CHINA’S INTEREST IN BRAZIL’S OIL

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CHINA: BACKGROUND

- "Go Out" policy
- FDI increases (SOEs)
- Motivations
  - Rapid economic growth
  - Growing thirst for oil

China’s Annual FDI Outflows: 2000-2013 ($ billions)

Source: Data for 2000-2012 are estimates made by the United Nations. Data for 2013 are from the Chinese Ministry of Commerce and exclude financial FDI outflows.
CHINA’S ENERGY STRATEGY

- Rising domestic demand
- Resource oriented investments
- Oil backed loans

China Oil & Gas Investments by Value: 2005-2012 ($ billions)

Source: Bloomberg, FDI Markets, Deloitte Research
CHINA’S RELATIONSHIP WITH BRAZIL: BACKGROUND

- Reestablished diplomatic relations in 1974
- Intensified political and economic ties over the past decade
- Economic synergies across several sectors
CHINA’S DRAW TOWARDS BRAZIL

Clear Complementarities
- Chinese fossil fuel deficit is expected to increase
- Brazil requires capital and infrastructure to grow

Conduit of technology transfer
- China lacks deepwater technology
- Brazil wants to expand renewables energy profile
CHINA’S STRATEGY IN BRAZILS OIL SECTOR

- Upstream vs. downstream investment
- Pre-sal Consortium
- Meets demands of growing middle class
FUTURE DEVELOPMENTS

- Growing energy demands

- Potential for increased role within Brazilian energy sector

- Structural Reform Agenda driving investment strategy
  - New Urbanization Plan (2014)
  - No. 1 Central Document
## Table 1 • Overview of Chinese investments and co-operation in the Brazilian oil and gas sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese partner</th>
<th>Local partner</th>
<th>Value of deal (USD million)</th>
<th>Status</th>
<th>Means of market entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2008</td>
<td>Sinopec Corporation</td>
<td>Petrobras (Gasene pipeline)</td>
<td>1 290</td>
<td>Completed</td>
<td>Contract</td>
</tr>
<tr>
<td>2008</td>
<td>Sinopec Corporation</td>
<td>Petrobras</td>
<td>n/a</td>
<td>Confirmed</td>
<td>Strategic partnership (MoU)</td>
</tr>
<tr>
<td>2010</td>
<td>Sinopec Corporation</td>
<td>Repsol Brasil</td>
<td>7 111</td>
<td>Completed</td>
<td>JV (60/40)</td>
</tr>
<tr>
<td>2010</td>
<td>Sinochem Group</td>
<td>Statoil ASA (Peregrino oilfield)</td>
<td>3 070</td>
<td>Completed</td>
<td>Partial acquisition (40%)</td>
</tr>
<tr>
<td>2010</td>
<td>Sinopec Corporation</td>
<td>Petrobras (blocks BM-PAMA-3 and -8)</td>
<td>undisclosed</td>
<td>Completed</td>
<td>Farm-in agreement</td>
</tr>
<tr>
<td>2011</td>
<td>Sinochem Group</td>
<td>Petrobras</td>
<td>n/a</td>
<td>Confirmed</td>
<td>Strategic partnership (MoU)</td>
</tr>
<tr>
<td>2011</td>
<td>Sinopec Corporation</td>
<td>Petrogal Brasil</td>
<td>4 800</td>
<td>Confirmed</td>
<td>Partial acquisition (30%)</td>
</tr>
<tr>
<td>2011</td>
<td>CNPC (Baoji Oilfield Machinery Company)</td>
<td>Brasil China Petroleo and Asperbras</td>
<td>25</td>
<td>Confirmed</td>
<td>JV (34% CNPC stake)</td>
</tr>
<tr>
<td>2012</td>
<td>Sinochem Group</td>
<td>Perenco (five blocks in Espirito Santo basin)</td>
<td>undisclosed</td>
<td>Confirmed</td>
<td>Minority stake purchase (10%)</td>
</tr>
</tbody>
</table>

**TOTAL:** 16 296

Note: CNPC = China National Petroleum Corporation; MoU = Memorandum of Understanding.  
Source: compiled by the IEA from news coverage and annual reports.
**APPENDIX**

**Single bid**
Consortium won with the minimum bid set in the auction's rules

- **Who will develop Libra**
  - 10% CNPC
  - 10% Crooc
  - 20% Total
  - 20% Shell

**41.65% of the oil profit for the Union was the winning bid**

**R$100 billion will be necessary to develop the area**

**R$300 billion in royalties will be generated by Libra**

**8 to 12 billion barrels is the estimated volume of recoverable oil**

**1.4 million barrels/day is the peak production estimated in 10 to 15 years**

*AMP forecast*