GCC goes green

The need of the hour is progress in alternate energy sector

Solar panels (left) on the roof of the Masdar Institute of Science and Technology in Abu Dhabi. Masdar is on track to develop a clean-energy city on time. — *Bloomberg*

According to the World Energy Council, the Gulf region alone will require 100GW of additional power by 2020 to meet increased demand, growing at 7.7 per cent annually. The GCC utilities contract awards are expected to exceed $30 billion in 2013. Saudi Arabia will have $17 billion worth of new contracts. Kuwait and the UAE are forecast to reach deals worth $4 billion over the same period. Qatar is expected to sign $3 billion of new deals, Oman $2.5 billion and Bahrain closes out the figures with $1billion. In 2012 more than $12 billion worth of construction contracts for power and water projects were awarded in Saudi Arabia.

Public partnership models for projects such as power and alternate energy are successful only when commitment prevails. UK had been quite successful in the public private partnership through private finance initiative (PFI). UK and Australia also have well defined PPP units and have successful track on projects. The main advantage of private sector participation is it results in efficiency in delivery and management of projects and in addition to government private players can also participate in the GCC diversification through capital funding. There are globally private equity (PE) players such a as Global Cleantech Capital, Hudson clean energy which focus on clean energy generation and energy efficiency. Depending on the appetite Global PE players can look for opportunities in alternative energy. Islamic finance can also play a role in financing alternative energy.

A review of power project trends in Qatar indicate that since 2001, Qatar General Electricity and Water Corporation (Kahramaa) has awarded private projects such as the Ras Laffan B independent water and power projects (IWPP), the Mesaieed IWPP and the Ras Laffan C IWPP. IP-GDF Suez was one of the largest foreign developers in the power sector in Qatar with equity capacity of 956MW. Qatar's IWPP expansion strategy is expected to deliver increase in desalinated water, with production due to rise from 290 million cubic metres a year (cm/y) in 2011 to 340 million cm/y by 2015.

Most GCC member countries have minimum five per cent renewable energy procurement target by 2020. The major projects in GCC include Shams1 Solar CSP project, Paris Sorbonne, Zayed University, Muharraq Waste Water Project, Bahrain and Medina Airport Scheme, Saudi Arabia and ACWA Power, Saudi Arabia. Bahrain was set to build two new 'hybrid' power plants for solar and wind energy at a cost of around $8 million produces five megawatts of energy. Kuwait is planning to establish a solar energy plant to generate electricity at an estimated cost of $ 650 million. The ambitious $19 billion Masdar City, Abu Dhabi is already six years into production and has been set a completion date of between 2020 and 2025. In March 2011 France's Total, Spain's Abingdon, and Abu Dhabi-based Masdar gained $600 million bank loan to build the plant, named Shams 1, Solar power financing project. The Shams 1 plant is being built under the independent water power and power producer (IWPP) model that Abu Dhabi already uses for conventional power and water desalination.

> **"The $19b Masdar City is already six years into production and set to complete on time**

> **7.7%**
> **annual rise in energy demand expected**

Japanese and Korean contractors currently lead the way in providing contracting services to the power industry and they bring associated finance from their export credit agencies (ECAs). ECAs usually function as a public institution that helps the export activities of local companies by providing direct funding and participating in project financing as a guarantor for commercial banks.The financing of the Ras Girtas IWPP project was led by Qatar Petroleum and funding was obtained from Japan Bank for International Cooperation and a consortium of major commercial banks.The Mesaieed IWPP project has been financed with strong support from Japan Bank for International Corporation and several other reputed banks.

The region faces challenges of building more power capacity for growing populations while supporting increased infrastructure development. There is lack of clarity surrounding government policies on green initiatives. In the EU and the US, for example, the private sector works closely and openly with government stakeholders which creates efficiency and stability and encourages long-term private sector investment. The Gulf region should work to introduce a feed in tariff (FIT), investment tax credits (ITC), or renewable portfolio standards which are all effective subsidies to facilitate the development of renewable energy projects.

The author is the group chief executive officer at Doha Bank. Views expressed are his own and do not reflect the newspaper's policy