The natural gas industry is undergoing deep changes globally. A strong growth in natural gas supply fueled by the exploitation of non-conventional resources has contributed to the fall in prices and to increasing the competitiveness of gas in relation to other energy sources. This has benefited countries that implemented liberalizing regulatory changes in the gas market. In this scenario, natural gas has become a major vector in defining relative competitiveness between countries.

The price of natural gas in the Brazilian final market is one of the highest in the world and it is thus an obstacle to the competitiveness of industry.

The natural gas regulatory framework needs to be reviewed if it is to induce investment and competition in the industrial sector.

Necessary legal changes to promote greater competitiveness in the natural gas market must take place in all the links of the production chain.
Main recommendations

1 Bill 6,407/2013, which is under analysis in the National Congress, should be passed. The text of the bill represents the consensus among industrial consumers, producers, traders and the Federal Government.

2 A competitive supply of natural gas should be promoted:
   - Barriers to entry of new suppliers should be removed by promoting non-discriminatory access to essential infrastructure (application of the essential facilities doctrine); and
   - Land gas production should be stimulated through the effective implementation of the Reate Program.

3 A robust and competitive gas transportation system should be created:
   - a transportation capacity market should be created by adopting an entry-exit tariff regime; and
   - an independent management system for the transportation system should be developed.

4 The gas trading activity of the National Petroleum Agency (ANP) should be regulated with the aim of:
   - increasing competition in the supply of the molecule; and
   - creating the Organized Natural Gas Market (virtual hub) and the Natural Gas Market Managing Entity.

5 Competitiveness in the distribution segment should be strengthened:
   - state regulations should be harmonized;
   - independent and qualified state-level regulatory agencies should be developed;
   - a competitive contracting mechanism should be adopted by distributors (gas purchase auctions); and
   - distributors should be privatized.

*Prices in July 2017 for Brazil