



مجلس الأعمال السعودي الأمريكي
U.S.-Saudi Arabian Business Council

Review of Saudi Arabian Contract Awards: March and April 2018

Key Contract Awards for March and April 2018

April 2018 had the largest value of new contracts awarded in Saudi Arabia so far this year. In the month of April, Saudi Arabian government entities and firms awarded an estimated SR7.9 billion (\$2.1 billion) of new contracts.

By value, the largest contracts were awarded in the water sector (\$1.76 billion) and the gas sector (\$200 million). The *Saline Water Conversion Corporation (SWCC)* awarded a \$570 million contract to the Turkish firm *Limak Holding* for a water transmission system in Jubail. SWCC also awarded a \$500 million contract to *Al-Rashid Trading & Contracting* for a water transmission system at Shuqaiq.

The total value of reported new contracts in Saudi Arabia for March 2018 was an estimated SR2.1 billion (\$540 million). In the previous month of February 2018, the total value of new deals was SR3.1 billion (\$815 million).

Other Deals:

- *Saudi Aramco* awarded a contract to *Jacobs Engineering Group* for engineering and project management services for the Zuluf Field Development. Jacobs will provide onshore central processing facilities (CPFs) to process 600 million barrels per day of Arab heavy crude oil from the Zuluf offshore field. CPFs include a new gas and oil separation plant (GOSP), gas compression facilities, a new water injection plant, and pipelines. The contract also includes an on-the-job training program for knowledge transfer across all specialties.
- An agreement between *Lockheed Martin* and *Wahaj* was signed at the Armed Forces Exhibition for Diversity of Requirements and Capabilities (AFED 2018) conference in Riyadh to co-manufacture tailkits for Paveway II Plus Laser-Guided Bombs (LGBs). The LGBs will be used on Saudi Arabia's F-15s, F-16s and Tornados. Wahaj will be responsible for recruiting Saudi talent for the project. Lockheed expects local production will exceed 70 percent when in full operational capacity.



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- *AMC* signed a contract with Saudi Arabia's Minister of Culture and Information to open 40 cinemas in 15 Saudi Arabian cities over the next five years and the firm is expected to open more than 300 cinemas with over 2,000 screens by 2030. Once fully developed, this industry is expected to contribute \$24 billion (SR90 billion) to the national economy, while creating 30,000 jobs.
- The *Saline Water Conversion Company (SWCC)* awarded the Finnish company *Pöyry* a contract for the Rabigh/Jeddah/Makkah Water Transmission System. The company already provides services to Ras Al-Khair, and is responsible for the review of contractor's engineering services and supervision of construction, erection and commissioning.
- ***Kingdom Holding Company*** signed an agreement with the French owned ICT consulting firm *Orange Business Services* for the design of ICT infrastructure and smart technology services for Jeddah Tower and the Jeddah Economic City Projects. Value of the deal was not disclosed.
- Dubai-based *Vox Cinemas* has received a license to operate 600 film screen for \$533 million (SR2 billion) across several cities in Saudi Arabia. Vox is set to open to four-screen multiplex at Riyadh Park Mall.

Saudi Arabian Joint Venture Summary

- ***Saudi Aramco*** and the Malaysian company *Petronas* have signed an agreement to form two joint ventures for the Refinery and Petrochemical Integrated Development (RAPID) project, which is composed of a refinery, cracker and downstream petrochemical complex. The JV will produce a range of refined petroleum products, including gasoline and diesel. The JVs will allow both parties equal ownership and participation in the operations. Saudi Aramco will supply 50 percent of the refinery's crude feedstock requirements with the option of increasing this supply to 70 percent. Petronas and its affiliates will supply natural gas, power and other utilities. The two companies will share the rights to offtake the production of the joint ventures equally. The RAPID project is on track for refinery start-up in Q1 2019.



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- SAMI CEO Ahmed Al Khateeb and **Boeing** CEO Dennis Muilenburg signed a memorandum of understanding to develop a joint venture to increase localization of maintenance, repair and overhaul services (MRO) for fixed and rotary-wing military aircrafts, such as fighter jets and helicopters. Localization will increase to 55 percent with Boeing as the sole provider of these services to the entire Saudi Arabian military aviation fleet.

The main objective of the program is to improve the country's military fleet readiness and enhance performance and maintenance. This service localization will reduce support costs for Saudi Arabia substantially. In addition to MRO services, the JV will establish a local supply chain for spare parts in the country as well as technology transfer for the installment of weaponry on aircrafts, further expanding the domestic capabilities of Saudi Arabia. This collaboration addresses several other goals outlined in Vision 2030 directly and indirectly such as creating 6,000 jobs and training opportunities for Saudi youth following a \$450 million investment in facilities and equipment. This is also a step towards making SAMI one of the top 25 defense companies by 2030 with expected revenues upwards of \$22 billion by 2030.

U.S.-Saudi Arabian Contracts – H.R.H. Crown Prince Mohammed bin Salman visits the United States

During the visit of H.R.H Crown Prince Mohammed bin Salman to New York, Saudi Aramco's CEO Amin Nasser announced a number of agreements with various U.S. companies. The agreements largely covered corporate purchases and downhole equipment, though also included other collaborative efforts. The 12 deals, valued at \$10 billion, are meant to promote bilateral business relations and help with the development of Vision 2030 goals.

The following deals were signed at the Saudi – U.S. CEO Forum:

Saudi Aramco – Schlumberger: corporate purchase agreement for downhole equipment and wellhead surface control equipment.

Saudi Aramco – Baker Hughes (GE Company): corporate purchase agreement for downhole equipment and services.

Saudi Aramco – Weatherford: signed a purchase agreement for well-testing services.



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Saudi Aramco – Halliburton: corporate purchase agreement for downhole equipment and services and well and rig services.

Saudi Aramco Nabors Drilling (SANAD): An onshore drilling agreement.

Saudi Aramco – Google: An MoU to jointly explore potential establishment of cloud services.

Saudi Aramco – Emerson: corporate purchase agreement for Process Automation Systems, Remote Terminal Units and Control Values.

Saudi Aramco – National Geographic: An MoU to initiate a new relationship targeting multiple media future collaborations.

Saudi Aramco – Smithsonian: An MoU to conduct joint research and share scientific knowledge on the environment. The agreement includes sharing initiatives and cooperation in cultural, content and curatorial partnerships.

Saudi Aramco – ARO Drilling: An offshore drilling services agreement.

Saudi Aramco – Texas Iron Works: A corporate purchase agreement for Downhole Equipment Services.

Saudi Aramco – Center for Strategic & International Studies: An agreement to advance joint research projects.

Cybersecurity Projects Feature

With the increase of internet usage and the country's expansion of online services, Saudi Arabia has taken steps to protect itself from the threat of cyberattacks. Ranked as the 12th most attacked country, Saudi Arabia receives 1.81 percent of the world's known attacks. For this reason, Saudi Arabia has entered several agreements regarding cybersecurity and defense since the start of the year. The Saudi Federation for Cyber Security and Programming (SFCSP) has signed memorandums of understanding with Microsoft, Cisco Systems, Lockheed Martin, Raytheon, Northrup Grumman and Booz Allen Hamilton. The MoUs focus largely on training professionals, educating youth, and capacity building.

The first contract signed in February with Microsoft and Cisco will provide knowledge and logistics support to the SFCSP. This was the first activity carried out by the authority since its conception. Microsoft will work to provide a laboratory and training centers and related activities to local developers and innovators. Cisco will also provide training materials through Cisco Academy, as well as software and licenses for some of the company's products. The MoU between Lockheed Martin and SFCSP includes training IT security professionals in Saudi Arabia. To encourage the development of intellectual property, the deal also includes organizing national programming as well as cybersecurity contests for students in Saudi Arabia. The MoUs with Raytheon and Northrup Grumman both focus largely on educating youth on cybersecurity by developing and organizing competitions among universities. In addition, Raytheon will also launch live mathematics programs for programmers and will create industrial partnership



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opportunities with Saudi specialists. The programs aim to expand skill development opportunities for cybersecurity students and professionals in order to ensure a capable cyber workforce will be ready to meet the demands of the Kingdom. The agreement between Booz Allen Hamilton and SFCSP includes the exchange of knowledge, transfer of technology and localization of capabilities, all of which align with the goals of Vision 2030.

Industry Feature – Solar Power-Up

SoftBank and Saudi Arabia's PIF announced a partnership on the world's largest solar power generation project, with a cost of approximately \$200 billion. The two parties signed a Memorandum of Understanding to develop the project through 2030.

This deal aims to create a solar industry in the Kingdom that includes the domestic manufacturing of photovoltaic panels. The \$200 billion cost will cover battery storage and a manufacturing facility for panels in the country. The two parties will explore the manufacturing and development of energy storage systems and will establish a joint venture for research and development purposes.

Saudi Arabia currently produces approximately 60 gigawatts (GW) and generates most of its electricity from oil-fired power plants. This solar project is expected to increase power capacity in Saudi Arabia to anywhere between 150GW to 200GW by 2030, bringing the world's total solar power capacity to nearly 400GW. This increased capacity is four times the amount of power that Saudi Arabia requires domestically, and the excess energy generation would be exported to neighboring countries.

Developed in phases, the project will begin with the construction of the first two solar generation projects with 3GW and 4.2GW of solar capacities deployed by 2019. This first phase will cost a total of \$5 billion and will receive at least \$1 billion from SoftBank's Vision Fund.

Based on available data, this project would surpass the total solar panels that the entire photovoltaic industry supplied worldwide last year. The project includes the largest utility scale battery to supply power to consumers during the evening.

This project will create an estimated 100,000 jobs in Saudi Arabia and will provide upwards of \$40 billion of savings in power costs.



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Megaproject Feature – Qiddiya

Construction on Qiddiya, planned to be one of Saudi Arabia’s largest tourist destinations, officially began following the groundbreaking ceremony in Riyadh. The project is named after the location that is located 25 miles (40 km) outside of Riyadh on a 129 mile (334 km) site surrounded by the Tuwaiq Mountains. The city is to be comprised of six clusters: amusement parks; sports tracks, auto and motorcycle racing areas; indoor ski slopes and water parks; natural attractions; and cultural and heritage events. In addition to the entertainment component, Qiddiya will also include resorts, hotels, and restaurants to accommodate tourists. This project also has implications for real estate development in the city, offering 4,000 residential units by 2025 and 11,000 by 2030.

The PIF’s Foundation Council for the Qiddiya Project will finance the project, with contributions exceeding 50 percent. Project financing will also leverage bonds, direct investment, and other tools, though the PIF has committed funding regardless of investments. Annually, Qiddiya is expected to draw 17 million visitors by 2030, bolstering the goal to increase spending on entertainment from 3 percent to 6 percent of GDP. Qiddiya is also expected to contribute SR17 billion (\$4.53 billion) to Saudi Arabia’s GDP by 2030.

Project CEO Michael Reininger emphasized the economic need for Qiddiya, explaining that there is a large market and little to no competition making a clear opportunity for investors. The project aims to absorb up to 25 percent of the \$20 billion that Saudi’s currently spend on entertainment outside of the country each year – including weekend trips to countries such as the U.A.E. and Bahrain but also overseas. The gap in entertainment, coupled with the large youth population and ideal location near Riyadh, contribute to the likelihood for the project’s success. Aside from being located an hour away from King Khalid Airport and a 20 minute drive from downtown Riyadh, the unique terrain of the area provide a distinctive visual experience. The city will lie in the escarpment of the Tuwaiq Mountains, providing visitors with a setting of mountains and cliffs. The drive to Qiddiya provides an overlook of the city from the top of the cliffs. This is one of the many aspects of this project that that make it different. Reininger emphasized the distinctiveness of the project by ensuring that it will not imitate existing models but rather build upon them and innovate in order to stay ahead of the curve.

In addition to developing the entertainment sector and providing nationals and visitors with attractions, the project will also create employment opportunities for various industries in the private sector. Qiddiya is expected to create 55,000 to 57,000 jobs by 2030. Currently, 50 people are employed directly with Qiddiya, and hundreds more are contracted as local suppliers and advisors.



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The first phase of Qiddiya includes development of Six Flags. Phase 1 is expected to be completed and open to the public by 2022.

Phase 2 will develop the remaining clusters. Five clusters across various activities are expected to be assembled and operational by 2025. These clusters include a variety of attractions and features. For example, the Sports Arena cluster will host sports tracks and other amenities capable of hosting international competitions and events. The Wheel & Wings cluster involves a number of desert and asphalt racetracks for different forms of auto and motorcycle racing. A fourth cluster, similar to what Dubai introduced several years ago, will feature indoor ski slopes and water parks as part of the Water and Snow cluster. The final clusters will be what makes Qiddiya a one-of-a kind experience with unique geological and cultural features. The Scenic and Animal Attractions cluster emphasizes the Tuwaiq Mountains and cliffs that are a must-see by visitors for years. This cluster will also host safaris and a zoo with animals indigenous to the region. The final cluster, Event Culture & Education, will be responsible for hosting cultural and heritage events to educate visitors of the history and customs of the country and region.

The third phase of the project, to take place from 2026 to 2035, will focus on increasing the capacity of Qiddiya and expanding its services and attractions. The project will continue to expand until it has satisfied the entertainment needs of the country and its visitors. This final phase will see the generation of additional revenues for the economy as well as the increase in cash inflow.

This megaproject will turn Al Qiddiya into an entertainment and cultural destination that embodies the Saudi identity. This project is twofold: entertainment and employment. Not only will Qiddiya meet the demands for amusement parks, sports centers and other entertainment facilities, but it will also provide jobs for Saudi Arabia's young population. Qiddiya will also help in increasing the competitiveness of Riyadh as well as developing it into one of the top 100 cities in the world, an outlined goal of the project.



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Contract Awards Summary March-April 2018

New Saudi Arabian Contract Awards, March 2018

Industry	Project	Client	Value (USD millions)
Water	Water Transmission System from Yanbu to Medina (Phase 4)	SWCC	180
Industrial	Industrial Zone Development	Unaizah Municipality	80
Water	Water Transmission Lines for Waad Al Shamal Development Project-Lot 3	National Water Company	79
Industrial	Construction of Warehouse in Western Region	Saudi Royal Guard	18
Oil	Vapor Recovery Unit at Qassim Bulk Plant	Saudi Aramco	15
Building	Al Ahsa Museum	Saudi Commission for Tourism and Antiquities (SCTA)	21
Industrial	Construction of First Warehouse in Middle Region	Saudi Royal Guard	15
Oil	Vapor Recovery Unit at North Jeddah Bulk Plant	Saudi Aramco	15
Oil	Vapor Recovery Unit at South & North Riyadh Bulk Plant	Saudi Aramco	15
Power	12 MW Solar Project in Al Kharj	Al Marai	25
Transport	King Khalid Road Bridge with Grain Silos Intersection in Ahad Rufaidah	Ministry of Municipal and Rural Affairs	25
Transport	Upgrade of Tama Road (From T5 Flood Control Channel) Phase 2	RCJ&Y	24
Transport	Sewage Network in Rifa Plant in Qunfudhah City	Ministry of Environment, Water, and Agriculture	13
Oil	Vapor Recovery Unit at Dhahran Bulk Plant	Saudi Aramco	15

Source: The Council, MEED



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New Saudi Arabian Contract Awards, April 2018

Industry	Project	Client	Contract Value (\$m)
Water	Water Transmission System of Al Jubail - Al Riyadh (Phase 3)	SWCC	570
Water	Water Transmission System for Shuqaiq (Phase 3)	SWCC	500
Water	Water Transmission System for Shuqaiq (Phase 3)	SWCC	357
Water	WTS of Al Jubail - Al Riyadh (Phase 3)	SWCC	335
Gas	Hasbah & Arabiyah: Gas Production Deck Modules (PDMs)	Saudi Aramco	100
Gas	Wasit Gas Plant	Saudi Aramco	100
Transport	Tunnel At Saad Ibn Khaithama & Prince Abdul Majeed Road	Medina Municipality	80
Building	Al Rawdah Commercial Center	Methak Holding	40
Building	King Abdulaziz University: Sports Activities Building in Jeddah	Ministry of Higher Education	25
Transport	Expansion of Sewage network in Sakaka city Phase 7	Ministry of Environment, Water, and Agriculture	21
Building	King Faisal University: Community College in Abqaiq	Ministry of Higher Education	14

Source: The Council, MEED

Emerson is a Chairman's Circle member of USSABC.

Jacobs Engineering Group is a Chairman's Circle member of USSABC.

Saudi Aramco is a Chairman's Circle member of USSABC.

GE is a Platinum member of USSABC.

Kingdom Holding Company is a Platinum member of USSABC.

Lockheed Martin Corp is a Platinum member of USSABC.

The Boeing Company is a Gold member of USSABC.

Al-Rashid Trading & Contracting Company is a Silver member of USSABC.

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