Asian Council on Contracting & Construction

NEWSLETTER

Volume IX - February 2020

Table of Contents

Message from the Director General

My dear colleagues:

It is a pleasure to present to you the "Asian Council on Contracting & Construction" Newsletter, volume IX of 2020. This publication is a compendium of relevant news, reports, and analyses on recent developments in the contracting and construction business in Asia Pacific countries.

This Newsletter shows reports about Australia revamping constructions laws to spur growth, Cambodia's continuous construction drive, and Bangladesh plans to start green energy plants.

Further to the Pacific, the Indonesian President is actively promoting the construction of a new capital and related infrastructure projects that herald large construction investments in his country, while new investments in energy generation are implemented in Japan and Papua New Guinea.

Even countries such as Iran and Pakistan are investing in their electricity production and grid. Though not everything is rosy, the Hong Kong's construction market is experiencing the negative effects of the virus outbreak. Nevertheless, to conclude this Newsletter, we show an overall positive review of the Southeast Asian construction market generated by Fitch.

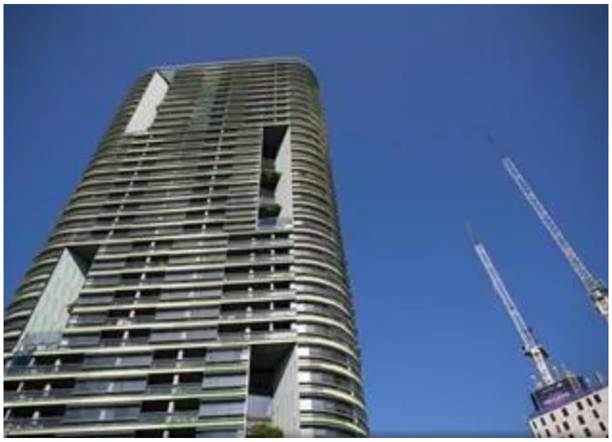
We hope that this newsletter helps you appreciate the importance of contracting and construction on the national economy. Enjoy your reading!

Ernest Lin
Director General
CACCI

Australia's CFMEU calls for national construction laws

The Herald Sun, Finbar O'Mallon & Eamonn Tiernan, Australian Associated Press, 5 November 2019

Australia's peak building union is calling for the federal government to harmonise construction laws in response to the crisis of confidence in the apartment sector.



The Construction, Forestry, Maritime, Mining and Energy Union says governments could save taxpayers $2.1 billion over four years in remediation costs for defective buildings, as well as lower administration costs if processes were simplified.

The CFMMEU says both the federal and state governments have failed to regulate the construction industry, with building defects and remediations costing US$6.1 billion in the last decade.

It's also blamed a lack of expertise with cost blowouts nearing $11 billion over the same period.

The union has made three recommendations, including nationally consistent construction laws, to help improve outcomes across Australia.

It's also recommended each state and territory require building companies to have a history of site safety, timely delivery and paying workers' entitlements and wages.

State and territory governments should also be required to prove value for money in projects funded by federal money.

CFMMEU construction secretary Dave Noonan said the federal government had failed the industry, wasted billions of dollars and endangered lives.

"It has left consumers with cracked apartments, flammable cladding and governments that waste billions on delivering projects," Mr Noonan said.

"Successive federal and state governments have consistently failed to properly regulate the sector, and unfortunately its workers and homeowners who are left to pick up the pieces.

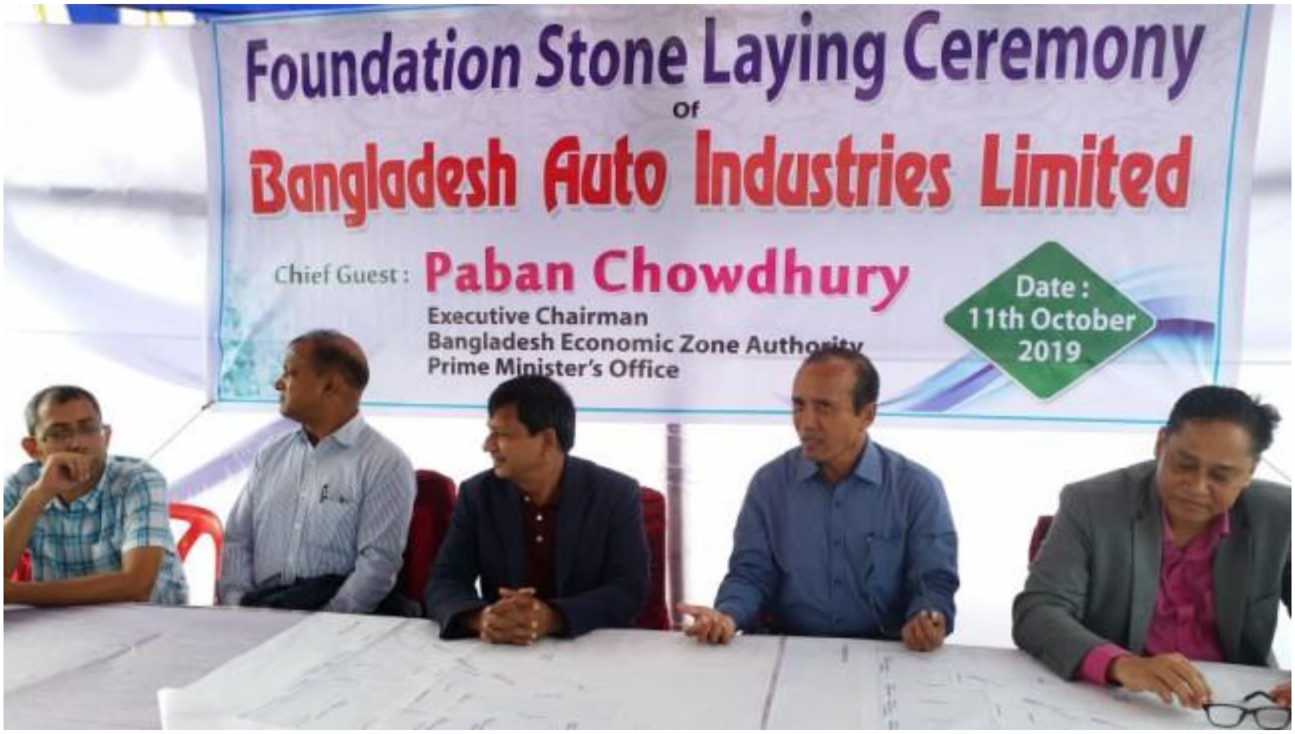
"Australian governments, the private sector and unions collectively owe it to the community to come together and resolve the national crisis in construction."

The CFMMEU has been embroiled in controversy in recent years and their boss John Setka was expelled from the Labor Party by federal opposition leader Anthony Albanese last month.

Originally published as [CFMEU calls for national construction laws]

Construction work of Bangladesh's first electric vehicle plant starts

The Daily Start, 11 October 2019



Construction work on Bangladesh's first automobile manufacturing industry start in Chattogram's Mirsarai upazila on October 11, 2019 (Photo: Jagaran Chakma)

Construction work on Bangladesh's first automobile manufacturing industry started in Chattogram's Mirsarai upazila today with an initial investment of US$200 million.

Paban Chowdhury, executive chairman of Bangladesh Economic Zones Authority (Beza), laid the foundation stone of the plant in Mirsarai economic zone.

Local automobile company Bangladesh Auto Industries Ltd (BAIL) will for the first time bring electric vehicles manufactured locally at the country's market within July 2020, BAIL Chairman A Mannan Khan said while addressing the inauguration programme.

The facilities, civil work and utility connection of the proposed plant on a 100-acre of land at the Mirsarai economic zone will be completed by December this year, Bail's managing director Mir Masud Kabir told The Daily Star earlier.

BAIL will manufacture two-wheelers, three-wheelers, sedan, hatchback and sport utility vehicle (SUV) and has plans to produce pick-ups, mini-trucks and multipurpose vehicles.

The plant will manufacture almost 60% of the component of the vehicles, including lithium battery, motor, controller, software platform, chassis and body.

An electric vehicle (EV) uses chemical energy stored in efficient and environment-friendly rechargeable lithium ion battery packs instead of fossil fuel to propel it.

Internationally acclaimed designers have designed the initial Electric Vehicle for BAIL.

Cambodia: Investments poured into construction sector increase

The Cambodia Daily, 17 October 2019

Cambodia's construction attracted a total investment of US$6.49 billion in the first nine months of 2019, up 34.7% from US$4.82 billion over the same period last year, said the Ministry of Land Management, Urban Planning and Construction (MLMUPC).

In the January-September period, the ministry granted licenses to 3,433 construction projects, up 35% from 2,541 projects over the same period last year. Read full story HERE.

Construction investment capital in Cambodia valued at US$3B in H1

The Phnom Penh Post, Hin Pisei, 17 July 2019

Construction workers at a site in the capital's Tonle Bassac commune. Heng Chivoan

Construction investment capital in Cambodia was valued at around US$3 billion in the first half of this year, a more than 50% increase compared to the same period last year, according to data from the Ministry of Land Management, Urban Planning and Construction.

The data show that a total of 2,047 construction projects worth an estimated US$3.39 billion were approved during the period. The value increased 57.57% from the same period last year, with 1,643 projects worth US$2.125 billion.

Of this, US$3.07 billion was approved at the national level and more than $318 million at the sub-national level.

Cambodia Constructors Association general manager Chiv Sivpheng said rising investor confidence in political stability and economic growth, along with stricter restrictions imposed by the authorities, has boosted the number of construction permit applications.

He said construction projects have appeared almost everywhere, especially in two special economic hubs – Phnom Penh and Preah Sihanouk province. Most of the projects currently under construction are large ones with huge investment capital.

"Given the situation, I think that the number of projects and the construction investment capital in Cambodia will continue to grow in the second half of the year," he said.

He said authorities need to increase the quality of construction as investment capital continues to climb. The Kingdom's construction sector is currently under heightened scrutiny, especially in terms of quality after a Chinese-owned seven-storey building collapsed in Sihanoukville, leaving 28 workers killed and 26 injured.

Ministry of Land Management, Urban Planning and Construction spokesman Seng Lot could not be reached for comment.

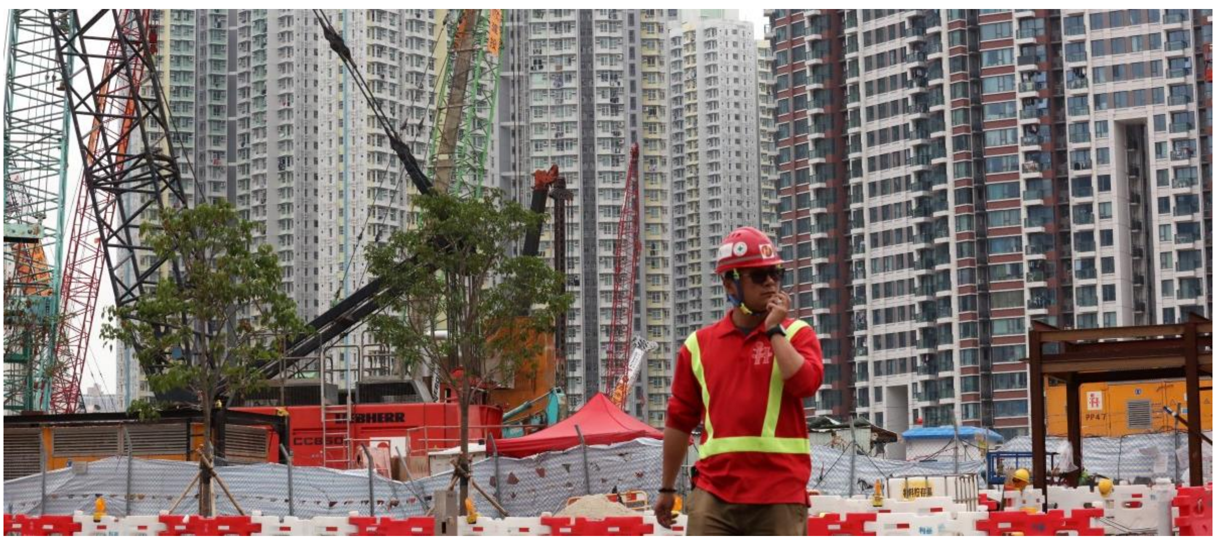
Last year, Cambodia's construction investment capital was worth more than US$5.2 billion, down 18.66% from US$6.4 billion in 2017.

Hong Kong's government to impart leadership

South China Morning Post, Ng Kang-chung, 4 August 2019

The Hong Kong's government needs to work out policies to increase capacity of construction sector that is expected to get a fillip, development minister writes

Centre of Excellence for Major Project Leaders will train officials under the guidance of University of Oxford's Said Business School

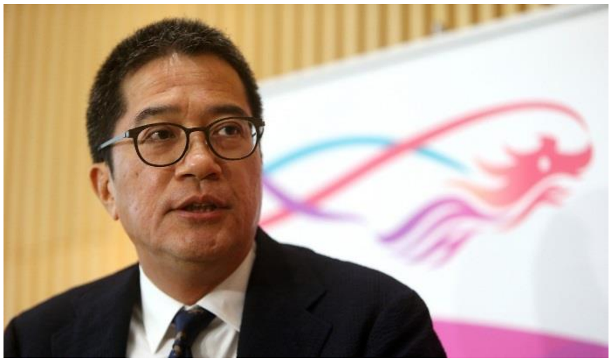


A construction site at Tak Long Estate (left) and subsidised housing De Novo (right) in Kai Tak. The infrastructure sector is all set for a boost (Photo: Felix Wong)

The Hong Kong government plans to brush up the standards and efficiency of construction workers as it expects to see a boost in its infrastructure projects in the next few years, with the annual capital works expenditure rising to over HK$ 100 billion.

On his official blog, Secretary for Development Michael Wong Wai-lun said the annual total construction output would increase to more than HK$ 300 billion (US$38 million) over the next few years.

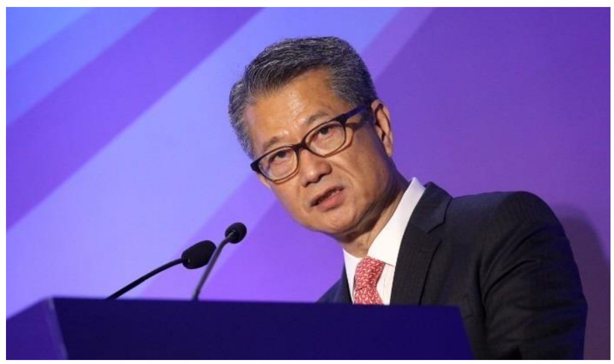
This will cover construction of public and private housing, implementation of hospital development and redevelopment projects, and development and expansion of new towns and new development areas.



Development Secretary Michael Wong said the government would enhance the standard and efficiency of supervision of construction projects (Photo: Winson Wong)

Wong wrote: "We shall need to work out policies and measures to increase the capacity of construction sector, as well as to enhance the standard and efficiency of works supervision, including promotion of digitalised supervision system."

"We shall also upgrade the Project Cost Management Office and form a Project Strategy and Governance Office for implementing strategic measures and enhancing capabilities in cost surveillance and project governance."



Financial Secretary Paul Chan said in his 2019-20 Budget that pilot projects would be launched to motivate site supervisors and contractors to use innovative technology for collection of real-time data (Photo: K.Y. Cheng)

Financial Secretary Paul Chan Mo-po announced in his 2019-20 Budget that pilot projects would be launched to motivate site supervisors and contractors to use innovative technology to collect real-time data on site and works progress for record and monitoring.

On his blog, Wong wrote the Development Bureau had recently set up a Centre of Excellence for Major Project Leaders to equip them for future needs.

A first of its kind in Asia, the centre offers a project management and leadership development programme to senior government officials to equip them with a more innovative mentality and world-class leadership skills to enhance their project delivery capability.

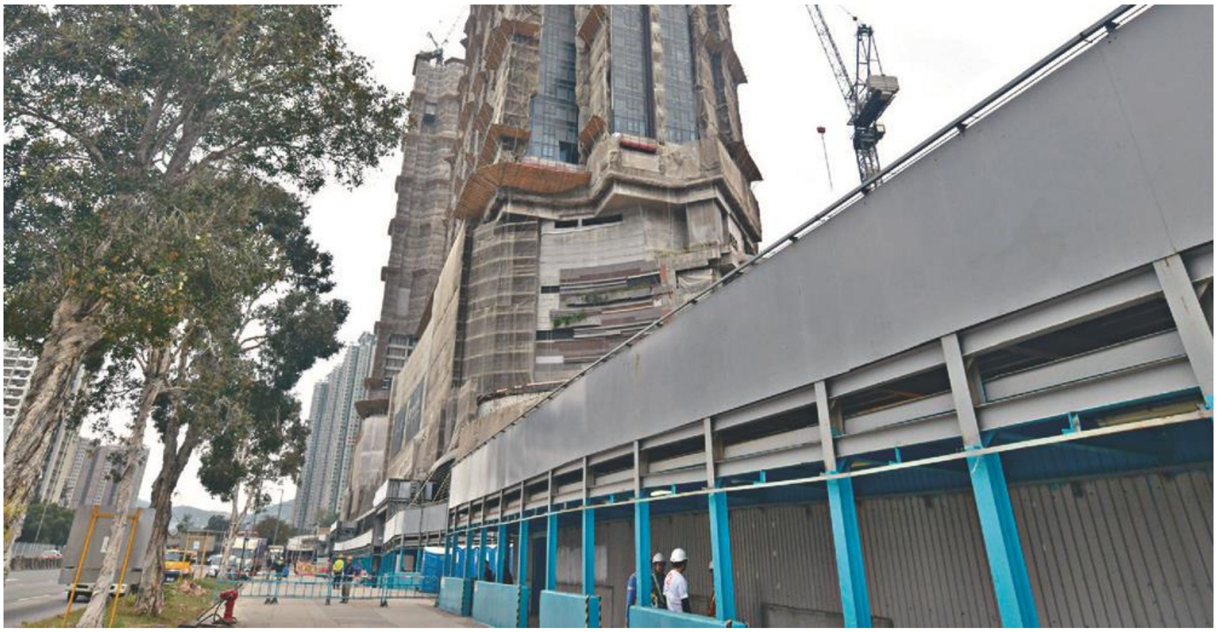
The programme is also offered to construction leaders involved in public projects.

The centre's first course will be the Major Projects Leadership Programme, of which the University of Oxford's Said Business School has been appointed the programme director.

Eligible senior officials in charge of construction projects as well as major project leaders from various fields would attend the 12-month programme to brush up their skills to elevate performance at major works projects, Wong wrote. The programme will run for about three years.

Hong Kong's NWD halts all construction over outbreak

The Standard, Stella Zhai, 5 February 2020



New World Development's project atop Tai Wai Station will offer 3,090 homes. Sing tao

New World Development (0017) of Hong Kong became the first local developer to shut down all of its construction sites for two weeks until February 17 amid the coronavirus outbreak, as the number of completed private residential units fell to a four-year low in 2019.

The developer said it would review the epidemic's development on a weekly basis and adjust the reopening day of construction sites if required.

It also denied that any employees were infected with the virus, saying none of its staff were confirmed or suspected cases and the suspension was a proactive measure to protect its staff and their families.

The company has been developing six residential and commercial projects, among which, the project atop the Tai Wai Station is expected to offer 3,090 units with the first batch to be launched in the first half of this year.

The Hong Kong Construction Association estimated that 20-30% of Hong Kong's construction workers had visited the mainland during the Lunar New Year holiday, and other developers may follow NWD in suspending projects as virus cases escalate.

Meanwhile, the number of completed private residential units dropped 35% year-on-year to 13,600 in 2019, a four-year low, according to the Transport and Housing Bureau.

Thomas Lam, Knight Frank executive director and head of valuation and advisory, expects the number of completed units to continue to fall in the future, as developers are on the sidelines amid the escalation of the coronavirus crisis.

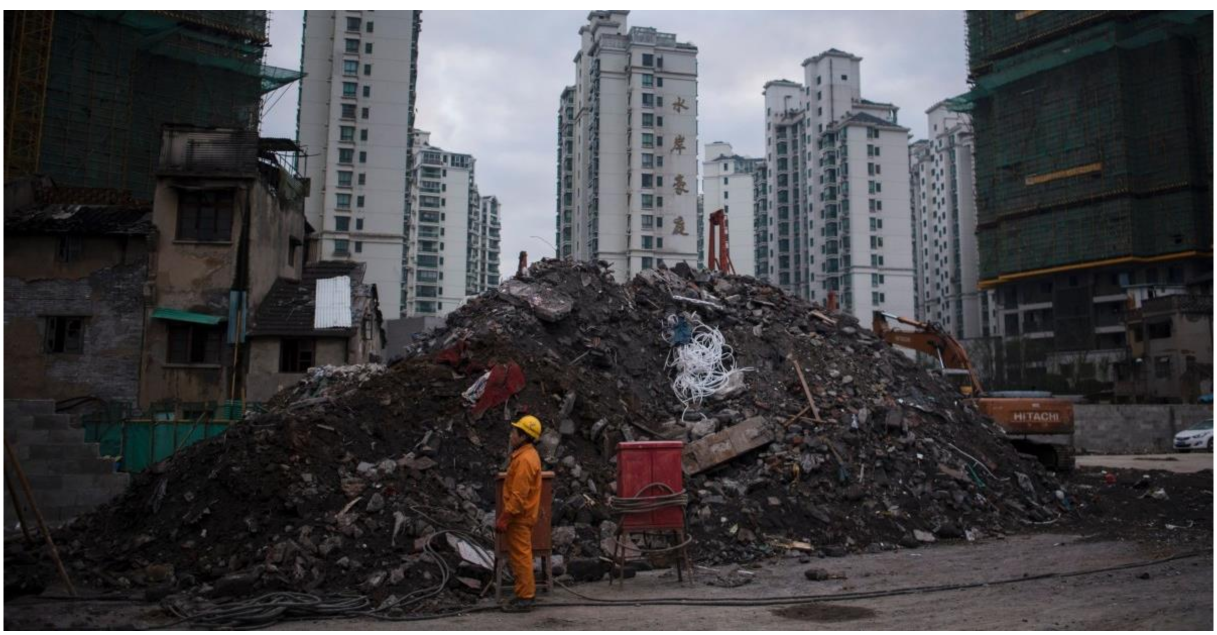
The Transport and Housing Bureau expects that in the following few months, six residential sites could be ready for construction and could provide 3,900 units.

In other news, Wharf Holdings (0004) is set to hand out 10 million yuan (US$1.4 million) to establish a fund for the prevention and control of the coronavirus following donations by NWD and Henderson Land Development (0012), but the largest two property operators - Sun Hung Kai Properties (0016) and CK Asset (1113) - have yet to make such an announcement.

China counts the environmental cost of its construction boom

South China Morning Post, Frank Tang, 14 October 2019

- Only 100 million tonnes are properly processed and even household rubbish gets more attention from local governments
- In comparison, developed nations like the US and Japan recycle between 90 and 95% of their construction waste, magazine report says



China's massive urbanisation programme has also produced a mountain of unwanted construction waste (Photo: AFP)

China's rapid urbanisation has created a mountain of construction waste and an environmental headache for policymakers, according to a report published on Sunday by a magazine with links to state media.

Every year, construction, demolition and renovation projects produce more than 1.5 billion tonnes of waste, yet only 100 million tonnes can be properly processed through disposal or recycling, said China Comment, which is affiliated to Xinhua and overseen by the Communist Party's propaganda department.

"There is going to be a concentration of construction waste problems in some cities. It is a pressing problem that must be tackled," the report said.

In major urban centres like Beijing and Shanghai, construction activity produces up to 30 million tonnes of waste a year, while across the country the sector accounts for about 40% of all urban waste, it said.

At the same time, more than 7,000 hectares of arable land are being damaged every year as a result of construction activity, it said.

The report comes as Beijing is looking to the construction industry to help drive economic growth, which fell to a 27-year low of 6.2% in the second quarter and is forecast to slow further.

But any increase in the creation of construction waste is unlikely to help local officials meet their targets on pollution control, which along with reducing risk in the financial sector and alleviating poverty, is one of the key tasks set by China's leaders for the 2018-2020 period.

To make matters worse, most governments, especially those in industrial northern provinces like Hebei, which surrounds Beijing, have focused their environmental efforts on tackling air pollution.

Construction activity is said to account for 40% of China's urban waste (Photo: AFP)

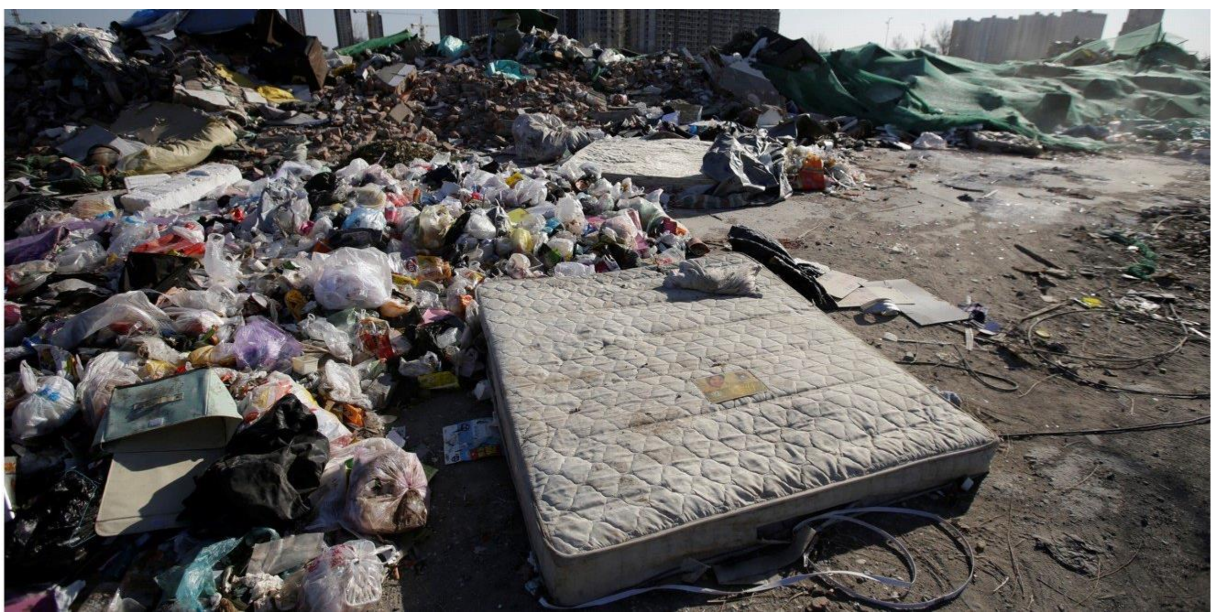
Construction waste is even lower on the priority list than household rubbish, for which the central government has set a deadline of the end of 2020 for the introduction of a classification system in 46 major cities.

The magazine report said that even if China has achieved some success in dealing with air pollution and is waging war on household waste, the construction waste problem still requires urgent attention. While developed nations like the United States, South Korea, Japan and others in Europe recycled between 90 and 95% of their construction waste, the figure in China was just 5 to 10%, it said.

Although the country has 70 disposal facilities capable of handling upwards of 1 million tonnes of construction waste a year, most of them are working at only about 50% capacity. “There is no unified plan for managing the long-term process of recycling construction waste,” Liu Jingjiang, an official at China’s Ministry of Housing and Urban-Rural Development, was quoted as saying.

And the problem, especially in major cities, is only set to get worse, the report said.

Despite suggestions that China’s property market has been slowing, in the first eight months of the year new construction starts by floor area rose 8.9% from the equivalent period of 2018 to almost 1.1 billion square meters, according to figures from the National Bureau of Statistics.



Even household garbage ranks higher than construction waste on most governments’ priority lists. Photo: Reuters

Meanwhile, the value of the construction waste disposal market rose 6.1% year on year in 2017 to 83.3 billion yuan (US$11.75 billion) and is forecast to grow to 100 billion yuan in 2020, according to Qianzhan Research Institute.

Indonesian President Jokowi dreams bigger than Dubai: new capital city 'the best on earth'

The Jakarta Post, 6 November 2019

Concrete jungle; a night view of skyscrapers in Jakarta. (Shutterstock/File)

President Joko "Jokowi" Widodo has revealed that he has dreams for the new capital bigger than those of Dubai in the United Arab Emirates (UAE), he wants the soon-to-be developed city in East Kalimantan to be "the best on earth".

While Dubai has sets its sights on becoming the world's happiest city through technological innovations by 2021, Jokowi said he envisioned the future capital of Indonesia being more than that.

"We have to dream big. While Dubai [wants to be] the happiest city on earth, our new capital city will be the best on earth, the cleanest city, the most innovative city," Jokowi said.

Speaking during the opening ceremony of the 2019 Indonesian Construction Expo, the President asserted that the new capital would not only serve as the country's administrative hub, but it would be a smart metropolis that supported the growth of innovation and green industries.

It will provide the residents of the city with the best services, environment and opportunities that can boost their life quality, ranging from world-class educational institutions and modern hospitals to high-tech centers similar to Silicon Valley, he said.

"Google Global Talent will be set up [in the new capital]. Our diaspora will return home and attract more world-class talent to live there," Jokowi said.

However, the President asserted that – in line with the government's focus on developing human capital – officials and the public in general should change their mindset and work cultures so as to be able to adapt to such new cutting-edge systems in the planned metropolis.

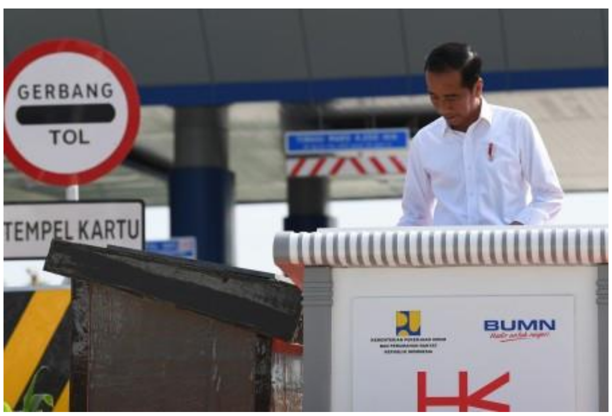
“Once again, we are not only going to move [to new capital], but we are also moving to a new system,” Jokowi added.

Citing environmental reasons and overcrowding in Jakarta, Jokowi’s administration announced in August that it would build a new capital on a 180,000-hectare site straddling North Penajam Paser and Kutai Kertanegara regencies in East Kalimantan.

The government is currently finalizing a master plan for the new capital city, with a target of starting the development ─ which is projected to cost up to Rp 466 trillion (US$32.7 billion) - by the end of 2020.

Indonesian government to build 4,000 km of toll roads, national roads in next five years

The Jakarta Post, Riza Roidila Mufti, 5 November 2019



President Joko “Jokowi” Widodo opens the Bakauheni-Terbanggi Besar toll road, which is part of the trans-Sumatra toll road project, at a toll gate in South Lampung on March 8. (Antara/Wahyu Putro A)

The government plans to build more than 5,000 kilometers of new roads in the next five years to improve connectivity to seaports, industrial zones, tourist destinations and isolated areas.

Deputy Public Works and Housing Minister Wempi Wetipo said in Jakarta that the new roads would comprise 1,500 km of toll roads and 2,509 km of national roads in many parts of the country. In addition to new roads, the government will also build elevated bridges or overpasses with a total length of 60 km, he said.

“The construction of new roads will be focused on supporting disadvantaged regions, industrial zones, tourist destinations – especially the priority tourism projects – as well as to support the new capital city development in East Kalimantan," said Wempi.

Wempi said the development of new roads and bridges would be supported modern construction technology to achieve efficiency in cost and time as well as to ensure quality.

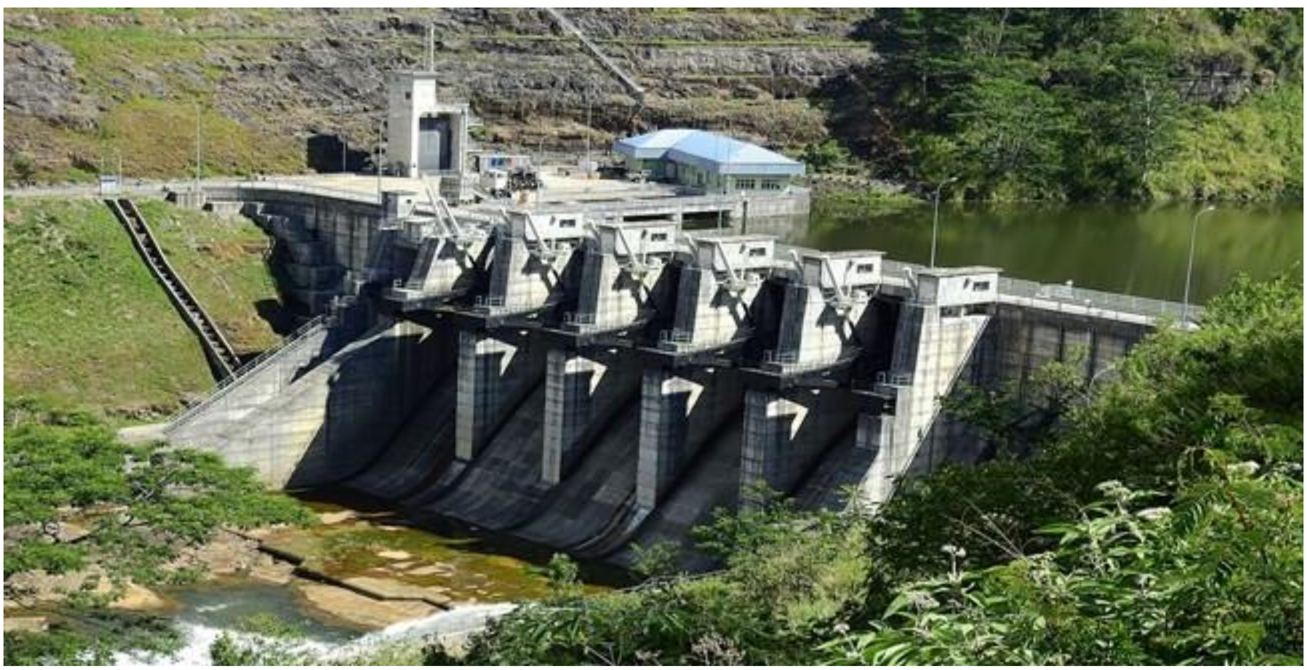
The director general of highways at the Public Works and Housing Ministry, Sugiyartanto, said one of latest technologies to be used was building information modeling (BIM), which can help make 3D models, designs and construction. This technology has been used in road development projects in Mandalika, NTB and the Pansela Route.

"With BIM technology, the design will be more actual and real. For example when design a bridge, with this technology we will know how thick the concrete will be, how much steel we need, and much more. Everything can be visualized, so it is easier for us to work on it," said Sugiyartanto, adding that the BIM technology could improve efficiency and accountability in infrastructure development.

During the last five years, the government has built new toll roads totaling about 1,000 km, regular roads with a total length of 3,387 km and 330 elevated bridges.

Iran contractor says megaproject in Sri Lanka ready for opening

Iran Daily, 30 October 2019



The CEO of a major Iranian contractor involved in the construction of a hydropower project in Sri Lanka said work on the massive project has completely finished as he recounts how engineers from around the world were outsmarted by their Iranian rivals every step of the way.

Nasser Tarkeshdouz, who heads the Mahab Qods, the company that offered consultancy services in Uma Oya Multipurpose Development Project, said that Iran had won this project in competition with powerful

American, European and Asian companies, Press TV reported.

The project will provide irrigation and drinking water to Badulla, Moneragala and Hambantota districts in southern Sri Lanka, he said.

Construction for Uma Oya began in 2008 when top government officials from Sri Lanka and Iran gave the green light for the start of the $530-million project.

The Iranian company Farab has executed the highly-complicated project which includes two dams, with 35 and 50 meters of height, a 15.5-kilometer-long irrigation tunnel and a 630-meter shaft which transfers water to a power plant that has the capacity of producing 120 megawatts of electricity.

Tarkeshdouz said that the shaft, fully designed and constructed by Iranian engineers, should be viewed as a unique structure of its type in the world.

"Sri Lanka needs water transfer for its very economic being but its ground and soil condition is one that causes subsidence and leak of water," said Tarkeshdouz, adding, "Excavation operation in this country is not a job for everyone."

He said drilling the main tunnel in the project was a heavy task that Iranian engineers managed to perform despite various problems that emerged.

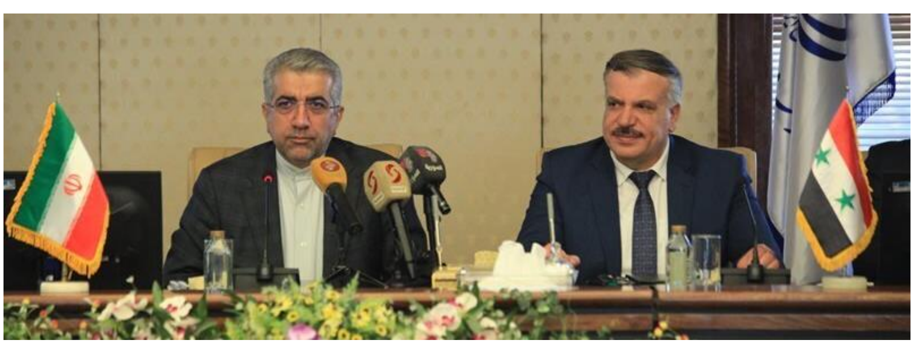
Iranian companies offering technical and engineering services have already found their way into major regional and international markets thanks mainly to government efforts to diversify the economy from oil and use exports of such services as a major source of foreign currency income at the time of increased American sanctions.

Tarkeshdouz said his company, Mahab Qods, had either finished or was working on projects in 18 different countries, from Oman in the Persian Gulf to Germany in Western Europe.

Other Iranian construction companies like MAPNA and Kayson are also involved in similar overseas projects despite the fact that US sanctions have restricted their ability to use funds provided by international banks and institutions.

Iran and Syria ink MOU on electricity co-op

Tehran Daily, November 2, 2019



TEHRAN - Iran and Syria signed a memorandum of understanding (MOU) for expansion of cooperation in the electricity sector, IRNA reported.

The MOU was signed by Iranian Energy Minister Reza Ardakanian and the Syrian Minister of Electricity Mohammad Zuheir Kharboutli in Tehran.

Speaking on the sidelines of the signing ceremony, Ardakanian said, “This agreement is going to establish a general framework for the two countries’ electricity cooperation.”

Mentioning the efforts for transferring Iran’s knowledge and experience in the electricity sector to Syria, Ardakanian said Iran-Syria cooperation is going to be in a variety of areas for reconstruction and development of the Syrian electricity industry.

“That includes the construction of power plants, transmission lines, reduction of losses in the Syrian electricity grid, and the possibility of connecting the two countries’ power grids through Iraq,” he added.

The Syrian minister for his part referred to Iran's support for his country, saying, “Iran will be with us in the reconstruction of Syria as well.”

“Joint committees will be held every two months to follow up and monitor the implementation of the joint projects,” Kharboutli added. Zuheir Kharboutli arrived in Tehran on top of a delegation this week to visit the country’s international electricity exhibition and to pursue previous discussions made with Iranian officials on cooperation in Syria’s electricity sector.

Japan’s first offshore commercial wind power farm planned in Akita

The Asahi Shimbun, Rintaro Sakurai, 4 February 2020

An offshore wind farm will be built near the outer seawall off Noshiro Port in Akita Prefecture (Yoichi Masuda)

Trading house Marubeni Corp. and 12 other companies on February 3 said they will build Japan’s first large commercial sea-based wind farm in Akita Prefecture and aim to start operations in 2022.

The total cost of the project is estimated at about 100 billion yen ($920 million), and 70 to 80% of the funds will be invested by financial institutions in Japan and overseas, they said.

According to the investment agreement signed on February 3, the wind farm will operate in waters off Akita Port in Akita city and Noshiro Port in Noshiro and have a total capacity of about 140 megawatts.

Other companies involved in the project include: construction giant Obayashi Corp; a subsidiary of Tohoku Electric Power Co.; Kansai Electric Power Co.; Chubu Electric Power Co.; and Akita Bank.

Sources familiar with the project said 33 windmills with a capacity of 4.2 megawatts each will be installed in the sea, providing enough electricity to supply 130,000 households.

Based on the feed-in tariff system, the generated electricity will be sold to Tohoku Electric Power over 20 years at a price of 36 yen per kilowatt-hour.

The open ocean provides more favorable wind power conditions than on land.

Overseas, the number of large wind power projects has increased while costs have declined.

But such projects have been delayed in Japan. Demonstration projects around the country currently have a total capacity of only several tens of megawatts.

However, the Japanese government has recently been pushing for more favorable conditions for renewable energy projects.

A law designating promotional sea areas for renewal energy projects took effect in April 2019. The law allows publicly chosen wind-power operators to use such areas for a maximum 30 years.

In December, a sea area off Goto city in Nagasaki Prefecture became the first to receive the designation under the law.

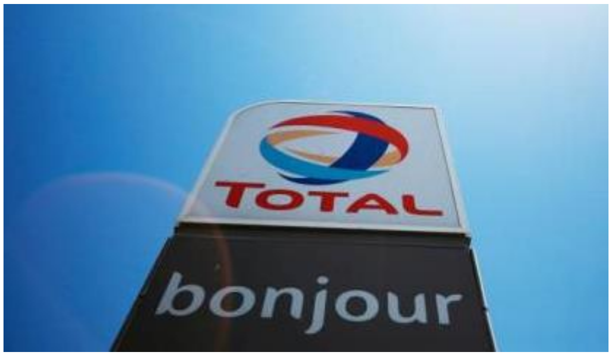
In addition, the number of environmental impact studies have also increased, paving the way for the future commercialization of offshore wind farm projects.

As of August 2019, such projects across Japan were expected to eventually have a total capacity of 13 gigawatts.

Leading general contractors plan to build ships that can assemble windmills at sea. But they have faced opposition from local groups, including fishery operators.

Papua New Guinea LNG expansion plans in limbo after talks collapse

The Sun Daily, Reuters, 3 February 2020



MELBOURNE - Plans to double gas exports from Papua New Guinea within the next four years are in doubt after the government walked away from talks with Exxon Mobil Corp on a key gas project needed for the US$13 billion expansion.

Papua New Guinea Prime Minister James Marape called off negotiations with Exxon on the P'nyang field, blaming the energy giant for failing to budge on a proposed deal that was "out of the money".

The expansion of liquefied natural gas exports is crucial for the impoverished Pacific nation, but is vying with several proposed LNG projects in Australia, Mozambique, Qatar, Russia and the United States.

One of Exxon's partners in the PNG project, Oil Search Ltd., said the terms the government had sought would have made the project unprofitable.

"Under the terms proposed by the State, the joint venture partners were unable to obtain a return on their investment that made the project investable and bankable," Oil Search said in a statement to the Australian stock exchange.

Shares in Oil Search fell as much as 11.5% early in their first session since the collapse of the talks, on track for their worst one-day fall in more than four years.

The P'nyang agreement was one of two agreements needed for Exxon and its partners to go ahead with a $13 billion plan to double LNG exports from the Pacific nation. The other agreement, the Papua LNG pact, was sealed with France's Total SA in September.

The government was seeking terms on P'nyang that would give the state more than the 45%-50% take that PNG is set to reap on the returns from the Papua LNG project, and well above the terms Exxon negotiated in 2008 for its PNG LNG project, a person close to the negotiations said.

P'nyang and Total's Papua LNG project were designed to feed three new processing units, called trains, at Exxon's PNG LNG plant, with the two projects sharing infrastructure in order to save $2 billion to $3 billion dollars on construction costs.

Oil Search said it would now focus its attention on the Papua LNG project, which will feed two new trains, adding 5.5 million tonnes per annum (mtpa) to the plant's 8 mtpa capacity. Joint venture partners are set to meet "in the short term" to plan their next steps, it said.

Bank of America analysts estimated that separating the projects would pare the cost savings by a third and delay first production from Papua LNG by 18 months to 2026.

"The two projects are rather entwined. There's a bit of uncertainty now. Everything's going to be delayed for quite a period of time," said Andy Forster, senior investment officer at Argo Investments, which owns Oil Search shares.

Exxon Chief Executive Darren Woods said the company hoped to revive talks on P'nyang to get to a "win-win proposition" but flagged that the company was in no hurry as it had other projects it could advance elsewhere.

"But I also think we've got some time given all the other opportunities in front of us and, frankly, given where we're at today in the supply-demand balance of LNG," Woods told analysts on the company's quarterly earnings call.

A global glut of LNG has driven spot LNG prices to more than 10-year lows below $4 per million BTUs (mmBTU), posing challenges for projects looking to line up long-term customers.

PNG Prime minister James Marape, who came to power last May on a pledge to reap more benefits from the country's abundant mineral and energy resources, said he was comfortable with the hard line he had taken.

Statistics NZ slashes migration estimates, raising odds of construction slowdown

The New Zealand Herald, Hamish Rutherford, 23 January 2020

New Zealand's population growth over the past year will be slower than previously thought, with Statistics New Zealand slashing its estimates for gains from migration.

Since New Zealand abolished departure cards at border security in late 2018, Statistics NZ has been using a new method to calculate whether people are short-term visitors or migrants.

This has seen the estimated annual gain from net migration sit above 50,000 throughout 2019, and at an estimated 55,000 for the 12 months to October 31.

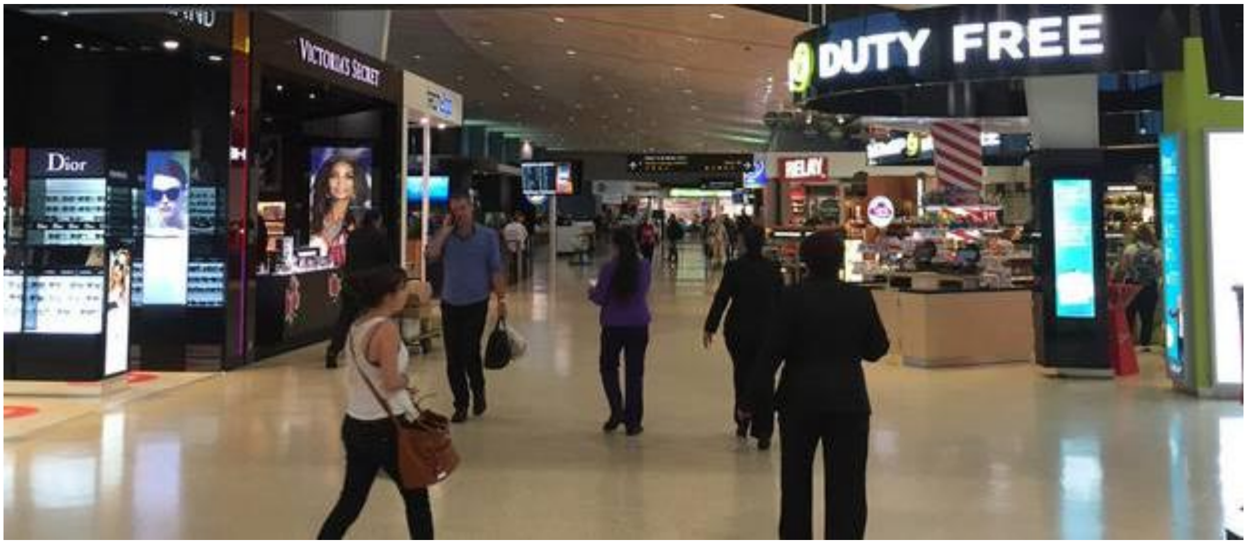
Statistics NZ acknowledged that in the early months of its new calculations it was missing the link between arrivals and departures for around 1 in every 1000 border crossings, or around 15,000 out of around 15 million border crossings.

As a result Statistics New Zealand now estimated the net gain from migration in the year to May 2019 was 46,100, around 9400 below what it previously estimated.

Since then migration has continued to ease, with the current estimate that in the year to November 30 the net annual gain from migration had fallen to 41,500, the lowest in more than five years.

Throughout 2019 economists had begun openly questioning the accuracy of the migration figures, with several organisations predicting that the estimates were likely to be downgraded.

However, Westpac said the degree to which the figures had ultimately been revised downwards was larger than expected.



The abolition of departure cards in 2018 forced Statistics NZ to change the way it calculated migration levels. It slashed its estimates for migration in 2019 (Photo: Grant Bradley)

"While we had expected some downside in net migration, today's result was even softer than we factored in," Westpac senior economist Satish Ranchhod said.

The bank expected net migration to continue to fall throughout 2020, which could have an impact on the economy, with building activity ramping up at a time when population growth has been cooling.

"While a large number of houses will still be needed to address earlier underbuilding, we think a peak in home building is approaching," Ranchhod said.

"The chances of overbuilding and a classic boom-bust cycle have increased, especially in Auckland."

Migration peaked in mid-2016 at around 64,000, largely due to a turnaround in migration patterns from Australia.

Arrivals from across the Tasman briefly exceeded departures to Australia on an annual basis for the first time since the 1990s.

NZ government ditches lowest price buying model for construction contracts

Stuff, Sunday Star Times, Marta Steeman, 4 October 2019

(Photo: supplied)

The Government has come under repeated fire from the construction sector about "low-balling" construction contracts from its agencies.

The construction sector has given the Government a big tick for changes to its construction procurement guidelines which are ditching the "lowest price model".

The new rules will use a broader set of considerations for multi-million dollar government contracts which have to take into account the financial health of the construction company, the health and safety of its workers and the environmental health of the building.

The guidelines took effect on October 1 and are mandatory for about 130 government agencies. As well, scores of government agencies are expected to apply the new rules, and more than 100 government bodies including local and district councils and universities are encouraged to use them.

Leading organisations in the sector said the changes were what the sector had been calling for and were a positive move.

They also called on the players in construction to lift their game, to invest their profits in training and technology and run their businesses better.

The Government said the new rules would help keep construction companies afloat. In the worst cases of intense undercutting by construction companies to win government contracts they collapsed before the contracts were completed leaving subcontractors unpaid.

(Photo: Braden Fastier)

Early contractor involvement before building designs and plans are committed to is being promoted in the new procurement rules.

The new construction procurement guidelines are part of new wide-ranging government procurement rules. Government contracts made up about 18% of all large scale construction projects.

New Zealand Institute of Building chief executive Malcolm Fleming says Government has committed to a more balanced approach that shifts from the lowest price model to a "whole of life" procurement model.

New Zealand Institute of Building (NZIOB) chief executive Malcolm Fleming said the new procurement rules were a positive signal from the Government and follow on from the Construction Sector Accord agreed between the Government and the sector in April.

Key parts were the Government commitment to a more balanced approach that shifted away from the lowest price model to a "whole of life" procurement model, promotion of early contractor involvement before design and drawings were finalised and the use of BIM technology.

The previous rules were not that bad but the government agencies were not following them, Fleming said.

The institute's members were individuals from the construction industry. Half were commercial builders and sub-contracting firms, and the rest included architects, quantity surveyors and engineers.

Fleming urged members of the construction sector to "call out" government agencies which had to use the guidelines and were not.

"I think the industry really has to step up in that role and say look they are not following the guidelines that you have established, that's not good enough."

The failure of construction companies was not entirely because of government agencies selecting the lowest price. The industry itself lacked the ability to identify risks and price their contracts adequately, Fleming said.

There had been so much "road kill" of main and subcontractors that NZIOB and other construction sector organisations had been advocating for more eduction in the sector about how to price risk and for the government to take leadership by not shifting all the risk onto the "supply chain".

The Government's lowest price approach had not been good for it, the sector or the environment. Substandard buildings were the result.

The "whole of life" procurement model took into account not only the capital cost of the building but operating costs in the future. That should produce higher quality buildings, Fleming said.

Registered Master Builders chief executive, David Kelly, said the construction sector had been calling for fairer contract terms and better allocation of risk in how some Government agencies procured contracts for several years.

Too much risk had been passed to contractors fuelling an adversarial relationship between Government and the sector.

The new guidelines had the potential to significantly improve the quality and consistency of how Government construction projects were delivered and foster more collaboration between the Government and the sector, Kelly said.

Graham Burke, president of the Specialist Trade Contractors Federation, says its members should check the financial health of the contractors they worked for.

Specialist Trade Contractors Federation president Graham Burke said while the new rules were certainly a positive move he was disappointed with some clauses referring to subcontractors dealings with contractors.

The wording said contractors "should" use best practice with subcontractors when the federation thought that the word should be "must" use best practice, given that most work on buildings was subcontracted out. It potentially left room for people to duck out of their responsibilities.

Specialist trades had to be forthright in due diligence of the main contractors they worked for and ensure that if retentions were required they were held in trust and that payment terms were understood. "The best person to look after your business is yourself," Burke said.

Construction of the dams Diamer-Bhasha and Mohmand dams to begin in Pakistan

Dawn, 9 October 2019

ISLAMABAD - Construction work on two major dams — Mohmand and Diamer-Bhasha — is all set to begin in the first and second quarters of 2019 with a total approved cost of about Rs883 billion (US$5.7 billion.)

Mohammad Faisal Vawda, the newly appointed Minister for Water Resources, was given a briefing by Muzammil Hussain, the chairman of the Water and Power Development Authority (Wapda), about the building of the dams. The retired lieutenant general assured the minister that everything was on course and that construction is going to commence in 2019.

An official said construction work on the Rs309bn Mohmand dam would start in the first quarter of 2019. He added that the process of hiring consultants was in the final stages, who would evaluate the bids for the project and also monitor implementation.

The official said the authorities had invited consultancy firms to submit proposals for the Rs478bn Diamer-Bhasha dam. He added that several companies had submitted applications for the pre-qualification process and their offers were being evaluated to be included in the bidding stage.

Wapda chairman briefs minister the work will cost Rs883bn

The authorities have already divided the Diamer-Bhasha dam into two components — the main dam and other sub-structures. The first stage of the multi-purpose project will begin latest by June 2019, and will be followed by the electro-mechanical phase power house some time later, which is estimated to cost Rs751bn (US$4.87 billion.)

The meeting was informed that the fund created by the chief justice of Pakistan, which was later joined by the prime minister, had seen a total donation inflow of Rs4.6bn (US$30 million.) Already, Rs23.8bn (US$150 million) for the Diamer-Bhasha dam and Rs2bn (US$13 million) for the Mohmand dam had been allocated in the Public Sector Development Programme 2018-19.

The Wapda chairman also explained the various factors that were causing the water crisis in the country. He said that building new dams and adopting water conservation strategies were critical for the future.

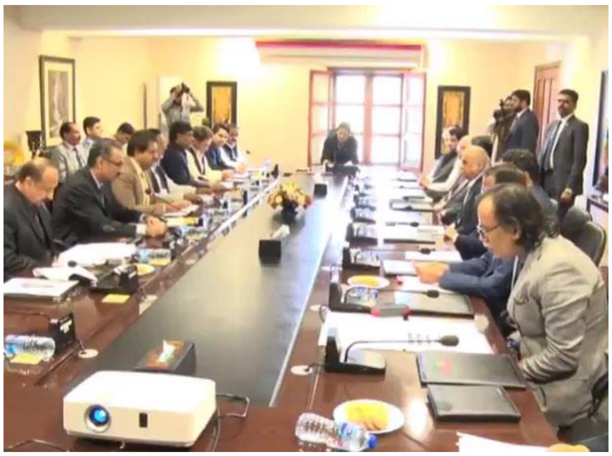
The minister was also briefed on recently completed Wapda projects and the status of other ongoing water and hydropower projects, including Dasu and Keyal Khwar hydropower plant and Kurram Tangi and Nai Gaj dams.

The briefing also touched on the ready-for-construction projects, which include Kachhi Canal Phase-II and III, Kurram Tangi dam, Tarbela's 5th extension and Harpo and Bunji hydropower plants.

The minister assured the Wapda team that the government was fully committed to constructing hydropower projects to improve water availability for domestic, industrial and agricultural sectors, while at the same time add low-cost hydel electricity to the national grid.

Promotion of construction sector government's top priority: Pakistan's PM

Daily Times, 12 November 2019



Highlighting the significance of construction sector in boosting economic activities, Prime Minister Imran Khan said the present government had given a lot of importance to the sector, which would help realize the project of five million housing units.

He was chairing a high level meeting, held here regarding the revival and promotion of construction sector. The meeting was briefed in detail about the challenges faced by the sector.

The meeting was attended by Punjab Chief Minister Usman Buzdar, Khyber Pakhtunkhwa Chief Minister Mehmood Khan, Punjab Finance Minister Makhdoom Hasham Jawan Bakht, Punjab Housing Minister Mian Mehmood-ur-Rasheed, Balochistan Finance Minister Zahoor Ahmad Bulaidi, FBR Chairman Syed Shabbar Zaidi, Board of Investment Chairman Syed Zubair Haider Gilani, Planning Commission Deputy Chairman Jahanzeb Khan, Naya Pakistan Housing Authority Chairman Lt Gen (R) Anwar Ali Haider and senior federal and provincial governments' officers.

The prime minister said the promotion of construction sector was the government's foremost priority, adding since around 40 industries were allied with it, the promotion of construction sector besides developing those industries would also create job opportunities for youth.

The meeting discussed in detail various proposals regarding the provision of bank loans, uniform implementation of taxes and promotion of public-private partnerships for the construction sector.

The prime minister was briefed about the problems faced by the builders, contractors, developers and real estate businesses, especially, the ratio of federal and provincial taxes, difficulties in the provision of capital from banks, problems regarding registration, other official procedures and corruption.

The prime minister, on this occasion, constituted a high level committee to be headed by Naya Pakistan Housing Authority Chairman Lt Gen (R) Anwar Ali Haider to formulate practicable proposals to address the challenges including the federal and provincial taxes faced by the construction sector.

The prime minister directed the committee to submit a strategy along with recommendations to address the problems about taxes, provision of loans from banks and other difficulties faced by the construction sector within a day.

Fitch Solutions sees construction-sector growth in South East Asia accelerating

BusinessWorld, Beatrice M. Laforga, 31 January 31, 2020

The construction industry is expected to grow 9.4% this year, remaining one of the fastest-growing markets in Southest Asia, according Fitch Solutions Macro Research.

In a note issued, Fitch Solutions, the research arm of Fitch Group, projected the sector to grow faster than the 2019 rate of 7.7%, "driven by both public spending and foreign assistance and investments."

Fitch Solutions described the construction sector as a "regional outperformer" lagging only the construction sectors of Cambodia, Myanmar and Laos.

"This (9.4% growth in 2020) means that the country will remain one of the fastest-growing construction markets in the region, only behind the frontier markets such as Cambodia, Myanmar and Laos, all of which have smaller construction markets compared to the Philippines," it said.

According to its Key Projects Database of the entire infrastructure sector, rail projects "are expected to spearhead growth" this year with US$33.859 billion worth of projects that are in the planning and construction stages.

"While not all projects in the pipeline are expected to break ground and contribute to the country's construction-sector GDP (gross domestic product) this year, we highlight the rail sector as an important contributor of short-term construction-sector growth, with several projects in the National Capital Region progressing well," it said.

Fitch Solutions also noted that the government's spending plan for the construction sector this year will serve as a growth driver, supported by the increase in allocations for the two major infrastructure implementing agencies.

Out of this year's P4.1 trillion (US$81 billion) spending plan, the Department of Public Works and Highways (DPWH) has an allocation of P534.3 billion (US$10.5 billion) (up 15% year-on-year) while the Department of Transportation (DOTr) has P147 billion (US$2.89 billion) (up 112% year-on-year).

It also expects the DPWH's budget to benefit the road and water sectors while the DoTr is expected to use a large chunk of its budget to fund rail projects.

The Education department's P36 billion (US$710 million) allocation can also be used to build more school buildings and classrooms and rehabilitate school facilities, it said.

"Agriculture for the construction of farm-to-market roads to facilitate the flow of goods between production areas and demand centers, will provide a further boost to overall construction activity within the country in the coming years," it added.

The report said the government's "Build, Build, Build" program will continue to boost investment in the construction sector but the actual execution of projects "will have a heavy influence on growth of the sector over the short term."

"Build, Build, Build' will remain a key policy supporting growth of the infrastructure sector in the Phillippines over the short-term. We maintain an optimistic view on the execution of BBB-related projects, with the power and rail sectors expected to outperform," it said.

However, Fitch Solutions flagged possible risks to the positive outlook, such as the government's ability to attract sufficient foreign direct investment (FDI) and official development assistance (ODA) as well as quality bidders to implement the projects.

"Failure to do so will once again result in a lack of progress and will be a downside risk for construction sector growth. This is especially so after the government revoked water concession extension agreements with two private sector players in December 2019, highlighting regulatory risks associated with contracts agreed between the public and private sectors, undermining investor confidence," it said.

Moscow builds record number of new apartments

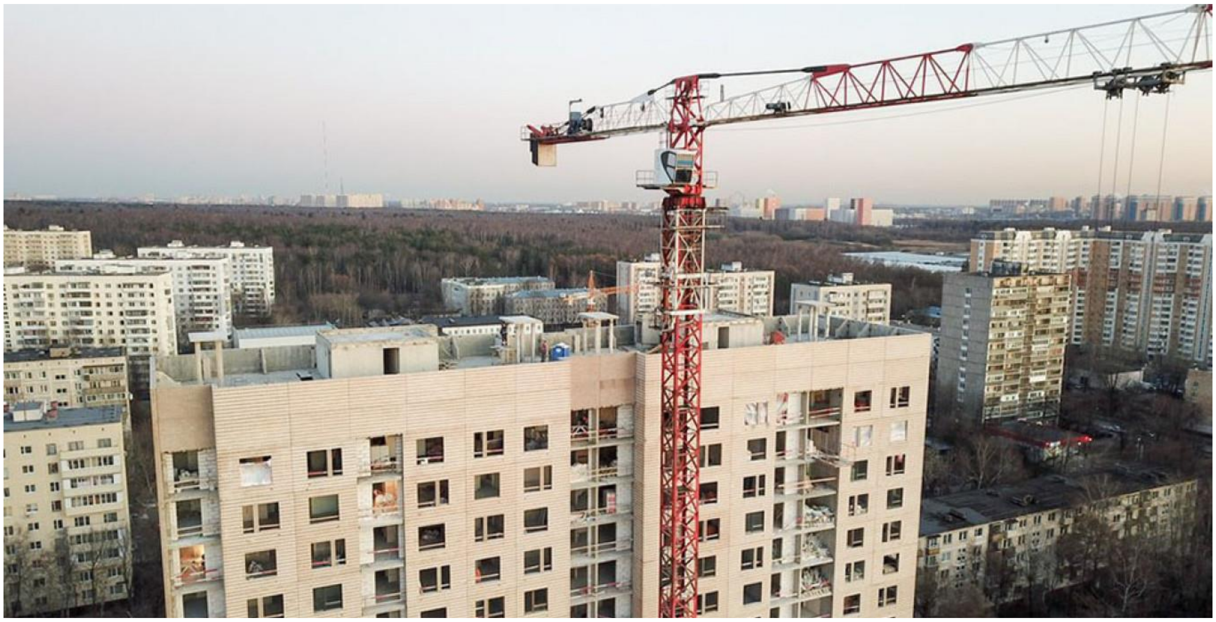
The Moscow Times, 13 January 2020

The city's renovation drive and tumbling mortgage rates helped deliver a construction boom in 2019. Moscow's construction boom reached new heights last year, with more new living space opening up than in any single year since 1965.

In 2019, construction was completed on almost 5 million extra square meters of apartment space in the Russian capital — equivalent to around 100,000 average-sized apartments. That represents a 40% jump from 2018, and passes the previous post-Soviet record of 4.82 million square meters, set in 2007.

"The impressive results were driven by robust demand in 2017-19, which was supported by clients looking for housing given the impending legislative changes and declining mortgage rates," said analysts at state-owned investment bank VTB Capital.

Chief among those legislative changes were new rules which came into force in July 2019 prohibiting developers from using the proceeds of sales on unfinished apartments to pay for construction costs. Now, when a buyer purchases an apartment which is still under construction, the funds must be placed in a ring-fenced escrow account and are transferred to the developer only once construction is complete.



Mortgage rates have fallen below 9% at major lenders. Moskva News Agency

A quarter of the new living space which was completed last year was part of the government's renovation drive to improve the condition of the 1960s-era khrushchevki apartment blocks which dominate the Moscow skyline. Analysts expect this program, which is scheduled to significantly pick-up this year, to compensate for the squeeze on construction which would otherwise result from the tighter financing rules.

Singapore's construction demand to remain strong in 2020 after hitting 5-year high last year

The Business Times, Siow Li Sen, 8 January 2020

SINGAPORE - Construction demand is expected to remain strong this year after hitting a five-year high in 2019, said the Building and Construction Authority (BCA). In 2014, demand was S$38.8 billion (US$27.68 billion), also the highest ever.

Last year's total construction demand expanded by 9.5% to reach S$33.4 billion (US$23.8 billion), about S$1.4 billion (US$1 billion) higher than the upper bound of BCA's 2019 forecast of

S$27 billion (US$19.2 billion) to S$32 billion (US$22.8 billion), mainly due to a stronger than expected increase in industrial construction demand for petrochemical facilities, despite the slowdown in manufacturing sector. Total preliminary construction demand last year for the public and private sector was S$19 billion (US$13.5 billion) and S$14.4 billion (US$10.3) respectively.

BCA projects total construction demand (value of construction contracts to be awarded) to remain strong in 2020 due to sustained public sector construction demand. The total construction demand is expected to range between S$28 billion (US$19.9 billion) and S$33 billion (US$23.5 billion) this year.

Public sector construction demand, which is expected to reach between S$17.5 billion (US$12.4 billion) and S$20.5 billion (US$14.6 billion) this year, will make up about 62% of projected demand for this year. Public sector construction demand is expected to be spurred by major infrastructure projects, which are larger and more complex in scale, such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line.

Private sector construction demand is projected to be between S$10.5 billion (US$10.5 billion) and S$12.5 billion (US$8.9 billion) this year, supported by projects such as redevelopment of en-bloc sale sites, recreational developments at Mandai Park, Changi Airport new taxiway, and berth facilities at Jurong Port and Tanjong Pagar Terminal. The forecast for 2020 excludes any construction contracts by the two integrated resorts (IRs) pending confirmation on the timeline and the phasing of the expansion projects.

Medium-term forecast for 2021 to 2024

Construction demand is expected to hold steady over the medium term. Demand is projected to reach between S$27 billion (US$19.2 billion) and S$34 billion (US$24.2 billion) per year for 2021 and 2022, and between S$28 billion (US$19.9 billion) and S$35 billion (US$24.9 billion) per year for 2023 and 2024.

The public sector will continue to lead demand and is expected to contribute S$16 billion (US$11.4 billion) to S$20 billion (US$14.2 billion) per year from 2021 to 2024, with building projects and civil engineering works each taking up about half of the demand. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by various mega infrastructure projects.

BCA expects private sector construction demand to stay at a moderate level in view of the likely continued global economic uncertainties and the current overhang in the supply of private residential housing units. Nonetheless, the planned expansion of the two IRs could provide further upside to private sector demand, depending on their eventual construction timelines.

Construction output

Total nominal construction output in 2020 is projected to increase to between S$30 billion (US$21.4 billion) and S$32 billion (US$22.8 billion), from the estimated S$28 billion (US$19.9 billion) in 2019. The anticipated further pick-up in total construction output in 2020 is supported by the improved construction demand since 2018, following the slowdown in 2015 to 2017.

Into the woods: Resurgence in timber could redefine the construction industry

The Business Times, Serena Yap, 3 January 2020

With enlightened thinking, changing perceptions and growing interest from developers, there could be more timber buildings taking root in Asia in the years ahead.

(Photo: Bloomberg)

Using wood in place of steel and concrete could eliminate much of the CO_2 and fossil fuel consumption associated with construction.

ONE interesting aspect to our "age of disruption" is the perception that a business or product that "disrupts" is completely new - new model, new thinking, new ways of operating. And while that perception is valid for some "disruptions", it doesn't apply to all.

Largest petroleum refinery in Sri Lanka to be constructed in 2021

Ceylon Today, 14 January 2020

Minister of Transport Service Management and Power & Energy, Mahinda Amaraweera said that the construction of the largest petroleum refinery in Sri Lanka is scheduled to begin next year. He said this while participating in a ceremony to lay the foundation stone for the construction of the Mulana Dikwella Bridge.

The Minister pointed out that only 30% of the country's total fuel requirement is being refined domestically and rest of the refined fuel is imported directly from foreign countries.

"A large amount of money flows out from our country annually. In addition to the Sapugaskanda and Hambantota refineries, there is a need for another large scale refinery. Therefore, by next year, the construction of our country's largest refinery will begin," Amaraweera disclosed.

This decision has been taken as a result of discussions held with President Gotabaya Rajapaksa last week, he further stated. The possible location of the proposed refinery project has not been announced yet.

Minister Amaraweera said that it has been confirmed that there are natural gas deposits in the Mannar region. He said that the Government is taking steps to drill the Mannar natural gas field.

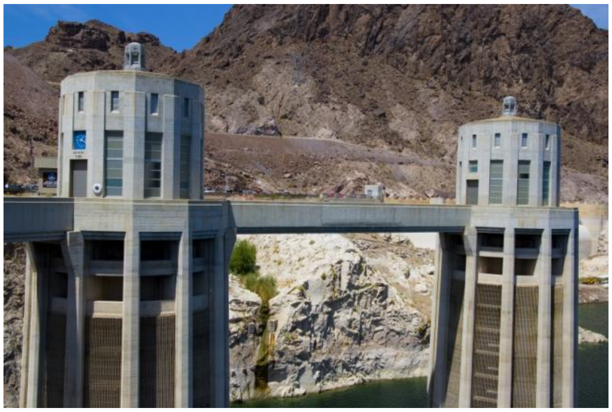
He also mentioned that some people have been inquiring about a fuel shortage taking place due to the Iran-U.S. tensions in the Persian Gulf. "But there is no shortage of fuel and there are sufficient fuel reserves. The Government has begun a programme to replenish our oil requirements to prevent any fuel shortages." he added.

Small Hydro Power Developers Association urges Sri Lanka's President to protect sector

Times Online, 28 January 2020

The Small Hydro Power Developers Association (SHPDA), this week urged the President to protect the sector.

"Today the country is headed towards an energy crisis that can be averted with the correct policies. That is why we humbly call upon the President to save our nation a huge foreign exchange outflow, the taxpayer from power cuts and the world from greenhouse gases by protecting this industry through the right decisions," said SHPDA Chairman Prabath Wickramasinghe.



He was speaking at a recent meeting at the Sri Lanka Foundation in Colombo to discuss the crisis, according to a media release issued by the association, which represents the major local power generators of renewable energy in Sri Lanka.

The renewable energy sector which has seen heavy local investment from 1996 to 2015, resulting in significant foreign currency savings, has been stagnant since 2016 due to the Ceylon Electricity Board (CEB) halting the implementation of new mini hydropower projects. This policy continues despite the CEB projecting the need to spend Rs. 6.5 billion (US$36 million) on purchasing emergency power this year, the release said.

Speaking at the meeting, Mr. Wickramasinghe was quoted as saying that there are projects with a total cumulative capacity of about 100 MW, which have received all the approvals and are ready to commence construction and feed energy to the national grid in the next 2 to 3 years. Projects of this capacity will potentially save taxpayers Rs. 4.5 billion – (US$25 million) which would have otherwise gone towards the purchase of fossil fuels – while serving the environment by reducing greenhouse gases which is the equivalent of planting three million trees.

“But as a result of fabricated and baseless legal arguments, the industry has been completely on hold since 2016 while the CEB tries to introduce a failed and unsuccessful bidding process to the small hydropower sector that will not be successful in helping achieve our national renewable energy targets and has only achieved to discourage investment in the sector. This in turn has further increased our dependence on fossil fuel based power generation and the steady outflow of our foreign capital,” he said.

Currently the renewable energy sector has a total of 425MW of operational power plants, employs over 5,000 people and, through investments, brings foreign revenue to Sri Lanka while creating a large number of foreign employment opportunities in the field of engineering and construction. As an indigenous source of energy these projects also reduce foreign exchange outflow from the country.

The association said it seeks to jointly work with relevant state authorities to formulate and implement appropriate national renewable energy policies that will improve the lives of Sri Lankans. SHPDA members currently supply approximately 10% of the nation’s demand, saving millions of dollars in foreign exchange to the country annually. Moreover, small hydropower projects, while being environmentally friendly, have stimulated tangible economic progress among rural Sri Lankan communities, it said. (BS)

Pipeline gas passes through Turkey into Europe

Daily Sabah, Maria Beat, 6 February 2020

With the TurkStream pipeline inaugurated, a southern export route to Europe has been opened for gas to travel from Russia. A high-profile ceremony on the occasion took place in Istanbul on Jan. 8, 2020, and was attended by the leaders of Turkey, Russia, Bulgaria and Serbia – the immediate project runners and beneficiaries. The TurkStream official commissioning was a historic event for Turkey, Russia and the countries of southern and southeastern Europe, and eventually, it will be a historic event for the whole European continent.

Besides supplying the Turkish consumer with additional volumes of natural gas, the pipeline has laid down the route for Russian gas deliveries through Turkey to the European markets. Incidentally or not, to the energy markets of the countries where the Trans-Anatolian Natural Gas Pipeline (TANAP) and Trans Adriatic Pipeline (TAP) are due, to bring the natural gas from Azerbaijan and the planned East Med Pipeline is to head. The TurkStream and TANAP-TAP pipelines pass through Turkey, an emerging regional energy hub, while the projected EastMed aims to pass from Israel through Greek Cyprus and Greece, ultimately sidelining Turkey.

Commenting on this, President Recep Tayyip Erdoğan has said that "there is no chance of realizing any project in the Eastern Mediterranean that excludes our country."

Regarding Turkey's efforts in the region, he added that "the only aim of our hydrocarbon exploration activities in the Eastern Mediterranean is to protect the interests of our country and the Turkish Republic of Northern Cyprus (TRNC)."

Russian gas travels south

The TurkStream pipeline's launch is anticipated to increase the stability of Russian gas exports to Europe, strengthen EU energy security and further establish Turkey's position as a regional energy hub. The pipeline's successful commissioning is certainly a "remarkable outcome of the Turkish-Russian strategic partnership," as Russian President Vladimir Putin mentioned in the January 8 inauguration ceremony.

The successful commissioning is timely considering the U.S. sanctions imposed last December directly against the corporations engaged with the construction of the TurkStream and Nord Stream-2 gas pipelines. The sanctions failed to affect TurkStream since the construction of its two submerged lines had been completed in November 2018 and were both filled with gas by the end of November 2019.

Nevertheless, they delivered a blow to the scheduled commissioning of the Nord Stream-2 pipeline and, as President Putin announced after his meeting with German Chancellor Angela Merkel on Jan. 11, the pipeline will become operational at least a year later than originally envisaged. Certain analysts believe that its delivery capacity may need to be reduced as well in order to meet the EU legislation provisions.

This alone makes the TurkStream pipeline a viable element of Russian gas stability for its deliveries to its consumers, and particularly to the southeastern European countries, namely, Bulgaria, Greece, North Macedonia, Serbia, Hungary, eventually Austria, and potentially Italy as well.

Beginning January 1, 2020, due to TurkStream, Russian gas began to go to Bulgaria and further to Greece and North Macedonia. With the construction of the Balkan Stream through Bulgaria set to be completed later this year and the planned expansion of the local distribution network, TurkStream will reach the Serbian consumers who today continue receiving Russian gas from the Trans-Balkan main pipeline, an old connector passing through Ukraine.

Russia's Gazprom is TurkStream's immediate owner and in return, it is saving costs by pumping the gas directly to Turkey instead of transiting through Ukraine, which has positively affected the gas prices in Turkey and Bulgaria since the beginning of the year. According to Gazprom, TurkStream's subtotal cost amounts to US$7.5 billion, compared to the originally envisaged U$ 12.3 billion when four lines of supply were planned to be laid. The company expects to fully reimburse the construction expenses in five years.

Turkey, the regional energy hub

TurkStream's launch strengthens Turkey's position as the regional energy hub by adding another important element to its currently available gas infrastructure. The connector operates two supply lines of close to 16 billion cubic meters (bcm) capacity each and coming ashore in the vicinity of Kıyıköy on the Black Sea. TurkStream's submerged section runs more than 900 kilometers to cross the bottom of the Black Sea from Russia to Turkey at a record depth of 2,000 meters.

While TurkStream's first line was laid down to supply the Turkish consumer, the second one, operated by the Gazprom-BOTAŞ joint venture, runs by land to the Turkish-European border in the Thrace region to connect with the Balkan Stream. The Bulgarian gas distribution network currently is in the process of expansion.

When commissioned later this year, the Balkan Stream will pump to Serbia the gas coming from Turkey through TurkStream, which may reduce the Russian gas transit through Ukraine by close to 32 bcm annually once TurkStream reaches full operational capacity by the end of the year.

The Balkan Stream commissioning is no less pivotal for the Azeri gas deliveries to southeastern Europe through Turkey via the TANAP-TAP pipeline, as Bulgarian Prime Minister Borisov mentioned during the TurkStream inauguration ceremony. With both the Russian and Azeri pipeline gas passing through Bulgaria on to Europe, the country both anticipates a price reduction and a handsome surplus to the budget from the transit fee.

A vital link of the Southern Gas Corridor (SGC) sponsored by the EU, the TANAP-TAP pipeline is due to provide a route of supply for the natural gas from the Caspian to the countries of southern and southeastern Europe to reduce their gas dependence on the Russian sources. With the TAP construction completed, consumers will start to annually receive some 10 bcm of Azeri gas reaching them from Turkey by means of TANAP.

As such, both the TurkStream and the TANAP-TAP are expected to add an important operational component to the Turkish energy distribution network. With the floating PLG storage units and the land storage facilities connected to the local pipelines network, Turkey is now receiving stable access to the main regional connectors of TurkStream and TANAP-TAP. This contributes to Turkey becoming the most developed energy market in its region, ranking fourth in Europe. To further its bid to become the regional trading hub, Turkeyalso launched a gas trading market in September 2018 under the Energy Stock Exchange (EPİAŞ).

Route for Mediterranean gas

On January 2, Greece, Israel and the Greek Cypriot administration signed an agreement on the construction of the EastMed pipeline to bring to southern Europe the natural gas from the Leviathan mega offshore reserve on the Mediterranean. The 1,900-kilometer connector is planned to pump 12 bcm of gas annually from Israel through Greek Cyprus, Crete and Greece to Italy and the countries of southeastern Europe, the final recipients of the gas to be delivered by the TurkStream and TANAP-TAP pipelines.

Planned for commissioning by 2025-2026, the EastMed pipeline is due to become the longest submerged connector in the world and will enjoy EU support as it is granted the status of its Project of Common Interest (PCI). Having funded the EastMed's feasibility study, which cost 2 million euros, the EU is currently in the process of deciding whether or not to cover half of the construction cost of the project, which is estimated at 7 billion euros. The Greek DEPA and Italian IGI Poseidon corporations have already pledged to fund at least 50% of the pipeline construction costs.

As of today, the project doesn't envisage the involvement of Turkey, and its planned route clearly bypasses Turkish waters. Nevertheless, Turkey has the longest shoreline in the Eastern Mediterranean and "will, of course, have a say in any project related to this region," President Erdoğan said.

Turkey has assumed the status of a guarantor nation for the TRNC and contested more than once the Greek Cypriot administration's unilateral drilling activities on the Eastern Mediterranean shelf in support of the TRNC rights to the resources in the area.

Turkey's active position in regional matters was further grounded November 27, 2019, when it signed a memorandum on an exclusive economic zone (EEZ) with the Libyan Government of National Accord (GNA).

The Turkey-Libya agreement has established a bilateral maritime delimitation regime between the countries to secure the Turkish rights in the Mediterranean and protect them from acts of infringement of the third parties. Meanwhile, Turkey's signing of a memorandum with the internationally recognized government of Libya has generated the vehement criticism of Greece and Egypt, who filed a petition with the U.N.

The gas race never stops

These developments are prone to increase tensions in the Eastern Mediterranean. Gas deposits exploration sharpens the competition for control of their development and transportation. Considering the region is a zone of interest for the energy market, the market's traditional players are reluctant to accept Turkey – the very country that is energy dependent and whose involvement in energy matters has been limited to pipeline gas imports until recently – as a new regional energy hub.

* *Freelance journalist living in Istanbul*

Turkey to weigh on using domestic tech in drilling and exploration in East Med

Daily Sabah, 7 February 2020

Turkey's drillships Fatih and Yavuz in the Eastern Mediterrenean along with Turkish navy vessels (IHA File Photo)

In a bid to locally develop oil and natural gas drilling and exploration technologies, Turkish Petroleum (TPAO) hosted business people from different sectors at a workshop in Istanbul on February 10.

The National Technologies in Turkish Petroleum Industry Workshop (PEMT) will be held as part of a project initiated by the country's Energy and Natural Resources Ministry.

It aims to bring together businessmen from related sectors to establish an environment of cooperation and domestically produce technologies that may be used in the exploration and production process of petroleum.

The project will be carried out as part of the ministry's broader policy of maintaining supply security, nationalization and a predictable market.

It will also address issues like supplying domestic technology to Turkey's seismic vessels Yavuz and Fatih, which are used in exploration and drilling activities within the country's maritime borders in the Eastern Mediterranean.

The two seismic vessels have completed five deep-water drilling activities in 2019, while the Ministry recently announced five more within this year. Turkey has also carried out land drilling activities with 34 drilling rigs in 121 boreholes.

Turkey initially sent its first drilling vessel Fatih to search for gas and oil in the waters located in Turkey's continental shelf, some 40 nautical miles off the western Paphos city of Cyprus. The area is claimed by the Greek Cypriot Administration within its unilaterally declared exclusive economic zone (EEZ) although it is not among the areas unilaterally licensed by Nicosia for hydrocarbon activities. Currently, the Fatih drilling vessel is located in Taşucu port in southern Turkey's Mersin.

Turkey than sent its second ultra-deep-water drillship Yavuz on June 20, 2019, which, starting this year, will continue the exploration activities towards the Lefkosa-1 line hydrocarbon field offshore northern Cyprus in the Eastern Mediterranean Sea.

Along with the Fatih and Yavuz drilling vessels, the Barbaros Hayreddin Paşa seismic vessel also conducts exploration activities on behalf of the country. It was previously revealed by the ministry that Turkey has plans to send a fourth ship, the Oruç Reis seismic vessel, to the Eastern Mediterranean region to continue exploration and drilling.

Turkey also plans further drilling and exploration activities in the region this year, particularly after the designation of blocks in Libya's EEZ in consideration of the latest maritime delimitation agreement between Ankara and Libya's U.N.-recognized Government of National Accord (GNA) which was signed on November 27, 2019, and ratified by the Turkish Parliament on January 2, 2020.

The maritime delimitation agreement, which secured both countries' western border in the sea, was a response to the attempt to sideline Turkey and the Turkish Republic of Northern Cyprus in the Eastern Mediterranean.

Large retail formats to dominate HCMC's retail market

Vietnam News, VNS, 13 February 2020

HCM CITY - Large retail formats will dominate the retail property market in HCM City, especially destination and lifestyle malls in township projects, market researchers have predicted.

Looking forward to 2030, CBRE said many street shops in the Central Business District (CBD) will be styled up as appearance will become an important factor to attract shoppers. The Thủ Thiêm new urban area will become a new entertainment and shopping hub for Việt Nam by that time, it said.

CBRE noted that the HCM City retail market is shifting gradually from small-scale shopping malls to destination malls which focus on millennials and provide millennials with experience-based shopping.

These malls require the presence of anchor tenants who are usually large and draw a high level of foot traffic. Anchor tenants in HCM City's most popular shopping malls have traditionally been confined to cinemas and supermarkets but now fashion stores are a new type of anchor tenant that has taken over 1,000sq.m of Net Leased Area (NLA), such as Zara, H&M and Uniqlo as the latest examples.

A shopping mall in HCM City. Large retail formats are forecast to dominate the retail property market (Photo: Internet)

"Usually, anchor tenants in the fashion category are well-known international brands and are very sought after by young people, and thus create a constant strong flow of foot traffic even on normal days. For this reason, landlords usually offer an attractive mix of turnover share and base rent for these anchor tenants. The trend will grow in the future as it brings many values to retail projects. Other trends that will continue to grow are green living, health consciousness, food & beverage (F&B), entertainment, lifestyle stores, and more," said Thanh Phạm, senior manager at CBRE Vietnam.

In the next three years, the HCM City market will welcome more than 400,000sq.m NLA of new supply and most of that will be in the non-CBD area, according to CBRE's report.

In the CBD, construction of The Spirit of Saigon was restarted in Q4 2019 and Parkson Saigontourist Plaza is expected to re-open this year. Other projects do not have clear construction plans.

Most of the future supply will be clustered in the East, accounting for over 70% of new supply, followed by the West and the North. The Central and The North will not record new developments. Rental rates are expected to grow healthily in the next two years in both CBD and non-CBD areas, while the occupancy rate will slightly decrease yet still remain at a level of above 90%.

Commercial real estate services firm JLL predicted that some shopping malls in non-CBD areas will enter the market this year, namely, Satra Centre Mall, Socar Mall, Elite Mall and Central Premium Mall, contributing more than 280,000sq.m of Gross Floor Area (GFA).

In addition, after renovation and brand restructuring, some existing malls are expected to improve their occupancy rate.

As a new trend in the market, both retailers and mall developers are reinventing themselves with a focus on F&B and experiential retailers, providing better customer services and applying technology and consumer analytics to enhance their popularity and increase foot traffic, JLL research has predicted.

About CACCI:

Founded in 1966, the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) is a regional non-governmental association principally composed of the national chambers or associations of commerce and industry in Asia and the Western Pacific. Its current membership of 29 countries and independent economies cuts across national boundaries to link businessmen and promote economic growth throughout the Asia-Pacific region. CACCI holds Consultative Status in the Roster Category of United Nations' Economic and Social Council (ECOSOC)

Published by: The Secretariat, Confederation of Asia-Pacific Chambers of Commerce and Industry

Ernest Lin - Director General; Amador Honrado Jr. - Editor; Mig Moreno - Assistant Editor

7F-2, No. 760, section 4, Bade road, Songshan district, Taipei 10567, Taiwan; Tel. (886 2) 2760-1139, Fax (886 2) 2760-7569

Email: cacci@cacci.biz Website: www.cacci.biz