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Mar 24, 2025, 05:26 GMT-5 · 4 min read



📈 ECOPETROL +1.43%

📉 A AROC -1.05%

📉 TTE -0.48%

📉 SHEL -0.11%

Shell plc's SHEL subsidiary, Shell Brasil Petróleo Ltda. (Shell Brasil), has taken an important step in the development of Brazil's energy resources by approving the Final Investment Decision ("FID") for the Gato do Mato project. This deep-water venture, located in the pre-salt layer of the Santos Basin off the coast of Brazil, represents a breakthrough for both SHEL and the global energy market. The project is poised to significantly contribute to Brazil's oil and gas industry, strengthening SHEL's position as the largest foreign producer in the country.

Project Overview: Strategic Importance of Gato do Mato

The Gato do Mato project is part of an ambitious effort to unlock the vast potential of Brazil's pre-salt oil reserves. Situated in the Santos Basin, the project involves the development of two contiguous blocks, BM-S-54 and Sul de Gato do Mato. BM-S-54, acquired in 2005, and Sul de Gato do Mato, obtained under a production-sharing agreement in 2017, will be the focal points of this major development. Together, they cover an area rich in oil and gas resources, estimated to contain approximately 370 million barrels of recoverable oil.

As a deep-water gas-condensate discovery, Gato do Mato promises to be a cornerstone for Brazil's growing oil production. The project is designed to produce up to 120,000 barrels of oil per day, further contributing to the stability and expansion of Brazil's oil and gas sector.

Gato do Mato Consortium: Key Stakeholders and Roles

The development of this project is a collaborative effort led by a consortium of industry leaders. London-based integrated oil and gas

consortium of industry leaders. London-based integrated oil and gas company, SHEL, holds a 50% stake and serves as the project operator, highlighting its commitment to expanding upstream business in Brazil.

Ecopetrol EC, the Colombian state oil company, holds a 30% stake, while Paris-based integrated oil and gas company, **TotalEnergies** TTE, contributes 20%. The Pré-Sal Petróleo S.A. (“PPSA”) plays a crucial role as the manager of the production-sharing contract (“PSC”), ensuring the efficient coordination and execution of the project in accordance with Brazil’s regulations.

Each partner brings its expertise and resources to ensure the success of the project. SHEL’s leadership in Brazil’s energy sector and robust technical capabilities make it well-positioned to oversee the development of Gato do Mato. The combined knowledge and operational experience of the consortium will enable the project to meet its ambitious production targets.

Technological Advancements in Floating Production and Storage

At the core of the Gato do Mato project lies the installation of a floating production, storage and offloading (“FPSO”) vessel. This advanced technology will facilitate the extraction, processing and storage of oil offshore, allowing for efficient production in the deep waters of the Santos Basin. The FPSO is designed to handle the challenging conditions of the deep-water environment, ensuring a steady flow of oil while minimizing operational risks.

The decision to deploy an FPSO vessel is a testament to the technological prowess and innovation at the core of the Gato do Mato project. The project’s design also incorporates advanced engineering solutions to address the complexities of the pre-salt reservoirs, which are known for their geological challenges. With an estimated more than 300 million barrels of recoverable resources, the project is set to play a significant role in enhancing Brazil’s energy security.

Environmental Considerations and Future Gas Exports

Environmental sustainability is a key consideration for the Gato do Mato project. Initial operations will focus on reinjecting natural gas into the reservoir to support pressure levels and optimize oil recovery. This method ensures that gas emissions are minimized and the project adheres to global environmental standards.

Looking to the future, the project holds the potential for gas exports to onshore facilities. This flexibility is essential for maximizing the value of the natural gas resources in the Santos Basin, ensuring that Brazil can further capitalize on its gas reserves for both domestic consumption and international markets.

Strategic Timeline: Gato do Mato's Operations and Outlook

The Gato do Mato project is expected to commence operations in 2029, marking the start of a new chapter in Brazil's energy development. As a high-return investment, the project aligns with SHEL's broader strategy to maintain and grow its liquid production while contributing to energy transition goals. SHEL's investment in the Gato do Mato project is expected to generate an internal rate of return ("IRR") well above the hurdle rate for its upstream operations, demonstrating the project's financial viability.

As the project progresses, SHEL and its partners are committed to ensuring that Gato do Mato meets production goals, while adhering to the highest standards of safety, environmental stewardship and social responsibility. The successful development of the Gato do Mato field will further enhance Brazil's position as a leading global player in the energy sector, while providing long-term benefits to the country's economy.

In conclusion, approving the Final Investment Decision for the Gato do Mato project is a significant achievement for Shell Brasil and its consortium partners. It reflects a shared commitment to advancing Brazil's energy future through strategic investments, cutting-edge technology and environmental stewardship. As Brazil continues to unlock the potential of its offshore oil reserves, the Gato do Mato project will play a vital role in ensuring the country's continued success as a leading producer of oil and gas.

Zacks Rank & Key Pick


Currently, SHEL and TTE have a Zacks Rank #3 (Hold) each, while EC carries a Zacks Rank #2 (Buy).

Investors interested in the energy sector might look at a better-ranked stock like **Archrock AROC**, sporting a Zacks Rank #1 (Strong Buy) at present. You can see **the complete list of today's Zacks #1 Rank stocks here**.

AROC is valued at \$4.63 billion. In the past year, its shares have risen 36.1%. Archrock is a provider of natural gas contract compression services and aftermarket services of compression equipment.

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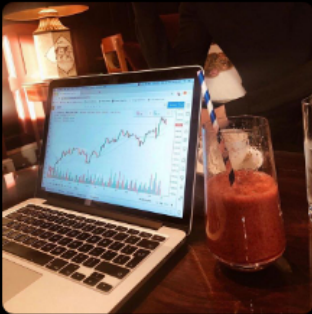
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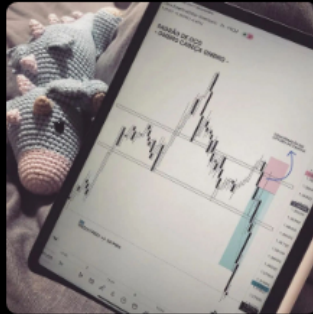
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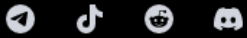
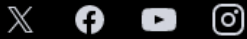


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