

NAVIGATOR

WESTSHORE'S MONTHLY NORTH SEA REPORT

June 2015 Issue: 46



Contents

- 2. MARKET IN FEBRUARY**
- 3. NOR SHIPPING KICKS OFF**
- 5. VESSEL NEWS**
- 7. DRILLING & PRODUCTION**
- 9. INSIDE STORY**
- 11. WIND INDUSTRY**
- 13. MARKET FORECAST**
- 15. THE LAST WORD**

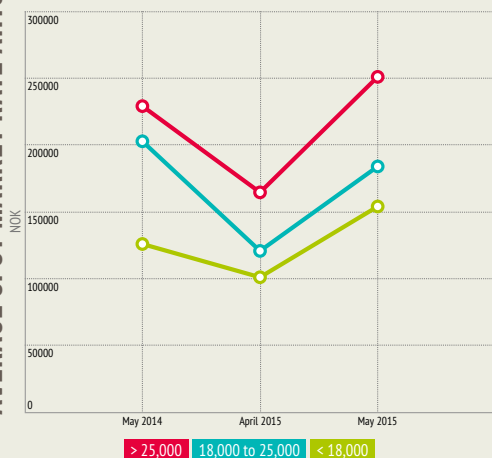
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AVERAGE SPOT MARKET RATE AHTS



 **71.0%**

Average AHTS utilisation in May

 **55.7%**

Average PSV utilisation in May

	April 2014	May 2014	April 2015	May 2015
Number of supply spot fixtures	63	62	84	100
Number of AHTS fixtures	92	65	62	84

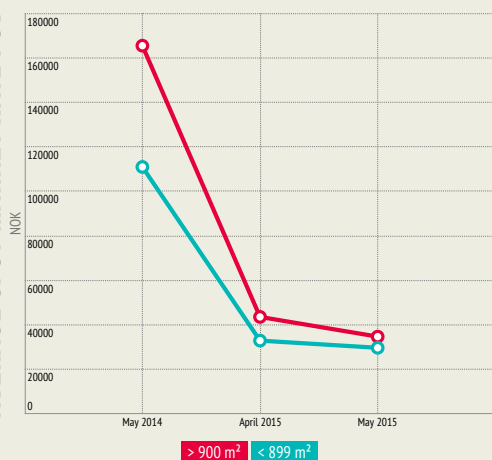
 **25**

Rig moves in May (compared to 20 in May 2014)

 **25**

Rig moves in April (compared to 31 in April 2014)

AVERAGE SPOT MARKET RATE PSV

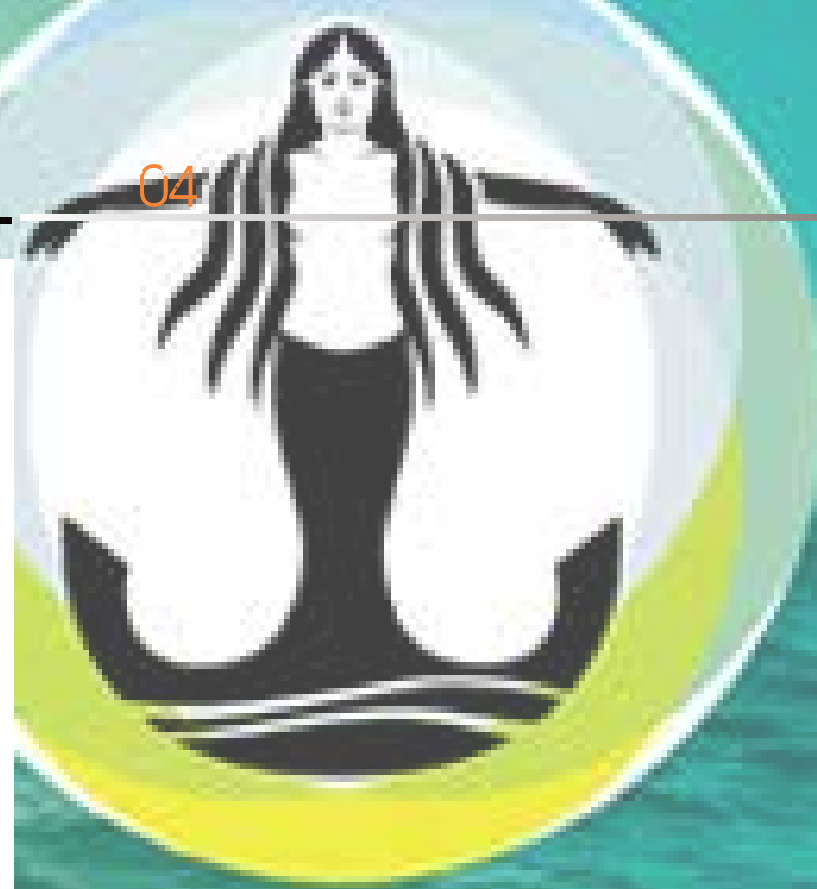


For the AHTSs May saw a slight pick-up in market conditions. An upswing of fixtures (84 in May compared to 62 in April) resulted in utilization rising to an average of 71% for the month. Though we are yet to see any great improvement in the market, May was certainly more tolerable than what's been seen thus far in 2015 from the vessel owner's perspective at least. There were periods in May when the market tightened significantly but this did not translate into any dramatic increase in rates. We put this down to poor market sentiment affecting owner's confidence in being as bullish as they could be. Easy for us to say when it's not our vessels though! However as the summer months approach, (it's torrential rain here in Kristiansand at time of writing – so summer has definitely not yet landed here) an improved market can be expected. How improved I'm reluctant to say. Maersk has now taken four of its AHTS vessels in lay up in Invergordon, meanwhile a couple of others have picked up short term work for wind or subsea projects. The decrease in available spot tonnage against the ramping up of summer projects should see an improvement however.

For the PSVs the market has definitely worsened on the UK side. In Norway however several owners have stated publicly that a vessel that cannot be traded profitably is better off in layup. As a result vessels have been announced as going into layup every few days. At time of writing there were just four available PSVs in Norway, compared to 20+ in UK. But while availability has improved in Norway the effect on rates has yet to be felt. See above comment regarding owner's confidence.

NOR SHIPPING THE INDUSTRY'S BIGGEST HAPPENING

And **Birgit Liodden** is stepping up to take the helm



Despite the current downturn in the industry Birgit was pleased to confirm that the event was sold out and hotels in the area had reported increased sales from the previous event. While Stavanger's event ONS had to be cancelled this year due to lack of sufficient interest, Nor Shipping has already been hailed a success. It's perhaps now more than ever that networking and being in front of your clients is important.

The week will be jam packed with networking events. For Westshore we will be using the time to get together with our colleagues from the offices in St John's, Singapore and Rio – representatives from which are all flying in for the event. Pictures from the festivities will be in next month's Navigator.

At the start of June Oslo will welcome thousands of maritime delegates to the biennial Nor Shipping event. This year marks the 50th anniversary of Nor Shipping and despite severe difficulties in multiple sectors of the shipping industry, the event is expected to have a turnout of over 20000 participants from more than 80 countries.

As part of the conference a specific offshore agenda will take place with key note speakers from the industry's most high profile companies. From oil companies to rig owners to vessel owners and everything in between, the event will bring together thousands of industry heads. We spoke to the Birgit Liodden, the newly appointed Director of Nor Shipping who has taken the reigns of some of the key elements at this year's event. She will assume the position fully ahead of Nor Shipping 2017 for which she hopes to put a spotlight on some key areas of shipping which are of personal interest to her, namely sustainability in the shipping arena. For Birgit this is the area of shipping that holds a great deal of promise in terms of technology and a focus that deserves serious attention for the future.

NOR SHIPPING

OSLO JUNE 02-05

2015

50 YEARS LOOKING FORWARD

Creative thinking

The tough market has forced owners to look at all options in finding work for vessels. Where traditional work scopes from the spot and term market are steadily drying up, some owners have sought different sources to keep their fleet busy. The offshore wind farm market has had the spot light thrown on it the past six months as owners crave some new source of work. While some vessels have been lucky in picking up some work – Island Valiant recently picked up work in the German sector conducting support on a wind farm there, it is in general not a market that's going to provide any instant relief. Work scopes on wind farms are planned months if not years in advance, meaning that vessel chartering is wrapped up way ahead of schedule. So for 2015 at least it's unlikely we'll see any new term work requirements. The exception to this is shorter jobs assisting in speeding up ongoing wind farm work.

Viking Supply Ships made the strategic decision in 2014 to capitalize on its ice experience and as a consequence has been able to secure various lucrative contracts for vessels. Utilizing skills and expertise in Arctic areas has allowed Viking to secure work in Sakhalin, Alaska, Barents Sea and Pechora Sea – an impressive spread of geographical involvement. This is an example where specialization rather than diversification has proved to be the successful *modus operandi*. On the other side of the coin we find Siem Offshore, a fleet that constantly diversifies.

The idea of creative thinking amongst the chartering departments was perhaps exemplified this month as Siem Pilot was fixed for a six months plus options charter to the Norwegian Government. The plight of thousands of Syrian and North African refugees fleeing the continent on rickety boats headed for Italy and Greece hit the headlines this month. A surge of public concern and media onslaught forced the hand of the government into seeking a vessel to aid in the rescue mission. After a relatively short tendering period, Siem Pilot emerged as the most suitable vessel and will head down to the area to begin work there very shortly. The work involved adds a particularly honorable string to Siem's bow, but the shrewdness in securing a solid, well paid contract in such a difficult market cannot go unmentioned. Indeed it is this ability to find alternatives and capitalize on previously ignored opportunities that's going to sort the wheat from the chaff during this downturn.

THE LAYUP LIST

(INCLUDING VESSELS CONFIRMED AS HEADING TO LAY UP)

NAME	TYPE	OWNER
Far Sagaris	AHTS	Farstad
Maersk Advancer	AHTS	Maersk Supply
Maersk Assister	AHTS	Maersk Supply
Maersk Shipper	AHTS	Maersk Supply
Maersk Tackler	AHTS	Maersk Supply
Siem Aquamarine	AHTS	Siem Offshore
Stril Commander	AHTS	Møkster
Strilborg	AHTS	Møkster
Bourbon Pearl	MPSV	Bourbon
Bourbon Opale	MPSV	Bourbon
Northern Wave	MPSV	DeepOcean Shipping
Polar Prince	MPSV	GC Reiber
Toisa Voyager	MPSV	Sealion
Blue King	PSV	Golden Energy Offshore
Bourbon Clear	PSV	Bourbon
Dina Alliance	PSV	Myklebushaug
Eide Traveler	PSV	Eide Marine
Far Server	PSV	Farstad
Far Spica	PSV	Farstad
Grimshader	PSV	COG Offshore
Island Dawn	PSV	Island Offshore
Island Duchess	PSV	Island Offshore
Island Duke	PSV	Island Offshore
Normand Skipper	PSV	Solstad
Northern Supporter	PSV	DeepOcean Shipping
NSO Champion	PSV	Nor Supply
NSO Fortune	PSV	Nor Supply
NSO Spirit	PSV	Nor Supply
Ocean Scout	PSV	Atlantic Offshore
Ocean Surf	PSV	Atlantic Offshore
Rem Provider	PSV	Rem Offshore
Rem Star	PSV	Rem Offshore
Sea Trout	PSV	DESS
Skandi Fjord	PSV	DOF
Stril Myster	PSV	Møkster
Stril Odin	PSV	Møkster
Toisa Envoy	PSV	Sealion
UP Agate	PSV	Ultrapetrol
UP Jasper	PSV	Ultrapetrol
Viking Fighter	PSV	Eidesvik
Viking Nereus	PSV	Eidesvik
Normand Skipper	PSV	Solstad
World Diamond	PSV	World Wide Supply
World Pearl	PSV	World Wide Supply



WORLD'S MOST WATCHED DRILLING CAMPAIGN

It was ten years ago that Shell began acquiring leases in the Arctic and has spent a total of USD7bn thus far on the region, yet hasn't drilled into a single drop of oil. This month however a land mark approval from the US regulators has propelled Shell significantly closer to the end game. The oil giant currently has two rigs on hire, Polar Pioneer and Noble Discoverer in addition to around 25 vessels ready to commence operations. The rigs have been making their way to the Chukchi Sea having met protest from so-called 'kajaktivists' during Polar Pioneer's port call in Seattle. Though several hoops are still to be jumped through, the market is expecting this campaign to be carried out this year during the brief summer window when weather permits drilling. Logistics and planning are understood to be fully in place with only local governmental objections left to be dealt with.

The enormous potential versus the great risks in the Arctic have been well documented. Likened to the US Gulf of Mexico, the Arctic may contain as much as a million barrels per day according to US Government estimates. But the cutest animals always get the most PR, save the polar bear is far sexier than saving an obscure Amazonian frog. For oil companies intent on drilling in the Arctic, protests will feature heavily throughout any campaign.

In the US hiring of vessels is tightly controlled under the Jones Act. This basically ensures that no foreign flagged vessel will be contracted for work in US waters ahead of any US flagged tonnage. But in the absence of suitable and available US tonnage – foreign vessels may be hired. For the Shell campaign Viking Supply's Tor Viking will be involved on the front line carrying out amongst other things ice breaking duties.

OTHER NEWS FROM THE NORTH

For the much touted Kara Sea the cancellations as a result of Russian sanctions will unlikely see much vessel chartering this year or even next. Entirely new partnerships will need to be formed and new set ups established following the breakdown of Exxon's involvement in the area. It may well be into 2017 before anything materializes.

Activity in the Pechora Sea for Gazprom is a reality for this summer however with several North Sea PSVs set to take up medium term

charters in the very near future. As many as four medium-large PSVs could leave the North Sea over the summer season for work there, a help to the beleaguered spot market. Otherwise it is understood that Exxon is carrying out some ice studies in the Beaufort Sea but in general drilling in the far North is being met with a cautious attitude. Recently ENI took delivery of the Goliat platform for its Barents Sea project, massively over budget and overdue, the challenges of working in arctic conditions are proving to be too problematic for many.



INSIDE STORY

10

FEE FI FO FUM!

THE GIANT IS HERE

This month the long awaited Goliat platform finally arrived in Norwegian waters ready to be towed out to location. We talked to the captain and crew of the Skandi Iceman, the large AHTS that acted as lead tug for the tow out from Hammerfest to the field. The vessel was joined by Skandi Admiral, Far Sigma and BB Troll. The platform is the first cylindrical hulled FPSO to operate on the Norwegian Continental Shelf and production is hoped to start in the summer of this year.

Though the distance from Hammerfest to the Goliat field was a relatively short tow (80km) the cylindrical nature of the platform meant a slow steam for the tugs. With no through flow of water as found with other offshore platforms, the tugs had to take great care during the tow out. Once in place Olympic Zeus and Normand Pioneer assumed responsibility for connecting up the platform's 14 anchor lines. The next step is to connect up power lines from shore and install risers.

Captain Alan Troup and his crew took these photographs during the tow out.



3GW MILESTONE FOR DONG

Danish wind giant Dong has installed a milestone 3000MW of offshore wind capacity across Northern Europe.

The company reached the landmark figure with turbine 76 at the 312MW Borkum Riffgrund 1 project in the German North Sea. Half of the total capacity is in the UK. Dong installed its first offshore wind farm at the 5MW Vindeby in Denmark in 1991. Its first large scale projects were the 160MW Horns Rev 1 and 165.6MW Nysted, also off Denmark, built in 2002 and 2003.

SWITCH FLIPPED ON NORDSEE OST

German utility RWE and G7 energy officials have officially inaugurate the 295MW Nordsee Ost wind park off Germany's North Sea coast. Within the G7 group of highly industrialised nations, only Germany and the UK have a sizeable offshore wind industry, with both already-operating wind farms and a solid pipeline of parks in construction and development.

Germany this year is expected to lead global offshore wind grid-connections and at the end of 2015 likely will have more than 3GW of operating offshore capacity. Gabriel has said that he sees the country's renewables sector increasingly as a chance to boost exports and re-industrialise depressed areas of the country.

"At the end of this year, 40% of our power generation from renewables will already come from offshore power production," Hans Bünting, chief executive of RWE's renewables arm RWE Innogy said.

"Thanks to the Nordsee Ost and Gwynt y Môr offshore wind farms our operating result will see double-digit growth."

GWYNT Y MÔR THIS MONTH'S FEATURE OWF

The giant Gwynt y Môr field is situated off the North Welsh coast and is set to become the second largest operating offshore windfarm in the world by the end of the year. The field is jointly owned by RWE Innology, Stadtwerke München and Siemens. Here are the main details from the field.

 **576MW**

Project Capacity

 **160**

Number of Turbines

 **407955**

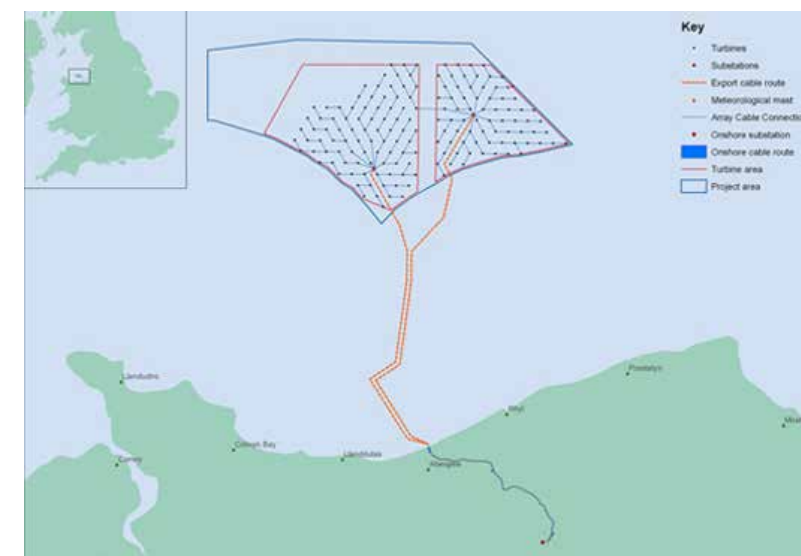
Homes powered annually

 **16km**

Distance from shore

 **2billion**

Estimated Project Value

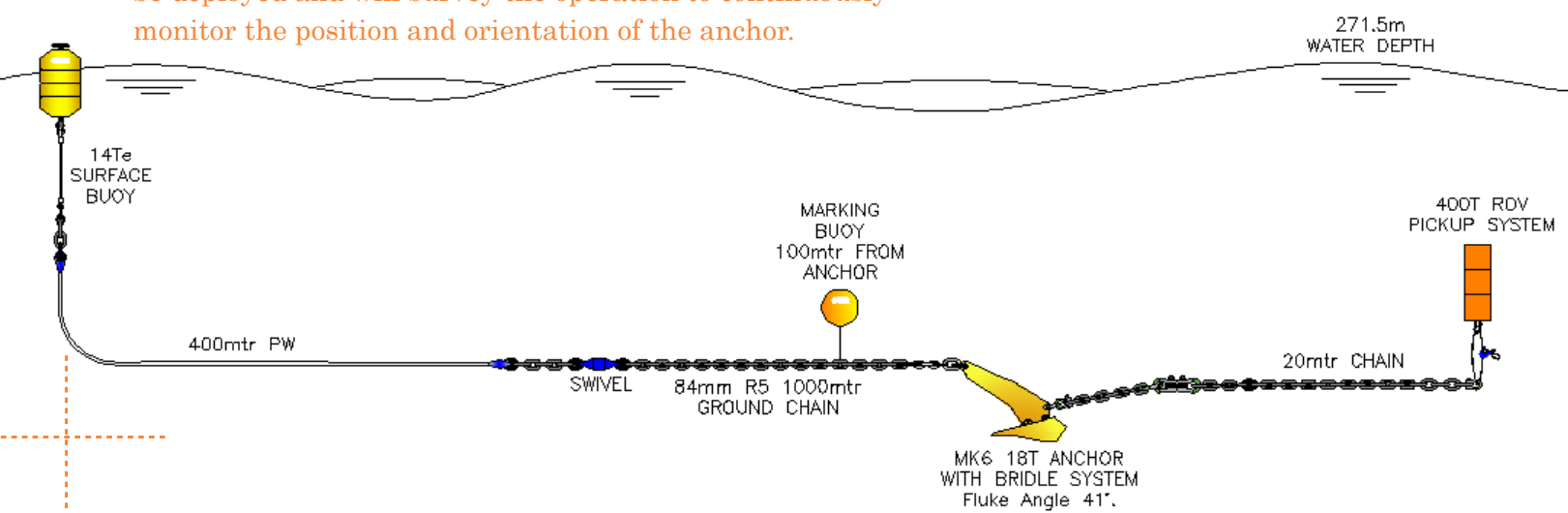


PRE-LAY UK

UK Sector – looking to increase operational efficiency as well as costs? Then look no further...

For the past five years the concept of prelaying anchors ahead of a rig move has been concentrated to the Norwegian sector. But over the past year charterers in the UK sector are showing an increasing interest in using this method. While previously viewed by many as being logistically too complex and expensive, after probing into what a prelay entails, increasingly more charterers are going down the prelay route. On the UK sector we believe more are set to follow.

A prelay is carried out by one to two vessels that take the 8-12 anchors out to location. While one vessel is by far the preferential situation in terms of economics and logistics, two may be used if insufficient tonnage can be found at the time on the spot market. The anchors are systematically lowered on to the seabed before being pulled to a specified tension. The line is then secured before holding tension for 15 minutes, calculations made and positions registered. The work wire is then disconnected and marker and/or surface buoys attached. Throughout the operation the ROV will be deployed and will survey the operation to continuously monitor the position and orientation of the anchor.



Technically the prelay can be done way in advance of the rig arriving on location. This provides two critical benefits to the charterer: firstly in periods of bad weather the charterer can arrange for the anchors to be prelaid during a suitable weather window. This eradicates the problems of waiting to move a rig in suitable weather. Secondly securing a vessel on the spot market can be done when the market is soft, thereby paying less for the vessel to do the prelay and taking advantage of the market rather than being at the mercy of it. Prelaying anchors can eliminate numerous teething problems with a new location for a rig. An increased focus on costs and a downturn in activity has pushed several companies into considering operational alternatives. The prelay method can and does lower costs when the whole scope of work is taken into account. Intermoor, one of a handful of mooring specialist companies hired to supply mooring equipment and expertise during rig move operations, has been keen to inform charterers of the benefits. Aside from the scheduling and safety benefits, the financial implications can really add up.

One of the biggest costs of a drilling programme is the day rate of the rig itself. Eliminate as much 'Non Drilling Time' as possible – i.e. have the asset you're paying upwards of USD 400000 per day for working to make you money as much as possible. Depending on seabed and environment conditions and particularly the weather situation, a standard rig move can result in up to 10 days NDT for the rig. Compare this to hiring a vessel to conduct the prelay, which of course will cause no disruption to the drilling activities of the rig as it can be done in advance, then an approximate two and a half day hook up and disconnect to a prelaid mooring system. Suddenly the cost of the expensive Norwegian ROV equipped prelay vessel seems increasingly attractive.

Prelaying also speeds up the whole rig move backlog. A smaller part of the job is subject to weather and market conditions which means turnaround time is reduced and bottlenecks in supply sometimes created during periods of high activity or following bad weather, could theoretically be reduced.

Aside from the cost benefits the seabed in the UK sector is becoming congested. With vast amounts of subsea structures to take into account, having the anchors prelaid is in many industry experts' eyes, the safer more efficient way to do it. In the case of accommodation units this is all the more important. Floatels are generally found in close proximity to drilling or production platforms with 'walk to work' systems requiring an enhanced degree of stability and station keeping. It's precisely this that has seen roughly 50% of prelay fixtures in the UK sector been carried out on accommodation platforms. Most recently ConocoPhillips, Premier Oil, BG and BP UK all choose the prelay option ahead of moving accommodation units to location (COSL Rigmar, Safe Scandinavia, Safe Bristolia, COSL Rival respectively).

Our understanding is that in some cases lack of in-house expertise on the part of charterers has resulted in an unwillingness to do prelay. Lack of understanding of cost benefits from the rig side against a seemingly high vessel cost has stopped some oil companies taking it any further. But a lack of understanding or a perception of it being too complicated to bother with is simply not going to cut it in our current climate of overhead scrutiny. The tide is changing here with more oil companies beginning to change view, our impression is it will change and change in the near future too.

So what will it mean for the vessels? Well an increased demand for ROV capabilities and greater bollard pull may see the spread of high end tonnage drift towards Scotland to an extent. But owners will stick to where the money can be made, for the time being that means the Norwegian sector where prelay is favored and vessels can pick up work in line with their capabilities. Interestingly Swire Pacific sees this as a niche that needs filling. Pacific Duchess is currently undergoing upgrade to install an ROV spread and Swire confirmed this is in response to the increased interest for prelay and other ROV dependent work scopes on the UK sector, for which UK based tonnage is largely under

equipped. Moreover further vessels could follow suit if the trend continues.

Working smarter and doing more for less has become an industry wide concern during this downturn. Analyzing how procedures can be carried out more efficiently and economically is at the top of the agenda for oil companies now. By that logic alone, let alone the solid track record that prelay has set in the Norwegian sector, the coming years will see this become standard practice in the UK sector too.



PICTURES COURTESY OF ISLAND VALIANT



