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Petrobras UFN-III

Strategic Restart, Real Risks, Investor Entry Points

Nitrogen Fertilizer Complex, Três Lagoas (MS) | June 2026

Rapid Investor Assessment | Energy & Upstream | Brazil Market Intelligence

ANALYST	Brunno Braga — Stratis Intelligence
DATE	June 25, 2026
SECTORS	Upstream Gas | Fertilizers | Energy Infrastructure
GEOGRAPHY	Brazil — Mato Grosso do Sul

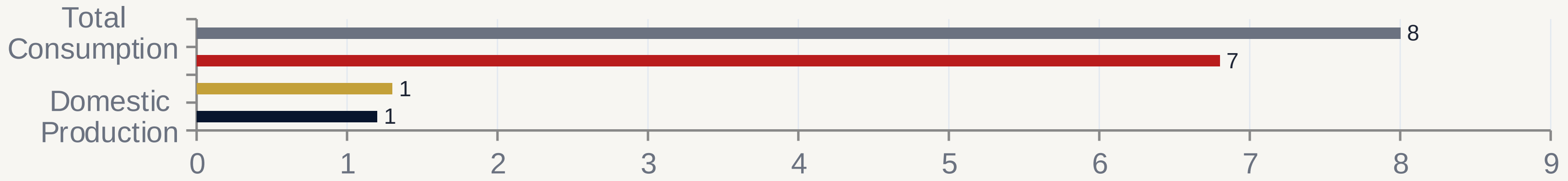
The Announcement Behind the Headlines

KEY FACTS

- Petrobras signed EPC contracts on 25 June 2026 to resume UFN-III construction, halted since 2014.
- Reported completion capex: >R$5 billion (~$1bn). Target start-up: 2029.
- Capacity: 3,600 t/day urea + 2,200 t/day ammonia — roughly 15% of Brazil's ~8 Mt/year urea demand.
- Project is 100% Petrobras-owned. Presidential attendance at signing signals political protection.
- 1,400 job-training seats announced — local content pressure is implicit, not yet contractual.

STRATEGIC CONTEXT

- Brazil imports ~85% of urea consumed — a structural vulnerability for the world's largest agricultural exporter.
- UFN-III addresses import substitution and unlocks incremental baseload domestic gas demand in the Central-West corridor.
- Gas feedstock exposure is the central uncertainty: ammonia synthesis is gas-intensive, and domestic pricing diverges from global benchmarks.
- Political visibility cuts both ways: lowers cancellation risk, raises risk of policy strings (pricing controls, local content mandates).



SO WHAT FOR INVESTORS: UFN-III creates real demand for domestic gas, EPC services, and offtake — but feedstock pricing and execution risk are the conditions that determine returns.

Entry Points: Where Foreign Capital Can Find Value

UPSTREAM GAS SUPPLY

Long-term offtake or equity in domestic gas producers (Sergipe, Recôncavo, offshore small fields). Stable baseload demand from ammonia synthesis.

MIDSTREAM / PIPELINE

Pipeline capacity, compressor stations, and LNG bunkering to guarantee feedstock. Tolling-type cashflows, multi-user de-risking.

EPC & CONSTRUCTION

Equipment supply and subcontract structures. Petrobras favors domestic players — consortium arrangements or specialized equipment supply can still access value.

O&M & DIGITALIZATION

Post-start-up service contracts, performance guarantees, energy optimization. Recurring revenue, lower political exposure than equity.

OFFTAKE & TRADING

Local blending, storage, logistics, and domestic/international price arbitrage. Fertilizer majors and trading houses can capture margin without political risk.

GREEN AMMONIA OPTIONALITY

Negotiate retrofit rights for future low-carbon hydrogen blending. Long-term optionality for decarbonization premiums and export markets.

RECOMMENDED APPROACH

Favor contract-driven or asset-light exposure initially (EPC subcontracts, O&M, offtake agreements). Scale into longer-term infrastructure stakes once gas supply security and execution risk are demonstrably reduced. Negotiate green ammonia retrofit optionality now — before it commands a premium.

SO WHAT FOR INVESTORS: Multiple entry points exist — but start with contract-driven exposure and preserve optionality for longer-term infrastructure once execution risk clears.

Risks, Downside Scenarios, and What to Watch

RISK	PROBABILITY	SEVERITY	WATCHPOINT
Gas feedstock price & availability	HIGH	HIGH	Confirm gas supply contracts (volumes, price, delivery). Assess pipeline bottleneck exposure.
Execution / schedule slippage beyond 2029	HIGH	MEDIUM	Publication of EPC contracts, phased milestones, and penalty clauses.
Political & regulatory interference	MEDIUM	HIGH	Local content mandates, controlled pricing, post-election policy shifts.
Market price compression (global urea/ammonia)	MEDIUM	MEDIUM	Monitor Henry Hub, TTF, and Middle East/Russia export volumes.
Petrobras capital allocation shift	LOW–MEDIUM	HIGH	Quarterly capex reporting; upstream E&P vs. downstream prioritization signals.
Environmental / carbon compliance costs	LOW–MEDIUM	MEDIUM	Brazil carbon pricing legislation; NOx/CO2 emissions regulatory trajectory.

NEAR-TERM SIGNALS TO WATCH

EPC contract details and penalty clauses · Confirmed gas supply agreements (volumes + price) · Petrobras quarterly capex phasing for UFN-III · Global ammonia/urea price movement · Any scheduling or permitting changes suggesting slippage

SO WHAT FOR INVESTORS: Gas pricing and execution slippage are the two risks with the highest combined probability and severity. Structure exposure to limit downside on both before committing long-term capital.