BRAZILIAN WAVE

JULY 2012

ISSUE 11

THE BRAZILIAN FOCUSED MARKET REPORT

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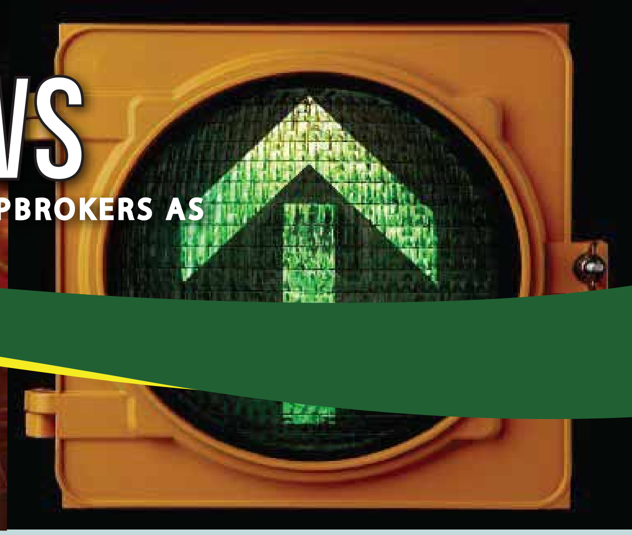

It's time to buy!

With a record "discount" of around 30% on asset value, the question arises over whether Petrobras has become a bargain in the stock market? That or perhaps OGX with its current stock price 50% below the initial offering price in 2008?

The logic of the market dictating the value of oil companies is sometimes not as rational as we would like. In most cases it can be closely associated with a definition once given by Professor Synval Sant´Anna Reis Neto from the Federal University of Rio de Janeiro, where the value of something, that is, how much that something is worth, is no more than the perception of whoever wants to have it. It may be simplistic, but nevertheless very true. The current share cost of Brazil´s two largest oil companies is low, at the same time both companies have sufficient cash, equipment and reserves to guarantee their development. Warren Buffet would say that it is an opportunity to buy. Would you?

The definition of value is not consensus. Some defend intrinsic value, where something is worth the cost of process of producing it. Others defend subjective value, where something is worth as much as it is useful and as long as there is not enough of it. Both make sense but are not enough to explain the situation of Petrobras and OGX share value, and certainly not enough to help predict what will happen with them in the future.

The underlying cause for such depreciation in value of both companies is quite similar in spite of the difference in size and portfolio. The market does not trust that the companies will deliver as much as they are promise. The case of Petrobras has been a stumbling block for some time and is far more complex, starting with its investment plan not being independent of the national agenda. The giant resources of the oil major have been used to subsidize the achievement of local content targets and to sponsor the investment of supporting industries. Over the last 3 years, Petrobras have been unable to give satisfactory explanation as to why the company is choosing more expensive local equipment leading to an increase in operating costs, while at the same time is not "authorized" to make any adjustment in its main revenue generation - consumer prices.

Furthermore, the company has gained transparency, and in as much as it sounds contradictory, the new firm and realistic declarations of their current management, including those of technical and career employee President Graça Foster, generates a negative effect on perception, as the situation gets enlightened. No one is arguing that Petrobras shouldn’t be transparent, but the fact is that senior management have been so direct in pointing out the challenges that lay ahead that share price has fallen. The situation of Petrobras is delicate, as pointed out by President Foster. The company will most probably not reduce its local investment, but will have to work harder to demonstrate better management which in turn should be reflected by lower operating costs per barrel of oil produced.

03 HEADLINE NEWS

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Notwithstanding, it will not be possible to maintain investment if Petrobras gets undermined by reduced income when not reflecting the inflated costs on their refined product rates. In October 2010 Petrobras raised over 210 billion Reais on the stock exchange, and that will only be possible again, if Petrobras succeeds in correcting its economic premises, again raising the value of its shares. The market is currently responding that they do not see Petrobras clearly addressing the issue. That is the reason why Petrobras shares are discounted, leveling out with companies such as Gazprom and Japan Tobacco, which are facing serious business difficulties.

The perception of OGX is linked to factors which being corrected may lead to a natural readjustment of its share value. Recently, OGX have revised the output capacity of two wells (OGX-26HP and 68HP) down to 5,000 barrels per day each against its projected production of over 8,000 barrels each. The reduced expectations and a bad week in the global markets, combined with its young age have led to the share price falling 25%. Since May 2012 it is down 52%. The market has quickly perceived that the fundamentals of OGX are good and along with a management change, the share value has begun appreciate - but not nearly enough to recover from its loss since the IPO.

This movement has also been seen in other companies within the sector, for instance Queiroz Galvão, which in spite of a good financial result in 2011, has also been impacted by market perception when it comes to its listed price. Queiroz Galvão is a

partner in Estaleiro Atlantico Sul (EAS) Shipyard, which has been commissioned to build tankers for Petrobras shipping subsidiary Transpetro and is currently having difficulties to deliver on time and on budget. EAS have recently entered a new partnership with Japanese IHI as technical partner in order to resume construction on the Transpetro vessels. With more or less independency, the net of businesses on a national scale in Brazil is a massive value generator, but can quickly disappear at ones perception of not being able to deliver its promises. In today´s market price is taken, not given.

A WORD WITH WESTSHORE

Daniel Del Rio
Managing Director

“The market is eager to see how the rates for PSV 1500 and PSV 4500 will behave given the Petrobras PSV 3000 tender results shown in this edition.”

04 VESSEL NEWS

THIS MONTHS FIXTURES, REQUIREMENTS AND MARKET SCREENINGS

TERM FIXTURES

DATE	VESSEL	TYPE	CLIENT	OWNER	PERIOD	DAY RATE
09 July 2012	**TOISA SERENADE**	**PSV**	PETROBRAS	SEALION	4+4 YEARS	34 000,00
09 July 2012	**VEGA INRUDA**	**AHTS**	PETROBRAS	VEGA OFFSHORE	4+4 YEARS	26 200,00
09 July 2012	**VEGA EMTOLI**	**AHTS**	PETROBRAS	VEGA OFFSHORE	4+4 YEARS	26 200,00
09 July 2012	**VEGA JUNIZ**	**AHTS**	PETROBRAS	VEGA OFFSHORE	4+4 YEARS	26 200,00
09 July 2012	**VEGA JAANCA**	**AHTS**	PETROBRAS	VEGA OFFSHORE	4+4 YEARS	26 200,00
20 June 2012	**MAERSK HELPER**	**AHTS**	VANCO	MAERSK	6 MONTHS	RNR
25 June 2012	**SEABULK ANGRA**	**PSV**	ANADARKO S.A.	SEACOR	5 MONTHS	32 000,00

SPOT FIXTURES

DATE	VESSEL	TYPE	CLIENT	OWNER	PERIOD	DAY RATE
06 July 2012	**Maersk Handler**	**AHTS**	STATOIL	MAERSK	56 Days	42 000,00
06 July 2012	**Sea Panther**	**AHTS**	STATOIL	DEEP SEA	56 Days	38 000,00
20 June 2012	**Karen Tide II**	**FSV**	TRANSOCEAN	TIDE WATER	5 Days	21 000,00
22 June 2012	**Maersk Master**	**AHTS**	ANADARKO S.A.	MAERSK	15 Days	38 000,00
22 June 2012	**Maersk Handler**	**AHTS**	ANADARKO S.A.	MAERSK	15 Days	65 000,00

REQUIREMENTS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
10 July 2012	TECHNIP	1X PSV / AHTS, SUPPLY DUTIES	5 DAYS + OPTIONS	03 Sept 2012
20 June 2012	QUEIROZ GALVÃO	1X PSV / AHTS, CARGO RUN	DAYS + OPTIONS	13 July 2012

VESSEL NEWS

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

HORNBECK - Duo HOS St. James and HOS St. John are leaving Brazil after a successful campaign with Petrobras, seeking better commercial conditions in the attractive Gulf of Mexico market.

DEEP SEA SUPPLY and MAERSK - The Sea Panther and Maersk Handler have been snapped up by Statoil to support their Peregrino South campaign. With day rates around USD 40k, the duo is expected to remain on charter for over 60 days.

TIDEWATER - Brazilian built FSV Karen Tide is trading on the Brazilian spot market lastly with Transocean, and have secured a charter in French Guiana and departed early this month. The FSV is expected back in Brazil in about 90 days being delivered to Petrobras, after extensive negotiation.

CHOUEST - FSV Fast Service is expected open mid-August in Brazil upon redelivery from Chevron. She may remain in the market for spot work opportunities.

FARSTAD - PSV Far Swift from Norwegian Farstad has been employed by Shell Brasil since leaving Petrobras. The Far Swift is being offered for several opportunities in and outside Brazil.

TIDEWATER - AHTS William C. O´Malley has been "Circularizado" by Pan Marine so that the vessel can trade on the spot market. The process has not been blocked and the vessel is available for spot work. She is a 220tbp vessel with DP2.

MAERSK - AHTS Maersk Master has successfully completed her spot charter with Anadarko assisting with AHTS Maersk Handler in the tensioning of the pre-laid mooring system for the S/S Blackford Dolphin. She is now available on the spot market.

05 PETROBRAS TENDERS

UPDATE ON THIS MONTHS OUTSTANDING TENDERS

THIS MONTH'S REQUIREMENTS

After consulting the market for the availability of AHTS 18000 ROV last month, Petrobras came out with a tender in the market. The required AHTS should have at least 15,540 bhp, 177 TBP and be built as from 2000, and the ROV should have 250 bhp Work Class 3000m.

Date	*Scope of Work*	*Period*	*Exp. Commencement Date*
June 23th 2012	AHTS 18000 with ROV	4+4 years	February 2013

THIS MONTH'S MARKET SCREENINGS

Petrobras is consulting the market for the availability of PSV 1500. Some of the required specs are: free deck area of 380m2, built as from 1999, 3,800 bhp, and deck cargo capacity of 500 tons.

Date	*Scope of Work*	*Period*	*Exp. Commencement Date*
June 29th 2012	PSV 1500	4+4 years	January 2013

THIS MONTH'S CHARTERED VESSELS

The tender issued in January this year for PSV OSRV 750 A and B had its first chartered vessels confirmed, as shown below, which will start operating in November 2012. The hire of other vessels can be confirmed gradually within the next couple of months, and are expected to start operating until July 2013.

VESSEL	*OWNER*	*DAY RATE (USD)*	*MOB FEE*
Vega Jaanca	Vega Offshore	26.200,00	1 965 000,00
Vega Juniz	Vega Offshore	26.200,00	1 965 000,00
Vega Emtoli	Vega Offshore	26.200,00	1 965 000,00
Vega Inruda	Vega Offshore	26.200,00	1 965 000,00

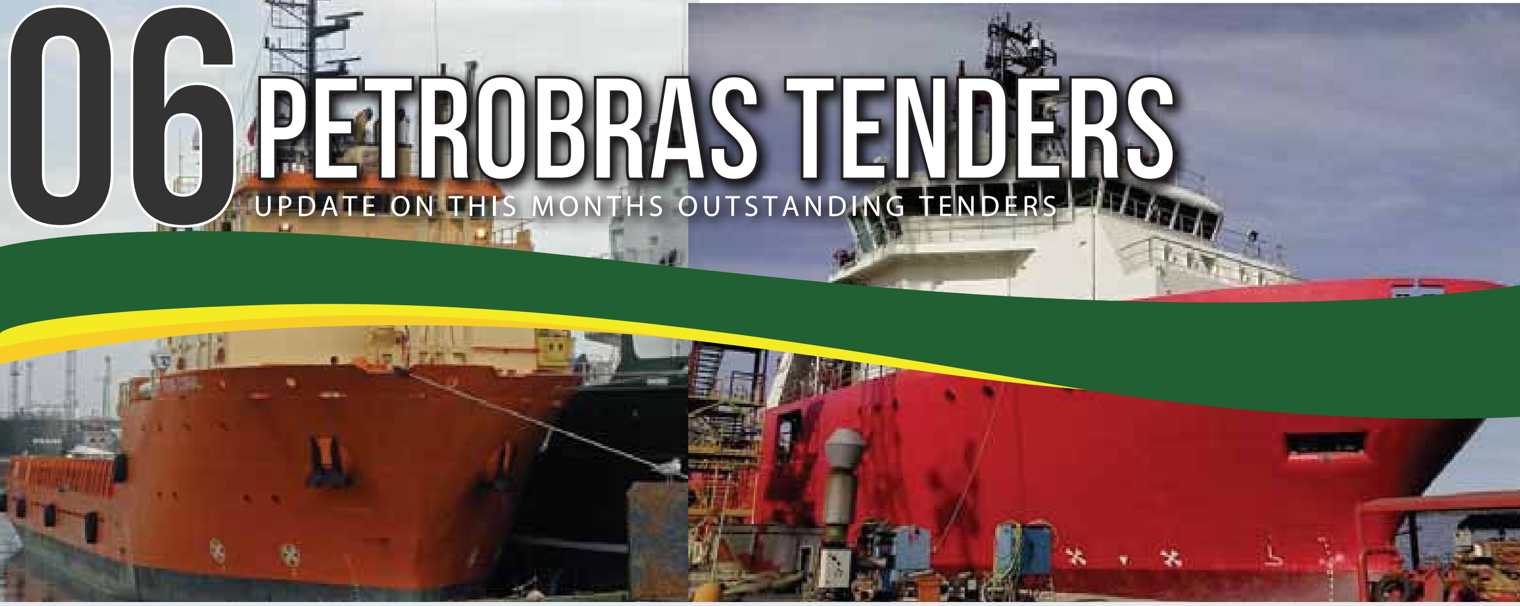
Meanwhile, in the tender for PSV 4500 issued in October 2011, Toisa Serenade was hired with the rate of around USD 34,000 and is expected to start operating in September 2012.

THIS MONTH'S TENDERS CLASSIFICATION RESULTS

The tender issued in May for AHTS 18000 GD (with sliding crane) with commencement in April 2013, and for AHTS 18000 with commencement in November 2012, had the selected vessels below to move forward to the negotiation phase. Four vessels of the GD type were not accepted.

AHTS 18000 GD						
Vessel	*Owner*	*Year Built*	*Day Rate (USD)*	*Mob Cost (USD)*	*PV*	*Contract Total Value*
Asso Trentuno	Augusta Offshore	2012	49 500,00	1 000 000,00	63 154 541,70	76 240 000,00
Pacific Defiance	Swire Pacific	2012	57 000,00	3 560 000,00	75 118 169,74	90 200 000,00

AHTS 18000						
Vessel	*Owner*	*Year Built*	*Day Rate (USD)*	*Mob Cost (USD)*	*PV*	*Contract Total Value*
AH Liguria	Rimorchiatori / Finarge	2008	44 400,00	0	55 755 852,56	67 488 000,00



06 PETROBRAS TENDERS

UPDATE ON THIS MONTHS OUTSTANDING TENDERS

THIS MONTH'S OFFERS REVEALED

The tender issued last month for the vessel type PSV 3000 for either General Cargo, Fluid Carrier or Drill Cuttings, beginning in November 2012 or August 2013, had its offers recently revealed. Forty four vessels were presented for all types and provided a wide range of rates and possibilities to Petrobras. Below you can find a preview, but if you would like to receive the complete bidders list, please feel free to contact Westshore.

Type and Category	Bidders	# of Vessels Offered	Day Rate Range (USD)	Present Value Range (USD million)
Drill Cuttings A	Tidewater, Fratelli D'amato and REM Maritime	3	from 27,900 to 33,000	from 37.0 to 42.4
Drill Cuttings B	Tidewater, UOS, REM Maritime and Seamar Offshore	7	from 28,900 to 35,000	from 38.9 to 45.6
Fluid Carrier A	Tidewater	2	from 28,500 to 29,995	from 35.8 to 40.2
Fluid Carrier B	Varada Marine, CMM, Tidewater, Wilson Sons, UOS and Seamar Offshore	8	from 28,341 to 35,000	from 36.6 to 45.6
General Cargo A	Tidewater, Farstad, Greatship India and Great Offshore	7	from 27,500 to 34,000	from 34.5 to 43.7
General Cargo B	Tidewater, Varada Marine, DOF, Solstad, Havila Shipping, Bumi Armada, Seamar Offshore and Greatship India	17	from 27,000 to 35,550	from 33.9 to 45.6

The bids for the tender for DSVs, which was issued in January, were recently revealed. The rates are for DP2 vessels, also including diving crew and system.

Proponent	Vessels	Type	Day Rate USD
BELOV	NWB	30 - 40m	USD 46.619,26
BELOV	NWB	30 - 40m	USD 47.029,26
SISTAC	NWB	30 - 40m	USD 67.116,00
OCEÂNICA	NWB	30 - 40m	USD 67.980,50
OCEÂNICA	NWB	30 - 40m	USD 74.526,00
TECSUB	BEAS DOLPHIN	MPSV	USD 84.548,13
FUGRO	ATLANTIS DWELLER	MPSV	USD 98.412,14
CONTINENTAL	SMIT KAMARA	AHTSV	USD 102.706,61
FUGRO	TOISA CORAL	MPSV	USD 118.900,00

07 OPERATOR UPDATE

RECENT DEVELOPMENTS FROM BRAZIL'S OIL & GAS COMPANIES

PETROBRAS REFINERY DISPUTE ENDS

Petrobras will pay USD 820 million to buy a refinery in Pasadena, Texas. In 2006, it signed an agreement to purchase 50% for USD 320 million from Astra Oil Trading NV. The goal is to enter refining industry in the Gulf of Mexico. Currently, the installed capacity is 100 thousand boe\day and the plans are to double the production. According to speculations, Petrobras plans to sell the refinery as part of its disinvestment plan of USD 14.4 billion to help fund its Business Plan, which consists in investing at least USD 208.7 billion by 2016.

NEW MANAGER ON THE PETROBRAS INTERNATIONAL BOARD

The international executive manager of Petrobras José Carlos Vilar Amigo was informally presented to the Board of Directors of the company. He took over the position of the former director Jorge Zelada on June 14th, who according to sources resigned after government pressure. Petrobras didn't confirm the information. His name had already been mentioned as a possible replacement for Zelada, who should have left the company at the same time that the directors Paulo Roberto Costa (Supply) and Renato Duque (Engineering and Services) were replaced.

SHELL'S UPDATES IN PARQUE DAS CONCHAS

Parque das Conchas, originally named BC-10, comprises of four large oil fields and is located north of Campos Basin in the waters of the State of Espírito Santo. This is Shell Brazil's largest production asset in service, producing approximately 50,000 boe per day from the FPSO Espírito Santo. Shell have approved phase II of the development which bring in the drillship Noble Bully 2 and the anchored Semi-sub Noble Max Smith arriving in 2013. The total investment of phase II has not been disclosed by the oil major but is expected to be over USD 2 billion. Shell is already checking commercial viability of a phase III in BC-10.

BP DETECTS TRACES OF OIL

Even before reaching the pre-salt layer, BP discovered traces of post-salt oil in Campos. The well is currently being drilled by the Ensco DS-4, former Deep Ocean Clarion, owned by Ensco. The BP campaign is aiming to reach horizons even deeper than the pre-salt layer. For 2013, BP plans to initiate its first exploration campaign in the deepwaters of the Camamu-Almada Basin.

SINOPEC SEEK FURTHER PARTNERSHIPS IN BRAZIL

The oil company Sinopec does not intend to operate in the country, however according to the company's president, the idea is to join established companies in Brazil who know the local market and understand the requirements of the government, preferably with Petrobras. The company sees big investments opportunities in Brazil not only in the E&P, but also in refining and petrochemical. Over USD 1 billion in investments are planned for this year, mostly in drilling wells with a unit cost of up to USD 250 million. By 2016, investments in pre-salt Santos will be approximately USD 3.175 billion.

08 DRILLING & PRODUCTION ROUNDUP

WHATS GOING ON OUT THERE?

QGOG / Amaralina Star and the Laguna Star - QGOG announces the naming ceremony in South Korea of Amaralina Star and Laguna Star, the newest dynamically positioned ultra-deepwater drillships to be operated by the company. They are capable of drilling in water depths of up to 10,000 feet and to a total well depth of 40,000 feet, which will fit well in pre-salt operations. The units have been leased to Petrobras for a six-year period with an option to renew for an additional six years. Drilling services will be provided by QGOG and are expected to commence operations in Brazil in October and December.

Sete Brasil / Jurong - The 21 oil rigs of Sete Brasil for the pre-salt have begun to be built abroad in order to meet the delivery deadline to Petrobras. The first one, which will cost USD 800 million, has already been cut at Jurong shipyard in Singapore. The decision to start there was made because Jurong is building a shipyard in Espírito Santo - Jurong Aracruz – which will begin operating in June 2013 and will be fully completed in 2014, so the rig can be finished in Brazil. Jurong says it will not disrespect the national content clause in the contract, which is 55%. Sete Brasil has just signed a contract with Petrobras for the construction of six drilling rigs to be built in Brazil at Brasfels Shipyard in Angra dos Reis (RJ), with domestic content ranging from 55 and 65%, and still expects to sign a contract in August for the charter of all these 21 rigs.

Statoil / FPSO Maersk Peregrino - BW Offshore has signed a 5 year contract with Statoil for the operation of the FPSO Peregrino, with options for an additional 15 years. Statoil and its partner Sinochem have agreed to purchase the Peregrino FPSO from Maersk. The floating production, storage and offloading unit has been in use at the Statoil-operated Peregrino field in Brazil since production start-up in 2011. The FPSO project was initiated in 2007 and it's an investment of USD 1 billion. At present the vessel is operating in the Campos Basin, 85 km off Rio de Janeiro. The unit has a storage capacity of 1.6 million boe, and produced well over 15 million barrels during its first year of operation.

EAS / IHI - The QGOG and Camargo Correa announced on June 28th a partnership with a Japanese group with EAS, in Pernambuco. The contract was signed with IHI Marine Inc, an Offshore Shipbuilding Division of Ishikawajima-Harima Heavy Industries, based in Japan and controlled by the Mitsui group. The partnership is required because the shipyard needs a partner who owns the manufacturing technology of ships and drilling rigs ordered by Petrobras, after Samsung has left the society earlier this year. The agreement will make possible the supply of 22 ships ordered by Transpetro, a subsidiary of state-owned logistics.

Modec / EBR - Japan interests are examining a possible partnership with the EBR shipyard. The investors from Modec group specialize in the construction and operation of FPSOs, preparing projects, purchasing materials and hiring shipyards to build platforms which are then leased to operators, such as Petrobras. The investors were in São José do Norte, in Rio Grande do Sul, accompanied by the President of EBR, Alberto Padilla, to get acquainted with the area where EBR shipyard will be built, in order to assess the possibility of partnerships for the investments planned.

ANP / Irregularities in oil rigs - ANP identified 1.055 non-compliance items in operating safety of oil rigs. The greatest irregularities are related to problems of integrity of installations such as the level of corrosion on valves. In 14 cases, the non-compliance was considered critical, resulting in the shutdown of platforms. According to ANP, the problem is linked to an issue of safety culture of the plant operators that have no parameter to compare an installation that is not corroded with the ones that are, thinking it is a normal problem with sea breeze. The irregularities were raised in 145 audits and the agency must perform at least 30 more until the end of the year. Fined operators have paid a total of USD 40 million.

09 LOOK AHEAD

WHATS UPCOMING OVER THE NEXT FEW MONTHS

2012-2016 INVESTMENT PLAN: WHAT CAN WE EXPECT NOW?

The decrease in contracting processes at Petrobras over the last couple of months, which almost froze its chartering department were a sign of the final sprint to issue the 2012-2016 Investment Plan. Issued towards the end of June it was slightly ahead of the schedule, but the content was in line with what was expected.

The investment plan calls the attention for "mea culpa" highlights where Petrobras have stated that they have not historically reached production targets, projects are delayed due to local content policy and international oil products prices are not being practiced. Although strong, this recognition of fault may give comfort to investors and suppliers, once it puts a realistic "touch" to the announced plan, instead of the recurrent excessive optimism on the previous plans, which were then followed by skepticism after the lack of resources and consequent delay of projects.

Brazil stands for 63% of global deepwater discoveries over the last 5 years with proven reserves at 15.71 bln boe, (164% increase since 1991). These figures demonstrate the intense E&P activity Petrobras has had over the last two decades. However production has not followed the same pace, which is why targets have been revised to 2,500 mln boe in 2016 and 4,200 bln in 2020 instead of the original target of 4,900mio. Petrobras is calling for a pragmatic view based on standard, real projects.

Among the examples of shortage of equipment we can mention the delay of drilling units. A batch of eight ultra deepwater drillings units will soon be coming on hire in 2012 after delays of 542 days. Another 33 units are expected to be delivered from 2016 and onwards, 28 of these from "Sete Brasil" and five units from Ocean Rig. With a high level of local content there is always a concern when it comes to cost and timing. A number of FPSOs projects are also behind schedule, in total 11 production units will come on stream before 2016.

In order to achieve the given targets within budget, Petrobras intends to have a more strict compliance with its Project Management Approval System as well as Operational Efficiency. E&P investment will account for 60% of the total expenditure over the next four years or USD 141.8 billion, slightly higher than previous plans. Most of this investment will be utilized on projects already under implementation (USD 137.2 bln). Those projects that clearly demonstrate an acceleration of oil production will have preference and will be fast tracked for

internal approval. A clear sign is the fact that 69% of the E&P investment (USD 89.9 bln) will be going to production development while 19% (USD 25.4 bln) for exploration. The pre-salt region is being fast tracked and will absorb most of the investment: 24% on the Exploration side (USD 6 bln) and 49% on the production side (USD 43.7 bln).

In other words for those that follow the Brazilian OSV market and would like to know what to expect from the 2012-2016 Petrobras Investment plan we believe the following. Despite the drive for realistic targets and budgets, we don't expect a major effect to ongoing projects and negotiations but "new" projects will have a harder task in getting internal approval if not well supported and justified. The chartering process for OSVs will hold a normal pace however the vessels related to production support (e.g. large anchor handlers for torpedoes handling, tugs for tanker lifting support, OSRVs, LHs) and vessels for subsea installation (e.g. PLSVs, MPSVs) will be on the high side.

Earlier chartering processes for late delivery and a higher number of vessels being chartered can be expected as a way to secure tonnage in advance and mitigate the risk of delay. Local vessels and newbuilding programs will still be on the agenda, being the base for most contracts (PSVs, OSRVs, LHs, drilling units), whether they will all be delivered on time or not is a different topic! Finally but certainly not less important, operational efficiency may become directly related to compliance with Petrobras HSE rules and that penalties for non-observation are kept high and frequent.

IBAMA.. Tough as Nails?

The technical approach to reactive protection against large oil spills is driving IBAMA (Brazilian Institute of Environment and Renewable Natural Resources) to increase the demand for equipment. Is that good news?

Driving is risky. Even though cars are designed to be safer and more reliable these days, and the 12,000 airbags in a Beetle can protect the driver from bending their glasses when crashing straight into a wall at 120 miles per hour. Still, if driving at 60km/h and somebody jumps in front of you from nowhere, it is not the sophisticated bumper and aluminum alloy polyurethane fibered hood at exactly 87.3467189 degrees that will prevent a tragedy. In any industry dealing with risk it is the tension between economies, behaviors and equipment as they evolve that brings us to a safer place. It is the difficult moments, like after a large scale incident which tends to be the last drop that triggers the process.

Brazil is currently enduring such a moment, with the recent occurrence of an oil spill combined with a newly restructured environmental authority, oil activity on the rise and the world´s eyes and investment starting to flow this way. Yet in a country that has not yet made the airbag mandatory, there is an obligation to provide a response on the level of the incident to the public and the experienced players involved. Such a response began with miscommunication from both the governmental and private side. However it has resulted in good discussion, like for instance the suggestions of a gradual penalty system with an increasing fine limit and specifying the volume criteria of an oil spill. The debate on national response coordination has returned to the agenda after years of neglect. The impression left by more radical and less sensible measures such as collecting passports has nearly been forgotten, however this relies on discussions surrounding penalty criteria and national response teams continue.

IBAMA have prepared a “Nota Técnica” which is a technical appreciation of means to combat an oil spill - after it occurs. The development from the current CONAMA 398 focuses on increasing the amount and level of equipment each oil company should employ full-time in case of an incident. For instance a company with up to 3 production assets and about 10 support vessels in their fleet, the Nota Técnica calls for 350m3/h skimmers to be made available on just about every support vessel. However with the vessel´s drilling fluid capacity is not being considered oily water storage and no one seeming to care if the vessel is Oil Recovery classed... it is like having 12,000 airbags in a Beetle.

There is no doubt the oil industry can afford an increase on the number of vessels and equipment, but the point is whether this is the most effective solution to respond to a potential spill? Probably not, if one considers the risk in function of its likelihood.

Cars are not made with inflated bags instead of bumpers, and that is because good sense and statistics demonstrate that pedestrians do not intently jump in front of Sebastian Vettel doing 320 in Silverstone, and because Mercedes invests more on the look of the body of a model than on anything else on it. Likewise, who would imagine that all production assets would spill oil simultaneously and therefore require each operator to have its own resources available? It makes a whole lot more sense to follow a national response strategy, where equipment and personnel are jointly hired and sponsored by operators to respond to each spill, when it occurs.

This approach is quite realistic, at least in areas such as Campos and Santos Basins where operations are close to each other. In any case, regardless of a joint response strategy with national coordination or the oil companies increasing its capability, the demand will increase substantially for oil spill vessels and recovery equipment. Hopefully in a balanced way, to ensure IBAMA won´t get tough as nails. It is worth mentioning IBAMA have opened the Nota Técnica to discussion, in several audiences with the public, oil companies, organizations such as IBP, etc. The final decision on equipment levels is not yet taken, at time of writing this article.

ALEXANDRE VILELA
MARINE ADVISOR

É ISSO AÍ!

FINAL THOUGHTS FOR THIS MONTH

Whoever visits Brazil in June and July will surely find streets, neighborhoods and even entire cities adorned for one of the most popular parties in the country – "Festa Junina". When it occurs late in the month of July it is called "Festa Julina" however this is the same party.

The "Festa Junina" is a popular festival that throughout history has been dubbed "Festa de São João", one of the saints celebrated told the story which originated in the catholic countries of Europe and was brought to Brazil by the Portuguese in the colonial period. It's one of the most highly anticipated festivals of the year second only to Carnival. Even though it was started several decades ago it continues today and attracts great interest especially in the Northeast of the country, despite being celebrated in all corners of Brazil. The "São João" or "Saint John" festival in Brazil is famous for its food, music and the clothing characteristics of "Matuto" people that live in fields and rural areas of the country. Typical foods during the June Festival are made with corn given that this is the month the crop is harvested. The tradition to celebrate the bounty of the harvest and to thank the fertility of the land has always occurred on June 24th of each year.

The great thing is that the June festival depending on the region where the festival takes place provides the peculiar character to the culture of the locality. The dances are called "gang" with steps tested and a contagious rhythm. The feature is the cooking of mouthwatering dishes ranging from the sweet to savory, beverages both sweet and hot. There are games for both children and adults like jumping the bonfire and running the bag. Moreover, the clothes are very colorful and usually have a printed chess design. The décor always has colorful balloons and many flags of different colors and prints. The combination of all these things together in one party is called an "Arraiá". Here in Rio de Janeiro, the June Festival coincides with winter and makes it the perfect time to eat warm corn with butter, hot dogs and through back the famous "Quentão" drink typical of the time, which is cinnamon-based and helps keep you warm in the cold of the nights.

RIO+20
Conferência das Nações Unidas sobre Desenvolvimento Sustentável

The United Nations conference on sustainable development in June was hosted by political leaders and environmentalists from all parts of the world to revamp the political agreement and prepare the path of sustainable development for the coming decades.

The result of the conference caused division amongst the participants, with some feeling that the meeting ended with solid ideas but a general failure of practical results.

For the city of Rio de Janeiro this was a great opportunity to prove they have the ability to host a large event with a capacity of 110,000 visitors during the whole event. The event was a success and the city will have come out of the test strengthen with increased income in the tourism sector. The city was strategically prepared to evaluate all areas that needed improvement to continue preparing for the 2016 Olympic Games.

Dear Readers,

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Thank you so much for your audience!