PPSA’s Roles in the New Regulatory Regime for the Brazilian Pre-Salt
1. The New Regulation for Production Sharing Agreement
2. PPSA’s Main Roles and Activities
3. Final Remarks
THE NEW REGULATION FOR THE PRODUCTION SHARING AGREEMENT
THREE REGULATORY REGIMES GOVERNING E&P ACTIVITIES IN BRAZIL

Concession Regime
- Established in 1997 by Law 9.478
- Bid rounds needed for licensing
- No mandatory state participation
- Oil production belongs to concessionaires after payment of royalties and taxes

Regime for Transfer of Rights to Petrobras
- Established in 2010 by Law 12.276
- Licenses granted to Petrobras for Franco prospect (now Buzios Field) and surrounding areas
- Government capitalization of Petrobras with a direct transfer of rights to produce up to 5 billion boe

Production Sharing Regime
- Established in 2010 by Law 12.304 and Law 12.351
- Applicable to areas not granted to concession in the Pre-Salt Polygon of Campos and Santos Basins

PRODUCTION SHARING REGIME

Production Sharing Agreement (PSA)

License granted directly to Petrobras

License granted to consortium through bid round

Main players:
- **Petrobras**: sole operator with at least 30% participation
- **Non-operators**: partners in the Consortium
- **PPSA**: consortium member representing the State’s interests in the PSA
- **ANP**: manages the bid rounds and regulate the production sharing agreements

- Share of profit oil offered to the State
- Qualified expenses for cost oil recovery: need to be approved by PPSA
- Percentage of monthly recovered cost: established in the tender protocol and in the PSA
- Royalties: 15%
PRODUCTION SHARING AGREEMENT

Production Sharing Agreement (PSA) ➞ essential element: 100% state owned entity ➞ PPSA

PPSA’s Main Duties

✓ Manage the PSA to represent the Federal Government interests
✓ Represent the Federal Government in the unitization agreements
✓ Trade the share of profit oil on behalf of the Federal Government
PPSA’s Main Roles

- Chair the Operating Committee with 50% vote and veto power
- Manage and audit the project execution for exploration, appraisal, development and production
- Monitor and audit the operating costs and capital expenditures
- Manage the recognition of qualified expenditures
- Perform technical and economical analysis of plans and programs to be executed in each PSA
- Make sure the local content commitment is accomplished

Active role on PSA decision making process

Projects of high technological and operational complexity

PPSA’s need for a highly qualified and experienced team

PPSA ➔ lean organization

Maximum number of people: 180
Gradual increase from 28 in 2014 according to the number of PSAs in operation
PPSA’s Current Focus

Management of Libra Contract

Cases of oil discoveries in areas already leased (Concession Regime) where reservoirs extend over non-contracted areas in the Pre-Salt Polygon

PPSA’s role: represent the Federal Government in the unitization agreements
PPSA’S CURRENT ACTIVITIES

❖ **Libra Project**

**PPSA:** Chairman of the Operating Committee

**Main activities:**

• Evaluation, assessment, and approval of the plans and work programs, including 2014 Work Program and Budget and Exploration Plan

• Participation in several internal project workshops to discuss drilling programs, drilling rig supply, FPSOs for EWT and Pilot Project, EWT strategy, among others

• Preparation of the internal rules of governance for the project

❖ **Unitization Agreements**

- Engagement with Petrobras to get a common understanding on technical aspects of three cases of unitization (two in Santos Basin and one in Campos Basin)

- Engagement with Shell to get a common understanding on technical aspects of a case for unitization in Santos Basin

❖ **Work Team**

Effort on forming a highly qualified and experienced team
**FINAL REMARKS**

*Mutual benefit ➔* all the consortium members, including PPSA, have common interests to increase ultimate hydrocarbon recovery and to have the project managed by using the best practices of the O&G industry

*Challenge ➔* how to conciliate fast-track development with high local content requirements in a tight supply chain market
Thank You