



## **NOTICE OF SUPPORT FOR A CATEGORY A PROJECT**

### **PETROBRAS OFF SHORE OIL AND GAS FIELDS, BRAZIL**

#### **1. PROJECT DESCRIPTION**

ECGD has issued a guarantee in respect of a US\$1 billion line of credit to Petrobras Netherlands BV for use by Petróleo Brasileiro Sociedade Anônima (Petrobras), Brazil, to support the financing of contracts involving UK suppliers which relate to Petrobras's programme to expand exploration and production facilities of the Campos, Santos and Espirito Santo Basins (the Project). The basins are located 50 to 200 km off the east coast of Brazil in the Atlantic Ocean and form a continuous strip approximately 1,400 km long running north-east to south-west parallel to the Brazilian coast.

The activities associated with the Project for which supplies may be sought from the UK include:

- installation of sub-sea oil and gas pipelines;
- installation of Floating Production Storage and Off-loading vessels (FPSO);
- drilling and completion of production and injection wells in existing production fields;
- construction of a semi-submersible production unit; and
- Remotely Operated Vehicles (ROVs).

Associated operations may include an existing land-based gas treatment facility, an existing airport and an existing sea port.

#### **2. PROJECT SECTOR**

The Project is in the oil and gas sector.

#### **3. PROJECT SPONSOR**

Petróleo Brasileiro Sociedade Anônima.

#### **4. UK EXPORTERS**

UK exporters will be identified when Petrobras nominates supplies to be sourced from UK for financing out of the line of credit. UK Export Finance will approve each export contract to be financed out of the line of credit.

#### **5. EXPORT CREDIT AGENT BANK**

HSBC Bank plc.

## **6. AMOUNT OF UK EXPORT FINANCE SUPPORT**

The principal value of the line of credit is US\$1bn.

## **7. POTENTIAL ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS IMPACTS**

UK Export Finance classified the Project as Category A (having high potential Environmental, Social and Human Rights (ESHR) impacts) in accordance with the definition in the OECD Revised Council Recommendation on Common Approaches on the Environment and Officially Supported Export Credits (the OECD Common Approaches). As required by the OECD Common Approaches, UK Export Finance disclosed on its website its possible involvement in the Project on 21 October 2009 and directed interested parties to the ESHR information relating to the Project that had been made public by Petrobras. The project was re-posted in March 2011. No comments from interested parties have been received by UK Export Finance.

## **8. ESHR STANDARDS**

In determining whether or not the ESHR impacts of the Project were acceptable, UK Export Finance benchmarked Petrobras' ESHR policies, procedures and practices against the relevant Performance Standards on Social and Environmental Sustainability (the Performance Standards) of the International Finance Corporation, a member of the World Bank Group, and other relevant guidance. The applicable Performance Standards and World Bank Group Guidance Notes were:

- PS1: Social and Environmental Assessment and Management Systems;
- PS2: Labour and Working Conditions;
- PS3: Pollution Prevention and Abatement;
- PS4: Community Health, Safety and Security;
- PS5: Land Acquisition and Involuntary Resettlement;
- PS6: Biodiversity Conservation and Sustainable Resource Management;
- World Bank Group Guidance Notes: Environmental, Health and Safety Guidelines as follows –
  - General EHS Guidelines;
  - Industry Sector Guidelines; Off-shore Oil and Gas Development;
  - Industry Sector Guidelines: On-shore Oil and Gas Development.

Following the Macondo incident in the Gulf of Mexico in 2010, UK Export Finance's assessment also took into account the reports produced by BP and the US Bureau of Ocean Energy Management Regulation and Enforcement.

## **9. NATURE OF ESHR IMPACTS**

UK Export Finance's assessment of the potential ESHR impacts took into account the following impacts, receptors and issues during the construction and operational phases of the Project:

- health and safety (with particular reference to blow-out prevention and oil spill response following the Macondo incident);

- emissions to the atmosphere;
- wastewater treatment;
- waste and hazardous material management;
- marine mammals; and
- community engagement.

## **10. ASSESSMENT OF ESHR IMPACTS**

UK Export Finance appointed AEA Technology Ltd. and, subsequently ENVIRON UK Ltd., both independent environmental consultants, to provide it with advice on the assessment of the Project. The assessment included analysis of project documentation, on-site compliance audits and meetings with Petrobras and agencies of the Brazilian Government. UK Export Finance received advice from UK Government Departments, including the Department of Energy and Climate Change. The Health and Safety Executive and Joint Nature Conservation Committee were also consulted by UK Export Finance.

## **11. DECISION**

UK Export Finance assessed the financial risks arising from its credit exposure on Petrobras and determined that they met its credit risk standards.

After taking account of the assessment made by its internal environmental practitioners, UK Export Finance concluded that the Project would meet international standards in all material respects. Accordingly, UK Export Finance decided to provide its guarantee to HSBC in respect of the line of credit to Petrobras to finance its purchase of UK supplies. A condition of support is that Petrobras will allow UK Export Finance to monitor the Project so that UK Export Finance continues to be satisfied that the Project meets the relevant international ESHR standards throughout the duration of the line of credit. UK Export Finance will conduct ESHR due diligence in respect of each export contract financed under the line of credit, taking account of the due diligence that has already been conducted and, as appropriate, apply particular conditions of support.

**UK EXPORT FINANCE**  
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