



**BRAZIL – DEVELOPING GAS REGULATION,
SUPPLY AND DEMAND**

Session:

**DEVELOPING GAS MARKETS IN THE BROADER REGIONAL CONTEXT
Case Studies on Asia and South America**

“23rd WORLD GAS CONFERENCE”

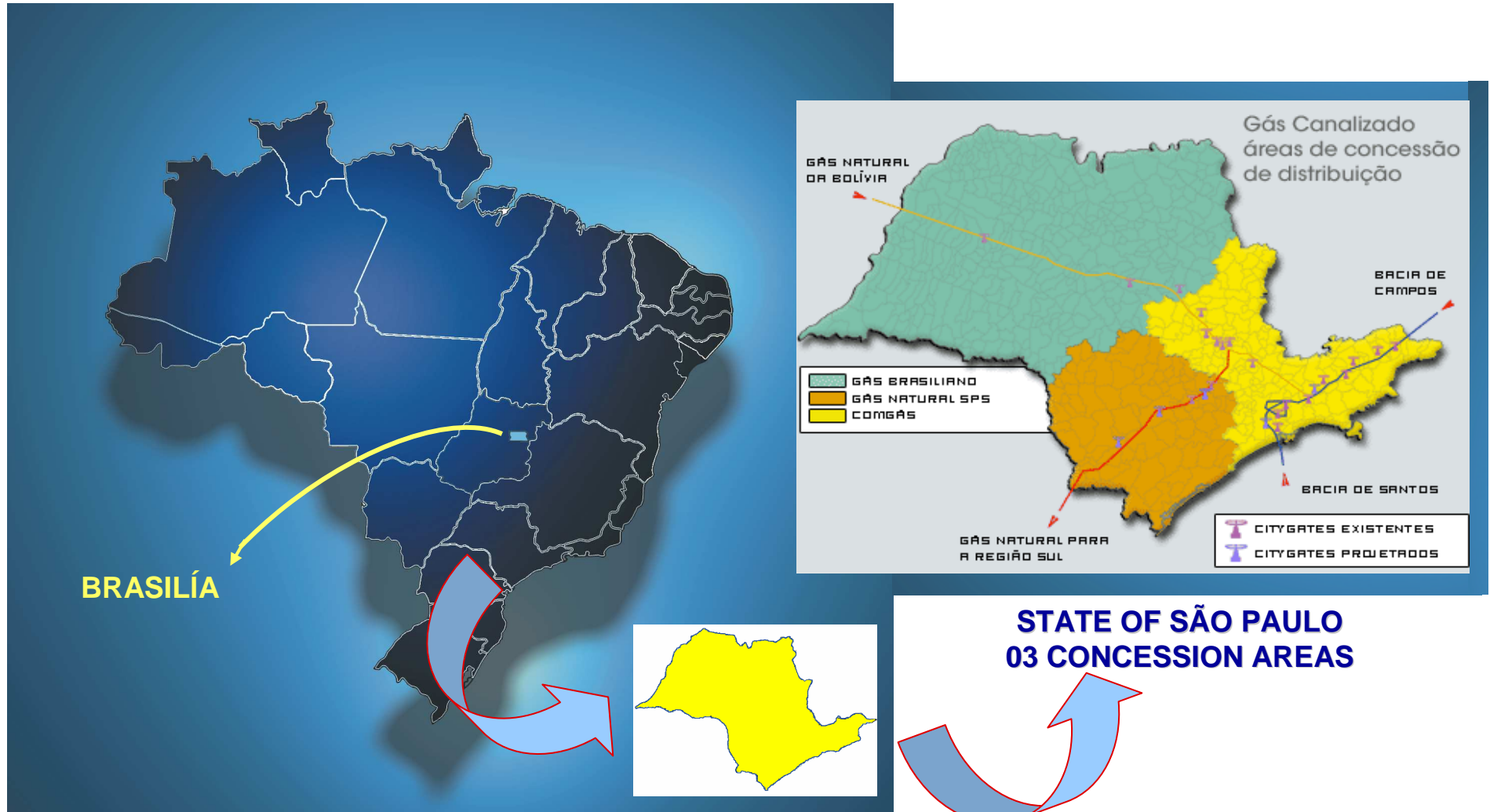
07 DE JUNHO DE 2006



**ZEVI KANN
CHIEF COMMISSIONER OF CSPE**



BRAZIL X STATE OF SÃO PAULO



BRASIL

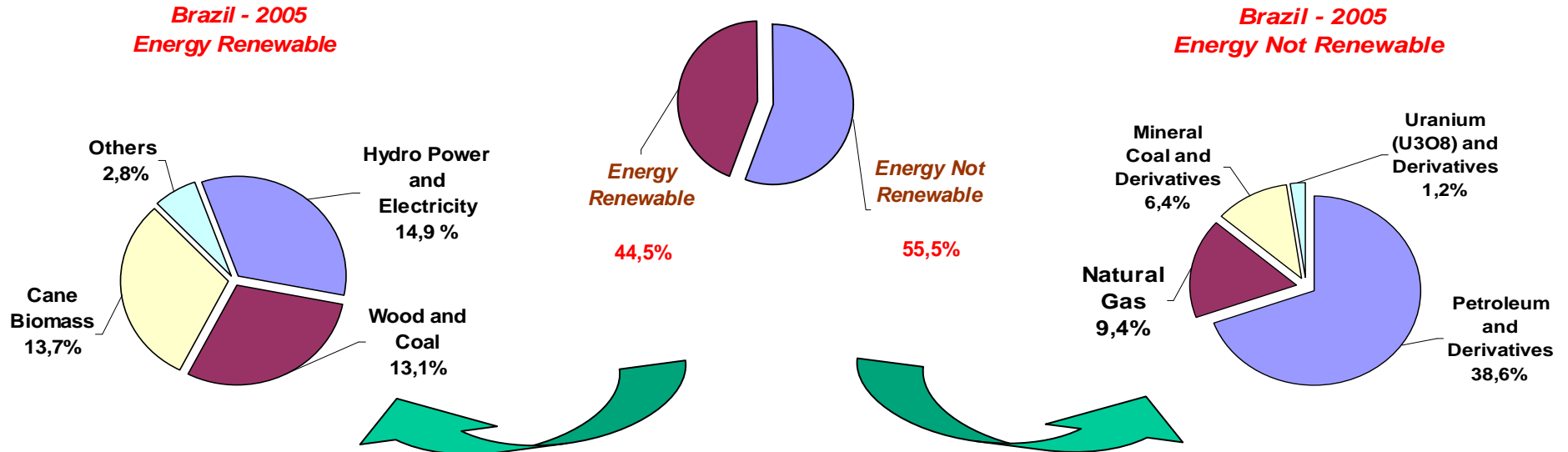
Regulatory Authority for Gas Distribution and Electricity - State of São Paulo

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NATURAL GAS – SUPPLY AND DEMAND



Brazil Supply of Energy 2005



Natural Gas Demand – Types of Uses (10³ x m³/day) - December/2005

	Total	Industrial	Automotive	Residential	Commercial	Co-Generation	Power Generation	Others
Brazil	44.365,9	22.873,6	5.895,3	632,0	568,7	1.965,4	12.265,6	165,3
São Paulo State	13.258,3	10.458,6	1.355,9	310,6	284,2	576,0	233,0	40,0

COMMENTS – CASE STUDY – BRAZIL



Conclusion – Case Study Report

1 – Regulation:

- *Specific gas law and of related regulation.*
- *Restructuring the power generation sector.*

Comments:

- ✓ Brazil has suitable regulation for E&P.
- ✓ 3 different gas law proposals are currently in discussion at the Congress , probably will be defined new rules for gas transportation and open access, which would allow more trusted rules for the investors with positive reflex in the whole gas chain.
- ✓ The current rules on gas utilization for power generation had recent development by establishing competition with other thermal alternatives. It is really hard to have a country model based on about 85% depending on hydro electricity sources, rain precipitation and reservoir storage.
- ✓ State Regulations – LDC's demands for increasing regulation and improvement of concession contracts in order to prompt the development of distribution, with clear targets and investment.
- ✓ São Paulo State has demonstrated a great development and expansion in consequence of reliable regulatory rules and privatization of gas distribution concessions.
- ✓ ABAR Efforts – Brazilian Association of Regulatory Agencies is publicizing good regulatory practices and training regulatory agents, looking for harmonizing Federal and State regulations.

COMMENTS – CASE STUDY – BRAZIL



Conclusion – Case Study Report

2 – Brazil, the largest economy of South America:

- *Hydroelectricity is constraining the development of gas-fired power plants.*
- *Oil products are priced competitively for user by the industrial, commercial and residential.*
- *Petrobras paid more attention to “oil” activities rather than to “gas”.*

Comments:

- ✓ The gas utilization in Brazil is very limited, with focus mainly on industries and vehicles.
- ✓ The gas use for electricity production must have an economical basis and contribute to the system reliability, considering that hydroelectric power generation is a justified priority.
- ✓ Gas and oil products need a framework of pricing rules, allowing competition and prices adjustments in a predictable environment.
- ✓ Petrobras is currently redirecting its efforts to the development of gas sector.

COMMENTS – CASE STUDY – BRAZIL



Conclusion – Case Study Report

3 - Supply and Demand:

- *Supply – Bolivia, Argentina and others.*
- *Adequate contracts.*
- *Infrastructure to reach the market – transport and distribution.*

Comments:

- ✓ Supply expansion constraints of Bolivian gas, due to Statute of Nationalization. Investments constraints and high gas prices can reduce gas competition.
- ✓ Argentina supply expansion constraints, due to low investments, gas reserve reductions and internal political prices; which results in product unavailability.
- ✓ Development of “Domestic Gas”, mainly for Espírito Santo State and Santos Basin, expecting an adequate supply after 2010. Critical period of 2007-2010 with difficulty to attend the demand and necessity to develop an interruptible market based on thermal power generation. LNG is an alternative option.
- ✓ Necessity of significant investments in transportation and distribution, to reach potential markets, with adequate changes to regulatory framework.

COMMENTS – CASE STUDY – BRAZIL



Conclusion – Case Study Report

4 – *Development gas infrastructure:*

- *Governments in each country need establish clear rules and regulations.*
- *Integration of the regulatory systems between countries. Supply – Bolivia, Argentina and others.*

Comments:

- ✓ It is observed that great constraints exist to regulatory integration and clear rules definition for each country. The regulatory agencies are meeting severe budget constraints .

Conclusion – Case Study Report

5 – *Prices affordable x retributive of operational and investments for the whole gas chain.*

Comments:

- ✓ The key issue for an accelerated and harmonic development.

PUBLIC ENERGY COMMISSION – SÃO PAULO – BRASIL

ZEVI KANN

E-mail: zevikann@sp.gov.br

COMISSÃO DE SERVIÇOS PÚBLICOS DE ENERGIA

RUA BOA VISTA, 170 – 3º e 4º ANDAR

SÃO PAULO – SP – BRASIL

CEP 01014-000

E-mail: cspe@sp.gov.br

www.cspe.sp.gov.br

www.abar.org.br

PABX: (55) 11 - 3293 5100



ZEVI KANN
CHIEF COMMISSIONER OF CSPE

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DE SERVIÇOS
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