

IMI: ANP Proposes New Oil and Gas R&D Rules

By Megan Harnett and Regina Cunha

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The ANP

The National Agency of Petroleum, Natural Gas and Biofuels (ANP) is the regulatory body for activities relating to the oil, natural gas and biofuel industry in Brazil. The agency is linked to the Ministry of Mines and Energy and is responsible for implementing national policy for these sectors. The board of the ANP issues resolutions and regulatory instructions, and holds public hearings before making any decision.

Research and Development

Since 1998, the ANP has encouraged the growth of the oil and natural gas industry in Brazil by requiring companies to participate in auctions for exploration and production areas to commit to invest in technological research and development projects and programs (R&D). The oil and gas exploration/development/production concession contracts signed by the ANP include a clause that requires the oil company (the concessionaire) to invest the equivalent of 1% of the gross earnings from high profitability or large production fields in R&D. This 1% clause establishes that up to 50% of the total can be invested in R&D in the concessionaire company's own facilities or its affiliated national companies and at least 50% of the total must be invested in R&D institutions accredited by the ANP. From 1999 to 2011, the total funds allocated to R&D are US\$ 3.5 billion.

For more information on the ANP and R&D in the oil and natural gas industry in Brazil visit their website content in English [here](#).

Resolution from Public Hearing No. 10/2014

In one of the recent ongoing public hearings, the ANP drafted a resolution that when published will repeal the ANP Resolution No. 33/2005 and the ANP Technical Regulation No. 05/2005. This resolution takes into consideration the ANP clauses that deal with the 1% allocated funds for R&D and Innovation pledged by the contracts for the Exploration, Development, and Production of Petroleum and/or Natural Gas. Once ANP approves the ANP Technical Resolution No. X/2014, it will establish new guidance to standardize procedures and criteria for the application of R&D expenses.

These articles resolve to:

- Establish within the ANP, the Technical-Scientific Committee - COMTEC, with specific assignments to establish guidelines for the investment of the R&D.
- Define the members of COMTEC which will include representatives from ANP, oil companies, Brazilian suppliers, and the R&D institutions approved by ANP. It further resolves to describe how these members will be appointed, the length of term (two years), and that they will not be paid.

The resolution further describes the functions and guidelines for COMTEC. It includes the following:

- COMTEC will act in accordance with the Industrial Policy and Technological Development for the oil, natural gas and biofuels sector. COMTEC may establish a Technical Board for advice, bringing together experts from oil companies, suppliers, accredited institutions and other entities in the industry.
- COMTEC must propose guidelines for the investment of funds in universities or research institutes accredited by ANP and to suppliers of goods and services. It is in ANP's interest that at least 10% of the mandatory 1% R&D expenses be applied to local domestic industries in order to make them more competitive to meet local content requirements.
- COMTEC will prepare and disseminate a list of priority areas, activities, projects of interest and relevant topics in research, development and innovation for the petroleum, natural gas and biofuels.
- COMTEC may fix minimum percentage for resource allocation in projects or programs of interest considering the central priorities, the technical demands submitted by companies in the supply chain, and the stimulation of decentralizing the R,D,&I of the sector.

The ANP will take inputs from the industry from July 1st to August 14, 2014. The public hearing will be held on August 25, 2014 from 2 to 5:30pm in Rio de Janeiro.

In a recent oil and gas seminar in Rio, a representative of an oil and gas multinational company with plants in Brazil indicated that this new ANP public hearing will be an opportunity for them to advocate that a portion of the R&D mandatory expenses be directed to boost the local supply chain, such as financing innovation for manufacturers of oil and gas equipment. Some large oil and gas OEMs find it difficult to comply with local content requirements due to the lack of a qualified domestic supply chain.)

For additional oil and gas market research reports and information on USCS services, please visit: http://www.export.gov/brazil/industryhighlights/energy/eg_br_051813.asp

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US Commercial Service Industry Specialist:

Regina Cunha (regina.cunha@trade.gov)
Senior Commercial Specialist
U.S. Commercial Service