

EXECUTIVE SUMMARY
FOSSIL FUEL AND
RENEWABLE ENERGY
SUBSIDIES (2023-2024)



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EXECUTIVE SUMMARY

The eighth monitoring report on energy subsidies in Brazil provides data on government incentives to fossil and renewable sources of energy in Brazil for the years of 2023 and 2024.

The initiative seeks to inform public debate on the subsidies afforded by the government by providing transparency and evidence for public policy making, including for climate, tax, and fair energy transition policies, in a context of climate crisis and fiscal challenges.

For the first time in eight years of monitoring, subsidies to fossil fuels dropped by 42% in 2024 year on year. The sharp decline in “consumption subsidies” was prompted by the reintroduction of the PIS and Cofins taxes levied on gasoline, diesel fuel, and liquefied petroleum gas (LPG). Thus it basically resulted from the phasing out of tax breaks adopted in 2022 that were meant to hold down consumer price hikes in a setting of skyrocketing international oil prices brought about by the war between Russia and Ukraine.

The sharp decline, following a trend beginning in 2023, though not the fruit of any planned review of subsidies considered harmful to the environment and the climate, actually shows that such subsidies are not “carved in stone”. They can be reviewed, with positive impacts for public accounts and beneficial effects on a just energy transition.

It is measures like these that, if upheld and enhanced, can favor an agenda strategically oriented toward a review of fossil fuel incentives, both at home and abroad.

Passage of the consumer tax reform was another breakthrough, as it not only paved the way for a higher tax rate on fossil fuel consumption by means of a targeted tax, but also introduced a supply-side mechanism mandating regular five-year assessments of all special tax regimes, including those benefitting the oil and gas sector.

In parallel, the country needs to move forward with the reporting, assessment, and review of government subsidies that are harmful to the environment, as set out in Target 18 of the Kunming-Montreal Global Biodiversity Framework. Target 18 establishes that signatory countries are to report subsidies harmful to the environment by 2025, and eliminate, phase out, or steer them in a fair and effective way while also promoting positive incentives for conservation and the sustainable use of biodiversity.

The home front is one calling for steps forward over the next five coming years. Acting accordingly at home also enables Brazil to lead by example, so that actual breakthroughs are achieved at COP 30 and beyond.

The report thus underscores the importance of leveraging COP 30 to push for reforming inefficient subsidies: those that stimulate consumption, distort markets, drive higher fiscal burden, hinder investments in renewable energy transition, undermine efforts to combat the climate crisis, and are unwarranted from the point of view of protection of vulnerable groups and communities affected by the transition.

Thus decision-making must take into consideration each country's social, economic, and environmental context yet must also adhere to common guidelines and criteria agreed upon globally. Hence it is imperative that the governments assume their domestic responsibilities, while also driving this agenda in multilateral arenas.

The study also shows the keeping in place of high fossil fuel subsidies backed mostly by Repetro, a special tax regime established in 1988 for the purpose of exempting imports and exports of goods from federal taxes — against a background in which Petrobras held a monopoly over oil exploration, the pre-salt, deepwater oil reserves had not been found yet, and technology, productivity, and returns on investments were quite different. Repetro is the largest subsidy to energy production in Brazil, and through its exemptions Brazil keeps on giving up over US\$ 1.65 billion every year, without any serious assessment of the need and consequences of such exemptions.

Besides fossil fuels, the survey also focuses on subsidies to renewable sources, seeking greater transparency, more public debate, and a balanced allocation of public funds to the energy sector.

As in previous years, the analysis was based on official data on tax breaks, tariffs, and direct expenditure as organized by Inesc and building on its own methodology. The study compared subsidies both to production and consumption for the years of 2023 and 2024, in addition to highlighting ratio variations, explanatory factors, and the economic, social, and environmental impact.



AN OVERVIEW OF THE FIGURES

In 2024, **fossil fuel subsidies totaled US\$ 7.77 billion**, a 53.23% drop in relation to the US\$ 16.62 billion subsidized in 2023. As for production subsidies, there was a slight decrease of 21.05%, from US\$ 8.52 billion in 2023 to BRL 6.72 billion, thus practically stable.

As for gasoline, -, diesel fuel-, and liquefied petroleum gas-related consumption subsidies, these presented a dramatic 87.09% drop, going from US\$ 8.09 billion to US\$ 1.04 billion between 2023 and 2024.

Subsidies to renewable sources of energy in Brazil amounted to US\$ 3.08 billion in 2024, which represents a **-16.1% decrease in comparison with 2023**.

Despite a significant reduction in total subsidies from US\$ 20.29 billion in 2023 to US\$ 10.85 billion in 2024 (-46.51%), subsidies to fossil sources of energy still account for the greatest share. In 2024, for every **US\$ 1.00 spent on renewable sources of energy, US\$ 2.52 were allocated to fossil fuels**, an asymmetry revealing that the energy transition has been delayed.

In spite of the progress, the figures are still much lower than what is needed in the light of the climate urgency we are facing and of the country's huge renewable potential. This gap becomes even more evident when subsidies to renewables are compared with fossil fuel subsidies.

Moreover, subsidies by way of tax relief, the most significant made possible by Repetro, remain without any public assessment of their efficacy, effectiveness, and efficiency, ultimately contributing to distortions burdening public coffers, perpetuating inequalities, and holding back the energy transition.

**TABLE 1 | OVERVIEW OF FOSSIL FUEL AND RENEWABLE
ENERGY SUBSIDIES (2023 AND 2024)**

SUBSIDIES BY TYPE AND SOURCE	2023	2024	VARIATION (%)
Fossil fuel production subsidies	8.52 billion	6.73 billion	-21,05
Fossil fuel consumption subsidies	8.10 billion	1.05 billion	-87,09
Total fossil fuel production +	16.62 billion	7.78 billion	-53,23
Renewable energy	3.24 billion	3.08 billion	-4,83
Renewable energy	435.27 million	0	-100,00
Total renewable energy production	3.67 billion	3.08 billion	-16,10
Both sources total – Production + Consumption	20.30 billion	10.86 billion	-46,51

Source: Prepared by Inesc.

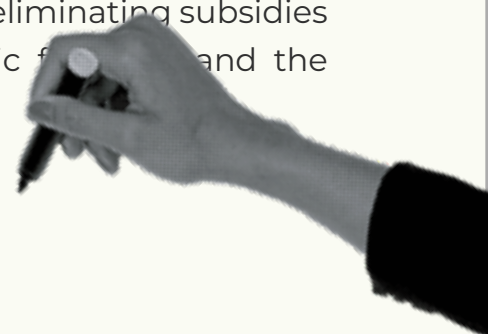
Obs.: Current values.

These results offer a positive outlook, since they show that, despite this significant figure, it is possible to review fossil fuel subsidies in a way that is both planned and sustained over time.

As regards renewable energy subsidies, the study identifies characteristics that also corroborate the need for a review. In 2024, the distributed generation subsidy, paid for by electricity consumers, rose by 31.72%, from US\$ 1.45 billion in 2023 to US\$ 1.91 billion in 2024. This growth reflects an expansion in installed capacity and in energy generation with this model, made feasible by the subsidies extended. Even though said dynamics favor the scaling up of distributed generation, they pose challenges to the electric power system and compromises its planning.

Moreover, residential electricity rates grew above inflation, thus negatively affecting the well-being of households and compounding the country's energy poverty. This is a situation that deepens already existing social –class, gender, race, ethnicity, and territorial– inequalities and threatens the principles of an energy transition guided by socioenvironmental justice.

Lastly, the analyses and data gathered in this eighth edition provide evidence that underscore the importance of greater subsidy transparency and thorough assessments towards identifying ineffective subsidies and eliminating subsidies that are harmful to the environment, the climate, public finance, and the struggle against inequality.



RECOMMENDATIONS

In relation to fossil fuel subsidies, we submit the following recommendations:

- That Brazil's Ministry of Economy makes sure that, in the review process that is part of Supplementary Bill n° 214/2025, five-year assessments of Repetro's efficacy, effectiveness, and efficiency are mandatorily conducted as an initiative that is an integral part of the social, environmental, and economic development policies;
- That Brazil's tax administration sets up a tax framework for the country's oil and gas sector for the purpose of contributing towards the process of reporting sectoral subsidies;
- That the Brazilian government plays a more proactive role as regards the global fossil fuel subsidy reform agenda by: (I) adhering to the Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies (COFFIS); and (II) by acting to ensure effective steps are taken with respect to labeling and addressing fossil fuel subsidies as inefficient and to mandatorily reporting national inventories as part of the UNFCCC enhanced transparency process.

In relation to renewable energy subsidies, we submit the following recommendations:

- □ That renewable energy subsidies be more transparent, particularly the methodology for calculating tax rates.
- □ That regulatory agency Aneel finetunes the “Subsidiometer” methodology by separating fossil fuel from renewable energy subsidies;
- □ That robust criteria are established for the extension of tax exemptions to renewable energy companies and projects by including, among other aspects, human rights promotion.

[Click here for the full study.](#)

