

# Private power projects set to expand in region

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The concept of Independent Water and Power Projects (IWPP) is finally taking off in our region after almost a decade of its launch. This will help enable and encourage the private sector to invest in the expanding and capital-intensive water and electricity industry.

The latest addition is the 2,000 MW Fujairah F2 power plant, the largest in the UAE. It is currently being commissioned and expected to be fully on stream before the end of 2010, costing \$2.8 billion (Dh10.2 billion).

The fuel for the plant is mostly natural gas from the 2,000 million cubic-feet-a-day Dolphin Energy pipeline between Qatar and UAE in addition to some oil fuel for emergencies.

Demand for power in the UAE is expanding and the capacity is expected to double to 40,000 MW by 2020 with a parallel increase in demand for water. The northern emirates is particularly in need of additional power for its economic and urban development and this project will go a long way in providing resources as it will be connected to the national grid.

In addition to electricity, the project is expected to produce 130 million gallons much-needed desalinated water per day.

This is probably the least expensive way of producing desalinated water because it depends on the rejected heat of the power plant thereby increasing the efficiency of the integrated operation.

While the plant will be owned by the Fujairah Asia Power Company (established in 2007), the shareholders are the Abu Dhabi Water and Electricity Authority (60 per cent), International Power (20 per cent) and Marubeni (20 per cent). Therefore, the majority shareholder is still a state-owned entity and it's essential at this stage to assure and encourage the private sector.

## **Guaranteed purchase**

The state will ensure fuel for the plant and guarantee purchase of all the electricity and water.

In Saudi Arabia, the Supreme Economic Council passed a resolution in 2002 setting out a framework for private sector involvement in developing IWPP and later announced a plan to launch ten IWPPs by 2016, at a total cost of \$16 billion.

The Saudi Electricity Company has already approved four projects in the Kingdom, worth more than \$8 billion where the combined production will be more than 7,000 MW of power and 600 million gallons of water daily when operated by the end of this year.

For this purpose, a private Saudi company, ACWA Power International was set up as a credible and capable development partner for IWPPs as it would help identify opportunities and also lead a consortium of development partners in addition to selecting consultants and contractors and operations and maintenance companies.

Such a development is indeed a higher stage in the involvement of the private sector.

Similarly, Oman recently signed a contract with a consortium led by France's GDF to build two gas-fired power plants at a combined estimated cost of \$1.8 billion and a capacity of 744 MW in Barka and Sohar. Both Omani private firms and Japanese companies are part of the consortium in addition to a partnership where the Omani Public Authority for Social Insurance will join in this field of investment.

This idea is well established in developed countries but it has yet to catch up in our region. This will help give social insurance funds a new field of investment other than the traditional property sector.

The inputs and off-take agreements will be signed shortly for a period of 15 years and the two projects are expected to start operations in 2012 and be fully operational by the following year. Unfortunately, the Omani projects do not include desalination components, which may come later.