

# THE NAVIGATOR R

JANUARY 2011

ISSUE 5

THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS



**WESTSHORE**

SHIPBROKERS AS

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# 02 HEADLINE NEWS

## UK awards new acreage

The end of 2011 signalled an announcement from the UK's Department of Energy & Climate Change regarding the second tranche of offshore blocks in what is the 26th UK licensing round. 46 licenses covering 110 blocks have been awarded as part of an initial offering of 144 licenses originally issued in 2010. Several of the blocks had been held back as a result of environmental concerns from two UK agencies and specifically relate to areas in the Moray Firth and Cardigan Bay. Areas that were successfully allocated however include West of Shetland and the central and southern areas of the North Sea. Featured on the list of operators that will take acreage is UK-based Hurricane Exploration which was awarded acreage West of Shetland. A plethora of companies took licenses in the Northern North Sea namely; Elixir, EnCore, Maersk, Nexen and Suncor amongst others. Energy Minister Charles Hendry commented that oil and gas contributes 2% of the UK's GDP and hoped that the latest licensing awards would make for a profitable 2012. Oil and Gas production in the UK have been in steady decline for some time with the country now a net importer of natural gas - by an increasing margin. The latest statistics from the DECC showed oil production in the third quarter of 2011 fell nearly 22.7% from the previous year's level - representing the biggest quarterly decrease since reporting began. The decrease in production levels is partly attributable to maintenance issues however - some planned some not.

### High hopes for Ireland

2011 marked the release of Ireland's Atlantic Margin Licensing Round following a particularly slow period of offshore exploration for the country. Despite limited interest being expressed by the world's major oil

companies, Repsol YPF being the exception, Irish ministers are understood to be actively trying to generate more activity in offshore drilling as a central government policy. Providence promised to commence a drilling campaign by the end of 2011 and this was delivered with the GSF Arctic III which is currently drilling an appraisal well at the Barryroe oil discovery. The well was spudded at the end of November and is expected to last sixty days. Despite previous concerns over the technical challenges involved in producing Ireland's gas reserves, Providence CEO Tony Reilly recently released comments stating the current drilling programme coupled with advancements in technology, the hike in oil price and lower taxation could result in "complete industry re-appraisal of the Irish offshore".

## WESTSHORE WEBSITE RELAUNCHED

Those of you who avidly follow the developments in the North Sea and Brazilian spot and term markets will have noticed our new look website. Our aim was to continue to provide you with the same up to date and accurate information, but in a fresher format. We hope the new look has been a success for the many people who use it as a daily tool at work but please continue to send us your comments and feedback, they are always welcome. [support@westshore.no](mailto:support@westshore.no)



# 03 RIG RUNDOWN

## ON THE MOVE IN JANUARY ...

- GSF Monarch (MOG)
- Noble Julie Robertson (Venture)
- ENSCO 92 (Senergy)
- Borgholm Dolphin (BP UK)
- West Elara (Statoil)
- Bredford Dolphin (MLS)
- Sedco 711 (Shell to ADTI)
- Borgland Dolphin (MLS)
- John Shaw (SPD)
- Maersk Guardian (BP Norge)

## NEW BP-BACKED SEMI FOR ODFJELL

Odfjell has ordered a GVA 7500 design semi – similar in design to Odfjell’s Deepsea Stavanger and Atlantic, to be built at DSME due for delivery Q2 2014. The unit is being built on the back of long term work on delivery for BP for development work at the Quadrant 204 project in the UK sector in addition to drilling operations offshore Norway at Haltenbanken.

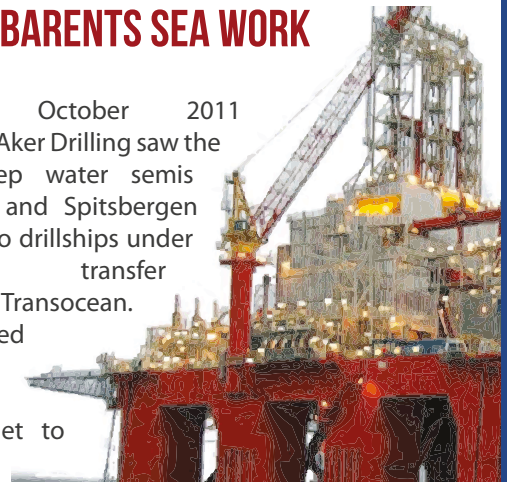


## REM GAMBLER FINISHES SONGA TOW

North Sea stalwart Rem Gambler has now completed the tow of semisubmersible Songa Eclipse from Singapore to Angola. The vessel is now en-route back to the North Sea spot market. Meanwhile the Songa Offshore semisubmersible has now commenced its contract with Total Angola which, with options could see it contracted until 2016.

## STATOIL'S BARENTS SEA WORK

Transocean's October 2011 acquisition of Aker Drilling saw the two ultra-deep water semis Aker Barents and Spitsbergen along with two drillships under construction transfer ownership to Transocean. The now-named Transocean Barents is now on sublet to Statoil until the end of March.



The unit will be used for appraisal drilling in the Barents Sea at the Skrugard discovery following Statoil getting the green light from Norwegian authorities for drilling to commence in the environmentally sensitive area. An earlier upgrade of estimates at the Skrugard field put reserves at 250 million boe with a potential for further upside.

Statoil and partners have recently conducted a feasibility study for a production solution at Skrugard and has determined a floating production solution will best serve the challenges in the area.

## A WORD WITH WESTSHORE...

Gøran Røstad & Tore Kopland  
Shipbrokers

"Spot activity, particularly on the AHTS-side, is predicted to be up in 2012"

"Statoil's views for the year to come look promising with the projects Havis, King Lear and Crux in focus"



## thank you to...

This month's offshore photographs were kindly taken by Stig Silden currently on board Island Valiant. A big thank you for the contribution!



ISLAND OFFSHORE

# 04 IN AND OUT

Vessel	Design	Manager	ENTRY	From
Bourbon Front	PX 105	Bourbon Offshore	Mid – Jan	Newbuild – China
Blue Fighter	PX 121	Remøy Shipping	Mid – Jan	Newbuild – Norway
Olympic Commander	MT 6015	Olympic Shipping	Mid – Jan	Newbuild – Norway
Brage Viking	VS 4622 CD	Viking Supply	End – Jan	Newbuild – Spain
Rem Supporter	PSV 06 CD	Rem Offshore	End – Jan	Newbuild – Norway
Ocean Pride	Havyard 832L	Sartor	End – Jan	Newbuild – Norway
Bourbon Calm	PX 105	Bourbon Offshore	End – Jan	Newbuild – China
Skandi Hawk	PSV 09 CD	DOF	End – Jan	Newbuild – India
Vessel	Design	Manager	ENTRY	To
Rem Supplier	PSV	Rem Offshore	Mid – Jan	SPD
FD Reliable	PSV	Gulf Offshore	Mid – Jan	Petersons
Far Sapphire	AHTS	Farstad	Mid – Jan	Global Marine
Maersk Launcher	AHTS	Maersk Supply	End – Jan	BP
Havila Commander	PSV	Havila	End – Jan	MOUK
Normand Ranger	AHTS	Solstad	End – Jan	Technip
Rem Gambler	AHTS	Rem Offshore	End – Jan	Songa Offshore
Skandi Skansen	AHTS	DOF	Start – Feb	Technip
Normand Draupne	AHTS	Solstad	Start – Feb	Gaz de France
Vessel	Design	Manager	EXIT	To
Island Vanguard	AHTS	Island Offshore	Mid – Jan	Statoil
Skandi Skolten	AHTS	DOF	Mid – Jan	Petrobras
Havila Fortress	PSV	Havila	Mid – Jan	ADTI
Saeborg	PSV	P/F Supply	Mid – Jan	DNO
North Stream	PSV	Gulf Offshore	Mid – Jan	DNO
SBS Typhoon	PSV	SBS Marine	Mid – Jan	RWE Dea
Siem Danis	PSV	Siem Offshore	End – Jan	Sold to Nigerian interests



# The demand for offshore support vessels in 2012

Westshore takes a look at the main drivers for demand of offshore support vessels in 2011 and how that will progress this year. As 2012 kicks off we take a look at the individual areas that absorbed much of the North Sea tonnage and created periods of high rates on the spot market last year – will the same be said for 2012?



**GREENLAND**



**WIND PROJECTS**



**PIPELAY PROJECTS**



**DRILLING CAMPAIGNS**

# 06 GREENLAND



Cairn's Greenland arm Capricorn Energy took no fewer than five large AHTS vessels and handful of PSVs from the spot market for the 2011 drilling campaign. Such a significant quantity of vessels made a definite impact on the spot market as available tonnage decreased and spot rates went up. Moreover the rates paid for the Capricorn vessels were attractive from an owners perspective making the contracts extremely sought after. When the tender came out for vessels to support the 2011 drilling campaign owners fought to position themselves as best they could to be involved in the contract. The questions is, will the same thing happen in 2012?

## A BACKGROUND TO GREENLAND

Part of the Kingdom of Denmark, Greenland has had home rule since 1979 and as such takes controlling decisions regarding offshore oil exploration from the Bureau of Mineral s and Petroleum (BMP) based in the countries capital, Nuuk. Despite a further transfer of power coming in to effect in 2008 Greenland has thus far been unable to establish economic independence and still receives a financial subsidy from Denmark each year. The path towards finding offshore oil was intended to be a step towards Greenland finally securing financial independence.

The pristine Arctic environment is well documented, so any calls for offshore drilling

were predictably met with massive objections from environmentalists. Despite this the first offshore drilling in Greenland went ahead in 1970 when five wells were drilled, then nothing further until 2000 when one further well was drilled. No commercially viable finds were discovered but traces of various types of oil and gas were found and with American authorities declaring the Arctic region to be the world's largest untapped hydrocarbon source, interest peeked.

## CAIRN

The Edinburgh-based company has secured 11 blocks offshore Greenland covering an area of 102,000 km<sup>2</sup> and began its first drilling campaign in 2010 when three wells were drilled. A 'working hydrocarbon system' was

discovered but nothing that could be produced commercially. Cairn returned in 2011 with a five-well campaign that saw several AHTS and PSVs work for the operator. But again nothing commercial was found. It is understood that Cairn has agreed with the BMP to carry out one more years drilling but market consensus is that this will not be in 2012. Fierce criticism from environmentalists and murmurs of discontent from shareholders will likely see 2012 spent on review or further acquisition of seismic data and a re-evaluation on how and where best to proceed.

## OTHER PLAYERS

The BMP is about to embark on a new licensing round for 2012/2013. Only select operators are permitted to offer, companies deemed of sufficient size and experience to operate in Arctic waters and they are; Statoil, BP, ExxonMobil, Chevron, Shell, Japan Oil, Gas and Metals National Corporation and state-owned Nunaoil. Smaller players are said to have been excluded from the process due to concerns over financial capability to meet the cost of any environmental damage.

Meanwhile a host of other operators have already secured licenses and although any drilling is unlikely for 2012, it will likely come the year after. Husky Oil is known to be seeking two floaters for work in 2013, it currently holds licenses off Greenland's west coast. DONG, Maersk Oil, ConocoPhillips, Shell and PA Resources also have already secured licenses. PA Resources was understood to be seeking partners for its block in order to relinquish operatorship.

A recent award of a 70-day seismic shoot set for July 2012 for an unnamed client furthers the belief that vast resources are still to be had offshore Greenland and there are plenty oil companies that believe that. However for 2012 it is unlikely we will see any major campaigns that will result in any substantial quantity of vessels being sent there.

# 07 PIPELAY

## NORD STREAM PROJECT

2011 saw the first of two pipelines laid in what is the world's longest subsea pipeline – the Nord Stream. The 1,222 km pipeline surpasses that of Langeled which at 1,166 km transports Norwegian natural gas to the UK market.

The Nord Stream pipeline transports natural gas from Vyborg in Russia to Greifswald in Germany through the Baltic Sea. What began as a controversial project which some saw as increasing European dependence on Russian energy, last year resulted in a demand driver for offshore support vessels as phase one kicked off. The second of the two 48 inch diameter pipelines is due to be laid this summer following on from last year's successful pipelay season. Once completed, the pipeline will deliver gas at full output of 55 billion m3 per year.

The pipeline itself is owned and operated by Nord Stream AG with Saipem contracted for design and engineering of the pipe. Saipem further sub-contracted part of the pipelay to Allseas that subsequently chartered the vessels for support work for the 2011 campaign, and will do so again in 2012.



The massive pipelay vessels Castoro 10 and Castoro 6 in addition to Allseas' own Solitaire carried out the actual pipelay. Allseas chartered a host of PSVs and CSVs for the summer 2011 project and it is expected that a similar quantity will be required for the 2012 campaign given the fact the work scope is almost identical.



Toisa were very prevalent in the 2011 campaign. PSVs Independent, Sonata and Intrepid assisted in the pipe haul duties along with Maersk Fetcher and Feeder. The 2009-built Far Samson worked on flooding of the pipeline and pressure testing while DSV Skandi Arctic handled hyperbaric tie-in activities to mention but a few of the support vessels involved since the start of the project.

The commencement for the 2012 work is penned for March and expected to continue until September/October.



CERA

**Mark Rae**  
Senior Research Analyst

"Pipelay demand fell sharply in 2010 as a result of the delayed effects of the 2008-2009 recession and Macondo, but recovered well in 2011. We forecast that demand will continue to increase from 2012 through to 2016, reaching new all-time highs in each successive year. Demand growth will be led by Asia-Pacific, with European demand levels remaining fairly constant over the next five years."

## SOUTH STREAM

While the Nord Stream project certainly represents the largest ongoing pipeline project, there are a couple more in the pipeline so to speak. Firstly the South Stream Project. Due for completion by 2015 the South Stream project will carry natural gas from Russia to Bulgaria through the Black Sea. The project is still in its infancy with FEED and EPIC contracts expected to be awarded this year and will be owned by a joint venture between Gazprom, ENI, Wintershall and Électricité de France. The offshore section of the pipeline will comprise of four identical pipes of 32 inch diameter. The Black Sea, where any support vessel demand will be found on this project is virtually land locked with access gained through the Sea of Marmara via the narrow Bosphorus or Istanbul Strait. Few vessels of any significant size or technical capability are working in the area at present but the Mediterranean market may provide a source for support vessels.

## NABUCCO

Nabucco is seen as a rival to the South Stream project and is a largely land based proposal to carry natural gas from Turkey to Austria. The sensitive political issues surrounding the South Stream project have resulted in Nabucco being put forward as an alternative but many European States are backing both projects as being mutually acceptable. Also still in its infancy the project has yet to have FEED studies finalised but once construction commences, a very limited impact on vessel demand is expected due to the majority of construction being carried out onshore.

# 08 WIND PROJECTS



## OFFSHORE WIND IN THE NORTH SEA

Compared to offshore oil and gas drilling the offshore wind industry is seen as a positive step towards meeting the world's energy requirements. The problem is that this industry is still in its infancy and huge investment is needed to get projects off the ground. In a shaky financial climate investors need to know that governments will not turn their backs in the long run. But the last two years has seen an increase in orders for turbine installation vessels, not to mention some of the largest and most innovative offshore wind projects connecting up to the national grid. The outlook for the offshore wind industry in the North Sea is good, but how will this filter down to the offshore support vessels?

At present the UK and Germany are leading the way for offshore wind energy generation in Europe, the UK having a target of delivering 15% of its energy through renewable sources by 2020. The first and second UK leasing round of offshore wind areas was awarded in 2010. Around half of the 37 areas in question are now fully operational and comprise of between two and 175 turbines generating up to 1 GW of energy. The third round comprised of nine areas but represented much larger projects dwarfing those in the first and second rounds in comparison, the largest of which being Dogger Bank.

## DOGGER BANK

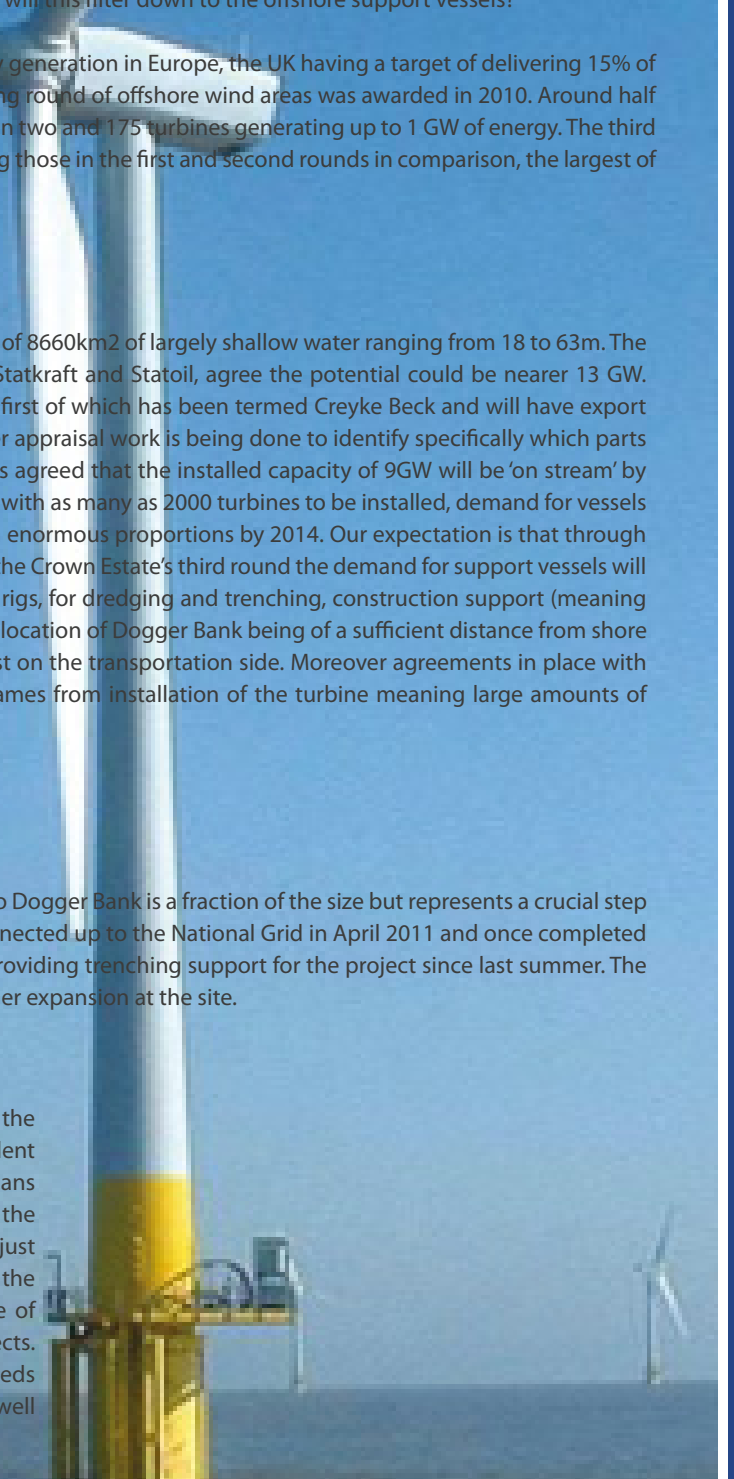
Located between 125 and 290km from England's east coast it covers an area of 8660km<sup>2</sup> of largely shallow water ranging from 18 to 63m. The agreed target capacity is 9 GW but operator Forewind, comprised of SSE, Statkraft and Statoil, agree the potential could be nearer 13 GW. Dogger Bank will actually be made up of several individual wind farms, the first of which has been termed Crecyke Beck and will have export cables for up to 1.4GW and up to two onshore converter substations. Further appraisal work is being done to identify specifically which parts of Dogger Bank will be suitable for offshore wind turbines but Forewind has agreed that the installed capacity of 9GW will be 'on stream' by 2020. This project surpasses anything that has gone before it in terms of size with as many as 2000 turbines to be installed, demand for vessels may start slowly in the form of sea bed surveys and logging but could reach enormous proportions by 2014. Our expectation is that through the various companies involved with Dogger Bank and the other projects in the Crown Estate's third round the demand for support vessels will be massive. In addition to floatels, vessels will be needed for installation of rigs, for dredging and trenching, construction support (meaning moon pools and ROV systems) and of course transportation of supplies. The location of Dogger Bank being of a sufficient distance from shore and from a port of sufficient size will mean several vessel will be needed just on the transportation side. Moreover agreements in place with the National Grid are understood to require hook up in very short time frames from installation of the turbine meaning large amounts of support will be needed from experienced personnel and vessels.

## SHERINGHAM SHOAL

Statoil was also involved in the Sheringham Shoal project which compared to Dogger Bank is a fraction of the size but represents a crucial step into the UK offshore wind market for the company. The first turbine was connected up to the National Grid in April 2011 and once completed will consist of 88 turbines in total. Sealion's Toisa Warrior has been on hire providing trenching support for the project since last summer. The project is due for completion by late summer 2012 but there is word of further expansion at the site.

## FLOATING TURBINES

In 2009 Statoil's innovative 'Hywind' project went live. Norway may have the wind, but the shallow waters common to the UK coast line are not as prevalent in Norway. But a new floating turbine solution was devised by two Norwegians looking to solve the problem of utilising the wind offshore Norway despite the deep waters. The installed turbine can be seen from the town of Karmøy just north of Stavanger and is seen as a pilot for the future. The intention for the Hywind project was not initially to establish a commercially viable source of energy but to undertake further research and development for further projects. Initial results have shown however that the turbine continually exceeds expectations and performs with few operational challenges and may well revolutionize the future of the offshore wind industry.







# 09 DRILLING CAMPAIGNS

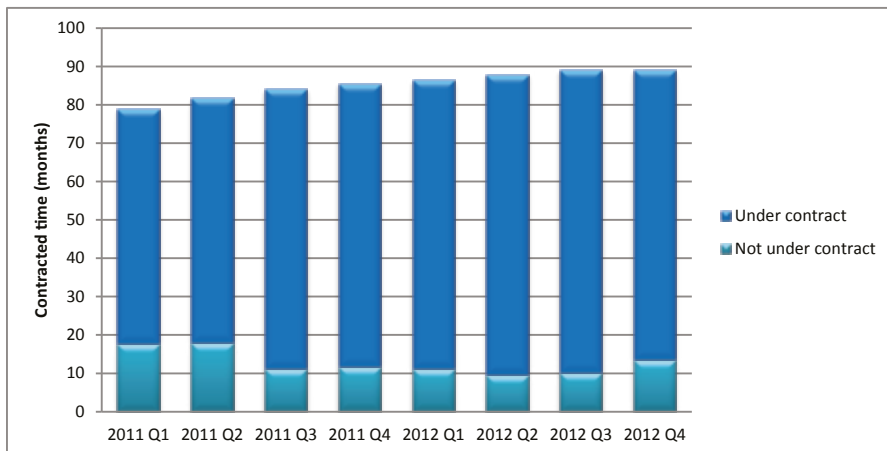
**After** the monumental success at Avaldsnes in 2011, hopes for further North Sea giant finds are high. Several oil companies have voiced plans for extensive drilling plans in the North Sea in the hope that Statoil and partners' success will be mirrored in 2012. Not least in the Barents Sea which some hope to be the location for the new oil province following on from the Skrugard find. In a recent presentation Statoil singled out three areas of high interest for 2012 namely King Lear in the Ekofisk area, Crux near Oseberg and Havis which is located in the Barents Sea.

However one barrier that has faced operators, particularly on the Norwegian side is securing suitable rig capacity. Norwegian regulation stipulates stricter certification for drilling rigs than in other parts of the world, the UK-sector included. In order to combat this Statoil has initiated a programme of securing new build rigs tailored to its individual requirements. But for existing units, contracted time is filling up with utilisation for floaters and jackups in the North Sea climbing steadily to significantly higher levels than in 2011. That basically means more units out working so more units needing support from vessels.



Courtesy of Husky

A steady stream of contract awards for North Sea units have come forth over the past few months filling up available slots for jackups, floaters and accommodation rigs too. The resultant situation is that excluding options there are but five semis with any available slots left in 2012 and a similar state of affairs can be said for the jack up market. The deluge of new orders placed for drilling units placed over the past 12 months will take years to deliver and as a consequence will not affect the market in 2012. Meanwhile there are still a few outstanding tenders for drilling units for North Sea work in 2012. The majority of which are short, one to two well contracts but some operators are at the pre-tender or tender stage for units namely Apache, seeking a unit for appraisal work at Forties, ENI seeking a floater for one to two years for work in the Norwegian sector, GDF Suez out for a jackup for work at Juliet and Cygnus to name but a few.



Source: IHS Cera

Operators will be finding it increasingly difficult to secure units already in Europe and may have to look further afield as a result. This was evident a few months ago when Statoil secured West Hercules for a four year contract upon completion of its work with Husky in China. Statoil commented on the lack of availability in the North Sea and how it had been forced to look elsewhere for a suitable drilling unit.

The demand for offshore support vessels to support E&P drilling in the North Sea will definitely increase in 2012. This will come partly from an increased number of units having delivered from yards but mostly from units already in existence securing work that will see them drilling for the majority of 2012.

# 10 THE INSIDE STORY

## Happy New Year

from us all at



**Sølve Høyrem**  
Managing Director & Broker



For Westshore Shipbrokers 2011 was an exciting year filled with many changes for the company, both here in Kristiansand and at our Rio office in Brazil. In May this year we sadly lost Erik Stallemo, the founder of Westshore which was a deep loss for the company and the industry as a whole. But the latter half of the year saw our Kristiansand office expand dramatically with the hire of several new starts which we believe has significantly strengthened our team, and continues to do so as each new member of staff finds their feet.

Inger-Louise Molver started with us in June as our Offshore Analyst and is responsible for writing and compiling the two well received market reports 'The Navigator' and 'Brazilian Wave'. Then came our new wave of brokers firstly Chris-Andre Johansen swiftly followed by Lars Heimdal and then our newest recruit Jørgen Welde Knudsen. The strengthening of the broker team adding to the years of experience from Westshore's well-known faces has opened up new potential for Westshore and for our clients.

October saw the launch of the first offshore iPhone App brought to you by Westshore and its success has been a fantastic achievement now with close to 1000 users. This was later followed by the relaunch of our website into a new format enabling our customers to access all

the information they are used plus more. Again the feedback has been positive and we aim to continue our dedication to cutting-edge IT solutions for this industry going forward.

In Brazil the team also expanded with the hire of two new starts, Douglas Moura as Shipbroker and Vilma Fernandes as Receptionist. I believe that the strength of the team down in Brazil has been a major contributor to the success we have seen from our Brazilian arm and see this continuing in an upward trend in 2012 too. In addition Daniel's leadership has resulted in an overwhelmingly successful first year for the Brazilian office and I would like to extend my thanks to him too.

Back in Norway we are preparing to move into our new office space, larger and better equipped to house our growing team. Still at the same address our new and modern offices will allow us to continue growing and providing an excellent service to clients.

I would like to take this opportunity for all the support our clients have given us in 2011 both here and in Rio. We believe that the changes made in 2011 puts us in a far stronger position to best serve our clients this year and for many years to come. We look forward to the year ahead and your continued support.

# THE LAST WORD

Westshore Asks:

“ What will be the average utilisation level for AHTS in the North Sea spot market in January? ”

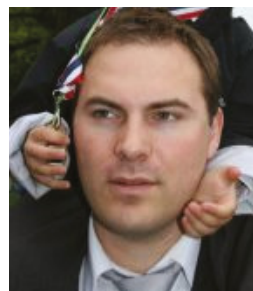
## And the winner is..

In last month's Last Word we asked our esteemed panelists how many fixtures would have concluded in the North Sea spot market by the end of 2011. Using figures provided by IHS-Petrodata, the total came in at 1532. That represents a pretty marginal increase on the number of fixtures concluded in the previous year. But the number came closest to the guess offered by Mr Tom Babinski of Viking Supply Ships. Congratulations Tom, he gets to stay on for another month.

As with 2010 the number of spot fixtures rose slightly in the second half of the year from what had transpired in the first half. It would also appear that roughly half of the spot fixtures concluded were for PSVs with the remainder for anchor handlers – of all sizes.

Almost two third of fixtures were done out of UK ports – the vast majority of which being Aberdeen. As you may expect Norway came in second with around half as many as the UK fixtures. Of the charterers that ranked highest Statoil came in at the top closely followed by BP and Maersk Oil and then MLS. A host of largely UK focused operators came in next such as Team, BG, Talisman and ASCO.

This month we turn our attention to the utilisation levels. We have asked our team of experts what the average utilisation levels will be for AHTS vessels in the North Sea spot market. A daily update of which can be seen on our re-launched website.



This month joining Tom from Viking is Steven Campbell from Gulf Offshore and Atle Holgersen from Møkster Shipping. Møkster has recently taken redelivery of Stril Commander which has been working in the Med for the past two years, the vessel is now back trading the spot. The answers provided by the panelists were as usual not revealed to each other but proved to be remarkably close and are as follows;

Tom Babinski – 67%  
Steven Campbell – 63.5%  
Atle Holgersen – 68%

Good luck to all, results will be published in next month's Navigator.

