Saudis accelerate plans for renewable energy

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Washington

The Saudi government is making good on its pledge to introduce solar and wind power into the kingdom's energy mix so that renewable energy becomes a growing part of the feedstock for the country's electricity generation. This will free up more of the Gulf country's crude products and natural gas for export sales.

In April, Riyadh announced the names of 51 companies, primarily foreign, that have been shortlisted for two renewable energy projects: 27 firms were selected to bid on a 300 megawatt (MW) solar project to be developed in the northern part of the kingdom and 24 firms were chosen to vie for a 400 MW wind farm project in the country's north-west.

■ A second wind power project would be open for bids in the fourth quarter of this year followed by more solar projects.

The projects are the first of up to 30 ventures the Saudi government is planning as part of a $30 billion-$50 billion investment in renewable energy by 2023, the year by which Riyadh intends to produce around 10 gigawatts (GW) of electricity from solar, wind and geothermal power.

Speaking at the start of the Saudi Arabia Renewable Energy Investment Forum in April, Saudi Oil Minister Khalid al-Falih said 10% of the kingdom's total electricity generation will be from renewable energy by 2023.

Falih noted: "The market response to the kingdom's invitation to its first renewable energy projects has been overwhelmingly positive, demonstrating market confidence in our vast renewable energy potential and investment environment."

The Saudi government must be feeling confident about the level of interest from domestic and international firms in its solar and wind power plans because it has substantially raised its target goal for 2023. Last June, when Riyadh unveiled its 5-year National Transformation Programme as part of Saudi Vision 2030, the programme established a renewable energy target of 3.45 GW by 2023, the equivalent of 4% of total power consumption. The target of 3.45 GW has since been pushed ahead to 2020 with 10 GW of power generated from renewables expected by 2023.

Falih has said the projects will be financed and operated by private investors with international financial institutions expected to participate. He stressed that the kingdom's energy sector is being restructured to include an autonomous board of regulators as well as privatised power generation capacity, both part of the move to privatise portions of the energy sector, which includes the highly anticipated initial public offering of up to 5% of state oil giant Saudi Aramco.

The government plans to sell off stakes in the partially privatised Saudi Electricity Company's (SEC) power generation units, with additional restructuring to occur so that transmission and distribution units can operate independently.

In February, the Saudi Energy Ministry announced it had formed a new division to oversee and implement the kingdom's renewable energy programme, the Renewable Energy Project Development Office (REPDO), which is led by representatives from the kingdom's major energy players, including Saudi Aramco, SEC, Electricity and Cogeneration Regulatory Authority and King Abdullah City for Atomic and Renewable Energy.

Ambitious goals. Saudi Minister of Energy, Industry and Mineral Resources Khalid al-Falih speaks during the Saudi Arabia Renewable Energy Investment Forum (SAREIF) in Riyadh, last April. (AFP)

REPDO's first order of business was to process applications from firms wishing to participate in a 300 MW solar plant in the Al Jawf area in northern Saudi Arabia and the 400 MW wind plant in Tabuk in the north-west. REPDO has announced the list of firms qualified to move forward in the bidding process for the two projects, with those chosen delineated as managing members, technical members or both. The projects are expected to be awarded in September.

Among the 27 firms shortlisted for the solar project are: France's EDF Energies Nouvelles; Spain's ACCIONA Energia Global S.L.; Italy's Green Power S.p.A.; Japan's Marubeni Corporation and Mitsui & Company; and Saudi ACWA Power. Among the 24 firms shortlisted for the kingdom's first wind project are: Abu Dhabi Future Energy Company (MASDAR); General Electric; Spain's Cobra Instalaciones y Servicios, S.A.; Saudi ACWA Power; Korean Electric Power Corporation; and Japan's JGC Corporation.

Falih said a second wind power project would be open for bids in the fourth quarter of this year followed by more solar projects. The Saudi government has suggested that its plans for renewable energy development in the kingdom include exporting electricity as well as technology and equipment, such as solar panels.

It is telling that Saudi Aramco recently signed memorandums of understanding with Abu Dhabi National Oil Company and MASDAR, which could provide the kingdom with additional renewable energy expertise.

Gas reserves bring Lebanese-Israeli maritime border issue into focus, alternative option proposed

Nicholas Blanford

Beirut

Border disputes between Lebanon and Israel, on both land and sea, have bedevilled international mediators since the creation of the Jewish state 70 years ago.

A failure in early 2000 to agree on the sovereignty of the Shebaa Farms region, a mountainside of some 28 sq.km on Lebanon's south-eastern border, led to a 6-year campaign of periodic attacks by Hezbollah against Israeli troops occupying ridge-top outposts. Hezbollah called those attacks "reminder operations," warning that the Lebanese group remains a threat and that the Shebaa Farms is unfinished business.

■ It is difficult to see the Lebanese government happily hosting an Israeli gas pipeline in its territorial waters.

More recently, the maritime boundary between Lebanon and Israel has come into focus because of the anticipated existence of substantial gas reserves, potentially worth tens of billions of dollars, which span the undemarcated jurisdictions of both countries.

Competing interpretations of where Lebanon and Israel believe their Exclusive Economic Zones lie have resulted in an overlap of 854 sq.km. In January, the Lebanese government moved forward after a 3-year delay on the licensing bid for five of the ten exploration blocks in Lebanese territorial waters. However, large portions of three of the five blocks — blocks eight, nine and ten — lie within the disputed triangle of water.

Israel reacted by lobbying Washington to pressure Lebanon into reversing its decision and announced in late March that it was submitting a bill to the Knesset to formally annex the disputed zone. In turn, Nabih Berri, the Lebanese speaker of parliament and a vocal proponent of pushing forward with gas exploration bids, warned the decision was "tantamount to a war by Israel."

Experts on the borders of the Middle East at the US State Department have for years been attempting to mediate a solution to the maritime crisis but have been unable to persuade Lebanon and Israel to reach a compromise.

However, Reed Clark, an American expert on energy engineering who lives in Beirut, has proposed what on paper could be a win-win solution to the dispute that takes advantage of a future pipeline that would ferry Israeli gas to Turkey.

Israel and Turkey are said to be close to reaching an agreement on the export of Israeli gas to Turkey with much focus on the route an underwater pipeline would take. The current mooted route would pass through Cypriot waters, which poses a political quandary as Nicosia is at odds with Ankara over the existence since 1983 of the Turkish Republic of Northern Cyprus in the northern half of the island.

Furthermore, a pipeline running to Turkey via Cyprus would pass through the ultra deep waters of the eastern Mediterranean, depths of 1,500-2,000 metres. The engineering logistics and high cost of laying a deep-water pipeline are formidable given the water pressure at such depths and the risks of accidents or sabotage.

■ The anticipated existence of substantial gas reserves stretch across the undemarcated jurisdictions of both countries.

Clark proposed switching the path of the pipeline from Cyprus to shallow Lebanese coastal waters, where the depths range 80-100 metres, saving Israel a considerable sum. In exchange, Lebanon would acquire sovereignty over the disputed 854 sq.km, benefit from Israel-Turkey pipeline transfer fees and have the ability to tap into the pipeline for its own future gas exports.

"In the end, Lebanon will have gained immensely, sacrificed nothing and can sheath one of the rattling sabres," Clark wrote in his proposal.

Security for the pipeline could be provided by the UNIFIL peacekeeping force in southern Lebanon, which includes a maritime component of naval vessels patrolling Lebanese waters. The Maritime Task Force's mandate is to prevent the smuggling of arms to Lebanon but it could be adjusted to include overseeing pipeline protection.

While the proposal appears to be an elegant mutually beneficial agreement, the devil may lie in the details. The pipeline would have to swing north-east from Lebanon's northern border into deeper reaches of the Mediterranean to avoid passing through Syrian waters. Given the war in Syria and sanctions against the Syrian regime, running the pipeline in Syrian coastal territory could be an unwanted complication.

Furthermore, Israel may well conclude that the cost of laying a deep-water pipeline via Cyprus is preferable to giving Lebanon the 854 sq.km zone that is believed to contain some of the largest gas deposits of Lebanon's ten exploration blocks.

Then there are the sensitivities in Lebanon of being seen conducting any kind of agreement with the Jewish state. The Lebanese government has banned the movie "Wonder Woman" from being shown in Lebanon because the lead actress is an Israeli citizen. It is therefore difficult to see the Lebanese government happily hosting an Israeli gas pipeline in its territorial waters, one that brings additional revenue to the Israeli treasury, even if Lebanon also benefits financially from the deal.

"Can you really see an Israeli pipeline running from Ashdod [in Israel] to Tyre [in Lebanon]?" asked one Lebanese MP familiar with the proposal.

On the other hand, in the absence of alternative ideas to resolve the maritime dispute, it might be worth a shot.

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Briefs

Egypt inflation eases for first time in seven months

Inflation in Egypt eased in May for the first time since the country let its currency float free last year but remained at nearly 30%, a number that is unlikely to ease pressure on the government of President Abdel Fattah al-Sisi.

In November, Egypt abandoned its currency peg of 8.8 pounds per US dollar, which led to both the pound halving in value and to inflation shooting up. It was at a year-on-year high of 30.5% in April.

The official Central Agency for Public Mobilisation and Statistics said annual urban inflation fell to 29.7% in May. Over the same period, core inflation eased to 30.57% year on year in May from 32.06% in April, the central bank said.

(Reuters)

Etihad breaks off leisure airline talks with TUI

United Arab Emirates carrier Etihad has broken off talks with German travel group TUI, ending negotiations that would have created a leisure airline, both companies said.

Abu Dhabi-based Etihad and troubled Air Berlin, of which Etihad is a majority owner, announced plans last October to form a new low-cost airline by merging Air Berlin's Austrian subsidiary Niki with TUI subsidiary TUI fly.

TUI confirmed the collapse of joint venture talks in a statement in which it added that it generally "remains open to a partnership or the creation of joint ventures."

Etihad Aviation Group confirmed it had "terminated negotiations with TUI AG in relation to a potential joint venture involving the leisure operations of Air Berlin Group and the German TUI fly company."

(Agence France-Presse)

Aramco warned on New York IPO litigation risks

The legal firm working on Saudi Aramco's flotation has advised the kingdom that a New York listing poses the greatest litigation risk of any jurisdiction, the Financial Times reported, citing sources.

White & Case and others offering informal counsel have briefed top oil executives and the kingdom's highest authorities, emphasising a litigious culture in the United States, the Financial Times said.

Legal risks arising from a New York listing include US legislation that could allow families of the victims of the 9/11 attacks of 2001 to sue Saudi Arabia, the report said.

Aramco could also face class-action suits if it did not comply with US regulators' rules on disclosing reserves and data for oil companies, while aggressive shareholder lobby groups in the United States are also seen as a threat.

(Reuters)