STRATIS INTELLIGENCE | MARKET INTELLIGENCE

TWO-YEAR REVIEW — ENERGY & UPSTREAM — SOUTH AMERICA

The Chambriard Doctrine

A Two-Year Review: Who Is Really Running Brazil's Oil Giant?

Capital discipline, reserve replacement, and three unresolved dependencies — an independent review of the first twenty-four months of the Chambriard administration at Petrobras.

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KEY FINDINGS

- **Balance sheet discipline has, for now, neutralised the governance discount.** Petrobras distributed approximately `US$20B` in dividends in 2024 while reducing gross financial debt to `US$23B` — the lowest level recorded since 2008. International investors initially pricing a state-intervention premium have largely revised that position.
- **Pricing policy flexibility is a margin risk that remains under-interrogated.** The departure from Import Parity Pricing (PPI) has not eroded earnings to date, but that outcome is contingent on pre-salt lifting costs staying below Brent-adjusted breakevens. The model has not been stress-tested against a sustained Brent correction below US$60/bbl.
- **The Equatorial Margin is the central variable in the long-term investment thesis.** With pre-salt natural decline rates projected to accelerate post-2030, the Equatorial Margin is not a growth option — it is a reserve replacement necessity. Regulatory approval remains subject to IBAMA discretion and federal political capital, both of which carry execution risk.
- **The Vaca Muerta corridor is strategically rational but politically exposed.** Argentina's export policy continuity and infrastructure commitments are not assured. Any disruption to the Bolivia transit corridor would force Brazil back into LNG spot markets at structurally higher cost.
- **ESG spending is real but transitional alignment is incomplete.** The `US$16.3B` low-carbon capex allocation (≈15% of the 2025–2029 plan) is concentrated in biofuels and co-processing — segments that extend the hydrocarbon value chain rather than structurally replacing it. Alignment with IEA Net Zero 2050 pathways remains partial.

01 Capital Discipline and the Shareholder Mandate

Twenty-four months into Magda Chambriard's tenure as CEO — a role she assumed in mid-2024 under the explicit mandate of the Lula administration to rebuild Petrobras's integrated industrial base — the central investor question has partially resolved itself. Whether a state-driven industrial strategy and a dividend policy calibrated for international institutional capital could coexist was, at the time of her appointment, genuinely open. The data for the period covered by this report suggests a workable equilibrium. It also suggests that equilibrium is more conditional than current consensus pricing implies.

Petrobras distributed approximately `R$102.6B (~US$20B)` to shareholders in 2024, a figure achieved while simultaneously lowering gross financial debt to `US$23B`, the lowest recorded since 2008. Adjusted EBITDA has remained above `US$43B` annually, providing the cash flow base needed to sustain both the dividend commitment and the US$111B Business Plan (2025–2029).

The narrative shift among sell-side analysts from "governance discount" to "strategic resilience" is observable in 12-month price target revisions since Q3 2024. That revision, however, rests on a specific assumption: that the company's integrated structure — extracting cheap pre-salt crude and processing it domestically — continues to generate sufficient free cash flow even as capex intensity rises. The 2025–2029 plan represents a materially higher investment rate than the preceding cycle, and free cash flow conversion will narrow accordingly.

> STRATIS VIEW
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> *The current dividend-plus-investment equilibrium is operationally credible at Brent above US$65/bbl and BRL/USD within recent trading ranges. Below those thresholds, the company faces an explicit choice between shareholder returns and capital programme continuity. That choice has not yet been tested in the current administration.*

SELECTED FINANCIAL METRICS — PETROBRAS 2024–EARLY 2026

METRIC	VALUE	CONTEXT
Dividends distributed (2024)	~US$20B	≈ R$102.6B; sustained investor payout
Gross financial debt (early 2026)	US$23B	Lowest since 2008
Adjusted EBITDA (annual)	>US$43B	Consistent across reporting periods
Total capex (2025–2029 plan)	US$111B	Higher investment intensity than prior cycle
Low-carbon capex (2025–2029)	US$16.3B	≈15% of total plan

02 The Pricing Equation: Managed Flexibility and Its Limits

The departure from Import Parity Pricing (PPI) — implemented under the previous administration and abandoned early in Chambriard's tenure — was the single most anticipated source of margin erosion for international investors. It has not materialised in the form feared, but the mechanism that has prevented it deserves scrutiny.

Petrobras's ability to decouple domestic pump prices from extreme Brent and FX volatility without subsidising imports rests on two structural advantages: pre-salt lifting costs structurally below `US$5.50/bbl` and rising refinery utilisation rates. By processing its own cheap crude natively rather than benchmarking domestic prices to import parity, the company captures the refining margin internally. This is a commercially rational strategy. It is also one that narrows the buffer between profitability and political pressure as Brent declines or as domestic inflation targets create downward pricing demands.

The second-order effect — reduced domestic inflation contributing to political goodwill with the Lula administration — is real and has generated regulatory capital that the company deployed in the Equatorial Margin licensing campaign. But this dynamic also means that pricing policy flexibility is not fully the company's to control: it functions, in part, as a macroeconomic policy instrument. For investors, that is a structural dependency worth pricing.

> KEY RISK
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> A sustained Brent correction below US$60/bbl would compress the spread between pre-salt lifting cost and domestic price, narrowing the buffer that currently allows below-parity pricing without margin destruction. This scenario has not been operationally tested under the current pricing framework and represents the principal near-term earnings risk.

03 The Equatorial Margin: Reserve Replacement as Existential Necessity

The framing of the Equatorial Margin as a strategic option understates its actual role in the investment thesis. As the prolific pre-salt basins approach maturity — with natural decline rates projected to accelerate from the mid-2030s onwards — the Equatorial Margin is not a growth lever. It is the primary mechanism through which Petrobras replaces its reserve base for the 2040s and beyond. The optionality framing obscures the dependency.

The geological case is well-established. The margin stretches from the coast of Amapá to Rio Grande do Norte and sits on the same geological trend as the Guyana-Suriname basin, where ExxonMobil and TotalEnergies have confirmed multiple world-class discoveries since 2015. Petrobras's predictive modelling, now validated by early 2026 exploratory drilling campaigns, supports the thesis that material hydrocarbons are present at commercial scale.

The execution risk, however, is regulatory rather than geological. IBAMA's environmental licensing process remains a genuine constraint — not a formality to be managed. The agency has independent legal standing and has previously denied permits under political pressure. The campaign framing of the Equatorial Margin as a national sovereignty issue has generated federal support, but federal goodwill does not override environmental agency discretion in Brazilian administrative law.

The Guyana comparison and its limits

The reference to Guyana and Suriname's offshore developments is analytically relevant but requires qualification. Guyana's macroeconomic transformation was enabled by a production-sharing framework that attracted ExxonMobil and Hess at a scale and pace that required no domestic regulatory hurdles comparable to IBAMA. Brazil's environmental licensing architecture is structurally different. Holding the Guyana outcome as a benchmark for Equatorial Margin development timelines risks understating the regulatory lag.

BASE CASE

IBAMA grants phased exploratory licenses through 2027. First commercial production from Equatorial Margin wells by early 2030s. Meaningful reserve addition by 2035, partially offsetting pre-salt decline curve.

BULL CASE

Accelerated environmental approval driven by federal political alignment. Large-scale discovery confirmed within 18 months. Equatorial Margin enters development phase ahead of schedule, providing a bridge across the pre-salt decline window.

BEAR CASE

IBAMA imposes extended moratorium on deepwater permitting in the region. Exploratory programme delayed beyond 2030. Petrobras faces structural reserve gap with no near-term replacement mechanism.

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04 The Atlantic Safe-Harbour Premium: Durable Advantage or Cyclical Windfall?

The disruption of Red Sea shipping lanes and continuous pressure on the Strait of Hormuz throughout 2024 and 2025 structurally re-rated conflict-free Atlantic Basin crude producers. Petrobras's low-sulfur pre-salt crude became a premium commodity for European and Southeast Asian refineries seeking supply chain certainty. Export volumes to both regions increased materially, and the geographic insulation from Middle Eastern logistics friction generated a pricing premium.

The analytical question is whether this premium represents a durable structural advantage or a cyclical windfall contingent on sustained conflict. Our assessment is that the answer is mixed. Brazil's Atlantic location is permanent. The premium attached to that location, however, is a function of geopolitical risk pricing in freight and insurance markets. A de-escalation scenario in the Middle East would compress that premium without eliminating the underlying competitiveness of pre-salt crude.

> STRATIS VIEW
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> *Petrobras's long-term export competitiveness rests on lifting cost discipline, not on conflict geography. The Atlantic premium should be treated as cyclical upside rather than a structural re-rating of the asset base. Investors marking to a higher long-run price assumption based on geopolitical positioning are carrying a scenario-specific risk that is not adequately flagged in current consensus estimates.*

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05 South American Integration: The Vaca Muerta Corridor and Its Dependencies

The rapid decline of Bolivian natural gas reserves — which were the primary feedstock for Brazil's industrial south for two decades — and the concurrent exponential growth of Argentina's Vaca Muerta shale formation have produced a regional energy puzzle with a commercially plausible solution. By repurposing legacy midstream infrastructure through Bolivia to transport Argentine shale gas into Brazil, Petrobras has secured a near-term supply alternative at competitive cost.

The strategic logic is sound. Vaca Muerta is one of the largest unconventional gas formations in the world outside North America. Argentine production is scaling rapidly, and the country has the spare export capacity and infrastructure investment motivation to make the corridor viable. Brazil's industrial demand, anchored in the industrial belt of São Paulo and Paraná states, provides a substantial and relatively price-inelastic market.

Political exposure and infrastructure risk

The Vaca Muerta-Bolivia-Brazil corridor, however, rests on a three-country political dependency chain that carries its own execution risks. Argentina's export licensing framework, its domestic gas pricing regime, and the continuity of bilateral pipeline treaties are all subject to administration change. Bolivia's revenue stake in the transit corridor creates incentives for renegotiation as Bolivian domestic production declines further and its leverage as a transit state becomes its primary bargaining tool. Any disruption to either leg of this chain returns Brazil to LNG spot markets, where the cost of supply is structurally higher.

The fertilizer angle — securing nitrogen feedstock for domestic agro-industrial production and reducing dependency on Eastern European and Russian supply chains — adds a geopolitically credible dimension to the strategy. It does not, however, reduce the bilateral exposure embedded in the gas supply chain itself.

> STRUCTURAL DEPENDENCY RISK
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> The corridor's viability depends on Argentine export policy continuity and the integrity of Bolivian transit infrastructure — neither of which is contractually guaranteed at the sovereign level in a manner that would withstand a materially adverse political shift in either country. Diversification of

the gas supply base, including accelerated Brazilian domestic gas development, would reduce this concentration risk.

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06 Upstream Execution: Pre-Salt Performance and Production Outlook

Against the strategic context outlined above, Petrobras's upstream operational execution in this period has been strong by any peer comparison. Production reached `2.73M boed` in April 2026, a historic milestone driven by the on-schedule deployment of FPSOs Almirante Tamandaré and Marechal Duque de Caxias. Pre-salt lifting costs have remained below `US$5.50/bbl` despite global oilfield services inflation, preserving free cash flow generation even at lower Brent price points.

These metrics reflect genuine operational capability at scale. The pre-salt Santos Basin remains among the most productive and cost-efficient deepwater provinces in the world. The question that operational performance alone cannot answer is the trajectory of that performance over a 10–15 year horizon, as the producing fields mature and the investment required to sustain plateau production increases. The relevance of the Equatorial Margin to this question is addressed in Section 03.

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07 Downstream and Vertical Integration

The reversal of the previous administration's downstream divestiture programme has been substantive. Heavy capital expenditure in high-complexity conversion capacity at REPLAN, REVAP and RNEST has lifted S-10 diesel production to a record `512,000 bpd` by early 2026. The integrated model — processing domestic pre-salt crude at domestic refineries to capture refining margins internally — is the same structure that underpins the pricing policy discussed in Section 02.

For institutional investors, the downstream re-integration thesis rests on one empirical assertion: that Petrobras can capture refining margins at a rate that exceeds what a pure-play upstream model would generate via export premiums. At current utilisation rates and crack spreads, this appears to hold. The sensitivity of that calculation to utilisation rate deterioration or crack spread compression has not been publicly stress-tested.

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08 ESG and the Energy Transition: Allocation vs. Alignment

Petrobras's allocation of `US$16.3B` to low-carbon projects within the 2025–2029 capex plan — approximately 15% of total investment — reflects a genuine commitment to decarbonisation as a business priority. The specific composition of that spending, however, warrants scrutiny from investors applying transition-alignment frameworks.

The preponderance of the low-carbon allocation is directed toward biofuels, co-processing of renewable diesel (R5), and Sustainable Aviation Fuel (SAF) development. These are commercially viable activities and create real emission reductions relative to conventional fuels. They do not, however, represent structural diversification away from hydrocarbon value chains — they extend and optimise those chains. Investment in offshore wind, green hydrogen at meaningful scale, or power generation assets is not a material component of the current plan.

For investors benchmarking against IEA Net Zero 2050 pathways or equivalent frameworks, Petrobras's trajectory represents partial alignment. The TRIR reduction to `0.67` and the diversity targets for executive leadership (25% women and Black professionals by 2029) are governance improvements with real institutional value. They do not substitute for a credible long-run decarbonisation pathway in the asset portfolio.

> STRATIS VIEW
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> *Petrobras's ESG position is better characterised as responsible hydrocarbon management than as energy transition leadership. For investors whose mandates require transition-aligned holdings, the current portfolio composition requires explicit acknowledgement of that gap. For investors whose mandates are agnostic to transition pathway, the low-carbon allocation adds optionality without materially impairing returns.*

INVESTMENT ASSESSMENT

The core investment proposition for Petrobras in 2026 is operationally credible and financially disciplined. The company generates substantial free cash flow at current Brent prices, maintains a fortress balance sheet by historical standards, and has demonstrated that state strategic objectives and institutional investor returns are not inherently incompatible under the Chambriard framework.

The investment thesis, however, carries three structural dependencies that are not fully within Petrobras's operational control: IBAMA discretion over Equatorial Margin licensing, which determines the long-run reserve replacement curve; Argentine and Bolivian political continuity, which underpins the South American gas integration strategy; and pricing policy autonomy, which remains subject to federal macroeconomic priorities in ways that could compress margins in a lower Brent environment.

For investors taking a 5-year view, the risk-reward is asymmetric and positive at current valuations, provided those three dependencies are explicitly modelled rather than assumed away. For investors with a 15-year horizon, the Equatorial Margin outcome is the single most consequential variable — and it remains genuinely uncertain.
