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## Brazil ponders implications of potential 15tcf find

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Brazilian oil and gas company OGX Petróleo e Gás has claimed that a recent natural gas discovery in an onshore region of the north-east state of Maranhão could hold as much as 15 trillion cubic feet (tcf, 425 billion cubic metres, Gm3).

"This discovery opens a new exploratory frontier in an onshore basin, the first in two decades," OGX CEO Paulo Mendonca told the Sao Paulo Stock Exchange last month.

The size of OGX's reserves estimate drew comparisons with Brazil's pre-salt fields and Bolivia's gas fields, and raised the prospect that it could significantly reduce the country's LNG imports.

"The discovery seems very significant indeed," Claudio Steuer, principal at energy consultancy SyEnergy told ICIS Heren. "But it is still a bit early to confirm the reserve potential, and more importantly, its economic feasibility," he added.

Moreover, Steuer said that the discovery is unlikely to impact Brazil's future LNG import requirements in the medium term due to the distance between the fields and current and future LNG import facilities.

Brazil's natural gas demand is expected to more than double from 44.3 million cubic metres/day (Mm<sup>3</sup>/day) last year to 100.3Mm<sup>3</sup>/day by 2019, according to the country's National Plan of Energy Expansion published by the government's energy research arm, Empresa de Pesquisa Energética (EPE) in April.

EPE's estimate is being reviewed on grounds that it underestimates power sector demand growth and the usefulness natural gas as back-up for planned hydroelectric projects (see GLM 11 June 2010).

Part of the country's gas demand will be met by LNG imported at the country's two existing LNG terminals. Two further terminal projects are underway in southern Brazil, one led by Petrobras and another by Brazilian real estate conglomerate Grupo Bolognesi.

Location is key

On one hand, the onshore location of the OGX discovery suggests lower extraction costs than an offshore field. But on the other hand its distance to Brazil's national gas grid would require heavy investment in interconnection.

According to Ruaraidh Montgomery, upstream analyst for oil and gas consultants Wood Mackenzie, initial production will likely be used as feedstock for a power plant project being developed by OGX's sister company MPX. "But if OGX manages to find as much gas on its acreage as it is estimating, there will be a need to channel that gas into other uses," he added.

Hence one scenario is eventually making the 7Mm<sup>3</sup>/day Pecém LNG terminal operated by Petrobras in the northeast state of Ceará redundant.

"The discovery is some 800km away from Pecém and with the necessary gas transportation infrastructure could eventually eliminate the need for it," Steuer said.

Pecém's send-out has been less volatile in the dry season than Brazil's other terminal in Guanabara Bay, which is used mainly for peak-shaving (see GLM 19 March 2010). However, one source with knowledge of the matter said replacing the Pecém terminal with baseload gas from Maranhão would be challenging as the demand profile of its associated gas-fired power generation infrastructure varies not only with seasonality, but also on each day of the season. "Because of this, there will always be a need for peak-shaving LNG in this region," the source said.

Petrobras declined to comment on the possibility of moving the 128,000m<sup>3</sup> Golar Spirit Floating Storage and Regasification Unit berthed at Pecém on a 10-year charter into another point in Brazil or elsewhere.