

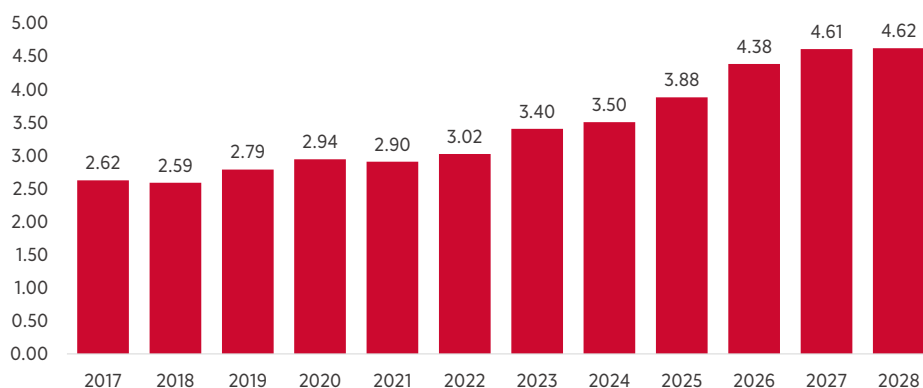
Oil Production and Federal Revenue

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Brazil has been solidifying its position as one of the world's largest oil producers. We are already the 7th largest global producer of crude oil. This year, oil will be the main product in Brazil's export portfolio, generating a surplus of around \$36 billion (accumulated net exports between January and June, annualized). Expectations remain positive for the coming years, with Brazilian production expected to increase from 3.0 to 4.6 million bpd between 2023 and 2030. The increase in production brings a positive bias for economic growth and supports a surplus in the external sector going forward. Additionally, the growth in oil production is expected to lead to a significant increase in federal revenue, with the production-sharing regime gaining traction.

The growth in national oil production is in double digits. Last year, production advanced by 12.6%, reaching 3.4 million bpd. Estimates from ANP, largely considering what has already been auctioned and discoveries from each field, project oil production reaching 4 million bpd by 2028. This represents a jump of over 30%. Consequently, revenues from royalties and participations are also expected to grow significantly.

Graph 1: Oil Production (ANP estimate), in millions bpd

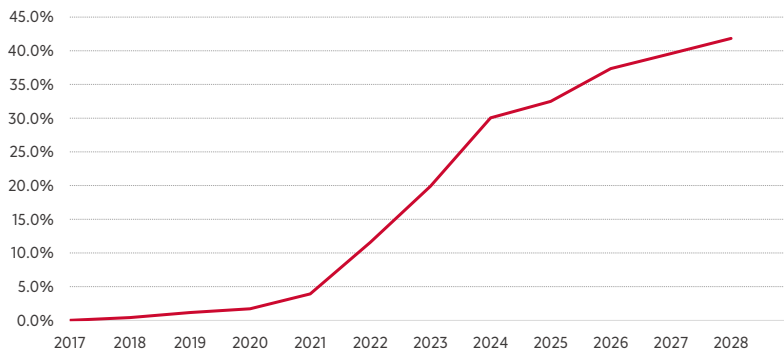


Source: ANP, Bradesco

Currently, less than 10% of the value of oil production is allocated to royalties payments and participations to the central government. So far, a large part of oil production has been under the concession regime. The government grants a specific area for oil exploration for a period. With the discovery of pre-salt reserves, the government opted to explore large areas of the pre-salt polygon by obtaining a share of the production; thus, the production-sharing regime was instituted. Unlike concession auctions where the highest bid wins, in production-sharing auctions, the company that offers the largest share of oil to the Union wins, managed by Pré-Sal Petróleo. Therefore, besides royalties and participations, the federal government receives its share of oil from these contracts under the production-sharing regime. It is expected that federal revenue will exceed 15% of the value of production starting from 2027.

Since 2013, six auctions have been held. The last auction took place in 2019 and another is expected only in 2025. In total, 22 blocks were offered, and 14 blocks were awarded. The Union's oil share ranges from 10% (Southwest Tartaruga Verde block) to 80% (Entorno de Sapinhoá block). Overall, the production-sharing auctions have yielded a production of 1.2 million bpd so far, with 0.67 million bpd reached in 2023. This volume represented approximately 6% of the national oil production accumulated since 2017 but reached 20% of oil production in 2023. Thus, the share of production under the production-sharing regime has been gaining strength.

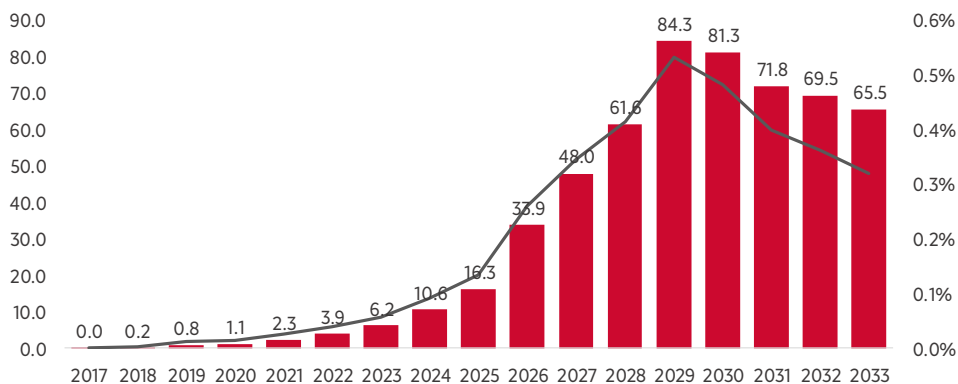
Graph 2: Share of oil production under the production-sharing regime in total production, in %



Source: PPSA, ANP, Bradesco

Federal revenue from the commercialization of the Union's oil is growing year by year. In 2023, it reached R\$6 billion, accumulating R\$13.4 billion since 2018. For this year, the government projects revenues of around R\$9 billion (a figure that could exceed R\$10 billion due to a more depreciated exchange rate and high oil prices). In 2025, we project revenues above R\$16 billion. The figures become significant starting in 2026 when the federal government is expected to collect more than R\$30 billion. With the auctions already held, we will reach an annual revenue of nearly R\$80 billion (0.5% of GDP) between 2029 and 2030¹.

Graph 3: Revenue from the commercialization of Union's oil in R\$ billions and % GDP



Source: PPSA, Bradesco

¹ Our scenario considers an average exchange rate of R\$/US\$ 5.20 in 2025, R\$/US\$ 5.15 in 2026, R\$/US\$ 5.25 in 2027, and R\$/US\$ 5.30 in 2028 and 2029, with the average Brent crude oil price reaching US\$78 per barrel in 2027 and remaining at that level until the end of the decade.

Today, we witnessed the 4th Union oil auction. The event generated revenue amounting to R\$ 16 billion at current prices with the four lots sold, commercializing 37.5 million barrels based on production estimates from the Búzios and Mero fields for the upcoming year. The number of registered participants hit a record high of 10 companies, and the lots were highly competitive, especially the Búzios lot. This was the largest Union oil auction to date and demonstrated that the Union can generate more revenue from commercialization than initially expected (R\$ 15 billion).

Table 1: 4th Union Oil Auction

	Lot 1	Lot 2	Lot 3	Lot 4
Field	Mero	Mero	Mero	Búzios
Winning company	Petrobras	CNOOC	PetroChina	Petrobras
Oil - mn barrels	12	12	11	2.5
Oil discount US\$/b	-1.85	-1.59	-1.35	-1.85
Revenue estimate* R\$ bn	5.15	5.13	4.69	1.07

(*) Revenue estimate at current prices

Source: PPSA, Bradesco

Revenue from oil, particularly under the production sharing regime, could reach R\$ 325 billion between 2025 and 2030. This will be a crucial factor to improve the primary balance and mitigate the growth of public debt over the coming years, considering that spending rules will be followed.

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