Open Acreage of Production Sharing (OPP)







What is ANP?

The Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) is the regulating body for the activities within the oil, natural gas and biofuels industries in Brazil. This federal agency, linked to the Ministry of Mines and Energy, runs the national policy for the sector, focusing on the assurance of fuel supply and the interests of consumers.

ANP aims to regulate, contract, and supervise the economic activities in the petroleum, natural gas, and biofuels industries. Its institutional authority is established by Law No. 9,478, of August 6, 1997 (Petroleum Law), regulated by Decree No. 2,455, of January 14, 1998.

In the exploration and production (E&P) of the petroleum and gas segment, ANP conducts geological and geophysical studies to enhance knowledge about Brazil's petroleum and gas reserves; safeguards and organizes the data collected in these studies; recommends areas for bidding to the government; conducts bidding rounds; signs agreements on behalf of the Federal Government.



Regulating

Establishing the regulations (resolutions and normative instructions) for the operation and trading of the oil, natural gas and biofuels industries.



Granting permits for activities performed by the regulated industries; promoting bidding rounds and executing contracts on behalf of the Federal Government with companies for the exploration, development and production activities.



Inspecting

Enforcing the standards of the activities performed by the regulated industries, directly or by means of agreements with other public entities.

More info: https://www.gov.br/anp/en/access-information/what-is-anp/what-is-anp/what-is-anp



WHAT ARE PETROLEUM AND NATURAL GAS E&P BIDDING ROUNDS?

Bidding rounds are auctions through which the Federal Government grants the right to conduct exploration and production (E&P) activities for petroleum and natural gas in Brazil under concession or production-sharing agreements.

The Resolution CNPE No. 17/2017 establishes the guidelines for the Petroleum and Natural Gas Exploration and Production Policy, including: expanding Brazil's reserves and knowledge of its sedimentary basins, creating opportunities for companies of various profiles and sizes, decentralizing exploratory investments within the country, and promoting the participation of small and medium-sized companies.

The Resolution CNPE No. 27/2021, which amended the Resolution CNPE No. 17/2017, established the Open Acreage system as the preferred method for offering petroleum and natural gas exploration and production areas. This system is implemented through the Open Acreage of Concession (OPC) and the Open Acreage of Production Sharing (OPP).



Bring opportunities to companies of different profiles and sizes

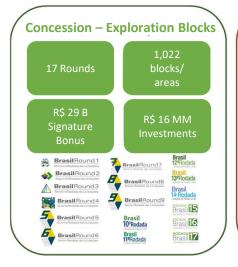
Decentralize exploratory investment in the country and increase the participation of small and medium-sized companies

More info: https://www.gov.br/anp/en/rounds-anp/about-the-bidding-rounds/the-bidding-rounds



BIDDING ROUNDS HELD

To date, the ANP has conducted 35 bidding processes for the exploration and production of petroleum and natural gas in Brazil's sedimentary basins. These rounds have resulted in 1,352 agreements signed, BRL 148.1 billion in signature bonuses collected, and approximately BRL 23 billion in committed minimum investments.













More info: https://www.gov.br/anp/en/rounds-anp/more-information-about-bidding-rounds/results



WHAT IS THE BIDDING ROUND SPECIAL COMMISSION (CEL)?

Bidding rounds are promoted and coordinated in their internal actions by the ANP and conducted, in their external actions, by the Special Bidding Committee (CEL) designated by an ANP ordinance.

The CEL consists of five full members and two alternates; three full members from ANP staff; and two full members representing society.

ANP's Attorney General will appoint a Federal Attorney to oversee the CEL's work. The attorney will be invited to all CEL meetings and <u>public sessions</u>, with the right to speak and have their presence recorded in the minutes.



Bidding Round Special Commission (CEL) External Actions

CEL evaluates the registration phase, conducts and judges the bids on the auction day, as well as the qualification of the winning bidders.



ANP
Internal Actions

ANP organizes the bidding rounds, coordinates the bidding process, prepares the tender protocols and contracts, conducts analyses of the technical and financial parameters, and advises the CEL.

More info: https://www.gov.br/anp/en/rounds-anp/open-acreage/oaps/cel



WHAT IS THE OPEN ACREAGE OF PRODUCTION SHARING (OPP)?

The Open Acreage of Production Sharing (OPP) involves the continuous offering of exploratory blocks in the pre-salt area or in strategic areas under the production sharing regime. The blocks were reserved for specific deliberation by the CNPE, defining the parameters to be adopted for each field or block to be tendered.

Unlike other methods, <u>public sessions</u> for submission of offers in the Open Acreage are held within a minimum of 120 days and a maximum of 180 days following <u>CEL</u>'s approval of one or more declarations of interest for blocks or areas offered. Upon approval, a new Open Acreage <u>cycle</u> begins, and the <u>CEL</u> publishes its schedule.

The figure below indicates the stages of the OPP:



More info: https://www.gov.br/anp/en/rounds-anp/open-acreage/



HOW ARE BLOCKS INCLUDED IN THE OPP?

Studies for potential inclusion of blocks in the <u>OPP</u> involve collaboration among several public administration entities: The ANP, federal and state environmental agencies, the Ministry of Mines and Energy (MME), the Ministry of the Environment (MMA), oversight by the Federal Court of Accounts (TCU).

The process includes: geological and economic evaluation of the blocks by the ANP; identification of potential restrictions for exploration and production activities by environmental agencies; joint opinions issued by the MME and MMA; public consultation and hearings on tender protocols and agreement drafts conducted by the ANP; procedural review by the TCU.

The figure below summarizes the stages of the block studies until eventual inclusion in the bidding notice:



*These steps are not the responsibility of the ANP

More info: https://www.gov.br/anp/en/rounds-anp/open-acreage/oaps/offered-blocks



WHAT TECHNICAL DATA IS AVAILABLE?

ANP provides technical geological and geophysical data on Brazil's sedimentary basins as follows:

- I. Free Technical Data: Through the Program for Revitalization and Incentive of Offshore Fields (PROMAR). The Program proposes measures to create conditions for the revitalization of mature oil and natural gas fields located offshore in the national territory.
- II. Data Packages: Technical data packages selected by the ANP for the <u>OPP</u>, including regional datasets for offshore sedimentary basins not covered by PROMAR.
- III. Data in BDEP: Public technical data stored in the Exploration and Production Database (BDEP), accessible through individuals or legal entities through occasional requests or by signing the BDEP Adhesion Term. The general rules for data acquisition and access to public data are regulated by ANP Resolution No. 889/2022 and the Membership Agreement, when applicable.

Payment of access fees to the technical data package is optional, is not linked to registration, nor does it oblige or restrict bidders' offers in the public bid submission session.





More info: https://www.gov.br/anp/en/rounds-anp/open-acreage/oac/technical-data-package



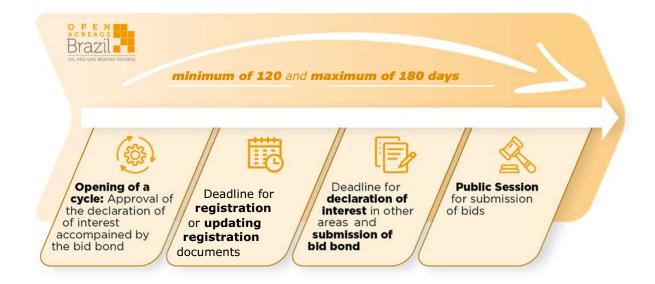
HOW DOES THE OPP CYCLE WORKS?

An <u>OPP</u> cycle consists of all activities required to hold a <u>public session</u> for submission of offers for sectors with declarations of interest. It includes: qualifying winning bidders; adjudicating the bidding object; validating the bidding process; and signing the agreements.

The cycles are initiated with the disclosure of their schedule, following the approval by the <u>CEL</u> of one or more declarations of interest, accompanied by the respective bid guarantees.

The period between the approval of the declaration of interest and the holding of the <u>public session</u> is a minimum of 120 calendar days and a maximum of 180 calendar days, as demonstrated in the figure below.

A new cycle can begin after the <u>public session</u> for the current cycle.





HOW TO REGISTER FOR THE OPP?

The registration to participate in the <u>OPP</u> is mandatory and individual for each interested party, even for those intending to submit bids as part of a consortium.

Entities eligible to participate in the Open Acreage, provided they fully comply with all provisions of the tender protocol and applicable legislation, include national or foreign legal entities, either individually or as part of a consortium, and private equity investment funds (FIPs), in the capacity of a non-operator, who may only submit bids as part of a consortium.

Once registered, maintaining the status as a bidder in the Open Acreage of Concession is contingent upon the annual update of registration documents as established in the Tender Protocol.

Annually, the ANP will publish a list of bidders for the Open Acreage for each contracting regime on the specific website for bidding processes.

To register and maintain the registration, the interested party must follow the steps outlined in the figure below:



Electronic application form



Submission of registration documents



Registration Maintenance (annual update)



Cover letter (companies that do not have a current E&P contract in Brazil)

More info: https://www.gov.br/anp/en/rounds-anp/open-acreage/oac/bidders-submission



WHEN TO SUBMIT A DECLARATION OF INTEREST?

The declaration of interest is the document through which the bidder indicates the blocks available in the tender protocol that wishes to acquire.

A bidder listed in the most recent list of bidders for the <u>OPP</u> that intends to submit a bid for one or more blocks/areas in a <u>public session</u> may, at any time, submit a declaration of interest accompanied by a bid guarantee, which will be subject to evaluation by the <u>CEL</u>.

1) When a <u>cycle</u> is not open: at any time, in which case the documents will be submitted for evaluation by CEL.

The approval of a declaration of interest, accompanied by a bid guarantee, will initiate a <u>cycle</u> of the Open Acreage.

- 2) During an ongoing <u>cycle</u>: each <u>cycle</u> of the <u>OPP</u> will have a specific schedule established by the <u>CEL</u>, which will define two additional deadlines for submitting a declaration of interest accompanied by a bid guarantee:
- I. Deadline for bidders to submit declarations of interest for the sectors listed in the Annex of the tender protocol;
- II. Deadline for bidders to submit declarations of interest for the sectors to be auctioned in the <u>public session</u> of offer presentations in the <u>OPP cycle</u>.

Requests for extensions of schedule deadlines must be made within 5 (five) business days prior to the respective deadline.



WHAT IS THE BID GUARANTEE?

To ensure the seriousness of the declaration of interest, the ANP requires bidders to submit a bid guarantee, which is mandatory and must be linked to their declaration of interest.

Bid guarantees can be provided in the form of a letter of credit, guarantee insurance, or cash deposit.

A bidder may submit a declaration of interest accompanied by a bid guarantee at any time to the ANP. However, they must observe the schedule established by CEL if the cycle has already been opened.

The bidder may also present a bid guarantee without the declaration of interest, in which case they can only submit offers in a consortium with a bidder that has submitted a declaration of interest.





HOW TO PARTICIPATE IN A PUBLIC SESSION OF A CYCLE?

Only bidders listed in the most recent list of bidders for the <u>OPP</u> published by the ANP will be allowed to submit offers in a <u>public session</u> of a <u>cycle</u>, in the following forms:

Declaration of Interest (DI) + Bid Guarantee

Only Bid Guarantee No
Declaration of
Interest (DI)
Nor
Bid Guarantee

Bidders must present a valid offer for at least one block or area of each of the sectors for which DI was presented w/ isolated offers or in a consortium

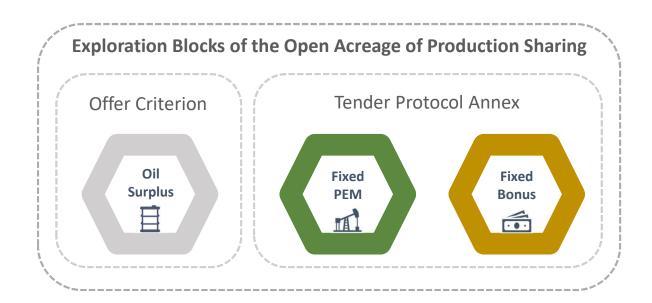
Bidders may submit bids for any block or area, as long as they are in a consortium with a bidder who has submitted a DI. Bidders may submit bids for any block or area, as long as they are in a consortium with a bidder who has submitted a DI.



PUBLIC SESSION FOR SUBMISSION OF OFFERS

The Public Session for Submission of Offers is the culmination of an <u>OPP cycle</u>: in this session, bidders present offers for blocks and areas of interest, which are judged and ranked by the <u>CEL</u>.

For exploration blocks, the signing bonus and the Minimum Exploration Program (PEM) are the criteria for determining the winner. For areas with marginal accumulations, the signing bonus is the only offer criterion.





HOW TO SUBMIT AN OFFER IN A CONSORTIUM?

To participate in the OPP, each bidder in the consortium must register individually.

In consortium offers, the bid guarantees can be provided by one or more bidders within the consortium.

A bidder who does not submit a declaration of interest accompanied by an offer guarantee or only submits a bid guarantee without the declaration of interest can only submit offers in a consortium.

Consortium members must comply with the requirements indicated in the figure below.





HOW IS THE QUALIFICATION OF BIDDERS CARRIED OUT?

After the <u>public session</u> for the submission of offers, the winning bidders undergo qualification, conducted by the SPL and evaluated by the <u>CEL</u>.

The qualification involves the analysis of documentation to prove the legal, fiscal, and labor regularity, as well as the economic-financial and technical capacity of the bidders.

Bidders will be qualified as operators or non-operators, based on the criteria established in the tender protocol.

In the case of a consortium, each consortium member must individually present the qualification documentation.





HOW IS THE SIGNING OF PRODUCTION-SHARING AGREEMENTS CARRIED OUT?

The winning bidders of the <u>cycle</u>, or their affiliates, will sign a concession agreement with the Union.

To sign, the bidders or their affiliates must present documents and financial guarantees for the Minimum Exploration Program (PEM), as well as prove payment of the signing bonus, within the schedule established by the <u>CEL</u>.

The guarantees for the PEM can be provided in the form of a letter of credit, guarantee insurance, oil and natural gas pledge agreement, or cash deposit.

A production-sharing agreement will be signed for each area or block won, and it may be signed digitally.

















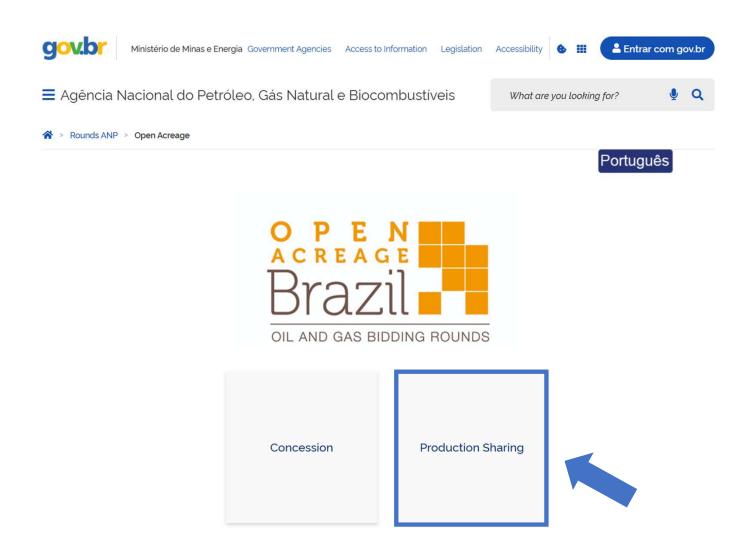
Public Session

Awarded Blocks Qualificatio n of Winning Bidders Signing of Contracts

Closure of the Cycle



INFO ABOUT OPP





https://www.gov.br/anp/en/rounds-anp/open-acreage