

Energiean to contract FPSO for Karish project



Greek player to issue invitations to tender for newbuild floater for gas and condensate development off coast of Israel

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London

26 Apr 2017 19:26 GMT Updated 28 Apr 2017 12:38 GMT

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Energiean Oil & Gas, the ambitious privately-owned Greek independent, is set to issue bid documents to work-hungry shipyards this summer for delivery of a \$500 million, newbuild floating production, storage and offloading vessel destined for its \$1.3 billion Karish gas and condensate project off Israel.

The FPSO will need to be on location in 2020 when Energiean is due to start piping gas to customers in Israel, while liquids from Karish will be stripped out and sent to markets by shuttle tankers.

Energiean chief executive Mathios Rigas told Upsgream that the sooner invitations to tender (ITT) are issued, the better it will be for his company.

“I think we will be looking to go to the market probably in the summer, towards the start of the third quarter. If we are able to contract yards soon we will get a lot better prices rather than waiting,” Rigas said.

One or more contracts would be awarded ahead of a final investment decision targeted for the end of 2017.

Commenting on which yards will receive ITTs, he said: “It could be South Korea; it could be China; it could be Europe; it could be a number of different places. It’s going to be a competitive process.” Energean contacted yards about availability earlier this year and, according to contracting sources, has now started a pre-qualification process ahead of bids emerging in June or July.

The operator appears to favour having the FPSO hull and deck built at a single yard although Rigas said “we haven’t ruled out them being built in two yards”.

Which yard or yards are chosen will depend on a number of factors, explained Rigas.

“It’s going to be a combination of technical capability, execution speed and any financial support that would come from the local Export Credit Agency (ECA).”

Energean is committing to long-term gas sales contracts that start in 2020 so Rigas is adamant the FPSO must be delivered on time — and on budget — to meet this deadline.

He said the involvement of ECAs will play a major role in the yard selection process “whether it’s China, Korea or Europe”, adding that European ECAs “are very strong these days and have a lot of appetite for doing business”.

Broadly discussing how Energean plans to fund the Karish development, Rigas said: “There’s a lot of liquidity for offshore projects in Israel. We have seen that with the funding for Leviathan (Noble Energy’s huge gas development), but ECAs are a main source for funding projects of this nature.”

The FPSO size will be determined by the volume of gas Energean sends to Israeli markets.

US dollar denominated, 15-20 year gas sales deals could be signed, underpinning demand for at least 3 billion cubic metres per annum of gas, perhaps doubling in future.

Under this demand scenario, the spread-moored floater would handle between 200 million and 300 million cubic feet per day of gas.

In addition, it will have to offload between 5000 and 6000 barrels per day of associated liquids and store close to 1 million barrels of liquids.

This oil could potentially be sold to BP — already a buyer of Energean’s Prinos basin production in Greece — although the company will also evaluate other buyers and local refineries.

Rigas said a newbuild FPSO is preferred partly because it will have to remain on location for 25 to 30 years, the duration of the production licence for Karish and Energean’s nearby Tanin gas field, which will be developed as a subsea tieback to the floater. Deploying an FPSO also avoids the need for gas infrastructure to be installed on the coast of northern Israel, which locals have traditionally objected to very strongly.

Gas from the FPSO will be sent via a 90-kilometre pipeline to a landfall at Dor.

“There is just a shore crossing for the pipeline at Dor beach,” said Rigas, adding that the adjacent land is designated for this type of activity, with a pipeline from Noble’s Leviathan field also set to make landfall there.

While FPSO lease contractors have been excluded from the vessel provision process, they could yet work for Energean, as Rigas explained.

“We are very comfortable with operation of marine assets... but we may decide to bring in an experienced FPSO contractor for a few years before handing over to the local operations team,” he said.

The FPSO could in future act as a deep-water hub for third-party gas.

Karish and Tanin are 100%-controlled by Energean and hold estimated recoverable reserves of 2.5 trillion cubic feet of gas and 40 million barrels of liquids.

* Changes were made to the story to clarify that Energean aims to sign 15-20 year gas sales deals and not 15-20 gas sales deals



Backup: Energean Wave, an offshore installations support vesse

Partnership with TechnipFMC to be expanded with turnkey contract

Iain Esau

26 Apr 2017 19:26 GMT Updated 26 Apr 2017 19:46 GMT

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TechnipFMC is set to be awarded a turnkey contract by Energean Oil & Gas covering the full Karish-Tanin project off Israel, a move that will influence heavily the details of the contracting strategy for the scheme's floating production, storage and offloading vessel, writes Iain Esau.

TechnipFMC is already close to completing front-end engineering and design work on the Israeli gas scheme and Mathios Rigas, the Greek company’s chief executive, wants to expand the super-contractor’s work scope.

“We have a partnership with TechnipFMC that will hopefully lead to an engineering, procurement and construction contract for the entire project,” Rigas said. “So a lot of the (contracting) strategy will depend on what TechnipFMC is comfortable with.”

Despite sub-contracting the FPSO fabrication work, TechnipFMC is expected to supply the project’s initial three-well subsea production system and the umbilical, riser and flowline package.

Three development wells are needed on Karish and two on Tanin.

“TechnipFMC can provide an integrated solution which means we have a partner that can deliver whole Surf and SPS,” said Rigas, with Karish’s subsea system priced at about \$170 million and Tanin’s at some \$250 million.

It is unclear if TechnipFMC will out-source installation of the gas export system, thought to comprise a 24-inch, 90-kilometre pipeline carrying a price tag of about \$180 million.

Energiean’s contracting arrangement mirrors Eni’s fast track approach to developing the huge Zohr field off neighbouring Egypt.

There, the Italian major awarded Saipem a contract to handle all subsea work without a competitive tender process and driven by the need for first gas to flow this year.

“We’re cutting out unnecessary processes which delay delivery of projects for a very small benefit,” said Rigas.

However, he stressed: “This does not mean we won’t be making sure that TechnipFMC... is giving us the best terms we can get. We’re working on open-book terms to find the best deal for them and us.”

Development drilling at Karish currently carries a price tag of about \$250 million for the re-entry of one well and two new wells, targeting the proven Karish gas and liquids reservoirs.

However, Rigas said future probes could be drilled deeper to evaluate potential Cretaceous oil potential which Noble Energy had tried to target — unsuccessfully — beneath its Leviathan field.

“We’re looking at the deep oil potential beneath Karish-Tanin. Once we have drilled first development wells I am sure we will be very tempted to go deeper and test the Cretaceous as well,” he said.

In addition, further exploration prospects have been identified near Karish and Tanin which could hold a further 1.5 trillion cubic feet of in place gas, while Tanin itself could house a further 500 Bcf of gas, depending on the depth of the gas-water contact.

Energiean is “looking very seriously” at bidding for acreage in Israel's current offshore licensing round but Rigas pointed out that a key future issue to resolve will be how to commercialise gas once the domestic market has been saturated.