



## **BRAZILIAN GOVERNMENT PROGRESS REPORT**



# **12<sup>th</sup> PLENARY MEETING**

## **BRAZIL - US CEO FORUM**

**DECEMBER 15<sup>th</sup>, 2023**

## **BRAZILIAN GOVERNMENT PROGRESS REPORT**

The Brazilian Government is pleased to present the **Progress Report** 2023 in response to the joint recommendations made at the latest meeting of the US-Brazil CEO Forum (11<sup>th</sup> US-Brazil CEO Forum), held on February 7, 2022, in a virtual format due to the COVID-19 pandemic. This report describes progress made in advancing on the recommendations issued by the Forum's private sector members. Brazil is committed to strengthening the bilateral economic and commercial relationship with the USA, and the Forum is an important tool in identifying policies that promote trade and investment between the two countries.

The report below summarizes the recommendations by category and reports on the Brazilian government's efforts to meet them. The CEOs Recommendations were sorted into three groups:

**I) Trade & Investment;**

**II) Technology and Infrastructure; and**

**III) Education.**

## I) TRADE & INVESTMENT

### HIGHLIGHTS:

New landmark in the Brazilian internal taxation with the proposal of the **Brazilian new Tax Reform**.  
Establishment of a new **Brazilian legal framework for transfer pricing** (Law No. 14,596/2023).  
Signing of a **Mutual Recognition Agreement** with CBP on Authorized Economic Operator.  
Significant steps into the implementation of a **Regulated Carbon Market**.  
Hosting of the **21st edition of the MDIC-DoC Commercial Dialogue Plenary Session**.  
Creation of the **Trade and Sustainability Working Group**.  
Increased cooperation on **Digital Economy and Emerging Technologies**.  
Advancement in the **implementation of the ATEC Protocol**.  
Advancement in the **implementation of electronic phytosanitary certificates (e-phyto)**.  
Holding a **three-event Webinar Series on Cybersecurity and Trade**.  
Adhesion to the **Declaration on Good Regulatory Practices** at the 2022 Summit of the Americas.  
Entry into force of the **Integrity, Transparency and Access to Information System (SITAI)**.

### BRAZIL-US COMMERCIAL DIALOGUE

The Brazil-US Commercial Dialogue was established in 2006 with the goal of growing bilateral trade flows, focusing on removing technical barriers to trade and fostering partnerships that lead to increased commercial opportunities. The mechanism is co-chaired by MDIC, on the Brazilian side, and by the Department of Commerce (DoC), on the United States side. In this dialogue, the collaboration with the private sector plays a crucial role, particularly highlighting the contributions of entities such as the National Confederation of Industry (CNI), the US Chamber of Commerce, and the American Chamber of Commerce (Amcham). Their involvement significantly enhances the dialogue's effectiveness and scope.

Over the past fifteen years, the Brazil-U.S. Commercial Dialogue has stood as a steadfast and effective cooperation mechanism, even amidst economic oscillations. Its agenda, categorized into working groups, encompasses a range of topics including rules, technical regulations, and conformity assessment, good regulatory practices, trade facilitation and customs issues, digital economy, standards and metrology, sustainable development, and intellectual property rights. The agenda for 2023-2024 is ambitious, with a particular challenge of incorporating climate change in its workflow. The activities developed under the Commercial Dialogue have notably contributed to deepen contribution towards a bilateral trade package and to strengthen the economic partnership between the two countries.

In its 21st edition on November 6<sup>th</sup>, 2023, the MDIC-DoC Commercial Dialogue Plenary Session, led by the Secretary of Foreign Trade of Brazil Tatiana Lacerda Prazeres and U.S. Under Secretary of Commerce for International Trade Marisa Lago, focused on several key areas of bilateral trade. These included the simplification of document flow through Brazil's Single Window and the implementation of electronic phytosanitary certificates (e-phyto) for trade facilitation. The topic of trade promotion was also included for the first time in the working group's agenda. Notably, the dialogue addressed the delivery of the protocol for the Brazil-United States Trade and Economic Cooperation Agreement (ATEC), which is under implementation in Brazil. Additionally, it marked the formation of a working group on Trade and Sustainability, emphasizing mutual environmental and social interests. The digital economy working groups addressed areas like cybersecurity, artificial intelligence, and data flow, and discussed next steps on a potential ATEC protocol negotiation and Brazil's role in the semiconductor chain. Lastly, there was keen interest from the private sector in exploring increased bilateral integration through supply chain agreements, along the lines of the understandings that the United States formalized with Japan, India, Australia and Mexico.

Under the Commercial Dialogue, Brazil and the United States cooperate to prevent trade barriers and address market access issues in the digital economy sector, so that the technologies driving competitiveness and innovation can effectively promote trade and investment. Both countries recognize the importance of preventing non-tariff trade barriers that would hinder trade in the digital economy. In this sense, Brazil and the U.S. held activities to discuss Artificial Intelligence (AI), best practices for Internet of Things (IoT), data protection and data transfer mechanisms.

Both countries plan to strengthen the cooperation on issues including emerging technologies, AI, IoT, and Smart Cities and are planning activities including sector-neutral and sector-specific workshops with industry stakeholders and technical experts. For example, 2022 plans included the adoption and diffusion of technologies 4.0, focused on AI and IoT applications for the agribusiness sector to drive productivity and telemedical regulation and government experiences considering the COVID-19 pandemic. In the last plenary, Brazil and U.S. also agreed to explore other issues related to digital trade rules as well as cybersecurity and 5G opportunities for emerging technologies.

Brazil has already applied the concept of electronic authentication, considered the most robust in terms of information security for access to public services since 2001, by the edition of Provisional Measure 2.200-2/2001. Thus, since 2001, Brazil has had a national system for the management of cryptographic keys, according to the OECD's own guidelines. This model is called the Brazilian Public Keys Infrastructure (ICP-Brazil). ICP-Brasil follows international encryption standards, which has allowed providing services and technologies to serve a wide range of public and private services. The primary purpose of this infrastructure is to provide digital certificates for digital signatures.

The ICP-Brazil model has enabled many applications and services. Among the most emblematic is the Electronic Invoice (NF-e). In the model companies that issue invoices and other tax documents must have a digital certificate of Legal Entity, so that all tax documentation is electronic and digitally signed. This model is perfectly interoperable between countries with official public key infrastructures, such as Mercosur and OECD-associated countries. And so, complies with the OECD's recommendations: "OECD/LEGAL/0353: Recommendation of the Council on Electronic Authentication" and "OECD/LEGAL/0289: Recommendation of the Council concerning Guidelines for Cryptography Policy".

## **TRADE FACILITATION**

Trade Facilitation is a key aspect of global trade for Brazil and the United States, which are committed to facilitating the movement of goods across its borders. It is an opportunity to build on lessons learned during the pandemic and ensure streamlined efficient procedures for delivery of goods, sustaining production and supply chains, and restoring employment opportunities. The commitments also represent opportunities to leverage technology solutions to create more streamlined, efficient customs procedures, such as developing procedures to accept digital documentation.

Since 2020, Brazil has made significant strides in enhancing its trade processes. The reformation of the National Trade Facilitation Committee under the Foreign Trade Chamber (CAMEX) has improved coordination among domestic entities and aided in implementing the WTO's Trade Facilitation Agreement (TFA). A landmark development was the introduction of a Single Window system for imports and exports, mandated by Law No. 14,195/2021 in August 2021. This system streamlined the submission of electronic documents and facilitated fee payments, markedly accelerating and securing the movement of goods across Brazil's borders while minimizing clearance delays. Brazil is now dedicating its efforts in completing its new import process implementation.

The work developed under the Commercial Dialogue is also helping to facilitate trade in agricultural goods by facilitating the use of electronic documents for sanitary and phytosanitary documents. The activities involve supporting Brazil's Ministry of Agriculture (MAPA) in increasing its capacity to process the electronic certificates, thus supporting the high volume of bilateral trade in agricultural

products. The project also includes the analysis and mapping of product release processes via air, sea and land under the control of MAPA; the design of a risk management strategy based on international practices; and the acquisition of information technology equipment.

Key areas of the Annex on trade facilitation of the ATEC protocol also include ensuring that rules and regulations related to customs clearance are available online, that technology is maximized in customs clearance processes, and a formal advanced ruling process, among other areas that should help facilitate bilateral trade between the two countries.

Another important advance in bilateral relations is the U.S. Customs and Border Protection (CBP) Global Entry program, that offers expedited clearance to pre-approved, low-risk travelers upon arrival in the U.S. This program allows members to bypass traditional immigration checks by using automated kiosks at select airports. The inclusion of Brazil in the Global Entry program is crucial for enhancing the bilateral economic relationship by facilitating the movement of business personnel between the two countries. The Brazil-US CEO Forum members had an important participation in the process of identifying the technical and operational needs for the full implementation of the program. Currently the program is in full operation.

With Foreign Exchange Law No 14,286/2021 (*mercado de câmbio brasileiro*), in force since January 2023, a series of changes were made to the foreign exchange market and legal simplifications on the subject. The legislation was regulated by Bacen Resolutions published on December 31, 2022, by BCB Resolutions (Central Bank of Brazil) No 277, 278, 279, 280, 281 and 282 and on August 22, 2023, BCB Resolution No. 337.

## **STANDARDS AND CONFORMITY ASSESSMENT TRADE-RELATED ISSUES (SCATRI)**

The Standards and Conformity Assessment Trade-Related Issues' (SCATRI) Working Group focuses on issues related to technical regulations, standards, and conformity assessment seeking opportunities to facilitate reciprocal market access, considering that it is crucial to foster the exchange of information among U.S. and Brazilian regulatory bodies and industries, as well as to deepen the knowledge as regards each other's systems.

These Group's exchanges over the last year have been particularly meaningful as some of Brazil's regulatory agencies, notably INMETRO and ANATEL, agencies that are reforming their regulatory and conformity assessment practices. After holding a Public Consultation in the second semester of 2021, in which it received 1,200 comments, including those from the United States government and the private sector. INMETRO's regulatory model was approved with the publication of Ordinance No. 30, on February 25th, 2022.

Since 2022, in coordination with the Trade in the Digital Economy Working Group (TDEWG), the SCATRI workstream focused its efforts on addressing cybersecurity standards, a priority topic listed in the U.S.-Brazil CEO Forum joint recommendations, by organizing and holding a three-event Webinar Series on Cybersecurity and Trade. The first cybersecurity webinar laid the groundwork covering governmental policies and competencies on the topic. The second public-facing webinar, with the additional partnership of the Brazil-USA CEO Forum and the Standards and Metrology WG, covered trade related aspects of technical regulations, standards, and conformity assessment procedures regarding cybersecurity. Speakers emphasized the importance of international dialogue and cooperation and the use of relevant international standards to ensure that requirements do not create barriers to trade through country-unique standards, testing and certification requirements, or data localization policies. Parties also discussed the importance of a risk-based approach when introducing cybersecurity requirements, as overly prescriptive approaches with high-compliance costs could inadvertently drive consumers to lower-cost, less secure products. To ensure efficient, safe, and productive trade in this space, it is essential to continue bilateral dialogue with governments, industry,

and standards-developers. The third and final event of the series, led by the TDEWG, was held on October 16th, 2023, highlighting some resources available for small and medium enterprises to improve their cybersecurity awareness and capabilities.

Already organized by the new Federal Administration, on August 22nd, the TDEWG held a government-to-government webinar on the recently released United States Government's National Standards Strategy for Critical and Emerging Technology (USG NSSCET) that includes topics such as semiconductors, ICT, artificial intelligence, biotechnology, and clean energy generation and storage. With over 30 combined participants, including the Brazilian Association of Technical Standards (ABNT), the webinar provided an opportunity for the U.S. government to present the key principles of the strategy including the role of the public and private sector. Faced with emerging challenges, it is essential that our public and private sectors be fully engaged in international standards development—particularly in all critical and emerging technology areas.

Staff at both Ministries continue to work together towards a common goal of updating the 2023-2024 Work Plan. The SCATRI working group commits to hold a program on sustainability standards, in cooperation with The Sustainability WG, and a government-to-government program on post-market surveillance practices in the automotive sector, followed by one specifically on electric vehicles.

## **INITIATIVES ON GOOD REGULATORY PRACTICES (GRP)**

Over recent years, Brazil has made significant strides in enhancing the consistency of Good Regulatory Practices (GRP) within its domestic framework. This is evident in the Economic Freedoms Law (Law No. 13,874/2019) and Decree No. 10,139/2019, mandating federal bodies and entities, including regulatory agencies, to review and consolidate regulatory rules. This process aims to cancel obsolete regulations, eliminate inconsistencies, simplify language, and unify repetitive or identical normative provisions. Additionally, this procedure is to be repeated at the start of each presidential term, ensuring continual alignment with the Economic Freedom Law.

These developments in GRP mirror international best practices, aligning with recent trade agreements like the USMCA and the CPTPP, working as a reference for Brazil's future trade negotiations, emphasizing transparency and efficiency. The implementation of electronic platforms for compiling information on regulatory development and the requirement for a published regulatory agenda further enhances predictability and private sector engagement in new regulations.

Furthermore, Brazil's commitment to GRP extends to administrative efficiency and reducing regulatory burdens through digital solutions and improved federal decision-making processes. The enactment of various decrees and laws, such as Decree No. 10,411/2020 mandating Regulatory Impact Analysis (RIA) across federal entities, showcases Brazil's dedication to regulatory improvement and compliance with international standards. On the international front, Brazil's adherence to the Declaration on Good Regulatory Practices at the 2022 Summit of the Americas, on June 8, 2022, and subsequent reporting on implementation initiatives highlights its ongoing commitment to inclusive consultations and governance improvements. The Inter-American Development Bank also exchanged views on best practices for inclusive consultations, and efforts to implement the related provisions of the Declaration. Countries plan to reconvene in 2024 to share further advancements in good governance practices.

A webinar on August 25<sup>th</sup>, 2022, detailed Brazil's Decree No. 10,178/2019, addressing economic activity risk classification, tacit approval deadlines, and INMETRO's implementation experiences. On July 21<sup>st</sup>, 2023, a check-in meeting for the Good Regulatory Practices Declaration was held, where Brazil showcased its new governance structure and Action Plan for GRP. Besides addressing Brazil's Good Regulatory Practices updates, Brazil and the US jointly held meetings on regulatory oversight and two other important events, on Stakeholders' Engagement on WTO/TBT Notification and on The Use of Risk Assessment in the U.S. Regulatory Process.

Then, on August 8th, 2023, Brazil and the U.S. jointly conducted a webinar on Regulatory Policy and Structure, discussing the new Brazilian Secretariat of Competitiveness and Regulatory Policy, and U.S. Regulatory Modernization, attended by over two hundred participants from various sectors.

Additionally, on October 18, President Luis Inácio Lula da Silva issued the Decree No. 11,738 which reformulates the Program for Strengthening Institutional Capacity for Management in Regulation - PRO-REG. The new PRO-REG aims to guide the adoption of good regulatory practices in the Federal Executive Branch, promoting high-quality regulation in order to optimize the business environment through the improvement of the regulatory framework, with greater transparency and legal certainty for those involved, making it more favourable for the country's economic and social development.

Finally, Brazil and the US look forward to continuing to regularly share experiences and best practices in GRP, as the new 2023-24 Action Plan takes place.

## **AGREEMENT ON TRADE AND ECONOMIC COOPERATION (ATEC)**

The Agreement on Trade and Economic Cooperation is another important bilateral tool to facilitating trade and investments and strengthening the economic partnership between Brazil and the United States. The ATEC, signed in 2011, established the Brazil-United States Commission for Economic and Commercial Relations, co-chaired by the Ministry of Development, Industry, Trade and Services (MDIC) and the Ministry of Foreign Affairs (MRE), on the Brazilian side, and by the United States Trade Representative (USTR), on the US side.

The Brazil-US Protocol on Transparency and Trade Rules, signed on October 19<sup>th</sup>, 2020, updated ATEC by adding three new annexes designed to deliver practical benefits to traders across sectors. This Protocol came into force in Brazil in June 2022, following the publication of Decree No. 11,092 / 2022.

The Annex I, on Trade Facilitation and Customs Administration, aims to reduce bureaucratic roadblocks and ensure greater agility, predictability and transparency regarding to standards and export and import procedures, thus reducing costs related to foreign trade building on the commitments assumed under the World Trade Organization's Trade Facilitation Agreement (TFA). For an economy like Brazil, for example, the Organization for Economic Cooperation and Development (OECD) has estimated that full implementation of the TFA would reduce foreign trade costs by 14.6%. Measures with the greatest positive impact are expected to take place in the areas of procedures (3.6%), automation (2.8%), advance solutions (2.4%) and availability of information (2.4%). In all these areas, the Brazil-US Protocol contains more ambitious commitments than those of the TFA, intended to increase the efficiency of processes on both sides and ensure more predictability and legal certainty for companies that operate or intend to operate in US-Brazil bilateral trade.

Annex II, focusing on Good Regulatory Practices (GRP), marks a significant milestone in Brazil's integration of regulatory standards. It aligns with the Brazilian federal government's commitment to fostering a business landscape characterized by greater transparency, predictability, and competitive openness. This approach ensures that state intervention is judicious, occurring in a non-burdensome manner for society, as established by Law No. 13,874/2019 ("Economic Freedom Law").

The enactment of Annex II of the ATEC Protocol, governed by Decree No. 11,259 in 2022, marks a pivotal step in regulatory practices. Certain obligations, like assessing regulatory impacts on small businesses and conducting public consultations across all federal agencies, are to be applied immediately. Other stipulations, including the centralization of public consultations, the disclosure of comments, and details about regulatory bodies and frameworks on a dedicated website, as well as the annual publication of a regulatory agenda and an impact report, have a two-year transitional period for implementation. The BR-USA Commercial Dialogue's exchange of insights on Good Regulatory Practices (GRP) significantly influenced the negotiation of this GRP Annex and is expected to be

instrumental in its execution. Supported by the US and other international partnerships, Brazil is diligently working towards fulfilling all commitments by 2024.

Annex III, addressing Anti-Corruption, not only reaffirms the legislative commitments previously established by Brazil and the United States in key multilateral frameworks like the United Nations Convention against Corruption (2003), the Inter-American Convention against Corruption (1996), and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997), but also incorporates additional aspects. Beyond criminal ramifications, it encompasses civil and administrative aspects, aiming to undermine the foundations of organized crime through mechanisms such as asset recovery. Consequently, this Protocol underscores both countries' concerted efforts to enhance their bilateral trade relations to a higher echelon of cooperation and integrity.

## **SUPPLY CHAIN RESILIENCY**

The Brazilian governments is taking active steps to bolster supply chain agility and resilience. This initiative is anchored in enhancing industrial links, particularly in the heavy industries sector, to ensure uninterrupted access to essential manufacturing inputs and reduce susceptibilities to global disruptions.

Considering the risks of potential global supply chain disruptions, it is vital for both governments to commit to eliminating bilateral trade barriers. This includes addressing restrictions stemming from Section 232, among others, with the aim of fostering a more resilient partnership between the private sectors of both countries. This approach will help mitigate vulnerabilities and ensure a robust economic relationship.

In parallel, Brazil is focusing on increasing its natural gas supply. The "Rota 3" project, slated to become operational in 2024, is projected to significantly enhance the country's natural gas supply by up to eighteen million cubic meters. Additional projects, such as BM-C-33 and SEAP, which are expected to be operational by 2028, will contribute to an even greater increase in natural gas availability, of approximately thirty-six million cubic meters. These developments are part of Brazil's strategic plan to expand its energy infrastructure, meet growing demand, and diversify its energy sources.

Additionally, Brazil is looking to develop its strategic mineral reserves more comprehensively. Despite having extensive mineral reserves, the country has not yet significantly developed these industrial chains. The Brazilian government is keenly focused on attracting investments that play a pivotal role in leveraging the country's industrial potential to enhance economic growth and diversification. The lithium sector is a good example, where Brazil is eager to attract investments for chemical refining and the development of lithium-ion cells. This strategy is aimed at effectively leveraging Brazil's natural resources and moving up the value chain in the global market for strategic minerals.

## **TAX REFORM**

The Brazilian tax reform is a new landmark move towards economic reform. The Brazilian taxation system has historically been characterized by its complexity, with a myriad of taxes and regulations that have posed challenges for businesses and investors. The proposed Constitutional Amendment Bill (PEC) No. 45/2019, approved by Brazil's Senate on November 8, 2023, emerges as a response to these challenges, aiming to simplify the tax landscape, enhance transparency, and stimulate economic activities.

As the bill now heads to the House of Representatives for further deliberation, it carries with it the potential to catalyze Brazil's economic transformation. The reform is poised to not only simplify tax

compliance but also to lay the groundwork for increased foreign investment, boost the country's global trade relations, and propel Brazil towards a more prosperous economic future.

One of the most notable reforms is the consolidation of various indirect taxes (ICMS, IPI, ISS, and PIS/Cofins) into three new taxes. The IBS, under the jurisdiction of States, the Federal District, and Municipalities, and the CBS and Selective Tax (IS), under the Federal Union's jurisdiction, are designed to streamline tax collection and reduce compliance burdens. This consolidation represents a significant shift towards a more efficient and less fragmented tax system.

## **MUTUAL RECOGNITION OF AUTHORIZED ECONOMIC OPERATORS (AEO) PROGRAM**

Authorized Economic Operator (AEO) Programs are important instruments to facilitate international trade, by recognizing companies that adopt best practices for compliance in their operations. The effectiveness and benefits of these programs have led to their widespread adoption by customs administrations worldwide. In Brazil, in October 2023, the Program already encompassed approximately 576 companies, representing 27% of all import and export declarations registered in the country.

In order to establish secure global supply chains, countries with consolidated AEO Programs have signed Mutual Recognition Agreements (MRAs) with each other. MRAs are bilateral understandings between two Customs administrations that provide a platform for the exchange of membership information and recognize the compatibility of the respective supply chain security program. These MRAs aim to recognize AEO certifications issued by the customs authorities of other countries. This results in more predictable transactions and enhances the competitiveness of AEO companies in international trade. Brazil has established both bilateral and regional Mutual Recognition Agreements (MRAs), totalizing nine MRAs with 13 countries, including the United States.

The MRA between the Special Secretariat of Federal Revenue of Brazil (RFB) and the United States Customs and Border Protection (CBP) was signed on September 16<sup>th</sup>, 2022. This agreement demonstrates the compatibility between Brazil's AEO Program and the United States' Customs Trade Partnership Against Terrorism (C-TPAT).

Companies certified as AEO-Security will be acknowledged as safer and lower-risk by the agreement, bringing several advantages to traders. These include reduced inspection rates for imports, expedited customs clearance for import shipments, and priority measures to address disruptions in international trade flows caused by security alerts, border closures, natural disasters, or health hazards. Additionally, the agreement facilitates joint promotional events organized by the CTPAT and Brazil's AEO Program, including conferences, seminars, and workshops, enhancing collaboration and information sharing.

The successful implementation of the MRA faces some practical challenges. The effective granting of benefits outlined in the MRA depends significantly on the identification of certified foreign operators in import declarations. Effectively resolving existing bottlenecks is key to enhancing international trade processes, thereby streamlining and securing cross-border transactions.

## **TRANSFER PRICE LEGISLATION**

On June 15, 2023, Brazil took a significant leap forward in its global economic integration with the publication of Law No. 14,596/2023. This law establishes a new Brazilian legal framework for transfer pricing, aligning with international standards and marking a crucial step towards integrating Brazil into global value chains. The new rules are set to be effective from January 1, 2024.

One of the key improvements of this new legal framework is the adoption of the Arm's Length Principle, a cornerstone of international transfer pricing standards. This principle ensures that prices

for international transactions between related companies in the same multinational group are set in a fair and unbiased manner. This alignment with global practices not only enhances transparency in Brazil's international transactions but also fosters trust among international investors and trading partners. Another significant benefit is the increased predictability and consistency in transfer pricing regulations.

RFB Normative Instruction No. 2,161, dated September 28, 2023, further details the rules for controlling transfer prices for legal entities domiciled in Brazil engaged in controlled transactions with related parties abroad.

## **TAX / DOUBLE TAXATION AGREEMENT (DTA).**

The Brazilian Government acutely recognizes the pivotal role of a bilateral Double Taxation Agreement (DTA) with the United States, viewing it as an essential tool to bolster bilateral relations. Such an agreement would not only provide a stable legal framework but also play a role in combating tax evasion and catalyzing trade and investment flows between the two nations.

Brazil's dedication to reforming its tax system, especially in corporate taxation and transfer pricing, is a clear indication of its commitment to strengthening international economic relations. The Brazil/OECD Transfer Pricing Project is a prime example of this commitment, focusing on aligning Brazil's international taxation rules with the guidelines set by the OECD. This effort is strategically designed to facilitate Brazil's smoother integration into global value chains.

Moreover, the Brazilian Government is diligently working to enhance the efficacy of the Mutual Agreement Procedure (MAP) in its treaties, which is a mechanism that allows taxpayers to request assistance from the tax authorities of the countries involved in the agreement to resolve disputes or uncertainties related to the application of the agreement. This effort is aimed at resolving disputes more effectively, thereby providing greater certainty and predictability for businesses engaged in cross-border operations.

## **ANTI-CORRUPTION**

Brazil continues to advance comprehensive policies and measures to promote a widespread culture of integrity, transparency and accountability in both the public and private sector. In 2023, Brazil has taken significant steps to strengthen anticorruption policies. In the early months of 2023, the Office of the Comptroller General (CGU) set forth clear and pro-transparency parameters for the right to access information. CGU reviewed 252 cases of undue secrecy determined by the previous administration, revised the Access to Information Law (LAI, in Portuguese), Law No. 12,527/2011. Decree and issued binding guidelines for the right to access public information. Brazil considers that fostering transparency enables and enhances public accountability, and thus is instrumental in combatting corruption.

In the area of accountability and participation, CGU reestablished and increased the size and relevance of its Council for Transparency, Integrity and Anticorruption, which is now comprised in majority by civil society and academia representatives. The Council occupies a central role in the ongoing discussions regarding the federal anticorruption policy.

In parallel, CGU's structure was reorganized with the aim of increasing its institutional capabilities in terms of prevention, detection, remediation and repression of corrupt acts. In addition to other institutional changes, two new secretariats were created to specifically address public and private integrity. The Secretariat of Public Integrity is responsible for pursuing transparency, open government and corruption prevention policies focused in the public sector. Among other initiatives, the secretariat is currently developing actions to improve risk management and integrity by customized mentoring to support agencies to implement effective integrity programs (Prisma Program). The Secretariat of

Private Integrity is responsible for the repression of corrupt acts by the private sector, the negotiation of leniency agreements and the promotion of corporate integrity programs. Its activities are focused on enhancing institutional efforts to improve private integrity at both national and international levels. In its commitment with the private sector integrity, the federal government is issuing new regulations designed to require corporations to adopt or enhance their compliance programs when entering into certain agreements with the Brazilian government.

Leniency agreements remain a crucial instrument for detecting and prosecuting corruption cases, fostering public and private integrity, and recovering assets. Since 2017, Brazilian authorities have signed 25 leniency agreements, resulting in the effective recovery of BRL 18 billion (around USD \$3.5 billion) to the public treasury. In 2023, the Brazilian government has been improving the transparency of the agreements, by publishing its terms and launching a publicly available business intelligence panel, displaying several details of the agreements.

Another measure recently adopted by Brazil is the Summary Judgment procedure, regulated by CGU Ordinance 19, of July 2022. This new NTR procedure has shown positive results since its enactment: 30 cases have already been concluded through early judgement and 23 other requests are currently being assessed, totalizing 53 cases. CGU is currently analyzing civil society contributions to a draft resolution revising the Summary Judgement rules that propose enabling CGU to require companies to adopt corporate compliance programs in these NTRs.

Brazil has also developed a centralized electronic system to streamline the evaluation and monitoring of corporate integrity programs.

The Brazilian government is currently revising the actions of the National Anti-Corruption Plan for the period of 2020-2025, which established 153 cross-cutting actions to be implemented by federal agencies with the aim of improving the mechanisms for preventing, detecting, sanctioning, and remediating acts of fraud, corruption, and unethical behavior. The discussion considers anticipating the conclusion of the actions planned.

In July 2023, the Integrity, Transparency and Access to Information System (SITAI) of the Federal Executive Branch entered into force. The Brazilian system of public integrity was expanded and strengthened when encompassed transparency and access to information in its duties. In 2023, the federal government has launched a survey related to Integrity Management Units.

## **BRAZILIAN REGULATED CARBON MARKET**

Brazil has taken a significant step towards decarbonizing its economy with the Senate Environment Commission's unanimous approval of Bill 412/2022, in October, 2023. This bill establishes the Brazilian Emissions Trading System (SBCE) and regulates the carbon market in the country. The SBCE, a carbon pricing system, is designed to meet part of the Brazil's emission reduction commitments under the United Nations Framework Convention on Climate Change and the Paris Agreement. It adopts a cap-and-trade system, setting a maximum limit for greenhouse gas emissions. Entities reducing emissions below their allocated quotas can sell the difference, ensuring the system achieves its emission reduction targets within the set limit.

The proposed regulatory model mandates annual emission and removal reporting for operators controlling sources emitting over 10,000 tons of CO<sub>2</sub>e per year and emission reduction for those exceeding 25,000 tons of CO<sub>2</sub>e annually. Companies under emission reduction obligations can comply by returning their initial quotas or purchasing Verified Emissions Reductions or Removal certificates. This regulation places Brazil in the international market, contributing to the fulfillment of the Paris Agreement commitments and creating opportunities for innovators and emission reducers.

The bill's approval reflects a balanced approach to regulation, which aims to reduce carbon emissions responsibly, ensuring fairness and effectiveness while adapting to Brazil's realities. This development in Brazil's carbon market regulation enhances bilateral relations with the USA, positioning Brazil as a key player in global environmental efforts and opening new avenues for international collaboration in climate action.

## **BRAZIL'S ACCESSION TO THE OECD**

The Organization for Economic Co-operation and Development (OECD) is an international body that works on establishing norms and finding evidence-based solutions for a range of social, economic and environmental challenges. Brazil contributes to the work of OECD Committees and formally participates in the work of more than 30 bodies of the Organization.

In May 2017, Brazil officially expressed its interest in becoming an OECD Member. Since then, the country has further intensified its co-operation with the OECD, ensuring broad convergence with the Organization's standards. In January 2022, the OECD Council invited Brazil, along with the other candidate countries, to initiate discussions with a view to becoming a full member. The Roadmap for the OECD Accession Process of Brazil was adopted in June 2022 by the OECD Council at Ministerial level. In September 2022, Brazil submitted its Initial Memorandum setting out a first self-assessment of the alignment of Brazil's legislation, policies and practices with each OECD legal instrument in force that applies to all OECD Members. In January 2023, the Brazilian government engaged in an examination of the accession process, considering involved national interests. This examination has benefited from the establishment, in August 2023, of the Interministerial Working Group on the OECD. The Interministerial Working Group restructured the governance of the relationship between Brazil and the OECD. It is composed of 16 Brazilian government bodies and coordinated by the Ministry of Foreign Affairs.

Brazil has already adhered to 104 OECD legal instruments, dealing with best practices, standards and policy guidelines. Reflecting increasing convergence with the Organization, Brazil requested adherence to an additional 45 instruments. Brazil has also contracted 66 OECD reviews and peer reviews, 47 of which have been completed in areas such as competition, digitalization, good governance, environmental policy, health and education.

## **GOVERNMENT PROCUREMENT AGREEMENT (GPA)**

In May 2020, Brazil formalized its request to join the World Trade Organization's Government Procurement Agreement (GPA). Subsequently, in August 2020, the Brazilian government held a public consultation to gather contributions from the productive sectors and civil society to build the Brazilian government's position during the country's accession process to the GPA, which was presented to the WTO in February 2021.

In a strategic shift, the Brazilian government, after internal reevaluation in May 2023, decided to retract its offer to join the Government Procurement Agreement (GPA). This decision came in the wake of an impasse in negotiations that was deemed unresolvable. The key factor influencing the decision was the understanding that the additional demands made by GPA members exceeded what was covered in Brazil's already extensive final offer. This scenario led to a conclusion that maintaining the offer would not align with Brazil's national interests.

In response to the government's decision, the Brazilian National Industry Confederation (CNI) issued a statement endorsing the move. This move underscores Brazil's proactive approach in balancing international engagements with domestic economic priorities.

## **CIRCULAR ECONOMY**

The U.S. and Brazilian governments are preparing to collaborate with industry leaders to develop strategic opportunities for piloting environmental value-chain solutions. This includes innovative waste management approaches designed to enhance recycling capabilities for critical materials vital for advanced manufacturing and bolstering supply chain resilience. At the heart of this collaboration lies the significant commitments made at COP26, where both nations pledged to foster circular economies and sustainable growth. These efforts aim to preserve the value of essential materials, including rare earth and critical minerals, thereby supporting innovative manufacturing and climate change initiatives.

MDIC has launched the "Brasil Mais Sustentável" initiative, a program that aims to balance economic progress with socio-environmental sustainability. It encourages Brazilian industries to adopt practices embracing social responsibility, governance, and circularity. This is achieved through a regulatory environment conducive to business and standardizing technical norms based on ESG and circular economy principles. The initiative targets a wide range of enterprises within the Brazilian industrial production chain, fostering sustainable business practices that yield positive societal impacts.

Addressing environmental challenges, Brazil confronts issues related to its 2,318 controlled dumps and landfills, as reported by the National Sanitation Information System (SNIS, 2022). These sites contribute significantly to contamination and greenhouse gas emissions, with methane, N<sub>2</sub>O, and CO<sub>2</sub> being major contributors to climate change. The legal mandate for municipalities to close landfills, as per the National Solid Waste Policy (law No. 12,305/10) and the Sanitation Law (Law No. 14,206/20), faces hurdles due to technical and financial constraints at the municipal level.

To mitigate these challenges, the federal government is implementing strategies to reduce landfill waste. These include enhancing selective collection and socio-productive inclusion of recyclable material collectors, promoting reverse logistics financed by manufacturers and importers, encouraging conscious consumption and environmental education, supporting cleaner production practices, and developing the organic waste agenda. Additionally, initiatives like charging waste fees, forming consortiums for waste management, and supporting waste management service concession projects are in place.

The Ministry of the Environment (MMA) is focused on expanding recycling, particularly through recycling cooperatives and associations, to decrease landfill waste. For non-recyclable waste, landfills remain a primary solution, complemented by composting technologies for organic waste, which can generate compost for agriculture or biogas and energy.

Highlighting these efforts, the first meeting of the National Recycling Incentive Commission was held on July 12, 2023. Coordinated by the MMA, the Commission's goals include establishing recycling activity guidelines and monitoring incentives under the Recycling Incentive Law (Law No. 14,260/21), which offers tax incentives and benefits for projects that stimulate the recycling production chain. These comprehensive measures reflect Brazil's commitment to a more sustainable and circular economy, aligning environmental goals with economic development.

Additionally, there is a draft law No. 1,874, 2022 in progress to create a National Circular Economy Policy that prioritizes the non-generation, reduction and reuse of waste. Thus, it is linked to the Policy National Solid Waste Authority (PNRS), regulated by Law No. 12,305/2010, which has instruments to act on recycling, forming a harmonious and complementary legal framework to encourage circularity both in the business sector, in government and for consumers.

## **GREEN INVESTMENT STRATEGY FOR REGIONAL DEVELOPMENT**

The Ministry for Integration and Regional Development (MDR) has recently launched the "Green Investment Strategy for Regional Development", aiming at aligning MDR's new infrastructure projects

portfolio to environmental, social and governance (ESG) criteria, in line with international best practices, in order to attract new long-term investments to Brazil.

In addition to structuring projects based on international parameters, greater project resilience is expected, as well as cost reduction for investment raising, lower risks for investors and borrowers, and diversification of financing sources.

The Strategy's implementation involves the design of flexible instruments for ESG alignment in each sector, non-compulsory and adaptable to each Project. These instruments will be applied to projects under MDR's responsibility and may also be used by subnational entities or private sector projects. With this intention, MDR has already started to develop two types of instruments: i) ESG taxonomies and frameworks for 5 sectors – water supply, sewage, solid waste, water infrastructure, and revitalization of river basins; ii) an ESG Guide specifically designed for the urban mobility sector.

The success of this Strategy also relies on the common engagement of the public and private sectors to incorporate ESG criteria in infrastructure projects.

## II) TECHNOLOGY AND INFRASTRUCTURE

### HIGHLIGHTS:

Launch of the New PAC.

Advances in actions of the **PBQP-H** and implementation of renewable energy sources in the Program.

Presentation of guidelines for the **National Hydrogen Program**.

Public hearing for the **National Hydrogen Program** for debating implementation strategies.

Launch of **Action Plan for Prevention and Control of Deforestation** - PPCDAm in the legal Amazon.

Resumption of **Bolsa Verde** program.

Launch of **Ecological Transition Plan**

Resumption of activities of the **National Fund on Climate Change**.

Advancement in the cooperation under the **US-Brazil Energy Forum**.

Advancement in the **Brazilian National Digital Transformation Strategy**.

**Memorandum of Understanding between FCC and ANATEL**.

Increased collaboration on **data protection**.

Resolution No. 3 / 2022 establishing a transition period for opening the **natural gas market**.

**Launch of Innospace's HANBIT-TLV** suborbital rocket.

Holding of the **Seminar on the Brazilian Space Program**.

### LAUNCH OF THE NEW GROWTH ACCELERATION PROGRAM (NOVO PAC)

The New Growth Acceleration Program (PAC) is an investment program coordinated by the federal government in partnership with the private sector, states, municipalities, and social movements. The collective effort aims to accelerate economic growth and social inclusion, generating employment and income, and reducing social and regional inequalities. The “*Novo PAC*” was launched in August 2023 and plans to invest R\$ 1.7 trillion across all states of Brazil, with R\$ 1.4 trillion by 2026 and R\$ 320.5 billion after 2026. The program's investments are committed to ecological transition, neo-industrialization, the country's growth, and the sustainable generation of jobs.

The program is organized into Institutional Measures and nine Investment Axes. The Institutional Measures are an integrated set of normative acts of management and planning that contribute to the sustained expansion of public and private investments in Brazil. The Investment Axes are the main areas of organization of the program that encompasses all works and services intended for the population.

### INVESTMENTS IN INFRAESTRUCTURE

The physical infrastructure agenda is not only actively promoting the involvement of the private sector but also emphasizing its crucial role in enhancing the nation's economic and social fabric. The Brazilian Government is actively promoting the involvement of the private sector, with the aim of leveraging investments and improving service quality for users. Over the past few years, Brazil has been successfully implementing an ambitious infrastructure concession program. Since 2016, 322 projects have been auctioned, involving expected investments of more than BRL 1,22 trillion in the most diverse areas of infrastructure and more than BRL 231 billion in bonuses and concession fees.

In 2022, 50 initiatives were concluded, involving expected investments of more than BRL 104,9 billion in the most diverse areas of infrastructure and more than BRL 36 billion in bonuses and concession fees, and in which foreign companies and investors also participated. The auctions were held in the following segments: the auctions of the BR-116/493/RJ/MG – Rio Valadares highway (BRL 11,29 billion, summed up in capex + opex); the leasing of the STS 11 port terminal, in Santos/SP, PAR 32 port terminal, in Paranaguá/PR and SUA 07, in Recife/PE (BRL 2,14 billion); MRS railway renewal (BRL 10,2 billion); the 7th Round of airport concessions (BRL 7,27 billion), involving 15 airports; 3

power generation lines and the privatization of Eletrobras (BRL 42,9 billion); oil and gas (BRL 838 million); and mineration project of copper in Bom Jardim/GO (BRL 346 million) .

In 2023, 19 auctions, including São Gonçalo do Amarante/RN Airport (BRL 309 million); 9 transmissions line (BRL 15,7 billion); 8 public lighting in Itanhaém/SP, Ponta Grossa/PR, Canoas/RA, Caxias do Sul/RS, Corumbá/MS, Alagoinhas/BA, Ribeirão Preto/SP and Olinda/PR (BRL 534 million); Humaitá/AM Forest (BRL 17 million); port authority company in Paranaguá/PR, 4 port terminals, MAC 11, MAC 11A and MAC 12 in Maceió/AL and port terminal for passengers in Fortaleza/CE (BRL 417,3 million); Paraná State roads (BRL 17,3 billion); and hospital in Guarulhos (BRL 190 million), amounting total to BRL 34,4 billion in investments to be contracted.

In December, 2023, the following projects are planned: National Park of Chapada dos Guimarães, public lighting of Araçatuba/SP, three transmission lines, five port terminals in the states of Paraná, Pará and Rio Grande do Sul, and two oil and gas permanent sharing offers.

Regarding programs coordinated within the Urban Development Program - Pro-Cities, financed with resources from the Service Time Guarantee Fund (FGTS) and the Program 2217 - Regional and Urban Development, with Action 00SY - Support for Projects and Rehabilitation, Accessibility and Technological Modernization Works in Urban Areas. Modality 2 – Support for Technological Modernization for Integrated Urban Development of Action 00SY- Support for Rehabilitation, Accessibility and Technological Modernization Projects and Works in Urban Areas, aims to encourage the implementation of technology to ensure urban development, to optimize the provision of various public services to the population, ensuring sustainable urban development. The following services are permitted in Modality 2: renewable energy generation: intelligent public lighting, intelligent and automated energy distribution systems (smart grids, energy efficiency); It is economic development and electronic government: electronic systems, Multipurpose Territorial Registry (CTM), open platforms for the dissemination of data and public information and registration bases. Likewise, the urban technological modernization of the Urban Development Program - Pro-Cities aims to finance the implementation and development of technological solutions and tools within the scope of the smart cities concept.

## **NATIONAL HYDROGEN PROGRAM**

The Brazilian "National Hydrogen Program" represents a significant step towards embracing clean and sustainable energy. This initiative is part of a broader effort to align with global carbon reduction goals and shift towards renewable energy sources. This Program aims to significantly contribute to the country's journey towards sustainable development by increasing competitiveness and the share of hydrogen in the Brazilian energy matrix, considering its economic, social, and environmental importance for development.

Given the recognition of the significant role that the production and use of hydrogen can play in a pathway to net-zero carbon emissions, it is important for Brazil to also position itself through the definition of approaches, directions, and actions regarding the production and energy use of hydrogen in the country.

The CNPE Resolution No. 6 of 2022, issued by the National Energy Policy Council of Brazil, represents a pivotal step in the nation's energy policy. The resolution established the Management Council for the National Hydrogen Program - Coges-PNH2, recognizing the need for strategic direction in developing Brazil's hydrogen economy. This council aims to harmonize hydrogen development with other sources of the country's energy matrix. It comprises various ministries and institutions, tasked with approving a three-year plan for this important energy source.

In August 2023, the Brazilian government took a significant step forward with the National Hydrogen Program (PNH2) by presenting proposed guidelines designed to boost hydrogen's role in the country's

energy matrix. These guidelines are a cornerstone in realizing the ambitions of the program, focusing on sustainable hydrogen production and positioning Brazil as a leader in this emerging sector. Following this development, a critical milestone was achieved on October 3, 2023, with a public hearing in the Chamber of Deputies. This event was crucial for debating the implementation strategies of the program and discussing how to increase hydrogen's share in Brazil's energy mix. A draft bill for the national Hydrogen program is being drafted in the country.

## **WATER AND NATURAL RESOURCES MANAGEMENT**

The Ministry of Integration and Regional Development - MIDR has a potential public works portfolio in the areas of water public works, public funds, and water security.

The participation of the private sector is of paramount importance for maintaining investments in regional development projects. Partnerships with national and international entities aim to contribute to the development of sustainable projects, which may be also financed through Green Bonds.

Initiatives such as the ones related to Regional Integration Routes (sustainable and inclusive development), Water for all (water security and basin revitalization), the National Irrigation Policy, the Pact for Water (pact between the National Water and Sanitation Agency and the MIDR with all state governments), the Development Fund for Sustainable Regional Infrastructure – FDIRS, Clima Adapt (innovations in climate change adaptation strategies, with maintenance of vulnerability platform), Sustainable and Resilient Cities (preventing and combating risk and disasters, and humanitarian cooperation), and the National Fund for Public Disasters, Civil Protection and Defense – FUNCAT, are examples of these efforts.

Along with the abovementioned initiatives, a wide increase of concessions and public-private partnerships has been observed, as a result of the modernization in Brazilian legislation on the matter. These initiatives ensure more legal certainty and predictability to attract investors.

## **BASIC SANITATION**

In 2020, Brazil enacted Law No. 14,026 to update the Sanitation Legal Framework, aiming to improve the country's sanitation services and indicators. This law presents an innovative approach to expand investment in this critical infrastructure sector, particularly benefiting the most vulnerable populations. The new guidelines of the Federal Sanitation Policy introduced by this law include several key strategies.

Firstly, it introduces the regionalized provision of sanitation services. This involves creating structures for service provision across groups of municipalities, aiming for scale gains to ensure the economic and financial sustainability of the services. This approach does not discriminate between poorer and wealthier municipalities, ensuring equitable access. Secondly, the law mandates a competitive process for delegating services, ensuring that the most capable provider is selected. This measure is crucial for maintaining high service standards. Additionally, the law creates a secure legal environment by standardizing regulations, encouraging the existence of clear and uniform rules throughout the country. The law also ensures the economic and financial sustainability of public basic sanitation services by implementing charges for these services. Another significant aspect of the law is the setting of clear targets for the universalization of water supply and sewage services by 2033. The goals are ambitious: 99% for water supply and 90% for sewage services. Lastly, the law establishes varying deadlines for closing landfills across the country, considering the population size of the municipalities. This measure is critical for managing environmental impacts and promoting sustainable waste management practices.

The Ministry of Cities (MCid), with the New PAC, will operate in two axes, with planned investments of R\$ 52.6 billion, as follows:

### **1) Sustainable and resilient cities:**

R\$ 26.8 billion in sanitary sewage;  
R\$ 11.6 billion in disaster prevention; and  
R\$ 1.8 billion in solid waste management.

### **2) Water for all:**

R\$ 11.7 billion for water supply; and  
R\$ 0.7 billion in water for those who need it most.

Recent modernizations in Brazilian legislation have significantly enhanced private sector participation in public infrastructure projects, particularly through increased concessions and public-private partnerships. These legal reforms have provided greater legal security and predictability, leading to 48 auctions, securing investments of R\$ 67.6 billion over the next 30-35 years, in the public water works sector.

According to the National Basic Sanitation Plan (Plansab), achieving universal access to water supply and sewage services in Brazil by 2033 will require an estimated investment of around R\$ 598 billion. This figure includes R\$ 357.15 billion for water supply and sewage services, with contributions from federal, state, municipal, and private agents. Additional studies, such as those by the Ministry of Cities and Abcon Sindcon, estimate the investment needs for universal sanitation services between R\$ 550.07 billion and R\$ 893.3 billion, underscoring the scale of the challenge. Transmission planning studies indicated the need to build around 14,000 km of new transmission lines and 13 new substations in 2023, with investments estimated at approximately R\$ 56 billion.

This backdrop highlights the importance of fostering dialogue between US and Brazilian infrastructure stakeholders. This dialogue aims to understand the reasons behind the low participation of American companies in Brazilian projects and to encourage their involvement, especially in areas like direct current transmission technology, where US companies are key global suppliers.

## **ENVIRONMENT AND CLIMATE CHANGE**

Cooperation with the United States is based on the "Common Agenda for the Environment", which aims to improve coordination between the two governments in the implementation of the various environmental initiatives underway, especially with the United States Environmental Protection Agency (EPA), the United States Agency for International Development (USAID) and the United States Forest Service (USFS).

The Brazilian government resumed the cooperation agreement called Development Objective Agreement of Grant - DOAG for the Technical Cooperation Program - PCT, signed in 2018, between USAID and the Brazilian Agency of Cooperation (ABC), which has the participation of its corresponding bodies MMA, ICMBio and Funai.

Delegations from the North American and Brazilian governments met on June 3, 2023 at ABC, to resume dialogue aimed at implementing bilateral cooperation focused on the environment, which includes territorial management and environmental protection of indigenous lands (TIs) and conservation units (UCs)

In response to the need for protecting and restoring biodiversity, as well as combating deforestation and fires (PPA), significant steps were taken in 2023. On June 5, following a seminar that combined technical and scientific insights and an extensive period of public consultation, the Action Plan for the Prevention

and Control of Deforestation in the Legal Amazon (PPCDAm) was officially launched, marking a major step forward in environmental conservation. This plan, devised following a comprehensive technical-scientific seminar and an extensive public consultation process, stands out for its evidence-based approach and inclusive strategy formulation. It signifies a robust commitment to sustainable management and preservation of the Amazon's unique ecosystem. Also in June 2023, the CMN published a resolution restricting credit for properties with a suspended Rural Environmental Registry (CAR) and granting interest bonuses for properties with an analyzed and active CAR. The Action Plan for the Prevention and Control of Deforestation and Burning in the Cerrado (PPCerrado) was being submitted for public consultation in September 2023 and was launched on November 29, 2023.

Brazil is also committed to increasing environmental quality in cities and the countryside, by supporting waste pickers and recyclable materials cooperatives. The import tax on plastic, glass, paper and cardboard waste were raised, which was greatly reducing the domestic price of recyclable materials. Government limited waste imports to strengthen recycling with GECEX Resolution No. 502/2023. There are initiatives to launch new measures to support individual waste pickers, cooperatives and cities in expanding selective collection, increasing recycling and composting, including to launch a call for proposals soon to fund projects that combine composting and urban gardens in cities.

In July the National Commission for Encouraging Recycling was created, and there will be an opening the call for tenders for the recycling incentives law, which will allow investments of around 300 million in cooperatives, cities and consortia to increase recycling.

Regarding bioeconomy for a new cycle of prosperity, aiming to promote the transition to an economy that stimulates biodiversity value chains, nature-based solutions and the way of life and knowledge of traditional peoples and communities, in an inclusive manner, with a fair and equitable distribution of its results, the Decree No. 11.635/2023 was published updating the benefit value of the Bolsa Verde Program (R\$ 600 benefit); 3 forest concession contracts signed in the Humaitá-AM National Forest, totaling 200,000 ha; resumption of the Genetic Heritage Management Council (CGEN); and the operations manual for the National Benefit Sharing Fund was approved

The 2023/2024 Harvest Plan was formulated and resulted in important access restrictions for those who adopt illegal practices and incentives for producers who promote environmental conservation on their properties.

### **GREEN GRANT (*Bolsa Verde*)**

The Bolsa Verde (Green Grant) program was resumed in 2023, since its interruption since 2017, seeking to universalize the benefit among families living in the territories covered, associating the transfer of income with the offer of technical assistance, the provision of resources for productive structuring and the articulation of other policies aimed at access to basic public services.

The focus on payment for environmental services (PES) has gained prominence in this context due to its potential not only to support the protection and sustainable use of natural resources, but also to improve the quality of life of small rural producers. By valuing the forest in which these communities live, a virtuous circle is created: the families who conserve the forests benefit, and the forests and their natural wealth benefit the whole country.

In the case of federal conservation units, an important effort by ICMBio has been to register or update the register of families who are eligible for public policies for social and productive inclusion. With up-to-date information, an increase in access to various public policies and government programs is expected, such as those aimed at promoting family farming and land reform. This information may

also improve understanding of the socio-economic situation in the territories in question, favoring more assertive planning of management actions.

Still on both themes, another important initiative within ICMBio in favor of local communities in federal protected areas concerns the effort to resume negotiations involving partners and projects. Some of the important negotiations underway involve the Vale Fund, the U.S. Forest Service (USFS) and the U.S. Agency for International Development (USAID), but several other initiatives are underway, with good prospects for actions to promote the socio-economic development of traditional peoples and communities in protected areas.

### **PAYMENT FOR ENVIRONMENTAL SERVICES – PSA**

The drafting of the PSA Law regulation is underway, with a focus on traditional peoples and communities, indigenous peoples, and family farmers. These groups are not only prioritized as beneficiaries but also included in the Management Council of Federal PES Programs. In collaboration with the UNDP, the Ministry of the Environment (MMA) is already working on a project to compensate small landowners possessing properties of up to four modules in the Legal Amazon. This compensation extends to indigenous peoples and traditional communities in the region. The enactment of this law will pave the way for new projects that recognize and financially reward those dedicated to forest conservation.

### **FOREST CONCESSIONS FOR MANAGEMENT**

The Brazilian Forest Service (SFB) has already granted 1.3 million hectares in 8 national forests in the states of Amazonas, Amapá, Pará and Rondônia. These are projects that conserve the forest while generating income and formal jobs in towns and regions with low levels of human development. It is estimated that in the next three years, SFB will reach 5 million hectares granted, which will allow the achievement of a production of 1.7 million m<sup>3</sup>, an annual income of 158.6 million reais, with a projection of 8,000 direct jobs and 16,000 indirect jobs. In September 2022, the concession for 3 projects were published, which together represent almost 850,000 new hectares of concession: Flona Jatuarana, Flona Pau Rosa and Gleba do Castanho.

### **THE ECOLOGICAL TRANSITION PLAN**

Announced on August 11th, 2023 together with the launch of the New PAC. The Ecological Transition Plan, coordinated by the Ministry of Finance, has six axes: Sustainable Finance, Circular Economy, Technological Densification, Bioeconomy, Energy Transition and Adaptation to Climate Change, aimed at combating the climate crisis with social justice, sustainability, job creation and increased productivity.

The following actions are foreseen in the plan; creation of the Regulated Carbon Market and the Brazilian Emissions Trading System; issuing sustainable sovereign bonds; creation of a national sustainable taxonomy; regulation of the Payment for Environmental Services Act; strengthening the Climate Fund, with 6 priority lines of support (resilient and sustainable urban development, green industry, transport logistics, green public transport and mobility, energy transition, forests and water resources, green services and innovation) and differentiated financing conditions; establishment of the National Bioeconomy Strategy, the National Bioeconomy Plan and the National Sociobioeconomy Plan; productive forest recovery/restoration actions and forest concessions; and Decree on Reverse Logistics for Plastics, among other actions related to the circular economy.

## **BIOECONOMY VISION**

The National Bioeconomy Policy represents a strategic initiative aimed at coordinating policies present in 16 ministries and leveraging Brazil's rich biodiversity for sustainable and ethical economic development. This policy is designed to integrate and harmonize efforts across various sectors, enhancing Brazil's role in both the national and international economic arenas. In support of this initiative, there is currently a draft law in progress to institute the National Bioeconomy Policy. The National Bioeconomy Policy seeks an alignment of the different sectors to build the agenda, present in the change in Brazil's positioning in the national and international economic scenario, which will promote the export and domestic consumption of biodiversity products with conservation.

## **RENEWABLE ENERGY**

Brazil, boasting over 90% of its electrical matrix as clean and renewable, stands on the cusp of becoming one of the world's first large countries to achieve a 100% clean and renewable energy matrix. This transition is pivotal not just for electrification but also for producing industrial goods with a low carbon footprint. The federal government, alongside Congress, has been a strong advocate for renewable energy. This is evident from the approval of Law No.14,300/2022, the new milestone for self-energy generation, which has provided the legal framework necessary for the sector's growth.

Furthermore, Brazil is poised to become a global leader in green hydrogen production, potentially attracting over \$200 billion in investments over the next 20 years. This advance in green hydrogen technology is crucial for the country's energy sector and instrumental for the production of fertilizers and green steel, leading to a greener and decarbonized industry. Green hydrogen is key to decarbonizing sectors like steelmaking and transport and is a significant driver for sustainable reindustrialization in Brazil. In support of these green initiatives, the Ministry of the Environment (MMA) is collaborating with various ministries, including Agriculture, Energy, Industry, and Farm, to develop comprehensive plans for a low-carbon economy. Additionally, the relaunch of the National Environment Fund (FNMA) and the Climate Fund, alongside the resumption of activities by the Interministerial Committee on Climate Change (CIM), the National Fund on Climate Change, and the National REDD+ Commission (CONAREDD+), reinforces Brazil's commitment to environmental sustainability and the green economy.

## **2024 CLIMATE FUND**

The activities of the National Fund on Climate Change, instituted by Law No. 12,177/2009, were resumed, with the purpose of ensuring resources to support projects or studies and financing of ventures aimed at mitigating climate change, climate and adaptation to climate change and its effects. It operates through two modalities: (i) refundable support via credit operations conducted by BNDES, and (ii) non-refundable aid executed directly by the MMA. The Climate Fund Management Committee (CG) is responsible for approving resource application priorities; non-refundable projects; and annual implementation reports. The composition of the CG was recently redefined by Decree No. 11,549/2023, and its inaugural meeting under this new structure was held on August 24, 2023.

## **COLLECTORS AND SELECTIVE COLLECTION**

The MMA has been working towards the socio-productive inclusion of collectors in the selective collection and reverse logistics established in the National Solid Waste Policy. Waste pickers are the main protagonists of the National Solid Waste Policy, responsible for a large part of the recycling of waste discarded by consumers. In 2023, two Decrees were established in this regard, Decree No. 11,413/23, which establishes reverse logistics certificates providing payment for the collectors' services

and ensuring the continuity of structuring investments in cooperatives and Decree No. 11,314/23 which recreates the Interministerial Committee for Socioeconomic Inclusion of collectors of recycled material and Diogo de Sant 'Ana Pro-Catadoras and Pro-Catadores for Popular Recycling. It is estimated that in just 1 year, R\$ 57,6 million have already been invested in collectors through reverse logistics, with the potential for this amount to increase significantly in the coming years.

## **SHARING ELECTRICITY POLES**

The growing demand for telecommunications services has led to a large occupation of electricity distribution poles, which end up being shared between companies. To regulate this situation, the Ministers of Communications, Juscelino Filho, and Minister of Mines and Energy, Alexandre Silveira, signed on September 26, Interministerial Ordinance No. 10,563/2023, which establishes the National Pole Sharing Policy - Poste Legal.

By regulating the occupation of poles, it will be possible to ensure that cables and equipment are properly installed and organized, avoiding any risk to the population and minimizing visual impact. The policy will also encourage digital inclusion, as connectivity in remote areas is one of the Federal Government's priorities.

Electricity companies may charge for occupying the poles, based on the costs involved, avoiding any form of cross-subsidization between sectors. In this way, it will be possible to promote a fair relationship between those involved, generating a reduction in operational costs for energy, internet and telephone companies, which can result in reduced costs for the Brazilian consumer.

All Poste Legal guidelines will be reflected in a joint regulation by the National Telecommunications Agency (Anatel) and the National Electric Energy Agency (Aneel). The local authorities will define the methodology and rules for defining the amounts to be paid for sharing poles, as well as the rules and definition of responsibilities for regulating occupations, monitoring, and maintaining the use of poles.

Furthermore, the *ex-tarifário* instrument plays a crucial role, allowing for the temporary reduction of the import tariffs on IT and telecommunications goods that lack equivalent national production. This measure supports the import of necessary technology, enhancing the country's technological infrastructure. Furthermore, the Ministry of Management and Innovation in Public Services (MGI) recently published Ordinance SGD/MGI No. 5,950, of October 26, 2023. This ordinance establishes a model for contracting software and cloud computing services within the scope of the Federal Executive Branch's Information Technology Resources Management System - SISP, streamlining the process and ensuring efficiency in public service operations.

In addition, the government's commitment to energy efficiency is embodied in the ongoing Procel - National Electric Energy Conservation Program. This program underscores the Federal Government's dedication to proactive energy use and conservation, aligning with global sustainability goals.

## **US-BRAZIL ENERGY FORUM**

The US-Brazil Energy Forum (USBEF) is a bilateral government-to-government cooperative framework on energy, aiming to identify critical barriers to bilateral energy trade and investment, established in March 2019. It has been established with the aim of bilaterally discussing promising subsectors to foster cooperation on energy and it is driven by effective interagency coordination on both sides and informed by private sector representatives. The Forum is chaired by Brazil's Minister of Mines and Energy and the US Secretary of Energy and includes representatives from other government agencies.

The US-Brazil Energy Forum (USBEF) Action Plan was updated with the introduction of a fourth chapter dedicated to renewable energy. This new chapter is particularly important in light of the growing emphasis on renewable energy generation. A large portion of transmission planning is now focused on accommodating the unique dynamics of renewable energy sources. This addition to the USBEF Action Plan represents a strategic move to align with the evolving energy landscape, ensuring both the United States and Brazil are prepared to effectively manage and capitalize on the shift towards more sustainable energy solutions.

According to the Work Plan of the US-Brazil Energy Forum – USBEF, there were planned knowledge exchange activities with the Energy Research Company - EPE on reducing emissions in the oil and gas supply chain, including methodologies for measurement and mitigation of emissions. Contributions were also planned in relation to energy storage and continued participation in the Carbon Sequestration Leadership Forum – CSLF, where the Clean Energy Ministerial Carbon Capture, Utilization and Storage - CEM CCUS initiative would be presented. In renewables, they proposed launching the US-Brazil Clean Energy Industry Dialogue - CEID, including the creation of working groups, with the objective of bringing together the governments and private sectors of the two countries to discuss regulatory frameworks, financing instruments, research and development, and market design in some of the main sectors of the energy transition: renewable energies (solar and wind), biofuels, sustainable aviation fuels, and low carbon hydrogen. In relation to energy efficiency, the United States of America - USA proposed organizing technical webinars to exchange experiences between the Department of Energy - DOE and the Ministry of Mines and Energy - MME, with the possibility of technical assistance to energy-intensive industries. There are also proposals for exchanges on the topic of grid modernization, clean hydrogen, offshore wind and sustainable fuels, and a proposal for bilateral cooperation on industrial cogeneration and best purchasing practices is also presented.

To update the section regarding energy efficiency in the aforementioned report, two meetings were held with the US Department of Energy (DOE) in 2021 to plan the agreed event, which has not yet been held. The themes proposed at the time remain timely: (1) Better Plants Program; (2) Industrial Assessment Center; (3) ISO 50001; and (4) Cogeneration.

Regarding the nuclear area, which is also included in the report, we inform that the 2nd planned meeting was held on May 16 and 17, 2022, with the following interest from North Americans: (1) Extension of the useful life of the Angra nuclear plant -1; (2) Completion of Angra 3; (3) Small Modular Reactors; (4) Convention on Supplementary Compensation for Nuclear Damage; (5) Cooperation in nuclear regulation for civil uses and research, and (6) Development and partnerships in the nuclear area for civil uses. The "Brazil Civil Nuclear Infrastructure Tour" was held in the first week of August 2022. The Brazilian delegation included seven participants from the following institutions: MME, Eletrobras Eletronuclear, Nuclebrás Equipamentos Pesados, Indústrias Nucleares do Brasil - INB, National Security Authority Nuclear - ANSN and Ministry of Foreign Affairs - MRE.

The inaugural session of the US-Brazil Clean Energy Industry Dialogue (CEID) took place in Washington in August 2022, marking a significant step in bilateral energy cooperation. During this meeting, a key decision was made to initiate discussions on sustainable aviation fuels, reflecting a shared commitment to advancing clean energy initiatives.

Furthermore, a notable development occurred on the sidelines of the G20 summit in Goa, where Minister Alexandre Silveira and Secretary Jennifer Granholm convened. They ratified the 2023-2024 US-Brazil Energy Forum (USBEF) Action Plan, a critical document outlining the collaborative energy strategies for the coming years.

While the second meeting of the CEID was originally planned for October, it was postponed due to scheduling conflicts. However, this did not hinder progress. Minister Alexandre Silveira's visit to Washington in the same month was a pivotal moment, as he officially launched the Action Committee of Carbon and Methane Management under the CEID. This committee represents a strategic initiative,

focusing on addressing critical environmental concerns and enhancing energy cooperation between the United States and Brazil.

## **INFORMATION SECURITY AND CYBERSECURITY AGENDA**

In 2018, Brazil made a significant advancement in national information security with the approval of the National Information Security Policy (PNSI) by Decree No. 9,637/2018, later amended by Decree No. 10,641/2021. This policy, aimed at ensuring the availability, integrity, confidentiality, and authenticity of national-level information, forms a key component of the Brazilian Security Policy. It established the Information Security Management Committee to advise the Institutional Security Cabinet of the Presidency of the Republic (GSI/PR) on information security matters.

Another critical initiative is the National Cybersecurity Strategy (E-Ciber), approved by Decree No. 10,222/2020. This strategy, a module of the National Information Security Strategy, outlines three strategic objectives and ten strategic actions for the period 2020-2023, with a possible extension to 2024. The three strategic objectives of E-Ciber envisage: i) to make Brazil more prosperous and reliable in the digital environment; ii) to increase Brazilian resilience to cyber threats and iii) to strengthen the Brazilian role in cybersecurity on the international environment.

E-Ciber emphasizes Brazil's involvement in international efforts to develop standard operating procedures for information sharing and responses to international crises. This includes encouraging public and private entities' participation in regional and international cybersecurity exercises. In support of this, the GSI/PR has engaged in various international forums and agreements, notably the admission of the Center for the Prevention, Handling, and Response of Government Cyber Incidents (CTIR Gov) as a member of the Forum of Incident Response and Security Teams (FIRST) in April 2022. This forum consists of private companies, academics, and governments from different countries around the world, which promote cooperation and sharing of cybersecurity information and incident handling.

Furthermore, the Federal Cyber Incident Management Network (ReGIC) was formally established by Decree No. 10,748/2021 to coordinate prevention, handling, and response to cyber incidents across public administration bodies. ReGIC aims to improve cybersecurity resilience, sharing alerts about cyber threats and vulnerabilities, and promoting cooperation among participants.

In alignment with E-Ciber, the GSI/PR also organizes annual webinars on information security, such as the DSIC 2022 Information Security Webinar, and other events focused on cybersecurity for federal executive branch technicians. Additionally, there is a draft law in progress to institute a national cybersecurity policy (PNCiber) and establish the Federal Cybersecurity Agency, with a public hearing held on October 6th, 2023 on the proposed draft.

Brazil's commitment to cybersecurity extends internationally, with participation in the Network of Government Cyber Incident Response Teams of the Organization of American States (CSIRT Americas) and at the regional level with Mercosul. This international collaboration underscores Brazil's proactive approach to strengthening both national and regional cybersecurity resilience.

## **GENERAL PERSONAL DATA PROTECTION AGENDA**

**The General Personal Data Protection Law (LGPD)**, in force since September 2020, provides new rules for use, protection and personal data transfer, by both public and private sectors. The law requires explicit consent for data collection and use and establishes that the user shall have the option of viewing, correcting and deleting such data. Due to the Covid-19 pandemic, companies were given a reasonable period (until August 2021) to meet the requirements established by the law.

In October 2021, the National Authority for Data Protection (ANPD) of Brazil made significant strides in data protection and privacy, with the release of the Information Security Guide for Small Agents,

offering simplified standards and procedures tailored for small and medium businesses, including startups and innovation companies. This initiative aimed to facilitate compliance with the LGPD (General Data Protection Law), balancing the need to protect data subjects' rights with the stimulation of innovation and economic development.

The ANPD also established crucial regulatory frameworks during this period. In the same month, it issued Resolution No. 1/2021, which set the guidelines for the inspection process and sanctioning administrative proceedings, ensuring these activities were preceded by a regulatory impact assessment, public consultation, and public hearing. Subsequent resolutions in 2022 and 2023 further defined regulations for small-scale processing agents and the dosimetry and application of administrative sanctions, respectively.

Additionally, the ANPD recently published guidelines on several key areas: the processing of personal data for academic purposes, studies and research, cookies and personal data protection, and the processing of personal data by the government. These guidelines provide clarity and direction for data processing activities in these specific contexts. Moreover, the ANPD approved the Biannual Regulatory Agenda for 2023-2024, outlining priority actions for the next two years, and the Regulatory Result Assessment Agenda for 2023-2026, demonstrating its commitment to ongoing assessment and improvement of regulatory measures.

Internationally, the ANPD has been actively engaging with various global privacy and data protection mechanisms and groups, such as Convention 108+, the Global Privacy Assembly (GPA), and the Ibero-American Data Protection Network (RIPD), ensuring Brazil stays abreast of global developments in this field. This engagement has led to significant bilateral agreements, notably the Memorandum of Understanding signed with Spain's Agencia Española de Protección de Datos (AEPD) in October, enhancing cooperative relations. Domestically, the Senate's approval of an amendment making personal data protection a fundamental right, pending a scheduled session of the National Congress, marks a historic step in Brazilian data protection law. The ANPD continues its dedicated efforts to safeguard this fundamental right in Brazil.

## **NATIONAL DIGITAL TRANSFORMATION STRATEGY (E-DIGITAL)**

Recognizing the role that technology plays in driving competitiveness and innovation across all sectors, the United States and Brazil launched the Trade in the Digital Economy Working Group (TDEWG) in August 2018 to promote trade and investment in this area by sharing best practices and experiences, while also seeking to address relevant market access issues.

In this sense, the Parties agreed to explore possibilities for cooperation in the following topics, including both sector-specific and sector-neutral programming: Cross Border Data Flows, Data Protection Policy and Cybersecurity. Webinars about Cross Border Data Flows and Cybersecurity took place in October 2023, and conversations are ongoing in the field of Artificial Intelligence (AI), semiconductors and telecommunications. The working group also agreed to explore opportunities in the nexus between digital economy and climate through different topics, including the use of technologies to maximize sustainability objectives.

**The Brazilian National Digital Transformation Strategy (E-Digital)** is based on the whole of government approach to digital issues, with broad engagement of the private sector, the scientific and academic community and civil society. E-Digital was conceived as a “living” policy, and designed to be constantly monitored, evaluated and adjusted, to allow for regular updates on goals and targets as the rhythm of global digital transformation tends to accelerate. E-Digital aims to embrace digital transformation as an opportunity for the entire nation to take a leap forward. Digital technologies provide the tools for a profound transformation in government services, in competitiveness and productivity in the private sector, and in empowerment and inclusion in society. E-Digital is structured

along 9 pillars and covers both enablers of digital transformation – including network infrastructure, R&D, trust, capacity building and international cooperation – and pillars of the digital transformation per se – digital transformation of the economy and digital transformation of government.

## INTERNATIONAL COOPERATION IN TECHNOLOGY AND COMMUNICATIONS

**Regarding telecommunications,** In September 2022, the United States Federal Communications Commission (FCC) and the National Telecommunications Agency (ANATEL) signed a Memorandum of Understanding to strengthen the collaboration on, among other issues: protecting consumers (including combatting unwanted calls); spectrum management policies; supply chain security and cybersecurity; universal access to telecommunications and broadband services; Wireless Emergency Alert system; and equipment authorization procedures. So far, the mechanism has enabled achievements on (i) cooperation and coordination in international forums; (ii) 5G: new business models, network deployment and infrastructure sharing; (iii) product certification and approval procedure; and (iv) spectrum management policies.

**Regarding cooperation in artificial intelligence,** on July 25th, 2022 Brazil attended, by invitation of the White House Office of Science and Technology Policy (OSTP), the National Artificial Intelligence Research Resource (NAIRR) Task Force international panel. The North American Congress established this initiative with the purpose of studying its feasibility, as well as in order to develop a "roadmap" to achieve it. The NAIRR is supposed to be part of an advanced ecosystem of infrastructure aiming at democratizing access to advanced computing, "software" and educational tools, among others.

**Regarding collaboration on data protection,** the "Government-to-Government Workshop on the "Global Cross-Border Privacy Rules Forum: Advancing the Conversation on Facilitating Brazil-U.S. Cross-Border Data Flows" took place in Brasilia, on March 28<sup>th</sup>, 2023. The purpose of the event, organized by the US government, was to clarify the functioning of the Forum, as well as to invite ANPD to be part of it. In response, the Brazilian government explained that the national legislation on data protection is still in process of implementation. Furthermore, the possible engagement of Brazil on the CBPR Forum, either as an "associate" or as a "full member", will depend on prior internal coordination between all bodies involved of the Federal Public Administration with competence on the matter, in addition to analyzing the requirements, costs, benefits and long-term implications.

The CEO Forum sees opportunities to align and prioritize projects that will support greater resource efficiency including more sustainable materials; prioritization of a balanced fleet of renewable and low carbon energy projects, including energy storage and green hydrogen; prioritization of projects to support and increase supply chain resiliency including ports and export-related projects; and support improved disaster management and resiliency through encouraging adoption of more underground placement of lines and pipes, and a comprehensive approach to the protection of underground utilities.

## BRAZILIAN ARTIFICIAL INTELLIGENCE STRATEGY

In 2021, the **Brazilian Artificial Intelligence Strategy (EBIA)** was launched with the role of guiding the actions of the Brazilian State in order to develop actions that encourage research, innovation and development of solutions in Artificial Intelligence, as well as their conscious, ethical use and in favor of a better future. the EBIA is based on the five principles defined by the OECD for responsible management of AI systems, namely: (i) inclusive growth, sustainable development and well-being; (ii) human-centered and equity-centered values; (iii) transparency and intelligibility; (iv) robustness, security and protection; and (v) accountability.

Based on the strategic actions set forth in E-Digital, over the last four years several normative instruments and policy initiatives have matured, including a National Digital Government Strategy, a

National Cybersecurity Strategy (E-Cyber) and a companion National Critical Infrastructure Strategy (ENSIC), a National Artificial Intelligence Strategy (EBIA), and a functioning National Data Protection Authority (ANPD) along with specific Legislation on Personal Data Protection (LGPD).

## **GAS MARKET INVESTMENTS**

Launched in July 2019, the New Gas Market Program marked a significant advancement in the sector. The program aims to achieve several key outcomes. First, it seeks to maximize the yields of pre-salt gas, as well as gas from the Sergipe-Alagoas Basin and other discoveries. Additionally, the program aims to expand investments in natural gas across various segments, including upstream, processing, transmission, and distribution. Another crucial goal is to increase competition in gas-fired thermal power generation, thereby revitalizing the industry across its diverse segments, such as cellulose, fertilizers, petrochemicals, steel, glass, ceramics, and others. This comprehensive approach is expected to reinvigorate the natural gas sector and foster a more competitive market landscape.

In 2022, the National Energy Policy Council (CNPE) published Resolution No. 3, dated April 7, 2022, which focuses on the transition period for opening the natural gas market. This resolution consolidated the guidelines previously established for designing the new natural gas market and improving energy policies to promote free competition within this market.

## **COOPERATION IN THE SPACE SECTOR**

Bearing in mind the importance of a closer cooperation between Brazil and the United States in defense and intelligence, in March 2020, both countries signed the Research, Development, Testing, and Evaluation (RDT&E) Agreement. Upon ratification by the Congresses of the two countries, this agreement will facilitate partnerships in development of defense technology by private companies, that may use public financing from both countries. It will also enable the formalization of other pacts in the defense sector, by reducing bureaucratic processes in the trade of products in this sector between Brazil and the United States.

Considering that the RDT&E agreement combines bilateral efforts aimed at improving military capability, and thus it is restricted to the defense sector, Brazil also welcomes initiatives to facilitate trade in space-related products and technologies in general. Such initiatives could be linked to a pilot framework to develop applications that can explore satellite data, which can be applied, for example, in agriculture, environment and smart cities. This pilot initiative could also test the reliability of a possible framework for facilitating trade in space-related technologies.

It is important to stress that the Technology Safeguard Agreement (TSA), in force since November 2019, establishes technical safeguards to ensure the protection of sensitive US technology, allowing US components or equipment systems to be used in commercial operations from Alcântara. However, it does not include the transfer of technologies considered by US as state-of-the-art, such as technologies incorporated in launchers and rockets systems.

On the other hand, the signing of this agreement enabled the inclusion of US companies in the negotiations that the Brazilian Government initiated with foreign companies interested to operate commercially in Alcântara. In this context, two public calls have already been published, with the main objective of promoting the space sector and worldwide publicizing that Brazil is now on the list of potential launching states. In the first public call, three American companies were selected for commercial launches in Alcântara: Hyperion, Orion Ast and Virgin Orbit.

In 2021, Brazil updated the National Space Activities Program (PNAE), which encompasses the timeframe from 2022 to 2031 (PNAE 2022-2031). The PNAE 2022-2031 represents a paradigm shift in the way Brazil approaches the space activities. Overall, the document outlines strategic objectives

to the space sector, aiming to consolidate Brazil as a leader in the South American space market. These strategic orientations should increase the presence of the private sector in space activities, driving innovation and promoting partnerships to increase the availability of satellite products and services for the general public and for the Brazilian Government. For structuring this new PNAE, Brazil examined the best practices adopted by several launching countries, including the US. Thus, in the next years, Brazil expects to see the expansion of an appropriate and safe environment for national and international companies intending to undertake space activities in the country.

In the 2022-2023 period, Brazil and the USA jointly cooperated in the operations of the scientific satellite SPORT (Scintillation Prediction Observations Research Task) for jointly exploring space weather-related science.

The South Korean rocket startup Innospace successfully launched a suborbital rocket from Brazil, demonstrating a hybrid motor it plans to scale up into a small orbital launch vehicle. The launch of Innospace's HANBIT-TLV suborbital rocket took place on March 19, 2023, from the Alcântara Space Center, and the company called the flight a success. This represents an important milestone for the future of commercial launch operations from Alcântara.

In 2023, Brazil has awarded a contract to the Brazilian industry for the manufacture of a high-resolution Earth Observation satellite. Brazil is also pursuing cooperation with its neighbor Argentina on the SABIA-Mar joint Earth observation mission.

In the 2022-2023 period, the Brazilian Space Agency has been engaging with the signatories of the Artemis Accords together with NASA and its partners. At the IAC 2023 in Baku, we have agreed on the importance of transparency and support of the Outer Space Treaty and recognized the need for States to begin initial steps toward disseminating information about the nature, conduct, locations and results of their near-term civil lunar mission plans. In this occasion, AEB reaffirmed the importance of advancing opportunities for emerging space actors to engage in exploration. In doing so, we have helped identify traditional barriers facing new or small space programs and articulated key value propositions of investments in space exploration. We emphasize the importance of peaceful, sustainable, and transparent space activities. In light of the increased pace and complexity of lunar activities, we reaffirm the importance of continued dialogue on implementing principles of the Artemis Accords.

Brazil has been consistently and continuously engaging with the USA in several international space-related events all over the world. An illustrative example of the engagement with the USA is the hosting of the Space Economy Leaders Meeting Edition (SELM-G20 2024), in Brazil.

On November 29, 2023, the Ministry of Foreign Affairs, and the Alexandre de Gusmão Foundation, in collaboration with the Ministry of Science, Technology and Innovation, the Brazilian Space Agency and the Brazilian Air Force held a Seminar on the Brazilian Space Program, at the Palácio of Itamaraty, in Brasília. The Seminar brought together the main players in the space sector in Brazil to discuss the history of the sector in the country, the current panorama, internally and worldwide, and the prospects for the future.

The Seminar sought to promote the strategic importance of space technologies for national development. Currently, space technologies are essential for areas such as telecommunications, border and coastal surveillance, resource mapping, combating natural disasters, environmental and meteorological monitoring, cyber security, among others. The event also evaluated the central role of international cooperation and the diversification of partnerships to strengthen the Brazilian Space Program, as well as an active role of Brazil in the multilateral sphere, regarding regulations and regimes for the use of space, to consolidate the principle that space exploration should be undertaken for the benefit of all nations.

### III) EDUCATION

#### HIGHLIGHTS:

Recreation and expansion of the **Abdias do Nascimento Program**.  
Establishment of the **National Child Literacy Commitment**.

#### EDUCATION & WORKFORCE DEVELOPMENT

The Ministry of Education (MEC) has been developing actions to boost innovation and entrepreneurship. For example, within the scope of the New Paths Program (*“Programa Novos Caminhos”*), MEC has invested US\$ 5.9 million, which enabled the development of projects, selected through public calls for the implementation of Education 4.0 workshops, which promote training and applied research activities for high school students. These projects will be developed by Federal Network Institutions and aim at developing skills and competences related to the use of digital technologies, entrepreneurship and innovation, required by Economy 4.0. In addition, Innovative Entrepreneurship projects that create innovative ventures were also selected with a focus on solving problems in Economy 4.0, through the generation of new businesses.

Aiming at improving the quality of education, within the framework of the New High School Support Program (*“Programa Apoio ao Novo Ensino Médio”*), MEC has been focusing on the development and implementation of new curriculum for high school students, which include the expansion of the workload and continuing education in different knowledge fields. In addition, within the Full-Time Secondary Schools Promotion Program (*“Programa de Fomento às Escolas de Ensino Médio em Tempo Integral”*), MEC is encouraging full-time integral schools to enhance the autonomy of young students and to boost the pedagogical creativity among teachers.

Also, the Abdias do Nascimento Program was recreated and expanded, by Ordinance No. 1,191/2023, with around R\$ 600 million, the aim of which is to train and empower, in Brazil and abroad, self-declared black, brown and indigenous students, students with disabilities, global development disorders and high abilities, in universities, professional and technological education institutions and research centers of excellence.

We also highlight the National Child Literacy Commitment, created by Decree No. 11.556/2023, which establishes actions based on Early Childhood Education, especially with regard to promoting teacher training, good practices and funding in collaboration with states, municipalities and the federal district.

With the aim of encouraging academic exchange programs between countries and collaboration on international mobility, the Students Graduation Agreement Program (PEC-G) was established within international educational cooperation based on current bilateral agreements, governed by Decree No. 7,948/2013. The program offers students from developing countries with which Brazil has an educational, cultural or scientific-technological agreement the opportunity to carry out their undergraduate studies in Brazilian Higher Education Institutions (HEIs). PEC-G is administered by the Ministry of Foreign Affairs and by MEC, in partnership with Higher Education Institutions across the country. Up to July 2023, Brazil has bilateral agreements with 70 countries.

A major challenge that PEC-G faces is to guarantee housing and living costs funding for foreign students, at least a monthly amount of US\$ 400 that must be presented by candidates at their submission for an undergraduate position at Brazilian universities.

MEC is also interested to foster international mobility of foreign undergraduate students at Brazilian universities through a nationwide program to concentrate annual call for applications and to facilitate the visibility of the opportunities to expand the international cooperation with national institutions.

Furthermore, MEC has been providing financial support and seeking new partners for ongoing programs such as the Language Without Borders Program (IsF), that is currently being improved. This program aims at contributing to the development of a language policy in Brazil, by training professors and students in foreign languages. The US Embassy had assisted the IsF-English Program actions, in partnership with the Fulbright Commission and CAPES.

### **INCREASE COLLABORATION BETWEEN INDUSTRIES AND THE ACADEMIA**

Important initiatives and programs conducted by MEC may help to expand the partnership between Brazil and the United States, such as the Capes-Yale Doctoral Program in Biomedical Sciences; the Capes-Purdue Doctoral Program in Agriculture; the Capes-Fulbright Full Doctorate program in the USA; master's in fine arts, English Teaching Assistant and Professional Development for English Teachers in the USA, all in partnership with the Fulbright Commission.

Finally, in order to attract qualified labor to Brazil, MEC has published (Ordinance No. 1,151/2023) regarding the revalidation of diplomas. This is a strategic initiative that aims to reduce bureaucracies and deadlines for the process completion, preserving the quality and academic and legal security of the analysis. In addition, more improvements in the processes of revalidation and recognition of diplomas have been discussed with national and international entities.