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Offshore wind vessels – where are we now?

Developments over the last 12 months

It seems the anticipated slowdown in orders for 2024 within the UK and EU markets has not materialised as notably as expected. Instead, there has been a sustained influx of new orders, driven by both established market players and emerging entrants. This activity has been particularly notable in sectors such as CTVs (Crew Transfer Vessels), Multi-Purpose Survey Vessels (MPSVs), SOVs (Service Operation Vessels), CSOVs (Commissioning Service Operation Vessels), and OSSVs (Offshore Support and Supply Vessels).

It is indeed noteworthy that owners are increasingly publicising their fleet emission reduction strategies, signalling a proactive approach to sustainability and compliance with global decarbonization targets. More importantly, this shift is accompanied by the emergence of novel asset classes designed to meet the evolving demands of the offshore energy and maritime sectors.

A prominent example of this innovation is the introduction of the Energy Construction Vessel (ECV), the Energy Subsea Construction Vessel (ESCV) and Ocean Energy Support Vessel (OESV). These vessel types represent a significant step forward in offshore construction, combining advanced capabilities with operational flexibility to cater to both subsea and above-sea lifts. Their large open back deck areas are to provide the versatility needed for diverse offshore operations.

Across the asset classes, everyone appears to be asking the same question – is an imminent oversupply of vessels coming into the market?

Encouragingly, Clarksons confirmed on 5 January 2025 that offshore wind vessel rates continued their upwards trend throughout 2024. Clarksons offshore index (which primarily includes offshore oil and gas vessels but includes subsea) was up 10% from December 2023 to December 2024. Over the same period, Clarksons also reports that there was an increase in the day rates for smaller and larger CSOVs of 11-18%, respectively and SOV rates were also up 8%.

Implications for investors, owners and financiers

The pure offshore wind vessel market may well be approaching saturation in terms of supply exceeding current demand. In the light of this owners will be cautious in placing speculative newbuilding orders and exercising options without certainty of employment. We suspect that whilst some owners may be prepared to place speculative orders without employment this will be without the support of lenders providing external financing. The focus of financiers will be on certainty of revenue stream ideally connected to key offshore projects.

There may well be a pivot away from owners supporting pure wind to a mixture of wind and oil & gas. This may be attractive to owners where improved rates can be attained but also lenders who can foresee alternative uses for vessels where one sector experiences oversupply. We should note however that certain lenders can no longer lend to the hydrocarbon sector.

Lenders are drawn to the offshore wind vessel sector in their desire to support the pathway to net zero emissions. However lenders are risk averse and will not typically finance innovative designs nor finance shipyards who do not have sector experience. We foresee increasing scrutiny of lenders on financing projects that involve new technology or non-conventional fuel types such as methanol, hydrogen

and battery packs. No lender wishes to find itself in a position where the borrower is encountering delivery delays at the shipyard and/or has defaulted and the lender is left with a vessel that does not function or there is no demand : a "stranded asset". We have advised both owners and lenders in this regard during 2024.

Finally, where available, we expect that lenders will more likely to finance a vessel newbuilding programme where support from governmental agencies is available including grants, subsidies and guarantees.

We have been deeply engaged in the offshore wind sector for many years and represent some of the

most prominent players across the entire supply chain. Our extensive experience spans financiers, insurers, shipyards, owners, charterers, brokers, and designers, giving us a comprehensive understanding of the industry's complexities. This depth of expertise ensures that our specialist offshore wind team is exceptionally well-equipped to address the unique challenges lenders face when entering the sector, expanding their presence, or planning their exit.

If you have any questions please do not hesitate to get in touch.

For more information on our offshore energy work please visit the [Offshore Energy hub](#) or to join the offshore energy bulletin list please email rebecca.crawley@shlegal.

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