

Drill Pipes

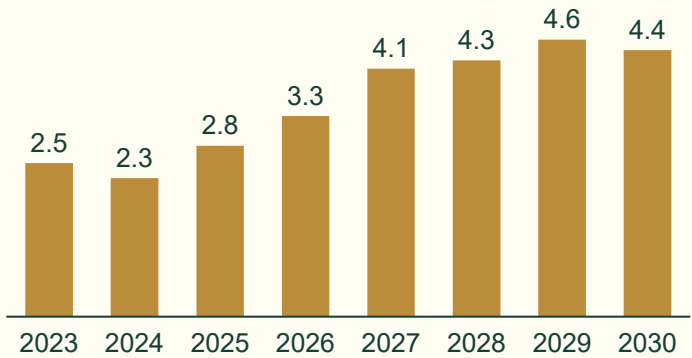
Opportunity Description: Establish a facility to design and manufacture oil & gas drilling pipes to cater to the proposed capacity expansion in crude oil and natural gas production



Drill Pipes – Opportunity Card (1/2)

Opportunity Description: Establish a facility to design and manufacture oil & gas drilling pipes to cater to the proposed capacity expansion in crude oil and natural gas production

KSA Demand in Billion USD₁



* There is currently no local production capacity

Investment Highlights₂

- Expected Investment: ~\$90 Mn
- Expected Plant Capacity: ~35 Kilo Ton / year
- Expected Project IRR: ~3%
- Expected Equity IRR: ~2%
- Payback Period: ~27 years
- Expected Job Creation: ~70
- Expected GDP Impact till 2030: ~\$453 Mn

Major Assumption

Drill Pipes Average Price ₃	~\$15,000/ Ton
Debt	70%
Interest Rate	7%

Raw Materials

- Steel (green pipes)

Energy Sector Demand Drivers

- Saudi Aramco expanding its crude oil production capacity to 13 million barrels per day (mmbpd) by 2027
- KSA aiming to increase the Petrochemical production from 38 to 70 M tons annually
- The Jafurah onshore gas field is considered one of the largest unconventional gas fields worldwide and is driving the demand for Directional Drilling Equipment in KSA
- KSA targets increasing their Natural Gas production by 40 %

Other Sectors Demand Drivers

- Drill pipes demand is only driven by the Energy Sector

Value Proposition

- KSA is the world largest exporter of Crude Oil and 2nd largest producer
- KSA is well positioned to play a leading role and become a major clean Hydrogen exporter which will drive the demand on natural gas
- KSA has the 6th largest natural gas reserve of 329 Tn Cubic ft
- The recent discovery of 8 gas fields, 3 of which are unconventional



Drill Pipes – Opportunity Card (2/2)

Import Dependency

- In **2021**, Saudi Arabia imported **\$176M in Casings, tubing and drill pipe, for oil drilling**, becoming the **10th largest importer** of Casings, tubing and drill pipe, for oil drilling in the world₁
- Saudi Arabia** imports Casings, tubing and drill pipe, for oil drilling primarily from: **Japan (\$68.8M)**, **China (\$26.5M)**, **Brazil (\$18.6M)**, **Germany (\$13.2M)**, and **Mexico (\$8.96M)**₁

Localization Potential

Baseline	Target	Contribution*
0%	75%	13.2%

Scalability

- The business can diversify its offerings by providing Drill Collars and Corrosion Control Service
- The business can scale by entering new markets, exporting to the GCC market

Enablers and Incentives₂

No enablers are taken into consideration in the financial estimation for this opportunity, but the opportunity is subject to off the shelf's incentives like:

- SIDF** financing **up to 75% of CAPEX**
- HRDF** covers monthly salaries of **up to 3,000 SAR / employee for Saudi employees**
- Tax credits** for R&D for manufacturers
- Custom duty exemption** for import of **capital goods/machinery** required for setup of facility

Major Local and International Manufacturers

- Local Manufacturers: N/A
- International Manufacturers: NOV, Hunting, Hilong, Tenaris, Schlumberger and Baker Hughes

Key Stakeholders



Value Chain

