



OPERATOR TRANSITION IN BRAZIL: CHALLENGES AND LESSONS LEARNED

Clean Gulf Conference & Exhibition 2023

Rodolfo Saboia
Director-General

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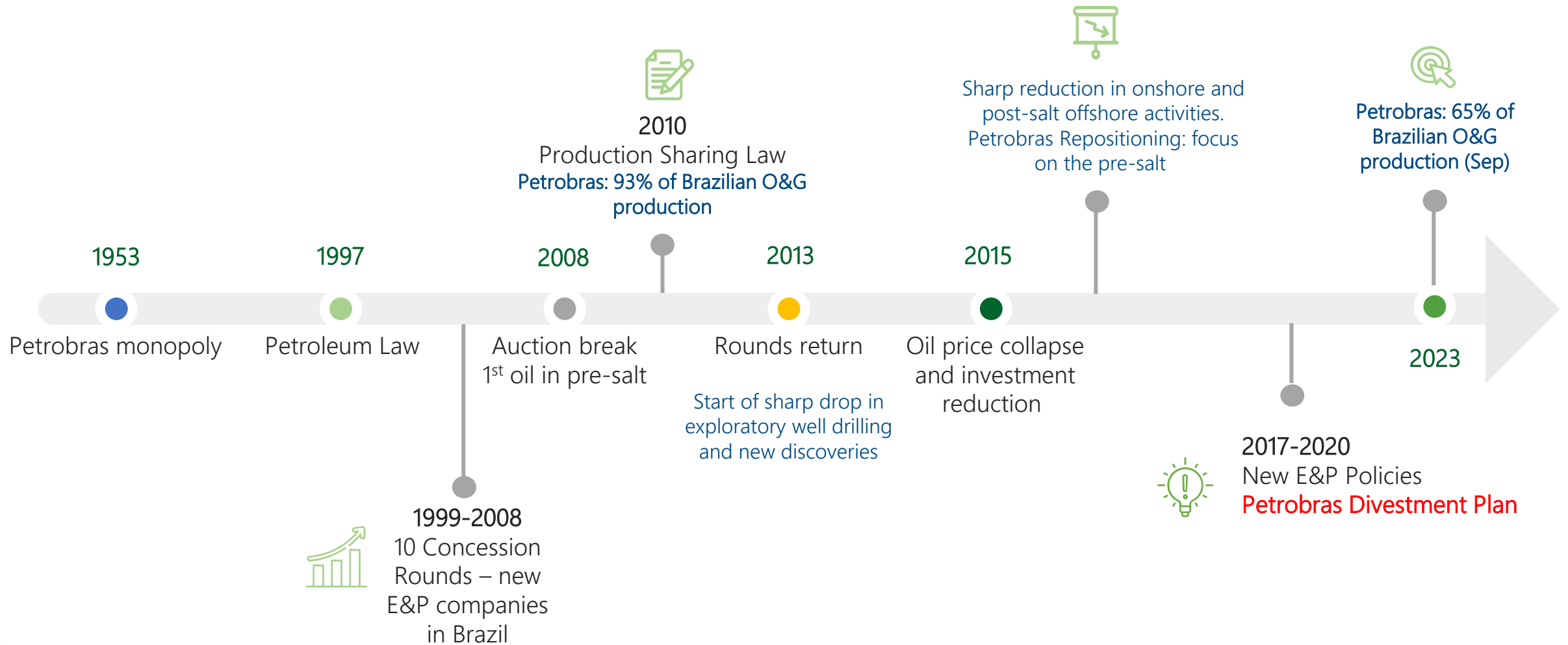


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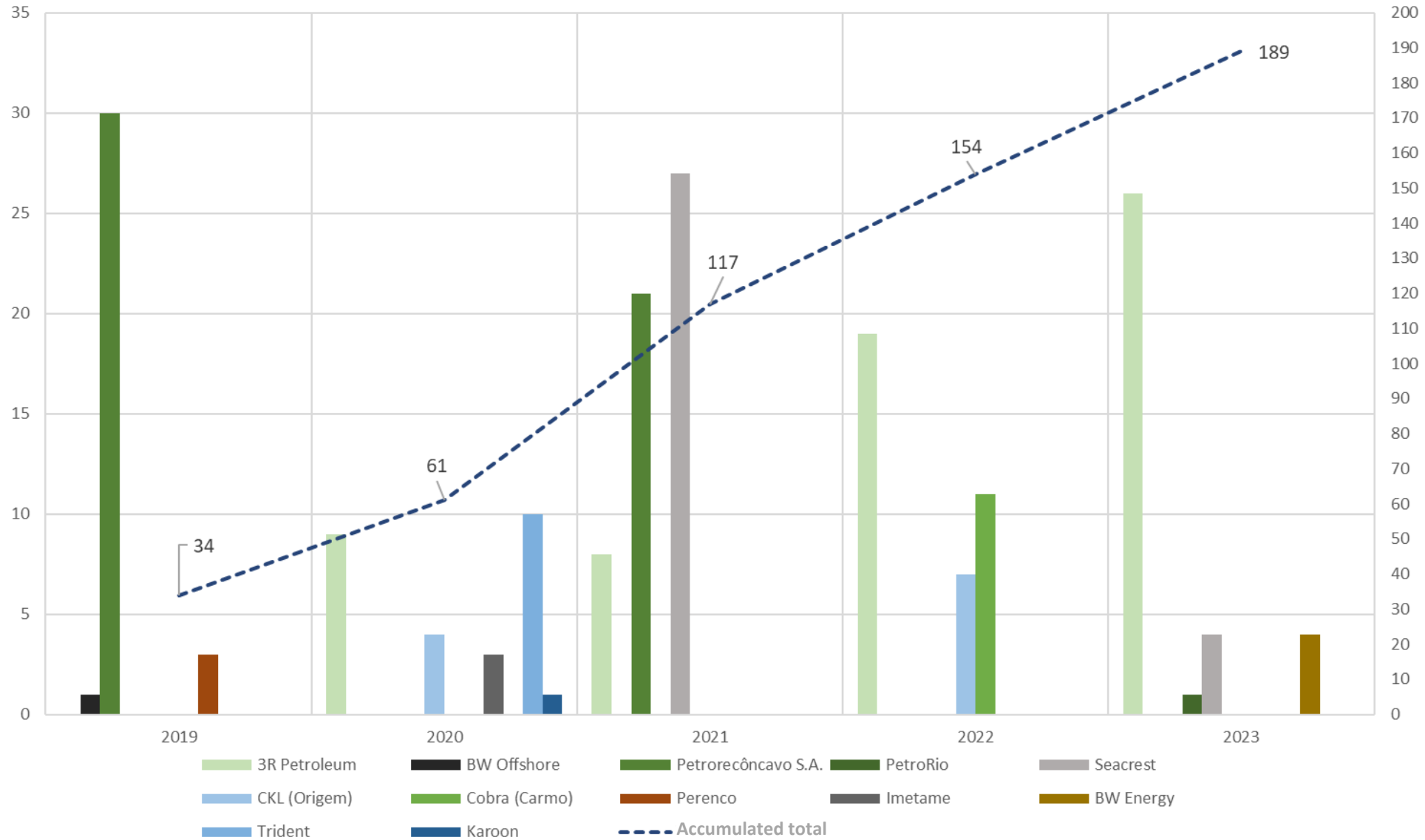
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Brazilian E&P history

From monopoly to open market



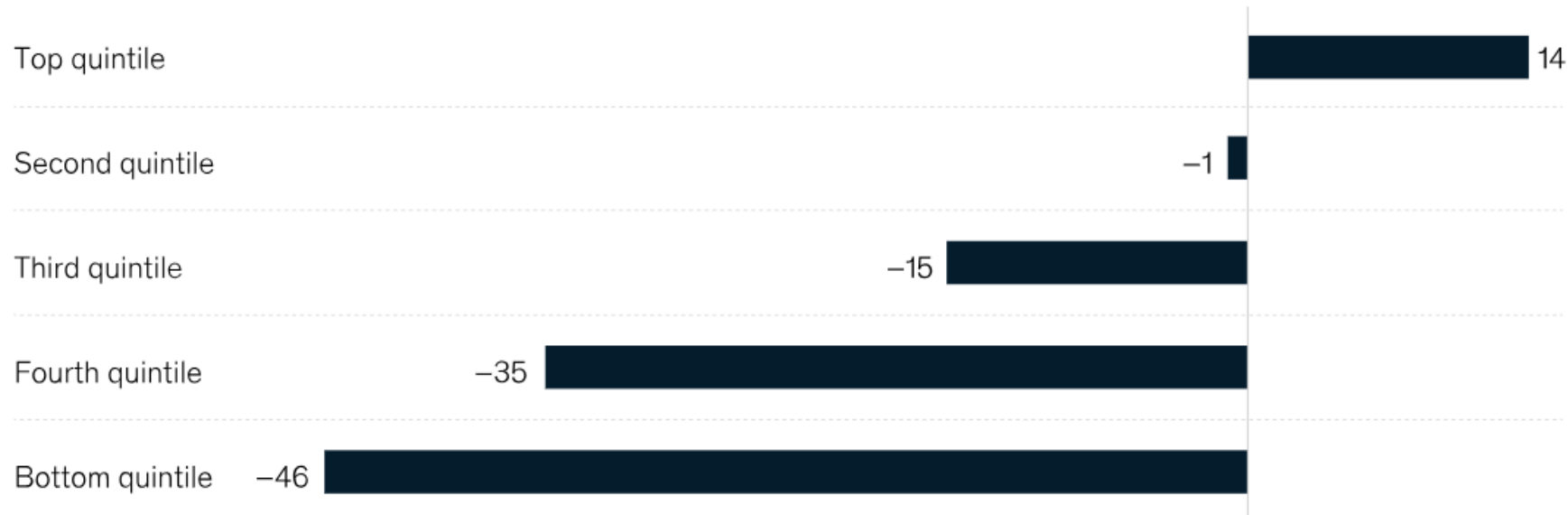
Farm-ins with operator transition



Benchmarking shows operator transition is not always beneficial

Only 20 percent of assets maintained or improved production output during the transition.

Change in daily production during the two years before and after transition, %, n = 50¹



¹Data from assets in Norway and the United Kingdom between 2013 and 2017.
Source: The Norwegian Petroleum Directorate; public databases; McKinsey analysis

But in Brazil investment is revamping mature offshore post-salt fields

Pargo, Vermelho e Carapeba – **380% of production growth** since farm-in (boe/d)

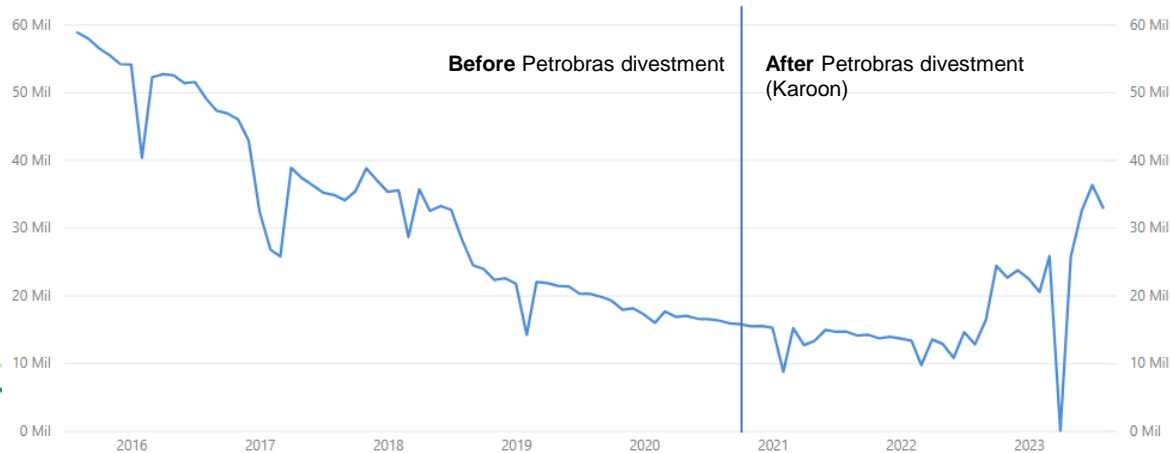


Opportunity to increase RF in Campos Basin



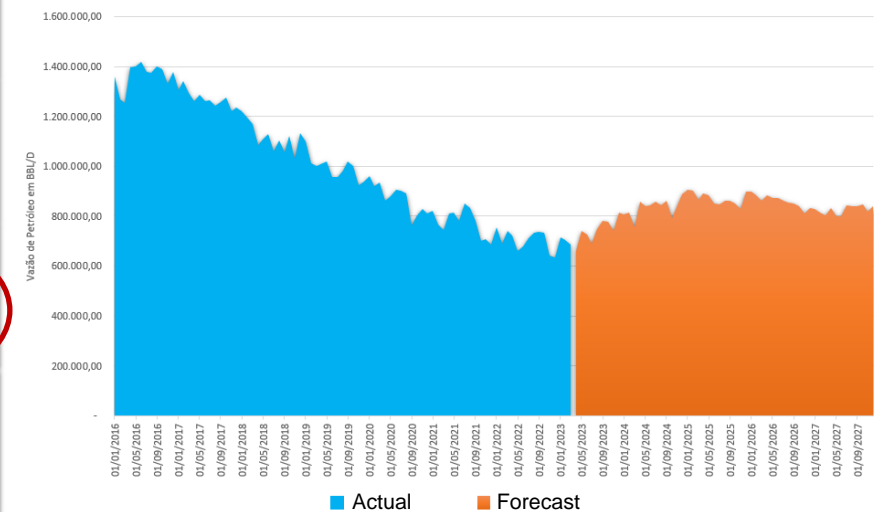
● Recovered so far ● RF forecast (1P) ● RF forecast (3P) ● FR previsto reservas 3P

Baúna – **113% of production growth** since farm-in (boe/d)

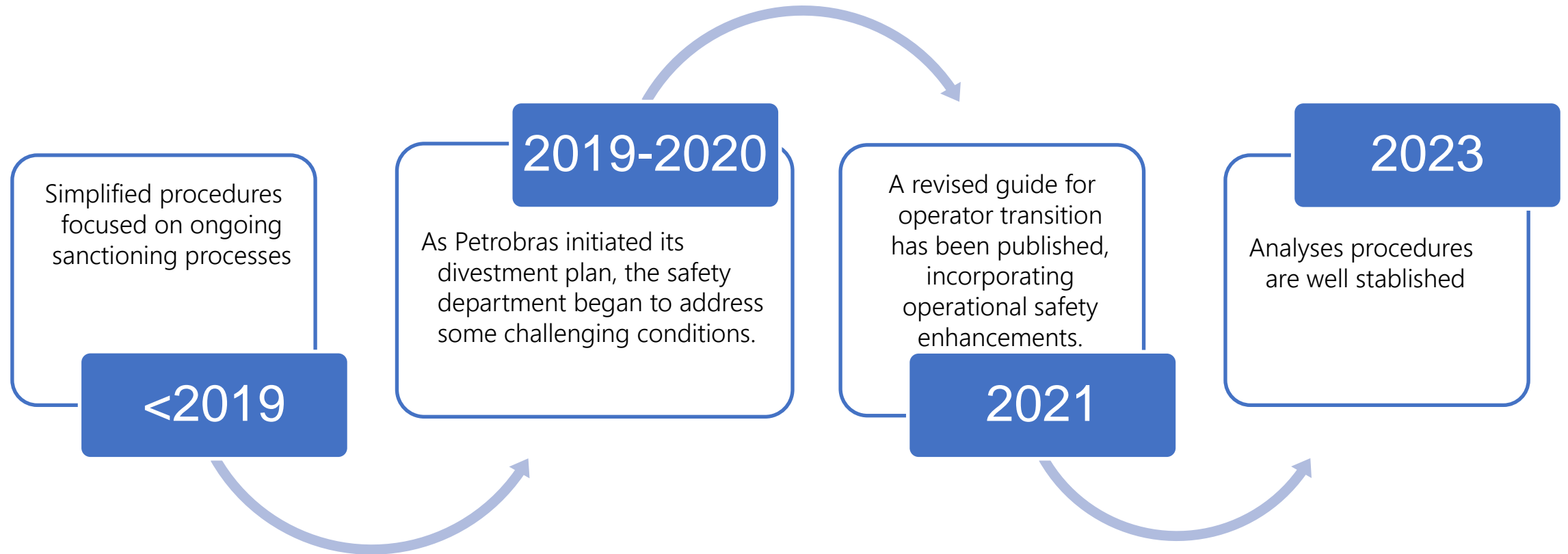


- 77 fields
- 32%
Production reduction from 2019 to 2023
- 15%
Production growth from 2023 to 2026
- 2,1
US\$ Billion invested in 2022

Offshore mature fields production



ANP had to improve safety oversight to operator transition



Recurring issues prompted enhancements



Handover

- Difficulties among contractual parties concerning data, information, and knowledge.
- New operators have raised concerns regarding limited document access and facility entry prior to the transition



Operational safety

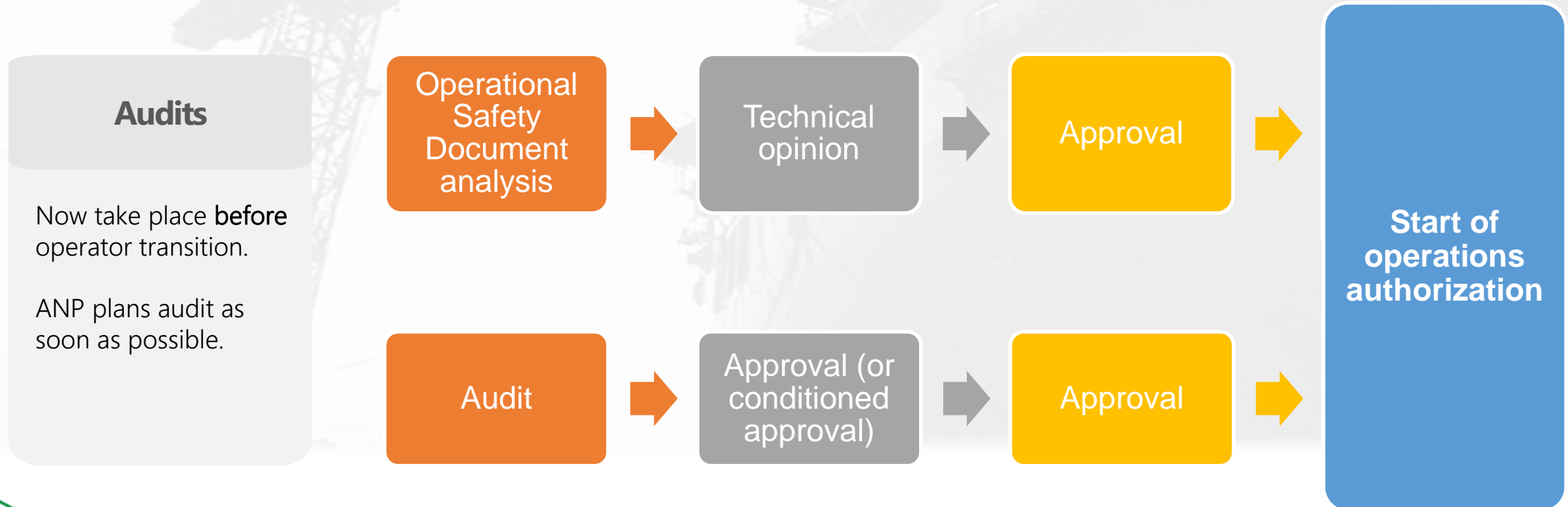
- New operators lack awareness regarding the integrity of wells and installations.
- Constraints regarding safety-critical spare parts.
- Limitations in understanding facility risk scenarios.



Decommissioning

- An extensive inventory of inactive wells and facilities to be addressed with decommissioning plans.
- Lack of risk based timelines for well abandonment.

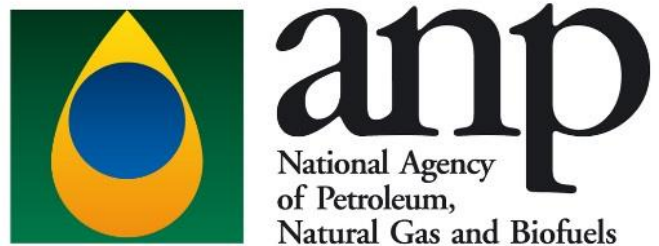
Current operational safety analysis flowchart



Final remarks

- Regulatory maturity with a track record of smooth rights transfers without operational disruption.
- Timely and balanced regulatory oversight and easy-to-navigate regulatory environment.
- Brazil has also a comprehensive and competitive market for goods, services, and infrastructure to support the growth of small and medium-sized Oil and Gas companies with safety and environmental protection.



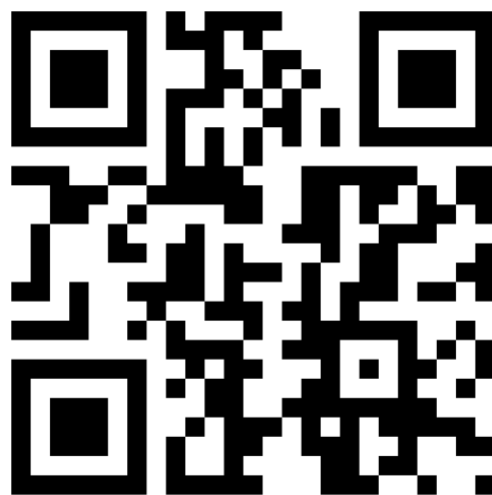


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Av. Rio Branco 65, 21st floor – Rio de
Janeiro – Brazil
Phone: +55 21 2112-8100



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