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ENERGY REVIEW

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JUNE 2019

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ENERGY REVIEW
JUNE 2019

A lot is happening in Britain at the moment. We had the visit of President Trump and enjoyed his pleasure in the company of the Queen. Theresa May announced plans for her departure and the search for a new leader with a realistic campaign platform is underway. The Cricket World Cup and Women's Football World Cup (in neighbouring France) are in full swing, and with Wimbledon around the corner all mean that someone has to get the weather right and Summer can start as the days have already started shortening again.

In anticipation of the warmer climate reducing the ice in the Arctic, there has been an increase in activity relating to oil and gas exploration with news headlines such as: CNOOC subsidiary due 10% interest in Arctic LNG 2, researchers to study Arctic Spill Response and Clean-up, Norway launches APA 2019 and includes the Barents Sea, Gazprom has two offshore Yamal gas finds, TechnipFMC inks Arctic LNG 2 deal with Russia's Novatek. We can expect to see more activity in the Arctic as the summer continues to warm up the waters.

The oil and gas world has been focusing its attention on the recent evolutions of the Iran-US relationship. Antagonism between the US and Iran intensified in May after President Trump ended exceptions to US sanctions on Iranian oil sales. The Islamic Republic has threatened in return to block oil shipments through the Strait of Hormuz if the US halts Iranian energy exports and to scale back its obligations under the 2015 nuclear deal. The tension is palpable as both sides are at risk of losing face. Iran allegedly shot down a US drone earlier this month and sources indicate Trump may have seriously considered stepping in with military intervention…and suddenly changed his mind. The days to come will show whether the situation ramps up or if both sides can come to an acceptable solution. To make the situation event worse, on 5th July British Royal Marines helped officials in Gibraltar to seize the super-tanker Grace 1, after it was suspected of carrying oil from Iran to Syria, in breach of EU sanctions. Iranian officials are now threatening to seize a British oil tanker in retaliation to respond to what they see as illegal and an act of piracy.

During the past month, large carriers like AIG, Aviva and others such as Aspen Re and Hiscox have seen shake-ups at the top and Brit, Chubb and Liberty Special Markets have seen executives coming and going.

We look forward to discussing these moves as well as the needs and requirements of our clients and other friends during the coming month.

ENERGY CASUALTIES

Supply vessel collides into North Sea platform

The supply vessel *PSV Sjoborg* collided into the *Stratfjord A* platform at 1:55 a.m. Norwegian time on 7th June, Equinor has revealed.

The incident occurred in connection with loading operations, according to Equinor. There were 276 people on board *Statfjord A* when the vessel collided into the asset, although no injuries were reported on board the platform.

Personnel were moved from the platform to nearby installations.

Statfjord A is currently in a scheduled production stop and there was no production on the platform when the incident occurred. The total extent of damage on the platform is being investigated and the vessel is on its way to land on its own power.

The lifeboat station on *Statfjord A* was damaged as a result of the collision, Equinor highlighted.

Statfjord A is scheduled to shut down production 2022, 43 years after first oil. The platform was originally scheduled to be shut down in 1999. Since first oil in November 1979, the Statfjord field has produced more than five billion barrels of oil and gas.

Equinor is the operator of the Statfjord partnership with a 44.34% operated interest. ExxonMobil holds a 21.37% stake, with Spirit Energy Resources Limited and Spirit Energy Norway AS holding 14.53% and 19.76% interests respectively.

GoM workers missing after two incidents occurred

The US Department of the Interior's Bureau of Safety and Environmental Enforcement (BSEE) and the US Coast Guard (USCG) are investigating the exact causes of two recent incidents in which Gulf of Mexico (GoM) workers fell through platform deck openings into the water below.

On 29th May, a production operator on Renaissance Offshore's platform in Eugene Island Block 331 apparently fell through a displaced section of grating, according to the BSEE and USCG reports. The 54-year-old employee was reported missing from the offshore Louisiana platform after personnel onboard found his hardhat and clipboard next to an opening in the well-bay deck, the BSEE reported on 4th June.

According to the bureau, the open hole measured approximately 93 inches long by 13.5 inches wide and was approximately 45 feet above the water's surface.

Although the investigation is ongoing, the BSEE stated that preliminary information indicates that the well-bay deck area was taped off with red *"DANGER"* tape before the incident but that the area had not been hard-barricaded to prevent the flow of personnel.

The USGC reported on 1st June that it had called off the search for the missing worker.

Late on 1st June, a similar second incident occurred on the Chevron-operated Platform A in Green Canyon Block 205. According to the BSEE, two employees went to replace the well access hatch cover over the well on the drill deck at approximately 11:00 p.m.

"Preliminary information indicates that each of the two employees inadvertently picked up the wrong hatch cover," stated BSEE. *"Each employee grabbed one handle of the cover, which was the same colour as the deck and had no well identifying information on it."*

The BSEE added that the action "unknowingly created an open hole" into which one employee stepped in and fell through as the hatch was moved. The hole was approximately 90 feet above the water surface, the BSEE also stated.

The BSEE is urging all offshore operators and contractors to inspect their facilities for potential factors involved in the above incidents and communicate the associated hazards to all personnel.

US Coast Guard says it has contained 14-year-old Gulf of Mexico oil seep

An ongoing oil spill that has been leaking into the Gulf of Mexico for more than 14 years is finally being contained, the US Coast Guard announced on 16th May.

The Taylor Energy platform MC-20 Saratoga was destroyed by Hurricane Ivan on 15th September 2004, and some of its wells have been seeping oil into the Gulf ever since.

The storm triggered an underwater mudslide which snapped the 550-foot-tall platform's legs and buried a cluster of wells. Taylor plugged nine of the 28 wells and installed three pyramid-shaped oil containment structures, but had been resisting carrying out further work, claiming it could be dangerous and cause more environmental harm than good.

Estimates have varied widely over how much oil was leaking daily from the site, but Government and academic estimates have consistently been far higher than those provided by Taylor. Large oil sheens several miles long have been visible on the surface ever since the rig was destroyed.

Last year, the Coast Guard directed Taylor to eliminate the leak with a new containment system. When Taylor refused, the Coast Guard hired a marine contractor, Couvillion Group, and billed Taylor for the work.

Taylor filed a federal lawsuit last December asking the court to rescind the Coast Guard order. Taylor also sued Couvillion Group, arguing that the contractor lacked experience with the leak site and could make the problem worse.

But in the latest status report, lawyers with the Coast Guard and Department of Justice said workers had made great strides in containing and collecting the seep.

"After monitoring the system for several weeks we have determined that the system is meeting federal containment standards," Captain Kristi Luttrell said in the Coast Guard's statement. *"At this time the system is working and the once large surface sheen has been reduced to barely visible."*

Justice Department attorneys, who represent USCG New Orleans Sector Commander Lutrell in Taylor Energy's federal suit, said in the court filing that the containment system's collection tanks had been pumped three times and the recovered oil has been transported to shore.

According to the court documents, more than 30,000 gallons of oil have been brought ashore since the new collection system was installed.

Offshore safety watchdog launches investigation into Repsol's Gyda incident

Norwegian offshore safety watchdog, the Petroleum Safety Authority Norway (PSA), has launched an investigation into an incident involving a dropped object and personal injury on the Gyda field in the North Sea.

The safety body said on 20th May that an incident occurred on 15th May when a derrick skid on the Repsol-operated Gyda platform and as a result, a side plate came loose from the skid jack.

Two people were in the area where the plate dropped, and although neither was hit by the object, one of them was injured when he backed away and fell to another deck about 1.5 metres below.

The PSA added that the police was informed, and that the PSA's team launched an investigation.

According to the organisation, the main objective of the investigation was to identify the causes of the incident and possible lessons to be learned and to share this information with the industry.

During the investigation the PSA will carefully review the course of events, uncover and describe the actual and potential consequences of the incident, identify direct and underlying causes, apply necessary enforcement powers to correct possible regulatory breaches, make its findings public and contribute to experience transfer to and learning by other players in the petroleum sector.

The Gyda field is located in the southern North Sea between Ula and Ekofisk. It has been developed using an integrated facility with a steel jacket located in water depths of 66 metres.

Repsol took over operatorship of the Gyda field through the acquisition of Talisman Energy in 2015.

Pipeline and oil tankers attacked, Saudi Arabia reports

Saudi Arabia has restarted its main cross-country oil pipeline after a drone attack by rebels that halted the link and escalated tensions in the world's largest oil-exporting region.

Saudi Aramco resumed operations at the pipeline after a halt on 14th May, the state-run oil company said.

A drone attack claimed by Houthi rebels in neighbouring Yemen on 14th May had targeted two pumping stations along the link, which criss-crosses the Arabian Peninsula, carrying crude, natural gas and refined products.

The risks of conflict in a region which exports more than 16 million barrels of oil a day – enough to supply all of Europe's demand and more – have risen since the US revoked waivers in May which allowed Iran to continue selling oil to some customers despite American sanctions.

On 14th May Houthi rebels claimed they had used drones to damage Saudi oil-pumping stations.

The targeted pipeline carries crude 1,200 kilometres (746 miles) between the Persian Gulf and Red Sea, enabling the Saudis to ship oil from both sides of the country.

Saudi Aramco, the world's biggest oil exporter, said that supplies of crude and refined products continued without interruption despite the attack.

Iran denounced the maritime incident near Hormuz and warned against attempts to destabilise the region.

Saudis say oil tankers attacked

Saudi Arabia and the United Arab Emirates – Iran's regional foes – reported attacks on several vessels including Saudi oil tankers on 13th May.

Saudi Arabia said two of its oil tankers were attacked while sailing toward the Persian Gulf, adding to regional tensions as the US increases pressure on Iran. Crude rose as much as 2%.

The tankers were damaged in *"a sabotage attack"* off the United Arab Emirates coast on 12th May, state-run Saudi Press Agency reported. The vessels were approaching the Strait of Hormuz, the world's most important chokepoint for oil shipments.

On 12th May the UAE Foreign Ministry reported an attack on four commercial ships. No one claimed responsibility.

The precise nature of the incident remained unclear – neither Saudi Arabia nor the UAE said exactly what happened or identified potential culprits. The US has deployed an aircraft carrier, bomber planes and defence missiles to the region amid worsening friction with Iran, Saudi Arabia's regional rival.

UAE stock markets posted their steepest decline in more than three years.

Saudi Energy Minister Khalid Al-Falih said the incident aims *"to undermine the freedom of maritime navigation, and the security of oil supplies to consumers all over the world,"* according to SPA.

He urged the international community to ensure the security of oil tankers *"to mitigate against the adverse consequences of such incidents on energy markets, and the danger they pose to the global economy."*

After the US ended sanctions waivers for a handful of buyers of Iranian oil earlier in May, Tehran responded by threatening to block shipments through Hormuz.

The Strait of Hormuz connects the Gulf to the Indian Ocean. Iran lies to the north and the UAE and Oman to the south. Hormuz is the single most important waterway for global oil shipments, with tankers hauling about 40% of all the crude traded internationally every day.

All oil exports from Kuwait, Iran, Qatar and Bahrain, more than 90% of those from Saudi Arabia and Iraq, and 75% of shipments from the UAE pass through the strait.

Equinor spills oil during loading operation at Statfjord field

Norwegian oil firm Equinor has reported that oil was spilled during a loading operation in the North Sea offshore Norway on 15th May.

Equinor said that in connection with loading oil from a buoy to a shuttle tanker on the Statfjord field, oil was observed on the sea surface early in the morning.

"The loading operations were stopped when this was discovered, and the loading systems were shut down. Efforts have been initiated to map the extent of the oil observed on the sea surface," Equinor said.

"In compliance with regular procedures Equinor's emergency response organisation was quickly mobilised, and the authorities were notified," Equinor added.

The Statfjord field has been developed with the Statfjord A, B and C production platforms, which all have concrete gravity base structures incorporating storage cells. The Statfjord A started production in 1979, Statfjord B in 1982, and finally Statfjord C in 1985.

Earlier in May, Equinor awarded a contract for the removal and disposal of Statfjord A, one of the oldest platforms on the Norwegian continental shelf.

Namely, the Statfjord A platform will shut down production in 2022, 43 years after first oil.

The platform was originally scheduled to be shut down in 1999 but it has since then undergone substantial upgrading and its life has been extended several times.

The contract for the engineering work, preparations, removal and disposal of the topside was awarded to Excalibur Marine Contractors, a company in the Allseas group.

Kværner at Stord was hired by Excalibur to dismantle and recycle the topside onshore.

Nigeria's oil thieves roar back

Just as Nigeria gets to grips with militants who brought the nation's oil industry to its knees a few years ago, another group of longstanding foes are slowly making a comeback: thieves.

Saboteurs including thieves caused an 80% increase in the number of spills in 2018, Royal Dutch Shell plc, the largest international producer in the West African country, said in a report last month. By contrast, there have been no militant-related halts to operations since 2016.

The disruptions underscore how hard it will be for Nigeria to fully rid itself of security challenges that have plagued the nation for decades.

Overseas crude shipments represented by far the nation's largest source of export income, with about US$43.6 billion of sales last year, according to ITC Trade Map, a venture between the WTO and the UN.

"Oil theft is a severe drain on Nigeria's revenue," said Cheta Nwanze, the Head of Research at SBM Intelligence, a Lagos-based consultant. *"The losses to theft could easily fund Nigeria's budget deficit."*

Eight times

On one level, theft is probably a more palatable option for Nigeria and the companies operating there than attacks by militants. About 100,000 barrels a day are being taken out of pipelines, whereas militancy halted at least eight times that amount at one stage three years ago.

The increase reflects a belief among local communities that multinationals do not really own the barrels in the first place, according to Ledum Mitee, a lawyer and minority rights activist.

"They believe the oil is theirs and the government is the thief," he said. *"People now realise that instead of just cutting pipelines to spite the government, they can make money out of it."*

Big employer

It is also akin to an industry. Theft employs at least 500,000 people in the country, according to Mitee, former Head of the Nigeria Extractive Industries Transparency Initiative.

Much of the stolen crude is processed in tiny, makeshift refineries comprising hundreds of cauldrons, each of which can hold as much as 150 barrels of oil, according to Nwanze.

The world's biggest refineries handle more than 1.2 million barrels each day.

Unlike politically-driven militancy, where fighters say they represent impoverished people in the Niger Delta region, stealing crude is considered a less risky option for those involved.

Multiple incidents of force majeure, a legal measure that allows companies to forgo their contractual supply obligations, have happened this year in Nigeria – even if the precise causes often remain unclear.

Nembe Creek
Aiteo Group, operator of the Nembe Creek Trunk Line to Shell's Bonny export terminal, has been one of the hardest hit this year, halting flows through the link at least three times since January.

And the challenges don't appear to be getting easier. Shell lost an average of 11,000 barrels a day to theft in 2018, it said. That's up from losses of 9,000 barrels of crude a day in 2017.

Chevron has also reported problems with third-party interference on its production facilities.

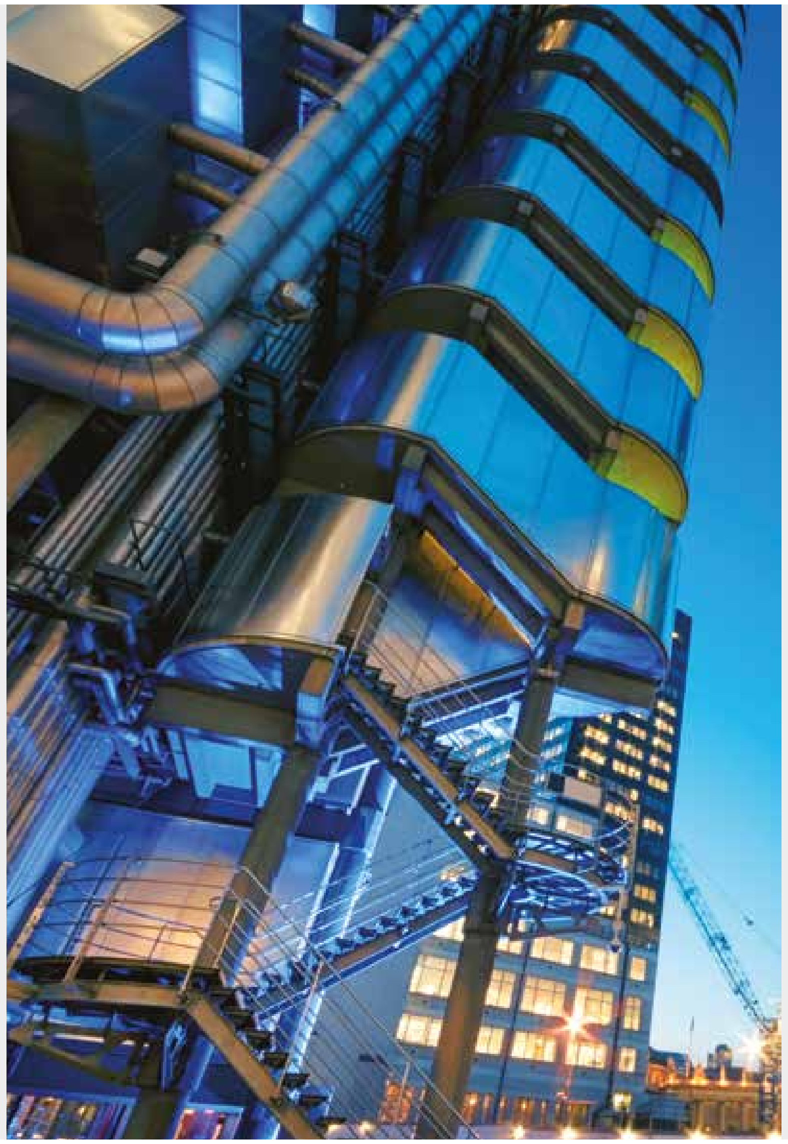
The rogue refineries, essentially scaled up versions of widespread gin distilleries in the region, typically employ about 100 people working in shifts. Yields from a single cauldron will include 7,500 litres of diesel, 2,000 litres of gasoline and 500 litres of kerosene a day.

It costs about four million naira (US$11,100) to construct a boiling pot.

Crude operators
Oil producers often take their own security measures, deploying daily helicopter surveillance with infrared cameras while simultaneously pushing State authorities to do more. But large-scale theft persists.

Addressing the challenge requires a *"holistic approach,"* Nigeria's Oil Minister Emmanuel Kachikwu said after attending a cabinet meeting in Abuja last month.

"Oil theft is rife because there is an economic gain to be made from it," he said. *"So we want to shut those illegal gains by creating positive and legal economic opportunities."*



Tipping point for downstream energy?
Paul Sankey, Liberty Specialty Markets' Head of Energy & Construction, says the downstream energy market needs to do some serious thinking about its profitability.

2017 is expected to be the worst year for operational losses in the downstream energy market since the turn of the century. So far, losses for 2017 and 2018 are estimated at US$5 billion and more than US$3 billion, respectively. These figures are set against a global premium income for the downstream energy market currently believed to be in the region of US$1.8 billion.

Recent loss activity includes refinery events in the US, Germany and Canada, plus a fire at a major petrochemical facility in Saudi Arabia. All these losses included business interruption impacts resulting from extensive property damage.

2018 was the first year since the turn of the century in which four distinct and unrelated operational events have produced combined losses of roughly US$3 billion. This figure means the market is loss-making even before smaller attritional events are taken into consideration.

Status quo no longer
What exactly is happening? At a fundamental level, in order to estimate loss frequency and magnitude, the market relies on a relatively predictable frequency of large and attritional events combined with the usual modelling techniques. This allows pricing models to be set which produce a margin to give an adequate return on capital.

However, the experience of the last two years suggests that this may no longer be a reliable approach. In terms of where we go from here, it is clear the market needs to marshal all of its technical experience and knowledge to address this problem.

We need to understand the underlying root causes of each of these events individually, although history suggests that most of their causes have been experienced before by the industry.

If this does turn out to be the case, we will need to dig deeper to examine the sector's underlying trends in order to better explain the reasons behind recent increased frequency of major events.

External issues may need much more detailed further analysis. Do we need a better understanding of the effects of merger and acquisition activity? What is the impact of Governmental and regulatory involvement? What is the impact of operational pressures? And how do changes in workforce demographics affect an organisation?

New thinking needed
One example of the potential pressures produced by improved refining margins could be the predicted impact of the new International Maritime Organisation fuel specifications on global refining margins over the next two to three years.

Most analysts suggest that a significant upswing in refining margins is likely, particularly for highly complex refineries capable of handling sour crudes and converting these into the low sulphur fuels required by the new regulations.

This 'window of opportunity' may be short-lived but the potential pressures on refinery managers can only be negative in terms of insurance loss frequency and magnitude due to significantly increased business interruption values.

It is very doubtful that any single factor will be the underlying cause of the recent increase in loss activity and magnitude.

However, it is likely that a combination of these have contributed significantly to the loss figures experienced by the market over the last two years and may well continue to do so for the foreseeable future.

As a market providing security and stability for our customers in the downstream energy business, our message has to be simple and clear. We believe the market landscape has changed due to a fundamental shift in loss activity in the business.

We cannot go on assuming things will revert to normal and loss activity will somehow magically come back in line with the market premium income.

We need to dig deeper, question everything we do and produce new approaches to risk analysis and technical pricing that can ensure the stability and strength of the downstream energy market for many years to come.

Oil tankers in the Persian Gulf face highest risk since 2005

Not since 2005 have the world's insurers considered shipping in the Persian Gulf so dangerous for oil tankers.

The Joint War Committee of London's Lloyd's Market Association said on 17th May that it would expand its so-called "listed areas" – those regions which pose the greatest risks for shipping, and potentially warranting higher insurance costs – to include the entire Persian Gulf.

The last time the entire region held the designation was a period that ended in June 2005 and encompassed the most recent Iraq War. It highlights the growing risks in the world's most important export region and chokepoint for oil.

The classification comes after the committee met to discuss the sabotage of four tankers at the port of Fujairah in the United Arab Emirates. Saudi Arabia said those incidents represented an attack on its fleet, with the nation's Energy Minister describing it as an attempt to prevent the free flow of goods over the world's oceans.

Intense period

Tensions between Saudi Arabia and Iran – two key global oil producers – have been steadily rising in recent weeks, while the US is ratcheting up its sanctions regime on the Persian Gulf state.

"In terms of geopolitics, I don't remember a period that was as intense as today," said Olivier Jakob, Managing Director of consultancy PetroMatrix GmbH.

Growing tensions in the region are significant for oil markets, as the Strait of Hormuz, the key bottleneck in and out of the Persian Gulf, sees tankers hauling about 16.5 million barrels of oil passing through it daily. As such, any curb to flows through the region would have a significant impact on crude prices.

Fujairah too

The Joint War Committee's decision also means the port of Fujairah is now considered an area of more significant risk. That matters because it's one of the world's major areas for refuelling tankers, along with Singapore and Rotterdam.

"We've heightened the security levels on our ships," Robert Hvide Macleod, CEO at tanker company Frontline Ltd, said. *"The situation in the area, in terms of the risk levels, they're obviously up and we're raising the alerts on the ships."*

It will take time for higher insurance costs to filter through to the market. The Committee's decision could lead to an additional premium for ships sailing to the Persian Gulf, but some underwriters are still deciding how to respond.

The Committee's decisions are not binding, although they are generally followed by the world's insurers.

Real impact

Most important though is the potential effect on global oil supply if the insurers' concerns turn out to be well founded.

Both the US and Iran have escalated a war of words which culminated in President Trump saying on 19th May that further acts of aggression would be *"the official end of Iran"*.

Although both the US and Iranian regimes have also dismissed the prospect of war, those in charge of valuing risks see skirmishes like the sabotage in the UAE as adding to the potential financial cost of doing business in the region.

"There is no doubt that considerable damage was done and there will be significant claims," the Committee said in a statement, referring to the attacks at Fujairah, adding that there is now *"heightened risk across the region."*

(Article dated 22nd May)

Growing security threat in Gulf of Guinea

Speakers at a maritime security symposium in London noted a growing incidence of piracy in the Gulf of Guinea.

Earlier this year the Spanish Navy had to intervene to rescue the crew of a hijacked subsea construction vessel operating offshore Equatorial Guinea.

Dr Grahaeme Henderson, Chairman of the UK Shipping Defence Advisory Committee and Vice President of Shell Shipping & Maritime, speaking at the event at the headquarters of the International Maritime Organisation, said: *"Simply put, the high level of piracy and armed robbery attacks in the Gulf of Guinea is not acceptable.*

"Yet it is happening every day, and this is not business as usual. We need to take urgent action now."

Figures from the International Maritime Bureau show that the number of attacks in the Gulf of Guinea region doubled in 2018. There has also been an escalation of incidents involving kidnapping for ransom and armed robbery.

Piracy specialist Professor Bertrand Monnet, who has interviewed pirate gangs in the Niger Delta, estimated that around ten groups of pirates were responsible for most of the attacks in the area. All were well organised, he added.

Dr Dakuku Peterside, Director General and CEO of the Nigerian Maritime Authority and Safety Agency (NIMASA), said initiatives underway to improve the joint capacity of Nigerian law enforcement and Navy capabilities could make seafarer kidnappings *"history"* within months.

He also stressed the importance of international co-operation, particularly with the shipping sector, adding that the NIMASA and the Nigerian Navy would host a Global Maritime Security Conference in October to explore solutions for regional and international collaborations in the Gulf of Guinea.

However, Jakob Larsen, Head of Security for BIMCO, said regional states needed to play their part: *"Nigerian piracy mainly affects a small geographical area of around 150 x 150 nautical miles.*

"The problem can be solved easily and quickly, especially if Nigeria partners with international navies. Nigeria holds the key to solving this problem."

Supreme Court to hear BP unit's Montana Superfund site dispute

The US Supreme Court agreed on 10th June to hear a bid by a unit of oil major BP to avoid a lawsuit by private landowners in Montana seeking to force the company to pay for a more extensive clean-up of a Superfund hazardous waste site than what Federal environmental officials had ordered.

The justices took up Atlantic Richfield Company's appeal of a lower court ruling allowing a lawsuit by a group of property owners within the sprawling site of its former Anaconda copper smelter in western Montana to proceed to trial.

Atlantic Richfield already has spent US$470 million on soil and ground water restoration at the site ordered by the US Environmental Protection Agency.

The company, which is backed by industry groups including the US Chamber of Commerce and the National Association of Manufacturers in the case, said the lower court's decision could lead to thousands more lawsuits nationwide against companies and further complicate federally mandated improvements to contaminated land.

The Superfund programme, started in 1980, is intended to identify contaminated sites and ensure that those responsible for the pollution pay for the hazardous waste clean-up. It has been criticised over the years for slow efforts.

Marathon fined for gas blast on North Sea platform

Oil and gas company Marathon Oil UK has been fined £1.16 million (US$1.5 million) following a Health and Safety Executive (HSE) investigation into a high-pressure gas release on its Brae Alpha offshore platform in the North Sea on Boxing Day in 2015.

HSE is Britain's national regulator for workplace health and safety.

According to its statement on 20th May, Aberdeen Sherriff Court heard that on 26th December 2015 an eight-inch diameter high-pressure pipework in Module 14 of the platform suffered a catastrophic rupture as a result of 'Corrosion Under Insulation' (CUI), allowing over two tonnes of high-pressure methane gas to be released almost instantaneously.

The force of the high-pressure blast caused significant and widespread damage within Module 14. The incident occurred whilst most of the 100 personnel on the platform were gathered in the accommodation block, in readiness for their Boxing Day meal, and away from the source of the blast.

An investigation by HSE found that Marathon Oil had failed to undertake any suitable and sufficient inspection of the pipework that would have allowed the company to identify the risk and prevent the hazard from materialising.

HSE said that these failures resulted in personnel onboard the Brae Alpha platform being exposed to an unacceptable risk of serious personal injury or death from fire and explosion, and also led to HSE serving an Improvement Notice on Marathon Oil in January 2016, requiring the company to implement an effective hydrocarbon pipework inspection and maintenance regime.

Marathon pleaded guilty to breaching Regulation 4 (1) of the Offshore Installations (Prevention of Fire and Explosion, and Emergency Response) Regulations 1995 and Section 33(1) of the Health and Safety at Work Act 1974, at Aberdeen Sheriff Court.

The company has been fined £1,160,000.

HSE inspector, Ahmedur Rezwan, said: *"This incident is a further reminder of the ever-present hazards in oil and gas production, that if not rigorously managed can easily result in a potentially life-threatening event."*

"Corrosion Under Insulation (CUI) is a well-known risk and this incident should not have occurred. During any normal period of operations, personnel could easily have been working in, or transiting through Module 14, and they would almost certainly have been killed or suffered serious injury. The timing of the incident and fact that the gas did not ignite was fortuitous."

The Brae Area lies approximately 170 miles (274 kilometres) north-east of Aberdeen in a water depth of approximately 110 metres. The area consists of three fixed jacket platforms, three Marathon Oil-operated subsea tie-backs and numerous pipelines and subsea components. Third parties also use the Brae Area facilities.

Brae Alpha started production in 1983, Brae Bravo in 1988, and East Brae in 1993. The Central and West Brae/Sedgwick subsea tie-backs to Brae Alpha started production in 1989 and 1997 respectively. The Braemar subsea tie-back to East Brae began in 2003.

Marathon Oil began initial planning and evaluation of decommissioning the Brae Area facilities in 2009.

BHSI launches hub in Paris

Berkshire Hathaway Specialty Insurance (BHSI) has opened an office in Paris, with a licence to begin underwriting in France immediately.

Green groups tentatively welcome Nationale Nederlanden coal exclusion policy

From 1st July this year, Dutch insurance and asset management company Nationale Nederlanden (NN) said it will *"stop providing insurance services to companies which derive more than 30% of their revenues from thermal coal mining or which use at least 30 percent thermal coal for power generation"*.

This is the company's new coal exclusion policy aimed at cutting coal use. It also means that existing insurance contracts which use coal at these levels will not be renewed.

NN said it would develop guidelines to ensure that, by 2030, it will only provide new insurance cover to clients who have an exposure of 5% or lower to coal-related activities.

However, there are exemptions. NN's marine cargo business will be exempt from these restrictions *"where this includes package and company insurance"*. And the firm said that standalone coverage of thermal coal transport is not part of NN's existing product offering and will not be considered in the future.

Provision of products or services will also be exempt if they are intended for the benefit of employees (e.g. pension products, workers compensation).

The group said it would restrict its investment in coal *"to 'close to zero' by 2030"* and engage with power generation firms to encourage a move to lower carbon alternatives, adding that it had revised its insurance underwriting policy to *"create consistency across its business"* and align with the investment side.

However, green campaigners questioned how NN would be able to implement its coal exclusion policy for companies involved in both coal power and mining activity.

They noted that NN is one of the biggest investors in Polish coal, with around €398.4 million investments. Polish coal company PGE is a major coal plant developer but is also reportedly planning an expansion of the Turów mine.

NN's policy does not state whether the company will exclude PGE, and other such companies, they said. Campaigners also noted that the policy *"does not prevent NN from investing in companies planning new coal plants with a coal exposure below 30%"*.

NN follows Allianz and Hannover Re in its commitment to phase out its own assets fully.

The deadline of 2030 is aligned with climate science goals to keep global warming below 1.5°C.

Kees Kodde, campaigner for climate and energy at Greenpeace Netherlands, said: *"NN Group is phasing out coal investments – a smart move in times when the public's call for climate action is unmistakable; losses from extreme weather events are rising for insurers; and the cost of coal is increasing and costs of wind and solar energy rapidly declining.*

"NN Group is sending a clear message to the financial sector: investments in coal are outdated and irresponsible. Financial institutions need to walk away from coal and stop investing in burning the planet."

Lucie Pinson, coordinator of the Unfriend Coal campaign, added: *"Despite a lack of commitment to implement the policy for all assets managed for third-parties, Nationale Nederlanden is clearly showing the way that other insurers must follow.*

"After having adopted an already strong policy on tar sands, Nationale Nederlanden is now showing leadership once more with a science-based commitment to totally phase out coal from its proprietary investment and insurance portfolios by 2030.

"There is now a clear gap between it and other insurers such as Aegon and Aviva, which remain big drivers of the coal expansion."

EU removes Bermuda, Barbados and Aruba from tax haven blacklist

The Economic & Financial Affairs Council (ECOFIN) in Brussels has removed Bermuda, Barbados and Aruba from the list of non-cooperative tax jurisdictions, the so-called EU 'blacklist'.

These three jurisdictions had been added to the blacklist in March 2019 after not modifying their tax regimes to comply with rules set by the EU Code of Conduct Group in December 2017, which relate to tax transparency, fair taxation, and the commitment to anti-base erosion and profit shifting (BEPS) measures. They were given 12 months to comply with the new rules.

Bermuda was moved from the so-called grey-list to the blacklist for having failed to follow up on commitments previously made but not taken.

Bermuda has now agreed to take the required steps to avoid being blacklisted next year. This includes further expanding its legislative framework, to include the EU's economic substance requirements for collective investment funds (CIVs).

Bank of England warns against weakening rules for insurers and banks after Brexit

Weakening rules for banks and insurers after Brexit would be *"anathema"*, but Britain could change its style of regulating to respond faster to change, Bank of England Deputy Governor Sam Woods said on 16th May.

"So as far as the stringency of financial regulation goes, we at the Bank have a clear view of what would make sense for the UK in a post-Brexit environment: we should keep it calibrated roughly where it is now and have no desire whatsoever to weaken it," Mr Woods said at a conference in Switzerland.

Britain has been forced to postpone Brexit twice and is still struggling to agree on the terms of its departure from the European Union before the next deadline, 31st October.

Regulators want to head off calls from some lawmakers for a Brexit *"dividend"* which ditches some financial rules.

Britain's Finance Ministry, Parliamentary Treasury Select Committee and the Financial Conduct Authority have begun reviews of financial regulation after Brexit.

The bulk of rules applied in Britain come from the European Union, and some lawmakers say Brexit would allow Britain to revise its rules to keep London competitive as a global financial centre. The Bank of England and the Financial Conduct Authority have poured cold water on that idea.

Much will hinge on what form of access to the EU market Britain secures after it leaves the bloc.

Mr Woods said it would be undesirable if Britain became a *"rule-taker"*, meaning it continued to apply EU rules in some form, echoing FCA Chief Executive Andrew Bailey, who said last month that rule-taking would be *"dangerous"*.

Britain faces a tricky trade-off.

The EU's default system of financial-market access for foreign companies is based on *"equivalence"* – aligning with the bloc's rules – so any major divergence in UK rules could jeopardise access.

Brussels has begun toughening up equivalence conditions now that it faces a huge, foreign financial centre on its doorstep, forcing it to consider how much access to grant Britain after Brexit.

While Britain should not compromise on stringency, it could change the style of regulation, Mr Woods said.

The EU favours detailed rule-making given the need to create a single rulebook across 28 countries, Mr Woods said. In Britain, Parliament has traditionally approved overarching changes, leaving the day-to-day application to regulators.

"Alternatively, we could adopt a hybrid approach which doesn't replicate either of the pre-existing EU or British approaches," he said. "Once you open this box, the possibilities are legion."

Oil and gas shippers brace for rise in insurance premiums after Saudi ship attacks

Asian shippers and refiners have put ships heading to the Middle East on alert and are expecting a possible rise in marine insurance premiums after recent attacks on Saudi oil tankers and pipeline facilities, industry sources said on 14th May.

On 13th May, armed drones attacked two of Saudi Aramco's oil pumping stations and forced the state producer to briefly shut its East-West pipeline, known as Petroline. The attack came two days after the sabotage of four oil tankers – two of them owned by Saudi Arabia – near the United Arab Emirates.

Asia gets nearly 70% of its crude oil from the Middle East, and any disruption to oil production, loading facilities or key shipping routes such as the Strait of Hormuz could have a severe impact on Asian economies.

Ashok Sharma, Managing Director of shipbroker BRS Baxi in Singapore said: *"There seems to be no increase in risk (insurance) premia as of yet."*

Risk premium increases would be inevitable, however, if security in the region continued to deteriorate, he added.

Beazley introduces cyber cover to marine portfolio

London carrier Beazley has launched a cyber product to cover loss of hire and physical damage to a vessel in the event of a cyber incident impacting its operational capabilities.

INSURANCE PEOPLE

Tokio Marine HCC bolsters marine liability team with Skuld's Knighton

Specialty insurer Tokio Marine HCC (TMHCC) has expanded its marine liability division, which began trading in January, with the appointment of **Paul Knighton** as Marine Liability & Logistics Underwriter.

Mr Knighton joins from Skuld where he was Head of Marine Cargo & Property. Prior to that, he held senior roles at TT Club and Lockton.

Mr Knighton has 18 years of experience working in the London Market, both in broker and underwriter roles across the logistics, cargo and ports & terminals classes.

He will report into **Darren Carr**, Head of Marine Liability, TMHCC – International Group, and will focus on developing the logistics and freight forwarders book of business.

Hiscox CUO Richard Watson steps down after 33 years; race begins for successor

Specialist insurer Hiscox's Chief Underwriting Officer (CUO) **Richard Watson** is stepping down from his position after 33 years with the carrier.

Watson will step down from the board of Hiscox on 31st December 2019 and will continue as an advisor and serve on subsidiary boards.

Hiscox said a successor will be announced following a review of internal and external candidates.

Watson joined Hiscox in 1986, having previously worked for Sedgwick and Hogg Robinson. He was appointed Managing Director of Hiscox Global Markets in 2005, and the underwriter of Syndicate 33 from 2006 to 2009. In 2009, Watson moved to New York and served as the Chief Executive Officer for Hiscox USA for three years. He returned to London in 2012 and became CUO for the Hiscox Group.

Seadrill names energy industry veteran as chief financial officer

Seadrill said on 6th June that it named **Stuart Jackson** as the company's CFO, effective upon release from his current employment expected by the beginning of August.

He will replace Seadrill Limited CFO **Mark Morris** who announced he would step down from his position in January 2019.

Mr Jackson has been the Chief Financial Officer of LSE, NASDAQ, OSE, and AIM-listed companies for the past 20 years.

Aspen Re makes senior hire

Aspen Re has appointed **Meredith Head** to lead its North American property catastrophe business.

Ms Head joins the reinsurance arm of Aspen Insurance Holdings from Tokio Millennium Re where she was Senior Vice President of property catastrophe underwriting.

She will oversee Aspen Re's property catastrophe treaty reinsurance strategy and Bermuda's property treaty business, working with the firm's head of international catastrophe **Andrew Mellor**.

International Union of Marine Insurance appoints Agnes Choi as Asia ambassador

The International Union of Marine Insurance (IUMI) has appointed an additional Asia ambassador to build its position in the region.

Agnes Choi, Chairwoman of Promotion and External Relations for the Hong Kong Maritime and Port Board and former IUMI executive committee member, was confirmed at the second IUMI Asia Forum in Shanghai on 22nd – 23rd May.

James Drew joins Brit as Head of Outwards Reinsurance

Aviva's **James Drew** has been appointed Head of Outwards Reinsurance at Brit, effective 1st July 2019.

Based in London, Mr Drew will report to **Christiern Dart**, Brit's Group Chief Underwriting Officer (CUO) and will be responsible for overseeing outward reinsurance purchasing and also the development and expansion of new and existing reinsurance relationships.

He brings more than two decades of experience in the Lloyd's of London market to the role, most recently working as Head of Reinsurance at Aviva and prior to that Head of Reinsurance roles at Insurance Australia Group and Torus Insurance (now Starstone).

Liberty Specialty names new claims manager for Energy, Property and Construction

Liberty Specialty Markets (LSM) has appointed **Gavin Coley** as Claims Manager for Energy, Property and Construction.

In his new role, he is responsible for managing the Energy, Property and Construction claims team, reporting to **James Side**, LSM Head of Specialty Claims.

Prior to joining LSM, Mr Cole held the position of Technical Head of Claims for two years at Neon Underwriting where he contributed to the delivery and implementation of the company's claims strategy.

Brit Bermuda executive leaves for Convex

Richard Slater has become the latest former XL Catlin executive to join Bermuda-based start-up (re)insurer Convex.

PRICE FORBES

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