Digest

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Ru'a Insights

Monday 20 July – Sunday 27 July

Gulf Cooperation Council

What we're keeping an eye on

Saudi Arabia going nuclear

That's not the phrase you'd expect to hear on a Monday morning, but here we are. Washington and Riyadh signed the coveted nuclear cooperation agreement – the 123 agreement – effectively inaugurating the Kingdom's nuclear industry providing access to US nuclear technology and reactors and shutting out US competitors.

It won't be smooth sailing, however. Congress will have 90 days to review and ratify the accord. During this period, the politically charged issue will take centre stage in the court of US public opinion. Democrats and Republicans have lambasted the deal, arguing that the accord was struck without recognising Israel. Critics of the Kingdom point to its stated willingness to develop a nuclear weapon as a counterbalance to the Islamic Republic of Iran's perceived ambitions. Outside one-off remarks, Saudi Arabia's nuclear doctrine remains undefined. Nuclear proliferation concerns should be weighed against the effect that such a decision would have on the Kingdom's economy and international standing. The capacity to produce nuclear energy should be seen as part and parcel of the Kingdom's economic diversification and another pin in its credentials as a technologically advanced state.

Trade

- **UAE** Minister of Foreign Trade Dr. Thani Al Zeyoudi states that he is set to finalise negotiations between 5-7 CEPAs this year. Negotiations with African nations, including Rwanda, Ghana and Zambia, have entered final stages. Discussions with Peru and Bangladesh are "making good progress. The 7th round of negotiations with the EU has concluded, with negotiations proceeding at a slower pace.

- The **UAE** and Canada concluded trade negotiations. A legal review and ratification would take place quickly, inching towards a CEPA. The agreement would cut tariffs for engineering, aerospace, agri-food, clean technology. Bilateral trade was US$2.48 last year and has grown 10% per annum the prior years.

Semiconductors and AI

- A consortium backed by **UAE's** MGX and BlackRock committed to invest US$5bn in Aligned Data Centres, helping the data centre provider's expansion following its acquisition at a value of US$40bn. The UAE pledged to invest US$1.4trn into the US during President Trump's state visit in 2025. This is the latest transaction in that vein and comes following a swathe across AI and energy.

Energy

- **UAE's** ADNOC partners with TotalEnergies, ENI, and CNPC to invest US$6.2n in the Umm Shaif gas field. Once developed, it will add 0.60bn cubic feet of natural gas to its existing 11.5bn cubic feet. Qatar provides a third of the UAE's gas; the agreement expires in 2032, 2-years after Umm Shaif is operational. ADNOC is building a 9.6mn tonne per annum facility in Ruwais to treble LNG export capacity and is considering an LNG plant in Fujairah.

Logistics

- The **UAE's** DP World continues to reduce reliance on the Strait of Hormuz through 2 new terminals in Fujairah. It has agreed in principle with Fujairah Prost Authority, which includes a container and multipurpose terminal and a general-cargo terminal. Construction may take between 24-30 months and add 2.6m TEU to its capacity.

Finance

- Blackstone, KKR, and Brookfield collectively took a 49% stake in a US$16bn deal in a stake in **Kuwait's** national oil pipelines network. The venture with Kuwait Petroleum Company (KPC) will take a long-term over the network and rent back right to use it; it will generate US$8bn in cash, helping KPC achieve its 2035 4mn bpd target.