

Without consensus the project will fail

Kuwait readies for upstream battle, foreign firms wary

By Ruba Husari

KUWAIT: Kuwaiti officials are gearing up for the long-awaited showdown with local lawmakers over the planned upstream opening Project Kuwait during the National Assembly's new term, which starts today. However, the government's insistence on obtaining approval by consensus —

The committee's chairman, Abdul Wahab Al-Haroun, announced in July that the parliamentary subcommittee had decided to back the scheme after amending the draft law submitted by the government.

Government sources say they expect about 18 lawmakers — or less than half the assembly's 50 members — to oppose the scheme when it's submitted to a vote. However, due to the long controversy that has surrounded the project for years and the accusations of corruption levelled at its backers, officials say they would prefer to reach agreement with parliament over its strategic importance to the country before a vote is taken.

"Without consensus the project will fail even if it has been approved by the assembly," Ahmad Al-Arbeed, chief executive of Kuwait Development Co. (KDC), was quoted saying in the local press last week. KDC is a new subsidiary of state Kuwait Petroleum Corp. that will oversee Project Kuwait. Three for-

ign consortia have been short-listed for the contract.

Accusations of widespread corruption in the public sector have been a major topic of discussion among lawmakers in recent weeks, as they prepare to put this issue on the agenda for debate in the new legislative term. This could divert the government's priorities and push Project Kuwait down from the top of its list. The corruption issue assumed greater importance when the head of Kuwait's National Guard, Sheikh Salem Al-Ali Al-Sabah, waded into the debate, and opponents of Project Kuwait used his comments to bolster their criticism.

Opposition lawmaker Ahmad Al-Saadoun whose six-member parliamentary bloc is expected to oppose Project Kuwait, has again expressed doubts about the constitutionality of the opening. Last week, he again challenged the government to present the final contract, once it has been negotiated with the winning consortium, for debate and approval

even though it claims to have enough votes to get approval through — has left international oil firms unsure about Kuwait's priorities. During the summer recess, the National Assembly's finance and economic committee finalised about a dozen amendments to the draft law overseeing development of four oil fields in northern Kuwait under an operating service contract.

by the assembly.

The government insists that foreign firms will not be investing in Kuwait's natural resources, which is banned by the constitution, but rather offering technical services for which they would be paid a fee. The scheme envisages expenditure of some \$10 billion over the contract's 20-year term.

According to Al-Arbeed, Kuwait would earn \$20 billion more than it would if the fields were left in the hands of KPC's upstream subsidiary, Kuwait Oil Co. (KOC). International oil companies competing for the contract say they remain in the dark over fiscal terms to be offered under the new contract, including whether the internal rate of return would be adequate. After companies submitted feedback on a draft contract, the Kuwaiti team in charge of the project integrated some of the requests and dropped others but the international firms have yet to see the final outcome.

The winning consortium will

raise production capacity at the four northern fields to at least 900,000 barrels per day from a current 600,000 barrels per day, sustaining levels at the higher level. According to Al-Arbeed, the consortium will recoup half of its operating expenses on a monthly basis and half of its capital expenditure in annual payments over 10 years. The remainder would be paid in the form of a per barrel fee, which is independent of international oil prices. The consortium should start making profit after the first six years, he added.

KDC is taking over KOC's existing assets at the four fields, which have been valued at KD 300 million (\$1 billion) and form the capital of the company. The company will be created as an integrated firm with upstream and downstream missions, including crude marketing, but would require the approval of KPC's board approval to embark on any of these new functions.

— International Oil Daily