PandaNews

COSCO SHIPYARD NEWSPAPER

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COSCO SHIPYARD

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MISSION STATEMENT To be a world leader in ship repair, conversion, new building and offshore marine engineering, we maintain trusting relationships with our customers, employers, and partners, yielding best returns for shareholders, society and environment. Depending on our talented engineers working alongside with an efficient project management team and a highly skilled workforce, we could guarantee to deliver the projects we undertake timely and professionally.

COSCO Shipyard and ABS signed a strategic cooperation agreement

On October 26, the COSCO-Shipyard Groupand ABS signed a strategic cooperation agreement. Mr.Liang Yanfeng, the president of the COSCOShipyard Group, and Mr. Eric Kleess, ABSGreater China Division President and COO, signed the strategic cooperation agreement. COSCOShipyards'Chief Engineer Mr.ZhanShuMingalso participated in the event.

Mr.Liang Yanfengwarmly welcomed theABS guests, saying that since 2006 the COSCOShipyard Group and ABS have maintained agood, collaborative relationship in Marine and Offshore engineering modification and the construction and development of classification test services.COSCOShipyards' 2020 technology development plan has identifiedoil and gas development, storage and transportation andsimilar high-end technology as future key development areas ABS has profound technical foundation in thesefields and the strategic cooperation will certainly deepen the cooperation between the two parties.Kleess said the COSCOShipyard Grouphas a strong technology research and product manufacturing abilityand plays a decisive role in China'smarine and offshore engineering fields.In such a tough market, ABSattaches great importance to the cooperation with COSCO shipyards, and looking forward to the future,hopes to build a deeper co-operation in product development, market development, engineer training andexperience exchanges.

In accordance with theagreed schedule, on October 26, COSCO shipyard and ABS opened their firsttechnology cooperation and communication event.

COSCO Shipyards win orders for two types of Vessel

Recently, COSCOShipyardswon orders to build three vessels: one 22000 DWT tanker for Singapore's COASTAL LOGISTICS PTE LTD, which will be constructed by COSCO Dalian shipyard, and two seaoil transfer barges for the Norwegian ship owner Sealoading, which will be constructed by COSCO Nantong shipyard and COSCO Guangdong shipyard.

The dimension of the 22000DWT tanker is LOA:155 m, Bredth: 36 m, Depth:12.50 m and design draft 5.8m. It will beequipped with dual engines and dual propellers and will be ableto transfer crude oil and fill oil in port and open sea. It will meet the requirements of the Singapore port specification (MPA). This vessel will be the second 22000 DWT tanker to be built by COSCO Dalian.

The Seaoil transfer barge is a Cargo Transfer Vessel (CTV) and will be the first of its kind. The innovative design will create a new system of transferring oil on-station at the oil field.Cosco Shipyard is responsible for the basic, detail and production designs for the vessel.The vessels, which will be classed by DNV, will accommodate 36 people.Four variable speed diesel engines andtwo sets ofmain propulsion, and additional rotary telescopic thrusters will provide a powerful dynamic positioning ability. Each vessel will be equipped withtwo 5 - ton cranes.

Delivery of "hailong" series of winch system

On October 13, 2015, COSCO Nantong shipyard total automation delivered three of nine "Hailong" series submersible pump hose winch systems. The successful delivery has expanded COSCO Nantong's total automation product line and market and it will also enhance the market competitiveness of the enterprise.

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Australian player plans to launch tender for charter of mid-sized FPSO next year

Australia-based Karoon Gas is fast-tracking an ambitious shallow-water development off Brazil, with plans to launch a tender as early as next year for the charter of a mid-sized floating production, storage and offloading vessel.

According to well-informed sources, Karoon has already started notifying floater specialists of its intention to contract an FPSO with capacity to produce between 40,000 and 80,000 barrels per day of oil.

The idea is to use the floater to produce from its Echidna and Kangaroo light oil discoveries in the Santos basin, with first oil targeted for early 2019. Karoon is expected to invite contractors such as Modec International, SBM Offshore, BW Offshore, Bumi Armada, Teekay Offshore and Petroserv to participate in the tender.

One source told Upstream that Petroserv may qualify to bid, as the Brazilian services provider is said to have a floating storage and offloading vessel that could be adapted into a unit to fit the characteristics required by Karoon.

Petroserv already has one FPSO in operation in Brazilian waters, the Dynamic Producer, a small-sized 30,000-bpd unit that is chartered to Petrobras to run extended well tests in the Santos basin pre-salt province.

WorleyParsons and its subsidiary Intecsea carried out pre-front-end engineering and design studies for Karoon last year to come up with potential development solutions for the area.

The source added that Karoon is expected to charter an existing FPSO for a period of up to three years, renewable for the same timeframe, and begin oil output from Echidna in 2019 via an early production system.

The plan is to link two horizontal oil production wells initially, each producing about 10,000 bpd, and one gas injector well through flexible lines to the chartered FPSO.

The test is intended to gather information on reservoir behaviour and well performance ahead of commercial production.

A drillstem test carried out at the Echidna discovery in May showed the well flowed at a facility-constrained rate of 4650 barrels per day of oil equivalent. Crude was rated at 38.6 degrees API.

Commercial output is scheduled for the fourth quarter of 2021 with the same FPSO, and with the number of production wells increasing to as many as 13 from the Echidna-Kangaroo complex.

"The idea is to charter an existing FPSO, taking advantage of the depressed market due to lower oil prices to secure an attractive dayrate, and convert the unit to the field's needs," said the source on condition of anonymity. Oil at both Echidna and Kangaroo has no contaminants such as carbon dioxide or hydrogen sulphide, suggesting no major modifications will be required on the chartered FPSO.

A source from an FPSO contractor expressed enthusiasm about the potential tender, saying it is important for Brazil to have operators other than Petrobras in the floater market.

Karoon is expected to make a final investment decision on Echidna-Kangaroo in late 2016.

The company estimates that Echidna and Kangaroo have a combined gross contingent resource of 129 million barrels of oil, with significant upside potential in leads of the same Paleocene play type.

If the Karoon project moves forward, the Echidna-Kangaroo FPSO will become the first international development to bear fruit in Brazil since Statoil started output from the Peregrino heavy oilfield in the Campos basin in April 2011.

Learning curve for Statoil

The company this week had to acknowledge delays of a year to its North Sea Mariner and Norwegian Sea AastaHansteen projects because capacity constraints at yards in Asia have led to delays and cost overruns. The two fields are now due on stream in the second half of 2018.

"We saw that there was a lot of activity in the industry and tried to take that into account, but there were so many other projects coming at the same time and we now see knock-on effects and delays at the yards," chief executive Eldar Saetre said at Statoil's third-quarter presentation this week.

The spar hull and topsides for Hansteen are being built by Hyundai Heavy Industries, while Daewoo Shipbuilding & Marine Engineering will deliver the Mariner topsides. Using more Norwegian yards was not an option, as they were too expensive when the Mariner and Hansteen contracts were awarded in 2012 and 2013, according to Saetre.

Norwegian contractors have since worked hard to bring down costs, and have so far snared three-quarters of the work awarded for Statoil's massive Johan Sverdrup development.

More competitive suppliers should give Statoil more contenders to choose from for future contracts, provided Saetre and his team are able to put into practice the costly lesson learnt from the recent boom — to dare to let good projects wait their turn when higher oil prices make new developments potentially sometimes all too attractive.

Gas price plunge casts long shadow

Natural gas market in the US facing a bleak winter and an even grimmer spring, with many companies set to feel pinch

The recent plunge in US natural gas prices — and the threat of further deterioration through the winter — could mean big trouble for onshore oil producers already reeling from low oil prices and, in some cases, high levels of debt.

The world's attention has been focused on the phenomenal growth and now increasing decline of US tight oil production and, at the same time, US onshore producers have emphasised the oily parts of their portfolios when talking with investors.

Yet all but the most oil-focused onshore operators are natural gas producers at their core, both because of their early investments in shale gas plays and because of the significant gas stream that comes from most tight oil wells.

For example, EOG Resources is widely cited as the one of the leaders in the US tight oil sector and routinely touts its disciplined investment programme that does not allocate any money to shale gas plays.

Despite this focus, more than one third of EOG's daily production this year — about 210,000 of its almost 580,000 barrels of oil equivalent per day — is comprised of natural gas.

For Chesapeake Energy, which has touted its successful shift from natural gas to oil and liquids under new chief executive Doug Lawler, more than 70% of its production still comes from natural gas.

For the trailing 12 months, gas prices have fallen about $1.50 — about 40% — but they had been fairly resilient since the beginning of January. That changed in the last month when prices fell almost 20% in a 10-day trading period.

The drop is compounded by the fact that producers in the Appalachian basin — home to the prolific Marcellus and emerging Utica shale gas plays — sell much of their gas at a discount to benchmark Henry Hub prices.

EQT, which drills exclusively in the Appalachian basin, estimates that its price realisations will lag Henry Hub by more than $1 this year.

Assuming that differential continues, the company could be faced with selling its gas for less than $1.

All this is coming at a time when producers should be readying to reap the highest prices of the year.

Traditionally, US gas prices trough in the spring and fall and strengthen in the winter when demand is highest but predictions for abnormally warm winter temperatures are casting a pall over the market.

Storage levels are already above the five-year average, with analysts predicting further injections before winter heating begins to draw on those stocks. Operators are facing the grim prospect of a storage overhang weighing already weaker-than-average winter demand.

The combination threatens to cut cash flows for US onshore players that are already struggling under high debt loads.

Many of these companies have recently renegotiated rules governing their access to debt with their lenders, often imposing covenants that are linked to their ratio of debt to earnings.

Most pundits have focused on how these debt covenants could be impacted by a slow recovery in oil prices and it is also true that the US natural gas market can jump just as quickly as it has fallen if weather reports change or production looks like it is decreasing.

However, current dynamics of the natural gas market are pointing to a period of record low prices, meaning US onshore companies could be in for a long winter and an even grimmer spring.

Endless Nightmares in Korea's Shipbuilding Industry

Korea's shipbuilding companies, which suffered from massive losses due to the suspension or cancelation of offshore plant projects and refusal of delivery from ship owners, are now having more difficulties with the cancelation of contracts to build general merchant vessels, including container ships.

On Nov. 5, the world's largest container ship operator Maersk said that it scrapped the option to buy six very large container ships from Daewoo Shipbuilding and Marine Engineering (DSME). In June, Maersk signed a US$1.8 billion (2.05 trillion won) contract with the DSME to build 11 container vessels with a capacity of 19,630 TEU. At that time, it included the option for six more, as the company thought it would need more container ships. Since Maersk canceled only the option, and did not sign a formal contract, it won't affect the total number of orders that the DSME has won.

Hyundai Heavy Industries (HHI) also received a suspension notice from Maersk for the option to build eight container ships with a capacity of 14,000 TEU. An official from the company said, "We haven't received the official cancelation notice. It seems that Maersk suspended the decision."

Since the cancelation of the option doesn't mean the actual cancelation of formal contracts, it will have a limited effect on the domestic shipbuilding industry. However, the option generally leads to formal contracts, and shipbuilding companies usually think that there is a high possibility to win orders.

Domestic shipbuilders are bewildered, as ship owners recently broke contracts by reason of delayed delivery of drilling ships, gave up contracts due to lack of funds, and even canceled the option for container ships after recording massive losses in offshore plant projects.

Global economic woes are hurting the container and dry bulk shipping markets

The direct correlation between the course of the global economic growth and the global shipping industry couldn't be more obvious today. As such, the latest lackluster performance of the world economy is reflected in the woes which both the container and the dry bulk shipping markets are facing. This week, bad news was once again the norm, as China's most recently released manufacturing data showed a third consecutive month of contracting, which also sent stock markets tumbling, especially in the early session's trading. According to the latest weekly report from Allied Shipbroking, "concerns started to mount again regarding the fragile state of the Chinese economy and its ability to reverse the economic slowdown it has faced over the year. This has in part sent shivers across the shipping community, as the sluggish pace noted in the dry bulk market over the past month has left little on the side of sentiment to keep things buoyant moving forward".

According to Allied's Head of Market Research & Asset Valuations, Mr. George Lazaridis, "all this has been followed from the IMF's most recent cut in its global growth predictions, a pessimism that has not only been reflected by the softening market trends in China, but also by the poorer economic growth results being given by most of the OECD countries as well as the sour mood noted in the main commodity markets. This isn't to the surprise of most in the shipping industry, as both the dry bulk and containership markets have been facing some of the softest levels noted in quite some time, while even the tanker markets, which have been managing to reach some of the highest earning levels post-2008, still noted a sudden softening during the second half of October. Earnings have most heavily been hit in the dry bulk market with the BDI hovering in the 700-point mark, while in the containerships market rates have almost halved since March for the cost of shipping a container from Shanghai to Europe. All this is in part a reshuffling in the global markets as the imbalances between the major OECD economies and the fast paced developing economies try to reshift into equilibrium", Lazaridis noted.

He went on to note that "yet despite all this it seems it wasn't all "doom and gloom" news today, as after a long period of political and economic turbulence in the Euro economy Draghi commented that they might be stepping back the quantitative easing program as further stimulus might not be needed. This was enough to send the Euro into an upward rally against the US dollar while it helped boost sentiment. This decision was likely in part from the unexpected accelerated manufacturing noted in the Euro area in October with all its member countries (except for Greece) showing improved figures, while the overall Purchasing Managers' Index (PMI) expanded by more than in September. This factory output growth may well be small given the amount of central-bank stimulus, yet nevertheless it is an improvement that can't be ignored. On a similar note the U.K. also managed to outperform expectations, with its manufacturing growth accelerating to the fastest it's noted in the past 16 months. It is obvious that we would need to see a considerable enhancement to these figures before a real recovery can take place, while the U.S. will play a big role if it finally manages to set its growth into a higher gear".

According to Allied's analyst, "this still leaves much of the developing world in lackluster figures, though if one takes into consideration the important role that consumers in the U.S. and Europe play in driving demand and growth in manufacturing in China and other developing economies, you can sense the potential for an export-oriented boost that can be given to these economies as well. For the moment it is still a wait and see game, as the world economy is still in a fragile state and could end up swinging either way in 2016", Lazaridis concluded.

Friendly with UNIX LINE

GingaCougar, GingaPanther, ZaoGalaxy, KaimonGalaxy, and Argent Aster areall chemical tankers belonging to UNIX LINE PTE LTD, DDwhich were repaired by COSCO Zhoushan Shipyard in the first half of 2015.Unix LinePte Ltd is a Singapore based company specializing in the ship management of Chemical Tankers. At present this company operates 37 chemical tankers and,as 95 percent of its vessel repairs are carried out at COSCO Zhoushan shipyard, it has proven to be a good partner.

All five vessels had modification work carried out on their electronic chart display and information systems (ECDIS), VSAT systems, auxillary boiler emission control systems, hyper mist starters, and bunker lines among other things.As the amount of modification work was extensive and the repair period was short, COSCO Zhoushan studiedand checkedthe repair specification very carefully and produced an efficient and effective production schedule. Ultimately, the vessel repair period was cut to two days, which proved to be astruggle for ship repair team but they managed to complete the modifications despite the extremely tight schedule.

During the repair period, the Unix Line Superintendent strongly supportedthe yard repair team and made helpful and pertinent suggestions. CoscoZhoushanadoptedthe ideas and improved ontheir methods accordingly.

We hope that we will continue to cooperate so successfully and remain friendly forever.

Celebrating Birthday for Superintendent of MV SOFIA

On the evening of 7th November 2015, when we know that that day wasthe birthdayof Mr.Angelos Petrakos who was the owner's representative of MV"SOFIA", Our COSCO (SHANGHAI) SHIPYARD CHANGJIANG BRANCH Team wanted to hold a birthday party for him. Mr. Petrakos told us: "this is my first time to celebrate birthday in China, at present, I deeply appreciate the generous hospitality of the repair team and love to part in this nice party. I don't feel lonely any more due to the repair team's attention and support, I hope to cooperate with you again in near future."

At the party, We enjoyed the dinner cheerfully and happily and we talked about the different culture of our country, all kinds of experience and the good cooperation that we had, etc. Then we lit the candles of the birthday cake, closed all the lights, and everybody togethered to sing "happy birthday to you" toMr.Petrakos . After that, Mr.Petrakos blew out all the candles and suggested us to write our name and wishes on his birthday party hat. Meanwhile, we gave him a local wine as a birthday gift which he loved very much. After it, our team conveyed our deeply wishes to him: "Wishing you a birthday that is among your very best, and hoping that all the years ahead will be as happy as you have been in the past."