

brevíssimos cindes 35

Climate policies in Brazil 2009-2011*

Eduardo Viola**

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Matías Franchini***

The climate change issue gained relevance in the governmental agenda in November 2009, when the federal government announced an ambitious plan for the mitigation of emissions. The initiative was subsequently defined as a voluntary commitment within the scope of the COP 15 and incorporated to the National Policy on Climate Change, established by federal law (nº 12,187) in December 2009.

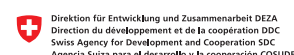
The Climate Law - unique among non-OECD countries - set forth the National Policy on Climate Changes (NPCC), which is designed to enable compatibility between development and the climate system stability, reduce anthropic GHG emissions, care for environmental resources, preserve and rehabilitate vegetation cover and develop the Brazilian Market for Reduction of Emissions (MBRE).

* 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

** 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.

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In 2010, the Government started to regulate the Law on the basis of five sectoral plans corresponding to the commitments presented at the COP 15: Action Plan for Prevention and Control of Deforestation Activities in the Legal Amazon; Action Plan for Preservation and Control of Deforestation Activities in the *Cerrado* Region; Energy Sectoral Plan; Agribusiness Sectoral Plan; and Action Plan for Replacement of Coal from Deforestation with Planted Forests in the Steel Production.

The Law provides for subsequent regulation of other sectoral plans, as follows: Transportation (cargo and passengers); Durable Consumer Goods and Manufacturing Industries; Chemical Industry; Paper and Pulp Industry; Mining; Building Industry; and Health Services.

The Amazon and *Cerrado* plans are ready, approved and under implementation. The agribusiness and steel plans are also at their last phase of completion. Initiatives are being defined in the other industrial (and services) sectors. According to Decree 7390 of 2010, all action plans must be ready by December 15, 2011. The programs' institutional support is provided mainly by the Committee on the Climate Change, which puts together different Ministries – in addition to the specialized areas of the Ministries involved.

An assessment of the path followed by the regulation of the Climate Law leads to an ambiguous result. Action plans at an advanced phase of implementation and with concrete results – Amazon and *Cerrado* – were already under development before the approval of the Climate Law. Part of the agribusiness plan is also underway, even though producers do not seem interested in using the available credits. The steelmaking plan is also under development.

The other seven sectoral plans are experiencing major uncertainties, as negotiations with a number of sectors have proven to be difficult. Beyond that, the setting of these plan to not get any support from the relevant political and societal players. However, some advances are expected to take place with regard to the action plans of paper and pulp and of durable consumer goods and manufactures industries. Any movement in this direction depends on the actions of companies or business associations able to take the lead of the process, and of the degree of compliance with the climate law of the State of São Paulo. The formulation and implementation of an effective plan for the transport sector is almost impossible in the current situation, for political economy reasons.

The 2009 Climate Law also encourages the development of the Brazilian Market for Reduction of Emissions (MBRE), as an additional instrument to achieve the NPCC goals. The mechanism is operational since September 2005, as a small market derived from the CDM. However, its perspectives are at a minimum due to the future of the global carbon market. Today, this topic is practically irrelevant in Brazil.

Other important action taken by the Brazilian government in relation to the climate issue was the creation of the National Fund on Climate Change (FMNC), set up by Law no. 12,114, of December 2009, and regulated by Decree no. 7,343, of October 2010. This instrument is managed by the Ministry of Environment and is focused on ensuring proper resources to support projects oriented to the climate change issue (mitigation and adaptation).

Following a similar path, BNDES announced at the end of June 2011 the creation of the Environment Innovation Fund, geared at financing companies

developing clean energy projects. The investment fund shall be R\$ 150 million and it is expected to get into operation at the beginning of 2012.

At the Legislative level, a legislation oriented to the protection of Brazilian forests moves forward. The project provides for the regulation of the REDD system in Brazil. In practical terms, a kind of voluntary carbon market will be established, funded by a number of sources, which pays for the reduction of emissions and whose operation depends on the fact that the deforestation index shall maintain a decreasing trajectory. The initiative is facing some resistance from the Ministry of Foreign Affairs, which argues that no decision shall be made within the domestic scope while an international agreement on REDD is not achieved, and it is defended by the Ministry of Environment, which believes that the country must be the leading player in the design of the mechanism.

Moving away from the public sphere, it bears emphasizing that in October 2009 the Center of Sustainability Studies of the Getúlio Vargas Foundation launched a project named “Companies for the Climate Platform”, designed to create the regulatory bases for the internalization (by firms) of the objectives of mitigation and adaptation to climate change. The program provides the participants with guidelines and tools for practices oriented to management of GHG emissions and business sustainability. By adhering to the platform, the companies are committed to the publication of their GHG inventories according to a specific methodology and to the development of GHG management plans and policies. Twenty-eight major companies had adhered to the platform by the end of 2009. In mid-2011, 36 companies were part of this initiative and updated their 2009 data on emissions, while other 48 companies are under the process of development and publication of their inventories.