

# **Petróleo Brasileiro S.A. - Petrobras (PBR) Q2 2024 Earnings Call Transcript**

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**Body**

Petróleo Brasileiro S.A. - Petrobras (PBR)

Q2 2024 Results Conference Call

August 09, 2024 10:00 AM ET

Company Participants

Magda Chambriard - CEO

Clarice Coppett - Executive Director of Corporate Affairs

Claudio Schlosser - Executive Director for Logistics, Trade and Markets

Fernando Melgarejo - Executive Director of Finance and Investor Relations

Mário Spinelli - Executive Director for Governance and Compliance

Mauricio Tolmasquim - Executive Director for Energy Transition and Sustainability

Renata Baruzzi - Executive Director for Engineering Technology and Innovation

Wagner Victer - Executive Director for Production and Processes

William de Silva - Executive Director for Industrial Processes and Products

Conference Call Participants

Bruno Montanari - Morgan Stanley

Vicente Falanga - Banco Bradesco

Pedro Soares - BTG Pactual

Gabriel Barra - Citi

Luiz Carvalho - UBS Investment Bank

Regis Cardoso - XP

Caio Ribeiro - Bank of America

Lilyanna Yang - HSBC

Rodrigo Almeida - Santander

Rodolfo Angele - JPMorgan

Bruno Amorim - Goldman Sachs

Monique Greco - Itaú BBA

Jorge Gabrich - Scotiabank

Presentation

Operator

Good morning, and welcome to Petrobras' earnings call for analysts and investors. We are going to discuss our results for the second quarter of 2024. It's a pleasure to have you here. This event will be held in Portuguese, but it is being simultaneously translated into English. You may access the links to both languages on our Investor Relations website. [Operator Instructions] You may send your questions via e-mail, petroinvest@petrobras.com.br.

We have with us Clarice Coppetti, Executive Director of Corporate Affairs; Claudio Schlosser, Executive Director for Logistics, Trade and Markets; Fernando Melgarejo, Executive Director of Finance and Investor Relations; Mário Spinelli, Executive Director for Governance and Compliance; Mauricio Tolmasquim, Executive Director for Energy Transition and Sustainability; Renata Baruzzi, Executive Director for Engineering Technology and Innovation, Wagner Victer, Executive Director for Production and Processes; and William Francis, Executive Director for Industrial Processes and Products. We also have other executives from the company with us.

We will begin with a video bearing a message of our CEO, Magda Chambriard.

Magda Chambriard

Good morning, everyone. I want to thank investors, analysts and the entire audience that joined us today. Concerning the results of the second quarter of 2024, I can say that they were very solid and occurred as expected. A nonrecurring event, such as the tax agreement with the Ministry of Finance, brought significant advantages to the company and to the Federal Union that were recognized by the market.

Moreover, the strong exchange rate volatility in the period with no impact on the company's cash flow or equity affected our internal accounting impacting the quarterly results. Since our CFO, Fernando will present our results in more detail, highlighting our free cash flow, net income and the recurring and nonrecurring event that influenced our results, I will take this opportunity to talk about the future we envision for our company.

Ladies and gentlemen, our top priority is to pave the way for Petrobras to be enduring and as relevant or even more so to Brazil than it is today. This will only be possible if we continue to grow efficiently and with profitability. This means that we must be agile with full adherence to operational safety, people and established governance rules. We need to be agile in maintaining our track record of replenishing reserves while on the path to net zero, we seek more sources of clean energy.

It's important to note that without the replacement of oil and gas reserves, Petrobras would be doomed to failure. All our achievements have been conquered through technological capabilities and our employees' firm willingness to overcome challenges and surpass the countless difficulties inherent to offshore exploration and production with safety and respect for the environment. These efforts culminated in the transformation of the pre-salt operation into an undeniable wealth for Brazil.

Ladies and gentlemen, although there are still exploration opportunities in the pre-salt and southern -- excuse me, Southeast basins, we cannot forgo the responsible exploration of the Brazilian equatorial margin basins. It is essential for both Petrobras and Brazil that we obtained the license to drill exploratory wells. This is because if the potential of the area is confirmed, our society will see undeniable results in employment and income.

In addition to the equatorial margin, we need to continue exploring the Pelotas Basin, another promising area in the south of Brazil. We're also on the lookout for opportunities in foreign territories, especially in South America and the Atlantic basins of Africa. We recall that last weekend, we discovered natural gas off the coast of Colombia in a block with high potential for new discoveries.

Ladies and gentlemen, it is our agility and skills that will allow us to initiate production this year ahead of schedule at the FPSO Maria Quitéria, in Jubarte field. We have excellent, highly profitable assets, and we will apply all of our expertise to generate more value for our governmental and private shareholders.

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Later this year, we will also initiate operations for the Rota 3 gas pipeline, increasing the supply of pre-salt gas to the Brazilian market. Within this context, we are attentive to opportunities for expanding the gas market, which include its use both as fuel and as raw material. We will seek to resume fertilizer and petrochemical operations, which add value to our natural gas production.

Our long-term vision focuses on investments in E&P and the pursuit of diverse renewable energy sources. These 2 elements are essential to ensure the company's growth and profitability in the coming months. To our investors, we guarantee respect for business logic, transparency and our governance, which is recognized as above average for companies in Brazil including oil companies operating in our country. We guarantee capital discipline and controlled leverage. We ensure that we will do this by considering the investments necessary for the company's growth and the demand from state and private shareholders for dividends. We understand that in this way, we will be contributing to stimulating the country's economy and meeting the expectations of our shareholders.

Lastly, I thank you for your attention and trust and emphasize that we are firmly committed to maintaining an open dialogue with transparency to demonstrate the relevance of the choices we will make to build an even more solid and profitable company. Thank you very much.

Operator

Thank you to Magda, our CEO. We will now begin our presentation on the results for the second quarter of 2024. Our second slide presents our usual disclaimer about forward-looking statements. We will now hand it over to our Financial and Investor Relations Officer, Fernando, who will continue. Go ahead, Fernando.

Fernando Melgarejo

Good morning, everyone. It's a pleasure to have you here with a discussion on our results for the second quarter of 2024. As we just heard, we are in a growth journey. This is our vision. And that's why all of our team here are top brass and our employees have stuck to this journey to become more relevant for our society and provide the right dividends and returns to all stake and shareholders.

Here, we have our operational highlights. I would like to underscore a few of them. We delivered in the first quarter of 2024, the planned production for the first 2 quarters of the year. In the last 12 months, our oil and gas production went up by about 2.4%. The contribution of the pre-salt in the second quarter of 2024 reached 81% of the company's total oil and gas volume. So new production systems will be important for our growth.

Marechal Duque de Caxias has the capacity of producing 180,000 barrels of oil and compressing 12 million cubic meters of gas per day. FPSO Maria Quitéria arrived last Monday and will be redirected to the Jubarte field. It can produce 100,000 barrels of oil and 5 million square -- excuse me, cubic meters of gas per day. Almirante Tamandaré in Buzios has left the shipyard in July and is expected to arrive in Brazil later this year. It will be the first high capacity unit for Petrobras and its potential is 225,000 barrels of oil per day and 12 million cubic meters of gas. It's expected to start operations next year.

All of these units are part of a new generation of more efficient platforms with a nominal capacity of about 400,000 barrels a day, which is 15% of our current production. As you can see, we have good future perspectives, so we can start a new growth cycle.

On refining, we have maintained a high level of processing with a utilization factor above 90% and about 91% to be exact in the second quarter and with the highest sale of byproducts than the previous quarter. We had a better performance with diesel, gasoline, QAV, reaching about 70% of the total volume produced. This demonstrates our continuous efficiency efforts, efficiency and versatility in the processing plants.

Another piece of good news is that processing plants are in the final stage. In August, we will have a milestone for this work, which is starting reverse pressurizing of the pipeline, equalizing the pressure from the deep and shallow layers. They are already in operation. We expect to see the first commercial gas in the third quarter. The ROTA 3 pipeline, which includes OPGN, is strategic for Petrobras and for the entire country, because it will allow 21 million cubic meters of natural gas to be processed, which will increase the offer of natural gas to the Brazilian market, reducing imports of GNS. This was essential for the results we will see on the next slide.

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We sustained consistent results with robust cash generation, reaching the lowest financial debt level since the third quarter of 2008, 16 years ago. And our CapEx increased by 12.5% this quarter in comparison to last year. Later on, we will discuss some events that were excluded from the first half of 2024, which are essentially in accounting and that have only a residual impact to the company's cash. Excluding these events, our net income was USD 5.4 billion, our EBITDA was USD 12 billion and operating cash flow was around USD 10 billion, in line with the previous quarter. We would also like to highlight that this quarter, the ANSA operation resumed allowing the reversal of an impairment loss.

Finally, concerning our contribution to society, we had a 24% increase in tax payments in comparison to the second quarter of 2023. It's always important to highlight that over half of the company's cash generation is being paid back to society. In the second quarter of '24 alone, we had BRL 70 billion in taxes paid to the federal, state and city governments. It's a significant and expressive contribution from the company to all of society.

The next slide shows one-off events that impacted this quarter, especially our accounting results with only a residual cash effect, as we mentioned before. In the second quarter of 2024, we saw a significant exchange rate variation as you were able to see a depreciation of 11% of the Brazilian real versus the U.S. dollar, which led to a negative impact of USD 2.3 billion. It's important to note that this impact took place due to a dollar obligation between Petrobras companies, which does not generate a true effect to our company. This is accounting only.

We also complied to a tax transaction, and this was widely communicated, which resulted in an expense of USD 2.1 billion, and that settled major legal disputes totaling BRL 45 billion. From an economic perspective, this was a very advantageous negotiation for the company and other companies in our industry are also entering this program. We also had other one-off events of about USD 1.3 billion. And this led to an accounting loss of $300 million. Writing off these events, our net income was $5.4 billion, which is the same that we had in the first quarter of 2024.

The next slide shows that we have reached an expressive result in EBITDA and operating cash flow. Excluding these one-off events affecting our quarter, our EBITDA reached $12 billion, in line with what was reported last quarter. Operating cash flow was around USD 10 billion, also in line with the previous quarter. We had a significant change in the foreign scenario, a reduction of 34% in diesel crackspread from $30 in the first quarter to $20 in the second quarter of 2024, and this is per barrel.

Slide 8 shows our cash flow generation. It remained consistent. We had a positive free cash flow of -- excuse me, a positive cash flow generation of $9.1 billion and a positive free cash flow of $6.1 billion. This was enough to sustain our investments and financial investments. We also were able to pay out dividends. Throughout the quarter, as you can see on the right-hand side of the graph, we use our cash to pay -- to pay dividends as approved in the previous quarter of around USD 7.3 billion, including share buybacks. We also made $2.9 billion in investments and made payments of leasings and liabilities of $2 billion.

Net financial debt amortizations were $700 million and financial expenses accounted to $400 million. Also, our CapEx totaled $6.4 billion in the first half of 12% higher than in the first half of '23. We project to end 2024 with investments ranging from USD 13.5 million to USD 14.5 billion, which is an increase of 7% to 15% compared to 2023. It's important to note that this revision has no impact in the company's production curve.

Slide 9 discusses our financial debt. It has reached its lowest level since the third quarter of 2008. We are now $26 billion, a reduction of $2.5 billion versus the previous quarter. Gross debt went down to $59.6 billion. Our cash position is robust and we have reached over $13 billion at the end of the quarter. We concluded the quarter with a spread to the U.S. treasury rate of 2.2%, the lowest in the last years and an average debt maturity of nearly 12 years.

The next slide shows our commitment to shareholder remuneration and financial sustainability. Our Board recently approved dividends and interest on own capital for the second quarter of 2024 of BRL 1.05 per share, which will be paid in 2 equal installments in November and December of 2024. Shareholder remuneration for the second quarter is BRL 14.3 billion, and this includes share buybacks amounting to BRL 700 million and dividends plus interest on capital of BRL 13.6 billion. Our strong cash generation has allowed us to pay these dividends according to our current policy.

The next slide shows an accrued vision for this half in which dividends exceed our results due to these one-off events that had a residual impact on cash. This has allowed us to comply with our shareholder remuneration as we have paid investments, taxes, salaries and so on. So we are using our capital reserve created in 2023 to ensure resources for dividend payments, among other things, helping to balance eventual gaps between cash and earnings. In 2023, our results were above our cash, which was enough to pay dividends and constitute a remuneration reserve.

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This half of the year, we had the opposite situation. So now we are using the reserve for what it was created. To speak in numbers. In the April General Assembly, we approved BRL 21.9 billion to this reserve. And considering we had BRL 27 billion and the available cash of BRL 20 billion, we are using BRL 6.4 billion from our remuneration reserve to paid dividends and interest on our own capital. The balance remains relevant, BRL 15.5 billion.

We continue with the next and final slide. Here, we can see how we were able to have a total shareholder return above the majors. Despite these advances, we still have a gap on enterprise value to EBITDA. This is an opportunity for the company. So we have to continue working to deliver value through growth and profitability with discipline, especially in capital and governance. We see many opportunities for Petrobras. We have profitable projects. We can expand our production, decarbonize it and also provide more value to our shareholders and to Brazil.

This concludes my presentation. And I will now pass it over to Eduardo, who will begin our questions-and-answer session. Thank you, everyone.

Question-and-Answer Session

Operator

Thank you, Fernando, and we'll start the Q&A session. I kindly ask each participant to ask at most two questions so that we can have as many participants asking their questions in the session as possible. The first question comes from Bruno Montanari from Morgan Stanley.

Bruno Montanari

My first question is about the compensation to shareholders and thinking about a decision where we're potentially going to be paying more extraordinary dividends. What's the company's perspective for the best moment to make this decision. Would you wait until the end of the fiscal year? Or could we think about payments after the closing of the first – or the third quarter of 2024, where the cash flow must be very high? And concerning compensation to shareholders of the company concluded very successfully the pilot purchasing program. So what was – how successful was the compensation strategy? Should we expect maybe a bigger buyback program?

And my second question is about international exploration. Could you talk about the strategic fit of potentially diversifying the exploration portfolio. Such as, for instance, in Namibia's basins? And potential disbursements with these acquisitions, are they considered in the investment plan? And my question is because expenses with exploration at up to approximately $1.3 billion. This could be small vis-à-vis some opportunities that we can see such as the case of Namibia, for instance.

Operator

Thank you, Bruno. And I'll ask Fernando to answer these questions. Over to you, Fernando.

Fernando Melgarejo

Thanks, Bruno. I think he mentioned an important aspects that we have to clarify. We've been – a lot has been discussed about that. So I'll take the opportunity to clarify about how the reserve works. Having a reserve does not mean that we have cash flow. It's an accounting reserve. It's different concepts in that regard. The reserve is an accounting provision that's associated to the allocation of profit and in the fiscal years. And we know that there is no perfect correlation between the generation of profit and cash generation. These are different concepts and they can happen differently.

Last quarter, we had a low profit, but we maintained the cash flow generation stable. So I'd like you to understand that when you decide to pay dividends, whatever they are, we consider the company's cash flow and the capacity to generate the flows in the future and not to the reserve. In 2023, Petrobras had more profit than what it paid in dividends, as I showed in the presentation, and that's why it created a BRL 21.9 billion reserve and the opposite happened in the second quarter due to losses of the quarter due to exclusive items associated to a strong cash flow generation. We use the reserve to subsidize payments.

By the way, I wish to remind you that this possible mismatch between the profit and cash flow were served as a motivation for the creation of the reserve in 2023. If we didn't have a reserve today, we – it would be difficult to pay the quarterly dividends for us since our dividends amounted to BRL 27 billion and the profit was BRL 20 billion. It's a difference of approximately BRL 6 billion, and that's why we resorted to the reserve about the decision to us.

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It's just natural to assess it when we approved the strategic planning once the extraordinary payments depend on future flows and not the capital compensation reserve – and to highlight the decision to use the reserve yesterday will not affect our capacity to pay the extraordinary dividends. About the buyback program, we have had no formal discussion about that. We completed the program in August at almost $1 billion. And what we're doing now, I ask my team to assess the real effectiveness and efficiency of the capital for that operation.

To your second question about Namibia. Our intention is to diversify the portfolio and that's a key for the growth of the company. And as a reminder, the – according to the current strategic planning, we have an expectation to reduce production as of 2030. I consider that, that's far from ideal. And therefore, we need to make efforts in Brazil or in the equatorial margin in [Pelotas] Basin or abroad to have an adequate profile for long-term production. And I want to emphasize that we'll only enter into agreements at adequate prices, we want to generate value with our experience in deep waters.

About the CapEx, as you mentioned, we have not published how much we have allocated for bids and et cetera, because that's business secret. But from a practical perspective, the lack of allocation will not prevent us from leveraging opportunities. Of course, we'll assess every opportunity we have as long as they adequately reflect the allocation of capital. We just need to keep the yearly budget stable.

Operator

Now Vicente from Bradesco.

Vicente Neto

I have two questions. We're now entering a period of higher demand for diesel. And apparently, Russia, is prioritizing the supply of other markets. I think the shipments to Brazil are decreasing. What's Petrobras' strategy to supply diesel to Brazil in the third quarter? Are you going to work along with other importers or not?

The second question, I'd like to understand, from a technical standpoint, 1 based the decisions to change the E&P agency? Can we expect anything different or the development programs, especially if we think about costs?

Operator

Well, I'll ask Director, Schlosser to answer your first question. Schlosser, please.

Claudio Schlosser

Vicente, you did a perfect analysis. We have a seasonality in the second half of the year, which is related to an additional consumption of diesel, whether it is to the crops in Brazil or due to stock formation in the north. So there is bigger pressure on diesel definitely. And about the supply, Petrobras is not the only company that supplies to Brazil. We have a private refineries, petrochemical companies. We have importers that also operate in this market.

So let's talk about planning. What we do is a multi-annual planning knowing that there is a certain seasonality and it is recurrent every year, our plan already provides for a series of measures. The most important one is about the downtimes, the maintenance downtimes, we try to allocate them to periods where the demand is a little lower, like January, for instance. We also do active management of our inventories. So knowing about this demand fluctuation, we try to take advantage from our experts of byproducts to Asia. And we also -- using the backward shipping, we also sent back diesel to replenish the inventories. And you also talked about the Russian diesel and its partization by the domestic market. We do not import diesel from Russia. So it will not affect our plans. We're fully prepared to cater to the demands of our customers.

Unidentified Company Representative

Good morning. Vicente, it's a pleasure to speak to you and everybody that's watching this conversation. Well, from the perspective of forming new teams in the exploration and production department, we have decided to replace some executive managers. But Petrobras has a very solid process whereby it educates and trains its workforce. So historically speaking, it has always trained excellent workers. The new director and she is the one that makes the decisions about the new management positions, especially the executive managers and general managers. She is a geologist with 40-year experience, and she participated in many discoveries of the company.

And the fact that the company selected her for this position in itself indicates that the company wishes to expand its portfolio of reserves. And when she sets up a team, she chooses experienced professionals and basically come from the technical staff of the company. If we take, for instance, the 2 new representatives of deep and ultra-deep waters. One of them will remain in its position, [Paula Marinho], that's been with the company for 20 years and Cesar has been with the company for 22 years.

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If you talk about E&P, there is [indiscernible] geologist externally renowned with a 37-year experience with the company. [indiscernible] that's replacing Bruno, he is also an acknowledged professional in several areas. He's a professor in several departments and he has 21 years of experience. [indiscernible] have a 37-year experience and Bruno, he has a 20-year experience. Professor Eduardo, that he has been working as a consultant to the presidency, has a fantastic experience the PhD and he is, for reference, not only for the internal market, but also for the foreign market.

So it's an extremely robust team and a very solid one. And we basically have professionals with long-term experience. And if we draw a parallel with the law of SAs in Article 17, they can certainly occupy positions as directors or hire in any state-owned company of Brazil. So it's a very robust team that's been widely discussed by Director, Silva and President, Magda.

About Buzios, to your point, I spent this morning at our operations center already. And right now, we have a platform with program to downtime, and we're producing thousands of barrels of oil and will reach a record-breaking production that's in excess of 800,000 barrels, and we expect to ramp up from Admiral Barroso, we received authorization for additional production vis-a-vis the original project. And so -- with the arrival of Admiral Tamandaré that's underway. It left China a week ago, we are going to incorporate a big platform to the Buzios system with a processing plant of 225 barrels.

So what we have ahead of us is extremely promising, especially for Buzios. As soon as the platform arrives, we're thinking about initiating an internal motivational process to move towards 1 million barrels of oil in Buzios within a time frame that's to be defined. So it's quite promising with robust teams, with extremely acknowledged professionals, especially with deep knowledge about the market trained by Petrobras, and that's acknowledged by the internal body of the company.

Operator

On to the next question from Pedro Soares, BTG Pactual.

Pedro Soares

I have two questions. The first question goes to Fernando. I think you were very clear when you explained that extraordinary dividends are not attached your decision about them is not attached to the reserve itself, but rather the cash flow of the company in the context of what you forecast for investments. So maybe you could explain to us what you imagine for an ideal cash flow for the company, to the $13 billion seem to be above or below so that we can try to have a better understanding about the expectations for the extraordinary moving forward given that your investments are apparently very well funded by the quarterly cash flow generation?

And about production, I'd like to hear from you about the July production levels. We're a bit in the dark as it were with the daily information from ANP and also how long will it take us to normalize and to go back to normal in the exit rate for 2024? That's it.

Operator

Thanks, Pedro. First, I'll give the floor to Victer, who will talk about production and then Fernando. We'll talk about the cash flow.

Wagner Victer

Well, about production, we're working within the projected levels, and this is our perspective up until the end of the year to work within the limits of our business plan at 3.8 billion oil equivalents. We're within average. And we'll certainly attempt to remain as such up until the end of the year. We really had a few hindrances to the production curve forecast for July, a few downtimes that are being postponed, like I said, the P74 and some occurrences, some incidents that we had that we are correcting. We had a downtime at Peak 38 due to an unforeseen problem. The measures are being taken, and we are in the process of recovery. And I believe that in 30 or 45 days, that will go back to normal.

P53, also was faced a problem and it's being solved. And P53 ANP is being solved already. And we also had from [indiscernible] at [indiscernible]. So these issues will be compensated. They've already been considered according to our expectations. And of course, we always work within the margins of our business plan. As I said, we also have positive perspectives for production, not only July, but also next year. Also, based on our risk department, especially this growth that we're having at Almirante Barroso.

With Almirante Barroso, there's also the arrival of Maria Quitéria to the Jubarte field. We'll probably anticipate that vis-a-vis the previously existing business plan, Maria Quitéria is already moving to its location in Espírito Santo, and there's Admiral Tamandaré that's arriving and we'll make every effort with the team to anticipate that vis-a-vis the business plan. So we did have some incidents that were, of course, unforeseen -- and that's just part of our activity, our relationship with the control agencies and to maintain the safety levels. That's fundamental. But we also had positive incidents that will put us back on track.

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Fernando Melgarejo

Well, about the optimal or optimized cash flow. Thanks for the question. I think this is a discussion that at finance in the finance department of any institution, we're constantly discussing. It's a living organism that depends on the current scenario and the investment scenario, if you're divesting or investing or if you're going through a flat period inside the company, all of that interferes with the ideal cash flow size that we will try to achieve for the company that we call an optimized cash flow. Of course, this is not an accurate number. We always work with a range, and we use every piece of information we have in terms of flows, inflows, outflows.

Strategic planning is an important input that we need to have access to because this is what generates the biggest outflow. There's also the operational resources. So we feed all of that into a modeling, and we add stress situation data and its size is a size that's able to support to withstand high impact in unexpected events with low probability. So high impact low probability event needs to be – you have to be able to have a plan that will allow you to have enough cash flow to withstand that situation.

You're talking about the tail of the curve statistically speaking, and these tests have been modeled very robustly at Petrobras. When I came to Petrobras, I was dedicated to understanding that. I was truly happy about the modeling that we have, and it's in the sense that we're trying to achieve that. The curve has reached 13.5% now, and there were some points in the past where we reached [8 million]. And we have a metric which is number that we don't publish, but we're – we understand that optimization is not working 100% yet, but by 2025, we're going to get there.

Operator

Gabriel Barra from Citi.

Gabriel Barra

So I'm going to focus on my two questions. Picking up on the conversation about internationalization. A lot has been said about licensing and Magda, she mentioned that the equatorial margin in Pelotas are very important for the company, but we've been seeing some delays in obtaining the licenses. And my question is would internationalization be a B plan to mitigate these impacts or delays regarding Pelotas or is it a structural plan of the company? And if so, how should we think about it moving forward?

And about CapEx, maybe that's a question that received this morning. There's a lot of questions about the shape of the curve of investments. If there was a decrease in the guidance for this year and if -- without a decrease in production or that have a little bit more fast than it should or do the company gain efficiency over time, and it's now adjusting for it?

So it's two questions, actually. One, if we look at the lower CapEx, could we -- would that be postponed to next year? Or is it really an efficiency gain? And the shape of the curve of investments moving forward, should that be modified given that we're being more conservative in terms of the investment plans of the company, especially about the upstream and how would that communicate with a slightly tighter industry in terms of contracting FPSOs and vessels? And how can we expedite that in the next few years? Those are my questions.

Operator

So I'll give the floor to Fernando about CapEx and maybe Victer.

Fernando Melgarejo

Thank you, Gabriel. Our plan last year was really $18.5 billion. And now it's between $13.5 billion and $14.5 billion, but it's still too early. We're still in the middle of the strategic plan. It's still early to accurately say what the final amount is going to be. What I can tell you is that we're going to try to deliver a CapEx that's realistic and that provides growth for the company. Our CapEx for this year is higher than the CapEx for last year. And certainly, the one for next year is going to be higher than this year's CapEx. I can guarantee that to you. And we need our plan and that's what we are trying to do. But we need to have an efficient and effective CapEx that brings about an increase to our production curve.

And now talking about the latest news and licensing, it's just obvious that our strategy is to focus on the replacement of reserves. We've been declaring that President Magda, since she arrived, she's been talking about the replacement of reserves. We are not comfortable with the previous strategic planning that shows a reduction as of 2030. So we're trying to revert that. So each drop of oil matters to us, and that's why we're going to analyze any opportunity that is economically feasible. It needs to bring about generation of value to the shareholders.

About the equatorial margin, of course, the fewer opportunities we have in Brazil the greater the need to go international. Of course, if you want to supply the energy needs of the country, you need to go beyond our orders, and we will do that if necessary, with the purpose of catering to the domestic demand for electricity at least.

And I'd like to reinforce the importance of the equatorial margin. We'll move forward with the licensing process. It's a moment for exploration, not production, but our expectation is pretty high. We're pretty optimistic about the exploration and that we will have a positive production and about the licenses. We are also quite positive in that we are very close to being granted the licenses, and we feel optimistic that's as it should be, right? And Victer, do you want to add anything?

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Wagner Victer

Yes. Certainly, what I would like to add is that last year -- last week, we had a meeting -- and when we start talking about the behavior of CapEx, vis-a-vis the planned CapEx, we had this meeting, and we opened the curve. So when we analyze the CapEx you can analyze it as a whole or for specific periods, and we started opening up the curves platform by platform, including Buzios. And we saw that sometimes the physical progress is a much higher than the current progress, as Gabriel said, it could be seen as a gain of efficiency.

So oftentimes, the fact that the CapEx is a bit lower, this does not always represent a delay related to the process. There is also a way to recompose the acceleration of the CapEx. But what we can see platform by platform is that we have the physical behavior of the platform. And of course, the deadlines are readjusted for each review of the business plan, but the behavior of the physical curve is above that of the financial curve.

Of course, this learning will be used in the future for new bidding rounds, because we effectively always attempts to have a physical behavior very close to that of the financial behavior, which influences the future prices and all that. And Director, Renata can also maybe add something about the meeting.

Renata Baruzzi

Good morning, and I want to thank everybody that's attending. Like Victer said, the most important factor preventing us from realizing the CapEx was this mismatch between the financial payment with the physical milestones. We're adjusting that, and that will not get in the way of the first period. The another thing that happened was that we postponed signing the contracts of the new projects, they're outside of the horizon or the plan. They're only for 2029 and 2030, and they will not impact the oil curve now.

Another aspect that had an impact on the CapEx was that we have a pool of rigs and this pool of rigs caters to the needs of the CapEx and OpEx and the allocation of these rigs occurs by analyzing the best results for the company. And we had planned much more specifically for the CapEx, but there was an opportunity around wealth maintenance, and we could get more oil now. So we reallocated that from CapEx to OpEx.

Another thing that had an impact on the CapEx was the postponement of downtimes in refineries. We're having construction works at RNEST, and we're going to have to have some downtimes for RNEST and the – in order for us not to have 2 downtimes at the refinery, we postponed the first downtime to coincide it with the beginning of the construction works for next year.

So those were the reasons. There is no impact on the oil curve for this year. But the opposite, we're being able to anticipate Maria Quitéria as you all saw and it's already in Brazil, it has already gone through customs and it will probably go to the location in the next few days, and then it will be ready for anchoring and line connection so that we extract the first oil. And as Victer has said, Almirante Tamandaré is already on its way to Brazil, and we will make every effort to be able to anticipate or to move its production forward.

Basically, that's what I had. I don't know if you have any more comments.

Operator

Thank you, Victer, and thank you, Fernando. Let's continue with the next question from Luiz Carvalho.

Luiz Carvalho

Congratulations on your results. I have a couple of questions. The first is for Fernando. So let's go back to the capital allocation point. I'd just like to talk about rebalancing M&As. You're a minimal cash position that you mentioned before and your gross debt I dividends.

As Director Victer mentioned, the company has 4 units effective that will be brought into the line in the next months. And the debt for them would need to go into the balance. So if the company temporarily goes beyond its gross debt limit set by the planned $65 billion, would it still be possible to pay dividends according to your 45% policy in the cash flow? And how would that impact the possibility of paying out the extraordinary dividends from 2023.

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My second question is about M&As. You've discussed this, but I'd like to ask about RLAM. So how are the discussions going on a transaction there? Would you intend to have controls? Would you see a possibility of having a minority stake? Would you wait for the CADE for approval? And how do you deal with these M&A disbursements and the potential for dividend payouts?

Operator

Thank you, Luiz. Fernando will answer your first question. Go ahead, Fernando.

Fernando Melgarejo

Thank you, Luiz. Well, it's important to clarify that ordinary dividends are mandatory. We have a policy that given the 3 conditions we set, which are having a positive accumulated result, debt under $65 billion and sustainability in the company, then dividends can be paid out. But the policy is set by CA. So if we had an excess debt, then we could look into it and see what is the company's cash conditions. If this is a temporary situation or if it's structural, and then we can propose payments.

But Luis, I want to ensure -- assure you that we don't expect our model, which is quite robust even with random simulations. None of it says that we would go over BRL 65 billion in debt -- or excuse me, $65 billion in debt. So we feel very confident and saying that there's really no risk of not having ordinary dividend payouts. For the remainder of the extraordinary payouts, we will need to study this during our strategic plan. That's when we'll have a better view of how much financing our investments require, what will be our availability for cash, how robust our risk models will be and that will ensure that the company is sustainable.

William da Silva

Hi, everyone. This is William. Thank you for being here. Regarding our refinery in Bahia. I'm happy that you mentioned its name because it's 1 of the most significant refineries in the country's history. So yes, we are speaking to the [indiscernible] group, about 2 things. First, a possible partnership. We don't know what percentage we would have with RLAM. And there's also a biorefinery plant that can be built next to the refinery. And that's a possible partnership.

About the refinery itself, we're concluding our due diligence process, evaluation, of course, looking at economic viability, integration and the synergy with our refineries, so that in the right moment, we can make a proposal for the [indiscernible] Group. So we are concluding with our due diligence so that at the right time, we can make a proposal, and things are going well.

If I can add to that answer, the importance of always – it's important to always refer back to something. It was the company that initiated us, they came to Petrobras with a possible joint business. But what does that mean? That means that any societal possibility can happen. Nothing is set in stone. What is important here is what will give us the best return for our shareholders, the best capital allocation. That is what matters.

Operator

Thank you, Fernando. Thank you, William. The next question will be asked by Regis Cardoso from XP.

Regis Cardoso

Hi, everyone. So I'll start with a question on RLAM. And I'd also like to ask what is the rational for Petrobras to buy it back? And would you need an approval from the CADE, considering that this refinery was listed as a divestment. I know that the our refinery changed significantly. It was upgraded. So if you could tell us a little bit more about what's changed and there's also a green refinement process -- refining process there that I think you can mention? Basically, I would like to ask about RLAM.

And a different question would be about the integrity of the pre-salt. There are some platforms in the Tupi and Sapinhoa fields that have been producing for more than 10 years. So if you could tell us a little bit about maintenance, system integrity, do you have a measurement, have you assessed how much the utilization rate has changed and what about maintenance or life extension. If you could tell us a little bit more about that?

Unidentified Company Representative

Thank you, Regis. I'm going to pass this question to Dr. William and the rest of the team will answer your second question.

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William da Silva

Okay. Let me begin before I pass it over to Fernando. So there was no material change. We -- RLAM is working with the same hardware. There were some investments, but this was just regular downtimes. With the catalyst unit, that's the conversion unit that reduces residue and increases high-octane gasoline production and also dredging, early dredging in the channel that would allow bigger vessels to come in and makes the refinery more flexible.

But there was no significant change. We continue with the same hardware. Concerning the rationale. I'll pass it over to Fernando, but I can say that we are working with some synergy, not only integrating refineries, but you know that there's a lot of synergy between petrochemicals and refining. Over to Fernando.

Fernando Melgarejo

Yes, this synergy is very important to consider in our rationale. If these synergies are captured and if we understand that this is a good deal, we're talking about a profitable business that will generate results and value for our shareholders. And this is the goal since I was invited by Magda to start it. We've always been business-minded and we're obviously looking at the social, environmental and governance aspects. But if it makes sense, if synergies are captured and if the right price is set, then why shouldn't we do it?

Any deal, if it has the right ESG aspects, the right price and if it generates values -- value for our shareholders and for Brazilian society, we will analyze it.

Magda Chambriard

Thank you for your question. I think that's a great question that allows us to explain a couple of things. Most of our production is in pre-salt layer. So this concern about the future of pre-salt is very important for the company, for our shareholders and the entire market. Pre-salt does not only contribute to the company's results but also to society and to our shareholders with special participations and royalties. We have a very robust system to manage.

Our reserves, the flexibility between the injection of air -- excuse me, water or gas, we're very close to the wells, but there are a few conditions that ensure that this will continue in the future. First, you mentioned Tupi, so we have very experienced partners. This discussion is not only happening within the company. We're discussing it with partners in this process. So this contribution is very important.

We're reinforcing our teams with engineers. We have about 140 reserve engineers. We've contracted 30 more engineers. They are usually the people who analyze this entire process and the entire lifespan. And it takes about 10 years to train one. So we're investing to assess 4D seismic, and that's the traditional 3D seismic analysis with a fourth dimension, which is time.

So this allows you to have the best management of your reserves. But above all, we have something that is unique to the company's history. We have 2 executive managers, which are very experienced, who are reserve engineers. One of them is [indiscernible], who is our Executive Manager.

But we have something that is different. We have a CEO who is a reserve engineer, and that's very interesting. I'll tell you something. This week before we had a meeting and I brought in engineers from basically all of our areas with the CEO. It was a 3-hour meeting and the level of details, our CEO is not simply a reserve engineer, but she actually worked in regulations and it really demonstrated how much our teams are aligned in managing our reserves and how we will have more requirements there because this -- in this meeting, we were very firm. It was long.

We had teams from [indiscernible] and everyone else and the entire team went in deep into the topic. I don't think that in our history, we have ever been as aligned as we are right now. So that makes us very confident with the teams we have, especially due to how skillful our leaders here are at that.

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So I'm very happy and proud to tell you that we have a very close technical alignment, especially in this area, which is essential for the company's future.

William da Silva

Magda, this is William. I just want to add and say that she's also a -- she has a Master's in Chemical Engineering. So in different areas of the process, we have a lot of requirements. Yes. And she is also very detail-oriented in her requirements. It's not just an engineer who looks at a spreadsheet. She is an engineer that really understand things and is demanding, and that's important because it drives teams, and it shows them that they are being supervised from the top.

Recently, she visited our COE, our integrated operations center, and she spoke to our representatives who are there 24/7. So each of our fields, each of our operations centers has an engineer 24/7 to manage that field and to extract as much as we can. And that, of course, will be the company's future.

Unidentified Company Representative

The next questions come from Caio Ribeiro from Bank of America.

Caio Ribeiro

Well, first, Petrobras. You were talking about some of the possible purchasing of assets of renewable energy and can you give us an idea about that? Has anything changed regarding the timing and the magnitude of the projects?

And secondly, Petrobras clearly has a very robust process to approve new investments and clearly, we can see a greater appetite for accelerating and increasing investments and we were talking about the strategic plans. Do you plan to -- do you intend to implement any changes to this process, this investment process? Or do you consider the current process an ideal process?

Unidentified Company Representative

Director, Tolmasquim and Fernando can answer your questions.

Mauricio Tolmasquim

Thank you for your question, Caio. Well, Caio, as you know, we have two main type of investments, the M&As and the internally generated investments. Your question focuses more on M&As. When it comes to M&A, we're focusing on platforms, the M&As are currently much more connected to onshore wind power, albeit not exclusively. So the idea is to have investment platforms. And what are those about? They're about finding partners, large-sized partners that are highly experienced with a project portfolio that may be underway or even greenfield projects or projects under construction so that we can establish a partnership. So the idea here is that it's 50% of Petrobras' participation and 50% from the partner, but that could be negotiated.

And to start this analysis, the Board of Directors have to approve the analysis of this opportunity. They have to approve the opportunity for it to be taken into the portfolio. And the Board has approved 5 potential platforms to be added to the portfolio and they amount to more than 3 gigawatt capacity. Our goal for the plan was to achieve a 5-year period with 5 gigawatts in terms of the renewable projects. One of these 5 platforms after an authorization from the Board, we presented a nonbinding offer -- but as is common with these negotiations, we did not execute the agreement with them.

So now we have 4 being analyzed and under negotiation and I know that people expect us to communicate that, but it can only be communicated if we really close the deal, and that will be part of the process, of course. In addition to the 4 under analysis, there are other big companies and we're also thinking about bringing them into the portfolio. So the M&A model we're working on is that one and in terms of organic investments or internally generated opportunities, we have a portfolio with 4 pilot projects and 10 projects that we're analyzing for opportunities and they encompass CCOS, hydrogen and whatnot.

So I mean, it's other types of projects, but I understand that this is not the focus of your question. And still on M&A. Over the last few months, we've been seeing a certain improvement in the prices of energy in the market, both solar and wind, which makes it more interesting and easier for us to close these deals, if that's the case.

Fernando Melgarejo

To move to the next question. So, we don't intend to make any changes to the methodologies or to the governance, like the President said, actually, we've been an example of governance among the domestic companies, and we intend to maintain governance as it is. It's robust. It's adequate. It provides robustness to our materials and possible scenarios. So we don't intend to make any changes to the governance at all. We want actually to keep on doing what we're doing.

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What we did create at the company with the arrival of the new President, was a department that intends to improve the company's interfaces across its different departments. So that's our main focus. These interfaces and Victer is the officer in charge, he is Interim Director right now, and he is in charge of achieving this internal synergy.

The interfaces need to be perfected if we want to be able to generate the required speed and energy to expedite our plans in this growth trajectory so that there is no drop in our oil reserves.

I agree. The integration process is following very strictly our internal governance principles. Of course, there's always opportunities for improvement in any organization, and that's what we permanently try to achieve.

Unidentified Company Representative

Next questions come from Lilyanna Yang from HSBC.

Lilyanna Yang

I have three questions, if you allow me. The first one about the supply chain. Could you please share with us your perspective about the global supply chain and the need for local suppliers. What's the role of Petrobras in developing the domestic naval industry and guaranteeing more efficient deliveries at fair prices.

And I understand that the company's focus moving forward would be more upstream-centered. But what are Petrobras' opportunities of investment in downstream and energy transition. You did touch upon fertilizers and generation of electricity, but petrochemicals or fuel distribution, for instance.

And along the same lines, do you see any needs to changed the governance for the approval of acquisition processes, especially for -- due to the requirement of positive VPL for the [indiscernible] projects, given that Petrobras just changed this internal regulation for the statutory committees that subsidize the administrative committee.

And the third and last question is if you expect to issue debts moving forward? Or do you intend to leave a room in the balance sheet for debts that come with the production platform so that your reference cap of $65 billion in terms of the raw debt is not exceeded. Those are my questions.

Unidentified Company Representative

Thanks. Director, Renata.

Unidentified Company Representative

Concerning [indiscernible], first, I want to highlight that any company prefers to have local suppliers and suppliers that are close to them. This makes it much easier for us to have a relationship with our vendors, the possibility to be close to them. So -- we do intend to be closer to our suppliers and to understand their needs and difficulties so that we can adjust if necessary, our hiring formats so that we can add more and more domestic vendors to our database. And of course, we must always follow our governance principles, and it must be advantageous for Petrobras.

Otherwise, it won't make any sense. So we will work on developing this portfolio of suppliers as it's extremely favorable to have the suppliers close to us. We've been working with the prequalification of certain suppliers. We've been working very closely with Director Spinelli concerning aspects related to governance. And we are trying to recover our market with some different hiring strategies to allow smaller companies to provide smaller packages until they become strong enough and big enough to get involved in bigger projects in the future.

So yes, we do have some difficulty with suppliers and it is not restricted to Brazil. We have problems related to suppliers abroad as well. Yesterday, I had a meeting with the company, I have been having lots of meetings myself to understand the difficulties of our suppliers. And they said that after the war in Ukraine and now with the conflicts in the Middle East, the number of purchases from their customers has skyrocketed because other companies are having to develop their own infrastructure to support their demand since it's not catered to either by Ukraine or the Middle East.

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So the global market is quite busy. And in Brazil, we're trying hard to recover our suppliers.

Unidentified Company Representative

Well, that's a very good question because after COVID and after the crisis, like the war in the Ukraine, that had an impact on several suppliers that provided services to [indiscernible] abroad, the world started rethinking its global change and, of course, looking for a change that bring about lower risk to their supplies.

The Brazilian industry is based on a principle created by a law from 1997 that was celebrated in the first auction from 1999 that we should focus on local content. So it's not simply something that's up to the company to do but rather, it's regulated by law.

And Petrobras has been managing that very effectively in terms of production development and for every subsea activity. We have a very competitive subsea industry. Last week, we were discussing that with Renata and Sylvia talking about expanding the production capacity of flexible lines and adding new technologies in Brazil. And we do that in a way that's extremely advantageous, especially because our manufacturers are already exporting to other countries, not only flexible lines, but also many faults [indiscernible] downturn.

Now it's recovering again, but of course, that is being observed in the industry as a whole. And a good example of a local content and local developments associated with the technology is [indiscernible], which is a technology that was developed by [indiscernible] at Petrobras applied to the E&P activities, which is hugely innovative that will allow us to have great gains in terms of reducing waste on top sides and platforms, and it's being done here in Brazil, a very disruptive technology developed by [indiscernible] by engineered [indiscernible] that led the process.

But fundamentally speaking, we are able to develop it very close to us here in Rio. So these are very positive examples. And this is not merely a requirement for us, but also a business strategy that major oil companies will adopt, especially in Brazil because in Brazil, we developed over the course of decades, a very competitive local industry.

Unidentified Company Representative

I'll pass it over to Fernando. Thank you, and he's going to tell us about that.

Fernando Melgarejo

Okay. So as I said before, there are no changes in governance, metrics, foreseen. Obviously, we want to perfect our process, as we mentioned before, and this happens all the time. But in CapEx and OpEx, this is a company perspective. So in CapEx, we are trying to seek efficiency -- excuse me, in OpEx, we're trying to increase efficiency and in CapEx to get better returns on the capital we are allocating.

So we are doing things by the book according to the best financial practices, and this goes through everything, OpEx, CapEx, purchases and whatever. About new paths forward I don't know if this question has been answered, but we want to find opportunities that have the right levels of return. If they do, we will pursue them. Our focus, as we've been seeing, is EP.

EP provides the results and -- it's with these results that we're going to have resources to do the energy transition that we need at the right time according to the development that our society needs and that companies are developing new technologies.

Unidentified Company Representative

Thank you, Fernando. I'll pass it over to Rodrigo Almeida from Santander.

Rodrigo Almeida

I'd like to refer back to the topic of the last question and connects to maintaining the gross debt within limits and liability management. I'm referring back to that point of should Petrobras be more active in bonds and rolling out the debt bank and then that's expiring or coming to term in the next quarters. Are there any studies to do that for your gross debt?

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And also, I would like to understand what you're thinking when you assess M&As, are there any M&As that can bring any gross debt into the company? So for example, RLAM, we know that its corporate tax number has some gross debt between $5 billion and $6 billion, so how do you assess this kind of M&A if it is including a significant gross debt to your balance?

And my next question is about the gas and power segment. I'd like to understand a bit more about how you are rebuilding your client portfolio in gas and electric power. So what should we expect for the next quarters?

Unidentified Company Representative

Thank you, Rodrigo. I'll ask -- I'll answer your second question with Dr. Tolmasquim, and then Fernando will answer your first question. Go ahead, Tolmasquim.

Mauricio Tolmasquim

Thank you, Rodrigo. Well, we had a reduction in the demand for gas in Brazil overall because there was a reduction in the use of thermal power. But this is now going the opposite way. We're seeing thermal plants being used, but we have a new reality now.

We currently have 15 gas suppliers competing with Petrobras, which is very different from what we had before. Despite all of that, we have a very aggressive policy to maintain our market. And despite having 15 competitors, we have 70% of the market. So we are competing freely.

So how do we maintain this market? We created a new product. So in the second quarter of 2024, we created a premium for performance for our distribution companies. As we announced, this means that you have a discount of 10% on price if your consumption is above 60%. So with that, we were able to attract many distributors to have contracts with us. We had an interesting situation. I'm not going to mention anything -- any details, but there was a client that had a contract with us a long time ago, GME that they thought was advantageous. And now if they are buying from Petrobras, they would be having much lower prices than they had in this deal some time ago.

So our policy is to maintain our clients and maintain, of course responsible prices. The other policy we have is very aggressive. And our intention is to capture free consumers to this market. This has attracted the industry. We've announced a number of contracts with CSN, Gerdau. I can't tell you names, but we have a very significant queue of major companies that are about to close a deal.

We also have some perspectives, and again, I can't give you many details, but we are going to launch competitive products with cheaper gas like from Rota 3 and so on. So this gives us a competitive advantage.

Regarding energy, so really, there are many thermal plants that were recently removed from the contract. So we're looking at the capacity tender or bid tender that the ministry has announced. And our aim is not only to recontract them but eventually, we hope to have a new thermal plant to -- for this market. So we're looking at this carefully, and we have a lot of hope and expectations that this bid tender will happen, especially with the plants we already have built, we have a very big competitive advantage because a part of the investments have already been -- have already gone through amortization. So we have a good possibility to be competitive in this bid tender. Thank you.

Unidentified Company Representative

Thank you, Tolmasquim. I'll pass it over to Director, Fernando, who will discuss your other questions.

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Fernando Melgarejo

Okay. So I think we have given some details on ideal cash levels. This is approved according to our strategic plan and according to the needs we may have due to how financeable projects are. I usually work with minimal cash or I have good projects that generate value for our shareholders or I need to distribute this as ordinary or extraordinary dividends. And also having idle cash in the company has a cost in availability. So this is not what we're seeking.

About issuing debt, extending debt and advancing payments, this is what our managers have been looking at, and they've been awarded for it. So they're seeking opportunities that will make our debt come to the lowest level possible. We have the best spread in government bonds in the last years, we presented this in the company, and this is a part of our daily work. Our idea is to continue being efficient and recognized by the market.

Unidentified Company Representative

Thank you, Fernando. Let's continue with Rodolfo Angele's question from JPMorgan.

Rodolfo Angele

I'll ask a single question. I know we've been here for a long time. I just want to refer back to dividends again. We've mentioned several things here, but I just want to understand if I got it right.

What I heard from you is that extraordinary dividends will be based on perception and the company's cash generation and that includes CapEx and your strategic plan. So whenever you have a better understanding of the strategic plan, you might announce extraordinary dividends. What I want to be sure of is this, let's imagine that something happens and the company generates far more cash than was expected for any reason when that was not planned for. So that could be a situation in which you would have some space to pay extraordinary dividends. So is that a possibility?

Can you really make an extraordinary payout at any moment?

Fernando Melgarejo

A decision on extraordinary payouts, as you mentioned, will depend on our future cash generation possibilities and our current cash, considering our investments and our strategic plans. If we find cash for it above what we need. And again, I'd like to say that we do things by the book. So cash above what is necessary for a company has a cost and we're trying to be more efficient. So if we find any availability or any possibility or the possibility to make extraordinary payouts, then we will. The most appropriate thing is to have good -- a good strategical plan, a good volume that can reflect our strategic plan on the short term and then take these values, if possible as soon as we can. That means that we haven't ruled out an extraordinary dividend payout for 2024.

Unidentified Company Representative

Thank you, Fernando. And thank you, Rodolfo, for that question. The next question will be asked by Bruno Amorim.

Bruno Amorim

I have two quick ones. First, referring back to the potential M&A with RLAM. You mentioned that you might see some synergy in these assets to what you do. If you could give us some more details on that, what synergies do you believe can happen? Would it be upstream with the current refining structure that you have? And what is your current projected projection for next year? Licenses have been delayed by Ibama, and how much does that affect you for 2025? And when will Ibama go back to its regular pace so that we don't see any impact to your 2025 production?

Unidentified Company Representative

Director William can start and Director of Victer can complement that.

William da Silva

Thanks for your question. This is William. Well, there are several different synergies. I'm going to give you a typical example of a refinery that's close to us. It's Reduc. It has a lot of synergy, for instance, with Braskem exchanging raw materials, they are propane and [indiscernible] and cracker, there is a leftover of hydrogen, which supplements our hydrogen needs for refinement, especially for the production of gasoline and low-sulfur diesel.

So there's several different synergies in terms of logistics and at RLAM, for instance, there is also a synergy with Braskem and actually, more than that, there is a logistics synergy inside Petrobras, when we had RLAM, we used to leverage these synergies in exchanging byproducts during scheduled and unscheduled downtimes that would prevent us from leaving some markets without supplies in [indiscernible] for instance, when they had a downtime, they would be supplied by other refineries.

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So there are several different synergies across the refineries among other synergies. Another example before I give the floor to Fernando. At the [indiscernible] where we have a PGM that will produce natural gas and C2+, which is a very important raw material for petrochemicals and that will give us the possibility to have a pad plant or maybe depending on our negotiations, maybe even expanding Braskem and Rio de Janeiro using these raw materials. Fernando, over to you.

Fernando Melgarejo

Well, I think you covered it.

Unidentified Company Representative

Thank you. Victer?

Unidentified Company Representative

Well, the question about Ibama is very important. First, I want to highlight the efforts of Director, Clarice and her team and I've been monitoring that for a long time. The licensing process. Actually has a very robust, very competent team [indiscernible] and Director Clarice are frequently managing that very closely with Ibama. President Magda, she had a meeting with directors, Clarice and Sylvia recently in Brasilia to expedite not in E&P except for the license of the equatorial margin, which is something that we have to achieve. But basically, for the -- it's not licenses, but it's actually authorizations that the environmental licensing agency requires you to have so that you can be sure that the process is being strictly followed.

There was a strike at Ibama and that impacted our curve this year, 2% -- by 2%. However, this 2% impact is being offset within our margin, which is 2.8 billion barrels of oil equivalent. So it's absorbed by our margin.

And of course, Ibama is working normally and it will produce positive results. We will continue to collaborate with them for H2 and for the next years. Yesterday, at the end of the day, we were told that we were given the license for the Anita Garibaldi FPSO that was something that was among our liabilities and Director of Clarice was working on it, but the Sepetiba is still pending. And we also received important authorizations, the expansion of the production capacity of Almirante Barroso vessel that was issued by Ibama.

So yes, it does have an impact. It was discussed by our Investor Relations area, but it's absorbed by our plans, and we do expect to see these issues solved very soon, not only those related to Ibama but also to the national oil agency. Because it's not impacting only Petrobras and its investors, but also society. Because, of course, if a field is not working, you have a delay in the payment of royalties, from the federal government to the states and municipalities involved.

Director of Clarice, would you like to add to that?

Clarice Coppetti

Sure. Good afternoon. As you probably know, Ibama has been working on that since January this year between the beginning of the process and the strike itself. And during that entire period, Petrobras has been given 25 licenses and authorizations in spite of the strike. Out of these 25 authorizations and licenses, 8 were related to production. So as a result of very present administration in a close relationship with Ibama, we were able to acquire or to be given a series of licenses during this period.

The Ministry of Innovation and Management of Public Services submitted a new proposal to the Ibama representatives when they're analyzing them in their meetings. And now we know that 9 big groups inside Ibama have already approved the proposal. So I have no doubt that this movement had an impact on the production of not only Petrobras, but the entire production chain of Brazil.

But in addition to working on these processes, we're also working with the government and the results of the meetings that will be completed by the end of the day today. And we believe that we'll go back to normalcy with a huge number of processes that we will have to solve what Petrobras acquired or was given 25 licenses as a result of the involvement of all of the departments of Petrobras.

Unidentified Company Representative

Thank you, Clarice. Now Monique Greco from Itaú BBA.

Monique Greco

I'm going to ask one question since it's pretty late. It's a follow-up to Tolmasquim's answer about the gas policy. We've been seeing lots of statements in the media about this perception about the gas prices being high in Brazil and an expectation for a structural reduction in the gas prices in Brazil.

My question is, what has the company been doing? And what can we expect to see included in the next business plan? What are the initiatives towards trying to bring down the gas prices like increasing supply and beyond Rota 3 involving the reduction of the reinjection levels or a search for -- for new sources of supply in Bolivia for instance or rediscussing the tariffs offered to the partners, which of these initiatives are being discussed internally, please?

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Unidentified Company Representative

Tolmasquim?

Mauricio Tolmasquim

That's a great question. First, let me say that all of the changes to the gas prices, they're based on the gas cost of opportunity. So a structural way of reducing the gas prices would be to increase the gas supply -- the supply of cheaper gas. And you can do that by increasing the domestic supply, which is the case of Rota 3, where [indiscernible] project and so on and so forth, those are internal ways of increasing the offer.

And another way you mentioned would be to import gas. And for that, we'd have 3 possibilities. There's gas from Colombia. That's a possibility. And since Colombia imports gas, it's not clear that we'll be able to import it from them, but it is possible routes. There is Bolivia, but they have the reserves. So it depends on whether we'll be able to increase discovery and production over there. And there's a third possibility, which is Argentina, which is very interesting in terms of potentiality, especially because we already have a pipeline gas ball, and there is a connection between Argentina and Bolivia.

And of course, if we want to increase the gas volume significantly, we have to complete the investments that they're planning to make in Argentina. But certainly, they have a good potentiality. Argentina is the world's second largest shale gas reserves. So that could benefit us. So I could say that in the short term, I see these 2 possibilities and increasing the internal supply Rota 3 is now going into operation. And maybe -- and we've been discussing that but maybe bringing gas from Argentina.

So I believe that these would be a few possibilities for us to structurally lower gas prices in Brazil. As a side comment, there has been a significant reduction. We've reduced the gas prices by 25% last year, more than 25%, partially due to the reduction in the Brent price, but also partially because of the fact that we have a better structure to supplying more competitive gas.

Unidentified Company Representative

Thanks. Now on to the last questions. I'll give the floor to Jorge Gabrich from Scotiabank.

Jorge Gabrich

My question is about the Namibia assets. I'd like to understand what's the minimum share that Petrobras could consider, given that we have seen a lot of discussion about -- discussions about joining this acquisition with a partner where what would be the investment program if the offer is successful? And is there any asset in the region that you are considering for that region as well, another asset.

Unidentified Company Representative

Fernando?

Fernando Melgarejo

Thank you, Jorge, for the last question. So we do not discuss specific cases as is the case here. What I can guarantee to you is that Petrobras is interesting -- interested in accessing any exploration possibilities. Exploration is not the same as production. But of course, whenever we can explore new possibilities, we'll always consider them so that we can search for good deals and increase the value delivered to our shareholders. And of course, we'll only join the deals that are adequate that create synergy and value for the company.

Unidentified Company Representative

Thank you, Fernando. Thank you for attending. And now we're officially closing the Q&A session. If there are any additional questions, our team will be pleased to answer all of them. I'll give the floor to Fernando for your final comments.

Fernando Melgarejo

Thank you to all of the directors available here and everyone who participated in this earnings call, especially our viewers, analysts, investors, reporters and all of society. Our goal is to become better and better and increasingly relevant for society, and that includes shareholders, stakeholders and civil society overall. I would really like to count on you. I know that your coverage is very important. Your opinion is very important. So if you have any question in mind, our team will be available to answer and I'm also available for anything you might need if you have any questions and contributions. Thank you. Enjoy your Friday and have a good weekend.

Unidentified Company Representative

Thank you. This presentation is available on our Investor Relations website, and this webcast will soon be available as well. Thank you. Have a good day and a great weekend.

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