

Larry Pascal in Energy Advisor on Challenges Facing Brazil's Petrobras

By Larry B. Pascal | April 19, 2018

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The Inter-American Dialogue's *Latin America Energy Advisor* quoted Haynes Boone Partner [Larry Pascal](#) in a Q&A about Brazilian state oil company Petrobras, whose debt rating recently was downgraded to BB- from BB. Energy Advisor asked lawyers and others experienced in the field these questions: What are the biggest challenges shaping the outlook for Petrobras? What does Petrobras have working in its favor? How well has the company dealt with a multi-year corruption scandal and related governance changes?

Here is an excerpt, with the answer given jointly by Larry B. Pascal, co-chair of Haynes Boone's International Practice Group, and Rio de Janeiro-based lawyer Andre Berzins:

"Petrobras faces a litany of challenges in its efforts to recover from numerous setbacks and obstacles, including billions in debt. Its lowered debt rating will mean higher borrowing costs. Although it has put in place an ambitious divestiture program, laid off thousands of employees and contractors totaling more than 185,000 workers, and recently settled a class-action suit in the United States for approximately \$3 billion, it still faces numerous challenges. Its large layoffs have hurt worker morale, and the divestiture program has seen certain sales (such as the Liquigas sale) blocked by the local Brazilian competition authorities. Its international reputation has also been damaged by the Lava Jato scandal, although the company insists it was the victim of official corruption. However, it does retain important advantages. It has seen four years of increased production. Moreover, the government has adopted rules to make its operations more flexible, including Decree No. 9,041/2017 which has granted it more flexibility for its participation in the pre-salt area, as well as new rules designed to enhance transparency in procurement. It recently won various new fields as part of the most recent upstream bid round. It remains a dominant actor in the Brazilian market and holds many valuable assets including the deep-water pre-salt fields. Petrobras has ample challenges as it works to restore its financial and operational luster that it previously enjoyed."

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[Pascal-Petrobras-Challenges.PDF](#)

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