

Brazil Discovers an Oil Field Can Be a Political Tool

The New York Times
November 19, 2007

RIO DE JANEIRO, Nov. 17 — With the price of oil hovering near \$100 a barrel, the discovery of the biggest deep-water oil field off the southeastern coast has the potential to transform [Brazil](#) into a global energy powerhouse and to reshape the politics of this energy-starved continent.

While Brazil's state oil company, Petrobras, has known of the field for more than a year, it only finished assessing its full potential in recent months. It announced on Nov. 8 that the field held some five billion to eight billion barrels of crude oil and natural gas.

The announcement has everyone in the region, and beyond, taking notice. A field that size — the biggest in the world since a discovery in Kazakhstan in 2000 — is a potential political game-changer for Brazil.

In the next five years it is conceivable that Brazil could move ahead of Mexico and Canada in total oil reserves, becoming second only to Venezuela and the United States in the energy pecking order of the Americas.

This is heady stuff for Brazil, a country that only last year became a net energy exporter mostly because of its aggressive push into sugar-cane ethanol and hydroelectric power.

“All of a sudden Brazil is emerging as an energy power,” said Peter Hakim, president of the Inter-American Dialogue, a policy group in Washington focusing on Latin America. “Everything they have developed, from soybeans to sugar to oil is suddenly working. They have had amazing luck.”

There is little doubt that the find gives Brazil new influence against energy players like Bolivia and Venezuela, and not just in the economic competition among energy suppliers, but in the political arena as well.

Much to the chagrin of the United States, Venezuela's president, [Hugo Chávez](#), has used his nation's oil wealth to aggressively push a leftist agenda at home and abroad. The Brazilian field, known as Tupi, now has the potential to lend more weight to Brazil's more moderate, leftist approach.

Already countries around the region have been quick to sense the potential threats and benefits. With news of the discovery coming just ahead of a meeting of Latin American leaders in Santiago, Chile, Brazil's president, [Luiz Inácio Lula da Silva](#), acknowledged there during the meeting that he was being “treated with a certain deference” by the other leaders.

Mr. Chávez nervously jested that Mr. da Silva was now an “oil magnate.” He also quickly suggested that the two nations create an Amazonian energy region similar to the Caribbean and Andean integration efforts Venezuela had been pushing for.

“Now Lula has some cards to put on the table with Chávez,” said Roberto Teixeira da Costa, an economist who serves on the board of the private equity arm of Brazil’s development bank. “It is good to have some counterweight in Latin America.” It seems the discovery has already given Mr. da Silva more confidence in standing up to Mr. Chávez and his protégé, the Bolivian president, Evo Morales.

Petrobras on Tuesday pulled out of a natural gas project with Venezuela, citing “technical and economic reasons.” It denied the pullout had anything to do with the Tupi discovery.

A cartoon in the Brazilian newspaper O Globo showed Mr. da Silva sunbathing atop an oil gusher one day, and breathing a black substance into the face of Mr. Morales the next. “There’s Lula, full of gas: be careful Morales!” the caption read.

The turnabout is dramatic. Just two years ago Mr. Morales announced the nationalization of his nation’s energy reserves. The step was a firm slap to Brazil, which had invested in Bolivia. Now analysts expect the new field will allow Brazil to take a tougher stand in its negotiations with Bolivia over new gas contracts and investments in Bolivia’s nationalized gas sector.

Mr. da Silva basked in the sudden possibilities, declaring that “Brazil would obviously participate in [OPEC](#),” the global oil cartel, and already felt free enough to weigh in on its politics, saying that the organization should reduce oil prices.

He also insisted that Brazil would not “pull back even one millimeter” from its push into biofuels. Brazil is sitting on the most abundant farmland in the world, which it has been using a part of to produce sugar cane for ethanol.

Not least, though the new oil will not be online for at least five years, the announcement of the size of the field may help Mr. da Silva blunt criticism at home that Brazil was heading into an energy crisis because of a shortage of natural gas.

It has also raised hopes of easing the energy crisis among Brazil’s neighbors, notably Argentina and Chile, which have been struggling with a lack of natural gas of their own.

Argentina has consistently cut off the flow of gas to Chile for the past two winters, causing Chile to scramble to find supplies elsewhere, and Bolivia’s nationalization has raised doubts about its ability to supply its neighbors’ growing energy demand.

“Every country in Latin America is aiming for energy independence, because they don’t have that much trust in their neighbors,” Mr. Hakim said.

Just last week Michelle Bachelet, Chile’s president, rejected an offer from Mr. Chávez of subsidized gasoline for the struggling public transportation system in Santiago. Ms. Bachelet said she was convinced that Chileans could resolve the system’s problems “ourselves.”

Meanwhile, Petrobras, which has developed into a leading expert on deep-water oil exploration, will have to work hard to tap the find.

To coax the oil from Tupi, engineers will have to drill up to 16,000 feet below the sea floor through salt and rocks, in water depths of up to 10,000 feet, an undertaking that is at the frontier of the industry's technological ability, according to PFC Energy, a consultancy in Washington.

Even if the field turns out to be a good deal bigger than Petrobras has estimated publicly, Brazil still could not match Venezuela's 80 billion barrels of oil reserves. The Tupi field, if it holds at least 5 billion barrels, could push Brazil past 17 billion barrels.

"This is oil that is promised for the future, not for today or tomorrow," said Larry Goldstein, director of the Energy Policy Research Foundation in Washington. "If I was Chávez I wouldn't be losing a lot of sleep — not yet."