

OFFSHORE: BRAZIL FOCUS

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THE OFFSHORE SECTOR IS UNDOUBTEDLY ONE OF THE MAIN AREAS OF ATTENTION FOR DEVELOPMENT FOR THE BRAZILIAN GOVERNMENT UNDER THE CURRENT AND PREVIOUS ADMINISTRATIONS.

BACKGROUND

Since 2016, important regulatory and executive measures have been taking place with the aim of fostering investments in the sector and attracting new market participants.

"Recent key changes in Brazil are influencing opportunities and demand in the offshore sector, the impact of which is discussed further in this article."

KEY CHANGES

Key changes to highlight are the revision of the rules for operating in the pre-salt region, the relaxation of local content requirements, the enactment of new rules regulating reserve-based lending transactions, the implementation of a multi-year licensing rounds schedule and the extension of tax incentives. The interest shown by majors and supermajors in offshore and onshore blocks with record signing bonuses are evidence of the positive impact of such changes.

OPPORTUNITIES

Driven by the exploration of the pre-salt region, Brazil currently represents the largest market for floating production, storage and offloading units ("FPSO") in the world, accounting for a third of the overall contracted units for this type of vessel. In

addition to the FPSO market, the demand for other types of units, such as drilling rigs and support vessels, as well as subsea systems, is similarly on the rise in the country. Although part of this demand can be supplied with existing vessels, most of it will necessarily involve the construction of new units and structures, presenting a range of opportunities for operators, suppliers, shipyards and financiers.

KEY PLAYERS

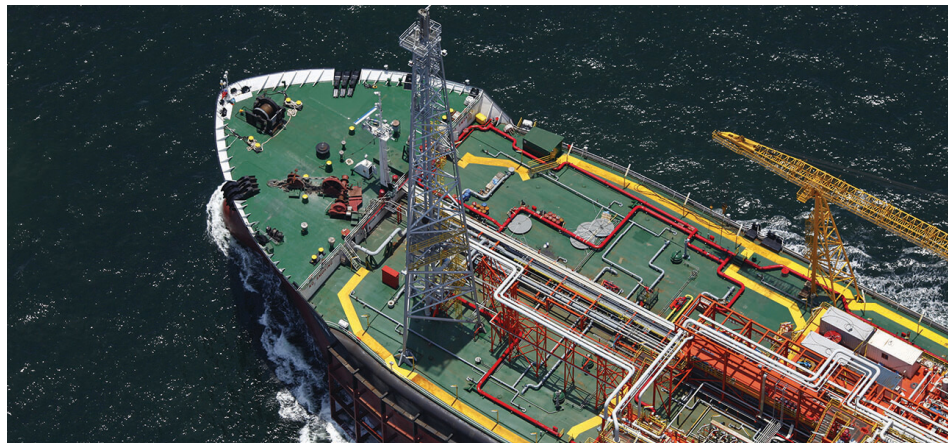
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Petrobras, as the largest operator in Brazil, leads such demand. However, other major players are gradually taking a more prominent role in exploration and production activities offshore Brazil. As an example, both Equinor and Shell are currently tendering for the charter of FPSOs for their deep-water pre-salt fields. The success of recent auctions for pre-salt areas, with majors such as Chevron, ExxonMobil, CNOOC and BP being awarded operating stakes in the region, promises to diversify the market even further within the next decade. A more diverse market may prove refreshing for service providers and vessel owners, as Petrobras may be willing to adopt contractual terms which are more reflective of international market practice.

DECOMMISSIONING

We as a firm are also seeing the opportunities at the other end of the oil and gas lifecycle. The decommissioning of offshore assets is a hot topic in Brazil at the moment. There are eight decommissioning projects already approved by the regulatory authorities, another five are under analysis and at least nine others are expected. In June 2019, Petrobras launched the first tender for the procurement of offshore decommissioning services, for the decommissioning of three fixed platforms in the Cação field in the Campos Basin. Due to their proven experience in decommissioning, the opportunities for North Sea services providers are many.

THE SUCCESS OF RECENT AUCTIONS
FOR PRE-SALT AREAS...PROMISES TO
DIVERSIFY THE MARKET EVEN
FURTHER WITHIN THE NEXT DECADE.



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