

NEWSLETTER

July 2020

July 2, 2020

Government bets on new gas framework to keep reforms going

After the new sanitation law passed last month, the new Gas Law is the government's best bet to draw billions in foreign investments and keep the reform agenda going amid the pandemic. Infrastructure Development Secretary Diego Mac Cord points out that many asset managers lack the mandate to invest in countries outside of the Organization for Economic Co-operation and Development (OECD), so having Brazil attain membership, along with its portfolio of available projects, could attract billions of dollars here.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 2, 2020

Brazil expected to ratify Nagoya Protocol

Brazil's Congress is expected to ratify the Nagoya Protocol in the coming days in an attempt to play catch-up after a 10-year delay and enter a global agreement devised to regulate access to genetic resources and technological advances in agriculture, industry, and medicine. The idea is to send a signal to the international community that the country is not all about deforestation, disrespect for indigenous peoples, and environmental setbacks. At the same time, it gives legal security to investors in biotechnology and guarantees a seat at the negotiating table to defend the country's interests. The protocol was agreed in 2010 in Japan and entered into force in 2014. China and the European Union are among signatories. Some sectors of agribusiness feared for a decade that Brazil would have to pay retroactive royalties to the countries where the genetic resources originate. That is, to pay China for soybeans, Ethiopia for coffee or Indonesia for sugarcane.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 2, 2020

Petrobras expands list of assets for sale

Amid the oil price shock and the need to increase cash reserves, Petrobras has been expanding its divestment portfolio. Since June, the company has put six new asset packages up for sale, including mature fields, thermal power plants, and exploration blocks. CEO Roberto Castello Branco said in a live-streamed talk with Valor that the oil giant intends to dispose of all mature fields both onshore and in shallow waters. In addition, the company plans to sell an additional share of its 37.5% stake in fuel distributor BR Distribuidora and of its 36.1% stake in petrochemical company Braskem. In both cases, however, Petrobras is waiting for better market conditions. “The Brazilian stock market was among those that fell the most since the beginning of the year, which created an unfriendly environment for any deal. We have to be patient and wait for the right moment.”

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 3, 2020

Three Cyrela partnerships go public

Three companies that have developer Cyrela as a direct or indirect partner are preparing initial public offerings. Valor has learned that developers Lavvi and Plano&Plano already started hiring banks to coordinate their offerings, while builder Cury has already registered with the Securities and Exchange Commission of Brazil (CVM). Cyrela’s stake in Plano&Plano is indirect, as they created a joint venture to operate with low-income housing program Minha Casa Minha Vida. With Cury, Cyrela will be one of the shareholders selling their stakes. Market sources say the moves help unlock value at Cyrela by pricing assets and equities under its umbrella. They also capitalize the company without having to dilute shareholders with a secondary share offering. Cyrela declined to comment. Its moves are shadowed by competitors like Pacaembu, Riva, You, One Innovation, Alphaville Urbanismo, Canopus Holding, Kallas and Inter. While the market seems to be heating up, sources say some IPOs may be left for next year to avoid too much competition and the slow-to-recover property market.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 3, 2020

Toyota e Mitsui create mobility joint venture in Brazil

Japanese giants Toyota and Mitsui have joined forces to bring to Brazil the former's mobility unit, which already operates in Asia, Europe and the US. Kinto Brasil wants to follow the behavioral trends of newer generations, which reject car ownership but still want to get around. The venture also seeks to branch out into corporate fleet management services and feature other vehicle brands aside from Toyota, including trucks. At some point, Kinto Brasil will offer urban mobility services that seek to integrate cars with mass transit. Masahiro Inoue, Toyota's lead executive in Latin America, admits the culture of cars as service is not fully consolidated in Brazil but bets that "in 10, 20 years mobility services will be the dominant force." Kinto's mobility offering involves car-sharing, with a pilot project at Toyota dealerships in Brazil already boasting 18,000 registered users.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 7, 2020

CPPIB plans to double investments in Brazil until 2025

The Canada Pension Plan Investment Board (CPPIB) plans to double the size of its Brazilian investments by 2025. Latin America currently occupies 4% of CPPIB's global portfolio, at about R\$64 billion, with half of the investments allocated in Brazil. The pension fund wants to raise that share to 7% or 8%. Latin America chief Rodolfo Spielmann says it has been looking for operating partners to expand its presence in Brazilian infrastructure, including sanitation and highways, from the current base on real estate and electricity. The model is a long-term alliance with Votorantim Energia signed in 2017, and that turned it into one of the largest power generators in the country.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 8, 2020

Brazil makes proposal for investment facilitation

Brazil made a new proposal in the negotiation of an Investment Facilitation Agreement at the World Trade Organization (WTO), in a sign that it will continue to seek greater integration into the global economy, as opposed to the risks of growing economic nationalism in several markets in the post-covid-19 period. For Brazilian Ambassador Alexandre Parola, this is a "gesture consistent with the economic and foreign policies of greater engagement for an open economy and of interest in a country that needs investments to develop." A novelty in the Brazilian proposal is the creation of a "national investment facilitator" that countries should adopt to reduce red tape and draw more foreign capital.

The negotiation was launched in December 2017 at a WTO ministerial meeting held in Buenos Aires. Since then the number of participants has increased to 102 members from 70, representing about 70% of global foreign direct investment flows.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 15, 2020

Ibitu Energia betting on demand for sustainable energy projects

Under new control, the company created with the assets of Queiroz Galvão Energia that were purchased last year by US private-equity firm Castlelake is betting on demand for sustainable energy projects. Named Ibitu after the word for wind in the Tupi-Guarani indigenous language of Brazil, the group plans to invest between R\$4 billion and R\$5 billion over the next five years to expand its renewable energy portfolio with a focus on wind and solar sources. Ibitu currently has 832.2 megawatts (MW) in operation distributed among five wind farms and three hydroelectric plants. “We were born with a completely clean balance sheet and enormous financial capacity. In our minds, it’s the big driver to win long-term PPAs [power-purchasing agreements] and also advance in short-term contracts. We’ll use our power trading arm to trade these contracts and grow,” CEO Gustavo Ribeiro says.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 21, 2020

XP Investimentos testing credit card with “investback”

XP Investimentos announced it started testing a credit card offering an “investback” option that deposits cashback from purchases into a special fund. Chief Operating Officer Bruno Constantino says the goal is to keep the new product aligned with the investment platform’s core identity. The investment portfolio will be simple, with daily liquidity mainly from government bonds, he explains. XP has yet to define the management fee or return target for the cashback portion. The card is being developed with Visa and should include a debit feature next year that would add up to XP’s efforts to launch a digital bank.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 21, 2020

Central Bank allows properties to back more than one loan

The Central Bank (BC) took another step to encourage property-backed lending, still little used in Brazil. Officials will allow borrowers to use the same home as collateral for more than one loan, but only from the same bank, limiting competition between Brazil's largest banks and its nimble fintechs. "The concern is that the way it is, it may generate even more banking concentration instead of more competition," says Alexandre Graziano, chief of legal, compliance and public policy at guaranteed credit fintech Creditas. But Romero Albuquerque, Bradesco's head of mortgage lending, warns that letting more than one bank use the same property as collateral is a more complex step that could trigger legal insecurity. BC Regulation Department Chief João André Pereira says it's the first of a series of measures that monetary officials want to launch to generate liquidity from properties.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 29, 2020

Infrastructure Ministry plans 100 auctions by 2022

Infrastructure Minister Tarcísio Freitas said he intends to hold as many as 100 auctions until 2022, last year of the Bolsonaro administration, in an attempt to draw foreign investments. He claims the concessions and assets being offered are well-structured and environmentally sustainable. "We have the biggest concession program in the world," he said. The Federal Court of Accounts is already reviewing 34 of those projects, which could generate R\$60 billion in investments. Mr. Freitas intends to send another 12 projects with an overall price tag of R\$49 billion to the government watchdog by late 2020. This year, 14 could still take place, including the West-East Integration Railroad and federal highways BR-153 and BR-163.

Source: *Valor Econômico*

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July 29, 2020

FPI sees first rise in five months

Foreign portfolio investment (FPI) stayed positive in June for the first time in five months, signaling some improvement from the early pandemic stage. According to Central Bank data, Brazil received \$2.4 billion last month, but it is still down \$31.3 billion in the year. Foreign direct investment (FDI), a more stable source of external financing, also showed a recovery last month, notching an inflow of

\$4.8 billion. Brazil also experienced the third consecutive monthly current-account surplus. Fernando Rocha, the Central Bank's statistical department chief, says the FPI data could indicate a gradual recovery of investments, less uncertainty, or return of normalcy to those flows after significant outflows.

Source: *Valor Econômico*

<http://www.valor.com.br/international>

July 30, 2020

AES Corp sees Brazil as a strategic market

The decision of AES Corp to raise its stake in AES Tietê shows its confidence that Brazil, while still generating only 3% of the American company's earnings, has significant growth potential for the next few years, according to its leading executive for South America, Julian Nebreda. "We are a global investor, we have opportunities to put money in any market depending on the need. For us, Brazil is very important," said Mr. Nebreda, who is Tietê's chairman and headed the company until 2018. After finalizing its deal for part of BNDESPar's stake in the São Paulo-based generation company, AES Corp holds 42.9% of Tietê. Mr. Nebreda said the parent plans to accelerate the expansion of Tietê, whose generation portfolio mainly consists of renewable sources.

Source: *Valor Econômico*

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