



THE DAWN OF A NEW GAS ACT IN BRAZIL: INTERNATIONAL INSPIRATIONS ON GAS TRANSMISSION AND STORAGE

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Background

- Law 11909/2009, the “Gas Act”, issued in 2009 as a promise to boost the gas industry
- Optimistic predictions not confirmed
- Shift in the Brazilian Gas Market: withdrawal of Petrobras from transportation
- Technical Committee for the Development of the Natural Gas Industry (CT-GN) created: **NEW GAS ACT DRAFT**

Objective

- Researching and describing international regulatory frameworks and experiences that inspired the **NEW GAS ACT DRAFT**

Methods

- European Union, France, Italy, Spain, the United States of America (USA), Canada, Argentina and Mexico
- Compared to the NEW GAS ACT DRAFT
- Transmission and Storage

Natural Gas Legal Framework Evolution in Brazil

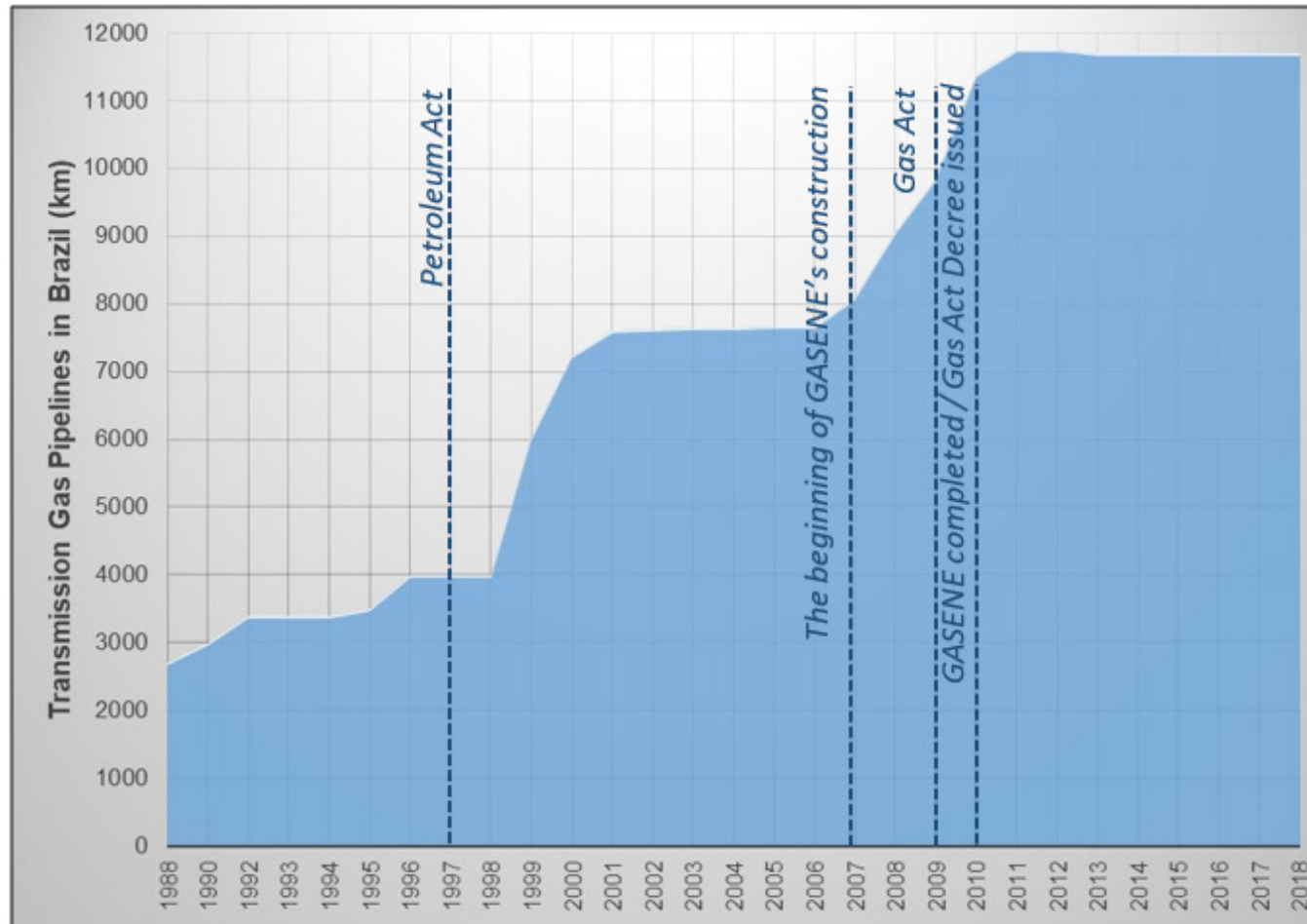


Figure 2. Evolution of the gas transmission infrastructure in Brazil (Data from ANP).

The 2017-2018 New Gas Act Proposal

- Debates carried on in two steps:
 - ✓ Technical Committee (CT-GN): and involved several players and public bodies, coordinated by the MME
 - ✓ Brazilian National Congress, and presented as Gas Act Proposal (PL) n^o 6407/2013 (or Gas Act Draft).

The 2017-2018 New Gas Act Proposal - TRANSMISSION

- Entry-Exit capacity contract / booking
- Authorization regime
- Unbundling strengthened

The 2017-2018 New Gas Act Proposal - STORAGE

- CT-GN: Concession (possible to choose production or storage)
- National Congress: Authorization
- Access to facilities

International Regulations on Transmission and Storage

United States of America (Federal)

- Federal Energy Regulatory Commission – interstates services;
- Authorization
- Open Access
- Unbundling

Canada

- National Energy Board (NEB) regulates interprovincial pipelines
- Different regulatory requirements according to the length and complexity of the pipeline
- Underground natural gas storage regulated by provinces.

Mexico

- Transportation, storage, distribution, compression, liquefaction, regasification and commercialization of hydrocarbons -> permissions -> Energy Regulatory Commission (*Comisión Reguladora de Energía – CRE*).
- The CRE Resolution RES/900/2015: non-discriminatory TPA to transportation and storage.

Argentina

- *Ente Nacional Regulador del Gas* (ENARGAS) authorizes gas pipelines
- ENARGAS approves tariffs for transmission
- Regarding storage, ENARGAS regulates only safety

European Union (UE): Directive 2009/73/EC

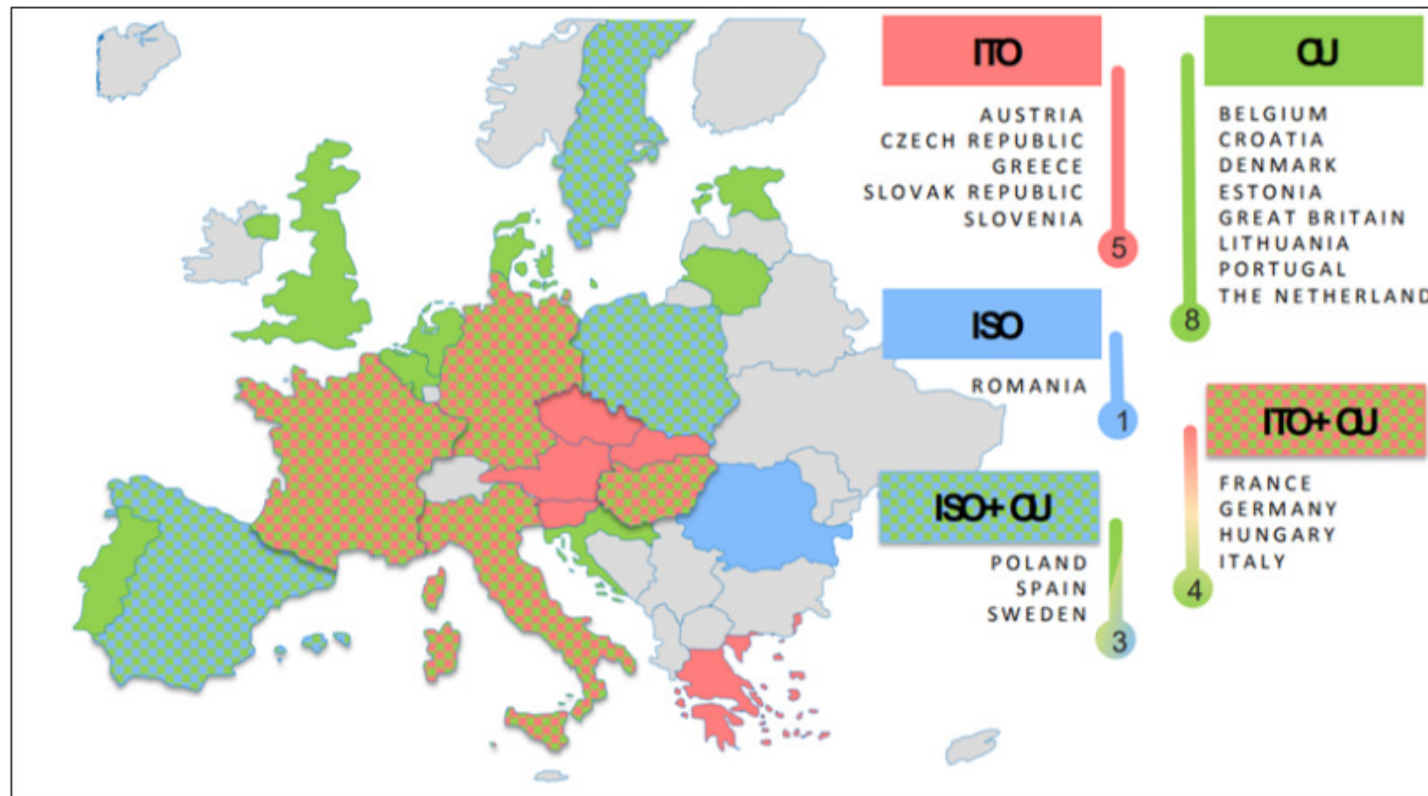


Figure 3. Unbundling models in the European Union. Map from CEER (2016).

European Union (UE): Directive 2009/73/EC

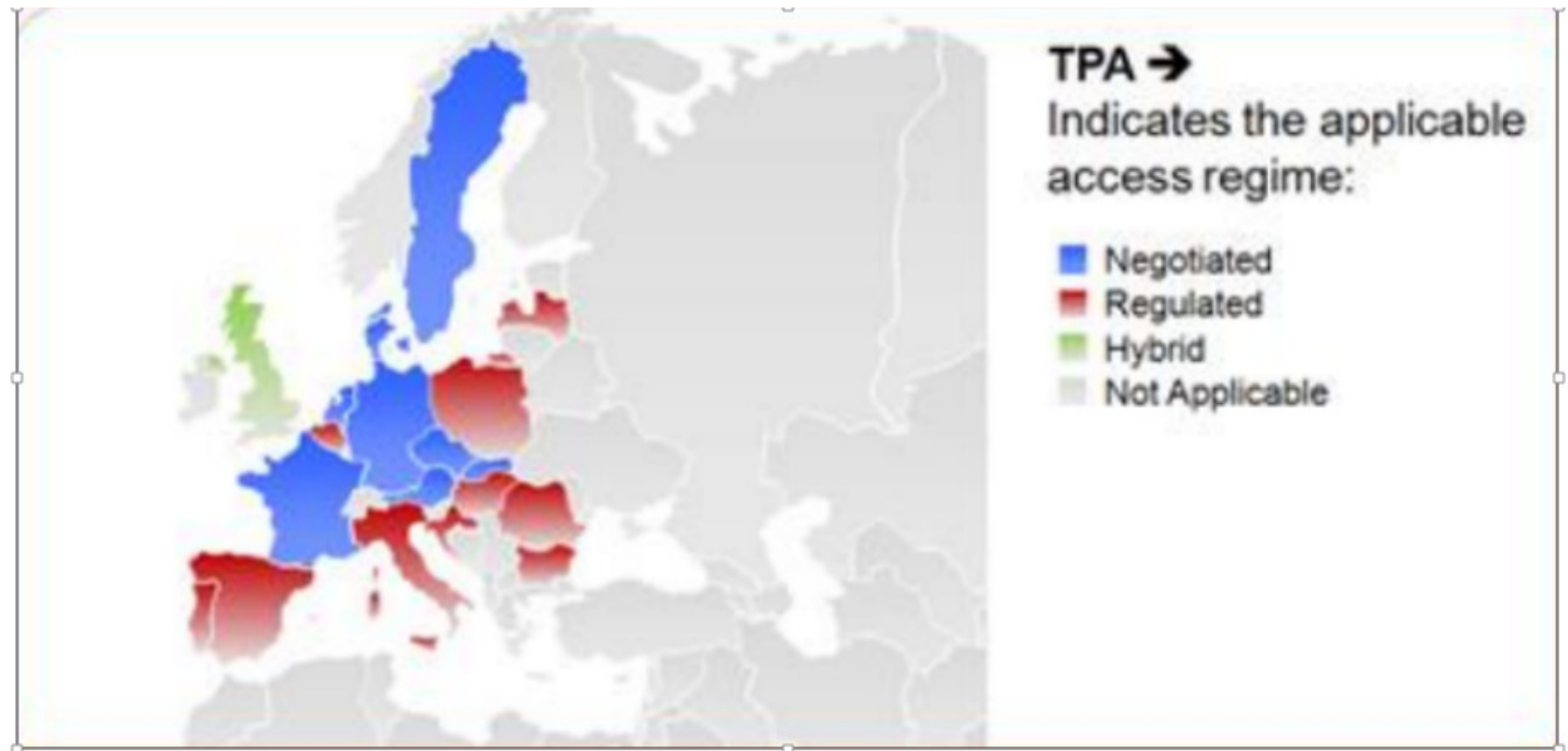


Figure 4. Regulated and Negotiated TPA to storage facilities. Map from UNECE (2013)

France

- Concession for storage ; Authorization for transmission
- Entry-Exit for Transmission; Negotiated Access for storage

Italy

- Concession for storage ; Authorization for transmission
- Entry-Exit for Transmission; Regulated Access for storage

Spain

- Concession for storage ; Authorization for transmission
- Entry-Exit for Transmission; Regulated Access for storage
- “Exploration concession” allows the extraction of hydrocarbons from the geological formation or its use as underground storage

Results and Discussions: Brazilian Proposal - Similarities

- Authorization for transmission (USA, Canada, Argentina, France, Italy, Spain)
- Authorization for storage(*): (USA)

(*) Concession (similar to Spain) predicted only in the CT-GN

- Entry-Exit System for transmission: (EU)
- TPA reinforcement (EU, USA, Canada)

Results and Discussions: Brazilian Proposal - Differences

- No unbundling required for storage (differently from Mexico)
- Transmission is not public service (differently from Argentina)
- No different regulatory burdens (differently from Canada)
- TPA for all types of storage (only exemption is period of exclusive use): (differently from the EU)

Conclusions: Brazilian Proposal

- The Proposal is an advance, compared to Law 11909: highlighted by the comparison with international rules
- Storage: elimination of legal barriers and activity more clearly defined
- Challenge: harmonization of federal and state rules for gas industry

Final Consideration

- Information updated to: June, 2018
- Approval will depend on the results of the 2018 Brazilian elections



Thank you!

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