

## **Saudi Arabia Power Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 95 pages | Mordor Intelligence

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### **Report description:**

The Saudi Arabian power market is expected to register a CAGR of more than 2% during the forecast period of 2022-2027. The COVID-19 pandemic caused a negative impact on the market, as several activities in power projects, including the T&D sector, were postponed till 2022. Furthermore, the electricity consumption witnessed a sharp decline of 3.6% in 2020 when compared to 2019 as industrial and commercial establishments remained temporarily closed during the nationwide lockdown. Factors, such as increasing diversification of energy sources from oil and gas to cleaner energy sources, such as solar, wind, and bioenergy, are expected to drive the Saudi Arabian power market, along with supportive government policies leading to the development of renewable energy capacity during the forecast period. However, the unstable geopolitics of the region is expected to act as a restraint for the market's growth.

### **Key Highlights**

Saudi Arabia's power generation mix is majorly dominated by thermal power sources such as oil and natural gas. The same trend is expected to continue during the forecast period, owing to the abundance of fossil fuel resources and upcoming power generation plants.

Privatization of the power sector is expected to provide a significant opportunity, and if the government capitalizes on this opening, it is expected to help with large investments that are needed for the reformation of the power sector and provide the country with the expertise required to generate renewable energy at lower costs.

The increasing renewable energy share and capacity in the country's energy mix are expected to drive the Saudi Arabian power market during the forecast period.

Saudi Arabia Power Market Trends

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## Thermal Power Source to Dominate the Market

The thermal sources for the country include crude oil and natural gas. In 2020, 340.9 terawatt-hours (TWh) of electricity was produced from conventional thermal, which accounted for 99.8% of the total electricity generated in the country.

The country's power generation is highly dependent on hydrocarbons. At the end of 2020, the country had 40.9 billion metric tons of crude oil proven reserves and was second after Venezuela. In the same year, the country's total gas reserves were 212.6 trillion cubic feet (Tcf).

In recent years, the country saw an increase in electricity generation from gas-fired power plants, while the country experienced a downfall in power generation from crude oil. This transition was seen due to the country's global movement shifting to cleaner energy sources of energy. In 2020, electricity generation from oil was 132.8 TWh, while power generation from natural gas was 207 TWh.

In January 2022, Dhuruma Electricity Company completed the refinancing of USD 1.2 billion for its gas-fired PP11 power plant in Saudi Arabia. PP11 is a 1,730 MW combined-cycle gas-fired power plant located near Dhuruma, about 135 km west of Riyadh. The refinancing of the plant ensures the long-term viability of the plant being a reliable thermal power producer in Saudi Arabia. Therefore, owing to the aforementioned factors, the thermal power segment is likely to dominate the Saudi Arabian power market during the forecast period.

## Development of the Renewable Energy Sector to Drive the Market

The country witnessed a sharp rise in its renewable energy capacity in 2019, which remained the same in 2020, mainly driven by the increasing focus on environmental concerns. The total renewable energy installed capacity in 2018 was 87 MW, which in 2019 exponentially increased to 413 MW and remained the same in 2020 as well. The country aims to build a renewable energy capacity of 58.7 GW by 2030.

One of the driving reasons for renewables to increase at such a rate in the country is its plan to reduce oil and gas usage in power generation.

In 2017, the country launched its National Renewable Energy Program (NREP), a strategic initiative under Vision 2030 and King Salman's Renewable Energy Initiative. The program aims to maximize the potential of renewable energy in the country. In January 2020, the country launched the third round of NREP. Round Three was comprised of four solar PV projects with a combined generation capacity of 1,200 megawatts (MW).

In August 2021, ACWA Power reached financial close for a 1.5 GW PV project set to be located at Sudair Industrial City, 120 km away from Riyadh. The USD 907 million worth project is owned by ACWA Power and Badeel, which each have a 35% stake, and the remaining 30% is owned by Aramco.

In August 2021, EDF Renewables and Masdar produced the first power from their 400 -MW Dumat Al Jandal wind farm in Saudi Arabia.

Therefore, owing to the above points, the increasing renewable energy installations and investments in the country are expected to drive the Saudi Arabian power market during the forecast period.

## Saudi Arabia Power Market Competitor Analysis

The Saudi Arabian power market is fragmented. Some of the major players operating in this market include ACWA Power Co., Saudi Electricity Company (SEC) SJSC, MARAFIQ Power and Water Utility Company for Jubail and Yanbu (MARAFIQ), Arabian Electrical Transmission Line Construction Company (AETCON), and Nour Energy (ASTRA Group).

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