



Exploration & Production of Oil and Gas in Brazil

Minister Eduardo Braga

Offshore Technology Conference – OTC
May/2015



Brazil a Strong Economy



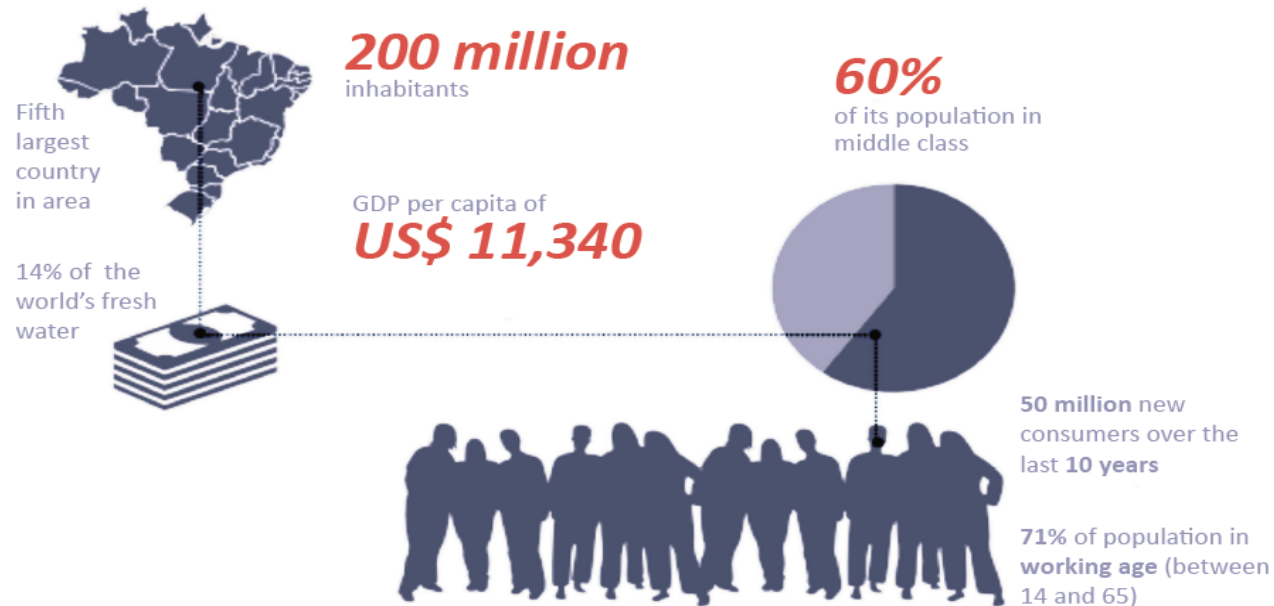
Brazil – A Global and Stable Economy

- World's 7th largest economy;
- Investment grade
- Fiscal adjustment taking place;
- Inflation being controlled;
- Large and diversified productive sector;
- Abundant natural resources;
- High infrastructure investment
- Consolidated democracy;
- Solid macroeconomic foundations;



Brazil – A Strong and growing domestic market

DOMESTIC MARKET: ONE OF THE MAIN DRIVERS OF GROWTH

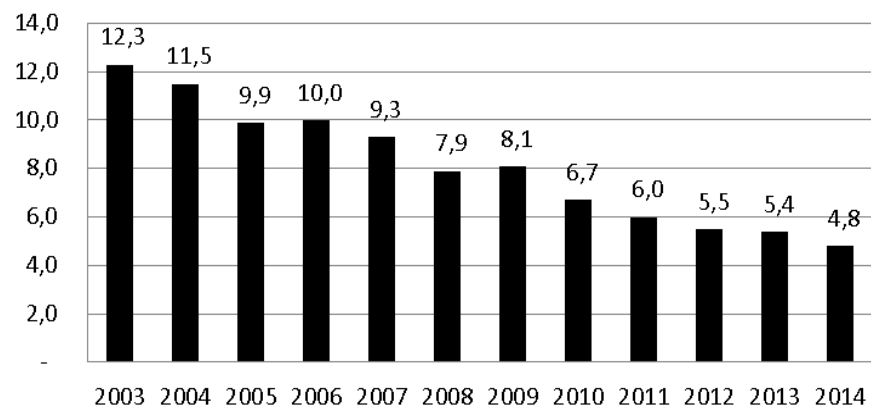


Source: APEX/PricewaterhouseCoopers (PwC) - 2014, IBGE and Property UK.

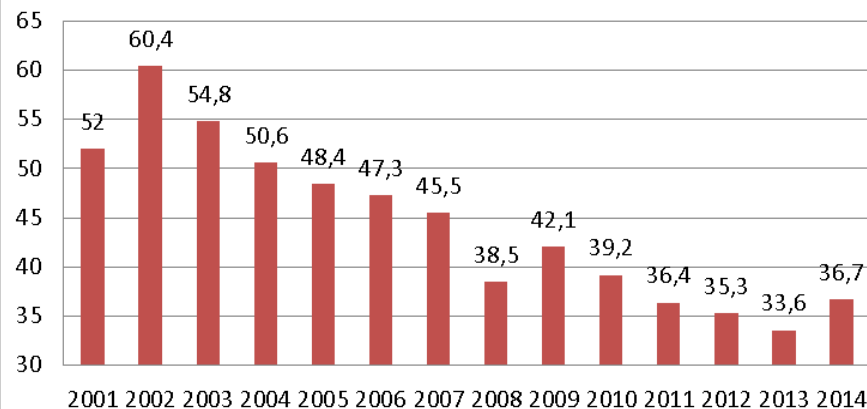


Robust Macroeconomic Figures

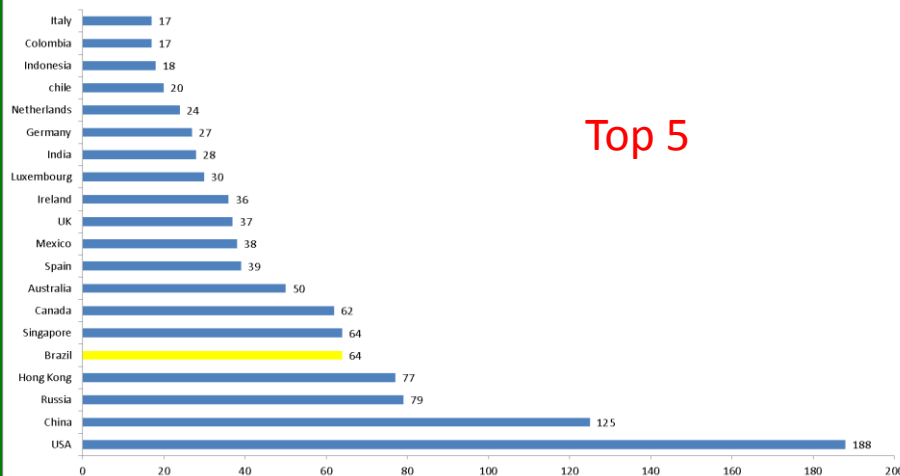
Unemployment Rate (%)



Net Debt % of GDP

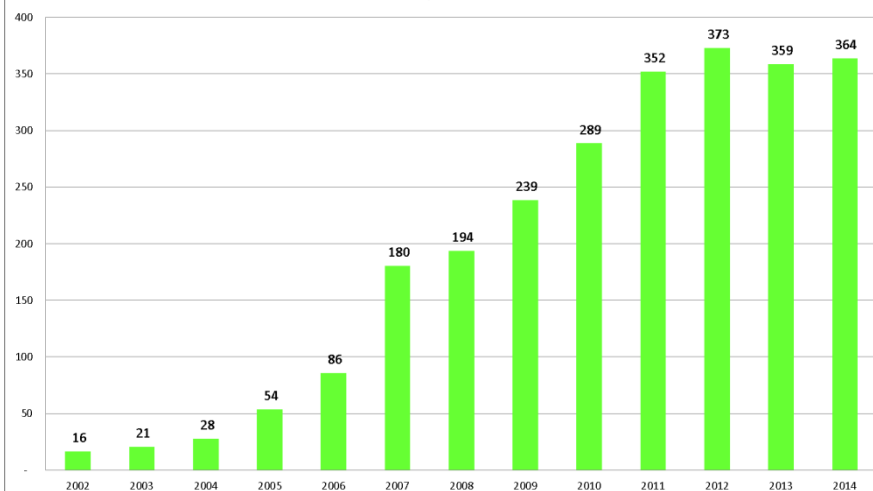


Foreign Direct Investment - 2013 US\$ billion



Top 5

International Reserves US\$ billion





Brazilian Electrical Sector



Installed capacity 133,912 MW

Transmission lines 125,833 km

Maximum recorded consumption 85,708 MW (02.05.2014)

Structural balance - No shortage, even with the most severe hydrology for two years

Generation

**Installed
capacity**

67%

2001

80,315 MW

2014

133,912 MW

Additional capacity required – 4.4 GW/y

Transmission (only 1% isolated)

80%

2001

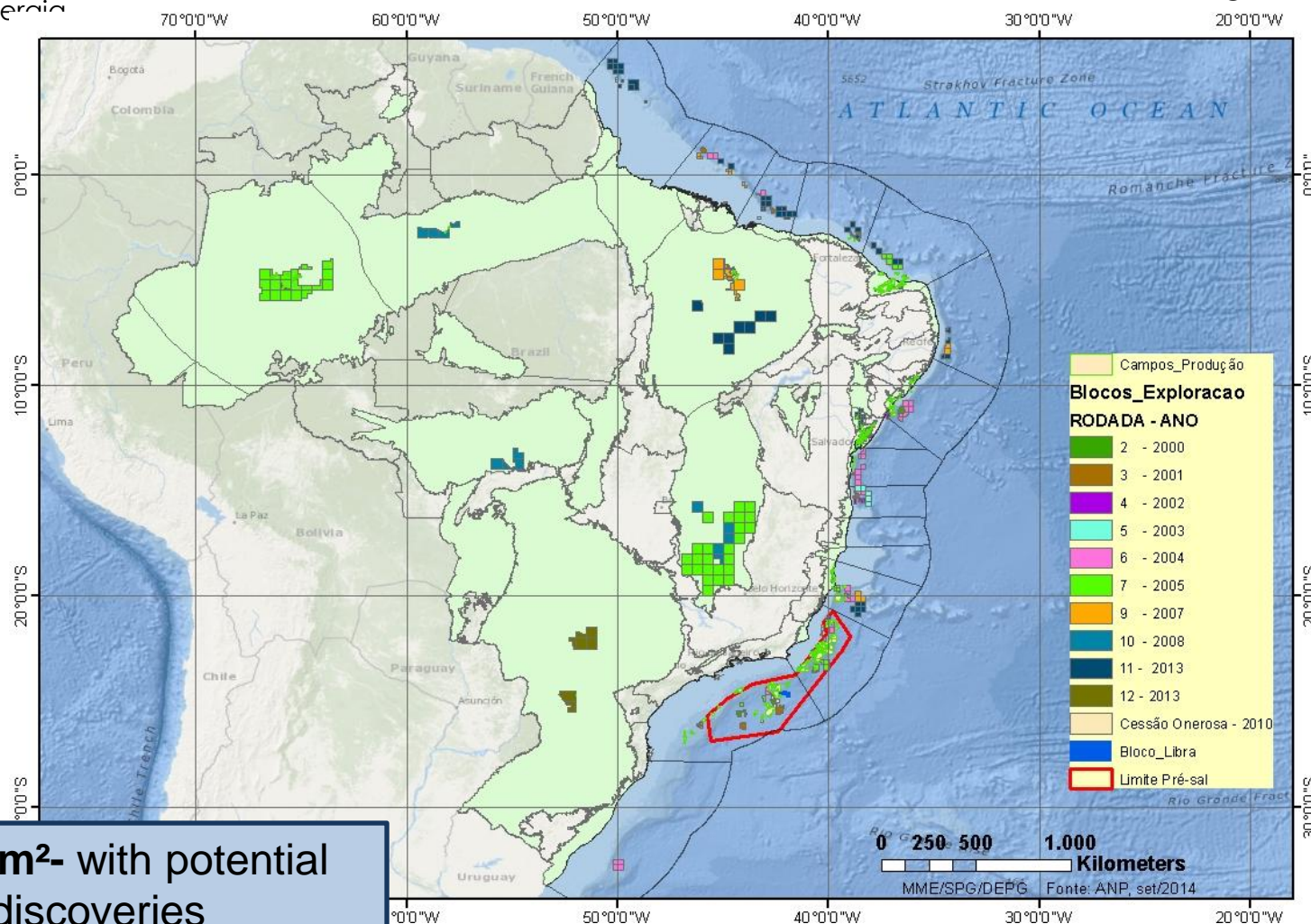
70,034 km

2014

125,833 km



Brazil's Oil and Gas Sector A Great Opportunity to Invest

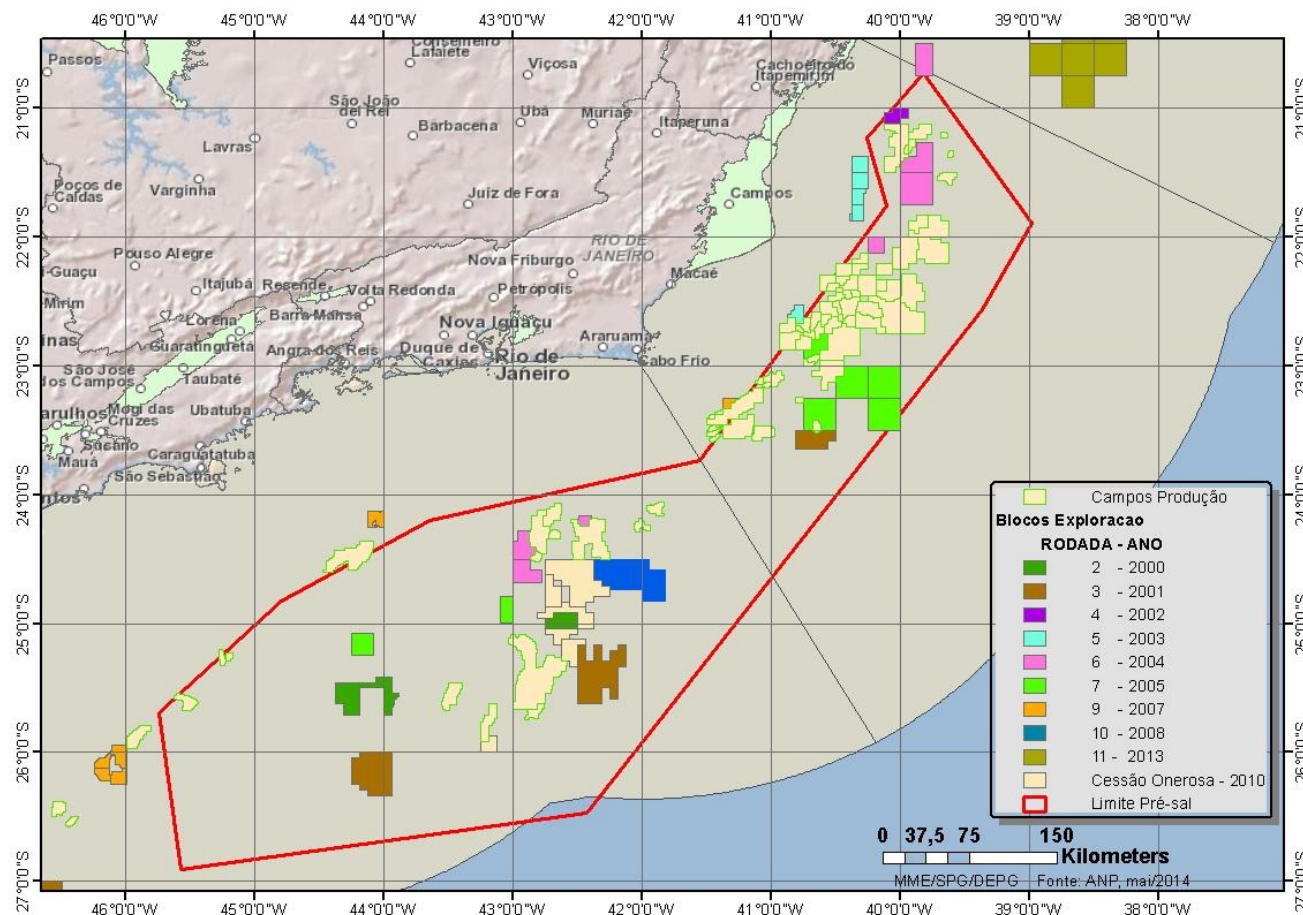


- **2.8 million km²**- with potential for oil & gas discoveries
- **307.7 thousand km²** granted
- **430** producing fields
- **110 E&P** companies

Exploration & Production Activities



**Proved reserves
(2013): 18.5 bn boe**



**ESTIMATED RECOVERABLE VOLUMES
only discoveries under appraisal**

- At least 40.1 to 50.1 bn boe (2014)

Pre-Salt

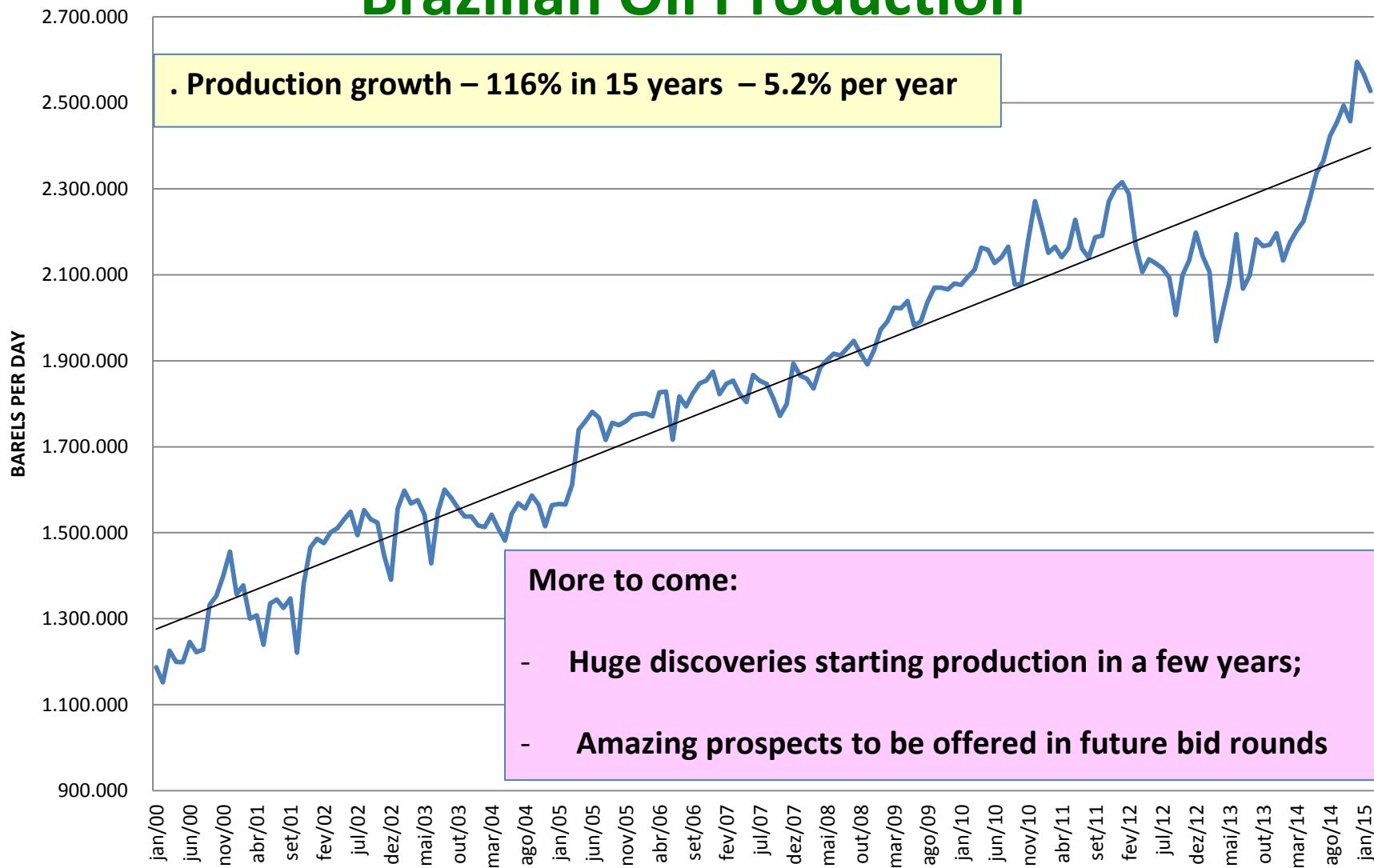


The Oil and Gas Sector in Brazil

- **Strong regulatory Agency;**
- **Stable rules;**
- **12 bid rounds on Concession Model, and 1 bid on Production Sharing Model - full transparency - no claims;**
- **All major companies are working in Brazil;**
- **26 companies operating producing fields in Brazil;**
- **Friendly environment for business – government support;**
- **Huge potential for new discoveries;**
- **No restrictions on oil exports – More than 500 thousand barrels per day exported in 2014, by 17 companies – Petrobras 45%; other companies 55%.**



Brazilian Oil Production

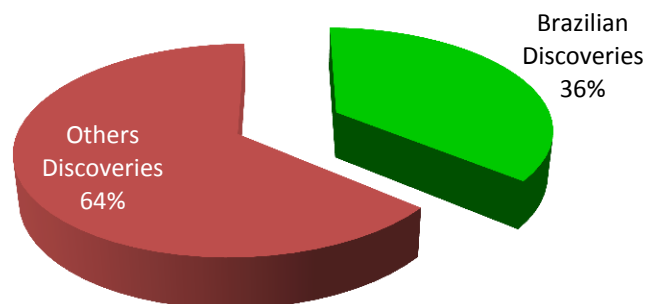




Discoveries in Brazil

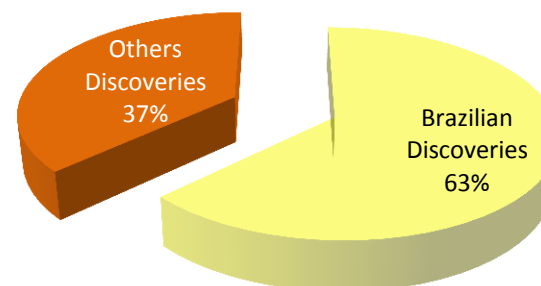
36% of the oil discovered worldwide in the last 5 years were in Brazil (22.9 bn bbl)

Oil discoveries in the world - 2010 -2014



63% of the deep water discoveries in the last 5 years were in Brazil (22.2 bn bbl)

Deepwater oil discoveries in the world - 2010-2014



Source: Wood Mackenzie

**The three biggest discoveries in the last 10 years took place in Brazil
Lula, Libra and Búzios**



Brazil has the biggest offshore area under development





Local Content Policy

Phase 1 - (ongoing):

- Amazing development of local industry;
- Operators Resistance:
 - Additional cost
 - Additional time
- Contracts being respected



Phase 2 – (to be implemented):

- New scenario:
 - Huge demand;
 - Prices variation
- Adjustments are required—we need:
 1. Competitive suppliers;
 2. Development of new suppliers;
 3. Investments in innovation
- Contracts must be respected





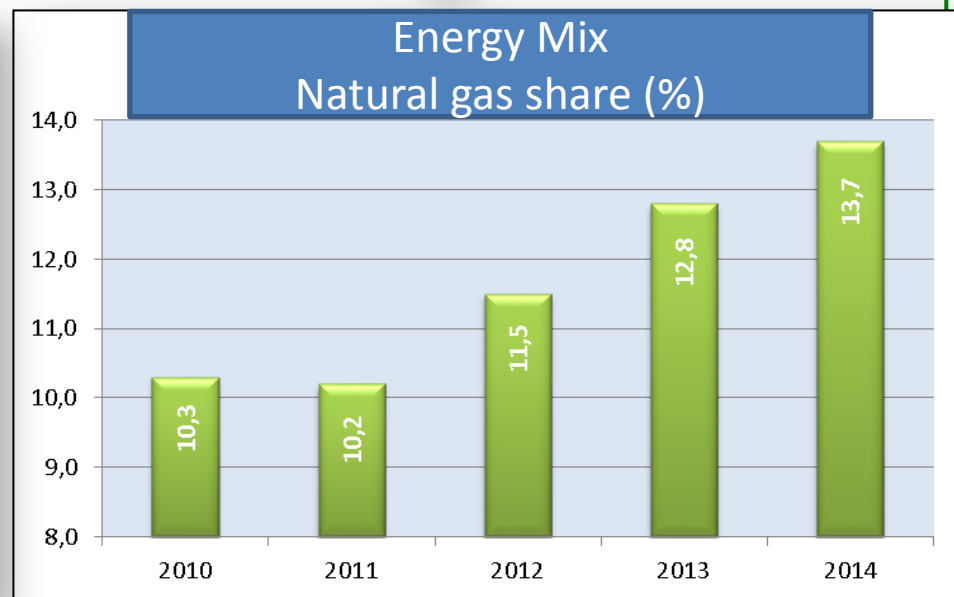
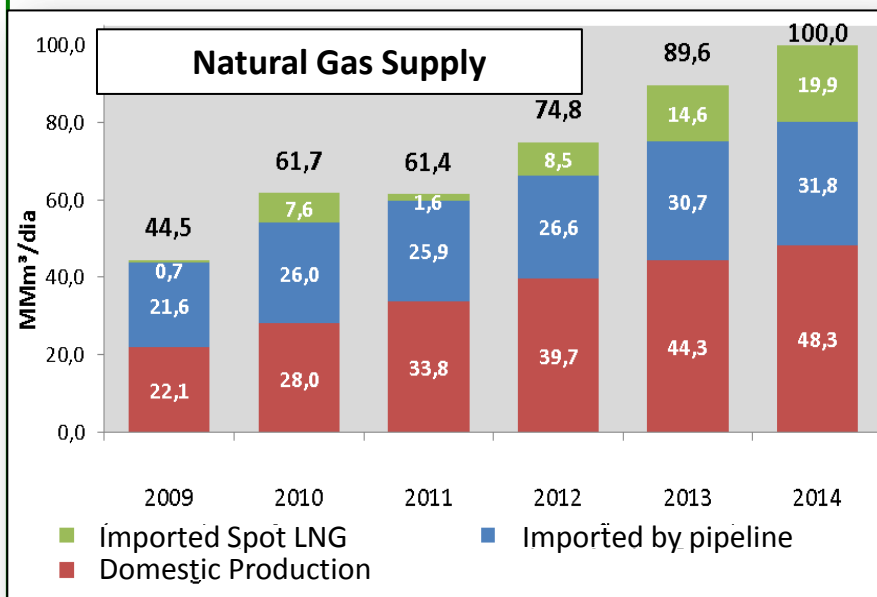
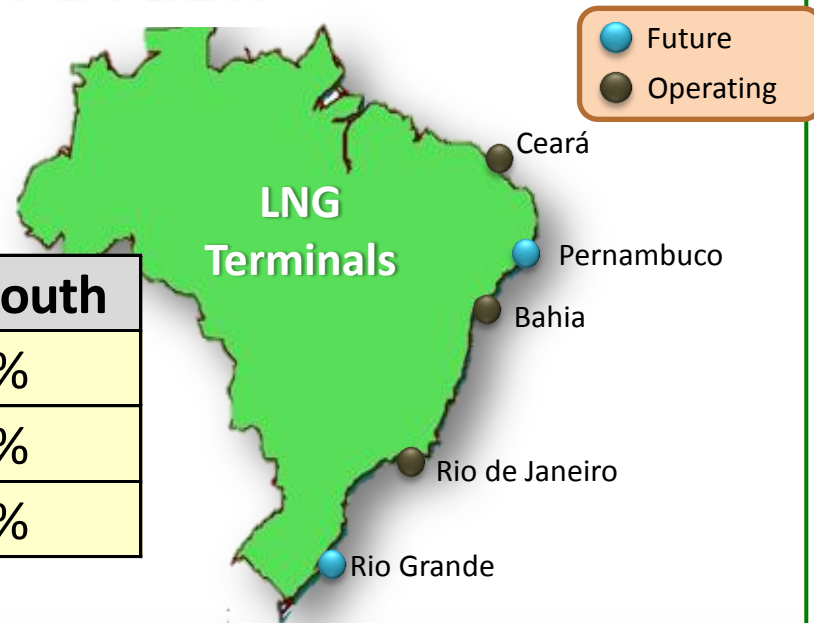
Natural Gas in Brazil

1. Regulated Open Access to all existent pipelines before 2020;
2. New pipelines under concession regime – open season - all companies can contract capacity;
3. Demand growing fast – 50% provided by imported gas;
4. Spot LNG is responsible for 38% of the imported natural gas – local production is a great opportunity;
5. Local gas production for new electrical power plants are very welcome;



Natural Gas in Brazil

2010 - 2014	Annual growth
Total demand	12.80%
Energy Mix Participation	13.70%
Eletrical power plants demand	31.70%





Petrobras

1. The biggest Brazilian company is facing serious challenges – but the solution will come soon;
2. The company has **full and unconditional** government support;
3. The company continues to work hard and to overcome challenges:
 - Pre-salt production – 674 thousand barrels/day – March 2015 – less than 9 years after the first discovery;
 - Developing technologies;
 - Winning awards;
4. Brazilian people remain proud of our most successful company.



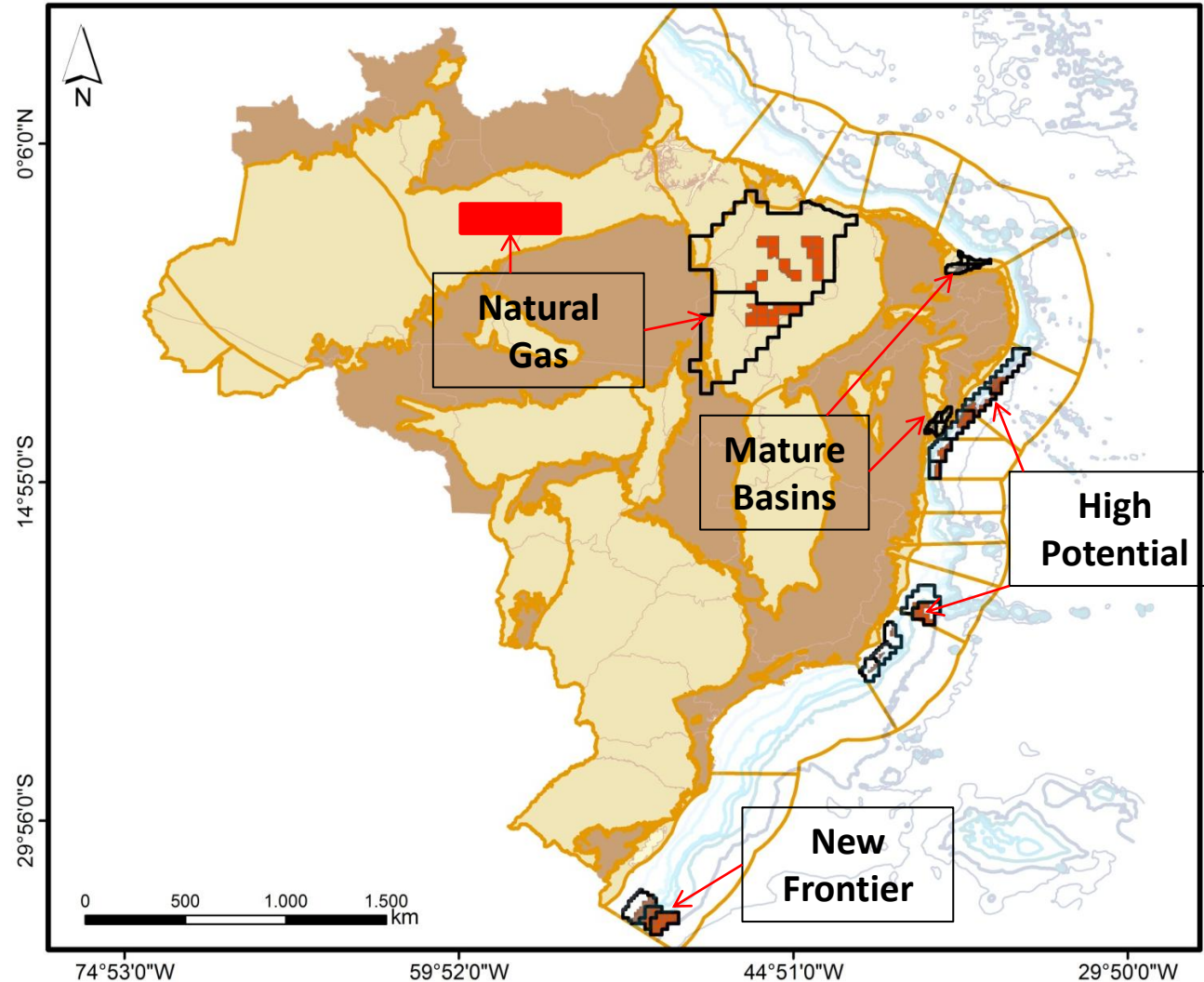
New Bid Rounds



Concession Model

13th Bid Round

- October 2015;
- 269 onshore and offshore blocks;
- Mature, new frontiers and high potential basins





13th Bid Round - Blocks

Basin	onshore/offshore	Potential	Fluid	Number of Blocks	Coments
Amazonas	onshore	New Frontier	gas	7	to be confirmed
Parnaíba	onshore	New Frontier	gas	22	important gas discoveries
Potiguar	onshore	Mature	oil and gas	71	
Reconcavo	onshore	Mature	oil and gas	85	
Sergipe/Alagoas	offshore	High Potential	Gas and light oil	10	Most important area
Jacuipe	offshore	New Frontier	oil and gas	4	close to SE/AL
Camamu-Almada	offshore	New Frontier	oil and gas	9	
Espírito Santo	offshore	High Potential	oil and gas	7	Amazing prospects
Campos	offshore	High Potential	oil and gas	3	only shalow water
Pelotas	offshore	New Frontier	oil and gas	51	Good Potential
Total				269	



Production Sharing Model

2nd Bid Round

- The bid round shall take place between 2016 and 2017;
- Block(s) with huge potential for oil in Campos and Santos Basins shall be offered;
- Some unitization areas could be offered too.

Block(s)/Area(s) are being defined



For The Future

- **Concession Model - periodic rounds - considering:**

- The oil companies needs;
- The service companies demand;
- The local industry capacity;
- ANP studies on the areas;
- Recent discoveries;

TARGET – Not more than two years without a bid

- **Production Sharing Model – rounds depend on:**

- Brazilian target for oil export;
- The local industry capacity;



Final Remarks



Brazilian Oil Sector Offer:

- **A good opportunity to invest:**
 - **if you are an oil company** (13th bid round could be the path); **Or**
 - **if you provide goods and services for oil companies;**
- **Huge potential – exploratory opportunities go far beyond the Pre-salt;**
- **Stable regulatory framework and a strong Agency;**
- **Political stability:**
 - **Institutions working;**
 - **Free press;**
 - **Free manifestations**



**Thank you very much,
I hope to see you soon in Brazil**