mazunha is a warehousing, light manufacturing, textiles and food services and logistics area aimed at increasing trade and economic benefit between Oman and Yemen. Investment in these economic freezones is strong and increasing. Freezone investors benefit from reduced tax rates, full foreign ownership of freezone companies, exemptions from import and re-export duties, lower capitalisation requirements and minimum Omanisation quotas. The Duqm Special Economic Zone alone currently benefits from 2 major investment projects. One is a joint venture between Oman Oil Company and Kuwait Petroleum Corporation for the construction of an oil refinery project valued at US\$ 7 billion. This refinery project is expected to be operational by 2022 with a refining capacity of 230,000 barrels per day. Also at the Duqm Special Economic Zone, a Chinese investment company is developing extensive manufacturing and refining capacity, an investment valued at approximately US\$ 10 billion.

Economic Overview

Macroeconomic studies show Oman's Economy is strong and stable and will remain so through 2018 with inflation remaining flat at 3.2%. The International Monetary Fund predicts Oman's GDP will grow by 4.2% through 2019 in comparison to GDP in the MENA region falling to 3.2% for the same period.



Saudi Arabia

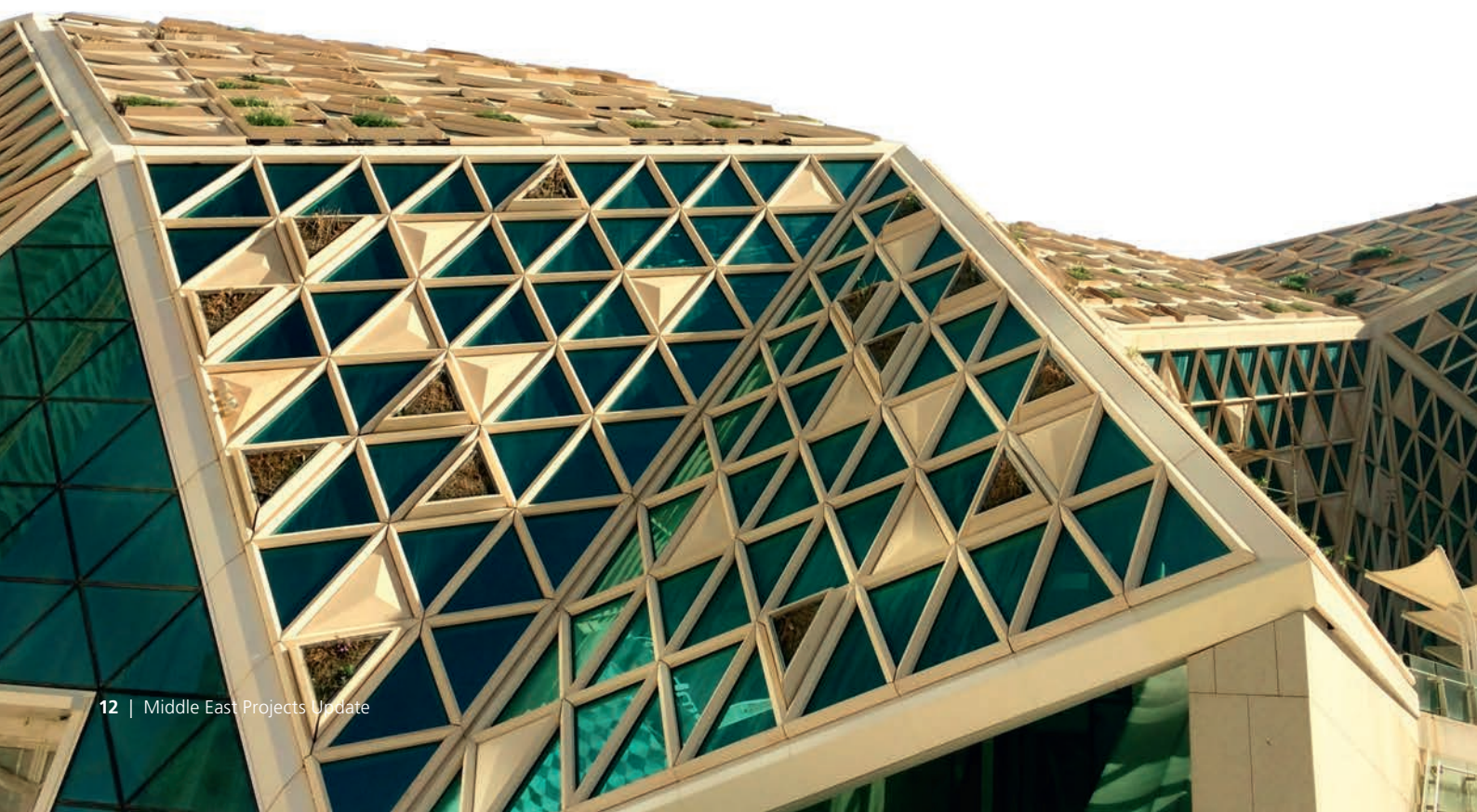
Social Infrastructure and Transport Sectors

As part of the 2030 vision (announced in 2016), public spending in the Kingdom, particularly in infrastructure and transport sectors, is expected to double to US\$ 14.4 billion in 2018. Saudi Arabia's sovereign wealth fund, Public Investment Fund (one of the largest in the world), is expected to have a greater role in the development of some of the significant projects announced by the government including the development of the Neom City, which will be a new business and industrial city that is expected to cost around US\$ 500 billion.

The government has also stated that it plans to invest US\$ 64 billion in the country's entertainment industry over the next 10 years, which includes the development of an Entertainment City near Riyadh that will be three times the size of Paris and will contain amusement parks, concerts halls and even a safari.

Energy Sector

As part of the 2030 Vision, in March 2018 the Saudi government signed a memorandum of understanding with Japanese conglomerate SoftBank to develop the 200GW SoftBank Solar Project by 2030. This project has the potential to create 100,000 jobs and will cost approximately US\$ 200 billion.





Turkey

Recent Presidential and Parliamentary Elections

The first presidential and parliamentary elections following the Constitutional Referendum of April 2017 have taken place on 24 June 2018. The ruling party of almost 16 years, Adalet ve Kalkınma Partisi (*Justice and Development Party*), together with its ally, has won the majority in the Parliament and Recep Tayyip Erdoğan secured the Presidency for another 5-year term.

Public-Private Partnerships and Infrastructure Sector

For the last 5 years, Turkey was very active with the public-private partnership and infrastructure investment, awarding contracts for the construction and operation of city hospitals, bridges, tunnels and the third airport of Istanbul. Most of these investments are either completed or about to be completed, with the third airport of Istanbul is announced to be operational by 29 October 2018 – the Republic Day of Turkey. After the election, the expectation in the market is that there will further public-private partnership projects in the healthcare, education and infrastructure sectors.

During the election campaign, Recep Tayyip Erdoğan has indicated that the preparations to build Kanal Istanbul - a project for the development of an artificial sea-level waterway between Black Sea and Marmara Sea will be completed soon. This is a billion dollar project involving the construction of office and residential buildings along the waterway.

Energy Sector

As an active promoter of renewable resources, Turkey has conducted public tenders in 2017 and awarded two public contracts for the construction and operation of wind and solar farms with installed capacity of 1,000 MW each. It is expected that there will be further development in the field with public tenders anticipated to take place late this year for the development of new investments. Especially, there are reports that Turkey is considering to auction the construction of first off-shore wind farm.

Turkey is also looking to further invest in the nuclear energy field. The first nuclear power plant is being constructed in the south of Turkey and is expected to be operational by 2023. In 2013, Turkey awarded a public contract for the development of a second nuclear power plant in north of Turkey with the intergovernmental agreement ratified in 2015. Preparatory works to start the construction is underway.

In 2014, the Turkish government also signed a memorandum of understanding with SNPTC and Westinghouse for a third nuclear power plant. The reports suggest that a recent governmental visit to China by the Turkish government has revived the project, with further developments expected to take place in the upcoming months.



United Arab Emirates

The UAE has one of the most active project sectors in the region with a significant number of projects relating to the Dubai Expo 2020. According to the Middle East Economic Digest more than 23 construction related contracts worth more than US\$2.5bn are expected to be awarded in 2018.

Oil and Gas Sector

This year has seen the Emirates of Ras Al Khaimah, Sharjah and Abu Dhabi announce debut oil and gas licensing rounds. While Abu Dhabi is likely to attract attention from the biggest players in the industry, it will be interesting to observe how successful Ras Al Khaimah and Sharjah are at attracting investment in their projects, which will likely be smaller and riskier. All three Emirates will announce the winners of their respective licensing rounds in November 2018.

In May 2018, the Abu Dhabi National Oil Company (ADNOC) unveiled a five year plan to attract investment of US\$ 45 billion in its downstream sector including plans to expand the capacity of the Ruwais Industrial Complex, which will see this complex become the world's largest integrated refining and petrochemical complex. This project is expected to be completed by 2025. As part of this plan, ADNOC signed a memorandum of understanding with Italy's Ravago Group in May 2017 to create a joint venture to produce downstream derivative products for this complex.

In March 2018, ADNOC also awarded Samsung Engineering with the contract to construct a new power and water generation plant at the Ruwais Industrial Complex. The estimated value of the contract is US\$ 473 million and is expected to be completed by 2023. Samsung Engineering was also awarded the EPC contract for a crude oil processing project at the Ruwais Industrial Complex. The estimated value of the project is US\$ 3.1 billion and once completed by the end of 2022 it will enable the Ruwais Industrial Complex to process up to 420,000 bpd of Upper Zakum crude.

Social Infrastructure and Transport Sectors

In May 2018, Sharjah Investment and Development Authority (Shurooq) signed a memorandum of understanding with South Korean companies REI Holding Group and Haewon Medical Foundation Sejong General Hospital for development of the first South Korean hospital in the UAE. The hospital will offer state-of-the-art Korean technologies and solutions specialising in open-heart surgery, cardiac care and medical expertise in other fields.

Power and Water sector

In May, Dubai Electricity and Water Authority (DEWA) announced its plans to tender a 300 megawatt concentrated solar power plant for the Mohammed bin Rashid Al Maktoum Solar Park before the first quarter of 2019.

The CSP unit will be tendered with storage. The solar park, being built in phases, is set to have a 5,000MW capacity by 2030 and will be the largest independent power producer (IPP) model single-site solar park in the world, once completed. Dubai, currently meets 4% of its power needs from solar with the remainder generated from natural gas. The emirate has targeted generating 25% of its energy needs from clean resources by 2020, which it hopes to scale up to 75% by 2050.

DEWA plans to spend around Dh 81 billion over the next five years to develop its energy infrastructure. Of the planned spend, Dh 39 billion would go to the IPP developer.



CMS in MENA

The Middle East is one of the world's fastest growing and diversifying economies. Prospects for the region remain upbeat with businesses adjusting to the 'new normal' oil price and growth in sectors outside energy, in particular Fintech, Edtech and Insuretech, e-currency, e-commerce and disruptive technologies, while other traditional key sectors of education, healthcare and hospitality remain strong.

Our regional platform is unique in terms of locations and our genuine commitment and expertise in key sectors. This allows us to support our clients in the growth of their regional business in some of the most exciting jurisdictions in the region, where we combine local knowledge with international experience offering advice in Arabic, English, Farsi, Russian and French.



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