MARKET FORECASTS

Subsea's rising star continues its ascent

In the first of a series of *OTC .05 Show Daily* reports, **Infield Systems** (**Booth 2340**) charts the rise and rise of the subsea market.

THE SUBSEA MARKET REMAINS ONE OF THE MOST dynamic sectors in the offshore industry, offering as it does a cost-effective way to monetise reserves, often fast-track and in deeper waters, at a time of high commodity prices.

The next five years is set to see a whole variety of developments taking place across the globe from the Barents Sea to the Australian Blight with a mix of major multiwell deepwater programmes, single tiebacks and integrated subsea and facility schemes. All this activity leads to a total expenditure forecast in excess of $16 billion/yr, including drilling and completion of subsea development wells and all associated pipelines and control lines.

The growth and development of West Africa has been evident for a number of years and in the subsea sector it is forecast to command the majority share – up to 29% – of the expenditure over the next five years as new facilities come onstream and satellite fields are tied back to existing hubs to maintain production levels. The region has already seen the development of several megaprojects and this trend is forecast to continue, providing strong demand for subsea equipment destined for projects ranging from Akpo in Nigeria to Zinia in block 17 Angola.

Although, as *Figure 1* shows, the European share of the subsea market expenditure has decreased dramatically from 47% in 2000 to a forecast 20% in 2009, it still remains a significant region in terms of overall forecast expenditure. Our view of Europe extends beyond just the North Sea and includes the Norwegian Sea, West of Shetland and Irish waters. However, beyond Ormen Lange and Snøhvit, there are few large greenfield developments on the immediate horizon that stand a chance of being developed before the end of 2009, as the full promise of Norway's Skarv, Victoria, President/Onyx prospects remains uncertain.

Still, there was a strong commitment to the region by BP at the beginning of the year. The company looks set to increase recovery throughput from reserves on such brownfield sites such Schiehallion and Foinaven fields through the implementation of additional infill drilling and the application of state-of-the-art subsea technology. In addition, the cross-border agreement achieved by the Norwegian and UK governments appears to have given fresh impetus to projects along the border, such as Blane and Enoch.

Subsea to shore developments such as Ormen Lange and Snøhvit are growing in significance in the subsea market. *Figure 2* shows the split of types of subsea developments that are due to take place between 2005-2009. Subsea wells connected to a floating production vessel remain the dominant concept type. A total of 69% of all predicted subsea wells are either to be connected directly to a floating facility located on the same field or tied back as satellite wells to an FPSO located on an adjacent field.

Nonetheless, fully 5% of wells are forecast to be tied back to shore, with projects ranging from deepwater Mediterranean fields – such as Sienna, Simian & Sapphire and Abu Sir off Egypt, to the gas fields located off Australia's North West shelf such as Gorgon and Jansz, to be tied back to the proposed new Barrow Island LNG plant. The percentage may not be large but it is growing rapidly and it is one area where the potential knock-on impact is disproportionately large, as the industry spends over $12.6 billion/yr of new fixed and floating production facilities.

Figure 1.

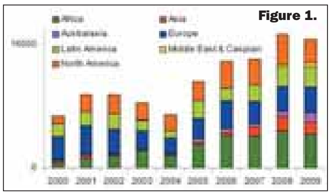

Figure 2.