ANTITRUST & COMPETITION
OIL, GAS & BIOFUELS

CLIENT ALERT

JUNE/2019

CADE AND PETROBRAS EXECUTE A SETTLEMENT AGREEMENT TO INCREASE COMPETITION IN THE FUEL SECTOR WITH THE SALE OF REFINERIES

On June 11, 2019, the Administrative Council for Economic Defense ("Cade") approved the Term of Termination of Conduct (TCC) related to Petrobras' refining business, which sets out guidelines and directives for the sale of half of the company's refineries, in line with previous recommendations by Cade and with Resolution No. 9/2019 of the National Council for Energy Policy - CNPE.

The approval of the TCC is the result of recent efforts by the federal government to promote competitiveness in the Brazilian fuel sector, which has been suffering pricing and supply crisis since early 2018. In that regard, Petrobras' dominance over refining capacity is a critical factor in the competitive dynamics of the value chain: out of 17 refineries in Brazil, 14 are owned by Petrobras, which holds 98% of refining capacity in Brazil.

Therefore, according to the plan approved by Cade, Petrobras must sell all of its interest in 8 refining units:

(i) Refinaria Abreu e Lima (RNEST);
(ii) Unidade de Industrialização do Xisto (SIX);
(iii) Refinaria Landulpho Alves (RLAM);
(iv) Refinaria Gabriel Passos (REGAP);
(v) Refinaria Presidente Getúlio Vargas (REPAR);
(vi) Refinaria Alberto Pasqualini (REFAP);
(vii) Refinaria Isaac Sabbá (REMAN); and
(viii) Lubrificantes e Derivados de Petróleo do Nordeste (LUBNOR).

Each refinery will be sold in conjunction with its infrastructure for movement and storage of fuels (pipelines, tanks, etc.), likely to also comprise assets currently owned by Transpetro. Furthermore, pursuant to the TCC, competing refineries cannot be sold to the same buyer/economic group.

PRACTICE AREA
Antitrust & Competition
Oil, Gas & Biofuels

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

This document was prepared exclusively for informational purposes and does not constitute legal advice or an invitation to an attorney-client relationship. If you have any questions, our lawyers are available for clarification.

It is forbidden to distribute, reproduce or transmit this document, in full or in part, without the prior consent of Veirano Advogados.

© 2019 Veirano Advogados.
All rights reserved.

According to a press release by Petrobras, the full sale these refining assets will follow the terms of its Divestment System and the provisions of Decree 9.188/17, which was recently ratified by a decision of the Federal Supreme Court (see our alert on said decision here). Petrobras is expected to disclose teasers for such assets soon and all transactions shall be closed until December 31, 2021.

Government plans to further increase competition in the Brazilian fuel sector will also encompass other regulated activities and other stages of the supply chain. For example, CNPE determined today that the National Petroleum, Natural Gas and Biofuels Agency (ANP) shall initiate studies to review the current regulatory framework for downstream activities, such as fuel distribution and retail, with the final goal of promoting competition.

The Antitrust & Competition and Oil, Gas & Biofuels teams are at your disposal if you have any questions or need additional information.