

FOSSIL FUELS SUBSIDIES IN BRAZIL

KNOW, ASSESS AND REFORM

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SPECIFICATIONS

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EXECUTIVE SUMMARY

The gradual departure from fossil fuel use toward energy transition is key for facing the climate crisis. The Intergovernmental Panel on Climate Change - IPCC's sixth report has highlighted how pressing it is to move toward ambitious emission cuts in the short term in order to have a chance to limit the rise in global temperatures to 1.5 °C by the end of the 21st century: the world needs to reduce by 43% its emissions from coal, oil and natural gas burning by 2030, compared to 2019. However, moving in the opposite direction to this urgent matter, according to the Organization for Economic Cooperation and Development - OECD and the International Energy Agency - IEA, incentives to fossil fuels around the world almost doubles in 2021, reaching 697.2 billion dollars, a 92.4% increase compared to 2020.

In this context, we release the fifth edition of the study "Subsidies to fossil fuels: know, assess and reform", with data for the year 2021. Despite having a relatively clean energy and electricity matrix, Brazil has a strong structure of subsidies to fossil fuels, which encourages both production and consumption of oil, natural gas and mineral coal in the country.

The methodology used in this study is the same as in previous years. It resembles that of the OECD, but moves forward in order to adapt to Brazil's specific qualities. The study brings together different subsidies regimes in two modalities (consumption and production) and three categories (Tax Expenditure, Direct Expenditures and Other Waivers). While most of the information was retrieved from official public data and responses to requests made based on the Access to Information Law (LAI), waivers and revenue regarding subsidies to gasoline and diesel consumption are calculated by Inesc with our own methodology. Furthermore, in this edition Inesc has broken down some tax expenditures, separating fossil sources from renewable sources in two types of subsidies: the Special Incentive Regime for Infrastructure Development (REIDI) and the Fuel Consumption Account (CCC).

Results

Subsidies to fossil fuels totaled US\$ 21.9 billion in 2021, a 4.17% reduction from 2020. A total US\$ 13.3 billion were given to consumption, while production received US\$ 8.58 billion, which means consumption received 60.84% of the subsidies. The largest production subsidies come from Repetro, a mechanism that waives taxes for the import and domestic manufacturing of machines and equipment for oil and gas exploration. The second largest subsidy was targeted at gasoline and diesel consumers, and these sums are a result of loss of tax collection by the government due to repeated reductions of two taxes levied on fuels: PIS/ Cofins and Cide-Fuels.

Summary table:

figures in billions of current dollars

Subsidies	2020	2021	Variation
PRODUCTION			
Repetro	9.270,11	6.021,72	-35%
Deduction of figures applied in activities of oil and natural gas deposit exploration and production to determine profit for calculation of IRPJ and CSLL	1.483,04	1.483,04	0%
Geology and Geophysics services applied to the prospection of oil	0,17	0,00	-100%
Sponsorship to institutional research projects in the Oil and Natural Gas sector	0,01	0,25	1573%
Fiscal Incentives for Infrastructure Development (REIDI)	27,64	11,77	-57%
Tax Regime to Stimulate the Modernization and Extension of the Port Structure (REPORTO)	34,86	0,00	-100%
Thermoelectricity	124,69	272,86	119%
Liquified Natural Gas	85,62	187,37	119%
Investments in Infrastructure	62,33	142,04	128%
Petrochemicals	212,02	463,96	119%
CONSUMPTION			
CCC – Fuel Consumption Account	1.344,08	1.813,59	35%
CDE - Energy Development Account - Coal	123,42	139,00	12%
Transfer of Funds to the Energy Development Account (CDE)	356,81	221,96	-38%
Cide Diesel	3.663,12	3.914,01	7%

Cide Gasoline	5.046,52	5.538,43	10%
PIS/Cofins for Diesel	1.033,19	1.705,16	65%
TOTAL	22.867,63	21.915,18	-4%

The reduction of subsidies by 4.17% between 2020 and 2021 is owed mainly to the waivers stemming from Repetro, which were reduced by 35%. However, this reduction did not mean a decrease of the oil companies' investments, since the US\$ 9.177 billion in waivers in 2020 not only contemplated investments in the sector, but also accounted for the migration of goods stemming from the implementation of Repetro Sped in the country, which substituted Repetro. Therefore, this figure is an outlier, which was corrected in 2021 after the end of this accounting process.

On the consumption side, there was an increase in public revenue targeted at the sector, mainly stemming from the government's response to the hike in international prices, which was zeroing the collection of PIS/Cofins between March and April 2021 for diesel and gasoline. These subsidies followed international trends: according to the IEA, consumption subsidies tripled in 2021 around the world, and they are expected to further increase in 2022. In Brazil, this trend was confirmed in 2022, since PIS, Cofins, PIS-Import and Cofins-Import rates on fuel were zeroed until the end of the year.

The US\$ 21.9 billion in subsidies to fossil fuels in Brazil should be the subject of a broad debate in Brazilian society and the rest of the world, and it should also be assessed by national governments.

This edition's highlights

High, continuous subsidies to production. Despite having some of the most productive oil production fields in the world, Brazil continued offering high production subsidies. In 2021, this amounted to US\$ 7.5 billion when adding Repetro and waivers associated to the reduction of Social Contribution on Net Profit (CSLL) and Income Tax (IRPJ). These subsidies contribute to windfall profits for oil companies: Petrobras recorded the highest profit in the company's history in 2021 - US\$ 19.64 billion, which was largely distributed among its shareholders in the form of dividends. Furthermore, they stimulate the increase oil exploration and exports, which has harmful environmental, social and fiscal consequences domestically, and negative climate impacts globally.

Subsidies to diesel and gas consumption. Waivers associated to PIS/Cofins and Cide levied on consumption of these fuels amounted to US\$ 11.15 billion and led to repeated tax reliefs over time, which increased in 2021. These subsidies have little effect on inflation control, given that price hikes are not owed to the increase of tax, but to the internalization of international price fluctuation, and inflation remained high in 2022. The transfer of public funds

to consumers may be justifiable in terms of social and fiscal justice. However, the measures need to be limited in time and focused on the people most vulnerable to price hikes in order to ensure that subsidies are not deepening social and economic inequality, nor worsening dependence on fossil fuels.

Dismantling of social policy financing. In addition to distorting prices and incentivizing production and consumption of fossil fuels, subsidies represent loss of funds for the Brazilian government. When analyzing tax revenue waivers to the oil sector, we find that they cause the dismantling of social policy financing. For example, PIS/Cofins were created to finance Social Security (Public Health, Social Assistance and Pensions); the considerable loss of revenues resulting from government support to fossil fuels is not compensated by other sources, nor is it assumed as a tax expenditure by the Internal Revenue Service. This means that assessment and compensation of these waivers do not exist in practice, resulting in the underfinancing of policies, mainly in states and municipalities.

Coal subsidies. In 2021, subsidies to coal originating from the Energy Development Account (CDE) were US\$ 139 million. For comparison purposes, the sum destined to renewable sources within the CDE itself is approximately three times lower than coal incentives. This subsidy is highly questionable. Coal represents only 2.7% of Brazil's electricity generation supply, but emissions from this source amount to 30% of total emissions from the electrical sector. Diversification in the energy matrix makes coal unnecessary, but it is currently maintained due to the renewal and increase of the sector's subsidies, especially through the new "Program for the Sustainable use of Mineral Coal".

Recommendations

The challenge to reconcile the guarantee of human rights, the energy demand and the fight against climate change is one of our century's great global problems. Subsidies and incentives to fossil fuels interfere in the consumption patterns of families and companies' profits, as they artificially reduce the cost of production and consumption of fossil sources, making it more difficult to structurally change the production matrix and global consumption based on these fuels. In this sense, Inesc recommends that in 2023 the new Brazilian government:

- commit to officially calculate and assess subsidies to fossil fuels in Brazil compared to subsidies to renewables;
- offer alternatives, via the Internal Revenue Service, to disclose Repetro's and Law No. 13.586/2017's data, such as the publication of the volume of operations, of tax collection or the tax burden in the oil and gas sector. Furthermore, build norms that regulate the elaboration and transparency of these statements;

- build a strategy to phase out coal that aligns the end of exploration and use of mineral coal to measures that reduce local economic dependence on this mineral activity, with social justice, especially for the populations that currently depend, directly or indirectly, on the carbon industry;
- draw responses to external fossil fuel price shocks that align subsidies and grants for consumer support (limited in time and focused on vulnerable population groups) with the reduction of dependence on the use of fossil sources in the energy and electrical matrixes. Petrobras's role as a company that supports internal price control should also be resumed, and possible solutions aimed at building "price stabilization funds" should be financed with windfall profit taxes for companies in the sector.

INTRODUCTION

Gradual phase-out of fossil fuels in favor of energy transition is key for the fight against climate change, as well as meeting the 7th United Nations' Sustainable Goal to "ensure access to accessible, reliable, sustainable and modern energy for all". The sixth report of the Intergovernmental Panel on Climate Change¹ highlighted the urgent need to make ambitious short-term emission cuts in order to limit the rise in global temperatures by 1.5 °C. According to the United Nations' General Secretary, António Guterres, the IPCC's report "must sound a death knell for fossil fuels, before they destroy our planet"².

Going against scientists' warnings, in the past two years the world's dependence on fossil fuels increased, due to, among other factors, the post-pandemic economic upturn and the outbreak of the war between Russia and Ukraine, which led to considerable energy price hikes globally and also resulted in inflationary phenomena. This scenario accelerated profound crises domestically, where a significant number of families had to make the dramatic choice between eating and heating in the winter.

The response from governments was largely supporting the fossil fuel sector through subsidies to companies that act in the field, or through aid to consumers. According to the Organization for Economic Cooperation and Development (OECD) and the International Energy Agency (IEA), incentives to fossil fuels around the world almost doubled, reaching US\$ 697.2 billion in 2021, a 92.4% increase compared to 2020³. The combination of price hikes and subsidies is a gift to fossil fuels companies, which registered considerable profits in past years. In 2021, for example, Petrobras registered the highest profit in history among publicly traded companies Brazil⁴.

1 Intergovernmental Panel on Climate Change (IPCC). Climate Change 2022: Impacts, Adaptation and Vulnerability. Accessed: 10/05/2022 Available at: www.ipcc.ch/report/sixth-assessment-report-working-group-ii/.

2 Nações Unidas. "Relatório do IPCC é um código vermelho para a humanidade". Accessed: 10/10/2022. Available at: news.un.org/pt/story/2021/08/1759292#:~:text=Guterres%20afirma%20ainda%20que%20o,global%20a%201.5%20%C2%B0C.

3 OECD [Organization for Economic Co-operation and Development]. Support for fossil fuels almost doubled in 2021, slowing progress toward international climate goals, according to new analysis from OECD and IEA, August 2022. Accessed 10/04/2022. Available at: www.oecd.org/fossil-fuels/.

4 Lucro da Petrobras é maior da história entre empresas de capital aberto no país. Accessed: 10/16/2022. Available at: www.cnnbrasil.com.br/business/lucro-da-petrobras-e-o-maior-da-historia-de-empresas-de-capital-aberto-no-brasil/.

Reconciling the guarantee of human rights, growing energy demand and the fight against climate change is one of our century's great global challenges. In this sense, subsidies and incentives to fossil fuels are a crucial piece of the puzzle, since they interfere in the consumption patterns of families and companies' profits. This is due to the fact that they artificially reduce the cost of production and consumption of fossil sources, making it more difficult to structurally change the production matrix and global consumption based on oil and its derivatives.

In this context, we release the fifth edition of the study "Subsidies to fossil fuels: know, assess and reform", with data for the year 2021. Despite having a relatively clean energy and electricity matrix, Brazil has a strong structure of subsidies to fossil fuels, which encourages both production and consumption of oil, natural gas and mineral coal in the country.

This injection of public resources encourages the expansion of oil production. The country currently offers the global fossil energy consumption system one million barrels per day more than it did 10 years ago: in 2011, it was 2.35 million, while it reached 3.74 million barrels per day in 2021 - accounting for oil and natural gas. In 10 years, according to the Ten-Year Energy Plan⁵, the goal is to reach 5.2 million barrels per day. With this, Brazil, which is currently the ninth largest oil producer in the planet, may become the fourth.

The aggressive growth of oil exploration in Brazil has global climate consequences. The world needs to reduce by 43% the emission from coal, oil and natural gas by 2030 in order to have a chance to limit the rise in global temperatures to 1.5 °C by the end of the 21st century. Nevertheless, Brazil's role in fossil fuels climate geopolitics is still seldom debated, since a large portion of the country's oil is exported and the emissions resulting from these fossil sources are accounted for as energy sources, not in production.

Meanwhile, domestically, Brazilian emissions stemming from the use of fossil fuels are considered a "minor problem" if compared to the disarrayed state of emissions stemming from deforestation and the narrative that the Brazilian energy matrix is among the cleanest in the world. The political debate on oil exploration has been captured by the idyllic view of the positive fiscal effects and the contribution for Brazil's trade balance, besides being symbolically vested with the promise that oil will ensure a passport to the future, with more economic development and social justice⁶.

5 EPE [ENERGY RESEARCH OFFICE]. Plano Decenal de Expansão de Energia, 2032. Accessed 10/04/2022. Available at: www.epe.gov.br/pt/publicacoes-dados-abertos/publicacoes/plano-decenal-de-expansao-de-energia-pde.

6 On the social and environmental role of oil revenues, see ESTUDO INESC RENDAS PETROLEIRAS

These apparently positive effects of the expansion in the oil sector make it difficult to debate the need for the country to expand its energy production through non-fossil fuel sources that do not cause high socioenvironmental impact. As a consequence, throughout the last decade, the share of fossil sources in Brazil's energy matrix increased, especially due to the expansion of oil and natural gas.

Table 1: Primary energy production segmented between renewables and non-renewables

Sources	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Renewables	45%	45%	43%	42%	41%	41%	42%	41%	40%	39%
Non-renewables	55%	54%	56%	58%	58%	59%	57%	59%	59%	60%

Source: Drafted by INESC based on data from the 2022 Brazilian National Energy Balance⁷

The fifth edition of the subsidies to fossil fuels monitoring presents data for 2021 calculated by Inesc, following its own methodology and based on official sources published by the Brazilian government. Furthermore, the analysis highlights three subsidies with regards to occurrences in the past year: subsidies to production and income of oil companies; the expansion of subsidies to mineral coal; and the problem of subsidies to consumption amidst a scenario of price hikes.

⁷ EPE [ENERGY RESEARCH OFFICE]. Balanço Energético Nacional, 2022. Accessed 10/04/2022. Available at: www.epe.gov.br/pt/publicacoes-dados-abertos/publicacoes/balanco-energetico-nacional-2022.

METHODOLOGY

For this edition of the study, Inesc has maintained the methodology adopted in previous years⁸, which brings together different subsidies regimes in two modalities (consumption and production) and three categories (Tax Expenditure, Direct Expenditures and Other Waivers).

To gather **direct expenditures**, that is, those stemming from the federal government's budget, we conducted an assessment of programs, budget actions and plans that qualify as support to fossil fuels, be it for production, as in the case of public funds destined to Research and Development (R&D), or for consumption, as in the case of grants. The main source of research is the Siga Brasil budget portal⁹, organized by the Brazilian Federal Senate.

To gather **tax expenditures**, we took into consideration Charts on Tax Expenditures, Effective Bases¹⁰, from the Brazilian Internal Revenue Service (RFB). Research on tax expenditures regarding fossil fuels took into consideration the classification by budget function (energy function), besides the detailing of tax expenditures linked to special incentive and/or taxation regimes.

As for calculating estimates for **other tax waivers**, the research was based on the RFB's published waiver data, as well as information obtained through the Access to Information Law (LAI). This is the less transparent category of the three. Although they are also revenue waivers, they are not classified as Tax Expenditures by the RFB; therefore, estimates of the impact on tax collection are not drafted for the Annual Budget Law (LOA). The government must only draft estimates of impacts on collection for the first three years of validity. However, what in fact occurs is a loss of collection that affects public accounts in the long term. Furthermore, these waivers are largely taken into account in the calculation in the OECD's methodology for the calculation of fossil fuel subsidies. Therefore, they should be officially estimated by the federal government.

8 INESC [INSTITUTE OF SOCIOECONOMIC STUDIES]. Subsídios aos combustíveis fósseis: conhecer, avaliar e reformar - Estudos de 2018 a 2021. Accessed 10/04/2022. Available at: www.inesc.org.br/campanhas/campanha-combustiveis-fosseis/.

9 www12.senado.leg.br/orcamento/sigabrasil.

10 BRAZILIAN INTERNAL REVENUE SERVICE. Statement of Tax Expenditure. Accessed 10/04/2022. Available at: www.gov.br/receitafederal/pt-br/centrais-de-conteudo/publicacoes/relatorios/renuncia/gastos-tributarios-bases-efetivas.

The two largest fossil fuels subsidies stem from other tax waivers: Repetro and Law No. 13.586/2017; and tax relief subsidies for consumption, Cide-Fuels and Pis-Cofins. This makes the fossil fuels subsidy system obscure and unfair, since they are not accounted for as such by the federal government. Therefore, Inesc develops its own methodology to measure these sums, based on official information.

With regards to subsidies to consumption, the government's official justification to ignore tax reliefs in Cide-Fuels is that intervention in the fuel sector through Cide is this tax's rule, not a deviation or exception. Therefore, the government does not account for tax exemption due to changes in PIS/Cofins as a tax expenditure, claiming there is no general reference for a specific aliquot for these two taxes. Given the lack of official information, the methodological choice to make the calculations takes into account the loss of tax collection from PIS/Cofins and Cide-Fuels that took place throughout many years due to measures, compared with potential collection if the maximum amount ever established for this tax were applied¹¹.

With regards to Repetro, we retrieved information through the Access to Information Law (LAI). As for data regarding Law No. 13.586/2017, more specifically those regarding Article 1, there is no official information available, since the government is only required to make estimates for these waivers for a period of three years, which in this case spans from 2018 to 2020. Therefore, in order to conduct this study, we opted to reproduce the 2020 figures, but this is an approximation or even an underestimation, since the figures estimated for the three previous years grew annually.

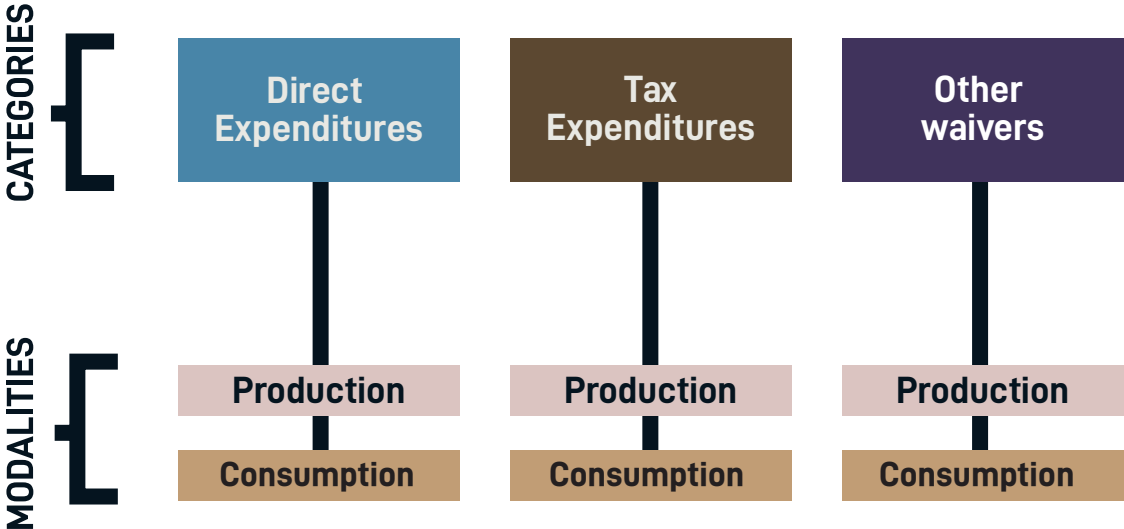
Finetuning Inesc's Methodology: Separating Subsidies to Fossil Sources from Subsidies to Renewables

Aimed at continuing our methodology's improvement and adapting it to more information made available by the Brazilian Government, in the 2021 edition Inesc began updating parts of the methodology based on more detailed information on tax expenditures, separating fossil sources from renewable sources in two types of subsidies: the Special Incentive Regime for Infrastructure Development (REIDI) and the Fuel Consumption Account (CCC).

For Reidi, the study takes into account data from the Ministry of Mines and Energy (MME) released through its ordinances that approve projects within the Regime. Therefore, the methodology for calculating these tax expenditures, which in previous studies was retrieved from the Internal Revenue Service's Statement of Tax Expenditure, were recast, since the MME's ordinances are more detailed.

¹¹ For more information, see: Subsídios aos combustíveis fósseis em 2019, pages 34-37. Accessed 10/04/2022. Available at: www.inesc.org.br/wp-content/uploads/2020/12/EstudosFosseisPT_Errata.pdf.

In order to obtain direct expenditures stemming from the Fuel Consumption Account (CCC), the analysis is based on Financial Statements from the Fuel Consumption Account, released annually by the Brazilian Electric Power Trading Chamber (CCEE). For the final measurement of subsidies stemming from the CCC, we excluded financial outputs destined for subrogation, which is the operation within the CCC destined to renewable sources in the Isolated Systems.



Categories

Direct Expenditures	Tax Expenditures	Other waivers
<p><i>Transfers of public resources to benefit the production sector, for example, public spending on Research and Development of technologies. Subsidies aimed at reducing the price of fuels are also classified as direct expenditures, such as subsidies to reduce the price of diesel oil.</i></p>	<p><i>Indirect government expenditures made through the tax system, aiming to meet economic and social objectives and constitute an exception to the reference tax system, reducing the potential tax collection and, consequently, increasing the availability of the taxpayer," according to the concept adopted by the Brazilian Federal Internal Revenue Service (RFB).</i></p>	<p><i>Exemptions of general nature, introduced by reducing the tax burden on a sector/segment/economic activity. They are calculated according to the previous tax regulation (before the waiver is set) and use the first year of the presidential term as its reference.</i></p>

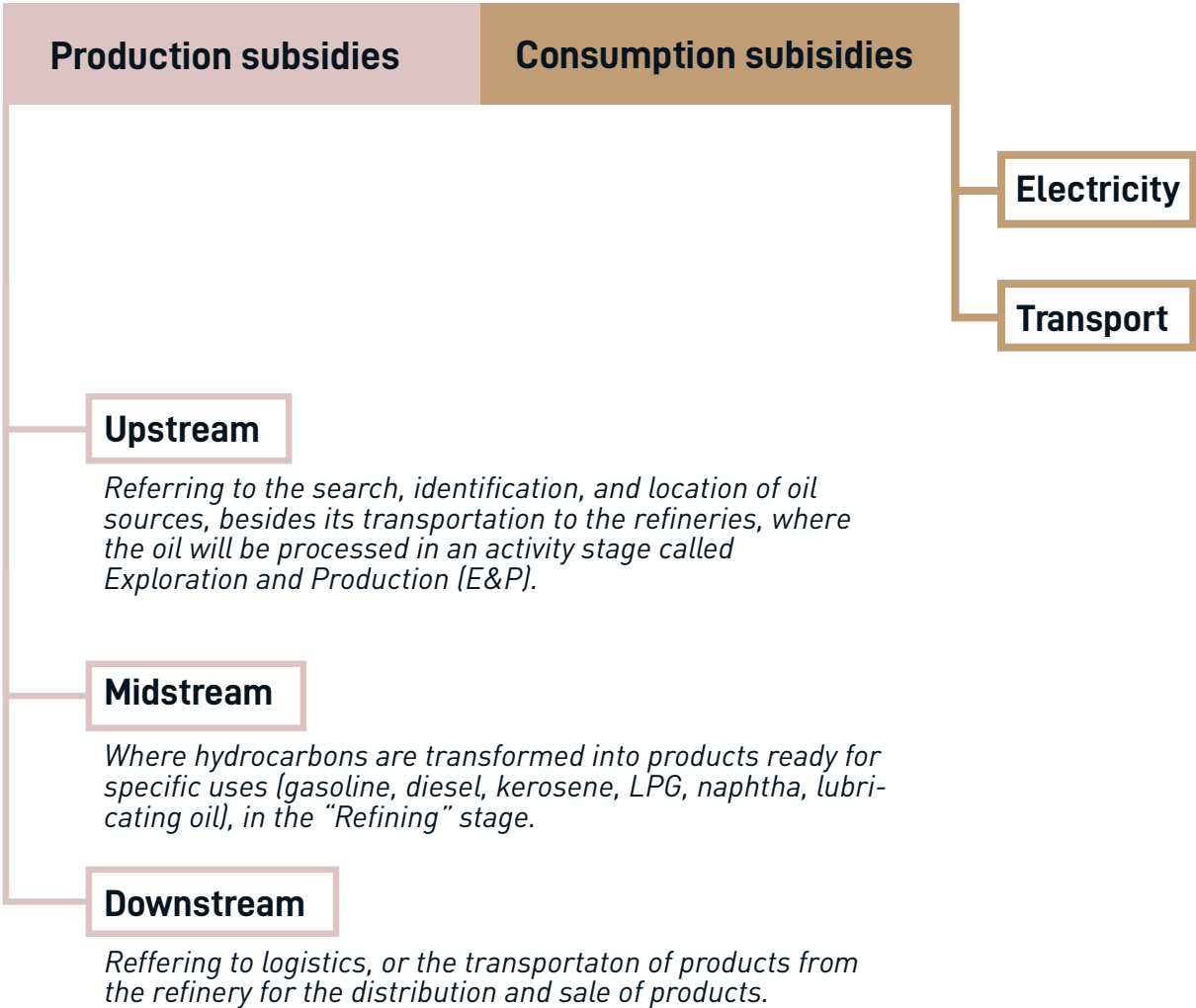


Table 2: Subsidies analyzed by Inesc - Source and Methodology

Subsidies	Category	Source and Methodology
PRODUCTION		
Repetro	Other Tax Waives	Access to official data through the Access to Information Law
Deduction of figures applied in activities of oil and natural gas deposit exploration and production to determine profit for calculation of IRPJ and CSLL		Instituted Tax Reliefs - Brazilian Internal Revenue Service
Geology and Geophysics services applied to the prospection of oil	Direct Expenditures	Siga Brasil - Financial Execution (Sums Paid + Sums Paid from previous years). 2050 Budgetary Action
Sponsorship to institutional research projects in the Oil and Natural Gas sector		Siga Brasil - Financial Execution (Sums Paid). Budgetary Action 4156
Fiscal Incentives for Infrastructure Development (REIDI)	Tax Expenditure	Official data retrieved from the Ministry of Mines and Energy's ordinances
Tax Regime to Stimulate the Modernization and Extension of the Port Structure (REPORTO)		Statement of Tax Expenditure - Effective Base 2016-2021. Retrieval solely concerning sums regarding the Transport Budgetary Function
Thermoelectricity		Statement of Tax Expenditure - Effective Base 2016-2021. Retrieval solely concerning sums regarding the Energy Budgetary Function
Liquefied Natural Gas		Statement of Tax Expenditure - Effective Base 2016-2021. Retrieval solely concerning sums regarding the Energy Budgetary Function
Investments in Infrastructure		Statement of Tax Expenditure - Effective Base 2016-2021. Retrieval solely concerning sums regarding the Energy Budgetary Function
Petrochemicals	Statement of Tax Expenditure - Effective Base 2016-2021. Retrieval solely concerning sums regarding the Energy Budgetary Function	
CONSUMPTION		
CCC – Fuel Consumption Account	Direct Expenditures	Financial Statements - Chamber of Electric Energy Commercialization (CCEE)
CDE - Energy Development Account - Coal		Aneel
Transfer of Funds to the Energy Development Account		Siga Brasil - Financial Execution (Sums Paid). Budgetary Action 00NY

Cide Diesel	Other Tax Waivers	Inesc's own methodology (2018). Loss of tax collection sums, based on the limits established by the law.
Cide Gasoline		Inesc's own methodology (2018). Loss of tax collection sums, based on the limits established by the law.
PIS/Cofins for Diesel		Inesc's own methodology (2018). Loss of tax collection sums, based on the limits established by the law.

Drafting: Inesc

NUMBERS IN 2021

Subsidies to fossil fuels totaled US\$ 21.9 billion in 2021, a 4.17% reduction from 2020. A total US\$ 13.3 billion (61%) were given to consumption, while production received US\$ 8.58 billion (39%).

The largest production subsidies come from Repetro, a measure that waives taxes for the import and domestic manufacturing of machines and equipment for oil and gas exploration. The second largest federal subsidy was targeted at gasoline and diesel consumers, and these sums are a result of loss of tax collection by the government due to repeated reductions of two taxes levied on fuels: PIS/Cofins and Cide-Fuels.

Table 3: Subsidies to fossil fuels, 2020 to 2021
figures in millions of current dollars

Subsidies	2020	2021	Variation
PRODUCTION			
Repetro	9.270,11	6.021,72	-35%
Deduction of figures applied in activities of oil and natural gas deposit exploration and production to determine profit for calculation of IRPJ and CSLL	1.483,04	1.483,04	0%
Geology and Geophysics services applied to the prospection of oil	0,17	0,00	-100%
Sponsorship to institutional research projects in the Oil and Natural Gas sector	0,01	0,25	1573%
Fiscal Incentives for Infrastructure Development (REIDI)	27,64	11,77	-57%
Tax Regime to Stimulate the Modernization and Extension of the Port Structure (REPORTO)	34,86	0,00	-100%
Thermoelectricity	124,69	272,86	119%
Liquified Natural Gas	85,62	187,37	119%
Investments in Infrastructure	62,33	142,04	128%
Petrochemicals	212,02	463,96	119%

CONSUMPTION			
CCC – Fuel Consumption Account	1.344,08	1.813,59	35%
CDE - Energy Development Account - Coal	123,42	139,00	12%
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Cide Diesel	3.663,12	3.914,01	7%
Cide Gasoline	5.046,52	5.538,43	10%
PIS/Cofins for Diesel	1.033,19	1.705,16	65%
TOTAL	22.867,63	21.915,18	-4%

Drafting: Inesc. In the original version, sums are presented in Brazilian Reais (current prices). In the English version, they are presented in US Dollars, based on the IRS's average annual sums.

The reduction of fossil fuel subsidies by a little over 4% between 2020 and 2021 is owed mainly to the waivers from Repetro, which were reduced by 35% in the same period. However, this reduction did not mean a decrease of the oil companies' investments, since the US\$ 9.2 billion waivers in 2020 contemplated not only investments in the sector, but also accounted for the migration of goods stemming from the implementation of Repetro Sped in the country, which substituted Repetro. Therefore, this 2020 figure is an outlier, which was corrected in 2021 after the end of this accounting process.

On the consumption side, there was an increase in subsidies for the sector, mainly stemming from the government's response to the hike in international prices, which was zeroing the collection of PIS/Cofins between March and April 2021 for diesel¹². These subsidies followed the international trend, since according to the International Energy Agency (IEA), consumption subsidies tripled in 2021 around the world, and they are expected to further increase in 2022¹³. In Brazil, during 2022, PIS, Cofins, PIS-Import and Cofins-Import rates on fuel were zeroed until the end of the year.

The allocation of federal funds in the amount of US\$ 21.9 billion for subsidies to fossil fuels in Brazil, during 2021, is worrying. First, because it encourages the expansion of oil production. Brazil currently offers the global fossil energy consumption system one million barrels per day more than it did 10 years ago. In 10 years, according to the Ten-Year Energy Plan¹⁴, the goal is to reach 5.2 million barrels per day. With this, the country, which is currently the ninth

¹² Decree No. 10.638/2021. Accessed 10/09/2022. Available at: www.in.gov.br/en/web/dou/-/decreto-n-10.638-de-1-de-marco-de-2021-305972356.

¹³ OECD [Organization for Economic Co-operation and Development]. Support for fossil fuels almost doubled in 2021, slowing progress toward international climate goals, according to new analysis from the OECD and IEA, August 2022. Accessed 10/04/2022. Available at: www.oecd.org/fossil-fuels/.

¹⁴ EPE [ENERGY RESEARCH OFFICE]. Plano Decenal de Expansão de Energia, 2032. Accessed 10/04/2022. Available at: www.epe.gov.br/pt/publicacoes-dados-abertos/publicacoes/plano-decenal-de-expansao-de-energia-pde.

largest oil producer in the planet, may become the fourth.

Second, because the increase in subsidies for consumption is a limited strategy for the reduction of consumer prices, given that price hikes were not a result of higher taxes, but of the fluctuation of international prices. The transfer of public funds to consumers, especially to those most vulnerable to inflation, is justifiable in terms of social and fiscal justice. However, the measures need to be limited and focused in order to ensure that subsidies are not deepening social and economic inequality, nor deepening dependence on fossil fuels.

Finally, the substantial waiver of federal revenue to subsidize fossil fuels results in the loss of tax revenue collections that are important for various public policies. For example, the constitutional taxes Pis/Cofins were created to finance Social Security Public Health, Social Assistance and Pensions), a crucial policy for the reduction of inequalities in the country.

A large part of the loss in collection is not compensated by the review of other tax reliefs, as is provided for in Article 14 of the Fiscal Responsibility Law. Furthermore, there is no norm that requires the government to assess ex-post the collection's behavior. This means that in practice the compensation does not exist, resulting in the dismantling and underfinancing of policies - the latter especially in regards to states and municipalities, which, unlike the Union, cannot obtain funding by issuing public debt bonds, therefore depending solely on their own tax collection and transfers from the federal government.

HIGHLIGHTS IN 2021

Production incentives: Repetro and Law No. 13.586

Subsidies to production of fossil fuels are mainly ruled by Law No. 13.586/2017, known at the time of discussion at the National Congress as the "Provisional Measure of Trillions", due to the calculation of possible subsidies stemming from this bill. This law has altered incentives attached to taxes on oil companies' income and purchase of goods for the exploration and production of oil and natural gas - the latter known as Special Customs Regime for Exports and Imports of Goods Intended for Exploration and Production of Petroleum and Natural Gas (Repetro).

Repetro was instituted in 1999 and allows for the import or purchase in the internal market, with suspension of federal taxes, of raw materials, packaging materials and intermediate products, provided they are used in the manufacturing of products destined for the oil and natural gas industry. It includes the total suspension of the following federal taxes: Import Taxes (II), Tax on Industrialized Products (IPI); Additional Freight for the Merchant Marine Renewal Rate (AFRMM); Social Integration Program and Program for the Formation of Assets of Public Servants (PIS/PASEP); Contribution for the Financing of Social Security (Cofins). The last two in national and import modalities. This is the largest incentive for the oil and gas sector in Brazil, with accumulated waivers of U\$ 26,98 billion between 2016 and 2021¹⁵.

With Law No. 13.586/2017, Repetro was expanded, turning into two regimes, Repetro-Sped¹⁶ and Repetro-Industrialization, which will remain in force until December 31, 2040. With regards to the regime instituted in 1999, in addition to the simplification of operations, the following changes occurred to expand it:

15 INTERNAL REVENUE SERVICE. Data retrieved through the Access to Information Law (LAI). Current figures, September 2022.

16 Repetro-Sped is a customs and tax regime that ensures waiver of federal taxes on temporary (customs regime) or permanent (tax regime) imported goods.

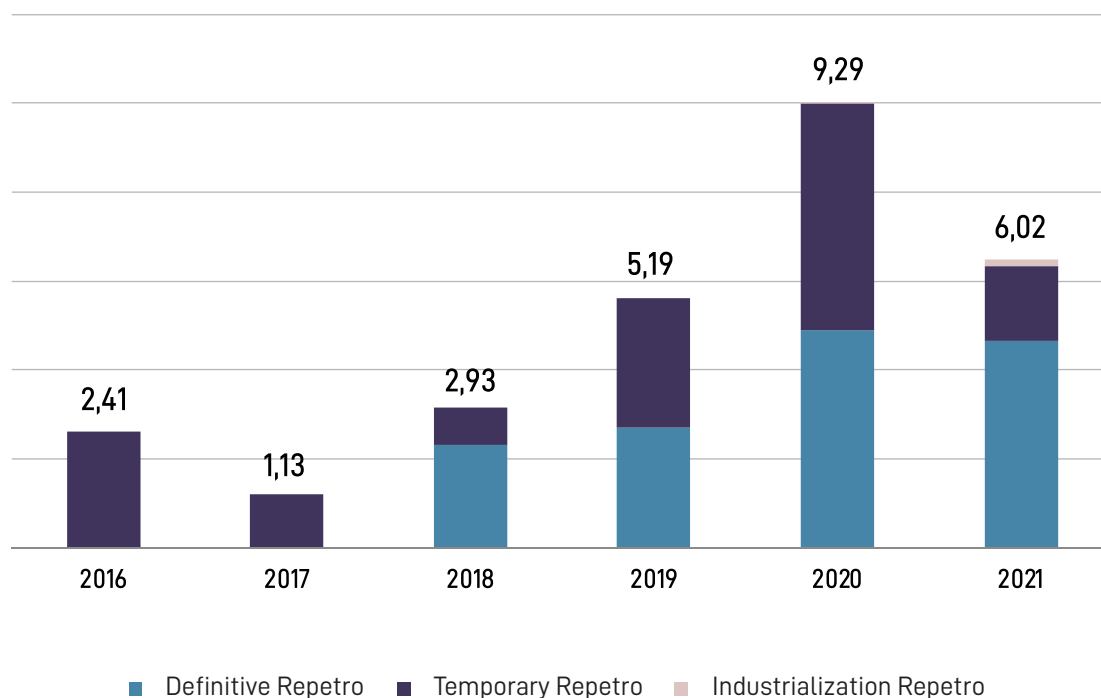
- broadening of the scope of the regime's goods, including goods used in exploration, development and production of oil and natural gas, not only research and mining activities;
- definitive importation, no longer just temporary, was allowed;
- the beneficiary chain was broadened, since with Repetro-Industrialization purchase in the internal market also began to receive tax reliefs, including intermediary goods to be used entirely in the productive process of final products used in the exploration of oil and gas.

As a consequence, the waiver related to the regime increase fivefold between 2017 and 2021, going from US\$ 1.13 billion to 6.01 billion, as shown in Graph 1 in Brazilian Reais¹⁷. For comparison purposes, this figure is very similar to fiscal incentives estimated for the entirety of Manaus's Free-Trade Zone and Free Trade Areas in 2020, at US\$ 5.76 billion¹⁸.

17 The largest waiver in the period was 2020, but this figure is not limited to new investments, also taking into account the migration phenomenon. After the passing of Law No. 13.586/2017, main and accessory goods admitted before 12/31/2018 under Repetro that did not migrate to Repetro until 06/30/2019, could opt for migration until 12/31/2021.

18 18 horas, electronic magazine, July 2021. Accessed 10/04/2021. Available at: 18horas.com.br/noticias/incentivos-tributarios-da-zona-franca-de-manaus-aumentaram-em-2020-diz-relatorio-do-governo/.

Graph 1: Repetro Figures per Category - 2016 to 2021
figures in billions of current dollars



*Source: Internal Revenue Services, Access to Information Law, 2022.
 Drafting: Inesc*

At the time Repetro was instituted in 1999, investments in exploration and production activities were important to ensure the country's oil self-sufficiency, in a scenario where Petrobras was the sector's sole investor. Oil fields explored at the time, in deep waters in Campos Bay, had high construction costs for wells, underwater goods and equipment, and floating platforms.

This scenario, however, began to transform after the discovery of pre-salt, the arrival of international oil companies in Brazil and the distribution of costs for oil exploration. In this sense, the need for Repetro for the maintenance of the national oil industry was put into question by academics: reflecting on Repetro's effectiveness, Pedra and Szklo¹⁹ pointed out that there are projects in the country, especially in pre-salt fields, that do not need fiscal incentives to be profitable; therefore, the existence of this regime ends up converting into windfall profits for the companies. The most recent information regarding Petrobras's gains confirms this bonanza: Petrobras registered the highest profit in the company's history in 2021 - US\$ 19.64 billion, which was largely distributed among its shareholders in the form of dividends; and the state company obtained the highest net profit among the large oil companies in the

¹⁹ The Impact of Fiscal Incentives in the Pre-Salt Oil. Business in Brazil / Patricia Pereira Pedra. – Rio de Janeiro: UFRJ/COPPE, 2020. XIII, 98 pages, Accessed 10/04/2022. Available at: www.ppe.ufrj.br/images/Dissertaçao_Patricia_Pereira_Pedra.pdf.

world in the first semester of 2022²⁰.

Income Incentives

Law No. 13.586/2017, besides increasing the scope of tax reliefs allowed by Repetro, instituted considerable fiscal benefits in income taxes for companies acting in oil and natural gas exploration and production. Article 1 of the aforementioned norm provides that "for the purposes of ascertaining real profit [to calculate IRPJ] and the calculation basis for CSLL, the figures applied in activities of oil and natural gas deposit exploration and production, in each assessment period, may be fully deducted".

This is the application of generic, comprehensive and optional benefits, previously exclusive to Petrobras, which after the passing of the Law extended to other oil companies acting in Brazil. In practice, all spending applied to make production in oil and natural gas fields possible may be fully deducted in each assessment period (quarterly)²¹. Royalties and sums paid as signature bonus may also be deducted. Furthermore, it is possible that expenses with machines, equipment and instruments that form the company's assets are deducted both as exhaustion quota and depreciation quota, which leads to an extremely serious case of double deduction²².

The figures regarding this waiver are not made available by the federal government. This occurs because the Revenue Service does not consider this waiver a Tax Expenditure; therefore, there is no obligation to calculate the estimated loss in tax collection after three years of its implementation. Despite this lack of transparency, which prevents us from knowing the scale of revenue waivers, it is possible to analyze the impact of these subsidies in government incomes, that is, in the payment of federal taxes by oil companies²³. Petrobras's Fiscal Reports²⁴ state that between 2018 and 2020, the three years following the approval of Law No. 13.586/2017, the company paid very little IRPJ and CSLL, especially if compared with taxes paid by consumers (ICMS, PIS/Cofins and Cide-Fuels), as can be seen in Graph 2.

20 BP Money. Petrobras (PETR4) lidera lucro entre petroleiras do mundo; confira. Accessed 10/04/2022. Available at: www.bpmoney.com.br/noticias/negocios/petrobras-petr4-tem-maior-lucro-liquido-entre-petroleiras-do-mundo.

21 With the exception of expenses in the development stage, which will be deducted through exhaustion or depreciation of assets formed in this stage, the phase of development is making the field viable for production, which is carried out after the exploration stage.

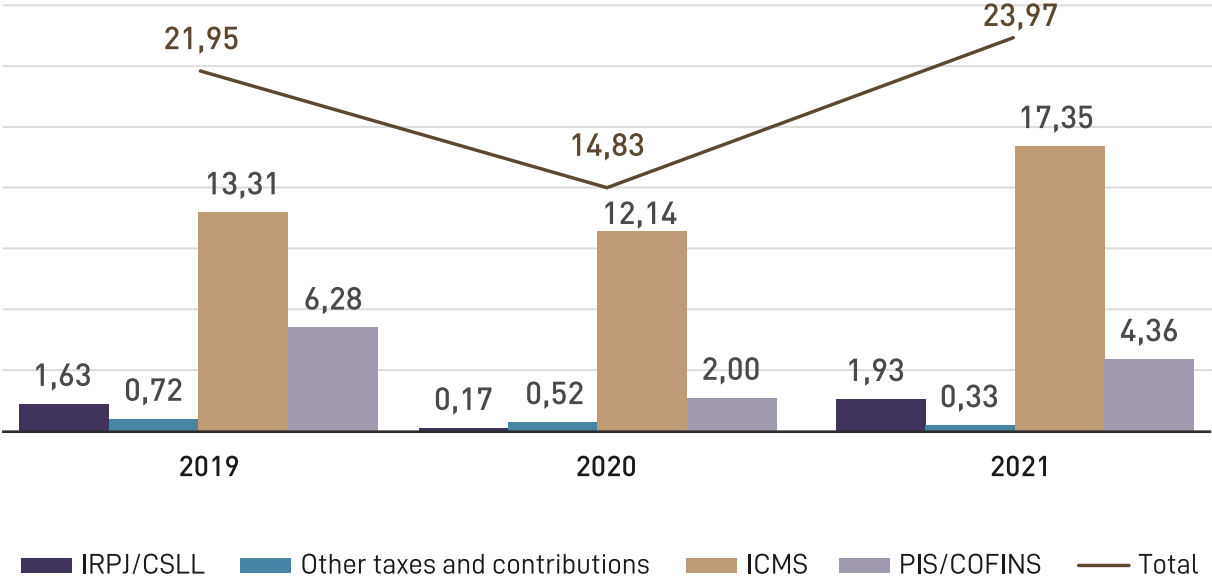
22 Like ANP Resolution No. 12/2014, Article 1 of Law No. 13.586/2017 should expressly forbid the possibility of deducing the exhaustion quota regarding one asset for which a depreciation quota was registered. This way, the possibility of double expense deduction would be avoided. For a more detailed analysis, see technical note "Setor de petróleo e gás: investimentos, produção, tributos, lucratividade e subsídios". Available at: www.inesc.org.br/setor-de-petroleo-e-gas/.

23 INESC [INSTITUTO DE ESTUDOS SOCIOECONÔMICOS]. Petróleo no Brasil: Participação governamental, subsídios e injustiça fiscal. Acesso em 01/11/2022. Disponível em: www.inesc.org.br/petroleo-no-brasil.

24 PETROBRÁS. Fiscal Reports, 2018 to 2020. Accessed 10/04/2022. Available at: www.investidorpetrobras.com.br/resultados-e-comunicados/central-de-resultados/.

However, low levels of tax payment are not exclusive to the Brazilian state company. International Companies like Shell, Petrogal, Repson Sinopec and TotalEnergies are currently in operation in the country and they pay little IRPJ and CSLL due to subsidies, despite the high profitability of pre-salt fields, where many of them act in partnership with Petrobras.

Graph 2: Petrobras - Taxes on income and consumption, 2019 to 2021
figures in billions of current dollars



Source: Own drafting based on Petrobras data

Therefore, it can be argued that the subsidies established by Law No. 13.586/2017 considerably prevent the state from accessing important shares of income from oil, besides stimulating the expansion of investments in fossil sources in Brazil. It is crucial to review this type of fiscal benefit given the challenges and commitments regarding climate change assumed in Brazil in the Paris Agreement.

Mineral coal burning is one of the culprits of greenhouse gas emissions, which cause the rise in global temperatures. In 2021, the Intergovernmental Panel on Climate Change (IPCC) released the Report Climate Change 2021: The Physical Science Basis²⁵, where it warns that past and future changes caused by greenhouse gases are irreversible.

While in many countries coal is crucial for domestic energy consumption, coal's share in Brazil's electrical matrix is small, amounting to only 2.7% of the supply of electricity generation in 2021, besides being restricted to the southern region of the country. However, it was responsible for 30% of greenhouse gas emissions in the National Interlinked System²⁶. Furthermore, between 2018 and 2021, the share of coal for electrical energy generation increased 3.381 GWh, by 23%.

Furthermore, in recent years the Brazilian government has taken measures to increase supply of mineral coal in the country. In August 2021, the same month the IPCC's report was released, the Ministry of Mines and Energy presented to Program for Sustainable use National Mineral Coal²⁷, which, besides other goals, proposes the opening of new thermoelectric plants run on mineral coal in Brazil's southern region. This program tries to sell the idea that mineral coal, besides necessary, is sustainable - due to the reuse of waste in mining generated in the past, which will be reused in new thermoelectric plants opened during the Program's execution.

Brazil is capable of diversifying its energy matrix through other sources so as not to depend on this fuel, which is very harmful to the environment, and ensure the electrical sector's systemic stability.

However, besides the Program for Sustainable use Mineral Coal, the federal government incentivizes the production of coal through fiscal subsidies and incentives for the coal industry in Brazil. In 2021, subsidies to coal originating from the Energy Development Account (CDE) alone - which is a sectorial tariff for the promotion of energy development, according to the programming of the Ministry of Mines and Energy - was US\$ 139 million.

As pointed out by Inesc's study titled "Brazilian Energy Matrix in the context of the Paris Agreement"²⁸, the share of coal in Brazil's energy matrix, although limited, is only economically viable due to subsidies granted by the government, largely paid for by society through energy

25 "Climate Change 2021: the Physical Science Basis" on 9 August 2021. Accessed 10/04/2022. Available at: www.ipcc.ch/report/ar6/wg1/.

26 EPE [ENERGY RESEARCH OFFICE]. 2022 Statistical Yearbook of Electricity. Accessed 10/04/2022. Editions available at: 2022 Statistical Yearbook of Electricity - Workbook.

27 The program's ordinance can be accessed at the following web address: epbr.com.br/wp-content/uploads/2021/08/programa-para-uso-sustentavel-do-carvao-mineral-nacional.pdf.

28 INESC. Brazilian energy matrix in the context of the Paris Agreement: between lack of ambition and the challenges for the implementation of NDCs. Accessed 10/04/2022. Available at: www.inesc.org.br/ndc-energy/.

bills. These are old subsidies, dating back to 1973 and, according to the law, expected to end in 2027.

It is necessary to take into consideration the problem of Brazilian coal's low efficiency. Only 20% of the ore extracted in Brazil serves to generate electricity, the rest is turned into waste and ash. Another issue is the health hazard it poses to people as a result of coal exploration and consumption, which affects both mine workers, who suffer with the unhealthy conditions imposed by ore extraction, and the populations living around coal-fueled thermoelectrical plants.

Therefore, it is necessary to build a strategy to phase out Mineral Coal that aligns the end of exploration and use of mineral coal to measures that reduce local economic dependence on this mineral activity, with social justice, especially for the populations that currently depend, directly or indirectly, on the carbon industry.

Price hike and subsidies to fuel consumption

Subsidies to consumption are those aimed at reducing fuel costs for the consumer, especially users of individual motorized transportation and the consumer of electrical energy. They gained global prominence in 2021 and 2022 due to the increase in energy prices, since countries expanded subsidies in order to lower bills for consumers. The price hikes were caused by the post-pandemic economic upturn and the scenario of war between Russia and Ukraine and their impacts on inflation. According to the International Energy Agency (IEA), consumption subsidies tripled in 2021 around the world, and they are expected to further increase in 2022²⁹.

In Brazil, revenue waivers associated with fossil fuels consumption (herein considered diesel and gasoline exclusively) are the largest portion of general subsidies contemplated in this edition. These are waivers granted by the Federal Government in two taxes levied on gasoline and diesel: PIS/Cofins and Cide-Fuels.

The figures of subsidies to fuel consumption kept on growing in 2021. There was an increase in traded volume and in subsidies for the sector with regard to 2020, the latter as a government response to the hike in international prices, which zeroed the collection of PIS/Cofins between March and April 2021 for diesel.

29 OECD [Organization for Economic Co-operation and Development]. Support for fossil fuels almost doubled in 2021, slowing progress toward international climate goals, according to new analysis from OECD and IEA, August 2022. Accessed 10/04/2022. Available at: www.oecd.org/fossil-fuels/.

• **Are subsidies a good way to reduce consumer prices and reduce inequalities?**

On the consumer side, the increase in subsidies to stabilize or lower prices may be justifiable in cases where conditions of living between population groups and regions are inequitable, or even to sustain prices considered essential for families or the economy.

There are, however, different strategies to implement these subsidies, which may be more or less focused on the populations most sensible to price shocks. When analyzing the case of Brazil in 2022, we observe that two movements occurred: there were subsidies to Liquefied Petroleum Gas for impoverished segments with the creation of Auxílio Gás [Gas Aid]; and subsidies to diesel for transportation sectors, instituted by Auxílio Combustível [Fuel Aid]. These two focused measures were made possible by funds from the Federal Government's budget.

Besides these specific initiatives, there was the decision to subsidize fuel consumption for the population as a whole by lowering tax collection. Complementary Law No. 192/2022 passed, which altered the tax system for ICMS on fuels, creating a cap on charges and zeroing PIS, Cofins, PIS-Import and Cofins-Import aliquots levied on fuel until December 31, 2022. In the case of ICMS, the loss of collection until the end of the year was estimated by the Independent Fiscal Institute (IFI) at US\$ 2.4 billion for states and the Federal District³⁰. The measure posed grave risks to the execution of programs and initiatives in states and municipalities, affecting, among other areas, education, which has ICMS as one of its main financing sources. In turn, reduction of PIS/Cofins on fuels, especially diesel, will impact collection by US\$ 3.2 billion in 2022.

These broader measures tend to favor richer families, which use more fuel. Besides, although the measure has had short-term impact in inflation reduction and indirectly on basic prices, like food, this impact is limited, since price hikes are not due to tax increases, but to the internalization of international prices. Persistent high inflation rates in 2022 confirm this scenario. There are even doubts whether tax waivers are entirely passed on to consumers or if part of them is kept by distributors, since the market is concentrated in few companies that can use their power of oligopoly to set prices³¹.

30 IFI [INDEPENDENT FISCAL INSTITUTION]. Fiscal Monitoring Report, March 2022. Accessed 10/04/2022. Available at: www2.senado.leg.br/bdsf/bitstream/handle/id/596473/RAF62_MAR2022.pdf.

31 FERRAZ e VIEGAS (2002): www12.senado.leg.br/publicacoes/estudos-legislativos/tipos-de-estudos/textos-para-discussao/td310.

This was a strategy for public authorities to respond to the increase of fuels quickly and with palpable short-term effects. However, other proposals to control prices were presented in the public debate, as was identified in Inesc's fact sheet, such as increasing export taxes for crude oil and overturning the Import Parity Pricing (PPI)³².

Petrobras has had a more active role in stabilizing fuel prices in the past, and it used its market power to control the transfer of fluctuation in foreign rates to final consumers. However, as of the implementation of the PPI in 2016, internal prices began to fluctuate according to exchange rate fluctuation, even though the company obtains most of the traded product domestically. With the PPI limiting the possibility of controlling prices, the only way out was tax relief, thus ensuring that oil companies' profits remain intact.

The transfer of public funds to consumers, especially to those most vulnerable to price hikes, is justifiable in terms of social and fiscal justice. However, the measure needs to be limited and focused in order to ensure that subsidies are not increasing social and economic inequality, nor deepening dependence on fossil fuels.

This analysis is confirmed by the IEA and the OECD, which warned of the dangers of short-sighted initiatives and recommended that mid- and long-term solutions should fall on accelerating global and national energy transition efforts³³: "Increased investment in clean energy technology and infrastructure is the only long-lasting solution for the current global energy crisis and the best way to reduce consumers' exposure to high fuel costs"³⁴.

• Subsidies to fossil sources make the path toward quality and clean public transportation more difficult

In Brazil, there are currently scarce resources to finance infrastructure for urban public transportation, such as subways, Bus Rapid Transit (BRT) systems and exclusive lanes for buses, making life more difficult for users of public transportation, increasing commuting time and greenhouse gas emission. The federal budget earmarked for public transportation is practically inexistent, as pointed out in previous Inesc studies³⁵.

32 FPETROBRÁS. Financial Performance, 4th Quarter 2021. Accessed 10/04/2022. Available at: api.mziq.com/mzfilemanager/v2/d/25fdf098-34f5-4608-b7fa-17d60b2de47d/62f3596f-6f15-101e-453b-e7873705af5b?origin=2.

33 Financing of energy transition is a crucial subject that must be dealt with. In order to contribute to this debate, Inesc has organized information on state revenues coming from oil and argues that part of these revenues should be used to finance the energy transition. See technical note "Renda petrolífera estatal: valores, distribuição, usos e desafios relacionados à transição energética com justiça social". Available at: www.inesc.org.br/renda-petrolifera-estatal/.

34 OECD [Organization for Economic Co-operation and Development]. Support for fossil fuels almost doubled in 2021, slowing progress toward international climate goals, according to new analysis from OECD and IEA, August 2022. Accessed 10/04/2022. Available at: www.oecd.org/fossil-fuels/.

35 INESC. A conta do desmonte – Balanço do Orçamento Geral da União 2021. Accessed 10/04/2022. Available at: www.inesc.org.br/acontadodesmonte/.

Subsidies to fossil fuels, specifically to consumption, confirm this scenario. This occurs because not only does tax relief encourage the use of individual transportation, but is also defunds public policies, since the goal of one of the taxes waived, Cide-Fuels, is to finance infrastructure for urban transportation.

Many are the effects of choosing to prioritize private to the detriment of public transportation. The impacts of fossil fuel consumption for cargo and urban transportation are not negligible in regards to greenhouse gas emissions and the climate. Emissions from cargo and passenger transportation amounted to 9% of total greenhouse gas emissions in Brazil in 2020³⁶. Besides the increase in emissions, there is higher vehicle pollution, higher time of commute, more traffic jams and automobile accidents³⁷. With regards to the latter, the situation is made worse by the fact that expenses resulting from them fall on the public health and pension systems, which are policies financed by taxes that are being waived, especially PIS/Cofins.

It is high time to promote a deeper debate on energy transition, taking into consideration the construction of a pricing policy where externalities directly resulting from the burning of fossil fuels (atmospheric pollution and GHG), as well as those related to the intensity of vehicle use (accidents and traffic jams, for example) are considered.

Reducing fuel prices by decreasing PIS/Cofins, Cide and ICMS aliquots goes against the construction of less polluting transportation systems, with less emissions and less harm to the health and quality of life in cities.

36 plataforma.seeg.eco.br/total_emission

37 According to a study by Ipea "traffic accidents in Brazil kill approximately 45 thousand people per year and leave more than 300 thousand people with severe injuries. In a conservative estimate, it could be argued that highway accidents cause Brazilian society circa R\$ 40 billion per year, while accidents in urban areas cost around R\$ 10 billion, with cost regarding loss of production corresponding to the largest part of these figures, followed by hospital costs." Available at: www.ipea.gov.br/atlasviolencia/arquivos/artigos/7018-td2565.pdf.

RECOMMENDATIONS

Reconciling the guarantee of human rights, the growing energy demand and the fight against climate change is one of our century's great global challenges. Subsidies and incentives to fossil fuels interfere in the consumption patterns of families and companies' profits, as they artificially reduce the cost of production and consumption of fossil sources, making it more difficult to structurally change the production matrix and global consumption based on these fuels. In this sense, Inesc recommends that in 2023 the new Brazilian government:

- commit to officially calculating and assessing subsidies to fossil fuels in Brazil compared to subsidies to renewables;
- offer alternatives, via the Internal Revenue Service, to disclose Repetro's and Law No. 13.586/2017's data, such as the publication of the volume of operations, tax collection or the tax burden in the oil and gas sector.;
- build a strategy to phase out mineral coal that aligns the end of exploration and use of mineral coal to measures that reduce local economic dependence on this mineral activity, with social justice, especially for the populations that currently depend, directly or indirectly, on the carbon industry;
- draw responses to external fossil fuel price shocks that align subsidies and grants for consumer support (limited in time and focused on vulnerable population groups) with the reduction of dependence on the use of fossil sources in the energy and electrical matrix. Petrobras's role as a company that supports internal price control should also be resumed, and possible solutions aimed at building "price stabilization funds" should be financed with windfall profit taxes for companies in the sector.

LIST OF ACRONYMS

ANEEL – National Agency of Electric Energy
ANP – Brazilian National Agency for Petroleum, Natural Gas and Biofuels
CCC – Fuel Consumption Account
CCEE - Brazilian Electric Power Trading Chamber
CDE – Energy Development Account
CIDE – Contributions for Intervention in the Economic Domain
COFINS – Contribution for the Financing of Social Security
CSLL – Social Contribution on Net Profit
CT-PETRO - Sectorial Fund for Oil and Gas
DGT – Demonstrative of Tax Expenditures
EPE - Energy Research Office
E&P – Exploration e Production
FO – Budget Function
GT – Tax Expenditures
GHG – Greenhouse Gases
ICMS – Tax on the Circulation of Merchandise and Services
ICS – Institute for Climate and Society
IEA – International Energy Agency
INESC – Institute of Socioeconomic Studies
IPCC - Intergovernmental Panel on Climate Change
IPI – Tax on Industrialized Products
IRPJ – Corporate Income Tax
LAI – Access to Information Law
LOA – Annual Budget Law
LDO – Budget Guidelines Law
LRF – Fiscal Responsibility Law
MME – Ministry of Mines and Energy
MP – Provisional Measure
OR – Other Waivers
O&G – Oil & Gas
OECD - Organization for Economic Co-operation and Development
R&D - Research and Development
PIS - Social Integration Program
REIDI – Special Incentive Regime for Infrastructure Development
REPENEC – Special Incentive Regime for Exports and Imports of Goods Intended for Exploration and Production of Petroleum and Natural Gas
REPETRO – Special Customs Regime for Exports and Imports of Goods Intended for Exploration and Production of Petroleum and Natural Gas
REPORTO – Tax Regime to Stimulate the Modernization and Extension of the Port Structure
RFB - Brazilian Internal Revenue Services
SEEG – Greenhouse Gas Emissions Estimation System

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