BRAZILIAN Wave

MAY 2013

ISSUE 21

BROUGHT TO YOU BY

WESTSHORE SHIPBROKERS AS

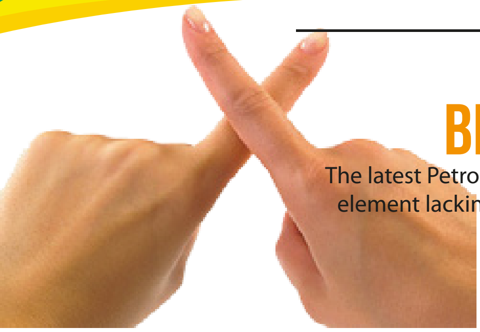
THE BRAZILIAN FOCUSED MARKET REPORT

WESTSHORE

DO BRASIL

01 CONTENTS

WHATS IN THIS MONTH'S ISSUE



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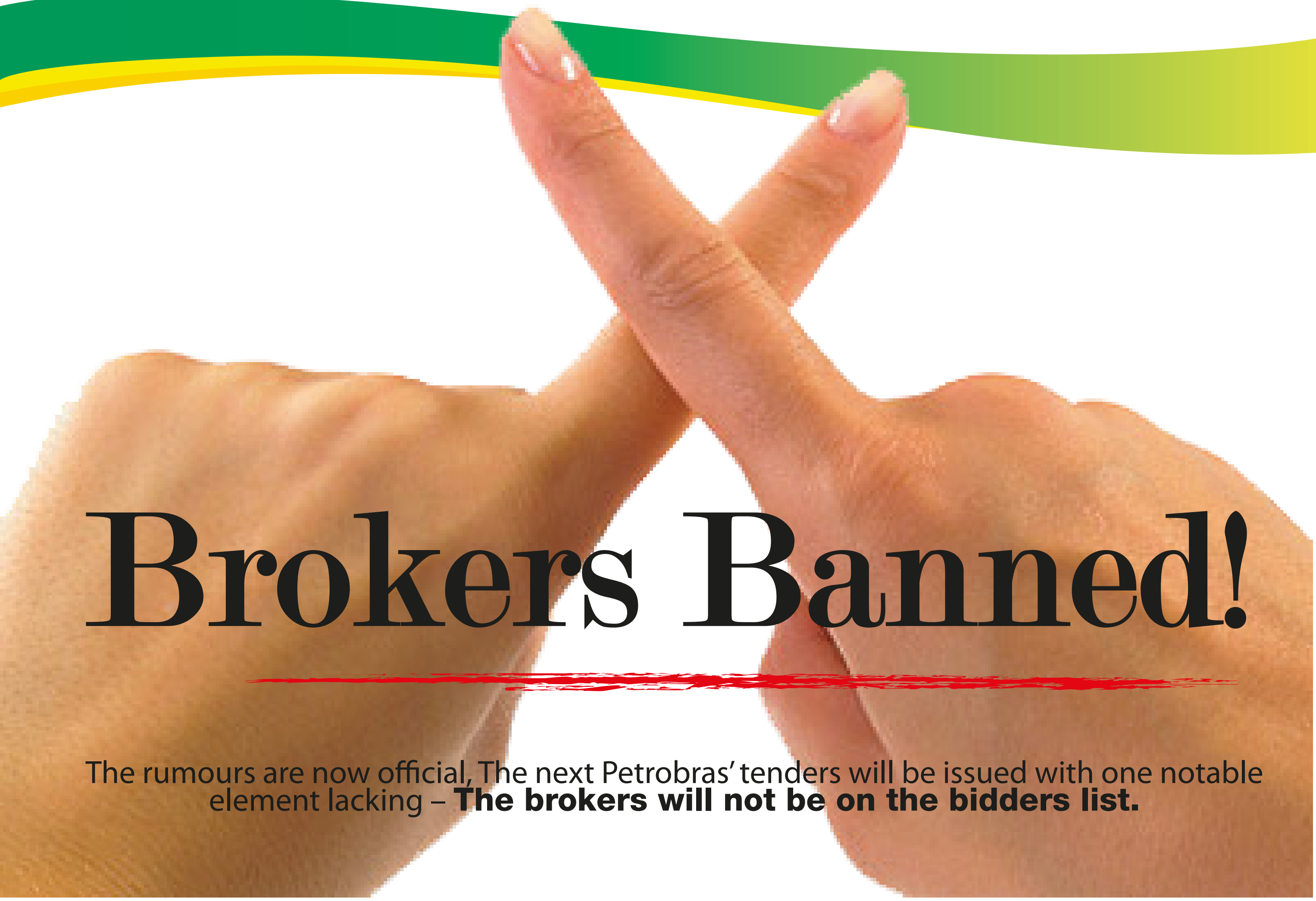


Brokers Banned!

The rumours are now official, The next Petrobras' tenders will be issued with one notable element lacking – **The brokers will not be on the bidders list.**

Shock horror! Is this even allowed? How can my OSV be offered into a Petrobras tender now? Will Brazilian brokers starve to death? (I for one sincerely hope not) and also, who is benefiting from this decision?

It has been suggested that the reasoning behind this radical decision stems from the fact that vessels offered through brokers were being delivered with issues such as technical non-compliance on delivery or delayed delivery. Another suggestion is that owners now well established in Brazil are attempting to reduce competition and achieve higher rates. Or could it be a clash of characters? Did someone become disgruntled with the apparent success ratio of broker-fixed vessels? Or is it an attempt to close ranks and keep the international players from taking an even bigger slice of the pie by concentrating on awarding tenders to local companies.

The jump in number of OSVs operating in Brazil over the years is well documented. Echoing the increase in Petrobras' E&P spending (from USD 28bio in 2006 to 131.2bio in 2013, more than 460% increase in seven years), the number of vessels has risen from around 165 in 2006 to around 400 in 2013. A significant portion of these vessels are foreign, largely fixed with a broker's help. So competition is up, as is OPEX and the brokers have been on a fixing frenzy furthered by the Petrobras mandate of lowest price public tender rules. And the locally established owners are naturally not happy with this sudden and constant competition pushing them to lower rates.

On the technical issue aspect, with a large increase in vessels fixed, it's logical to expect an increase in number of technical failures. Moreover since most of these fixtures came via a broker, the blame is being put squarely on their shoulders. Also the incidence of purely commercial 'fix it and leave it to the EBN' attitude brokers, most often allied to financially weak foreign owners, have led to some non-compliances or no-shows. The disinterest from US-owners and non-competitive nature of European tonnage led to a flood of Asian speculative newbuildings being fixed, which are often delayed.

03 HEADLINE NEWS

BROUGHT TO YOU BY WESTSHORE SHIPBROKERS AS

The powers that be at Petrobras are constantly preaching operational efficiency and capital discipline throughout the Petrobras system. One could quickly see how the exclusion of brokers would fit nicely into this ethos in an attempt to 'improve efficiency'. It must be stressed that this is not the case however as most delays are caused by Petrobras itself due to the extremely slow chartering process that in some cases can ruin the financial viability of the charter. Technical issues with new vessels will always crop up, this is a widespread problem that has nothing to do with the brokers performance.

In fact Petrobras does recognize this, as their main target are the EBNs (Brazilian Shipping Companies) that operate third party OSVs and excluding the brokers is merely collateral damage. New procedures are now in place for vessels being offered via EBNs rather than brokers in the hope that this curbs the EBN or foreign Owners blaming the brokers or each other for any non-performance.

Petrobras retains an official list of accredited brokers that have the power to approve an owner on its behalf. As a consequence Petrobras have been blamed by brokers' acts or omissions despite all disclaimers of responsibility. For any experienced chartering professional this may sound irrational, but we know this fact has not been rare and has disturbed Petrobras.

Obliging all bidders to be an EBN (or foreign owner previously registered with Petrobras) means they will also be liable for its bids/offers. Although the objective was not to protect brokers, the most affected party will now be the EBN, who will take responsibility for the third-party offers, and will have its HSE levels ranked according to the foreign owner's performance. HSE grades will also be taken into consideration in overall ranking when offers are placed, risking not only EBN's own fleet performance but also its foreign owners'. The main objective is to have the EBN put its own neck on the line, switching from a passive position to a really operational and hands on perspective chasing foreign owners for performance in order to protect its own.

> **"Brokers are now free to be seen, and called owner's brokers on the Petrobras tender processes, which is positive"**

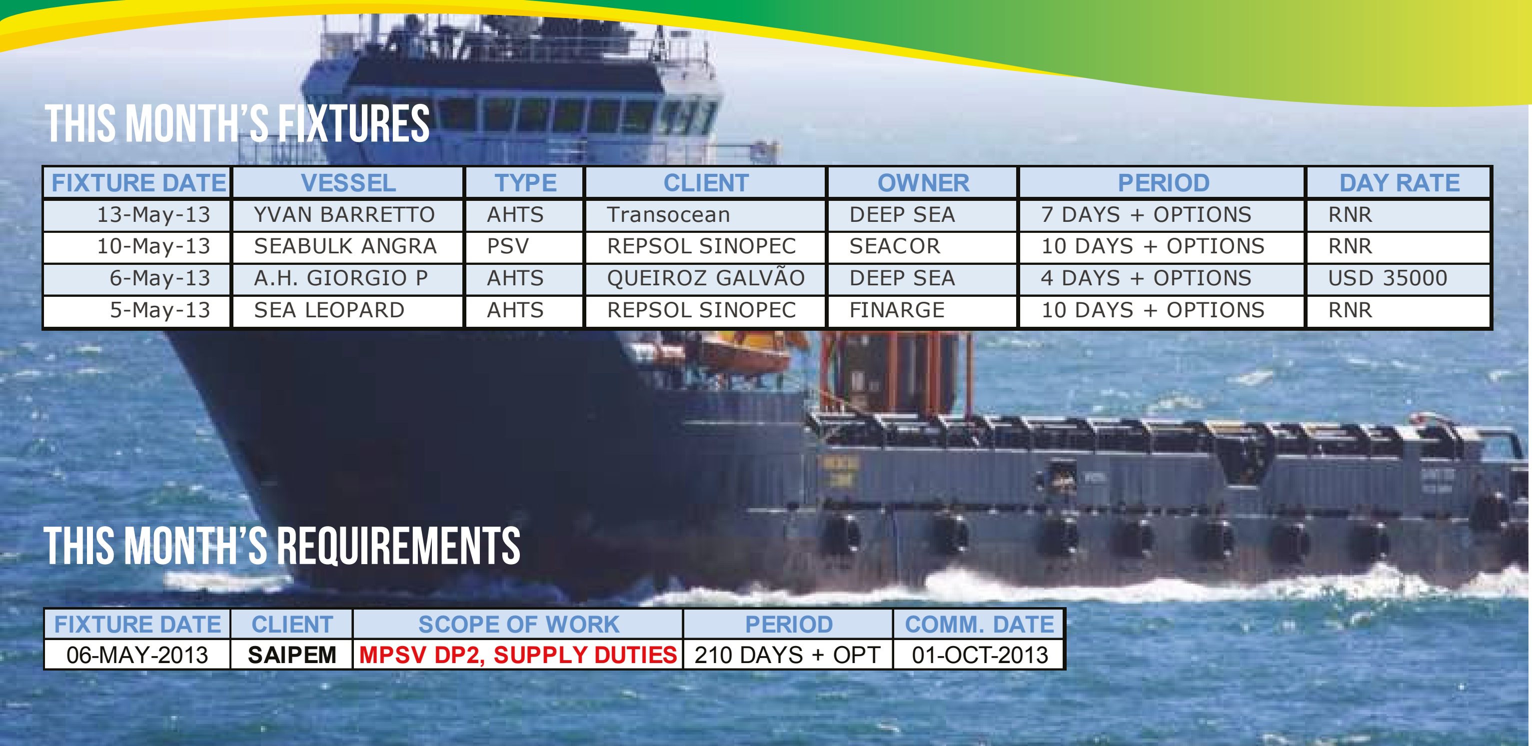
Foreign owners will have the most to gain with its own wholly owned EBN in Brazil, as they can expect fewer independent EBNs interested in operating third party vessels due to the huge exposure and risk, thus less competition and higher rates/fees. Foreign owners will still offer but will be pushed to have their own EBN in the long run, which means a critical mass fleet of at least four to five OSVs before operating in Brazil is worth it at all.

Brokers will naturally keep working the Petrobras requirements for OSVs, guiding owners through the process and Petrobras expects this too. The only difference will be to channel the offer via an EBN or the foreign owner itself. Brokers that were fixing on a "quote/unquote" basis by simply getting the requirement from Petrobras and relaying to international contacts, without adding any value to neither the chartering process nor the contract period, can start the countdown to closure. Local knowledge and local network will now play an even bigger part. Brokers are now free to be seen and called owner's brokers on the Petrobras tender processes, which is positive.

Petrobras however needs to face the challenge of doubling the oil production in the next seven years, which could represent an increase in the OSVs fleet by at 40%. So the search for efficiency and the bureaucracy around that needs to be controlled in order to avoid delays in projects. After all, Petrobras is not the only charterer, and Brazil is not the only oil and gas hotspot in the world, so a concern to incentivise and attract suppliers can be a smart part of the process.

04 VESSEL NEWS

THIS MONTHS FIXTURES, REQUIREMENTS AND MARKET SCREENINGS



THIS MONTH'S FIXTURES

FIXTURE DATE	VESSEL	TYPE	CLIENT	OWNER	PERIOD	DAY RATE
13-May-13	YVAN BARRETTO	AHTS	Transocean	DEEP SEA	7 DAYS + OPTIONS	RNR
10-May-13	SEABULK ANGRA	PSV	REPSOL SINOPEC	SEACOR	10 DAYS + OPTIONS	RNR
6-May-13	A.H. GIORGIO P	AHTS	QUEIROZ GALVÃO	DEEP SEA	4 DAYS + OPTIONS	USD 35000
5-May-13	SEA LEOPARD	AHTS	REPSOL SINOPEC	FINARGE	10 DAYS + OPTIONS	RNR

THIS MONTH'S REQUIREMENTS

FIXTURE DATE	CLIENT	SCOPE OF WORK	PERIOD	COMM. DATE
06-MAY-2013	**SAIPEM**	**MPSV DP2, SUPPLY DUTIES**	210 DAYS + OPT	01-OCT-2013

MAERSK SUPPLY SERVICE - P-types AHTSs Maersk Pacer and Maersk Provider have concluded their charters with Shell and Odebrecht respectively and at time of writing are available in Brazil.

TIDEWATER - OSRV Danko Tide on hire with Shell Brasil for her 18 months contract on Oil Spill contingency for the oil major. The vessel has been fully upgraded with NT-02 compliant equipment.

SEACOR - Seabulk Angra has been fixed to Anadarko starting May 21st. Previous to Anadarko the vessel has been chartered by Repsol to cover for Thor Supplier undergoing repairs. Sister PSV Seabulk Brasil has been fixed to Chevron and expected released within May, uncommitted thereafter.

DEEPSEA SUPPLY - AHTS Sea Leopard has entered in contract with Repsol while sister ship Sea Bear undergoes repairs. AHTS Sea Panther has successfully finished her charter with Statoil and will be docked for regular repairs prior to re-joining the spot market in Brazil.

VEGA - VEGA Entail is conducting final preparations for on hire with Petrobras before end of this month.

CHOUEST - PSV C-Enforcer, equipped with a well stimulation plant on her main deck, has been chartered to Shell Brasil in cession from OGX for stimulation works on production wells. Bram Bravo has been working with Shell Brasil in replacement of originally offered Campos Challenger.

MAERSK SUPPLY SERVICE - AHTS Maersk Tender has been extended by Shell Brasil until June.

UP OFFSHORE - PSV UP Amber has arrived in Brasil in anticipation of her multi-year contract with Petrobras and available on the spot market. The vessel is DP2.

FARSTAD - PSV Far Swift is expected to be released in early June from Karoon, while discussions are ongoing with Technip to confirm the redelivery date of Far Star. Both PSVs duo are DP2.

CBO - CBO has signed with Petrobras for CBO Vitoria for two years starting within this month.

05 PETROBRAS NEWS

UPDATE ON THE BRAZILIAN STATE OIL COMPANY

Self-sufficient in 2014?

2014 may be the year that Petrobras believes it will once again achieve self-sufficiency in derivatives. The last year that Brazil reached the same volume of oil production was in 2006 due to growing demand for oil derivates which grew more than production (4.9% against 3.4% respectively) between 2007 and 2012. However achieving self-sufficiency in derivatives will only be done if all refineries in the company's 2013-2017 Business and Management Plan begin operating.

Adjusting the gaps

Petrobras registered a 484,000 boed imported in the 1Q of 2013 representing an increase of 35.2% compared to the same period of 2012, which was 358,000 boed, while exports declined 56.7%, reaching 215,000 boed against 497,000 boed also in the same period last year. According to Petrobras, the numbers represent a necessary reduction to offset the gap between refining and production once the production of oil decreased to 1.91 million boed and refineries processed around 2.083 million boed. It is important to note that the reduction of imports of oil derivatives was possible due to the increased production of refineries, allowing Petrobras to import 376,000 barrels per day of derivatives, compared with 406,000 barrels per day of derivatives in the same period of 2012.

Production falls again

According to José Formigli, the Petrobras E&P Director, the decline of oil production of 8% in the 1Q of 2013 was expected due to large maintenance activities. He also said that in the 2Q the scenario will be the same due to shutdowns scheduled for both small, medium as well as large-sized platforms. During the same period of 2012 company production reached 2,066 million boed against 1,910 million boed in 2013. Only in the second semester production levels must return to the Petrobras targets for 2013 due to a decrease in the scheduled stoppages and new fields producing.

2020 Forecasts

Is it possible to double in size by 2020 on pre-salt production? According to Graça Foster it is "written, calculated and hired". The company's president also revealed that new oil discoveries have already been made and must double the oil production, but it is not the right time to make them public. So let's wait and see.

Floatels from China

Petrobras is chartering 3 new floatels to operate in the Campos Basin with a capacity to accommodate 1,300 people in total. One unit will be provided by OOS International and is being built at the Liya Pingtan Shipyard, in China, and will be able to serve 500 people while Graal Energia (owned by the Grandin family, an Odebrecht partner) will supply the 2 other vessels which are being built by the CIMIC Raffles, another Chinese company, and will accommodate more than 700 people together.

Petrobras sells bonds to raise USD 11 Billion

On Monday Petrobras began its enormous 2013 financing campaign and the second largest bond issued this year. The company launched the sale of USD 11 billion in bonds through six separate sets of bonds, with maturities of between three and 30 years, according to term sheets provided by fund managers. There was sufficient demand for Petrobras' investment-grade bonds for the firm to have raised up to USD 40 billion, according to the market and the total size could still increase, as the company has an option to offer up to 5% more to Asian investors. Investors had been preparing for the sale, as Petrobras has stated it aims to borrow about USD 20 billion this year and a similar amount next year to fund its ambitious USD 237 Business and Management Plan 2013-2107. The company is leading Brazilian efforts to develop huge offshore oil fields known as the pre-salt reserves. The transaction is being formatted by the Bank of Brazil, Itau Unibanco, Bank of America, Citigroup, HSBC, JPMorgan Chase & Co. and Morgan Stanley.

PETROBRAS NEWS

UPDATE ON THE BRAZILIAN STATE OIL COMPANY

4th Round of New Building						
OWNER	VESSEL	YEAR BUILT	TYPE	CATEGORY	DAY RATE	PERIOD
GEORADAR	TBN	NWB	OSRV 750	PSV OSRV 750	USD 27 800,00	8 + 8 YEARS
GEORADAR	TBN	NWB	OSRV 750	PSV OSRV 750	USD 27 800,00	8 + 8 YEARS
ASTROMARITIMA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 300,00	8 + 8 YEARS
ASTROMARITIMA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 300,00	8 + 8 YEARS
ASTROMARITIMA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 300,00	8 + 8 YEARS
ASTROMARITIMA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 300,00	8 + 8 YEARS
GALAXIA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 880,00	8 + 8 YEARS
GALAXIA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 880,00	8 + 8 YEARS
GALAXIA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 880,00	8 + 8 YEARS
GALAXIA	TBN	NWB	OSRV 750	PSV OSRV 750	USD 28 880,00	8 + 8 YEARS
OCEANPACT	TBN	NWB	OSRV 750	PSV OSRV 750	USD 30 100,00	8 + 8 YEARS
OCEANPACT	TBN	NWB	OSRV 750	PSV OSRV 750	USD 30 100,00	8 + 8 YEARS
OCEANPACT	TBN	NWB	OSRV 750	PSV OSRV 750	USD 30 100,00	8 + 8 YEARS
OCEANPACT	TBN	NWB	OSRV 750	PSV OSRV 750	USD 30 100,00	8 + 8 YEARS
STARNAV	TBN	NWB	PSV	PSV 4500	USD 34 368,00	8 + 8 YEARS
STARNAV	TBN	NWB	PSV	PSV 4500	USD 34 368,00	8 + 8 YEARS
STARNAV	TBN	NWB	PSV	PSV 4500	USD 34 368,00	8 + 8 YEARS
STARNAV	TBN	NWB	PSV	PSV 4500	USD 34 368,00	8 + 8 YEARS
GALAXIA	TBN	NWB	PSV	PSV 4500	USD 34 480,00	8 + 8 YEARS
GALAXIA	TBN	NWB	PSV	PSV 4500	USD 34 480,00	8 + 8 YEARS
GALAXIA	TBN	NWB	PSV	PSV 4500	USD 34 480,00	8 + 8 YEARS
GALAXIA	TBN	NWB	PSV	PSV 4500	USD 34 480,00	8 + 8 YEARS
GEONAVEGAÇÃO	TBN	NWB	PSV	PSV 4500	USD 34 800,00	8 + 8 YEARS

PSV 4500						
OWNER	VESSEL	YEAR BUILT	TYPE	CATEGORY	DAY RATE	PERIOD
UP OFFSHORE	UP PEARL	2013	PSV	PSV 4500 GENERAL CARGO B	USD 32 950,00	4 + 4 YEARS
SIEM OFFSHORE	SIEM CARRIER	1996	PSV	PSV 4500 DRY BULK B	USD 34 580,00	4 + 4 YEARS
UP OFFSHORE	UP ESMERALDA	2005	PSV	OIL CARRIER A	USD 32 950,00	4 + 4 YEARS
UP OFFSHORE	UP AMBER	2013	PSV	GENERAL CARGO B	USD 32 950,00	4 + 4 YEARS
HAVILA SHIPS	HAVILA FAITH	1998	PSV	DRY BULK B	USD 34 995,00	4 + 4 YEARS
FARSTAD	FAR STAR	1999	PSV	DRY BULK A	USD 32 500,00	4 + 4 YEARS

TENDER AWARDS

The tender issued in 2010 for the 4th Round of Newbuildings, with commencement in April 2016 (PSV 4500 types) and in April 2017 (PSV OSRV 750 types), recently had its first contracts awarded. Twenty three vessels will be hired for both types. In the past, 30 vessels were disqualified on PSV 4500 category and 10 vessels were disqualified on PSV OSRV 750 category due to excessive price or exceeding MOB fee. The vessels listed in this page will work with Petrobras on four plus four year contracts. This month, Petrobras also revealed the vessels that the company will hire from the tender issued in 2012 for the PSV 4500 type, as listed below. Seventeen vessels were disqualified and six vessels will be hired. CBO Vitoria has been recently hired as an OSRV on a two + two year contract starting later this month, in a direct negotiation with Petrobras.

07 OPERATOR UPDATE

RECENT DEVELOPMENTS FROM BRAZIL'S OIL & GAS COMPANIES

Chevron gets Frade go ahead

Chevron has received authorization from the ANP for a new drilling campaign in the shallow water region of the Frade field. At least six new wells will be drilled, as well as the reentry into the 9-FR-43D-RJS well, to obtain geotechnical data from the region. The company's new campaign operation will involve six vertical geotechnical wells to a maximum depth of 665 m under the seabed, of which four will be for obtaining Logging While Drilling (LWD) data and two for the collection of samples.

Petronas acquires stake in Tubarão Martelo

OGX confirmed the sale of 40% stake to the Malaysian state oil company, Petronas. The deal was closed at USD 850 million, and Petronas has an option to purchase 5% of the total shares of OGX at a price of BRL 6.30 per share and can be exercised at any time before April 2015. The production in Tubarão Martelo field is expected to commence by the end of the year with potentially more than 32 billion barrels of recoverable resources and an expected production of two million boed, according OGX CEO Luiz Carneiro.

QGOG back in the Jequitinhonha Basin

QGOG will restart its exploration campaign in the Jequitinhonha basin (northeast of Brazil) in June 2013. Previous wells were drilled there in 2011. The company plans on towing and placing the drilling jack-up Petrobras VI on the campaign site within the second half of May (with a little delay), with the support of the vessels Bremona, Reedbuck and Giorgio P, the last one hired in the spot market. The campaign is expected to last four months plus options, and will have the support of the AHTS Bremona, AHTS Reedbuck and PSV Bruce Kay, all from Edison Chouest, during its full period. PSV Bruce Kay replaced Alfanave Cabo Frio which could not be fully operational by the intended commencement date.

HRT expands to Brazilian Offshore Market

The group which has its operations in the Solimões Basin (Amazonas) and in Namibia focusing on exploration and oil production, has just celebrated the acquisition of a 60% stake from BP in the Polvo field. The agreement valued at USD 135 million is still dependent on ANP approval and includes a fixed platform called "Polvo A", a drilling rig, and the FPSO Polvo, chartered from BW Offshore which has the capacity to produce 100,000 boed. Polvo field currently has 13 wells (ten production wells and three injectors) and the total production in the area is over 50,000 boed.

Rosneft eye on Brazil

After acquiring the oil company TNK-BP for USD 60 billion, the largest oil producer from Russia is considering the possibility of extending its exploratory projects in Brazil. According to Rosneft's vice president, Chris Einchcomb, the main focus is to invest in exploratory projects, but not as an operator, but buying stakes from other companies already established. The company has decided not to participate in the 11th round of ANP due to the huge sum required to purchase the TNK-BP, but it is looking for joint ventures, reporting that is already in contact with a few companies qualified for the auction that will happen this month.

08 DRILLING & PRODUCTION

WHATS GOING ON OUT THERE?

NEW FACTORIES FOR ROLLS-ROYCE

Attracted by the growth of oil production in Brazil, Rolls-Royce announced investments of USD 200 million in projects linked to the pre-salt. Half of this amount will be invested in a factory for assembly and testing of electric generating sets used on FPSOs. The other USD 100 million will be invested in a second factory for assembly of engines and propulsion systems for the marine industry. The company also plans to allocate USD 1.5 billion for the purchase of components and equipment from local suppliers.

SAIPEM'S PIPE DREAMS

Italian company Saipem has signed a contract for the manufacturing of two pipelines for Campos Basin's pre-salt with Petrobras. The equipment will be installed at a depth of 2,200 meters. All maritime services will be held by the vessel FDS2 and scheduled for the fourth quarter of 2014. The company's shipyard in Guaruja, which is still under construction, will be the basis of all logistics and storage of tubes.

NEW FACTORY FOR NOBA TECH AS

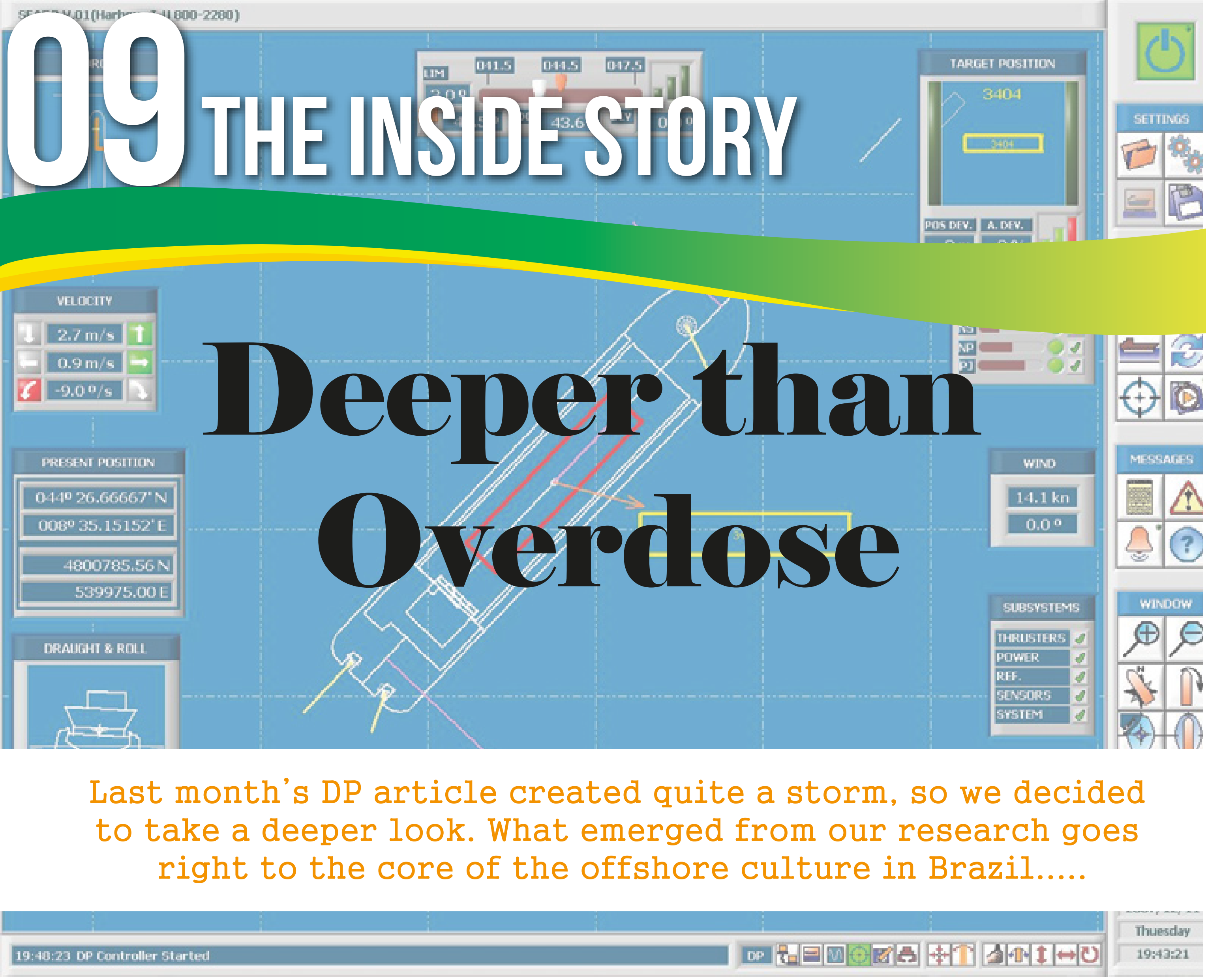
Noba Tech AS, a joint venture between three Norwegian companies owned by NCE Group, has signed a cooperation agreement with the Brazilian HTS group for installation of a subsidiary in Ipatinga, Minas Gerais, helping to supply a demand of drilling equipment, BOP components and risers, among other products and services. According the agreement, Noba Tech of Brazil may also provide training for Brazilian employees at the company's headquarter in Norway.

NEW SHIPYARD FOR WILSON SONS

The new shipyard is called Guarujá II and is located in Guarujá, in São Paulo, at a cost of USD 60 million. The new plant is still under construction but the first vessel, a PSV 4500, will be delivered in June to Wilson Sons Ultratug Offshore. Other units like a ROVSV (Remotely Operated Vehicle Support Vessel), ordered by Fugro, will be concluded in the beginning of 2014 and an additional three PSVs and four tugboats for Ultratug and Wilson Sons Rebocadores, respectively, are in company's portfolio before the end of 2013 adding a total of USD 200 million in investments in these vessels.

TOPSIDE MODULES/TECHNIP

Technip had its technical proposal disqualified by Petrobras in the tender for modules on the P-75 and P-77 for construction, assembly and integration of the FPSOs modules. The company has until May 2nd to file an appeal while Petrobras plans to conclude the bidding process between May and June. Despite not being one of the selected companies, Technip continues expanding its presence in the Brazilian offshore market. The French group signed a contract with PNBV, a Petrobras subsidiary, for the construction of the FPSO P-76 topside modules. All project management, engineering and supply will be performed at Technip's Operating Center in Rio de Janeiro while module manufacturing, integration and commissioning will be conducted at the company's shipyard in Brazil. The P-76 will produce 180,000 boed and 7 million of cbm of natural gas and the project is scheduled for the second half of 2017.



Deeper than Overdose

Last month's DP article created quite a storm, so we decided to take a deeper look. What emerged from our research goes right to the core of the offshore culture in Brazil.....

Our fellow seafarers working in the North Sea reverted with amusement, how could operations really take place without DP protocols being followed to the letter? Or vessel captains being contested when refraining from staying hose-connected alongside offshore units for undetermined time while awaiting further instruction from the rig, without pumping or receiving any cargo.

In Brazil however, the article seemed to spark in senior navigators and engineers a desire to talk about the problems they are facing on a daily basis. Most can't seem to find a short-term solution far less the right channel to address their concerns and receive an adequate response. We have spoken with vessel owners operating locally and the concern is generic, it has reached the beach quite some time ago and "the system" is apparently not able to resolve important operational issues that compromise safety offshore.

It is not fair to make general remarks and open serious industry wounds without being pragmatic on examples. Therefore we have done some research to identify the top three issues behind what makes a punctuality issue into a widespread problem. And here are the results:

Training: a great part of the offshore tuition is on-the-job. With DP training, the required sea-time by far exceeds the lecturing hours. This seems to be going in the right direction; however, a lack of theoretical training on the technology behind the DP system (signals, equipment, interference, differential, etc.) beyond the tuition on how to engage and disengage the system seems recurrent. Moreover while being trained on-board, DPOs that have been through "shallow" learning are cascading down "shallow" training. More and more mariners are unable to understand and interpret the signs given by the system from not clearly understanding the differences between the refinement of a GPS signal as opposed to a laser and the implications such a difference brings. This leads on to operating on a rig´s weather side with the stern-thruster at 60% and as the DP is engaged, thinking that this is acceptable.

THE INSIDE STORY CONT.

Interaction: As knowledge and experience become generically low, the much needed safety interaction between vessels and units sees a reflection of that. To the point, as previously raised, vessel captains following protocols and taking safety steps, such as requesting an operating side change to the rig get "labeled" as "lazy, inexperienced" or the vessel gets perceived as "not strong enough". Much of this comes from the lack of information exchange. The discussions get further away from technical and factual data and go into personalities and character of the men behind command. Indeed there are inexperienced sailors out there hiding behind "perfect weather" to operate, but there is an equal or higher pressure on vessels to perform under circumstances that are far from safe. Moreover, a number of comments have been made on rigs lacking the ability to operate from both sides, having dual manifold lines and cranes allowing the use of the safest board, not eventually, but throughout multiple month's campaigns. And these are not exceptions.

The beach: Ask your closest onshore colleague, the one you interact the most with or the one onshore that has responsibility over the operation offshore the last time he has been on board a vessel and (not or) a rig to oversee the operation - out in the field. Ask your organization about the last time they took active participation (that means making presentations, bringing facts, raising discussions) in discussions involving rig, vessel operators and the oil company to discuss interfaces. If all you can get is strange faces looking at you or people referring to the last rig move meeting, some of them over the radio... well, this tells a lot about how the problem becomes systemic. There is little to no attention on supervising the operation from a "marine" point of view, from onshore, but going offshore. Some organizations have identified the issue, and the solution: ask a third party to go look at things and provide a report. Much as incident reviews that get nowhere, these reports produce little to no practical change, when the system pressures and judgments remain the same.

> “The discussions get further away from technical and factual data and go into personalities and character of the men behind command”

Forums, workshops, reunions are largely talking about the Brazilian environment being impacted by a labor legislation not allowing for a greater number of experienced seafarers to operate until the "new generation" of Brazilian officers is ready. People also talk about the lack of training facilities in the country, the cost behind it, etc. These are all true and have also been raised in our research.

The general feeling in most conversations is: labor-law, training facilities, "new generation" getting experienced, this is all too easy to blame as it is always someone else´s fault, but easy to correct - with money or with time.

Having said that, we have concluded that monitoring training onboard, providing in depth knowledge across generations, stimulate and provide a work environment offshore where safety is truly before anything else, and onshore organizations clearly understanding that the "show" is offshore, that is much closer to everyone and harder to talk about, and much harder to mend.

Are we focusing on the real problems?

by Alex Vilela
Marine Advisor

Right People. Right Solutions. Right Now.

The story of how one Singaporean company started with one AHTS and grew to be one of the world's leading offshore solutions providers.

EMAS

The operating arm of Ezra Holdings, EMAS is a leading provider of integrated offshore solutions covering a broad spectrum of the oil and gas industry support supply chain. Through combined efforts across four divisions (Subsea Services, Offshore Support Services, Production and Marine Services) EMAS is truly a one-stop-shop. Founded in 1992, the group is headquartered in Singapore and operates globally with 16 offices spanning five continents.

Recognized for its experience and knowledge, EMAS Marine utilizes its subject matter expertise across all maritime disciplines to assist clients with internal marine assurance requirements for legislative, regulatory and industry standard compliance. EMAS Marine is called upon to provide consultation regarding marine supplies, fabrication, engineering and design and is also available to manage third-party vessels.

Over the past 20 years, the EMAS Marine fleet has grown from a single Anchor Handling Tug and Supply vessel to over 65 diverse, multifunctional assets, including AHTSs, PSVs, MPSVs, accommodation and heavy-lift barges, lift boats, FSVs and CSVs. These assets support exploration, production, anchor handling, towing, diving, ROV, mooring installation, transport and overall FPSO/FSO operations. EMAS Marine began operations in Southeast Asia and now span the globe in various regions, including the Philippines, New Zealand, Australia, Far East, Middle East, West Africa, Europe and the Americas, striving to maintain a consistently high standard of governing policy and operational processes, in order to make quick decisions and provide fast and effective client support.

EMAS

Operating in Brazil

In 2011, EMAS Marine obtained its first Brazilian long term charter contract for an OSV with Petrobras, the AHTS 21,000 Lewek Fulmar. The new business was a significant achievement for the company, as EMAS is one of the first Singaporean OSV owners to operate in Brazil. The company's local team consists of two shore technical/operations managers dedicated to delivering safe and professional services: Port Capt. Alasdair Barclay and Brian Shield.

Why the Brazilian market?

Upon obtaining the OSV contract in Brazil, EMAS subsequently set up a local office to better serve the market. The firm is poised for growth in Brazil with its young and technologically advanced fleet of OSVs and a wide range of offshore services which can support the Brazilian market's deepwater needs.

Joining EMAS' fleet in 2014 is the Lewek Constellation, a multi-lay vessel with a hull of 178 meters. The vessel will have reeled rigid (up to 16-inch diameter) and flexible flowline installation capability. It will also have five reel "parking bays" and will be able to carry four reels simultaneously. Additional reels can be spooled onto barges and then transferred onto Lewek Constellation offshore. This sophisticated vessel boasts a 3,000 ton crane and will easily comply with Brazil's subsea requirements. TRIYARDS, the shipyard under Ezra Holdings, has potential to operate in the Brazilian market, which will further add to the extent of customized services that EMAS can offer in Brazil.

Planning for the future...

EMAS is always on the lookout for business opportunities and is actively bidding work with Petrobras and Independent Oil Companies in Brazil. The company's yards are looking forward to exploring and developing opportunities in Brazil and Australia for example, among other promising regions.

The new face of Brazilian Oil and Gas

The results of the 11th bidding round are in. Westshore takes a look at how the results will shape the Brazilian oil and gas market going forward.

A couple of months ago we talked about what we could expect from the IOCs in terms of new campaigns, their OSV demand and investments in Brazil. As the growth plans of these companies have become more evident, we would like to delve into the new figures that are putting a brighter spotlight on them.

When the monopoly on oil exploration was broken in 1997 and Petrobras was no longer the only company allowed to develop the local market, Brazil became one of the main destinations for IOCs from all over the world. This resulted in active participation in 10 bidding rounds, and an eagerness to participate in this year's two bidding rounds. It takes around five to seven years from the moment a block is awarded for a company to produce its first barrel of oil. In addition, four years elapsed between this and the last bidding round meaning Brazil lost precious time and progress, while the government was focusing on presalt discoveries and the royalties issue (which is still being debated).

In regard to the Brazilian trade balance, it is clear that the IOCs played an important role in 2012. Last year, private companies operating in the sector, most of them foreign, exported USD 5.7 billion in crude oil, an amount that accounted for 20% of total shipments of this product. Even though Petrobras is still the main exporter, it reduced its exports by 3.5%, while these companies increased by 38% on average.

The government affirms that Shell was the main foreign oil and gas exporter, accounting for USD 1.4 billion, 34% higher than 2011. Meanwhile, at least four companies tripled their sales abroad: Statoil (USD 1.2 billion), Sinochem (USD 808 million), BG Brazil (USD 667 million) and GE Oil (USD 292 million).

This interesting scenario is a result of multiple factors. Petrobras faced a long period with virtually no growth in production while it watched the domestic demand for fuels rise, thus channeling much more of its crude oil production to supply its refineries, weakening its exports. Meanwhile, the IOCs, which usually exports almost all their oil produced in Brazil, benefited from the "room left" by Petrobras in the export market, particularly motivated by the international oil prices, which are better than the local ones. The IOCs closed last year with a production rate of about 200 thousand barrels per day, equivalent to 10% of the national output.

The participation of these companies tends to keep increasing.

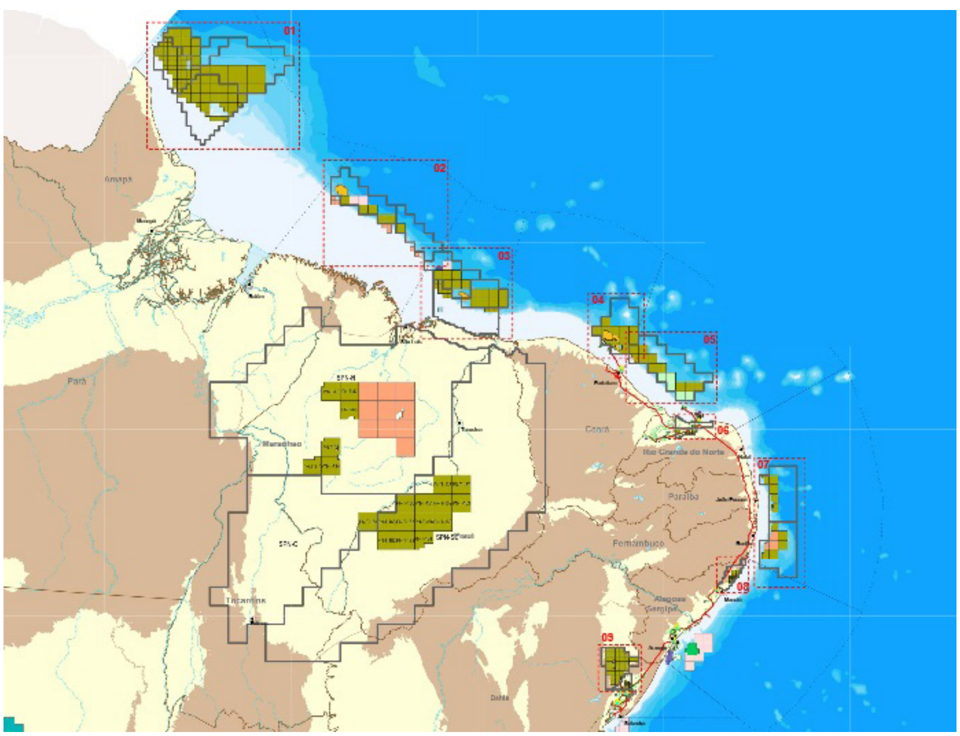
14 LOOK AHEAD CONT..

WHATS UPCOMING OVER THE NEXT FEW MONTHS

This is not only beneficial for the trade balance, but mainly for the attractiveness and investment levels of this industry in the long run. Given that Petrobras plans an oil production of 2 million boed in 2013 (around the same output of last year) and a production growth of around 15% for 2014, while local fuel demand keeps rising more rapidly than this rate, this enables IOCs to improve their exports volume, through the planning of new exploratory campaigns and intensification of current production sites. Even though the US dollar recently got stronger and pushed the oil barrel prices down, OPEC and other market analysts predict that the global oil demand will keep growing, especially in the developing countries (BRICS, for example). Everybody wins: the OSVs owners, the IOCs, the local supporting markets, and the Brazilian trade balance, and therefore the government.

In terms of production figures, Statoil was the second largest oil company with an average production of 45,000 boed at the end of 2012 (20% more than the same period in 2011), followed by Shell with 32,000 boed. This year, BG expects to have an output of around 39,000 boed in Brazil, up from 28,000 boed in 2012, through the inauguration last January of its second FPSO, Cidade de São Paulo, operated by Petrobras in the Santos Basin. The company expects to end 2013 as the second largest oil producer in the country, only behind Petrobras, while in 2014 two more platforms are expected to start operating.

As at time of writing, ANP was receiving the offers in Rio de Janeiro for the 289 onshore and offshore blocks in the North and Northeast regions of the country, our new offshore oil and gas frontier. The majority of the offered blocks in this bid are expected to have light oil of excellent quality, according to ANP, which will improve Brazil's competitiveness globally. ANP broadcasted the auction through a "webcast" video on its website and showed transparency and swiftness in publishing all results nearly in real time. The results (shown in the table on page 14) present some new operators in Brazil such as Niko Resources, Chariot, Ouro Preto, BG, Brasoil Manati, Premier Oil, Ecopetrol, etc., as well as some well-known ones such as BP, Statoil, Chevron, OGX, QGOG and Total among others. Petrobras was named operator in only two offshore blocks but will hold shares in many others. Shell, Repsol Sinopec, Karoon and Perenco, for example, which are currently operating in Brazil, were not awarded any new blocks to operate in this round. The Chinese oil companies that were expected to "rule" this auction, according to specialists, were not the superstars at all…



Offered blocks in the Brazilian 11th Licensing Round 2013.
Source: ANP

Most IOCs believe Brazil's future holds an economic and legal stability for the industry. While Petrobras will keep following the government guidelines regarding fuel prices and refining needs and is expected not to be the main bidder in the next ANP rounds again, the IOCs will more easily keep making their own choices and moves, even when they have publicly traded shares. For the first time, they were the stars of the new auction areas, and will keep being that. Before the 11th round, there were 18 startup companies signed up for the auction wishing to operate in Brazil, which clearly shows how companies positively see our oil and gas industry. We are truly living a special transition moment, where diversity, audacity, efficiency and investment will dominate, and will set the tone of our market for years to come.

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WHATS UPCOMING OVER THE NEXT FEW MONTHS

RESULTS OF ANP 11TH BIDDING ROUND - 2013 (ONLY OFFSHORE BLOCKS)

Water Depth	Basin	Block	Winning Companies (Operator in bold letters)	Bonus (in thousand BRL)	MWP* (in Work Units)	Local Content		ANP Points
						Exploration	Development	
Shallow Water	*Barreirinhas*	BAR-M-251	**OGX**	40,000	128	40 %	63 %	100
		BAR-M-292	**Chariot**	1,425	121	55 %	65 %	100
		BAR-M-293	**Chariot**	1,425	121	55 %	65 %	100
		BAR-M-313	**Chariot**	741	121	60 %	70 %	100
		BAR-M-314	**Chariot**	665	121	55 %	65 %	100
		BAR-M-387	**Ouro Preto**	778	122	37 %	55 %	100
		BAR-M-388	**BG**	15,800	1123	39 %	65 %	98,5
		BAR-M-389	**OGX**	80,000	1128	40 %	63 %	98,1
	Foz do Amazonas	FZA-M-254	**Brasoil Manati**	5,968	123	38 %	56 %	100
		FZA-M-320	**Ecopetrol**	4,000	121	51 %	64 %	100
		FZA-M-324	**BHP Billiton**	10,050	443	37 %	55 %	100
		FZA-M-467	**Brasoil Manati**	4,532	413	38 %	56 %	100
		FZA-M-539	**Brasoil Manati**	8,022	123	38 %	56 %	100
Deep Water	*Barreirinhas*	BAR-M-213	**OGX**	40,000	1282	40 %	63 %	100
		BAR-M-215	**BG**	50,000	280	39 %	65 %	100
		BAR-M-217	**BG**	24,000	280	39 %	65 %	100
		BAR-M-252	**BG**	148,000	1280	39 %	65 %	100
		BAR-M-254	**BG**	42,000	280	39 %	65 %	100
		BAR-M-298	**BG**	16,000	280	39 %	65 %	100
		BAR-M-300	**BG**, Petrobras and Petrogal	29,400	280	39 %	65 %	100
		BAR-M-340	**BG**	10,000	1280	39 %	65 %	100
		BAR-M-342	**BG,** Petrobras and Petrogal	79,800	1280	39 %	65 %	100
		BAR-M-344	**BG,** Petrobras and Petrogal	126,000	3300	39 %	65 %	98,5
		BAR-M-346	**BP** and Total	80,920	2100	37 %	65 %	99,7
	Foz do Amazonas	FZA-M-125	**Total**, BP and Petrobras	10,318	300	37 %	65 %	100
		FZA-M-127	**Total**, BP and Petrobras	40,462	2100	37 %	65 %	91,9
		FZA-M-184	**OGX**	30,000	281	40 %	63 %	95,6
		FZA-M-57	**Total**, BP and Petrobras	345,950	4300	37 %	65 %	100
		FZA-M-59	**BP** and Petrobras	44,506	2300	37 %	65 %	96,74
		FZA-M-86	**Total**, BP and Petrobras	10,318	300	37 %	65 %	100
		FZA-M-88	**Total**, BP and Petrobras	214,449	3300	37 %	65 %	100
		FZA-M-90	**Queiroz Galvão**, Premier Oil, and Pacific Brasil	54,128	1306	37 %	65 %	98,4
		FZA-M-257	**BHP Billiton**	20,100	489	37 %	55 %	100
	Ceará	CE-M-603	**ExxonMobil** and OGX	45,866	297	37 %	55 %	100
		CE-M-661	**Total**, Queiroz Galvão and OGX	40,462	1268	37 %	65 %	99,1
		CE-M-663	**OGX**	70,000	2188	37 %	56 %	99,1
		CE-M-665	**Premier Oil** and CEPSA	30,100	283	37 %	55 %	96,8
		CE-M-715	**Chevron** and Ecopetrol	62,716	1120	37 %	55 %	100
		CE-M-717	**Premier Oil** and CEPSA	30,100	2078	37 %	55 %	100
	Pará-Maranhão	PAMA-M-265	**Queiroz Galvão** and Pacific Brasil	10,067	282	37 %	65 %	100
		PAMA-M-337	**Queiroz Galvão** and Pacific Brasil	70,412	1282	37 %	65 %	100
	Potiguar	POT-M-475	**OGX**	20,000	268	37 %	56 %	100
		POT-M-567	**Ecopetrol**	9,200	268	37 %	55 %	100
		POT-M-762	**ExxonMobil** and OGX	81,877	1215	37 %	55 %	96
		POT-M-764	**Petrobras**, Petrogal and BP	8,000	270	37 %	65 %	100
	Espírito Santo	ES-M-596	**Petrobras** and Statoil	102,000	3300	37 %	65 %	99,6
		ES-M-598	**Statoil**, Petrobras and Queiroz Galvão	70,908	1300	37 %	65 %	100
		ES-M-669	**Petrobras**, Total and Statoil	130,000	3300	37 %	65 %	100
		ES-M-671	**Statoil**, Petrobras and Total	43,595	1300	37 %	65 %	99,6
		ES-M-673	**Statoil**, Queiroz Galvão and Petrobras	62,812	420	37 %	65 %	100
		ES-M-743	**Statoil**, Petrobras and Total	85,069	2300	37 %	65 %	100
	Pernambuco-Paraíba	PEPB-M-621	**Niko Resources** and Petra Energia	152	113	37 %	59 %	100
		PEPB-M-729	**Niko Resources** and Petra Energia	555	113	37 %	59 %	100
		PEPB-M-894	**Queiroz Galvão** and Petra Energia	797	113	37 %	65 %	100
		PEPB-M-896	**Queiroz Galvão** and Petra Energia	2,124	225	37 %	65 %	100

*MWP: Minimum Work Program.

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FINAL THOUGHTS FOR THIS MONTH

NEWS FROM MARACANÃ STADIUM

The consortium of Odebrecht, AEG and Eike's company IMX will manage Maracanã Stadium for the next 35 years, with an offer of BRL 181,5 million in 33 annual payments plus BRL 594 million to be invested in the complex infrastructure. The signing of contracts had been suspended by court ruling however reverted last Monday in favor of the consortium. "Maracanã S.A." must assume stadium's governance after Confederations Cup this June and start necessary preparatory modifications for the World Cup in 2014 and the Olympics in 2016.

LADIES HAPPY HOUR

The Westshore Brazil girls held a happy hour party this month where they hung out and chatted with other women working in oil and gas. The Charleston Bubble Lounge was the venue in Rio's Copacabana area. A great time was had by all, as the pictures show!

QR CODES FOR THE WESTSHORE APP