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Brazilian Agency for
Petroleum, Natural
Gas and Biofuels

what is ANP

The Brazilian National Agency for 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'S ATTRIBUTIONS:

REGULATING

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

CONTRACTING

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.

A REFERENCE CENTER FOR INFORMATION
ON THE SECTOR

ANP is a reference center for data and information on the oil, gas, and biofuels industries. The agency maintains the Exploration and Production Database (BDEP); promotes studies on oil and gas potential and the development of the sector; receives and discloses reports on oil and gas findings; and provides the official statistics on reserves, refining and production of oil, gas, and biofuels in Brazil. ANP also carries out and discloses surveys on the quality of the regulated products and the pricing behavior of fuels. It consolidates and publishes information on the regulated markets as well as on the investments in research, innovation and training, oriented towards the regulated industries.

HOW THE AGENCY WORKS

ANP is managed by a board of directors consisting of a Director-General and four technical directors. Board meetings are broadcast online, and all the decisions are published on ANP's website. The Agency also carries out public hearings before making any decision on rules that may affect any right.

Below the board of directors are the superintendencies and other similar units, among which technical matters related to the sector regulated by ANP are divided.

These units are responsible for preparing the processes that support the directors' decisions and lead to resolutions and other acts issued by ANP. They are also responsible for overseeing compliance with the rules.

ANP's staff comprises more than 800 public servants. Nearly half of them are experts in geology, geophysics or oil & natural gas regulation.



ANP

from well to wheel

Exploration and Production of Oil and Gas

The role of ANP in the oil & gas sector begins by promoting geological and geophysical studies in order to outline areas with production potential. The Agency also holds geological, geochemical and geophysical data on the Brazilian sedimentary basins. ANP supports the Brazilian National Energy Policy Council (CNPE) regarding decisions on the areas to be offered for concession or production sharing in the

bidding rounds and the Open Acreage, which comprises the permanent offer of relinquished fields and exploration blocks, in any onshore or offshore basins.

For the bidding of areas, ANP prepares the tender protocols, promotes public sessions and writes the draft contracts. It is also the Agency's responsibility to measure production in the oil and natural gas fields — an activity substantiating the distribution of the governmental takes.

Governmental Takes

Based on the measurement results of oil and natural gas, ANP calculates the values of the governmental and third party takes which, in addition to the standing Brazilian taxes, the oil companies have the contractual obligation to pay.

The following are governmental takes: signature bonuses (paid before signing the contract), royalties, special takes (which are levied on large production fields under concession contracts) and payment for area occupation or retention.

Municipalities, States of the Federation, the Federal Government and landowners who benefit from the governmental and third party takes receive the amounts as a financial compensation for the extraction of natural resources.

MIXED FRAMEWORK FOR THE REGULATION OF THE E&P SECTOR

In Brazil, the Union owns the underground resources, but companies can extract them in accordance with various forms of payment, such as royalties, which depend on the current system. The concession system governed the oil exploration and production activities in Brazil until 2010, when acts 12,276/10 and 12,351/10 were enacted; they established, respectively, the transfer of rights (TOR) and the production sharing systems. Since then, three systems have coexisted in the country: concession, production sharing and transfer of rights.

For the areas located in the pre-salt polygon and others considered as strategic, the Brazilian National Energy Policy Council (CNPE) decides whether bidding rounds will be held, or if the state company Petrobras will be directly hired, in order to preserve the national interest and achieve other energy policy objectives. In both cases, contracts are signed under the production sharing regime. In this model, the Federal State and the contracted company share the oil or natural gas found proportionally as defined in the contract.

Under the concession regime, the concessionary company takes on the risk of investing and finding — or not — oil or natural gas. The company will have the property of the oil and gas discovery in the concession area.

Under the TOR, the Union, following due legal permission, grants Petrobras the right to undertake, through direct contracting, exploration and production activities in the pre-salt areas not under concession, limited to a maximum amount of 5 billion barrels of oil and natural gas.

Regardless of contract type, ANP is responsible for authorizing, monitoring, controlling and measuring production in any area of the Brazilian territory where oil & natural gas prospecting or extraction activities are being performed. In any of these regimes, the hired companies pay royalties.



Participation of Small and Midsize Companies

ANP encourages the participation of small and midsize companies in the oil-related activities..

Until May 2017, the Agency had promoted four bidding rounds of areas with marginal accumulations, which, from April 2018 on, are included in the Open Acreage. Although these areas are no longer attractive to large companies due to smaller volumes of oil or gas production, they may still be profitable to smaller companies, as they require less investment and already rely on good infrastructure. Reactivation of these areas has a positive impact on the economy of the country's less developed regions and results in the generation of jobs and income for the population of the regions involved and revenues for public investment.

ANP has also been taking a series of measures to encourage these companies, such as reducing royalties for small and midsize companies, extending concession contracts through commitments to new investments in the fields and reducing the royalties rate on the incremental production of each field.

Research, Development & Innovation

One of ANP's attributions is to encourage research and the adoption of new technologies for the sector. To such purpose, contracts for oil & gas exploration and production include the RD&I Clause, which requires from the signatory companies a commitment to invest in research, development and innovation projects and programs.

The RD&I clause establishes the investment of a percentage of gross revenue from the production of large fields, according to the specific conditions of each type of contract. ANP is responsible for analyzing, approving, monitoring and supervising the investment of funds arising from the RD&I clause.

Development of Professional for the Industry

Since 1999, ANP has carried out its Human Resources Program, PRH-ANP. The program grants scholarships at undergraduate, master and doctoral levels, in addition to providing funds to support academic activities. Since 2019, PRH-ANP is funded with resources from the RD&I Clause included in the oil and natural gas exploration and production contracts.

AWARD FOR INNOVATIVE ENTREPRENEURS

With the goal of recognizing and encouraging the efforts of research institutions and Brazilian companies that seek innovative solutions for the regulated sector, the Agency created the ANP Technological Innovation Award. The award includes projects carried out with total or partial use of resources from the RD&I Clause and master's dissertations developed under the PRH-ANP which represent technological innovation of interest to the oil, natural gas, biofuels, petrochemicals, renewable energies, energy transition and decarbonization sectors. It also recognizes personalities who have generated relevant RD&I contributions to the sector.



Incentive to the Domestic Industry

ANP encourages growth and consolidation of the domestic industry of materials, equipment, systems and services for the oil & natural gas sector. Since 2003, a government policy requires the oil companies to purchase a certain percentage of goods and services from the domestic industry, called local content. ANP oversees compliance with such commitments.

E&P Operational Safety Inspection

ANP is responsible for ensuring that the regulated companies put in place proven effective procedures and techniques for operational safety, energy efficiency and protection of human health and the environment.

The Agency approves and oversees onshore and offshore oil & gas exploration and production facilities (production platforms, rigs, collecting stations and onshore wells). Moreover, equipment and procedures for handling, storing, gas processing and transportation of oil and natural gas require authorization from, and are subject to inspection by ANP.

The regulatory framework for the *Brazilian offshore operational safety*, which is considered one of the most modern in the world, is based on a comprehensive study of the policies adopted in other countries and on lessons learned from previous incidents.

The rules for operational safety work as a guide to hazard identification and risk assessment of each facility.

The Agency is a member of the International Regulators' Forum (IRF), in which operational safety issues are discussed and addressed.

Natural Gas

Regarding the natural gas market, ANP is responsible for regulating activities such as exploration and production, processing, liquefaction, transport, regasification, storage and marketing of natural gas within the Federal State scope of competence (before the product is delivered to state distribution companies, i.e., to the city-gate).

In 2021, Law 14.134, called the New Gas Law, was published, which brought

new attributions to the Agency. Since then, ANP has been taking a series of measures with the aim of bringing more openness and competition to this market, including regulatory actions, issuing of grants for the entry of new agents and disclosure of contracts and information on prices and volumes sold.

Refining, Transportation and Storage

ANP's duties also include authorization for companies to build, operate and expand refineries, natural gas processing and storage plants, as well as for the transportation of natural gas, oil and derivate products. All these activities must also be inspected by the Agency.

Other activities which also require authorization from ANP and are inspected by the Agency: the import and export of oil, gasoline, diesel, biodiesel and ethanol; the production and warehousing of biodiesel and ethanol as well as the distribution of compressed natural gas and liquefied natural gas (LNG).



Distribution and Sale of Fuels and Lubricants

ANP's mission is to ensure the domestic supply and to protect the interests of fuel consumers. To do so, the Agency prepares and publishes technical resolutions and authorizations which regulate the activity of thousands of companies in different segments: storage, distribution and retail of automotive fuels (oil products, ethanol, biodiesel), as well as solvents, asphalt, lubricants and liquefied petroleum gas (LPG, bottled gas).

ANP regulates the activities of more than 130,000 economic agents in the Brazilian domestic supply scenario, which includes distributors, service stations, LPG resellers, biodiesel producers, lubricant producers and ethanol plants.

ANP also monitors the transportation of the products marketed by these economic agents.

MARKET PRICING SURVEY

Fuel prices in Brazil have been free since January 2002. Therefore, there is no pricing control. In order to guide the consumer, ANP runs through a weekly survey of the pricing behavior of gasoline, hydrated ethanol fuel, non-additive diesel oil, compressed natural gas (CNG) and liquefied petroleum gas (LPG) charged by service stations.

In case ANP finds evidence of violation against the economic order, it reports such fact to the Administrative Council for Economic Defense (CADE).

Fuel Quality

One of the activities of ANP directly oriented to the protection of the consumers' interest is the specification of the physical and chemical characteristics of oil products, natural gas, ethanol and the biodiesel-diesel blend. All fuel and lubricants marketed in Brazil must comply with these specifications.

In order to check compliance with such specifications, ANP established in 1998 the Fuel Quality Monitoring Program (PMQC). Every month, samples of gasoline, ethanol and diesel are collected from service stations across the country. The material is analyzed at ANP's Center for Research and Technological Analysis (CPT), as well as at laboratories of universities and research institutions hired by the Agency. The analyses reveal possible sources of non-compliance with technical specifications. A similar program was established in 2006 for lubricants: the Lubricants Monitoring Program (PML).

Intelligent Inspection of the Fuel Supply Sector

Aiming to enlarge the inspection scope, the Agency keeps cooperation agreements and leads task force operations with other public entities.

Fuel supply inspection also covers production, import, export, refining, processing, treating, transportation, transfer, storage, warehousing, distribution and sale of oil, natural gas, their subproducts, and biofuels.



Commitment to the Environment and the Energy Transition

Environment protection is a constant focus of ANP. The Agency works in partnership with the Ministry of the Environment, the Brazilian Navy, universities and state agencies to ensure that environmental issues are taken into account in the decisions of regulated agents.

In addition, ANP has several actions related to energy transition. Measures related to biofuels are part of these actions, but they are not the only ones.

ANP also works to encourage the natural gas market, which has been called "the transition fuel". Furthermore, the agency encourages investments by oil and gas companies in research, development and innovation projects related to energy transition, based on the aforementioned RD&I Clause.

The Agency also participates in government committees focused on energy transition, such as the already mentioned RenovaBio and working groups related to hydrogen.

Biofuels

The enactment of Law 11,097/2005 expanded ANP's role and introduced biodiesel to the Brazilian energy matrix. Since then, the Agency has undertaken the duties of specifying and inspecting the quality of biofuels and ensuring market supply in the interest of consumers and the environment.

In 2011, Law 12,490 further expanded ANP's duties regarding biofuels: the Agency, which already specified and inspected the physical and chemical characteristics of ethanol, also began to regulate the production market.

In addition to preparing regulatory standards, the role of ANP regarding biofuels comprises the authorization and inspection of transportation, transfer, storage, warehousing, import, export, distribution, retail and commercialization, as well as the activities of production plants. ANP is also responsible for compliance assessment and certification of biofuels.

In the case of biodiesel, the Agency establishes contracting targets for liquid fuel distributors and biodiesel producers, as well as monitors not only contracting, but the effective marketing and supply of the product. Thus, ANP can evaluate compliance with the percentage of minimum blend of biodiesel with fossil diesel, for the formulation of "diesel B", determined in current legislation.

ANP also plays an important role in the entry of new biofuels into the market, such as biomethane and the so-called green diesel, as the Agency is responsible for specifying these products. ANP is also part of the structure of the national biofuel policy of the federal government, called RenovaBio, which has among its objectives to promote the expansion of biofuels in the Brazilian energy matrix - which already is, today, one of the cleanest in the world.

ANP on the internet

www.gov.br/anp/en/access-information/what-is-anp/what-is-anp

Bidding rounds:
www.gov.br/anp/en/rounds-anp



Investments Opportunities in Brazil:
www.gov.br/anp/pt-br/assuntos/investments-opportunities-in-brazil



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