

BAHR

Being a supplier to
Petrobras – a few
practical aspects

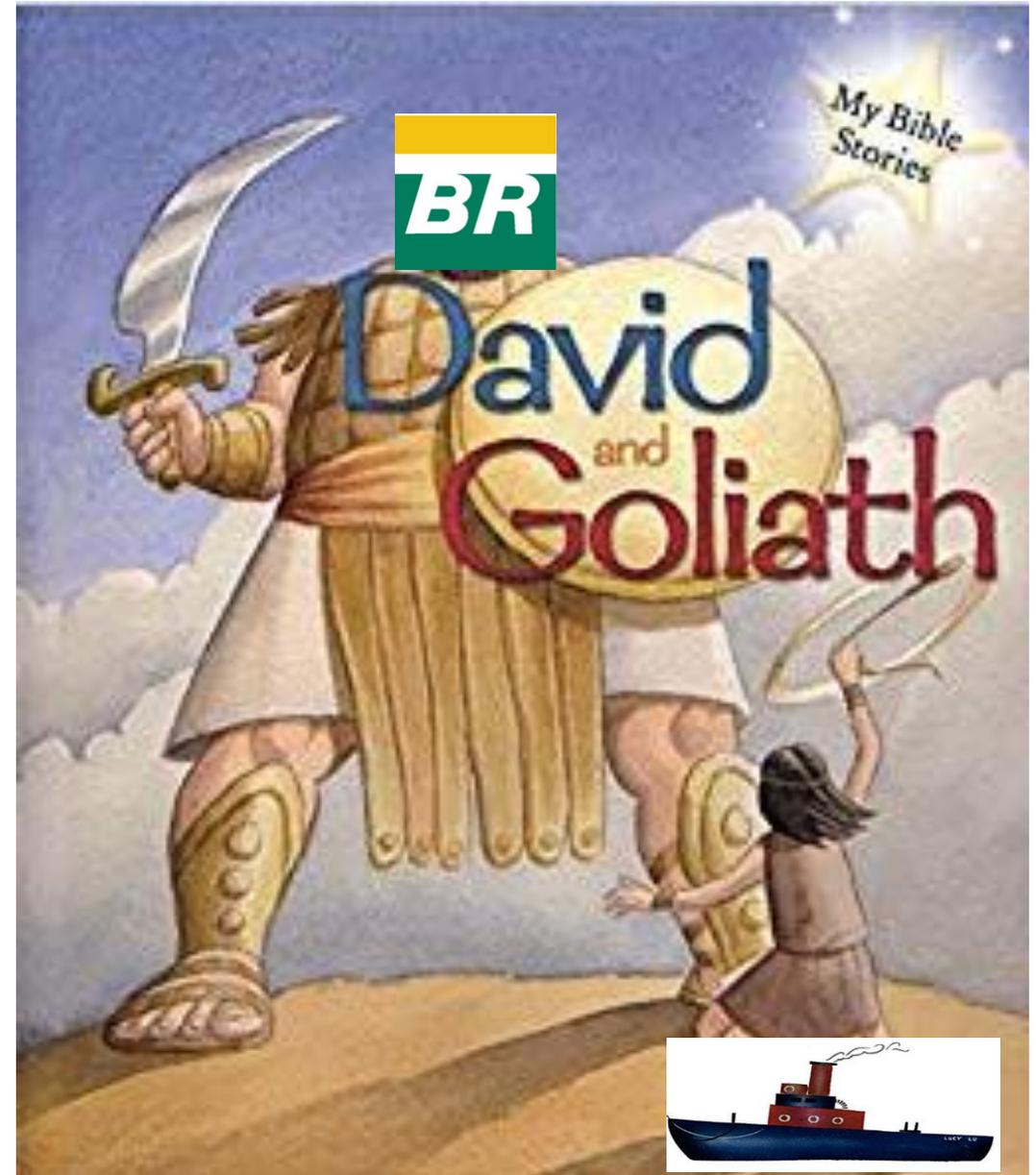
Shippingforum, 20. mai 2019

1. Background

- Spent about a decade working in the offshore sector in Brazil (2007-2016), eight years as dep. managing director of Solstad Offshore in Brazil.
- At the time Solstad's most important market outside of the North sea. 20% of the Solstad fleet operated in Brazil, >200 Brazilian employees, including seafarers.
- A period initially marked by rapid growth and extreme optimism, followed by a heavy downturn
-  An invasion of Norwegian companies followed by a hasty retreat
- This period had a great impact on how Petrobras did business and related to its suppliers.
- New optimism in Brazil – what will change and how long is the memory of the Norwegian industry?

1. Petrobras' dominant position

- Starting point - understanding the **lack of balance** in the relationship between PB and its suppliers
- Has consequences as to how Petrobras **drafts and negotiates** its contracts, how it **interpretes and enforces** them and even how it **ignores** them.
- In Brazil David rarely wins by **fighting** Goliath



1. Petrobras' dominant position

- Contracts are rarely negotiated

- Unbalanced contracts
- Historically shipowners did not focus on the contract wording
- Disputes were settled on site by common sense
- Common sense was lost with the oil boom
- The more dominant PB got the more unbalanced the contracts



1. Petrobras' dominant position

- The supplier gets the process burden

- **Having** rights vs. **enforcing** rights
- PB imposing a large amount of fines and off hire, often without due basis in the contract – (example, safety equipment)
- The alternative for the supplier – time- and cost consuming judicial processes with an uncertain outcome
- Suppliers have historically been **hesitant to taking PB to court** - this has changed.



1. Petrobras' dominant position

- Rigid interpretation of the contract

- A question of **what** PB wants, not a requirement for **suggestions** (ex. Nav equipment)
- Huge system – the person taking the decision is **far from the board room**
- A question of **complying**, not **overqualifying**. (Example – bollard pull, cat 7 cables)
- The challenge was to use this **rigidness** as a **tool for flexibility** (example – captains cabin)



2. General challenges

- Politically influenced processes

- Everything in the Brazilian petroleum industry has a political dimension.
- Petrobras a political tool. Ex. local content.
- Political agendas in the public administration. (Ex. Repetro)
- Political processes requires a political dialog
- Relationships and dialog crucial on all levels



House of Cards on the current Brazilian politics situation: "It's been hard to compete"



2. General challenges

- The Brazilian customs regime

- Strong protectionism – strict customs regime
- Time- and cost consuming
- Use of custom brokers – risk of corruption



2. General challenges

- Bureaucracy – time consuming processes
- Corruption
- Strong unions – ex. Sindmar
- Complex tax system
- **Last but not least – cultural differences**

