



Marine Construction Vessels

2008 has been a busy year for the offshore industry's marine construction contractors and their respective vessels. Worldwide fleet utilization has reached near all-time highs this year, with a large fleet expansion planned for smaller construction and support vessels. With offshore projects poised to continue as planned amid the global credit industry problems, this expansion of the industry's construction fleet should prove to be very beneficial going forward as operators continue the push for quick and efficient realization of production.

Global vessel utilization peaked around March of this year reaching just above 90 percent. This continuation of a roughly three-year up cycle in vessel utilization is poised to continue as construction activity continues to increase, and projects getting increasingly complex. One such future project is bp's Block 31 Northeast Development, or PSVM. Awards for this project were formally announced towards the end of July with three industry heavyweights collecting very large contracts.

Heerema, Subsea 7 and Technip received the offshore installation for the SURF portion of the PSVM development with Heerema's portion representing an astonishing U.S.\$1 billion. This award also denotes another significant happening as Heerema plans to relocate its BALDER construction vessel supply to West Africa from the Gulf of Mexico for this project.

Vessel relocations, the anticipation of large project awards and the development of a more efficient IMR vessel fleet have led to an increased need for more vessels – which the industry is well on its way to accomplishing. All in all, the industry is poised to see a 17 percent growth in construction vessels by 2011. A good portion of these vessels are planned for the Subsea Construction class of vessel and will be capable of installing a wide array of subsea hardware.

With the outlook for construction activities and the planned additions to the fleet, 2009 looks to be another busy year for the industry's construction vessels. Current thinking points towards some industry consolidation, however, no serious negotiations have materialized. No matter the circumstances, it seems certain that this segment of the industry will continue to improve upon an already great foundation.

For more information, contact:

Matt Pickard
Senior Market Analyst
Quest Offshore Resources, Inc.
Matt.pickard@questoffshore.com
(281) 491 - 5900

