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## MARKET FORECASTS

### Is the pipelines sector under control?

Are there supply difficulties in the pipeline market, or does the industry have it all under control wonder **Owen Williams**, analytical services manager and Dr **Roger Knight**, data manager at Infield Systems (**Booth 2459**).

The second edition of the Infield Energy Data Analysts' *Global Perspectives Pipelines and Control Lines Market Update to 2010* highlights the continued sustainability of the recent steady growth of the offshore pipeline and control line markets, outside the shallow water Gulf of Mexico, through to 2010. Indeed expenditure on offshore pipelines (including major transportation routes and infrastructure networks) and control lines is forecast to be \$14 billion per annum from 2007 to 2010, with a total of 55,500km forecast to be laid.

However, 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 sufficient financial backing or access to the requisite installation capability to be installed within the next five years. One example where the industry may not be able to keep pace with demand is deepwater pipelay.

Deepwater is one of the key drivers of the offshore pipeline industry. The next five years will see 12,654km of pipeline laid in deeper waters, compared with 8911km over the previous five year period. An analysis of global deepwater project numbers and lengths over a five year period shows a 90% increase in the number of forecast projects, but yet a comparative increase of only 30% in length. This imbalance is reflective of an overall increase in subsea activity, with shorter lines and changing patterns of field configuration indicative of an increase in the use of manifolds and templates.

In terms of the overall lengths of line to be laid the annual level is within the range of historic levels and at first glance is technically feasible within the capacity of the existing fleet of pipelay vessels. However, the number of projects and increasing geographic spread creates a different set of issues, particularly with regard to vessel movements and mobilization/demobilization.

Having powered deepwater activity over the past five years the Atlantic Margin is expected to continue as the dominant element of market activity. However, when looking at overall activity and particular aspects relating to vessels, the growth in project numbers and lengths in other regions is significant. The increasing activity in Europe and Asia, for instance, is likely to have a material impact, while further substantial installations are forecast in the Mediterranean Sea, Arabian Sea/Indian Ocean and Pacific Ocean.

As the number of projects and prospects has grown the contracting community has added deepwater capability and capacity to take advantage of this growth. However, our research would suggest that there may be some areas of concern within the market dynamics that may lead to supply, and ultimately pricing and scheduling, issues. Throughout the period to 2010 there are pockets of demand that seem out of sync with possible supply. Both 2006 and 2008/2009 are expected to put an increasing demand on construction and pipelay vessels in the lower size range, while 2007 and 2009 are likely to put pressure on vessels within the larger capability range.

The key aspect of this imbalance is that the rate of additions to the deepwater lay fleet is less than the rate of increase expected in activity. While increases in utilization and flexibility will account for some of the 'gap' in supply and demand we expect this increasing tightness to be reflected in increased costs. In

blunt terms those who do not secure vessels early may find themselves subject to increased costs through higher day-rates and significant

mobilisation and demobilisation costs, or through inflexibility in vessel scheduling that may delay onstream dates. Our expectation is

that outside of the Atlantic Margin those projects requiring one of the 20 or so specialist vessels will be paying a significant premium.

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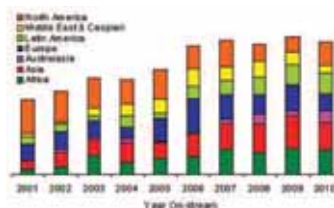
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