

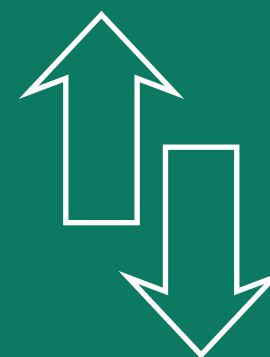


On September 1st, 2020, the House of Representatives approved Bill of Law No. 6,407/2013 as per the substitute text approved by the Mines and Energy Commission ("New Gas Bill"), which intends to establish the foundations for the development of a liquid and competitive gas market. The Bill will now be subject the Senate's analysis. In this context, we have listed below the main innovations brought by the New Gas Bill below.



### **Full ownership unbundling:**

The New Gas Bill imposes the full ownership unbundling obligations to the transport system operator ("TSO"), and that such ownership independence from any other players of the gas value chain shall be certified by the National Agency of Petroleum and Natural Gas ("ANP"). The New Gas Bill prevents any direct or indirect controlling or affiliation relations between TSOs and companies or consortiums of companies that operate or perform activities of exploration, development, production, importation, carrier and sale of natural gas.



### **Entry-exit regime**

The New Gas Bill implement the entry-exit regime as a rule for the allocation of transport capacity. This model ensures more flexibility in the usage of the transportation infrastructure by the market, allowing the usage the natural gas transportation service by a greater number of players and perfecting market liquidity.



### **Open access to essential infrastructure**

Differently from the provisions of Law No. 11.909/2009, currently in effect regulating gas market in Brazil, the New Gas Bill ensures non-discriminatory and negotiated access by interested third parties to the essential natural gas infrastructure, which includes gathering pipelines, gas processing units and LNG terminals, as well as underground storage facilities. The New Gas Bill also provides that the owner shall have preference rights in using their own infrastructure.



### **Transportation and storage activities subject to authorization**

The New Gas Bill sets forth that the activity of natural gas transportation (covering the construction, expansion, operation and maintenance of facilities), as well as the underground storage will be performed by means of the authorization regime. The substitution of the current regime (i.e. concession) by the authorization is intended to reduce the bureaucracy inherent to the process of concessions granting and, as a consequence, to attract new infrastructure-related investments to both sectors.



### **Transportation pipelines classification**

The New Gas Bill sets forth more complete definitions for labelling pipelines, granting a broader legal certainty to investments in the sector.

## Mechanisms to stimulate efficiency, competitiveness and the reduction of offer centralisation

The New Gas Bill assigns to ANP the responsibility for elaborating and implementing mechanisms intended to prevent market conditions favourable to infractions against the economic order, which may include:



measures to enable offer decentralisation and mandatory assignment of transportation capacity, gathering and processing capacity;



natural gas sales programme in which sellers that hold large stakes may be obliged to sell, by means of bids, part of the volumes they own; and



restrictions to the sale of natural gas between producers in the production areas.

The New Gas Bill also assigns the ANP the power and duty of regulating multiple relevant aspects, including:

- Rules for the certification of full ownership unbundling.
- Rules and procedures for the granting of authorizations for the activities of transportation and underground storage.
- Rules for the open access to essential facilities.
- Transportation pipelines technical classification based on the diameter and pressure of the pipelines.
- Organization and regulation of the transportation network in different natural gas transportation systems.
- Reviewing of the regulation the entry-exit capacity-contracting model.
- Rules regarding the natural gas organized market and the standardization of sales and purchase agreements.
- Approval of rules that enable the harmonization of the natural gas transportation system by means of network codes, which shall include rules for the network balancing; decongestion; transference of income and information between the TSOs).
- Mechanisms of offer decentralization, such as assignment of transportation, production gathering and gas processing capacity, as well as natural gas sales programmes.
- Regulation of mechanisms of contingency in natural gas supply.