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INTELLIGENCE BRIEF

Gulf-Israel Infrastructure Investment Analysis

Strategic Decision Framework for Middle East Connectivity Capital Deployment

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EXECUTIVE SUMMARY

Assessment: Middle East connectivity infrastructure presents two distinct and complementary investment pathways. A dedicated Gulf-Israel oil pipeline (USD 4–12B capex, 1,200–1,500 km through Jordan) delivers roughly 10x better energy efficiency and 5–10x lower cost per barrel than any rail alternative for bulk crude transport, bypassing both the Hormuz Strait and Suez Canal. Meanwhile, IMEC rail corridor logistics nodes (USD 2–3B private capital across four countries) offer diversified multi-cargo revenue, lower political dependency, and actionable near-term financial closes between 2026 and 2028.

Finding: Pipeline and rail are not in competition. They serve fundamentally different functions. Pipeline is purpose-built for high-volume crude flows at scale — one million barrels per day through continuous operation with minimal handling. Rail handles containers, finished goods, automobiles, agricultural products, and refined fuels across a distributed network of logistics nodes. The economic gap for crude transport is structural: pipeline delivers USD 1.16–2.10 per barrel total lifecycle cost versus USD 8.50–16.50 for rail.

Critical Dependencies: Pipeline economics are compelling but political barriers are severe. The project requires Saudi-Israel normalization (or at minimum tacit Saudi accommodation), a Jordan transit agreement, and binding 20–25 year offtake commitments from Gulf producers and European refiners. None of these conditions are met as of March 2026. IMEC rail nodes, by contrast, can proceed independently — UAE and Jordan nodes are commercially viable through existing India-Gulf and Aqaba trade flows even without full corridor activation.

DFC Positioning: U.S. Development Finance Corporation support diverges sharply by infrastructure type. Rail nodes qualify for the full DFC instrument suite — direct debt, equity co-investment, guarantees, and political risk insurance — given multi-use infrastructure serving lower-middle-income markets (Jordan) and strategic partners (UAE, Israel). Pipeline participation is likely restricted to political risk insurance (USD 200–400M) under FY26 NDAA energy security carve-outs, given single-purpose crude infrastructure serving high-income markets.

Bottom Line: A Hybrid Phased approach is recommended for most sponsors. Deploy capital to IMEC rail logistics nodes now (Jordan Ma'an and UAE Khalifa as priorities) to capture 2026–2028 tender windows and DFC co-financing. Invest USD 15–25M in pipeline feasibility to maintain strategic optionality. Establish a Q4 2028 decision point: if Saudi-Israel normalization has advanced, proceed to pipeline financial close; if not, redeploy to a third rail node. This approach delivers a probability-weighted blended IRR of 16–20% with downside protection through diversification and significant upside optionality through the pipeline.

SECTION 1: GULF-ISRAEL PIPELINE — TECHNICAL AND ECONOMIC ASSESSMENT

Route Configuration

The primary route runs from Gulf production centers (Saudi Eastern Province or UAE) through Jordan's desert corridor to Israel (Eilat or overland to Haifa/Ashkelon) and onward to Mediterranean export terminals. An alternative configuration connects to the existing Saudi East-West Pipeline (Abqaiq to Yanbu) with a new spur northeast through Jordan into Israel's Eilat-Ashkelon pipeline system. Total distance: 1,200–1,500 km depending on exact routing and connection points. Target capacity: 1.0 million barrels per day — sufficient for a meaningful Hormuz/Suez bypass while remaining commercially viable.

Technical Specifications

Pipeline diameter of 36–42 inches (large diameter for high-volume throughput) using API 5L X70 or higher grade steel. Burial depth of 2–3 meters provides security hardening against sabotage, with deeper burial in sensitive areas. Approximately 8–12 pumping stations spaced 100–150 km apart depending on terrain. Terminal facilities include Gulf-side tank farms with metering, quality control, and pumping infrastructure; Mediterranean-side receiving terminals with 5–10 million barrels of storage capacity and tanker loading berths; and intermediate emergency shutdown systems with security monitoring.

Monitoring relies on SCADA supervisory control, fiber optic leak detection, satellite surveillance, and ground patrols. Security hardening includes reinforced burial in high-risk zones, redundant monitoring, rapid response protocols, and coordination with host-nation security forces.

Capital Expenditure Analysis

Table 1: Pipeline Construction Cost Benchmarks

Region / Type	Cost per km (USD M)	Source
Global Median (Oil)	2.3	Global Energy Monitor
U.S. Onshore Gas	3.0–4.8	Global Energy Monitor
Middle East Mixed	8.3	Oil Review Middle East
MENA Security-Hardened	5.0–10.0	Keter estimate

Recent Middle East oil and gas pipeline projects (8,169 km totaling USD 67.9 billion) average approximately USD 8.3M per km, reflecting mixed onshore/offshore construction, security requirements, and premium specifications.

Base Case (USD 6–8 Billion): 1,200 km route at USD 5–6.5M per km on favorable terrain with proven technology, plus USD 1.0–1.5B for Gulf and Mediterranean terminal facilities. **High Case (USD 10–12**

Billion): 1,500 km with less direct routing and terrain challenges at USD 7–8M per km, plus USD 1.5–2.0B for expanded capacity with enhanced security hardening.

Key cost drivers include terrain (Jordan desert is favorable; mountain and wadi crossings are challenging), security infrastructure (burial depth, monitoring systems, hardening against state and non-state threats), pipeline diameter and capacity, pumping station number and sophistication, and environmental permitting and community engagement.

Unit Economics Comparison

At 1.0 million barrels per day over 25 years, pipeline economics are definitive:

- Pipeline capital cost: USD 6–10 billion. Annual throughput: 365 million barrels. Lifecycle volume: 9.125 billion barrels. Capex per barrel: USD 0.66–1.10. Operating cost: USD 0.50–1.00 per barrel. Total lifecycle cost: USD 1.16–2.10 per barrel.
- Rail alternative: USD 5–8 billion in dedicated crude handling infrastructure (specialized tank cars, loading/unloading terminals, storage). Operating cost: USD 8–15 per barrel (rail tariffs, multiple handling events, storage, final tanker leg). Total lifecycle cost: USD 8.50–16.50 per barrel.

The gap is structural. Pipelines provide continuous flow with minimal handling — two events (load and unload). Rail requires six or more handling events: loading, rail transit, unloading, storage, and final tanker movement. For dedicated crude at scale, pipeline delivers 5–10x lower cost per barrel.

Table 2: Pipeline vs. Rail Environmental and Safety Comparison

Metric	Pipeline	Rail (Diesel)
Energy Intensity	Baseline	10x higher
CO2 per ton-km	Baseline	10x higher
Handling Events	2 (load/unload)	6+ (load, rail, unload, store, tanker)
Spill Risk (per ton-mile)	Lower probability	Higher probability
Consequence (if incident)	Localized, higher volume	Distributed, lower volume

Pipelines deliver approximately 10x better energy efficiency and 90% lower CO2 emissions per ton-kilometer than diesel rail freight. For ESG-conscious sponsors and European offtakers prioritizing supply chain decarbonization, pipeline offers a measurable advantage. The safety profile favors pipelines on probability of spill per ton-mile, though consequence severity can be higher when incidents occur. Modern SCADA and fiber optic leak detection systems significantly mitigate this risk.

Indicative Capital Stack

Table 3: Gulf-Israel Pipeline Indicative Capital Stack (USD 8B Project)

Source	Amount (USD M)	Share (%)
Sponsor Equity (Gulf NOCs)	1,600	20%

Source	Amount (USD M)	Share (%)
Strategic Equity (Israel, Jordan)	400	5%
Infrastructure Funds	400	5%
Total Equity	2,400	30%
Export Credit Agencies	1,600	20%
Commercial Banks (Senior Debt)	2,400	30%
DFC Political Risk Insurance	800	10%
MDB/DFI Co-Financing	800	10%
Total Debt / Risk Mitigation	5,600	70%
Total Project Cost	8,000	100%

DFC participation is likely limited to political risk insurance (USD 200–400M) covering expropriation, contract frustration, political violence, and sabotage. The pipeline qualifies under FY26 NDAA energy security and strategic connectivity carve-outs for high-income markets. A secondary loan guarantee (USD 100–200M, 50–70% coverage on specific debt tranches) is possible but requires an explicit development impact case — Palestinian employment and economic spillover, Jordanian revenue and infrastructure benefits — that is difficult to construct for dedicated crude infrastructure.

SECTION 2: IMEC CORRIDOR — STRATEGIC INVESTMENT NODES

The India-Middle East-Europe Economic Corridor represents a generational shift in Middle East connectivity infrastructure, linking Gulf energy and trade flows to European markets through overland rail routes via Saudi Arabia, Jordan, and Israel. Washington treats the corridor as a strategic counter to Beijing's Belt and Road Initiative. Sovereign railway operators will control core trackage, but four high-value logistics nodes offer private capital entry with strong DFC participation prospects. Combined market opportunity: USD 2.0–3.0 billion.

Node 1: Saudi Arabia — Dammam Logistics Zone & Northern Corridor Hub

Primary node at King Abdulaziz Port area, Dammam (Gulf-side gateway). Secondary node along the northern logistics corridor — Riyadh/Sudair axis toward the Jordan border. Riyadh has published 45 transport and logistics projects open to private capital under Vision 2030 PPP structures, with rail-linked facilities explicitly prioritized. Reports indicate approximately USD 20 billion earmarked for IMEC-related infrastructure.

Asset profile: Dammam Logistics Park is a rail-served facility near King Abdulaziz Port with container yards, cold chain, bonded warehousing, and light processing/assembly zones. The Northern Corridor Dry Port is an inland terminal (likely Sudair or Riyadh-Northern Border route) serving as a consolidation point for westbound IMEC cargo.

Table 4: Saudi Logistics Node Investment Structure

Parameter	Details
Ticket Size	USD 600M–1.2B
Structure	30-year PPP concession
Sponsor Profile	Gulf logistics operator + Indian/regional infra fund
Debt:Equity	70:30
Revenue Model	Port/rail tariffs, warehousing fees, value-add services
Off-taker	Saudi Railway Co., Mawani (minimum volume guarantees)

DFC Strategy: Lead instrument is a debt guarantee or direct loan (USD 200–400M) to improve commercial bank comfort and reduce pricing. Political risk insurance covers contract frustration, expropriation, and political violence (USD 100–200M notional). Despite Saudi Arabia's high-income classification, the project qualifies under FY26 carve-outs for energy, critical minerals, and connectivity in strategic markets. USG backing through DFC unlocks European DFI co-finance (EIB, EBRD) and Gulf SWF participation.

Key Risk: Saudi-Israel normalization timeline. The project can proceed with Jordan/Egypt trade flows even if direct Saudi-Israel links are delayed. Timeline: PPP tender and sponsor selection 2026–2027; construction and rail integration 2027–2029; phased operations 2029–2030.

Node 2: United Arab Emirates — Khalifa Port Expansion & Etihad Rail Integration

Primary node at Khalifa Port / Free Trade Zone (Abu Dhabi). Etihad Rail construction proceeds on schedule; Khalifa Port is flagged as the primary Gulf maritime hub for the corridor. The January 2026 DFC-IHC (International Holding Company) investment framework MOU signals strong bilateral alignment on IMEC infrastructure.

Asset configuration: Rail-linked logistics park expansion with direct Etihad Rail siding, automotive processing, cold chain for perishables, and container consolidation for IMEC westbound flows. Specialized cargo terminal for automotive, grain, or project cargo. Digital infrastructure including AI-driven cargo optimization and integration with India's and Israel's digital customs platforms.

Table 5: UAE Logistics Node Investment Structure

Parameter	Details
Ticket Size	USD 300M–600M
Structure	25-year concession or JV with AD Ports Group
Sponsor Profile	Indian logistics player + UAE/GCC fund
Debt:Equity	65:35
Revenue Model	Handling fees, storage, value-add processing, rail-to-ship transfer
Off-taker	Etihad Rail, AD Ports (volume commitments)

DFC Strategy: Lead instrument is equity co-investment (USD 50–100M, up to 40% minority under new FY26 equity authority). Secondary loan/guarantee of USD 100–200M for specialized logistics infrastructure. DFC anchors the stack and draws in Indian DFIs (Exim India, NIIF) and European co-lenders (EIB). An equity position provides direct visibility into IMEC traffic volumes, sponsor execution quality, and evolving trade patterns.

Key Advantage: UAE offers the lowest political risk in the region, strong rule of law, proven PPP track record, and infrastructure delivered on schedule. Limited Israel normalization dependency — the project works commercially via India-Gulf-Egypt flows regardless of corridor activation. Timeline: Feasibility and sponsor structuring 2026; financial close and EPC award 2027; construction and Etihad Rail integration 2028–2029; operations from 2029.

Node 3: Jordan — Ma'an Dry Port & Aqaba-Ma'an Railway

Primary node at Ma'an Dry Port (inland, 195 km north of Aqaba). Jordan functions as the indispensable land bridge between Gulf/Saudi networks and Israel. The Saudi Jordanian Investment Fund committed

USD 700M in 2019 for the Aqaba-Ma'an rail upgrade and a 4 million square meter dry port, but implementation stalled on financing gaps and political sensitivities.

Asset configuration: Ma'an Dry Port provides inland customs clearance, bonded warehousing, container consolidation/deconsolidation, truck-to-rail transfer, and potential value-add manufacturing. The Aqaba-Ma'an Railway Upgrade involves standard gauge (1435mm) conversion, new rolling stock, digital signaling, and connection to planned Jordan-Israel rail links. Phosphate integration with a rail spur to Shidiya mine supports Jordan's phosphate value chain — a critical mineral dimension valuable to U.S. supply chain policy.

Table 6: Jordan Dry Port and Railway Investment Structure

Parameter	Details
Ticket Size	USD 500M–700M (railway + dry port)
Structure	PPP concession or co-investment with SJIF
Sponsor Profile	Regional logistics operator + SJIF + private fund
Debt:Equity	70:30
Revenue Model	Rail tariffs, dry port fees, warehousing, customs services
Off-taker	Jordan Ports (Aqaba), phosphate sector volume guarantees

DFC Strategy: Lead instrument is political risk insurance (USD 200–300M) covering expropriation, contract breach, and political violence given Jordan's regional exposure. Secondary loan/guarantee of USD 150–250M, possibly blended with MCC or USAID infrastructure funds. Jordan is a core DFC market — lower-middle-income country, core U.S. ally, clear development impact through employment and trade facilitation. The phosphate spur aligns with DFC's critical minerals mandate.

Assessment: Top DFC priority among the four nodes. Best development impact story. Ma'an serves as an early indicator for Jordan-Israel normalization progress and broader IMEC political viability. The project generates revenue from Aqaba-Ma'an domestic and Saudi trade even if the Israel link is delayed.

Node 4: Israel — Haifa Port Hinterland Logistics Zone

Primary node at Haifa Port / Northern Development Zone. Haifa (operated by Adani Ports post-privatization) is designated as IMEC's Mediterranean export gateway. A March 2026 municipality-Israel Ports Company agreement set the framework for northern logistics zone development. Israel's USD 27B "One Israel" rail program includes eastward extensions toward Jordan for future IMEC connectivity.

Asset configuration: Port-adjacent logistics park with rail-linked warehousing, container freight station, cold chain, automotive processing, and value-add assembly for re-export. Dry port or inland terminal 20–30 km inland (Haifa Bay or Jezreel Valley) with rail connection to the port and future eastward IMEC corridor. Green infrastructure with renewable-powered facilities and digital customs integration.

Table 7: Israel Logistics Node Investment Structure

Parameter	Details
Ticket Size	USD 200M–400M
Structure	PPP concession or JV with Israel Ports / Adani
Sponsor Profile	Indian/Israeli logistics operator + infrastructure fund
Debt:Equity	65:35
Revenue Model	Warehousing, rail-to-truck transfer, port hinterland services, customs fees
Off-taker	Haifa Port, Israel Railways (volume guarantees)

DFC Strategy: Loan or partial guarantee (USD 75–150M) structured around cross-border connectivity and regional development spillover. Despite Israel's high-income status, the project qualifies under FY26 ICT/connectivity and energy security carve-outs. Development impact requires explicit Palestinian employment and trade benefits (Gaza reconstruction logistics, West Bank trade) plus Jordan cross-border integration.

Key Advantage: Fastest execution among the four nodes due to Adani's operational presence and existing port infrastructure. The logistics park serves regional trade even before full IMEC rail activation. Timeline: Sponsor selection and financial structuring 2026–2027; construction 2027–2028; operations from 2028.

Node Prioritization Matrix

Table 8: IMEC Corridor Node Comparative Assessment

Jurisdiction	Ticket Size	DFC Fit	Pol. Risk	Timeline	Priority
Saudi Arabia	USD 600M–1.2B	Medium	Medium	2029–30	4
UAE	USD 300–600M	High	Low	2029	2
Jordan	USD 500–700M	Very High	Med-High	2029–30	1 (Critical)
Israel	USD 200–400M	Med-High	Medium	2028	3

Priority 1 — Jordan (Ma'an): Best DFC alignment. Lower-middle-income country, critical minerals (phosphate), regional stability mandate. Strongest development impact case and highest intelligence value as an IMEC bellwether.

Priority 2 — UAE (Khalifa Port): Lowest execution risk. Proven sponsors, January 2026 DFC-IHC partnership. Best risk-adjusted returns.

Priority 3 — Israel (Haifa): Fastest execution via Adani and existing infrastructure. Requires careful DFC development criteria structuring.

Priority 4 — Saudi Arabia (Dammam/Northern): Largest ticket and strategic weight, but highest complexity and normalization dependency. Defer until Jordan/UAE prove IMEC commercial viability.

SECTION 3: INFRASTRUCTURE COMPARISON MATRIX

Capex and Unit Economics

Table 9: Pipeline vs. Rail Infrastructure Comparative Metrics

Metric	Gulf-Israel Pipeline	IMEC Rail Corridor	Ratio
Total Capex	USD 4–12B (1,200–1,500 km)	USD 20–30B (full corridor)	2.5–5x
Private Entry Point	Full project (USD 4–12B)	Nodes (USD 2–3B total)	N/A
Capex per km	USD 3–8M	USD 15–100M	3–15x
CO2 per ton-km	Baseline	10x higher (diesel freight)	Pipeline 10x cleaner
Cargo Flexibility	Zero (crude only)	High (multi-cargo)	Rail advantage
Operating Cost (crude)	USD 0.50–1.00/bbl	USD 8–15/bbl	Pipeline 10x lower

Political and Commercial Risk

Table 10: Political and Commercial Risk Comparison

Risk Factor	Pipeline	IMEC Rail
Saudi-Israel Normalization	Critical dependency	Moderate — nodes proceed independently
Jordan Transit Complexity	High	Moderate
Multi-Country Coordination	3 countries (sequential)	4+ countries (phased)
Stranded Asset Risk	High (energy transition)	Low (diversified cargo)
Revenue Diversification	None (crude only)	High (multi-cargo)
DFC Development Impact	Weak	Strong
Offtake Commitment	25 years binding	25–30 years (phased)
Security Vulnerability	High (fixed infrastructure)	Moderate (distributed nodes)
Pre-Normalization Viability	Low	High

DFC Instrument Applicability

Table 11: DFC Instrument Applicability by Infrastructure Type

Instrument	Pipeline	IMEC Rail Nodes
Direct Debt Loan	Unlikely (high-income, single-purpose)	Strong fit (Jordan, multi-use)
Guarantee	Possible (USD 100–200M, strong dev. case needed)	High probability (USD 150–250M/node)
Equity Investment	Very unlikely	Strong fit (UAE: USD 50–100M)
Political Risk Insurance	Primary instrument (USD 200–400M)	Available (USD 200–300M for Jordan)
Development Impact Score	Low	High (jobs, connectivity, critical minerals)
FY26 NDAA Justification	Energy security carve-out	Core mandate (connectivity, allied supply chains)

The trade-offs are clear. Pipeline wins on per-barrel economics and energy efficiency by an order of magnitude. Rail wins on flexibility, political feasibility, DFC fit, and resilience to demand shifts. For investors, the question is not which infrastructure is superior in the abstract — it is which combination of timing, risk appetite, and political conditions matches their capital deployment horizon.

SECTION 4: ENERGY TRANSITION AND STRANDED ASSET RISK

A Gulf-Israel pipeline's 25-year lifecycle faces asymmetric downside risk from structural changes in European crude demand, refining capacity contraction, and tightening emissions regulation. Sponsors must model these factors explicitly rather than assume stable throughput over the concession period.

European Oil Demand Decline

S&P Global forecasts European total oil demand entering structural decline from 2025 forward. European gasoil demand peaked in 2017 and has not recovered. EV uptake is sapping gasoline consumption at an accelerating rate. The pipeline's primary offtake market — European refiners taking crude delivered to Mediterranean terminals — is contracting.

This is not a distant concern. Europe lost approximately 400,000 barrels per day of refining capacity since early 2024. Five refineries closed in the past two years. The IEA projects at least 1 million barrels per day of European refining capacity at risk of closure by 2030. Industry estimates suggest 40–50 European refineries may cease operations by 2035 — primarily in France, Germany, and Italy — representing over 30% of Europe's total capacity. Roughly 60% of Europe's refining base faces high closure risk.

EU Carbon Border Adjustment Mechanism (CBAM) entered its definitive regime in 2026. European refiners warn of existential threat without import protections. S&P Global CERA forecasts European light sweet cracking margins falling from USD 8 per barrel to USD 6.4 per barrel within the next decade. Margins at that level push marginal refiners into the red.

Shipping Emissions and IMO Regulation

The IMO approved its Net-Zero Framework in April 2025, with entry into force in 2027. Ships must reduce GHG fuel intensity by at least 20% by 2030 (striving for 30%), at least 70% by 2040 (striving for 80%), and reach net-zero by or around 2050. These targets will increase tanker operating costs for crude transported via pipeline to Mediterranean terminals and then shipped to Northern European refiners. The cost advantage over Suez transit narrows as both routes face the same IMO compliance burden on the final tanker leg.

Global Oil Demand Outlook

The picture is mixed. Under current policies, the IEA projects global oil demand could increase to 105 million barrels per day by 2035. But the IEA also projects that oil demand could plateau around 2030 under stronger transition scenarios. For 2026 specifically, the IEA sees a massive surplus of 3.73 million barrels per day — a market condition that depresses the Suez bypass premium sponsors would pay for alternative routing.

The Hormuz Disruption Paradox

Military action beginning February 28, 2026, pushed Brent from USD 71 per barrel to USD 94 per barrel. The EIA expects Brent averaging USD 91 per barrel in Q2 2026, falling to USD 70 per barrel in Q4 2026 and USD 64 per barrel in 2027 as the disruption resolves.

This creates a paradox. The very events that justify a Hormuz bypass route — military conflict disrupting strait transit — also destabilize the political conditions required to build the pipeline. Saudi-Israel normalization, Jordan transit cooperation, and binding European offtake all require a stable regional security environment. Acute conflict drives oil prices higher and makes the bypass case more compelling on paper, but simultaneously makes the political prerequisites harder to achieve and sustain.

Implications for Pipeline Financial Models

Assessment: Pipeline sponsors should stress-test a 50% utilization scenario across the full concession and model a 15-year effective economic lifecycle rather than the 25-year base case. European crude demand erosion may not sustain planned throughput volumes beyond the mid-2030s.

Finding: Sponsors need explicit European refinery commitment letters — not letters of intent — before financial close. LOIs from refiners facing closure risk within 10–15 years do not constitute bankable offtake. The commitment must come from refiners with demonstrated long-term viability: complex Mediterranean facilities processing heavier crudes with integrated petrochemical operations, not simple cracking refineries exposed to margin compression.

Implication: Energy transition risk does not invalidate the pipeline — it constrains the investment horizon and demands conservative financial structuring. The pipeline may still generate attractive returns over a compressed 15-year window, particularly during periods of elevated Hormuz disruption risk. But the 25-year base case that underpins project finance debt sizing requires significant haircuts.

SECTION 5: JORDAN FISCAL AND POLITICAL RISK DEEP DIVE

Jordan sits at the geographic center of both the pipeline and IMEC rail corridor. Every route configuration requires Jordanian transit. This gives Amman extraordinary negotiating power — and Jordan's fiscal position ensures the government will exercise it.

Fiscal Position

Jordan's debt-to-GDP ratio reached 90.2% in 2024 before declining to approximately 83.2% in Q3 2025. Trading Economics projects 85% for end-2025, trending to 83% in 2026. National government debt totaled USD 50.8 billion as of October 2025. External debt stands at USD 44.7 billion (Q3 2025). Household debt runs at 70.8% of GDP.

The IMF completed the fourth review of Jordan's Extended Fund Facility in December 2025 and approved a USD 700M Resilience and Sustainability Facility arrangement in June 2025. GDP growth reached 2.7% in H1 2025, expected to hit 3% for the full year. Inflation is anchored around 2%. The current account deficit is projected to narrow below 5% of GDP.

These numbers tell a story of managed fiscal stress. Jordan is not in crisis — the IMF program is on track, growth is modest but positive, and inflation is controlled. But the debt load is heavy, the government needs revenue, and any infrastructure transit arrangement will be viewed through the lens of fiscal extraction.

Negotiating Dynamics

Assessment: Amman will extract maximum value from any transit arrangement. Sponsors should expect demands across multiple dimensions: transit fees (pipeline: USD 0.10–0.25 per barrel; rail: per-container tariffs indexed to volume), equity participation (5–10% project stake in pipeline; co-investment rights in rail nodes), employment guarantees (local content requirements, Jordanian workforce minimums), and infrastructure co-benefits (power, water desalination off-takes, road improvements near project sites).

The SJIF Railway Experience

The Saudi Jordanian Investment Fund signed a USD 705M MOU for the Aqaba-Ma'an railway in 2019. As of March 2026, the project has made limited headway. Regional observers describe it as stalled due to financing gaps and political sensitivities. Even with Saudi sovereign capital committed, implementation bogged down on commercial terms, governance structures, and the domestic political cost of appearing too closely aligned with Saudi strategic objectives.

This experience is instructive. If a Saudi sovereign fund with direct bilateral government backing could not close the Aqaba-Ma'an railway in seven years, private infrastructure sponsors face a harder road. The friction is not primarily technical or financial — it is political. Jordan's government must balance domestic political pressures (Palestinian solidarity, economic nationalism, labor concerns) against the economic benefits of transit infrastructure.

Implications for Sponsors

Finding: Sponsors should plan for a 12–18 month government sounding phase before any PPP tender. This is not a market where expressions of interest trigger rapid procurement. Quiet bilateral discussions with ASEZA (Aqaba Special Economic Zone Authority), the Ministry of Transport, and the Prime Minister's office are prerequisites. Sponsors who attempt to force the timeline will face bureaucratic resistance and potential nationalist backlash.

Implication: DFC political risk insurance is essential for Jordan — not just for sabotage, conflict, or expropriation, but for contract frustration and sovereign renegotiation risk. Jordan's fiscal pressures create ongoing incentive to renegotiate transit terms upward once infrastructure is built and sunk costs make exit prohibitively expensive. DFC involvement signals USG support, which increases the reputational cost to Amman of contract modification.

Despite these risks, Jordan remains indispensable. There is no viable alternative land bridge between the Gulf and Israel. The fiscal pressures that make negotiations difficult also make Jordan's government ultimately amenable — the country needs the revenue and the employment. The SJIF railway stalling is a cautionary tale about timeline expectations, not about project feasibility.

SECTION 6: INVESTMENT SCENARIOS AND CAPITAL DEPLOYMENT

Scenario 1: Pipeline First (High-Risk / High-Return)

Prioritize the Gulf-Israel pipeline as the primary investment, capturing superior crude transport economics and strategic positioning as Hormuz/Suez bypass infrastructure. Defer or minimize IMEC rail participation.

Total capital requirement: USD 6–10 billion. Capital stack as detailed in Table 3 (Section 1). The project assumes 1.0 million barrels per day capacity, a tariff of USD 2.50 per barrel (competitive versus Suez Canal plus tanker costs), 85% average utilization, and USD 0.75 per barrel operating cost.

Financial Projections: Annual throughput of 310 million barrels generates USD 775M in revenue against USD 233M in operating costs, yielding annual EBITDA of USD 542M. Unlevered project IRR of 12–15%. Levered equity IRR of 18–22%. Debt service coverage ratio of approximately 2.0x in steady state.

Probability of success: 30–40%. Normalization timeline is the binding constraint. If Saudi-Israel normalization stalls beyond 2028, the project is unfundable and capital opportunity cost accumulates. Downside scenarios include energy transition acceleration reducing European crude demand, geopolitical reversal disrupting normalization momentum, and stranded asset risk from zero cargo diversification. This scenario suits sponsors with high risk tolerance, deep Gulf NOC relationships, patient capital, and strong political intelligence on normalization.

Scenario 2: Rail First (Lower-Risk, Actionable Now)

Prioritize IMEC rail logistics nodes, capturing actionable near-term opportunities with strong DFC co-financing, diversified revenue, and incremental political risk. Defer or forego pipeline participation.

Total sponsor participation: USD 1.5–2.0 billion across 2–3 priority nodes.

Table 12: Scenario 2 Capital Deployment — Rail First (3-Node Portfolio)

Node	Total Project Cost	Sponsor Equity (30%)
Jordan Ma'an Dry Port + Railway	USD 600M	USD 180M
UAE Khalifa Port Expansion	USD 450M	USD 140M
Israel Haifa Logistics Zone	USD 300M	USD 90M
Total (3 Nodes)	USD 1,350M	USD 410M

Financial Projections (portfolio-level): Concession terms of 25–30 years. Revenue from handling fees (USD 50–150 per TEU), warehousing (USD 5–15 per sqm/month), rail tariffs (USD 200–400 per container), and value-add services. Utilization ramp: 40% Year 1, 70% Year 5, 85% Year 10+. Operating margin: 45–55% EBITDA. Stabilized annual EBITDA (Year 10+): USD 180–220M across

three nodes. Unlevered project IRR: 10–13%. Levered equity IRR: 14–18%. Cash yield (Year 10+): 8–12% on invested equity.

Probability of success: 65–75%. Political risk is moderate and commercially manageable. Key downside scenarios: IMEC corridor delays (mitigated by nodes serving existing trade flows), traffic shortfalls (mitigated by diversified cargo mix), Jordan political instability (mitigated by DFC political risk insurance), and concession renegotiation (mitigated by DFC/USG involvement increasing host government reputational cost of breach). This scenario suits sponsors seeking actionable near-term deployment, diversified infrastructure exposure, and DFC co-financing alignment.

Scenario 3: Hybrid Phased (Recommended)

Deploy capital to IMEC rail nodes immediately (2026–2028) while maintaining pipeline technical and sponsor readiness for rapid deployment if normalization accelerates post-2028. This approach manages political risk through diversification and positions for both opportunities.

Phase 1 (2026–2028): Rail Logistics Nodes

Table 13: Scenario 3 Phase 1 — Rail Deployment

Node	Total Project Cost	Sponsor Equity
Jordan Ma'an (Priority 1)	USD 600M	USD 180M
UAE Khalifa (Priority 2)	USD 400M	USD 120M
Phase 1 Total	USD 1,000M	USD 300M

Phase 2 (2028–2030): Pipeline Readiness + Conditional Deployment. Readiness investment of USD 15–25M for route surveys, environmental studies, traffic modeling, offtaker engagement, and DFC pre-positioning. If Saudi-Israel normalization occurs by Q4 2028, proceed to financial close and deploy USD 2.0–2.4B sponsor equity (30% of USD 8B project). If normalization stalls, feasibility sunk cost is limited to USD 15–25M.

Phase 3 (2029+): Optional Third Rail Node. Contingent on Phase 1 outperformance and IMEC corridor activation. Deploy to Israel Haifa or Saudi Dammam. Sponsor equity: USD 90–120M.

Table 14: Scenario 3 Probability-Weighted Returns

Scenario Component	Probability	Equity IRR	Weighted IRR
Phase 1 Rail (Jordan + UAE)	100%	15–18%	15–18%
Phase 2 Pipeline (if normalization)	40%	18–22%	7–9%
Phase 3 Rail (if outperformance)	60%	14–17%	8–10%
Blended Portfolio IRR	N/A	N/A	16–20%

Portfolio diversification benefits include political risk hedging (rail proceeds regardless of normalization; pipeline captured only if conditions materialize), revenue diversification across cargo types, geographic spread across different DFC market classifications, and DFC relationship building — Phase 1 execution demonstrates sponsor capability and improves access to pipeline coverage if Phase 2 activates.

Execution Timeline

Table 15: Scenario 3 Execution Timeline

Period	Milestones
Q2–Q3 2026	DFC engagement (rail nodes), sponsor mapping, Jordan/UAE government sounding, pipeline feasibility initiation
Q4 2026–Q1 2027	Jordan Ma'an financial close, UAE Khalifa financial close, pipeline route surveys and environmental studies
2027–2028	Rail node construction (Jordan, UAE), pipeline offtaker engagement, normalization intelligence monitoring
Q4 2028	Decision point: normalization achieved → pipeline financial close; normalization stalled → defer pipeline indefinitely
2029–2030	Rail node operations commence, conditional pipeline construction, Phase 3 rail node evaluation
2030+	Stabilized rail operations, potential pipeline operations, portfolio optimization and exit strategy

Risk Assessment: Probability of meeting base case returns (16–20% blended IRR): 60–70%. Upside scenario (pipeline proceeds plus Phase 3 rail): 25–30% probability, 18–22% blended IRR, triggered by Saudi-Israel normalization by Q4 2028 and strong IMEC corridor activation. Downside scenario (rail underperforms, no pipeline): 15–20% probability, 10–13% blended IRR, triggered by IMEC corridor delays, traffic shortfalls, and indefinitely stalled normalization.

SECTION 7: DFC ENGAGEMENT STRATEGY

Scenario 1 (Pipeline First) DFC Approach

Primary instrument: political risk insurance (USD 200–400M) covering expropriation, contract frustration, political violence, and sabotage. Justified under FY26 NDAA strategic connectivity carve-outs for high-income markets as energy security infrastructure supporting Hormuz/Suez bypass.

Engagement requires early consultation with DFC's Office of Investment Finance and Office of Special Initiatives. Sponsors must emphasize U.S. strategic interest in a Gulf-Mediterranean energy corridor independent of Belt and Road, structure explicit development spillovers (Palestinian employment via Eilat terminal, Jordanian transit revenue, renewable energy integration), and coordinate with the State Department and NSC to align DFC participation with normalization diplomacy.

The development impact case is weak — crude-only infrastructure serving high-income beneficiaries. This requires a strong political champion within the USG. Probability of DFC participation: 50–60% (political risk insurance only, conditional on normalization progress).

Scenario 2 (Rail First) DFC Approach

Jordan: Political risk insurance (USD 200–300M) plus loan guarantee (USD 150–250M). Core DFC market — lower-middle-income, critical minerals, regional stability, strong development impact. **UAE:** Equity co-investment (USD 50–100M) plus loan (USD 100–200M). Strategic partnership formalized in January 2026 DFC-IHC framework. **Israel:** Loan guarantee (USD 75–150M) conditional on Palestinian/Jordanian development linkages.

Engagement approach: lead with Jordan (highest DFC mission fit), use as a template for UAE and Israel engagements. Emphasize multi-use infrastructure versus single-purpose alternatives. Highlight the catalytic role: USD 150M DFC participation per node unlocks USD 350M in commercial and MDB co-finance — a 2.3:1 mobilization ratio. Structure phased tranches tied to construction milestones and traffic volume triggers.

Probability of DFC participation: 75–85% (at least 2 of 3 nodes receive DFC support).

Scenario 3 (Hybrid Phased) DFC Approach

Phase 1 instruments mirror Scenario 2 — prioritize Jordan (political risk insurance plus loan guarantee) and UAE (equity plus loan). Phase 2 adds pipeline political risk insurance (USD 200–400M) conditional on Phase 1 track record and normalization progress.

The strategic advantage: 2026–2027, secure DFC commitments for Phase 1 rail nodes and establish sponsor credibility. 2027–2028, maintain dialogue with DFC on pipeline political risk insurance readiness, share normalization intelligence, and pre-position application materials. At the 2028 decision point, exploit the Phase 1 DFC relationship to fast-track pipeline approval if normalization has occurred.

Position the sponsor as DFC's "IMEC anchor partner" delivering a multi-infrastructure platform aligned with the full allied connectivity strategy. Phase 1 execution demonstrates capability and builds

institutional relationship capital.

Probability of DFC participation: 75–85% (Phase 1 rail), 60–70% (Phase 2 pipeline, conditional on normalization).

Phased Action Plan

Phase 1 — Positioning (Q2 2026): Initiate discussions with DFC Office of Investment Finance and Office of Strategic Initiatives to gauge appetite by jurisdiction and understand structuring preferences. Identify and vet potential lead sponsors across all four nodes (Gulf logistics operators, Indian infrastructure majors — L&T, Adani, regional SWFs). Deploy intelligence network for non-public reporting on IMEC timeline, Saudi normalization signals, and DFC internal priorities.

Phase 2 — Structuring (Q3–Q4 2026): Select 1–2 priority nodes (Jordan and UAE recommended) for detailed feasibility. Commission traffic studies, rail integration analysis, and financial models. Engage local counsel on PPP structures. Conduct quiet discussions with ASEZA (Jordan) and AD Ports (UAE) on tender timelines and bid requirements.

Phase 3 — Capital Assembly (2027): Submit DFC concept notes for priority nodes and request expressions of interest plus indicative term sheets. Engage co-lenders: EIB (Jordan/Israel), AIIB (Gulf), Indian DFIs, Gulf SWFs.

SECTION 8: STRATEGIC RECOMMENDATIONS

For Infrastructure Fund Sponsors

Recommended Approach: Scenario 3 (Hybrid Phased). Deploy USD 300M sponsor equity to Phase 1 rail nodes (Jordan Ma'an plus UAE Khalifa) during the 2026–2028 tender windows. Invest USD 15–25M in pipeline feasibility to maintain strategic optionality. Establish a Q4 2028 decision point: proceed to pipeline financial close if normalization is achieved, otherwise redeploy capital to a Phase 3 rail node (Israel Haifa or Saudi Dammam).

Target probability-weighted blended IRR of 16–20% with moderate downside protection (rail nodes are viable independently at 10–13% IRR even in the downside case) and significant upside (pipeline at 18–22% if normalization materializes).

For Gulf National Oil Companies (Aramco, ADNOC)

Recommended Approach: Scenario 1 (Pipeline First) with Scenario 3 Hedge. Prioritize the pipeline given the strategic interest in Hormuz/Suez bypass and long-term crude export infrastructure. Lead the pipeline sponsor consortium (20–30% equity stake) and anchor offtake commitments through ship-or-pay agreements.

Hedge political risk by co-investing in UAE Khalifa Port rail node (5–10% equity stake) to maintain Gulf logistics hub positioning regardless of normalization timeline. Use Gulf SWF relationships to unlock European DFI co-finance (EIB, EBRD) for the pipeline.

For Indian Infrastructure Majors (Adani, L&T)

Recommended Approach: Scenario 2 (Rail First). Take lead sponsor roles across multiple rail nodes (UAE Khalifa, Israel Haifa, potential Saudi Dammam) exploiting existing Gulf and Israel logistics presence. Partner with DFC, Indian DFIs (Exim India, NIIF), and regional logistics operators (AD Ports, DP World). Avoid pipeline exposure given limited crude sector experience and preference for multi-use infrastructure with operational control.

Target 14–18% equity IRR across a 2–3 node portfolio with strong DFC co-financing and development impact alignment.

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