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# MARKET FORECASTS

## Pipelines market at full spate

In the second of a series of reports produced exclusively for the *OTC .05 Show Daily*, **Howard Wright** of energy data analysts Infield Systems (**Booth 2340**) says the pipelines market is in rude health.

THE HEALTHY GROWTH IN THE OFFSHORE PIPELINES and umbilical market in the last five years, outside the shallow water Gulf of Mexico, looks set to be sustainable over the next five years.

The next five years look set to be a very interesting time if you work in the offshore oil and gas pipeline industry as transcontinental and inter-regional networks are connected up

and offshore Russian oil and gas start to come in from the cold directly to the markets of western Europe and southeast Asia. Not only is the expenditure over the next five years

predicted to be higher than that of the previous five, but the make-up of projects is more diverse and the geographical split even more so.

The market for pipelines includes major transportation routes and infrastructure networks and these obviously have an important impact on the future scale of the market. With many grand schemes announced – from North Africa to Europe, Russia to Europe, Russia to Japan and the many various possibilities within the Asian pipeline network – it seems unlikely that they will all gain enough financial backing to be installed within the next five years.

The reasons for the predicted growth in the pipelines and umbilical market arise from a variety of different factors. The forecasts assign the pipeline cost to the year the pipeline is installed and as such this sees 2005 to be an important year with some major projects being laid this year. Three of note are:

- Snøhvit, which is being laid currently;
- the UK portion of the Langede pipe which will bring Ormen Lange's gas on the final leg of its 1200km journey from the frozen seabed of the Norwegian Sea to keep the home fires burning in the UK as that country begins to suffer a major drawdown in its domestic supplies;
- the Dolphin project in the Persian Gulf delivering gas over 600km from its origin in the North Field in Qatar to the growing markets in the UAE.

Networking in West Africa is also an important driving factor in the pipeline market. With a ban on flaring in Nigeria the need to monetize associated gas is a pressing one and exporting it west will also aid in fuelling development in its imminent neighbors Ghana, Togo and Benin.

Long subsea-to-shore projects are having a significant impact on the markets. Off Norway, the well documented Snøhvit and Ormen Lange projects are under development. There are also various projects off Egypt that require long tiebacks to shore of the order of 100km or more. In addition to these major projects there are some significant infill projects in already existing field locations in various locations, including recently Brazil.

The next five years will see 24% of pipelines laid in deeper waters. With deepwater lay becoming a key element within the pipeline sector across the globe these projects are no longer just concentrated within the so-called Golden Triangle regions. On the contractor side, there is a persistence of the polarisation between those with global deepwater capabilities and those with a more regional shelf orientation. The costs and risks involved in deepwater are growing and this is likely to see a widening of the gap between the players rather than the reverse.

In contrast to the mixed fortunes of contractors over the past few years, we are also seeing some interesting supply and demand imbalances within more technically demanding and challenging projects taking longer and utilizing a greater proportion of available vessels.

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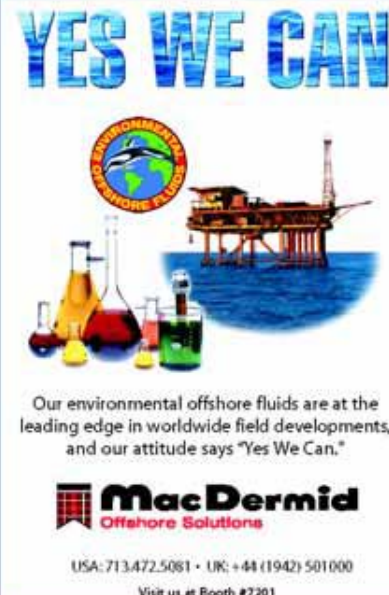
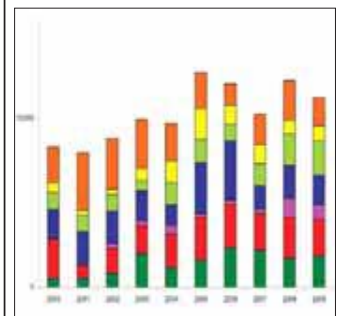


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Global pipeline and umbilical market by region (US\$m) 2000-2009.