

Rio de Janeiro, February 21, 2011

CONTABILIDADE 0005/2011

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
USA

Subject: Comments on File No. S7-42-10, Disclosure of Payments by Resource Extraction Issuers

Dear Ms. Murphy,

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 are a publicly traded company. The federal government of Brazil owns the majority of our voting shares. We are an integrated energy company and our operations include: exploration and production, refining, oil and natural gas sales and transportation, petrochemicals, electric power generation, biofuels and other renewable sources of energy. We lead the Brazilian oil industry, and we have a presence in 29 countries outside of Brazil. Our 2010-2014 Business Plan foresees investments on the order of US\$224 billion.

We support the Extractive Industries Transparency Initiative (EITI), and we fully support the Commission's efforts to increase transparency with respect to payments to governments by companies engaged in resource extraction. However, the Proposed Rule may result in an overly complicated initiative, whose costs may exceed its benefits. The Commission's proposal may also result in a lack of comparability between resource extraction issuers and the payment disclosure they provide.





Please see Appendix A for our detailed comments with respect to certain questions posed by the Commission in the Proposed Rule. For additional information, please feel free to contact Mr. Marcos Menezes by e-mail (marcosmenezes@petrobras.com.br) or by telephone (+55 21 3224 1407).

Sincerely,
Marcos Menezes - Chief Accounting Officer

APPENDIX A – COMMENTS

DEFINITIONS OF “RESOURCE EXTRACTION ISSUER”

We understand that the proposed disclosure rules should be applied to foreign private issuers, and to issuers that are owned or controlled by governments such as ourselves. An exemption should be provided to permit a foreign issuer already subject to resource payment disclosure obligations under its home country laws or the rules of its home country stock exchange to follow those home country laws or rules instead.

DEFINITION OF “COMMERCIAL DEVELOPMENT OF OIL, NATURAL GAS, OR MINERALS”

Petrobras fully supports initiatives that increase transparency. However, we believe that the Commission should pay particular attention to the need for investors to receive relevant and reliable information that can be prepared at a reasonable cost to preparers.

We are particularly concerned about the broad definition of “commercial development of oil, natural gas, or minerals”. A subjective definition of this term may result in a lack of comparability between resource extraction issuers, frustrating the Commission’s transparency objectives.

We believe that the definition of the term “commercial development of oil, natural gas, or minerals” should be limited only to exploration and production activities (“upstream business”), as contemplated by the EITI and consistent with the Commission’s existing definition of “Oil and Gas Producing Activities” under Rule 4-10 of Regulation S-X, because these activities are the primary source of government revenues in countries rich in oil, natural gas, and minerals and is widely understood in practice by the industry and users.

DEFINITION OF “PAYMENT” - TYPES OF PAYMENTS TO BE DISCLOSED

Regarding the definition of “payment,” we have the following concerns:

- I. Corporate income taxes are calculated at the entity level. Corporate income taxes levied on an integrated energy company, such as Petrobras, which is active in all segments of the oil industry, are based on the entirety of its operations (e.g. upstream, downstream, biofuels, transportation and so forth). As a result, whether based on the scope of the proposed rule or when limited



DEFINITION OF "PAYMENT" - TYPES OF PAYMENTS TO BE DISCLOSED (Cont.)

to a company's upstream business, the disclosure of corporate income taxes for an integrated energy company would require impractical apportionment calculations. Taxable revenue included in the scope of the rule may be deducted against an expense outside the scope of the rule. The Commission should clearly address the treatment for integrated energy companies in the Final Rule. In our opinion, an exemption should be given for integrated energy companies with respect to corporate income taxes and other taxes based on the same concept.

- II. The Commission should provide instructions as to how to disclose a production entitlement in kind. Which unit of measure should we use? Volume? Should we be required to provide a monetary value? If so, in what currency?

DEFINITION OF "PAYMENT" - THE "NOT DE MINIMIS" REQUIREMENT

The discussion of whether the term "not de minimis" differs from a materiality standard is not the primary issue. In our opinion, both "not de minimis" and materiality should be determined by reference to the consolidated financial statements of the issuer and the existing materiality guidance provided by SAB 99 and FASB Concept 2.

DEFINITION OF "PAYMENT" - THE "PROJECT" REQUIREMENT

In our opinion the Commission should permit an issuer to treat all of its operations in a single country as a "project". We emphasize that this treatment is in accordance with EITI requirements and complies with the statute.

The costs related to tracking, collecting and disclosing information at a more detailed level would exceed the related benefits. We strongly believe that the disclosure of payment information on a per country basis achieves the purpose of improving transparency and accountability in countries rich in oil, gas, and mineral resources.

PAYMENTS BY "A SUBSIDIARY OR AN ENTITY UNDER THE CONTROL OF THE RESOURCE EXTRACTION ISSUER"

In our opinion only consolidated subsidiaries and entities under control of a resource extraction issuer should be subject to the new disclosure rules. Investments recognized by the equity method should be exempt. In addition, the disclosures should be based only on the accounting principles used by the issuer (whether local GAAP, IFRS or US GAAP), without reconciliation.

In certain circumstances, a resource extraction issuer that is not the operator under a joint operation agreement may not be able to obtain timely access to payments information relating to the joint venture. The Commission should recognize this characteristic of our industry by providing an exemption to an issuer that cannot reliably obtain timely payments information under joint operation agreements where that issuer is not the operator.

OTHER MATTERS

Brazil's oil and gas regulations do not prohibit the disclosure of payments by resource extraction companies to the Brazilian government or to any government outside of Brazil. We are active in 29 countries outside of Brazil and we are not aware of such a prohibition in any of those countries.

However, in our opinion, the Final Rule should include an exception for otherwise reportable payments that are subject to legal or contractual confidentiality requirements.

DISCLOSURE REQUIRED AND FORM OF DISCLOSURE

In our opinion, a foreign private issuer should furnish its resource extraction payment disclosure annually under cover of a stand-alone report on Form 6-K to be submitted 180 days following the end of the most recent calendar year. Under this scenario, the process of tracking, collecting and disclosing payments information would not delay or otherwise impact the filing of the annual report on Form 20-F. In any event, the rules should provide that an issuer's ability to use short-form registrations and automatic shelf registrations, and to take down securities from an effective shelf registration statement, should not be affected by whether it meets the deadline to supply resource extraction payments information.



DISCLOSURE REQUIRED AND FORM OF DISCLOSURE (Cont.)

We agree with the proposal that resource extraction payment information should not be audited. In our opinion, the Commission should not require resource extraction issuers to provide the payment information on an accrual basis.

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Avenida República do Chile, 65/301
20031-912 - Centro - Rio de Janeiro - RJ - Brazil
Tel.: (XX21) 3224-1407 Fax: (XX21) 3224-0438
www.petrobras.com.br

