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Brazilian Oil and Gas

Bidding Rounds Update and Opportunities

London

Lisbon | Shanghai | Miami | Buenos Aires | Beijing | Johannesburg | New Delhi

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Presentation Topics

1. Oil and Gas Bidding Rounds

Panorama

2. The 11th Oil and Gas Bidding Round

3. The 1st Pre-Salt Oil and Gas Bidding Round

4. Local Content Requirements

5. Petrobras

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1. Oil and Gas Bidding Rounds

Panorama

- 11th Bidding Round : first bidding round since 2008 for the concession of rights for activities of exploration and production of oil and natural gas.
- Organised by ANP (National Agency of Petroleum, Natural Gas and Biofuels) in accordance with Law 9478/97 – concession regime. Concession Agreements expected to be signed in August 2013.

1. Oil and Gas Bidding Rounds Panorama

- ▶ First Pre-Salt Bidding Round – 21 October 2013.
- ▶ Oil and gas bidding rounds for small and medium size companies (as announced on 7 February 2013 by the National Council of Energy Policy – CNPE).

2. The 11th Oil and Gas Bidding Round

- ▶ Record interest on the part of Brazilian and foreign companies.
- ▶ Record signature bonus was paid to the Brazilian Government: R\$ 2.82 billion (£ 840.812.188*).
- ▶ R\$ 6.9 billion in investments are expected during the exploration phase (in <http://www.anp.gov.br/?id=2796>).
- ▶ (*Exchange Rate: R\$3.3539=£ 1.00)

2. The 11th Oil and Gas Bidding Round

- ▶ Area awarded : 100.300 Km² out of the 155.800 Km² offered.
- ▶ 142 blocks awarded onshore and offshore in 11 basins.
- ▶ Largest ever negotiation for a single block – R\$ 345.9 million for the Amazonas Marítimo Block 57 (consortium formed by BP, Petrobras, Total and Petrogal).

2. The 11th Oil and Gas Bidding Round

60 national and foreign companies were qualified in the first phase (legal and other qualification requirements).

Brazil, UK, USA, Canada, France, Japan and China were the countries with more representatives in the Round.

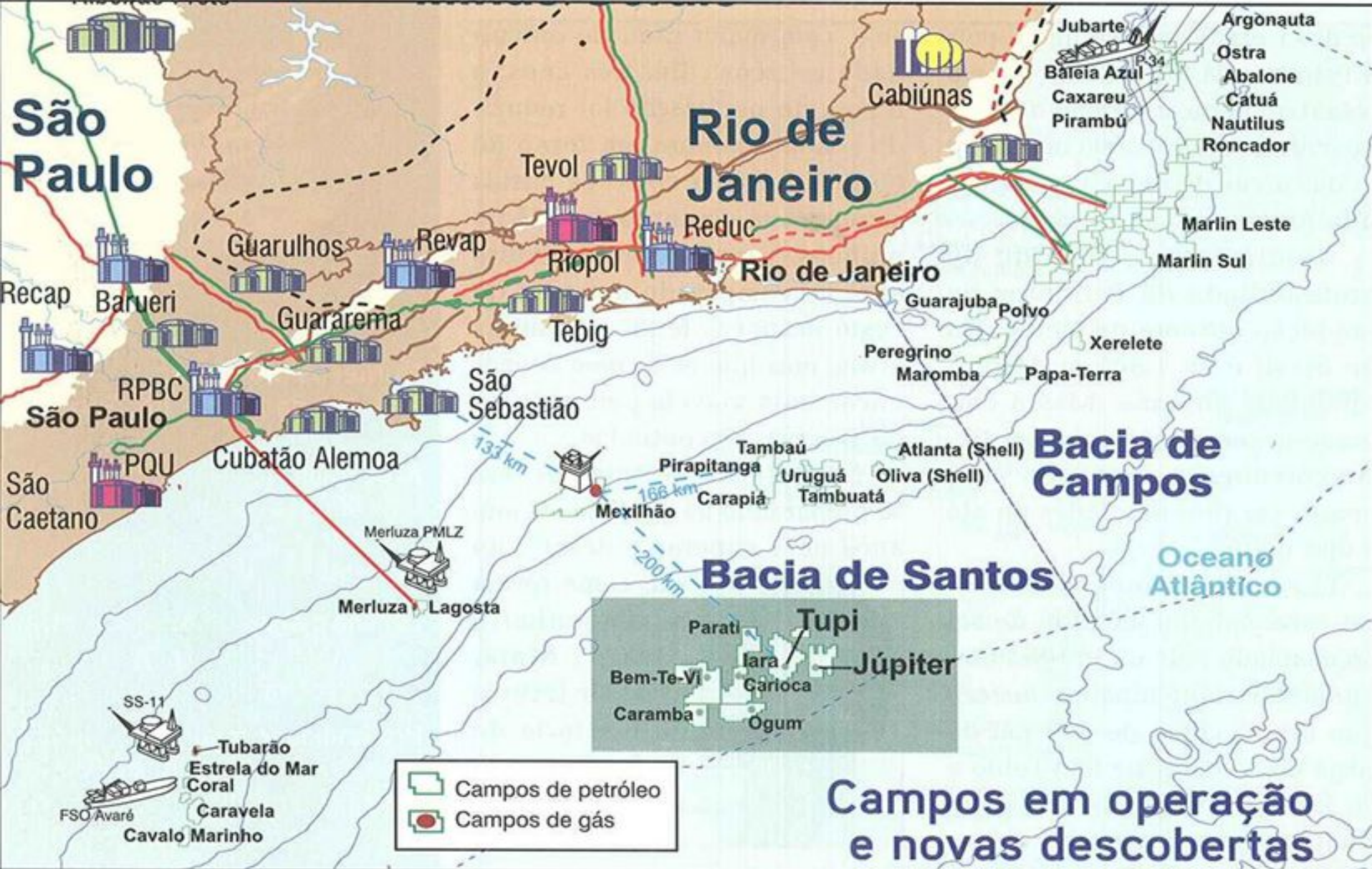
Blocks awarded to 30 companies. Main winners were :

MAIN WINNERS		
Company	Blocks (Number)	Signature Bonus (R\$)
Petróleo Brasileiro S.A.	34	537.913.428,00
BG Energy Holdings Ltd.	10	415.500.000,00
OGX Petróleo e Gás S.A.	13	376.010.743,00
Total E&P do Brasil Ltda.	10	371.932.453,00
BP Exploration Operating Co. Ltd.	08	261.263.096,00
Statoil Brasil Óleo e Gás Ltda.	06	195.020.507,00

2.The 11th Oil and Gas Bidding Round

- Winning companies will have between 5-8 years to explore the blocks and then 27 years in the production phase.
- Main objectives of the Government:
 - Improve knowledge about sedimentary basins;
 - Create opportunities for small companies in the O&G industry;
 - Encourage foreign companies to set up in Brazil and bring their expertise to the country.

3. The 1st Pre-Salt Oil and Gas Bidding Round



3.The 1st Pre-Salt Oil and Gas Bidding Round

- ▶ **New Rules – Law 12351/2010**
- ▶ **Production Sharing Agreements : between the State and Petrobras (no tender) or between the State, Petrobras and the Oil Company, preceded by tender (auction type).**
- ▶ **ANP still responsible for issuing invitations to bid both for the E&P under a) PSAs; and under b) concessions agreements.**
- ▶ **Also, ANP continues to supervise the industry.**
- ▶ **Petrobras will always be the operator.**

3. The 1st Pre-Salt Oil and Gas Bidding Round

- ▶ 21 October 2013
- ▶ Area offered : the Libra field, in the Santos basin.
- ▶ The National Council of Energy Policy issued the rules for the production sharing agreements for the Pre-Salt E&P – Resolution no 5 of 25.06.2013. Amongst them :
- ▶ Petrobras will have at least 30% of the bidding consortium;

3.The 1st Pre-Salt Oil and Gas Bidding Round

- ▶ Signature bonus will be in the amount of R\$ 15 billions; of these,R\$ 50 million must be reverted to Pré-Sal Petróleo SA.
 - ▶ State reimbursement for the exploration costs once a commercially viable discovery is made : the contracted party may, on a monthly basis, retain the amount corresponding to the “cost oil”, respecting the limit of 50% of the gross production value in the first 2 years of production and 30% in the following years.
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4. Local Content Requirements in the Oil and Gas Sector

- ▶ **The local content requirement is present both in the Concession and in the Production Sharing regimes as well as in the downstream contracts with Petrobras.**

4. Local Content Requirements in the Oil and Gas Sector

- ▶ **11th Bidding Round – Exploration Phase – the following indexes applied :**
- ▶ **Deep waters : minimum of 37% and maximum of 55%**
- ▶ **Shallow waters (400m to 100m) : minimum of 37% and maximum of 55%**
- ▶ **Shallow waters : minimum 51% and maximum of 60%**
- ▶ **Onshore : minimum of 70% and maximum of 80%**
- ▶
- ▶

4. Local Content Requirements

- ▶ **11th Bidding Round - Development Phase – the following indexes apply :**
- ▶ **Deep waters : minimum of 55% and maximum of 65%**
- ▶ **Shallow waters (400m to 100m) : minimum of 55% and maximum of 65%**
- ▶ **Shallow waters : minimum 63% and maximum of 70%**
- ▶ **Onshore : minimum of 77% and maximum of 85%**
- ▶
- ▶

4. Local Content Requirements in the Oil and Gas Sector

Minimum Local Content in the 1st Pre-Salt Bidding Round :

- ▶ (i) 37% for the exploration phase;
- ▶ (ii) 15% for Tests of Long Duration (TLD), when this activity is part of the Exploration Phase;
- ▶ (iii) 55% for the Development Phase modules that initiate production until 2021;
- ▶ (iv) 59% for the Development Phase modules that initiate production after 2021.

TLD minimum local content shall not be considered in the computation of the minimum local content required for the production phase.

5. PETROBRAS



- ▶ Petrobras is subject to the Simplified Bidding Process (*Procedimento Licitatório Simplificado da Petrobras*) established by Decree number 2745, of 24 August 1998.
- ▶ Electronic procurement is widely used : Petronect.
- ▶ Bidders must be registered in the CRCC – *Certificado de Registro no Cadastro Corporativo* – in order to receive bidding notices and to be able to supply services and equipment to Petrobras.
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5. PETROBRAS

- ▶ **Legal Representative in the country is required (power of attorney) by law.**
- ▶ **Commercial Representative is normally required by Petrobras.**
- ▶ **Normally agreements are not “negotiable”.**
- ▶ **In case of doubts or comments, these must be presented in writing before the bid takes place.**
- ▶ **Clauses in the agreement will deal with issues of liability.**

5. PETROBRAS



- ▶ Documents issued or signed out of Brazil (such as POA or Commercial Representation Agreement required by Petrobras) must follow the rules of notarization and legalization at the Brazilian Consulate.
- ▶ Instruments executed in a foreign language must be translated into Portuguese by sworn translators in Brazil for use in Brazil.

Thank you.

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