Opportunities in Brazil go far beyond the pre-salt

Magda Chambriard
Director General
Brazil: Overview

Post-salt and Round Zero

Local Content Policy improvements

Others

Final Remarks
Brazil in perspective

Brazilian production (bbl/d, left axis)
Nominal Brent price (right axis)
Real Brent price (2014 dollar, right axis)

2006: Brazil self-sufficient in oil
In fact:

• Brazil is the biggest market in South America;

• Brazil is the 4th largest consumer of automotive fuels in the world;

• Brazil has a lot of mineral resources, including tens of billions of barrels of oil already discovered, to be developed;

• Oil and gas are spread all over the country.
Proven Reserves (Dec, 2015)
Oil – 13 billion barrels
Gas – 429 billion m³

Production (Feb, 2016)
Oil and NGL – 2.335 million bpd
Gas – 97.7 million m³/day

Balance Imports/Exports (2015)
Oil ≈ 412 thousand barrels/day
Gas ≈ 52 million m³/day

Taking into account only what has already been discovered, mainly in the pre-salt, proven reserves and production should rise significantly over the next years.
Oil and LNG production

Thousand b/d

HISTORICAL DATA
FORECAST

- Mostly from pre-salt
Most of the Brazilian production comes from post-salt horizons

Source: ANP/Sigep (Feb. 2016)
20 most productive Brazilian Oil Fields

Average production between Feb. 2015 and Feb 2016 (bbl/d)

Source: ANP/Sigep
## Concession agreement extension

### First cases

<table>
<thead>
<tr>
<th>State</th>
<th>Environment</th>
<th>Field</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rio de Janeiro</td>
<td>Deep water</td>
<td>Marlim</td>
<td>Approved (RD nº 1001/2015)</td>
</tr>
<tr>
<td>Rio Grande do Norte</td>
<td>Shallow water</td>
<td>Ubarana</td>
<td>Under analysis</td>
</tr>
<tr>
<td>Bahia</td>
<td>Onshore</td>
<td>Araçás</td>
<td>Under analysis</td>
</tr>
</tbody>
</table>

### Opportunities for suppliers

- Ubarana
- Araçás
- Marlim
**Investment in Marlim**

- 10 new wells
- 2 new production platforms
- Increase of water injection capacity
- Increase of liquid processing capacity
- Decommissioning of old platforms
Local Content: Overcoming challenges

1st phase  2nd phase  3rd phase

WORLD CLASS PRODUCTS
Local content policy: Building the bridge

Pedefor Decree
(n.º 8637, 15 January, 2016)

Program to stimulate competitiveness of the production chain, and development and improvement of oil and gas industry suppliers.

To build the bridge, Brazil is moving from a sanction-based regime to one based on incentives and sanctions.
Increased value of local content for strategic goods and services

**Items:**

- Locally developed engineering
- Locally developed technological innovation
- High potential for qualified job generation
- Exports
Local content policy: Building the bridge

**Pedefor Decree**
(n.° 8637, 15 January, 2016)

**Incentives to concession holders**

Strategic investment valued through Units of Local Content, which will be granted as bonus to concession holders that:

- Buy goods and services that bring new suppliers to Brazil
- Invest to improve suppliers’ capacity
- Invest on suppliers’ technological development
- Buy goods and services in Brazil, with local content, to use them abroad
- Are the first ones to buy new goods and services developed in Brazil
Local content policy:
Building the bridge

Pedefor Decree
(n.º 8637, 15 January, 2016)

Responsibilities:

- **Directive Committee**: coordination and definition of strategic sectors
  - 5 Ministries + ANP, BNDES and FINEP
  - Coordinated by the Ministry of Development, Industry and Foreign Trade

- **Technical-Operative Committee**: implementation and technical subsidies
  - Same members
  - Rotating coordination

Status:

Defining bylaws
1. Brazil: Overview
2. Post-salt and Round Zero
3. Local Content Policy improvements
4. Others
5. Final Remarks
G&G 2015-2018 plan

Estimated investment of US$ 345 MM

Note: Converted to US$ using official exchange rates (18/04/2016)
Gas Production

20 most productive Brazilian Gas Fields

Average production between Feb. 2015 and Feb. 2016 (MMm³/d)

Source: ANP/Sigep (average production between Feb. 2015 and Feb. 2016)
G&G 2015-2018 plan
What

– Special customs regime that aims at reducing the tax burden levied on exploration and production of oil and gas fields (Decree 6759/2009).

– Ends in 2019

The Government has decided to extend the regime to stimulate more investment
# Nonproducing fields

First cases

<table>
<thead>
<tr>
<th>State</th>
<th>Basin</th>
<th>Classification</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rio de Janeiro</td>
<td>Campos</td>
<td>Offshore</td>
<td>1</td>
</tr>
<tr>
<td>Bahia</td>
<td>Recôncavo</td>
<td>Onshore</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Tucano Sul</td>
<td>Onshore</td>
<td>2</td>
</tr>
<tr>
<td>Espírito Santo</td>
<td>Espírito Santo</td>
<td>Onshore</td>
<td>10</td>
</tr>
<tr>
<td>Rio Grande do Norte</td>
<td>Potiguar</td>
<td>Offshore</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Onshore</td>
<td>1</td>
</tr>
<tr>
<td>Sergipe</td>
<td>Sergipe</td>
<td>Offshore</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total**: 26

Re-exploration and Revitalization
Next bidding rounds

Next marginal fields bidding round

• Public consultation until 29 May

• 16 areas in the Espírito Santo, Potiguar and Recôncavo basins

• ANP will submit results to CNPE
Sale of Onshore Fields

Rio de Janeiro, March 2, 2016 – Petróleo Brasileiro S.A. – Petrobras informs that its Executive Board has approved the initiation of the process of transfer of rights of oil and natural gas exploitation, development and production in certain onshore fields, as well as the sale of the assets related to these concessions.

This initiative, which is part of Petrobras Divestment Plan, will be conducted through a competitive bid.

Facts deemed relevant on the subject will be timely announced to the market.

Rio de Janeiro, March 4, 2016 (press release)

98 production concessions
6 exploratory blocks

The fields were grouped into 10 production complexes. They are:

- Ceará – Fazenda Belém Complex
- Rio Grande do Norte – Riacho da Forquilha Complex and Macau Complex
- Sergipe – Siririzinho/Riachuelo Complex
- Bahia – Buracica Complex and Miranga Complex
- Espírito Santo – São Mateus Complex; Fazenda São Jorge/Cancã/Fazenda Cedro Complex; Lagoa Parda Complex and Gás Complex, as well as 6 exploratory concessions.

Combined oil output from these assets is around 35,000 barrels per day

Final Remarks

- Brazilian O&G production have been increasing continuously; of course in a slower pace, due to the current oil price scenario;

- Brazilian production growth is largely due to the pre-salt development;

- Pos-salt is still responsible for more than half of the country production. ANP is working towards an increase of this production;

- LC is still an issue. PEDEFOR decree introduces the idea of incentives aiming improvements to the LC policy;

- There are other initiatives like G&G new studies, special customs regime renewal, marginal fields offers etc aiming new investments attraction;
• Brazil is a good opportunity for oil companies and suppliers that are interested in medium and long term commitment;

• Brazilian govern and ANP are working together to improve environment conditions for new investments, being on pre-salt, deep water, shallow water or onshore;

• Brazil is much more than the pre-salt and it is taking effective steps to be attractive in all oil price scenarios.
Brazilian Agency of Petroleum, Natural Gas and Biofuels - ANP

Av. Rio Branco, 65 – Centro – Rio de Janeiro – Brasil
12º ao 22º andares

Phone: +55 (21) 2112-8100
www.anp.gov.br
www.brasil-rounds.gov.br