

**Oranjestad, May 17, 2013** - In 2001 Jim O'Neill, then Goldman Sachs head of global economic research and commodities and strategy research, coined an acronym that has increasingly come to dominate the last decade in a study reported entitled, "Building Better Global Economic BRICs." O'Neill predicted the rise of the four BRIC economies - Brazil, Russia, India and China.

Notice anything interesting about this picture?

China and India are major energy importers.

The Russian Federation, a non-OPEC member, runs neck and neck with Saudi Arabia for title of world's largest oil exporter.

...which leaves Brazil, as the one BRIC member with potential "game changer" status.

And a potential game changer it is. No less than authority than the U.S. government's Energy Information Administration has noted, "Brazil is the ninth largest energy consumer in the world and the third largest in the Western Hemisphere, behind the United States and Canada.

Total primary energy consumption in Brazil has increased by close to a third in the last decade, due to sustained economic growth. In addition, Brazil has made great strides in increasing its total energy production, particularly oil and ethanol. Increasing domestic oil production has been a long-term goal of the Brazilian government, and recent discoveries of large offshore, pre-salt oil deposits could transform Brazil into one of the largest oil producers in the world."

Note the phrase, "...could transform Brazil into one of the largest oil producers in the world."

Wake up - Brazil's state-controlled oil firm Petroleo Brasileiro SA (Petrobras) is on its way.

Again, quoting EIA, "Brazil has 14.0 billion barrels of proven oil reserves in 2012, the second-largest in South America after Venezuela. The offshore Campos and Santos Basins, located off the country's southeast coast, hold the vast majority of Brazil's proven reserves."

So, how to proceed?

On 13 May Petrobras sold \$11 billion of its debt in a bond sale, the largest-ever bond offering by a Latin American company, in a six tranche offering which included comprised of fixed- and floating-rate debt with maturities ranging from three to 30 years. In a measure of foreign confidence, investors placed bids topping \$50 billion for the privilege of owning a portion of the debt..

Why does Petrobras need the cash?

Simple - the company intends to double in size by 2020, by exploiting its vast southern Atlantic over the next four years. To accomplish that, Petrobras intends to spend an eye-watering \$237 billion spending over the next four years to tap those deposits.

The day after the sale, Petrobras president Maria das Graças Foster told the Federal Senate in a most modest understatement on the debt sale, "The success shows the confidence that the capital markets has in our portfolio, of what we will do by 2017, and fundamentally shows the confidence of the capital markets in Brazil."

Two months ago Foster stated that by 2017, Petrobras production of oil extracted from its offshore pre-salt layer would exceed 1 million barrels per day, as forecast in the Petrobras 2013-2017 Business Management Plan. Foster added that Petrobras February 2013 pre-salt production reached 300,000 bpd, commenting, "I consider any statement disqualifying Petrobras regarding its capacity to produce pre-salt oil in Brazil totally unfitting. It cannot be

sustained. Production is there: we are producing 300,000 barrels a day.”

Lest anyone miss the significance of the company's accomplishments, Foster noted that it only took Petrobras seven years to reach 300,000 bpd production, while it took the Gulf of Mexico 17 years to hit a similar production figure, and the North Sea, nine years.

The oversubscription by nearly 500 percent of the Petrobras debt offering indicates that all but the most obtuse and reactionary remain unaware of the imminent rise of a Western Hemisphere petro-state south of the Rio Grande.

Source:

<http://oilprice.com/Energy/Energy-General/Brazils-Petrobras-Sells-11-Billion-in-Debt-Bonds.html>