



setting the standard

Shipping is essential to the oil and gas industry. It plays a vital role in connecting upstream exploration and production with downstream refining, marketing and distribution, linking producers with customers and enabling trade between nations. Shell operates a full-service shipping division, using unparalleled experience and expertise to create value for Shell, its partners and customers. Here, Shell World UK looks at one aspect of the business: the management and operation of an oil and gas fleet.



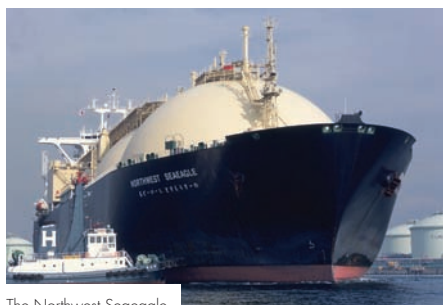
For many outside the industry, Shell is an 'oil company'. However, the Shell group of companies actually started life as a trading and shipping enterprise in the late 1800s, when the Samuel brothers commissioned a state of the art tanker to help them capitalise on the growing market for oil in the Far East.

Shell has maintained a strong maritime presence ever since and today, Shell Shipping – a division of the global Shell Trading Network – is an industry leader.

"Shipping has a highly strategic role in Shell and our work supports many of the Group's success stories," explains Shell Shipping Vice President, Jan Kopernicki. "For example, in the technical and commercial aspects of the liquefied natural gas (LNG) business and in the marine elements of floating production and storage systems. Shipping also ensures the Trading organisation delivers safely on its contracts."

"In addition, we safeguard Shell's standards and reputation on everything from maritime safety and environment through to emergency response management. And as the designated Maritime Centre of Excellence for Shell, we also carry out audits as a governance assurance process for all Group businesses that have exposure to maritime activities and shipping."

Shell Shipping also maintains a substantial stake in the traditional marine activity: operating a commercial fleet.



The Northwest Seaeagle

Meeting energy demand

The Shell-managed fleet comprises 74 ships and approximately 3,500 seafarers. It ships crude oil, chemicals, oil products, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) across all the world's energy trade routes.

The LNG and LPG fleet under Shell's management totals 56 vessels, making it the largest in the world.

Shell Shipping supports Shell businesses in the commercial aspects of transporting energy by sea. John Krousouloudis is General Manager for Ship Management.

"I oversee everything across our six fleet groups, and part of that is continual contact with our customers – we have regular meetings with stakeholders and customers in Nigeria, Qatar, Brunei and Australia," says John. "In addition, we look after the Shell-owned oil fleet tankers, which operate mostly under Shell Trading, as well as vessels that serve Shell Downstream Australia."

Flawless execution

A big part of the vessel management process is managing risk and pushing for higher standards in shipping, particularly when it comes to safety.

"Our top priorities are safety, reliability and cost performance," says John. "Our watchwords are 'flawless execution' and that's what we strive for. In order for Shell to push for higher standards of shipping around the world, we have to set a great example with the ships we manage ourselves. Our team ashore and on the ships is absolutely key to our success."

Phil Lewthwaite, Fleet Manager of the Brunei project, achieves very exacting standards indeed. "We supply customers from Japan and Korea with LNG and our receivers

expect every cargo to be delivered on schedule, without incident," he says.

"One of the impressive statistics from this fleet is that last year, we operated at 99.98 per cent reliability. We also avoided any injuries on board our ships."



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Shell is not new to the region and has operated ships out of Brunei since 1972; at the end of the first quarter of 2011, the company celebrates the delivery of its 6,000th cargo.

Erick Weston, Fleet Manager for the Nigeria Project, oversees the nine ships Shell manages that transport LNG from Africa to the US, Europe and Asia, in addition to Shell-owned ▶



Fleet operations

The ship management division is made up of six fleets. Four are based in London, managing oil tankers, LNG carriers – including the fleet that ships gas from Nigeria – and two Nakilat LNG fleet groups operated on behalf of Qatar Gas Transport Company (Nakilat). There is also an LNG fleet based in Perth, Australia, that serves the North West Shelf Project and an LNG fleet group based in Japan that manages the ships that export gas from Brunei. The fleet support group and Health & Safety department are also based in London. Some of the ships are Shell-owned, while the large majority are operated on behalf of joint venture partners.



Jan Kopernicki,
Vice President Shipping



John Krousouloudis, General
Manager, Ship Management

SETTING THE STANDARD

■ LNG carriers that trade worldwide. Erick and his peers in the fleet management leadership team go over the operational performance of the whole fleet three times a week. "My own fleet group then has a meeting once a week in which we go through all our individual safety and operational statistics," he explains.

"Communication is key, but the difference in ship management is that we are communicating with a remote team. Your captain, chief engineer and the rest of the staff are thousands of miles away from you. With modern methods it is a lot easier – when I first went to sea it was telex and that was it!"

High-tech vessels

Technology on ships has certainly changed over the years – nobody knows that better than Phil Williams, Fleet Manager for the

Nakilat project. "Compared to standard oil ships, coming aboard one of the new ships in the Nakilat fleet is like walking onto the Starship Enterprise," he says.

Nakilat has been the big story for Shell Shipping over the past few years. In early 2006, Qatargas Transport Company (Nakilat) approached Shell with the view to creating a partnership that would help



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Nakilat achieve its vision of being the world's leading owner and operator of LNG vessels and associated product carriers. By November 2006, Shell had been appointed and work began on what has been quoted as the largest commercial shipping expansion since World War II. Shell was tasked with managing and operating 25 LNG carriers, part of the largest fleet on the planet, and four LPG carriers. This includes all of the 14 Qmax LNG carriers (largest LNG carriers in the world) now in operation. The first vessel entered service in 2008.

"The ships have got about two-and-a-half times the machinery that a conventional tanker has," says Phil. "The sheer scale and complexity of these vessels has been a real challenge for the crews."

combating piracy

Modern day pirates are becoming increasingly dangerous – they are often armed with rocket propelled grenades and take hostages in return for ransom. For crews manning the Shell shipping fleet in the Gulf of Aden off the north east coast of Somalia, modern piracy is a real danger they face every day. Attacks on ships are increasing in number and in levels of violence, and, perhaps most disturbingly, showing signs of more sophisticated organisation behind the scenes.

The stakes are high – 12 per cent of the world's crude oil passes through the Gulf each year. Somalia has been a failed state since 1991 when the government was overthrown by the rebels of the United Somali Congress. Large numbers of young Somali men are unemployed and turn to piracy, predominantly ex-militia or local fishermen. The temptation to waylay an oil tanker by force in return for a hefty ransom payment is huge.

Shell Shipping is vigilant when it comes to protecting its employees and vessels from piracy. A major step to protect its fleet has come through 'ship hardening'; concertinaed rolls of razor wire are used to protect potential access areas and on a Very Large Crude Carrier (VLCC) this can equate to 700 metres of wire. It has proven to be an effective deterrent. Water cannons have also been introduced and anti-shatter film on ship windows. The crew's safety is paramount which is why preventing attacks from pirates is one of Shipping's biggest priorities.

In addition to these measures, Shell Vice President Shipping, Jan Kopernicki, recently made an urgent call for governments to authorise naval forces to intervene, amid escalating and brutal pirate attacks in the Indian Ocean region.

"The world has now changed," said Mr Kopernicki on 24 January 2011. "The message we in industry are giving



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JAN KOPERNICKI, VICE PRESIDENT SHIPPING

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PHIL WILLIAMS, FLEET MANAGER FOR THE NAKILAT PROJECT

Recruitment push

Cue one of the biggest recruitment and training drives Shell Shipping has ever seen. Analysis indicated the project would need around 635 officers and 600 ratings. "We put in place crew members with years of experience on conventional oil tankers, so in addition to making the transition to operating an LNG vessel, there was also a step change in the amount of technology they had to deal with. We therefore had to make a substantial investment in crew training and development."

Critical to success was the clear vision of Nakilat and its willingness to allow Shell to develop a training and manning programme that would draw in full upon the Group's unique experience and capabilities. Nakilat also played a key

to governments – and I stress it's governments, as the military know what they have to do – is that you have to address the motherships now... Pirates are industrialising. They talk about their investors. This is a business that's going on."

Somali pirates have a fleet of around 20 motherships, many of them captured vessels, allowing them to operate at long range and in bad weather.

"Unless action is taken over the next few months, we believe the pirates will take more and more ships and become more powerful," said Mr. Kopernicki. "However, we all recognise the ships are a sensitive target with hostages on board. It's extremely delicate and difficult."

role in supporting Shipping throughout the implementation and operational phases.

Under the 25-year deal with Qatargas, full operational management of the ships will be transferred to Nakilat between 2018 and 2022.

'Handing over' management in this way is not unique to this project. Knowledge Transfer Agreements are an important part of our business model," explains Phil Lewthwaite. "They add value to the company and enable people in the countries with which we partner to develop the required expertise. We've attracted business purely because countries know we've got the ability to develop people and prepare them to manage the operations themselves. That's one of the key strategic differentiators for our business: there are not many other shipping companies that are prepared to share their operational knowledge and experience in such depth."

A "Knowledge Transfer" project has been under way in Brunei for some years. "But we are about to go through one of the biggest changes in the history of the project," says Phil. "We have always been based in Japan, but we are now about to relocate the ship management business to Brunei, to assist with the 'Bruneianisation' programme devised by the government to ensure the involvement of Bruneian nationals in all aspects of the oil and gas industry."

Erick is in a similar position. "The Nigerian nationalisation process started in 1990-91," he says. "In June this year, there will be a partial handover of management. Four ships will come under the Nigerian organisation's document of compliance. Then around a year after that, there will be a further handover."

All three fleet managers speak of exciting times for their areas of the business. "I get a huge amount of job satisfaction, that's why I've been at it for so long," laughs Erick.

Erick, Phil Williams and Phil Lewthwaite have spent their entire careers, each



spanning nearly 30 years, with Shell, coming up through the ranks on the ships to reach management level on shore. It's obvious that people in shipping love what they do. John Krousouloudis sums up what it's like to work for this part of the business.

"It's very exciting, dynamic and rewarding. It's a 24:7 type of business. The ships never stop, from the day they are built to the day they are retired, which may be 20-30 years. And if something happens, we must always be ready to handle it." 