

Downhole Drilling Tools Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 125 pages | Mordor Intelligence

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Report description:

The downhole drilling tools market is expected to record more than 6.5% CAGR throughout 2022-2027. Due to the COVID-19 pandemic, the oil and gas industry witnessed a significant decline in demand due to the various lockdowns and restrictions, which resulted in decreased demand for downhole drilling tools. Additionally, the outbreak of COVID-19 in Q1 2020 delayed significant drilling projects worldwide, affecting the market for downhole drilling tools. For instance, in April 2020, Beach Energy announced a termination notice to Diamond Offshore for its year-long offshore drilling program in the Otway basin in Southern Australia with the semi-submersible Ocean Onyx, citing the logistical difficulties caused by the COVID-19 pandemic. Increased rig counts during the forecast period due to discoveries in several regions may drive the downhole drilling tools market. Also, the high requirement for tubular and increased directional drilling activities in the United States, North Sea, and Russia present more opportunities for the downhole drilling tools market. However, the unfavorable environmental effect of E&P activities, such as the release of crude oil into the environment and heavy metals, can have profound ecological implications. These ecological effects, coupled with stringent government regulations, are likely to restrain the market's growth during the forecast period.

Key Highlights

The onshore had the maximum share in the market in 2020. Onshore drilling encompasses all the drilling sites on dry land and accounts for 70% of worldwide oil production.

The development of new-generation automated drilling tools and technological advancements breeding from automation in drilling activities are expected to present many opportunities for downhole drilling companies.

North America, specifically the United States, dominates the market, accounting for most of the downhole drilling tools due to many wells being drilled each year in its shale and tight reserves.

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Downhole Drilling Tools Market Trends

Onshore Oil and Gas to Dominate the Market

The onshore sub-segment is expected to dominate the market during the forecast period due to an increase in onshore oil rigs and oil discoveries globally. Onshore drilling encompasses all the drilling sites on dry land and accounts for 70% of worldwide oil production. Onshore drilling is similar to offshore drilling but without the difficulty of deepwater drilling between the platform and the oil.

The Baker Hughes International Rig Count data shows that the average worldwide rig count in 2022 (Jan-Feb) was 827, up from 689 rigs in 2021 (Jan-Feb). The majority of the growth in active rig count came from the Middle-East and North America. As a result, a significant increase in the oil and gas downhole drilling tools market is expected in the Middle-East and North America during the forecast period.

Additionally, the global crude oil prices showed signs of recovery, improving at a good pace. The onshore projects are easier to kick-start than offshore ones. Therefore, riding on the optimism associated with the recovery of crude oil prices, onshore projects are expected to record significant growth over the forecast period, driving the demand for downhole drilling tools.

Oil consumption worldwide reached 88,696 thousand barrels daily in 2020, up from 86,568 thousand barrels daily in 2010. Thus, with an increase in oil demand, new oil wells are expected to be drilled in the coming years, increasing the demand for well intervention services worldwide.

In 2021, ADNOC Drilling (drilling subsidiary of ADNOC) was awarded a five-year USD 3.8 billion contract from ADNOC Onshore for the continued provision of drilling, workover, and other well services,

Thus, the factors mentioned above and significant onshore oil and gas contracts may drive the onshore sub-sector during the forecast period.

North America to Dominate the Market

North America dominated the downhole drilling tools market in 2020. It is expected to continue its dominance in the coming years. Low breakeven prices and high crude oil prices, coupled with technological developments in hydraulic fracturing, have supported the demand for downhole drilling tools.

Onshore drilling dominates the US market, while the offshore market has not witnessed much activity in the past few years. However, the offshore sector is expected to pick up pace in the coming years, as the government opened around 98% of its coastal water for drilling in January 2018, which was earlier not allowed.

In North America, offshore oil and gas projects are becoming more competitive, improving efficiencies and tightening the supply chain and leading to declining offshore drilling costs.

In terms of policy and government support, the US federal government launched an auction of more than 80.9 m acres to be leased by the US government for oil and gas production in 2021.

Furthermore, the recent development of shale plays, horizontal drilling, and fracking resulted in a massive increase in the country's demand for drilling and completion fluids. For instance, in 2020, extensions and discoveries of 92 million barrels of new proved crude oil reserves were reported, mostly from operators drilling horizontal wells in the Uinta Basin, Colorado, United States.

The annual oil output of Mexico has been dropping over the years as the giant Cantrell field in the shallow waters of the Gulf of Mexico is drying up. However, the Mexican government is trying to increase private investments in its controlled areas of the Gulf of Mexico. The private sector firms announced 12 commercial oil and gas discoveries in Mexico between 2017 and 2020.

According to the Canadian government report, daily oil production in Canada amounted to some 5.1 million barrels in 2020. As per the International Energy Agency, production is expected to grow by about 700,000 barrels a day by 2030.

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Hence, increasing oilfield exploration in North America and the presence of several companies offering oilfield services are some of the major factors augmenting the market's growth in North America, especially in the United States.

Downhole Drilling Tools Market Competitor Analysis

The downhole drilling tools market is moderately fragmented. Some of the key players include National-Oilwell Varco Inc., Halliburton Company, Schlumberger Limited, Baker Hughes A GE Co., Rival Downhole Tools, Hunting PLC, and United Drilling Tools Ltd.

Additional Benefits:

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

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