

For Immediate Release

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US Demand for Midstream Oil & Gas Equipment Will Decline

Demand for equipment used in midstream oil and gas applications in the US is expected to decline to \$10.5 billion in 2019 as a low oil and gas price environment limits production growth and US midstream infrastructure becomes better adapted to the recent shifts in energy production within the country. Spending on equipment for use in both crude by rail and gas processing plants will fall from elevated 2014 levels, but pipeline construction and liquefied natural gas (LNG) activity will continue to support a high level of equipment demand through the forecast period. These and other trends are presented in ***Midstream Oil & Gas Equipment***, a new study from **Freedonia Group**, a Cleveland-based industry research firm.

Pipe will remain the largest product category in midstream oil and gas equipment, with demand expected to fully recover and post modest gains by 2019 despite sharp declines in 2015 and 2016. Demand for equipment associated with natural gas infrastructure, including gas treating and processing equipment and compressors used in pipeline and other applications, will continue to be strong by historical standards, although it is not expected to return to 2014 levels in the near future.

Market fundamentals will drive the eventual construction of a number of LNG export facilities in coming years, several of which are likely to remain under construction in 2019. These facilities, all major investments, will boost the overall market for a range of equipment, including compressors, valves, and pumps. Additionally, several new projects will require construction of LNG storage tanks, which can make up a large part of total project costs due to their size and heavy engineering requirements.

Crude by rail became a major component of US crude oil infrastructure over the past few years, resulting in high demand for new tank cars. Additionally, new

Department of Transportation regulations require that most tank cars in service be replaced or retrofitted with additional safety equipment over the next few years.

Together, these factors will result in continued spending in this segment of the market.

However, growth in pipeline capacity connecting areas such as the Bakken play in the upper Midwest and producing areas in the Rocky Mountains with refineries in other parts of the country will reduce the need for crude by rail through the forecast period.

US MIDSTREAM OIL & GAS EQUIPMENT DEMAND (million dollars)					
Item	2009	2014	2019	% Annual Growth	
				2009- 2014	2014- 2019
Midstream Oil & Gas Equip Demand	<u>5750</u>	<u>12250</u>	<u>10500</u>	16.3	-3.0
Pipeline	4270	5340	5460	4.6	0.4
Natural Gas Processing Plants	1070	2400	1980	17.5	-3.8
LNG Facilities	195	1560	2155	51.6	6.7
Crude by Rail & Other	215	2950	905	68.8	-21.0

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Midstream Oil & Gas Equipment (published 02/2016, 270 pages) is available for \$5400 from The Freedonia Group. For further details or to arrange an interview with the analyst, please contact Corinne Gangloff by phone 440.684.9600 or email pr@freedoniagroup.com. Information may also be obtained through www.freedoniagroup.com.

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