



PORT OF
**CROMARTY
FIRTH**

RIG ACTIVITY IN THE CROMARTY FIRTH



FREQUENTLY ASKED QUESTIONS

The impact of the COVID-19 pandemic on the global energy sector has been significant and resulted in a dramatic drop in oil prices and demand.

Capital expenditure and drilling activity in the North Sea has dropped to record lows, with many oil and gas operators postponing and cancelling projects due to the current market climate. As a result of the market downturn, the Cromarty Firth has witnessed an increase in the number of rigs anchoring in its sheltered deepwater.

Along with the increase in rig numbers, the Port has also received increased levels of queries and complaints regarding rig positioning and noise. We are working with local residents, the rig operators and the Highland Council's Environmental Health department to address and resolve these local concerns. We regularly receive a number of common questions regarding rig activity in the Firth. The following FAQ document outlines these questions and provides useful information to answer these.



WHY DO RIGS ANCHOR IN THE CROMARTY FIRTH?

The Port of Cromarty Firth (PoCF) was created 46 years ago to service the oil & gas industry and ensure the region benefited from the North Sea energy boom, while effectively utilising the sheltered deep waters of the Cromarty Firth. Over 700 rig moves have now been completed in the Firth and the anchoring of these assets has always been a critical part of the service offered to the oil & gas industry, which has been a major source of employment across the entire region.

The Port has developed a reputation as one of the leading European ports for oil rig inspection, repair and maintenance (IRM) work, with a world-class supply chain established around the Cromarty Firth to complete these projects. The sheltered deepwater of the Firth makes it a unique location for the UK's east coast, which is popular for rig operators as their assets can be safely anchored in close proximity to the North Sea developments. The number of rigs positioned in the Firth is generally a strong indicator of how the North Sea oil market is performing. A drop in offshore drilling and exploration activity usually results in a higher number of rigs being anchored here – as is the current case due to a market downturn caused by the COVID-19 pandemic.

Rigs in the Cromarty Firth can broadly be categorised as being 'cold stacked' or 'warm stacked'. The rigs which have been anchored for a long period of time are generally cold stacked and have no activity or crew on-board. These rigs may be reactivated if they are required for a project offshore or the decision may be made to safely decommission and recycle them. Warm stacked rigs have a crew on board and are positioned in the Firth on a short-term basis until their next scheduled project is due. In both cases, the assets often require maintenance or servicing prior to their departure, which is regularly undertaken by local supply chain companies that employ local people.

As a Trust Port and Statutory Harbour Authority, PoCF are not permitted by law to refuse entry to vessels (including rigs), who are justifiably wanting to take refuge in our Port; nor would we want to, as these vessels create much needed employment for local people and safeguard local jobs. A Highlands & Islands Enterprise (HIE) study found that within the local area, 1 in 6 people are employed in port-related activity, which includes the oil & gas industry, which includes the oil & gas industry. It's therefore important we accommodate these vessels and support this industry and its key workers who provide our critical energy supplies. This is more acute than ever given the economic recession and the severe job losses which are faced across the country at this time.

The arrival and departures of rigs is market driven. Oil supply / demand and price determine the profile of rig movements. Rigs may arrive at short notice when their offshore work has finished (either at the end of their contract term, or suddenly if oil & gas prices collapse) and may also leave at short notice too if contracts are won. PoCF has no say or control over the activity of the oil & gas market, but we do have a statutory duty to allow rigs to safely anchor in the Firth when demand requires. If there is uncertainty in the market, rig operators may choose to cold stack rigs and remove their crews to cut costs. Others may keep the rig warm stacked with some crew on board, allowing them to mobilise quickly and depart offshore when a new contract is won. The drilling companies which use these rigs want them to be operating offshore and completing contracts rather than being anchored in the Firth.

HOW ARE THE ANCHORAGE LOCATIONS SELECTED AND ARE THE RIGS SAFE THERE?

Anchorage locations for rigs are chosen by the rig owners and their insurance companies, in conjunction with the Port. This is a complex decision and is based on a number of factors including: vessel draft and water depth available, proximity to the place that any work may be undertaken, availability of anchorage locations and the nature of the seabed.

All of these factors must be considered to ensure the rig anchorage meets the safety standards set by the UK Health and Safety Executive's guidance on safe moorings (ISO19901-7) and DNVGL-ST-N001: the internationally accepted and recognised standard on moorings. The strict criteria of this process ensures the integrity and safety of the rig and the surrounding environment whilst within the Port's jurisdiction. It is for these reasons that PoCF are not able to relocate a rig after it has been safely anchored on its mooring location.

Many of the Firth's anchorage locations have been tried and tested over the last 40 years. It is incumbent upon the Port to work with the rig operators to select the safest locations and ensure all users of the Firth can navigate its waters safely, as well as making sure the crew on board and the asset itself are safe. The Firth's seabed conditions play a big part in the selection of anchorage locations, as different types of vessels can be accommodated in different places. The area near the entrance of the Cromarty Firth (i.e. the Sutors) has shown to be a safe location for semi-submersible and jackup rigs, as the sand / stone seabed provides increased marine stability, allowing for appropriate insurance cover.

AS A TRUST PORT, WE ARE ACUTELY AWARE OF THE CHALLENGES WE FACE IN OBTAINING THE BEST BALANCE OF STAKEHOLDER INTERESTS AND ARE CONFIDENT THAT THE PORT'S ACTIVITIES ARE SUPPORTED BY THE VAST MAJORITY OF OUR STAKEHOLDERS AND COMMUNITIES.

However, as you move further up the Firth towards Invergordon, the seabed has more silt / mud brought in by river deposits. This is less suitable for rig anchorages – particularly jackup rigs – as their legs can penetrate into the seabed and cause serious stability issues. The Port tries to limit the use of anchorage locations adjacent to the Firth's communities for warm stacked rigs, unless their specific requirements determine that they are the only suitable anchorage locations available.

We also take local concerns into account, wherever possible, when considering anchorage locations, including the impact on communities and potential noise disturbance. Whilst rigs are with us, we work with the rig managers and the Highland Council's Environmental Health department to minimise any disturbance to local communities and ensure measures are implemented to mitigate against excessive noise being created. As a Trust Port, we are acutely aware of the challenges we face in obtaining the best balance of stakeholder interests and are confident that the Port's activities are supported by the vast majority of our stakeholders and communities.

Over recent years a substantial amount of work has been carried out by the Port within our Health, Safety, Environmental and Quality functions to ensure we operate to extremely high standards. We are accredited in the ISO standards for Quality Management, Environmental Management and Occupational Health & Safety Management, as well as operating in full compliance with the Port Marine Safety Code. Rigs anchored in the Port's jurisdiction must not only meet our high standards, but also those of the rig operators, their insurance companies and internationally approved health and safety standards.



HOW LONG ARE THE RIGS ANCHORED IN THE FIRTH FOR?

The Cromarty Firth is normally a good barometer for the performance of the North Sea oil market and activity. We have experienced a significant increase in rig arrivals in recent months due to the collapse in oil demand caused by the COVID-19 pandemic.

Given the unprecedented times which we are all currently facing, it's difficult to forecast when offshore drilling and exploration activity will recommence in the North Sea. However, when the global economic performance does improve and demand for oil & gas products increases, then these rigs could depart the Cromarty Firth and return to work. At that time substantial maintenance and servicing work is likely to be required, which can be completed by the Firth's local supply chain companies and create much-needed jobs for people across the region.

We do expect a number of rigs to leave the Firth by the 2020 year-end and plans are in place for a further three to depart in order to be safely decommissioned. This trend - and steady reduction in the number of rigs in the Firth - is in line with the North Sea's managed decline and the UK's energy transition. The Port is already playing a key role in this transition by supporting major offshore wind projects at the Invergordon Service Base.



WHAT WORK IS DONE WITH THE COMMUNITIES AROUND THE CROMARTY FIRTH?

As a Trust Port, our policy is one of engagement and dialogue. We work closely with the nine communities surrounding the Cromarty Firth and frequently engage with them through our quarterly meetings with Community Councils and Development Trusts, as well as day-to-day contact with these groups and individuals when required. The Port also hosts an Annual Public Meeting, which can be attended by anyone who is interested. This year the meeting will take place on the 22nd October and will be held online.

As part of the rig activity in the Firth, we work with local residents, rig owners and the Highland Council's Environmental Health department to minimise any disturbance to local communities. The rigs entering the Cromarty Firth are made aware of the sensitivities associated with their anchorage locations and we ensure proactive measures are implemented to reduce excessive noise.

As part of the Trust Port model, PoCF's profits are reinvested in the future development of the Port for the benefit of our stakeholders, including local businesses, communities and individuals. In the past six years, over £55m has been invested in the Port of Cromarty Firth's own facilities. This has attracted jobs and projects associated with the offshore wind industry and cruise market, which will create sustainable, well-paid employment opportunities for local people well into the future.

In 2019, the Port approved funding of more than £36,000 through our 'Community Sponsorship Programme' (as part of our Marketing and Public Relations activities), to projects and clubs based in the communities that surround the Firth. The statutory and legal obligations under which the Trust Port was created makes it unlawful for us to give any form of financial compensation directly to communities from our business activities.



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