

Brazil Not Losing Sleep Over Oil Prices

Contributed by Daniel Lima
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According to Brazil's Minister of Finance, Antonio Palocci, Brazil has to face rising petroleum prices calmly. Palocci says that there are good reasons for Brazil to see rising oil prices with a low level of concern.

He points out that since the last petroleum shock the country has made a series of adjustments. While alternative energy sources have been developed, domestic oil production has risen and there is less dependence on imported oil, he declared.

"With regard to our foreign accounts, the situation is positive and favorable. We are in a stronger position. We have room to maneuver," said the minister.

Palocci also added that there has been economic growth in Brazil for the last 18 months and rising industrial production for six consecutive months.

Self Sufficiency

Petrobras has announced that it will soon place two new oil rigs into operation, increasing production by 15%.

The first rig, the P-34, is already on its way to the Campos Basin oil field where it will be installed 182 kilometers off the coast of the state of Rio de Janeiro.

The ocean depth at that point is 800 meters. The rig will begin operating in November and should reach production capacity of 150,000 barrels per day by mid 2005.

The second rig, the P-48, is now in the final stages of construction at the Brasfeld shipyard in Angra dos Reis, state of Rio de Janeiro.

It also has a production capacity of 150,000 barrels per day and will begin operation in January.

The two new rigs will mean that Brazil should be self-sufficient in petroleum in 2005. Petrobras says it intends to raise production by 5.9% annually between now and the year 2010.

Gas

Recent gas discoveries by Petrobras, chiefly in the Santos Basin and Bahia, may enable a change in the Brazilian energy base. Petrobras is betting that, by 2010, natural gas will account for 10% of energy consumption in Brazil.

The discovery in the Santos Basin occurred in April. The reserves, on the order of 70 billion cubic meters, more or less 440 million barrels of oil equivalent, represent the largest discovery ever made in Brazil's continental platform and increase the country's proven reserves of natural gas, which currently amount to 231 billion cubic meters, by around 30%.

"This discovery, without any doubt, will facilitate the negotiations in which Brazil is engaged with Bolivia to reduce the cost of natural gas and extend the time periods for transferring the Bolivian product to Brazilian markets." This assertion was made by Petrobras's director of Gas and Energy, Ildo Sauer.

Sauer also recalled that by mixing Brazilian and Bolivian gas, it will be possible to lower prices from current levels.

This will create new opportunities for investments in infrastructure and gas distribution, not only in co-generation projects, but in the substitution of vehicle gas for diesel fuel in passenger transport.

In industry, gas can replace not only diesel fuel, but also GLP, gasoline, and fuel oil.

"Clearly, the discoveries alter the scenario. Neither Brazil nor Petrobras needs gas from Bolivia to develop the market for gas.

However, both Brazil and Petrobras are interested in Bolivian gas, since it can be a factor for the development of Brazil and Bolivia, provided that an agreement is reached that balances the two countries' mutual interests.

It is this spirit of Latin American regional integration that is being sought," the director affirmed.

Brazil currently consumes approximately 20 million cubic meters of gas daily, of which around 13 million cubic meters come from Bolivia and another 12 million from the Campos and Santos Basins and the Brazilian Northeast.

Agência Brasil
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