



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

Date: December 14, 2009

Press Release

The SDL Group Wins Tender for Construction of Desalination Plant in Soreq: Terms of Deal Save Israeli Economy Over NIS 1.3 Billion

The Inter-Ministerial Seawater Desalination Tender Committee, headed by Senior Deputy Accountant-General, **Gil Shabtai**, today selected SDL Ltd. as the winner in a competitive tender process for the planning, construction and operation of a seawater desalination plant in Soreq with an output of 150 million cubic meters a year. SDL is a company comprised of IDE and Hutchison Water. The price per cubic meter offered by the winning bidder is NIS 2.19, although the real price including the indexation mechanism requested by the winning bidder is NIS 2.01 per cubic meter of water, and is significantly less than the price set in previous desalination tenders.

The desalination plant in Soreq is intended to supply 150 million cubic meters a year by 2013, **which will be equivalent to one fifth of total household water consumption in Israel**. The plant, which is designed to operate under the reverse osmosis method, is expected to be one of the largest of its kind in the world. This will be the fourth desalination plant to be built in Israel, after the plants in Ashkelon (120 million m³) and Palmachim (45 million m³), and Hadera (127 million m³). Together, all four plants are expected to produce 450 million cubic meters from 2013.

Three groups comprised of local and foreign desalination and infrastructure companies participated in the tender. Two other groups that submitted bids in the tender were Vetal, which is comprised of Tahal and Veolia, and the BGS Group, which includes Granit Hacarmel, Shapir Engineering and Shikun U'binui.

The desalination plant at Soreq, like the plants in Ashkelon and Hadera, will be constructed under the BOT method whereby the franchise holder undertakes to plan, construct and operate the desalination plant for an overall period of 26 and a half years, at the end of which the plant will pass into State ownership. The winning company has pledged to complete construction in at most 34 months and to begin supplying half of its overall output within 30 months. The terms of the agreement include bonuses for meeting goals ahead of schedule.



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The franchise agreement includes an option to build a private power station (IPP) with a capacity of up to 100 MW a year. For the first time, the tender includes an environmental clause, which was weighted in the score for the selection of the winning bid.

Finance Minister Dr. Yuval Steinitz welcomed the results of the tender, which place Israel at the forefront of seawater desalination technology: “The desalination plant at Soreq is expected to be one of the largest of its kind in the world, will considerably increase the supply of water, and will contribute to the government's ability to deal with the water deficit. Moreover, the results of the tender are evidence of multinational companies' confidence in the Israeli economy. The fact that these companies are participating in infrastructure tenders in Israel is a credit to the Israeli economy, and indicative of the prevailing worldwide assessment of the economy's stability and resilience.” Steinitz added that the materialization of such a large-scale infrastructure project will create new places of employment, and will help the development of the Israeli water industry.

The Accountant-General at the Finance Ministry, **Shuki Oren**, congratulated the Inter-Ministerial Seawater Desalination Tender Committee on its professional work: “The committee has succeeded in coping with major and complex challenges, including the global financial crisis and its impact on the credit market. The results of the tender are evidence of the great advantages in carrying out infrastructure tenders under the PPP method, which is based on the extensive professional knowledge existing in the Accountant General's Division and on cooperation with the government ministries concerned. Cooperation between the public and private sector is proving itself as a key component of local industry, and the success of the tenders involved highlights the great potential inherent in other areas that are traditionally the preserve of the government sector, such as energy.”

Senior Deputy Accountant-General and Chairman of the Tenders Committee, **Gil Shabtai**, said that the price set in the tender represents a saving of over NIS 3 billion for the economy at current prices (NIS 1.3 billion in real prices) compared with the price of desalination that was set in the previous tender, for the desalination plant in Hadera. “The results of the tender derive from the decision to construct advanced desalination plants in cooperation with the private sector, which is creating a competitive market in Israel for local and multinational companies specializing in desalination. The results can also be seen in the quantity and quality of the bids”.



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The Inter-Ministerial Seawater Desalination Tender Committee is comprised of representatives from the Water Authority, the Ministry of National Infrastructures, the Ministry of Environmental Protection and the Ministry of Finance. The committee is coordinated by the projects department at the Inbal company. The Tenders Committee is implementing the government's resolution calling for the construction of desalination plants with an output of 600 million cubic meters a year. The committee is currently preparing to determine the price for the construction of a 100 million cubic meter a year output desalination plant in Ashdod by the Mekorot Development and Enterprise Company.