OIL, GAS AND BIOFUELS & ANTITRUST AND COMPETITION

CLIENT ALERT

JULY/2019

FURTHER MEASURES ON ENHANCING COMPETITIVENESS IN THE BRAZILIAN NATURAL GAS MARKET

On June 11, 2019, the Administrative Council for Economic Defense ("Cade") approved the Term of Cessation of Conduct (TCC) related to Petrobras' activities in the natural gas market, which sets out guidelines and directives for the sale of its assets in several segments of the sector and establishes ground rules for Petrobras' conduct in such segments. This is another measure expected by the industry in order to reduce Petrobras' dominance over the natural gas value chain in Brazil.

The approval of the TCC is a result of joint efforts from many branches of the Brazilian government to implement the so-called "New Gas Market", set to be a more dynamic and totally unbundled business environment for gas trading. In this sense, the TCC sets forth that Petrobras shall leave the transportation and distribution segments as whole, selling all its interest in the following companies:

(i) *Nova Transportadora do Sudeste S.A.* (NTS) - 10%;
(ii) *Transportadora Associada de Gás S.A.* (TAG) - 10%;
(iii) *Transportadora Brasileira Gasoduto Bolívia-Brasil S.A.* (TBG) - 51% (operator of GASBOL); and
(iv) All 20 Local Distribution Companies ("LDCs") in which it holds interest in, either by selling its 51% stake in Gaspetro or by directly selling LDCs shares.

The sale processes for the assets shall abide to the terms and conditions under Petrobras' Divestment System and the provisions of Decree 9.188/17.

In addition, Petrobras has committed to the following behavioral measures:

- Limit the purchase of natural gas from its partners in E&P projects and allow open access to the production flow infrastructure;
- Release transportation capacity in existing and future pipelines;
- Lease LNG regasification terminals to unrelated third parties; and
- Sell of natural gas to third parties through auctions - the so-called "gas release programs".

CADE's decision adds up to ANP Resolution No. 784/2019, also published today, which provides for transparency rules for natural gas supply contracts to be executed in Brazil from now on, in order to ensure more competitive prices for consumer markets.

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

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The federal government has taken other important measures to promote the New Gas Market recently, mainly through the National Energy Policy Council (CNPE), such as CNPE Resolution 16/2019 (see our alert on this resolution here).

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