

Brazil likely to limit cuts to local content requirements in oil contracts

RIO DE JANEIRO (Reuters) - Brazil will likely limit planned cuts in local content requirements for future oil exploration and production contracts in a move aimed at appeasing local suppliers and to pave the way for an extension of customs breaks for oil companies.

The measures would be a concession to some opponents of “Repetro,” a preferential customs regime for oil and gas companies, who were angered by steep cuts in local content requirements for oil contracts, according to Abimaq, a group which represents local suppliers.

“The proposal is already in place, it should be voted on this week and it will be compensation for the absence of tariff barriers from Repetro,” said Cesar Prata, Vice President of Abimaq.

A boon to local suppliers, local content rules dictate what percent of a project’s workers and inputs have to be local in origin.

Famously tough requirements in Brazil have stymied investment by oil firms which had complained that complying made oil development in the country unprofitable.

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