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PRINT
Walprint Gráfica

DISTRIBUTION
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The articles are the responsibility of the authors, not necessarily representing the opinion of the editors. T&B Petroleum is directed to engineers, geologists, technicians, researchers and buyers in the oil industry.

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Rev up the motors

After a year in critical condition as a result of the global financial crisis that started at the end of 2008, Brazil has already had unmistakable signs of economic resuscitation, after closing 2009 with only a fall of 0.2% in GDP.

True that a fall in GDP is bad for any country. But the fact is that Brazil had the best reaction to the crisis, better than most of the western countries due to a better performance than the economies in the northern hemisphere, where falls of more than 2% in GDP occurred (10 times higher than in Brazil). Brazil stayed in 6th place in the results for the G20, behind China, India, Indonesia, Australia and South Korea.

One indicator demonstrating the acceleration of the Brazilian economy is a 2% growth in GDP in the last quarter of 2009 – meaning a high of 8.4% in annualized terms, which explains the optimistic forecast from economists and analysts from several international economic and financial institutions of growth from 4.5% to 7% this year.

Betting on these figures in none other than Goldman Sachs, which has announced it should revise the growth outlook for the Brazilian economy for 2010 – from the current rate of 5.8% to 6.4%. The Minister of Finance, Guido Mantega, has reiterated that the economy is recuperating and the country has the capacity to expand significantly in 2010, reaching growth of 8%.

There will be no lack of fuel for growth. The Brazilian oil and gas industry, even during the crisis in 2009, had a high demand for both foreign and domestic goods and services to leverage its exploration and production activities – which have had good results in terms of discoveries and increasing production.

The performance of Petrobras and the newest Brazilian oil company,

OGX, in 2009 assured Brazil of its spotlighted position in the world ranking of PFC Energy. Petrobras is the fourth largest listed energy company in the world, behind PetroChina, Exxon and BHP Billiton. Petrobras shares increased 103%, while OGX, appearing for the first time, is in 33rd place with an increased value of 336%, pulled up by several discoveries made in the 2nd semester of 2009.

The accelerated expansion of the Brazilian oil industry is only being refrained by the Congressional discussion of a new regulatory framework for the pre-salt oil, causing conflicts of interest due to the sharing of royalties between states and the federal government.

But not even this discussion will stop the industry. Today, Petrobras alone produces almost 2.5m barrels/day and is projected to reach 5.3m barrels/day by 2020 due to the pre-salt oil – representing a growth of 7.5% per year. Therefore, the company has increased its investments. This year's budget is R\$ 88.5bn (almost US\$ 50bn), of which 42% will go to exploration and production (E&P) and 38% to refinery. Of the R\$ 250bn (around US\$ 140bn) budgeted for the 2011-2014 period, R\$ 153.6bn (almost US\$85bn) will be directed to E&P, while refinery will take up R\$ 79bn (almost US\$ 44bn). For the 2010-2014 period, total Petrobras investments will be US\$ 190 bn – nothing less than US\$ 15bn more than the last company Business Plan.

Founded a little less than three years ago, OGX, which has not extracted their own oil yet, guarantees it will start production in the first semester of next year – yet another indication that the industry is full steam ahead.

So rev up your motors, we are now only waiting for the starting gun for the next bid round!

Benício Biz
Executive Director