

Petrobras poised for \$25bn rights issue

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Brazil's Senate was expected to approve a bill late yesterday allowing a US\$25bn rights issue by Petrobras, the national oil company, as early as next month, enabling it to complete an ambitious investment programme without putting its investment grade rating at risk.

The bill is part of a legislative programme that would alter regulations governing the offshore "pre-salt" fields.

These are potentially enormous deposits of oil and gas discovered in 2007, trapped several kilometres under the sea bed beneath a hard layer of salt.

Parts of the pre-salt fields were put out to concessions under existing rules before their potential was understood. The government wants the remainder to be subject to production sharing agreements it says are needed to maximise government income and increase its control over production.

Under the proposals, Petrobras would be the sole operating company in the pre-salt area.

Petrobras is expected to raise about \$25bn through the rights issue, strengthening its balance sheet and allowing it to raise more debt without taking its ratio of debt to equity beyond 35 per cent, regarded as the limit for its investment grade rating.

Petrobras ended the first quarter with a ratio of about 32 per cent after keeping its investments this year to a minimum.

Under the capitalisation plan, the government would sell to Petrobras the rights to up to 5bn barrels of pre-salt oil and gas, at a price to be determined by an independent evaluator.

Petrobras would then use these assets as the basis for a share issue which may or may not deliver more money than it has to pay the government for the rights to the 5bn barrels. Whether or not it makes a monetary gain through the issue, it would bolster its balance sheet, enabling it to raise more debt.

Petrobras plans to invest about R\$88.5bn (US\$48.1bn) this year, of which it has spent only a small part. It said recently it would spend between \$200bn and \$220bn over the coming five years, and would be expected to put detail on those plans before a rights issue.

Mônica Araújo, analyst at Ativa Corretora, a Rio de Janeiro brokerage, said she expected the Senate to approve the bill unchanged, making it likely that the capitalisation would go ahead next month.

"It's a difficult time on markets but Petrobras is the only oil company in the world with significant new reserves so it's a good opportunity," she said.

Fonte: Financial Times, London, June 10th 2010, UK, online.