

**Seahawk Investments**  
**Quarterly Note**  
**2026/01**



## Credit Opportunities in the Offshore Seismic Segment

### Fossil Fuel Outlook has changed

In its World Energy Outlook (WEO) 2025, the International Energy Agency (IEA) has revised its view on the timing and nature of “peak oil.” While earlier editions pointed to a global demand peak before 2030, the 2025 outlook adopts a more nuanced perspective.

Under the Stated Policies Scenario (STEPS), which reflects policies that governments have already announced, global oil demand is still expected to peak around 2030. However, instead of a sharp decline thereafter, the IEA now anticipates a prolonged plateau. Demand is projected to ease only marginally, reaching about 97.4 million barrels per day (mb/d) by 2050.

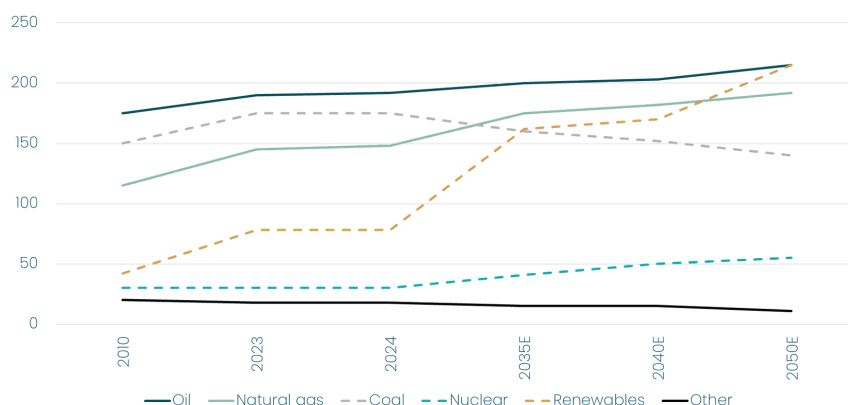
By contrast, the Current Policies Scenario (CPS)—reintroduced in this edition—assumes that only policies already enacted into law remain in force, with no additional measures implemented. Under this scenario, global oil demand does not peak before 2050; instead, it continues to rise, potentially reaching around 11% above today’s levels by mid-century. Several factors underpin this “extended” demand outlook:



- Slower adoption of electric vehicles (EVs): A deceleration in EV uptake, particularly in major markets such as the United States, has led to higher long-term oil demand projections for road transport.
- AI and data centers: Rapid growth in electricity consumption driven by artificial intelligence and data centers has slowed the displacement of fossil fuels in the overall energy mix.
- Petrochemicals: Strong and sustained demand for plastics and petrochemical feedstocks continues to provide a substantial baseline for oil consumption, even as demand for transport fuels begins to level off.
- Economic growth in Asia: Ongoing expansion in India and Southeast Asia is offsetting declining demand in advanced economies. India, in particular, is expected to record the largest absolute increase in oil demand of any individual country through 2030.

The IEA’s projections remain notably more conservative than those presented in OPEC’s World Oil Outlook 2025. OPEC dismisses the concept of “peak oil” as ideologically motivated and foresees global oil demand continuing to rise to around 116 mb/d by 2045, citing the development needs of emerging economies and the lack of scalable alternatives.

Total energy demand by fuel type- World  
Energy Outlook 2025



Source: IEA World Energy Outlook 2025

### The need for higher exploration Spending

Higher investment in oil and gas exploration is increasingly required to offset natural production declines from aging fields and to address a projected 300-billion-barrel supply shortfall by 2050. Expanded exploration spending helps bridge the widening gap between growing global demand and declining output from existing resources, strengthens energy security, and prioritizes access to lower-cost and lower-carbon-intensity reserves.

Several factors are driving the need for increased exploration activity:

- Declining productivity of existing fields: As many producing assets mature, output is falling, making new discoveries essential to maintaining supply levels.
- Significant supply gap risk: Without additional discoveries, currently producing and sanctioned fields will be

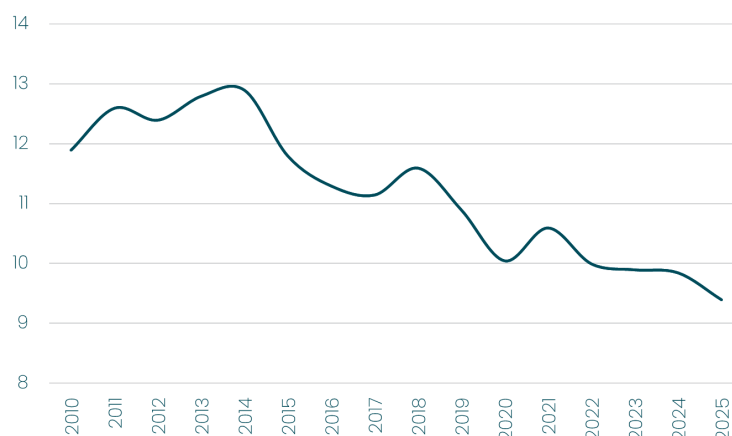
insufficient to meet future demand, resulting in a projected shortfall of around 20 million barrels per day by 2034.

- Infrastructure-Led Exploration (ILX): According to Wood Mackenzie, companies are increasingly focusing on high-impact exploration near existing infrastructure, particularly in frontier and ultra-deepwater basins such as Guyana and Brazil, where the potential for large, high-value discoveries remains strong.
- Energy security concerns: Heightened geopolitical uncertainty underscores the importance of securing reliable, domestically or independently produced energy supplies.
- Resilient natural gas demand: In the context of the energy transition, exploration efforts are increasingly weighted toward natural gas, which is expected to play a critical role in balancing emissions reduction with energy reliability.

For International Oil Companies (IOCs), declining reserve life -the number of years current proven reserves can sustain present production levels- provides a clear signal that higher exploration spending will be necessary over the

medium to long term. Average reserve life has fallen to around 9.5 years, while reserve replacement ratios have remained well below the 100% sustainability threshold for the past seven years, underscoring the strategic urgency to replenish reserves.

Reserve life ratio major IOCs



Source: Bloomberg as of March 2026

Based on Rystad Energy's 2026 outlook, global oil and gas exploration spending is expected to remain resilient, stabilizing at just over USD 60 billion. The firm highlights several key trends shaping exploration activity in 2026:

- Total exploration spending: Global exploration expenditure is projected to range between approximately USD 55 billion and over USD 60 billion in 2026. Of this, drilling activity in frontier basins alone is expected to exceed USD 10 billion, with both metrics reaching their highest levels since 2019.
- Sustained focus on high-impact drilling: Strong high-impact wildcat drilling is set to continue, with 42 high-impact wells identified for 2026.
- Africa is expected to dominate activity, hosting around 40% of these wells - primarily along the Atlantic margin, notably the Orange Basin and the Gulf of Guinea.
- Regional investment hubs: Nearly USD 30 billion in combined exploration and appraisal spending is anticipated across West Africa, South America, Asia, and North America, reinforcing these regions as the primary centers of global exploration activity.
- Offshore and ultra-deepwater dominance: Ultra-deepwater prospects continue to underpin the exploration outlook, accounting for approximately 60% of all planned high-impact wells in 2026.

- Infrastructure-led exploration: Near-field and infrastructure-led exploration is expected to represent USD 7–8 billion of total spending, with the remaining investment allocated to appraisal drilling and other exploratory programs.

The seismic services market is closely linked to trends in upstream exploration and production (E&P) spending. Seismic surveys –often described as “CAT scans” of the subsurface– are a critical precursor to drilling, enabling operators to identify and de-risk potential hydrocarbon accumulations. As a result, demand for seismic services typically rises when exploration budgets expand and contracts when upstream investment is curtailed.

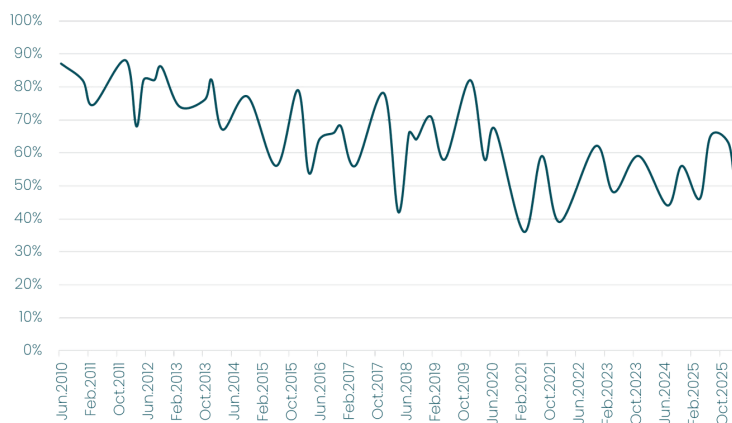
#### State of the Seismic Vessel Market

The survey vessel sector comprises vessels that undertake a range of offshore survey activities, including subsurface geological surveys and seabed mapping. Seismic activity strengthened during 2021–2023 as the offshore market rebounded more broadly. However, activity levels softened again in 2025, reflecting a more cautious stance among oil companies.

This near-term easing in demand is largely attributable to heightened economic uncertainty, conservatism following renewed trade and tariff concerns, and expectations of a growing global oil oversupply through the end of 2025. As a result, upstream operators have exercised greater restraint across several spending categories, including seismic acquisition.

Nevertheless, this short-term softness contrasts with more pressing medium-term structural challenges, particularly declining reserve replacement ratios among oil and gas companies. These challenges are becoming more pronounced as evidence mounts that the energy transition may progress more gradually than previously anticipated, implying a longer-term requirement for substantial volumes of oil and gas. Against this backdrop, survey vessel utilization rates have remained subdued, averaging around 60% over the past three years. Despite this, market participants increasingly anticipate improved utilization in the medium term, underpinned by sustained underinvestment in reserve replacement and the growing need to replenish resource portfolios through renewed exploration activity.

3D Vessel Utilization (>6 streamers)



Source Fearnley as of March 2026

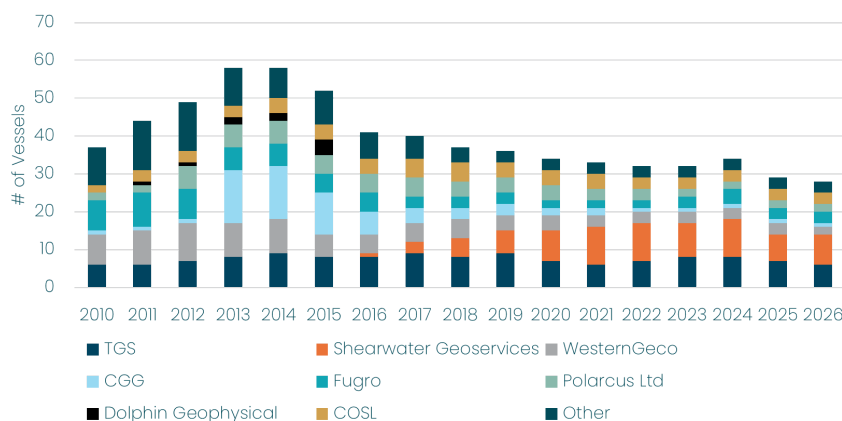
Overall, the seismic vessel sector has contracted significantly over the past decade, driven primarily by extensive vessel retirements and scrapping. At the same time, owner consolidation has materially reshaped the competitive landscape.

Today, the high-end 3D streamer fleet comprises only around 20 active vessels, highlighting the sharp reduction in top-tier seismic capacity. In contrast, the broader

seismic fleet—including all vessel types engaged in seismic activities—totals nearly 200 vessels worldwide.

With no new vessel ordering currently underway, industry participants increasingly anticipate a tightening of the market in the medium term, particularly if exploration spending recovers and demand for high-quality seismic data strengthens.

Active 3D Fleet: >6 streamers



Source: S&P Global Commodity Insights. Fearnley Securities

### A leading player in the seismic vessel market –Shearwater GeoServices

Shearwater GeoServices is a global leader in marine geophysics and offshore seismic technology, headquartered in Bergen, Norway. The company specializes in the acquisition, processing, and interpretation of offshore seismic data, enabling energy companies to map the seabed and image subsurface geological structures with high precision.

Shearwater operates the world’s largest fleet of high-end seismic vessels, although the number of vessels actively deployed fluctuates in line with market conditions and contract availability. The company owns a total of 23 vessels. As of early 2026, approximately 8 to 9 vessels are typically in active service, while the remaining vessels are held in stacked (reserve) status, ready to be reactivated as new contracts are awarded.

### Shearwater Geoservices – 1<sup>st</sup> lien secured bond 9,5% Coupon Maturity 4/03/29.

Shearwater GeoServices issued a USD 300 million senior secured first-lien bond in March 2024 as part of a broader USD 700 million refinancing package, designed to strengthen its capital structure and support long-term strategic growth.

Owing to subdued market activity, the company's profitability came under pressure during calendar year 2025, resulting in a net loss of approximately USD 100 million. This deterioration led to a rise in leverage metrics, prompting Shearwater to temporarily amend certain bank loan covenants, in order to avoid a formal covenant breach.

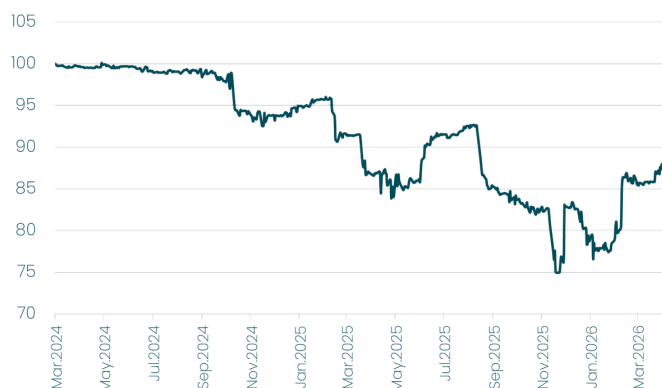
Following the release of third-quarter 2025 results, market sentiment weakened and the bond price fell to around 75% of par value. However, improved operational performance in the fourth quarter of 2025 led to a recovery in earnings and a reduction in leverage, with net interest-bearing debt to EBITDA improving to below 5x.

Despite continued near-term pressure on the company's financial profile, bondholders benefit from the senior secured first-lien structure of the outstanding notes. This structure provides priority claims over the company's assets, most notably its high-end seismic vessel fleet. The estimated loan-to-value ratio of roughly 50% offers substantial asset backing and downside protection for credit investors.

Liquidity conditions improved materially following the sale of two vessels in early 2026, strengthening the company's cash position. The bond is currently trading at approximately 90% of par, implying a risk premium of around 1,000 basis points over the risk-free rate and a yield to maturity (April 2029) of roughly 14%. This valuation suggests a compelling risk-reward profile for investors.

In addition, Shearwater retains further deleveraging flexibility, as laid-up streamer vessels can be converted into source vessels if required, providing an additional buffer in the event of a prolonged downturn in the seismic market.

Price Chart



Source Bloomberg as of March 2026

## Key takeaways

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International agencies have pushed back their projections for peak oil demand, suggesting that global consumption is likely to remain elevated for longer than previously anticipated. Against this backdrop, reserve replacement ratios among International Oil Companies (IOCs) remain insufficient, indicating persistent underinvestment in upstream exploration.

At the same time, escalating geopolitical tensions in the Middle East are reinforcing the strategic importance of energy security, bringing upstream investment—particularly seismic and exploration activity—back to the forefront of industry priorities. As a result, market participants increasingly expect exploration spending to adjust upward over the medium term. The current soft patch in the seismic market therefore appears cyclical rather than structural and presents a distinct opportunity for credit investors, who can gain exposure at attractive valuations ahead of a potential recovery in exploration activity and utilization.

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