OIL, GAS & BIOFUELS

CLIENT ALERT

MAY/2019

OIL AND GAS: NEW REGULATION ON ASSIGNMENTS AND UPSTREAM FINANCING

The National Agency of Oil, Natural Gas and Biofuels (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis* – "ANP") enacted on May 17, 2019, the Resolution No. 785/2019, which amends the procedures for sale of oil and natural gas fields and finally allows the implementation of upstream funding based on rights emerging from the concessions as security. The new rules, inspired on the reserve based lending concept applied worldwide, are expected to encourage the entry of new operators in mature fields, which will unlock investments to increase the recovery factor in Brazil.

Resolution 785/2019 creates the possibility for companies to create security interests over rights arising from E&P contracts. In practice, companies and financial institutions can develop projects using as collateral the (future) production, contractual position and, even if indirectly, the reserves for the financing of new investments. Additionally, companies farming into producing fields can include a new development plan to be approved by the ANP together with the concession assignment. In other word, a new development plan can be financially structured around the use of such collateral rights for funding. Creditors to such collateral rights may, in cases of execution of the collateral, start an assignment procedure with the ANP, entailing the transfer of ownership of the respective E&P contract without the need of any consent by the original concessionaire (in default with its creditors).

The new rules are the product of the Agency's committed efforts to diversify funding possibilities for E&P projects and encourage the arrival of new oil companies and investors. Discussions on the subject with industry players and financial institutions had been taking place since 2016 and several regulatory proposals were studied until the version published today was achieved.

Veirano's oil and gas team is available to provide further clarifications on the matter.

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PRACTICE AREA
Oil, Gas & Biofuels

For further information, please send a message to **news@veirano.com.br**

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