



## Scope for Suppliers to Set Up Local Power Transformer Production Facilities in Saudi Arabia

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- Under Vision 2030, the sectors targeted for development include power generation, petrochemicals, tourism, hospitality, and infrastructure; these will be generating demand for power transformers in the upcoming years.
- Due to limited local manufacturing capacity, Saudi Arabia's power transformer market has historically been dominated by international suppliers such as Hyundai, Hyosung, Hitachi ABB Power Grids, Siemens Energy, and GE.
- The transformer market of the country will primarily be driven by plans focused on the diversification of the economy, the renewable generation expansion plan, network expansion, and the upgradation of Aramco facilities.

The biggest market in GCC, Saudi Arabia, has been experiencing a downward trend since 2018. Between 2018-2020, market spending on transformers decreased. This market decline can be attributed to the economic slowdown resulting from depressed oil prices worldwide, significant cuts in oil production as part of the OPEC+ Agreement, and development projects being delayed due to lack of funding in the country. Moving forward, in order to make its economy more robust and less susceptible to fluctuations in oil prices, KSA shifted its focus to the mobilization of

non-oil revenues and services-led growth. Under Vision 2030, Saudi Arabia seeks foreign investment, plans to increase the participation of small and medium enterprises in the economy, and intends to generate jobs and increase domestic consumption by developing mega projects. The sectors targeted for development include power generation, petrochemicals, tourism, hospitality, and infrastructure; these will be generating demand for power transformers in the upcoming years.

## Growth Drivers of the Power Transformer Market

In the next 5 years, Power Technology Research estimates that Saudi Arabia is expected to account for more than half of the GCC demand for transformers due to the following drivers.

- 1) Exponential growth in transformer demand is expected from the infrastructure segment as the country is aggressively pursuing economic diversification plans with big investments in the pipeline to develop mega infrastructure projects. These include the high-tech Neom city with a planned investment of USD 500b, the King Abdullah Economic City with USD 59b investment, and the Jeddah Economic City with approximately USD 28b investment.
- 2) The installation of wind and solar power plants by the Renewable Energy Project Development Office (REPDO) to achieve 58.7 GW of renewable energy capacity by 2030. The Kingdom plans to generate 50 percent of its electricity from renewables and the other half from gas by 2030.
- 3) Network expansion plans by the Saudi Electric Company (SEC) in order to accommodate renewable integration and infrastructure development projects will be big contributors to the power transformer market of Saudi Arabia in the coming years. Saudi Arabia plans increase its HV transmission substations capacity by 214,000 MVAs by 2030. This will result in the construction of almost 560 transmission substations with installation of ~1,500 new power transformers by SEC.
- 4) Saudi Arabia has committed to increase its oil production capacity from 12 Million barrels per day to 13 Million barrels per day till 2027. This requires the development and upgradation of Aramco infrastructure in the country which would lead to increased demand for power transformers in the country.

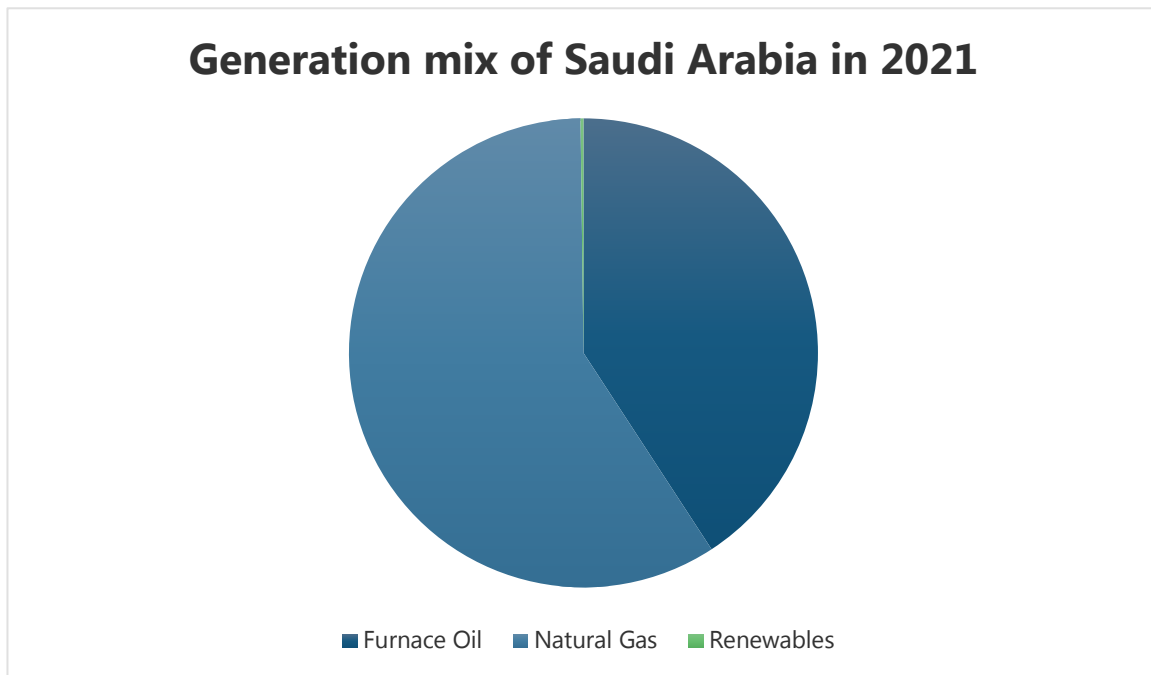


Figure 1: Generation mix of Saudi Arabia in 2021.  
Source: Power Technology Research

## Existing Power Transformer Suppliers

Historically, Saudi Arabia’s power transformer market has been dominated by international suppliers such as Hyundai, Hyosung, Hitachi ABB Power Grids, Siemens Energy, and GE. This is due to limited local manufacturing capacity that could not meet the demand for power transformers. Hyosung and Hyundai HI are leading the power transformer market of Saudi Arabia, followed by SPTC and Siemens Energy. Saudi Power Transformers is the only local player that manufactures power transformers up to 132 kV.

### Ranking of players in the power transformer market of Saudi Arabia

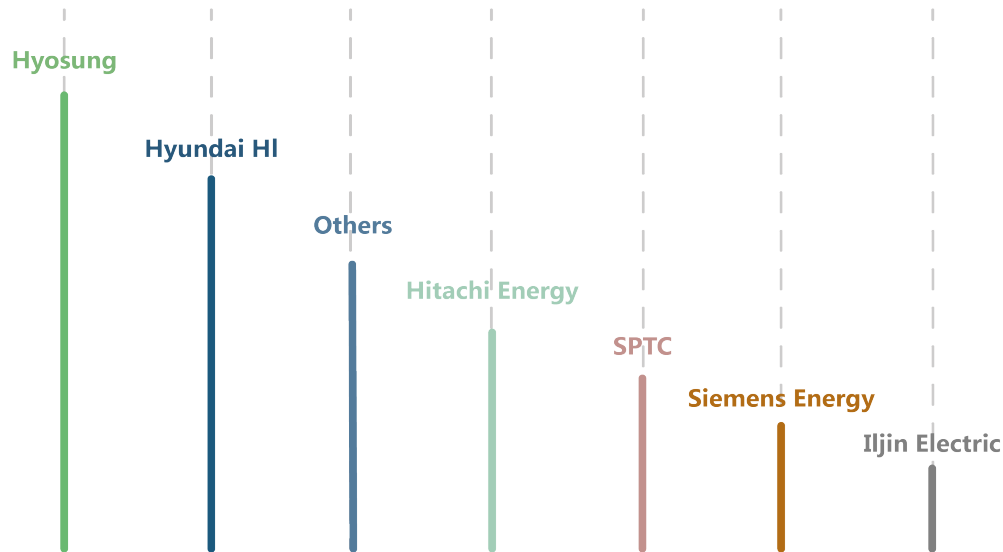


Figure 2: Ranking of players in the power transformer market of Saudi Arabia.  
Source: Power Technology Research

## Looking Ahead

The power transformer market of Saudi Arabia accounted for USD 197m in 2021, in terms of revenue, and is expected to grow to USD 267m in 2024 as per the estimates of Power Technology Research. The transformer market of the country will primarily be driven by plans focused on the diversification of the economy, followed by the renewable generation expansion plan, network expansion, and the upgradation of Aramco facilities.

According to Power Technology Research, there are opportunities for international power transformer suppliers to establish local manufacturing facilities in the Kingdom of Saudi Arabia. The government of Saudi Arabia is also trying to promote localization through policies like IKTVA (in-Kingdom Total Value Add Program), Project HQ and BENA (SEC). On the other hand, the government is also offering incentives to manufacturers that are interested in setting up local manufacturing facilities. The only local manufacturer of power transformers in the country is currently running at 100% capacity, indicative of the significant scope for setting up power transformer manufacturing facilities.

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