



## Energy Clipping

Issue no.: 01/2016

### ❖ Oil & Gas

#### **08/01/2016 - Pre-Salt remains competitive even with oil prices falling, Petrobras says**

Petrobras confirmed (07 January 2016) the technical and economic feasibility of pre-salt operations “even considering the current adverse scenario of oil”. On the day before, barrel price was negotiated, for the first time in 11 years, at below US\$ 35, the lowest level since June 2004. “It has been possible to optimise the breakeven [minimum economic viable price of the barrel] of pre-salt and our current estimate already shows values lower to the ones previously disclosed, confirming the economic competitiveness of pre-salt, even considering the current unfavourable scenario for oil prices”, Petrobras commented in response to the questioning on pre-salt feasibility in a scenario where the barrel price is traded at US\$ 35. In a statement released in the end of December, the state-controlled oil company informed having reduced its extraction costs (one of the main costs in the breakeven calculation) which represents an amount equivalent to less than half of the competition’s cost. “With new technologies, we have reached a level of approximately US\$ 8 per barrel, while the average of the big oil companies worldwide is of US\$ 15 per barrel”, Petrobras informed when confirming the production target in 2015 to 2.125 million bpd.

<https://www.portosenavios.com.br/noticias/ind-naval-e-offshore/32866-pre-sal-segue-competitivo-mesmo-com-petroleo-em-queda-diz-petrobras>

#### **08/01/2016 - Petrobras reiterates investment target of US\$ 19 billion for 2016**

In a clarification statement issued on Thursday 7 January 2016, by the Brazilian Security and Exchange Commission (CVM), Petrobras confirmed the maintenance of the investment target of US\$ 19 billion for 2016, as previously announced on 5 October 2015.



<http://www.valor.com.br/empresas/4383416/petrobras-reafirma-meta-de-investimentos-de-us-19-bilhoes-para-2016>

**12/01/2016 - Petrobras reduces investment plans for 2015-2019**

Petrobras' Board of Directors reduced the investment plan of the Company for the period 2015-2019 to US\$ 98.4 billion, a cut of US\$ 32 billion on the initial projections, mainly due to the optimisation of the projects portfolio and the currency exchange effect, according to the statement released on Tuesday (12 January). The investment predicted for Exploitation and Production for the 2015-2019 period is now of US\$ 80 billion. Supply, by its turn, shall invest US\$ 10.9 billion, followed by Gas and Energy with US\$ 5.4 billion, and the remaining sectors, with US\$ 2.1 billion. The investment adjustments aim at preserving the fundamental objectives of leveraging and generation of value to investors (...) in light of the new oil price standards and foreign currency exchange rate, Petrobras said.

<http://br.reuters.com/article/topNews/idBRKCN0UQ1FE20160112?pageNumber=2&virtualBrandChannel=0>

**13/01/2016 - Petrobras says that investing in Pre-Salt is priority**

On a statement released to the market on Tuesday, 12 January, where Petrobras announced adjustments to the business plan for the period between 2015 and 2019, the company reiterated the message of austerity – projecting a US\$ 32 billion cut along the period of four years. The investments in the areas of Exploitation and Production, where the pre-salt projects are allocated, received greater participation in the oil company's budget. Instead of 80% of the US\$ 98.4 billion to be invested until 2019, the segment will have 81% - an increase of US\$ 1.3 billion. "We will maintain our absolute priority in the pre-salt. We have achieved excellence in petroleum extraction from deep waters, having a cost of US\$ 8 per barrel – almost half of the performance of big oil companies ", said the President of the state-controlled oil company, Aldemir Bendine.



<http://economia.estadao.com.br/noticias/geral,petrobras-diz-que-investir-no-pre-sal-e-a-prioridade,10000006920>

**13/01/2016 – Petrobras Disinvestment Plan must become reality**

In 2016, the main challenges of the petroleum segment will be the following: approval of the Senate Draft Bill (PLS) No. 131 – authored by Senator Jose Serra with the objective to amend the Law of Apportionment (*Lei da Partilha*), putting an end to the obligation of Petrobras owning a minimum of 30% of the pre-salt areas and to the operation monopoly of those areas-, establishing a calendar for bids and modifying the Local Content policy. From the viewpoint of Petrobras specifically, it is necessary to approve and make its disinvestment project a reality. The main change consists in selling its participation and control over the operation of certain assets, like TAG (gas transport company), and focus its investments on the exploitation and production of oil and gas. It is necessary to be audacious and start including refineries in the disinvestment plan. In 2016, Petrobras has to dramatically reduce its costs and review, once again, as done in 2015, its investment plan. In addition, the government has to establish a price policy for fuels capable of generating revenue for the company and, for that, in 2016 it will be necessary to maintain the prices always above the international market practice. In view of the dramatic circumstances of the oil company with regards to its debts, it is crucial that the government finds a way to inject funds in the company's accounts. The market expectation that the dollar remains above R\$ 4 in 2016 compels Petrobras to depend on financial assistance of its controlling shareholder. Finally, it is essential that the company shows to the market confidence that there is still corporate governance and that the relationship between the executive board and the Board of Directors will follow what established under the corporate governance rules of the company.

<https://www.portosenavios.com.br/noticias/ind-naval-e-offshore/32912-plano-de-desinvestimento-da-petrobras-precisa-virar-realidade>



**15/01/2016 - Dilma already considers increasing capital in Petrobras**

President Dilma Rousseff Said that Petrobras “has been adapting” to the economic difficulties it is facing, but she does not exclude the adoption of a government policy to financially support the state-controlled company. During breakfast with journalists at the Government House, the President said that the government will continue analysing the effects of the oil prices fall before it decides to take action.

<http://www.monitormercantil.com.br/index.php?pagina=Noticias&Noticia=180413>

**16/01/2016 - Petrobras announces its intention to sell Transpetro to generate cash**

The company’s business plan until 2019 has been reduced in one quarter of the initial plan. To reduce the short fall, Petrobras is also selling assets and, recently, it announced the intention to sell its investment in Transpetro. The subject, however, is still object of internal and external discussions and, despite denial by the finance director of the state-controlled company, specialists believe that the sale of Transpetro will occur.

<http://g1.globo.com/jornal-da-globo/noticia/2016/01/petrobras-anuncia-intencao-de-vender-transpetro-para-fazer-caixa.html>

**19/01/2016 – The Government creates a programme to promote the Oil and Gas sector**

The Government created, via a decree, the Programme to Promote the Competitiveness of the Production Chain, Development and Improvement of Oil and Gas Industry Suppliers (*Pedefor*). The initiative has the objective to improve the Local Content policy for oil and gas. Minister of Energy, Eduardo Braga, affirmed that the government is analysing new regulatory measures that can boost the activity and, at the same time, reduce costs of the Oil and Gas production chain. According to Braga, the text “already provides a significant step forward, not only from the point of view of national engineering, innovation”, but also relieves pressure of fines for non-compliance with Local Content components, which may have been accumulated in the sector. The Pedefor aims at encouraging oil and gas chain suppliers in the country, based on the



valuation, by the Local Content policy, of a percentage of Local Content higher than the actual existing for goods, services and strategic character systems. The Pedefor also establishes bonus with Local Content Units (UCL) to businesses that meet the programme objectives. The UCLs may be used by a company or consortium for proof of compliance with the Local Content commitments with the National Petroleum Agency (ANP).

<http://www.brasil.gov.br/economia-e-emprego/2016/01/governo-institui-programa-de-estimulo-ao-setor-de-petroleo-e-gas>

**26/01/2016 - Industry asks Dilma for incentives and unitisation to carry on investments**

In a meeting with President Dilma and Minister Eduardo Braga, Jorge Camargo, president of IBP (Brazilian Institute of Oil, Gas and Biofuel), made it clear that the oil and gas industry expects Dilma to announce the extension of Repetro (special customs regime exempting goods for the oil industry from federal taxes) until 2019, and the government to regulate the unitisation process of licensed areas with not yet licensed areas of the Union to stimulate the recovery of the sector's investments. IBP believes that regulation of unitisation can unlock investments of about US\$ 120 billion. The president of IBP defined the meeting as "frank" and highlighted the importance of an open channel with the government. During the meeting, adjustments in the Local Content policy and the industry plead for the end of Petrobras' single operation in the sharing regime were also discussed.

<https://www.portosenavios.com.br/noticias/ind-naval-e-offshore/33045-setor-de-petroleo-pede-a-dilma-incentivo-e-unitizacao-para-retomar-investimentos>

**26/01/2016 - IBP: Government to allow foreign companies operating in Pre-Salt**

According to Jorge Camargo, President of the Brazilian Institute of Oil, Gas and Biofuels—IBP, who had a meeting with President Dilma Rousseff and the Minister of Energy, Eduardo Braga, the government intends to allow private companies to lead oil and gas exploitation and production projects in the pre-salt area, in cases of unitisation, where



oil reserves are discovered in an area adjacent to their concessions. Today, by law, only Petrobras is allowed to operate in the pre-salt area. IBP estimates that there are reserves of 8 to 13 billion barrels in areas of unitisation, much of it in the pre-salt, which could be exploited by domestic and foreign companies besides Petrobras. The estimated investment is of US\$ 120 billion. The end of Petrobras monopoly for operating in this region is currently being debated in Congress, where a draft bill by Senator José Serra is under analysis.

<http://epocanegocios.globo.com/Economia/noticia/2016/01/ibp-governo-sinaliza-permitir-que-estrangeiras-operem-no-pre-sal.html>

#### **27/01/2016 - Shell says that its shareholders voted in favour of buying BG**

Shell's shareholders voted in favour of buying the British company BG in a meeting held on Wednesday (27/01), with the approval of 83.03% of the participants, according to the Anglo-Dutch company. The next step is the vote by BG shareholders, the company said in a statement. If also approved by BG, the deal is expected to be closed on 15 February, according to Shell. With the deal, Shell will have great relevance in the Brazilian oil industry. That is due to the fact that BG is currently the main partner of Petrobras in the pre-salt and the second largest producer of oil and gas in the country, only behind the Brazilian state-controlled company.

<http://br.reuters.com/article/idBRKCN0V51KT>

#### **28/01/2016 - Petrobras reforms structure and governance model**

The Board of Directors of Petrobras approved in a meeting held on Wednesday (27/01), the new organizational structure and new model for management and governance of the company. The reform occurs as part of the company's response to the new reality of the oil and gas industry, which has led Petrobras to prioritize more profitable activities, making it more competitive. The restructuring involves the redistribution of activities, fusion of areas and review of the decision-making model. One of the main objectives is to increase control and compliance mechanisms. With the changes, cost reduction is estimated to reach up to R\$ 1.8 billion per year. It is also planned the reduction of at



least 30% in the number of managerial roles in non-operational areas. The company has about 7500 approved management functions, of which 5300 are in non-operational areas. The redesign fits the structure and management to the vision established by the Business Plan 2015-2019, which has ultimate goals of creating value and deleveraging. In addition, it expands the company's effort to strengthen its mechanisms of control, compliance and transparency.

<https://www.portosenavios.com.br/noticias/ind-naval-e-offshore/33098-petrobras-reforma-estrutura-e-modelo-de-governanca>

#### ❖ Energy Market in General

#### **11/01/2016 – Ministry of Energy approves guidelines for the operation of Bid A-5, 2016**

The guidelines of the New Energy Purchase Bid (Bid A-5, provided for in MME Ordinance No. 382/2015) was published on Monday (11/01). The dispute is scheduled for March 31, 2016. The MME Ordinance No. 14/2016 stipulates that the bid will consist of two phases: the first to dispute the participation right of each hydropower plant with a capacity greater than 50 MW; and second to dispute the other projects, from various sources. This is the first new energy bid that will negotiate simultaneously four distinct products, with contracts based on quantity and on availability with supply starting in 2021. They are the following: a product by quantity for hydroelectric projects, with a 30-year supply period; product by thermoelectric availability of biomass and coal for biomass ventures and coal ventures, with a 25-year supply period; a product by thermoelectric availability of natural gas, for natural gas combined cycle ventures, with a 20-year supply period; and a product by wind availability for wind farms, with a 20-year supply period. In addition, the system was adapted to support the participation in bids for new energy ventures which already have a concession grant or authorization, provided that the business has not entered into commercial operation within one year before the date of the bid. The participation of these enterprises is established by Law 10848/2004. The Ministry of Energy established a simplified procedure so that the



generators of these electrical energy generation projects, whose energy was sold at previous bids but who still have part of the energy not sold, provide this energy to the regulated market in this bid. The condition is that these ventures have not started operating until March 31, 2015.

[http://www.mme.gov.br/web/guest/pagina-inicial/outras-noticias/-/asset\\_publisher/32hLrOzMKwWb/content/mme-aprova-sistemica-de-realizacao-do-leilao-a-5-de-2016](http://www.mme.gov.br/web/guest/pagina-inicial/outras-noticias/-/asset_publisher/32hLrOzMKwWb/content/mme-aprova-sistemica-de-realizacao-do-leilao-a-5-de-2016)

**12/01/2016 – Santander and Canadian funds invest R\$ 2 billion in wind energy in Brazil**

Cubico Sustainable Investments, a company formed by Banco Santander and two Canadian pension funds, closed the purchase of two wind farms in north-eastern Brazil for R\$ 2 billion, including debt assumption. Cubico, set up last year to invest in renewable energy and sanitation in Latin America and Europe, inherited from Santander energy assets, which led the company to a total portfolio in Brazil of 615 megawatts in wind farms, all in operation. In the target of the company are mainly wind farms, but also solar and small hydro energy ventures - all sources with which Santander already works or has worked in the past.

<http://economia.estadao.com.br/noticias/negocios,cubico-compra-dois-complexos-eolicos-por-r-2-bi-no-brasil,10000006770>

**15/01/2016 - Brazil is the fourth country where wind power is the fastest growing in the world**

Brazil is already in the list of the largest wind power producers in the world. The survey "Wind Power in Brazil and the World", from the Ministry of Energy, points out that the country has the fourth place in the world ranking of wind power expansion in 2014. Brazil has already negotiated about 16,600 MW wind energy in bids, with approximately 1400 MW been secured through the Alternative Energy Sources Incentive Program (Proinfa). Of the total negotiated, 7800 MW are already in operation. The negotiated value is equivalent to the energy generated by the Itaipu hydropower plant. According



to the 10-Year Plan for Energy Expansion (PDE 2024), the government estimates that the installed wind capacity in Brazil will reach around 24,000 MW.

<https://www.portosenavios.com.br/noticias/ind-naval-e-offshore/33045-setor-de-petroleo-pede-a-dilma-incentivo-e-unitizacao-para-retomar-investimentos>

### **18/01/2016 – Clean energy investments hit record in 2015**

Data shows that the world is increasingly investing in the clean energy sector. Last year, a total of US\$ 329.3 billion was spent on solar and wind projects. The amount is 4% higher than that recorded in 2014, according to a report issued by Bloomberg New Energy Finance. The behaviour of investors was to seek new channels after the fall in the oil prices, which eventually lead them to renewable sources. Emerging economies are the main destinations of investment in the sector due to a number of factors, such as the ability to quickly meet the demand not satisfied by electricity, cheaper cost of production, reduction of the country exposure to fossil fuels prices, as well as its environmentally sustainable nature.

<http://www.petronoticias.com.br/archives/79198>

### **22/01/2016 – Government will increase about R\$ 6 billion capital in Eletrobras**

The government will promote the capital increase in the amount of R\$ 5.95 billion in Eletrobras this year, which should apply the funds to prepare the privatisation of six distributors: Companhia Energética do Piauí (Cepisa), Companhia Energética de Alagoas (Ceal), Companhia de Eletricidade do Acre (Eletroacre), Centrais Elétricas de Rondônia S.A. (Ceron), Boa Vista Energia S.A. and Amazonas Distribuidora de Energia S.A. In the 2016 Budget, sanctioned last week by President Dilma Rousseff, the disbursement is already anticipated, and is equivalent to the second instalment of the signing bonus charged by the government in a bid of old hydropower plants last year. The bid raised a total of R\$ 17 billion. With the investment, the government will be able to renew the concession agreement of the six distributors. After the renewal of contracts, the federal government may begin the process of privatisation of the distribution companies linked to Eletrobras, as it is the case of CELG, from the state of Goiás, to be sold in the coming months. With the distributors sale, the government



plans to raise more than the R\$ 6 billion that will be contributed to the capital of Eletrobras.

<http://oglobo.globo.com/economia/governo-fara-capitalizacao-de-quase-6-bilhoes-na-eletobras-este-ano-18519427>

**25/01/2016 - Energy and infrastructure should receive R\$ 35bi from BNDES in 2016**

BNDES plans to increase by 10% spending for infrastructure and energy this year, said the Bank's president, Luciano Coutinho to newspaper Folha de São Paulo. "Resources for infrastructure and energy will not be suppressed this year, especially renewable energy", he said in Davos, Switzerland, where he participated in the World Economic Forum. "In 2015, we disbursed around R\$ 31 billion on direct investment in infrastructure, not considering the resources via bank. In 2016, we expect growth on these figures to something around R\$ 35 billion", he said.

<http://www1.folha.uol.com.br/mercado/2016/01/1733141-energia-e-infraestrutura-devem-receber-r-35-bi-do-bndes-em-2016.shtml>

**Noronha Advogados,  
London and Rio de Janeiro offices**

For further information, please contact:

**In London:**

Vera Dantas Innes ([vmd@noronhaadvogados.com.br](mailto:vmd@noronhaadvogados.com.br))

Carolina Descio ([chd@noronhaadvogados.com.br](mailto:chd@noronhaadvogados.com.br))

**In Rio de Janeiro:**

David Benoliel ([dbl@noronhaadvogados.com.br](mailto:dbl@noronhaadvogados.com.br))