

Investment Opportunity

Al-Faw Port



Both Iraq and the broader northern Gulf region need a fully-equipped deep water port with sufficient capacity to handle rapidly growing volumes of international trade. No such facility exists in the region, although various countries including Kuwait and Iran have considered making an investment of this complexity in recent years. A container port of this scale would rival Jebel Ali in the southern part of the Gulf as a major international trading hub, as well as being amongst the most important international port developments in recent times. It would serve local, regional and global markets. Iraq, with its sizeable and growing market, its central position in the region and its new-found stability and security, is an ideal location for such a development. With modernised rail connections (which are also part of the government's transport development plan) an up-to-date facility could reduce transit times of goods moving between the Far East and Europe by several days.

There is currently no port in Iraq with the capacity to achieve these goals, or even to meet expected domestic demand. The main port is currently Umm Qasr, located at the southern end of the Shatt Al-Basra waterway, which links the city of Basra to the Khor Al-Zubayr channel. Even with full expansion, it will not have the capacity to act as a regional import facility. It is neither able to accommodate large vessels nor manage the flow of imports that Iraq needs as it is located on a river channel with tidal currents and mud flats.

- 81 percent of Iraq's total oil exports are exported through Iraq's southern ports.
- The largest cargo is oil. 1.4 million b/d oil are exported through the southern oil terminals.
- Other main cargos by weight are:
 - wheat (40 percent)
 - containers (14 percent)
 - cement (13 percent)
 - sugar (12 percent)
 - rice (11 percent).



A container terminal could eventually comprise 50-100 berths

The current capacity of Iraqi ports totals approximately 19 million t/yr, while the country imports 30 million t/yr of goods. Currently, many imports pass through the ports of neighbouring countries, especially those with outlets on the Gulf, and are transported overland into Iraq. Demand for import and export capacity is expected to increase.

The Basra Grand Port opportunity at Al-Faw

The government has identified the existing port of Al-Faw south of Basra on the Faw Peninsula where the Shatt Al-Arab meets the Gulf as the intended location for a complete new port facility. This location has the capacity to be developed into a major international port linking the Gulf states and Northern Indian Ocean with Central Asia, the Levant, and to Europe by rail through Turkey. Al-Faw Port is currently operated by the General Company for Iraq Ports (GCIP), which operates all five of Iraq's commercial ports.

The ministry has proposed a container terminal that could eventually comprise 50-100 berths. The cost of the initial phase is estimated at £4 billion. Early plans envisaged the construction of 15

berths over a two year period. Ultimately, investments in the entire project, including associated infrastructure, housing, railways and facilities could reach £10-14 billion. The Ministry of Transport began receiving formal expressions of interest for the project in late 2005, but the project did not immediately progress. In late February 2009 it issued a request for expressions of interest. It is considering the development of Al-Faw using Public-Private Partnership (PPP) contracting options. The Iraqi government estimates that the project would more than cover its costs based on comparable ports elsewhere in the Gulf, and the amount of Iraq cargo being unloaded into Kuwait and Aquaba, Syrian ports and through Turkish ports.

The government is planning Al-Faw as a 2110-style port rather than 1970s port. It will be designed with the capacity to handle eighth generation container vessels (post 2006), which the current port facilities do not. Umm Qasr currently takes vessels up to about 12m draft. Al-Faw will take vessels of much deeper draft.

Al-Faw port was heavily used in the 1970s but was badly damaged in the Iran-Iraq war of the 1980s. Heavily blocked by wrecks and capable of handling only smaller vessels, it is currently mainly a dock used by local fishermen. However, the ports company has commissioned Turkish contractors to clear wreckage from the Shatt Al-Arab.

Associated developments

In December, Transport Minister Amer Abdel-Jabbar Ismail said his ministry had prepared a short and long term development plan for all of Iraq's ports. Work on the Iraqi Transport Master Plan (ITMP) began in 2003, when the Italian government agreed with the Coalition Provisional Authority to establish the Italian Consortium for Iraqi Transport Infrastructure (CIITI) with the objective of drawing up the ITMP. The CIITI has carried out initial technical and economic studies for the Al-Faw project.

The Ministry of Transport and the General Company for Iraqi Ports (GCIP) are looking for partners to both manage and operate a number of major investment projects.

Umm Qasr

Construction of 13 multi-purpose concrete berths for commercial use including equipment, transportation links, offices and warehouses. The berths will include regular cargo berths, container berths and Ro-Ro berths.

There is a specific requirement for the construction of four containers berths each with capacity of 500,000 t/yr to increase the port's capacity by 2 million t/yr. The planned total increase in handling capacity is 4.25 million t/yr.

In July 2008, the Ministry of Transport selected a US-based specialist consulting company Cornell Group to assist it in restructuring and concessioning the port of Umm Qasr to appropriate and qualified international investors for port development and operation.

The port is well connected to the road and railway network. It is also well-provided with services and energy supplies.

Khor Al-Zubayr

The ministry also plans to nearly double the current 4 million t/yr capacity of Khor Al-Zubayr port with the construction 13 multi-purpose commercial berths at including four container berths and a Ro-Ro berth, all furnished with the necessary buildings and services. The proposed capacity of the new facilities will be 3.75 million t/yr.

Maamir

The reconstruction and rehabilitation of a single 100,000 t/yr general cargo berth at Maamir port capable of handling small ships. The berth was destroyed and blocked with wreckage during the Iran-Iraq war in 1980. It is convenient for the direct supply of goods to Basra and is located in a region where there are no other berths.

Abu Floos

The management and operation of three berths at Abu Floos port with its development to increase its handling capacity by 750,000 t/yr. Located on the West Bank of Shatt Al-Arab, 20 km from Basra, this is the only port which is currently operating on the Iraqi side of the waterway with the appropriate capacities and depths for anchoring of ships.

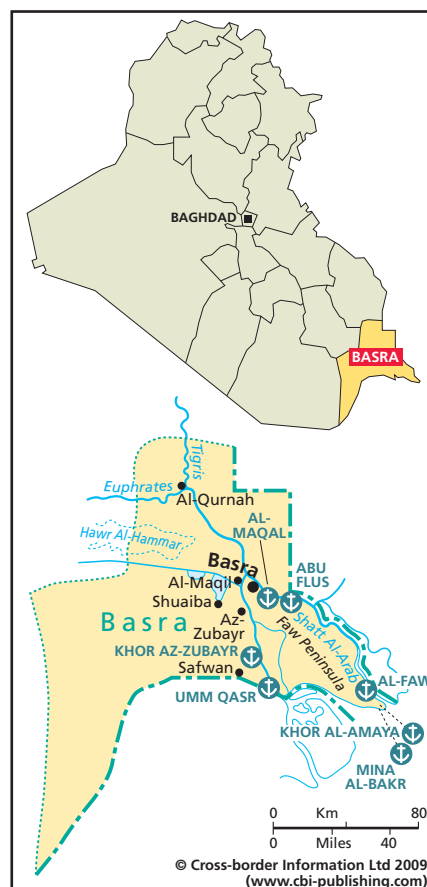
Al-Maaqal

The management and operation of 15 commercial berths at Al-Maaqal port each with 250,000 t/yr year capacity. The port also has storage sheds and yards and other service facilities. Since suffering damage during the Iran-Iraq war its capacity has been limited and operations are currently stalled.

A range of associated opportunities including railways, roads, power stations and hotels are expected to emerge alongside the construction of

Al-Faw and the restructuring of the other ports. The General Company for Iraqi Ports (GCIP) issues regular tenders for equipment necessary for ongoing development. Since the beginning of 2009 it has announced a series of tenders for reequipping the ports at Umm Qasr and Khor Al-Zubayr including tenders for:

- Grainship unloaders and container handling equipment
- Firefighting equipment for Maqaal port
- Electrical equipment for improving the lighting at the entrance to Umm Qasr and Khor Al-Zubayr ports.



Contacts

For general information about investment opportunities in Iraq or the investment process, please visit the Iraqi

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