

Implications of COVID19 and oil price war on LATAM oil and gas activities

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Contents

- General Overview LATAM
- Focus on
 - Brazil
 - Mexico
 - Argentina
 - Colombia
 - Ecuador
 - Peru



Overview – LATAM

- Strict quarantine measures except Brazil and Mexico –impact in operations
- Poor health systems around the region unable to sustain COVID 19 cases
- US shale – biggest impact
- Reduction in capex for NOCs and others operating in the region
- Greatest impact to affect oil field service providers
- Dependence of economy on oil, financial situation of NOCs and other upstream producers and profitability of plays

Brazil

- January 2020 – 4 million bpd – expected to grow to 8 million bpd
- Aggressive regulatory changes to promote foreign investment
 - Amendment Pre-salt law – Petrobras
 - Local content – reduction by 50% on future E&P contracts
 - Multi-year bid calendar
 - REPETRO extended until 2040
 - Permanent offer of areas
 - Assignment of rights – Petrobras
 - REATE 2020 – revitalization onshore areas

Brazil

- Flexible regulatory system – currently making additional revisions
- Petrobras- well positioned to navigate current situation
- Pre-salt – exceptional play
- 2020 oil auctions delayed
- Petrobras continues with tenders – services – FPSOs
- **Conclusion**
 - Pre-salt projects to continue
 - Potential delays in onshore projects

Mexico

- 2013 Energy Reform – successful award of 107 E&P contracts
- December 2018 – AMLO becomes President
 - Suspension of Oil Rounds 3.2 and 3.3. for E&P contracts scheduled for February 2019
 - Validity of all E&P contracts – confirmed
 - No further E&P contracts – only service contracts
- Majority of E&P contracts under exploration phase - minor impact
- Development operations on stand-by
 - Zama unification controversy

Mexico

- PEMEX – AMLO's goal to make it strong again
 - 2019 net losses - \$35 billion / 2020 Q1 losses - \$23.6 billion
 - Reduction of tax liabilities
- Major impact on oil service providers with PEMEX contracts
- Discoveries
 - Zama – 670 million barrels
 - Saasken – 200 – 300 million barrels
 - Polok – and Chinwol – 200 and 150 million barrels

Argentina

- Deep economic crisis pre-COVID 19
- Strict quarantine measures – travel
- YPF withdrawing investment forecast of \$2.8 billion
- Offshore tender in 2019 – long exploration programs
- Greatest impact – Vaca Muerta
 - In April YPF shut down operations in Loma Campana
 - Potential new legislation for LNG export project – on hold
- 15 point plan – Barril Criollo \$45/b – flexible export tax scheme

Colombia

- 2019 - Permanent Bidding Process - 31 new E&P contracts.
 - To start development in 2020/2021 – will most likely be delayed
- Colombia is a diversified economy so oil and gas impact will probably be less than other countries in the region
- Ecopetrol well positioned to navigate the downturn
 - Reduced capex but 80% will go to upstream
 - CENIT – transport co. reduced tariffs
 - Delayed projects to begin fracking

Ecuador

- Difficult economic situation – under IMF program 2019- \$4,2 billion loan – 3 year economic program to release additional \$6 million from other multilaterals – political opposition to measures – riots in Oct. 2019
- emergency financial assistance under the Rapid Financing Instrument (RFI) of about US\$643 million
- Maintained tender for award of contract for operations of Las Esmeraldas refinery in Q2 2020
- Petroecuador had to suspend deliveries of crude in April due to rupture in Sistema de Oleoducto Transecuatoriano – producers had to declare FM and production was shut down

Peru

- Peru well positioned due to public finance restructuring
- Implemented early containment measures - \$26 billion economic aid package – 12% of GDP
- Reduction in capex – impact on oil field service providers
- Shutdown of Northern Oil Pipeline – impact on producers – shut down of operations due to lack of storage
- Opening up of country starts with oil and gas and mining activities.

Others

- Venezuela
 - PDVSA – proposes restructuring opening up private participation
 - New Hydrocarbons Law under discussion in National Assembly – opens oil and gas activities to private local and foreign investment
- Guyana
 - Elections on 2 March 2020 – no firm decision yet
 - Opposition questions XOM favourable conditions of E&P contract
 - Estimated 6 billion barrels in reserves

QUESTIONS?

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