

A leading global energy player

INTERVIEW WITH EDISON LOBÃO

MINISTER OF ENERGY AND MINES, BRAZIL



EDISON LOBÃO

is a lawyer, a journalist and a politician. He served as Federal Representative for the State of Maranhão. He was State Governor of Maranhão from 1990 to 1994, when he returned to the Federal Senate for the Liberal Front Party and served as Vice President of the Senate and was Acting President of the Senate in 2001. He has served as Minister of Energy and Mines under both President Lula and the current President, Dilma Rousseff.

Brazil will soon become one of the world's leading oil exporters, producing 5.5 million barrels a day in the next decade. What is the main challenge for the Brazilian oil and gas industry?

Our challenge is related to our ability to invest the resources we have to build all the petroleum platforms, drilling rigs and ships, as well as an entire infrastructure needed to produce, transport and process oil in Brazil. At the moment, we are building four new refineries – two of them of significant size. The refinery being built in Maranhão State, for instance, will be the fifth or sixth biggest in the world. When extracting ‘pre-salt’ oil in large amounts, we will have top quality infrastructure in place.

As a key oil producer, Brazil will have significant responsibilities to the international community. What will the country's approach be in this respect?

Brazil is not a member of OPEC (the Organisation of the Petroleum Exporting Countries), but it has often been invited to attend its meetings. I have attended five or six of these meetings. We are completely aware of this international organisation's operations, but we are not one of its members yet, because we are studying our involvement there and also in the

International Energy Agency (IEA). However, our procedures are compatible with the international standards for the oil and energy sectors.

What role do you expect Brazil to play?

To be an important partner with the world's biggest economies. Brazil has now reached the 10th position in consumption of oil and its derivatives, being one of the top international players in this market, we always follow rigid rules applied in this sector.

Brazil is investing around US\$214 million in hydro, solar and wind-powered projects. To what extent can international companies assist in this process? What is your department's approach to the financing of major projects?

Currently, no other country in the world has invested as many resources in the energy field as Brazil. We have the largest expenditure on drilling rigs, petroleum platforms, ships and pipes, among other items, besides our investments in infrastructure. International capital is very welcome and we have laws applicable to foreign investments. There is no restriction to international capital, except for the mandatory national investments to build platforms, ships and so

forth. International companies settling in Brazil are considered Brazilian companies and are thus subject to the same rules as national companies.

We are also focusing our efforts on wind energy projects. I too believe Brazil has expanded its presence in this field as no other country has. We don't have great amounts of energy yet, but there's been quite an improvement with the establishment of exclusive auctions for wind power, for example. Nowadays, because we have improved in machinery production and count on favourable, abundant currents of air, our wind energy is some of the cheapest in the world.



Petrobras's P-51 semi-submersible oil platform, which started production in 2009, is the first 100 per cent Brazilian-built platform

There are great advantages to investing in Brazil. Our regulations to attract foreign capital are among the best in the world

The Carajás Mine, located in the state of Pará in Northern Brazil, is the world's largest iron ore mine



What are the challenges that could discourage investors from entering the market?

There are great advantages to investing in Brazil. Our regulations to attract foreign capital are among the best in the world. BNDES (Brazilian Development Bank) has strongly contributed to the presence of international companies and to most activities they engage in here. For example, generation, transmission and distribution of energy are financed by BNDES at competitive interest rates.

Is investing in Brazil always a win-win process for foreign investors? What are the main obstacles?

If we are talking about international investments, it is win-win. Maybe some challenges have to do with the competency of the investors and their observance of Brazilian guidelines. We don't want to have amateurs working as if they were big entrepreneurs. Investors have to go through legitimate processes such as auctions and public tenders, competing with other Brazilians and foreigners.

What are the main opportunities for foreign investors in the mining sector in Brazil?

In the sixties, we came up with a mining code that aimed to attract national and foreign capital to support mining exploration in Brazil. We provided benefits for that to take place. That code is outdated and does not represent Brazilian aspirations anymore. In the past, for instance, we could grant charters for indefinite mineral exploration. Now, the new code allows for foreign investments as long as those international

companies abide by updated laws and recognise our national goals. This new code is under examination, but it will soon be sent for approval by the National Congress and will provide clear guidance.

I'd like to emphasise that foreign capital is very welcome here and that investors will receive our support. An international company that wants to set up in Bahia, Maranhão or Rio de Janeiro and build platforms can do so and will be welcome, as long as they always take into account the national context.

Brazil is also the biggest exporter of iron ore in the world. Our mineral resources are considered to be of the highest quality. We have the fourth or fifth biggest uranium reserve on the planet.

Ethanol and sugar production is linked to potential negative impacts on the environment. How is Brazil framing its energy policies with sustainable development in mind?

We have an extremely rigorous legislation concerning the environment. We have two institutes besides the Ministry of Environment (Ibama, the Brazilian Institute of Environment and Renewable Natural Resources, and the Chico Mendes Institute), which are responsible for energy development issues in our country. While producing ethanol, we are benefiting the whole world by fighting pollution. Ethanol is a very low-level pollutant that releases an insignificant amount of pollution. In the past, we had to deal with deforestation of huge areas to plant sugar cane. We burned the bagasse, throwing it into the rivers, killing the fish and polluting the air. But it's not like that anymore. Now, the burned bagasse is used as a powerful fertiliser in sugar cane plantations, not to mention the fact that it produces electrical energy. And we take precautions in oil exploration, as the most advanced nations do.

What is your vision for the Brazilian energy sector in the medium term?

In the next five years, Brazil has to produce 50 per cent more energy than today. We have a long way to go in a very short time. We have to act fast, but very carefully towards preserving the environment. We cannot compromise that. Sometimes, critics say that we are producing ethanol and biodiesel at the cost of the ecosystem. There is no trade-off in such matters. We use only 1 per cent or 2 per cent of all our productive land to cultivate sugar cane and oilseeds for biodiesel. We still have 90 million hectares of land for agricultural purposes. No one in the world can teach us how to better preserve our environment. We pollute less by producing energy than by managing our cattle farming.

Brazil deserves to be complimented for setting the example in environmental preservation. **13**