



Low Carbon Maritime Navigation & Ports

The Brazilian Government Incentives

MINISTRY OF
INFRASTRUCTURE



Federal Incentives

01

**Merchant
Marine Fund
"FMM"**

Law 10.893, 2004

02

**Incentive
Corporate Bonds**

Income tax benefit to
investors

Law nº 12.431, 2011

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**Special Incentive
Regime for
Infrastructure
Development
"REIDI"**

Law nº 11.488, 2007

FMM

Merchant Marine Fund (FMM) is a naval fund created to support Navigation and Shipbuilding Industries in Brazil.

The Fund Resources come from tax "AFRMM" levied on the value of freight charged by Brazilian and foreign shipping companies operating in Brazilian Ports.

Ministry of Infrastructure controls the Fund through a Managing Committee composed of Government Ministries, Federal Banks, and Sector Organizations.

This Committee is responsible for approving projects of Brazilian Enterprises, according to the Law n. 10.893/2004, to obtain special conditions banking loans supported by the Fund.

Part of the AFRMM collection also directs toward (i) non-refundable deposit "special accounts" to finance projects of vessel construction/modernization/conversion/repair for Cabotage Navigation and Inland Water Way Transport Companies, just as payments of refundable loans financial expenses; and (ii) resources of another Fund "FNDCT" toward technological and scientific research in Navigation.



Which projects are up to finance?



Vessels

I - Construction of vessels: maritime and port support; cargo; passengers transport; to export.

II - Construction of auxiliary, hydrographic, oceanographic, and craft vessels to be used to protect national maritime traffic;

III - Constructions of artisanal and industrial Fishing vessels;

IV- JumbORIZATION, conversion or modernization of own vessel;

V - Shipping repair;

VI - Acquisition of equipment for owning vessel;



Shipyards & Others

I - Construction, expansion and modernization of shipyard;

II - Scientific and technological research and development projects and training and improvement of human resources for the Merchant Marine;

III - Other investment applications toward Merchant Marine and Shipbuilding Industry Development.

FMM Performance 2021

99 Vessels

85 Vessels Constructed

14 Vessels Repaired



Offshore: 21 offshore support vessels



Inland waterway transport: 70 cargo vessels



Navigation Support: 5 Harbour tugs and Pushers



Cabotage / Cargo: 2 cargo vessels



Shipyard: 1 floating dock

Number of Approved Projects
Fund Managing Committee

9

Shipyard Changes/
Ownership
Transfer, and
Project Deadline
Extension

11

Vessel
Construction

7

Vessel Repair
Modernization

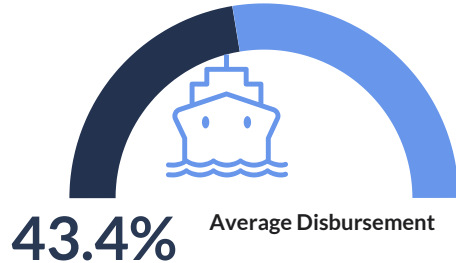
Total Investment
BRL 1.2 Billions / US\$ 0,2 Billion

*Excluding Shipyard Changes/ Ownership Transfer Projects, and Project Deadline Extension

Central Bank PTAX: 1 US\$ = BRL 5,5734 (November 24th, 2021 - 10 a.m.)

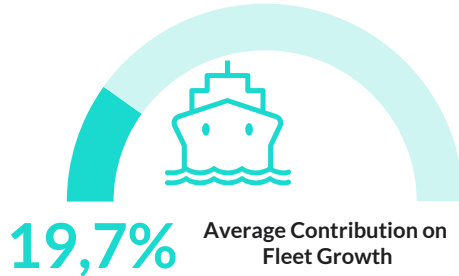
FMM Performance 2011 - 2021

Disbursement Percentage of FMM Resources



FMM Contribution on Fleet Growth

Number of Vessels
Constructed with FMM Fund
/ Number of Vessels
Constructed



Shipbuilding companies in Brazil continue to operate in a challenging market environment with a comparatively low orderbook as captured by FMM Disbursement.

Between 2011 2015 the Fund disbursement reached its peak - close or above 100%.

Law Project in Congress (PL 4.199/2020)

"Cabotage Transport Incentive Program (BR do Mar)"

- Optimisation of applications using AFRMM collection resources.

(i) port and waterway infrastructure; (ii) **to foreign companies** for construction, jumboization, conversion, modernization, docking, maintenance, including preventive, or repair, when carried out by a Brazilian shipyard or by a specialized Brazilian company; (iii) others.

- Innovation and Scientific Enhancement;
- Sustainable Development;

Incentives to Transport Modal Shift from Road toward navigation --> CO2 Emission: Cabotage (48%) and Road (80%)

Low Carbon Maritime Navigation

Brazil Initiative has
been focused on
reducing CO₂ Emission

Brazil signed MARPOL Code and amendments in 2018, which has incurred in new investments in naval sector.

IMO Regulations on energy efficiency for ships

IMO's Marine Environment Protection Committee has given extensive consideration to control of Green House Gases emissions from ships and adopted a package of technical measures for new ships and operational reduction measures for all ships.

1. Carbon intensity of the ship to decline through implementation of further phases of the energy efficiency design index (EEDI) for new ships;
2. Carbon intensity of international shipping to decline;
3. GHG emissions from international shipping to peak and decline.

Currently, the Fund supports sustainable investments only through its credit lines to Vessels Construction and Modernization as well as Scientific and technological research applications.

In 2021, better financial conditions to low carbon vessels have been proposed, it is in analysis within Ministries of Economics and Infrastructure though - Review of CMN Regulation n. 4919/2021.

AFRMM collection also supports another Fund "FNDCT" toward technological and scientific research in Navigation. 7

Income Tax Benefit to Corporate Bonds in Infrastructure

Legal Framework

Law 12.431/2011; Decree 8.874/2016

MINFRA Order 106/2021

>>> [PL 2.646/2020](#)

Projects: including Ports



Implementation, expansion, maintenance, recovery, adaptation or modernization of infrastructure projects in **LOGISTICS AND TRANSPORTATION**, ENERGY, SEWAGE AND WASTE MANAGEMENT, and TELECOM, including those related to **GRANTS and FINANCIAL EXPENSES OR DEBTS** incurred within a period equal to or less than 24 months from the public offering closing date.

Issuers

Stock Companies:

- PPPs;
- Tenents;
- Special Purpose Entities (SPE)

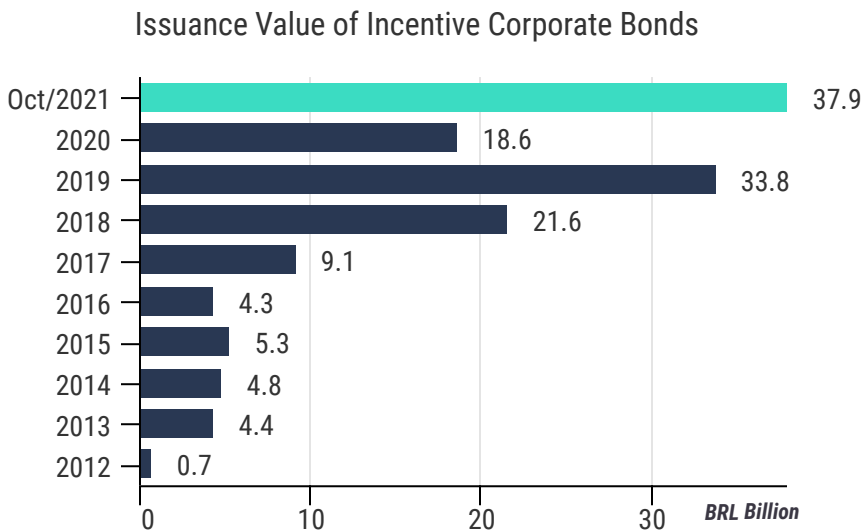
Investors Benefit

	Incentive Bond	X	Non-Incentive Bond
	Income tax: 0%		17,5% - 22,5% accordingly holding period
	Income tax: 15%		15% - 22,5% accordingly holding period

Currently, the legal framework doesn't incorporate additional benefits to low carbon projects.

However, MINFRA has applied ESG metrics in PPP Structuring through its Sustainability Secretariat, created in 2018.

Incentive Corporate Bonds



Source: B3 - The Brazilian Stock Exchange; AMBIMA and MINFRA
Central Bank PTAX: 1 US\$ = BRL 5,5734 (November 24th, 2021 - 10 a.m.)

LOGISTIC AND TRANSPORTS: 28%
BRL 10.6 billions (US\$1.9 billions) - Oct/21
OTHERS: 72%

PORTS: 4.8% of the Total Incentive Bonds Issuance Value

BRL 1.8 billions (US\$ 0.3 Billion)

20 Issuances

BRL 11.4 / US\$ 2.0 BILLION IN 2021

Public Offerings until November, 11th.

From 2012 to 2021, the average value of Incentive MINFRA Bonds represented 13% of the total projects CAPEX, this percentage tends to rise to 40-50% in 2021 and so on.

Despite the current legal framework, there is a tendency that the Brazilian companies become incorporated in their public offerings targets of carbon emission reduction to demonstrate that their operation respect global environmental demands, thus, to fund their projects with lower interest rates.

Special Incentive Regime for Infrastructure Development "REIDI"

Legal Framework



Law 11.488/2007; Decree 6.144/2007

MINFRA Order 105/2021

Projects



Implementation, expansion, maintenance, recovery, adaptation or modernization of infrastructure projects in **LOGISTICS AND TRANSPORTATION** (inclusive **WATERWAYS AND PORTS**, for instance), ENERGY, SEWAGE AND WASTE MANAGEMENT, IRRIGATION, and PIPES.

Beneficiaries



Owner Private Enterprise of the infrastructure project

Investors Benefit



PIS/PASEP and COFINS 5-years Tax Exemption:
Selling and Importing Equipment and Machinery or Services directed to infrastructure project and **incorporated on Fixed Asset.**

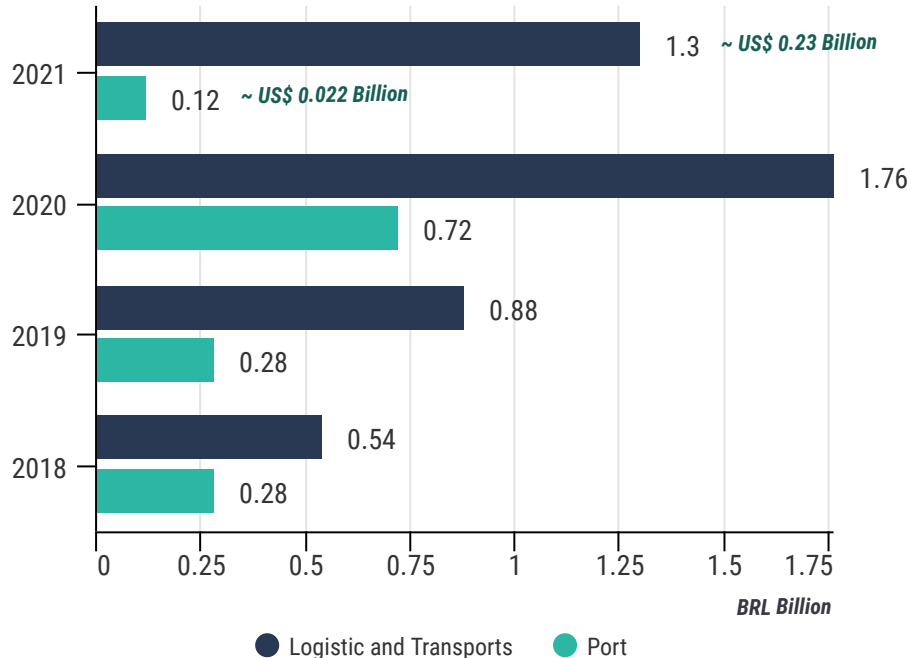
PIS/PASEP Rate between 0.65% and 1.65% of the Revenue
COFINS Rate between 3.0% and 7.6% of the Revenue

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Special Incentive Regime for Infrastructure Development "REIDI"

Tax Exemption Estimative



Source: MINFRA

Central Bank PTAX: 1 US\$ = BRL 5,5734 (November 24th, 2021 - 10 a.m.)

111 INFRA PROJECTS

**4,5% on tax exemption
BETWEEN 2011 - 2021**

ESTIMATIVE OF TOTAL CAPEX: BRL 209.7 Billions / US\$ 37.6 Billions

ESTIMATIVE TAX EXEMPTION: BRL 9.4 Billion / US\$ 1.7 Billion

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Merchant Marine Fund



INFRA Incentive
Corporate Bond



Special Incentive Regime for
Infrastructure Development