

NAVIGATOR R

WESTSHORE'S MONTHLY NORTH SEA REPORT

AHTS Newbuilds in 2014

Will deliveries from Southeast Asia soften the market?

Statoil's Global Ambitions

The Norwegian giant has gone international

A Crystal Ball View of 2016

Thoughts on the future



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The Normand Titan & Normand Neptun during Heading Control Work. photo: Håkon Sunde

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Headline News



Swire Pacific Offshore has a total of 8 new D-class vessels

AHTS Newbuilds in 2014

The North Sea spot market is currently tight and difficult weather at the start of the year has made everyone consider how the rest of 2014 might pan out for AHTS vessels and rig moves. The market is a delicate balance between the number of rigs, the amount of offshore exploration activity and on the other side of the scales the numbers of active AHTS vessels and the future tonnage on the newbuild orderbooks.

The rig market is extremely tight at the moment in the North Sea and charterers have struggled to secure units in the past few years. This put the power in the

hands of rig owners who were able to negotiate long-term deals and it was not unusual in the past couple of years to see multi-year contracts for rigs and many of these contracts extend well into 2014. We also have further rigs expected to enter the North Sea by November potentially pushing the total number of rigs in region to 71 in October.

At the same time, we have the pressure of overseas charters including work in the Kara Sea, Morocco and Ireland taking AHTS tonnage out of the North Sea. In May as many as eight of the vessels currently on the North Sea spot market are expected to be committed



The Toisa Elan has already got three rig moves under its belt

on term work. However, the question is if newbuilds from Southeast Asia will take the strain out of the market.

The tricky thing is whether these vessels will come to the North Sea or not. As revealed in last month's Brazilian Wave, the Go Phoneix has been ranked first in Petrobras' latest AHTS tender and seems likely to head there. Although two other Otto VS-491 designed vessels could be coming this way perhaps in May and June.

Sealion Shipping has proved the capability of new-build Southeast Asia vessels in the region and the Toisa Elan has already carried out two rig moves in the North Sea and is lined-up for a third. She has also been joined by her sistership Toisa Envoy. However, the third in the series, the Toisa Explorer seems destined to fight for work in Southeast Asia, at least for now.

“There are three big markets competing for these vessels: the North Sea, Southeast Asia and Brazil”

Swire Pacific Offshore has a total of eight D-Class vessels, which really represent the last of the large AHTS being built at the moment. Two of the final four of these the Pacific Dove, Duchess, Dispatch and Dragon are understood to have been earmarked for the UK North Sea.

The general consensus is that the market in Southeast Asia would have to be weak compared to the North Sea for owners to consider absorbing the mobilisation costs and it is not a

decision to be taken lightly. Also once one owner has made their move it instantly shifts the balance of one market against the other.

There are three big markets, the North Sea, Southeast Asia and Brazil competing for this tonnage. Petrobras is actively chartering again and has potential demand for up to 60 large AHTS vessels. Whichever way you look at it - it should be an interesting year.



Orderbook & Charts

AHTS That Could Enter North Sea & Potential Arrival Dates

Toisa Envoy	-	February
Far Sigma	-	February
Boa Bison	-	April
Far Sirius	-	April
Pacific Dove	-	April
Pacific Duchess	-	May
Otto VS491 CD	-	May
Pacific Dispatch	-	June
Toisa Explorer	-	July
Otto VS491 CD	-	July
Pacific Dragon	-	November

Newbuilds Feb-April 2014

February 2014

Far Sigma	-	UT 731 CD
Toisa Envoy	-	VS 4616
North Cruys	-	ST 216 Arctic
BP TBN	-	UT 776CD
Sea Tortuga	-	STX 05L CD

March 2014

Ocean Star	-	VS 485 MKII L
BP TBN	-	UT 776 CD
Highland Princess	-	UT 755 XL

April 2014

BOA Bison	-	VS 491 CD
EDT Hercules	-	PX 105
Sea Spring	-	PX 105

In & Out

Vessel	Design	Manager	ENTRY	From
Maersk Lifter	L - Type	Maersk Supply	End - Jan	Total - Angola
Skandi Stord	KMAR 404	DOF	Early - Feb	Total - Egypt
Toisa Envoy	VS 4616	Sealion Shipping	Early - Feb	Newbuild
Vessel	Design	Manager	EXIT	To
Maersk Laser	L - Type	Maersk Supply	End - Jan	BP UK

Vessel	Design	Manager	ENTRY	From
Skandi Marstein	MT6000	DOF	Early - Feb	CNR
Energy Insula	VS 485 MKII	Vestland Offshore	Mid - Feb	Wintershall
Siem Pilot	VS 485	Siem Offshore	End - Feb	Statoil
Vessel	Design	Manager	EXIT	To
Energy Swan	ST 216L	Golden Energy	Early - Jan	Wintershall
FS Pegasus	UT 745	Fletcher Shipping	Early - Jan	Talisman
Stril Odin	MT6000 MKII	Møkster	Early - Jan	Statoil
Blue Thunder	PX 121	Atlantic Offshore	Early - Jan	Statoil
Volstad Supplier	ST 216 L CD	Volstad Shipping	Mid - Jan	MLS
Juanita	SALT 100	Ugland	Mid - Jan	Statoil
Siddis Skipper	VS 470 MKII	Siem Offshore	Early - Feb	Sold
Lundstrom Tide	STX PSV 09 CD	Tidewater	Early - Feb	Ghana

Drilling & Production

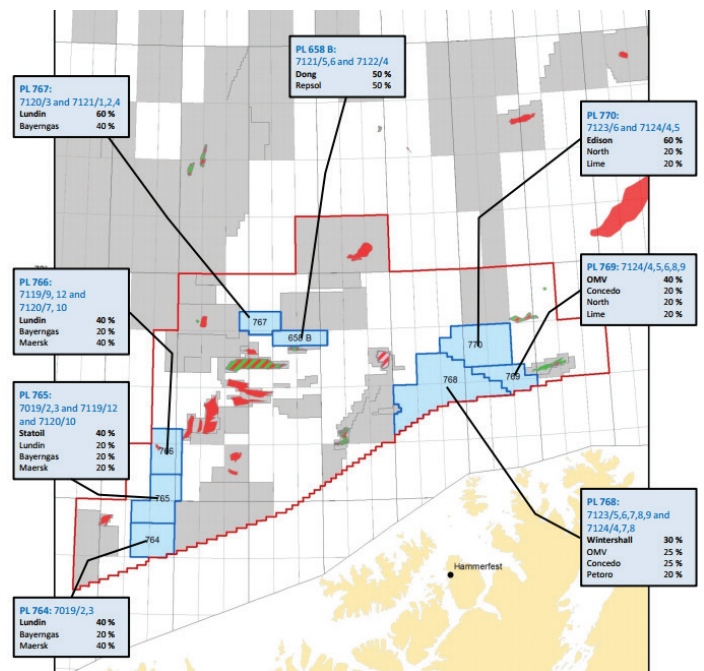
North Sea Activity

The results of the latest APA round on the Norwegian Continental Shelf have been announced with 48 companies being offered a total of 65 new production licences. The licences are in the North Sea (38), the Norwegian Sea (19) and the Barents Sea (8). A record number of companies applied for acreage with the greatest interest in the Northern North Sea and Central Norwegian Sea. The offers in the Southern North Sea are subject to seismic and firm well obligations. Meanwhile other production licences have drill or drop conditions for a decision on an exploration well to be made between one and three years time.

Det Norske commenced its first operated well in the Barents Sea in the middle of January. The well is at the Langlitinden prospect in production license 659. The dynamic positioning Transocean Barents rig. The well is located 165km Northwest of Hammerfest.

Chevron has made a final investment decision and received UK Government approval for its development of the Alder field in the Central North Sea. The project has a design capacity of 110 million cubic feet of natural gas and 14,000 barrels of condensate per day. First production is expected in 2016.

Transocean has picked up a series of new contracts for its rigs. These include a two well contract for the GSF Arctic III which was awarded a two-well contract in the UK North Sea at a dayrate of USD 410,000. The company's total value of new contracts since December 18th is around USD 48M.





Transocean Barents now working in the Barents Sea

Beacon Holding Group has ordered a harsh environment GM4-D designed semi-submersible rig from Yantai CIMC Raffles yard and also placed an option for a second. The rig, which will be called the Beacon Atlantic is planned for delivery in the fourth quarter of 2016. It will be designed for harsh weather conditions and targetted at the North Sea and Barents Sea.

Wintershall has begun drilling the Solberg appraisal well in the Norwegian Sea on the PL475 license. Wintershall Norge holds 35% interest in the licence with Centrica Resources and Faroe Petroleum the next biggest stakeholders with 20% each. Two further wells are expected to be drilled in the Njord field and Butch East area as part of the programme.

Greece is expected to invite international oil companies to bid for drilling rights in its Western and Southern Waters later this year following completion

of seismic data collection by Petroleum Geo-Services. The licences are expected to cover a zone with a width of between 100km and 400km. The test and data collection was carried out in the Ionian Sea and South of Crete.

“The latest APA round in Norway has seen 48 companies offered 65 production licences”

Statoil has restarted production at its Statfjord C platform following a four-day shutdown due to an oil leak. The Norwegian Petroleum Safety Authority will be investigating the issue.

Premier Oil has given a market update including details of 13 planned global wells in 2014. The highlights include the first exploration well on the Mandal High in Norway with a planned spud date in the fourth quarter of 2014. There will also be a Luno II appraisal well in the second quarter of 2014.

The company has also confirmed plans for four exploration prospects in the Falkland Islands and a rig tender has been issued for spud in 2014/2015. ■

Vessel News

Including Newbuilds & Subsea

Promar has ordered a pair of Damen PSV 3300 designed vessels that will be built to North Sea standard but targeted at the West African market. The vessels are set to deliver in February and August 2015 and will have firefighting one, ROV preparation and oil spill detection radar.

Atlantic Offshore has celebrated the successful launch of the hull of the Ocean Marlin at the Astilleros Zamakona Pasaia shipyard in San Sebastian in Spain. The vessel will now undergo painting, dry-docking and outfitting with scheduled delivery set for the end of July 2014. Total E&P Norway is set to take on the vessel upon completion and she is due to operate on the Martin Linge field.

Meanwhile, Atlantic Offshore has also recently been awarded a 16-well term contract that will see the Ocean Pride PSV working for up to four years with Wintershall. The 832 L-8 vessel is a clean design PSV with Oilrec and DP2.

Seatankers has taken delivery of the seventh in its series of PX-105 PSVs. The Sea Spider is a 4,700 dwt diesel electric vessel. There are a total of twelve vessels ordered from Sinopacific's Zhejiang yard in Ningbo, China. The first delivery was the Sea Falcon in February 2013.

All of the vessels are X-Bow designs and equipped with Azipull 100 propellers making them able to reach 15.5 knots. They also have deck areas of around 1,000m² and comply with DNV requirements of Clean Design standards.





Wintershall has chartered the Ocean Pride for 16 wells. photo: C.Sylten

Reach Subsea has signed a deal with Myklebusthaug for the MPSV Dina Star. Under the terms of the contract a 150t subsea crane has been installed on the vessel and Reach will mobilise an ROV and personnel on board that will be used in Reach's offshore light-weight construction support projects. The charter is for one year plus another one year option. The Dina Star will be offered to Reach's existing and new customers from the beginning of March.

Island Offshore has struck a deal for a UT-777 designed light well intervention vessel with Kawasaki Heavy Industries. The vessel, which will be named the Island Navigator, will be ICE 1B and will be built to Mobile Offshore Unit regulations with delivery set for Spring 2017.

The Skandi Stord is set to return to the North Sea spot market after completion of term work for Total offshore Egypt. The KMAR 404 designed AHTS vessel

was undergoing drydock work ahead of becoming available in early February in Aberdeen.

Sealion Shipping's latest newbuild the Toisa Envoy is expected to join the North Sea spot market imminently. The VS-4616 Toisa Envoy recently mobilised from Singapore before undergoing preparation work in Dundee. The vessel is the second of three sister ships from Wuchang Shipyard in China with the third vessel currently having Fifi work in Singapore and expected to remain in Southeast Asia at least in the medium term.

Sentinel Marine has returned to Nam Cheong to place an order for four ERRVs and an AHTS vessel in a deal worth around USD 70 million. All five vessels are being constructed at Nam Cheong's subcontracted yards in China. The vessels are scheduled for delivery in 2015 and 2016 with the ERRVs destined for the North Sea market.

“The Skandi Stord is set to return to the North Sea spot market after completion of term work for Total Egypt”

Inside Story



Statoil's Global Ambitions

The Norwegian national oil company is at a crossroads. The behemoth institution which has formed the bedrock of the country's finances is set for a switch as the new conservative Government promises to let it off the leash. The state is expected to reduce its controlling stake in the firm later this year possibly to as low as 51%, down from the current 67%. This could potentially generate a war-chest of up to USD 22 billion enabling Statoil to take its pick of potential takeover targets and overseas hydrocarbon opportunities.

According to recent figures Statoil's international

production is already forecast to reach 44% of its total by 2020. This compares to 7% in 2001 and reflects the way the industry has generally become more multinational in the 21st century. All the major success stories in the oil and gas business as well as support services have had to plot a route to geographical diversity or find themselves marooned as the business moves on.

Already the beauty parade has begun with the press speculating over possible expansion areas for Statoil. What seems to be certain though is the firm, which has been the powerhouse of Norwegian financial and engineering prowess, is set to export its highly-regard-



Statoil

The Norwegian Government Could Reduce its Stake in Statoil to 51%

ed brand even further around the globe.

The big beasts of BG, BP, Shell and even Anadarko seem to be out of the sights for now due to their sizeable market capitalisations. However, it could be that some of the spritely younger generation of oil companies such as Tullow or Cairn Energy come into the frame. Acquiring either of these would also move the company further into Africa where both these firms already have established operations; Tullow having made its fortunes with the Jubilee field offshore Ghana and Cairn Energy is currently exploring opportunities in a range of interesting areas including Mauritania, Morocco, Ireland and Greenland.

Let us not forget though that Statoil is already an established global player with international fields in 21 countries. There aren't many firms so large that it barely makes the news when they pull out of their

“Let us not forget that Statoil is already an established global player with fields in 21 countries ”

Bahama's operations. When Statoil returned its stakes back to the Bahamas Petroleum Corporation in the middle of January there was barely a flicker of press recognition. The company has also been streamlining its assets in other more traditional areas too having sold off fields in Norway for USD 5 billion in the past two years. This seems to be part of a strategic refocussing.

The well-hyped 'push North' in Norway will of course be a key region for Statoil in the coming years as the opportunities in the Barents Sea and surrounding areas are too good to miss. However, it now seems increasingly likely that this will be accompanied by an aggressive overseas expansion with Africa seemingly the destination of choice.

The scale of Statoil has always made it a company to watch and it can cause significant ripples in the North Sea vessel market. In the future, we will increasingly witness this power demonstrated overseas. ■

Market Forecast



The oil price, orderbook and company E&P spending all impact the future market

A Crystal Ball View of 2016

It is that time of year when many of us are required to put our crystal balls on the line and predict the future of the Offshore market. Budgets and the necessity to pre-plan mean that everyone is keen to know now not just how the market will be this year and next but into 2016 and beyond. The future is notoriously difficult to predict and the Offshore market is particularly volatile.

When we look so far to the future, the simplistic supply and demand scenario breaks down somewhat as there is no visibility on the vessels which could be ordered this year and in 2015 and join the market in 2016. We have a series of seemingly contradictory facts and viewpoints coming into the equation when we try to look this far

ahead. The oil price, the orderbook, Exploration and Production budgets all come into the equation.

The availability of capital and the willingness to invest will also be important with the global recovery now increasingly picking up pace we can anticipate that capital will be easier to come by and the increased appetite for financial risks means there will likely be a lot more liquidity going forwards. This to me indicates a new wave of newbuildings. But in which market segment?

Poring over charts of earnings, day rates and studying the orderbook we can anticipate that investors might be dissuaded from throwing more money into an already



The shape of things to come? : Island Offshore's latest newbuild

saturated PSV market. Although there are potential opportunities for cutting-edge vessels to pick up long-term contracts with big name charterers such as Statoil who will happily return older vessels to the spot market. However, there is no appetite for the market to absorb generic tonnage and those owners wanting to ensure high levels of utilisation will need to make sure that they work closely with the high-end needs of the oil companies to produce these technologically superior and more economical vessels.

The next few months and potentially the whole of 2014/2015 could be a boom time for AHTS vessels and it will be this that I believe will catch the imagination of the market. Headline-grabbing charters such as those awarded in the Kara Sea as well as the potentially high rates that we will likely see in the North Sea in the peak seasons this year will attract the attention of the money-men. The fact that it has been virtually impossible for anyone to acquire tonnage for an arctic campaign this season after almost all the suitable tonnage was swept up for Kara Sea work will likely mean that it is this partic-

“There are potential opportunities for cutting-edge vessels to pick up long-term contracts”

ular niche that is viewed as fertile ground for investment.

With the IMO putting the finishing touches to the Polar Code, a draft of which was due out at the end of January, will mean there is a much more comprehensive blueprint for orders to be placed against. At the same time the rest of the conventional shipping industries (such as tankers, dry cargo, containers) as a whole are experiencing a dip although certain companies are still awash with a lot of capital looking for the right investment opportunity.

Shipyards are also hungry for business. Any orders placed now would likely be on the water by the end of 2015 or early 2016 and adding to the supply of vessels competing for charters. These deliveries may arrive against a background of declining E&P spending by oil companies as dropping profits and the high costs of campaigns have seen a number seeking to rein in future spending and concentrate on value for shareholders. By 2016 we could see a very different market to today. The traditional shipping cycle may begin to fall away from the current peaks we are experiencing. ■



YoungShips Visit Our Office

Westshore had the great pleasure this month to welcome members of the Sorlandet branch of Youngships to our office in Kristiansand at an event organised by Jon Inge Buli. The group, which was made up of the latest maritime generation had a mix of backgrounds from crew to engineering and broking. They were treated to a presentation by Managing Director Sølve Høyrem who discussed Westshore's impressive growth and Offshore Analyst Sean Bate who covered the trends in the AHTS and PSV markets as well as some areas to watch for future oil exploration. Westshore Shipbrokers is proud to support this organisation which brings together young professionals in the maritime industry. For more details visit www.youngship.com

“We have recently had a new surge of interest from our Social Media followers and we’re keen for even more”

Like us on Facebook and Follow us on Twitter: We have recently had a new surge of interest from our Social Media followers and are keen for even more to join us online. Our posts include the latest happenings in the market, you can also get hold of

our publications as soon as they are released and see photos and videos of vessels and offshore activities.

Westshore shall be attending the upcoming Offshore Support Journal conference in London

on February 19th-20th. We look forward to seeing you all there. ■

Market in January

Vessel Type	Average Monthly Rates (NOK)				jan.14	des.13	jan.13	des.12
	jan.14	des.13	jan.13					
AHTS > 25,000	416343	596088	252088	# of spot supply fixtures	60	96	78	88
18,000 to 25,000	285776	455662	136531	# of rig moves	20	24	20	20
< 18,000	208960	302262	151334	# of AHTS fixtures	72	68	57	61
PSV > 900 m ²	129703	113990	65507	Average Utilization (%)				
< 899 m ²	111752	81568	72100	AHTS	68.5	80.2	68.3	68.2
				PSV	88.6	85.9	86.5	82.9

Photo by Neil Powers of Nautronix on board the Normand Clipper

January has been a fascinating month on the North Sea market. In the space a few weeks it has encapsulated everything that makes the spot market so volatile. We have had turbulent weather causing havoc offshore, rig move schedules clashing, worksopes terminated only for charterers to return to the market a few days later.

We have also seen the dayrates fluctuate wildly particularly with regards to AHTS and the market has been sold out on a number of occasions. On the PSV side of things we have seen a split open up a number of times between the UK and the Norwegian markets. There have been several times when the entire fleet of PSVs in Norway have been working and occasionally the AHTS vessels there simultaneously too. Meanwhile,

the UK could be hosting more than 10 prompt vessels looking for work.

The first part of the month was dominated by the AHTS market as the large swings in dayrates were caused by charterers all needing to take advantage of the same tight weather windows to complete rig moves or other work.

The mid to the end of the month saw this activity calm down considerably as Statoil returned a number of vessels easing the pressure somewhat. However, it was soon the PSVs that began to be in demand on the Norwegian side. Although dayrates have not moved by much.