

Asset Transfer in Offshore Mature Fields in Brazil The Regulator's Challenge

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From the end of 2016, the Brazilian oil and gas market started to present a very dynamic environment of great opportunities, especially related to offshore areas, due to the resumption of the bidding rounds of exploratory block and pre-salt fields. So this moment places the country in a very good prospect of attracting investors, especially major international oil companies.

In addition to the auctions of areas, there is also a new business segment that is growing in the country - the transfer of mature assets. Strengthened by Petrobras divestment plan, it brings a wide prospect of opportunities with the sale of mature fields in shallow water. Petrobras is planning to sell 30 fields belonging to the Campos, Santos, Sergipe-Alagoas and Rio Grande do Norte Basins, which have been of great interest by several companies, many of which have never operated in Brazil.

It is clear that the profile of companies, that has been expressing interest in the purchase of those mature fields, are formed by operators with a much lower financial possibilities than Petrobras. However, these companies have in their portfolio records of investments in mature fields with great expertise in the use of techniques aimed to enhance the recovery factor of hydrocarbons.

The scenario of the transfer of mature assets to smaller companies will represent a positive resumption of investments in those areas that have been competing for decades for resources with other areas of higher productivity such as the pre-salt. The transfer of mature assets definitely represents a new and positive agenda for Brazil, promising a repagination of the Oil & Gas sector bringing good opportunities for the supply chains.

From the operational safety point of view, the asset transfer processes for new smaller operators need to be closely monitored by the ANP in order to avoid failures in the transferring of operation and the loss of relevant information that could compromise the facility's risk management by new entrants.

One of the points that ANP is aware of in the asset transfer processes is the transition of the management system from the old to the new operator. ANP has identified situations where a new operator took a one year period to implement the new management system at the offshore unit. Perhaps, besides the technical qualification process, the greatest challenge of the transfer asset process is the calibration of the ideal period for the new operator to assume the effective management of operations.

In this context, it is worth highlighting the progress of offshore safety in the Brazilian upstream sector after ten years of implementation of the operational safety regime, through an intense agenda of field inspections. Such progress is fundamental to guarantee the sustainability of activities and the protection of environment and of people working offshore. Therefore, ANP has currently a privileged vision of the operational safety of offshore production facilities in Brazil, a fact that allows the regulator to be able to monitor and add greater robustness to the asset transfer processes, especially in relation to the correct transfer of information about the facilities. The Safety and Environment Division of ANP is monitoring 100% of the operations of asset transfer of producing fields.

In parallel, ANP has established rigid criteria for technical qualification, so the new entrant must provide experience in similar activities as a prerequisite for signing the assignment contracts. In addition, ANP has created a broad communication channel with companies interested in acquiring mature assets with the objective of reducing the asymmetry of regulatory information related to safety. Therefore, that plan requires several technical meetings between ANP and the operators, field inspections in order to ensure that the new operator have managed risks and so that there is no loss in emergency response resources.

Of course, Petrobras' divestment plan will greatly increase the number of transfer of assets, and ANP must be prepared in order to avoid bottlenecks that can make the entire asset transferring activities slow and inefficient.

It is important to remark that, at the 2017 IRF Annual General Meeting in Copenhagen, various IRF member countries reported an increasing trend in asset transfers. New market entrants were seen as presenting some risks in the form of less familiarity with the assets, the regulatory system, or reduced financial or technical capacity and depth. New entrants were also seen as potentially extending the life of fields and introducing fresh ideas and greater focus to the relevant fields and assets. In all cases, the management of the change was seen as key.

In conclusion, ANP will face major challenges in 2018 due to the divestment plan for mature fields of Petrobras. Operator changes in these mature assets have the potential to introduce new risks to the operation. The processes must be very well planned through risk management and an efficient management of change process under the supervision of the regulator so that the control measures can be identified and implemented during the transfer of operations.

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