



## POLICY MONITOR

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### OPINION

#### Interview with Claudio Sales

Claudio J. D. Sales is president of the Brazilian Chamber of Electric Energy Investors (Câmara Brasileira de Investidores em Energia Elétrica - CBIEE).

**1. *What is your assessment of the current level of institutional organization in the Brazilian electric utilities?***

Up to 2002, uncertainty regarding the future of the electric utilities' organizational model was the principal problem. When the present government relinquished efforts to improve a model that had taken years to develop, uncertainty resulted in paralysis. The electric utilities and the country have lost a great deal.

**2. *What is your opinion regarding the new regulations for electric utilities proposed by the government?***

The use of executive decrees to propose new regulations for such a complex industry was not the best option as it stifled public debate. The central issue is the excessive concentration of power in the hands of the executive branch. This initiative is unlikely to encourage new energy undertakings which are capital intensive and take a long time to mature, and are therefore incompatible with shifts in power in the executive branch.

**3. *What is the outlook for public and private investment in electric utilities?***

Brazil must invest R\$20 billion annually in electric energy production if the country is to sustain an economic growth rate of 3.5% per year in the future. The private sector is expected to provide at least 60% of total investments for the industry.

**4. *What are your expectations regarding the regulatory agencies?***

Not very optimistic. Last year, the regulatory agencies' powers were reduced and their actions constrained by the government.

**5. *What are the most important problems faced today by the electric utilities?***

The core problems include the following: (a) the low demand growth rate caused by economic recession; (b) the industry's difficult process of debt restructuring; (c) the controversy regarding the proper methods for tariff revision; and (d) the industry's excessively high tax burden which increased from 25% to 30,6% in 2003.