



REQUEST FOR EXPRESSION OF INTERESTS FORM

Expression of Interests for the Combined Cycle Gas Turbine Power and Water Desalination Plant Projects in Kuwait

July 2018



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1. GENERAL INFORMATION

1.1. Purpose of the EOI

The State of Kuwait, through the Kuwait Authority for Partnership Projects ("KAPP"), in collaboration with the Ministry of Electricity and Water ("MEW"), is planning Az-Zour North 2 & 3 (Combined) and Al-Khairan Phase 1 Projects through a public private partnership ("PPP") venture (the "Projects") to further reinforce Kuwait's power generation and water production capacities and respond to the increasing demand. Both Projects will be Combined Cycle Gas Turbine Power Plants with Desalination.

The purpose of this Request for Expression of Interests ("Request for EOIs") is to invite suitably qualified local, regional and international companies to participate in the potential tendering of these Projects whether Az-Zour North 2 & 3 (Combined) or Alkhairan Phase 1 or both and request them to indicate their interest in these Projects by submitting Expression of Interests ("EOIs") to KAPP.

Each Project after this request for ("EOIs") shall be followed by a Request for Qualification ("RFQ") and qualified respondents will be invited to respond to a Request for Proposal ("RFP").

1.2. Terms and Conditions

This request for Expression of Interests ("EOIs") shall not commit or bind KAPP or MEW whatsoever in having to proceed to the RFQ stage, or RFP stage or to award a contract for either Az-Zour North 2 & 3 (Combined) or Alkhairan Phase 1 or both. KAPP and MEW reserve the complete right to at any time and for any reason disregard all or part of the EOIs and to terminate the competitive selection process for either Az-Zour North 2 & 3 (Combined) or Alkhairan Phase 1 or both and proceed with the Projects in some other manner or not at all, with no liability to any party whatsoever.

Each respondent is solely responsible for all costs it incurs in the preparation of its EOIs response, including without limitation all costs of providing information requested by KAPP and MEW, attending meetings and conducting due diligence. Under no circumstances will KAPP or any of its advisers or MEW be liable for any costs or expenses borne by the respondent or any of its advisers in this process, nor shall they be liable for any damages or consequential damages whatsoever.

KAPP and MEW reserve the right, in their sole and absolute discretion, with no liability whatsoever to:

- a) amend the scope of the Projects; either Az-Zour North 2 & 3 (Combined) or Alkhairan Phase 1 or both



- b) modify, cancel or suspend the EOIs process either as a whole or part or any or all stages of the competitive selection process, at any time for any reason;
- c) waive a defect or irregularity in the form or content of any EOIs;
- d) re-advertise for new responses, call for tenders or enter into negotiations for any of the Projects or for work of a similar nature;
- e) make any changes to the terms of the business opportunity described in this Request for EOIs; and
- f) extend, from time to time, any date, time period or deadline provided in this Request for EOIs.

All responses submitted to KAPP become the property of KAPP immediately upon such submission.

1.3. Disclaimer

All information contained in this Request for EOIs, including *inter alia* financial, geographical, commercial, legal and technical information, has been included for illustrative and indicative purposes only to assist companies and consortia in making their own evaluation of the Projects. Each company or consortium of companies shall be solely responsible for satisfying itself as to the information required to submit an EOI for the Projects.

Whilst the information contained in this Request for EOIs has been prepared in good faith, it does not purport to be comprehensive and it does not purport to have been independently verified. Neither KAPP, MEW nor their respective employees, agents or advisers make any representation or warranty express or implied, with respect to the veracity, adequacy, accuracy, reasonableness or completeness of the information contained in this Request for EOIs or with respect to the information on which it is based or in respect to any written or oral information or representation given or made, or to be given or made, by KAPP or any of its advisers to any company or consortium or to its or their professional advisers, whether given or made prior to or after the issue of this Request for EOIs (collectively, the "Information").

KAPP, its employees, agents and its advisers hereby expressly disclaim any and all liability arising out of or in relation to the Information (including in relation to omissions therefrom) and in respect of the use of and/or reliance on such Information by companies or consortia and/or its or their advisers. Companies and consortia should make their own investigations, projections, conclusions and consult their own advisers to independently verify the information contained in this Request for EOIs and to obtain any additional information that they might require prior to responding to the EOIs



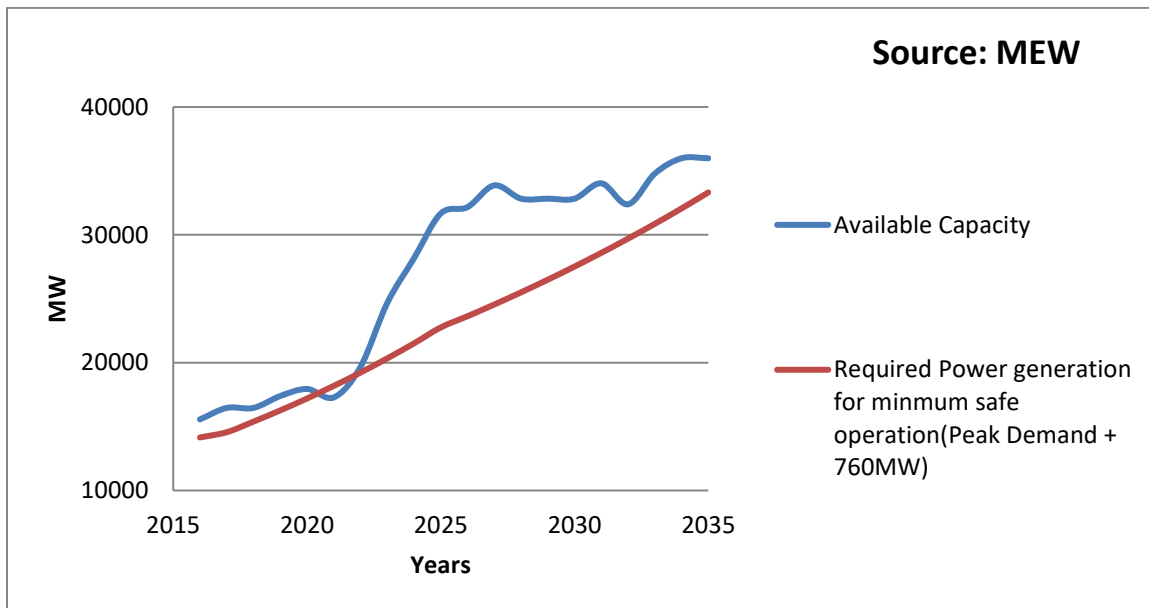
2. SECTOR OVERVIEW

2.1. Introduction to Power and Water Desalination Projects

The demand for electricity in Kuwait is increasing rapidly at a rate of 6% until year 2025 and 4% from year 2026 per annum underpinned by the development of new residential areas, infrastructure and industrial facilities.

The peak demand during summer period for electrical power reached around 12410 MW in 2014, 12810 MW in 2015, 13390 MW in 2016 and 13800 MW in 2017. Projection for required power generation (Peak demand +760MW) and expected available capacity up to 2035 are shown in the below chart.

Figure 1 - Power Peak Demand and Available Capacity



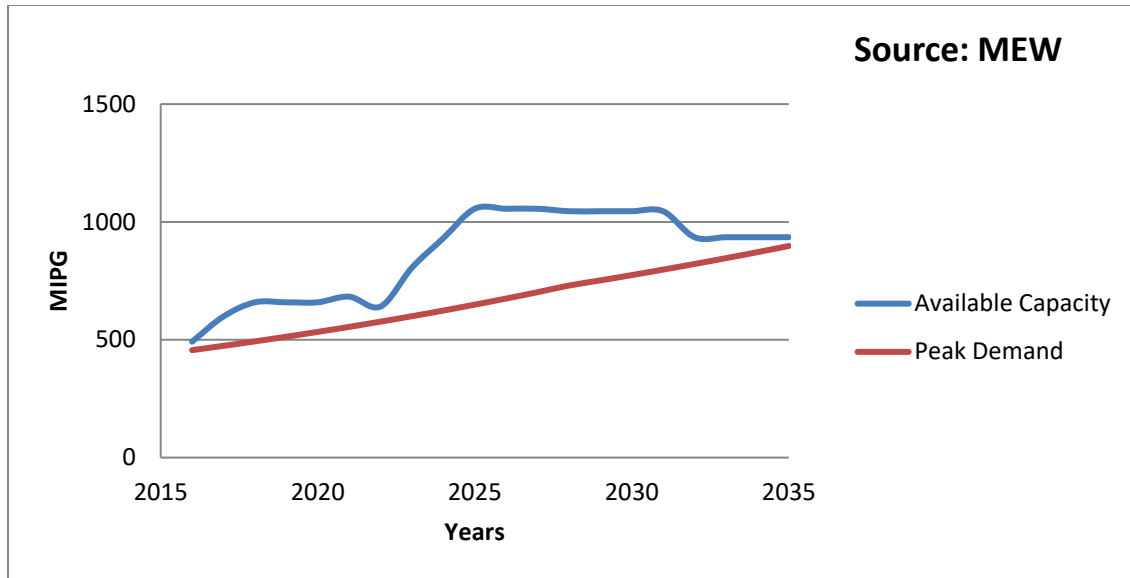
The annual requirement for fresh water increases at a rate of 5% to 7% per annum but the demand for water remains almost constant throughout the year.

The annual requirement for fresh water increases at a rate of 4% until year 2028 and 3% from year 2029 per annum but the demand for water remains almost constant throughout the year.

The chart below shows the expected water peak demand as well as the planned installed capacity until 2035.



Figure 2 - Water Peak Demand and Available Capacity





2.2. Water and Power Generation Capacities

As set out in the table below, Kuwait's power and desalinated water production is delivered by Gas fired CCGT and crude oil / heavy fuel oil-fired units (using boilers and steam turbines) that can also be operated on natural gas and gas oil.

Table 1 - Available power generation and seawater desalination capacity

Facilities (Technology)	Power Available Generating Capacity (MW)	Sea Water Desalination Capacity (MIGD)
Az-Zour South (Oil-fired SG ¹ & ST ² - MSF ³)	2080	115.2
Az-Zour South (Gas-fired OCGT ⁴)	75	-
Az-Zour South (Gas-fired CCGT)	1520	-
Az-Zour South (Gas-fired CCGT)	1170	-
Az-Zour South (RO ⁵)		30.0
Az-Zour South (Gas-fired OCGT)	500	
Az-Zour North 1 IWPP (Gas-fired CCGT- MED ⁶)	1,540	107.0
Doha East (Oil-fired SG & ST - MSF)	840	42.0
Doha East (Gas-fired OCGT)	60	-
Doha West (Oil-fired SG & ST - MSF)	2160	110.4
Doha West (Gas-fired OCGT)	84	-
Sabiya (Oil-fired SG & ST - MSF)	1760	100.0
Sabiya (Gas-fired OCGT)	500	-
Sabiya (Gas-fired OCGT)	500	
Sabiya (Gas-fired CCGT)	1950	-
Sabiya (Gas-fired OCGT)	240	-
Sabiya (Gas-fired OCGT)	240	-
Shuwaikh (Gas-fired SG – MSF)	240	20.5
Shuwaikh (RO)	-	30.0
Shuwaikh (Gas-fired OCGT)	240	-
Shuaiba South (Gas-fired SG & ST – MSF)	540	36.0
Shuaiba North (Gas-fired CCGT)	840	45.0
Total Available Capacity	17,080	636

Source: MEW

¹ "SG" means "steam generator"

² "ST" means steam turbine

³ "MSF" means "multi-stage flash distillation unit"

⁴ "OCGT" means "open cycle gas turbine"

⁵ "RO" means "reverse osmosis"

⁶ "MED" means "multiple-effect distillation"

**Table 2 - Power generation and seawater desalination capacity under construction**

Facilities (Technology)	Power Generating Capacity (MW)	Sea Water Desalination Capacity (MIGD)
Doha West (RO)	-	100.0
Sabiya (Gas-fired OCGT)	900	-
Sabiya (Conversion to CCGT)	250	-
Az-Zour South (Conversion to CCGT)	250	-
Total Installed Capacity	1400	100

Source: MEW

Table 3 - Planned power generation and seawater desalination capacity until year 2035

Facilities (Used Technology)	Planned Power Generating Capacity (MW)	Planned Sea Water Desalination Capacity (MIGD)
Az-Zour North 2&3 IWPP (Gas-fired CCGT)	2700	165.0
Al-Khairan Phase 1 IWPP (Gas-fired CCGT)	1,800	125.0
Al-Khairan Phase 2 IPP (Gas-fired CCGT)	1,800	-
Al-Khairan Phase 3 IPP (Gas-fired CCGT)	1,800	-
Nuwiseeb I (Gas-fired CCGT)	3600	75
Nuwiseeb II (Gas-fired CCGT)	3600	-
Doha East (Replacement) (Gas-fired CCGT)	2400	100
Shuaiba South (Replacement) (Gas-fired CCGT)	1800	50
Total Planned Capacity	19,500	515



Source: MEW

MEW owns and operates all power and water production facilities (except Az-Zour North 1 which is a private generator to MEW pursuant to PPP agreement), transmission networks and distribution systems in Kuwait and sells electricity and water to serve the demand of industrial, commercial and domestic consumers.

In line with the State of Kuwait's strategy to promote and support increased private sector participation in infrastructure development, and in accordance with the PPP law (law no. 116 of 2014 regulating public private partnerships) and the IWPP law (law no. 39 of 2010 regulating the establishment of Kuwaiti Joint Stock Companies to undertake the building and performance of electric power and water desalination stations in Kuwait) and associated bylaws. KAPP in collaboration with MEW aims to procure Az-Zour North 2 & 3 (Combined) and Alkhairan Phase I through a Public Private Partnership pursuant to the successful procurement of Az-Zour North 1 IWPP; a Gas-fired Combined Cycle Gas Turbine and a Multiple-Effect Desalination with production capacities of 1,550 MW and 107 MIGD respectively. Az-Zour North phase 2 & 3 (Combined) and Alkhairan Phase I will be procured through a Public Private Partnership.

The Government of Kuwait is keen to attain the following strategic objectives:

- further introduce private-sector practices and capital to sectors traditionally under the control of the public sector;
- reduce overall costs to the State of Kuwait for provision of power generation and water production;
- improve the reliability of power generation and water production capacities; and
- introduce competition to the electricity and water sectors and promote efficiencies.



3. AZ-ZOUR NORTH 2 & 3 IWPP

3.1 Project Scope

The Az-Zour North 2 & 3 (Combined) Project will be Kuwait's second IWPP tendered as a PPP project and is expected to provide a minimum of 2700 MW of additional net power generation capacity and at least 165 MIGD.

The above Project will be located on the Az-Zour North site adjacent to the west boundary of the Az-Zour North 1 IWPP and to the North boundary of the existing Az-Zour South power complex, approximately 100 kilometers south of Kuwait City on the Arabian Gulf coast.

The Project combines the second and third phase of the Az-Zour North power generation and water production complex bringing the Az-Zour North site expected total capacity to 4,800 MW and 280 MIGD. The Project will connect to the Shared Facilities (common water header and fuel header, etc.) which have been constructed as a part of the Az-Zour North 1 IWPP project and includes the construction of and connection to a 400kV substation extension.

The Project is expected to be run on LNG/Fuel Gas as primary fuel and to be able to accommodate gas oil as backup fuel. Primary and backup fuels will be supplied to the Project by KPC/MEW in accordance with the envisaged Energy Conversion and Water Purchase Agreement ("ECWPA").

3.2 Contractual and Commercial Structure

The Project company will enter into the Energy Conversion and Water Purchase Agreement (ECWPA) with MEW, setting out how the Project company will develop and implement the Project on a build, operate and transfer basis including the procedures of the sale and purchase of associated power and water by MEW.

The terms of the ECWPA shall be for 25 years after commercial operation date of the plant.

3.3 Project Site

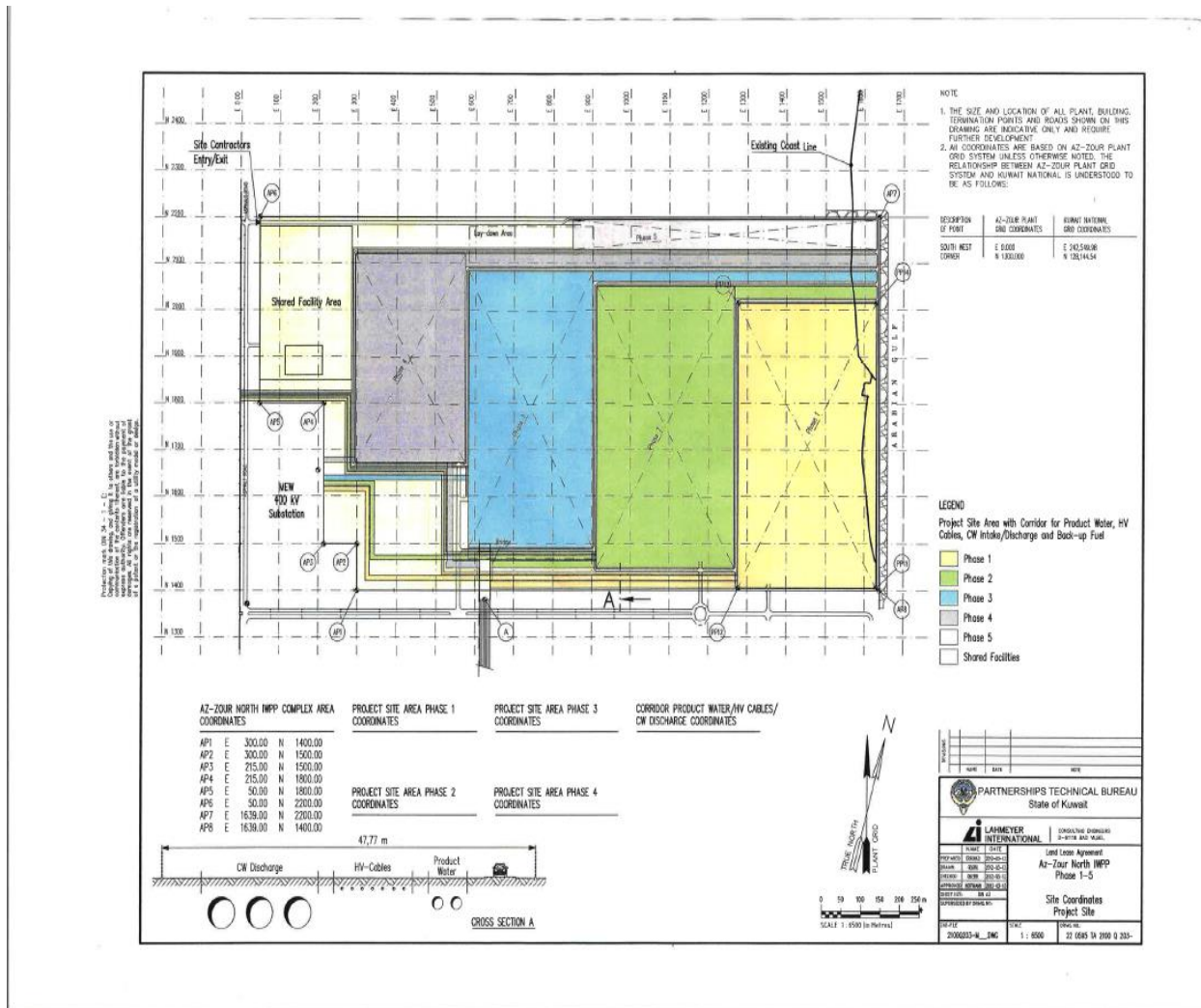
The entire Az-Zour North site which has been allocated for phases has a rectangular shape and it's located along the west coast of the Arabian Gulf. The site seems well qualified for the installation of a power and water plant project. At present, the site of the proposed Project is Az-Zour North IWPP phase



(2 and 3), is adjacent to the area allocated to Az-Zour North 1 IWPP of the power Generation and Water distribution complex. With a total land area of 213,500 m2 for the second phase and 195,200 m2 for the 3rd phase; thus a subtotal of 408,700 m2.

The project site coordinates for Az-zour North Phase 2&3 are shown on attached drawing reference no 2 0595 TA 2100 Q 203. The Kuwait National Grid Coordinate for a point at the South West corner of the Site is referenced on the Drawing and the specific boundaries for phase 2 & 3 (highlighted on the drawing) can be determined using the project site coordinates.

Figure 3 – Az-Zourth North Separate phases





3.4 Procurement Process

The procurement process for Az-Zour North 2 & 3 (Combined) IWPP has been designed to undertake a fair, transparent, efficient, practical and timely process for KAPP and MEW.

The procurement process shall be conducted in accordance with the IWPP law no. 39 of 2010 and the PPP Law no. 116 of 2014, and their respective Executive Regulations and the PPP Guidebook (the PPP Project Guidebook prepared by KAPP according to Law No. 116 of 2014). The procurement process for Az-Zour North 2 & 3 (Combined) will consist of the following stages:

Stage	
Request for Qualification (RFQ)	1Q2019
Request for Proposals (RFP)	2Q2019
Selection of preferred bidder	1Q2020
Project financial close	2Q2021

KAPP and MEW reserve, in their sole and absolute discretion, the right to alter the above indicative timeline at any time and for any reason whatsoever.



4. ALKHAIRAN PHASE 1 IWPP

4.1 Project Scope

The AlKhairan Phase 1 Project is expected to provide at least 1,800 MW of net power generation capacity and at least 125 MIGD of desalinated water production capacity. The Project will be located on the Al-Khairan site adjacent to the south boundary of the existing Az-Zour South power complex, approximately 100 kilometers south of Kuwait City on the Arabian Gulf coast.

The above Project will be the first phase of a major power generation and water production complex that will be developed over three phases at the Al-Khairan site and that is expected to provide a total capacity of 5,400 MW and around 125 MIGD. The Project includes the development of shared facilities, including but not limited to a seawater intake and outfall, fuel pipelines, fuel receiving and metering stations, 400 Kv Substation and common site infrastructure that will also be used by the subsequent phases.

The Project is expected to be run on LNG/Fuel Gas as primary fuel and to be able to accommodate gas oil as backup fuel. Primary and backup fuels will be supplied to the Project by KPC/MEW in accordance with the envisaged Energy Conversion and Water Purchase Agreement (“ECWPA”).

4.2 Contractual and Commercial Structure

The Project company will enter into the Energy Conversion and Water Purchase Agreement (ECWPA) with MEW, setting out how the Project company will develop and implement the Project on a build, operate and transfer basis. The purchase of power and water by the Buyer from the Generator will be based on agreed tariffs and conditions specified in the ECWPA.

The terms of the ECWPA shall be for 25 years after commercial operation date of the plant.

4.3 Project Site

The site is located about 100 km south of Kuwait-City and is owned by MEW. The identified plot is adjacent to the existing Az-Zour South conventional thermal power plant directly at the sea shore and it has an existing access road. The detailed land plot to be allocated to the phase 1 as well as the price of the land will be specified in the RFP.



The Project site coordinates (area corners) are as follows:

Table 5 - Exact coordinates of the Project site.

KTMx: 535,305.660/ KTMy: 176,353.320
KTMx: 536,973.930/ KTMy: 175,857.730
KTMx: 536,943.523/ KTMy: 175,648.648
KTMx: 536,955.949/ KTMy: 175,437.013
KTMx: 537,032.630/ KTMy: 175,209.041
KTMx: 536,466.130/ KTMy: 175,116.990
KTMx: 536,353.276 / KTMy: 175,077.653
KTMx: 535,096.371 / KTMy: 175,449.626
KTMx: 535,059.411 / KTMy: 175,800.435
KTMx: 535,049.320/ KTMy: 176,152.860
KTMx: 535,230.100/ KTMy: 176,099.120
KTMx: 537,029.000/ KTMy: 175,065.000
KTMx: 537,081.000/ KTMy: 175,076.000

4.4 Procurement Process

The procurement process for Alkhairan Phase1 IWPP has been designed to undertake a fair, transparent, efficient, practical and timely process for KAPP and MEW.

The procurement process shall be conducted in accordance with the IWPP law no. 39 of 2010 and the PPP Law no. 116 of 2014, and their respective Executive Regulations and the PPP Guidebook (the PPP Project Guidebook prepared by KAPP according to Law No. 116 of 2014. The procurement process for Alkhairan Phase 1 IWPP will consist of the following stages:

Stage	
Request for Qualification (RFQ)	3Q2019
Request for Proposals (RFP)	4Q2019
Selection of preferred bidder	2Q2020
Project financial close	3Q2021

KAPP and MEW reserve, in their sole and absolute discretion, the right to alter the above indicative timeline at any time and for any reason whatsoever.



5. THE LEGAL ENVIRONMENT FOR PPPs IN KUWAIT

There are a number of laws and regulations which are applicable to this Project. The two key legislations, which establish the legal framework in Kuwait for PPP Projects, are the IWPP Law and the PPP Law and their respective Executive Regulations. This Project will be procured as a PPP Project pursuant to these laws. The PPP legal framework is designed to guarantee a transparent and competitive procurement process that aims at providing equal opportunity to all qualified investors.

5.1 The PPP Law

The key legislation which establishes the legal framework in Kuwait for PPP Projects is the PPP Law: Law No.116/2014 regulating public private partnerships (as such term is defined in Article 2 of the Executive Regulations of the Law, Decree No. 256/2008, which further elaborates on the provisions of the PPP Law), amending provisions of Decree No. 105/1980 on the regulation of public domain.

The PPP Law combines the objective of attracting private-sector participation based on competitive and transparent rules with the social objective of ensuring that the economic benefits of private investment are shared with Kuwaiti citizens.

This Project will be procured under the PPP Law and has been designed to meet the key requirements of that Law both in terms of the process used to achieve an agreed contract and the risk allocation within the contract itself. For details of relevant laws governing PPP projects in Kuwait, interested participants may download them at: <http://www.kapp.gov.kw/en/Legislation>.

5.2 KAPP

KAPP is the Kuwait Government agency established under article (4) of the PPP Law, responsible for the implementation of the PPP programme in collaboration and cooperation with the public entities in compliance with the provisions of the PPP law, and shall carry out all phases of a project, from inception to financial close.

5.3 MEW

MEW owns, maintains and operates existing power and water production facilities, transmission networks and distribution systems in Kuwait. The functions of the Ministry of Electricity and Water in all competencies relevant to the electricity and water sector are vested in MEW pursuant to Decree No. 77



of 2007. MEW has the authority to supply, transfer and distribute electricity and water for both production and consumption purposes, and to work on enhancing electricity and water in accordance with the needs of Kuwait. MEW is responsible for the establishment, management and operation of electricity facilities. MEW will act as the off-taker for the output of the proposed WTE facility.

5.4 The IWPP Law

the IWPP Law No. 39 of 2010 regarding the establishment of Kuwaiti Joint Stock Companies to Undertake the Building and Performance of Electric Power and Water Desalination Plants in Kuwait was issued in 2010 and subsequently amended in 2012 and 2015. The current Executive Regulation of the IWPP was issued in 2015. The key relevant features of the law are as follows:

- Financial proposals will be opened and announced at a public hearing and will be evaluated in accordance with provisions set out in the RFP;
- KAPP, as the assigned Public Entity, may subscribe to the capital of the Project Company on behalf of public entities and shares allocated for public subscription until the Project is fully operational;
- Kuwaiti citizens will be invited to pay for shares held by the KAPP following the commercial operation of the plant; and
- Shares not purchased by Kuwaiti citizens remain with KAPP and may be sold to the Successful Bidder within a period not exceeding one year unless the State transfers such shares to the public entities, subject to the public entities holding no more than 24% of the shares in the Project Company.

The IWPP Laws apply to all electric power and water desalination projects implemented under the PPP Law. The PPP Law will continue to be applicable to all matters not provided for by the IWPP Laws.

The Project is being procured in accordance with the PPP Law, its Executive Regulations, and the IWPP Laws and their Executive Regulations.

5.5 KPC

Kuwait Petroleum Corporation was founded on 27 January 1980 as an umbrella company, integrating KOC, KNPC, KOTC and PIC and effectively placing them under government control. The activities of Kuwait Petroleum Corporation (KPC) are focused on petroleum exploration, production, petrochemicals, refining, marketing, and transportation. KPC produces about 7% of the world's total crude oil.



6. EOI SUBMISSION INSTRUCTIONS

6.1 Expression of interests

Parties which are interested in participating in the procurement for Az-Zour North 2 & 3 and/or Alkhairan Phase I IWPP are requested to submit separate EOIs for each Project individually containing the information required in this Section 5. KAPP is interested in receiving EOIs from parties with expertise in:

- a) the design, construction, operation and maintenance of Independent Water & Power facilities or similar projects; and
- b) raising or providing funding for large complex projects (especially IWPP projects, power projects) on a limited recourse basis.

Assuming that KAPP proceeds with the RFQ stage, parties that submit EOIs for either or both Projects will be notified of the RFQ stage of each Project and, where applicable, requested to obtain the RFQ documents (this stage will also be advertised to the market with separate announcements for each Project).

KAPP understands that interested participants may wish to form a consortium to bid for the Project, but at the stage of this Request for EOIs, interested companies and firms may respond individually and demonstrate the expertise of their primary activity(-ies).

6.2 Format of Submission

Interested parties are required to submit their EOIs in electronic format (MS Word or PDF files), by e-mail to the following address:

IWPP@kapp.gov.kw

or by mail or hand delivery to the following address:

Kuwait Authority for Partnership Projects,
Touristic Enterprises Company Building,
2nd floor, Al-Shuweikh Administrative Zone, Al-Jahra Street.

Interested parties are required to submit their EOIs in electronic format (MS Word or PDF format), compiled in accordance with this Request for EOIs, by email



EOI responses shall be submitted by **12:00PM (Kuwait Time)** on **Sunday, 18/11/2018**. The EOI shall include all the information with a covering letter of interest prepared on headed paper and must be signed by a representative who has delegated authority to submit responses to requests for expressions of interest on behalf of the Respondent.

6.3 Information Sought

EOIs shall:

- a) Submit separate EOIs for each Az-Zour North 2 & 3 (Combined) and Alkhairan Phase 1, even if the Respondant wishes to participate in both Projects.
- b) be completed in English;
- c) not exceed 8 A4 pages; and
- d) contain the following information together with a signed covering letter of interest prepared on letter headed paper and signed by an authorised signatory(-ies):

Project Name: <hr/>
Company Name: <hr/> <hr/>
Nationality: <hr/> <hr/>
Legal Status: <hr/> <hr/> <hr/>



Address and point of contact:

Key Activities:

Reasons for interest in the Project:



Previous experience of similar projects, if any, in the Middle East and/or Internationally:



Understanding of or comments on the Project (not more than 500 words):



6.4 Clarifications

All questions regarding the EOI phase of this project should be submitted by email, no later than 12 noon (Kuwait time) on **Sunday, 26/08/2018**. The official email address for the Project is:

IWPP@kapp.gov.kw

A compiled document with all the questions and answers (Q&A) shall be forwarded to parties that raised questions no later than **Sunday 16/09/2018**. Parties interested in receiving the Q&A document (and did not raise any questions) should express this interest by email before **Sunday 26/08/2018**.