FOSSIL FUEL AND RENEWABLE ENERGY SUBSIDIES IN BRAZIL (2024 – 2025)

In 2025, subsidies to sources of energy in Brazil amounted to US$ 14.43 billion, a 5.19% percent increase in relation to 2024, in the form of public policy instruments designed to drive energy production or consumption.

In its 9th edition, Inesc's monitoring report analyzes 27 federal subsidies, including tax breaks, direct public expenditure, or consumer-funded mechanisms such as charges added to electricity rates.

Given the intense international debate on the challenges posed by the energy transition, it is vital to assess who benefits from these financial resources and what their economic, social, and environmental impacts are.



WHERE DID THE SUBSIDIES TO SOURCES OF ENERGY GO IN 2025 IN BRAZIL?

SUBSIDIES BY TYPE AND SOURCE	2024 (US$)	2025 (US$)	VARIATION (%)
Fossil fuel production subsidies	8.673.649.449,81	7.672.089.837,89	-11,55
Fossil fuel consumption subsidies	2.619.754.824,88	2.449.164.863,01	-6,51
Total fossil fuel production + consumption subsidies	11.293.404.274,69	10.121.254.700,90	-10,38
Renewable energy production subsidies	3.925.770.045,03	4.209.173.965,29	7,22
Renewable energy consumption subsidies	0,00	98.819.349,64	-
Total renewable energy production + consumption subsidies	3.925.770.045,03	4.307.993.314,93	9,74
Total fossil and renewable energy production + consumption subsidies	15.219.174.319,72	14.429.248.015,82	-5,19

Source: Inesc. Monitoring of Federal Subsidies to Sources of Energy, 2024–2025.



In 2025, for every **US$ 1.00** **spent on renewable energy sources,**

US$ 2.35 **were allocated to fossil fuels.**

SUBSIDIES TO FOSSIL FUELS

Subsidies to fossil fuels totaled US$ 10.12 billion in 2025, a 10,38% reduction in relation to 2024. In addition, there were important changes in the composition of the fossil fuel production and consumption subsidies.

Production-related subsidies accounted for 75.8% of total subsidies, worth US$ 7.67 billion; whereas consumption-related subsidies amounting to US$ 2.45 billion.

FOSSIL FUEL SUBSIDIES HIGHLIGHTS:

US$ 1.73 billion
Repetro – Tax breaks associated with the special oil and gas regime declined by 51.3% between 2024 and 2025, a drop that took place during a year of record oil production in Brazil.

US$ 2.64 billion
The Fuel Consumption Account (CCC, from the Portuguese Conta de Consumo de Combustíveis) – Among the Sistemas Isolados, or Isolated Systems, tax breaks for energy generated by fossil fuels grew by 14.94%, making the CCC the biggest single subsidy of all the fossil fuel policy instruments tracked.

US$ 1.45 billion
Tariff Flags (Brazil's Bandeiras Tarifárias) – Tariff flags revenues rose by 84.93%, against a backdrop of water scarcity and greater need for generation by thermo-electric power plants.



HOW ARE SUBSIDIES TO FOSSIL FUELS FUNDED?



50,56%
Tax breaks
US$ 5.12 bi

42,66%
Electricity tariff
US$ 4.32 bi

6,78%
Direct expenditure
US$ 0.68 bi

Source: Inesc. Monitoring of Federal Subsidies to Sources of Energy, 2024–2025. Current values.

SUBSIDIES TO RENEWABLE SOURCES

Subsidies to renewable sources grew by 9.74% between 2024 and 2025, reaching US$ 4.31 billion. 97.71% of this amount was associated with energy production, while consumption-related subsidies accounted for 2.29%.

KEY HIGHLIGHTS:

US$ 2.75 billion
Distributed generation – Distributed generation accounted for 63.9% of subsidies to renewable sources in 2025, growing by 15,24% in relation to 2024. Even though distributed generation contributes toward the expansion of renewable sources, part of its costs is transferred to all other consumers of electric energy.

US$ 1.15 billion
Proinfa – The Proinfa program reported a 11.49% growth over the period and remained among the main policy instruments driving renewable sources in the energy sector.

HOW ARE SUBSIDIES TO RENEWABLES FUNDED?



95,52%
Electricity tariff
US$ 4.11 bi

4,3%
Tax breaks
US$ 0.68 bi

The high concentration of subsidies in tariff mechanisms contrasts with the reduced funding directly allocated by the federal budget to energy transition expansion.

Source: Inesc. Monitoring of Federal Subsidies to Sources of Energy, 2024–2025. Current values.

WHAT SUBSIDY REFORM IS ADVOCATED BY INESC?

Inesc advocates that subsidy reform be incorporated into a strategy aiming at goals, priorities, and timelines previously set, and based on social engagement and socioenvironmental safeguards. This strategy should distinguish production subsidies from those subsidies related to social protection, thus preventing subsidy reduction from transferring additional costs to the most vulnerable households.

Rather than reducing spending or replacing a source of energy with another one, the challenge is to transform subsidies into instruments aligned with an energy transition strategy that is capable of reducing fossil fuel economic and fiscal reliance, increasing access to energy, addressing inequalities, and ensuring that the costs and benefits of the energy transformation be distributed in a manner that is socially fair.

AMONG INESC'S MAIN RECOMMENDATIONS WE POINT OUT:

1. Adhering to the Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies (COFFIS) and implementing those agreements providing for subsidy transparency and reform.

2. Drawing, in a participatory way, a domestic roadmap that includes a gradual reform of subsidies to fossil fuels.

3. Assessing, mostly by the Ministry of Mines and Energy and regulatory agency Aneel, how to carry out a reform of the Energy Development Account in order to review inefficient subsidies therein granted.

4. Including costs associated with the electric energy Tariff Flags in the Free Energy Market so as to expand the customer base that contributes to its funding.

5. Separating fossil fuel subsidies from renewable fuel subsidies in the Subsidiometer tracking system, a process incumbent upon regulatory agency Aneel.

