

Not one more well!: corruption and Brazil's pre-salt expansion

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1 IEWCA-World Coal Association, *Coal Matters*, 2012, <http://www.worldcoal.org/resources/coal-statistics/coal-matters/>.
A-International Energy Agency, "Key World Energy Statistics," 2014, <http://www.iea.org/publications/freepublications/publication/KeyWorld2014.pdf>.

2 Mao Yushi, Sheng Hong, and Yang Fuqiang, *The True Cost of Coal* (China: Greenpeace, The Energy Foundation, WWF, 2008). See also, Palmer, M. A., Bernhardt, E. S., Schlesinger, W. H., Eshleman, K. N., Fofoula-Georgiou, E., Hendryx, M. S., ... Wilcock, P. "Mountaintop Mining Consequences," *Science*, 2010; Epstein, P. R., Buonocore, J. J., Eckerle, K., Hendryx, M., Stout lii, B. M., Heinberg, R., ... Glustrom, L., "Full Cost Accounting for the Life Cycle of Coal," *Ann NY Acad Sci* 1219 (2011): 73–98, doi:10.1111/j.1749-6632.2010.05890.x.; SE Bell and R York, "Coal, Injustice, and Environmental Destruction Introduction to the Special Issue on Coal and the Environment," *Organization & Environment*,

In 2005, the Brazilian oil company, Petrobras discovered hydrocarbons below the geological salt layer in the Tupi field located in the Atlantic Ocean off-shore of Rio de Janeiro, Brazil. In 2006 a consortium of Petrobras, BG Group, and Petrogal drilled in the Tupi field and discovered an estimated 5-8 billion barrels of oil equivalent resources in a pre-salt zone.¹ The pre-salt oil and gas lie below an approximate 2000m deep layer of salt, which is below an approximate 2000m layer of rock at a depth of 2000-3000m below the Atlantic.² Further exploration found hydrocarbon deposits in the pre-salt layer extended through the Santos, Campos, and Espírito Santo basins located off-shore of Rio de Janeiro and Espírito Santo states.

This type of oil and gas extraction may be considered one of the most "extreme energy" sources existing today.³ These deep ocean deposits located 300km from the coast in often severe oceanic conditions require substantial investments to extract. The profound depth and pressure involved in pre-salt extraction presents significant technological hurdles requiring a wide range of specialists, high-tech equipment, and infrastructure.⁴ Further, pre-salt oil extraction in Brazil has prompted grave environmental and social impacts

stemming from increased pollution on land and sea, health impacts, land struggles, violence, corruption and massive country-wide protests.⁵

According to what is now accepted as scientific certainty, two-thirds of fossil fuel reserves must remain untouched in order to avoid catastrophic climate change.⁶ UN leaders claim they will deliver a new climate protocol to address the impending climate crisis during the COP 21 set for Paris in December. History has shown that corporations wield their tremendous power to influence the climate debate, from REDD+ projects that evict Indigenous Peoples and forest dwellers for land grabs, to failed carbon markets that pay out windfall profits to the biggest polluters.⁷ As the oil industry expands, even with the downturn in oil prices, it is clear that a meaningful outcome will not be adopted in Paris. The interests of extractive industry lobbyists and powerful financial actors will ensure that this new climate protocol will have no teeth. There is hope but it will not be found at the negotiation table at the UNFCCC COP 21 in Paris. It is already found in the streets and on the lands where people continue to resist powerful corporations entrenched in an unjust economic system.

Impacts of the Brazilian petroleum boom

The Brazilian government and petroleum regulators were reeling after the pre-salt off-shore petroleum discoveries in 2006. After months of controversial negotiations, on August 31, 2009, President Luiz Inácio “Lula” da Silva sent four draft bills to Congress proposing a radical overhaul of the existing regulatory and operational structure of the petroleum industry. The reforms would guarantee a percentage of the new petroleum money to be used for social and education programs and the Brazilian government to retain a majority share to create a semi-public oil industry.

Lula declared, in a famous speech in 2008, that “The Petroleum is ours, it belongs to the people, not Petrobras or Shell” mirroring the former decree from the Vargas administration that the “Petroleum is ours” 69 years earlier.

At the outset, the petroleum financing silenced many sectors of civil society by linking the Brazilian state oil company, Petrobras, to most social and political activities, from culture to agriculture through promises of small grants. The pledged petroleum funding succeeded in silencing opposition, and served to divide social movements and communities with occasional kick-backs for social movement leaders, while large amounts of money were funnelled to the oligarchy.⁸

Petrobras and the government propaganda that ensued, settled on “potential” projections of between 50, 35 and 28 billion barrels in pre-salt reserves, which generated a euphoria in Brazilian society based on the

equation-fetish: Oil = social rights. The possibility of a Brazilian “Welfare State” was dangled in front of the citizens, with promises of healthcare, education, housing, sanitation, and land reform, to be “guaranteed” with the new oil power and Brazilian royalties.⁹ The argument seemed to follow a logic that, had it not been for oil, the governments would never be able to guarantee the rights of all. But since there was petroleum, it was necessary to take away the rights of some, that is, traditional people, and precarious workers, the rights of nature, the inhabitants in the vicinity of large projects – a violent and unilateral environmental injustice.

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

The **royalty laws debate** saw governments and authorities from the states of Rio de Janeiro, Espírito Santo and São Paulo (which hold the greatest concentration of both the GDP and pre-salt oil deposits), fight to maintain petroleum royalties as “producers”. The governmental officials from these states argued that they needed the money to pay for the myriad social and environmental impacts associated with



8 Alfredo Saad-Filho, “Brazil: Economic Policy, The Protest Movement and the Dêbâcle of the Workers’ Party (PT)”, Global Research, 30 March 2015. <http://www.globalresearch.ca/brazil-economic-policy-the-protest-movement-and-the-debacle-of-the-pt/5439462>

9 See the photo essay: “Like oil and water: struggles against the Brazilian “green economy”, Carbon Trade Watch and FASE-ES, November 2013. <http://www.carbontradewatch.org/multimedia/like-oil-and-water-struggles-against-the-brazilian-green-economy>

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¹⁰ Plano Decenal de Expansão de Energia – PDE, <http://www.epe.gov.br/pdee/forms/epeestudo.aspx>

¹¹ Apex Brasil, “Brazil: a huge oil and gas market at the tipping point for world renowned success,” Brazilian Trade and Investment Promotion Agency, 2014. <http://www.apexbrasil.com.br/uploads/Final%20Updated%20Folder%20O&G%202014.pdf>

¹² Petrobras Magazine, “2013 results and new pre-salt record: 412,000 bopd,” 2014. <http://www.petrobras.com/en/magazine/post/2013-results-and-new-pre-salt-record-412-000-bopd.htm>

¹³ Petrobras Magazine, “Oil and natural gas production in January,” 2015. <http://www.petrobras.com/en/magazine/post/oil-and-natural-gas-production-in-january.htm>

oil exploration: contamination, leakage, the swelling of small and medium-sized cities, and destruction of marine environments to name a few. They were well aware of the risks inherent in a petroleum-state. As seen elsewhere around the globe, power and corruption are entrenched in the fossil fuel industry.

Since the discovery of off-shore in Espírito Santo in 2006, the most significant investments from the Lula and Dilma governments have been concentrated in the petroleum and gas sectors. For example, the *Plano Decenal de Energia* (Ten Year Energy Plan) is an R\$951 billion investment consisting of 70.6% for the oil and gas sector, 22.5% for electricity and 7% for biofuels.¹⁰ Petrobras received investments of US\$220 billion in its Business Plan 2014-2018.¹¹ Os **Planos de Aceleração do Crescimento** (PAC 1 and PAC 2; Growth Acceleration Plan) and the *Banco Nacional de Desenvolvimento Econômico* (BNDES), orchestrated investments into projects including: building ports, shipyards, pipelines, refineries, fertilizer plants, and logistics facilities on and off shore to name a few. This large-scale infrastructure was implemented at an accelerated pace, at high risk, and at all costs.

The government’s political alliances with the most conservative sectors both in parliament and in the composition of ministries resulted in weakened forest and mining codes, slashed environmental legislation, non-implementation of the territorial rights of Indigenous and traditional Peoples, fishers, Quilombolas, as well as precarious and outsourced labour on petroleum rigs. These adjustments were

pushed through by corporate interests, bribery and political corruption based on the game of partisan participation in the power pact from powerful elites including: Odebrecht, Camargo Correa, Queiroz Galvão, Andrade Gutierrez, among others.

Oil price economic non-sense

The fall in the price of oil coupled with the corruption scandals eroded the false promises of the petro-dream. Although the government claims the oil industry can still be profitable with a barrel **price of US\$45**, this is among one of the reasons that Petrobras has declared a **Plano de Desinvestimento** (Divestment Plan) including the sale of assets and privatisation. The company will sell off fertilizer factories, decrease investments in ports and refineries, and decrease investments in other countries, focusing even more on domestic oil and gas exploration. Petrobras is responsible for 92% of the national production, 75% which comes from offshore pre-salt petroleum.¹²

Although the current downturn in the price of oil may be temporary, the price is volatile and even when low, this does not prevent the expansion of the oil industry or the burning of fossil fuels. However, in Brazil, amid these crises, the production of oil and gas continues to break records, reaching 3 million barrels of oil equivalent per day in January 2015, of which 27% was offshore pre-salt (800,000 bpd).¹³

However, the fall in the price of oil from US\$115 in June 2014 to US\$48 in January 2015, coincided with a

deep political crisis in the hegemonic power pact since the 2003 Lula government began. After nine years of the petroleum boom, the inevitable occurred – corruption, embezzlement, and lies. Just before the Dilma election, investigators launched the Operation *Lava Jato* (Car Wash) that uncovered the money laundering scheme suspected of moving more than US\$3.5 billion – the biggest known corruption scandal in the country culminating from the largest oil contractors financing political parties and Petrobras financing.¹⁴

Discontent with Brazilian policies grew by March of 2015, erupting in millions taking to the streets to protest government corruption. The Dilma government was slammed by the right and Brazilian society fell into a complex debate pitting the right against Dilma's PP (*Partido Progressista*).¹⁵ Corruption was predictable regardless of what government would have been in power – left, right or centre. Even worse, the turmoil in the political landscape carried ghosts, with some advocating for a military dictatorship as a means to stop the corruption.¹⁶

Wide-spread dissent and uproar against political corruption was inevitable as the wealthiest 10% of Brazilians receive 42.7% of the national income and the poorest 34% receive less than 1.2%.¹⁷ Couple this with the **high homicide rate in Brazil**, and more than half of the recorded environmentalist murders in the world, the increased resource exploitation from pre-salt oil increases corruption and violence are just some of the challenges Brazilians face as the country catapults into a new extraction-fuelled development phase.¹⁸

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

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

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

Since the first Lula government, hundreds of companies involved in the oil and gas sector have invaded ES, supported by investments from BNDES, the PAC 1 and 2, and companies such as Petrobras, StatOil, Shell, Total, Chevron, and Jurong. The state promotes and encourages the oil industry by offering new exploration blocks, prioritising the oil and gas sector in

14 *Ministério Público Federal*, “Results of Operation Lava Jato,” accessed 9 May 2015. <http://www.lavajato.mpf.mp.br/atuacao-na-1a-instancia/resultados/todas-noticias>

15 Samantha Pearson and Aline Rocha, “One million join anti-Rousseff protests in Brazil,” *Financial Times*, 16 March 2015. <http://www.ft.com/intl/cms/s/0/fff8df34-cb1e-11e4-bac3-00144feab7de.html>

16 Antonis Vradis, “Brazil can’t afford to ignore protestors when they’re calling for the military,” *The Guardian*, 17 March, 2015. <http://www.theguardian.com/commentisfree/2015/mar/17/brazil-protesters-military>

17 IBD report, “Country Program Evaluation: Brazil 2007-2010”, Inter-American Development Bank, 2011. <http://publications.iadb.org/bitstream/handle/11319/5544/Country%20Program%20Evaluation%3a%20Brazil%202007-2010.pdf;jsessionid=3C88CED4F5FC92F32C52A33818D75AE7?sequence=14>

18 Brazil has the highest murder rate of environmentalist in the world. See for example: “Deadly environment: the rise in killings of environmental and land defenders”, *Global Witness*, 2014. <https://www.globalwitness.org/sites/default/files/deadly%20environment%20embargoed.pdf>

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¹⁹ See the photo essay: "Like oil and water: struggles against the Brazilian "green economy"; Carbon Trade Watch and FASE-ES, November 2013. <http://www.carbontradewatch.org/multimedia/like-oil-and-water-struggles-against-the-brazilian-green-economy>

²⁰ Wendy Laursen. "FPSO blast: Last three bodies recovered"; Maritime Executive, 3 March 2015. <http://www.maritime-executive.com/article/fpsoblast-last-three-bodies-recovered>

²¹ See more information at: Friends of the Earth press release. "Denouncing the brutal murder of two fishermen from Rio de Janeiro," FOEI, 29 June 2012. <http://www.foei.org/news/denouncing-the-brutal-murder-of-two-fishermen-from-rio-de-janeiro> and <http://www.carbontradewatch.org/multimedia/en/category/photo-essays/like-oil-and-water/petroleum-brutality?lang=en> Support AHOMAR: <http://www.sindpescarj.org.br/>

energy policies, destroying land rights, accelerating licenses without proper precautionary research, and by continuing to manipulate the consultation process.

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

Along the Atlantic coast in the north of ES, petroleum extraction devastates large areas of the remaining *Mata Atlântica* Forest and marine biodiversity. The oil expansion subjects fishing territories, Quilombolas, *campesinos*, Indigenous Peoples, and small urban districts into "sacrificial zones". The living conditions of the local people are destroyed while the resistance is expelled, persecuted and criminalized.¹⁹

Petroleum workers risk their lives on offshore platforms. Explosions and faulty equipment are common, for example in February 2015 an explosion on the platform FPSO killed nine people off the coast of Aracruz, ES.²⁰ Workers are subjects to dangerous working conditions, equipment irregularities, regulation failures, lack of equipment maintenance, lack of enforcement and so on. The local, prevailing environmental racism, and the violence from the state police, often associated with private militias, is exacerbated, as in the emblematic case of the AHOMAR fishing murders in conflict with Petrobras

in Guanabara Bay, Rio de Janeiro in 2012 during the Rio+20.²¹

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

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

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

We consider it essential to act against the expansion of the oil model, because the auctions to bid for new drilling areas will not stop, nor will the environmental injustices. Defending the territories where there is resistance to these projects serve to create barriers and obstacles to this expansion, reduces its rapid pace and associated risks, and leads to a deeper questioning of the uses and lifestyles that "justify" this expansion creating a strategic agenda for dialogue within Brazilian civil society.

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

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

“For the Right to Say No!” goes deep to the heart of the debate on Prior and Informed Consent, after all, there is no use to have a Prior and Informed Consent without the right to say no – a phrase coined by the feminist movements in the 1980s, more relevant than

ever, given the petroleum *phalocracy*. The sexism, racism and violence embedded in the petroleum expansion in Brazil’s territories is an explicit indication of the depraved level of market-based and corrupt “democracies”. A new society and a new energy model will only be possible if we can stop the unchecked expansion of the oil “civilization”. There will be no energy transition without a transition away from the petroleum model.

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

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