The Outlook for Oil & Gas in Brazil
The Dialogue, 5th May 2017

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President
IBP: the Home of the Brazilian Oil&Gas Industry.

About IBP

Founded in 1957

156 CORPORATE MEMBERS
50 TECHNICAL COMMITTEES
1,250 PARTICIPANTS
250 INDIVIDUAL MEMBERS
18 INSTITUTIONAL PARTNERS
Brazilian Downturn

The worst economic and political crisis of Brazil modern history

**September 2013**
Economic turmoil. Protests questioning political management, World Cup and Olympics.

**January 2016**
Political and economic worsening. Loss of investment grade and discredit of the government.

**November 2009**
Brazil avoided Global Crisis effects. Rising credibility with boom of commodities process and Pre-Salt discoveries.

**February 2015**
Economic recession, high inflation and corruption scandals (“Lava Jato”).

What next?
Energy Transition

Oil prices
Lower for longer
Oil&Gas Competitive Landscape

Pre-FID and US L48 future drilling cumulative production by breakeven in 2026 – by resource theme

Source: Wood Mackenzie onshore breakevens at 10% discount rate, offshore at 15%
High Wells Productivity at Pre-Salt

Average oil daily production:

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Well at Lula field (offshore)

x40

Non-conventional wells at U.S. (onshore)

20 a 30 Thousand barrels/day

(Well at Santos Basin)

Other examples:

North Sea  ~15.000 b/d

Gulf of Mexico  ~10.000 b/d

Source: IBP with data from Petrobras e US EIA
Oil and Gas Market

Future Brazilian Production of Oil and NGL
(Million barrels day)

Source: Rystad Energy (UCube Sept 2016)
Foster the development of the industry:
New projects and orders
Brazilian Energy Transition

Key recent policy and regulatory guidelines

O&G

- Regulatory changes approved to open Brazilian pre-salt fields’ operation to new players
- New local content criteria to allow for increased competitiveness of the industry
- Improvement of the regulatory framework of the gas sector to adapt to Petrobras divestments
- Reinforcing the competitive environment to attract new downstream players

Renewables and decentralized power generation

- Program to stimulate the production of biofuels, based on predictability and sustainability
- New legislation to increase the mandatory percentage of biodiesel in diesel fuel to 10%
- New financing guidelines for renewables and reduced support for fossil fuels
- Promotion of decentralized power generation, focusing on renewables, mainly solar PV

Events to Watch

2017 Exploration Rounds

Petrobras Divestments

2018 Elections
“Crisis is a time when old has not yet gone, new has not yet arrived”
A. Gramsci