

Floating Production

What's New in May

Jim McCaul – IMA/World Energy Reports

Despite industry gloom about the offshore market, orders for production floaters continue to flow. Over the past few weeks a speculatively-ordered FLNG found use off Africa, negotiations began to convert a third LNG carrier to an FLNG, an FSRU was ordered and a modified LNG tanker has been leased for storage use.

Near Term Outlook

Looking forward, we are tracking 30 projects considered likely to generate contracts for floating production units over the next 18 months. Among the likely awards are 18 FPSOs, 2 production semis, 5 LNG liquefaction or regasification units and 5 FSOs.

Details for these near term contracts are provided in the *May IMA/World Energy Report*.

We continue to view the downturn as a bump in the road. Oil supply got a bit ahead of demand, oil prices collapsed – abetted by financial market speculation – and the industry pulled back on investments. Orders for new systems suddenly slowed. This has happened before, and will recur again.

What was different this time is Petrobras imploded at the same time oil prices collapsed – the perfect storm came through the floating production sector. The storm appears to be an event of the past.

We see the oil price bottom being reached last January, when Brent crude dropped into the mid-\$40s. Oil prices have since risen to the mid-\$60s. This is not to say prices will stay at this level. Another drop can certainly happen – and the ability to rapidly ratchet up shale production will keep a lid on oil prices.

The most likely scenario is for oil prices to hover in the \$70s over the next few years – with spikes above and below. This price level will support many deepwater project starts, particularly as development costs fall as a result of surplus supply capacity.

Petrobras also seems to be recovering from its disaster. The company has avoided loan acceleration, its stock price has risen 90% since mid-March and the contractor suspension looks like it will soon be lifted. Petrobras is about to reenter the bond market to raise 3 to 4 billion reais (\$1 to 1.3 billion).

We expect Petrobras to have an FPSO tender out within the next few months – followed by five more FPSO tenders over the next 18 months.

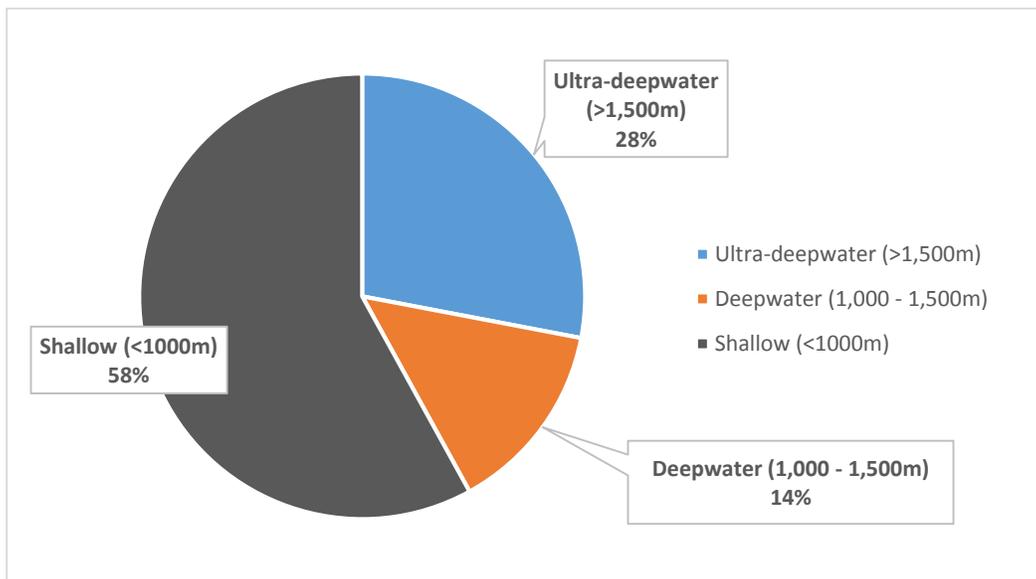
Overall, the market for floating production systems continues to be active and the near term outlook for future equipment orders is quite promising.

Long term outlook

The long term outlook for the sector is very positive. 239 floating production projects are in various stages of planning as of early May. These projects will reach an investment decision over the next ten years. We expect many of these projects to be financially viable investments at oil and gas prices likely to prevail over the next several decades.

Of these, 61% involve an FPSO, 10% another type oil/gas production floater, 21% liquefaction or regasification floater and 8% storage/offloading floater. A breakdown of planned projects by water depth is below.

A detailed review of the future market and forecast of production floater orders is in the March IMA/World Energy Report. There we have a forecast of floater orders through 2019 – taking into account the turmoil that has shaken the market over the past six months.



Complimentary List of Planned Projects Available

If you would like to obtain a list of floating production projects currently in the planning stage, please contact IMA/World Energy Reports at <http://dev.worldenergyreports.com/account/login>. The list includes all the projects we are currently tracking.

Also, you might want to check the short video on the World Energy Reports website that illustrates the capability to search the WER database. There's nothing like this search capability available elsewhere. With the search tools, users can research and analyze 370+ floating production installations, 70+ production units on order, 20+ production units available for redeployment and 242 floating production projects in the planning stage. Charts can be created from the database and results can be easily transferred to an excel spreadsheet.

The database search video is available at <https://www.worldenergyreports.com/>.

World Energy Reports and Database – WER provides a business intelligence service in the floating production sector. Each month WER publishes *Floating Production Systems--Projects in the Planning Stage, Units on Order, Installed Systems and Available Units*, an on-line 85 to 150 page report with information and analysis need to remain in contact with developments in the sector.

WER also has developed an *on-line searchable floating production database* containing information on planned floater projects, floating production system orders and installations currently in service. There is nothing like this database elsewhere!

Subscribers to the WER reports and database include many of the major field operators, contractors and investment groups active in the deepwater sector.

For more information, please see <https://www.worldenergyreports.com/reports>.

About Jim McCaul

Jim is the founder and manager of IMA, a consulting firm providing market analysis, competitive benchmarking and business planning support in the maritime and offshore sectors. Over the past 40 years IMA has performed more than 350 business consulting assignments for 170+ clients in 40+ countries.

One of the firm's specialties is analyzing requirements for floating production systems. IMA has published more than 50 reports since 1996 analyzing this business sector and has been engaged by numerous clients to assist in analyzing specific market opportunities in the floating production sector. Please visit www.imastudies.com for more information on IMA.

Jim is also the co-founder of World Energy Reports, a New York based business intelligence service for the floating production industry. Please visit <https://www.worldenergyreports.com/reports> for more information about the new business intelligence service. There's nothing like it elsewhere!

