

PETROLEUM IN BRASIL 2002

1. URUCU GAS

The V Seminar on Natural Gas from Urucú took place on the 10th, 11th and 12th of October in city of Manaus, in the Brazilian Amazon. The Seminar focused on the social and environmental impacts resulting from the construction of a gas pipeline that would unite the gas fields in the city of Porto Velho, capital of the state of Rondonia, for electricity generation. In relation to this gas pipeline, one of the participants expressed that “the gas pipeline is one of the many negative projects in the Amazon. We need to say ENOUGH of these projects.” The Oil Project The following components are part of the project:

1. Polyduct Urucú - Coarí to transport crude and LNG
2. Urucú - Coarí Gas Pipeline (to transport LNG)
3. Solimoes Terminal in Coarí for crude and LNG storage
4. Expansion of extraction capacity in Urucú extraction area (Pólo Arara)
5. Gas Pipeline Urucú - Porto Velho (500 Km)
6. Gas Pipeline Coarí - Manaus
7. Porto Velho Hydro Center 8. Manaus Hydro Center
8. High tension lines between Porto

Velho and Río Branco The oil producing province of Urucú has an extension of 65 km East to West, and 20 km North to South, and borders the oil producing province of Jurúa. Its reserves total 43.700 b/d in a 5-year projection, and 6 million m³ d/day of gas, for 44 years. For the drilling of 56 wells, 45.4 km of paved roads have been built and 44 km of unpaved, as well as 3 sea ports: Urucú, Hélio and Evandro (where provisional boats dock), in the middle of the Amazon. At the moment 17.926 b/d of oil are produced; this rate has been steady since 1996. In 1998, the production was at 1.693.00 m³/d. Crude oil and GLP are transported by barge to the refinery at Isaac Sabbá (REMAN) in Manaus. Impacts That Have Already Been Generated In the first phases of the project, including well drilling, construction of the polyduct and the gas pipeline for the transport of hydrocarbons to the terminal at Coarí, several impacts have been registered such as the following: decrease in fish stock, which is the essential base for the survival of river populations. Of a regular average production of 20.000 tons of fish, impacted zones now only produce 5.000 tons. Other zones that are affected are those that extract chestnuts, an important source of income for communities. Along the path of the pipeline, Petrobrás has cut down many chestnut trees on the properties of different farms. A Coarí peasant denounced the gas pipeline for causing the decrease in production and collection of chestnuts, decreasing production from 75 hectoliters

to 25 hectoliters, because the company cut down the most productive trees. In another farm, production decreased by half. Petrobras attempted to compensate the loss by paying 4 Reais per hectare. "Water flour" production was also affected, which is the main product for local consumption and local trading. In the Urucú river area water flour is the only production. Cassava is put into canoes for 10 – 14 days to produce the flour. But the canoes were disturbed and were overturned by the waves caused by the company's boats used for construction, and the cassava rotted. In the long term, what impact will the river pollution have, as a result of hydrocarbon activities, on water flour production? Turtle populations were also affected. Petrobras workers collected their eggs, and even though the local population tried to stop them, they continued to collect them illegally. The noise levels made hunting prey disappear. In addition, with the construction of the road, outsiders have arrived and illegal hunting has increased in the area.

Thousands of trees were cut down for the road construction. The area of Humaitá is one of the most affected zones. In the oil fields the associated gas is flared because oil is the main development. Social and political impacts have also been registered. For example, the construction of the gas pipeline generated division and a disruption process among communities. In Coarí the number of prostitutes and the rates of violence have risen related to the facility. The local population has been used for the sale of alcohol, and two AIDS cases have been registered.

Malaria and other diseases have increased due to dams and deforestation. Gas Pipeline Impacts The Urucú - Porto Velho gas pipeline will affect 13 indigenous populations and 10 indigenous areas, such as the Palmari, Apuriná, Katukina, Juma, Cunirá Takutina, and a population not yet contacted, the Isolated of Jacareúba. In many cases, the indigenous territories are not yet demarcated, which means even more conflicts with the company, because their rights will not be recognized. Brazil recently signed ILO Agreement 169, but there is no secondary legislation for its application, and the indigenous populations have not yet assimilated this Agreement as their own. The gas pipeline will affect the municipalities of Coarí, Tapauá, Canutana, Humaitá and Lábreas, where more than 90% of the population is indigenous. >From an environmental point of view, the Urucú-Porto Velho pipeline will run through primary Amazon forest, as well as 160 rivers, including the Solimoes (Amazonas) River, and the Negro and Purús rivers, as well as lakes that are of great importance, such as Lake Coarí. It is important to state there does not exist any prior experience to constructing pipelines of this type, especially taking into consideration these are the most copious rivers in the world. Regarding the generation plant, it will require as much water as the total use of water for domestic purposes of the whole population of Porto Velho. Energy Generation The gas from Urucu will be used for the generation of energy for the capital of the State of Rondonia, not to provide electricity to local populations, that along amazonian rivers do not have any electricity. 90 per cent of the State of Amazonas does not have electrical energy.

The Brazilian state has claimed its inability to invest in energy generation due to inefficiency, this sector was then opened to foreign investment. An independent

producer is created, made up by CS Participacao, a capital group from Bahiano, and the American company, "El Paso". The State has the obligation to buy energy from this producer. The independent producer sells electricity at 150 Reais per MW/h and Electronorte (the State Company) sells electricity at 50 Reais MW/h.

The 75% loss is absorbed by the public through the CCC (National Compensation Account). "El Paso" owns 40% of the 280 million dollar project. With this project, the independent producer will be the largest in Brazil. The company is also the owner of 4 electrical plants in Manaus and provides 76% of the energy in the city. It will also provide 480 MW to Araucária in Paraná and in the formation of a joint venture with General Electric for the generation of 2000 MW of energy in Sao Paulo city. "El Paso" is also involved in the construction of the Urucú – Porto Velho gas pipeline, and is also an investor in the Bolivia – Brazil gas pipeline. This is the company that created the artificial energy shortage in California so that it could raise prices. There is fear that electricity will begin to be managed following market logic and not service, therefore consumers will not benefit. In addition, private investment will not accept responsibility in case of an energy shortage. The company has a contract for 20 years, and has already recuperated its investment in two years.

Consultative Process And The Previous License After the elaboration of the Environmental Impact Assessment, Petrobras called for a Public Audience in four Amazon cities. The first critique was the lack of spreading of the process, and the lack of knowledge that the local population had regarding the project. Many of the participants were not familiar with the EIA. In addition, the most affected and isolated populations did not participate.

During the Public Audiences the population presented a series of critiques to the study, including for example the fact that the question of indigenous populations was not sufficiently covered, especially in relation to groups that have not had contact with the outside world. In addition, the study does not analyze alternatives to the pipeline.

Petrobras did not answer any questions, nor did they explain the impacts that the project would have on local populations. Many people left the meetings feeling that this was a project that will provide jobs, for others, the consultation was felt only as part of a ritual. However, the population did ask for the elaboration of a new EIA because of the first one being incomplete. Despite this, IBAMA granted an environmental license for the construction of the pipeline. During the meeting in Manaus, the Minister of the Environment, Carlos Carvalho, explained that the license was part of the process and it is only of technical nature. He promised to establish a high-level commission for dialogue between Petrobras officials and community leaders, in order for community interests to be attended, and to discuss the protection of the environment, but also to present and explain national interests. He ended saying as much as the Amazon belongs to all Brazilians, so does Petrobras. Brazil is at the point of switching governments. We are waiting to

see what political changes occur in the country, and how these changes will affect the decisions regarding the Urucú – Port Velho gas pipeline.

Source: *RESISTANCE OILWATCH NETWORK BULLETIN Number 33 – Octobre 2002*

2. BRAZIL'S PETROBRAS CLEANS UP OIL SPILL AFTER FIRE

BRASILIA, Brazil - Brazil's state oil giant Petrobras worked on the weekend to clean up an oil spill in a picturesque bay that is a playground for the rich and famous following an overnight fire at a port terminal. Petrobras said a fire broke out late on Saturday night at the pier of a port terminal in Angra dos Reis, a haven for yacht owners about 90 miles (145 kms) south of Rio de Janeiro. The fire began during maintenance work but its cause is as yet unknown.

Transpetro, Petrobras' oil transportation arm, mobilized some 450 men and 50 boats once the fire started to limit the damages, Petrobras said in a statement. The fire was put out in the early hours of Sunday.

Despite its growing stature in the global oil industry, Petrobras has been fined by authorities over the past year for a series of embarrassing oil spills and has suffered numerous accidents. In July, two workers were killed in a Petrobras refinery blast.

Petrobras said no one was injured in the fire at Angra. The pier at the Almirante Maximiniano da Fonseca terminal was not operating at the time and no ships were moored.

"The material damages are being evaluated and the causes of the fire investigated," Petrobras said in a statement.

Petrobras said "a volume" of oil, without specifying how much, leaked into the sea and clean-up teams continued working in the area. Petrobras said it hoped to complete its clean-up work by the end of Monday.

Transpetro suspended loading and unloading operations at the terminal until it could be repaired and ships would be diverted to other terminals. About 23 ships per month dock at the terminal, the statement said.

Source: *RESISTANCE OILWATCH NETWORK BULLETIN Number 34– December 2002*

3. BRAZIL GUANABARA BAY

The publication "GUANABARA BAY" is the report written by the Brazilian Senator Geraldo Candido, following an investigation carried out to research the environmental impacts of spills of crude oil, which occurred in the oil refinery "Duque de Caxias" in the state of Rio de Janeiro.

This report was the result of work carried out by a special commission of Congress, and the primary objective was to avoid a new disaster.

The spill occurred in January 2000, it is the second large spill, and the fifth in the Bay; all being the responsibility of Petrobras. The accident occurred due to the rupture of the oil pipeline which was transporting oil to the refinery. The affected area includes mangrove forests, the Isla del Gobernador, and the Isla D,Agua.

The research was carried out via a series of public hearings. The report includes a revision of the regulations, the licensing processes and the infrastructure, and it establishes responsibilities and makes recommendations.

Included in the recommendations are: the carrying out of an environmental audit, the start of a process of environmental licenses for all the units that make up the complex, revision of contingency plans, in accordance with the new laws, a revision of the policy of contracting out services to third parties, and of the reduction in personnel.

It also recommends the strengthening of the organizations in charge of prosecution and oversight, including the assignment of resources for investigation and personnel training, and the creation of a permanent commission which follows up on environmental disasters.

Source: RESISTANCE OILWATCH NETWORK BULLETIN Number 34–
December 2002