BOOKLET FOR BEST PRACTICES FOR OIL AND GAS COMPANIES AND TECHNOLOGY PARTNERS IN RD&I PROJECTS

INSTITUTO BRASILEIRO DE PETRÓLEO E GÁS

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SUMMARY

ACKNOWLEDGEMENT

“We appreciate the collaboration of all representatives of IBP member companies who contributed to the execution of this work, which presents a set of good practices that seek to contribute to improving the planning and execution of RD&I projects”.

THE REASON BEHIND THIS BOOKLET

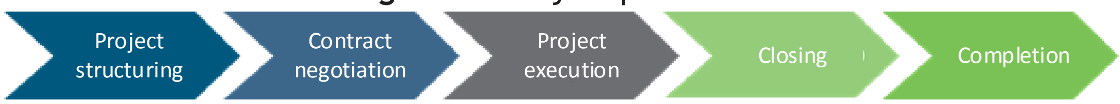
The purpose of this work was to identify the main challenges faced in Research, Development and Innovation (RD&I) projects, implemented in accordance with the R&D clauses of oil and natural gas exploration and production contracts of the Agência Natural do Petróleo, Gás Natural e Biocombustíveis (ANP) (Natural Agency for Oil, Natural Gas and Biofuels).

RD&I projects are carried out in a collaborative partnership between oil companies and technology consortiums, which may be Brazilian companies, universities and/or research centers. In order for the initiative to be successful, it is necessary to have good planning, for subsequent implementation and control, in order to meet the ANP objectives and requirements.

In this context, IBP Technology and Innovation Committee members understood the need for a booklet for best practices in conducting these partnerships, aiming to ensure that such projects develop within an effective process and as little bureaucracy as possible.

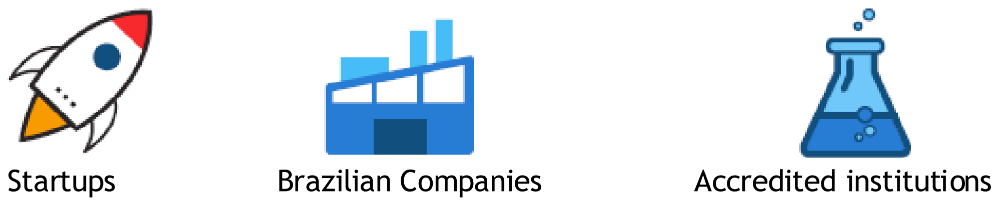
As a result of this work, this document is structured in seven chapters, of which the fifth is dedicated to recommendations for good practices grouped by topic. In order to facilitate the reader understanding, two graphical notations will be used: one for identify the RD&I project phase to which the good practice applies (figure 1) and the second to indicate the technology partner to which a given good practice is intended (figure 2).

Figure 1 - Project phases



Source: Technology and Innovation Committee - IPB

Figure 2 - Research partners



Source: Technology and Innovation Committee - IPB

It is worth pointing out that the best practice can be related to more than one project phase, as well as to apply to more than one technology partner.

It is important to note that the best practices listed serve as guidelines for a good relationship between the oil companies and their technology partners, not replacing or changing the ANP Technical Regulation no. 03/2015 or the individual rules and manuals of each company.

1 INTRODUCTION

At the end of the 1990s, within the context of changes in the regulatory and institutional framework of the Brazilian oil industry, a concern arose that Petrobras would not include investments in research, development and innovation from its business plan, making it more market oriented (ROCHA, 2015).

This concern led ANP, created in 1997[1], to introduce clause 24 (also known as the R&D clause) in exploration block concession contracts with the purpose of ensuring the application of a percentage of the gross revenue of a high productivity field in qualified research like RD&I. Thus, ANP established a financing instrument aimed at promoting scientific and technological development in the oil, natural gas, biofuels and other energy sources sector and expanding the local content of goods and services (ANP, 2015a).

The application of the R&D clause varies according to the specific conditions of each contract. For blocks granted under the concession regime, the obligation applies to high productivity fields where special participation is collected, equivalent to 1% of gross revenue from the production of oil, natural gas and other hydrocarbons. In the case of production sharing contracts and onerous assignment, the RD&I obligation is established based on any production volume, in an amount equivalent to 1% and 0.5% of annual revenue respectively (ANP, 2017a).

The rules for managing the RD&I investment clause were regulated by Resolution No. 33/2005 and ANP Technical Regulation No. 5/2005, replaced later by Resolution No. 50/2015 and ANP Technical Regulation No. 3/2015, improved by Resolution ANP No. 799/2019. The technical regulation was improved by ANP Resolution No. 776/2019.

It is also worth highlighting ANP Resolution No. 47/2012 and ANP Technical Regulation No. 07/2012, which deals with the accreditation of research and development institutions with the ANP, standardizes the definitions of areas of activity and the penalties arising from non-compliance with the rules established and compliance with contracts with oil companies.

According to the regulation the resources collected from the clause can only be applied to RD&I activities or activities considered as equivalent, established in the technical regulation, as listed below:

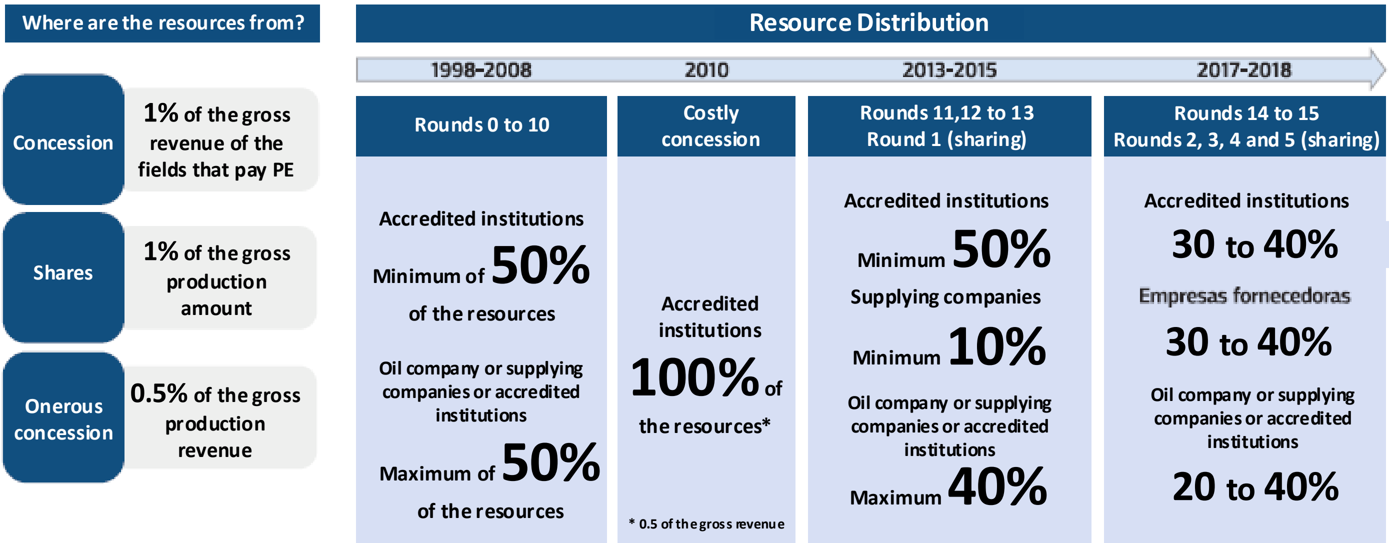
- basic research, applied research and experimental development, including environmental and social, human and life sciences research;
- construction of prototype and pilot plant;
- software *development*, provided that it involves significant technological ou scientific advancement;
- specific training and qualification programs for human resources;
- technology programs for development and technical training of suppliers; and
- specific projects to improve laboratory infrastructure, support to laboratory installation of RD&I, basic industrial technology and non-routine basic engineering (ANP, 2015b).

[1] Law No. 9,478/1997, which created the ANP, conferred on it, in its art. 8, as one of its attributions, to encourage research and the adoption of new technologies in exploration, production, transport, refining and processing, materialized in clause 24

2 RESOURCE DISTRIBUTION

The resource distribution changes according to the round where the contract was signed and it complies with the percentage presented in figure 3.

Figure 3- Resource distribution



Source: ANP/SPD.

In the concession contracts up to the 10th bidding round:

» 50% (fifty per cent) of the resources must be applied to projects or programs carried out by accredited institutions;

» the remaining resources may be applied to projects or programs carried out at the company facilities itself or its affiliates, provided that they are located in Brazil, or contracted with Brazilian companies or accredited institutions (ANP, 2015b).

In concession contracts from 11th bidding round and production sharing contracts, the resource distribution was established as follows:

» at least 50% (fifty per cent) of the resources must be applied to projects or programs carried out by accredited institutions;

» at least 10% (ten per cent) of the resources must be applied to projects or programs carried out by Brazilian companies;

» the remaining resources may be applied to a project or program carried out at the oil company facilities itself or its affiliates, provided that it is located in Brazil, or contracted with Brazilian companies or accredited institutions (ANP, 2015b).

In the case of onerous assignment, the resulting resources must be fully applied to projects or programs carried out by institutions accredited by ANP. However, for the three types of contract, regardless of the date of the round, the oil companies may directly apply up to 30% of the minimum portion of the resources intended to accredited institutions to projects in partnership between Brazilian companies and accredited institutions.

As of the 14th bidding round under concession contract and the 2nd and 3rd rounds under production sharing regime, the distribution of investment bonds in RD&I has changed. In the new contract models, the concessionaires keep the obligation to invest the amount equivalent to 1%

of the gross revenue of the production field in research, development and innovation activities, but they reformulate the obligation to distribute the expenses as follows:

- » from 30% to 40% of the resources must be applied to projects or programs carried out by accredited institutions;
- » from 30% to 40% of the resources must be applied to projects or programs carried out by Brazilian companies.
- » the remaining balance of the expenses of the RD&I clause can be used in research, development and innovation activities carried out in facilities of the concessionaire itself or its affiliates, located in Brazil, or in Brazilian companies or institutions accredited by ANP.

ANP is responsible for analyzing, approving, monitoring and supervising the application of resources arising from the RD&I clause. Generally, the contracting or performance of projects by oil companies in compliance with the obligation to invest in RD&I does not require authorization from ANP, with the exception of some exceptions provided for in the regulation.

In accordance with the current regulation, programs and projects aimed at meeting the following purposes may be admitted, with ANP authorization:

- » technology program for development and technical training of suppliers; and
- » specific project to improve the laboratory infrastructure;[2]
- » project for the study of new frontier sedimentary basins involving data acquisition activity;
- » basic industrial technology specific project;
- » specific human resources training program;
- » non-routine basic engineering specific project;
- » specific project to support RD&I laboratory facilities (ANP, 2015b).

For authorization, oil companies must submit a work plan on the program or project to ANP. It may be submitted at any time, except the cases for which ANP establishes a specific schedule. To authorize the work plan development, ANP considers the following criteria:

- » merit and relevance of the project or program, in addition to the contribution to the sector, taking into account the common interest by ANP and the oil company;
- » adequacy of the information presented in the work plan;
- » adjustment to the provisions provided in ANP Technical Regulation no. 3/2015;
- » once granted, ANP authorization for the accredited company or institution will be valid for one year from the time of publication. In order to fulfill the obligation to invest in RD&I, the authorized entity is committed to providing information through contracts, work plans, technical and financial reports (ANP, 2015a).

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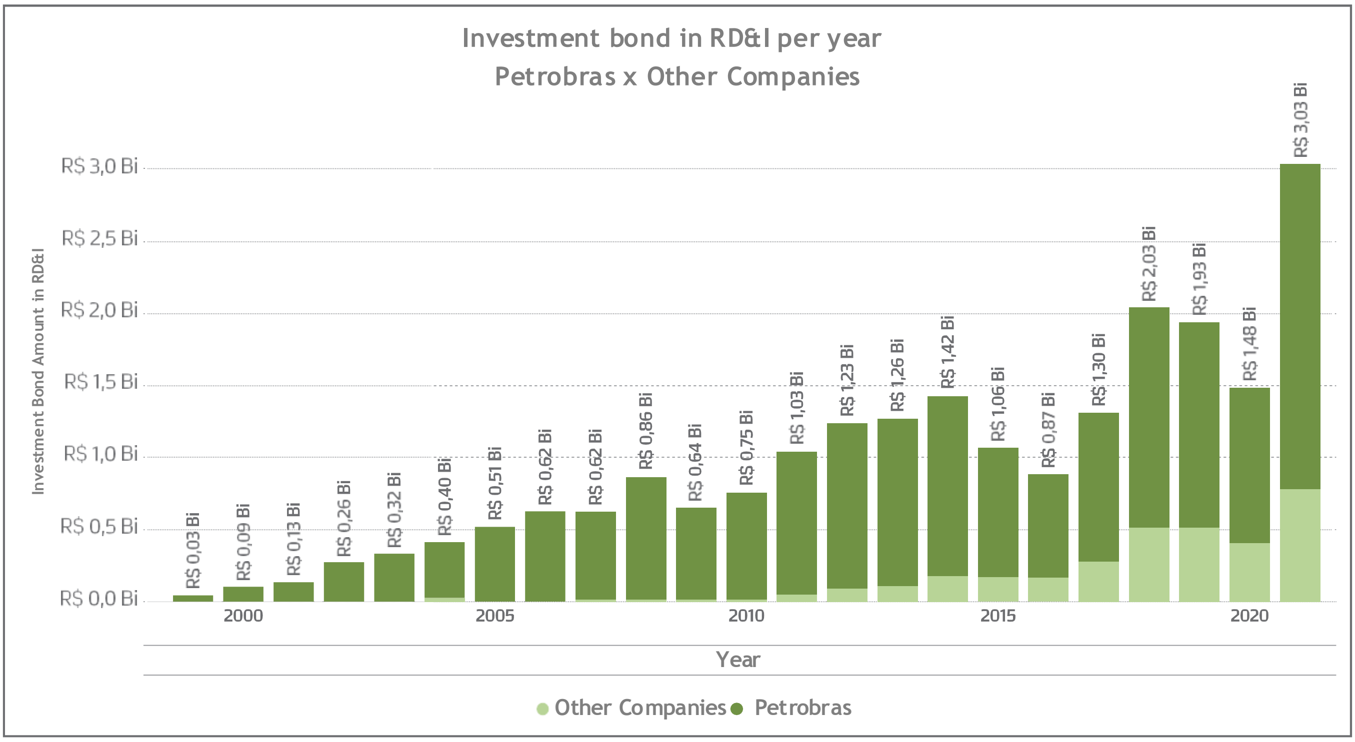
[2] According to 2015 regulation, the programs or projects where the expenses are limited to R$ 500,000.00 do not need ANP authorization (ANP, 2015b).

3 INVESTMENTS ARISING FROM R&D CLAUSE

Since the implementation of the R&D clause in 1998 until the fourth quarter of 2020, a total amount of investment bonds around R$18 billion has been accumulated. Petrobras was responsible for almost R$ 16 billion and other oil companies for around R$ 2 billion.

Chart 1, below, shows the volume of resources arising from the R&D clause over the years up to the fourth quarter of 2020.

Chart 1 - Volume of RD&I bonds generated per year (up to the 4th quarter of 2021)



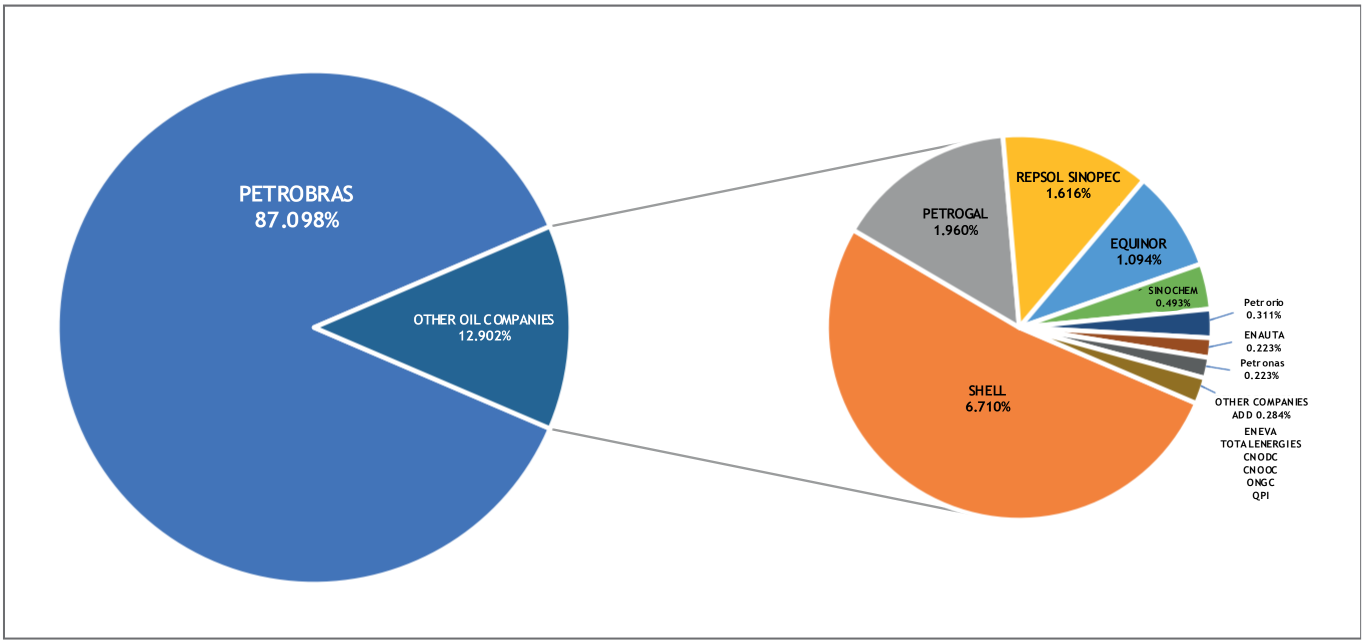
Sources: Sigep, SPG/ANP and SPD/ANP.

Note: The declared amounts may be adjusted after ANP audit.
https://www.gov.br/anp/pt-br/assuntos/pesquisa-desenvolvimento-e-inovacao/investimentos- em-pd-i/recursos-financeiros-das-clausulas-de-investimentos-em-pd-i

According to ANP data, there was a 41.4% decrease from the 1st to the 2nd quarter of 2020 as a result of Covid-19 pandemic, which caused impact on the global economy, generating a sharp drop in oil demand, with consequent barrel price reduction. With the price drop of the oil barrel, the gross revenue of companies also suffered a reduction, causing some projects to stop paying special participation and, consequently, to have the contractual obligation to invest in RD&I.

Since the clause introduction, Petrobras has paid most of the amounts invested in RD&I. However, as foreign companies expand their operations in Brazil, an increasing portion of the clause resources come from these companies. Graph 2, below, presents the percentage of the total volume accumulated of resources generated in the entire period, from 1998 to the 4th quarter of 2020, by oil company.

Chart 2 – Percentage of volume invested by oil company (1998–2020)



Sources: Sigep, SPG/ANP and SPD/ANP.

https://www.gov.br/anp/pt-br/assuntos/pesquisa-desenvolvimento-e-inovacao/investimentos- em-pd-i/Imagem_grficodepizza.png

4 BEST PRACTICES GROUPED BY THEMES

a. Human resources

1. Due to the General Data Protection Law (LGPD), some information needs to be treated with care so as not to violate the legislation. In this case, the best practice is to prove the costs of professionals working on the project by presenting the average values of the position or team involved, in accordance with the provisions of item 4.4 of ANP Technical Regulation 03/2015, supported by the issuance a declaration signed by the research partner legal representative, thus guaranteeing the accuracy of the salary information provided.

2. It is important that the maximum weekly workload established in the CLT or in specific regulations is respected. The best practice identified in this regard is the control carried out by the financial manager of the research partner along with the project technical team, by requesting each member of the technical team to declare compliance with the workload within the maximum limit, considering all the projects in which he/she has taken part. This control allows the oil company to evaluate this statement in project accountability.

3. There are laws that define the maximum workload of professors with exclusive dedication in public universities, as well as some universities have internal regulations that determine this workload. The Best practice observed in projects with universities is the calculation of the total workload of paid hours that a given professor allocates to research activities and the provision of services to private companies, considering the accumulated workload between the different companies.

4. It is important that all team members have their role in the project explained objectively in the PTR-B, especially when there are redundancies in position and background. The Best practice consists of building heterogeneous teams, with diverse experiences both in companies and accredited institutions, seeking to mix undergraduate, masters, Phd and postdoctoral students, thus avoiding the concentration of researchers with the same experience and training.

5. The alignment between the scholarship values and researcher salaries and the values practiced by the market is the best practice in the RD&I project budgeting. The Brazilian companies that adopt this practice usually carry out market consultations and analyses to determine the salary amounts paid via CLT, while accredited institutions use as a reference the amounts paid by FAPESP, CNPq (links below) or other similar institutions, always observing the limit established by ANP regulation.

   » - http://www.cnpq.br/web/guest/no-pais/

   » - http://www.cnpq.br/web/guest/fomento-tecnologico/

   » - https://fapesp.br/valores/bolsasnopais

   » - https://fapesp.br/1092/pesquisadores-visitantes-valores

Project structuring

6. The participation of foreign researchers is allowed, as long as they meet the requirements below:

   » the researcher must have a work visa in Brazil for this purpose;

   » the participation of foreign researchers in RD&I projects has as one of its main purposes the promotion of knowledge transfer to research groups in Brazil;

   » foreign or Brazilian researchers working outside Brazil cannot be paid;

Project structuring

7. For hiring researchers at accredited institutions, the scholarship model is the best practice. In this model, it is important to reinforce that the researcher must have his activities linked only to the project from which he receives the grant and that must be strictly RD&I.

Project structuring

8. In projects with public universities, intermediated by foundations, it is identified as best practice, the appointment, before the beginning of the project, of a representative in the Foundation who will be responsible for the project administrative management. This professional usually acts as an interface between the agents, positioning himself as a focal point throughout the project for financial and administrative discussions, even having, in some cases, this function established in the contract.

Project structuring

b. Intellectual property

1. The Best practice is the observation and analysis of the intellectual property laws in force in the country that may impact the relationship between the partners involved in the project.

2. It is observed as the best practice the negotiation of intellectual property carried out before the beginning of the projects, covering the entire scope of the research, providing clauses to include eventual scopes arising during the development and that were not provided in the structuring stage.

3. The Best practice in university projects is the involvement of innovation agencies or similar departments to support intellectual property discussions during the contract negotiation phase. The meetings are more productive when a focal point from that department takes part in negotiations with oil companies.

c. Infrastructure projects

1. It is recommended that, before hiring an infrastructure project, a survey is done on the existing infrastructure on the institution *campus*, in order to avoid infrastructure duplication.

2. The Best practice in projects with universities shows that, before creating a new laboratory, the infrastructure project must be aimed at upgrading an existing structure suitable for this purpose, inside the campus or at another partner institution that can share the infrastructure with the research projects to be contracted, thus avoiding unnecessary infrastructure duplication and improvement of existing facilities.

3. The use of laboratories where resources from the ANP RD&I clause have been invested in the multi-user model, that is, that the infrastructure can be shared with other research groups from the same institution or from other institutions, as well as with different oil companies, including companies from other sectors, is the best practice identified in the market.

4. In infrastructure implementation projects, compensation expenses with the executing team are not allowed. Expenses with the team to monitor the work must be covered by Operating and Administrative Expenses (DOA, limited to 3% of the total).

d. Prototype construction

1. It is the best practice to purchase raw materials and pay for manufacturing services (provided the latter are not carried out by the partner company) for the purpose of building prototypes, not allowing payment for the use of the partner internal research infrastructure. It is only possible to carry out the manufacturing service outside the country when there is no similar domestic product.

e. Specialized services

1. Services that add intellectual or scientific development to the project are considered the RD&I scope and, therefore, they cannot be outsourced.

2. It is admissible, on an exceptional basis, to incur expenses abroad related to specialized services of a complementary nature, provided that it is shown that they cannot be carried out in Brazil. These expenses are only allowed for legal entities, it is not allowed to hire services that can be carried out by the executing partner.

3. Only materials and components related to the prototype construction and pilot units must be informed under the item "prototype or pilot unit”, with other materials and services linked to the operationalization of the prototype under the items "consumable materials" and "third-party services”, respectively. And, in case of carrying out field tests, they must appear under the item “field tests”.

Project structuring | Project execution

f. Indirect and administrative costs

1. Indirect costs such as office supplies, technicians for shared equipment maintenance, shared laboratories maintenance, general computing materials, should preferably be covered with a fee up to 15% of indirect costs.

Project structuring

2. Administrative costs such as team for the project administrative and financial management must be covered with a portion of up to 5% for administrative costs.

Project structuring

3. In case of difficulty in transferring the indirect and administrative cost fees to the project, it is identified as best practice, the entry of such fees in the project costing worksheet in the allowed cost centers, with their amounts reduced from the indirect cost or administrative fees (execution of calculation memory). Thus, during the final accountability of the project, the oil company transfers these detailed amounts to the correct item.

Project structuring

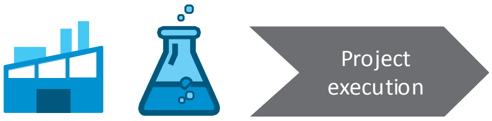
4. For projects where maintenance services, energy and water consumption are significant portions within the total cost of the project, such costs can be entered as direct costs as long as it is possible to measure correctly the expenditure of these items directly on the project.

Project structuring

g. Trips

1. Project trips need to be justified in the project, that is, the reason for the trip must be directly related to the needs of the project, not allowing trips that do not bring direct benefits to the project.

2. It is identified as the best practice that all trips have the following data correctly filled in: destination, period, reason, practical application in the research, daily rates and tickets paid. It is important that the daily rates follow the limit stipulated in ANP manual, and the amount is used to cover the food, accommodation and transportation costs. Payment proof of tickets and daily rates must be presented in the account installments.



h. HSE

1. Although there are no requirements in ANP RD&I regulation, it is important that the projects value the health and safety of researchers and society that may be impacted by the project under development, as well as observing all environmental protection requirements.

   It is the best practice for research laboratories to have standardized procedures to ensure minimum safety and quality standards for the following verification items:

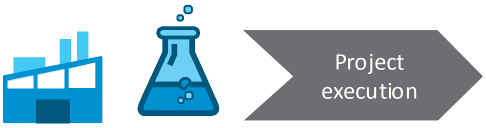
   » organization and cleanliness;
   » emergency response;
   » hazard and risk communication;
   » equipment/machines and materials;
   » electricity and tools;
   » risk and management procedures.

i. Project financial and technical management

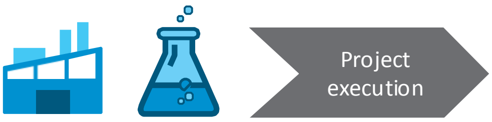
1. It is the best practice for the financial manager to provide for the opening of a specific account to receive the resources transferred during the project execution, allowing the traceability and transparency of its application. In cases of negative cash flow (when the partner spends the resource before transferring it), this account may be allocated in a bank agency, exclusively for this purpose, or within the partner management system, as a specific account.

2. Account balances, while not used, according to ANP regulation, must be applied when the forecast for their use is equal to or greater than one month. Earned revenues must be credited to the project and applied exclusively in accordance with the scope of the work plan, subject to prior approval by the oil company.

3. It is the best practice to use the income balance in the items already approved in the project, and its amount deducted from the following portions agreed in the cooperation agreement.

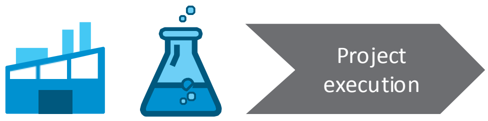


4. Operating and administrative expenses and indirect costs are limited in percentage in relation to the amounts spent during the execution of the survey. Therefore, it is the best practice to withdraw from the partnership account amounts proportional to the expenses paid by this account, avoiding early withdrawal.

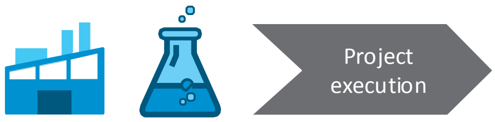


5. It is the best practice to hire and pay project-related expenses within the project term. In case of late payment of any expense item, it is necessary to add the project deadline in order to allow the item to be submitted for qualification, always observing the maximum period of 60 months of project duration. The Regulation does not allow the oil company to consider any expense incurred outside the project term.

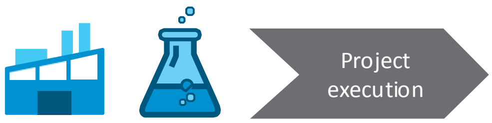
6. In projects with more than one research partner there are two possibilities for the project financial management. It is possible to choose a single project finance coordinator or determine a financial coordinator per partner. In the first case, it is the financial coordinator responsibility to collect the accountability from the other partners, consolidate and submit the accountability for analysis by the oil company. In the second case, each partner is responsible for doing the accountability directly to the oil company. Regardless of the manner chosen, it is important that, both in the planning (PTR-B) and in the final financial report (REF), the project costing items are properly separated and specified by partner in the project.



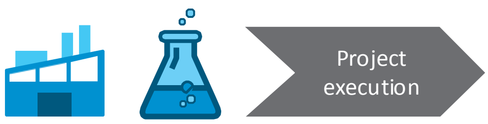
7. The PTR A and B documents are the main guides for conducting the research, from a technical and financial point of view, respectively. It is the best practice to submit any change in the work plan or financial plan for approval by the oil company, observing its peculiarities.



8. The resource arising from the R&D clause comes from the oil company and as it is intended for a specific account, provided that it is established in the contract or contract administrative guidance, it must be used in accordance with the oil company purchase and contracting rules.



9. In order to reduce the amount in the bank account and, consequently, reduce income and the need to return resources, it is recommended as the best practice that:
   - » new transfers are carried out only after the accountability of the previous transfer;
   - » before transferring it to the supporting university/foundation, it is necessary to present the bank and income balance;
   - » the income is considered as the amount contributed to the project and its amount is subtracted from the next payment;
   - » it is the oil company that authorizes the income to be used in the project items;
   - » the account balance, minus the amount necessary to cover the project until the transfer date, is reduced from the installment to be paid.



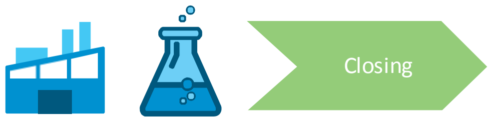
10. Failure to deliver the final technical and financial reports to ANP within 120 days after the completion of the project may lead to several problems for the oil company (such as a fine) and for the accredited institution, including disqualification, as governed by article 8 of ANP Technical Regulation n.º 7/2012.

Considering that the process to prepare the final documents goes through revisions at the oil company and, consequently, through different rounds of corrections and improvements, it is recommended as best practice:

» that the Consolidated Technical Report (RTC) is a living document, with versions prepared annually, presenting the development of the current year. Thus, at the end of the project, the preparation of the final document speeds up, minimizing the need for corrections;

» that the first version of the final documents is sent to the oil company within 45 days after the end of the project, allowing them to be reviewed by the parties in a timely manner;

» that the final accountability is sent to the oil company within 30 days after the project end, allowing its analysis and revision by the parties in a timely manner, and consequently the completion of the Financial Report (REF) that will be delivered to the agency.



j. Contract clauses and signing process

1. When financing a research project, the oil companies expect to have some kind of future return with the financed project, such as:

» intellectual property: the oil company may be interested in taking part in the intellectual property of the project result, to use it in their research or operation activities, license them to third parties or receive *royalties* for its use;

» commercial benefits: the oil company may be interested in obtaining preference for the use of the project result, receiving discounts on the sale price of the final product, having access to a defined amount of free support services for a certain period, among others.

2. It is the best practice for the contracts to have indemnity clauses, in the case of deductions due to incorrect information or that go against the ANP RD&I regulation, such as the acquisition of prohibited goods and services or the addition of profit and/or markup, when not previously authorized by the oil company.

3. It is the best practice in the relationship between oil companies and accredited institutions, that the latter present, at the beginning of negotiations, in a clear and objective way, the internal flow of approval, with numbers of instances and procedures of the collegiate bodies, with the respective deadlines for carrying out. Inform the signature limit period, once the PTRs (Project or Program Work Plan) are agreed. It is recommended that the total term does not exceed 45 calendar days.

k. Projects with different funding sources

1. It is the best practice to create separate checking accounts for each of the project funding sources, in order to ensure the correct separation of resources.

2. It is the best practice to make the project financial planning separated by sources, with enough details to allow the oil company to follow the project financial expenditure by each one of them.

l. Accountability

1. All costs incurred in the project development must have a supporting document to be presented in the partial accountability or project end. We have listed below some best practices for proving the main costs of projects:

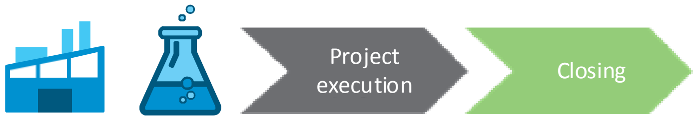
   » expense with MH (man-hour) of the project: the partners can present tables with the hours worked and amount paid to each professional, observing the hiring model (CLT or grant). Along with the table, it is important to present a letter signed by the accounting officer or the research partner HR, informing the methodology used to calculate salary, fees and benefits, including an explanation of the amount of each item contained in fees and benefits;

   » service contracting or purchase of equipment/consumables: present the invoices for the items purchased with their payment receipts and pictures;

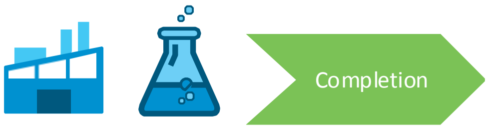
   » trips: present the invoice for the tickets purchased and the proof of deposit or receipt of nominal cost allowances for traveling researchers. Food, accommodation and transportation costs must be paid with the allowance amount;

» taxes: it is suggested to present a letter from the legal accounting representative informing the current legislation in which the partner fits, the legislation amounts of each tax and the fiscal classification of the research partner;

» imported items: present technical report showing the non-existence of similar products in Brazil. Such report must include, as complementary documentation, a consultation with Brazilian competitors and sectorial unions.



2. It is important that supporting documents, both financial and from the technical execution, are kept by the research partner until the inspection process is completed. It is recommended as best practice that the research partner makes himself available to the oil company to provide project information, takes part in audits requested by ANP and provides clarifications, in writing or in person, to the agency during the project inspection process.



m. Projects with *startups*

1. When the project includes a startup, it is recommended as best practice to consider additional services to support the startups in the business management processes. Such support can be provided by partnerships with seed accelerators and incubators or even by the oil company own teams such as HR, legal, financial, tax, etc.

5 A CONTRIBUTION TO STRENGTHEN THE RELATIONSHIP WITH TECHNOLOGY PARTNERS

Investments in research, development and innovation are extremely important for the oil and gas sector which develops complex activities in challenging environments with high operating costs.

Over the years that the RD&I clause in exploration and production contracts has been in force, large investments have been made by oil companies and an even greater volume will need to be invested in the coming years. To comply with regulations, a large part of these investments will have to be carried out in partnership with universities, suppliers and research centers.

Therefore, when preparing this booklet for best practices, IBP Technology and Innovation Committee objective was to create a tool to help technology partners of oil companies in the structuring, management and accountability processes of RD&I projects financed by the R&D clause resources.

The idea is that this booklet is a living document, with frequent updates, incorporating the knowledge, experience and recommendations of managers in the areas of relationship with technology partners of oil companies. For this reason, we recommend you to keep track of its updates.

ANNEX I – RELEVANT TERMS

Consumables:[3] Expense items that are consumed, lose their physical identity or have their use limited over the project execution period are considered consumables The executor must understand clearly that if the purchased item is available for other projects/research, it must be characterized as permanent material.

Permanent material:[4] the one that, due to its current use, does not lose its physical identity, and/or has a more than 2-year durability.

Cost project: PD&I/ANP projects are not subject to profit, according to RT ANP 03/2015, item 1.30, observing the expenses provided for in the same regulation chapter 4 - Qualification of expenses admitted in projects and programs - items 4. 7 to 4.10 B, considering the project type, according to chapter 3 - Qualification of projects or programs – item 3.4. Thus, it is not possible to use the RD&I clause resources to generate profit, pay indirect costs (except for accredited institutions, limited to 15%), *markup* or administrative cost except for accredited institutions, limited to 5%).

Direct cost: it is considered to be a project direct cost any expenditure that can be directly measured and associated with the project, without the need for an apportionment methodology.

Indirect cost: they are costs related to expenditures that are difficult to associate and measure when accounting for an activity or project. They are normally apportioned among the several activities carried out by the accredited company/institution.

Administrative expenses: they are incidental expenses to the research project, even if, in certain situations, they can be directly associated with the project, they are not part of the research *core* activities, such as financial support, lawyers, commercial etc.

Service provision contract and cooperation agreement: as there is no profit in ANP RD&I projects, these are the most used types of contracts.

[3] Definition of consumables according to the *Guidance manual*, version 11, section 5 – Expenses, item 5.3.

[4] Definition of permanent material according to the Implementing Measure no. 04, dated 10/31/97 – SIAFI Manual of Ministry of Economy.

https://conteudo.tesouro.gov.br/manuais/index.php?option=com_content&view=article&id=1797:051704-norma-de-execucao-n-04-de-31-10-97&catid=796&Itemid=700

Table 1 below shows the difference between the two contract models.

Table 1 – Percentage of volume invested by oil company (1998-2020)

SERVICE PROVISION	COOPERATIO N
Agreement of wills with opposing interests	Agreement of wills with converging interests - aiming at the execution of a technological object
Customer and service provider relationship	Financial balance and benefits arising from the results of the shared project
Fines and termination with penalties	Penalty-free reporting and termination
Payment in return for services - existence of profit	Transfers upon accountability and proof of good use of resources – no profit/financial reserve
Term of definitive receipt (TRD) upon termination of services	Closing term (TE) upon final accountability, return of balance and delivery of results
Contractual amendments limited to 25%	No limitation
Result property - 100% of the contracting company	Co-ownership of results
Incidence of taxes	No incidence of taxes

Source: Prepared by the work group

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