

Covid-19: Offshore Market Impact Assessment (Selected Pages Only)

Clarksons Research

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*Please see “Offshore Intelligence Network”
and “World Offshore Register” for all
underlying data/updates.*



Covid-19: Offshore Market Impact Tracker (4/4)

Tracking a range of indicators...

Indicator	Unit	Timeseries ID	2014	2017	2019	Jan	Feb	Mar	Apr	May	Comments	YTD/Latest
Brent Oil Price	\$/bbl, Avg	901478	99.04	54.26	64.19	63.75	55.78	33.74	27.25	1 May: \$25.95	Latest price end April c. \$20/bbl	-61%
6mnth Forward Price	\$/bbl, End	-	-	-	-	55.79	49.85	35.49	31.33	1 May: 32.17	Market in Contango, though shallower than a month ago.	-51%
Covid New Cases	No, Daily Avg	-	0	0	0	954	2,606	21,467	80,019	Apr 29: 81,678	Global Cases and deaths plateauing as of late April.	-
Global GDP 2020 (f)	% yoy	10659	+3.6%	+3.8%	+2.9%	+3.4%	+3.1%	+1.4%	-3.0%	-3.0%	Further IMF downgrade possible	-6.4pts
Global Oil Demand	M bpd, Avg	901551	93.1	98.0	100.1	101.6	101.5	95	78	-	Record Oversupply (Q2 demand is down by >20m bpd)	-24%
Global Oil Supply		901826	94.3	97.8	100.4	102.2	102.0	101.9	103.9			
Offshore FID Capex	\$bn,	7895803	\$94bn	\$87bn	\$105bn	2020: \$116bn	2020: \$116bn	2020: \$60bn	2020: \$44bn	2020: \$44bn	\$13.8bn committed in ytd 2020	-58%
MOPU Awards	No	1087852	17	11	14	2020 (f): 18	2020 (f): 18	2020 (f): 16	2020 (f): 11	2020 (f): 11	4 awards in ytd. 3 of 7 remaining units are small jack-up MOPUs	-21%
Floater Utilisation	%, Start	900941	97%	64%	65%	67%	70%	73%	71%	65%	Likely to decline sharply in 2020	-5pts
Jack-Up Utilisation	%, Start	900932	95%	64%	69%	77%	78%	79%	80%	77%	May be a little more robust than floater utilisation.	+2pts
Active Rig Count	No, Start	901578	742	439	451	505	514	523	522	495	Already weakening during April as rigs are suspended	+3%
Ready Stacked	No, Start	901638	33	245	212	169	161	153	151	174	Downturn may increase scrap sales of cold stacked rigs.	+4%
Cold Stacked Rigs		901629	85	175	139	123	121	125	119	125		-0.1%
Rig Contract Adjustments	No	-	-	-	-	0	0	14	39	-	Drilling Suspensions may over time become terminations	53 since Feb
AHTS Utilisation	%, Start	7950215	85%	61%	55%	62%	59%	57%	60%	61%	May get a boost from towage of idling rigs, before weakening	-2pts
PSV Utilisation	%, Start	7950203	89%	61%	58%	64%	64%	64%	65%	64%	Likely to weaken over Q2	-1pt
N Sea PSV Util		7950232	94%	63%	74%	77%	77%	79%	80%	74%		-4pts
OSV Rate Index	Index, Start	901573	165.9	75.3	82.0	97.8	98.0	98.6	94.3	-	OSV rates set to weaken	-4%
N.Sea Large PSV Term Rate	\$/Day, Start	901281	£18,500/day	£6,000/day	£9,500/day	£11,500/day	£11,500/day	£11,500/day	£7,500/day	-	As the most liquid market, the North Sea has responded rapidly	-35%
Subsea Backlog	\$bn, Latest	901825	\$33.8bn	\$17.8bn	\$19.1bn	\$19.0bn	\$19.7bn	\$19.7bn	\$19.7bn	-	Project delays likely to weaken backlog	+4%
Clarksons Offshore Index	Index, Start	901535	100.0	45.7	49.4	58.6	58.9	59.2	56.9	-	Rates across all offshore sectors set to come under pressure	-2%

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Recent Spending Announcements

Sharp Spending Cuts Announced From March 2020. Global total expected to be 30% lower y-o-y.

E&P Capex Cuts, March/April 2020

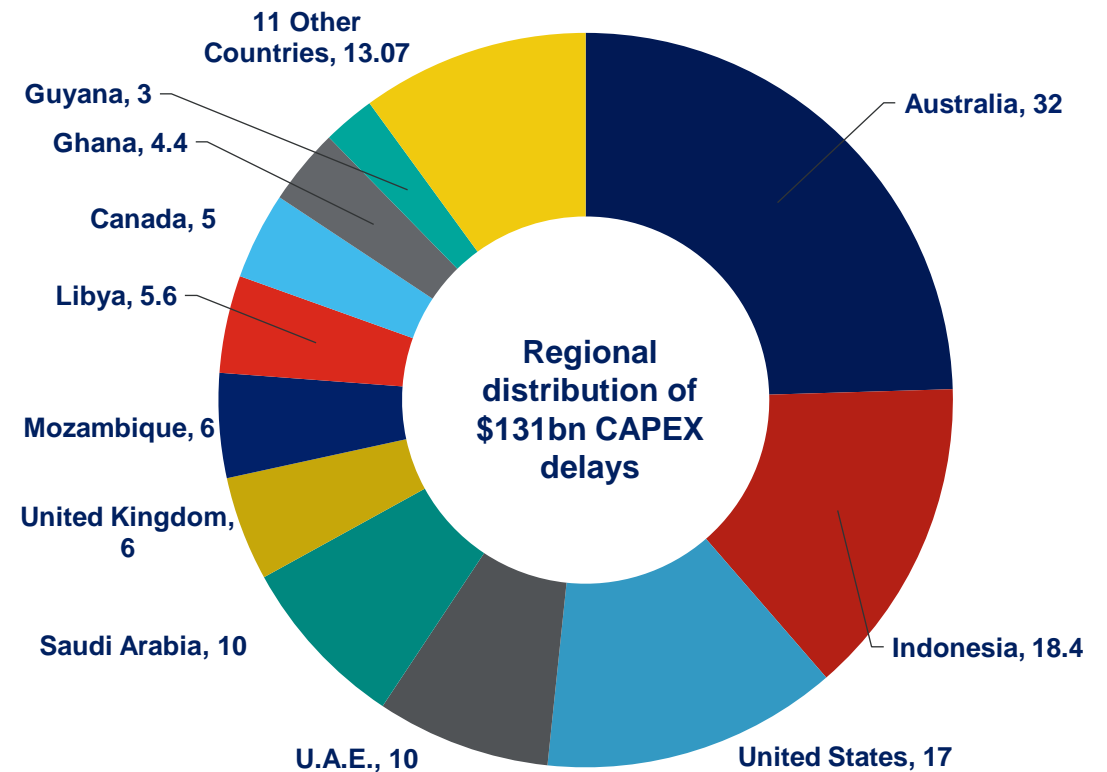
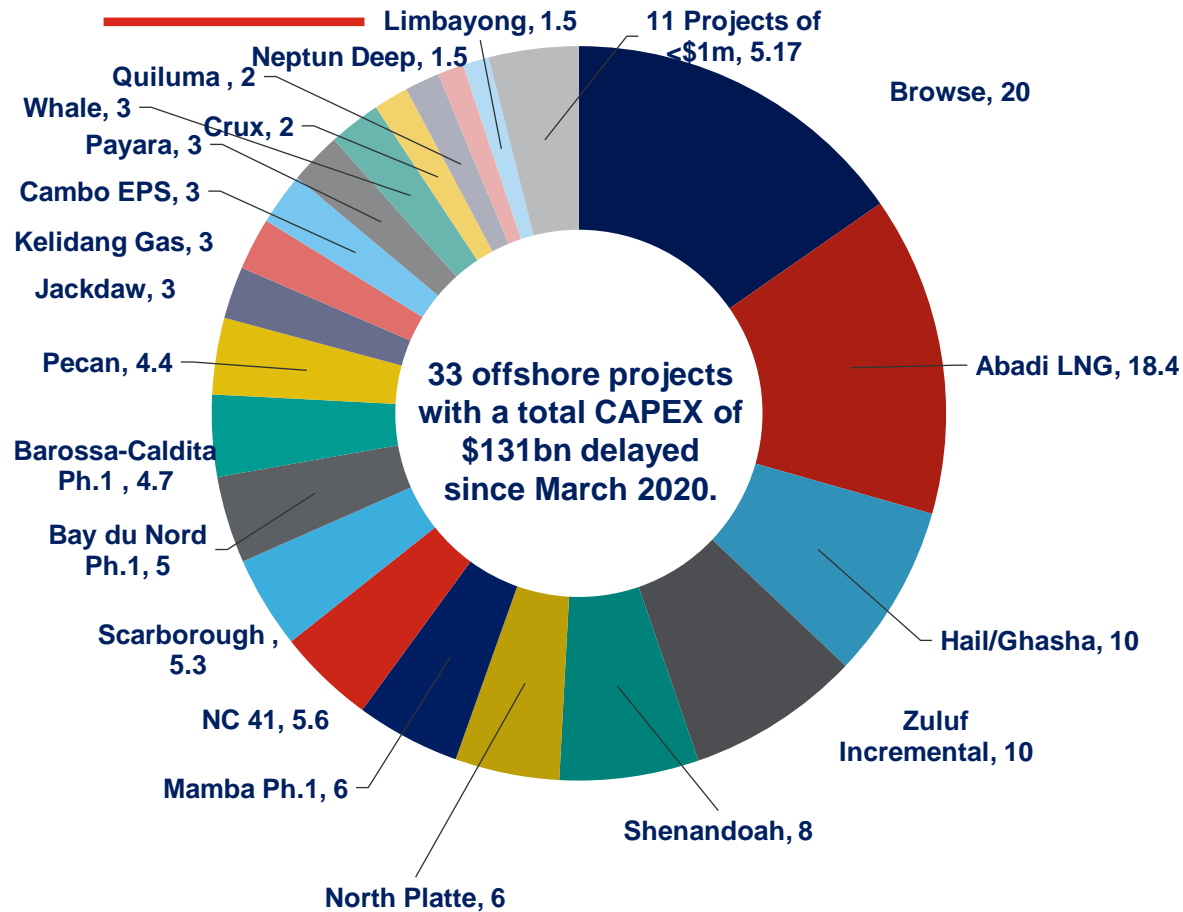
Date	Company	Reduction	Focus
10/03	Occidental	-30%/\$1.6bn	US Onshore
12/03	Apache	-40%/\$0.7bn	US Shale
15/03	Saudi Aramco	-15%/\$8bn	KSA
16/03	BP	-20%/\$3.4bn	Global
16/03	Pioneer NR	-45%/\$1.5bn	US Shale
17/03	Hess	26%/\$0.8bn	US, Guyana
17/03	Kosmos	-30%/\$0.1bn	Offshore
17/03	W&T Offshore	-75%/\$50m	Shallow US Offshore
18/03	ConocoPhillips	-10%/\$0.7bn	Onshore US
23/03	Shell	-20%/\$5bn	Global
23/03	Aker BP	-20%/\$1.5bn	Offshore
23/03	Santos	-38%/\$0.5bn	Australia
23/03	Diamondback En.	-41%/\$1.2bn	Onshore US
23/03	Total	-30%/\$3.3bn	Global
23/03	Ecopetrol	-\$1.2bn	Colombia
23/03	E&P GeoPark	-65%/\$50m	Onshore Lat Am
23/03	GranTierra	-65%/\$140m	Onshore Lat Am
23/03	Frontera Energy	-60%/\$150m	Onshore Lat Am
25/03	ENI	-25%/Euro 2bn	Global
25/03	Repsol	-26%/Euro 1 bn	Global
25/03	Occidental	-47%/\$2.5bn	Shale
25/03	Equinor	-20%/\$3bn	Norway, Brazil, Argentina, etc
26/03	Petrobras	-29%/\$3.5bn	Brazil

Date	Company	Reduction	Focus
26/03	Woodside	-60%/\$2.7bn	International
26/03	OMV	-20%/Euro 500m	International
27/03	Cairn	-23%/\$140m	West Africa/Mexico
30/03	Devon Energy	-45%/\$300m	Onshore US
01/04	BP	-25%/\$4bn	Global
01/04	Imperial Oil	-30%/\$500m	Canada
07/04	CNOOC	-15%/\$0.7bn	China/International
07/04	ExxonMobil	-30%/\$10bn	International
08/04	MOL Energy	-25%/500m	Europe
15/04	Noble Energy	-30%/\$350m	USA
15/04	PDC Energy	-50%/\$450m	Onshore US
20/04	Husky	-50%/\$1.6bn	Canada/Indonesia/S China
21/04	Crescent Point Energy	-10%/C\$75m	Canada
23/04	Tullow	-22%/\$85m	West Africa/South America
23/04	Jadestone Energy	-80%/\$120m	Asia-Pacific
24/04	ENI	-30%/Euro 2.3bn	Global
24/04	Apache	-35%/600m	Onshore US
24/04	EOG Resources	-31%/\$3bn	Onshore US
24/04	Cimarex Energy	-50%/\$585m	Onshore US
24/04	Marathon	-21%/\$500m	Onshore US
24/04	WPX Energy	-22%/\$400m	Onshore US
Global Total (Est).		-32%/\$155bn	Global

Source: Various, Clarksons Research.

Offshore Project FIDs Now Postponed and Cancelled

~\$131bn delayed, expectation for 2020 now reduced to \$44bn from \$116bn at start year



Reflects early reporting of cancellation and delay. Delays not of equal length and final distribution may vary.

Significant number of CAPEX commitments delayed in March/early April. At least 33 projects monitored by Clarksons Research, with an estimated combined value of \$131bn, have already been delayed (including **Browse, North Platte and Bay du Nord**). Some delays are reportedly in the region of a few months (**Hail & Ghasha** for example, which seems primarily related to the logistical difficulty of lockdown), while other delays are likely to be lengthy, such as **Greater Pecan**.

Source: Clarksons Research, April 2020

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Covid-19 Crisis In Context

Comparing the Covid-19 Crisis to the Oil Price Decline of 2014

	2020: Covid-19 Crisis	2014: Oil Price Downturn
Oil Demand	Demand is expected to be down by more than 20m bpd in April/May, and by 8-10m bpd across 2020. This is a far more serious situation than the 2014 downturn, which was very painful for offshore companies.	Demand remained relatively firm at 1.5% in 2014, then low prices incentivized a firm 2.0% growth in 2015.
Oil Supply	Much more substantial oversupply of oil than in 2014, especially in Q2. Despite production cut agreed in early April, demand is still below supply, and the period in which OPEC+ cooperation broke down was critical in intensifying market volatility and stock build.	Oversupply (2.8% y-o-y growth in both 2014 and 2015) caused by Saudi over-production in an attempt to push shale oil out of business.
Oil Price	Brent prices have fallen to c.\$20/bbl, and WTI prices briefly went negative for technical reasons. Little sign of price support whilst demand is so weak, although price contango exists.	Prices fell very briefly to \$30/bbl in January 2015, but bounced above \$60/bbl by mid-2015. This precipitated a recovery in US shale which pushed the oil price below \$40/bbl in Q1 2016.
Effect on E&P Capex	Overall, most companies implementing y-o-y cuts of 20-30%. Shale producers cutting by up to 65% in some cases.	Global E&P spending dropped by around 27% (from a higher base than current) for 2 successive years
Exploration Activity	Likely to be pared back given spending cuts, although was more limited than in 2014 anyway.	Widespread cutbacks, and seismic and floating drilling sectors among the worst-hit areas of the fleet.
Rig Demand	Had been increasing (2019: +15% y-o-y). However, cancellations and suspensions apparent already are likely to erode much of the (limited) gains of the last 18 months.	Demand fell by nearly 300 rigs (from >90% utilisation, 740 active rigs) and utilisation dropped by 30 percentage points.
OSV Demand	Utilisation rose by 7pts in 2019. Demand is likely to weaken substantially, potentially eroding all gains since bottom of cycle.	Utilisation fell from around 90% to <60%, though the decline took longer than the more-rapid drop in the rig market.
Offshore Unit Supply	Some stranded assets remain, but only 4% of the fleet still on order. Yards may already have been reconciled to the difficulty of reselling some assets, anyway.	Large overhang of newbuild investment from the boom years (10% of the fleet overall, and 16% for PSVs; 20% for MODUs)
Personnel/Crew	Substantial restrictions on logistics and crew changes.	Many job losses, but no actual restrictions on operations.
Length of the Downturn	Given macro scenario and project delays in offshore, a swift recovery for offshore within 2020 now seems relatively unlikely.	Offshore recovery began to take hold in 2018 - more than three years later.

Reported Covid-19 Cases On Offshore Assets

Illness Onboard Offshore Units Presents Logistical Challenges

Incident Date	Name	Type	Built	Owner	Incident Type	Country
27-Apr-2020	FPSO Serpentina	FPSO	1974	Mobil Equatorial Guinea Inc	Covid-19 Case(s)	Equatorial Guinea
20-Apr-2020	Pemex Reforma	Accommodation Vessel	2016	Petroleos Mexicanos (Pemex)	Covid-19 Case(s)	Mexico
19-Apr-2020	Marlin Leblon	PSV/Supply 3-4,000 DWT	2004	Netuno Offshore Ltda	Covid-19 Case(s)	Brazil
17-Apr-2020	FPSO Cidade de Santos MV20	FPSO	1973	MODEC Servicos de Petroleo do Brasil Ltda	Covid-19 Case(s)	Brazil
15-Apr-2020	Askepott	Jack-up Drilling Rig	2017	Equinor ASA	Covid-19 Case(s)	Norway
13-Apr-2020	Blue Pioneer	Multi-Functional Support	2006	Blue Marine Technology Group	Covid-19 Case(s)	Mexico
10-Apr-2020	FPSO Capixaba	FPSO	1974	SBM Offshore NV	Covid-19 Case(s)	Brazil
29-Mar-2020	Sevan Hummingbird	Cylindrical Floating Prod. Unit	2007	Teekay Corporation	Covid-19 Case(s)	United Kingdom
26-Mar-2020	Siem Marlin	Multi-Functional Support	2009	Marine Platforms Ltd	Covid-19 Case(s)	Nigeria
25-Mar-2020	Aoka Mizu	FPSO	1999	Bluewater Energy Services BV	Covid-19 Case(s)	United Kingdom
24-Mar-2020	UMW Naga 6	Jack-up Drilling Rig	2014	UMW Standard Drilling Sdn Bhd	Covid-19 Case(s)	Malaysia
24-Mar-2020	Cormorant North	Fixed	1981	TAQA Bratani Ltd	Covid-19 Case(s)	North Sea
24-Mar-2020	Cormorant A	Gravity Base	1978	TAQA Bratani Ltd	Covid-19 Case(s)	North Sea
23-Mar-2020	Saipem 7000	Derrick/Lay Vessel	1987	Saipem SpA	Covid-19 Case(s)	Netherlands
19-Mar-2020	Maersk Deliverer	Semi-Submersible Drilling Rig	2010	Maersk Drilling	Covid-19 Case(s)	Australia
19-Mar-2020	Clair Ridge DP	Fixed	2016	BP plc	Covid-19 Case(s)	North Sea
19-Mar-2020	Brent C	Gravity Base	1978	Shell UK Ltd	Covid-19 Case(s)	North Sea
18-Mar-2020	Aquamarine Driller	Jack-up Drilling Rig	2009	Vantage Drilling Company	Covid-19 Case(s)	Malaysia
18-Mar-2020	Mariner A	Fixed	2017	Equinor UK Ltd	Covid-19 Case(s)	North Sea
17-Mar-2020	Stril Explorer	ROV/Submersible Support	2010	Mokster, Simon, Shipping A/S	Covid-19 Case(s)	Sweden
16-Mar-2020	Everest North	Fixed	1992	Chrysaor Ltd	Covid-19 Case(s)	North Sea
12-Mar-2020	Martin Linge A	Fixed	2018	Equinor Energy AS	Covid-19 Case(s)	North Sea
11-Mar-2020	Esvagt Mercator	Accommodation Vessel	2017	ESVAGT A/S	Covid-19 Case(s)	Belgium
10-Mar-2020	Esvagt Mercator	Accommodation Vessel	2017	ESVAGT A/S	Covid-19 Case(s)	Belgium
28-Jan-2020	Atlantic Kingfisher	AHTS >16,000 BHP	2002	Atlantic Towing Ltd	Covid-19 Case(s)	Canada

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