

Oil and Gas Capex Outlook - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The oil and gas CAPEX market size was around USD 502 billion in 2020, and it is anticipated to reach around USD 942 billion in 2027, registering a CAGR of around 8.1% during the forecast period 2022-2027. On account of the COVID-19 pandemic, key oil and gas players like Saudi Aramco, Exxon Mobil, and Shell PLC announced a decrease in spending from USD 175 billion to USD 38 billion in 2020. The decrease in spending was primarily due to the collapse of crude oil prices globally. Factors, such as strong profitability following a trend to lower project costs and optimize portfolios, which has led to divestment of low-margin fields, and increased focus on investment in higher-margin growth opportunities, are expected to increase the CAPEX during the forecast period. Moreover, LNG-oriented gas projects are witnessing increased investment, as it is a less carbon-intensive fuel and helps in the transition to a lower-carbon economy. However, volatile crude oil and natural gas prices, coupled with slow economic growth at a global level, are expected to restrain the oil and gas CAPEX during the forecast period.

Key Highlights

The upstream sector is expected to be the largest segment, which would have the highest CAPEX, as several region's state-owned firms are prioritizing domestic oil and gas projects to improve energy security and reduce their dependence on imports. Several offshore, deep, and ultra-deepwater explorations in the North Sea, Gulf of Mexico, and developing countries such as Senegal and Mauritania, provide ample opportunity for increased capital expenditure. Asia-Pacific has recorded the highest gains in CAPEX and is likely to be the fastest-growing region, owing to operations of globally integrated majors, along with national oil companies and new investments during the forecast period.

Oil & Gas CAPEX Market Trends

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Upstream Sector to Dominate the Market

The oil and gas upstream sector is expected to grow in the forecast period because of the increase in crude oil prices, attributed to the rise in demand for energy and the war between Ukraine and Russia. The crude oil prices have increased from USD 39.9 per barrel in January 2021 to USD 112.2 per barrel in March 2022, directly aiding the upstream sector.

The upstream sector has almost 70% of the total CAPEX allocated to the oil and gas sector. According to the International Energy Agency (IEA), the global CAPEX investment increased for the upstream sector between 2016 to 2019; however, due to the COVID-19 pandemic, it decreased by 32% to USD 328 billion. Although demand for oil and gas is back to pre-pandemic levels, the upstream CAPEX segment is expected to increase rapidly.

As of 2022, foreign investment is increasing in Africa due to the increase in domestic and international demand for crude oil. For example, TotalEnergies SE invested USD 10 billion for the Lake Albert development, which encompasses the Kingfisher and Tilenga upstream projects. TotalEnergies SE is partnering with China National Offshore Oil Corp and Tanzania Petroleum Development Corp to develop the fields.

For instance, as of 2021, Saudi Arabian state-owned company Saudi Aramco planned to increase its CAPEX investment to USD 8 billion for upstream oil and gas projects that were deferred during the COVID-19 pandemic. Aramco also plans to resurrect upstream projects and increase capacity production for the offshore Berri, Marjan, and Zuluf oil fields.

Hence, to meet the strong global demand for crude oil and natural gas, more investment is required for the exploration and production activities, which in turn promulgates the CAPEX in the oil and gas industry.

Asia-Pacific to Dominate the Market

Asia-Pacific is expected to witness significant growth in the oil and gas CAPEX in the coming years due to the recent discoveries in the offshore and onshore region, coupled with increasing energy demand from countries such as China and India.

Despite the energy transition, China National Offshore Oil Corp. Ltd and PetroChina posted a sharp increase in gas and oil output in the first nine months of 2021. China's state-owned company aggressive pursued to boost domestic fossil fuel production to meet the nation's demand, and PetroChina's first three-quarter crude oil production was 562 million barrels representing a 0.3% Y-o-Y increase, and commercial natural gas production amounted to 3.14 billion cubic feet representing an increase of 7.9% Y-o-Y.

As of 2021, India's state-owned company, Oil Natural and Gas Company (ONGC), planned to raise its exploration and production acreage by nearly fourfold by 2025, and the company plans to increase the acreage from 127,000 sq. km to 500,000 sq. km.

Foreign companies such as TotalEnergies SE and Chevron Corporation are in talks with ONGC to invest in the upstream company. In 2021, state-owned oil and gas company PetroChina planned to invest billions of dollars in accelerating upstream projects for the rare shale formations in northeast China, as it is the largest consumer of oil and refined petroleum products globally. China plans to kick off its unconventional oil and gas upstream projects, directly aiding the oil and gas Capex market.

Moreover, the energy consumption in Asia-Pacific is expected to grow by 48% over the next three decades. China and India have been the largest consumers of oil and gas in the Asia-Pacific region, and the pipeline network is growing in both of these countries. Hence, the CAPEX for oil and gas in the region is expected to increase during the forecast period.

Oil & Gas CAPEX Market Competitor Analysis

The global oil and gas CAPEX market is moderately fragmented. Some of the key players include BP PLC, Exxon Mobil Corporation, TotalEnergies SE, Chevron Corporation, and Shell PLC.

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