

IMI: Outlook for Brazil's Oil and Gas Onshore Segment

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Although 90% of Brazil's oil production in 2013 came from offshore fields, mostly at extreme depths, and about 73% of Brazil's gas production came primarily from offshore fields, Brazil's onshore segment is expected to grow gradually over the next years.

The Brazilian National Oil and Gas Regulator ANP held three oil licensing rounds in 2013, one of which, the 12th oil round, granted 72 onshore blocks, totaling 47,430 square kilometers, in five sedimentary basins. ANP signed most concession agreements on May 15, 2014. The remainder will be signed on June 5th. Of the twelve companies that won exploratory areas, eight are local. As expected, the Brazilian state run oil company Petrobras won the largest number of blocks. The company acquired 100% interest in 27 blocks and has stakes in the winning consortium for a further 22 blocks. The Colombian newcomer, Trayectoria, won 10 assets individually. U.S. firms did not submit bids.

The following a table summarizes the 12th oil licensing results by company:

Awarded blocks by company					
Basin	Awarded blocks		Minimum Work Program (WU**)	Minimum Investment Planned (USD)*	Signature Bonus (USD)*
	Operator	Non-operator			
Alvopetro S.A.	4	0	3,463	5,599,744.68	573,166.84
Bayar	0	7	10,937	17,685,361.70	2,131,063.83
COPEL	0	4	6,162	9,964,085.10	1,593,191.49
Cowan Petróleo e Gás S.A.	2	8	10,258	16,587,727.66	3,978,427.49
GDF Suez Energy Latin América	0	6	1,293	2,090,808.51	640,776.60
Geopark Brasil	2	0	2,167	3,504,085.10	452,708.51
Nova Petróleo S.A.	4	3	3,222	5,210,851.06	2,956,389.36
Ouro Preto Óleo e Gás	0	7	2,227	3,600,783.98	2,122,574.29

S.A.

Petra Energia S.A.	7	0	10,937	17,685,361.50	2,131,063.83
Petrobras	43	6	68,856	115,782,425.70	51,138,812.83
Trayectoria Oil & Gas	10	0	8,184	13,233,702.13	2,047,186.95
Tucumann	0	4	2,054	3,321,361.70	531,063.80
Total of winning companies	12		129,760	214,266,297.90	70,296,423.86

Source: http://www.psg.deloitte.com/newslicensingrounds_br_131215.asp

**The prices above were calculated on an estimated exchange rate of BRL2.35 = USD1*

*** Working units*

Complete information on the Brazilian 12th Licensing Round can be viewed at: http://www.brasil-rounds.gov.br/round_12/portugues_R12/resultado_r12.asp (Portuguese only).

Signature bonuses were an important award criteria, as well as Local Content Commitments (LCC) and Minimum Exploratory Program (MEP). For the 12th Licensing Round, the average LCC offered was 70% for exploration and 85% for development phases.

The total MEP is expected to translate into investments of about USD214 million over the coming years. Such investment, plus the amount to be spent to later develop the fields, is expected to generate business opportunities for U.S. suppliers of oil and gas onshore equipment and services.

Additionally, the Brazilian Mines and Energy issued Resolution # 1 on February 7, 2013 that allows ANP to hold oil licensing rounds specifically for small to medium-size oil onshore operators. The resolution was part of Brazilian law number 12351/10 of December 22, 2010 - - the same law that created the pre-salt regime.

Before ANP announces future oil licensing rounds specifically for small to medium oil onshore operators, ANP needs to conclude classification rules regarding oil operators. An ANP proposal, currently open for public comments, calls for C or D small types of oil operators, whose annual oil production do not exceed an average of 500 barrels of oil per day (bpd). Medium-size oil operators are considered those with up to 5,000 bpd annual production. According to ANP's preliminary proposal, this production criteria includes the oil company's production in Brazil and abroad as well.

The Brazilian Petroleum Institute is organizing the **Brazil Onshore Trade Show** to be held in Natal, Rio Grande do Norte, from November 25 to 27, 2014. U.S. companies interested in attending or exhibiting at this event may find information at:

http://www.ibp.org.br/divulga_evento/ibp_br_onshore_2014/progprel_BROnshore2014ENv1.htm
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