

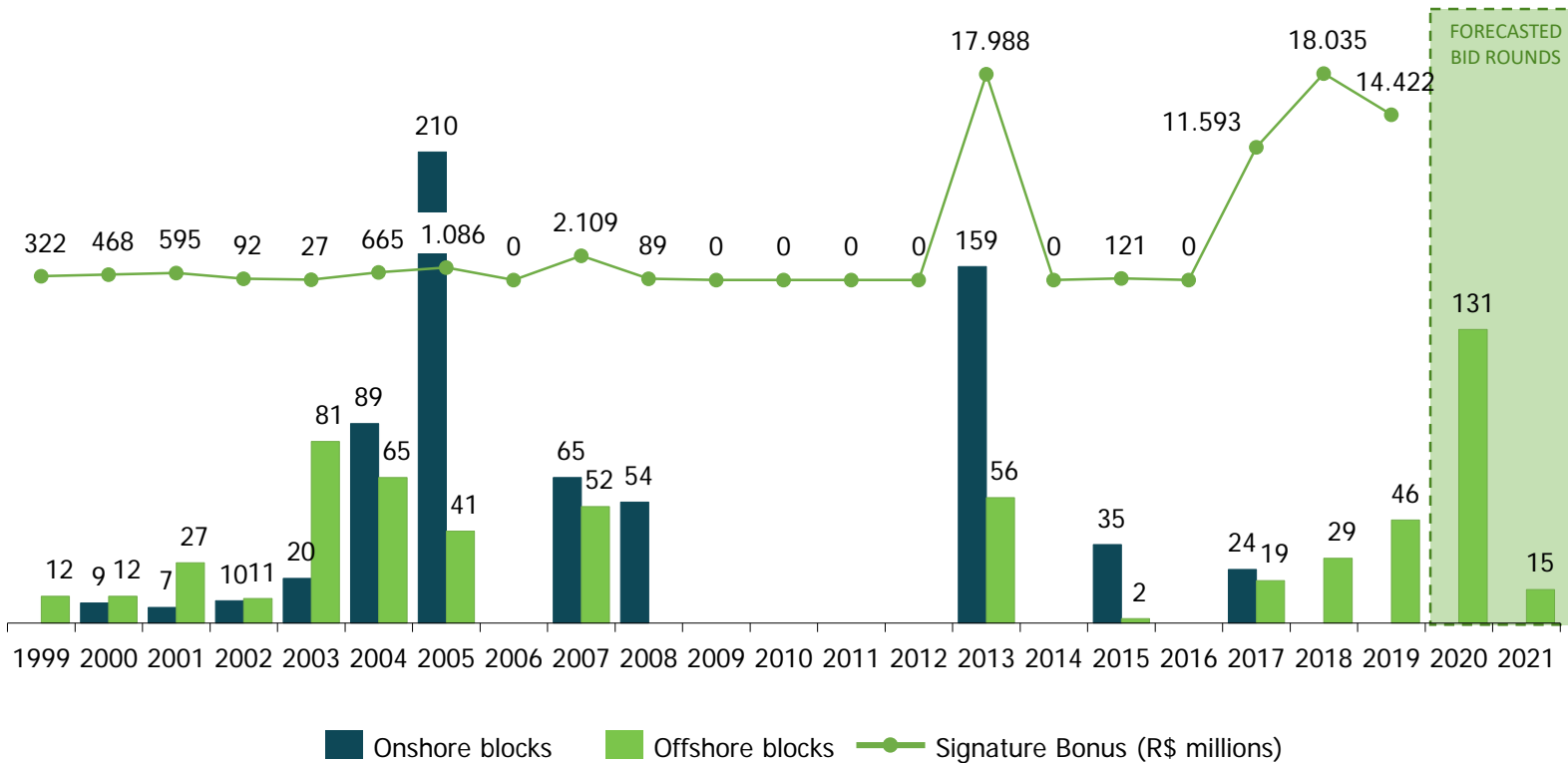
# Investment and M&A in the Brazilian Oil & Gas Market

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# Brazil proved a competitive and successful agenda


Brazilian Bid Rounds Outputs



Recent movements:

-  Bidding round agenda
-  Retirement of Petrobras obligation on production sharing contracts
-  Open acreage
-  Petrobras divestment plan
-  Majors partnership on big fields

# 2019 bid rounds focus



**Brazil**  
16<sup>a</sup> Round

**PRE-SALT**  
Brasil **6**

Petrobras showed interest in three areas, but only made a proposal for one.

Uncertainty of Petrobras' indemnity rules on inhibits other companies' offers.

Government is studying changing in pre-salt auctions rules in order to increase competition.

**273**

Offered blocks

**36**

Offered blocks

**5**

Offered blocks

**33**

Bided block

**12**

Bided block

**1**

Bided block

**R\$ 22 mi**

Signature Bonus

**R\$ 9 bi**

Signature Bonus

**R\$ 5 bi**

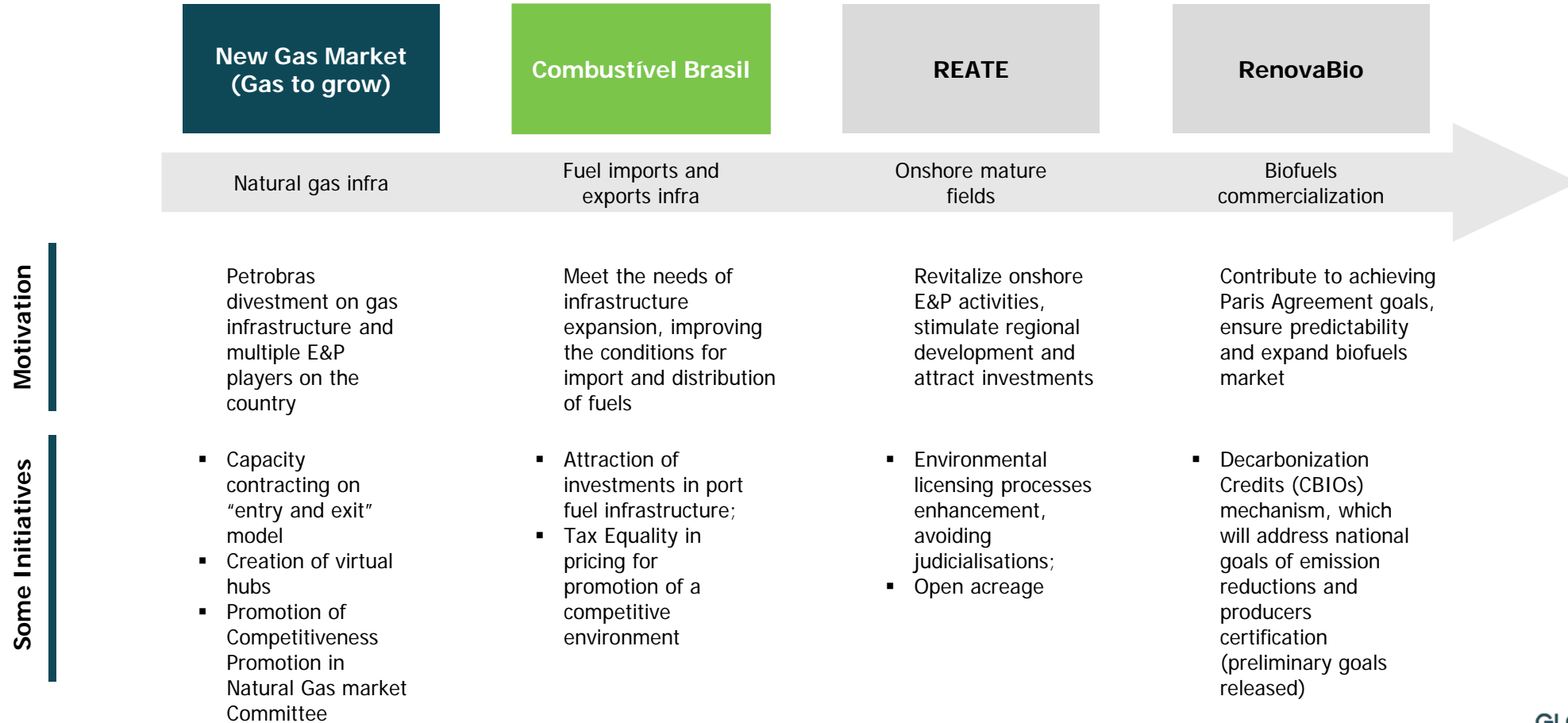
Signature Bonus

## BID WINNERS



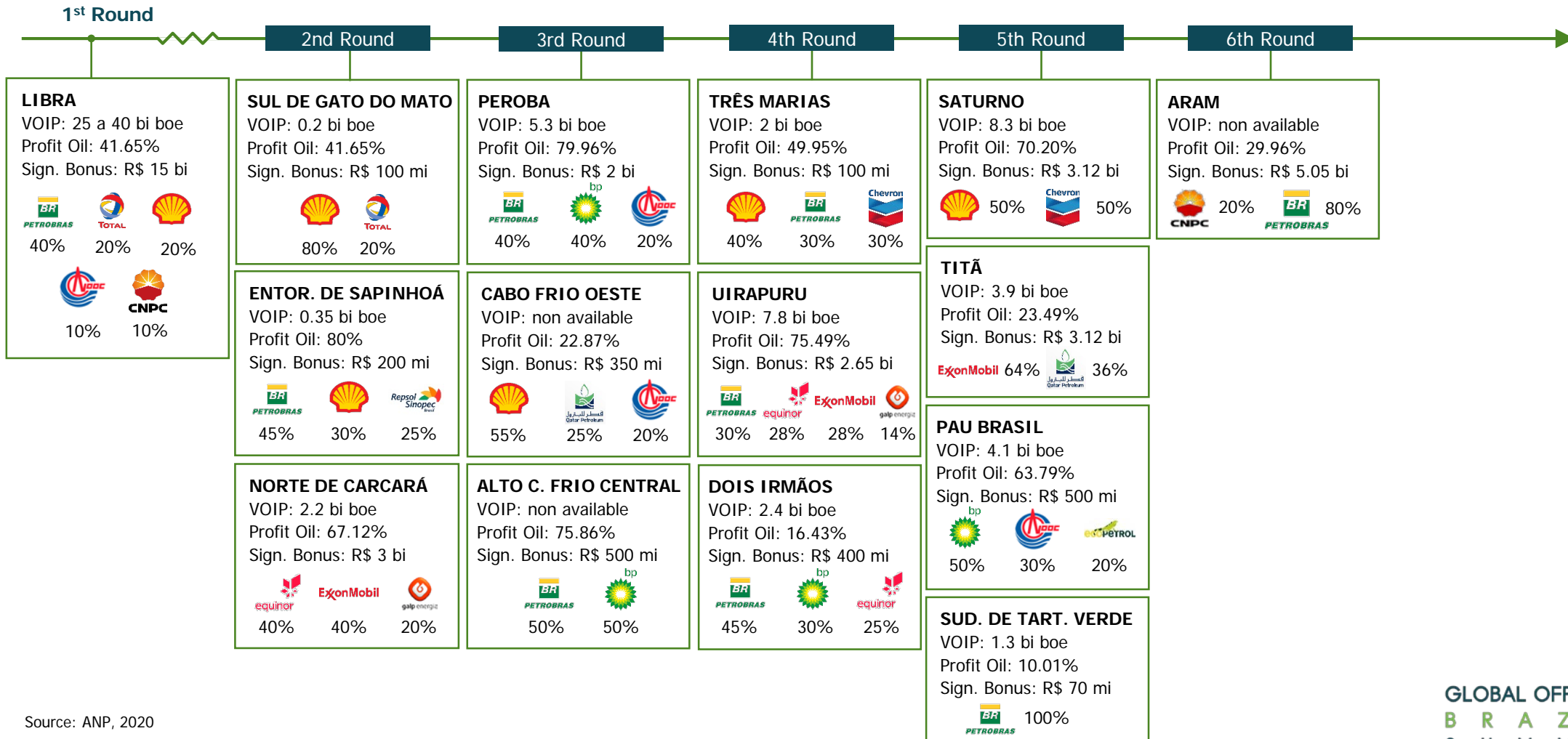
# Regulation is adapting to the new scenario

Government programs are looking to surpass Brazilian lacks of infrastructure and adapt the market to Petrobras new positioning

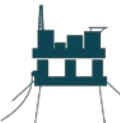


# Brazil has now a more diversified environment

Petrobras repositioning and new regulatory guidelines are transforming Oil & Gas in a competitive and multiplayers Brazilian industry



Source: ANP, 2020



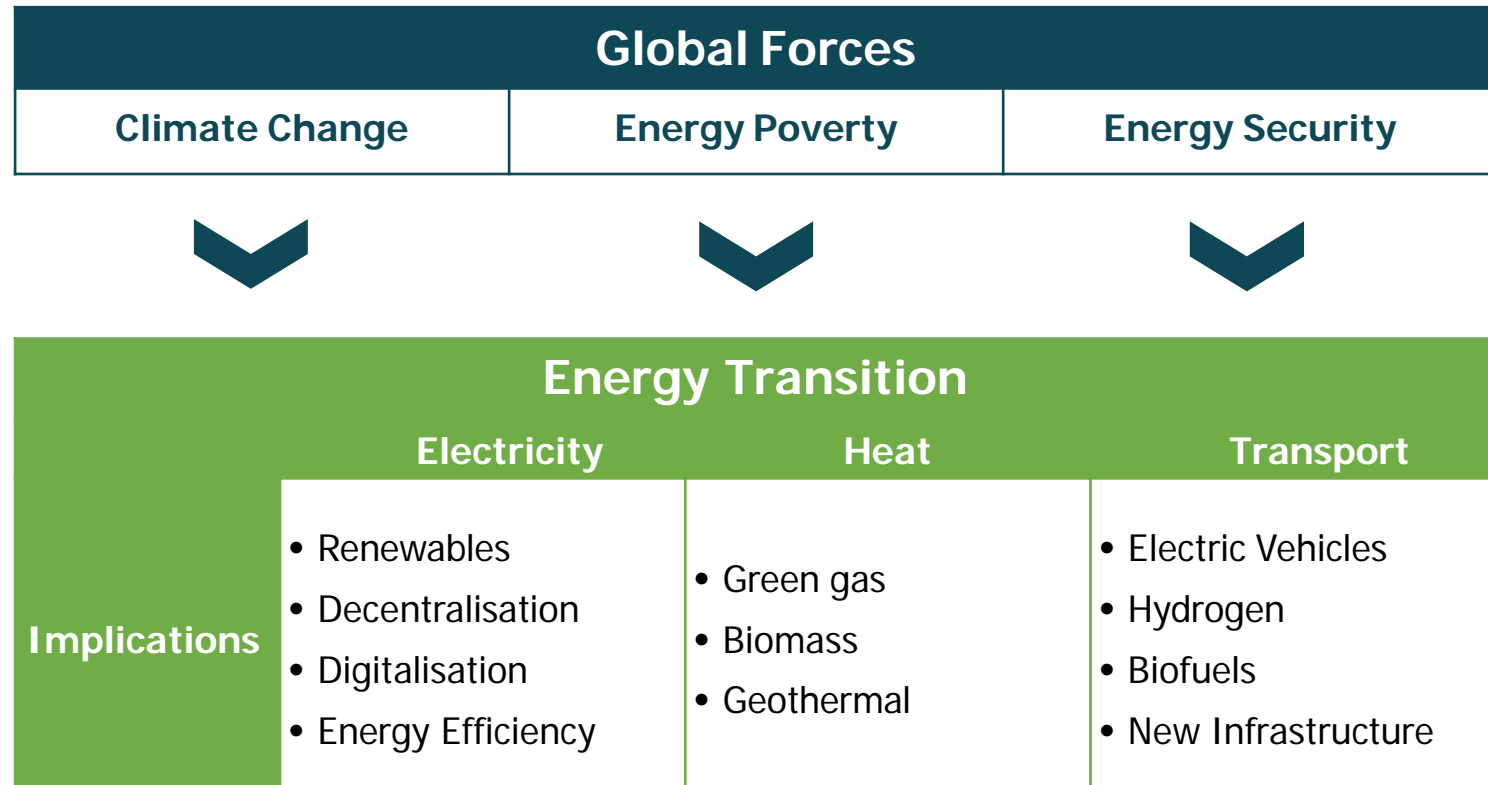
# Transition to low carbon is changing the sector

**D**ecarbonization

**D**ecentralization















**D**emocratization

**D**igitalization



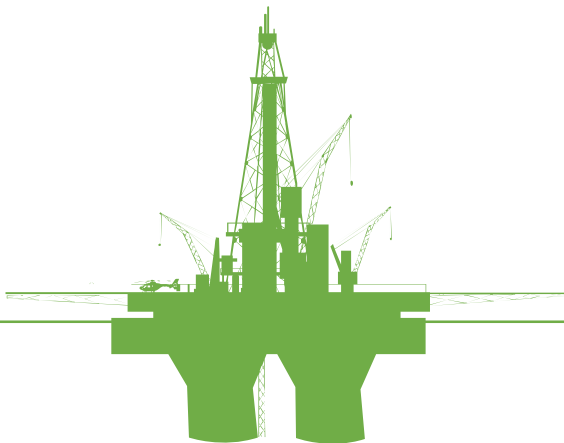
# O&G companies are even more diversified

Majors are looking to become energy integrated companies, diversifying its portfolio to renewables generation, transmission and distribution

 <p>Segment diversification</p>	<p><b>Renewable Generation</b></p> 	<p><b>ExxonMobil</b></p>  <p>Exxon will use renewable energy to extract oil in an agreement with Orsted</p>	<p><b>TOTAL</b></p>  <p>Acquired Sun Power, as well a share in renewable generation Eren and the batteries specialist Saft</p>	<p><b>equinor</b></p>  <p>Besides the clear signal in the company's name shift, has 3 eolic parks in UK, and 1 solar facility in Ceará, Brazil</p>	<p><b>BR PETROBRAS</b></p>  <p>Petrobras has 4 onshore wind farms and 1 park of R&amp;D in solar technologies, both at Rio Grande do Norte</p>
	<p><b>Electric generation, transmiss. and distribution</b></p> 	<p><b>REPSOL</b></p>  <p>Repsol paid more than € 750 million for Viesgo gas and hydro assets</p>	<p><b>Shell</b></p>  <p>Shell acquired the British electricity provider First Utility</p>	<p><b>TOTAL</b></p>  <p>Bought the energy provider Lampiris and, for € 1.4 billion, bought Energie, a electricity retailer</p>	<p><b>bp</b></p>  <p>BP owns 25% of UK retail energy provider PurePlanet</p>
	<p><b>Retail: electrical vehicles chargers network</b></p> 	<p><b>REPSOL</b></p>  <p>Repsol made a partnership with Kia and invested on a 500 hybrid and shared vehicles network</p>	<p><b>Shell</b></p>  <p>Acquired New Motion, one of the biggest electric vehicles charger in Europe</p>	<p>“Besides decarbonization, as oil is directly connected to urban mobility, shifts on customers habits may impact strongly this business”</p>	

# Dynamic and competitive natural gas - open market

- ◆ Competitive environment development
- ◆ Integrate pre-salt gas into the energy matrix and the industrial market
- ◆ Reconcile federal and local regulation
- ◆ Reduce tariff barriers and regulate tax



Source: MME, KPMG Analysis

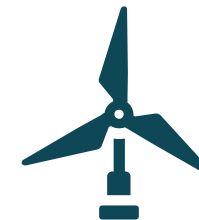
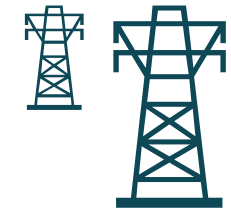
**Pre-salt fields will significantly increase oil and gas production in Brazil**



**Natural gas may have more participation in thermal generation and in the industrial, commercial and residential markets**



**Thermal generation serves as base security to the system when renewable energies such as solar, wind and hydro fail to generate sufficient energy**





# Natural Gas - important role in the energy sector

The Government is preparing an unprecedented auction to contract energy in order to replace thermal plants whose contracts expire until 2023. Also the Government will open two public consultations to discuss new criteria for contracting new generation capacity, considering the sources attributes, as well as to structure the proposal for ballast and energy separation.

## Auction A-4 expected in 2020

**35**  
thermal plants

**3,309 MW**  
installed capacity

**2,265 MW**  
physical guarantee

To be replaced by

Natural Gas thermal  
plants, with more efficient  
technology



These plants will  
guarantee the system  
stability, compensating the  
intermittency of renewable  
sources

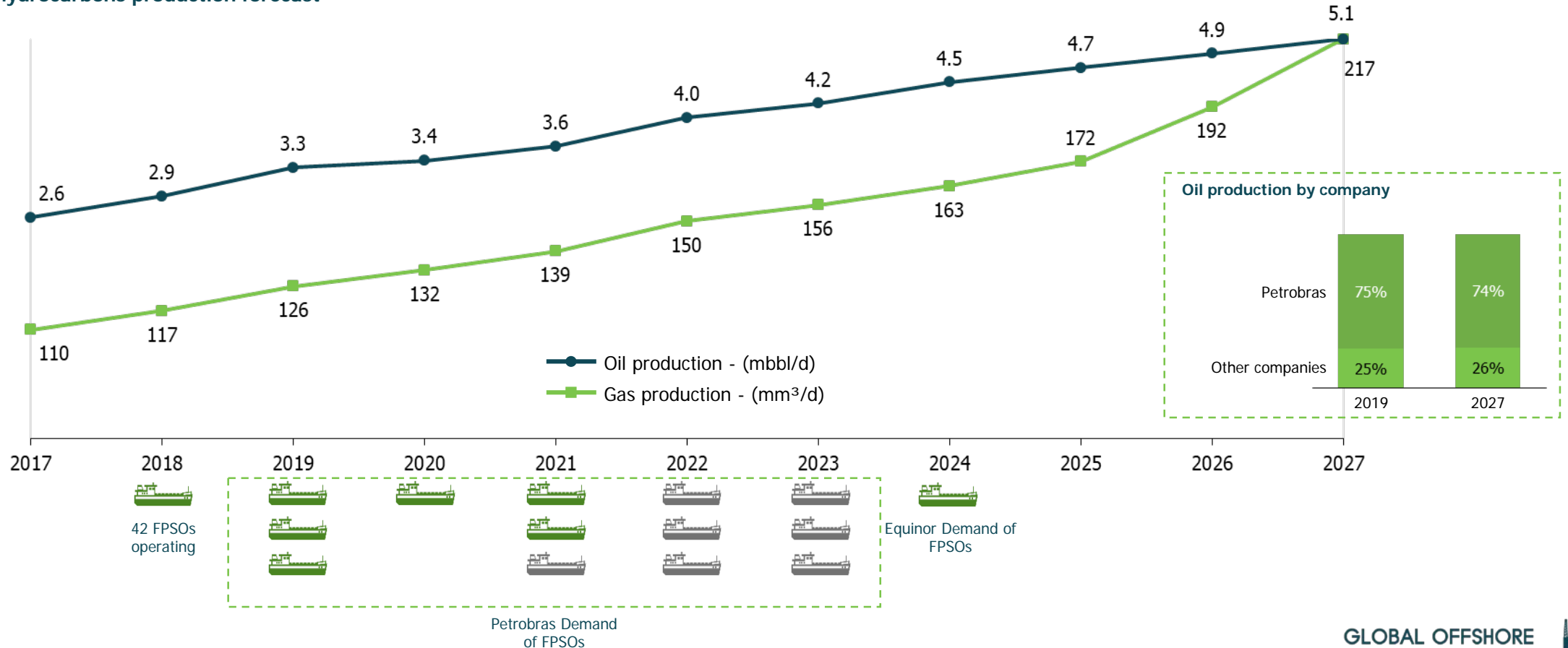
The measure gains even more appeal since the Government has been stabilising a new policy for the natural gas market, aiming to allow new companies to explore, distribute and commercialize it.

Thermal plants serve as an anchor to increase the demand for natural gas, enabling, for example, the construction of new structures and gas pipelines.

# Brazilian market will continue to be huge

Growing production, growing consumption and new bidding rounds, will be the drivers for the next years of Brazilian Industry

Brazilian hydrocarbons production forecast



Source: EPE, 2018; Petrobras Strategic Plan 2030, 2018; ANP, 2018; KPMG Analysis

Legend: Supplier hired Supplier to be hired

# Petrobras Divestment Plan creates opportunities

In its 2020-2024 Strategic Plan, Petrobras announced the disinvestment of USD 20 to 30 billion in assets, including refineries and mature fields



Petrobras divestments are moving the market and attracting new players to the sector as Petronas, Karoon, Trident Energy and 3R Petroleum



Petrobras' mature fields divestments - which received little investment in recent years - should trigger new projects to revitalize these areas



## DOWNSTREAM



### DIVESTMENTS OF 8 REFINERIES

- ◆ RNEST (PE)
- ◆ RLAM (BA)
- ◆ REPAR (PR)
- ◆ REFAP (RS)
- ◆ REGAP (MG)
- ◆ REMAN (AM)
- ◆ LUBNOR (CE)
- ◆ SIX (PR)

## MATURE FIELDS

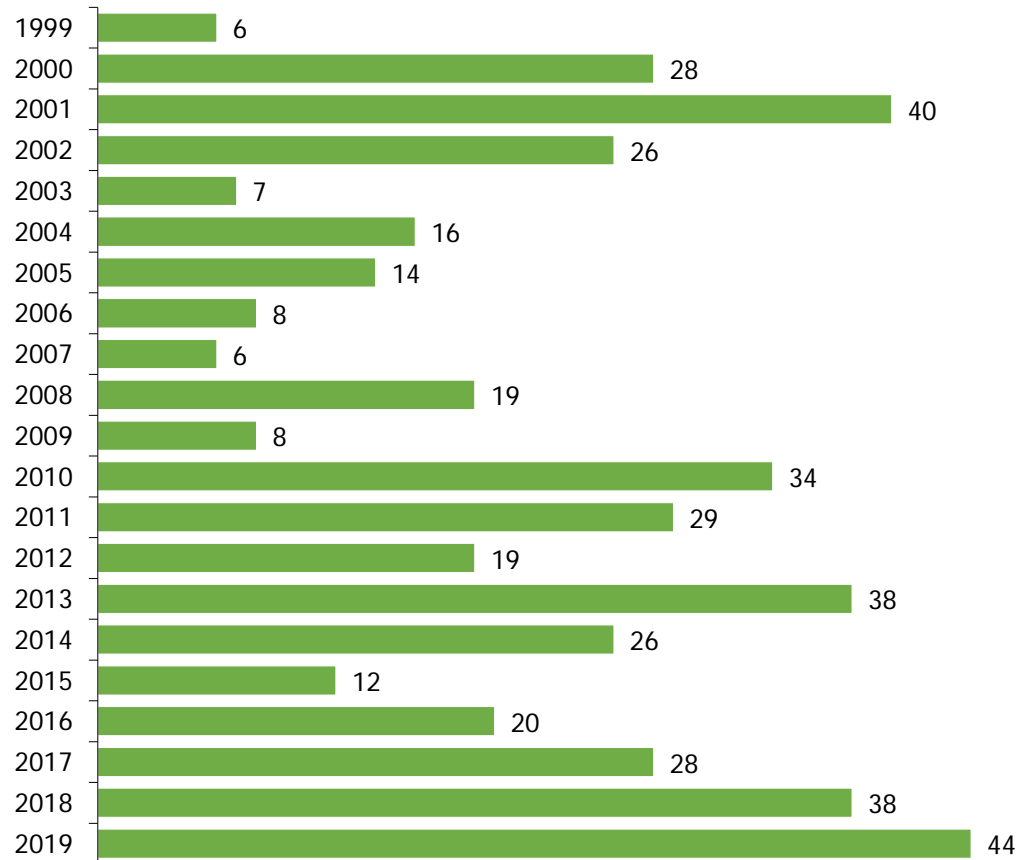


70% of 250, mainly located in northeast region

# Oil prices volatility and technology transformation drives M&A activity

With a intense deal activity, Oil & Gas sector is expected to continue to be a hot spot of investments in Brazil

Mergers and Acquisition in global Oil & Gas Industry



Source: KPMG Analysis

BNDES investment perspectives - R\$ billion (2017 basis)

Sector	2018-2021 (annual avrge.)	CAGR (%)
Oil & Gas	72.8	9.4
Mining	15.1	3.7
Automotive	6.1	(3.9)
Food	9.5	2.8
Beverage	2.8	8.0
Pulp & Paper	5.3	(14.8)

Source: BNDES, 2017

# And the investment perspectives are...

External investment and BNDES financing are two main sources of investment

## DRIVER: external investment

- New regulatory guidelines are transforming Oil & Gas sector in a multiplayers industry and boosting external investment and M&A activities.
- Companies want to enter Brazil or expand their market share.



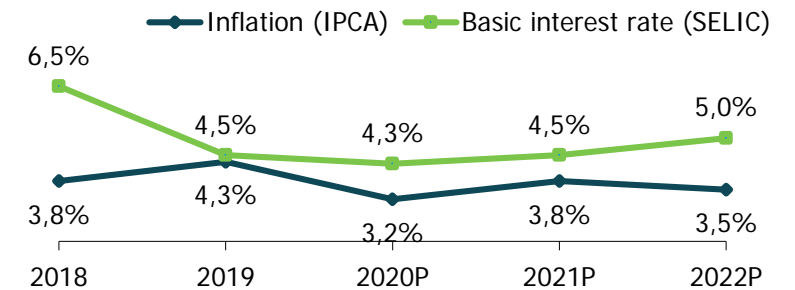
## ALSO: BNDES has funding lines for Oil & Gas sector

- With Brazil's recent financial crisis and economic liberalism oriented new governed, elected in October 2018, BNDES should have a smaller financing participation than in last recent years.
- Even with BNDES 'limited financing, the sector may continue to grow through external investment.

Financing	Value
BNDES: Natural Gas, oil, biofuel transport	> 10 million
BNDES: Gas, Biofuels distribution	> 10 million
BNDES: National engineering	> 10 million
BNDES FMM: Merchant Navy and shipbuilding industry	Up to 80% of affordable items
Desenvolve SP: O&G medium and small companies in SP	Up to 80% of affordable items

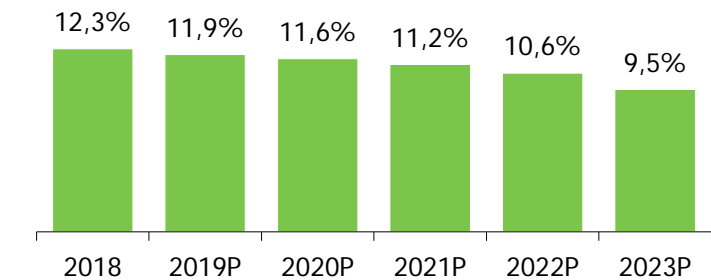
Low basic interest rate and inflation combined with decreasing unemployment rates bring forth a positive scenario for investments

## Economy Thermometers



Source: BACEN, Itaú

## Unemployment rate (%)



Source: Itaú



# Thank you!

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