

OVERVIEW

Industry looks ahead after weathering storm

Floater orders back to 2013 and 2014 levels, with lower breakeven costs a major factor for sector

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London

THE floating production market is on an upswing after four punishing years, with floater orders back to the books, yard activity picking up and some delayed deep-water projects moving back into the development queue.

Floating production, storage and offloading projects are leading the trend, with 10 new orders logged so far in 2018 – six for new-build vessels and four redeployments of existing FPSOs.

Brazil is the main driver but other regions are giving the industry cause for hope.

Given the severity of the recent downturn, industry observers may be reluctant to appear too enthusiastic. But the numbers offer good reason for some cheer.

“The overall trend is that the number of awards is up and we’re getting back to where we were in 2013 and 2014, which was 11-12 (FPSO) awards per year,” says Energy Maritime Associates (EMA) managing director David Boggs.

Other floating production solutions are also picking up. EMA has identified 31 projects likely to be sanctioned over the next year, including floating liquefied natural gas, storage and regasification units and semi-submersible production units.

Boggs says 17 FPSO developments could be sanctioned in the next 12 months. “Some of those might slip, but we’re still looking at 11 to 15 awards in the next year,” he says.

Poised for increase

Lars Roberg Folgesvold, oilfield services analyst at Rystad Energy, notes that the number of final investment decisions for floating production projects in 2018 was equal to the previous year’s total by the start of the fourth quarter and is poised for a sharp increase next year.

Eleven final investment decisions are likely by the end of the year, Folgesvold says, with a possible 21 to come in 2019. “The general trend looks good for the floater market and particularly for the FPSO market,” he says.

Rystad forecasts that more than 30 FPSO projects could be sanctioned between 2019 and 2021, largely led by demand in Brazil.

The upturn has also been good for the subsea sector, which is seeing an increase in orders and some relief from the exceedingly tight margins of the past few years.



Arrival: the Boka Vanguard vessel transporting the P-67 FPSO arrives in Brazilian waters earlier this year

recovery has restored confidence to the industry at large but offshore in particular is benefiting from efficiencies imposed during the downturn.

“The oil price is a big factor but the cost side of the equation is where things have really swung for deep-water,” says Boggs. Break-even costs have plummeted, making deep-water projects in many cases more attractive than onshore shale developments, where costs have escalated in recent months.

The resurgence in activity has been good news for Asian shipyards, where the downturn spurred a major shake-up. Sembcorp Marine, for example, had invested heavily in a mega-yard in Singapore designed chiefly for building drillships and semisub drilling rigs, Boggs says. “When that market dried up, they turned their attention to production units,” he says, and have subsequently picked up awards for FPSO hulls for Equinor’s Johan Castberg and Energean’s Karish and Tanin project off Israel, as well as the

production semi-submersible for Shell’s Vito project in the US Gulf of Mexico.

Chinese yards have also come into their own, lacking technologically sophisticated projects that would have gone elsewhere just a few years before, Boggs says.

South Korean yards, where such projects once flourished, have devoted more effort to FLNG and FSRUs, he says.

EMA carried out an annual survey of offshore officials that, while largely anecdotal, nevertheless provides a revealing snapshot. Early in 2017, Boggs says, about 43% of respondents said they were “somewhat confident” in the market. This year the number had jumped to 58%, and those who were “somewhat pessimistic” has dropped to 15% from 25% a year earlier.

The next survey could reinforce the trend.

“The general mood has definitely picked up,” he says. “It’s been a bumpy road over the last few years but things have shifted quite a bit recently.”

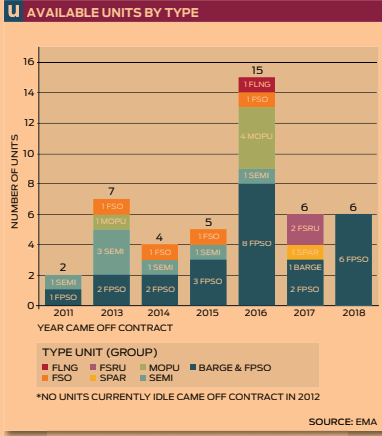


Photo: ANDRE MOTTA DE SOUZA/PETROBRAS

FLOATER AWARDS

Approval	Country	Operator	Field	Facility
2017	US	BP	Mad Dog 2	Semi
2017*	Vietnam	Repsol	Red Emperor	FPSO
2017	Guyana	ExxonMobil	Liza 1	FPSO
2017	Norway	Equinor	Njord Future	Semi
2017	Gabon	BW Energy	Dussafu	FPSO
2017	UK	Hurricane Energy	Lancaster	FPSO
2017	Brazil	Petrobras	Mero Pilot	FPSO
2017	Brazil	Petrobras	Sepia Leste	FPSO
2018	UK	Shell	Penguins	FPSO
2018	Israel	Energean Oil & Gas	Karish	FPSO
2018	India	ONGC	U-1	FPSO
2018	US	Shell	Vito	Semi
2018	Norway	Equinor	Johan Castberg	FPSO
2018	China	CNOOC	Luhua 20-2	FPSO
2018	China	CNOOC	Lingshui 17-2	Semi

* The Vietnamese government pulled back its earlier agreement with Repsol, due to diplomatic pressures from China.

Source: RYSTAD

ANTICIPATED FLOATER AWARDS

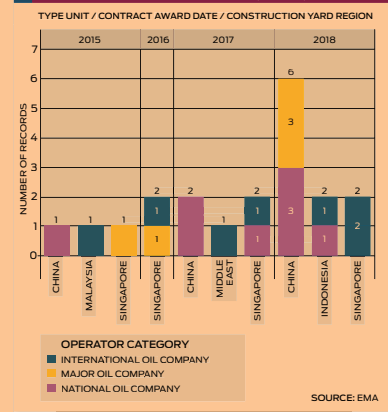
Approval	Country	Operator	Field	Facility
2018	Brazil	Petrobras	Buzios	FPSO
2018	Mexico	Eni	Mizton	FPSO
2018	UK	Alpha Petroleum	Cheviot	FPSO
2018	Nigeria	First E&P	Anyala	FPSO
2019	India	Reliance	D-55	FPSO
2019	Mauritania	BP	Tortue-Ahmejim	FPSO
2019	Brazil	Petrobras	Mero 2	FPSO
2019	Guyana	ExxonMobil	Liza 2	FPSO
2019	Brazil	Petrobras	Itapu	FPSO
2019	Brazil	Petrobras	Neon Sul	FPSO
2019	Brazil	Petrobras	Marlim 1	FPSO
2019	Brazil	Petrobras	Marlim 2	FPSO
2019	US	LLOG	Khaleesi	Semi
2019	Australia	Carnarvon	Buffalo	FPSO
2019	Senegal	Woodside	SNE 1	FPSO
2019	Falklands	Premier Oil	Sea Lion	FPSO
2019	UK	Siccar Point Energy	Cambo	FPSO
2019	Indonesia	Santos	Ande-Ande Lumut	FPSO
2019	UK	Equinor	Rosebank	FPSO
2019	China	CNOOC	Lufeng 15-1	FPSO
2019	Brazil	OGEP	Atlanta	FPSO
2019	Brazil	Petrobras	Jubarte	FPSO
2019	Ghana	Aker Energy	Pecan	FPSO
2019	Guyana	ExxonMobil	Pavara	FPSO
2019	UK	Bridge Petroleum	Galapagos	FPSO

Source: RYSTAD

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EMA managing director
David Boggs

AWARD BY OPERATOR CATEGORY (FPSOs)



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