

South Korea President Heads To UAE As \$20.4B Nuclear Proj Kicks Off

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South Korea's president will visit the United Arab Emirates starting Saturday to mark the groundbreaking of construction on the Gulf Arab state's first nuclear power plants, awarded to South Korean firms in 2009, at a time of political turmoil across the Middle East and North Africa.

Lee Myung-bak's first official state visit to the U.A.E. was in December 2009, when the government awarded a consortium led by Korea Electric Power Corp. (015760.SE), or Kepco, the \$20.4 billion contract to build four nuclear plants in Braka, west of Abu Dhabi--set to be the Middle East's first civilian nuclear reactor fleet.

Myung-bak's follow-up trip comes at a critical time for the wider Middle East-North Africa region, which continues to be roiled by civil unrest and protests, including in the U.A.E.'s neighboring Gulf states of Oman and Bahrain, where protests still continue.

According to a Kepco statement this week, the U.A.E. is looking into setting up a company to manage the operations of the four nuclear power plants, in which Kepco could take a stake in. "Kepco may consider buying some stake in the company to increase its profits generated from plant operations and maintenance following the construction," the company said.

Under Kepco's deal, the consortium will design, build, and help run four plants from 2017 to 2020.

The Kepco consortium in 2009 beat out bids by General Electric Co. and by France's Areva, dealing a blow to relations that were newly-bolstered by a naval base France had inaugurated in the U.A.E. earlier that year, its first in a Gulf Arab country.

But French officials have said since then they remain hopeful of being involved in future energy contracts. U.S. delegations, too, have since visited Abu Dhabi courting business from its developing nuclear sector.

Emirates Nuclear Energy Corp., or Enec, the government body set up to carry out the U.A.E.'s atomic energy plans, will build the nuclear complex in the western region of oil-rich Abu Dhabi emirate on the Persian Gulf coast.

The U.A.E. is building the plants, despite its oil wealth, to diversify its energy portfolio away from hydrocarbons in the face of surging power demand forecasts. Enec predicts that domestic energy demand will rise by 9% a year between 2007 and 2020 to reach 40,858 megawatts. That is more than double the installed capacity now.

Enec declined to comment on the South Korean president's visit and the planned groundbreaking.

Analysts say the chances for additional power plant deals for South Korean firms seem low at this point. However, other deals, in the wider energy and infrastructure sectors, are likely to be discussed, as South Korean engineering have a strong presence in the U.A.E.