

92%

of business leaders say electrification will make them more competitive

Brazil's renewable power advantage presents companies with opportunities to gain an edge on international competitors through the access it offers to secure, affordable and stably priced power.

What Business Needs

Senior executives say that clearer and more long-term policy planning by the government would accelerate business demand for electrification.

Policy Context

Brazil's highly renewable power system, coupled with its rapid growth in wind and solar, places the country in a position of global leadership in clean electricity supply. Now, the challenge is to increase demand in equal measure. At 20-21%, electricity's share of final energy demand is on par with that of the European Union (22%), but it remains a long way short of the country's formal target of an 81% share by 2055. Motivating government policy here is a conviction that clean electrification will galvanise business competitiveness, private-sector investment and industrial development, particularly in high-growth sectors such as low-carbon manufacturing and value-added exports. This accords with private-sector opinion, with the bulk of senior executives agreeing that electrifying their operations will boost their firms' competitiveness (92%) and business growth (96%). Similarly, support for innovation and new technologies is seen by executives as the second most significant benefit of clean electrification.

Yet, for Brazil to hit its electrification target, it will need to fundamentally reconsider the role of fossil fuels. At present, the demand pathway laid out in its National Energy Plan 2055 anticipates gas and coal continuing to grow in absolute terms—albeit as a lower proportion of the total energy mix today.

Without a strong policy signal, energy-intensive sectors such as cement, steel and chemicals have little incentive to transition; as a consequence, these key sectors remain largely fossil-dependent. This situation is exacerbated by frequent changes in government policies; something that 75% of business leaders highlight as a barrier to electrifying their operations. One factor that could swing demand more towards clean electricity is geopolitical instability, which is leading to energy price shocks. Brazil has witnessed this before, with energy price hikes as a result of the Covid pandemic forcing a R17 billion (US\$3.37bn) increase in the government's energy bill, as a lack of clean electricity capacity obliged it to turn to inflated fossil fuel products.¹

Brazil

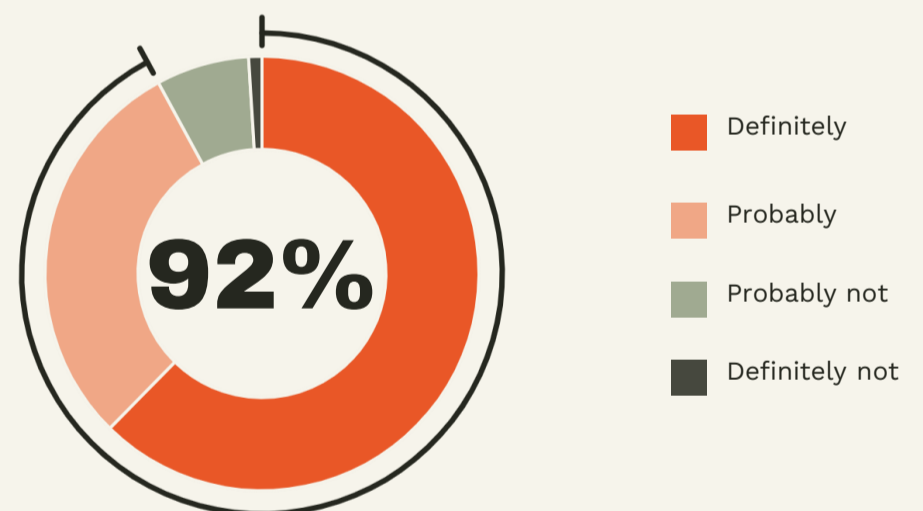
Business is only too aware of the economic risk that such instability brings: 74% of executives now say that Brazil is too reliant on fossil fuel imports, for example, while 86% argue that electrification is more urgent due to geopolitical tensions.

Business Viewpoints

This sense of urgency is flowing over into business views about electrification, with executives now citing energy security as the top benefit of electrifying the economy. Similarly, when given the choice between having renewables-based or fossil-based electricity, 85% of senior executives opt for the former. However, frustration over the pace of the transition is widely felt. Not only do 79% of executives say their business is electrifying faster than the government's preparations; 52% also say market barriers have already caused them to delay or shelve an electrification project.

Greater investment in grid infrastructure is widely seen as important to helping increase business demand, with most executives (91%) saying it will make energy more affordable in the long run. Hence, a high preference among business leaders for broad upgrades to grid infrastructure (96%), coupled with its digitalisation (89%). This link between demand for electrification and energy-related costs is reaffirmed by executives' preferred policy levers, the second and third most popular of which comprise the lowering of electricity prices and greater financial support to offset equipment.

Brazilian business leaders say electrifying their business will make them more competitive



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Thinking about your business switching from fossil fuel-powered equipment to electric alternatives, to what extent do you think this would do the following?: Make us more competitive.

¹ https://drive.google.com/file/d/12qmz8BZ5_CiSEnI27QmQr0mUsacsWnkV/view