FEDERAL COURT OF ACCOUNTS

International Coordinated Audit to evaluate public policies to include renewable sources of energy in the electrical mix
Court Decision: 1,530/2019– TCU – Full Court
Session Date: 3/July/2019
Rapporteur Minister: Minister Aroldo Cedraz
TC: 008.692/2018-1
Responsible Unit: SeinfraElétrica

WHAT DID THE TCU AUDIT?

In 2019, we conducted a coordinated international audit to evaluate the public policies to expand renewable sources in the electrical mix of participant Latin American and Caribbean countries. We identified good practices and opportunities to improve our policies to contribute to attaining the commitments made through the Sustainable Development Goals (SDGs) and the Paris Agreement to reduce the Greenhouse Gas (GHGs) emissions caused by the dominance of fossil fuels in the world electrical mix.

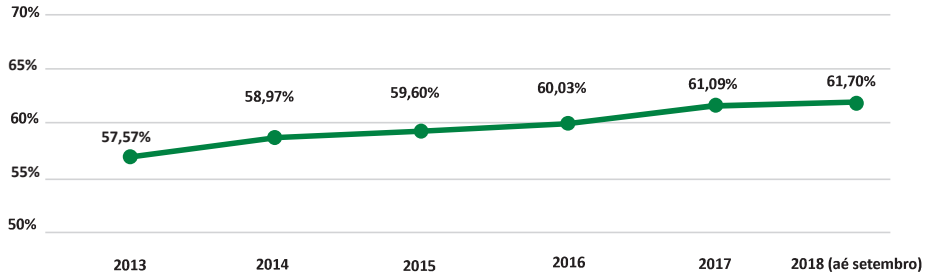
To achieve the purposes above, the audit evaluated the following aspects: national and international guidelines and commitments defined for the increase of renewable sources; public policies to increase the participation of these sources sustainably; coordinating the actors responsible for these policies; instruments or strategies to adapt the electricity sector to the characteristics of new renewable sources to ensure access to reliable, sustainable, and affordable energy.

Given the importance of government initiatives to overcome these challenges, the audit was developed within the work plan of the Public Works Audit Working Group (GTOP) of the Latin

WHAT DID THE TCU FIND?

It was found that all audited countries are signatories of the Paris Agreement and have already presented their Nationally Determined Contributions (NDC) for reducing GHG emissions. The audit also verified that, even in countries with a predominantly renewable electricity mix, these sources are essential for the energy transition in a possible scenario of vehicle electrification since there would be a tendency to increase electricity consumption. Together, the countries participating in the audit have installed renewable energy capacity that exceeds 213 GW, whose percentage evolution, in the last five years, in total installed capacity occurred, as shown in Graph 1.

Graph 1 - Percentage evolution of renewable sources in the installed capacity for electricity generation of the participating countries from 2013 to September 2018



The four tables below summarize each situation and the countries where they were verified.

Government Commitments And Guidelines For The Expansion Of Renewable Sources	
Situation Found	**Countries**
Outdated GHG emissions data, which makes it difficult to track possible progress towards reductions	Brazil, Colombia, Costa Rica, Cuba, El Salvador, Ecuador, Guatemala, Honduras, Mexico and Paraguay
Deficiencies in the definition of guidelines and goals, which are fundamental for a greater increase of renewable sources in the electric matrix	Brazil, Chile, Costa Rica, El Salvador, Ecuador, Honduras and Paraguay
Problems in the follow-up of goals or guidelines due to lack of adequate monitoring or deficiencies in the established indicators	Colombia, Costa Rica, Cuba, Ecuador, Honduras, Mexico and Paraguay

Coordination Between The Actors Involved With The Expansion Of Renewable Sources	
Situation Found	**Countries**
Failures in the coordination of policies for the insertion of renewables in the electric matrix	Costa Rica, El Salvador, Mexico, Paraguay and Venezuela
Deficiencies in the articulation between the actors responsible for the policies of insertion of renewables in the electric matrix	Brazil, Colombia, Cuba, El Salvador, Ecuador, Honduras, Mexico and Paraguay
Failure in the participation of important actors for the formulation of more effective policies	El Salvador, Guatemala and Paraguay

FEDERAL COURT OF ACCOUNTS

American and Caribbean Organization of Supreme Audit Institutions (Olacefs), under the coordination of the TCU, with the participation of the Supreme Audit Institutions (SAI) of the following countries: Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay, and Venezuela. It is also important to note that the SAI of Nicaragua participated in the planning stage.

Finally, we highlight that, given the importance of the expansion of renewable energy to mitigate the effects of climate change, this control action counted on the technical support of the *German Cooperation through the GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH – within the scope of the project Fortalecimento do Controle Externo na Área [Strengthening External Control in the Area]*.

Public Policies For The Sustainable Increase of Renewable Sources	
Situation Found	**Countries**
Insufficient incentive policies for the sustainable expansion of the electric matrix	Brazil, Colombia, El Salvador, Ecuador and Mexico
Incoherence between the established strategies and the governmental guidelines for increasing the percentage of renewable sources	Brazil, Ecuador, El Salvador, Guatemala, Mexico, Paraguay and Venezuela
Incentive policies without an adequate level of transparency or inexistence of support to popular participation in the formulation of the initiatives	Colombia, Guatemala, Honduras, Mexico, Paraguay and Venezuela
Lack of evaluation of the results of incentives granted to renewable sources, which generates a risk that the strategies adopted are not justified in terms of cost-benefit	Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras and Mexico

Instruments For Adapting The Electricity Sector To The Entry Of Renewable Sources	
Situation Found	**Countries**
Failure to adequately consider the environmental impacts, direct and indirect, resulting from the expansion of renewables	Brazil, Colombia, Guatemala, Honduras, Mexico and Venezuela
Weaknesses of government instruments to ensure that the expansion of renewable sources is done in a way that guarantees the reliability and cost-effectiveness of the electricity system	Colombia, Costa Rica, Cuba, Ecuador, Honduras, Mexico and Venezuela
Regulatory deficiencies for the greater increase of renewable sources	Brazil, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay and Venezuela
Technical deficiencies for the greater increment of renewable sources	Brazil, Chile, Ecuador, Guatemala, Honduras, Mexico, Paraguay, and Venezuela

WHAT DID THE TCU DECIDE?

Concerning the pilot audit conducted by the TCU to evaluate public policies for the inclusion of renewable sources in the Brazilian electricity mix exclusively (TC 008.692/2018-1), the TCU issued several orders to the government, as follows: (i) presenting an action plan aimed at establishing national guidelines for mini and micro distributed generation; (ii) defining a system based on objective technical criteria to choose the sources to be included in new energy auctions; (iii) reporting on the adoption of regulatory actions to facilitate the implementation of hybrid projects; (iv) including in its action plan a systemic evaluation of the results of tax, financial, credit, and tariff incentives aimed at renewable electric energy sources to provide inputs for the improvement of public policies related to the matter, includ-

ing, if applicable, the assessment of the need to maintain incentives, or to reduce them gradually. In addition, the TCU recommended various bodies and entities improve their energy expansion planning by considering the inclusion of renewable sources and the guidelines that make public policies more synergistic.

WHICH ARE THE NEXT STEPS?

Conducting this joint work enabled the exchange of data and information among the participating SAIs, diagnosing the evolutionary framework of expanding renewable sources in the electricity sector. This evaluation provided the compilation of several lessons, opportunities for improvement to solve the identified deficiencies, and good practices that, when disseminated, can help each country's government entities to make the most appropriate decisions concerning their realities, aiming at creating public policies to increase their effective and efficient clean energy sources.

We emphasize that the success of energy transition can help to reduce GHG emissions and expanding the electricity supply to the populations of the involved countries. And the reason is that access to electricity becomes feasible even in locations far from transmission and distribution networks, given the decreasing cost of clean sources and the possibility of decentralized generation.

Finally, the joint action of Olacefs member countries can be used as a model for conducting audits coordinated by other SAIs, since mitigating the effects of climate change is a transnational theme that requires the joint effort of the international community.