

ISSUE 31:
March 2014

brazilian

WAVE

Petrobras Plan to 2030:
The future of the national oil company

Back to the Future:
The benefits and pains of retenders

FMM Priority? So What?!
A look at the Merchant Marine Fund



WESTSHORE

DO BRASIL

Contents



The SSV Victoria Loaded on to the Blue Marlin

02	Drilling & Production	Inside Story	08
		The Benefits & Pains of Retenders	
03	Headline News	Petrobras News	10
	Petrobras Plan to 2030		
05	Vessel News	Look Ahead	13
		A Look at the Merchant Marine Fund	
07	Operator Update		
		www.westshore.com.br	 

Contributors: Daniel Del Rio, Wilson Nobre, Paula Quirino, Alexandre Vilela & Sean Bate
Westshore do Brasil

Drilling & Production

The latest from Brazil

Restoring strengths

The semi submersible rig Ocean Alliance has been unmoored from Guanabara Bay in February and towed to Brasfels shipyard, in Angra dos Reis, for maintenance. The AHTS Maersk Provider and Maersk Terrier carried out all operations which lasted four days. Ocean Alliance is under contract with Petrobras until 2016.

Awaiting green light

The accommodation and semisubmersible crane platform OOS Prometheus is in Rio de Janeiro awaiting the beginning of its 4 + 4 years contract with Petrobras set to start this year. Her sister, OOS Gretha, is also expected this year for work with the state company for the same period. The units have capacity for accommodating 500 and 618 persons on board, respectively. The vessels are operated under the management of OOS International and will work in the Campos and Santos basins.

Back to work

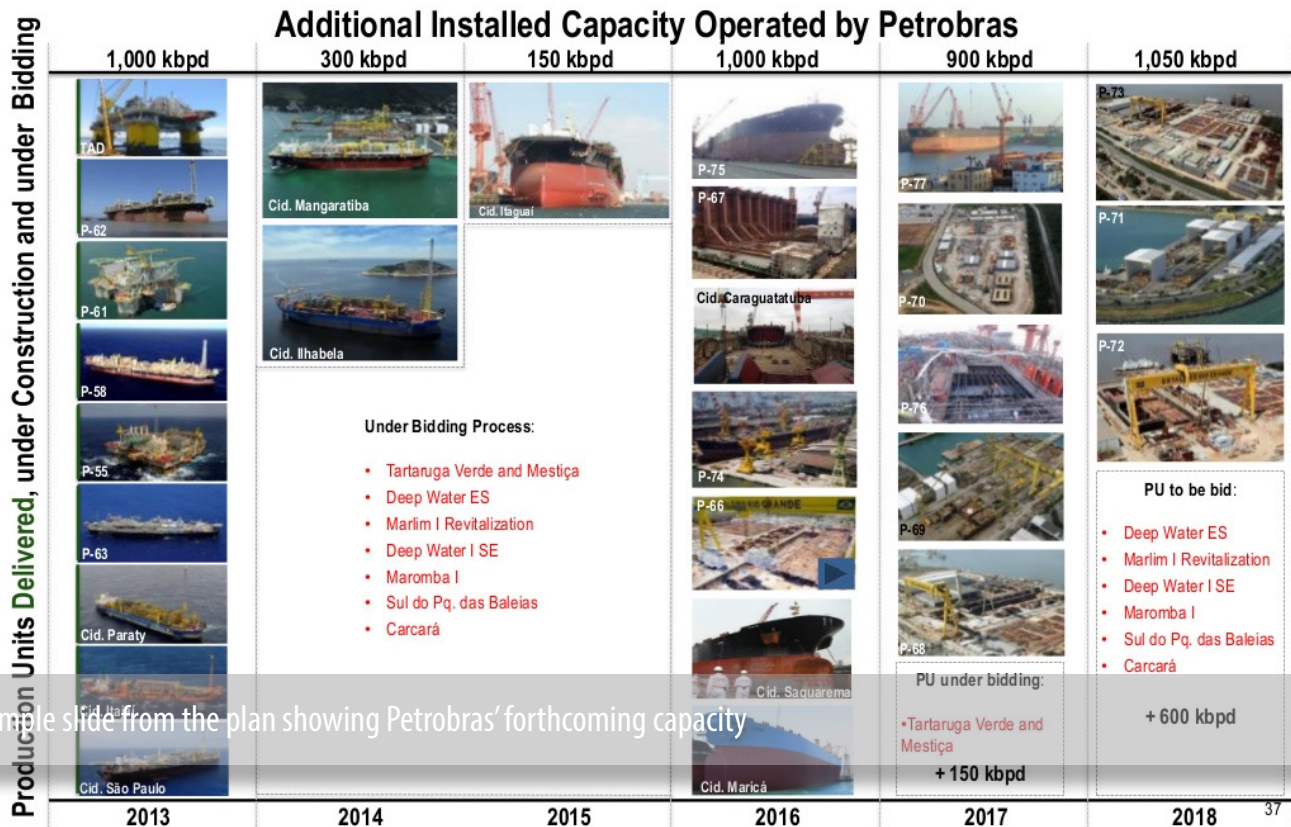
SSV Victoria owned by Petroserv and working on a seven year contract with Petrobras has been loaded to Rio de Janeiro by Dockwise's Blue Marlin vessel. The unit which operates in Roncador field was in Guanabara Bay for maintenance and is back in Campos Basin.

Fright in Marlin field

The platform Noble Paul Wolff (SS-53) operated by Petrobras was partially evacuated after tilting, but has been stabilized. The unit, which operates in Marlin field Campos Basin, suffered a "ballast control incident" that flooded one of the platform's tanks. An investigation into the circumstances of the accident was opened by the Brazilian Navy and must be completed within 90 days.



Headline News



A sample slide from the plan showing Petrobras' forthcoming capacity

Petrobras Plan to 2030

As happens every year, Petrobras has issued its business management plan (BMP) for the next four years. This year it has been anxiously awaited due to Petrobras' indebtedness capacity, discrepancy on fuel costs to the consumer, the accomplishment of production levels and Development of Libra field.

This year's business plan came on time (February 25th) and also brought with it the Company's strategic plan through to 2030, longer than previous ones that have been issued since 2007 and which considered targets only until 2020.

A simpleminded analysis of the business plan always take into consideration a comparison between what was achieved by the Company against what was targeted in the previous plan. The failures are either down to setting unrealistic targets or simply the firm's inability to meet the benchmarks.

Petrobras has failed to reach the production levels aimed for in all its business plans issued since 2003, and in 2012's this was clearly admitted by Petrobras in a "through my fault" speech. This is the hallmark of the current drive for Mrs. Graça management style of clarity, realism and efficiency. In the year (2012)

domestic production target for 2013 was 2mio boed, for 2016 2.5mio and 4.2mio for 2020.

In 2013's BMP, domestic productions targets were also kept and its feasibility strongly reassured, but after year end, Petrobras realized the average daily production was lower than the 2.0 mio boed forecast. After a sizable reduction of the target and which was still not met, we have to wonder if we are back to the unreliable targets age or has the Company just been unable to comply with its duties?

It is worth remembering that some of this has to do with delays of production units coming on stream as well as the stoppage of existing ones. 2014 should finally bring a good flow of production increase to Petrobras (~7.5%), which has already seen an average daily production level of 2.3mio boed in January and a record of 412.000 barrels per day in February only from pre-salt fields. This was also boosted by the first Riser Support Buoy (RSB) installed at the Sapinhoá field. The production targets announced in 2013's BMP were also kept, and again, they have had their feasibility confirmed.

When we take a look at the total amount to be invested in the next four years, the figure of USD 220.6bio is 6.8% lower when compared to last year plans. However, the portion destined to Exploration and Production follows recent trends and is 4.34% higher than the previous year, representing now 70% of the total investment.

Meanwhile, downstream has also kept its previous years lowering trend and now corresponds to 18% of the investment. The portion of E&P investment destined to Production was even higher, now corresponding to 73%. Although this year the single investment at each pre-salt and post-salt was not revealed, the total E&P expenditure in Pre-salt will correspond

to 60%, while Post-salt will take the remaining 40%.



“In a nutshell the plan shows signs of a tough 2014 and is generating big expectations for 2015 and onwards.”

On the financial side, Petrobras has a commitment towards convergence of domestic fuel price with international levels. The company will not issue new shares and keep the investment grade by keeping financial leverage lower than 35%, net debt/EBITDA lower than 2.5x. Petrobras has however already admitted they will not succeed to comply with such commitments in 2014, and has not further elaborated on how to achieve such fuel price convergence. The need to incur debt is claimed to be lower than previous years due to the higher production level for 2014 and the expansion of refining capacity.

In a nutshell, despite lack of clarity on the fuel price readjustment formula and how to deal with the overall debt capacity in 2014; the investment plan was consistent with what has been known by the market, giving signs of a tough 2014 and generating big expectations for 2015 onwards.

On the chartering side, the pace of activity has been slow with a focus on absorbing the local tonnage that is becoming available (PSV 3000/4500) before going out to the international market and not giving any indications of heat in the market. We anticipate that Petrobras' need for large AHTS vessels may drive most of international chartering activity this year. ■

Vessel News

Chartering Activity



The Maersk Provider & Maersk Terrier with the Ocean Alliance rig

MAERSK SUPPLY - PSV Maersk Fetcher has been released from her current contract with BP Brasil after conclusion of the operations of drillship DS4. The vessel is en-route to the North Sea.

SIEM - OSRV Marati has been awarded a 1 year firm contract with Brazilian operator HRT in support of the operations in the Polvo field. The contract started on 15th of March.

DEEP SEA SUPPLY - AHTS Sea Leopard has been fixed to OGP for 90 days firm plus options to assist their operations in multiple roles.

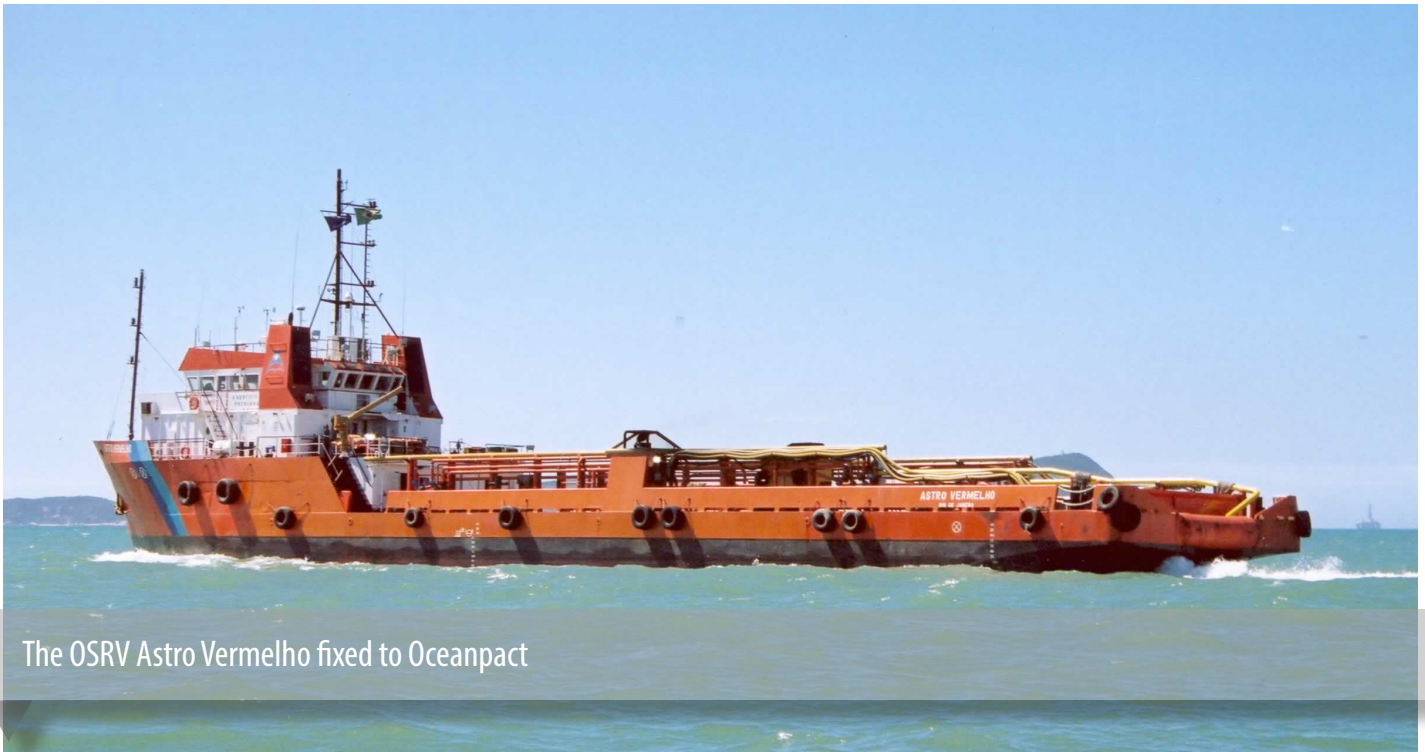
MAERSK SUPPLY - AHTS Maersk Terrier has been

fixed to Brasdril for one day firm to unmoor the rig Ocean Alliance in Guanabara Bay.

MAERSK SUPPLY - AHTS Maersk Provider has been fixed to Brasdril for 3 days firm to tow the rig Ocean Alliance from Guanabara Bay to Angra dos Reis, for a rig repair.

DOF - AHTS Skandi Copacabana has been awarded a new contract with oil major Petrobras for 4 years firm plus one 4 years option.

SEACOR - Brazilian built and flagged PSV Seabulk Angra has started her 20 days on contract with McDermott as a general cargo vessel in support of their rigs in country.



The OSRV Astro Vermelho fixed to Oceanpact

DEEP SEA SUPPLY - AHTS Sea Tiger has been fixed to OGPar for 1 year firm plus options to assist their operations in multiple roles.

ASTROMARITIMA - OSRV Astro Vermelho has been fixed to Oceanpact to cover for an OSRV contract of Oceanpact with Chevron, 30 days firm plus options.

DOF - AHTS Skandi Ipanema finished her spot hire with Ventura Petróleo and entered the shipyard for minor adjustments to fit Petrobras' contract demands, set to start within March.

BOURBON - Brazilian built and flagged AHTS Haroldo Ramos has been fixed twice on the spot to Cocket Marine bunker traders to supply fuel, for the end user ENSCO. The vessel is now going through minor adjustments at shipyard.

DEEP SEA SUPPLY - Brazilian built and flagged, modern PSV Sea Brasil is now promptly available in Rio de Janeiro after a negotiated release from her contract with BP Brasil.

“Brazilian built and flagged PSV Seabulk Angra has started her 20 day contract with McDermott”

DRACARES - DRS Deep Sea has been further extended with Transpetro until the end of May, whilst DRS Ipanema is prompt available in Itajaí.

DOF - Skandi Paraty, the Brazilian newbuild expected to be delivered from Vard Shipyard in Niteroi in 2015 has been awarded a contract with Petrobras for 4 years firm plus 4 years option.

LABORDE - Brazilian built and flagged PSV Lab 180 has been fixed to OOS International for 10 days firm plus options starting March 10th, for cargo runs.

Operator Update

Brazilian Activity

Statoil's Phase II defined

Following up from our January edition, Statoil finally made the first step for the second phase of Peregrino field. According to the company, the project will have a third fixed platform WHP type to be installed in a water depth of 120 meters and connected to the FPSO Peregrino. Eighteen wells will be drilled consisting of twelve producers and six injectors. By the end of the year, the company plans to hire engineering services for the new unit with first oil is scheduled for 2019.

Pacific Rubiales bets in Brazil

Karoon has received approval from ANP for the transfer of 35% interest in S-M-1166, in Santos Basin, to Pacific Rubiales, therefore concluding negotiations that started last year which also covered the areas of S-M-1037, S-M-1101, and S-M-1102. Karoon's main focus is the appraisal of the Kangaroo discovery which is depending on results of the second phase of drilling although the first oil could be achieved by 2018.

Never giving up

OGpar and OSX have entered into an agreement for the extension of the FPSO OSX-1 (until November 14th) currently operating in Tubarão Azul field. The main focus is to restart the production in the area which has been suspended since July last year when the company declared that the exploration was economically unviable. The financial and operation costs are still subject to analysis before the area starts producing again.

Drilling Warm up

Total is awaiting results of a multi-client seismic survey by CGG and Spectrum before chartering a rig for its ultra deep water blocks in Foz do Amazonas basin, North of Brazil, acquired in the 11th Round. The company has been checking out rigs that are already in the country and were not yet extended by Petrobras. The French company may also use the same rig in Uruguay's block 14 in October 2015 as there is a lack of infrastructure on the exploration area in the neighboring country.



PACIFIC
Rubiales Energy

Inside Story



A case of Back to the Future with the recent AHTS retendering

The Benefits & Pains of Retenders

In November 2013, Petrobras issued a tender for AHTS 18000, divided in two batches however, what was supposed to be just a long awaited international tender for large AHTS ended up surprising the market.

The two sections were split into: «A» for a larger anchor handler with two secondary winches and 400t/450t double drum main winches with socket compartment for a two years contract period; and «B» 350t/400t double drum winch with no socket compartment for a four years period. When proposals were delivered and ranked by Petrobras in early January, bidders realized there was a clear misunderstanding with the judgment criteria applied for type «A». One component of the formula

applied to normalize the mobilization fee over the day rate took into consideration 48 months (as instructed in the tender) while it should have used 24 months (as per the proposed contract period). This generated a big impact for Owners who offered a higher mobilization fee that they spread over a longer period, giving them an advantage over those Owners who offered a higher day rate but lower or no mob fee.

Formal claims were then filed by those Owners who felt they were left at a disadvantage due to the mistake in the tender documents and Petrobras decided to cancel the tender for that type «A», and retender it again. Was retendering the only or best alternative, or did



The Go Phoenix was in a prime position after the first tender

Petrobras take advantage of the issue to encourage a new round for competition? We don't know but the story is that in the original tender, 14 vessels were offered and five of them were not qualified for non technical compliance or due to excessive price, while in the second tender 11 vessels were offered (including a new vessel) and only one was discarded for excessive price.

After the disclosure of the new bid offers, it definitely became clear that the retender has mostly benefited Petrobras once some owners (knowing their contenders and their price levels) have considerably lowered daily rates and mobilization fees to jump up the ranking positions in front of those that kept the same day rate.

It may have also meant that Swire Pacific, which has an appetite to relocate its Havyard 844XL vessels from SE Asia to Brazil, lowered the dayrate by USD 3,000 and mobilization fee by USD 3.5 million, maybe recognizing the impact of its conventional propulsion system fuel consumption in the ranking criteria when comparing to contenders with hybrid systems.

Siem Offshore has also considerably lowered the day rate by USD 10 thousand and mob fee by USD 900 thousand for the North Sea positioned VS491CD. Farstad, offering Far Senator and Far Sagaris presently working for IOCs in Brazil plus Far Statesman from North Sea, has practically kept the same day rate for the UT731CD offered, but now ranking better for the ones already mobilized in Brazil. Sealion offered USD 2 thousand lower than previous bid for its UK positioned VS4616 AHTSs.

Go Offshore kept the same commercial terms for the VS491 Go Phoenix and slid from ranking #1 on the last tender to #9 on the present one.

Solstad appeared as new contender with the Normand Borg, a UT722L that has been operating for Petrobras since 2003. And finally, Maersk seems to have also demonstrated hunger for the contract and lowered the day rate by USD 13 thousand and mob by USD 2 million for one of its L-types in the UK, however the effort didn't pay off as the vessel was not qualified.

The response from the market seems to not have been aligned on the retender, since Petrobras has a clear open demand for large AHTS in their fleet and rumors in North Sea is for a tight market for that type of vessel in the summer. It seemed that some owners still prefer having vessels employed in Brazil on a 2+2 year contract at a lower day rate than taking part in the gambling North Sea/UK spot market.

For a healthy and fair market environment, we hope Petrobras does not make a habit of retendering after offers are already published. And if it does, it doesn't make much sense even in the eyes of the charterers to have such significant differences on long term market prices in a matter of weeks, without any relevant market change to justify this. On the other hand, other Owners seem to have enjoyed the «back to the future» feature to secure its position. Let's see what future brings now.

Petrobras News

PETROBRAS 2030 STRATEGIC PLAN

Maria das Graças Silva Foster
CEO

Conference Call/Webcast
February 26th, 2014

2030 Strategic Plan and 2014-2018 Business Plan

FPSO for Libra

Petrobras is on the market in order to charter a FPSO for 8 years with a capacity of 50,000 boed and 4 million cbm of gas to operate in Libra and releasing LDT scheduled for 2016. The deadline for proposals has been set for mid-June. Queiroz Galvão, Schahin, UTC are some of national companies competing on the tender in partnership with groups that have experience in operations with FPSOs such as Modec, Teekay, BW and Bumi Armada. SBM has been temporally excluded from qualified companies until the conclusion of investigations regarding the group.

Plus two

Two new fields in the transfer of rights have recently been discovered by Petrobras in Santos basin proving good quality of oil. The new prospects informally known as Florim 2 and Iara 2 were discovered in the pre salt area of Florim and Entorno de Iara. The company has until September this year to inform ANP if both fields are economically viable.

2030 Strategic Plan

According to the company the main focus until 2030 is to reach the production of 4 million boed. So, strategies have been defined for each of the company's

business sections, based on growth in oil output. Emphasis has been placed on integrated oil and natural gas production activities, boosting refining capacity to 3.9 million boed by 2030 and growth in the supply of natural gas for the Brazilian market. The maths differs significantly from that of the previous plans, drafted in 2007, due to the 2008 global economic crisis; the advent of shale gas and tight oil in the US, and the resulting worldwide changes in the geopolitical energy scenario; and changes in the Brazilian oil industry regulatory framework, which now includes rights' transfer agreements and production-sharing.

Hard to comply

By the end of the year, Petrobras will have to charter 59 OSVs to conclude Prorefam (Renewal Program of Offshore Support Fleet). The 2008 plan was to support national industry and Petrobras itself, however the company has chartered only 87 of 146 vessels so far from which 21 are already in operation. The seventh and last round is scheduled for the end of March this year but the market is not so optimistic that the company can hire 59 vessels due to the lack of available shipyards and problems with Petrobras expectations in regard to chartering rates and market prices. ■

Petrobras Tables

The latest on tenders

PSV 3000/4500 - National Invitation E&P N° 1453584138 (unofficial ranking)				
PSV 3000 A - General Cargo				
Ranking	Owner	Vessel	Day Rate (USD)	Average Fuel daily Consumption (m3)
1	Norskkan	Skandi Yare*	29,900.00	8.70
2	Tidewater	Ed Kyle*	29,990.00	8.91
3	Chouest	Cabo Frio	29,522.00	10.20
4	Seacor	Seabulk Angra	32,250.00	11.22
5	Asgaard	TBN MW629-5*	33,250.00	11.09
6	Asgaard	TBN MW629-6*	33,900.00	11.09
PSV 3000 B - Oil Carrier				
Ranking	Owner	Vessel	Day Rate (USD)	Average Fuel daily Consumption (m3)
1	Bravante	Viking Surf*	28,000.00	10.44
2	Bravante	Viking Thaumast*	28,500.00	10.44
3	Tidewater	Milan Tide	32,500.00	10.00
PSV 4500 A - General Cargo				
Ranking	Owner	Vessel	Day Rate (USD)	Average Fuel daily Consumption (m3)
1	Chouest	Campos Captain	31,922.00	10.54
2	Chouest	Santos Supplier	31,922.00	10.83
3	Chouest	Deborah Kay	31,922.00	12.10
4	UP Offshore	UP Opal*	35,000.00	11.73
5	Bravante	Bravante V*	34,000.00	14.40
6	DESS	Sea Spider*	37,000.00	11.79
7	Bravante	Bravante VI*	34,500.00	14.40
8	Bravante	Bravante VII*	36,000.00	14.40
9	Bravante	Bravante VIII*	36,500.00	14.40
10	Asgaard	TBN 619-44*	38,750.00	12.59
11	Siem Offshore	Siem Giant	37,490.00	16.08
12	Maersk Supply	Maersk Vega	38,130.00	15.95
13	Maersk Supply	Maersk Ventura	39,150.00	15.95
PSV 4500 B - Oil Carrier				
Ranking	Owner	Vessel	Day Rate (USD)	Average Fuel daily Consumption (m3)
1	Chouest	Bongo*	32,922.00	11.02
2	Chouest	Thor Supplier	31,922.00	12.31
3	UP Offshore	UP Safira*	31,950.00	12.38
4	Asgaard	TBN Hull 1011*	38,900.00	8.49
5	Starnav	Starnav Aquarius*	35,339.11	12.95
6	DESS	Sea Brasil	37,500.00	13.75
7	Asgaard	TBN H1001*	42,500.00	12.30

* vessel under REB

PSV 3000/4500 National Tender

– Unofficial Results

The tender issued early this year for PSVs 3000 and PSV 4500 dwt category had its preliminary and unofficial results revealed after judgment criteria as following on the tables. Tender is meant for Brazilian flag vessels to be employed under a 04+04 years and delivery up to December 2014. We can notice many vessels under the Brazilian Special Register (REB) due the fact of some Owners with enough local tonnage (delivered or under construction) have offered an expressive number of foreign built vessels which still needs to deal with Customs, being ICMS tax due upon importation as well as need to apply for Repetro benefit. In principle, vessel also needs to have full Brazilian crew complement.

Petrobras Tables

AHTS 1800 A Type - Retendered

AHTS 18000 A TYPE - INTERNATIONAL INVITATION E&P 1446022138 (Official ranking of offers)					
RANKING	OWNER	VESSEL	EBN	DAY RATE (USD)	MOBE FEE (USD)
1	SWIRE PACIFIC OFFSHORE	PACIFIC DILIGENCE	OSM	59,000.00	2,000,000.00
2	SWIRE PACIFIC OFFSHORE	PACIFIC DUCHESS	OSM	59,000.00	2,000,000.00
3	SIEM	SIEM OPAL	SIEM OFF. DO BRASIL	60,000.00	5,400,000.00
4	FARSTAD	FAR SAGARIS	FARSTAD	70,950.00	-
5	FARSTAD	FAR SENATOR	FARSTAD	70,950.00	-
6	SEALION	TOISA ELAN	SEALION DO BRASIL	63,000.00	1,500,000.00
7	SEALION	TOISA ENVOY	SEALION DO BRASIL	63,000.00	1,500,000.00
8	SOLSTAD	NORMAND BORG	SOLSTAD	56,945.00	-
9	GO OFFSHORE	GO PHOENIX	ASTROMARITIMA	61,900.00	3,000,000.00
10	FARSTAD	FAR STATESMAN	FARSTAD	71,950.00	1,000,000.00
11	MAERSK SUPPLY SERVICE	MAERSK LASER	MAERSK SUPPLY SERVICE	73,500.00	2,000,000.00

AHTS 18000 A TYPE - INTERNATIONAL INVITATION E&P 1446022138 (CANCELLED)					
RANKING	OWNER	VESSEL	EBN	DAY RATE (USD)	MOBE FEE (USD)
-	POSH	POSH CONCORDE	BRAVANTE	57,800.00	3,700,000.00
-	POSH	POSH CONSTANT	BRAVANTE	59,300.00	3,700,000.00
-	POSH	POSH CONQUEST	BRAVANTE	60,400.00	3,800,000.00
1	GO OFFSHORE	GO PHOENIX	ASTROMARITIMA	61,900.00	3,000,000.00
2	SIEM	SIEM OPAL	SIEM OFF. DO BRASIL	70,000.00	6,300,000.00
3	SEALION	TOISA ENVOY	SEALION DO BRASIL	65,000.00	1,500,000.00
4	SEALION	TOISA ELAN	SEALION DO BRASIL	65,000.00	1,500,000.00
5	FARSTAD	FAR SAGARIS	FARSTAD	70,950.00	-
6	FARSTAD	FAR SENATOR	FARSTAD	71,450.00	-
7	SWIRE PACIFIC OFFSHORE	PACIFIC DILIGENCE	OSM	62,000.00	5,500,000.00
8	FARSTAD	FAR STATESMAN	FARSTAD	71,950.00	1,000,000.00
9	SWIRE PACIFIC OFFSHORE	PACIFIC DUCHESS	OSM	64,000.00	5,500,000.00
-	MAERSK SUPPLY SERVICE	MAERSK LASER	MAERSK SUPPLY SERVICE	86,500.00	4,000,000.00
-	OLYMPIC SHIPPING	OLYMPIC HERCULES	OLYMPIC MARITIMA	74,750.00	2,580,000.00

AHTS 18000 A type (re-tendered) Official Ranking

Further to our January edition, Petrobras revealed the official classification on the tender which replaces the one issued in November 2013 (E&P N° 1446022138). After being cancelled in February this year due to the formula to rank the offers taking into consideration 4 years instead of 2 years contract period, the re tender has benefited only Petrobras. Note on the table that some Owners have lowered their rates

considerably compared with the previous tender. The response from the market has not been clear as Petrobras still have a large open demand for AHTS in their fleet and this summer may be a tight market for AHTS in North Sea. This type of reaction has shown that some owners still prefer to have a long-term contract in Brazil than betting on NS/UK spot market. Maersk Laser was the only unqualified offer due to excessive price even lowering day rate by USD 13k and mob by USD2 Million.

Look Ahead



The Merchant Marine Fund is not as helpful as it once was

FMM Priority? So What?!

The Merchant Marine Fund (FMM) has been instrumental for the Brazilian Shipbuilding industry development for five decades, with an attractive interest rate and an even more attractive grace period and maturity date.

However, the process to apply and make use of the fund has changed through the years. Now it has the effect of hampering the industry it was supposed to develop.

The process is divided into two stages: The first is to request the FMM Board to consider your project, indicating design, shipyard (MoA), sources and uses

sheet, corporate documents/certificates, building schedule and a form indicating the Bank that you will negotiate the financing conditions with. This stage is relatively simple and is called “Prioridade” (or Priority in English) once approved it only means that FMM has fitted your project within their budget, by “reserving” the amount you requested for a limited period of time. The second phase is the hardest one: negotiating financing conditions with the Financial Agent i.e. a bank accredited by FMM to manage this credit.

Today, the fund offers up to 90% finance for local items and up to 70% for imported, interest rates rang-



Keppel Shipyard, Rio de Janeiro

es from 2% to 7%, all depending on the local content level of the project (the higher the local content is, the better the conditions). Grace periods can be up to four years and amortization up to 20 years. Maybe not a fantastic interest rate when compared to other international funders, but it is a no brainer when you compare this to other local Government credit lines and the amortization offered by the international market.

Petrobras has been in the driver's seat for FMM demand since 1999, when their OSV fleet renewal program (PROREFAM) was issued. Owners were then offered 8+8 years time charter contracts that should be built in Brazil within a limited period of time. On its first batch, 22 vessels were awarded but two were cancelled due to the inability of contractors. In 2002, a second round was issued and 30 NWB OSVs were awarded for rates just below USD10k with a further 21 modernized vessels having their contracts extended. FMM funding was possibly present in 100% of these contracts and despite some delays and mishaps, finance was released. Rolls Royce with its widely known UT755's was predominant on the orders and a building series of the same design was essential to minimize the negative effects of a more than 20 years gap without building OSVs in Brazil.

In 2008, a new Petrobras fleet renewal plan was announced, promising to contract 146 OSVs over a six years period. The last tender part of this plan will be issued this year, and so far, less than 100 OSVs were contracted. At least five vessels are already running late, and many Owners are still not able to

get financing in place. It became very common on the OSV Owners newbuilding plan to start the building process with its own equity portion only, until the loan was released by the bank. In addition to an environment with limited, unreliable and inefficient independent shipyards (plus the uncertainty of when funds will be released), Owners that were awarded by Petrobras also needed to deal with the risk of late delivery, which means heavy-nonnegotiable penalties by the Charterers.

But where is the problem? Too many projects? Skeptical banks? Unreliable guarantees? What we know is that OSVs Owners started to compete for funds with greenfield shipyards, PLSVs, Rigs and FPSOs and with their increasing interest towards the funding. The FMM started to deal with over budget risks. At a certain moment, its board meetings became very rare (supposed to be quarterly) which did not help on the timing. New financial agents brought some competition with a promise of faster speeds and differentiated conditions. Newcomers and small local OSV Owners with limited equity capacity and/or unable to grant corporate guarantees are suffering the most with skepticism as 130% guarantee during construction period is not easy to be achieved and can be costly. And finally, Eike's OSX failure put pressure on further security by Lenders.

FMM financing terms are still attractive but the process seems practicality unworkable now for companies with time restraints or for newcomers with speculative newbuilding program plans.



Will Brazil be ready for kick off?

É Isso Aí

FIFA president Joseph Blatter, who has held the role since 1975, said in January that Brazil is the country with the most delays in organizing a World Cup that he has ever followed. With less than three months until the start of the competition, the current scenario is very similar to 64 years ago, when the country was preparing to host the World Cup in 1950.

Just like six decades ago, despite the heavy investment of public money, tourists still complain of disorganized lines, lack of information and absence of fluent English speaking staff at airports and in the main touristic spots like Sugar Loaf and Christ the Redeemer. Even the foreign TV stations had to revise their plans to broadcast the games due to the exorbitant amounts currently budgeted by Brazilian

“Just like six decades ago, tourists still complain of a lack of information and an absence of English speakers.”

hotels and the housing market at the time for renting a room to mount a production office. Some are even giving up settling in the country during the event because they consider the cost completely unviable.

The high cost of maintenance of stadiums and unrecovered investments will probably mean this event will have a huge impact on government funds. Over

USD 22 billion will be spent in Brazil; nearly the amount spent in the last three World Cups: Korea and Japan (2002) - USD 16 billion, Germany (2006) - USD 6 billion, and South Africa (2010) - USD 8 billion. With 98% of the money coming from

public reserves and the rest from the private sector, this proves that virtually the entire event will be funded by taxpayers money.



Daniel Del Rio gave a talk at OSJ in London earlier in the year

continued

This is not only a problem in Brazil. After the World Cup in Africa, we may well see now the legacy that was left by the event. With an approximate investment of USD 8 billion, South Africa built five stadiums and the necessary infrastructure for the games. However, now the country's accounts show several large bills with the maintenance of these constructions. Only one of them costs around USD 5 million in maintenance per year.

Nonetheless, there is no doubt that an event like the World Cup generates numerous benefits, like the country's global exposure, investments and jobs generation, some transportation and other infrastructure improvements, and increased tourists flow in the years to come. Following this lead, there are also the investments being made especially in Rio for the

“Nonetheless, there is no doubt that an event like the World Cup generates numerous benefits.”

Olympic Games in 2016. The bottom line is to really transform and reutilize afterwards all that has been done now, so that Brazil can keep benefitting and growing after the events.

Upcoming Conferences

From April 7th to 9th, IBC Maritime will hold the 6th Annual Offshore Support Vessels Conference during Singapore Maritime Week. The event will bring news about market opportunities for ship owners, shipbuilders, brokers and designers who are looking for business in and outside the region. Westshore do Brasil will be one of the speakers, exploring contract structures, risks and opportunities for operating in the Brazilian Offshore Market.