

brevíssimos cindes 34

Climate change in Brazil (2009 - 2011): political economy in progress*

Eduardo Viola**

July 2011

Matías Franchini***

In the last decade, Brazil experienced a process of deep changes in the trajectory and sectorial distribution of emissions. This change of profile is composed by three movements.

Until 2005 Brazil maintained a paradigm of economic growth hyper-intensive in carbon, in addition to a very peculiar pattern of GHG emissions for a middle income country, to the extent that more than half the volume of emissions derived from deforestation and that the energy sector – of relatively clean matrix – had little weight in the final equation.

However, between 2005 and 2009, the country radically changed its emission profile and trajectory. Such period was characterized by a singular process of retraction of emissions, derived from a drastic decrease in deforestation activities in the Amazon and Cerrado region. The climax of the emission reduction process was 2009, when deforestation control converged with the effects of the international financial crisis on the Brazilian economy. As a result, GHG generation that year was approximately 20% lower than 2005.

* This text summarizes the sections dedicated to the recent evolution of the climate agenda in Brazil, presented in the publication Breves Cindes 54, The climate change in 2011: stagnated global governance and the new profile of emissions in Brazil, available at www.cindesbrasil.org

** Full Professor of the Institute of International Relations, and Coordinator of the International Relations and Climate Change Research Network of the University of Brasília.

*** Master in International Relations and member of the International Relations and Climate Change Research Network of the University of Brasília.

Year 2010 opens the third phase in the trajectory and composition of Brazilian emissions. First, GHG emissions in the country were on the rise again, this time stimulated not by deforestation, but the strong expansion of other economic sectors – GDP grew 7% in the year with high consumption of gasoline. Second, and as a result of GDP growth, the Brazilian profile of emissions became more similar to that of other middle income countries, with an increase in the relative participation of varied economy sectors – energy, industry, agribusiness and waste – in the agenda of GHG emissions vis à vis the so-called “LULUFC sector” (Land use, land use change and forestry). Thus, in 2010 approximately 25% of emissions derived from deforestation activities in the Amazon, 10 % from the Cerrado region, 32% from energy, 25% from agriculture, 5% from industry and 3% from waste.

As it means a structural change, one could say that 2010 opens a new phase in the country climatic profile, i.e., 2010 is the first year of modern Brazil in terms of emissions. The behavior of the Brazilian economy in 2011 - once again showing significant expansion of the most advanced sectors in the economy and an increase in gasoline consumption – supports that trend.

The new emission profile brings about new challenges to the transition of the Brazilian economy towards a low-carbon paradigm, to the extent that all least-expensive and easy mitigation actions have been exhausted. In the future, eventual emission reductions will require not only more resources, but also greater capacity at all government levels to design and implement articulated public climate policies. In this sense, with the country’s change of profile, one of Brazil’s particularities as compared to other climate powers disappears: low decarbonization cost.

The current situation in relation to climate changes in Brazil can be assessed through evaluation of the position of different economic sectors with regard to the transition to a low-carbon paradigm. Several important sectors show potential and interest of their leaderships in the transition to a low-carbon economy, while others – not less important from an economic and political point of view – show certain resistance – even though at varied levels – to such transition.

The conclusion reached upon a closer look at the balance of powers and interests that might favor or represent an obstacle to the Brazilian transition to a low-carbon economy is that the path of transition is firmly related to the future of the energy segment in the country. As Brazil converges towards a modern emission profile, the energy sector increases its relative participation in the generation of GHG emissions and becomes the central axis of any serious policy for the mitigation of climate changes. Currently, there are four energy complexes in the country, each of them showing different stages of development in the last two years. Three of those complexes are of the low-carbon type – hydropower, biofuels and nuclear – and one of them is carbon-intensive – the oil & natural gas sector.

This last sector shows a higher level of development as compared to others in the last two or three years, with the main companies in the oil and natural gas segment raising funds in a significant manner to massively explore the pre-salt potential. In this arena, the Brazilian government has shown significant support to oil companies, stimulating their expansion through a number of actions. Thus, this support is in contradiction with a series of policies implemented by public authorities focused on a low-carbon economy.

With regard to Brazil, we might say that two conflicting trends are in place in the energy/climate dynamics in 2011. Both are stimulated by the Government, which is once again ambiguous and divided.

The first of those trends emphasizes the decarbonization of the economy and is expressed in the reduction of GHG emissions occurred between 2005 and 2009 (due mainly to a drop in deforestation activities in the Amazon). This movement is consolidated with the approval of the climate law (2009), the voluntary Brazilian international commitment to the mitigation of climate changes at the COP 15 of Copenhagen, and the progress of sectorial plans of the National Plan on Climate Changes 2010.

Thus, the transition to a low-carbon economy can be considered a relatively accepted trend by the Brazilian public authorities and not only the result of opportunistic movements of the political class. The weight of the environmental/climatic vector in the 2010 elections and in the process to reform the Forest Code, as well as relevant movements of private players in favor of mitigation actions reinforce this argument.

Anyway, it is important to emphasize the drastic political change occurred between December 2009 (approval of the Climate Law in Congress) and May 2011 (voting of the Forest Code at the House of Representatives). In less than two years, federal legislators changed from a position of support to a climate legislation which is mainly committed to the reduction of deforestation activities to a position of support to a project which represents a three-decade setback with regard to the forest issue. Therefore, the general expectation is for the final version of the Forest Code (after analysis by the Senate and Executive Branch) to differ from the one approved by the House of Representatives, as the forces against

the extremist position seen in the approval of the Code reform are prevalent in the Dilma Government, Senate, media and society as a whole.

Another trend observed in the energy and climate area is the growth of the oil complex. The Government and Petrobras defend such expansion and affirm that it is not conflicting with Brazil's intent to proceed with the transition to a low-carbon economy. However, there are strong reasons to place a shadow of doubt on such affirmation. Empirical evidence shows that oil production and export at large scale tend to have an influence on the States' behavior in the sense to delay the decarbonization process and encourage conservative international positions. Brazil has already felt the first impact of this type of process with the near abandonment of the ethanol sector, which played a central role in President Lula's international strategy until 2007, after the pre-salt discovery. Moreover, the succession of favorable signs by the Government to oil exploration is responsible for uncertainties in the ethanol segment, which impairs the volume of investments made by the sector to the point of not being able to meet the demand.

Another negative sign emitted by the government in relation to the energy and climate area was the recent decision to establish limits to the increase of gasoline prices. The decision in this case was motivated by general concern with inflationary waves at the beginning of the year – and not by energy specific reasons –, another evidence that the climate agenda is largely subject to conjuncture calculations.

In this sense, there are many uncertainties in relation to full implementation of the Climate Law. Today, the legislation favors the reformists; however, as observed in the reform of the Forest Code, conservative forces are very powerful and might place serious obstacles to the Brazilian economy decarbonization.

In sum, between 2009 and 2011, a significant number of relevant facts took place in the energy/climate arena in Brazil. Some of them were positive, such as the advance of the climate agenda in the 2010 elections and the formulation of sectorial plans in the milestone of the National Policy on Climate Changes (NPCC). Others were clearly negative, such as the significant expansion of the oil sector, existing trend towards deforestation, the setback represented by the approval of the Forest Code, and a turn for the worse in the transportation sector – including the significant growth of gasoline consumption. We see two conflicting trends, apparently encouraged by the Brazilian government – following an erratic path, however consistent with the characteristics of the Brazilian political system.

Finally, the big question at the beginning of 2010 was: for how long would Brazil maintain the gap between its climate policy, with emission reduction goals, and the its positions in international negotiations which keeps the country linked to China and India, with very conservative actions? The question that is raised in mid-2011 is the following: will Brazil be able to maintain its commitments to the mitigation of climate changes in light not only of the strengthening of conservative forces in key sectors of the economy, but also the ambiguous position of the Government in this regard?