

**S&P Global**

Commodity Insights

Subsea Expo 2024

# Preaching to the converted?

SCSV and SOV Market Outlook

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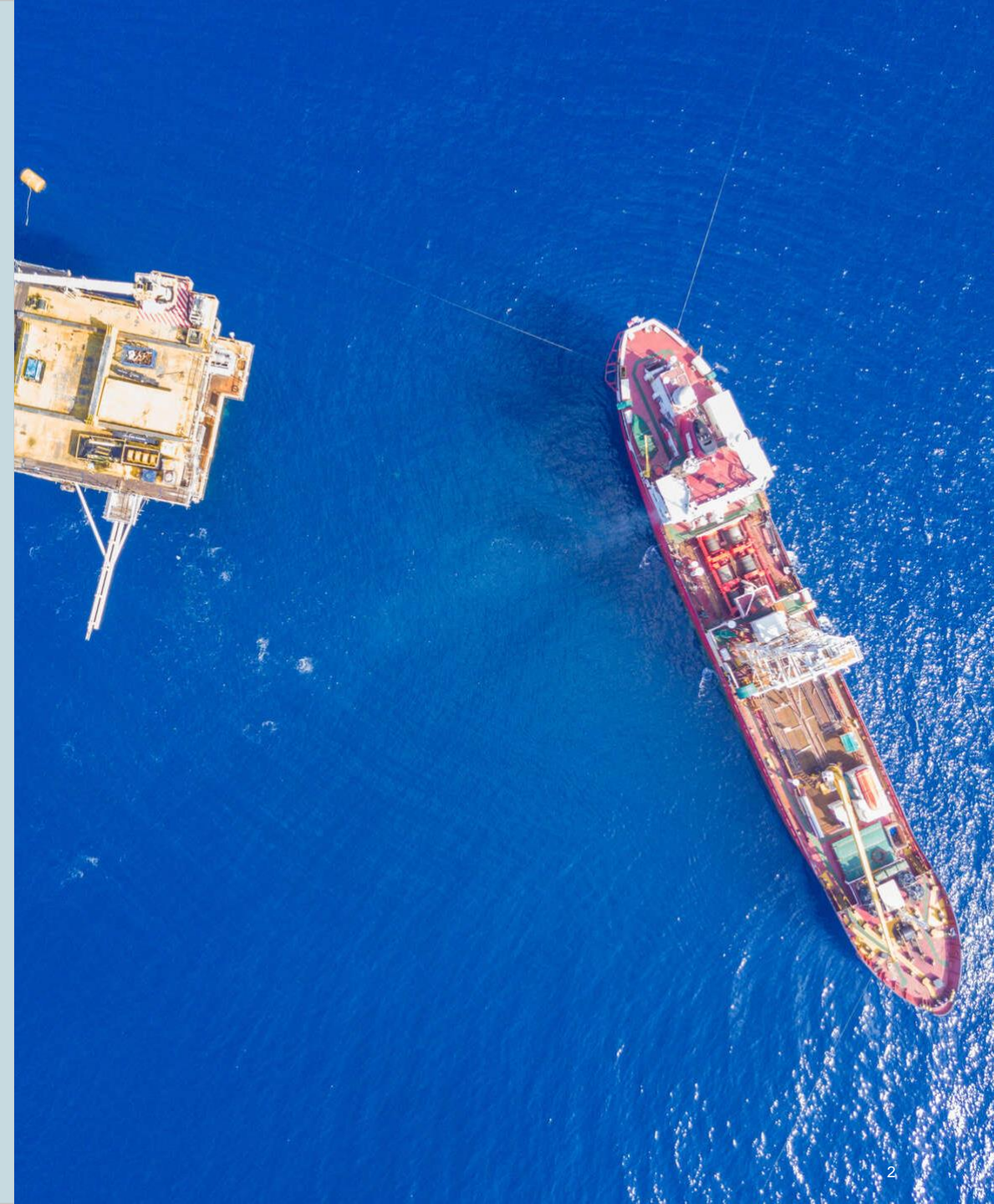
February 20<sup>th</sup>, 2024

Cost and Supply Chain / Petrodata



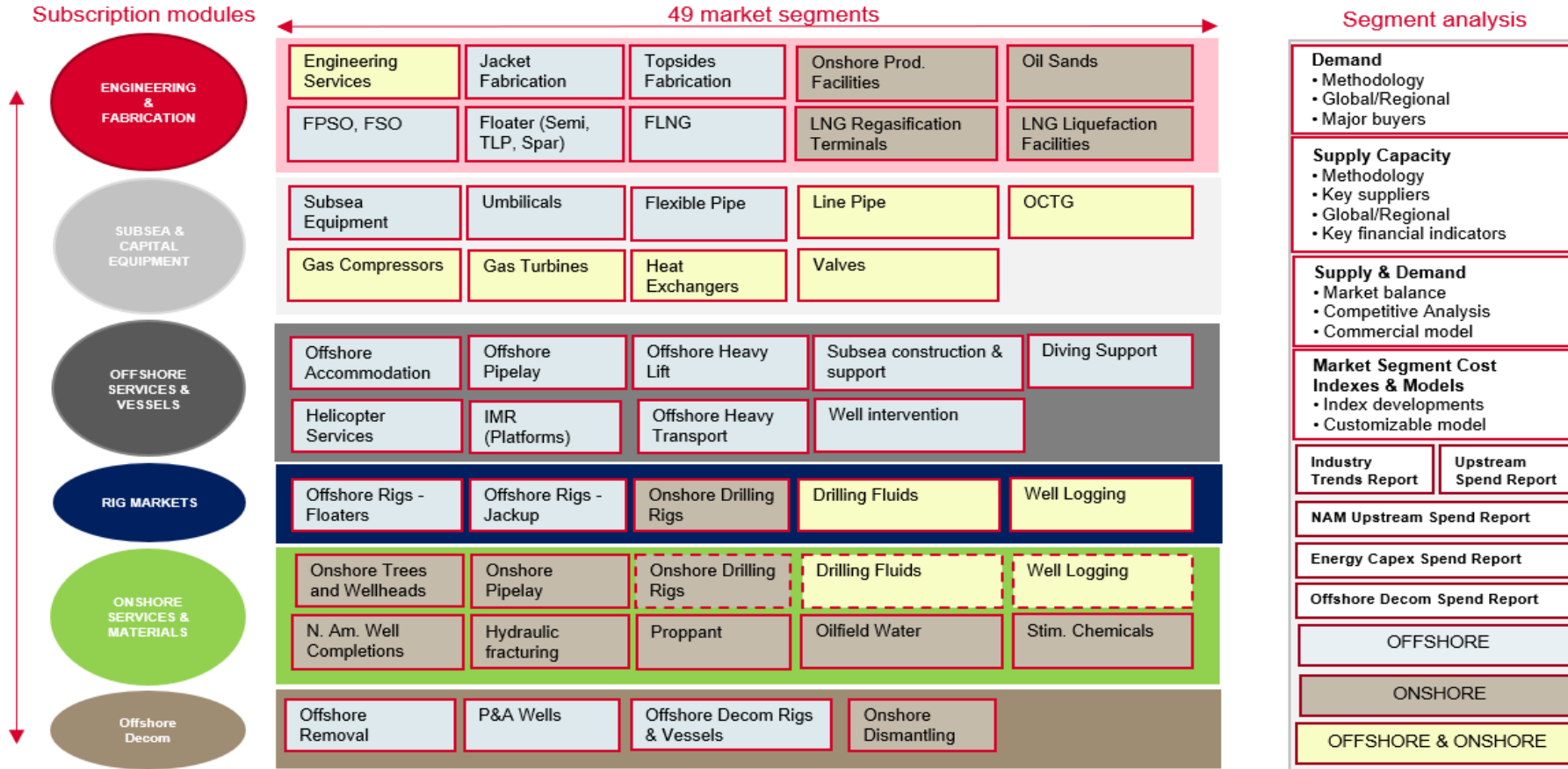
# How is the subsea fleet meeting the demands of the energy trilemma

- Introduction and key terminology
- SCSV demand trends and outlook
- Energy Trilemma meets Supply Dilemma
- 'Preaching to the converted'
- Conclusions



# S&P Global Commodity Insights: Cost & Supply Chain

## Market Segment Coverage

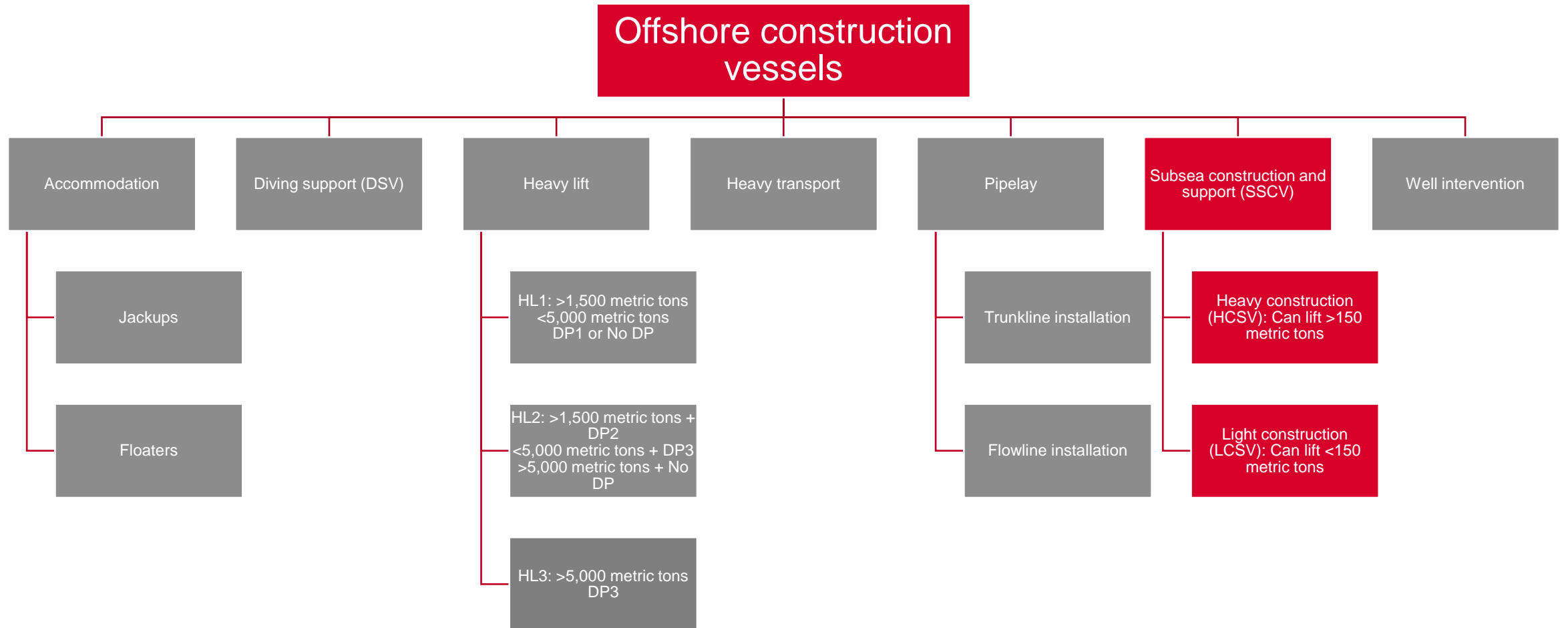


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# Introduction and key terminology

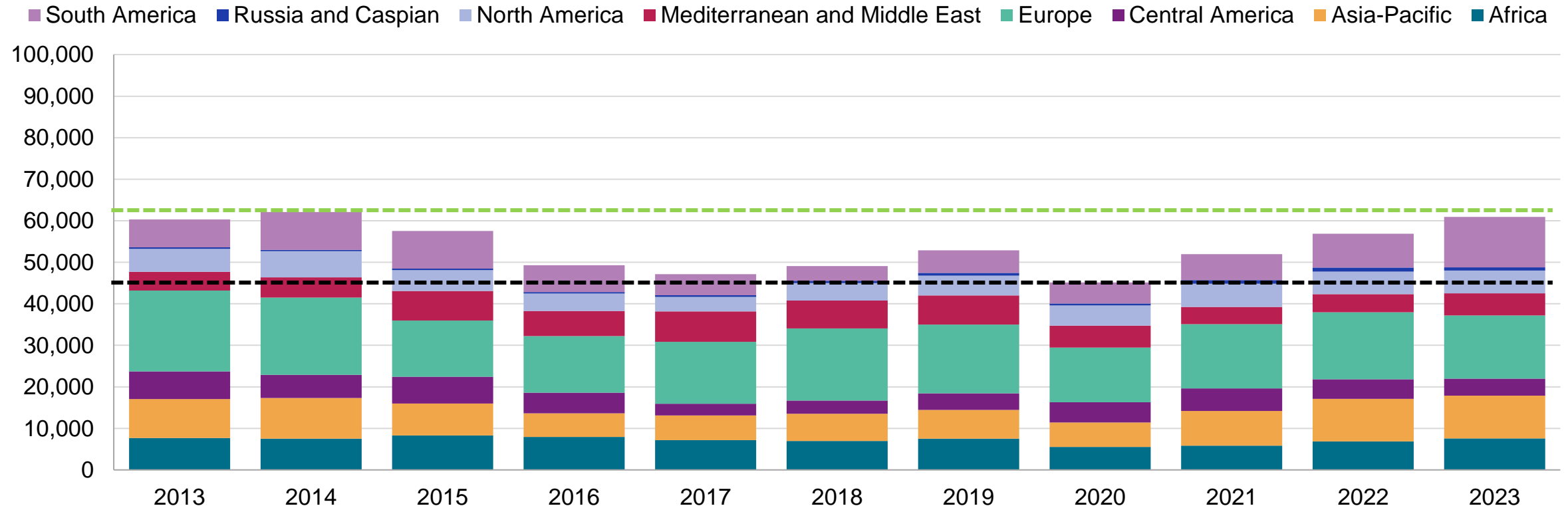


# SCSV global demand trends

Global demand for SCSVs just below record highs with over 60,000 days booked in 2023

## Historical SCSV demand (active vessel days)

Global, 2013–23

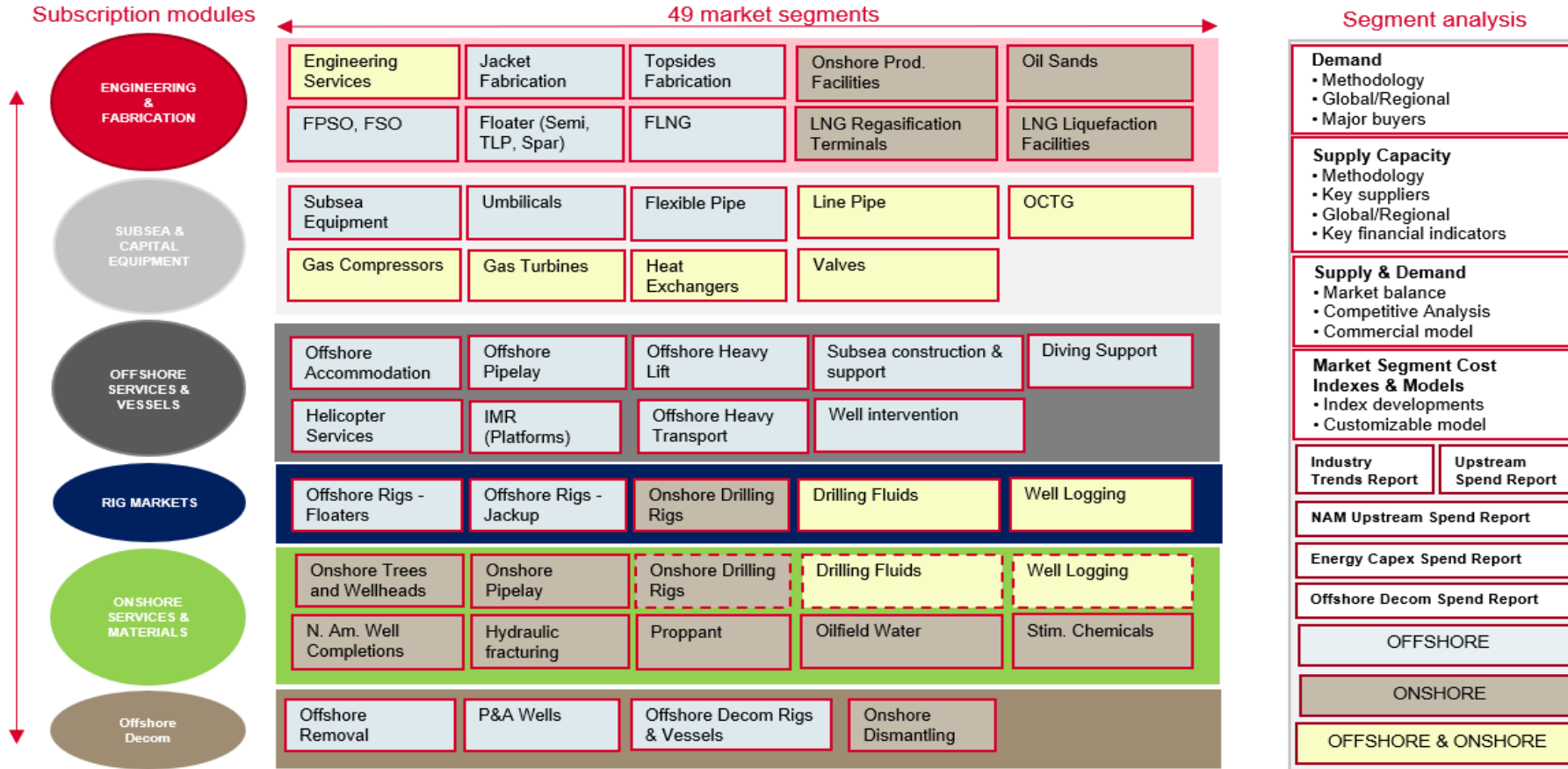


Data compiled Jan. 9, 2024.

Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

# S&P Global Commodity Insights: Cost & Supply Chain

## Market Segment Coverage

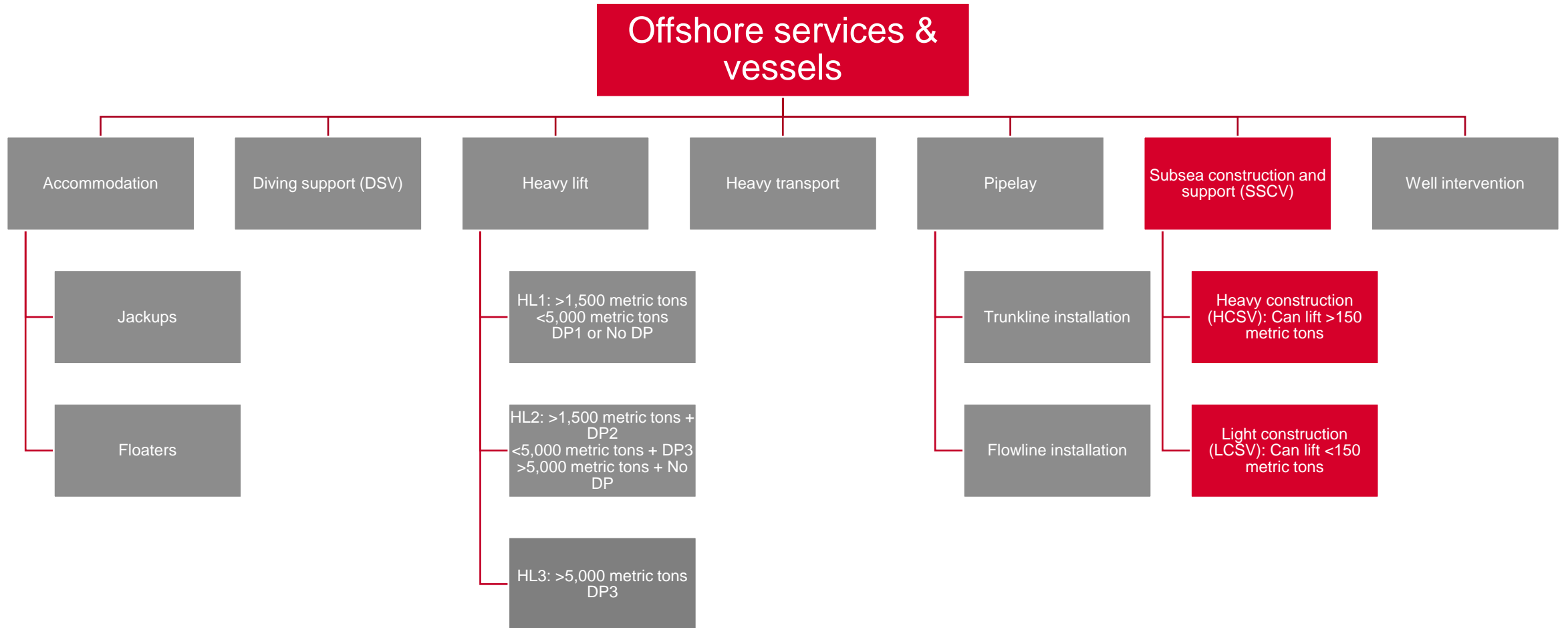


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# Key Terminology

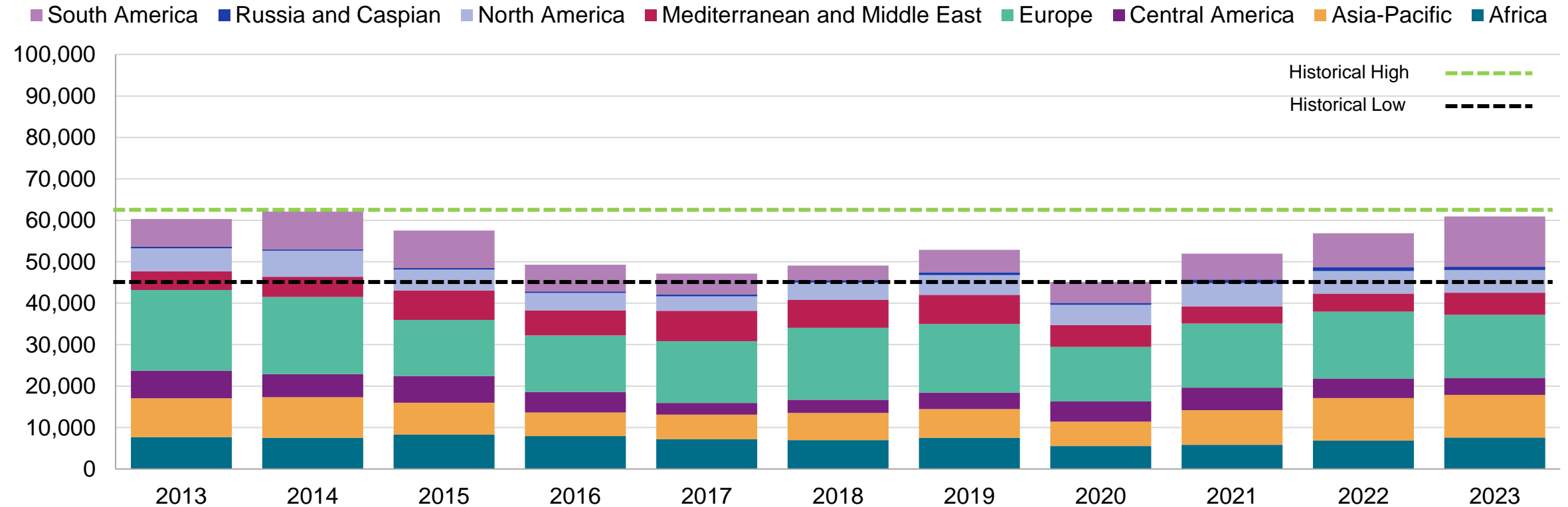


# SCSV global demand trends – Global

7% annual growth in 2023 means Global demand for SCSVs just below record highs...

## Historical SCSV demand (active vessel days)

Global, 2013–23



Data compiled Jan. 9, 2024.

Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

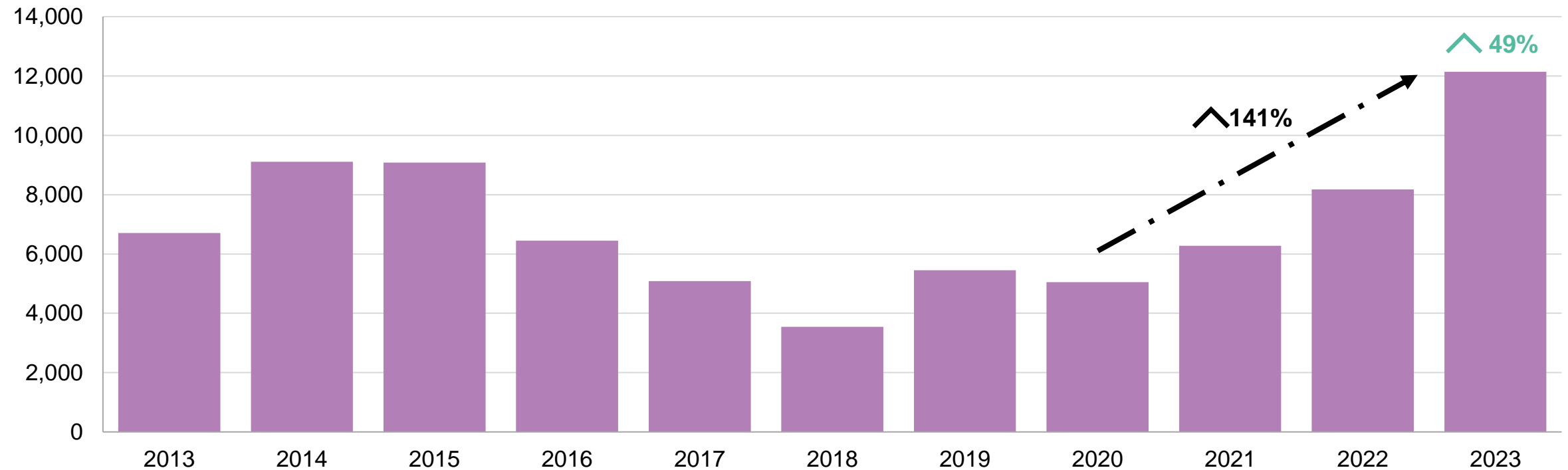


# SCSV global demand trends – South America

Growth of just under 50% year-over-year in 2023 continues strong growth trajectory since 2020

## Historical SCSV demand (active vessel days)

South America, 2013–23



Data compiled Jan. 9, 2024.

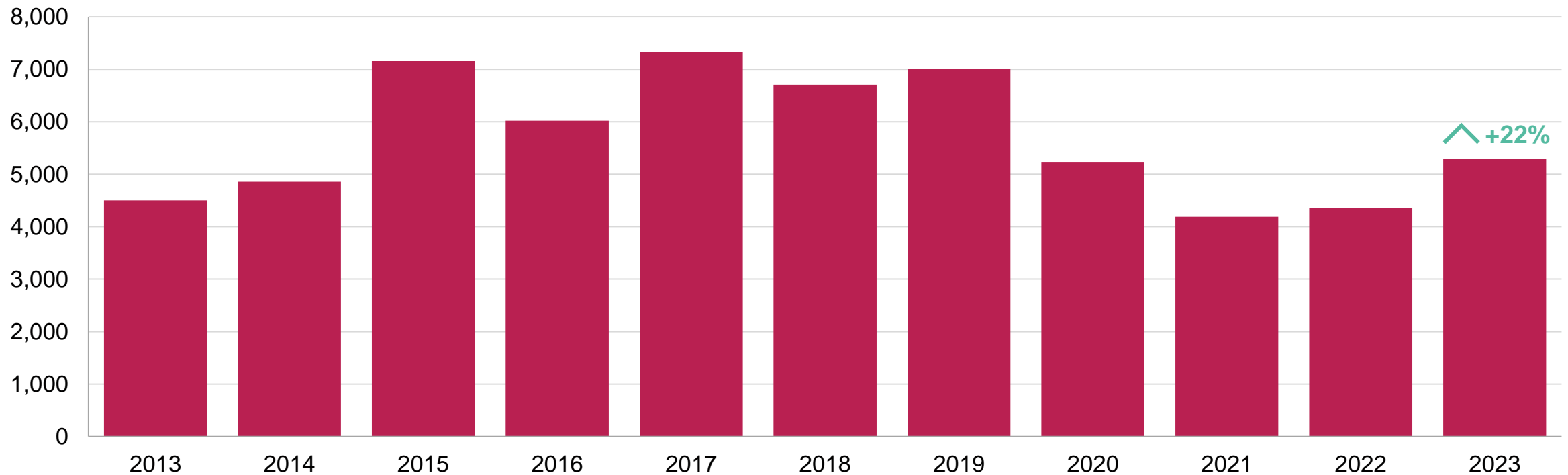
Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

# SCSV global demand trends – Mediterranean and Middle East

Projects driven by regional security concerns has seen the Italian market grow 90% since 2022

## Historical SCSV demand (active vessel days)

Mediterranean and Middle East, 2013–23



Data compiled Jan. 9, 2024.

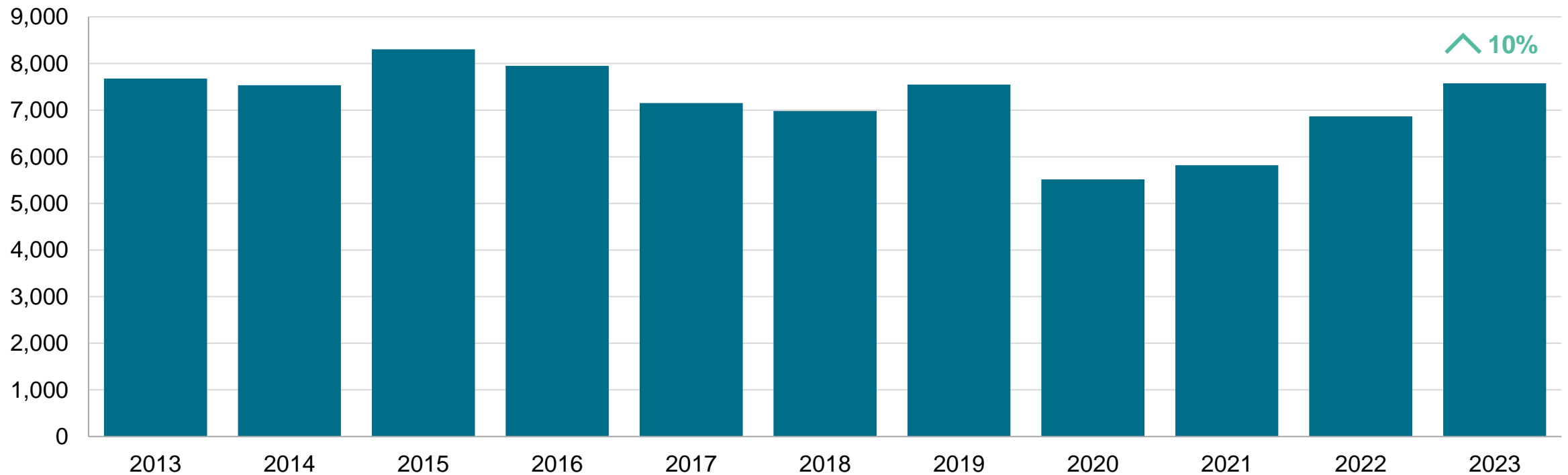
Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

# SCSV global demand trends – Africa

Strong OPEX demand offshore Angola for major IOCs continues to drive growth

## Historical SCSV demand (active vessel days)

Africa, 2013–23



Data compiled Jan. 9, 2024.

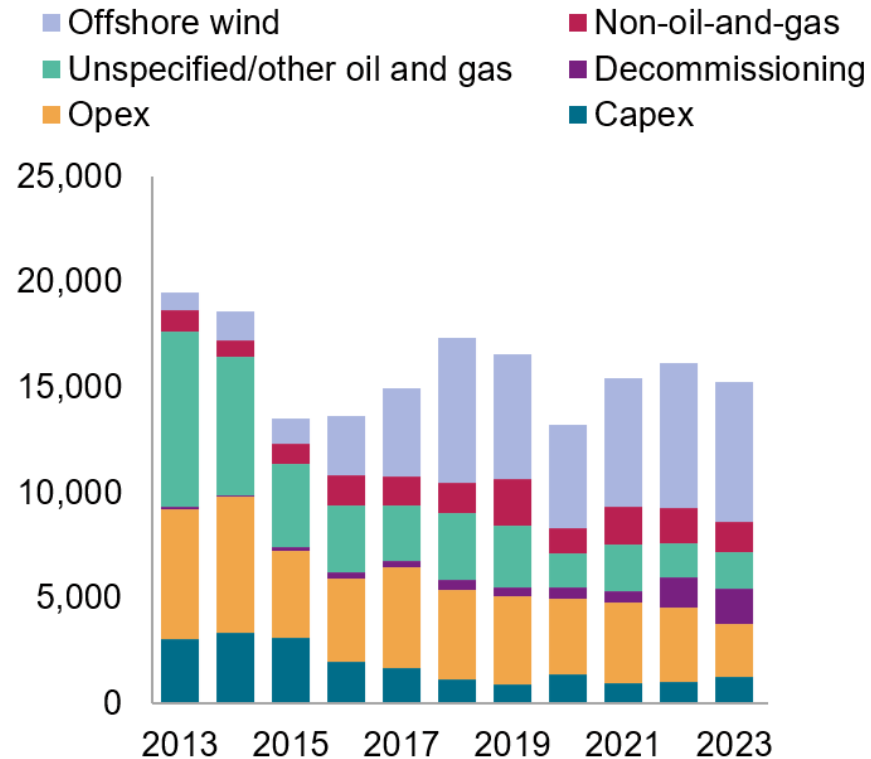
Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

# SCSV Europe demand trends

SCSVs demand cemented into renewables despite future competition from the rapidly grown SOV fleet

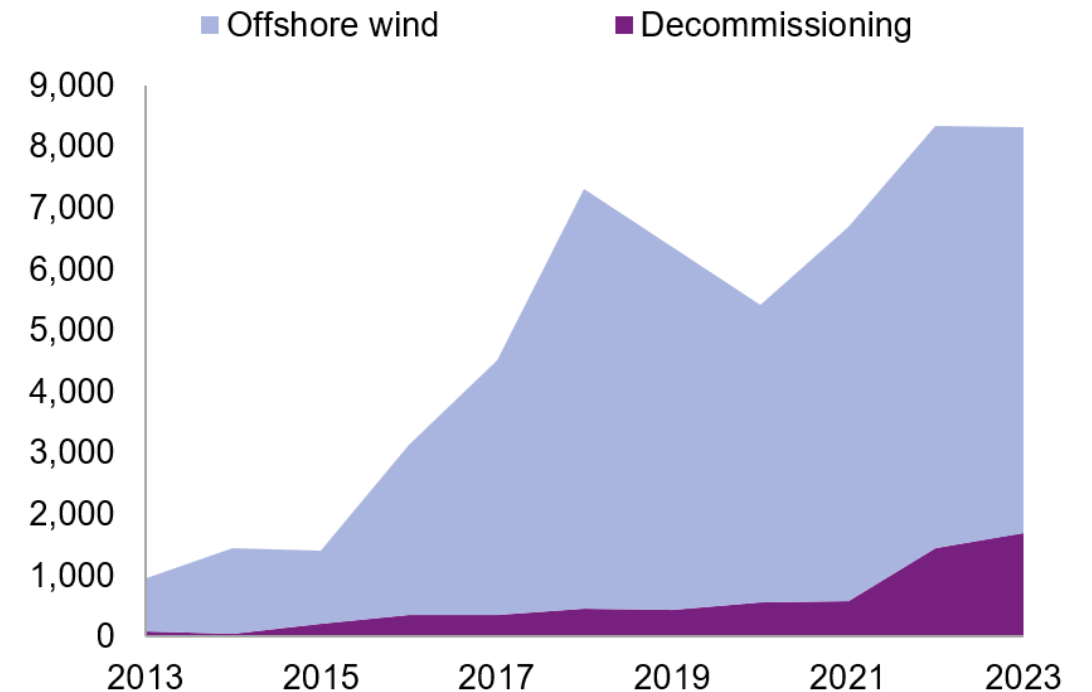
## Historical and forecast SCSV demand (vessel days)

Europe 2013–23



## SCSV demand (vessel days) Decommissioning and Offshore Wind

Europe 2013–23

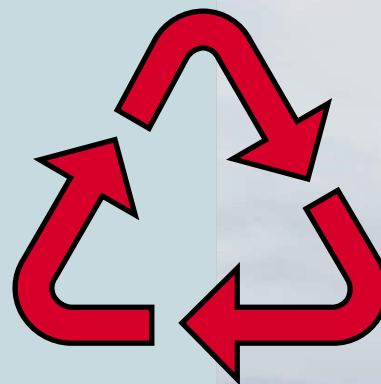


Data compiled Jan. 9, 2024.

Sources: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

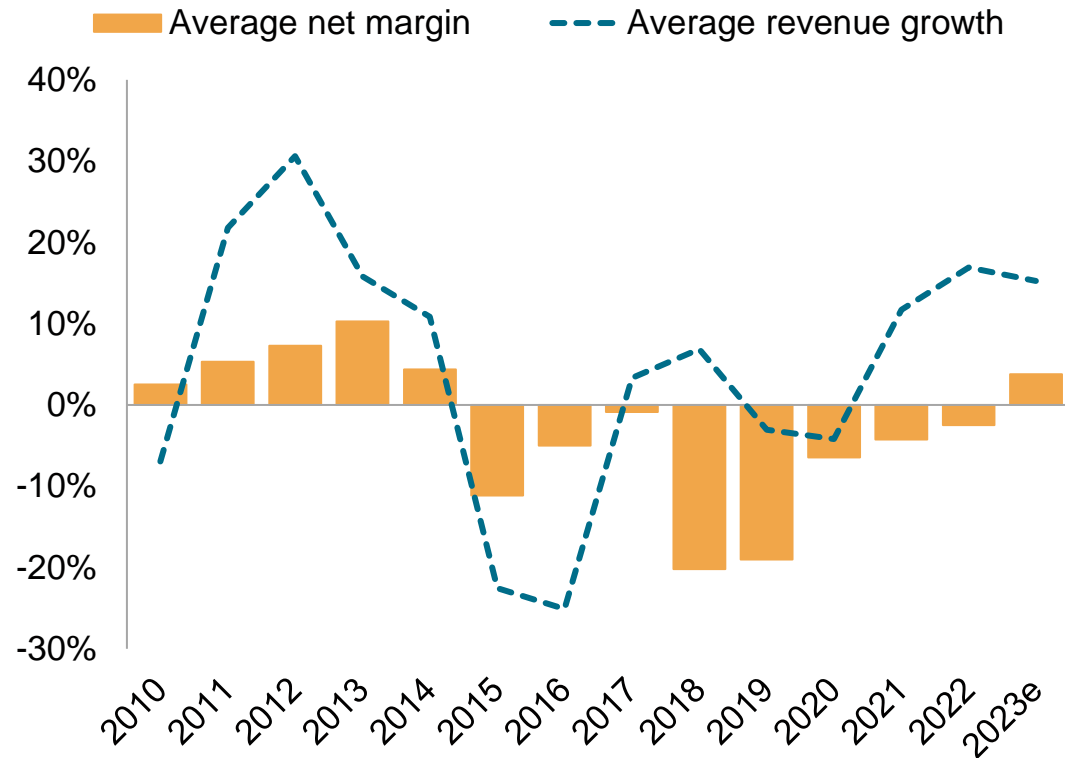
# Energy Trilemma meets Supply Dilemma

A double entendre for the subsea vessel sector...



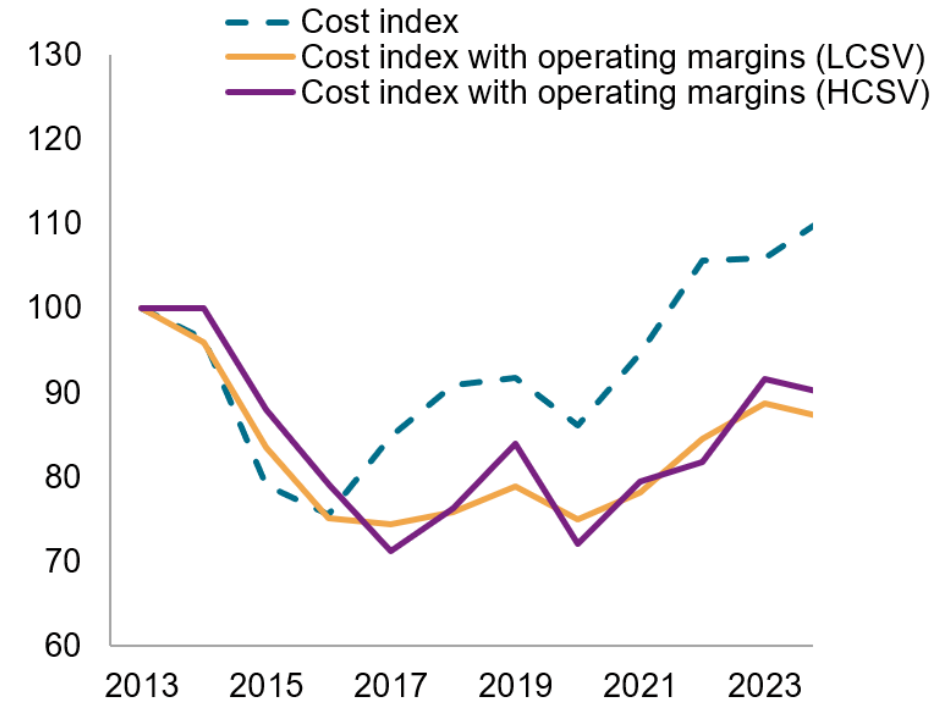
# Day rates might be rising, but additional costs continue to trouble many contractors

**Financial performance major SCSV contractors (%)**  
2010–2023e



**Costs and Supply Chain cost model: Cost index with operating margins**

Cost index (2013=100)



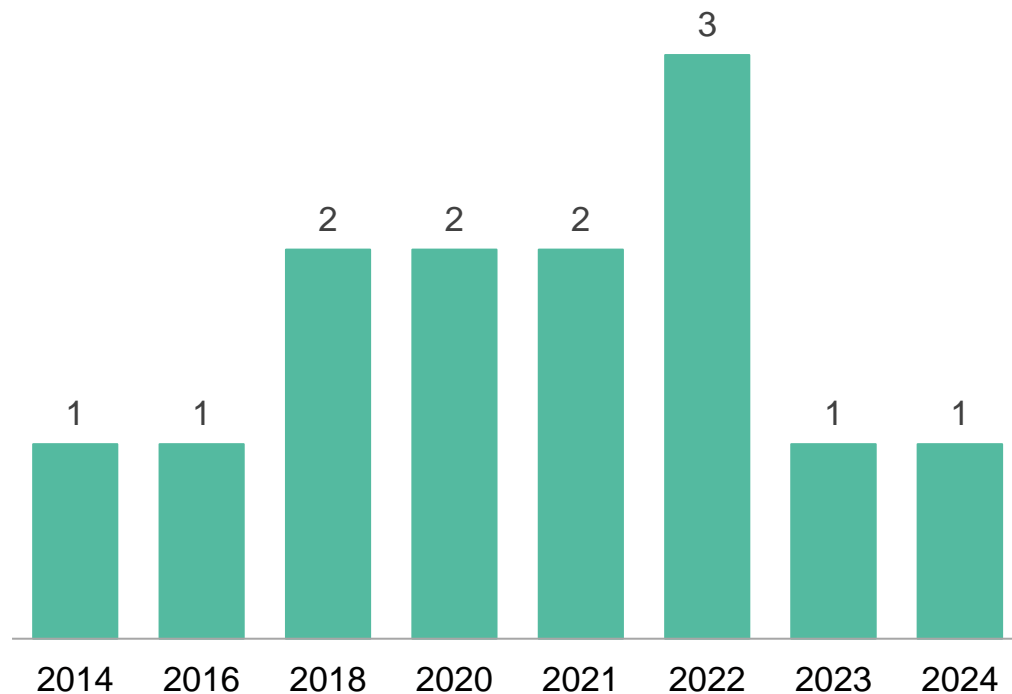
Data compiled Jan. 26, 2024.  
Sources: Refinitiv, S&P Global Commodity Insights

# Sustainability and the challenges for a newbuild fleet

## How does the subsea fleet pursue a more sustainable future?

### SCSVs hybrid retrofits by installation year

2014–24



Newbuild vessels also face further hurdles to be cleared, with challenges around yard availability and the impact rising inflation has had on key materials for vessel construction.



Emerging technologies that allow vessels to run on methanol-based fuels and hybrid power options, which are seen as crucial for the ESG requirements for many operators, also add a degree of overall uncertainty to the newbuild process. Not only does this have an inflationary impact, but questions also remain around the long-term sustainability of these fuels of the future.



Securing financing for a new offshore support vessel may also prove challenging, given the likelihood that these assets will be built to service the existing oil and gas sector and many traditional lenders have made their own commitments to slow or even halt support for this sector.



Larger publicly owned business may also struggle to invest funds in growth ventures, as they try to balance free cash flow for investment with the expectation of shareholder returns.

Data compiled Jan. 18, 2024.

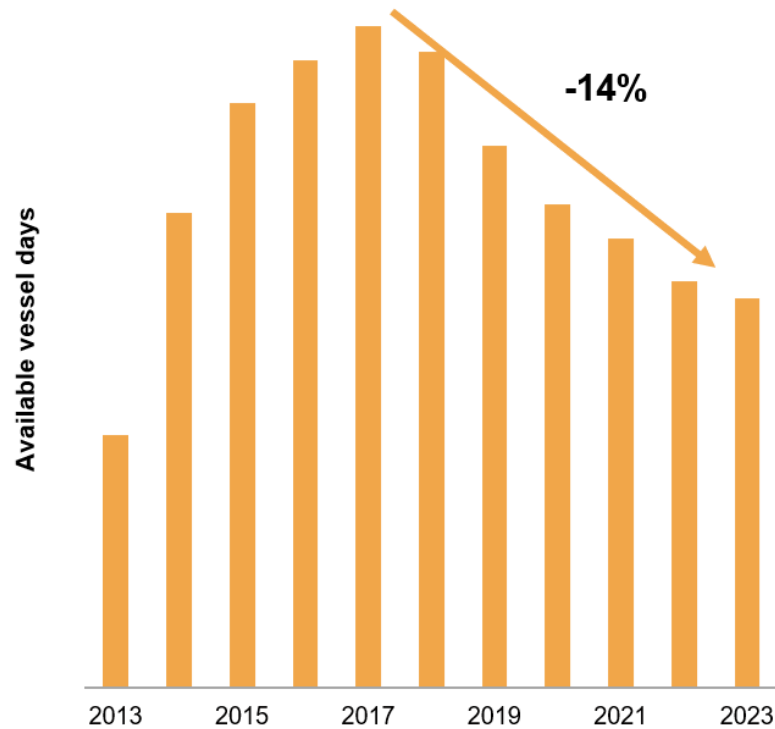
Sources: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

# Energy trilemma meets supply dilemma

Utilization expected to grow significantly as smaller supply pool attempts to meet 'all energy' commitments

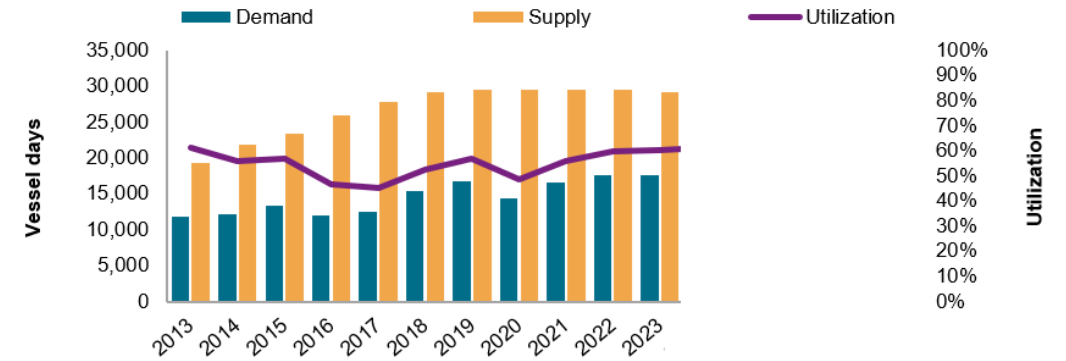
## SCSV supply

Global, 2013–28



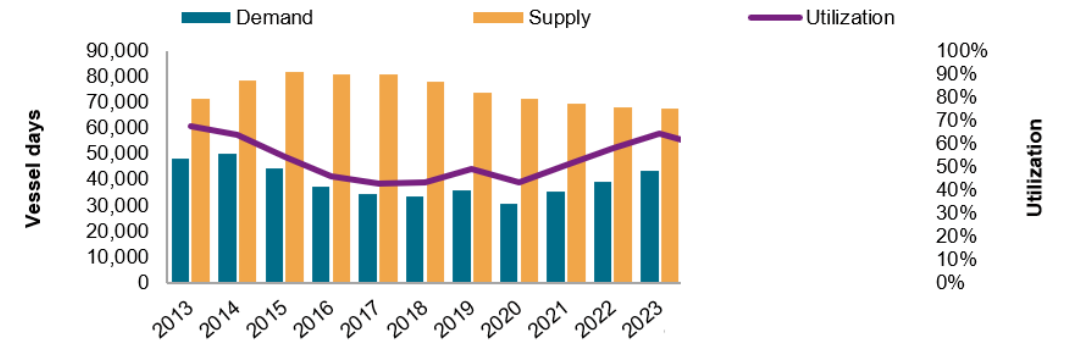
## Historical and forecast HCSV supply, demand and utilization

Global, 2012–28f



## Historical and forecast LCSV supply, demand and utilization

Global, 2013–28f



Data compiled Jan. 18, 2024.

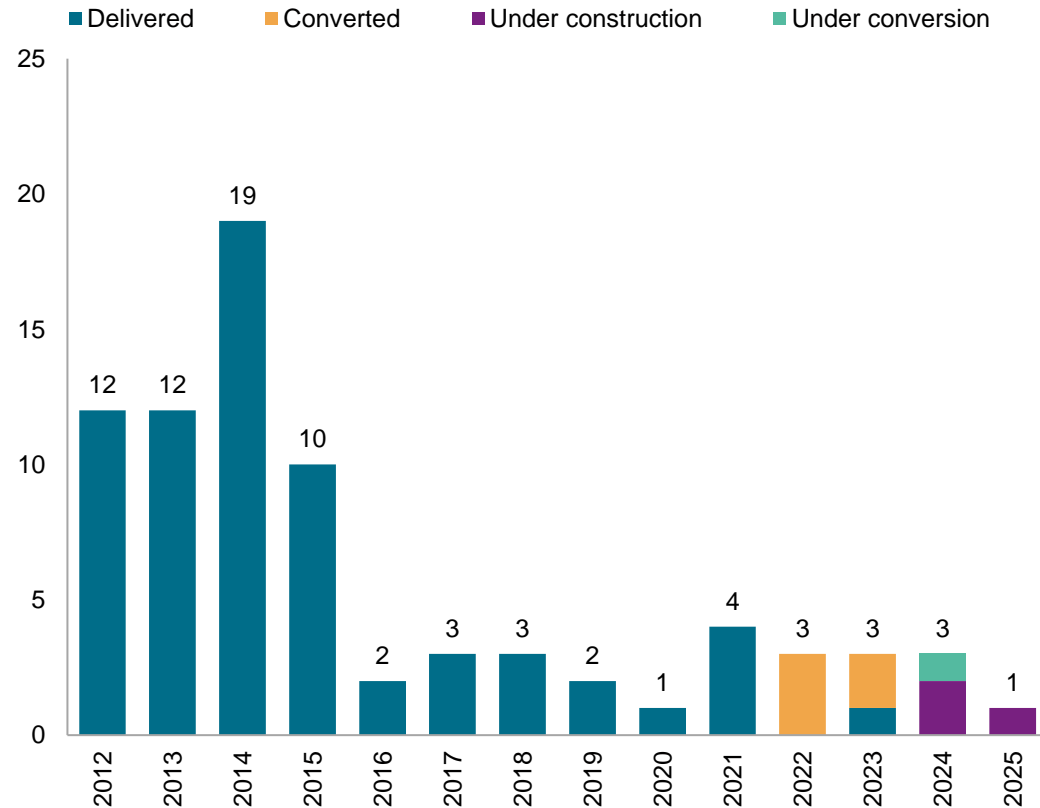
Source: S&P Global Commodity Insights



# Preaching to the converted...

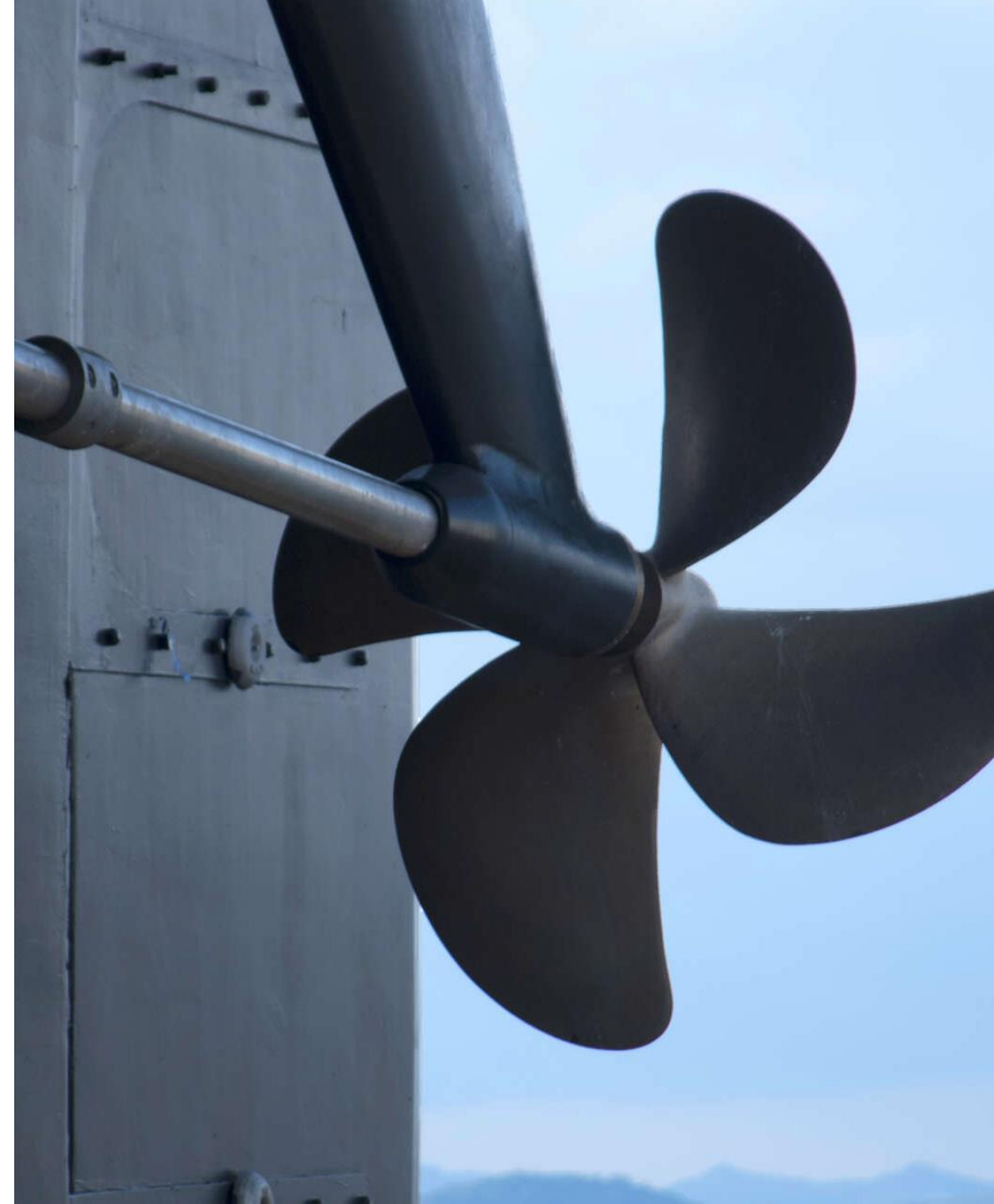
## LCSV newbuilds (number of vessels delivered / scheduled)

2012–2025



Data compiled Jan. 18, 2024.

Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

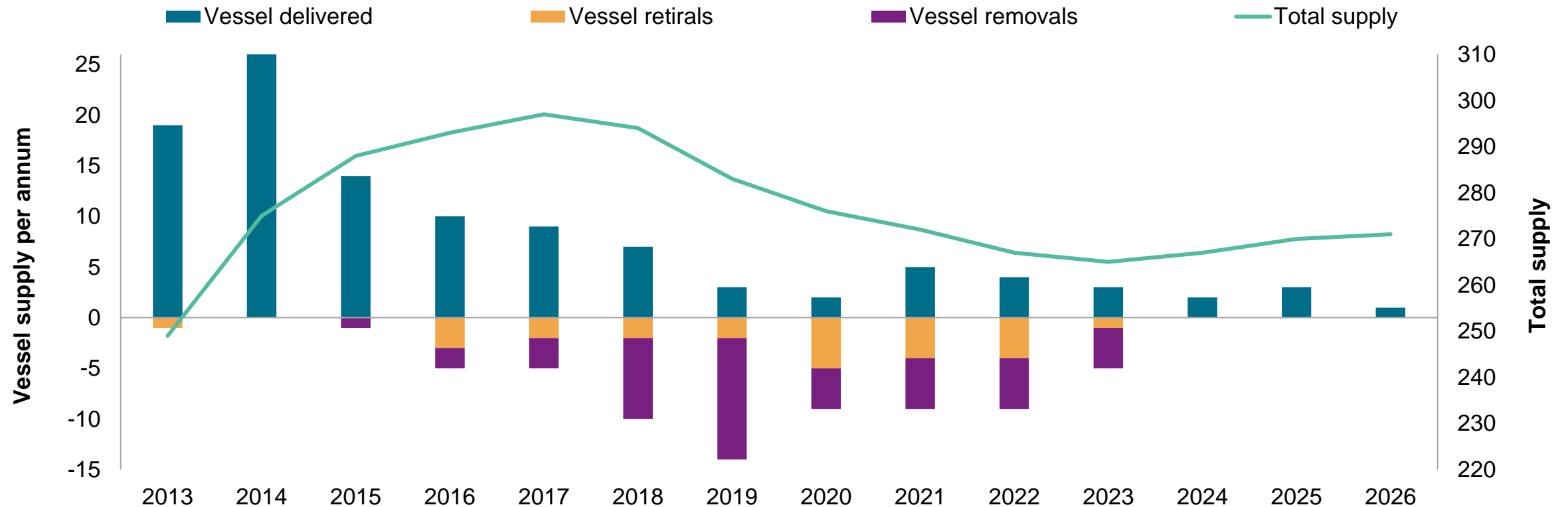


# Or praying for a miracle...

There remains very limited appetite for newbuild SCSVs

## SCSV fleet development

2013–2026



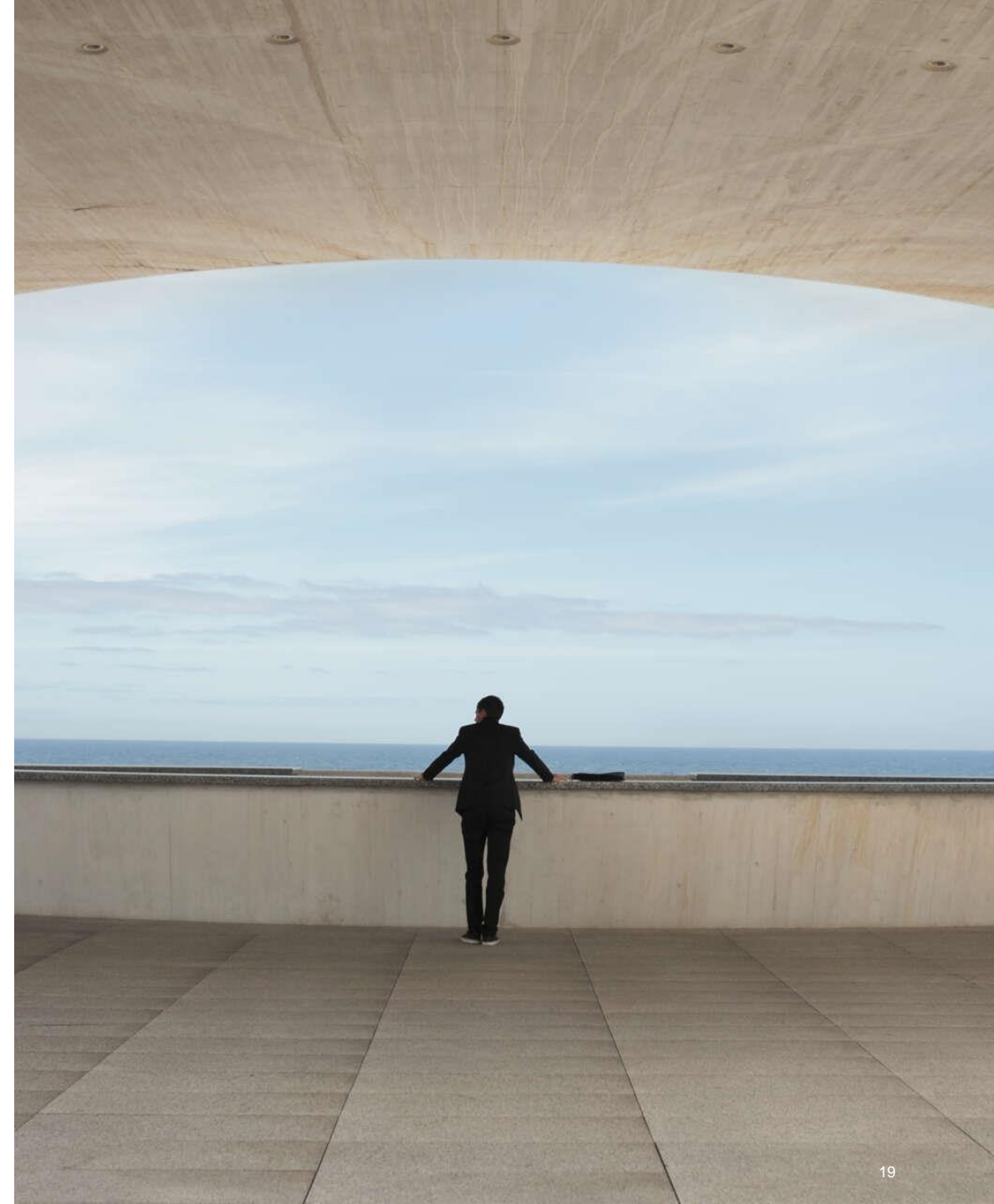
Data compiled Jan. 18, 2024.

Source: S&P Global Commodity Insights; S&P Global Petrodata™ ConstructionVesselBase.

# Conclusions..

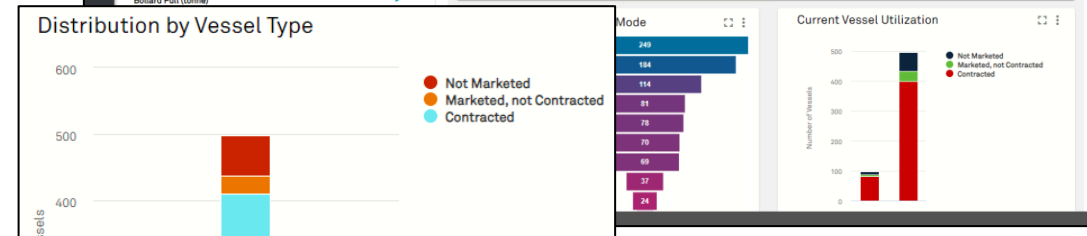
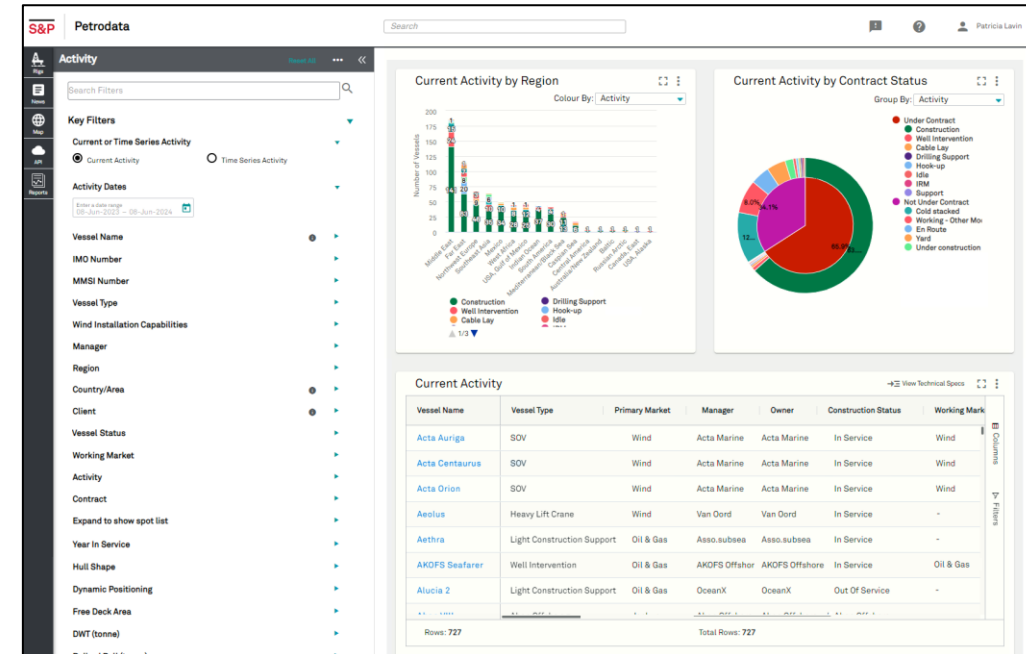
## Mission impossible for the subsea fleet?

- Demand is hitting record highs as the subsea vessel market attempts to address an ever-diverse range of markets.
- The current energy trilemma is having a dual impact both at policy level and the 'shop floor'.
  1. Affordability – Inflation is still driving costs to contractors up with evidence that margins remain thin.
  2. Sustainability – Efforts and complexities at resolving the 'green' agenda for new build supply will continue to hamper new orders and also increase costs.
  3. Security – All of this is happening at a time when significant levels of supply have permanently left the market to work in other sectors, and there remains limited prospects for a significant volume of new-build supply coming to meet demand.
- The recent trend at vessel conversion since 2022 has attempted to plug the gap in regions where demand is highest, but the overall appetite remains low.



# Petrodata | Vessels

- Key Features for 2024:
  - Combining Supply and Construction Vessels data in one platform.
  - Track vessels on the world map with field, block and offshore wind outline layers.
  - Access content via API for use in BI application, for incorporating into internal systems or for data science.
  - Read exclusive vessel news that our global team of market analysts gather around the clock.
  - Reports and visualizations covering activity, utilization, requirements etc. quickly getting you to the key analysis you need.
  - Publications archive providing a one stop shop for all vessel monthly and quarterly publications with subscribe option to deliver it direct to your inbox.
  - Talk to our regional experts: Petrodata Vessels is not just a website. We support our clients with discussions on individual companies or global trends with regular market overview presentations.



The screenshot shows the 'Monthly Publications' filter panel. It includes a 'Key Filters' section, a 'Publication Dates' section with a date range of 'Jan-2023 - Jan-2024', and a 'Publication' section with several checkboxes. The 'Any' checkbox is checked. Other options include 'North Sea Rig Report', 'Offshore Field Development Monthly', 'Offshore Marine Monthly', 'Vessel Day Rates', 'World Rig Forecast', 'Rig Day Rates', 'Construction Vessel Day Rates', and 'Global Supply Vessel Forecast'.

# The rise and rise of the European SOV fleet and the consequences

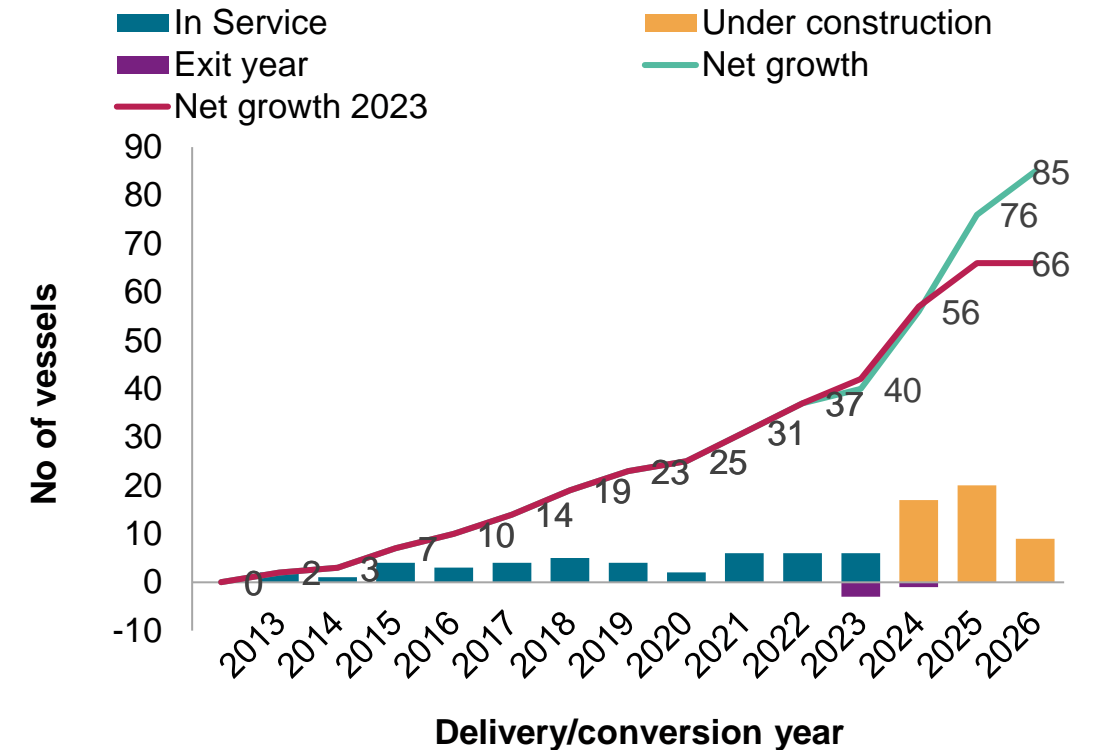
2018: Fleet size of 19 vessels in the European market, W2W makes up 73% of offshore wind work for the SCSVs

2022: Fleet expands to 37 vessels, larger CSOVs coming into play. W2W drops to 50-54% of offshore wind work for SCSVs

2023: W2W drops again to 33% of offshore wind work for SCSVs, SOV fleet expands to 39 vessels, SOVs in demand in oil & gas

2026: Firm orders will see the European fleet expand to 85 vessels by the end of 2026, 19 vessels ordered in the last year

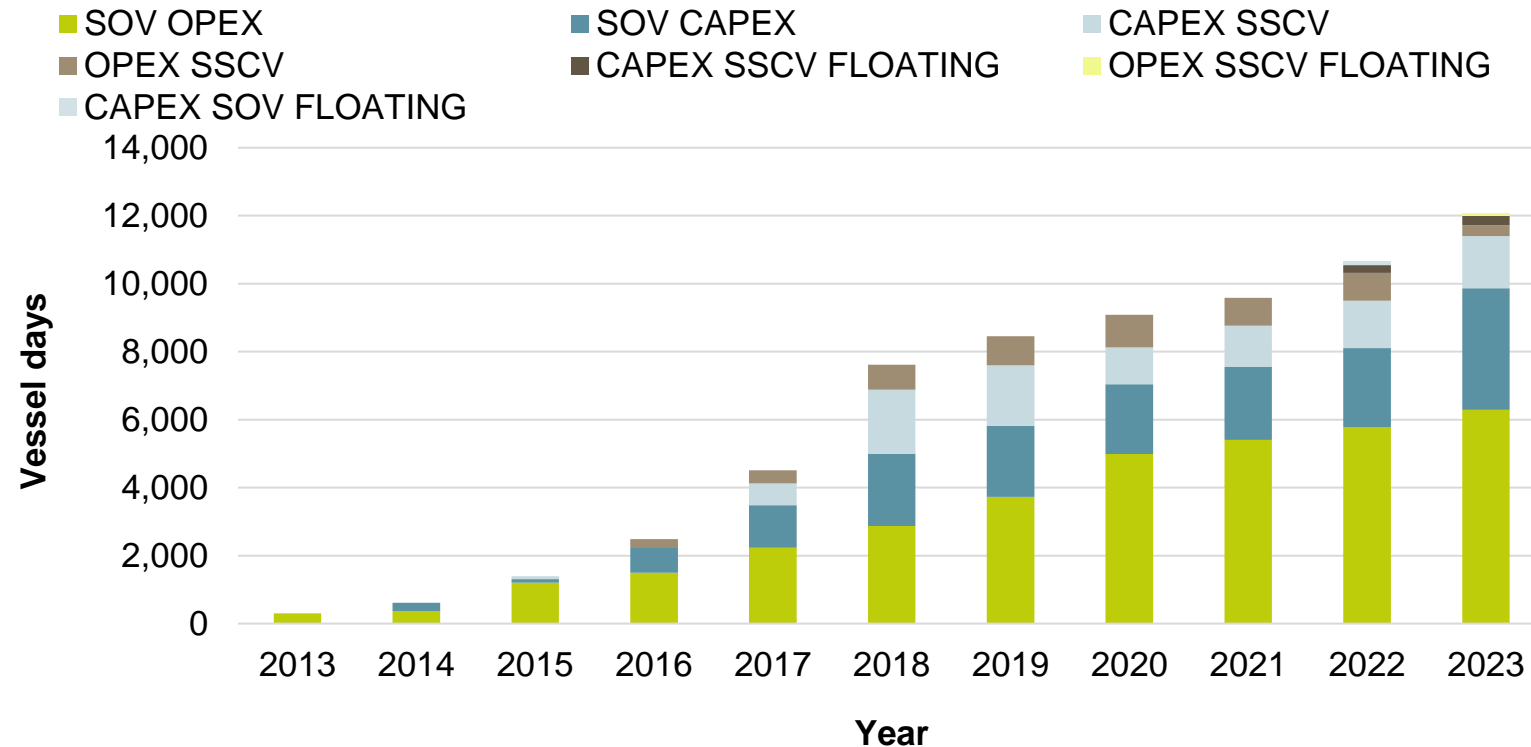
## European SOV fleet



Data compiled 01.23,2024.  
 Source: S&P Global Commodity Insights upstream E&P content (ConstructionVesselBase)  
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# Calling time on subsea vessels in the W2W wind market?

## SOV and W2W vessel days in the European offshore wind market



Data compiled January.23.2024.

Source: S&P Global Commodity Insights upstream E&P content (ConstructionVesselBase).

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- Significant drop in number of OPEX W2W days carried out by SSCVs, from 800-900 days to ~300 days
- CAPEX W2W days for SSCVs have increased y/o/y since 2020, but will that continue with 16 newbuild SOVs due to be delivered in 2024 for European market?
- Overall, SSCV W2W days in European market dropped slightly y/o/y
- Will floating wind projects continue to favour SSCVs?

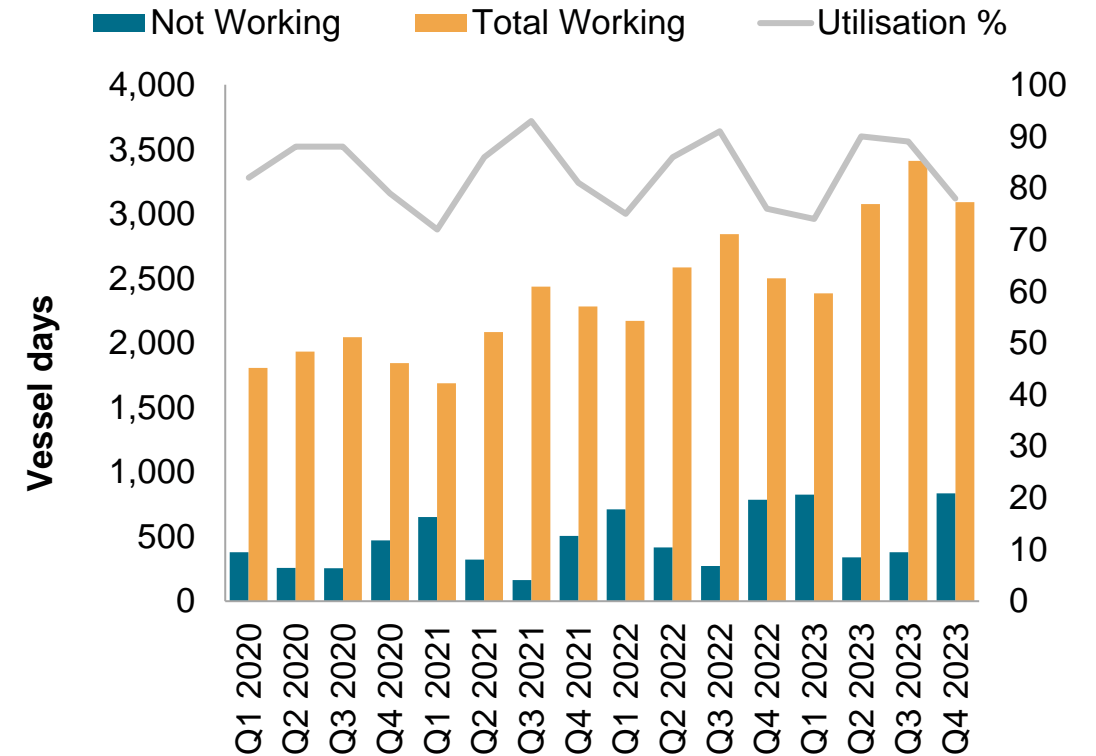


# Despite rapid growth, utilization and rates in the SOV fleet remains high

Seasonal downturns in Q4 have not gone below 70% utilization

Long-term OPEX contracts have so far created stability within the fleet. A tight market in the CAPEX market and over-running installation campaigns have meant extremely high utilization and strong day rates. Will this be sustained with the high number of newbuilds?

## SOV supply, demand and utilization



Data compiled January, 23, 2024.

Source: S&P Global Commodity Insights upstream E&P content (ConstructionVesselBase).

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# Conclusions

## Supply chain bottlenecks and oversupply

- Subsea vessels are being pushed out of the W2W wind market by a rapidly expanding SOV market, especially on the OPEX side.
- Trend expected to continue on CAPEX side with large-scale deliveries of SOVs between 2024-2026
- Demand continues to grow. . . but outstripped by supply of commissioning SOVs
- Market expected to rebalance towards the end of the decade, but the SOV sector will be limited by number of turbines which can realistically be installed. The earlier deadlocks in the offshore wind supply chain need to be addressed
- SOVs a proven concept in oil & gas, demand expected to continue
- Floating wind –early signs are that the subsea fleet will be in high demand



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