OFFSHORE NEWS

OSV OVERSUPPLY REMAINS OWNERS' BIGGEST BUGBEAR

Project activity means demand and utilisation is on the rise, but action needs to be taken on supply rationalisation before rates follow suit. The overall picture for availability remains one of oversupply, with more than 1,300 vessels laid up around the world. However, scrapping is continuing at a brisk pace. A total of 147 vessels, comprising 104 OSVs, 20 OCVs and 23 MODUs, have been demolished in the past 12 months, according to VesselsValue data. Drilling activity and demand also appear to be picking up. There are 74 exploration and production FIDs expected in 2019, with US$118Bn of associated field development capital expenditure (capex), according to Westwood Global Energy Group's Thom Payne. Speaking at this year's Middle East OSJ Conference, Mr Payne predicted the IOCs would move away from prioritising return on value for shareholders still smarting from the downturn, with a slight increase in capex forecast for the rest of 2019. "For the next two years we are expecting a lot more flow of new projects coming into the pipeline, which will obviously drive a lot of work for rig contractors and vessel contractors," he commented. Utilisation has grown in most regions over the past 12 months, and most vessel types are witnessing improvements in their respective markets, according to consultancy Archer Knight's executive director David Sheret, who said: "The market for most vessel types is far from optimal, but the signs across the board are significantly better than in 2015, 2016 and 2017." Rates remain a particular area of concern, said Mr Sheret, noting that during the downturn operators challenged costs by returning pressure on margins to the supply chain. Since then operators have focused on maintaining cost levels, he said, so although activity has increased, vessel rates remain low, comparatively. He added: "That said, the market is showing signs that specialist vessels, such as dive support vessels, are showing increased utilisation. "2020 currently looks like this trend will continue, and if it does, demand for these vessels will grow." Mr Sheret noted evidence seen by Archer Knight suggests operators are both sanctioning more projects and increasing maintenance budgets, adding: "Specialist vessels with engineering and project capabilities are starting to see better rates of return." As well as the increases in traditional oil and gas activity, renewables and the general 'blue economy' offer additional opportunities for vessel owners, Mr Sheret said. "Defence, marine agriculture, wave technology and other sea-based industries that require construction and maintenance activities will provide innovative organisations with increased opportunities and importantly, a wider market and a more robust defence against the more cyclical markets, such as oil and gas." However increased utilisation alone will not push rates up; the oversupply situation needs to be tackled, particularly when it comes to ageing vessels, before significant rate improvements will be seen, and even then, owners may still face a wait. Mr Payne estimates 33% of the global fleet is laid up, with many of these vessels over 15 years of age. He noted: "If these are all scrapped, we can move to 85%-89% utilisation by 2022-2023, although that is probably quite aggressive." *Younger boats and* *consolidation* Looking ahead, Mr Payne noted vessels launched in the wave of shipbuilding activity between 2005-2010 will be passing the 15-year mark in the next few years, opening up opportunities for owners of more recently constructed vessels. "That's really going to drive a premium for younger boats and they will be able to achieve higher rates in the future," he commented. Consolidation continues to play a major role in the market, and the past year has also seen several instances of noteworthy M&A activity, including the creation of the world's largest OSV fleet, the merger of Tidewater Marine and Gulfmark Offshore, which was finalised in November of 2018. The entity created by the US$340M all-equity transaction owns a fleet of 264 vessels – although the company has an ongoing scrapping programme for older vessels in a quest to right-size its fleet. 41 vessels were scrapped or sold as part of this programme in 2018, and a further 40 were targeted for sale or scrap in 2019, with the current fleet standing at 231 vessels with a total value of US$993M, according to data from VesselsValue. At the time of writing, Tidewater had recently announced the appointment of Quintin V. Kneen as president, chief executive and director, replacing the retiring John T. Rynd, who oversaw the merger. July this year saw two further significant deals: first, Dubai-based port operator DP World acquired Topaz Energy & Marine in a transaction worth US$1.1Bn. Topaz has a fleet of 117 vessels, with more than half of these – 65 – in the Caspian Sea. Marine Strategies International consultancy director James Frew noted that this presence in the Caspian strengthened Topaz as an acquisition target, due to difficulties in mobilising vessels into the region. The end of July saw Freemantle-based OSV owner MMA Offshore Limited sign a binding agreement to acquire the operating units of ASX-listed Neptune Marine Services in a transaction valued at about A$18.5M (US$13M). MMA Offshore owns and operates a fleet of over 30 specialised OSVs, offering offtake, drilling, construction, seismic and survey support, and anchor-handling and towing, accommodation and walk-to-work services. By packaging back deck work, such as ROV and diving services, with its fleet of multi-purpose support vessels, MMA Offshore expects to realise an improved return on assets. *(Source: Riveira; Photo: Kees Torn)*

DEEPOCEAN TO SPLIT UK ENTITY AND CREATE TWO NEW DIVISIONS

Subsea services provider DeepOcean has decided to split DeepOcean UK into two entities, creating DeepOcean Subsea Cables and a new division with a standalone brand for its seabed intervention and trenching business. The split and new brand announcement are scheduled to be finalized within 2019, DeepOcean said in a statement on Sunday. It will see the existing Cable Lay and Trenching division (DeepOcean CL&T) divided into a seabed intervention unit under a new brand and a subsea cable installation specialist; DeepOcean Subsea Cables. Pierre Boyde, Managing Director of DeepOcean CL&T will head the seabed trenching division, headquartered at facilities at Port of Blyth, UK. Boyde said: "This new division will allow, what is already a world leading subsea trenching service to grow by concentrating on delivering exceptional performance from our