

Brazilian Climate Change Public Policy and Private Initiatives



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1. Brazil's National Public Policy and International Position on Climate Change

Brazil has been involved in the international setting of climate change regulation and discussions from the outset, as the United Nations Framework Convention on Climate Change was opened for signature in Rio de Janeiro in June, 1992. As a developing country, however, it faces its share of challenges in the adoption of a stricter policy on climate change, due to the social, economic, pragmatic and political aspects surrounding the topic. Its prominent position in terms of natural resources that may constitute sinks for greenhouse gases also turns the international watch towards the country's internal policy.

Nationally, its first internal regulation was in the year 2000, with the creation of the Brazilian Climate Change Forum. Later, in 2008, Brazil's National Climate Change Plan was published, aiming to encourage the development and improvement of mitigation actions in Brazil in line with the global effort to reduce greenhouse gases (GHG) emissions.

In 2009, the National Policy on Climate Change was enacted by Federal Law No. 12,187 and brought forth important provisions

in terms of its guidelines, instruments, governmental structure and the establishment of the possibility of market-based institutes for GHG emissions certified reductions. Its most important provisions set out (i) Brazil's voluntary national commitment of reducing between 36.1% to 38.9% its projected greenhouse gas emissions for 2020; (ii) the need for all governmental and public policy to be compatible with this Policy; and (iii) that the official financial institutions were to open specific lines of credit for private projects that met the Policy's purposes.

This Policy was further regulated, initially in 2010 and later by Federal Decree No. 9,578/2018. The reductions goals were then detailed, indicating, in summary:

2020 Projected GHG Emissions	Aimed GHG Emissions Reduction
Total: 3,236 million tonCO ₂ eq	Total: between 1,168 million tonCO ₂ eq and 1,259 million tonCO ₂ eq of projected emissions
By sector: (i) land use change: 1,404 million tonCO ₂ eq; (ii) energy: 868 million tonCO ₂ eq; (iii) agriculture and cattle: 730 million tonCO ₂ eq; and (iv) industrial and waste treatment processes: 234 million tonCO ₂ eq.	Highlighted Main Measures for Reduction (among others): (i) 80% reduction in the annual deforestation in the Legal Amazon compared to the average from 1996 to 2005; (ii) 40% reduction in the "Cerrado" ("savanna") biome deforestation compared to the average from 1996 to 2005; (iii) expansion of the offer of hydroelectric power, alternative renewable sources, biofuels and the increment of energy efficiency; (iv) recovery of 15 million hectares of degraded cattle fields; and (v) expansion of forest planting in 3 million hectares.

This goal was expanded by Brazil's intended Nationally Determined Contributions, under the Paris Agreement. There, it commits to reducing GHG emissions by 37% below 2005 levels in 2025 and by 43% below 2005 levels in 2030, also through measures related to the use of sustainable biofuels, zeroing illegal deforestation and fully compensating legal suppression of vegetation, reforestation measures, and achieving 45% of renewables in the energy mix by 2030, among additional measures.

Within the international principle of “common but differentiated responsibilities”, Brazil aims to reach this in the context of continued population and economic growth, as well as per capita income increase. This is an ambitious line, particularly in the current political context, but one that opens several investments possibilities in the relevant sectors.

2. Brazilian Private Sector Initiatives

Brazil has the third largest corporate network in the world within the “Global Compact” initiative¹, launched as a call for companies to align their strategies on ten universal principles. It is currently the largest global corporate sustainability initiative, with over 13,000 members in 160 countries. It has as guidance UN's 2030 Agenda for Sustainable Development's Goals², one of which is Climate Action. 800 Brazilian companies are part of it, leading different theme groups within “Global Compact Brazil”, including one specific for Energy and Climate.

Under it, is the Action4Climate initiative, seeking the private sector's engagement in commitments that support the goal of limiting the Earth's temperature increase to 1.5°C under three important axis: (i) mitigation, by the establishment of public commitments to reduce or offset the companies' emissions; (ii) resilience and adaptation, by creating local efforts to address and manage the risk impacts of global climate change; and (iii) implementation, by identifying sources of funding and responsible engagement to public policies. Brazilian companies have also formed the Brazilian Business Council for Sustainable Development (CEBDS), which has a specific theme chamber for Energy and Climate Change and is the Country's representation of the World Business Council for Sustainable Development.

These initiatives are a form of articulation between the private and public sector's actions and combine the aggregate experience of companies navigating the sector in Brazil.

In terms of also assisting with the increase in private investment for the funding of projects relevant to action against climate change, and following this global trend, is the most recent practice of “green bonds” issuance. The Climate Bonds Initiative Brazil's State of the Market Report for 2017³, the latest compiled, informs that “*Brazilian labelled green bonds market has now reached \$3.67bn thanks to national companies (...) financing a diverse range of sectors [42% for clean energy projects; 24% for agriculture and forestry projects, 13% for water, 9% to building and industry; 8% for waste and pollution and 2% for transport and climate adaptation each]*”. The report also highlights the heightened demand by international investors for Brazil's green investment products, something as to which the CEBDS has specific guidelines on as well.

1. <https://www.pactoglobal.org.br/no-brasil>
2. <https://www.un.org/sustainabledevelopment/development-agenda/>
3. <https://www.climatebonds.net/resources/reports/brazil-edition-bonds-climate-change-state-market-2017>

3. Final Remarks

The above summarized information shows that Brazil maintains its public and private sector's commitments and initiatives towards reaching the international agreements mitigation and adaptation goals against climate change. This presents a scenario with multiple opportunities for investments in related projects.

Pinheiro Neto Advogados, as the first Brazilian law firm to offset its carbon footprint, and its specialized environmental team, remain fully available to assist in any related consulting or litigation matter. 

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