# NAVIGATOR

WESTSHORE'S MONTHLY NORTH SEA REPORT
August 2015 Issue: 48

## UK ACTIVITY

Update on what's happening now and next

WESTSHORE
SHIPBROKERS AS

# Contents



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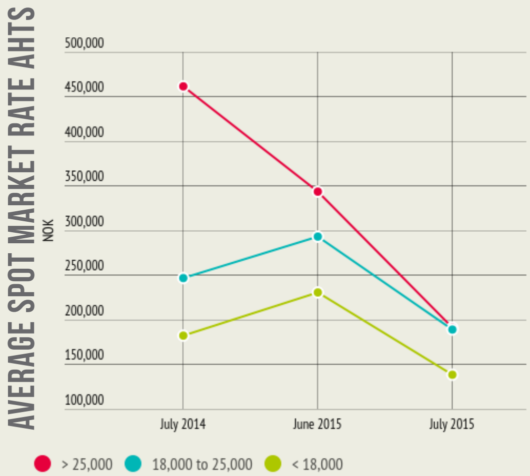



**65.3%**

Average AHTS utilisation in July

**81.3%**

Average PSV utilisation in July

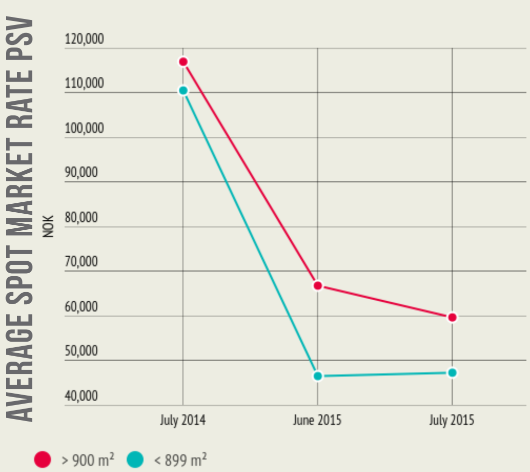
| | June 2014 | July 2014 | June 2015 | July 2015 |
|---|---|---|---|---|
| Number of supply spot fixtures | 64 | 72 | 81 | 101 |
| Number of AHTS fixures | 64 | 47 | 89 | 79 |

**22**

Rig moves in July (compared to 16 in June 2014)

**27**

Rig moves in June (compared to 23 in May 2014)




*Create infographics* infogr.am

Was that it then? The great summer bonanza? If that's the sum total of 2015's market high point I'd say it can officially filed under the heading 'Damp Squib'. The crux of the problem for the anchor handling vessels this month has been decreased activity. The number of rig moves carried out each month has steadily decreased month on month since the start of the year. News of yet another rig moving into layup, this time Transocean Searcher, came in recently adding to the problem.

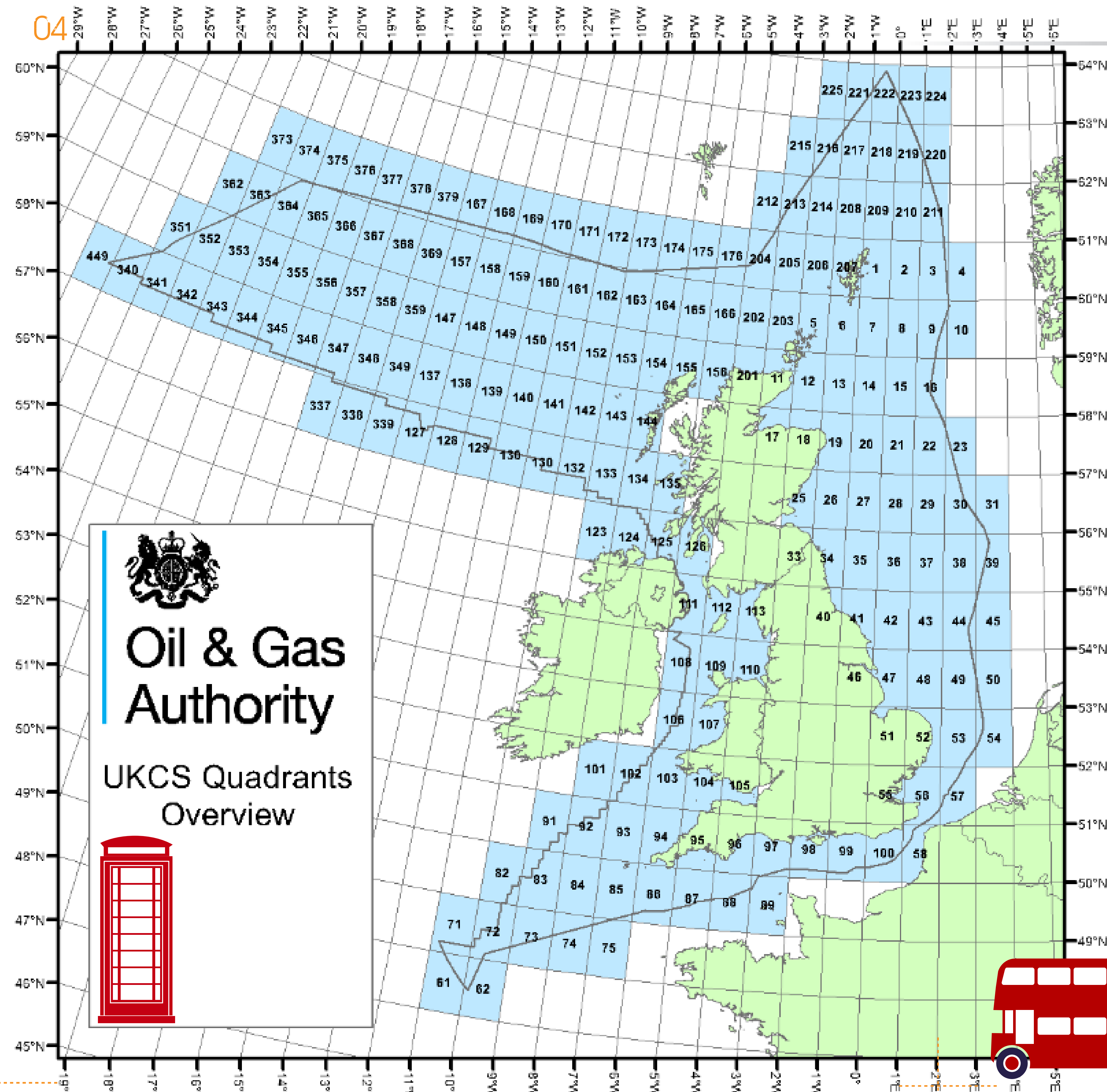
**The PSVs** coasted through July with a healthier utilization level of over 80%. Despite this during periods where there were only a handful of vessels available rates rarely shot up in the fashion they have done in years gone by. Reason for this was often lack of belief that the tight market would stay that way for any period of time, or indeed that total freefall wasn't approaching. Either way, another month rolled by with rates barely breaking even or failing to do so miserably.

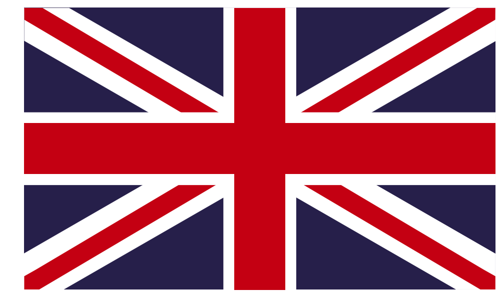
**damp squib**

*noun* BRITISH

a situation or event which is much less impressive than expected.
"my moment of power was a damp squib"

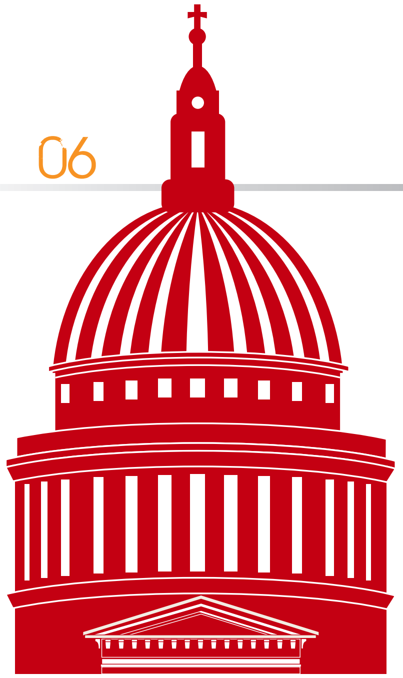
Translations, word origin, and more definitions



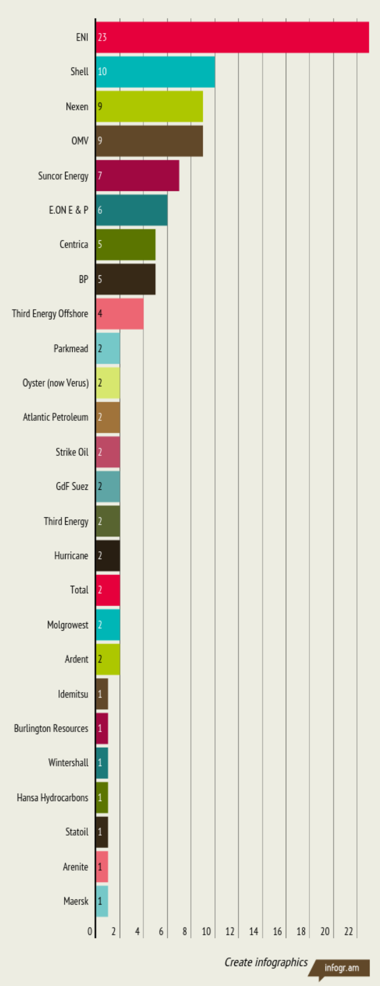



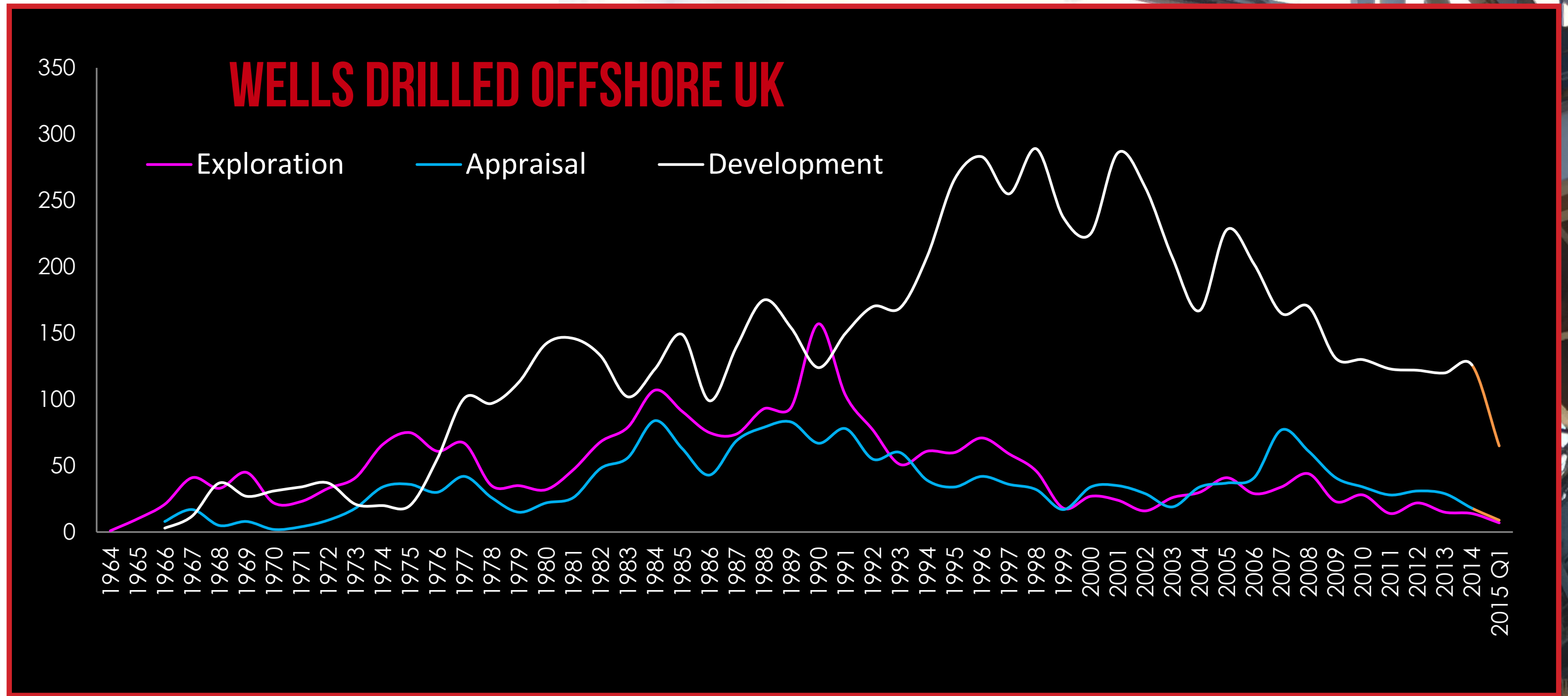
# UK'S LARGEST EVER LICENSING ROUND

Here's the fine print....



The UK's Oil and Gas Authority announced the remaining winners from the 28th offshore licensing round this month. In addition to the 134 licenses awarded in late 2014 as part of this same round, the 41 new licenses awarded this month make the 28th round one of the largest in the last five decades. It would be easy to look at the headlines (and the official commentary from the Government) and assume that increased interest in investing in the UK sector is as a result of either a) the tax breaks announced recently or b) a general belief in a rebound of the industry. However, being awarded a license is as we all know just the beginning, it's whether it actually results in companies going out and drilling holes that's really going to make a difference. Of the total licenses awarded in this recent round (173 licenses covering 353 blocks) there was only SIX firm well drilling commitments plus a further three possible 'contingent' wells.




**Many industry** heads have been quick to point out that the volume of interest in the round was a positive sign for the industry. A large number of companies applied for licenses but this mostly comprised smaller investors. The current USD 50 oil climate will make developing new projects difficult for smaller investors even utilizing whatever niche in house expertise they may have. The majority of licenses were awarded on the basis of obtaining or reprocessing seismic data i.e. no obligation to drill.

**The critical issue** for the future of the UK sector now is for the new Oil and Gas Authority to encourage companies to drill. An attractive fiscal regime supplied by the Government is a start but a whole lot needs to be done to halt the demise of activity on the UK sector.

"THE MAJORITY OF LICENSES WERE AWARDED ON THE BASIS OF OBTAINING OR REPROCESSING SEISMIC DATA I.E. NO OBLIGATION TO DRILL"

# NEWBUILD UPDATE

Following on from an arbitration ruling in June, Boa announced this month that the contract for two VS495 PSVs had been cancelled and the process of recouping funds had begun. The vessels, which are under construction at Nantong Mingde in China, had suffered significant delays. On top of that the yard filed for bankruptcy in December 2014.

The cancellation comes in the wake of several cancellations or agreed delays of delivery for newbuilds from North Sea owners.

The exchange rate has worked in favour of the Norwegian yards; one report stated that the kroner at current levels made construction only 10% more expensive to build in Norway than a similar vessel at a Turkish yard. But the tough market has decimated the newbuilding scene; yards in Norway and Asia have cut staff across the board with few owners showing any appetite to place orders.

Despite this there are several new PSVs set to deliver this year and next. Dutch owner Vroon weighs in heavy on the list and has the most extensive newbuilding programme of any offshore owner at present. Whether all of these vessels will end up in the North Sea is doubtful, Vroon as you might expect are looking at opportunities globally. UK-based Sentinel Marine which has had a significant presence in the ERRV market to date is building a series of five PSVs plus a list of other vessels, also in China. Siem and Island top the list for the Norwegian owners, both have a series of four PSVs, an agreement has been reached with the yards to delay delivery out into 2016. Nordic American also secured an agreement to delay delivery of its two from Vard until 2016 in April this year.

Though several oil majors have stated they feel the downturn has bottomed out, recovery has been sluggish at best but nonexistent is a more realistic way of putting it – for the offshore vessel owners at least. 2016 might see a slight boost in activity, but our list shows 23 new PSVs for delivery next year, plus the ones that will still come this year and on top of that there's a whole lot more being built out there speculatively or by smaller players around the world. In previous years the North Sea has absorbed greater numbers of new PSVs, but a testing market will be made all the more difficult next year with further tonnage added to the list.




| Owner | Design | Yard | Delivery | Status | Name |
|---|---|---|---|---|---|
| Boa Offshore | VS495 MKII DEM | Nantong Mingde | - | cancelled | TBN |
| Boa Offshore | VS495 MKII DEM | Nantong Mingde | - | cancelled | TBN |
| Edison Chouest Offshore | UT755 LC | Simek AS | 2015 | ex FS Scorpius sold from Fletcher Shipping | C-Warrior |
| Fafnir Offshore | Havyard 833 WE ICE | Havyard | 2016 | under construction | TBN |
| Golden Energy | Ulstein PX121 | Nantong | 2016 | under construction | Energy Duchess |
| Golden Energy | Ulstein PX121 | Nantong | 2016 | under construction | Energy Empress |
| Gulf Offshore Norge | ST 216 Arctic | Simek AS | 2016 | under construction | North Barents |
| Island Offshore | UT717 CDX | Vard | 2016 | delayed | Island Defender |
| Island Offshore | UT717 CDX | Vard | 2016 | delayed | Island Discoverer |
| Island Offshore | UT797 CX | Vard | 2016 | delayed | Island Victory |
| Island Offshore | UT717 CDX | Vard | 2016 | delayed | Island Diligence |
| Nordic American Offshore | Vard 1 08 | Vard | 2016 | delayed | NAO Horizon |
| Nordic American Offshore | Vard 1 08 | Vard | 2016 | delayed | NAO Galaxy |
| Sentinel Marine | PSV4000 | China | 2015 | under construction | Prime Sentinel |
| Sentinel Marine | PSV4000 | China | 2015 | under construction | Steady Sentinel |
| Sentinel Marine | PSV4000 | China | 2016 | under construction | Noble Sentinel |
| Sentinel Marine | PSV4000 | China | 2016 | under construction | Optimus Sentinel |
| Sentinel Marine | PSV4000 | China | 2016 | under construction | Resolute Sentinel |
| Siem Offshore | VS 4811 DF | Remontowa Poland | 2016 | delayed | Siem Pride |
| Siem Offshore | VS 4811 DF | Remontowa Poland | 2016 | delayed | TBN |
| Siem Offshore | VS 4811 DF | Remontowa Poland | 2016 | delayed | TBN |
| Siem Offshore | VS 4811 DF | Remontowa Poland | 2016 | delayed | TBN |
| Simon Møkster | UT776WP | Astilleros Gondan Spain | 2016 | under construction | TBN |
| Troms Offshore | VS4530 | Tersan Turkey | 2016 | under construction | TBN |
| Vroon | PX121 | COSCO China | 2015 | under construction | VOS Passion |
| Vroon | PX121 | COSCO China | 2015 | under construction | VOS Paradise |
| Vroon | PX121 | COSCO China | 2015 | under construction | VOS Partner |
| Vroon | PX121 | COSCO China | 2016 | under construction | VOS Patriot |
| Vroon | PX121 | COSCO China | 2016 | under construction | VOS Patience |
| Vroon | KCM 78M | Fujan China | 2015 | under construction | VOS Pride |
| Vroon | KCM 78M | Fujan China | 2015 | under construction | VOS Prime |
| Vroon | KCM 78M | Fujan China | 2015 | under construction | VOS Primrose |
| Vroon | KCM 78M | Fujan China | 2015 | under construction | VOS Prince |
| Vroon | KCM 78M | Fujan China | 2015 | under construction | VOS Princess |
| Vroon | KCM 78M | Fujan China | 2015 | under construction | VOS Principle |
| Vroon | KCM 78M | Fujan China | 2016 | under construction | VOS Priority |
| Vroon | KCM 78M | Fujan China | 2016 | under construction | VOS Pristine |

South Arne platform in Danish sector with jackup Maersk Resolute

# Cost cutting paying off

## Majors report second quarter results

Second quarter results from several of the majors were announced this month. Though most were still in the red there were signs of improvement for many. Cost cutting measures were hailed as being the path out of the darkness. The toll of job cuts has risen again as Shell said 6000 would go from its global operations, Chevron is slashing 1500, Centrica is axing 6000 and 8800 will go from Saipem to name but a few. Attempts to control expenditure is now the name of the game for companies with any serious intention to emerge from the downturn. More asset sales were announced recently, Total selling of a 20% stake in the Laggan-Tormore project west of Shetland, bagging a GBP 565million cash injection. Shell said it was "taking a good look" at its North Sea assets and considering up to USD 30billion in asset sales over the next two years. ConocoPhillips made similar announcements too with the focus being on its deepwater exploration spending where it would seek to make cuts, likely in the Gulf of Mexico. In the meantime it cancelled its contract for the newbuild UDW drillship ENSCO DS-9.

# Current Rig Contract Status UK Continental Shelf

Taking the units currently in layup with no firm commitments aside, here is how the contract status for rigs working, or set to start work on the UK Continental Shelf for the coming year.




Statoil ramps up its presence in the UK sector

# London calling!

The UK sector has had little to shout about since the start of a decline which started late 90s. Though drilling activity has steadily declined, there remain vast areas of unexplored or undeveloped offshore territory. One operator has decided to buck the trend out of Aberdeen and is actively expanding ahead of some pretty big projects. While most if not all of the majors and service companies are shedding staff, Statoil has moved to larger premises and is gathering a team to step up operations on the UK sector.

## MARINER

Discovered back in 1981, the Mariner field was left undeveloped until Statoil acquired operatorship in 2007 and submitted the plan for development in 2012. The heavy oil field will be developed using a production platform and a floating storage unit for oil export. Production is projected to commence in 2017, prior to that there will be demand for vessels of various types, one of the few new sources of demand for offshore vessels that's come out in recent times.
Semisubmersible Songa Trym arrived in UK waters in the last few weeks to conduct the campaign known as Boatswain where one well will be drilled before the rig will head off to drill a further well at Catcher. Nine different vessels will work at various stages on the subsea programme this year alone, accounting for 200 vessels days. In addition a total of six guard vessels will work on rotation, the first of which mobilized from Peterhead early June. Supply vessel and anchor handling tonnage will be taken form the spot market in the short term. Depending on the success at Boatswain, another well may be added to the drilling programme in 2017 according to Statoil.

## CATCHER

The Catcher field lies in the central sector of the North Sea. Discovered as recently as 2010, Premier Oil as operator decided on an FPSO platform for developing the field which is currently under construction. Statoil's interest is known as Wall and lies nearby. Statoil director Tom Dreyer stated in an interview last year that should Wall be a success, the programme had sufficient flexibility to be extended should Songa Trym hit pay dirt at Wall. Wall and other nearby discoveries would presumably be tied back to the Catcher FPSO if deemed commercially viable. Discoveries nearby at Varadero, Carnaby and Burgman have already been earmarked for join development.

## BRESSAY

First discovered back in 1976, the technical and commercial challenges of the field have meant that no operator has developed the field to date. Statoil became operator of the licenses in 2007 and was awarded an extension by the UK Government in 2014. Current indications are that a concept selection will be announced this year with a final investment decision announced in 2016.


Part of Mariner structure holds up traffic en route from yard

## Mariner details

**30 YEARS**
expected profitable production

**SONGA TRYM & NOBLE LLOYD NOBLE**
Rigs to be used

**2 BN**
Barrels of oil in place

**250 ML**
barrels recoverable

**700**
Number of long term jobs created

# A breath of fresh air for UK

## A THEN, NOW AND NEXT OF STATOIL'S INVOLVEMENT IN THE UK WIND SCENE





### SHERINGHAM SHOAL

Statoil's first full scale offshore wind development was connected to the grid in 2011 and fully commissioned by 2013. It set the scene for an increasing interest in the renewable sector in general and offshore wind in the UK in particular. Vessel demand at the field comes from ongoing maintenance operations, ferrying technicians and engineers to the field. Siemens currently has a five year repair and maintenance contract for the field which includes a full yearly service to each of the 88 turbines, each service taking four to five days and involves a four man team. MPI Workboats was recently awarded the contract to supply three work boats for crew transport at the field.

### DUDGEON

Next on the Statoil wind agenda is Dudgeon. A further 15km from shore past Sheringham Shoal, the field will play host to fewer turbines but generate a greater volume of electricity. This is testament to the direction that offshore wind is heading, further from shore, more powerful turbines. The offshore installation work is currently expected to start in 2016 with the main work in 2015 being onshore based. Turbines will be installed in 2017 and by the end of 2017 the project should be fully commissioned, vessel demand then moving to maintenance and repair.

### HYWIND SCOTLAND

The Hywind project first got off the ground in a pilot project off the coast of Norway. Hywind is an innovative concept involving a floating turbine and was designed to push boundaries in harnessing wind energy in deeper water whilst minimizing environmental impact. The new Hywind park will be located off the North-East coast of Scotland and will consist of six floating turbines. Onshore construction is expected to start in 2016 into 2017, offshore work shortly afterwards.

### DOGGER BANK

If it goes ahead as currently planned, this will be the monster, the largest offshore wind park in the UK to date, covering an area of 8660 km2. The power generated will be equivalent to 1.8 million British homes, equivalent to the UK's second largest coal fired power station (Longannet). The first phase of Dogger Bank is known as Creyke Beck and will comprise of up to 600 turbines. Plans at Dogger Bank have started a line of discussion over the future of offshore support vessels for windfarms. The field lies 125km from land, this and other factors have led experts to conclude the typical 18-24m service vessels suitable for today's wind farms will be insufficient to meet the demands of the future.

### TIMELINE CONNECTED TO THE NATIONAL GRID

**2011** Sheringham Shoal
88 Turbines
317 MW Capacity

**2017** Dudgeon
67 Turbines
402 MW Capacity

**2017** Hywind Scotland
5 Turbines
30 MW Capacity

**2023** Dogger Bank
200 Turbines (first phase)
1000 - 1200 MW Capacity

# TALL SHIPS KRISTIANSAND 2015

The Tall Ships' Races is an annual event held in European waters where large sailing vessels race between a handful of ports. At each port call the city playing host arranges celebrations for the duration of the ship's stay. Kristiansand was honored to host a port call on the 2015 races and Westshore was one of the sponsors of the event. The four day port call was filled with concerts and events showcasing the city of Kristiansand and all it has to offer. Photos taken by the Westshore team, out enjoying the festivities.