

## Offshore Vessels

# The Vital Link to Realize Oil & Gas Discoveries

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Shipping industry has always played a vital role in transporting energy into the country, to meet the country's evergrowing demand. Despite endeavours, the Indian shipping industry has not been able to maintain its growth momentum with the pace of economic development. Arun Kumar Gupta, Director (Technical & Offshore Services), The Shipping Corporation of India and Convener INMARCO-INAvation 2010, expresses his concern over the reduced EXIM trade through Indian vessels.

**I**ntroduction of reforms post liberalization of the Indian economy has given impetus to India's GDP growth rate. There has been an upsurge in the demand for all forms energy products in the country. Given the size of a more than a billion people economy, energy is a pressing need to drive the growth of nation's industrial development. India derives its energy requirements largely from coal and petroleum. Indigenous hydrocarbon production accounts for about 11 percent of the total requirements in the country and rest of the quantities are imported into India.

## The Logistics Support Provider

Shipping industry plays a critical role in the oil and gas sector at all the stages of the E&P activity to transport men and material. Gupta states that despite the drastic increase in India's exim trade in the past two decades, Indian shipping industry has taken a big hit due to increasing number of foreign vessels plying in the Indian waters. Current statistics indicate that foreign flag vessels carry about 92 percent of India's Exim trade and the rest is carried by Indian flag vessels. Gupta added that India imports large quantities of petroleum and coal;



however Indian flag vessels carry a very small part of these imports.

Most of the offshore assets close to the Indian shores have been explored and tapped and now the activities for newer discoveries are moving to deeper waters. Such attempts require stronger logistics support and more sophisticated vessels. The east coast of India has witnessed strong activity over the past decade and made significant new discoveries like that of KG basin by Reliance, India's largest private offshore player. Apart from the new discoveries, government owned E&P major ONGC is also in the process to enhance and improve oil recoveries from its existing wells. The maharatna PSU has allocated large amounts to revive production from its older wells along the west coast of India.

### The Business of Offshore Vessels

Compared to the other sectors of shipping, wherein sharp swings in charter hire/costs are observed owing to the market variations, offshore business is stable and not subjected to large day to day fluctuations. There has been a growing interest amongst the private ship owners to invest in various offshore vessels to participate in the burgeoning Indian offshore sector. However, due to comparatively lower profit margins in the offshore cargo transport as compared to transportation of dry bulk cargo, the smaller players are either hesitant or reluctant to participate. Another important reason for the reluctance is lack of assured long term business. Further, the presence of foreign vessels in the Indian waters has been a constant cause of woe for domestic industry.

Hydrocarbon imports form a very significant part of the overall imports and our import of petroleum products are increasing day by day. Until 1992-93, Oil Coordination Committee, the nodal body appointed by the Government in coordination with Transchart, a shipping arm coordinated the cargo transport between public sector oil companies and domestic carriers. However due to liberalization of the sector, growing competition and availability of better price margins, some of the Public Sector Units (PSU) have set up their own chartering arm which looks into the logistics.

### Building Assets Would Boost E&P Activity

Over the past decade Indian Government has extended various incentives to the operators in the hydrocarbon sector to encourage E&P activity in the country. Gupta states that to leverage the strengths of domestic shipping sector is the need of the hour to support the growing E&P sector.

Gupta states that Indian shipyards lack capabilities to build specialized & sophisticated offshore vessels such as diving and multi-support vessels etc, though in recent years

jack-up rigs have been constructed by Indian shipyards like Bharti Shipyard and ABG Shipyard, which are integrated ship building companies which offer broad spectrum of services in the offshore sector. Indian shipyards have acquired the capabilities to make anchor handlers, platform supply vessels and jack up rigs. Indian shipyards need to go long way to reach the global standards and as compared with the world standards, Indian shipbuilding industry is still in its nascent stages. But to equip for the future challenges, our shipyards need to acquire the capabilities to manufacture semi submersible rigs, mobile floating drilling units, geotech vessels and other specialized equipment required in the Offshore and E&P sector.

Offshore logistics require movement of the vessels in harsh environmental conditions and thus require regular maintenance. India needs to augment its maintenance and repair facilities in its yards and ports. India repair yards need to improve on their dry-docking facilities to provide vital support to our offshore and coastal vessels over the currently superior dry docking facilities elsewhere such as in Colombo & Dubai. To be on a level playing field with foreign counterparts, Indian repair yards need to invest and improve.

Several initiatives have been taken by the Indian government to provide impetus to the Indian Shipping industry. In 2004, tonnage tax regime was introduced which has enabled the increase in Indian tonnage from 6.94 mGT in 2004 to 10.1 mGT in just six years. Indian government has given boost to the entire industry through its aggressive NMDP programme which has earmarked ₹ 55,000 crores for Port development and ₹ 45,000 crores for shipping development. This boost to infrastructure development will be fully capitalized by the stakeholders in the years to come. Further, the liberalized policy on ship acquisition has been introduced and acquisition of all types of ships has been brought under Open General License (OGL). Besides, 100 percent FDI has been permitted in ship acquisition and registration formalities of newly acquired ships have been simplified.

Gupta concludes "I am confident that with the present Govt. policies; activity both in public and private sector would see a substantial growth in the near future". ■



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