

Brazil MRP Implementation Status Report (ISR)



Ana Luiza Champloni
Marco Aurélio Araújo

October 28, 2015

Ministry of
Finance

BRAZILIAN GOVERNMENT

Overview

- Brazil is part of the PMR since PA2 (Oct 2011)
- Brazil's Organizing Framework approved by PA in May 2012
- Brazil's MRP approved in August 2014: US\$ 3 million
- Decision: Brazil's MRP as a Bank-executed project, supported and implemented by the Ministry of Finance:
 - Consultation by Brazilian Govt. and acceptance by WB: Nov. 2014 to Feb. 2015
 - Internal regulation (Executive Committee, Advisory Committee): October 2015
- Grant became effective by May 2015
- Expected MRP conclusion: by Nov. 2017

Brazil's iNDC

- Reduce greenhouse gas emissions by 37% below 2005 levels in 2025
- Reduce greenhouse gas emissions by 43% below 2005 levels in 2030 (to be confirmed by 2025)
- Absolute target in relation to a base year
- Economy wide target
- Goals are not conditional on international support
- Additional actions would demand large-scale increase of international support and investment flows

Brazil's iNDC

Main measures (indicative):

- **Zero illegal deforestation** in the Brazilian Amazon by 2030
- **Restoring and reforesting 12 million hectares** of forests for multiples purposes
- Strengthen the Low Carbon Emission Agriculture Program (ABC Plan), **restoring additional 15 million hectares of degraded pasturelands** and enhancing 5 million hectares of integrated cropland-livestock-forestry systems
- Increasing the share of **sustainable biofuels** in the Brazilian energy mix to 18% by 2030
- Achieving **45% of renewables** in the energy mix by 2030
- **Efficiency measures** in the industry and transportation sectors

MRP implementation update

Overview

Brazil's MRP content

- **Component 1:** Sector studies, international experiences and design options for carbon tax and/or ETS
- **Component 2:** Assessment of the macroeconomic and regulatory impacts of the market-based instruments proposed in the Component 1
- **Component 3:** Communication, consultation and engagement process

Update on MRP components

No important differences between the objectives and corresponding activities proposed in the MRP and those agreed in the grant

- Component 1: consolidation in the same contract of Activities 1 (mapping policies in relevant economic and emission sectors) and 2 (design of policy scenarios for carbon tax and ETS) - optimization of time use and costs
- Originally, Component 1 activities would be concluded before the beginning of activities of Component 2. The period of implementation of Component 1 has been extended until the end of activities of Component 2.

Component 1

Sector Studies and Policy Design

Sector studies about the policies already in place and potential interactions between policies and carbon pricing in each sector:

- Industry (aluminum, lime, glass, cement, iron & steel, chemicals, pulp & paper);
- Energy (fuels and electricity); and
- Agriculture and Livestock

Furthermore, this component will include policy options for the design of carbon pricing instruments to inform modeling work under Component 2

- **Status:** under implementation
- Procurement process for contracting consultants: to be launched in November 2015

Component 2

Modeling work on the economic impacts of carbon pricing

Impact assessment, based on the Economic Forecasting Equilibrium System – Computable General Equilibrium (EFES CGE) Model

Regulatory impact analysis of carbon pricing instruments

- **Status:** planned
- This task is expected to start in the second quarter of 2016

Component 3: Awareness Raising and Capacity Building

Communication, consultation and engagement through:

- Seminars for awareness raising and stakeholders engagement
- Technical workshops on economic modeling and policy designs
- Important Brazilian business coalitions showed interest in these activities, such as CEBDS (Brazilian Business Council for Sustainable Development) and Ethos Institute
- **Status:** ongoing
- Procurement process began in July 2015 and is expected to be concluded by December 2015
- Six firms expressed interest and were included in the short list for the request for proposals (September 2015)

Thank you!

ana.champloni@fazenda.gov.br

marco.araujo@fazenda.gov.br

Carbon Markets on Brazil's iNDC

- Brazil reserves its position in relation to the possible use of any market mechanisms that may be established under the Paris agreement.
- Brazil emphasizes that any transfer of units resulting from mitigation outcomes achieved in the Brazilian territory will be subject to prior and formal consent by the Federal Government.
- Brazil will not recognize the use by other Parties of any units resulting from mitigation outcomes achieved in the Brazilian territory that have been acquired through any mechanism, instrument or arrangement established outside the Convention, its Kyoto Protocol or its Paris agreement.