VIEWPOINT
Sovereignty or science

ECONOMY & BUSINESS
Economic snapshot
Banking & finance
Business news
Infrastructure issues
Mining & metals

ENERGY & ENVIRONMENT
Oil & gas in brief
Petrobras news
Renewable energy
Environmental news
Science & technology

POLITICS, LAW, SOCIETY
Politics in brief
Defense issues
Legal issues
Social issues

INTERNATIONAL AFFAIRS
Diplomatic briefs
International trade

VERBATIM
Firm news
Client alerts
Publications

VEIRANO ADVOGADOS' REVIEW OF ECONOMIC, LEGAL, AND POLITICAL DEVELOPMENTS

SEPTEMBER/OCTOBER

VistaBrazil

2019



PHOTOGRAPH: US AIR FORCE PHOTOGRAPH BY OSAKABE YASUO/RELEASED

Sovereignty or science: What's behind Bolsonaro's defiant UN speech?

Global conspiracy, colonial machinations, climate change denial. Brazilian president Jair Bolsonaro offered a full-throated declaration of his world view in an opening address to the 74th United Nations General Assembly on 24 September.

What are his judgments? And what motivates them?

Beyond his now familiar targets – left-wing "thought systems" permeating Brazilian education, gender rights that threaten to "expel God," the "cruelty of socialism" – Bolsonaro was at his most combative when addressing the issue of environmental protection and its relation to national sovereignty.

As media watchers around the globe are aware, the Amazonian rainforest has been burning for months and continues to do so. More than 80,000 fires have broken out so far this year, double that of the same period last year, according to satellite evidence from the Brazilian National Institute for Space Research (INPE). More than 30,000 of them were in August alone. The fires are caused predominantly by deliberate human activity, as land is cleared for cattle ranching and soy cultivation.

Some 60 percent of the Amazon lies within Brazilian territory, and environmentalists assert that the Bolsonaro government's encouragement of cattle ranching and slash-and-burn farming practices – along with its ...

VEIRANO ADVOGADOS

VistaBrazil is published bi-monthly
Produced by Blakeley Words+Pictures
Writer/editor: Camilla Blakeley

© 2019 · Veirano Advogados and Blakeley Words+Pictures
All text rights reserved

VistaBrazil is sponsored by Veirano Advogados
Founding Partner: Ronaldo C. Veirano
Managing Partner: Ricardo C. Veirano

Rio de Janeiro
Av. Presidente Wilson
231 / 25º andar
20030-021 - Rio de Janeiro RJ - Brasil
(55 21) 3824 4747 Phone
(55 21) 2262 4247 Fax
contact@veirano.com.br
www.veirano.com.br

São Paulo
Av. Brigadeiro Faria Lima
3477 / 16º andar
04538-133 - São Paulo SP - Brasil
(55 11) 2313-5700 Phone

Porto Alegre
Av. Dr. Nilo Peçanha
2900 / 15º andar
91330-001 - Porto Alegre RS - Brasil
(55 51) 2121 7500 Phone

Brasília
SCS Qd. 9 Lt. C - Ed. Parque Cidade Corporate - Torre A
12º andar sl. 1203
70308-200 - Brasília DF - Brasil
(55 61) 2106 6600 Phone

Disclaimer
This newsletter is intended to provide general information regarding recent events, developments, and trends in Brazil. It is not intended, nor should it be relied on, to provide legal analysis or legal advice on any of the information covered in the newsletter. Veirano Advogados and Blakeley Words+Pictures cannot ensure against or be held responsible for inaccuracies. To the full extent permissible by law Veirano Advogados shall have no liability for any damage or loss (including, without limitation, financial loss, loss of profits, loss of business, or any indirect or consequential loss), however it arises, resulting from the use of any material appearing in this publication or from any action or decision taken as a result of using information presented in the publication.

moves to de-fund and limit the power of environmental agencies – is largely to blame.

Bolsonaro himself has offered an unusual theory about the origins of the fires. In August, he suggested that non-governmental organizations could be responsible out of spite. Speaking to the press, he declared, "I am under the impression that it [fire] could have been set by the NGOs because they asked for money. What was their intention? To bring about problems for Brazil."

In his UN speech, Bolsonaro elaborated on this theme, blaming "radical extreme environmentalism" for exploiting "the Indigenous policy agenda to further the economic interests of foreign countries."

His message that environmental groups are acting hand in glove with foreign economic interests is consistent with the view espoused by various high-profile right-wing figures of late – that climate change is a "globalist" conspiracy to undermine national interests.

Last month, Bolsonaro also alleged that other countries were pressing Brazil to increase protected areas of the Amazon in order to weaken its agricultural industry in favor of their own. And at the General Assembly, he clearly tied Brazilian sovereignty to the economic freedom to exploit national territory lying within the Amazon as the country sees fit.

"There can be no political freedom without economic freedom," he declared, adding that "The fake news campaign built against our sovereignty will not work."

Bolsonaro chastised the international community for behaving with a "colonialist spirit" in calling into question Brazil's right and ability to manage the fires itself, warning that the United Nations must avoid becoming a "globalist organization."

In language as inflamed as the Amazon now is, Bolsonaro also declared in the run-up to the General Assembly that "Brazil is the virgin that every foreign pervert wants to get their hands on," the *New Yorker* magazine reports.

Brazil for Brazilians

While Bolsonaro's assertions – packaged as they are in aggressive rhetoric, unpalatable social views, and unsubstantiated claims – are easy to dismiss as nationalist ranting, he is not alone in his core objection to an international approach to protecting the Amazon. Many Brazilians are concerned that other nations will try to internationalize Amazonian territory and prevent …



VEIRANO ADVOGADOS

Offices in Rio de Janeiro, São Paulo, Porto Alegre, and Brasília…

Brazil from managing and using its own natural resources.

In an interview with TV Brasil in mid-September, Environment Minister Ricardo Salles contended that the country should be paid for providing environmental services to the world: "We should receive the so-called PES: payment for environmental services. It's something we deserve."

Legislation creating the National Policy on Payment for Environmental Services has already passed the lower house of the Brazilian Congress and has been submitted to the Senate. Its intention is to remunerate farmers, Indigenous communities, and others engaged in protecting land and water sources. Once the bill passes, the idea is that those who live in the Amazon will have an economic stake in preserving it.

Salles said that previous Brazilian administrations had neglected the social and economic inclusion of inhabitants of the Amazon over the past two decades, and declared that Amazonians themselves need better sanitation and living standards, opportunities to be economically productive, and a stake in development of the region.

Behind this viewpoint lies the notion that Indigenous groups hold control over too much Brazilian land which could be mined or turned over to agribusiness, thus profiting the nation while also integrating Indigenous people into mainstream society. It should be noted that a majority of Amazon state governors support this opinion.

VEIRANO ADVOGADOS
Environment...

PHOTOGRAPH: US DEPARTMENT OF STATE



US Secretary of State Mike Pompeo has indicated that the biodiversity investment fund will support businesses in hard-to-reach areas of the Amazon

In the same vein, Foreign Minister Ernesto Araújo has said that opening the rainforest to economic development is the only way to protect it. (Environmentalists might argue that this is akin to fighting for peace.)

The United States and Brazil have agreed to promote private-sector development in the Amazon, while establishing a US$100 million "biodiversity investment fund" led by the private sector.

US Secretary of State Mike Pompeo has indicated that the fund will support businesses in hard-to-reach areas of the Amazon.

Additionally, in late September the Brazilian government issued a series of normative instructions under which the Ministry of Tourism becomes responsible for evaluating the use of federal land for tourism and may issue permits for hotels and resorts to operate within protected environmental reserves.

Where the truth lies

Whether or not one agrees that environmental protection is best left to the private sector – or that development and conservation are not antithetical – the Brazilian government's approach might be more credible if it were not accompanied by denials of the scale of the crisis and the findings of science, personal politicking, and grandstanding over the role of Indigenous people.

In his UN address, Bolsonaro dismissed the consequences of the fires, labeling as a fallacy the idea that the Amazon represents the heritage of humanity and calling it a misconception to believe the rainforest acts as the "lungs of the world." He accused the "lying media" of perpetrating "sensationalist attacks" on his government over its environmental record.

At the same time, he asserted that fires in 2019 are below the average of recent years, contradicting Brazilian data and making no attempt to support the claim. About ...



PHOTOGRAPH: ANTONIO CAMPOY/WIKIMEDIA COMMONS

Defense Minister Fernando Azevedo e Silva has declared the Amazon fires under control and contends their number is falling

17 percent of the Amazon has been destroyed over the last 50 years, but Bolsonaro referred to it as "virtually untouched."

His ministers appear to be largely behind him. Araújo has insisted claims the country is unable to cope with the challenge are false, while telling the Heritage Foundation in Washington, DC, on 11 September, "It doesn't seem like a climate catastrophe to me."

Defense Minister Fernando Azevedo e Silva has declared the fires under control and contends their number is falling. A 60-day ban on burning took effect at the end of August, but environmental activists suggest it will do little to inhibit those who burn off forested areas without a license.

The official argument essentially runs as follows: (a) the fires are not Brazil's fault; (b) they're under control; (c) they're not a problem; and (d) claims to the contrary are an alarmist, colonialist ploy to impose restrictions on fundamental Brazilian national rights.

Our Indians, but whose land?

In his UN speech, Bolsonaro also defended his government's record on Indigenous issues, saying that many Indigenous people back his policies and bringing along Indigenous supporter Ysani Kalapaloto to prove his point.

The president accused some both in and outside of Brazil of wanting to keep "our Indians" in a condition like cavemen. While Indigenous Brazilians have certainly suffered from colonial attitudes and actions, Bolsonaro's words of support ring hollow in light of many earlier remarks.

In a 1998 article in *Correio Braziliense*, he called it a shame that "the Brazilian cavalry hasn't been as efficient as the Americans, who exterminated the Indians." In 2015, in *Campo Grande News*, he insisted, "I'm not getting into this nonsense of defending land for Indians," of whom he said, "They do not have money, they do not have culture."

Indigenous leaders such as Sônia Guajajara have therefore roundly rejected his attempt to pose as a defender of Indigenous rights. Indeed, Bolsonaro has made no bones about his desire to curtail the demarcation of Indigenous lands and reduce the extent of preserved areas.

His government also plans to permit mining on Indigenous lands with or without Indigenous consent and to abolish a ban on mining along a 150 km band contiguous to the border. As Mongabay News reports, this directly contravenes Indigenous land rights as guaranteed under Brazil's 1988 Constitution.

Less talk, more action

While Bolsonaro blusters, there does seem to be some movement toward recognizing environmental protection in South America as a mainstream issue, not simply the purview of activist zealots.

Colombian president Iván Duque hosted a summit on 6 September in the city of Leticia, at which Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname signed an agreement to coordinate disaster response and satellite monitoring of the Amazon River basin.

The countries also agreed to work on reforestation initiatives, increase the role of Indigenous communities in sustainable development, share information on illegal mining, and develop education initiatives.

Within Brazil itself, the Association of Brazilian Beef Exporters (ABIEC) and various agricultural businesses have joined an environmental campaign calling for an end to deforestation of public lands in the Amazon and demanding government action.

Cynics might say that such newfound environmental credentials are a marketing ploy, but Brazilian products are beginning to face a reputational crisis. ...



PHOTOGRAPH: TIMBERLAND

Timberland will no longer purchase Brazilian leather

Beyond Brazil's borders, international retailers such as VF Corporation (which owns the Timberland and North Face brands, among others) and the H&M Group have announced that they will no longer purchase Brazilian leather because of the link between cattle ranching and wildfires. On 13 September, Finland urged EU countries to consider stopping importing Brazilian beef and soybeans in order to put pressure on the country to tackle the fires.

And on 18 September, some 230 investment funds with US$16.2 trillion in assets signed a letter in defense of the Amazon. *International Valor* reports that the letter urged companies to demonstrate their commitment to eliminating deforestation within their supply chains and operations.

Perhaps, after all, business will indeed help protect the Amazon.

Economic snapshot

Strong second quarter

Government statistics at the end of August revealed a strong economic rebound in the second quarter of 2019 after a contraction in the first quarter. Growth – evident in fixed investment, construction, and industrial production – totaled 0.4 percent over April–June, meaning that Brazil has avoided the dreaded two consecutive quarters of negative growth that conventionally signal recession.

Nonetheless, current GDP growth forecasts of 0.6–0.8 percent for 2019 are well below the 1.1 percent of 2017 and 2018. The Brazilian economy continues to disappoint amid much promise.

Deficit and debt

The Brazilian primary fiscal deficit – that of the central government, regional governments, and state-owned enterprises before interest payments are factored in – was R$13.45 billion (US$3.2 billion) in August, according to the Central Bank. That is smaller than the R$16.69 billion (US$4.0 billion) economists had expected.

For the 12 months to August, the primary deficit was 1.36 percent of GDP. Gross public debt as a share of GDP rose to 79.8 percent, while net public-sector debt fell to 54.8 percent of GDP. The government is on track to better its fiscal targets for the year as it aggressively tightens spending.

Privatization update

Economy Minister Paulo Guedes has announced the addition of nine companies to the government's list of state-owned enterprises in its privatization program. Among the new companies is the Federal Data Processing Service (Serpro), Telebras (which functions under the Ministry of Science, Technology, Innovation, and Communication), and the national postal service Correios.

Because the latter provides a monopoly service that is guaranteed by the Brazilian Constitution, it cannot be privatized without congressional consent. For that reason, according to the *PanAm Post*, the Bolsonaro administration is contemplating proposals for creating a public–private postal hybrid.

Also on the table is a plan to sell millions of shares of Banco do Brasil, although the bank will remain state controlled. And chunks of the state's real estate portfolio could reportedly go up for sale as well. Privatizations produced US$20 billion in the first half of 2019.

Opening the economy

Economy Minister Paulo Guedes is a champion not only of privatization but also of trade liberalization.

Under his watch, since the new government took office at the beginning of this year, the highly protectionist Brazilian economy is going through a shakeup. Import tariffs have been cut or eliminated on more than 2,300 products.

There is nonetheless some way to go in cutting the accompanying red tape. The *Wall Street Journal* reports that 55 percent of foreign products entering Brazil require the importing companies to obtain permits from as many as six different government agencies. And it takes almost 2,000 hours per annum for a typical company to file Brazilian corporate taxes, according to the World Bank, more than any other country in the world.

Upcoming events

Title	Date	Place	Sponsor/Host	Contact
Brazil Investment Forum 2019	10 October 2019	São Paulo	Apex-Brasil, Ministry of Economy, Ministry of Foreign Relations	bif@apexbrasil.com.br
LatAm Central Banking Roundtable	17 October 2019	Washington, DC	LatinFinance	james.seyfried@latinfinance.com
Brazil Economic Conference	18 October 2019	Washington, DC	Brazil–U.S. Business Council	oriveranoa@uschamber.com
Global Resource Efficiency and Sustainability Conference	21 October 2019	Manaus, Brazil	Brazil–U.S. Business Council	oriveranoa@uschamber.com
Brazil Summit	24 October 2019	São Paulo	The Economist	events@economist.com
IJBrazil 2019	29 October 2019	São Paulo	IJGlobal, Euromoney	online.ijglobal.com/ijbrazil-2019
OTC Brazil – Offshore Technology Conference	29–31 October 2019	Rio de Janeiro	Offshore Technology Conference (OTC) and Instituto Brasileiro de Petróleo, Gás e Biocombustíveis (IBP)	www.otcbrasil.org
IBA Latin American Entrepreneurship Conference	6–8 November 2019	São Paulo	International Bar Association	www.ibanet.org
37th Annual Plenary	19 November 2019	Washington, DC	Brazil–U.S. Business Council	brazilcouncil@uschamber.com
11th Annual Private Equity Latin America Forum	9–10 December 2019	São Paulo	Markets Group	www.marketsgroup.org/forums/private-equity-latam-forum-2019

Banking & finance

Trimming the taxation proposals

In mid-September, the government's economic team indicated that it would focus on reforming the income tax system and creating a value-added tax in the package of proposals it is preparing for Congress. Originally, the plan was to lower payroll taxes for employers and offset the revenue loss with a tax on transactions.

That proposal has now been dropped as too contentious.

Selic rate cut

The Monetary Policy Committee of the Central Bank has cut the Selic benchmark interest rate by a half percentage point, to 5.5 percent, its lowest level ever. Further, the bank has signaled the possibility of a further cut if inflation remains low and the Brazilian economy remains sluggish, as long as no major international crises break out. The Bank expects inflation to be at 3.80 percent next year, which is below target.

In the wake of the rate cut, on 30 September the Bank's weekly Focus survey of economists showed the lowest forecasts of interest and exchange rates to date for 2019. Economists expect the Selic to fall to 4.75 percent and the dollar to end the year at R$4.0/US$.

Votorantim going public?

Banco Votorantim, whose control is divided been Banco do Brasil and the Ermírio de Moraes family, is preparing to launch an initial public offering. The current owners are expected to continue as controlling shareholders, and it is not yet clear whether the listing will be in Brazil or abroad.

BNDES lending patterns

The Brazilian Development Bank (BNDES) is expecting to disburse more funds to the sugar-and-ethanol industry in order to encourage new technologies such as biogas and to support longer-term projects. According to *International Valor*, the financing is likely to focus on mid-sized companies that operate within a framework of de-carbonization credits.

Tying mortgages to the IPCA

The Bolsonaro government recently introduced a plan to encourage more lending by permitting banks to offer mortgages that are linked to the Extended Consumer Price Index (IPCA). State-owned Caixa Econômica Federal is the only bank to pursue the strategy so far, but private lender Bradesco is reportedly developing a new credit line focused on five- to ten-year mortgages of this sort.

Business news

Doing business in Brazil

The Economic Freedom Act entered into force in Brazil on 20 September, with the aim of streamlining relations between public authorities and private actors. Developed in response to the notoriously complex Brazilian bureaucracy, the act explicitly guarantees freedom in the exercise of economic activity and acknowledges that state intervention must be subsidiary and exceptional.

Delta buys in to LATAM

Delta Air Lines announced on 26 September plans to buy a 20 percent stake in the LATAM Airlines Group, which is headquartered in Chile but has a Brazilian ownership share. LATAM has a partnership with American Airlines within the Oneworld alliance, but the new partnership will sever those connections.

PHOTOGRAPH: LATAM



Delta Air Lines announced on 26 September plans to buy a 20 percent stake in the LATAM Airlines Group

The deal, which is reportedly worth US$1.9 billion, also involves the transfer of four Airbus A350 aircraft from LATAM to Delta, plus the absorption of LATAM's existing commitment to purchase a further 10 A350s over the next five years.

Venture capital in São Paulo

Jerusalem-headquartered crowd-funding venture capital firm OurCrowd is opening an office in São Paulo. At a conference in the city, the CEO of OurCrowd pointed out that while Israel has almost US$8 billion invested in venture capital, the entire Latin American continent has just US$2 billion. He sees this as evidence of tremendous growth potential.

Viasat expands Brazil offices

US-headquartered communications company Viasat has opened a new office in Brasília and relocated to a larger office in São Paulo. Viasat has a strategic partnership with Telebras, the Brazilian state-controlled public telecom, to commercialize the use of the Telebras-owned geostationary satellite SGDC-1 using Viasat's ground infrastructure. The venture brings satellite internet services to residential, small office/home office, agricultural, and enterprise markets.

Infrastructure issues

Modernizing telecom law

The Brazilian Senate on 11 September approved a new legal framework for the telecom sector, lifting restrictions on asset sales and modernizing the law to take internet services into account and encourage investment in broadband in remote areas. ...

VEIRANO ADVOGADOS
Infrastructure & Projects...



PHOTOGRAPH: WILSON DIAS/AGÊNCIA BRASIL

Infrastructure Minister Tarcísio Gomes de Freitas has announced that the government plans to launch seven highway concession auctions next year

Assets used under concessions will no longer revert to the government once a service provider's contract expires, and providers are no longer required to invest in outdated technology such as public telephones and landlines.

The regulatory National Telecommunications Agency (ANATEL) will now establish relevant rules and implement the changes, which is expected to speed up investment decisions and potentially attract foreign players.

Easing the way for business

The Brazilian government has decided to allow arbitration to resolve legal disputes over concessions of ports, highways, railways, waterways, and airports in order to speed up the process. The measure applies only to contracts signed with the federal government, and is thus likely to benefit ports more than highways, which are often tendered at the state level.

The move reflects the desire of the Bolsonaro administration to adopt a more business-friendly agenda in order to attract private-sector investment to significant economic sectors.

The government also plans to accelerate its program of infrastructure concessions in 2020. Infrastructure Minister Tarcísio Gomes de Freitas has announced that the government plans to launch seven highway concession auctions next year, including Dutra and Teresopolis, along with 22 airports and other assets.

Additionally, in August, President Bolsonaro issued a decree authorizing a mechanism to re-tender highway, railway, and airport concessions for which pledged investments have not been made, as was not infrequent during the economic downturn from mid-2014 to 2016.

VEIRANO ADVOGADOS
Government & Regulatory...

Mining & metals

Steel production in tailspin

The Brazil Steel Institute (IAB) released data at the end of September revealing a 13.4 percent fall in steel production in August, and a 7.2 percent drop in domestic sales. The sluggish economic recovery at home is to blame for the latter, but exports have also been hard hit by new EU tariffs and the ongoing slump in the Argentinean economy.

Brazil exports its steel products to more than 100 countries, according to ANSA news agency, making it one of the largest exporters of the product in the world.

Alunorte ramps up again

Norsk Hydro's Alunorte alumina refinery is expected to return to full capacity in 2021, as the fortunes of the project look up. On 20 September, a federal court lifted an embargo on Alunorte's new bauxite residue disposal facility DRS2, and on 26 September a second embargo was lifted.

Additionally, the refinery is undergoing a technological upgrade to its press filters, allowing a higher rate of liquids removal that will mean the residue can be stored with a smaller footprint.

Hydro is Brazil's largest alumina producer.

Mining on Indigenous land

The Brazilian government is pursuing a bill to allow mining on Indigenous lands. Such activity is prohibited under the 1988 Constitution unless it has won congressional approval, has been initiated with prior consultation of Indigenous communities, and ensures that a share of benefits go to those communities.



PHOTOGRAPH: EDWARD STOJAKOVIC/WIKIMEDIA COMMONS

Mining on Indigenous lands would require congressional approval

So far, Indigenous leaders have reportedly been consulted about the bill only informally and will not have any veto over it. A Ministry of Mines and Energy representative quoted by Bloomberg on 24 September offered as justification the idea that no entrepreneur would be interested in developing a mining project on Indigenous land if the community were opposed.

The text of the bill is expected to be presented in the coming weeks. A Datafolha poll conducted in June found that 86 percent of Brazilians opposed mining exploration on Indigenous lands.

Meridian gets trial license

Meridian Mining has been granted a trial production license for part of its Espigão manganese project, covering the Ademir Curral, Sevirino, João Sarter, Ivan Pufal, Domicio Gerque, and Antônio Gomes East targets. The license is valid until March 2021 and allows the extraction of 6,000 tonnes of manganese oxide. Meridian is also focused on gold projects at Espigão.

Oil & gas in brief

Pre-salt mega-auction

On 26 September, Congress passed part of a constitutional amendment bill authorizing the government to hold a mega-auction for the concession of pre-salt oil exploration areas early in November. The government expects to gain some US$25 billion in signing bonuses, of which US$8 billion will go to Petrobras and US$17 billion will be distributed among the federal, state, and municipal governments.

The federal government will take 67 percent of the disbursement, municipalities 15 percent, and states 15 percent, while Rio de Janeiro state, where the exploration blocks are located, will earn an extra 3 percent.

Some 14 companies have been approved to participate in the bidding round, according to the National Petroleum, Natural Gas, and Biofuels Agency (ANP). In addition to Petrobras are BP, Chevron, China National Oil and Gas Exploration and Development, China National Offshore Oil Corporation, Ecopetrol, Equinor, ExxonMobil, Galp, Petronas, Qatar Petroleum, Royal Dutch Shell, and Total.

Where there's gas, there should be oil

Two years after teaming up with Petrobras and China National Petroleum Corporation (CNPC) in the deepwater Peroba block, BP has so far found only carbon dioxide and natural gas. The problem with a natural gas discovery in the offshore pre-salt layer if the area doesn't also contain oil is that it is not economically feasible to bring the product to market.

GeoPark gets going

Latin American independent oil and gas explorer and operator GeoPark has added four new exploration blocks in Brazil's Reconcavo and Potiguar basins and plans to invest at least US$1.3 million in an initial first five-year exploration phase.

The company already has a portfolio in Reconcavo and Potiguar, along with adjacent producing fields, and has discovered several oil prospects and leads based on 3D seismic survey and other data. It also has assets in Argentina, Chile, Colombia, Ecuador, and Peru.

Permanent offer auction

In early September, the National Petroleum, Natural Gas, and Biofuels Agency (ANP) inaugurated a "permanent offer" auction model. Under the new mechanism, the ANP has made a portfolio of assets permanently available for purchase on demand. If companies express interest, the regulator will call a public competitive bidding session.

The idea is that companies have longer to study areas of interest and less need to wait for a general bidding round. On its first outing using the new model, the ANP tendered 45 assets out of 287 on offer and raised US$5.4 million.

Renewable energy

Ethanol quota

Brazil has raised the annual quota on US ethanol that can be imported without triggering a 20 percent import tariff from 600 million liters per year to nearly 750 million liters. The new quota is effective immediately, according to the Ministry of Agriculture. ...

Petrobras news

Company on a mission

Petrobras has updated its 2020–24 strategic plan, approving a new vision statement that makes explicit its focus on oil and gas rather than renewables. Specifically, the overriding emphasis is on oil and gas exploration and production from deepwater and ultra-deepwater fields off the Brazilian coast, while returning as much value as possible to shareholders.

The company will no longer work with gas distribution and transport, and will also cease business with fertilizers, liquefied petroleum gas (LPG), and biodiesel.

Onshore blocks for sale

Petrobras has begun the sale process for eight onshore exploration blocks in the northeastern state of Bahia. The company announced the so-called teaser phase for the blocks in the Reconcavo basin, in which potential buyers have access to basic technical information about the assets.

Meeting sulfur content rules

Petrobras has announced that it is ahead of a 2020 deadline to abide by global rules for bunker fuel shipments' sulfur content, which the International Maritime Organization is lowering from 3.5 percent to 0.5 percent. As of 1 October, Petrobras is already adhering to the new maximum.

VEIRANO ADVOGADOS

Oil, Gas & Biofuels…



PHOTOGRAPH: US DEPARTMENT OF AGRICULTURE/FLICKR

Seara is earmarking US$47.5 million for a new plant that will convert fat and scraps from pork and poultry into biodiesel

The move was intended as a gesture of openness, but US ethanol producers believe the ethanol trade between the two countries is still far from fair, according to *Biofuels International*.

Biodiesel blend

Effective 1 September, the minimum amount of biodiesel to be blended into diesel has been raised by 1 percent, to 11 percent. A blending rate of 12 percent is set to start next March. The National Petroleum, Natural Gas, and Biofuels Agency (ANP) has also approved the sale and use of B15 fuel, a blend of 15 percent biodiesel.

Nearly half of Brazilian soybean oil is used for biodiesel production, and the higher blending rates are expected to boost soy oil demand by more than 20 percent in 2020, to 5 million tonnes.

From sugar to ethanol

Large sugarcane milling groups in Brazil continue to expand their ethanol production, edging toward 75 percent this season compared to about 65 percent last year. The RenovaBio policy is attempting to encourage biofuel production in order to meet the country's Paris climate goals, and the market is responding.

Indian technology, Brazilian production

Indian company Praj Industries and Brazil-based Dedini have agreed to offer ethanol production technologies to the Brazilian market. Dedini will use Praj's technology to establish ethanol production facilities using grain-based feedstock, as well as to upgrade existing ethanol plants.

Fat into fuel

Meat processor JBS plans to invest in a biodiesel plant through its processed foods unit, Seara Alimentos. Seara is earmarking US$47.5 million for a new plant that will convert fat and scraps from pork and poultry into biodiesel.

The Santa Catarina state plant will double the biodiesel production capacity of JBS to 600 million liters. …



PHOTOGRAPH: JOSHUA T./PEXELS

By 2027 alternative sources of energy – mainly wind power and solar – should jump from 22 to 28 percent

Servtec's solar

Brazilian energy company Servtec plans to spend US$16.3 million to acquire four solar-distributed generation projects in São Paulo and Bahia states and bring 15 MWp of power to market, according to *Renewables Now*. SolarGrid developed the systems, which already have long-term supply contracts and will go into operation later this year.

Servtec hopes to develop 200–300 MWp of solar-distributed generation capacity by 2021.

Neoenergia expanding

The board of directors of Brazilian power company Neoenergia has approved plans to build a 566.5 MW complex of 12 wind farms across Piauí and Bahia states.

The Oitis complex is expected to cost US$455.8 million in capital expenditures and will begin commercial operations in mid-2022. The move will double Neoenergia's installed capacity.

Speeding up Fortim

Five wind power projects in Ceará state – São Januário (21 MW), Nossa Senhora de Fátima (30 MW), Jandaía (27 MW), São Clemente (21 MW), and Jandai I (24 MW) – have been given permission to issue infrastructure debentures. The permits were issued by the Ministry of Mines and Energy and have awarded the projects priority status.

The Fortim wind complex has a combined capacity of 123 MW from 41 wind turbines and is owned by Brasil Ventos Energia, a subsidiary of domestic utility Furnas.

Biomass bidders?

Renewables Now reports that Brazilian biomass power investors are hoping to participate in an energy auction in March 2020 that is currently designed for gas- and coal-fueled thermal power projects. The auction will award supply contracts for a 15-year period starting in 2024, by which time almost 50 percent of the contracts of currently operational biomass facilities will have expired.

Sharing the energy matrix

The National Energy Plan (PNE) is under development but is expected to be publicized soon, according to the *Rio Times*. The plan includes an estimated US$30 billion to build six new nuclear reactors by 2050, each with a capacity of 1 GW.

At the same time, wind and solar power are poised to take a significant share from hydroelectric within the energy matrix. In 2018, hydroelectric power represented 64 percent of the matrix, but that is expected to drop to 51 percent by 2027, while alternative sources – mainly wind power and solar – should jump from 22 to 28 percent.

Environmental news

In or out?

At the United Nations Climate Action Summit at the end of September, nine Latin American countries set a collective target of 70 percent renewable energy use by 2030. By comparison, the European Union target is 32 percent. Brazil has not committed itself to join the pact, to which Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatamala, Haiti, Honduras, and Peru have signed on.

Oil spill affects eight states

Oil puddles have been found on beaches stretching 1,500 km along the northeastern coast of Brazil. The Brazilian Institute of Environment and Renewable …

VEIRANO ADVOGADOS
Mining…



PHOTOGRAPH: OI

Oi has conducted tests of its fifth-generation wireless network technology

Natural Resources (IBAMA) reports that the oil has been tested and determined to come from a single, non-Brazilian source, though that has not been identified.

Some eight states are affected by the spill, the most severely so being Rio Grande do Norte. The incident has tested the country's environmental surveillance, as state support for such monitoring has been cut significantly.

Science & technology

Testing 5G

Telecom carrier Oi conducted tests of fifth-generation (5G) wireless network technology during the Rock in Rio music festival, which took place from 27 September to 6 October. The trial, which used equipment provided by Huawei Technology, was one of the largest technological tests ever in Brazil.

Event staff used the technology in live coverage, and the public tested handsets that were distributed at the festival.

Staying ahead of the curve

A fourth-generation synchrotron, or particle accelerator, is in the final stage of construction in Campinas, not far from São Paulo. Sirius, as it is called, will be used to make medical, health, energy, and environmental advances by revealing the structures of organic and inorganic material such as proteins, viruses, rocks, plants, and metallic alloys in high resolution.

Time is of the essence, however, as scientists try to complete the project before either government funds run out or rival technologies make it less competitive. So far, the Ministry of Science and Technology has provided just 30 percent of the funds.

There is a window of perhaps a decade in which Sirius would be the most efficient and competitive synchroton in the world – but testing is not expected until next year.

Brazil Tech Award contenders

Some 138 applications have been winnowed down to eight foreign scale-ups that are competing for the 2019 Brazil Tech Award. The finalists will present their pitches in São Paulo on 4 November.

Each of the eight participants intends to launch operations in Brazil. The original 138 came from 29 countries and entered scale-ups in fintech, smart cities, agtech, manufacturing, entertainment, healthtech, and madtech (marketing, advertising, and technology).

The award comes with a cash prize, free office space in São Paulo for a year, business development services, and digital marketing.

Politics in brief

Pension reform ... soon

After several postponements, the Senate held its first vote on the Bolsonaro government's pension reform bill on 1 October. The vote had been held up over the numerous amendments to the text, requiring the Senate Constitution and Justice Committee to vote on the changes. The main text passed by a vote of 56 to 19 with one abstention, a comfortable margin.

Bills that change the Brazilian Constitution require two rounds of voting, however, and a second round of Senate voting, scheduled for 10 October, appears to be in jeopardy over concern about whether the government intends to uphold promises made in exchange for legislative support. Senators want the government to address regional demands within the so-called federative pact, the framework that governs federal and state finances.

The Constitution and Justice Committee has also voted to draw up a parallel bill that would include state and municipal pension systems in a broader reform, which could save local governments R$350 million (almost US$85 million) over 10 years, according to its sponsor, Senator Tasso Jereissati. That bill, with follow-on proposals, would need the approval of the Chamber of Deputies after passing the Senate.

VEIRANO ADVOGADOS
Government & Regulatory...



PHOTOGRAPH: REMBRAER

The Brazilian Air Force will eventually have a fleet of 28 KC-390s



PHOTOGRAPH: ROQUE DE SÁ/AGÊNCIA SENADO/WIKIMEDIA COMMONS

Senator Flávio Bolsonaro, the president's son, may be breathing a little easier – at least until 21 November

Defense issues

KC-390s arrive

The Brazilian Air Force (FAB) has got its first KC-390 aircraft. Manufacturer Embraer produces the aircraft in São Paulo state, and has a five-year contract with the FAB to provide services and support for what will eventually be a fleet of 28 KC-390s. The contract includes logistical and engineering support, maintenance control, component repair, support staff for the aircraft's entry into service, and materials supply.

For sale, one used aircraft carrier

The Ministry of Defense is auctioning off its decommissioned aircraft carrier the *São Paulo*, which was in service from 2000 to 2017. The craft had already seen service with the French Navy since 1963. Now, with the starting bid set at US$1.275 million, the *São Paulo* will go for about a tenth of what the Brazilian Navy paid for it.

Legal issues

The right to defense

The Supreme Court (STF) has voted seven to four that defendants who are mentioned in plea bargain testimony by witnesses who are also accused of corruption have the right to defend themselves. That could be applied retroactively to court decisions and may mean the overturning of many convictions under the massive Operation Lava Jato (Car Wash) investigation.

Most significantly, it could potentially quash one of former president Luiz Inácio Lula da Silva's corruption convictions. Lula is currently serving a 12-year sentence for taking bribes but has consistently denied all charges.

Flávio investigation forestalled

Senator Flávio Bolsonaro, the president's son, may be breathing a little easier – at least until 21 November. As reported in the last edition of *VistaBrazil*, in response to a petition by the senator in July, Supreme Court (STF) president José Antonio Dias Toffoli temporarily suspended all ongoing investigations that were using classified financial data shared by the Financial Activities Control Council (COAF) and the Internal Revenue Service without prior authorization from a judge.

It is common practice in many countries for financial intelligence units to share detailed information on suspicious financial transactions in order support money laundering investigations.

Bolsonaro Jr, whose financial dealings allegedly fit a pattern consistent with money laundering, then complained to the court following Toffoli's ruling that investigations into his affairs continued.

Now, Justice Gilmar Mendes of the STF has asked the Public Prosecutor and the Court of Justice to comply with the earlier decision and suspend proceedings involving the senator until a final judgment by the STF in late November. ...



PHOTOGRAPH: JOSÉ CRUZ/AGÊNCIA BRASIL

Women, Family, and Human Rights Minister Damares Alves has proposed extending maternity and paternity leave

The particular case that has thus been stalled concerns a scheme whereby civil servants transferred some or all of their salaries to the politicians responsible for hiring them – a practice that allegedly went on in Senator Bolsonaro's office.

Social issues

The employment picture

Brazilian Institute of Geography and Statistics (IBGE) statistics record that net unemployment fell to 11.8 percent over the quarter ending in August, from 12.3 percent in the previous quarter and 12.2 percent in the same period in 2018.

There were 12.6 million jobless people in August, down from 13 million in May. At the same time, the employed population rose by 684,000, providing a positive balance in formal employment for the fifth consecutive month.

Training workers

Joblessness is not the only employment issue facing Brazil. The National Industrial Learning Service (SENAI) has published a study that posits the need to train some 10.5 million industrial workers by 2023 if the country is to successfully address technological developments and automation.

Fields with a particular need for professional training are metalworking, construction, logistics and transport, food, information technology, electronics, energy, and telecommunications.

Maternity and paternity leave

Women, Family, and Human Rights Minister Damares Alves has proposed extending maternity and paternity leave. Currently, mothers are permitted 120 days and fathers get just five days of leave. Alves wants to see that changed to one year and three months, respectively.

Diplomatic briefs

Head east, Mr President

President Jair Bolsonaro will make official visits to Japan, China, Saudi Arabia, Qatar, and the United Arab Emirates in an extensive tour of Asia and the Middle East later in October. While in Japan he will attend the enthronement ceremony of Emperor Naruhito.

After promising to move the Brazilian embassy in Israel from Tel Aviv to Jerusalem – though later dialing that down to a Jerusalem trade mission – and criticizing China repeatedly over trade, Bolsonaro is thought to be engaging to some extent in a fence-mending exercise.

In the same vein, Foreign Minister Ernesto Araújo held meetings with the Arab League secretary general and with Kuwaiti, Saudi, and Lebanese ministers on the side-lines of the UN General Assembly at the end of September. The secretary general urged the Brazilian minister not to move the embassy to Jerusalem, saying he trusted Brazil not to take any action that could damage relations with the Arab world, the Brazil–Arab News Agency reports.

BRICS foreign ministers meet

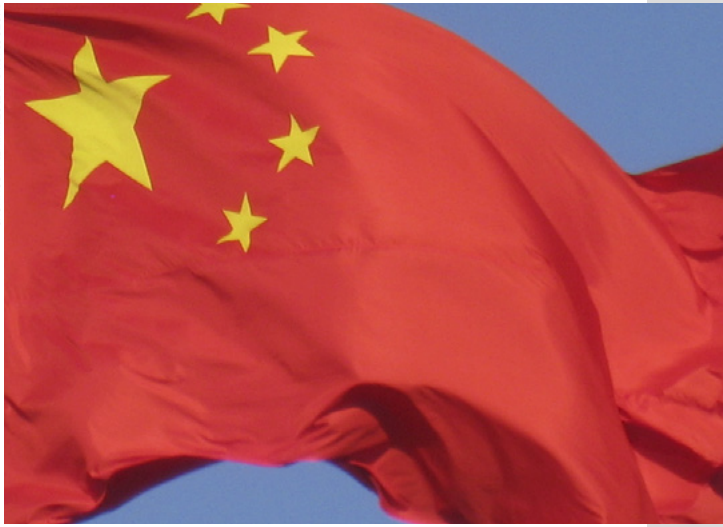
The foreign ministers of the BRICS countries (Brazil, Russia, India, China, South Africa) met on the side-lines of the recent UN General Assembly to exchange ...

VEIRANO ADVOGADOS
Commercial Contracts...



PHOTOGRAPH: TRANSPORT-AUTO.COM/WIKIMEDIA COMMONS

Brazil and Argentina have renewed their auto pact for another 10 years but postponed an agreement on automotive free trade



PHOTOGRAPH: DAGEOT/WIKIMEDIA COMMONS

China has granted export licenses to 25 Brazilian meatpacking plants

views on global and regional issues. Russia chaired the meeting as the incoming 2020 chair, while 2019 chair Brazil prepares to pass the baton.

The 11th BRICS summit is to take place in Brasília next month.

International trade

Trade surplus narrows

Brazilian exports totaled US$18.74 billion and imports totaled US$16.49 billion in September, according to data reported by the Ministry of Economy. That represents a trade surplus of US$2.25 billion, lower than the market forecast of US$3.2 billion and the smallest surplus for September since 2014.

Auto trade with Argentina

Brazil and Argentina have renewed their auto pact for another 10 years but postponed an agreement on automotive free trade.

The two countries have had an arrangement under which Brazil can sell US$1.5 worth of vehicles and parts to Argentina for every US$1 it spends on the Argentinean car industry. With the renewal of the agreement on 6 September, that figure will rise to US$1.70 in June 2020 and then incrementally to US$3.0 in July 2028. Free trade will then begin a year later.

Hybrid and electric cars, buses, and trucks will have an export quota of 10,000 vehicles, rising by 3,000 per annum over the decade.

Meat to China

China has granted export licenses to 25 Brazilian meatpacking plants, according to the Brazilian Ministry of Agriculture: 17 for beef exports, six for chicken, and one each for pork and donkey meat.

Chinese pig farming has been decimated by African swine fever, and Brazilian pork exports to China soared 48 percent from January to August 2019. Similarly, beef exports to China are up 17 percent and chicken exports are up 37 percent.

The Ministry of Agriculture hopes to streamline the process of plant approvals by creating and monitoring a list of potential suppliers to China that could be preapproved if they meet that country's sanitary and quality requirements. Clearly, such as system would require Chinese approval.

Talking with Mexico

According to a Ministry of Economy announcement, Brazil has begun formal trade talks with Mexico. In 2018, the two countries did US$10.1 billion in bilateral trade. Brazil primarily exports iron and steel products, vehicles and parts, chicken, and sulfate pulp to the other Latin American country.

VERBATIM

Verbatim reports on recent developments at Veirano Advogados, offers timely client alerts on new legislation and related information, lists publications authored by members of the Firm's team of specialists, and provides other current and pertinent content.

Firm news

Partner hires for infrastructure practice

New partners Daniel Engel and João Paulo Servera will be based in São Paulo after working in top law firms in Brazil. Daniel holds significant experience in infrastructure contracts, project finance, and M&A transactions involving infrastructure and energy assets. João Paulo has significant experience in aviation, aircraft financing, and cross-border transactions. Their arrival boosts the Firm's renowned infrastructure practice. Continue reading...

Agribusiness partner Luís Felipe Andrade

With extensive knowledge of agribusiness, Luís Felipe Aguiar de Andrade is our new partner, based in São Paulo. Luís Felipe arrives to reinforce our agribusiness practice after working in leading multinational companies and top law firms in Brazil. Continue reading...

Chinese brand

The Firm held a cocktail party in São Paulo to celebrate the launch of our Chinese brand. Consul General Chen Peijie was in attendance, as were several representatives of Chinese companies. The launch reinforces our commitment to serve this business community with tailored support and strengthen ties between China and Brazil. Continue reading...

Diversity and inclusion

Veirano has been recognized by Chambers and Partners for our commitment to social causes such as the LGBT+ movement, gender diversity, and ethnic diversity. We have been shortlisted to compete in five categories: Most Pioneering Firm for Gender Diversity, Most Inclusive Firm for Minority Lawyers, Outstanding Firm for Furthering Diversity and Inclusion, Minority Lawyer of the Year, and Future Leader. Winners will be announced in December. Continue reading...

Chambers Latin America

We have been recognized in the 2019 edition of *Chambers Latin America* as a leading firm in 23 practice areas, once again figuring among the top Brazilian firms. The publication highlighted 33 lawyers in our team of specialists, with 35 lawyer recognitions. One of the most important references in the legal market. Continue reading...

Legal 500 Latin America

We have been recognized in the 2019 edition of *Legal 500 Latin America* as a leading firm in 24 practice areas. The publication highlighted 52 of our lawyers and made 72 individual mentions. Continue reading...

Latin Lawyer Elite

Veirano has been recognized as a Latin Lawyer Elite firm for its competitive edge in six areas of excellence: practice areas covered, mergers and acquisitions activity, partner-to-associate ratio, partner promotions, international exposure, and gender diversity of partnership. Continue reading...

Client alerts

New rules for food labeling

The National Health Regulatory Agency (ANVISA) has approved new rules for nutrition labeling on packaged food. Major alterations include the addition of a special labeling on the front and changes to the nutrition facts panel. Continue reading...

Pesticide regulation

The National Health Regulatory Agency (ANVISA) has published a list of pesticide active ingredients that will be toxicologically reviewed. The review will be based on criteria of risks to human health, specifically to consumers and rural employees. Continue reading...

ANVISA has also published Instruction 34/2019 and Resolutions 294, 295, and 296/2019, establishing requirements for labeling pesticides, new evaluation criteria and toxicological classification, and a list of prohibited substances. Continue reading...

Polymetallic project auction

The Palmeirópolis/TO polymetallic mining project, which is qualified under the national Investment Partnership Program (PPI), is coming up for auction, and the first public meeting is on 21 October. Veirano has prepared a report highlighting the main aspects of the call notice. Continue reading...

National Mining Agency electronic filing

During the Brazilian Mining Expo & Congress, directors and officials of the National Mining Agency (ANM) formally announced that as of 1 October, all documents submitted in the context of administrative proceedings would be filed electronically. The Information Electronic System (SEI) has already been adopted by other ...

entities of federal public administration and allows public access. Continue reading...

Remote voting ballot

The Brazilian Securities and Exchange Commission (CVM) issued Rule 614, amending the template for the remote voting ballot used in the election of board members of Brazilian public companies. Shareholders must now choose between participating in the general election of the board of directors and casting their votes on a panel of candidates or on individual candidates, as applicable or requesting a separate election and voting for the candidate of their choice. Continue reading...

Oil and gas RD&I projects

The National Petroleum, Natural Gas, and Biofuels Agency (ANP) has issued a resolution revising Technical Regulation 3/2015, which establishes rules for the application of resources under the research, development, and innovation (RD&I) clause in regulated E&P contracts. Continue reading...

Emissions reduction goals

The National Council on Energy Policy (CNPE) has published Resolution 15/2019, regulating compulsory annual goals to reduce the emission of greenhouse gases with respect to fuel distributors. Tolerance ranges are expressed in units of Decarbonization Credits, or CBIOs. Continue reading...

Public consultation on take-back of electronics

The Ministry of the Environment has made available for public consultation a draft of a sectorial agreement to implement a take-back system for domestic used electronic products and components. Continue reading...

New resolution on tailings dams

The National Mining Agency (ANM) has issued Resolution 13/2019, revoking Resolution 4/2019 and updating regulatory measures to ensure the stability of mining dams, especially those built or heightened by the "upstream" method or by unknown methods. Continue reading...

Changing the corporate publicity regime

The Brazilian government has issued Provisional Measure 892/2019, changing the publicity regime applicable to corporations. The measure exempts corporations from having to publish their corporate acts and financial statements in widely circulated newspapers. Continue reading...

Agribusinesses finance

Resolution SFB/MAPA 8/2019 regulates the granting of credit to the agribusiness sector, establishing that financial institutions must be presented with proof of enrolment with the Rural Environmental Registry (CAR) before extending credit. Continue reading...

Central Bank database

The Central Bank of Brazil has announced the adoption of a central and unique database that will concentrate and store information needed for identifying user accounts in an intuitive and simplified fashion. The database is a key component of a real-time payment ecosystem structure. Continue reading...

Census of foreign capital

The Central Bank of Brazil conducts the Census of Foreign Capital in Brazil with two levels of coverage: a five-year period, which is a population census carried out in calendar years ending in 0 or 5; and annually, which is a sample census performed in the other years. Veirano can assist entities that are required to report to the census. Continue reading...

Publications

Trade with Arab countries

Partner Fábio Figueira has written an article for *Islamic Finance News* discussing Arab countries' interest in improving the trade with Brazil. The article is based on a report made available by the Arab Brazilian Chamber of Commerce. Continue reading...

Government & Regulatory Newsletter

The Veirano Government & Regulatory team has launched a newsletter dedicated to projects involving contractual relationships with the public sector and regulated industries. The first edition highlights the new Provisional Measure of Economic Freedom, previews the next term of the Supreme Court, and discusses degrees of negligence, among other topics. Continue reading...

Life Sciences & Healthcare Newsletter

The latest edition of the Veirano Life Sciences & Healthcare Newsletter discusses medication not registered with ANVISA, mergers in the healthcare sector this year, and improper health contracts in São Paulo, among other articles. Continue reading...

Brazilian M&A law

Partner Lior Pinsky and lawyer Gabriel Menezes contributed a chapter to *Global Legal Insights*. Their work explains issues of Brazilian law applicable to M&A transactions. Continue reading...

Good news for investors

In an article for *Islamic Finance News*, partner Fabio Figueira discusses infrastructure improvements, regulatory agencies, and foreign shareholding in Brazilian enterprises. He sees recent developments as good news for investors. Continue reading...