

# THE NAVIGATOR



DECEMBER 2011

ISSUE 4

THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



**WESTSHORE**

SHIPBROKERS AS

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# 02 HEADLINE NEWS

## Paving the way for more newbuilds?

The last few months have shown a marked upturn in confidence in the support vessel market – particularly for new anchor handlers. Moreover, the spotlight has been on the diminishing orderbook for larger North Sea capable AHTS tonnage and the mere trickle of announcements of new orders. Amongst a variety of other reasons it has been financing that has stood in the way of established owners signing up for new vessels, not to mention the complete absence of new players doing so.

This month the Norwegian Government announced grand plans to assume responsibility of financing for export currently done through Eksportfinans, the organisation that provides loan agreements for Norwegian companies doing business in some shape or form abroad. According to the Eksportfinans website it offers 'favorable long-term financing and has contributed to the financing of more than 90 Norwegian built vessels over the past three years'. At a press conference this month it was announced that the Norwegian Government would establish a state-run export finance scheme to replace the existing Eksportfinans organisation which is comprised of banks and the Norwegian

Ministry for Trade and Industry. The Prime Minister, Jens Stoltenberg, proposed a total loan commitment of NOK 30 billion which is intended to 'ensure competitive conditions for the Norwegian export industry'.

Owner of Havila empire, Per Sævik was quoted as saying the announcement came as an 'early Christmas present'. Indeed this has been the perception for those in the ship building business for whom financing woes had placed considerable threat to future business. The scheme is thought to be a robust solution to stimulating new vessel orders amongst other things in a time when alternative sources of funding are proving to be very thin on the ground.

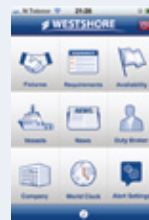
Existing loans will continue to be managed by Eksportfinans along with an interim scheme until the newly established entity is up and running by July 2012. In some respects it is a sad day marking the demise of an organization that has provided financing for Norwegian exporters since 1962 but the new state-system comes at a crucial time when taken into the context of the current global financial climate.

## FIXTURE RATES FALL

At Westshore we want to refrain from shouting from the roof tops regarding the fall in rates on the spot market from last month to this. The word 'crash' has been banded about more often than necessary, let's rein in the drama and take a look at the facts. Now the reduction in rates has been steep, resulting in an average fixture rate for AHTS above 18,000bhp for November to come in at around GBP 30,000 down on over GBP 100K in October. On page six we take a closer look at what's happening - and what we see happening over the remaining winter months.



## Westshore App



Feedback received so far following the release of the Westshore App has been really positive, for those of you with an Android mobile the new version will be with you by the New Year. Keep

sending us your comments on the App to [support@westshore.no](mailto:support@westshore.no)







# NEWBUILDING NEWS

## PSV DELIVERIES NEXT SIX MONTHS

### DECEMBER 2011

Skandi Feistein (long term charter  
ConocoPhillips)  
Normand Arctic

### JANUARY 2012

Bourbon Calm  
Skandi Hawk  
Blue Fighter  
Rem Supporter  
Olympic Commander  
Ocean Pride

### FEBRUARY 2012

FD Remarkable  
Brage Trader  
Island Captain (long term charter  
Schlumberger)  
Loch Erisort (long term charter  
Geoships)

### MARCH 2012

Olympic PSV06 LNG PSV  
Skandi Kvitsøy (long term charter  
ConocoPhillips)  
Stril Polar  
Viking Prince

### APRIL 2012

Supply Service Havyard 833 PSV  
Bourbon Clear

### JUNE 2012

Bourbon Rainbow  
Far Scotsman  
Olympic MT6015 PSV

### thank you to...

The pictures for this month's Navigator are being used with kind permission of Farstad. The pictures feature a variety of the Farstad fleet working around the globe



TAKEN BY WESTSHORE'S CHRIS JOHANSEN AT THE CHRISTENING OF OLYMPIC SHIPPING'S NEW PSV 'OLYMPIC ELECTRA'

## Announcements and insights

Congratulations to Olympic Shipping, celebrating the christening of its latest PSV to deliver; 'Olympic Electra' on 18th November. Our very own Chris Johansen was in attendance and took the picture above.

In last month's Navigator we took a look at how the situation was improving in the Gulf of Mexico and how US owners could soon be experiencing an upturn in fortunes. This was shortly echoed by US owner Hornbeck Offshore placing an order for 16 new vessels. Singapore's ST Engineering won a contract for nine of the PSVs but options for a further 24 vessels are in place.

The owners of North Sea familiar 'Beaucephalus'; Garware Offshore have placed an order for a Havyard 832 at Havyard Leirvik with an option for a further vessel. Delivery is set for the first quarter of 2013.

Island Offshore has secured seven year contracts for the first two of a series of four UT776 CD PSVs. The vessels will undergo some conversion work in order to carry out the well-stimulation work for charterer Schlumberger. Island recently placed an order for four further PSVs at STX Brevik due for delivery in 2013 onwards.

Two VS 470 PSVs under construction at Tebma in India have been finalised for a ten year charter with Aberdeen company Seahold Geoships. The first is ex-Trico new build 'Trico Sea' but will now be named Loch Erisort and deliver in February 2012. The second is to be named Loch Roag and will deliver in the first quarter 2012. The vessels will be equipped for IRM and light subsea duties and seek work in the North Sea and other regions.

# 04 RIG RUNDOWN

## ON THE MOVE IN DECEMBER...

- Songa Dee (Statoil)
- Borgsten Dolphin (Taqa)
- West Elara (Statoil)
- GSF Galaxy II (GDF Suez)
- Borgholm Dolphin (BP UK)
- Songa Delta (Yard to MLS)
- Sedco 711 (Shell to ADTI)
- West Alpha (BP Norge)

## UPCOMING & ONGOING

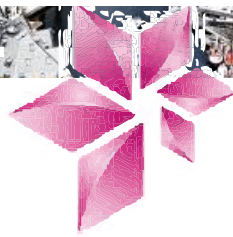
The first of three harsh environment jackups being built at Keppel for Enasco has been awarded a 10 well contract with Nexen Petroleum for the Golden Eagle development in the Central North Sea. The unit, to be named Enasco 120, is set for completion in 2013 when it will mobilise to the North Sea to commence the contract. Enasco has a rig fleet of more than 70 rigs, around a third of which are over 30 years old. In addition to the three harsh environment jack ups Enasco also has three drillships on order, the first of which will deliver at the start of 2012 and appears to be uncommitted.

Maersk Drilling has secured work for the first of two ultra harsh environment jackups it has under construction at Keppel Singapore. Total E&P Norge has secured the rig for four years firm plus four one year options for work initially at the Hild field in the Norwegian North Sea. The rig has been designed specifically to meet the challenges of the harsh conditions found in the North Sea particularly in Northern Norway.

Semisubmersible Transocean John Shaw has secured work with TAQA next year commencing in the first quarter and with options could see it on hire to the operator for the remainder of 2012. The rig is currently on hire to Enquest but is expected to finish by the end of 2011.

A wild cat well for Premier came up dry this month when drilling just west of Yme with Bredford Dolphin. The rig was then moved to the central North Sea to drill for Lundin.

Transocean's 6th generation semisubmersible Transocean Barents will soon commence work for Statoil in the Barents Sea. The programme is expected to last 57 days but Statoil has the unit on sublet from DNO until March 2012.



## Statoil's approach to securing rig capacity

Typically when an operator is in need of rig capacity a tender is released to the market, suitable candidates evaluate and submit bids should they feel a relevant unit could qualify. Sometime later a rig owner is awarded a contract. But Statoil is recognising that with an ageing rig fleet there is perhaps a better way of securing the rig capacity specific to its needs through a more efficient and cost effective route.

The Norwegian operator has created several new categories of rig which it deems to be suitable for work in the parts of the North Sea where it operates. The rig designs have been created in collaboration with several industry players among them Aker and NOV. Amongst other innovative changes is the layout on the main deck for the mid-water semis or 'Cat D' rigs. A reorganisation of equipment is expected to improve working environment, reduce noise exposure, prevent environmental spills and result in as much as a 20% increase in efficiency. These rigs are expected to be the

workhorses of the North Sea. Their capabilities will extend from drilling and completion to well work over. It goes without saying that the units will be capable of operating in the harsh conditions thrown at them by the North Sea in winter time.

In addition to the semis will be the jackups where the 'Cat J' has received much publicity as what will be the world's largest jack up rig. The 'Cat J' rig has been touted for work at the Avaldsnes/Aldous Major field and consequently would need to be delivered and ready for operation by 2015. Several rig contractors have been contacted and expressed interest in the project with Maersk Drilling, Seadrill and Rowan as obvious candidates. The official tender has yet to be released but should come in 2012.

With proven technology, these purpose built rigs are hoped to not only meet Statoil's and Norwegian regulative demands but aid in renewing the global rig fleet.

## A WORD WITH WESTSHORE...



**Gøran Røstad**  
Shiproker

"Westshore Julebord tonight. No further comment"



# 05 IN AND OUT



Vessel	Design	Manager	ENTRY	From
Bourbon Front	PX 105	Bourbon Offshore	End - Nov	Newbuild – Yard China
Olympic Electra	MT 6009 L	Olympic Shipping	End – Nov	Newbuild – Yard Norway
Troms Artemis	VS 485 CD	Troms Offshore	End – Nov	Newbuild – Yard Norway
Normand Arctic	PSV 12 LNG	Solstad Shipping	Start – Dec	Newbuild – Yard Norway
Brage Supplier	STX PSV 09	Simon Møkster	Start – Dec	Newbuild – Yard India
Vessel	Design	Manager	ENTRY	From
Toisa Vigilant	PSV	Sealion Shipping	Start – Dec	Capricorn
Sophie Siem	PSV	Siem Offshore	Start – Dec	Capricorn
Siem Louisa	PSV	Siem Offshore	Start – Dec	Capricorn
Siem Danis	PSV	Siem Offshore	Start – Dec	Capricorn
Siem Aquamarine	AHTS	Siem Offshore	Start – Dec	Capricorn
Siem Ruby	AHTS	Siem Offshore	Start – Dec	Capricorn
Olympic Poseidon	AHTS	Olympic	Start – Dec	Capricorn
Toisa Valiant	PSV	Sealion	End - Nov	Fugro
FD Indomitable	PSV	Gulf Offshore	End – Nov	TAQA
Havila Neptune	AHTS	Havila	End – Nov	Total Angola
Maersk Feeder	PSV	Maersk	End – Nov	Venture
Sea Trout	PSV	DESS	Start – Dec	Enquest
Normand Ranger	AHTS	Solstad	Mid – Dec	Technip
Skandi Skansen	AHTS	DOF	Mid – Dec	Technip
Malaviya Seven	PSV	Great Offshore	Mid – Dec	ADTI
KL Brofjord	PSV	K Line	Mid – Dec	AGR
Malaviya Twenty	PSV	Great Offshore	Mid – Dec	Senergy
Rig Express	PSV	Vroon	Mid – Dec	Peterson
Rem Supplier	PSV	Rem Offshore	End – Dec	SPD
Normand Draupne	AHTS	Solstad	End – Dec	Gaz de France
Portosalvo	PSV	Gulf Offshore	End – Dec	Gaz de France
Havila Crusader	PSV	Havila	End – Dec	BP Norge
Vessel	Design	Manager	EXIT	To
Power Express	PSV	Vroon	End – Nov	Centrica
Ocean Scout	PSV	Sartor	End – Nov	LAY UP
North Stream	PSV	Gulf Offshore	End – Nov	DNO
Havila Fortress	PSV	Havila	Mid – Dec	ADTI
Far Sapphire	AHTS	Farstad	Mid – Dec	Global Maritime
Skandi Skolten	AHTS	DOF	Mid – Dec	Petrobras
SBS Cirrus	PSV	SBS	Mid – Dec	Premier Oil
Saeborg	PSV	P/F Supply	End – Dec	DNO

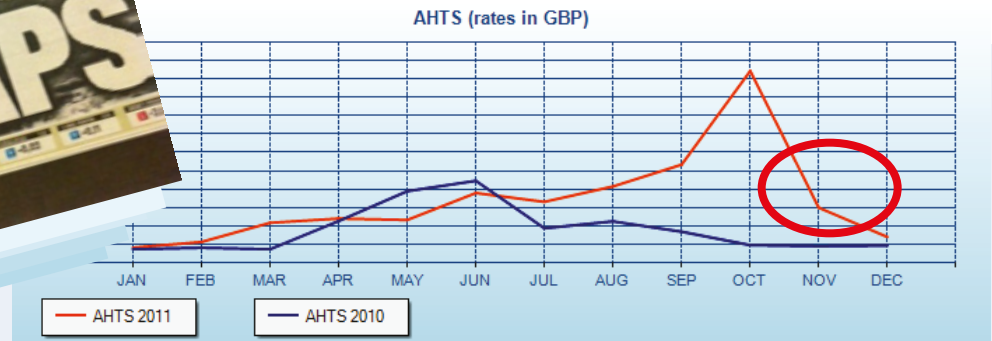


# 06 MARKET FORECAST



## NORTH SEA SPOT MARKET HITS THE HEADLINES

BUT IS IT ALL DOOM AND GLOOM FOR THE SPOT MARKET IN THE RUN UP TO CHRISTMAS?



**After** a couple of months of rates on the spot market going over GBP 100,000 per day (for the larger AHTS vessels in any case) the sudden drop down to its current state led several sources to cry collapse and talk of doom and gloom scenarios for the day rates. There is no doubt that the rates are now virtually at rock bottom but a closer look at the figures is perhaps needed. We think that the dramatized headlines came more as a result of the reduction in rates than the level they are actually at. The graph above shows how the day rates for large AHTS progressed this year compared to last and what we see is that 2010 had an average rate of around GBP 15,000 for most of the last quarter missing out on any peak like what's happened in October this year altogether. In saying that there is no questions that this time last year was a tough time for owners trading the spot market and few would wish a return to those market conditions.

### Will the rate levels stay the same?

The adverse weather conditions in the North Sea are creating pockets of high activity when a weather window is perceived by charterers. The result of which is often periods of very limited activity corresponding to deflated rates, followed by high activity and rates increasing – the extent of which is largely dependent on how many vessels have entered the market during the lull. At the moment the return of several vessels from

Greenland will add four PSVs and three AHTS to the list of spot vessels all coming roughly at the same time. There has been word of new term charters secured, not least the recent three-month charters (plus options) awarded to Island Vanguard and Far Scorpion which will commence in mid-January. On the PSV side a handful of older vessels have now entered lay up and a couple more may follow. Notably, the news of the high day rates achieved by some owners on the spot market has drifted far and wide and has resulted in some owners considering mobilising vessels to Aberdeen to try their hand at the North Sea spot. We will likely see a handful of 'new faces' in Aberdeen harbour before the end of 2012 not just the newbuild vessels. However in general the winter months will largely be tough with periods of respite for owners as weather windows results in a rush of fixtures.

### Solve Høyrem

Managing Director

"This month Westshore was further expanded with the addition of another broker here in Norway, Jørgen Knudsen. The team has grown a lot this year and I look forward to a busy 2012!"







# 07 THE INSIDE STORY

## Merry Christmas from us all at WESTSHORE

WRITTEN BY

Inger Louise Molver  
Offshore Analyst



The year is drawing to a close so from all of us at Westshore we wish you all a Merry Christmas and a Happy New Year. For us working in the Kristiansand office, Christmas will be spent with family and friends enjoying traditional dishes. In the south of Norway that's cod and ribs, for Eirunn from the west coast 'lutefisk' is served. It's difficult to describe to the non-Norwegian what this is or even why on earth one would eat it but I am routinely assured the taste is wonderful so long as its covered in a multitude of other flavours. I will be back in Peterhead enjoying turkey and pinnekjøtt, the traditions from each of my parents.

But for many people Christmas will be spent offshore on platforms and vessels away from their family. So how is Christmas celebrated for the men and women keeping this industry functioning whilst we all enjoy the festive period? I spoke to some people who would be spending Christmas offshore.

In terms of the food the Norwegian vessels opt for the dishes most commonly served from the region they hail from. As a large part of the Norwegian fleet comes from one small part of the country – namely Møre og Romsdal on the west coast this means traditionally served sausages and pinnekjøtt which is a cured and dried dish of lamb or mutton.

It would appear that festive cheer is attempted by way of decoration too as many of the vessels put up a small Christmas tree with decorations around the mess rooms. The responsibility for which often falls on the galley staff who appear to be more than happy to festify the areas used for relaxing after shift.

Christmas gifts have for a long time been sent to the families of offshore crew working at Christmas time, those at home also getting something. It would appear that this trend is changing with many firms choosing to make donations to charities of particular relevance to the shipping sector or the local communities. A gesture which the crew men and women are largely in agreement with, after years of objects stamped with the company logo the yuletide gesture is better spent to those in need.

The day on which the main Christmas celebration occurs differs from UK to Norway to elsewhere but regardless of which day the feasting occurs the same sentiment prevails, it's a sad time to be away from home. Those with young family often finding it particularly tough. There is little else to do but get through the trip until a mini-celebration can be had once home. So whether you're watching the Queens speech on December 25th or munching your way through some dried and cured leftovers, spare a thought for the men and women working offshore over Christmas.



PEPPERKAKE VERSION OF ISLAND VALIANT FEATURING JELLY CREW



# 08 THE LAST WORD

## Westshore Asks:

“ How many spot fixtures will have concluded on the North Sea spot market by year-end? ”

### And the winner is..

In last month's Navigator we asked the panellists what the average fixture rate for a cargo run out of Aberdeen would be. The activity level on the spot market this month has been steady with cargo run and supply fixtures coming in regularly. But several vessels have returned from term commitments resulting in a higher number of vessels able to take on work. So much so that the decision to lay up smaller, older vessels for the winter season has already started to happen. Two Norwegian owned vessels have gone down this route and more may follow.

Bad weather can cause rates to go sky high or keep several vessels out of work as charterers refrain from hiring tonnage while they wait on a weather window. This phenomenon is often seen at this time of year. The other factor influencing the supply requirements was the excess of tonnage on the AHTS side, vessels which are keen to take on a cargo job should the alternative mean lying idle in port.

However we can confirm that it was Kim Locke from Sealion Shipping who came closest to the mark with his answer of £11,685. The average rate coming out at just under this and heading lower as the rates over the past few days drop further and further below this mark.



This month joining Kim from Sealion is Tom Babinski from Viking Supply and Geir Løvrak from Siem Offshore. All finalists were told that the number of fixtures the previous year had come in at around 1450 but they were not told of each other's answers. So this month's answers were;

Kim Locke – 1456

Tom Babinski – 1579

Geir Løvrak - 1610

Good luck to everyone, the winner will be announced next month!

