



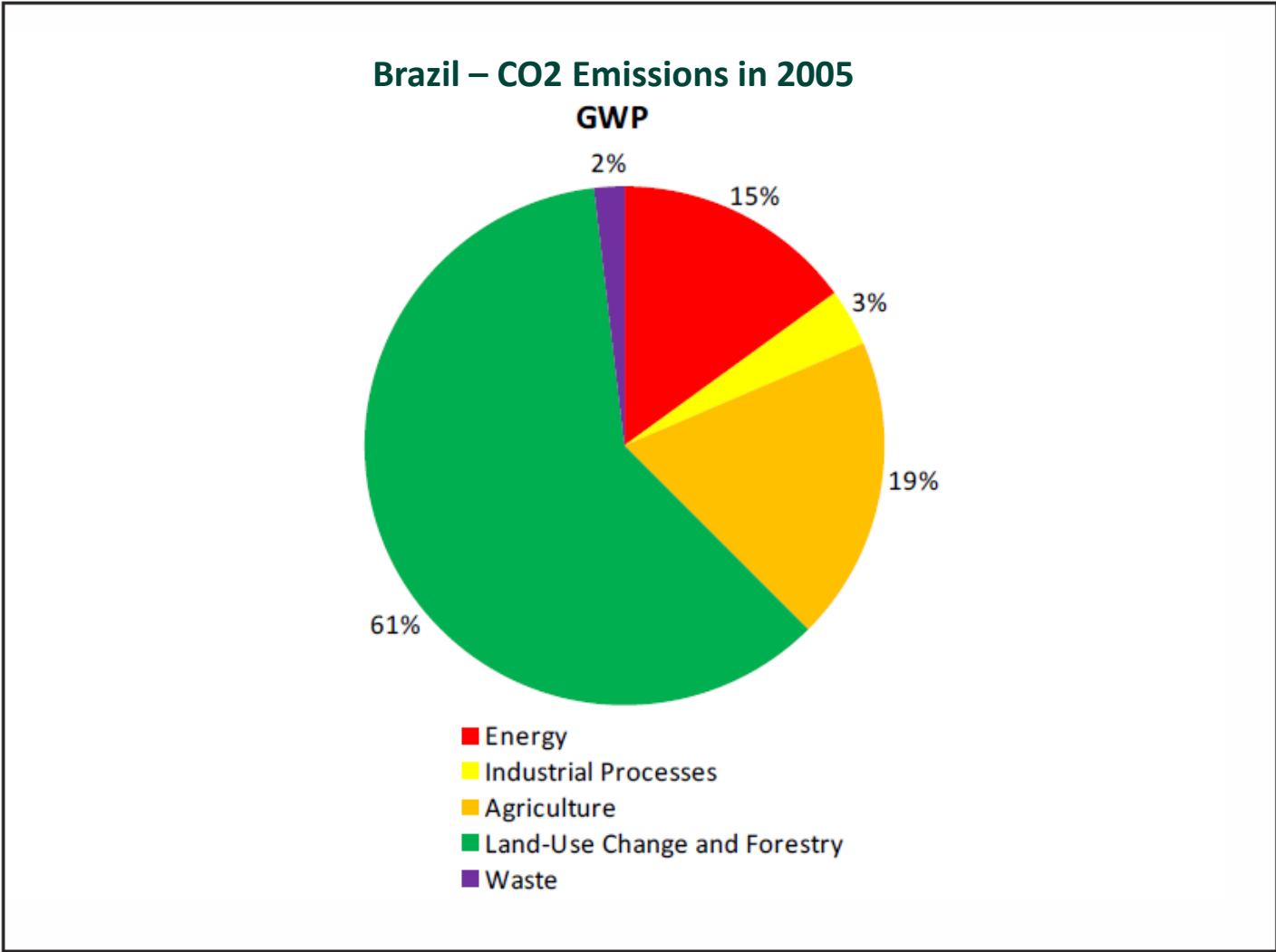
# Presentation of PMR Expression of Interest

## Brazil

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**Date: October 27, 2011**

# Policy Context for GHG Reduction



# Policy Context for GHG Reduction

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## Brazil - Moving towards a low-carbon path

- Importance of LULUCF:
  - ✓ a large territory, with forest and strong agriculture and livestock sector;
  - ✓ large potentials for both emissions reductions and sequestration
  - ✓ challenge: accommodate expansion of agriculture and LULUCF emissions reductions; permanent efforts to avoid rebound of emissions
  
- Energy and Transport are already partially clean: ethanol and large share of renewable energy in power generation
  
- Main fossil-fuel based emissions: thermal use in the industry (coal, fuel oil); freight transport (trucks) and urban collective transport (buses); still important potentials for mitigation
  
- Federation of 26 states + Federal District: many initiatives and contexts to be coordinated

# Policy Context for GHG Reduction

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- National Climate Change Policy (PNMC) - Law No. 12.187/2009 + Decree No. 7.390/2010
  - ✓ Domestic policy going beyond the international voluntary pledge announced in Copenhagen
- National Fund for Climate Change – Law No. 12.114/2009 – Decree No. 7.343/2010 – US\$ 133 mi 2011
- Plans to Prevent and Curb Deforestation and Sectoral Plans (some actions already presented to the UNFCCC)
- National REDD+ Strategy (ENREDD+) – in progress

# Key Sectors Targeted by GHG Mitigation Strategy

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- Mitigation actions included in the PNMC cover the following sectors:
  - ✓ Forests:
    - ✓ Amazon (PPCDAM): in 2020, 80% reduction compared to average 1996-2005
    - ✓ Cerrado (PPCerrado): in 2020, 40% reduction compared to average 1999-2008
    - ✓ other biomes: in progress
  - ✓ Agriculture: ABC Plan (range of estimated reduction: 133 to 166 million tons of CO<sub>2</sub>e in 2020)
  - ✓ Energy: Ten Year Plan (range of estimated reduction: 162 to 207 million tons of CO<sub>2</sub>e in 2020)
  - ✓ Iron & steel (range of estimated reduction: 8 to 10 million tons of CO<sub>2</sub>e in 2020);

## Key Sectors Targeted by GHG Mitigation Strategy (cont.)

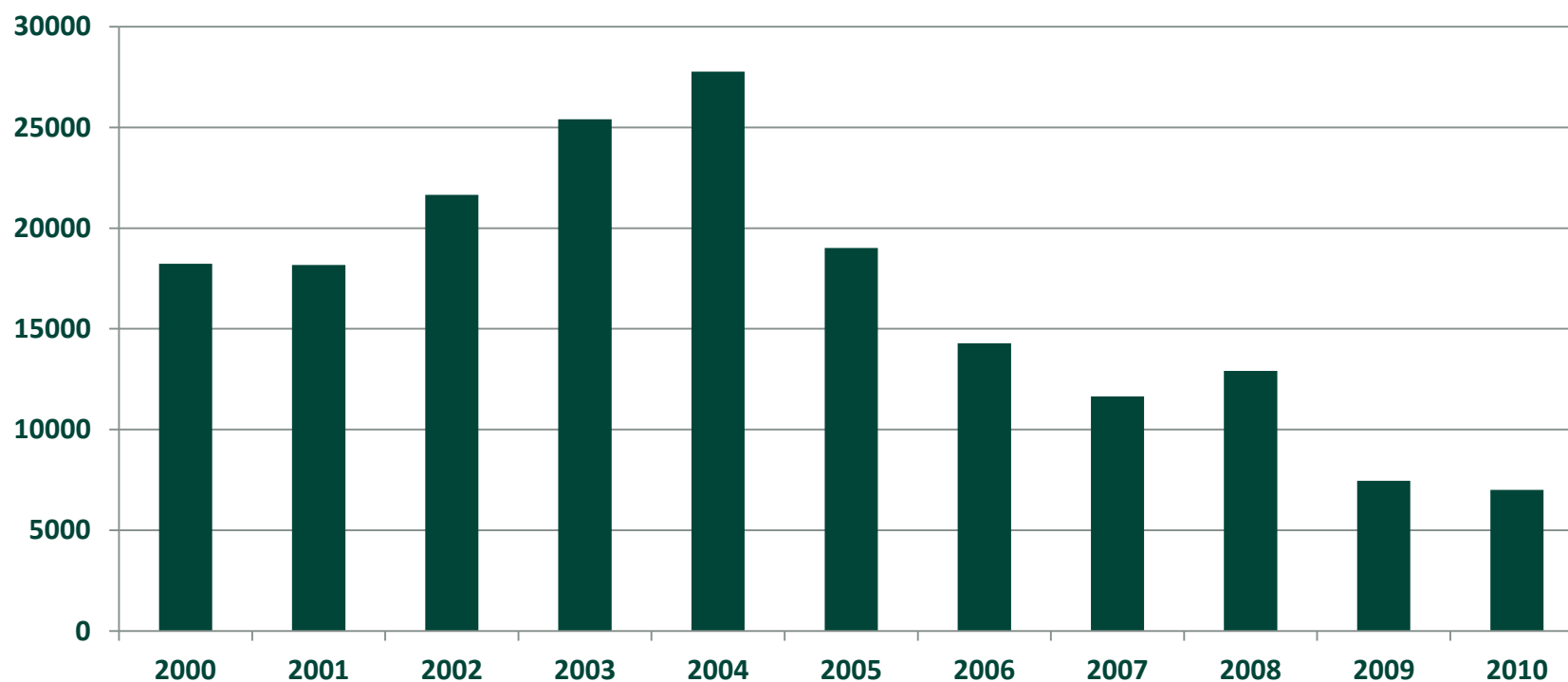
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- Mitigation actions included in the PNMC (abatement potential being assessed):
  - ✓ other industries;
  - ✓ transportation;
  - ✓ mining; and
  - ✓ building
- Additional sectoral plans (not included in the law):
  - ✓ fishery;
  - ✓ water resources
- National Policy for Solid Waste Management (Law No. 12.305/2010)

## Key Sectors Targeted by GHG Mitigation Strategy (cont.)

- ✓ **Curbing Emissions from deforestation: an example of successful NAMA**

**Deforestation rate in the Amazon - Km<sup>2</sup>**



## Key Sectors Targeted by GHG Mitigation Strategy (cont.)

### Agriculture and Livestock: ABC Plan

- ✓ 133 to 166 million tons of CO<sub>2</sub>e reduction in 2020
- ✓ Financing for July 2011/June 2012: US\$ 1,8 bi

Activity	Additional in 2020
Restoration of Grazing Land	15 mi ha
Integrated Crop-Livestock-Forest Systems	4 mi ha
No-till Farming	8 mi ha
Biological Nitrogen Fixation	5.5 mi ha
Forestry	3 mi ha
Treatment of Swine Residues	4.4 mi m <sup>3</sup>

Additional to  
Copenhagen





# Experience with Current Market Instruments

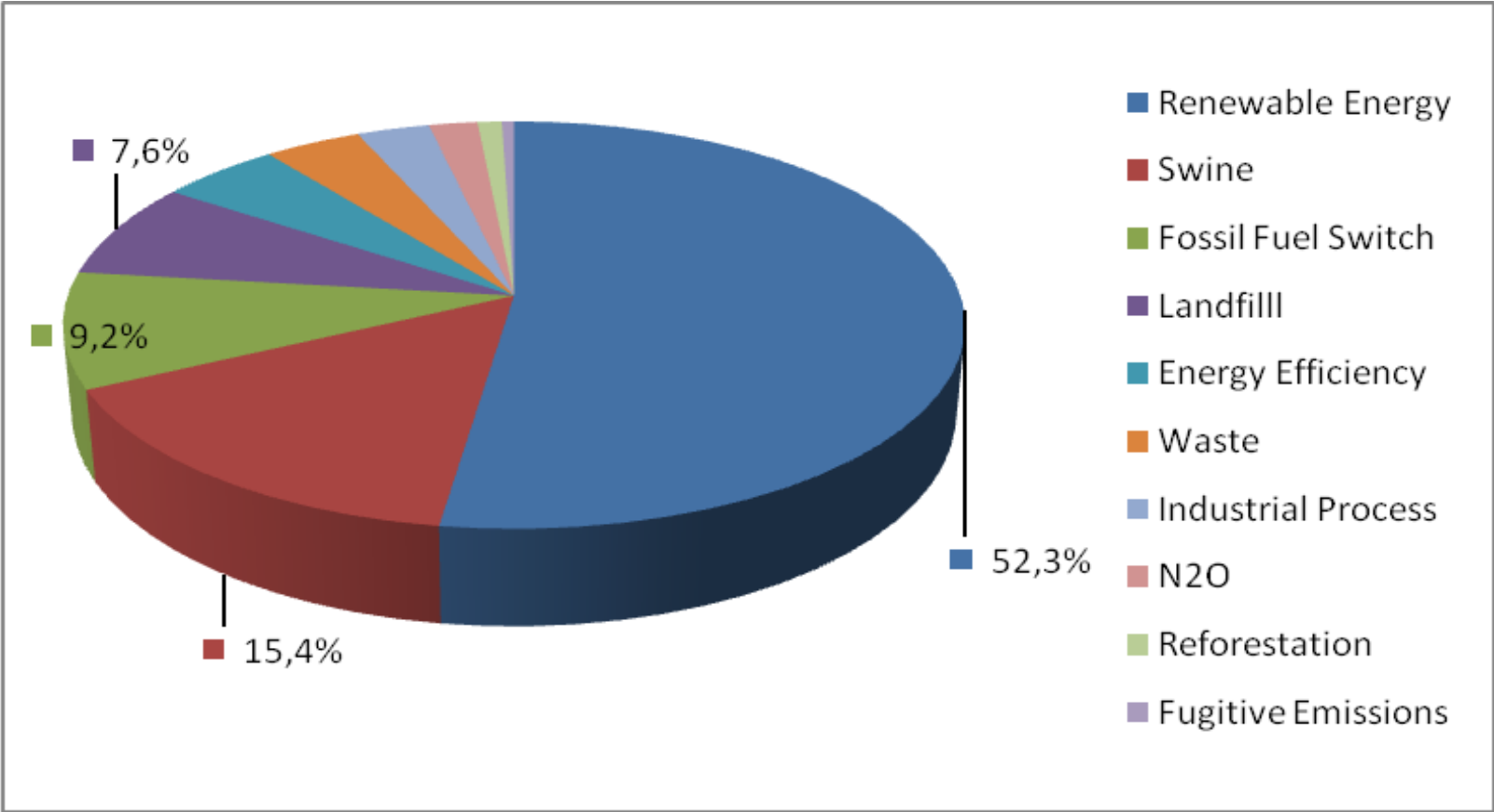
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## Clean Development Mechanism – CDM

- Designated National Authority - DNA since 2002: Interministerial Commission on Global Climate Change (CIMGC) – 10 Ministries, headed by the Ministry of Science and Technology
- June, 2011:
  - ✓ Ranks third in number of project activities, with 499 projects (6%)
  - ✓ 5% of the worldwide total expected emissions reductions for the first crediting period
- Estimation of potential CDM projects: 4,5 bi CO<sub>2</sub>e in 10 years (Source: BM&F/Bovespa with World Bank Support)
- CERs auctions performed successfully by the Brazilian Stock Exchange (BM&F/BOVESPA)

# Experience with Current Market Instruments (cont.)

➤ Distribution of project activities in Brazil by sectorial scope:



Source: Current status of the project activities under the CDM in Brazil and the world – CIMGC (June, 2011)

## Experience with Current Market Instruments (cont.)

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### Voluntary Markets

- Voluntary carbon markets are still incipient in Brazil but have been growing, representing around 60% of voluntary credits originated in Latin America in 2010
- Two private standards have been developed:
  - ✓ Brasil Mata Viva (BMV), a certification program for forestry projects, which has 9 projects;
  - ✓ Socialcarbon Standard, which has 37 projects.
- Association for Standardization (ABNT) has developed guidelines for voluntary transactions of verified emission reductions (RVE) in Brazil.

# Interest in Market-Based Initiatives and Support from PMR

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- Law Nr. 12.187/2009 refers to the creation of the Brazilian Emission Reductions Market (MBRE)
- The role of domestic market instruments is being assessed and the country is considering not only sector crediting approaches but also an instrument based on domestic emissions trading
- Up to march, 2012 the task is to decide which instrument fits best to which sector
- Sub-national initiatives for market readiness: Rio de Janeiro (including piloting), São Paulo, Acre.

## Interest in Market-Based Initiatives and Support from PMR (cont.)

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- PMR offers the opportunity to:
  - ✓ share “peers-to-peers” experiences, issues and innovations related to definition and implementation of domestic instruments
  - ✓ discuss interface between national instruments and international instruments

## Interest in Market-Based Initiatives and Support from PMR (cont.)

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- Participation in the PMR could support activities such as:
  - ✓ Mapping out of the various possible domestic instruments, and cost-benefit analysis of different instruments, identifying which instrument suits best to each sector;
  - ✓ Refine scope and role of market-based instruments; identify need of accompanying sector specific measures/policies to ensure efficiency of these markets;
  - ✓ Estimate potential results of the different instruments in terms of emissions reductions;
  - ✓ Analysis on the potential impact on specific sectors and on the overall economy;
  - ✓ Analysis of technical requirements (registry, MRV systems);
  - ✓ Analysis on institutional, fiscal and legal needs to implement the instrument(s), taking into account the Brazilian federative system;

## Other Relevant Initiatives and Partners

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- Potential dialogue with national research institutions (IPEA, FGV), the private sector (CNI, BM&F/Bovespa) and State Governments;
- Initial dialogue with European Union and GiZ

# PMR Focal Point & Envisaged Institutional Partners

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- Interministerial Committee on Climate Change (CIM) – 16 Ministries plus Civil Office of Presidency:
  - ✓ Executive Group on Climate Change – GEx: 7 Ministries, headed by Ministry of Environment, plus Civil Office of Presidency and the Brazilian Climate Change Forum
  - ✓ Working Group on Carbon Market – 6 Ministries, headed by the Ministry of Finance, plus Civil Office of Presidency
  - ✓ Working Group on Monitoring, headed by Ministry of Environment
- Ministry of Finance is leading the PMR process, in coordination with GEx and CIM, and work closely to key relevant Ministries through the WG on Carbon Market.



# Contact Information for PMR Focal Point

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- Government Agency Submitting Expression of Interest: Ministry of Finance, Brazil
- Designated PMR focal point:

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# Thank you!

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## Experience with Current Market Instruments

### ➤ Distribution of project activities in Brazil by type of project:

Projects Under Validation/Approval Process	Number of Projects	Annual Emission Reduction	Emission Reductions on the 1st crediting period	Number of Projects (%)	Annual Emission Reduction (%)	Emission Reductions on the 1st crediting period (%)
Renewable Energy	261	21,125,083	157,315,462	52.3%	40.3%	38.1%
Landfill	38	12,307,823	91,071,614	7.6%	23.5%	22.0%
N2O	5	6,373,896	44,617,272	1.0%	12.2%	10.8%
Swine	77	4,244,755	39,435,666	15.4%	8.1%	9.5%
Fossil fuel switch	46	3,329,139	27,958,720	9.2%	6.3%	6.8%
Energy efficiency	30	2,180,709	20,928,010	6.0%	4.2%	5.1%
Reforestation	3	440,275	13,132,369	0.6%	0.8%	3.2%
Industrial process	14	1,002,940	7,449,083	2.8%	1.9%	1.8%
Waste	21	709,921	5,616,091	4.2%	1.4%	1.4%
Fugitive emissions	4	720,068	5,721,011	0.8%	1.4%	1.4%

Source: Current status of the project activities under the CDM in Brazil and the world – CIMGC (June, 2011)

## Experience with Current Market Instruments

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➤ Current status of the project activities in the Brazilian DNA:

Projects approved by the CIMGC	264
Projects approved with restrictions by the CIMGC	3
Projects under review in the CIMGC	1
Projects submitted to the next CIMGC meeting	0
<b>CIMGC Total</b>	<b>268</b>

Source: Current status of the project activities under the CDM in Brazil and the world – CIMGC (June, 2011)