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THE NAVIGATOR



WESTSHORE'S MONTHLY NORTH SEA REPORT



WESTSHORE

SHIPBROKERS AS

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02 HEADLINE NEWS



An arctic unfolding

Talks this month in the Norwegian Parliament result in the first steps towards opening up the Lofoten Islands for hydrocarbon exploration, Norway's first new acreage in almost two decades.

The Northern part of Norway, around the Lofoten Islands has long been hailed as a place of significant natural beauty as well being home to countless species of birds, animals and sea life. In particular the islands are used as a spawning ground for huge shoals of cod migrating down from the Barents Sea during winter. These factors have resulted in keeping the area from any oil and gas exploration, in fact it remains the last untouched area offshore Norway. And indeed huge controversy has surrounded the opening up of the area due to the potential environmental impact.

This month however the ruling Labour Party has given the go-ahead to beginning an environmental impact assessment on the area, the first step towards beginning hydrocarbon exploration. A week-long parliamentary debate followed what has been months if not years of debate around the country ended in a vote to begin proceedings. 194 delegates were in favour while 104 were against, crucially however Norway's top three parties have declared they are in favour of exploration in the area.

The arctic area has been subject to a sovereignty dispute with Russia for 40 years but has recently been delineated. The Lofoten area meanwhile will represent the first new oil acreage for Norway in nearly 20 years. Moreover previous seismic surveys in the South eastern Barents Sea have revealed that as much as 1.9bn boe could lie there. As Norway's oil and gas production continues to decline, new finds and the ability to go out and find new fields are crucial to maintaining the lifeblood of the nation's economy. The Lofoten Islands could hold as much as 8% of the country's untapped resources, understandably the area has come under close scrutiny as a result.

Despite what is being seen as a major step towards opening up the area, actual drilling will not begin before a further vote in 2015. However as the three top parties are now in favour it is assumed that the next government will act favourably towards the move.

03 WESTSHORE UPDATE

THE TEAM

The last few months have seen some changes at Westshore, changes we hope will bring an increased service to our customers and a better presence in the offshore industry. We've taken a look at how our teams are made up, stepped up our activities in regions outside Norway and started providing broking services in new sectors. Here's a look at what the Westshore team are focussing on now.



spot market

The spot market has always been Westshore's cornerstone activity. We have restructured the team in order to align the greatest experience to what we recognise to be an integral part of our business. Experience, enthusiasm and professionalism have been assembled to provide the best possible service to our clients in order to maintain our reputation as being at the forefront of North Sea spot broking. Sølve and Gøran by nature enjoy the pace and pressure needed to succeed in a spot market environment and their many years in the industry give a wealth of knowledge that few could rival. Jørgen strengthens this team with the knowledge gained from focussing exclusively on this area since starting at Westshore.

GØRAN RØSTAD JØRGEN WELDE KNUDSEN SØLVE HØYREM

term market



Activity on the term market has been strong this year and Westshore has been instrumental in a significant share of the fixtures. Tore Kopland has maintained his signature excellent service in the term field and will continue to do so going forward. On the term market Tore had this to say "Yes the activity so far this year has been solid and our clients have benefited from this. We believe that the activity will remain strong but the volume of requirements seen in the first quarter will taper off. Saying that we still expect good activity and potentially a few surprise tenders coming out too"

TORE KOPLAND

trainee

Christopher interned at Westshore last summer after completing his bachelor degree at BI in Oslo and came back this winter to continue supporting the various broking functions at Westshore. He's off again after the summer to take his Master's at CASS in London but will be a regular face in the office and voice on the end of the telephone until then.



CHRISTOPHER HAUGE SØRENSEN

asia & brazil



Westshore's presence in Brazil has gone from strength to strength and we now hope to mirror that success in the other satellite offices around the globe. We feel that having a link here in the Kristiansand office to Brazil and Singapore is key to providing the best possible service to the Norwegian owners as these areas become increasingly important. Sølve and Lars will fulfil this link particularly as Westshore embarks on its Asian adventure in Singapore. A more in-depth look at what Westshore is doing in Singapore will be looked into in the next issue of the Navigator.

LARS HEIMDAL & SØLVE HØYREM

04 WESTSHORE UPDATE

office



EIRUNN BREKKE

The administrative support provided by Eirunn is an essential function of the shipbroking process. Timely, accurate and professional back office support is something we recognise as being a crucial facet to the business. Eirunn is the indispensable heart of providing this service.

i.t.



JONATHAN CUMMINS

Aside from the day to day problem solving at Westshore Jonathan has pioneered the hugely successful Westshore Apps available for iPhone and Android. He is also responsible for the management of our much-viewed website where customers can continue to find the most up to date information on the market available.

research



INGER-LOUISE MOLVÆR

Inger writes and compiles Westshore's two market reports, The Navigator and Brazilian Wave. The reports provide an insight into the markets in the North Sea and Brazil and have increased in readership significantly since they started. Far from being another broker report in your inbox, Westshore aims to be the one report our clients can't wait to read.

subsea & arctic



TORE KOPLAND

JON INGE BULI

We have been involved in projects within the subsea sector before, however we are now actively setting up a team to focus on a segment of the industry that we believe is and will continue to become more important over the next years.

Many of the offshore vessel owners that we already deal with on a daily basis have begun to diversify into the segment contracting large construction vessels, some of the owners are well versed in the sector with large fleets already, while others are looking to enter the segment. We hope to be able to gain knowledge within the

sector so that we can truly add value to those that wish to utilize us in the Subsea sector. In addition our venture in St. Johns has already shown that many of the oil companies in the region require different types of subsea vessels for the existing

infrastructure and future developments, so it will be a nice tie up with our current Arctic adventure.

Otherwise we will continue our focus on the Arctic markets and now have one dedicated broker (Jon Inge) in our office in Kristiansand to deal directly with St Johns and work closely on developing and bidding for projects in the region. This cooperation will not only encapsulate the construction vessels, construction support vessels or production support vessels, but also projects involving other plain vanilla assets. In the market forecast we given a further overview of the Subsea market and some of the reasons for our expansion into the sector.

05 NEWBUILDING NEWS

NEWBUILD DELIVERIES NEXT SIX MONTHS

May 2013

Ocean Scout (UT 755 LC)
Far Starling (STX PSV 08 CD)
Far Statesman (UT 731 CD)
Troms Lyra (STX PSV 08 CD)
Island Crown (UT 776 CD)
Rem Fortune (VS 485 MKIII)
Blue Thunder (PX 121)

June 2013

North Pomor (ST 216 Arctic)
Blue Guardian (PX 121)
Iceman (STX AH 12)
Toisa Envoy (VS 4616)
FD Untouchable (UT 755 XL)
Sea Titus (STX 05 LCD)
Skansi Havyard 833 TBN

July 2013

Makalu (Havyard 832)
Toisa Explorer (VS 4616)

August 2013

Island Duke (UT 717 CD)
Sea Tortuga (STX 05 LCD)
Sea Spark (PX 105)

September 2013

Blue Protector (PX 121)
Edda Ferd (ST 920)
Sea Frost (PX 105)

October 2013

Island Duchess (UT 717 CD)

Recently delivered

Toisa Elan (VS 4616)
Fanning Tide (STX 09 CD)
Sea Flyer (PX 105)

VESSEL NEWS

Deep Sea Supply gears up for newbuilds galore

The Norwegian owner has an extensive order book of large PSVs the first of which are starting to trickle through. The 16 new PSVs, 12 PX105 and four PSV 05L CD, represent the most significant part of the world's large PSVs on order and under construction. The bold move to boost its fleet so extensively in this area of the market has been mirrored by its Brazilian ambitions. A joint venture has been established where up to six new PSVs will be earmarked for Brazilian waters.

Deep Sea Supply is awaiting the second in the series of 12 PX105s, the Sea Flyer, due end of April, currently uncommitted while its sister vessel and first in the series, Sea Falcon, has successfully commenced service with Apache in the North Sea.

Of the PSV 05L CD series, the first vessel, Sea Tantalus has delivered and is en route to North Sea for commencement of her Enquest charter. Meanwhile the remaining three in the series are expected to deliver before the end of 2013.

Møkster chooses Vard for ENI PSV

Møkster has been awarded a ten-year deal with ENI Norge for a PSV capable of operating in its Barents Sea Goliat field. The vessel will be built at the recently re-branded Vard Shipyard, and delivery is expected in the first quarter of 2015. The vessel will be powered by four dual fuel engines using primarily LNG as fuel. Tidewater's Fanning Tide, also under construction at Vard, has recently been undergoing sea trials as it nears delivery. The vessel is as yet uncommitted and will sail to Aberdeen available for hire.

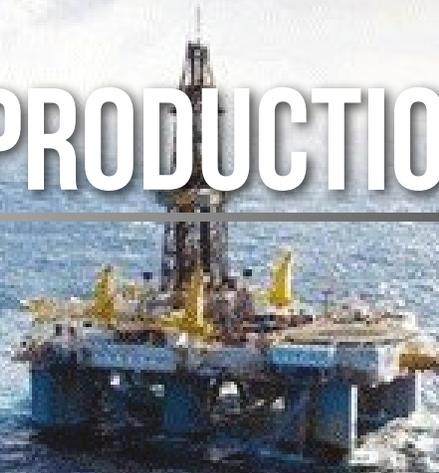
Speculative newbuilds secure eleventh hour buyers

Two Norwegian owners having made the decision to build large PSVs with no initial buyer contract in place, have secured buyers just weeks before vessel delivery. Havyard Group has a Havyard 833 under construction due for delivery in June and will now deliver to Skansi Offshore, the Faroese outfit. Skansi has lined up a long term charter for the vessel on delivery working in the Knarr field. Meanwhile at Kleven, Rem has stepped forward as the buyers of a VS485 MkII PSV due to deliver late May 2013. Rem has secured a two year plus options charter for the vessel which will commence shortly after delivery.

Fafnir enters into arctic deal

Fafnir Offshore and the Governor of Svalbard have agreed a six-year deal for a Havyard 832L WE PSV for 180 days a year. The new design of PSV features particular capabilities enabling it to perform in the demanding arctic environment.

06 DRILLING & PRODUCTION



SECOND OF SIX WELLS KICKS OFF FOR PROVIDENCE

Drilling has commenced on the Dunquin prospect West of Ireland say 16% holder of the field Providence Resources. The Ocean Rig semisubmersible Eirik Raude is conducting the drilling and is expected to be on hire to ExxonMobil, the operator of the field, for seven months. The rig will then head back to Africa for a Lukoil contract where it has worked extensively since delivery.

Providence CEO Tony O'Reilly talked of the well's landmark status in it being the first to be drilled in the central part of the deep water Porcupine Basin. Providence says interpretation of seismic data has yielded the hope of finding two giant deepwater targets. Four Bourbon PSVs were chartered in for support at the field for an estimated 120 days namely Bourbon Tampen, Topaz, Calm and Rainbow.

PREMIER STRIKES OIL TWICE

Premier announced success at both the Bonneville and its side track well this month near the Catcher license in the UK Central sector. The discoveries are expected to be tied back to the Catcher field development in due course. The semisubmersible WilPhoenix that conducted the drilling has now moved on the commence work at premier's Solan project in the West of Shetland..

CAIRN PLANS NORTH SEA WELL

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BARENTS DRILLING POSTPONED FOR STATOIL

Kickoff of what would have been the world's most northerly offshore drilling programme has been set back until 2014 following rig delays. Statoil had planned on drilling two to three wildcat wells in the Hoop frontier area using the West Hercules after it had completed upgrade and winterization at Westcon. Delays at the yard have resulted in a restructuring of Statoil's plans said a spokesman meaning the Hoop prospect will be attempted around the same time next year. Instead, four wells at Skrugard and then one in the Hammerfest Basin will be undertaken with West Hercules.

07 IN AND OUT

anchor handlers

Vessel	Design	Manager	ENTRY	From
-	-	-	-	-
Vessel	Design	Manager	EXIT	To
Magne Viking	VS 4622 CD	Viking Supply Ships	Start – June	Chevron/Canada

platform supply

Vessel	Design	Manager	ENTRY	From
Far Grimshader	UT 706 L	Farstad	Mid – May	GDF
Troms Lyra	STX PSV 08CD	Troms Offshore	Mid – May	Newbuild
Rem Fortune	VS 485 MkII	Rem Offshore	End – May	Newbuild
Far Service	UT745	Farstad	End – May	BP UK
Toisa Coral	Sealion design	Sealion Shipping	Mid – May	RWE – Dea
Troms Castor	VS 485 CD	Troms Offshore	Start – June	Chevron Canada
Vessel	Design	Manager	EXIT	To
Rem Provider	UT755LC	Rem Maritime	Mid – May	ADTI
Island Contender	UT 776 CDG	Island Offshore	Mid – May	Lundin
Energy Insula	VS 485 MKIII	Golden Energy	Mid – May	ConocoPhillips N
Blue Thunder	PX 121	Blue Ship Invest	Mid – May	Statoil
Far Strider	VS 483	Farstad	Mid – May	Inhouse / Petrobras – Brazil
Frigg Viking	VS 470 MkII	Viking Supply	Mid – May	Heerema
Fanning Tide	STX 09 CD	Tidewater	Mid – May	Allseas
Malaviya Seven	UT745	GOL Offshore	Mid – May	ADTI
Island Crusader	UT 776 CDG	Island Offshore	Mid – May	Lundin
Energy Swan	ST 261 LMV	Golden Energy	Mid – May	ConocoPhillips N
Olympic Princess	MT 6000	Olympic Shipping	Mid – May	Yard/DP Upgrade
Dina Star	MT 6015	Myklebusthaug	End – May	Crane Installation
Torsborg	Havyard 832 L	Skansi Offshore	Start - June	BG Norge
Brage Trader	STX PSV 09CD	Møkster	End – June	SPD
Troms Capella	STX PSV 09CD	Troms Offshore	End – June	TBA
Island Captain	UT 776 CD	Island Offshore	Start – Aug	Schlumberger
Ocean Pride	Havyard 832 L	Atlantic Offshore	Start – Sept	Statoil

08 MARKET FORECAST

A LOOK AT THE SUBSEA VESSEL MARKET

offshore and improved subsea technologies making these projects viable. One of those projects is Total's Laggan Tormore development which was discovered in 1986 and has only recently become possible due to the many advances within subsea infrastructure. The project is found at 600 meters water depth and will be the deepest production system in UK waters with a subsea tieback of 143 kilometers. The first contracts were awarded in 2010 with the total estimated capital costs expected in the region of GBP 2.5 billion. This clearly demonstrates the time and capital needed to plan for some of these subsea projects with this project likely to see first production in the middle of 2014. This is only one of the many subsea developments underway leading to the bullish view on the market. However it is very important to note that despite most graphs showing worldwide subsea spending on a strong incline and our own belief that the market will be strong going forward, cost inflation does account for some of this incline and seems to be conveniently left out of many forecasts.

WRITTEN BY

Jon Inge Buli
Shipbroker



The latest Toisa shipping order made earlier this year for the largest offshore construction vessel built with an X-bow design

demonstrates the underlying trend within the segment of vessels becoming larger and more technically advanced. This particular vessel will have the ability to work in several areas within the vast subsea market with the potential for modifying or adding to the vessel, in addition it will have a deck space of 2,900 m² a feature much appreciated by contractors. The major concern for most owners is building a vessel that will suit the needs of the contractors and oil companies, therefore building them large and multi-functional seems to be the safest bet. The question that lingers is why there is a rush for owners to build when they are unsure exactly what specifications will land them fixtures? One reason is the building time for these assets and most owners do not want to miss out on the major boom that is expected in the coming years. This has resulted in just over 20 construction vessels being ordered since the beginning of last year. Many of these have been done on speculation, with contracts having been now been confirmed on half of them and the remainder remaining uncommitted. An important factor amongst all these vessels is the minimum 250 ton cranes onboard with a trifecta of uncommitted vessels that have cranes with the ability to lift 900 tons.

In general there has been significant optimism in the Subsea world with developments moving deeper

Currently the majority of deepwater fields and production are located in the so called "Golden Triangle", which is between Gulf of Guinea, Santos Basin and the Gulf of Mexico. Going forward a significant number of subsea developments will be in this region with Brazil's pre salt developments an important factor to the subsea market. The total global market share of the North Sea will fall over the next five years however this does not imply a decline in investment in the region, rather stronger growth in other regions. Estimates for the North Sea market are an increase in 2013 subsea spending of approximately NOK 10 billion from last year's NOK 15 billion last year, with a further increase going into 2014. There are a number of developments currently underway in the North Sea region, while we expect the next two to three years to see more than 30 projects requiring subsea construction work in the UK and Norway alone. Douglas Westwood research has stated that approximately USD 77 billion is to be spent on subsea vessel operations globally in the period from 2012 to 2016. If those figures hold true and we don't see further delays to projects in West Africa and the Brazilians stay on target, vessel owners should have a wide array of possibilities to fix their tonnage, although potentially on shorter term contracts.

09 THE INSIDE STORY

“Scotland’s Oil”

Westshore looks at what could happen to the oil and gas industry should Scotland gain independence



The people of Scotland are next year to vote on the issue of independence from the UK. The date for the referendum has been set for September 18 2014, 35 years since they were last asked the same question. In 1979 as the North Sea’s oil industry stepped into boom time, a small ‘Yes’ majority emerged from the vote, but crucially it never reached the 40% of total electorate that was required for independence to become a reality. The issue of independence is so contentious that it is particularly difficult to find any unbiased information regarding the potential outcomes of a separate Scotland.

Scotland became officially part of the United Kingdom in 1603 when the Scottish King James VI acceded the English throne on the death of his (childless) cousin Queen Elizabeth I, known as the union of the crowns. Since then, and indeed for centuries before the union, tensions between the two countries have often run high. Today one of the biggest bones of contention is oil revenues. ‘Scotland’s Oil’ say the nationalists, but is this the truth of the matter? And how would the face of the North Sea oil and gas industry change should Holyrood control the purse strings rather than Westminster?

With a population of around five million, significant offshore oil and gas fields yet to explore and under production, comparisons are being drawn between the Scots and their Nordic neighbours across the North Sea.

Similar in population but vastly different in policy, Norway has chosen to invest its oil revenues in a burgeoning pension fund now totalling over 4 trillion NOK. Moreover Norway has never joined the EU, although touts the line on many EU policies, and is overall viewed in the eyes of the Scottish Nationalists as a shining example of how Scotland *could* be if it was independent. The money from oil revenues in the UK has been used to fund current spending and has been the case since the industry really ramped up in the 70s. In contrast Norway used its revenues to pay off debt and invest in its now giant pension fund. Current spending in Norway is funded through higher taxes with a very limited usage of oil revenues, meaning substantial initial sacrifice and a strict usage of income – would the current band of Scottish politicians, and indeed the Scottish public be accepting of such a policy? In my opinion this is highly unlikely. Scotland’s fiscal balance still needs every penny of the oil revenues to maintain its deficit from spiralling into trouble (currently 5% of GDP, lower than that of UK but still higher than it ought to be)

One of the most pressing issues surrounding the oil revenues argument is where is the maritime boundary exactly? What constitutes Scottish waters and what belongs to England – or indeed Northern Ireland? What transpires is that there is no legal obligation for London to have segregated Scottish waters up to now, it was a matter for internal debate. However in matters of legal jurisdiction, it was prudent to draw up boundaries to which any potential conflict would fall under the legal system of either Scotland or England. This was done in 1987 and then later amended in 1999 to slightly favour London in terms of size of territory. But should Scotland become a fully independent nation, carving up the offshore territory would become significant. If it was done per capita, Scotland would receive around 9% of the offshore area. Should it be delimited according to the ‘median method’ as proposed by the United Nations Convention of Law of the Sea, Scotland would receive slightly in excess of 90% of the UK’s offshore oil and gas assets.

10 THE INSIDE STORY CONT.



Or would they? What about the islands of Orkney and Shetland? Would the inhabitants of these islands see themselves as British, Scottish or is as already partly the case, a law unto themselves? The fields lying to the West of Shetland contain what is possibly the most exciting of the North Sea assets, with recent

Scotland, to get the human resources onshore prepared for managing the industry. Although England could be left in a similar pickle given that at present a significant portion of the brain power dealing with offshore matters sits in Aberdeen. As such common sense would indicate strong cooperation would be needed from both sides.

Scotland is “on the verge of an oil boom”. Although a leaked paper this month showed admission of the party’s belief this needed to be revised down somewhat. Either way the oil and gas industry is the cornerstone argument for the nationalist’s pro-independence stance. Both sides meanwhile band about figures with little context showing reasons for and against independence making it increasingly difficult for Joe Public to form an educated opinion. Good luck with that next year fellow Scots, this Scot won’t be casting a ballot since residing outside Scotland disqualifies me from voting. But I will be watching with interest from my desk in the country that maybe did do it right.

“

What about the islands of Orkney and Shetland? Would the inhabitants of these islands see themselves as British, Scottish or is as already partly the case, a law unto themselves?

developments in technology meaning very large amounts of oil and gas will be coming on stream in the near future. Should the Shetlanders decline from separating from the union, where would that leave Scotland?

The legal framework in place for licencing in the North Sea would be called into scrutiny in the event of a separation. It’s one thing to assume that current procedures and regulation would remain in place but a massive logistical undertaking would be ahead of an independent

Uncertainty in any industry rarely inspires investors and unionists are keen to point this out. When regulation, legality and policy could potentially be turned on its head

in Scottish waters, would oil companies be as willing to continue plans to invest and grow in the region? Few companies have made any comments thus far with any negative prognoses on a separate Scotland but this could change.

Scotland’s first minister and leader of the Scottish National Party, Alex Salmond has touted very optimistic projections for the industry, saying

WRITTEN BY

Inger Louise Molver
Offshore Analyst



11 THE LAST WORD

AVERAGE MONTHLY STATISTICS FOR APRIL

It's been a year of babies rather than boats for me since I last wrote The Navigator but I am delighted to be back at Westshore from maternity leave. And it's been a relatively busy period on the spot market compared to one year ago at least. A significant jump in number of rig moves from what was seen in the same period last year has been noted and a corresponding jump in the number of AHTS fixtures too. On the utilisation front the figures have stayed roughly the same, entirely due to the extra tonnage available in the market, both on the PSV and AHTS side.

Rates this week took a jump as availability was squeezed to breaking point and the market reached a sold out status for several days. While average fixture rates show little change from last year, at the time of writing vessels tipping the 1 million kroner per day mark were being fixed for rig moves.

Our forecast for AHTS and PSVs remains the same as what we have said in previous months, i.e. a reasonably good summer can be expected for vessel owners as few additional vessels will enter the spot market and still further tonnage expected to leave the spot for term commitments.



Inger-Louise Molvær
Offshore Analyst



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Vessel Type		Average Monthly Rates (NOK)		
		apr.13	mar.13	apr.12
AHTS	> 25,000	412 749	258 077	417 619
	18,000 to 25,000	308 017	207 258	273 590
	< 18,000	200 041	117 249	163 646
PSV	> 900 m ²	134 836	111 645	185 238
	< 899 m ²	101 576	98 826	171 477

	apr.13	mar.13	apr.12	mar.12
# of spot supply fixtures	88	93	66	61
# of rig moves	28	26	20	21
# of AHTS fixtures	82	79	57	64
Average Utilization (%)				
AHTS	70.1%	69.1%	78.8%	80.3%
PSV	86.5%	89.1%	88.7%	92.4%

OSV Seminars head to Rio



As seen in our last edition of Brazilian Wave, Informa Maritime Events and Lloyds Maritime Academy are hosting an offshore support vessel conference in Rio this month. Discussions include barriers to executing offshore projects in Brazil, analysis on orders and demand for vessels, shipyard capacity and training and crewing challenges. In addition practical guidelines for contracting with Petrobras can be expected. Details as follows;

Offshore Support Vessel Brazil Conference
23-24 May, Rio de Janeiro, Brazil

www.informamaritimeevents.com/FKT2464NSL

OSV Chartering Contract Management Brazil
21-22 May, Rio de Janeiro, Brazil

www.lloydsmaritimeacademy.com/FKT2457NSL