

Brazil Oil & Gas

New Frontiers – ANP 5th Round of Open Acreage Concessions

Equatorial Margin blocks received interest from Petrobras, Exxon, Chevron and CNPC

This Tuesday (17), the Brazilian oil & gas regulator (ANP) held the public bidding session for the 5th Cycle of Open Acreage Concessions. The auction raised a total of BRL989mn in signing bonuses – a positive contribution to the Government's fiscal results in 2025. The Foz do Amazonas basin in the Equatorial Margin received the most interest and concentrated the majority of the signing bonus (85% of the total). Among the bidding companies, the main highlight were the US majors, particularly Chevron with 35% of the signing bonuses. Petrobras committed BRL139mn (14% of the total) in signing bonus and acquired the greatest number of blocks in both the Foz do Amazonas and Pelotas basins, all of them in consortium with other international oil companies. Finally, we see the high level of interest in the exploratory frontier as positive for the sector. For PBR the capital commitment is not material and does not impact our FCFE and dividend estimates.

Bidding round highlights. A total of 34 exploration blocks received bids out of the 172 blocks offered in the Foz do Amazonas, Pelotas, Santos, Parecis, and Potiguar basins. The total signing bonus raised by the government was BRL989mn (c.USD180 mn) – which represents additional revenue for the federal government and comes in a good time considering the fiscal efforts. The basin that attracted the most interest (and signing bonuses) was the Foz do Amazonas basin (BRL844mn, 85% of the total), followed by Santos (BRL133mn, 14% of total) and Pelotas (BRL12mn, 1% of total). The value of the signing bonus was distributed among bid-winning companies: Chevron (35%), CNPC (23%), Petrobras (14%), Exxon (13%), and others.

Petrobras's participation. As one would expect, Petrobras was a key player in the bidding round. In total it won the greatest number of blocks (13), although it only ranked third in terms of capital commitment to signing bonuses (c.USD25mn) behind Chevron (c.USD64mn) and the Chinese CNPC. Petrobras bid in consortium with Exxon in Foz do Amazonas (ten blocks) and with Galp in the Pelotas Basin (three blocks) – which some investors will like to see as a seal of diligent capital allocation in light of potential conflicts of interest with the Government. In the same vein, the Petrobras/Exxon consortium lost several blocks to more aggressive competing bids by Chevron/CNPC – a silver lining to the fact that Petrobras missed out on assets they wished to have acquired. Finally, Petrobras's interest was entirely focused on deep and ultra-deepwater assets.

Regis Cardoso, CFA
Oil, Gas & Petrochemicals
regis.cardoso@xpi.com.br

João Pedro Rodrigues
Oil, Gas & Petrochemicals
joao.prodrigues@xpi.com.br

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Figure 01. Share of Signing Bonuses, by company

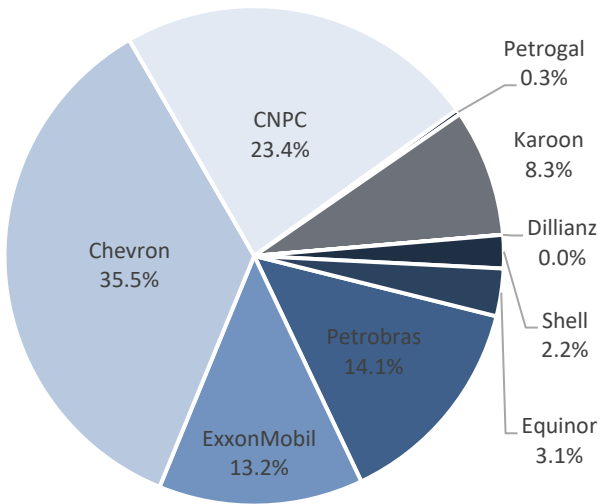
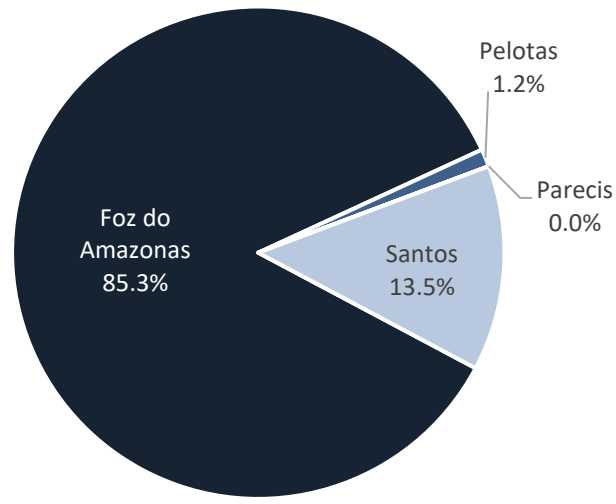


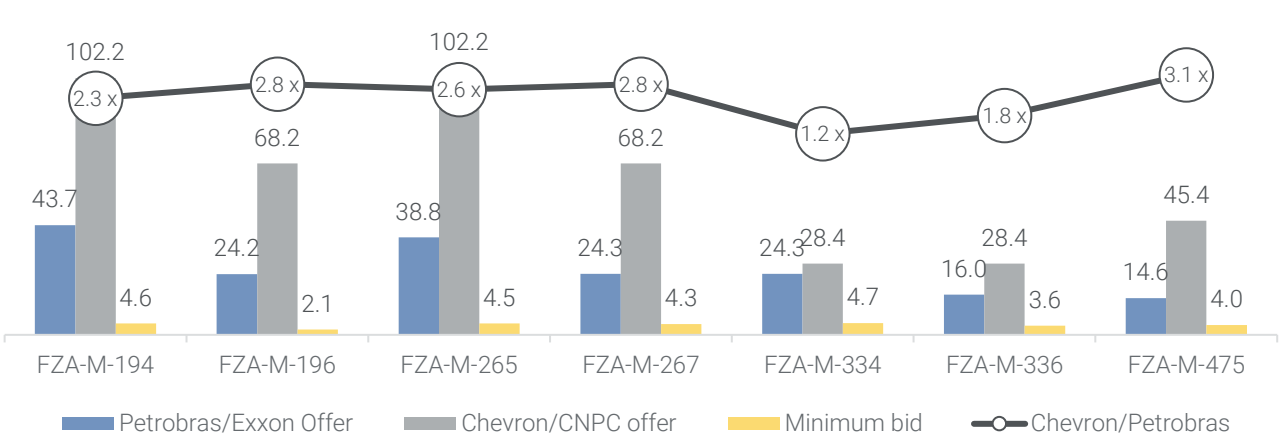
Figure 02. Share of Signing Bonuses, by basin



Foz do Amazonas reignites interest from US Majors. In our view, the main highlight of the bidding round was the participation of the US majors, Exxon and Chevron, with the companies going so far as to take operatorship. These two companies do not have a relevant share of their assets in Brazil and they have been largely absent in previous bidding rounds. This time around, however, they were the main players – particularly in the Foz do Amazonas basin. This is interesting because these companies operate upstream offshore assets in neighboring Guyana and Suriname, respectively. We view their participation as a strong indication of the exploratory potential in the basin, although one should weigh in that the signing bonuses for the exploratory blocks represented only moderate capital commitments. In our view, that is consistent with the licensing and exploratory risks, and infrastructure development required before any of these fields could eventually achieve any significant commercial production.

Foz do Amazonas: Fierce competition. Foz do Amazonas’ basin saw the most competition for exploration blocks. A couple blocks received more than one bid (blocks 194, 196, 265, 267, 334, 336 and 475) from competing consortiums. In all of them the Chevron/CNPC consortium won over Petrobras/ExxonMobil, sometimes offering more than 3x the signing bonus offered by Petrobras/ExxonMobil, as shown in Figure 03.

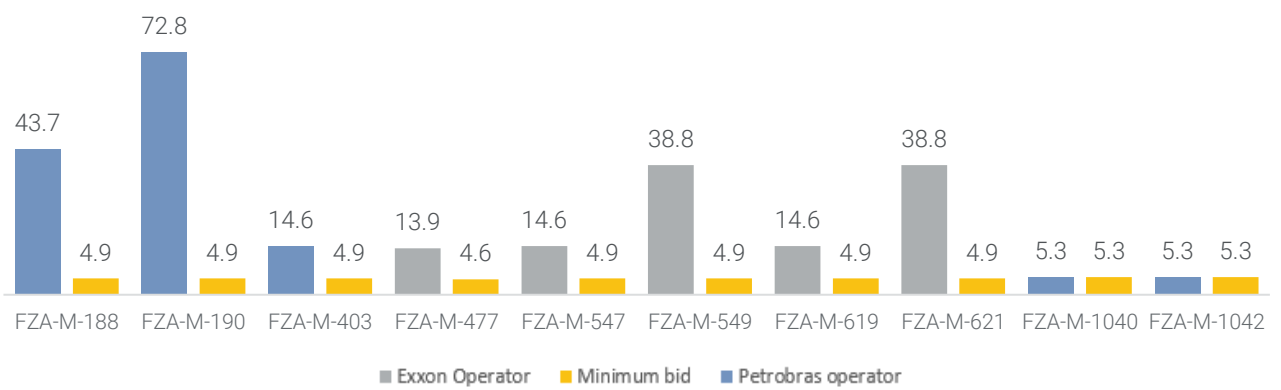
Figure 03. Chevron/CNPC consortium won competing bids for the same blocks (BRL million)



New Frontiers – ANP 5th Round of Open Acreage Concessions

Petrobras shares operatorship with Exxon. Despite losing some blocks to higher bids from Chevron/CNPC, the Petrobras/Exxon consortium still won ten blocks in the Foz do Amazonas basin. In all instances the economic interest was split 50%/50% between Petrobras and Exxon, but the two majors took turns when it came to operatorship with Petrobras operator of five fields, and Exxon operator of the remaining five. The ten blocks amounted to a signing bonus commitment by the consortium of BRL262mn.

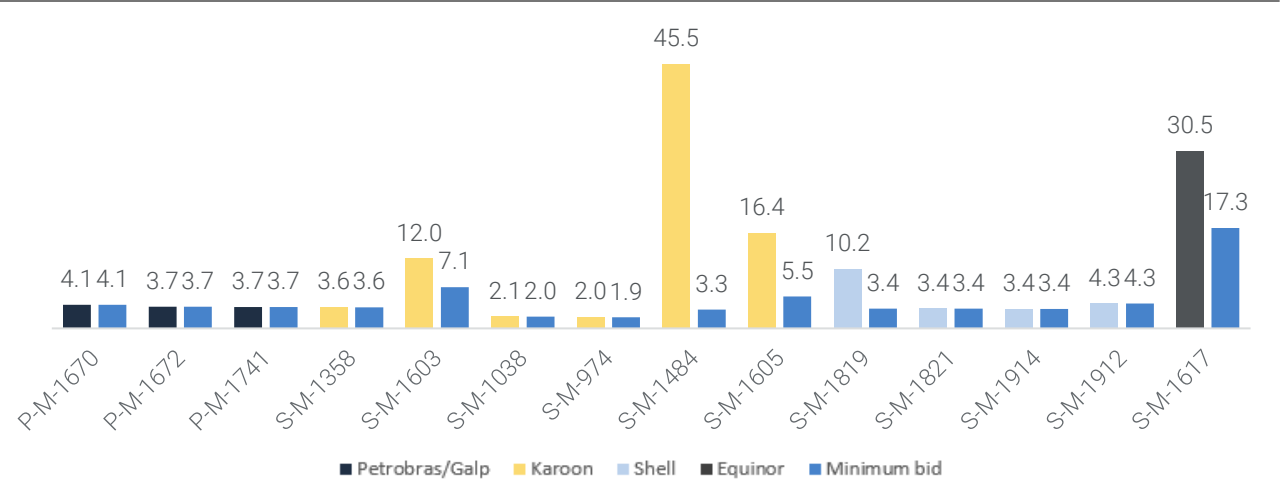
Figure 04. Foz do Amazonas blocks won by Petrobras/ExxonMobil consortium (BRL million)



Pelotas basin: PBR and Galp join forces. In the Pelotas basin Petrobras partnered with Petrogal Brasil (Galp) with Petrobras (70%, operator) clearly the more senior of the two parties in the consortium (Galp 30%). The Pelotas basin was previously cited by Petrobras’s CEO as one of the new exploration frontiers, but in this case there was no competition for the blocks and the consortium bid the minimum signing bonus.

Santos basin: Karoon, Shell and Equinor were present, PBR absent. The Santos basin is home to the most prolific pre-salt fields in Brasil. However, the areas offered in this bidding round are in the fringes outside of the pre-salt polygon (which requires using a different fiscal regime, the production sharing agreement or PSA). As such, there was no competing bids for the same block and no participants formed consortium (each bid individually with 100% stake). The independent Karoon was a major player, responsible for 61% of the signing bonuses received for the basin (BRL82mn), followed by Equinor with 23% (BRL31mn) and Shell with 16% (BRL21mn).

Figure 05. Pelotas (P-M) and Santos (S-M) basins signing bonuses (BRL million)



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Figure 06. Summary of ANP 5th Round of Open Acreage Concessions results

Basin	Sector	Block	Depth	Consortium/Company	Signing Bonus (BRLmn)	Premium (%)	PEM (BRLmn)
Foz Amazonas	SFZA-AP2	FZA-M-188	DW / UDW	Petrobras (50%); ExxonMobil (50%)	43.7	800%	54
Foz Amazonas	SFZA-AP2	FZA-M-190	DW / UDW	Petrobras (50%); ExxonMobil (50%)	72.8	1400%	54
Foz Amazonas	SFZA-AP2	FZA-M-194	DW / UDW	Chevron (65%); CNPC (35%)	102.2	2008%	56
				Petrobras (50%); ExxonMobil (50%)	43.7	857%	
Foz Amazonas	SFZA-AP2	FZA-M-196	DW / UDW	Chevron (65%); CNPC (35%)	68.2	2998%	25
				Petrobras (50%); ExxonMobil (50%)	24.2	1064%	
Foz Amazonas	SFZA-AP2	FZA-M-265	DW / UDW	Chevron (65%); CNPC (35%)	102.2	2008%	56
				Petrobras (50%); ExxonMobil (50%)	38.8	762%	
Foz Amazonas	SFZA-AP2	FZA-M-267	DW / UDW	Chevron (65%); CNPC (35%)	68.2	1305%	56
				Petrobras (50%); ExxonMobil (50%)	24.3	464%	
Foz Amazonas	SFZA-AP2	FZA-M-334	DW / UDW	Chevron (65%); CNPC (35%)	28.4	486%	55
				Petrobras (50%); ExxonMobil (50%)	24.3	415%	
Foz Amazonas	SFZA-AP2	FZA-M-336	DW / UDW	Chevron (65%); CNPC (35%)	28.4	608%	46
				Petrobras (50%); ExxonMobil (50%)	16.0	344%	
Foz Amazonas	SFZA-AP2	FZA-M-403	DW / UDW	Petrobras (50%); ExxonMobil (50%)	14.6	200%	57
Foz Amazonas	SFZA-AP3	FZA-M-405	DW / UDW	Chevron (50%); CNPC (50%)	79.5	1540%	56
Foz Amazonas	SFZA-AP3	FZA-M-473	DW / UDW	Chevron (50%); CNPC (50%)	59.6	1130%	55
Foz Amazonas	SFZA-AP3	FZA-M-475	DW / UDW	Chevron (50%); CNPC (50%)	45.4	837%	55
				Petrobras (50%); ExxonMobil (50%)	14.6	268%	
Foz Amazonas	SFZA-AP3	FZA-M-477	DW / UDW	Petrobras (50%); ExxonMobil (50%)	13.9	200%	53
Foz Amazonas	SFZA-AP3	FZA-M-547	DW / UDW	Petrobras (50%); ExxonMobil (50%)	14.6	200%	55
Foz Amazonas	SFZA-AP3	FZA-M-549	DW / UDW	Petrobras (50%); ExxonMobil (50%)	38.8	700%	55
Foz Amazonas	SFZA-AP3	FZA-M-619	DW / UDW	Petrobras (50%); ExxonMobil (50%)	14.6	200%	55
Foz Amazonas	SFZA-AP3	FZA-M-621	DW / UDW	Petrobras (50%); ExxonMobil (50%)	38.8	700%	56
Foz Amazonas	SFZA-AP4	FZA-M-1040	DW / UDW	Petrobras (50%); ExxonMobil (50%)	5.3	0%	54
Foz Amazonas	SFZA-AP4	FZA-M-1042	DW / UDW	Petrobras (50%); ExxonMobil (50%)	5.3	0%	56
Pelotas	SP-AUP3	P-M-1670	DW / UDW	Petrobras (70%); Petrogal (30%)	4.1	0%	28
Pelotas	SP-AUP3	P-M-1672	DW / UDW	Petrobras (70%); Petrogal (30%)	3.7	0%	28
Pelotas	SP-AUP3	P-M-1741	DW / UDW	Petrobras (70%); Petrogal (30%)	3.7	0%	28

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Figure 07. Summary of ANP 5th Round of Open Acreage Concessions results

Basin	Sector	Block	Depth	Consortium/Company	Signing Bonus (BRLmn)	Premium (%)	PEM (BRLmn)
Santos	SS-AP4	S-M-1358	DW / UDW	Karoon	3.6	0%	17
Santos	SS-AP4	S-M-1603	DW / UDW	Karoon	12.0	70%	28
Santos	SS-AP4	S-M-1912	DW / UDW	Shell	4.3	0%	28
Santos	SS-AR3	S-M-1038	SH	Karoon	2.1	1%	7
Santos	SS-AR3	S-M-974	SH	Karoon	2.0	3%	7
Santos	SS-AUP4	S-M-1484	DW / UDW	Karoon	45.5	1300%	23
Santos	SS-AUP4	S-M-1605	DW / UDW	Karoon	16.4	200%	28
Santos	SS-AUP4	S-M-1819	DW / UDW	Shell	10.2	200%	42
Santos	SS-AUP4	S-M-1821	DW / UDW	Shell	3.4	1%	28
Santos	SS-AUP4	S-M-1914	DW / UDW	Shell	3.4	0%	28
Santos	SS-AUP5	S-M-1617	DW / UDW	Equinor	30.5	76%	113
Parecis	SPRC-L	PRC-T-121	Lans	Dillianz	0.1	10%	12

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