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## **High Day Rates Remain For Offshore Support Vessels**

The offshore support vessel market has experienced several years of sustained growth on the strength of high global demand for offshore exploration & development. With limited vessel availability, day rates reached record levels during 2006, while during 2007 rates have remained relatively high. This has led to an orderbook of unprecedented size, with over 500 vessels currently on order – including over 200 AHTS vessels and close to 180 PSVs, as owners try to capitalise on the strength of the offshore support sector.

Continued offshore exploration & development is forecast to increase in prominence in the near-term. However, it is forecast that the overall magnitude of the offshore support vessel orderbook will have a downward pressure on future day rates, but analysis suggests that rates will remain at historically high levels.

These are some of the findings in the new detailed Report – entitled – **'Offshore Support Vessels: Global Prospects to 2020'** – which analyses the current and historical developments within the Offshore Support Sector and examines the prospects for future offshore oil and gas production, fleet development under alternative scenarios, and market freight rates through to 2020.

The following highlights some of the findings of the Report:-

### **World Offshore Oil & Gas Activity**

Offshore oil production has increased by an estimated 37% between 1990-2006, from 16m bbls/d to over 22m bbls/d. The leading offshore producers are Mexico, Norway, the UK, Saudi Arabia and the USA.

Offshore gas production has witnessed an even larger increase with overall production rising from 367 bcm during 1990 to an estimated 746 bcm in 2006, a rise of 103%.

Rising oil prices and the need to replace and locate new reserves has encouraged oil and gas companies to explore in offshore locations, with the main focus on deep water and harsh environments.

### **AHT / AHTS Vessels : Fleets & Markets**

The **AHTS fleet** has enjoyed sustained growth of approximately 2-3% per year over the past decade. The fleet has grown from 1,153 vessels in 1997 to 1,448 vessels at the beginning of 2007 – an increase of 28%.

The **AHT fleet** has also increased by a similar amount, with the fleet expanding from 412 vessels in 1997 to 523 vessels in 2007.

The orderbook for AHTS vessels currently totals 216 vessels. *Bourbon* dominates the orderbook with 55 vessels on order – the majority of these will be replacements for existing tonnage. The AHT orderbook in comparison stands at only 5 vessels.

Average day rates for the larger AHTS vessels in the North Sea have increased substantially, from less than £8,000/day during 1999, to over £54,000/day during 2006. During 2007, rates have declined slightly to over £51,000/day.

### **Other Support Vessels : Fleets & Markets**

The **Platform Supply Vessel (PSV) fleet** has increased from 240 vessels in 2000 to 457 vessels at the beginning of 2007. The USA is the dominant region for these vessels and the majority of owner operations is focused on the Gulf of Mexico.

The PSV orderbook currently stands at 178 vessels, with *Bourbon* ordering 40 PSVs.

Average day rates for the smaller PSVs have increased substantially in recent years. During 1999, day rates reached approximately £4,000/day. By 2006, they had increased to over £21,500/day. During 2007, rates have continued to rise to over £23,000/day.

There are a wide variety of **Offshore Supply Vessels**, with differing designs and configurations reflecting the variety of supplies carried. The current fleet approximates 1,032 vessels. The fleet is heavily reliant on older tonnage, with over 52% of the fleet built before 1982. There are only 6 vessels currently on order.

Much interest is being shown in the **Survey Vessel fleet**. The fleet totals 274 vessels with a significant number of vessels entering the fleet during the

early-2000s. There are 6 survey vessels currently on the orderbooks with a further 18 **Seismic Vessels** contracted.

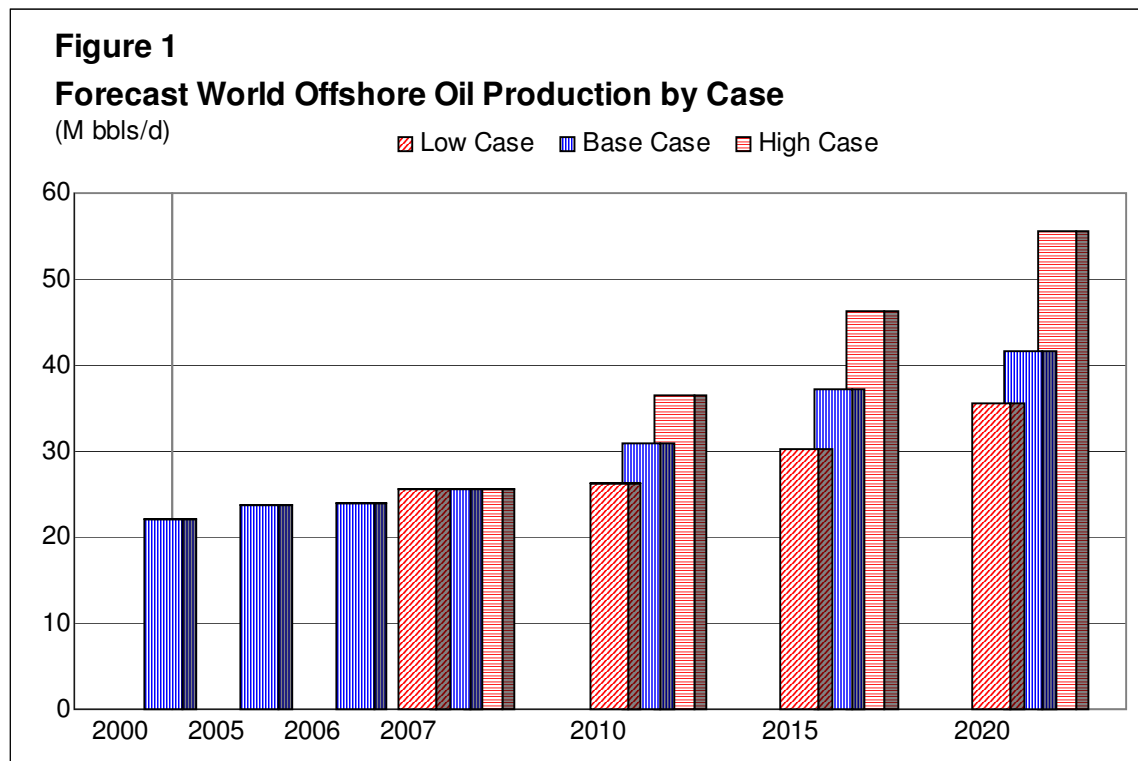
**Active Shipyards**

Offshore vessel construction has been dominated by Norwegian yard output in the recent past. During 2000, 24% of offshore vessels constructed were from Norwegian yards. For 2007, the Norwegian market share was a similar 24%, despite the offshore vessel construction market expanding by over 600% between 2000-2007.

The rise in prominence of yards in China, Singapore and Brazil has had a marked impact on the offshore support vessel market. Chinese construction volumes have surpassed those of the traditionally second place USA. Chinese yard construction volumes have grown from 10% of the market during 2000 to 16% for 2007. Similarly, the market share of yards in Singapore has grown from 7% in 2000 to 14% for 2007.

**Offshore Oil & Gas Activity to 2020**

The search for new hydrocarbon reserves has pushed the boundaries of technology to facilitate new discoveries in deeper water and harsher environments. Under the *Base Case*, offshore oil production is forecast to increase from an estimated 25m bbls/d during 2007 to 30m bbls/d by 2010 and 42m bbls/d by 2020. This equates to a rise in output of approximately 62%.



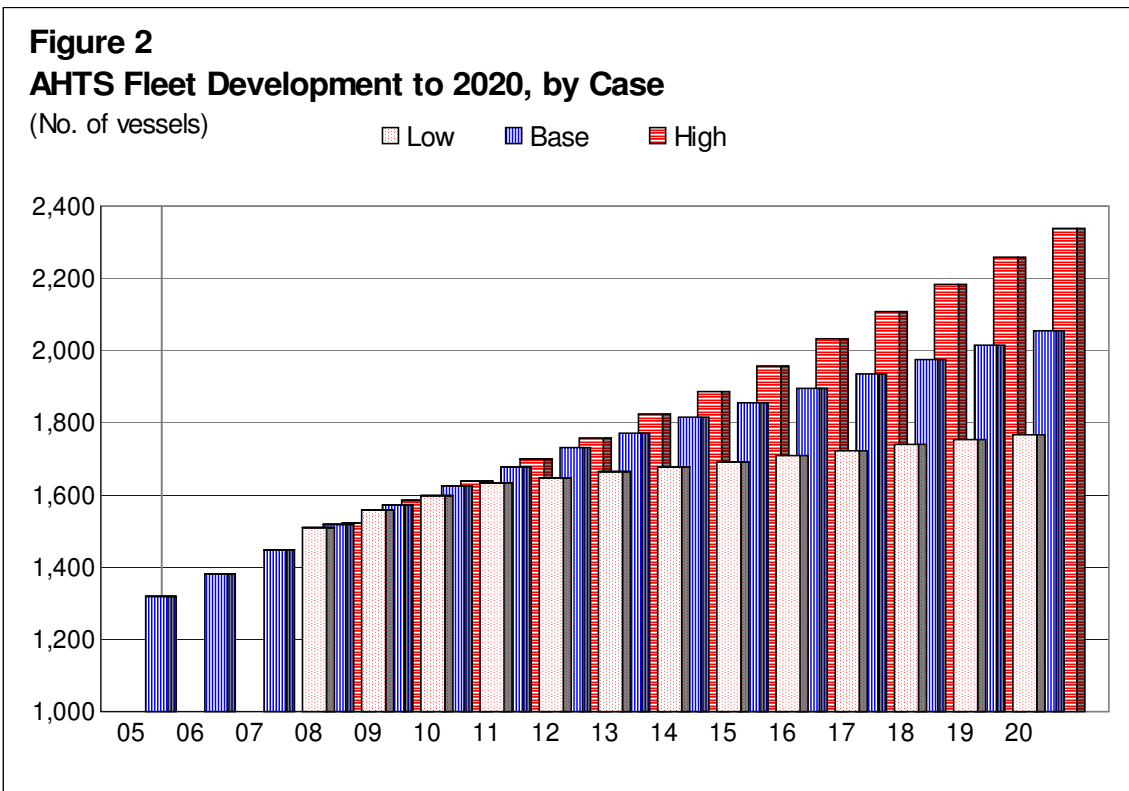
Source: OSC

Under the *Base Case*, global annual offshore gas production is forecast to rise from the current estimated 790 bcm to over 900 bcm in 2010 and 1,152 bcm by 2020.

**Offshore Supply Vessels : Market Outlook to 2020**

The AHTS fleet is forecast to increase at a rate of 2% per year through to the end of the study period. The AHTS fleet is therefore forecast to increase from its current 1,448 vessels to approximately 1,850 vessels by 2015 and potentially over 2,000 vessels by 2020.

The forward outlook is one of weakening rates, although from relatively high levels. The highs of 2006 have declined to a very respectable level for this sector during mid-2007, from over £54,000/day to approximately £52,000/day for the larger AHTS vessels. Rates are forecast to decline to an average annual of around £44,000/day by 2015, followed by a further decline through to end of the study period.



Source: OSC

The PSV fleet is forecast to increase from its current 457 vessels to 760 vessels by 2015 and approximately 840 vessels by 2020 under the *Base Case* scenario.

Rates for the larger PSV vessels are forecast to decline from their annual average high in 2006-2007 of approximately £26,000/day to £16,000/day by

2015. A slight increase in day rates is forecast by the end of the study period.

The Supply Vessel fleet is expected to show only marginal growth during the study period, due to owners wanting larger multi-purpose vessels (e.g. AHTS vessels and PSVs) that are able to operate in deep water with the benefit of also operating in local markets when needed. Overall, the supply vessel fleet is expected to increase from its current 1,030 vessels to approximately 1,050 vessels by 2015 and 1,060 vessels by 2020.

## **‘Offshore Support Vessels: Global Prospects to 2020’**

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Price : £850 (UK), €1275, US\$1750 (overseas) – for printed or electronic versions

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