

NORTH SEA VESSEL REPORT

November 2018



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Braemar ACM Offshore is a division of Braemar Shipping Services PLC, a leading integrated provider of brokering and consultancy services to the shipping industry.

Braemar ACM Offshore is comprised of 17 brokers with additional support staff across 4 international offices (Aberdeen, London, Singapore and Houston) specializing in the offshore markets worldwide. Our key aim is to help Clients achieve problem-free Chartering and Sale & Purchase in what can often be a volatile Offshore Vessel market.

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The North Sea vessel market in October has been a tale of mixed fortunes for Vessel Owners. For AHTS Owners poor utilisation with weak day rates featuring heavily throughout the month whereas the level of PSV chartering and associated average day rates increased to levels unseen this year to date.

Of the 22 or so rig moves which took place throughout the month, associated anchor handler day rates peaked around the GBP 25k per day level. The period of increased rates however was short lived, and as the balance of supply and demand swung back in favour of Charterers day rates fell quite dramatically. When looking at how things might pan out to year end, it doesn't take long to realise that the challenges which lie ahead for AHTS Owners remain real. October saw further rigs finish up contracts and with as many as five more scheduled to complete before year end, the winter looks set to remain challenging for those trading anchor handling tonnage.

For the first time this year average monthly spot PSV rates for large units pushed into five figures (c. GBP 10,250) assisted by a prolonged period of poor weather in the early part of the month. As vessels were retained offshore and Operators chased the same working weather windows, the associated bottlenecks in availability saw spot rates peak at GBP 15k but predominantly sit in the c. GBP 8,000 – 12,000 range for the first three weeks.

Since our last report was issued no less than 8 North Sea PSV term tenders have been issued covering periods from 6 months – 5 years firm this represents a market increase in North Sea PSV term activity.

If we consider the increased North Sea PSV activity combined with the increased overseas PSV tendering that has also emerged recently it is likely we will start to see some changes in the fleet of available PSVs going forward. As this happens, some Owners may start to change the pricing strategy of their uncommitted units.

“Overall however, sentiment throughout the North Sea is improving.”

Overall however, sentiment throughout the North Sea is improving. Year to date there have been 16 exploration and 10 appraisal wells drilled on the UKCS with seven active at the time of writing, all of which are exploration. You would have to look back to 2015 to find similar numbers cited in one year.

As Brent Crude consistently sits at USD 70+ Oil companies are slowly beginning to announce larger programmes which is helping to paint a brighter picture for the North Sea industry. The authorisation afforded by the UK Oil & Gas Authority to both Zennor's Finlaggan and BP & Shell's Alligin projects has boosted North Sea projects year to date to GBP 3 billion, again the highest since 2015. When paired with the number of long term commitments announced from the likes of Shell (Penguins), BP UK (Vorlich) and Total (Glendronach) it points to the future of the basin is beginning to look a lot more positive for all invested in it.



CURRENT TENDER UPDATE

As touched on in the broker commentary, October was a busy month on the tender front with no less than eight new term PSV requirements issued to the market. What is pleasing from the Owners perspective is that all but one of these represents new demand. The new only requirement that is up against incumbent tonnage is for Shell UK who are seeking offers for 2, 3 or 5 years against priced options on two Gulfmark PSVs. While some of the requirements will make for good winter coverage for Owners - EnQuest, Fraser Wells and Allseas - four of the tenders could see a vessel utilised for a year or more. Hurricane are the latest Charterer to hit the market for a minimum period of a year to support operations at their Lancaster field with the FPSO Aoka Mizu currently en route from Dubai. The remainder of the year looks set to remain busy on the term chartering front.



BB TROLL MIGRATES FOR WINTER

Odfjell Drilling AS have fixed the 2000 built AHTS VS 473 'BB Troll' from Bukser Og Berging to support the tow of the DP III semi Deepsea Stavanger from the North Sea to South Africa. Although, as a DP III unit the rig was transiting under her own steam, the BB Troll has been chartered to improve the overall towing speed to around 7-9 knots. As reported last month, the Far Starling and Normand Ranger were fixed to support the drilling programme in country where the rig will complete a 60-80 day programme on behalf of Total SA. The contract for the 164 t BP 'BB Troll' was fixed for a period covering 140 firm days + 45 d/opts and will stay with the rig throughout.



FAIRFIELD FIX AND EXTEND

Newly named Solstad Offshore ASA have secured a pair of contracts for two of their PSVs with Fairfield Betula Limited. The first contract will see the 2003 built P 105 'Far Symphony' continue to work with the North Sea Operator for a further 18 firm months + opts. To remind, she was initially fixed back in Feb 2017 for P&A support with the 'Sedco 712' at the Osprey and Merlin fields and will undergo a dry dock before the commencement of the new period. The second vessel also a P105 design, the 2005 built Nomand Aurora which has secured a 12 months firm + 4 x 6 month opts commencing mid-Jan.

2 YEARS FIRM FOR NORTH BARENTS

In addition to the Island announcement detailed last month, Equinor AS have also fixed the 2009 built ST 216 Arctic 'North Barents'. The 92.6m LOA 1050m2 deck vessel has been fixed for a period of 2 years firm + 4 x 6 months options. With the contract commencing in November the vessel will join the Equinor AS pool fleet and will support the various programmes the Operator has planned for the 2019 / 2020 season.



Credit: John Lambert Photography

SKANDI KVITSOY ON POINT

DOF Management AS announced Wed 31st Oct that they had secured a 1 year + 4 x 6 month term deal for the 2015 built STX 09 CD PSV 'Skandi Kvitsoy'. The 1000m deck vessel is expected to support drilling at the Operators Ringhorne platform on the NCS. With the contract set to commence later this month there is scope, if options are all declared, for the vessel to be utilised through to late 2021. Prior to contract commencement the Skandi Kvitsoy will change from her current NIS flag to NOR flag and therefore with a full Norwegian crew.

EIDESVIK DOUBLE EXTENDED

Norwegian energy giant Equinor AS have extended a pair of Eidesvik owned PSVs for a period covering 1 firm year. The 2004 built VS 493 'Viking Avant' and 2003 built VS 4403 LNG 'Viking Energy' have been working with the Norwegian Operator since delivery and were extended through to late 2019 / early 2020 respectively. Both vessels will continue as general pool support ships with Viking Avant currently operating from Kristiansand as base port and the Viking Energy currently supporting the 'TO Arctic' out of Mongstad.



A WALK IN THE PARK FOR ISLAND

Island Offshore have secured a 3-year term deal with Equinor AS on their 2015 built UT 766 CD vessel 'Island Clipper'. Prior to commencement, and in addition to a typical supply duties role, the vessel will be upgraded to allow for easy mob / demob of a walk to work gangway at short notice. The vessel will provide essential support during maintenance at Equinor's various installations. The contract, which is set to commence in April next year, sees the firm period run through to spring 2022 with 4 x 6 months options thereafter. This type of multirole contract is not new for Island as they have a sister vessel on charter with Perenco in the SNS completing a similar walk to work programme.



SUBSEA COMMENTARY

Subsea Contractors and Subsea Vessel Owners are eagerly trying to secure utilisation for their ships over the winter at the moment. A small group of Owners and subcontractors already sit comfortably with winter work. Others, having vessels handed back to them from seasonal assignments are however now having to work hard to attract interest in their fleets. Inevitably Owners are having to overturn stones, revisit old address books and re-publicise their availability in the hope that a suitable charter here or elsewhere can be found.

Some of the hard work has paid off, and like 2017 it is Offshore Wind that responded with firm charter offers. Here wind companies with delivery targets to meet are taking advantage of the slack market and taking on ROV survey vessels and up manning large subsea vessels to speed up winter commissioning. New 'walk-to-work' charters and extensions have already been concluded for large construction vessels such as Siem Barracuda, Siem Daya, Deep Cygnus, Viking Neptune and the Maersk Involver. Owners report it taking 'some time' to get things over the line and are hereafter having to be flexible on commercial terms to maintain Charterers interest. Siem Barracuda's charter for 15 months is the outstanding fixture of this group with the ship due to stay in the renewable energy market until early 2020 at least. Day rates are low, but the prize of 100% utilisation over the winter is well worth it, when the only other choice is idle crews, vessel lay up or a move out with the region.

There are undecided matters in the domestic subsea market which are expected to be settled shortly. Toisa vessel sales are close to being formally announced, with subsea vessels Toisa Proteus, Toisa Perseus and potentially Toisa Pegasus heading into new Ownership. Elsewhere, Golden Energy's purchase of Larissa and Despina is set to be finalised in the coming weeks, with the Owners identifying a potential pinch point for SPS coded subsea vessels. On the corporate front the format and livery for the Bibby Group is expected to be completed shortly following its merger with the Rever Group.

HC2 HOLDINGS INVESTIGATES GLOBAL MARINE SELL OFF

Holdings company HC2 has announced that it is investigating the potential sale of its offshore engineering subsidiary Global Marine. HC2 Holdings, which was formed in 1994 has interests in construction, marine services, energy and other businesses in the UK, US and internationally. The time frame for completion of the sale process has not been decided, and all parties have agreed to not comment further until the process is concluded. To remind, Global Marine is a leading provider of engineering and underwater services which includes a majority stake in offshore wind specialists CWIND. In November 2017, Global Marine also acquired Fugro's non core cable business in exchange for an equity interest of 23.6% in the company. This purchase included the subsea vessel Fugro Symphony as well as 2 powerful trenching systems. Global Marine has seen strong demand for its cable and optic businesses winning work worldwide for installation vessels Global Symphony, CS Recorder and maintenance vessels Cable Innovator, CS Sovereign and Cable Retriever. Global Symphony has been a regular visitor to East Coast Scotland with involvement in the Kincardine Offshore wind farm and recently offshore Shetland performing cable inspection work for Scottish Hydro Electric.



GOLDEN ENERGY ACQUIRES LIGHT CONSTRUCTION VESSELS / LARISSA GOES FOR GOLD

IMR and light construction vessels Neptune Larissa and Neptune Despina have been acquired by Golden Energy Offshore after the company secured long term financing from lenders. The sister vessels of the distinctive Ulstein SX130 design have been purchased for USD \$39 million per vessel with delivery of the vessels planned for Q1 2019. GEOFF have up until now been managing the SPS coded Despina and Larissa, marketing them for work in the UK, Norwegian and German offshore sectors. Both vessels have been trading the spot market, and Larissa has recently been awarded a 40 days charter by James Fisher Marine Services and gold salvage Client Britannia's Gold. The company's chartered the Larissa (taking advantage of lower vessel charter rates) for gold bullion salvage ops following DP failure and cancellation of an earlier vessel. To reinforce their credentials, Larissa is also currently fitted with an Ampelmann A type (EP) gangway system (from a previous charter) and 2 x IKM work class WROV systems.



INVENTOR CONTINUES WITH LEADON DECOM

High end construction vessel Maersk Inventor has confirmed completion of the first part of Leadon decommissioning campaign for Clients Total E&P UK (formerly Maersk Oil UK Ltd). Removal of the south infrastructure in Block 9/14 which included bundle cutting, structure recovery, debris clearance and xmas tree removal has been completed safely in accordance with the approved programme. Maersk Inventor, which has been a regular visitor to Aberdeen, was delivered in February 2018 as the third 'Stingray SSV' integrated into the Maersk fleet. Sister vessel Maersk Involver is also in the North Sea, performing walk-to-work in the German wind sector with Charterers Adwen. Involver has recently been extended by Adwen and will now remain with Charterers until March 2019. All 4 vessels Maersk Inventor, Maersk Involver, Maersk Installer and Maersk Implementer were constructed by COSCO Shipyard in Dalian in China.



AEOLUS ENERGY SIGNS AGREEMENT WITH ULSTEIN TO DESIGN A NEW SOV

US group Aeolus Energy has confirmed the signing of an agreement to design the first US Flagged, Jones Act-compliant SOV. The SOV to be based upon Ulstein's successful SX195 design will be constructed at a US shipyard and comply with the requirements to transport cargo between US ports, or between US ports and offshore facilities. The signing of the agreement is a major step forward in the US offshore wind sector and further evidence of an emerging supply chain tailored to meet the future demand of the US market. Ulstein Verft AS has already delivered one vessel of SX195 design (Acta Auriga) to Acta Marine B.V, with the same Client having a sister vessel (Acta Centaurus) set to deliver in May 2019. Earlier in the year, Bernhard Schulte Offshore also committed to a new SX195 vessel, with delivery of the 93m vessel expected in early 2020. Vessels of SX195 design have been designed with internal spaces for 120 persons and the modified X-Stern solution enabling high manoeuvrability at different vessel headings.

HEAVY LIFT VESSEL ORION RECEIVES UPPER DECK SECTIONS

DEME's next generation, DP3 installation vessel Orion has received its new bridge and accommodation sections ahead of delivery in 2019. The 216 metre vessel, which is currently under construction at a COSCO shipyard in China is designed to transport and install some of the largest wind farm components including monopiles and foundations. The Orion will come equipped with a 5,000 tonne Liebherr HLC 295000 crane with a lifting height of up to 180 metres and an outreach of 30 metres. Deck space will be around 8000m² with an exceptionally high transport and load capacity of around 30,000 tonnes. This will make the vessel and its POB of up to 130 persons, suitable for offshore wind development the steady flow of oil field decommissioning projects which are expected to come to market in the future. It has been a busy time for DEME who recently welcomed the 161m cable installation and trenching vessel 'Living Stone' to the growing list of assets. The vessel is currently on site at the Hornsea One Project alongside rock placement vessel Rolling Stone.

HORNSEA 1 REACHES MONOPILE MILESTONE AND FURTHER DEVELOPMENTS TO FOLLOW

Orsted has confirmed that 104 out of a total of 174 monopile foundations are now installed at the impressive 1.218 MW Hornsea Project One wind farm. The development which will be the world's largest when it comes into operation by 2020 will eventually consist of 174 Siemens Gamesa 7 MW turbines, connected by inter array cable to three offshore substations. The next phase of the Hornsea development, Hornsea Project Two is already in the pipeline, with geotechnical surveys completed and contracts already awarded for two substations, cabling contracts and on shore infrastructure. Hornsea Project Two which will have a capacity of 1,386 MW is expected to be commissioned during 2022 - 2023. Hornsea Project Three, further east of the earlier phases is also in the planning phase and expected to have an installed capacity of up to 2,400 MW. Assessments for Hornsea Project Four have also been submitted, with plans for up to 180 turbines being lodged with UK Authorities. Earlier in the year, Ørsted agreed to sell 50 percent of the Hornsea One wind farm to Global Infrastructure Partners.

STEWART MARINE ORDERS DP1 WORKBOAT FOR RENEWABLES SECTOR

Fife based marine services company Stewart Marine has announced the signing of a new build contract with Neptune Marine in The Netherlands. The new 26m vessel, suitable for delivering worksopes in the renewables sector is to build to the EuroCarrier 2611 design and be named 'Viking Energy'. The customised vessel will be tailored for marine services including diving, ROV deployment, cable lay operations, subsea cable protection and offshore wind farm support. The vessel which will be equipped with DP1 positioning, can also be used to assist with civil construction projects, aquaculture, salvage and tidal renewable energy. Delivery of the vessel from the Aalst yard in the Netherlands is scheduled for April 2019 with the vessel expected to enter service soon after.

STANDBY (ERRV)



Since our Standby Vessel / ERRV market round-up last month there has been a couple of fresh ITTs issued to the market for programmes commencing in the coming weeks. There also remains officially outstanding a handful of previously issued ITTs but mostly these will have vessels 'on subs' or earmarked.

ENSCO 72 PROGRAMME FOR FRASER

Fraser require a class B ERRV to cover a 1-3 well programme with the jack-up EnSCO 72 commencing late November / early December. Wick, which is the 1st of their 3 wells is located in the Moray Firth. Their potential 2nd well, Colter, is at the other end of the country; right down in the English Channel off Bournemouth. Their potential 3rd well, Harvey, is back up in the main SNSEA region. The EnSCO 72 has just finished a multi-well programme with PFML / Tullow.

STENA SPEY WELL FROM JANUARY

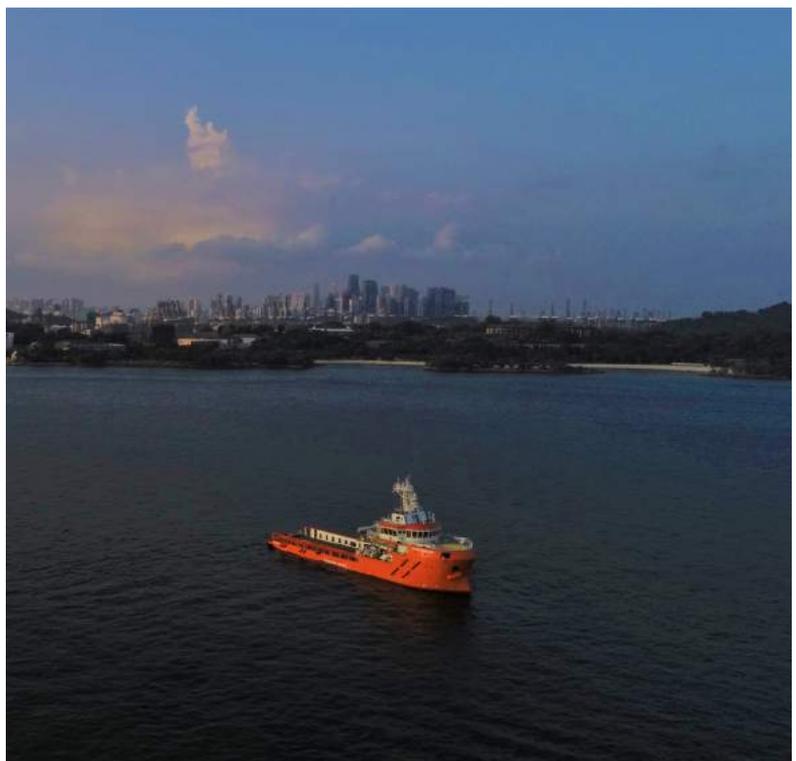
RSR also require a class B ERRV to cover a 1 well programme (estimated at circa 102 days) with the semi Stena Spey at their central North Sea Shaw location. This well is estimated to start during the 1st half of January 2019. The Stena Spey has been sitting in Bergen since it finished up with Nexen in the summer.

OTHER ITTS THAT REMAIN OUTSTANDING

Serica Energy have still to officially announce which vessel has won their ITT for Bruce platform support but are rumoured to be close to finalising. Similarly, PFML (Hurricane) are yet to formally announce which ship has secured their long term Lancaster field support ITT. Hurricane's Aoka Mizu FPSO is now en route to the North Sea from Dubai where it has been undergoing modifications for the Lancaster field operation. Lastly, ENI UK Limited, remain outstanding for an ERRV to cover their SNSEA Rowallan with the EnSCO 121. More news on these next month.

OWNERS CONTINUE TO INVEST

As mentioned last month there's been a recent flurry of ERRV conversion activity among ERRV Owners. Atlantic, Boston Putfords, Glomar and Sentinel have all recently been engaged in converting existing offshore support vessels for future use within the niche ERRV segment. It is positive to witness such investment given the challenges of recent years and it widens the options available to Oil Company Operators going forward. In terms of actual bespoke newbuild ERRV tonnage still under construction, it is Sentinel who have the sole remaining newbuild under construction; the Malin Sentinel is due to join the North Sea market in Q1 2019. She will be a sister multi-role ERRV to the Portland, Biscay and Bailey Sentinel which are already working in the UKCS.



Recent Sentinel newbuild in Singapore prior to departure for the North Sea.



NEW HORIZON FOR NAO

Nordic American Offshore Ltd (NAO) has entered into a Memorandum of Understanding for a merger with Canada based Horizon Maritime Services Ltd which will see Horizon take a majority 52% stake in the combined company. Horizon Maritime, backed by Canadian billionaire John Risley, is a Canadian company operating a fleet of 7 vessels with deep experience in harsh environment marine and offshore operations. Herbjorn Hansson, current owner of NAO, will remain as chairman and CEO of the new entity which will have a combined fleet of seventeen vessels, 10 of which are modern PSVs from NAO.

EQUINOR SNAPS UP ROSEBANK

Equinor have strengthened their UK portfolio after announcing they have acquired Chevron's 40% operated interest in the deepwater Rosebank project in the UK west of Shetland area. The field, one of the largest undeveloped fields on the UKCS, was first discovered in 2004 and lies around 130 km northwest of Shetland. Chevron had been weighing up development options for several years without reaching a final investment decision. The other partners in the field are Suncor Energy (40%) and Siccar Point Energy (20%).

MERGE AHEAD FOR ROWAN AND ENSCO

EnSCO and Rowan have agreed to merge in an all stock deal that will create a company with a combined fleet of 82 rigs and an estimated value of USD 12 billion. EnSCO shareholders will own approximately 60.5% of the new entity with the remaining 39.5% owned by Rowan shareholders. The new company, which looks set to make annual pre-tax savings of USD 150 mill, will have the second largest floating rig fleet (28 units) and the largest jack-up fleet (54) with a particular aim in the ultra-deepwater and harsh-environment sectors.

RIG ANALYSIS

	Norway	UK/Irl	Denmark/Faroe Islands	Netherlands	Stacked without future contract	Stacked with future contract	Total
Drillship	0	0	0	0	1	0	1
Jackup	10	13	2	2	11	5	43
Semi-Sub	13	9	0	0	17	2	41
Total	23	22	2	2	29	7	85

October saw yet another big play in the rig market with the news that EnSCO and Rowan have agreed an all stock merger to combine the two companies. This is the second time in just over a year that EnSCO have got in on consolidating the market having taken over rival Atwood Oceanics in October last year.

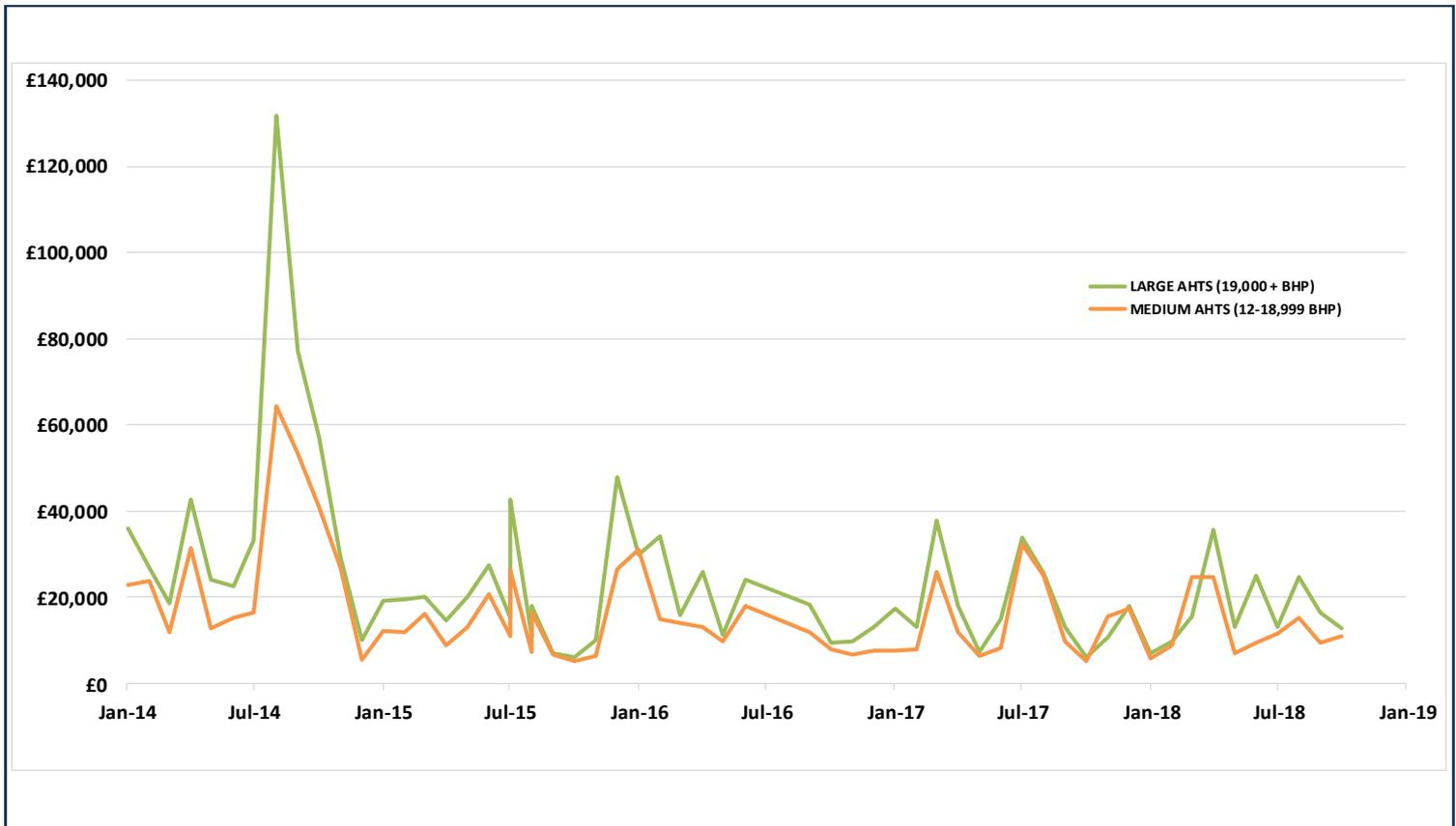
The EnSCO and Rowan merger looks set to have a much bigger effect on the market than the Atwood merger however as it will give the new entity the second largest number of floaters and the largest jack-up fleet in the industry. In the North Sea in particular, it will reduce the number of Owners active in the region to 6 with 60% of the rigs owned by two companies, Maersk Drilling and EnSCO. Further afield it gives EnSCO access to Rowan's lucrative joint venture with Saudi Aramco.

Rig owners are clearly starting to see rosier times ahead with Borr Drilling announcing they are activating 4 new build rigs as well with a view to securing work. Borr also confirmed they have received LOIs for a handful of their fleet for work next year.

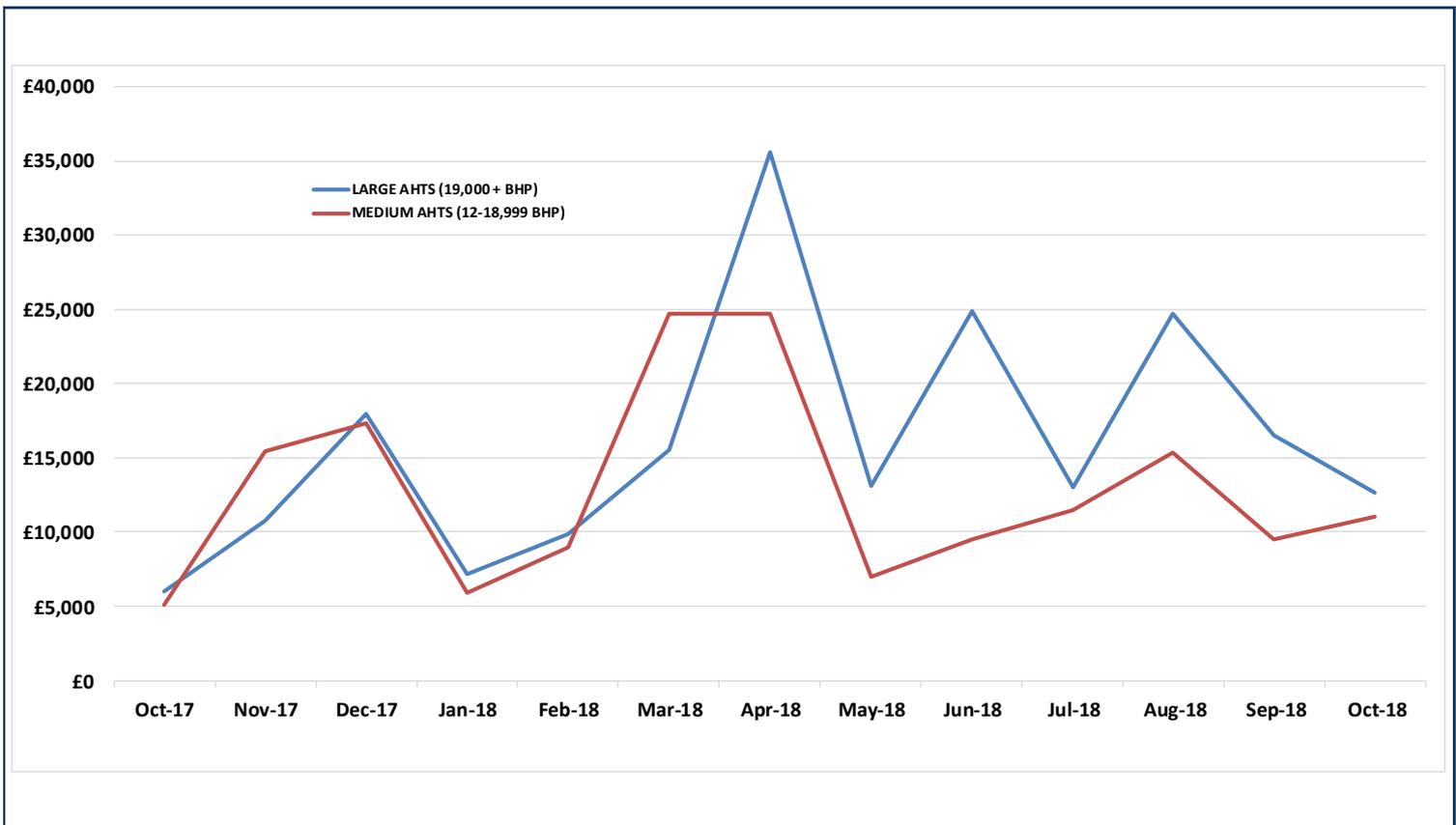
NORTH SEA DAY RATES



AVERAGE MONTHLY AHTS DAY RATES (NORTH SEA SPOT) : 2014—2018



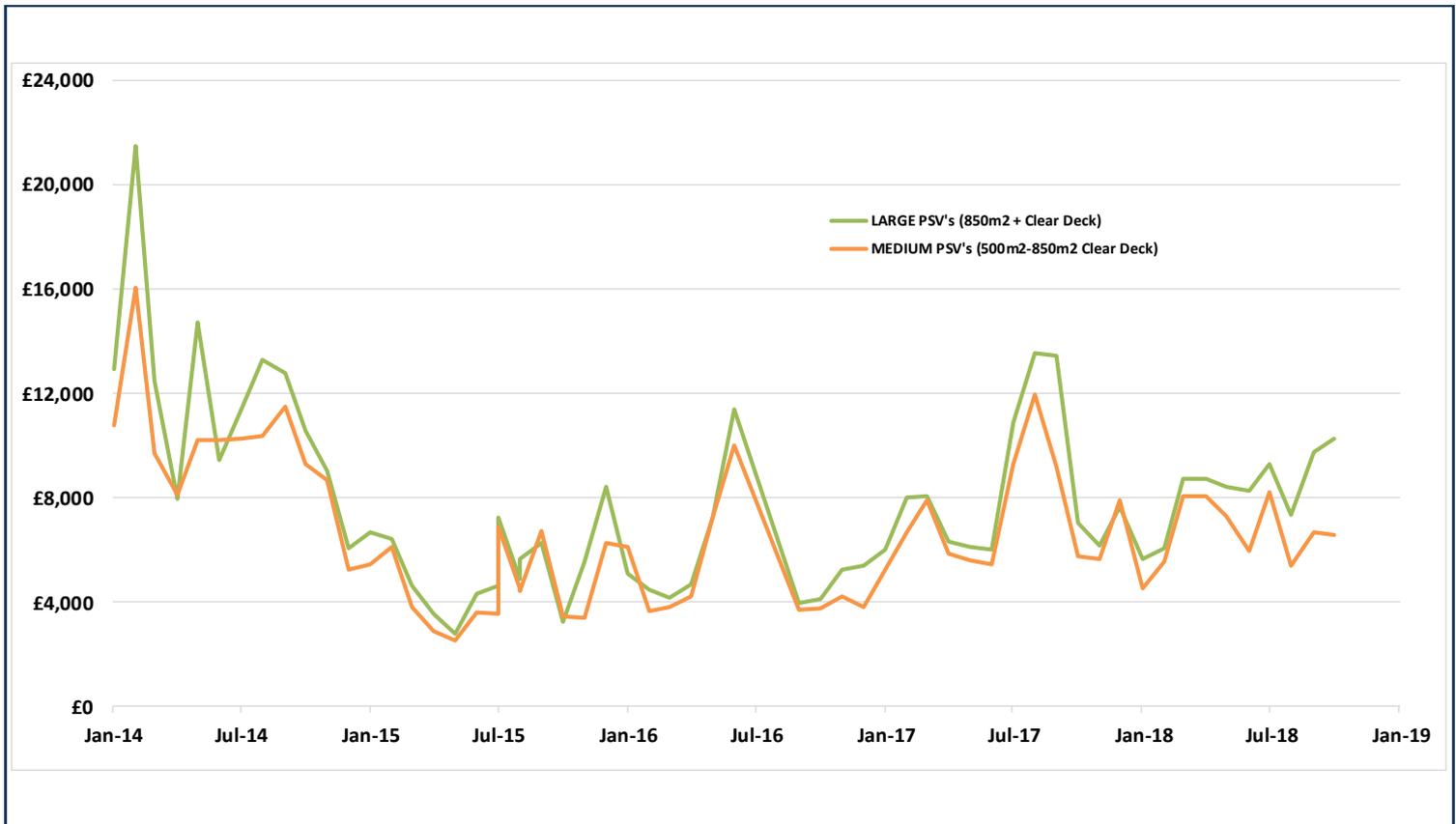
AVERAGE MONTHLY AHTS DAY RATES (NORTH SEA SPOT) : OCT 2017— OCT 2018



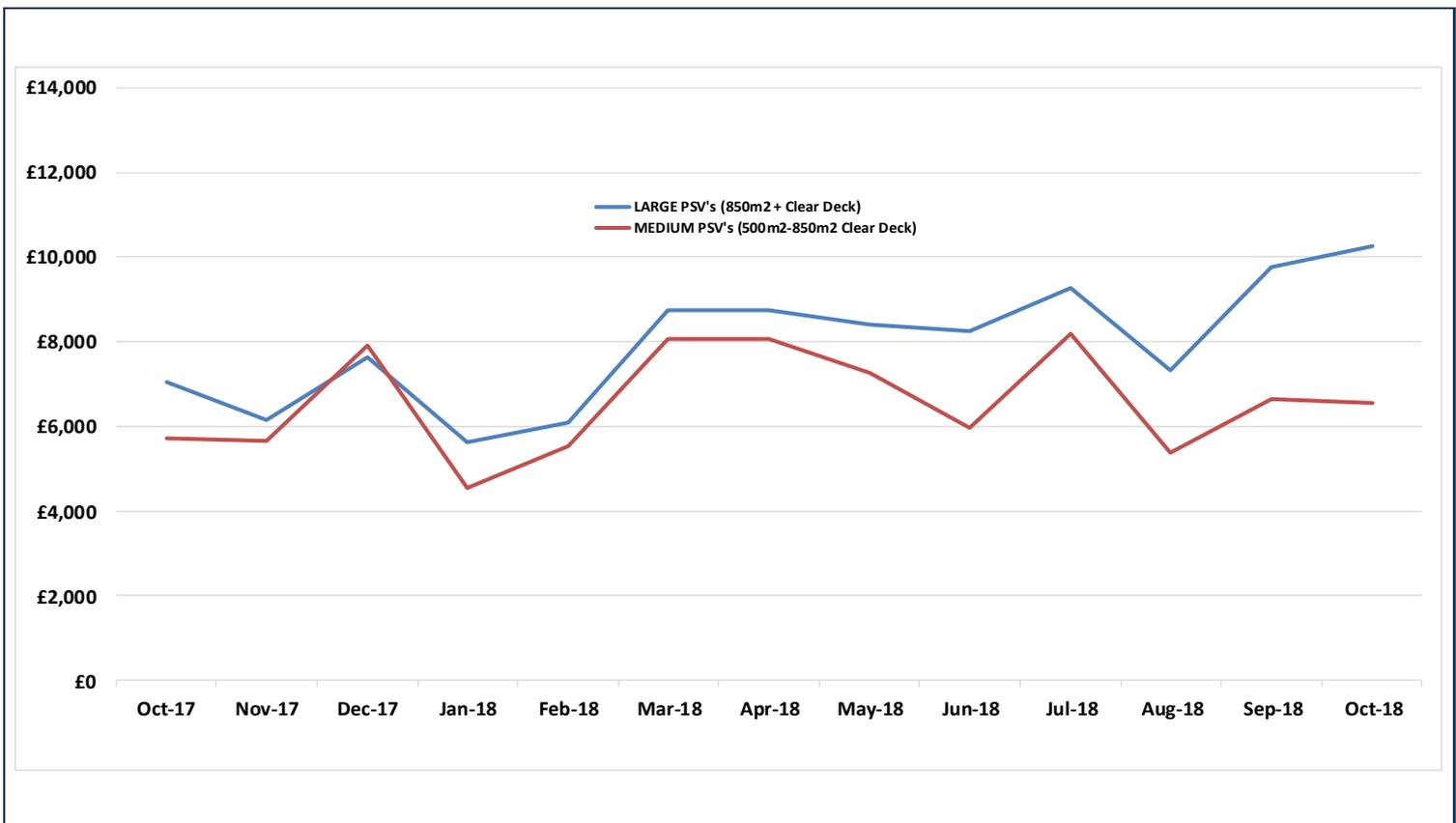
NORTH SEA DAY RATES



AVERAGE MONTHLY PSV DAY RATES (NORTH SEA SPOT) : 2014—2018



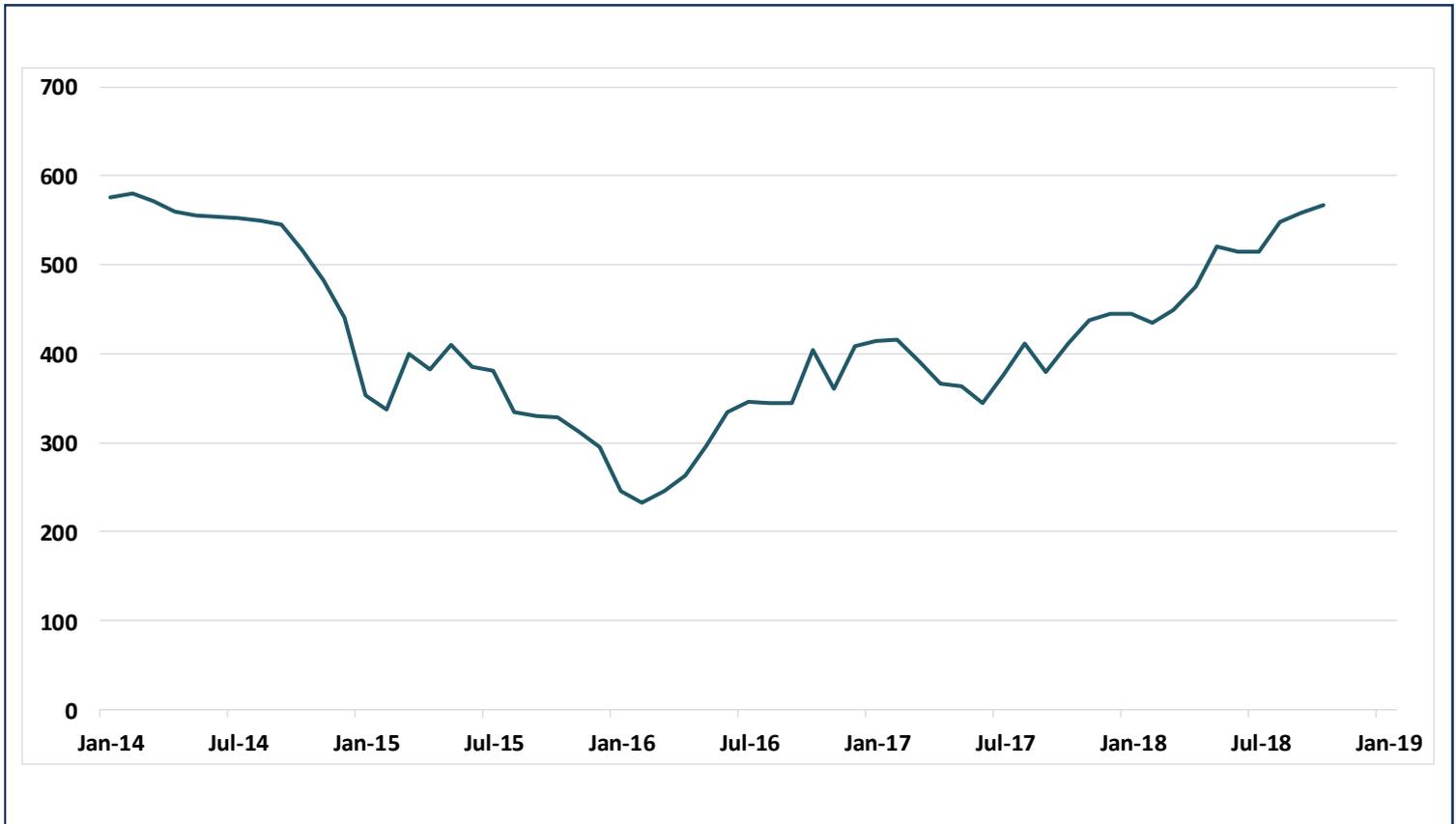
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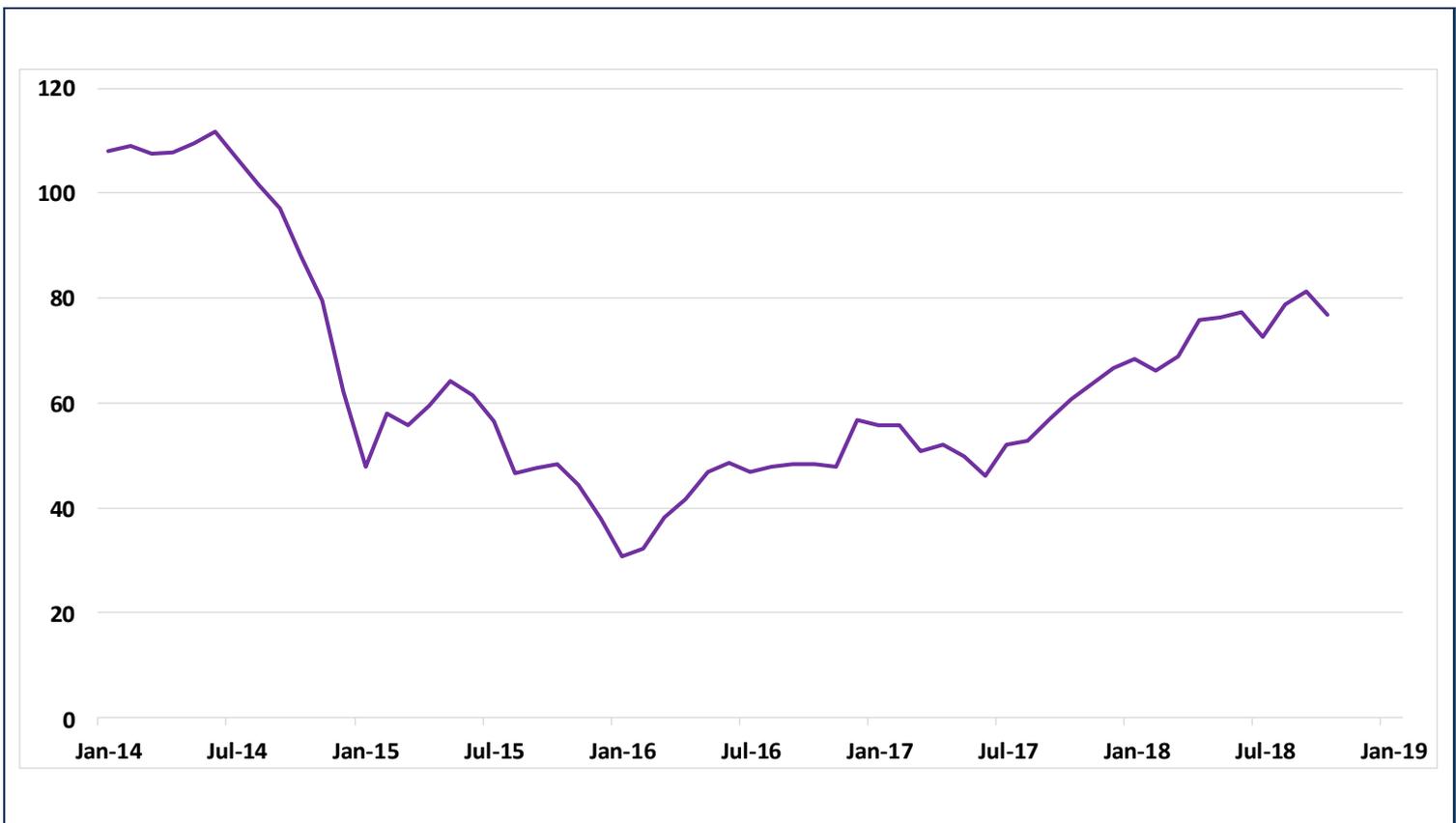
NORTH SEA DAY RATES



BUNKER PRICE (ABERDEEN)



OIL BRENT CRUDE PRICE



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