



CESCON
BARRIEU

NATURAL GAS IN BRAZIL

Current Market & Legal Overview

SEPTEMBER 2026

SUMMARY

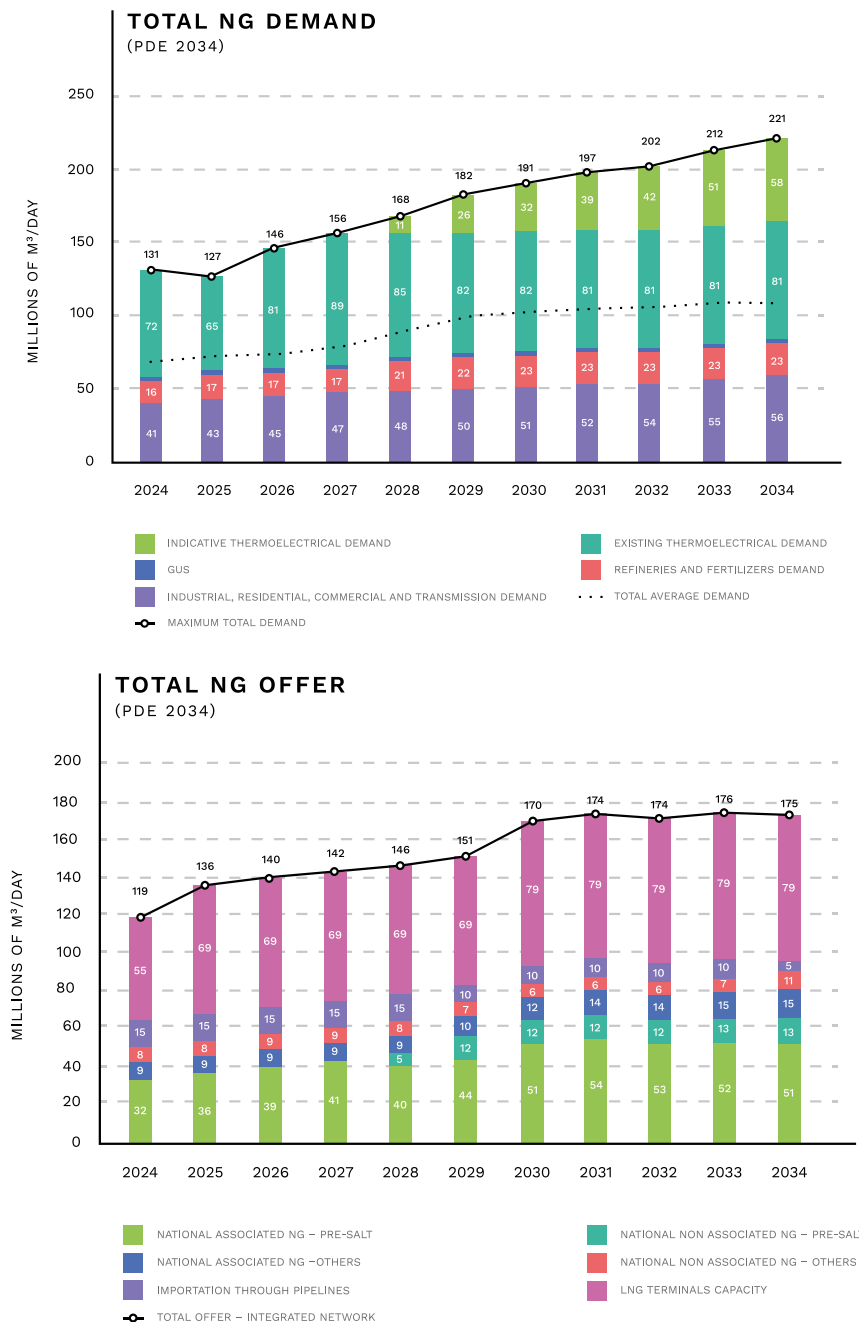
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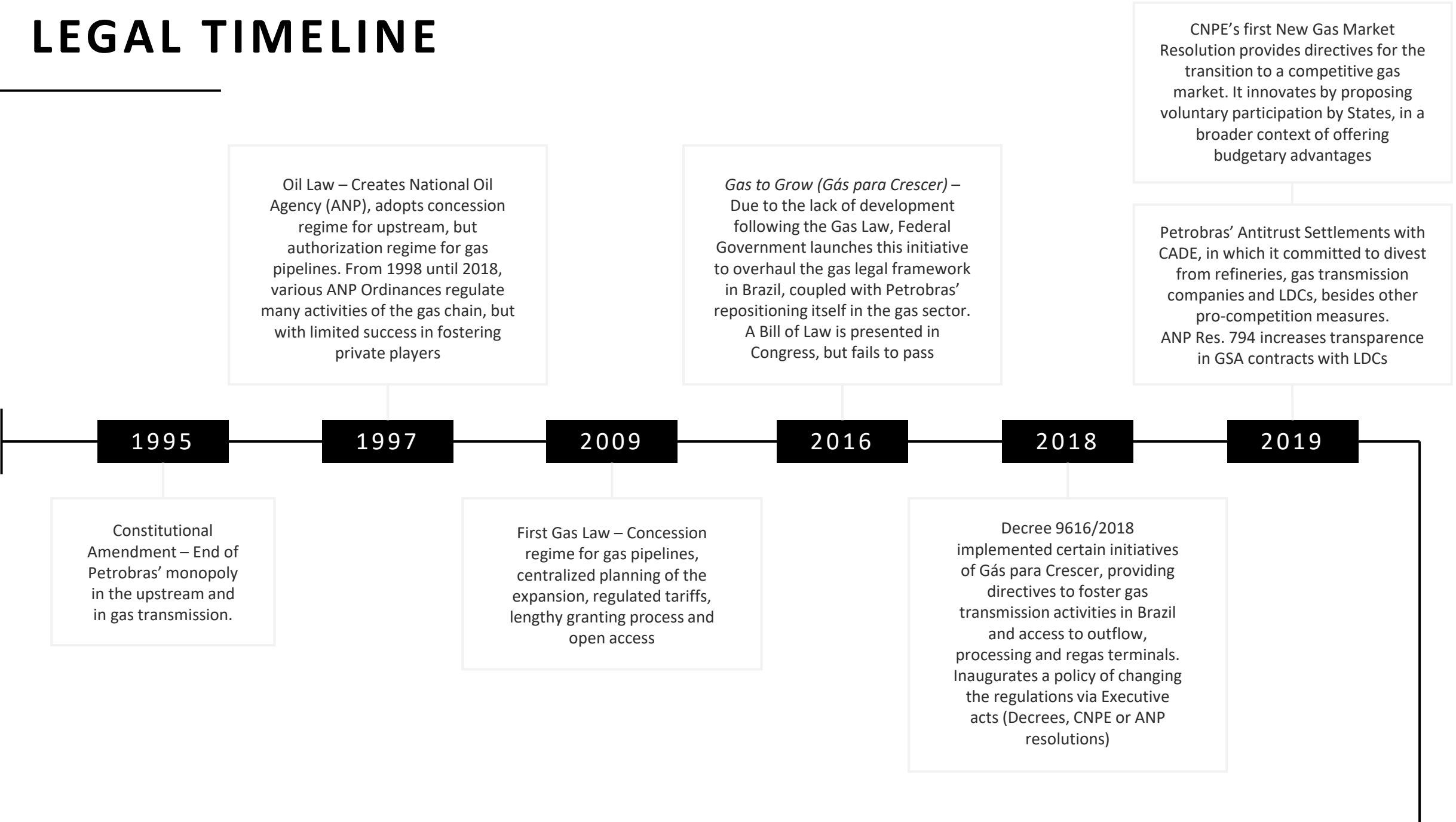
INTRODUCTION

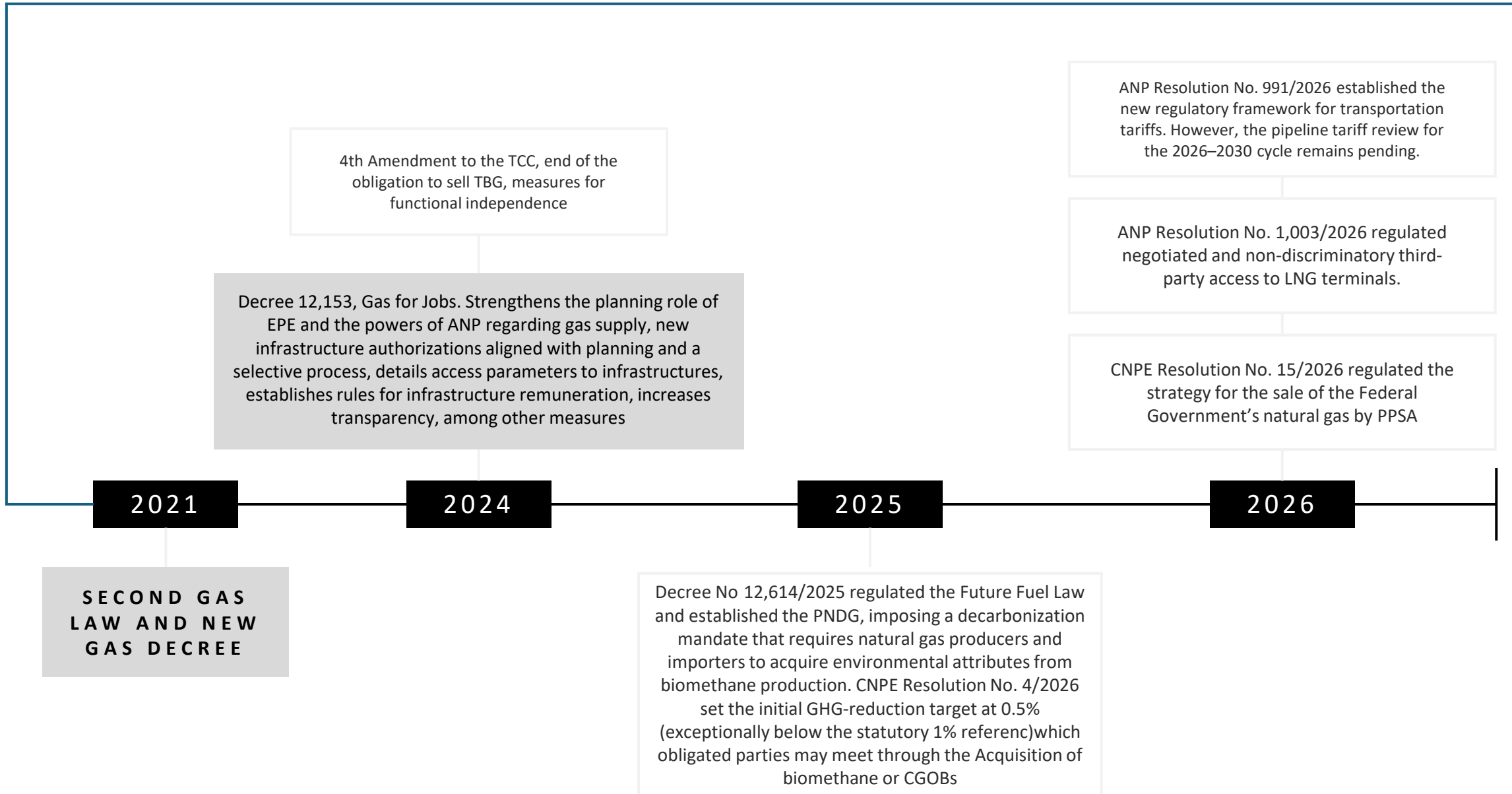
CONTEXT & PERSPECTIVE

- The Brazilian natural gas market is undergoing a period of structural transformation, marked by ongoing ANP regulatory initiatives, legal disputes over the boundary between transmission and distribution, transmission tariff review processes, the rapid expansion of biomethane and debates regarding access to essential facilities
- This process takes place in a global environment characterized by geopolitical volatility, expansion of the LNG market, reconfiguration of international supply routes, and growing pressure for decarbonization
- On the supply side, domestic production from the pre-salt areas, the Raia field, and the Sergipe Deep Waters Project (SEAP) is expected to expand, while LNG imports (offering flexibility and energy security) and new regional integration opportunities, particularly with Argentina's Vaca Muerta, may diversify supply sources. At the same time, the renegotiation of Bolivian supply arrangements and gas release initiatives are expected to reshape market dynamics and enhance liquidity
- Gas-fired power plants signal potential demand growth, particularly in light of projects contracted under the LRCAP bid round, although industrial consumption is expected to remain the main driver of market expansion



LEGAL TIMELINE

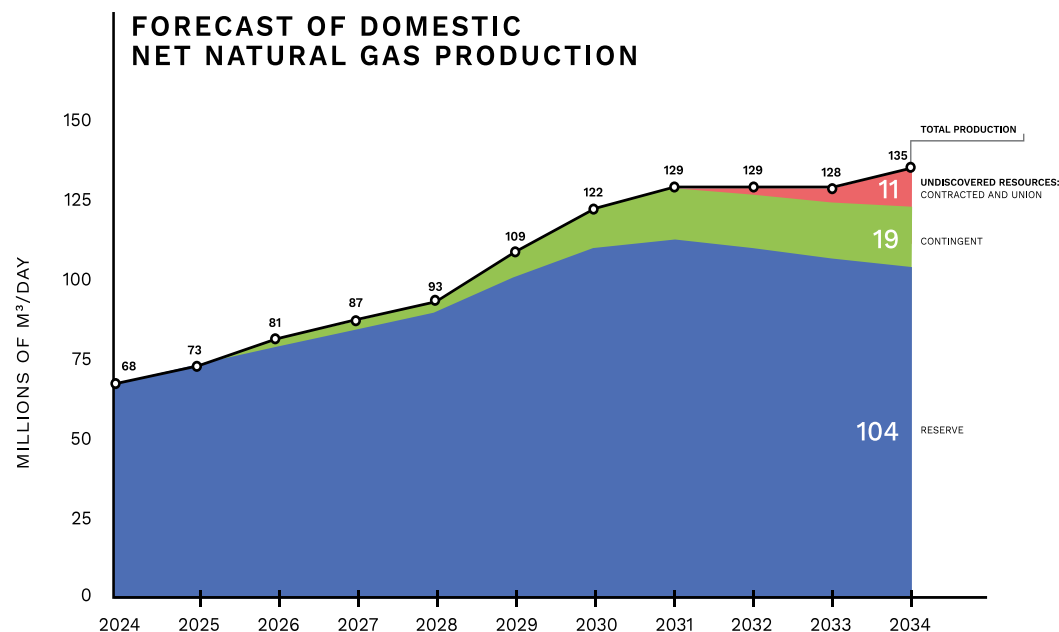






PRODUCTION

PRODUCTION



SOURCE: PREPARED BY EPE

NG PRODUCTION

PROJECTED GROWTH IN NATIONAL PRODUCTION

- Brazil's net natural gas production is projected to increase by nearly 100% from 2024 to 2034, rising from 68 to 134 million m³/day
- The vast majority of gross (96%) and net (98%) natural gas production comes from Discovered Resources (DR)
- The pre-salt will remain the main source, accounting for about 80% of gross production and 60% of net production in 2034

REGIONAL PROSPECTS

- There will be a sharp increase in supply on the integrated pipeline grid starting in 2029, driven by expected significant output from the post-salt in the SEAL Basin, in addition to the pre-salt in the Campos and Santos Basins
- The potential national supply on the integrated grid will be concentrated in the Southeast states (RJ, SP, and ES), representing 72% in 2024 and 67% in 2034. Rio de Janeiro will see a significant increase in supply in 2029 due to the Raia project (start-up in 2028)
- In the Northeast (SE, BA, RN, AL, and MA), supply will nearly double, from 14% in 2024 to 26% in 2034, with Sergipe standing out from 2029 onward (SEAP project)

LOGISTICAL IMPACTS

- The reduction in Bolivian gas imports may lead to greater transfers of domestic gas from the Southeast grid to the Central-West/SP/South, requiring infrastructure expansions in the Southeast grid and encouraging LNG use in the South

PRODUCTION

FUTURE SUPPLY PROJECTS*



REPETRO-SPED

- A special tax regime applicable to oil and natural gas exploration, development, and production activities in Brazil, in force through December 31, 2040. It was regulated by Federal Revenue Normative Instruction (IN) RFB) No. 1,781/2017. This especial regime reduces CAPEX for E&P activities
- IN RFB No. 1,880/2019 eliminated the requirement to provide a guarantee for taxes levied on goods imported under the REPETRO-SPED regime
- Please note that Brazil is undergoing a **Tax Reform** that will eliminate the following taxes: PIS, COFINS, IPI, ICMS, and ISS. These will be replaced by two new taxes: IBS and CBS. The REPETRO-SPED regime will be maintained under the new system, following the same model currently in place as outlined below.

Main Modalities and Benefits

- Definitive Importation: suspends Import Duty (II), Tax on industrialized products (IPI), and PIS/COFINS. After five years, the suspension converts into exemption (II and IPI) and a zero rate (PIS and COFINS)
- Temporary Admission: allows the temporary stay of goods in the country with suspension of federal taxes (II, IPI, PIS, and COFINS)

REPETRO-Industrialization

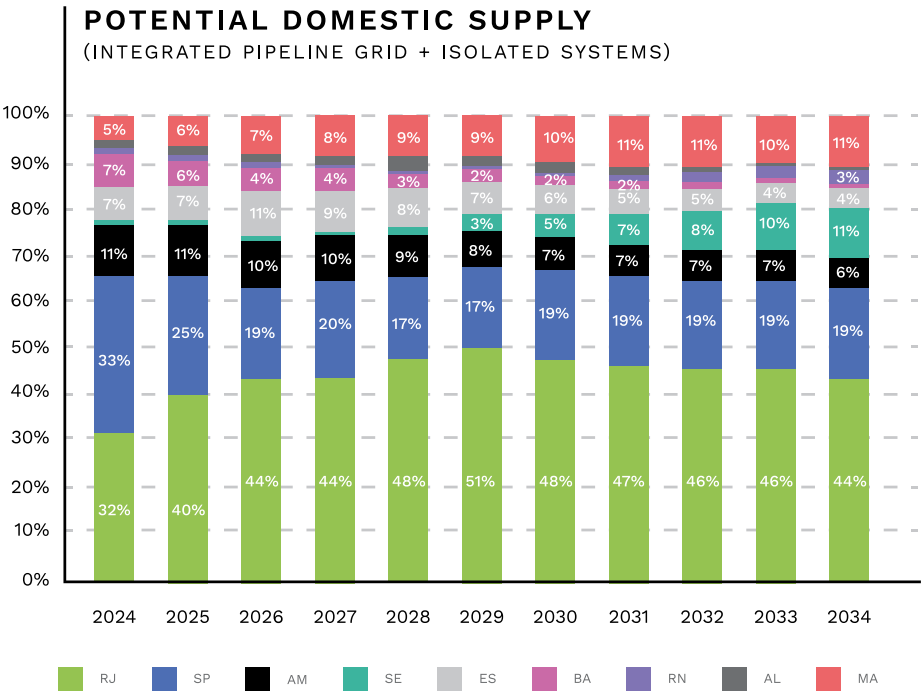
- Extends REPETRO-SPED relief to the domestic natural gas production chain. It is regulated by IN RFB No. 1,901/2019
- Suspends federal taxes (PIS, COFINS, IPI, II) on the import or domestic acquisition of raw materials, intermediate products, and packaging materials used to manufacture final goods for oil and gas E&P activities. The suspension converts into a zero rate or exemption upon the product's final destination

REPETRO-SPED - Recent Changes - Inclusion of Offloading Pipelines

- IN RFB No. 2,274/2025, published on August 6, 2025, expressly included pipes and tubes used to build natural-gas offloading pipelines within REPETRO-SPED
- The rule clarifies that pipelines connecting development and production facilities to treatment, processing, liquefaction, conditioning, or storage units fall under REPETRO-SPED. With this change, they may enjoy the regime's fiscal and customs benefits even when they extend beyond the geographic boundaries of E&P contracts

*Future in relation to start of operations. Projects studied in the Indicative Plans are not included.

PRODUCTION



STATE TAXES UNDER REPETRO-SPED

Interstate ICMS Agreement No. 3/2018 authorizes states to

- Reduce the ICMS tax base so that the effective burden equals 3% on imports and domestic acquisitions of “permanent goods”
- Grant ICMS exemption on imports of “temporary goods,” provided they are owned by a party domiciled abroad and imported without foreign-exchange coverage
- Grant ICMS exemption on deemed exports and local sales of “temporary” or “permanent” goods manufactured in Brazil, as well as on prior (upstream) transactions in the domestic supply chain

REIDI

- This tax incentive suspends the payment of PIS and COFINS on both imports and domestic acquisitions of services, new machinery, and equipment intended for infrastructure projects in sectors considered strategic for Brazil
- Among these sectors is energy, which includes not only the production of non-associated natural gas, but also the construction of gas pipelines and the processing of natural gas, regardless of its physical state
- In 2023, Ordinance MME No. 65/2023 expanded the scope of REIDI to cover LNG liquefaction and regasification projects
- This incentive is valid for five years, starting from the date the project is approved by both the Ministry of Mines and Energy and the Federal Revenue Service. It applies to CAPEX registered as fixed assets related to the approved project and incurred during the construction phase. Once the legal requirements are met, the suspension is converted into a zero tax rate
- It is important to note that REIDI does not cover PIS/COFINS on financial revenues or operational expenses (OPEX)
- Just like REPETRO, the REIDI regime will be maintained under the new tax reform, with the same considerations applying to both IBS and CBS

PRODUCTION



ROYALTIES AND SPECIAL PARTICIPATION (PE)

- Royalties: financial compensation owed by oil and natural gas producers, representing the appropriation of income from the exploitation of a non-renewable natural resource
 - For concession contracts: the basic royalty rate is 10% of the value of production, which the ANP may reduce to a minimum of 5%
 - For production sharing contracts: the royalty rate is 15% of the value of production
- Special Participation (PE)
 - Established by the Oil Law, PE is an extraordinary financial compensation owed quarterly by oil and gas production concessionaires (not in production sharing contracts) in cases of high production volumes or high field profitability
 - The PE tax base is the net revenue from the field's production, allowing deductions for the signature bonus, royalties, exploration investments (discovery costs), operating costs, depreciation of investments, and taxes and social contributions on sales

GAS FLARED DURING PRODUCTION

- Flaring is forbidden beyond the volumes annually authorized by the ANP in the Annual Production Program (PAP). Any flaring outside those limits is subject to royalties
- For Special Participation (PE), volumes of natural gas consumed internally and flared (to the detriment of commercialization) must be included in the calculation base



OFFLOADING AND PROCESSING

OFFLOADING AND PROCESSING



AUTHORIZATION

- Construction and operation - subject to ANP authorization
- The ANP will grant authorizations for infrastructures listed in the Integrated Plan prepared by EPE through a public selection process to choose the most advantageous project, ensuring fair and appropriate remuneration for the activity. Authorizations for infrastructures outside the Plan are allowed if they are compatible with sectoral planning and do not hinder the efficient and shared use of existing infrastructure (EPE may be consulted). If an authorization request is made for an infrastructure in the Plan before the public selection process, a challenge period will be opened for other interested parties to express their interest

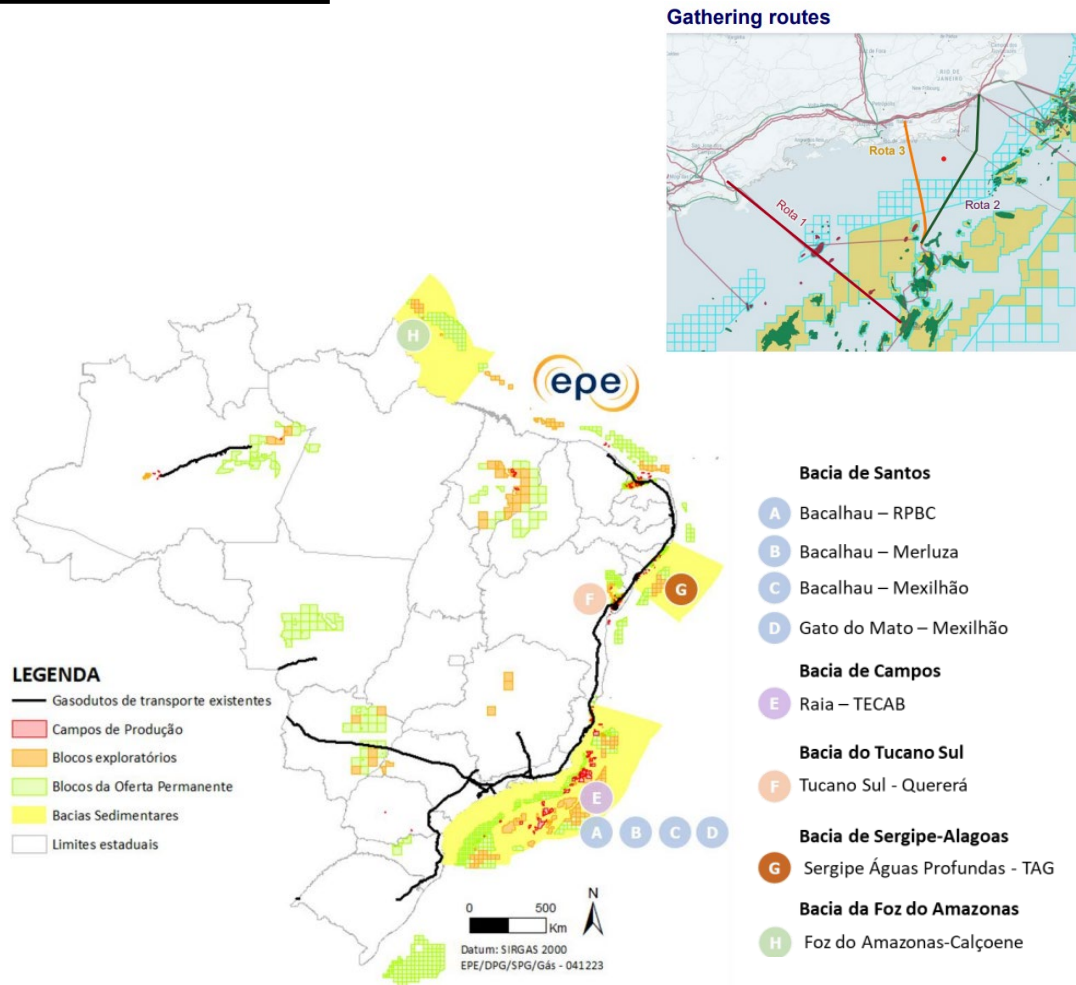
3RD PARTY ACCESS *(Draft Resolution under Public Consultation)*

- Negotiated, non-discriminatory and transparent third-party access, with access requests denied only on justified technical grounds
- Owner's preferential capacity rights remain, but are subject to ANP review and gradual reduction over time to prevent foreclosure of third-party access
- ANP may intervene in access disputes and impose binding access conditions where anti-competitive conduct or market power concerns are identified

REMUNERATION

- Shall be defined through an agreement between the parties. This agreement shall be based on objective, pre-established, and publicly disclosed criteria, as set out in the applicable code of conduct and infrastructure access practices
- Fair and adequate remuneration refers to achieving the minimum return expected by the investor to recover the capital invested in the infrastructure, adjusted for inflation and amortized over time. The calculation shall minimize the impact on consumer prices, ensuring the fair distribution of benefits among market participants, society, consumers, and users of goods and services in the natural gas industry

OFFLOADING AND PROCESSING



OFFLOADING PIPELINES

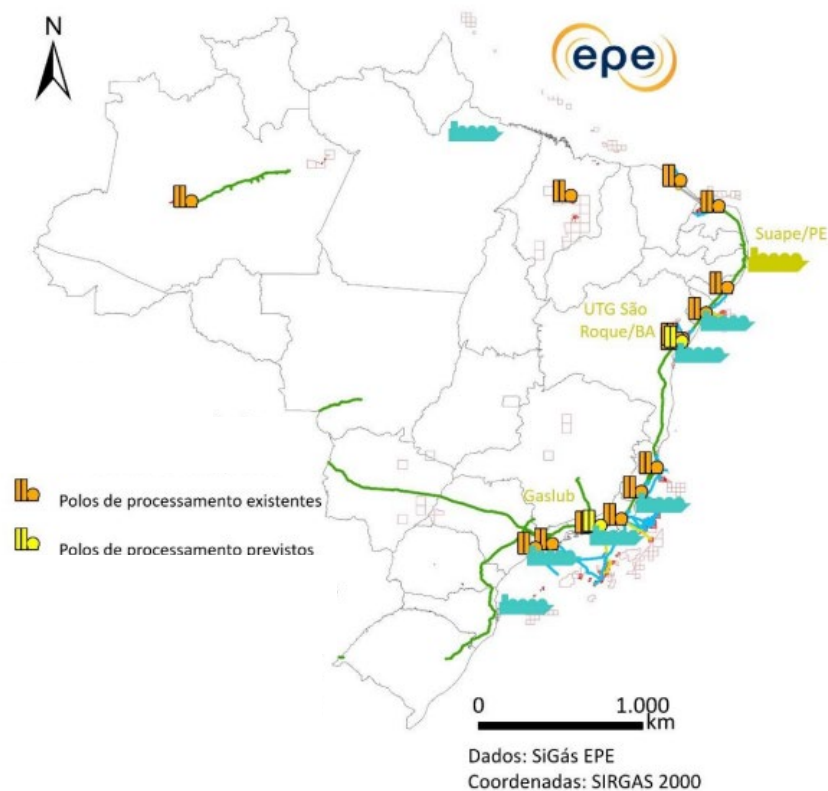
NEW OFFLOADING PIPELINES (SOURCE: PDE 2034)

- Rota 3 started operations in 2024 (18 MMm³/day from key pre-salt areas, including Búzios, Atapu, Sépia and Itapu);
- Raia - TECAB (16 MMm³/day) to start operations in 2028 (NG to be processed in the platform. Primary driver of growth in the Campos Basin)

OTHER POSSIBLE NEW OFFLOADING PIPELINES (SOURCE: EPE – PIPE 2023)

- Sergipe Deep Waters (18 MMm³/day) to start operations in 2029 (NG to be processed in the platform);
- Bacalhau field to a processing plant near RPBC (5 MMm³/day);
- Bacalhau field to Merluza-Cubatão pipeline (5 MMm³/day);
- Bacalhau field to Mexilhão – UTGA pipeline (5 MMm³/day);
- Gato do Mato field to Mexilhão – UTGA pipeline (8.5 MMm³/day);
- Tucano Grande e Tucano Grande Sul (TUC-T-139 e TUC-T-147) fields to a new processing plant in Quererá; and
- Block FZA-M-59 to a new processing plant in Calçoene/AP

OFFLOADING AND PROCESSING



PROCESSING PLANTS

NG PROCESSING AND TREATMENT PLANTS CURRENTLY OWNED BY PETROBRAS

- Cabiúnas Processing Plant (UTGCAB) (25.16 millions of m³/day)
- Caraguatatuba Processing Plant (UTGCA) (20 million of m³/day)
- Cacimbas Processing Plant (UTGC) (18.1 million of m³/day)
- Sul Capixaba Processing Plant (UTGSUL) (2.5 million of m³/day)
- Catu Gas Treatment Plant (UTG Catu) (2 million of m³/day)
- Itaboraí Processing Plant (UTCITB) (21 million of m³/day) (in operation since 2024)
- Urucu Processing Plant (12.2 million m³/day)

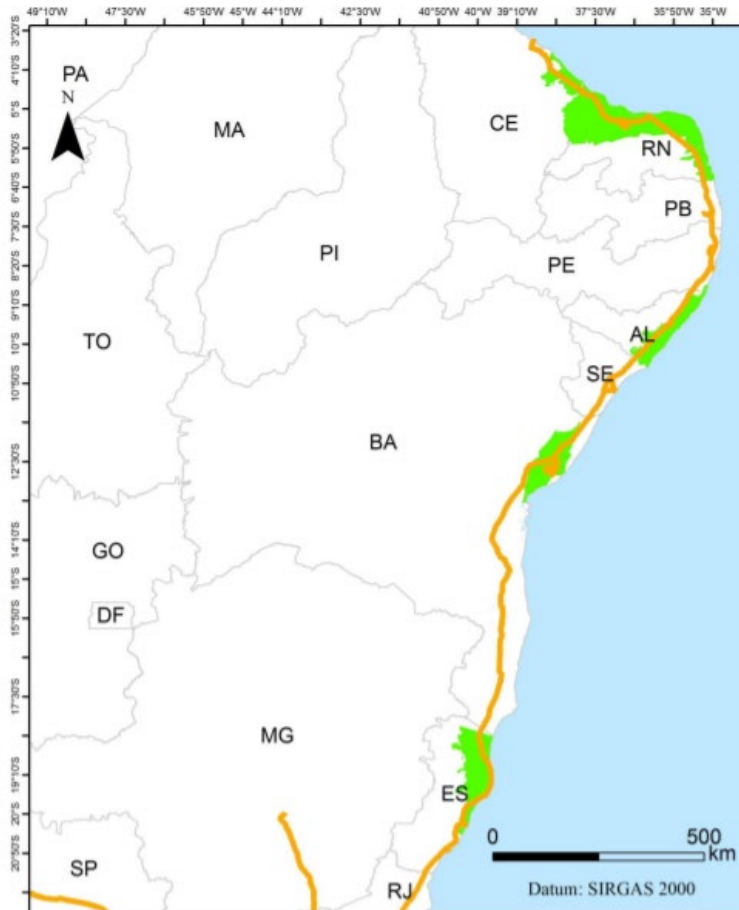
NG PROCESSING AND TREATMENT PLANTS CURRENTLY OWNED BY OTHER PLAYERS

- Pilar Processing Plant (Origem) (1.8 million m³/day)
- Caburé Processing Plant (Alvopetro) (500,000 m³/day) – ongoing expansion to 1 million m³/day
- Parnaíba Gas Treatment Plant (Eneva) (600,000 m³/day)
- Azulão Gas Treatment Plant (Eneva)
- Guamaré I, II e III Processing Plants (I owned by Petroreconcavo; II e III 50% - 50% partnership between Brava and Petroreconcavo) (3 million m³/day)
- São Roque Treatment Plant (Petroreconcavo) (400,000 m³/d) (in operation since 2024)
- Miranga Processing Plant (Petroreconcavo) (950,000 m³/d) (recently approved by the EPE)



UNDERGROUND STORAGE

UNDERGROUND STORAGE



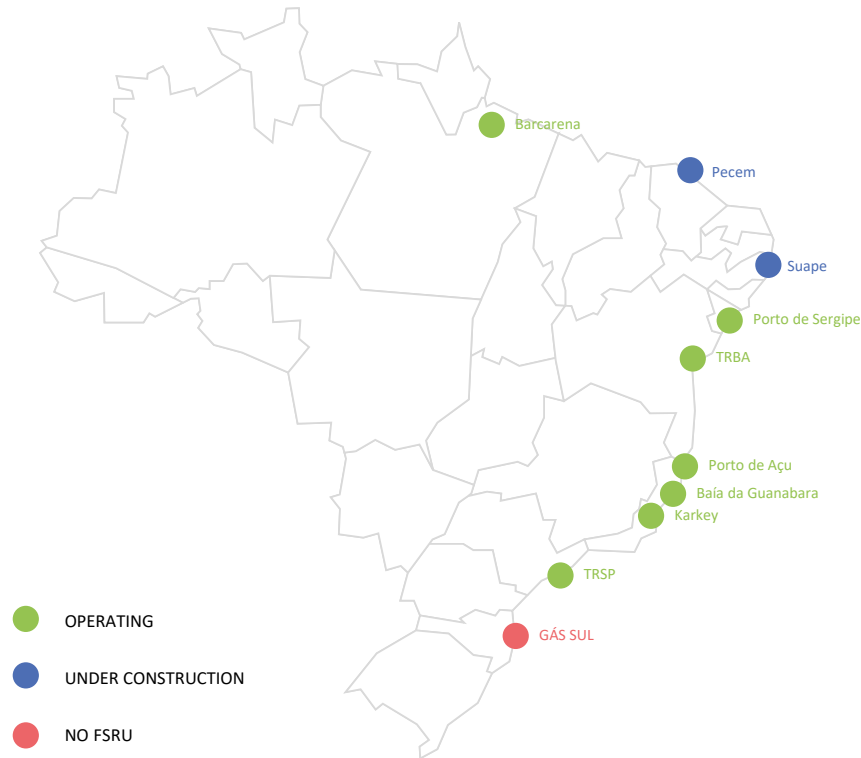
- Underground Storage is an alternative to ensure the security of the natural gas supply and guarantee flexibility in times of peak demand, allowing for better planning and control of the activities of the natural gas chain
- Areas potentially favorable for underground gas storage in Brazil include **depleted fields in northeast**, such as the **Campo de Santana** and **Manati (Bahia)** and **Pilar (Alagoas)**, and **depleted fields in the Southeast Region (Merluza)**, closer to the demand of natural gas and electricity
- Storage services may provide gas balancing to the transmission sector as well as improve the safety of thermoelectrical energy supply
- **Second Gas Law provides for authorization, with no need of public bidding.** ANP shall define the geological structures, grant the storage authorizations and define the third-party access holiday, but Decree 12,153/2024 (Gas for Jobs) establishes that ANP must follow the Integrated Plan prepared by EPE
- Storage facilities can also be authorized in a Development Plan for an E&P concession. Thus, the draft authorization for the storage project in the Pilar field (Origem Energia Alagoas S.A.) was approved, with technical conditions for the project's effective release.
- ANP will make available data on potential storage areas and shall authorize non-exclusive research to obtain additional data (which information shall be shared with ANP). In 2026, **Resolution No. 889/2022** shall be updated to include specific rules and procedures for authorizing the acquisition of non-exclusive technical data through well drilling in non-contracted areas.
- Areas subject to third-party access to be provided by the ANP regulation and fair and adequate remuneration (Gas for Jobs), but ANP will define the period during which third-party access will not be mandatory (Second Gas Law)



LNG TERMINALS

LNG TERMINALS

REGAS TERMINALS



- There are 7 LNG terminals in operation in Brazil:
 - Terminal Gás Sul/SC (TGS) (15 MMm³/day) - owned by NFE and leased to J&F (through MGAS).
 - Barcarena/PA (15 MMm³/day, operated by NFE)
 - Terminal de Regaseificação de São Paulo (TRSP) (14 MMm³/day, operated by Edge)
 - Porto do Açu/RJ (21 MMm³/day, operated by GNA)
 - Porto de Sergipe/SE (21 MMm³/d, operated by Eneva)
 - Baía de Guanabara/RJ (20 MMm³/day, operated by Petrobras)
 - Baía de Todos os Santos/BA (20 MMm³/day, operated by Petrobras)
- Suape/PE terminal is expected to begin operations in 2026 (14 MMm³/day, to be operated by Oncorp), and will be connected to: (i) the TAG pipeline network; (ii) Termopernambuco thermal plant (Neoenergia); and (iii) meet the demand from the LDC Copergás
- The Gas Law requires ANP authorization for the construction and operation of LNG/Regas terminals
- Clarifications from ANTAQ: LNG terminals are considered support facilities for waterway transport or part of terminals if the power plant is located near the coast
- The “Gas for Jobs” program introduced general rules on essential facilities. In addition to the above, requires the provision of technical and economic information, and economic parameters to be made public

LNG TERMINALS



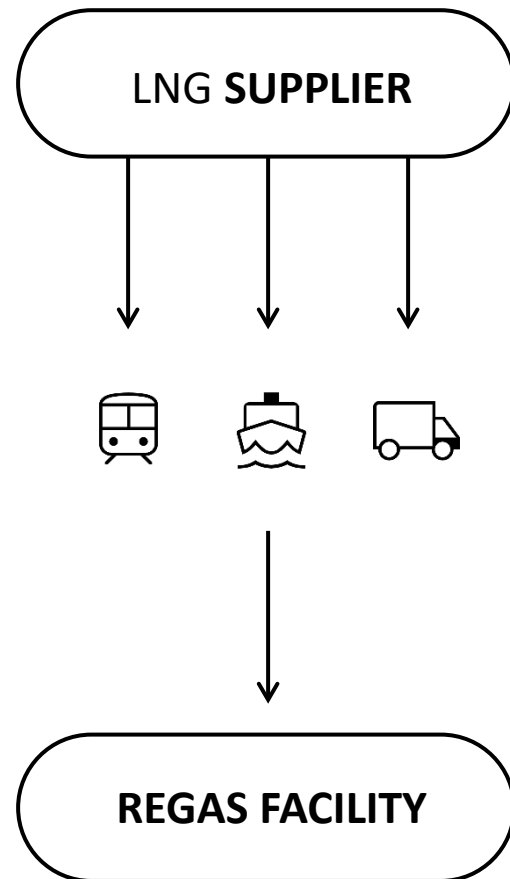
ANP Resolution No. 1,003/2026 — Third-Party Access to LNG Terminals

- **Scope:** Regulates non-discriminatory, negotiated third-party access to LNG terminals via good-faith voluntary commercial agreements
- **Transparency & products:** Access is granted for remuneration on objective, transparent, non-discriminatory terms under the New Gas Law (Law 14,134/2021), offering integrated and unbundled, firm and interruptible products (annual, quarterly, monthly), with capacity and contracting data published on a public electronic platform
- **Owner's preference:** Owner may reserve firm capacity for its own products but cannot use it to create contractual congestion, block third parties, or benefit third parties. Preference declines over time (up to 100% for new/expanded capacity in years 1–10, reaching zero after 30 years), is reviewed every 5 years, and may be waived with notice to ANP
- **Request & negotiation process:** Operator must respond in writing within 7 business days and conclude negotiations within 30 days on non-discriminatory terms; disputes go to ANP, and refusal is allowed only on proven technical incompatibility
- **Contracts, conduct & competition:** Terminal-use contracts capped at 15 Years. A code of conduct must be submitted to ANP within 90 days. Vertically integrated owners must keep separate accounts and monthly disclose owner-preference and affiliate capacity usage to prevent cross-subsidies and distortions
- **Interconnection:** Interconnection with transmission pipelines is mandatory (ANP may deny authorization otherwise)
- **Transition:** Pre-existing user contracts must be filed with ANP within 60 days, with up to 90 additional days to make required adjustments



SMALL
SCALE LNG

SMALL SCALE LNG

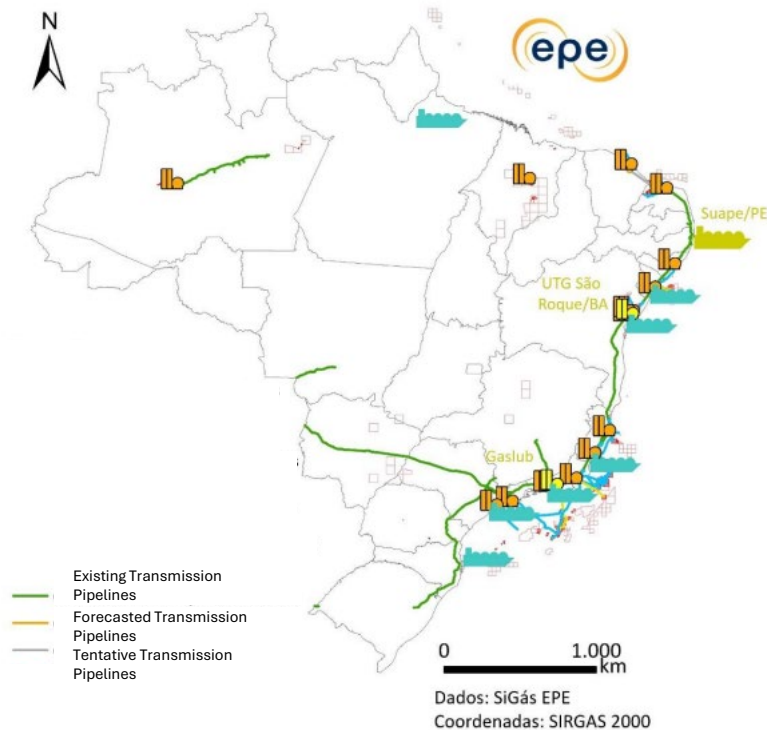


- LNG small scale distribution activity is subject to ANP authorization
- Opportunities:
 - LNG as an alternative fuel for vehicles (trucks) and vessels (IMO 2030 decarbonization target)
 - Use as fuel for thermoelectric power generation (e.g.: UTE Trombudo/SC, winner of the 2021 Capacity Reserve Auction, with 28 MW, will be supplied with LNG received at the Port of Navegantes/SC and transported by truck to the power plant, scheduled to start operations in 2026)
 - Expansion of LNG as an alternative to diesel and LPG through the development of blue corridors (e.g.: Eneva, Scania and Virtu GNL signed agreements to develop an LNG-powered truck corridor in the North and Northeast regions)
 - Development of new logistic routes using alternative modes (waterway and railway)
 - Utilization of Brazilian onshore gas production in the North and Northeast regions to expand inland gas supply in areas without pipeline infrastructure
 - Utilization of imported LNG from terminals to expand inland gas supply (e.g.: Compass intends to sell LNG from TRSP, at the Port of Santos/SP, to business clients in the countryside)
 - Gas distributors purchasing LNG as an alternative supply source
- Compressed Natural Gas Projects use substantially the same legal structure. This model enables access to remote or underserved markets
- Biogas distribution typically also relies on trucks and compressed or liquefied gas solutions, providing greater flexibility to reach off-grid customers and markets not served by pipeline infrastructure



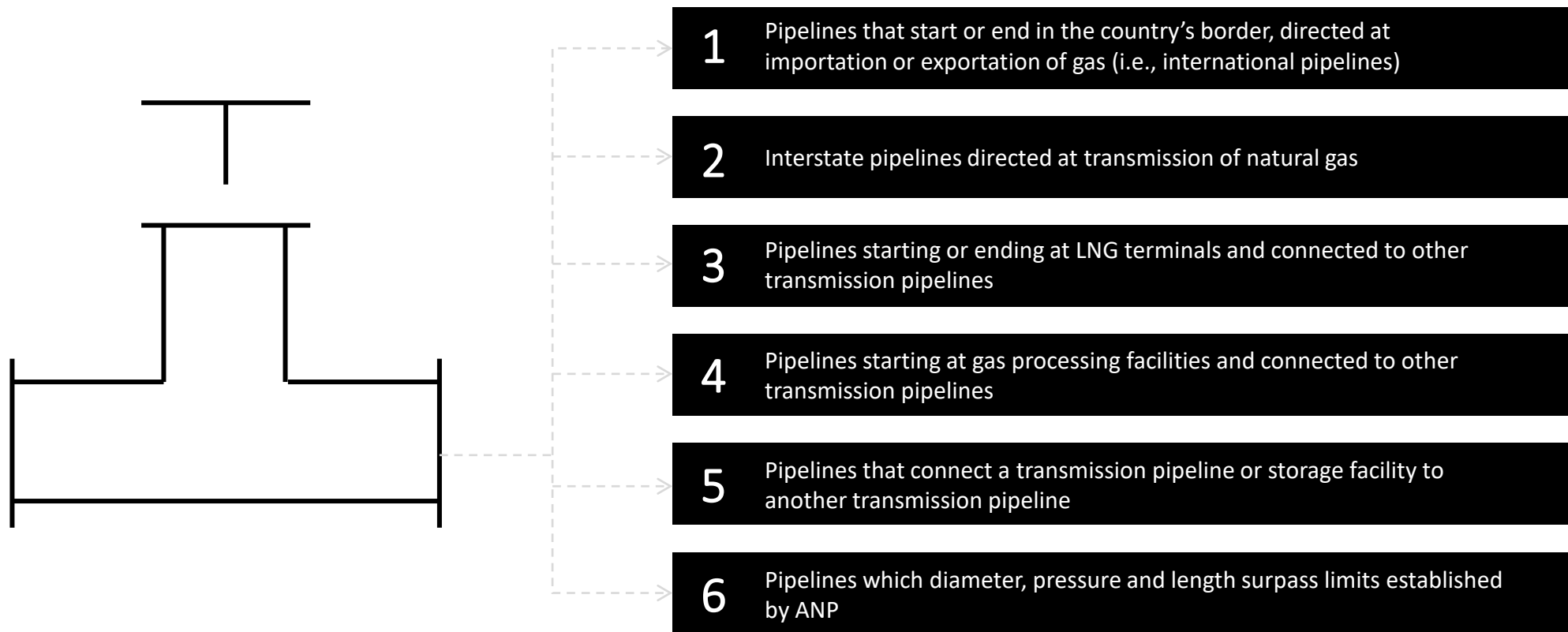
TRANSMISSION

TRANSMISSION



- The activity of NG transmission must be carried out under an authorization regime (simpler than the concession model previously adopted), covering the construction, expansion, operation, and maintenance of facilities, but Decree 12,153/2024 (Gas for Jobs) establishes that ANP must follow the Integrated Plan prepared by EPE
- The granting of authorization for transmission activities involving the construction or expansion of gas pipelines must be preceded by a public call
- The transporter must build, expand, operate, and maintain the transport pipelines with independence and autonomy from agents engaged in competitive activities in the natural gas industry
- Natural gas transmission services are offered under an entry-exit capacity contracting regime, and the entry and exit of natural gas can be contracted independently of each other
- The Gas Law also provides for the use of virtual platforms where purchase, sale, and transmission contracts can be executed and negotiated, simplifying transactions
- **Recently built transmission pipelines:** (i) Gasfor II / Horizonte–Caucaia section (6 million m³/day) in 2024; and (ii) connection of the Sergipe Terminal (CT Sergipe) to the TAG network (14 million m³/day) in 2024
- In 2025, the first Coordinated Development Plan proposed 30 transmission projects and approximately R\$37 billion in investments over ten years, subject to ANP approval and market-demand confirmation
- TAG has recently announced that it has presented to EPE a project for a new pipeline in the Northeast region, aimed at overcoming infrastructure bottlenecks between Pernambuco and Ceará – a stretch of approximately 700 kilometers
- NTS and TAG, Brazil's leading gas transmission operators, are controlled by long-term infrastructure investors, whose potential future shareholder rotation may create medium-term M&A opportunities, although no formal divestment process has been announced

TRANSMISSION



Note #1: Existing pipelines that fit only in item #6 are grandfathered

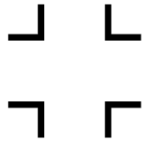
Note #2: Under item #6, the definition of diameter, pressure and length limits for pipelines to be deemed as transmission pipelines shall consider the promotion of global efficiency of networks, and maybe differentiated in accordance with the purpose of the pipeline

Note #3: ANP may not qualify a pipeline as transmission (even if the technical requirements are complied with) in case: (i) does not imply potential impact or conflict with studies of planning and with coordinated plans of development of transmission system, existing or under development; and (ii) its influence is restricted to local interest

Note #4: Pipelines which connect GNC and LNG facilities to other transmission pipelines shall be qualified as transmission pipelines in case technical criteria is complied with, as established by ANP

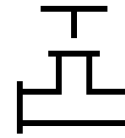
Note #5: Interstate pipelines that connect distribution pipelines may have specific regulation

TRANSMISSION



ENTRY-EXIT MODEL

- The point-to-point and postal model (which created significant limitations for shippers but served Petrobras as the main transporter, shipper, and consumer) was replaced by the entry-exit model as a result of Decree No. 9,616/2018, with tax laws gradually following.
- The Gas Law requires that transmission services be contracted under the entry-exit model to encourage more flexible contracts and create fungible products that can be commoditized.
- It also provides for the use of virtual platforms where purchase, sale, and transmission contracts can be executed and negotiated, simplifying transactions



UNBUNDLING: TRANSPORTERS MUST BE INDEPENDENT AND AUTONOMOUS

- A direct or indirect corporate control or affiliation relationship is prohibited between transporters and companies or consortia of companies that operate or perform functions in E&P, importation, shipping, and commercialization of natural gas. It is also forbidden for individuals responsible for appointing representatives of companies operating in the gas industry to have access to competitively sensitive information or to hold appointment or voting rights to elect representatives of the transporter.
- Existing pipeline transporters that do not comply with these restrictions must obtain an independence certificate within 3 years from the law's enactment (or 2 years after ANP regulates the matter, whichever comes later).
- The TCC led to the divestment of NTS and TAG (full unbundling), and more recently brought rules aimed at ensuring the functional independence of TBG (independent transmission operator).

TRANSMISSION



ALLOWED MAXIMUM REVENUE SYSTEM

- Set by ANP after public consultation, with criteria for adjustments or revisions
- Transporter proposes tariffs, subject to ANP approval
- Revenue not government-guaranteed; transporter bears shippers' credit risk
- New pipelines require pre-existing demand



LEGACY CONTRACTS

- Transport contracts executed prior to the current Gas Law must be adjusted within five years to reflect the new capacity contracting regime. Despite this adjustment, the revenue earned by transporters under these contracts must be preserved, and ANP may, in setting or reviewing transport tariffs, consider compensation for potential losses



CAPACITY OFFERING PORTAL (POC) - KEY FEATURES

The first Brazilian multi-transporter online marketplace created by the three main transporters

- **Unified Access:** Users can register once to access a range of services, including annual extraordinary products, public calls for existing and incremental capacity, and short-term products
- **Marketplace Model:** Inspired by European platforms like Prisma, the POC promotes transparency and flexibility, facilitating free-market negotiations within the gas sector, offering a user-friendly interface
- **Comprehensive Integration:** The platform connects various gas supply sources—such as domestic onshore and offshore production (including the Pre-salt), imports from Bolivia, and LNG terminals—through a network of pipelines spanning states that account for over 90% of Brazil's industrial GDP
- This initiative aims to simplify contracting processes, enhance operational efficiency, and foster a more competitive environment in Brazil's natural gas market

TRANSMISSION



THIRD-PARTY ACCESS – KEY ASPECTS

- ANP regulates and oversees third-party access to transmission pipelines
- ANP may set a grace period which access is not mandatory for new pipelines outside the transmission system
- Public call for firm capacity contracting is no longer mandatory
- ANP may require the release of capacity that cannot be proven to be continuously needed by its holders



TARIFF CONTROVERSIES AND CURRENT REGULATORY DEBATE

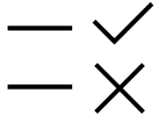
- Transmission tariffs and strategic disconnection have become a significant point of contention between gas shippers, pipeline operators, power generators, and regulators

- **Resolution No. 991/2026** revised the tariff-calculation criteria to align with the New Gas Law (Law No. 14,134/2021), splitting the review into three phases: WACC (approved Dec 2025), BRA valuation, and the RMP/tariff proposals. Originally due to conclude in May 2026, the review has slipped: as of Aug 2026 the BRA methodology and the 2026–2030 RMP remain undefined
- The WACC (Weighted Average Cost of Capital) is the method used to determine the rate of return on remunerable investments made by transportation companies. The WACC for the 2026–2030 cycle was set at 7.63% per year, considered low by the carriers. Because other Legacy Contracts remain in force (expiring 2030–2033, some at ~13.4%), the effective average WACC will remain higher – around 12% for the southeast grid
- For the LRCAP 2026 (Capacity Reserve Auction in the form of Power), ANP set a 15% discount on the exit-capacity tariff for firm contracts of ten years or more, available to any eligible shipper. The auction was held in March and homologated by ANEEL in May 2026, contracting ~19 GW (86% thermoelectric), effective from Aug 2026
- BRA valuation became the review's most contentious phase after the NTS (southeast) and TAG (northeast) Legacy Contracts expired in Dec 2025. ANP's proposed Recovered Capital Method (RCM) cuts ~R\$ 10 billion from the carriers' claimed asset base and was put to consultation rather than decided. After ANP rejected the carriers' appeals (Feb 2026), the dispute escalated: on 26 Aug 2026 ATGás sued in Federal Court to void the resolution's list of BRA methods, leaving the 2026–2030 tariffs unresolved



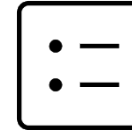
DISTRIBUTION

DISTRIBUTION



FEDERAL V. STATE REGULATION

- Extent of LDCs monopoly over “local piped gas services” is disputed: one of the main regulatory bottlenecks
- LDCs charge tariffs (often criticized as expensive) even if large consumers deal directly with producers, for their monopoly on moving and delivering gas
- Variety of requirements to be a free consumer, but burdensome in most cases
- Onshore gas producers keen to sell directly to large consumers. Current price not competitive to all industries
- Reservoir-to-wire projects keen to have lower tariffs
- LNG-to-power projects challenge whether any tariff should be paid to LDCs (connecting pipes as part of the terminal)



SECOND GAS LAW

- Forbids those responsible for the electing the directors and officers of companies active in E&P, gas importation, gas shipping or gas trading to have access to sensitive competitive information or appoint/vote at the election of supply or commercial officers of an LDC
- Removes restriction that power distribution companies, or their affiliated and colligated companies, to also operate in gas distribution
- Seeks to foster legislative uniformity between States’ distribution regulations. Ministry of Mines and Energy shall liaise with the States in order to harmonize and improve the guidelines related to the natural gas industry, especially regarding free consumers, and ANP prepared a “regulatory good practices manual” to guide the States

DISTRIBUTION



PRIVATE PLAYERS RISING

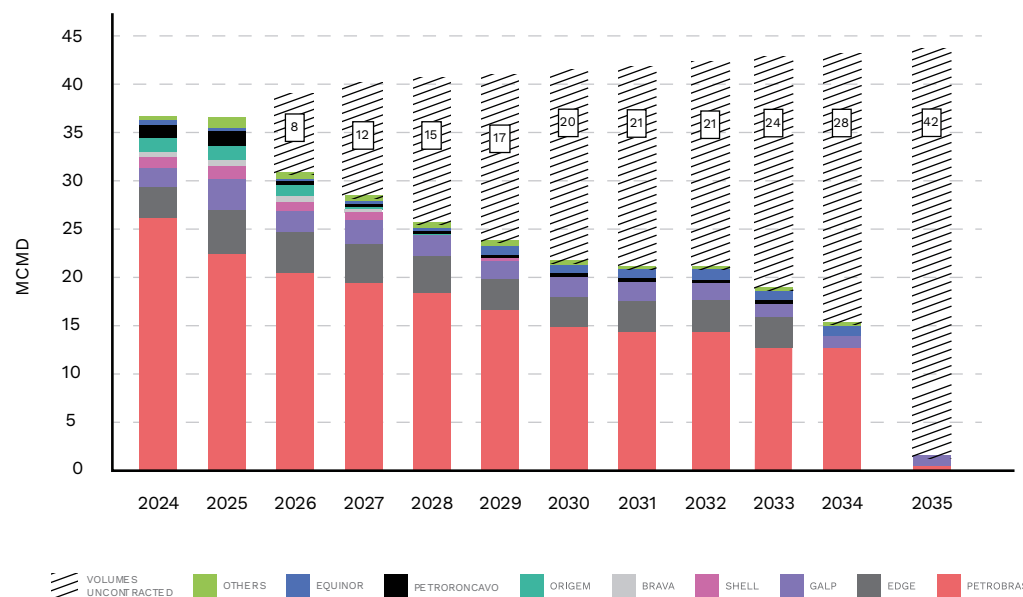
- One of the New Gas Market program goals was to promote the privatization of local distribution companies
- Rio de Janeiro and São Paulo privatized LDCs in the 1990s
- In 2022, Petrobras sold its 51% stake in Gaspetro to Compass
- Compass directly owns 99.1% of Comgas
- Compass through Commit is a shareholder of the following LDC: (i) Sulgás (51%); (ii) Compagas (51%); (iii) SCGÁS (41%); (iv) Necta (100%); (v) MSGÁS (49%); and (vi) CEG-Rio (37.4%)
- ESGÁS is owned by Energisa
- In May 2026, Compass concluded its IPO on B3's Novo Mercado (ticker PASS3), raising ~R\$ 2.8 bn in a secondary offering – the first IPO on the Brazilian exchange since 2021.
- Norgás. Created under a structural remedy imposed by CADE to approve Compass's acquisition of Petrobras's Gaspetro, the company was carved out to hold Compass's stakes in Northeast LDCs and enable the divestment of control. Energisa, through Infra Gás/Infra Investimentos, later acquired a 51% stake – while Mitsui retains 49% – entering as a non-controlling partner. Today, Norgás owns minority interests in Cegás (29.4%), Copergás (41.5%), Algás (29.4%), and a stake in Potigás (83%)
- GASMIG (LDC of the state of Minas Gerais) may be potentially privatized



GAS TRADING

GAS TRADING

- Gas trading is regulated both at Federal (ANP) and State levels. A gas trading authorization / license is required. It may be coupled with gas importation and gas shipping licenses. States practice to regulate gas trading and charge taxes over gas traders is questionable
- Gas producers need a trading license to sell their gas, including at the wellhead, and must register each GSA with the ANP within 30 days of execution, on pain of fines
- New trader authorizations have grown in recent years, involving large volumes, as oil and electricity companies move into the sector
- Petrobras is expected to remain the main supplier to LDCs and the non-power free market over the next 10 years, followed by Galp and Compass, while others concentrate on short-term contracts
- Although 70% of the market is contracted through 2027, those volumes may shift to other sellers as large LDC customers migrate to the free market



GAS RELEASE (ANP Draft Resolution)

ANP has launched a public consultation on a draft resolution establishing the Natural Gas Market Concentration Reduction Program (*Gas Release*)

- **Operational structure:** Executed in 4-year competitive cycles (first cycle 2027–2030) with annual and possible extraordinary auctions; ANP designates the "agent subject to Gas Release" each cycle based on market share and market power, and conducts an end-of-cycle Regulatory Results Assessment
- **Volumes, auctions & contracting:** Compulsory-sale volumes follow a priority order among sources (excluding the designated agent's own production) and are structured into products and lots. Auction notices are published at least 3 months in advance with an ANP-approved mandatory contract model, purchase limits per participant/group, and a minimum reference price, while the designated agent and its affiliates are barred from bidding as buyers and must maintain functional and informational segregation
- **Reference price & execution:** ANP sets a minimum reference price for each auction using a methodology that balances competition objectives with adequate remuneration of the designated agente. Supply under annual contracts must begin on the first day of the civil year following the auction (absent a justified ANP exception), and the designated agent must maintain functional and informational segregation between Gas Release activities and its other commercial operations
- **First cycle:** Petrobras is designated as the first-cycle agent

GAS TRADING



PPSA

- CNPE Resolution No. 15/2026 establishes a new framework for the sale of processed natural gas belonging to the Federal Government under production-sharing agreements
- The NG may be marketed directly by PPSA or through a contracted commercial agent, with direct commercialization preferably carried out through auctions. Petrobras was appointed as the commercial agent
- For deliveries through 2030, gas may be auctioned under firm, interruptible or flexible contracts to free industrial consumers, with priority given to basic industries
- The first auction is expected to occur in October 2026 and will cover the Federal Government's expected production for 2027. The tender notice, final volume and detailed schedule have not yet been published
- PPSA expects to hold annual auctions through 2029, each covering the following year's production.
- Uncontracted volumes may subsequently be offered to other free consumers, marketers, transporters and state distribution companies. PPSA may also reserve limited volumes for spot sales to support a domestic gas price reference
- From 2030, auctions will focus on new or expanded basic-industry projects.
- Other suppliers of natural gas and biomethane may participate, while EPE will qualify eligible industrial projects

GAS TRADING

IMPORTS



- Vaca Muerta Reserve (ARG)
- TGN Pipeline (ARG)
- Yacuiba Pipeline (BOL)
- Bolivia-Brazil Pipeline (BOL, BRA)
- NTS Pipeline (BRA)
- TAG Pipeline (BRA)

IMPORTS (PIPED GAS AND LNG) / ARGENTINA POTENTIAL

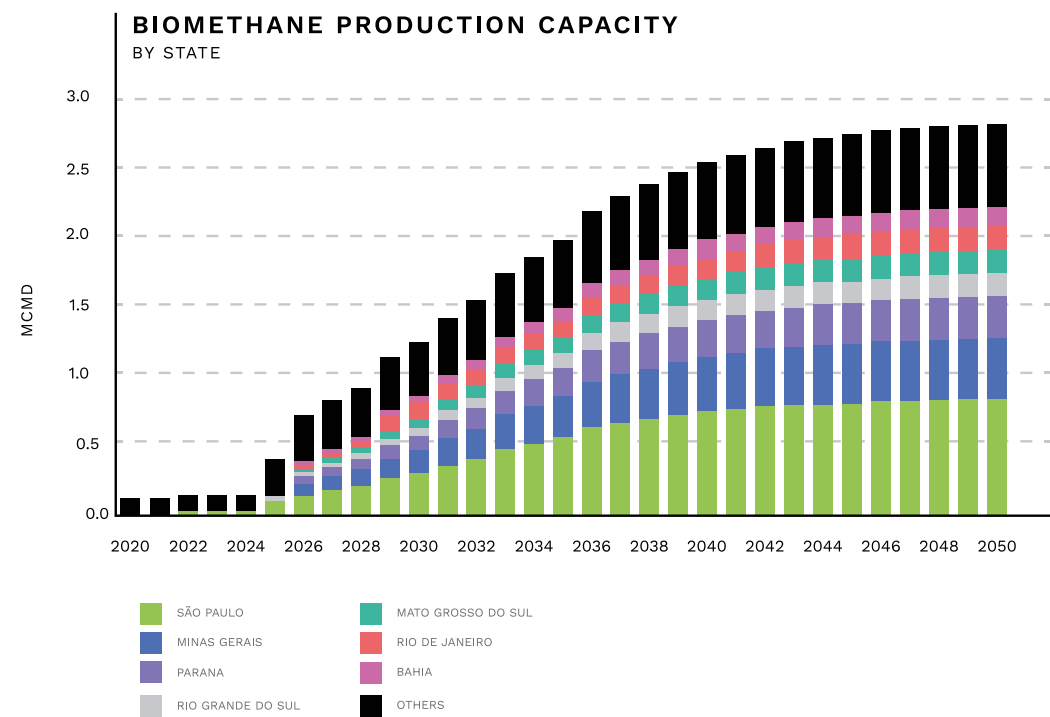
- ANP authorization is required for natural gas imports pursuant to Law No. 14,134/2021, in addition to specific authorization to engage in foreign trade of natural gas under ANP Resolution No. 959/2023
- The total potential supply of imported gas (LNG and pipelines) will increase from 141 million m³/day in 2025 to a peak of 155 million m³/day between 2026 and 2028, stabilizing at around 150 million m³/day until 2033 and slightly decreasing to 145 million m³/day in 2034 (PDE 2034)
- The decline in Bolivian gas output positions Argentina to take regional leadership in gas supply — a strategic opportunity for Brazil, which relies on imports for thermoelectric generation. Brazil has already begun importing Argentine gas through the Bolivia-Brazil pipeline (Gasbol), enabled by the reversal of a pipeline in northern Argentina. Expanding these flows depends on infrastructure investments and the competitiveness of Argentine gas prices
- Argentina has also the potential to become a significant LNG exporter, with natural gas production expected to reach 180 million m³/day over the next decade, driven by the Vaca Muerta formation
- Total thermoelectric demand is expected to increase from 65 million m³/day in 2025 to 140 million m³/day in 2034, showing a clear upward trend in the need for gas for power generation (PDE 2034)



BIOGAS

BIOGAS

- Biomethane is the result of the decomposition of organic materials, composed mainly of methane and CO₂. Biodigesters process organic matter through the action of bacteria and produce biogas
- **Biogas vs. Biomethane:** Biogas is a raw gas that contains methane in its composition, obtained from renewable feedstock or organic waste. Biomethane is a gaseous biofuel composed essentially of methane, derived from the purification of biogas. **In summary:** biomethane is refined biogas, processed to meet ANP specifications.



- **Regulatory Framework:** Once compliant, biomethane is treated under the same regulatory framework as natural gas and may be supplied to local distribution companies (LDCs) or transmission companies, transported as CNG or LNG, used as a vehicle fuel, among other applications.
- Biomethane **production** requires authorization from ANP, except when biomethane is marketed exclusively for electricity generation.
- **Quality:** ANP Resolution No. 1,006/2026 unified quality rules across feedstocks, updated test methods and made total-sulfur monitoring monthly. Off-spec grid injection is exceptional and requires prior ANP approval and a compliant final blend
- Biomethane production is subject to ANP authorization. Authorization is not required if the biomethane is sold exclusively for power generation purposes
- **Future Fuel Law – 2026 mandate:** CNPE Resolution No.4/2026 set the GHG-reduction target at 0,5%, exceptionally below the statutory 1% starting reference. Obligated natural-gas producers and importers may comply through the acquisition of biomethane or CGOBs (Certificate of Origin for Biomethane); 1 CGOB = 100 m³
- **Fungibility:** ANP adopted the CGOB “fungibility by validation”, with no automatic equivalence. Recognition is assessed on a case-by-case basis and is subject to methodological compatibility, traceability, auditable records, segregation of uses, and prevention of double counting
- **Logistics:** Pipeline connectivity continues to expand, driving down logistics costs. Direct connections to distribution companies remain the base case, while decentralized networks and regional hubs are also emerging as potential models. ANP has proposed classifying biomethane pipelines operating above 36.5 kgf/cm² as transmission infrastructure, further fueling the transportation vs. distribution debate and prompting questions over whether such regulation is necessary given market participants’ inherent drive toward greater efficiency



NG FREE USERS



STATE (REG)	MINIMUM CONSUMPTION
Amazonas (Law # 5,420/2021)	300,000 m ³ /month / 10,000 m ³ /day
Pará (Law # 7,719/2013 and Decree # 3,651/2024)	500,000 m ³ /day
Maranhão (Law # 9,102/2009, as amended by Law # 11.662/2022)	100.000m ³ /day
Ceará (Law # 17,897/2022)	10,000 m ³ /day
Pernambuco (Law # 15,900/2016, as amended by Law #17.641/2022)	10.000 m ³ /day
Sergipe (Decree # 40,450/2019 and AGRESE Resolution # 24/2023)	150.000m ³ /month
Bahia (AGERBA Resolution # 14/2021)	300,000 m ³ /month
Mato Grosso (Law # 7,939/2003, as amended by Law # 11,069/2019)	1,000,000 m ³ /day
Mato Grosso do Sul (Ordinance AGEPAN # 235/2022)	10.000 m ³ /day
São Paulo (ARSESP Deliberations # 1.061/2020 and 1,485/2023)	None
Rio de Janeiro (AGENERSA Deliberations # 4,068/2020 and 4,142/2020)	10,000 m ³ /day * sub judice
Espírito Santo (Law # 11,173/2020 and Resolution ARSP # 46/2021)	10,000 m ³ /day
Minas Gerais (Resolution SEDE # 75/2025)	1,000m ³ /day



STATE (YEAR OF REG)	MINIMUM CONSUMPTION
Paraná (Complementary Law # 205/2017, as amended by Complementary Law # 247/2022)	10,000 m ³ /day in general 100,000 m ³ /day for the thermoelectric sector
Santa Catarina (Resolution ARESC # 136/2025)	150,000 m ³ /month
Alagoas (Resolution ARSAL # 159/2024, Resolution ARSAL # 184/2024 and Law # 9.029/2023)	5,000 m ³ /day
Paraíba (Law # 12,142/2021)	5,000 m ³ /day
Piauí (Law # 7.686/2021)	300,000 m ³ /day (contracted capacity)
Rio Grande do Norte (Law # 11.190/2022)	5,000 m ³ /day
Rio Grande do Sul (Resolution AGERGS #68/2023 and Law # 15,648/2021)	Not specified
Amapá (Law # 2,656/2022)	300,000 m ³ /day

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CESCON BARRIEU

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