

Lula Says Replacing Petrobras Head Won't Lower Fuel Prices (1)

Issue is policy of parity with international prices, he says

President Bolsonaro sacked his third Petrobras CEO on MondayBy Simone Iglesias

(Bloomberg) -- Brazil's presidential front-runner Luiz Inacio Lula da Silva lashed out at the market-based pricing policy adopted by Petroleo Brasileiro SA, saying that replacing the head of the state-owned oil company won't be enough to lower domestic fuel costs.

Lula said Tuesday that President Jair Bolsonaro must "have the courage" to move the country away from international crude prices, which Petrobras has been tracking since 2016 to determine domestic fuel costs. Such a policy has made the company extremely profitable again, after years of losses under the administration of Dilma Rousseff, Lula's hand-picked successor.

Luiz Inacio Lula da Silva

"It's useless to replace the head of Petrobras, Bolsonaro needs to change his ways," Lula said at an interview with a local radio. "He could call a meeting of the energy policy council, bring Petrobras to the table and decide that prices won't be dollarized anymore."

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Bolsonaro sacked the third chief executive officer he had appointed to lead Petrobras, piling pressure on the company to stop raising fuel prices as inflation running above 12% becomes a major campaign issue ahead of October's general election. Pushing Petrobras to absorb higher crude prices instead of passing them to consumers is a rare point of coincidence between Bolsonaro and Lula as they vie for the presidency.

What Bloomberg Economics Says

"Bolsonaro has decided to take up the fight against high and broad-based inflation with unorthodox weapons. The latest moves may curb some prices, but won't be enough to change the underlying trend."

-- Adriana Dupita, Brazil economist

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While Chief of Staff Ciro Nogueira dismissed investor concerns of an intervention at Petrobras, he said the government is looking for ways to avoid higher fuel costs be transferred to Brazilian consumers.

Lula also criticized the privatization of fuel distribution in Brazil, saying that it has opened the market to hundreds of "companies importing gasoline and charging prices in dollars."