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Title: Offshore Cos Attack ONGC Policy on Chartering Vessels

Author: Manu Balachandran

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Indian offshore companies have come out in the open against ONGC's allegedly flawed policy on chartering vessels to support rigs for drilling. The companies allege that ONGC, the country's biggest public sector oil company, often selects age-old vessels as they offer low charter rates at the cost of safety.

In the absence of a stringent policy on age, ONGC chooses the lowest bidder. "Some companies buy very old vessels and then bid the lowest when tenders are called," said AK Gupta, director, Offshore at Shipping Corporation of India (SCI). "Since there is no consideration on the age, the charter rates offered by them are lower than what companies with better fleet offer. We have written to ONGC, asking them to consider the age of the fleet as well," he added. ONGC did not respond to an e-mail query from ET.

Leading global oil and gas exploration firms have strict laws on the age of the offshore vessels in line with international safety norms. Even in India, oil and gas majors such as Reliance Industries (RIL), Cairn and Gujarat State Petroleum (GSPC) have adopted global norms prescribing age limits. For instance, GSPC's policy says vessels older than seven years should not be allowed, while RIL maintains that vessels over 15 years cannot be used.

Such vessels, which are used for offshore support, fall in the category of platform supply vessels (PSV) and anchor handling tug supply vessels (AHTSV).

According to analysts, a 20- to 30-year-old vessel can be bought for $2-3 million, while a new vessel would cost at least $20 million.

"Companies having old vessels quote rates of $7,000 to $9,000 for chartering, while those with younger fleet often quote $12,000-$18,000," said Anand Sharma, director at Mumbai-based Mantrana Maritime Advisory.

"ONGC would choose the cheaper one but what they don't realise is that the younger ones can often do the work of two vessels and is actually bringing down the costs," he added.

State-run SCI is awaiting delivery of more than 11 vessels, which were ordered at a cost of $20 million each, for their offshore division. It has recently taken delivery of five vessels as part of their expansion. "But, what will we do with these vessels? We are put to a big disadvantage," said AK Gupta.

Recently, ONGC had sold old vessels but not stopped hiring old vessels. In 2007, an ONGC vessel sank in Mumbai that killed five employees. The accident occurred when the vessel developed some decay and a hole in the steerage area.

"Since there is an excess supply of vessels and these vessels do not get much scrap value, Indian companies buy and use them. But using it for ONGC, which controls more than 70% of India's oil production, is a serious issue," said the managing director of another offshore company.

According to industry experts, India has become the biggest market for second-hand and junk offshore machinery as scrap dealers do not buy older vessels. "It's unfortunate that India has become a ready market for the junk and ageing vessels in the absence of any age criteria. Plying such vessels in India will be in utter disregard to any safety, environment and efficiency parameters in the field," said Ravi Sheth, managing director of GreatShip India, a subsidiary of Great Eastern Shipping.