

# Brazil Round 1



## Closing Remarks

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*Supt. Licensing and Promotions*



# Issues



- Taxation
- Regulation
- Concession Agreement



# Issues Arising from Petroleum Law / Government Take



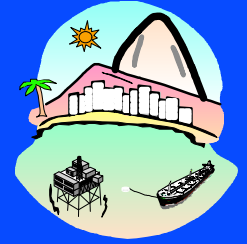
- **Royalty**
  - **Responsibility for payment**
  - **Valuation of hydrocarbons**
    - Arm's length sale vs Minimum Price
  - **Rate structure**
- **Treatment of R&D expenditure**
- **Depreciation**



- **Direct**
  - **Applicable treatment**
    - Investments
    - Signature Bonus
  - **Petrobras precedent / equal treatment**
  - **Loss Carryforwards**
- **Indirect**
  - **Temporary import regime**
  - **Additional impact**
  - **Issues of authority and responsibility**



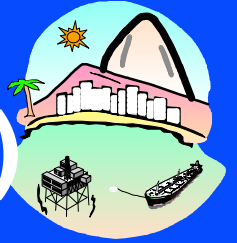
- Overall "co-ordination" of issues where they lie between ANP and other government ministries or agencies
  - **Federal, State and Municipal authorities**
    - e.g. Ministry of Finance, Central Bank, IBAMA, Navy, etc.
- Environmental and other permitting issues
- Pipeline access - "Transfer" vs. "Transportation"
- Price decontrol
  - **Gas price - LDC role**
- Export rights



# Concession Agreement

- ANP approvals and process
  - **Ensure that final Concession Agreement consistent with slide presentation**
  - **Reference to "industry best practice" or "international standards" for exercise of certain ANP authority**
  - **Statement that approvals will not be unreasonably withheld**
- **Export issues**
  - **Narrower definition of "supply emergency"**
  - **Pro rata application of restrictions to all producers**
  - **Assurances on future export rights / pricing**
  - **Extend 18-month term of export registration**

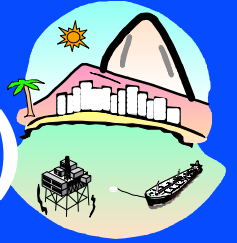
# Concession Agreement (cont'd)



- Concern with use of "strict liability" standard in Concession Agreement
  - Potential expansion of liabilities to third parties
  - Limit to areas required by law (e.g., environmental)
- Termination of Agreement by ANP for Concessionaire breach
  - Clarify that only for material breach after notice and opportunity to cure
  - Flexibility in case of bankruptcy
- "Stabilization" clause for major changes in tax or regulatory context



# Concession Agreement (cont'd)



- Clarify that consortium members individually liable for royalties, SP, etc.
- 1% Research and Development payment
  - **Concern with amount and administration**
  - **Definition of qualifying R & D expenditures**
- Clarify rights and procedure for withdrawal
- Possible extensions of Agreement in case of delays in permitting
- Letter of Credit and Performance Guarantee requirements
  - **If possible, provide drafts for comment**





# Concession Agreement (cont'd)



- Arbitration
  - Clarify that always required
  - Neutral site or leave to future choice of parties
- Local content
  - Clarify definitions, method of calculation and penalties
- All other issues carefully noted but not listed here



# Concession Agreement Company Comments



- Due by April 9
- Preferred format:
  - **In Word**
    - Email or on disk
  - **Blackline markup**
- May add additional comments, points of emphasis, etc in separate document
- Comments on other issues
  - **May be submitted at same time**

# Conference Summary



- **Slide material**
  - **Some copies still available in office on most presentations**
  - **On website in next few days**
- **ANP**
  - **Appreciates the opportunity to hear and understand company views**
  - **Will consider all points made**
  - **Responses**
    - **Editais**
    - **Definitive Model Concession Agreement**
    - **Other clarifications as appropriate**
  - **Keep checking the website**

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**Muito Obrigado  
Até Já !**