VIEWPOINT
Coping with Covid-19

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

MARCH/APRIL

VistaBrazil 2020

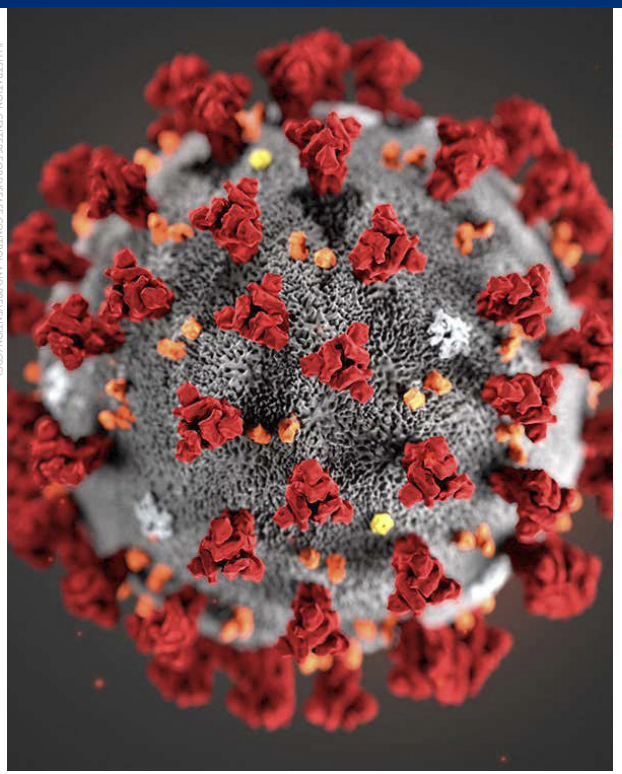

ILLUSTRATION: CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC)

Illustration of the Covid-19 virus

Coping with Covid-19: Public health versus economic health

It's hard to keep up with the details of the news cycle as each day brings grim updates on Covid-19 around the world. And many world leaders are finding it a difficult balancing act to pursue the recommended measures to contain the virus while keeping their respective national economies from collapse.

At the end of March, President Jair Bolsonaro was at loggerheads with many state governors within Brazil, believing that authorities must avoid measures such as a ban on public transport, business closures, and mass self-quarantines. "Our lives must go on," he has declared. "Jobs must be maintained. The livelihood of families must be preserved. We do have to go back to normal."

The president has strongly criticized measures such as a 15-day quarantine declared in São Paulo as of 24 March and a shutdown of schools and businesses in the city of Rio de Janeiro: "It's an excessive dose of medicine, and too much medicine becomes poison."

Bolsonaro has also decreed that places of worship provide "essential services," just like supermarkets and pharmacies, and are therefore exempt from containment measures. Most churches have in fact already suspended services and many are broadcasting them online.

Like US president Donald Trump, Bolsonaro has spoken positively about the use of chloroquine in the ...

MARCH/APRIL 2020 · VOLUME 09 · NUMBER 02

VEIRANO ADVOGADOS

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

© 2020 · 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.

treatment of the novel coronavirus. The evidence for that claim is at this point anecdotal. Chloroquine, most typically used as an anti-malarial medication, is one of several drugs being tested for the ability to reduce the symptoms of Covid-19.

Many Brazilians do not share their president's approach to the crisis. Some 92 percent of those polled by Datafolha on 23 March agreed that school classes should be suspended, 94 percent approved a ban on international travel, and 91 percent were even in favor of stopping football games.

Overall, 73 percent agreed with quarantine measures. With close to 10,000 cases at the time of writing, this is unsurprising.

Despite the tension between the federal and state governments, a number of measures are being put in place to attempt to stem the surging disease. A state of "calamity" was declared on 20 March, and the government invoked the escape clause of the constitutional expenditure ceiling to accommodate exceptional health spending needs.

Travel restrictions

On 19 March, Brazil banned the entry of foreigners flying from countries in Europe, Asia, and Oceania, and on 27 March, closed its air borders to non-resident foreigners of all nationalities for 30 days.

Land borders were closed down for 15 days as of 20 March, restricting entry from Argentina, Bolivia, Colombia, French Guiana, Guyana, Paraguay, Peru, and Suriname. Uruguay was added to the ban three days later. Entry from Venezuela was stopped on 17 March and the closure was extended on 31 March.

At the time they were implemented, the restrictions did not apply to immigrants with prior authorization for permanent residence, foreign professionals serving with international organizations, or foreign officials accredited with the Brazilian government, though that may change.

Fiscal measures

The authorities have announced a package of fiscal measures adding up to 3.5 percent of GDP, mostly reallocations within the 2020 budget. A US$17.4 billion financial relief package is on offer to the states, primarily involving the transfer of resources and financing lines.

The main strategies are to suspend the states' payment of US$2.48 billion in debt installments owed to the federal government and to restore US$3.15 billion in funds …



VEIRANO ADVOGADOS

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



PHOTOGRAPH: JBA TEIXEIRA/AGÊNCIA CÂMARA DOS DEPUTADOS/WIKIMEDIA COMMONS

Chamber of Deputies speaker Rodrigo Maia proposed an emergency fund of US$58–78 billion for which ordinary fiscal rules would not apply

under the share earmarked for states and municipalities, in order to compensate for losses brought about by reduced tax collection.

Chamber of Deputies speaker Rodrigo Maia proposed an emergency fund of US$58–78 billion for which ordinary fiscal rules would not apply. And the Central Bank has announced a plan to inject 1.2 trillion reais (US$234 billion) into the country's financial system, with more than half of that comprising loans to banks.

State governors have asked for credit expansion and a 12-month suspension of payments on debts not only to the federal government but also to the Brazilian Development Bank and international agencies such as the World Bank and the Inter-American Development bank. According to the *Brazilian Report,* the governors also requested the following measures:

expansion of terms of direct and indirect credit for medium, small, and micro businesses
direct financial support and new loans to the states
reduction of the federal primary surplus target to avoid future contingencies during the crisis
federal support for the purchase of health equipment and supplies
compensation for states' losses with the prohibition on taxing products produced for export
enforcement of a 2005 law that provides basic income to all Brazilians.

The government has already extended the deadline for small businesses to file their income tax returns, and on 27 March, Bolsonaro announced a credit line to benefit the payroll of 1.4 million small and medium-sized businesses. The US$8 billion in financing will be used to pay 12.2 million workers at minimum wage for two months.

A day earlier, the Chamber of Deputies approved three months of emergency aid for the self-employed and informally employed who have no fixed income, though it still has to pass the Senate. Further, Economy Minister Paulo Guedes said on 1 April that the government will spend about US$18.71 billion to help 54 million informal workers affected by nationwide lockdowns.

Other government decrees will give a combined US$20 billion to help companies finance their payrolls and keep jobs, the government has announced.

Bolsonaro's economic team is also mulling ways to tackle the cost of the pandemic, suggesting a constitutional amendment to cut civil-service wages by 20 to 30 percent – even for retirees and pensioners and excluding only those with the lowest wages and benefits. The move is being negotiated with Congress, and some want the cut to be replaced by a mandatory loan.

Health measures

When it comes to health measures, 25 out of 27 state authorities signed an open letter released on 26 March, asking Congress to take the lead in actions to tackle the pandemic.

The request is interesting, as the speaker of the lower house of Congress, Rodrigo Maia, has consistently defended aggressive containment measures, while President Bolsonaro has pressed for them to be loosened to avoid economic recession. In fact, the president has suggested that mayors and governors who order lockdown measures should pay for the resulting employment costs.

Commerce is now limited or shut down or all states; ...

VEIRANO ADVOGADOS
Life Sciences & Healthcare...



PHOTOGRAPH: LEON PETROSYAN/WIKIMEDIA COMMONS

Society itself is also taking steps to address public health issues

schools have closed; public events are restricted or cancelled; and public transport and shopping malls have been limited or closed.

Late on the 26th, however, the governors of Mato Grosso, Santa Catarina, and Rondônia responded to the president's view by relaxing some restrictions. Further, 43 mayors of the Association of Municipalities of Western Paraná (AMOP) unanimously agreed to gradually reopen trade in the region's cities as of 1 April.

Society itself is also taking steps to address public health issues. Drug traffickers in the Cidade de Deus (City of God) favela in western Rio and gang members in Latin America's largest favela, Rocinha, in Rio's South Zone, have imposed coronavirus curfews, amid growing fears of the impact of the virus on some of Brazil's poorest citizens.

Reportedly, members of the Red Command gang are patrolling Cidade de Deus with loudspeakers to get the message across, while in the Morro dos Prazeres favela, gang members have told residents to avoid groups of any more than two people.

Meanwhile, in some sections of the Complexo da Maré, a favela near Rio's international airport, traffickers have told shops and churches to reduce their operating hours. Worshipers have been singing hymns from their windows at pre-arranged times. And in Santa Marta favela, traffickers have been handing out soap and putting signs near a public water fountain urging those who enter the community to wash their hands.

The court of public opinion

Like so many aspects of public life, the crisis has brought out conflicting opinions. Some 68 percent of respondents in a recent Datafolha poll disapproved of the president's handling of the crisis, while 54 percent rated governors' response to the pandemic as "great" or "good."

On the other side of the coin are those who have attempted to organize anti-quarantine demonstrations, while Bolsonaro himself has made a point of public appearances, which he believes demonstrate calm in the face of crisis.

For several nights in a row, citizens who are self-isolating at home have made their disagreement known. They come out on their balconies at night to participate in *panelaços*, a longstanding form of political protest involving banging pots and pans as loudly as possible.

The president might be listening to that sound. On 31 March he addressed the country and called the pandemic "the biggest challenge of our generation."

Economic snapshot

Contraction and confidence

Henrique Meirelles, the current São Paulo state secretary of treasury and planning and former finance minister, is among those voicing deep concern about the Brazilian economy. He has said that it is likely to contract 10 percent in the second quarter of 2020 and 3 percent in the year to date.

Many observers expect the US$1.8 trillion economy to post its first annual contraction since 2016. The Fundação Getúlio Vargas national industrial confidence index fell to 97.5 in March from 101.4 the month before, marking the biggest month-on-month decline since March 2015, an early indication of the negative impact coronavirus will have on Latin America's largest economy.

Current account report

The Brazilian current account deficit rose and financial market outflows accelerated in February, Reuters reports, even before the impact of the coronavirus pandemic had made itself felt.

The country experienced a net outflow of US$4.4 billion – some US$3 billion of it the result of investors pulling out of Brazilian investment funds. The 12-month current account balance widened to a US$52.9 billion shortfall, from US$52.3 billion in the 12 months ending in January, creating a deficit equivalent to 2.92 percent of GDP.

The *LatinFocus* Consensus Forecast projects a current account deficit of 2.9 percent of GDP in 2020 and 2021.

Retail and online sales

Excluding cars and construction, Brazilian retail sales fell 1.0 percent in January in seasonally adjusted month-on-month terms – a concerning sign in the pre-pandemic environment.

The decline is ascribed to lower supermarket, food, beverage, and tobacco sales and a sharp drop in sales of fuel and lubricants amid low global oil prices. Furniture and household appliances, office equipment and supplies, and IT and communications sales all fell over the period.

Conversely, sales of clothing and footwear, medical supplies and pharmaceuticals, and books and other stationery goods rose.

The results mean a slowing of retail sales growth to 1.8 percent in January from 1.9 percent the previous month, and a weakening of annual growth to 1.4 percent from 2.7 percent.

These figures are disappointing, but the current prevailing economic gloom has a silver lining for online businesses. Like others around the world, Brazilians are turning to online shopping as they isolate at home. Online supermarket purchases are up 80 percent, health products 111 percent, and beauty and toiletry items 83 percent.

On the other side of the coin, photo and video camera and drone sales are down 62 percent, video games are down 37 percent, electronics are down 29 percent, and automobiles are down 20 percent.

VEIRANO ADVOGADOS
Commercial Contracts...

Inflation data

Although consumer prices increased 0.25 percent in February over the previous month, up from the 0.21 percent increase in January, inflation was just 4.0 percent in February versus 4.2 percent the month before. Annual average inflation was stable at 3.8 percent.

In mid-March, economists were forecasting inflation of 3.7 percent by the end of 2020 and 3.8 percent in 2021, *Focus Economics* reports.

Banking & finance

Monetary and macro-financial policy

The International Monetary Fund has reported on various Brazilian measures to tackle the macro-financial impact of Covid-19. The central bank has lowered the benchmark Selic policy rate by 50 bps to 3.75 percent, a historical low.

A reduction of reserve requirements and capital conservation buffers and a temporary relaxation of provisioning rules are among measures implemented to increase liquidity in the financial system. The reserve requirement has been reduced from 25 to 17 percent, on top of a reduction of 6 bps in early March.

On 27 March, the head of the Central Bank, Roberto Campos Neto, indicated that the bank would ask Congress for a constitutional amendment allowing it to buy debt directly to help ease market stress during the coronavirus outbreak.

The Bank also opened a facility to provide loans to financial institutions backed by private corporate bonds as collateral. In addition, the federal Treasury has arranged to provide up to US$60 billion to the Central Bank through a swap facility that will remain in place for the next six months.



PHOTOGRAPH: PEDRO FRANÇA/AGÊNCIA SENADO/WIKIMEDIA COMMONS

Roberto Campos Neto, head of the Central Bank

The five largest banks in the country have agreed to consider requests by individuals and small to medium-sized business for a 60-day extension of their maturing debt liabilities.

Forex news

The exchange rate has depreciated by close to 15 percent since mid-February and by 21 percent since the end of calendar year 2019. The Central Bank has intervened in the foreign exchange market with both spot and derivative contracts sales over the last few weeks, to the tune of nearly US$22 billion (6 percent of gross reserves).

Stock market plunge

According to Goldman Sachs on 23 March, the Brazilian stock exchange Ibovespa has had the biggest ...



RENDERING: EMBRAER S.A.

Brazilian aerospace giant Embraer is now expecting the final approval of its deal with Boeing to be delayed beyond 23 June

devaluation among the largest stock markets globally in response to the pandemic crisis, depreciating 52 percent from 17 January to 20 March. Following a rally in the final week of the month, traders took profits causing a 5 percent fall on 27 March.

The plunging stock prices, a record low exchange rate, and widening credit spreads are causing significant tightening of Brazilian financial conditions. The difference between short- and long-dated interest rates has increased sharply in a sign of extreme risk aversion and a dysfunctional market, Reuters reports.

Business news

Shoring up business

BNDESPar, the investment arm of Brazilian Development Bank (BNDES), has been authorized to buy corporate bonds convertible into shares to support business, starting with airlines in April. The lender has also established a R$2 billion (US$0.39 billion) credit line for the healthcare sector, with 30 companies initially on the list to supply more beds, supplies, and equipment to hospitals.

Fintech relief

The National Monetary Council (CMN) has authorized fintechs to extend loans with Brazilian Development Bank (BNDES) funds, and to issue credit cards. Micro-, small, and medium-sized companies, informal workers, and independent contractors make extensive use of fintechs' point-of-sale machines, and the economic shutdown is threatening the existence of many of those small businesses.

This could spell serious difficulty for the fintechs themselves, and they will now be allowed to securitize portfolios through credit-receivable funds.

Embraer–Boeing update

Brazilian aerospace giant Embraer is now expecting the final approval of its deal with Boeing to be delayed beyond 23 June. The United States, China, Japan, South Africa, Kenya, Colombia, Montenegro, and Brazil have already given full clearance to the partnership, which will see Boeing take 80 percent of the commercial arm of the Brazilian company, but the European Commission has not yet done so.

The US company will invest US$4.2 billion in the new venture, to be called Boeing Brasil, and will gain access to the E-Jet family of small jets – providing strong competition to Airbus in that market segment.

As aviation-related companies worldwide suffer through the massive impact of the coronavirus, Embraer has called its liquidity position very strong, with cash of US$2.8 billion at the end of 2019 and an additional US$600 million raised in March, according to industry source *Simple Flying*.

Boeing has suspended its dividends and is extending its share-repurchasing decision until further notice in order to sustain operations through the crisis.

Ventilator production

Embraer is working with other defense and aerospace companies to produce ventilators and medical equipment to help tackle the Covid-19 outbreak. Technical and production capacity analysis has already been completed at the factory that will be manufacturing the ventilator parts, and production will begin in April.

Embraer is also working with Albert Einstein Hospital …

VEIRANO ADVOGADOS
Infrastructure & Projects…

in São Paulo to develop biological air filter systems that can adapt ordinary hospital beds into intensive-care units.

Acquiring Oi?

The Capacity news site reported on 12 March that European telecom companies Telefónica and TIM – which operate in Brazil as Vivo and TIM Participações – have expressed interest in acquiring Brazilian company Oi's mobile services and splitting the business between them.

Oi went into bankruptcy protection in 2016 with debts of US$19 billion, most of it owed to banks and to the National Telecommunications Agency (ANATEL). Last December it launched a new business-to-business unit, Oi Soluções, to expand fiber operations.

Samsung suspends operations

Samsung Electronics announced on 27 March that it would close its manufacturing plant in Campinas, São Paulo, until 12 April. It had already suspended operations at its Manaus factory, and has shuttered its stores in Brazil for the time being, advising its employees to work from home.

Infrastructure issues

Concession auctions on hold

The government had planned to offer 44 infrastructure concessions this year, but a review is now almost certain, BNamericas reports. Economic growth projections are linked to the minimum price set for concessions, and as the former change the latter are likely to do so as well.

Further, many concessions planned for this year will probably be postponed, perhaps into 2021, as meetings between investors, government officials, and legal representatives to hammer out details are hampered by social distancing requirements.

An auction for the US$320,000 Fortaleza port passenger terminal concession in Ceará state has already been put on hold, but for now the government is speaking only of delays, not cancelations.

Holders of many existing infrastructure concessions are also likely to request renegotiations of their terms as the pandemic causes demand to decline.

CCR seeks opportunities

Brazilian transportation company CCR (formerly Companhia de Concessões Rodoviária) is reportedly looking for new opportunities in concessions as part of a plan to expand investment this year in Brazil and elsewhere in Latin America. BNamericas reports that the company intends to invest US$508 million in 2020, up nearly 40 percent over the year before.

CCR is controlled by construction groups Andrade Gutierrez and Mover (formerly Camargo Corrêa), along with Soares Penido, and has concessions in the metro, airport, and highway segments.

Solving agribusiness bottlenecks

As refrigerated containers fail to return from abroad and sections of the road network close, the Brazilian agribusiness sector is working hard to ensure that logistics don't get bogged down. The Ministry of Infrastructure has opened a channel to receive information about truck drivers' health and has met every second day with organizations in the production and logistics sector to update and define new measures.

Agribusiness organizations are also asking for a working capital line with preferential interest rates, toll exemptions, and a reduction of bureaucracy.

Mining & metals

Evaluations and proceedings suspended

The *Mining Journal* reported on 26 March that the National Mining Agency (ANM) had suspended all submissions in administrative proceedings with respect to infractions, incidents, and collection of revenues related to financial compensation for mineral exploration, inspection fees, and fines.

The suspension outlined in Resolution 28 does not apply to matters concerning the stability and safety of mining dams, to the provisions of article 27 of the Mineral Waters Code, or to any other compliance issue that could jeopardize the safety, health, lives, and property of workers, consumers, or society in general.

The move is for an initial 40 days with the possibility of review. The Integrated System of Mining Dams Safety Management (SIGBM) and other ANM systems will meanwhile remain available.

Prospectivity mapping

At the Prospectors and Developers Association of Canada annual convention at the beginning of March, the Brazilian Ministry of Mines released a catalog of prospectivity maps to attract new investments in mineral research. …

VEIRANO ADVOGADOS
Mining…



PHOTOGRAPH: PEXELS.COM

The National Mining Agency (ANM) came into existence in January 2019

Four new areas are presented in the catalog: the Gurupi Belt (gold) in northeastern Brazil; the Tapajós Mineral Province (gold) in the central Amazon; RENCA (gold) at the Guiana Shield; and the Brasília Belt (Goiás Magmatic Arc), for which studies indicate favorability for copper and gold.

ANM came into existence in January 2019 with a mandate to reduce red tape and improve access to the sector as Brazil attempts to attract more international mining investors.

Equinox pauses activity

As a safety measure in response to local government restrictions related to the Covid-19 pandemic, Equinox Gold announced on 27 March that it was suspending mining activities for 15 days at the RDM Mine in Minas Gerais state. The mill will continue to operate and process lower-grade ore stockpiles until the restrictions are lifted and mining recommences.

Oil & gas in brief

Total investment

A senior Total executive told *Valor Econômico* at the beginning of March that the company plans to spend US$600–700 million per annum through 2024 in order to increase its Brazilian oil production to 150,000 barrels per day, from the current 40,000. That means investing US$3.34 billion over the next five years.

Total operates the Lapa field and owns interests in several other producing fields such as the ultra-deep Libra field and the Lara field, both located in the pre-salt Santos basin. It has interests in 17 exploration sites in the Barreirinhas, Ceará, Espírito Santo, Foz do Amazonas, and Pelotas basins.

Golar gets ahead

Golar Power and BR Distribuidora have formed a partnership to develop an LNG distribution business in Brazil. The intention is to introduce LNG as an alternative to the fuels currently available for cargo and people transportation, the industrial sector, thermoelectric generation, and commercial and residential use.

The new venture envisions rapid development and penetration of small-scale LNG solutions across the country.

Golar Power also announced in March that the National Agency for Electric Energy (ANEEL) had approved commercial operations at the country's first integrated LNG-to-power project, the 1,500 MW Sergipe power station, *Kallanish Energy* reports. The project includes a dedicated LNG import and regasification terminal …

Petrobras news

Steeling for the slump

Petrobras plan to cut investments by 29 percent to US$8.5 billion, *International Valor* reports, and to mothball expensive fields as a way to conserve cash during the Covid-19 crisis and in response to the falling oil price.

The company also proposes postponing to 15 December the payment of dividends announced on 19 February and based on 2019 results. This proposal must be approved by the Ordinary General Assembly on 27 April.

Petrobras has also announced a reduction and postponement of spending on human resources, including overtime and payments under the 2019 Performance Award Program. The state-owned company will not collect FGTS or pay vacation bonuses, and will postpone payment of 30 percent of the total monthly remuneration of the president, directors, executives, and general managers.

Production report

Petrobras saw its onshore natural gas production increase 17 percent in February, *Kallanish Energy* reports, as maintenance of the compression system in the Amazon fields ended. Gas output, excluding liquefied volume, reached 16.77 million cubic meters per day (MMcm/d), compared to 14.33 MMcm/d in January. Onshore crude oil and natural gas liquids production was 1.4% higher, at 144,240 b/d.

Nevertheless, the company's total Brazilian oil …



PHOTOGRAPH: USFWS/JOSHUA WINCHELL/FLICKR

Petrobras is divesting itself of stakes for two wind farms

and gas production was relatively flat, at 2.59 million barrels of oil equivalent per day. The company also plans to cut production by 100,000 barrels per day (4.5 percent), as domestic demand plummets during the pandemic.

Shifting away from renewables

Petrobras is divesting itself of stakes in the holding companies for two wind farms. The plan will see the state-owned oil giant dispose of 49 percent and 51 percent stakes in the Mangue Seco 1 and 2 wind farms, respectively.

The 104 MW Mangue Seco complex in Rio Grande do Norte accounts for almost all the company's onshore renewable assets. It also holds similar stakes in Mangue Seco 3 and 4 but has not yet said if it will sell those. The company also reportedly intends to sell 15 of its 26 thermal power plants and will continue to divest its refinery and fuel transport assets. Its green projects will focus on offshore wind projects and biofuels.

with the capacity to supply over 21 million cubic meters per day of natural gas, promoting the use of liquefied natural gas to balance and diversify the energy mix.

Renewable energy

Declining power demand

According to the National Grid Operator (ONS), demand fell 6 percent on 20 March and 8.9 percent on 22 March compared in each case to a week earlier, as stricter isolation measures took effect in Rio de Janeiro and São Paulo. Electricity distributors are between a rock and a hard place as businesses shut down, because they are still obliged to honor contracts with generators.

On the bright side, the drop in electricity demand will give the country's hydro-electric reservoirs a change to recover to the best level of storage they have experienced for the better part of a decade.

Magical macaúba

Biofuels International reports that FPT Industrial is exploring the promise of macaúba, a palm tree native to Brazil, as a feedstock for biodiesel production.

Macaúba currently has multiple uses in the construction, medical, and cosmetic industries. Recent research carried out in Betim, Minas Gerais, has focused on its potential as a fuel for tractors and will expand those tests to trucks, buses, and power generators.

Testing with blends of 10 and 20 percent macaúba biodiesel have revealed performance and consumption comparable to fossil-based diesel, but with lower carbon monoxide and particulate emissions.

Biodiesel boost

The National Petroleum, Natural Gas, and Biofuels Agency (ANP) announced that the minimum proportion of biodiesel blended into diesel fuel at the petrol pump would be increased from 11 to 12 percent as of 1 March, with the maximum continuing to be set at 15 percent.

ANP intends to increase the minimum biodiesel content by 1 percent annually until it reaches 15 percent on 1 March 2023.

According to *MercoPress*, Brazil wants to expand biofuels production and consumption amid efforts to reduce imports and meet greenhouse gas reduction targets under the Paris Agreement.

Knock-on effect of oil slump

A Bloomberg report indicates that the plummeting oil price has hit the Brazilian corn-based ethanol industry as it competes with cheaper gasoline. A third of corn-based ethanol production is located in Goias state, where margins have already turned negative. Some 60 percent of planned projects could be cancelled.

Because ethanol has a lower energy content than gasoline, it is considered to be cheaper only when it is less than 70 percent of the price of gas. The price of hydrous ethanol has been hovering around the 70 percent mark for the past fortnight.

Solar capacity

The National Grid Operator (ONS) estimates that ...

VEIRANO ADVOGADOS
Oil, Gas & Biofuels...

large-scale solar plants could have 4,200 MW of cumulative capacity by 2024, or 2.4 percent of the energy matrix in Brazil. Photovoltaic (PV) installations currently account for 2,600 MW, or 1.5 percent.

The National Agency for Electric Energy (ANEEL) recently reported that solar-distributed generation (DG) had surpassed 2.3 GW of installed capacity. Brazil has seen investments of over US$230 million in rural DG systems. According to data from the Brazilian Association for Solar Photovoltaic Energy (ABSOLAR), rural producers currently represent 8.7 percent of the total installed solar DG capacity, with residential consumers accounting for the majority of installations.

New solar parks

Sol do Sertão has signed an agreement with the Bahia Secretariat for Economic Development (SDE) to build 474 MW of solar farms in the state, according to *Renewables Now*. The company will invest US$160.4 million to develop six photovoltaic (PV) parks, eventually implementing three solar complexes consisting of eight parks. The parks are expected to start commercial operations in phases between March and July 2021.

The company has also been developing a wind project in Bahia's Xique Xique region and expects to begin construction in 2021.

Serra Branca expanding again

Renewables Now reports that French electric services company Voltalia has a 20-year power sale contract with a Brazilian utility relating to VSM 3, a new 150 MW wind farm at Serra Branca, in Rio Grande do Norte.

The park is already under construction and is expected to start generation during the fourth quarter of 2020. Full commissioning is scheduled for the second quarter of 2021. Voltalia holds 90 percent of VSM 3, while the remaining 10 percent is owned by an unnamed local partner.

The project is the latest addition to Voltalia's 2.4 GW Serra Branca wind and solar cluster, which is the largest of its kind in the world. The site currently has 379 MW in operation, 917 MW under construction, and 329 MW secured through long-term power sales contracts, plus over 700 MW of projects under development.

Green power a go

Enel Green Power (EGP) generating company has chosen ABB to install a digital substation that will deliver power to the transmission network from its solar photovoltaic plant at São Gonçalo, Piauí. It will be the world's first digital substation for the 500 kV alternating current rating.

When completed, the 608 MW plant will be capable of generating more than 1,500 GWh of clean power.

Votorantim–CPPIB purchase approved

The Administrative Council for Economic Defense (CADE) has approved without restrictions Votorantim Energia's acquisition, along with the Canada Pension Plan Investment Board (CPPIB), of a 419.10 MW wind portfolio. The Votorantim–CPPIB joint venture was formed at the end of 2017 and focuses on investment and development in the power generation sector in northeastern Brazil.

Supplying Anglo American

Atlas Renewable Energy and UK mining giant Anglo American have agreed to the largest-ever solar energy purchase-and-sale contract in Brazil, with an investment of approximately US$171 million. The Atlas Casablanca solar photovoltaic plant in Minas Gerais will supply about 9 TWh of clean energy over the life of the 15-year contract, beginning in 2022.

Environmental news

Less monitoring

An official from the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) has told Reuters that fewer environmental enforcement personnel are being sent into the field because of the risks of Covid-19.

The agency has had no new hiring in several years because of budget cuts, and as a result many of its staff are close to 60 years old and therefore at some risk from the rapidly spreading virus.

Fewer fines

In 2019, the first year of the Jair Bolsonaro administration, IBAMA gave out the fewest fines for breaking conservation laws since 1995: 12,266 fines, down 17 percent from the previous year.

Meanwhile, deforestation reached an 11-year high, according to government data. The Brazilian Institute of Geography and Statistics (IBGE) published a report on 26 March indicating that the country lost 7.6 percent of its forest vegetation from 2000 to 2018, while farmland increased 44.8 percent.

Unauthorized wood exports

According to Reuters, IBAMA has changed its own regulations to eliminate previously required export authorizations after US and European customs officials ...



PHOTOGRAPH: NANOPORETECH.COM

Brazilian research was conducted using a Nanopore Technologies device

alerted Brazil that thousands of rainforest wood cargoes were being exported without its approval.

Reuters reports that two anonymous sources said the decision by a top agency official overruled a technical opinion by five analysts who argued the export approvals process should remain in place. Additionally, IBAMA has directed all its employees to conduct any correspondence with journalists only through the agency's press office.

Science & technology

Decoding Covid-19

A group of Brazilian scientists carried out the first genetic sequencing of the coronavirus in Latin America in no more than 48 hours. The research was conducted using a portable device launched by UK startup Nanopore Technologies. The device, which is smaller than a cellphone, is connected via a USB to a computer that then decodes and translates the virus's structure.

Testing for the virus

The National Health Regulatory Agency (ANVISA) has approved three new tests to detect the new coronavirus, bringing the number of approved tests to 11.

Of the new products approved, two are highly accurate PCR-type molecular essays. The third is a new quick test that detects antibodies using a small blood sample. Of the 11 tests approved so far in Brazil, nine produce results in around 15 minutes, and two are molecular.

Cubans coming back

The federal government put out an application on 26 March to readmit 1,800 Cuban medical workers who stayed in Brazil after a breach of contracts with Cuba and the Pan American Health Organization in 2018. With the passage of Brazil's new Doctors Law, the new program will gradually replace Mais Médicos (More Doctors), according to *Folha de São Paulo*.

Plastics from sugarcane?

The University of São Paulo has created a composite out of sugarcane bagasse that may replace oil in the production of plastic. The substance is like the one used to manufacture plastic used in vehicle dashboards and some sorts of hard foam. The idea is to create a renewable carbon source.

Industrial testing will be needed to estimate large-scale production costs of by-products based on the new molecule and the length of time it will take such plastics to decompose.

VEIRANO ADVOGADOS
Government & Regulatory...

POLITICS, LAW, SOCIETY

Politics in brief

Municipal elections on ice?

Health Minister Luiz Henrique Mandetta on 22 March defended the idea of postponing municipal elections, set for October. He suggests that keeping the current date will encourage the politicization of efforts to tackle the coronavirus pandemic.

Polling on the health minister

In a recent Datafolha poll, some 55 percent of respondent believed that Health Minister Luiz Henrique Mandetta was doing a "great" or "good" job in this vital portfolio. The ministry has launched an online platform to monitor the pandemic and announced that it will obtain 245 million protective face masks.

Mandetta has warned that the health system could collapse by the end of April without significant support, but expects Covid-19 cases to plateau by July and begin falling in September.

Mandetta, who is a doctor, has been clashing with President Jair Bolsonaro over the appropriate approach to the pandemic, and the president has put his minister on notice that he expects not to be contradicted publicly.

Legal issues

Transparency at risk?

On 26 March, Supreme Court Justice Alexandre de Moraes suspended parts of a decree issued on 22 March that waived deadlines for government bodies to ...



PHOTOGRAPH: PETTY OFFICER 1ST CLASS HUEY YOUNGER/US NAVY

US Southern Command (SOUTHCOM) is going to be receiving more ships and other assets on a rotational basis

Defense issues

Sending in the army

On 18 March, the Brazilian Army was deployed near the border to stop the entry of Venezuelans in order to slow the spread of Covid-19, in an operation planned to continue until at least 2 April.

Operation Covid-19 also makes military personnel, operations, and logistics resources available to support Brazilian health and public security agencies. Representatives from the three forces coordinate and plan activities from a joint operations center in Brasília.

SOUTHCOM gets more assets

US Southern Command (SOUTHCOM) is going to be receiving more ships and other assets on a rotational basis to counter high-seas drug trafficking and the growing influence of Russia and China in Latin America.

The move comes amid Pentagon budget funding cuts of about 20 percent to security programs that help Latin American partners combat drug cartels. SOUTHCOM commander US Navy Admiral Craig S. Faller announced the enhanced presence of ships, aircraft and security forces to counter a range of threats, including narco-terrorism, and referred to the need to get more local partner nation participation to offset program defunding.

Faller made his comments on 12 March, but the Southern Command has been complaining for years of chronic underfunding and under-resourcing compared to other combatant commands. ...

respond to data requests by way of the Access to Information Act. The decree had thus permitted public administration to delay responding to requests until the end of the year, or as long as Brazil is in a state of emergency.

The decree was interpreted as a move to make use of the crisis caused by the Covid-19 pandemic to strike a blow at governance transparency.

Campaign funds against coronavirus?

Judge Reis Friede of the Second Federal Court of Appeals has overturned a decision of the Rio de Janeiro 26th Federal District Court that granted President Jair Bolsonaro and Senate president Davi Alcolumbre 96 hours to decide whether federal election campaign funds could be transferred to efforts to combat the coronavirus.

The electoral campaign fund, of almost US$400 million was created to fund political parties in their campaigns in the municipal elections this October.

Social issues

Virus snapshot

Almost 50 percent of critical Covid-19 cases in Brazil are among under-60s – and 10 percent of deaths. Deaths among men outpace those among women, 61 to 39 percent, and 84 percent of deaths are of patients with at least one other health risk factor. By far the greatest number of fatalities have been in the populous São Paulo state.

The *Lancet* medical journal warns that Brazil could have as many as 1.15 million deaths – and most of the population, 188 million people, infected – if it does not get to grips with the pandemic. ...

UN maritime taskforce

The Brazilian Navy's Niterói-class frigate *Independência* left the Port of Natal on 16 March to join the Maritime Task Force of the United Nations Interim Force in Lebanon, *Shepard News* reports.

Brazil has been involved with the mission since 2011 and *Independência* is the sixth vessel deployed. It has a crew of 200 and will operate in the Middle East until December.

The ship will carry out maritime and littoral security missions and train members of the Lebanese Navy.

Helicopter support center

Italian aerospace, defense, and security company Leonardo has announced the construction of a new helicopter support center in Itapevi, near São Paulo, to be completed by the final quarter of this year.

The support center will host maintenance hangars, bonded warehouses, workshops, and a dedicated heliport, while providing customers with spares, maintenance, product support, and engineering services for helicopters such as the AW109, AW119, AW139, AW169, and AW189.

More than 190 Leonardo helicopters are in operation in Brazil for functions such as law enforcement and naval missions.

VEIRANO ADVOGADOS
Dispute Resolution - Arbitration...

PHOTOGRAPH: ADAM JONES, PH.D./WIKIMEDIA COMMONS



With the outbreak of the coronavirus, seven out of 10 families in the favelas have experienced a decline in income

Favela watch

Some 13.6 million Brazilians live in favelas – unregulated low- and middle-income slum neighborhoods – throughout the country, many without regular water supply. These areas are typically largely ignored by formal authorities. Among favela residents with jobs, only 19 percent are formally employed, while 47 percent work autonomously.

With the outbreak of the coronavirus, seven out of 10 families in the favelas have experienced a decline in income, according to a survey of more than 1,000 residents in 262 communities conducted by the Data Favela research institute.

Some 86 percent of respondents are finding that work activity or sales are falling, and 80 percent are cutting expenses.

Two in three would be unable to pay their bills if they lose their primary source of income, and 86 percent say they would struggle to buy food after a month.

World Bank support

Rapid urbanization, inadequate planning, insufficient service provision, and climate change have increased exposure to natural hazards and extreme events such as floods, landslides, and storms in Brazil.

The southern states of Paraná, Santa Catarina, and Rio Grande do Sul are the ones most affected. Currently, more than 700,000 people in over 144 municipalities live in disaster risk areas, according to government data, most with annual income below minimum wage level.

Now, according to *Modern Diplomacy*, the World Bank board of directors has approved two loans of €44,800,000 each for the Southern Brazil Urban Resilience Program. The six-year project will finance a credit line to reduce the social and economic impact of natural disasters in the region. The Southern Brazil Regional Development Bank (BRDE) will act as a financial intermediary for lending primarily to small and medium Brazilian cities interested in resilience-focused investments.



PHOTOGRAPH: SCOTT BAUER, USDA ARS/WIKIMEDIA COMMONS

Reuters reports that China has resumed imports of Brazilian meat in high quantities, after a slowdown in January and February due to the pandemic

Diplomatic briefs

Rift with Venezuela

On 5 March, Brazil recalled its entire corps of four diplomats and 19 foreign service officials from its embassy and consulates in Venezuela. It also told the Venezuelan government to withdraw its representatives in Brazil. The Brazilian government currently recognizes the Venezuelan ambassador to Brazil appointed by opposition leader/ acting president Juan Guaido, rather than by Nicolás Maduro. An estimated 10,000 Venezuelans live in Brazil.

International trade

China is buying again

Reuters reports that China has resumed imports of Brazilian meat in high quantities, after a slowdown in January and February due to the pandemic. Prices are not back to where they were at the end of 2019, but the weak Brazilian currency has helped significantly.

The Brazilian real has fallen some 25 percent against the US dollar since the beginning of 2020.

No promises from Trump

When Jair Bolsonaro and Donald Trump met in early March, they sounded the usual positive notes about their relationship, indicating that their respective trade officials had been instructed to "deepen discussions" about a bilateral trade package.

The accompanying press release stated that they had also discussed expediting Brazilian participation in the US Trusted Trader program with the goal of entry in 2021. The program streamlines commerce by ensuring the security and safety of imported goods.

Notably, however, Trump replied "I don't make any promises" when asked if the United States would forgo steel and iron tariffs on the southern 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

Coronavirus taskforce

The outbreak of Covid-19 is drastically affecting how our clients and their clients conduct business, and how each of us behaves. For that reason, Veirano Advogados has organized a multidisciplinary task force with lawyers from different practice areas to assist clients in their responses. More information ...

Two associates promoted

We begin the year with the promotion of two associates to partner level. Diego Lerner is a member of the Corporate & Mergers and Acquisitions, Commercial Contracts, and Real Estate practices, based in Porto Alegre. Edson Schueler Jr is a member of the Dispute Resolution practice in Rio de Janeiro. Continue reading...

M&A deal advice burgeoning

With 84 M&A deals amounting to R$10 billion, Veirano is near the top of the Transactional Track Record (TTR) league table, maintaining the growth rate of recent years. In the technology and telecom sector, our team of specialists came first. Continue reading...

...

Chambers Global 2020

Chambers Global has recognized Veirano Advogados as a leading firm in 15 practice areas, ranking among Brazilian firms with the highest number of recognitions. The publication also recognized 21 lawyers as leaders, with a total of 22 recognitions, including managing partner Ricardo Veirano for his work in Corporate/M&A. Continue reading...

World Trademark Review 1000

The recently released 2020 edition of WTR 1000 recognized Veirano Advogados as a silver-tier leading firm in trademark law, highlighting our "business-focused and results-driven IP department that consistently goes the extra mile to deliver great client service." Four professionals on the IP team were also recognized: Valdir Rocha (gold), Isabel Boardman (silver), Fábio Pereira (bronze), and Mauricio Maleck (bronze). Continue reading...

Client alerts

CVM rules on debentures

The Brazilian Securities and Exchange Commission (CVM) has issued Instruction 620, which provides for the acquisition of debentures of a company's own issuance, pursuant to article 55, paragraphs 2 and 3 of Law No. 6404 of December 15, 1976, as amended (Brazilian Corporate Law and ICVM 620). The instruction is based on the draft published in CVM's Public Hearing Notice SDM No. 06/19 of September 4, 2019. Continue reading...

CVM Covid-19 guidelines

As consequence of the global dissemination of Covid-19, CVM has issued guidelines to Brazilian listed companies and financial intermediaries that operate in Brazilian capital markets. The guidelines require Brazilian listed companies to disclose the impact of Covid-19 in their financial statements. The possible stress on financial intermediaries due to the increased number of daily transactions carried out in capital markets is also touched upon by the CVM. Continue reading...

No tariffs on Covid-19 goods

On 18 March, the Brazilian Chamber of Foreign Trade (CAMEX) published Resolution No. 17/2020, reducing to zero the import duty applied to a list of goods used to fight Covid-19. The measure is to be enforced until 30 September. Continue reading...

São Paulo environmental correction program

São Paulo state is now regulating the environmental compliance of rural properties by means of the Environmental Correction Program, according to Federal Law No. 12,651/2012 and State Law No. 15,684/2015. Continue reading...

Prize draws on television

Provisional Measure No. 923/2020 was published in the federal *Official Gazette*, noting changes to Article 1 of Law No. 5,768/1971. The law regulates the free distribution of prizes for the purpose of advertising, allowing local television networks to broadcast the drawing of prizes. Continue reading...

5G technology bidding

The Ministry of Science, Technology, Innovations, and Communications has launched a process to adopt 5G in Brazil, publishing Ordinance No. 418/20 to establish guidelines for bidding on the spectrum bands that will be used for the implementation of this technology. Continue reading...

Revising the PPI

Created in May 2016 during the administration of President Michel Temer and governed by Law No. 13,334, the Investment Partnerships Program (PPI) is intended to expand and strengthen interaction between the state and the private sector through PPP contracts for the execution of public infrastructure projects and other privatization measures. Decree No. 10,245 now revises significant aspects of the program to give the Ministry of Economy greater clout and to introduce more flexibility. Continue reading...

Brazilian capital abroad

Individuals and legal entities resident or domiciled in Brazil that have assets and amounts outside the Brazilian territory must declare that information to the Central Bank of Brazil. Those with assets of US$100,000 or more as of 31 December 2019 must provide an annual declaration by 6 April 2020. Continue reading...

Domestic e-waste

Decree 10.240/2020 has been published to regulate the structure, implementation, and operation of the take-back system for domestic used electronic waste and their components. The system will be implemented on 21 January 2021. Continue reading...

Biological diversity rules

Two decrees have been published to modify regulations governing the National Program for Biological Diversity (PRONABIO) and Amazonia's National Council. The first changes the composition and powers of PRONABIO and the second transfers the Council from the Ministry of Environment to the Vice-Presidency. Continue reading...

...

Managing GMOs

Mercosur is the first economic bloc to establish a standard for managing low levels of genetically modified organisms (GMOs) among member states. The Brazilian Ministry of Agriculture has now published an ordinance to incorporate Brazil into the Mercosur resolution on GMOs. Continue reading...

Economic Freedom Act

The Chico Mendes Institute for the Conservation of Biodiversity (ICMBio) and the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) have published ordinances that exempt their activities from the tacit approval of economic activities that applies under the Economic Freedom Act. Continue reading...

Environmental fines

The Ministry of Environment jointly with IBAMA and ICMBio has published Ordinances No. 1, 2, and 3, regulating the federal administrative process related to environmental violations and the procedure for conversion of environmental fines into conservation projects. Continue reading...

National Mining Agency waiting period

Resolution No. 22 of the National Mining Agency (ANM) sets forth a waiting period approval system for administrative acts within the competence of the agency. The waiting period will be triggered as of the date of filing of the complete application with all information necessary for its analysis and for the practice of the intended administrative act. Continue reading...

Trade remedy proceedings

SECEX Ordinance No. 13 modifies the rules of public interest proceedings on trade remedy investigations with respect to timing, the participation of foreign producers/exporters, confidentiality, and the suspension of measures. Continue reading...

Brazil–India cooperation

In New Delhi, representatives of Brazil and India signed the Agreement on Investment Cooperation and Facilitation (ACFI), among other 15 agreements and memoranda. Continue reading...

Publications

New franchise law

Partner Valdir Rocha and associate Isabel Boardman have contributed an article to the *INTA Bulletin* about the new Brazilian franchise law, detailing its specifications and modifications. Continue reading...

O advertising to children

Valdir Rocha and associate Lígia Alvarenga have published an article with the Global Advertising Lawyers Alliance (GALA), commenting on an agreement established between Google and the São Paulo Public Prosecutor's Office. The internet company had committed itself to work with the National Council for Advertising Self-Regulation (CONAR) to develop a guide focused on online advertising to children. Continue reading...

Coronavirus questions and answers

Partner José Carlos Wahle has written an article to *Ius Laboris* answering important questions for employers in Brazil on how to respond to the Covid-19 pandemic, including the possibility of operational shutdowns and medical leaves for employees. Continue reading...

On the horizon for employment law

Partner José Carlos Wahle has contributed an article to *Ius Laboris* covering important topics for Brazilian employers in 2020. The topics include constitutional issues in the 2017 Labor Reform, the Data Privacy Law, and political tensions that might affect Mercosur. Continue reading...

VEIRANO ADVOGADOS

VistaBrazil March/April 2020