Alliance forging ahead

ALLIANCE Offshore Drilling is a Singapore-registered private limited company incorporated in January 2013.

"Our primary objective is to build, upgrade, sell and lease safe, efficient offshore drilling rigs to drilling contractors and oil companies," says the company.

Alliance specialises in jack-up rigs — shallow and high-specification — platform modular rigs and other modern innovative solutions for the upstream industry.

The contractor is a subsidiary of TSC Offshore China.

"To keep up in today's ever-changing energy landscape we must understand the forces that will shape our business and prepare for the journey ahead. Our mission and vision were established as a long-term path to achieving our goals," says TSC.

Through its turnkey approach, TSC fabricates jack-up rigs and provides a complete cantilever and drill floor package and has a proven track record in the engineering, supply and delivery of semi-submersible rig equipment and packages.

TSC is also able to provide a total liftboat solution for a variety of offshore needs — a market that contactors believe is likely to expand, particularly in the Asian market.

CONTRACTORS

Track record: Energy Drilling's EDrill-1 is working for PTTEP in Thailand

Service providers and drillers still weathering storm

Energy Drilling chief executive believes **rig oversupply bubble** still has a **few more years** to run

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Singapore

EXCESS capacity and low oil prices have hit the global rig market hard, leaving dozens of warm drilling units unemployed and newbuild delivery dates postponed.

Marcus Chew, chief executive of Singaporean rig owner Energy Drilling, tells Upstream that the industry is suffering a painful time that is especially tough for drillers and service providers.

Up to 50 jack-up rigs are without contracts and 125 newbuilds to be delivered within 2017 will need to be absorbed before any possible recovery in dayrates.

"Many projects are postponed. Very few drilling contracts are awarded. Some contracts are terminated early and few options are exercised," he says.

Shipyards are also facing tough times with terminations and postponement of deliveries, he says, adding that as very few orders are being placed, it is proving difficult for yards to work at capacity and stay profitable.

Over the last a few years, too many rigs — especially jack-ups and ultra-deepwater semi-submersibles and drillships — were ordered without firm contracts. The extremely favourable payment terms offered by Chinese yards have further inflated the bubble, he says.

Chew says that the downturn had been predicted for a while and the 50% drop in oil prices is the catalyst needed to bring the party to an end.

The rig-building boom that started in 2006 was well timed but it went on for too long.

"A high oil price coupled with low interest rates created a huge speculative bubble," he says.

Chew doesn't expect an immediate cure for the oversupply and believes a recovery could only take place at the earliest towards the end of 2017. Although the fall in oil prices has been blamed for the current downturn in the global rig market, he agrees with what the Saudis are doing to protect their market share.

There is little justification in allowing more expensive oil such as shale and that from deep waters to flood the market at the expense of cheap oil from the Middle East producers.

"This is an aberration in any industry," he says.

Chew adds that global excess supply is about 2.5 million barrels per day. Supply stands at 96.5 million bpd but demand is only about 94 million bpd.

Annual global demand growth is now 1 million barrels per day. Even without supply reduction, a more balanced state of supply and demand will be established by the end of 2017.