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## Oil Reserves in Brazil

In 2007, the discovery of oil excited President Luiz Inacio Lula da Silva and the country of Brazil into believing that it would propel modernization. It was a multi-billion-barrel reserve off of Brazil's coast. The country intended on becoming a world power of oil. However, this excitement was quickly shot down. Energy planners of Brazil oversold wells and many turned out to be dry. Aside from this, foreign oil companies already had enough reasons not to invest. Hydraulic fracturing technology began to take over, contributing to the major decline in oil prices. Also, Petroleo Brasileiro SA Petrobras, Brazil's main oil company, had too many mandates and government interference to properly operate.

Petrobras is required to have a minimum stake of thirty percent in any new pre-salt field. On top of that, under a policy that controls inflation, it is forced to import and sell gasoline at prices below the market. These complications have cost the company so much money that it has been left in debt with stagnant production. Foreign partners were not only driven away by these difficulties, but by scandal among the company, which drove it into even more debt. Bribe contracts with Petrobras have been investigated, and ultimately led to the impeachment of President Dilma Rousseff. Many people tied to the scandal have already been arrested, including billionaires and politicians. Since 2014, when the scandal investigations began, Petrobras has had a decrease in market value by more than 100 billion. Its stock decreased nearly 80%, but is currently beginning to slowly pick up again (Gillespie).

The oil discoveries themselves had more complications beyond decreased oil prices and an economic decline under President Rousseff. The reserves were on no easy extraction site.

They are located about four miles under the ocean. After that depth is reached, drilling through a solid mile of salt is necessary before seeing any oil. This forced Petrobras to invest in necessary equipment and technology, leading the company into more debt. Through all of these hindrances, it became clear that oil was not going to serve Brazil well anytime soon. Petrobras, even had to sell some assets to Peru, Colombia, Africa, and the Gulf of Mexico in order to reduce their debt (Cunningham). After the chaos of a fallen economy and a presidential impeachment, Brazil's congress, under President Temer, finally voted on opening up the pre salt oil fields to foreign investors. Before this step of freedom, Petrobras was obligated to be the only operator on the pre salt fields. Although some clarification is needed of the rules governing field boundaries, local content requirement, and tax incentives, Brazil expects to offer new pre salt acreage by 2017 (Rhodes).

It seems to me that Brazil's oil strike was at an uncertain time. The world oil prices were decreasing and Brazil's economy was collapsing. Petrobras had to delay investment due to, already large, debts increasing from scandal. Today, as things clear up for Petrobras, they will be producing more barrels than the country needs, allowing them to export and generate income. Although oil is a huge money maker, I feel a though Brazil, as a developing country, should focus on the development of clean energy. I understand that there are complications here, but it is hard to watch a country develop in ways that resemble current countries that appear to be successful, but in reality are far from sustainable. With their ethanol lead, I think that Brazil should really try to take off with alternatives, as the world converts to new energy sources.

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