

# Singapore – regional offshore marine hub



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“Location Location Location!” is a phrase that rings so true of the dynamic and visionary island republic and city state of Singapore. With no natural resources other than its skilled people and a strategic location in Asia Pacific (APAC), Singapore’s long-term plan has been to develop and maintain the country as a hub of diverse disciplines and industries in order to attract foreign investment and, more importantly, to create jobs for the future. The focus of this article is Singapore’s strengthening position as regional hub for offshore marine.

The global offshore oil and gas sector is buoyant, fuelled by high oil prices and increased exploration and production (E&P) spending by multinational and national oil and gas companies. This has a knock-on effect on all sectors of offshore marine and related businesses, creating an industry boom that clearly can be seen in APAC.

The E&P spending in APAC for 2012-2013 is estimated at \$56.3bn and is rising. This rise is especially apparent following the recent lifting of UN sanctions against oil and gas rich Myanmar and its unsurprising attraction for oil and gas multinationals. Malaysia, Indonesia, Australia, India, China, Thailand and Vietnam continue to be active. There are about 615 producing offshore oil and gas fields in the region, and 20 new fields were discovered in 2012.

Singapore is well positioned to service all aspects of offshore oil and gas operations in the region and is increasing its global reach. It has carefully created the right conditions to make it attractive for foreign companies to set up and operate from this safe oasis. This is largely due to the conscious but discerning encouragement of relocation and growth of the correct and appropriate marine clusters and associated services that are needed to sustain the offshore marine “ecosystem”. All these enhance Singapore as a hub of offshore marine that operates against a backdrop of a modern, safe and impartial environment.

We will look briefly at some of these marine clusters and associated services.

## **Shipowners and operators**

For starters, Singapore provides various incentives and schemes, including attractive tax concessions that encourage companies to register their ships and locate their businesses in the country. There are floating production storage offloading units (FPSOs) and mobile offshore drilling units (MODUs) being registered in Singapore as ‘ships’, and also flying the Singapore flag are construction and installation shipowners, platform supply vessels (PSV) and anchor-handling tugs (AHT) owners, and some of the world’s leading professional salvors, many of which are Standard Club members. All are important players in offshore oil and gas exploration, production and support. Leading offshore specialised shipbrokers have set up offices in Singapore to be closer to the regional oil and gas activities and to find and fix the specialist ships needed to service the offshore oil and gas sector.

## **Ship building, conversion and repairs**

Singapore is the global leader in both offshore rig construction and FPSO conversion, with the former generating S\$9.08bn in 2012 or 61% of the country’s marine and offshore engineering industry. Furthermore, 2012 saw 11 FPSO conversion and upgrading projects, and to date Singapore has completed 106 FPSO conversions. APAC is one of the biggest users of FPSOs and there are presently 53 in service in the region. 2012 also saw 110 high-spec new builds launched, which were predominantly offshore PSVs and AHTs. Certainly, the Singaporean yards enjoy an excellent reputation for quick delivery of high-quality and specialised ships. However, they face tough competition from regional neighbours due to the present high demand and a lack of physical space in the yards to build these ships.



### Insurance

Insurance is important to offshore marine, and the insurance markets have moved closer to this growing region. They have largely chosen Singapore as their base and springboard. A number of Lloyd's Syndicates have a presence in Singapore as Lloyd's Asia, through 18 service companies and their offices, and even replicate the Lloyd's of London headquarters' 'market' environment. They keep company with most of the other remaining global, regional and indeed local reinsurers. These are in turn serviced by leading marine and energy adjusters who need to be close to the property actually insured by the market. CT Energy, Aviation, Marine and Non-Marine have been present in Singapore since 1997. The Standard Club Asia Ltd (a subsidiary of the Standard Club Ltd) is the only standalone club of the International Group of P&I Clubs in Singapore, demonstrating a full commitment to Singapore and the region. It was set up in 1997 to provide insurance cover in respect of third-party liabilities arising from the operation of its members' ships, including those engaged in offshore marine activities. While four other IG Clubs have a presence here, they only maintain branch or satellite offices.

### Legal

The complex and high-risk business of offshore marine requires specialised legal support. Singapore has seen a rapid rise in the number of law firms, both local and international, that specialise in all aspects of offshore from financing, contracting,

insurance and casualty management. Apart from its own sophisticated legal system, which is founded on the English common law system and experienced judiciary, it is fast becoming the preferred destination for arbitration. Indeed, while London remains the most widely used seat of arbitration, it is followed in order of preference by Paris, New York, Geneva and then Singapore. There are many factors for Singapore's eminence: its reputation for impartiality and neutrality, the legal infrastructure (Singapore is party to the New York Convention, which recognises the enforcement of foreign arbitration awards), the specialised legal fraternity, its geographic position with excellent transportation links to APAC and its role as an increasingly good 'bridge' between APAC and the rest of the world. Finally, it boasts a premier state-of-the-art dispute resolution centre, the Maxwell Chambers, where the arbitrators even have their own lounge.

### Conclusion

As one Singapore-based Norwegian marine service provider commented: "*Singapore is run like a business.*" Indeed, its focus is pro-business, making sure the infrastructure to support its marine and energy 'ecosystem' is in place by attracting all the necessary marine clusters and related services, and more importantly ensuring that they too in turn are fully supported. This is what makes Singapore so attractive to companies relocating to this safe oasis of convenience, efficiency and stability in the midst of a fast-developing and yet still economically and politically uncertain region.