

MEMORANDUM TO CLIENTS

INFRASTRUCTURE

January 28, 2016

Decree No 8,637/2016 – Local Content

New Federal Decree seeks to improve the Brazilian O&G local content policy.

On January 18, 2016, the federal government enacted Federal Decree No. 8,637/2016 (“Decree”), establishing a program called Pedefor (“Pedefor”) to foster competition in the chain of suppliers to E&P companies. This program seeks to facilitate the process for E&P companies to achieve their local content commitments to the National Agency for Oil and Natural Gas (“ANP”) through new types of investments and activities. Pursuant to the Decree, E&P companies may undertake the following activities, among others: (i) purchasing goods, services and systems from a foreign supplier in order to facilitate its establishment in Brazil; (ii) directly investing in the suppliers’ technological innovation; (iii) acquiring goods and systems in Brazil for use in activities abroad.

E&P companies that choose to observe Pedefor’s guidelines will receive Local Content Units (“UCL”). These UCLs may be used by E&P companies in complying with their local content obligations to the ANP.

The Pedefor will be coordinated and implemented by a Directive Board and by a Technical-Operational Board, whose internal rules must be enacted within 90 days from the enactment of the Decree. These boards will be responsible for establishing the methodology and the areas to be promoted, the bonus E&P companies will be entitled to if they invest in Brazil and evaluating local content projects that will be rewarded with UCLs.

These boards will be mostly formed by members of the Ministry of Finance, the Ministry of Mines and Energy and the Ministry of Science, Technology and Innovation, as well as members of the Brazilian Development Bank (BNDES) and ANP.

The official language of the Decree, in Portuguese, can be accessed by clicking [here](#).

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The purpose of this memorandum is to inform our clients about important changes and developments in the area of law. We remain at the reader's disposal for any additional information that may be desired regarding the subject matter herein.

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