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On the Spot:

Brazil's Short-Term Charter Market

Offshore Access Game Changer:

A Look at Ampelmann

OPEX Reduction Through CPRB

Unitization

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AHTS Skandi Ipanema mooring the Ocean Alliance rig in Guanabara Bay

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Westshore do Brasil

Drilling & Production

The latest from Brazil

From China to Brazil

After the conclusion of its conversion process in the Chinese shipyard CXG, the FPSO Cidade de Ilhabela has arrived in Brasa shipyard, Niterói (RJ), to finish lifting and integration of 13 modules of its processing plant. The unit will be installed in the Sapinhoá field at a water depth of over 2,140 meters, in Santos Basin, and should start operations in the second quarter of 2014.

Finally home

The hull of the first pre-salt drillship already is in National lands. The unit, called Urca, came from Singapore and is being completed at Keppel shipyard by Sete Brasil, in Angra dos Reis at a total investment of USD 25.6 billion. The drillship is scheduled to be finished in December 2015 and start operations in 2016.

Back in action

Ocean Rig Mylos has restarted its operations in BM-C-33 block, for its drilling campaign which is focused on three prospects (Pão de Açúcar, Seat and Gávea) for Repsol Sinopec. The campaign was interrupted due to problems with a BOP which would have presented operational issues.

Investing in the future

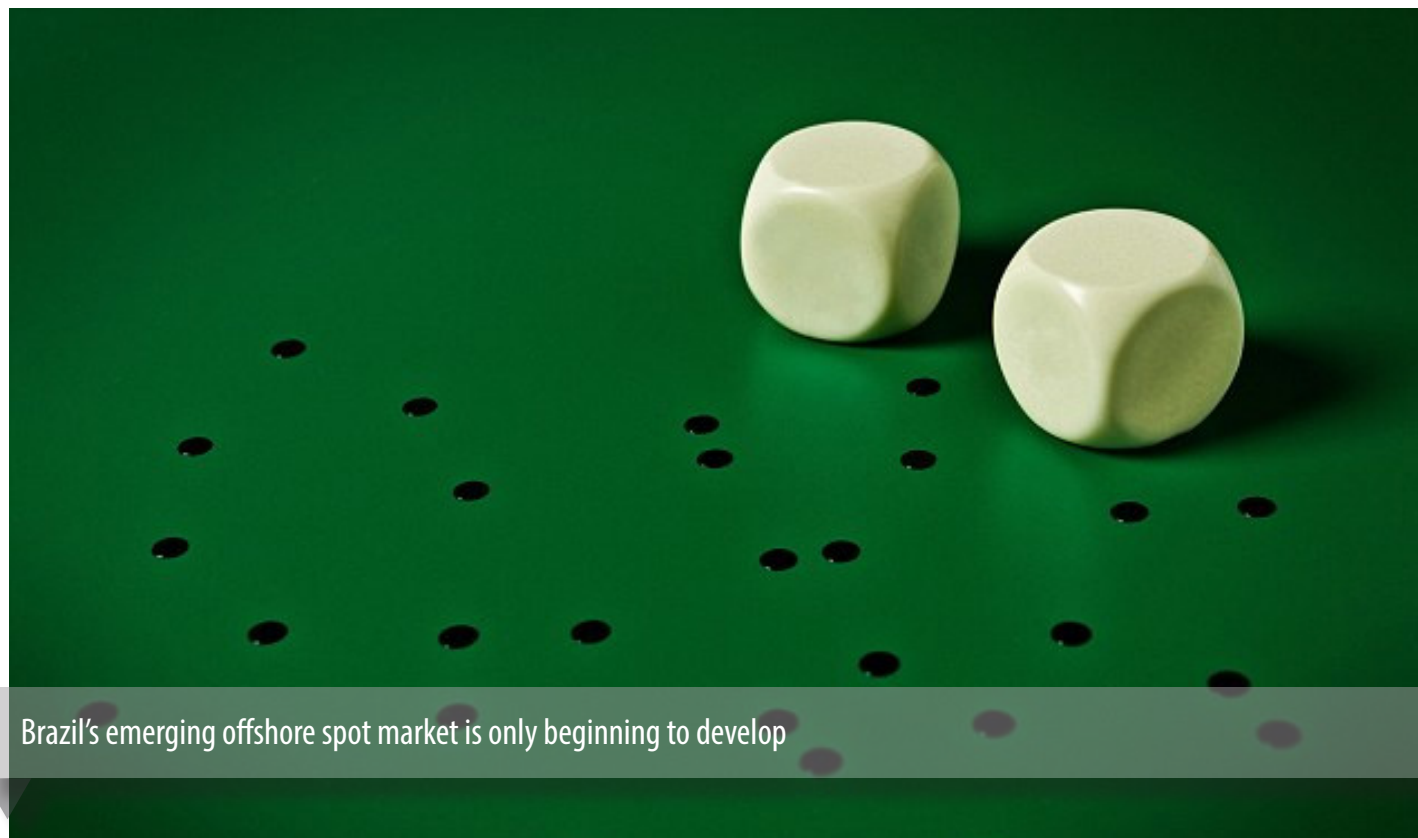
The Dutch company Huisman do Brasil's is building a new factory in Navegantes, Santa Catarina, dedicated to the production of drilling packages and PLSV subsystems. The facility should be operational by the third quarter of this year with the company aiming to produce complete onshore and offshore rigs.

Lead up

The semi submersible platform Ocean Alliance was towed to Rio de Janeiro on the 10th of this month and is anchored in Guanabara Bay for two weeks for maintenance on thrusters. The 174 ton bollard pull AHTS Skandi Ipanema, from DOE, assisted the mooring of the rig together with other two tugs from Camorim. The unit will spend 3 months in the warehouse 8 dock in the Port of Rio before starting operations for Petrobras.



Headline News



Brazil's emerging offshore spot market is only beginning to develop

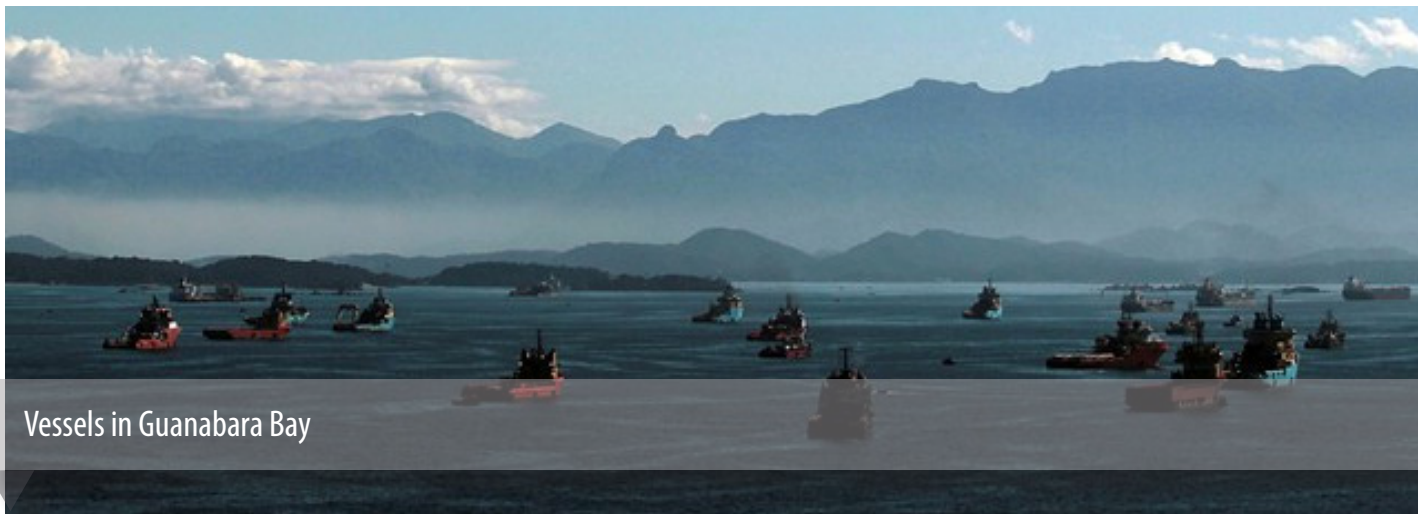
On the Spot

Last month, we presented the forecast in the Brazilian offshore scenario for 2014, pointing out the projects and potential demands of the seismic, contractors, Petrobras and spot market including IOCs and drilling companies. From all these “subcategories”, there is one that is always generating more debate and concern, from owners and also from charterers, which is the Spot Market.

We have seen the number of available AHTSs decrease from three last month to none in early February and back to five at the time of writing. Meanwhile, the number of PSVs has increased from one last month to

four now. The lack of AHTS availability was caused by vessels being docked for repairs or upgrades and others remaining longer than expected in spot jobs, while the PSV increase was triggered by the arrival of new vessels in Brazil and the end of some recent contracts.

Unfortunately for the owners and fortunately to the charterers, more PSVs are expected to become available within the next few months, and unless Petrobras, through its direct negotiations and tenders, absorbs them, there will be a clear destabilization of supply/demand on the spot, causing vessels to leave the country or to lower their rates considerably.



Vessels in Guanabara Bay

The tight availability of AHTS earlier this month has already caused some headaches in 1 or 2-day jobs, due to uncertainty in their availability. Companies that are accustomed to having AHTS in the spot market are approving further contract extensions to their vessels, since charterers are afraid they may end up having no options in the spot when they really need them. Another limiting factor is the need to pay monthly proportional duties to allow the operation of foreign vessels. The timing for customs clearance is now estimated in 3 to 4 business days in Rio de Janeiro, which in a spot demand means a lot of anxiety and most of the time no operation at all.

Also, new PSVs and AHTSs can have from USD 2,000 up to USD 8,000/day of increment in their daily rates, only to pay the vessel's importation duties. A few owners charge per day only, but those who need to charge for the full month put an extra burden on the charterer's shoulder when there is a lack of other choices.

As an aggravating situation, we have heard and read the word "sublet" several times this year, which makes it even more difficult for the vessels in the spot to justify their position and, to get such a market developed. Some Owners are even watching their vessels enter into cession agreements and seeing their unemployed vessels waiting for a job in Guanabara Bay.

In fact, and in a first moment, this can generate expressive savings for charterers by securing term charter rates for spot jobs, but in the long run it will discourage Owners considering placing their vessels in the spot market and thus deteriorate this market which is of great help to Charterers' logistical needs. To make things worse, some cession agreements do not even have differentiated rates, that take into consideration the new (shorter) period, different scope of work, obligations, HSE requirements, etc. This has a tendency to generate a lot of paperwork and offer virtually no gain to owners. It is crucial that the market understands that cession agreements should only be part of the worst case scenario, when no other capable vessels are available in the spot market.

If needs be, owners should be ready to protect their rights and strategy, and negotiate new terms and conditions according to current market tendencies. It is important to note that sublet agreements from IOCs are not possible in Brazil, but only cession, in which the current contract is "paused" for a certain period of time while the vessel owner and another charterer sign a new agreement, regardless of the terms of the contract signed with the first charterer. The short and medium terms vessel chartering market in Brazil has become something very unique throughout the years. It is full of instability and surprises and it demands a good deal of patience, ability and a broad vision in order to make the most of it. ■

Spotlight



Offshore Access Game Changer

Ampelmann Operations is a Dutch, high-tech offshore company founded in 2008 which has become a global market leader in offshore access with an unmatched track-record in safety, reliability and time-efficiency.

As a spin-off from the Delft University of Technology, Ampelmann set out to solve the problem of maintenance offshore in adverse weather conditions with a self-stabilizing full motion compensating gangway, allowing for safe offshore transfer of crew between vessels and platforms, semisubs or FPSO's.

The system has been proven to operate in severe weather conditions worldwide, year-round and 24 hours a day. The gangways have worked in up to 4.5m significant wave height (Hs) with the large E-type system and over 3m Hs with the smaller A-type. The system has enabled safe, easy and reliable crew transfers and broadened the weather window and increased the effective work hours on board.

With a doubling of the fleet every year since 2008, Ampelmann currently operates over 35 systems world-wide. Over 455,000 transfers have been performed over the past 6 years, without any Lost Time



The vessel mounted Ampelmann in action

Incident. Offshore crews are no longer jeopardized getting to their work locations, with the Walk-to-Work solution.

Ampelmann started with the A-type. This platform has 2m stroke cylinders and gangways of 25m maximum reach. In 2012, the next workhorse was developed, the E-type. With 3m stroke cylinders the system can carry up to 100 tons of payload. In November 2013 Ampelmann acquired Offshore Solutions with the OAS system, and thus added the O-Type to the family.

Safety is Ampelmann's primary concern, so improvements are continuously made to the system, operating and service procedures to keep the solid track record for years to come. Ampelmann continues to enforce its fleet of standard systems adding innovations in application: ship-to-ship functionality, cargo transfer, grouting support, re-fueling operations, 24/7 con-

nection, continuous transfer and many more. In 2014 Ampelmann will take delivery of the second CTS system, with a combination of a gangway and a 10mT crane tried and tested in the North Sea. Many other new developments are under way.

“The system has been proven to operate in severe weather conditions worldwide, year-round and 24 hours a day.”

Ampelmann delivers more effective use of offshore assets and vessels work-hours per day, reduction of waiting times and flexibility in where to send the crews, due to the combination of a DP2 OSV/PSV or other

types of vessel and Ampelmann systems installed. Ampelmann has recently decided to expand and set-up an entity in the USA and will soon do the same in Singapore. Meanwhile, current businesses in Europe, Middle East, Asia, Australia, North and Central America are growing and the expectation is that 2014 will see entry into the South American market in Brazil.

Vessel News

Chartering Activity

ASTROMARITIMA - OSRV Astro Tupi brazilian built at EISA shipyard and flagged in Rio de Janeiro has been delivered to her Owners ASTROMARITIMA and also to Charterers Petrobras to start her 8 years firm + 8 years option. This is the first of a series of vessels of the new generation of ASTROMARITIMA in Brazil.

LABORDE - Brazilian built and flagged LH Lab 180 has been fixed with OGPar for a spot operation replacing LH Fernanda M during repairs.

DRACARES - Recently acquired and renamed to DRS Ipanema, the OSRV/PSV has been fixed with Petrobras for oil spill training in Itajaí, south Brazil, having successfully completed the task.

NORSKAN - Brazilian built and flagged AHTS Skandi Ipanema was fixed with Brasdril to assist in anchor handling and rig positioning. The vessel is available at moment of writing being traded on spot requirements whilst awaiting its operation with Petrobras to start, potentially in mid-March.

GEORADAR - OSRV/PSV Dundee has been fixed with owners and oil spill specialists OceanPact for 30 days firm plus options.

MAERSK - AHTS Maersk Terrier has finished her charter successfully with Statoil after assisting on the rig move of S/S Noble Max Smith, which returned to Shell. The vessel is available on the Brazilian market at the time of writing.





The OSRV Astro Tupi built at EISA Shipyard

DEEPSEA SUPPLY - AHTSs Sea Leopard and Sea Tiger have been extended in 15 days with OGPar.

MAERSK - AHTS Maersk Provider has concluded upgrade to DP2 and is expected available on or around 20th February after conclusion of sea trials and final repairs.

CHOUEST - AHTS Elizabeth C is returning to Rio de Janeiro after yard stay to resume operations with HRT under novation contract from BP on the Polvo field.

DEEPSEA SUPPLY and MAERSK - BP have opened up to the market sublet possibilities for Brazilian built and flagged Sea Brasil and foreign flag under REB Maersk Fetcher, which are under contract until 2015. BP have discontinued exploratory campaigns in Brazil with the drillship DS4.

SIEM - Brazilian built and flagged Siem Atlas has

successfully concluded its charter with BP mid-February and is undergoing preparations to start its 2 years charter with Petrobras hopefully before the end of this month.

**“Brazilian built and flagged
AHTS Haraldo Ramos is
available on the spot market
after operations with OGPar”**

ASTROMARITIMA - OSRV Astro Vermelho has been chartered and concluded operations with Chevron in Frade field. The vessel is currently prompt in Guanabara Bay.

CHOUEST - Trio AHTS Bremona, PSVs Deborah Kay and Campos Captain are currently open on the spot in Brazil.

BOURBON - Brazilian built and flagged AHTS Haraldo Ramos is available on the spot market after concluding her operations with OGPar.

OCEANPACT - OSRV NS Loreto (formerly owned by Bourbon/Delba) has started its six months + options OSRV contract with OGPar on February 14th. ■

Operator Update

Brazilian Activity

New opportunities

ANP has decided to anticipate the 13th Round of exploratory areas by 2014 and offer inactive areas in mature basins for small and mid size companies in E&P activity in Brazil to raise the presence in the sector. The auction data hasn't been defined yet and the discussion according to the market is if it will happen before or after the Brazilian elections which are scheduled for October this year.

Shell in the news

The Anglo-Dutch company sold its 23% stake in block BC-10 in Parque das Conchas, Campos Basin, to Qatar Petroleum for an amount over USD 1 billion. The sale comes only months after Shell, which retains a 50% interest in the project, exercised a similarly priced option to buy the 23% stake from Petrobras. The rest of BC-10 is held by India's ONGC. Recently ANP has temporally suspended the company's operations in block BM-S-54, in the pre salt of Santos Basin, after the discovery of a petroleum reservoir that extends beyond the limits of the concession into an area not auctioned under the domain of the Union. The process is part of the negotiations with PPSA and ANP for the unitization of the production (more details on Look Ahead) which will determinate the operator of the area in common, the volume and the area unitized. PPSA has already had an informal meeting with Shell and ANP and expects to begin formal negotiations soon.

First oil on the market

The Brazilian company HRT has sold its first crude shipment of 233.3 thousand barrels under their own

responsibility as the operator of Polvo field. The company also anticipated that the second crude cargo sale is scheduled for the first week of March with an estimated volume of 400 thousand barrels.

Beyond expectations

Queiroz Galvão announced its successful development well at the Atlanta field, confirming excellent results in a production test which was higher than was estimated during reservoir simulation studies. The company is planning to drill a second well in the area and is also inviting major floater specialists to compete in two tenders for an FPSO with a capacity of between 25,000 bpd and 30,000 bpd of oil, and for a bigger unit with capacity of between 80,000 boed and 100,000 boed. The first oil is scheduled for late 2015 and early 2016.



Inside Story



Taxing times although the burden may be reduced

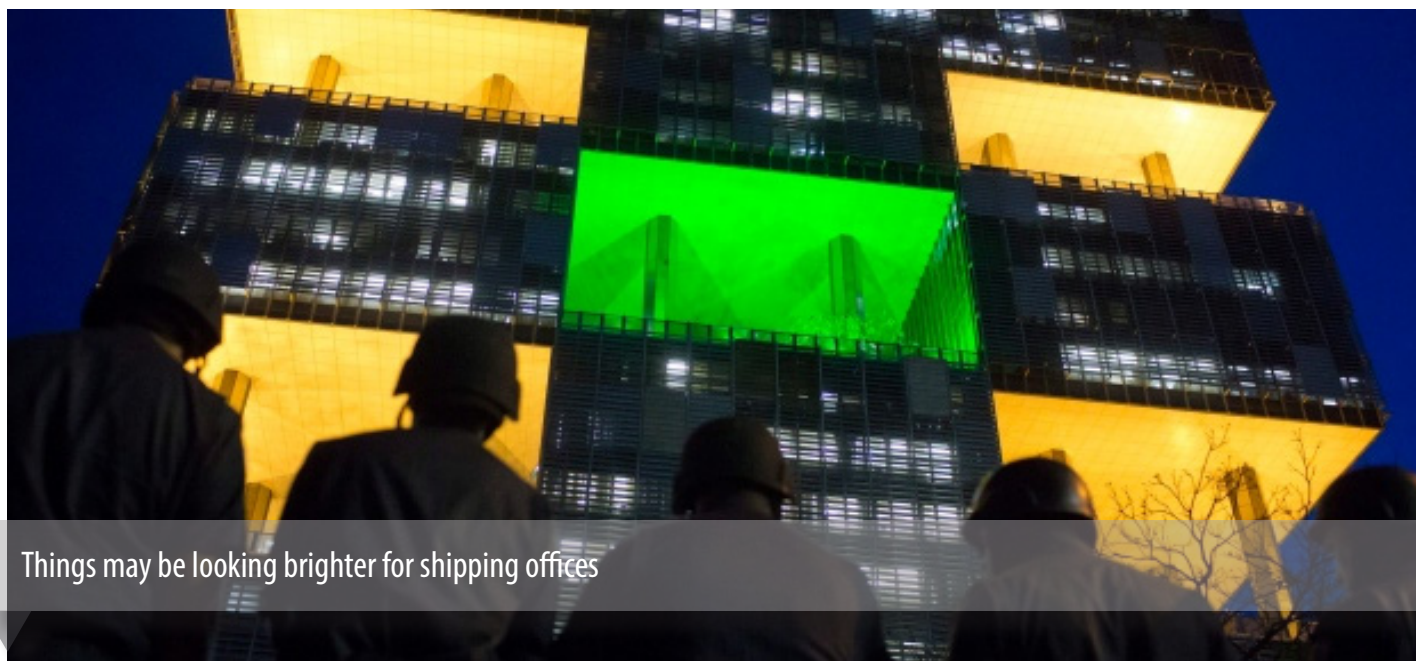
OPEX Reduction Through CPRB

It is easy to forget that the Government's financial effect on the offshore support industry does not have to be limited to simply increasing taxes. Occasionally it can also benefit the business and under the recent social security contribution, the Brazilian Government has done just that and provided a considerable opportunity for cost savings. In some cases this might even shave as much as 5% off OPEX.

The current government has established, in Dilma's genuine super-manager style, a programme named Brasil Maior (Greater Brazil). The main objective being to ensure Brazil "maintains an inclusive economic growth in an adverse economic context and comes out of the

international unprecedented crisis in better conditions than those encountered when the crisis started".¹ The programme involves the entire industrial base as means of sustaining industrial growth, but also gives a lot of attention to the services sector, which represents the largest portion of the Brazilian Gross Domestic Product.

As such, law 12.546/2011 (enforced 2013) in its Article 8, 3rd paragraph, item X, included the offshore and port support shipping companies amongst those beneficiaries of the substitutive of the (INSS) social security tax. Named CPRB (Contribuição Previdenciária sobre a Receita Bruta), the new tax replaces the patronal 20% social security contribution over the payroll expenses by a 1%



Things may be looking brighter for shipping offices

(in the case of the offshore and port support industry) contribution over the gross revenue.

In many cases this could have had a negative impact; however on a labour intensive activity such as offshore and port support, the savings can become quite relevant. Some shipowners in Brazil have shared with us during our research, that an offshore support vessel with advanced technology, such as a top-of-the-range AHTS has at least 40% of its OPEX going to payroll expenses, including social costs. The simpler the vessel gets, the higher the percentage of the OPEX represented by overhead costs, which can reach an incredible 60% on an accounting-depreciated PSV, for instance.

In such a scenario, the replacement of the “INSS” by the CPRB has generated relevant savings, which can reach an order of 5% over the OPEX of overhead-intensive vessels. Moreover, one practical aspect that has been highlighted by Owners closely following this, has to do with the retention of the “INSS”. Before the change being promoted, over the “Services” contract a total 11% retention would have been made by the charterer before payment of the Nota Fiscal de Serviços (NFS-e).

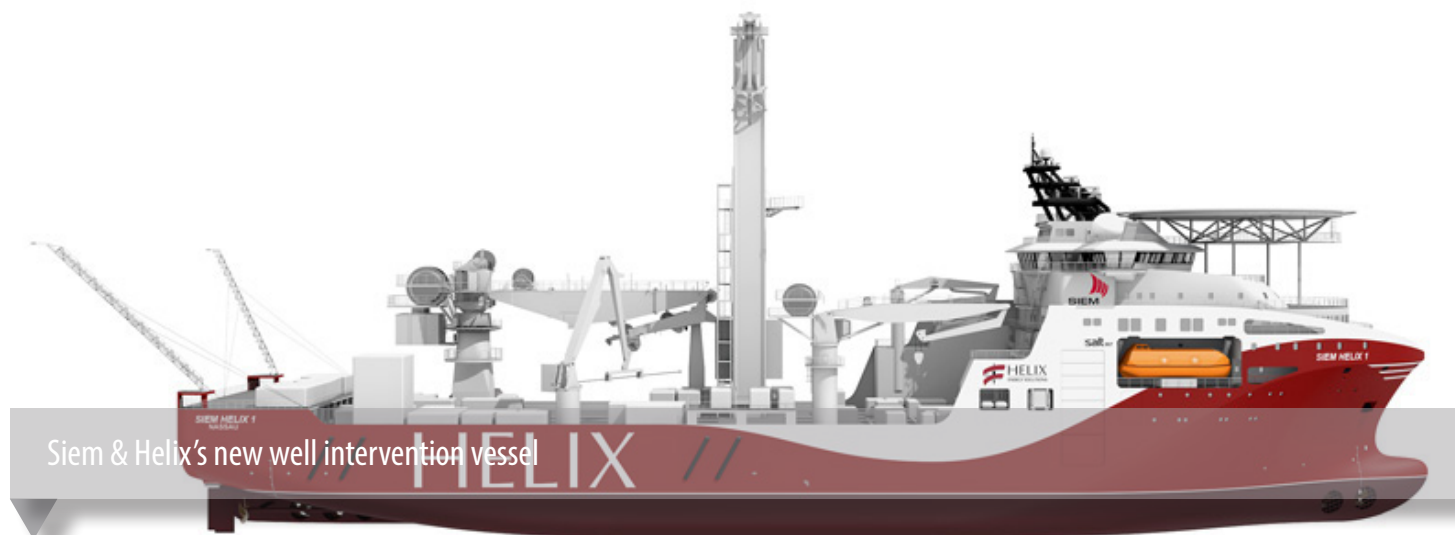
“Replacement of INSS by CPRB can mean savings in the order of 5% on OPEX of overhead intensive vessels”

Some specific rulings have made this retention reduce to 3.5%, or a more risky non-retention by the charterer over those contracts which were 100% “services”, such as those awarded by oil companies which are not Brazilian shipping companies.

The reality of the matter is, where the 11% retention took place, the Owners could hardly compensate for the entire retained 11%, maintaining a “receivables” eternally opened with the Institute (INSS). Not only the social security retention was made, but Owners had to provision against some loss of the retained tax.

The CPRB collection is straight-forward. For the sector under the spotlight, 1% has to be collected by the shipping company; no retention by the charterer is due and that is clearly marked by the legislation. The collection of the 1% tax is to be made by the 20th day of the subsequent month of the invoiced service, and the year-end reconciliation is no longer needed. Even for the matters pertaining to employee’s legal prosecution against a non-collection of the tax, the law provides clear mechanisms of compensation, making the entire case much easier to be resolved. [1source: www.brasilmaior.mdic.gov.br/conteudo/128] ■

Petrobras News



Time for Well Intervention

The oil major Petrobras has firmed up a four-year contract with the American company Helix Energy Solutions to provide well intervention services in Brazil. The company will be responsible for providing the topsides and management of the integration of well intervention equipment while Siem was contracted, by Helix, for supplying two newbuilding well intervention vessels in a seven-year contract. The units are scheduled to start operations in mid 2016 and late 2016 respectively and a third unit is under negotiation with Etesco.

Libra 2014 Plan

A Petrobras-led consortium plans to spend between USD 400 million and USD 500 million this year to carry out initial exploration activities in the Libra pre-salt field in the Santos Basin. The plan is for the drilling of two exploration wells in the second half of 2014 with plans for completion in the first half of 2015. There will also be seismic reprocessing for the entire block, in addition to studies for the acquisition of a new seismic survey using high-end technology and an extended well test in the end of 2016. The Libra exploration period expires in December 2017, four

years after the signature of the contract, and Petrobras expects the first oil in 2020.

Rigs on the Market

Petrobras is on the market with an international tender in order to sell five jack-ups (P-1, P-III, P-IV, P-V and P-VI), plus the semi-submersible drilling rig P-IX. All proposals and documents must be submitted by April 18th 2014, and then the bidders will be allowed to visit and inspect the units. Petrobras will deliver the rigs to the bid winners within 30 days, starting on May 30th, after integral payments, at São Roque do Paraguaçu shipyard and the Aratu naval base in Bahia.

Race for Tartaruga Verde

According to the market, three companies are competing in a Petrobras' tender for the construction of the FPSO Tartaruga Verde, which will operate in Campos Basin. They are SBM Offshore, MODEC and BW Offshore. The field, formerly known as Aruanã, holds 230 million boed and is located in a total depth of 2,993 meters. The first oil is scheduled for 2017.

Petrobras Tables

The latest on tenders

RSVs for Petrobras

The company has made some progress on two tenders issued in 2012 and 2013 for ROV support vessels (RSV). In 2012 thirteen vessels were offered on four batches as following in the table. Far Saga and Toisa Warrior were awarded on batch B for 8 and 4 year contracts respectively. Recently, Petrobras revealed that Toisa Valiant and Toisa Vigilant were contracted for 4 year contracts on batch A while the single

proposals for lot C and D are still under analyses. Meanwhile, the tender issued in 2013 had six vessels competing on two batches. Despite the vessel Geoholm being the single offer on batch 1, she also was offered on batch 2 and was awarded along with Toisa Coral, Smit Kamara for 1.5 year contracts each. The vessel Reef Despina was disqualified for no compliance with the tender requirement. The value of the proposals has not been revealed.

RSV 2012

Ranking	Batch	Vessel Owner	ROV Contractor	Vessel	Flag	Contract period
1	B	FARSTAD	SUBSEA 7	Far Saga	Foreign	2920 days
2	B	SEALION	FUGRO	Toisa Warrior	Foreign	1460 days
3	B	NORSKAN	DOF	Geoholm	Foreign	1460 days
4	B	PETROSANTOS	RRC	Jaya Vigilant	Foreign	2190 days

Ranking	Batch	Vessel Owner	ROV Contractor	Vessel	Flag	Contract period
1	A	SEALION	SUBSEA 7	Toisa Valiant	Foreign	1460 days
2	A	SEALION	SUBSEA 7	Toisa Vigilant	Foreign	1460 days
3	A	NORSKAN	DOF	Skandi Texel	Foreign	2920 days
4	A	NORSKAN	DOF	Skandi Sotra	Foreign	2920 days
5	A	SEALION	FUGRO	Toisa Voyager	Foreign	1460 days
6	A	CBO	DEEPOCEAN	CBO Isabela	Brazilian	1460 days
7	A	PETROSANTOS	RRC	Jaya Valour	Foreign	1460 days

Ranking	Batch	Vessel Owner	ROV Contractor	Vessel	Flag	Contract period
1	C	FUGRO	FUGRO	FUGRO AQUARIUS	Brazilian	2190 days

Ranking	Batch	Vessel Owner	ROV Contractor	Vessel	Flag	Contract period
1	D	PROMON	OCEANEERING	ULSTEIN SX130	Brazilian	2190 days

RSV 2013

LOT 1 Offer Received		
Rank	COMPANIES	VESSEL
	DOF/DOF	GEOHOLM (A)

LOT 2 Offers Received		
Rank	COMPANIES	VESSEL
1	DOF/DOF	GEOHOLM (B)
2	BOSKALIS/CONTINENTAL	SMIT KAMARA (B)
1	SEALION/SUBSEA 7	TOISA CORAL (B)
	DOF/DOF	SKANDI FLUMINENSE (B)
Disqualified	TBN/REEF SUBSEA	REEF DESPINA (B)

Continued...

PSV 1500BR Flag Classification

Further to our January 2014 edition, Petrobras revealed all vessels qualified on PSV 1500 BR flag as following:

OWNER	VESSEL	YEAR OF BUILT	TC PERIOD	DAY RATE (USD)
ASTROMARITIMA	ASTRO ARRAIA	1988	3 YEARS	19,907.00
ASTROMARITIMA	ASTRO BADEJO*	1989	3 YEARS	19,907.00
ASTROMARITIMA	ASTRO PARGO*	1987	3 YEARS	20,497.00
ASTROMARITIMA	ASTRO ENCHOVA	1989	3 YEARS	20,997.00
ASTROMARITIMA	ASTRO GUARICEMA	1987	3 YEARS	20,997.00
ASTROMARITIMA	ASTRO VERMELHO**	1987	3 YEARS	22,457.00
GEONAVEGACAO	TBN MDPL 1498**	2014	3 YEARS	31,000.00

* Disqualified due to non compliance with age requirement or availability lower than 90%

** Disqualified due to prices considered excessively high

6th New Building Round Unofficial Classification

The tender issued on December 2103 regarding Petrobras' 6th Newbuilding round had its offers disclosed. Sixteen vessels are competing on PSV 4500 category for delivery latest 2017. On the AHTS (delivery up to 2018) CBO was the only bidder on AHTS 15000 and 18000 category with 2 and 4 vessels, respectively. On the AHTS 21000 category, Norskan has no competitors for its 2 vessels offered.

PSV 4500

Ranking	Bidder	No of vessels	Period (years)	Day Rate (USD)
1	Asgaard	6	8	36,872.12
2	Chouest	3	8	33,500.00
3	CBO	2	6	37,500.00
4	Starnav	3	8	37,233.11
5	WSUT	2	6	37,459.00

AHTS 15000

Ranking	Bidder	No of vessels	Period (years)	Day Rate (USD)
1	CBO	2	6	68,000.00

AHTS 18000

Ranking	Bidder	No of vessels	Period (years)	Day Rate (USD)
1	CBO	4	6	73,000.00

AHTS 21000

Ranking	Bidder	No of vessels	Period (years)	Day Rate (USD)
1	Norskan	2	4	99,100.00

Continued...

This month's tender awarded

Petrobras has finally revealed the proposals awarded for construction on the 5th newbuilding round tender. On the PSV 4500 category (delivery latest 2016), Starnav was the only winner with three PSVs after competing with fifteen other vessels. On the AHTS 2100 category (delivery up to 2017), Chouest and Norskan will supply the company with 4 and 1 vessel, respectively. Note that despite the fact that Chouest had offered 3 vessels, Petrobras decided to hire 4 AHTS from the company.

PSV 4500

Ranking	Bidder	No of vessels	Period (years)	TDG	CDC	TT
1	Starnav	3	8	35,233.00	10,656.74	45,889.74
2	Oceana	3	4	-39,200.00	-11,440.58	-50,640.58
3	BRAM	3	8	-37,920.00	-15,454.23	-53,374.23
4	Geonavegação	3	4	-38,900.00	-16,005.74	-54,905.74
5	WSUF	2	6	-39,964.00	-16,550.41	-56,514.41
6	Astromarítima	2	4	-37,031.00	-19,563.42	-56,594.42
7	Farol	2	8	-48,500.00	-25,731.00	-74,231.00

AHTS 15000

Ranking	Bidder	No of vessels	Period	TDG	CDC	TT
1	Oceana	4	6	-83,100.00	34455.58	117555.58

AHTS 18000

Ranking	Bidder	No of vessels	Period	TDG	CDC	TT
1	Oceana	4	6	-87,500.00	-40,943.43	-1,284,436.43

AHTS 21000

Ranking	Bidder	No of vessels	Period	TDG	CDC	TT
1	Chouest	3	2920	89,492.00	44,546.16	134,038.16
2	Norskan	1	1460	86,000.00	58,424.36	143,564.36

TDG: Proposed global day rate

CDC: Fuel daily cost

TT: Total day rate

Petrobras' Requirements

Previously to our editions, the company is still on the market for some OSVs in different categories as following:

Date	Scope of Work	Period (Years)	Exp. Commencement date	Deadline For Offers
09/12/2013	AHTS 12000	4+4	31/05/2014	March 14th 2014
03/01/2014	FSV OSRV Lot I	4+4	30/06/2015	February 28th 2014
03/01/2014	FSV OSRV Lot II	4+4	31/12/2015	February 28th 2014
16/01/2014	PSV 4500 A and B type	4+4	31/07/2014	February 25th 2014
16/01/2014	PSV 3000 A and B type	4+4	31/07/2014	February 25th 2014
17/01/2014	RSV	4 or 6 or 8	30/11/2014	February 18th 2014

Continued...

Subsea Equipment Support Vessel (SESV) - unofficial results

Petrobras has recently revealed the offers on Subsea Equipment Support Vessels (SESV) issued in September 2013 for 5 + 5 years contract with delivery to take place in 2016. Note that the ranking takes in to consideration fuel consumption criteria and the bidders Aker Solutions and Sapura offered vessels yet to be built while Gan Energia and Island Offshore offered existing hulls/vessels.

Ranking	Vessel	Bidder	EBN	Total Day Rate (USD)	Fuel Consumption (USD/day)
1	Aker TBN	Aker Solution	OSM Brasil	250,000	17,037
2	Sapura TBN 1 and 2	Sapura Navegação Marítima Ltda	TBN	260,000	11,692
3	Aker Wayfare HLV	Aker Solution	OSM Brasil	250,000	22,031
4	Sapura TBN 1	Sapura Navegação Marítima Ltda	TBN	263,000	11,692
5	Island Intervention	Choeust / Island Offshore	Bram Offshore	262,221	16,626
6	Aker Wayfare	Aker Solution	OSM Brasil	282,200	22,031
7	DeepEnergia TBN	Gran Energia	Gran Energia	297,000	10,331



Look Ahead



Unitization: Who Owns the Oil?

Unitization comes to light when a proven reservoir extends beyond a block into another awarded or non-awarded area. We look at how this is dealt with in Brazil. With the intent of preventing predatory exploration of oil in country, which could be harmful to the public interest, as well as to those companies which have been awarded concessions, the Brazilian Petroleum Law (PL) has recommended that concessionaries should handle the unification processes, by constituting agreement such as a Joint Venture.

So far so good when the model of award of areas is the

same. However, since the milestone set by the lawful act of the pre-salt regime, Brazil has to deal at the same time with Concessions and Production Sharing (PSC) agreements. This can become quite complicated if a unitization process comes across operators with different types of agreements.

Generally speaking, the Concession agreement establishes that the oil produced from the reservoir is exclusively the property of the concessionaires, who will have to collect royalties and other taxes to the Government in return of the award of the block, besides the award down payment and mini-



Petrobras has a strong technical department looking into the case

mum commitments established on the agreement. Approved in 2010, the PSCs have changed the logic of “property” of exploited hydrocarbon reserves. Under the new rules the Government receives part of oil production and Petrobras, as the national operator, has to hold a minimum of 30% of interest of all pre salt projects. The first and so far only award in such model of the Libra field, saw Petrobras in partnership with Royal Dutch Shell and Total combined with Chinese CNOCC and CNPC.

On another concession however, under the Concession agreement regime, a unitization process a discussion arose. Shell had to interrupt its operations in block BM-S-54, once its reservoirs extended into an area belonging to the Union (that is the country). The Anglo-Dutch oil major is the operator in BM-S-54 under the Concession Regime with Total as partner, and is currently negotiating the terms for future exploration, development and hopefully production with ANP and PPSA (the Pre-Salt company created by the Government) to determinate the future of its operations in the area.

The issue being, if the area where the reservoir extends into were subject of a concession award, then Shell and the other operator could freely discuss a resolution for the produced oil. However, if the reservoir

extends into an area in pre-salt and belonging to the Union, that will require adherence to the law which establishes PPSA / Petrobras at the operating forefront and a different mechanism of property of the product - that is, the oil.

The challenge is, Brazil has to honor and respect awards distributed prior to the pre-salt milestone, but at the same time have to safeguard and ensure that national interest is preserved, not in detriment to the private sector interest in investing in the country.

Good sense prevailing, the parties should reach an agreement soon. This will allow the private oil major to go ahead with its plans and commitments with ANP and the country, and a decent agreement reached to ensure that the oil parcel belonging to the neighboring area can be settled between the parties. It needs to be hoped that some bureaucrat in Brasilia does not demand that every drop of oil is accounted for, when oil experts know reservoirs are good but unguaranteed predictions.

Both Shell and Petrobras have a strong technical departments capable of reaching such an agreement. And what is for certain is that the resolution will set a new and much needed milestone and all eyes will be on the outcome. ■



É Isso Aí

“Hell” de Janeiro!

The expression “Rio 40°C” has been experienced almost every day by cariocas in 2014. The average maximum temperature in the city is 36.2°C, while the normal level for January should see thermometers around 29°C. January 3rd was the hottest day in the last 30 years in the city, when thermometers reached 40.3°C and the lowest level observed in the state capital was 28.5 °C. Besides the afternoons, the late nights in the city are also sultry and midnights have hit 30.5°C.

“Westshore do Brasil will participate at the OSJ conference in London with Daniel Del Rio giving a talk.”

Carnaval

Usually celebrated during February, this year the famous Carnival will be take place in the first week of March. In our next edition we will bring more details about how we Brazilians spent our days of revelry.

Upcoming conferences

This month, Riviera Maritime Media will promote the OSJ Conference in London. From February 18th to 20th, the event will present and discuss subjects related to the subsea market,

an analysis of OSVs market over the world and much more. Westshore do Brasil will participate with Daniel Del Rio speaking and giving an overview of the Brazilian offshore market. ■