The Crew Transfer Vessel Market: An overview

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Introduction

Crew Transfer Vessels (CTVs) emerged c.15 - 20 years ago as specialised assets alongside the developing Offshore wind farm / wind turbine market within Northern Europe. A CTVs main function is to transfer personnel and equipment as part of the logistics supply chain for an Offshore Wind farm, both during construction, and the operations phases.

Over the last decade, the CTV fleet has grown in number and developed significantly, with vessels becoming larger and more complex. This evolution has been driven by the continued growth in the sector. As projects became larger and more sophisticated, both owners and their vessels were forced to adapt to meet the changing market demands.

2020 and 2021 have been important years for the Renewable's energy market. Public and governmental pressure have forced oil majors to assess their Renewables portfolio and their ESG protocols. Traditional fossil fuels are under the microscope and making moves towards a greener and cleaner future is a top priority. This attention towards renewable energy, with particular focus on the Offshore Wind Sector could have a positive effect on the CTV sector.

This overview will provide an analysis on the current CTV market, focusing on five main themes:

1. CTV fleet overview and vessel evolution
2. Recent CTV Sale and Purchase activity
3. Emerging markets (Asia and USA)
4. Changing newbuild trends (Asian yards)
5. Alternative investment entering the sector

1: Fleet Overview and Vessel Evolution

Utilising VesselsValue fleet data we can analyse the current CTV fleet*.

**VesselsValue defines CTV as an asset utilised purely within the Offshore Wind market to transport Offshore crew, supplies and technicians to and from wind turbines.*

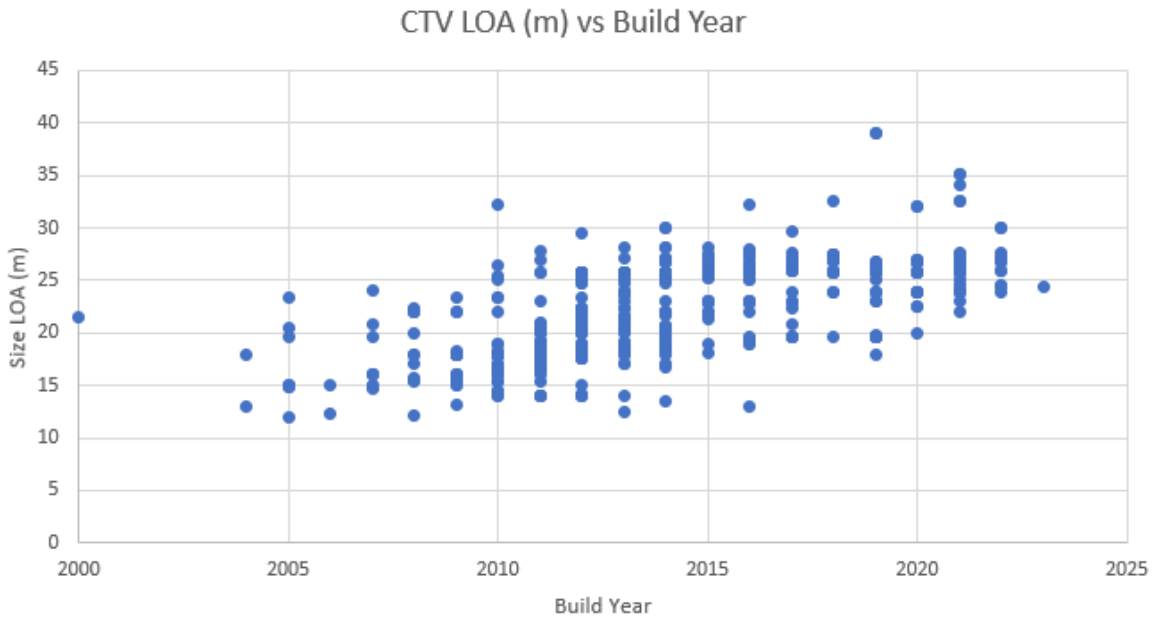

Fig 1 – CTV LOA (m) vs CTV build year.

Figure 1 shows a positive correlation between CTV length overall (LOA) and CTV build year, this relationship has occurred because the CTV market developed in parallel with the quickly evolving Offshore wind turbine market. Increased size of Offshore wind turbines, increased turbine distance from shore and an overall increase in project size has created a demand for assets able to cater to all the new challenges. This type of development is not a new concept; a similar situation occurred in the oil and gas with AHTS and PSVs. It is also actively occurring today within the Wind Turbine Installation Market (WTIV).

2: CTV Sale and Purchase Activity

The CTV market is generally considered an illiquid sector. Recently, however, we have seen a flurry of S&P activity, the most notable are outlined below.

Late 2020 Gardline Marine Services Ltd sold off their entire CTV fleet; vessels, buyers and sale prices are outlined in Figure 2.

Vessel Name	LOA	Built	Builder	Buyer	Sale Price USD (M)
MTSL Falcon	23	2012	Alicat Workboats	Gulfxstream	0.5
Cwind Broch	23	2010	Alicat Workboats	Spectrum Offshore	0.48
Fortress 1	21	2012	Arklow Marine	NR Marine Services	0.23
Gaillion	20	2011	Alicat Workboats	NR Marine Services	0.23
Gardian 14	20	2013	Alicat Workboats	HST Marine	0.11
Marian Array	19	2011	Alicat Workboats	HST Marine	0.25
Gardian 3	17	2011	Alicat Workboats	Commercial Rib Charter	0.33

Figure 2 – Gardline Marine Services Ltd CTV sales 2020.

Market reports suggest all the units had been laid up, out of class, in poor condition, missing equipment and required various mechanical upgrades.

Another active seller during 2020 was Vroon Offshore, who sold four CTVs; vessels, buyers and sale prices are outlined in Figure 3.

Vessel Name	LOA	Built	Builder	Buyer	Sale Price USD (M)
VOS Rucio	16	2009	South Boats	Foniks	0.18
Rosinante	16	2009	South Boats	Norcat Offshore	0.18
VOS Dorothea	17	2011	South Boats	Windcat Workboats	0.27
VOS Dulcinea	17	2011	South Boats	Unknown	0.3
VOS Altisidora	19	2013	South Boats	Tidal Transit	0.65
VOS Lucinda	19	2013	South Boats	Tidal Transit	0.65

Figure 3 – Vroon CTV sales 2020.

At the other end of the size spectrum, we recently saw UK based Briggs Marine purchase the Sure Swift 26 LOA blt 2017 Damen FCS 2610 for USD 1.78 mil. VV value the day before sale was USD 1.77 mil. Over the last 2 years, we have seen 7 Damen FCS2610 vessels sold on the secondhand market. Even as a large proportion of these vessels begin to approach 10 years old, they remain popular sales candidates.

3: Emerging Markets (Asia and USA)

The traditional area of CTV activity/operation was the North Sea, where long established European owners dominate the market. However, a regional shift is emerging. Asia has huge growth plans for Offshore renewable wind energy over the coming years. The Asia Pacific alone (China, Taiwan, South Korea and Japan) market forecasts 36 GW to be installed by the end of 2024, closing the gap between the UK/EU Markets. European owners have already begun venturing into these developing markets (Cwind Taiwan Ltd), domestic owners are also emerging to take advantage of this new revenue stream.

Within the USA, the Biden administration ushered in a new era for USA renewables, with a particular focus on Offshore wind energy and a target of 4.9GW installed by the end of 2024. Having both the political support and government investment, the Offshore Wind sector within the USA is set for large and rapid growth. This will inevitably filter through to the CTV sector and lead to substantial growth in the number of vessels operating within the region. Atlantic Wind Transfer (USA) is one company that have already taken the first decisive steps in the sector. Their two vessels, the Atlantic Pioneer (21m, 2016 Blount Boats) and the Atlantic Endeavour (24m, 2020, Blount Boats) are currently the only US Jones Act CTVs in operation. As the USA wind market develops further, we expect to see the number of CTVs built in the USA increase, due to Jones Act laws prohibiting European CTVs from entering the market. Good news for USA shipyards.

4. Changing Newbuilding Trends (Asian Yards)

As Asia looks to develop and grow its Offshore Wind infrastructure, yards within the region are seeing increased interest from local owners and operators for CTV newbuilds. This month (October) we saw the largest CTV order in a number of years placed by Singapore based Sam Pan Marine Holdings for six Strat Cat 27's at Strategic Marine Yard Singapore (with an option for 6 more). The newbuild transaction price for each vessel was USD 4 mil,

market reports suggest a discount from the typical build price of USD 4.5 mil was given due to the large number of units committed en bloc. The CTVs are scheduled to be delivered from the second quarter of 2022 onwards.

Around the same time, it was reported that Singapore based Miclyn Offshore had placed an order for two Windflex 27's from Penguin Shipyard Singapore. The reported price was USD 4.5 mil each.

It's not just local owners who are utilising Asian yards for CTV newbuilds, European owners over the last few years have contracted several large newbuild projects in Asia. For example, Denmark based MHO Denmark contracted in mid-2020 the 35 LOA, 24 passenger MHO Apollo and MHO Asgard at Afai Southern Shipyard China for USD 6 mil. A significant discount if a similar vessel was to be built in Europe or the UK. Prior to this project, Afai Southern Shipyard had only built one other CTV vessel for operation in Europe, the 27 LOA Mainprize Offshore MO5.

Ireland registered Farra Marine have also shown their preference for Asian Yards. Although a relatively new company on the CTV scene, they have already delivered one vessel, the Farra Orla and another the Farra Ciara is due to be delivered within the next month. Both vessels are constructed at Penguin International Singapore and are Windflex 27 designs. The company plans to increase its fleet to ten vessels by the end of 2023. It is expected all of these will be built in Asian yards.

5: Alternative Investment Entering the Market

Banks and Financiers are under significant pressure to increase their ESG exposure and offset their current non renewables portfolio, so it's no surprise they have begun to show interest in the CTV sector. One fund, ahead of the curve by several years, was Luxembourg based Flexam Invest. In 2019 Flexam entered the market with a sale and leaseback deal for 25 CTVs for Northern Offshore Services (NOS) UK subsidiary Mareel. Then in July 2020, Flexam carried out a second transaction with the purchase of two Damen 26 meter CTVs from Sure Wind Marine, which were then chartered to NOS. Both well timed investments were made well before all the recent hype surrounding renewable energy. With renewable energy firmly in the limelight and ticking all ESG criteria we will begin to see new money entering the market and possibly old money (previous investors to oil and gas who closed their portfolios after large losses). It will be interesting to see how the CTV market takes advantage of this.

Conclusion

- The CTV fleet will continue to evolve, grow and become more sophisticated, particularly with the emergence of new markets and the continued growth of wind turbines.
- Sale and purchase transactions of smaller older tonnage will increase as the fleet continues to develop. Larger owners will be forced to assess what is core and non-core tonnage within their fleet.
- Europe is no longer the only Offshore Wind Market; Asia and the USA have big future growth plans. For European owners willing to move into these new markets or collaborate with local owners it could provide a new and exciting business opportunity outside of the developed European market.
- Asian yards provide a competitive alternative to building within Europe and the trends look to be gaining traction alongside the growing Asian renewables market.
- Renewable energy projects provide alternative investment opportunities for both new and old financiers and provide a transition away from the out of favour traditional oil and gas investments.

To find out more and arrange an online demonstration please contact info@vesselsvalue.com

VesselsValue data as of October 2021.

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