

VIEIRAREZENDE
ADVOGADOS

BRAZILIAN INVESTMENT INSIGHTS

ISSUE 001 - OCTOBER 2023

IBA 2023 EDITION

Shaping Brazil's
investment landscape

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Breaking the hex on
Brazilian tax

.....

Investing in
sustainable Brazil

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The Power of Power

Service Voiturier
L'Atrium du Palais des Congrès



VIEIRAREZENDE
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Welcome to our IBA special

Welcome to the inaugural edition of Brazilian Investment Insights.

This issue has been assembled for IBA 2023 to introduce our friends in the European legal industry to the remarkable investment opportunities Brazil has to offer. Each insightful article has been written by our team at Vieira Rezende, Brazil's leading law firm.

With Brazil's vibrant, ever-changing political and economic landscape, expert guidance is crucial when navigating the country's diverse opportunities. We hope this carefully curated selection of articles will provide you with an in-depth exploration of why Brazil is a compelling choice for international investment, as well as why Vieira Rezende is your perfect partner on this journey.

[Shaping Brazil's investment landscape](#) delves into Brazil's position as an attractive destination for international investment. From abundant natural resources to modern legislation, our vibrant country presents a unique blend of opportunities for global investors. This article explores the evolving market and the advantages of partnering with a law firm like Vieira Rezende, who have been present throughout (and influential on) the legal and investment landscape we find ourselves in today.

[Breaking the hex on Brazilian tax](#) exposes the intricacies of Brazil's notoriously complex tax system (in fact, the most time-consuming on the planet). As we undertake a significant tax reform across the country, this article illustrates how these changes will transform the investment landscape for the better, making it more accessible. In a country where complexity has stifled productivity, these reforms promise to streamline operations and foster investment.

[The power of power](#) showcases Brazil's flourishing energy industry, driven by a commitment to sustainability and an abundance of renewable resources. With over 80% of electricity produced from renewables, Brazil offers fertile ground for clean energy investments.

Finally, [Investing in sustainable Brazil](#) highlights Brazil's unique value proposition for sustainable projects that have a positive impact on the environment and society, all while delivering strong financial returns. With its vast natural resources and a commitment to sustainability, Brazil offers an array of opportunities across multiple sectors.

Vieira Rezende blends legal expertise with in-depth knowledge of Brazil's business terrain. Our years of experience and extensive network make us more than advisors — we're strategic partners. We hope these pieces offer a holistic view and introduction to Brazil's opportunities and the benefits of partnering with Vieira Rezende.

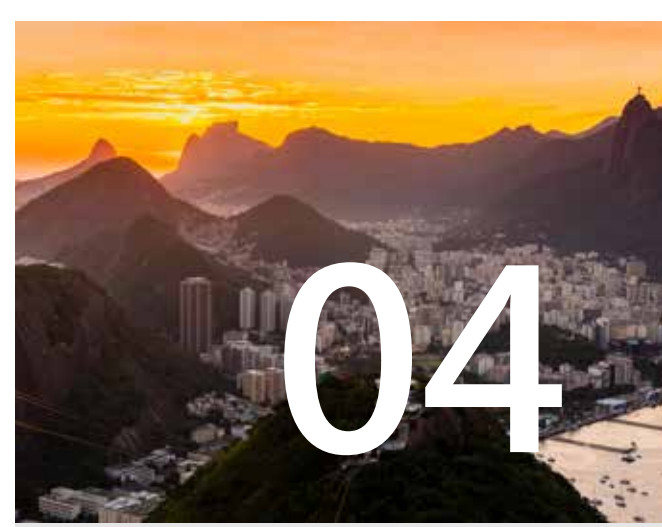
If you're interested in discussing the opportunities for investing in Brazil after reading through Brazilian Investment Insights, please get in touch.

We hope to hear from you soon.
Best wishes,

Pedro Hermeto - Managing Partner

In this issue

Introduction



[Shaping Brazil's investment landscape](#)

Starting in the 90s, during Brazil's economic transformation, we explore investment opportunities in energy (green and blue), agriculture, and infrastructure for international businesses. We highlight the country's growth prospects, as well as Vieira Rezende's role in this legal landscape's history.

Spotlight



[Breaking the hex on Brazilian tax](#)

Brazil's tax system reform, in place by 2024, aims to eliminate historical issues (including its infamous double taxation), promote social equality, and attract international investment, making it essential for international businesses to stay informed by an experienced law firm on the new system.

Features



[Investing in sustainable Brazil](#)

Brazil's energy sector, predominantly renewable, offers international investment prospects in green hydrogen, biofuels, as well as solar and onshore / offshore wind power. Sustainability leadership and incentives bolster its appeal for investors, with notable deals made in the recent past.

"Brazil is miles ahead in sustainable initiatives compared to other emerging economies."



[The power of power](#)

Brazil's appeal for international business investment in sustainability stems from over 80% renewable electricity, robust environmental laws, and a commitment to ESG projects. Explore opportunities in infrastructure, energy, agriculture, and more with Brazil's most experienced law firm: Vieira Rezende.

About us



[Who's who](#)

Meet the team attending the International Bar Association in Paris 2023.

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Shaping Brazil's investment landscape



Pedro Hermeto
Managing Partner



Paulo Albert Weyland Vieira
Founding Partner

On international investment in Brazil and Vieira Rezende's emergence in its ever-evolving political and economic landscape

When Vieira Rezende was founded in 1995, our country was experiencing an economic revolution.

The 90s were a time to embrace globalisation. Brazil opened its economy to the private sector, mirroring several other global economies at the time — like the UK during Thatcher's government, Russia following the collapse of the Soviet Union, and a variety of other Latin American countries (including Argentina, Mexico, and Chile).

In this article, we take a broad look at this angle of Brazilian history, considering

why the conditions in place now — and within a bright future — are truly ideal for international investment, and how Vieira Rezende fits into (and influences) this story.

OUR PLACE IN BRAZIL'S HISTORY

Foreign investment in Brazil's market was sudden, fast, and consistent. During the 90s, new regulatory agencies were established to both safeguard public interests as well as release infrastructure and utility organisations previously controlled by the state.

Vieira Rezende's position and approach within this economic revolution was to act as a boutique law firm that collaborated with governments, large consultancy firms, and investment banks — both within Brazil and on the global stage.

We seized on opportunities of the time and, very early on, positioned ourselves as an agile player providing essential legal support and advocacy for international investors who were looking to navigate the increasing complexity of Brazil's broad variety of new and exciting prospects. ▶

Our early entry into oil and gas, particularly with offshore drilling, is a pertinent example. In 2008, we were one of the first firms to go where the tech was coming from: Norway. The oil and gas industry, as a result, was entirely reshaped within the following decade. (As we'll cover shortly, this same approach was applied with emerging renewable energy technology in later years.) Our size and consequential agility allowed us to support all areas of a business, and we formed such an alliance with Wikborg Rein: Norway's leading international law firm. This relationship continues through to today.

Vieira Rezende has forged a unique DNA. Rather than pursue rapid expansion in sheer volume of clients, we prioritised intellectual rigour and specialism to be able to support our clients in as broad a number of ways as possible'. In addition to our Rio de Janeiro offices, we opened offices in São Paulo to be close to the Financial District, as well as Brasília near the Federal District. Our decisions and measured development since 1995 have established Vieira Rezende as Brazil's leading law firm in providing comprehensive support to international business in consultancy, litigation, and advocacy.

BRAZIL TODAY

Despite cyclical fluctuations in its economy throughout history, as is the case with most emerging economies, Brazil remains a formidable and growing influence on the global stage in 2023.

In fact, this has largely been the case since the Plano Real (or: The Real Plan) and today's Real currency were launched in 1993. It was a pioneering achievement against the inflationary spiral that had afflicted Brazil since the mid-80s. The country has seen consistent stability from then on, not only economically but also politically in comparison with other BRICS nations.

All this subsequently contributed towards an incredibly mature legal industry. Despite a lack of long-term policy, Brazil possesses a consistently active judiciary and Supreme Court, known for their readiness. We were one of the first countries internationally to introduce laws protecting same-sex marriage,

supporting victims of domestic violence, and a variety of other progressive issues. Our legal system considers its legacy on the national and global stage, enacts the rule of law, and consistently defends under contract. This is tremendously important for international business, as it keeps the market open and legalised — rather than exploitable and exploited.

The nation's economic matrix has diversified significantly, too, with substantially greater investment in both renewable 'green' energy sources and 'blue' energy sourced from hydrocarbons and ethanol production. In fact, Brazil's sugarcane industry is a model for decarbonisation and clean energy: a precious asset in a world striving to find as many options as possible for a sustainable future.

Brazil's demographics also now make it an attractive investment destination. The country boasts a young population, coupled with a growing middle class — roughly one-third of the country, or 70 million people. This demographic group traditionally demands high-quality goods and services, an enticing consumer and employee base for any international business. Finally, Brazil's GDP — 70% in fact — is reliant on the service sector, driving a more professional, trained, and higher-income population.

THE FUTURE OF BRAZIL

The Brazilian government's Growth Acceleration Program (PAC), as well as investments in education, health, and sanitation, reflect a focus on social policy-driven growth. By the end of 2026, we expect an investment of R\$1.7 trillion. Brazil isn't just raising an economy, but the country as a whole.

One of the tremendous benefits of being an emerging economy without having yet set long-term goals is that we can now set them with the benefit of global hindsight. We're in the position to learn from other developed nations in the world, and Brazil must — and, we are confident, will — learn and absorb the lessons of others to build a more sustainable, widely prosperous future.

Our journey as a firm at Vieira Rezende parallels Brazil's evolution as a global economic player. In fact, our success

exemplifies Brazil's potential as an international investment destination. Our country has waited a long time for new leaders. Today, we find them within a whole new generation. The future growth and opportunities in Brazil rest with them. •

Three key sectors stand out for investment opportunities in Brazil today.



Energy

Brazil's technological advancements in the energy sector offer significant investment potential, across both 'green' and 'blue' energy sources. Find out more in our The Power of Power article on page 12.



Agriculture

Brazil's vast expanse of cropland, favourable weather conditions, and abundant water resources make it a global agricultural leader — in fact, Brazil contains the world's largest potential crop area, ready for development of sustainable, organic, and diversified crops and products. It also utilises technology and supply chain visibility effectively to maintain its sustainable practice and productivity.



Infrastructure

Brazil's extensive (and growing) continental population necessitates substantial infrastructure development from its current span and condition. While the investment for infrastructure projects can be substantial, they offer lucrative opportunities for major players and private equity investments.



Breaking the hex on Brazilian tax

On the history of Brazil's complex tax system, the opportunities of its latest reform, and why you'll still need support navigating it.



Rafael de Moraes
Amorim
Partner

Brazil's tax system has been characterised by complexity for decades. It's a quagmire of regional, contradictory systems and plagued by constant, wide-ranging litigation cases. While there are several reasons why Brazil is an ideal consideration for investment, it's crucial for international businesses to be aware of these significant tax reforms on the horizon. They will change the entire system — for the better — but require crystal clear guidance for effective navigation in the very near future. ▶

Brazil's current tax system

For 30–40 years, understanding the intricacies of Brazil's tax system has been both crucial and near-impossible for the country's business landscape. It's divided into three distinct — often overlapping — forms of legislation.

- Brazil has its own federal taxing authority.
- Further complicated by state taxing authority.
- Even further complicated by smaller municipalities with some local autonomy.

This messy web of tax regulations has naturally created numerous interpretations, asymmetries, conflicts, and deceptive incentives to attract business investment — with several notorious pitfalls.

Unlike neighbouring nations, like Argentina and across Latin America, Brazil's tax system exhibits a 'cascade effect' — where taxes are charged on both revenue and capital, origin and destination state of a product, is a terrible deal from a tax perspective. This effectively creates double taxation.

Tax lawyers are presented with a near-impossible task: to absorb daily updates on ever-changing regulations across Brazil's 27 different states and numerous municipalities — new legislation is

often introduced without adequate preparation, too. Naturally, errors are made. From a corporate perspective, whether assisted or proceeding without support (legal, accounting, auditors), this creates an environment saturated with an expectant of litigation cases.

The result of all this? Remarkably low productivity. In fact, Brazil currently spends more time navigating compliance, filing returns, and completing forms than any other country on the planet.

“Brazil currently spends more time navigating compliance, filing returns, and completing forms than any other country on the planet.”



Tax reform timeline

The previous attempt, after several others, for this reform process began just after President Bolsonaro's election — but the pandemic, differing proposals with a distinct lack of effective dialogue, and a particularly long, complicated approval process during his presidency caused delays.

The deadline for approval of the reform is now set for the end of 2023. In Brazil, major tax changes must be approved within one calendar year to take effect the following year. The tax reforms still face a complex legislative process before being implemented.

- Approval by Congress, with significant support from senators & legislators.
- Negotiation with state governments — this is crucial and particularly challenging, as some states stand to benefit while others face loss, leading to disputes between governors and occasional stalls while discussions take place.

However, the reform is almost certain to go ahead. Further delays could lead to an erosion of political capital, as there's intense political pressure to be seen as 'getting the job done' and moving forward on key manifesto pledges. All states and municipalities will need to

adapt to this new system, and previous benefits and incentives will need to change to attract investment under the revised regime.

From a legal perspective, these tax reforms could be in place by 2024 — with a significant transition period to allow businesses and taxpayers to adapt.

While we shift from a complex system to a complex process, the benefits of Brazil's new tax system, once implemented, will be profound for Brazil — notably in attracting additional international investment. This is a key reason the tax reforms were introduced. ▶

The impact on international investment

These tax reforms have the potential to usher in broad equality improvements across Brazil, as well as simplicity and productivity for companies based and investing in the country.

EQUALITY

When we look at government agendas across the world, a keen focus on economic growth is often detrimental to society, and vice versa. These tax reforms hope to address both economic and social issues in Brazil.

Currently, business location in Brazil is critical due to the varied state-level tax regimes. This reform — the standardisation of complex tax systems — enables companies to make decisions based on strategic objectives, rather than regional tax considerations, creating a level playing field with accessibility across regions.

This provides a chance to better address both economic and social aspects regionally. While some areas may initially pay higher tax rates, increased economic activity across the country should, in theory, generate greater revenue over time. Also, some exceptions will remain to address specific regional needs — the Amazon region's benefits, for example, will continue, while education-related businesses will enjoy lower tax rates.

SIMPLICITY AND PRODUCTIVITY

Clarity in Brazil's tax system will undoubtedly become more appealing to international businesses and simplifies the advisory process for international law firms. Issues like double taxation will be addressed by adopting a destination-based taxation approach, and it will eliminate many state and municipal taxes, introducing something similar to a single VAT system with a dual model instead (one federal tax + one state / municipal tax, with the same structure).

By removing historical inefficiencies, streamlining the tax system, and retaining some positive benefits (tech and energy sectors will likely retain income tax and import benefits, for example), Brazil expects to be inundated with more international business than ever before.

There's some risk of litigation expected during the period between approval and application of the reform, due to uncertainties and ambiguities in the new tax framework. With that in mind, we wouldn't advise international businesses to rush into decisions before the full impact of the reform is understood. Being a comprehensive reform with broad implications, it's better to first consider its effects, then plan accordingly. Guidance, therefore, continues to be vital, and discussions with law firms — like Vieira Rezende — can begin long before the reform takes hold. •

“These tax reforms have the potential to usher in broad equality improvements across Brazil.”

We're here to help

In what will soon become 'old Brazil', we believe there are three key things you'll need to find in your ideal law firm partner to explore new opportunities post-tax reform.



SUCCESSFUL TRACK RECORD

While a clear understanding of the tax landscape in Brazil today is crucial, so is a deep set of roots in its past. Longevity of experience allows a law firm to understand the motivations behind changes in tax, both in this reform and any that may come in Brazil's future.

Vieira Rezende was founded in 1995. Our decades-long dedication to supporting international investment in the Brazilian market is a defining feature of the firm's DNA. We understand the challenges and opportunities faced by international businesses across our country.



LARGE SCALE WITH CLOSE RELATIONSHIPS

By focusing not only on Brazil but understanding the international market in which it operates, a law firm can understand the broader implications of Brazilian legislation like tax reforms on its clients — not just within Brazil, but far beyond its borders.

Vieira Rezende have notably small ratios between associates and partners compared to other law firms. This allows for a deeper, more intimate understanding of our clients' motivations, not just legally but as businesses operating in their specific sectors.



BREADTH OF KNOWLEDGE

By stepping beyond the legal relationship, firms can fully comprehend the motivations and challenges faced by clients on a wider level. This commitment to broadly specialise means a firm could become an unexpected (but welcome) one-stop solution for international clients.

At Vieira Rezende, we're close to the business of our clients. We offer a varied range of legal services and expertise beyond taxation, making it a comprehensive partner for international businesses exploring any investment opportunities in Brazil.



Investing in sustainable Brazil

On the unique offer of Brazil, industry opportunities for sustainable projects with positive impacts, and next steps.



Camila Borba Lefèvre
Partner

Brazil has emerged as an attractive destination for international businesses — and the law firms advising them — seeking opportunities in sustainable projects with positive environmental and social outcomes, as well as generating notable financial returns.

Remarkably, over 80% of Brazil's electricity production consistently stems from renewable sources¹, offering vast potential for decarbonising industries to harness clean energy and take advantage of a broad range of sustainable initiatives and investment opportunities. ▶

Why Brazil?

1 GEOGRAPHY AND NATURAL RESOURCES

Brazil's environmental conditions are unparalleled, with vast territory and abundant natural resources, not to mention its crown jewel: the Amazon rainforest. (Cerrado and Pantanal biomasses add further opportunities.) This offers immense potential for exploring and harnessing the bioeconomy.

Brazil is a standout in clean and renewable energy resources, too, with hydropower, wind, and solar energy playing pivotal roles. Even as Brazil transitions towards cleaner energy sources, its oil extraction practices boast some of the lowest emissions in the world ([CEBRI 2023](#)).

2 MODERN ENVIRONMENTAL LAW

Brazil's commitment to sustainability is exemplified by its modern environmental laws, such as 2012's Forest Code, which governs the use and protection of private land in Brazil, leading to a significant reduction in deforestation rates. These laws provide a robust legal framework for ESG (Environmental, Social, Governance) projects.

While private landowners generally embrace sustainable land management and resource exploitation, challenges persist on public land — roughly half of Brazil's territory. Enforcement of environmental laws has been inconsistent in these areas. In 2023, a pivotal shift occurred with the election of a new government who view the bioeconomy and sustainable investments as opportunities, rather than obstacles — new initiatives and the reinforcement of existing environmental laws have since been seen, setting a positive precedent for international investors.

3 CARBON CREDITS

Brazil is currently assessing a legal framework for regulated emissions and a trading system, to introduce mandatory requirements and a framework for trading emission credits — an important initiative expected to be in place by COP 30 (Brazil, 2025). This will be a milestone for the government to



“Brazil is miles ahead in sustainable initiatives compared to other emerging economies.”

present its concrete initiatives. Already in place is the launch of a framework for sustainable sovereign green bonds, aimed at raising funds dedicated to policies that genuinely promote sustainable and inclusive development in line with the Sustainable Development Goals (SDGs) identified by the United Nations.

Today, companies buy credits generated from Brazilian projects to reduce emissions, not because they're required to do so by law but on a voluntary basis. Across Brazil, there are many carbon credit projects in development, from preservation of the rainforest to the restoration of native forests and endangered ecosystems.

4 INTERNATIONAL ADVANTAGE

Other Latin American jurisdictions may have more proximity to the US but lack the vast natural resources and renewable energy of Brazil. Indonesia, South East Asia, and some African countries have simple regulatory frameworks for streamlined investment opportunities.

Brazil provides a far more robust foundation for sustainable projects, with:

- focused tax reforms in 2024;
- modern environmental laws and robust legislation;
- a consolidated, established legal framework related to ESG;
- strong social legislation and social rights to protect employees;

Brazil is also a significant producer of agricultural commodities like soy, coffee, and cotton, all having the potential to meet stringent EU (and other jurisdiction) sustainability requirements. There remains room for improvement in traceability and accountability throughout the supply chain, from production to transportation. Investing in traceability technology and sustainable value chains is paramount for companies operating in Brazil, to ensure the sustainability of commodities and products can be demonstrated and accounted for.

Brazil is miles ahead in sustainable initiatives compared to other emerging economies. ▶

What industry opportunities are there?

INFRASTRUCTURE

Brazil's sustainable infrastructure development is a key attraction for investors. The country has seen a variety of significant investments in green infrastructure, reflecting a commitment to environmentally friendly transportation hubs — including ports, airports, and rail transportation on the horizon.

WATER AND SANITATION

Less than 50% of the Brazilian population currently has access to sewage networks ([Agência Brasil, 2021](#)), making this sector ready for significant sustainable developments — not to mention societal improvement.

ENERGY

Brazil's energy sector stands out with its focus on a variety of renewable options. The country boasts a diverse range of sources, including hydropower, wind, and solar, contributing to a robust and eco-friendly energy landscape.

AGRICULTURE

Agriculture is the largest contributor to Brazil's GDP growth ([Agência IBGE, 2023](#)). The sector leverages advanced technology to maximise land productivity while emphasising traceability in the supply chain. Sustainable agriculture practices are gaining traction, aligning with global demands for environmentally conscious food production.

FORESTRY AND BIOECONOMY

Brazil's approach to forestry is twofold: maintaining the forest, while extracting

value sustainably. This includes responsible timber production and a diverse array of forest products — Brazil nuts, açai, cocoa, and medicinal / pharmaceutical resources. Importantly, there's a strong social component to this strategy, too, through employment to poorer areas where damaging practices may previously have been the only option for people to take.

EMPOWERING NATIVE COMMUNITIES

Brazil recognises the significance of its native and traditional communities living in the Amazon. These communities serve as guardians of the forest, and their livelihoods are intricately tied to the land. With a shift toward the bioeconomy, these communities are empowered to produce sustainable forest products, transforming their traditional activities into sources of economic stability.

Brazil's approach to the bioeconomy of the forest emphasises social sustainability alongside environmental conservation. This approach acknowledges that native and traditional communities require a livelihood and aims to reduce their dependence on environmentally damaging activities, like illegal mining activities, that can lead to deforestation.

ORGANIC PRODUCTS AND CONSUMPTION

Brazil's commitment to organic products and sustainable consumption adds another layer of appeal for investors. The emphasis on environmentally friendly and socially conscious products aligns with global sustainability trends, making Brazil an appealing destination for those interested in organic and eco-friendly markets.

We're here to help

International law firms are restricted from operating in Brazil due to legal regulations. This limitation means international firms seeking advice on Brazilian matters must collaborate with Brazilian law firms, not to mention for navigating the complex, ever-changing legal and financial landscape.

We believe Vieira Rezende is your ideal partner for investing in sustainable projects with positive social and environmental impact. We focus on international businesses, and many of our partners have worked abroad in countries like the US, UK, and across Europe. Founded in 1995, we have always specialised in working with international clients across Brazil since day one, effectively translating our beautiful country's complexities. We boast deep sector expertise, particularly in key economic areas such as renewable energy, oil and gas, agriculture, and infrastructure, providing clients with not only legal expertise but also valuable market knowledge — who are the big players, and how to operate with them.

We consider ourselves to hold a consultancy role in client relationships, and beyond just a legal advisor. We understand the business of our clients, not just their immediate legal needs.

While our process typically begins by speaking with one of our transactional partners, clients are then connected with the specific expertise they require, whether that pertains to a particular industry or area of law. Our approach is always multidisciplinary, working holistically across our teams to find the best solution for any of our projects, ensuring comprehensive support. •

Companies we've supported in sustainable investments

GRUPO MANTIQUEIRA

We advised one of the largest producers of eggs in South America on the acquisition of Fazenda da Toca Orgânicos and the grain production of Rizoma Agro — two strategic assets with organic and carbon-free certifications.

AMAZON PARTNERS LLC

We're advising on the submission for certification with VERRA, the second Redd+ project in Brazil involving an indigenous area. The main challenge is to ensure all indigenous people are heard, represented, and able to actively engage with this forest preservation project.

CONSERVATION INTERNATIONAL

We're advising on several projects involving support to local traditional agricultural communities on ecological restoration in the states of Bahia and Espírito Santo, and other initiatives involving the promotion of bio-economy in the Amazon region, such as production of seedlings and funding research projects.



The power of power

Opportunities and incentives in Brazil's energy industry



[Daniela Ribeiro Davila](#)
Partner



[Thiago Luiz Silva](#)
Partner

Driven by its abundant natural resources and rapidly growing renewable energy sector, Brazil's energy landscape is undergoing a transformative shift.

Our country's existing surplus of affordable renewable energy presents an exceptional opportunity for international investment. Green hydrogen has gained prominence in both the power sector and hard-to-decarbonise industries, while Brazil's global leadership in the production of biofuels enables a reduction of fossil fuel dependency in road transport, further enhancing our progress as a global leader in sustainability.

This article explores Brazil's energy prospects, incentives, and international investment trends, before highlighting why Vieira Rezende is a trusted partner in this dynamic sector.

SUSTAINABLE OPPORTUNITIES IN THE ENERGY MATRIX

Economic growth relies on abundant, affordable power. This has been proven time and time again across the globe. With increased global awareness of carbon emissions, as well as measures such as the Carbon Border Adjustment Mechanism, powering industry through low-cost renewable sources presents an ideal scenario for investment in Brazil

today — roughly 85% of the country's power matrix is renewable, before we even consider the substantial number of new renewable projects being implemented.

Brazil, blessed with abundant sunshine, towering waterfalls, and an extensive coastline exposed to year-round, robust winds, boasts a robust renewable energy potential. The country's onshore wind power sector features over 800 operational wind farms, totalling 24 GW, with an additional 53 GW under construction. This substantial capacity, combined with Brazil's offshore wind potential of 1,228 GW, offers ample investment prospects. ▶

Notably, one-third of the offshore wind potential is in shallow waters and next to port areas, making project connections to the grid substantially easier.

Brazil's growing surplus of low-cost renewable energy positions green hydrogen produced within the country as a highly competitive alternative to other fuels. Even without additional incentives, green hydrogen has the potential to entirely replace natural gas in the Brazilian market solely on economic grounds.

The current surplus is attributed to Brazil's extensive hydropower capacity, which can compensate for solar PV and wind intermittency. While hydropower is not entirely predictable due to annual rainfall fluctuations, the growth of new renewable energy projects is expected to maintain Brazil's position, with the increase in gas-to-power projects helping to compensate for any shortfalls.

Many operators within Brazil are keen to make extraction more sustainable in upstream E&P (exploration and production) hydrocarbons. For vessels supporting the oil and gas industry, we're seeing new technology developing to capture carbon for the offshore supply — but there's currently no incentive to do so. Companies operating oil and gas fields pay for the fuel of chartered supply vessels in Brazilian waters today, but this is considered little more than something to present on their website. New charter contracts across Europe are being discussed that may be replicated in the near future — in short, they will incentivise and state: if you consume less fuel, there may be a bonus or reduction in cost for better, more sustainable practices.

Concerning road transportation, as the global leader in biofuel production through ethanol from sugarcane, Brazil boasts a light-vehicle fleet predominantly composed of flexible-fuel cars capable of using both gasoline and ethanol interchangeably. For heavier vehicles, mandatory regulation imposes the mixing of differing degrees of biodiesel into conventional diesel, reducing their carbon footprint. Electric vehicles (EVs) are also expected to play their part in the decarbonisation of transport in Brazil, but the government is mostly committed

“With a burgeoning economy, Brazil’s demand for power continues to rise and, given the cost-effectiveness of renewables across the country, the uptake of power from these projects is assured.”

to further reducing gasoline and diesel usage and promoting ethanol-hybrid cars to decarbonise road transport.

With the natural gas market experiencing significant price fluctuations due to the Russia-Ukraine conflict, biogas and biomethane have emerged as alternative sources. Brazil's expansive animal protein and agroindustry are worth noting here, providing a steady supply of feedstock for biogas and biomethane projects — as the amount of animal faeces produced in the country is significant, they either become industrial waste, managed by agroindustry companies, or serve this production of energy in a circular, sustainable way.

Finally, as we write this article, the intensified conflict between Israel and Hamas in Gaza has escalated. So far, oil producing countries have not been directly involved in the conflict, but there's the risk of steep escalation in the already high oil prices following Russia's invasion of Ukraine. With this in mind, Brazil will take on a more pivotal role in international energy supply — not only for its oil and gas reserves, but its alternative energy sources like low-carbon hydrogen and ammonia.

INTERNATIONAL INVESTMENT TRENDS

Brazil's pre-salt reserves — significant offshore hydrocarbon deposits found beneath thick layers of salt in certain deepwater areas of the world — are highly profitable with low exploration risk, making them a cornerstone of the offshore hydrocarbon industry. This trend is expected to continue over the coming decades, drawing significant investments to the sector.

Alongside this, as touched on briefly above, a notable trend right now is

E&P companies investing in Brazil's renewable energy. For instance, most major international hydrocarbon players in the country are also actively involved in licensing offshore wind projects, which will require participation from global suppliers and their unique expertise.

Interest in renewables remains steadfast. With a burgeoning economy, Brazil's demand for power continues to rise and, given the cost-effectiveness of renewables across the country, the uptake of power from these projects is assured.

BRICS INFLUENCE ON THE RENEWABLE ENERGY SHIFT

China has played a significant role in driving down capital (CAPEX) and operating (OPEX) costs for solar PV projects. Their efforts are expected to extend towards other renewable energy sources, too. China's involvement in the electric vehicle automobile industry is pivotal for increasing demand and making EVs more affordable in Brazil.

Meanwhile, though not a direct intention of Russia's invasion of Ukraine, the sanctions currently imposed on the country during the conflict have led to an increase in hydrocarbon prices, making renewable projects more competitive and appealing.

India's government has consistently expressed its ambition to become one of the world's largest solar module manufacturers. It boasts a robust manufacturing ecosystem for wind energy and is rapidly expanding its solar capacity. India is poised to follow China's lead in developing new technologies and reducing equipment costs in the renewable energy industry. ▶

INCENTIVES FOR ENERGY INVESTMENT

Brazil is yet to implement its regulated carbon market. For local consumption, this means there's no local 'regulatory stick' that penalises companies for not reducing their carbon footprint. (It's worth noting that exporters, however, must adapt to measures like the Carbon Border Adjustment Mechanism.).

However, several incentives have been adopted in Brazil.

Debentures Incentivadas: This long-term financing tool issued by the Brazilian Development Bank (BNDES) is designed to incentivise investment in sustainable and infrastructure projects across Brazil. They finance projects that contribute to the country's economic growth and sustainability goals while aligning with specific criteria set by the Brazilian government. They come with significant tax benefits for investors, including exemption from income tax on interest income and capital gains. BNDES typically guarantees a certain level of repayment, reducing the perceived risk for investors.

Grid certification for production of green hydrogen: The Brazilian Electricity Market Chamber (CCEE), a regulatory and operational entity responsible for overseeing the power market in Brazil, created a free certification of origin for renewable sources, structured to comply with European standards for low-carbon hydrogen. This ensures green hydrogen projects focused on exportation can use power from the grid and still comply with the standards imposed by European consumers.

Decarbonisation credits (CBIOS): These are certificates issued by ANP (The Brazilian National Agency of Petroleum, Natural Gas, and Biofuels) that encourage the production and use of sustainable biofuels in Brazil. They represent greenhouse gas emissions that have been avoided and are used to meet mandatory emissions reduction targets in the transportation sector. CBIOS create a market mechanism that rewards biofuel producers and distributors for reducing carbon transportation fuel.

Renewable Energy Certificates (I-RECs):

As seen similarly within other countries, including the UK, US, and with the EU's Renewable Energy Directive, Brazilian projects may use I-RECs to track and certify the renewable energy attributes of electricity generated from renewable sources, which facilitates acceptance of the relevant products by markets requiring this kind of certification.

Incentives for research and development:

Both oil and gas E&P contracts and regulated power purchase agreements impose obligations for investments in research and development. These obligations may include funding for projects focused on developing new technologies, improving energy efficiency, and reducing environmental impact.

WHY VIEIRA REZENDE?

We have always been pioneers at the forefront of Brazilian energy frameworks — in fact, almost half of our client portfolio comes from the energy investment industry.

We started with hydrocarbons, before splitting our focus and looking towards renewable energy market progression. We provide support to a diverse range of clients in this sector, including project owners and companies offering services to these industries — shipping, EPC contractors, O&M operators, and many more. While we assist with standard legal activities — contract reviews, licensing support, and so on — it's when we leverage our in-depth knowledge of the Brazilian energy market to offer transactional and strategic guidance that we truly stand out against our competitors. •



IN FUTURE, DECARBONISATION OF THE MARITIME SECTOR IS EXPECTED THROUGH TWO AVENUES.

1 E&P (exploration and production) companies are looking to wind power to, in the first instance, produce energy for platforms and rigs, before exporting surplus energy to shore. This second step is more complex since it requires substantial infrastructure and complex regulation.

2 The offshore support vessels can utilise not only batteries, but also green ammonia and green methanol are seen as opportunities to explore in this hard-to-abate industry, as well as new robotic technologies to conduct routine exercises, like cleaning hulls.

Meet us at the IBA 2023



Pedro Hermeto

Managing Partner

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Pedro specialises in dispute resolution in both civil and corporate matters — with emphasis on mergers and acquisitions, negotiations, contracts, and administrative proceedings. Currently serving Vieira Rezende as Managing Partner (CEO), he has been part of the team since its foundation. Fluent in English, French, and Italian.



Camila Borba Lefèvre

Partner

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Camila is a partner in Vieira Rezende's corporate law and M&A area, recently featured in Latin Lawyer 250 (2024) and Chambers Global (2023) — the latter recognized Camila as a 'Foreign Expert for Netherlands'. She specialises in telecommunications regulation, GDPR / LGPD, and data protection. Fluent in English, Spanish, French, and Dutch.



Rafael de Moraes Amorim

Partner

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Rafael specialises in tax and estate planning, demonstrated by recent features in Latin Lawyer 250 (2024) and Chambers Global (2023). He leads the tax law team at Vieira Rezende in São Paulo, with a fantastic reputation among clients with a variety of tax aspects, including advisory, planning, and other complex challenges. Fluent in English and Spanish.

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