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BRAZILIAN INVESTMENT INSIGHTS

BRAZIL 2027: NAVIGATING COMPLEXITY, BUILDING MATURITY

TAX REFORM

Brazil's new dual VAT system is reshaping costs, contracts, supply chains, and valuation assumptions across every sector.

INFRASTRUCTURE

New financing instruments and growing private capital are unlocking opportunities across infrastructure, energy, logistics, and real estate.

BRAZILIAN ELECTIONS

An analysis of the political, institutional, and regulatory dynamics shaping Brazil's investment outlook.

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Brazil 2027: Navigating Complexity, Building Maturity

As we approach 2027, Brazil's business environment is entering a phase of profound, simultaneous transformation. Readers who follow **Brazilian Investment Insights** will recognize the distinctive dynamism and continuing capacity for adaptation that define the Brazilian economy. Yet the outlook for the end of this decade brings together, within the same window, the entry into force of the Consumption Tax Reform's operational phase, the consolidation of a new, private-capital-led cycle of infrastructure expansion, and the settling of the political landscape following the 2026 elections. This inflection point is reshaping the risk matrix and the assumptions that guide decision-making for both domestic and international investors.

In this edition, our own professionals and guest contributors examine how this new reality is impacting the most dynamic sectors of the Brazilian economy. The shift to the dual VAT model (CBS and IBS) is becoming a concrete valuation variable, requiring a review of long-term contracts, supply chains, and cash-flow management. At the same time, infrastructure financing is gaining scale and sophistication, driven by the maturity of the domestic capital market, the consolidation of infrastructure debentures, and the search for more efficient guarantee structures. From regulatory challenges in navigation and port logistics to the efficiency of the offshore oil and gas and energy-transition sectors, the country demonstrates that the attractiveness of its assets is directly tied to the quality of legal engineering and the precision of risk allocation. The same logic applies to the real estate market, which is now benefiting from the connectivity generated by large transportation projects and from the reach of new securitization vehicles.

In a challenging global environment, marked by the reorganization of production chains and geopolitical uncertainties, Brazil reaffirms its position as a viable destination for safe-shoring strategies — which prioritize stability, resilience, and predictability — and for portfolio diversification. In light of the 2026 election cycle, a careful market analysis requires distinguishing between party-political volatility and the country's institutional stability. As evidenced by analyses of the regulatory environment and the dynamics of the National Congress, Brazil demonstrates consolidated institutions, sound contractual protections, and a mature regulatory framework that offers predictability and resilience for long-term operations, regardless of changes in government.

Over more than three decades, Vieira Rezende has reaffirmed its commitment not only to providing technical solutions to legal issues, but also to acting as a strategic partner in structuring complex transactions and ensuring their viability. In a time of regulatory transition and the redefinition of global competitiveness parameters, an accurate understanding of the local ecosystem is the key to translating complexity into opportunity and uncertainty into value. We invite you to explore the analyses in this edition of Brazilian Investment Insights, which bring together different perspectives on the country's ongoing transformations and their impact on investment decisions.

The New Investment Landscape in Light of Tax Reform, the Infrastructure Cycle, and the Political Scenario

By **Alberto Vieira**, partner ▪ Corporate/M&A

For foreign investors, 2027 is likely to mark a significant turning point in the Brazilian business environment. Three profound and simultaneous movements converge to make this period particularly decisive: the entry into a new operational phase of the Consumption Tax Reform, the continuation of a significant cycle of private infrastructure investment, and the settling of the political landscape following the October 2026 general elections.

None of these factors, in isolation, determines the attractiveness of the Brazilian market. Together, however, they alter the assumptions traditionally used to value, structure, and document investments in the country. For international investors and capital managers, strategic market-entry decisions — whether acquisitions (M&A), greenfield projects, or joint ventures — will need to incorporate a more sophisticated analysis of the allocation of regulatory, tax, and corporate risks.

> ***Brazil is not simply entering 2027 with 'more risk'. The country enters with a different risk matrix, and, in several sectors, with opportunities that may be particularly relevant for investors capable of structuring them legally.***
>
> **Alberto Vieira**

This shift in perspective will be important for understanding not only what opportunities will be available, but also how different investment structures might respond to the new environment.

The Consumption Tax Reform is steadily shifting from a legislative matter into a consolidated operational and transactional variable as 2027 approaches. With the redesign promoted by Constitutional Amendment No. 132/2023, the country is moving toward a dual VAT model comprising the Contribution on Goods and Services (CBS), a federal tax, and the Tax on Goods and Services (IBS), shared between states and municipalities, along with the introduction of the Selective Tax. For investors, this change means incorporating the tax transition into the assumptions used to value assets and companies.

In this context, due diligence also takes on a prospective dimension.

> ***The question is no longer just about what tax liabilities were accumulated in the past. It also includes how the new system alters the effective tax burden and the generation of credits for the target company, and what impact this has on prices, working capital, and long-term contracts.***
>
> **Alberto Vieira**

The ability to project these effects could directly influence valuation and operational structuring.

This change also affects acquisition documentation. Representations and warranties will need to distinguish contingencies tied to the previous regime from risks arising from the transition itself. In contrast, price adjustment mechanisms, earn-outs, and covenants may need to account for their effects. In long-term contracts, especially in infrastructure, change-in-law clauses can play a significant role in preserving economic-financial equilibrium amid regulatory and fiscal changes.

The choice of market-entry structure is also becoming more important. A traditional acquisition offers immediate access to operational assets, licenses, and accumulated know-how, but requires careful analysis of historical liabilities and strong guarantees and indemnities. Greenfield projects, by contrast, offer greater freedom to build the operation from the ground up but expose the investor to construction, environmental licensing, and operational ramp-up risks.

Joint ventures can represent an intermediate alternative, combining international capital and local market knowledge. In this model, however, governance quality becomes especially relevant. Clearly defining, in advance, which matters are subject to veto, financing policies, related-party transactions, deadlock-resolution mechanisms, rules for transferring equity stakes, non-compete restrictions, exit procedures, and valuation criteria can reduce conflicts and preserve the operation’s value over time.

> ***Many corporate disputes could be avoided with greater care in selecting a local partner, and by properly addressing certain issues during the initial negotiations.***
>
> **Alberto Vieira**

This concern with structuring takes on a new dimension in light of the political landscape that is emerging after the October 2026 elections.

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> ***Changes in government can lead to alterations in regulatory priorities, concession policies, privatization programs, public investments, and the orientation of certain agencies and ministries. This does not, in itself, mean a breach of existing contracts or the Brazilian institutional framework.***
>
> **Alberto Vieira**

For investors, the distinction between political uncertainty and legal risk thus becomes fundamental. In infrastructure operations, contract predictability and a clear risk matrix can be crucial to project bankability, especially in concessions and PPPs. Reserved matters, limited veto rights, economic-financial rebalancing mechanisms, step-in rights, and arbitration can help preserve the stability of relationships among investors, partners, grantors, and financiers.

Rather than evaluating each factor in isolation, investors will need to consider how these variables combine. The tax transition may alter valuation assumptions; policy changes may affect regulatory priorities; and the expansion of the infrastructure cycle may create opportunities in sectors whose dynamics depend on long-term contracts and complex capital structures. The challenge will be to turn this risk matrix into structures that preserve value while capturing opportunities.

In this new environment, due diligence also tends to become more cross-cutting, incorporating aspects such as the digital maturity required for the VAT transition, compliance integrity, and adherence to the LGPD (Brazilian General Data Protection Law).

> *Multinational groups should not simply replicate contractual structures from the US or Europe. The main competitive advantage lies in correctly identifying, pricing, and allocating risks before the transaction is signed.*
>
> **Alberto Vieira**

In 2027, therefore, Brazil's attractiveness will depend not only on the volume of opportunities available, but also on investors' ability to interpret a more complex risk matrix and properly structure their market entry into the country. The new framework does not eliminate uncertainty, but it expands the scope for more sophisticated investment decisions — especially for those capable of combining economic analysis, understanding of the regulatory environment, and legal structures suited to the Brazilian reality.

The New Decision-Making Roadmap for Investing in Brazil

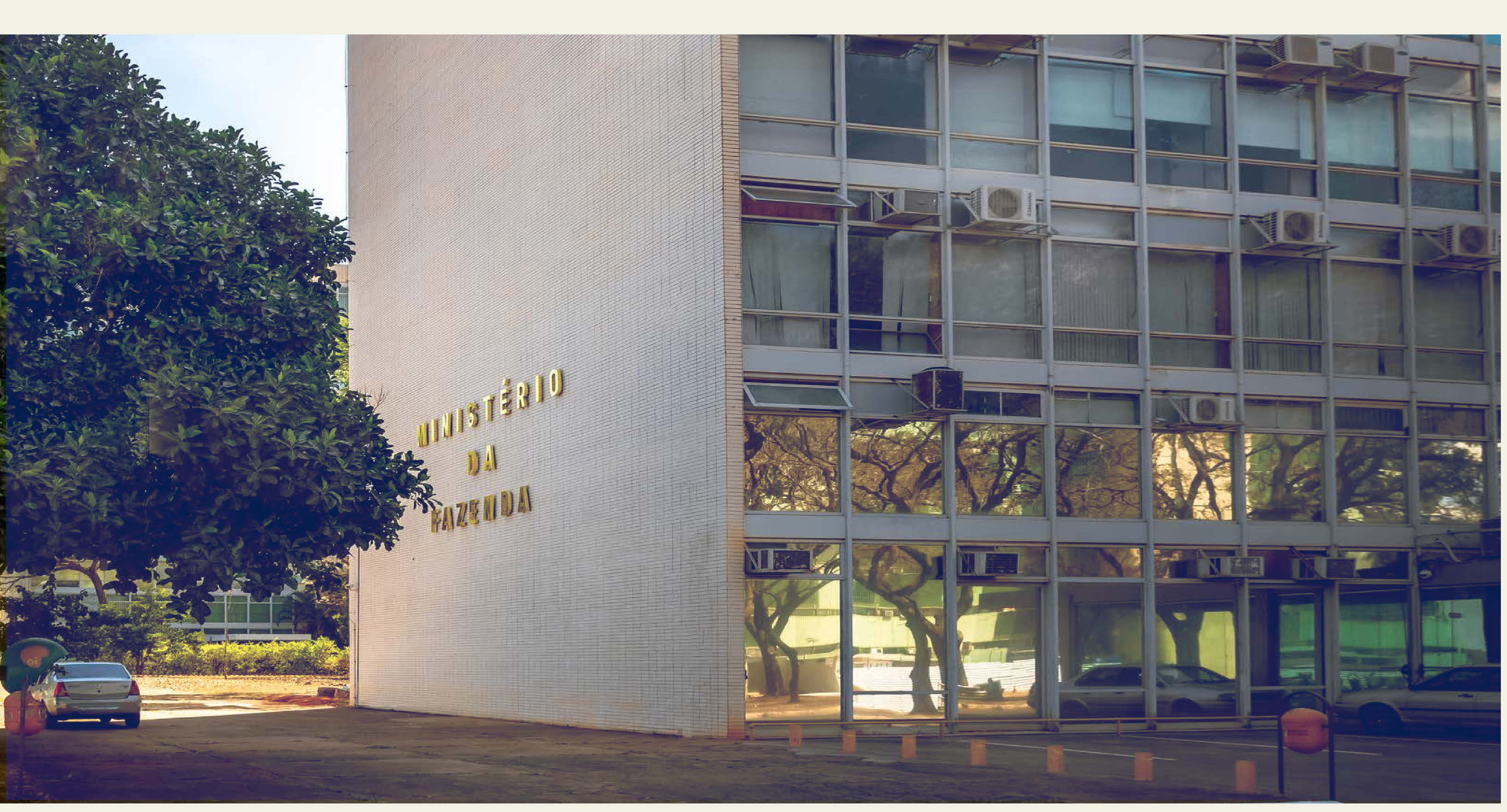
- **Understanding the new tax environment**: The Tax Reform redefines valuation assumptions, cash flow, credits, and contracts.
- **Identifying where the capital is being directed**: The new infrastructure cycle expands investment opportunities and diversifies funding sources.
- **Pricing political uncertainty**: The 2026 elections introduce a new layer of political uncertainty, but not necessarily legal risk, for investors.
- **Choosing how to enter**: M&A, greenfield projects, and joint ventures offer different combinations of opportunities, risks, and exposure to the Brazilian market.
- **Protecting the value of your investments**: Governance, contracts, guarantees, and exit mechanisms become essential tools for identifying, pricing, and allocating risks.

How Tax Reform Is Redrawing Investment, Margins, and Competitiveness in Brazil

By **Rafael Amorim**, partner ▪ Tax & Customs

Brazil's transition to the new dual value-added tax (VAT) model, made up of the Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS), enters a decisive phase in 2027. More than a gradual replacement of existing taxes, the launch of the new system marks a shift in companies' economic dynamics, affecting contract structures, cash flow, pricing, and investment decisions. For investors, understanding this transition is becoming an important part of assessing how competitive and predictable Brazil's business environment is.

According to Rafael Amorim, companies will need to adapt gradually, particularly given the period in which the current and new systems will run side by side.



> ***The transition between the two models may increase costs and compliance requirements in the short term, but the expectation is that, over the medium and long term, the new system will bring greater predictability, simplify obligations, and strengthen business competitiveness.***
>
> **Rafael Amorim**

The transition period thus combines immediate operational challenges with the prospect of structural changes in how companies organize their operations and evaluate investments.

One of the main effects relates to so-called tax neutrality, which aims to ensure that taxes are levied on the value added at each stage of the production chain, without cascading. With CBS and IBS charged on a tax-exclusive basis, the reform changes how taxes are factored into pricing and into the structuring of commercial relationships. The impact is likely to be particularly significant for long-term supply contracts and M&A transactions, where tax assumptions can influence margins, prices, and the very economic valuation of the deals.

This shift is also expected to affect relationships across the production chain. In Amorim's view, the transition period is already prompting a redesign of pricing clauses and tax pass-through mechanisms.

> *The market is already moving to redesign pricing and pass-through clauses. Our preventive work aims to keep stronger players in the production chain from improperly withholding tax credits or passing on fictitious cost increases under the pretext of the new rules.*
>
> **Rafael Amorim**

In this context, reviewing procurement policies and monitoring the supplier base matter not only from a tax standpoint, but also as tools for protecting margins and ensuring financial predictability.

The transition also affects a less visible but equally important dimension for companies: cash flow management. Among the mechanisms drawing attention for 2027 is split payment, a system in which the tax is withheld and remitted to the tax authorities when the transaction is settled. In other words, whereas companies previously received the full amount from the customer and paid the tax later, the timing of cash availability now changes. This can affect working capital, treasury operations, and management systems.

Even though operational bottlenecks and regulatory debates suggest the system may not be 100% implemented in January 2027, companies need to adapt their ERPs and treasury controls now to avoid liquidity crunches.

Rafael Amorim

Another element likely to influence business decisions is the Selective Tax, designed to discourage the consumption of certain goods and services considered harmful to health or the environment. Its implementation adds a new variable to the cost structure and pricing of specific sectors, while the regulations and the definition of its scope may give rise to legal disputes during the early phase of the new system. For investors, the ability to track this regulatory evolution and incorporate its effects into financial projections is likely to be particularly important in the directly affected sectors.

The reform also changes a logic that, for decades, shaped where investments were located in the country: competition among states and municipalities through tax incentives. As taxation gradually shifts to the place of final consumption of the good or service (the destination principle), traditional tax benefits lose some of their power to determine, on their own, where to locate manufacturing plants, distribution centers, and other operations. Investment decisions are therefore likely to give greater weight to structural competitiveness factors.

For Amorim, this change will shift the focus to new attributes.

Investment decisions will move toward real-world variables: the quality of local logistics infrastructure, legal certainty, proximity to ports, and access to clean energy sources.

Rafael Amorim

The Manaus Free Trade Zone remains a notable exception, given the constitutional protection of its competitive advantages. Even so, the continuation of those benefits will need to be assessed alongside the region's logistical challenges.

In this sense, the tax reform does not eliminate competitiveness differences among Brazil's regions, but it is likely to change the criteria used to evaluate those differences. As tax incentives move out of the center of the decision, infrastructure, logistics, energy, legal certainty, and operational efficiency gain ground in the competition for capital. For investors, 2027 therefore represents not only the start of a new phase of the tax transition, but also a moment to revisit the assumptions underlying investment decisions and growth strategies in Brazil.

As tax incentives lose ground, infrastructure, logistics, legal certainty, and operational efficiency carry more weight in investment decisions.

Brazilian Infrastructure: The New Cycle of Private Capital and Risk Management

By **Roberto Vianna do R. Barros**, partner ▪ Banking & Finance

Brazil is entering a new cycle of infrastructure investment, driven by an expanding project pipeline and growing private-sector participation. The ability to structure sound financial models, properly distribute risks, and offer predictability to investors will be crucial for turning projects into financeable operations and expanding the participation of domestic and international capital.

According to Roberto Vianna, the country's financing-source redesign is already underway, with the domestic capital market playing a more prominent role.

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The financing of Brazilian infrastructure is already predominantly private. Infrastructure debentures, created by Law 14.801/2024, have become the main way to raise capital in the domestic capital market.

Roberto Vianna do R. Barros

The move broadens the range of alternatives available to concessionaires and Special Purpose Entities (SPEs) and reduces dependence on traditional financing sources. Multilateral banks and the BNDES (Brazilian Development Bank) remain relevant, now operate in a more integrated way within a diversified mix of capital.

This shift in funding sources also creates new opportunities for international investors. The changes introduced by the infrastructure debentures legislation have broadened the incentives for certain debt structures and may make operations in projects that the Brazilian government considers a priority, such as sanitation, clean energy, and transportation, more competitive. In this context, diversifying funding sources represents not only a change in the origin of resources, but also an evolution in the way projects are structured to access different types of capital.

However, increased liquidity does not eliminate structuring challenges. One key focus remains the guarantees required during the pre-operational phase, when projects are not yet generating revenue and carry the highest implementation risk. At this stage, creditors focus their demands on the quality of the contracts that underpin future cash-flow generation. Offtake agreements, engineering, procurement, and construction (EPC) contracts, and operation and maintenance (O&M) contracts must offer sufficient security to ensure the sustainability and bankability of cash flow. In Brazilian practice, however, guarantees still follow traditional patterns.

> ***Bank guarantee letters remain the primary form of collateral, despite the high cost and the burden on investors' credit limits.***
>
> **Roberto Vianna do R. Barros**

According to the partner, growth in the capital market and development banks as funding sources has not been matched by equivalent innovation in guarantee structures, leaving limited-recourse project finance the general rule in the country's infrastructure market.

However, some alternatives are beginning to emerge to reduce this dependence. Surety bonds aimed at protecting the financier in the pre-operational phase can function as partial substitutes for bank guarantees, while structured operations with multilateral organizations, such as the IDB, can count on partial guarantees from the Federal Government, reducing the spread charged to investors. The evolution of these instruments will be important for expanding projects' risk-absorption capacity and bringing the Brazilian financing structure closer to more sophisticated project finance models.

This ability to distribute risks gains additional importance given the macroeconomic and political environment that will characterize the period up to 2027. In election years, exchange-rate fluctuations, interest rate futures, and perceptions of fiscal risk can affect the cost of capital and alter assumptions used to structure transactions. In this context, Vianna highlights a distinction that directly influences funds' and concessionaires' treasury decisions: the difference between risk and uncertainty.

> ***In an election year, the market distinguishes between risk, which can be priced, and uncertainty, which cannot. The dollar rises as investors seek currency protection, interest rate futures price in a fiscal risk premium, and equities fall as investors demand a discount, but this specific uncertainty cannot be hedged directly, since there is no derivative for the political outcome itself.***
>
> **Roberto Vianna do R. Barros**

Part of this exposure can be managed through currency hedging instruments and other financial strategies. But for infrastructure projects, risk mitigation is not limited to market instruments. The legal structuring of long-term contracts can play a central role in preserving cash-flow predictability. Concessions and PPPs structured with robust contracts, regulated tariffs, and inflation-indexed mechanisms offer significant protection against certain macroeconomic fluctuations, contributing to debt-service stability and investor security.

The new infrastructure cycle, therefore, will not be defined solely by the amount of available capital or the number of projects in the pipeline. The ability to turn liquidity into investment will increasingly depend on a combination of diverse funding sources, appropriate guarantee structures, and contracts that distribute and mitigate risks throughout the project cycle. In an environment marked by regulatory transition and political volatility, the ability to build predictability can become a key differentiator for attracting private capital to Brazilian infrastructure.

The New Horizon of the Real Estate Market

By **Lúcia Aragão**, partner ▪ Real Estate

The new cycle of infrastructure investment in Brazil could produce effects that go far beyond improving mobility. By expanding connectivity and altering occupancy patterns, subway networks, trains, light rail, bus rapid transit (BRT), integration terminals, and logistics corridors can reshape the geography of real estate appreciation and create new development hubs in the country's main metropolitan regions.

This process tends to gain momentum when mobility interventions are linked to investments in sanitation, housing, public-space revitalization, and modernized land-use and occupancy regulations. The combination of these approaches, present in public development initiatives such as the New PAC (Growth Acceleration Program), can produce broader territorial transformation, altering not only regional accessibility but also economic dynamism and the potential to attract new ventures.

In this context, real estate investment analysis requires a shift in perspective among developers and institutional funds. The attractiveness of new developments—whether large-scale residential condominiums, corporate office buildings, hotel assets, or mixed-use complexes—also depends on each project's ability to integrate into the territory's transformation and leverage the connectivity created by the new transportation networks. As Lúcia Aragão points out, strategic planning for acquiring real estate portfolios should look beyond traditional appreciation cycles.

> ***Real estate appreciation is thus becoming increasingly linked to the transformation of the territory and a given project's ability to fit into this new urban dynamic.***
>
> **Lúcia Aragão**

This shift in perspective also broadens the possibilities for structuring project financing. The convergence between the capital market and the real estate development sector has strengthened the use of securitization vehicles and regulated funds as instruments for accessing capital. Real Estate Investment Funds (FIIs) can offer investors diversified exposure to real estate and logistics assets without the operational complexities of directly acquiring the properties, while Real Estate Receivables Certificates (CRIs) allow developers to anticipate future cash flows and structure operations backed by receivables and predictable contracts. For institutional investors, combining debt and equity sources broadens structuring options and can help spread risk across the project cycle.

The transition to the new consumption tax model adds another variable to real estate investment decisions. Because these projects typically involve multi-year development cycles, real estate transactions structured under the current regime will go through different stages of CBS and IBS implementation, requiring financial models that can incorporate their effects over time. In long-term lease agreements and complex built-to-suit transactions, allocating tax risks becomes important to preserve net margins. Contractual structures will need specific clauses to allocate risks arising from tax changes, clearly separating them from standard inflation-adjustment indexes. In real estate developments, evolving tax assumptions may require greater contractual flexibility during construction and unit delivery.

As real estate appreciation becomes more dependent on land transformation, understanding the regulatory environment also becomes central to risk analysis. For foreign capital, this means evaluating not only the asset itself, but also the regulatory framework governing land use and property rights, including the distribution of powers between the Federal Government, States, and Municipalities, the applicable administrative procedures, and the interaction between environmental licenses and urban planning guidelines.

This analysis becomes even more relevant in projects whose appreciation or viability depends on the delivery of public infrastructure works in the surrounding area. In these cases, the investment evaluation should consider each project's implementation stage, the granting authority's commitments, and the predictability of execution. Guarantee structuring and regulatory clarity thus become important elements in reducing exposure to risks outside the investor's direct control.

The new infrastructure cycle therefore opens up an opportunity for the real estate market to look beyond the centers that already concentrate value. The ability to anticipate regions that could benefit from increased connectivity, densification, and changes in land-use patterns can become a significant differentiator in building long-term portfolios. In this scenario, the opportunity lies not only in assets that immediately benefit from new infrastructure, but also in identifying, in advance, how Brazil's territory may reorganize as these investments move forward.

> *The opportunity lies not only in assets benefiting from new infrastructure, but also in anticipating regions that may benefit from increased connectivity, densification, and a new land-use profile.*

Port Infrastructure and Coastal Shipping: Brazil's Strategic Axis in Global Logistics Chains

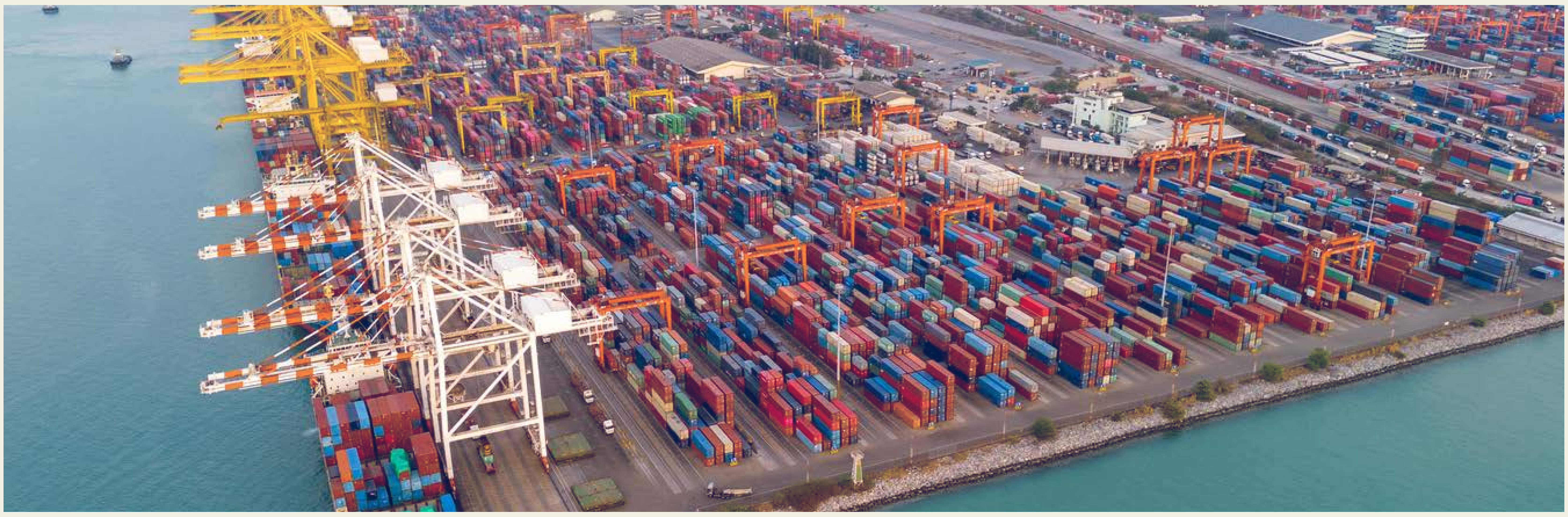
By **Bernardo Mendes Vianna**, partner ▪ Maritime

The reorganization of global supply chains, driven by the search for resilience and diversification of trade routes, has reshaped international trade flows and repositioned emerging economies. In this transitional scenario, Brazil is positioning itself as a potential hub for the container shipping segment in South America. However, consolidating this leading role depends directly on improving integrated logistics corridors and stable regulatory governance that converts geographic potential into transportation efficiency.

According to Bernardo Mendes Vianna, the country possesses strong structural foundations that justify this attractiveness.

> *Brazil has significant structural advantages: a large volume of cargo, a continent-sized domestic market, an extensive coastline, and a vast network of navigable rivers. Regulatory modernization allows us to transform this potential into concrete investment opportunities.*
>
> **Bernardo Mendes Vianna**

This regulatory improvement is seen as the foundation for permanently integrating the country into long-term capital flows.



One of the most significant developments in this modernization is the broadening of private capital's operational scope, which has historically been concentrated in operating individual port terminals. Private participation has expanded to include access channels and waterway concession projects. Long-term contracts, competitive processes, performance targets, and clearer risk allocation make these assets more compatible with the profile of global infrastructure funds.

The efficiency of the maritime sector, however, cannot be separated from the quality of inland connecting infrastructure. The port's competitiveness as a berthing point is tested by the speed of receiving and transporting cargo via rail or road, as well as by streamlined customs procedures and the terminals' necessary climate adaptation. In the container segment, there is room to consolidate the country as South America's main gateway and a regional hub in the South Atlantic.

Another driver of transformation for 2027 is the tax transition resulting from the progressive introduction of the dual VAT (CBS and IBS). For coastal shipping, the new model can reduce accumulated distortions in traditional logistics chains by eliminating tax cumulation and better using credits for fuel, maintenance, parts, port services, and investments.

Conversely, vessel chartering operations, essential to merchant fleet composition, tend to face additional tax pressure. The new legislation adopts a broad interpretation of the taxation of onerous transfers of assets and rights, eliminating conceptual barriers that previously kept certain structures for chartering foreign fleets outside the scope of taxation. Given this scenario, attention should be paid to reviewing prices, tax clauses, and cost-allocation mechanisms in contracts.

Finally, the sector's attractiveness to long-term foreign investors will continue to require a stable institutional environment, free from inconsistent application of regulatory rules by state agencies throughout the project lifecycle. This concern is especially important given the disparity between the Brazilian legal framework and international maritime trade regulations. Brazil's failure to ratify key international treaties creates bottlenecks in defining civil liabilities and directly impacts the contracting of guarantees.

The New Horizon of Logistics Efficiency in Brazil

- **Investing in port infrastructure**: Continuous investment in dredging to deepen and maintain access channels, and in berth expansion to accommodate larger container ships.
- **Integrating transport modes across the corridor**: Optimizing road and rail access, ensuring that cargo dwell time outside the terminal does not erode the port's efficiency gains.
- **Using tax credits in maritime transport**: Adapting operational structures for the immediate use of accumulated tax credits under the new VAT regime, covering maintenance, fuel, and services.
- **Modeling charter contracts**: Reviewing tax clauses and contract pricing for international chartering in light of the broader application of the new CBS and IBS taxes.
- **Structuring insurance against legal asymmetries**: Developing contractual solutions to mitigate civil liability, given the particularities of Brazilian maritime legislation relative to international treaties not ratified by Brazil.

The New Frontier of Offshore: Risk Allocation and Contractual Security in Oil and Gas


By **Daniela Davila**, partner ▪ Energy & Natural Resources and **Tiago Severini**, partner ▪ Tax & Customs

Brazil has established itself as the world's largest offshore market. Far from approaching decline, the country is undergoing a phase of technological sophistication that points to decades more of hydrocarbon production. Pre-salt activity, combined with the influx of global majors and independent operators, is creating a landscape rich in opportunity. However, turning this geological potential into stable, financially sustainable contracts requires mastering Brazil's regulatory nuances.

Daniela Davila points out that the future will be marked both by the consolidation of existing assets and by the opening of new exploratory frontiers, such as the Equatorial Margin. The latter, she emphasizes, presents challenging conditions — given strong ocean currents and its distance from the coast — that will require intensive drilling activity and larger, more powerful support vessels.

For multinational and E&P companies, the main operational and financial bottleneck is the mismatch between the timelines of the Minimum Exploration Program (PEM), regulated by the ANP, and the licensing schedule conducted by IBAMA. While the PEM has strict deadlines, environmental licensing follows its own schedule, generating delays that can cost millions of dollars a day. To mitigate this exposure, Daniela highlights the need to build a rigorous documentary record from contract signing, capturing triggers for suspending deadlines due to environmental agency delays, supported by evidence such as protocols, requests for additional information, and meeting minutes.

> *This regulatory record is what supports the request for the extension of the PEM or, ultimately, arbitration years later.*
>
> **Daniela Davila**

Furthermore, when contracting drilling rigs — where the daily cost of downtime is the leading source of value destruction — it is advisable to adopt back-to-back clauses between the ANP contract and the charter/service agreements, providing for reduced standby rates or conditioning the exercise of the rig's slot on actual issuance of the license (LI, LO, or LAE) by a set deadline (longstop date).

Additionally, the restructuring of consumption taxes in the country requires oil companies and operators to take a fresh look at the offshore supply chain and the chartering of drilling rigs and FPSOs. According to Tiago Severini, replacing the previous fragmented system with the dual VAT model (CBS and IBS) introduces the concept of "onerous operation," which changes the tax treatment of structures essential to the sector's logistics.

> *This transformation should generate significant effects on the sector, as it affects quite common contracts — such as vessel chartering and the onerous transfer or onerous sharing of asset use — which fell into a gray area under the previous system, since they did not qualify as the circulation of goods or the provision of services, and will now be fully taxable under the new regime.*
>
> **Tiago Severini**

He notes that, despite the uncertainties and the lengthy transition period, the market is already moving decisively to revisit contractual clauses — such as change-in-law provisions — and to introduce new ones, such as new procedural obligations.

The transactional market also demands sophisticated legal architectures. In farm-in and farm-out operations, Daniela considers it advisable to tie conditions precedent to licensing milestones, with longstop and walk-away rights without penalty, to ensure corporate safeguards. Additionally, contingent payments (earn-outs) should be staggered based on licenses obtained, rather than on calendar dates. Another concern is consortium governance, where licensing delays and resulting cost increases can strain partner relationships. From a corporate-structuring standpoint, the partner warns that clear sole-risk/non-consent rules must be established for cases where a partner is unwilling to bear the costs of prolonged licensing.

Additionally, since environmental civil liability in Brazil is strict, joint and several, and imprescriptible (Brazilian Supreme Federal Court, Topic 999), simple contractual indemnity clauses do not prevent the State or the Public Prosecutor's Office from suing any link in the production chain for ecological damages. Therefore, investors should demand tangible security to protect their capital, such as parent company guarantees, escrow accounts, environmental impairment liability (EIL) insurance, and partial price retention in transactions.

Although often relegated to the end of an asset's useful life, decommissioning wells and platforms have become one of the sector's most costly obligations. The specialist warns of the risk of residual liability falling on the seller (assignor) even after a farm-out is completed, as well as the need to allocate decommissioning costs in proportion to the consortium members' historical participating interests (rather than their current interests), and to plan for the effect of early abandonment resulting from licensing infeasibility.

In the mature post-salt field market, which offers rich opportunities for revitalization and secondary recovery, new entrants face specific logistical bottlenecks, especially in independent gas transportation, due to difficulties negotiating reasonable tariffs for using Petrobras' gas pipelines and natural gas processing units (UPGNs). Furthermore, the domestic model's Reserve-Based Lending (RBL) constraints must be considered. In Brazil, exploration and production economic activities are contracted (through concession or production-sharing arrangements), but the Federal Union owns the reserves. As a result, they cannot be pledged as collateral; only the production itself.

How the 2026 Elections Could Reshape the Business Environment in Brazil

By **Bruno Kazuhiro**, guest political scientist
He holds a law degree from the UFRJ and a master's degree in Political Science from IESP/UERJ

The outcome of the 2026 elections will be just one of the variables that will define Brazil's institutional and business environment in the coming years. Beyond the presidential race, the composition of Congress, the ability to coordinate between the Executive and Legislative branches, and the signals candidates send throughout the campaign will be crucial to governability and the predictability of economic and regulatory agendas.

In this interview, political scientist Bruno Kazuhiro analyzes how the electoral landscape could affect relations between the branches of government, the continuity of agendas such as tax reform and infrastructure concessions, and long-term projects in the states. According to the expert, the challenge for foreign investors is to distinguish the noise inherent to the election period from movements that could signal bigger changes in the business environment.

What does the polarized scenario represent for governability and institutional predictability in the next presidential cycle?

There is a growing inclination to vote for the center. A rise in mentions of self-help author Augusto Cury shows that a significant share of Brazilians are tired of polarization. However, no viable electoral path currently exists outside the extremes. Polarization consolidates votes around two main candidates, preventing a third option from reaching the runoff. Without a doubt, the National Congress will remain divided, with difficulties in building consensus.

How will other political alliances and disputes impact the composition of the National Congress from 2027 onward, and the feasibility of implementing the economic agenda?

Regardless of who wins the presidential election, Congress will remain polarized, with a very active opposition against the incumbent government, requiring significant political maneuvering to pass each bill. Furthermore, mandatory congressional budget amendments grant the Legislative branch greater independence from the Executive, making negotiations even more complex. In this scenario, governing will require any president to rely not only on their allied base, but also on the parties of the so-called *Centrão* (center bloc).

For investors seeking long-term predictability, to what extent do the implementation of the Tax Reform and the concessions agenda depend on the outcome of the elections?

Precisely because Congress is more independent today, certain agendas advance through Congress itself, without necessarily being driven by the Presidency of the Republic. This is the case with tax reform and concessions in various sectors. The government of the day has the authority to introduce amendments and improvements, often of an ideological nature, but it is no longer the sole protagonist in setting the public agenda, as it was in past decades.

São Paulo also presents a polarized scenario, lacking a traditional centrist option. What could this mean for the continuity of state projects?

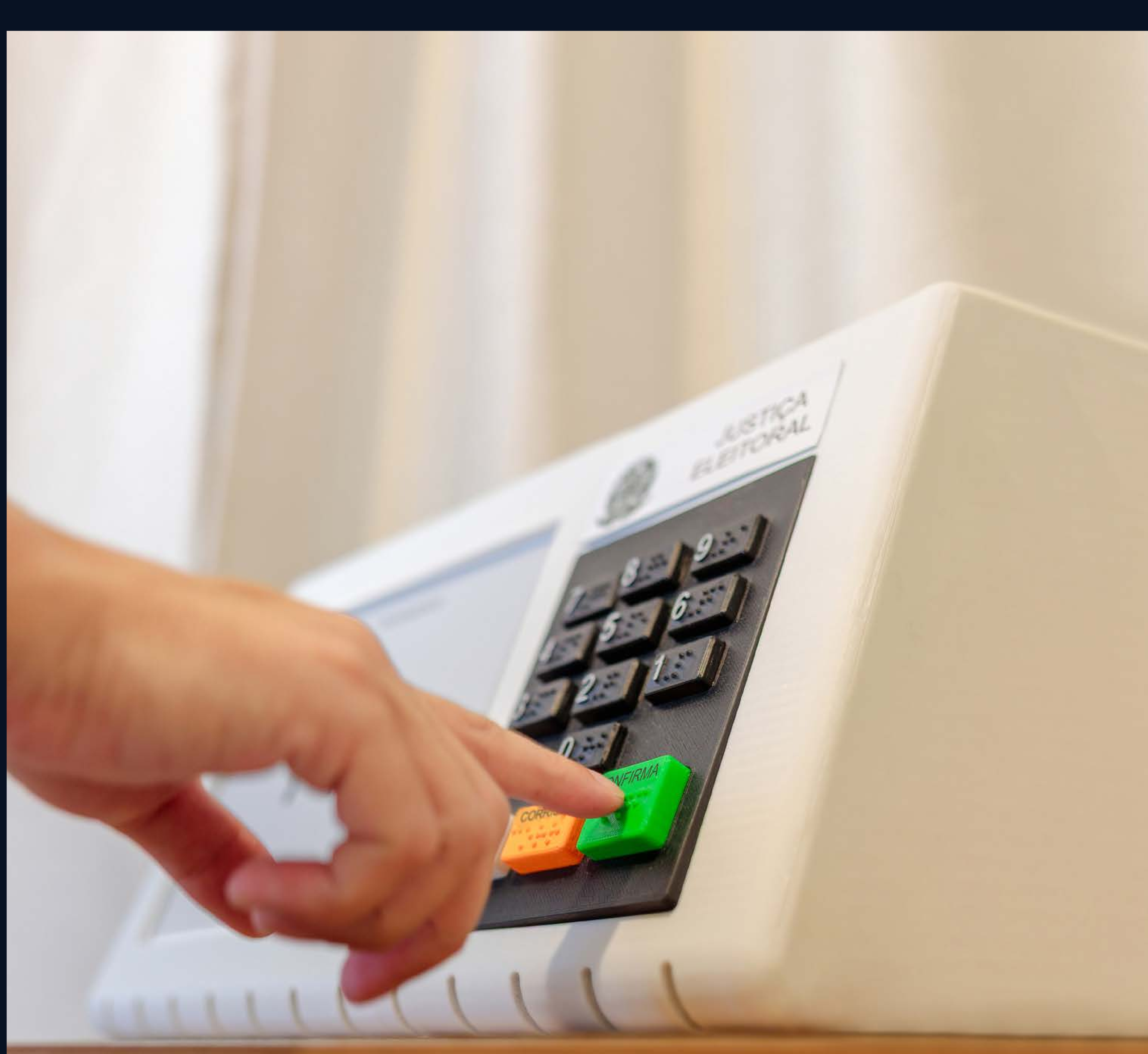
São Paulo has long served as an economic engine for Brazil, due to factors such as the developmentalist logic sustained by both successive state governments and market forces. Tarcísio de Freitas is the favorite and is expected to keep the state administration aligned with the private sector, continuing the model practiced since the 1990s. The state does not accept stagnation, regardless of who is in power, maintaining its electoral preference for the center-right.

To what extent could nationalizing the dispute in Rio de Janeiro affect the continuity of long-term projects and partnerships in the state?

The election of a governor in Rio de Janeiro who opposed the president-elect during the campaign could reduce federal transfers and investments in the state. Unlike São Paulo, Rio de Janeiro has relatively fragile public finances and depends on federal financial support to carry out essential infrastructure projects and public policies.

How should foreign investors distinguish between election noise – such as shifts in polls and crises involving candidates – and movements that actually signal a deeper institutional shift?

The Brazilian scenario is very volatile and can lead investors to get lost in the waves. Instead of observing their speed and frequency, there is a risk of focusing only on the foam they generate. The current government's management of public spending already signals its priorities for a possible reelection. On the other hand, a potential government led by Flávio Bolsonaro is likely to follow economic management guidelines similar to his father's, though perhaps with a less confrontational day-to-day narrative. Furthermore, macroeconomic and fiscal indicators clearly show the scale of the spending adjustment any leader would need to restore the country's fiscal balance. In short, to cut through election noise, it is essential to prioritize data and evidence over sensationalist news and political narratives.



What signs should foreign investors monitor most closely to assess the legal certainty of their operations and the predictability of the business environment?

Although opinion polls are useful, other indicators are equally important, such as candidates' statements in interviews and debates on sensitive topics, the names announced for top-level positions in the event of victory, and formalized international endorsements. Furthermore, the partisan and ideological composition of the National Congress and the degree of politicization of the Judiciary are essential indicators for anticipating movements that impact the business environment, legal certainty, and the country's institutional direction.

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