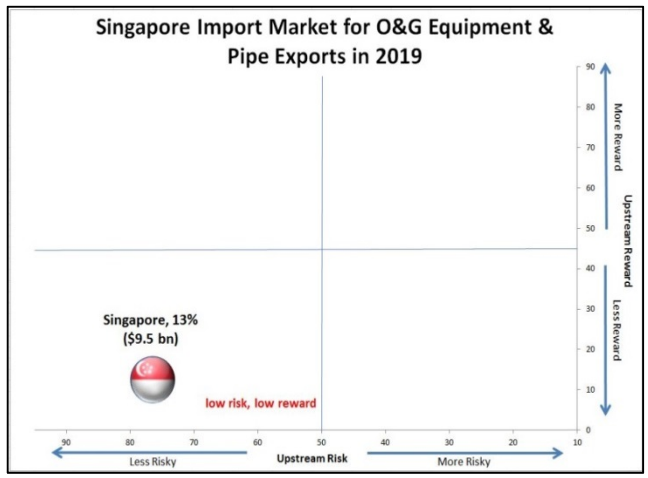
INTERNATIONAL
TRADE
ADMINISTRATION

2016 Top Markets Report
Upstream Oil and Gas Equipment
Country Case Study

Singapore

Overall Rank: 11

Despite its lack of hydrocarbon resources, Singapore offers significant commercial opportunities for U.S. exporters of O&G equipment. As a regional hub for O&G equipment trade, U.S. exports to Singapore are largely dependent on demand from Asia for new oil rigs and offshore equipment manufactured in Singapore. Singapore's business environment and the Trans-Pacific Partnership (TPP) agreement is expected to facilitate commercial opportunities for U.S. exporters. Despite declining demand for oil in Asia, it is anticipated that the United States will remain the largest source for Singaporean imports of O&G equipment in 2016.



Background

Although it is not a producer of crude oil or natural gas, Singapore serves as an important hub for O&G equipment trade to Asia. Singapore is the market leader for floating production, storage and offloading (FPSOs) conversions and offshore jack-up rigs, and many oilfield service and subsea companies have operations in Singapore due to the presence of major offshore and marine firms, such as Keppel Corporation and Sembcorp Marine. Singapore has become one of the most important shipping centers in Asia and is one of the world's top five oil trading and refining hubs. Singapore's downstream sector is well-developed, and it is one of the top 10 exporters of refined oil products in Asia. Underground caverns for oil storage and a LNG terminal are also being expanded in phases to enhance Singapore's position as the premier regional center for the O&G industry.

Market Analysis

Singapore represents a large global import market for O&G field equipment. In 2015, Singapore was the fourth largest destination for U.S. exports of O&G equipment, with $1.07 billion in exports (5 percent of global U.S. exports). Since 2004, U.S. O&G equipment exports to Singapore have ranged between $1 and $1.8 billion, with U.S. exports peaking in 2008. Although U.S. market share is projected to decrease slightly, U.S. exports of O&G equipment are expected to increase marginally to $1.2 billion in 2019.

In 2014, the United States was by far the largest source for Singaporean imports of O&G equipment, holding a 29 percent market share. After the United States, Singapore's largest sources for O&G equipment were China, Japan and Malaysia, each holding under a 10 percent market share. Offshore equipment, including parts for boring or sinking machinery (48 percent of imports) and parts and attachments for derricks (16 percent), represented the majority of Singapore's O&G equipment imports. In 2015, the largest U.S. exports to Singapore were floating production platforms, parts for boring or sinking machinery and reciprocating positive displacement pumps, which represented more than 60 percent of total U.S. exports of O&G equipment to Singapore.

Singapore is a net exporter of O&G equipment and was the seventh largest exporter in the world in 2014, with more than $9 billion in total equipment exports. Its top export markets were Indonesia ($1.5 billion in exports), Malaysia ($1.2 billion) and China ($984 million), and exports to Asia comprised more than 50 percent of total exports. Singapore's largest exports were parts for boring or sinking machinery and floating or submersible drilling/production platforms, which represented nearly two-thirds of total Singaporean exports of O&G equipment. In 2014, Singaporean imports of O&G equipment totaled $6.4 billion, and its import market is expected to exceed $9 billion in 2019.

Policy Context: Opportunities and Challenges

Transparent business practices and benefits from the TPP agreement contribute to Singapore's O&G sector being a low risk market for U.S. investment. Low oil prices, slowed economic growth in Asia and ongoing maritime disputes in the South China Sea, however, all contribute to declining demand within Asia for oil rigs and, by extension, pose challenges to significant increases in U.S. O&G equipment exports to Singapore.

Singapore's hospitable business environment contributes to the country's ability to function as a regional trading hub. For the past 11 years, Singapore has topped the Ease of Doing Business rankings published by the World Bank and has offered low risk commercial opportunities for U.S. exporters of O&G equipment. It also tops the World Bank's rankings for government effectiveness and regulatory quality and ranks very highly on political stability, rule of law and control of corruption. Singapore administers arbitrations through the Singapore International Arbitration Centre and is widely recognized in the region as a competent venue for international arbitration that is both neutral and geographically convenient.

The TPP agreement will facilitate Singaporean O&G equipment manufacturers to increase U.S.-sourced components, making it easier for U.S. companies to export O&G equipment to Singapore. The TPP will eliminate all tariffs of O&G equipment, allowing all TPP originating goods to be traded at preferential tariff rates among the TPP countries. Without TPP, Singaporean manufacturers had to include at least 40 percent local content to receive preferential tariff rates when exporting within the Association of Southeast Asian Nations (ASEAN). Under TPP, however, Singaporean exports of O&G equipment with high U.S. content will be able to receive preferential tariff rates when exported to another TPP country due to the accumulation provisions in the agreement. As a result, Singaporean O&G equipment manufacturers will be encouraged to increase U.S.-sourced components to reap tariff benefits, especially for exports to Malaysia, one of the top recipients of O&G equipment exports from Singapore.

Falling rig counts in Asia are likely to reduce demand for new oil rigs and offshore equipment manufactured in Singapore, and this could subsequently reduce demand for U.S. O&G equipment exports to Singapore. Since June 2014, rig counts in Asia have declined by nearly 25 percent from 251 rigs to only 193 rigs in operation in January 2016. Low oil prices have slowed investment in upstream activities and have reduced capital expenditures in oil producing countries, which has greatly reduced demand for new rigs as many oil producers have halted new projects.

In addition, slowed economic growth in major export markets and ongoing maritime disputes in the South China Sea are likely to reduce demand for new oil rigs and offshore equipment from Singapore. In 2015, the Indonesian economy grew less than 5 percent, the slowest since the global financial crisis, and the Chinese economy grew at its slowest rate in 25 years. Slowed growth in the region has resulted in declining oil demand and has contributed to the financial infeasibility of new projects. The feasibility of new projects in the South China Sea is further weakened by territorial disputes and competing claims for O&G resources, which have hindered oil exploration in the region.