

November 2016

NAVIGATOR

THE WESTSHORE NORTH SEA REPORT

PEAK OIL OR PEAK DEMAND?

The experts weigh in on
the future of oil and gas

PEAK OIL

LESS IS MORE

The need for consolidation
among vessel owners



WESTSHORE

SHIPBROKERS AS

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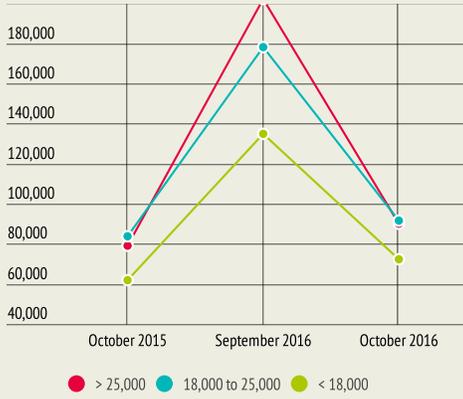
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OCTOBER

AVERAGE SPOT MARKET RATE AHTS



▼ 46%

Average AHTS utilisation in October

▲ 75%

Average PSV utilisation in October

	September 2015	October 2016	September 2016	October 2016
Number of supply spot fixtures	84	91	62	71
Number of AHTS fixtures	74	50	64	48

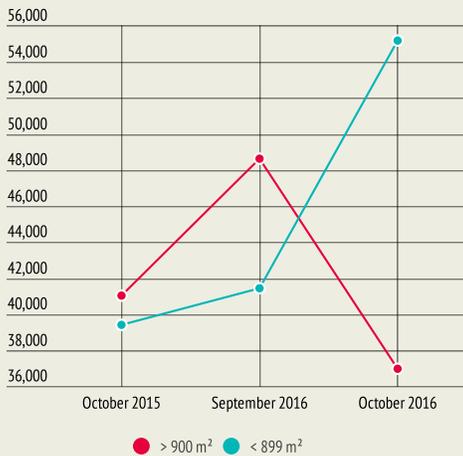
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Rig moves in October 2016

22

Rig moves in October 2015

AVERAGE SPOT MARKET RATE PSV



The spot market was quiet in October, fewer rig moves, fewer fixtures, more vessels out of work and lower rates. It was the final push for many owners who took the decision to send yet more tonnage into layup. Three more AHTS vessels went into layup and a further 15 PSVs over the course of October. At time of writing there are now more North Sea ships in layup than there are trading the spot market. Around 150 PSVs and AHTS vessels now laid up and just 100 vessels left trading the spot market. Of the total fleet, including those working on term charter, spot market and other work roles the total percentage of the North Sea fleet that is laid up is now 37%. That's a pretty massive over supply situation. Unfortunately as we see the next six months still being tough, with very little new contracting opportunities, more vessels will likely go into lay up. The problem is of course just about every owner has taken tonnage out of the market that if you are looking for an equal share of responsibility in this, there are very few areas you can point to and say, there's one that could go. It was more or less status quo for the PSVs in October compared to the previous month. Similar activity levels leading to fairly comparable levels of utilization, rates were still very much depressed, particularly for the smaller vessels.



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LATEST FIXTURES

SPOT
TERM
Average Spot Rates

Date	Vessel	Charterer	Scope of Work	Rate
21/11/16	SIEM OPAL	BP Exploration UK	R/M PBLJ, D/D 14	GBP 7500
21/11/16	SIEM GARNET	BP Exploration UK	R/M PBLJ, D/D 14	GBP 7500
21/11/16	MAGNE VIKING	BP Exploration UK	R/M PBLJ, D/D 14	GBP 7500
21/11/16	OLYMPIC ZEUS	Statoil Petroleum AS	Prelay Scarabeo 5 (+WROV), D/D 14	RNR
21/11/16	HL SALTUGRO	Sotra Anchor & Chain	Chain transport, D/D 2	RNR
20/11/16	NAO VIKING	Enquest	Supply duties, C/R + opt	RNR
18/11/16	NAO POWER	BP Exploration UK	Supply duties, D/D 14	RNR
18/11/16	SAYAN PRINCESS	Premier Oil ONS Limited	Supply duties, D/D 14	GBP 4000
18/11/16	NAO THUNDER	BP Exploration UK	Supply duties, D/D 21	RNR
18/11/16	SKANDI SOTRA	BP Exploration UK	Supply duties, D/D 14	GBP 4000

1 2 3 4 5 6 7 8 9 10 Next

LATEST REQUIREMENTS

SPOT
TERM

Date	Charterer	Scope of Work	Commencement
10/11/16	Offshore Marine Contractors Limited	R/M Eneco 102 (1 x AHTS), D/D	23/11/16

THE BUSIEST AHTS IN THE NORTH SEA?

This month we launched a new feature on the website, we are now showing which AHTS vessel has had the highest utilization over the past 30 days. Our system calculates which vessel has had the most work over this period and then ranks them by which vessel has been the busiest. At time of writing Siem Opal came out top of the list with a utilization of 77%. The vessel is currently prompt in Aberdeen but had been working on the TO Spitsbergen move prior to that. The list is constantly updated as changes to vessel positions are uploaded to our database.

TOP 10 UTILIZATION *Spot AHTS - Last 30 days*

Rank	Vessel	Flag	(%)
1.	UOS VOYAGER		77%
2.	MAERSK LASER		74%
3.	SIEM OPAL		74%
4.	TOR VIKING II		70%
5.	MAERSK LIFTER		67%
6.	SIEM GARNET		67%
7.	BOA JARL		64%
8.	HAVILA VENUS		64%
9.	ISLAND VALIANT		57%
10.	OLYMPIC ZEUS		57%

Less is more

THE NEED FOR CONSOLIDATION AMONG OFFSHORE VESSEL OWNERS.

The past six months have seen a trickle of take-overs and mergers between some of the offshore owners, including some of the biggest and most prominent owners. The big three in Norway have been awash with rumors over who will be next to fall under their management. Kjell Inge Røkke's Aker group took a 31% stake of Solstad back in summer this year, Solstad then went on to make moves on the remaining shares it had yet to acquire in REM Offshore. Kristian Siem has said publicly on several occasions that consolidation within the sector is needed and this month an affiliated company of Siem's proposed a financial restructuring which would see Farstad and Siem come together. That leaves John Fredriksen, the current owner behind Deep Sea Supply and the richest man in Norway, will the next take over come from his side?

Meanwhile those not in a position acquire whole fleets are at the other end of the scale, desperately seeking cash to keep themselves afloat. Leaving them in a vulnerable position should a buyer be on the hunt for a bargain. The past decade has seen a dramatic

expansion in the North Sea offshore fleet. At time of writing there is well over 400 offshore vessels trading in the North Sea* And they are managed by just under 70 different companies. A quarter of these vessels are managed by companies with five or less vessels, this means that the spread of management is far and wide. The operations and management is made up of a large collection of small management entities. From a practical perspective this has implications on costs and on revenue. With so many different shops running many different operations the cost per vessel for the entire North Sea fleet is far higher than it needs to be. Consolidation would lower that cost as more vessel are managed under the same umbrella taking the unit cost down.

Revenue wise if we take a look at the spot market, at time of writing there are nine PSVs prompt on the UK side. Each vessel owned and managed by a different company. That means there are nine vessels competing for the next job. Imagine the scenario where of those nine vessels consolidation in the vessel market meant that they were owned by one of two owners. Let's say Company X owned half of them and Company Y owned the other



cont...

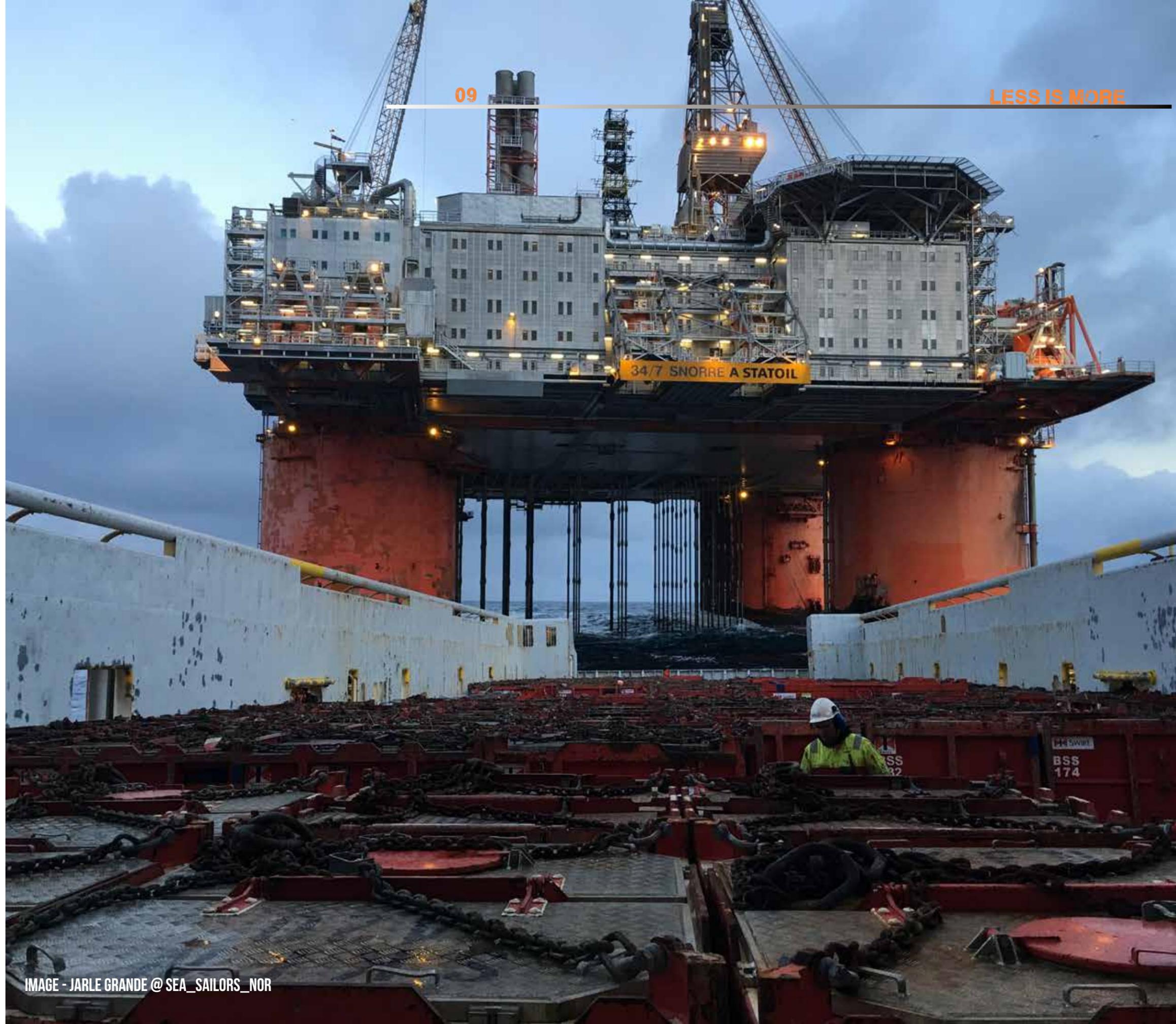
half. When the next requirement came out competition in rates is vastly reduced as there are really only two competitors, despite there still being nine vessels. The deterioration in day rates is reduced as there are fewer parties to chip a bit more off the day rate in the race to secure that one fixture.

A long time ago...

As said previously the expansion of the North Sea fleet has been substantial over the last decade. This time ten years ago there was just 237 PSVs and AHTS trading in the North Sea** That's almost a 75% increase in the size of the fleet. While there are 68 owners/managers representing today's fleet there were 49 companies doing the same job a decade ago, a 38% increase from then to now. Back then 35% of the fleet was owned/managed by a company that owned five or fewer vessels, a higher figure than today. The main change from a decade ago is primarily the growth in the fleet as a result of the last boom in newbuilds but what we need to see happen now is that the spread of owners is reduced to cope with the challenge of having so many vessels and in the current environment – too many vessels. It's difficult to say which company will be next to announce it will emerge from this crisis in a different form from that which it went into it with. But with nearly all the offshore owners declaring financial troubles, restructuring plans, further laid up tonnage, it's a fairly safe bet that we will see more consolidation before we see the light at the end of this tunnel.

**This includes PSVs and AHTS but does not include tugs or AHT vessels. It includes all parts of the North Sea including Norway, UK, Denmark, Netherlands etc.*

***237 PSVs and AHTS but not including tugs or AHT vessels over whole of North Sea. As per 21st November 2006*



PEAK OIL OR PEAK DEMAND?

From Wikipedia:

Peak Oil

The point in time when the maximum rate of extraction of petroleum is reached, after which it is expected to enter terminal decline. Peak oil theory is based on the observed rise, peak, fall, and depletion of aggregate production rate in oil fields over time.

Peak oil is the point of maximum production

Peak Demand

The point in time when the maximum level of demand for petroleum is reached, after which it will enter into terminal decline. Peak Demand theory is based on the depletion of demand for petroleum products as the shift towards alternative or renewable energy sources increases.

Peak Demand is the point of maximum demand for oil.

The debate over the above two theories has led to some major players weighing in with their opinions recently. And it gives an insight into where some of these entities see the market progressing in the future.

Although it's practically a consensus that the next 12 months will see an oversupply of oil and consequently a low oil price, the question of where we will be in 2050 shows some very different opinions.

Those for Peak Oil

Most recently the IEA in its World Energy Outlook in 2016 argued that even with significant implementation of measures as per the Paris Agreement, demand for oil would continue to rise until at least 2040. The era of fossil fuels is far from over, argues IEA Executive Director Fatih Birol following the release of the report. Efficiency gains from petrol engines coupled with a more aggressive transition to electric engines will not be enough to stem the increase in demand as global population increases and in developing countries the move to middle class accelerates. The report stated that at present 81% of global energy comes from fossil fuels and in 2040 even if all the pledges (from the Paris Agreement) are implemented, this share will go down to 74%. A modest decrease that will at least keep the Peak Demand theory at bay for some years to come.

The IEA does accept that demand for petroleum products will decrease in the OECD countries however. In the industrialized nations the shift to greener technologies and increased

energy efficiencies will likely see a drop in demand for oil. But this will be offset by the far greater increases from developing nations. India is set to become the leading source of growth, while China will overtake the U.S. to become the single largest consuming country in the early 2030s, the IEA said in the report.

So the IEA's argument is two-fold, there are still too few alternative sources of energy to fully replace fossil fuels any time soon. And in addition the growth in demand is not expected to slow to the point where we wouldn't have enough to meet our needs.

Those who are not so sure...

Perhaps most controversially, Shell CFO Simon Henry said this month that they had long been of the opinion that demand would peak before supply. But he went further saying that Shell, the world's second largest energy company by market value, thought that this would happen within the next five to 15 years. This puts Shell at one end of the scale for the doomsday scenario for the end of the fossil fuel era. Moreover this shift would be driven by efficiency and substitution more than just the offset of new demand for transport. Shell is pegging its future on replacements to conventional oil, in this case natural gas, biofuels and hydrogen.

Oil analyst Alastair Syme at Citigroup Inc in London said "For the first time, oil companies have to think seriously about the future, Drillers that even a couple of years ago believed "every molecule of oil we produce will have a market," have come to realize they "can afford to bring on only the most competitive assets."



cont...

Oil cartel OPEC is banking on another decade or so before we reach peak demand, but it believes that one way or another that day will come. This is a significant announcement given that OPEC currently pumps around a third of the world's oil and gas. In a move to mitigate against a future less oil-reliant, Saudi Arabia, the cartels leading oil producer, will be listing part of state-owned Saudi Aramco and divesting funds into non-oil related business.

OPEC is set to meet in Vienna again t the end of November where the specifics of a cut to production will be discussed. Debate is still ongoing as to whether these cuts will actually be realized as the age old argument against is for the OPEC nations is still very much an issue. If they cut production and the oil

price increases, the non-OPEC countries will pump more meaning the OPEC share of total oil production will decline. Something they do not want.

The question of whether we will meet peak oil or peak demand first is an important one. But perhaps just as much for us in offshore oil and gas is what stance the oil companies take on it. DONG is in the process of selling up all its oil and gas assets in favor of focusing on wind, Shell is looking to focus on alternative fuel, Statoil is increasing its offshore wind business. Many more will follow and it will mean a change in the client mix for offshore vessels. The naysayers and renewable energy doubters look like they will be increasingly in the minority, as the only thing that can be agreed on is that at some point in the future we will not be solely reliant on fossil fuels.

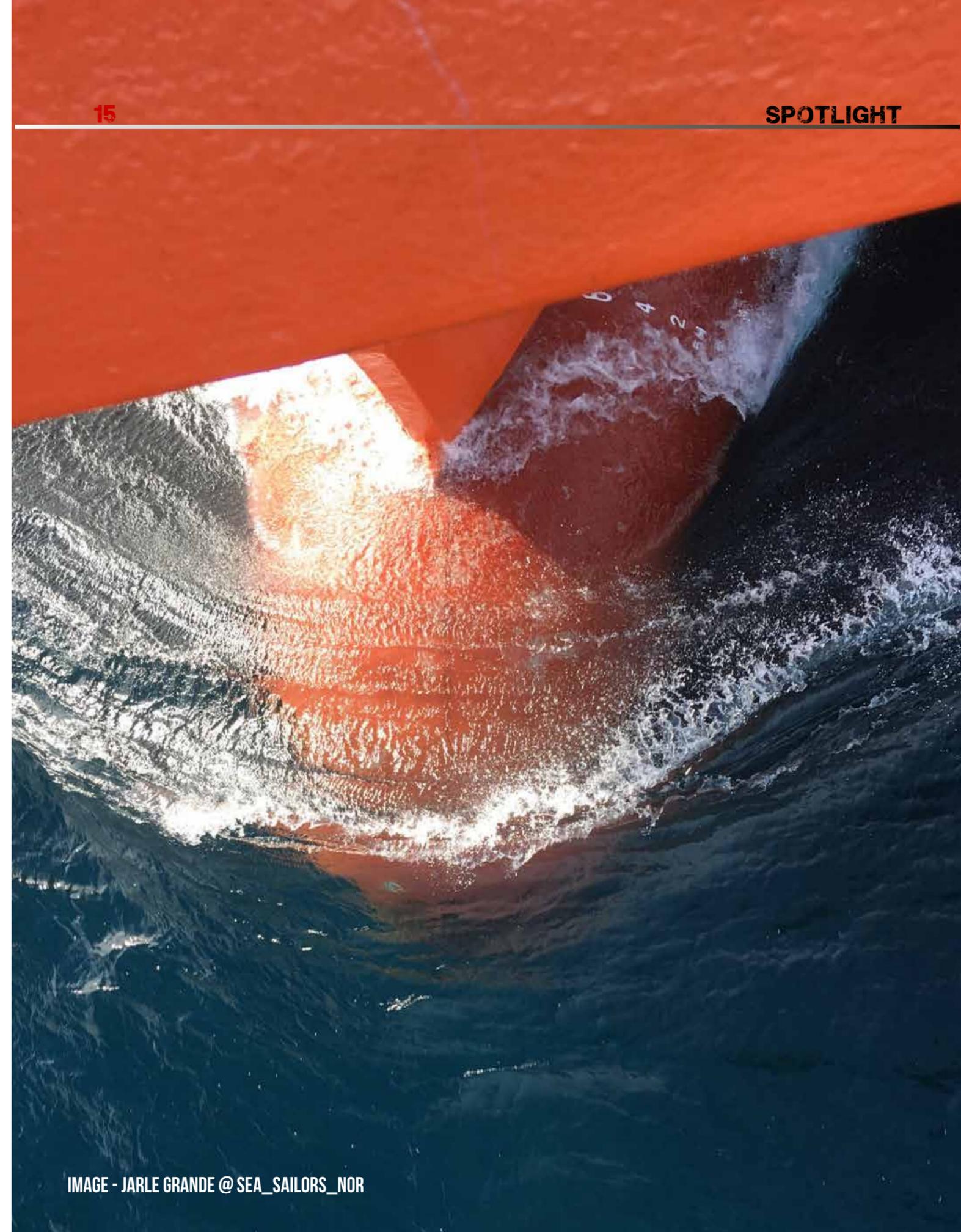
VesselsValue						
13 November 2016 VV Mini Matrix - Monthly Change						
Built	PSV			AHTS/AHT		
	Large PSV	Medium PSV	Small PSV	Super AHTS	Medium AHTS	Small AHTS
2016	-0.5%	-1.1%	+0.0%	-1.3%	-0.2%	-0.3%
	5200	3600	1700	24000	8000	5200
2011	-1.7%	-2.3%	-3.8%	-1.4%	-1.5%	-0.7%
	4800	3300	1600	24000	8000	5200
2006	-2.1%	-3.0%	-0.6%	-5.5%	-3.5%	-2.8%
	4800	3300	1600	23500	8000	5100
2001	-2.8%	-3.6%	-0.9%	-5.9%	-5.0%	-4.2%
	4700	3100	1600	18500	8000	5000
1996	-3.2%	-4.1%	-1.1%	-6.2%	-5.2%	-4.8%
	4700	3100	1200	18500	8000	4800
1991	-3.5%	-4.5%	-1.5%	N/A	-5.5%	-5.0%
	4600	3100	1200	--	7200	4800

VesselsValue Monthly OSV Valuations

VesselsValue is a data specialist company producing industry tools covering a broad spectrum of the shipping industry. The company is headquartered in London and utilizes a wide network of sources to gather data produce valuations for entire fleets to specific vessels.

VesselsValue gives us the update on how the market has developed over the past month.

"In the last month OSV values have continued to soften, particularly in older tonnage. The most surprising change is that of 10 year old OSVs, which despite being at a conventionally young age for the sector, have seen values fall up to 5.5% in the last month. PSV values have remained slightly more stable than AHTS/AHT values."



Any port in a storm?

How port costs are adding insult to injury for an already wounded shipping industry.

by Inger-Louise Molvær, Senior Offshore Analyst



On average a shipowner can't bank on much change from GBP 5000 per day for a supply duties spot fixture. While extensive measures have been put in place to cut operating costs on the part of the ship owners, the cost of taking a vessel into port has just climbed. To the point where the cost of taking a vessel into a Scottish port can wipe out any income for a PSV if the job it's fixed on is short. For vessels trading out of the UK, the options for a port call are basically Aberdeen, Peterhead or Montrose if you want to have any hope of fixing your vessel for work in central or northern North Sea. And you need to be in port alongside in most cases before a vessel will go on hire, so there's little choice but to pay the port charges and hope for the best. Aberdeen, Peterhead and Montrose have a similar charging structure for a vessel coming into port and they have been hiked up for any vessels involved in "offshore exploration, construction or support including survey". Of course when times were good any mention of involvement in offshore oil and gas meant that that you could pretty much name your price and it would be paid without question – especially in the North-East of Scotland. But in the current environment, continuing to charge at these levels means yet another burden for the shipowners to bear.

Peterhead

Port charges are calculated on the weight of a ship. In the case of Peterhead the charges come in at 49p per GRT for the harbor berthing dues and 12.5p per GRT for piloting and navigational dues. Additional charges for things like rental of a skip or assistance from linesmen come in on top of this. The charges are payable per seven days of being in port, so if the vessel is only coming in for one day, the full charge is payable despite the fact the vessel will not use the full seven days. For an AHTS vessel (we have used

Island Valiant as an example), the charge to be in port would come in at around GBP 4500. This would be a base case scenario where some additional services are used. For a PSV (we used the example of Vestland Insula) the cost would be around GBP 3280. The charges are the rates payable for a vessel coming into port at time of writing, it is understood that following a recent board meeting the 2017 charges will likely increase.

Montrose

Montrose ranks the cheapest of the three with harbor and berthing dues at a cost of 44p per GRT and 11p per GRT for piloting dues. Other charges may be payable for piloting should they be required out of normal office hours. Again these costs are payable per week or part thereof, so if the vessel only stays in port for two or three days the cost is the same as if they had been in port for seven.

Aberdeen

Aberdeen's port costs have risen 15.8% since 2015 and the main reason given is the planned expansion of the harbor, something that is a major challenge for shipowners entering the port. There has simply not been enough room to accommodate all the vessels particularly at busy times. So even having paid the port costs, entered port and the vessel is alongside, if another vessel comes into port that for one reason or another is given preference over your vessel, you can be kicked out of the port. The expansion programme will see the port expand to the south of the existing area and approval has just been granted for the work to be carried out. But statutory approval is just the first in a series of steps that must be taken before dredging can start, it will be years before it is open for commercial use. In the meantime Aberdeen harbor's dues are as you might expect, the highest. A charge of 60p per GRT for harbor dues plus pilotage is charged according to which weight class the vessel falls into. The dues are payable per every five days as opposed to seven at



1.

1. Image of vessels in Peterhead harbour, by Navin Mistry, Shutterstock

2. Image of Viking duo with Siem Opal in background, by Navin Mistry, Shutterstock



2.

The UK sector is being described by the Oil & Gas Authority as a super mature basin. It is a region in decline, though the current low oil price has certainly not helped, the number of exploration wells drilled on the UK side has steadily declined over the past decade.

Of course as fewer wells are drilled, fewer finds are made, confidence decreases which leads to a reduced willingness for others to go out and drill. Not replacing reserves that have been depleted is a phenomenon that can be observed over most of the world's oil hubs right now, and we will likely feel the bite of that in a five years or so. But for the UK the lack of drilling and the continued decline of existing fields has meant the decommissioning discussion is now firmly back on the table.

Shipyards, ports, engineering firms and all manner of companies are gearing up to capitalize on the decline of UK offshore oil and gas. But of course decommissioning isn't a sure-fire bet. Removing aged North Sea fields is a costly business, most often running into the billions of pounds per field. It also generates no revenue for the operator, and in this cash constrained environment shelling out a billion pounds to clean up something you don't necessarily need to clean up right now is decision many oil companies will not find palatable. The next obstacle is once you have removed infrastructure you close the door on adding any future production from a potential near-by find, so you need to be 100% sure that the production facility could and will never be used again. And back to the point of not necessarily needing to do any cleaning up anyway, the UK government (as well as the Norwegian) does not currently stipulate that a company MUST clean up the seabed and remove structures once production has ceased. They can suggest and encourage, and indeed often do, but the onus to decommission a field is solely on the operator.

However..

At some point in the future the decision to decommission will need to be taken. Those wells will need to be plugged and abandoned, the super structures will need to be removed and the seabed will need to be cleaned up. And there has never been a cheaper time to secure a rig to P&A a well, or indeed a vessel to support the programme. This is something that has not been lost on many operators in the North Sea. We estimate that over the course of the next 12 months nearly 20% of rigs on contract in the North Sea will be doing P&A work. There are now more wells being plugged and abandoned on the UK side than there are those being drilled to find oil.

THE BEGINNING OF THE END

It's been said several times before, but the potential of the decommissioning market in the North Sea could be huge. We take a look at just how much work there is to be done in shutting up shop in some of the North Sea's oldest assets.



Several operators have tenders out at present looking for rigs to carry out lengthy P&A campaigns. Repsol Sinopec is looking for a rig for work at Beatrice, Petronella and Galley fields. ConocoPhillips is looking for a jackup to cover P&A at Ekofisk plus there are several others we believe will come to market over the coming months.

Plugging and abandoning a well is actually the costliest part of the whole decommissioning work scope, (around 47% of the total cost in UK sector) or at least it was when the rig rates were so high. But a combination of falling rig rates and advancements in technology meaning wells can be plugged far quicker and cheaper, mean operators are showing an increasing willingness to carry out the work despite its lack of revenue generation. In addition to the rigs being tendered for P&A work next year, several already have rigs in place, notable Fairfield Energy, Maersk Oil, TAQA and AkerBP. The question in my opinion is what will come first, a wave of commitment to decommission fields on the back of low rig rates, or a hike in the oil price meaning extending life of fields. As with scrapping rigs, the minute the oil price goes up there will be an abrupt halt to the discussion of scrapping and getting rid of the old. But with analysts predicting a continued over supply situation in global oil supply for some time to come, the hike in oil price is some way down the road, but the start of the decommissioning wave is just around the corner.

Fields approved for decommissioning in recent years

- JANICE, JAMES & AFFLEK (MAERSK OIL)
- ATHENA (ITHACA ENERGY)
- VIKING PLATFORMS (CONOCOPHILLIPS)
- LEADON (MAERSK OIL)
- HARDING (TAQA BRATANI)
- THAMES AREA (TULLOW AND PERENCO)
- BRENT FIELD (SHELL UK)
- ROSE FIELD (CENTRICA)
- MURCHISON (CNR)

"At some point in the future the decision to decommission will need to be taken. Those wells will need to be plugged and abandoned, the super structures will need to be removed and the seabed will need to be cleaned up. And there has never been a cheaper time to secure a rig to P&A a well, or indeed a vessel to support the programme."

THE DECOMMISSIONING SECTOR IN THE NORTH SEA:

Over the next 10 years

- 100+** Platforms scheduled for complete or partial removal
- 1800+** Wells to be plugged and abandoned
- 7500KM** Pipeline scheduled for removal
- £17.6BN** Total decommissioning spend (UK sector)
- 11855** Subsea mattresses to be removed
- 64424T** Weight of subsea infrastructure to be removed
- 186** Number of decommissioning projects

Stats taken from Oil & Gas UK's latest Decommissioning Insight report



3.

4.



cont...

Peterhead or Montrose. But again here the problem is the shipowner might want to have the vessel in port longer but constraints on other vessels requiring the berth might mean your vessel is kicked out anyway.

In Aberdeen if your vessel is in port longer than five day period, the next block of five days charged is increased by 25%. The next block of five days jumps by 100% of the charge. This means that a vessel in port awaiting work for a couple of weeks can rack up a hefty bill.

Meanwhile in Norway...

Moreover, the Scottish ports are charging twice, almost three times as much as what's being asked over in Stavanger or Bergen. In Stavanger the port charges on a similar scheme where the port dues are calculated on the weight of the vessel but they are charged per night plus a one of entering fee.

The Norwegian ports offer a significant discount on port charges based on a scoring system entitled the Environmental Ship Index. In effect the greener the ship, the cheaper it is to come into port. The higher the ship's ESI score the bigger the discount with some ships qualifying for as much as a 50% reduction of costs. This applies to Stavanger and Bergen as well as several others. The Norwegian ports are by nature far deeper, meaning no dredging is required to accommodate larger vessels and may account for why the costs are so much higher over in Scotland. But when

asked why the costs payable for entering their harbor were more than double their Norwegian counterparts, neither Peterhead, Aberdeen or Montrose have an answer. It seems port costs are another legacy of how the golden age of North Sea oil has allowed suppliers to charge what they want. But if we have another year ahead of us of depressed rates being paid for offshore vessels, isn't it time the port charges are reevaluated?

3. Vessels at anchorage in Albert Basin on a rare sunny day.

4. Aerial view of Aberdeen harbor including the area to the south where the proposed expansion will eventually include. Image courtesy of Aberdeen Harbour

NEWBUILDS

When the full impact of this downturn started to be felt, the process of cancelling or delaying delivery of newbuilds was well underway. Suddenly the fewer ships you had to be responsible for the better, the thought of adding to the problem with a newbuild, particularly one ordered on spec with no contract in place, was a big headache. But despite this there are actually still a handful of vessels still on order. Though most have now been cancelled and indeed those still on the list might not hit the market for some years to come here's what's still on the order books.

Fafnir Offshore

Icelandic Fafnir placed an order for a Havyard 833 ICE back in April 2014. The vessel was to be built at Havyard in Leivik with original delivery due back in 2015. This has been consistently set back with latest word being that it should be ready for operation in 2019.

Island Offshore

Three UT717CDX vessels are under construction for Island at Vard Brevik, named Island Defender, Discoverer and Diligence. These vessels too have been delayed at the request of owners, exact date of when they will hit the market remains to be seen, what is known is that once they do deliver they will not belong to the Island Offshore Group. Island Victory, which is a UT797 CDX design AHTS vessel has been set back several times but now looks like it will

be delivered in the first quarter of 2018. The vessel is expected to be around 400 tonne bollard pull and will be built at Vard in Brevik.

Maersk Supply

Maersk is pushing ahead with its newbuild programme of six new AHTS vessels of SALT 200 design. These vessels are being built at Kleven in Norway and will be around 230bp, 23000 bhp and the first is set to deliver at the start of 2017. Maersk tends to keep quiet on names of newbuilds until delivery but the first vessels is understood to be named Maersk Master so the following five will likely begin with the letter 'M'. I'll take this opportunity to suggest Maersk Molver...?

Gulf Offshore

North Barents is currently under construction at the Simek yard in Norway. The ST 216 Arctic design PSV is set to deliver in the second half of January 2017. This will be a sister vessel to North Pomor and North Cruys.

Siem Offshore

Siem is building a series of VS4411 PSVs in Poland at the Remontowa yard, sister vessels to the already delivered Siem Pride which is currently on long term charter to Shell Norge. The three remaining vessels will deliver next year at intervals of a few months between each vessel, starting with the first vessel in the second quarter.

RIGS

There's a huge number of rigs still on order and under construction at the Asian yards. As with the vessels these units have been consistently delayed or cancelled but there remains a large backlog which in many cases the completion of these units means sink or swim for some yards. However here is an overview of the new rigs that have been contracted for work in the North Sea.

Maersk Invincible – new jackup currently under construction in Korea at Daewoo. It is due to deliver and commence acceptance testing next year in the second quarter. The rig has been contracted to AkerBP for plug and abandonment work at the Valhall field. The

rig is contracted for five years with a further five years of options remaining thereafter. Drilling expected to commence in the second quarter of next year.

Askeladden & Askepott – Statoil has two jackups under construction at Samsung in Korea – the so-called Cat J rigs. Both rigs will hit North Sea waters in 2017, Askeladden will drill at Gullfaks and Askepott at Oseberg.

Bollsta Dolphin – Chevron was due to take delivery of new semisubmersible Bollsta Dolphin next year for drilling at the Rosebank field in the UK. Fred Olsen Energy, the rig owner, cancelled the contract with the yard following Chevron cancelling the work for the rig. Though the rig may still deliver it, there is no word on what Chevron will do with regards to the Rosebank project.

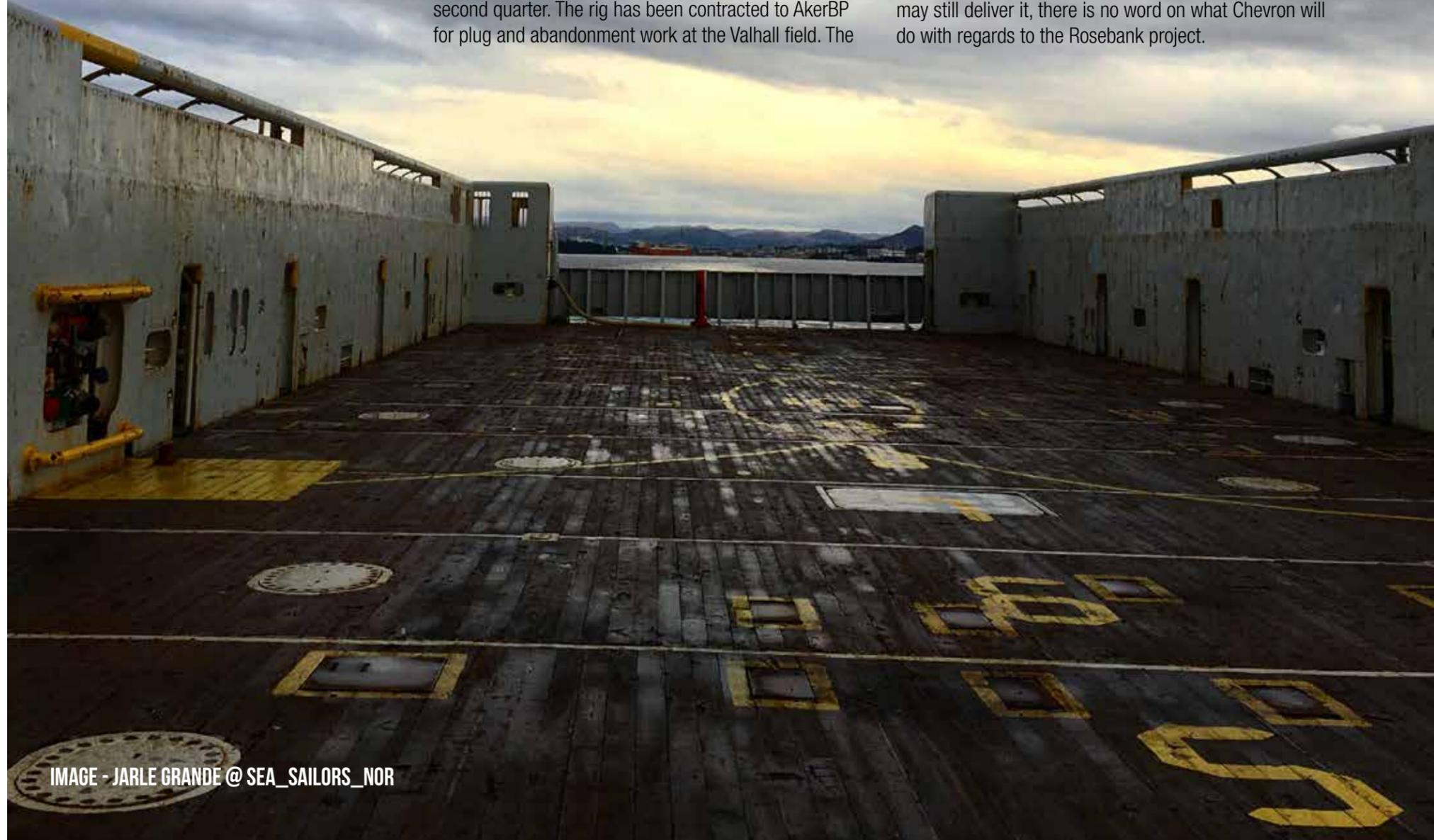


IMAGE - JARLE GRANDE @ SEA_SAILORS_NOR

WIND OVER OIL, DONG EXITS OIL AND GAS

Danish energy group DONG has been increasing its presence in offshore wind for years. But its commitment to the sector has just taken one giant leap further with the decision to withdraw completely from oil and gas and focus solely on offshore wind. DONG currently operates four wind farms offshore UK, has a stake in several others and when taking additional farms currently under construction into account the total installed capacity is almost 4.9 gigawatts – or enough to power 4.4 million UK homes. The Hornsea Project which, once constructed, will be the world's largest offshore wind farm will be operated by DONG. The first phase of the project will see 174 turbines installed each with 7MW capacity and subsequent phases will mean the project increases significantly. DONG Energy listed on the NASDAQ Copenhagen stock exchange earlier this year in what ended up as one of the year's biggest IPOs. The Danish government still retains a stake in the company but a reduced one as new investors came on board. Divesting from offshore oil and gas had added a pile of assets to the already long list of items up for sale in the North Sea. Indeed selling up and shipping out is not a DONG-only phenomena right now, though choosing to focus instead on offshore wind is. With so many fields up for sale, bargains are there for those who are in a position to snap them up. It was suggested recently that some fields would be almost given away in order to relinquish

any financial responsibility to the operator. A deal was reached between Faroe Petroleum and DONG in the summer to buy some of its Norwegian fields for a sum of USD 70million. The deal, expected to be concluded by the end of the year, will see Faroe take control of DONG's stake in Ula, Tambar, Oselvar and Trym. Work is said to be ongoing to find buyers for the remainder of DONG's offshore oil and gas assets. Where once offshore wind was seen as an energy generation source that was costly and heavily dependent on subsidy, the inroads made by the industry, not least DONG, have shown that energy generated by offshore wind farms is getting ever closer to producing energy at a comparable cost level to offshore oil fields. The gap is narrowing by the day and companies are looking to capitalize on the opportunity. Offshore US there are just five windmills. The market potential (even in a Trump-governed era) there has not gone unnoticed. Then there's the floating windmills, at present only 2% of the world's sea area is shallow enough for a fixed turbine to be installed. If the floating turbines succeed in becoming economically viable the market potential there is sizable. It may be over-simplifying things slightly to say wind is the new oil and DONG is paving the way for energy companies in the future, but it is interesting nevertheless that this is happening. Expertise garnered in oil and gas is being transferred to the wind industry and the result is not insignificant. Our guess is it won't be the last such move.



AN EARLY MERRY CHRISTMAS FROM WESTSHORE

In Norway the julebords (Christmas parties) just seem to get earlier and earlier. Using the excuse that December is far too busy a month, these parties are creeping further and back into November. Any old excuse to indulge in a little Christmas spirit is welcome it would seem. This being the case I would like to take this opportunity to wish you all a very merry Christmas and a happy new year from the team at Westshore!

