

# BRAZILIAN WAVE

AUGUST 2012

ISSUE 12

THE BRAZILIAN FOCUSED MARKET REPORT



## INSIDE THIS ISSUE:

▶ HEADLINE NEWS	2
▶ VESSEL NEWS	4
▶ PETROBRAS TENDERS	5
▶ OPERATOR UPDATE	6
▶ DRILLING & PRODUCTION	8
▶ LOOK AHEAD	8
▶ INSIDE STORY	9
▶ É ISSO AÍ!	10

BROUGHT TO YOU BY  
WESTSHORE SHIPBROKERS AS



# 02 HEADLINE NEWS

BROUGHT TO YOU BY WESTSHORE SHIPBROKERS AS

## RIG ACTIVITY... UP AND DOWN - IN AND OUT

**We have never before seen such a significant number of rigs shift hands while at the same time been witness to this many rigs entering Brazilian waters. This is yet another sign of the increase in offshore activity in Brazil.**



In nearly all our publications we have made references to the increased level of activity in the oil industry in Brazil. We have written about the number of vessels anchored in Guanabara Bay, the challenges with infrastructure such as ports, roads, telecom, the number of new comers to the Brazilian market, be it vessel owners, drilling companies, contractors. At times some facts reinforce how dynamic the industry has become, and the last couple of months have been a great example of that. To illustrate the point, we will go back in time to add some perspective. The year was 2004 and the market

had a perception that oil activity had really kicked off with the first exploratory campaigns of International Oil Companies in Brazil. At that time Shell and Devon had started with their development and production activities and the ENSCO 5005, formerly

negotiations for a rig, and equipment was seen coming open and getting ready for a next operation, without a direct connection with a longer time opportunity.

Nowadays situations like that in Brazil are quite natural and common place. That in itself is a major advance considering a decade hasn't passed since the Pride South Atlantic was shifted around. Nevertheless, it seems the Brazilian market has reached a second milestone in terms of drilling activity, and that has to do with the multiple rig moves at the same time. Over the last 45 days the following has happened.



Pride South Atlantic had been contracted in a pool. Brasco, as an independent private port was operating for the multinational oil majors and were independent of Petrobras. For the North Sea reader, a pool contract for a rig and an independent supply base (we will talk more about supply bases in this edition) may not seem like great news, but for activities in Brazil with respect to the regulatory and contracting challenges was an important milestone. The rig worked for Wintershall, Devon, Shell Brasil, among others, and for Petrobras. Less than a decade ago, the local oil industry pulled together pool

After its campaign with Sonangol-Starfish, the Arctic 1 (Transocean) was berthed at Guanabara Bay Arsenal de Marinha yard and then handed over to Vanco (PA Exploration) for their 3 wells exploratory campaign. Shortly after, another rig operating with Sonangol-Starfish, the Blackford

# 03 HEADLINE NEWS

BROUGHT TO YOU BY WESTSHORE SHIPBROKERS AS



Dolphin is expected to move on to Australian Karoon Gas for 2 wells, then return to Anadarko in the pool. Statoil took delivery after some adjustments of their contracted Ensco 5000 (ENSCO Drilling) for a 60 days drilling campaign in Peregrino South. Looking forward towards the end of 2012, we will yet see the ENSCO 5000 move on to Repsol and Shell will receive the Noble Max Smith. Sadly leaving, but such is life in the oil industry, Shell Brasil has come to a close with the Noble Clyde Boudreaux (Noble Corp) campaign which has left for the Far East.

Breaking these moves down with vessels, the rig sequence means that over ten large OSVs have supported the rigs. Vessels that were available in Brasil or that would have become free were snapped by charterers. Among those are the anchor handlers Reedbuck, Maersk Helper,

Sea Panther, Maersk Handler, UOS Liberty and UOS Voyager, PSVs Seabulk Angra and Seabulk Brasil. After Shell, Olympic Octopus and Maersk Lifter have left tropical waters back to North Sea.

With such activity, drilling companies have been quite busy lately, and so have the authorities and vessel owners. In respect to the long term perspective it is appropriate to highlight that this is a snapshot and this type of activity is not yet reality in the everyday Brazilian market, yet it represents a new milestone in the local industry. There are some factors that point in the direction of less activity in the future. An example is the lack of additional oil field concessions by the national authority which may bring the number of campaigns down shortly, if new areas are not tendered out according to market analysts. It has been 3 years since the

last bid round with ANP (the National Petroleum Agency) awarded concessions to the private industry and to Petrobras.

The forecast is not completely catastrophic though, given the blocks that have already been awarded and that are undergoing evaluation by oil companies. However it is known that oil companies are still trying to find drilling equipment locally and rigs/vessels at an affordable cost.

Broadly speaking rates are increasing and the demand is staying high - also influenced by Petrobras. This means some of the operators are pushing the commencement of some of their campaigns a little into the future, and these will keep the market as heated as we have seen so far.

## A WORD WITH WESTSHORE

"The activity increase in the oil industry exposes the lack of specialized labor to attend the local demand."

ALEXANDRE VILELA  
MARINE ADVISOR



## SPOT FIXTURES

DATE	VESSEL	TYPE	CLIENT	OWNER	PERIOD	DAY RATE
16 July 2012	Cavendish Sea	TUG	WESTERGECO	CAMORIM	10 Days + opt	RNR
17 July 2012	Maersk Provider	AHTS	ANADARKO	MAERSK SUPPLY	10 Days + opt	RNR
14 Aug 2012	Far Swift	PSV	BRASDRIL	FARSTAD	7 Days + D/D 7	RNR

## REQUIREMENTS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
30 July 2012	TECHNIP	1 X AHTS, SUPPLY DUTIES	26 DAYS + OPTIONS	03 Aug 2012
01 Aug 2012	SHELL	2 X AHTS / TUG, SUPPLY DUTIES	25 DAYS + OPTIONS	07 Nov 2012
02 Aug 2012	CHEVRON	1 X PSV, SUPPLY DUTIES	30 DAYS + OPTIONS	05 Sept 2012

## VESSEL NEWS

**WESTSHORE** - Please check our website for constant on-line updates @ [www.westshore.com.br](http://www.westshore.com.br). We provide up-to-date news, always accurate and verified. In the website you can monitor AVAILABILITY, LATEST FIXTURES and OPEN REQUIREMENTS on a snapshot. Please get in touch with us (phones, names and pictures of us available on the website - you may want to skip the pictures though...) for clarifications and opportunities, we will be delighted to help.

**OLYMPIC SHIPPING** - Olympic Octopus has now left Brazil for the North Sea after a successful campaign with Shell Brasil. The DP2 AHTS was originally contracted to support Shell Brasil in their operations up to 1800 meters water depth (WD). As the Noble Clyde Boudreaux went into deeper waters of 2200 meters, Shell Brasil decided to keep Olympic Octopus in their fleet as the vessel had a good reputation and is fitted with oil recovery class, an element with increased importance in Brazil due to local spill regulations.

**MAERSK** - AHTS Maersk Lifter as mentioned in our Headline News this month has relocated to the North Sea after having completed her successful campaign with Shell Brasil supporting the S/S Noble Clyde Boudreaux. AHTS Maersk Leader remains in contract with Shell until later this month before relocating to Europe where she will undergo modifications in preparation for the awarded Petrobras contract. Maersk Leader will be back in Brasil in Q4.

**CAMORIM** - Tug Cavendish Sea has been employed with WesternGeco for nearly 1 month as a supply vessel. The vessel is at moment of writing available in Guanabara Bay.

**CHQUEST** - FSV Fast Service is expected to become free later this month after her charter with Chevron.

**FARSTAD** - PSV Far Swift UT755 DP2 has successfully completed her charter with Shell Brasil and has been quickly snapped by Diamond Offshore / Brasdril to support their lifting operation with the Ocean Baroness.

**ASTROMARITIMA** - OSRV Astro Ubarana contract has been extended with Shell Brasil until end of August, when the vessel is expected to undergo regular dry-docking.

**DEEP SEA SUPPLY and MAERSK** - Anchor Handlers Sea Panther and Maersk Handler have started to operate with ENSCO 5000 under their charter with Statoil in the Peregrino field. Sea Panther will upon completion of this campaign be mobilized to her contract with Petrobras.

**CBO** - CBO Campos is available prompt in Brasil. The DP1 PSV is fitted with a WROV of Fugro and can be employed as a RSV. CBO has recently received the CBO Guanabara back from Chevron after completion of a successful charter as PSV / OSRV. CBO Guanabara (PSV DP1) is also available in Guanabara Bay at moment of writing.

**FAIRMOUNT** - Oceangoing tugs Fairmount Summit and Fairmount Glacier which have towed the FPSO Cidade de Anchieta from the Far East are in Brasil until further employment is secured in Brasil or elsewhere.

**GULFMARK** - PSV Highland Piper DP1 of UT755 design is coming available in Brazil later this month after working for Petrobras since 2008. Anticipated plans are to sail the vessel outside of Brazil.



# 05 PETROBRAS TENDERS

UPDATE ON THIS MONTHS OUTSTANDING TENDERS

## THIS MONTH'S REQUIREMENTS

After consulting the market for the availability of PSV 1500 and PSV 4500, Petrobras came out in the market with their awaited tenders. Together with the requirement for AHTS 18000 ROV, all of them are still open for offers. It is expected that PSV tenders will get a large number of bids, as the tender for PSV 3000 got last month. Both requirements are for minimum DP1 vessels, built as from 1999 (PSV 1500) or 1996 (PSV 4500).

Date	Scope of Work	Period	Exp. Commencement Date
July 20th 2012	PSV 1500	4+4 years	January 2013
July 27th 2012	PSV 4500 A	4+4 years	December 2012
July 27th 2012	PSV 4500 B	4+4 years	November 2013

## THIS MONTH'S TENDERS CLASSIFICATION RESULTS

The tender issued in June for the vessel type PSV 3000 for either General Cargo, Fluid Carrier or Drill Cuttings, beginning in November 2012 or Aug/Nov 2013 (type A or B, respectively), had its classification results recently revealed. Forty four vessels were offered for all types and sixteen vessels were disqualified due to excessive price or exceeding mob fee. The vessels listed below will participate now in the negotiation rounds with Petrobras.

PSV Type	Vessel	Owner	Year Built	Day Rate (USD)	Mob Cost (USD)	VP (USD)
DRILL CUTTINGS A	TROUNSON TIDE	Tidewater	2010	27 900,00	1 674 000,00	36 700 231,53
	F.D. IRRESSISTABLE	Fratelli D' Amato	2008	29 850,00	1 500 000,00	38 975 959,99
DRILL CUTTINGS B	WORLD EMERALD	UOS	2013	29 900,00	1 794 000,00	39 331 072,50
	WORLD PEARL	UOS	2013	29 900,00	1 794 000,00	39 331 072,50
	WILLIAM C HIGHTOWER	Tidewater	2002	29 995,00	1 799 700,00	39 456 037,45
FLUID CARRIER A	DE VRIES TIDE	Tidewater	2002	28 500,00		35 789 229,68
	ROBERT H BOH	Tidewater	2002	29 995,00	1 799 700,00	39 456 037,45
FLUID CARRIER B	VARADA TBN361	Varada	NWB	28 341,00	1 000 000,00	36 583 864,12
	TBN YX3188	CMM	NWB	284 000,00	1 704 000,00	37 357 941,78
	WISE TIDE II	Tidewater	2009	29 750,00		37 358 932,74
	POET TBN HULL 1510	Wilson Sons	NWB	29 995,00	950 000,00	38 611 180,17
	WORLD DIAMOND	UOS	2013	29 900,00	1 794 000,00	39 331 072,00
	WORLD PERIDOT	UOS	2013	29 900,00	1 794 000,00	39 331 072,00
GENERAL CARGO A	RICHARD A PHILIPPI	Tidewater	1998	27 500,00		34 533 467,24
	PELAFIQUE TIDE	Tidewater	2009	26 000,00	1 560 000,00	34 200 932,61
	WILLIAM E BRIGHT	Tidewater	1998	28 000,00		35 161 348,46
	BRASHER TIDE	Tidewater	2008	28 500,00		35 789 229,68
	FAR SWIFT	Farstad	2003	29 750,00		37 358 932,74
GENERAL CARGO B	COLLINS TIDE	Tidewater	2002	27 000,00		33 905 586,01
	LUANDA TIDE	Tidewater	2002	27 500,00		34 533 467,24
	DAVIDSON TIDE	Tidewater	2009	27 750,00		34 847 407,85
	PFS SUPPLIER	Varada Marine	2000	26 991,00	1 000 000,00	34 888 584,82
	SKANDI STOLMEN	DOF	1997	27 830,00		34 947 868,84
	SAM S ALLGOOD	Tidewater	1998	28 000,00		35 161 348,46
	EBANKS TIDE	Tidewater	2004	29 000,00		36 417 110,90
	LIM TIDE	Tidewater	2010	28 375,00	1 000 000,00	36 626 560,05
	NORMAND TRYM	Solstad	2006	29 750,00		37 358 932,74
	NORMAND VIBRAN	Solstad	2008	29 750,00		37 358 932,74
	HAVILA PRINCESS	Havila Shipping	2005	29 950,00		37 610 085,23

# 06 OPERATOR UPDATE

## RECENT DEVELOPMENTS FROM BRAZIL'S OIL & GAS COMPANIES

### PROVED RESERVES GROW IN 2011

The production of oil and gas in the pre-salt in Santos Basin reached 71.000 boed, and 2.1 million boed in 2011 in Brazil, a result that puts the country in 13th position in the list of world producers. Brazil rises to 14th place worldwide in volume of proved reserves with 15 billion boed, a growth of 5.6% over 2010. With regards to the proven reserves of natural gas, there was an increase of 8.6%, placing Brazil among the countries with the largest proven natural gas reserves with 459 billion cubic meters. According to ANP, the biodiesel production increased by 11.5%. The agency reported that about 2.7 million cubic meters of this product were sold in four auctions.



#### DELISTING

Eike Batista intends to take his publicly traded company LLX private with the entire operation potentially costing over BRL 618 million. According to analysts the decision to bring the company off the market would provide greater freedom for directors to manage the investments in the project of the Porto do Açu superport. Batista will pay up to BRL 3.13 per share in cash, representing a bonus of approximately 25% of the average weighted price of LLX's shares on the BMF & Bovespa stock exchange over the past trading sessions, of BRL 2.50. In four years, the LLX share price fell more than 40%. Moreover, the market is speculating that Eike will also buy all the shares of other companies that are not doing well, like for example, OGX, but some affirm that the next companies may be OSX Brasil SA, which provides equipment and services to the oil and gas industries, and also CCX.

### BG GROUP HAS LONG TERM PLANS

The British company said it plans to put in place major projects in Australia and Brazil, which will increase production considerably starting in 2015, dismissing concerns over the previous delays and losses. However, difficulties in the North Sea and maintenance on a plant for liquefied natural gas affected the quarterly performance. The group had underlying earnings of USD 1.7 billion in the second quarter, and reduced its estimated production rate at end of the year from 750.000 boe to 720.000 boe. They also stated a loss of USD 1.3 billion in its US shale gas business and have decided to decrease the drilling operation due to the low gas price.

### OIL COMPANY GIVES UP SELLING ITS THE PRE-SALT ASSETS

Anadarko scratched their plans to sell assets in Brazil, after failing to get an acceptable price. This is the latest sign of a loss of enthusiasm from foreign oil companies in Brazil, only five years after the discovery of pre-salt. Exxon Mobil abandoned its single block in Brazil this year after drilling three wells and finding nothing. Companies like Statoil, Total and Maersk showed interest in Anadarko's assets valued at over USD 3 billion, but did not make attractive offers. A recent review of the production goals of Petrobras and OGX brought questions about the true potential of the pre-salt reserves. At the same time, procedures and penalties cases, demands from the Brazilian government, and high level of local content on new production platforms, which increases costs, are part of the downside of investing in Brazil.



#### CHEVRON AND TRANSOCEAN

After a long sequence of complex debates in various levels of ANP, Brazilian Federal Police and the media the responsibilities of the oil spill in Frade field were analyzed. In the latest chapter in July Chevron decided to restart its production in Frade in 2012, since ANP did not say no to these plans despite not receiving the green light to start drilling again. According to the Agency, the fine they have to pay sums up to around BRL 50 million. Nonetheless, the Federal Public Ministry has issued a formal decision that both Transocean and Chevron should stop producing oil and gas in the country until mid-August. So far, Chevron and Transocean have not publicly taken the next step to keep fighting for their operation continuity in Brazil.

Graça Foster ruled out the possibility of removing the international board of directors of Petrobras, at the event sponsored by the Instituto Brasileiro dos Executivos de Finanças this month. She said the company doesn't have the time and dedication needed to deal with the international activities, stressing that they are the eyes outside Brazil. In regards to the speculation surrounding a new international director, the president dismissed Alexandre Pena, former CEO of BR and did not confirmed José Carlos Vilar, current executive manager of the company. Foster will be the director of this area for the time being.



The consolidated net income and EBITDA reached BRL 7.868 million and BRL 27.120 million, respectively. In the second quarter of 2012 the Company recorded loss of BRL 1.346 million, which was determined by the currency devaluation together with other circumstantial factors that affected the results, as for example the oil production decrease due to some maintenance shutdowns seeking an increase of operational efficiency, and the spending increase on dry and sub-commercial wells mostly drilled in the period of 2009-2012.



# 07 DRILLING & PRODUCTION ROUNDUP

## WHAT'S GOING ON OUT THERE?

**Petrobras / Six topside modules of FPSO** - Petrobras reported that, along with its partners BG Group, Repsol Petrogal Brazil and Sinopec, they approved the signature of ten contracts, which total USD 4.5 billion for the construction and integration of the first six topside modules of the eight FPSO platforms for projects in Campos Basin. The companies DM Construtora de Obras Ltd / TTK Engenharia Ltd, IESA Óleo & Gás SA, Tomé Engenharia SA / Ferrostaal Industrieanlagen GmbH, Keppel FELS do Brasil SA, Jurong do Brasil Prestação de Serviços Ltda Trading e Mendes Jr Engenharia S.A./OSX Construção Naval S.A, were contracted to provide services.

**Aker Solutions / Drilling equipment** - Aker Solutions is building its new unit of 335 sqm dedicated exclusively to the business of drilling equipment, in Macaé. The development of about USD 100 million includes production, installation and testing and must satisfy the local content requirements of the construction program of drilling rigs in the country, but also the need for specialized services that the new platforms will require when in operation as from 2014.

**SBM / FPSO Cidade de Anchieta** - SBM FPSO Cidade de Anchieta is breaking boundaries. With a nominal capacity of 100k bbls per day, the FPSO will be located at Baleia Franca field dedicated to Pre-salt production. Not only will it be one of the first pre-salt dedicated units, but in terms of engineering and equipment longevity the FPSO is setting a milestone. The equipment was initially deployed in the Nigerian Antan field where it operated for 13 years. It was converted and operated in sequence for 11 years in the Espadarte field (FPSO Espadarte) for Petrobras. The unit went on to Maua shipyard in Niterói and later to Singapore where it has been extensively modified with upgraded modules, gas power generation, a new flare tower, among others. The FPSO has arrived in Brasil this month after nearly 60 days tow from Singapore and on to her third mission with first oil expected within Q3.

**Jurong Shipyard / FPSO Cidade de Itajaí** - The FPSO Cidade de Itajaí will be leaving the Jurong shipyard in Singapore in August heading to Brazil. Capable of producing 80,000 barrels per day of oil and 2 million m<sup>3</sup> per day of gas, the unit will be installed in the Baúna-Piracaba project, both of which are Petrobras' fields, located in the southern part of the Santos Basin. The FPSO will begin operations in October. The project surpassed the milestone of 10 million man-hours without any accident.

**Petrobras / P-55** - The deck mating operation of the P-55 platform was completed at Rio Grande shipyard. The unprecedented move took six days to be completed. The deckbox of 17,000 tons has been completely lowered to 47m in height with the support of 12 cranes. From now on the dike of the yard is dry to the placement of the rest of the modules and then the structure will be anchored at the pier for the final phase of testing. The P-55 should be ready in the first half of 2013 which will go straight to Campos Basin and will produce 180,000 boe and six million cubic meters of gas.

**IESA / Module production platforms** - Inepar group, controller of IESA Oil and Gas Company, confirmed that it will sign new contract to supply modules for Petrobras produced in Charqueadas, in the south of Brazil. The statement said that the total value of contracts is 720.4 million dollars, reaching up to USD 911.3 million. Twenty four modules will be provided for six platforms. IESA's investment in its new unit is USD 100 million.

**OSX and Petrobras / FPSOs** - Petrobras signed a contract with OSX CN (49%) and Mendes Junior Trading e Engenharia (51%) for construction of P-67 and P-70 FPSOs with an option for a third, either the P-72 or P-73. The units are due for delivery in 2016 and 2017 and will be integrated at the OSX shipyard.

**Petrobras / P-59** - The P-59 was christened in July in Bahia, and is a self-elevating drilling platform and will be allocated primarily on the coast of Espírito Santo. The unit may operate in locations where the depth of water ranges from 10 to 106 meters, capable of drilling wells of up to 9144 meters in length, under high pressure and temperature. Petrobras has invested about USD 360 million in the platform.

**Petrobras / Amaralina Star** - Amaralina Star is capable of drilling in water depths of up to 10,000 feet and drilling to a total well depth of 40,000 feet. It is designed to operate in ultra-deepwater environments, particularly in the pre-salt area. The new drillship is expected to commence operations in Brazil in October. The unit will arrive in Rio from Asia in mid August and has been leased to Petrobras for a six-year period with an option to renew for an additional six years. Drilling services will be provided by QGOG.

**Brasfels Shipyard / Drills** - It is the first shipyard to be approved by Petrobras management to take orders for drills capable of drilling to 3,000 m in depth. The equipment is for the drilling of wells in the pre-salt Santos Basin, with drilling capacity up to 10,000 meters. After construction, the platforms will be chartered to Petrobras for a period of 15 years. Three of them will be operated by the company Petroserv, two by Queiroz Galvão Oil & Gas and other Odebrecht Oil and Gas.

**Sete Brasil / Drillship** - Sete Brasil and Jurong Aracruz Shipyard have signed a contract for engineering, procurement and construction of high-tech rigs. Moreover, Sembcorp Marine, controlling the shipyard Jurong Aracruz, announced the signature of a contract of USD 792.5 million for the design and construction of a drilling rig with Guarapari B.V. Holandesa, a subsidiary of Sete Brasil. All the six rigs represent the new generation of high specification rigs with advanced ability to operate in very deep water. Each rig will be equipped with a large deck area and technology to reinforce the drilling with DP3 system and will be capable of operating from 10.000 to 40.000 ft drilling depth, and accommodating a crew of 180 people. The units are scheduled for delivery between 2015 and 2019.



# 08 LOOK AHEAD

## WHAT'S UPCOMING OVER THE NEXT FEW MONTHS

### THE ONSHORE SUPPORT THAT THE OFFSHORE IS WAITING FOR

The future of the oil and gas business in Brazil is taking the discussions regarding offshore supply bases to the next (and high) level. Current bases are diversifying their services and expanding their areas, like Brasco, CPVV and TPC, while new players are entering the market aiming to meet the demand of the constantly increasing fleet of offshore support active vessels. Well-known names in the maritime industry as Grupo Libra, Edison Chouest Offshore, Multiterminais, LLX, among others, are now putting their new projects into practice, which altogether will be able to additionally assist hundreds of vessels each day. Meanwhile, public ports, as for example Forno (Arraial do Cabo), watch the demand for their vacant areas become much higher, as private terminals availability already represent a bottleneck. Not even the lack of flexibility and excessive bureaucracy of most public ports could drive the clients out of them.

exclusive quay, this keeps the base from offering vacant spots to the growing demand of pulverized smaller clients that come not so regularly, but actually represent an important revenue source, as well as a new frontier and challenge for the offshore supply bases. Because of that issue, some bases only reach around 40% of their occupancy rate, while they have to say no to some potential customers. The right balance can be found in the long term, for example by lowering the time each vessel stays moored to the base. When at some places they change crew, get fuel and water, and load/unload cargo in 24 hours, at other locations in the world this can be done in 6 to 7 hours only. Another efficient measure is to have its own customs service at the base to speed up the processes and to provide the nationalization of equipments.

Regular operations justify an ongoing fixed base. If not possible, temporary bases can be settled to support exploratory campaigns for short terms and in remote locations, usually at the public port to use some of their existing facilities. This has proven to be very successful in Brazil, and will definitely keep growing since new blocks are being assessed along the entire Brazilian coast, and easy access is crucial. The main activities of the bases involve the loading and unloading of cargo, materials and inventory management, storage, transportation and waste management, but it is also important to offer repair services, spot/emergency maintenance and testing of equipment. Floating or dry docks for repairing vessels would also be a differential, while there are very few options in the market with these features. Even the roads that lead to the bases should also be in good shape, as they are also deeply analyzed by the attentive client that consider the complete logistic chain, in order to avoid delays.

All specialists in the market agree that there should be an increase in the number of bases to avoid inefficiency in meeting the logistics needs of platforms, but there is no magical formula for the success of the newcomers. A new base depends on a series of technical and legal requirements, and it is costly, involving bidding and area licensing. Every detail needs to be well mapped to justify the investment. Moreover, even though the demand exists, the clients are very sensitive, mostly because this is a risky business. The key market requirements are always related to health, safety and environment, involving a firm infrastructure for the receipt of solid waste, storage, handling and disposal of any type of material. Specialization in these types of operation brings more reliability and focus in safety, serving the customer well. Additionally, investments in security should comprise premises, procedures (systematization and warehouse automatic positioning) and staff performance.

The efficiency of the operation comes after, almost as relevant as HSE. While most big clients cannot wait for the possibility of having a window to berth at the bases and therefore usually choose a dedicated and



Bases must be flexible to adapt more easily to market reality, by enhancing value added services and not basing its strategy only in price to fight the fierce competition. It is interesting to notice how many new options will come up in the market in the next three to four years, and hopefully they will realize that the path to success is paved with constant investments in infrastructure, safety and efficiency. If an old or new player knows how to manage these three elements and strongly market them, it becomes much easier to keep their slice of the cake for many years to come.



# 09 INSIDE STORY

A LOOK AT SOME OF THE ISSUES

## Petrobras' contracts are not interesting: truth or myth?

The market has recently been questioning the attractiveness of the charter contracts offered in Brazil, mainly when it comes to Petrobras. The general rumors are that Petrobras' contracts are not interesting due to low operational availability, sky high OPEX, inexperienced crew and the general lack of local seafarers. The big question that has been on the minds of many owners is that vessel owners with extensive exposure to the Brazilian market are still bringing vessels to the region at competitive prices, while companies with recent encounters are withdrawing. So what have they missed? The Brazilian offshore market was seen as an exotic place for several years, too distant from other regions, with a totally different language, different practices, no clear regulations and no information available. The industry has since developed, doubling the number of OSVs in the last decade, and consequently regulations for this increase through entities and resolutions. Together with this development, Petrobras had the need to further expand its structure. The number of contract managers became not enough, Petrobras' quay in Macaé too small and the contract period of 2+2 years for foreign flagged OSV's too short besides other challenges.

Some facts have however not changed with Petrobras still following the public tender rules of the lowest price combined with their own contract template. Petrobras' charter contract clause No 3 lists 119 items and sub-items which refer to owners' obligation against 16 items and sub-items on clause 4, which refers to charterers' obligation. In addition, Annex VII refers to HSE requirements, lists 240 items under "owner obligations". Clause 17 lists more than 20 conditions for application of penalties, while Clause 12 contains a table with nearly 30 options of discounts on day rate foreseen in case of partial non-availability. Although it may sound too tough (and it is), these facts are not new for owners which have been operating in Brazil for the last decades. A Petrobras contract has always been known as a contract for owners who are able to perform and that are confident in delivering what was agreed and signed. A saying that has become very popular is "if you read a Petrobras contract, you'll never sign it!"; and it seems some Owners have followed that saying literally by signing contracts without reading them, and now claim to be caught off guard.

One could blame young contract managers with less knowledge and different penalties criteria than the experienced marine old timers from Petrobras that are used to the offshore operations and know the business well. The lack of experienced people should not be seen as a privilege for Petrobras, but for all the IOC's and countries that are in expansion and need people to cope with the growth. So with a lack of long term planning, there has been no option but to employ people that still need to go through a learning curve to reach an acceptable level of experience. When it comes to OPEX, the level must be controlled as it should be with operations in any other place in the world. A good budget, a thorough guidance process, a trustworthy local partner and efficient control will be a key issue for keeping operational costs as planned. There is no doubt that having critical mass enables you to set up in Brazil and consequently results in costs savings when compared to owners who use third party local companies. It will surely not happen overnight, but proper planning and a learning curve will take you there. Doubling costs like adding the cost of local crew without deducting the cost of the replaced foreign crew has led to significant contingency and fear, and has not been taking some owners to the competitive levels needed in some tenders.

Writing this article made me recall one nice and motivational story which I'll quote below as the last and conclusive paragraph (Any resemblance to reality is purely not coincidental!): There was a group of friends that went fishing on board a vessel called "Marion Sea". They always went to a point far beyond the known spots, where the fishing was certain and reasonable. The catches were not always the best, but they still went because of their adventurous spirit which made them feel different from the others. One day, the result of the fishing was amazing and over the next days they reaped the same astonishing result. They realized they were over a huge and endless shoal of big gorgeous fish. The story inevitably spread and the other fisherman, even from other cities, approached the "Marion Sea", inquiring about the stories and their catch. The "Marion Sea" crew warned the other fisherman that it was not worth the long haul, too risky and that many times they have almost perished. They explained that the trip demanded far too much effort, extensive costs because of the distances involved, and that it was surely better to stay around the coast on the bread and butter fishing places. The other fishermen took their advice and continued fishing at their traditional spots, while the adventurers increased their fleet with the "Marion Sea II, III and IV" in the years to come. The crew of "Marion Sea" had not lied, there were major challenges involved with fishing at that spot, but the others had only focused on the problems and not on the potential of that spot.



**Daniel Del Rio**  
Managing Director

# 10 É ISSO AÍ!

FINAL THOUGHTS FOR THIS MONTH

## NEW OFFICE IN CANADA - WESTSHORE ARCTIC INC.

Westshore Shipbrokers has opened an office in St. John's, Newfoundland – Canada to assist with ship brokerage projects in the North Atlantic and Arctic Areas. The announcement was introduced in the market in the last week and it was well received since the Arctic is the new frontier of the offshore business. Read September's Navigator for the full story!



**ELIANA LAZARINI**  
OFFICE MANAGER

"We are looking forward to having a nice evening at the NBCC dinner on September 19th with our partners and friends."



## NAVALSHORE 2012 – NINTH EDITION

Representatives of Westshore Brazil attended the ninth edition of NAVALSHORE which took place from the 1st to 3rd August 2012 at the convention center SulAmérica in Rio de Janeiro. The NAVALSHORE is directed towards companies operating in the marine industry and brings them together in one place and discusses what's new for the construction industry, repairs and solutions for National and international Industry of Oil and Gas. The event is considered important for bringing all segments of the shipbuilding and offshore industry and therefore a great opportunity to network.

## MUNICIPAL ELECTIONS 2012 - BRAZILIAN PECULIARITIES

On October 7th, all the cities in Brasil will go to the polls to vote for mayor, deputy mayor and town Councilor in the elections for 2012. During this time the campaigners cover the city streets with posters and billboards while handing out pamphlets. From now on out the free elections will be presented on many open channels on television. During election time it can become very uncomfortable due to the noise pollution caused by the loud speakers on cars and bikes, and all the candidates handing out flyers and advertising on the streets. What brings some excitement is that elections can bring some funny peculiarities. It's entertaining to see that during these times old friends become foes while former enemies are now posing with smiles while shaking hands, as dear old long-time companions to appear friendly to contributors. It is also common to see the current candidate climbing on to the podium smiling to discuss the nation's future and promising the world, kissing children and hugging everyone distributing T-shirts and key chains. At this time of the year, in Brazil, all the various issues come up that have drawn attention in the press. Soap opera stars and participants of reality shows and even clowns run for election too! The process has become quite a spectacle.

It is also very common to hear funny jingles that stick in your head along with numerous strange nicknames. Some of peculiarities for this year's election have a wide range from the oldest candidate who is 89 years old to the youngest candidate at 20. In 45 cities there will only be women competing for town councilor while in a 106 towns they will only have one candidate for mayor to vote for. Elections are a very serious thing! If you elect someone to manage assets that belong to everyone, it is very serious! This is our chance to fix what went wrong, to make new choices and renew the hopes of change for the better for our future.



## MARINE MONEY'S BRAZIL OFFSHORE

On September 19th, Copacabana Palace will host the Marine Money's "Brazil Offshore Finance Forum". Westshore do Brasil is pleased to participate having a seat at one of the most interesting discussion rounds: The OSV Market Discussion.