Brazil opens state-owned gas market to cut industrial and fertilizer costs

13 August 2026 | News

Brazilâ??s gas auction reform could cut industrial gas prices by more than 50 per cent, boost domestic nitrogen fertilizer production and reduce the countryâ??s heavy dependence on imports.

Brazil’s National Energy Policy Council (CNPE) has approved a major reform of the country’s natural gas market, authorizing federally owned gas to be sold directly to the liberalized market through competitive auctions—a move the government says could reduce industrial gas prices by more than 50%.

The July 30 resolution gives state-owned Pré-Sal Petróleo S.A. (PPSA) authority to conduct short-term gas auctions from 2026 through 2030, followed by long-term auctions beginning in 2030. Fertilizer, steel and chemical producers have been designated as priority buyers.

The reform marks a significant shift in Brazil’s gas market by reducing Petrobras’ dominant role as the primary buyer of the government’s physical share of pre-salt gas production. By allowing the state’s gas to be marketed competitively, the government aims to separate its role as resource owner from that of a dominant market buyer—an important step toward greater competition and more transparent gas pricing.

Brazil’s fertilizer industry stands to be one of the biggest beneficiaries. The country imports around 80% of its fertilizer requirements and relies heavily on imported natural gas for domestic nitrogen production. High gas costs have historically constrained investment in Brazil’s nitrogen fertilizer capacity, increasing the sector’s exposure to international supply and price volatility.

Petrobras restarted some nitrogen fertilizer production capacity in 2025, with the company targeting output equivalent to roughly 20% of Brazil’s domestic demand. A more competitive domestic gas market could strengthen the economics of existing plants while encouraging new investment in nitrogen fertilizer production.

The first gas auction under the new framework is expected during the final two months of 2026, according to Brazil’s Ministry of Mines and Energy. The government expects greater access to competitively priced gas to improve industrial competitiveness while strengthening domestic value chains.

The timing is particularly important for agriculture. Brazil is the world’s largest fertilizer importer, making its farm sector highly exposed to disruptions in global nutrient markets. Tightening international supply, including China’s restrictions on fertilizer exports and disruptions affecting shipping routes through the Middle East, have heightened concerns over the security and affordability of fertilizer supplies.

For Brazil’s fertilizer industry, cheaper and more predictable domestic gas could therefore represent more than an energy-market reform. It could become a strategic lever for rebuilding domestic nitrogen production, reducing import dependence and improving the resilience of one of the world’s largest agricultural economies.

The success of the reform, however, will depend on how quickly competitive gas pricing translates into actual investment and sustained industrial supply. For fertilizer producers, the key question will be whether lower gas costs are sufficient to make domestic nitrogen production competitive with imported products over the long term.