METHODOLOGICAL NOTE

INESC'S METHODOLOGY FOR ESTIMATING SUBSIDIES FOR FOSSIL AND RENEWABLE FUELS

7TH EDITION (2024)

BRASÍLIA, SEPTEMBER 2024

1. Concepts and criteria adopted

This note details the methodological procedures adopted by the Institute of Socioeconomic Studies (Inesc) for the seventh edition of estimates of the federal subsidies to energy sources.

Subsidies are understood here as the set of government policies and measures that provide resources, directly and indirectly, to companies and to the population. We use the definition of the World Trade Organization (WTO), which considers that a subsidy exists if there is a financial contribution linked to the government (in this case, the federal government).

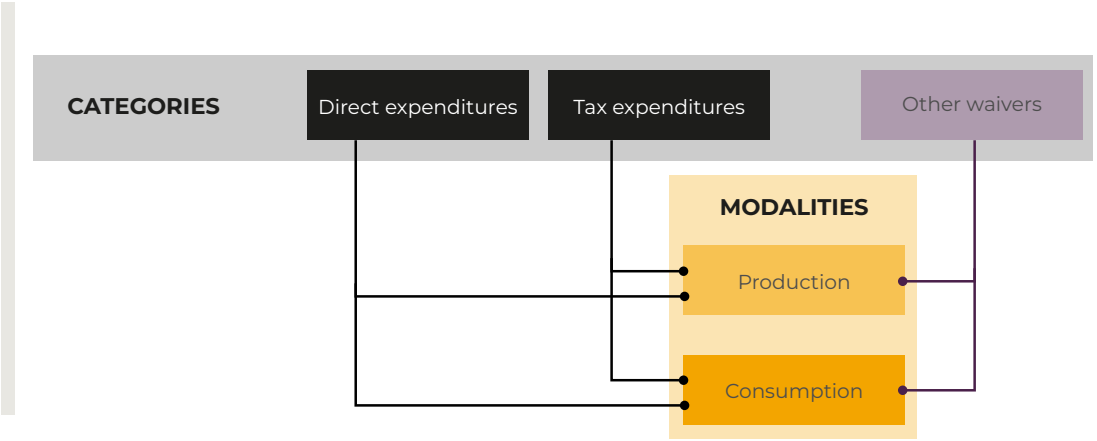
This involves a range of modalities, such as transfers of funds, potential direct transfers (such as investment guarantees), foregone government revenues (such as tax waivers), provision of goods or services other than general infrastructure, and price support.

Public credit and financing programs, which are simply loans with reduced interest rates, are not considered, because they are distinct tax categories and, due to the complexity they involve, require separating the value of the loan from the value of the subsidy embedded in it.

The construction of the methodology is in accordance with the concept of the Organization for Economic Cooperation and Development (OECD), which considers as subsidies to fossil fuels the government support measures for fossil fuels that can encourage the production and use of fossil fuels or, even, those that can distort costs and prices, thus generating inefficiencies in the production and in the use of energy.

In the methodological choice used by Inesc, the subsidies are divided into two categories and two modalities.

FIGURE 1 CATEGORIES AND MODALITIES OF SUBSIDIES



Source: Inesc.

1.1. Categories: direct expenditures and waivers

Direct expenditures are understood as resources executed through the federal public budget that represent support for production and/or expansion, as well as the consumption of fossil and renewable energy.

Source of information: Portal of the Federal Senate, Siga Brasil, which accesses data from the Integrated Financial Administration System (Siafi). The calculation takes into account the resources from the financial execution, which add up the amounts paid with the remaining unpaid obligations paid each year.

Selection criteria: selection is carried out by evaluating programs, budgetary actions and budgetary plans that, in their descriptions, explicitly configure support for fossil fuels, whether for production (as in the case of public resources allocated to research and development – R&D), or for consumption (as in the case of subsidies).

Waivers are understood as the sum of incentives, waivers, benefits or immunities of a tax nature that benefit the production and/or consumption of fossil and renewable sources.

Source of information: the information gathered in the study comes from various sources, such as: (I) Tax Expenditure Statements (DGT) – Effective Base 2019–2024; (II) information requested via the Access to Information Law (LAI) – referenced in the study; and (III) Ordinance No. 319/2023 of the Brazilian Federal Revenue Service (RFB).

Selection criteria: as will be seen in the details of each incentive measure, the different sources of information were chosen following the criterion of seeking greater precision in identifying the waiver associated with the production or consumption of fossil and renewable sources.

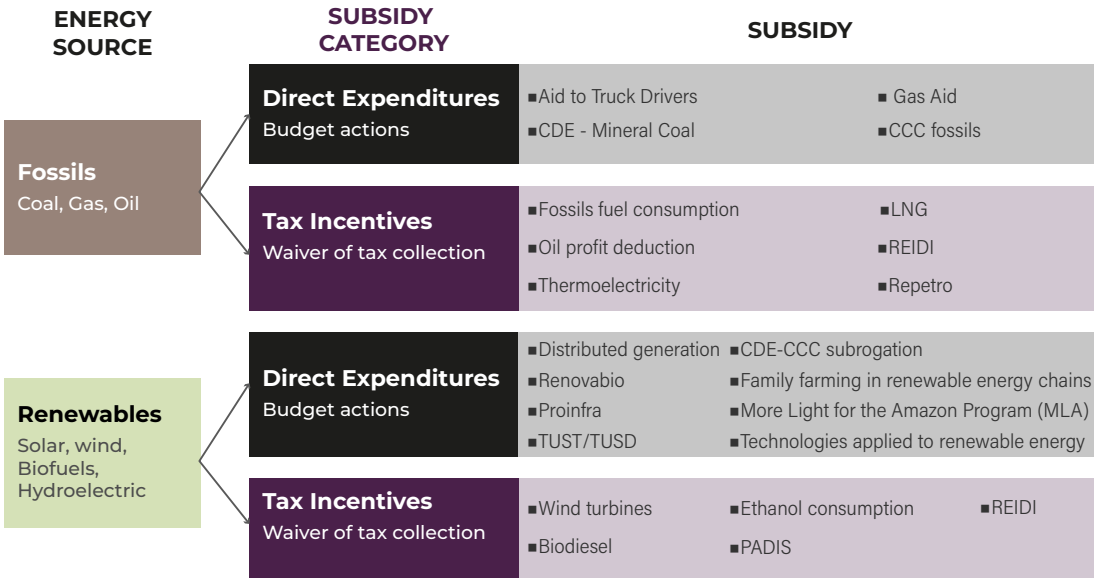
1.2. Modalities: consumption subsidies and production subsidies

Production subsidies consider direct expenditures and waivers that benefit oil & gas production and the generation of fossil and renewable energy.

Consumption subsidies consider direct expenditures and waivers that benefit energy consumption from these two sources.

At a third level of detail, for each category and source, the measures that comprise them are listed, with a total of 23 measures selected, as summarized in the figure below.

FIGURE 2 BREAKDOWN OF THE COMPOSITION OF SUBSIDIES FOR FOSSIL AND RENEWABLE SOURCES



Source: Inesc.

TABLE 1 SUMMARY OF CATEGORIES, MODALITIES AND ORIGIN OF DATA (FOSSIL AND RENEWABLE SOURCES)

Sources: ■ Renewable ■ Fossil

Name	Categories	Modalities	Stages	Data
Incentive Program for Alternative Electricity Sources (Proinfa)	Direct expendi-tures	Production	Generation	Confirmatory resolutions of the National Electric Energy Agency (Aneel)
Special Incentive Regime for Infrastructure Deve-lopment (Reidi)	Tax waivers	Production	Generation	Federal Revenue Service tax benefits and waivers – Annex III
Distributed generation	Direct expenditures	Production	Generation	Subsidiometer of the National Electric Energy Agency (Aneel).
TUST/TUSD – incentivized sources – reduction in TUST and TUSD payments (CDE)	Direct expenditures	Production	Generation	Energy Development Account Report from the National Electric Energy Agency (Aneel).
More Light for the Amazon Program (MLA)	Direct expenditures	Production	Generation	Subsidiometer of the National Electric Energy Agency (Aneel).
CCC – subrogation of the Energy Development Account (CCC/CDE)	Direct expenditures	Production	Generation	Inputs and outputs state-ments from the Electricity Trading Chamber.
Support Program for Tech-nological Development of the Semiconductor Indus-try (Padis)	Tax waivers	Production	Inputs for various stages	Tax Expenditure Statement from the Brazilian Federal Revenue Service – series from 2019 to 2024
Wind turbines	Tax waivers	Production	Generation	Tax Expenditure Statement from the Brazilian Federal Revenue Service – series from 2019 to 2024
Biodiesel	Tax waivers	Production	Generation	Tax Expenditure Statement from the Brazilian Federal Revenue Service – series from 2019 to 2024
National Biofuel Policy (RenovaBio)	Direct expenditures	Production	Generation	Siga Brasil
Exemptions for the con-sumption of hydrated ethanol	Tax waivers	Consumption	Consumption	Inesc's own calculation with analysis of the laws governing the rates and the adoption of the con-sumption volume from the National Petroleum, Natural Gas and Biofuels Agency
Promotion of the partici-pation of family farming in renewable energy chains	Direct expenditures	Production	Generation	Siga Brasil
Promotion of tech-nologies applied to renewable energy and energy efficiency	Direct expenditures	Production	Generation	Siga Brasil

Name	Categories	Modalities	Stages	Data
Special Customs Regime for Export and Import of Goods Intended for Research and Mining Activities in Oil and Natural Gas Deposits (Repetro)	Tax waivers	Production	Exploration, development and production	Federal Revenue Service tax benefits and waivers – Annex III
Energy Development Account/Fuel Consumption Account (CDE/CCC)	Direct expenditures	Production	Generation	Inputs and outputs statements from the Electricity Trading Chamber.
Exemptions for consumption of diesel oil, gasoline and LPG	Tax waivers	Consumption	Consumption	Inesc's own calculation with analysis of the laws governing the rates and the adoption of the consumption volume from the National Petroleum, Natural Gas and Biofuels Agency
Thermoelectricity	Tax waivers	Production	Inputs for generation	Tax Expenditures Statement from the Brazilian Federal Revenue Service – series from 2019 to 2024
Gas Aid for Brazilians	Direct expenditures	Consumption	Consumption	Siga Brasil
Payment of assistance to independent cargo transporters	Direct expenditures	Consumption	Consumption	Siga Brasil
Special Incentive Regime for Infrastructure Development (Reidi)	Tax waivers	Production	Generation	Official data from ordinances of the Ministry of Mines and Energy (MME).
Liquefied natural gas (LNG)	Tax waivers	Production	Import	Tax Expenditures Statement from the Brazilian Federal Revenue Service – series from 2019 to 2024
Energy Development Account – mineral coal	Direct expenditures	Production	Generation	Energy Development Account Report of the National Electric Energy Agency (Aneel)
Deduction of amounts applied to the exploration and production of oil and natural gas to calculate IRPJ [Corporate Income Tax] and CSLL [Social Contribution on Net Profits]	Tax waivers	Production	Exploration, development and production	Federal Revenue Service of Brazil

Source: Inesc.

2. Composition of fossil fuel subsidies

2.1. Waivers associated with fossil sources

A) SUBSIDY NAME: **Special Customs Regime for Export and Import of Goods Intended for Research and Mining Activities in Oil and Natural Gas Deposits (Repetro)**

Description: Repetro allows the import or acquisition (in the domestic market, with the suspension of federal taxes: IPI, II, PIS/Pasep and Cofins) of raw materials, packaging materials and intermediate products used in the manufacture of products intended for the oil and natural gas industry.

Duration of the incentive: 2040.

Source of information: data received through the Access to Information Law (LAI).

Access methodology: the data received through the LAI demonstrates the exemption from IPI, II, PIS/Pasep and Cofins and CIF freight (cost, insurance and freight) for three regimes that are part of Repetro: temporary admission, definitive admission, and Repetro Industrialização. The values of the three regimes and all taxes are added together, excluding the CIF, since it is not a domestic tax.

B) SUBSIDY NAME: **Liquefied natural gas (LNG).**

Description: exemption from the following taxes: Contribution to the Worker's Social Integration/Public Servant Asset Formation Program (PIS/Pasep) and Social Contribution for the Financing of Social Security (Cofins), for the import of liquefied natural gas intended substantially for electricity generation.

Duration of the incentive: duration of the tax waivers allocated to LNG is undetermined.

Data source: Tax Expenditure Statement (DGT) – Effective Base 2019–2024, from the Brazilian Federal Revenue Service (RFB).

Access methodology: use of complete DGT data without applying filters or sectors.

C) SUBSIDY NAME: **Thermoelectricity.**

Description: exemption from PIS/Pasep and Cofins rates applicable to revenue arising from the sale of natural gas and mineral coal intended for the production of electrical energy.

Duration of the incentive: duration of the tax waivers allocated to thermoelectricity is undetermined.

Data source: Tax Expenditure Statement (DGT) – Effective Base 2019–2024, from the RFB.

Access methodology: use of complete DGT data without applying filters or sectors.

D) SUBSIDY NAME: **Exemption for the Consumption of Fossil Fuels (gasoline C, diesel B and liquefied petroleum gas).**

Description: reduction in rates (Cide, PIS/Pasep and Cofins) levied on operations carried out with diesel oil (type B), liquefied petroleum gas (LPG) and gasoline (type C). The year 2017 is adopted here as the baseline for calculating the subsidies implicit in waivers linked to the collection of these taxes. The main increase in subsidies occurs in 2022, due to Complementary Law No. 194, which aimed to respond to the rise in fuel prices, influenced by the war between Russia and Ukraine. The changes were in force during 2022 and were gradually remodeled throughout 2023, therefore not being structured into long-term policies.

Duration of the incentive: duration of tax exemptions for the consumption of fossil fuels (especially gasoline, diesel and LPG) is indefinite, the rules for which are established by Complementary Law No. 194/2022 and its subsequent amendments.

Data source: information from the National Petroleum, Natural Gas and Biofuels Agency (ANP) and legislation establishing the rates.

Access methodology: Inesc considers the adoption of the commercialized volume of each fuel (gasoline C, diesel B and LPG) through the Fuel Commercialization Summary, published monthly by the National Petroleum, Natural Gas and Biofuels Agency (ANP). The calculation is made by volume, through which the rate in force for each year is obtained, established by the legislation in force in each period, for the exemption for the fuels analyzed, with the year 2017 defined as the baseline. In calculations relating to type C gasoline, the hydrated ethanol mixture volumes are not considered.

It must be noted that, for LPG, the volume available to consumers up to the P-13 cylinder (13 kg) is considered. Also for the same fuel, when converting volume (m^3) to mass (kg), the density of 2.5 kg/m^3 is adopted.

E) SUBSIDY NAME: **Deduction of resources applied to the exploration and production of oil and natural gas deposits to determine the profit for calculating the IRPJ [Corporate Income Tax] and the CSLL [Social Contribution on Net Profits].**

Description: Law No. 13,586/2017, which renewed and extended Repetro by 2040, also brought, in its article 1, the possibility of deduction, for the purposes of determining the calculation basis of the Social Contribution on Net Profits (CSLL), of the amounts invested in the exploration and production of oil and natural gas deposits, also considering the depletion expense arising from the asset.

Duration of the incentive: validity of Law No. 13,586/2017.

Data source: Federal Revenue Service of Brazil.

Access methodology: the figures of this tax waiver are presented by the Federal Revenue Service as "instituted exemptions," but are restricted to three-year estimations as of the approval of the law that enacted them (from 2018 to 2020), in order to comply with the Fiscal Responsibility Law (LRF).

Direct expenditures

F) SUBSIDY NAME: **Mineral Coal – Energy Development Account (CDE).**

Description: present within the scope of the Energy Development Account (CDE), this is an energy policy for the use of national coal that provides an economic subsidy for the entire production chain, from coal exploration to the generation of electrical energy, for a specific group of plants that were in operation in 1998. It defines that thermoelectric plants powered by national mineral coal will be entitled to coverage of fuel costs. Since it constitutes an item of the CDE, it is paid for by the electricity consumers themselves through tariff charge.

Duration of the incentive: according to Law No. 12,783/2013, this subsidy is expected to end in 2027.[1]

1 Law No. 12,783/2013 promotes the subsidy and competitiveness of energy produced from national mineral coal in areas served by interconnected systems. Available at: <https://www.planalto.gov.br/ccivil_03/_Ato2011-2014/2013/Lei/L12783.htm>. Accessed: 20 sep. 2023.

Data source: Report by the Energy Development Account (CDE) of the National Electric Energy Agency (Aneel).

Access methodology: through the CDE Report, which details the annual budgets of the Energy Development Account, access is made to the amounts allocated to the mineral coal subsidy.

G) SUBSIDY NAME: **Gas Aid for Brazilians.**

Description: intended to mitigate the impact of the price hike in liquefied petroleum gas (LPG) on the budgets of low-income families. Beneficiary families receive, every two months, an amount in cash corresponding to a portion of at least 50% of the average national reference price for a thirteen-kilogram LPG cylinder, established by the Price Survey System (SLP) of the National Agency for Petroleum, Natural Gas and Biofuels (ANP), in the previous six months, as established by regulation. Eligible beneficiaries are families registered in the Single Registry for Social Programs (CadÚnico) of the Federal Government, with monthly per capita family income less than or equal to half the national minimum wage, or families that have members residing in the same household and who are granted the Social Assistance Continuous Payment Benefit (BPC).

Data source: Siga Brasil.

Access methodology: Budget Program 5033. Budget Action 21DV. Use of amounts paid + outstanding balances paid (financial execution).

H) SUBSIDY NAME: **Payment of Assistance to Independent Cargo Transporters**

Description: payment of aid to duly registered independent freight transporters, as a way of compensating for the increase in prices that occurred in 2022. Drivers received up to six installments, which could reach R$ 1,000.00 each. The benefit was terminated in December 2022.

Data source: Siga Brasil.

Access methodology: Budget Program 2213. Budget Action 00UK. Use of amounts paid + outstanding balances paid (financial execution).

The choice to include this program is due to one fact: Brazilian trucks are, for the most part, powered by diesel oil, which is a fossil fuel. However, it is worth noting that, in Brazil, the mixture of diesel with biodiesel is mandatory; therefore, there is also an incentive for renewable sources with this subsidy. Even though

the mixture contains only 12% of biodiesel (which will have a gradual increase of up to 15% in the coming years), as fossil diesel still accounts for the majority of the fleet's consumption and there is no way to separate the subsidy between fossil and renewable, we chose to consider the total value in our calculation.

3. Details of the subsidies for renewable sources

Tax waivers

I) SUBSIDY NAME: **Support Program for Technological Development of the Semiconductor Industry (Padis).**

Description: the program supports the implementation and maintenance of companies whose activities include the conception, development, design, and manufacturing of semiconductor devices and displays through the reduction of PIS/Pasep, Cofins, Import Tax (II), Tax on Industrialized Products (IPI) and Cide. Thus, it is aimed at expanding the market, increasing the supply of strategic component projects by the national industry on a competitive and sustainable basis, as well as increasing the consumption of strategic components developed and manufactured domestically. In return, companies are required to make minimum investments (5% of gross revenue) in research, development, and innovation activities.

Semiconductors and displays are integral parts of equipment for sources such as wind and solar. Thus, with the tax reduction applied to these materials, the national industry is stimulated and the production of renewable energy in the country is encouraged.

Duration of the incentive: duration for PIS/Pasep, Cofins, II and IPI taxation is 2026. For Cide, validity is undetermined.

Data source: Tax Expenditure Statement (DGT), from the Brazilian Federal Revenue Service (Effective Bases), using the most up-to-date data possible.

Access methodology: carried out through the Tax Expenditure Statement (DGT) of the Federal Revenue Service of Brazil within the "science and technology" budgetary function. The methodology considers that all companies registered and qualified with their products and models are integrated into the renewable energy sector, as the companies registered with Padis are generally classified in the renewable energy sector.

Another possibility would be to use the amounts presented in the economic and technological results reports of the Ministry of Science, Technology and Innovation (MCTI) available on the program's website. However, until the date of preparation of this study, only data for the period ranging from 2010 to 2019 were available. Furthermore, the numbers, compared to the two official sources, did not match in regard to the years in which it was possible to carry out this exercise.

J) SUBSIDY NAME: **Wind turbines.**

Description: reduces tax rates (PIS/Pasep and Cofins) levied on materials and equipment for wind sources and that appear in the Industrialized Products Tax Incidence Table (Tipi).

Duration of the incentive: duration of the tax waivers allocated to wind turbines is undetermined.

Data source: Tax Expenditure Statement (DGT), from the Brazilian Federal Revenue Service (Effective Bases), using the most up-to-date data possible.

Access methodology: carried out through the Tax Expenditure Statement (DGT) of the Federal Revenue Service of Brazil within the "energy" budgetary function.

K) SUBSIDY NAME: **Biodiesel.**

Description: reduction of tax rates (PIS/Pasep and Cofins) levied on the production and sale of biodiesel, which is a biofuel derived from renewable biomass for use in internal combustion, compression-ignition engines or for generation of another type of energy, which can partially or completely replace fossil fuels.

Duration of the incentive: duration of the tax waivers allocated to biodiesel is undetermined.

Data source: Tax Expenditure Statement (DGT), from the Brazilian Federal Revenue Service (Effective Bases), using the most up-to-date data possible.

Access methodology: carried out through the Tax Expenditure Statement (DGT) of the Federal Revenue Service of Brazil within the "energy" budgetary function.

L) SUBSIDY NAME: **Distributed Generation (DG).**

Description: distributed generation refers to the generation of electricity carried out by consumers themselves in the consumption center, the main example being the installation of photovoltaic panels in homes (both urban and rural) and commercial establishments. Until 2022, those who qualified for DG are partially exempt from paying the Distribution System Usage Tariff (TUSD).

Duration of the incentive: with the approval of the Legal framework for distributed micro-generation and mini-generation, this exemption, from 2023, will be gradually phased out until 2029. Those who were already registered in the system are guaranteed exemption until 2045.

Data source: Subsidiometer of the National Electric Energy Agency (Aneel).

Access methodology: virtual tool provided by Aneel, known as Subsidiômetro [Subsidiometer].

M) SUBSIDY NAME: **Exemptions for the consumption of hydrated ethanol**

Description: reduction in tax rates (Cide, PIS/Pasep and Cofins) levied on operations carried out with hydrated ethanol. The year 2017 is adopted here as the baseline for calculating the subsidies implicit in waivers linked to the collection of the aforementioned taxes. The main increase in subsidies occurs in 2022, due to Complementary Law No. 194, which aimed to respond to the rise in fuel prices, influenced by the war between Russia and Ukraine. The changes were in force during 2022 and were also changed throughout 2023, therefore they were not structured as long-term policies.

Duration of the incentive: duration of tax exemptions for the consumption of renewable fuel, especially hydrated ethanol, is undetermined. The duration is defined by Complementary Law No. 194/2022.

Data source: information from the National Petroleum, Natural Gas and Biofuels Agency (ANP) and from the legislation establishing the rates.

Access methodology: Inesc considers the adoption of the commercialized volume of each fuel (in this case, hydrated ethanol) through the Fuel Commercialization Summary, which is published monthly by the National Petroleum, Natural Gas and Biofuels Agency (ANP). As the ANP does not disclose the volume of anhydrous ethanol in the summary, the calculation performed only includes hydrated ethanol. The calculation is made by volume, through which the rate in force for each year is obtained, established by the legislation in force in each period. The exemption for the analyzed fuel is calculated using the year 2017 as baseline.

Direct expenditures

N) SUBSIDY NAME: **Incentive Program for Alternative Electricity Sources (Proinfa)**

Description: subsidizes the increased participation of renewable sources (such as small hydroelectric, wind and biomass-powered thermoelectric) in the production of electrical energy. Proinfa costs are shared among all classes of end consumers served by the National Interconnected System (SIN), except for members of the low-income residential subclass. The energy produced at these plants is purchased by Eletrobras under twenty-year contracts. In this way, all consumers connected to the SIN and who collect the Tariffs for the Usage of Distribution and Transmission Systems (TUSD/TUST) participate in Proinfa by contracting quotas from generators that are part of the program. Each year, Aneel is responsible for determining and publishing in a confirmatory resolution the annual quota for each of the consumer units, using as a reference the history of the last 12 months of consumption.

Data source: confirmatory resolutions of the National Electric Energy Agency (Aneel).

Access methodology: Aneel's confirmatory resolutions present, annually, the total quotas for the subsequent year. Thus, by having access to the Agency's agendas and minutes, it is possible to access the calculated amount relating to the program.

O) SUBSIDY NAME: **National Biofuel Policy (RenovaBio).**

Description: promotes the expansion of biofuels in the energy matrix, with an emphasis on constant supply. It ensures predictability for the fuel market, inducing gains in energy efficiency and reduction in greenhouse gas (GHG) emissions in the production, commercialization, and use of biofuels. The policy establishes annual national decarbonization targets for the fuel sector in order to encourage increased production and participation of biofuels in the country's transport energy matrix.

Data source: Siga Brasil.

Access methodology: Budget Program 3003. Budget Action 2E91. Use of amounts paid + outstanding balances paid (financial execution).

Note: RenovaBio, in addition to budgetary expenditure, is also financed by the National Bank for Economic and Social Development (BNDES), which provides direct support to the sector, through ESG (environmental, social and governance) credits, with the incentive to improve energy-environmental efficiency and production certification. Given the scope of this analysis, which is to not include financing from development banks (see criterion 3 of the methodology), this value was not included in the analysis.

P) SUBSIDY NAME: **Incentivized Sources – Energy Development Account (CDE).**

Description: the following are called *incentivized* sources: wind, biomass, small hydroelectric plants (SHP), hydroelectric generating plants (HGP), photovoltaic and qualified cogeneration. Incentivized electrical energy sources rely on minimum discounts of 50% in the Tariffs for the Use of Distribution and Transmission Systems (TUSD/TUST) in relation to the power injected into the National Interconnected System (SIN). Since it constitutes an item of the CDE, it is paid for by the electricity consumers themselves through tariff charge.

Validity period: in the legislation, there is no set limit for the termination of discounts.

Data source: Report by the Energy Development Account (CDE) of the National Electric Energy Agency (Aneel).

Access methodology: Aneel's Energy Development Account (CDE) Report, which details CDE's annual budgets. The values allocated to incentivized generation are used. This is a methodology that does not consider the *incentivized source consumer* subsidy and the *incentivized source transmitters*, present in the CDE and in the report as being renewable sources for energy production.

Q) SUBSIDY NAME: **More Light for the Amazon Program (MLA)**

Description: benefits families and their respective socioeconomic support units and other consumer units located in remote regions of the Brazilian Amazon that have not yet had access to public electricity service or that are powered by a non-renewable source of electrical energy. Service in remote regions is provided through renewable sources of electrical energy generation. The program is valid until 2030. It is worth adding that the resources necessary to finance the program came from the CDE, agents of the electrical sector and other sources to be regulated by the Ministry of Mines and Energy (MME). Since it constitutes an item of the CDE, it is paid for by the electricity consumers themselves through tariff charge.

Data source: Subsidiometer of the National Electric Energy Agency (Aneel).

Access methodology: virtual tool provided by Aneel, known as Subsidiômetro [Subsidiometer].

R) SUBSIDY NAME: **Renewable Energy in Family Farming.**

Description: budgetary action that aims to implement renewable energy projects for family farming.

Data source: Siga Brasil.

Access methodology: Budget Program 0003. Budget Actions 21B8 and 20V. Budget Plan: "Promoting the Participation of Family Farming in Renewable Energy Chains." Use of amounts paid + outstanding balances paid (financial execution).

S) SUBSIDY NAME: **Technologies Applied to Renewable Sources.**

Description: budgetary action, present in the Ministry of Science, Technology and Innovation (MCTI), which aims to provide resources for technologies applied to renewable sources.

Data source: Siga Brasil.

Access methodology: Budget Program 2208. Budget Action 20UQ. Budget Plan: "Promotion of Technologies Applied to Renewable Energies and Energy Efficiency." Use of amounts paid + outstanding balances paid (financial execution).

4. Subsidies that support fossil and renewable sources

Tax waivers

T) SUBSIDY NAME: **Special Incentive Regime for Infrastructure Development (Reidi)**

Description: Reidi encourages the implementation of infrastructure projects through exemptions in various sectors. In this methodology, only the energy sector will be examined. Based on the aforementioned scope, Reidi is intended for projects related to the generation of electrical energy, and is also applied to electricity transmission and distribution projects, such as reinforcing power cables or retrofitting substations. This is not an exclusive project for renewable sources, as it also provides subsidies for gas and oil pipeline infrastructure projects intended for the generation of electrical energy. Reidi suspends the requirement for contributions to PIS/Pasep and Cofins for acquisition, rental and import of goods and services linked to approved projects, whether linked to generation or infrastructure. Tax waivers applied to each project covered by Reidi can be granted over a period of five years, starting from the start date.

Duration of the incentive: duration of the tax waivers allocated to Reidi is undetermined.

Data source: information accessed in Annex III (Foreign Trade – Cofins and PIS Import) of Tax Benefits and Waivers, presented by the Brazilian Federal Revenue Service.

Calculation methodology: with an analysis carried out using the table contained in Annex III of Tax Benefits and Waivers, presented by the Brazilian Federal Revenue Service, the filter of the "PIS and Cofins legal bases" is made, considering only Reidi, in addition to analyzing only the years 2022 and 2023. This makes it possible to understand all projects, by companies and names of enterprises that received Reidi exemptions, considering, individually, energy projects, separating those pertaining to fossil fuels from those that refer to renewable sources.

Note: it is important to highlight that the values analyzed, through Annex III of Benefits and Tax Waivers presented by the Brazilian Federal Revenue Service, only include imported goods and services. Therefore, the amount does not refer to the total amount of the Reidi.

Direct expenditures

U) SUBSIDY NAME: **Fuel Consumption Account (CCC).**

Description: present within the scope of the Energy Development Account (CDE), the CCC serves the generation of electrical energy in isolated systems, that is, in areas not integrated into the National Interconnected System (SIN). The account operates in three ways, namely: (I) reimbursement – used to reimburse the costs of generation of isolated fuel systems, self-generation, contracted power and electrical energy, ancillary and taxes expenses; (II) admission of debt contracts – contracts signed between the CCC and the beneficiary to pay any debts determined; and (III) subrogation – reimbursement granted to projects carried out in the isolated system to replace, totally or partially, the generation of thermoelectric plants with renewable sources. The CDE is collected by all consumers and is distributed by Aneel every year.

Data source: Input and Output Statements from the Electricity Trading Chamber (CCEE).

Calculation methodology: access is made through the CCEE's input and output statements. The methodology uses the values of outputs intended for subrogation as subsidies to renewable sources. The rest of the outputs are understood by this methodology as attributed to fossil sources in isolated systems. This is the only method that allows subrogation to be separated from other account operations. The methodology considers that the CCC, even supporting consumption in isolated electricity systems, aims to subsidize the production of electrical energy using fossil fuels in these regions.

5. Methodological note: conversion to the dollar

For international comparisons, it is necessary to show the data in dollars. Below, we will briefly explain how Inesc performed the calculation.

For the conversion to the dollar, annual data from the United States Federal Government's Internal Revenue Service (IRS) was used, which presents the annual average exchange rates for converting foreign currencies into US dollars.

TABLE 2 AVERAGE EXCHANGE RATE FOR CONVERSION BETWEEN REAL (R$) AND DOLLAR (US$)

Years	Amounts in R$ (US$ 1,00)
2022	5,165
2023	4,994

Source: Inesc, with data from the Internal Revenue Service.

Inesc – Instituto de Estudos Socioeconômicos
Address: SCS Quadra 01 - Bloco L, nº 17, 13º Andar Cobertura – Edifício Márcia.
CEP: 70. 307-900 - Brasília/DF ◆ Phone: + 55 61 3212-0200
E-mail: inesc@inesc.org.br ◆ Website: www.inesc.org.br