

98% of its plants gas-fueled, invests heavily on renewed energy

Markaz: UAE's Power Sector growth exceeds consumption growth

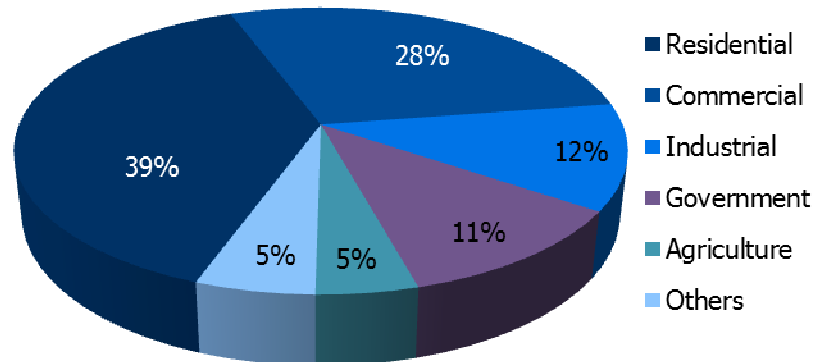
Kuwait 27 August 2012 -- Kuwait Financial Centre "Markaz" recently published the executive summary of their infrastructure series covering: Power, Airports, Seaports, Roads & Railways, ICT and Water. In this research note, Markaz tackles **UAE Power** sector in terms of highlighting demand-supply trends, growth drivers, and future investment areas.

Power sector in the Emirates had been seeing a rise in tandem with the economic growth it has achieved over the last decade. Power generation capacity in the country grew at a compounded rate of 12% pa during the last 5 years and current capacity stands at about 30,000MW. Power consumption meanwhile grew at a slightly lesser pace of 8% pa during the same period.

Currently 98% of the power plants are fired by Natural Gas and the remaining 2% are run by liquid fuels. Contribution of natural gas as fuel in the power sector is just 49% in Saudi Arabia and 29% in Kuwait. This gives UAE an advantage as gas fired plants are efficient and the fuel is cheaper as well compared to Oil. Although the country's gas consumption has outpaced production, it imports natural gas from Qatar through the Dolphin gas pipeline.

Power sector in the Emirates is operationally controlled by four main regulators – Abu Dhabi Water & Electricity Authority (ADWEA), Dubai Water and Electricity Authority (DEWA), Sharjah Water and Electricity Authority (SEWA) and Federal Water and Electricity Authority (FEWA) which oversees the operations in the northern emirates. Of this, ADWEA is the largest, accounting for 42% of total generation capacity.

UAE Electricity Consumption by User Type (2011)



Source: ADWEA, DEWA, SEWA, FEWA Statistics

Over the next four years, we estimate consumption to grow at 8.5% annually, with much of the growth coming from Abu Dhabi. While Dubai expects consumption to grow at 3.5% over the next decade and at 2.5% from 2020-30, Abu Dhabi expects demand to grow by 11% annually till 2015. Abu Dhabi Water & Electricity Company (ADWEC) supplies electricity to Abu Dhabi, Al Ain and also exports the surplus to Northern Emirates. Additionally, by 2014, FEWA is expected to

stop its generation and rely on ADWEA for power. According to ADWEC estimates, power exports to northern Emirates are expected to increase from 2,400 MW in 2012 to 5,827 MW in 2020.

We expect large investments in alternate energy space. Abu Dhabi's Economic Vision - 2030 aims at generating 7% of its energy requirements from the renewable resources. Masdar, also called Abu Dhabi Future Energy Company, concentrates on carbon free power generation. Masdar Power is developing a 100MW Shams 1 Concentrated solar power (CSP) power plant in the western parts of Abu Dhabi. They are also working on a 30MW wind farm in addition to a plan to construct the world's largest hydrogen power plant by 2015.

Emirates Nuclear Energy Corporation (ENEC) was formed to harness the power of nuclear energy. By 2017, they envisage constructing the first nuclear power plant and by 2020 UAE will have 4 nuclear power plants in total with a gross installed capacity of 5,600MW with an estimated capital cost of around USD 20bn. In January 2012, Dubai's Supreme Council of Energy unveiled its 1000 MW solar park estimated to cost around USD 3.5bn.

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About Markaz

Kuwait Financial Centre 'Markaz', with total assets under management of over KD888 million as of March 31, 2012, was established in 1974 has become one of the leading asset management and investment banking institutions in the Arabian Gulf Region. Markaz was listed on the Kuwait Stock Exchange (KSE) in 1997.

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