
Dubai power shortage continues to deepen – Report

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Dubai's decision to open its power industry to foreign investors is a sign of the Emirate's growing panic that the USD 300 billion construction boom is outpacing supplies of water and electricity.

Dubai's power consumption will quadruple to 21,000 MW, equivalent to half of Florida's, over the next 12 years if growth does not slow sharply. Butj Dubai, the world's tallest skyscraper will gobble up 150 MW of power, equivalent to about 10% of the power produced by a new-generation nuclear reactor.

A report by Zawya Dow Jones points out that poor energy planning means that in a region that controls 60% of the world's oil and 40% of known natural gas stocks Dubai finds itself begging its neighbors for energy.

Dubai has known for many years that its finite oil and gas resources weren't sufficient to meet the surge in demand for electricity but has done little to address the issue. Now, in the absence of an expected Iranian gas pipeline and other issues, Dubai Electricity & Water Authority is running out of cheap gas to fire its gigantic power and sea water desalination plants.

Other Gulf producers have largely allocated reserves for their own consumption or other customers. Dubai depends on supplies of more expensive and dirtier diesel oil from neighboring Abu Dhabi to keep the lights turned on.

Given the dependence of the US on Middle East oil and gas to fuel its economy, it's ironic that another one of Dubai's projects envisages private developers importing hydrogen produced from coal in the US to fire a new power and water plant, slated to start operations in 2011.

Property developers now worry that multi billion dollar real estate projects will not be allocated power and water by DEWA and are looking at alternative suppliers. DEWA denies there will be a shortfall but doubts remain.

Inviting private investors to help build and run new plants is at least a step in the right direction. Abu Dhabi, Bahrain, Qatar and Oman are reaping the benefits of private power and water projects. Saudi Arabia, the largest Arab economy and most regulated, is going down the same route. Even so, it may well be that it's not political tensions in the Gulf, the threat of terrorism or a real estate crash that threaten Dubai's economic ambitions, but rather the simple failure to provide enough affordable power and water.

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