

FpsO Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The floating production, storage, and offloading (FPSO) market is expected to record a CAGR of around 5% during the forecast period. The COVID-19 pandemic severely impacted the market, with many companies recording low profits during the period due to project delays and shutdowns. For example, MODEC, an FPSO construction company, faced a decline in its profits due to the delays in FPSO construction projects and prolonged shutdowns of the producing ones. The cost overrun due to supply chain issues was the most prominent reason behind this. The global FPSO market is largely driven by the growing trend of ultra-deepwater oil and gas exploration and production and rising crude oil prices, leading to affordability issues for new businesses. However, the long conversion time of a ship to FPSO and self-competition between companies with offshore pipeline infrastructure are some of the limitations that could hinder market growth over the coming years.

□ The contractor-owned segment is expected to witness significant growth during the forecast period due to the awarding of more new build and conversion projects by operators to other parties globally.

□ The aging FPSO units and the anticipated field closures are expected to create ample opportunities for new FPSOs to come online for production over the coming years. Moreover, companies have come up with more advanced versions of FPSOs in the recent past with more processing capability than the older ones and many other technical advantages.

□ The South American region is expected to dominate the market during the forecast period due to more FPSO contracts being signed to deploy the units in the region over the coming years.

FPSO Market Trends

Contractor-owned FPSO Expected to Dominate the Market

□ There are three types of FPSO procurements, namely, the new build, conversion of an existing ship, and redeployment of an

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existing unit. The redeployment option has many challenges. The difficulty in redeployment is that their characteristics are highly customized for the exploitation of a specific field. Thus, the new build and conversion type of procurement is best suited, for which the operators have generally preferred third-party contractors for specialized services in the last two decades.

□ Brazil is the country where the maximum number of FPSO units came online in the last five years. The maximum FPSOs were deployed in the Buzios field, with a total production capacity of 600 thousand barrels per day, as of 2020. They were largely the result of lease contracts to various other parties. Petrobras, the field's sole operator, recently kicked off its bidding process to select FPSO players to construct more units for the field.

□ In June 2021, Petrobras awarded an FPSO construction award to a Saipem-led joint venture for the development of the offshore Buzios field. The FPSO named P-79 will be developed by Saipem and DSME. The project is expected to have an oil processing capacity of 180,000 barrels of oil per day and 7.2 million cubic meters of gas per day. The unit and other newly contracted FPSOs for the field are expected to come online before 2026.

□ More units are being contracted for over the coming years worldwide. For instance, in October 2021, Aker Solutions received a Letter of Intent (LOI) for a front-end engineering and design (FEED) contract for the deployment of an FPSO unit in the Wisting field, Barents Sea, Norway. The planned completion is in the third quarter of 2022.

□ Such initiatives are expected to drive the contractor-owned segment of the market over the coming years.

South America Expected to Account for the Major Market Share

□ The South American region is expected to steer the global FPSO market to the greatest extent. Brazil and Guyana are the most significant countries in the market since the demand for FPSO has substantially increased there in recent years.

□ In 2020, the state in Brazil with the highest crude oil production was Rio De Janeiro, where almost all the producing fields were located offshore, with around 853 million barrels of production. Moreover, in 2021, seven out of ten FPSO contracted projects were from Brazil. And in 2022, three additional projects are about to be added to the portfolio of the country.

□ In 2021, Yinson Holdings Berhad received two LOIs (Letter of Intent) from Petrobras to supply the Integrado Parque das Baleias (IPB) FPSO under a lease and operate agreement. The FPSO will be deployed at the Jubarte field in the North Campos basin, Brazil. The USD 5.2 billion project is expected to start production in 2024 and will continue to serve the company for 22.5 years.

□ In November 2021, SBM Offshore bagged a FEED contract for the deployment of an FPSO vessel for the Yellowtail development project in Guyana. The contract was awarded by Esso Exploration and Production Guyana Limited, the subsidiary of Exxon Mobil. The company will fabricate, install, and operate the unit for around two years from the commencement of production. With a production capacity of 250,000 barrels per day, the FPSO is likely to start production in 2025.

□ Owing to such developments, the South American region is expected to hold a significant market share during the forecast period.

FPSO Market Competitor Analysis

The FPSO market is moderately consolidated. The key operators in the FPSO market include Petroleo Brasileiro SA (Petrobras), CNOOC Ltd, TotalEnergies SE, Exxon Mobil Corp., and Shell PLC.

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