

São Paulo, 1 April 2009

Covalence SA

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Dear Sir,

In its Ethical Ranking 2008, Covalence ranked Petrobras as leader in the Oil & Gas sector. The signatories of this letter - legitimate organizations of the Brazilian Civil Society, in the environmental, consumers and academic fields, as well as governmental bodies responsible for environmental affairs – were very surprised by this finding.

Given that the methodology used by Covalence does not include information sources in Portuguese, the language in which most information about Petrobras' activities are published, we send you this letter in order to complement the information on which your analysis is based.

The following paragraphs summarize what we consider relevant information to be considered by Covalence. More in-depth information, as well as examples of and links to publicly available information, can be found in the attachment of this letter.

1. Given the sector of oil production and refining in which it operates, Petrobras has a very strong impact on the environment which is inherent to the nature of its business.
2. If one accepts the need for a transition period to a new energy era, companies in this sector may even be seen as environmentally responsible as long as they address two important issues: (a) that they operate in such a way to make their products to have the lowest impact on the environment as allowed by the present technology and (b) that the company strongly invests in renewable energy. Neither is true for Petrobras.
3. In Brazil, 138 million inhabitants live in urban areas (81 % of country total) and breathe contaminated air due to excess sulfur in the diesel oil.
4. Petrobras produces or distributes diesel between 500 and 1800 parts per million of sulfur, compared to levels of 10 to 15 ppm in Europe and the US.
5. This fact leads to the co-responsibility of the company in contributing to the bad quality of the air in big cities in Brasil as well as to the premature deaths of 7,000 people every year.
6. Petrobras supplies nearly all diesel in the country. However, it denies its legal responsibilities to provide cleaner fuel, in spite of a national legislation and regulations on vehicle emissions and their respective fuels that established new levels for both.

7. It is important to take into account that Petrobras did not comply with the 2002 legislation, which entered into force in January 2009 (50 ppm sulfur diesel), and that gave seven years for the company to strongly reduce the sulfur content of the diesel oil.
8. The company argued that the specified diesel was not produced because the automotive industry announced that it was not prepared to produce the engines specified in the legislation and the National Oil Agency did not define in detail the product specifications. This, however, does not release Petrobras from its own responsibilities.
9. As a result, the specific regulation that defined the reduction of sulfur in the diesel oil and specified the engines to be produced was met neither by Petrobras nor by the car & truck manufacturers.
10. Moreover, one has to consider that the lack of compliance to the legislation by Petrobras and the car & truck manufacturers was corrected by a judicial agreement that provided a legal solution to the compliance problem by postponing the reduction of the level of sulfur in the diesel produced by Petrobras.
11. It goes without saying that a socially responsible company should reduce the impact of its products on public health even before it is required to do so through legislation.
12. It is also important to consider that this judicial solution to the compliance problem did not solve - at all - the public health problem, which will continue to exist in the years to come.
13. Although there was a significant and positive evolution of Petrobras in terms of its performance in oil spills in the last few years, it is very far from reality to portray the company as almost a best in class company in terms of environmental responsibility given that a main product of the company contributes to serious health problems to the populations in big cities and metropolitan areas.
14. The second issue is the relatively low level of investments of the company in renewable energy when compared to the total of investments in oil production and refining.
15. Given the nature of its business, a relatively high investment in renewable energy by Petrobras would indicate that the company would be strongly investing towards a cleaner environment and better public health in a shorter period of time.
16. However, the state-owned company does not provide details, in the investment plans published in its site, in order to disclose clearly when will Brazil have a 10 ppm sulfur diesel, phasing out diesel with 500+ ppm sulfur.
17. At the same time, Petrobras has announced the allocation of investments of US\$ 2.8 billion to biofuels in the period 2009-2013, in a total investment plan of US\$ 174.4 billion.
18. It is not necessary to stress the relatively very low priority given by the company to renewable energy investments.

19. Moreover, there is no mention in the investment plan of what will be invested to resolve the diesel problem.
20. On the other hand, Petrobras communicates strongly on the projects supported by the company such as protecting biodiversity in localized areas as well as cultural projects. Those are important for society, but they are too far from the company core business of the company, which is the production and commercialization of oil and derivatives, especially when a product as important as the diesel provokes such harmful environmental and public health impacts.
21. Transparency, a major attribute of companies that are working to become more socially and environmentally responsible. That would, at least, require appropriate disclosure of unsolved problems such as the one concerning diesel.

Based on the above, complemented by detailed information in the attachment of this letter, the organisations that subscribe to this letter kindly request Covalence to re-examine the awarded distinction in the Covalence ranking and, if considered pertinent, take appropriate measures in future evaluations.

Thank you in advance for the consideration given to this letter. If more information is needed, please send your questions to helio.mattar@akatu.org.br. The Akatu Institute for Conscious Consumption serves, at this point in time, as Executive Secretariat to the Coalition of organizations that are signatories to this letter and will gather the necessary information to answer to your questions.

Sincerely,

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FABIO FELDMANN**

**Secretaria do Verde e Meio Ambiente do Município de São Paulo
EDUARDO JORGE**

**Instituto Brasileiro de Defesa do Consumidor – IDEC
LISA GUNN**

**Fundação Brasileira para o Desenvolvimento Sustentável
ISRAEL KLABIN**

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MÁRIO MANTOVANI**

**Greenpeace – Brasil
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**Amigos da Terra – Amazônia Brasileira
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