Shifting winds in offshore energy

The energy landscape is changing – and so is the offshore industry. What will the global energy mix look like over the next few decades? How big will offshore wind become, and last but not least, will carbon capture and storage be the climate change solution it promises to be?

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These questions, and many more, were on the agenda when Gard hosted its annual Offshore Energy seminar in Arendal, Norway, on 5-6 September.

This year's seminar coincided with Gard's 50-year anniversary in offshore energy, and Jan-Hugo Marthinsen, Gard Vice President and Head of offshore energy claims, took the opportunity to give an overview of some of the more high-profile and challenging cases he has dealt with over the years. Explosions, oil thefts, rigs drifting across the ocean – never a dull day in offshore energy insurance, he commented:

"Actually, working in offshore energy insurance, you should always expect the unexpected."

The global outlook

Looking ahead, the global mix of primary energy sources will change dramatically, as decarbonization and upscaling of renewable energy continues. Fossil energy will still dominate the energy mix for some time, but according to forecasts from Rystad Energy , by the end of the 2020s, global demand for fossil fuels will gradually reduce, giving way to more renewable energy sources.

"It is underappreciated how quickly the energy transition is happening, at least in certain sectors such as road transportation where EVs are quickly gaining share," said deputy CEO of Rystad Energy, Lars Eirik Nicolaisen.

Switch of primary energy consumption from fossil to renewable energy sources. The forecast is based on a 1.9 °C global warming scenario which Rystad Energy describes as a "stretch target, but still achievable". Source: Rystad Energy

Growth in offshore wind

Nicolaisen particularly highlighted the growth in offshore wind power, which is also reflected in the current shipbuilding development: the order book for Service Operation Vessels (SOV) and Wind Installation Vessels (WIV) has increased rapidly over the past five years. Offshore wind is also a growing part of Gard's energy portfolio.

"Our forecasts suggest that we will reach 'peak oil' around 2026-2028," said Nicolaisen. "That is perhaps sobering for parts of the offshore energy industry, but at the same time, we need to keep in mind that a substantial amount of investments will be needed to offset underlying production declines. Offshore is well positioned to take a meaningful share of this "call for new oil", even in a declining demand scenario."

Offshore decommissioning

The two-day seminar also offered a closer look at what happens at the "end of life" for offshore energy installations – in other words, the plugging, decommissioning and recycling of offshore installations.

Linn Beate Woll, Senior Legal Counsel at AF Offshore Decom shared experiences from some of the projects they have handled, while Gard's Radmil Kranda and Tore Furnes, both Vice Presidents in Underwriting Specialty, gave an overview of the wide

its shareholders, correspondents, or other contributors.

range of specialized covers that Gard offers to the offshore energy industry and in connection with decommissioning.

Related info: Gard launches Guidance to the Rules for Mobile Offshore Units

CCS – are the risks too high?

Last but not least, the seminar also took a deep dive into the topic of carbon capture and storage (CCS). Johanne Koll-Hansen Bø, Vice President and Head of CCS at Altera gave an update on the Stella Maris CCS project, a large-scale maritime logistics solution for capturing CO2 from industrial sources. The goal is to provide cost-efficient floating CCS solutions for a global market, thus having a real impact on climate change.

Significant hurdles remain, however, before CCS can really take off. From an insurance perspective, the longevity of the risks associated with CCS is of particular concern. With the complexity of the projects and the risks of possible leakages spanning not only decades but perhaps even centuries, who is liable, and who should cover the risk?

“These are complex issues, and while Gard and other insurers can provide support, I think it is clear that governments will have to step up and take a larger role,” said Gard CEO Rolf Thore Roppestad. “We need good legal frameworks and good liability frameworks if society is going to succeed with CCS,” he added.

Roppestad ended on a positive note, however.

“Gard started out as a zero-emission company, insuring only sailing vessels. As technology developed and the world changed, so did we. We have followed our Members and clients into the offshore energy markets, and we will continue to follow and support them in their next journey, as we transition to a more decarbonized future.”

• Gard’s Offshore Energy seminar speakers this year included (from top left) Linn Beate Woll at AF Decom, Per Martin Langaas at Gard, Lars-Eirik Nicolaisen at Rystad Energy, Cecilie Pedersen and Oliver Thorogood at McGill and Partners, Susan Swails at Aon, Johanne Koll-Hansen Bø at Altera, Birgitte Grundfør at Aker BP, Jasper Neuteboom at BW Offshore & BW Energy, Tore Furnes at Gard and more. Photo: Per Ivar Brenden, Gard*

• Gard CEO Rolf Thore Roppestad in panel conversation with Birgitte Grundfør of Aker BP, Johanne Koll-Hansen Bø of Altera and Susan Swails of Aon.

Photo: Per Ivar Brenden, Gard*