

Status of project components

Country:	Brazil
Grant Executed By:	<i>World Bank</i>
Grant Amount (USD):	USD 3,000,000.00

Project Component	Status	Est. date of completion
1. Studies to inform policy design and modeling	Under implementation	07/31/2019
2. Impact assessment of Carbon Pricing		
2a. Adapted Computed General Equilibrium Model comprising all sectors analyzed	Under implementation	06/30/2019
2b. Regulatory Impact Analysis of Carbon Pricing Instruments	Under implementation	06/30/2019
3. Awareness Raising and Capacity Building	Under implementation	08/02/2019

Key achievements since last ISR

Key Achievements

- Deep understanding of potential interactions between CPIs and existing policies. Sectoral studies submitted to stakeholders' review;
- Recommendations for carbon pricing scenarios concluded;
- Contracting processes of Components 2a and 2b successfully finished;
- 2nd Seminar (Oct. 5th and 6th 2017) has brought to the public more on international experiences, recalled the previous work done on MRV systems, addressed competitiveness issues and debated further on sectoral approaches for CPIs. 3rd Technical Workshop (May 3rd and 4th 2018) has promoted coordination among all project components.

Key Challenges Going Forward

Key Challenges

- Address stakeholders' comments and suggestions – contractual amendment to incorporate those feedbacks;
- Definition of the role and suitable approaches to carbon pricing instruments for activities such as the promotion of reforestation and forest restoration, as well as the recovery of pastures and climate-smart technologies in agriculture – contractual amendment to carry out additional studies;
- Timing of the delivery of the regulatory impact assessment of the creation of a national GHG reporting system (PoMuC Project), which will feed into the MRP activities - 3rd Technical Workshop aimed at coordinating all activities;
- Fiscal situation in Brazil: Treasury in need of more revenue, taxpayers not willing to pay more taxes, in a context of tax reform debates that go beyond the scope of the PMR project.

Other challenges:

- *Coordination between the analytical work under the MRP and the elaboration of the NDC implementation strategy;*
- *New regulation on the liquid fuels sector (Renovabio), adding complexity to the potential interactions between proposed CPIs and existing policies in place; unlikely integration between Renovabio and proposed CPIs;*
- *Definition of the Project's reference scenario (to be compared with CPIs scenarios) in the absence of the formal NDC implementation strategy;*
- *Electoral legislation restricted communication and events, with impacts on the schedule of public consultation and stakeholders engagement activities.*

Key Lessons Learned

- In the 2nd Seminar, it was suggested that intermediate results of the Project should be submitted to public consultation. The first reports have received contributions, which now need to be addressed;
- The debates involving all teams working on the Project, which happened in the 3rd Workshop, was crucial for the alignment of researchers regarding the objectives and scope of the work and, therefore, for the cohesion of the studies developed;
- The development of a future Brazilian carbon market should recognize previous private efforts and take advantage of opportunities for technology transfers;
- In the case of Renovabio, the biofuels sector succeeded to approve the new legislation very quickly, with broad public and political support, even in the absence of evidences on the impacts and cost-effectiveness of the mechanism. Since CPIs involve potential winners and losers (even within the same sector), the debate tend to be more controversial and the political support more uncertain.