S&P Global
Commodity Insights

Benchmarking Report

QUE$TOR 2025 Q1

May 2025

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Benchmarking purpose

This benchmarking analysis serves multiple purposes:

- ✓ Checking that the new capital cost estimates are consistent with the global market changes described in the QUE$TOR 2025 Q1 Release Notes document, available from the QUE$TOR application by clicking in the main Menu on *Help>Release notes*
- ✓ Understanding how technical changes in the application impact project cost estimates
- ✓ Comparing in US dollar terms the cost change effects by region, component type, and cost category, with and without drilling costs

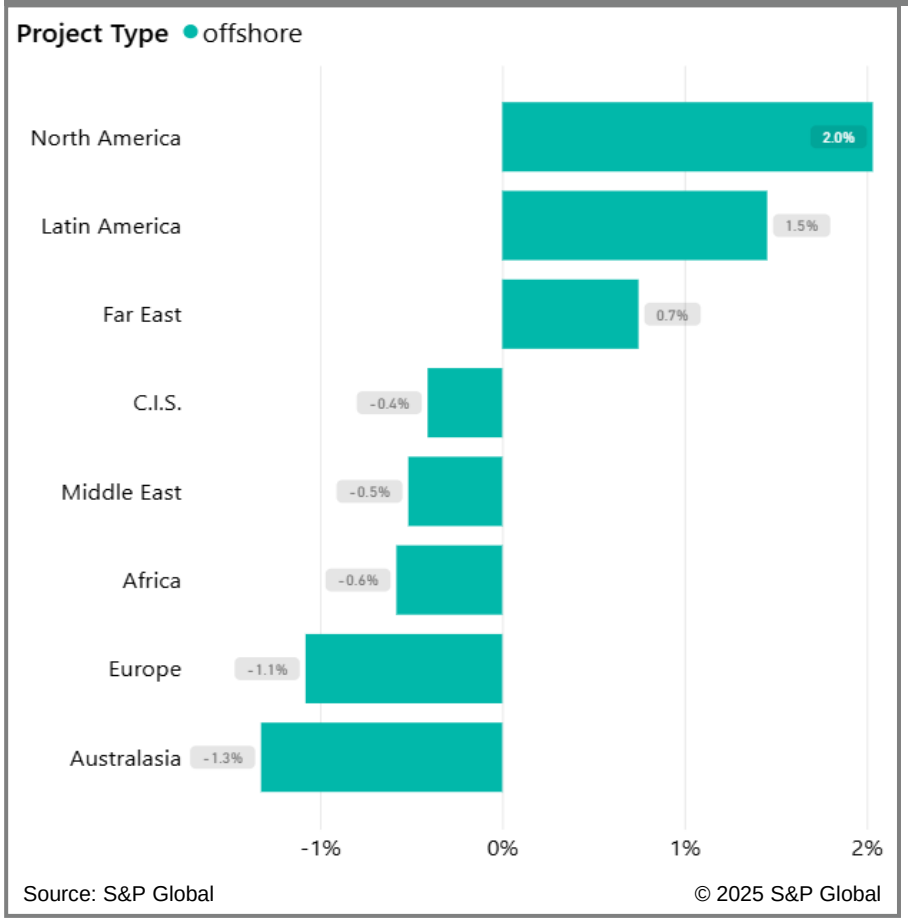
- This document provides a short summary of the effects that cost and technical changes have on project cost estimations when a QUE$TOR project is updated from the previous version, QUE$TOR 2024 Q3, to the updated version QUE$TOR 2025 Q1
- The following benchmarking results are meant to supplement the market trend discussions contained in the *Cost database update* section of the QUE$TOR 2025 Q1 Release Notes document and to provide users with a high-level overview of how and why their project costs are expected to change

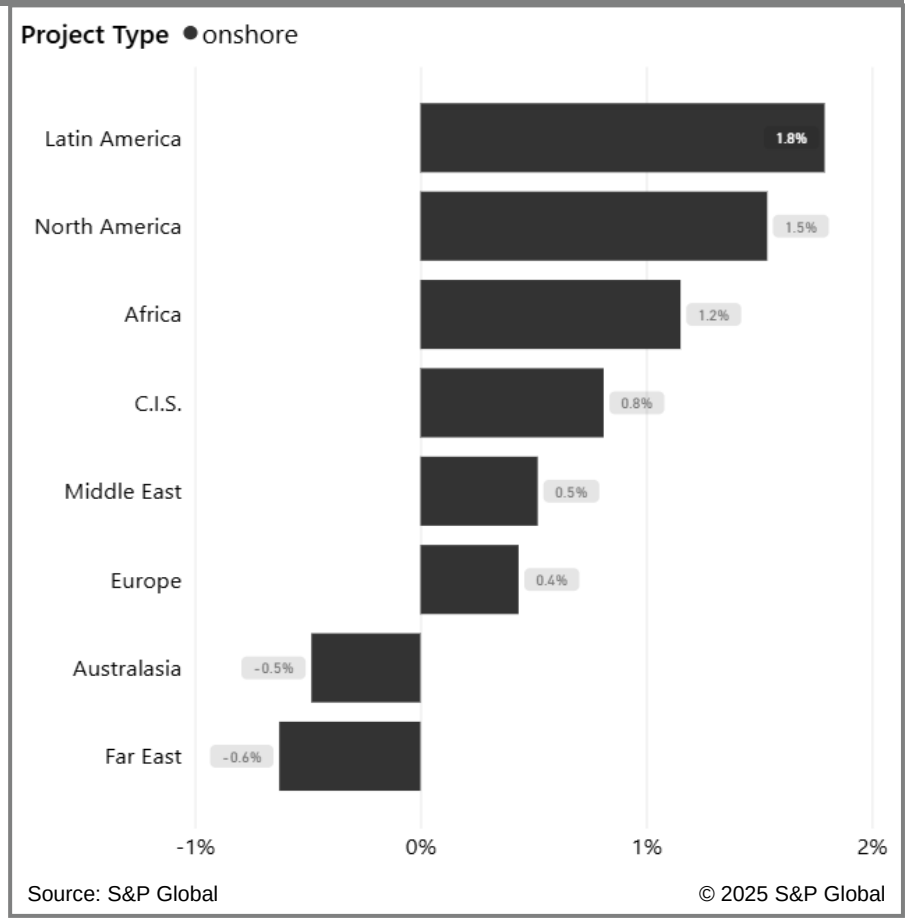
Benchmarking main results

- From Q3 2024 to Q1 2025, the average total costs for all project types, offshore and onshore, varied globally between -1.3% and +2.0%, when drilling was included, and between -0.6% and +3.3% when drilling was excluded.
  - Costs of offshore projects have shown mixed movements across different regions, mostly experiencing decreases. North America has seen the highest increase, driven by a rise in offshore drilling and vessel activity in the region, along with higher Materials and Equipment costs seen in the United States. Offshore projects experienced noticeable technical changes in specific cost components and categories, whilst onshore projects were primarily influenced by cost variations. Major cost trends and technical changes are described in the Cost trends and technical upgrades page.
  - Drilling costs impacted both offshore and onshore projects. For offshore projects, when these costs were excluded, all regions experienced increases. Australasia was the most impacted offshore region when drilling costs were included, mainly due to lower day rates for deepwater rigs, while the variation in land drilling rig rates was comparatively less pronounced.
- Offshore, Installation costs varied between -5.8% and +2.0%. Equipment cost changes were more moderate and varied between +0.3% and +2.2% depending on the region.
  - The Subsea component experienced the largest increase, driven by rising costs in Materials and Equipment, along with the impact of adding bend stiffeners and restrictors as part of the technical changes. In contrast, the cost of Spar substructures and offshore drilling decreased, primarily attributed to the decline in steel price, vessel day rates and currency fluctuations against the US dollar.
- Onshore, Equipment costs varied between -0.8 % and +1.8%, while Construction costs varied between -1.5% and +3.3%.
  - All onshore components experienced a moderate increase in costs. Construction costs increased due to the rise in Materials costs, labor rates and construction equipment rental, particularly in Latin America, the Middle East, and the CIS. Materials costs increased mainly in North America and Latin America, with other regions decreasing due to depreciation of local currencies against the USD.

Project cost variations due to TECHNICAL and COST changes

Average variation in offshore and onshore project costs by region due to technical and cost changes

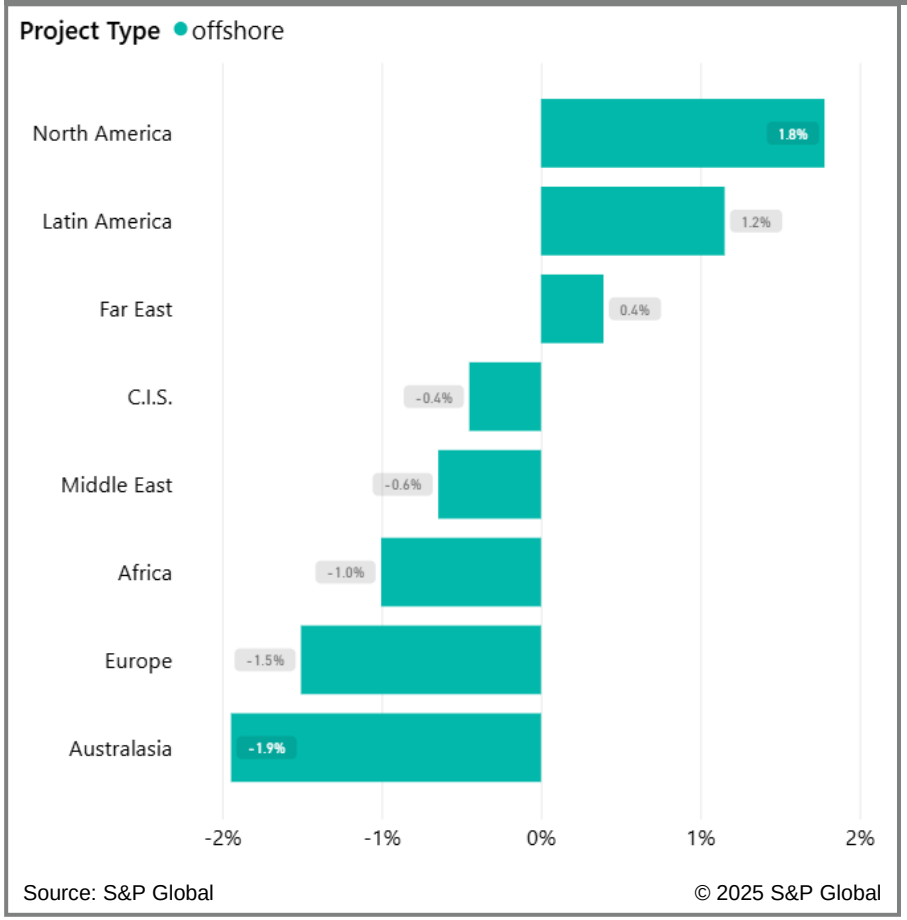


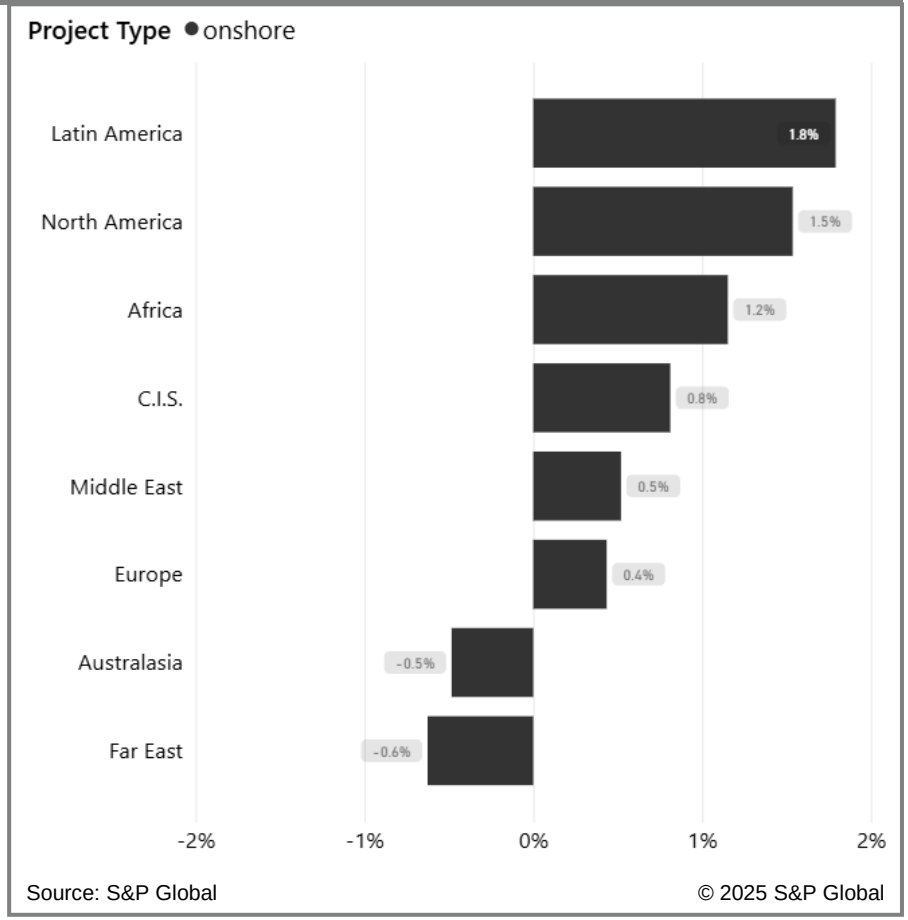


From Q3 2024 to Q1 2025, average total project costs varied globally, ranging from -1.3% to +2.0% offshore and from -0.6% to +1.8% onshore. Technical changes affected specific cost components, impacting only offshore projects. The larger variations observed in offshore projects were primarily driven by a decline in installation costs, which resulted from the decrease in day rates for offshore rigs and some of the vessels. Onshore project costs mostly increased, with Australasia and the Far East being exceptions due to the decrease in construction and equipment costs.

Project cost variations due to COST changes

Average variation in offshore and onshore project costs by region due to cost changes

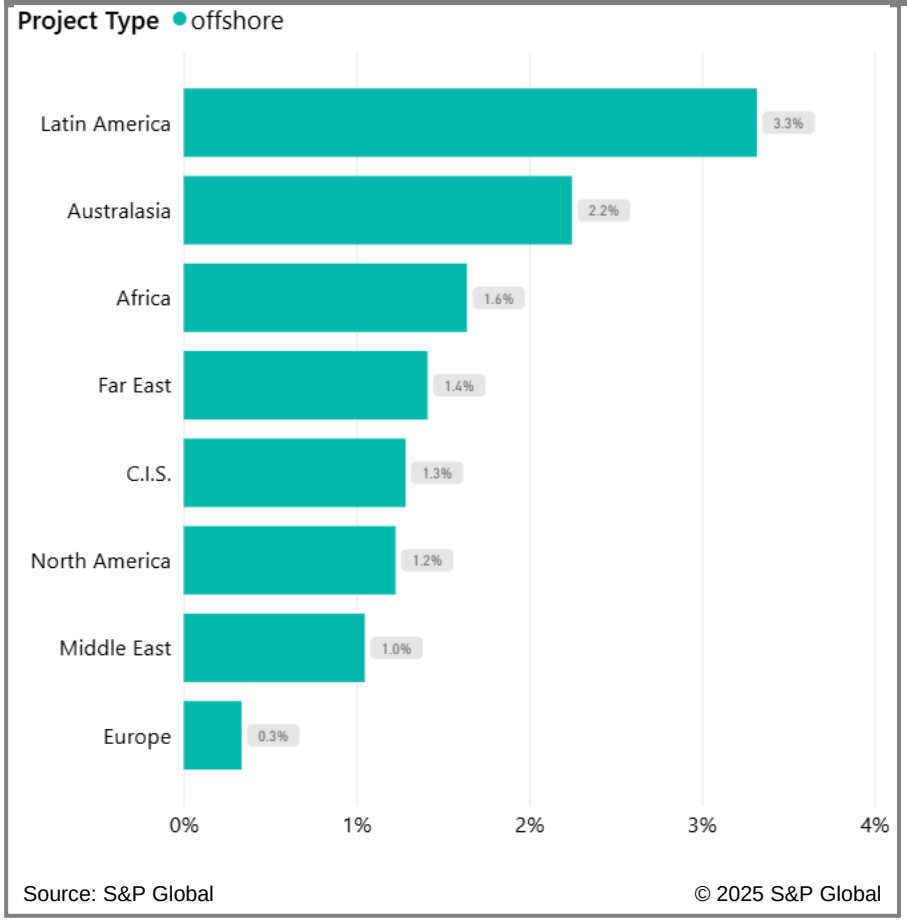


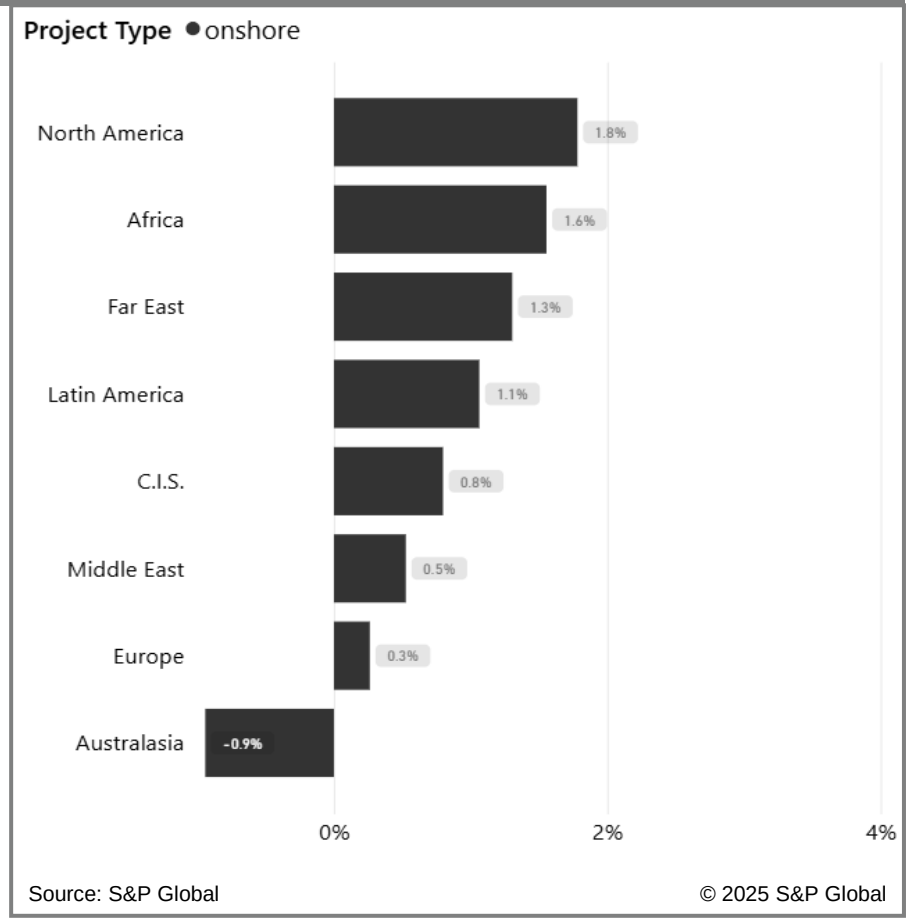


Cost changes had a more significant impact on project costs than technical adjustments. From Q3 2024 to Q1 2025, average total project costs varied globally due to cost changes between -1.9% and +1.8% offshore and between -0.6% and +1.8% onshore. Offshore variations were primarily driven by substantial changes in installation costs. In contrast, onshore variations were relatively modest due to moderate fluctuations in land rig rates and equipment and construction costs.

TOTAL project cost variations without Drilling

Average variation in offshore and onshore project costs by region without Drilling





Global average total project costs showed a variation of +0.3% to +3.3% for offshore projects. When offshore drilling is excluded, most regions recorded an increase in costs. Onshore costs ranged from -0.9% to +1.8% with moderate rises in most regions, driven by equipment and construction costs, except for Australasia, where local currency depreciation against the USD contributed to a decrease. Day rates for offshore and onshore drilling rigs varied between regions, influencing the overall cost differences with and without drilling.

Cost trends and technical upgrades

Cost changes implemented in the 2025 Q1 release include:

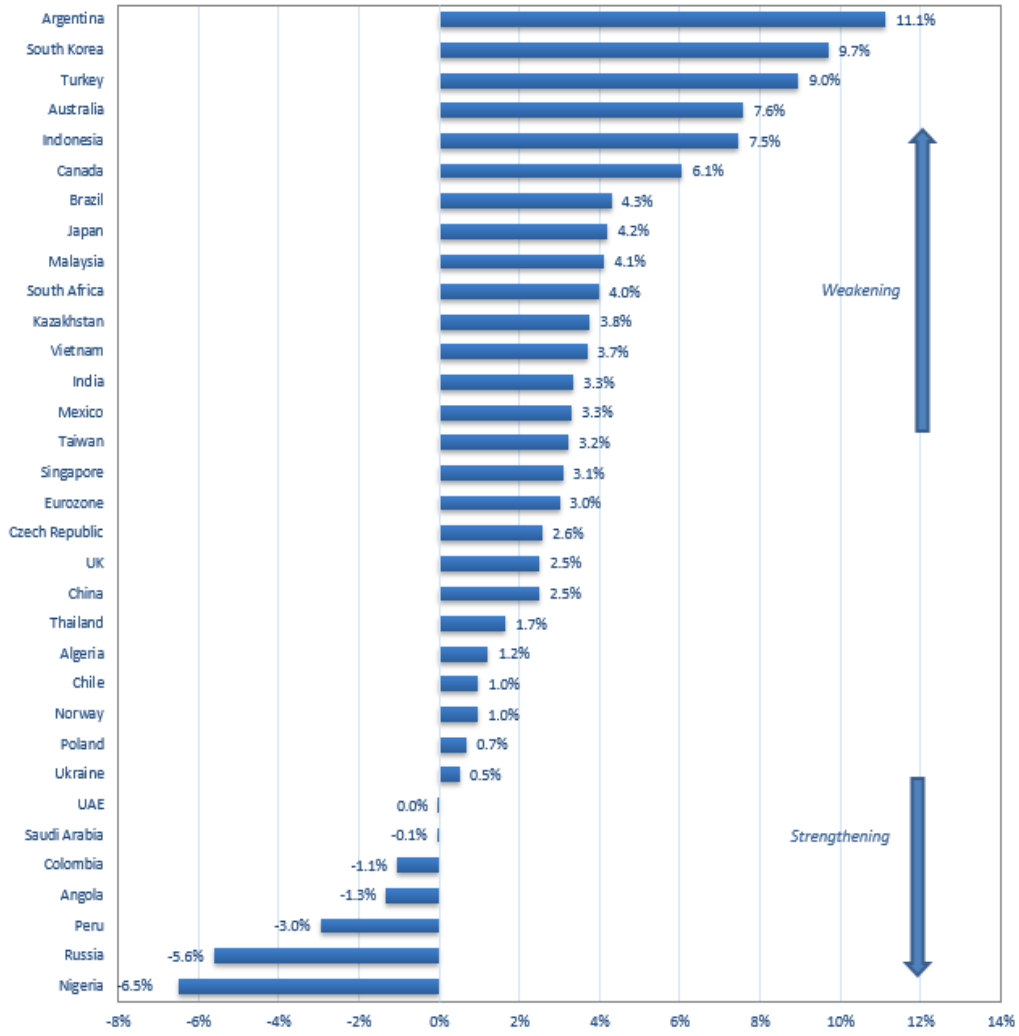
- Decrease in offshore rig day rates in most regions
- Mixed variation for offshore vessel day rates, with some increasing and others decreasing depending on the region and vessel type.
- Mixed variation for land rig day rates
- Increase in most labor rates
- Increase in most equipment costs
- Decrease in OCTG and pipeline prices in most regions

Technical upgrades with the highest impact on project costs are:

- Marine transport enhancements:
  - The default transport method for delivering substructures and topsides from fabrication yards has been updated to "Semi-sub HTV“, replacing the former "Wet tow" option used for short to medium distances.
- Offshore components protection:
  - Addition of bend stiffeners and restrictors to power cable, offshore pipeline and subsea components.

- Since Q3 2024, the offshore rig market has faced notable challenges, exhibiting both resilience and vulnerability. The performance of floater and jackup segments has been inconsistent, with declining demand leading to fewer contracts signed and shorter durations than in previous years.
- The global offshore vessel market has experienced significant changes, characterized by fluctuating vessel counts and utilization rates across regions. Despite these variations, the market has shown resilience, with positive investment announcements indicating a cautious recovery amid ongoing challenges from oil prices and regulations.
- Steel prices have declined in most regions due to the combination of oversupply and weakened demand except for the United States, which stands out as an exception. OCTG and pipeline prices have followed a similar trend.
- Technical upgrades had the most significant effects on Installation costs in Topsides, Offshore loading, Tanker and Semi-submersible, where marine transport costs generally increased. Materials costs in Subsea, Offshore pipeline and Power cable were impacted by the addition of bend stiffeners and restrictors, although in a moderate way.

Currency market trends

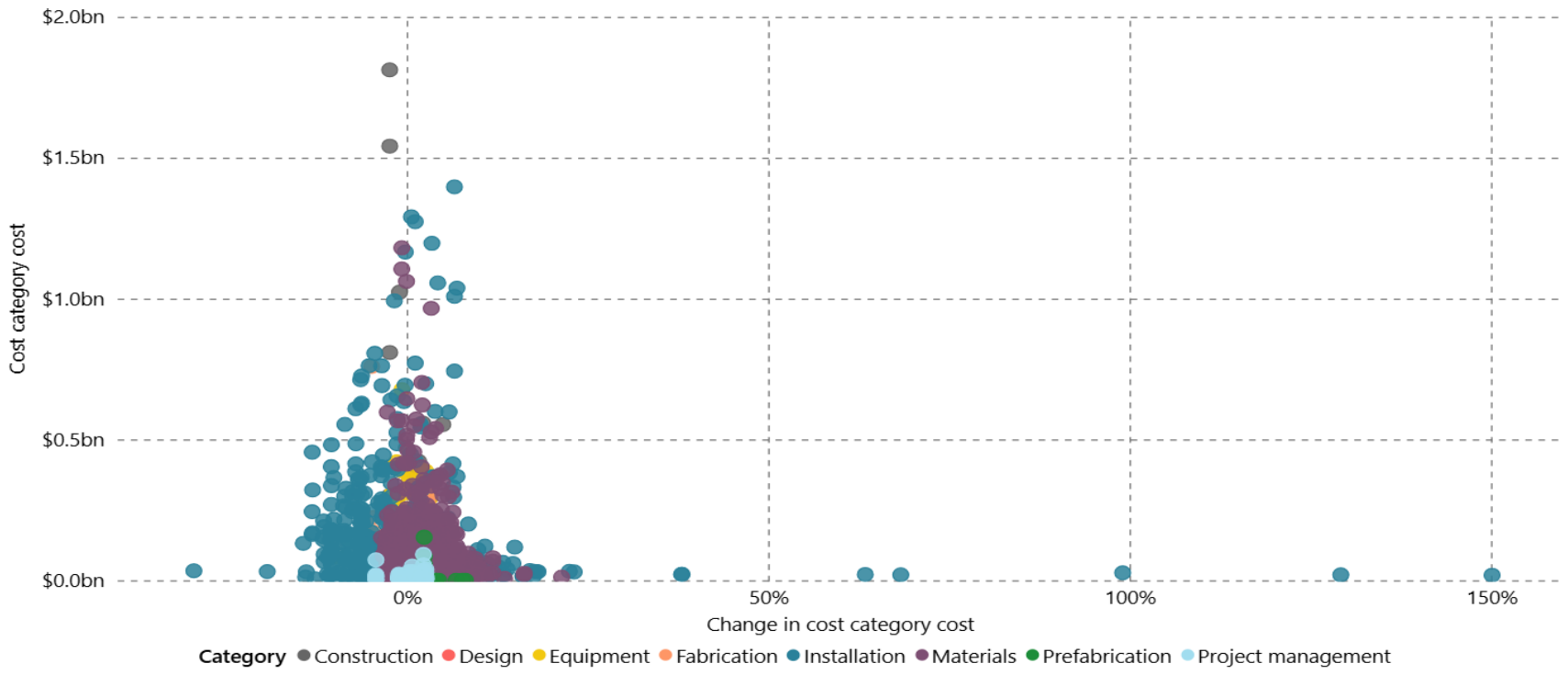


Since Q3 2024, the dynamics of the global currency market have been shaped by the interplay of various complex factors. Fluctuations in local currencies have affected costs across several market segments, including equipment, construction, raw materials, and labor.

- The Canadian dollar (CAD) has weakened against the USD due to the Bank of Canada's cautious monetary policy, which has created a larger interest rate gap compared to the United States.
- The euro (EUR) has weakened against the USD due to economic challenges in the eurozone, including elevated inflation rates and a sluggish recovery from recent downturns. Similarly, the British pound (GBP) has depreciated against the USD, due to ongoing economic uncertainties in the UK.
- In Asia, all tracked currencies have weakened against the USD. The Japanese yen (JPY) and the South Korean won (KRW), have weakened against the USD due to sluggish economic growth, persistent inflation, and geopolitical tensions affecting exports growth.
- In Africa, the currency landscape has shown mixed trends. The Nigerian naira (NGN) has appreciated against the USD, reflecting improvements in the local economy and government reforms aimed at stabilizing the currency amidst inflation concerns.
- In Latin America, currencies such as the Argentine peso (ARS) and the Brazilian real (BRL) have depreciated against the USD due to economic instability, high inflation, and political uncertainties driving investor hesitation.

Project cost distribution by cost category

Distribution of cost category costs

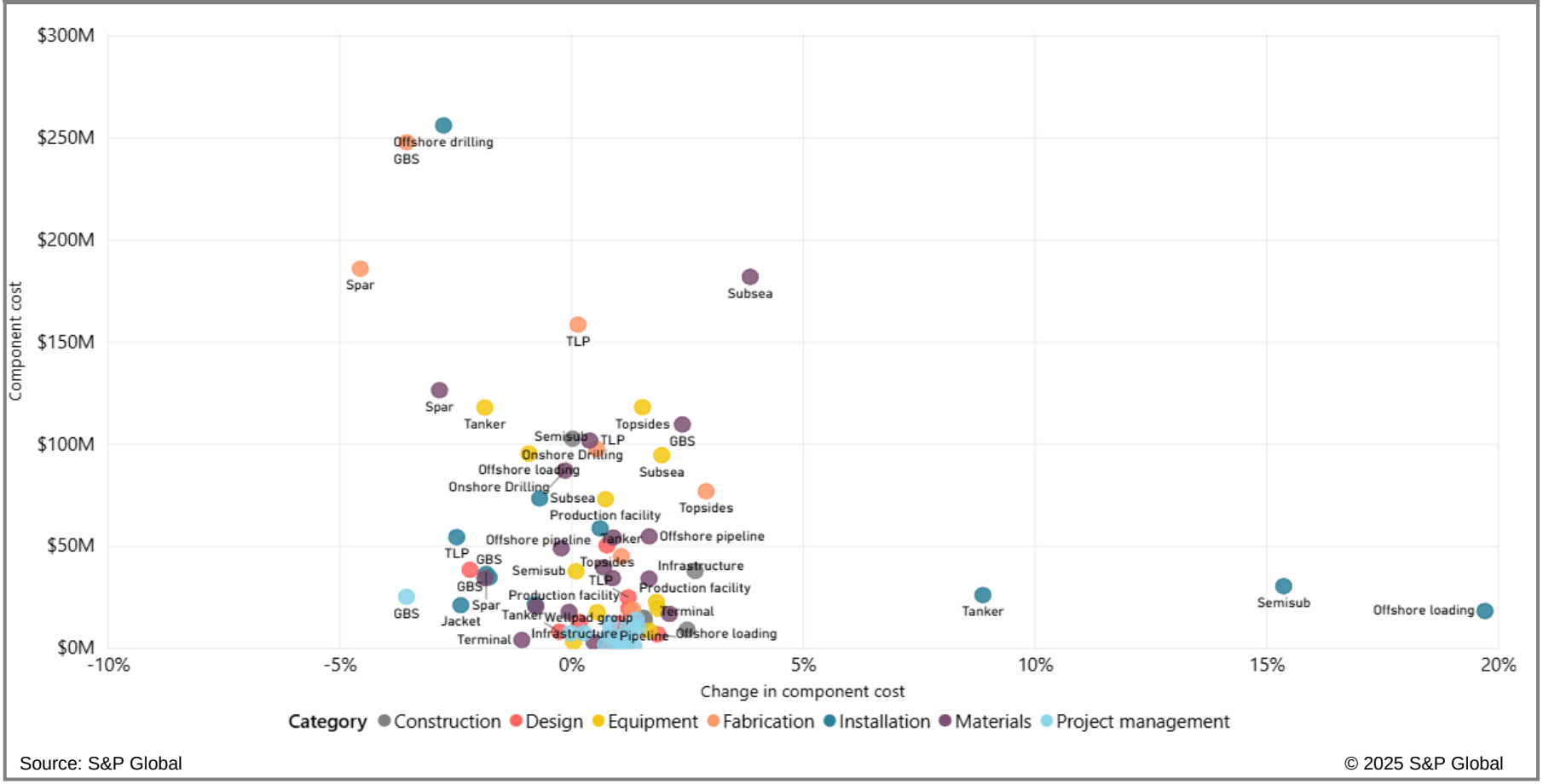


Source: S&P Global

Most cost categories varied between -15% and +20% with Installation costs showing the most significant variations. Installation costs showed the most notable changes, followed by Materials costs, particularly in small to medium-sized projects. The transition from Wet tow to Semi-sub HTV as the default marine transport method has significantly raised installation costs for certain projects.

Project cost distribution by cost component

Distribution of component cost changes by cost category

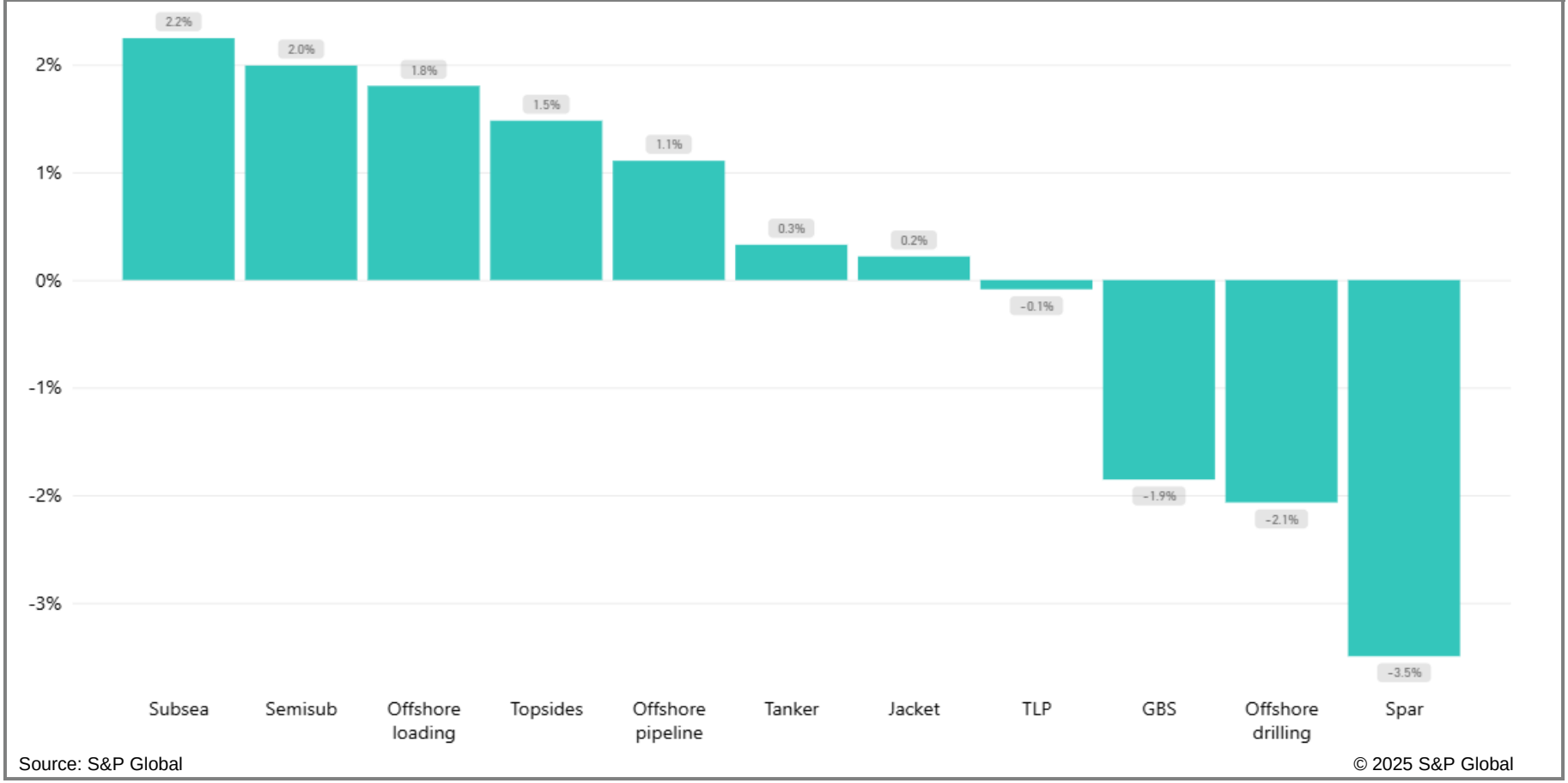


Source: S&P Global

Most component costs fluctuated between -5% and +5%, with notable increases in Installation and Material costs. Variations in component costs were driven by both cost changes and technical adjustments. Installation costs rose due to technical adjustments in marine transport methods, while Material costs exhibited a mixed trend, with certain regions experiencing price decreases due to the depreciation of local currencies against the USD.

OFFSHORE component costs varied between -3.5% and +2.2%

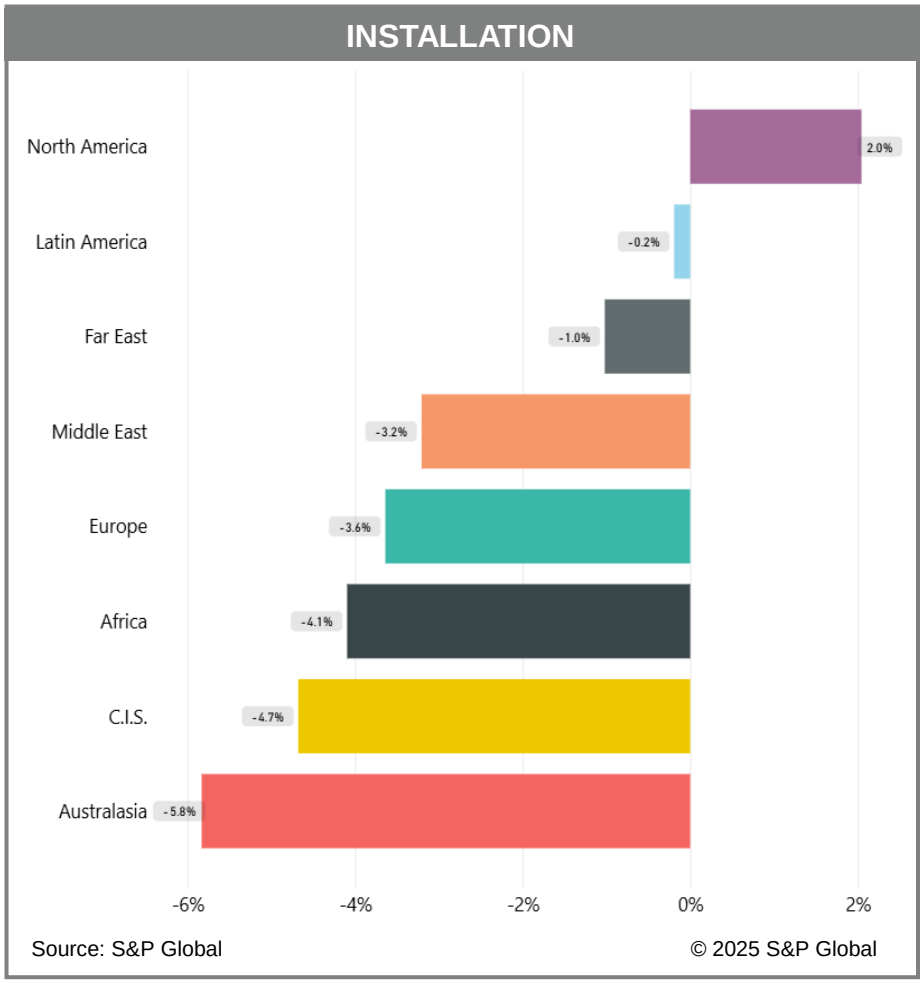
Average offshore cost variation by component

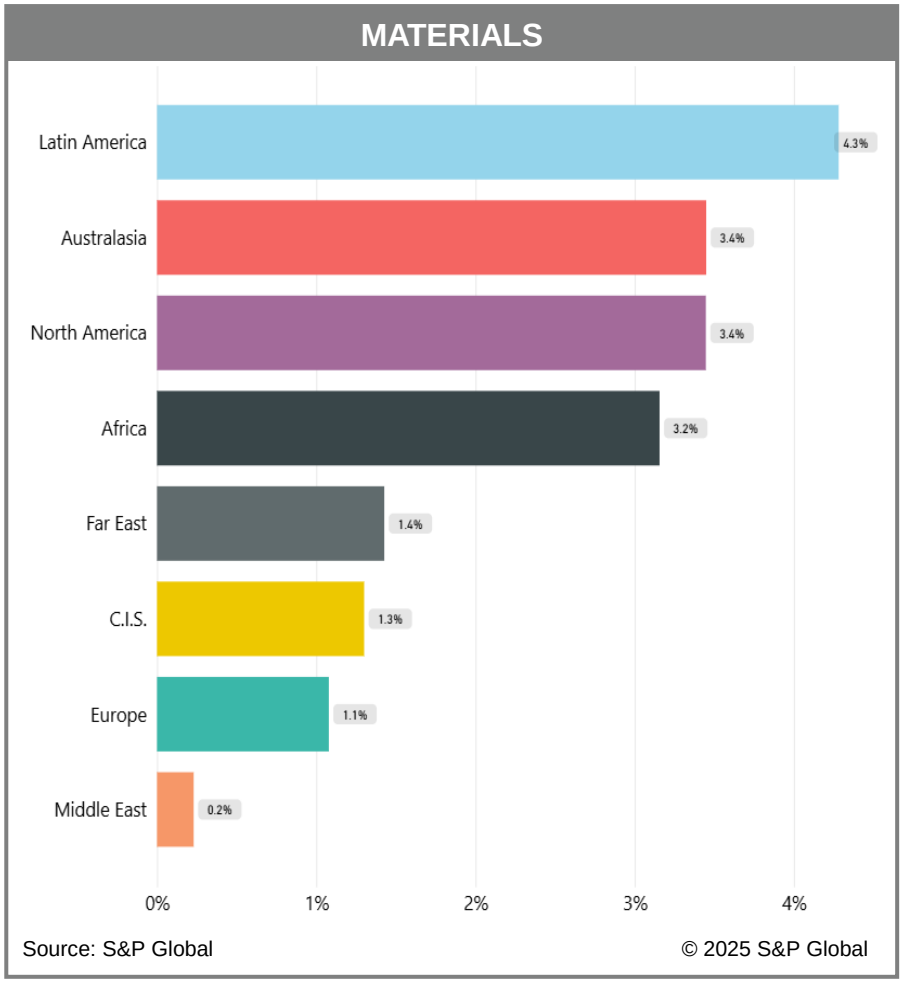


Source: S&P Global

Most offshore components experienced a cost increase, with Subsea increasing the most. This was due to the rising costs in Material and Equipment, combined with the addition of bend stiffeners and restrictors in the component. In contrast, the cost of Spar decreased the most, primarily attributed to the decline in steel price, vessel day rates and currency fluctuations against the US dollar. The Offshore drilling component declined, primarily due to lower rig day rates, while the GBS decreased because of reduced material prices.

OFFSHORE cost category changes





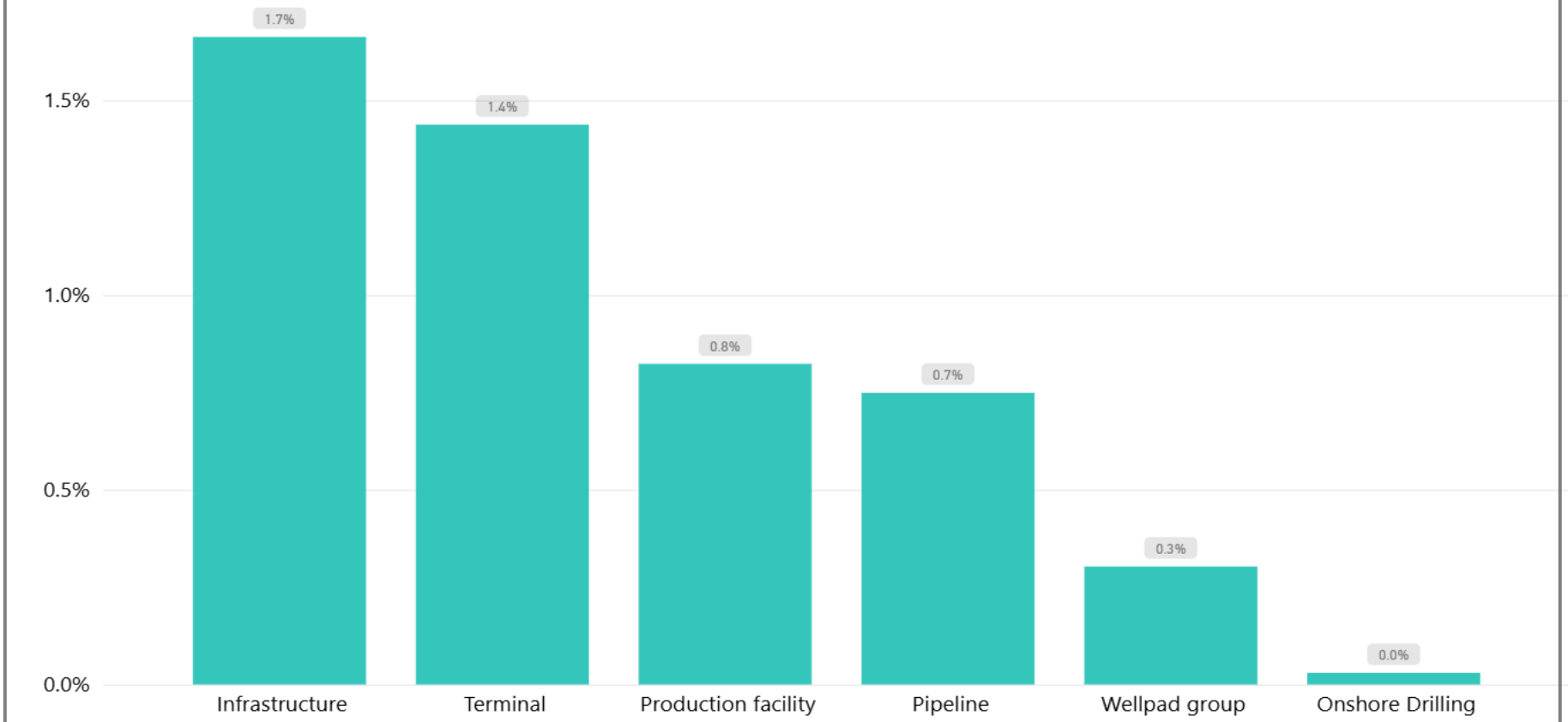
Installation costs declined in most regions, driven by lower day rates for offshore rigs and for most categories of offshore vessels. However, in North America, there was a significant increase in offshore drilling rig day rates, particularly in the floater segment, as well as for support vessels (AHTS and PSV) and construction vessels. Materials costs increased across all regions.

Offshore summary

- Offshore project costs varied between -1.3% in Australasia and +2.0% in North America, with Installation costs being the main drivers of cost changes.
- Regional variations were caused by the combination of price changes, technical changes and local currency volatility:
  - Installation costs decreased across most regions, especially in Australasia. This was due to the decrease in day rates for offshore drilling rigs in the floater segment. In contrast, North America experienced an increase in installation costs, due to the resurgence in exploration activities and robust demand for high-specification floaters.
  - Equipment costs increased in all regions, following the trend in Materials prices. While demand for equipment remained high, the increase in most regions was reduced by the depreciation of the local currencies against the USD.
  - Design and Project Management costs increased almost globally and varied regionally due to exchange rate fluctuations against the USD. Projects utilizing the CIS procurement strategy experienced the highest increase.
- Drilling costs had some impact on total project variations. When excluded, most regions observed an increase in cost changes, with Australia experiencing the most notable decline in total project costs. This was mainly driven by the decrease in offshore rig rates.

ONSHORE component costs varied between +0.0% and +1.7%

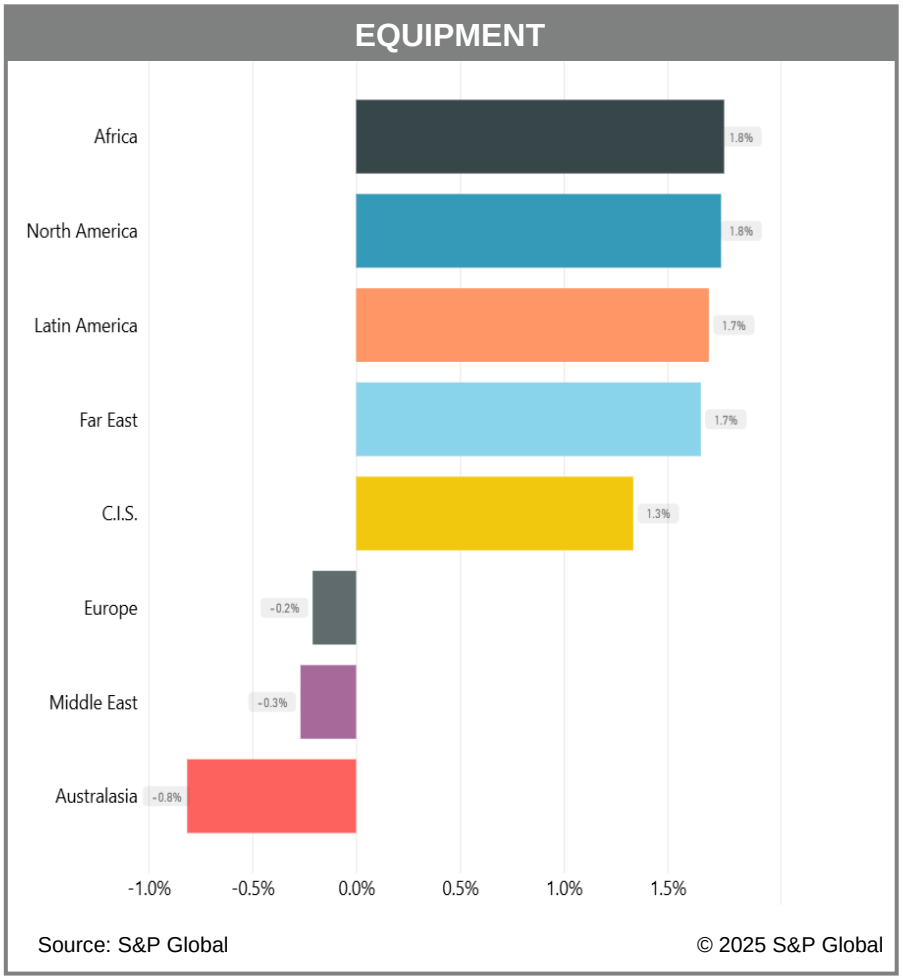
Average onshore cost variation by component

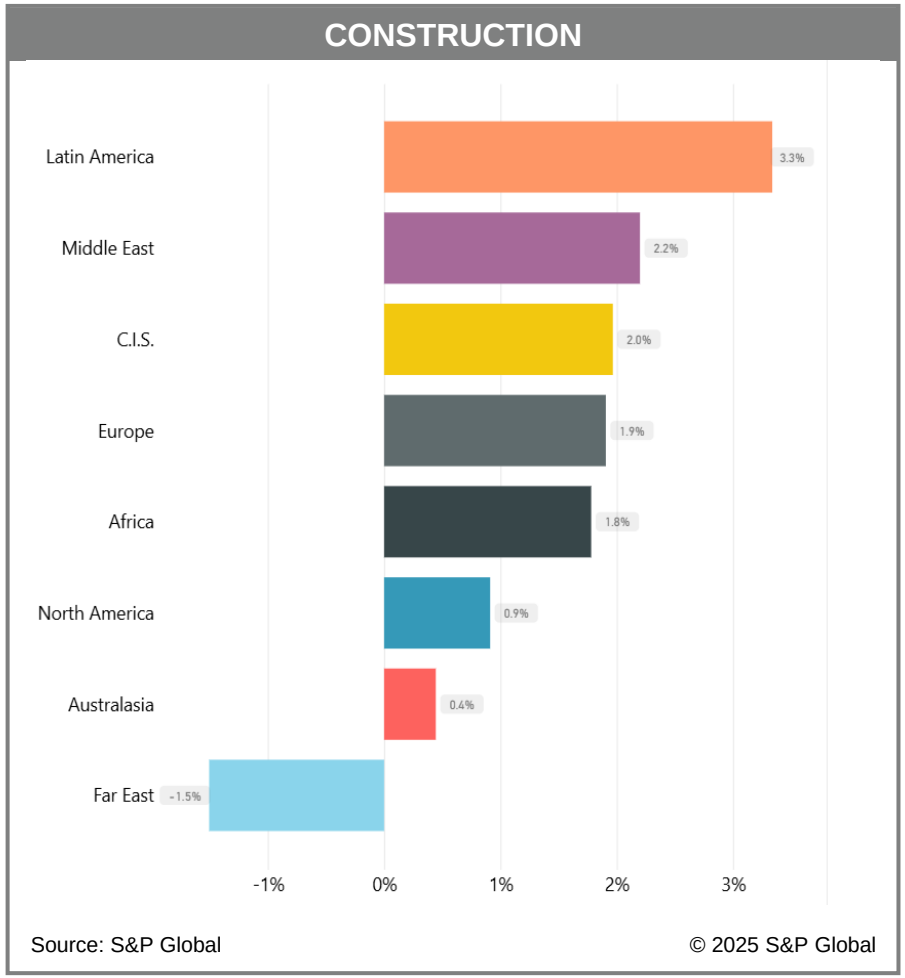


Source: S&P Global

Since Q4 2024, most onshore components saw slight cost increases, primarily driven by rising prices for equipment, materials, and construction. Estimates for infrastructure, terminal, and production facilities rose due to a combination of factors, including elevated costs in construction, equipment, and design and project management. These elements collectively contributed to the upward pressure on overall project costs in the onshore sector.

ONSHORE cost category changes





Equipment costs experienced a moderate increase in most regions except in Australasia, the Middle East, and Europe where local currencies depreciated against the USD. Construction costs increased in all regions due to a rise in some civil materials prices, labor rates and construction equipment rental. The Far East region showed a decrease as a result of lower land rig rates.

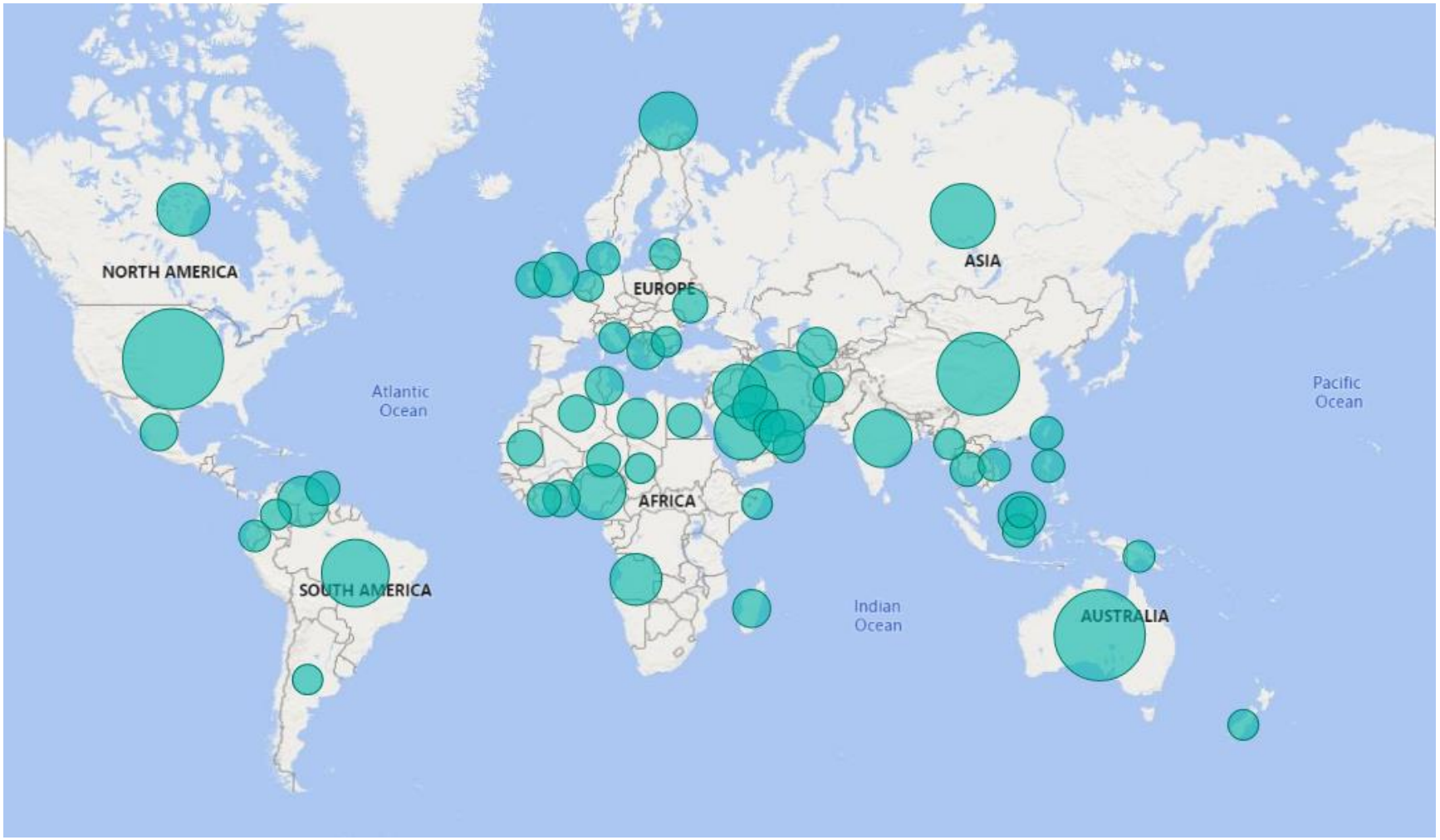
Onshore summary

- Onshore total project cost variations by region ranged from -0.6% in the Far East to +1.8% in Latin America. These variations were primarily influenced by cost changes affecting Construction, Equipment, Prefabrication and Design and Project Management costs.
- The regional variations were caused by price changes and depreciation of local currencies against the USD:
  - Construction and Equipment costs rose due to input prices increase, with the most significant variations observed in Latin America, Africa, and the CIS.
  - Materials costs increased in North America and Latin America. All other regions experienced a decrease as most cost increases were offset by the appreciation of the USD.
  - Design and Project Management costs increased in all regions except for Australasia and the Far East.
  - Excluding Onshore drilling costs led to a mix of variations in total project costs across most regions, except for Australasia which decreased mostly due depreciation of local currencies against the USD.

Benchmarking method

- Our benchmarking analysis consists of running a set of projects using three different versions of QUE$TOR:
  1) the previous version, i.e., QUE$TOR 2024 Q3
  2) an intermediate version that only includes latest technical changes and new features
  3) the updated version, i.e., QUE$TOR 2025 Q1, inclusive of both cost and technical changes
- The results of the analysis show the variations of project costs, in US dollar terms, when technical changes and cost changes were applied. In particular:
  - Technical changes are the changes in results from the previous release to the intermediate version.
  - Cost changes are the difference between the results of the intermediate version and the results of the updated version.
  - Combined changes are the difference between the previous and the updated version i.e., the effect of cost and technical changes together.
- The analysis uses a large sample of projects, about 250 offshore and 200 onshore cases. These are based on real assets and potential developments all around the world.
- Every region contains both offshore and onshore projects. Note that the overall portfolio is not intended to include all possible cases, but to be a representative sample of what is feasible in each region. As a result, some project types or regions may be better represented than others.

QUE$TOR benchmarking portfolio offers global coverage



Customer suggestions and feedback

- Does this report provide enough information?
- Does it meet your expectations?
- Is there anything you would like us to add or replace?

We would love to hear your thoughts.

Please provide your feedback by contacting us at ci.support@spglobal.com

Thank you!

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