

Markedsutsikter offshore oljeservice og offshore vind



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Note: This is an abstract of the presentation that was given at the seminar.
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There are two quite distinct views in the oil market

“Lower for longer”

- New paradigm
- Abundant shale oil and OPEC oil in the world to meet demand growth next 5-10 years at price USD ~50-60/bbl
- Cheap oil will squeeze expensive oil out of the market
 - OPEC + shale = cheap
 - UDW/DW/harsh/Arctic/heavy oil etc. = expensive
- OPEC has lost control of the oil market and the US is the new swing producer
 - «The oil market will see truly free market pricing for the first time since the 1930s»
- Demand growth moderate and it will take time to eat away current oversupply

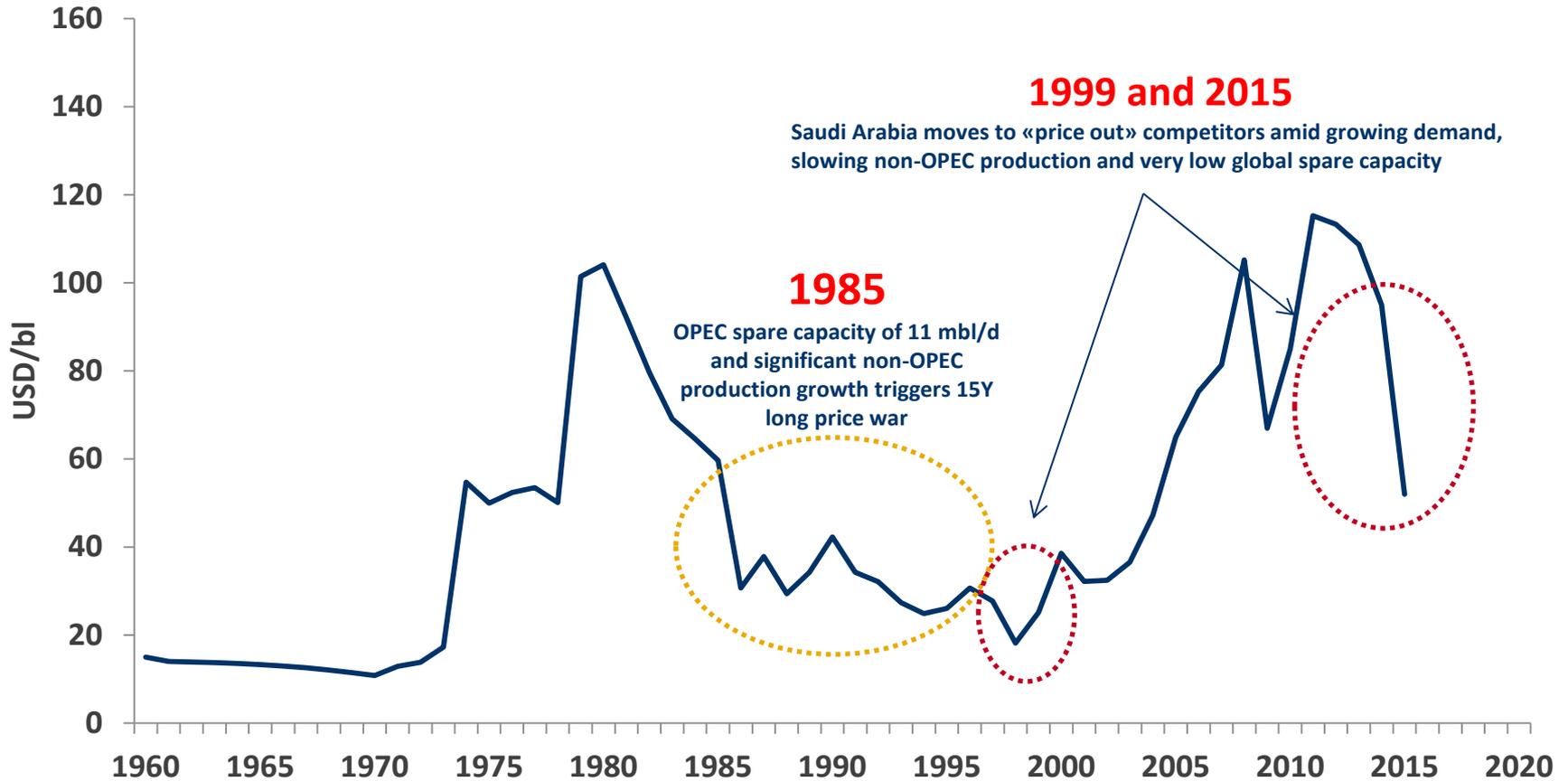
“Temporary supply glut”

- Temporary oversupply due to strong growth of US shale oil. OPEC change of policy amplified the price drop
- Demand remains healthy
- Real global spare capacity remains tight
- Supply will adjust on back of capex reductions
- N.America (US shale) production growth will stall on back of low prices
- The oil market requires a higher price longer term to bring required supply to market in order to meet demand growth

Clarksons Platou’s official oil market view remains in the “temporary supply glut” category and we expect the oil market to rebalance during H2/16

Why 2015 is 1999 rather than 1986

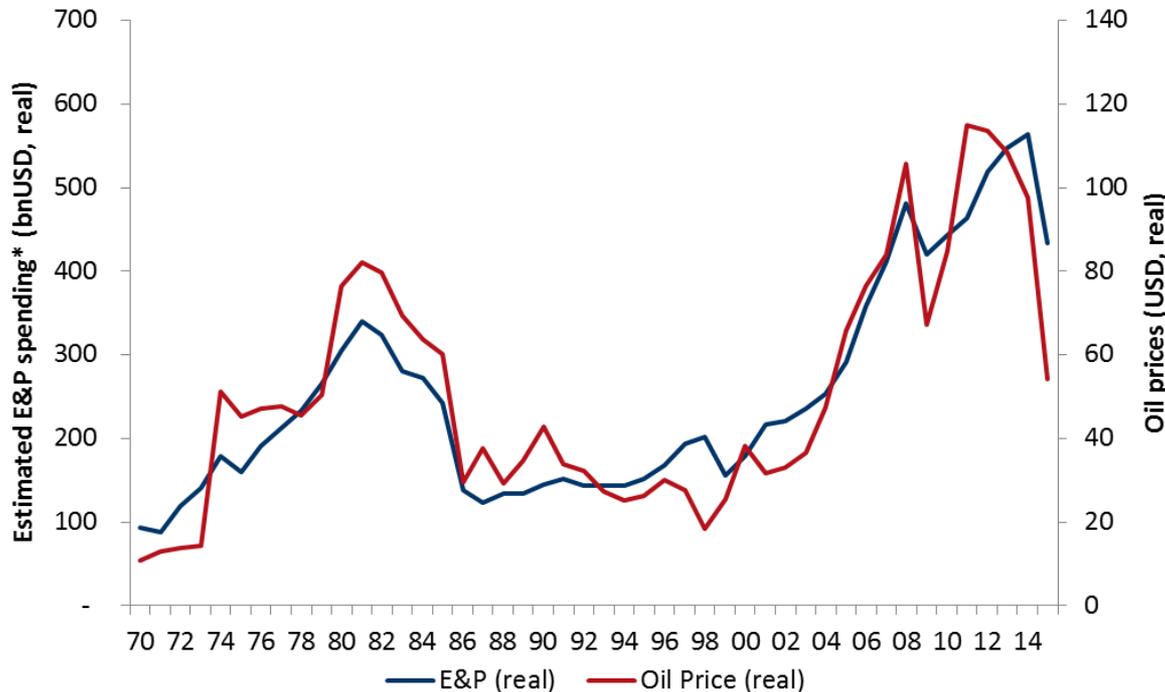
Oil price – 1960 to 2015 (in real USD)



Source: BP; IEA; Clarksons Platou Offshore

Global E&P-spending declined ~25% in 2015, the largest spending cut in history, both %-wise and in real money terms

E&P-spending trails oil price. Current spending cuts are aggressive, taking structural market balance into account



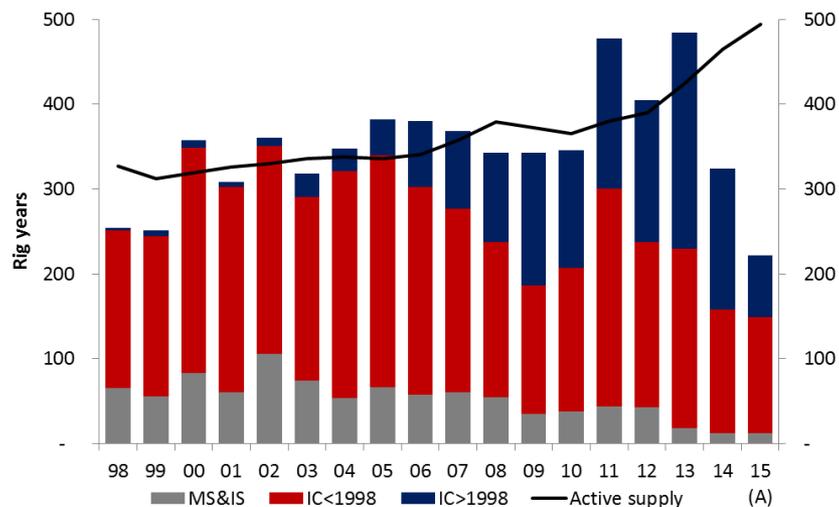
- Spending will decline further in 2016, potentially by another 20-25%
- This is very aggressive and will be the first time in more than 30Y that spending declines 2Y in a row (and that follows the most aggressive spending cut ever seen)
- Given what we believe to be a structurally tight market balance, such aggressive spending cuts could risk seriously disturbing the global supply system, paving the way for future oil price spikes and coherent significant investment hikes

“Of the USD ~750bn a year of upstream oil and gas investment the IEA estimates will be required, almost 85% will be needed to simply keep production at current levels” (XOM, “Long term Energy Outlook” report 2016)

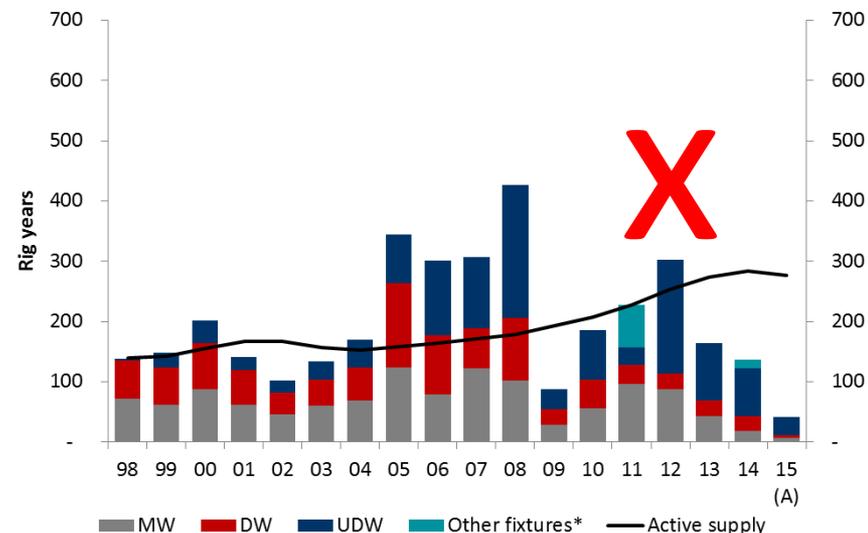
Source: Companies; IEA; ExxonMobil; Clarksons Platou Offshore

Rig fixing activity is miserable, particularly for floaters. Visible demand is limited

Jackups



Floaters



*Other fixtures = Petrobras domestic newbuilds + NADL/Rosneft

Fixing activity is highly correlated with oil revenues. Not likely to improve until oil prices strengthen

Note: (A) for 2015 refers to «Annualized», based on run-rate for 2015 YTD, and not «Actual»
Source: Clarksons Platou Offshore

Summary / Conclusions

What do we expect?

- **Oil market will rebalance. Oil price will increase**
- **E&P-spending will come further down. Sanctioning activity will remain very low**
- **Assets will continue to roll off contracts. More assets will be stacked and/or scrapped**
- **New contracts entered into will be at low prices / rates**
- **Margins will shrink, earnings will be reduced**
- **More companies will move into financial difficulties and/or restructuring. More M&A will follow**
- **Renewables, i.e. offshore wind, will grow strongly, but is too small to provide meaningful alternative activity for offshore oil and gas players (and less profitable)**

...BUT: It remains a cyclical business and eventually, it will turn again!

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