

Edward Mountain
Convenor
Net Zero, Energy & Transport Committee
Scottish Parliament
EH99 1SP

16 March, 2023

Dear Mr Mountain,

Quarterly update on Glen Sannox, Hull 801 & Hull 802

We have just completed a successful dry docking of Glen Sannox during which we removed the rudders, propellers and propeller shafts and installed the ones in stock for Hull 802. This was necessary because during the dry docking last summer we identified corrosion around the stern tubes, and it took time to plan the second docking with several key suppliers essential for carrying out the tasks required.

This delayed the commissioning programme for the main engines and propulsion chain on Glen Sannox and the propeller shafts, hubs and blades which were removed, will now be refurbished by the suppliers, and then used on Hull 802. As a direct result of the successful dry docking, we have now achieved a significant milestone and have run main engines and turned propellers on Glen Sannox and we can now continue with the commissioning programme of the full propulsion equipment; however, we are now not able to continue to hold to the delivery dates we set out a year ago, March '22.

Regrettably, we continue to find design gaps and build errors, some dating back over many years, and whilst we are dealing with them successfully as they arise, we are progressing more slowly than planned.

We will now continue running further harbour trials on the single/diesel fuel systems and over the next three months we will reach a point of being substantially complete for most of the commissioning programme. Outfitting is progressing well with crew cabins already nearing completion with carpets laid, beds and furniture installed etc, and for example, the galley is already looking functional.

By the end of this month, we will have had main engines running, propellers turning, generators load tested, radars working, switchboards live and so on and the ship is steadily coming to life, however we have concluded that it would be wise to run a longer testing and snagging period to iron out the issues associated with a complex ship being built over an extended period (which, as is public knowledge, involved administration, stop-starts through Covid and change of organisation structures).

The LNG sensor skids are on track for delivery during the summer and CMAL/Calmac have expressed a preference for us to deliver the ship with dual fuel capability rather than the option we set out last

September, of a staged handover of diesel only operations first, followed by a period out of service to commission the LNG systems.

With all this in mind, we have now re-set the programme to facilitate an extensive testing and trials programme during the summer in parallel with the closing stages of commissioning, and for the commissioning of the LNG system to start during September.

This longer period will also ensure we deal with all the 'owner observations' raised by CMAL and hence have agreed with CMAL that this will install a greater degree of confidence all round and enable the ship to finally enter service with everyone having more comfort in her operational reliability in future years; and with dual fuel capability as contractually specified.

There will be a cascade effect onto Hull 802, with slipway launch now being planned towards the end of 2023 and similarly more extensive trials and testing during Summer '24, again with dual fuel capabilities.

We are making good progress with 802 with all structural modules completed and these are due to be placed on ship before the end of April, followed soon after by the wheelhouse. Design cleansing, capturing the learning from Glen Sannox, and robust planning of outfitting is progressing well. The tank painting programme has started (c50 integrated structural tanks) and will benefit from being done ashore on the slipway.

Contractually, we have raised a request to our client - Scottish Ministers – that they extend our 'no later than' delivery dates for the two ships to the end of 2023 and 2024 respectively, to ensure our contracts remain valid. We have also set out that we will continue with our best endeavours to deliver earlier - Glen Sannox as soon as possible in the Autumn of '23 and Hull 802 before late Summer '24. Ministers' response is expected promptly.

The delivery issues, decisions to complete the LNG system and hand over dual fuel vessels, are spreading work out across a longer time window, and we are holding to the overall 'build cost to complete' budget for both ships as set out last September.

There may be some time-related increases in the overhead costs in 2024 due to the extension of 802 to later in that year, although there should be the opportunity to offset these yard costs against the emerging new business we are developing.

We will therefore review the overall budget, contingency, overhead allocations, and warranty provisions once Glen Sannox reaches final stages later this summer.

Yours sincerely,

David Tydeman
Chief Executive Officer