



HSBC Insurance Brokers Limited

Energy Insurance Review

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HSBC  Insurance

Insurance People in the News

The destination of several former members of the downstream energy operation of American International Group Inc. has now been formally confirmed with an announcement by Bermuda-based Validus Holdings Ltd. of several senior-level appointments. **Kudret Oztap** has been appointed senior VP at Validus Underwriting Risk Services Inc. in New York. Previously, he was products lines underwriting officer, global energy worldwide at AIG. **Stephen Sykes** is senior V.P. of global technical lines at Underwriting Risk Services Ltd. in London; previously, he was V.P. of oil and petrochemical in the energy division at AIG UK Ltd. He is joined in London by **Stephen Tresadern** who has been appointed senior V.P. of global technical lines at URS; previously he was corporate manager of the energy division at AIG UK Ltd. **Ash Khan**, previously president of global marine and energy for the Pacific Rim at AIG Inc., has been appointed executive V.P. of global technical lines at Talbot Risk Services Pte. Ltd. in Singapore. We previously reported that **David Hawksby** – previously the president of AIG's Global Energy Property division – had been appointed CEO of Validus Underwriting Risk Services Inc., a managing general agency created to underwrite technical lines property insurance, based in New York. Business will be written on behalf of Validus' Lloyd's operation Talbot Underwriting Ltd., through its syndicate 1183 and other insurance companies.

Steve Silverman has joined Hiscox as vice president to head the insurer's move into providing inland marine insurance to the U.S. market. Silverman was previously assistant V.P. and product line manager for Inland Marine and Specialty Property business in the U.S. and Canada at Lexington Insurance, part of the AIG, and earlier spent most of his career with Aetna Casualty & Surety in various property and inland marine roles. He is joined by **Randi Glazer**, assistant V.P., who joins Hiscox from the Fireman's Fund Insurance Co., where she was the Inland Marine manager for the New York region. Glazer has held property and inland marine underwriting positions with various insurers including CNA, Chubb, Swiss Re America and the Catlin Group.

John J. Williams, previously senior V.P. of operations of the small-business division of American International Group Inc., has been appointed global head of business operations by Bermuda-based Torus Insurance (Holdings) Ltd.

Aon in the UK has appointed **Carl Wooding** as UK marine client manager to support small and medium sized UK companies by improving their access to specialist hull, liability and related marine insurance in the local and London markets. Wooding was previously at Everard Insurance Brokers for six years handling H&M and P&I business.

Willis Group Holdings Ltd. has appointed COO at two of its London-based divisions of Willis Global Specialties. **Matthew Wilson** has been appointed COO of the global specialties division, and **Mike Pinard** COO of the financial and executive risks division, FINEX Global. Both are internal appointments. Willis has also announced various international appointments in Willis Global Placement, the recently formed entity that co-ordinates worldwide placement strategy. **Nigel Roberts** is Chief Placement Officer for Global Specialties reporting to **Joe Trotti**, CEO, Willis Global

Specialties, with a matrix report to **Dominic Samengo-Turner**, CEO, Willis Global Placement. In addition to his new role, Roberts will continue to have responsibility within Global Specialties for Willis' Shaping our Future programme - the Group's strategy for profitable growth. **Paul Ward** is appointed Regional Placement Officer for Asia, reporting to **Roger Wilkinson**, CEO, Willis Asia, with a matrix report to **Tom Bartleet**, Chief Placement Officer, Willis International. **Phil Jacobs** is appointed Regional Placement Officer for Continental Europe, reporting to **Adam Garrard**, CEO, Willis Continental Europe, with a matrix report to Bartleet. Jacobs will be relocating from Sydney to London. **Edward Fyfe** is appointed Regional Placement Officer for Latin America, reporting to **Eugenio Paschoal**, CEO, Willis Latin America, with a matrix report to Bartleet. Fyfe will continue his role as MD for Willis' Latin-American reinsurance operations while handling client-facing opportunities relating to energy. **Tony Barber** is appointed Regional Placement Officer for Australasia, reporting to **Bill Donovan**, CEO, Willis Australasia, with a matrix report to Bartleet. Willis Global Placement is organised in two areas: Willis Retail Placement, which is responsible for regional placements that are transacted in local territories, and Willis Global Markets, responsible for global placement activities that are transacted via offices in key insurance hubs like London, Bermuda and Singapore.

Thomas Reagan, formerly AIG's vice president for national accounts, is joining the Technology, Media & Business Services professional liability group of London-based Beazley Group plc as a large-accounts underwriter.

On 27 February Hiscox announced that **Charles Dupplin**, currently Chairman of Hiscox's Art and Private Client division and Director of Mergers and Acquisitions, will succeed **Rob Childs** as Chief Executive of Hiscox Bermuda, taking the role in April 2009, subject to regulatory approval. As previously announced, Rob Childs will return to the UK towards the end of April 2009. He will continue in his roles as Group Director of Underwriting and Chairman of Hiscox USA. He will also serve as an internal non-executive of Hiscox Bermuda. **Robert Read** will assume overall responsibility for Art and Private Client underwriting. Dupplin will retain his responsibilities as Director of Mergers and Acquisitions for the Group.

Willis Group Holdings Ltd's North American operation Willis HRH has appointed **David Finnis** executive V.P. and national property practice leader. Based in Atlanta, Finnis - previously a managing principal at Integro Insurance Brokers Ltd. - will lead Willis HRH's property placement group in North America as well as property placement groups in London and Bermuda and work with the global placement group of Willis to coordinate the placement of complex and layered property coverages.

Paul O'Keefe, who joined Marsh's energy practice in 2007 from energy loss adjusters Steege Kingston (now Braemar Steege), has been appointed Global Claims Leader for Marsh's Global Energy Practice. In this new role he will coordinate all energy claims globally, while retaining his current position of managing the Energy Practice's Risk Engineering, Consequential Loss and Client Consulting Services, based in London. O'Keefe will work directly with energy claims teams in Marsh's nine Global Energy Practice hubs based in Calgary, Dubai, Houston, London, Madrid, New York, Oslo, San Francisco and Singapore, and a wider network of local offices.

Graham Heath has been appointed director of Risk Control UK by Aon Global Risk Consulting. He was previously MD of his own company, Calculated Risks Limited and earlier was responsible for setting up Norwich Union Risk Services.

Former General Re Corp. executive **Christopher P. Garand**, who in February 2008 was found guilty on charges of conspiracy, securities fraud and making false statements to the Securities and Exchange Commission in regard to a phoney loss-portfolio transfer deal with the AIG, has been sentenced to one year and one day in prison by the U.S. District Court in Hartford, Connecticut. Until August 2005 Garand was senior V.P. in charge of U.S. finite underwriting at Gen Re.

Ironshore Inc. announced on 5 March that **Mitch Blaser** has been appointed Chief Executive Officer of Ironshore Bermuda. Blaser has been with Ironshore since the company's launch in January 2007 and the company said "*he was an essential part of the core management team who, along with industry leaders Bob and John Clements, founded Ironshore in late 2006*". In addition to being the CEO of Bermuda, he will continue to serve in his capacity as COO and CFO of Ironshore's Global Operations. Prior to joining Ironshore, Blaser was the CFO for Swiss Re's Americas Division from 2001 through 2005 and also served as a director of Swiss Re America. Prior to Swiss Re, he was part of the leadership team at Marsh where he served in a variety of roles from 1973 until 2001, and also served as a member of Marsh's Board of Directors.

At the AGM of Cefor (The Nordic Association of Marine Insurers, previously known as The Central Union of Marine Underwriters) **Ole Wikborg** was elected Chair of the Cefor Board of Directors. Wikborg succeeds **Bjørnar Andresen** from Gard at the end of his two year tenure. Wikborg has more than 25 years of experience from the marine insurance industry. Prior to entering the industry, he served as an officer in the Royal Norwegian Navy. Mr. Wikborg is Director, Senior Underwriter and a member of the Norwegian Hull Club management team. He has served on the Cefor Board since 1997, and is also a V.P. and Member of the Executive Committee of the International Union of Marine Insurers (IUMI). **Svein Arne Aas**, If, was elected Deputy Chair. **Joakim Raben**, Codan Marine, **Nils Arne Fagerli**, Gjensidige, and **Kjetil Eivindstad**, Gard were elected as new members of the Cefor Board of

Directors. The following members were re-elected: **Carsten Mortensen**, TrygVesta, and **Tord Nilsson**, The Swedish Club.

Brian M. O'Hara, chairman of the board of directors and former president and CEO of XL Capital Ltd., will not stand for re-election in April. **John T. Thornton**, a member of XL's board since 1988, has also decided that he will not run for re-election. **Robert S. Parker** and **Alan Z. Senter**, board members of XL since 1992 and 1986 respectively, have decided to retire from the board at the end of 2009.

Effective 13 March, **Kaspar Villiger** has resigned as a member of Swiss Re's board of Directors following his election as chairman of the UBS Board. He joined Swiss

Re's board in 2004 for a four-year term and was re-elected in 2008 for a three-year term.

Shaun Edwards, previously Head of Client Management at Allianz Global Corporate and Specialty and earlier a Client Executive Director at Willis Group Holdings, has been appointed a Client Relationship Manager for ACE European Group's Major Risks business. Based in ACE's Leadenhall Street Head Office he will report to **Phil Sharpe**, Director of Casualty and Major Risks, UK & Ireland. Edwards will work closely with ACE's brokers with responsibility for the retention of existing clients and the development of new client relationships. He joins **Jeff Carr**, who was appointed Client Relationship Manager earlier this year.

Mike Poulding, formerly insurance division actuary at the commission, has been named deputy director – international at The Guernsey Financial Services Commission and John Dunford as deputy director - supervision, with responsibility for supervision of insurers and intermediaries. He was previously a director at PricewaterhouseCoopers in Guernsey. In his new role he will oversee the insurance supervision team, which will be headed by **Caroline Bradley**, and the intermediaries team, which will be led by **David Richings**. **Peter Cooke**, who is secretariat at the International Association of Insurance Supervisors, is to join the commission as assistant director on the international team.

Ian Thompson, previously head of group insurance at Network Rail Ltd., UK, has joined Jardine Lloyd Thompson Ltd. in London as a partner of its recently launched transport, engineering and water utilities industry practice group.

Charles H. Dangelo has been appointed president and CEO of Starr Indemnity & Liability Co. He will also serve as president and CEO of Starr Excess Lines Insurance Co and as a director and chairman of Starr Insurance & Reinsurance Ltd. Dangelo was until recently president and chief reinsurance officer of AIG's global risk management division,

Ken Davie, onetime head of the company's Scotland operations, has left Towergate, UK. He co-founded the JW Group which was sold to Towergate in 2007 and he have left Towergate with four other members of the JW Group.

Elliot Lyes has been appointed offshore energy underwriter of XL Insurance with global responsibility for XL Insurance's Offshore Operational account. **Marina Moore** continues to be responsible for Global Offshore Construction and both report into **Colin Sprott**, chief underwriting officer for XL Insurance's Global Marine & Offshore Energy team. We previously reported that on 6 February Torus Insurance announced that **David Message**, then at XL Insurance, would take charge of Torus' offshore underwriting team in London.

A couple of weeks after the resignation of **Jacques Aigrain** as CEO of Swiss Re, following the company's poor financial results, come the news that chairman **Peter Forstmoser** is leaving to be replaced on 1 May by current vice chairman **Walter Kielholz** who was CEO from 1997 to 2002 and who will step down from his present position as chairman of Credit Suisse Group. **Mathis Cabiallavetta** is to become

vice chairman; he joined the Swiss Re Board in 2008 having retired as vice chairman of Marsh and McLennan. He joined MMC in 1999 from UBS.

Managing director **Russell Kilpatrick** has been promoted to newly created position of executive chairman of London-headquartered underwriting agency Dual Corporate Risks which works with clients in the mid-market sector. The company said that the new role will enable Kilpatrick to focus on exploring strategic growth opportunities both in the UK and internationally. Kilpatrick is also chief underwriting officer of Dual International and a member of the Board of Dual's parent company Hyperion Insurance Group. Director of operations **Mark Bridges** has been promoted to managing director of Dual Corporate Risks.

Steve Lloyd, previously at head of property and specialty underwriting Talbot Underwriting, has joined Travelers Lloyd's syndicate 5000 as head of property underwriting with responsibility for leading the open market and binding authority property risks unit. Former senior international property underwriter at Brit **John Curtis** has also joined the syndicate's property team, and will be responsible for underwriting the global property binding authority account.

Linc Trimble - previously president of MGA Statehouse Casualty Managers, specialising in umbrella and excess liability products and earlier with Chubb and St Paul Travelers - has been appointed US head of excess casualty for Bermuda-domiciled Torus Insurance Holdings Limited, the holding company of Torus Insurance (UK) Ltd, US excess and surplus lines insurer Torus Specialty Insurance Inc., and Class-4 insurer Torus Insurance (Bermuda) Ltd, Bermuda.

Tony Pickering has joined Glencairn Energy as Deputy Chairman. Pickering was a founding partner of Jenner Fenton Slade Ltd in the early 1980s and latterly of Agnew Higgins and Pickering.

Peter Burton, previously a senior V.P. at broker Marsh, has been appointed senior underwriter for marine and energy business lines in Singapore for QBE Insurance (Europe) Ltd. which operates in the region under the Lloyd's Asia licence. The QBE marine and energy operation in Singapore has been in operation since 2Q2009.

Everest Re Group Ltd. has appointed **Mark Herman** as the president of Everest Specialty Underwriters and will be located in New York. He was formerly non-executive chairman at Valiant Insurance Group, and has served as a co-president of Ariel Holdings Ltd. and president and CEO of Ace Bermuda Insurance Ltd.

Marsh has made two appointments to its Market Relationship Management team who, based in London, focus on managing Marsh's market relationships in Europe, the Middle East and Africa. **Tracy Harrington**, previously at QBE as Client Relationship Manager, is responsible for leading Marsh's MRM activity in the UK, focusing on carrier strategy and planning. **Sarah Powell**, previously Brit Insurance's Corporate Relations Officer, has been appointed UK/EMEA Senior Support, with responsibility for supporting MRM activity in the UK and across the EMEA region.

John Robinson is to step down as Active Underwriter of Omega's Lloyd's syndicate 958 to focus on his role as Chief Underwriting Officer of Omega Insurance Holdings

Limited. Subject to regulatory approval, **Daria Vanous** will succeed Robinson as 958's Active Underwriter.

Sarah Wilson has resigned from the UK's Financial Services Authority and will leave later this year. Wilson was appointed a director of the FSA in April 2002 and has held a number of senior positions, currently being the director of the FSA's Treating Customers Fairly initiative.

Respectively based in London, Hamburg and Hong Kong; **Simon Hems**, **Daniel Jones** and **Rory Macfarlane** have been promoted to become partners of London-headquartered law firm Ince & Co effective 1 May. Hems specialises in dispute resolution including commercial litigation and arbitration, with a particular emphasis on energy and insurance; Jones specialises in English law shipping, trade and marine insurance; and Macfarlane specialises in general commercial litigation and all aspects of contentious shipping as well as general commercial litigation, mediations and arbitrations.

Beazley Group plc has established a builders risk and engineered risk capability in the US, headed by **Mark Gadaire**, a senior underwriter with more than 25 years experience. Gadaire was previously National Practice Leader for Builders Risk on the global property team of ACE and prior to joining ACE in 2003 he was a senior engineering underwriter at XL Global Risk.

US brokerage holding company Kinloch Holdings, Inc. has appointed **James L. Zech** as president and CEO. Zech is a principal at Northaven Management Inc., a major investor in Kinloch, and succeeds **Stephen Genatt**, who temporarily held the positions following the departure in July 2008 of Kinloch founder Robert Lockhart. Genatt remains on Kinloch Holdings' board of directors, and continues as president and CEO of Genatt Associates Inc which was involved in the launch of Kinloch. Kinloch has also announced that executive V.P. **Thomas E. O'Neil** has left the company. Before joining Kinloch in 2007 he was chief operating officer of USI Holdings Corp.

Kenneth MacKay, a former senior V.P. of Willis Management (Vermont) Ltd., US, has been sentenced to nearly six years in prison by a Vermont federal Court having been found guilty of various fraud related charges and ordered to pay USD5.3m in restitution to Willis Group. He was accused of embezzling several million dollars between 2000 and February 2008 while employed by the captive management operation of Willis in Vermont.

Willis Group Holdings is establishing a facultative reinsurance unit, Willis Facultative which will be headed by CEO **Matthew Keeping** (former MD of fac at Willis) with **Gianmarco Tosti** managing director of Willis Facultative International and **Rich Macrane** managing director of Willis Facultative North America.

Patrick Hartigan has been promoted to lead the reinsurance division of Beazley Group plc with effect from 1 August, reporting to **Neil Maidment**, underwriting committee chairman who will retain a supervisory role over the reinsurance division, as well as the various other elements of the company.

Anders Lindberg has joined Jardine Lloyd Thompson as construction and engineering practice leader for the Nordic region, based in Stockholm. JLT said he brings 30 years of broad international experience to the company, having held key positions at Skandia and then If P&C Insurance Ltd. At If P&C, Anders was Senior Underwriter and Manager of their Construction and Engineering 'All Risks' portfolios for the Nordic region and Nordic clients globally.

Khalil Eid has been appointed general manager and senior executive officer of the recently established QBE Insurance Europe Ltd (Dubai Branch).

Claude Parenteau, president of Parenteau Associates of Connecticut has been elected chair of the board of directors of the Captive Insurance Companies Association, US for 2009.

Rolf Horst has joined Towers Perrin's reinsurance operation as managing director of the Benelux region and **Steve Martin** and **Richard Denniston** have been appointed directors. All three, who were previously with Aon Benfield, will be based in London

Chris Giles, presently CEO of Chubb Insurance Europe, has been appointed to international field operations manager for the Chubb Group of Insurance Companies, effective from 1 January 2010. From 1 May, he will assume the role of deputy international field operations manager working alongside **Jan Tomlinson**, the current international field operations manager, who will retire at the end of the year after 36 years with Chubb. The international field operations manager has overall responsibility for the Europe, Canada, Asia Pacific and Latin America zones within Chubb Corporation. Giles will continue to be based in London post 1 January 2010. In due course Chubb will announce a successor to Giles's present role.

David Sankey, previously with the AIG, has joined Liberty Syndicates at Lloyd's as its marine liability underwriter.

International law firm Clyde & Co LLP has announced the addition of Middle East based partner **Peter Hodgins** in the area of Islamic Insurance (Takaful) within the firm's Financial Services group. Hodgins is an insurance and reinsurance law specialist who worked for 10 years with the insurance practices of Clifford Chance and Reynolds Porter Chamberlain in London before moving to the Middle East in the summer of 2007. He joined Clyde & Co at the start of 2009. In the GCC Clyde & Co has with over 160 specialist lawyers and paralegals operating as a single unit from offices in Dubai and Abu Dhabi in the UAE, and in Doha, Qatar.

We regret to report the death of long-time London insurance market figure **Ian Agnew**. Senior positions he held during his career included Active Underwriter of Lloyd's syndicates 672, 406 and 604, Chairman of Wellington Underwriting plc, deputy chairman of Lloyd's, non-executive director of Equitas, Committee Member of the Lloyd's Underwriters' Association, Chairman of British Marine Holdings and Chairman of Lloyd's managing agency Jubilee Managing Agency Limited

Alex Campbell – previously a V.P. at Arch Insurance Company (Europe) and earlier with Allianz Global Risks and chief UK underwriter at Skandia Assurance Company – has been appointed senior property underwriter at Glacier Insurance AG, based in

the company's London office. Campbell, who has over 20 years experience, is charged with further developing the company's UK portfolio and work, in conjunction with Glacier's network of offices, on international business.

Elizabeth Demaret has been appointed chair of the World Federation of Insurance Intermediaries for a one-year term, succeeding **David Harari**, director of IFEBO, France. Demaret is a managing director of Arthur J. Gallagher and a member of The Council of Insurance Agents & Brokers, US.

Former CEO of Lloyd's managing agent SVB **Rupert Villers** has been appointed head of Aspen's financial and professional lines insurance business division, the combination of its financial institutions, professional lines, and management and technology liability insurance underwriting units.

Arch Reinsurance Company, US, has announced a number of senior appointments effective 1 March. **John Rathgeber**, previously President and CEO, has been appointed Chairman and CEO; and **Tim Olson**, previously Chief Underwriting Officer has been appointed President and COO. **Barry Golub**, formerly the Company's Controller, has been appointed Chief Financial Officer.

Effective 1 June, **Nik van Leuven**, senior legal officer of Guernsey, has been appointed director general of the Guernsey Financial Services Commission, succeeding **Peter Neville**, who is retiring having been director general of the Guernsey FSC since 2001.

Liberty Syndicate Management has announced a number of internal promotions effective 1 April. **Matthew Moore** has been appointed active underwriter for Syndicate 4472; **Dieter Winkel** and **Dean Pitts** become the heads of the reinsurance and insurance divisions respectively; and **Tom Corfield** will assume the newly created position of director of underwriting for Liberty Syndicate Management.

Edmund Tse is retiring from American International Group Inc. as the group's most senior executive in Asia and head of American International Assurance Co. He is a member of the Group board of directors. Tse has worked at AIG for over 45 years and is in his early 70s. Tse is expected to become honorary chairman of American International Assurance and non-executive chairman of AIG's operations in Taiwan and the Philippines. It is understood that **Rodney Martin** has been appointed chairman of international life and retirement services, in charge of American International Assurance and AIG's operations in Japan; and **Mark Wilson** appointed CEO of American International Assurance Co.

Susan Kostro, previously V.P. of Casualty at Lexington Insurance Co., has been appointed vice president in charge of operating the newly formed Program underwriting facility of Ironshore Inc., Bermuda. Based in Boston, Kostro will develop and manage Program business, working in conjunction with program administrators across all of Ironshore's underwriting platforms.

Mike Reynolds has been appointed Marine Manager for the UK & Ireland for ACE Europe with responsibility for managing the marine portfolio written outside of ACE's

London market operation through the company's 11 regional and London offices. Reynolds will report to both **Peter Seymour**, Senior V.P. - Marine, ACE Overseas General and **Richard Pryce**, President, ACE UK.

William Beveridge, of Arch Insurance Europe, has been appointed active underwriter of Arch's new Lloyd's syndicate 2012, and **James Weatherstone**, president and CEO of Arch Insurance Europe, will be CEO of the managing agent, while **David Hipkin**, chief underwriting officer of Arch Insurance Europe, will be as director of underwriting of the managing agent.

Marion Madden is reported to have resigned from the Kiln Group as Chief Operating Officer. She joined Kiln in March 2003 after spending 18 years in a Global Financial Services role.

Marsh Inc. has announced a number of several appointments within its U.S. organisation. **Jack Butcher**, formerly CEO of Marsh & McLennan Agency L.L.C., has been appointed U.S. sales and marketing leader with responsibility for U.S. sales, marketing and campaign management for the broker's proprietary products and services. **Robert Howe** has been appointed to the new position of placement and market leader with responsibility for setting overall insurer strategy and managing insurer relationships. Howe was formerly president of Marsh's property practice, a position to which **Duncan Ellis**, formerly the leader of Marsh's Northeast zone property practice, has been appointed. **Dean Klisura**, formerly head of the broker's financial and professional liability practice (FINPRO), has been appointed to the new position of risk practices leader, overseeing Marsh's casualty, environmental, FINPRO, premium finance, property and surety practices. **Lou Ann Layton**, previously the leader of FINPRO's Northeast zone, succeeds. Klisura as head of the FINPRO practice in the U.S.

On 23 March Bermuda-based Ironshore Inc. announced that **Bob Deutsch**, President (and founding CEO in January 2007), will leave the company effective 31 March. **Shaun Kelly**, currently CEO of Ironshore's US operations, will also assume the role of President of Ironshore Inc. The company has been undergoing significant change since the appointment in December 2008 of **Kevin Kelley**, formerly the CEO of AIG's E&S operation Lexington Insurance Company.

Effective 1 March **Stephen Card**, previously CEO of THB International and earlier CEO of PWS Group, has been appointed deputy chairman of the board of fellow Lloyd's broker R L Davison & Co Ltd. Card's primary role will be to expand an international and reinsurance department as well as assisting with the overall company development and growth.

Effective 5 May Catlin Group Limited has appointed **Patrick Wills** as deputy chief investment officer, based in London. He was previously with Montier Partners LLP and earlier held various senior positions with several banks including Deutsche Bank, HSBC, Bear Stearns International and BNP Paribas. He will collaborate closely with fellow deputy chief investment officer **Nylesh Shah**. Pending the appointment of a chief investment officer (to replace the departed **Preben Prebensen**) both will report directly to CEO **Stephen Catlin**.

Scott Moser, formerly the head of Lloyd's run-off vehicle Equitas (which handled open 1992 & prior years non-life liabilities of Lloyd's Names) and latterly chief executive of Resolute Management Services Ltd, the Berkshire Hathaway entity which manages the run-off of Equitas liabilities taken on by Berkshire Hathaway group company National Indemnity Company, is reported to be retiring. In October Equitas and Berkshire Hathaway Inc. announced that they have reached an agreement on a structure in which National Indemnity Company would reinsure all Equitas' liabilities; provide up to a further USD7bn of reinsurance cover to Equitas; and take on the staff and operations of Equitas and conduct the run-off of Equitas' liabilities.

Willis Group Holdings has formed FINEX Global, a new division that will incorporate its existing London-based Financial, Executive Risk and Professional Liability business. The business unit will be headed by CEO **Antonio Tosti**, reporting to Roland Avery, Chairman of FINEX Global.

Argenta Holdings P.L.C., which through Argenta Syndicate Management Limited, manages Lloyd's Syndicate 2121 and provides managing agency services to third-party syndicates including Syndicate 1965, has recently announced that it has established Singapore-based Argenta Underwriting Asia Pte. Ltd., as a regional underwriter for Argenta's main Syndicate 2121, under the Lloyd's Asia Scheme. In early 2005 **Richard Yeo** was appointed active underwriter in Singapore of Asian Marine Syndicate 1965, the first Lloyd's syndicate formed exclusively in Asia, supported by local capital. Argenta Underwriting Asia has now assumed responsibility for underwriting on behalf of 1965 via a binding authority agreement. **Paul Hunt**, director of underwriting at Argenta Syndicate Management Ltd. and active underwriter of Syndicate 2121, has been appointed acting active underwriter for Syndicate 1965, replacing Yeo, who has resigned. Other personnel of service company Asian Marine Syndicate 1965 Pte Ltd have transferred to Argenta Underwriting Asia.

Long-time company member **Tony Cabot** has been appointed by XL Insurance as Global Programs director. He has been XL Insurance's country manager for Italy, and will retain his present post as product development manager for Continental Europe and Asia. Based in Zurich, Cabot will address the needs of multinational clients by leading the unit responsible for provision of complex risk management/transfer needs across territories.

Effective 1 June, **Thomas D. Bell**, will retire from Endurance Specialty Holdings Ltd. where he is executive VP of Compliance. Following his departure, his duties will be undertaken by other members of the firm's executive leadership.

Clive Edwards has been promoted to the role of head of UK Commercial Insurance at Aspen Insurance Holdings, succeeding **Russell Griffiths** who will retire on 31 March. Edwards has been with Aspen since its 2002 formation and has been underwriting non-marine commercial lines insurance since joining Commercial Union in 1980, and has held market development and account management positions at various other UK operations.

Tom Bolt, managing director of London-based Marlborough Underwriting Agency Ltd., is to succeed **Rolf Tolle** as underwriting performance director of Lloyd's in the autumn. Tolle will retire at year-end. Marlborough-owners Flagstone announced that **Dominic Kirby** will replace Tom Bolt as Managing Director of Marlborough Underwriting Agency Limited effective 1 August. Kirby joined Flagstone in July 2007 and most recently has overseen the marine and energy business and served as deputy MD of Marlborough. Before joining he was chief underwriting officer for global marine and energy at Navigators Group.

Effective 10 April, **Tony Ursano** – previously with a Vice Chairman of Banc of America Securities - has been appointed Chief Executive Officer of Willis Capital Markets and Advisory Services. Ursano will report to **Patrick Regan**, the Group's COO and CFO, and will also oversee Corporate Development for the company's in-house M&A division.

It has been reported that **Colin Croly**, the former head of the reinsurance practice of Barlow Lyde & Gilbert, has left BLG following the merger of the law firm's insurance and reinsurance practices.

Insurance News

In July 2008, the **High Court** in London **struck out** a **claim** brought by **50 Names against Lloyd's** alleging that the description of Reinsurance to Close (RITC) in Lloyd's brochures and its Verification Forms back in the 1980s was fraudulent. The Judge, Mr Justice David Steel, found that Lloyd's had not made any false representations with regard to RITC and that there was no evidence that Lloyd's had acted dishonestly. Further, the Judge held that the claim was "*unquestionably an abuse of process*". The Names appealed. On 24 February 2009 the Court of Appeal found that the Names' application to appeal was "*totally without merit*" and was "*just part of the continuing abuse of process of the court by dissatisfied Names who are perpetually trying to find new ways of accusing Lloyd's of fraud*". The Court held, "*The matter is made even more abusive*" by the fact previous applications to appeal earlier judgments had been dismissed. Lord Justice Longmore stated that the litigation pursued by Names "*must now come to an end*" and he held that extended civil restraint orders against the 50 Names preventing them from pursuing fresh litigation must remain in place. Commenting on the decision Sean McGovern, Lloyd's General Counsel said: "*Today's decision is a complete vindication of Lloyd's position through a decade of litigation. The decision marks the end of perpetual litigation trying to reopen matters which have been definitively laid to rest by the Court on a number of occasions.*"

Rating agency A.M. **Best** has **upgraded** its financial strength ratings (FSR) of the rated UK operating subsidiaries of **RSA Insurance** Group plc from a- to a (excellent).

General Reinsurance Corp. has agreed to **pay USD72m in settlement of claims** made by the State of Ohio (on behalf of public pension funds) **arising from the phoney finite reinsurance deal** that led to four Gen Re executives and 1 AIG executive being tried and found guilty of federal fraud charges. The settlement will require approval by the US District Court for the Southern District of New York in Manhattan. In late 2008 PricewaterhouseCoopersLLP, auditors of AIG at the material time, entered into a USD97.5m settlement with Ohio in the face of allegations that they violated securities laws in relation to auditing work undertaken for AIG. Ohio has not reached a settlement with AIG.

RSA Insurance Group PLC is **to cut some 1,200 jobs**, about 5.5% of RSA's global work force, as a large part of a cost reduction programme designed to reduce expenses by £70m by mid-2010.

On 27 February **Hardy Underwriting** Bermuda Limited **announced** a fully underwritten **placing and open offer to raise £40.3m gross** of expenses (approximately £38.1m net). The proceeds will be used "*to take advantage of opportunities presented by the improving insurance market conditions*". The placing and offer will involve the issue of 16,456,174 New Common Shares (representing 31.5% of the issued share capital of the Company including the New Common Shares) at 245 pence per share on the basis of 46 New Common Shares for every 100 Existing Common Shares. The price represents a 10.1% discount to the closing middle market price the previous day. The purpose of the offers "*is to allow Hardy to*

take advantage of hardening rates and the current shortage of capital to pursue more rapid growth than had previously been anticipated'. The capital raising is conditional, inter alia, on shareholder approval at a Special General Meeting on 31 March 2009.

Paris-headquartered **SCOR has implemented its sixth and last management hub in Paris**, having previously announced hubs in Zurich, Cologne, London, New York and Singapore. The Paris hub, a branch of parent SCOR S.E., combines the support functions of two of SCOR's French-domiciled subsidiaries, SCOR Global P&C and SCOR Global Life. Frederic Fougere is chief executive of the Paris hub.

Lloyd's, which gained a license to write business in Poland during 2008, has **opened a representative office in Warsaw**, Poland headed by Lloyd's Polish Representative Witold Janusz.

On 27 February A.M. **Best Co. downgraded Swiss Reinsurance Co. Ltd.** and its subsidiaries' financial strength rating to A from A+. The rating agency also downgraded the company's issuer credit ratings to a+ from aa-. All the ratings have been assigned a stable outlook.

By means of a share swap, Trieste, Italy-based **Assicurazioni Generali S.p.A.** is to **acquire the 49.6% of shares of Alleanza of Milan it does not already own** and after completion will merge the company with Turin-based Toro Assicurazioni S.p.A., which Generali acquired in 2006. The combination will create the fourth largest life, and P&C insurer in Italy, excluding bancassurance operations.

AIG reports largest corporate loss in US history and more Government help

On 2 March American International Group Inc. reported a 4Q2008 loss of almost USD61.7bn, bringing the loss for the full 2008 year to USD99.3bn. The 4Q result was adversely affected by continued severe credit market deterioration, particularly in commercial mortgage backed securities (CMBS), and charges related to ongoing restructuring-related activities. Insurance premiums and other considerations declined only by 1.9% compared to the 4Q2007. At the same time AIG announced yet more assistance from the US government; *"a broad set of actions"*, taken in cooperation with the U.S. Treasury and the Federal Reserve, *"to improve AIG's capital structure, protect and enhance the value of its key businesses, and position these franchises for the future as more independently run, transparent companies."* AIG said that *"These actions will reduce the debt AIG owes the government, strengthen AIG's capital base, and allow AIG time to execute its plan and benefit from future improvements in market and industry conditions. AIG's liquidity needs have been stabilized since last November. Now, AIG has access to additional financial backstops should conditions change that will facilitate certain types of structured divestiture or recapitalization activities for AIG subsidiaries."* AIG's described as the "key actions":

- Improved terms of existing U.S. Treasury preferred investment: The terms of the U.S. Treasury's preferred stock investment in AIG will be modified to make these preferred securities more closely resemble common equity and improve AIG's financial leverage.

- New standby equity capital facility: The U.S. Treasury will provide AIG with a new five-year equity capital facility, which will allow AIG to raise up to USD30bn of capital by issuing non-cumulative preferred stock to the U.S. Treasury from time to time as needed.
- Repayment of the FRBNY credit facility: AIG will transfer to the Federal Reserve Bank of New York (FRBNY) (or to a trust for the benefit of the FRBNY) preferred interests in American Life Insurance Company (ALICO) and American International Assurance Company, Ltd. (AIA) in return for a reduction in the outstanding balance of up to USD26bn of the FRBNY senior secured credit facility. AIG also expects to transfer to the FRBNY securitization notes of up to USD8.5bn representing embedded value of certain of its U.S. life insurance businesses in return for a further reduction in its outstanding FRBNY credit facility balance. AIG said that securitization is a capital management strategy and will not affect the day-to-day operations, sales activities, or customers of these businesses
- Reduced cost of FRBNY credit facility: The FRBNY will remove the LIBOR floor on the senior secured credit facility. This will save AIG an estimated USD1bn in interest costs per year, based on the current level of LIBOR and the current facility balance.
- Maintain availability of FRBNY credit facility: AIG will continue to have access to the FRBNY credit facility. Following the repayment of the outstanding amount on the facility with the preferred interests and securitization notes, the total amount available to AIG under the facility will remain at least USD25bn.

Edward M. Liddy, Chairman and CEO said *“AIG is executing one of the most extensive corporate restructuring programs in history at a time when the global economy and capital markets are in turmoil. While we have made meaningful progress, we have concluded, along with Treasury and the Federal Reserve, that additional tools are needed to enable success. The measures announced today provide the necessary U.S. government support for a plan to establish separate capital structures, including outside ownership, for certain AIG companies. AIG’s underlying businesses remain strong, well-capitalized, and competitive. Moreover, policy holders, regulators, agents and business partners around the globe can be confident that policies written by any AIG company are sound”*.

AIG noted the U.S. Treasury and the Federal Reserve’s press release of 2 March related to the restructuring of government assistance to AIG and specifically the statement: *“The steps announced today provide tangible evidence of the U.S. Government’s commitment to the orderly restructuring of AIG over time in the face of continuing market dislocations and economic deterioration. Orderly restructuring is essential to AIG’s repayment of the support it has received from U.S. taxpayers and to preserving financial stability. The U.S. Government is committed to continuing to work with AIG to maintain its ability to meet its obligations as they come due.”*

AIG said that since September 2008, when the Federal Reserve first extended emergency assistance to AIG , the company has made progress in its restructuring by: reducing the excessive risk from exposure to certain financial products,

derivatives trading activities, and securities lending; rationalizing AIG's cost structure; selling easily separable assets; and stabilizing the company's liquidity. *"However, global economic conditions have continued to deteriorate significantly, posing challenges to AIG's ability to divest assets at acceptable values".* Paula Rosput Reynolds, AIG Vice Chairman and Head of Restructuring said *"The very same global forces that we face have greatly diminished the ability of qualified buyers to raise the capital necessary to buy AIG's businesses right now. As a result, AIG is redirecting the divestiture process away from relying solely on immediate sales for cash and will use a greater variety of tools to maximize the value of the individual businesses. The U.S. Treasury, the Federal Reserve, and AIG have taken actions that will allow AIG to achieve a complete restructuring over the next several years through a process that protects policyholders, continues to reduce risk, and produces strong, focused franchises that can operate as independent entities"*.

AIG said it is working closely with the management of each of its major operating businesses to establish the appropriate governance and capital structures for those businesses. Certain businesses that are already positioned for sale will continue on this track; some will be held for later divestiture; and some businesses, such as AIA and ALICO, will continue to review their divestiture options, which ultimately may include a public offering of shares, depending on market conditions.

AIG intends to contribute the equity of AIA and ALICO into special purpose vehicles in exchange for preferred and common interests in the SPVs. This will enable the FRBNY (or a trust for the benefit of the FRBNY) to receive preferred interests in repayment of a portion of the FRBNY facility. The amount of the preferred interests will be a percentage of the fair market value of AIA and ALICO based on valuations acceptable to the FRBNY. AIG will continue to hold the common interests in the SPVs. These deals will reduce AIG's debt and interest carrying costs, while allowing AIG to continue to benefit from its ongoing common interests in the SPVs. *"Given the importance of AIA and ALICO to repaying our obligation to the U.S. government, we think this structure is the optimal solution to maintain the value of these businesses and best position them to enhance their franchises"* Liddy said.

In addition, *"to protect and enhance the value of AIG's global property and casualty subsidiaries for all stakeholders"*, AIG intends to form a General Insurance holding company, including its Commercial Insurance Group, Foreign General unit, and other property and casualty operations, to be called AIU Holdings, Inc., with a board of directors, management team, and brand distinct from AIG. The establishment of AIU Holdings, Inc. will assist AIG in preparing for the potential sale of a minority stake in the business, which ultimately may include a public offering of shares, depending on market conditions.

AIG is considering combining its domestic life and retirement businesses to enhance market competitiveness. With combined assets of USD241bn, 17m customers, and nearly 300,000 licensed financial professionals, AIG said that the combined companies would be operating from a position of significant strength and business diversification.

"The ultimate success of our restructuring plan centers on ensuring that the unique businesses that make up AIG can thrive on their own. While this process may take

up to several years to complete, we will ultimately create stronger, sounder businesses worthy of investor, customer, and regulatory confidence. We greatly appreciate the continued cooperation and support of our customers, business partners, the U.S. government and regulators around the world” Liddy said.

For an undisclosed consideration MMC’s reinsurance operation **Guy Carpenter & Co. L.L.C.** is **acquiring** privately-owned **John B. Collins Associates** Inc., which in 2008 was ranked eighth largest reinsurance broker in the world by 2007 revenue. Subject to regulatory approvals, the deal is expected to close in 2Q2009. On finalisation Collins Chairman John Collins will become vice chairman of Guy Carpenter, and Collins CEO Patrick Denzer will become chairman of Guy Carpenter Americas.

A trial had been set to start on 2 March in the legal case which is part of the **ongoing dispute between American International Group and Starr International Co** (which is controlled by former AUG CEO Maurice ‘Hank’ Greenberg) concerning a block of AIG stock presently held by Starr. However, due to a conflict in the judge’s schedule, the trial in the U.S. District Court for the Southern District of New York in Manhattan will not now begin until 15 June. In a new development in the series of bitter disputes between AIG and Greenberg/Starr, on 3 Greenberg said he had lost USD2bn as a result of AIG’s near collapse and he was suing the AUG and various individuals for securities fraud.

Despite making an **underwriting profit** of USD2.8bn, **Berkshire Hathaway produced its worse ever result group in 2008** with its net worth falling some USD11.5bn, adversely affected by reductions in the value of various interests, including finance, retail, manufacturing and energy. BH Reinsurance, known for taking massive positions, recorded an underwriting profit of USD1.3bn last year, General Re made USD342m, US motor insurer GEICO USD0.9bn and the group other primary insurance operations some USD210m. Hurricanes Ike and Gustav cost approximately USD900m.

On 2 March **IPC Holding and Max Capital Group said that they are to merge** and operate as Max Capital Group. A joint statement from the companies’ top management said that they believe the combination of the companies will create a stronger, more diversified global underwriting franchise; adding that IPC and Max have complementary businesses with very little overlap. *“The new platform will increase the global scale of each company and further enhance our collective ability to capitalise on attractive opportunities in the property-casualty marketplace, and thereby build long-term value for all our shareholders.”* Based on results at 31 December 2008, the deal creates a stronger capitalized company, with shareholders’ equity of over USD3bn and total assets of approximately USD10m. *“We expect that the combined entity will have less volatile underwriting results than either of its individual components, as well as more flexibility to efficiently manage capital.”* Upon closing of the tax-free, stock-for-stock merger, IPC shareholders will own approximately 58% of the combined company on a fully diluted basis, with Max shareholders owning approximately 42%. Completion of the transaction is contingent upon customary closing conditions, including the approvals of shareholders and various regulatory approvals and notices. The transaction is expected to close in 3Q2009. The combined company, Max Capital Group, will serve as the Bermuda-

based holding company for the existing global specialty insurance and reinsurance operating subsidiaries of Max and for IPCRe Limited, the existing Bermuda-based property-catastrophe reinsurance subsidiary of IPC. IPCRe Limited will be renamed Max IPC Re Ltd. On completion Marty Becker will be the President and CEO Max Capital Group. Jim Bryce *“will commence a long contemplated retirement”* as of 30 June 2009, although he will continue in a non-executive role as Chairman of Max IPC Re (IPC and Max's renamed reinsurance platform), and will be active in client relations and marketing. The board of directors of the combined company will have twelve directors, consisting of six current independent directors of IPC and six directors from Max, including Marty Becker. Kenneth L. Hammond, non-executive Chairman of IPC's board of directors, will assume the non-executive Chairmanship of the board of directors of the combined company. In addition to Becker, Peter Minton, Max's COO, and Joe Roberts, Max's CFO will hold their respective titles at Max Capital Group and IPC's CFO, John Weale, will become Executive Vice President & Treasurer of Max Capital Group.

The management of **the Skuld P&I Club announced** that the **20 February 2009 renewal** had been **successfully completed** with a considerable increase in tonnage as well as an average achieved rate increase of 14%, close to the targeted general increase announced at 15% and within the targets of its financial models. *“The offer and acceptance policy of the club has been very strict, but have nevertheless allowed the club to grow with approx. 6 mill gross tons of new entries”*. For 2009/2010 Skuld confirmed that the structure of the cover reinsured through the International Group and the Pool was a Club retention of USD 7m, above which was the pool retention of USD43m (in excess of USD7M) and this totalling USD50m; above which was the General Excess Loss Cover of USD2bn. There is also overspill protection of USD1bn. Limits on the Association's cover are Oil Pollution: USD1bn, Passenger and crew combined: USD3bn, and Passenger (sub-limit) USD2bn. (The oil pollution limit is applicable to the aggregate of Owners' and Bareboat Charterers' liabilities). For passenger and crew claims, the overall limit is USD3bn any one event any one vessel and with a sub-limit of USD 2bn in respect of passenger claims alone. Overspill protection has been placed for claims up to USD1bn in excess of USD2.05bn. The limit on each mutual Member's liability for claims other than oil pollution and for claims involving passengers will remain unchanged at 2.5% of the Convention Limit. In respect of the US Oil Pollution Surcharge, Skuld said that the special arrangements to cover US OPA 90 pollution liabilities in respect of tankers, which are otherwise excluded under the Rules, will continue for the policy year 2009/10.

Underwriting group **Amlin plc, UK reported a 2008 profit before tax** of £121.6m (2007: £445.0m), a return on equity of 7.8% (2007: 37.8%), an impressive combined ratio of 76% (2007: 63%) and a positive investment return of 0.6% (2007: 6.6%) despite equity and bond market sell-off. Net assets increased 15.6% to £1,216.1m (2007: £1,052.3m). Overall a good underwriting result was hit by a much reduced investment return, taking pre-tax profits down over 70%.

The decision of **Aviva P.L.C.** to pay an **unchanged dividend** to its shareholders seems to have had **an adverse affect on its share price**, as some stock analysts and investors had expected the insurer to reduce and eliminate a dividend at this

time and thus improve its capital reserves. Aviva share price dropped some 25% following the dividend announcement.

The **2008 preliminary results of Novae Group** plc included a pre-tax profit of £40.2m (close to the 2007 record of £41.0m), net tangible assets per share up 12% and investment income of £50m (2007: £46.8m). Novae's estimated loss from Hurricanes Gustav and Ike net of reinsurance and reinstatement premiums reduced from USD45m to under USD40m. Chief Executive Matthew Fosh said: "*Novae has had a successful 2008 with profit before tax close to the record result reported in 2007 in spite of the much more difficult underwriting and investment environment. The Group's net loss from Hurricanes Gustav and Ike has reduced and we have made an exceptional investment return. Rates are set to harden across many areas of the market in response to capital erosion and a series of high profile losses and we relish the opportunities that the next few years will present.*" On 28 January Novae said it had made an approach to Chaucer Holdings PLC with a view to starting discussions regarding a possible all-share merger of the two companies and on 10 February Novae confirmed that it had entered into discussions with Chaucer and that due diligence had commenced. When issuing its preliminary results, Novae said that discussions with Chaucer are continuing and a further announcement will be made in due course.

Insurer **TrygVesta of Denmark** has **acquired Swedish non-life insurer Moderna** for DKK427m from Moderna Finance, part of the Icelandic group Milestone.

On 9th March Charles **Taylor adjusting** opened a new office in **New York**, which will augment CTa's existing operations in the US. President of the new operation is Desmond Sullivan who has worked in various parts of the world but for many years has been based in New York with another large loss adjusting operation. Contact details are: Des Sullivan, FCII, FCILA, Charles Taylor adjusting, 80 Broad Street, Suite 3210, New York, NY 10004; telephone: +1 212 809 8082; cell: +1 201 926 9182; e-mail: des.sullivan@charlestayloradj.com.

Norwegian Risk Management Association was **formally established** in February, having been previously an informal group risk and insurance managers. The group, headed by Jan Granås, an underwriter with Landbruksforsikring and formerly a risk manager with Siemens, is to seek membership of the Federation of European Risk Management Associations.

On 9 March international insurance and reinsurance group **Brit Insurance Holdings PLC**, UK, announced its **preliminary results** for the year ended 31 December 2008. Profit before tax was £89.2m (2007: £191.2m), return on equity 9.2% (22.1%) and earnings per share 21.5p (43.2p). Investment return was a tiny 0.16% in what were described as "*difficult markets*". Gross written premiums were £1,394.6m (£1,264.9m) and the underlying gross written premium growth was 4.2% (premiums adjusted for exchange rate movements). The combined ratio was 99.4% (93.9% excluding hurricanes). Net tangible assets per share were almost unchanged at 248.2p (248.0p). Brit's estimates ultimate costs of hurricane Gustav and Ike, net of reinsurance recoveries and reinstatement premiums, is USD112m (up from early estimates of USD98m). Subject to the necessary clearances and approvals Brit intends to relocate the domicile of the Group's holding company to the Netherlands.

Ascot Underwriting announced on 9 March that it **has deposited an additional USD100m at Lloyd's to support its 2009 business plan**. These funds address the foreign exchange movements over the past several months and give Ascot the ability to expand in 2009. Ascot's capital provider is AIU. Andrew Brooks, CEO of Ascot Underwriting said, *"We are delighted with the unwavering commitment that we received from our capital provider when we asked for additional funds not only to support but also expand our 2009 business plan. The underwriting environment is changing on a daily basis, providing Ascot with opportunities, particularly in the reinsurance and offshore energy sectors."*

On 9 March Bermuda-domiciled underwriting group **Hiscox Ltd** announced its **full year results** for the year ended 31 December 2008. Profit before tax was £105.2m (2007: £237.2m) and profit before tax and certain foreign currency items (excludes foreign currency items on economic hedges and intragroup borrowings) was £156.2m (£237.2m). Gross premiums written was £1,147.4m (£1,198.9m), net premiums earned £953.0m (£965.2m) and earnings per share 18.8p (48.4p). Net asset value per share was 258.1p (209.5p). The group's combined ratio excluding foreign exchange declined to 91.9% (85.5%) and the return on equity dropped to 9.2% (28.8%) and the return on equity excluding certain foreign currency items (excludes foreign currency items on economic hedges and intragroup borrowings) was 16.4% (28.8%). Robert Hiscox, Chairman of Hiscox Ltd, commented: *"This is a robust performance, especially in view of the near-collapse of the financial markets and the third most expensive hurricane on record. Rates in our markets are increasing selectively, especially in reinsurance which is a third of our book, so conditions are good for our existing and new teams to continue to grow a profitable balanced business."*

Following Aviva PLC's 5 March announcement of the group's 2008 preliminary results and its decision to on pay an unchanged dividend, **rating agency Moody's has placed Aviva on review** for a possible downgrade saying that *"The review reflects Moody's belief that Aviva may be less well positioned than similarly rated peers to maintain a level of financial strength consistent with a 'Aa' range rating if the current severe disruption in the financial markets is protracted. "In particular, Aviva's capital position, although still strong, remains exposed to further deterioration, principally through further asset writedowns. "Furthermore, Aviva's core profitability, while good, is under some pressure due to the relative importance of life insurance business earnings in the UK and the continent. "These markets are likely to experience increasing pressure as the recession continues. The review also considers the relatively modest performance of the key UK non-life business."* On 9 March Standard & Poor's Ratings Services revised its outlook on Aviva and certain related operating entities to negative from stable. At the same time, the 'A+' long-term counterparty credit rating on Aviva PLC and the 'AA-' long-term counterparty credit and insurer financial strength ratings on Aviva's core insurance operating subsidiaries, including Aviva International Insurance Ltd. (AA-/Negative/A-1+), were affirmed. S&P said that the outlook revision *"reflects our view that continued weakness in financial markets has increased the risk that Aviva will be unable to rebuild capital adequacy to levels we would expect for the maintenance of the 'AA-' rating on the core insurance operating subsidiaries. In our opinion, investment-related losses have weakened capital adequacy to levels toward the low end of our*

expectations. We also believe the increase in double leverage is indicative of the deterioration in Aviva's capital position."

On 9 March specialist Lloyd's insurer **Chaucer Holdings** PLC - currently the involved in takeover talks with various parties - reported its **preliminary results** for the year ended 31 December 2008 under the headlines of "Good underwriting performance affected by difficult financial climate" and "Very encouraging underwriting outlook". In 2008 gross written premiums were up 26.9% to £741.0m (2007: £584.1m) and net earned premiums up 23.1% to £547.2m (£444.5m), underwriting profit before investment income was £33.0m (£75.5m), investment losses were £71.0m (profit £41.7m) – "Investment performance was poor, with our £1.2bn cash and investment portfolio losing £71.0m in the year" - and the overall result was a loss before tax of £26.2m compared to a 2007 profit of £89.4m; the first loss since 2001. The combined ratio declined to 93.9% (82.6%). "This has been a challenging period for the insurance industry, with record losses worldwide and unprecedented levels of financial turmoil, which have hit both investment returns and underwriting alike. While these have affected our 2008 results, we believe the outlook for the business is very positive following steps taken to strengthen our capital position and to substantially de-risk our investment portfolio. We have raised £75.0m (after expenses) of new capital to strengthen the balance sheet and to support the growth of the business. The funds will immediately go to work and we intend to increase the underwriting capacity of Syndicate 1084 to at least £545.0m for 2009 (from our initial plan of £480.0m)". Why the positive outlook? The company said "We expect rates to continue their rise throughout 2009 and 2010 as capital losses and reduced investment income take their toll, causing the industry to focus even more closely on gross underwriting profit. Less capital generally means less competition for underwriting and higher rates. The credit crunch has taken a significant bite (probably around US\$100bn) out of the investments held by insurers, and the further loss of capital caused by major insured losses should reinforce the rise in prices. In addition, Lloyd's should also benefit from increased business this year as clients, having witnessed the troubles of major insurers, place their risks across a larger number of carriers."

Rating agency **Standard & Poor's** has **lowered** its long-term counterparty credit and insurer financial strength **ratings on Atradius Credit** Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance Inc., and Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A. (the core operating entities of the Atradius, Netherlands credit insurance group) to 'A-' from 'A'. S&P also lowered its short-term counterparty ratings on Atradius Credit Insurance N.V. to 'A-2' from 'A-1' and has placed the ratings on CreditWatch with negative implications. S&P expects to determine the CreditWatch position within the next two months and that the potential downside risk to the ratings is likely to be limited to one notch. Atradius recorded its largest ever annual loss in 2008, reported a €193m net loss (2007: €163m net profit). The combined ratio declined to 129.7% (79.2%). Turnover increased some 40% as a result of its takeover of Crédito y Caución of Spain.

On 11 March the Board of **Novae Group** plc announced that it has **informed** the Board of **Chaucer Holding** PLC that **it has decided to withdraw from merger discussions**. Novae said it has come to this decision on the basis that it does not believe it would be possible to structure a transaction which would be in the interests

of its shareholders. Under Rule 2.8 of the City Code on Takeovers and Mergers, and except with the consent of the Takeover Panel, the statement in the preceding paragraph will prevent Novae from announcing an offer or possible offer for Chaucer, or taking certain other actions within the next six months unless there has occurred an event, as defined, which enables the statement to be set aside. As previously reported, the approach from Novae to Chaucer was announced on 27 January 2009, and on 9 February, in response to press speculation, Chaucer confirmed that following its 28 January announcement setting out plans to raise £75 million, it had received a number of approaches which may, or may not, lead to offers for the entire issued share capital of the Company. These approaches were in addition to the approach from Novae. Chaucer has been holding discussions with each of the parties who have made these approaches. When announcing its 2008 preliminary results on 9 March, Chaucer said all of the approaches received are subject to due diligence and pre-conditions and it will take time to ascertain whether an offer for the business may be forthcoming. Chaucer continues to hold discussions with interested parties *"with a view to maximising value for shareholders"*.

Broking group **Willis will become a new tenant of Sears Tower, and** under an agreement with the building's owners, the Chicago icon and tallest **building** in the Western Hemisphere **will be renamed Willis Tower**. Willis plans to consolidate five Midwest offices and move nearly 500 Associates into the building. The move is expected to be completed by late summer.

Hannover Re has reported a 2008 financial year group net loss of €127.0m (2007: net income €721.7m) with an operating profit (EBIT) of €148.1m (€928.0m) and net investment income of €278.5m (€1,121.7m) due to write-downs and losses realised on equities of €640.9m. The combined ratio on non-life reinsurance was a slight improvement at 95.4% (99.7%). CEO Wilhelm Zeller said *"The fact that 2008 was a lost year for our company can be attributed entirely to the problems on the investment side. The development of our underwriting business, on the other hand, was satisfactory"*. The gross written premium booked contracted 1.7% to €8.1bn (€8.3bn). At constant exchange rates the premium volume would have grown by 3.9%. The level of retained premium climbed to 89.1% (87.4%), partly as a consequence of savings on the company's own protection covers and reduced proportional cessions; net premium earned fell by 3.2% to €7.1bn (€7.3bn). Shareholders' equity decreased by €519.0m relative to the position as at 31.12.2007 to stand at €2.8bn. Hannover Re said the current year started well. Zeller said *"For our company, the crisis on financial markets is at once a curse and a blessing. Now that the negative repercussions are behind us, we can profit from the positive effects. We enjoyed a very pleasing treaty renewal season as at 1.1.2009 – with prices moving higher again – in non-life reinsurance, and thanks to our robust financial strength we are in a position to benefit accordingly from the available business opportunities"*.

New York-based The Navigators Group Inc.'s principal underwriting agency subsidiary **Navigators Management Company Inc's has opened a Philadelphia office** which will initially focus on Excess Casualty, Commercial Umbrella, D&O and E&O business lines.

London market broker **Oxygen Insurance Brokers** has formed a **Facilities broking team** to place bespoke binding authorities for UK/European cover-holders into the Lloyd's and company markets. The team, headed by Donald Alcorn and Jonathan Woods, has joined from Craven & Partners, bringing with them a portfolio of facilities for various specialist sectors.

Bowring Marsh - the specialist international placement broker for property and casualty risks formed by Marsh Inc in mid-2008 - **has created an excess liability facility** (known as Bowring Marsh Excess or BMEx) for all industry classes with capacity of up to USD100m provided by Endurance Specialty Insurance Ltd., Max Bermuda and Chubb Atlantic Indemnity. Bowring Marsh anticipates expanding BMEx's terms and conditions, participating markets and total capacity.

On 9 March **XL Insurance**, the global insurance operations of XL Capital Ltd, announced the **launch** of its **environmental endorsement for General Liability policies** issued in the UK. XL said that the Clean-Up Costs & Environmental Liability Directive endorsement is designed to give companies enhanced environmental liability protection in conjunction with a General Liability policy. It provides cover for up to £1m against environmental liabilities including on-site and off-site cleanup costs for gradual as well as sudden and accidental pollution events for operations within the EU. The endorsement also covers emergency costs and liabilities arising from the recently introduced Environmental Liability Directive.

The **2008** year **results of Omega Insurance** Holdings Limited - which has operations in Bermuda, US, London and Cologne - included a profit before tax of USD28.2m (2007: USD59.5m) and after tax profit of USD22.2m (USD50.5m) on net written premium of USD224.6m (USD196.3m). The group combined ratio was 101.4% (79.3%). Omega's Lloyd's syndicate 958 closes the 2006 year of account at a return of 23.4% of capacity - its 27th consecutive year to close with an underwriting profit, and the 2007 and 2008 underwriting years of account are forecast to be profitable.

Rating agency **Fitch Ratings** has **affirmed its 'AAA' Insurer Financial Strength (IFS) ratings on Berkshire Hathaway's** insurance and reinsurance **subsidiaries but with a negative outlook** for all entities. Fitch said that the negative outlook reflects uncertainty surrounding the ultimate effect of the current financial market conditions on BRK and its insurance company subsidiaries. Fitch has downgraded Berkshire Hathaway's Issuer Default Rating (IDR) to 'AA+' from 'AAA' and downgraded senior unsecured debt ratings to 'AA' from 'AAA'.

Standard & Poor's has **upgraded** the counterparty credit and insurer financial strength ratings of **SCOR SE** to 'A' from 'A-'.

On 13 March **Swiss Re** announced that the **main terms of the convertible perpetual capital instrument to be issued to Berkshire Hathaway** have been **finalised** (as we previously reported Berkshire Hathaway has agreed in principle to make a CHF3.0bn investment in Swiss Re). Swiss Re will issue to Berkshire Hathaway a convertible perpetual bond (with no maturity date) in an aggregate face amount of CHF3.0bn convertible into Swiss Re shares. There are no events of default that would permit the Instrument to be accelerated and it will cease to be

outstanding when it is converted in full by Berkshire Hathaway, or repurchased or redeemed in full by Swiss Re. The Instrument is an unsecured and deeply subordinated obligation of Swiss Re. The bond bears a fixed interest rate of 12% per annum on the outstanding face amount of the Instrument, payable semi-annually in arrears in cash, subject to Swiss Re's right to defer interest payments. Swiss Re has the right to pay interest in Shares in lieu of cash. For all interest not paid on an original interest payment date, an additional amount will accrue on delayed or deferred interest at the rate of 15% per annum, compounded semi-annually. Berkshire Hathaway can convert the bond into Shares beginning three years after its issue and, if exercised, on a conversion price of CHF 25 per Share. If converted in full today, the bond would convert into 120 million, or 24.8%, of Swiss Re Shares. Swiss Re has repurchase rights, in whole or in minimum tranches of 20%, after two years at a 20% premium. Swiss Re can redeem the bond, at a 40% premium, at any time prior to two years subject to certain events. If Swiss Re wants to repurchase after three years Berkshire Hathaway's conversion right would have preference, if exercised.

The **annual survey 2009 Survey on Fronting, Reinsurance and Employee Benefits** by the Captive Insurance Companies Association, US addressing the biggest challenges about owning a captive showed the top issue as collateral concerns (22%), followed by expanded utilization concerns (18%), fronting concerns (14%), service concerns (14%), taxes (12%) and reinsurance (8%).

QBE Insurance has **received a licence from the Dubai Financial Services Authority** to open an office in the Dubai International Financial Centre and plans to expand in the Middle East and North Africa region through QBE Insurance Europe Ltd (Dubai Branch) which is to handle various business lines including marine & energy, property, casualty and reinsurance.

Marsh UK has **formed a network of independent mid-sized UK brokers known as Marsh ProBroker**, a move it says is a key element in Marsh's growth strategy in the SME sector and one that is a response to regional broker needs. The network will be in competition with existing networks run by Wills and others. Marsh says it has built "*a sustainable placement strategy*" that will enable member brokers to both enhance their revenue for existing business streams and provide access to new products. "*At the core of our proposition is our market-leading range of products and business-enabling tools.*"

Aon Benfield has confirmed that it **will transfer further operational work to Xchanging**, under a seven year deal which is an extension to the previous Aon's existing contract with Xchanging for insurance broking services. The further outsourcing work follows the Aon Re Global and Benfield combination. It has also been announced that RSA has extended its customer services and back office administration outsourcing deal with Accenture - due to end in 2010 - for a further two years.

International marine specialists **Channing Lucas & Partners Limited** has been **accepted as** an approved registered **Lloyd's broker**. CLP was formed on 1 June 2007, when Lew Channing and John Lucas and their team left Tysers to establish their own independent Lloyd's broking firm.

Liberty Mutual, US has issued a **three year, USD225m catastrophe bond**, through special purpose vehicle Mystic Re II, to capital markets investors which provides the company with protection from U.S. hurricanes and earthquakes. The trigger for the bond is insured losses from an event greater than USD50bn, as measured by PCS.

NY Attorney General investigating **AIG Bonuses**; Obama wants them blocked
US President Barack **Obama wants every legal means used to block the payment of some USD165m in bonuses to executives at AIG's Financial Products division**, the very division which significantly contributed to the wrecking of the company, now some 80% owned by the US government. Obama described AIG's problems as the result of recklessness and greed and said *"I've asked [Treasury] Secretary Geithner to use that leverage [financial support] and pursue every legal avenue to block these bonuses and make the American taxpayers whole"*. AIG has said that it is contractually obliged to make the bonus payments. The Federal bailout of the AIG has been restructured three times to date and some commentators believed that further changes are to come. The bonuses will be the hot topic at the 18 March hearing into the AIG rescue by the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, and are the subject of action by New York Attorney General Andrew Cuomo who demanded the list of individuals who are to receive payments as well as their positions and job descriptions and performance, as well as copies of the relevant contracts. Cuomo subsequently issued a subpoena to AIG on 16 March and latter provided certain information to the chairman of the House Committee on Financial Services. According to Cuomo, 73 AIG employees each received a bonus of more than USD1m; the highest USD6.4m, with six others receiving more than USD4m and 22 individuals receiving USD2m or more. 11 employees who received 'retention' bonuses of USD1m or more no longer work for AIG.

According to a **survey by the Reinsurance Association of America** of 19 U.S. property/casualty reinsurers, in 2008 US P/C reinsurers underwrote USD23.9bn in net premiums, up some USD6bn on 2007. The 2008 combined ratio for the group worsen to 101.8% (94.7%). At year end policyholders' surplus stood at USD64.4bn (USD75.9bn).

In late January Arch Capital Group Ltd. announced that it had received approval in principle from the Lloyd's Franchise Board and the Financial Services Authority to establish a new managing agent and syndicate at Lloyd's. Now **Arch Insurance Company (Europe) Ltd** has said that its **new Syndicate 2012 has received approval from Lloyd's** and will shortly commence underwriting for risks attaching from 1 April and will be managed by Arch Underwriting at Lloyd's Ltd, a newly formed managing agent, and supported by a newly formed corporate member. Initial plans are that that 2012 to write a composite portfolio comprised mainly of marine, PA, property and professional lines insurance. Whittington Group, which provided advisory and consultancy services to support the planning and implementation of the managing agent and the syndicate, will also provide ongoing outsource services to both companies.

Saudi insurance company **ACE Arabia Cooperative Insurance Co.**, a unit of ACE Ltd., is **to launch an initial public offering** on 18 April 2009. The company is expected to be listed with capital of Saudi Arabia Riyals 100m and 40% of the shares will be offered to the public.

Subject to shareholder and regulatory approval, **PICC Property and Casualty Co.** Ltd., China's largest domestic non-life insurer, plan **to raise up to Yuan 8bn** (some USD1.2bn) in 10-year subordinated debt securities to improve its solvency margin.

In **2008 Assicurazioni Generali S.p.A.** of Italy's **net income** reduced some 70.5% to €860.9m (2007: €2.9bn), largely as a result of investment losses. Gross written premiums were up 3.9% to €68.8bn non-life premiums rose 5.5% to €22bn. The combined ratio on non-life business deteriorated slightly to 96.4% (95.8%).

Re/insurer **Glacier Group 2008 result** (consolidated US GAAP) was net income down over USD40m to USD26.2m with the net return on equity down some by 13% to 5.6%. Net asset value was up at USD496m, and investments and cash up at USD784.1m. Total gross written premiums were up over 20% at USD569.3m (2007: USD465.7m).

WR Berkley Insurance Europe plans **to establish a branch office in Norway** to enable it to better serve the Scandinavian market.

Lockton Cos. L.L.C. has been **granted a license by the Dubai Financial Services Authority** to operate as an insurance broker in the Dubai International Financial Center. Wael Khatib, has been appointed president of Lockton Dubai and will manage the office, which is to be a regional hub for the Middle East and North Africa.

On 25 March **Allied World Assurance Company Holdings, Ltd** announced the **opening of a branch office in Hong Kong** in order to expand its operations into Asia. Bill Cotter, Senior V.P., Asia, will oversee all Asian insurance operations, and be based out of the Hong Kong office.

Ratings agency **Standard & Poor's** has **revised its outlook on Berkshire Hathaway Inc.**, Berkshire Hathaway Finance Corp. and Berkshire's core insurance companies **to negative from stable**, while affirming its ratings on the entities. The outlook will be maintained during the next 12 months, unless Berkshire Hathaway's equity investment holdings stabilise or improve during that period. S&P does not anticipate that any downgrade of the ratings would be more than one notch.

On 23 March **Ascot Underwriting** announced **its results for the 2006 year of account**. The year closed with a profit of 42.5%, up from the 28.5% - 33.5% previously forecast. Andrew Brooks, CEO of Ascot Underwriting commented, "*Our 2006 results are obviously a fantastic achievement. Although there were no major catastrophes in 2006, these results demonstrate that we were correct to expand our business following the significant catastrophe events of 2005.*" Nicholas Walsh, President and CEO of AIU, said, "*Ascot's 2006 results are very strong and demonstrate why they will be an important part of AIU Holdings.*"

Brit Insurance and Amlin plc are understood to **remain interested in the acquisition of** Lloyd's underwriting group **Chaucer Holdings plc**, as does one and possibly two private equity operations. As previously reported Novae – which said on 27 January that it had approached Chaucer regarding a possible all share merger on a nil premium basis – pulled out of merger talks on 11 March. At least one other underwriting operation, which had previously expressed interest, is thought to no longer be talking to Chaucer.

Valid acceptances have been received in respect of **98.68%** of the total number of **new common shares offered by Catlin Group** to shareholders under the 2 for 5 rights issue announced on 12 February. The Rights Issue was fully underwritten.

Advent Capital (Holdings) PLC has announced that the **2009 Business Plan and Capital requirements of Advent Syndicate 780** have been **approved** by Lloyd's. Advent reviewed the 2009 plans following the major fluctuation in the US Dollar/£ exchange rate. The plan will be based upon a projected gross premium income net of brokerage of £145.0m (at USD1.50) compared to the original Business Plan target of £124.8m (at USD1.99). As part of the review, Syndicate 780 has entered into a quota share arrangement with an AM Best A rated reinsurance subsidiary of Fairfax Financial Holdings Limited in respect of 40% of the property reinsurance lines of business for the 2009 underwriting year of account. The property reinsurance lines represent 60% of the planned gross premium of Syndicate 780. The quota share is subject to an overrider fee charged as a percentage of the premium ceded and a profit commission, both of which are at normal commercial terms. As the reinsurance programme for Advent Syndicate 780 also acts for the benefit of the quota share, it will also bear its share of reinsurance programme cost. Advent Capital said that the approved plan and quota share arrangements will maintain Advent's continued market presence in its core property reinsurance and insurance classes. The quota share will offer significant economic benefit through the fee revenue on premium income, the reduction in net reinsurance expense and the opportunity to earn profit commission on the result of the ceded business.

On 24 March the **European Commission published a report on the Insurance Block Exemption Regulation exemption** which is due to expire on 31 March 2010 (it entered into force on 1 April 2003 and exempts certain agreements between insurance companies from EC Treaty antitrust rules' ban on restrictive business practices [Article 81]). The present exemption exempts four categories of agreement. The "preliminary views" of the EC (which follow extensive consultation) are that two presently exempted categories of agreement (being standard policy conditions and security devices) should be removed from the scope of the block exemption regime. The Commission will hold a public hearing on 2 June 2009 (allowing stakeholders to submit their views orally), which will be the last stage before the EC publishes the proposed new block exemption regulation for consultation. Various commentators have expressed concern regarding the proposed removal of exemption for standard policy conditions. Law-Now observed that *"The proposal to remove standard policy wording from the comfort zone of a block exemption is significant news and is likely to create legal uncertainty for the industry, which may soon have to verify the competition law sensitivity of each standardisation agreement."*

Solvency II - the new European regime for the financial regulation of insurers and re-insurers – **moves forward**. On 27 March the EU Presidency said that the political impediment that was holding up completion of the Level One legislation for Solvency II was informally resolved on 26 March. The legislation is now expected to complete its passage through the European Parliament and Council by early May, following which more detailed rules and regulations at Levels Two and Three are expected. As anticipated by commentators, the cost of consensus on Level One legislation for Solvency II was the abandonment of the group support regime; a move that will disappoint major insurers and others.

The **Energy Casualty group of Zurich North America Commercial** has **expanded its** Southeast and Mid-Atlantic **operations** with the opening of offices in Cleveland and Atlanta. Cleveland will be the base of operations for an expanded mining practice, and Atlanta will service accounts in the south-eastern US.

Specialist insurer **Hiscox** is **extending its construction industry offering to the U.S. market** and providing a range of products for contractors, developers and others.

Catlin UK, a subsidiary of Catlin Group Limited, is **to become a member of** the London-based **International Underwriting Association**.

The **London and International Insurance Brokers' Association** - formed at the end of last year after members of the London Market Brokers' Committee voted unanimously to establish a new and independent body, having previously been part of the British Insurance Brokers' Association – said that **more than 120 firms** have **joined** LIIBA. The association said that its membership represent 98% of the London-based international broker sector.

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Lloyd's reports 2008 result

On 24 March Lloyd's reported profits of £1.9 billion for 2008, the second costliest year for insurers to date.

"Given the financial crisis that has unravelled over the last year and the scale of catastrophes, our results represent a solid performance and better than we might perhaps have expected in such a turbulent year," Richard Ward, Lloyd's CEO, said.

Lloyd's noted that while 2008 will go down in financial history as one of the most tumultuous on record, it was also a tragic one for the families of the 240,000 people around the world who were victims of large scale natural catastrophes. Hurricanes, cyclones, earthquakes, floods and wildfires have cost the insurance industry in the region of £193bn and Lloyd's approximately £1.8bn.

Key features of the 2008 results

In a year that reports Lloyd's third highest profits, benefits also arose from foreign exchange rate movements and a positive shift in investment returns in December, resulting in: Underwriting performance of £1,198m, including currency gains; Investment performance of £957m; and Currency movements of £853m.

Lloyd's said that commentators' references in the past few months to Lloyd's as a 'safe haven' and an 'oasis of calm' in the current economic environment can be attributed to a strong capital position with solvency that has improved year on year, stable ratings, and patent attractiveness to worldwide markets, with Lloyd's writing approximately £18 billion worth of business in 2008.

"New businesses are continuing to join Lloyd's, proving the competitiveness and attractiveness of the Lloyd's franchise," said Ward, who added that ongoing improvements to the efficiency of the market further enhance Lloyd's profile as a commercial front runner.

Outlook

According to the market's press release, underwriting discipline and risk management will continue to dominate Lloyd's strategy. While general insurance hasn't escaped the effects of the recession, the downturn's impact on the industry is said to have been limited and that picture is said to be borne out by Lloyd's 2008 results.

"Overall, the results and the underlying strength of the market are not a case of luck but strategy and good judgement," Ward said, emphasising that the strong position is not only a buttress against the economic climate but ensures Lloyd's readiness for future opportunities. *"However, we can't afford to be complacent. The coming year will be tough and so our focus remains very much on underwriting discipline, sound risk management and continuing to improve the efficiency of the market and the attractiveness of the Lloyd's franchise."*

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EU - Directive on the Insurance of Shipowners for Maritime Claims

On 10 March the European Parliament adopted the Third Maritime Safety Package, including the Directive on the Insurance Directive (formerly the Civil Liability Directive). The Directive will require Member States to ensure that ships flying their flag or entering their maritime territory have insurance of the type provided by International Group Clubs and that such cover is in place up to the limits of liability established by the 1996 LLMC Protocol.

As a result of enquiries made by some shipowners based on recent press articles about the Directive, the International Group has published the statement below to clarify the effect of the Directive and to counter the suggestion that shipowner members will need to take out extra insurance to increase levels of cover. Members of the International Group Clubs already have cover in excess of the limits in LLMC 96.

"EU – Directive on the Insurance of Ship-owners for Maritime Claims (Formerly the Civil Liability Directive)

The European Parliament plenary meeting in Strasbourg adopted - as expected - the dossiers that form the Third Maritime Safety Package (the "Package") on Tuesday 10 March, including the Directive on the civil liability and financial guarantees for

ship-owners (the “Insurance Directive”) which will require Member States to obtain proof of insurance from ships flying their flag or entering their maritime territory of the type provided by International Group Clubs, and that such cover is in place up to the limits of liability as established by the 1996 LLMC Protocol. According to the EU’s decision-making rules the Package has to be finally approved during the next Transport Council. It is expected that this approval will take place at the Transport Council meeting scheduled for 30 March.

The International Group has actively engaged with the Commission, Parliament and Council during the debate on the form and content of the Directive and in this process raised a number of important issues relating to the practicality of a number of the provisions of the original draft Directive and the various Parliamentary amendments proposed during the process, all of which have been addressed in the final form of the Directive. The Group has throughout the process expressed its support for the encouragement of states to ratify LLMC 1996 and welcomed the statement by Member States at the October 2008 Transport Council meeting of their firm commitment to express by no later than 1 January 2012 their consent to be bound by international maritime conventions including the 1996 LLMC Protocol. The Group has also throughout supported the requirement (in conformity with IMO resolution A 898 (21)) that vessels provide adequate evidence of insurance in the form of a Certificate of Entry or similar document when arriving at an EU port.

The adoption of the Package by the Parliament, with specific reference to the Insurance Directive, has been the subject of recent press articles which have suggested that in some cases, the cover provided by the International Group clubs may not meet the requirements of the Directive which provide that vessels entering member state ports shall have insurance in place up to the limit laid down in LLMC 96 (Article 4) and that this insurance shall be evidenced by certificates issued by the insurer or other provider carried on board the ship (Article 6). In view of the broad consensus reached between the Parliament and the Council which is supported by industry, the Group is concerned that the Commission may be under the impression that 75% to 80% of ships entering EU ports do not currently have adequate insurance in place as will be required under the Directive when this enters into force in the member states by 1 January 2012.

The Group insures approximately 90% of the world’s ocean-going tonnage. All vessels entered in International Group Clubs carry on board a certificate of entry as evidence of the fact that the vessel is insured with an IG Club. The level of cover evidenced by such certificates will always be more than adequate to meet the appropriate level of the shipowners liability in any EU port, whether this be based on LLMC 1976 or LLMC 1996 limits. Consequently there will not be a need for shipowners entered with Group Clubs to take out extra insurance to increase levels of cover.”

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Rig Committee issues Drilling Well Review Surveyors Code and Scope

On 16 March the London market’s Joint Rig Committee (JRC) issued the ‘Drilling Well Review Surveyors Code of Practice and Scope of Work’ (JR 2009/002) for underwriters’ use and information.

The JRC's Drilling Well Review Surveyors Code of Practice (CoP) and Scope of Work (SoW) was drawn up by the JRC after consultation with surveyors, adjusters, brokers and others.

The JRC said that this Code of Practice and Scope of Work is presented as a single document which underwriters may use as an Endorsement to drilling well coverages they are issuing. In common with all JRC produced Clauses, this Clause is published by JRC, but it is expressly non-binding and JRC makes no recommendation as to its use in particular policies. *"Underwriters are of course free to offer different policy wordings and clauses to their policy holders."*

The Code of Practice and Scope of Work has the following stated objectives:

To:

- Clarify the respective roles of the Drilling Well Surveyor, the Assured, and Underwriters
- Define the function of the Drilling Well Review Surveyor's Scope of Work.
- Outline criteria for Drilling Well Review Surveying activities.
- Establish guidelines for communication with underwriters.

This Endorsement also gives Underwriters the option of specifying the application of an Extended Scope of Work (ESoW) where they think this is required.

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Law Commissions statement on intermediaries and pre-contract information

On 12 March the Law Commission and Scottish Law Commission published a policy statement on intermediaries and pre-contract information.

In its summary of responses the Commissions undertook to consider whether guidance on intermediaries and pre-contractual information would be useful to insurers and consumers. The statement of policy now published sets out the Commissions' proposals for a new statutory code for deciding for whom the intermediary acts when it passes pre-contractual information from the consumer to the insurer. *"This is relevant because the consequences of an error are different depending on whether the intermediary acted for the insurer or the policyholder at the time."*

Energy Industry Loss Incidents

Galp restarts Sines refinery after fire

Over the weekend of 28 February/1 March Galp Energia, SGPS, S.A., Portugal; restarted its Sines refinery after the completion of repairs following a fire at the plant's electrical on 17 January.

At approximately 9 pm on 17 January a fire occurred at the utilities unit of the Sines refinery. The fire was brought under control by the industrial complex's emergency response team, with no personal injuries or environmental damages. The fire was restricted to the utilities unit - an electricity and steam production plant that supplies Galp Energia's industrial complex at Sines, with no damage to the refining processing units. After the initial evaluation, Galp anticipated that the refinery would remain shutdown for a period up to six weeks with operations being gradually resumed after that period. Galp Energia's insurance programme covers business interruption, material damages and third-party liabilities. The refinery started operations in 1979 and has a crude distillation capacity of 220,000 bpd.

On 2 March Galp said that the refinery's hydroskimmer was already working normally and producing diesel, cooking gas and jet fuel, while the new electrical switchboard being installed that day would allow for all other units to resume work.

The Sines refinery, the subject of a phased refurbishment (to increase both output and range), accounts for some 70% of crude refined in Portugal.

PSA Norway investigation after serious injury on MODU Deepsea Bergen

On 4 March the Petroleum Safety Authority Norway said it has initiated an investigation following an incident involving serious personal injury onboard the 1983 build Aker H-3.2 design semi-submersible drilling unit Deepsea Bergen on 28 February 2009.

A person suffered crushing injuries to the chest and abdomen while working from an access platform on the roof of the driller's cabin. The accident occurred when he was crushed between the railing of the access platform and the back edge of the manipulator arm that was being operated. The person was transported to land by the SAR helicopter.

The PSA's three-person investigation team travelled to the Deepsea Bergen on the same day the incident occurred. The objectives of the investigation include clarifying the course of events, the scope and potential of the incident, and evaluating the triggering and underlying causes of the incident. The investigation group will prepare a report that will be published on the PSA's website.

The Odfjell Drilling AS owned MODU received the authorities' Acknowledgement of Compliance (AoC) in December 2001, and was working in the Volund field when the incident occurred.

Attack on Shell/NNPC pipeline in Nigeria

Shell Petroleum Development Company (SPDC) is reported to have confirmed that explosions have caused damage to the 24" diameter Trans Escravos Pipelines in Delta State which transports crude oil from Shell's Forcados oil fields to the Escravos oil export terminal. The incident was first reported on 28 February and confirmed during an assessment visit to the area. As a result of the attack on the Shell/NNPC operated pipeline, which was said to have been punctured in three areas, Shell has shut in various installations and lost production is thought to be in the region of 70,000bpd. The cause is still to be determined but sabotage is suspected.

Cefor AGM and release of 2008 marine claims statistics

At the organisation's AGM in Oslo on 5 March 2009, The Central Union of Marine Underwriters (CEFOR), adopted the new name of The Nordic Association of Marine Insurers (Cefor). The association said that the new name represents efforts taken by the organization and its members during the past years to build a pan Nordic marine insurance market and to unite and coordinate its members around key issues facing the global marine insurance industry.

Cefor recently welcomed its newest member, the Åland based insurance company Alandia Group, thus securing vital ties between 15 marine insurance companies linking four Nordic countries; Denmark, Finland, Norway and Sweden.

"Co operation among marine insurance companies in the Nordic region is paramount, both in terms of information sharing and to ensure quality improvements in the marine insurance industry," said Helle Hammer, Managing Director of the Nordic Association of Marine Underwriters (Cefor). A pan Nordic organization, Cefor will pursue the technical knowhow and skills to be the backbone of a strong and resilient marine insurance market. "*Nordic marine insurers represent quality marine insurance through a highly qualified workforce and offer, undoubtedly, the best claims handling model available in the global market. Further collaboration among our members will secure top level technical expertise and underwriting skills,*" concluded Hammer.

Under the heading of "*Increased repair costs and frequency of marine claims*" Cefor released 2008 marine claims statistics.

Claims costs continued to soar in 2008 with claims frequency increasing. To identify any early trend shifts due to the plummeting financial and shipping markets, Cefor is paying particular attention to the most recent figures in the 2008 Annual Report released today. "*The overall conclusion is that the claims trend appears to be continuing at a historically high level also in the later part of 2008.*", said Hammer.

According to Cefor's 2008 Nordic Marine Insurance Statistics (NoMIS), the average cost of repairs per vessel reached new heights in 2008. The picture is particularly negative for engine claims. Per 4Q2008 these claims were 34% higher than the corresponding figure for 2007. Cefor said that large claims are traditionally not very stable on a year by year basis, and the severity of claims larger than USD10m is approximately 50% lower in 2008 than in 2007. "At this point in time 2008 is positive in terms of the number of larger claims, albeit it is too early to draw any conclusions

as to whether 2007 was particularly negative or 2008 particularly positive”, warns Hammer.

For the past 10 15 years Cefor has reported a flat or reduced claims frequency.

“Unfortunately, there is now a trend with frequency increasing for all types of claims and vessels. Earlier predictions of increased claims frequency due to the lack of experienced seafarers are evident from both 2007 and 2008 figures”, explained Hammer. She also points to the effects of the shipping boom with ships and crews being driven harder than ever before as a possible reason. A higher level of repair costs combined with a stable deductible level also seems to contribute to the increase in reported claims.

Towards the end of 2008 there was a visible reduction in sum insured due to plummeting freight rates. *“This represents a new challenge to insurers in terms of determining premium in relation to the residual risk. While prices of repairs and availability of spares are improving, they are not nearly improving at the same speed or as significant as the reduction in market value of vessels,”* concludes Hammer.

Spill and fire at Russian pipeline cuts refinery supplies and exports

Following an escape of oil and subsequent fire on 3 March near the Volga town of Saratov in central Russia at a trunk pipeline which serves the Black Sea ports of Novorossiisk and Tuapse there has been significant disruption of oil exports. Reportedly, oil supplies to three refineries (the Volgograd and Saratov refineries in Russia and the Lysychansk refinery in Ukraine) and the two Black Sea ports were halted or limited. Pipeline operator Transneft is believed to have indicated that the repairs will take three to four days. TNK-BP owns the Saratov and Lysychansk refineries.

Attempt to take over South Russian refinery by force

According to a Russian press agency report, on 7 March police said that about 30 people armed with firearms and airguns attempted to seize an oil refinery in south Russia's Rostov Region and injured three guards. It was reported that the attackers rammed the site gate with a tractor and opened fire on the guards. Police are said to have detained 25 people, apparently the majority being private security guards.

Oil tanker strikes submerged Ensco jack-up rig lost in Ike

On 9 March Ensco International Incorporated said it has been informed by the U.S. Coast Guard that an oil tanker, the SKS Satilla, apparently struck a submerged object which the U.S. Coast Guard has identified as the sunken hull of the ENSCO 74. The ENSCO 74, a jackup rig, was lost during Hurricane Ike in September 2008. The U.S. Coast Guard has advised Ensco that the oil tanker reportedly suffered damage to its ballast tanks and was listing slightly, but its cargo tanks were not ruptured. ENSCO 74 reportedly is submerged in 115' of water approximately 65 miles south of Galveston.

As reported last September, ENSCO 74, a MLT Super 116-C, was lost and presumed sunk in the aftermath of Hurricane Ike. At the time of the storm, the rig had been located in approximately 230 feet of water 92 miles from shore in South Marsh

Island Block 149. ENSCO conducted extensive aerial and sonar reconnaissance following the storm but failed to locate the rig.

Ensco maintains insurance policies for removal of wreckage and debris. Ensco also maintains liability policies which it believes will provide coverage for losses resulting from the incident for which Ensco may have responsibility, including any environmental issues, subject to a USD10m self-insured retention.

Ensco is relying on information primarily from the U.S. Coast Guard regarding the incident and has not had an opportunity to conduct an independent investigation of the facts surrounding the incident.

The U.S. Coast Guard issued a press release on 8 March, which stated as follows:

"GALVESTON, Texas - Coast Guard Marine Safety Unit Galveston personnel are monitoring lightering operations on the 900-foot tank ship SKS Satilla, 65 miles south of Galveston.

"Lightering operations began today, and weather conditions permitting, operations are scheduled to be complete Tuesday, March 10, 2009.

"The SKS Satilla is currently stable after sustaining damage to a large area along the port side of the ship's hull below the waterline. A remotely operated underwater vehicle contracted by SMIT Salvage retraced the tank ship's course to investigate the cause of the damage.

"The underwater vehicle discovered a submerged mobile offshore drilling unit, the ENSCO 74, in the vicinity of the ship's location prior to the incident. The ENSCO 74 was reported missing after Hurricane Ike. The unit's owner, ENSCO Offshore Company, has been notified. They are planning to place a marker buoy at the location, and salvage the unit as soon as possible.

"Right now, we are achieving all of our objectives. The vessel remains stable and the crew is safe. No oil has been released into the water. We plan to continue offloading the entire cargo of over 41 million gallons of oil to two tank ships, and then ensure the damaged tanker makes it safely to a shipyard for repairs. The sunken mobile offshore drilling unit that we discovered today will be properly marked with a buoy to prevent additional accidents, and ultimately salvaged," said Cmdr. James Elliott, commanding officer of MSU Galveston."

Marathon pipeline explosion in Louisiana kills 1, injures 3

Around midday on 10 March an explosion occurred at a Marathon Petroleum Co. pipeline facility in Vacherie, St. James Parish, Louisiana which was being expanded in preparation for a major expansion at Marathon's Garyville, Louisiana refinery. The Vacherie facility stores and feeds crude oil to the circa 250,000 bpd capacity Garyville plant. One initial report indicated that contract workers were using welding equipment on a shutdown pipeline and fumes may have been ignited. The four men were reported to be welding a pipe on a sump tank when the explosion occurred. One man was killed in the explosion and three others were hospitalised with serious

burn injuries. One report said that the pipeline takes oil from the LOCAP, which transports oil between the LOOP and the Capline pipeline, to the Garyville refinery.

Helicopter crashes in Atlantic with oil workers onboard – 17 dead

On 12 March a Cougar Helicopters Sikorsky S92 helicopter (known as Cougar 911) went down into the Atlantic some 37 minutes after issuing a mayday, reporting a main gearbox oil-pressure problem and turning back to the Cougar base at the St. John's airport around 0918hrs NT. The crash is believed to have occurred about 65 km east-southeast of Newfoundland. The helicopter was flying to the floating Sea Rose platform, at the White Rose field (to deliver 14 men) and to the Hibernia field platform (to deliver 2 men). A search and rescue operation was immediately implemented and one man was recovered alive and was hospitalised in St. John's in critical condition. The body of another person was recovered. Two empty life-rafts were found near the crash site. A Hercules aircraft, two Cormorant rescue helicopters, and two surface ships were searching for survivors. Some hours after the crash officials said that they had not received any locator signals from the beacons attached to the survivor suits the people aboard were wearing. The search continued overnight but no further survivors were found and on 13 March the search was abandoned. The wreckage of the aircraft has been located using sonar and a camera-equipped submersible unit and is lying on the seabed some 120 to 150 metres below the surface. The wreckage will be lifted to the surface and recovered shortly. While the Sikorsky S92 can float when landed in water, it is understood that the unit sunk some 20 minutes after the crash. The Canadian Transportation Safety Board and Sikorsky are conducting an investigation into the accident.

Attack on Chevron pipeline in Nigeria

On 13 March a Chevron oil pipeline running from the Abiteye flow station near Warri in Delta state was attacked, apparently by militants, causing the shutdown of some 10,000 barrels per day of production. Some leakage of oil was reported.

20 March 2009

Two injured in New York State well fire

Early in the morning US time of 19 March Norse Energy experienced a well fire while removing drill pipe in connection with drilling of an onshore gas well in New York State. Two well operators needed treatment for burns to the arms and face but have been released from the hospital.

Norse Energy said that the fire is being brought under control and minimal environmental impact is anticipated. Property damage appears to be limited to the drilling rig and associated equipment. The cause of the fire remains to be determined.

20 March 2009

Oil worker dies in Louisiana following rig site accident

On 15 March an inhabitant of DeQuincy, Louisiana was fatally injured at a well site adjacent to Highway 12 in Beauregard Parish, Louisiana. While loading oil field equipment, the load moved and fell onto the worker, who died while en route to

DeQuincy Hospital. The man was identified by the Beauregard Parish Sheriff's Office as Brian Dominique, aged 50.

Outcome of Total v. Chevron Buncefield Court case

The UK High Court has ruled on the fight between Total v. Chevron over financial responsibility for losses arising out of the massive explosion and fire at the Buncefield oil terminal on 11 December 2005. The value of claims arising from the incident are said to exceed £700 million. The Court action involved, inter alia, Total and Hertfordshire Oil Storage Ltd (HOSL, a joint 60/40 venture company of Total and Chevron).

On 23 May 2008 the High Court issued a summary judgment in a preliminary hearing of the claims for compensation by various parties arising out of the explosion and fire. In a preliminary hearing of the case, the Court was informed that Total UK had admitted negligence on 22 April 2008 and j.v. HOSL on 1 May 2008. Total UK said on 22 May that the duty supervisor at the time was responsible for the explosion but Total did not admit either civil or criminal liability for the incident. While the Court had ruled that the explosion and fire was the result of negligence by Total UK, the company said it would argue that it was not be liable for damages because the losses which occurred were not reasonable foreseeable; however this argument was dropped on the third day of the subsequent trial in October 2008. Law firm Kennedys (instructed by a large proportion of insurers and owners of property destroyed and damaged), then pursued at trial allegations of nuisance and strict liability under the rule in *Rylands v Fletcher*.

The latest High Court hearing was to determine whether Total was entirely responsible or whether Chevron, by reason of their 40% interest in HOSL, should bear some element of the financial loss.

A key issue was whether it was Total or HOSL which had the right to control the manner in which the supervisors at the site conducted their work, and was dependent on how the site was operated and managed.

The Court determined that Total had failed to discharge the burden of establishing that HOSL was responsible for the negligence of the supervisor. Inter alia, the Court found that all personnel working at the site had employment contracts with Total; the terminal manager - the most senior member of staff on site - was appointed by Total and line managed by Total. All safety instructions were developed by Total. Additionally, the Court found that there was a further contributory fault being the failure by Total's head office personnel to develop an adequate system for preventing tank overfilling.

Although HOSL was the nominated operator of the Buncefield site in some of the agreements between Total and Chevron, it had no employees and its board met for two hours every six months primarily to receive a report from the terminal manager and to discuss budgetary matters - it was incapable of being concerned with day to day operations.

The Court ruled that Total was not entitled to an indemnity from co-defendant HOSL or from j.v. partner Chevron and were therefore 100% liable to the neighbouring properties and businesses which were damaged.

After the Court decision, Total said it was considering lodging an appeal, "*We still believe our joint venture partner should accept their share of the responsibilities for the incident.*"

24 March 2009

IUMI issues New Statistics

On 19 March the International Union of Marine Insurance issued a press release accompanying new statistics under the headline of "*Insurers Hopeful for Better News on 2008 Casualties*", although a sub-heading acknowledged that "*2008 a Severe Year for Offshore Energy Losses*"

IUMI said that Marine insurers are cautiously optimistic that the savage downturn in the shipping industry is translating into an overall reduction in casualty experience. That was the message in Miami when the International Union of Marine Insurance - which represents marine underwriters worldwide - met there for the spring meetings of its executive and seven technical committees.

The new statistics confirm there was an increase in total losses in 2007 – 106 against 92 in 2006 (all figures relate to ships of 500 tons gross and over). This came after the total loss graph showed an improvement over the previous three years, and brought the level back to that of 2003. However, total tonnage lost, although remaining at a high level, dropped from 720,669 gt in 2006 to 600,412 gt in 2007.

Discussing the early estimates for 2008, Cédric Charpentier, chairman of IUMI's facts and figures committee, said there was reason to be somewhat optimistic. The number of total losses for the calendar year was currently down from 82 to 74, a 10% decrease, at this very early stage. "*Thus, we might expect an ultimate figure of around 95 if we apply the normal deterioration factor because of late reporting, roughly comparable to the 2006 and 2005 years*". IUMI said there was also encouraging news in terms of tonnage lost: 372,000 gt in 2008 (so far), a 22% decrease compared to the figure reported for 2007 at the same time last year. IUMI said that a normal trend of late reporting figures could bring the 2008 total to about 470,000 gt, which would be the second best year in the period 1980-2008.

Considering the huge increase in the world fleet last year, said Charpentier, the improvement in total losses and tonnage lost, if maintained, is seen as even sharper. Weather continues to be the major cause of total losses, representing about 42% for 2008 losses to date.

Serious Losses

When it came to serious or partial losses the likely outcome for 2008 was more mixed. Updated figures for 2007 confirm it was an exceptional year: from a total of 247 in 1998 to 515 in 2005, 725 in 2006 and a staggering 975 in 2007. However, as for total losses, 2008 experience so far was showing an improvement, the total of 748 representing an 18% decrease.

“Eventually if we expect a total of around 800, this will be a quite high level compared with experience prior to 2007. Taking into consideration fleet growth, it could be considered comparable to 2005 and 2006.” Charpentier commented.

Machinery damage continues to be the primary cause of major serious losses (35%-plus of the number of incidents during the past five years), followed by collisions (26%) and groundings (22%). Twelve months ago today, IUMI reported dramatic increases in total and partial losses in its preliminary estimates for 2007. The outlook today was therefore more positive said IUMI, and hull insurers could be in a fairly sanguine mood about 2008 figures to date. But the true picture of the cost of claims for major serious losses was dependent on repair costs which remained high in 2008. Although it was extremely difficult to get a global view on this, the facts and figures committee was hoping to factor something into the equation at IUMI’s annual conference in September.

Cargo Insurance

Regarding cargo insurance, which accounts for roughly half of all marine insurance premium, Charpentier (who is chief underwriting officer – cargo, AXA Corporate Solutions) said that after a number of exceptional years the 2009 outlook was looking “scary.” IUMI noted that after five years of massive increases, world growth was projected to fall to 0.5% in 2009, its lowest rate since World War II. Advanced economies were projected to be almost all in recession, and while emerging countries were still showing high growth, there were significant reductions compared with 2008. The severe downturn of the world GDP had caused a collapse in demand for manufactured goods from western countries. This, combined with a trade credit shortage, had resulted in a similar collapse in international trade of goods. Between the last quarter of 2008 and the last quarter of 2007, there had been a drop of 45% in world trade values.

Premium Income to Fall

Charpentier added: *“All these factors clearly demonstrate a shrinking of insurable values that will have a direct and massive impact on world marine insurance income. We still face an uphill battle, therefore, and premium income will fall dramatically as the economic crisis reduces fleet values and cargo volumes, thus negating the encouraging decrease we are seeing on the claims side. The net result will have a significant negative impact on the bottom line at a time when there is no investment income to bolster results. However, helped by continuing efforts by governments to ease credit as well as adopting strong monetary policies, the IMF believes that the global economy will experience a gradual recovery in 2010 with growth picking up to 3%.”*

Safety Culture

Addressing the final sessions in Miami, IUMI president Deirdre Littlefield (senior vice president, director of business development & field office management, Starr Marine Agency Inc) referred to remarks made in February by the IMO’s Efthimios Mitropoulos at the inaugural session in London of the IMO sub-committee on fire protection, who expressed his hope of seeing an improvement in shipping’s safety record this year in the face of an *“unacceptably high level”* of marine casualties in 2008.

The IUMI president said: *“We fully agree that a high level of casualties is unacceptable at a time when the industry is embracing a whole new safety culture led by IMO initiatives. However, our statistics indicate that 2008 casualty experience is going to result in a softer landing. If so, it will be good news for shipping and good news for underwriters. While it is true that the 2008 outcome may be helpfully spiked by the greatly reduced number of ships in service and, at last, an increasing amount of old tonnage heading to the breakers’ yards, there are encouraging pointers that the safety culture is taking firm root. We agree with Mr Mitropoulos that compromising safety by, for instance, deferring essential maintenance work or postponing crew training could have catastrophic consequences. Like everyone else, ship operators are being buffeted from all sides in the growing economic crisis. But to cut corners on maintenance or training can only have one result in the long term – more casualties, higher claims on insurers, and higher premium and deductible levels for shipowners.”*

Offshore Energy

IUMI said that after 2005 (Hurricanes Katrina and Rita) and two years of a relatively small number of claims, 2008 proved to be a dramatic year for offshore energy underwriters. In addition to a relatively high frequency of attritional claims, Hurricane Ike severely hit the Gulf of Mexico, and the number of claims over USD1m could reach 40. As far as total claims are concerned, 2008 will be severe with a grand total just below USD1bn, mainly attributable to incredible day rates which reached USD193,000 (up 27% on 2007 and 196% since 2004) and utilisation rates reaching 85% for almost all types of units.

It was noted that although there is a huge amount of newbuilds still to be delivered this year and in 2010, a severe downturn is expected thereafter, and hardly any new contracts are being placed.

The statistics also deal with changes in the world fleet, where the size of the container fleet rose in 2008 to a whopping 7,385 vessels; the construction order book – although China still trails South Korea, it accounts for the highest number of vessels, 3,635; demolition, which remained very low in 2008 but now presents a fast-changing scene; freight rates; and commodity prices.

The statistics can be accessed at <http://www.iumi.com/index.cfm?id=7165>

The statistics released by IUMI are based on information from a number of authoritative sources, including Lloyd’s Marine Intelligence Unit, Clarkson, Rigzone, Willis and the International Association of Drilling Contractors.

Fire at Sierra Leone refinery area kills many

On 22 March a fire occurred at the oil refinery at Kissy in the east end of the city of Freetown, Sierra Leone killing several people and hospitalising a larger number. One report says nine people were killed including three policemen and others killed or injured were site workers or members of the public. Another report claimed that the police said twelve people were dead with thirty four seriously injured.

The facts of the incident are not entirely clear. However reports indicate that the refinery area at Kissy was 'invaded' by people looking to pilfer petrol which was escaping from the main oil refinery fuel transfer pipe to the terminal and ignition occurred when police fired teargas canisters into a large crowd concerned with scooping up the leaking hydrocarbons. The crowd had apparently not dispersed when the police fired a shot or shots into the air. At the time a marine tanker was said to be discharging petroleum products. Such thefts or attempted thefts of imported petroleum products are common at the location and deaths have previously occurred.

The resultant fire burnt for several hours causing extensive damage. It would appear that the refinery itself has not been in operation for some time and the land and premises of Sierra Leone Petroleum Refining Company Limited in Kissy Dockyard was acquired by the government of Sierra Leone in mid-2008; it formerly being owned by Nigerian interests. The latest accident seems unconnected with refining operations and results from the breach (possibly deliberate) of a pipeline carrying imported product and attempted pilfering.

Energy Industry News

Total in deal with SOCAR for the Absheron block, Azerbaijan

On 27 February Total announced that it has signed an agreement with Azerbaijan's state-owned SOCAR. The exploration, development and production sharing agreement (EDPSA) covers a license on the Absheron offshore block. This block is located in the Caspian Sea, 100 km from Baku, in a water depth of around 500 metres.

Total will be the operator of the Absheron Block during the exploration phase. For the development phase, Total and SOCAR will jointly form an operating company for the management of operations. Total will hold a 60% interest and SOCAR will hold a 40% interest.

Total has been present in Azerbaijan since 1996. Its production averaged around 18,000 boepd in 2008. The Group's operations are primarily concentrated on the Shah Deniz field, in which it has a 10% interest. The field came on stream in December 2006. In November 2007, positive results were received from an appraisal well, which could lead to the launch of a second development phase for this field. Total also has a 10% stake in South Caucasus Pipeline Company (SCPC), which owns the pipeline that carries Shah Deniz gas to Turkey and Georgia. In addition, the Group has a 5% interest in the Baku-Tblisi-Ceyhan (BTC) oil pipeline from Baku to the Mediterranean Sea. In 2007, the pipeline was used in particular to export condensate from Shah Deniz.

Tethys' subsidiary acquires Uzbekistan oil production project

Tethys Petroleum Ltd. said on 27 February that its 100% subsidiary, Tethyda Limited, has signed an agreement, which is subject to certain regulatory requirements, corporate approvals and additional conditions, to acquire from the British company, Rosehill Energy plc, its wholly-owned subsidiary ("the Contractor") which holds Rosehill's entire interest in the Production Enhancement Contract ("PEC") for the North Urtabulak Oil Field in Uzbekistan.

The consideration for the purchase of this project is 15 million ordinary shares of Tethys. These shares will be restricted for resale for a period of up to one year. Based on a 5 day average price, the value of the deal is approximately USD6.5m. The revenue realized under the PEC for 2008 attributable to the Contractor was US13.67m.

Average daily production attributed to the Contractor from the North Urtabulak Oil Field for January 2009 was 913 bopd. Tethys believes there is considerable scope to increase this production through relatively modest capital investment by working over existing wells and introducing a dedicated gas lift system with modern equipment that has not as yet been utilized at the field. The PEC also gives certain rights over various other fields in the area around North Urtabulak.

Dr. David Robson, CEO of Tethys Petroleum Limited, commented, "*We believe this acquisition adds significant shareholder value to the company at an attractive purchase price and brings immediate revenue through existing oil production. We*

also believe there is significant scope to increase this production through relatively low cost techniques using our own drilling and workover equipment and also by purchasing or leasing some new equipment to introduce gas lift. This also gives us a country entry into Uzbekistan through the purchase of a project that has an existing experienced in-country operations team with a good working knowledge of the field and surrounding area. We will build on this position to evaluate other projects in Uzbekistan, which is internationally known as having substantial oil and gas potential. Furthermore this oil project provides an excellent complement to our existing gas assets and offers shareholders leverage for any increase in the oil price from current levels."

The North Urtaulak Oil Field is located in southern Uzbekistan in the northern portion of the Amu-Darya basin. The nearest city is Bukhara which is about 120 km north-west of the Field. Under the PEC the Contractor receives a share of incremental production from individual wells it works on. The North Urtaulak Field produces from a Jurassic age reef structure at a depth of about 2,500 metres (8,125 feet). Surface elevation is approximately 320 metres (1,040 feet).

Regal provides update on Ukraine operations

On 27 February the AIM-listed Regal Petroleum plc, the oil and gas E&P group operating in Ukraine, Romania and Egypt, provided the following Drilling, Production and Financial update

Highlights

- Ukrainian well SV-58 spudded late on 26 February using the second of Regal's new American-built top drive drilling rigs contracted from Saipem. Excellent progress continues on well MEX-106 that has reached 2,600 m on its way to a planned maximum depth of 6,200 m.
- MEX-106 and SV-58 are each expected to take approximately six months to complete, which is half the time typically experienced in Ukraine to drill similar wells with regionally available rigs.
- Production expected to be sustained at approximately 1,500 boepd by spring of 2009 on completion of the current well intervention work program.
- A further significant increase in production is expected on completion of the new development wells, MEX-106 and SV-58.
- Regal's gas sales price was increased with effect from January 2009 by over USD50 to USD242 per thousand cubic metres, representing a 26% increase from December 2008.
- Finally the Company is pleased to announce that it has executed a mandate outlining indicative terms and conditions for the prospective provision of a loan facility for up to USD100m by Macquarie Bank Limited. Regal's current cash reserves are USD88m.

Drilling Update

Following the successful importation and mobilization of two new, American-built top drive drilling rigs contracted from Saipem, Regal has commenced drilling a series of "new generation" wells. These wells are intended to establish additional production from the proven Visean formation reservoirs ("B-sand Production Interval") and to appraise and develop the deeper Tournaisian formation reservoirs ("T-sands") which are anticipated to contain dry gas.

MEX-106 Progress

MEX-106 was spudded on 11 January 2009 in the Mekhediviska Golotvshinska (MEX-GOL) field, and has reached the planned section depth of 2,600 m for the 13.3/8" casing. The well has been logged in readiness to run and cement the casing. A total of four drill bits were used to reach this casing point as compared to a previous typical requirement of ten using the older generation of rigs. By comparison to the MEX-103 well, the performance of this "new generation" well represents an improvement of eight days over the time taken to drill to the same depth using the older generation rigs. As the new drilling crews become fully trained and familiar with this new generation of equipment, the Company expects overall drilling time and performance to improve further on future wells, particularly in the deeper hole sections.

The next phase of drilling will comprise approximately 2,150 m of 12.1/4" diameter hole which will be cased before drilling into the B-sand Production Interval. The main production objective is condensate-rich gas from the B-sand sequence commencing at a depth of 4,850 m. Drilling will then continue with a 6" hole to allow penetration of the T-sands at approximately 5,700 m, before reaching a planned maximum depth of 6,200 m.

SV-58 Spudded

Regal spudded its second "new generation" well, SV-58, on 26 February 2009 in its Svyrydivske (SV) gas and condensate field adjacent to the MEX-GOL field. SV-58 is planned to increase production from the known reserves of gas and condensate in the B-sand reservoirs, and is also planned to drill deeper into the T-sands to appraise and develop earlier gas discoveries at this level.

The Company currently expects that the two wells, MEX-106 and SV-58, will each take approximately six months to complete, which is around half the time usually taken to drill similar wells in this basin using regionally available rigs.

As drilling progresses, a subsurface model based on 3D seismic acquired during 2007 and 2008, which has been tied into data from the existing production wells drilled on the MEX-GOL and SV licenses, will be further refined to include data from MEX-106 and SV-58, with the aim of delineating a material increase in the Company's reserve base. The Company intends to commission a new competent person's report in 3Q09.

Production Update

Production rose from a September 2008 average of 75,586 m³/d gas plus 10 m³/d condensate (507 boepd) to a peak over 2,000 boepd in November 2008, before

being scaled back to allow for the well intervention work and production management activity as described below. The current sustained production rate is 148,098 m³/d gas plus 45.3 m³/d condensate (1,156 boepd). The Company expects that production will increase to around 200,000 m³/d gas plus 55 m³/d condensate (approximately 1,520 boepd) by April 2009 on completion of the well intervention work. A significant increase in production is also expected on completion of the new development wells, MEX-106 and SV-58, later in the year on completion of the drilling operations described above.

GOL-1 Work-over -- the operation to access the remaining reserves in this well was completed successfully. The well is currently closed in with a tubing head pressure of approximately 200 bar and is being prepared to be brought into full production in mid March 2009 at an expected rate approximately 25,000 m³/d and 5 m³/d condensate (178 boepd).

MEX-102 Work-over - MEX-102 flowed gas at approximately 200,000 m³/day under test. However, these high flow rates have been reduced by mechanically choking back the well in order to maximise recovery of reserves, optimise well economics and prevent condensate banking.

MEX-103 Well -- gas flow from this well has been insignificant to date because of damage caused to the reservoir as a result of historical drilling practices which allowed a large column of heavyweight mud sufficient time to penetrate the reservoir and cause impairment. Operations are being prepared with the objective of chemical removal of the drilling induced damage, after which sustained flow rates of approximately 30,000 m³/d gas and 5 m³/d condensate (207 boepd) are anticipated. Regal has now implemented a casing design for the "new generation" wells which allows the target reservoirs to be drilled more quickly, with lower mud weights. The Company envisages that these modern drilling practices, made possible by the use of new rigs, will significantly reduce the risk of such formation damage recurring. This was a key consideration in the Company's decision to discontinue sole reliance on regionally available drilling and completion equipment.

BG Group wins fight for Pure

We have previously reported the fight for Pure Energy Resources Ltd. Now (in an announcement to the ASX on 27 February EDT) BG Group announced a final offer for Pure at AUD8.25, subject to acquiring 90% interest. The conditional offer price of AUD8.25 is final in the absence of a superior proposal. On 18 February, the Board of Pure recommended to Pure shareholders that they should accept BG Group's Offer of AUD8.00 a share. The independent directors of Pure, together with key shareholders, Mr Tom Fontaine and Mr Karl Meade, have now accepted into the BG Group Offer. BG Group is now the largest shareholder in Pure, with a relevant interest in 28.9% of Pure's ordinary share capital. BG Group will pay AUD8.00 per share to all accepting Pure shareholders and an additional payment of AUD0.25 per share if BG Group acquires a relevant interest in 90% of Pure's ordinary share capital by the close of the offer period. On 23 March BG Group announced that its wholly-owned subsidiary, BG International (AUS) Pty Limited, has now acquired a relevant interest in 90.93% of the ordinary share capital of Pure Energy Resources Limited under its recommended all cash takeover Offer for Pure. Pure's board of directors has agreed to the appointment to the Pure Board of three directors

nominated by BG Group with effect from 25 March 2009. On the same date, Dr Robert Day, Mr Terrence Primeau and Mr Andrew Purcell will retire from the Pure board. As BG Group has now acquired a relevant interest in more than 90% of Pure's ordinary share capital, its offer price will be increased from A\$8.00 to A\$8.25 per Pure share. BG Group's offer period has been automatically extended so that it will now close at 7.00 pm (Sydney time) on 6 April 2009. BG Group intends to issue compulsory acquisition notices before the close of the Offer. Pure shareholders who do not accept BG Group's Offer will have their shares compulsorily acquired.

Vantage awarded multi-year contracts for 2 ultra-deepwater drillships

Vantage Drilling Co. announced on 2 March that its ultra-deepwater drillship Platinum Explorer has received a 5 year contract award from Oil and Natural Gas Company and the ultra-deepwater drillship Titanium Explorer has received an 8 year contract from a subsidiary of Petroleo Brasileiro S.A (Petrobras). Both rigs are currently being constructed in Daewoo Shipbuilding & Marine Engineering in Okpo, Korea.

The Platinum Explorer, following completion of shipyard construction, is planned to mobilize to India in 4Q2010. Expected revenues over the five-year contract term, excluding revenues for mobilization of the rig, are approximately USD1.1bn. The Platinum Explorer is owned 45% by Vantage and 55% by an affiliate of TMT, Inc. Vantage will operate the rig pursuant to a management agreement which provides for fees to Vantage, in addition to its proportionate share of cash flow.

The Titanium Explorer, upon completion of construction, is expected to mobilize in 3Q2011 to the US Gulf of Mexico. Furthermore, Petrobras has the right to re-locate and utilize the Titanium Explorer on a worldwide basis. Expected revenues over the eight-year contract term, excluding revenues for mobilization of the rig and costs escalations, are approximately USD1.6b. Vantage will operate the rig pursuant to a management agreement with an affiliate of TMT, which provides for fixed and performance-based fees.

Aker Solutions awarded Kollsnes contract

On 26 February StatoilHydro, Norway said that a contract worth some NOK 1.5bn for Engineering, Procurement and Construction (EPC) at the Kollsnes Gas Terminal north-west of Bergen, has been awarded to Aker Solutions by StatoilHydro on behalf of Operator Gassco.

This contract is the principal contract in the Kollsnes Projects (KOP) which covers the tie-in for a new pipeline (P12) from the Troll field at Kollsnes together with two medium size robustness projects designed to maintain the available technical integrity of the plant and thus securing maximum sales gas volume capacities at the plant in coming years.

The robustness projects embrace the replacement of three existing offshore mono-ethylene glycol (MEG) regeneration trains, and upgrade of waste water treatment plant. In addition to the awarded Contract scope, the Contract holds optional scope for the Upgrade of Condensate Export Pumps and the Upgrade of Cooling Water System.

The contract primarily covers engineering and procurement activities and includes fabrication and installation of pre-assembly units, pipe-racks, mechanical work, piping tie-ins and installation work at the Kollsnes Gas Terminal. The project will maximise the pre-fabrication and pre-assembly activities at EPC Contractor's fabrication facilities with minimal installation activity at Kollsnes site. It is envisaged that peak manpower during the installation work at Kollsnes will reach approximately 650 persons.

The contract takes effect immediately with mobilisation of engineering and procurement personnel in Contractor's offices in Oslo. The project is planned to be completed in 2012.

Gassco is Operator for the Kollsnes Gas Terminal, with StatoilHydro as its Technical Service Provider. The facilities are owned by the Gassled Joint Venture.

BP makes 17th oil discovery in ultra-deep water block 31 Angola

Sonangol, Sociedade Nacional de Combustíveis de Angola and BP Exploration (Angola) Limited on 3rd March announced the Leda oil discovery in ultra-deepwater Block 31, offshore Angola.

This is the seventeenth discovery made by BP in Block 31 and is located in the central northern portion of Block 31, some 415 kilometres north west of Luanda and about 12 km to the south-west of the Marte field.

Leda was drilled in a water depth of 2,070 metres and reached a total depth of 5,907 metres below sea level. This is the fifth discovery in Block 31 where the exploration well has been drilled through salt to access the oil bearing sandstone reservoir beneath. The well was tested at a rate of 5,040 bpd through a 36/64ths inch choke.

Sonangol is the concessionaire of Block 31. BP Exploration (Angola) Limited as operator holds 26.67%. The other interest owners in Block 31 are Esso Exploration and Production Angola (Block 31) Limited (25%), Sonangol P&P (20%), Statoil Angola A.S. (a subsidiary of StatoilHydro ASA) (13.33%), Marathon International Petroleum Angola Block 31 Limited (10%) and TEPA (BLOCK 31) Limited, (a subsidiary of the Total Group) (5%).

In Angola BP has interests in four blocks with operated interests in two and has a 13.6% interest in the Angola LNG project. Operatorship of Block 31 was awarded to BP Exploration (Angola) Limited in May 1999. The Block covers an area of 5,349 sq km and lies in water depths of between 1,500 and 2,500 metres. BP also has operated interests (BP 50.00% equity) in Block 18 where the Greater Plutonio Project started production on 1st October 2007. BP has non-operated interests in Block 15, operated by Esso Exploration Angola (Block 15) Limited (BP 26.67% equity), in Block 17 operated by Total (BP 16.67% equity) and the ALNG (13%).

Subsea 7 awarded USD200m contract for Brazilian developments

On 3 March Subsea 7 Inc., one of the world's leading subsea engineering and construction companies, announced it has been awarded a contract with an estimated value of USD200m from Petrobras (Petroleo Brasileiro S/A) for the

Tambau Urugua and P-56 developments in the deepwater Santos and Campos Basins offshore Brazil.

The Tambau Urugua scope of work is to engineer, install and commission two 12" rigid steel 14.5 km long client supplied gas flowlines and associated subsea equipment. The P-56 scope is to engineer, procure, install and commission two 12" rigid steel 13 km long oil export pipelines, connecting the semi-submersible P-56 platform to the P-38 FPSO, and one 10" rigid steel 8.6 km gas export pipeline from P-56 platform to the semisubmersible P-51 platform. The pipelines and pipeline end terminations will be supplied by Subsea 7.

The offshore pipeline installation campaign will take place during 2010 and will be carried out by one of Subsea 7's pipeline installation vessels.

All engineering and project management work will be conducted at Subsea 7's offices, in Niteroi, Rio de Janeiro, Brazil and the fabrication of the rigid pipeline will be carried out at Subsea 7's pipeline fabrication spoolbase at Ubu, Brazil.

The Tambau Urugua field, is located in Santos Basin about 130km southeast off the Rio de Janeiro State coast, in water depths of 1,300m. The P-56 development is located in Campos Basin 320km east off the Rio de Janeiro State coast in water depths of 1,670m.

Sakhalin II in LNG deal with Osaka Gas

On 4 March Sakhalin Energy Investment Company said it has signed a sale and purchase agreement (SPA) for liquefied natural gas supply to the Japanese company Osaka Gas. The deal calls for the supply of approximately 0.2 million tonnes per annum (mtpa) of LNG for a period of more than 20 years. As the second largest gas company in Japan, Osaka Gas manages over 56,000 km of gas transmission pipelines, serving nearly 7 million gas customers in the Kansai region.

With the conclusion of this deal, Sakhalin Energy finalizes the long-term sale and purchase agreements for trains 1 and 2 volumes. Signing of the SPA follows an earlier heads of agreement (HoA) that was signed with Osaka Gas in 2007.

The Sakhalin Energy LNG plant inauguration ceremony was held on 18 February 2009. Approximately two thirds of all Sakhalin LNG will be exported to nine buyers in Japan, the world's largest LNG market. The remaining volume will go to South Korea and North America.

ExxonMobil to invest at record levels

On 5 March Exxon Mobil Corporation announced plans to invest at record levels - between USD25bn and USD30bn annually over the next five years - to meet expected long-term growth in world energy demand.

"The global economy is currently experiencing a downturn, but at ExxonMobil we are focused on the long term," Rex Tillerson, chairman and CEO, said at an annual briefing for investment analysts at the New York Stock Exchange. *"ExxonMobil's strong financial position, resulting from the strength of our business portfolio and our prudent approach to risk management and investment, enables us to develop new*

oil and gas projects, increase our production of higher value refined products and grow our chemical business.”

Tillerson outlined ExxonMobil’s major achievements in 2008 and plans for the future.

Highlights include:

- Production started at eight major projects in 2008, which at their peak are expected to add the net equivalent of 260,000 bpd to the company's production. A further nine major projects are expected to commence production in 2009, and at their peak are expected to add the net equivalent of an additional 485,000 bpd to production.
- The company once again replaced more than 100% of production through proved reserves additions in 2008. It was the 15th consecutive year that the company's proved reserves additions have more than replaced production. In addition, net exploration acreage has been increased by about 40% since 2003.
- In the downstream, the company is progressing plans to invest more than USD1bn in lower-sulphur diesel projects at three refineries in the US and Europe. Once complete in 2010, these projects will allow an increase in lower-sulphur diesel production of 140,000 bpd.
- In the chemical business, the company has ramped up construction activity on world-scale petrochemical projects in China and Singapore, and continues to invest for specialty business growth, including a new plant in South Korea to manufacture lithium ion battery separator film to meet expected demand growth including batteries for hybrid and electric vehicles.
- ExxonMobil continued “*its superior performance*” with a 2008 return on average capital employed of 34%, significantly higher than its closest competitor.

“ExxonMobil is strong, resilient, and well positioned for the future,” said Tillerson. *“Our commitment to developing advanced technology, our industry-leading operational and project-management capabilities and exceptional employees continue to position the company as the partner of choice for resource owners around the world.”*

Cal Dive to install subsea pipeline at Litoral Tabasco Field

Cal Dive International, Inc. said on 5 March that it has been awarded a contract by Pemex Exploración y Producción for the installation of 13.9 km of 20 inch subsea pipeline located in the Litoral Tabasco Field in 30 metres of water. The offshore Litoral Tabasco Field is located in South-eastern Mexico in the southwestern part of the Campeche Sound.

The lump sum contract will generate total revenue of approximately USD58m and involve 114 total utilization days, utilizing two of the Company’s key assets, including a pipelay barge and a derrick barge. The offshore construction is expected to commence in May 2009.

All Qatargas 2 LNG ships now delivered

Qatargas said on 6 March that the week marked the completion of Qatargas 2 shipping construction project with the delivery of the 14th ship. The construction project completed the eight Q-flexes and six Q-maxes vessels which started in 2006 at three different ship yards located in South Korea; Daewoo Shipbuilding & Marine

Engineering Co. Ltd. and Samsung Heavy Industries shipyard at Geoje Island and Hyundai Heavy Industries at Ulsan.

Qatargas said that the achievement could not have happened without the emphasis on safety and teamwork throughout the project. For Train 4 vessels, the construction team has delivered four of the eight vessels without a Lost Time Incident, accruing 9.7 million man-hours with an LTI rate of 0.184. For Train 5 five of the six vessels were completed LTI- free.

These vessels are built to deliver liquefied natural gas produced from Qatargas 2 Train 4 and Train 5. The Q-Flex and the even larger Q-Max are a new generation of LNG mega-ships. The Q-Max has 80% and Q-Flex 50% more capacity than conventional LNG carriers with about 40% lower energy requirements due to the economies of scale created by their size and the efficiency of the engines.

Qatargas 2 shareholders are Qatar Petroleum, ExxonMobil Qatargas II Limited and Total E&P Qatargas II Holdings Ltd.

ONGC Board approves renewal and developmental projects

At a meeting on 5 March the Board of the Oil & Natural Gas Corporation of India approved sanctions for following investment proposals:

Renewal of Lakwa and Lakhmani Surface Facilities in Assam

The project aims to re-engineer and revamp the Surface facilities, which are more than 30-40 years old. The ONGC Board approved first phase of investment of Rs. 2465.15 Crore for Group A project for Surface Installation (GGS, GCP, CTF, ETP, WIP & CPP) and Associated pipeline network of Lakwa and Lakhmani Fields and Moran CTF. The Project will sustain production and uninterrupted exploitation for next 25 years and will maintain high standards of safety and environment. The revamping and renewal of surface facilities in the other producing Assets in Assam will also be taken up in phased manner.

JV Projects:

Project Hydra under Panna-Mukta JV

Development of PK & South West Panna (SWP) Areas under Panna Mukta Joint Venture was approved by ONGC Board for USD131.60mion (i.e. ONGC's 40% share of total expenditure of USD329m). The project involves installation of 2 well head platforms associated pipelines and drilling of nine wells. These additional facilities will give recovery of 14.50 MMbbls of oil and 21.39 BCF of gas from PK and SWP areas of Panna Field over period of 11 years. The ONGC share from these projects is 5.80 MMbbls of oil and 8.56 BCF of gas.

Development Plan of PL Area under Panna-Mukta JV

The project involves development of un-drained area "PL" in Southern part of main field. The estimated cost of the project, including pre-development cost is USD186.41m (ONGC's share of USD74.6m). Incremental recovery of the order of 8.26 MMbbls of Oil and 12.25 BCF of gas (ONGC share of 3.30 MMbbls of oil and 4.90 BCF of gas) has been envisaged in this plan. The Panna-Mukta field is being operated by a j.v. consortium of ONGC (40%), RIL (30%) and British Gas Exploration and Production India Ltd (BGEPIL) (30%).

The following five discoveries have been notified this year:

Well SB-15, West of Bassein PML, Western Offshore Basin

The exploratory well SB-15 was drilled in West of Bassein PML of Western Offshore Basin to a depth of 2218 metres. The well flowed oil & gas at 205 bpd & 1,30,008 m³/d through 6 mm bean from the interval 2154-2148.5m in Panna Formation of the early Eocene age. The oil is of very good quality with an API gravity of 490.

Well B-9-3, Saurashtra Dahanu PEL, Western Offshore Basin

The exploratory well B-9-3 was drilled in Saurashtra Dahanu PEL of Western Offshore Basin to a depth of 3130 metres. The well flowed gas and condensate at 3,08,433 M³/d & 335 bpd, respectively through 6mm choke from the interval 2685.5-2688.5m in Daman Formation of Oligocene age. This is a new pool discovery in the north-western part of this PEL.

Well Charali-36, Charali PML, A&AA Basin

The exploratory well Charali-36 was drilled in Charali PML of A&AA Basin to a depth of 3423 metres. The well flowed gas at 67,197 m³/d with condensate through 6 mm bean from the interval 3107.5 - 3105 m in the BCS Formation. This is a new pool discovery in the northern part of the Charali field.

Well Hazarigaon-1 Golaghat Extn-IIA PEL Block of A&AA Basin :

The exploratory well Hazarigaon-1 was drilled in Golaghat Extn-IIA PEL Block of A&AA Basin to a depth of 1,750 metres flowed gas at 45,264 m³/d through 6 mm bean from the interval 1543.5-1541 & 1539.5-1537m in the Sylhet Formation. The discovery is significant since it is the first hydrocarbon find in this PEL Block and has proven the western structurally higher area prospective with in this fault-closure play.

Well Khubal-4, NELP Block AA-ONN-2001/1, Tripura, A&AA Basin:

The exploratory well Khubal-4 was drilled in NELP Block AA-ONN-2001/1 of A&AA Basin in Tripura to a depth of 3068 metres. The well flowed gas at 1,22,792 m³/d through 6 mm bean from the interval 2955-2949m in the Lower Bhuban Formation. ONGC said that this NELP Block discovery is significant since it is the first gas find in the north-eastern part of Tripura from a strati-structural entrapment.

Tullow in another significant find offshore Ghana and USD2bn debt facility

On 9 March Tullow Oil plc, UK, announced that the Tweneboa-1 exploration well, drilled in the Deepwater Tano licence offshore Ghana, has discovered a significant highly-pressured light hydrocarbon accumulation.

The well encountered 21 metres of net pay and was drilled to a depth of 3,593 metres and is currently being deepened to further assess the discovery and the up-dip limit of a potential deeper fan system. The well was optimally located to penetrate multiple targets, including the edge of an undrilled major Turonian fan system. Further drilling will now be required to test core areas within this potentially giant stratigraphic trap where thicker Turonian reservoir sections are mapped. The upside area of approximately 200 sq km includes two de-risked prospective parts, Owo and Ntomme. The Tweneboa-1 well was drilled by the Eirik Raude deepwater rig in a water depth of 1,148 metres some 25 km west of the Jubilee Field.

Tullow (49.95%) operates the Deepwater Tano licence and is partnered by Kosmos Energy (18%), Anadarko Petroleum (18%), Sabre Oil & Gas (4.05%) and the Ghana National Petroleum Corporation (GNPC) (10% carried interest).

Commenting today, Angus McCoss, Exploration Director, said: *"Tweneboa is another outstanding discovery offshore Ghana which maintains our 100% success rate in the region. Substantial upside has been identified and a material appraisal programme will follow. This result has the potential to deliver yet another transformational growth step for Tullow."*

Also on 9 March Tullow announced that it has finalised arrangements for USD2bn of new reserve based lend debt facilities. The USD2bn of debt is split between a Senior Facility of USD1.785bn, a Junior Facility of USD100m and an IFC facility of USD115m with a final maturity of December 2015. The margin on the Senior and IFC facilities, depending on the level drawn, is up to 3.75% over USD LIBOR. On Friday 6 March, facility documentation for USD1.885bn was executed by BNP Paribas, Bank of Scotland Plc, Barclays Bank PLC, Calyon, ING Bank N.V., Lloyds TSB Bank plc, Natixis SA, NIBC Bank N.V., Société Générale, Standard Bank Plc, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, and The Royal Bank of Scotland plc. In addition, IFC, a member of the World Bank Group, have Board approval to provide the remaining USD115m.

The new debt facilities will replace the Group's existing reserve based lend debt arrangements and provide funding for Tullow's future capital commitments, including the world-class Jubilee project in Ghana.

Commenting today, Ian Springett, CFO, said: *"These new debt arrangements represent a major milestone in the development of Tullow's financial capability. To put in place debt arrangements of this scale, particularly in the current credit environment, is a tremendous achievement. This demonstrates the quality of Tullow's assets as well as the strength of our banking relationships. Combined with our equity placing in January, we are strongly positioned to pursue our current investment plans and longer term growth strategy."*

Early production start-up of Akpo deep offshore Nigeria field

Total, France announced on 9 March that its subsidiary Total Upstream Nigeria Limited (TUPNI), operator of the OML 130 block, has started production from its Akpo deep water development ahead of the planned start-up date. With proved and probable reserves estimated at 620 million barrels of condensate (around 50° API), and more than 1 tera cubic feet (tcf) of gas, Akpo is one of the largest deep offshore projects ever undertaken and will be the largest brought on stream in 2009. Total said that *"this start-up provides further evidence of the Group's capacity to meet the technology challenges of deep offshore, an area in which Total's track record is already ranked among world leaders"*.

The ramp up of production to 175,000 bpd of condensate and 320 mmscfd gas plateau is expected to be reached during summer 2009. Akpo will allow the commercialisation of significant quantities of gas, which are exported towards the

Amenam hub, enhancing Total's capacity to supply gas to the domestic market and to the NLNG liquefaction plant.

TUPNI has a 24% interest alongside the OML 130 partners: NNPC (Nigerian National Petroleum Corporation), Sapetro (South Atlantic Petroleum) of Nigeria, CNOOC Ltd. of China and Petrobras of Brazil. The field, discovered in the year 2000, is located 200 km from the Nigerian coastline in water depth ranging from 1,200 to 1,400 metres.

The Akpo field development requires 44 wells (22 producers, 20 water injectors and 2 gas injectors), out of which 22 have already been drilled. The subsea infrastructures, transporting the hydrocarbon effluents, consist of 110 km of a complex array of high pressure-high temperature subsea flowlines connected by Steel Catenary Risers (SCR) pipe sections to a FPSO. The 100,000 tons dry weight unit, maintained on location by 12 anchor lines, houses the surface treatment facilities and is designed to process 185,000 bpd and store up to 2 million barrels of stabilised liquid hydrocarbons. Those in turn are exported through a single point mooring oil terminal, located 2 km away.

The design of Akpo complies with the Nigerian government's "Flare out" regulation, and is in line with Total's strategy of reducing flaring. Furthermore, in order to optimise gas utilisation, Akpo has been designed as a hybrid development capable of handling up to 530 mmscfd of high pressure gas out of which 185 will be re-injected into the reservoir to maximise hydrocarbon recovery and 320 will be exported by pipeline. This will make Akpo an essential contributor to Total's growth strategy in the gas industry, enabling additional supply to the domestic market and to the NLNG gas liquefaction plant.

Galoc field offshore Philippines produces its first million barrels

On 9 March Otto Energy announced that the Galoc Field has produced its first million barrels of oil. Otto's CEO, Alex Parks said today "*Whilst the first one million barrels of crude produced from the Galoc Field is a significant milestone to be recognized, we are still only at the beginning of the field life. The technical data being gathered during this initial production period is providing insights into the reservoir that will determine the management and further development of the field in the future.* I must thank the Philippines Department of Energy, the Galoc Production Company, our other Joint Venture partners and the operator of the leased FPSO,

Rubicon Offshore International, for their co-operation and contributions in realizing

this milestone, and look forward to many more."

Otto Energy holds a 31.38% shareholding in Galoc Production Company (GPC) which has a 58.29% working interest in the Galoc license, and is the field operator. Galoc is located in Service Contract 14C off the west coast of Palawan in the Philippines.

McDermott awarded Karan Project in Saudi Arabia

On 10 March McDermott International, Inc. announced today that its subsidiary, J. Ray McDermott, S.A., has been awarded the Karan Offshore Platforms and Subsea Pipelines project by Saudi Aramco. The project involves work inside Saudi Arabia and outside the Kingdom. Once complete, the facility will have a production capacity of 1,800 million cubic feet per day of raw sour Khuff gas.

The project comprises four wellhead complexes each of which has a platform topside with gas, chemical injection, and controls facilities as well as a bridge connected auxiliary platform, associated flare bridges and stacks. The four wellhead complexes are clustered around a tie-in platform with similar facilities. The project also includes intrafield pipelines as well as a 110 km trunkline to the shore and all subsea power distribution cables.

The fabrication scope includes topsides and jackets weighing a total of 27,000 metric tons and will utilize J. Ray McDermott's new cladding facility in Jebel Ali, which, with its state-of-the-art computerized vertical and horizontal cladding systems, is capable of welding high integrity corrosion resistant alloys. The company will also perform all of the offshore installation work.

Salamander and PVEP to sign PSC for Block 31 offshore Vietnam

Asia focused independent upstream oil and gas E&P company Salamander Energy plc, UK announced on 10 March that Salamander and PetroVietnam Exploration Production Corporation Ltd will sign a Production Sharing Contract for Block 31, offshore southern Vietnam. Salamander is the operator of the PSC with a 60% working interest.

Block 31 covers an area of over 5,000 sq km and is adjacent to and outboard of Salamander's operated Block Cuu Long River Delta 01 ("DBSCL-01") PSC. Recently acquired 2D seismic data across the acreage indicates the presence of a high quality oil-prone lacustrine source rock and multiple play types.

James Menzies, Chief Executive of Salamander, commented, "*Salamander has long since recognized Block 31 as attractive exploration acreage and today's announcement represents further progress in our building of an upstream business in Vietnam. When taken together with Block DBSCL-01, we now operate a 13,000 sq-km swath of acreage across graben systems which we believe are analogous to the highly prolific Cuu Long Basin, which lies to the east of our blocks. We look forward to exploring this area with our partner, PVEP, and are conducting geological and geophysical studies ahead of exploration drilling in 2010.*"

First successful scanning of flexible risers in situ

On 10 March flexible pipe specialist flexlife and AGR Field Operations said that field operator Hess Limited, working with flexlife and partners AGR Field Operations, have made industry history by the successful scanning of flexible risers in situ for the first time.

Hess commissioned the inspection of flexible risers on the Triton FPSO, which produces oil and gas from the Bittern and Guillemot West Area fields, using

"breakthrough technology", as part of campaign to investigate and assess riser integrity on its North Sea assets.

The work was successfully carried out in February and involved three companies combining forces and utilised flexlife's patented ultrasonic scanning technology delivered by AGR Field Operations' Neptune device, carried by Film-ocean's inspection class ROV.

flexlife, recent winners of the Subsea UK Best Newcomer award 2009, launched the scanning technology in partnership with AGR Field Operations last year. The AGR Neptune is the only subsea operated technology able to scan for a flooded annulus and flexible pipe armour wire corrosion, factors that significantly affect the service life of flexible risers.

John Marsden, flexlife director who oversaw the work offshore, said, *"This is the first time in the 40 years since flexibles were brought into service that it has been possible to inspect risers for a flooded annulus and be absolutely certain of the results. Hess Limited were the first operator to commission work from us using the AGR Neptune and, in a matter of days, we gathered the 100% accurate data on flooding for them. Our pioneering, safety-conscious solution has attracted a huge amount of interest from the industry and we are scheduled to carry out similar scanning work for more clients shortly.*

The AGR Neptune can be used down to 6,000 metres meaning it can go anywhere in any environment required by the oil and gas industry. By using this technology, operators can detect if they have a breached outer sheath and flooded annulus on a flexible riser or flowline. We can now see the armour wires through the outer sheath and measure levels of corrosion or damage, greatly reducing the risk of major leakage of hydrocarbons and associated environmental, personnel and production impact. There is the potential for the technology to help extend the lifespan of flexible pipes - an attractive option, especially during the current period of reduced oil prices."

Glenn Wilson, Hess' North Sea Facilities Engineering Manager, said, *"Having seen the results achieved in onshore trials, Hess was sufficiently confident to commission the flexlife-AGR partnership to undertake the first commercial scanning operation using this innovative technology. The operation provided valuable new information about the condition of our risers, contributing to our ongoing integrity management program and the long term safety of our facilities."*

High-resolution images were obtained by scanning through the riser outer sheath showing the armour wires underneath. Deployment, attachment, detachment and recovery were performed to meet strict safety and integrity conditions. The ROV was deployed from the FPSO and testing was carried out in depths of 20-30 metres and currents approaching one knot. The results were recorded using AGR's proprietary Technology Design™ software and delivered to the client in real time.

FPSOs are the main users of flexible pipe - with some 300 FPSOs in operation now and approximately 200 more expected to come on stream within the next four years,

nearly all using flexible risers, flexlife and AGR Field Operations consider the potential worldwide demand for the application is enormous.

Addax fixes drillship Deepwater Pathfinder for Kina Drilling

Addax Petroleum said on 11 March that it has signed an agreement with a subsidiary of Transocean for the provision and operation of the Deepwater Pathfinder drillship to commence its deepwater exploration drilling campaign. Addax Petroleum expects to receive delivery of the Deepwater Pathfinder at the end of the 3Q2009 and intends, subject to Joint Development Authority approval, to commence the drilling of the Kina prospect in Block 4, located in the Nigeria/Sao Tome and Principe Joint Development Zone, shortly thereafter.

Commenting, Addax Petroleum's President and CEO, Jean Claude Gandur, said, *"We are extremely pleased to have resourced one of the premium drilling rigs available on the market today for our deepwater exploration campaign. The Deepwater Pathfinder has proven that it is exceptionally capable and has drilled efficiently for other operators in the deepwater Gulf of Guinea. Commencing Addax Petroleum's deepwater exploration campaign will be a very exciting time for our organization and shareholders given that our deepwater inventory consists of numerous sizeable prospects which, if successful, have the potential to significantly enhance the Corporation's recoverable reserves."*

The Deepwater Pathfinder is a fifth generation dynamically positioned deepwater drilling rig capable of drilling in water depths up to 3,048 metres. The contract with Transocean requires the Deepwater Pathfinder to drill four wells in total with a minimum commitment of 120 days. The Transocean contract anticipates that the Deepwater Pathfinder will start drilling operations in 4Q2009 once it has completed a drilling campaign for a third party operator in Nigeria. Payments under the contract are based on a day rate charging structure and a day rate of USD600,000 to be allocated pro rata to Addax Petroleum and its applicable co-contractor parties.

Addax Petroleum has a deepwater exploration portfolio that consists of interests in five license areas comprised of OPL291, offshore Nigeria, and Blocks 1, 2, 3 and 4 in the Joint Development Zone between Nigeria and the Republic of Sao Tome and Principe. Addax Petroleum operates JDZ Block 4 and OPL291 while Chevron, Sinopec and Anadarko operate JDZ Blocks 1, 2 and 3, respectively. As at 31 December 2008, Netherland, Sewell & Associates Inc., independent oil and natural gas reservoir engineers, estimates the Corporation's working interest best estimate unrisked prospective oil resources for its deepwater portfolio to be 1,359 MMbbl (493 MMbbl risked).

ConocoPhillips plans for 2009

ConocoPhillips held its annual analyst meeting on 11 March in New York at which the company's senior leadership team outlined ConocoPhillips's strategic objectives and operating plans for 2009, and explained how the company will maximize the value of its asset portfolio in a challenging economic and political environment.

"While we have adjusted to the near-term environment, we have not altered our long-term view. ConocoPhillips is a self-sustaining and competitive international, integrated energy company with a high-quality asset base, strong operating

expertise and substantial financial capabilities," said Jim Mulva, chairman and CEO. "We responded aggressively to the current industry operating environment by adjusting our operational plans and capital program, implementing cost reductions and enhancing our focus on maintaining our balance sheet strength and flexibility. Over the last decade, we have executed a number of key strategic transactions that increased our scale and operational capabilities, and have invested USD73 billion in organic growth. These steps created a company with more than 50 billion equivalent barrels of resources and 3 million barrels per day of refining capacity, including our LUKOIL investment, that is well-positioned to provide growth and significant value creation as the economy improves."

Mulva reaffirmed that ConocoPhillips will fund a capital program of USD12.5bn in 2009, which while lower than 2008, essentially equals the company's four-year average level of investment. The program is structured to continue funding those projects in the company's opportunity portfolio that offer the most significant growth and development potential.

In its Exploration and Production segment, the company outlined plans to focus on operational excellence, maximize the value of existing assets through exploitation, and deliver a number of major growth projects. The latter initiatives include the Qatargas 3 LNG venture, the Bohai Bay Phase II oil projects, several Canadian oil sands projects, the Kashagan oil field, the Shah sour gas development in Abu Dhabi, and planned coal bed methane-to-LNG production in Australia. E&P expects to prioritize its remaining investment opportunities in its resource-rich, well-balanced portfolio.

The company holds 10bn barrels of proved reserves at year-end 2008 as well as leading positions in both natural gas production and heavy-oil acreage in North America, a legacy asset position in the North Sea, and strong growth prospects in the Asia Pacific, Russia and Caspian, and Middle East regions. Major near- and long-term drilling and development projects are under way in all these regions. ConocoPhillips also expects to apply advanced technology to unlock additional value.

Also outlined were expected contributions from its Commercial organization, as well as plans to leverage the company's growing technology capabilities. ConocoPhillips expects to spend approximately USD325m on technology in 2009, primarily to improve the exploitation of existing reserves and enhance the search for new resources, and to progress technologies for heavy oil, gas hydrates, carbon capture and conversion, biofuels, and refining processes.

ConocoPhillips said it continues to optimize its human resources for the future by emphasizing diversity and inclusion, maintaining focus on technical and project development skills, and strengthening supervisory and leadership skills.

Concluding, Mulva said, *"We remain confident in our strategies, and intend to operate very efficiently in today's difficult economic environment, while conserving our capital and taking full advantage of advancing technology and our experience and expertise. At the same time, we will continue advancing the major projects that will drive our future growth. Over the long term, we expect energy demand to resume*

growing in response to rising world population, an eventual global economic recovery, and a desire for improved living standards throughout the world. We are well positioned to provide the oil and natural gas that will continue serving as two of society's primary energy sources for decades into the future, while also preparing for the increasingly important role that will be played by alternative energy sources."

Petrofac awarded USD2.2bn contract for production hub in Algeria

On 11 March international oil & gas facilities service provider Petrofac Ltd. announced that it has been awarded a USD2.2bn engineering, procurement and construction (EPC) contract for the El Merk central processing facility (CPF) in the Berkine Basin of Algeria, which is to be executed over the next 44 months, with first significant volumes from the project expected in 2012.

The El Merk CPF, which is located in Block 208, will be operated by Sonatrach and Anadarko on behalf of the El Merk partners: Sonatrach, Anadarko, Maersk Oil, Eni, ConocoPhillips and Talisman (Algeria) BV. Block 208 is located 90 km south of the Sonatrach/Anadarko-operated Hassi Berkine South (HBNS) facility.

The El Merk central processing facility will serve as a production hub for the region, processing hydrocarbons initially from Block 208, operated by the Sonatrach/Anadarko Association, and from the unitized EMK field located on a portion of both Block 208 and the Sonatrach/ConocoPhillips operated Block 405a. The combined nominal capacity of the initially installed processing facilities will be 98,000 bopd 29,000 barrels of condensate per day, and 31,000 barrels of LPG per day together with an NGL train with a nominal capacity of 600 million standard cubic feet per day. The CPF will also include 500 million standard cubic feet of residue and re-injection gas compression and approximately 80,000 barrels per day of produced water treatment and re-injection facilities.

Oil & Gas UK study highlights £15bn well abandonment technologies market

In a report published on 11 March, Oil & Gas UK - the leading representative organisation for the UK offshore oil and gas industry - highlights the £15bn market for services needed to abandon nearly 5,000 platform and subsea wells on the UK continental shelf). The report, which was prepared by the Acteon company InterAct Activity Management Ltd with the help of Oil & Gas UK's well abandonment workgroup, also identified that existing technology will allow the abandonment of only two thirds of wells without the use of a rig. The rigless abandonment of the remaining one third will be reliant on the development of new technologies.

Paul Dymond, Oil & Gas UK's operations director, said: "*Despite improved oil and gas recovery techniques delaying decommissioning in many cases, some projects are already going ahead, for example on the Miller, Brent and Indefatigable fields. This new report highlights the considerable opportunities presented by the decommissioning of North Sea infrastructure for suppliers to invest in the provision of innovative services and new technology. The industry needs to look very closely at how to position itself to grasp those opportunities.*"

Phil Chandler, senior petroleum engineer with InterAct, added: "*The report estimates that 3,725 platform wells and 910 subsea wells in the UK offshore will need to be abandoned, the majority in the next 15 years. Existing technology will permit the*

rigless abandonment of two thirds of those wells, a method which is typically more cost effective than using a rig. However, the rigless abandonment of the remaining one third of wells will require the advancement of techniques such as well control and string tubular recovery."

Jules Schoenmakers of Shell, who chaired the well abandonment workgroup, said: *"Many felt that a significant market opportunity for well abandonments on the UKCS exists. The study now quantifies this opportunity. Operators are looking for breakthrough technologies and new approaches in this emerging business. The size of the market appears large enough to support many businesses and teams of specialised well abandonment professionals for several decades."*

Alongside the study evaluating opportunities in the well abandonment market, Oil & Gas UK has updated its guidelines on the considerations that need to be taken when suspending operations for a limited period of time and when finally abandoning a well. Both the guidelines and report are available free of charge to Oil & Gas UK forum members on the extranet or to non-members for a charge on the Oil & Gas UK website (<http://www.oilandgas.org.uk/>).

Mr Schoenmakers said: *"The existing guidelines on well abandonment were published in 2005 and have been well-used. A workgroup comprising representatives from operators, contractors and the Health & Safety Executive (HSE) has now reviewed and re-written them with improved clarity and flow. The latest insights enabling efficient and sound well abandonments have been incorporated into the guidelines. They now clarify the requirement to squeeze perforations and advise on well construction in facilitating well abandonment. The guidance also reflects the key changes of single plug risk assessment and, with additional diagrams, is now easier to use."*

Oil & Gas UK is committed to sharpening the industry's focus on the technologies and capabilities that will be needed for the safe decommissioning of oil and gas infrastructure in the UK. In 2009, Oil & Gas UK will hold a conference to actively improve the industry's readiness for decommissioning on 26 and 27 May.

Reliance restarts oil production from MA-1 field, offshore India

According to unconfirmed reports, Reliance Industries Ltd India, restarted crude oil production from the east coast MA-1 field in the Krishna Godavari block on 8 March following an emergency shutdown in December 2008 of the FPSO. Production first commenced in September 2008 and at the time of shutdown was around 10,000 bopd from two wells.

KMS Bankruptcy - Solstad cancels 2 newbuilding contracts

On 12 March Solstad Offshore ASA announced the cancellation of two newbuilding contracts at Karlsund Maritime Services, after the yard announced its bankruptcy earlier today. KMS said on 12 March that the Company will submit a petition for bankruptcy. Solstad Rederi AS, a 100% owned subsidiary of SOFF, has two newbuilding contracts with KMS.

KMS has incurred significant cost overruns and considerable delays under the two projects, and informed involved banks and SOFF that they are not in a position to stand by their contractual obligations. In an attempt to find a model for finalising the vessels, negotiations between the involved parties have taken place, however without successfully reaching an agreement regarding the distribution of the said cost overrun.

Solstad said that the present breach of contract and the announcement for petition for bankruptcy means that the shipbuilding contracts are no longer considered as binding agreements. SOFF will on this basis claim all deposits under the refund guarantees.

Repsol in preliminary deal with Ecuador

On 13 March Repsol said that it has reached a preliminary agreement with the Ecuadorean Government on the terms of its presence in the country, adding that the agreement is an important step in regulating the relationship between Repsol and the government of Ecuador.

Repsol said it has reached an agreement with the government of Ecuador that will allow the establishment of a stable contractual framework within a year. Through the agreement, the license to operate Block 16 has been extended by six years from 2012 to 2018, and a provisional one-year term has been established during which the Ecuadorean government will reduce taxes on extraordinary benefits from 99% to 70%. Over the next year, a long-term service contract will be negotiated to definitively regulate Repsol's activities in Ecuador.

The announcement said that this agreement, that represents for Repsol an investment commitment of an estimated USD173.5m through 2018, is a positive development for the company since it means a step forward in the establishment by the Ecuadorean Government of a new regulatory scheme for Repsol's activities in that country until 2018. The extension of the concession implies an increase in the value of Repsol's assets and investments in the country.

As part of the agreement, Repsol will pay USD244.6m in taxes as a member of the operating consortium. The payment will not negatively affect the company's accounts, as the amount was fully provisioned in 2008.

The consortium operating Ecuador's block 16 is made up of Repsol, as operator with a 55% stake after the acquisition of Murphy Oil's share, OPIC of Taiwan (31%) and Sinochem of China (14%), producing a total of 48.000 barrels/day.

Repsol said it has always maintained an open dialogue with the Ecuadorean authorities, who have commended Repsol's responsible attitude towards extraction and its commitment to local communities and the environment in its operations in Block 16 in the Bogui and Capiron fields.

CNPC/PDVSA JV refinery in Guangdong proposed

According to a Chinese news report, China National Petroleum Corp. is proposing the establishment of a 51/49 joint venture refinery in Guangdong province with state

oil company Petroleos de Venezuelas SA, Venezuela. It is indicated that the capacity of the refinery is expected to be 400,000 barrels per day.

Shell completes Perdido installation in ultra-deepwater GOM

On 16 March Shell Oil Company, US, said that at its Perdido Development it has completed the installation of the drilling and production platform atop a 555-foot cylindrical spar floating in about 8,000 feet of water 200 miles from Houston in an isolated sector of the Gulf of Mexico. It is the deepest such facility in the world.

Russ Ford, Shell's technology vice president for the Americas said, "*Perdido is a technological tour de force that is opening up a new frontier for global oil and gas production. Once the global economy recovers, the energy challenge will return with a vengeance, and new sources of energy will be required. Producing oil safely and responsibly this far out and this deep should allay concerns about industry access to the 85% of the U.S. Outer Continental Shelf that remains undeveloped. Perdido and the OCS represent considerable potential to boost U.S. and global energy security.*"

Shell operates the Perdido project on behalf of partners BP and Chevron and in 2006 Shell had to lease one of only two vessels in the world capable of lifting the 9,500-ton topsides onto the spar.

Over the next several months, approximately 270 personnel living on the platform and on a "flotel" alongside it will complete the commissioning and hookup required to produce first oil. The facility is capable of handling 130,000 boepd. To get the oil and gas to market required installing 77 miles of oil export pipelines and 107 miles of gas export pipelines in a remote part of the GoM over very rugged sea floor terrain to connect to the existing offshore pipeline infrastructure.

The Perdido Development has already set a world water depth record in drilling and completing a subsea well 9,356 feet (1.77 miles) below the water's surface. The project intends to drill an even deeper well at 9,627 feet.

Nine polyester mooring lines averaging more than two miles in length now hold the 50,000-ton floating structure in place. The Perdido Development includes a common processing hub that incorporates drilling capability and functionality to gather, process and export production within a 30-mile radius of the facility. This concept will provide regional synergies, reduced cost and lower risk as well as reducing the number and size of the facilities and operations in this challenging frontier area, resulting in a lower environmental impact than would otherwise be achieved.

Shell - strategy update

On 17 March, under the heading of "*March 2009 strategy update: building new heartlands, managing recession challenges*", Shell said that as part of its annual review of strategy, it is continuing with plans to build new upstream and downstream capacity, while managing the near-term challenges of the global economic slowdown. Shell said it is taking a prudent approach and while long-term oil and gas fundamentals remain positive, the industry is facing a sharp downturn in energy prices at a time when costs are high by historical standards.

Jeroen van der Veer, Royal Dutch Shell's Chief Executive, commented: *"These are testing times in the oil and gas industry. Whilst short-term measures are important, we keep our long-term perspective, and continue to believe that energy needs over the long term provide a positive context for Shell's investment programmes today. The challenge in Upstream is to produce new barrels to offset natural field decline, and to create new growth. In Downstream, we need to balance the continued demand from customers and governments for cleaner products, with the challenges to the industry from the cost of supply. The key to success sits with operational excellence, technology, project management and financial capacity, and I am pleased with the capabilities we have built in Shell"*.

Shell said it launched very few new projects in 2007-08, to avoid the peak in the cost cycle. *"This pause, combined with Shell's global scale, gives new opportunities to reduce supply chain costs ahead of launching new projects"*.

Shell said the company has balance sheet flexibility to maintain investment and grow dividends in the downturn, and to fund future growth projects; it makes long-term investments to create long-term shareholder value.

Major investments underway today include:

- Oil and gas fields with some ~1 million boe/d of capacity, which will generate 2-3% annual production growth early in the next decade, to 2012.
- 6.5 million tonnes per year of new LNG capacity, an increase of 40% over 2008 levels
- New refining and downstream GTL assets, totalling ~300,000 bpd of downstream capacity for Shell, an increase of some 7% for 2011-12 compared to end-2008
- Positioning Shell's leading fuels and lubricants marketing businesses in new growth markets and lower costs
- 800,000 tonnes per year of ethylene and 750,000 tonnes per year of mono-ethylene glycol. This is a 13% increase in Shell's ethylene capacity and a ~60% increase in its mono-ethylene glycol capacity
- Pre-FID options upstream that could add more than 1 million boe/d of additional capacity, from a resources base that can support growth to at least 2020.
- Shell will invest some USD31-USD32 billion in 2009 to create this industry-leading portfolio. Dividends are an important statement of confidence in the future, and Shell is the only company in the sector to have already announced dividend growth plans for 2009.

Shell noted that dividends for 2009 are expected to be some USD10bn, a 5% increase of 1Q2009 dividend per share compared to 1Q2008 levels. This investment is underpinned by Shell's strong balance sheet, where end-2008 gearing stood at 6%.

Van der Veer continued, *"We are rejuvenating the portfolio for profitability, scale and new growth, and Shell has made considerable progress."*

In Downstream, we continued with disposal of selected refining capacity in 2008, before the downturn in financial markets, bringing the total sold this decade to over 800,000 b/d. These disposals have increased our average refinery size by 15%. Portfolio refocusing continues, with potential exits from certain refining and marketing assets in Germany and New Zealand portfolios, impacting a further 5% of Shell's global refining capacity.

In Upstream, disposals of some 20,000 boe/d were completed 2008, bringing the total capacity sold in the rising market this decade to ~300,000 boe/d.

Exploration drilling in 2008 added some 1.2bn barrels of resources, at a finding cost of \$2-3 per barrel. Business development activities added over 1bn barrels of resources in 2008 for Shell."

Reserves replacement performance including oil sands remains "satisfactory", with net reserves attributable to Shell shareholders at end-2008 of 11.9 billion boe, unchanged from year ago levels. End 2008 reserves life stands at 10 years. For 2006-2008, organic reserves (including oil sands) additions, excluding acquisitions, divestments and year-end price effects, were 4.6 billion boe, compared to production of 3.7bn boe, a reserves replacement ratio of 126%. Organic reserves replacement including oil sands and year-end price effects for 2006-08 was 120%. Organic reserves additions (including oil sands) for 2008 were 1.1bn boe, compared to 1.2bn boe of production, and reserves replacement was 95%. Organic reserves replacement, including oil sands and year-end price effects, was 97%.

Van der Veer continued: "*The economic slowdown creates opportunities for Shell to reduce supply-chain costs, as spare capacity in the services industry comes into play. We don't have a crystal ball on oil prices, so we are planning on the basis that the downturn could last more than a year. We continue to focus the company on delivering strong operating performance, and maintaining the financial flexibility to fund both new projects, and returns to shareholders.*"

Mid-year start-up expected for delayed Dragon LNG Terminal

On 17 March Petronas of Malaysia said that the Dragon LNG import and degasification terminal in Wales is expected to be commissioned by mid-2009, several months later than previously expected. The facility is a joint venture of BG Group (50%), Petronas (30%) and 4Gas of the Netherland (20%). Delays were said to have arisen from unspecified issues with Contractors. The terminal has a capacity of 600 mmcfd, and the adjacent South Hook terminal (a j.v. of Qatar Petroleum, ExxonMobil and Total) is reported to have completed commissioning its first phase in February which has a capacity of 1,015 mmcfd.

SapuraAcergy j.v. awarded USD825m Gumusut-Kakap contract

On 17 March offshore contractor Acergy S.A. confirmed the award of a contract valued at approximately USD825m to SapuraAcergy Sdn Bhd for the development of the deepwater Gumusut-Kakap field offshore Sabah, Malaysia in blocks J and K. The primary contract has been awarded by Sabah Shell Petroleum Company Limited (SSPC) to TL Offshore Sdn Bhd, a wholly owned subsidiary of our partner, SapuraCrest Sdn Bhd. SSPC is the Operator of the Gumusut-Kakap field as contractor to Petronas. SSPC's co-venturers in the development of the Gumusut-

Kakap field are Petronas Carigali Sdn. Bhd., ConocoPhillips Sabah Ltd. and Murphy Sabah Oil Co. Ltd.

SapuraAcergy's scope under the contract involves engineering, procurement, transportation and installation, offshore Malaysia in water depths of 1,200 metres, covering: an oil export pipeline and catenary riser, including the shore approach; flowlines, jumpers, Steel Catenary Risers, Pipeline End Terminations and flowline inline structures; and mooring wires, chains and piles for a semisubmersible Floating Production System (FPS) including towing to the offshore location and installation thereof.

Engineering will commence with immediate effect, with offshore installation scheduled to commence in 2010 using the Sapura 3000, SapuraAcergy's dynamic positioning heavy lift and deepwater pipelay vessel.

The Gumusut-Kakap field development will employ the region's first deepwater FPS, with a processing capacity of 150,000 bopd. Gumusut-Kakap will be developed using 19 subsea wells with oil exported via a pipeline to a new oil and gas terminal, which will be built in Kimanis, Sabah.

The Gumusut and Kakap fields were combined into a single development under a Unitisation and Unit Operating Agreement signed by the co-venturers in 2006. Shell and ConocoPhillips Sabah Ltd each hold 33% interests in the development, PETRONAS Carigali has 20%, and Murphy holds 14%. Shell serves as the operator of the development.

Baker-Manta-Gummy JV swaps rigs, reduces project costs by USD100m

On 17 March ROC Oil said that following a detailed technical and commercial review, the BMG Joint Venture has taken a number of initiatives to revise the development plan and schedule for the ROC-operated BMG Project which has resulted in substantial project cost savings. In 2009 and 2010, the BMG JV will focus on enhancing the production performance of the Phase-1 oil project. Development commitments for the Phase-2 gas project have been reduced in 2009.

2009 Drilling Program

The 2009 drill rig program has been significantly reduced through the assignment of BMG JV commitments for the Kan Tan IV rig and a recently completed rig swap with Shell Development (Australia) Pty Limited, under which the Songa Venus rig has been "swapped" for the Ocean Patriot rig. These actions have reduced BMG JV cost commitments in 2009 by over USD100m and provided a more flexible drilling program for the project.

Through assignments to existing consortium members, the Kan Tan IV rig commitment has been reduced from 143 days (beginning in March 2009) to 30 days in late 2010.

The Songa Venus rig was contracted in July 2008 to drill development wells on the BMG field in early 2009. The rig swap for the Ocean Patriot, which is currently located in Bass Strait, has removed substantial mobilization costs associated with

towing the Songa Venus rig from the Timor Sea to Bass Strait and allows for better management of operational risks.

The Ocean Patriot rig program provides the BMG JV with the option to undertake operational work-overs on existing B3 and B5 wells and the option to drill and complete the B7 development well; activities planned to improve production performance in 2009 and 2010. The 60-90 day Ocean Patriot work program on the BMG fields is planned to begin in May 2009. In addition to the rig move savings, further cost savings could be generated by assigning the rig to third parties.

Flaring Management

Gas flaring conditions for the BMG Project have been revised to allow production to continue while modifications are made to the Crystal Ocean FPSO that will remove the need for flaring during normal operations.

The limit for the total volume of gas flaring remains unchanged. The requirement for gas flaring to cease by 16 March 2009 has been removed.

New topside facilities on the Crystal Ocean will include a low pressure flare recovery compressor package to supplement the reinjection of produced gas. The BMG JV anticipates that work on the upgrade of the Crystal Ocean facilities will be completed during 4Q09, before the gas flaring volume limit is reached. The total cost for the installation and commissioning of the new facilities will be approximately AUD10m. Until completion of the upgrade, flaring volumes will remain well below the allowable daily average rate.

Participating interests in the BMG J.V. are: Anzon Australia Pty Limited (Operator), 40%; Beach Petroleum Limited, 30%; CIECO Exploration and Production (Australia) Pty Ltd, 20%; and Sojitz Energy Australia Pty Ltd, 10%.

Commenting on these operational issues, ROC's CEO, Bruce Clement, stated, "*The changes to the development plan and schedule for 2009 implemented by the Joint Venture are aimed at reducing overall development costs for the BMG project and ensuring that investments for the project are being carefully managed in this period of lower oil prices and disrupted financial markets. In this regard, ROC in its capacity as operator has worked with the Joint Venture to achieve a very positive outcome. ROC's approach to the BMG project is consistent with its approach to investments across the Company's portfolio of development and exploration assets, which is to carefully steward financial resources and to ensure optimal commercial returns are achieved from each of its assets.*"

StatoilHydro highest bidder on 23 GoM leases

On 18 March StatoilHydro, Norway reported it was the highest bidder on 23 leases in the central area lease sale in the US Gulf of Mexico. Subject to review and final approval by the Mineral Management Service (MMS), the leases acquired are in deepwater and predominantly in high quality Miocene sands, in which StatoilHydro is participating in several "*promising discoveries*", including Tahiti, Heidelberg, Caesar/Tonga and Knotty Head. StatoilHydro is one of the largest leaseholders in deepwater US GoM. In addition to production from Independent Hub and Front Runner, both Tahiti and Thunder Hawk are projects in which the company

participates and which are scheduled to come on stream this year. In 2009 StatoilHydro will also embark on an extensive drilling programme with two new rigs coming into the GoM. Lease sale 208 is a part of the current schedule of the MMS. A total of 56 companies participated in the sale.

Technip sets records for pipeline installation on GoM Perdido Development

Technip, France, said on 18 March that the company has set two new industry records within the framework of Shell's Perdido Development in the Gulf of Mexico, which it operates on behalf of partners Chevron and BP, being the deepest reeled flowline installation at a water depth of 2,961 metres (9,713 feet), and the deepest reeled steel catenary riser installation at a water depth of 2,469 metres (8,100 feet).

The ultra-deep water Perdido field is located approximately 320 km (200 miles) south of Freeport, Texas. Installation was successfully completed in January 2009. The flowline and riser had a total length of 13.2 km (8.2 miles). Technip's operating center in Houston, Texas, executed this contract. Welding operations took place at the Group's spoolbase located in Mobile, Alabama. The offshore installation was performed using the Deep Blue, Technip's deepwater pipelay vessel.

Under the terms of separate contracts, Technip supplied the Perdido umbilicals as well as the hull and mooring system for the Spar platform. Moored in about 2,400 metres of water (8,000 feet), it will be the deepest spar production facility in the world and the first with Direct Vertical Access.

Technip said that following previous technological achievements such as the world first installation of steel catenary risers at 1,939 metres (6,360 feet) for the Na Kika project for Shell in the Gulf of Mexico in 2004, these new records further demonstrate the leadership of the company in the ultra deep subsea market.

MEDGAZ pipeline to be operational this year

On 17 March the Algerian Energy and Mines Minister Chakib Khelil said that it was expected that the Algeria to Spain MEDGAZ gas pipeline would be operational by the end of 2009. While the offshore section of the line was completed by the end of 2008 with testing to follow, it appears that work on a pumping station in Algeria and a pipeline between Almeria and Albacete in Spain will both only be completed around the end of 3Q2009. Algerian state energy company Sonatrach has not yet finalised all contractual agreements regarding the export of gas with Spanish companies.

On 23 December 2008 MEDGAZ announced the completion of the pipe-lay operations that will directly connect Algeria to Spain. Saipem S.p.A., Italy, commissioned to build the undersea infrastructure, had finalised the 210 km. offshore link between Beni Saf on the Algerian coast and the Spanish coast of Almeria. Operations were performed at 1.6 km from the Beni Saf beach by the Crawler, which raised the pipe left by the Castoro Sei in July 2008 and the pipe left by the Saipem 7000 in November, to make the definitive connection and once again lay the final link-up on the seabed. Construction of the sub-sea pipeline was completed on schedule. Between March and June 2008, the Castoro Sei, the vessel in charge of building the offshore section corresponding to the shallow areas (up to a depth of 550 metres), welded and assembled part of the pipeline in both the Algerian and Almeria coast. Between August and November 2008, the Saipem 7000 platform

laid the portion of the pipe in the deepwater section (down to 2,160 metres). With the last weld operations conducted by the Crawler, the assembly of the first ultra-deep water (over 2,000 metres) gas pipeline built in the Mediterranean could be considered completed. Between January and March 2009 hydraulic tests were to be performed to ensure that the pipeline was in good working order before its start-up.

Eni in deal for Pakistan hydrocarbon projects

ENI said on 18 March that it has signed a Protocol for Cooperation with the Government of Pakistan aimed at developing new, important projects in the upstream, midstream and downstream sectors in the country.

The Italian company said that the agreement further strengthens relationships between Eni and Pakistan, as it makes available exclusively to Pakistan state oil companies the capabilities, the know how and the innovative technologies developed by Eni in the oil sector, especially in terms of efficiency in exploiting hydrocarbon fields. The agreement also enables Eni to become a strategic partner in developing the oil & gas sector in Pakistan and to enter fields which are so far managed by state-run oil companies.

The opportunities will be identified during the first 6 months from the signature of the agreement through meetings between representatives of Eni and Pakistan state oil companies. Eni said that signing the memorandum of understanding represents a further step in its strategy to identify and implement projects able to enhance its reserve portfolio thus consolidating its leadership among IOCs in the oil & gas sector.

Eni has been present in Pakistan since 2000 and ranks first among IOCs in the country in terms of exploration and production of gas. The company is also the first player in the offshore exploration with cutting edge technologies and holds an overall portfolio of 21 licenses. These include 14 exploration licenses (3 offshore and 11 onshore) and 7 production licenses, in 3 of which Eni is operator.

Mustang completes Placid project near Baton Rouge

On 19 March Mustang, a subsidiary of international energy services company John Wood Group PLC, announced the successful completion of its Low Sulfur Gasoline Project at Placid Refining Company LLC's refinery in Port Allen, Louisiana. Mustang provided the engineering, design, procurement and construction management for a grassroots 20,000 BPD FCC gasoline hydrotreater to make low sulfur gasoline. The new unit, along with other improvements, will enable the refinery to meet all applicable clean fuel standards for its products.

The USD63m project, the largest single capital project in Placid's history, is part of the refinery's USD300m upgrade and expansion to increase the refinery's capacity from 55,000 bpd to 80,000 bpd while reducing total air emissions by about 50%. Construction and successful start-up of the new hydrotreater unit were completed in September 2008.

4Gas takes full ownership of MapleLNG

MapleLNG announced on 19 March that 4Gas, its parent company, will assume sole ownership of the MapleLNG liquefied natural gas project in Goldboro, Nova Scotia

following the purchase of Suntera Canada Ltd's interests in the project. 4Gas and Suntera jointly purchased the MapleLNG project in March 2006.

"The change in ownership will offer direct communication with our project's owner and enable the project to move forward quickly," said Derek Owen, General Manager, MapleLNG. *"I would like to thank Suntera for its involvement in the MapleLNG project. The purchase solidifies the 4Gas business plan which is dedicated to developing and operating liquefied natural gas import terminals around the world,"* said Harry van Rietschoten, 4Gas executive director, responsible for the project.

4Gas currently holds a portfolio of six LNG terminal projects worldwide. Provincial and federal environmental approvals have been received for a LNG importation and regasification facility in Goldboro, Nova Scotia. The LNG importation and regasification facility at Goldboro:

- Marine facilities to accommodate LNG carriers up to 250,000 cubic meters
- Initially, three LNG storage tanks of 160,000 cubic meters, expandable to six tanks
- Regasification facilities
- The ability to transmit one billion cubic feet of natural gas per day, expandable to two billion cubic feet of natural gas per day
- MapleLNG will construct and operate the LNG importation and regasification facility
- MapleLNG will serve Central Canada, New York and Eastern Canada natural gas markets through its terminal strategically located adjacent to a pipeline transmission system that transports natural gas from Nova Scotia to markets in Canada and the United States
- Goldboro is the closest point in North America for LNG delivery from the vast majority of LNG supplies - this demonstrates the value of the Goldboro location in the international arbitrage of LNG
- The MapleLNG project positions Nova Scotia to have a continuing supply of natural gas for markets in Canada and the U.S.
- Creates a new industry for Nova Scotia

MapleLNG is a Nova Scotia company and the Canadian indirect subsidiary of 4Gas. 4Gas is an independent company located in Rotterdam, solely dedicated to developing and operating liquefied natural gas import terminals around the world. 4Gas projects include Dragon LNG in Milford Haven, Wales; the LionGas project in Rotterdam, The Netherlands; the Pegaz LNG project near Bordeaux, France; the MapleLNG project in Nova Scotia, Canada; the Mashal LNG project in Karachi, Pakistan and the Vista del Sol project near Corpus Christi, Texas.

4Gas is an independent company with a focus on the development and management of LNG import, regasification and storage terminals. It is the world's only independent company fully focused on LNG and dedicated to developing a global network. 4Gas has offices in Rotterdam, Houston, Halifax, Paris, Bordeaux, Karachi, Abuja and Hong Kong. The Carlyle Group and Riverstone Holdings, LLC have a controlling interest in 4Gas.

Ecopetrol submits highest competitive bids for 26 GoM Blocks

On 19 March Ecopetrol S.A. said that the Mineral Management Services, a US governmental agency, published the bids it had received to in connection with the allocation of exploratory blocks in the central part of the Gulf of Mexico as part of the Oil & Gas Lease Sale 208.

Ecopetrol through its affiliate, Ecopetrol America Inc., submitted the most competitive bids for 26 blocks. In 15 of the bids, Ecopetrol was the sole participant. In the remaining 11 bids, Ecopetrol participated jointly with Repsol E&P USA Inc., with Ecopetrol's participation ranging from 40% to 60%. The bids submitted by Ecopetrol for the 26 blocks total an aggregate amount of USD20.5 million, plus a lease-cost per block of nearly USD60,000 per annum. It is estimated that the investment to be made by the Company in these blocks will exceed USD20 million in three years, not including well drilling.

MMS will allow hydrocarbon exploration of up to 400 metres into deep water for a period of 8 to 10 years. The next step in the bidding process is the allocation of awards by MMS, which will take place within 60 to 90 days.

In the bidding for offshore blocks, which took place on 19 March in New Orleans, 70 companies submitted 476 for 348 blocks. The total area being offered by MMS is 1.9 million acres of deep water offshore Louisiana, Mississippi and Alabama.

Ecopetrol's participation in this bidding process is part of the Company's internationalization project as well as the Company's strategy to obtain a production of one million barrels of oil equivalent by the year 2015.

Energy Act 2008 – Third party access to upstream oil and gas infrastructure

On 19 March Law-Now, the information services of CMS Cameron McKenna, issued information regarding the provisions of the Energy Act 2008 that relate to third party access to oil and gas infrastructure which come into force on 6 April.

We reproduce Law-Now comments below:

On 6 April 2009, those provisions of the Energy Act 2008 (the "Act") that relate to third party access to oil and gas infrastructure will come into force. These new provisions will widen the scope of the current third party access regime so that the Secretary of State for Energy and Climate Change ("SoS") will have the power to determine third party access rights to all upstream oil and gas infrastructure.

The provisions will be relevant for companies active in the UKCS, whether acting as operators, owners or developers.

It should be noted that the new provisions relate only to the SoS's powers of dispute resolution with respect to third party access and do not amend the Infrastructure Code of Practice (ICOP), which guides the negotiation process, in any way.

The SoS will now have the power to determine access terms for the entire export route for oil and gas developments. However, it is unlikely that it has been simply the gaps in the regime which have prevented any applications from being made to

the SoS to date, and so the SoS should not anticipate a sudden rush to his door. There has always been a great reluctance among oil and gas companies to be seen to be “running to teacher” to resolve commercial disputes over access, and this has continued even under the latest version of ICOP which sets out a timetable providing for automatic reference after a certain period. It seems unlikely, therefore, that the amendments will fundamentally alter the status quo. Nevertheless, we set out below a summary of the key changes to be made to the third party access regime.

Current third party access regime

Currently, companies seeking access to upstream infrastructure falling within the scope of the relevant legislation (the Pipe-lines Act 1962, the Gas Act 1995 and the Petroleum Act 1998) must apply in the first instance to the relevant owner (as defined in the relevant statute) of the infrastructure in question. If the parties are unable to agree terms for access, the applicant may apply to the SoS to resolve the dispute.

A voluntary Infrastructure Code of Practice: Code of Practice on Access to Upstream Oil and Gas Infrastructure on the UK Continental Shelf (“ICOP”) sets out principles and procedures to guide negotiations for third party access to infrastructure on the UKCS. The Government expects all UKCS licensees to be signatories to ICOP. Although ICOP itself is not legally binding, nor does it have any statutory force, it applies a framework around the SoS’s statutory powers to grant access to infrastructure. Signatories to ICOP make a commitment to be guided by its principles and procedures to reach agreement.

Under ICOP, third parties unable to negotiate satisfactory terms for access to infrastructure are obliged to make an application to the SoS to exercise his statutory powers to decide whether access should be granted and, if so, on what terms.

Weakness of the current third party access regime

The existing legislative framework is incomplete. The SoS’s powers to determine third party access do not cover certain types of upstream infrastructure. For example, the SoS cannot rule on access to oil processing facilities, certain gas processing facilities and services associated with pipelines. A party seeking access to all links in the chain of infrastructure would currently only be able to ask the SoS to determine disputes over certain parts of it. The Act attempts to resolve this by extending the existing regime to cover all upstream oil and gas infrastructure.

New third party access regime

The new third party access regime will be effective as of 6 April 2009 when sections 78-82 of the Act come into force.

The key changes are:

- The powers of the SoS to grant access to “gas processing facilities” will be expanded to include facilities which separate, purify, blend, odourise or compress gas to convert it into a form in which a purchaser is willing to accept delivery from a seller, or to enable the gas to be delivered to another place.

The expanded definition also includes facilities which load gas for the purpose of enabling the gas to be transported elsewhere.

- The current definition of an “upstream petroleum pipe-line” will be amended to include apparatus, works and services that are associated with the operation of a pipeline or network. This will capture services used for operating upstream petroleum pipelines which are not currently part of the third party access regime.
- The SoS will now have the power to rule on third party access to “oil processing facilities”, i.e. any facility in Great Britain or on the UKCS which carries out any of the following operations.
 - initial blending and such other treatment of petroleum as may be required to produce stabilised crude oil and other hydrocarbon liquids to the point at which a seller could reasonably make a delivery to a purchaser of such oil and liquids;
 - receiving stabilised crude oil and other hydrocarbon liquids piped from an oil processing facility carrying out initial blending/other treatment as above, or storing oil or other hydrocarbon liquids so received, prior to their conveyance to another place; or
 - loading stabilised crude oil and other hydrocarbon liquids piped from a facility carrying out any of the above operations for conveyance to another place.
- Where parties cannot reach agreement for an increase in capacity of an upstream pipeline, a person other than the owner may apply to the SoS to issue a pipeline modification notice. A notice can only be issued if the SoS is satisfied that the capacity of the pipeline can be increased by modifying its associated works and apparatus, or that the pipeline can and should be modified by installing junctions to connect it to other pipelines. The penalty for failure to comply with a notice is a maximum fine of £5,000 (£10,000 in Scotland) or an unlimited fine (upon conviction on indictment).
- The process of dispute resolution for third party access to oil processing facilities is now provided for. The process is summarised below.

Application Process

The third party must apply to the owner of the oil processing facilities by a notice specifying the nature of the access it is seeking (the “owner” is any person occupying or controlling the facilities and would include a lessee). The notice should include the period of time the third party wants to use the facilities and the type and quantity of petroleum to be processed. If no consensus is reached, an application for directions may be made to the SoS.

The SoS may not consider such an application unless satisfied that the parties have had a reasonable time to reach an agreement. If the SoS deems the application worthy of consideration, the owner, any person who has a right to have petroleum processed at the facility and the Health and Safety Executive must be given the opportunity to be heard in relation to the application.

Secretary of State's Directions

The SoS may give directions on an application for third party access only if satisfied that they will not prejudice:

- The efficient operation of the facility;
- The processing of quantities of petroleum which the owner (or an affiliate) requires (or may be reasonably expected to require) to be processed for the purposes of their own business; or
- The processing of petroleum required by other people who have a right to have their petroleum processed at the facility.

The SoS may issue directions that:

- Specify the terms on which the owner should enter into an agreement with the third party for access to the facilities;
- Specify the sums (or method of their calculation) that should be paid by the third party to the owner for use of the facilities; and
- Require the owner to enter into an agreement with the third party if the third party pays (or agrees to pay) the sums within a specified period.

When considering an application, the SoS may require the owner or third party to supply relevant information to him, including financial information relevant to their activities in terms of oil processing operations.

First LNG commissioning cargo arrives at South Hook Terminal

On 20 March Exxon Mobil Corp announced that the first Liquefied Natural Gas cargo arrived at the South Hook LNG receiving terminal in Milford Haven, Wales. The terminal adds to the UK's LNG import capacity and energy diversity with the ability to deliver up to 2bn cubic feet of gas daily into the natural gas grid when it reaches full operational capacity in 2009.

South Hook LNG Terminal Company Ltd. is owned by Qatar Petroleum (67.5%), ExxonMobil (24.15%) and Total (8.35%). The terminal forms part of the wider Qatargas II joint venture which will supply gas to the UK from Qatar's North Field. The terminal, which is being completed in two phases, includes five LNG storage tanks, a regasification plant, ship unloading systems and a jetty to allow berthing of the world's largest LNG vessels.

"The arrival of the commissioning cargo into South Hook is a significant milestone in the development of the Qatargas II project, the world's first full LNG value chain investment," said Mr. Faisal Al Suwaidi, Chairman and CEO of Qatargas Operating Company.

Suncor Energy and Petro-Canada to merge and save CAD300m annually

On 23 March Suncor Energy Inc. and Petro-Canada announced that they have agreed to merge. Upon completion of the transaction, the parties have agreed the combined entity will operate corporately and trade under the Suncor name, while maintaining the strong brand presence and customer loyalty of Petro-Canada in refined products.

"This merger creates a made-in-Canada energy leader with the assets, cost structure and financial strength to compete globally," said Rick George, president and CEO of Suncor and who will assume the same role with the merged entity. *"The combined portfolio boasts the largest oil sands resource position, a strong Canadian downstream brand, solid conventional exploration and production assets, and low-cost production from Canada's east coast and internationally."*

The proposed merger will be effected by way of a Plan of Arrangement completed under the Canada Business Corporations Act. It will feature a common share exchange through which Petro-Canada common shareholders will effectively receive 1.28 common shares of the merged company for each common share of Petro-Canada they own and each Suncor common shareholder will receive one common share of the merged company for each common share of Suncor they own. The exchange ratio represents an approximate 25% premium for the Petro-Canada shares to the 30-day weighted-average trading price of such shares. On completion of the proposed transaction, Suncor's existing shareholders will own approximately 60% and Petro-Canada shareholders will own approximately 40% of the merged company.

Suncor Energy and Petro-Canada said that the merged company will have the following key characteristics:

- a resource base with approximately 7.5bn boe) of proved (developed and undeveloped) and probable reserves, on top of an estimated contingent resource base of approximately 19bn boe.
- strong cash flow from current crude oil and natural gas production of approximately 680,000 boe/d.
- a strong balance sheet, with a pro forma debt to capitalization of 29.6% and a debt-to-cash flow ratio of 1.2.
- an experienced management team, complementary cultures and leading environmental and social responsibility practices.
- a high quality asset portfolio including:
- a suite of oil sands growth options for both mined and in-situ resource recovery, as well as value-added upgrading.
- a position in every major oil development project on Canada's East Coast.
- low-cost international crude oil and natural gas production from the North Sea, North Africa and Latin America.
- refining capacity of 433,000 b/d)and a strong Canadian retail brand.
- a solid platform for further development of renewable energy projects.

"The merger will be good for shareholders of both companies with reduced capital requirements, operating efficiencies and complementary integration opportunities between upstream and downstream assets," said Ron Brenneman, who is currently president and CEO of Petro-Canada and who will assume the role of Executive Vice Chairman in the merged company. *"The increased scale provides more stability in volatile markets, plus the financial and organizational capability to successfully take on large-scale projects in the future."*

The merging companies estimate achieving annual operating expenditure reductions of CAD300m. These savings are expected to come from efficiencies in overlapping operations, streamlining business practices, and improved logistics. The companies also expect to achieve annual capital efficiencies of approximately CAD1bn through elimination of redundant spending and targeting capital budgets to high-return, near term projects.

The merged company's Board of Directors is expected to comprise 12 Directors, including eight members from Suncor's current board and four members from Petro-Canada's current board. John Ferguson, Suncor Energy Chairman, will serve as Chairman of the Board of Directors of the merged company.

Completion of the proposed merger is conditional on approval of Suncor and Petro-Canada shareholders, compliance with the Competition Act, and satisfaction of other customary approvals. Suncor and Petro-Canada anticipate that the proposed merger will be completed in 3Q2009.

ExxonMobil increases global cogeneration capacity

On 23 March ExxonMobil inaugurated its newest high efficiency cogeneration plant at its Antwerp refinery in Belgium. Cogeneration is the simultaneous production of electricity and useful heat or steam used for industrial processes. In addition to generating 125 megawatts, the new plant will reduce Belgium's carbon dioxide emissions by approximately 200,000 tonnes per year, the equivalent of removing about 90,000 cars from Europe's roads. *"Energy efficiency is one of the most effective tools available for reducing greenhouse gas emissions,"* said Sherman Glass, president of ExxonMobil Refining & Supply. *"Since 2004, ExxonMobil has invested in over 1,500 megawatts of cogeneration capacity in five countries."*

With the inauguration of the Antwerp facility, ExxonMobil now has interests in about 4,600 megawatts of cogeneration capacity in about 100 individual installations at more than 30 sites around the world. This is enough capacity to supply the needs of more than 5 million homes in Europe.

"This new cogeneration plant allows for the efficient generation of electricity to run pumps, compressors and other equipment in our facilities, while at the same time, producing additional steam that is needed in processes that transform crude oil into refined products," said Gilbert Asselman, manager of the Antwerp refinery. *"With the latest technology, cogeneration is significantly more efficient than traditional methods of producing steam and power separately. This results in lower operating costs and significantly less greenhouse gas emissions."*

Additional new facilities under construction in Singapore and China will increase ExxonMobil's cogeneration capacity to more than 5,000 megawatts in the next three years.

The Antwerp Refinery is the second largest ExxonMobil refinery in Europe and has a capacity of approximately 305,000 b/d.

Saipem awarded USD1.8bn onshore contract in Algeria

Saipem, Italy said in 23 March that it has been awarded a new onshore contract in Algeria worth approximately USD1.8bn.

Saipem has signed the lump sum turnkey contract with the joint venture between Eni and the Algerian oil company Sonatrach for the treatment facilities of natural gas extracted from the Menzel Ledjmet East field and from the future developments of the CAFC (Central Area Field Complex).

The contract encompasses the EPC (engineering, procurement and construction) of the natural gas gathering systems and processing plant and the related export pipelines. The facilities will provide a processing capacity of 350 million cubic feet of gas per day and of 35,000 b/d of liquids and will be located in the Berkine Basin, approximately 1,000 km southeast of Algiers. The contract is scheduled to be completed within 36 months.

Pemex hiring Rowan's Gorilla IV for 785-day, USD124m contract

On 24 March Rowan Companies, Inc. reported that it has signed an agreement with Petroleos Mexicanos (Pemex) for Rowan's Gorilla IV jack-up, with work commencing in 2Q2009 and a contract period of 785 days. Rowan expects the contract to provide approximately USD124m of drilling revenues. Matt Ralls, Rowan's President and CEO, commented, "*We are delighted for this opportunity to further diversify our global drilling operations and look forward to working for Pemex again.*"

StatoilHydro to take Safe Scandinavia flotel/support unit

On 24 March Prosafe SE said it has been awarded a Letter of Intent by StatoilHydro for the provision of the Safe Scandinavia accommodation support rig at the Snorre A offshore facility in the Norwegian sector of the North Sea. The LOI is subject to the Snorre License partner approval.

The contract linked to the LOI has two firm durations, six months commencing early May 2010 and six months commencing early April 2011. StatoilHydro has the option to replace the two firm periods with a continuous 17-month contract commencing May 2010. The option must be exercised before January 2010, and is subject to vessel availability.

Total value of the contract linked to the LOI is about USD92m, including mob/demob costs. The contract value will increase to about USD104m including mob/demob costs, if the 17-month alternative is chosen.

Tullow Oil plc - Drilling updates on Ghana and Uganda

On 25 March Tullow Oil plc announced that the deeper section of the Tweneboa-1 exploration well offshore Ghana and the Karuka-2 exploration well drilling the Vundu prospect in Block 2 Uganda have both encountered oil bearing sands.

Tweneboa-1 exploration well (Tullow 49.95%)

On behalf of the Deepwater Tano licence partners, Tullow announces that following the significant light hydrocarbon discovery reported earlier this month, the Tweneboa-1 well has been deepened to 3,938 metres and encountered four metres of highly-pressured oil bearing sands as well as an over-pressured zone at total depth.

Results of wireline logs, pressure measurements and sampling show that the well has encountered oil of 26° API which is independent of the shallower light hydrocarbon accumulation. Near the total depth of the well, an over-pressured zone was encountered which limited further progress. Integration of the seismic and well data is ongoing and further exploration drilling will now be required to test the extent of these deeper levels as well as the shallower accumulation where seismic indicates sands thicken away from the well location.

The Tweneboa-1 well was drilled by the Eirik Raude deepwater rig in a water depth of 1,148 metres some 25 km west of the Jubilee Field. Tullow (49.95%) operates the Deepwater Tano licence and is partnered by Kosmos Energy (18%), Anadarko Petroleum (18%), Sabre Oil & Gas (4.05%) and the Ghana National Petroleum Corporation (GNPC) (10% carried interest).

Karuka-2 exploration well in Uganda (Tullow 100%)

The Karuka-2 exploration well on the Vundu prospect in Block 2 Uganda has been drilled and logged. The well reached a total depth of 897 metres and encountered limited thin-bedded oil bearing sands from 764 metres to 772 metres.

Karuka-2 was located 6 km south-west of the Karuka-1 well and was a higher risk well designed to test upside potential in the secondary Escarpment Play. Downhole pressure testing and sampling indicate moveable waxy crude in reservoir close to a possible oil-water contact however the upside potential in the structure is limited.

The Karuka-2 well is being suspended and the rig will then move to drill the amplitude supported Nsoga prospect in the Victoria Nile Delta play which is expected to spud in early April. In addition, the Nabors 221 rig is fully rigged up on the shore of Lake Albert and is expected to commence drilling the Ngassa-2 exploration well imminently. Ngassa is the largest prospect in the basin and is expected to take up to 90 days to drill.

Commenting, Angus McCoss, Exploration Director, said: *“Tweneboa is a significant light hydrocarbon discovery which has extended the Jubilee play westwards and has identified oil in a deeper sand pointing to scope for further play development. We look forward to exploring these multiple targets offshore Ghana and pursuing these plays across the rest of our extensive Equatorial Atlantic acreage position. The Karuka-2 well has confirmed our existing understanding of the Escarpment play. For the remainder of 2009 our Butiaba programme will focus on the prolific Victoria Nile Delta play and look to replicate and extend the successful reservoir cascades encountered during our 2008 drilling programme.”*

Premier plans USD505m acquisition of Oilexco North Sea

On 25 March Premier Oil plc, UK announced plans to acquire Oilexco North Sea Limited for USD505m acquisition and a rights issue to raise approximately £171m. The company said that the acquisition:

- has a compelling strategic, operational and financial rationale and represents a significant step change for Premier

- will provide Premier with a complementary asset base in the North Sea, balancing the group by delivering critical mass in a second core area in addition to Asia
- will provide Premier with an additional 60 mmboe of 2P reserves and contingent resources at 31 December 2008 (of which 40 mmboe is expected to be bookable to 2P by Premier) and unrisks reserve potential of up to 385 mmboe across 15 exploration prospects
- will enhance Premier's current production, adding an estimated 13,700 boepd of working interest production in 2009
- will provide Premier with significant North Sea operational capability via operatorship interests and an experienced operating team in Aberdeen
- has a purchase price equivalent to less than USD8.50/bbl (without including any value for the significant tax losses being acquired)

ONSL, the principal operating subsidiary of Oilexco Inc., with interests in significant producing fields including Balmoral, Brenda, Nelson and Nicol is to be acquired out of administration subject to, amongst other conditions, approval of a Company Voluntary Arrangement by ONSL's unsecured creditors and Oilexco Inc., and to be acquired free of bank debt and historical rig and FPSO commitments

A fully underwritten Rights Issue to raise £171 million with new ordinary shares for every 9 existing ordinary shares at 485 pence per share (a 40% discount to the theoretical ex-rights price). The balance of the acquisition will be funded from new credit facilities and existing cash resources (new credit facilities comprise USD175m 18-month acquisition bridge facility, USD225m 3-year revolving credit facility and USD63m and £60m 3-year letter of credit facilities).

Premier said that the enlarged group's balance sheet remains robust, with estimated \$385 million liquidity at completion, providing flexibility to execute the enlarged group's investment programme.

The acquisition and rights issue is conditional on, inter alia, approval of Premier's shareholders at an EGM and the transaction expected to complete in May 2009.

Commenting on today's announcement, Sir David John KCMG, Chairman of Premier, said, *"This is the most exciting development in Premier's recent history and offers the potential to create substantial value for our shareholders. The acquisition contributes significantly to Premier's strategic objective of growing production and cash flow. We will also maintain our high-impact exploration programme and continue to review selected value adding acquisitions within core areas."*

Simon Lockett, Chief Executive, commented, *"The acquisition of ONSL significantly expands our presence in the North Sea. It secures an attractive, high growth North Sea focussed business and delivers synergies with our existing North Sea assets at a compelling valuation of less than USD8.50 per barrel."*

ONSL's complementary asset base significantly enhances our near-term production profile and cash flow and gives our North Sea business critical mass alongside that of our existing Asian assets. I am also pleased to end the uncertainty around the

administration process for the employees of ONSL, who will have a continued and vital role in the future of Premier.

With our conservative financing strategy, ample liquidity and an exciting drilling program ahead, I am confident in the continued success of the Premier group."

On 7 January 2009, Oilexco North Sea Ltd entered Administration and Joint Administrators were appointed. The appointment was made by the directors under the provisions of paragraph 22 of Schedule B1 to the Insolvency Act of 1986. Oilexco North Sea Ltd has continued to trade under the supervision of the Joint Administrators whilst they endeavoured to realise a sale of Oilexco North Sea Ltd or its business and assets.

On the 24 March, Calgary, Canada-headquartered Oilexco Inc. said it has been advised by the Administrators of Oilexco North Sea Limited (ONSL) that the Administrators have entered into a contract for Premier Oil to acquire all the shares of ONSL for \$505m subject to a Company arrangement with the creditors, failing which Premier will acquire the business and assets of ONSL for \$415m.

Oilexco understands the sale price is less than the amount owed by ONSL to its creditors and that the total consideration payable to Oilexco under the Share Acquisition Agreement is \$1. As a result, Oilexco will not receive funds in excess of \$1 from the sale which is expected to close in late May. Oilexco remains under the protection of the Companies' Creditors Arrangement Act (Canada) as announced on 5 February 2009.

On 25 March Premier announced its 2008 results, including operating cash flow up 31% to USD352.3m (2007: USD269.5m); operating profit up 19% to USD261.7m (2007: USD219.4m); record profit after tax of USD98.3m (2007: USD39.0m), after deducting a non-cash write down of USD31.9mn on the Chinguetti field; financing in place to fund development programme of ~USD800m in 2009-2011; strong balance sheet with cash resources of USD323.7m (2007: USD332.0m) and net cash of USD117.3m (2007: USD79.0m); and undrawn cash facilities at year-end were USD275m (2007: USD222m).

BHP Billiton starts up production at Shenzi Field in deepwater GoM

BHP Billiton announced on 25 March that first oil and natural gas production has commenced from the Shenzi development in the deepwater Gulf of Mexico. The tension leg platform has a nominal capacity of 100,000 bopd and 50 million cubic feet per day of natural gas, on a 100% basis.

The Shenzi facility is located approximately 120 miles (195 km) off the Louisiana coastline and is installed in approximately 4,300 feet (1,300 metres) of water on Green Canyon Block 653, making it the second deepest TLP in the world.

J. Michael Yeager, Chief Executive, BHP Billiton Petroleum, said the development came on-stream ahead of schedule and within budget and is another important milestone in the expansion of Petroleum's operated projects. *"Shenzi joins the already producing Neptune field as the second BHP Billiton operated, standalone, deepwater facility in the Gulf of Mexico. Together with Genghis Khan, Atlantis and*

Mad Dog, the company has realised a significant increase in production in the region after considerable investment and technical focus. This achievement reflects a well executed work plan in a complex deepwater environment. This is a credit to the project team whose strong performance has allowed the company to safely deliver a world-class project and add to a growing Petroleum asset portfolio.”

The Shenzi field comprises four blocks: Green Canyon 609, 610, 653 and 654. Initial field development includes seven subsea wells tied back to the TLP, with full field development expected to expand to a total of 15 producing wells and future water injection wells. Crude oil is transported via a 20-inch diameter pipeline connecting to Ship Shoal 332 B, while natural gas will be exported via the Cleopatra pipeline (where BHP Billiton has a 22% equity share). BHP Billiton is the operator with 44% equity. Joint interest participants are Hess Corporation and Repsol, each with a 28% equity.

Salym Petroleum awards Halliburton USD100m contract extension

On 25 March Halliburton Co. said it has been awarded a major contract extension by Salym Petroleum Development N.V. (SPD) for exploration and production services in Western Siberia, Russia. Valued at approximately USD100m, the four-year contract calls for the provision of directional-drilling, measurement-while-drilling and logging-while-drilling, along with drilling fluids and cementing services and continues Halliburton's proven record of service delivery in the SPD fields for the last three years. The new wells to be drilled, with an average true vertical depth of 2,600 metres, include 400 S-shaped wells, plus directional and extended-reach wells.

The SPD oil fields - located in Khanty-Mansiysk Autonomous Okrug, 120 km southwest of Surgut - include West Salym, Upper Salym and the Vadelyp fields.

Halliburton said that its proven capabilities delivered under the initial contract include: establishing a record drilling time of 5.6 days, when the average drilling time for S-shaped wells in Western Siberia ranges between 23 and 28 days for wells up to 2,800 meters deep; customizing Halliburton's BOREMAX® II high-performance, water-based drilling fluid system to reduce treatment cost per foot drilled and minimize the environmental impact; and delivering zonal isolations for the life of the well through deployment of dedicated crews and harsh-environment cementing units.

Saipem awarded further work for Scarabeo 6 semi-sub in Egyptian waters

On 26 March Saipem said it has been awarded a new contract worth approximately USD400m for the charter of offshore drilling rig Scarabeo 6. The contract is with Burullus Gas Company who is extending their charter of Scarabeo 6 to 4Q2014. The MODU will continue to operate in Egyptian waters where she is presently working for Burullus.

Scarabeo 6 is a third-generation semi-submersible rig capable, at present, of drilling to depths of up to 7,500 metres, operating in water depths of up to 780 metres. The operating capacity will be raised to 1,100 metres of water depth, following the rig upgrading works, which will be executed in a six-month period between 2Q2011 and 2Q 2012.

Self-sealing repair clamp delivered for BP's Everest to Forties condensate pipeline

On 26 March specialist engineering and technical services company Furmanite said that they have designed, built and delivered a high pressure subsea self-sealing repair clamp as a contingency measure for the BP operated Everest to Forties condensate pipeline in the North Sea. The clamp will provide a fast and efficient means of repairing a leak without requiring shutdown, should the need arise.

The 14 inch FurmaSeal clamp has been custom designed to accommodate the pipeline's 346mm outside diameter (an unusual dimension as a 14 inch line is typically 355.6mm outside diameter).

The hinged split sleeve repair clamp is designed for emergency pressure containment in the event of any pipeline defects, and can be installed onto the line to repair or provide reinforcement without interrupting normal operation. It is designed to accommodate pressures to 179 bar, and temperatures from -10 to +65 degrees C, in accordance with the pipeline operating conditions, with a design life of 25 years.

Furmanite said that no sealing compound is necessary, and no welding required, as the clamp uses fluoro-elastomer seals. These are compressed and loaded by bolting around each end of the clamp and between the two clamp halves, providing a high effective, mechanically-actuated high integrity seal.

Furmanite was selected to supply the clamp by pipeline and subsea engineering and management contractor J P Kenny. Furmanite business development director Mike Tucker said, *"There are always potential risks to consider, as any damage breaching pipeline integrity can be extremely costly. Contingency repair clamps such as this one allow any leaks to be dealt with immediately, at a cost that is likely to be far less than the potential financial impact of a leak, particularly if that leak forces a platform or pipeline shutdown. Our contingency repair clamps are attracting growing demand as this is increasingly recognized."*

The Everest field lies 233 km east of Aberdeen and is a gas condensate reservoir. The Everest condensate liquid is piped to the Central Area Transmission System (CATS) riser platform where it is mixed with Lomond condensate and transported to the Forties complex, 65km to the west, from where it enters the Forties pipeline system.

LeTourneau in USD185m contracts with Brazil for 2 Jack-ups

On 26 March Rowan Companies, Inc. announced that its manufacturing subsidiary, LeTourneau Technologies, Inc. has signed contracts valued at approximately USD185m with a Brazilian construction consortium to provide the rig kit, rig design and drilling equipment for two LeTourneau Super 116E jackup rigs.

Dan Eckermann, LTI's President and CEO, stated, *"In this difficult market environment we are pleased to have been selected by the Brazilian consortium to provide the primary components for these new jackup rigs. We plan to deliver to the consortium state-of-the-art rig kits, rig design and drilling equipment. This success also confirms the strength of our product slate and our ability to provide quality drilling products for offshore and land drilling applications."*

The two Super 116E jackup rigs are to be built at Petrobras' Maragojipe, Bahia, Brazil facility by the Consorcio Rio Paraguacu. The rig kits will be substantially delivered in 2009 while most of the drilling equipment will be provided in 2010.

The Super 116E Class is one of five current LTI jackup rig designs, and is described as an evolution of LTI's industry workhorse 116-C Class design. The Super 116E provides for up to 2,000 kip greater payload than its predecessor. The rig is designed to drill in up to 350 feet of water in moderate environmental locations and can be outfitted to handle high temperature/high pressure wells.

KBR awarded FEED contract for Egypt ammonium nitrate plant

KBR announced on 25 March that it has been awarded a contract by Egypt Hydrocarbon Corporation to complete a Front End Engineering Design project for an ammonium nitrate plant being developed by Carbon Holdings at its proposed Petrochemical Complex. The complex will be located 25 km from Suez, Egypt, near the Red Sea.

KBR will perform engineering services for both the process units, and the utilities and offsites for the plant. Currently, a single-train process plant is planned for installation with a nominal capacity of 1,060 metric tons per day of ammonium nitrate. The process designs of the nitric acid and ammonium nitrate units will apply the proven technologies of Espindesa, a subsidiary of Tecnicas Reunidas of Spain.

The award of the FEED project follows KBR's completion of various prefeasibility and pre-feed studies for the Petrochemical Complex's proposed plants, including ammonium nitrate and other chemical and petrochemical facilities. KBR has also completed a master plot plan study and a study of off-plot options for the complex.

First Russian LNG cargo for Japan loaded at Sakhalin II

We previously reported that Russian President Dmitry Medvedev had opened Russia's first liquefied natural gas plant, part of the Sakhalin II Project and that Sakhalin Energy had finalised the long-term sale and purchase agreements for trains 1 and 2 volumes. Now we can report that the first Russian LNG cargo for delivery to Japan has been loaded from the Sakhalin II LNG plant into the Energy Frontier LNG carrier.

The Energy Frontier left the Prigorodnoye port on 29 March for the Sodegaura terminal in Tokyo Bay, with a cargo of some 145 thousand cubic metres of LNG intended for two of the Company's foundation customers - Tokyo Gas and Tokyo Electric. The LNG was loaded through the 805-metre long jetty at the Prigorodnoye port, which was purpose built for the year-round export of LNG and oil.

"This is a key milestone, the culmination of many years of effort by the Russian federation, the Sakhalin Oblast, our shareholders and the thousands of Company and contractor staff who made it all possible," said Sakhalin Energy's CEO Ian Craig. "Russia has marked its entry into the Asia Pacific LNG market and Japan has a new long term energy partner."

With the start of LNG production and off-loading and year-round oil deliveries, which began in December 2008, a new major Asian energy source is now on stream. Presently Sakhalin LNG is produced at train 1 with train 2 scheduled to come on stream later this year. This year and 2010 will see a gradual ramp-up to full production capacity. The Sakhalin II infrastructure includes three offshore platforms, an onshore processing facility, 300 km of offshore pipelines and 1,600 km of onshore pipelines, an oil export facility and the LNG plant. Almost all of the 9.6 million tonnes of annual production capacity of the LNG trains 1 and 2 has already been committed in long-term contracts to supply customers in Japan, Korea and other markets. Sakhalin LNG is the first Russian gas supplied to these regions and the establishment of the new export route confirms the country's status of a global energy power.

Shell, which released the latest news, noted that with the start of LNG production from Sakhalin II, it now has interests in LNG operations in six countries, covering both the Atlantic and Pacific basins. The Sakhalin II LNG plant has been designed using Shell's "*innovative liquefaction technology taking maximum advantage of the outside ambient temperature, resulting in high efficiency and low CO2 emissions*". Sakhalin II increases Shell's global LNG production capacity by almost 17% and, said the company, reinforces its leadership position in LNG among international oil companies and additionally, the access Shell has to LNG volumes from Sakhalin II enhances its global LNG marketing capability.

Yuzhno-Sakhalinsk-headquartered Sakhalin Energy (set up in 1994 for implementation of the Sakhalin II Project) has shareholders Gazprom (50% + 1 share), Royal Dutch Shell (27.5% - 1 share), Mitsui & Co. Ltd. (12.5%) and Mitsubishi Corporation (10%).

Canadian regulator approves Redwillow pipeline project

On 27 March the National Energy Board - an independent federal agency that regulates several parts of Canada's energy industry – said that it has approved an application by SemCAMS Redwillow ULC (SemCAMS) to construct and operate the Redwillow Pipeline Project.

The Redwillow pipeline would transport up to 2,295 cubic metres per day (79 000 standard cubic feet per day) of unprocessed sour gas containing up to 30% hydrogen sulfide, nearly 150 km, from the Grizzly Valley area southwest of Tumbler Ridge, British Columbia to an existing gathering and processing facility near Wapiti, Alberta. The project is expected to cost CAD151m.

The proposed pipeline would connect gas that is currently shut-in to an existing, but under-used, gas processing plant in Alberta. According to evidence filed by SemCAMS, access to sour gas processing facilities in the project area is constrained, which is impeding further gas development. The proposed pipeline could also open up eastern markets to gas producers in the Grizzly Valley region.

During the public hearing, held in Dawson Creek, BC from 28 to 31 October 2008, SemCAMS committed to design, build and operate the project in adherence with the most recent regulations, codes and industry standards for sour gas pipelines.

The Board attached 26 conditions to its approval of the project, including the requirement that SemCAMS file its emergency procedures manual for Board approval before opening the pipeline and to hold a full scale emergency response exercise within one year after the pipeline begins operating. Local residents raised concerns about SemCAMS' emergency management program in the case of a pipeline leak or rupture during the hearing.

SemCAMS provided evidence regarding the financial viability of the project after its parent company, SemGroup, L.P., filed for Chapter 11 bankruptcy protection in July 2008. Based on SemCAMS' evidence, the Redwillow project appears likely to be able to attract financing on its own merit. However, the Board will require SemCAMS to demonstrate that adequate financial resources are in place to build and operate the pipeline before construction begins.

The Board also denied SemCAMS' request for an exemption from filing a Plan, Profile and Book of Reference for approval as required by the NEB Act. In its reasons for decision, the NEB said that while the pipeline would be located entirely on Crown lands, the Board was not persuaded that an exemption from the NEB Act was warranted.

The purpose of the NEB is to promote safety and security, environmental protection, and efficient energy infrastructure and markets in the Canadian public interest, within the mandate set by Parliament in the regulation of pipelines, energy development and trade.

Cove Point, Maryland LNG expansion in full commercial service

Richmond, Virginia-headquartered Dominion has announced that its Dominion Cove Point Expansion project went into full commercial service on 26 March. Output capacity for the liquefied natural gas plant on the Chesapeake Bay in Maryland has increased by 80% to 1.8 million dekatherms (Dth) of natural gas per day. LNG storage capacity has nearly doubled to 14.6 billion cubic feet equivalent (Bcfe).

New facilities include: 2 LNG storage tanks, each capable of holding 160,000 cubic meters of LNG, or approximately 3.4 Bcfe of natural gas each; Increased vaporization and associated station facilities adding 800,000 Dth per day to output capacity; An 81-mile, 24-inch pipeline in central Pennsylvania and associated facilities that allow imported natural gas to be transported to key Northeast natural gas markets; A 48-mile, 36-inch diameter natural gas pipeline loop in Maryland that increases pipeline capacity from the plant; 2 new compressor stations in Pennsylvania near Perulack and State College; Various natural gas storage facilities and pipelines that move natural gas to the Dominion South Point market hub, other interstate pipelines and the interconnection with Transcontinental Gas Pipeline known as Leidy in Clinton County, Pennsylvania.

A subsidiary of StatoilHydro ASA has contracted for all the new capacity, including firm transportation and storage services in Pennsylvania. The previously existing capacity was already under contract.

Although pipeline construction is now complete, property restoration will continue. Dominion also will continue to monitor restored land along the pipeline route until it has been returned to its original condition or better.

Apache's Neuquen concessions in Argentina extended through 2027

On 30 March Houston-headquartered Apache Corporation announced that the Argentine province of Neuquen has agreed to extend eight federal oil and gas concessions for 10 additional years. Since acquiring the blocks in 2006, Apache has increased gas production 25% to 106 million cubic feet per day and increased oil production 9% percent to 5,500 bpd. The province provides about half of Apache's total output in Argentina.

The concessions, which were scheduled to expire between 2015 and 2017, encompass approximately 2,384 km², including exploratory areas totalling 2,082 km². In exchange for production that would have reverted to the province beginning in six years and the right to explore for 10 additional years, Apache will pay a bonus of approximately USD23m, increase the provincial royalty to 15% from 12%, and spend up to USD320m in a future work program.

"The extension of our Neuquen concessions can be compared to an acquisition in which Apache has a good understanding of the value," said Rob Johnston, region vice president. "The agreement benefits Apache by extending our reserve life and providing more time to develop the assets, and benefits the province of Neuquen by providing an immediate cash payment as well as the assurance of continued investment and employment for Neuquen residents for many years to come. We appreciate the well-planned and open way in which the province conducted the negotiations. Next, we plan to pursue similar extensions for concessions on the island of Tierra del Fuego."

Noble Energy's second gas discovery offshore Israel at Dalit

Noble Energy, Inc., US, announced on 30 March a natural gas discovery at the Dalit prospect in the Michal license, offshore Israel. Located in approximately 4,500 feet of water and 30 miles offshore, the well was drilled to a depth of 12,000 feet. Formation logs identified more than 110 feet of net pay in a high-quality reservoir. Dalit represents the Company's second subsalt, lower-Miocene discovery in the underexplored Levantine basin.

This is the company's second announcement this year of a gas discovery offshore Israel.

Charles D. Davidson, Noble Energy's Chairman, President and CEO, said, *"With the successes at Tamar and Dalit, we have potentially opened up a substantial new resource basin, where we have an interest in about three million gross acres. We are moving forward with development plans to bring first production to Israel from this new region in 2012. At the same time, we continue to remain focused on the vast exploration potential remaining, and we plan to conduct new 3D seismic later this year over various leads in our other licenses in the area. Based on results from the seismic program, we could see further exploration in the region starting in the second half of 2010."*

Production testing will be performed at Dalit after the well is completed. Subsequent to testing, the rig will return to the Tamar discovery in the Matan license to drill an appraisal well designed to better define the resources of Tamar.

Noble Energy operates both the Michal and Matan licenses with a 36% working interest. Other interest owners are Isramco Negev 2 with 28.75%, Delek Drilling with 15.625%, Avner Oil Exploration with 15.625% and Dor Gas Exploration with 4%.

Dana makes gas discovery at first well offshore Morocco

Dana Petroleum PLC said on 30 March that it has made a significant gas discovery at Anchois, in the Tanger-Larache license, with its first well offshore Morocco.

The Anchois-1 discovery well is located about 40km from the coast and was drilled to a total depth of 2,435m. Two intervals of high quality, gas-bearing sands, were encountered in the well. The combined gas column encountered was about 90m with about 40m of net pay.

Preliminary estimates of reserves are around 100 billion cubic feet ("bcf"). Dana, together with its co-venturers, Repsol (operator), Gas Natural and ONHYM have decided to suspend the well as a potential future producer. The j.v. group is now analyzing all the data acquired before deciding on further exploration drilling in the Tanger Larache license (Dana 15%). Dana said that this gas discovery is very important as it is the first well in this large under-explored area and the other prospects in the license have been significantly improved by the results of the Anchois well.

Also in Morocco, Dana has mobilized the GYP No.8 drilling rig to the Tafejjartt-1 well site and spudded the well on 24 March 2009. The well is expected to take about 3 months to reach TD.

Commenting on the news, Tom Cross, Dana's Chief Executive said, "*Following Dana's recent discoveries at Fulla and South-East Rinnes, the new Anchois discovery is a very important result from our first well offshore Morocco. This builds upon Dana's 2009 exploration success and it is hoped that the coming months will yield further oil and gas discoveries, given the significant number and range of exploration wells being drilled across Dana's portfolio.*"

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