



# **Oil and Sustainable Development**

## **Petrobras and the development of local services and manufacturing industries**

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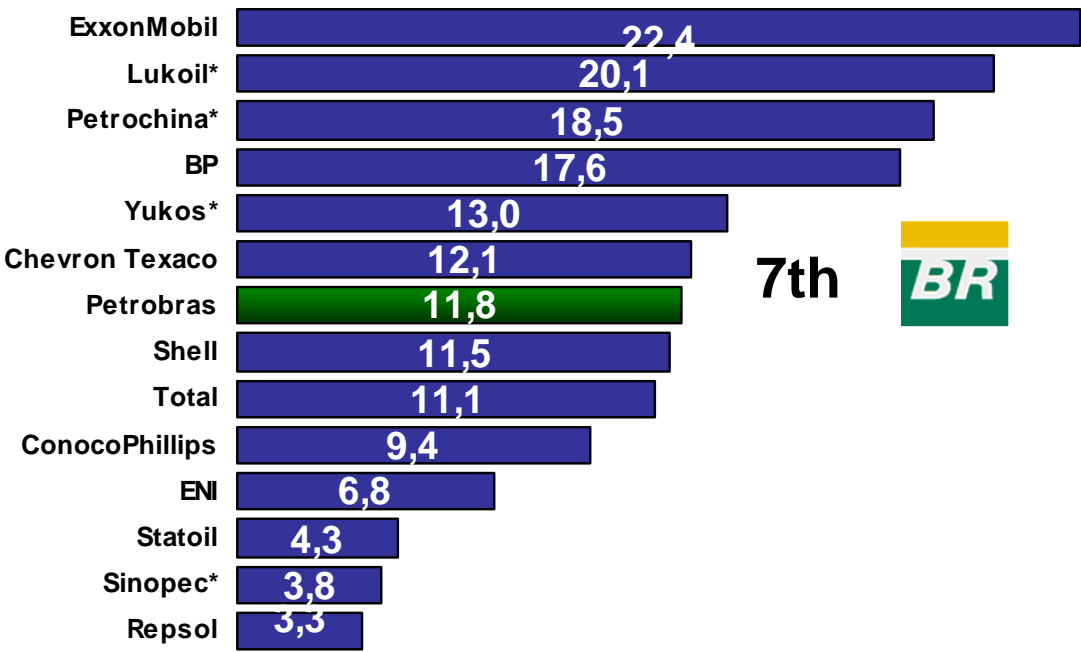
***The presentation may contain forecasts about future events. Such forecasts merely reflect the expectations of the Company's management. Such terms as "anticipate", "believe", "expect", "forecast", "intend", "plan", "project", "seek", "should", along with similar or analogous expressions, are used to identify such forecasts. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers must not base their expectations exclusively on the information presented herein. The Company is not obliged to update the presentation/such forecasts in light of new information or future developments.***

### **Cautionary Statement for US investors**

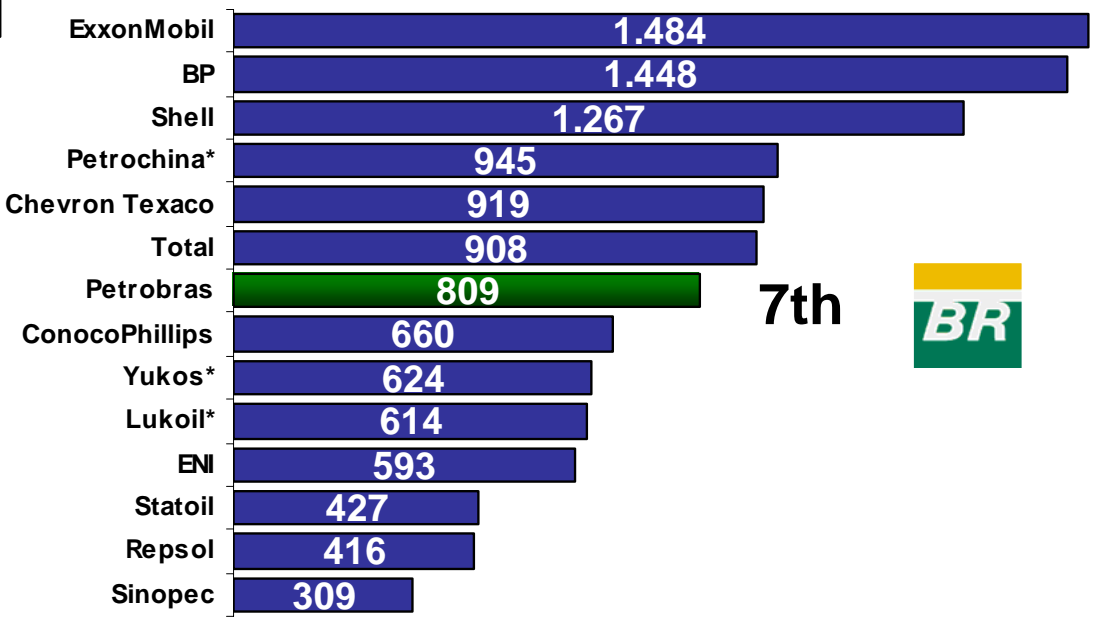
***The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation, such as oil and gas resources, that the SEC's guidelines strictly prohibit us from including in filings with the SEC.***

# Petrobras already among largest publicly traded companies

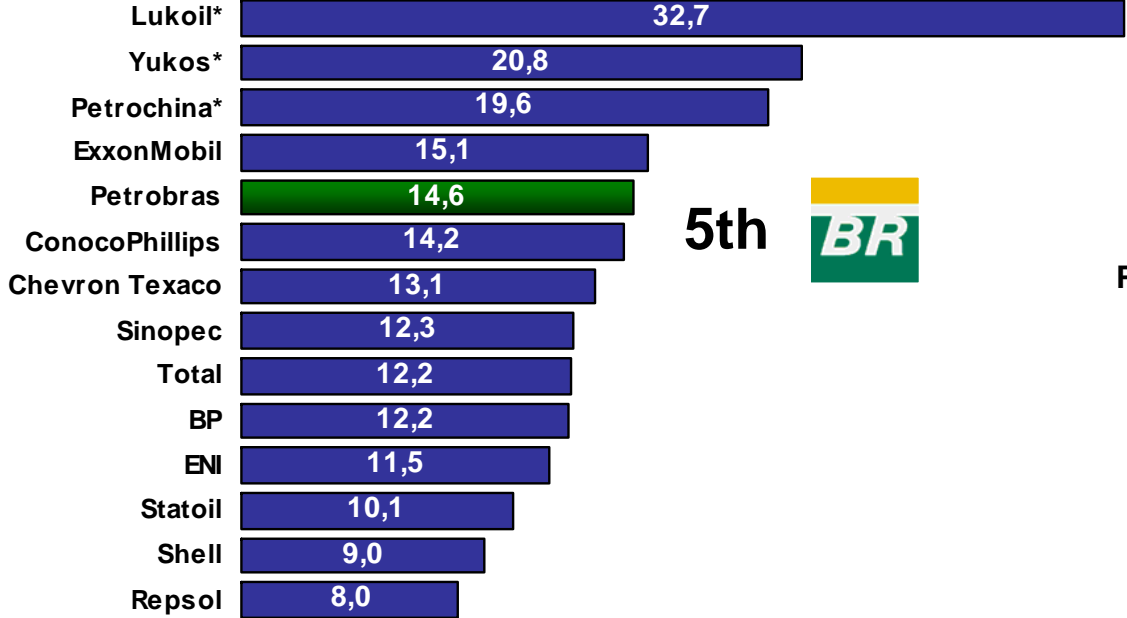
Proven reserves (SEC - billion boe) – Dec. 2005



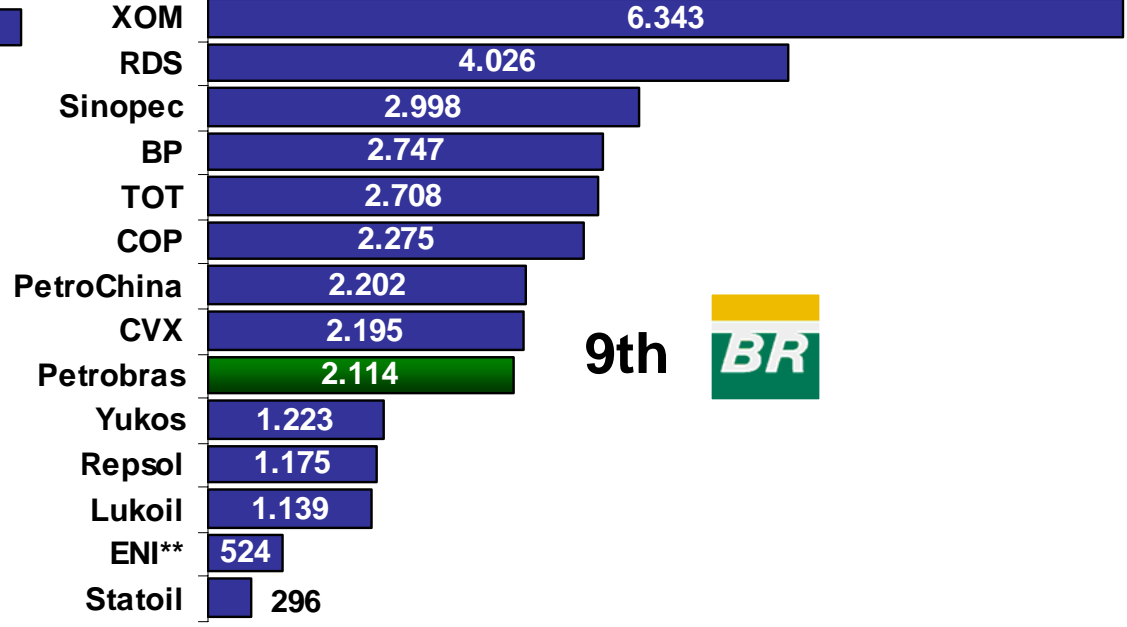
Oil and gas production (million boe) - 2005



Reserve life (years) – Dec. 2005



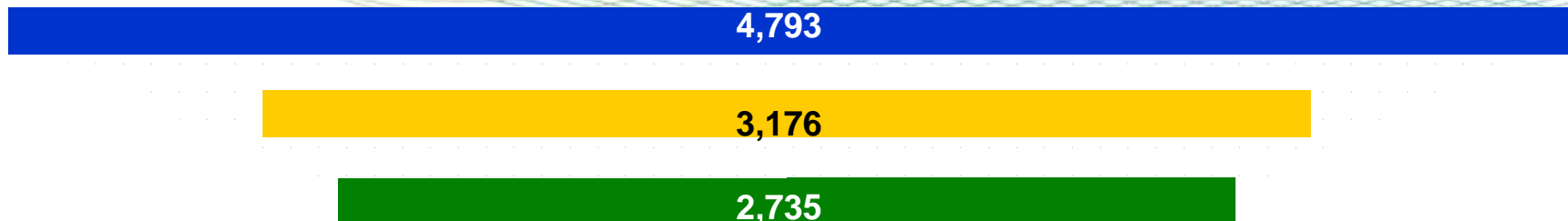
Refining capacity (thousand bpd) - 2005



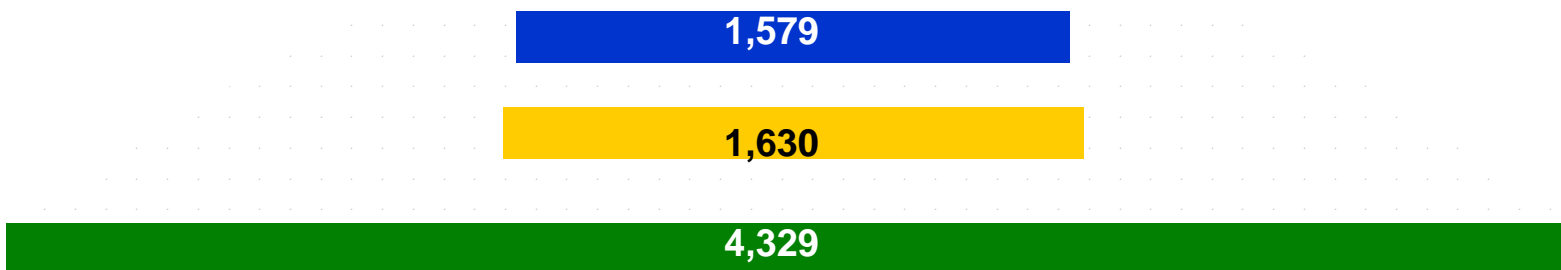
Source: Evaluate Energy and Company Reports

# Vertical Integration Comparison

## Majors Average \*



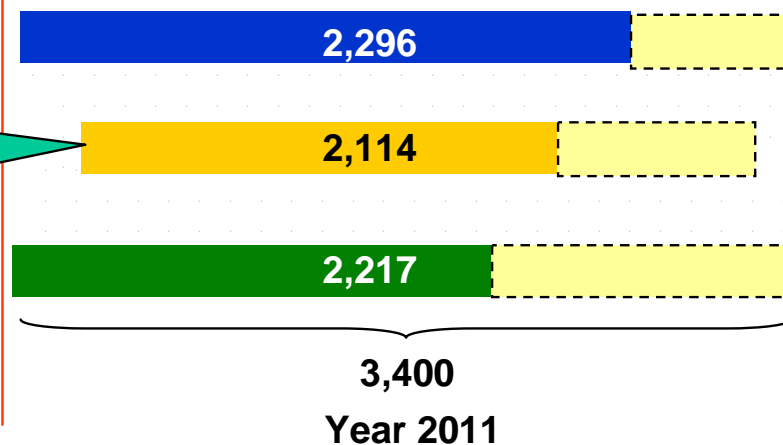
## National Oil Companies Average \*\*



## Petrobras

**2011:**  
New Refinery will add 200  
thous. bpd capacity

**2010:**  
Pasadena Refinery revamp  
concluded – processing 70  
thous. bpd of heavy oil



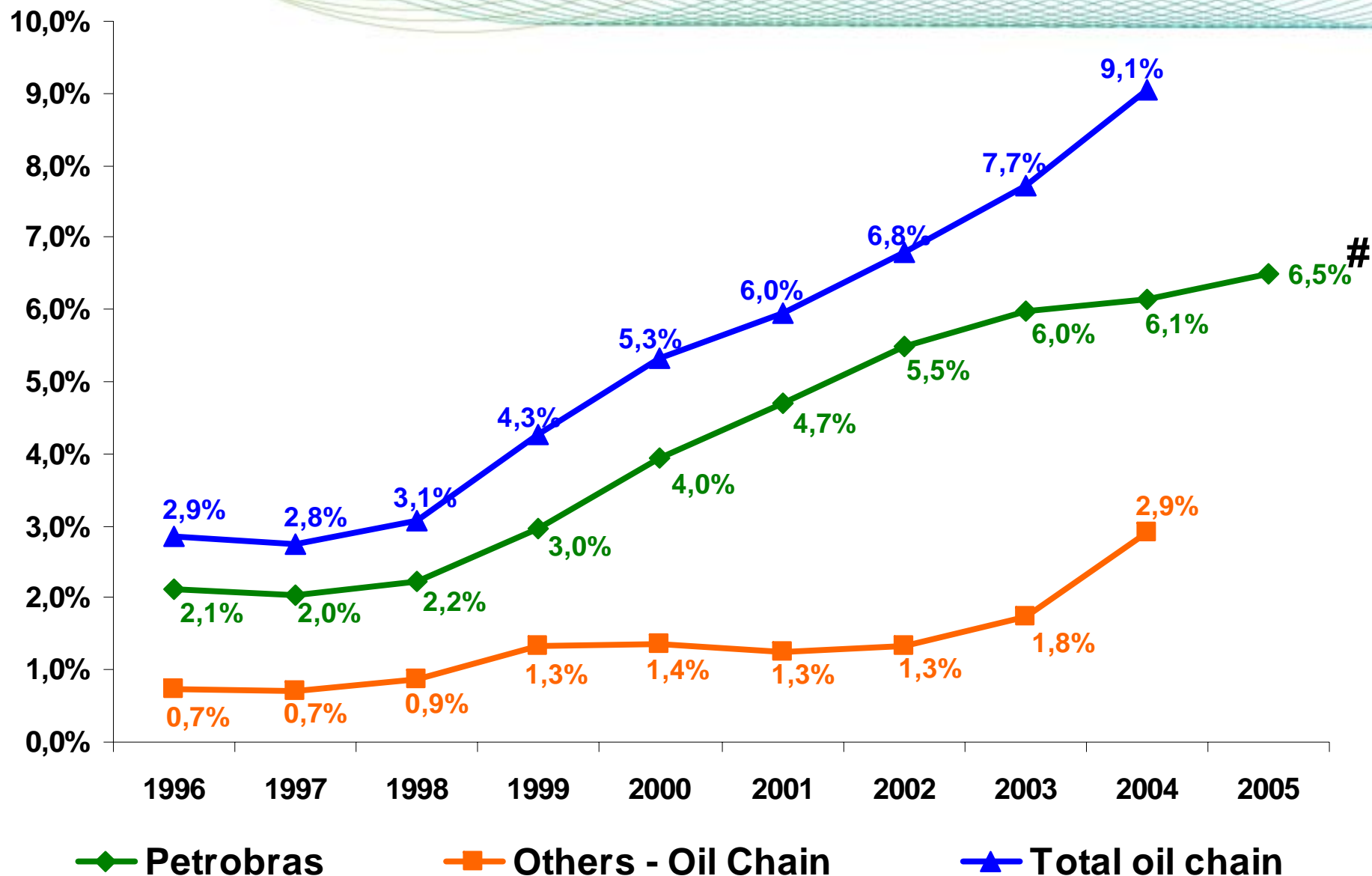
- Product Sales (thous. bpd)
- Refining (thous. bpd)
- Production (thous. boed)

\* Majors: BP, Exxon, Total, Royal Dutch Shell, Chevron, Conoco and Repsol-YPF

\*\* NOC: PEMEX, PDVSA, Saudi Amraco, KPC, Pertamina and Sonatrach



# Increasing Participation of the Oil Chain in Brazilian GDP



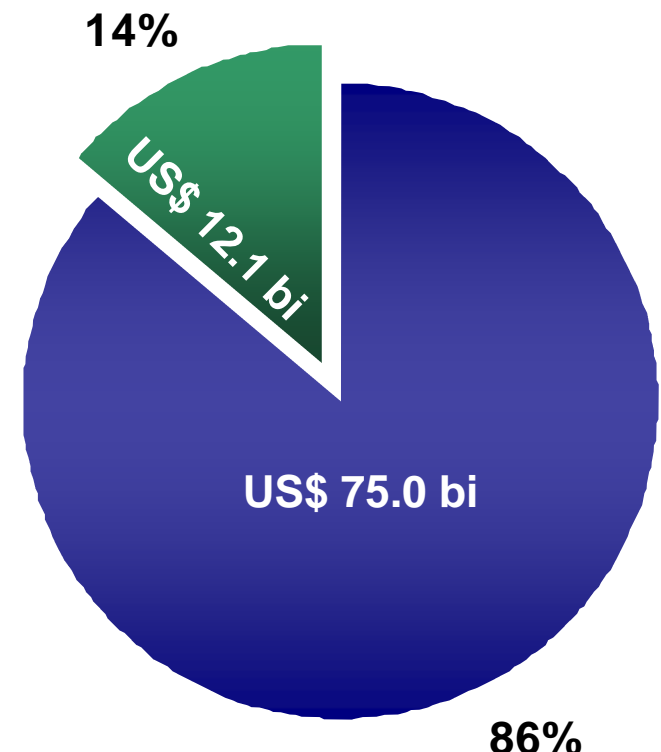
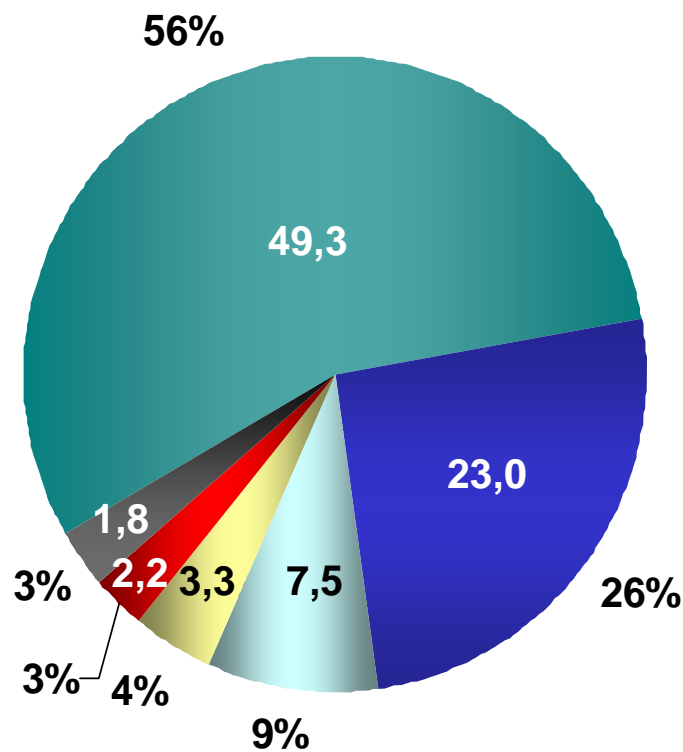
• From 1996 to 2004 the oil stake in Brazilian total GDP increased more than 200%

Source: Brazilian National Petroleum, Natural Gas and Biofuels Agency (ANP)

# Petrobras estimate from IPEA data

# Investment Plan reflects integrated global expansion

## Business Plan 2007-2011 US\$ 87.1 billion



- E&P
- Downstream
- G&E
- Petrochemical
- Distribution
- Corporate

- Brazil
- International

Note: Includes International

# National Content

2007-11 Business Plan indicates that 66% of CAPEX related to Brazilian projects will be directed towards the domestic market, representing an average of US\$ 10 billion/year injected into this market.

US\$ billion

Business Area	Domestic Investment 2007-11	Domestic Market Purchases 2007-11	Domestic Content (%)
E&P	40.7	22.0	54%
Downstream	23.1	18.1	78%
G&E	7.2	6.3	87%
Distribution	2.2	2.2	100%
Corporate	1.7	1.4	80%
<b>Total</b>	<b>75.0</b>	<b>49.9</b>	<b>66%</b>

# Value Added and Jobs

## Value Added

Represents on average 10% of Brazilian GDP.

<b>Value added by:</b>	<b>R\$ Billion Annual Average 2007-11</b>
Petrobras in Brazil	117
Productive Chain - Investments	46
Productive Chain – Operational expenses	53
<b>Total Value Added</b>	<b>216</b>

## Job Creation

The investment plan from 2007-2011 will demand on average a total of 840 thousand jobs in Brazil...

<b>Jobs (Thousand)</b>	<b>Annual Average 2007-11</b>
Direct Jobs	225
Indirect Jobs + Income Effect	613
<b>Total Jobs</b>	<b>838</b>

...peaking in 2007 with more than 970 thousand jobs, considering direct, indirect and income effect.



# Suppliers – Transparency

- In Petrobras Suppliers Databank there are:
  - 40 thousand companies that produce goods without specification
  - 30 thousand that supply services without specification;
  - 2 mil that manufacture specific equipment
  - 2 mil that provide specific services;
- Since the end of 2003, Petrobras does electronic auctions via Internet;

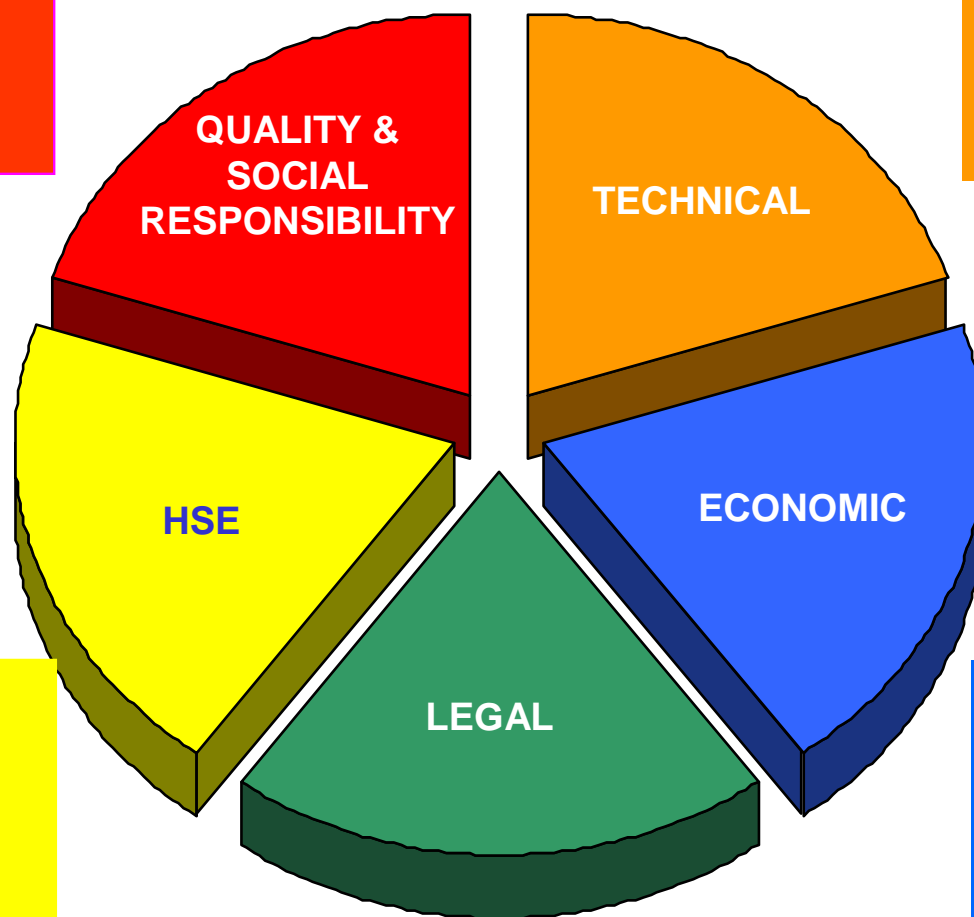


- In 2005, Petrobras performed 73 thousand electronic auctions, totaling 55% of the expenditure with goods in the year;
- This service will be expanded to include transactions with medium and small suppliers, as well as service suppliers;
- The electronic auction databank includes 14 thousand companies.
- Goal: in the next 2 years 85% sales volume through the internet.

# Supplies Qualification Requirements

## Requirements for pre-qualifying suppliers

Reference:  
Quality: ISO 9.001  
Social Resp. :  
ETHOS



ACCORDING TO THE  
GOOD OR SERVICE  
SOME REQUIREMENTS  
ARE OBLIGATORY

Reference:  
Environmental: ISO  
14.001  
Health and Safety:  
OHSAS 18.001

SOME ATTRIBUTES ARE  
REQUIRED FOR BEING  
INCLUDED IN THE DATABASE  
DEPENDING ON THE GOOD  
OR SERVICE

# Supplies Qualification Requirements

**HSE requirements will be requested in every contract with a degree of flexibility that will depend on the level of the contract's risk**

- Planning (risk analysis, environmental aspects, legal compliance and goals)
- Structure and responsibility
- HSE Training
- Involvement and communication
- Accidents and incidents treatment
- Critical analysis by the administration
- HSE management system audit
- Organization and Cleaning
- Subcontracts

## SERVICES CATEGORIES EXAMPLE

		OCURRANCE PROBABILITY			
		A	B	C	D
GRAVITY	1				
	2	QI			
	3		QII	QIII	
	4				QIV



# Goods and Services Suppliers Training Efforts

## **Petrobras demands high quality, but the company also helps the local market to achieve necessary standards**

- Prominp - investments of R\$ 200 million to qualify 70 thousand professionals between 2005-2007
- TEAR (Weaving Responsible Network): partnership Inter-American Development Bank, ETHOS and IBP
- 33 projects to develop new suppliers to substitute imports – R\$ 53.5 million
- Pact with Government Agency (Sebrae) to include small and medium companies in the supply chain
- “Mechanics Friend Program” - since 2001 23,500 people have participated
- “Transport Quality Program” from BR – aims to reduce accidents through training and qualification





# PROMINP: Promoting the Oil Industry

**PROMINP: Programa de Mobilização da Indústria Nacional de Petróleo e Gás Natural**  
*Program for the Development of the National Oil and Gas Industry*

**Main Goal: to incite oil & gas activities to provide growth opportunities to the national industry of goods and services, creating jobs, generating wealth and allowing a surplus in the trade balance**

## **POLICY**

Maximize the national industry of goods and services participation, in a competitive and sustainable basis, in the implementation of oil and gas projects in Brazil and abroad

## **Investment Portfolio**

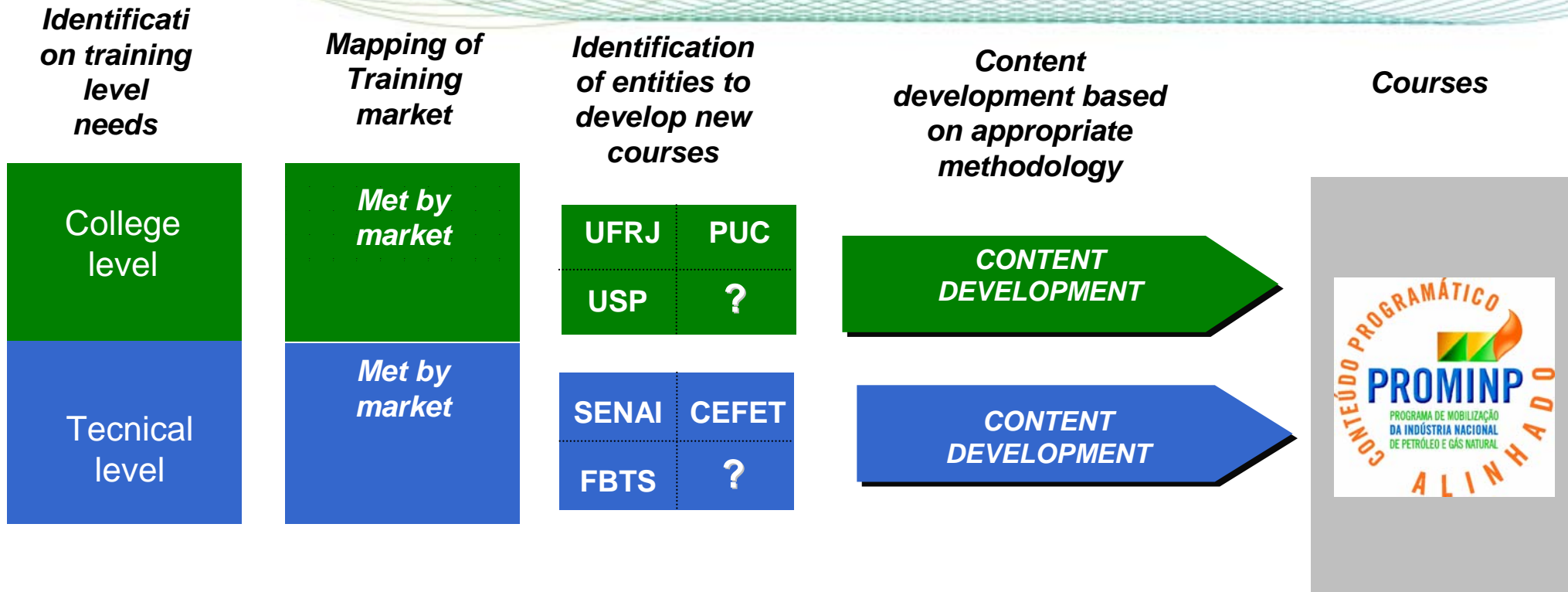
Agent  
**PETROBRAS**

Capacity of attending the national Industry in a Competitive and Sustainable Basis

## **PROMINP**

Portfolio of projects for the Mobilization and Qualification of the Industry

# PROMINP: Promoting the Oil Industry



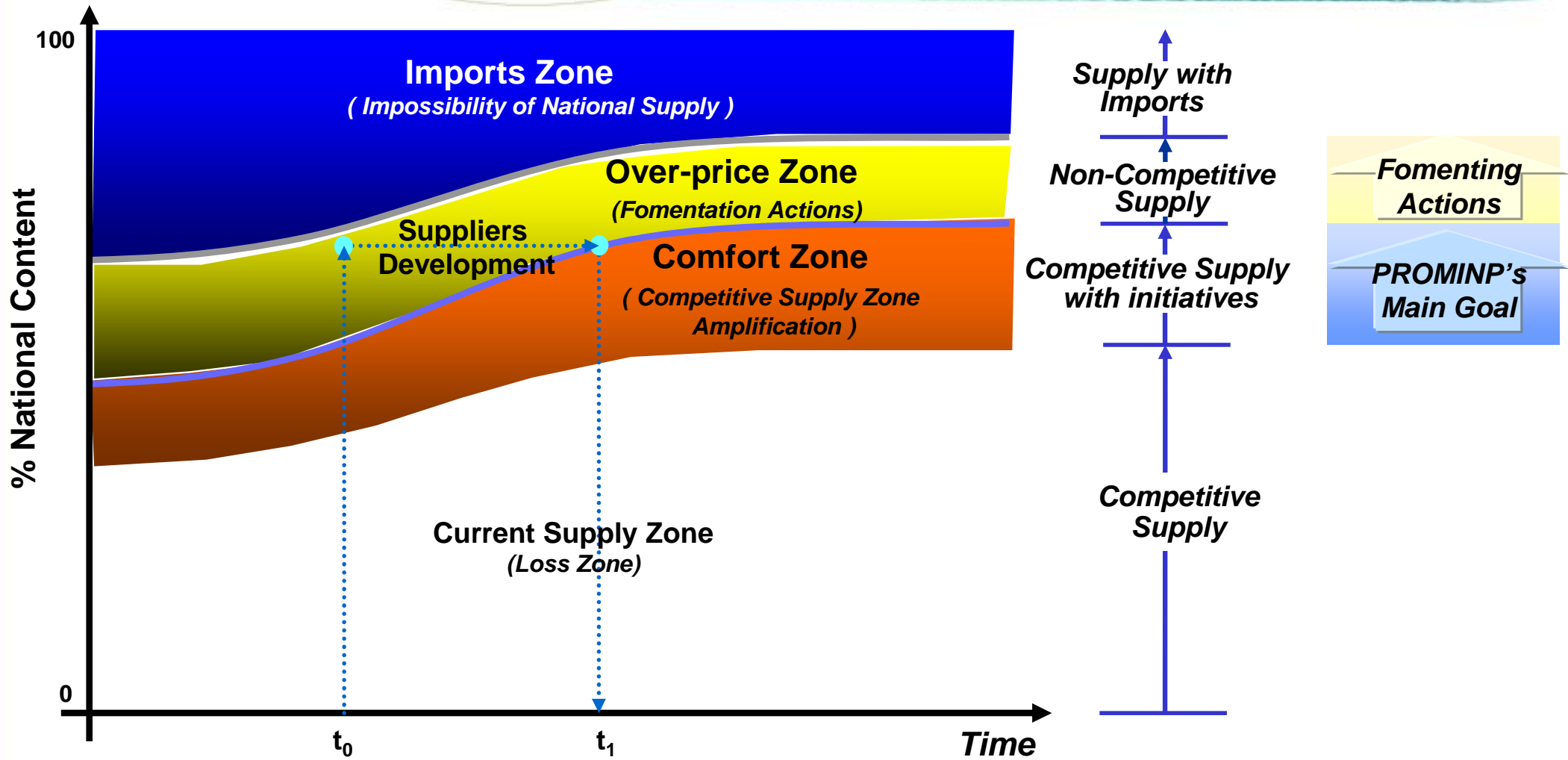
118

## PROMINP IN NUMBERS

- 150 critical Oil&Gas categories
  - 750 courses in 17 states
- 50 institutions throughout the country
  - 70,000 trained
  - R\$200 million invested



# PROMINP: Supply of Goods and Services



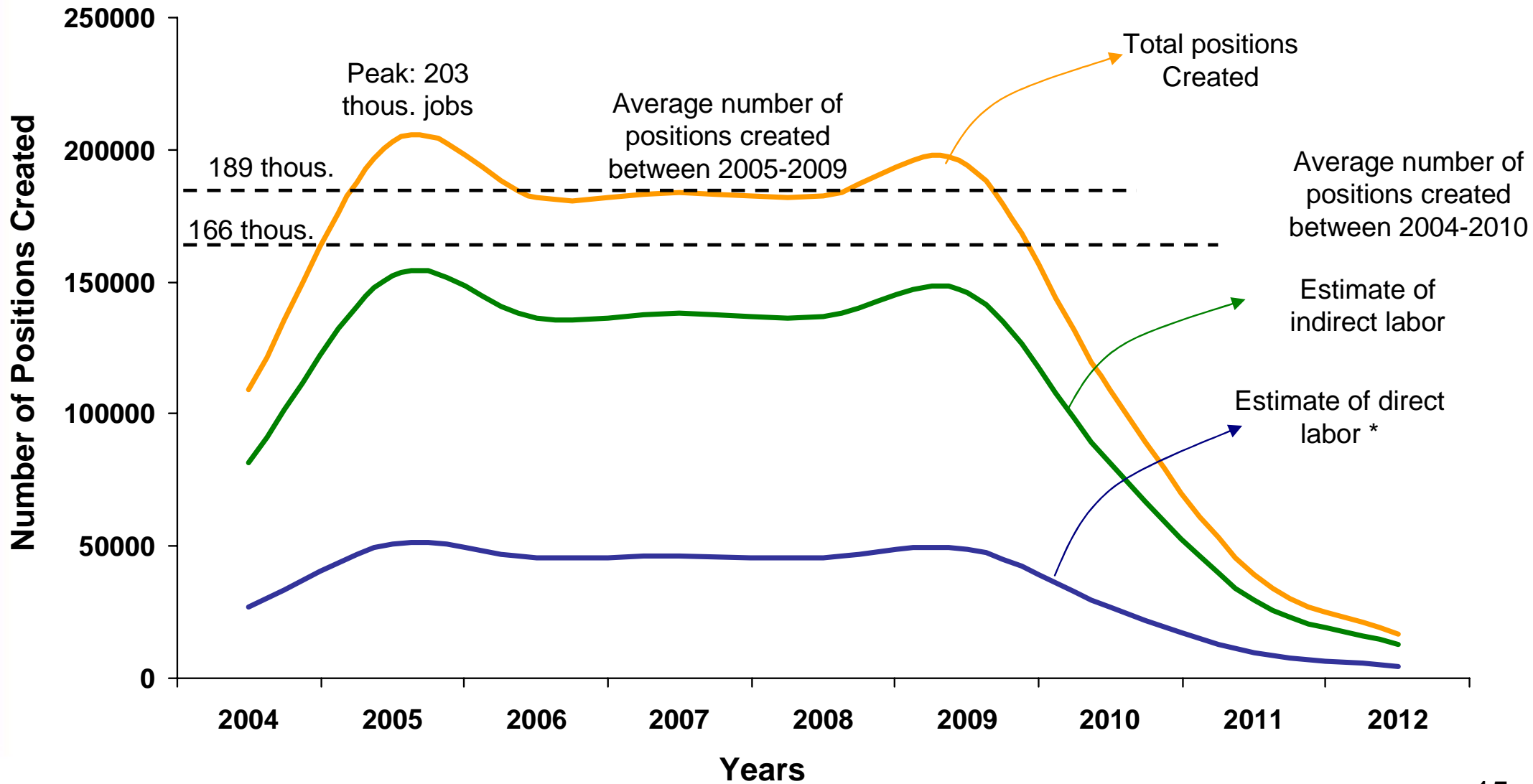
Increasing Infra-structure, Personnel Qualification and Competitiveness of the Industry



# PROMINP: Creation of job opportunities

Up to 203 thousand positions will be created during the implementation of the project

Positions created due to Investments in Oil and Gas Industry





# Other Training Programs

TEAR (Weaving Responsible Network): partnership Inter-American Development Bank, ETHOS and IBP

- Implementing CSR for micro and small companies
- Petrobras' Role (anchor of Oil and Gas sector): commitment, expertise, staff, operational costs, seminars, working groups and qualification courses.

## Improvement of the Supply Chain S&E Responsibility

- Partnership with ETHOS Institute, reporting to Ethos Indicators
- Assessment of Results:
  - 2003: 105 companies assessed
  - 2004: 195 companies assessed
  - 2005: 400 companies assessed

# Other Training Programs

## Main Initiatives of the Agreement Petrobras/Sebrae

- Local baseline of Micro and Small companies
- Development plan for Micro and Small companies
- Qualification of Micro and Small companies to be potential suppliers for the Oil & Gas Sector
- Networking and cooperation between local companies and Oil & Gas Companies
- Institutional support of Oil & Gas Companies
- Network and cooperation between large, micro and small suppliers to become local suppliers

# Biodiesel – Social Fuel

## 3 Projects Being Implemented

**Capacity:** 171 thousand m<sup>3</sup>/year

**Investments:** ~ US\$ 60 million

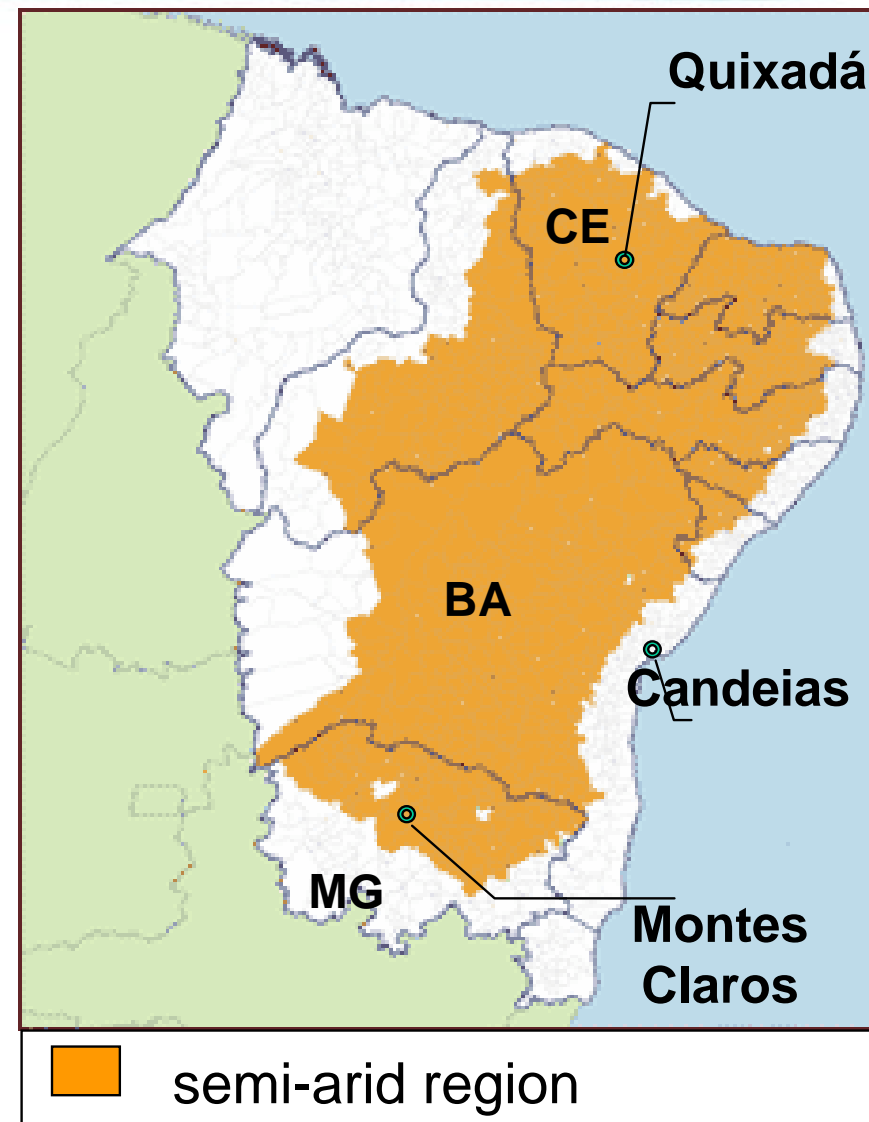
### Inputs

Family Agriculture: castor, cotton, and palm.  
Complementary: soy.

### Jobs Generations:

Construction: 1,200 direct and 400 indirect  
Operation: 105 direct  
Raw material production: **75,000** families

**Start up:** 4 Q/2007



**All Petrobras Biodiesel has Social Fuel Seal**

# Government Social Seal in Biodiesel

- **Given to biodiesel producers that:**
  - **Purchase a minimum percentage of raw materials from family agriculture:**
    - **50% NE and semi-arid region**
    - **10% NW and CW region**
    - **30% SE and S region**
  - **Sign a formal contracts with the family agriculture that includes:**
    - **Contract period**
    - **Value to purchase and price readjustment criteria**
    - **Raw material delivery conditions**
    - **Safeguards for each party**
    - **Identification and agreement that a representative of the farmers participated in the negotiations**
  - **Assure assistance and technical training for the agriculture families**



# Final Comments

- The contribution of Petrobras to Brazil's growth can be evaluated by its capacity to stimulate de development of:



- Jobs and income;
- Business opportunities (also for small and medium companies);
- Technological and Management knowledge;
- Energy Efficiency and guaranteed supply;
- Tax payment;
- Social Welfare.

# QUESTION AND ANSWER SESSION

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