

## **"Knock Nevis" Sale to new owners**

(Oslo, 16. December 2009). With reference to articles in Lloyds List on 15 . December 2009 regarding Knock Nevis, Fred.Olsen Production has the following comment:

**First Olsen Pte. Ltd ( a subsidiary of Fred.Olsen Production ASA) delivered "Knock Nevis" to its new owner, a shipping company within the crude oil storage and bunkering industry, based in Asia on 11. December 2009. It was intended that the new owners would employ the ship on a storage project in South East Asia. Market rumours circulating in recent days indicates that the ship will be scrapped, and also that there might be uncertainty whether the new owner will comply with IMO guidelines on ship recycling.**

After completing a storage contract in Qatar different options for the ship such as new storage opportunities and scrapping were considered. Upgrade and class renewals to bring her into commercial trading was never a viable commercial option.

Discussions were held with several parties for the potential use of the ship as a storage unit ("FSO"). Any such FSO operation would, however, require new classification of the ship, which in turn would imply high costs and therefore require a long term contract.

- None of the parties we discussed this option with were willing to accept a long term contract sufficient for us to defend the cost. We were then approached by the new owners, an industrial storage player based in Malaysia and operating other ships on storage contracts in Asia. Their intention was to employ the ship for possible storage projects, says Jørn T. Røkaas, CFO in Fred. Olsen Production.

### **Scrapping a "Viable Option"**

As the ship is old and no longer meets requirements for trading, scrapping would always be seen as a viable option and the sellers had identified some parties capable of demolishing the ship in accordance with the IMO guidelines.

- If the ship was to be demolished, whether by us or ultimately by new owners, our concern was that this should be carried out in accordance with the IMO guidelines. We obviously have no authority to instruct the new owner in their decision making, but we did provide them with strong recommendations, which they agreed to adhere to, says Røkaas.

The IMO guidelines set requirements for documentation of the following:

- "Green passport" for ships and inventory of hazardous materials
- Environmental ship recycling plan
- The recycle facility's compliance with all applicable national statutes and conventions