Brazilian corruption scandal
- current status and consequences

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Topics and introduction

1. Operação Lava Jato
2. Who is involved?
3. Consequences for Petrobras
4. Consequences for other involved parties
5. Where will it end?
Operação Lava Jato / Operation Car Wash

• Originally an operation targeting money laundering through car wash stations

• Investigation discovered corruption with links to top Petrobras management and deep into the political elite
  
  ‒ "If I speak the republic is going to fall." – Alberto Youssef

• On-going since March 2014; Petrobras now the centre of the investigation

• Modus operandi:
  
  ‒ Typical use of agents/intermediaries for securing contracts – Unusually high commission
  ‒ Agents paid through offshore accounts
  ‒ Little accountability for the services actually provided by agents
Operação Lava Jato / Operation Car Wash (cont.)

- Almost 500 individuals and more than 230 companies under investigation
- More than 100 people arrested, including former president Lula who was brought in for questioning in March 2016
- More than 50 high ranked politicians under investigation.
- Estimated USD 3 billion paid in bribes since 2004
Who is involved?

- Judge Sérgio Moro
- Team of 9 prosecutors led by 35 year old Deltan Dallagnol
- Petrobras and former Petrobras management
- Political elite
- Several Brazilian and international contractors
Consequences for Petrobras

- Estimated USD 17 billion losses for Petrobras
- New top management
- New compliance regime
- Less expensive contracts?
- Termination or renegotiation of existing contracts?
Consequences for other involved parties

• Blacklisting; currently more than 20 companies blacklisted with Petrobras
• Termination of contracts
  – *Schahin Engenharia*
  – *Vantage Drilling*
• Potentially huge fines
• Potentially banned from future public and private tenders
• Costly internal investigations
Where will it end?

- Plea bargains and convictions
- Less corruption in Brazil and Petrobras?
- Increased need for proper due diligence and compliance checks
  - M&A
  - Joint ventures or partnerships
- Opportunity for Norwegian contractors?
  - Norway perceived to have a cleaner business environment and fairer competition
  - Compliance and ethics as a new market advantage
Thank you!