

THE NAVIGATOR

Westshore's Monthly North Sea Report

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Six of the Best for Maersk

Half a dozen newbuild AHTS orders plus options for four more

Statoil: Change at the Top

CEO Helge Lund replaced by Eldar Sætre

The New Reality of 80 Dollar Oil

A look at the impact of the recent market volatility



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The West Alpha rig alongside the Safe Scandinavia at Westcon, photo Westcon Group.

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Written & Created by Sean Bate - Offshore Analyst / Shipbroker - sean@westshore.no
Cover photo credit: The rig move of the Safe Scandinavia photos courtesy of Havila Shipping

Headline News



The newbuild AHTS vessels will be DP2 and have minimum bollard pulls of 230t.

Six of the Best for Maersk

Maersk has surprised the market by placing orders for six newbuild AHTS vessels and options for a further four. The contract for the half a dozen 230t bollard pull vessels will see the first deliveries taking place in 2016 and continuing throughout 2017 and 2018.

The 95 m long vessels are of SALT 200 AHTS design from Salt Ship Design, and will be built at Kleven's

two shipyards in Norway, Kleven Verft and Myklebust Verft.

Maersk Supply Service CEO, Carsten Plougmann Andersen said: "With this contract, Maersk Supply Service is once again placing a new building order in Norway, and with this we have taken the next step in our extensive new-building programme, renewing our fleet with focus on large Anchor Handling Tug Supply and Subsea Support Vessels. The contract now con-



6 AHTS to Maersk

Large new order

The vessels will be built at Kleven Verft & Myklebust Verft yards.

cluded with Kleven is an important part of the realisation of our ambitious growth strategy.”

The new order means Maersk Supply has 12 vessels on order including five Subsea Support Vessels and one other Anchor Handling Tug Supply with these vessels to be delivered from shipyards in Romania, China and Chile.

The limited number of AHTS orders in recent times has meant that the general offshore orderbook is heavily skewed towards PSVs, which seem to be the tonnage of choice for companies seeking to expand their fleet. The other option which has been in vogue in recent times is the subsea market and orders for construction vessels have also been significant. However, those orders for AHTS vessels that have been placed are for top-end high specification vessels. Maersk Supply Service are keen to keep up with the latest advances in vessel technology.

Carsten Plougmann Andersen continued: “We want our customers to remain confident that we are prepared to deliver on their demands and provide premium service in terms of reliability, safety and uptime. In our new-building project with Kleven, we have carefully designed the entire vessel with this in mind. An example is the installation of the most fuel efficient and flexible hybrid propulsion system with fixed pitch on all side thrusters, providing high reliability and back-up system, good fuel economy, low emis-

sions and excellent station keeping.”

The vessels are built for deepwater operations and potential customers are international oil companies and construction companies worldwide although we anticipate that they will primarily be working in the North Sea.

Maersk AHTS Newbuild Specs

- Design: Salt 200
- Length: 95 metres
- Beam: 25 metres
- Deadweight: Approx. 4,500t
- Free deck: 822 sqm open deck
- DP: Class 2
- BHP: 23,000
- Bollard pull: min 230 tonnes
- Winch: 500 tonnes, 3 drum configuration
- 52 single cabins
- ROV garage
- Plus option for four more

Delivery Q4 2016 to Q1 2018.

Drilling & Production

North Sea Activity

Statoil has revealed the huge scope of the Johan Sverdrup field project. The company says construction of the first phase may lead to 51,000 man-years related to Norwegian deliveries, and the field may produce revenues amounting to NOK 1350 bn.

BP and GDF Suez have announced a major new field in the UK Central North Sea. The find, which spans two adjacent blocks owned by the firms has been flow tested at a maximum rate of 5,350 barrels per day. GDF Suez is currently calling the discovery Marconi while BP has named it Vorlich.

Statoil has proven new oil resources at the D-Structure near the Grane field in the North Sea using the Transocean Leader rig. The estimated recoverable reserves are in the range of 30 to 80 million barrels. The find is now being evaluated for potential development via a subsea tie-in to the Grane field.

Maintenance at Shell's Brent Alpha platform has resumed following a period of suspension after a container fell in to the sea after a mechanical fault on a crane. All except non-essential staff were evacuated as a precaution whilst the Normand Subsea was brought in to retrieve the container.

The Danish Energy Agency is understood to have received 25 bids from 15 oil companies in its seventh licensing round. Awards are due to be made in the first quarter of 2015 with a number of well known firms including Shell, Maersk Oil, Hess Dana, RWE Dea, Wintershall and Dong vying for the acreage.





The Transocean Arctic has been busy again in the North Sea. Photo: Wintershall

Xcite Energy has agreed a deal with Baker Hughes for oilfield services for the Bentley field. The deal is understood to cover the supply of drilling and completion services, well engineering, submersible pumps and reservoir engineering.

BP is set to restart production at the Rhum gas field which is half-owned by the Iran National Oil Company. The field was shut down four years ago due to sanctions. The company received approval from the UK Government to begin production again in the middle of October. All revenue due to go Iran will be held temporarily until sanctions are lifted. Production from the field had accounted for between four and five percent of British demand at the time it was shutdown.

Wood Group has won the FEED (Front-End Engineering Design) contract for the Peterhead Carbon Capture and Storage scheme which is being developed

by Royal Dutch Shell. The plans will include a new carbon dioxide export pipeline from Peterhead power station to tie-in with the existing Goldeneye pipeline.

Energi Oil has new information that indicates Block 22/12b in the central North Sea, containing the Phoenix discovery, is likely to contain oil in place of at least 16 million barrels. Details of the well, including logs and reports, were made available in August 2014 – four years after the block's previous operator, Apache, drilled the 22/12a-12 appraisal well. The firm has suggested that initial solution screening and economic studies mean Phoenix could be developed feasibly with a single horizontal producer.

Lundin has spudded an exploration well at the Storm prospect in the Norwegian North Sea. Estimates for the potential prospective resources stand at 89 million barrels of oil equivalent. The well will be drilled using the Transocean Arctic rig for 80 days. ■

“BP is set to restart production at the Rhum gas field which is half-owned by the Iran National Oil Company.”

Vessel News

Including Newbuilds & Subsea

Fletcher Shipping's newbuild PSV FS Cygnus is expected to deliver in a few weeks. The UT-755 LC designed vessels is expected to be completed by around the 20th of November. The DP2 vessel is being built by Simek and will have an LOA of 76.40m, a beam of 16m and Oilrec.

The Solstad PSVs Normand Carrier and Normand Flipper are to head-off to commence their contracts with Saipem. The vessels will be joining the Normand Corona on Gazprom's South Stream pipeline project in the Black Sea. Sealion Shipping and Deep Sea Supply also have vessels involved.

Peterson has awarded a five-month term contract to the VOS Prelude. The UT-755LN designed vessel commenced the contract at the end of October and is now not expected to be charter free until the second quarter of 2015 at the earliest. The charterer also holds an additional four weekly options.

Maersk has ordered a series of six new AHTS vessels and placed options for four more. The vessels, which will be of Salt 200 design will be built at Kleven Verft & Myklebust Verft yards and are due to be delivered between Q4 2016 and Q1 2018. For further details see our Headline News article in this edition.

The AHTS vessel Maersk Lifter has completed term work with Canyon Offshore. The vessel had been working at the NordBalt cable project in the Baltic since May this year. The Maersk Lifter has since secured work on the North Sea spot market including assisting the Blackford Dolphin rig.





The Loke Viking has received an early termination notice.

Viking Supply Ships has received an early termination notification from ExxonMobil for its AHTS vessel Loke Viking. The notice covers the 2015 drilling season as well as remaining options that were originally expected to cover the seasons in 2016 and 2017.

The Olympic Commander PSV is expected to continue its current charter with Siem Offshore Contractors until the end of 2014. The vessel is working at the German Baltic 2 offshore windfarm.

Island Offshore has ordered a further vessel from Vard Brevik. The PSV is scheduled for delivery in the first quarter of 2016 with a total contract value of around NOK 300 million. The hull will be delivered from Vard Braila in Romania. The company currently has five other vessels under construction at Vard.

A series of vessels that had been working offshore Russia have returned to the North Sea. The vessels

include the Siem Amethyst, Siem Topaz, Rem Supporter, Balder Viking, Magne Viking, Loke Viking and Brage Viking. The return of the vessels follows the conclusion of the West Alpha's drilling work for the season in the Kara Sea. A question mark remains over the plans for the coming years due to Western sanctions.

The Havyard 832 CD designed PSV Eldborg has secured a medium-term contract with Shell Norge. The vessel recently returned to the North Sea after

concluding work with Statoil offshore Tanzania. The Skansi Offshore managed vessel has been fixed for one month firm plus six monthly options.

Talisman Sinopec has chartered the PSV Troms Capella for one well firm with the contract due to last around 90 days from around the middle of October. The STX PSV 09 CD designed vessel will be supporting the Sedco 712.

“Talisman Sinopec has chartered the PSV Troms Capella for one well firm with the contract due to last 90 days.”

Inside Story



Former Statoil CEO Helge Lund (left) will be replaced by Eldar Sætre (right).

Statoil: Change at the Top

In 2004, the oil was USD 40 a barrel, Edvard Munch's *The Scream* was stolen in Oslo and Helge Lund joined Statoil. To many he had become the face of the Norwegian national oil company much as *The Scream* had become synonymous with the artist Munch.

He has overseen the transformation of the company into a vast multinational corporation with successful overseas operations and expanding global presence including recent notable projects in Tanzania, the UK and now pushing forward with plans for Mexico.

Helge Lund assumed the role as President and CEO of Statoil on the 16th of August 2004. During this period, the company has delivered strong results in a number of areas as outlined in the table on the next page.

His resignation from the helm of Statoil will be keenly felt. In a gushing tribute issued by the corporation, the company chairman of the board Svein Rennemo said: "I would like to thank Helge Lund for his great efforts during his ten years tenure at Statoil. Under his leadership Statoil has become a stronger company. We have seen improved safety performance, significant international growth and a strong development on

- Yearly total shareholder return has been 11.2% or 2.3% points above the industry average.
- Statoil's market capitalization is up from 189 billion NOK to more than 500 billion NOK.
- Production has grown from around 1.1 to 1.9 million boe per day. Production from the international portfolio has increased fivefold.
- Serious incident frequency down from 3.3 to 0.7 per million working hours.
- Number of exploration wells in 2004 was 12. This year there are plans for around 50.

Highlights from Helge Lund's time in charge of Statoil.

the Norwegian continental shelf. Exploration results and shareholder return have both been among the best in the industry and the company's integrity and values are strengthened."

The board of directors has appointed Eldar Sætre as acting president and CEO with immediate effect and the board of directors has established a sub-committee to search for the next CEO.

In turn Lund has said:

"It has been a privilege to lead Statoil during ten very exciting years. This is a company with highly experienced and competent employees. I would like to thank everyone for our collaboration and their strong efforts for Statoil. Together we have created values for Statoil's shareholders and the society, and strengthened our resource base at the Norwegian continental shelf and internationally."

It is understood he will now take a role heading up BG Group. Lund went on to state: "I could have continued for a period, but there is a time for everything. Renewal is important, both for Statoil and for

me. I came to the conclusion that the time was right for a change. I have both the motivation and energy to take on a new leadership challenge, and found this opportunity to be the right one."

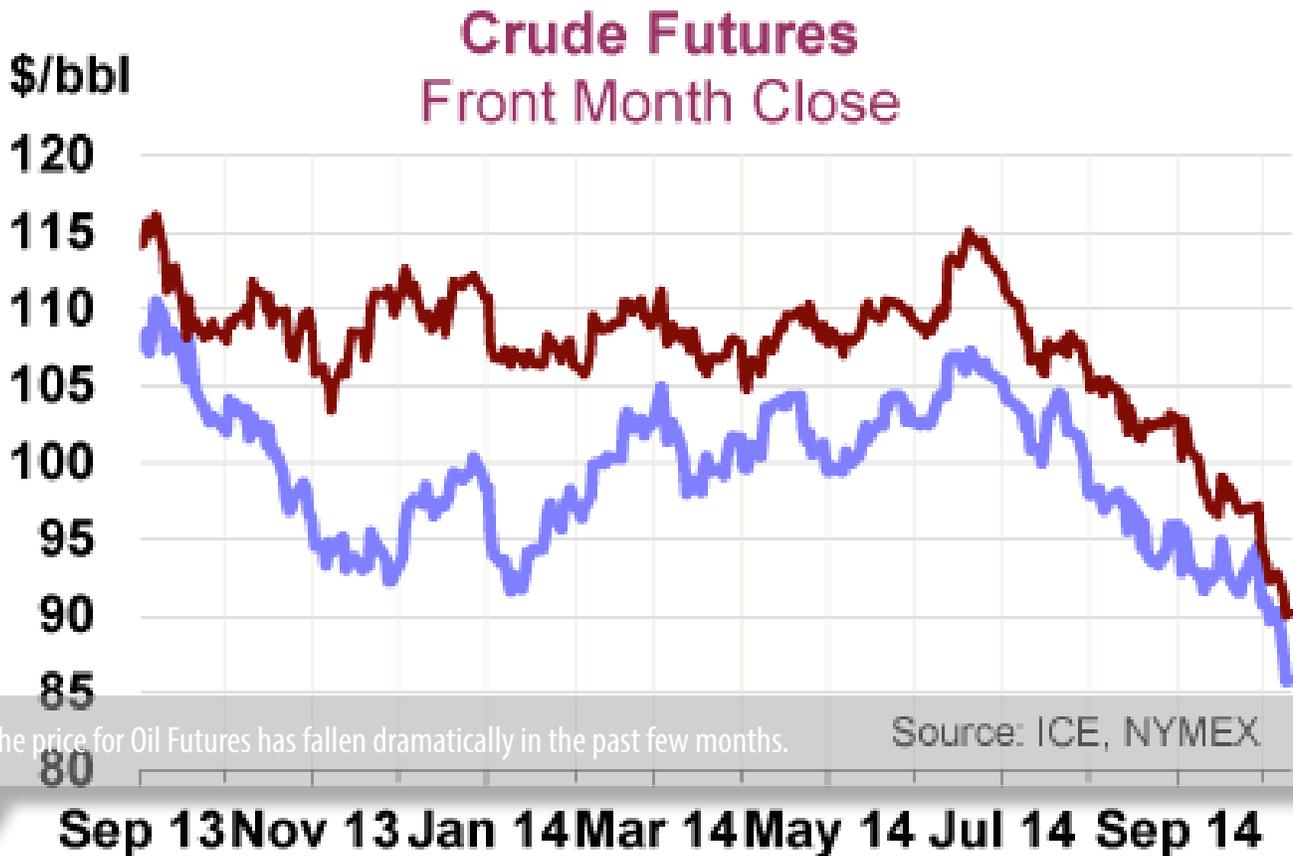
Helge Lund led the company into the merger with Norsk Hydro's oil and gas division and the sale off of the petrochemicals and retail area. The company also established positions in renewable energy through investments in offshore wind.

"Statoil is only part way through its efficiency project known as STEP, the new CEO will have quite a challenge."

However, the company is now going through a period of expense challenges closely tied to the rapid expansion of the previous years. Escalating costs, an extensive number of large scale projects on its books and an extended global reach means that the incoming CEO will have a tough time strengthening the company's competitiveness.

Statoil is only part way through its efficiency project known as STEP. The plan is to make NOK 8 billion of efficiency gains by the end of 2016 by cutting staff, drilling operations and streamlining administration. The new CEO, whoever they may be, will have quite a challenge on their hands. ■

Market Forecast



The New Reality of 80 Dollar Oil

The very fundamentals of the Offshore support industry are in a period of flux at the moment. The stable and high oil price which had given companies the security to plan extensive exploration and production campaigns has changed. The rapid decline in the market value of oil has seen Brent crude futures lose 25% of their value since June, and it recently hit its lowest level since 2010.

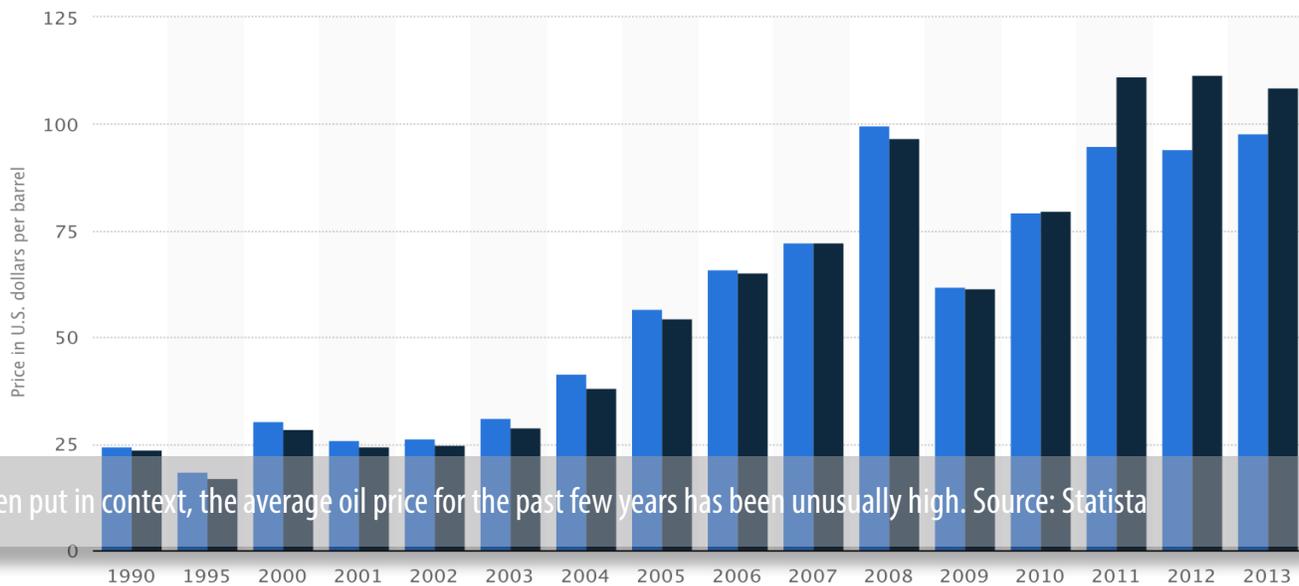
Financial observers have been keen to point to potential sources for the rapid decline. Moodys managing director Steve Wood said: "It's hardly shocking that oil prices have weakened in the face of growing supply."

"The sharp drop has been surprising and can be attributed to expectations of weaker demand growth in China and Europe at the same time that Saudi Arabia has threatened to defend market share rather than acting as OPEC's - and the world's - swing producer."

Wood is of course referring to the well known mechanism for Opec members to adjust their output to affect the market pricing. However, the fall will be felt in significantly different ways by different Opec members. Some, such as Venezuela, will struggle in market conditions where oil is selling at less than USD 100 a barrel.

Saudi Arabia has indicated that it is prepared to let the

Annual average WTI and Brent crude oil spot prices from 1990 to 2013 (U.S. dollars per barrel)*



When put in context, the average oil price for the past few years has been unusually high. Source: Statista

■ West Texas Intermediate ■ Europe Brent

oil price fall further before potentially stabilising the price at around USD 80 and at the same time increase its overall market share.

Jason Bordoff of the Center on Global Energy Policy at Columbia University has said: "The market has perceived some signals from Saudi Arabia that they are not intending to cut production to support prices. They are happy to let prices slide a little bit further."

Russia is also set to suffer as it is understood the former Soviet economy loses up to USD 2 billion per dollar fall in the oil price.

At the same time this will also impact the viability of certain planned projects and drilling campaigns particularly in those extreme or remote regions where a lack of local infrastructure or a reliance on technologically sophisticated equipment push up costs. The break-even for some schemes in the Barents Sea has been previously suggested to be in the region of USD 80 dollars a barrel and higher.

The costs of exploration in the Arctic regions offshore Greenland and Russia are understood to be significantly higher due to the distant locations. Costs will once again come under the spotlight and oil companies, who have already proven reluctant to take on new rig contracts will be pushing even harder now to drive down rig dayrates.

"Operators and the support industry will have to adjust their plans according to the new market conditions."

According to Moodys the fall in the oil price will: "hurt exploration and production companies' revenues immediately, with most of the drop falling straight to the bottom line because of their high operating leverage.

Even if we don't see a dramatic drop in rig counts or activity, we would expect to see pushback on prices and dayrates that service companies are able to charge producers."

We anticipate that Brent will trade at around the USD 78 to 85 dollars a barrel level for the next six months or so and operators and the industry will have to adjust plans and 'cut their cloth' according to these new market conditions. ■

The Last Word



Total CEO Christophe de Margerie died in an airfield crash in Moscow.

Tragedy struck for Total when one of the most recognisable and revered oil company leaders died in a crash at an airport in Moscow. Christophe de Margerie had been chief executive of the French energy company since 2007. He was fatally injured along with three others when the aircraft they were travelling in struck a snow plough in poor visibility whilst taking off.

World leaders have led tributes to Mr de Margerie. A statement from the office of French President Francois Hollande said: “Christophe de Margerie dedicated his life to French industry and to building up the Total group. He made it into one of the very top global companies. Francois Hollande

cherished Christophe de Margerie’s independent character, original personality and his devotion to his country.”

Total has become one of the largest foreign investors in Russia and it is understood the company was in the process of forming a USD 27 bn natural gas joint venture in the country.

Referring to Russian President Vladimir Putin news agency, Tass quoted a Kremlin spokes-

man as saying: “The President highly appreciated de Mergerie’s business skills, his continued commitment to the development of not only bilateral Russian-French relations, but also on multi-faceted levels.”

“World leaders have led tributes to Mr de Margerie who was a widely regarded personality in the industry.”

Market in October



The Havila Jupiter in action. Image courtesy of Havila Shipping.

October has been an interesting month and has continued with the Autumn theme of higher dayrates particularly for AHTS vessels. The PSV market did start the month in a similar vein with a brief spike in rates in Norway. The release of a number of vessels by Statoil meant that the market struggled to soak up the available tonnage with the handful of Norwegian requirements that came out.

Oversupply has been the key feature of the UK PSV market throughout the year and the last month has proved a continuation of this theme with dayrates in the UK barely able to get above the low teens even when multiple charterers entered were seeking tonnage for similar timeframes. The end of the month did see a brief rally as utilisation figures for PSVs hit 93%.

The end of hurricane Gonzalo caused another slight spike in dayrates as rig moves and offshore project work were delayed due to the worsening conditions at sea. The dayrates for medium and large vessels averaged out over the month at around the NOK 560,000 level and we saw a steady level of activity both in terms of the number of rig moves (24) and the overall number of AHTS fixtures (86).

As we progress into November it is likely that we will begin to see the usual seasonal dip in activity. This will probably be felt even more so this year with the return of the fleet from the Kara Sea and Statoil's suspension of a number of rig contracts including the Scarabeo 5, the Ocean Vaguard and the COSL Pioneer. There also continues to be a surplus of tonnage on the PSV market particularly on the UK side. ■

		Average Monthly Rates (NOK)		
Vessel Type		Oct-14	Sep-14	Oct-13
AHTS	> 25,000	564,320	784,517	307,330
	18,000 to 25,000	567,607	649,216	249,195
	< 18,000	333,112	547,061	147,347
PSV	> 900 m ²	108,973	146,261	120,221
	< 899 m ²	100,159	118,744	79,161

	Oct-14	Sep-14	Oct-13	Sep-13
# of spot supply fixtures	90	81	82	52
# of rig moves	24	23	28	22
# of AHTS fixtures	86	69	79	54
Average Utilization (%)				
AHTS	75.9 %	83.5 %	69.1 %	80.2 %
PSV	81.9 %	86.9 %	85.1 %	95.5 %