



FEDERAL GOVERNMENT OF BRAZIL INVESTMENT PARTNERSHIPS PROGRAM (PPI)

Mar 2017

I – Assure Fiscal Responsibility

- Ensure public debt sustainability
- Expenditure ceiling approved in Congress (Dec 16)
- Pension Reform proposed in Dec 16

II – Anchor Inflation Expectations

- Tough monetary policy brought convergence of inflation expectations to the target (4.5%)

III – Resume Economic Growth

- Increase infrastructure investments via concessions and privatization
- Microeconomic reforms
- Labour reform to increase flexibility
- Overcome credit problems (overleveraged corporations and individuals)

- The Investments Partnerships Program (“PPI”) was started by the Michel Temer Administration on May 12nd, 2016, aiming to coordinate the concessions and privatization efforts on federal infrastructure projects.
- The Program counts on the PPI Secretariat to lead the discussions on regulation, planning, pipeline of projects and governance for infrastructure investments.
- The first PPI Board Meeting, composed by the president and six ministers, took place on September 13th, proposing new rules, improving the governance and approving some projects as national priority.

- **Only Mature Projects will be Auctioned**
 - ✓ Focus on planning, modelling and licensing projects
 - ✓ Contracts will strengthen the service level required for the concession, instead of construction needs
- **More Competition in Auctions**
 - ✓ Terms between the Auction Notice and the Bidding Date will be 100 days (minimum)
 - ✓ Auction notice will be released in Portuguese and English
- **Clear Segregation of Roles**
 - ✓ Regulatory Agencies take care of monitoring and ensuring compliance of contracts, as well as rebalancing them if needed
 - ✓ Ministries propose, auction projects, and decide on policy making
 - ✓ PPI Board approves projects and auction conditions proposed by Ministries

- **More Rational Investments**

- ✓ Investments triggered by demand level
- ✓ Environmental feasibility as a pre condition to auctioning a project
- ✓ IRR will depend on the profile of each project and will not be fixed in advance. Only bankable projects will move ahead

- **Transparency**

- ✓ Clear distribution of risks in the contract
- ✓ Bidding draft documentation submitted to public consultation and the Federal Court of Auditors before being officialy released
- ✓ Website portal (www.projetcrescer.gov.br) will be a hub for investors to get information on projects and rules

- ✓ Ideally with Capital markets instruments, at market rates
- ✓ Projects will have to be bankable, selected by its merits.
- ✓ Transition phase with BNDES lines (smaller share) and issuance of debentures (project bonds), but no bridge loans
- ✓ Long term Debentures may be purchased by BNDES, FI-FGTS and others, with completion guarantee by solid commercial banks
- ✓ FI-FGTS (BRL 12 billion) and BNDES (BRL 18 billion) may buy up to 50% each of a debenture issuance
- ✓ After completion, the debentures could be offered in the secondary market, fostering capital markets
- ✓ Infrastructure debentures will get automatic approval for tax exemption if qualified in the PPI program

- **Increased Legal Certainty in Concessions**

- ✓ The government opened new alternatives to normalize concessions that are behind the schedule or with insufficient level of services
- ✓ For Highways and Railways concessions in good standing, it brought the possibility of approving new investments of public interest (not listed in the original contracts), paying off by extending the contract terms
- ✓ For Airports, Highways and Railways concessions that are not meeting their obligations, alternatively to a forced termination, brought the possibility of an agreed devolution of the concession
- ✓ There will be technical studies supporting the chosen alternative, subject to public consultation and approval by the PPI Board and the Federal Court of Auditors
- ✓ The possibility of Arbitration for disputes in the contract was introduced, alternatively to judicialization, after the Regulatory Agency final decision

- ✓ Mandatory Petrobras participation in the pre-salt oil fields was changed by Congress to a right of first refusal (Nov 16)
- ✓ Unitization of offshore oil and gas fields (Dec 16)
- ✓ Extension of REPETRO tax reduction scheme for oil equipment and machinery
- ✓ Local content policy for oil and gas under review
- ✓ MP 735 - reduced electric sector charges, removed barriers to public companies privatization (Jun 16)
- ✓ Natural Gas regulation under review.
- ✓ Mining Code: new regulatory agency (DNPM) and review of CFEM taxation
- ✓ Telecom (fixed lines) reform from concession to authorization

- ✓ Elimination of INFRAERO participation in new airport concessions
- ✓ Use of demand triggers for new investments in Toll Roads and Airports
- ✓ MP 752 – Railways, Highways and Airports - new investments in existing concessions, agreed devolution (re-Bid) and arbitration clause in concessions (Nov 16)
- ✓ Opening up the financing model for concessions, relying more on capital market instruments (debentures and bonds)
- ✓ SOE law – minimum requirements for appointment of officers (Nov 16)
- ✓ Regulatory Agencies law – minimum requirements for appointment of officers

Projects Approved for Concession

- ✓ Four Airports → Bidding notice on 30/11/16
- ✓ Two Highways → One under public consultation (17/3)
- ✓ Three Railroads
- ✓ Three port terminals → Three bidding notices on 28/11/16
- ✓ Five Hydropower generation plants
- ✓ Four Oil & Gas areas (pre-salt)

Projects Approved for Privatization

- ✓ Seven Electricity Distribution companies → CELG-D auctioned 30/11/16
→ Consultants hired
- ✓ One instant lottery business (LOTEX)

Sponsored Projects

- ✓ Three water and sewage state companies

LOCATION OF THE PROJECTS

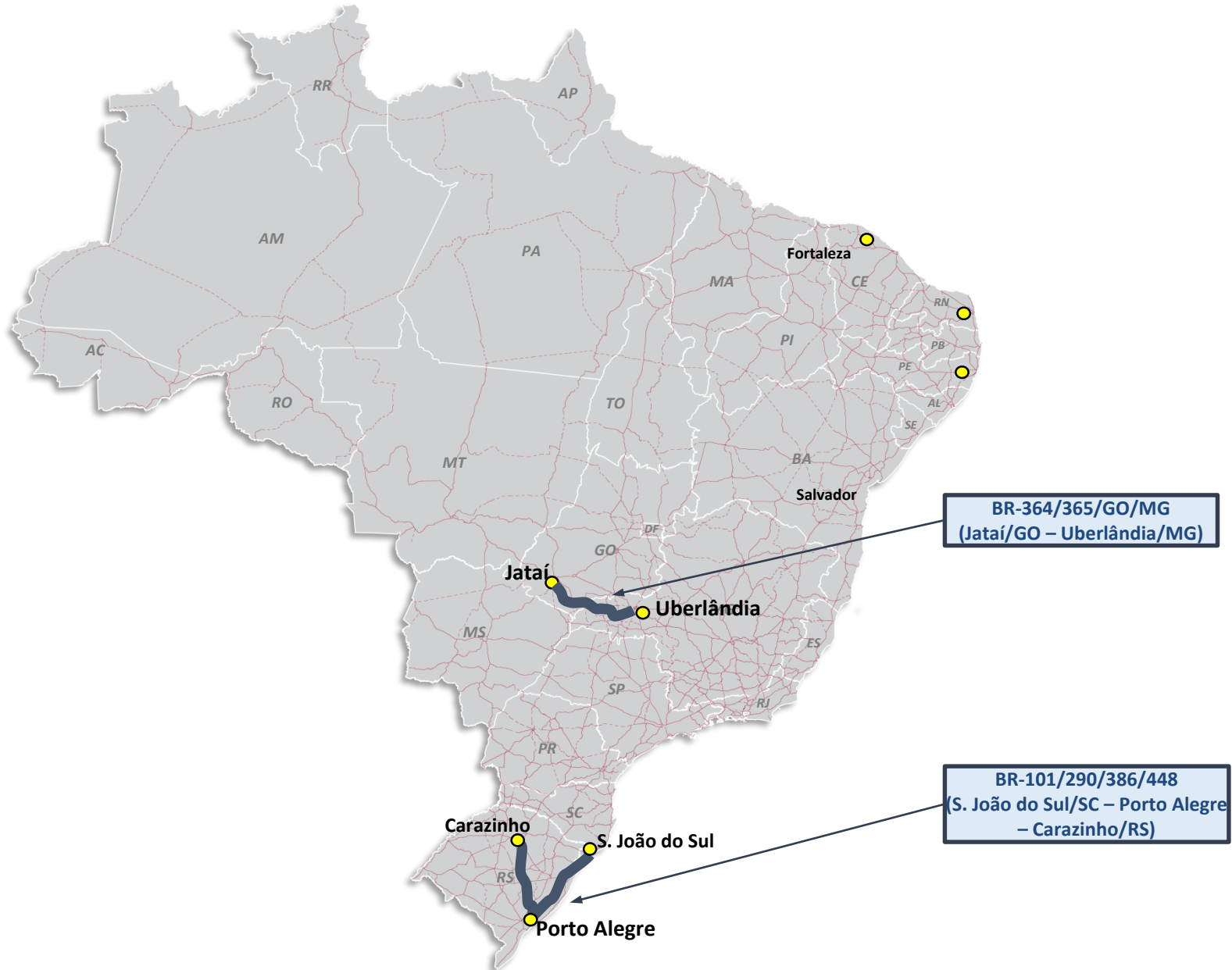
-  Railways
-  Highways
-  Airports
-  Ports
-  Hydroelectric power stations
-  Power distribution concession
-  Mining

Priority partnership projects throughout Brazil.



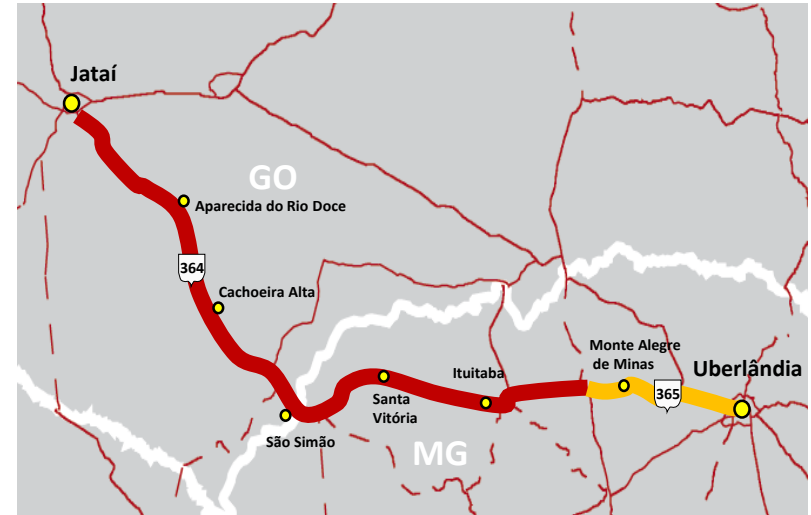
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HIGHWAYS FOR CONCESSION



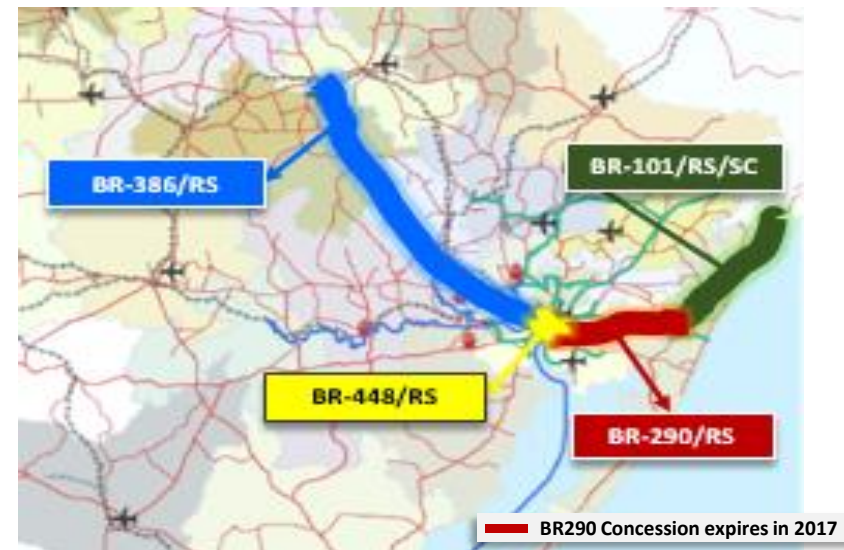
1 - BR-364/365 MG/GO

- Highway connecting the Center-West of Brazil with BR050 e BR153 (towards São Paulo and Port of Santos)
- Repair, maintenance and operation of the highway
- Studies consider maximum tariff at BRL13.46/100km, assuming investments of 30% lane duplication in 5 years, and the remaining by demand trigger
 - Extension: 437 km
 - Demand: 4 k vehicles/day
 - Investment: BRL 2.8 billion
 - Auction criteria: lowest tariff



2 –South Integration Highway (BR-101/290/386/448)

- Four highway stretches in RS and SC States
- BR 290 concession (segment Osorio-Guaiba) expires in July 2017
 - Extension: 468 km
 - Demand: 12 k vehicles/day
 - Investment: BRL 7.9 billion
 - Concession term: 30 years
 - Auction criteria: lowest tariff (Max. BRL 13.6/100km)
 - Public consultation from Jan 31st to Mar 17th



AIRPORTS FOR CONCESSION



3 – Porto Alegre Airport (POA)

- Enlargement, maintenance and operation for 25 years;
- Demand: 8.4 million pax/year
- Investments: BRL 1.9 Billion
- Auction criteria: highest grant
- Minimum grant: BRL 122 million, being 25% + premium paid in advance
- Auction date: 16/March/2017



4 – Salvador Airport (SSA)

- Enlargement, maintenance and operation for 30 years;
- Demand: 9 million pax/year
- Investments: BRL 2.3 Billion
- Auction criteria: highest grant
- Minimum grant: BRL 1.24 billion, being 25% + premium paid in advance
- Auction date: 16/March/2017



5 – Florianopolis Airport (FLN)

- Enlargement, maintenance and operation for 30 years;
- Demand: 3.7 million pax/year
- Investments: BRL 960 million
- Auction criteria: highest grant
- Minimum grant: BRL 210 million, being 25% + premium paid in advance
- Auction date: 16/March/2017

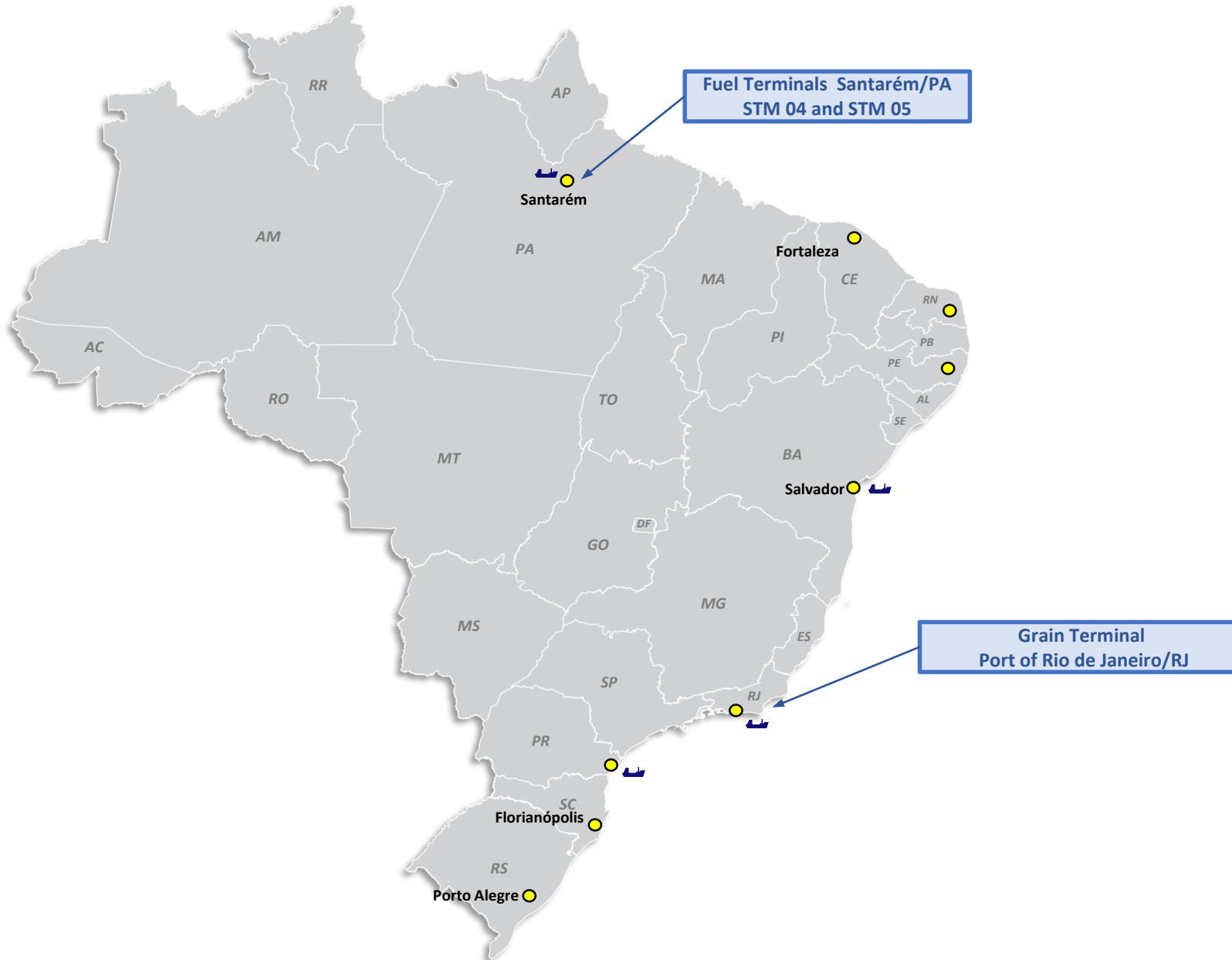


6 – Fortaleza Airport (FOR)

- Enlargement, maintenance and operation for 30 years;
- Demand: 6.3 million pax/year
- Investments: BRL 1.4 billion
- Auction criteria: highest grant
- Minimum grant: BRL 1.44 billion, being 25% + premium paid in advance
- Auction date: 16/March/2017



PORTS FOR CONCESSION



7 – Grain Terminal in Rio de Janeiro/RJ

- Brownfield area inside the Organized Port of Rio de Janeiro
- Cargo type: Grains (wheat)
- Capacity: 1 million ton
- Investments: BRL 63 Million
- Auction date: 20/April/2017

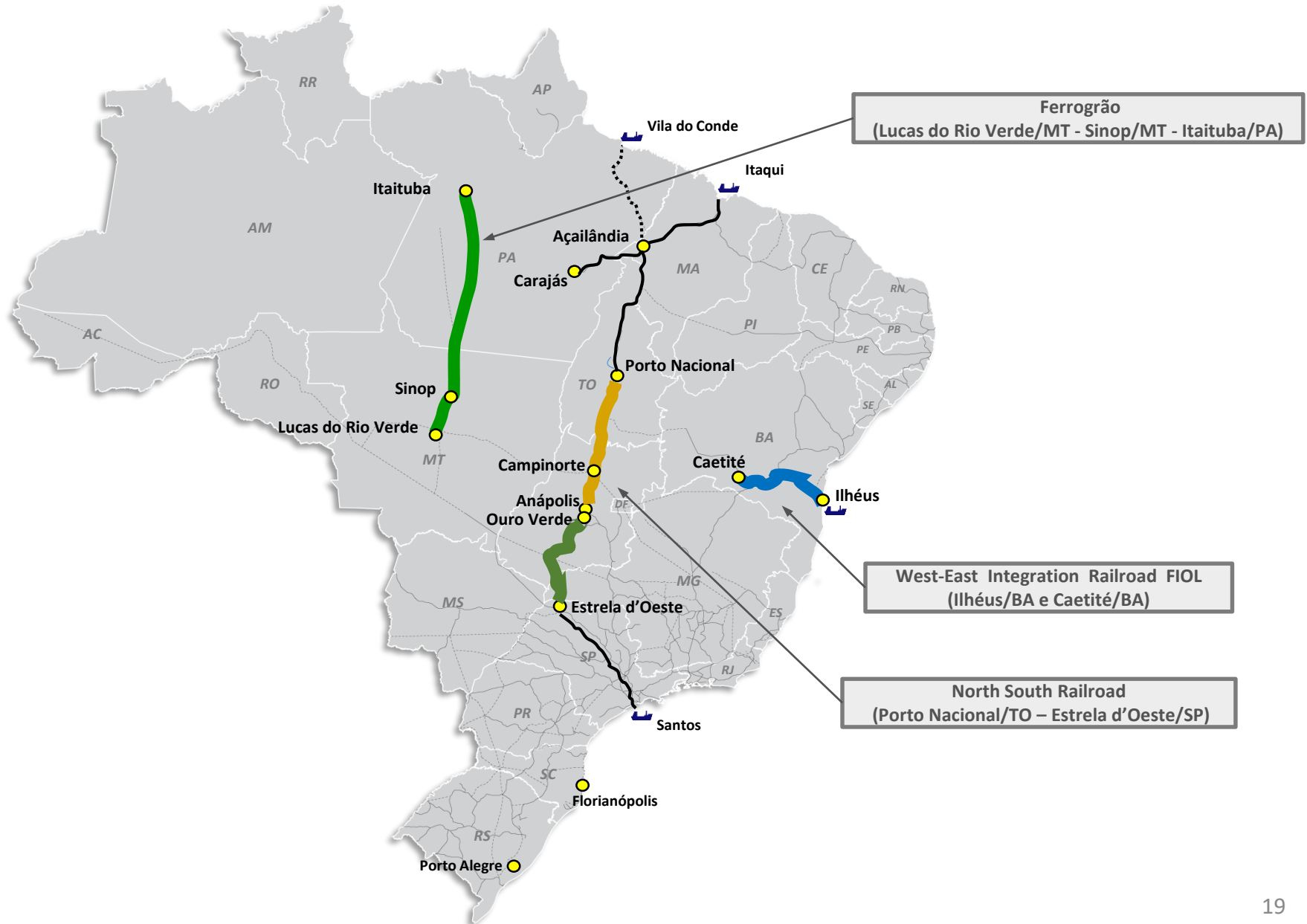


8 – Fuel Terminals in Santarém/PA

- Brownfield area inside the Organized Port of Santarém
- Cargo type: Diesel, Gasoline, Kerosene, Ethanol
- Capacity:
 - 0,07 million ton in STM04
 - 0,3 million ton in STM05
- Investments:
 - BRL 19 million - STM04
 - BRL 11 million - STM05
- Auction dates: 20/March/2017



RAILROADS FOR CONCESSION

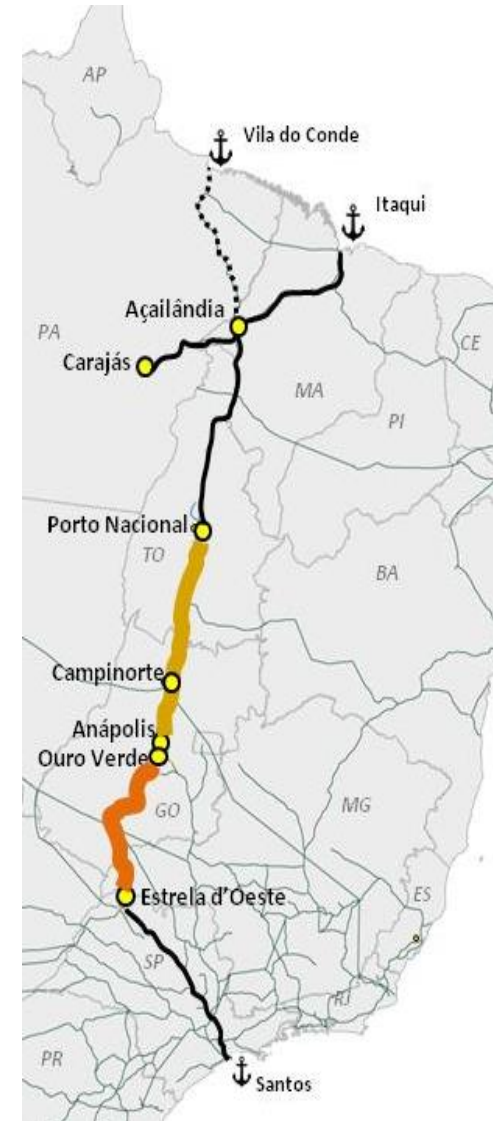


9 – NORTH SOUTH RAILWAY - EF-151 SP/MG/GO/TO

(stretch from Porto Nacional/TO to Estrela D'Oeste/SP)

- Finish the construction works and begin the operation of North-South Railroad in this stretch, from Porto Nacional (Tocantins State) to Estrela d'Oeste (São Paulo State)
- Stretch Porto Nacional – Anapolis:
 - Extension = 855 Km (already built)
- Stretch Ouro Verde – Estrela d'Oeste:
 - Extension = 682 km (under construction by Valec)
- Subconcession Extension: 1,537 km
- Investments: BRL 897 million
- Concession term: 35 years
- Auction criteria: highest grant

- Current operator of segment Porto Nacional-Açailândia: Valec (excluded from this concession)



10 – FERROGRÃO RAILWAY - EF 170 MT/PA (stretch from Sinop/MT and Miritituba)

- Greenfield project in grain production area
- Demand: estimated at 13 M ton (2020) and at 42 M ton (2050)
- Concession term: 65 years
- Extension: 1.142 km
- Investments: BRL 12.6 Billion
- Auction criteria: highest grant

- Authorization for national park crossing was granted on Dec 2016



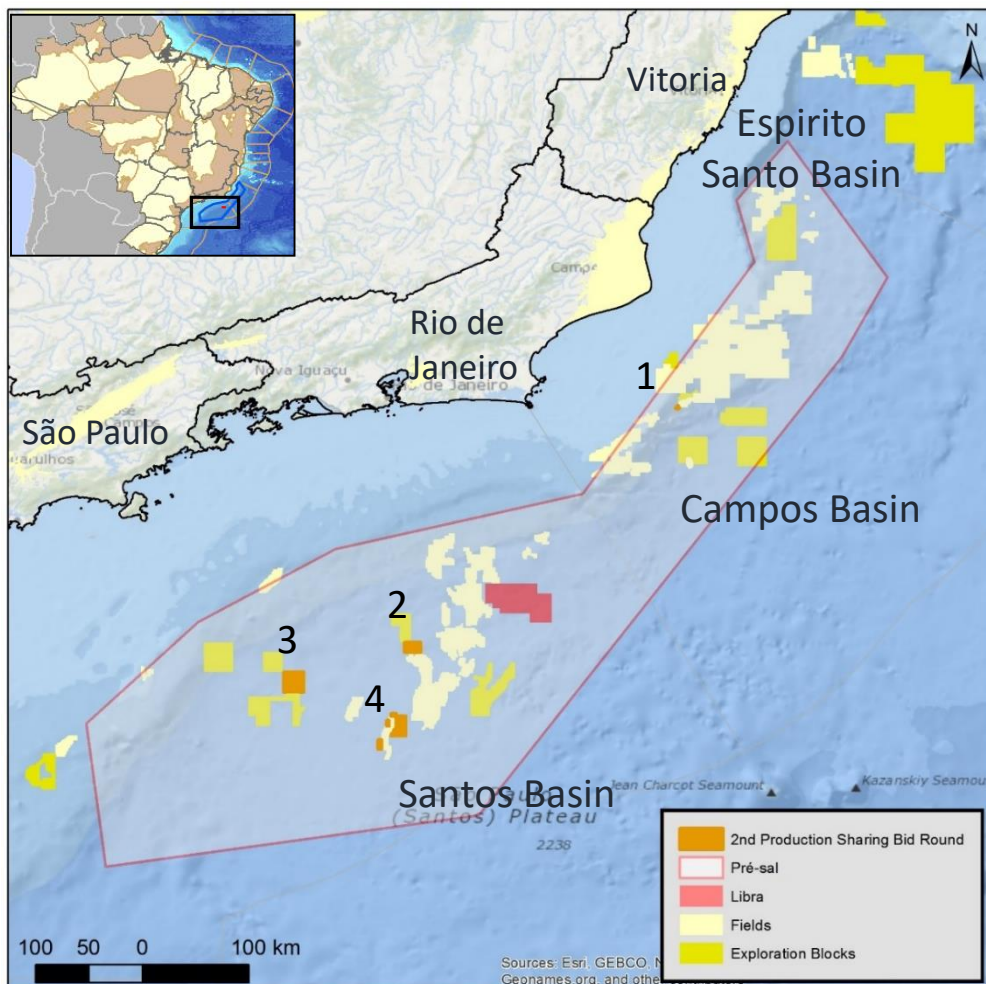
11 – FIOL - EF-334/BA (stretch from Ilhéus/BA to Caetité/BA)

- Project in mining production area (Caetité)
- Railroad would connect to a greenfield port (south of Ilhéus)
- 70% already built by Valec
- Extension: 537 km
- Investments: BRL 1 Billion
- Auction criteria: highest grant



OIL & GAS – Exploration and Production

Upcoming 2nd Production Sharing Bid Round

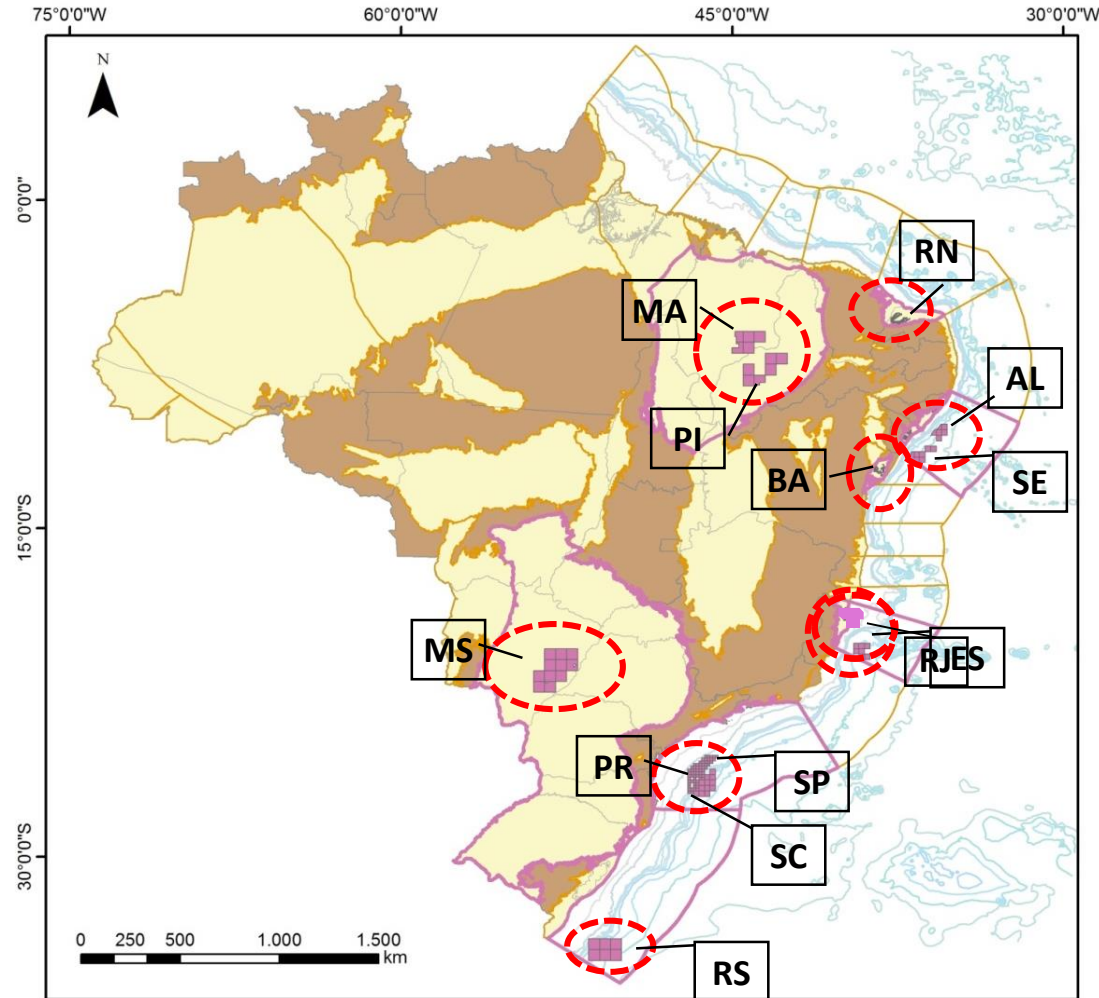


- **Bid Areas (Under Unitization):**
(1) Tartaruga Verde Field; (2) Gato do Mato Discovery;
(3) Carcará Discovery; and (4) Sapinhoá Field

Schedule		2016
CNPE Approval of Blocks		Dec
Preliminary Schedule		2017
Official Announcement of Blocks to be Offered and Local Content Requirements		Mar
Consultation to Petrobras on Interest in Operating in the Areas		
CNPE Submission to Presidency on Blocks to be Offered		
Publication of Resolutions that Authorize Bid Round		
Publication of Tender Protocol and Concession Agreement Drafts		Apr
Publication of Data Package		
Publication of Final Tender Protocol and Concession Agreement		Jun
Bid Submission Event		Sep
Signing of Concession Contract		Nov

OIL & GAS – Exploration and Production

Upcoming 14th Concession Bid Round



Schedule 2016	
Publication of National Energy Policy Council (CNPE) Resolution which Authorized ANP to Conduct Studies	Oct
Preliminary Schedule 2017	
CNPE Approval of Blocks	Mar
Official Announcement of Blocks to be Offered and Local Content Requirements	
Publication of Tender Protocol and Concession Agreement Draft	Apr
Publication of Data Package	
Publication of Final Tender Protocol and Concession Agreement	Jul
Bid Submission Event	Sep
Signing of Concession Contract	Nov

Areas to be Offered in the 14th Concession Bid Round

Sedimentary Basin	State	Sectors for Prospection	Amount of Blocks	Basin Area (km ²)
Sergipe-Alagoas Mar	SE/AL	SSEAL-AP1, SSEAL-AP2 e SSEAL-AUP2	12	9,038.85
Campos	SP/RJ	SC-AP1 and	10	6,025.69
Espírito Santo Mar	ES	SES-AP1 and SES-AP2	7	5,027.00
Santos	SP/PR/SC	SS-AR3, SS-AR4 and SS-AP4	76	18,904.87
Pelotas	RS	SP-AP4 e SP-AUP4	6	15,326.47
Parnaíba	MA	SPN-N	12	34,297.98
	PI	SPN-N and SPN-SE		
Paraná	MS	SPAR-CN	11	31,471.66
Potiguar terra	RN	SPOT-T1B, SPOT-T2, SPOT-T4 and SPOT-T5	62	1,724.37
Sergipe -Alagoas Terra	SE	SSEAL-T4 and SSEAL-T5	46	1,324.08
	AL	SSEAL-T1 and SSEAL-T2		
Recôncavo	BA	SREC-T1, SREC-T2, SREC-T3 and SREC-T4	27	643.64
Espírito Santo Terra	ES	SES-T4 and SES-T6	19	460.38
Total		28	288	123,591.68

Seven Distribution Companies to be Privatized

- **Companhia Energética de Goiás S.A. (CELG-D)**
- Amazonas Distribuidora de Energia S.A.;
- Companhia de Eletricidade do Acre;
- Companhia Energética de Alagoas;
- Companhia de Energia do Estado do Piauí;
- Centrais Elétricas de Rondônia S.A.;
- Boa Vista Energia S.A.

Estimated Auction

sold in Nov 2016

2nd half 2017

2nd half 2017

2nd half 2017

2nd half 2017

2nd half 2017

2nd half 2017

Companies provide distribution service to 6.8 million* consumer units and generate BRL 10.8 billion* in total annual revenues.

**Source: ANEEL*

Five Generation Companies for Concession

- UHE São Simão (GO)
- UHE Volta Grande (MG)
- UHE Miranda (MG)
- PCH Agrotrafo (TO)
- PCH Pery (SC)

Estimated Auction

2nd half 2017

2nd half 2017

2nd half 2017

2nd half 2017

2nd half 2017

Concession Term = 30 years

Power generation sums up to 2,5 GW in total.

Estimated Grant = BRL 9.16 Billion



INVESTMENT PARTNERSHIPS PROGRAM

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For more information visit:
www.projetcrescer.gov.br

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