



## A Concise History of Petrogal (Portuguese Oil Company): An Essay

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### ABSTRACT

This essay is intended to be a review of the main events that contributed to the appearance of the first Portuguese oil companies (Sonap, Sacor, Cidla, Petrosul), as well as to the creation and development of Petrogal (Portuguese oil company) which led to the emergence of Galp Energy (current Portuguese oil company).

**Keywords---** The First Portuguese Oil Companies (Sonap, Sacor, Cidla, Petrosul), Creation and Development of Petrogal, Privatization of Petrogal (Galp Energy)

### I. INTRODUCTION

Each country is constituted by national and foreigner oil companies. These oil companies are made up of three segments, namely, upstream (exploration and searching for underground crude oil and natural gas), midstream (pipelines and other transport systems for crude oil and natural gas) and downstream (refining of the crude and/or raw natural gases) [1]. In Portugal, in 1901, there was an indication of the existence of oil in the region of Torres Vedras, namely Cucos and Sesmaria that has constituted a milestone in the history of searching and exploration for crude oil in Portugal. However, the existence of deep oil reservoirs in Portugal was only verified occasionally by some private entities, such as Henry Joshua Pierce and Claude Hope Morley, and collective companies such as Mobil and Shell [2].

In this regard, the company Petrogal (Portuguese oil company) might be considered essentially a refining company whose roots are constituted by three main items that contributed to its emergence [3].

Firstly, in 1891, it was created the Gas and Electricity Company, as a result of the merger of the companies Gas Lighting Lisbonense and Gas Company of Lisbon. In 1979, The Gas and Electricity Company gathered together with the Portuguese Petrochemical that led to the appearance of Gas of Portugal (GDP).

Secondly, in 1896, it occurred the appearance of Vacuum Oil company or Socony-Vacuum whose storage facilities promoted the development of the first Portuguese oil refining industry at Cabo Ruivo (Lisbon) named by Sacor.

Thirdly, in 1930, the appearance of the company Queiroz Pereira (the first oil company with a majority of Portuguese capital) that will merge with Sonap.

Meanwhile, following the Portuguese revolution of April 1974, it occurred the nationalization of four Portuguese oil companies, namely Sacor, Cidla, Sonap, and Petrosul that led to the emergence of Petrogal, in 1976.

In 1989, it occurred the privatization of Petrogal. This Portuguese oil company merged with GDP and Transgás that contributed to the appearance of Galp Energy SGPS (current Portuguese oil company).

### II. METHODS

In this essay about the concise history of Petrogal (Portuguese oil company), I collected and analyzed the main scientific books and technical articles, in this area of study, that are available in academic libraries. Thus, I selected the 20 most important items (all different among them), based on the "impact factor" of the article and the "reference" books on this topic in order to be useful to the reader who aims to have just an idea of this subject, maintaining the scientific rigor of my research. I should mention that the main article used in the writing of this essay was Santos A.M., Diogo M.P. (1989). The History of petroleum in Portugal, *Journal Petrogal*, articles I-(1938-1953), II (1954-1970), III (1971-1989) [4].

### III. RESULTS AND DISCUSSIONS

In this section, I will present the results and the most relevant facts of my research about the History of Petrogal, namely the emergence of the first Portuguese oil companies (Sonap, Sacor, Cidla, Petrosul), as well as

the creation, development and privatization of Petrogal that led to the emergence of Galp Energy SGPS.

### **3.1-The emergence of the first Portuguese oil companies**

Until the end of 1930, Portugal was supply by oil products essentially from foreign companies, such as Shell. Then, in 1933, the company Queiroz Pereira (with a Portuguese majority capital) joined with the Sonap (Portuguese Society of Petroleum) in order to overcome this problem [5], although the Portuguese oil market continued to be operated in the same way.

In this regard, there was a need to refine the oil by Portuguese petroleum companies which led to the creation of Decree-Law No.1947 (Law of petroleum) and Decree-Law No.1965 (Law of industrial conditioning) that contributed to the emergence of Sacor (Anonymous Society of Refined Petroleum). In fact, in 1938, the Portuguese Government has created the necessary conditions for the installation of an oil refinery in Portugal operated by Sacor [6]. The first president of Sacor was Eduardo Fernandes Oliveira and the vice-president was Martin Sain (director of the Romanian oil company Redentza).

The transmission of technical knowledge ("know-how") on the part of technicians of Redentza to Portuguese engineers, it contributed to the quick installation of Sacor refinery in Cabo Ruivo (Lisbon). The refinery began to be operated in 1940. Some technical improvements (made by Redentza and Socony-Vaccum engineers) increased the initial refining capacity of 116.000 metric tons of crude to 480.000 tons of crude per year [7].

The following Presidents of Sacor, whose names were José Beleza dos Santos (1942-1962) and João Pinto Costa Leite (1962-1974), felt the need to connect with other companies in order to respond to the requests of oil products in Portugal, such as, gasoline, kerosene and gasoil [8].

In this regard, in 1939, Sacor decided to establish an affiliation with Cidla (Industrial and Domestic Fuels Company) in order to help this society of refined petroleum in the distribution of lubricating oils and liquid petroleum gas.

In 1947, Sacor established a commitment with Saponata (Portuguese Society of Tank Vessels) in order to transport petroleum to and from Portuguese ports, as well as to avoid troubles in crude oil supply that occurred during World War II. The main tankers of Saponata were called by Aire, Geres, Marão e Sameiro that came from the Portuguese Institute of Fuel [9]. In 1960, it was created the Sacor Marítima which has played an identical role of Saponata.

In 1957, Sacor also established a link with the Portuguese Petrochemical that produced ammonia, hydrogen and others chemical products [10]. In fact, the relationship between the Portuguese oil industry and Portuguese Petrochemical has been very important for the economic development of Portugal. The oil products constitute the raw material of Petrochemical industry, giving rise to various products that Nature can't produce

such as plastics, synthetic fibers, rubber, detergents, resins and solvents, lubricants.

Others affiliations occurred, such as, Angol (Angolans lubricants and fuels company), Moçacor (Mozambique exploration of hydrocarbons Company), Agran (Portuguese manufacture pesticides), Socar (Spanish liquid fuels company) [11].

However, due to the growing need for petroleum products in Portugal, Sacor made a request to the Portuguese Government for the construction of a new refinery in the North of Portugal in order to develop this region of Portugal [12]. Thus, began the legal process of authorization for a construction of a refinery of crude oil products and petrochemical complex associated to it, in accordance with Decree-Law No. 1947 and the Decree-Law No. 29034. The license granted by Portuguese Government to Sacor led to the emergence of the Matosinhos refinery (near from Oporto and the port of Leixões), in 1964. The initial refining capacity of 1.5 million metric tons of crude expanded to 7.5 million tons of crude in 1975 together with several Petrochemicals facilities. In this regard, in 1979, this refinery started the production of aromatics and solvents in order to intervene in markets for plastics, detergents, fibers, among others [13].

Meanwhile, the international demand in oil products was growing quickly. In 1971, the Portuguese Government decided to install another refinery and a petrochemical complex of at Sines (linked with the port of Sines), with a refining capacity of 10 million metric tons a year together with Petrochemicals facilities in order to introduce competitiveness in the Portuguese refining petroleum industry, as well as to satisfy international markets with high demands. In this regard, the license was granted by Portuguese Government to Sonap (National Society of Petroleum) and CUF (Union Manufacturing Company) due to the fact that they have presented a project more competitive than Sacor [14].

In fact, in 1972, Sonap merged with CUF resulting in the formation of Petrosul (Portuguese Society of Petroleum Refining). Then, Petrosul led to the creation of CNP (National Company of Petrochemical) responsible for the production of olefins.

In addition, Petrosul stimulated the modernization of the Cabo Ruivo refinery that began to produce high value oil products, such as, gasoline and gas oil [15].

### **3.2-Creation, development and privatization of Petrogal**

In 25<sup>th</sup> April 1974, it occurred a revolution in Portugal which ended with the Government of António Salazar and brought deep changes in Portuguese society, namely to the refining oil industry [16].

In fact, on 1<sup>st</sup> April 1976, through Decree-Law N° 217/76, it was decided to merge the four oil Portuguese companies (Sonap, Sacor, Cidla and Petrosul), which were nationalized in the previous year through Decree-Law N°205/75, in order to create the Portuguese oil company named by Petrogal E.P. (Public Company) [17]. The first President of Petrogal was Carlos Gago (1976-1982). Petrogal inherited the quotas

and other privileges of its predecessors' companies and was managed, between 1974-1979, by an Administrative Commission whose names were Fernando Moura, Fernando Gomes, Francisco Lopes, João Carreira e Manuel Bastos. This Administrative Commission was responsible for the hard restructuration of the various predecessors' companies and which are described in the general report named by «IV Preparatory Plan» [18]. In fact, the total number of employees of the Petrogal E.P. was 6193 which came from the four nationalized companies referred to above, but with different levels of training ("know-how") and monthly salary. Besides, the first years of the Petrogal were also not easy both due the loss of preferential access to oil from the former colonies of Portugal and the slowdown in the Portuguese economy caused by the revolution and the oil crisis of 1979-1980. Then, in the late 80, Petrogal presented a difficult financial situation, as a consequence of the high investments that were made in this Portuguese oil company (from national and international bank loans) at the time of its Constitution and Restructuration, in 1976 [19].

Meanwhile, with the entry of Portugal into the European Economic Community (EEC), on 1<sup>st</sup> January 1986, the protectionism to Portuguese companies, especially oil companies, was abolished (covering this transition a period of seven years) [20]. Thus, Petrogal was subject to the economy of market and to competition from other foreign oil companies, such as Shell, BP, Repsol. In this regard, the following Presidents of Petrogal, whose names were Pedro de Miranda (1982-1988), António Pinto (1988-1989), Mário de Abreu (1989-1992), José Baptista (1992-1995), Manuel de Oliveira (1995-2000), respectively, as well as the Portuguese Government decided to privatize the Petrogal, through the Decree Law N°84/88 on 4<sup>th</sup> April 1989, in order to make this Portuguese oil company competitive in respect of their counterparts. In this respect, there were several financial investors interested in buying the Petrogal E.P., namely an international group, constituted by the group "Total", and a national group, constituted by several Portuguese private investors (designated by Finepetro) which give rise to a single financial group named by "Petrocontrol SGPS" (Management Society of Social Participation) [21].

The Decree-Law No. 11/90 (Law on privatization) allowed the Portuguese Government to create the legal formalities for the privatization of Petrogal E.P. In fact, from 1993 to 1999, Petrogal was managed by a new Administrative Commission constituted by members of the "Petrocontrol" and by members of the Portuguese State. The excellent financial results achieved by this Administrative Commission led the Portuguese Government to decide to merge Petrogal E.P. (Portuguese oil company) with GDP (Portuguese gas company) and Transgás (Natural gas company). Then, through the Decree-Law No. 137/99 of 22<sup>nd</sup> April 1999, it was created the Galp Energy SGPS (Management Society of Social Participation) - Portuguese oil and natural gas. However, this

privatization was delayed by the war in the Gulf of 1990-1991 [22].

In 2000, "Petrocontrol" sold its shares to EDP (Portuguese Electricity Company), ENI (Ente Nazionale Idrocarburi) and Amorim Energy. Thus, the major shareholders of Galp Energy SGPS came to be the Portuguese State, EDP, ENI and Amorim Energy.

#### IV. CONCLUSIONS

At the beginning of the XXI century, the tensions generated in the main oil-producing areas, has led to the various oil markets to modernize their technology in order to respond to the growing demand for petroleum products. In this regard, in 2009, Galp Energy SGPS has begun the work of conversion of Sines and Matosinhos refineries. Since then, these refineries are working in complementarity, with a refining capacity more adapted to the national and international markets, with greater energetic efficiency and reduction of operational costs. For example, the development of these projects included the installation of some unities of visbreaker, hydrocracker and steam reformer. One of the achievements of this management strategy was the increase in production of diesel, due to the increasing demand of the markets, and the reduction of fuel oil, due to low profitability. Another objective achieved was the entry of Galp Energy SGPS in stock quotes. In 2011, the Galp Energy SGPS had a turnover of 12008 millions euros and 7493 workers [23].

In recent years, the presidents of Galp Energy SGPS, namely Manuel de Oliveira (2006-2014) and Carlos da Silva (2015-currently) have contributed to make this company as the largest one in Portugal [24]. Galp Energy SGPS has various activities, in particular, the oil and natural gas exploration, refining and distribution of petroleum products, electricity generation, practices of environmental protection through recovery of organic compounds, among others [25]. These activities are developed in several countries, in particular, Portugal, Brazil, Angola, Mozambique, Cape Verde, Guinea-Bissau, Timor-Leste (all former colonies), Spain, Uruguay, Morocco, having great impact on the current economic development of Portugal [25].

Recently, Galp Energy SGPS (current Portuguese oil company) approved a set of commitments to sustainability in practice of its work, in particular, to act ethically with the other oil companies, valuing all employees of the company, protect the environment and people, promote the innovation and technology.

For example, with the cessation of the production of leaded gasoline and the installation of desulfurization of diesel unit in order to meet the various environmental specifications of the European Union, it was avoided emissions of several tonnes of CO<sub>2</sub> to the atmosphere [25]. All these practices have been very important for the prestige of Galp Energy SGPS because the oil industry is globalized and all decisions taken

today by this oil company, it will affect the future sustainability of this Portuguese oil company [25].

In 2017, Galp Energy SGPS had a net profit of 602 million euros, representing an increase of 25% compared to 483 million achieved in the same period in 2016. This increase of 120 million euros of net result was due to increased production of oil and natural gas in Brazil, particularly in downstream activities (distribution and marketing) in this important market abroad. The average annual production of oil and gas was 93400 barrels per day, having in the last quarter of 2017 exceeded the barrier of 100000 barrels per day. In 2018, the average oil production of Galp Energy SGPS increased by 19% in the first quarter, due to the various activities developed in Brazil [26].

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