

EIC COUNTRY REPORT BRAZIL

Executive summary

Ranking among the world's top 10 economies with a total area equivalent to Europe, Brazil is a key player on the world stage, particularly in the energy sector, where, with a population exceeding 200 million, it's the third largest energy consumer in the Americas. The country has 12.6bn barrels of proven reserves and, thanks to growing output from offshore pre-salt fields, is now Latin America's top oil producer. Brazil's power mix is also one of the world's cleanest – about 70% of its electricity is produced from renewable sources.

Despite this privileged position, Brazil has experienced mixed fortunes in recent years. Following a period of rapid economic growth and various pre-salt discoveries, in 2015 the country was hit by an unprecedented recession which dampened investor confidence and seriously undermined the economic and social gains obtained at the beginning of the decade.

Fortunately, Brazil's perspectives are improving. The country's gross domestic product (GDP) is set to rebound in 2017, with a 0.7% growth. Inflation has been tamed and interest rates have been cut to 7%, greatly

reducing borrowing costs. Market-oriented reforms targeting local content and labour laws have been approved and other measures are being pushed through Congress in a bid to make the country more competitive.

The oil and gas sector is a vital element in this recovery process, accounting for approximately 10% of Brazil's GDP. Petrobras, the country's national oil company, has pledged to invest US\$74.1bn by 2021, with a strong focus on the development of pre-salt reserves. The company has earmarked US\$60.6bn for exploration and production (E&P) projects and expects its oil and gas output to increase from 2.62m barrels of oil equivalent per day (MMboe) in 2017 to 3.41MMboe/d in 2021. FPSOs are the production unit of choice for many Petrobras projects, and key tenders are underway.

The entrance of new E&P players to Brazil's oil-rich pre-salt province provides further proof of the country's recovery. Petrobras is no longer required to be the sole operator of pre-salt fields, which has cleared the way for international oil companies to acquire new assets in the country. Shell and Statoil are now key operators in the pre-salt area.

The power, nuclear and renewables (PNR) sector is also relevant for Brazil's growth and provides a wealth of opportunities. The country's latest 10-year Energy Plan estimates that 64GW of new capacity will be built by 2026, requiring an investment of US\$73bn. Renewables are a priority – new wind, solar, biomass and small hydro facilities correspond to 35GW of the government's forecast. The PNR sector is eagerly anticipating two power auctions scheduled for December 2017, which will feature 2,768 projects seeking power purchase agreements.

Doing business in Brazil still presents challenges, but the country's latest push towards a market-friendly environment for energy investors is an opportunity for suppliers worldwide. The UK supply chain is ideally suited to benefit from these business opportunities and contribute with their expertise.



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Other recommended EIC events and activities

To complement this report, we've suggested related EIC events and activities that will give you a complete picture of the Brazilian energy industry.

These will provide you with the latest market updates, connect you with key players in the country and give you an insight in how to do business in Brazil.

UK Energy in Brazil *20 March 2018, Rio de Janeiro*

The EIC has been invited by the Department for International Trade to lead a trade delegation to Brazil focused on offshore construction, maintenance and repair.

The delegation will be organised as part of the UK Energy in Brazil event, an initiative dedicated to promoting British expertise in the energy sector.

This is an incredible opportunity for your company to explore the market and make contact with key operators and contractors active in Brazil. The EIC will also moderate a workshop during this event.

For details on how to join the delegation please contact Clarisse Rocha, Head of Americas, at clarisse.rocha@the-eic

Rio Oil & Gas *24–27 September 2018, Rio de Janeiro*

South America's largest trade show for the energy industry, Rio Oil & Gas is the meeting place for the Brazilian supply chain. The event attracts operators, EPC contractors, subsea players, shipyards and major equipment manufacturers.

The EIC is proud to be organising and managing the UK pavilion at the exhibition, which is strategically placed next to Petrobras' stand, and located in one of the busiest halls.

British SMEs joining the UK pavilion can apply for TAP funding (conditions apply, consult us for details).

For more information and to book your place please visit: www.the-eic.com/Events

