
BRAZIL AT A GLANCE

CESCON
BARRIEU

INDEX

Explore how our strategic vision and integrated approach drive sustainable growth and lasting partnerships. With a proven track record of excellence, innovation, and client-focused solutions, we deliver value across diverse industries and practice areas.

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ABOUT US

We work in an integrated manner across all areas of law, always mindful of how each legal decision affects the broader business landscape. **We simplify complexity and anticipate risks by combining technology, data, and intelligence.**

We have presence in over **30 practice areas across all industries**. This, combined with our commitment to excellence, innovation, and delivering real value to our clients, has **resulted in our recognition by the Latin American Corporate Counsel Association (LACCA) for our bold representation of Latin America's 100 largest companies.**

Additionally, our strong capacity to deliver legal solutions enables us to **represent clients in over 50 countries**. More than technical expertise, we believe our true difference lies in the intelligent connection of experience, close client relationships, and strategic vision.

+70

Partners

7

New Partners
in 2025

+550

Members

+30

Practice
areas

➞ ACCESS OUR NEW POSITIONING

- Recognized as an **Elite Firm** for the 6th consecutive year.
- **5 offices in Brazil** and the first with a project to develop the **Canadian market**.
- **One of the leaders in financing and debt securities**.
- Advice on our clients' **most strategic disputes**, representing them in disputes before several arbitration institutions.
- **Reference in business law**, with over 50 awards for transactional work and antitrust clearances.
- Top ranked in **Transactional areas** (M&A, Capital Markets, Banking, Project Finance, Project Development) and **Mining**.

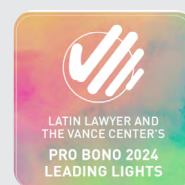
GLOBAL PRESENCE ACROSS ALL ECONOMIC SECTORS, STRUCTURED INTO FOUR DESKS

NORTH AMERICA

LATIN AMERICA

ASIA PACIFIC

EUROPE, THE MIDDLE EAST AND AFRICA



OUR CREDENTIALS

- **Latin Lawyer Deal of the Year Awards 2024: Restructuring** – Americanas gets Chapter 15 approval for restructuring plan
- **LatinFinance Awards 2025 Equity Follow-On of The Year** – Sabesp Privatisation
- **TTR Data: Deal of the Year, Brazil 2024** – Acquisition of 15% of Sabesp by Equatorial Energia
- **LatinFinance Awards 2024 Oil & Gas Financing of the Year** – Yinson Production Offshore
- **TrustLaw Powered by Pro Bono Award 2024** – Navigating Drone Laws: How the Power of legal pro bono is supporting global reforestation.
- **IFLR Americas Awards 2024, Deal of the Year: Restructuring** – Samarco reorganisation plan
- **Latin Lawyer Deal of the Year Awards 2023: Disputes** – Telefónica, América Móvil and TIM settle Brazilian M&A dispute with Oi
- **Latin Lawyer Deal of the Year Awards 2023: Restructuring** – Samarco enforces judicial reorganisation plan
- **LatinFinance Awards 2023 Restructuring of the Year** – LATAM \$2.75 billion DIP financing
- **LatinFinance Awards 2023 Corporate Local Currency Deal of the Year: Capital Markets** – Eletrobras \$1.35 billion 4th issuance of debentures
- **IFLR Americas Awards 2023 Deal of the Year: Restructuring** – LATAM Airlines Group
- **Golden Tombstone 2023: M&A** – Auren Energía (Project Bonder)
- **Golden Tombstone 2023: Debt** – Project CCR Lines 8 and 9 – São Paulo
- **Latin Lawyer Deal of the Year Awards 2022: Restructuring** – LATAM Airlines exits Chapter 11
- **LatinFinance 2021 Water Sanitation Financing of the Year** – Corsan's Green Bond
- **Latin Lawyer Deal of the Year Awards 2021: Banking & Finance** – LATAM Airlines DIP Financing
- **IFLR Americas Awards 2021 Deal of the Year: Loans** – LATAM Airlines DIP Financing
- **Latin Lawyer Deal of the Year Awards 2019: Disputes** – CCPR and Lactalis dispute for Itambé

- **Latin Lawyer Deal of the Year Awards 2019: Public M&A** – Suzano/Fibria
- **LatinFinance 2019 Project & Infrastructure Finance Awards: Local Currency Financing of the Year** – EDP Debentures
- **ITR Americas Tax Awards 2019** – Suzano M&A
- **GRR Awards 2019: Cross-border cooperation in a specific restructuring or insolvency matter** – Oi's restructuring
- **IFLR Americas Awards 2019 Restructuring Deal of the Year** – Oi's restructuring
- **Latin Lawyer Deal of the Year Awards 2018: Restructuring** – Oi's restructuring
- **Latin Lawyer Deal of the Year Awards 2018: Public Mergers and Acquisitions** – Eletropaulo
- **LatinFinance 2018 Best Corporates in the Capital Markets: M&A Strategy** – Suzano M&A
- **The American Lawyer 2018 Global Finance Deal of the Year: Restructuring** – Oi's restructuring
- **Turnaround Atlas 2018: Cross-border Turnaround of the Year** – Odebrecht judicial restructuring
- **GRR Awards 2018: Cross-border cooperation in a specific restructuring or insolvency matter** – Seadrill
- **IFLR Americas Awards 2018 Restructuring Deal of the Year** – Odebrecht judicial restructuring

BRAZIL'S HOT TOPICS

⊕ TAX REFORM

⊕ EXOTIC ASSETS

⊕ INFRASTRUCTURE

⊕ TELECOM

⊕ CRITICAL MINERALS

⊕ ENERGY TRANSITION

⊕ ENVIRONMENTAL LAW AND ESG



TAX REFORM

The Tax Reform, which was approved by the House of Representatives on July 7, 2023, **introduces** significant **changes** to Brazil's tax landscape. **One of the reform's main features is replacing** existing consumption taxes with new ones that aim to streamline the tax process, **improve** transparency for taxpayers, and address **challenges rooted** in a system that has been in place since the 1960s, potentially **reducing** or eliminating **long-standing** issues.

To help you **understand** how the reform may affect businesses across various sectors, our team of specialists has **prepared** a summary of **its** key elements and proposed changes, **together with** their potential implications for enterprises.

WHAT IS THE TAX REFORM

A reform of the taxation of consumption, changing taxes and bases on these principles:



SIMPLICITY



TRANSPARENCY



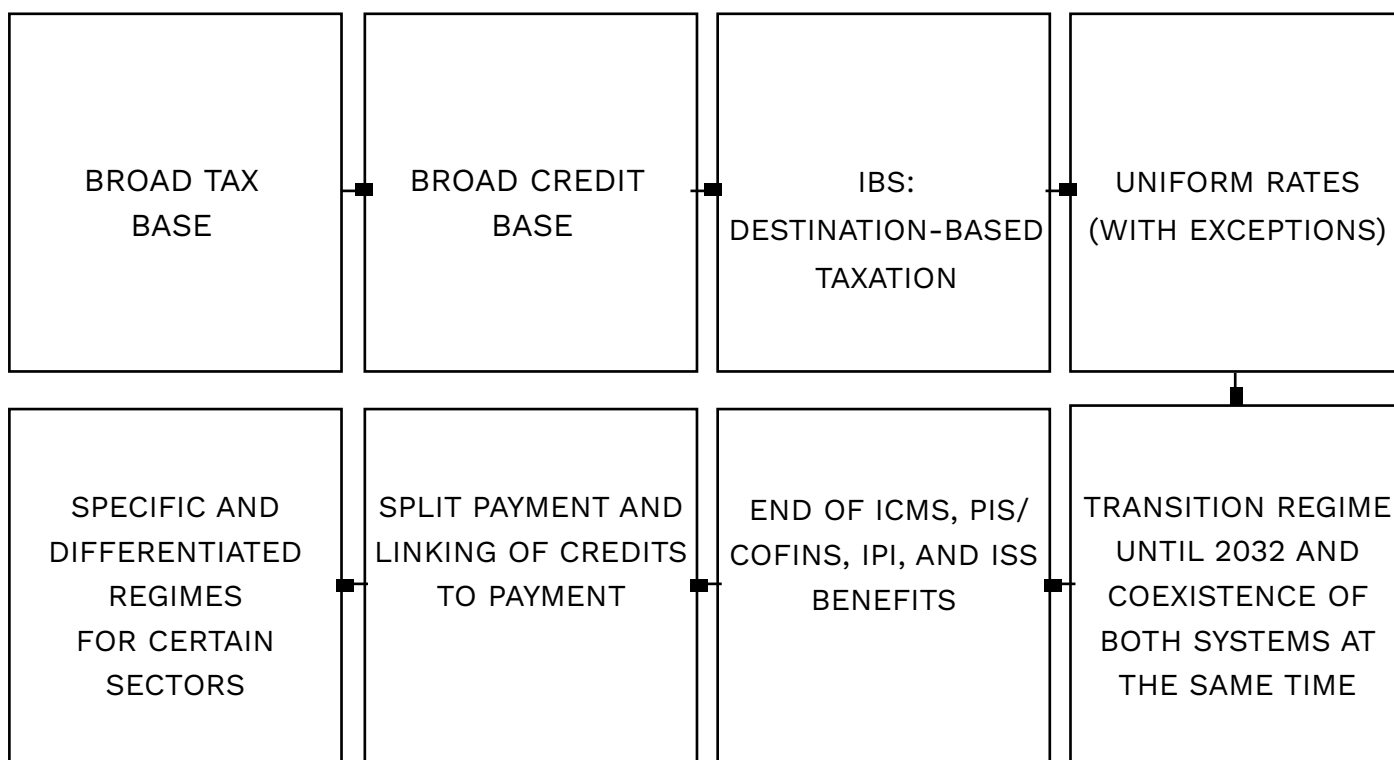
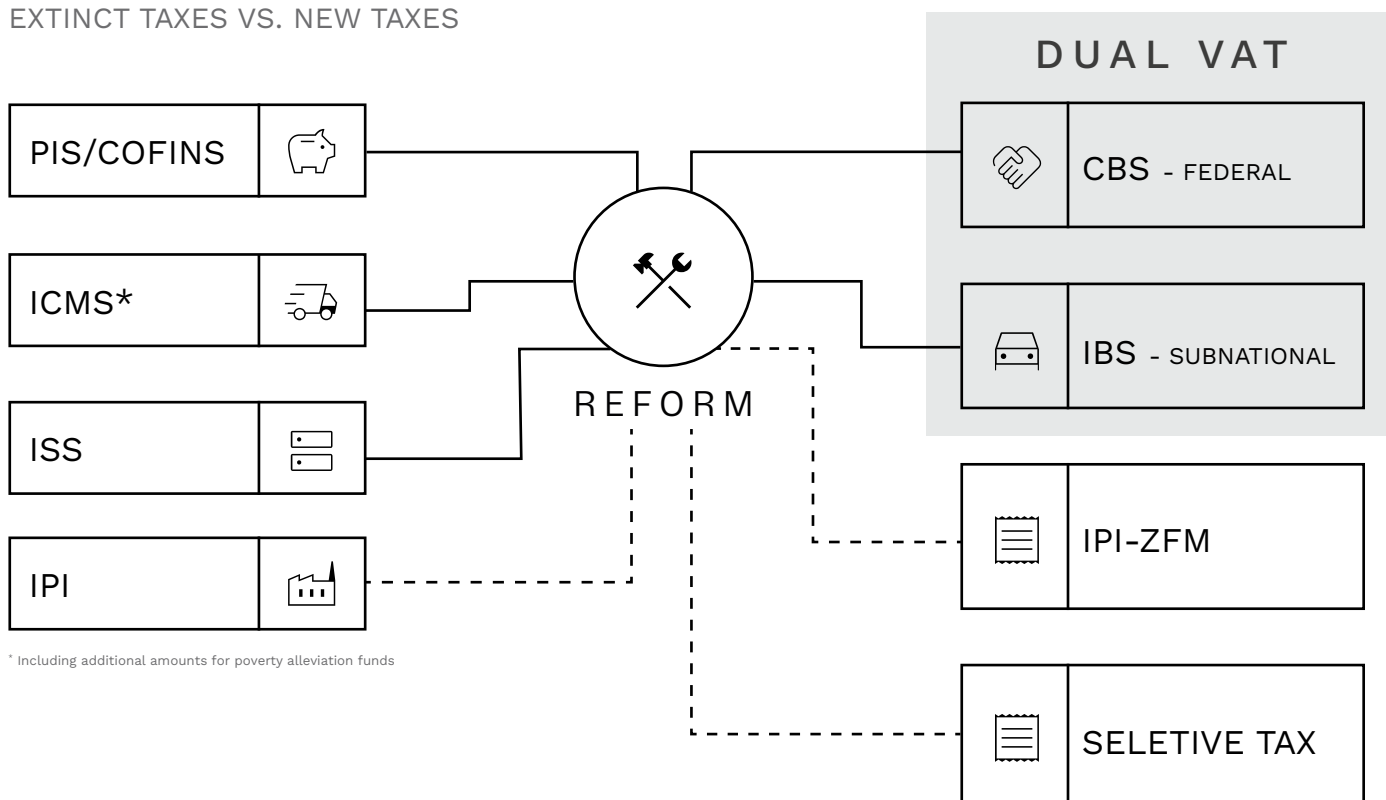
TAX FAIRNESS



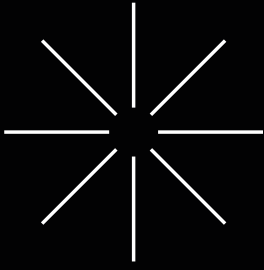
BALANCE AND
ENVIRONMENTAL DEFENSE

WHICH TAXES ARE AFFECTED?

EXTINCT TAXES VS. NEW TAXES



⊕ BACK TO MENU



EXOTIC ASSETS

Innovative financial instruments with complex or non-traditional structures, exotic assets propose an alternative to conventional investments for investors looking for “high risk-high reward” alternatives outside of traditional securities such as shares or debentures. For companies, exotic assets reduce bureaucracy, lower costs, and accelerate fundraising timelines, using a digital approach to diversify their funding sources and access capital markets more efficiently.



RISKS

- Pricing challenges due to unusual or complex structures.
- Lower liquidity compared to traditional assets.
- Susceptibility to unforeseen market events, potentially resulting in sudden losses.



OPPORTUNITIES

- Portfolio diversification, as exotic assets may show lower correlation with mainstream markets.
- Potential for higher returns in volatile scenarios.
- Customized financial solutions for companies and investors seeking specialized opportunities.

They include structured derivatives, securitizations backed by unusual collateral, and transactions that hinge on specific credit rights. Because of their complexity, they require a high degree of technical understanding and greater diligence in assessing applicable legislation and regulatory framework of the Brazilian Securities Exchange Commission (“CVM”), as well as legal risks involved. The table below showcases some examples of exotic assets in Brazil:

EXOTIC ASSET	BRIEF DESCRIPTION	RELEVANT LEGAL FRAMEWORK
Tokenization	Crypto-assets are digital assets secured by cryptography and stored or transacted via Distributed Ledger Technologies (DLTs) or blockchains, typically represented by intangible digital tokens. Globally, regulatory discussions acknowledge the cross-border nature of these assets, highlighting the need for coordinated approaches. In Brazil, the CVM classifies crypto-assets as payment, utility, or asset-backed tokens, and only regulates those considered securities—such as tokenized securities, receivables certificates, and publicly offered collective investment contracts—using the Howey Test ¹ to determine classification.	• Law No. 6.385/76 (Capital Markets Law) • Law No. 14.478/22 (Digital assets Law) • CVM Guidance Opinion No. 40 (defines crypto-assets considered securities) • Circular Letter CVM/SSE 6/2023, which clarify the treatment of receivables or fixed-income tokens as securities
SME's asset backed securities	Securities backed by SMEs ² —defined as companies with annual revenues under R\$500 million—can be listed on BEE4 ³ , Brazil's first regulated market for tokenized SME shares, launched in 2022 via the CVM sandbox. Using blockchain for transparency and efficiency, BEE4's model helped shape the CVM's “FÁCIL regime” proposal to ease capital access for smaller firms.	• Law No 182/21 (Startup Law) • CVM Resolution No. 88/24 (crowdfunding regulations and public offering in digital platforms) • CVM Public Consultation 01/24 for future regulations of the Facilitation of Capital Access and Listing Incentives (known as FÁCIL)
Derivatives with underlying ESG and climate risk features	Derivatives are financial instruments whose value comes from underlying assets like commodities or financial indicators ⁴ . Climate derivatives, a subset, help manage weather-related risks in sectors such as agriculture, energy, insurance, and tourism. For instance, farmers can protect their crops from droughts or frosts, energy companies can manage supply and demand fluctuations, insurers can cover large-scale weather events, and tourism businesses can safeguard against unfavorable weather. Tied to variables like temperature or rainfall, they include options, swaps, and futures. While they offer protection against weather volatility, challenges include complexity, limited data, and low liquidity. ⁵	• Law No. 6.385/76 (Capital Markets Law) • CMN (Conselho Monetário Nacional) Resolution No. 5.070/23 • CVM Resolution No. 135/22

¹Available at: <<https://www.gov.br/cvm/pt-br/acao-a-informacao-cvm/perguntas-frequentes-da-cvm/criptoativos-quando-se-aplicam-as-:-:text=A%20CVM%20tem%20compet%C3%Aancia%20regul%C3%B3ria,de%20investimento%20coletivo%20ofertados%20publicamente>>

²Available at: <<https://www.infomoney.com.br/colunistas/convidados/simplificacao-e-inovacao-regime-facil-abre-portas-para-empresas-de-menor-porte-no-mercado-de-capitais/>>

³Available at: <<https://bee4.com.br/blog/bee4-completa-dois-anos-mercado-de-capitais/>>

⁴Available at: <<https://borainvestir.b3.com.br/tipos-de-investimentos/renda-variavel/o-que-sao-derivativos-para-que-servem-e-como-investir/#:~:text=Como%20o%20pr%C3%B3prio%20nome%20sugere,negociados%20na%20bolsa%20de%20valores.>>

⁵Available at: <<https://farmnews.com.br/mercado/derivativos-climaticos/>>

Crypto ETFs (Exchange Traded Fund)	ETFs are investment funds that track the performance of a specific index, such as the Ibovespa or other indices recognized by the CVM. They offer investors diversified exposure to multiple assets through a single product, with lower costs and greater liquidity, as they are traded on stock exchanges like regular shares.⁶ A cryptocurrency ETF is a fund traded on stock exchanges that mirrors the performance of digital assets like Bitcoin. In Brazil, options like HASH11 and QBTC11 allow investors to gain exposure to crypto markets through regulated, diversified products without directly holding cryptocurrencies. These ETFs offer convenience and liquidity but remain subject to crypto market volatility⁷.	• Law No. 14.478/22 (Digital assets Law) • CVM Resolution No. 715/202 (Investment Funds) • CVM Guidance Opinion No. 40 (defines crypto-assets considered securities)
COE (Certificado de Operações Estruturadas)	COEs are structured investment products in Brazil that combine fixed and variable income features. They offer predefined return scenarios and are linked to assets like interest rates, currencies, commodities, or stock indices. There are two types: principal-protected, which return the initial investment, and at-risk, which offer higher potential returns without principal guarantee. COEs suit investors seeking diversification and tailored risk exposure⁸.	• Regulated by the Central Bank, COEs are issued by banks and registered with B3. • Law No. 12.249/10, introduces COE as bank issued securities • CMN Resolution No. 4.263/13

The issuance of exotic assets in Brazil presents legal challenges, as regulatory developments often trail behind market innovation. A notable example is the CVM's decision regarding Dynasty Global Investments' DYN token. While the CVM's SSE argued that the token resembled a collective investment contract due to mechanisms like Buyback and Burn linked to real estate cash flows, the CVM ultimately concluded that DYN did not meet the legal criteria for a security. The majority of the board found that the token lacked essential features such as a right to remuneration, and any value appreciation would result from market behavior rather than the issuer's efforts.

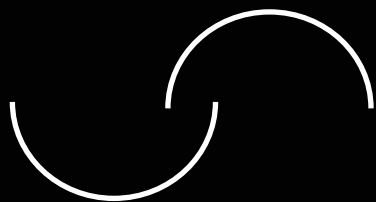
Specialized legal counsel is key to structuring and negotiating exotic assets, safeguarding the interests of issuers, underwriters and other stakeholders. A collaborative approach allows attorneys with in-depth expertise in capital markets, CVM regulation and corporate and securities laws to evaluate contractual terms, disclosure obligations, and anticipate potential legal risks, while also taking steps to prevent litigation. The legal advisor further streamlines dealings with public authorities and ensures compliance with current regulations, facilitating legitimacy and security in exotic-asset transactions.

⁶Available at: <<https://www.gov.br/investidor/pt-br/investir/tipos-de-investimentos/etfs#:~:text=Os%20fundos%20de%20C3%ADndice%2C%20ou,a%C3%A7%C3%B5es%20ou%20de%20renda%20fixa>>

⁷Available at: <<https://www.infomoney.com.br/guias/o-que-e-etf-de-criptomoeda/>>

⁸Available at: <https://www.b3.com.br/pt_br/produtos-e-servicos/registro/operacoes-estruturadas/certificado-de-operacoes-estruturadas-coe.htm>

⁹Available at: <https://conteudo.cvm.gov.br/decisoes/2024/20240430_R1/20240430_D3015.html>



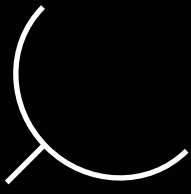
INFRASTRUCTURE

Public-Private Partnership (PPP) projects in Brazil have expanded beyond the traditional areas of investment, such as highways, urban mobility, and sanitation. A variety of initiatives have emerged, particularly at the municipal level, focusing on social infrastructure, which encompasses the essential infrastructure required to provide services related to citizens' fundamental rights, including health, education, and housing.

Notably, PPP projects in social infrastructure have gained traction across administrations of both left- and right-leaning political parties, **helping to** counteract ideological biases **present in certain segments** against the adoption of PPPs. This bipartisan support underscores the growing recognition of the value that PPPs can bring to public services and community development.

The primary challenge hindering the further development of PPPs in various municipalities and states is the **tax-related aspect**. Many of these entities possess limited assets to provide the necessary guarantees that are critical for the success of such projects in Brazil. Additionally, all sub-national entities are currently prohibited from issuing debt.

In response to this situation, the National Treasury has recently announced its intention to facilitate the provision of sovereign guarantees to enable financing for PPP projects by sub-national entities that meet specific criteria related to sound **tax** governance. This initiative has the potential to unlock numerous PPP opportunities in the region, fostering growth and development in areas where public-private collaboration is essential.



TELECOM

In recent years, Brazil's telecommunications, media, and technology industry has experienced notable growth, **mirroring global trends**. This sector **has benefited** from various government initiatives **aimed at fostering its growth**. Furthermore, the COVID-19 pandemic **has further catalyzed** its expansion, **amplifying** its dynamism and competitiveness as the demand for remote connectivity and entertainment surged.

In 2024, Brazil's IT services sector **is projected** to grow by **12%**. In 2023, the nation **allocated approximately** USD 50 billion to this industry, **thereby elevating** its ranking to the **tenth** position globally. The year was characterized by significant market expansions, **fueled by** modernization and digital transformation.

Cybersecurity **continues** to present significant growth opportunities, alongside the rollout of 5G networks, as businesses strive to capitalize on the newly accessible spectrum.

In the first quarter of 2024, the Brazilian media market **registered** a remarkable **24%** growth, **reaching** revenues of BRL **4.5** billion. This surge **represents** a significant milestone in the post-pandemic recovery of the advertising sector, which faced substantial challenges in 2020 and early 2021.

When comparing the period from January through March 2021 with the same timeframe in 2023, all media segments **recorded** growth.

OVERVIEW OF BRAZIL'S TELECOMMUNICATIONS SECTION

The internet continues to be the primary channel fueling overall growth through advertising investments. In the first quarter of 2024, media purchases reached BRL 1.660 billion, **representing** an increase from BRL 1.259 billion during the same period in 2023.

In the first quarter of 2024, the telecommunications sector **has invested** BRL 7.6 billion. In 2023, telecommunications companies allocated BRL 35 billion, marking a 13% decline compared to the BRL 40.2 billion invested in 2022.

The outlook **anticipates** an increase in capital allocation in the coming years **driven by** digital transformation, advancements in innovative technologies, and government investments **along with** public policies. Furthermore, the establishment of new universalization obligations within spectrum auctions is expected to **promote** the growth of the sector.

A report released by ANATEL in January 2024 indicates that fixed broadband services increased by 4.1% in 2023 compared to 2022, reaching 47.2 million connections. By May 2024, this figure had risen to 49.7 million. Additionally, **regarding** 5G and telecommunications towers, Brazil is projected to more than double its network infrastructure sites, including towers.

A study conducted by SmC+ Digital Public Affairs in collaboration with American Tower forecasts a 150% growth in the sector by 2032, potentially reaching 170,000 transmitters. However, to attain comprehensive national mobile coverage, up to 1 million antennas will need to be installed, presenting significant opportunities for companies and investors.

Given the prevailing trends and outcomes, it is reasonable to conclude that the telecommunications, media, and technology (TMT) sector will continue to offer opportunities both now and in the future. We are **committed to supporting** you in this evolving landscape.

□ MAIN OPPORTUNITIES IN BRAZIL



PASSIVE INFRASTRUCTURE

The passive infrastructure market **continues to experience** significant growth, **largely** driven by the demand **for enhanced** coverage of mobile telecommunications networks and the rollout of 5G technology. This expansion **is primarily attributed** to the coverage obligations **established** during the recent radio spectrum auctions in the 700 MHz, 2.5 GHz, 3.5 GHz, and 26 GHz bands.

Service providers **are increasingly seeking** a variety of formats and types of **equipment**, including camouflaged antennas, street-level solutions, and small cells, **designed** for both **indoor and outdoor** applications. Connectivity solutions and 5G **technology** that leverage unlicensed spectrum (such as NR-V, Wi-Fi 6E, and Wi-Fi 7) **offer** significant opportunities for smart city initiatives. These advancements **promote** extensive use of “street furniture” and **encourage** collaboration between government entities and private sector partners.



FIBER OPTICS

Public policies in the telecommunications sector are centered on the expansion of fiber optic networks, recognizing the widespread demand for high-capacity connectivity. Investing in underserved areas and smaller or less competitive municipalities offers significant benefits across the board, making it a strategic opportunity for growth in the market.

Key industry players, including Internet Service Providers (ISPs) and InfraCos-telecommunications companies that own infrastructure without offering retail services-**are actively investing** in the construction and expansion of **high-capacity** networks, such as backbone, backhaul, long-haul, and access networks. There is a notable trend of market consolidation, **characterized by** the **acquisition** of small ISPs by regional providers, as well as the acquisition of fiber networks for wholesale offerings.



SPECTRUM

A recent amendment to the General Telecommunications Law has facilitated the establishment of a secondary spectrum market, **allowing for sharing, leasing, renting, or transferring** radio frequencies. This development is **expected** to enhance flexibility and efficiency within the telecommunications sector.

The implementation of **the** remedies resulting from the sale of movable assets **by** Grupo Oi has opened new avenues for entering the mobile services market. This **enables** spectrum sharing with incumbent players through frameworks enabled by the secondary use of frequencies, spectrum sharing, and Mobile Virtual Network Operators (MVNOs). Democratizing spectrum usage is a key priority for Brazilian policymakers.

Brazil is also experiencing a consistent trend toward balancing regulations **for both licensed and unlicensed spectrum**. Notably, the **recent** approval of 1,200 MHz for unlicensed use within the 6 GHz band **is encouraging** innovative business models that **leverage** restricted radiation. There is a proposal to revise the allocation of the entire 6 GHz band for unlicensed purposes, **facilitating** a hybrid approach that accommodates both IMT and Wi-Fi technologies.

Furthermore, ANATEL has **recently regulated** the technical and operational aspects of implementing private networks **with access to** spectrum in the 3.7–3.8 GHz and 27.5–27.9 GHz bands. Looking ahead, ANATEL **plans to** conduct three spectrum auctions over the next decade (in 2026, 2027, and 2029). These auctions will encompass the 700 MHz band, **for which the winning provider relinquished** the 5G authorization, the 600 MHz band intended for public broadcasting, the 6 GHz band, and various **lower-frequency** spectrum bands.



DATA CENTERS, ENERGY AND ESG

Similar to **global trends**, artificial intelligence databases in Brazil **require** substantial energy **due to** the processing of large data volumes. Research by Frost & Sullivan (August 2023) **indicates** that Brazil **commands** 60% of the total revenue in the data center market in Latin America. Its strategic location near major regional business **hubs positions** Brazil as a **key gateway** for companies seeking access to **Latin America's** largest market. Additionally, Brazil **offers** advantages for investors, including a special tax regime that **exempts** data center operators from federal taxes on imported IT equipment, such as the Import Tax (II) and the Tax on Industrialized Products (IPI), **thereby helping** to lower initial costs.

Despite the availability of **diverse** resources, many countries **continue** to rely on fossil fuels and non-renewable energy sources. Concurrently, there is a growing international trend **toward** decarbonization, **posing** the challenge of promoting the development of artificial intelligence while meeting the rising demand for cleaner energy. This situation **encompasses** the option of offsetting carbon emissions, particularly as numerous nations **work** toward an energy transition.

Consequently, many companies **are actively pursuing** investments in carbon credit generation projects **aimed at** reducing or capturing greenhouse gases from the atmosphere, **thus** helping to mitigate their emissions.

□ HOW CAN WE ASSIST YOU

Our TMT practice **is actively monitoring** and participating in public discussions **related to** the expansion of data centers in Brazil. We **are committed** to helping clients **capitalize on** market opportunities **arising from** current and forthcoming public policies. Given that data centers **are heavily reliant on** energy supply **to power** artificial intelligence databases, we support numerous clients in their **efforts to offset** emissions. This includes assisting technology companies **seeking** to engage in the carbon credit market, along with **exploring** other alternative solutions.

Our practice **covers multiple** areas and operates from the vantage point of both buyers and sellers of carbon credits. We also **work with** developers, financial institutions, and investment funds. Our services include **conducting** legal and socio-environmental audits, **facilitating** negotiations, drafting contracts, **assessing** tax impacts, **structuring** operations, **providing** legal consultations, and addressing a range of other related topics.



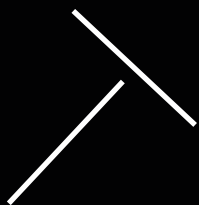
ARTIFICIAL INTELLIGENCE

Artificial intelligence (AI) has become increasingly prominent in Brazil, **driven** by a synergy of government initiatives, private sector investments, and a burgeoning digital ecosystem **focused** on innovation.

The Brazilian government has actively promoted AI development through the National Strategy for Artificial Intelligence (EBIA), initiated in 2021. This strategy aims to harness Brazil's technological strengths, innovation capabilities, and entrepreneurial spirit to address local challenges while creating new opportunities. The EBIA **focuses** on crucial areas such as legislation, ethical usage, AI governance, and international collaboration, potentially broadening market **opportunities** for tech companies operating in the country.

Additionally, a significant topic currently under discussion in the National Congress is Bill No. 2338/2023, **intended to regulate** AI in Brazil by defining guidelines for its development, promotion, and ethical use. The Bill proposes a risk-based approach, **implementing** different rules and governance measures based on the risks associated with AI systems. Should it be approved, Brazil could emerge as a leader in **advancing** responsible technology.

Furthermore, ANATEL has indicated its interest in **leveraging** AI for telecommunications services. In April 2024, ANATEL issued a Request for Comments to explore the role of connectivity infrastructure in **advancing** AI. The **insights** gathered from this request will inform ANATEL's strategy, which may lead to **adjusting** existing regulations or **introducing** new measures aimed at mitigating technological risks or **enhancing** its benefits.



CRITICAL MINERALS

The terms “critical minerals” and “strategic minerals” are frequently used to describe groups of minerals that are essential for a country’s economy, security, and defense. However, there is no universally accepted definition for these terms, prompting countries and economic blocs to create their own interpretations.

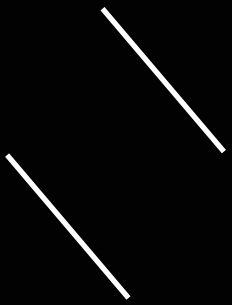
In Brazil, the 2030 National Mining Plan (PNM 2030) specifically employs the term “strategic minerals” to denote the country’s scarce, indispensable, or critical resources. Recently, this terminology has become more narrowly focused, particularly in the context of minerals required for the energy transition. The production of technologies such as wind turbines, photovoltaic panels, and electric vehicles depends heavily on these raw materials, highlighting the mineral-dependency of the energy sector.

The International Energy Agency (IEA) projects that demand for minerals in the energy sector could increase four- to six-fold by 2050. This remarkable surge in demand has prompted both countries and companies to compete vigorously for a secure long-term supply of these critical minerals.

Brazil is recognized for its abundant mineral resources, boasting substantial reserves of various minerals. Notably, Brazil ranks second only to China in rare earth reserves and holds the seventh-largest lithium reserves globally. Recent initiatives, such as the Sigma project in the Jequitinhonha Valley, have the potential to reshape Brazil’s lithium landscape. In May 2023, the Government of Minas Gerais launched the Lithium Valley, underscoring the state’s commitment to establishing a robust lithium market.

To support this vision, a variety of initiatives focusing on implementing regulatory and economic strategies are actively underway in Brazil, seeking to create a more favorable and attractive investment environment in the mining sector.

¹Available at: <https://bibliotecadigital.economia.gov.br/handle/123456789/895>



ENERGY TRANSITION

PARTICIPATION OF RENEWABLES IN THE BRAZILIAN ENERGY MIX

Brazil's energy matrix holds a distinctive position in the global context. According to the 2024 Brazilian Energy Balance, published by the Energy Research Company (EPE), approximately 50% of the country's total energy supply in 2023 originated from renewable sources. In comparison, EPE studies indicate that the global average share of renewables in the energy mix is just 14.7%. This places Brazil at a comparatively clean starting point in the global energy transition, influencing both regulatory strategies and the emergence of market opportunities in the renewable energy sector.

The expansion of renewable energy in Brazil has been greatly influenced by regulatory mechanisms and public policy instruments. One of the initial drivers was the creation, in 2002, of the Program for the Incentive of Alternative Electricity Sources - PROINFA, which provided guaranteed long-term contracts and regulatory support for wind, biomass, and small hydro projects. Within PROINFA, power producers were able to participate in auctions to sell energy to Eletrobras – at that time, a state-owned company –, as offtaker, pursuant to long term power purchase agreements – PPAs and under fixed and predetermined prices.

Meanwhile, Brazil developed a robust auction mechanism for contracting new energy in the regulated market – a framework in which utility companies purchase energy through auctions to supply their captive consumers under regulated tariffs. The design of these auctions allowed for the inclusion of specific products targeting renewable energy sources, promoting competition and delivering price signals aligned with policy objectives.

These mechanisms also enhanced bankability, attracting both domestic and international investment in clean energy infrastructure. Additionally, they contributed to the growing expertise of market participants within the Brazilian energy sector – an experience that proved crucial for the subsequent development of the free market, where parties are free to negotiate the terms and conditions of their power purchase agreements (PPAs).

Additionally, the use of economic incentives, especially Transmission and Distribution System Use Tariff (“TUST/TUSD”) discounts for so-called incentivized sources, played a critical role. These benefits reduced the cost of access to the grid specifically to renewable energies and were particularly relevant for self-producers and projects operating under PPAs executed in the free market. This approach enabled the deployment of large-scale wind and solar plants, especially in regions with abundant resources but located far from demand centers.

Another key development was the rapid growth of distributed generation (“DG”), primarily based on photovoltaic solar systems. Enabled by a supportive regulatory framework that evolved in step with the market over the past decade, DG empowered residential, commercial, and industrial consumers to become producers of energy, with the ability to inject surplus electricity back into the grid. This transformation introduced a more decentralized and sustainable model, opening space for innovation and consumer engagement.

Together, these initiatives redefined the structure of the electricity sector. The resulting diversification of players, business models, and energy supply technologies reinforced the emergence of a more dynamic and flexible power system.

More recently, the Brazilian government signaled a new phase in energy regulation. Provisional Measure No. 1,300/2025 introduced limitations on the application of TUST/TUSD discounts, restricting the benefit to contracts executed by the end of 2025. The measure also set out specific rules to prevent extensions or changes aimed at artificially maintaining access to subsidies. These adjustments indicate a shift in focus, as the original goals of expanding renewable generation capacity are now being re-evaluated under a cost-efficiency perspective.

ROLE OF THE NATURAL GAS IN THE BRAZILIAN ENERGY TRANSITION

The role of natural gas in Brazil's energy transition deserves particular attention. Although renewable sources represent a significant share of the national energy mix, Brazil's supply is heavily reliant on hydropower and other intermittent renewable sources, which are vulnerable to climatic variations, such as periods of water scarcity.

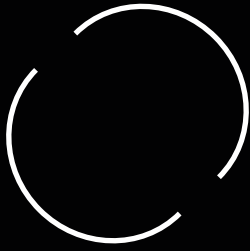
Given this context, the Brazilian energy system has been structured around hydropower, but often requires the dispatch of thermal power plants – particularly those fueled by natural gas – when natural conditions limit renewable generation.

Looking ahead, the installed capacity of thermal power plants is expected to continue growing from 2028 onward, reaching approximately 54 GW by 2034, underscoring their strategic role in ensuring system reliability and flexibility during the energy transition.

NEXT STEPS OF THE BRAZILIAN ENERGY TRANSITION

Moving forward, the discussion around integration, efficiency, new technologies and flexibility gains prominence. Investments in transmission infrastructure, the strategic use of storage systems and new technologies such as green hydrogen and offshore wind as well as the strengthening of the energy consumer form part of the ongoing regulatory and policy agenda.

In summary, Brazil's energy transition reflects the interaction between long-standing public policies and a changing regulatory framework influenced by new technologies and the need of flexibility imposed to the market. While recent measures point to an adjustment in the role of direct incentives, the foundations built over the past two decades continue to provide opportunities for new investments, business innovation, and technological development in the power sector.



ENVIRONMENTAL LAW AND ESG

CARBON CREDITS IN BRAZIL

Brazil's Ministry of Finance has developed a regulation regarding carbon credits, which institutes the Brazilian Greenhouse Gas Emissions Trading System (SBCE) and addresses the taxation of income derived from the sale of carbon credits.

A carbon credit is defined as a tradable, fungible asset that represents the actual reduction or removal of one ton of carbon dioxide equivalent emissions achieved through greenhouse gas reduction or removal projects outside of the SBCE. According to the draft regulation, two key components can be created and traded within the SBCE:

(i) Brazilian Emission Quotas: These are tradable, fungible assets representing one ton of carbon dioxide equivalent emissions. They may be allocated free of charge or for a fee to regulated facilities or sources, based on a National Allocation Plan established by the SBCE's management body.

(ii) Certificates of Verified Emission Reduction or Removal: These are also tradable, fungible assets that signify the effective reduction or removal of one ton of carbon dioxide equivalent emissions achieved through project activities. These projects must adhere to an accredited methodology and require registration under the SBCE, carried out in accordance with specific

provisions set forth by the SBCE's management body.

This regulatory framework aims to enhance the effectiveness and integrity of carbon trading in Brazil, fostering a more robust market for carbon credits.

To qualify as Certificates of Verified Emission Reduction or Removal within the SBCE, carbon credits must meet the following criteria:

- (i) They must originate from methodologies accredited by the SBCE's management body.
- (ii) They must be measured, reported, and verified by an independent entity in accordance with the established regulations.
- (iii) They must be registered in the SBCE's Central Registry.

The bill is currently in an advanced stage of the approval process, paving the way for the formal implementation of the SBCE framework.lthe established regulations.

- (iii) They must be registered in the SBCE's Central Registry.

CARBON DIOXIDE CAPTURE AND STORAGE

The Brazilian Government is taking active steps to combat climate change through the “Fuel of the Future Bill,” which seeks to regulate carbon capture and storage (CCS) activities. This legislation includes provisions to promote the use of sustainable fuels, such as green diesel and higher ethanol blends in gasoline, within the transportation sector.

Additionally, the Bill establishes guidelines for the capture and storage of carbon dioxide (CO₂). It grants the National Agency of Petroleum, Natural Gas, and Biofuels (ANP) the authority to approve and regulate CCS processes, which involve the geological capture and storage of CO₂. Furthermore, the ANP will be responsible for regulating the production, distribution, quality, and usage of synthetic fuels, such as “e-fuels,” which can replace traditional petroleum-based fuels without requiring modifications to existing engines.

Lastly, the Bill introduces the National Green Diesel Program (PNDV), mandating that a minimum percentage of green diesel be blended into fossil diesel, capped at 3% per year until 2037. Green diesel is a renewable fuel derived from sources such as plant-based oils and animal fats, underscoring Brazil's commitment to sustainable energy solutions.



Airline companies are mandated to gradually reduce their greenhouse gas emissions, starting with a 1% reduction by 2027 and culminating in a 10% reduction by 2037. These reductions are expected to be achieved through the increased utilization of sustainable fuels, aligning the aviation sector with broader climate goals.



The Bill revises the ethanol blending limits in gasoline, establishing a minimum of 22% and a maximum of 30%, subject to technical feasibility. This revision follows a historical blending share of 27.5% that has been in effect since 2015, reflecting a strategic shift toward greater flexibility in renewable fuel integration.

Federal Law No. 14,590/2023 facilitates the development of forest carbon credit projects and other environmental services within conservation units (protected areas) through a concession framework. Ownership of the forest remains public throughout the concession period, with concessionaires compensating the government with amounts that vary based on the bid prices submitted during the bidding process.

Under this concession model, sustainable management practices allow concessionaires to utilize both timber and non-timber products, as well as forestry-related services. Specifically, the following are included:

- (i) Timber Products: this encompasses the timber itself along with residuals such as branches, roots, and tree trunks.
- (ii) Non-Timber Products: these are plant products that do not include wood, including leaves, roots, bark, fruits, seeds, gums, oils, latex, and resins.
- (iii) Services: activities such as tourism, sightseeing, environmental education, forest restoration, and the generation of carbon credits from the rehabilitation of degraded areas.

This legislative framework promotes environmental sustainability while enabling economic opportunities through the responsible use of forest resources.

Additionally, the new Law stipulates that the concession contract may include provisions for the transfer of ownership of carbon credits and environmental services from the granting authority to the concessionaire. This mechanism enhances the legal certainty surrounding such projects.

According to the Public Forest Management Law, the concessionaire is entitled to implement sustainable forest management practices within the managed forest area. This includes activities related to forest restoration, as well as the exploitation of various products and services within the management unit. The specific activities to be undertaken by the concessionaire will be outlined and agreed upon in accordance with the objectives set forth in the concession contract

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