



Fossil Fuel Subsidies in Brazil, 2018

Know, Evaluate, Reform

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INESC

- ü **The Institute for Socioeconomic Studies (Inesc) was created in 1979, in Brasília, Brazil and has been working with budget monitoring connected with the human rights approach in multiple agendas, aiming to strengthening civil society and enhancing social participation in public policy-making.**
- ü **To guarantee the impact of its proposals and actions, Inesc works in partnership with other civil society organizations and social movements in local, national and international level. In these years of history, achieved significant results with educational processes, research and reinforce networks, influencing the public agenda to promote human rights (economic, social, environmental and cultural rights) and improve democratic mechanisms for building modern citizenship rights and fighting against social exclusion and inequalities.**

Methodology

Based the methodology developed by ODI, OCI and ISSD, with adaptations.

Official data sources:

- 1) Estimates of tax expenditures, with final data for 2016 and estimates for 2017 and 2018, published by the **Brazilian Federal Revenue authority**;
- 2) Yearly listing of official tax reductions, including breaks not classified as tax expenditures, published by the **Brazilian Federal Revenue authority**;
- 3) Responses to requests filed through the **Access to Information Law**;
- 4) Time series on the volume (in m³) of sales of petroleum and ethanol derivatives, by the **National Agency for Petroleum, Natural Gas and Biofuels**;
- 5) Spending forecasts for the Fuel Consumption Account (CCC) and the Energy Development Account (CDE coal), published by the **National Electric Energy Agency (ANEEL)**;
- 6) Actual budget execution for direct spending, published by the **Ministry of the Economy**.

Fossil Fuel Subsidies, 2018

- ü Total value: US \$23.2 billion.
- ü This amounts to just over 1% of Brazil's 2018 GDP.
- ü This is equivalent to:
 - ✓ Almost 3 years of the Family Stipend Program (US \$9.1 billion);
 - ✓ More than 2 years of unemployment insurance (US \$9.8 billion);
 - ✓ 21 years of school lunch spending (US \$1 billion);
 - ✓ 24 times the Ministry of the Environment's 2018 budget (US \$1 billion).

2018 Fossil Fuel Subsidies, by Modality

Modalities of Subsidies	Billions of Dollars	%
Tax expenditures	1.13	5
Other exemptions	18.67	81
Direct outlays	3.18	14
Total	23	100

2018 Fossil Fuel Subsidies, by category

Subsidy Categories	Billions of dollars	%
Production	6.18	27
Consumption	16.81	73
Total	23	100

- ü Repetro (the main subsidy to production): US \$3.5 billion
- ü Special Customs Regime for exports and imports of goods intended for exploration and production of petroleum and natural gas
- ü Created in 1999 to benefit Petrobrás. Today benefits all oil companies (opening of the petroleum sector)
- ü It is not classified by the Brazilian Government as a tax waiver or expenditure.

Challenges

- ü No data transparency, especially on tax waivers. Total subsidies may be even higher than our estimate.
- ü No evaluation of direct and indirect expenditures. Many of these subsidies may be unnecessary, since they do not stimulate the sector's development.
- ü Beneficiaries of tax waivers are protected by fiscal secrecy - no one knows which companies are favored, or by how much. Foreign multinationals in the sector also appear to have received these resources.

Proposals: Know, Evaluate, Reform

(1/2)

ü To the National Congress

- ✓ Pass a law to make tax waivers transparent.
- ✓ Discuss the importance of fossil fuel subsidies with society, in light of the climate crisis.

ü To the Federal Revenue authority

- ✓ Establish methodologies to measure and disseminate data on tax waivers related to fossil fuel production and consumption.
- ✓ Publish information, in an open format, on tax waivers for fossil fuels (i.e. Repetro, Law 13.586/2017).

Proposals: Know, Evaluate, Reform

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ü To the Ministry of the Economy

- ✓ Create a working group with civil society participation to discuss and agree on a methodology for calculating fossil fuel subsidies in Brazil.
- ✓ Participate in the peer-review strategy established by G20 Finance Ministers in 2013.
- ✓ Carry out an independent quantitative and qualitative assessment of fossil fuel subsidies, in partnership with the Ministry of Mines and Energy, to identify their relevance, efficiency, effectiveness, impact and sustainability.

Thanks!

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