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Why the National Federation of Oil Workers Advocates the Suspension of Chevron's Activities in Brazil

By João Antonio de Moraes, National Coordinator, United Federation of Oil Workers (FUP), Brazil



In March, Brazil's National Federation of Oil Workers (FUP), representing 300,000 workers in 12 Brazilian states, initiated a Public Civil Suit in a federal court in Rio de Janeiro, demanding the cancelation of Chevron's concession contracts for exploring and producing crude oil and natural gas in Brazil. In this suit, the FUP reiterated its position in the face of countless procedural failings by the company during and after the environmental accident of November 7, 2011 in the Frade oilfield off the coast of Rio de Janeiro, where one finds the Campos Basin, Brazil's

number one oil exploration and production area.

Chevron spilt into the sea some 480,000 liters of oil. Initially, Chevron's managers tried to hold Brazilian State oil company Petrobrás responsible for the accident, alleging that the spill came from the neighboring field, operated by Petrobrás. Once this hypothesis was dismissed, the company tried to omit the cause of the accident, claiming that it was a natural phenomenon (a crack on the ocean floor) rather than a direct consequence of the technical decision to increase the pressure of the well, as was later confirmed. To worsen the situation, it slighted the seriousness of the fact, which delayed the contention of the leak. As if this were not enough, when called upon to provide explanations to the Brazilian State, Chevron's executives demonstrated unpreparedness to deal with the situation and made it clear that they did not have the slightest autonomy to make the necessary decisions in good time. The decision as to what was to be done had to go from Brazil, through Caracas, onto California for approval, and only then would it return to Brazil to be operationalized.

As well as the company's lack of transparency, there were serious procedural mistakes in the drilling at Frade field. These reveal that the multinational conducted itself, to say the least, in risky fashion, using obsolete equipment – the probe, for instance, until recently was a flotel in the North Sea – in a mad rush for oil at low cost. Stories published by the mainstream press in Brazil pointed out that the Federal Public Prosecution Service and the Federal Police believe that Chevron was trying to reach the pre-salt layer, without having a well development plan to this end approved by the National Oil Agency. If this supposition is confirmed, Chevron is seriously at fault.

Moreover, the rigs operated by Chevron are subcontracted, with a major share of workers from abroad, some of whom lack work permits, having entered the country on tourist visas, according to a survey conducted by the Federal Police of Brazil. The rig where the accident happened last November was operated by Transocean, the same company involved in the massive oil spill in the Gulf of Mexico in 2010, and which has a vast record of workplace accidents in Brazil.

After the deregulation of the Brazilian oil industry in the 1990s, the country privatized part of its oil and gas fields. The opening up of the market was carried out in a disorganized fashion and the Chevron accident highlights the need for greater control of private oil companies that lack accident or environmental disaster prevention plans or, if they do not, these exist only on paper, as the aforementioned accident showed.

As Chevron's President for Africa and Latin America said in an interview in 2008, "Frade was a risky bet". Chevron gambled, changed its plans, speeded up the exploration process and reformulated it with a view to a drastic cost reduction. The result was the accident that the company now tends to mask or underestimate.

There were many mistakes made by Chevron at the Frade field. On May 30, I will attend Chevron's annual shareholder meeting in San Ramon, California, joining with my brothers and sisters of the United Steelworkers, to call upon Chevron's shareholders to support a resolution calling on the company to tell its investors what it's doing to reduce the risk of accidents on its drilling rigs and its oil refineries. We will also call on the shareholders to shoulder their responsibilities if the suits making their way through the Brazilian Justice System find in favor of the Brazilian State. One such suit alone demands compensation worth US\$ 10 billion. In our view, companies that persist with having short- and medium-term vision and planning are bound to have their image tainted owing to the environmental risks present in the world energy industry. The age of cheap oil and high profits is over.

João Antonio de Moraes is the National Coordinator of the United Federation of Oil Workers (FUP) in Brazil. FUP is Brazil's largest federation of oil workers representing 300,000 workers, more than 70,000 unionized, in 12 Brazilian states.

Av. Rio Branco, 133 – 21º andar – Centro.

CEP 20040-006 – RJ – Rio de Janeiro

Tel./Fax (021) 3852-5002 e-mail: fup@uol.com.br – fup@fup.org.br