

THE DIALOGUE CONTINUES

Can Brazil's Petrobras Put the Corruption Scandal Behind It?

Q Brazilian state oil company Petrobras on April 22 released long-awaited audited financial statements that included a write-down of \$17 billion due to losses from corruption and overvalued assets, which CEO Aldemir Bendine said will allow the company to turn a “new page” from a corruption scandal that has tarnished its image. At the same time, Petrobras’ weakened financial position has spurred calls to revise rules that have hampered foreign investment in Brazil’s oil sector. How important is the release of the financial results to Petrobras’ ability to put the scandal behind it? Can the company recover its previous level of respectability, and what needs to happen in order for it to achieve that? Will the government open the energy sector to more investment as a result of Petrobras’ troubles, and what revisions are likely to emerge to current rules on the sector?

A Mauricio Canêdo Pinheiro, researcher at the Brazilian Institute of Economics at the Fundação Getulio Vargas: “The release of the audited financial statements was only the first step to reverse the damage caused by the corruption scandal at Petrobras. In addition, the company needs to build credible governance mechanisms to prevent new episodes of corruption in the future.

There is a long way to go. In regards to the financial problems of the company (and the crisis caused by them in the sector), they can be an opportunity to discuss and change some rules in the energy sector, in particular with respect to local content requirements and the pre-salt production-sharing con-



Braga // File Photo: Brazilian Government.

tracts model (including the rule that defines Petrobras as the mandatory sole operator). Recently, Eduardo Braga, the minister of mines and energy, signaled that the government was evaluating this possibility. He was later contradicted by President Dilma Rousseff. Indeed, these two policies are important marks of the current government. Thus, at this point it is unclear whether (and what) changes will be made.”

EDITORS NOTE: The above is a continuation of a Q&A published in the May 1 issue of the Energy Advisor.
