
Oil

Offshore oil drillers stuck in ‘wait and see’ mode

Saipem chief says explorers are on sidelines waiting for oil price signals



2 HOURS AGO by: **Andrew Ward**, Energy Editor

Offshore oil exploration remains in the doldrums as the industry awaits clearer signs about the outlook for crude prices, says the head of one of Europe’s largest oilfield services companies.

Stefano Cao, chief executive of Italy’s [Saipem](http://markets.ft.com/data/equities/tearsheet/summary?s=it:SPM) (<http://markets.ft.com/data/equities/tearsheet/summary?s=it:SPM>), said most oil explorers remained in a “wait-and-see mode” before committing to new projects, creating an uncertain outlook for companies that rely on offshore drilling and construction for business.

“In order to see light at the end of the tunnel we need to see a rebound in capital expenditure by oil companies,” he told the Financial Times. “There is an expectation that things will pick up but we do not see it yet.”

Prospects for a recovery in industry spending have not been helped by a [renewed dip in oil prices \(http://next.ft.com/content/dd4a45b4-053b-11e7-ace0-1ce02ef0def9\)](http://next.ft.com/content/dd4a45b4-053b-11e7-ace0-1ce02ef0def9).

Brent crude, the international benchmark, fell 8.1 per cent last week to \$51.37, its lowest since December, as rising US supplies rattled the market.

Prices are still 80 per cent higher than the 12-year lows hit early last year but the latest volatility has increased doubts over the ability of Opec nations and Russia to drive further recovery by curbing output.

“Industry is waiting for a stronger signal to restart [exploration],” said Mr Cao. “[Opec countries] haven’t got a history of making agreements stick . . . Oil companies are still being very prudent.”

Some oilfield service companies, including [Schlumberger \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:SLB\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:SLB) and [Halliburton \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:HAL\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:HAL), have been benefiting from [resurgent investment in US shale oil resources \(http://next.ft.com/content/cd37539c-d755-11e6-944b-e7eb37a6aa8e\)](http://next.ft.com/content/cd37539c-d755-11e6-944b-e7eb37a6aa8e) — but there are few signs of the revival spreading to the rest of the world.

The number of active drilling rigs in the US and Canada has risen 87 per cent in the past year to 1,083, while the number outside North America has fallen almost 8 per cent to 941, according to Baker Hughes, the US oilfield services group.

Saipem does most of its work in Africa, the Middle-East and Russia — making it a bellwether for wider recovery in global exploration and new field development. Almost 60 per cent of its order book involves offshore work.

Most oilfield service companies continued to see revenues fall last year as projects approved before the 2014 oil price crash came to an end with few new ones to replace them. Saipem’s 2016 sales were down 13 per cent at €9.98bn.

Some tentative signs exist of investment returning, such as [BP](http://markets.ft.com/data/equities/tearsheet/summary?s=uk:BP) (<http://markets.ft.com/data/equities/tearsheet/summary?s=uk:BP>)'s go-ahead last December for the \$9bn second phase of its [Mad Dog field](http://next.ft.com/content/16c90aac-b7e2-11e6-961e-a1acd97f622d) (<http://next.ft.com/content/16c90aac-b7e2-11e6-961e-a1acd97f622d>) in the Gulf of Mexico.

But Mr Cao said more new projects were needed for the oilfield services sector to replenish order books. "This year is going to be fundamental to see how the market develops. In order to see a good 2018 we need to see some decisions made in terms of capital expenditure."

Saipem is vying for roles in development of [ExxonMobil](http://markets.ft.com/data/equities/tearsheet/summary?s=us:XOM) (<http://markets.ft.com/data/equities/tearsheet/summary?s=us:XOM>)'s Liza oil discovery off the coast of Guyana and [Eni](http://markets.ft.com/data/equities/tearsheet/summary?s=it:ENI) (<http://markets.ft.com/data/equities/tearsheet/summary?s=it:ENI>)'s Coral South gasfield off Mozambique, which are two of the larger new projects awaiting go-aheads.

Exxon last week agreed to buy 25 per cent of [Eni's Mozambique assets](http://next.ft.com/content/397fdb30-04bc-11e7-aa5b-6bb07f5c8e12) (<http://next.ft.com/content/397fdb30-04bc-11e7-aa5b-6bb07f5c8e12>) for \$2.8bn in a sign of momentum behind efforts to open the east African country's large untapped gas resources.

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