

Lubricated expansion



***José Lima de
Andrade Neto***

President of BR Petrobras Distribuidora

Klaus Kleber, from São Paulo

Currently responsible for 39.7% of the distribution of fuel across the country, Petrobras Distribuidora (BR) already accounts for 5% of the results of the government oil holding company, Petrobras. The company is also investing to build its leadership in the field of lubricants. "Earlier this year we approved a plan to expand our lubricants plant in Duque de Caxias, near the Petrobras oil refinery," said José Lima de Andrade Neto, CEO of BR. When the project is completed in 2011, it should double current capacity. He assures us that the supply of ethanol, where there were problems in late 2009 and early 2010, should return to normal with this month's sugar cane crop. Andrade Neto believes that, given the rapidly growing importance of ethanol, both internally and externally, it is necessary to find ways to ensure market supply without seasonal fluctuations. Such mechanisms "may or may not include the formation of buffer stocks."

The Brazilian Economy — What share does Petrobras Distribuidora (BR) have in the market for fuel in Brazil?

José Lima de Andrade Neto — In 2009 BR's share in fuel distribution was 38.6%. In February 2010 the company's market share rose to 39.7%. The company is a leader in the distribution of fuels and lubricants and currently has about 6,000 gas stations throughout the country.

How were BR's results in 2009?

For the calendar year BR recorded a net profit of R\$1.462 billion (US\$832 million) – 13.4% higher than in the previous year, which was about R\$1.289 billion (US\$734 million).

What percentage does BR contribute to the total profits of the Petrobras holding company?

The performance of BR produced 5% of Petrobras's results in 2009.

In your assessment, what was the extent of the decline in the supply of ethanol at the end of last year and early this year, and how did it affect gasoline and ethanol prices?

After a period of high prices in December and January, which had a significant impact on demand for ethanol, hydrous ethanol prices recorded a significant reduction. In the second half of January, the decrease was more

than 40%, which meant that the relationship between the prices of ethanol and gasoline, which had been unfavorable to ethanol, began to change in different regions of the country.

Gradually the supply of ethanol has normalized in other regions of the country. When do you believe that the supply will return to normal?

Currently, the states of São Paulo, Goiás, Parana, Mato Grosso, Tocantins and Bahia already have good prices for ethanol.

When will this spill over into other states?

After the harvest season begins in April, this price movement will tend to expand to other states and reach even parts of the North and Northeast. The case of Bahia, where prices earlier this month were already favorable to ethanol, illustrates this movement. We faced less competitive prices due to a series of circumstances that weakened demand for the product, but in the last weeks of March and in early April ethanol prices moved back and ethanol became competitive again.

When do you think the addition of ethanol to gasoline can return to a rate of 25%?

The reduction in the proportion of anhydrous ethanol in the gasoline mix is valid until May 1st. It covered February, March, and April — the end of the intercrop season of 2009-10 to the start of the 2010-11 harvesting season. This measure proved to have been appropriate for market conditions, since consumption of ethanol has already recovered.

Is there a need to build buffer stocks to avoid shortages of ethanol additives for gasoline in the future?

Because the ethanol market has grown rapidly in importance, it is necessary to consider mechanisms to ensure

supplies of the product without seasonal fluctuations. That may or may not include formation of buffer stocks.

What are the prospects for ethanol to become a commodity with international pricing?

We are moving in that direction, considering the strengthening and growth of this sector in Brazil and its repercussions in the rest of the world. But for this to actually become reality, it is essential that alternatives for ethanol supply be created worldwide, not only in Brazil.

Has Brazilian ethanol met many obstacles to its commercialization in the international market?

As major consumer markets like the United States and European countries realize that they cannot be dependent on only one source of energy, of course the opposition of these markets as reflected in their import barriers will be relaxed. Moreover, Brazil has recently announced a decision to reduce its import tax on ethanol to zero by the end of 2011. The measure is aimed to facilitate the international exchange of ethanol and is also a manifestation of good will, which can help contain protectionist initiatives in some countries.

What is happening with the project in which the BR would establish gas stations in Argentina and the Spanish oil and gas company (Repsol) would enter Brazil?

BR's operations are intended solely for domestic distribution and marketing of fuels. Those projects and other international initiatives are run by the Petrobras holding company.

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In the beginning the use of natural gas for vehicles was encouraged, but there were problems that could affect the supply. What is the situation now, particularly in Rio de Janeiro?

Among possible automotive fuels, compressed natural gas (CNG) is undoubtedly an important alternative, considering environmental issues. Over the past two years, the competition among fuels favored ethanol, which has shown exceptional growth. As a result, the conversion of vehicles to CNG has fallen substantially, despite policies for its intensive use, as in Rio de Janeiro.

BR recently opened in Macaé (Rio de Janeiro state) a distribution center for marine lubricants to supply offshore oil operations in the Campos Basin. Are other units of this type being planned, for example in Santos Basin (São Paulo state)?

Inauguration of the distribution center in Macaé included modernization and expansion of an existing facility. This area is strategically located within the port, where restructuring should ensure greater reliability and agility in meeting the demand of companies providing services to Petrobras in the Campos Basin and Rio de Janeiro. In other locations, such as Santos and Espírito Santo, we make use of existing lubricant distribution centers, such as Depot Supply House Victory (DeVito) and Terminal São Paulo (Tespá).

With expansion of the activities of Petrobras considering the findings in the pre-salt oil field, are there specific plans for expansion of BR? We intend to have facilities close to or within

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the Petrobras offshore installations as soon as there is a final definition of the location of these facilities. BR is a leading offshore service lubricant provider and plans to consolidate its leadership by providing supplies with the greatest reliability and agility.

How many BR gas stations offer wind-powered energy?

At present, three stations use wind energy. The wind generator installed on each of them produces electricity from wind speeds above 8 mph.

What are other BR initiatives for energy efficiency, alternative fuels, and environmental protection?

We have several. In the area of energy efficiency, the introduction of electronic components and semiconductors in lighting our gas stations reduces power consumption. Our stations also wash vehicles with warm water heated by solar energy to reduce consumption of chemical products. We recycle washing water and we also use rainwater. Other measures that contribute to environmental protection are the recovery of steam at the service stations and obtaining certification for Sustainability Construction / Buildings (LEED) for eco-efficiency and the sustainability of service stations. We also have stations where all-electric and hybrid vehicles can recharge their batteries.

Is there collaboration between BR and the automotive industry on controlling emissions of carbon dioxide?

We are working with major automakers to develop products that meet the increasingly

high standards of quality for gasoline and diesel engines to increase control of carbon dioxide emissions.

What expansion plans does BR have regarding lubricants?

At the beginning of the year we approved a plan to expand our lubricants plant in Duque de Caxias (Rio de Janeiro state), next to the Petrobras refinery. The project should be completed in 2011. It will double our current production capacity. This will allow for consolidation and expansion of our leadership in lubricants.

Are new lubricant products expected?

In general, BR is moving in the direction of synthetic lubricants that are biodegradable for the mining, offshore, and agriculture sectors, which integrate technology, high performance and respect for the environment.

In addition to fuels, lubricants, greases and chemicals, what are other BR products?

BR offers products and services for the asphalt industry, state governments, utilities, and construction of highways, clubs, and condominiums, among other segments that need fast and effective solutions in flooring. For this, the company has nine plants, two in São Paulo state and the others in Minas Gerais, Rio de Janeiro, Parana, Rio Grande do Sul, Bahia, Ceará and Maranhão states.

How many direct and indirect jobs does the BR provide?


The BR network has about 7,000 service stations that employ about 80,000 people.

Considering the additional segments of maintenance, production, and technology that support the activity and distribution network operation, the number of indirect jobs is about 20,000. This represents a total of about 100,000 direct and indirect jobs that support the BR supply chain.

In what social programs does the BR engage?

The BR has service stations under the Able Citizen Project for inclusion of individuals with special needs. The project currently operates in 13 service stations that employ over 30 people with physical disabilities. We also have service-station schools to promote training courses in lubrication, management of convenience stores, and service station operations. The project aims to encourage the first-time job seeker and income generation. The 13 BR schools have trained about 5,500 students, with 80% entering the job market. BR and Petrobras have also created the Follow Well Child Project, an initiative to combat sexual exploitation and work of children and adolescents on the roads. The project consists of campaigns to inform and sensitize truck drivers, trying to make them partners in rescuing children and adolescents living on the edge of highways.

What innovations are being developed?

BR is preparing to launch a new family of packages and to revise the presentation of its leading products, approaching the consumer with more modern visual communication that facilitates recognition of product quality. 

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