

UPDATE 2-Brazil to lower oil industry local purchasing rules by half -minister

(Adds comment from opponents to rule change)

BRASILIA, Feb 22 (Reuters) - Brazil's government said on Wednesday it would relax local purchasing rules for the oil industry as of September in an effort to attract foreign investment and lower costs that have hindered development of vast off-shore reserves.

Mines and Energy Minister Fernando Coelho said the requirement that oil companies operating in Brazil buy equipment locally would be lowered by close to half, adding that the level in the exploration of offshore oil fields would be 18 percent.

Temer's administration has been taking action to boost private investment in the country's oil industry, such as removing a requirement that state-run oil company Petrobras be the sole operator in tapping the vast offshore reserves in the subsalt layer.

The largest deep-water oil fields ever found were discovered off Brazil around a decade ago but the fall in oil prices, restrictions such as the local purchasing rules and the indebtedness of scandal-plagued Petrobras have slowed their development to a crawl. Much of the deep-water equipment needed is imported U.S. technology.

"Everyone agrees that with more realistic percentages we will be able to give new dynamism to the oil and gas industry," Coelho said.

But not everyone did agree.

The Brazilian machine and equipment makers association, ABIMAQ, complained the new rules would wipe out local companies that supply the oil industry while foreign oil firms pumped out oil for export creating no wealth or jobs in Brazil.

"Brazil has suddenly dumped the North Sea model of Norway and Britain and adopted the OPEC model of Venezuela, Nigeria and Angola which have no local

service industries,” said ABIMAQ president Jose Velloso.

The lower requirements would apply to concessions to be auctioned in September in the 14th round of exploratory oil and gas blocs and the 3rd subsalt round scheduled for November, he said.

The auction of marginal oil fields in the first half of this year would not have local purchasing rules and the 2nd subsalt round that would auction areas discovered adjacent to current blocs would be held under the previous purchasing rules, he said.

On-shore blocs would have minimum local purchasing requirements of 50 percent, for both exploration and development, while the percentage for off-shore exploration would drop to 18 percent.

Off-shore development rules, however, would differ, with well drilling requiring minimum local purchases of 25 percent, collection and storing of oil 40 percent and stationary production units 25 percent. (Writing by Anthony Boadle; Editing by Alistair Bell and Andrew Hay)

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