

**AUDIT REPORT ON THE RESERVOIR RECOVERY POLICY FOR FLOW-REGULATION
HYDROELECTRIC PLANTS IN THE CONTEXT OF CLIMATE CHANGE**

TC 005.402/2024-7

Audit: 18/2024

Rapporteur: Augusto Nardes**AUDIT****Modality:** Performance Audit**Originating Act:** Dispatch of February 6, 2024, by Minister Augusto Nardes (TC 001.994/2024-7)**Objective of the Audit:** To assess the national public policy for the Recovery of Flow-Regulation Reservoirs for Hydroelectric Plants as a mechanism to ensure energy security and the multiple uses of water, considering aspects of efficiency, effectiveness, and social inclusion in the context of climate change.**Designation Act:** Audit Ordinance - AudElétrica 80/2024, amended by Audit Ordinance 283/2024, 284/2024 and 582/2024.**Audit Period:** February 26, 2024, to October 15, 2024.

Team composition in the Planning, Conducting, and Reporting Phases:

Auditor	Registration	Allocation	Period
André Luiz Gama de Souza (Coordinator)	10.622-4	AudElétrica	26/2/2024 - 30/4/2024; 20/5/2024 - 31/5/2024; 3/6/2024 - 26/7/2024; 15/10/2024
Jordana Garrido Saba Lobo	12.202-5	AudElétrica	26/2/2024 - 31/5/2024; 3/6/2024 - 26/7/2024; 29/7/2024 - 13/9/2024
André Delgado De Souza (Supervisor)	7.608-2	AudElétrica	26/2/2024 - 15/10/2024

Audited units: Ministry of Mines and Energy (MME); Ministry of Integration and Regional Development; National Electric Energy Agency (Aneel); National Water and Sanitation Agency (ANA); National Electric System Operator (ONS); and Energy Research Office (EPE).**Audit Unit:** Audit Department for Electric and Nuclear Power (AudElétrica).

AUDIT SUMMARY



Rapporteur: Minister Augusto Nardes

TC: 005.402/2024-7

Audit Unit: AudElétrica

WHAT DID THE TCU AUDIT?

This audit was conducted as part of a global cooperative audit initiative led by the INTOSAI Development Initiative (IDI) and the Working Group on Environmental Auditing (WGEA), focusing on governmental actions for climate change adaptation.

The audit was conducted between March and October 2024, centering on water resource management within Brazil's energy sector. The specific focus of the audit is the National Plan for the Recovery of Hydroelectric Reservoirs (PRR). The objective is to assess the PRR as an instrument for ensuring energy security and the sustainable, multi-use allocation of water resources, considering economic efficiency, effectiveness, and social inclusion within the context of climate change adaptation.

The PRR represents a critical public policy for both the energy and water resources management sectors. The plan aims to restore hydroelectric reservoirs and optimize water resources use, aligning with Brazil's adaptation needs in the face of extreme climate events, which directly impact hydroelectric power generation and water security.

AUDITED FINANCIAL RESOURCES

The financial materiality of the PRR is primarily concentrated in one key action, related to the Water Resources Revitalization Programs, for which Law 14,182/2021 allocates a total of **R\$ 5.8 billion** over a ten-year period.

WHAT DID TCU FIND?

The audit focused on four key aspects of the National Plan for the Recovery of Hydroelectric Reservoirs (PRR): the design as a public policy; the process for project selection and prioritization within the Water Resources Revitalization Programs - related to a specific PRR action; the financial management; and the governance and management structures of the PRR.

Overall, the PRR is soundly designed and demonstrates potential for positive outcomes, particularly in enhancing water resources management and the operational flexibility of hydroelectric plants. Nevertheless, challenges remain for the implementation of the Plan, notably due to the diverse range of institutions and programs involved, as well as the inherent complexity of the issues addressed.

One specific action under the PRR entails the Water Resources Revitalization Programs, which are of considerable financial scope and significance to the energy sector as well as other users of water resources.

The audit found a lack of a structured project portfolio for these programs, impacting both their coordination and effectiveness. Furthermore, the criteria for selecting and prioritizing projects require greater clarity. While general guidelines for project eligibility exist, specific criteria for selection and prioritization are lacking. The audit also noted shortcomings in the resource allocation schedule, which does not cover the entire investment period. Additionally, there are limitations on public engagement and transparency in the project selection process and in monitoring implementation.

Regarding the overall implementation of the PRR, a gap was identified in the established risk management policy. Although progress has been made in the initial identification of risks associated with the plan and its actions, additional elements are required to fully characterize an effective risk management policy.

WHAT ARE THE AUDITED ENTITIES COMMENTS ON THE DRAFT REPORT?

The audited entities proposed text enhancements and adjustments to the terminology of the Findings, which were incorporated by the audit team. No specific suggestions were submitted regarding the actions proposed by the audit team.

WHAT ACTIONS ARE RECOMMENDED?

To address the main findings, the audit team proposed determination and recommendations for the adoption of corrective measures by the entities involved. The primary proposals are:

- Determination for the Committees to develop a project portfolio to comprise the respective Programs.
- Recommendations regarding project detail levels and the inclusion of public participation in the development of documentation for the Revitalization Programs.
- Recommendation for establishing a comprehensive risk management policy for the PRR.

WHAT ARE THE NEXT STEPS?

To ensure implementation of the proposed actions, ongoing monitoring will be conducted to assess compliance with the determinations and recommendations.