

Brazilian pre-salt expansion: corruption and the petroleum industry

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In 2005, the Brazilian oil company, Petrobras discovered hydrocarbons below the geological salt layer in the Tupi field located in the Atlantic Ocean off-shore of Rio de Janeiro, Brazil. In 2006 a consortium of Petrobras, BG Group, and Petrogal drilled in the Tupi field and discovered an estimated 5-8 billion barrels of oil equivalent resources in a pre-salt zone.ⁱ The pre-salt oil and gas lie below an approximate 2000m deep layer of salt, which is below an approximate 2000m layer of rock under 2000-3000m of the Atlantic.² Further exploration found hydrocarbon deposits in the pre-salt layer extended through the Santos, Campos, and Espírito Santo basins located off-shore of Rio de Janeiro and Espírito Santo states.

This type of oil and gas extraction may be considered one of the most “extreme energy” sources existing today.ⁱⁱ These deep ocean deposits located 300km from the coast in often severe oceanic conditions require substantial investments to extract. The profound depth and pressure involved in pre-salt extraction presents significant technological hurdles requiring a wide range of specialists, high-tech equipment, and infrastructure.ⁱⁱⁱ Further, pre-salt oil extraction in Brazil has prompted grave environmental and social impacts resulting in increased pollution on land and sea, health impacts, land struggles, violence, corruption and massive country-wide protests.^{iv}

According to what is now accepted as scientific certainty, four-fifths of fossil fuel reserves must remain untouched in order to avoid catastrophic climate change.^v Scientists warn, that global warming should not exceed 2°C in order to avoid catastrophic climate change yet current oil reserves do not match this 2°C projection that would limit CO₂ emissions in the atmosphere to 565 billion tonnes, a figure that would need to be achieved in 17.5 years, based on 2014 emissions (2.3 Gt of CO₂).^{vi}

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² The deepest pre-salt oil reserves are found on both sides of the Atlantic off-shore of west Africa and Brazil. As a comparison, the Energy Information Association defines ultradeep drilling in the Gulf of Mexico as approximately 1,500 m or more.

UN leaders claim they will deliver a new climate protocol to address the impending climate crisis during the COP 21 set for Paris in December. History has shown that current economic interests use power to influence the climate debate, from REDD+ projects that evict Indigenous Peoples and forest dwellers for land grabs, to failed carbon markets that pay out windfall profits to the biggest polluters.^{vii} As the oil industry expands, even with the downturn in oil prices, it is clear that the 2°C limit will not be adopted in Paris. With extractive industry lobbyist and powerful financial interests at stake, the outcome of this new climate protocol is certain to have no teeth. But there is hope and it will not be found at the negotiation table at the UNFCCC COP 21 in Paris. It is already found in the streets and on the lands where people continue to resist powerful corporations entrenched in an unjust economic system.

Impacts of the Brazilian petroleum boom

The Brazilian government and petroleum regulators were reeling after the pre-salt offshore petroleum discoveries in 2006. After months of controversial negotiations, on August 31, 2009, President Luiz Inácio ‘Lula’ da Silva sent four draft bills to Congress proposing a radical overhaul of the existing regulatory and operational structure of the petroleum industry. The reforms would guarantee a percentage of the new petroleum money to be used for social and education programs and the Brazilian government to retain a majority share to create a semi-public industry. [Lula announced](#), in a famous speech in 2008, the declaration that “The Petroleum is ours, it belongs to the people, not Petrobras or Shell” mirroring the former decree from the Vargas administration that the “Petroleum is ours” 69 years earlier.

At the outset, the petroleum financing silenced many sectors of civil society, linking the Brazilian state oil company, Petrobras, to most social and political activities, from culture to agriculture. The pledged petroleum funding succeeded in silencing opposition, and served to divide social movements and communities with occasional kick-backs for social movement leaders, while large amounts of money was funnelled to the oligarchy.^{viii}

Petrobras and the massive government propaganda that ensued, settled on “potential” projections of between 50, 35 and 28 billion barrels in pre-salt reserves, which generated a euphoria in Brazilian society based on the equation-fetish: Oil = social rights. The possibility of a Brazilian “Welfare State” was waved in front of the citizens,

with promises of healthcare, education, housing, sanitation, and land reform, to be “guaranteed” with the new oil power and Brazilian royalties.^{ix} The argument seemed to follow a logic that, had it not been for oil, the governments would never be able to guarantee the rights of all. But since there was petroleum, it was necessary to take away the rights of some, that is, traditional people, and precarious workers, the rights of nature, the inhabitants in the vicinity of large projects – a violent and unilateral environmental injustice.

In 2000, the oil sector accounted for 3% of Brazil’s GDP, 13 years later it had already [reached 13%](#), a significant increase from both the Lula governments (2003-2006 and 2007-2010) and the first Dilma Rousseff government (2011-2014). The supply of new oil and gas exploration blocks (including shale) were on hold for five years, from 2008 until 2013, due to [imposed royalty laws](#), which highlighted the fragile Brazilian federal pact between states considered “producers” and “non-producers” of oil.

The [royalty laws debate](#) saw governments and authorities from the states of Rio de Janeiro, Espírito Santo and São Paulo (where the greatest concentration of the GDP and pre-salt oil reside), fight to maintain petroleum royalties as “producers”. The governmental officials from these states argued that they needed the money to pay for the myriad social and environmental impacts associated with oil exploration: contamination, leakage, swelling of small and medium-sized cities, and destruction of marine environments to name a few. They were well aware of the risks inherent in a petroleum-state. As seen elsewhere around the globe, power and corruption are entrenched in the fossil fuel industry.

Since the discovery of off-shore in Espírito Santo in 2006, the most significant investments from the Lula and Dilma governments have been concentrated in the petroleum and gas sectors. For example, the *Plano Decenal de Energia* (Ten Year Energy Plan) is an R\$951 billion investment consisting of 70.6% for the oil and gas sector, 22.5% for electricity and 7% for biofuels.^x Petrobras received investments of US\$220 billion in its Business Plan 2014-2018.^{xi} Os [Planos de Aceleração do Crescimento](#) (PAC 1 and PAC 2; Growth Acceleration Plan) and the BNDES, orchestrated investments into projects including: building ports, shipyards, pipelines, refineries, fertilizer plants, and logistics facilities on and off shore to name a few. This large-scale infrastructure was implemented at an accelerated pace, at high risk, and at all costs.

The government's political alliances with the most conservative sectors both in parliament and in the composition of ministries resulted in weakened forest and mining codes, slashed environmental legislation, non-implementation of the territorial rights of Indigenous and traditional Peoples, fishers, Quilombolas, as well as precarious and outsourced labour on petroleum rigs. These mollifications were pushed through by corporate interests, bribery and political corruption based on the game of partisan and corporate interests in bribery and political corruption participating in the power pact from powerful elites including: Odebrecht, Camargo Correa, Queiroz Galvão, Andrade Gutierrez, among others.

Oil price economic non-sense

Although the government claims the oil industry can still be profitable with a barrel [price of US\\$45](#), Petrobras has declared a [Plano de Desinvestimento](#) (Divestment Plan) including the sale of assets for some and privatization for others. The company will sell off fertilizer factories, decrease investments in ports and refineries, and decrease investments in other countries, focusing even more on domestic oil and gas exploration. Petrobras is responsible for 92% of the national production and of that, 75% is offshore pre-salt fields.^{xii}

Although the current downturn in the price of oil may be temporary, the price is volatile and even when low, does not prevent the expansion of the oil industry and the burning of fossil fuels. However, in Brazil, amid these crises, the production of oil and gas continues to hit a record every year, reaching 3 million barrels of oil equivalent per day in January 2015, of which 27% was offshore pre-salt (800,000 bpd).^{xiii}

The fall in the price of oil in from US\$115 in June 2014 to US\$48 in January 2015, coincided with a deep political crisis in the hegemonic power pact since the 2003 Lula government began. After nine years of the petroleum boom the inevitable occurred – corruption, embezzlement, and lies. Just before the Dilma election, investigators launched the Operation *Lava Jato* (Car Wash) that uncovered the money laundering scheme suspected of moving more than US\$3.5 billion – the biggest known corruption in the country culminating from the largest oil contractors financing political parties and Petrobras financing.^{xiv}

Discontent with Brazilian policies grew in March of 2015, erupting in millions taking to the streets to protest government corruption. The Dilma government was slammed by the right and Brazilian society fell into a complex debate pitting the right against Dilma's PP (*Partido Progressista*).^{xv} Corruption was predictable regardless of what government would have been in power – left, right or centre. Even worse, the turmoil in the political landscape carried ghosts with some advocating for a military dictatorship as a means to stop the corruption.^{xvi}

Wide-spread dissent and uproar against the political corruption was inevitable as the wealthiest 10% of Brazilians receive 42.7% of the national income and the poorest 34% receive less than 1.2%.^{xvii} Couple this with the [high homicide rate in Brazil](#), and more than half of the recorded environmentalist murders in the world, the increased resource exploitation from pre-salt oil increases corruption and violence are just some of the increased challenges Brazilians face as the country catapults into a new extraction-fuelled development phase.^{xviii}

National sovereignty vs. territorial sovereignty: the case of Espírito Santo

As a result of the location and wealth of natural resources, Espírito Santo (ES) is historically one of the most important regions in Brazil to export mining products, paper-pulp, marble, granite and iron. Most of these exports began during the military dictatorship. As a region devastated by an export economy and industrialization, the discovery of the second largest pre-salt oil field just off the coast of ES was met with mixed emotions by the local people. Any toxic tour made in the oil areas to the north and along the Atlantic Coast of Espírito Santo would be witness to the following:

- The expulsion of traditional communities, preventing a robust local economy
- Constant leaks and contamination of oil onto land, rivers and streams
- Devastation of the marine environment and fishing territories
- Collapse of social policies: health, housing, education, sanitation – in the districts and “petroleum” cities

Since the first Lula government, hundreds of companies involved in the oil and gas sector have invaded ES, supported by investments from *Banco Nacional de Desenvolvimento Econômico* (BNDES), the PAC 1 and 2, and companies such as

Petrobras, StatOil, Shell, Total, Chevron, and Jurong. The state promotes and encourages the oil industry by offering new exploration blocks, prioritizing the oil and gas sector in energy policies, destroying land rights, accelerating licenses without proper precautionary research, and by continuing to manipulate the consultation process.

The complex financial transactions consisting of sub-cartelized clusters and political organization in a partisan labyrinth function by exploiting on-shore and off-shore petroleum, performing seismic surveys, drilling new wells, installing pipelines, oil and gas terminals, building port terminals and shipyards, and occupying large areas of land. The crisis may have slowed some things down, but the process is well-underway. These investments keep the wheels on capitalism turning.

Along the Atlantic coast in the north of ES, petroleum extraction devastates large areas of the remaining *Mata Atlântica* Forest and marine biodiversity. The oil expansion subjects fishing territories, Quilombolas, campesinos, Indigenous Peoples, and small urban districts into “sacrificial zones”. The living conditions of the local people are destroyed while the resistance is expelled, persecuted and criminalized.^{xix}

Petroleum workers risk their lives on offshore platforms. Explosions and faulty equipment are common, for example in February 2015 an explosion on the platform FPSO killed nine people off the coast of Aracruz, ES.^{xx} Workers are subjects to dangerous working conditions, equipment irregularities, regulation failures, lack of equipment maintenance, lack of enforcement, and so on.

The local, prevailing environmental racism, and the violence from the state police, often associated with private militias, is exacerbated, as in the emblematic case of the AHOMAR fishing murders in conflict with Petrobras in Guanabara Bay, Rio de Janeiro.^{xxi}

Furthermore, cities and districts that have lived with the oil industry for decades, such as the North of Rio de Janeiro and Bahia, clearly demonstrate that oil income is not distributed equally throughout society, but rather has generated a local elite that concentrates wealth and power. Against the unbridled expansion of new oil blocks and exploration wells, people do not have the right to say no. The expansion is done in the name of national sovereignty, but with no respect for territorial sovereignty.

An urgent appeal from activists and communities in ES: “Not one more well! For the right to say No!”

In Brazil, after following the social and environmental injustices and conflicts related to oil and gas in several states of the federation, through linking national and regional networks, a strategic campaign and debate has emerged.

We consider it essential to act against the expansion of the oil model, because the auctions to bid for new drilling areas will not stop, nor will the environmental injustices. So that defending the territories where there is resistance to these projects create barriers and obstacles to this expansion, reduces its rapid pace and associated risks, and questions the uses and lifestyles that “justify” this expansion – a strategic agenda for dialogue with Brazilian civil society.

Therefore, this strategy is a way to begin an exchange with fishers, Quilombolas, local citizens, farmers, academics, artists, students, activists in defence of “oil-free territories”: 1) Not one more well! And 2) For the right to say No! These phrases can be articulated in the campaigns for the rights to fishing territories, Indigenous and Quilombola, and for pesticide-free foods.

“Not one more well!” questions the expansion and the false motives. Therefore “Not one more well!” does not say that “right here and now” we will stop using oil and gas. It therefore does not imply immediate unemployment for the workers in the oil chain. Nor does it say that it is possible to stop using cars and fertilizers and so on. “Not one more well!” is rather a strategic appeal against further expansion, to provoke thinking towards an urgent decrease (and best selection) of fossil fuel use for environmental and climate justice.

“For the Right to Say No!” goes deep to the heart of the debate on Prior and Informed Consent, after all, there is no use to have a Prior and Informed Consent without the right to say no – a phrase coined by the feminist movements in the 80s, more relevant than ever, given the petroleum *falocracy*. The sexism, racism and violence embedded in the petroleum expansion in Brazil's territories is an explicit indication of the depraved level of market-based and corrupt “democracies”. A new society and a new energy model will only be possible if we can stop the unchecked expansion of the oil “civilization”. There will be no energy transition without a transition away from the petroleum model.

Although mobilizations for Paris are underway, many activists, organizations and movements will stay at home and continue these critical resistances on the ground. With solidarity to those in Paris that will take to the streets, it is important to note that those who cannot go – or choose not to go – also seek international solidarity as they fight the power at the source. In this light, it is our hope to build a wider consciousness to the importance of local and grassroots mobilization and resistance in the global South. Without these hard-fought struggles at the root of a brutal extraction infrastructure, any mobilization is futile. Therefore, building deeper understanding and placing increased importance on local struggles should be a focus for future climate and environmental justice dialogue.

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