Coordinadora's value-added business model in the Middle East has helped it secure a foothold in what is a challenging and competitive market.

Gulf states still buoyant

– despite upheavals

It's been another eventful 12 months in the Middle East, where fast-paced geopolitical events continue to orchestrate twists and turns in global oil prices. The blockade of Qatar – 2017's headline news – has been overshadowed by the reintroduction of US sanctions on Iran. *Sam Whelan* reports.

The development of large-scale capital projects in the Middle East Gulf region is often left hanging in the balance by the frantic pace of change. Political and oil price uncertainties aside, the region's project logisticians have cause for optimism. Large investments are under way in natural gas production, renewable energy, and transport infrastructure, as the Gulf states ramp up their economic diversification programmes aimed at loosening reliance on the petrodollar.

Coordinadora, a Spain-based heavy transport and engineering specialist, is a relative newcomer to the Middle East project logistics market, having set up shop in the UAE in 2015. According to chief executive Juan Madsen, the company's bet on the region has paid off – despite entering the market in the midst of the global oil and gas crisis.

"Today it is clear to us that we made the right decision," he told HLPFI, noting that Coordinadora's value-added business model, dubbed 'engineered transport management' (ETM), helped the foreign firm secure a foothold in what is a challenging and competitive market.

"Now all signs seem positive, especially the extremely clear increase in freight levels, but also governments' willingness to invest."

For example, he highlighted the Abu Dhabi National Oil Company (ADNOC)

We look quite optimistically to the upcoming year, since many of the projects kept on standby are supposed to start flowing in 2019.

– Juan Madsen, Coordinadora

plan to invest USD132 billion in its five-year LNG strategy, while also boosting oil output capacity to 4 million barrels per day (bpd) by 2020. In November, ADNOC announced that it had discovered a further 1 billion barrels in oil reserves and gas totalling 15 trillion cu ft.

"We look quite optimistically to the upcoming year, since many of the projects kept on standby are supposed to start flowing in 2019, and EPC contract awards to our customers have been signed recently," added Madsen.

Peter Mathew, managing director of Dubai-based Fleet Line Shipping Services, agreed the ADNOC announcement was a major boost for the industry.

"ADNOC's strategy to become self-sufficient and a net gas exporter has indeed boosted the whole industry, including project forwarders such as us."

In addition, he said, there has been a surge in power generation and infrastructure-related cargoes; the indicators suggest that 2019 will be a good year.

Fleet Line also operates in Iraq, where Mathew believes the market is "getting aggressive" in the oil and gas and power generation sectors. Various energy-related cargoes are set to come onto the market. ExxonMobil has awarded Schlumberger a 42-month contract to drill 30 wells in the West Qurna field, for example.

"Another contract was awarded by Iraq's oil ministry to Vancouver's Pacific Future Energy to build a refinery in Nassiriya," he added.

Renewable growth

For Coordinadora's Madsen, oil and gas is still "by far" the main engine for project logistics growth, but renewables are steadily taking a share of the activity.

"The investment in clean energy in the Middle East region has been sound and clear. We have participated in the logistics of many solar parks developed in the area, including the biggest one in the world, the Mohammed bin Rashid Al Maktoum solar park in Dubai. We are actively tendering in several similar opportunities."

Saudi Arabia has been a major source of project work, too. As well as aiding the construction of the 453 km Mecca-Medina high-speed railway, Coordinadora was awarded the entire airfreight contract, along with super-heavy cargo transport contracts, for an EPC contractor working on the Fadhili gas project, which is being developed by Saudi Aramco. Coordinadora shipped five slug catchers, weighing over 2,000 tonnes each, from Spain to the job site.

"We optimised the maximum load-in and load-out timings by means of an in-house engineered solution applied by our own personnel at port," explained Madsen.

One challenge for foreign firms operating in the region is local protectionism. According to Madsen, employment rules imposed by national oil and gas majors have been designed to develop the economy by encouraging foreign contractors to invest in local talent.

"This makes it challenging for mid-size foreign companies when in competition against local or larger companies that have higher capabilities to invest in the country, but cannot necessarily provide a better service."

Sarens completed some "ground-breaking" transports and specialised lifts for Aluminium Bahrain (Alba).

Another challenge is equipment availability. He said that as Coordinadora does not own its own transport assets, it is at the mercy of those that control supply.

"This is particularly notorious for the SPMT axles which are in circulation over the Gulf Cooperation Council (GCC) region serving the major projects, and operated for a few well-connected companies," said Madsen.

In order to target the project cargo opportunities in the Middle East, Turkey's Hareket Heavy Lifting & Transportation has opened an office in Dubai. Located in the Jebel Ali Free Zone, the Middle East and North Africa (MENA) office also includes a 10,000 sq m machinery park.

Oman is expected to kick-off pretty soon with the long-awaited Duqm refinery, and Saudi Arabia should also come out of slumber with more power-related projects.

– Philippe Verdeure, Sarens

According to Hareket, the company has invested in CC 2800 and CC 6800 crawler cranes from Terex, with maximum lifting capacities of 600 tonnes and 1,250 tonnes respectively; SPMTs and THP trucks will also be based at the facility.

Challenging conditions

Sarens is another foreign heavy lift player with plenty of experience operating across the Middle East. Philippe Verdeure, regional head of sales, said market conditions have been challenging.

"The downturn in the oil and gas sector has not necessarily been balanced out by upturns in other sectors," he observed.

Nevertheless, he said Sarens has kept busy with a range of projects, including Qatar's preparations for the 2022 World Cup. Over a period of 18 months, Sarens deployed a fleet of 17 mobile and crawler cranes to help build the 60,000 seat Al Bayt stadium in the city of Al Khor.

Sarens also completed a large gas plant upgrade in Saudi Arabia, and some "ground-breaking" transports and specialised lifts for Aluminium Bahrain (Alba).

"Bahrain is still on the rise with the Bapco refinery project starting up," said Verdeure.

The USD4.2 billion Bapco modernisation programme (BMP) includes the expansion of Sitra oil refinery on Bahrain's east coast, which will up production from 267,000 to 360,000 bpd.

Alba, on the other hand, is nearing completion of its USD3 billion Line 6 expansion project. This will increase Alba's per-annum smelter production by 540,000 tonnes, bringing total production capacity to 1.5 million tonnes per year, and making it the largest single-site smelter in the world when production begins.

Fives, a process equipment supplier to the primary aluminium industry, delivered 12 pot tending machines (PTM) for Alba.

"We have helped Fives optimise construction times by transporting and installing completely assembled catalyst handling cranes – also called PTMs – for the newly built aluminium smelters," explained Verdeure.

"We have helped Fives develop the support structure necessary for the transport and the final positioning at height," he explained.

Elsewhere in the region, Verdeure noted that projects in Kuwait are coming to an end "without much prospect" of new contracts. In 2017, Sarens worked on the revamp of Kuwait's Mina Abdullah and Mina Al Ahmadi refineries.

"Oman is expected to kick off pretty soon with the long-awaited Duqm refinery, and Saudi Arabia should also come out of slumber with more power-related projects. While we do see oil and gas kicking off again in the kingdom, it will not be the priority at the centre of its Vision 2030."

Indeed, Saudi Arabia's Vision 2030 lays out an ambitious plan to diversify the country's USD646 billion economy away from dependency on oil and gas. Building the renewable energy sector is a key part of Vision 2030, and with energy consumption expected to triple by 2030, the government has set an initial target of generating 9.5 GW from renewable sources by 2023.

Mega-city

A key part of the 2030 blueprint is Neom, a USD500 billion mega-city the government plans to build by the Red Sea. The futuristic city will be powered solely by clean energy and is expected to rely heavily on robotics and automated vehicles.

While sceptics doubt whether the project will be fully realised, Saudi Arabia has more imminent alternative energy projects under way. The country's first wind farm is being built at Dumat Al Jandal, with the winning bid for the 400 MW project due to be announced in December. The pursuit of nuclear power is under way too, with work commencing on the kingdom's first two nuclear power reactors in 2018. Nuclear energy is projected to account for 15 percent of Saudi Arabia's energy mix by 2032.

Interest in renewable energy is also gaining traction in Israel. While the country has just one 6 MW wind farm in operation, Enlight Renewable Energy has secured funding for a 96 MW project located in the Golan Heights. Furthermore, the government wants to up renewable electricity production from 4 percent to 30 percent by 2030.

"The main sector generating heavy cargo handling opportunities is of course the energy sector, and Israel is looking forward to more renewable energy sources and more to natural gas via smaller plants," said Captain Yaron Karmi, manager of Haifa-based Dynamic Shipping Services (DSS).

"We do see enquiries – although at this stage for budgetary purposes only – related to wind turbines with blades of 65 m in length, which would create a unique problem our end on how to perform the land transport. We see some other heavy lifts that are planned to arrive, which will create issues with the maximum axle load here."

Karmi explained that Israel's ports are ill-equipped for heavy cargo, with scarce mobile crane capacity making geared vessels necessary for units over 150 tonnes. The requirements for police escorts and advanced scheduling for road transport can also slow down project cargo operations.

DSS recently handled some heat recovery steam generator units from South Korea for a small natural gas power plant near Haifa, as well as units for Israel's first hydro pumped storage plant, built by Alstom/GE.

There is a growing need for innovative lifting and transport activities, according to Dubai-based Al Faris Equipment Rentals.

The recent sustained slump in global oil prices has given the Middle East's plans for economic diversification a much-needed shot in the arm.

– Mark Geilenkirchen, Sohar

Green energy

According to Sarens' Verdeure, the push towards green energy is a trend playing out across the region. Saudi Arabia plans to install 400 MW of wind power, and construction of Dubai's Al Maktoum solar power plant is well under way.

"There is definitely a trend for diversification and we expect this trend to keep growing," said Verdeure. However, he said that the company's larger equipment remains engaged with the oil and gas industry.

Furthermore, Verdeure said the Middle East's offshore wind power sector is gearing up to supply various projects abroad. "GCC contractors have definitely positioned themselves for export and not only for internal growth."

Like Saudi Arabia, the UAE is set on economic diversification, and to this end Dubai and Abu Dhabi have their own 2030 masterplans. Kieve Pinto, executive director of Dubai-based Al Faris Equipment Rentals, said there is a growing need for innovative lifting and transport activities.

"With Dubai gearing up for the Expo 2020, the market is definitely picking up," he explained. "Civil engineering and construction, oil and gas, and power generation are the industries with the most opportunities at the moment."

The demand prompted Al Faris to invest heavily in new equipment in 2018, including 70 new cranes, PST axle lines from Goldhofer, hydraulic gantries, and other jacking and skidding equipment.

In Abu Dhabi, the heavy lift specialist has been working on offshore drilling projects, supplying 25 different pieces of heavy equipment.

"And recently we just finished a heavy transport job for the ADNOC 3D seismic survey," said Pinto. "We moved surveying equipment and the entire camp location from Al Quo'a to Ghayathi in Abu Dhabi, covering a distance of around 400 km."

In Dubai, Al Faris worked on the Expo 2020 Metro link expansion. "In another project for the Route 2020, we will transport and offload 50 trains using our multi-axle hydraulic trailers and Liebherr all-terrain and mobile cranes," added Pinto.

Meanwhile, the Middle East's economic overhaul is also taking place in Oman, according to Mark Geilenkirchen, ceo at Sohar Port and Freezone.

"The recent sustained slump in global oil prices has given the Middle East's plans for economic diversification a much-needed shot in the arm," he noted. "Our continued strong industrial growth in and around Sohar, combined with other economic diversification efforts across the sultanate, continues to drive our heavy lift and project cargo business."

Long-term growth plan

He said Sohar's long-term growth plan is to import feedstock and raw materials through the port, attracting industries that create products that can be re-exported.

"In the port, the new Liwa plastics project (developed by Orpic) is valued at over USD6 billion and is on track for completion by 2020. It will produce 1.4 million tonnes of polymers a year and will open billions of dollars' worth of business opportunities for downstream plastics manufacturers and service providers in the free trade zone."

While Oman and others look to diversify their economies, Iran has fewer options on the table. In November 2018, the USA re-imposed tough sanctions on the country's banking, energy, and shipping industries, following a 180-day wind-down period given to foreign firms. The move has already had dire consequences for Iran's project logistics sector, prompting the inevitable slew of cancelled or delayed contracts.

Farasoobar's portfolio of CIS-based projects has been cast into disarray by the renewed sanctions on Iran.

For example, Daelim cancelled a USD2 billion contract to modernise a refinery in the Iranian city of Esfahan; while fellow South Korean EPC Hyundai Engineering & Construction cancelled a USD521 million deal to build a new petrochemicals complex.

"Currently, due to the sanctions, most projects are stopped or being rerouted via Georgia or Kazakhstan," said Farzad Saffarzadeh, managing director of Farasoobar, a Tehran-based project forwarder.

"During 2017 a big project for Uzbekistan was handled via Iran, and due to technical problems was stopped. This project could have continued for several years, but currently it is running via Kazakhstan."

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– Farzad Saffarzadeh, Farasoobar

This appears to be a common theme for Farasoobar, with the company's portfolio of CIS-based projects cast into disarray by the renewed sanctions. For example, Saffarzadeh said previously there were wind, solar, cement and rail projects in Uzbekistan and Azerbaijan, whereby most heavy cargo shipments were routed via Iran.

Within Iran, a lack of equipment and poor road infrastructure presents operational difficulties for heavy cargo moves.

"The conditions of routes towards Sarakhs and Lotfabad are very risky for transportation of heavy lift due to road conditions," explained Saffarzadeh.

"But the biggest challenge is the lack of trucks and trailers for weights more than 500 tonnes, and even for smaller loads the equipment is quite old. And consider the bridge at the Armenia-Iran border, for example, which is not technically suitable for the movement of vehicles with a total weight of over 95 tonnes."

Economic warfare

As in Iran, Qatar has had to deal with economic warfare. A Saudi Arabia-led blockade has lasted over 18 months. However, according to Jigar Shah, consulting director at Doha-based JSL Global, there has been little impact on the project cargo market.

"Most heavy lift and ro-ro vessel operators are calling at Hamad port on a regular basis. They have changed their routing so they do not route cargo directly to or from Hamad port to blockade countries".

Shah said 2018 was a busy year for Qatar's project logistics market, as an array of infrastructure projects are nearing completion. These included the Qatar Metro, Lusail City, the Qatar mega reservoir, and FIFA World Cup stadiums.

"We saw major enquiries and tenders for oil and gas-related projects, and import shipments for Manateq: the Qatar special economic zone," he added.

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