

Building on foundations of Granite

Global Environmental Solutions is perhaps best known as the developer of the Palmachim desal plant in Israel. A recent internal re-organisation will provide a platform for international growth.

Until recently, Israeli plant specialist Global Environmental Solutions Ltd. (GES) had focused nearly all of its efforts in the domestic market. As part of a reorganisation in late 2010, however, the company has decided to exploit its expertise in desalination and water treatment outside of the local market. The move is part of a larger effort by Israel's Industry, Trade and Labor Ministry to double the 2009 exports of the country's water technology sector to \$3 billion by 2012.

"Our aim is to reach annual sales of several hundred million dollars outside of Israel within three years," said Danny Sorek, vice president of business development for GES. In 2010, foreign sales accounted for less than 20% of the company's \$60 million revenues, but Sorek envisages that revenues from outside Israel will account for the majority of GES' sales within a few years.

GES took its first major step outside of the local market in 2007 when it acquired a 51% stake in Puritec, a small water treatment and hydraulic infrastructure company, with a presence in Central America. Sorek said that Puritec will serve as the company's vehicle to expand operations into a number of South American countries – including Chile – in the coming year.

The second major market where GES is concentrating its efforts is India, where the company has invested substantial funds as part of an effort to build a presence. Unlike Latin America, GES plans to operate in the Indian market through a joint venture

with a local company. "We're negotiating with several potential partners and expect to sign an agreement within the next few months," according to Sorek.

GES was formed in 1987 following the merger of three local companies in the wastewater industry, though the group can trace its desalination roots back a decade prior to this, given that one of the firms that eventually joined the group was involved in building Israel's first seawater RO desalination plant in Eilat in 1977.

Today, the company's domestic operations comprise an equity stake in the 123,300m³/d Palmachim seawater desalination plant, which GES developed as part of the Via Maris consortium, as well as a series of smaller brackish desalination plants, and dozens of industrial and municipal wastewater treatment plants with individual capacities of up to 40,000m³/d.

The group's focus is on designing, building, operating and in some cases financing wastewater treatment and desalination plants for municipal and industrial clients. It is owned by local holding company Granite Hacarmel Investments, which itself was bought out in 2006 by David Azrieli, an Israeli-Canadian real estate billionaire. Azrieli is backing GES' efforts to expand its global reach.

"We've identified three segments where we can take advantage of our know-how – desalination, industrial wastewater treatment, and surface water treatment, specifically rivers," Sorek told GWI. Three separate units – including a dedicated desalina-

tion business unit – were established in the third quarter of 2010 to maximise business development potential in each of the chosen market segments, and GES believes that the Palmachim desalination plant will serve as a key selling point for its expertise abroad.

"We've succeeded in reducing electricity and chemical consumption, making it one of the most efficient plants in the world," according to Avner Harmony, plant manager at Palmachim. Electricity consumption has dropped from an average of 4.4kWh/m³ to 3.4kWh/m³, while the use of caustic soda and sulphuric acid has been reduced by 30-40% since the plant began operations in May 2007.

The Via Maris consortium – in which GES has been steadily building up its stake over the past year (it now holds 72.1%) – completed an expansion of the facility last summer, and a further expansion is under consideration as part of Israel's response to the ongoing water supply crisis.

Going forward, GES is looking to bid on desalination projects at power plants and mines, and is even considering buying inefficient plants and upgrading them. The industrial wastewater unit, meanwhile, is focusing on projects in the mining and pulp and paper industries, as well as cooling towers at power plants, while the river water unit is studying projects in India, where monsoons regularly cause challenging treatment scenarios owing to marked changes in water quality over very short periods of time.

Fate of Ashdod desal plant hangs in the balance

Despite a last-ditch attempt by Mekorot to compromise on price, the Ashdod desal project appears to be doomed.

The Israeli government appears to have no option but to cancel the Ashdod desalination project, which has already been delayed by over a year, according to government and Water Authority sources. A disagreement between Israel's Mekorot Water Company and the Finance Ministry over the price the government is willing to pay – and a court battle over the selection process – has led the government to look for alternatives. A final decision on the fate of the 274,000m³/d plant is expected to be taken in the next few weeks.

The director-general of the prime

minister's office, Eyal Gabbai, who was appointed to mediate the dispute between Mekorot and the Finance Ministry, has recommended that the project be cancelled. In exchange, Mekorot would be given ownership of a new desalination project that is being planned for the Western Galilee.

In a last-minute bid to keep the Ashdod project the state-owned bulk water supplier cut the price of water from the plant for the fifth time to NIS2.40/m³ (\$0.67/m³) a mere NIS0.04/m³ (\$0.01/m³) above the price the Finance Ministry is willing to pay. Nevertheless, a Water Authority source described the

offer as "informal", and "could not be taken at face value." Mekorot has come down from NIS2.86/m³ (\$0.80/m³), which was the price it had agreed to when the company awarded the project to Minrav and Sadyt.

To make matters even more complicated, the Tel Aviv District Court has issued an injunction barring the project from proceeding. The injunction was granted at the request of the consortium comprised of GES, Housing and Construction, Baran Group and Shafir Engineering that argued the winning bidders did not meet the minimum tender requirements.