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Kuwait Power Report Q3 2012

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Abstracts

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BMI View: Following the Fukushima tragedy, nuclear energy seems to have dropped out of contention for Kuwait, so in the near- to medium-term the country will be dependent almost exclusively on oil and gas. Much of the planned new generating capacity is gas-fired, with oil often used as a back-up fuel. The aim is to make more of the country's oil available for export, even if this leads to a growing reliance on imported gas. Hints at a major renewables programme have yet to convince industry insiders. Low power costs mean that project economics are unlikely to attract foreign investors, so Kuwait looks set to go it alone in meeting growing power demand.

Following the Fukushima tragedy in 2011, Kuwait has ordered the National Nuclear Energy Committee to be dissolved and has officially announced that it will abandon the pursuit of civil nuclear power.

Conventional thermal sources are, therefore, expected to remain the dominant fuel for electricity generation in the coming years, with many power projects that are currently planned or under construction due to use gas in order to reduce domestic oil consumption and free up additional barrels for export. The electricity and water ministry wishes to more than double generating and desalination capacity by 2017. An estimated US$2.5bn is expected to be invested over the medium-term to cater for the projected power demand until 2015. Renewables could become part of the solution, particularly given the vast solar potential of the desert state, though as yet there has been minimal progress made in this regard.

Key trends and recent developments in the Kuwaiti electricity market include:

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Kuwait aims to generate 10% of its electricity from sustainable sources by 2020, according to Eyad Ali al-Falah, assistant undersecretary for technical services at the Ministry of Electricity and Water. To meet its clean energy target, which is among the most ambitious in the region, Kuwait next must gather data on hours of sunshine and wind speeds, al-Falah said.

Over 2012-2021, Kuwait's power generation is expected to increase by an annual average of 4.40%, reaching 80.00TWh. Driving this growth are annual gains in gas-fired and oil-fired generation.

Following an estimated 5.7% increase in 2011 real GDP, BMI forecasts average annual growth of 3.81% between 2012 and 2021. The population is expected to rise from the current level of 2.82mn to 3.45mn by 2021, and net power consumption looks set to increase from 48.7TWh in 2012 to 69.7TWh by 2021.

Thanks partly to the forecast rise in net generation, the growth of which barely matches the underlying demand trend, Kuwait could end up with a shrinking longer-term power supply shortfall. A gradual decline in the percentage of transmission and distribution (T&D) losses from around 12.4% in 2011 should help balance the market and by 2021 Kuwait will be exporting 0.15TWh.

In recent years, the construction of new power projects in Kuwait has been beset by persistent delays, largely owing to a highly inefficient political process. In May 2010, for instance, the government approved a 1.5GW power project at al-Zour that would be the first in Kuwait to involve private-sector investment. However, delays during the tendering process – caused in the main by political gridlock in parliament – have seen the project fall significantly behind schedule, and it is unclear at this stage when construction will be completed.

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