OIL, GAS & BIOFUELS

CLIENT ALERT

APRIL/2020

OIL & GAS: NEW REGULATION FOR PLATFORM DECOMMISSIONING AND RELINQUISHMENT OF AREAS

The National Agency of Petroleum, Natural Gas and Biofuels - "ANP" – issued today (April 27) resolution No. 817/2020 (the "Resolution") aiming to regulate and establish the rules for decommissioning, sale and reversal of E&P facilities. The Resolution also sets the procedure for relinquishment of areas to ANP for and their subsequent inclusion in the open acreage licensing process. This new rule was prepared by the ANP in cooperation with IBAMA and the Brazilian Navy.

The Resolution establishes a multi-phased process for the planning and actual decommissioning of E&P facilities: as early as the Exploration phase, the Contractor shall submit a detailed Facilities Decommissioning Plan, which must be prepared according to a long list of technical parameters attached to the Resolution and further complemented with additional studies upon the beginning of the Production phase of the oil field. These decommissioning Plans will be made public and may be subject to public consultations on its content at ANP's sole discretion.

In respect of transfers of interests in E&P Contracts (farm-out transactions), the Resolution sets forth that the facilities to be decommissioned by the farmor and those that will continue to be used by the farmee must be designated in advance and informed to the ANP, which will also entail an update of the respective Decommissioning Plan. This provision is particularly important considering the growing number of farm-out deals for mature fields in Brazil and could more clearly demarcate liabilities of buyers and sellers involved in such transactions.

ANP may now also include onshore areas in the open acreage licensing process while such areas are being relinquished. This inclusion shall take place 24 months before the scheduled date for the end of production, with the aim of allowing a transition between operators without interrupting production activities.

The Resolution may already be applied to facilities with decommissioning scheduled for the next few years and which, eventually, need to be deactivated early this year, due to the reduction in production caused by the worldwide COVID-19 pandemic.

PRACTICE AREA
Oil, Gas & Biofuels

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

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Non-compliance with the Resolution may subject parties to the enforcement of the applicable abandonment guarantee by the ANP. In that regard, it should be noted that the ANP recently issued a draft resolution regulating the presentation of such Abandonment Guarantees within the scope of Brazilian E&P contracts. This draft resolution will be submitted to public consultation on its content for 60 days after the end of the COVID-19 prevention period in Brazil and can already be accessed on ANP's website.

Our Oil, Gas and Biofuels team is fully available for questions or to provide additional information about the new Resolution.

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