

BRAZILIAN WAVE

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ISSUE 4

THE BRAZILIAN OFFSHORE MARKET REPORT



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WESTSHORE SHIPBROKERS AS



SPEND SPEND SPEND

Recent spending surveys conducted amongst oil companies indicate spending will reach record levels in 2012, amongst other regions Latin America ranks high on the spending spree.

Several financial institutions conduct E&P Spending Surveys whereby a range of majors, NOCs and independents are surveyed to gauge how spending will progress over the coming years. The latest to hit the headlines is Barclays Capital, whose survey encompasses over 350 companies the world over. The latest survey concluded that global E&P spending will fall just short of USD 600bn in 2012. This represents a 10% increase on 2011 but notably represents a decline in growth from the previous year's figure of 20%. This in part can be attributed to a cautious sentiment as a result of the continued economic uncertainty in Europe and elsewhere. Directly tied to this is oil price, the latest forecasts for 2012 indicate Brent crude will potentially fall below USD 100 in the first half of 2012 and the oil companies surveyed echoed this with budget assumptions for Brent crude coming in on average at USD 98 and USD 87 for WTI. Author of the report at Barclays said there was much potential for upside in the figures should European financial troubles come to a resolution, oil production in North Africa resumes to previous levels and cost inflation

amongst service companies continues to increase.

How much will come from Brazil?

The whole of Latin America was singled out for its part in the spending increase expected for next year. This means Pemex, seeking to inject life into the decline of its major fields, Colombia's Ecopetrol which has had a growing presence over the past decade and not least Petrobras. The very nature of the pre-salt areas not to mention the size of the estimated reserves will require heavy investment to see the oil come on stream. Indeed it is thought that the most 'meaningful' increases will come from the likes of Petrobras for which the multi-year development plan for the pre-salt areas was factored into the report. A vast amount of new equipment and infrastructure is needed to realise the potential of the pre-salt areas. The report further commented that it would be the oil service companies that would emerge particularly well in the industry with the rig owners and equipment manufacturers also

tipped at outperforming the wider equity markets.

Cost concerns

However several concerns have been voiced over the rising costs in Brazil recently for oil service equipment, not least support vessels. Rightly or wrongly the domestic preference, or in some cases insistence, is resulting in Brazilian companies running at less than optimal efficiency and consequently unable to compete with foreign counterparts. It could be said that the delayed oil production in Brazil comes as a result of lack of funds to make the necessary high levels of investment, lack of man power and lack of domestic companies that can supply goods. The minimum domestic content policy is conditioning a market dynamic for oil production capacity that will result in a distorted market, particularly if the solution continues to be further subsidy from BNDES. It is thought that if current regulation prevails Brazil may end up with one of the world's most expensive offshore service industry.



03 VESSEL NEWS

THIS MONTHS FIXTURES, REQUIREMENTS AND MARKET SCREENINGS

THIS MONTHS FIXTURES

TERM FIXTURES

DATE	CLIENT	VESSEL	OWNER	PERIOD	DAY RATE
14 Nov 2011	Petrobrás	Lewek Fulmar	Emas Offshore	4+4 years	\$ 60 800,00
14 Nov 2011	Petrobrás	Malaviya Nine	Great Offshore	4+4 years	\$ 38 250,00
14 Nov 2011	Petrobrás	Anglian Princess	JP Knight	4+4 years	\$ 36 950,00
14 Nov 2011	Petrobrás	C.E. Laborde Jr.	Tidewater	4+4 years	\$ 37 500,00
14 Nov 2011	Petrobrás	Sea Jaguar	Deep Sea Supply	4+4 years	\$ 36 800,00
14 Nov 2011	Petrobrás	Sea Cheetah	Deep Sea Supply	4+4 years	\$ 36 400,00
14 Nov 2011	Petrobrás	Armada Tuah TBA (SK203)	Bumi Armada	4+4 years	\$ 33 990,00
14 Nov 2011	Petrobrás	Maersk Boulder	Maersk	4+4 years	\$ 46 400,00
14 Nov 2011	Petrobrás	Maersk Blazer	Maersk	4+4 years	\$ 45 750,00
14 Nov 2011	Petrobrás	Far Senior	Farstad	4+4 years	\$ 69 661,00
30 Nov 2011	Anadarko	Seabulk Angra	Seacor	180 days	low 30's

SPOT FIXTURES

DATE	CLIENT	VESSEL	OWNER	PERIOD	DAY RATE
16 Nov 2011	Chevron	Karen Tide II	Tidewater	30 days	RNR
16 Nov 2011	Anadarko	Maersk Lancer	Maersk	30 days	RNR
17 Nov 2011	Chevron	CBO Maricá	CBO	30 days	RNR
21 Nov 2011	Subsea7	Far Sabre	Farstad	20 days	RNR
24 Nov 2011	Seadrill	Sea Leopard	Deep Sea Supply	05 days	\$ 45 000,00
27 Nov 2011	ONGC	Seabulk Angra	Seacor	07 days	RNR
30 Nov 2011	Cockett Marine	Sea Leopard	Deep Sea Supply	7 days	\$ 45 000,00
30 Nov 2011	Cockett Marine	Seabulk Brasil	Seacor	12 days	\$ 36 000,00
12 Dec 2011	Tranship + EAS	Sea Leopard	Deep Sea Supply	20 days	RNR



THIS MONTHS REQUIREMENTS AND MARKET SCREENINGS

REQUIREMENTS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
17 Nov 2011	Transocean	Supply duties	10 days + opts	Mid December
18 Nov 2011	Seadrill	Deck cargo, SS West Eminent	5 days + opts	21 Nov 2011
22 Nov 2011	Iso Destra	Monitoring Oil Spill - Frade loc	30 days	22 Nov 2011
22 Nov 2011	Global Industries	Anchor Handling, 60 - 70 TBP	50 days	March/April 2012
25 Nov 2011	Chevron	Environment monitoring	30 days	Beg/Dec
25 Nov 2011	O.W. Bunker	Bunker delivery, Scarabeo 9	TBA	PPT
28 Nov 2011	Shell	Tanker lifting, FPSO Espirito	7 days	30 Nov 2011
02 Dec 2011	Shell	Cargo Run	2 days	PPT
06 Dec 2011	Statoil	PSV, Supply Peregrino, 20 days	20 days	20 Dec 2011
07 Dec 2011	Statoil	LH, 2 years	2 years	Jan/Feb 2012
09 Dec 2011	Chevron	OSV, Supply duties	10 days + opts	15 Dec 2011

MARKET SCREENINGS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
24 Nov 2011	Petrobras	AHTS 12000, 15000 TS, 1800	4+4 years	Jun/2012

A WORD WITH WESTSHORE

Douglas Moura
Shipbroker

"P-55 tow from Pecém to Rio Grande have kept Sea Leopard committed after the job for Cockett/Saipem. She will finish the tow mid-January 2012."



04 VESSEL NEWS CONT.

THIS MONTHS FIXTURES, REQUIREMENTS AND MARKET SCREENINGS

* **Maersk Lancer** has arrived in Rio and is fixed to Anadarko to install 8 preset mooring lines at Wahoo location (BM-C-30), Campos Basin. It's the third L-type in Brazilian waters, as Maersk Leader and Maersk Lifter are under charter to Shell Brasil, providing services at BC-10 location.

Terrel Tide (DP II) finished its contract with OGX Petróleo e Gás after one year and is heading to West Africa. **Karen Tide II**, a Fast Supply DP I Brazilian flagged vessel, is expected to finish its spot contract with Chevron after 30 days work at the Frade location. **Milan Tide** had its commitment extended with BP until March 2012.

* Deep Sea Supply, having sent Sea Tiger to West Africa, kept AHTS **Sea Leopard** in the spot market and after the job with Statoil was completed, was fixed for Seadrill and Cockett Marine at attractive rates.

* **Toisa Voyager**, DP II ROV Support Vessel, is expected to be prompt in Rio de Janeiro from 18th December 2011. The vessel is equipped with Fugro ROVs: one Seaeye Lynx class and one FCV 3000 design.

* Seacor fixed the **Seabulk Ipanema** (LH) and **Seabulk Angra** (PSV 3000t dwt) to Anadarko. The first for only 30 days and the PSV for 180 days. Seabulk Brasil has finished its spot job for Cockett Marine.

* **UOS Endeavour** and **UOS Navigator** presently working in Falkland Islands are likely to pass by Brazil heading north around Christmas. These are sister ships to the 4 UOS 200-210 tpb working in Brazil (2 with Starfish going to Anadarko and 2 with Perenco). Vessels are at time of writing uncommitted.

* Companhia Brasileira de Offshore (CBO) PSV **CBO Atlântico** was delivered on Nov. 24 from the Aliança shipyard and will soon commence an 8 year firm contract with Petrobras on the PSV3000 category. The 75m PSV is the first Ulstein PX106 design to be delivered from Aliança shipyard. Sister ship **CBO Pacífico** is expected to be delivered in March of next year, followed by four larger PSVs of the Ulstein PX105 design (**CBO Flamengo**, **CBO Copacabana**, **CBO Arpoador** and **CBO Ipanema**). All of these newbuilds are expected to begin eight-year contract with Petrobras shortly after delivery. The CBO Atlântico has a clear deck area of 600m2 and can carry 4,150 barrels of liquid mud.

* DOF/NorSkand 31,000 bhp AHTS **Skandi Amazonas** launched August 2010 is expected to be delivered from the STX OSV yard in Niteroi before year end. The vessel will in January begin an eight-year contract with Petrobras. The vessel is 95m in length and 300-tonnes bollard pull. Sister AHTS **Skandi Iguacu** is also under construction at STX Niteroi, scheduled for delivery in May 2012, when it will begin its own eight-year contract with Petrobras.

* Edison Chouest Offshore (ECO) 5,200t dwt PSV **Bram Belem** was launched from Estaleiro Navship in Navegantes, Brazil; the vessel is expected to be delivered in April 2012. The 92m DP-2 PSV has a contract with Petrobras for eight years firm. Navship has also laid the keel for Bram Belem's sistership, **Bram Buzios**, which is expected to be delivered in the July 2012. ECO have concluded delivering their 10th Oil Spill Response vessels with contracts awarded by Petrobras, with 2 more under way as part of the most recent OSRV 750 Tender. ECO has also delivered 1 OSRV, AHTS **Casey Chouest** to OGX in the course of 2011 in complement of its extensive fleet - totaling 60 vessels on contract and 12 under construction with contracts awarded - in Brazil alone.



05 PETROBRAS TENDERS

UPDATE ON THIS MONTHS OUTSTANDING TENDERS

PSV 1500

A heated vessel category with Petrobras constantly awarding more than 5 contracts, lastly with Bourbon 7 Liberty 100' Class. Twentyeight proposals were submitted for Petrobras on the most recent bid. Otto Candies tonnage already working with the Oil Company. The Vega Offshore are newbuildings from Singapore.

See below the offers and vessels disqualified due to excessive price.

PSV 1500					
#	VESSEL	OWNER	DESIGN	DAY RATE (USD)	YEAR BUILT
1	AMY CANDIES	OTTO CANDIES	190' Class	19 500,00	2002
2	KERI CANDIES	OTTO CANDIES	190' Class	19 500,00	2006
3	MARY FRANCE CANDIES	OTTO CANDIES	190' Class	20 500,00	2004
4	OLIVIA CANDIES	OTTO CANDIES	190' Class	20 500,00	2008
5	VEGA CORONA	VEGA OFFSHORE	UT 755	20 990,00	2012
6	VEGA CRUSADER	VEGA OFFSHORE	UT 755	21 990,00	2012
7	SHERGAR	GARWARE	61.2m OSV	22 000,00	2009
8	SEA STOAT	DESS	Seatech P-729	23 500,00	2012
9	SEA VIXEN	DESS	Seatech P-729	23 750,00	2011
10	SEACOR CABRAL	SEACOR	190' Class	23 915,00	2007
11	SEACOR COLUMBUS	SEACOR	190' Class	23 915,00	2007
12	SEA JACKAL	DESS	Seatech P-729	23 950,00	2011
13	HIGHLAND SCOUT	GULF MARINE	Bender Ship	24 950,00	1990
14	SEA FOX	DESS	Seatech P-729	25 450,00	2011
15	CELIA CANDIES	OTTO CANDIES	265' Class	25 500,00	2005

PSV 1500					
#	VESSEL	OWNER	DESIGN	DAY RATE (USD)	YEAR BUILT
16	SEA BADGER	DESS	Seatech P-729	25 950,00	2011
17	HOS NORTH	HORNBECK	200' Class	25 950,00	2000
18	ARMADA TUAH 302	BUMI ARMADA		26 250,00	2012
19	HOS HOPE	HORNBECK	200' Class	26 350,00	1999
20	HOS ST JAMES	HORNBECK	200' Class	26 350,00	1999
21	HOS ST JOHN	HORNBECK	200' Class	26 350,00	2000
22	COLLINS TIDE	TIDEWATER	Bender 220' Class	26 600,00	2002
23	HEBERT TIDE	TIDEWATER	217' Quality Shipyard	26 725,00	2006
24	CARLINE TIDE	TIDEWATER	UT 755	26 950,00	2001
25	CABINESS TIDE	TIDEWATER	Khiam Chuan	27 750,00	2009
26	DEVILLE TIDE	TIDEWATER	200' Class	27 850,00	2004
27	HOS BYRD	HORNBECK	200' Class	29 950,00	1999
28	HOS DAVIS	HORNBECK	200' Class	29 950,00	2000

PSV 4500

Not many vessels offered on November 18th, however a broad range on rates (low USD 30's to low USD 50's Gross) at an increase from past tenders; November 2010 Chouest came below USD 30k and Global Offshore at around USD 31k the last one hired. Shortlisted bidders are very close on rate (Russell Tide and Toisa Serenade, on type A, only USD 15 apart). Petrobras can possibly stick to only 3 of those on the shortlist.

PSV 4500 A					
#	VESSEL	OWNER	DESIGN	DAY RATE (USD)	YEAR BUILT
1	HAVILA FORTRESS	HAVILA	VS 483	34 995,00	1996
2	RUSSELL TIDE	TIDEWATER	UT745	36 985,00	1999
3	TOISA SERENADE	SEALION	VS483 MkII	37 000,00	2008
4	SIEM SUPPLIER	SIEM	MT6000	37 482,00	1999
5	HANDIN TIDE	TIDEWATER	MMC	39 995,00	2011
6	SIVA TBN (MW619/15)	SIVA SHIPPING	MMC887	40 000,00	2011
7	GAMMAGE TIDE	TIDEWATER	MMC	40 500,00	2011
8	REM SUPPORTER	REM MARITIME	STX PSV 06	47 000,00	2011
9	PACIFIC HAWK	SWIRE PACIFIC	Aker PSV 09 CD	51 360,00	2011

PSV 4500 B					
#	VESSEL	OWNER	DESIGN	DAY RATE (USD)	YEAR BUILT
1	UP JADE	ULTRAPETROL	VS4408	33 000,00	2012
2	RUSSELL TIDE	TIDEWATER	UT745	36 460,00	1999
3	TOISA SERENADE	SEALION	VS483 MkII	37 000,00	2008
4	SIVA TBN (MW619/15)	SIVA SHIPPING	MMC887	38 500,00	2011
5	LEWEK AQUARIUS	EMAS OFFSHORE	MMC	38 900,00	2012
6	HANDIN TIDE	TIDEWATER	MMC	38 995,00	2011
7	GAMMAGE TIDE	TIDEWATER	MMC	39 500,00	2011
8	REM SUPPORTER	REM MARITIME	STX PSV 06	47 000,00	2011
9	STANFORD HOBBY	STANFORD MARINE	MMC887	51 000,00	2011
10	PACIFIC HAWK	SWIRE PACIFIC	Aker PSV 09 CD	51 225,00	2011



06 PETROBRAS TENDERS CONT.

UPDATE ON THIS MONTHS OUTSTANDING TENDERS

AHTS 21000 ARF AND 18000

This requirement was issued with relevant changes, most notably the opportunity to offer a separate MOB and DEMOB rate. Petrobras has however taken into account the total cost inclusive of MOB and DEMOB to classify the bidders, the shortlist can be seen below. Maersk is eager to place tonnage in Brazil and remains strong on bids despite several of the L-Class AHTSs already allocated to Brazil. No doubt the Anadarko job and the placement of local tonnage including the vessels working for Shell positioned them very competitively.

AHTS 21000 ARF A						
#	VESSEL	OWNER	DESIGN	DAY RATE (USD)	MOB FEE (USD)	YEAR BUILT
1	SIEM RUBY	SIEM	VS491CD	64 347,00	5 750 000,00	2010
2	FAR SAGARIS	FARSTAD	UT731CD	73 900,00	-	2009
3	HAVILA VENUS	HAVILA	Havyard 845	87 500,00	1 900 000,00	2009

AHTS 21000 ARF B						
#	VESSEL	OWNER	DESIGN	DAY RATE (USD)	MOB FEE (USD)	YEAR BUILT
1	MAERSK LANCER	MAERSK	L-Type	62 740,00	4 000 000,00	2010
2	MAERSK LAUNCHER	MAERSK	L-Type	64 770,00	4 000 000,00	2010
3	MAERSK LOGGER	MAERSK	L-Type	65 940,00	4 000 000,00	2009
4	SIEM GARNET	SIEM	VS491CD	74 275,00	6 600 000,00	2010
5	SKANDI HERCULES	DOF	AH 04 CD	120 000,00	10 000 000,00	2010

LH2500 AND UT4000

On Monday (12/12), Petrobras concluded the tendering phase for two types of LH2500. As a national tender, only Brazilian flagged vessels or under REB could be offered. See below.

The UT 4000 was postponed until 19th December.

LH 2500 A				
#	VESSEL	OWNER	DAY RATE (USD)	YEAR BUILT
1	TBN C-396	STARNAV	8 846,00	2012
2	TBN C-397	STARNAV	8 846,00	2012
3	TBN01 SS01-018	LOCAR	15 000,00	2012
4	TBN02 SS01-019	LOCAR	15 000,00	2012
5	TBN03 SS01-020	LOCAR	15 000,00	2012

LH 2500 B				
#	VESSEL	OWNER	DAY RATE (USD)	YEAR BUILT
1	ACERGY SABIÁ	SUBSEA 7	8 900,00	2001
2	MERLIM	TUG BRASIL	8 970,00	1988
3	GALAHAD	TUG BRASIL	8 970,00	1991
4	SEABULK IPANEMA	SEACOR	13 950,00	2002





CHEVRON & THE FRADE SPILL

Reports of a leak at Chevron's Frade field began to surface in November. The spill is estimated at 2,500 bbls with residual leaks flowing, at time of writing. Upon detection of the spill Chevron triggered recovery measures and has shut down one of the production wells and four produced water injection wells. The well being drilled is part of Brazil's sub salt area, and part of the Frade field where Chevron holds Production activities and was further developing the field with new production wells. Fines were incurred by Chevron in accordance with Brazilian legislation. Authorities declared the fines to be small when taken into the context of the market value of an Oil Major and the Industry budget figures. What is also being called into question is the readiness and capacity of the Offshore Industry to exploit the vast offshore resources, and those in Deepwater. Predictably, the media are drawing comparisons between this and the terrible events surrounding the Macondo disaster in the Gulf of Mexico in 2010. It's worth noting however that the Brazilian authorities have not deemed the spill to fall into the classification of a 'Major Oil Spill' and the volumes spilled were not at a level to trigger the National Contingency Plan, which exists to address events of Macondo proportions.

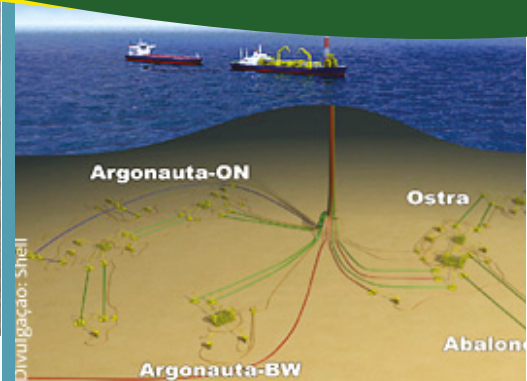
The need for change

Chevron faces in excess of USD 100m in fines over the spill. It has become the consensus that the level of fines needs to be looked at in order to align with the budgetary and actual capital projection of the oil and gas project in question. Moreover the fines must be sufficient to cover the cost of clean-up of the potential damage. In terms of regulation, an effective review of current legislation is under way and it is likely that the events at Frade will be taken into account and in particular oil

spill response equipment will be singled out for scrutiny.

The effect on vessels

The Brazilian authority currently accepts that any Offshore Support Vessel is considered a suitable "recovery" vessel. In accordance to the Oil Spill Response Plans, there has been to date no determination by Authorities as to the Class notation of such equipment. Nor have the Authorities detailed the type of recovery equipment to be used, for instance, different skimmer types for different Oil grades, when this is a relevant factor as to the efficiency of such equipment and the oily water to be recovered. The demand for Oil Rec classed vessels will increase, as it will for Oil Spill equipment. A good example of the level of detail and quality that will be demanded can be seen on the OSRV tenders of Petrobras. The awareness level has definitely been raised in all companies. In the short run the Oil Spill plans will be reviewed by the Oil Majors and a marginal increment is expected for the demand for Oil Spill Equipment. We will see some vessels being fitted with Oil Spill equipment and a few conversions to Oil Rec Class will be seen. Mid to long-term the requirements for Oil Rec Class will increase - and that includes not only Petrobras but especially the IOCs.



Shell – Huge Investments Underway

Shell Brasil CEO André Araújo announced considerable investment will be made on Phase 2 of Parque das Conchas, Espírito Santo Basin and Bijupirá & Salema, Campos Basin. The value was not revealed, but estimated at USD 2.5 billion, on top of USD 3 billion already invested. Shell aims at 30,000 to 40,000 barrels increase until 2013 over the current production of 93,000 barrels.

The Anglo-Dutch Group approved the expansion of both projects. At this stage, Shell aims to drill 10 wells over the next 18 months.

Note: Shell Brasil targets natural gas on shore expecting to drill the first well on Q2 2012, at São Francisco Basin (currently undergoing seismic). Shell owns five blocks in the region.

A WORD WITH WESTSHORE



Jacqueline Medina
Shipbroker

"Stay tuned for Maersk Oil upcoming tender, drilling campaign expected for second quarter 2013."

08 DRILLING & PRODUCTION ROUNDUP

WHAT'S GOING ON OUT THERE?



FROM GREENLAND TO BRAZIL

The drilling campaign in Greenland has drawn to a close, an unsuccessful summer for Cairn, that had the ultra deepwater drillship Ocean Rig Corcovado on hire for the duration of the 2011 campaign but the unit is now undergoing preparations for its three-year Petrobras charter. The drillship will mobilise to Brazil following work being done at the AF Decom yard in Norway and is expected to be in Brazil around February 2012. Ocean Rig Corcovado delivered from the yard in South Korea in January 2011, the Greenland campaign was its first hire since delivery.

Ocean Lexington

The Diamond Offshore owned semisubmersible rig Ocean Lexington was chosen by Maersk Oil to perform its next drilling campaign. The moored rig is under contract to OGX til February 2013. The Maersk Oil Drilling campaign is expected for May next year, when an assignment of undergoing contract will be made.

Pacific Mistral

The newly built deepwater drillship Pacific Mistral has arrived in Brazil and is undergoing testing and certification ahead of commencing its three year Petrobras charter.

Sevan Driller

The Sevan Driller has struck oil for Petrobras at the Bigua well in Block BM-S-8. The circular hulled semisubmersible is chartered to Petrobras until May 2016 with further options remaining thereafter. It is understood the next well to be spudded is Carcara.

Peregrine 1

La Patagonia Offshore has acquired the PEREGRINE I deepwater drillship for \$5 million through a bankruptcy auction. The unit, which is presently located at the Aratu Shipyard in Brazil, is slated to undergo upgrades following its acquisition. Upgrades are to include new thrusters, a 50-ton crane, Converteam DP, power management and SCR system. La Patagonia plans to market the rig in Brazil, as well as other locations worldwide.

Deepsea Metro II

Another new rig to join the growing Brazilian drilling scene is the Deepsea Metro II, recently delivered from HHI in South Korea. The drillship will mobilise to Brazil shortly where it will commence a three-year Petrobras contract expected to start around the beginning of 2012

Thank you to..

The photos used for the December issue of Brazilian Wave have been sent to us from Wilson Sons Ultra Tug Offshore. Westshore wishes to thank them for this and remind readers that we are always eager to receive new photographs for future editions of Brazilian Wave!



09 LOOK AHEAD

WHAT'S UPCOMING OVER THE NEXT FEW MONTHS

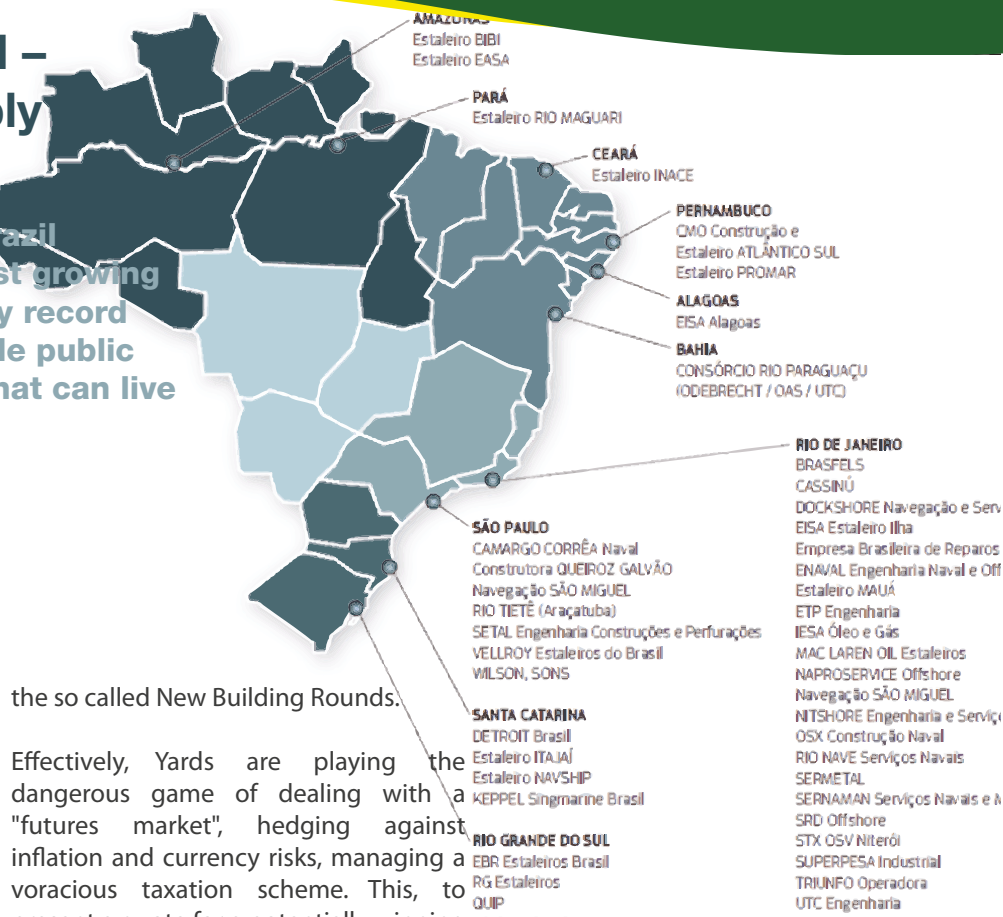
Ship building in Brazil – Sustainable?...possibly

With record number of orders, the Shipbuilding industry in Brazil is considered one of the fastest growing in the country. But with equally record prices and based on large-scale public financing, is this an industry that can live on its own?

Sinaval, an Institution that represents Shipyards in several regions of the country, produced the Map above. Many of you will struggle to come up with but a handful of names of Brazilian shipyards as it is not easy to cope with the speed of new and expanding Brazilian yards, just as it is not simple to trace and track all the vessels being delivered from them.

There are three main divisions of yards in Brazil: Those building Drilling Rigs, FPSOs and their Top sides; Tankers, Gas Carriers and General Cargo ships; and Offshore Support Vessels. In very rare cases a yard is large enough and can carry out business in all of these. This is mentioned in order to establish that, in terms of profile, Brazilian yards are not very different from others around the globe. But some differences can be noted as soon as one gets a closer look into their business models.

Shipbuilding demand in Brazil is highly (if not totally) based on specific tonnage requirements, the strongest example being the Transpetro direct Orders (Tankers, Gas Carriers...) and the Petrobras Tenders (Offshore Support Vessels). The initial contact to obtain quotes from yards happens in waves, everytime the Oil Giant calls in for tonnage. The shipyards are then caught quoting for Transpetro, with their large backing; or for several Owners that are bidding/competing without knowing if their bid will be awarded by Petrobras in



the so called New Building Rounds.

Effectively, Yards are playing the dangerous game of dealing with a "futures market", hedging against inflation and currency risks, managing a voracious taxation scheme. This, to present a quote for a potentially winning bid today, which will only hopefully materialize tomorrow, for a vessel to be delivered "God knows when...". The result? The highest prices ever seen.

In other places around the globe, demand and vessel orders for shipyards are based on Owners buying for their fleet renewals and expansion, concentrated on their own business and financial models. Which means that those shipyards, different from Brazilian, are planning their businesses and negotiating with their main suppliers at a constant pace, keeping their own demands steady and not inflating costs due to "waves" or moments of heated calls, or to deal with the "unknown". Therefore in Brazil, more Owners are investing in their own shipyards, for example CBO, Wilson, Sons, Chouest... and others are specializing in a certain niches of vessel type, for instance STX, to remain in the business by means of

dealing with what is known. Owners that have been most successful in local Shipbuilding have built on speculation, avoiding approaching yards in moments of heat. Still, industry majors are coming in or coming back. An example is Jurong, this month setting its foundation stone for Jurong Aracruz, investing over USD 250 million and becoming operational by 2013. Or Swire Pacific Offshore having ordered 4 PSVs as discussed in our last edition.

If the uncertainties of the market are not scaring respectful companies who continue to invest, would it be correct to assume that this has become a sustainable industry? Possibly, provided that growth remains constant, but not largely dependent on public financing and National charterer demand. The next 2-3 years will demonstrate if it really is.

10 INSIDE STORY

A LOOK AT SOME OF THE ISSUES WHEN DOING BUSINESS IN BRAZIL



WHAT CAME FIRST, THE CHICKEN OR THE EGG?

The world famous causality dilemma can be easily applied to various cases, and in particular to the current circular cause and consequence of the incipient Spot Market in Brazil. Afterall, is there a Spot Market in Brazil?

by Alexandre Vilela
Marine Advisor



Spot Market by definition is the opposite of 'Futures Market'. Google it and you find the most common use of the expression from the Financial Markets.

It is related to products/commodities that will be immediately delivered.

Crossing the bridge into Offshore Shipping, Spot also means immediate; requirements that have an early or prompt commencement can be considered Spot. Further, it relates to the requirement duration. Those of a few days or up to a couple or three weeks, are called Short Term. Anything close to a month or longer than is a Term requirement. In practice, Spot Contracts are those of immediate or short delivery of the vessel to fill in a Short Term requirement.

However, 'Spot Market' needs a broader clarification. A functioning Spot Market is comprised of Charterers (Oil Companies, Rig Owners, Project Companies, etc.) which rely on

availability of vessels to be hired on demand, that are made available by the Owners ready to have the vessel hired, on occasion.

Since 2005 in Brazil, vessels which were going from one drilling campaign to another were the ones considered as trading in the Brazilian "Spot" market (average 75 days charter period). We have then seen

further development since 2009 with vessels being able to keep good utilization by securing shorter period contracts independent of rig sequence. Those which are presently trading in the Brazilian Spot market are mainly those redelivered from local mid-long term charters. Spot charter requirements are still based on rig time saving opportunities/equations and/or

on emergency situations e.g. breakdown, unavailability of term vessels.

Looking at the facts, we have one main example of a vessel that has been playing on the Spot Market and has achieved an acceptable utilization average, Deep Sea Supply AHTS Sea Leopard. She is playing the heated role of a mid-size Anchor Handler with good below deck cargo capacity and moving around for a couple of years. Rates are sustained at above USD 38-47k excluding proportional importation taxes. However, we don't see many other vessels having succeeded in the Brazilian spot market due to its lack of steady requirements, local bureaucracy (visas, Proportional Importation duties, PSC, flag waiver) and disincentive by several competing assignment contracts (sublet) made between Oil Companies.

But how this will develop in the future is a good question. We at Westshore have insisted that Charterers develop their internal acceptance of industry contract templates or create their own version of a contract that can be delivered to Owners, reflecting the reality of a "Spot Hire", simplified and standard.

Owners on the other hand can develop their ability to deliver a vessel prompt, sign a contract over the weekend and have the vessel

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on the other hand can develop their ability to deliver a vessel prompt, sign a contract over the weekend and have the vessel ready. Slowly it will come, but only with these factors addressed: Charterers requirement, vessel readiness, simplified contracting. The chicken will come first, it will just take a bit of time to hatch.

**INTERVIEW WITH
TARCIO A. BEZERRA - CEO**

Grupo TAPB a sua parceria de sucesso



Q: When was ACAMIN established?

ACAMIN is our Brazilian Shipping Company also known as EBN - Empresa Brasileira de Navegação, through which we support foreign Owners that bring their vessels to Brazil to operate for Petrobras and the other Oil Companies. ACAMIN was established in 2007, as a step taken by our Group to provide our customers with an integrated and reliable service.

Q: Which other Companies are part of the TAPB Group?

Besides ACAMIN, we have our own Crewing and VISA service Company, BRASCREW, an important part of our business to ensure we keep the best professionals employed and deliver to the customers the necessary flexibility of professionals. This is strategic, given the actual difficulties of the Brazilian market in securing available and competent crews for the vessels. We further deal internally with the entire VISA process for the foreign crews, without external dependence. The Group also hosts SAICU, our Imports and Exports division for goods as well as TRASOLL, our Transportation Services arm.

Q: What is the company's purpose and strategy and what advantages does ACAMIN offer the final customer?

We see our in-house competence in several support areas as our strongest point, despite ACAMIN as an EBN being currently a small set-up. This leads to a better service to the Charterer, time savings as well as relevant cost reductions on the operation and readiness of our Customers' vessels. It is important to highlight that the performance of sub-contractors has a direct impact on the final activity of a vessel, therefore, having it on our own structure is a benefit. As examples of the activities we control ourselves: Ship Agency, Logistics at port, Freight Forwarding Services, VISAs, Manning and local agencies, Immigrations Support. Our strategy for the future is to further develop our Customer base without losing

Q: Which companies to ACAMIN currently represent as a Brazilian Shipping Company?

We have grown our Customer base and we are currently representing MARNAVI, GLOBAL SERVICES (GAREWARE), THOR and REDERIJ GROEN via PGS and CGGVERITAS..

Q: Can you tell us more about the milestones ACAMIN has reached since its inception??

We have been through the process of implementation and award of the PEO-TRAM program with Petrobras. It is a detailed operations excellence in airborne and maritime transportation program, with the objective of improving the performance of the suppliers in their Safety Management Systems and Operations. PEO-TRAM calls for the highest industry standards, reaching new levels of control and risk reduction through suppliers improvement and development. In other words, the program helps Petrobras to evaluate and monitor the performance of its associated suppliers and sub-contractors. The program establishes a continuous progress of the companies, and Petrobras audits the participants every six months, based on a check list of requirements, such as legislations and certifications. The final result is compared and the companies are scored against each other.

Acamin sees PEO-TRAM as productivity gain and upgrading of procedures for our company, resulting in a better service and progress.

Those who have started from scratch on this program having to face each audit of Petrobras until award, with a limited structure and having to invest at the same time, know that this is possibly one of the most relevant milestones of an EBN in the Brazilian market and working for Petrobras.

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FINAL THOUGHTS FOR THIS MONTH



The Final Whistle

Sweat...ambition... passion. After 38 rounds, the Brazilian Championship, "Brasileirão", has ended. Corinthians raised the trophy only on the last match, before their home crowd, at the Pacaembu stadium. One of the most competitive leagues in the world, this year's championship was the most exciting of the last 11 years, since the new competition scheme took place on 2001. During the year, at least seven teams were fighting for the championship. From Rio de Janeiro, two teams (Fluminense and Flamengo) were classified to play Libertadores 2012, together with the champion and Internacional. Vasco got classification through Copa do Brasil and Santos won Libertadores 2011, automatically qualifying for the next season.

And it wasn't just Corinthians that had a reason to celebrate. Congratulations **Eunice Minczuk, from Maersk Supply Service**. You won the Quiz from last month! Your gift is on the way.



WESTSHORE COCKTAIL PARTY



Westshore hosted a cocktail party in celebration of the first year in Brazil last month. The guests enjoyed a great reception in a fantastic atmosphere with live music and good food. The Westshore team was delighted to meet friends and partners on a fabulous night.

The Westshore team wishes our customers a wonderful Christmas and a New Year full of prosperity and joy.