

Rio de Janeiro, February 16, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
USA

Subject: Comments on proposed rule for Disclosure of Payments by Resource Extraction Issuers – file number S7-25-15

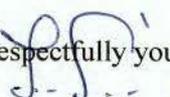
Dear Mr. Fields,

Petróleo Brasileiro S.A. - Petrobras welcomes the opportunity to comment on the Commission's proposal to adopt rules pursuant to Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to disclosure of payments by resource extraction issuers (the "Proposed Rule").

Unless the context otherwise requires, the terms "Petrobras," "we," "us," and "our" refer to Petróleo Brasileiro S.A. – Petrobras and its consolidated subsidiaries.

We fully support efforts to increase transparency with respect to payments to governments by companies engaged in resource extraction.

Please see Appendix A for our detailed comments with respect to certain questions posed by the Commission in the Proposed Rule. If you have any questions about the content of this letter please do not hesitate to contact us at dfin@petrobras.com.br.


Respectfully yours,

Ivan de Souza Monteiro
Chief Financial Officer

Appendix A - Comments

Definition of “Commercial Development of Oil, Natural Gas or Minerals”

As proposed, it is unclear whether certain midstream activities that we engage in would be included within the definition of “processing.” We believe it is necessary that the definition of processing clearly defines the scope of the activities covered to ensure consistent application and comparability among issuers. This will avoid unintended over or under-inclusion of payment information due to a lack of understanding by issuers of what is considered a processing activity under the rule.

Definition of “Payment” – Type of Payments

As proposed, an issuer that engages in resource extraction would file information relating to any payment made to a foreign government or the Brazilian federal government in respect of the commercial development of oil, natural gas or minerals, including payments for taxes levied on corporate profits, corporate income, and production. We note that corporate income tax is based on taxable profit at the legal entity level within a given jurisdiction which may include income earned from business activities beyond those generated by resource extraction activities.

As a result, it is impractical to isolate the corporate income tax payments made on income generated from the commercial development of oil, natural gas, or minerals. We urge the Commission to provide additional guidance on such issue considering the particularities of income tax payments in each country.

In addition, we urge the commission to provide additional guidance on how to interpret the proposed list of covered payment types and examples for determining fair market value for in-kind payments. This would both ease implementation and promote consistency.

Payments by “a Subsidiary...or an Entity Under the Control of...”

We fully support a definition of control based on applicable accounting principles rather than Rule 12-b of the Exchange Act. We believe this would increase transparency and reduce the burden on resource extraction issuers’ compliance costs without reducing the utility of the information.

In addition, we urge the Commission to consider that resource extraction issuers generally are not able to obtain detailed payment information in situations where they are non-operators in undivided joint interest arrangements. We strongly recommend that the Commission require issuers to report payments based upon the amount actually paid by the operator to the government entity. As a result, we suggest not requiring resource extraction issuers to report payments when they are non-operators in undivided joint interest arrangements (unless the issuer makes such payments directly to the government).

Exhibits and Interactive Data Format Requirements

We believe the three proposed methods for calculating the currency conversion when payments are made in multiple currencies provide issuers with sufficient options to address any possible concerns about compliance costs and comparability of the disclosure among issuers.

In addition, we are in agreement with the definition provided by the Commission to identify an issuer's business segment, which is consistent with the reportable segments used in financial reporting.

Lastly, the proposed rule states:

“to the extent that payments, such as corporate income taxes and dividends, are made for obligations levied at the entity level, issuers could omit certain tags that may be inapplicable (e.g., project tag, business segment tag) for those payment types as long as they provide all other electronic tags, including the tag identifying the recipient government”.

We urge the Commission to clarify whether such omissions could be used in other circumstances where certain tags may be inapplicable. For example, at Petrobras, our export activities are not project-specific, making the project tag inapplicable.

Public Filing and Exemption from Compliance

We strongly support the Commission's consideration of case-by case exemptive relief. We consider an exemption process for certain confidential information necessary to the proposed disclosure requirements. We note the following specific concerns:

- Certain countries may prohibit the disclosure of information called for by the Proposed Rule and such disclosure could therefore result in a breach of contract or law by the resource extraction issuer. Compliance with U.S. disclosure requirements should not require an issuer to breach contracts or violate the local laws of a country in which they operate, as this could create liability for the issuer and possibly have a broader impact on its ability to do business.
- We urge the Commission to consider existing commercial relationships when responding to requests for exemptive relief. Usually, contractual confidentiality clauses allows the contractual parties to provide confidential information requested by court order or regulatory bodies, but conditions such disclosure on the maintenance of confidentiality by the receiving entity. Requiring disclosure of payment extraction information without allowing for exemptions based on contractual confidentiality requirements would confer a competitive advantage on industry participants not subject to such disclosure requirements, as we may lose contracts if we have to provide sensitive information not disclosed by our peer companies that are not subject to the U.S. disclosure requirements.

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