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June 2015

IMI: Brazil Announces Its Thirteenth Round of Oil and Gas Bids

Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP) announced the opening of a 13th round for oil and gas exploratory bids this May, during the Offshore Technology Conference in Houston, TX. ANP is expected to auction a total of 269 blocks in the final quarter of 2015.

Introduction

For the first time since 2013, Brazil's National Agency of Petroleum, Natural Gas, and Biofuels (ANP) confirmed a new round of bids for oil and gas exploration in Brazil. Contracts will be awarded near the end of the year based on a concession model, as opposed to the production-sharing model that was utilized in the Libra pre-salt round held on October 21st, 2013

Both Eduardo Braga, Brazilian Minister of Mines and Energy, and Magda Chambriard, ANP's General-Director, made the announcement at the 2015 Offshore Technology Conference, in Houston, TX. There are a total of 269 exploratory blocks available in ten sedimentary basins, both onshore and offshore. Available blocks include both new and mature areas, as well as high-potential basins.

Onshore areas include Amazonas, Parnaíba, Potiguar, and Recôncavo, while offshore basins comprise of Sergipe-Alagoas, Jacuípe, Camamu-Almada, Espírito Santo, Campos, and Pelotas. According to Braga, these blocks are all located outside of the pre-salt area and can be explored by any company that meets the participation requirements. Association with a local partner is not necessary for this round of bids.

ANP's General Director, Magda Chambriard, provided further details on the regions available and the bidding process. Despite Brazil's pre-salt discoveries, these post-salt areas are significant, and currently represent the majority of the country's production. Results from these areas have been very positive so far and Chambriard believes that companies will have a strong interest in placing bids.

Bid Information

Brazil expects that its oil and natural gas reserves and production will almost double within the next seven years, providing significant opportunities. While Brazil is best known for its pre-salt

zones and its innovations in the necessary technology to extract in these areas, the post-salt regions make up the majority of its current production.

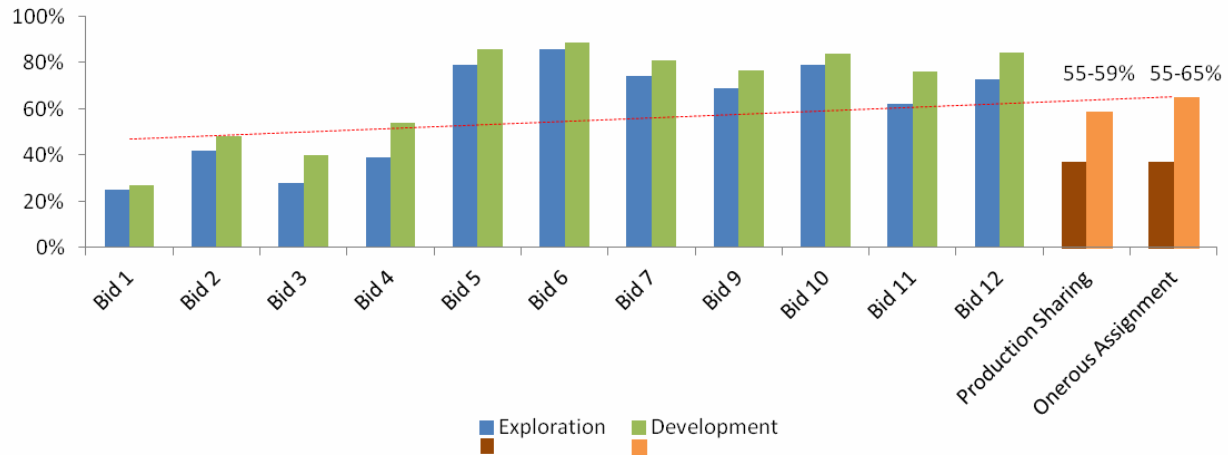
The Pre-Bidding procedures were published at the ANP website on June 12th of this year and will remain available until August 18th. Interested parties must submit appropriate registration documents and pay a participation fee; further details on the sedimentary basins can be found [here](#). Bid offers must include a signature bonus, a minimum exploration program, and local content commitments. The ANP will award contracts based on points and weights. For example, the signature bonus value and the minimum exploration program will have each a weight of 40% in the final score, while local content commitments will have a weight of 20% in the calculation of the final bid score. Winners will be announced near the end of October, at which point ANP will ask them to sign a concession contract. Note that ANP has the authority to change these dates without any previous warning.

Local Content Requirements

While a local partner is not a prerequisite for winning a bid, Brazil views the oil and gas sector as strategic to boosting the country's economy. With this new round of bids, it hopes to augment knowledge of the sedimentary basins, boost national reserves, and become more attractive to small and medium sized foreign and domestic companies, thereby increasing the demand for related technologies and services, generating employment, and distributing wealth. According to table 7 of the pre-bidding procedures published at the ANP website (http://www.brasil-rounds.gov.br/round_13/portugues_R13/Edital.asp), minimum and maximum local content (LC) requirements vary from 37% to 80% in the oil exploration phase and 55 to 85% in the oil development phase. LC requirements also vary from shallow and deep water fields.

On July 9th, ANP will hold a public hearing to discuss suggestions and proposals from the public regarding the pre-bidding requirements that were published on June 12th. The Brazilian oil and gas industry, represented by the Brazilian Oil and Gas Institute (IBP), is reportedly still hopeful that ANP may ease or simplify some of the local content requirements for the final bidding procedures of the 13th Bid Round.

The graphic below shows the average local content percentages that prevailed in previous bid rounds:



Average Local Content offers (%)

Source: ANP

As part of the Brazilian oil and gas legislation, companies must dedicate R&D expenditures equivalent to 1% of the gross annual value of oil and gas production in each field where special participation is due. (Note: Special participation fees apply to highly productive oil fields.) Additionally, at least 10% of this R&D funding must be used to contract suppliers who are partaking in R&D activities that lead to the production of additional local content.

Conclusion

Despite the certain degree of risk inherently found in oil block auctions, the 13th round in Brazil, based on a concession model, presents tremendous opportunities for companies interested in diversifying and exploring new regions. Additionally, ANP will schedule a second phase of the 13th round to offer 11 inactive mature oilfields that national oil company Petrobras has returned to ANP. The production of these fields has been declining. They are located in the Recôncavo (Bahia), Tucano Sul (Bahia), Paraná, Barreirinhas (Maranhão), Potiguar (Rio Grande do Norte), and Espírito Santo Basins. ANP hopes to attract small to medium-size oil companies for this second round phase.

The next bidding opportunity, which is likely to include pre-salt areas, is expected to occur in 2017. Additional information on the sectors for the 13th round of bids, the blocks/areas of the concession, and detailed field data (wells, seismic analysis, etc), are available for consultation at [BDEP WEP MAPS](http://www.bdep.gov.br), through <http://www.bdep.gov.br> link.

Concession Schedule

- **13th Bidding Round Schedule Pre-tender (Concession Regime): June 12th**
 - (www.brasil-rounds.gov.br)
- **Submission of registration documents and payment of the participation fee: from June 12th to August 18th**
- **Access to data package: June 12th (www.brasilrounds-data.anp.gov.br/ebid)**
- **Submission of Bids: October 7th**

Sources

“Brazilian O&G Sector - Current Scenario and Perspectives: The 13th Bidding Round”
Presentation by Magda Chambriard, General Director, ANP

“[Brazil Confirms Eastern Margin Licensing Round](#)”
Michael Place, September 2014

“[OTC 2015: Brazil touts 13th Bid Round plans](#)”
May 2015

“[Summary of the Sedimentary Basins](#)”
May 2015

“[OTC: Brazil’s 13th bid round will be concession model, energy minister says](#)”
Michael T. Slocum, May 2015

www.brasil-rounds.gov.br

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For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist:

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