

## Singapore fabrication giant targets pre-salt contracts as floater market starts to return



Ambitions: Keppel chief Choo Chiau Beng is targeting fabrication work with Petrobras

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# Keppel building muscle in Brazil

SINGAPORE-based yard owner Keppel Corporation is set to expand its Brazilian operations to benefit from Petrobras' massive pre-salt oil and gas investment drive, but will do so in a measured and conservative manner.

Keppel has nine years of experience of offshore construction for Brazil, having delivered massive structures such as the P-51 and P-52 semi-submersible production units.

In order to cope with the large number of potential new orders from Petrobras, Keppel chief executive Choo Chiau Beng acknowledged the 360,000-square-metre yard operated by BrasFels would need to expand its capacity.

However, the Singapore-based builder is wary of taking on ventures that it deems too risky, despite increasing demand in Brazil.

Talks were held with Brazilian group WTorre, but Choo said Keppel dropped out of the deal because it was too complicated.

Keppel is also likely to focus on its core strengths in jack-up and semi-submersible rig building rather than looking to compete in other areas such as newbuild floating production, storage and offloading vessel construction.

Although Keppel is very active in the FPSO conversion sector,

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primarily through Keppel Shipyard in Singapore, it is less interested in pursuing newbuild contracts for ship-shaped vessels than rig building projects.

Keppel has experience in building hull-shaped vessels such as ice-breakers but the yard does not find them "profitable" as compared with jack-ups or semi-submersibles, Choo said.

Against that backdrop, Keppel submitted the highest bid in Petrobras' tender for eight new-build FPSO hulls, twice that of the lowest bidding Brazilian consortium of Engevix with GVA.

The winner of the tender is required to start up a new facility in southern Brazil, which Keppel viewed as an unfavourable condition.

"Starting up a greenfield yard is expensive and time-consuming and management-intensive," Choo said. It can take 20 years for a new yard to be profitable, he cautioned.

Meanwhile, Keppel continues to pick up Brazilian work.

Just last week it confirmed it had won contracts worth \$304 million to upgrade and repair two of Noble Drilling's Brazil-based drillships. Back home in Sing-



Track record: the P-52 semi-submersible in the final stages of commissioning at the BrasFels yard

apore, Keppel Shipyard is well placed to bag at least two other FPSO conversion projects given its track record and willingness to extend financing to contractors.

Keppel is open to consider taking up a 20% to 30% ownership interest in the FPSOs that are due to be converted at its yards, according to Choo.

Choo confirmed a deal is being worked out with Singapore-based contractor Emas Offshore (EOC).

Although the Keppel chief did not identify the project, sources said the duo is in talks over the

Chim Sao FPSO project for Vietnam.

Other than EOC, Malaysia's Bumi Armada and Norway's BW Offshore are thought likely to go with Keppel for conversion of the Te Giac Trang and Papa Terra FPSOs respectively, sources said.

In terms of Keppel's overall business performance, Choo declined to comment specifically on the profit margins of Keppel rig building projects. However, he said the offshore marine unit is set to widen its operating margin to 12% this year.

## Orders for FPSOs are on uptick

ORDERS for floating production systems have resumed after a one-year hiatus with 170 new projects reportedly in the pipeline, writes Iain Esau.

Six floating production, storage and offloading vessels and one tension-leg platform have been ordered since mid-year, said Washington-based International Maritime Association (IMA) in its latest sector report.

In Brazil, these include an FPSO-TLP combination for Petrobras' Papa Terra project as well as an FPSO for its Parque das Baleias field.

An FPSO contract has been placed by Noble Energy for its Aseng development off Equatorial Guinea, while further FPSOs are destined for Vietnam — at Hoang Long's Te Giac Trang and Premier Oil's Chim Sao projects — and Italy — at Eni's Aquila field.

IMA said the number of potential floater projects in the planning cycle continues to increase with 170 projects in the bidding, design or planning stage, marking a net increase of 10 schemes compared with July this year.

Brazil is the most active region for future projects with 34 potential schemes, followed by West Africa with 31, South-East Asia with 26, the Gulf of Mexico with 25 and northern Europe with 19.

Australia-New Zealand comes next with 13 possible projects while the Mediterranean has 10, the rest of North America six, South-West Asia and Middle East four and China two.

Of these developments, 43 are said to be in the bidding or final design stage and will likely begin production within the next 12 to 24 months.

More than 70% of the near-term projects are concentrated in South-East Asia, West Africa, Brazil and northern Europe.

Petrobras is clearly the lead player, with 28 floater projects in the planning stage, followed by Shell, Chevron, ExxonMobil, Eni, BP, Total, Anadarko, Pemex and Petronas. Together, these 10 operators account for 53% of planned projects.

IMA reported that the number of available production floaters has been increasing over the past year. "There could be as many as 23 units now looking for work. Included among these are 13 units that have come off-field and are being actively remarketed for redeployment," it said.

Another five units speculatively ordered are nearing completion and being marketed, said the consultancy, adding that "there are five units that appear available, though their status and suitability for field use is unclear".

Among the off-hire FPSOs are Griffin Venture, Front Puffin, Ruby Princess, Ming Zhu, Munin, Uisce Gorm, Glas Dowr, Modec Venture I, Falcon, Rang Dong 1 and BW Carmen while two semi-submersible floaters — Opti-Ex and FPF 1 — are also seeking work.

The speculative units being marketed, according to IMA, are Nexus 1, Deep Producer 1, MT Arc, Sevan 4 and Sevan 5.