

SAOGA Networking Breakfast

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Offshore Supply Base Project
(pre-feasibility study)

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Agenda

- Project background & objectives
- Findings - Market challenges and opportunities
- Conclusions or Recommendations



SINTEF GROUP



Our vision

Technology for a better society

Our role

We create value through research and innovation, and offer concrete solutions for sustainable development.

Our distinctive character

The SINTEF Group is a multi-disciplinary institution with international top level expertise in several different areas of research.

We cooperate closely with universities, the authorities and industry, and combine research and business culture.



The background for the OSB project

- South African Oil and Gas Alliance (SAOGA)
 - Its mandate - to promote the O&G cluster in Western Cape and the overall O&G capability in South Africa to the Sub-Saharan region, and
 - To strengthen and develop the O&G clusters capabilities as a regional supply hub for fabrication, repairs, maintenance and logistics services for the Sub-Saharan O&G industry
- Under bilateral cooperation between the governments of South Africa and Norway, MARINTEK on behalf of SAOGA is executing a pre-feasibility study

The OSB project objectives

Objectives

- 1) Market analysis
- 2) The feasibility for an OSB with specialised services

Main activities

- 1) Concept development for an advanced OSB with specialised services
- 2) As-is analysis in South Africa
- 3) As-is analysis in the Sub-Saharan regional market
- 4) Field study trip
- 5) Evaluation of Feasibility/Commercial viability for an OSB
- 6) Suggested strategy / recommendations

State-of-the-art Offshore Supply Base (hub)



- Approximately 65 companies on base +
- Approximately 70 companies “next door”

Supply base – logistics hub – fabrication, repair and maintenance centre – subsea centre – industry park



- Total investment by OSB \$220 million
- Annual turnover by OSB operator \$100 mill

As-is situation in South Africa

- Small offshore O&G activities at home
 - Limited oil&gas reserves, modest exploration activities
 - Limited number of companies and economic impact
- Industry Cluster
 - Small and fragmented industry cluster, lack collaborative practice
 - Some areas of strong competence and good track record
- Infrastructure
 - Not state-of-the-art, substantial, partly outdated infrastructure in Cape Town, limited facilities in Saldanha and Mossel Bay
 - Well functioning society, well educated workforce, Cape Town a good location for foreign companies operating in the region!
- Government
 - NPA do not to offer a competitive environment
 - No free port/IDZ, promotion of FDIs, incentives
 - Challenging customs and tax systems
 - Insufficient academic education

As-is situation in Sub-Saharan region

- Nigeria, Angola, Namibia and Mozambique
- West African offshore O&G market
 - Strong to significant growth in exploration, field and operational activities
 - Projected offshore expenditure (09-13) in Nigeria and Angola, \$154.4 billion
 - Deep waters, complex fields, deep water rigs, drillships and FPSOs
 - Nigeria & Angola as leading O&G nations demands local content of 70%
- Industry Cluster
 - Strong involvement from state oil or state owned companies
 - The O&G sector is dominated by IOC, international service providers and support companies
 - Local content involves development of local manufacturing, training and education, technology transfer and socioeconomic development
 - Namibia is a strong challenge for the West African MMO market
- Infrastructure
 - Significant expansion of infrastructure, to support regional O&G activities
- East African offshore O&G activities
 - Increased exploration activities offshore Mozambique
 - Limited knowledge base, lack in infrastructure

As-is situation in Sub-Saharan region

- Government & general business climate
 - Strong government involvement, by state oil companies and state controlled companies can be challenging
 - Lack of transparency and good governance, challenging legal, tax & customs systems, etc.
 - Weak local knowledge base, small and limited range of local companies and competency the exception being Namibia
 - Governments promotes & support FDIs, JV, IDZ, Free ports, etc., particular Namibian government is pro-business friendly
 - Given all the challenges, why is West Africa an attractive location?

Conclusions

■ Market Situation

- Nigeria and Angola has the market, Mozambique is emerging and Namibia has the right business climate
- Local content requirements is a challenge
- Regional MMO market and subsea market is growing strongly, as well as logistics and supply services to support field operation
- Need for training and support services for subsea operation is in demand
- If major field discovery at home, an OSB with specialised services is needed

■ South African O&G cluster situation

- The window of opportunity towards West Africa O&G sector is closing fast, but opportunities are developing in East Africa
- Western Cape represent a repair and service centre in the region, but not an offshore supply base with specialised services, small cluster
- Current size and level of activities makes it commercially difficult to develop an OSB with specialised services

Conclusions continues ...

- South African O&G cluster situation - to boost activities;
 - The government and its affiliated organisations needs to give priority to the O&G cluster, streamline policies and regulations with industry norms
 - There is a need to upgrade existing infrastructure to meet present and future needs and requirements from the international O&G industry
 - The industry is fragmented, lack coordination and cooperation, the cluster needs to be more united and build on common strengths and develop synergies
 - The MMO market is important, but one should seek to explore/develop and strengthen capabilities in the Subsea segment
 - The pool of skilled workers and qualified engineers is small, need to enhance education and seek to develop local content

Suggested strategies/recommendations

- The government needs to develop and establish a proactive and business friendly environment ASAP
- The local O&G sector needs to be better coordinated and work to develop synergies and areas of collaboration in the MMO segment
- Seek to attract international shipyard, OSB and port operators to establish activities in Western Cape
- Seek to promote Cape Town as a Sub-Saharan regional HQ for IOC and service providers that operates in the region
- Promote and establish a Sub-Saharan training centre for offshore O&G operation
- Expand on existing logistics and supply capabilities to become a regional HUB for the O&G activities in West and East Africa
- Develop a maritime knowledge HUB

Thank you for your attention!

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