



GCC MV Switchgear Market to Grow Despite Production Shutdown

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- GCC's MV switchgear market accounts for 6% of the global MV switchgear market in terms of revenue.
- Peak demand of switchgear in the GCC region is anticipated to be in 2023 when the procurement for the Neom City and Red Sea projects starts in 2023.
- There will be just enough spare capacity in Saudi Arabia moving forward meaning that there will be enough of a supply of MV switchgears to meet the MV switchgear demand in the country despite the ongoing and expected shutting down of facilities over the next few years.

GCC's MV switchgear market accounts for 6% of the global switchgear market in terms of revenue. With the greatest market share, Saudi Arabia is the market's leader, followed by UAE, Qatar, Kuwait, Oman, and Bahrain. Other than the UAE, these GCC countries have a fairly small share in the GCC as well as the global MV switchgear market.

Despite, GCC's only 6% share of the global MV switchgear market, the region has tremendous potential for growth in this market mainly due to a recent drive in the region led by Saudi Arabia to diversify the economy and divest from oil and gas. On the supply side, Siemens is the leading international switchgear supplier in the GCC region followed by ABB, Schneider Electric, Alfanar, and Eaton.

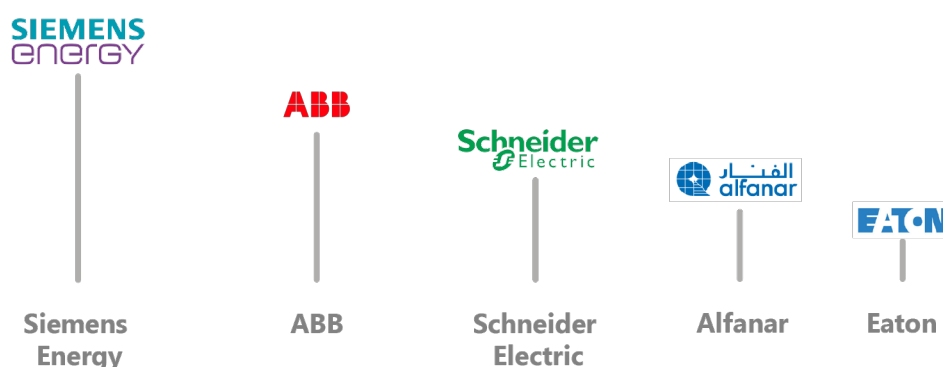


Figure 1: Ranking of international switchgear suppliers in the GCC region.

Source: Power Technology Research

Saudi Arabia's Market Overview

Putting numbers to the names, Saudi Arabia's share within the GCC MV switchgear market accounts for 40%, with Siemens being the leading supplier in the country followed by Alfanar, Lucy Electric, ABB, Schneider Electric, and Eaton in that order.

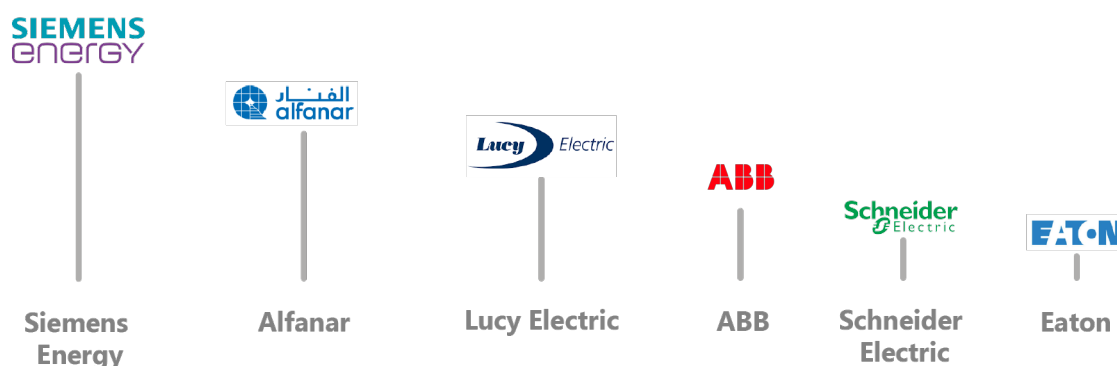


Figure 2: Ranking of international switchgear suppliers in Saudi Arabia's market.

Source: Power Technology Research

Mega projects like Vision 2030, Neom City, and the Red Sea project have been and will continue to drive the demand of MV switchgear in Saudi Arabia. According to Power Technology Research, peak demand is anticipated in 2023 when the procurement for these projects is scheduled to begin. In line with that, there is expected to be a tremendous growth in opportunities for international suppliers of MV switchgear over the next 2 years. Once the demand's peak is achieved in 2023, it is expected to deplete and phase out over the following years with regards to the impact of these mega projects.

Growth drivers

Developments in Saudi Arabia's utility sector, generation, and the industry are expected to drive demand of MV switchgear in the country in the coming years.

Utility

In Saudi Arabia's utility sector, an aggressive increase in the MVA capacity was observed from 2011-2016 followed by a slowdown in its growth. Under Vision 2030, which aims to diversify the economy, Saudi Arabia is constructing sustainable new cities which are expected to drive the growth of switchgears in the utility sector.

Generation

In 2016, Saudi Arabia set a goal of producing 60 GW of renewable energy by 2030 (under its Vision 2030) but little renewable generation capacity was installed in the country in the years following the declaration of that goal. That year, according to Energy Information Administration (EIA) of the U.S., Solar PV constituted only 0.1% of the total generation installed capacity. Later, in 2021, the Kingdom reaffirmed its commitment to increase the share of renewables in the country's generation mix to 50% by 2030. This will require sizeable investments in the renewable energy sector of the country which in turn will drive demand for MV switchgear in Saudi Arabia.

From 2010 onwards, inconsistent growth in the renewable generation installed capacity was observed in Saudi Arabia. From 2010-2018, a mere 34 MW of renewable capacity was installed whereas 325 MW was installed in 2019 alone. This was followed by no renewable capacity additions in 2020. Saudi Arabia's cumulative renewable installed capacity is around 410 MW including 360 MW of solar PV capacity and 50 MW of solar thermal capacity (see Figure 3).

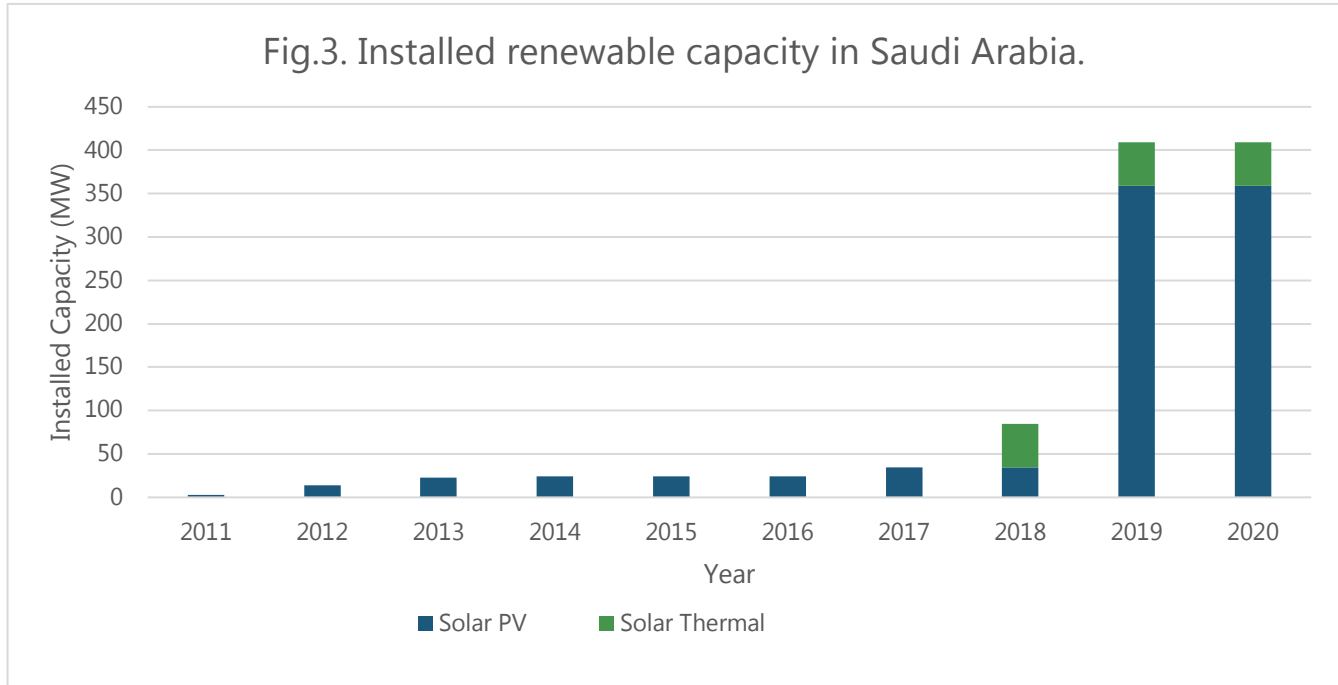


Figure 3: Breakup of the installed renewable capacity in Saudi Arabia from 2011 to 2020.

Source: IRENA

Industry

The following are the major projects in the industry requiring investments of billions of dollars which are expected to drive demand in Saudi Arabia's MV switchgear market over the coming years.

- In order to enhance Aramco's ability to handle gas volumes to meet seasonal domestic demand, the Aramco Hawiyah Unayzah Gas Reservoir Storage (HUGRS) project is underway and is expected to be completed in 2023. The project is located east of Riyadh and includes the construction of a gas injection facility with reproduction compressors and slug catchers as well as several utilities and offsite facilities.
- As part of the South Ghawar Unconventional Gas Field Development project worth USD 2 billion, Saudi Aramco last year was awarded four major EPC packages.
- The Uthmaniyah and Shedgum gas plant expansions which are part of USD 2.7 billion project are being developed by Saudi Aramco.

Current Landscape of the Market

Even with a couple of European players reentering the switchgear market in Saudi Arabia, entry barriers are expected to remain high due to increasingly more strict local regulations. As a result of the market sluggishness induced by Covid-19, the bargaining power of buyers increased over the last couple of years. However, as the demand is expected to recover in the coming years, the bargaining power of buyers will slightly decrease beyond 2022.

Research indicates that international switchgear suppliers are planning on shutting down local manufacturing and plan to operate through local partners. With the total number of players decreasing in the market, competition is expected to decrease slowly as well after 2023.

Looking Ahead

In Saudi Arabia in 2020, the country's spare capacity went down due to the Schneider Electric MV switchgear plant closing production in Riyadh in June. Furthermore, in 2022, other international players are expected to close their local MV switchgear facilities in Saudi Arabia. Additionally, with the demand projected to increase by approximately 87% in 2022 as compared to 2021, the spare capacity is forecasted to drastically decrease in 2022 relative to 2021.

Moreover, with the localization requirements becoming stricter in Saudi Arabia, the MV switchgear market is moving towards consolidation. There is now a clear and visible trend in the market for international players to shut down their local production and operate in the market through local partners instead. Schneider Electric is already implementing this as their new business model, aggressively looking for more partnerships in the GCC region. It is expected that more international players will follow in Schneider Electric's footsteps.

On the whole, it is estimated that there will be just enough spare capacity in Saudi Arabia moving forward. This means that there will be enough of a supply of MV switchgears to meet the MV switchgear demand originating in the country over the coming years despite the shutting down of facilities.

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