

# NAVIGATOR

April 2018 Issue N° 4

## THE RIG MARKET SO FAR

Stay up to date on what's going on

## ANP ROUNDS

When you will get your vessel back to work

## INFORMATION = DISCOUNT

Don't give your supplier too many options!

## PETROBRAS IS BACK?



WESTSHORE

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# SEARCHING FOR A MORE FREQUENT UPDATE?

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The cover of the "Weekly Market Update" report. It features the Westshore logo at the top, followed by the text "WESTSHORE DO BRASIL". Below this, the title "WEEKLY MARKET UPDATE" is prominently displayed in a large, bold, blue font. Underneath the title, a list of topics is provided: "IN THIS REPORT YOU WILL FIND:" followed by "VESSELS NEWS", "PETROBRAS NEWS", "CHARTERERS' UPDATE", "DID YOU KNOW?", "HIGHLIGHT & LOWLIGHT", and "VESSELS AVAILABILITY LIST". At the bottom, a small disclaimer states: "Report written, designed and created by the Westshore do Brasil Team. Images are merely illustrative and were taken from the internet."/>

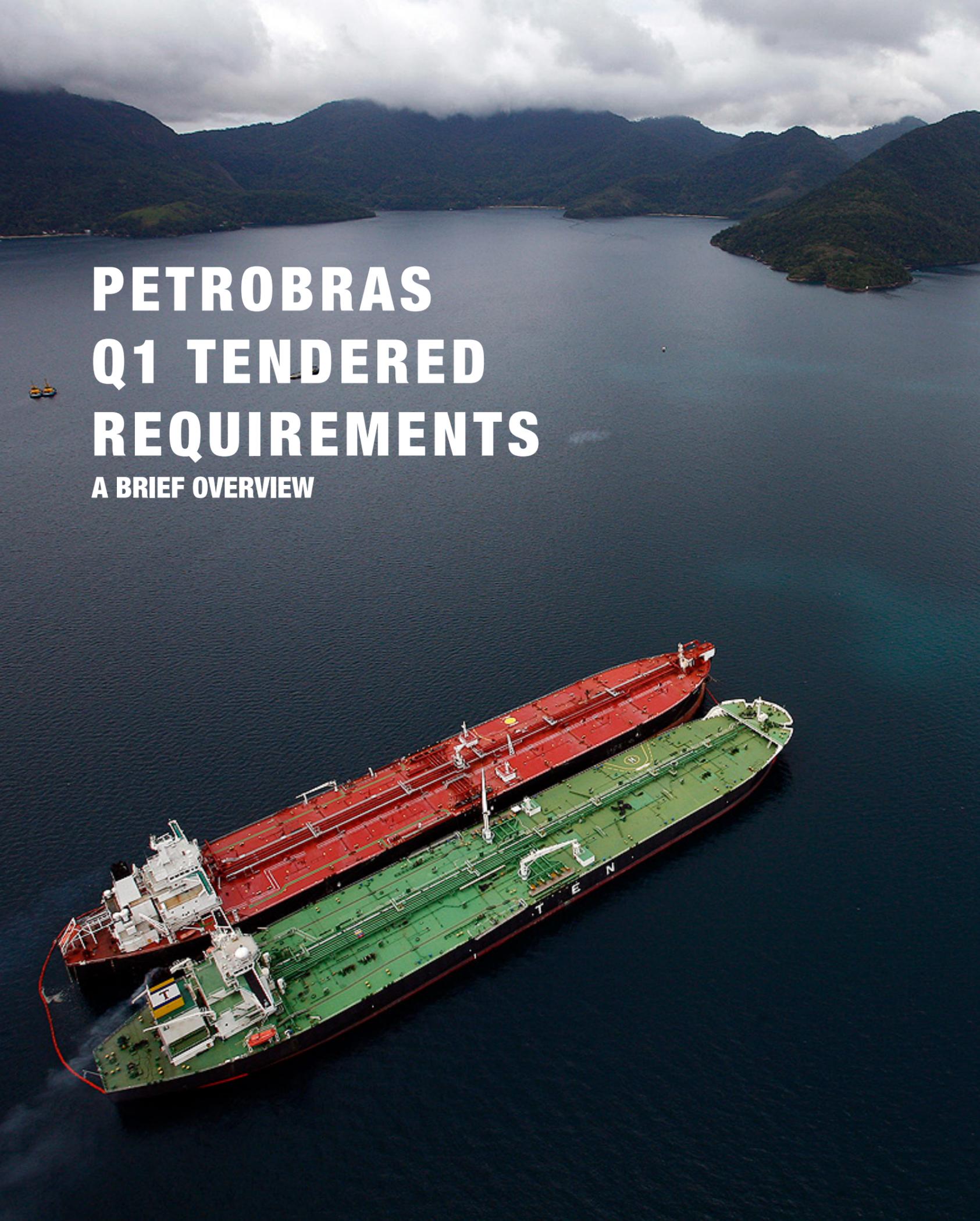
WESTSHORE  
DO BRASIL

## WEEKLY MARKET UPDATE

IN THIS REPORT YOU WILL FIND:

- VESSELS NEWS
- PETROBRAS NEWS
- CHARTERERS' UPDATE
- DID YOU KNOW?
- HIGHLIGHT & LOWLIGHT
- VESSELS AVAILABILITY LIST

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# PETROBRAS Q1 TENDERED REQUIREMENTS

A BRIEF OVERVIEW

## DANIEL BUCKLEY

Tanker Broker

For our Autumn magazine – in our neck of the woods -, we would like to take a look back at Petrobras' Q1 trade. It has been a remarkable period driven by the record breaking oil production output, resumption of clean derivatives exports after a number of years and new strategies concerning the company's future outlook as outlined in the 2018-2022 Business and Management Plan (PNG) by means of "...reduce the risk and to add value in its operations through partnerships in the refining, transportation, logistics, distribution and marketing segments, seeking to repeat the successful experience of partnerships in the exploration and production segment, while maintaining its strategy as an integrated energy company."

Latest recorded average production in February was of 2,59 million boed of its own production and 3,32 million boed combined with the partners'.

For the period, in excess of 5 mill tons of crude were quoted overall in the freight market with 935,000 metric tons traded outside Brazil (eg cross-Caribs/USG, cross-PG). Out of the above total, due to various commercial or logistical issues, about 945,000 metric tons were not concluded and withdrawn without fixing.

The most recurrent load port is Angra dos Reis followed by in equal shares, Rio de Janeiro São Sebastião and Aratu/Suape.

It is worth noting that the vast majority of Petrobras' cargoes are loaded from shore terminals as opposed to the IOCs – more and more with increased participations in exports such as Shell, Total, Repsol and Petrogal – whom have been

actively loading on a ship-to-ship basis not able to count on shore infrastructure, many times facing delays due to weather related issues. To overcome these delays, there is keen interest in developing alternatives for this type of loading operation, reflecting on the ongoing measures to regulate such transshipments by the government's regulatory transport agency ANTAQ and Petroleum agency ANP supported by the Navy and environmental authorities.

On the discharge end, the direction to which most cargoes were fixed, by far and as no surprise, was Far East with about 2,5 mill tons with rates in the low/mid WS 40's followed by Chile with 260.000 tons in the low WS 60's and 130.000 tons to Spain at WS 55.

With the onset of the Pre-Salt production and increasing output, the outlook is that these volumes will tend to increase throughout the year. On the Clean front, after many years out of the export market, Petrobras resumed in the New Year to tender aggressively, having quoted a total of 795.000 tons out of which 364.000 tons were unfixed, 225.000 tons of exports and almost the same at 205.000 tons of imports concluded, both evenly spread between Continent/Med and USA as destinations and origins, respectively. Ratewise, it has remained pretty much undisclosed but said to be at about WS 70's for the exports and WS 200 for the imports. Upon the implementation, as part of the PNG plan, of international parity prices, Petrobras is fighting back for its market share inhibiting the flow of imports with the resulting reduced surplus leading to a slow down on the cargoes tendered for export.

# THE RIG MARKET SO FAR

**OMAR DARIAN**

Shipbroker

The year of 2018 has just started yet substantial movement is seen on the market. New opportunities are being issued, tenders are coming to a close in shorter time, and additional bidding rounds for offshore blocks happening on schedule, ending the usual gaps that lead to lower activity. In spite of these positive signs however, the drilling rigs market is yet to see better days. Although we particularly believe this is only a matter of time.

Brazil currently hosts 11 rig owners and operators – QGOQ, OceanRig, Brassdril, Seadrill, Ensco, Odebrecht, Transocean, Ventura, Etesco, Brasdrill and Helix - operating rigs offshore, the latter also seen as a well services vessel. It is a ultra-deep water market where the majority of these units are working at water depths above 2000m, mostly located either in Santos or Campos basins. It is a total of 26 units under contract (some not in service), and 3 in warm stack. 2018 presents itself as the most challenging year where 16 of those rigs will have their contracts finalized, if not extended, which is said to be unlikely. Fourteen of them are in contract with Petrobras, one with Shell and one with Statoil.

Out of those, the SS Gold Star which can drill at water depths up to 2700m, owned by Queiroz Galvão, was the first one to arrive in Guanabara Bay this first quarter. It joins the Bambu SS Pantanal and SS Amazônia, also prime line equipment berthed since last year. The SS Gold Star is now berthed at Pier Maua, an area operated by Triunfo Logística. The other unit to have its contract ended was the drillship Oceanrig Mykonos. The rig has dual drilling capabilities, design and equipped for drilling operations in water depths from 500 meters to 3000 meters. Following conclusion of her charter, the unit departed direction Las Palmas. The third and last unit to have its contract concluded in the first quarter of 2018 was the SS Lone Star, also owned by Queiroz Galvão Óleo e Gás. The unit is currently moored in Guanabara Bay and it is likely the unit will be joining her “sister” soon at port, pending final arrangements and confirmations.

Unfortunately others will follow.

Apart from the sad news though, it's not been a dead market. The arrival of drillship West Saturn chartered by Statoil for the drilling of one well (possible extensions for additional wells) at Carcará field which was recently acquired by Statoil from Petrobras marked a resurging of opportunities in the segment of “true drilling”, in a potentially multi-well campaign. It has also marked the first REPETRO-Sped process after the recent changes in legislation, demonstrating the ability of Statoil and of Seadrill to manage change. The Carcará prospect is quite challenging in well formation, and the service as a whole is being watched closely for what can become one of Statoil's largest project. The unit is a 6th generation ultra-deepwater drillship, built in 2014 and equipped to drill in water depths of up to 3600m.

We just mentioned “true drilling” in order to balance the arrival of another unit by the end of this month, the Catarina from local enterprise Petroserv. There has been a lot of rumour as to the drilling unit being employed into multi-well campaign with Shell Brasil which we could not confirm. It is though confirmed that the unit will operate with complex subsea engineering related to the production assets of Shell in the BC-10 field, in what is said to be a 60 days charter.

For next year the market expects Shell Brasil to enter a multi-well campaign in Gato-do-Mato and Alto de Cabo Frio fields as announced by the oil major upon submission of their drilling license to environmental authority IBAMA. Further, the market expects further activity with Chevron in the Frade field, rig process which as informed by the company is already on final award phase, and Statoil in additional drilling in Espírito Santo and possibly further Carcará. Peregrino counts with a different structure as sets in shallow water.

The market is anxious for a re-start of Petrobras in this game. As usual, the national giant is the one dictating the rules and providing the most opportunities.



# TURNING INFORMATION INTO DISCOUNT

**Here is a direct message to every charterer, especially those operating in challenging markets: Don't give your supplier too many options! It will cost you way more to get what you want.**

## ALEXANDRE VILELA

Managing Director

In recent requirements being sent out from various charterers, from oil majors to rig owners and bunker traders, we have perceived a deterioration of the details provided upon RFQ issuance and during the RFQ Q&A processes. Charterers have been pretty far from helping owners build their price based on what they have to deliver. Our diagnosis on this topic starts from very poor language and mistakes on the specifications all the way into being long-winded on RFQ paperwork beefed with irrelevant technical details when missing the most important stuff. It is the elephant sitting on the room while the staff is sat sipping tea. So this is not a discussion on information being too much or too less. This is about giving the relevant and just enough details that help the owners put a objective offer together. It is about not giving the owner too many options. If the requirement is wide open on the relevant points for the owner, this "flexibility" given by the charterer becomes uncertainty, and uncertainty is priced! Here are some examples of what our diagnosis has revealed within 2017 and this early year of 2018:

**Contract period:** There is a general rule that says, the closer a requirement is to the satisfaction

of employment period the owner is looking for, the better the day rate will be. The most common mistake is to think that this bold statement can be translated into: the longer the period, the lower the rate. No! In many cases, the longer the period, the more cost escalation there will be, the more fat the owner has to place on the rate to protect it from inflation of costs. In order to determine the optimum contract period, one has to look into the market, the availability, one has to know the employment philosophy of the potential contenders, has to understand the prevailing forces of the market, the recent and distant future expectation on the rates. Charterers often just research to the level of determining which owners will be invited, or at most, which vessels from which owners are available.

**Optional period:** In connection with the contract period, the optional period has recently become a laugh.

There is also a general rule that says, the fewer the charterer's options, the better the day rate will be. The most common mistake is to add a lot of charterers' options to a short firm period, thinking that "flexibility" is well perceived by the owner. Again, no! Charterers' option means, that in case, for any reason, the charterer exercises their options, the owner has to stick to the contract and the vessel will remain.

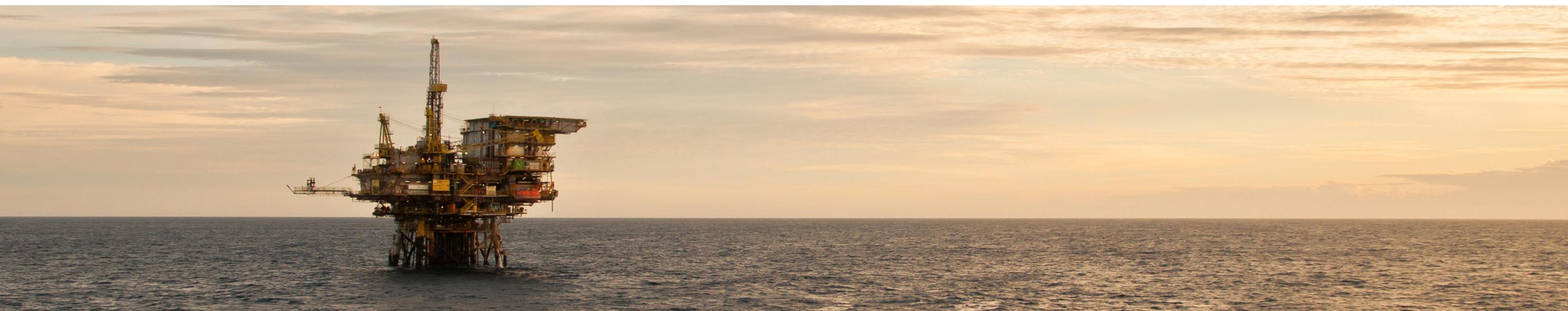
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Long charterers' options are priced; they are risk. Especially in a weak market charterers' are made believe that giving the owner a grasp of hope of employment with possible and excessive options is honorable alms. "Lucky owner that may be kept employed with me when everybody else out there is starving". Well, in fact, rest assured, especially in a weak market owners will not want to give out too many options and end up committed, running the risk of losing the next best opportunity coming up. And if the employment remains low, as it has, excessive tonnage in the market will be laid up, becoming unavailable on the short notice. As otherwise this is the exact explanation to recent PSV4500 rates up 50% in 6 months when over 30 local flagged PSVs are idle. We still hear many charterers say "look there is plenty of PSVs available".

**Commencement:** What's the point in getting to tell the market what you want, for how long you want it, if you can't be sufficiently certain of when you want it to be delivered. It may seem unbelievable, but in the last 6 months we have not had one single requirement on the spot or long term charter markets that has stick to their original commencement date! Fellow colleagues from the industry, everybody knows that the world is full of problems and challenges, that authorities don't give out licenses as predictable, that customs will delay clearance of equipment, etc, bla, bla, bla. The point is: bring the charterers uncertainty into your procurement process and keep delaying the commencement dates, owners will price it. And if they won't price it just because they are equally unaware of this practice, they either won't deliver in time, or they may reflect their unawareness on the quality of their service. Most charterers rely on the supplier to respond fast to any delays cleaning it up after them. The problem is owners equally face regulatory and other bureaucratic practices after being awarded a contract. "If I don't get the boat I will put it in downtime, and apply a penalty for late delivery!". Too bad, the vessel downtime should be the least of the concerns if a whole project is put to a halt because the owner of the line handler was not able to get a certain certificate from the navy in time!

**Vessel specifications:** Say exactly what you want from the vessel and service. Do not believe that just because a vessel features additional stuff that you can at any time make use of it. Discuss what will be required from the vessel before you go out to the market, and do not leave that discussion open with contenders during the bid. The most common mistake is to think that an owner "has the specification in any case, so we will surely benefit from making use of it". It is the opposite: owners with overkill specs, aware that they will be in competition with lower spec contenders, will look into how making their vessel competitive by exactly not making use of what is excessive. "But it is there, so what is the problem? This is petty". No! If the requirement says "DP1 required", a DP2 owner will possibly remove some DPOs, give away most of specific DP2 annual trials requirements, etc. "Carry oil and water", the multi cargo vessel will no longer require to upkeep and maintain its fluids system. "Fantastic, they have a helideck", the owners won't have to invest on HLOs, annual certifications, tests. If the charterer wants it all, it has to afford it all!



**Scope of work:** Some charterers still stick to the "any and all duties within vessel capacities". Of course there is no problem to have that statement in a contract, but again, "want it all, afford it all". This topic is a little different from the previous vessel specification. It is not about giving an extremely detailed vessel specification on the requirement with 50 pages or more as some do, and not at all stating what the vessel will be used for, as it is not about having 50 pages or more on the scope of work by opening up the full field engineering as some do and making no use of a vessel specification sheet. It is about the balance. The most common mistake is to think that the owners will have little to contribute by knowing the scope of work expected from the vessel, or making it so extensive to the point the charterer makes the owners liable for any mistakes from that detailed engineered scope of work not being delivered in the end. Not having the right balance between vessel specification minimum requirements and a decent scope of work has a cost.

**Contract terms:** All this uncertainty and deterioration of basic terms and conditions in a young market have translated into "expensive" contract terms that were in other times unthinkable of. The most common mistake is to place operational uncertainties on the shoulders of the owners. And yes, we see it happening all the time now. It originates from charterers not at all accepting cumulative maintenance allowance to removing maintenance allowance as a whole, wanting to "have the vessel available 24/7/365"! Oh yes, it is no longer 24/7 "only". And in the sequence, when the exhausted "non-well maintained vessel" faces a breakdown, some contracts stipulate that the charterer will hire a replacement and the owner has to afford against a discount on its own remuneration, the extra cost of the replacement, if any. And some owners have accepted and will accept entering such terms, no doubt. Some. But if there are owners accepting, others are not. And those who do, will price it somehow. No doubt.

There are all sorts of other improvements, or better saying, going-back-to-basics we could nominate in this article, that could translate into better rate equilibrium in the market. But one has to stop. It is with no doubt that we can state, those charterers that well address the mentioned topics have been able to secure better rates and contract conditions than those who have not. We still see charterers fixing extremely long charters at the market peak, and very short contracts at the market low, as a rule. We still see optional periods longer than firm, we still see gross specifications mistakes from the same charter that wants insurance coverage for gross negligence from the owner! It is possible to state that even the best have deteriorated and are taking a bite.

**Be specific, say what you need, get what you want, at a discount.**

# ANP ROUNDS

When do they convert into opportunities for suppliers?

By Joana Rodrigues

Historically the Brazilian offshore market never had a ANP (the national petroleum governmental agency) with so much enthusiasm (and hurry) to internally approve and publish new rounds of oil fields concessions (also often called blocks).

A bit of history, with what previously happened: In 16 years, 13 auctions were carried out by ANP, where the 8th round was canceled, the 10th and 12th rounds featured no offshore areas, and a gap left the O&G industry in Brazil with over 05 years without new projects.

The “new frontiers” auction launched in 2013 (round 11) which had a pre-agreed Minimum Exploratory Program (PEM) agreed with the ANP did not deliver. As the operators of the blocks are facing several challenges, several extensions of up to 2 years in the deadlines were given. Round 13, in the worst time in history with the oil crisis, was only able to attract one bidder for 02 offshore blocks – without any drilling commitment.

Fair enough, bidding rounds do not necessarily mean further employment of resources, services, equipment. . .

No wonder, the last 07 months have been “glorious”. 05 new bidding rounds were launched and were able to attract quite a number of interested parties and record breaking revenues to through the agency: very successful. Those were the Rounds 14, 15, and pre-salt clusters PP1, PP2 and PP3. 03 additional rounds are already scheduled for the next 18 months, Round 16, PP4 and PP5.

## What made the system flow?

The discovery of the pre-salt cluster in 2007 inspired the government to establish, eventually in 2010, the regime of production sharing. Until then, all the areas were granted un-

der the concession regime. From 2010 and onwards, Brazil entered a mixed regulatory framework, with both regimen applicable.

Further, in 2016 the pre-salt cluster was made flexible with the the end of Petrobras' obligation being the exclusive operator, unlocking the opportunity to other better positioned oil majors to development these reservoirs (one must consider the impossibility of Petrobras attacking all opportunities at the same time). A significantly higher volume of investments were then attracted and applied.

## Further steps:

A new local content policy has followed the 2017 rounds. This increased the attractiveness of auctions and the efficiency to assess committed values.

New E&P policies have also been issued by ANP. Guidelines are based on prioritizing the optimization of recovery of reservoirs, quantifying the national oil potential, intensifying exploratory activities nationwide and promoting the proper monetization of existing reserves.

The National Energy Policy Council (CNPE) has also published guidelines on the polemic unitization. The Repetro (the special customs regime for export and import of assets in oil and gas activities) was extended until 2040.

More attractive concession contracts have been designed, with innovations such as the adoption of the single exploration stage, distinguished royalties for areas of new frontiers and mature basins, reduction of the minimum net equity for non-operators and incentives to increase the participation of investment funds.

With all that, and considering the recent auctions, these will only make effect in the medium/long run. Historically, from the conclusion of the contract to the first oil, in average, over 6 years go by, in case of a successful hydrocarbon discovery.

## Fine, but what about the new opportunities for my vessels?

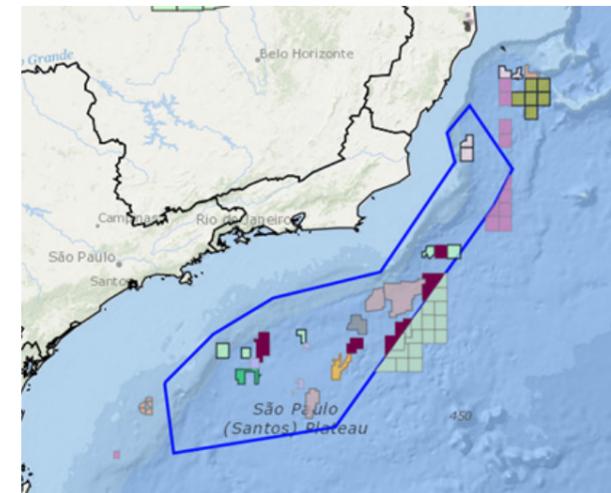
Currently, ANP has 70 exploration concessions in progress, including the 03 rounds of production sharing and the Round 14.

These contracts establish a period in which the Operator must develop exploration activities of geology and geophysics, seeking detailed knowledge of the acquired blocks. These activities involve the seismic, gravimetric, magnetometric, geochemical, well drilling and evaluation data, among others, and must comply with the Minimum Exploration Program (PEM) agreed with ANP.

In Round 14, for example, in spite of 05 operators having been awarded 13 blocks, only Petrobras and Exxon have committed to actually drilling wells.

Of the 70 contracts above mentioned, only half feature drilling activity. And the number of wells established in the PEM can be modified during the agreed period - there is usually an increase in drilling. Usually.

The offshore exploratory blocks auctioned in the last rounds are mostly located in the Campos and Santos basins, according to the enclosed map provided by ANP.



Although the number of blocks doesn't seem so significant, there are already well drilling programmed for this region, as well as already approved seismic.

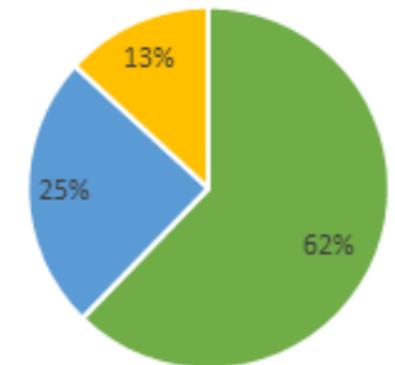
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The Minimum Exploration Program does not necessarily include drilling wells. Some of the companies are committed only with the data acquisition.

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Westshore mapped the OSV charter opportunities for the coming years, which includes the activities of the new auctions - Seismic and Drilling, the blocks not yet explored in previous rounds and other opportunities in the sector, as graph below.

More than 50 new opportunities, from different types of charterer, will arise for the shipowners. And this number doesn't include the demands of the developing or production fields.



■ Drilling Campaign  
■ Seismic Campaign  
■ Others - OSV Support

The expected commencement of each opportunity, the vessel specifications for each campaign, duration of the contracts and other details are available on **Westshore Analytics**.





**PETROBRAS**

# KEEP CALM I'M BACK IN THE GAME

## RAPHAEL MONTES

Shipbroker

When it comes to long term contracts in Brazil, it is unquestionable that the first name popping up in our minds is: Petrobras. Every year there is always high speculation and expectation towards level of activity in the market and future demands of the Oil Major.

Even though Petrobras is not exactly expanding their fleet, 2018 is a year of operational maintenance of activity level for several assets and this translates into new opportunities for the local market. Currently Petrobras tends to seek out new contracts through tenders, instead of renewing or renegotiating existing contracts. So, how is Petrobras behaving after the closing of 2017?

With already a reasonable amount of tenders for the offshore market being released, some of those being already anticipated, some quite unexpected for the layman, the beginning of 2018 has proven to be on the most thrilling and exciting, at least in the recent 3-4 years.

The very first opportunity was a re-tender of a previous opportunity from last year: AHTS 18.000 - Types D and E. Shortly after it, the AHTS-ROV 18.000 - Type B was also reopened by the oil major. According to Petrobras, the main reason to reopen these tenders was to receive more proposals from Owners. The AHTS-TS/TO and OTSV (Offshore Terminal support anchor handler) tenders complete the list of Anchor Handlers to be hired by Petrobras so far this year.

Moving on, Petrobras has also issued

tenders for ROV support vessels (RSV), even with a few blocking bids for this type of vessel running since last year, smaller vessels in the UT-2500 category and Shallow Diving Support Vessels (SDSV). The highlight of opportunities among the OSVs must go for the PSV 3000 tender, which showcases somewhat of a "spot modality" which we cover on another article on this issue of Navigator, but in short, a 1 year contract, to employ one vessel for upto 56 days on a call out basis.

More complex tenders were also launched this year – and some also innovative, which aim the supply of services, not just straight vessel charter.

The towing requirement for FPSOs P-75 and P-77 was the first of its kind, where Petrobras was seeking to hire one company that could provide towage services for both units from Dalian to Rio Grande. The contractor would have to provide the full towing plan and strategy and present it to Petrobras, following the few guidelines provided within the tender package. One successful bidder Tranship presented the offers and was awarded the contract. First tow is set to commence in early May. In the past Petrobras had the yard / unit contractor take care of the tow.

The "most complex tender prize of the era" though goes to Petrobras' Integrated Logistics. The consortium that will have to be formed in order to participate in this opportunity must be able to supply Petrobras with a certain range of logistic solutions, mainly composed by an onshore terminal or base with land transport and all associated services, offshore vessels and air transport to offshore support the Libra consortium. Many are skeptical and it is fair to say that due

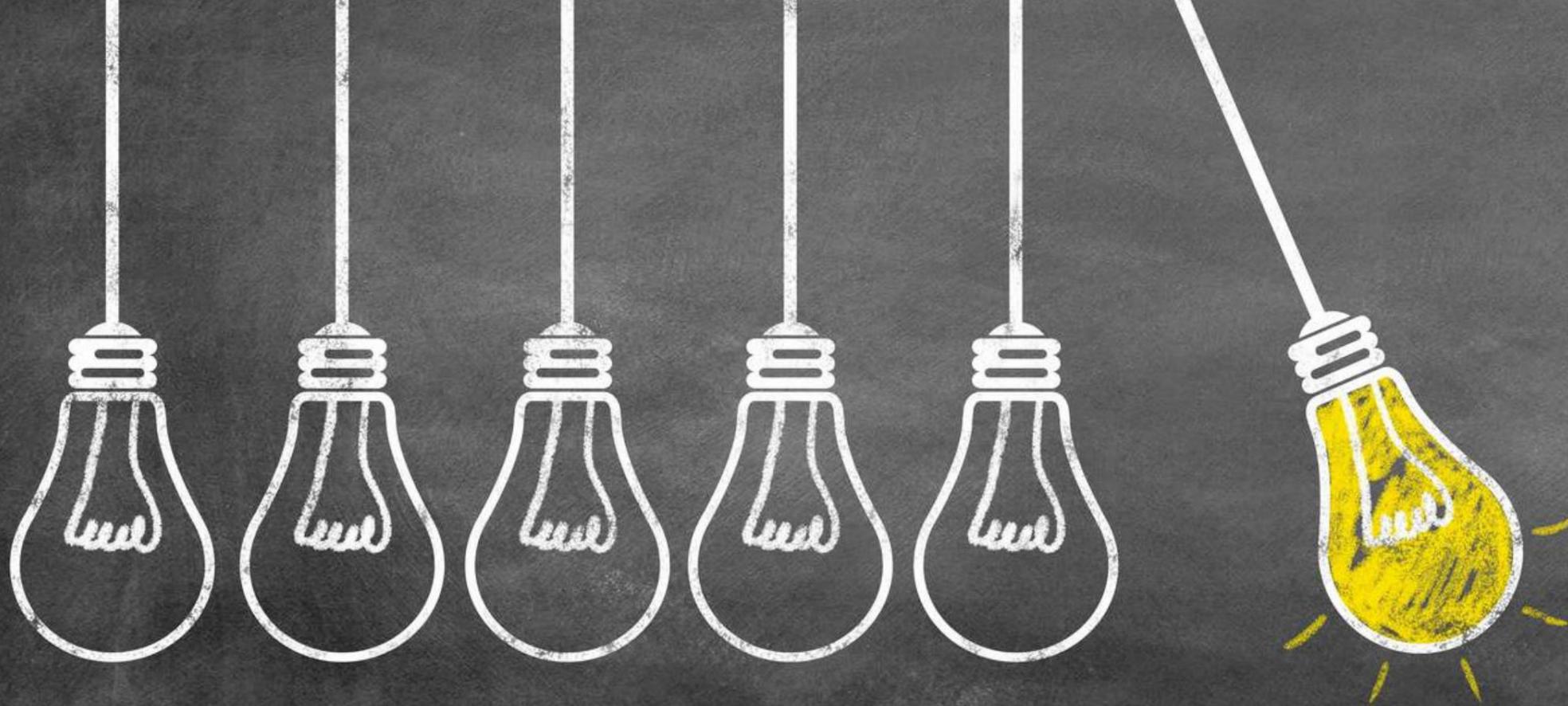
to the complexity involved Petrobras have not put out a very clear tender package. But it is a process and this definitely shows the direction the company is going to. Similar solutions are not unheard of in special in the North Sea.

Yet on another separate article on this Navigator we cover the rig market in specific. Back in February, Petrobras has opened the contracting season to potentially replace contracts ending through 2018. Two anchored drilling units, one for 500m water depth and the second one for 2.200m water depth have been put out for tender, not even a scratch for over 15 units coming off charter as said on the other article. The expectation is that Petrobras will continue to reduce their rig fleet and not renew all the contracts expiring in 2018.

One can't misperceive that the heated tendering opportunities are being possible consequence of the major change in the procuring process of Petrobras. The new contracting model to be established by the new State-Owned Companies Law will enter into force in June, and Petrobras is gearing up to roll out already in mid-May in national level.

Petrobras is clearly tendering with commencement dates far out, some all the way into 2019. It is a dual purpose one might guess: reaction and fear of the cumbersome process the new law may bring, but also Petrobras surfing the lowest rates ever seen in the industry, trying to secure now what they will need soon, in anticipation of some cost rising.

In any case, what the market should also expect is that the rhythm will not be the same in the second half of the year, in spite of even so, we still expecting that 2018 will be a much better year than 2017.



# BACK IN THE GAME... AND INNOVATING

The year begins with a large number of vessel tenders by Petrobras due to the innumerable contracts that are coming to an end but also due to the adjustment of the oil major business plan. A specific tender caught our attention, which may just as well be the start of a spot market, in all aspects fair to say - Petrobras style. We refer to the 56 days firm PSV tender which offers were handed in in the first half of this month of April. Petrobras has invited shipowners to submit proposals for a 365-day contract where Petrobras can call out 1 vessel for 60 days of contract at a time.

It has been confirmed that the contract will be valid for a term of 1 year, with one call per vessel per owner each upto 60 (56) days use. It is not expressed that a vessel can't be called twice, and depending on number of offers it can in fact happen, a call that depends only on Petrobras and their planning.

The 56 days comes at no surprise. It demonstrates Petrobras is well aware that this represents the sum of two 28 days' shift of the marine crew, in which case by mirroring the period, Petro-

bras ensures the vessel employment to match the crew rotation on board, ensuring the lowest cost possible (avoiding "dobras" and other related costs).

Very interesting, in fact, Petrobras proposing a frame agreement. Perhaps the first reaction of shipowners can be: Why enter into this contract? Although being left totally at the mercy of Petrobras, we at Westshore see this with other eyes and understand that this contract may represent a flexibility on the way Petrobras hires vessels, and also Rigs, in the future.

Petrobras has so far always carried the risk on contracts, hiring a large fleet to meet an expected statistical demand, and in this way the Campos Basin has grown. However in the last 10/15 years the activity in the Santos Basin and the number of fields operated by Petrobras increased considerably. With longer distances, the offshore Logistics became much more complex to plan and unforeseeable.

Another relevant point to take into account is that in the past Petrobras owned 100% of the fields, and today many of the

Petrobras operated fields have different partners. Therefore, the allocation of resources involves large commercial negotiations between Petrobras and their partners.

As a consequence, Petrobras must seek additional contractual instruments that can make the hiring of resources more flexible. This very issue was discussed at the Westshore annual seminar last quarter. In our point of view it should be possible that Petrobras could have firm contracts for 70 - 80% of the forecasted demand and the remaining 20 - 30% would be covered by other contractual arrangements that would give the required flexibility.

This "spot", in fact a call out basis contract, addresses both the punctual field requirements, as it establishes the so desired pre-agreed hire conditions which have to be approved through the JV ballots with partners-in-field.

Like anything new this can bring insecurity. Although in the specific case Petrobras have been quite understanding of the issues on the owners' side, by not requesting a firm offer under

the allowance of the owner, upon being called, declining due to lack of availability (or interest).

As a first timer, the bid results were quite interesting from a certain perspective. A couple owners dropping rates to record low levels - quite a surprise to the market in special with a high demanding customer such as Petrobras. A number of owners in the current market average, and clearly some owners that demonstrate how much it costs to bring a vessel out of lay up for "just" 56 days employment.

It is fair to say the general number of offers, from 6 owners and a total of 13 vessels is rather low for a market with more than 20 vessels in layup and quite a few coming out of charter in the same period.

It is part of the maturing of the offshore exploration in Brazil this process, and we see that this may be the start of new times, where owners must actively pursue participation as means to pass the learning curve with Petrobras and surf the upcoming market evolution.



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