

The background of the slide is a photograph of an oil pumpjack (jackal) silhouetted against a bright orange sunset sky. The sun is a large, glowing orb positioned behind the pumpjack's walking beam. In the foreground, there is a dark silhouette of a fence or barrier. The overall scene is industrial and atmospheric.

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14<sup>th</sup> African Oil, Gas and Minerals, Trade and Finance Conference and Exhibition  
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# Metrics For Measuring Local Content: Brazil Experience

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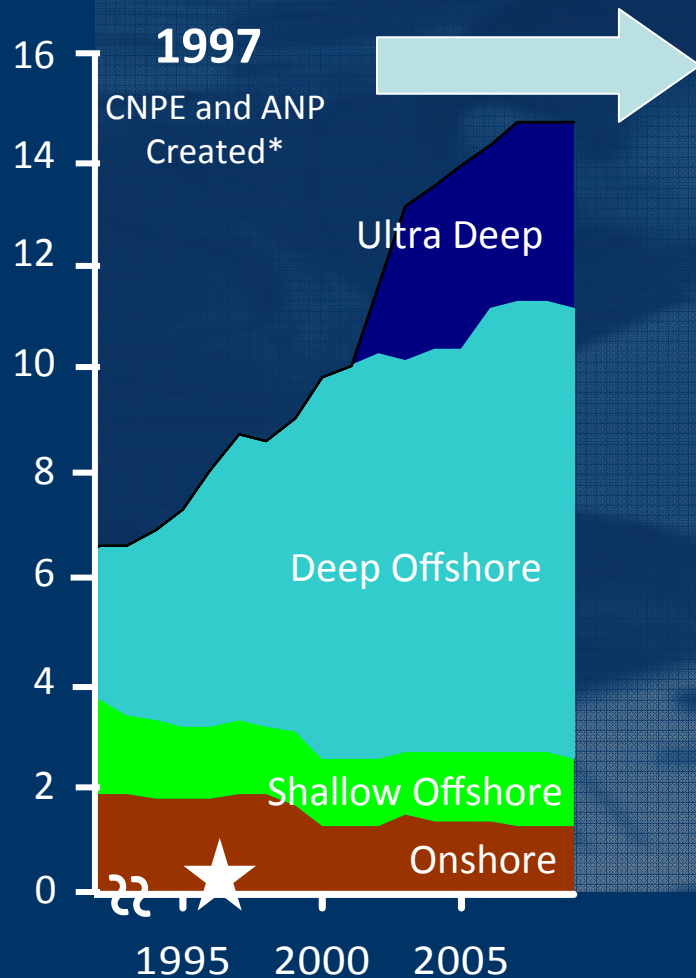
- *EnerGConsulting* <sup>®</sup> is a boutique energy consulting firm providing management and technical consulting services for the energy industry in Brazil, the Middle East and soon in West Africa.
- Our expertise comprises a wide range of the energy value chain including operations, HSE&Q, marketing, valuation, business process design & implementation, and strategy.
- We are unique in that we leverages existing resources within clients' organisations and facilitates the transfer of capabilities.
- We offer our clients focused yet flexible boutique consulting services. By tapping into customers' assets in priority order, our interactions with clients are optimized, thus generating greater value.

# Outline

- Brazil Has A Decade Of Experience In Local Content Management...
- Through Gradual Implementation Of Requirements...
- And Introduction Of More Granularity
- Formula Of Weighting Local Content In Bids
- Example Of Bid Analysis Regarding Local Content
- Measuring And Reporting On Local Content
- Existing Legal Framework

# Brazil Has A Decade Of Experience In Local Content Management...

Reserves (Billion BOE)



After 1997, All block allocations were done through competitive bidding

10 bid rounds were conducted since 1999

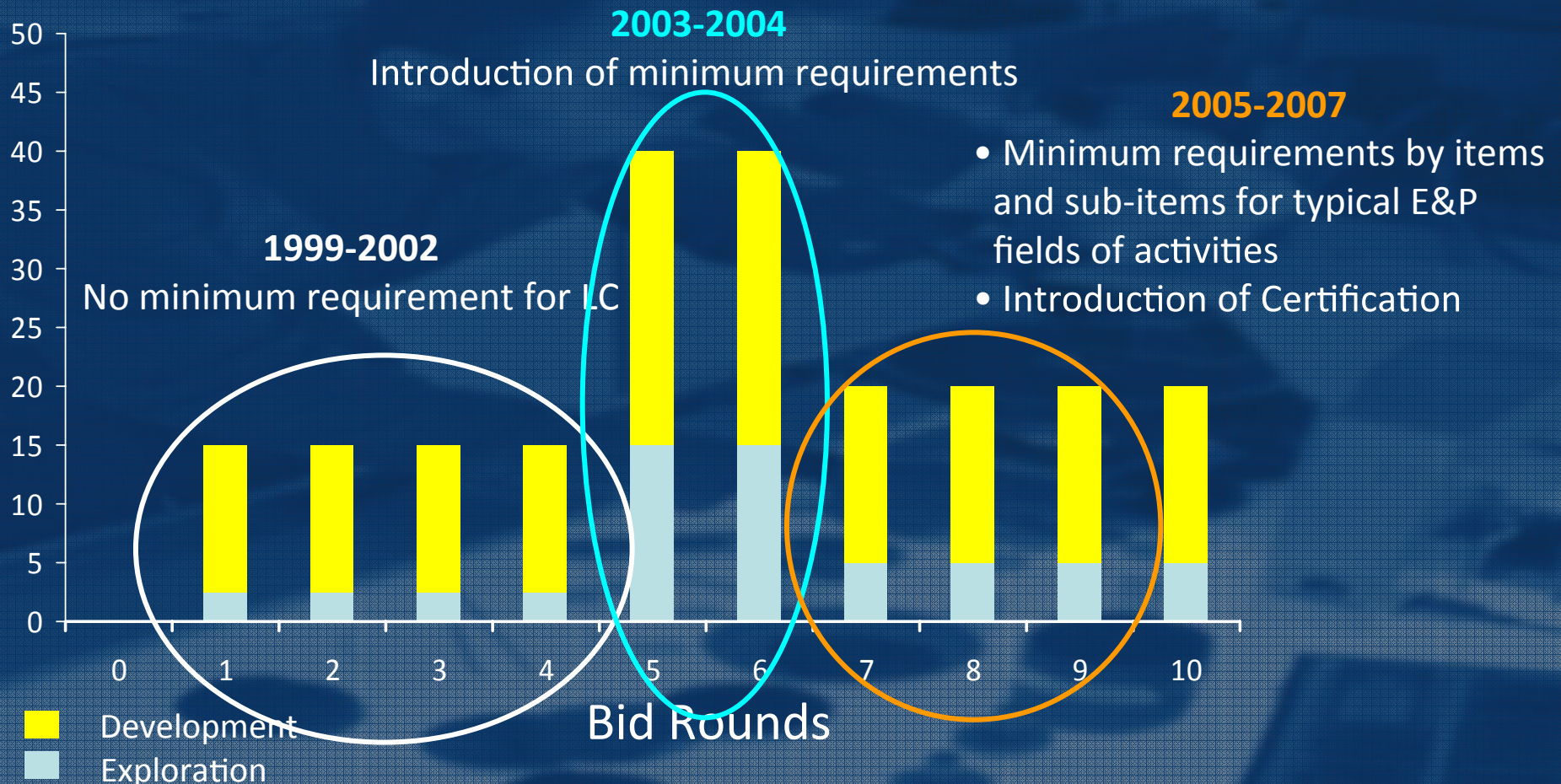
Local content policies were introduced since 1<sup>st</sup> bid round in 1999

\* CNPE: Conselho Nacional de Política Energética. ANP: Agência Nacional do Petróleo

# Gradual Implementation Of Requirements

After 1997 All Bids weighted Local Content inputs

Percent weight



# ...And Introduction Of More Granularity

Requirement for minimum local content in percentages for **22 items and 30 sub-items** for Exploration and Development phases

Percent weight



Local Content in Exploration weights 5%  
Local Content in Development weights 15%

# Formula Of Weighting Local Content in Bids

Points Allocation mechanism during bid evaluation (Maximum Points 100)

$$\text{Exploration Point: } P_E = 5 \times \left[ \frac{\text{Local Content Percent offer}}{\text{Best Offer of Local Content Percent}} \right]$$

$$\text{Development Point: } P_D = 15 \times \left[ \frac{\text{Local Content Percent offer}}{\text{Best Offer of Local Content Percent}} \right]$$

Local Content investments above committed levels in Exploration phase can be transferred to Development phase

Source: ANP

# Measuring And Reporting On Local Content

## Measuring Local Content



Reporting of Activity  
Quarterly report with certification

Certification

### Audits Frequency:

- Declaration of commercial discovery
- End of Development phase
- Relinquishment or end of contract



# Legal Framework

There are 4 regulations supporting certification system

- 1- Certification process of Local Content
- 2- Credentials for entities conducting local content certification
- 3- Auditing entities conducting local content certification
- 4- Regulation on local content in exploration and development

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Thank You For Your Attention



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