




Photo: FABIO PALMIGIANI

diversification of supply," he adds. IHS Markit foresees Brazilian demand rising to 200 MMcmd by 2040, of which 150 MMcmd will be inflexible demand.

The same study suggests domestic production will hit 200 MMcmd in this time frame, but half of this will be re-injected. The study predicts LNG demand will amount to 100 MMcmd in stable demand and 50 MMcmd in variable demand. 

Gas for Growth was going well until the end of last year, but the political challenges are starting to look more difficult than the technical.

IHS Markit Latin America upstream director
Ricardo Bedregal



On site: an Eneva facility in Brazil's Parnaiba basin

Photo: ENEVA

Eneva caps success story with gas drive

BRAZILIAN independent Eneva is ramping up exploration work in the onshore Parnaiba basin, where a pioneering reservoir-to-wire project helped the company return to profit in the first quarter of 2018, writes Gareth Chetwynd.

Eneva currently produces over 8 million cubic metres per day of natural gas from five Parnaiba fields — Gaviao Branco, Gaviao Real, Gaviao Caboclo, Gaviao Vermelho and Gaviao Azul.

The gas is fed to four power plants with installed capacity of 1.4 gigawatts, located just 400 metres from the nearest gas well.

Eneva became a fully integrated company in 2017, merging with upstream unit Parnaiba Gas Natural (PGN) and rationalising complex equity arrangements left over from the collapse of EBX, the group of companies run by Brazilian magnate Eike Batista.

Eneva suffered a brief descent into bankruptcy protection, starting in April 2015 and ending in June 2016, which was one of the swiftest corporate bankruptcy restructurings ever seen in Brazil.

Conversion of debt into equity gave the company a net debt-to-earnings ratio close to three — compared with nine in 2015 — and there was cash left over to complete the acquisition of the Azulao field from Petrobras in the third quarter of 2017.

"Eneva became a fully integrated company, ending the dichotomy between gas and energy. The acquisition of Azulao was our first step toward growth," says chief executive Pedro Zinner.

The integrated model allows Eneva to buy gas at about a third of the price currently charged for imported LNG — rarely less than \$7 per million British thermal units — offering it margins higher than 60%.

Boosted by power purchase agreements that reward higher dispatch volumes, Eneva posted adjusted net profit of 38 million reais (\$10 million) in the first quarter, with gas sales up 30% from the previous

quarter. Eneva today has several areas under appraisal and others requiring pure exploration in the Parnaiba. The company currently has a single rig drilling up to seven wells on Round 9 acreage, most of which are appraisal wells.

Eneva is working on the development of two other fields — Gaviao Preto and Gaviao Branco Norte — plus appraisal of the Araguaina and Angical discoveries.

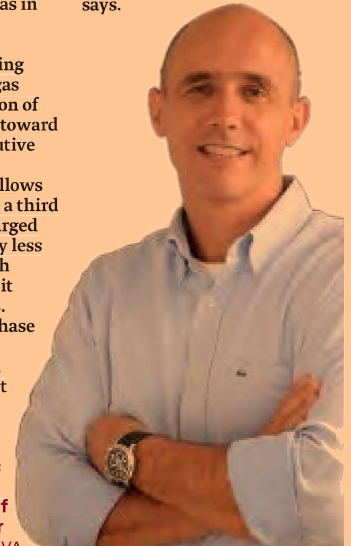
Eneva's gas reserves stood at 18.6 billion cubic metres in December 2018, almost double those of 2015.

The company will invest between 70 million and 100 million reais per annum on exploration, Zinner says.

Expansion plans could include increasing gas production to 12 MMcmd and building a fifth power plant, but this depends on exploration results and what happens in the electricity market.

The company intends to repeat the reservoir-to-wire model at the Azulao field in the Amazonas basin and is planning to bid in the government's next auction of PPA commitments, with plans for a thermal power station with installed capacity of 100 megawatts.

"We will drill a couple of appraisal wells, but it was a case of buying reserves, really. There is little exploration risk," Zinner says.



Pioneering: Eneva chief executive Pedro Zinner

Photo: ENEVA