Brazilian Petroleum Industry

From Monopoly to Free Market

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TOPICS

- Brazilian Petroleum Industry
- Market Opening Milestones
- Regulatory Framework
- Planned Investments 2003-2007

BRAZILIAN PETROLEUM INDUSTRY

AN OPEN MARKET WITH A FAVORABLE REGULATORY FRAMEWORK AND HIGH POTENTIAL IN ALL SEGMENTS OF THE PETROLEUM CHAIN

29 SEDIMENTARY BASINS COVERING 6.4 MM SQ. KM

With Favorable Petroleum Potential

Petroleum Potential

- **6.4 million sq.km o Sedimentary Basin**
  - **29 Basins**
  - **From Paleozoic t Recent in age**
- **8,000 km of Atlântic Coast**

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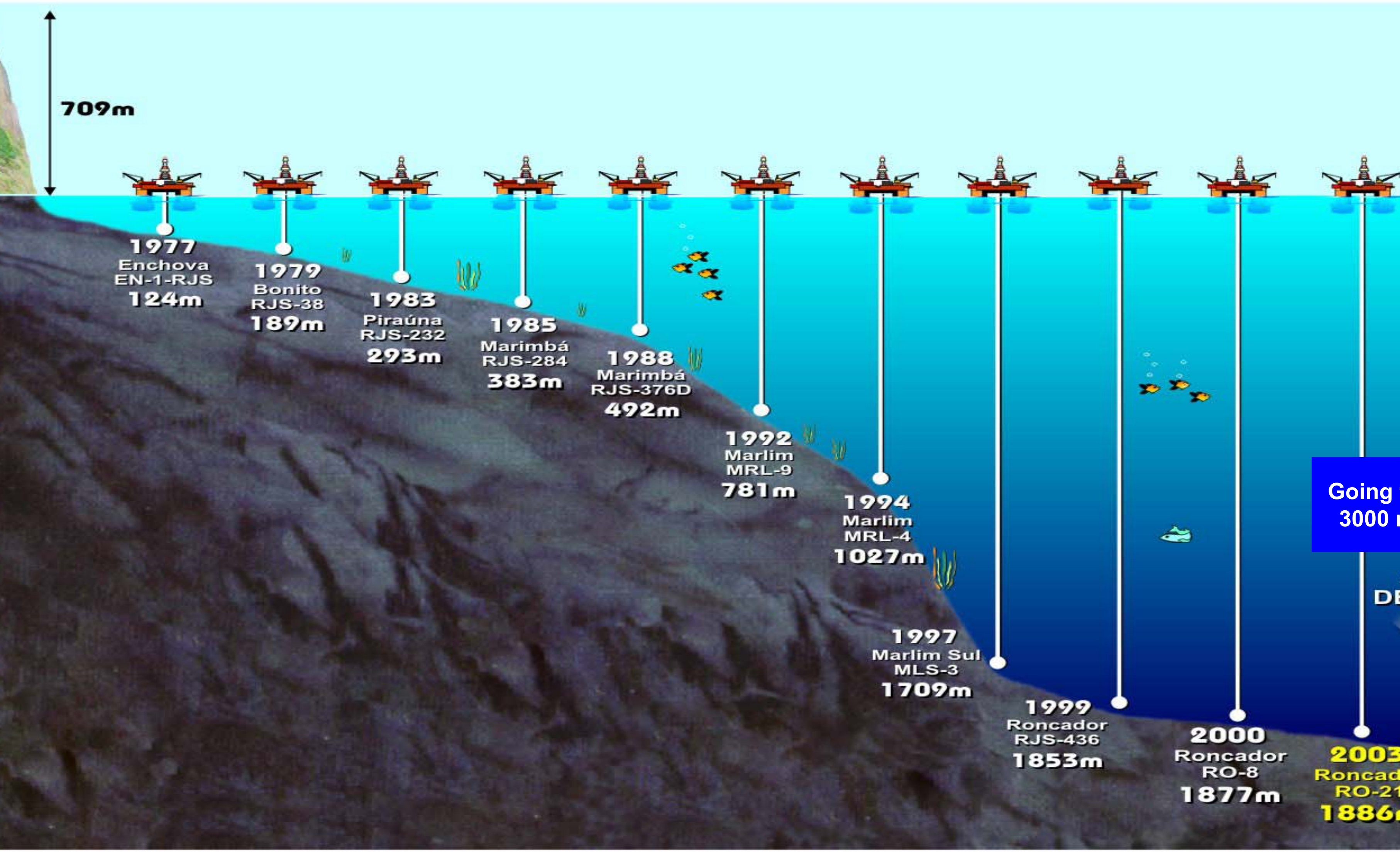
PROVEN OIL RESERVES OF 11.2 BILLION BARRELS

Potential for Giant Discoveries in Deep and Ultradeep Waters

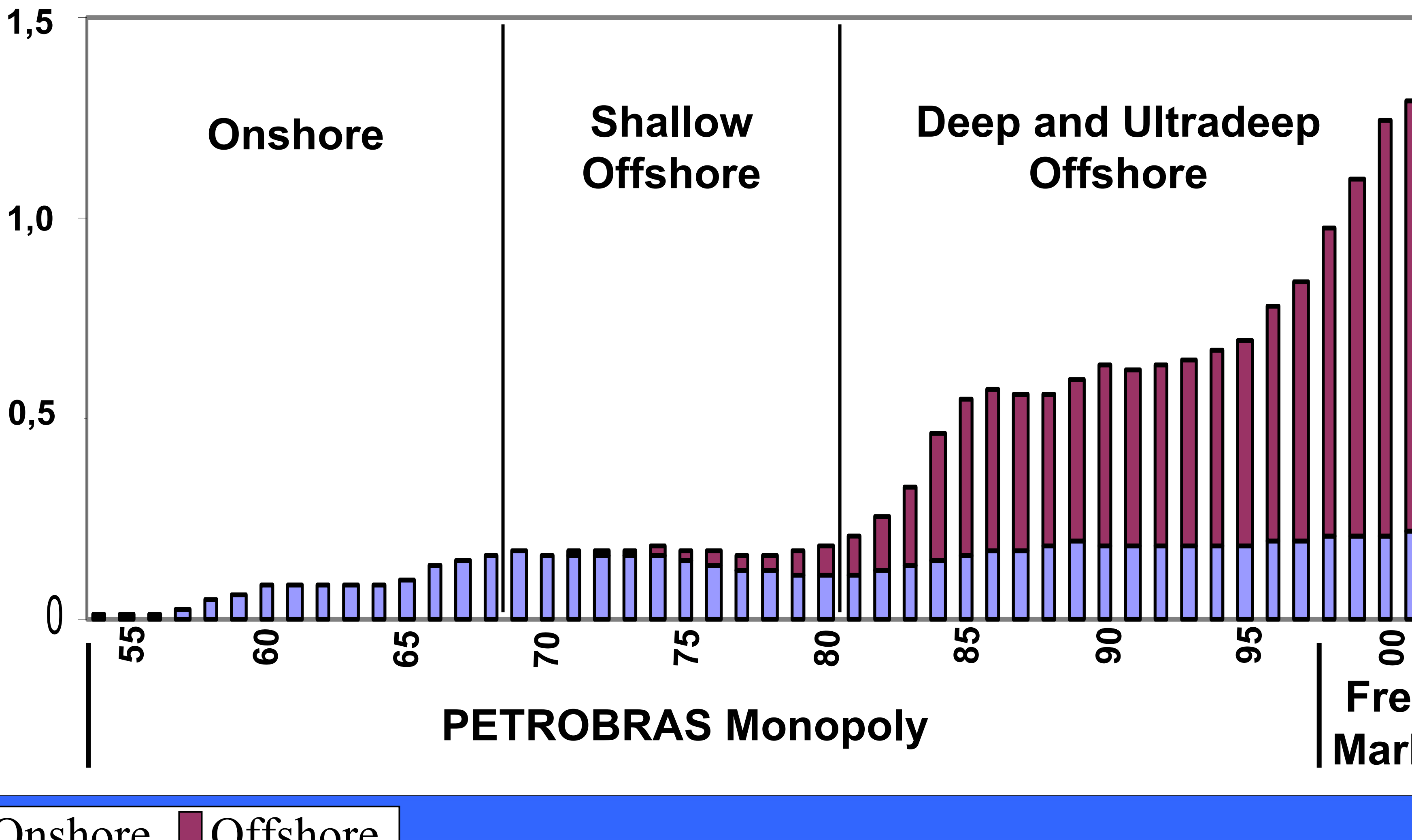
OIL PRODUCTION OF 1.6 MILLION BPD

Growing at Annual Rate of about 10 %

EVOLUTION OF OFFSHORE PRODUCTION



Oil Production Evolution
Million Bbls/Day



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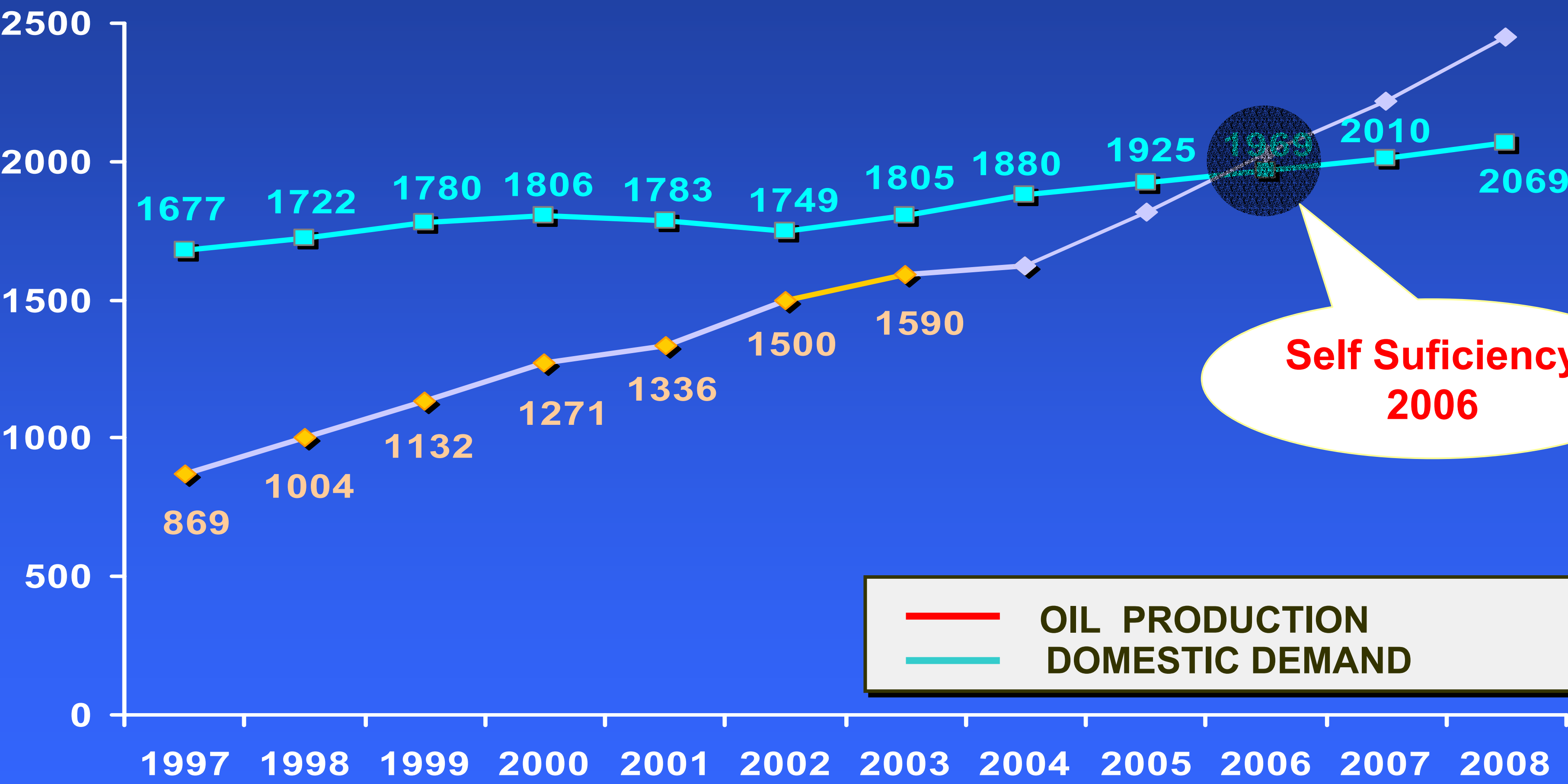
OIL CONSUMPTION OF 1.8 MILLION BPD

Expected to Resume 3-4% Annual Growth Rates

OIL SELF-SUFICIENCY PERSPECTIVE



BRAZILIAN PETROLEUM INDUSTRY

PROVEN NATURAL GAS RESERVES OF 230 MM Cu.M
Reserves May Triple by Recent Offshore Discoveries.

NATURAL GAS CONSUMPTION OF 28.5 MILLION Cu. M / D
Growing at Annual Rate of more than 25 %

REFINERY CAPACITY OF 1.9 MILLION BPD
Potential of Expansion to Meet Demand 2.3 MM BPD by 2007

20,000 KM OF PIPELINES
Need of Massive Investments

ACCELERATED EXPANSION OF NATURAL GAS VEHICLES
Growing at Annual Rate of 80 %

DIVERSIFIED GOODS AND SERVICES INDUSTRY
Can Meet a Large Part of Local Demand

OPENING MARKET MILESTONES

NOVEMBER 1995 - Constitutional Amendment

AUGUST 1997 - New Petroleum Law

AUGUST 1998 - Petrobras signed 397 E&P Concession Contracts

JANUARY 2002 - Free Export / Import of Crude and Products

BIDDING ROUNDS: Petrobras + 53 New Companies

- JUNE 1999 - First Round (12 blocks)
- JUNE 2000 - Second Round (21 blocks)
- JUNE 2001 - Third Round (34 blocks)
- JUNE 2002 - Fourth Round (21 blocks)
- AUG. 2003 - Fifth Round (101 blocks)

REGULATORY FRAMEWORK

A REGULATORY FRAMEWORK AIMING AT ACHIEVING A CLEAR, STABLE AND GLOBALLY COMPETITIVE REGIME

ADEQUATE TAX-ROYALTY CONCESSION CONTRACT

GOVERNMENT TAKE UNDERGOING SOME ADJUSTMENTS

FREE DISPOSAL OF PRODUCED PETROLEUM

TRANSPARENT BIDDING ROUND PROCEDURES

ADEQUATE POLICE TO SUPPORT COMPETITIVE NATIONAL GOODS AND SERVICES

REGULATORY FRAMEWORK

- ANY QUALIFIED INVESTOR IS AUTHORIZED TO CONSTRUCT AND OPERATE REFINERIES, PIPELINE SYSTEMS AND RELATED FACILITIES

- ANY QUALIFIED AGENT IS AUTHORIZED TO IMPORT AND EXPORT PETROLEUM PRODUCTS

- INTERNAL PRICES IN LINE WITH INTERNATIONAL MARKET

2003- 2007 INVESTMENT PROGRAM

EXPLORATION & PRODUCTION

- Double present production capacity (additional 2.0 million BO
  mostly offshore)
  - 15 floating facilities
  - 8 shallow fixed platforms (gas)

REFINING

- Increase current domestic capacity to 2.3 million BPD
  - revamp and increase capacity of existing refineries
  - new refinery (200 thousand BPD)

TRANSPORTATION

- construction of 13 oil and product tankers
- construction of 6,000 Km of pipelines (1,000 Km - offshore)

2003-2007 INVESTMENTS