LIBERAL BIAS IN THE BRAZILIAN ENERGY POLICY: THE TRANSITION FROM TEMER TO BOLSONARO

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Overview

Brazilian politics has undergone profound changes in recent years. Dilma Rousseff's impeachment, occurred in 2016, marked the end of an interventionist cycle for the energy sector. Michel Temer's administration was characterized by the extension of the special customs procedure for goods destined for oil activity (Repetro), the opening of pre-salt exploration for foreign companies and the political effort to privatize Eletrobras' distributors.

In the oil segment, Temer's administration realized, between 2016 and 2018, two bidding rounds for blocks of oil, four sharing rounds for pre-salt, one round of marginal accumulations and also the opening of the permanent round for remaining areas. This period remarks the end of the exclusive participation of Petrobras in pre-salt oil fields, changed by the Law No. 13,365/16. In the following year, the Senate Bill 218/17 reduced the local content for oil exploration – in other words, reduced the percentual of goods and services destined to oil activities to be acquired in the national market.

In this meantime, the regulatory agency for oil and gas (ANP) introduced a calendar of scheduled rounds, providing security and previsibility capacity to companies potentially interested in exploring Brazilian oil. At the tributary level, the government won a congressional dispute to extend the validity of the special customs procedure for goods destined for oil activity (Repetro) until 2040, which was previously valid until 2022.

The electric sector experienced the dispute for the privatization of Eletrobras, which failed to be approved in its original shape, and had the proposal reduced for the privatization of 6 non-profit distribution companies. The government made efforts to approve the Bill 10,332/18, which although not really necessary for the auctions, would be able to provide legal certainty to the privatizations. In June 2018, the bill was approved in the Lower House and, in October, rejected in the Upper House. Due to its non-mandatory character, five of the six distributors have already been privatized, although with potentially lower prices due to market uncertainty at the time of the auction.

In October 2018, Bolsonaro were elected the next Brazilian president. During its campaign, he presented proposals of market liberalization. The candidate did not approach specifically the energy agenda, which raises discussions on the adoption of liberal policies. As his mandate has not started yet, it is not possible to distinguish his electoral plan from the government plan he will implement. It is also evaluated the fact that military politicians – as is his case – tend to have an interventionist stance on economic and regulatory affairs, which does not fall outside the rule regarding some of his declarations.

The present study will analyze the political and economic conjuncture that made possible these changes in the Temer's administration, as well as the capacity for this liberal bias to be continued during the Bolsonaro's administration. The research will give attention to the ideological contrast between the nationalism present in Bolsonaro's speech versus the liberal proposals presented in its plan of government and defended by those his economic advisers.

Methods

This study adopts as methodological procedure an exploratory case study, based on the bibliography and theoretical references on energy policy. The bibliographical survey will cover, mainly, official communications from the Ministry of Mines and Energy, technical reports produced by the Energy Research Company and analyzes of experts focused on the energy agenda of Michel Temer.

For the projections of the future Bolsonaro government, will be analyzed speeches and announcements provided by him, as well as analysis of the political dynamics that surrounds him, in order to monitor the tendencies to be taken during its administration.

The research will be guided by the following question: How was the liberal bias of Brazilian energy policy built in Temer's administration and how can it be institutionalized in the Bolsonaro government?

Results

The case study starts from some propositions that are expected to be proven throughout the research:

1. Michel Temer has a bias of greater competitiveness in the energy sector, which, in parallel with its capacity for political articulation, allowed to achieve milestones in the energy sector.

2. The institutional crisis experienced by Petrobras since the case of Pasadeña refinery pressed the company for capital contractioin, framed into its divestment plan. The fact that the government owns 51% of the company helped it in the political apparatus that allowed the execution of divestitures, as the end of the obligation to explore the pre-salt, making possible for the company to sell assets that were already contracted in the previous auction.

3. The process of auctioning of Eletrobras' distributors was mainly due to endogenous factors, such as the bad financial and management health of the company, but also as a tendency to reduce the State in what is not its essential function.

4. At first, Bolsonaro government will follow liberal trends, allowing the conclusion of the scheduled auctions and start discussions on privatization of Petrobras branches.

5. The market will not retreat investments due the presidential transition, since Bolsonaro's electoral plan is prone to implement a continuation on liberal trends.

Conclusions

The three most intense moments of the Temer government's energy policy, presented in the overview, were: the end of Petrobras' obligation to explore the pre-salt, the extension of Repetro and the auction of Eletrobras' distributors. A significant part of these points is due to Temer's political ability to guide them with parliamentarians and other stakeholders. Nonetheless, there are remaining points for the next government, such as the privatization of Eletrobras core, privatization of non-essential Petrobras' sectors and the implementation of the next scheduled oil auctions.

Temer's government has allowed greater participation of the private sector in the generation and distribution of energy, as well as in oil activities. Bolsonaro's government plan, presented during the election campaign, also signals liberal policies, although was not particularly specified the energy agenda. As his plan signs for a scenario of continuation, the market is not prone to remove its investiments at a first moment, fearing the resumption of a intervencionist agenda. Anyway, only the beginning of his mandate will be able to clarify what policy will guide the energy sector for the next four years.

DISCLAIMER: This study proposes to analyse the continuation of the liberal bias in energy sector during Bolsonaro's administration. However, the election that led him to the victory occurred 3 days before the sending of this abstract, what preclude to clearly disassociate Bolsonaro's electoral plan from the government plan he will implement. Due this reason, a closer analysis of Jair Bolsonaro's energy policy proposals will be made only in the final version of this research, when the future president will already be fulfilling his mandate.

References

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