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Brazil's gas market reforms slowed by pandemic

Back in 2014 when Brazil was reeling from the devastating initial revelations of the still-ongoing Operation Car Wash corruption investigation, the future of state-owned Petrobras, which found itself at the centre of the scandal, was unclear. Six years later, Brazil's Novo Mercado de Gas (New Gas Market) liberalisation programme is underway, with the aim of creating an open competitive domestic gas market. Reforms under this ambitious new initiative, launched in 2019, simultaneously hope to attract third-party investment, reduce the domestic price of gas by 40% and unbundle the country's gas supply, transportation and distribution networks — all by loosening the stranglehold of state-owned Petrobras on Brazil's gas supply chain.

However, Brazil has made many attempts to liberalise its gas market in the past, and the Novo Mercado de Gas is facing headwinds of its own. The coronavirus pandemic and the collapse of global oil prices have exacerbated Brazil's economic and political woes, with capital fleeing the country and a rout of Brazil's real in May, as well as stoking political unrest over the government's handling of the health crisis. This has meant significant delays to the asset sales which will pare back Petrobras' monopoly in Brazil's gas sector.

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