

Drill Collars

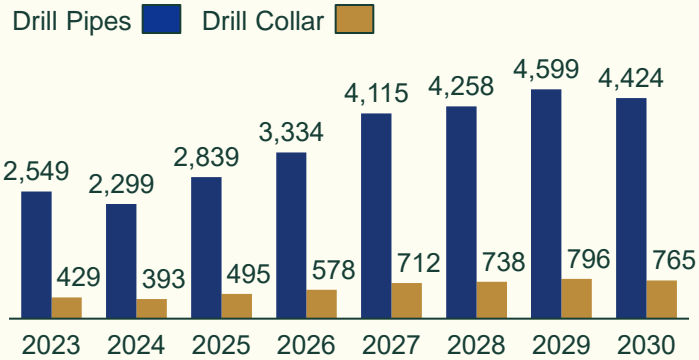
Opportunity Description: Establish a facility to design and manufacture oil & gas drilling pipes and collars to cater to the proposed capacity expansion in crude oil and natural gas production



Drill Collars and Pipes – Opportunity Card (1/2)

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KSA Demand in Million USD₁



* There is currently no local production capacity

Investment Highlights

- Expected Investment: **~\$145 Mn**
- Expected Capacity (drill pipes): **~20 KTon/ year**
- Expected Capacity (drill collar): **~10,000 Unit/ year**
- Expected Project IRR: **~9%**
- Expected Equity IRR: **~10%**
- Payback Period: **~15 years**
- Expected GDP Impact till 2030: **~\$347 Mn**

Major Assumption

Drill Collars Average Price	~\$7,200 / Unit
Drill Pipes Average Price	~\$15,000 / Ton
Debt	70%

Raw Materials

- Steel 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 drill pipes and drill collars
- KSA targets increasing their Natural Gas production by 40 %

Other Sectors Demand Drivers

- Drill pipes and drill collars 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 Collars and Pipes – Opportunity Card (2/2)

Import Dependency

- **KSA imports 100% of drill pipes and collars demand**
- In **2021**, Saudi Arabia imported **\$423M** in **Parts of boring or sinking machinery**, becoming the **3rd largest importer** of Parts of boring or sinking machinery in the world₁
- Saudi Arabia imports Parts of boring or sinking machinery primarily from: **United Arab Emirates (\$237M)**, **United States (\$56.5M)**, **Singapore (\$51M)**, **China (\$26.6M)**, and **Germany (\$11M)**₁

Localization Potential

Baseline	Target	Contribution*
0%	75%	7.9%

Scalability

- The business can diversify its offerings by providing Drill Pipes 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 PLC, Hilong, TMK

Key Stakeholders



Value Chain

