

MARKET SECTOR INSIGHTS - MARCH 2020

Gas Turbines Services Market



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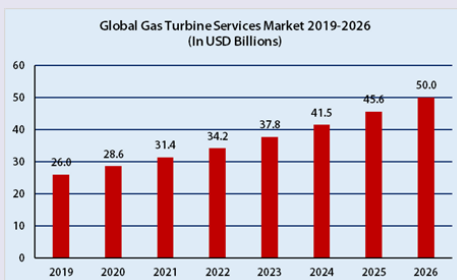


Fig.1 Global Gas Turbine Services Market



Global Outlook

According to Grand View Research, the global gas turbine services market size was valued at \$26 billion in 2019 and is projected to register a CAGR of 9.8% over the forecast period of 2019-2026, reaching to \$50 billion by 2026. The rise in environmental concerns owing to the high amount of carbon emissions from coal-based power generation has resulted in the adoption of low carbon emission power generation technologies such as natural gas-powered turbines which is fuelling demand for services of these gas turbines globally. However, industries are moving toward the use of renewable energy sources such as wind and solar, and this trend is expected to restrain the gas turbine market across the globe in later years.

Although natural gas-powered turbines are expected to gain popularity globally, particularly in the North American and European regions, emerging economies in Asia Pacific such as India and China still rely on coal-based power generation due to its lower costs. This factor is expected to hinder new gas turbine sales and maintenance contracts in the region in the future. Moreover, limited natural gas reserves are expected to restrict the growth of the market in the coming years.



Turbine Type Insights

According to Grand View Research, heavy duty turbines emerged as the largest segment in 2019, accounting for a share of over 52% in the global market. This segment is also projected to witness the fastest growth rate over the forecast period of 2019-2026. The growth of the segment is mainly attributed to the wide application scope of these turbines in chemical plants, refineries and power utilities.

Furthermore, heavy duty turbines provide improved thermodynamic cycles and an optimised production process. Advancements in technology have also enhanced the power output, efficiency and environmental compatibility of these turbines. These factors are projected to drive demand for heavy duty gas turbine services over the forecast period.

Industrial turbines accounted for a share of more than 38% in 2019 and are projected to register the second highest CAGR over the forecast period. The segment is expected to witness growth fuelled by ongoing development in industrial activities across the globe. Positive trends regarding the development of key manufacturing sectors worldwide are supporting the growth potential for industrial gas turbine services. This is due to the development of both heavy and light industries, which is projected to increase the need for services for gas turbines. Moreover, growing population and rapid urbanisation are creating an increased demand for electricity, which in turn drives the demand for industrial gas turbines and the subsequent need for services for these systems.



Spare Parts Supply Segment

Spare parts supply emerged as the largest service segment in 2019, which accounted for more than 63% of the global gas turbine services market in 2019. This segment is projected to continue to dominate the sector throughout the forecast period. The components of gas turbines have a specific lifespan after which they require periodic replacement, thereby driving the growth in this segment.

Maintenance and repair emerged as the second-largest segment based on service type. Maintenance and repair activities are performed on a regular

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basis in developed regions such as Europe and North America. Increased awareness regarding the benefits of periodic maintenance and development in data collection technologies are expected to drive the growth of this segment over the forecast period.

Overhaul is projected to be the second-fastest-growing segment in the global market from 2019 to 2026. Overhaul comprises the inspection, repair, replacement and disassembly of subcomponents.



OEMs Dominate the Market

Original equipment manufacturers (“OEMs”) dominated the service provider segment of the market in 2019. This dominance is mainly attributed to factors such as technological capability, wide geographic presence, skilled workforce and brand value.

In addition, OEMs have well-established R&D infrastructures as well as data management centres that enable them to observe the unit from remote locations to determine the accurate real-time health of the unit. OEMs also offer multiyear service agreements to buyers which cover a range of services. Most buyers prefer OEMs owing to their technological and service capabilities and opt for multiyear agreements, further enabling OEMs to consolidate their market position.

Furthermore, OEMs are aggressively expanding their presence by acquiring small-scale companies. For instance, GE Power acquired Alstom’s power and grid business, further enabling GE Power’s transformation into a digital industrial company. Similarly, Siemens AG acquired the aero-derivative gas turbine business of Rolls-Royce. Given these factors, OEMs are expected to continue to maintain their dominant position in the market.



Prevalant Price Disparities

The demand for gas turbines can be directly linked to the development of gas-fired power plants. However, the production and supply of most of the world’s natural gas is concentrated in a few countries, causing price disparities. Moreover, supply disruptions are prevalent due to geopolitical tensions and pipeline and related infrastructural issues. Hence, factors such as the price disparity in the international trade of natural gas and continuing concerns over stable natural gas supply are restraining the gas turbines market.

- Recent Trends -



Rise in Multiyear Service Contracts

The rise in multiyear service contracts is one of the major factors driving the gas turbine services market globally. Plant operators find multiyear agreements to be an economical solution in the long term. These agreements can be signed for a range of services such as basic maintenance or overall maintenance. Basic maintenance includes preventive maintenance to full-service maintenance, whereas overall maintenance comprises repair for concerned equipment. This trend is expected to become even more prominent in the coming years.

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Investment in Research & Development

Major companies are increasing their investments in research and development activities for the discovery of new products which has benefited the growth of the global gas turbine services market. There has also been a rise in the government funding in this sector. Going forward, major companies are expected to continue to benefit from new product launches and technological advancements.

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