



Offshore Market Update: How's the recovery coming along?

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Note: This is an edited version of the presentation that was provided at the Seminar.
For further details, please contact Clarksons Platou

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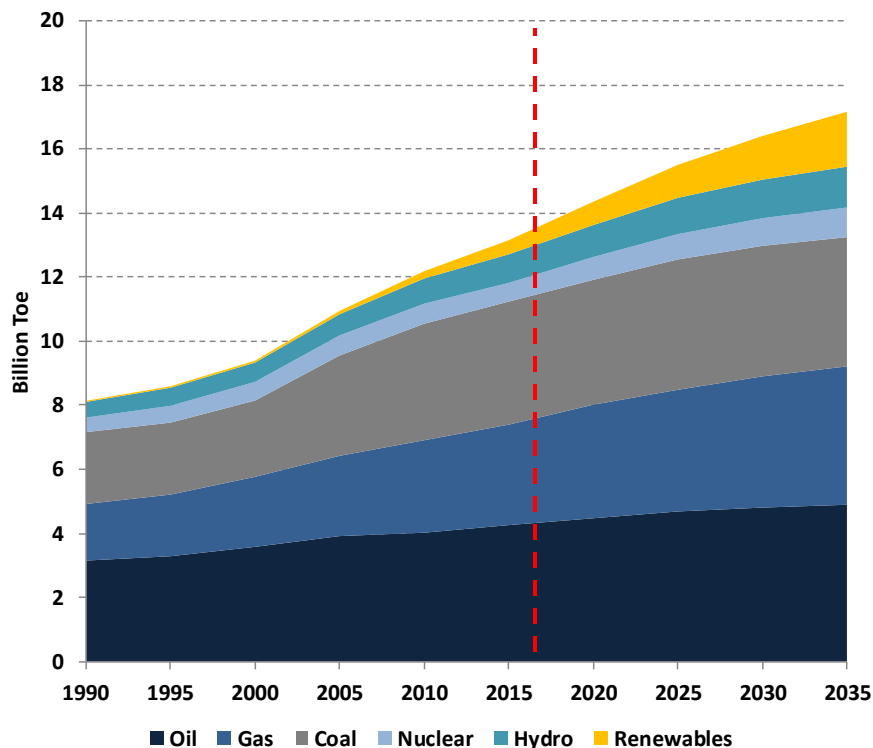
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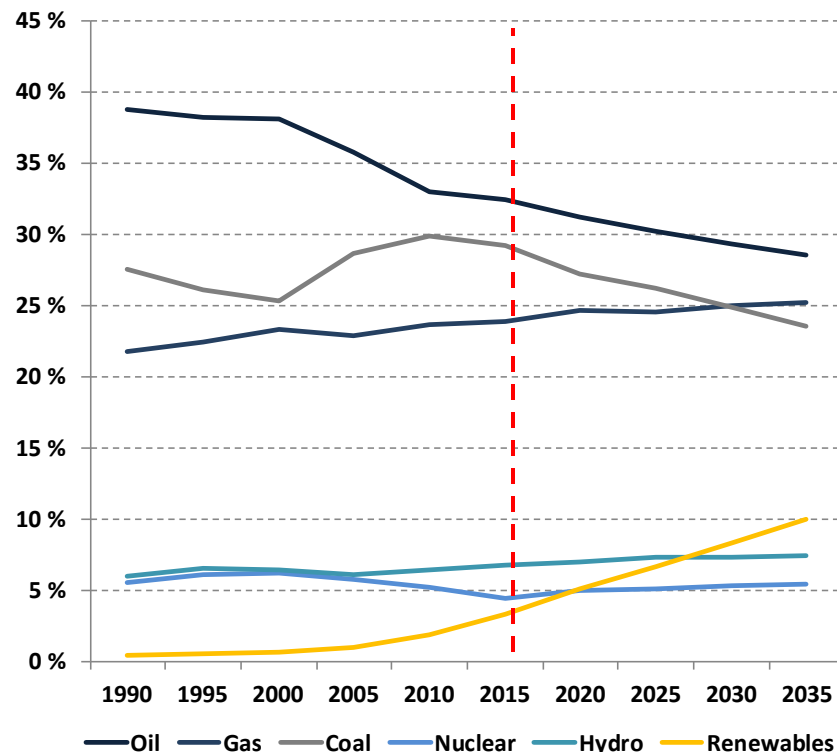
Oil consumption is expected to continue to grow, also in the longer term, but share of primary energy declines

Renewables growing strongly

Primary energy consumption by fuel



Shares of primary energy



Note: Renewables includes wind, solar, geothermal, biomass and biofuels
 Source: BP Energy Outlook 2017; Clarksons Platou

Essence of our short term oil market view (2017-21e)

1

Fundamental rebalancing well in progress. Demand remains healthy. OPEC will do what it takes

2

EVs have no impact on demand next 5Y, but psychology important with regard to sanctioning

3

Shale needs USD ~50/bbl to grow meaningfully. Big Oil needs USD 60+/bbl longer term

4

We are underinvesting in the global oil supply system. Depletion is real and currently masked

5

Short term (17/18) price affected by noise. Longer term (19-20) we expect USD 65-75/bbl

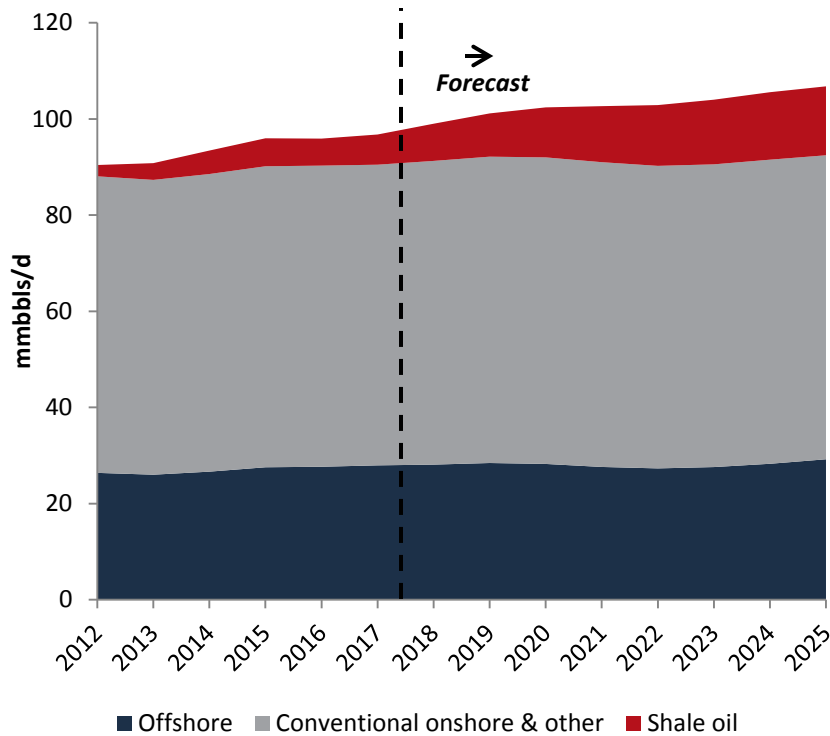
Source: *Clarksons Platou Offshore*



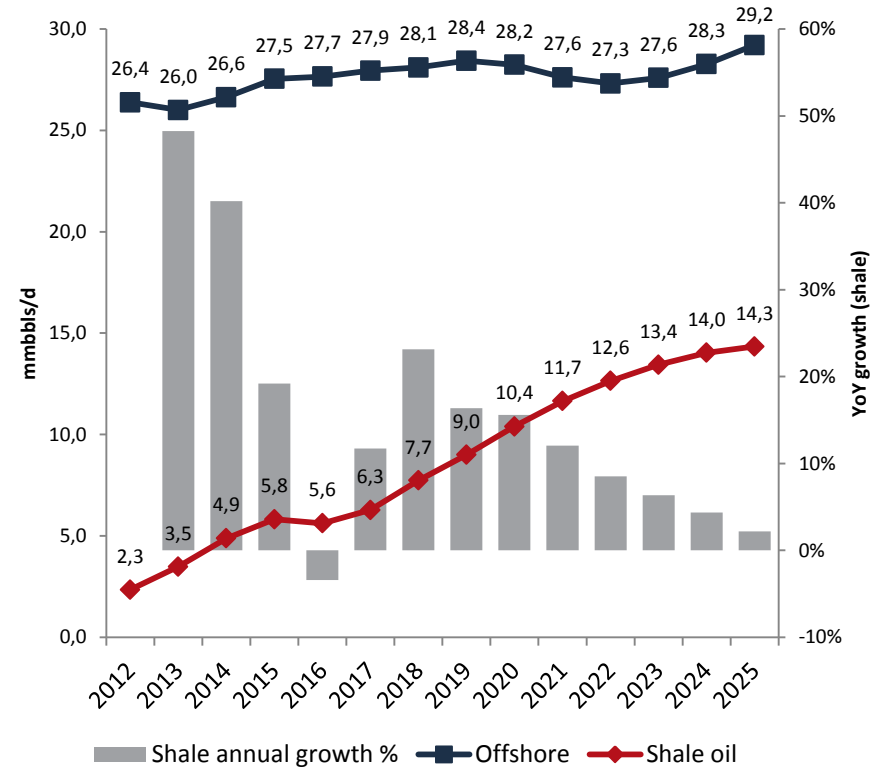
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We need offshore oil...

Global liquids production by source* - 2012 to 2025E



Offshore & shale liquids production* - '12 to '25E



Despite assuming immense growth in shale, offshore production needs to remain stable

Source: Rystad Energy; Clarksons Platou | *Forecasted Offshore production assumes "call on offshore" is met

The Offshore recovery has started and we expect it to continue to gain momentum

Drivers for Offshore recovery are in place...

1. Oil market is rebalancing
2. Oil prices have improved
3. Oil companies report positive Cash Flow again
4. E&P-spending has bottomed
5. Field development costs have come down
6. Project pipeline has been filling up

...And we are already seeing green shoots

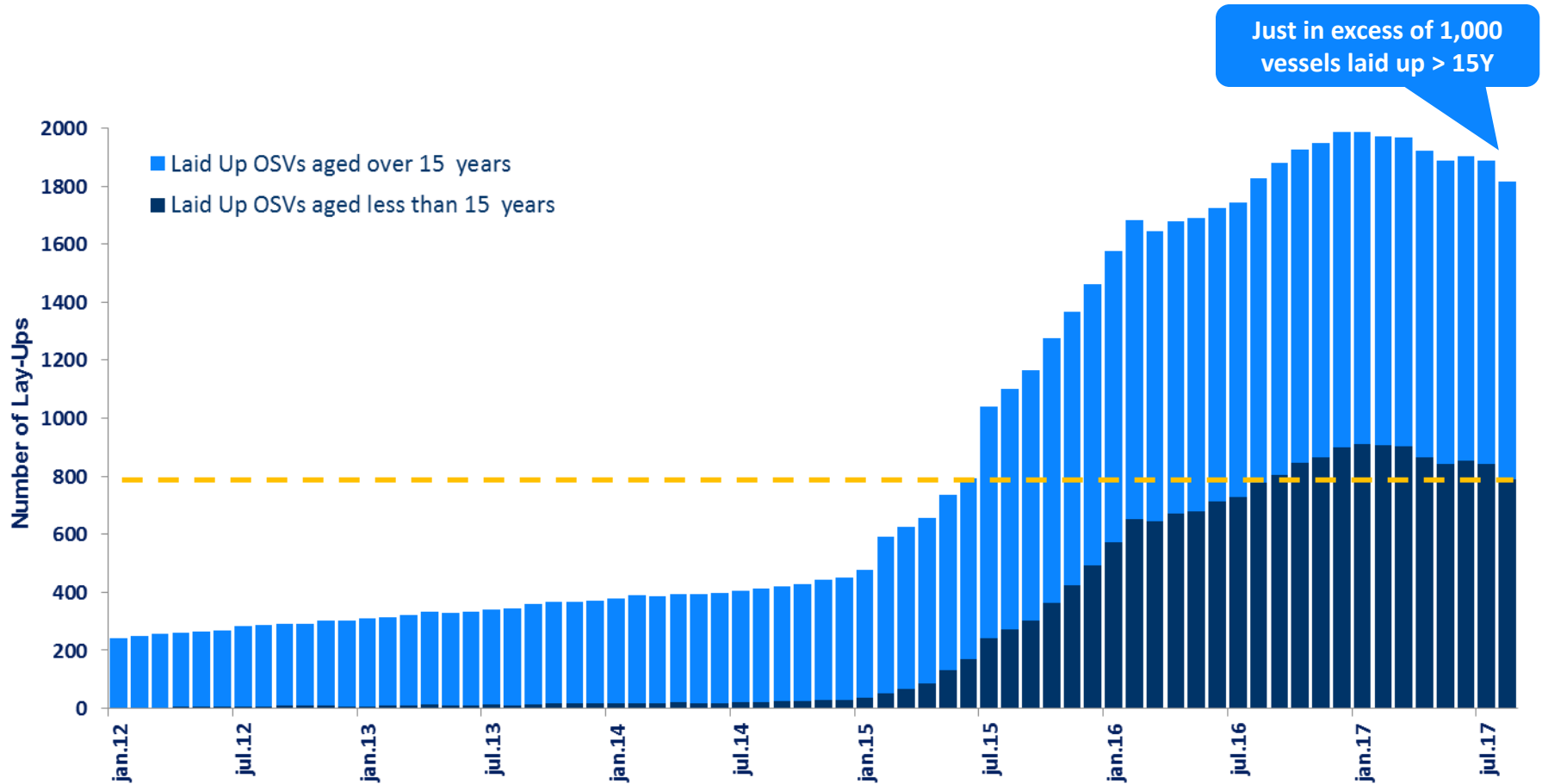
1. Rig fixing activity is up
2. More rigs are working again
3. Rig tendering activity continues up
4. Rig contract cancellations have stopped
5. Seismic late sales are growing
6. Subsea X-mas tree awards are up
7. FPU awards are up
8. PSV fixing activity is up (North Sea)
9. Increasing Corporate activity

Source: Clarksons Platou Offshore



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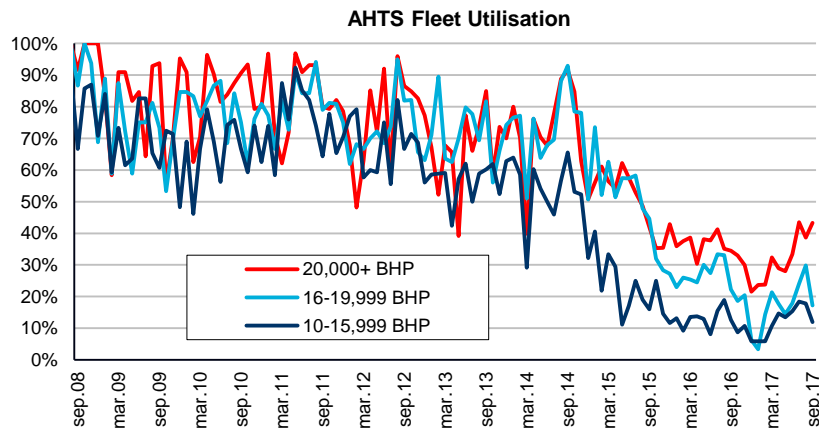
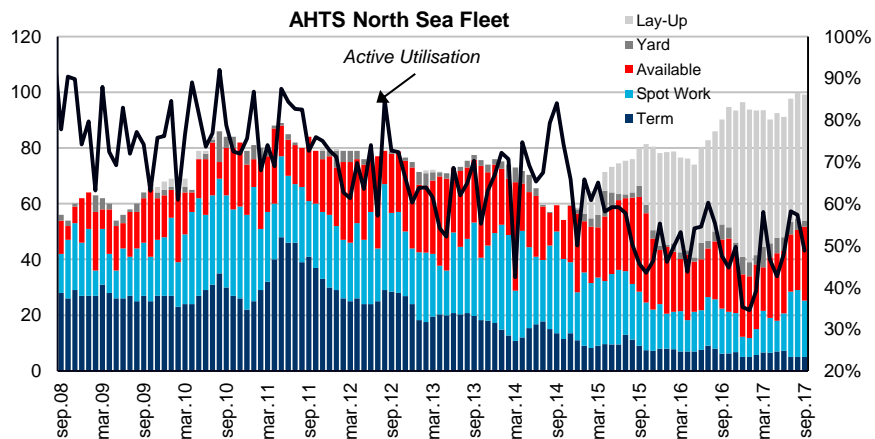
A large share of laid up OSVs unlikely to return to the offshore market



Source: Clarksons Research Services; Clarksons Platou Offshore

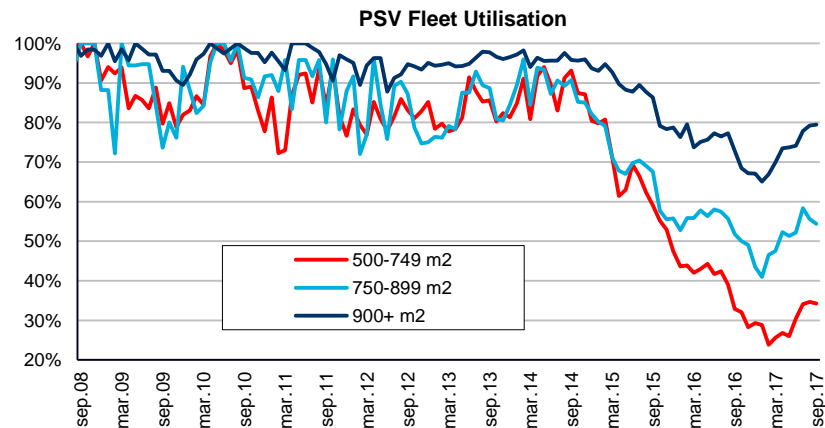
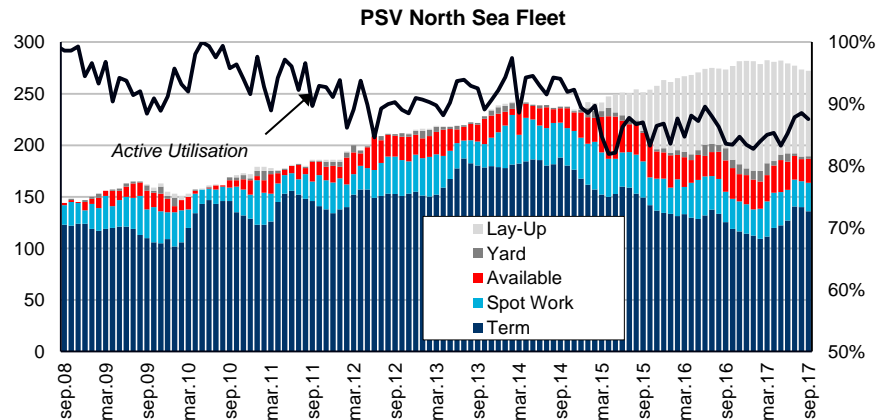
North Sea utilization improving slightly, in particular for the larger PSVs

AHTS



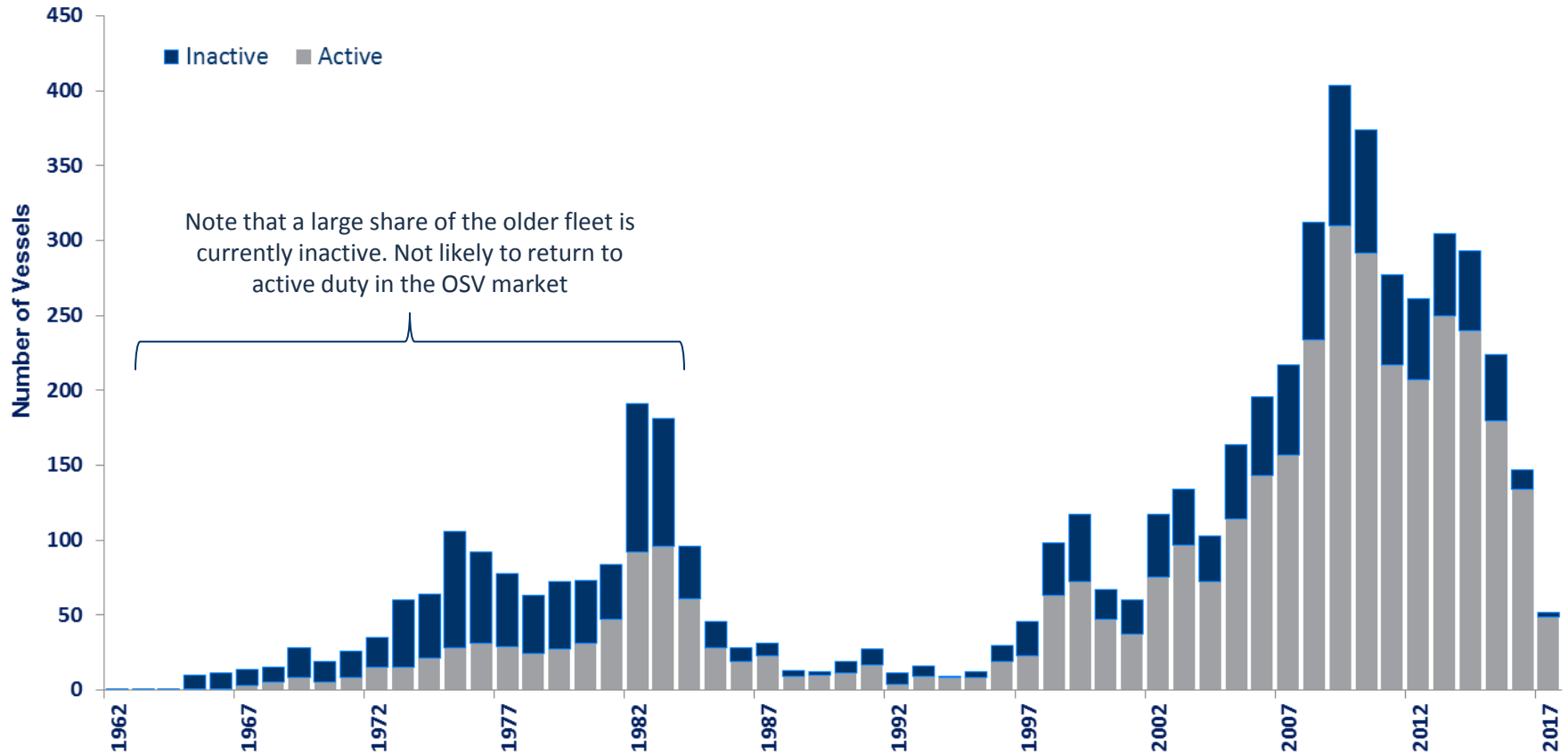
Source: Clarksons Research, Clarksons Platou

PSV



Source: Clarksons Research, Clarksons Platou

OSV fleet – age profile: The OSV fleet in general is fairly modern. Newbuilding activity forward will likely be limited



Source: Clarksons Research Services; Clarksons Platou Offshore

To sum it up...

- **The oil market is rebalancing and offshore oil is an essential part of oil supply**
- **We are seeing green shoots across Offshore and expect the market to gradually improve**
- **The OSV market is characterized by significant overcapacity, but many of the laid up vessels will likely deteriorate and be retired from the market balance**
 - North Sea somewhat different with laid up vessels largely modern and controlled by established owners
 - Level of maintenance and potential reactivation costs key items to consider when evaluating market balance
- **Following a newbuilding wave, we see limited newbuilding activity for a long period**
 - Specialized vessels (e.g. for Wind) and parts of Subsea likely exceptions

Thank you for listening!

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