

# Shipyards benefit from large number of rigs on order

Shipyard De Hoop in the Netherlands is to design and build 10 PSVs for Abu Dhabi National Oil Company



Ordering of offshore support vessels (OSVs) continues unabated, at least in some parts of the world, leaving no question where employment for all of the vessels on order will come from.

Concerns about over-capacity have been mitigated to a degree by the number of drilling rigs and drillships on order. A total of 107 deepwater rigs are said to be due for delivery in the next two years, requiring an estimated 100 OSV charters, but only around 120 new support vessels are, so far, available.

In a bullish market, the energy majors are mainly seeking newbuildings for forward contracts as existing vessels are committed to other duties long term. Much is said about deepwater employment, which has driven demand for newbuilds, but brokers and charterers agree there is much scope for shallow-water employment too.

Due to the ordering pattern and lack of availability of vessels, it is expected to push up rates for shallow-water support vessels by the end of 2015 and in the offshore market. This will create an imbalance in supply and demand in the near term, which is bad news for owners. Very little scrapping is taking place, but older vessels are now finding it difficult to find employment, partly due to a change in mindset by charterers and the availability of today's multirole tonnage.

For newbuildings there has been a slight change of emphasis. European shipbuilders,

The large number of drilling rigs and drillships that are on order means that large numbers of offshore support vessels will be required to support them, and new opportunities are opening up in the Mexican part of the Gulf of Mexico and the Middle East

by Barry Luthwaite

especially those in Norway, will always face higher costs compared to their Asian rivals, but competition on pricing is countered by superior technological expertise, and although few vessels are being built in Norway, a trickle of orders has found its way to Norway and other European builders.

Pemex in Mexico has been searching for a European yard as it seeks to build a large number of OSVs for its own account and, after months of negotiations, a majority 51 per cent shareholding was recently agreed by the Mexican oil giant in Galician builder Barreras.

The Spanish yard will be rewarded in 2014 with at least four newbuilding OSVs, keeping alive Spain's offshore shipbuilding industry. Overall, Pemex intends to build a high volume of OSVs, complemented by

coastal tankers at Barreras, Vigo.

The oil major lacks newbuilding capacity in Mexico to cover forward charter requirements with indications that a mix of seven fast supply vessels and fast supply intervention vessels out to tender are favoured for construction in Spain. This sits nicely with the Pemex investment in Barreras.

In Asia, speculative construction has not brought the dividends sought. A number of vessels are being built to simple PSV designs restricting them to cabotage trade especially in Malaysia and Indonesia, but if no buyers are found then inexperienced shipbuilders become reluctant traders. Some of the resale prices are poor when measured against newbuilding costs. Potential buyers also question the quality of the vessels.

Malaysia, and to a lesser degree Indonesia, have laid the framework for future growth with newbuilding orders for drilling rigs, and yards in the countries are sharing in the production of the units. Yards in Indonesia and Malaysia have received subcontract work from rig builders in Singapore and China. Waigaoqiao Shipbuilding & Offshore, recently established as a subsidiary of the parent yard Shanghai Waigaoqiao Shipbuilding, has entered into talks with Malaysian companies in the oil and gas industries, particularly state-run energy firm Petroliam Nasional Bhd, and is confident