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Investment Opportunities in Brazil

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ADVOGADOS



Project Crescer

Project Crescer

Launched May 12, 2016 (*Medida Provisória 727*)

MP converted into Law 13,334 of September 13, 2016

Intends to attract local and international investors to acquire state-owned companies and to develop major infrastructure projects in Brazil.

34 projects and privatizations announced, including airports, power generation and distribution companies and railways, one lottery company, mining, oil and gas bid rounds, ports and water treatment companies.



MINISTRY OF TRANSPORT, PORTS AND CIVIL AVIATION

Projects	Call for bids estimate	Auction estimate
<i>Porto Alegre Airport</i>	<i>4th quarter/2016</i>	<i>1st quarter/2017</i>
<i>Salvador Airport</i>	<i>4th quarter/2016</i>	<i>1st quarter/2017</i>
<i>Florianopolis Airport</i>	<i>4th quarter/2016</i>	<i>1st quarter/2017</i>
<i>Fortaleza Airport</i>	<i>4th quarter/2016</i>	<i>1st quarter/2017</i>
<i>Santarém Fuel Terminal (STM 04 and 05)</i>	<i>4th quarter/2016</i>	<i>2nd quarter/2017</i>
<i>Rio de Janeiro Wheat Terminal</i>	<i>4th quarter/2016</i>	<i>2nd quarter/2017 BR-</i>
<i>BR-364/365/GO/MG</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>BR-101/116/290/386/RS</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>EF-151 SP/MG/GO/TO - North-South</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>EF-170 MT/PA - Ferrogrão</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>EF-334/BA - FIOL</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>

MINISTRY OF MINES AND ENERGY

Projects	Call for bids estimate	Auction estimate
<i>Companhia Energética de Goiás</i>	<i>2nd semester/2016</i>	<i>2nd semester/2016</i>
<i>Fourth bidding round for marginal oil and natural gas fields (onshore) under concession regime</i>	<i>2nd semester/2016</i>	<i>1st semester/2017</i>
<i>Fourteenth bidding round for oil and natural gas exploration blocks under concession regime</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>Second bidding round under production sharing regime (areas that can be unitized)</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>Phosphate mineral rights in Miriri (PB/PE)</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>Copper, lead and zinc mineral rights in Palmeirópolis (TO)</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>Coal mineral rights in Candiota (RS)</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>Copper mineral rights in Bom Jardim (GO)</i>	<i>1st semester/2017</i>	<i>2nd semester/2017</i>
<i>Amazonas Distribuidora de Energia S.A.</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Boa Vista Energia S.A.</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>

MINISTRY OF MINES AND ENERGY

Projects	Call for bids estimate	Auction estimate
<i>Companhia de Eletricidade do Acre</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Companhia Energética de Alagoas</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Companhia de Energia do Piauí</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>São Simão (GO) Hydroelectric Plant</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Volta Grande (MG) Hydroelectric Plant</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Miranda (MG) Hydroelectric Plant</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Pery (SC) Hydroelectric Plant</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Agro Trafo (TO) Hydroelectric Plant</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>
<i>Centrais Elétricas de Rondônia S.A.</i>	<i>2nd semester/2017</i>	<i>1st semester/2018</i>

MINISTRY OF FINANCE

Projects	Call for bids estimate	Auction estimate
<i>Lotex - Instant Lottery</i>	<i>2nd semester/2017</i>	<i>2nd semester/2017</i>

NATIONAL BANK OF ECONOMIC AND SOCIAL DEVELOPMENT

Projetos	Call for bids estimate	Auction estimate
<i>Water distribution, sewage collection and treatment - CEDAE</i>	<i>2nd semester/2017</i>	<i>1st semester/2018</i>
<i>Water distribution, sewage collection and treatment - CAERD</i>	<i>2nd semester/2017</i>	<i>1st semester/2018</i>
<i>Water distribution, sewage collection and treatment - COSANPA</i>	<i>2nd semester/2017</i>	<i>1st semester/2018</i>

Mining

New Brazilian Mining Code - Status

- Bill of Laws No **37/2011** and No **5807/2013**: proposal of a New Brazilian Mining Code.
- The Bill of Law is still pending on voting in the House of Representatives. A special commission was formed in the House of Representatives to analyze the Bill of Law.
- In December 2015 the Reporter of the Bill of Law issued a new version of the opinion (*parecer*) on the Bill of Law, contemplating changes resulting from the environmental accident occurred in the City of Mariana, Minas Gerais State.
- In February 2016 Leonardo Quintão (PMDB-RJ), former Reporter of such Bill of Law in the House of Representative, was replaced by Laudívio Carvalho (PMDB-MG) as Reporter of the Bill of Law, due to political disputes with the former Chairman of the House of Representatives, Eduardo Cunha.

New Brazilian Mining Code - Status

- New Ministry of Mine and Energy, Mr. Fernando Coelho Filho, confirmed that the government intended to reopen in early 2017 the discussions over the approval of a new Brazilian Mining Code in Congress.
- As an effort to move forward with the approval of the Bill of Law, the Ministry informed the intention to divide the project in two parts, prioritizing the issues in which there is consensus (e.g. increase in mining royalty calculation basis) and leaving the controversial issues for further discussion by the congressmen.



New Brazilian Mining Code - Main Changes

Bidding Process

- The concession of mining rights will be preceded by a bidding process or public call

Granting Instruments

- The research and mining activities may be granted under a single instrument: concession agreement, except for certain minerals to be subject to Exploration Authorization

Regulatory Agency

- Creation of the National Mining Regulatory Agency (ANM) to replace DNPM - and National Council for Mineral Policy (CNPM)

Royalties

- Increase in percentage of royalties up to 4% of gross sales, against the current 3-0.2% of net sales

Mandatory Insurance

- Mandatory environmental insurance (included after environmental accident in Mariana)



	MINING CODE IN FORCE	NEW MINING CODE
FORM OF OBTAINING MINING RIGHTS	First come, first served.	Bidding process or public call. Government to determine the areas in which the concession will be preceded of bidding procedure. Exception: minerals to be explored under authorization.
GRANTING INSTRUMENT	Exploration Authorization (Autorização de Pesquisa) and Mining Concession (Concessão de Lavra).	The research and mining activities may be granted under a single instrument: concession agreement, except for certain minerals to be subject to Exploration Authorization.
GOVERNMENTAL AUTHORITY IN THE MINING SECTOR	National Department of Mineral Production (DNPM) - federal autarchy.	National Mining Regulatory Agency (ANM) and National Council for Mineral Policy (CNPM).
ROYALTIES	up to 3% of net sales (eg., Aluminum 3%, iron ore 2%, gold 1%).	up to 4% of gross sales.

Oil and Gas

Pre-salt Legislation Review

- In 2015, Senator José Serra (PMDB) proposed a bill of law to withdraw the requirement that Petrobras be the sole operator of pre-salt areas, holding at least 30% participating interest
- On February 24th , 2016, the Senate approved the bill of law with an amendment: Petrobras to have preferential right over certain pre-salt areas, to be offered to Petrobras prior to the bid round
- On November 9, 2011 the bill was approved by the House of Representatives and is pending on sanction by President Temer



Oil & Gas Bid Rounds

- The new rules will apply to the upcoming 2nd Bid Round under the production sharing regime, expected to occur in 2017 as part of the Investment Partnership Plan (Projeto Crescer).
- In 2017 Brazil will also hold the 14th bid round for the blocks under the concession regime.
- There will also be a bid round for marginal fields in 2017.



Brasil-Rounds
Licitações de Petróleo e Gás

Local Content

- Brazilian local content rules require that certain percentages of local goods and services are acquired locally by companies operating in E&P activities in Brazil.
- Currently, local content percentage is part of the evaluation criteria for the award of blocks in bid rounds under the concession regime
- The Ministry of Development, Industry and Commerce has launched public consultation to enact a resolution reducing local content obligations for the upcoming bid rounds under the Investment Partnership Plan (Projeto Crescer).
- The draft resolution proposes (i) not to include local content requirements for the 4th Bid Round for marginal oil and gas fields; (ii) the adoption of local content obligations under the same conditions of the relevant adjacent areas in the 2nd Bid Round under production sharing regime; and (iii) not to include local content as an evaluation criteria for the Brazil Round 14, under concession regime

Thank you