

Brazil's New Natural Gas Law

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Brazil's energy sector has entered a decisive period with the presidential sanction of Law 14.134 (the New Natural Gas Law) on April 8, 2021. The new framework legislation introduces important changes in the natural gas segment, creating the legal conditions needed to build a more open, dynamic and competitive market, and an environment designed to attract investment.

Prior to the new legislation, there were various barriers to an open market and competition between sector players, including a lack of legal mechanisms to guarantee shared access to the gas pipeline network; Petrobras's dominant position in the productive chain, operating essentially all the sector's infrastructure; and tax inefficiencies affecting the entire chain.

Among the changes introduced by the New Natural Gas Law are transportation unbundling (requiring transporters and companies that operate in competitive businesses to be independent); adoption of the simpler authorization process for construction of gas pipelines rather than the more complex concession model; and implementation of the entry and exit model for transport capacity assignment, allowing a greater number of companies to inject and withdraw gas.

The new legislation also adopts the authorization model for underground gas storage and requires expanded access to essential natural gas infrastructure for new operators, ensuring increased supply and promoting competitiveness to end the state monopoly in the sector.

In addition, the New Natural Gas Law provides that the federal government – acting through the Ministry of Mines and Energy and the ANP, Brazil's oil and gas regulator – must work together with the states and the federal district to improve and harmonize state regulations.

The expected arrival of competition in the sector is the highlight of the New Natural Gas Law. With the end of the current scenario, with its single supplier, natural gas will become more accessible, boosting development and reindustrialization in this country, and increasing opportunities for investment in infrastructure.

To achieve the New Natural Gas Law's objectives, profound changes in the natural gas industry will be occurring over the next few years, at all stages of the productive chain. The expectation is that the new legislation will create an environment of greater legal certainty that can attract new investments and drive the development and growth of the natural gas market in Brazil.

**This content is part of the e-book "A Post-Covid World, the ESG Agenda and Other Trends in 2021: Insights for Foreign Investors in Brazil". [Click here](#) to view all the articles.*

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