

NORTH SEA

VESSEL REPORT

January 2017



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OFFSHORE

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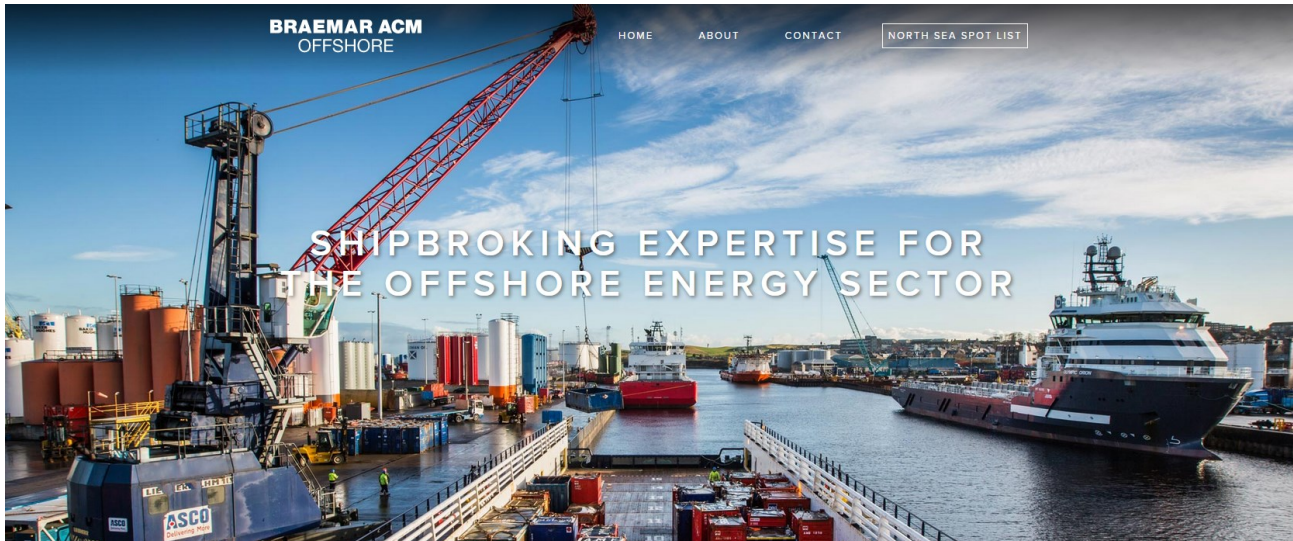
Who we are:

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 20 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.

CONTENTS

OUR WEBSITE	3.
BROKER COMMENTARY	4.
CHARTERING	5.
SUBSEA / RENEWABLES	7.
CORPORATE	8.
STANDBY	10.
RIG ANALYSIS	11.
GRAPHS	12.
OUR OFFICES	14.



Our Offshore website provides direct access to a live North Sea Spot position list for AHTS, PSVS and tugs whilst also detailing requirements and fixtures. The website is accessible from all computer and mobile devices.

Find us at: <http://offshore.braemaracm.com>

If you require any of our previous reports please contact us at:

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H

appy New Year to all.

As we start 2017, it seems only reasonable to assume this year will see a continuation of the varied challenges that many have faced in the North Sea Oil Industry and Vessel Sector over the last 12-18 months.

Many Vessel Owners continue to work hard in the background to agree financial solutions with lenders and bond holders, and some have met deadlines and reached agreements that will see them able to trade fleets well into 2017 and beyond. These agreements will help make things easier in the short term and medium term, but the fundamentals of the various markets remain for the most part unchanged.

Pretty much all vessel segments are without shelter at the moment, but the months of November and December 2016 have been particularly challenging for AHTS Owners. November and December are traditionally times when poor weather interrupts rig moves and Charterers work hard to complete work scopes in the face of closing weather windows, and the knock-on effects can often be higher day rates and poor availability of the biggest AHTS.

This year has seen a complete reversal of this trend with fewer moves undertaken and Owners having to adjust to very low levels of utilisation.

It's very striking to note the number of spot AHTS now trading the UK and Norwegian sectors. At the time of writing this stands at around 25, this is 12 vessels down from 12 months ago. This reduction is a direct consequence of the prevailing market conditions with below OPEX rate levels, when achievable, having pushed many Owners into laying

up ships. It's also important to note that c. 60% of the remaining AHTS fleet is now controlled by roughly 4 Vessel Owners. This dynamic could come to influence the vessel market in the coming weeks and months. Of course, Owner confidence, the timing of project works and drilling rigs re-entry into the market will also influence.

In the PSV sector, the continued trend of oversupply of ships continues to hold, however, we are seeing a fairly consistent level of medium and long term tendering activity. This demand is a mixture of fresh requirements and tendering against incumbent ships. Contracts are being awarded, but given the overall supply picture, day rates are broadly at very competitive levels, to put it mildly.

Further ship lay-ups seem likely, especially in the PSV sector, together with a growing acknowledgement that certain vessels may actually never re-enter the offshore market, either being reassigned to power generation, the aquaculture sector, or face eventual scrapping.

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TEAM MARINE PICK OFF TWO

Among a number of other contract awards and extensions, Gulfmark UK Ltd have secured a 2 year firm + options contract with Aberdeen based marine services company Team Marine. The 1000m² decked, 2009 built STX 09 CD vessel 'Highland Prince' has a proven track record with a broad range of Charterers and earlier this year completed a contract with Dana Petroleum which saw the 86.8m PSV offer drilling support on a 3 wells firm + opt workscope in the Northern North Sea. This news came shortly before the announcement that the 2012 built, 87.9m, PSV 09 CD 'Skandi Aukra' had also secured a term contract with the base services company which again spans a period of 2 years firm + opt and has been Chartered to support activity at the Judy and Britannia fields.

SUCCESS FOR FLETCHER WITH REPSOL

Aberdeen based FS Shipping Ltd have had success with Repsol Sinopec Resources by securing a term contract for one of their Medium sized PSVs. The 73.4m, VS 470 MK II vessel 'FS Arendal' has been chartered to supply a number Repsol's platforms and will see ship working across the various locations firm through to the end of February with options running through to end March.



MAERSK FRONTIER TO SUPPORT OCEAN VALIANT

In late December the 1992 built UT 745 'Maersk Frontier' picked up a '1 year firm + opts' contract with Maersk Oil North Sea UK Ltd. The vessel has been Chartered to support the drilling operations of the 1988 built semi 'Ocean Valiant' at a number of locations and will see the PSV occupied until at least the end of 2017 with options running well into 2018. Maersk Oil North Sea UK Ltd remain uncovered for a further two PSV requirements, the first to support the JUDR 'Maersk Gallant' covering a period of c. 230 days from early February, while the second will see a PSV offer production support for a period of 6 months firm plus a further 6 monthly options.

TROMS SCOOPS CNR DRILLING SUPPORT CAMPAIGN

In late November the 2009 built VS 485 CD vessel Troms Castor commenced a 1 well firm + 3 x 1 well opts charter with CNR International. The vessel was chartered to provide drilling support to the North Sea operator at their Ninian field in the Northern North Sea. Prior to this fixture the vessel had been working with Apache supporting the 1982 built semi 'WilPhoenix'.



FARSTAD CONTRACT SUCCESS

Norwegian offshore vessel owner Farstad Shipping has been awarded a contract extension and several new contracts for its PSVs in Brazil (Far Swift / Far Star) and Egypt (Far Service / Far Supporter). The Far Swift (UT 755L) has had its contract with Petrobras extended by another year while the Far Star (UT 745) was awarded and 2 year contract supporting production activities. Italian contractor Saipem awarded contracts to the 1996 built Far Supporter and the 1995 built Far Service to support their Zohr gas field development project offshore Egypt. These announcements came just before news Farstad had secured a contract from Ocean Farming in Norway which will utilise two of the company's AHTS to install a large semi-submersible fish farm.

ENI AND STATOIL SECURE MOKSTER DOUBLE

Simon Mokster Shipping have secured two term contracts with Norwegian based Oil companies which will see both ships working well into 2018. Firstly Statoil extended the Stril Poseidon by an additional 18 months which will see the vessel continue the provision of field survey support in the Haltenbanken area with the expectation she will remain there to mid-2018. Secondly, the 2016 built UT 776 WP 'Stril Mar' landed a call-off agreement for a period of 13 months firm with further options beyond. The first working period commenced mid-December which see's Mokster's newest built PSV supporting ENI's drilling activities with the Scarabeo 8 in the Barents Sea alongside the 2013 built AHTS 'Skandi Iceman' which was Chartered for the same programme.



CAIRN BACKING BOURBON

French oil services company Bourbon Offshore has won a trio contracts with Edinburgh based Cairn Energy for the provision of three platform supply vessels which have been chartered to offer drilling support for their offshore operations in Senegal. The campaign which covers a period of '2 wells firm plus 9 well options' will see the oil and gas company use 2 x 2011 built PX 105's 'Bourbon Clear' / 'Bourbon Front' and the 2007 built P 105 'Bourbon Sapphire' to support a Stena drillship. Cairn have been active in Senegal since 2013 and previously chartered two Bourbon vessels (Front & Clear) back in September 2015 for a similar workscope in the region.

VESTLAND INSULA ON TOP OF APACHE

In late November it was announced that the 2013 built VS 485 MK II 'Vestland Insula' had been successful in securing a term contract with North Sea operator Apache for a period covering 1 year firm with a further 2 x 6 monthly options thereafter. A familiar fixture to Oil companies on both sides of the North Sea basin, the vessel will now offer pool support covering all Apache's assets. It is expected that by the end of this month Apache will secure a further vessel to cover their remaining requirement which will see an additional PSV utilised for 6 months firm + 3 x 1 month options.



MILLER TIME FOR SAIPEM

Italian contractor Saipem has been awarded a considerable contract by BP for the decommissioning of the Miller platform. Saipem will utilise the Saipem 7000 for the contract which involves the removal of the topsides and jacket from the platform which ceased production in 2007. The supermajor has already completed the first phase of the decommissioning which involves well abandonment and topside clean up.

RETURN WORK FOR MAERSK SUPPLY

Maersk Supply Service has secured a second decommissioning contract from Maersk Oil UK having been awarded work at Leadon. Having previously worked on the Janice decommissioning, Maersk Supply Service will utilise up to five of their vessels including one of their new Starfish AHTS and one of their new Stingray subsea vessels. Work is due to commence in the Autumn of this year and set to be completed in December.

NEW DEALS FOR NEW SOLSTAD

Solstad Offshore has entered into a contract with Danish energy company 'Dong Energy Wind Power' for the Charter of up to two of their offshore construction vessels which the Norwegian Owner said is set to demonstrate their continued commitment to the renewable energy market. The 2013 built / 107.6m / 110 pax multipurpose construction vessel (CSV) *Rem Installer*, soon to be renamed *Normand Jarl*, has been fixed for what is believed to be walk to work duties and will cover a period of 23 months firm with options running through a further six months commencing February this year. It is likely that a second of Solstad's CSVs will be chosen at a later stage to cover a similar workscope with a period covering 7 months firm plus 8 monthly options thereafter with this workscope likely to commence in April.

SWIRE SEABED SUCCESS

Swire Seabed wasted no time in finding a home for their newly acquired MPSV 'Seabed Constructor' with a 6 year contract with Ocean Infinity announced. The vessel, formerly the Olympic Athene, was bought by the Swire Pacific Offshore subsidiary from Olympic Shipping in Norway. The vessel will perform AUV based survey and construction support on a worldwide basis.

TWO MORE FOR GOLDEN ENERGY OFFSHORE

Golden Energy Offshore has taken management of two IMR and light construction vessels having been awarded a contract by Neptune Subsea. Both the Larissa and Despina have been under full management since November. The Larissa is currently en route to Las Palmas from West Africa while the Despina is laid up in Norway.

SHANDON LOOK TO DECOMMISSIONING

With decommissioning very much in the picture, Shandong Twin Marine – part of China's Shandong Shipping group – have signalled their intent having ordered three semi-submersible units for delivery in 2017 and 2018. Two vessels will be used for the dismantling of platforms and will be capable of heavy lifts up to 34,000 tons while the third will be used for the transportation of dismantled parts. Although the North Sea will be the main focus for the units, the company believes there are decommissioning opportunities across the globe where the vessels can be deployed.



VIKING SEVNOR TIES

Viking has followed up the refinancing with a new strategic co-operation venture with Sevnor to target work in Russia and capitalise on the surrounding oil and gas reserves in Russia's arctic and sub-arctic. Viking will close their Moscow and Sakhalin offices in light of the deal with Sevnor, who are a Russian shipping and offshore company with a special focus on harsh environment regions. Viking has 3 AHTS/icebreakers as well as four ice classed AHTS while Sevnor have a new build Ice Class Ice C in the yard in Korea.

KISHORN LOOKS TO DECOM

A historic port on the West coast of Scotland is investing GBP 500,000 to reinstate the dry dock as they target the burgeoning decommissioning sector. Kishorn Port, where the Ninian Central production platform was built in the late 1970s, has one of the largest dry docks in North-West Europe with a diameter of 160m and 13m draft and two huge hollow concrete dock gates that each way 13,000 tonnes. The revamp is the first phase in the development which is a joint venture between Ferguson Transport & Shipping and Leiths (Scotland) Ltd. Work is already underway to secure licensing for the yard to handle decommissioning. While exploration has suffered due to the downturn, decommissioning is expanding with the Douglas-Westwood anticipating USD 70-82 billion will be spent between 2016-2040.



RUNWAY TO SUCCESS

Both November and December saw several OSV companies tackle their ongoing financial situation with some having reached resolution (with financial runway the buzzword) while others have instigated the process. Olympic Shipping is the latest Owner to secure their future having reached a deal with their key stakeholders which is set to secure the company's position through to 2020. As part of the deal, four vessels - MPSV Olympic Athene, MPSV Olympic Commander, AHTS Olympic Hera and AHTS Olympic Poseidon - will be sold as part of the restructuring process. It had been announced previously that the Olympic Athene had been sold to competitor Swire Pacific Offshore. The agreement will also see eleven of Olympics' existing subsea vessels hived off into a new company Olympic Subsea. The remainder of the vessels - 1 x MPSV, 4 x PSVs and 3 x AHTS - will become a subsidiary of Olympic Subsea.

Viking Supply Ships and Havila are two of the other companies who have managed to reach agreement with all stakeholders which ensures they are on a sound financial footing for the next few years. Both companies have secured approvals from their major stakeholders with Havila going right to the wire. Few, if any, of those with tonnage in the OSV industry have been unaffected and can be broadly filed under two headings – finances already restructured or in the process of restructuring such as American company Tidewater.



REM / SOLSTAD MERGER THROUGH

The merger of Rem Offshore and Solstad Offshore has officially gone through as part of Norwegian businessman Kjell Inge Rokke moves to consolidate and strengthen the fragmented sector. As well as consolidation, the company is hoping to open up new opportunities as well as saving money through synergies. The deal creates a varied and modern fleet of 61 vessels including 26 construction vessels, 16 anchor-handlers and 19 PSVs.



SOLSTAD OFFSHORE

SIEM TAKEOVER OF FARSTAD FALLS SHORT

Siem Offshore's takeover of compatriot Farstad has failed after falling short in gaining support from all stakeholders. The deal was set to bring together Farstad's fleet of 55 anchor handlers and supply ships and Siem Offshore's 55 offshore vessels giving the latter a 50.1% controlling stake in the company. Back in May 2015 Kristian Siem - owner of both Subsea 7 and Siem Offshore - announced a new \$250 million fund that is looking to acquire assets with the aim of creating a large, consolidated market force. The fund was created by Kristian Siem and a US hedge fund company Elliot Management Corporation.

GO AHEAD FOR THE ABERDEEN EXPANSION

Aberdeen Harbour, the oldest existing company in the UK, is set to go ahead with the expansion project after Aberdeen Harbour Board announced they are to go ahead with the £350 million development. Work is scheduled to start early in 2017 and over the next 3 years 1400 metres of new quay with deep water berths will create 125,000 square metres of lay-down area. Dragados UK have been brought in to develop the new facilities which will be south of the current Aberdeen harbour location at Nigg Bay. As well as providing more and better facilities to support the oil and gas industry, it is hoped the 10.5 metre deep berths will open up opportunities for cruise ships.

SUCCESS FOR ALLSEAS

Allseas have secured a major award with the news that the Pioneering Spirit, the world's largest pipelay and construction vessel, will be laying a Black Sea gas pipeline. The pipelay, heavy lift, decommissioning and subsea construction specialist announced they have been awarded a contract to lay the first line of the TurkStream offshore gas pipeline in the Black Sea, with an option for laying the second line. The award comes from a Gazprom-owned company South Stream Transport, which was initially set up for the South Stream pipeline which fell through after EU-Russia political issues. The project will see 900km of pipes installed on the seabed and will start in the second half of 2017.

Allseas has also signed a Letter of Intent covering the offshore pipelay capacities for the Nord Stream 2 Pipeline through the Baltic Sea. The Letter of Intent ensures that Allseas will undertake offshore pipelay works for the first line and also provides the option to book capacities from Allseas for the second line up to the end of the first quarter of 2017. Negotiations to finalise the contract will continue within this timeline. Near-shore pipelay tenders in Russia and Germany remain outstanding.





FASTNET SENTINEL IN NW EUROPE FOR THE FIRST TIME

At the end of January 2015, the MRV Fastnet Sentinel (2015 built) was delivered and mobilised from the Fujian Southeast Shipyard (via a naming ceremony in Singapore) to the Falkland Islands to support a multi-well drilling programme with the Eirik Raude for Premier Oil & Noble Energy. The contract completed after about 12 months and the vessel transited directly to the Mediterranean for a charter with the UK Border Force to assist in search and rescue missions to save seaborne refugees. The vessel arrived in the UK around mid-December and this consequently means there are currently no UK certified ERRVs on charter to the Border Force as the 2nd vessel - namely the VOS Grace (2015 built) was also released a few months ago.

FLEET CONTRACTION CONTINUES A PACE

5 more vessels have left the UK / Irish ERRV sector in the last month or so with the Ocean West (1974 built), VOS Dee (1974 built) & the VOS Commander (1975 built) being scrapped and the Pearl (1986 built) being sold to Turkish based Karadeniz Holdings, the same buyer that has acquired numerous older Maersk vessels for conversion into a 'Powership' providing a floating electricity supply. The tanker assist ERRV Grampian Frontier (1997 built) has also recently departed North West Europe for a long term contract in the Southern Hemisphere. The vessel was built in Hull and has been on long term charter almost continuously since delivery, initially to support BP's Fionaven FPSO West of Shetlands and latterly for support of TAQA's Harding Field in the Northern North Sea. Since January 2015, approximately 30 vessels have left the UK / Irish ERRV fleet and this trend will undoubtedly need to continue into 2017 if demand / supply are to become more balanced.

MAERSK NOW OUT FOR 3 TENDERS

Maersk Oil tendered for a further two vessels to support P&A campaigns with the Ocean Valiant & Maersk Gallant for 15-21 months / 9 months respectively. The Ocean Valiant is currently being utilised for the Maclure well by Maersk, with the VOS Trader (2007 built) providing ERRV cover, but is scheduled to move to the Janice field in the Central North Sea towards the end of January. The Maersk Gallant is currently in Invergordon and is scheduled to commence the abandonment programme on the Leadon field in February. In addition, Maersk remain outstanding for a vessel for 5 years to support the Maersk Highlander on the Culzean field in the Central North Sea but as no formal award has been announced the VOS Enterprise (2010 built) continues to act, ostensibly, as a forerunner and has done so since the rig mobilised to location at the end of August.

REPSOL SINOPEC CLOSE OUT TENDER & NEXEN HIT THE MARKET

Although rumoured for several weeks, the Class A Ocean Tay (1992 built) has now been officially confirmed by Repsol Sinopec to support the Montrose / Arbroath platforms in the Central North Sea from the second half of January. Previously the Esvagt Kappa was fixed to support the Claymore field and North Star were awarded the remaining three contracts that were all for 3-5 years. Nexen Petroleum are now evaluating their tender submissions for a vessel to support the Buzzard / Golden Eagle fields from the second half of January for 1-3 years plus options. As the incumbent vessel - namely the Ocean Tay - has been committed elsewhere it follows that Nexen will have to look elsewhere to close out this requirement.

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	7	11	5	3	27	1	54
Semi-Sub	12	8	0	0	24	6	50
Total	19	19	5	3	52	7	105

As 2016 drew to a close, the yearlong shortage of tender activity continued to dominate even with the few contracts that have been awarded in the last few weeks of the year. Just five contracts have been awarded with five separate drilling contractors the recipients as two jack ups, two semis and one drillship were all booked up.

Centrica Norway awarded the longest contract although start up is not set until 2018 and the rig in question, Maersk Interceptor, will also be a sublet. The programme is set for 3 wells (c. 250 days total) plus a one well option with the unit being sublet by Aker BP for the duration. The Ensco 122 was another Jack-up unit that was awarded a contract this time by Ithaca Energy, for a 5 month period starting April 2017 on the Harrier field in the UK sector. The 2014 built unit has been working for NAM since delivery.

On the subject of jack ups, Paragon Offshore have agreed the substitution of the higher spec Prospector 1 for the Paragon C461 for the balance of their long term charter with Orange Nassau in the Dutch Sector that extends till late 2017.

Both Island Drilling and Stena Drilling have been awarded contracts for use of their semisubmersible drilling units - the Island Innovator and Stena Spey respectively. Lundin will take the Innovator for a 1 well firm contract starting in Q1 next year with optional wells granted. Swedish independent Lundin are also in talks with Oceanrig to extend their contract with the Leiv Eiriksson well into 2017. The unit is currently in the Barents on a 3 firm well campaign. Repsol Sinopec Resources will be taking the Stena Spey from Q2 next year for one 90 day well at Shaw.

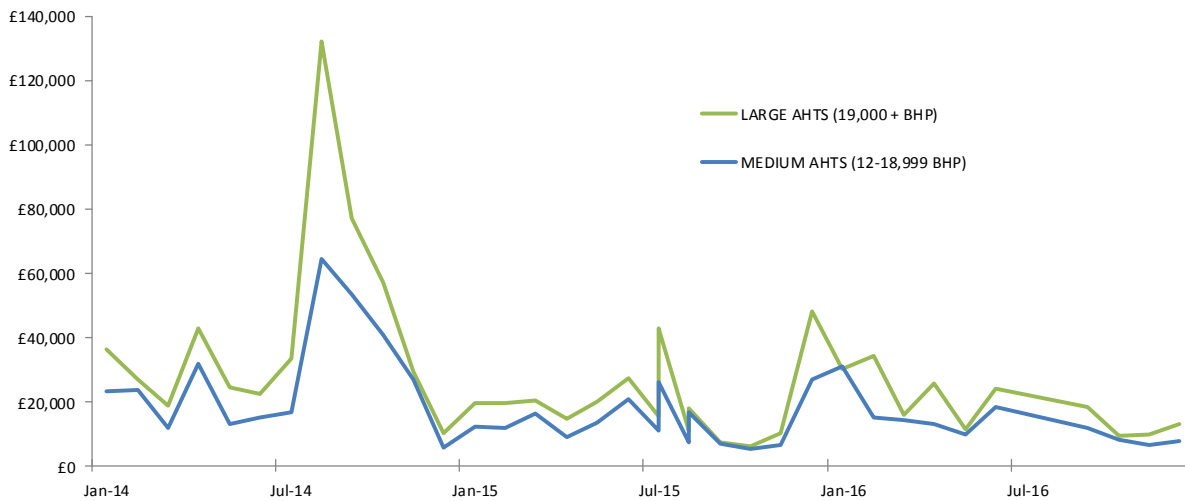
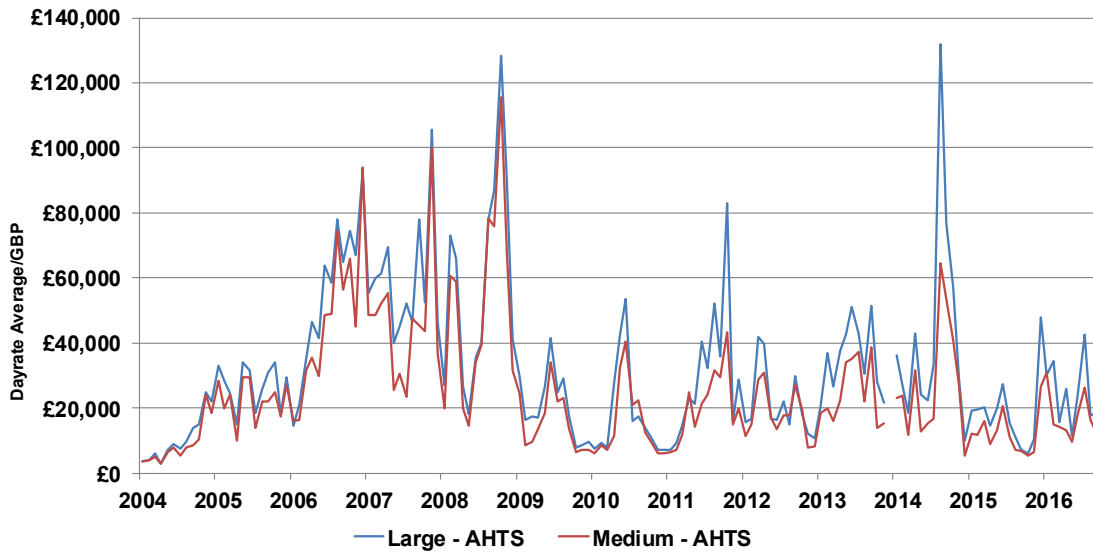
The rig last worked with EnQuest but has been in Invergordon since completing the contract in the second half of November.

Further good news for Stena as the Stena Ice Maxx has been signed up to Providence Resources for a 1-2 wells programme off the South West coast of Ireland commencing summer 2017. The 2012 built Harsh Environment DP3 drillship is currently on long term charter to Shell in Canada.

While some units were being awarded contracts a number of rigs have commenced contracts that were announced some months previous. The Ensco 101 has started its 200 day charter with Engie in the Dutch sector while the Transocean Arctic is now up and running with Aker BP in Norway. However several rigs have either finished their contract completely (Stena Spey / EnQuest) or currently in port waiting to go back out in the new year (Ocean Patriot / Apache). With costs paired right back and the oil price having gone up since OPEC and non-OPEC members announced cuts in production, all those with a vested interest will be hoping for a more fruitful Q1 in terms of new rig tenders.



AHTS AVERAGE DAYRATES NORTH SEA SPOT

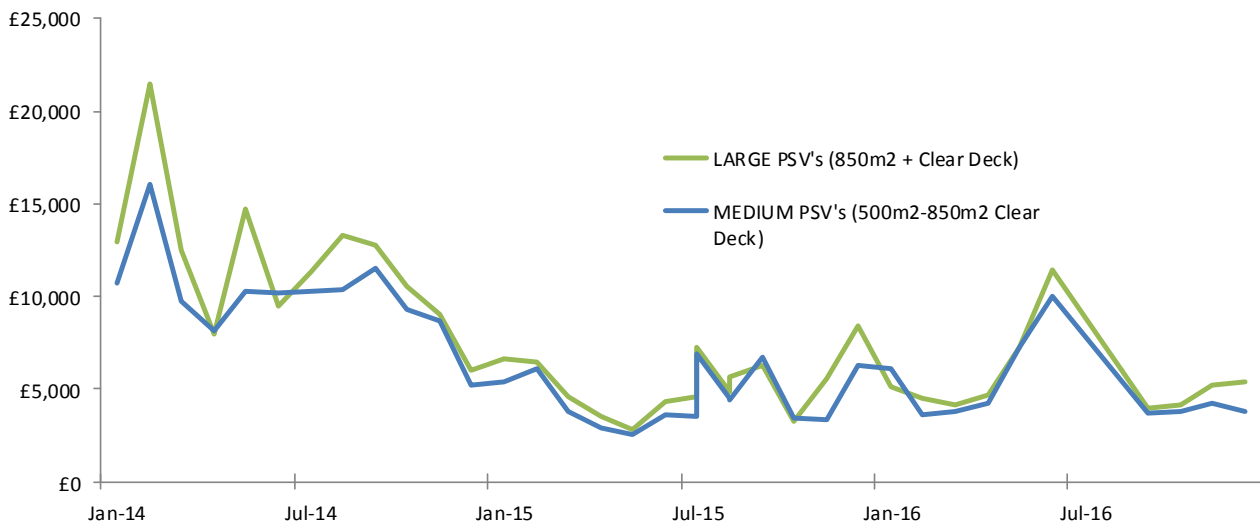
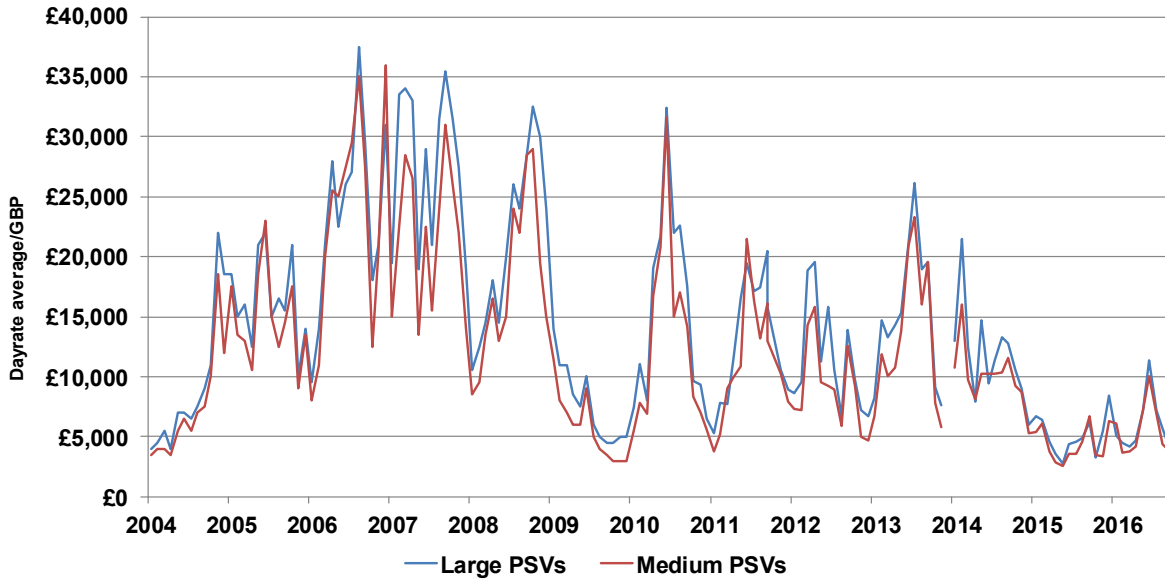


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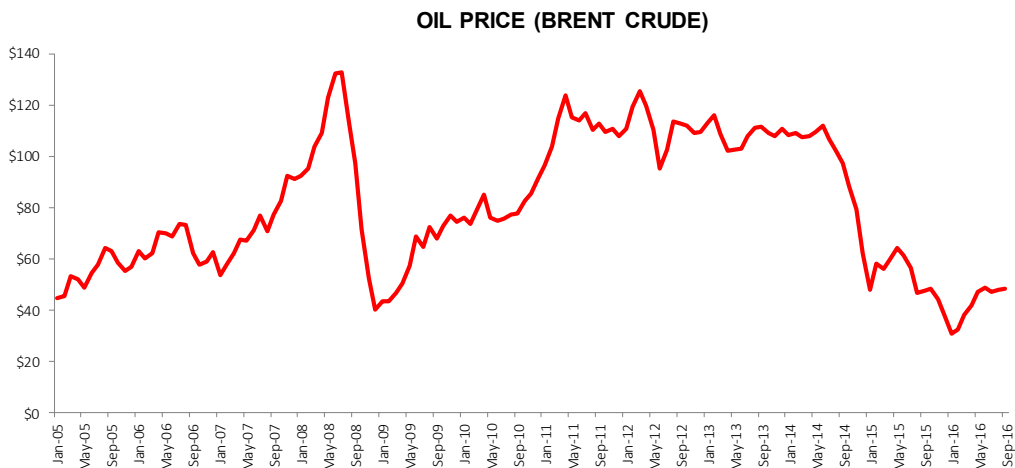




PSV AVERAGE DAYRATES NORTH SEA SPOT



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