IMI: Gas Utilities' Pipeline Expansion Plan

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Background

In 2009, the Brazilian government issued the "Gas Law" to regulate the natural gas industry in Brazil. The Ministry of Mines and Energy (MME) launched the preliminary version of the Gas Pipeline Network Expansion Plan 2013-2022 (PEMAT) in January 2014. The PEMAT exemplifies the first mechanism of the central plan for expansion of the natural gas network in Brazil. Natural gas currently comprises about 11.4% of Brazil's energy mix; however, the MME projects the sector to grow 4.6% and reach 16% by 2022. According to *Valor Econômico*, the first auction under the Gas Law will be for the 11 km Guapimirim-Itaborai gas pipeline transportation in Rio de Janeiro. This auction will take place by the first quarter of 2015 and will require an investment of about R$112.3 million. (Additional information on the Gas Law can be viewed at http://buyusainfo.net/docs/x_4366673.pdf)

While the PEMAT represents a new phase of expansion for the Brazilian natural gas market, the Brazilian association that represents and defends the interests of the distributors of natural gas, ABEGÁS, expresses their concerns with the Distribution Network Expansion Plan (PEMAD).

While the Ten-Year Gas Transport Pipeline Plan (PEMAT) forecasts the construction of 11 Km in ten years, the PEMAD Gas Distribution Plan forecasts the construction of 17,485 Km at an investment of R$5.2 Billion that the gas distribution utilities will make. This does not include the investment under the five-year review period from the gas utility company Comgás concentrated in the São Paulo state. This expansion aims to capture clients, which is not the role the PEMAT assigned to the gas distribution utilities. ABEGÁS notes that for the expansion of the distribution network to occur, it is imperative to know where the natural gas is going to arrive.

The projected demand for natural gas in the non-thermal power market by 2022 is an increase of 28.1 MM^3/day compared to the growth of 16.5 MM^3/day between 2003 and 2013. Different from the past, the distributors will have to develop new markets. Given that the substitution market is very restrictive, new markets will not be developed without proper incentives, transparency, and predictability for investments.

Examples of Gas Utility Projects in Progress

- **State of Rio de Janeiro**: CEG and CEG Rio – Investment of R$1.6 Billion to expand 1,800 km by 2017.

- **Ponta Grossa – Castro**: COMPAGAS – Investment of R$83 million to expand 30 km by 2015.
- **Project Serra Catarinense**: SCGÁS – Investment of R$200 million to expand 230 km by 2017.
- **Caruaru – Arcoverde**: COPERGÁS – Investment of R$350 million to expand 116 km by 2016.
- **Penedo – Arapiraca:** ALGÁS – Investment of R$42 million to expand 66 km by 2017.
- **Queluzito – Uberaba**: GASMIG – Investment of R$2.1 Billion to expand 560 km by 2016.

(Exchange Rate: 1USD = 2.22Reais on 7/10/2014)

Sources

"O Desafio do PEMAT: Visão das Distribuidoras" by ABEGÁS (PDF) power point presentation presented in a June 2014 Gas Seminar in Rio.

Valor Econômico: *Brazil: Government to auction Guapimirim-Itaborai pipeline by Q1 2015* (05 June 2014)

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