Doing Business in Brazil
Oil & Gas / Subsea Focus
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Glossary

2P Reserves: Proven + Probable Reserves
ANP: Agencia Nacional do Petroleo (Brazilian National Petroleum Agency)
Boe: barrels of oil equivalent
CRCC: Certificate of Registration and Record Classification
CAGR: Compound Annual Growth Rate
Capex: Capital expenditure
CNPE: National Council for Energy Policy
Deepwater: Water depths of 500 metres and more
E&P: Exploration and Production
EPC: Engineering, Procurement and Construction
EPCM: Engineering, Procurement, Construction and Manufacturing
EPIC: Engineering, Procurement, Installation and Commissioning
FPSO: Floating, Production Storage and Off-loading vessel
IOC: International Oil Company. Fully integrated company.
LNG: Liquid natural gas
ONIP: National Organisation of the Petroleum Industry
Shallow Water: Water depths of less than 500 metres
TCF: Trillion Cubic Feet
Ultra Deep Water: Water depths of 1,500m and more
Water depth: Units are given in metres and refer to the deepest part of the control line, pipeline or other offshore infrastructure
1. Introduction

Following the launch of the industry Oil & Gas Strategy 2012-2020 ‘Maximising Our Future’ in May 2012, this report has been produced to provide information to companies, in line with the strategic priority - Supply Chain International – which aims to increase the rate of internationalisation of the Scottish supply chain.

The strategy, which is led by the Oil & Gas Industry Leadership Group (O&G ILG), will be delivered by working in collaboration across the industry and with the public sector.

Scottish Enterprise and Scottish Development International are committed to helping companies capitalise on the global opportunities by exporting their skills, technology, expertise and experience to key emerging oil and gas provinces. As part of our support, we have worked with Subsea UK to produce this guide, which focuses on the Brazilian market and in particular on the subsea sector.

It provides an easy to read and use reference tool that is aimed at helping your company take its first successful steps into the Brazilian market to make your journey as smooth and successful as possible.

It is not intended to be a definitive guide but to provide market intelligence and cover the main things you need to know, the challenges you may face and steps to take to get started on your market entry strategy.

Subsea Sector

With annual revenues of £6 billion and employing 50,000 people, the UK’s subsea industry is one of the most successful, highly performing and fast-growing sectors of the country’s economy. Recognised as a global centre of excellence, the UK subsea sector leads in innovation and technology.

Having a well-established supply chain with a proven track-record throughout the world, over 50% of the annual output is attributable to exports.

From its current £20 billion value, the annual global subsea market is predicted to double to £40 billion by 2017, therefore providing the UK with significant potential for international growth.
In recent years, Brazil has moved from a country with great promise to one of the hottest investment opportunities in the world. A more stable political system and currency, coupled with the vast mineral wealth of the country make it a must for all companies with global ambitions.

The fifth largest country in the world and one of the most rapidly developing economies with a GDP per head that is greater than India or China, Brazil is expected to become one of the world’s leading economies by 2050. Rich in natural resources with a developed industrial base, Brazil has high standards in scientific research and substantial human capital.

It is the sixth largest economy in the world overtaking the UK at the end of 2011. It is also now widely understood that Brazil leads all other South American countries with its development in terms of infrastructure and technology. Combine this with the more stable political and economic landscape and it is easy to see why Brazil attracts a higher percentage of total global foreign investment year on year.

Whilst there is great opportunity in Brazil, there are also challenges to doing business. Issues such as legal and bureaucratic complications as well as understanding Brazil’s highly complex taxation system, are the cause of great frustration for international business people. These issues will be explored within this report, giving you a broader understanding of the situation within Brazil. The opportunities are very real but to reap the rewards, you must do your research and be aware of and understand the local business landscape – local knowledge is vital.

2. General overview of Brazil

The General overview of Brazil introduces the reader to the country’s economic, political, and social landscape. It highlights Brazil’s rapid economic growth, its status as one of the world’s leading economies, and its rich natural resources. The overview also discusses the country’s political system and its implications for doing business.

Political Overview

For a number of years Brazil’s energy production was nationalised, dominated by state owned companies such as Petrobras and Eletrobrás. However in the 1990’s there was market liberalisation of the energy sector. In 1997 Petroleum Investment Law was adopted (Law 9, 478/97) establishing a legal and regulatory framework, and liberalising oil production. The key objectives of the law were the creation of the National Council for Energy Policy (CNPE) and the National Agency of Petroleum, Natural Gas and Biofuels (ANP). Creation of these bodies helped increase competition in the energy market and investments in power generation. The state monopoly of oil and gas exploration ended, and energy subsidies were reduced. However, the government retained monopoly control of key energy aspects and administered the price of certain energy products.

Like many emerging hydrocarbon-producing countries, Brazil pursues national development policies based on the protection and promotion of domestic industries. Current government policies concentrate mainly on the improvement of energy efficiency, in both residential and industrial sectors, as well as increasing renewable energy resources. Further restructuring of the energy sector will be one of the key issues for ensuring sufficient energy investments to meet the rising need for fuel and electricity.
Government Strategies

Government policy is focused on stimulating the business activities of the private and public sectors toward rapid industrialisation and economic growth. However, this policy includes some protective measures for domestic industries considered to be of strategic economic importance, as well as monetary policies designed to keep inflation in check and maintain the availability of foreign exchange.

The implementation of Petroleum Law 9, 478/97 and the regulatory agency ANP are examples of how the Government is trying to achieve economic growth and industrialization in Brazil within the oil and gas industry. ANP reports to the Mining and Energy Ministry and to the Brazilian Government. One of its main targets is to define the rules allowing the set up and the maintenance of a competitive market that is beneficial for Brazilian economic development. This, coupled with local content laws, helps increase the participation of domestic industry in the oil and gas sector, increase domestic capacity, technological development and local professional qualifications, and generate jobs and income.

Brazilian laws require certain minimum percentages of local content in all concessions granted by ANP. These minimum percentages vary depending on the location of the blocks offered in the bidding rounds - land, shallow waters or deep waters.

Key Facts

<table>
<thead>
<tr>
<th>Population</th>
<th>192,376,496</th>
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<tbody>
<tr>
<td>GDP</td>
<td>$2.309 trillion</td>
</tr>
<tr>
<td>Land Mass</td>
<td>3,287,597 Sq mi</td>
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<tr>
<td>Natural Resources</td>
<td>Bauxite, Gas, Iron Ore and Oil</td>
</tr>
<tr>
<td>Main Economic Drivers</td>
<td>Infrastructure and Technological Development</td>
</tr>
<tr>
<td>Official Languages Spoken</td>
<td>Portuguese</td>
</tr>
</tbody>
</table>
Trade between UK and Brazil

In 2011 the United Kingdom was Brazil’s ninth trading partner in terms of exports and fifteenth in terms of imports.

From 2001 to 2011, Brazilian exports to the United Kingdom grew by 206.8% in total. In 2011 exports rose by almost 13%. Brazilian imports from the United Kingdom have shown big increases in recent years, apart from 2009, and in 2011 imports rose by 7%. The balance of trade has shown a surplus for Brazil; in 2011, the surplus of almost $1.9 billion is the highest ever achieved.

Brazilian imports from the United Kingdom are predominantly centred on factors of production and capital goods.

The Market

Bolstered by strong domestic demand and a growing middle class, Brazil weathered the economic downturn better than most with growth of 7.5% in 2011. The country has maintained sound macroeconomic policies to control inflation without sacrificing economic growth. Inflation was 5.9% in 2010 and unemployment at 7.1%. Interest rates, though high, remain historically low at 10.75%. In 2010, the US was Brazil’s largest import supplier followed by China, Argentina, Germany and South Korea.

In many sectors, such as telecommunications, aviation and mining, Brazil is already a well-developed market. You may find that your competitors are already there and that competition is fierce. As with any new market, you will need to use your competitive advantage to the full and understand how to apply this effectively in Brazil.

You will need to research the market to identify the level of demand for your product and decide whether you should address the market as a whole or via specific niches. Your initial research should identify:

- Whether there is a market for your product in Brazil,
- If you should be targeting particular niches, and
- If you can be competitive in Brazil.

Brazil presents enormous potential for companies with persistence that are willing to invest time, money and effort. If you expect quick and easy results, you are likely to be disappointed.

To do business effectively in Brazil you need to understand its culture, politics and laws. One of the best ways to do this is through finding and partnering with an appropriate agent or distributor, who will work with your company and share your goals for establishing your company in Brazil, while adhering to the requirements of the local market.
Brazil is the ninth largest oil producer, as of 2009, accounting for around 25% of the global output. With the second largest oil reserves in South America after Venezuela, Brazil achieved net oil self-sufficiency in April 2006 at 1.88 million barrels of oil per day and now produces over 2 million with a target of 2.5 million by 2015. After many years of high risk and expensive exploration, Brazil made some extremely successful discoveries of 50–80 billion barrels of oil, 200 kilometres off the coast of Santos and Rio in what is called the pre-salt fields. Whilst Petrobras is expected to continue to dominate the Latin American market, a number of Independent and foreign IOCs are also establishing a presence within the region. BG is the international leader in Brazil investing US$5 billion, alongside Shell and BP. This investment is the result of Petrobras’ £224.7 billion 2011–2015 business plan, which envisages investment of US$127.5 billion in E&P activities, attracting suppliers of goods and services worldwide. Downstream, Petrobras is currently investing US$35.4 billion internally, in the construction of four refineries, one of which will be the largest in Latin America. An investment of US$17.6 billion will cover operational improvements, fleet expansion and logistics. In addition investments in oil product quality (lower sulphur content) in order to comply with local legislation, is budgeted at US$16.9 billion. In the petrochemical segment, which will absorb investments of US$3.8 billion, Petrobras is maintaining its strategy of expanding petrochemical and biopolymer production through shareholdings in petrochemical companies. One of the most important projects in this area is the implementation of the Suape petrochemical complex. There is a huge amount of activity planned on all fronts. UK companies with knowledge and expertise developed from North Sea operations will be in a privileged position to benefit from all aspects of E&P activity, particularly within subsea sectors:

- Deep sea drilling – vertical and horizontal
- Marine supply logistics
- Marine transportation
- Health and safety training
- Geological and seabed surveys
- Pumping equipment
- Umbilicals
- Manifolds
- Pipelines
- Maintenance
Oil & Gas Activity

With its pre-salt prospects, Petrobras is planning to double its production from current levels, about 2.8 million barrels of oil equivalent per day (boe/d) to 6.4 million boe/d by 2020. Indeed, pre-salt oil, which currently represents just 2% of the operator’s output, is expected to rise dramatically by the end of the decade, contributing about 40% of output by 2020. With estimates that the pre-salt fields of Brazil’s south eastern coast hold potential reserves of 20 billion barrels, the ANP hopes for Brazil to be exporting about 2 million barrels of oil per day by 2020.

As production increased more than expected in 2011, resulting in accelerated output gains and decreasing costs, Petrobras has cut planned investment within the deepwater Santos Basin by about 32% through to 2015. Such a position is certainly the envy of operators across the globe, and with the development of these deepwater assets, Petrobras is in a strong position to realise its ambition of becoming the world’s largest publically traded company by 2020.

Petrobras estimates its Lula field in the basin contains about 6.5 billion barrels, while the Brazilian government’s nearby Libra field is thought to contain as much as 5 billion barrels. The Santos Basin also boasts the key assets of Cernambi, Guara and Carioca.

BG Group also holds significant assets within the Santos Basin, including shares in Lula, Lara, Carioca and Guara. Indeed, in June 2011 the UK-based company announced an increase in its estimated reserves to about 6 billion boe net, with an upside potential of 8 billion boe net. This represents a doubling of BG Group’s previous best estimate of 3 billion boe in early 2010.

96% of these mean total reserves come from existing discoveries, whilst with the company’s fast-track development programme, BG Group is hoping to see gross installed production capacity to reach 2.3 million boe per day by 2017.

In May 2011, BP received final approval to complete the purchase of ten exploration and production blocks in Brazil from Devon Energy. Assets acquired include seven in the Campos Basin, three of which; Xerelete, Wahoo and Itaipu are discoveries, whilst the Polvo field is already producing around 25,000 barrels of oil per day. The operator has already seen some success on these newly acquired assets, with November 2011 witnessing a discovery on the Itaipu-2 pre-salt appraisal well.

BP has significantly increased investments within the Brazilian energy sector over the last year, with operations in the country fundamental to the operator’s future growth strategy. In addition to increasing deepwater exploration and production business during the year, the supermajor has also acquired the Companhia Nacional de Açúcar e Álcool (CNAA) and the Tropical BioEnergia ethanol businesses and recently expanded its aviation fuel sector.

Brazilian Independent OGX is also making significant headway in establishing itself as a key player within the Brazilian deepwater market, with a portfolio comprising 30 exploratory blocks within the Campos, Santos, Espirito Santo, Para-Maranhao and Parnaiba Basins. The operator plans to produce 1.38 billion barrels of oil equivalent per day by 2019, to become second only to Petrobras in terms of production. By this date OGX plans to contract a total of 48 production units, including 19 FPSOs, 24 wellhead platforms and five TLWs. The latter units are to be installed within the deep-water Espirito Santo Basin where the operator shares interests with Perenco.
Brazil Major Oil & Gas Activities
Brazil’s offshore sector has also increasingly attracted the attentions of the energy-hungry Asian markets, most notably China. Since 2010 Chinese energy companies have bid for over US$20 billion of assets in Latin America, whilst January 2012 witnessed Sinochem Group purchase 10% stakes in five deep water natural-gas and oil exploration blocks from Perenco. Venezuelan state-owned operator PDVSA has also received a US$1.5 billion loan from the China Development Bank in order to construct a heavy-oil refinery in Brazil. With this credit-line, which represents two-thirds of the project’s Capex spend, the completion of the much delayed refinery is expected in 2013.

Whilst recent years have witnessed increasing investments from international oil companies, 2011 saw a set-back as a result of Chevron’s oil spill on the Frade development. The subsequent lawsuit has the potential to affect investors who are concerned over new regulations currently being developed to handover increasing control to the government in regulating the country’s oil wealth, which may force a re-think of strategies concerning Brazilian developments. It may be too early to forecast the exact implications, but in this cautious period following Macondo, a reassessment of drilling regulations is more than likely.

As such, foreign operators entering these Petrobras dominated waters, including BP, Statoil and Shell, may be faced with a stricter operating environment, with production equipment expected to undergo shut downs more frequently for inspection and maintenance. Indeed, Brazil’s drilling laws are already much stricter than those of the US, and the industry may expect further measures as operators seek to increase activities in ever deeper, challenging waters offshore.
Major Oil & Gas Operators Licenses
Major Offshore Oil & Gas Operators
Production and Reserves

Brazil Total Production 2000-2011

Brazil Natural Gas Total Reserves (%) 2012

- 15 trillion cubic feet
- 45% Un-Proven
- 55% Proven

Brazil Crude Oil Total Reserves (%) 2012

- 14.3 billion barrels
- 45% Un-Proven
- 55% Proven

Brazil Total Production by resource 2000-2011

2.7 million barrels of oil equivalent produced per day in 2011
82% from crude oil and condensate
Major Offshore Oil & Gas Operators

Oil and gas operators involved in the Brazilian oil and gas industry can be split between international/national oil companies, independent operators, consortiums and international subsidiaries (e.g. El Paso Brazil).

**INTERNATIONAL/NATIONAL**

*ExxonMobil*

*Chevron*

*BP*

*Statoil*

*Sonangol Starfish*

*Petrobras*

Largest presence = Brazil NOC

**INDEPENDENT**

*Wintershall*

*OGX*

*Pernoco*

*Anadarko Petroleum Corporation*

*Maersk Oil*

Brazil-based operators

**OTHERS (SUBLISDIARIES AND CONSORTIUM)**

*Kinder Morgan*

*REPSOL YPF*

*El Paso*

*Sinompec*

Brazil Majority Fields License Holdings (%) by Operator Group

- 83% National Oil Company (Petrobras)
- 6% IOCs
- 3% Others
- 8% Independents

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Offshore Field Development Status by Operator 2012-2016

Under Development 2012-2016

Petrobras 67%

Firm Plan 2012-2016

Petrobras 80%

Probable 2012-2016

Petrobras 76%

Possible 2012-2016

Petrobras 87%

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Offshore Field Development Status by Water Depth 2012-2016

Under Development 2012-2016

Firm Plan 2012-2016

Probable 2012-2016

Possible 2012-2016

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<table>
<thead>
<tr>
<th>OPERATOR (%)</th>
<th>PROJECT</th>
<th>MAX WATER DEPTH (METRE)</th>
<th>SUPPLY CHAIN PHASE</th>
<th>TOTAL CAPEX (US$M)</th>
<th>CAPEX PHASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrobras (100%)</td>
<td>Aruana</td>
<td>976</td>
<td>EPIC, Development Drilling</td>
<td>US$1,643</td>
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<tr>
<td>Petrobras (100%)</td>
<td>Baleia Azul</td>
<td>1,400</td>
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<td>US$4,137</td>
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<td>Petrobras (65%), BG (25%), Petrogal (10%)</td>
<td>Cernambi-Iracema Pilot</td>
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<td>EPIC, Development Drilling</td>
<td>US$3,012</td>
<td>2012-2016</td>
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<td>Petrobras (100%)</td>
<td>Franco (Phase 1)</td>
<td>2,200</td>
<td>EPIC, Development Drilling</td>
<td>US$2,618</td>
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<td>1,350</td>
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<td>US$2,382</td>
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<td>US$3,270</td>
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<td>US$2,211</td>
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<td>US$1,887</td>
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<td>EPIC, Development Drilling</td>
<td>US$3,923</td>
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<td>Marlim Sul</td>
<td>2,000</td>
<td>EPIC, Development Drilling</td>
<td>US$2,583</td>
<td>2012-2016</td>
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<td>Petrobras (62.5%), Chevron (37.5%)</td>
<td>Papa Terra</td>
<td>300</td>
<td>EPIC, Development Drilling</td>
<td>US$1,781</td>
<td>2012-2016</td>
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<td>1,790</td>
<td>EPIC, Development Drilling</td>
<td>US$6,187</td>
<td>2012-2016</td>
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<td>Petrobras (45%), BG (30%), Repsol Sinopec JV (25%)</td>
<td>Sapinhoa (Ex Guara)</td>
<td>2,200</td>
<td>EPIC, Development Drilling</td>
<td>US$2,459</td>
<td>2012-2016</td>
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<td>Petrobras (45%), BG (30%), Repsol Sinopec JV (25%)</td>
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<td>2,200</td>
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<td>US$1,853</td>
<td>2012-2016</td>
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<tr>
<td>Anadarko (30%), BP (25%), IBV (25%), SK (20%)</td>
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<td>1,417</td>
<td>EPIC, Development Drilling</td>
<td>US$1,958</td>
<td>2012-2016</td>
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</table>
Research & Development

CENPES – Petrobras Research Centre
Founded in 1963, the Technological Park (Rio de Janeiro) has doubled its size since the pre-salt discoveries. Within the Technological Park of the Rio de Janeiro Federal University, four R&D centres for major equipment and service suppliers are to be included:

- Schlumberger
- FMC Technologies
- Baker Hughes
- Usiminas

Other companies planning to develop technology centres in Brazil are:

- BG Brasil
- Cameron
- General Electric
- Halliburton
- IBM
- Technip
- TenarisConfab
- Vallourec & Mannesman
- Weatherford
- Wellstream

Petrobras E&P London Office main aims are:

- To increase Petrobras scientific knowledge in E&P
- Bring technologies to Brazil for Petrobras to be at the forefront of E&P technology
- Accelerate the development of the oil fields in Brazil (especially the pre-salt)
- Increase the development of the technologies and facilities to be located in Brazil
The R&D (Research & Development) Agreement Clause

As part of the Government strategy to develop the oil and gas industry in Brazil, a fund has been created to stimulate and assist research and development.

Oil and/or gas field operators working in Brazil are required to pay 1% of their gross revenue to the Government which is then ring-fenced and invested in R&D schemes within Brazil. This scheme is managed and regulated by the ANP (Agencia Nacional do Petroleo) which is the Brazilian National Petroleum Agency, as per R&D Regulation (ANP, 2005). As part of the R&D scheme ANP stipulates that at least 50% of the fund must be used within Universities or research institutions which is approved by ANP and up to 50% can be used in the concessionaire or suppliers R&D departments.

R&D expenses equivalent to 1% of gross revenue of the field

At least 50% in universities or research institutions, accredited by ANP

Up to 50% in the concessionaire or suppliers R&D

---

Brazil’s recent efforts to stimulate and support companies in R&D has resulted in the country being considered the most technologically advanced Latin American country in several fields.
4. Subsea activity

To date, Brazil has been a centre of high activity providing huge opportunity for the subsea sector. Pre-salt Brazil is set to be the deepwater success story for this decade, and as a result, Petrobras, is expected to be a major player in the global energy market approximately ten years from now.

The development of deepwater pre-salt reserves off the coast of south-east Brazil in the Santos Basin is likely to be the main driver behind this trend, though pre-salt fields have also been found in the Campos and Espirito Santo basins as well. The Campos Basin is the most established offshore E&P area in Brazilian waters. Drilling activity declined between 2002 and 2006 before recovering robustly through to 2012.

Infield Systems estimates that US$7.76 billion will be needed to develop the Brazilian pre-salt projects over the next five years. This accounts for 38% of the projected subsea Capex in Brazil and includes the developments of Libra, Lula, Cernambi, Franco and Sapinhoa fields. The percentage split of pre-salt field costs to total subsea cost is expected to remain stable through to 2020.

Major subsea manufacturers are investing in their Brazilian facilities in order to increase their competitiveness in the bidding process. Timely delivery of projects is proving to be challenging and is a crucial factor in determining the winning bid.

Subsea investments are set to grow at 16% CAGR (Compound Annual Growth Rate) from US$3 billion in 2012 to US$6.6 billion in 2016. Without doubt, Brazil’s economy is undergoing a major internal restructuring to accommodate the booming Brazilian offshore industry and Petrobras is the main act in this event (responsible for 88.5% of Brazil’s subsea Capex). Petrobras is taking steps to secure its position in the long-term.

**Total Subsea Capex (US$m) by Geological Formation Offshore Brazil 2012-2020**

<table>
<thead>
<tr>
<th>EXPECTED INVESTMENT</th>
<th>2012-16</th>
<th>2017-20</th>
<th>GRAND TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Pre-Salt</td>
<td>7,765</td>
<td>8,026</td>
<td>15,791</td>
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<tr>
<td>Non Pre-Salt</td>
<td>12,582</td>
<td>16,446</td>
<td>29,028</td>
</tr>
<tr>
<td>Grand Total</td>
<td>20,347</td>
<td>24,473</td>
<td>44,819</td>
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</table>
Subsea Capex and Trends 2007-2016

Petrobras Total Subsea Trees
Installations (%) by Water Depth

Brazil Subsea Capex by Structure Type 2007-2016

Brazil Subsea Capex Awarded to Manufacturer 2007-2016

Brazil Subsea Capex by Water Depth 2007-2016

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<table>
<thead>
<tr>
<th>OPERATOR (%)</th>
<th>PROJECT</th>
<th>MAX WATER DEPTH (METRE)</th>
<th>SUPPLY CHAIN PHASE</th>
<th>TOTAL CAPEX (US$M)</th>
<th>CAPEX PHASE</th>
<th>SUBSEA EQUIPMENT MANUFACTURERS</th>
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<td>Petrobras</td>
<td>Area Do 1-RJS-424</td>
<td>1,056</td>
<td>Production (75%), Injection (25%)</td>
<td>US$504</td>
<td>2012-2016</td>
<td>Aker Solutions and FMC</td>
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<tr>
<td>Shell</td>
<td>Argonauta O-North</td>
<td>1,647</td>
<td>Production (68%), Injection (32%)</td>
<td>US$599</td>
<td>2012-2016</td>
<td>FMC</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>Azulao</td>
<td>2,223</td>
<td>Production (66%), Injection (44%)</td>
<td>US$455</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Baleia Azul</td>
<td>1,400</td>
<td>Production (65%), Injection (35%)</td>
<td>US$1,219</td>
<td>2012-2016</td>
<td>Cameron</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Carioca</td>
<td>2,140</td>
<td>Production (84%), Injection (16%)</td>
<td>US$522</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Cernambi-Iracema</td>
<td>2,210</td>
<td>Production (68%), Injection (32%)</td>
<td>US$768</td>
<td>2012-2016</td>
<td>FMC</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Franco Phase 1</td>
<td>2,200</td>
<td>Production (64%), Injection (36%)</td>
<td>US$815</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Jubarte Phase 2</td>
<td>1,350</td>
<td>Production (72%), Injection (28%)</td>
<td>US$766</td>
<td>2012-2016</td>
<td>Cameron</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Lara Pilot</td>
<td>2,230</td>
<td>Production (63%), Injection (37%)</td>
<td>US$1,086</td>
<td>2012-2016</td>
<td>Aker Solutions</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Libra Phase 1</td>
<td>1,964</td>
<td>Production (64%), Injection (36%)</td>
<td>US$811</td>
<td>2012-2016</td>
<td>Unknown</td>
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<tr>
<td>Petrobras</td>
<td>Lula Phase 1</td>
<td>2,126</td>
<td>Production (77%), Injection (23%)</td>
<td>US$629</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Lula Phase 2</td>
<td>2,210</td>
<td>Production (63%), Injection (37%)</td>
<td>US$539</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Martim Sul</td>
<td>2,000</td>
<td>Production (53%), Injection (47%)</td>
<td>US$1,074</td>
<td>2012-2016</td>
<td>Cameron and FMC</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Papa Terra</td>
<td>1,200</td>
<td>Production (60%), Injection (40%)</td>
<td>US$859</td>
<td>2012-2016</td>
<td>Cameron</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Roncador</td>
<td>1,790</td>
<td>Production (62%), Injection (38%)</td>
<td>US$1,769</td>
<td>2012-2016</td>
<td>Aker Solutions, Cameron and FMC</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Sapinhoa (Ex Guara)</td>
<td>2,200</td>
<td>Production (66%), Injection (34%)</td>
<td>US$875</td>
<td>2012-2016</td>
<td>Aker Solutions and FMC</td>
</tr>
<tr>
<td>Petrobras</td>
<td>Sapinhoa North</td>
<td>2,200</td>
<td>Production (68%), Injection (32%)</td>
<td>US$763</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
<tr>
<td>Anadarko</td>
<td>Wahoo</td>
<td>1,417</td>
<td>Production (71%), Injection (29%)</td>
<td>US$601</td>
<td>2012-2016</td>
<td>Unknown</td>
</tr>
</tbody>
</table>
5. Subsea supply chain

The industry’s manufacturing base has proved quite adaptable in terms of meeting local content rules in Brazil, and the majority of mainstream suppliers of wellheads, trees, flexible risers, umbilicals, and other key equipment have major bases in the region.

The subsea supply chain has been in growth phase for some time and in the early days most of the buying was done directly by Petrobras. They have good knowledge of the supply chain capability and up until more recently tended to contract with construction companies mainly for installation services only. Today most of the business is in the hands of the local subsidiaries of principal international subsea contractors and more responsibility for managing the supply chain to support their engineering requirements is being passed to them.

Most manufacturers see the region as a target for future growth in the medium term. Petrobras has proved to be a highly efficient user of the industry, and typically operates large scale multi-year frame agreements for key equipment which are shared fairly evenly around the industry. One aspect which is important for Petrobras and Brazil is to develop standardisation in many of the subsea component parts such as trees, wellheads and interfaces as well as pipe dimensions.

Once you have established your market and customers, you may have a number of options on how to enter the Brazilian market supply chain. It may be via one of the large subsea construction subsidiaries or directly with an operator. If your aim is to conduct business directly with Petrobras you may have to register on the Petrobras Supplier Approval Register.

Although Petrobras is the major operator in Brazil there are many opportunities to engage with other companies within the supply chain.

If you have the potential or intend to deal with a number of organisations, it is essential to consider registering as a supplier at an early stage to avoid any delay in the approval process, which could otherwise result in lost opportunities.

Petrobras Supplier Approval Register - Petronect

Petrobras has an online system for Goods and Services Supplier Registration, Petronect - www.petronect.com.br/. Through this site prospective and existing registered companies provide the necessary information and documentation. It can also be accessed via the main Petrobras website - www.petrobras.com.br/en/ - under Business Center – Supplier Channel.

Although it is quite a straightforward process to complete, it requires time and effort. Petrobras is a state owned entity and must abide by Brazilian public tender laws, which require all foreign bidders to have a legal representative in Brazil capable of legally representing the bidder.

There are two types of registration, one for local Petrobras Business Units and one for International Units of Petrobras. If you register on the local Business Unit there may be restrictions on maximum value and being only able to deal with that particular business unit. Information and support is available on the supplier registration Petronect website.
Registration gives exposure to all Petrobras units in Brazil for sourcing of suppliers and is a pre-qualification for bidding. Company’s registration is valid for one year and renewals should be initiated at least 60 days prior to expiry.


Sales to contractors by non-approved suppliers remain common and, in this case, contractors approved supplier procedures are applied.

Due to the high volume of applications through the system, a long wait should be expected before assessment, which could take a number of months. It is advised to use any contacts within the organisation to help prioritise your application.

**Company Access to “Portal do Cadastro”**
www.petrobras.com.br

**First Phase Questionnaire**

**Petrobras Analysis**

**Second Phase Questionnaire**

**Petrobras Approval**

**Company Registration in SAP Petrobras**

**Registration Certificate sent to Company**
Petrobras keeps a Master Vendors List where all associated suppliers are registered. The Master Vendors List is a reference database from which the Vendors List companies are selected. To be registered in the Master Vendors List you must have obtained a Certificate of Registration and Record Classification (CRCC, Certificado de Registro e Classificação Cadastral). To obtain a CRCC and become a regular supplier you must provide information and go through a complete assessment focusing on the following five criteria: Technical, Economic, Legal, SMS (Health, Environmental & Security) and Management & Social Responsibility.

Criteria

**Technical** – assesses your technical capacity in terms of necessary resources/materials and supplied services, thereby evaluating proper performance in regard to production of goods and delivering of services.

**Economic** – assesses your financial performance and liquidity to complete deliveries and services. To meet the economic requirements you will have to produce balance sheets and income statements for the prior three years. You also need to produce a copy of your annual accounts in Portuguese, English or Spanish. This needs to be presented according to European (FASB) accounting standards.

**Legal** – assesses your regularity in fulfilling your obligations both legal and commercial. This is primarily a disclosure of legal documents regarding incorporation, legal representatives in Brazil, proof of membership in branch organisation and bankruptcy.

**Health, Environment & Security** – assesses your HSE performance and policies. Completion of criteria is evaluated against the environmental standards of ISO 14001 and the Occupational Health and Safety Assessment Series OHSAS 18001.

**Managerial & Social Responsibility** – assesses the position and importance of your Management and Social Responsibility. It seeks to evaluate the commitment to quality and continuous improvement, promoting and stimulating certification according to ISO 9001. Petrobras gives value to partnerships with companies emphasising the involvement of business within the social context so demonstration of a robust CSR strategy and implementation plan is desirable.

The CRCC system is divided between national and international suppliers. The CRCC certificate obtained by foreign companies gives the holder access to the international bidding rounds. If you want to participate in the national bidding rounds, you have to appoint a Brazilian re-seller.

Note: CRCC Registration does not guarantee being asked to tender for projects.

As part of the qualification to supply Petrobras you may have to engage in their product qualification process to supply your goods which could involve time and cost, therefore it is recommended to build this into your plan. However there are indications that Petrobras may accept already field proven products and technology allowing a more streamlined approval of products on the supplier register.

Local suppliers tend to have good relations with Petrobras and the competition may be tough in some areas. A successful marketing operation with Petrobras requires an on-site agent who is knowledgeable of the local culture, capable of identifying and maintaining relations with the potential end-user department within Petrobras, and able to keep track of business opportunities.
CADFOR

CADFOR (Cadastro de Fornecedores – Supplier Registry) is an organisation established between the National Organisation of the Petroleum Industry (ONIP) and the principal players in the Brazilian oil and gas sector. CADFOR is a vendor’s list system, which is used by sponsors of the register. Companies such as Anadarco, Devon, Chevron, El Paso, Maersk, Shell and Statoil Hydro are sponsors.

In order to become registered to CADFOR you need to be invited, but you can apply for membership through CADFOR’s webpage, in which case you have to deliver a series of information and documents. The requirements for entering the CADFOR register are similar to those required by Petrobras.

Like registration with Petrobras, assessment is based on five criteria: Technical, Economic, Legal, HSE and Management & Social Responsibility. Each criterion is divided into a number of sub-requisites which seeks to ensure that you meet the quality requirements established by the CADFOR sponsors.

The main difference between the two vendor’s list systems is that CADFOR only register national suppliers, so a foreign supplier will have to appoint a national reseller, in order to register.

Detailed information regarding registration in CADFOR can be found at www.cadfor.com.br/servlet?act=login&linguagem=en&pixrnd=011207301532188698400
6. Market entry

This section focuses on how to approach your market entry strategy. Research is paramount and should involve in-country visits to ascertain the demand and competition for your products or services, make contacts and help you decide which market entry strategy is right for your business.

Trade Fairs in Brazil are of high importance in business contexts. They are a great way to demonstrate products, and to engage in networking within the sector. Trade fairs are highly successful in Brazil, and the country’s oil & gas trade fairs are among the biggest of their kind worldwide.

Trade missions are also highly valuable and can be organised by UKTI, SDI, Chambers of Commerce and Subsea UK.

Exporting

Brazil is notorious for difficulties and delays in importing goods and, as outlined in the Legal and Corporate section below, attracts various taxes. Customs delays are the norm rather than the exception, although they vary by location, and remember that storage costs are high.

Temporary tax free import, under REPETRO, is complex to administer and standard temporary import may be easier, especially for your client.

Consideration should be given to bonded warehousing and the use of favourable import regimes and locations as well as a local Trading Company to handle the paperwork and assume risks.

Thorough research of importation alternatives is crucial and you need to select your customs agent carefully.

Agents and Distributors

By appointing an agent or a distributor you gain the experience of a seasoned local with expert on-the-ground knowledge and contacts.

The Brazilian legal concept of a sales agent is rather broad, including almost any independent agent who works as an intermediary in the sales of products or services. Given the size of the country, many companies employ sales representatives so that they can take best advantage of Brazil’s vast market potential. As a result, a number of rules have been established regulating the activities of autonomous commercial representatives (“sales agents”) and creating an extremely protective environment for sales representatives in Brazil.
Employing an agent or distributor can have several advantages and can reduce your set-up costs and the time required to enter the market.

However, there are some drawbacks to this approach. Employing a third party will raise the cost of your products in the market. You will also lose some control over sales and/or marketing. Using a distributor may also increase the risk of your product being copied or counterfeited. Some of the larger agents and distributors may manage several product lines so it is important to ensure sufficient attention is given to yours.

Properly managing agents and distributors is critical and you will need to identify the right agent or distributor for you.

Once you have chosen an agent or distributor you need to ensure that your products receive their attention.

Regular visits at senior management level are a must to demonstrate interest and commitment to both the agent and the market. You need to work closely with your agents and distributors to show them how they can profit from your products. Equally, you should be prepared to help and invest in the development of local sales and marketing plans. Training of sales staff in your products and services can help improve their knowledge and ability to sell your products. It is worth exploring performance related incentives and agreeing milestone targets with your agents.

**Joint Ventures**

An organisation jointly owned by a Brazilian and a foreign partner was, for a long time, one of the only options open to foreign investors in Brazil. Joint ventures are still one of the most preferred routes to market.

If you wish to sell directly to the Brazilian domestic market, joining forces with a Brazilian partner can be very successful. You will be able to take advantage of the Brazilian partner’s contacts and local knowledge, while they in turn benefit from technology transfer or your company’s expertise in other areas.

The major challenge with joint ventures is finding a partner with whom you can work. Brazilians attach significant importance to personal relationships in business and any joint ventures often fail because there is no real relationship between the parties.

Successful joint ventures are often those where the products and services of the two parties are complementary rather than being in direct competition. It is essential that you carry out thorough due diligence on your potential joint venture partner.
There is no specific Brazilian law governing joint ventures but they are usually either contractual joint ventures or corporate joint ventures.

For a contractual joint venture, you do not have to set up a Brazilian company. It is a co-operation mechanism between the parties whereby the profit or loss distribution, and the relative management, can be freely stipulated.

In a corporate joint venture, a Brazilian company will be incorporated under the limited liability or corporation format.

Although there is no specific law in Brazil relating to joint ventures, the laws on mergers and acquisitions should be taken into account when establishing a corporate joint venture.

Establishing a Branch

A business may set up a branch in Brazil. However, unless there is a substantial tax advantage in the investor’s home country, the disadvantages of this would probably outweigh the advantages. For example, there is more red tape to establish a branch, which takes about six months, and the establishment costs are just as great as for other business forms. Branch profits, whether remitted to a parent company or not, have been exempt from withholding tax since 1996.

Establishing a Local Company

You may wish to acquire an existing company or form a local subsidiary. Many businesses which choose the latter route prefer to establish a limited liability company, the so called limitada. This form is easy to set up, has fewer formalities and less public disclosure requirements than the alternative option – one of several types of sociedade anonima (SA) - comparable to a British Public Limited Company.

The two main company structures in Brazil are “Sociedade Limitada” and “Sociedade Anónima”. Roughly speaking, these companies correspond to a Limited Liability Company and a Public Limited Company.
Sociedade Empresária Limitada
This type of company, commonly referred to simply as Limitada, is relatively simple to set up and only requires a modest set of operational rules for the company. It is therefore the most widely used form of set-up for small and medium-sized companies establishing themselves in Brazil.

A minimum of two quota holders is required for its incorporation. Quota holders may be individuals or legal entities (whether or not Brazilian). Non-residents must appoint Brazilian resident individuals to represent them in the incorporation process.

The capital of a Limitada is divided into quotas that are represented in the Articles of Association of the Limitada. While each quota must grant the right to one vote, the Articles of Association may establish different rules for the quotas with respect to their participation in the profits of the Limitada.

The Limitada has to be managed by at least one Brazilian resident individual. In order to act as an officer of a Limitada, non-Brazilian individuals must hold a permanent visa. The officers may or may not be quota holders.

Other features of the Brazilian Limitada include (i) the quota holders are not personally liable for the obligations of the Limitada; (ii) there is no minimum capital requirement, (iii) the Articles of Association of the Limitada can provide for majority voting on various matters and (iv) the Limitada’s financial statements do not need to be disclosed.

Investors should be aware that incorporating a Brazilian Limitada involves more bureaucratic steps than, for instance, forming a limited liability company in the U.K. or in the U.S.

Once all relevant documents for the incorporation of a Limitada have been filed with the Brazilian trade board (Junta Comercial), it may take two to three weeks for the Limitada to be registered and fully functional.

Sociedade Anônima
A Sociedade Anônima is a limited company which must consist of at least two shareholders. Shareholders may be natural as well as legal persons and there is no requirement that they must be residents of Brazil.

The Company name must include the words “Sociedade Anônima”, or “Companhia” or the initials “SA” or “CIA”.

You need to appoint a minimum of two directors (Diretores), a Budget Committee (Conselho Fiscal) and a board of directors (Conselho de Administração) for publicly listed companies. A non-listed board can be appointed in a Sociedade Anônima. Only shareholders can be appointed to the board, but there is no requirement for Brazilian citizenship or residency in Brazil.

In a company with a board, it is the responsibility of the board to appoint the company directors. Company directors are not required to be shareholders of the company or Brazilian nationals, but directors must reside in Brazil.

In a Sociedade Anônima shareholders are liable only for the capital which has been invested in the company through the purchase of shares. A Sociedade Anônima is an ideal design structure for large companies that want closer regulation of company operations, as follow from the more comprehensive Companies Act, as well as the security a public company generally inspires. This type of company has the opportunity to open itself to the public, and thereby achieve further self-financing.
7. Legal and corporate

Overview of Legal System
The Brazilian legal system is based on Portuguese Civil Law tradition. The Federal Constitution, in force since 5 October 1988, is the supreme rule of the country and is characterized by its rigid written form.

The Constitution organizes the country as a Federative Republic, formed by the indissoluble union of the states and municipalities and of the Federal District. The 26 federate states have powers to adopt their own Constitutions and laws; their autonomy, however, is limited by the principles established in the Federal Constitution.

The following is a brief outline of features of the Brazilian legal system and its recent reforms. Due to the complex nature of the system, exporters and investors are strongly advised to seek specialised advice when developing their Brazilian market strategy.

Financial System
Brazilian legislation and regulations regarding accounting, taxes and corporate matters do not provide a specific framework for the oil and gas industry, especially upstream activities. The industry is characterised by the presence of several companies acting both independently and through consortium agreements to carry out exploration, development and production activities.

Most of the companies currently investing in upstream oil and gas began their activities in the late nineties when the market opened up. Prior to this the Brazilian state-owned operator, Petrobras, was the exclusive monopoly concessionaire.

As a result, the accounting procedures adopted by each of the upstream companies are still diverse and often influenced by the international accounting procedures adopted by the corresponding controlling companies. This situation might change with the adoption of the International Financial Reporting Standards (IFRS) and corresponding regulations that are being issued.

Profit Tax
You will need to register your company investment with the Central Bank (RDE-IED) under Law 4,131-62 as a Foreign Direct Investment. The capital gain arising from the sale of direct foreign investment will be taxed according to general rules applicable to Brazilian residents.

Therefore, the positive difference between the sale price and the average acquisition cost in Reais (R$) will be taxed at a 15% capital gain tax rate. Residents in tax havens have the rate increased to 25%.
Taxation

Due to the complexity of the Brazilian taxation system, which has over 3,200 rules relating to more than 57 different taxes, it is imperative to invest in good tax and legal advice when looking to establish your company in Brazil.

Around 70% of revenue is collected by the Federal Government, with 26% brought in by State Government and Municipal Government takes 4%.

The Brazilian government is making efforts to improve the climate for foreign investment. One way in which Brazil is achieving this is by reducing its import barriers and many state-owned enterprises have been privatised.

Imports / Exports

Import duty (Imposto de Importação - II) - is levied on imported goods based on the customs value of the goods. Depending on the specific import product, the import transaction can be subject to several different taxes.

Customs value is calculated on the product price, insurance and freight costs (CIF) plus additional costs specified by the customs valuation rules. The customs duty rate varies in accordance with the Common External Tariff for non-Mercosur members. In this system each specific product has a specific External Tariff Code (TEC), which determines the specific import duty rate. Import duty is a non-recoverable tax, thus, a cost for the importer.

Federal VAT (Imposto sobre Produtos Industrializados or IPI) - is levied through the first sale of imported goods and on transactions involving manufactured goods.

The Federal VAT rate varies depending on the traded product and ranges from 0% to 365%. IPI generally becomes a tax credit to offset IPI charged on subsequent transactions. The IPI is calculated on the CIF value and the added Import Duty.

State VAT (ICMS) is levied on the import of goods and on the movement of imported and manufactured goods, even if goods are transferred between branches of the same legal entity. ICMS paid on imports as well as on local acquisitions generally becomes a tax credit to offset ICMS due on subsequent transactions.

ICMS tax rates vary according to the state where the company and the acquirer of the goods or services are located. Imports are generally subject to a 17% or 18% rate, while local transactions are subject to rates varying from 7% to 18%.
The ICMS is charged on the CIF value of the goods plus import duty, IPI, ICMS itself and PIS-Import and COFINS-Import (federal social contributions), plus other customs charges.

PIS-Import and COFINS-Import are levied on the importation of goods and services. Generally they are charged at a combined rate of 9.25%. The tax basis for PIS-Import and COFINS-Import on imported products is the customs value plus ICMS and PIS and COFINS itself, which leads to an effective tax rate of around 13.45%.

The Municipal tax on services (ISS) is charged on certain services included in a Federal list of taxable services. Rates vary from 2% to 5%. Imported services are also subject to ISS taxation.

REPETRO

REPETRO is a special customs rule which allows the temporary suspension of federal duties on importation.

In some cases ICMS may be charged at 3% of the CIF value on REPETRO goods but the importer can achieve the full suspension (0% ICMS) for specific equipment used for research and exploration of petroleum and natural gas.

REPETRO only applies to goods listed in Normative Instruction Nº. 844, May 9, 2008. REPETRO may also be applied to machinery and equipment parts, tools, appliances and other parts, as long as its use is directly related to the research and production of oil and natural gas.

Who Can Use REPETRO

1. The holder of a license or authorization pursuant in accordance to Law No. 9478 of August 6, 1997, to exercise in the country, within the activities referred to in Article 1.

2. A company hired by the legal entity referred to in paragraph I for the provision of the services required to implement the activities that are the object of the concession or authorization, as well as their subcontractors.

3. A locally-based company formally appointed by the legal entity that is item I, to promote the importation of goods that are subject to charter, lease, operating lease or loan, since it related to execution of contract for services concluded between them.

REPETRO features:

- Non-taxation of contributions for equipment allowed in the scheme, despite being used in commercial activities;
- Ability to receive and transfer goods to other special customs regimes;
- Shared use of property;
- Export without leaving the customs territory;
- Imports under the drawback regime of raw materials, semi-finished products and parts or parts used for the manufacture of REPETRO compliant goods in the procedure for submission of fictitious exports.

www.regimerepetro.com.br (Portuguese link only)
Local Content

Local content can be defined as, the total value added to a national economy through the localised production of select services and key materials, equipment and goods related to target sectors of the economy.

The primary objective of the Brazilian local content policy is, according to PROMINP (the Brazilian Oil and Natural Gas Mobilisation Program) to “maximize goods and services national industry content, within competitive and sustainable basis, in the implementation of oil and gas projects in Brazil and abroad.”

With Dilma Rousseff the Brazilian President arguing that Petrobras should be used as a development tool, their very real challenge is to establish a Local Content floor of 65% on all projects in Brazil. In 2009 the national average was 74.2%.

While the country has an established track record for local content development, former President Luiz Inácio Lula da Silva, elected in 2003, only served to strengthen and consolidate its role, even to the extent that long term goals for energy self-sufficiency have been stepped back in order to ensure that production platforms could be built on home turf. With the giant discoveries at Tupi (Lula) and Jupiter, pressure to see revenues distributed throughout the population has become even stronger.

Arguably, both in terms of increasing indigenous technical skills and job creation, the Brazilian local content programme can be said to have worked.

Job creation is very much at the heart of this agenda. An estimate from the federal government estimates that the new Brazilian oil fields will require 250,000 new professionals through 2016. Petrobras will help meet this requirement by ratcheting up local content requirements and implementation.
Uncovering the extent of local content requirements on any given project presents obstacles. Investors regularly complain that they simply don’t know how much work is expected to be delegated to indigenous suppliers. The regulations are complicated, detailed and vary between each part of the Exploration and Production process and from project to project.

Brazil is not only eager to increase local content in onshore projects, but also in offshore projects and in subcontracting projects for Petrobras - a trend especially evident since 2003 when IOCs were asked to build a large part of their platforms locally, which actually led to delays in the bidding process for platforms including the Marlim Sul field and the Roncador field.

As a general rule, the minimum local content requirements are 70% for onshore, 51% for offshore in shallow water of up to 100 metres and 37% for deep water between 100 and 400 metres.

The minimum local content requirements during development are 77% for onshore, 63% for offshore in shallow water of up to 100 metres and 55% for deep water between 100 and 400 metres.

Employment Regulation Overview

Employment and labour practices in Brazil are basically governed by the Constitution, the Consolidation of Labor Laws and collective labour agreements.

Under Brazilian law, there are three types of workers: the employee, the self-employed and the freelance worker. They are all generically referred to as “workers”.

An employment relationship is established whenever the following elements are present: subordination, exclusivity and regularity of personal services rendered by an individual to another individual or company in return for a wage. Brazilian and foreign employees alike must bear an annotation as to such employment status in their Work and Social Security Record (‘CTPS’).

The employment may be contracted orally or in writing. In Brazil, however, employment contracts in writing are usually adopted as a legal guarantee. Trial employment contracts in writing are mandatory.

An employment contract may establish whether the period of employment is definite or indefinite. A contract for an indefinite period, is one in which the parties do not stipulate any termination date. This is the most common form of employment contracts used in Brazil.

A contract for an indefinite term can only be broken upon prior notice to the other party. Failure by the employer to do so, without the presence of any of the legally recognised grounds for dismissal entitles the employee to certain rights for breach of contract. No indemnity is payable to an employee on termination of his/her employment after expiration of a fixed-term contract.
But if the employee is unfairly dismissed during the course of the contract, he/she is entitled to an indemnity of half of the salary due to him/her for the unexpired portion of the contract. On the other hand, if it is the employee who rescinds the contract, he/she is liable to indemnify the employer for any loss resulting from this breach of contract.

According to Brazilian law, employment contracts may be terminated if the employer has justified cause. Justified cause may include any dishonest act, lack of self-restraint or misconduct; the employee’s doing regular business on his/her own account or on behalf of third parties without the employer’s consent, or whenever there is a conflict of interest between any such activities and those of the employer to the detriment of the latter; the employee’s criminal prosecution in final judgment, provided that the penalty has not been pardoned; sloth in the employee’s performance of his/her duties; regular intoxication, or intoxication during working hours; violation of trade secrets; any act of indiscipline or insubordination; abandonment of employment; any act detrimental to the honour or reputation of any person, practiced during working hours, as well as physical violence practiced under the same conditions, except in case of self- or third-party defence; any acts detrimental to the honour or reputation of the employer or ranking superiors, or physical violence against them, except in the case of self- or third-party defence; and constant gambling.

In these cases no indemnity is payable to the employee upon termination of his/her employment contract, but the employer has the burden of proof as to any of the legal situations above.
Visas and Permits

A Brazil work visa (also known as Vitem-VI) is required for any foreigner wishing to work in Brazil. While obtaining a Visa to work in a new country may appear daunting there are some key things to be aware of and steps to follow.

A work visa is required if you will be providing:

- Any kind of service under a contract. This includes scientists, technical personnel, research staff, and other career professionals
- Any kind of service to Brazil’s government or to a company run by the state of Brazil
- Any kind of service contracted by a business organisation operating within Brazilian borders.

Applications for work visas are presented in Brazil by the people you wish to work for in the nearest office of the Ministry of Labor. A comprehensive set of requirements and instructions for the application process have been compiled by the Brazilian government. Once your application is approved by the Ministry of Labor, another series of requirements must be met for the work visa to be officially recognised.

A valid, original passport with an expiration date at least six months beyond the intended date that you will be arriving in Brazil with at least two blank pages.

Two Visa Application Forms per applicant, filled out in their entirety. These can be typed or printed, and they must be dated and signed by the person applying.

A non-refundable visa fee of US$100.00.

There are a few things to keep in mind about your Brazil work visa application. The rules listed at any one time are not final. If the Consulate deems it necessary, additional rules or requirements can be added to the application process. For example, the Consulate may decide that it is necessary to personally interview you before granting your Brazil work visa.

There is also a small waiting period until your visa is officially valid and recognised. The minimum period is five business days, during which your application is processed and reviewed. However, Brazilian officials warn that longer periods may occur. There is no set provision for speeding up this process, but emergency cases can be documented and presented to the Consulate should they arise.

For further information go to www.visatobrazil.com
Patents and Intellectual Property

Brazil has a sound intellectual property rights and patent system that does not discriminate unduly against foreign companies. However, the effectiveness and impartiality of enforcement is variable and any legal processes will be both protracted and costly.

A new Trademark and Patent agreement law was enacted in Brazil in 1996 which follows international standards and general guidelines established by TRIPS (the Trade-Related Aspects of Intellectual Property Rights). This has encouraged substantial investment in the country, both in the construction of new manufacturing facilities and in research and development.

For companies whose business involves intellectual property, there are issues of piracy to consider, particularly for goods such as spare parts. While the Brazilian Government has made some progress on intellectual property rights legislation and implementation, there is scope for further progress.
Being aware of and respecting the culture in Brazil is one of the most important aspects of doing business in this country.

Brazilians consider the family as the foundation of society and therefore it is the building block of many companies with nepotism apparent in both the private and public sectors. Business is often based on family hierarchy rather than technical expertise. Trust and building relationships is therefore of critical importance. Status in society is important as far as decision making is concerned. Brazilians always want to meet the top man or woman. But remember that allegiances and politics play more of a role than they do in the UK.

When entering Brazil, always stress that you are here to stay and committed to the country.

Language

Brazilian Portuguese, the official language in Brazil, differs slightly from European Portuguese in a similar way to the difference between British and American English. Making the effort to use the official language demonstrates seriousness about entering the market and will usually be met with a positive response.

Spanish or Italian can be useful to communicate basic messages, and Brazilians will find it fairly easy to understand “Portuñol”, the mixture of Spanish and Portuguese spoken by many Spanish-speaking Latin American visitors to Brazil. But don’t assume that Spanish will always be welcome! The best advice is to offer a “disclaimer” i.e. “I’m sorry I don’t speak much Portuguese, but I do speak English and some Spanish”. If you start speaking Spanish directly, Brazilians might think that you don’t know that their first language is Portuguese and it will give a bad impression.

An increasing number of Brazilian companies have English speakers on their staff, but don’t assume that everyone speaks English. Engaging the services of a local interpreter is a sensible move for your first meeting with a potential partner.

Initial written approaches to Brazilian companies should always be in Brazilian Portuguese and company literature (including a basic company profile and product descriptions / profiles) should also be translated into Portuguese. It is a nice touch to have your business cards translated too.
Day-to-Day Communications

Once you have made contact with a Brazilian company, it is likely that your day-to-day telephone and email communications will be in English.

If you do not think the standard of English in the Brazilian company is workable, you might wish to ask for parallel Portuguese texts and get them translated; this could be a valuable investment. An important part of setting up arrangements in Brazil is to ensure that communication issues are covered in detail. Most failures occur because of language and mutual misunderstandings.

In any case, both parties should agree in writing the language of official documents. This is to avoid endless disputes about meaning and definition between two versions of the same contract. In the event of a dispute, a judge will want to know whether the English or the Portuguese version is the official one.

Business Etiquette

You will need to be fully aware of the local customs. Brazilian business culture is largely southern European, with considerable influence from Africa and Asia. In commercial hubs such as São Paulo you will find a sophisticated and developed commercial environment. In São Paulo and the south of Brazil there is a strong influence from the descendants of Italians, Portuguese, Spanish and Japanese. Rio de Janeiro has a more relaxed feel and, the further north you go, the greater the difference to the atmosphere in the south of Brazil. As in any new market, developing personal relationships is essential to conducting business throughout the country.

As families are important it is a good tip to have some photos of your family to demonstrate its importance to you personally and to your business.

Brazilians work long hours. Normal office hours can start anytime from 8.30am until 5.30pm or later from Monday to Friday. Saturday mornings are part of the working week.

Greeting Etiquette

While first names should normally be used, titles are important. Greetings tend to be effusive, with extended handshakes common during the first encounter, progressing to embraces once a friendship has been established. Women often kiss each other on alternating cheeks. It is polite to shake hands both on arrival and on departure. Brazilians communicate in very close proximity. They may keep in physical contact by touching arms, hands, or shoulders during the entire conversation.
Meeting Etiquette

Conservative European dress code is the norm for all meetings in big cities such as São Paulo and Rio de Janeiro. In the tropical north and north east of Brazil, where temperatures can reach 40ºC, smart casual dress may be acceptable, or even desirable, if visiting external sites, but, if in doubt, always ask beforehand.

When arranging a meeting, you should provide the Brazilian company with the subject of the meeting in advance, although only limited detail will be required at that stage.

Punctuality can sometimes be an issue in Brazil, but you should not interpret lateness as a sign of rudeness or laziness. If you will be late for a business meeting, you should call the Brazilian company to advise them. However, be aware that the Brazilians will be making jokes among themselves about the British always being punctual! Traffic in Brazil, especially in big cities like São Paulo and Rio de Janeiro, can be bad. Plan your trip with plenty of time to allow for delays.

Meetings can be lengthy affairs, allowing for small talk before getting down to business. It is normal to exchange business cards at the start of meetings (although in restaurants or at business lunches they should be exchanged after the meal). It is polite to turn off your mobile (or leave it mute) during meetings and business lunches or dinners.

Be prepared for lengthy discussions. Interruption is more normal than in the UK as it is seen as involvement and creative.

Instructions and requests have to be carefully thought through. Yes does not necessarily mean yes and I understand might not be a clear understanding. The art of asking what people understood by your request or statement is the route to success.

Criticism or negative type English comments can be detrimental, will probably not be understood and may undermine all your hard work.

Presentations

Sophisticated presentations with multiple illustrations are the norm for many forward-looking Brazilian companies, and it is advisable to take the same approach to create a good impression. Handouts and brochures in Brazilian Portuguese are strongly recommended.

During presentations remember that your audience may not have a strong grasp of English, try to speak more slowly and clearly without being patronising and avoid slang and jokes specific to British culture and geography. There is no need to be extremely formal though.

The more information you provide and the more visual the better.

Interpreters

A good interpreter is the key to successful communication. If your audience has not understood what you have said, your message will be lost on them.

A growing number of Brazilian executives and government officials speak some English. However, on setting up an appointment, you should always ask if your contact speaks English or would feel more comfortable with an interpreter.

There are two forms of interpreting. Consecutive interpreting means you speak and then your interpreter interprets; this is the usual form for meetings, discussions and negotiations.
Simultaneous interpreting is when you speak while the interpreter interprets simultaneously; but special equipment is required which is expensive to hire. Simultaneous interpreting is generally used only for large seminars and conferences. Interpreting is a skill requiring professional training. Just because someone is fluent in English and Portuguese it does not mean that they will make a good interpreter.

If you are giving a speech or presentation, remember that the need to interpret everything will cut your available speaking time approximately in half (unless using simultaneous interpreting). It is essential to make sure that the interpreter can cope with any technical or specialist terms in the presentation. It is better to be slightly restricted and speak close to a script than to fail to be understood because your interpreter cannot follow you. If you are giving a speech, give the interpreter the text well in advance and forewarn them of any changes.

Building Relationships

Relationships in Brazil are important, but again this can vary between regions and backgrounds. For some business people, it is vital to develop a strong relationship to allow business to flow better. For others, it is not so important. In general, it is usually more productive to start by creating a relaxed, transparent and friendly atmosphere.

An overly professional and direct way of negotiating for the European business person would not usually go down well with most Brazilians. Stiff and aggressive negotiating attitudes generally do not help to bring about the best results.
Learning Portuguese is obviously of benefit. If you don’t have time to become conversant, making the effort to learn basic pleasantries can go down well. Any attempt to speak a little will be well received, even if incorrect.

Brazilians tend to speak quite loudly, especially in casual situations. This can appear strange at first to the UK ear.

Long, animated conversation is a favourite Brazilian habit. When conversing, interruptions are viewed as enthusiasm. Brazilians enjoy joking, informality, and friendships.

Good conversation topics include football, family, children and music.

Bad conversation topics include Argentina, politics, poverty, religion and the rainforest. Don’t worry too much about this though as Brazilians are gracious, forgiving and not easily offended.

If this is your first visit to Brazil, you should expect to be asked if you like it. Brazilians are universally keen to know that visitors have a positive impression of their country, as they are intensely patriotic.
9. Case Studies
Established in 1976, Hydrasun has a global network of operational bases and partnerships successfully delivering flexible hose, hydraulics, integrated instrumentation products, umbilicals and extruded solutions, and integrity management services worldwide.

What attracted you to Brazil?

At a macro-level, the sheer magnitude of the offshore development programme makes it a difficult market to ignore. As one of the biggest deepwater provinces, it is a major market for our subsea products and associated services.

At a micro-level, the attraction to the market was customer-driven. Feedback from our core customer group suggested that demand for our products and services would be strong, particularly among the key subsea players such as GE, FMC and Cameron but also among our drilling customers such as Transocean.

How did you approach the market / what was your market entry strategy?

With the promising feedback from customers, we embarked on initial research into Brazil. It became very clear after listening to stories about the failures of those trying to “go it alone”, that the best option for us was to look for a suitable acquisition in order to gain critical mass that would fast-track our market entry.

This would also meet the stringent local content regulations to which Petrobras and the Brazilian Government are firmly committed.

About 15 months ago, we began identifying potential acquisitions and started informal dialogue with them. Through our research, we selected target companies who demonstrated a mini-Hydrasun model and approach. Our selection was based on a company which had the right business model and a proven track record with Petrobras as this would eliminate the tortuous process of going through the vendor approval process.

We appointed professional advisers based in-country and received excellent support, advice and referrals from KPMG. Using international law firms with offices in Brazil definitely made the due diligence and transaction process easier for all concerned. Excellent support and assistance was also forthcoming from SDI and Scottish Enterprise both in terms of initial market research and in the subsequent development of our business case and business plan.

What challenges did you face and how did you overcome them?

The Brazilian culture is challenging and while they have a much better work/life balance than we do, this makes progress slow. You need to have patience and not become too frustrated by the lack of pace which, when combined with the bureaucracy, can become inordinately tedious.
Post-acquisition, we have found the culture and the language continual challenges. In terms of the culture, we are overcoming this by spending considerable time with our Brazilian staff and being totally committed to team-building with lots of social events to build relationships and integrate ourselves in the community. We have never played so much football!

With regards to the language, we have been very fortunate to engage a UK-based Brazilian employee who has a background in teaching English. She now has a role in HR with us and is helping our English-speaking staff to learn Brazilian Portuguese and vice-versa.

Recruiting senior people is a major challenge for us that is still on-going. With a tight market for highly skilled labour in Brazil, remuneration packages have been pushed up and people at managerial level are commanding vastly inflated salaries.

We are currently addressing this by recruiting skilled engineers for our Brazilian operation from Portugal and training them in our Aberdeen head-quarters. While there are differences between Portuguese and Brazilian Portuguese, they don’t pose any major language barriers.

Another challenge, but one which presents an opportunity for us and all UK companies, is the supply chain in Brazil. It is slow, much more reactive rather than pro-active and cumbersome. The complex export import legislation in Brazil does not help this but neither does the more seemingly short-term and unplanned approach by those in the supply chain. For example, we have had to work hard with our suppliers to increase their stock as they are not used to large orders, preferring or more accustomed to pre-ordering smaller quantities rather than thinking ahead and planning bigger orders.

What would you have done differently?
While we don’t have too many “I wonder if” moments, we could perhaps have been firmer on some issues and tried to speed up the acquisition process. The results we are now seeing could have been achieved earlier.

We could have paid more attention to company registration rules, which held us up by four to five months. We also felt that we could have investigated importation models and licenses more thoroughly and given some more focus to vendor registration with other companies as well as Petrobras.

In hindsight, we could have made different and better decisions in our selection process in terms of recruitment but overall we have had a good experience.

What success have you had?
The extension to the Petrobras contract post-acquisition has been a major success and has cemented strong foundations for us in the market. We have focused on consolidating the operation and integrating the Brazilian company into Hydrasun rather than taking the hard-sell approach and this is paying dividends.

We have a strong order book in Brazil both in the integrity management services we provide for drilling companies and in sales of subsea equipment. We are extremely confident for the future. Brazil is a phenomenal market with huge opportunities for us and we are well-placed through our acquisition to capitalise on them.
Nautronix is an international marine technology company specialising in subsea acoustics and positioning for the offshore oil and gas industry.

Headquartered in Aberdeen, with sales offices in Houston, Rio, Macaé, and Stavanger, Nautronix utilises their unique ADS² (Acoustic Digital Spread Spectrum) signalling technology to overcome the limitations of traditional acoustic systems in a range of applications for the global offshore market.

What attracted you to Brazil?

The scale of the market in Brazil, particularly the pre-salt developments, is of huge significance to Nautronix. With the commissioning of 33 new vessels for this market, there is demand for our underwater positioning system, NASNET, along with our hydro acoustic positioning systems, and BOP acoustic control systems.

With the dominant player, Petrobras, seeking suppliers who can demonstrate local content and are committed to Brazil, it was clear that we needed a presence there.

How did you approach this market / what was your market entry strategy?

We conducted a business review and sought assistance from SDI and UKTI who provided us with excellent contacts and advice. After finding a suitable agent, it became clear that we also required an established presence in the market place. We set up a legal entity - Nautronix Brasil Limitada. Initially, we were registered under our local lawyer’s address and shared premises with our agent.

As soon as we became more established and familiar with the market, we opened our own offices in Rio and in Macaé along with another company with the same investors, SCF, to share overheads.

We initially hired a local sales and support engineer but within a relatively short period of time we encountered a number of challenges with having one employee and having to manage them remotely. Within a year, this person left the company and we reviewed our strategy and appointed a more senior person in the role of business development manager. We were fortunate to secure a Brazilian national who had been living in the UK and was looking to return to Brazil. This person is familiar with how UK businesses operate but has a great deal of local experience in Brazil.

What challenges did you face and how did you overcome them?

Believing people when they said it would be easy! The pace in Brazil is much slower than the UK and we quickly realised that timescales given were optimistic. In reality everything takes much, much longer than you anticipate. You need to take a long-term approach and be prepared to invest significant time and resources in your efforts.

Face to face meetings are productive and a prerequisite in Brazil but when you go back to the UK, it is very hard to remain in contact, communicate effectively and move things forward with the Brazilians. We have addressed this by appointing a business development manager in Brazil who is able to operate at a senior level.

We suffered from mis-information which caused us a set-back in the beginning. To supply to Petrobras you have to go through their registration process, which is a time-consuming, laborious and bureaucratic exercise.
We were advised to do this at a local level in Macae and that we required a CREA representative. A CREA representative is someone from a technical authority who can authorise your service or product. Once registered, the local Petrobras business units can use your products or services but only up to a value of £150,000 and only in Macae.

It quickly became clear we needed to register as an international company with local offices, rather than just registering at a local level so we had to start all over again.

In terms of recruitment, we initially used a recruitment agency in Brazil but they failed to deliver the right type of candidates and we eventually resorted to advertising on Oilcareers.com where we found an ideal candidate.

What would you have done differently?
In retrospect, our first hire in Brazil should have been at a more senior level.

We appointed a Brazilian sales engineer as our first employee. The aim was that he could perform a dual role in both technical support and sales. However, after some cultural and linguistic hurdles, we realised that we needed someone at a much more senior level to lead our business development.

The Brazilians place a lot of emphasis on building face to face relationships with senior people. Our chief executive had huge success in starting this process but trying to support the Brazilian office from the UK just didn’t work.

We ended up recruiting a new business development manager, also Brazilian, but with more experience and seniority who is successfully strengthening relationships with our key customers at senior levels.

What success have you had?
Our journey into Brazil has only just begun but with two local offices, an agent and the right people in place, we are well-positioned to capitalise on the opportunities. With Petrobras looking to the local market first, we are confident that the investment in our Rio and Macae offices will start to reap significant rewards.

We are already supplying to drilling rigs offshore Brazil and have people on long-term visas, who are providing support to client vessels.

In addition we are targeting new shipyards and vessel owners and getting on their bidders lists.

As our brand becomes more established, we hope to increase our business and secure a return on our investment in this challenging market.
Viper Subsea provides innovative engineering products and services to the global subsea industry. With extensive experience in subsea production systems, specialising in controls and distribution equipment, Viper offers a range of engineering services with a focus on the design and supply of distribution systems and equipment.

Their head office is in Portishead, close to Bristol and they have recently opened an office in Aberdeen which provides both engineering and asset integrity management services.

What attracted you to Brazil?

We have a long-term global expansion strategy which includes capitalising on the rapidly emerging markets offshore Australia and Brazil.

With 700 subsea trees to be installed in the next five years, Brazil will account for around 50% of world-wide demand for subsea equipment and services. If you are in subsea, you need to be in Brazil, it is a market that simply cannot be ignored.

Our products are focused on deepwater markets and, despite the fact that the Brazilian market is more difficult commercially with lower margins, the volume makes the economics of doing business in Brazil stack up attractively.

How did you approach the market / what was your market entry strategy?

Brazil was a target market for us from Day One. We knew it was going to take a long time to get established there but our strategy is long-term. We therefore started early with a commitment to investing time and resources on our market entry plan.

As we supply critical components for subsea equipment, we believed that the best approach to Brazil was through the first-tier vendors, our main customers, who would then sell to the operators, our end customers. But we also wanted to explore accessing the operators and other customers directly in-country.

Our first step was to seek support from UKTI and commission an OMIS (Overseas Market Introductory Service) report. This gave us an overview of the market and the players within it. With funding from UKTI, through the Gateway to Global Growth programme, we were able to embark on fact-finding in-country missions and visits. We used a trade specialist at UKTI who led us through the market entry options in terms of joint ventures or partnerships with an agent or distributor. It’s a bit like on-line dating, you outline what you are looking for and UKTI match you with an appropriate company or agent. We benefited from some excellent research, ground-work, contacts and very good interpreters through UKTI which led to some very good meetings with the likes of OGX and Petrobras. UKTI opened doors we would not have managed to.

However, we did not find the right partner in Brazil and eventually came full circle, concluding that the best market entry strategy for us was on the shirt-tails of the first tier vendors (e.g. GE, Aker, Cameron, etc.)

Through the Santander break-through programme which helps SME’s with high-growth potential to break into new markets, we made several trips to set up face to face meetings to do our final convincing to these customers.
We are now successfully marketing to these companies, highlighting the technical and commercial reasons for using our products and services in the Brazilian market.

The only way Petrobras can meet the demand is by increasing their supply base. They are actively looking for new suppliers or for expanded capacity within their existing suppliers.

This is the key driver for us. By delivering technical excellence and reliability to our customers, we are helping them expand their capacity and capabilities.

What challenges did you face and how did you overcome them?

Language, bureaucracy, the complex tax system, the size of Petrobras’ operation, and challenges in getting on their supply chain were the biggest hurdles we faced.

The bureaucracy involved in securing permits and permissions is excruciatingly complicated and it is best to get the right advice from the outset on the process and be patient.

In terms of the culture, be aware of the Brazilians’ last-minute re-scheduling or cancellation of meetings but also their expectation for face-to-face meetings. You need to make several trips to build relationships.

We had a few blips along the way due to nuances of language which led to mis-understandings or mis-interpretations. It is strongly recommended to use qualified interpreters – not everyone who speaks fluent Portuguese can act as an interpreter. UKTI have excellent interpreters.

Translating all marketing/sales material into Portuguese is an absolute must and can help avoid language issues further down the line. One of our main obstacles was ensuring detailed understanding of our products and their benefits.

The sheer size of Petrobras makes it difficult to find and get through to the right person. Even when you have there is still a process to go through in terms of their accreditation.

The complexity and cost of the tax system can make the market appear prohibitive and that was one of the main reasons it made more sense for us to focus on selling to the first-tier vendors and therefore avoid the tax complications.

What would you have done differently?

It is probably too early to say if we would have done anything differently at this stage.

Investing in translating our literature into Portuguese really paid off and we would strongly advise companies taking the first steps into Brazil to translate all their communications into Portuguese. We are now looking at having a website in Portuguese to which our existing and potential customers in Brazil would be directed.

What success have you had?

We have just secured our first order in Brazil with Petrobras through a first tier vendor. This is the culmination of two years hard work. We had originally estimated up to three years before our first sale.

While this is only one order, it is a major break-through in getting our products and services recognised and approved by the first-tier vendors to Petrobras and will be the catalyst for future sales in this rapidly-growing market. Petrobras has been smart about standardisation across their industry so once our components are in, the opportunities for further sales are almost a given.

The market is so large with phenomenal growth that the competition is not so aggressive as it is in the UK for example. There is room for everyone and if you have a good product or service, you can do it.
10. Quick Reference Guide

Pros and Cons for consideration

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11. Summary

The scale of the opportunity for UK subsea companies in Brazil cannot be under-estimated or ignored.

There is huge activity on all fronts and despite local content issues, the demand is increasing rapidly and the current supply chain is facing severe capacity issues. The local supply chain simply cannot deliver the assets, equipment and services within the timeframe desired, particularly in relation to FPSOs and deepwater rigs.

UK subsea companies with a proven track-record in the North Sea are in a privileged position and this is accepted by the Brazilians who are now much more open to partnering with that expertise and experience.

The opportunities are there for the taking if you are prepared to invest time, money and effort. Do not expect quick results.

To do business effectively in Brazil you need to have researched the market, understand the culture, politics and law, be familiar with the supply chain issues and the procurement process, select the right market entry option for your company and then continue to invest in building relationships.

Remember that costs are high and competition is fierce, but the volume of potential sales represents a very attractive return on investment.

Top Tips

• **Do your homework** – research the market and be prepared to make several visits before you get started

• **Be patient** – some things may take longer than you expect, so allow for this in your plan

• **Take a long-term view** – Brazilians want to see commitment to the market and you will need to invest considerably before reaping the rewards

• **Be flexible** – don’t stick too rigidly to your plan in case you have got it wrong. Things often change rapidly in Brazil so adapt to find solutions to your problems

• **Appoint local experts** – having a local team of professional advisers is key

• **Be diligent** – carry out proper due diligence on your potential partners whether an agent, distributor, joint venture or acquisition

• **Build relationships** – Brazilians place huge importance on personal relationships, make sure you work hard at this

• **Learn the lingo** – a few phrases go a long way and remember to always translate your material into Portuguese

• **Seek advice** – Use the help around you, Scottish Enterprise, SDI, UKTI and Subsea UK can all provide support for your business in your venture. There details can be found in Section 12.
12. Useful sources of information

Scottish Enterprise
Scottish Enterprise is Scotland’s main economic development agency and aims to deliver a significant, lasting effect on the Scottish economy. Our role is to help identify and exploit the best opportunities for economic growth. We support ambitious Scottish companies to compete within the global marketplace and help build Scotland’s globally competitive sectors. We also work with a range of partners in the public and private sectors to attract new investment to Scotland and to help create a world-class business environment.

www.scottish-enterprise.com

Scottish Development International
Scottish Development International (SDI) works to attract inward investment and knowledge to Scotland to help the economy grow. It also helps Scottish based companies to trade overseas and promotes Scotland as a good place to live, work and do business. Initiatives include: Smart Exporter – helping companies develop exporting knowledge; GlobalScot – providing practical advice to companies wanting to engage with the global marketplace and TalentScotland – a talent attraction project that showcases Scotland as an outstanding destination to live, work and study.

www.sdi.co.uk

Subsea UK
Subsea UK is a self-sustaining body that champions the subsea industry. It represents over 250 members and acts as a focal point for all stakeholders to promote the sector and maximise its opportunities at home and abroad. As the national forum for the subsea industry, it supports collaboration, diversification and technology development that will help the sector grow and assist individual companies achieve their potential.

Membership of Subsea UK provides companies with opportunities for networking and information sharing, support with overseas development through attendance at and participation in targeted events and exhibitions and through partnership events with SDI and UKTI and market intelligence through surveys, newsletters and briefings.

The industry body works closely with other bodies and government agencies to ensure that its members have the best conditions in which to grow and that the industry is profiled at the highest levels.

www.subseauk.com
Other sources of information

ANP - Agencia Nacional do Petroleo (Brazilian National Petroleum Agency)
Responsible for Research & Development tax incentives and Local Content rules.
www.anp.gov.br

FCO – Foreign and Commonwealth Office
Export insurance etc.
www.fco.gov.uk

ONIP - National Organisation of the Petroleum Industry
Responsible for CADFOR
www.onip.org.br

Petrobras
www.petrobras.com


Petrobras Supplier Approval Register
www.petronect.com.br

REPETRO
Oil & Gas import tax incentive
www.regimerepetro.com.br

SCDI – Scottish Council for Development and Industry
www.scdi.org.uk

UKTI – UK Trade & Investment
www.ukti.gov.uk

Credits
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