

## **Saudi Arabia Drilling Rigs 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 Arabia drilling rigs market is expected to witness a CAGR of more than 2% during the forecast period, 2022 - 2027. The COVID-19 outbreak in Q1 of 2020 had led to declining oil and gas products demand, which impacted the oil and gas exploration and production (E&P) activities, further leading to delays in drilling rigs activities. Factors such as the growing prominence of gas in power generation, increasing natural gas production, and surging investments in the sector are expected to drive the Saudi Arabia drilling rigs market during the forecast period. However, volatility in crude oil and natural gas prices, leading to a decrease in exploration and production activities, may restrain the growth of the market.

### **Key Highlights**

The onshore segment is expected to dominate the market during the forecast period, owing to increasing exploration and production.

New development in the smart rigs technology, like the advancements in the automated drilling rigs, is expected to make oil and gas production more viable and may provide an opportunity for market players.

The growing prominence of gas in power generation is expected to continue to be a vital part of meeting global energy demand, which is expected to drive the market.

Saudi Arabia Drilling Rigs Market Trends

Onshore Segment to Dominate the Market

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Demand for onshore drilling rigs is directly influenced by the demand growth for fossil fuels and onshore exploration and production activities. At the same time, well intervention and work-over activities have less effect on the demand for drilling rigs due to other well intervention methods and technologies available.

As of 2021, Saudi Arabia had around more than 80% of its oil and gas production from the onshore region. As of March 2021, the Kingdom had around 51 active rigs in comparison with nine active rigs in the offshore region. Moreover, in December 2020, the Kingdom's state-owned company Saudi Aramco announced new oil and gas finds, including unconventional resources, which are expected to increase crude production capacity from the current 12 million b/d to 13 million b/d. Therefore, the demand for drilling rigs in the onshore region is expected to be positive during the forecast period.

The Kingdom is home to the Ghawar field, the world's biggest conventional onshore oil field in terms of reserves and daily output. The oil field has been producing since 1951, and it is estimated to continue pumping oil at its current highest production capacity of 3.8 million barrels a day beyond 2050. Therefore, the country is likely to have a high demand for drilling rigs in the onshore oil and gas operations.

On the other side, land-based drilling rigs are capable of drilling up to 30,000 feet, and they can be divided into two categories: mobile and conventional. As of 2020, mobile drilling rigs were the commonly used drilling rigs in the country's onshore region.

This is because mobile rigs are easy to relocate to other exploration sites with fewer logistics and financials.

Therefore, owing to the above points, the onshore segment is expected to dominate the market during the forecast period.

### Growing Prominence of Gas in Power Generation to Drive the Market

The majority of the natural gas consumed in Saudi Arabia is for power generation. With a growing focus on having a cleaner environment, the country is planning to achieve the majority of the power generation from gas-fired power plants. Moreover, to cater to the growing electricity demand, the country has plans to install new natural gas power plants in the country.

Apart from domestic consumption, the country has strategic planning to diversify its sources of revenue collection. As of 2020, more than 23% of the country's GDP depended on the crude oil business. However, with the country's planning to increase natural gas production to 23 billion standard cubic feet per day (bscfd) by 2030, the country is planning to become a net exporter of natural gas.

With upcoming natural gas power plants like the Riyadh City-14 power plants, the demand for natural gas is expected to increase further. With an additional capacity of around 1,632 MW, the plant is expected to have a capacity of around 1,360 MW by the end of 2022.

In 2020, the electricity generation mix was dominated by natural gas, which accounted for more than 60%. Moreover, with the increasing electricity consumption in various sectors like residential, commercial, and industrial sectors, the country is likely to require around 87 GW of power plant capacity by 2025.

Further, USD 110 billion is expected to be invested in the Jafurah project, located southeast of the Ghawar oil field. The field is estimated to hold nearly 200 trillion cubic feet of wet gas and can produce 130,000 barrels per day of ethane and 500,000 barrels per day of gas liquids and condensates. The gas recoverable is expected to convert Saudi Arabia into a net exporter of natural gas and is expected to support Saudi Arabia to increase its domestic production to cater to the demand in the power generation sector.

Therefore, owing to the above points, the growing prominence of gas in power generation is expected to drive the Saudi Arabia drilling rigs market during the forecast period.

### Saudi Arabia Drilling Rigs Market Competitor Analysis

The Saudi Arabia drilling rigs market is moderately fragmented. The key players in the market include ARO Drilling, Saipem SpA, Arabian Drilling Company, ADES International Holding PLC, and Shelf Drilling Holdings Ltd.

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