TOTAL’S PLANS FOR BRAZIL’S NEW OIL FRONTIER SNAGGED ON AMAZON REEF

OIAPOQUE, Brazil: Deep beneath the waters of the Atlantic off Brazil’s most northern coast, French major Total SA is hunting for what it hopes will be Latin America’s next big oil discovery. Metal drill bits, pipes and containers filled with equipment sit in the tropical port of Belem, near the mouth of the vast Amazon River, ready to start the first exploratory wells 120 km (75 miles) offshore. Some geologists say the area, known as the Foz do Amazonas Basin, could contain as many as 14 billion barrels of petroleum, more than the entire proven reserves of Mexico.

But another underwater discovery threatens to derail Total’s plans: A massive system of coral reefs just 28 kilometers from where the French firm and its partners, Britain’s BP PLC and Brazilian state oil company Petroleo Brasileiro SA, plan to drill.

Brazilian scientists had suspected since the 1970s that the area might be home to a sizeable reef. But the unusual depth of this formation reaching more than 100 meters (400 ft) coupled with the Amazon silt clouding the water, delayed that confirmation until just five years ago, just as the government was putting drilling leases out for tender.

Environmentalists, led by campaigner Geopetroleo, are now pressuring regulators to block oil exploration in the area. They believe the thriving reef system, which is more than 1,000 kilometers long, is inhabited by brightly colored coral and giant sponges, may be home to new marine species. Scientists fear an oil spill could damage that treasure before it has even been studied. Leaked crude from Foz do Amazonas wells could also potentially wreak havoc on Brazil’s far north Amap state, home to the world’s largest belt of mangroves and thousands of square miles of virgin rainforest, says environmental scientist Valdenira Ferreira.

In 2013, as part of investments in pre-salt offshore environments, this is the biggest in Brazil,” said Ferreira, a researcher at the Institute for Scientific Research of Amap, who is helping Total with all requirements by Brazilian authorities and is taking every precaution to ensure drilling would be safe.

The dispute highlights pressures facing Brazil, a poor town fear the oil industry may instead slip away from the coast of Brazil. But another underwater discovery threatens to derail Total’s plans an effort that has alarmed environmentalists.

Deepsea drilling

Deep-water discoveries during the 2000s off the coast of Rio de Janeiro in an area known as the pre-salt made Brazil one of the oil sector’s hottest destinations, prompting then-president Luiz Inacio Lula da Silva to declare “God is Brazilian.” The announcement of the massive Libra offshore prospect in 2010 ignited interest in the area known as the pre-salt made Brazil one of the world’s biggest in decades - heightened the excitement around the area.

Today, a pre-salt region accounts for almost half of Brazil’s oil production, and is rising fast. Success there has piqued interest in other offshore regions of Brazil, including Foz do Amazonas. The basin was the most hotly disputed area of Brazil’s 2013 oil auction. In addition to Total and BP, Brazil’s OGX and Queiroz Galvao Exploration and Production (QGEP) secured blocks in the area.

In this file photo, shoppers exit a J C Penney store in the Georgia Square Mall in Athens, Ga. JC Penney Company Inc reports earnings yesterday. —AP

BUSINESS

LOSSES AT JC PENNEY DOUBLE, SALES SLIDE, AS DO SHARES

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PLANO, Texas: Losses at JC Penney doubled in the first quarter and sales at established stores fell again, capping a terrible week for retailers. Though the loss wasn’t as bad as many industry analysts had expected, the decline in revenue was and sales at stores open at least a year, a key industry metric, fell for the third consecutive quarter. Shares of other retailers, which took a huge hit Thursday after dismal reports from Macy’s and Nordstrom, began to decline again after stabilizing overnight. JC Penney tumbled more than 9 percent Friday in pre-market trading. For the three months ended April 29, Penney lost $180 million, or 58 cents per share. A year ago the Plano, Texas, company lost $68 million, or 22 cents per share. Stripping out certain items, earnings were 6 cents per share. Analysts polled by Zacks Investment Research were calling for a loss of 22 cents per share. Penney’s revenue declined from $2.81 billion, to $2.71 billion, which was worse than Wall Street had expected. Sales at stores open at least a year dropped 3.5 percent. Analysts watch that figure closely as a signal of a retailer’s health because it excludes the volatility of stores that were recently opened or closed.

This week, Macy’s, Nordstrom and Kohl’s posted fading same-store sales numbers as well. In addition to trying to chase shoppers who have migrated on line, like all retailers must do, JC Penney has been forced to recover from a catastrophic transformation under a one-time Apple executive. Marvin Ellison took over as CEO in 2015. He has brought major appliances like washing machines back to the stores and is quickly expanding the number of Sephora beauty shops in its stores. JC Penney is also trying to boost revenue by adding mobile devices to help online shoppers pick up orders in the store. — Reuters

It’s an area that is very sensitive. We’re concerned about everything there,” said Alexandre Souza, environmental analyst for Ibama. The delay has Total’s Chief Executive in Brazil, Maxime Rabilloud, suggesting the company might sit out three offshore oil license rounds that Brazil has scheduled for this year. He said Total had already invested some 200 million reais ($64 million) in developing its fields in Foz do Amazonas, with no guarantee yet that it will be able to proceed. “It’s complicated to ask for more money to enter into more exploration blocks without clarity about when the earlier blocks can be evaluated to see if they have any oil,” he said in his office in Rio de Janeiro in March.

Such uncertainty could prove damaging for Brazil in a year when oil companies have 25 auctions to choose from around the world, says Antonio Guimaraes, executive secretary of exploration and production. In the Brazilian Petroleum Institute (IBP), an industry group. He has urged President Michel Temer’s government to speed passage of legislation currently pending in Congress that would make it easier for companies to win environmental licenses, an effort that has alarmed environmentalists.

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Helping fuel optimism was a May 2015 offshore discovery by ExxonMobil in nearby Guyana in an area with similar geology. “I would say in terms of the opening of a new frontier in Brazil, the Amazon Basin is a strong candidate,” said geologist Pedro Zalan, who did exploration work for Petrobras in the area.

Total, which said it hopes to receive a decision from Ibama this year, plans to drill nine exploratory wells at water depths of more than 1,900 meters. Environmentalists say such extreme depths bring greater risks, making it harder to plug and contain any spill. BP’s 2010 Deepwater Horizon oil spill, the worst in U.S. waters, was from a deep-water well of similar depth. In a 64-page document submitted to Ibama, reviewed by Reuters, Total said the environmental risks were fully understood.

“We are very aware of the sensitivity of the ecosystems,” Rabilloud said. He said the company was using a well design that has been used in similar conditions in French Guiana without any incidents. In the event of an accident, Rabilloud said an emergency response could be activated within two hours.

In contrast to findings by Ferreira, the environmental researcher in Amap, Total has concluded that ocean currents would carry any pollution away from the coast of Brazil. Rabilloud expressed confidence in receiving a green light from Ibama but said the uncertainty over the delay made operations difficult. “Right now, Total is ready to invest,” he said. “Now, if you ask me when I will get the license, I can’t tell you.”

Fishing and unemployment

President Temer’s government has proposed plans to simplify environmental licensing and hand companies a greater say in a bid to avoid lengthy delays. The Ibama environmental agency modernized, easing its budget and the government scrambles to curb a massive deficit. Packed with members of the farming and business lobby, the government has been accused of downplaying environmental damage, including rising levels of deforestation.

The government denies neglecting environmental rules or planning to dilute them. It says, however, its top priority is creating jobs and bringing an end to Brazil’s harshest recession in decades. In Amap, the Brazilian state with the highest rate of unemployment last year, many residents are eager for potential benefits from the oil industry.

However, in the remote town of Oiaopque near the border of French Guiana, many suspect that will pass them by. Fishermen in the poor town fear the oil industry may instead hurt their livelihoods. — Reuters