
GE GETS A BADLY NEEDED WIN IN IRAQ

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General Electric's beleaguered power business scored a badly needed win by reaching a preliminary agreement to rebuild Iraq's war-torn electric grid.

Germany's Siemens (SIEGY) also signed a nonbinding agreement with Iraq, setting the stage for the two rivals to compete over a final contract worth a reported \$15 billion.

The news is a victory for GE (GE) because Siemens was the frontrunner to land the milestone deal by itself. Both companies have been hurt from the shift away from fossil fuels in favor of solar, wind and other renewable energy. GE and Siemens have laid off thousands of power workers. GE recently ousted its CEO and warned of more financial pain from its power division.

Iraq decided against awarding the contract to Siemens after the Trump administration intervened on behalf of GE, the Financial Times reported. The Trump administration reminded Baghdad of the thousands of Americans who died since the Iraq war began in 2003, the paper reported.

German officials lashed out at the intervention by Washington.

"It is unacceptable to apply the 'America First' doctrine in this way to global competition among multinational companies," Joachim Lang, managing director of the Federation of German Industries, told the German newspaper Welt am Sonntag.

Officials from the Trump administration did not respond to requests for comment. GE declined to comment on the details of the negotiations.

Iraq's electric grid needs a great deal of work after taking a beating from years of war, terror attacks and old age.

Blackouts have cost Iraqi businesses billions in lost revenue, handcuffed the oil industry and sparked protests from angry citizens. The problem gets even worse during the summer, when peak demand can exceed power supply by almost 50%, according to the US Energy Information Administration.

GE expects its work in Iraq will eventually add up to 14 gigawatts of power, create 65,000 direct and indirect jobs and help the government save the government \$3 billion per year.

In the short term, GE plans to immediately begin upgrades of existing power plants in a bid to boost Iraq's power by 1.5 gigawatts by 2019. That would be enough electricity to power up to 1.5 million Iraqi homes.

"We are honored to support the government's focus on rebuilding Iraq, and we are proud of our legacy of delivering power where needed in the country," GE Power CEO Russell Stokes said in a

statement.

GE has done business in Iraq for more than five decades. The company employs up to 300 people in Iraq, where it has offices in Baghdad, Basra and Erbil. GE estimates that its technologies contribute to more than half the country's current electricity production.

Over the longer run, GE's roadmap calls for establishing new power plants in Iraq, developing substations and overhead lines across the country. GE is also offering Iraq access to Baker Hughes (BHGE) technology that can capture flared gas that is burned at oil wells. That excess gas can then be used to generate power.

To sweeten the deal, GE plans to supply three trailer-mounted mobile water treatment units to deliver drinking water to residents of Basra. GE is also throwing in neonatal intensive care equipment, training for nurses and assistance with financing the power deal.

Siemens hailed the "landmark" preliminary agreement to repower Iraq and promised the alliance will create tens of thousands of jobs. The German company said the plan, the result of a 12-month study, was presented to the Iraqi government in February at a conference in Kuwait.

Both Siemens and GE badly need the business from Iraq. Last year, Siemens announced plans to cut 6,900 jobs, mostly in its power division. GE said late last year it would slash 12,000 power jobs. GE CEO Larry Culp, who was suddenly installed as the new boss on October 1, faces great challenges in fixing the conglomerate's power division. Profit at GE Power plunged 58% last quarter as orders for gas turbines tumbled. More recently, GE disclosed a glitch with one of its fast-selling gas turbines.

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