

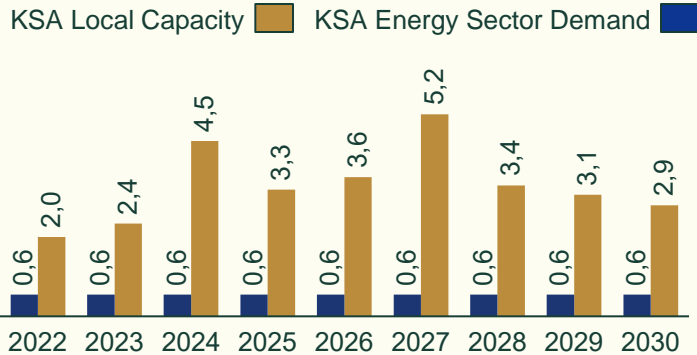
# ERW Pipes

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# ERW Pipes – Opportunity Card (1/2)

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## KSA Market in Million Tons



## Investment Highlights

- Expected Investment: **\$ 150 Mn**
- Plant capacity: **360,000 Ton / Year**
- Expected Equity IRR: **~13%**
- Expected Project IRR: **~11%**
- Payback period: **~13 years**
- Expected GDP Impact till 2030: **\$229 Mn**
- Location: **Aljubail , Ras Alkhair, Yunbu**

## Major Assumption

ERW Pipes Price	<b>~\$850/Ton</b>
Debt	<b>70%</b>
Interest Rate	<b>7%</b>

## Raw Materials

- Hot Rolled Steel Coils

## 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

- Rampant construction under the Saudi Vision 2030 is one of the key factors driving the demand for ERW Pipes like NEOM, Qiddiya, The Red Sea Project
- The expansion of water transmission systems
- An increased construction of terminals and facilities driven by oil –to – chemical project

## Value Proposition

- The government in Saudi Arabia has implemented several policies and initiatives supporting the manufacturing sector, including tax incentives, grants, and financing programs
- The ongoing reforms in Power sector and the plans to reach a targeted energy mix that is consisted of 50% fueled by Natural gas
- The ambitious targets to double the capacity of oil to chemical products

# ERW Pipes – Opportunity Card (2/2)

## Import Dependency

- In **2020**, Saudi Arabia Imported **\$189 million** in oil and gas < 16” diameter steel pipeline making it the **world’s second largest importer**<sub>1</sub>
- Saudi Arabia Imports primarily from the **UAE, Turkey, Germany and China**<sub>1</sub>

## Localization Potential

Baseline	Target	Contribution*
<b>30%</b>	<b>75%</b>	<b>~12.5%</b>

## Scalability

- KSA’s location offers a great opportunity to scale up and export to other countries in the GCC region.
- There is an opportunity to scale through adding additional services like coating, threading and slitting

## Enablers and Incentives

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: Arabian Pipes and Tenaris Saudi Steel Company
- International Manufacturers: Baosteel, Tenaris, JFE Steel, Tata Steel and Tosyali Holding

## Key Stakeholders



## Value Chain

