

Offshore Supply Market Update

The offshore oilfield market has continued to make marked improvement since our last offshore supply market report in November 2022, and shows no signs of abeyance looking into the future. Rates continue to strengthen and vessel sales into and out of the oilfield market continue to move at a rapid pace. There are recent reports of continuing consolidation, including the March 7th, 2023 Solstad Offshore press release of Tidewater Marine's recent purchase announcement of Solstad's PSV fleet. The purchase includes the entirety of Solstad Offshore's PSV fleet - some 37 - for upwards of US \$577 million in cash and new debt on hand. These sort of deals, coupled with continued retirement and disposal of last generation's PSVs will continue to tighten up available vessels in the market and these actions, which have been ongoing for the past several years, will continue to strengthen daily hire rates and utilization rates domestically in the US and worldwide. It's interesting to note that reportedly 14 of the Solstad Offshore vessels were identified as 'battery hybrids', which also shows a continuing direction that the industry leaders are taking in an effort to try and trim greenhouse gas emissions from their fleet's services. Along with alternatively powered vessels, ammonia for one, and even all electric tonnage coming into the markets are also being noted in maritime fleets and intentions worldwide. This should continue to strengthen new technology developments on many fronts. Coupled with renewed and strengthening demand for reliable hydrocarbon sources for post-Covid reopening and emerging economies, and the lack of investment in new sources over the past several years, post 2016 oil price collapse, and earlier demand drops should continue to strengthen demand for tonnage as we move forward through 2023. Hydrocarbon demand production is expected to remain strong for the foreseeable future, despite the opening of new alternative energy markets and expanding production in other sectors.

Marcon was involved in several sales since our last report including a pair of 265' AHTS vessels into alternative services. Marcon was not involved in this sale, but Northstar Marine Inc. of Clermont, New Jersey recently announced the purchase of the 265' AHTS vessel "Northstar Navigator" (ex-Keith Cowan) for continued service in the US Northeast offshore wind farm market, which is really taking hold after years of preparation and stuttered starts. Despite newbuilding announcements for purpose built and dedicated offshore wind service vessels being announced, we expect that these sorts of sale events will continue as there is a dedicated effort for transition to new and alternative energy sources. This will require the combined services of large offshore players to support continued developments in this sector. Along these lines, Fincantieri, through its U.S. subsidiary Fincantieri Marine Group in Sturgeon Bay, Wisconsin announced the newbuild contract for a purpose built Service Operation Vessel (SOV) on January 18, 2023 with CREST Wind, a joint venture between Crowley and ESVAGT. The 288' LOA vessel is expected to go into service in 2026, and is to be dedicated to the Dominion Energy Coastal Virginia Offshore Wind project under long-term charter. The expected increase in offshore wind production capacities in the US will continue to drive major developments as this specific segment comes online and grows, playing catch up with Europe and Asia in this rapidly developing and expanding market. The US Department of Interior announced on February 22, 2023 that it is proposing the first-ever offshore wind lease sale in the Gulf of Mexico. This proposed sale was made in an effort to support the stated goal of increasing offshore wind for the goal of increasing the capacity and deployment of some 30GW of offshore wind energy capacity by 2030. The date of the lease sale has not yet been set, but is reported to include a 102,480-acre area offshore Lake Charles, Louisiana, and two areas offshore Galveston, Texas, one comprising 102,480 acres and the other comprising 96,786 acres.

Of the 13,439 vessels and 3,731 barges Marcon tracked as of late February 2023, 2,945 are supply and tug supply boats, with 247 officially on the market for sale. 63.45% of foreign and 80.39% of U.S. flag supply / tug supply boats Marcon has officially listed for sale are direct from Owners. In addition to those for sale, Marcon has 59 straight supply and tug supply vessels listed for charter worldwide.

Tug supply boats officially on the market for sale listed with Marcon in total is 79, 77 fewer than March 2022 and 78 fewer than February 2018. Composition in the last year has changed with dropping 83 AHTSs in the 3,000BHP to 9,000BHP and 10,000BHP to 12,000BHP ranges, while gaining nine in the over 12,000BHP category. February 2018, the average age of all AHTSs for sale was 15 years old, where U.S.-flag vessels averaged 26 years and foreign-flag AHTSs averaged 15 years. Today, the average age is 16 years old, with U.S.-flag AHTSs averaging 25 years and foreign-flag averaging 15 years old. At the time of this report, 19 tug supply boats officially for sale were either built within the last 10 years or are newbuilding re-sales. Only 16.67%, or 23, of tug supply boats are 25 years of age, compared to five years ago, when 19.23% of AHTSs for sale were at least 25 years old; and one year ago, 13.33% were at least 25 years old. At February 2023, the oldest AHTS available from Marcon was built in 1973.

At 168 platform supply vessels listed for sale late February 2023, we have 31 fewer PSVs listed for sale compared to one year ago, but three more listed than five years ago. Looking at change in vessel size composition, the biggest decreases were in the 150' to 160' LOA and over 240' LOA ranges, though there was a fairly consistent decline in all other sizes tracked. PSVs now being offered are about the same age as those offered back in February 2018 with the average age of all available for sale at 20 years old. U.S.-flagged PSVs decreased from 23 years to 21 years, while foreign flagged decreased from 20 to 17 years old. As of this report, Marcon officially has available 30 supply boats built within the last ten years, with zero newbuildings listed. 39 PSVs, or 23.21%, are 25 years of age or older, with the oldest PSV listed built in 1971 - compared to one year ago when 43 PSVs (21.61%) were older than 25 years. Five years ago, 41 PSVs (28.47%) were older than 25 years, but 9 or 6.25% were newbuilds.

1,154 of the vessels tracked by Marcon as of mid-February 2023 are crew, fast supply & pilot boats with 190 officially on the market for sale, plus 52 boats are available for charter worldwide. 37.9% of the boats officially for sale are U.S. flag. 43 crew boats for sale worldwide were built within the last 10 years. 62 boats, or 32.63%, are 25 years of age or older. The oldest boat listed is a 40', 240BHP 1957 built and located U.S. West Coast. This vessel is counterbalanced by a 170.6' LOA foreign 2022 built crew boat in Southeast Asia. Crew boats officially on the market now are down 35 from one year ago but up 23 from five years ago. In terms of vessel size by LOA available, we saw a fairly even decline throughout all size crew boats. As of this report, 22.63% of the crew boats available are less than 10 years old, down from the 23.56% and 24.30% reported one and five years ago, respectively. Conversely, 32.63% today compared to 31.11% last year and 37.85% five years ago are 25 years or older. Five years ago, the average age of all on the market through Marcon was 23 years, compared to 20 years one year ago and as of this report. Older U.S.-flagged vessels remain on the market, though decreasing in age from 34 years in 2018 to 28 years in 2022 but increasing to 29 now. Foreign flagged crew boats' age remained fairly steady at 16 years one year ago and 18 years five years ago compared to 15 years today, but are still almost half the age of U.S. vessels.

According to *IHS Fairplay Sea-Web*, as of February 22, 2023, there were 7,252 "sea-going" supply vessels over 100GRT worldwide. This is up 62 vessels, or 0.86%, since March 2022. Total horsepower of this fleet is 40,430,837BHP, down 32,882BHP or 0.08% since last year. The U.S. operates 762 supply vessels, or 10.51% of the world market, totaling 3,840,752HP (9.50% of global HP) with a 20.4 year average age, about the same as the worldwide fleet. Since March 2022, the U.S. fleet declined by 1.80%, or 14 OSVs, while total horsepower decreased 62,620BHP or 1.60%. Compared to February 2018, the worldwide fleet is down 2.59% or 193 vessels while total horsepower is down 4.75% or 2,014,618BHP and average horsepower declined from 5,701BHP to 5,575BHP. The U.S. fleet is down 172 vessels, or 18.42%, total horsepower decreased by 16.35% or 750,557BHP and average horsepower increased slightly from 4,916BHP to 5,040BHP. While the worldwide fleet is starting to grow again, albeit with lower powered vessels, the US market continues to shrink as aging and non-working tonnage is scrapped.

IHS Fairplay Sea-Web as of March 6, 2023 reports 279 OSVs totaling 1,588,891HP (average 5,695HP), 206 other offshore support vessels and 115 crew or crew/supply vessels, all over 99GT, built or to be built in 2023 or later. Conversely, 1,053 OSVs and 51 crew boats greater than 99GT are shown as scuttled, scrapped or to be broken up. Compared to one year ago, this is up 93 OSVs (or 10.08%) but no change in crew boats. Looking back to pre-COVID October 2018, 591 OSVs and 22 crewboats were noted as scuttled, scrapped or to be broken up, indicating that in less than five years, there was a 78.17% increase in OSVs and a 132% in crewboats scrapped. We know of numerous under 99GT or unclassified OSVs and crew boats scrapped during 2020 and 2021, primarily due to owners reporting lack of work and purchase interest at above scrap levels.

Marcon has completed six sales to date in 2023 with several more pending, following 18 sales and one charter completed in 2022. Since 1983, we have sold or chartered 1,552 vessels and barges, including 86 PSVs, 83 AHTS totaling 403,141BHP, 112 crew / pilot boats, 34 research / survey vessels, 20 utility boats, 19 seismic vessels and nine dive vessels.

Marcon's full March 2023 OSV Market Report will be published the latter-half of April. Our September 2022 OSV Market Report can be found at this link: [Offshore Support Market Report - Sept 2022](#).