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brazilian WAVE

A New Wave of Demand for OSVs
The future looks positive for shipowners

First Come, First Served?
Smart charters are seeking added value

Improvements on Repetro
Positive changes to the old regime



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The Lab 180 from Laborde at work in Brazil

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Westshore do Brasil, Cover image: West Taurus - Seadrill

Drilling & Production

The latest from Brazil

Rota 3 on the way

For a total amount of BRL 2.7 billion, Allseas has concluded negotiations with Petrobras for the Rota 3 gas pipeline which will connect the transfer of rights of Franco to Comperj, in Itaboraí. The project covers 307 km of pipeline including all sections of shallow (58m to 650m), deep (650m to 1,005m) and ultra deep (1,005m to 2,002m) waters. According to Petrobras the beginning of operations should start in July next year and the gas pipeline should be ready by October 2017.

ODN Tay IV

ODN Tay IV from Odebrecht is going through a maintenance docking around Ganabara Bay for around three weeks, as from July 31st 2014, with the help of tugs from Camorim, and then will return to its Petrobras contract.

Libra's FPSO

The joint venture between Teekay and Odebrecht has been confirmed as the lead commercial bidder for Libra FPSO which will have a capacity to produce 50,000 boed and 4 million cbm of gas. The Canadian company has also been invited by Petrobras to conclude negotiations which are expected to be finalized by the third quarter this year. The consortium formed by Schahin and Modec ended in second, followed by UTC and Bumi armada joint venture.

Plus three years

Diamond Offshore units, the SS Ocean Valor, Ocean Courage and Ocean Barones will have their contracts extended with Petrobras for another three years each. It is further understood another five units will very likely have their agreements extended before they expire in 2015. The list includes Seadrill's semi-subs West Taurus and West Eminence; the Pacific Drilling drillship Pacific Mistral and the Ocean Rig drillships Corcovado and Mykonos.

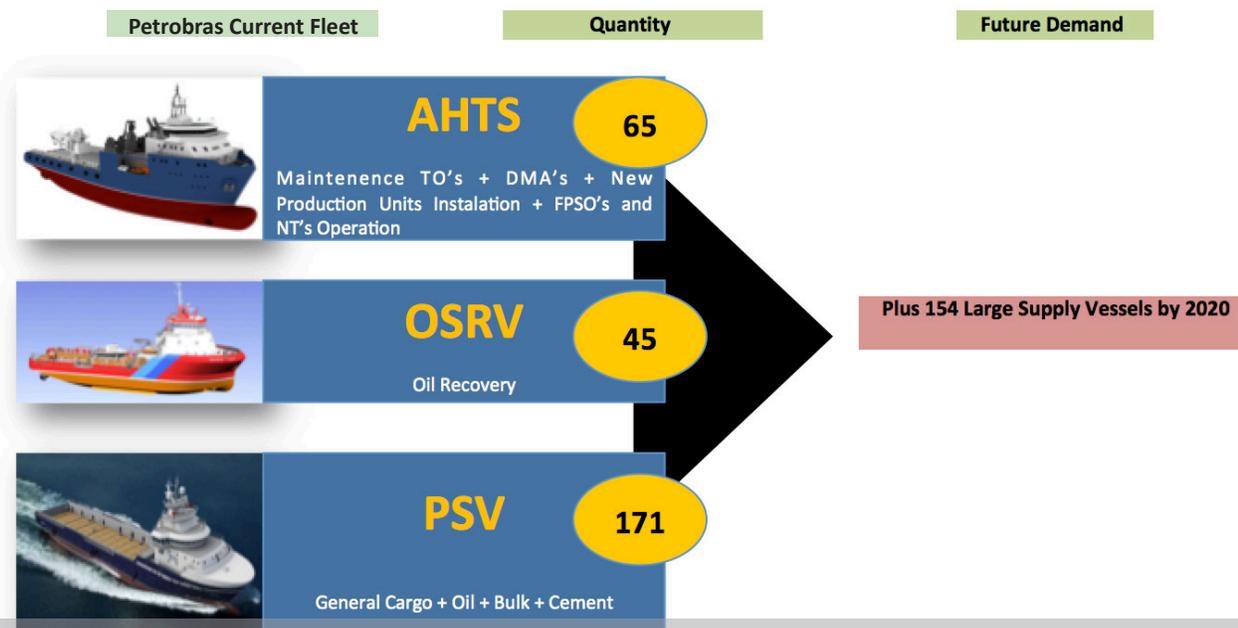
Clipper to Colombia

The drillship Ocean Clipper has been temporarily moved to Colombia for a three-month period to spud the Orca-1 well for Petrobras but the unit is expected to return to Brazil in mid-October.

Set to leave Brazil

Diamond Offshore's semi-sub rig Ocean Star is currently drilling the last well in a campaign with Queiroz Galvão and is set to leave Brazil during August and head to the Gulf of Mexico. The rig Ocean Concord is also expected to end the contract with Petrobras within the fourth quarter of 2014, as well as the rig Ocean Yatzy. Both of them are also expected to leave the country. After these demobilizations, Diamond Offshore (Brasdril) will have seven units drilling units operating in Brazilian waters.

Headline News



There are still significant numbers of vessels required in Brazil

Source: E&P-SERV/US-CONT

A New Wave of Demand for OSVs

The optimistic feeling that the Brazilian OSV market had in 2004 gave way a decade later to wave of pessimism but what does the future hold? When the first IOCs carried out exploratory campaigns in Brazil and Petrobras' revealed huge investment plans in the years to come hopes were high in the market. However this seems to not only have faded but have been replaced by a wave of negativity since 2012. Things have swung from an exotic booming market to a very challenging environment but what is next?

No one can deny that from the OSV and rigs charter frenzy seen in 2009, it seems that everything had slowed

down by 2012, like a huge single storm wave but with no follow-up. We had all the aspects needed for such a perfect storm: the opening of the Brazilian Oil & Gas sector to IOCs followed by the pre-salt discovery.

But we also had all that was needed for a sudden break of that wave: drastic changes at Petrobras policies and procedures, the political influence at Petrobras in a Presidential election year and also the absence of offshore block concession rounds for five years in a row. Despite the market uncertainties today, there is one fact that no one can deny: the potential huge demand for OSVs in Brazil.

Business and Management Plan 2014 - 2018

Critical Resources	Dec/2013 Situation	Future Situation: Incremental values considering acquisition ¹ and disposals			2020 Situation
		2014 - 15	2016 - 17	2018 - 20	
Tanker Vessels	55	13	23	38	127
Supply Vessels	414	44	44	66	568
Production Units (SS and FPSO)	54	3	13	16	86
Drilling Rigs (SWD>2.000M)	40	-1	8	7	54

Future Demand (2014 – 2020)

+ 89 Tanker Vessels

+ 154 Large Supply Boats

+ 28 Drilling Rigs

+ 32 Production Units by 2020 and +11 from 2021 to 2030 (Libra)

¹ Future Demand includes hired demand, demands in hiring phase and yet to be hired demand.

Source: Transpetro; BMP 2014-18; Petrobras (E&P-SERV/US-CONT and AB-LO/TM)

The demand from Petrobras up to 2020 will play a large role

The last official numbers from Petrobras show a fleet of 414 OSVs out of which 281 are PSVs, OSRVs or AHTS i.e. the larger vessels. Up to 2020, Petrobras officially expects its OSV fleet to increase by around 55%, which means an additional 154 OSVs being chartered during that period.

These numbers are not numbers predicted by us as broker or a shipowning association but these are Petrobras' official numbers, based on the stream of new maritime units being delivered during that period. An impressive number of 32 floating production units are scheduled to be installed during that period (until 2020), jumping to 43 when including 11 FPSOs scheduled for Libra through to 2030.

On the ultra-deep water drilling side, an additional 14 units are expected to 2020, bringing the total number of UDW drilling units to 54. These numbers are huge and clearly demonstrate the potential of the market.

“The challenges are undeniable but no OSV owner can afford to ignore Brazil’s potential”

On the IOCs side, after some very quiet years with very few exploratory drilling campaigns, the 55 offshore blocks conceded to several IOCs, will bring back the activity level for the non-Petrobras OSV market. Despite the likely formation of “pools or consortiums” of IOCs on the chartering process, concurrent exploratory drilling programs are still expected to take place in the Brazilian Equatorial margin from 2016/2017.

If we consider that each block has a minimum exploratory program, and theoretically, if two wells are drilled on each block, this clearly demonstrate the size

of this market.

The challenges are undeniable: the bureaucracy is huge and the main client is extremely demanding and sometimes unreasonable; but no OSV owner can afford to ignore Brazil's potential and the country's growing importance in the global industry in the long term.

Vessel News

Chartering Activity



SIEM OFFSHORE - Brazilian built and flagged PSV 4700 DP2 Siem Giant, sister to Siem Atlas has been fixed to Karoon for their upcoming campaign. In spite of its on hire and while Karoon is awaiting the arrival of the drilling unit, the Siem Giant has been fixed on the spot market to Odebrecht, then to O.W Bunker for a fuel run with end client Van Oord and subsequently to Seadrill for a cargo run, where she is on hire at the time of writing.

ECOTUG - Brazilian built and flagged Eco-Octo has been fixed late last month to Tramp Oil for a fuel run and for one week to Chevron as OSRV while a vessel from Chevron's fleet is undergoing maintenance. The vessel is currently available in Brazil.

FARSTAD - After conclusion of its charter with Total and undergoing modification, the Far Swift - sweetheart of the spot market and highly valued by charterers, will be going to Petrobras for her long term contract. It is farewell for the time being Swift.

UOS - AHTS of 200bp UOS Navigator can be made available for spot opportunities from after current her charter with Queiroz Galvo, later this month.

DEEPSEA SUPPLY - Brazilian built and flagged PSV 4700 Sea Brasil has been trading on the spot, with a fuel run mid-July via Tramp Oil. The vessel has been awarded a three month contract and is currently working with end client Petrobras.



The Far Swift has been a popular vessel on the Brazilian spot market

BRAVANTE - Bravante V and VI are now followed by its sister Bravante VII to a EPCI contract with end client Petrobras. The sister ship Bravante VIII is awaited in October as anticipated last month.

LABORDE - LH LAB 180 is expected to become available in Guanabara Bay later this month.

ECOTUG - OSRV Eco Apollo has been fixed to Petrobras via direct negotiation for one-year firm plus options, starting later this month after conclusion of its latest upgrades at the shipyard.

DEEPSEA SUPPLY - AHTS Sea Leopard, the longest trading vessel on the spot market in Brazil is expected to become available later this month, most likely on the 25th.

“The Far Swift will now leave the Brazil spot market for a long-term contract with Petrobras”

MAERSK - Maersk Puncher and Maersk Provider are confirmed with Karoon for 140 days and already onhire at time of writing.

FARSTAD - AHTS Far Senator after having worked for Shell Brasil is confirmed with Karoon for their campaign to assist the drilling rig mooring and supply.

OCEANPACT - Still in the arena of Karoon, the OSRV Mari-mar XII and the OSRV Astro

Enchova have been fixed for 140 days as Oil Spill St-by vessels during the well campaign.

CAMORIM - LH Superpesa XIII has been fixed to OGP as Line Handler for one-year firm plus options starting later this month subject to inspection.

Operator Update

Brazilian Activity

Only in 2017

The French company Total has postponed its drilling campaign in Foz do Amazonas Basin to 2017. The original plan was to drill in 2015 but due to complications in obtaining environmental licenses of blocks in the North, the oil company suspended the RFI for chartering a drill rig for the area. It is expected that the company will consult the market again only in 2016.

Pot of gold?

Repsol Sinopec has recently concluded drilling the appraisal well Seat-2, in Campos Basin, and reached a final depth of more than 7,000 metres. The campaign lasted around six months and results seem so good that the company is studying the possibility of starting to develop the area by Seat rather than the original plan to exploit oil from Pão de Açúcar prospect. Repsol Sinopec also revealed the possibility of chartering two FPSOs instead of one for the first development phase in BM-C-33.

News on Frade field

The Frade field has doubled its oil production in the second quarter this year after ANP authorized the re-opening of six wells which were shutdown due to the oil spill in 2012. Since May, the production in Frade had only five wells producing around 15 thousand boed but now, the average production is around 26.7 thousand boed. The results are also good for Petrobras who holds 30% of the oil while Chevron is the operator with 51.74% and Sojitz (Japan) holds the remains 18.25%.

New OSV for Polvo

Brazilian independent HRT has recently issued a tender for a supply vessel to attend the operations in Polvo field. The company has already received all proposals which are under analyses with results due within the next few weeks. The winner will work under a 150-days firm contract with delivery up to December this year.



Inside Story



Sometimes market knowledge is better than being first in line

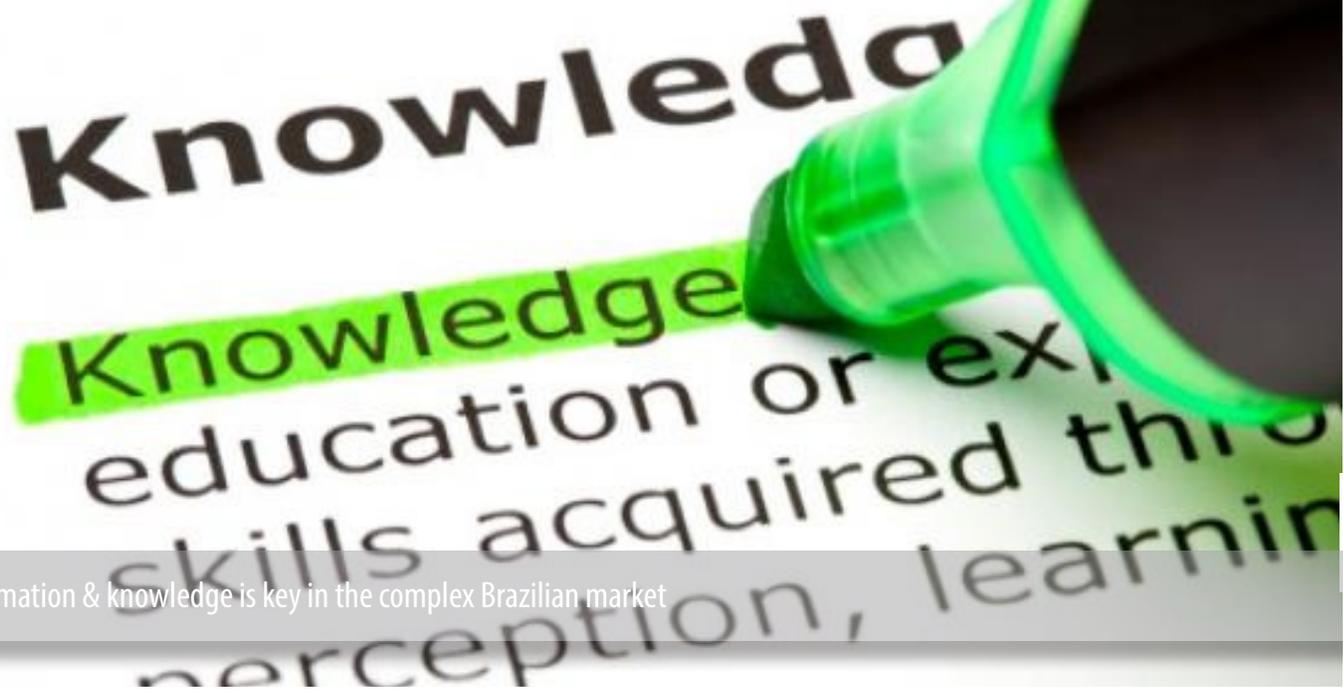
First Come, First Served?

The time has come for us to touch upon a few of the criteria used by Owners when choosing their business partners. To survive in the shipbrokers' environment one needs to be fast, think quickly and stay on top of the opportunities. This is in order to relay to shipowners any and all information on opportunities coming from charterers in a timely manner. And "time" is of the essence of the businesses, especially in the demands of the spot market. It is necessary to be fast and sharp on the rate to get the business.

So much said, however that is not the reality in every market. Whereas the North Sea lives mostly in this type

of scenario but in markets like South America, more specifically Brazil, the way business runs imposes a different mentality. In Brazil, not only are the spot requirements much less in number, but due to the local bureaucracies requirements may be just as urgent however never closed upon a Recap, but via a notarized contract of several pages signed by both parties with witnesses.

Therefore, it is not possible in Brazil to assume how a contract will work. It does not suffice to receive the basic requirement information and get that going with shipowners. It is necessary to talk to charterers first and understand the challenges of their requests.



Knowledge

Knowledge

education or ex
skills acquired thro
perception, learnin

Information & knowledge is key in the complex Brazilian market

As an example, a contract that may last 5, 15 or 30 days, will be equally impacted by the payment of i.e. proportional taxes, and although charterers are not inexperienced, quite often they need to be reminded of the legislation applicable to foreign flag ships, for instance. And detailed discussions start to take place.

Such a challenging environment has started to modify the way some shipbrokers behave. It is not and it will probably never be possible for a shipbroker to turn off his mobile phone or disable its e-mail system, but in between getting a requirement and getting to contact the shipowner, a lot needs to take place.

The market started to demand from brokers that qualified information must be supplied. That means, just getting the basic requirement info and quickly dropping that into the inbox of as many owners as possible will not wash in Brazil. Well, maybe not completely, but definitely largely.

Several owners have started to choose their channels into a customer no longer on the "first come first serve" basis, but as a function of the information and the ability of the shipbroker to demonstrate how knowledgeable that broker is with that specific charterer.

“Operators & owners are seeing the added value the best shipbrokers can bring and are choosing on this basis”

Further, in the arena of difficult operating environment, ship-owners are also giving preference to brokers who, sometimes in detriment of their own relationship with the end-client, take part in the difficult discussions with charterers and try to preserve the relationship

of all parties as they try to accommodate a point of disagreement or concern previous or during a contract.

Gladly, operators and owners are seeing the added value the best shipbrokers can bring and they are using this as the base criteria to choose who to work with. ■

Petrobras News



Kick off drilling in Libra

Petrobras has started drilling the first of two wells for the first phase of the minimum exploratory program (PEM). The operations are being carried out by the drilling rig Cerrado, owned by Schain which will reach a final depth of 5,850 metres to obtain information needed to develop Libra's production.

The Local Content: targets being missed

Since 2005, Petrobras has committed itself to buy a minimum of 55% to 65% in services and equipment in Brazil for the chartering of drilling rigs, however, these targets have not been achieved and, currently, the national capacity on acquisition for chartering drilling rigs is limited to 15%. Now, the national oil company is trying with ANP to reduce the required percentages of purchases in Brazil due to increased demand from industry in the areas of pre salt, but the agency is still unwilling to adjust the requirements and claims companies need to develop their supply chain.

Peotram 2013 grades are released

Petrobras has released the results of its PEOTRAM (Maritime Transportation Excellence Program) ranking. The program consists of ranking the Brazilian Shipping Companies on a yearly basis, taking mainly into consideration compliance to Petrobras HSE

issues. Petrobras' intention is to black-list all Companies with PEOTRAM ranking below 60.0 this year, and raise the bar to 70.0 next year.

Tender for Santos Basin

Petrobras is set to issue a tender for the topsides modules construction and integration of the P-72 and P-73 FPSOs which will be installed in the Santos basin pre salt area. Each unit will have capacity to

produce 150,000 boed and 8 million cbm of natural gas. According to the market the contracts will possible reach more than USD 1 billion per unit, including a wide range of topsides modules and integration. Petrobras is making final adjustments

to the tender and plans to send the invitation letter by the end of September.

“Petrobras has started the first of two wells for the minimum exploratory program of Libra.”



Petrobras News

The latest on tenders

PSV 3000/4500 Awards

Further to our May edition, Petrobras has released the awards on PSV 3000/4500 category to Brazilian flag vessels, issued early this year to be employed under a four years firm plus four year options contract with delivery up to December this year.

PSV 3000/4500 - National Invitation E&P Nº 1453584138			
PSV 3000 A - General Cargo			
Ranking	Owner	Vessel	Day Rate (USD)
1	Tidewater	Ed Kyle (REB)*	29,990.00
2	Norskan	Skandi Yare (REB)*	29,900.00
3	Chouest	Cabo Frio	29,522.00
PSV 3000 B - Oil Carrier			
Ranking	Owner	Vessel	Day Rate (USD)
1	Bravante	Viking Surf (REB)*	28,000.00
2	Bravante	Viking Thaumás (REB)*	28,500.00
PSV 4500 A - General Cargo			
Ranking	Owner	Vessel	Day Rate (USD)
1	Chouest	Campos Captain	31,922.00
2	Chouest	Santos Supplier	31,922.00
3	Chouest	Deborah Kay	31,922.00
4	UP Offshore	UP Opal (REB)*	35,000.00
PSV 4500 B - Oil Carrier			
Ranking	Owner	Vessel	Day Rate (USD)
1	Chouest	Bongo (REB)	32,922.00
2	UP Offshore	UP Safira (REB)*	31,950.00
3	Chouest	Thor Supplier	31,922.00

*Vessel under REB

Petrobras News

Latest on Request for Information

Petrobras has recently consulted the market in regards to charter of several AHTS types for a contract period up to four years plus options. The company has not informed the market of the number of vessels to be employed but has released the delivery and the types as following:

- TS 12000 or TS 15000 (static tow on tankers) – January 2015, July 2015, October 2015, March 2016, April 2016; July 2016, August 2016;
- TO 12000 or TO 15000 (for maintenance of offloading hoses) – January 2015, January 2016, May 2016;
- AHTS 18000 or AHTS 21000 (A/H) – April 2015, July 2015; September 2015, March 2016;
- AHTS ROV (AHTS with ROV) – July 2015



Look Ahead



In Brazil the IRS is often referred to informally as 'the Lion'

Improvements on Repetro

New changes to the Repetro regime both in terms of interpretation and the regulation itself have brought some good news but also some fresh doubts to the market. We have touched in previous editions on the issues of customs clearance of OSVs in Brazil, which includes the Repetro, a benefit widely used by OSV owners in order to suspend the payment of heavy federal taxes since its creation in 1999.

The Normative Instruction #1415 issued by the Brazilian IRS in December 2013, fortunately mitigated some aspects of the Repetro process, which is good news.

In addition to the application process being fully electronic, now EBN (Brazilian Shipping Company) holding charter or services contracts with Oil Operators will have Repetro approval on their name, on a Corporate level. The difference from the past is mainly the fact that when the EBN applies for Repetro for an OSV, the Company documents do not now need to be analyzed by the customs, saving a lot of time for Owners that apply for the Repetro for several different OSVs. This procedure also helps the extension of Repetro, by speeding up the process.

Another alteration made in this Normative Instruc-



A faster response from the IRS would help things further

tion is related to the duration of the Repetro regime approved for each vessel. Before, this was tied to the commencement date and duration of the AIT (Temporary Certificate of Registration of Foreign Vessel) validity, which is equal to the duration of the document with the shortest validity period: CAA (Certificate of Charter Authorization) duration, which is usually one year, or the vessel charter contract duration.

However, now the Repetro authorization for each vessel is based on the duration of the charter or services contract directly. This means that long term contracts of more than one year of duration, especially ones from Petrobras, will benefit greatly from this new norm, as the Repetro approval is guaranteed until the end of the charter period.

In the case of vessels delivered later than the period stipulated in the contract, the Repetro duration is even longer because it will be based on the date of the on-hire certificate (or “Term of Receipt”) from Petrobras, when the real end date of the contract is also set.

It is important to clarify that the circularization

process is still required for foreign vessels admittance to Brazil, since it is regulated by Antaq and has no involvement of the IRS. If a vessel is authorized into the country, the CAA is issued only for the period in which a similar Brazilian flagged vessel is not available, and can have the maximum duration of one year. Therefore, the circularization should still be done every year, representing a relevant risk for owners and charterers, who would have to review their plans if the vessel gets blocked.

Even though there are still several improvements being demanded by the stakeholders in this market, the steps that are being taken are a move in the right direction. Whilst a big impact has not yet been felt by the market, since this norm has not had its first anniversary, in the years to come, this will save the companies a significant amount of time, money and hassle. The next step could be a faster response from the IRS on the vessel’s first Repetro application, which would definitely allow them to be more competitive in short notice jobs. Hopefully these next moves will not take too long...

É Isso Aí



The Rio Oil & Gas 2014 Expo and Conference runs from September 15th-18th

Rio Oil & Gas

A leading oil and gas industry event in Latin America, Rio Oil & Gas Expo and Conference, takes place at Riocentro Convention Center in Rio de Janeiro from September 15th to 18th.

Since its first occurrence in 1982, both the exhibition and the conference have contributed to build up Rio de Janeiro's reputation of being the "Brazilian oil capital". In fact, Rio de Janeiro State accounts for 80% of the oil produced in the country, along with 50% of the total gas production.

The Expo is an outstanding opportunity for national and foreign companies to display their products and services. Similarly, the conference is a prominent place for networking, discussing major technological issues and promoting innovative ideas.

"The exhibition & conference have contributed to build up Rio de Janeiro's reputation of being the Brazil oil capital"

Latin Oil Week

From September 1st to 3rd, Global Pacific & Partners will be promoting the 20th Latin Upstream Conference to be hosted in Copacabana Palace Hotel, in Rio de Janeiro. It will focus on Latin America's oil, gas and energy along with major oil and gas opportunities in countries with independent licensing agencies such

as Brazil, Colombia and Peru, plus new frontiers with further oil potential. The event will bring a complete overview on long-term exploration, development, investment and strategy perspectives now in play. It will look at their potential upstream

impacts, and how private and state oil and gas companies and governments as well as Licensing Agencies will reshape Latin America in the world upstream market.