Offshore Activities Shift to Deepwater

Infield Systems, UK, has just released the 9th edition of its Global Perspectives Subsea Market Report To 2017. The report presents information on the expected capital expenditure and level of subsea equipment installations in all the major subsea regions and the related countries, by oil companies and manufacturers, relating to different types of investment and equipment. High oil prices, technological developments and the need to counterbalance declining production in mature shallow-water basins have been driving the move of offshore oil and gas operations into deep and ultra-deep waters.

As a result, the last few decades have seen a steady increase in the number of subsea developments. Increasingly operators are cost-effectively targeting reservoirs over a much wider area, tying back subsea wells both to fixed platforms in shallow waters and to floating infrastructure in deeper waters. In fact capital-intensive ultra-deepwater developments are expected to capture 48% of capital expenditure (Capex) and 23% of tree installations in 2013-2017, in contrast to 37% of Capex and 15% of installations in 2008-2012. The subsea industry therefore shows very positive prospects for growth in the next five years.

Latin America and West Africa account for over half of subsea capex expected to be spent between 2013 and 2017. This is driven by large deepwater and ultra-deepwater discoveries offshore Brazil, particularly in the pre-salt basins, and offshore Angola and the Gulf of Guinea. As an operator, Petrobras dominates the subsea sector and is expected to account for 24% of global subsea Capex in the next five years to further key projects such as Papa Terra, Lula and Franco. However, the fast pace of development anticipated by the Brazilian government depends on Petrobras' ability to overcome capacity constraints and keep costs under control.

Large developments in Afrika

The highest investment levels and number of installations of subsea trees in Africa are expected to occur in 2017 driven by large developments such as the Kaombo and Cabaca fields in Angola, and the Bonga Southwest and Nsiko projects in Nigeria. However, Nigeria has yet to secure investor confidence by adopting stable fiscal policies, which would enable IOCs and international independent operators to more readily take final investment decisions. Simultaneously, emerging countries such as Ghana, Congo-Brazzaville and Equatorial Guinea are expected to increase their presence in the subsea sector.

As mature regions, Europe and North America still present significant opportunities for the subsea sector. Norway and the UK are characterised by high drilling activity on producing fields and the completion of subsea tie-backs on smaller, remote accumulations mostly in shallow waters. In the North Sea, this is linked to efforts to reverse declining oil and gas production. Despite a decrease in global Capex market share due to less capital intensive shallow water activity relative to other regions, Europe is expected to attract an increasing share of subsea tree installations.

Many new floating platforms in GoM

In the USA the shift from shallow water developments where production is in decline towards large oil and gas discoveries further offshore is well underway. The deepwater Gulf of Mexico is expected to host many new floating platform developments, combined with the tie-back of subsea satellite fields later on in the forecast period.

Orient emerges

Asia, Australasia and the Middle East present emerging opportunities for the subsea market. These three regions will together increase their market share from 8% in the last five years, to 15% in the next five years. Operations in Asia are increasingly moving exploration and production into deeper waters in a bid to boost and sometimes reverse declining oil and gas production. As a result, Malaysia, Indonesia, India and China are becoming major subsea industry hot spots attracting a range of operators: from NOCs, CNOOC and ONGC, to IOCs Shell and Chevron and independent international companies like Murphy and Husky.

Australia strong for LNG investments

Australasia's subsea sector is driven by its fast-growing LNG export industry, which is racing to meet rising demand for natural gas in emerging Asian economies. Fields such as Chevron's Gorgon area fields are being tied back to large onshore LNG producing facilities.

New large gas discoveries in the last five years in the Eastern Mediterranean are also driving subsea investments in the Middle East region. The start-up of the deepwater Tamar field in April 2013 offshore Israel is expected to be only the start of increased subsea activity in the Levant Basin, where Noble Energy is a major player.