The Future of the Offshore Drilling Industry to 2015 - Market Analysis, Capital Expenditure and Competitive Landscape

Reference Code: **GBIGE00026MR**

Publication Date: **February 2010**

GBI Research's new report "**The Future of the Offshore Drilling Industry to 2015 - Market Analysis, Capital Expenditure and Competitive Landscape**" provides an in-depth analysis of the offshore drilling industry and highlights the various concerns, shifting trends and emerging regions in the global offshore drilling industry. The report provides forecasts on the offshore drilling expenditure to 2015. The report includes exploratory and development drilling expenditure forecasts to 2015. The report also provides an in-depth analysis of the key trends and challenges in the global drilling industry. The report also discusses the major offshore projects globally and provides an analysis of the competitive scenario in each of the geographies. The report is built using the data and information sourced from proprietary databases, primary and secondary research and in-house analysis by GBI Research's team of industry experts.

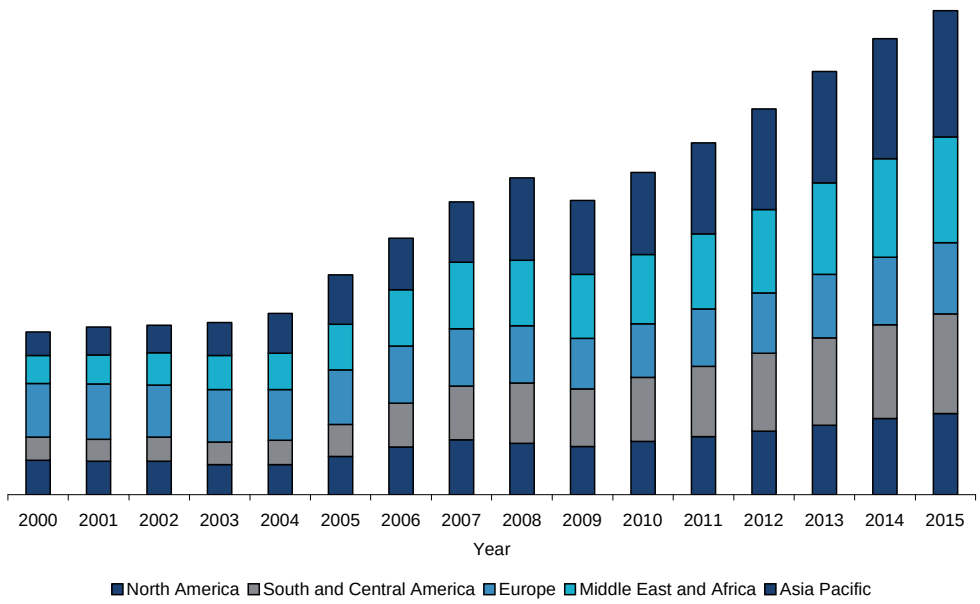
Global Offshore Drilling Expenditure is Expected to Grow to More Than $490 Billion in the Period from 2009 to 2015

The global offshore drilling expenditure has increased in recent years especially during the period from 2004 to 2008. According to GBI Research's estimates, approximately $350 billion was spent on offshore drilling from 2000 to 2008. The regions accounting for the major share of the spending were the US Gulf of Mexico (USGOM), West Africa, Brazil and Asia Pacific. The offshore drilling expenditure peaked in 2007- 2008.

The global drilling expenditure is forecast to grow at an annual average growth rate of about 6.6% in the forecast period of 2009 to 2015. The depletion of the reserves in onshore and shallow waters and the advancement in seismic and drilling technologies are driving the increased drilling activities in deepwater offshore regions. This trend is most visible in the offshore areas of the USGOM, Brazil and West Africa. The discovery of deep water and subsalt reserves is expected to drive investments in the sector.

As a result of the increasing demand and the decline of the reserves of crude oil and natural gas, the prices of crude oil and natural gas are expected to continue to rise. However, factors such as decreases in service costs as the offshore regions mature, and advances in technology leading to increased efficiency and a reduction in extraction costs, will combine to reduce the total investments. Nonetheless, the positive factors leading to increases in investments are likely to outweigh the negative factors, thereby significantly increasing the offshore drilling expenditure in the future.

Global Offshore Drilling Expenditure in $ Bn, 2000-2015

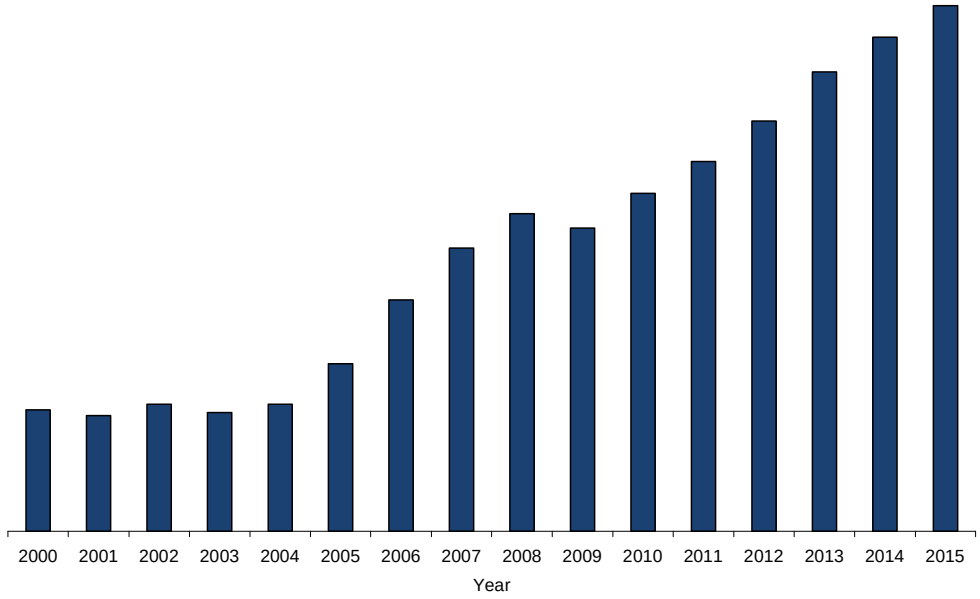


Source: GBI Research

South and Central America is Expected to be One of the Top Regions for Offshore Drilling Expenditure by 2015

Advances in technology and recent increased in commodity prices have lead to increased exploration in the offshore areas of South and Central America. Increased exploration has lead to some significant discoveries in the offshore regions. Brazil is the most promising region in South and Central America for offshore activity. Brazil is emerging as one of the most important offshore drilling markets in the world due to the discovery of huge reserves in the offshore regions of Brazil. Brazil's offshore crude oil reserves were 11,744.3 million barrels in 2008. New discoveries such as the Tupi field and the Azulao field are expected add significant reserves during the forecast period. These discoveries have demonstrated the presence of vast reserves of crude oil in the offshore regions of Brazil and are expected to attract a greater share of the future offshore drilling expenditure. Other countries, such as Venezuela, Peru, and Trinidad and Tobago, are also witnessing offshore activity, although to a smaller extent than in Brazil. According to GBI Research's estimates, offshore drilling expenditure in South and Central America totaled more than $55 billion from 2000 to 2008 with Brazil accounting for more than $45 billion of this. Further, South and Central America is estimated to attract close to $100 billion in the period from 2009 to 2015. Brazil alone is expected to attract a drilling spend of more than $80 billion in the offshore regions during the period from 2009 to 2015. The discovery of significant new offshore fields is expected to boost the growth of the drilling market in the region. With Brazil expected to become one of the major crude oil suppliers in the next decade and with most of Brazil's production coming from offshore areas, the drilling spend in Brazil is expected to increase significantly thereby increasing the overall expenditure in the South and Central American region.

South and Central America Offshore Drilling Expenditure in $ Bn, 2000-2015



Source: GBI Research

Increasing Trend Towards Deep and Ultra Deep Water Exploration and Production is Driving the Growth of the Offshore Drilling Industry

In recent years, there has been an increasing trend towards deep and ultra deep water exploration. With the decline in the available resources in the onshore areas, there has been a marked shift towards increased offshore exploration. Initially, the offshore exploration was mainly in shallow waters. However, in recent years, with the near complete exploitation of the shallow water resources worldwide, companies have begun drilling deeper in the oceans.

There have been huge deep water discoveries in various regions of the world, from Brazil, the USGOM to West Africa and the Asia Pacific region. In the USGOM there has been decreased activity in the shallow water areas. Natural gas production, which was the mainstay of the shallow water activity in the USGOM, has seen a steady decline in recent years. As offshore natural gas production is expected to decline in the USGOM, shallow water activity is expected to decrease. Also, shallow water operations are more likely to be affected by the economic downturn than the deep water areas, since the lease arrangements for the deepwater areas are typically longer and projects take more time to develop. Another major factor promoting the increased activity in the deep and ultra deep waters has been the advancement of technology. Perdido development operated by Shell is a classic example of advances in technology being put to good use. Perdido will be the deepest production platform in the world operating at depths of 8,000 feet under water. Petrobras' FPSO, which will be introduced next year, is a converted double-hulled tanker that can operate at extreme water depths and also will have a detachable turret buoy to be used during hurricanes while the FPSO can be moved to safer waters.

These and other factors have been mainly responsible for companies reaching previously unreachable areas. Subsalt reserves, which are typically petroleum reserves thousands of meters below layers of sand and rocks and salt, contain huge reserves of oil. Recent sub-salt discoveries have transformed Brazil into a country with one of the highest potential investment acreages globally. Tupi Field, which was discovered in November 2007, is the largest discovery in the Americas since 1970. It has estimated recoverable reserves of 5-8 billion barrels. This discovery in the pre-salt layer, which extends from the State of Espírito Santo to the State of Santa, is considered to be one of the most attractive exploration acreages worldwide. It will increase Brazil's recoverable reserves of crude oil by 50%, which will significantly increase the revenues of the

country's oil and gas industry. Geological similarities between the subsalt ares in Angola and Brazil have increased the hopes of finding huge subsalt reserves in the continental shelf areas of Angola.

As shallow water resources decrease, deep and ultra deep subsalt areas will play an increasing role in offshore oil and gas production. As the exploration and production activity moves into deeper water, offshore drilling contractors, especially major and technically strong companies, will grow strongly.

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