EXECUTIVE SUMMARY

Oil Revenue in Brazil: Challenges, Contradictions, and Paths to Overcoming the Fossil Era

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PPM – Pão para o Mundo
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The public debate about the fate of oil revenue from the Exploration & Production process needs to be addressed in a critical and proactive manner.

It is essential to move beyond rhetorical veils that contribute little to addressing the country's real challenges—challenges that become even more complex in light of the insufficient resources available to finance public policies, a situation worsened by the strict control of primary spending imposed by the New Fiscal Framework (NAF). Equally daunting is the international scenario marked by a crisis in multilateralism, which hinders progress toward a transition away from fossil fuels and highlights the inadequacy of global climate finance.

To contribute to this debate, the Technical Note *"Oil Revenue: Challenges, Contradictions, and Paths to Overcoming the Fossil Era"* provides a thorough and comprehensive analysis of the composition, allocation, and use of oil revenue across all levels of government. The report also highlights that the judicialization of its distribution and use, along with regulatory gaps, has created a deep divide between the popular imagination that associates oil with social redemption and the actual reality.

In this executive summary, we highlight the key data and messages. We hope this work helps spark meaningful debate and propose pathways for the use of oil revenue, grounded in a strategic and pragmatic vision of social and climate justice.

Mapping of Oil Revenue Collection, Distribution, and Use

The patrimonial income associated with oil Exploration & Production in Brazil reached R$ 137.9 billion in 2024. Of this total, **R$ 108.2 billion came from royalties, special participations, and signing bonuses**. The income also includes **R$ 29.7 billion in dividends paid by Petrobras,** which are typically directed toward servicing the domestic debt.

The breakdown of the R$ 108.2 billion **by regimes and exploration areas shows that**:

- R$ 74.68 billion (70%) comes from the concession regime, and R$ 33.10 billion (30%) from the production-sharing regime.

- **The pre-salt is responsible for 78.7% of the total oil revenue:** R$ 51.14 billion under the concession regime and R$ 33.10 billion under the production-sharing regime.

- Offshore platform exploration (excluding the pre-salt) **accounts for R$ 20.61 billion (28%), while onshore exploration accounts for only R$ 1.5 billion** (2%) of the R$ 74.68 billion from the concession regime.

As the study shows, there is **a strong concentration of the revenue distributed to states and municipalities**.

- The state of Rio de Janeiro and its municipalities together received R$ 44 billion or 75% of the oil revenue distributed across the entire country.

- The state of Rio de Janeiro alone concentrated 82.6% of the revenue distributed to states. The municipalities of Rio de Janeiro alone accounted for 66.23% of the revenue distributed to municipalities

- Rio de Janeiro, São Paulo, and Espírito Santo together receive 87% of the total oil revenue distributed to the federative entities.

Such concentration results from the legislation that governs the distribution of revenues, granting a large share of royalties and special participations to bordering (confronting) states and municipalities. This also explains the extreme concentration of oil revenue in a few municipalities in the state of Rio de Janeiro:

- Five municipalities in the state of Rio de Janeiro — Maricá, Macaé, Niterói, Saquarema, and Campos dos Goytacazes — received R$ 10.6 billion, which accounted for 59% of the R$ 18 billion transferred to all municipalities in Rio de Janeiro.

The issue of extreme concentration of oil revenue in a few states and municipalities was the subject of an evaluation by the Federal Court of Accounts (case TC 005,361/2023-0), published in 2024. According to the Court, the use of distribution criteria developed back in the 1980s—when the productive landscape was entirely different from today—has become completely outdated and disconnected from current realities, further exacerbating regional inequalities. As the report shows, the main distribution criterion currently in effect is "confrontation," defined by geodetic lines drawn parallel and orthogonal to the coastline, which lack any documented rationale or justification for their original establishment.

The dysfunctional scenario of oil revenue distribution and allocation at the subnational level is further worsened by the judicialization of oil revenue by bordering states. The study highlights the two main legal disputes.

The first is **the judicialization of the distribution of oil revenue under the production-sharing regime (Law No. 12,734/2012)**, which sought to establish a more equitable distribution of royalties in the production-sharing regime (through the Special Fund), directing 49% of this revenue to all Brazilian states and municipalities according to the criteria of the State Participation Fund (FPE) and the Municipal Participation Fund (FPM). Due to judicialization, the partial application of the rules defining the distribution of resources from the production-sharing regime among subnational entities was suspended, severely harming states and municipalities that would have benefited from a fairer distribution of oil revenue under this regime.

In numbers, this meant a total of R$ 8.7 billion in 2024 (1076 – Oil Resources without Defined Allocation due to the Suspension Imposed by the STF Injunction) that remained unallocated as a result of the judicialization of the distribution of the Special Fund.

The second is l**egal disputes over the allocation of the portion of oil revenue distributed to states and municipalities to education (75%) and health (25%) policies.** It is worth noting that Law No. 12,858/2013, which is the subject of judicialization, was approved in a context where institutional policy sought to respond to the 2013 protests (the June Journeys) that voiced dissatisfaction with political institutions and, in part, demanded improvements in social areas, especially education and health. Consequently, there is currently no legal obligation to allocate any portion of the revenue distributed to subnational entities specifically to education and health.

In relation to **oil revenue that effectively remains with the Union, an amount that reached R$ 48.5 billion in 2024**, the study also reveals a dysfunctional scenario concerning its allocation and execution.

- Of this amount, R$ 21.16 billion was not spent. **The significant bottleneck in the execution of oil revenue at the federal level** s primarily explained by the non-execution of a substantial portion of the **Social Fund capitalization resources,**

amounting to R$ 15.24 billion. As the study shows, this substantial and strategic part of the oil revenue remains adrift due to the lack of regulation of the Social Fund, for which the Federal Government is responsible.

- The funds allocated to education are the most significant in sectoral terms. In 2024, R$ 18.2 billion were authorized, of which R$ 17.9 billion were spent. Following that, although with a much smaller share, are the funds allocated to health, amounting to approximately R$ 700 million. Such allocation to essential social policies results from two legal effects produced by the 2013 legislation (Law No. 12,858/2013): the allocation of revenue due to the Union under the production-sharing regime for education (75%) and health (25%), and also 50% of the Social Fund's resources for financing education.

Even so, the data presented in the study reinforce the lack of a strategic vision regarding the use of oil revenue at the federal level, which is concretely reflected in the low allocation of oil revenue to agendas closely related to the challenge of building a transition away from fossil fuels, notably:

- **Only 0.16% of oil revenue was allocated to the environmental and climate agenda**. This occurs in a context of intensifying climate extremes and a lack of domestic public financing solutions as well as insufficient support within the framework of global climate policy.

- **Only 1% of the revenue was allocated to the Ministry of Science, Technology, and Innovation (MCTI) through the National Fund for Scientific and Technological Development (FNDCT)**. The situation is further worsened by the fact that this small portion is, for the most part, used to finance the CT – Petróleo (Oil Technology Center), to the detriment of centers tasked with developing technological innovations aimed at the energy transition and a petroleum-free economy.

To a large extent, the lack of a strategic vision stems from successive governments' choice not to regulate the Social Fund in a way that builds a policy for resource allocation capable of addressing the crucial challenges of overcoming inequalities, tackling climate change, and overcoming dependence on fossil fuels. This last aspect concerns both consumption and the economic dependence associated with production and export. It is worth noting that today, oil is Brazil's main export item, surpassing soybeans.

Oil Revenue and the Challenges to Financing the Energy Transition and Climate Policy in Brazil

The data and analyses presented in the study reinforce the paths that need to be followed so that the distribution and allocation of oil revenue can align with the historical promises of "social redemption" through this resource. Moreover, it is urgent that oil revenue be committed to a firm and secure trajectory toward overcoming the fossil era.

In summary, the study presents the following main recommendations:

- **Development of legal measures to ensure a fairer and more equitable distribution of oil revenue in the country.** It is essential that the country builds a new pact regarding the distribution of oil revenue—a need and opportunity highlighted by the Federal Court of Accounts (TC 005,361/2023-0) – so that it can truly serve to overcome the social and regional inequalities that persist in the country.

- **Overcoming legal disputes** involving the distribution of oil revenue under the production-sharing regime, ensuring a fairer and more equitable allocation of this patrimonial income.

- **Resolution of legal disputes** ensuring the mandatory allocation of resources distributed to states and municipalities to education (75%), with priority given to basic education, and health (25%), in accordance with Law No. 12,858/2013.

- Legal amendment to include climate financing within the framework of effective climate federalism in Law nº 12,858/2013 Alongside education and health as national priorities, addressing climate change must be an urgent priority for the current and future generations.

- Regulate the Social Fund, as determined by the Federal Court of Accounts (TCU) in Court ruling TCU 678/2024 – Plenary . The Federal Government issued Provisional Measure MPV No. 1291/2025 which, however, shows weaknesses both in the governance proposal and in the lack of a more explicit definition of medium-term priorities for resource allocation. Thus, the current regulatory proposal implies discretion that limits the use of this important source of funds, to the detriment of a more strategic vision that connects present needs with the challenges of a future in which large-scale oil exploration and use are, due to ongoing climate changes, coming to an end. Therefore, the debate and regulatory proposal need to be deepened, ensuring **the allocation of at least 20% of the resources from Source 1042 (Capitalization of the Social Fund) to finance the agenda for mitigation and adaptation to climate change**, with actions aimed at addressing its effects and confronting the social and economic consequences of public calamities.

- **The removal of oil-derived revenue from the New Fiscal Framework (NAF).** The current fiscal rules in force in the country limit the growth of primary expenditures, which, in practice, prevents the creation of “fiscal space” for this revenue to be directed toward essential public policies, as advocated here: mitigation, adaptation, and tackling the effects of extreme climate events. Thus, efforts to allocate pre-salt resources to address social and climate issues are of little use if the existing fiscal rules make it impossible to channel these funds to the agencies and sectoral policies that can build effective responses to such problems.

Click here to access the full version (Portuguese) of the technical report “Oil Revenue in Brazil: Challenges, Contradictions, and Paths to Overcoming the Fossil Era.”

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