Risk Factors Comparison 2024-02-21 to 2023-02-23 Form: 10-K

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Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by volatile oil and gas prices and other factors. Our business depends on oil and gas exploration, development and production in offshore areas where we are capable of operating. Demand for our services depends on these activities and related expenditure levels that are directly affected by trends in oil and, to a lesser extent, natural gas prices. Oil and gas prices are extremely volatile and are affected by numerous factors, including the following: worldwide demand for oil and gas, including economic activity in the U. S., other large energy- consuming markets and in developing and emerging markets ~~, which was significantly impacted by COVID- 19 and the governmental, company and individual reactions thereto~~ ; the ability of the Organization of the Petroleum Exporting Countries (" OPEC ") to set and maintain production levels, productive spare capacity and pricing among its members; the level of production in non- OPEC countries; inventory levels, and the cost and availability of storage and transportation of oil, gas and their related products; the policies, laws and regulations of various governments regarding exploration and development of their oil and gas reserves and environmental matters, including those addressing alternative energy sources and the risks of global climate change; international sanctions on oil- producing countries, or the lifting of such sanctions; advances in exploration, development and production technology; the development, exploitation and market acceptance of alternative energy sources; the further development of shale technology to exploit oil and gas reserves; the discovery rate of new oil and gas reserves and the rate of decline of existing oil and gas reserves; accidents, adverse weather conditions, natural disasters and other similar incidents relating to the oil and gas industry; and the worldwide security and political environment, including uncertainty or instability resulting from an escalation or outbreak of armed hostilities, civil unrest, acts of terrorism, public health threats or other crises. Demand for our services is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, energy companies, including national energy companies. Prolonged reductions in oil and natural gas prices could depress the immediate levels of exploration, development and production activity. Perceptions of longer- term lower oil and natural gas prices by energy companies, or a perception that the demand for hydrocarbons will significantly decrease in the medium to long term, could similarly reduce or defer major expenditures given the long- term nature of many large- scale development projects and capital reinvestment policies. Lower levels of activity result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. However, increases in near- term commodity prices do not necessarily translate into increased offshore drilling activity since customers' expectations of longer- term future commodity prices and expectations regarding future demand for hydrocarbons typically have a greater impact on demand for our rigs. Consistent with this dynamic, customers may delay or cancel many exploration and development programs, resulting in reduced demand for our services. Also, increased competition for customers' drilling budgets could come from, among other areas, land- based energy markets **and renewable energy projects** worldwide. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments also affect customers' drilling campaigns. Worldwide military, political and economic events have often contributed to oil and gas price volatility and are likely to do so in the future. The offshore drilling industry is highly competitive and cyclical, with intense price competition. The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Although rig availability, service quality and technical capability are drivers of customer contract awards, bid pricing and intense price competition are often key determinants for which a qualified contractor is awarded a job. ~~- 8-~~ The offshore drilling industry is highly cyclical and is impacted by oil and natural gas price levels and volatility. Periods of high customer demand, limited rig supply and high dayrates have been followed by periods of low customer demand, excess rig supply and low dayrates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply may intensify competition in the industry and result in the idling of older and less technologically advanced equipment. We have idled and stacked rigs, and may in the future idle or stack additional rigs or enter into lower dayrate drilling contracts in response to market conditions. Idled or stacked rigs may remain out of service for extended periods of time. During prior periods of high dayrates and rig utilization rates, we and other industry participants responded to increased customer demand by increasing the supply of rigs through ordering the construction of new units. The introduction of new units delivered without contracts, combined with an increased number of rigs in the global market completing contracts and becoming idle, ~~would~~ **may** intensify price competition. During periods of low oil and natural gas price levels, new construction has resulted in an oversupply of rigs and has caused a subsequent decline in dayrates and rig utilization rates, sometimes for extended periods of time. In **- 8-** an oversupplied market, we may have limited bargaining power to negotiate on more favorable terms. Additionally, lower market dayrates and intense price competition may drive customers to seek to renegotiate existing contracts to reduce dayrates in exchange for longer contract terms. Lower dayrates and rig utilization rates could adversely affect our revenues and profitability. As of February ~~9~~ **14** , ~~2023~~ **2024** , we have 13 uncontracted rigs, of which ~~five~~ **six** have been out of service for greater than five years, and these rigs may remain out of service for extended periods of time ~~. We also have a noncontrolling ownership interest in a company that has an uncontracted newbuild drillship under construction~~ . If we are unable to obtain drilling contracts for our uncontracted rigs, whether due to a prolonged offshore drilling market downturn, a delayed or muted recovery of such market or otherwise, it may have an adverse effect on our results of operations and cash flows. We may not be able to renew or obtain new drilling contracts for rigs whose contracts are expiring or obtain drilling contracts for our stacked and idle rigs. The offshore drilling markets in which we compete experience fluctuations in the demand for drilling services. Our ability to renew expiring drilling contracts or obtain new drilling contracts depends on the prevailing or expected market conditions. As of February ~~9~~ **14** , ~~2023~~ **2024** , we have 13 stacked or idle rigs. We also have ~~seven~~ **three** existing drilling contracts for our rigs that are currently operating, which are scheduled to expire before December 31, ~~2023~~ **2024** . We may be unable to obtain drilling contracts for our rigs that are currently operating upon the expiration or termination of such contracts, and there may be a gap in the operation of the rigs between the current contracts and subsequent contracts. When oil and natural gas prices are low or it is expected that such prices will decrease in the future, we may be unable to obtain drilling contracts at attractive dayrates or at all. We may not be able to obtain new drilling contracts with the terms or dayrates sufficient to support a reactivation of a cold **-** stacked rig. Likewise, we may not be able to obtain new drilling contracts in direct continuation with existing contracts, or depending on prevailing market conditions, we may enter into drilling contracts at dayrates substantially below the existing dayrates or on terms otherwise less favorable compared to existing contract terms, which may have an adverse effect on our financial position, results of operations or cash flows. Our current backlog of contract drilling revenues may not be fully realized. At February ~~9~~ **14** , ~~2023~~ **2024** , our contract backlog was approximately $ ~~8~~ **9** . ~~54~~ **01** billion. This amount represents the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization, contract preparation, other incentive provisions or reimbursement revenues, which are not expected to be significant to our contract drilling revenues. Our contract backlog includes amounts associated with our one contracted newbuild unit that is currently under construction. The contractual operating dayrate may be higher than the actual dayrate we ultimately receive or an alternative contractual dayrate, such as waiting on weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. The contractual operating dayrate may also be higher than the actual dayrate we ultimately receive due to a number of factors, including rig downtime or suspension of operations. Several factors could cause rig downtime or a suspension of operations, including: equipment breakdowns and other unforeseen engineering problems, labor strikes and other work stoppages, shortages of material and skilled labor, surveys by government and maritime authorities, periodic classification surveys, severe weather or harsh operating conditions, and force majeure events. In certain drilling contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time. Our contract backlog includes only firm commitments, which are represented by signed drilling contracts or, in some cases, other definitive agreements awaiting contract execution. We may not be able to realize the full amount of our contract backlog due to events beyond our control. In addition, some of our customers have experienced liquidity issues in the past, including some recently, and these liquidity issues could be experienced again if commodity prices decline for an extended period of time. Liquidity issues and other market pressures could lead our customers to seek bankruptcy protection or to seek to repudiate, cancel or renegotiate these agreements for various reasons (see " — Our drilling contracts may be terminated due to a number of events, and, during depressed market conditions, our customers may seek to repudiate or renegotiate their contracts "). Our inability to realize the full amount of our contract backlog may have an adverse effect on our financial position, results of operations or cash flows. ~~- 9-~~ We must make substantial capital and operating expenditures to reactivate our stacked or idle fleet and to maintain our active fleet, and we may be required to make significant capital expenditures to maintain our competitiveness and to comply with laws and applicable regulations and standards of governmental authorities and organizations. We must make substantial capital and operating expenditures to maintain our active fleet or to reactivate our stacked or idle fleet. These expenditures could increase as a result of changes in the cost of labor and materials, requirements of customers, the size of our fleet, the cost of replacement parts for existing rigs, the geographic location of the rigs and the length of drilling contracts. Changes in offshore drilling technology, customer requirements for new or upgraded equipment and competition within our industry may require us to make significant capital expenditures in order to maintain our competitiveness and to achieve our intention to reduce our greenhouse gas emission intensity. Changes in governmental regulations, including environmental requirements, and changes in safety or other equipment standards, as well as compliance with standards imposed by maritime self- regulatory organizations, may cause our capital expenditures to increase or require us to make additional unforeseen capital expenditures. As a result of these factors, we may be required to take our rigs out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. In the future, market conditions may not justify these expenditures or enable us to operate our older rigs profitably during the remainder of their economic lives. **- 9-** If we are unable to fund capital expenditures with our cash flows from operations or proceeds from sales of non- strategic assets, we may be required to either incur additional borrowings or raise capital through the sale of debt or equity securities, or additional financing arrangements with banks or other capital providers. Our ability to access the capital markets may be limited by our financial condition at the time, perceptions of us or our industry, by changes in laws and regulations or interpretation thereof and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we raise funds by issuing equity securities or other securities that are convertible into equity securities, existing shareholders may experience dilution. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business and on our financial position, results of operations and cash flows. Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in our operating revenues. Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in our operating revenues and are affected by many factors, including inflation. Costs for operating a rig are generally fixed or only semi- variable regardless of the dayrate being earned. To the extent a drilling contract provides for escalations attributable to inflation in our costs, those adjustments will lag the impact of inflationary pressures and may not reflect the full impact to us of any cost inflation. As drilling contracts with such provisions expire or are terminated, there can be no assurance that future drilling contracts will contain similar provisions, which may reduce our margins in inflationary environments. In addition, should our rigs incur unplanned downtime while on contract or idle time between drilling contracts, we will not always reduce the staff on those rigs because we could use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate because portions of the crew may be required to prepare rigs for stacking, after which time the crew members may be reassigned to active rigs or released. As our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance costs fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment, and these costs could increase for short or extended periods as a result of regulatory or customer requirements that raise maintenance standards above historical levels. The amount of contract preparation and reactivation costs vary based on the scope and length of the contract preparation or reactivation project, and the recognition of such costs varies depending on the duration of the firm contractual period and other contract terms. Certain of our drilling contracts are partially payable in local currency. The amounts, if any, of local currency received under these drilling contracts may exceed our local currency needs to pay local operating and maintenance costs, leading to an accumulation of excess local currency balances, which, in certain instances, may be subject to either restrictions or other difficulties in converting to U. S. dollars, our functional currency, or to other currencies of the locations where we operate. Excess amounts of local currency may also be exposed to the risk of currency exchange losses. **Changing** ~~Public and investor~~ sentiment towards climate change, fossil fuels and other esg matters could adversely affect our business, cost of capital and the price of our stock and other securities. Changing **sentiment among the** public ~~sentiment~~ **, regulators and non- governmental organizations** concerning fossil fuels ~~,~~ **has prompted efforts** aimed **in part** at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other groups, ~~has prompted efforts~~ to **discourage initial investments in and** promote the divestment of shares of energy companies, as well as to pressure lenders and other financial services companies to limit or curtail activities with **certain** energy companies. ~~These efforts have recently intensified, as demonstrated by the State of New York' s December 2020 announcement that it will be divesting the state' s Common Retirement Fund from fossil fuels by 2040.~~ If **such** ~~this or similar divestment~~ efforts are successful, ~~our stock~~ **the market** price **of our shares** and our ability to access capital markets may be negatively impacted. Members of the investment community are also increasing their focus on environmental, social and governance (" ESG ") practices and disclosures, including **those** ~~practices and disclosures~~ related to greenhouse ~~gases~~ -- **gas emissions** and climate change, in the energy industry in particular, and diversity and inclusion ~~initiatives and governance standards~~ among public companies more generally. ~~As~~ **We may be subject in the future to additional reporting requirements that are developing in response to such increased focus and, as** a result, we may face ~~- 10-~~ increasing pressure regarding our ESG disclosures and practices. Additionally, members of the investment community may screen companies such as ours for ESG sustainability performance before investing in our stock. ~~Over the past few years there has also been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG investments.~~ As a result, there has been a proliferation of ESG focused investment funds seeking ESG oriented investment products. If we or our securities are unable to meet the sustainability ESG standards or investment criteria set by these investors and funds, we may lose investors or investors may allocate a portion of their capital away from us **. As a result** , our cost of capital may increase, ~~our stock~~ **the market** price **of our shares or of our publicly traded debt securities** may be negatively impacted ~~, the cost of capital associated with our securities offerings may increase~~ and our reputation may **also** be negatively affected. Public health threats have had, and may continue to have, significant adverse consequences for general economic, financial and business conditions, as well as for our business and operations. Public health threats, including pandemics and epidemics, ~~such as the outbreak of COVID- 19, new variants thereof,~~ severe influenza, ~~other~~ coronaviruses and other highly communicable viruses or diseases, have impacted and may continue to impact our operations directly or indirectly, including by disrupting the operations of our business partners, suppliers and customers in ways that adversely impact our operations. Such impacts may include, among others: causing a temporary shut- down of operations in case of an outbreak on one or more of our rigs; **- 10-** disrupting or restricting the ability of our suppliers, manufacturers and service providers to supply parts, equipment labor or services in the jurisdictions in which we operate or conduct shipyard activities including newbuild construction; causing us to incur increased costs, inefficiencies, and labor shortages as a result of precautionary measures taken to counteract a potential or actual outbreak, including testing and quarantining of offshore personnel; and being negatively affected by various actions by governmental authorities around the world designed to prevent or reduce the spread of an outbreak, such as imposing mandatory closures of all business facilities deemed to be non- essential, seeking voluntary closures of such facilities and imposing restrictions on, or issuing advisories with respect to, travel, business operations and public gatherings or interactions. As a result, we may experience significant adverse consequences in our ability to meet our commitments to customers, including due to increased operating costs and increased risk of rig downtime or contract termination, which may result in substantial adverse consequences for our business and results of operations. In addition, public health threats may result in significantly reduced global or regional economic activity, which could result in a sharp reduction in the demand for oil and an associated decline in oil prices **,** as occurred during 2020. Such conditions may result in, reductions to our customers' drilling and production expenditures and delays or cancellations of projects, which may cause a decrease in demand for our services and an increase in the risk that our customers may seek to terminate or renegotiate pricing or other terms for our existing contracts or that more of our rigs may become idle, stacked or retired from our fleet. The magnitude and duration of potential social, economic and labor instability resulting from such public health threats, including the speed at which national economies can recover, or whether any recovery will ultimately experience a reversal or other setbacks, are uncertain and cannot be estimated as such effects depend on future events that would be largely out of our control. We rely heavily on a relatively small number of customers and the loss of a significant customer or a dispute that leads to the loss of a customer could have an adverse effect on our business. We engage in offshore drilling services for most of the leading integrated energy companies or their affiliates, as well as for many government- owned or government- controlled energy companies and other independent energy companies. For the year ended December 31, ~~2022~~ **2023** , our most significant customers were Shell, Equinor **, TotalEnergies** and Petrobras, representing approximately ~~33~~ **27** percent, ~~25~~ **16 percent, 12** percent and 11 percent, respectively, of our consolidated operating revenues. As of February ~~9~~ **14** , ~~2023~~ **2024** , the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were **Petrobras,** Shell ~~, Petrobras~~ and Chevron, representing approximately ~~33 percent,~~ 31 percent, **25 percent** and ~~14~~ **10** percent, respectively, of our total contract backlog. The loss of any of these customers or another significant customer, or a decline in payments under any of our drilling contracts, could, at least in the short term, have an adverse effect on our business. Our business involves numerous operating hazards, and our insurance and indemnities from our customers may not be adequate to cover potential losses from our operations. Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as, blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, craterings, fires, explosions and pollution. Contract drilling requires the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers and other parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental or natural resource damage, claims by third parties or customers and suspension of operations. Our offshore fleet is also subject to hazards inherent in marine operations, either while on site or during mobilization, such as capsizing, sinking, grounding, collision, piracy, damage from severe weather and marine life infestations. The U. S. Gulf of Mexico, the South China Sea and the Northwest Coast of Australia are areas subject to typhoons, hurricanes or other extreme weather conditions on a relatively frequent basis, and our drilling rigs in these regions may be exposed to damage or total loss by these storms, some of which may not be covered by insurance. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury to or death of rig personnel. Some experts believe global climate ~~- 11-~~ change could increase the frequency and severity of these extreme weather conditions. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services, or personnel shortages. We customarily provide contract indemnity to our customers for certain claims that could be asserted by us relating to damage to or loss of our equipment, including rigs, and claims that could be asserted by us or our employees relating to personal injury or loss of life. Damage to the environment or natural resources could also result from our operations, particularly through spillage of hydrocarbons, fuel, lubricants or other chemicals and substances used in drilling operations, or extensive uncontrolled fires. We may also be subject to property damage, environmental indemnity and other claims by energy companies or other third parties. Drilling involves certain risks associated with the loss of control of a well, such as blowout, cratering, the cost to regain control of or redrill the well and remediation of associated pollution. Our customers may be unable or unwilling to indemnify us against such risks. In addition, a court may decide that certain indemnities in our current or future drilling contracts are not enforceable. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy, and the enforceability of an indemnity as to other matters may be limited. Our insurance policies and drilling contracts contain rights to indemnity that may not adequately cover our losses, and we do not have insurance coverage or rights to indemnity for all risks. We have two main types of insurance coverage: (1) hull and machinery coverage for physical damage to our property and equipment and (2) excess liability coverage, which generally covers offshore risks, such as personal injury, third- party property claims, and third- party non- crew claims, including wreck removal and pollution. We generally have no hull and machinery insurance coverage for damages caused by named storms in the U. S. Gulf of Mexico. We maintain per occurrence deductibles **- 11-** that generally range up to $ 10 million for various third- party liabilities, and we self- insure $ 50 million of the $ 750 million excess liability coverage through our wholly owned captive insurance company. We also retain the risk for any liability that exceeds our excess liability coverage. However, pollution and environmental risks generally are not completely insurable. If a significant accident or other event occurs that is not fully covered by our insurance or by an enforceable or recoverable indemnity, the occurrence could adversely affect our financial position, results of operations or cash flows. The amount of our insurance may also be less than the related impact on enterprise value after a loss. Our insurance coverage will not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Our coverage includes annual aggregate policy limits. As a result, we generally retain the risk for any losses in excess of these limits. We generally do not carry insurance for loss of revenue, and certain other claims may also not be reimbursed by insurance carriers. Any such lack of reimbursement may cause us to incur substantial costs. In addition, we could decide to retain more risk in the future, resulting in higher risk of losses, which could be material. Moreover, we may not be able to maintain adequate insurance in the future at rates that we consider reasonable or be able to obtain insurance against certain risks. Our drilling contracts may be terminated due to a number of events, and, during depressed market conditions, our customers may seek to repudiate or renegotiate their contracts. Certain of our drilling contracts with customers may be cancelable at the option of the customer upon payment of an early termination payment. Such payments may not, however, fully compensate us for the loss of the contract. ~~For~~ **In the third quarter of 2023, as the most recent** example, **Development Driller III** ~~early in the fourth quarter of 2022, Transocean Equinox~~ concluded the activities contemplated in its drilling contract prior to the end of the contract' s firm term that was previously expected ~~late~~ **early** in the fourth quarter of ~~2022~~ **2023** . The termination payment associated with the drilling contract would not fully compensate us for the early termination of the contract. Drilling contracts also customarily provide for either automatic termination or termination at the option of the customer, typically without the payment of any termination fee, under various circumstances such as non- performance, as a result of significant downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events, many of which are beyond our control. Certain customers who seek to terminate our drilling contracts may attempt to defeat or circumvent our protections against certain liabilities. Our customers' ability to perform their obligations under their drilling contracts, including their ability to fulfill their indemnity obligations to us, may also be negatively impacted by an economic downturn. Our customers, which include national energy companies, often have significant bargaining leverage over us. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated on terms that are not as favorable as current terms, it could adversely affect our financial position, results of operations or cash flows. During periods of depressed market conditions, such as we have recently experienced, we are subject to an increased counterparty risk, as our customers may seek to repudiate their contracts, including through claims of non- performance in order to reduce their capital expenditures. Our customers may no longer need a drilling rig that is currently under contract or may be able to obtain a comparable drilling rig at a lower dayrate. We have experienced, and are at continued risk of experiencing, early contract terminations when there is a weak commodity price environment. The ability of each of our counterparties to perform its obligations under a contract with us, including indemnity obligations, will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the offshore drilling industry, prevailing prices for oil and natural gas, the overall financial condition of the counterparty, the dayrates received and the level of expenditures necessary to maintain drilling activities. Should a counterparty fail to honor its obligations under an agreement with us, we could sustain losses, which could have an adverse effect on our business and on our financial position, results of operations or cash flows. ~~- 12-~~ Failure to recruit and retain personnel could hurt our operations. We depend on the continuing efforts of key members of our management, as well as other highly skilled personnel, to operate and provide technical services and support for our business worldwide. Historically, competition for the personnel required for drilling operations has intensified as the number of rigs activated, added to worldwide fleets or under construction increased, leading to shortages of qualified personnel in the industry and creating upward pressure on wages and higher turnover. We may experience a reduction in the experience level of our personnel as a result of any increased turnover, which could lead to higher downtime and more operating incidents, which in turn could decrease revenues and increase costs. If increased competition for qualified personnel were to intensify in the future we may experience increases in costs or limits on operations. Our labor costs and the operating restrictions under which we operate could increase as a result of collective bargaining negotiations and additional unionization efforts. As of December 31, ~~2022~~ **2023** , approximately ~~43~~ **42** percent of our total workforce, working primarily in Norway ~~,~~ **and** Brazil ~~and the U. K.~~ , are represented by, and some of our contracted labor work is subject to, collective bargaining agreements, substantially all of which are subject to annual salary negotiation. Negotiations over annual salary or other labor matters could result in higher personnel or other costs or increased operational restrictions or disruptions. The outcome of any such negotiation generally affects the market for all offshore employees, not only the union members. A failure to reach an agreement on certain key issues could result in strikes, lockouts, or other work stoppages. Legislation has been introduced in the U. S. Congress that could encourage additional unionization efforts in the U. S., as well as increase the chances that such efforts succeed. Additional unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs and operating restrictions. **- 12-** Our shipyard projects and operations are subject to delays and cost overruns. We have a variety of shipyard projects underway **, at any given time,** for our existing rigs at any given time ~~. Additionally~~ , **and** as of February 14, ~~2023~~ **2024** , we were constructing one ultra- deepwater drillship ~~and held a noncontrolling ownership interest in a company that is constructing one ultra- deepwater drillship~~ . These shipyard projects are subject to the risks of ~~delay~~ **delays** or cost overruns inherent in any such ~~construction~~ **complex** ~~project~~ **projects** resulting from numerous factors, including the following: ~~— complications arising from pandemics and epidemics, such severe influenza, coronaviruses and other highly communicable viruses or diseases, and associated government orders in the country where the rigs are being constructed or serviced and elsewhere;~~ shipyard availability, failures and difficulties; shortages of equipment, materials or skilled labor; failure or delayed deliveries of significant materials or equipment for various reasons, including due to supplier shortages, constraints, disruption or quality issues; design and engineering problems, including those relating to the commissioning of newly designed equipment; latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions; unanticipated actual or purported change orders; disputes with shipyards and suppliers; availability of suppliers to recertify equipment for enhanced regulations; strikes, labor disputes and work stoppages; customer acceptance delays or delays in providing customer- supplied engineering, approvals or equipment; adverse weather conditions, including damage caused by such conditions; terrorist acts, war, piracy and civil unrest; **complications arising from pandemics and epidemics, such severe influenza, coronaviruses and other highly communicable viruses or diseases, and associated government orders in the country where the rigs are being constructed or serviced and elsewhere;** unanticipated cost increases; and ~~difficulty~~ **difficulties** in obtaining necessary permits or approvals **or in completing necessary importation procedures** . These factors may contribute to cost variations and delays in the delivery of rigs undergoing shipyard projects or any future newbuild units. Cost variations may result in, among other things, disputes with the shipyards that construct or service our drilling units. In addition, delayed delivery of our newbuild units or other rigs undergoing shipyard projects would impact contract commencement, resulting in a loss of revenues we could earn, and may also cause customers to terminate or shorten the term of the drilling contract for the rig pursuant to applicable late delivery clauses. In the event of termination of any of these drilling contracts, we may not be able to secure a replacement contract on as favorable terms, if at all. Our operations ~~also~~ rely on a significant supply of capital and consumable spare parts and equipment to maintain and repair our fleet. We also rely on the supply of ancillary services, including supply boats and helicopters. Our reliance on our suppliers, manufacturers and service providers to secure equipment, parts, components and sub- systems used in our operations exposes us to volatility in the quality, prices and availability of such items. Certain parts and equipment that we use in our operations may be available only from a small number of suppliers, manufacturers or service providers, or in some cases must be sourced through a single supplier, manufacturer or service provider. Some parts and equipment require long lead times to obtain, and an unplanned failure or other need to replace any such parts and equipment may result in a longer than usual time to obtain them or require us to pay higher costs to obtain them on an expedited basis. A disruption in the deliveries from our suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment or ancillary services could adversely affect our ability to meet our commitments to customers, adversely impact our operations, increase our operating costs and result in increases in rig downtime and delays in the repair and maintenance of our fleet. ~~- 13-~~ As part of our business strategies, We may pursue opportunities to strengthen and broaden our business that include acquisitions of businesses or drilling rigs, mergers or joint ventures or other investments, and such transactions would present various risks and uncertainties. We may pursue transactions that involve the acquisition of businesses or assets, mergers or joint ventures or other investments that we believe will enable us to further strengthen or broaden our business. Any such transaction would be evaluated on a case- by- case basis, and the consummation thereof would be dependent upon several factors, including identifying suitable companies, businesses or assets that align with our business strategies, reaching agreement with the potential counterparties on acceptable terms, the receipt of any applicable regulatory and other approvals, and other conditions. These transactions involve various risks, including among others, (i) difficulties related to integrating or managing applicable parts of an acquired business or joint venture and unanticipated changes in customer and other third- party relationships subsequent to closing, (ii) diversion of management' s attention from day- to- day operations, (iii) failure to realize anticipated benefits, such as cost savings, revenue enhancements or strengthening or broadening our business, (iv) potentially substantial transaction costs associated with acquisitions, joint ventures or investments if we or a transaction counterparty seeks to exit or terminate an interest in the joint venture or investment, and (v) potential accounting impairment or actual diminution or loss of value of our investment if future market, business or other conditions ultimately differ from our assumptions at the time of such transaction is consummated. Failure to effectively and timely address the transition to renewable or other alternative energy sources, or to respond to other climate related business trends, could adversely affect our business, results of operations and cash flows. Our long- term success will be impacted by our ability to effectively address the transition to renewable and other alternative energy sources, and our ability to respond to other climate- related business trends that could adversely impact the long- term demand for oil and **- 13-** natural gas and, ultimately, the demand for our services and products from our services. Addressing increased focus on the development of additional alternative energy sources and other climate- related business trends has required and will further require adapting certain parts of our operations to changing government requirements and customer preferences. We continue to engage with existing and potential customers and suppliers to develop or implement solutions designed to reduce or decarbonize oil and gas operations, or to advance renewable and other alternative energy sources. Nonetheless, as it is not possible at this time to predict the timing, scope and effect of the development of and transition to renewable or other alternative energy sources, any such developments, such as the declining cost of renewable energy generation technologies, could adversely impact the long- term global demand for oil and natural gas and, ultimately, the demand for our services and products from our services. If the transition to alternative energy sources or other climate- related trends change faster than anticipated or develop in a manner that we do not anticipate, our business, results of operations and cash flows could be adversely affected. If we do not or are perceived to not effectively implement a strategy that incorporates alternative energy sources, or if investors or financial institutions shift funding away from companies in fossil fuel- related industries, our access to capital or the market for our securities could be negatively impacted. Our aspirations, goals, commitment targets and initiatives related to sustainability, including emissions reduction, and our public statements and disclosures regarding them, expose us to numerous risks. We have developed, and will continue to develop and set, goals, targets, and other objectives related to sustainability matters, including our commitment target to reduce greenhouse gas emissions **operating** intensity. Statements related to these goals, commitment targets and objectives reflect our current intentions and do not constitute a guarantee that they will be achieved. Our efforts to research, establish, accomplish, and accurately report on these goals, commitment targets, and other objectives expose us to numerous operational, reputational, financial, legal, and other risks. Our ability to achieve any stated goal, commitment target, or objective, including with respect to emissions intensity reduction, is subject to numerous factors and conditions, ~~some~~ **many** of which are outside of our control. Our business may face increased scrutiny from investors and other stakeholders related to our sustainability activities, including the goals, commitment targets, and other objectives that we announce, and our methodologies and timelines for pursuing them. If our sustainability assumptions or practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively affected. Similarly, our failure or perceived failure to pursue or fulfill our sustainability- focused goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy various reporting standards with respect to these matters, within the timelines we announce, or at all, could adversely affect our business or reputation, as well as expose us to government enforcement actions and private litigation. ~~- 14-~~ Risks related to our indebtednessWe have a substantial amount of debt, including secured debt, and we may lose the ability to obtain future financing and suffer competitive disadvantages. At December 31, ~~2022~~ **2023** ~~and 2021~~ , our total debt was $ 7. ~~35~~ **41** billion ~~and $ 7. 17 billion, respectively~~ , of which $ 2. ~~19~~ **34** billion ~~and $ 2. 30 billion, respectively,~~ was secured. We have a bank credit agreement (as amended, the " Secured Credit Facility "), which is currently undrawn, the borrowings under which would be secured **and guaranteed by certain of our subsidiaries** . This substantial level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following: we may be unable to obtain financing in the future to refinance our existing debt or for working capital, capital expenditures, acquisitions, debt service requirements, distributions, share repurchases, or other purposes; we may be unable to use operating cash ~~flow~~ **flows** in other areas of our business because we must dedicate a substantial portion of these funds to service the debt; we could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given our substantial indebtedness, some of which bears interest at variable rates; we may be unable to meet financial ratios in the agreements governing certain of our debt facilities and finance lease or satisfy certain other covenants and conditions included in our debt agreements, which could result in our inability to meet requirements for borrowings under ~~our~~ **the Secured** ~~credit~~ **Credit** ~~agreement~~ **Facility** or a default under ~~these~~ **such** agreements, impose restrictions with respect to our access to certain of our capital, and trigger cross default provisions in our other debt instruments; if we default under the terms of our secured financing arrangements, the secured debtholders may, among other things, foreclose on the collateral securing the debt, including the applicable drilling units; we may be unable to obtain new investment or financing given recent ESG-influenced trends among many financial intermediaries, investors and other capital markets participants in reducing, or ceasing, lending to, or investing in, companies that operate in industries with higher perceived environmental exposure; and we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our less levered competitors. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Sources and uses of liquidity. " **- 14-** Credit rating agencies have rated our debt below investment grade, which could limit our access to capital and have an adverse effect on our business and financial condition. The ratings assigned to our debt securities by certain credit rating agencies (our " Debt Ratings ") are below investment grade. Our Debt Ratings could have adverse consequences for our business and future prospects and could cause the following: limitations on our ability to access debt markets, including for the purpose of refinancing our existing debt and replacing or extending our Secured Credit Facility; less favorable terms and conditions on any refinancing arrangements, debt issuances or bank credit agreements, some of which could require collateral and restrict, among other things, our ability to pay distributions or repurchase shares; increases to certain fees under our Secured Credit Facility and ~~the~~ interest ~~rate~~ **rates** under the ~~indenture~~ **indentures** governing **certain of our** ~~the 7. 35 %~~ senior notes ~~due December 2041, which has reached the maximum rate increase of 2 percent pursuant to the indenture due to the downgrades of certain credit rating agencies~~ ; reduced willingness of current and prospective customers, suppliers and creditors to transact business with us; requirements from creditors, suppliers or customers for additional insurance, guarantees and collateral; limitations on our access to bank and third- party guarantees, surety bonds and letters of credit; and reductions to or eliminations of the level of credit suppliers and financial institutions may provide through payment terms or intraday funding when dealing with us thereby increasing the need for higher levels of cash on hand, which would decrease our ability to repay debt balances. Our Debt Ratings have caused some of the effects listed above, and any further downgrades may cause or exacerbate, any of the effects listed above and could have an adverse effect on our business and financial condition. Worldwide financial, economic and political conditions could restrict our ability to access the capital markets, reduce our flexibility to react to changing economic and business conditions and reduce demand for our services. Worldwide financial and economic conditions could restrict our ability to access the capital markets at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. Worldwide economic conditions have in the past impacted, and could in the future impact, the lenders participating in our credit facilities and our customers, causing them to fail to meet their obligations to us. If economic conditions preclude or limit financing from banking institutions participating in our credit facilities, we may not be able to obtain similar financing from other institutions. A slowdown in economic activity could ~~further~~ reduce worldwide demand for energy and ~~extend~~ **reverse** or worsen the recovery from low oil and natural gas prices. These potential developments, or market perceptions concerning these and related issues, could adversely affect our financial position, results of operations or cash flows. In addition, turmoil and hostilities in the Middle East, ~~Ukraine~~ **Eastern Europe** , North Africa and other geographic areas and countries present incremental risk. An extended period of negative outlook for the world economy could further reduce the overall demand for oil and natural gas and for our services. A further decline in oil and natural gas prices or an extension of the current low oil and natural gas prices could reduce demand for our drilling services and have an adverse effect on our financial position, results of operations or cash flows. ~~- 15-~~ Risks related to laws, regulations and governmental complianceImpact of increasingly stringent environmental and safety laws and our compliance with or breach of such laws can be costly, expose us to liability and could limit our operations. Our business is affected by laws and regulations relating to the energy industry and the environment and safety, including international conventions and treaties, and regional, national, state, and local laws and regulations. Our business also depends on demand for services from the oil and gas exploration and production industry, and, accordingly, we are directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail, delay or impose additional compliance costs and obligations related to the exploration and development drilling for oil and gas. Offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of environmental or safety concerns. In addition, compliance with environmental and safety laws, regulations and standards, where applicable, may require us to make significant capital expenditures, such as the installation of costly equipment or implementation of operational changes, and may affect the resale values or useful lives of our rigs. We may also incur additional costs in order to comply with other existing and future regulatory obligations or industry standards, including, but not limited to, costs relating to air emissions, including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and maintenance of insurance coverage or other financial assurance of our ability to address pollution incidents. In the last decade, enhanced governmental safety and environmental requirements applicable to our operations were adopted by U. S. federal agencies for drilling in the U. S. Gulf of Mexico. These requirements have caused increased compliance costs and may in the future increase the risk of environmental or safety enforcement cases and litigation and cause operators to have difficulties obtaining drilling permits in the U. S. Gulf of Mexico. ~~In~~ **The Bureau of Ocean Energy Management (the " BOEM ") has also proposed changes regarding when oil, gas and sulfur lessees and certain other parties operating in the offshore Outer Continental Shelf must post** ~~addition~~ **additional** ~~,~~ **bonds or** ~~the~~ **other supplemental financial assurance, which could, if finalized, increase bonding requirements for some of our customers. The** oil and gas industry has adopted equipment and operating standards, such as the American Petroleum Institute Standard 53, related to the installation and testing of well control equipment. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Additionally, our customers may elect to voluntarily comply with any non- mandatory laws, regulations or other standards. Any such safety, environmental and other regulatory restrictions or standards, including voluntary customer compliance with respect thereto, could decrease, disrupt or delay operations, decrease demand for offshore drilling services, increase operating costs and compliance costs or penalties, increase out- of- service time, **- 15-** decrease dayrates, or reduce the area of operations for drilling rigs in the U. S. and non- U. S. offshore areas. Any such effects could have an adverse effect on our financial position, results of operations or cash flows. To the extent new laws are enacted, existing laws are changed or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection and safety requirements that result in increased costs to the oil and gas industry, in general, or the offshore drilling industry, in particular, our business or prospects could be materially **and** adversely affected. The operation of our drilling rigs will require certain governmental approvals, some of which may involve public hearings and costly undertakings on our part. We may not obtain such approvals or such approvals may not be obtained in a timely manner. If we fail to timely secure the necessary governmental approvals or permits, our customers may have the right to terminate or seek to renegotiate their drilling contracts to our detriment. The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling or production of oil and gas and compliance with any such new or amended legislation or regulations could have an adverse effect on our business or on our financial position, results of operations or cash flows. As a contract driller with operations in certain offshore areas, we may be liable for damages and costs incurred in connection with oil spills or disposal of wastes related to those operations, and we may also be subject to significant fines and other liabilities in connection with spills. For example, an oil spill could result in significant liability, including fines, penalties and criminal liability and remediation, restoration or compensation costs for environmental or natural resource damages, as well as third- party damages, to the extent that the contractual indemnification provisions in our drilling contracts are not enforceable or otherwise sufficient, or if our customers are unwilling or unable to contractually indemnify us against these risks. Additionally, we may not be able to obtain such indemnities in our future drilling contracts, and our customers may not have the financial capability to fulfill their contractual obligations to us. Also, these indemnities may be held to be unenforceable in certain jurisdictions, as a result of public policy or for other reasons. **See " — Our business involves numerous operating hazards, and our insurance and indemnities from our customers may not be adequate to cover potential losses from our operations. "** Environmental and safety laws and regulations protecting the environment have become increasingly stringent and may in some cases impose strict liability on facility or vessel owners or operators, rendering a person liable for environmental damage without regard to negligence. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements or measures could have an adverse effect on our financial position, results of operations or cash flows. Regulatory and various other risks, including litigation, associated with greenhouse ~~gases~~ -- **gas emissions** , other emissions and climate change could have an adverse impact on our business and demand for our services. Scientific studies have suggested that emissions of certain gases, including greenhouse gases, such as carbon dioxide and methane, contribute to warming of the earth' s atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of greenhouse gas emissions, in particular emissions from the fossil fuel industry, has attracted and continues to attract considerable political and social attention worldwide. The attention to climate change has led, and we expect it to continue to lead, to additional regulations designed to reduce greenhouse gas emissions domestically and internationally. In August 2022, for example, the U. S. enacted the Inflation Reduction Act of 2022, which contains hundreds of billions of dollars in incentives for the development of renewable energy, clean hydrogen, clean fuels, electric vehicles and supporting infrastructure and carbon capture and sequestration, amongst other provisions. **Additionally, at the United Nations Climate Change Conference in the United Arab Emirates in December 2023, more than 190 governments reached a non- binding agreement to transition away from fossil fuels and encourage the growth and expansion of renewable energy.** Such attention could also result in other adverse impacts for the oil and gas industry, including further restrictions or bans ~~- 16-~~ imposed by lawmakers, lawsuits by governments or third- parties seeking recoveries for damages resulting from the combustion of fuels that may contribute to climate change effects, decreased demand for goods ~~or~~ **and** services that produce significant greenhouse gas emissions, or reduced interest from investors if they elect in the future to shift some or all of their investments to non- fossil fuel related sectors. To the extent financial markets view climate change and greenhouse emissions as a financial risk, this could negatively impact our cost of or access to capital. Because our business depends on the level of activity in the oil and gas industry, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, or related political, litigation or financial risks, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas or limit drilling opportunities. In addition, such laws, regulations, treaties or international agreements or related risks could result in increased compliance costs or additional operating restrictions, which may have an adverse effect on our business. Further, some experts believe global climate change could increase the frequency and severity of extreme weather conditions, the impacts of which could interfere with our operations, cause damage to our equipment as well as cause other financial and operational impacts, including those that could result from any impact of such conditions on our customers. We could also face increased climate- related litigation with respect to our operations both in the U. S. and around the world. Governmental and other entities in various U. S. states, such as California and New York, have filed lawsuits against coal, gas oil and petroleum companies. These suits allege damages as a result of climate change, and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Similar lawsuits may be filed in other jurisdictions both in the U. S. and globally. Though we are not currently a party to any such lawsuit, these suits present a high degree of uncertainty regarding the extent to which energy companies, **- 16-** including offshore drillers, face an increased risk of liability stemming from climate change, which risk would also adversely impact the oil and gas industry and impact demand for our services. Any restrictions on oil and natural gas operations on the U. S. Outer Continental Shelf (" OCS ") could have an adverse impact on our business and demand for our services. The U. S. Department of the Interior (" DOI ") administers the submerged lands, subsoil, and seabed, lying between the seaward extent of the states' jurisdiction and the seaward extent of federal jurisdiction, and the U. S. government has the power to limit oil and gas activities on this area, known as the OCS. Under the Outer Continental Shelf Lands Act, as amended, the ~~U. S. Bureau of Ocean Energy management (“~~ BOEM ~~”)~~ within the DOI must prepare and maintain forward- looking five- year plans — referred to as national programs or five- year programs — to schedule proposed oil and gas lease sales on the OCS. On July 1, 2022, BOEM announced the availability of the Proposed Program for the 2023- 2028 timeframe for public comments. The Proposed Program includes no more than ten potential lease sales in the U. S. Gulf of Mexico. Inclusion of an area in the Proposed Program is not a final indication that it will be included in the approved 2023- 2028 National OCS Program or offered in a lease sale. In addition, the U. S. previously placed a moratorium on new oil and natural gas leases on federal lands and waters, including the federal OCS. Future actions taken by the U. S. to limit the availability of new oil and gas leases on the OSC would adversely impact the offshore oil and gas industry and impact demand for our services. The global nature of our operations involves additional risks. We operate in various regions throughout the world, which may expose us to political and other uncertainties, including risks of: terrorist acts, war, piracy and civil unrest; seizure, expropriation or nationalization of our equipment ~~; expropriation~~ or ~~nationalization~~ of our customers’ property **; customs delays or disputes** ; repudiation or nationalization of contracts; imposition of trade or immigration barriers; import- export quotas; wage and price controls; changes in law and regulatory requirements, including changes in interpretation and enforcement; involvement in judicial proceedings in unfavorable jurisdictions; damage to our equipment or violence directed at our employees, including kidnappings; complications associated with supplying, repairing and replacing equipment in remote locations **; public health threats, including pandemics and epidemics, severe influenza, coronaviruses and other highly communicable viruses or diseases** ; the inability to move income or capital; and currency exchange fluctuations and currency exchange restrictions, including exchange or similar controls that may limit our ability to convert local currency into U. S. dollars and transfer funds out of a local jurisdiction. Our non- U. S. contract drilling operations are subject to various laws and regulations related to economic and trade sanctions in certain countries in which we operate, including laws and regulations relating to the import and export, equipment and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, taxation and social contributions of offshore earnings and earnings of expatriate personnel. We are also subject to the U. S. Treasury Department’ s Office of Foreign Assets Control (“ OFAC ”) and other U. S. and non- U. S. laws and regulations governing our international operations. In addition, various state and municipal governments, universities and other investors have proposed or adopted divestment and other initiatives regarding investments including, with respect to state governments, by state retirement systems in companies that do business with countries that have been designated as state sponsors of terrorism by the U. S. State Department. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets. Investors could view any potential violations of OFAC regulations negatively, which could adversely affect our reputation and the market for our shares. ~~- 17-~~ Governments in some countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries, including local content requirements for participating in tenders for certain drilling contracts. Many governments favor or effectively require the awarding of drilling contracts to local contractors or require nonlocal contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require use of a local agent. In addition, government action, including initiatives by OPEC, may continue to cause oil or gas price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work by major energy companies and may continue to do so. The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by unique customs and export control laws and regulations in each of the countries where we operate. Moreover, many countries, including the U. S., control the import and export of certain goods, services and technology and impose related import and export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities, and we are also subject to the U. S. anti- boycott laws. **- 17-** The laws and regulations concerning import and export activity, recordkeeping and reporting, import and export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Ongoing economic challenges may increase some governments’ efforts to enact, enforce, amend or interpret laws and regulations as a method to increase revenue. Shipments can be delayed and denied import or export for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime **. Our results are directly affected by the applicability of certain customs duties and importation tax relief programs under customs regimes for the exportation and importation of goods and equipment, including rigs, related to the oil and gas sector. Among other incentives, such programs grant full suspension of certain import taxes, resulting in reduced tax burdens from operations. If unprecedented interpretations are applied by the customs and tax authorities governing such programs and regimes, including those that would deny us the use of such incentives granted historically in the ordinary course, and assuming we are unable to successfully challenge such interpretation or otherwise able to recover any amounts pursuant to the contractual provisions of the applicable drilling contract, then the amount of the applicable tariff, which would depend on many factors, could reasonably be expected to increase our operating costs** . Our ability to operate worldwide depends on our ability to obtain the necessary visas and work permits for our personnel to travel in and out of, and to work in, the jurisdictions in which we operate. Governmental actions in some of the jurisdictions in which we operate may make it difficult for us to move our personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. If we are not able to obtain visas and work permits for the employees we need to conduct our operations on a timely basis, we might not be able to perform our obligations under our drilling contracts, which could allow our customers to cancel the contracts. If our customers cancel some of our drilling contracts, and we are unable to secure new drilling contracts on a timely basis and on substantially similar terms, it could have a material adverse effect on our business and on our financial position, results of operations or cash flows. Failure to comply with anti- bribery statutes, such as the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act 2010, could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business. The U. S. Foreign Corrupt Practices Act (" FCPA "), the U. K. Bribery Act 2010 (" Bribery Act ") and similar anti- bribery laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti- bribery laws may conflict with local customs and practices. If we are found to be liable for violations under the FCPA, the Bribery Act or other similar laws, either due to our acts or omissions or due to the acts or omissions of others, including our partners in our various joint ventures and of the current or former officers, directors or employees of any companies we have acquired, we could suffer from civil and criminal penalties or other sanctions, which could have a material adverse effect on our business or our financial position, results of operations or cash flows. In addition, investors could negatively view potential violations, inquiries or allegations of misconduct under the FCPA, the Bribery Act or similar laws, which could adversely affect our reputation and the market for our shares. We could also face fines, sanctions and other penalties from authorities in relevant jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of rigs or other assets. Additionally, our business and results of operations could be adversely affected as a result of claims by customers, agents, shareholders, debt holders, other interest holders, current or former employees or other constituents of our company who, in connection with alleged or actual noncompliance with antibribery and related laws, may seek to impose penalties, seek remedies, terminate drilling contracts or take other actions adverse to our interests. Our business and results of operations may be adversely affected if we are required to dedicate significant time and resources to investigate and resolve allegations of misconduct, regardless of the merit of such allegations. Further, disclosure of the subject matter of any investigation could adversely affect our reputation and our ability to obtain new business with potential customers, to retain existing business with our current customers, to attract and retain employees and to access the capital markets. We are subject to investigations and litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us. We are subject to a variety of disputes, investigations and litigation. Certain of our subsidiaries are subject to and have been involved in litigation with certain of our customers and other constituents. Certain of our subsidiaries are named as defendants in numerous lawsuits alleging personal grievances or injury, including as a result of exposure to asbestos or toxic fumes or resulting from other occupational diseases, such as silicosis, and various other medical issues that can remain undiscovered for a considerable amount of time. Some of these subsidiaries that have been put on notice of potential liabilities have no assets. Certain subsidiaries are subject to litigation relating to environmental damage. Our patent for dual- activity technology has been successfully challenged in certain jurisdictions. We are also subject to a number of significant tax disputes. We cannot predict the outcome of these investigations and cases or the potential costs ~~- 18-~~ to resolve them. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent and policies may not be located. Suits against non- asset- owning subsidiaries have and may in the future give rise to alter ego or successor- in- interest claims against us and our asset- owning subsidiaries to the extent a subsidiary is unable to pay a claim or insurance is not available or sufficient to cover the claims. To the extent that one or more pending or future investigations or litigation matters is not resolved in our favor and is not covered by insurance, which could have a material adverse effect on our financial position, results of operations or cash flows. **- 18-** We are subject to cybersecurity risks and threats as well as increasing regulation of data privacy and security. We depend on data and digital technologies to conduct our offshore and onshore operations, to collect payments from customers and to pay vendors and employees. Our data protection measures and measures taken by our customers and vendors may not prevent unauthorized access of information technology systems, and when such unauthorized access occurs, we, our customers or vendors may not detect the incident in time to prevent harm or damage. Threats to our information technology systems, and the systems of our customers and vendors, associated with cybersecurity risks and cyber- incidents or attacks continue to grow. Such threats may derive from human error, fraud or malice, social engineering on the part of employees or third parties, or may result from accidental technological failure. In addition, breaches to our systems and systems of our customers and vendors could go unnoticed for some period of time. Risks associated with these threats include disruptions of certain systems on our rigs; other impairments of our ability to conduct our operations; loss or ransom of intellectual property, proprietary information, personal identifiable information or customer and vendor data; disruption of our customers' and vendors' operations; misappropriation of assets; loss or damage to our customer and vendor data delivery systems; and increased costs to prevent, respond to or mitigate cybersecurity events. A breach could also originate from, or compromise, our customers' and vendors' or other third- party networks outside of our control. A breach may also result in legal claims or proceedings against us by our shareholders, employees, customers, vendors and governmental authorities, both U. S. and non- U. S. If such a cyber- incident were to occur, it could have a material adverse effect on our business or on our financial position, results of operations or cash flows. In addition, ~~governing~~ data privacy and the unauthorized disclosure of personal data and confidential information pose increasingly complex compliance challenges and **have the** potential to elevate our costs under various laws and regulations, including ~~(a) the European Union General Data Protection Regulation, the Data Protection Act, as revised, of the Cayman Islands, (b) the General Data Protection Law of Brazil and (c) the California Consumer Privacy~~ **privacy** ~~Act~~ **regulations that have been adopted or may in the future be adopted by** , ~~as well as (d)~~ **or be applicable from time to time to, countries, states, and** ~~the~~ **other jurisdictions or authorities** ~~amended Swiss Data Protection Act, which will enter into force in September 2023,~~ . Any failure by us to comply with these laws and regulations, including as a result of a security or privacy breach, could result in significant penalties, litigation and liabilities for us. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection laws, we may incur significant liabilities and penalties as a result. Acts of terrorism, piracy and political and social unrest could affect the markets for drilling services. Acts of terrorism and social unrest, brought about by world political events or otherwise, have caused instability in the world' s financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. In addition, acts of terrorism, piracy and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. Insurance premiums could increase and coverage may be unavailable in the future. Government regulations may effectively preclude us from engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future. Our drilling contracts do not generally provide indemnification against loss of capital assets or loss of revenues resulting from acts of terrorism, piracy or political or social unrest. We have limited insurance for our assets providing coverage for physical damage losses resulting from certain risks, such as terrorist acts, piracy, vandalism, sabotage, civil unrest, expropriation and acts of war, and we do not carry insurance for loss of revenues resulting from such risks. Risks related to taxesA change in tax laws, treaties or regulations, or their interpretation, of any country in which we have operations, are incorporated or are resident could result in a higher effective tax rate on our consolidated earnings and increase our cash tax payments. We are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate and earn income, and such changes could include laws or policies directed toward companies organized in jurisdictions with low tax rates with the intent to increase the tax burden. ~~The~~ **Several jurisdictions have implemented or are expected to implement in the future, the** Organization for Economic Co- operation and Development ~~,~~ **Pillar 2** ~~for~~ - **or other** ~~example, issued its action plan of~~ tax ~~reform measures~~ **related provision** that **are aimed at** ~~called for member states to take action to prevent~~ **preventing** base erosion and profit shifting **, ensuring income is subject to a minimum level of taxation and preventing treaty misuse** . ~~Some~~ **The application** of these ~~measures impact transfer pricing~~ **provisions is not always certain** , ~~requirements to qualify for tax treaty benefits,~~ and ~~the definition of permanent establishments depending on each jurisdiction~~ **jurisdictions** ~~' s adoption~~ **are still developing their rules** and ~~interpretation~~ **interpretations** ~~of~~ **with regard to same. As** such ~~proposals. Respective countries~~ , ~~including Switzerland, have adopted various measures into their own tax laws. In addition, the European Union has issued Anti- Tax Avoidance Directives and proposed directives that required or require member states to adopt specific tax reform measures, some of which relate to a 15 percent minimum tax. Other tax jurisdictions in which we operate have expressed an~~ **any** ~~intent to implement similar measures. Any~~ material change to tax laws, treaties, regulations or policies, their interpretation or application, or the adoption of new interpretations of existing laws and rulings, in any of the jurisdictions in which we operate, are incorporated or resident, could result in a higher effective tax rate on our worldwide earnings and such change could have a significant adverse effect on our financial position, results of operations or cash flows. ~~- 19-~~ A loss of a major tax dispute or a successful tax challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries could result in a higher effective tax rate on our consolidated earnings and increase our cash tax payments. We are subject to tax laws, treaties and regulations in the countries in which we operate and earn income. Our income taxes are based on the applicable tax laws and tax rates in effect in the countries in which we operate and earn income as well as upon our operating structures in these countries. Our income tax returns are subject to review and examination in these jurisdictions, and we do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain **- 19-** countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected. For example, we believe that neither we nor our non- U. S. subsidiaries, other than those that report a U. S. trade or business or a U. S. permanent establishment, were or are engaged in a trade or business in the U. S. or, if applicable, maintained or maintain a permanent establishment in the U. S. The determination of the aforementioned, among other things, involves considerable uncertainty. If the U. S. Internal Revenue Service were to disagree, then we could be subject to additional U. S. corporate income and branch profits taxes on the portion of our earnings effectively connected to such U. S. business or, if applicable, attributable to such U. S. permanent establishment during the period in which this was considered to have occurred. If this occurs, our effective tax rate on worldwide earnings for that period could increase substantially, we could be subject to assessments in previously filed returns that remain open to audit and our earnings and cash flows from operations for that period could be adversely affected. Risks related to our jurisdiction of organization and governing documentsAs a Swiss corporation, our flexibility may be limited with respect to certain aspects of capital management AND swift implementation of certain initiatives or strategies. Under Swiss law, our shareholders may approve ~~an authorized~~ **a general** share capital **authorization, referred to under Swiss law as a capital band,** that allows the board of directors to issue new shares without additional shareholder approval within a period of up to ~~two~~ **five** years and for up to a maximum of 50 percent of a company' s issued share capital. The ~~authorized~~ **general** share capital **authorization** approved by our shareholders at the May ~~2022~~ **2023** annual general meeting will expire on May ~~12~~ **11** , 2024. Our currently available ~~authorized~~ **authority under this general** share capital **authorization** is **equivalent to** approximately ~~13~~ **17** . 5 percent of our issued share capital as of February 14, ~~2023~~ **2024** . Accordingly, shareholders at our annual general meeting in May ~~2023~~ **2024** may be requested to approve a renewal and ~~an~~ increase ~~in authorized~~ **of our general** share capital **authorization for an additional term** . Subject to certain exceptions, Swiss law also grants preemptive rights to existing shareholders to subscribe for new issuances of shares. Further, Swiss law does not provide as much flexibility in the various terms that can attach to different classes of shares as the laws of some other jurisdictions. Swiss law also reserves for shareholder approval certain corporate actions, such as approval of dividends, over which a board of directors would have authority in some other jurisdictions. These Swiss law requirements relating to our capital management may limit our flexibility to swiftly implement certain initiatives or strategies, and situations may arise where greater flexibility would have provided substantial benefits to our shareholders. We are required, from time to time, to evaluate the carrying amount of our investments in affiliates, as presented on our Swiss standalone balance sheet. If we determine that the carrying amount of any such investment exceeds its fair value, we may conclude that such investment is impaired. Any recognized loss associated with such a non- cash impairment could result in our net assets no longer covering our statutory share capital and statutory capital reserves. Under Swiss law, if our net assets cover less than 50 percent of our statutory share capital and the non- distributable part of the statutory capital and profit reserves, the board of directors must take appropriate measures or, to the extent such measures fall within the competence of the general meeting of shareholders, convene a general meeting of shareholders, and propose measures to remedy such a capital loss. Appropriate measures depend on the relevant circumstances and the magnitude of the recognized loss and may include seeking shareholder approval for offsetting the aggregate loss, or a portion thereof, with our statutory capital reserves, including qualifying additional paid- in capital otherwise available for distributions to shareholders, or raising new equity. Depending on the circumstances, we may also need to use qualifying additional paid- in capital available for distributions in order to reduce our accumulated net loss and such use might reduce our ability to make distributions without subjecting our shareholders to Swiss withholding tax. Distributions to shareholders in the form of a par value reduction and dividend distributions out of qualifying additional paid- in capital are currently not subject to the 35 percent Swiss federal withholding tax. However, the Swiss withholding tax rules could be changed in the future, and any such change may adversely affect us or our shareholders. In addition, over the long term, the amount of par value available for us to use for par value reductions or the amount of qualifying additional paid- in capital available for us to pay out as distributions is limited. If we are unable to make a distribution through a reduction in par value, or out of qualifying additional paid- in capital as shown on Transocean Ltd.’ s standalone Swiss statutory financial statements, we may not be able to make distributions without subjecting our shareholders to Swiss withholding taxes. Under Swiss tax law, repurchases of shares for the purposes of capital reduction are treated as a partial liquidation subject to a 35 percent Swiss withholding tax based on the difference between the repurchase price and the related amount of par value and the related amount of qualifying additional paid- in capital, if any. At our 2009 annual general meeting, our shareholders approved the repurchase of up to CHF 3. 50 billion of our shares for cancellation under the share repurchase program. If we repurchase shares, we expect to use an alternative procedure pursuant to which we repurchase shares via a “ virtual second trading line ” from market players, such as banks and **institutional investors, who are generally entitled to receive a full refund of the Swiss withholding tax. The use of such “ virtual second trading line ” with respect to share repurchase programs is subject to the approval of the competent Swiss tax and other authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on the “ virtual second trading line ” without subjecting the selling shareholders to Swiss withholding taxes.**