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ISSUE 20

# THE NAVIGATOR R

THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



**WESTSHORE**

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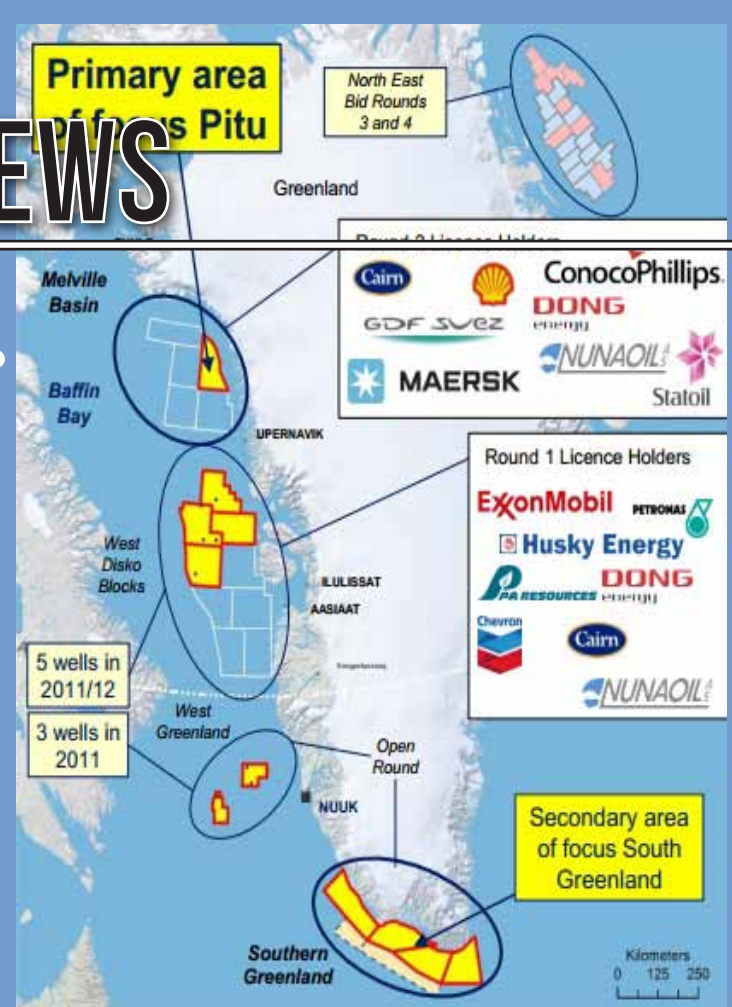
# 02 HEADLINE NEWS

## What is happening in Greenland? Is the East Greenland Auction off?

The offshore owners have long been awaiting the plans of those oil majors that have blocks off the coast of west Greenland. The reason for this is the number of vessels that were absorbed in the previous 2011 campaign, when the AHTS market finally saw a slight rebound after two poor years with significant newbuild deliveries. This optimism lead into 2012, were the year started well and just when people expected the market to take off we saw a major downturn rivaling the levels seen in 2010. It was this May month that a number of vessels left the market for a prolonged campaign in Greenland for the Cairn in 2011. Not all of these vessels could have worked on the UK or Norwegian continental shelf, however in total eight vessels of which five could be considered North Sea tonnage spent the remainder of the year as from the summer working off the coast of Greenland. The effect to the PSV market was less profound, however five vessels were picked up for the campaign with owners REM Offshore, Siem Offshore and Toisa providing tonnage.

As most have realized there will not be a campaign in 2013, however the below provides our expectations for those companies involved in the region based on indications like seismic surveys performed, core drilling and rig capacity. Although nothing is official given that they are a public company, however indications are firm that Cairn will go through with a summer 2014 drilling campaign in their Pitu license. Cairn have chartered in the Fugro Synergy to drill 1 to 2 top holes in the Pitu block provided they receive approval from the Greenlandic authorities, the vessel will also complete a 4 well plug and abandon program on locations from the previous campaign. A potential campaign in Greenland next year would last 120 to 150 days. Although rig capacity has not yet been confirmed, Statoil is a partner in the block and could end up providing capacity or part of the necessary two rig requirement. Cairn has stated that they are targeting drilling in 2014 with an estimated 3 billion barrels in the block under two major prospects and 11 defined leads.

In total Greenland has issued 17 exploration licenses across the west coast to 11 companies, another one of those that have been active is Shell with their two exploration blocks Anu and Napu which are adjacent to the Pitu block, seismic and core drilling with the Joides Resolution has been performed and we expect a campaign earliest 2014. Canadian Oil Company Husky Energy hold two blocks in the Western Disko areas with a campaign expected in 2015 and an indication of substantial tonnage required for their campaign. Husky are currently out to refresh their existing tonnage with a need for two to three Anchor Handlers, a subsea vessel and a MPSV for extended contracts. It is



prudent to note that they have already fixed a rig in the West Mira to be delivered to them in 2015 for five years. Otherwise ConocoPhillips have performed seismic and core drilling in their Qamut block the furthest north of all licenses, while Maersk/Tullow are sitting on the fence waiting for results from other campaigns. These blocks can expect to see action earliest in 2016.

A major question is whether the cancellation of Shell's 2013 Alaska plans will alter their intentions for Greenland in any form, however another significant happening in the Greenland Saga is the new coalition government recently slapping a moratorium on granting fresh licenses, which means that the second part (ordinary round) of the North-east Greenland auction has effectively come to a stop. While exploration permits under existing licenses will now face even heavier safety scrutiny. However Cairn's track record has been strong and their safety aspect in the previous operations have been solid, we believe the new government will approve permission for 2014.

Although it is a little too early to interpret the effects of the ban placed by the new government in Greenland, any drilling in East Greenland was not likely to occur until well into the future anyway. This does obviously create uncertainty for Oil companies and could lead to further delays to plans, however we believe drilling will occur with potentially two campaigns in 2014, followed by more action in 2015, with success in these earlier campaigns an important indicator of the tonnage absorbed from the region going forward. A successful find off the coast of Greenland would be a game changer for the North Sea supply market and trigger those companies on the fence.

# 03

# MARCH MARKET SUMMARY

February saw average monthly anchor handler rates for all sizes at solid levels relative to previous first quarter levels, however the close of the month saw availability increase again and at the start of March utilization was in the low 60's. However it didn't take long before utilization was back up again after an active start, however the market would have been tighter had the Borgland Dolphin rig move not been cancelled early in the month. The levels reached their peak after the West Alpha and TO Spitsbergen fixtures (followed the Borgland fixtures closely) coming in at approximately NOK 400,000 per day, thereafter we saw a decline from these levels. In general the month has been very active with 79 fixtures throughout the month and 26 rig moves, however despite the high level of activity rates did not increase beyond levels seen in February, but historically the levels seen were solid with last year's number influenced by the Elgin situation. The movement of the market shows that activity is solid and that the balance is easily switched with weather constraints which can lead to rapid price increases through supply squeezes. The utilization ended the month on the low side with availability at close to fifteen vessels in the UK and Norway combined, avoiding an even heavier fall with a spurt of activity in the UK. The second half of the month saw rates down to the NOK 200,000 per day levels in Norway, while the smaller vessels in the UK were below NOK 100,000 and the larger vessels pushing upwards of NOK 180,000 per day.

A strong start to the month with significant supply duties activity and close to 30 fixtures in the first month alone, this combined with the Statoil term sweep in week 2 has left some content PSV owners. This month saw the term activity at very high levels with most surprised by the number of vessels taken, the majority of these vessels expected to go on contract during the month of April. The term rate levels indicated were decent for owners with levels from NOK 160,000 all the way to NOK 185,000. The spot levels for the market came in at lower levels than last month, however certain periods of ample Anchor Handler availability kept rate levels in check when utilization was at very high levels. During the month 9 supply duty fixtures were picked up by AHTS's. Like the Anchor Handler market there was a slight roller coaster ride with regards to availability, mostly in the UK with Norway fairly tight, however by the close of the month utilization was down in the low 80's. The average utilization for the month came in on repeat from last month with 89.1%, with last year hitting 92.4% and rates reaching substantially higher levels. A prudent point to note is the difference in activity levels between the two years with 61 spot fixtures in 2012, while this year we saw 93 fixtures.

Date	Vessel	Operator	Scope	Rate (p/d)	Region
04.03.2013	ENERGY SWAN	ConocoPhillips Norway	Supply duties for 72 days + 1 month opt + 2 x 1 week opt, 14 daily opts	RNR	NCS
05.03.2013	ENERGY INSULA	ConocoPhillips Norway	Supply duties for 72 days + 1 month opt + 2 x 1 week opt, 14 daily opts	RNR	NCS
05.03.2013	ISLAND CONTENDER	Lundin	PSV for 12 wells firm + 3 x 4 + 3 x 1 opt well	RNR	NCS
05.03.2013	ISLAND CRUSADER	Lundin	PSV for 12 wells firm + 3 x 4 + 3 x 1 opt well	RNR	NCS
12.03.2013	OLYMPIC COMMANDER	Fugro Subsea	ROV support work, estimated 200 days.	RNR	NCS
12.03.2013	NORTH PURPOSE	Statoil Petroleum AS	6 months firm + 2 x 3 months options	RNR	NCS
12.03.2013	VIKING FIGHTER	Statoil Petroleum AS	6 months firm + 2 x 3 months options	RNR	NCS
12.03.2013	HAVILA CRUSADER	Statoil Petroleum AS	6 months firm + 2 x 3 months options	RNR	NCS
12.03.2013	REM SUPPORTER	Statoil Petroleum AS	6 months firm + 2 x 3 months option	RNR	NCS
12.03.2013	TROMS ARTEMIS	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	TROMS SIRIUS	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	SAYAN PRINCESS	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	HAVILA CLIPPER	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	SJOBORG	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	VOLSTAD PRINCESS	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	FAR SOLITAIRE	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	BOURBON FRONT	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	SKANDI SOTRA	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	OCEAN PRIDE	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
12.03.2013	BLUE THUNDER	Statoil Petroleum AS	4 months firm + 4 x 1 month option	RNR	NCS
18.03.2013	MAERSK LASER	Maersk Supply Service	Heading Control, 3 months firm + 3 x 1 months opt	GBP 20,000	UKCS
20.03.2013	NORMAND ARCTIC	BG Norway	2 years firm + 1 year option	RNR	NCS
20.03.2013	NORMAND SKIPPER	Halliburton Manufacturing Services Ltd	5 months firm + 5 months option	RNR	UKCS
20.03.2013	NORMAND CORONA	Shell Norge	4 months firm + 2 months option	RNR	NCS
25.03.2013	OCEAN PRIDE	Shell Norge	1 x PSV, 3 + 3 months	RNR	NCS

Date	Operator	Requirement	Scope / Period	Start up	Region
15.03.2013	Shell Norge	PSV	3 + 3 months	01.05.2013	NCS
05.03.2013	CNR	PSV	3 months or 1/2/3 years + options	01.05.2013	UKCS
05.03.2013	Shell UK	PSV	5 years + 5 X 5 yearly options	15.05.2013	UKCS
21.02.2013	Capricorn	AHTS/PSV	Ice Management 45 days firms + 30 daily options	15.06.2013	Greenland
07.02.2013	EOG	PSV	5 wells (abt 250 days)	01.05.2013	UKCS
03.02.2013	Shell UK	PSV	5 years, Supply and standby duties	15.06.2013	UKCS
10.01.2013	Peterson	PSV	1 year plus 2 yearly options	20.03.2013	UKCS
13.12.2012	BP UK	PSV	Up to 5 years firm	01.12.2012	NCS
01.12.2012	CP Alaska	AHTS	Ice Mgmt. 100 days + opt.	01.07.2014	Alaska
20.11.2012	BG UK	PSV	3 yrs or 5 yrs + options	25.03.2012	UKCS

Average Monthly Rates (NOK)				
	Vessel Type	mar.13	feb.13	mar.12
AHTS	> 25,000	258 077	379 099	412 766
	18,000 to 25,000	207 258	255 323	297 945
	< 18,000	117 249	222 040	285 400
PSV	> 900 m <sup>2</sup>	111 645	134 339	192 532
	< 899 m <sup>2</sup>	98 826	103 595	157 748

	mar.13	feb.13	mar.12	feb.12
# of spot supply fixtures	93	82	61	72
# of rig moves	26	17	21	15
# of AHTS fixtures	79	51	64	41
Average Utilization (%)				
AHTS	69.1%	71.9%	80.3%	61.4%
PSV	89.1%	89.1%	92.4%	85.6%



# 04 NEWBUILDING NEWS



## NEWBUILD DELIVERIES NEXT SIX MONTHS

### April 2013

Toisa Elan (VS 4616)  
Blue Thunder (PX 121)  
Island Crown (UT 776 CD)  
Troms Lyra (STX PSV 08 CD)  
Rem Fortune (VS 485 MKIII)  
Fanning Tide (STX 09 CD)

### May 2013

Ocean Scout (UT 755 LC)  
Far Starling (STX PSV 08 CD)  
TBN (Havyard 833 L)  
FD Untouchable (UT 755 XL)  
Sea Titus (STX 05 LCD)  
Sea Flyer (PX 105)  
Far Statesman (UT 731 CD)

### June 2013

North Pomor (ST 216 Arctic)  
Blue Guardian (PX 121)  
Iceman (STX AH 12)  
World Diamond (Damen 3300 CD)  
Toisa Envoy (VS 4616)

### July 2013

Island Duke (UT 717 CD)  
World Peridot (Damen 3300 CD)

### August 2013

Sea Tortuga (STX 05 LCD)  
Sea Spark (PX 105)  
Makalu (Havyard 832)  
Toisa Explorer (VS 4616)

### September 2013

Island Duchess (UT 717 CD)  
Blue Protector (PX 121)  
Edda TBN (ST 920)  
Sea Frost (PX 105)  
World Pearl (Damen 3300 CD)

### Recently delivered

Far Senator (UT 731 CD)  
FD Unbeatable (UT 755 XL)  
Ben Nevis (Havyard 832)  
Dina Star (MT 6015)  
Sea Tantalus (STX 05 LCD)

## VESSEL NEWS

-Havila Shipping has sold the RRV Havila Runde built in 1997 to Secunda Canada. Other news from the company includes the Havila Phoenix, a subsea vessel built in 2009 will be lengthened by 15 meters to 125 before starting on a seven year charter to DeepOcean in Q1 of 2014.

-The Far Senator which was recently delivered to the North Sea spot market and the Far Statesmen to be delivered in May have been sold into a sale and leaseback with Ocean Yield. The vessels are immediately sold upon delivery and will then be chartered back to Farstad on a 12 year bareboat charter with options for the company to repurchase the vessels. The vessels have the UT 731 CD design and have undergone construction at Vard Langsten.

-The Solstad Offshore anchor handler Normand Mjolne built in 1985 has been bareboat chartered to GSP Antares Limited for a period of two years, with the company then having the obligation to purchase the vessel.

-Edda Accommodation, an Østensjø related company has confirmed a contract to construct a mono-hull offshore accommodation unit in South Korea at Hyundai Heavy Industries with an additional option. The accommodation vessel designed by Salt Ship Design will have capacity to accommodate 800 people, with a gangway of 55.5 meters, cargo deck of 2000m<sup>2</sup> and 120 ton rig support crane. The vessel is to be delivered in June 2015

-Fafnir Offshore has announced a contract with Havyard Group for the building of a platform supply vessel with the Havyard 832L WE design. The vessel will have Ice Class B with accommodation for 30 people and come in at a length of 88.5 meters and 17.6 meters wide with deck capacity of 850m<sup>2</sup>. The administrating director of Fafnir stated that after having recently divested from the Canadian fishing industry in 2011 they have had the chance to explore the Norwegian offshore business and are intent on becoming a player within the industry with areas in East Greenland and other regions north of Island of particular interest. The home base for the vessel to be delivered in July of 2014 for a cost of about NOK 330 mil will be Fjarðabyggð on the east coast of Iceland.

-REM Offshore has confirmed a deal with Kleven shipyard for the purchase of the VS 485 MKIII vessel to be delivered in May of this year. When the vessel is delivered it will go directly on contract to ConocoPhillips Norway for a firm period of 2 years with options for 3 years and 9 months.

-Jackson Offshore have confirmed another two GPA 675J design PSVs at BAE Systems in their Jacksonville Shipyard. These contracts were options attached to the initial newbuilding contracts made at the end of last year.

# 05 DRILLING & PRODUCTION



-Talisman and Prosafe have confirmed a contract for the Regalia, an accommodation rig that was refurbished in 2009 and has 282 single cabins. The floatel is to be utilized at the Montrose Platform in the UKCS. The contract is planned to begin August 2014 and has a total value of USD 137.5 million for the firm period of 450 days. The contract also contains four monthly options.

-Talisman has announced that given financial constraints they are considering selling assets for USD 2 to 3 billion over the next 18 months with half of these proceeds coming from its international portfolio. The company has recently announced the scraping of the YME platform with SBM Offshore paying Talisman USD 470 million in settlement. The company has stated that they see North America and Asia as their core areas and therefore it is likely that their assets in the UKCS and NCS will be for sale.

-GSP Offshore is scheduled to support Gazprom Neft's drilling at the Dolginskoye oilfield in the Russian Barents Sea. The Romanian company will provide the MODU GSP Jupiter for drilling, while a fleet of four offshore support vessels two owned by GSP will assist the rig. The operations are scheduled for the summer season of this year.

-Asia Offshore Drilling has secured contracts for two of their jackups currently under construction with Saudi Aramco. The contracts will be managed by Seadrill, the majority owner of the company with 66% ownership. Duration for the contracts will be a minimum three years valued at USD 197 million per rig with a one year option and a mobilization fee of USD 34 mln per rig. The vessels are expected to be delivered in April and July of this year from Keppel FELS in Singapore.

-Statoil have made another major gas find in Tanzania together with partner ExxonMobil after a string of successes in 2012. The company announced that the 4 to 6 billion cubic feet have been found in the Tangawizi prospect, bringing the total field to 16 to 17 billion cubic feet. This is the fourth find made by the partnership in block 2, with the total finds equating approximately 3 billion barrels of oil equivalent. Statoil is the operator of block 2 with a 65% ownership, while ExxonMobil Exploration and Production Tanzania Limited own the remaining 35%.

-Statoil has also chartered the Stena Carron, a deepwater drillship for work in West Africa. The drillship is currently operating in the UKCS, and is also expected to take the trip to the North Atlantic in Canada for a drill campaign for Chevron in the Orphan basin. The deal with Statoil is valued at USD 700 mln for a firm period of three years plus two one year options. The unit is to begin operations in the fourth quarter of 2013 in the pre salt area of Angola in the Kwanza basin.

-Statoil have stated that due to the development of a subsea tieback bringing the 90 million barrel Skuld satellite on stream, the life of the Norne field has been extended by nearly a decade. The Skuld field was one of the Statoil fast track developments, which took three years to develop after discovery given its tie into existing infrastructure.

-Prospector Offshore Drilling booked two units with the JU-200E design at the Chinese shipyard Shanghai Waigaoqiao on top of the two already under construction at SWS and DSIC Offshore. The cost for the units is expected to be slightly higher than the cost of the initial two units coming in at USD 220 million per rig. The new orders are expected to be delivered in the third quarter of 2015 and the first quarter of 2016, with the company still retaining options for a further four rigs. The company followed on with another two orders later in the month at Approximately USD 220 million per rig.

-Eni has confirmed a big oil find offshore Angola in the Vandumbu prospect and confirms the country as one of the Italian oil companies core areas for growth. This is the ninth oil discovery in the Block 15/06, increasing the resource base of the West Hub project.

-Dolphin Drilling has increased the term of their contract with Rig Management for the Borgland Dolphin from 15 to 18 wells with the contract length now estimated at 3.5 years and valued at USD 663 million.

-Sevan Drilling have now confirmed a three year contract for their third rig with LLOG Bluewater Holdings LLC for the "Sevan Louisiana" currently under building in COSCO Quidong in China. The rig is expected to be delivered in the fourth quarter of 2013 and is expected to begin the contract in January 2014. The rig will operate in the Gulf of Mexico and for three years plus options and has a total value of approximately USD 550 million.



# 06 IN AND OUT

## PLATFORM SUPPLY VESSELS - IN

Vessel	Design	Manager	ENTRY	From
Dina Supplier	UT 755 LC	Myklebusthaug	Start – April	MOUK
FD Incomparable	UT 755 L	Gulf Offshore	Start – April	EnQuest
Far Grimshader	UT 706 L	Farstad	Mid – April	GDF
Rem Supplier	UT 755 LN	Rem Offshore	Mid – April	Perenco
Fanning Tide	STX 09 CD	Tidewater	Mid – April	Newbuild
E.R. Georgina	UT 776 CD	E.R. Offshore	Mid – April	MOUK
Brage Trader	STX 09 CD	Møkster	Mid – April	SPD

## PLATFORM SUPPLY VESSELS - OUT

Vessel	Design	Manager	EXIT	To
Eldborg	Havyard 832 CD	Skansi Offshore	Start – April	Statoil – East Africa
Bourbon Tampen	P 105	Bourbon Offshore	Start – April	Exxon Mobil - Ireland
Viking Athene	VS 470 MKII	Eidesvik Offshore	Start – April	Lundin
Viking Fighter	STX 08 CD	Eidesvik	Start – April	Statoil
Havila Crusader	VS 485 CD	Havila	Start – April	Statoil
Bourbon Front	PX 105	Bourbon Offshore	Start – April	Statoil
Blue Thunder	PX 121	Blue Ship Invest	Start – April	Statoil
Olympic Commander	MT6015	Olympic Shipping	Start - April	Fugro Subsea
Skandi Sotra	MT 6000	DOF	Mid – April	Statoil
Sayan Princess	Havyard 832 CD	Høyland	Mid – April	Statoil
North Vanguard	UT 705	Gulf Offshore	Mid – April	Team
Dina Star	MT 6015	Myklebusthaug	End – April	Crane Installation
North Purpose	STX 09 CD	Gulf Offshore	Start – May	Statoil
Lundstrom Tide	STX 09 CD	Tidewater	Start – May	ConocoPhillips
Ocean Surf	UT 755	Atlantic Offshore	Start – May	EOG Resources
Island Contender	UT 776 CDG	Island Offshore	Start – May	Lundin
Island Crusader	UT 776 CDG	Island Offshore	Start – May	Lundin
Energy Insula	VS 485 MKIII	Golden Energy	Mid – May	ConocoPhillips N
Energy Swan	ST 261 LMV	Golden Energy	Mid – May	ConocoPhillips N
Troms Castor	VS 485 CD	Troms Offshore	Mid – May	Chevron Canada
Torsborg	Havyard 832 L	Skansi Offshore	End – May	BP
Vestland Cetus	VS 485 MKIII	Vestland Offshore	Mid – June	MOUK
Island Captain	UT 776 CD	Island Offshore	Mid – June	Schlumberger
Ocean Pride	Havyard 832 L	Atlantic Offshore	Start – Sept	Statoil

## ANCHOR HANDLERS - IN

Vessel	Design	Manager	EXIT	To
Strilborg	UT 722	Møkster	Start – May	RWE Dea
Tor Viking/Balder	KMAR 808	Viking Supply Ships	Start – May	Unknown /Sub Arctic
Magne Viking	VS 4622 CD	Viking Supply Ships	Mid – May	Chevron/Canada

# 07 MARKET FORECAST

The AHTS market never reached the levels hoped for last year with owners bringing tonnage back to the North Sea in expectation of a strong market and with no drilling in Greenland absorbing tonnage the market was left with a heavy number of spot vessels in the North Sea. We have predicted a slightly better market for the Anchor Handler this year with a number of rigs that entered last year now expected to see a full year of work and more rigs expected this year. There has been much talk of a limited order-book in Anchor Handler segment with the Far Senator marking the first delivery of this type of vessel for some time, and the newbuilding schedule only seeing two more arriving later this year. However this does see three more vessels entering the market with potentially a couple more entering from other regions, that number actually does reflect close to 10% of the current fleet which is significant, however not that frightening when comparing to the incoming rig fleet.

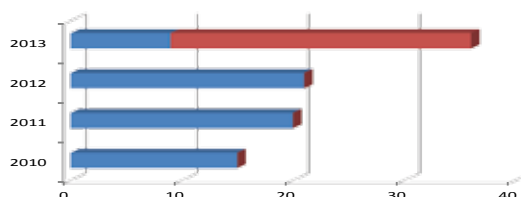
Another reason for the market not reaching those levels expected was the significant amount of time the new rigs expected to enter the NCS spent in yards for classification going well beyond scheduled durations combined with other operating rigs needing their special surveys. 2013 will not see that many rigs entering the yards for their 5 year surveys, although the four rigs undergoing preparation for work on the NCS have been delayed. During 2013 we expect 8 including the 4 already in, with another 10 expected in during 2014, and five in 2015 and 8 in 2016.

Obviously the more than 10% decrease in wells on the Norwegian shelf in general has hampered the market however the focus on the appraisal and production drilling has also been an issue for the Anchor Handlers, with the Johan Sverdrup field in particular taking a lot of capacity on the appraisal side. Statoil have already mentioned that this year they will increase their focus on exploration with a major nine well campaign in the Barents Sea, however this will have to wait until West Hercules leaves Westcon. A campaign in the Barents Sea is likely to be more time consuming for vessels, and the rigs will use conventional anchoring.

There are a number of trends revealing themselves in the market with one of them the increase of "Heading Control" fixtures which could be partly attributed to the incident with the FPSO Gryphon last year. A clear trend setter when it comes to the number of boats being fixed relative to previous years. In 2010 we saw some 14 fixtures attributed to heading control, while 2011 the number increased to 18. This number more than doubled to 38 fixtures in 2012, with 25 of these fixtures coming from August and onwards. The projection for this year is about the same number as last year. Another trend that has become apparent over the last year has been that of prelaying, with the oil companies increasing the number of fixtures made for vessels in order to prelay rig moves. Prelaying for rig moves is considered a safer practice for the oil companies while reducing the weather risk window and decreases the time needed for actual anchoring providing a more efficient usage of the

vessel time therefore resulting in cost optimization. The two trends tend to differ in the type of vessels needed, with heading control not requiring the largest tonnage in order to perform their task while prelaying requires high bollard pull vessels given the tension requirements for the 100 year storm, at least on the Norwegian continental shelf for the time being with the UKCS likely to follow in the years to come.

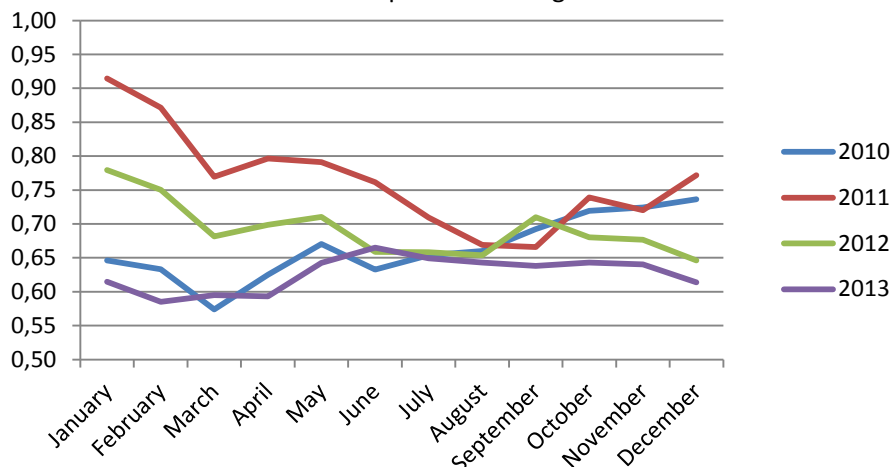
# of Prelay fixtures on the UK and NCS



We have had a decent start to the year with average rates in January and February well above historical averages. Our projections for 2013 have been rates at slightly higher levels than last year, which held true the first two months, however March and April of last year were strong given tonnage absorbed by the Elgin situation. We still believe that the rates will outperform last year's averages on the whole with the total number of vessels in the beginning of this year at its lowest in three years with 4 vessels less than the start of 2012. If owners avoid bringing more vessels into the spot market during the summer we may potentially see some very good months during or following the summer. The below vessel to rig table shows a strong trend for AHTS this year, with a low number of vessel to rigs during the year.

An issue that has arisen has been the number of vessels on the spot market versus term vessels, this dynamic has been further hit when Statoil fixed fewer term vessels than expected, only resigning a handful of vessels. Despite these negatives we believe in a decent market going forward, the market balance has shown itself volatile already with spurts in January and February. We expect more of these occurrences going forward as the market approaches 2014, a year we believe will be solid for vessel owners.

Northwest Europe - AHTS to rig ratio





# 08 THE INSIDE STORY



## Is there a Newbuild order wave around the corner?

There has not been much mention of newbuild orders over the last two quarters after the continual string of orders slowed down during the second half of 2012 given the heavy delivery schedule. For Anchor Handlers this slowdown has lasted since the delivery spree in 2009/2010. The only recent order was made recently by Fafnir Offshore for a Havyard 832L designed PSV, otherwise no new orders have been made at the Norwegian yards or by North Sea companies. The question then becomes whether a new spree is in the works? A major subsea boost has already happened with a number of orders placed last year and we expect a continued order flow in this segment from various players. However even this segment has begun to turn with owners talking in less favorable terms lately given the significant number of subsea vessels ordered over the last year. The upcoming period will obviously be decided by how well the market performs for owners, especially if they feel they have cash available. It is prudent to note that 2012 was not a strong year for owners, and although 2011 was deemed a slight rebound the years running up were certainly not. Some Owners may already be slightly stretched and therefore we don't expect another ordering spree to occur this year.

If another ordering frenzy were to occur it would certainly be dependent on the lending banks. It is clear that the banks are still interested in the offshore segment, however only for existing or well regarded names in the industry. Their interest is more likely to fall on more subsea vessels given the normal solid contracts that follow, however the potential may be on the smaller and more midsized vessels, or vessels catering to more specific tasks such as wind farm vessel, etc. GIEK has recently stated their intent to become more market orientated and have together with Eksportkreditt clearly announced their concern with the number of PSVs in the orderbook. There is no doubt that an indication such as this will put a hamper on any thoughts to build PSVs, if any owners actually had such inclination given the current market status. Owners have however been particularly active in the bond market lately, with Rem Offshore recently picking up NOK 350 million at NIBOR plus 5.75%

and a few weeks later confirming the purchase of the speculation built Kleven VS 485 MKIII which had been estimated to cost approximately NOK 320 million to build. The vessel has been fixed on a contract for two years with options up to 3 years and 9 months. The thought that arises from the Norwegian export financing agencies is that with less focus on PSV's, pressure might come on the anchor handling sector. A reason this might not occur is that the likelihood of having a term contract in place for an AHTS is substantially less and banks although lending need the full package for financing. The amount of leverage would certainly be substantially less and owners are not that cash rich for the time being. Also the shipyards have been facing issues with selling spec built vessels, and it will definitely reduce their willingness to build more of these. This has been shown with the Blue Ship invest vessels, but also the recently purchased Kleven vessel which has been purchased right up before delivery.

All this mentioned though, optimism is always just around the corner. I think most agree that 2014 will be a good year for those involved in the offshore support trade with Brazil expected to finally be back in the swing of things, Cairn firing up their Pitu campaign and even more activity in the North Sea with campaigns in the Barents Sea that will prove to consume much more of the offshore support vessels time and finally the wild card factor of West and East Africa. Given the above one can expect that owners will find ways to increase their tonnage for the coming period without potentially building new assets. Atlantic Offshore and Golden Energy have found ways to increase their tonnage for the years to come without requiring the capital to finance the asset through bareboat deals for newbuilds. Golden Energy bareboated in the Energy Insula for 5 years, while Atlantic have so far picked up two of the Blue Ship Invest newbuilds. Perhaps more capital through institutional investors will help finance vessels, like the DOF Iceman project, or more sale and leasebacks like the two Farstad vessels. Either way it's part of the game, but maybe this time around we will see owners trading assets instead of increasing the number of pieces on the board.



# 09 THE LAST WORD

## Culmination of the ski season with Hovden Tour

The culmination of the cross country ski season came this weekend with the Hovden Tour and a couple of Westshore Shipbroker's employees putting in some fine performances and beating most competition seen from the local offshore owners. The likes of Siem Offshore, Viking Supply Ships and Vega Offshore all had people competing in the race with our very own Gøran Røstad skiing off with the victory in what was very hard conditions. Jørgen Knudsen put in a dashing effort with exceedingly little preparation and is the odds on favorite for next year's race providing he loses just a touch of baby fat. Morten Grumheden Aggvin of Viking promised a lot before the race, but didn't quite follow through. He has graciously accepted defeat, however added his intention to crush all competition next year! We would also like to give a big shout out to Geir Løvrak who actually finished, well done, the bookies will be paying out big to cover those bets. Otherwise conditions were in fact so bad that the lengthy race was shortened down to 30 kilometers, so congrats to all for competing on a tough day.

In any case one thing the entire offshore community can be happy with is that they all beat Oddvar Brå!

## Oil and Gas Investments according to SSB

Statistics Norway provides an overview of the investments made, while also compiling quarterly estimates for investment going forward. They have now concluded that NOK 172.5 billion was invested in Norway during 2012, which is an increase of NOK 26.2 billion approximately 18% higher than 2011. The 2012 figure is NOK 8.1 billion less than the estimated figure from the final quarterly survey made in 2011. The increase from the previous year has been attributed to more fields coming on stream during the year with an increase of NOK 13.5 billion compared to 2011 and investment in field development increasing by 14.5 billion with the greatest amount of activity coming from Goliat, Eldfisk II, Ekofisk South and Gudrun.

The total estimated investment in 2013 has come down heavily after increasing throughout 2012 with the most recent survey bringing the figure in at NOK 198.7 billion, a fall from NOK 207.8 billion estimated in the final quarter of last year. A significant change can be seen in the investments for exploration falling by NOK 4.2 billion from last quarter's estimate, while field development has held the same and investment in fields on stream came down NOK 6.4 billion.

### Results:

#### 30 km

Gøran Røstad (Westshore)	2:25:29
Preben Uppstad (Siem)	2:28:09
Morten Grumheden Aggvin (Viking)	2:29:04
Jørgen Welde Knudsen (Westshore)	2:41:16
Arild Jørgensen (F. National Coach)	2:44:59
Dag Rasmussen	2:47:50
Kjell Eivind Karlsen (Vega)	2:54:16
Oddvar Brå (Ex. Norwegian Champ)	3:07:40
Per Fronth (Famous Artist)	3:22:31

#### 22 km

Christoffer Røstad (11 years old)	2:01:44
Bernt Omdal (Siem)	2:20:22
Andreas Hageli (JGO)	2:20:41
Ruth Berg-Knudsen (JWK wife)	2:24:18
Geir Løvrak (Siem)	2:51:32



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As always Westshore Shipbrokers could use you help in finding good topics to cover in the monthly editions of the Navigator for the upcoming year. Please send us your suggestions and we will research the topic and include your ideas in our upcoming issues.