

# ***THE INCREASE OF NATURAL GAS SUPPLY DIVERSIFICATION IN BRAZIL SINCE THE PASSING OF THE NEW GAS LAW***

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## **Overview**

The gradual liberalization of the natural gas market in Brazil over the past few years, and especially since the passing of the new Gas Law (Law 14.134/2021), in April 2021, has caused significant transformations within the sector. Historically dominated by a single major player, the natural gas sector has been transitioning towards a more open and diversified market through a series of legal and regulatory enhancements aimed at fostering a more dynamic and more competitive market environment, such as unbundling of the regulated and competitive parts of the industry, regulated third-party access in transportation, negotiated third-party access to essential facilities, implementation of entry and exit tariff model, to name a few.

In addition, the increasing participation of private (foreign and Brazilian) companies in oil and gas exploration and production (E&P), which is the result of E&P liberalization which started in the late 1990s with the Oil Law (Law 9478/1997), is resulting in an increasing role of private companies in domestic gas production. In parallel, in the last few years, significant investment in liquefied natural gas (LNG) regasification terminals, also by private companies, is expanding access to international natural gas supply.

The paper substantiates this trend of increased diversification in domestic and international supply to the Brazilian natural gas market with data on recent contracts and will offer projections on how this trend is expected to continue in the coming years, as private companies increasingly take on a larger share of gas supply contracts.

The paper also explores how consumers will benefit from a greater number of suppliers and from an increasingly diverse range of contractual models, as can already be observed in some parts of the country.

## **Methodology**

The methodology used in this study involves a three-step approach:

**Literature Review:** The first step involves conducting a review of relevant academic literature on the topic. This process aims to establish a solid theoretical framework and understand previous research on the subject.

**Data Analysis:** The second step involves analyzing all available data from public sources on natural contracts with distribution companies and estimates of contracted volumes by gas-fired power plants and other unregulated. This data includes reports, official statistics, and specific analyses related to the topic under study. In particular, we will analyze the information published by ANP (National Agency of Petroleum, Natural Gas and Biofuels) on the contracts signed by suppliers with distribution companies.

Statistical analysis and other analytical tools are applied during this stage to derive significant insights from the data.

**Integration and Synthesis of Results:** The final step involves integrating and synthesizing the results obtained from both the literature review and data analysis. This stage includes consolidating literature findings with those derived from the quantitative analysis, identifying commonalities, trends, and knowledge gaps, and formulating conclusions.

By employing this methodology, the study ensures a comprehensive and in-depth analysis of the topic, combining theoretical insights with empirical evidence derived from real-world business practices. This approach enhances the credibility and robustness of the study's conclusions.

## Results

The results reveal a substantial increase in the number of natural gas producers and active traders, and in the volume of natural gas that is commercialized by new players, indicating a growing diversification of natural gas supply.

The entry of new domestic players, along with the development of LNG import infrastructure, is expected to further expand and diversify the supply of natural gas in the country. These changes are reshaping business models and contractual arrangements between suppliers and buyers, benefiting consumers through more diverse contractual arrangements with greater flexibility and more competitive prices.

## Conclusions

The natural gas market in Brazil is undergoing a profound transformation, driven by the increasing involvement of the private sector, regulatory changes, and investments in infrastructure. This evolution is expected to bring benefits both to consumers, through more competitive prices, and to the economy as a whole, by ensuring a more stable and diversified supply of energy resources.

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