Overseas Business Insights

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Three Snapshots from Brazil: Anapolis, Santa Catarina and Porto Maravilha

Anapolis, located in the midwestern state of Goias (about 125 miles southwest of Brasilia), constitutes a trading hub reaching 126 million Brazilian consumers within a 1,000 kilometer radius. Logistics are centralized at the city's Midwest Dry Port, which processes agricultural goods, vehicles, and pharmaceuticals and distributes them via numerous rail, road, and air routes. Given its strategic geographical location, robust logistics networks, and a no-nonsense business ecosystem that seeks closer economic ties to the United States, Anapolis' leaders project a bright future for economic growth.

Anapolis' Midwest Dry Port is the third-largest dry port in Brazil and the only one in midwestern Brazil with an in-house federal customs office. The port sits between federal capital Brasilia and Goias state capital Goiana, along the Center-Atlantic and North-South railroads and three major highways, and in striking distance of Anapolis' cargo airport (currently under construction) and the Goiania and Brasilia airports. The port processes and clears shipments in as little as 24 hours. Traders with goods arriving by sea at Sao Paulo's Port Santos sometimes choose to have their shipments sent immediately to the Dry Port to avoid longer processing times in Santos. According to port officials, about 80 percent of the Dry Port's traffic is imports, 10 percent is exports, and 10 percent domestic goods. Officials said import activity is down about 40 percent amid the current recession. Movement of agricultural goods, previously the port's main trade, has tumbled, as have vehicles, falling from 10,000 processed a month down to 2,500. The port's main product by value is now pharmaceuticals; the port is Brazil's second-largest pharma port.

Outside the Dry Port, Teuto Pfizer – an entity formed in 2010 when U.S. pharmaceutical firm Pfizer took a 40 percent stake in Brazilian

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Quebec's Electric Transport Plan

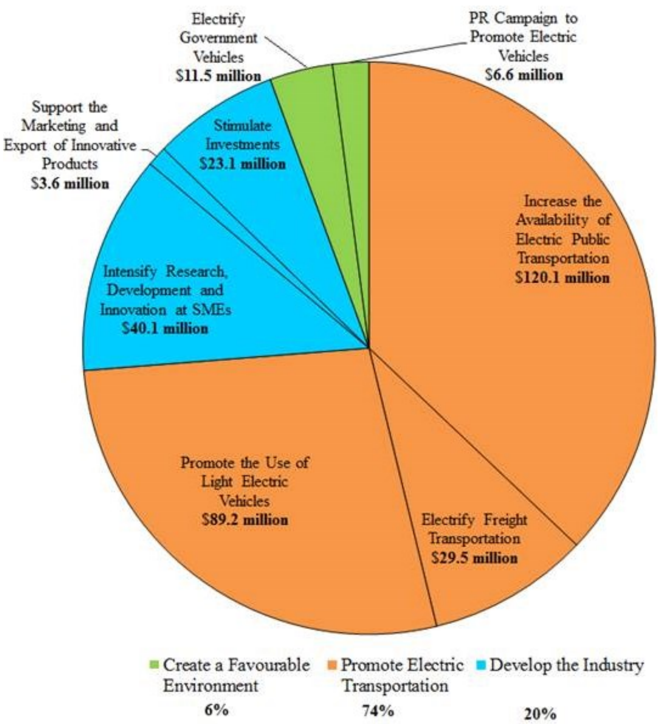
The Government of Quebec released its 2015-2020 Electric Transport Plan in October, budgeted at $324 million, which it will fund mostly from the revenues from its carbon market (see OBI June 2015 for more details on Quebec's carbon trading).

By 2020, Quebec aims to increase the number of electric vehicles in the province from 7,300 to 100,000. Plan proponents say that it would reduce Quebec's annual greenhouse gas (GHG) emissions by 150,000 tons and its fossil fuel consumption by 17.5 million gallons, while creating an estimated 5,000 jobs in the province and attracting $385 million in private investment. According to local officials, the plan invites individuals, businesses and transportation organizations to work together to improve the province's environmental performance and bolster the growth of a promising industry.

According to local leaders, Quebec is well-placed to become a leader in the field of clean transportation. Almost all of Quebec's electricity comes from cheap and abundant hydroelectricity, making the electricity price per mile of electric vehicles cheaper than the fossil fuel price per mile. Additionally, Quebec has a high concentra-

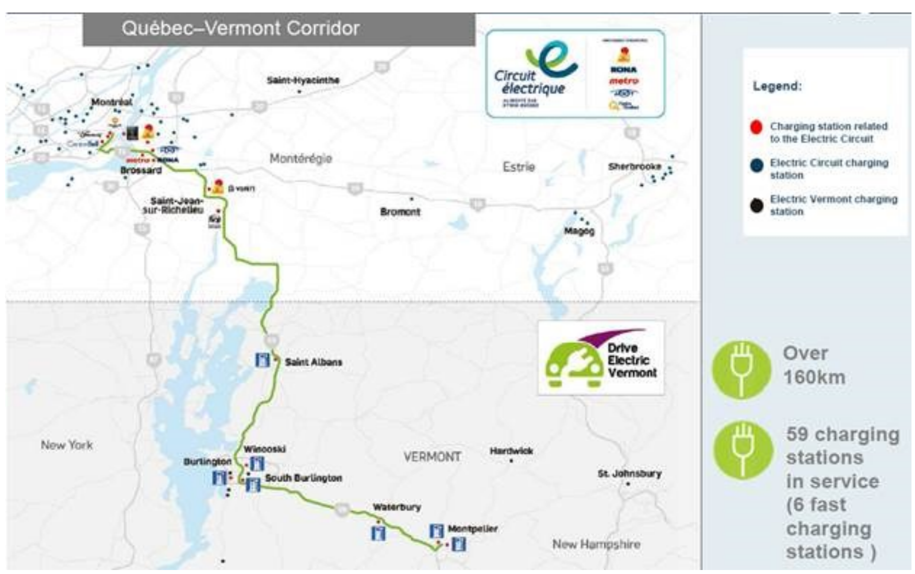
Quebec (continued)

-tion of lithium, graphite, aluminum, and rare earths that could be used to manufacture electric cars. Sixty percent of the Plan's budget ($195.2 million) will come from the Quebec's Green Fund, which invests revenues from the Quebec's carbon market. The Green Fund will receive $1.5 billion in revenues by 2015, which the Government of Quebec could use to finance further expansion of the electric transportation plan and other programs that reduce greenhouse gas emissions.



Nine projects will be launched under the plan and some existing programs transformed to promote electric transport, develop an electric transport industry, and create a favorable environment for electric transport. Three-quarters of the plan's funding is dedicated to making electric transportation more accessible by electrifying public transportation, electrifying freight transportation, and providing consumers incentives to purchase electric vehicles. The plan allocates $71.6 million in funding to renew the Drive Electric (Roulez électrique) subsidies, which reduces the cost of purchasing an electric or hybrid vehicle by up to $6,000. Under the plan, owners of electric vehicles will be able to use carpool-only lanes on Quebec's congested freeways and avoid paying tolls on certain bridges and ferries. Quebec's Electric Circuit charging network currently has almost 500 stations, but new investments of $15.3 million are in the budget to add 285 stations by the end of 2016. The City of Montreal also announced that it would install an additional 53 charging stations in downtown Montreal in collaboration with the provincial plan.

Quebec has partnered with Vermont to link up charging station networks, creating a corridor of charging stations from Montpelier to Montreal. Quebec will use $23.11 million to support the acquisition of electric school buses produced in the province and $63.9 million for projects such as a public transportation system on the new Champlain Bridge and the extension of Montreal's metro network. In addition, Quebec will spend $11.5 to electrify the government's fleet of vehicles. In the private sector, one private equity firm is following suit – investing $150 million in a project that aims to deploy 1000 electric taxis in Montreal.



The consumer market for electric vehicles in Quebec is amenable to vehicles made to North American specifications, which have a much shorter regulatory approval process in Quebec, where half of all electric vehicles in Canada are sold. In December 2014, Tesla Motors opened its largest distribution center in Montreal, helping Tesla Model S sales rise from just 50 vehicles a month across Canada to an average of nearly 250 vehicles per month. For each month of 2015, Tesla's Model S has been the most sold electric car across Canada. Montreal will host the 29th Electric Vehicle Symposium on June 19-21, 2016, a trade show that may be of interest for manufacturers and distributors looking to export to Quebec.

Costa Rica: National Energy Plan Aims to Cut Emissions in Electricity and Transport Sectors

Costa Rica's Ministry of Energy and Environment (MINAE), in conjunction with the Ministry of Public Works and Transport (MOPT), released the country's Seventh National Energy Plan in September. The two-part plan focuses on the Solis administration's goal of a low emissions economy, with strategies to improve efficiency, produce clean and sustainable energy, and reduce greenhouse gases in the electricity and transport sectors. In doing so, the strategy also aims to balance economic, environmental, and social priorities; increase energy security; and promote sustainable development.

Efficiency in electricity transmission and consumption is a cornerstone of the plan. MINAE will seek to create incentives for the purchase of efficient household appliances; to improve electricity management by reducing losses in transmission; and to facilitate a culture of energy conservation among the public.

Costa Rica has committed to become carbon neutral by 2021, but the Energy Plan posits that thermal energy will remain necessary to complement and support energy from renewable sources, due to their variability. MINAE hopes that thermal generation will not surpass 2 percent of all electricity sources in 2014-2035. The report admits the need for Costa Rica to diversify its energy sources, which are heavily reliant on hydropower. MINAE plans to increase research of non-conventional renewables such as biomass and solar. The proposal also calls for greater participation in the regional electricity market, but makes no mention of increasing the cap on private sector electricity production (currently at 15 percent for Buy, Operate, Own models).

The National Energy Plan's objectives in the transport sector are three-fold: an environmentally friendly vehicle fleet; sustainable public transportation; and cleaner fuels, to include biofuels, propane, and, less likely, natural gas. The transport sector currently accounts for 54 percent of CO_2 emissions in Costa Rica.

The average age of Costa Rica's vehicular fleet is 16 years old, with 17 years for automobiles, 19 years for trucks, and over 25 years for tankers that haul hazardous goods. The plan calls for financial incentives to encourage the public to exchange their old vehicles for newer, more efficient ones from countries with high emissions standards, such as the United States. Given that used cars represented 34 percent of all vehicles imported in 2014 (and 24 percent of those were over 15 years old), MINAE plans to develop emissions standards for imported new and used vehicles as a regulation mechanism. MINAE also plans to implement an annual tax on non-efficient cars, with the revenue earmarked for clean energy and fuel projects.

Alberta's New Climate Change Strategy: The Details

Alberta's Climate Leadership Panel was formed in the summer of 2015 and tasked by the provincial government to develop recommendations for a climate change strategy. The Panel recently submitted their 97-page report, outlining a framework that "accelerates carbon emissions reductions in the short-term, and provides a solid foundation in the longer term for creating a competitive and diversified lower-carbon economy." Premier Rachel Notley unveiled the main pillars of the plan on November 22: 1) phasing out coal-generated electricity and developing more renewable energy; 2) implementing a new carbon price on greenhouse gas emissions; 3) applying an emission limit for oil sands operations; and 4) instituting a new methane emission reduction plan. Absent any policy actions, the government estimates Alberta's emissions will grow from 267 megatons in 2013 to 320 megatons by 2030. Implementing this new policy framework would reduce this trajectory by 50 megatons by 2030, roughly stabilizing emissions then to just above current levels.

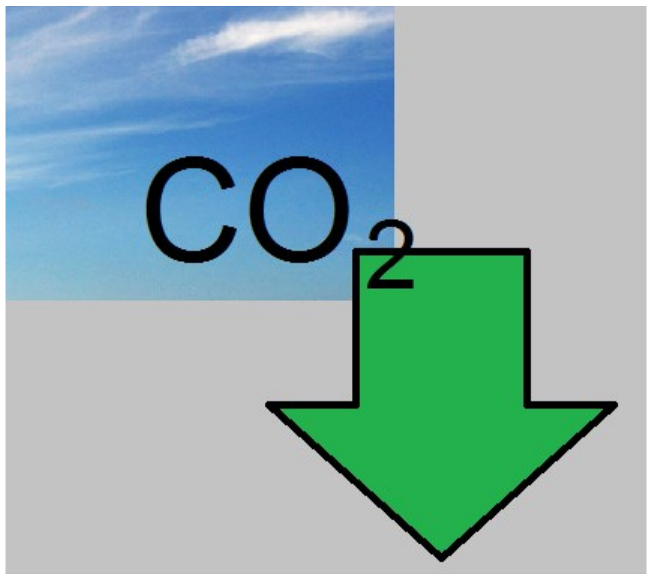
Under the new plan, Alberta's current "Specified Gas Emitter Regulation" program, will be replaced with one that is based on an "emissions performance" standard. Carbon will be taxed at CAD $20 per ton starting January 1,

Alberta Plan (continued)

2017 and CAD $30 per ton on January 1, 2018 for oil sands facilities and will increase in real terms (inflation plus two percent) each year thereafter. Emissions from transportation and heating fuels will be priced at the distributor and importer stage. The government expects this plan will cover 78 to 90 percent of provincial emissions and bring in net revenues of CAD $3 billion by 2018 and more than CAD $5 billion by 2030. As emissions go down, however, so will the funds collected. Premier Notley explained that when Alberta's economy has recovered, the government can consider whether any of these revenues will be used to pay down public debt. Before then, the revenue generated will be reinvested into measures to reduce pollution, including:

- Provincial efforts to reduce GHG emissions
- Research and innovation
- Green infrastructure
- Development of renewable energy projects
- An offset of potential cost increases for low- to mid-income Albertans, small businesses, indigenous communities, and coal workers

Additionally, oil sands emissions will be limited to an annual maximum of 100 megatons and the plan includes provisions for cogeneration and new upgrading capacity. The government has said this will encourage technological progress and ensure operators have time to develop and implement new emissions-reducing technology.



Replacing Coal with Renewables and Reducing Methane Emissions

The plan also calls for a phase out of coal-fired plants by 2030, with two-thirds of the generating capacity replaced by renewable energy and one-third by natural gas-fired electricity. Alberta will also reduce methane emissions from oil and gas operations by 45 percent from 2014 levels by 2025. To accomplish this goal, new facilities in the province will have to meet a new set of emissions design standards.

Shell Oil Unveils First Carbon Capture and Storage Facility for Oil Sands

Shell Canada has partnered with regional and federal governments to open the first oil sands carbon capture and storage (CCS) project outside Edmonton, Alberta. Shell is sharing information about the design processes and lessons learned in an effort to make CCS technologies more accessible, less costly, and more efficient. The CCS project is designed to capture and permanently store more than one million tons of CO2 each year from its Scotford upgrader – equivalent to one-third of the upgrader's total CO2 emissions (equivalent to the emissions from 250,000 cars). The Scotford upgrader processes heavy oil from the Athabasca Oil Sands Project into synthetic crude oil, which is then turned into fuels and other products at the adjacent refinery. The CAD $1.35 billion "Quest" project was built on behalf of Athabasca Oil Sands Project joint-venture owners Shell Canada Energy (60 percent), Chevron Canada Limited (20 percent) and Marathon Oil Canada Corporation (20 percent), and received funding from the Alberta and federal governments (CAD$745 million and CAD $120 million, respectively).

Brazil (cont. from page 1)

generics maker Teuto – is investing to keep up with demand for generics. Employing 4,000 workers, Teuto Pfizer is the largest pharma plant in Latin America, and it now produces 1 billion pills per month. According to local analysts, the generics market has great potential in Brazil because local regulations require pharmacies to offer generics as an alternative to brand names, and generics' already low price points hinders the introduction of cheap counterfeit drugs.

The Dry Port has helped turn Anapolis, the 67th-largest city in Brazil by population, into the 24th-largest importing city in Brazil. The state recently launched the "Inova Goias" investment program, earmarking over US $250 million to attract high-tech investment and entrepreneurial activity through tax breaks and other support.

<u>Brazil's Santa Catarina Seeks Greater Connections with the United States</u>

The Center for Public Leadership recently announced that Santa Catarina ranked third among Brazil's 26 states for both its economic and political environment, giving them high marks on the size and growth of their economy and the state's low crime levels.

With a diverse economy, including a new BMW automobile factory which opened last year, Santa Catarina's has avoided some of the effects of Brazil's economic recession. While manufactured products, which are produced principally around Joinville, have been hit hard, Brazil's weakening currency is helping the state's pork and seafood exports. The weak real also is encouraging more Brazilians to vacation in the state's capital, Florianópolis, instead of traveling abroad. The United States is the number one destination for exports of manufactured goods produced in Santa Catarina, thus local leaders are interested in attracting U.S. investment, particularly in the renewable energy, automobiles, pharmaceutical products, and healthcare administrative services.

<u>Porto Maravilha and Public-Private Partnership on Infrastructure</u>

City and state governments in Brazil are actively promoting public-private partnerships (PPPs) as a means to finance infrastructure there. In Porto Maraviha, a residential and port district of Rio state, a PPP project managed by a special municipal administrative unit, Companhia de Desenvolvimento Urbano da Região do Porto do Rio (CDURP) has more than 25 office and residential projects in the pipeline, including those by U.S. real estate developers Tishman Speyer and the Trump Organization. CDURP officials hope infrastructure improvements, including a light rail system, will revitalize the district by attracting 100,000 new residents over the next decade.

Local experts project that sub-national entities' reliance on infrastructure concessions in critical areas such as energy, transportation, and sewage treatment will accelerate over the next decade. There are more than 600 projects being formulated, and 100 of these will soon be ready for tender. In the state of Rio, according to local PPP agencies, there are at least 22 projects worth $ 2.2 billion coming down the pipeline with an increased focus on waste treatment and water supply. The state government is also looking at PPP projects to privatize the prison system and test charter schools to reform the public school system. Also in the mix are social development projects aimed at bringing more public services and job training to 1.5 million of Rio's inhabitants.

Other resources for anyone interested in overseas business news:

For Caribbean and Latin American Markets, the Department of Commerce has many resources to assist U.S. firms including market research, trade show calendars, trade delegation calendars, etc. Check out their "Trade Americas" and "Look South" websites:

http://export.gov/tradeamericas/index.asp

http://export.gov/tradeamericas/looksouth/index.asp

BusinessUSA
Discover. Connect. Grow.

The U.S. Government's main website to assist U.S. businesses at home and abroad. URL at http://business.usa.gov/

United States Department of State
BIDS
Business Information Database System

The Business Information Database System (BIDS) is a portal built to help U.S. businesses learn about significant international commercial opportunities. The site connects U.S. business to detailed information about each project as well as information to contact U.S. embassies overseas. URL at http://bids.state.gov/

Direct Line
For American Business

The Direct Line program provides a unique opportunity for American businesses, particularly small- and medium-sized enterprises, to engage directly via webcast with U.S. Ambassadors overseas. The program is open to U.S. companies – whether they are already in the country where the Ambassador serves or if they are interested in expanding their businesses there. Webcasts will vary in topic according to the specific needs for business in a given country. URL at http://www.state.gov/directline/

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