

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

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Report description:

The Vietnamese oil & gas market is expected to register a CAGR of around 3.5% during the forecast period. The COVID-19 pandemic significantly affected the oil and gas market due to crashed oil demand in the national and international markets. The refining companies had to reduce their output in response to such a significant decline. For example, the 130,000-bpd Dung Quat refinery in Central Vietnam reduced its output to 80% of capacity amid widespread lockdown. The upstream sector also faced issues due to a disrupted supply over the entire value chain. The Vietnamese oil and gas market is largely driven by the high fuel demand (particularly diesel, Naptha, and LPG) in the national market and the high demand for Vietnam's sweet crude in national and international markets. However, the high government interference in the petroleum industry reduces the ease of doing business index for private investors, hampering the market's growth.

Key Highlights

The upstream segment is expected to grow rapidly during the forecast period due to the upcoming exploration and production projects in Vietnam.

Despite the unfavorable investment climate in the country, many international companies have shown interest in investing in its oil and gas market. VietsovPetro, a Russia-Vietnam joint venture, extended its cooperation agreement with Petrovietnam till 2030 to pursue the exploration and production activities in the country. The India-based oilfield equipment manufacturer, United Drilling Tools, recently promoted its products in Vietnam. Such developments create ample opportunities for the Vietnamese upstream market.

The increased natural gas demand, particularly in the power sector, is expected to boost the oil and gas market in the future.

Vietnam Oil & Gas Market Trends

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Upstream Segment Expected to Witness Significant Growth

Vietnam has many blueprints for developing the upstream sector in the oil and gas market. There have been many bilateral cooperation agreements to explore more petroleum reserves between the Vietnamese government and other neighboring nations.

In 2020, the crude oil production in the country was 207 thousand barrels per day, the lowest figure in the last five years. The private companies have shown interest in investing in more offshore projects in the country to boost production by acquiring stakes in the offshore oil and gas fields, which is expected to bolster the nation's indigenous crude oil and natural gas output. In December 2021, Essar Exploration and Production Ltd and Italy-based energy company Eni declared their plan to start production from offshore block-114 in 2024-2025. The two companies have already drilled three wells and expect the development plan to be ready by 2023. Block-114 is the largest oil and gas block in Southeast Asia and is estimated to hold around 2 billion barrels of oil and gas.

In November 2021, Japan Vietnam Petroleum Company, a wholly-owned subsidiary JX Nippon Oil & Gas Exploration Corporation, renewed the contract with PetroVietnam Exploration Production Corporation (PVEP), a subsidiary of the Vietnam Oil and Gas Group, to pursue operations in Block 15-2, located offshore Vietnam. The joint venture is expected to continue the exploration and production activities even after 2025, the earlier expiry date.

Such factors are likely to boost the dominance of the upstream segment in the market during the forecast period.

Increased Demand for Natural Gas Expected to Drive the Market

The growing demand for natural gas in the power and fertilizer industries is expected to boost the oil and gas market. The country plans to increase the share of natural gas in the power generation mix, which currently stands at 15%.

According to the World Bank, Vietnam's power consumption is second among all the ASEAN countries. It is expected to grow at an annual rate of 8% through 2030. The power generation sector is largely dependent on coal power technology, which increases the emissions rate of the sector. Thus, the country has various gas-based power projects planned.

In December 2021, a consortium of Energy Capital Vietnam (ECV), B.Grimm Power of Thailand, and Siemens Energy planned an LNG-to-power project in Mui Ke Ga (MKG), Binh Thuan Province, in Vietnam. The first stage of the project is expected to be operational by 2025. The capacity of the MKG plant is likely to be 3600 MW, using 3 million ton of LNG per year.

In November 2021, Delta Offshore Energy's upcoming LNG-to-Power project for Bac Lieu province was 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 will be operational by 2024-2027.

Such developments are likely to boost the demand for natural gas and drive Vietnam's oil and gas upstream market.

Vietnam Oil & Gas Market Competitor Analysis

The Vietnamese oil and gas market is moderately fragmented. Some of the key players in the market include ExxonMobil Corporation, Eni SpA, Vietnam Oil and Gas Group (Petrovietnam), Mitsui Chemicals Inc., and Idemitsu Kosan Co. Ltd.

Additional Benefits:

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

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