Vietnam Oil and Gas Upstream Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Vietnamese oil and gas upstream market is expected to record a CAGR of more than 3% during the forecast period. The COVID-19 pandemic had an adverse impact on the upstream market due to disrupted operations caused by the lack of manpower at terminals and ports. The businesses had to implement a one road-two destinations model, where employees stayed in dormitories or hotels and were transported in company vehicles to the production sites. However, the rise in oil prices during the pandemic helped them to compensate for the losses. The upstream market of Vietnam is primarily driven by two main factors, the growing demand for Vietnam's sweet crude in Southeast Asian markets and the high prices of crude oil, which can bring more revenue for new investments. However, the exceptionally high interference of government in the oil and industry, like approvals and permits for even technical details, has hampered the industry's growth.

Key Highlights
The offshore upstream segment is expected to dominate the market during the forecast period due to more offshore oil and gas reserves found in the country.
Despite the unfavorable investment climate in the region, many foreign companies have expressed interest in experimenting with their technology in the region. A joint venture with Russia, VietsovPetro has extended its cooperation agreement with Petrovietnam till 2030 to pursue the exploration and production activities in the country. The United Drilling Tools, an India-based oilfield equipment manufacturer, recently promoted its products in Vietnam. Such developments create ample opportunities for the Vietnamese upstream market.

Vietnam Oil & Gas Upstream Market Trends

The Offshore Segment Expected to Dominate the Market

In 2020, the crude oil production in the country was 207 thousand barrels per day, the majority of which were from offshore blocks. Private companies have shown interest in investing in more offshore projects by acquiring stakes in the offshore oil and gas fields.

In December 2021, Essar Exploration and Production Ltd and the Italy-based energy company, Eni, announced plans to start production from offshore block-114 in 2024-25. The duo has already drilled three wells and expects the development plan to be ready by 2023. Block -114 is the largest hydrocarbon concession in Southeast Asia and is estimated to hold around 2 billion barrels of oil and gas.

In November 2021, Japan's JX Nippon Oil & Gas Exploration Corporation (JX NOEX) declared that its wholly-owned subsidiary, Japan Vietnam Petroleum Company, renewed the contract with Vietnam Oil and Gas Group's subsidiary, PetroVietnam Exploration Production Corporation (PVEP), for operations in Block 15-2, located offshore Vietnam. The joint venture will continue the exploration and production activities even after 2025, the earlier expiry date.

Such developments are expected to accelerate the upstream market in the country during the forecast period.

Increased Demand for Natural Gas Expected to Drive the Market

The growing demand for natural gas, particularly in the power and fertilizer industries, is expected to accelerate the upstream sector. The country has recently shown interest in increasing the share of natural gas in the power generation mix, which currently stands at 15%.

According to the World Bank, Vietnam's electricity consumption ranks second among ASEAN countries and is expected to grow at an 8% rate annually through 2030. The power generation sector is currently dominated by coal power technology, which provokes the carbon footprint issue of the nation. Thus, the country has planned various gas-based power projects recently.

An LNG-to-power plant was recently being planned by a consortium in Mui Ke Ga (MKG), Binh Thuan Province, in Vietnam, in December 2021. The consortium includes Energy Capital Vietnam (ECV), B.Grimm Power of Thailand, and Siemens Energy, which are expecting to commission the first stage of the project in 2025. The power output of the MKG plant is expected to be 3600 MW using 3 million tons per year of LNG.

In November 2021, Delta Offshore Energy's upcoming LNG-to-Power project for Bac Lieu province was planned to be included in the latest plan on Vietnam's seaport system development. The LNG-to-power project is expected to have 3.2 GW of power generating capacity, and it will be operational by 2024-2027.

Owing to such developments, it is predicted that the growing demand for natural gas is expected to drive the oil and gas upstream market in the country.

Vietnam Oil & Gas Upstream Market Competitor Analysis

The Vietnamese oil and gas upstream market is moderately consolidated. Some of the key players in the market include ExxonMobil Corporation, Eni SpA, Vietnam Oil and Gas Group (Petrovietnam), NK Rosneft' PAO, and Jadestone Energy PLC.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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