

Auction of Brazil's pre-salt oil fields earns \$807 million

June 7 2018, by Louis Genot



Brazil's Petrobras, whose Presidente Bernardes refinery in Cubatao, Sao Paulo, is pictured, has daily output of 2.8 million barrels of oil equivalent

Brazil raked in 3.15 billion reais (\$807 million) Friday in the first auction of deep sea, pre-salt oil fields since a crippling strike led to the resignation of state oil company Petrobras's CEO.

Three of the four blocks offered in the rich but hard-to-access reserves deep under salt layers in the Atlantic Ocean found buyers in the Rio de Janeiro sale.

The biggest, Uirapuru in Santos Bay, offshore from Sao Paulo, sold for 2.65 billion reais to a consortium of ExxonMobil and Norway's Statoil Brasil—each holding 28 percent—and Portugal's Petrogal with 14 percent.

Petrobras exercised its preferential right to take a 30 percent stake.

The auctions are won by the highest pledge of future production set aside for the Brazilian government.

In Uirapuru, the consortium will hand over 75.49 percent—almost three times the minimum that had been sought by the state.

Only the smallest block on offer, Itaimbezinho, failed to attract buyers.

The [auction](#) came in the wake of more upheaval for the troubled Petrobras, which is only just recovering from a mammoth corruption scandal.

A nationwide truckers' strike last month over high fuel prices brought the economy to a standstill and forced the government to intervene and lower fuel prices for 60 days.

The head of Petrobras, Pedro Parente, resigned on June 1 and was replaced on an interim basis by Ivan Monteiro. Parente's departure cast a shadow over the huge oil company's investor-friendly pricing autonomy.

'The price of bananas'

Decio Odonne, head of the National Oil Agency, which regulates the industry, sought to reassure markets, saying Thursday: the state "doesn't have any interventionist policy."

Brazil discovered its huge pre-salt reserves off the southeast of the country a decade ago, but only last year ended a rule that required Petrobras to hold at least a 30 percent stake in any operation and to be the sole operator.

Now Petrobras has the right to operate in consortiums, but not the obligation.

Last October, six of eight offshore blocks sold for about \$1.89 billion at current exchange rates.

However, the opening up of the Brazilian oil industry is not popular with the country's left wing, which is especially spooked by suggestions that Petrobras itself could eventually be privatized.

"They're selling our oil for the price of bananas," said Pedro Paulo, 67, who was demonstrating outside the Rio hotel where the auctions took place Thursday.

But Odonne said the auctions are putting Brazil on the big oil map and in line for major investment.

"The fact these auctions are taking place in today's climate is emblematic. We are in a quiet revolution and this movement will see Brazil become the biggest focus of offshore production in the world in the next years," Odonne said.

"Brazil has the potential for 2.5 billion reais (\$640 million) in investments over the next decade and we need the foreign companies,"

he said.

Pre-salt production accounts for just over 50 percent of the 2.8 million barrels of oil equivalent produced daily by Petrobras.

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