

# VII - Brazil Energy and Power

The Challenges of the Local  
Content Requirements in the  
Oil&Gas Industry in Brazil

Competitiveness and Efficiency

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Houston



# Agenda

- Local Content
- Main Challenges
- Opportunities



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### Local Content Background



- Local content requirements have always been there, since Bid Round One in 1999
  - Bid Rounds One through Four – Included in the weighting of the Bid Proposals
  - Bid Rounds Five and Six – Minimum percentage
  - Bid Rounds Eight and on – Different limits and weights

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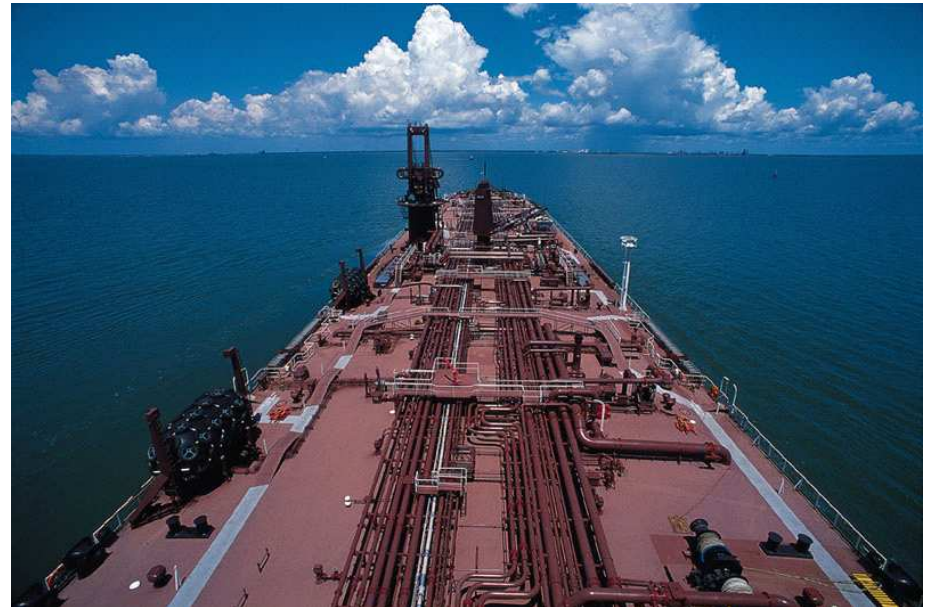
### Local Content Background

- Intended benefits
  - Increase the participation of the local industry in the supply of equipment and services
  - Technological development
  - Human capital development
  - Large scale job creation
- Did we get there?
- Will the local industry have the capability to support the demands of the coming years?

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# Local Content Scenario

- Petrobras' investments, including partners, through 2013
  - Total investments US\$ 190 billion
  - Equipment and services US\$ 133 billion
  - Acquisitions in Brasil US\$ 100 billion
  - Investments in the Pre-Sal US\$ 28 billion
  - Average annual purchases in the Brazilian market US\$ 20 billion
  - 55 drilling platforms to 2017, in addition to the 47 already operating
  - 36 platforms to 2015, in addition to the 109 producing
  - Refining capacity to increase from 1.8 mboed in 2009 to 3.0 mboed in 2020






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### Local Content Scenario

Critical Resources	New Vessels Delivery Plan		
	2009 to 2013	2013 to 2015	2016 to 2020
Large Vessels <sup>(1)</sup>	44	5	0
Supply and Special Vessel	92	50	53
Production Platforms <sup>(2)</sup>	15	8	22
Others (Jack-ups and TLWP)	2	2	3
<b>Total</b>	<b>153</b>	<b>65</b>	<b>78</b>

 Supply Vessel	 Large Vessel (VLCC)	 Production Platform (FPSO)
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**Drilling Rigs**

**40 drilling units until 2017 to produce in deep and ultradeep waters**

- **12** first via international bidding, delivered up to 2012 – Meeting Petrobras' short-term need, while the domestic industry develops to attend the remaining units
- **28** built in Brazil and operated by Brazilian companies, delivered between 2013 and 2017

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# Challenges for the Oil Services and Equipment Industry in Brazil

- Infra-structure improvement including dry docks
- Critical equipment supply
- Drilling equipment
- Dynamic positioning and propulsion systems
- Processing and supply of steel
- Qualified workforce for construction and operation
- Funding
- Costs optimization



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# Challenges for the Oil Services and Equipment Industry in Brazil

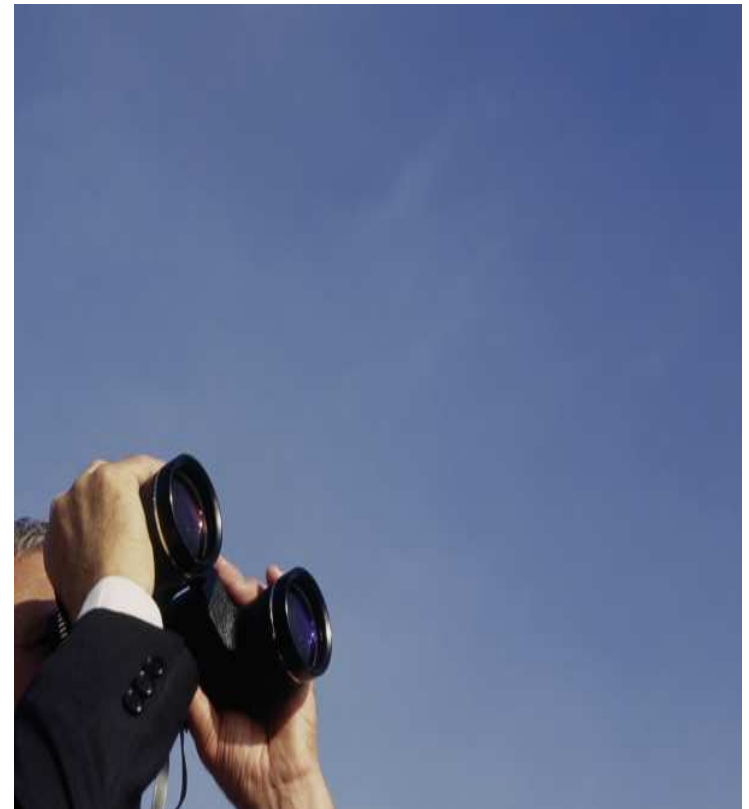
- Steps required to adjust the Brazilian industrial structure
  - Increase capacity of segments already competitive
  - Develop competitiveness in sectors with reasonable level of efficiency
  - Promote new local entrants
  - Promote mergers/partnerships between local and international companies
  - Promote entrance of international companies in Brazil



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# Opportunities

- Oil&Gas in the GDP: 1997 - 3%, 2008 - 10% and 2020 - 20% (expected)
- Almost 700.000 jobs are expected to be created
- Urgent need to develop the shipyard building industry in Brazil, to attend the demand for support vessels as well as platforms and drilling ships
- Suape Industrial and Port Complex as from 2010, with an investment of U\$ 350 million



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### Opportunities

- Investments of US\$ 190 billion, US\$ 133 in equipment and US\$ 20 billion/year (2009 – 2013)
- BNDES announced a credit line of US\$ 80 billion to support the Oil&Gas supply chain within a 10 year period
- The machinery and equipment sector will invest another US\$ 30 to US\$ 40 billion in the next 4 years to be able to support the industry demand



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### Conclusion

- Significant reserves in Brazil will be developed and produced, regardless whether through the existing model (concession) or a new model (sharing agreements)
- Incredible volume of investments will be made in Brazil over the next decade with a significant portion of the financing available
- Existing local industry will not be able to handle all the demand, therefore:

Enormous opportunities for mergers/partnerships and for new entrants in all different sectors within the industry (direct and indirect)



# Thank you!



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