

# Brazil announces timetable for new oil and gas auctions and changes to local content requirements

In a move expected to signal a return to investment in Brazil's oil and gas sector, the government has announced the timetable of oil and gas auctions for 2017-2019. The National Council for Energy (CNPE) approved the timetable on April 11, 2017, providing support to the Ministry of Mines and Energy's stated goal of giving more advance notice of future auctions to attract foreign investors. The announcement is seen as an important turning point and should signal a revival in offshore oil and gas exploration in Brazil following two years of challenging circumstances in the industry marked by a global downturn and Brazil-specific issues, such as the investigation into the state-run oil company, *Petróleo Brasileiro S.A. ("Petrobras")*.

The timetable includes ten auctions providing investment opportunities in a variety of assets ranging from mature fields to offshore blocks in the pre-salt area. Of particular interest are the pre-salt blocks set for auction in November, 2017. Those areas include projects in the Campos and Santos Basins, namely *Pau Brasil*, *Peroba*, *Alto de Cabo Frio-Oeste* and *Alto de Cabo Frio-Central*. An additional round of auctions is planned for May, 2018, and will include blocks in the Santos Basin, such as areas from the *Saturno*, *Três Marias* and *Uirapuru* fields, as well as four blocks in the Campos Basin. A further round will be held in Q3 or Q4 of 2019 and will include areas in the Santos Basin, such as *Aram*, *Sudeste de Lula*, *Sul* and *Sudeste de Jupiter* and *Bumeranque*.

In addition to the pre-salt blocks, the timetable includes rounds for mature fields, post-salt areas and onshore fields.

Expectations of increased foreign investor appetite are further encouraged by recent regulatory changes removing the previous requirement that Petrobras take a 30% stake in any new block being auctioned.

In addition to announcing the timetable for upcoming oil and gas auctions, new local-content requirements have been published in 2017 which reduce the previous requirements by nearly 50% and apply to the auctions set to occur in 2017. For offshore fields, the new local content requirements will be reduced to 18% for the exploration phase, 25% for the construction of offshore wells, 40% for collection and transportation systems, and 25% for stationary production units (platforms). For onshore oil blocks, two new global rates will be applied, one for the exploration phase and another for the development and production phase. Each phase will require a minimum of 50% local content. The new regulations also signal that the government will no longer accept waiver requests by oil companies unable to meet those requirements.

For specific details on the upcoming auctions and information on investment opportunities in Brazil's oil and gas sector, please contact Andrew Haynes. Andrew heads Norton Rose Fulbright's Brazil practice and has over two decades of experience in M&A work in the oil and gas sector, including significant experience working on material projects in Brazil and Latin America.

## Practice area:

Oil and gas

## Industry:

Energy