



Westwood
Global Energy
Group

Subsea UK

Subsea Opportunities Europe

27th July 2021



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Group

Every day, organisations turn to us to answer their strategic, commercial and technical questions

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& insights

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They trust our solutions when making critical decisions - time and time again

1.

Quality:

Excellence in
- excellence out

2.

Specialisation:

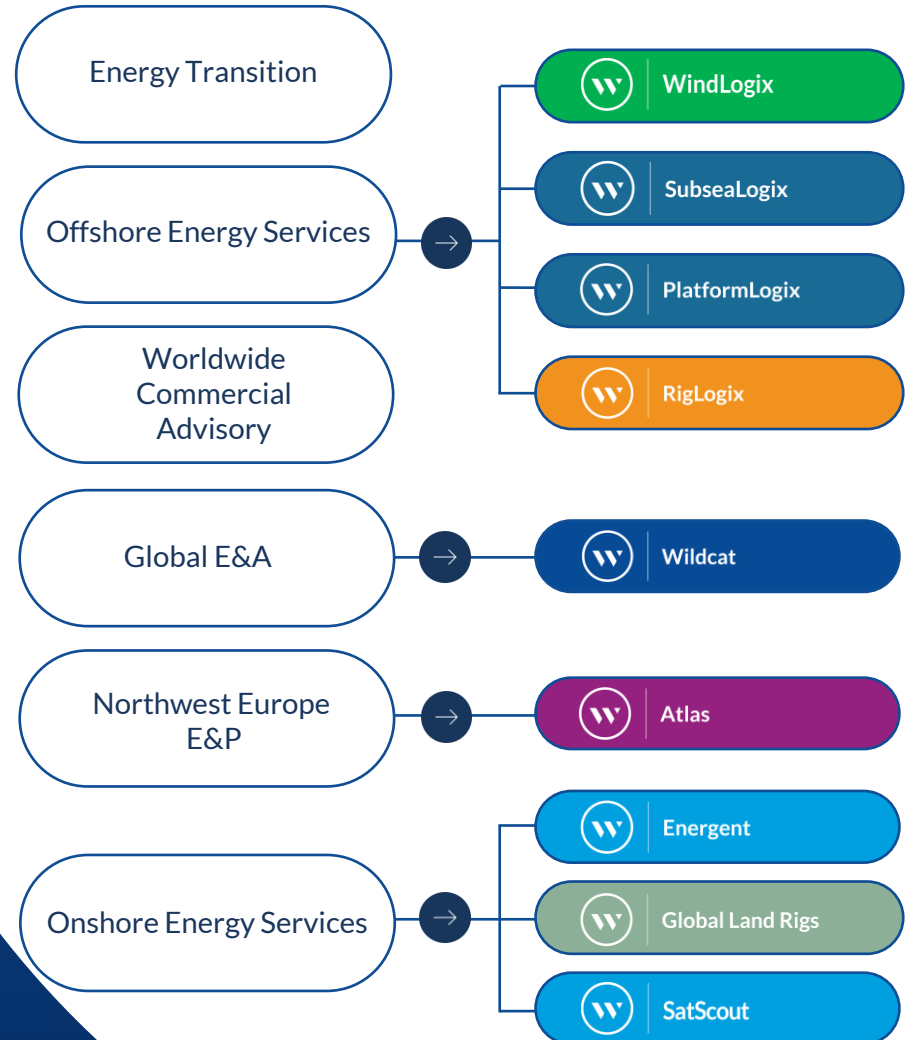
Focusing on
underserved areas

3.

Flexibility:

Adaptive, creative
and responsive

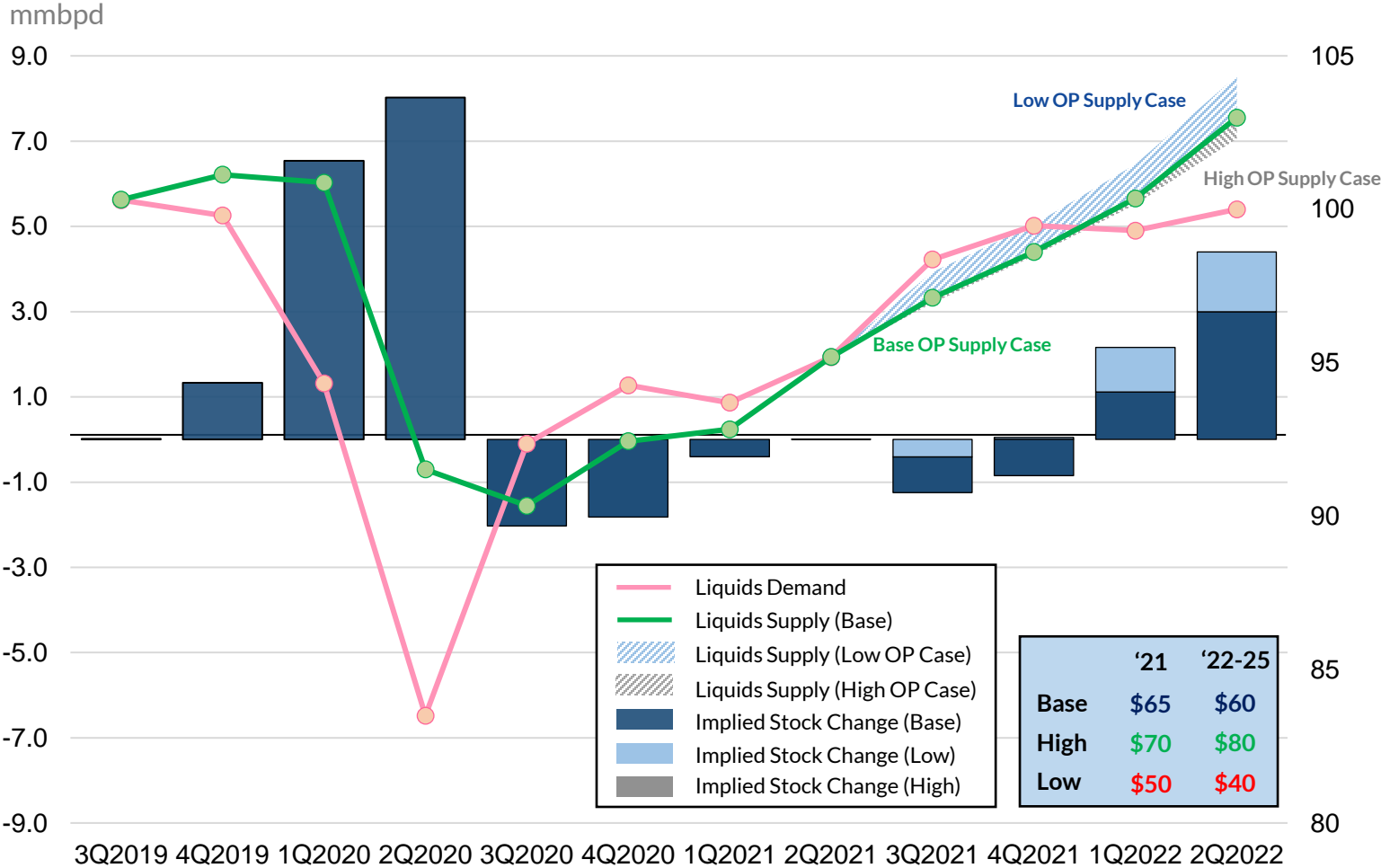
We are world-class energy research and advisory experts



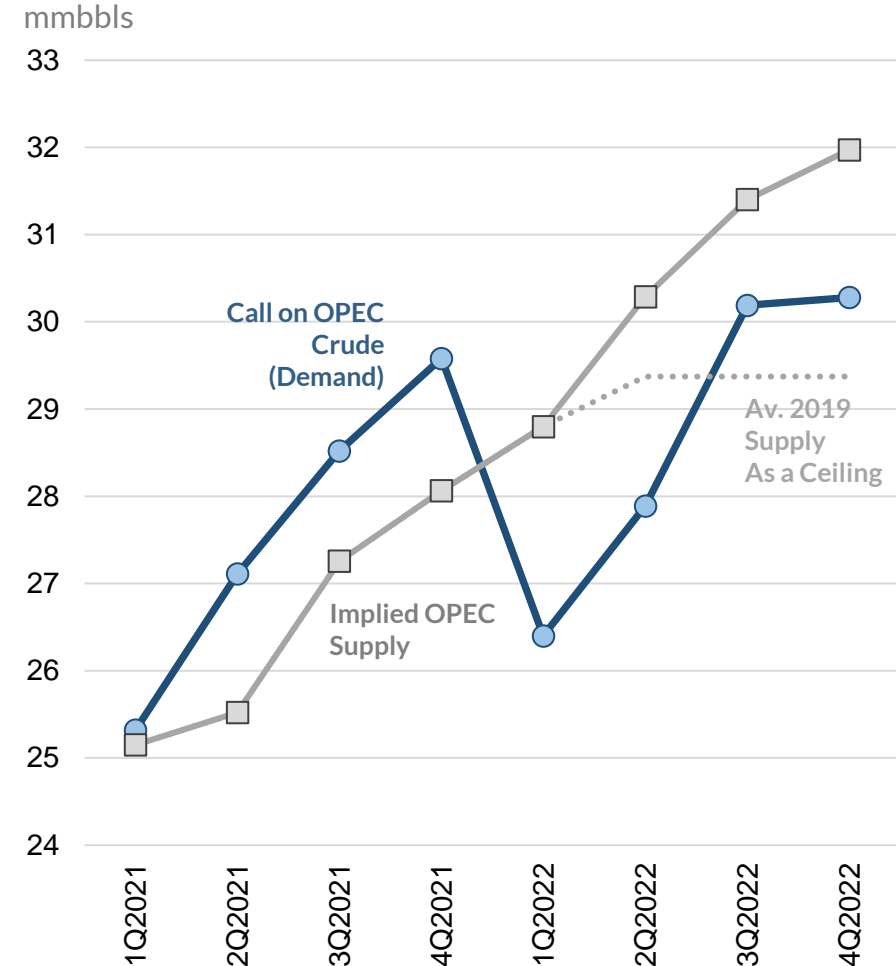
2H2021+ Oil Market Expectations

A new OPEC+ plan to release 400k bpd of crude into the market monthly starting from August should be supportive of >\$60/bbl for the second half of this year.

2021 Oil Market Balance and WGE Brent Assumptions



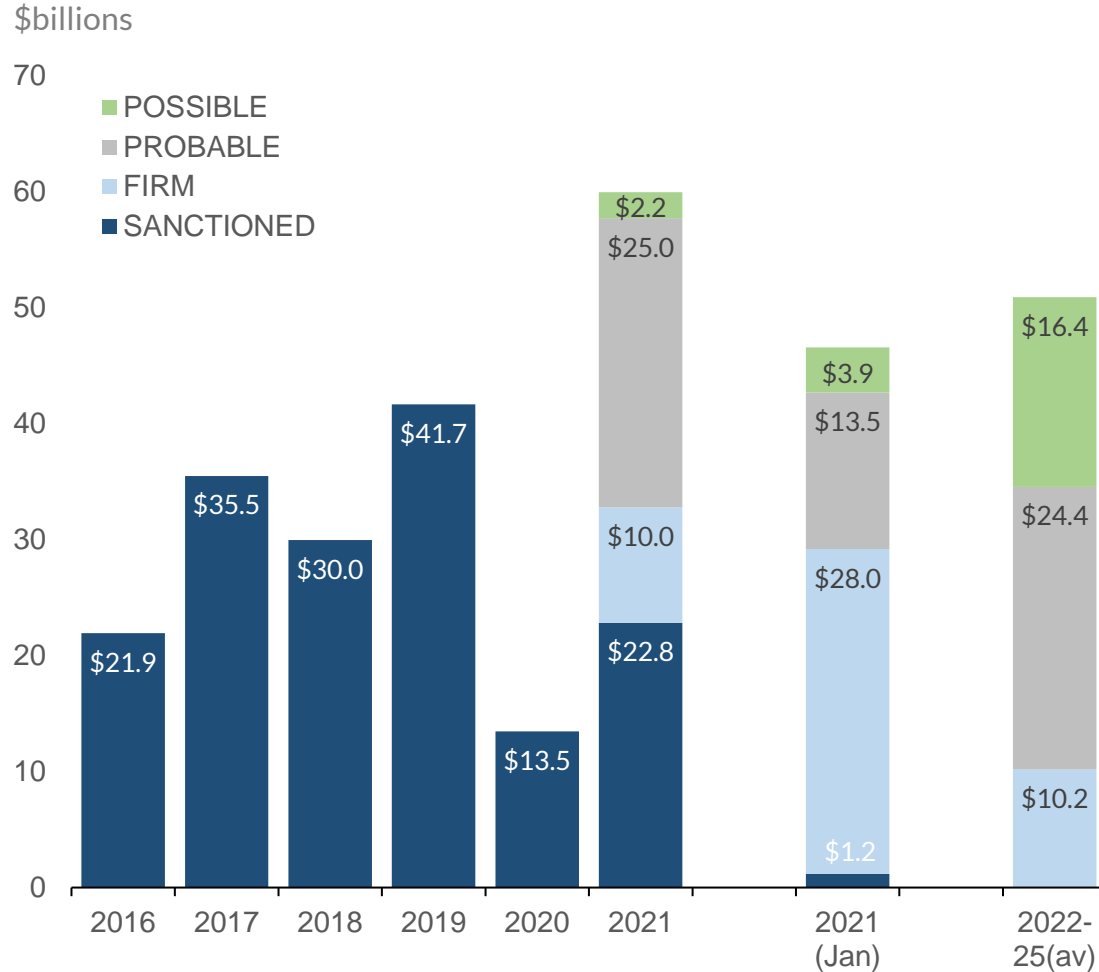
OPEC Supply/Demand Analysis



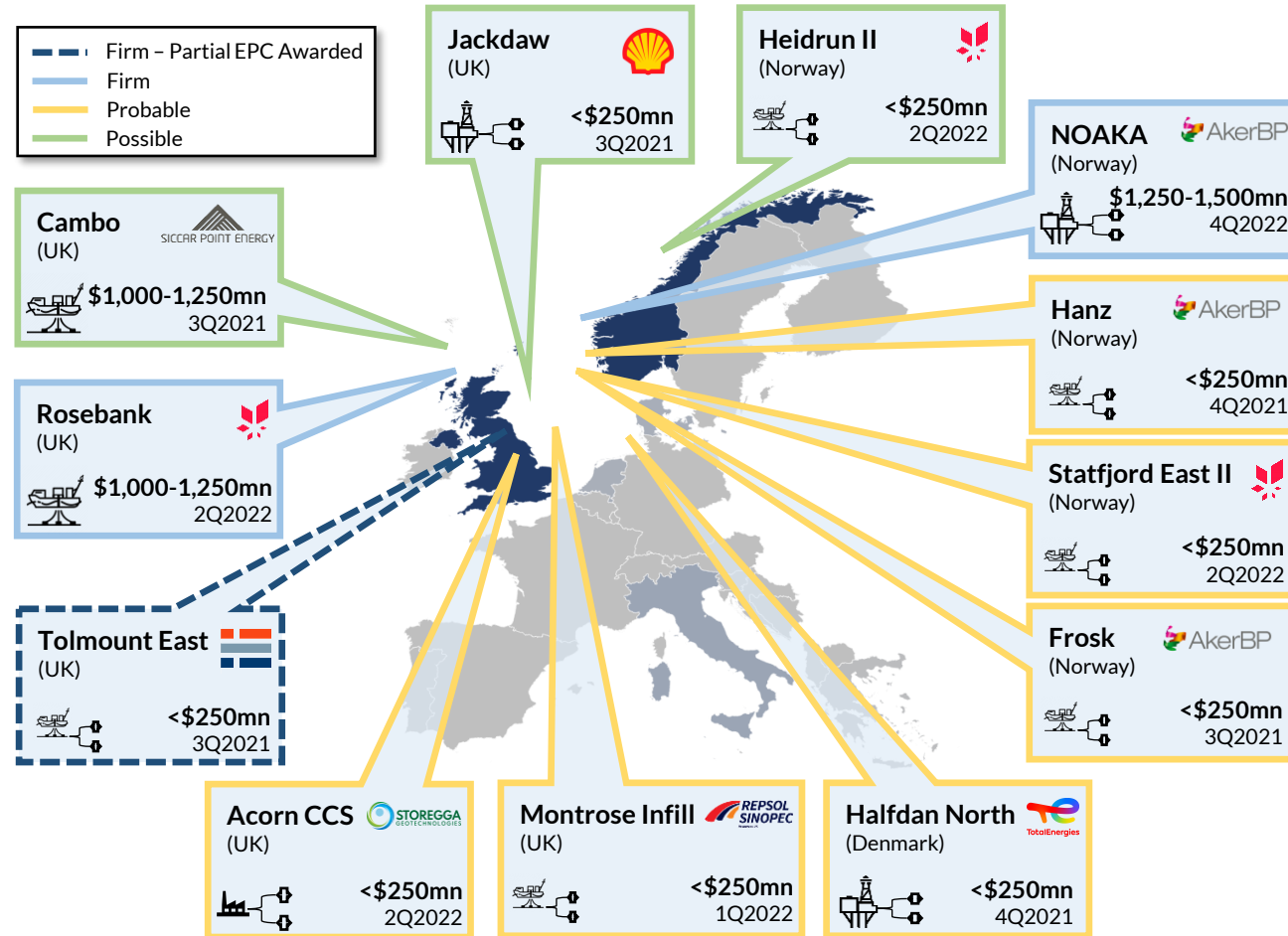
Global Offshore EPC Investment

2021 is expected to see \$59bn in Offshore EPC investment globally, with Europe contributing only 7%. Siccar Point will account for 27% of spend in the region driven by its Cambo development, with Equinor only accounting for 15%.

Global Offshore EPC Investment Outlook



Major 2021-22 Offshore EPC Awards – Europe



Subsea Market Sentiment

1H 2021 subsea OEM order intake was up 32% on 1H 2020*. Although the most valuable awards forecast for 2021 have likely already fallen into 1H, cumulative backlog is expected to remain positive through the second half of the year.

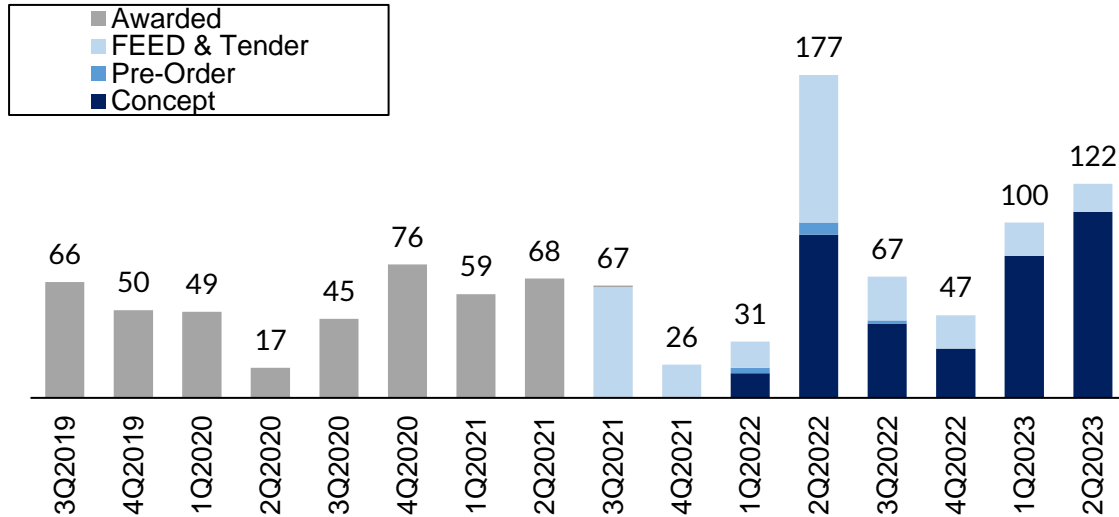
Global Subsea Tree Orders

Trees

"While Brent prices are near \$70 and FID activity is beginning to pick up, we continue to expect only a modest improvement in industry subsea tree awards in 2021 followed by some additional growth in 2022.." [July 2021]



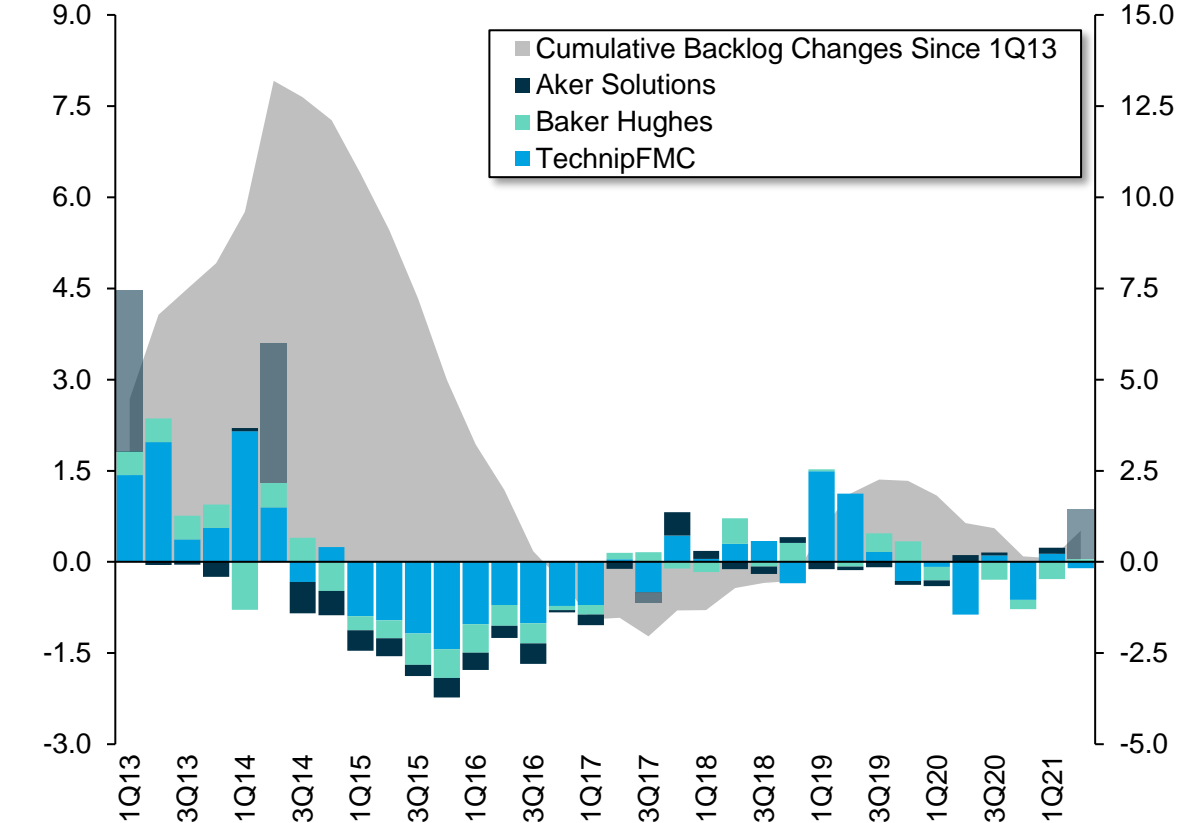
"When using the midpoint value of our Subsea Opportunity List, the project award potential has increased by nearly 20% to \$17bn over the next 24 months." [July 2021]



Tier 1 Subsea OEM Implied Incremental Backlog booked

Quarterly Order minus Revenue (\$billions)

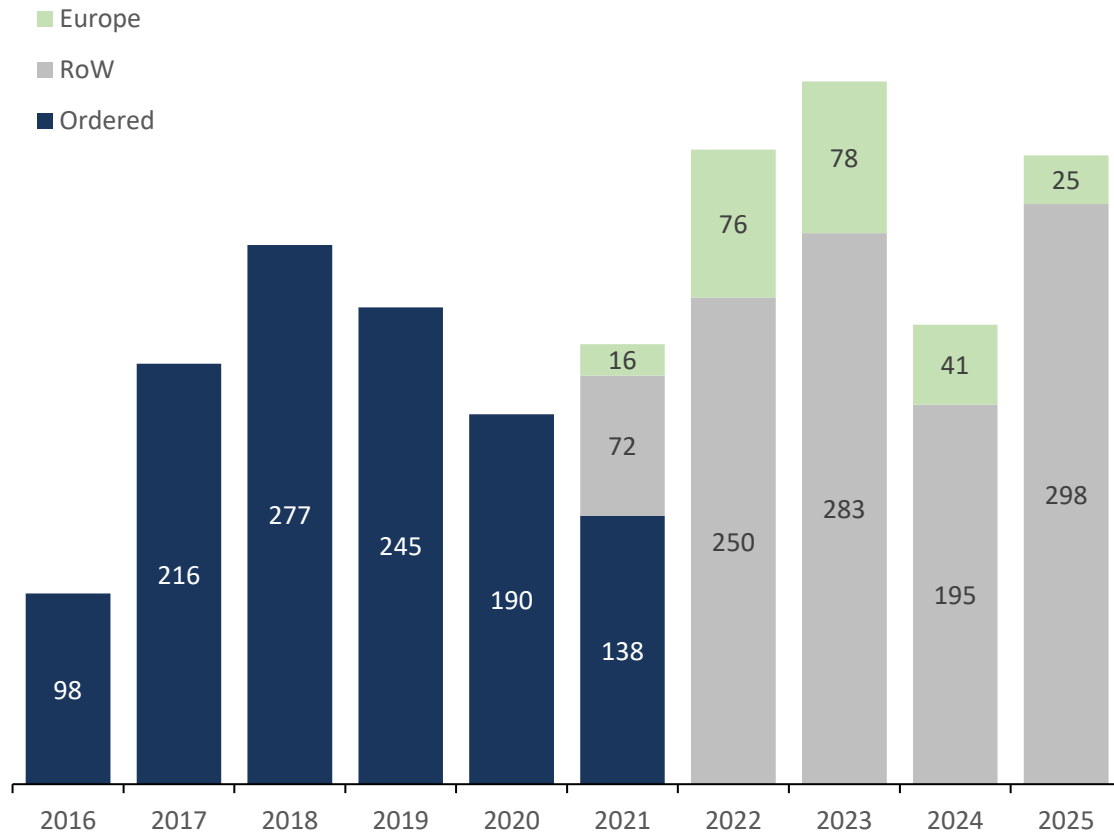
Cumulative quarterly Order minus Revenue (\$billions)



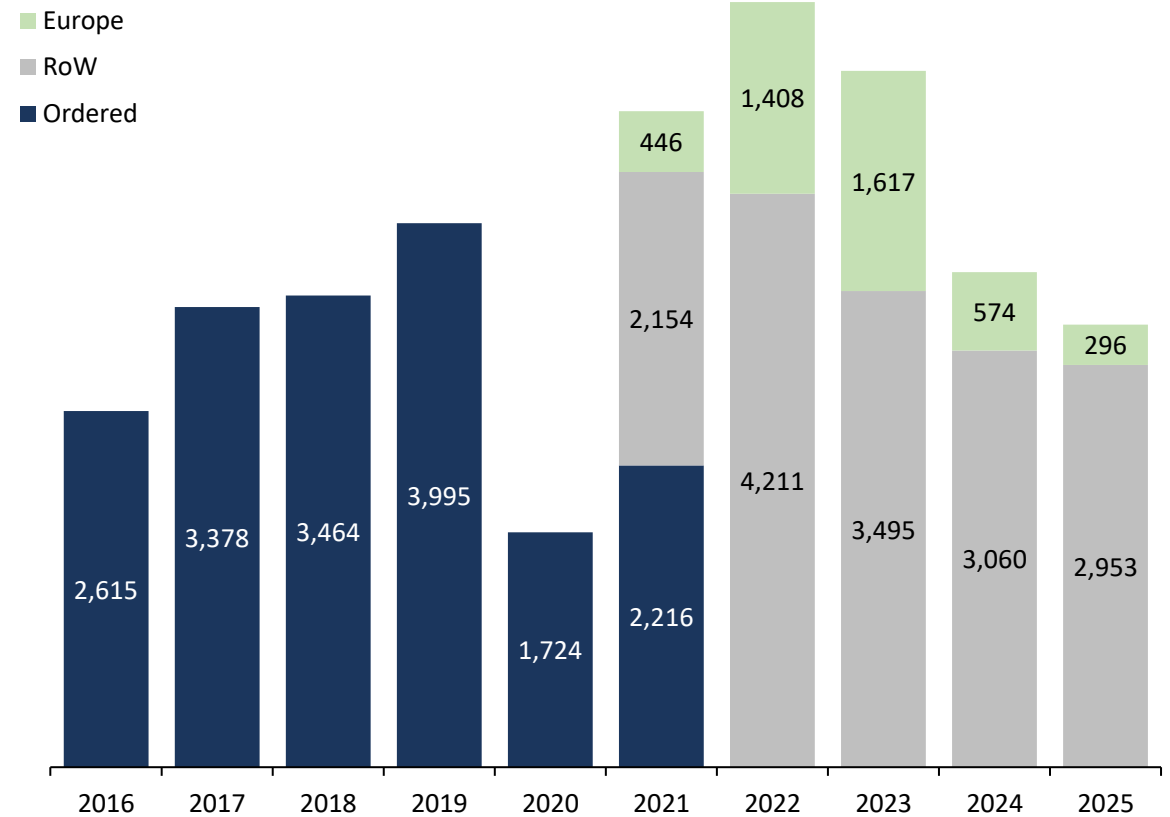
Subsea Equipment Market Outlook

Europe accounts for 16% and 20% respectively of forecast subsea tree and SURF order intake from 2021-2025. Only 24 subsea tree units have been booked/awarded in Europe YTD, compared to 114 units in the RoW.

Global Subsea Tree Orders
Trees



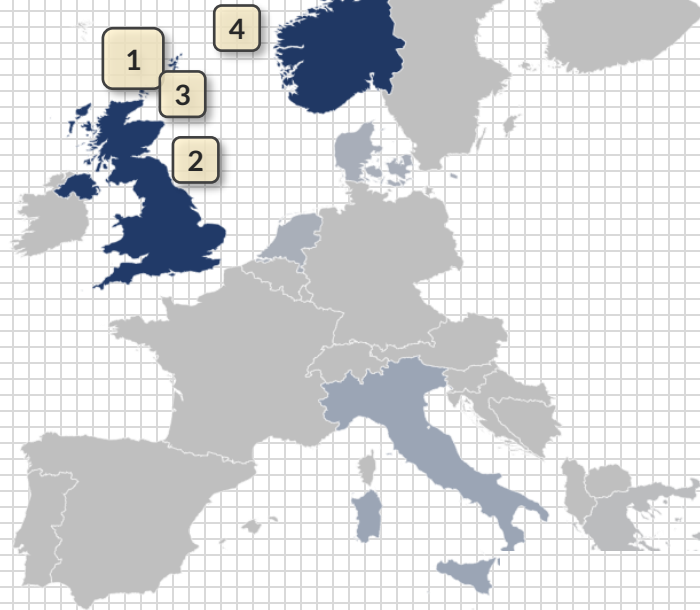
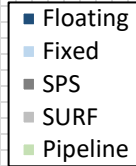
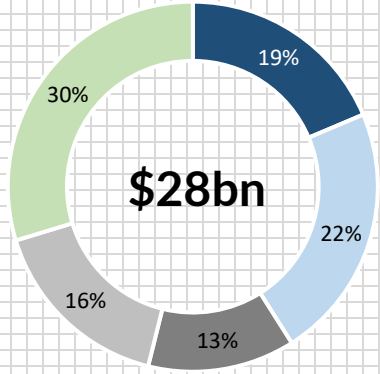
Global SURF Orders
Km SURF



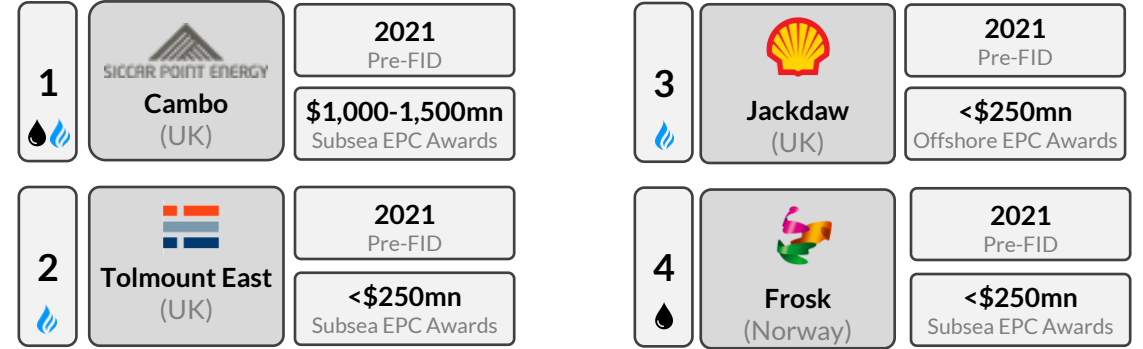
Europe Focus

Westwood estimates \$4bn of contract awards in 2021. Contracting activities in Norway is forecast to increase through to 2023, as E&Ps accelerate development plans so as to benefit from the temporary tax incentives introduced in 2020.

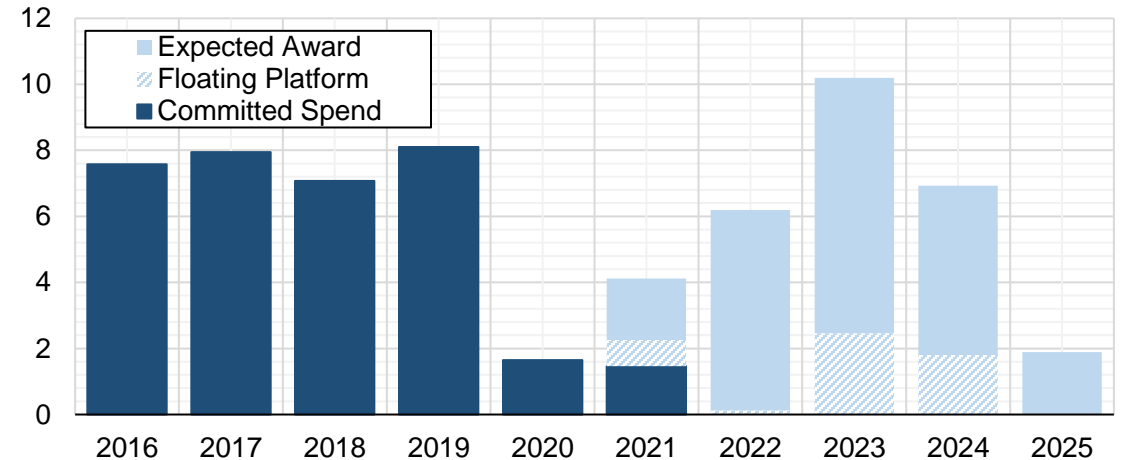
2021-25 Offshore EPC Spend



2021 Key Offshore EPC Opportunities



Offshore EPC Awards (\$bn)





- Oil prices continue to exceed expectations in 2Q21 driven by strict OPEC+ quota compliance and resurgent US consumption.
- Positive market sentiments starting to materialise, with subsea cumulative backlog (Cumulative backlog is measured by the summation of quarterly order minus revenue since 1Q 2013) raising to approximately \$0.9bn at the end of 2Q. The highest since 3Q 2020.
- \$1.2bn of subsea EPC contracts in Europe (15% of Global subsea EPC value) already awarded year to date, \$1.1bn of subsea EPC contracts award in Europe (\$10.7bn RoW) is still anticipated in 2021.
- Westwood's current subsea tree demand outlook for 2021 is forecast to total up to 226 units, based on Brent averaging \$65/bbl this year, of which 24 subsea tree orders have been confirmed in Europe year to date, ~11% of 2021 forecast.
- Offshore EPC contract award value in Europe is forecast to average approximately \$6bn per year over 2021-25 period, underpinned by an assumption of Brent crude stabilising at \$60/bbl by 2022. Potential upside remains with proposed electrification of production platforms in the North Sea using power from shore subsea cables.