

**MEETING MINUTES – IADC**

**Date 20<sup>TH</sup> August, 2014**

**Location – Brasilia**

**Visiting:**

***Ministry of Civil Aviation***

**Moreira Franco**, Minister for Civil Aviation;

**Juliano Noman**, Secretary for the Ministry of Civil Aviation

***Ministry of Mines and Energy***

**Edison Lobão**, Minister for Mines and Energy

**Marco Antonio Martins Almeida**, Secretary for the Ministry of Mines and Energy

**Participants:**

***Representing the Macaé City Council***

- **Dr. Aluizio Junior**, the Mayor of Macaé;
- **Célio Chapeta Mattoso**, Maintenance Secretary;
- **Evandro Esteves**, Secretary of Urban Mobility;
- **José Walmir Moreira Dias**, General Chamber Administration Program Coordinator;
- **Vandré Guimarães**, President Fumdec (Municipality office of Social Economic Development);

***Representing ABESPetro***

- **Gilson Freitas**, Executive Secretary;
- **Paulo Cesar Martins**, Diretor-President;

***Representing IADC***

- **Barrie Lloyd-Jones**, VP Marketing

***VIP Participation in support of Macaé Mayor***

- **Delmo Manoel Pinto**, State Subsecretary for Transport, Rio de Janeiro;



- **José Roberto Serra**, Queiroz Galvão Port Director;



**Ministers and Government officials visited by the group**



**Moreira Franco**, Minister for Civil Aviation;



**Juliano Noman**, Secretary for the Ministry of Civil Aviation



**Edison Lobão**, Minister for Mines and Energy



**Marco Antonio Martins Almeida**, Sec. for the Ministry of Mines and Energy

## Summary

The Participants departed from Rio to Brasilia at 10:20 in the morning travelling directly to the Ministry of Civil Aviation for first meeting with **Moreira Franco**, Minister for Civil Aviation and **Juliano Noman**, Secretary for the Ministry of Civil Aviation.

Meeting lasted less than 30 minutes;

The Mayor conducted the introductions and business cards were exchanged.

**Paulo Martins** and **Gilson Freitas** (ABESPetro) enlarged on the Mayor's brief introduction reinforcing the need for an airport in Macaé that could handle cargo and provided statistics to demonstrate the potential. Also Paulo and Gilson, with support from the Mayor's office members, explained that with the addition of a single runway of 2,000 mts and a bonded warehouse teamed by O&G customs specialists, the equipment and material would arrive and be released more efficiently and that with the support of the Ministry of Civil Aviation and INFRAERO this was a viable project that would produce enormous benefits to Macaé and, more importantly, to the industry as a whole. Generation of jobs and added credibility to Macaé and Brazil at this important moment of reduced investments.

**Barrie Lloyd-Jones** gave an example of a recent situation causing financial loss for one of the National drilling companies, where storage fees were being charged at Galeão due to extreme difficulties faced with customs clearance and subsequent potential Lost Time penalties due to delays with clearance. The Minister was surprised to hear that the approx. cost of financial loss due to lost day rate (between USD300k and 500k per day) was given as an example.

**Delmo Manoel Pinto**, well respected for his knowledge and experience in logistics, also added his comments to explain the many advantages of the Project as this would relieve congestion in Rio de Janeiro, direct the O&G equipment and material to the final destination without passing through Rio and Campinas and Cabo Frio.

We were informed that Galeão receives 23,000 Tons/year of mixed imported goods and Cabo Frio receives 7,000 Tons/year (60 tons per week coming in on 3 x flights per week (2 x Miami and 1 x Belgium) of imported goods (primarily for O&G) which then has to be transported to Macaé by trucks and the conditions of the roadways are not adequate for this purpose causing damages to the already overburdened road ways, plus the cost for the road transport from Rio and Cabo Frio to Macaé are added delays & costs that could be avoided. Many times the costs for road transport are greater than the international air freight; subsequently the Minister was left with a clear understanding that this was reducing, effectively, the profitability of the companies and this participating in the reduced attraction of Brazil to the O&G industry as a whole.

Very briefly mentioned also were high taxation and immigration difficulties found in Brazil and the concerns of the participants that Brazil was actively being compared with other potential global markets (Mexico, Angola, Mozambique amongst others) and was running a serious risk of losing even more international companies to concentrate their operations in other locations where it was less complex to make a profit.

Closing the meeting the Minister informed he was going to go to Macaé on the 1<sup>st</sup> of September to hear from representatives of a selection of the major the O&G drilling and services companies. This meeting will be coordinated by the Mayor's office and the associations ABESPetro and IADC were requested to assist with contacting the companies to ensure that this opportunity was not allowed to slip by and that all the right representatives will be present.

The Mayor suggested that each of +/-5 chosen representatives (major drilling and service companies, IADC Chairman, ABESPetro) each be permitted to make a 5 minute presentation of demands that would assist with his better understanding of the difficulties being encountered. The mini seminar should start punctually at 14:00hs and not end after 16:00hs (traffic) and count on a maximum of 30 participants.

I have requested Marcio Martins (IADC Committee member) his support with Transocean to allow this meeting to be held at the TOI Training Center – he will advise confirmation tomorrow.

X-X-X-X-X-X-X-X-X-X

The group departed and headed towards the Ministry of Mines and Energy to meet with **Minister Edison Lobão** for a 3 o'clock meeting.

Meeting lasted less than 30 minutes and ran a similar course to the meeting with Mr Moreira Franco although the meeting was less energetic and receptivity was toned down.

In addition **José Roberto Serra**, Queiroz Galvão Port Director took part.

Support and consideration of the project was offered but the Mayor mentioned he had encountered some resistance in the past with **Marco Antonio Martins Almeida**.

Some additional lobbying will be necessary by the Mayor counting on support from other government official including **Mr. Moreira Franco**; who mentioned he would be discussing the meeting with him before travelling to Macaé.

**General comments;**

Although **Petrobras** was mentioned several times during the discourses it was apparent that for the most part PB were not passing on to the government much information regarding any of the difficulties that were laid on the table during these meetings.

It seemed to me that the ministers were oblivious to the complexity that was being met far too regularly by O&G companies and worse yet the pending possibility that the industry, as a result, could be met with further desistence and resistance of international investors.

The Mayor and his officers are to be congratulated for taking the initiative to lobby, at government level, demonstrating his awareness of the critical level that these problems are reaching and his serious and professional objective to assist with solutions that have been previously been ignored.

Excellent meetings with a very positive impact and in my view extremely important that IADC participated; as a result the IADC will be contacted to provide additional support and the recognized representation of the international drilling and services companies.