

# Brazilian Greenhouse Gas Emissions Trading System

## General Information

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### ETS Description

Law No. 15,042/2024 establishes the Brazilian Greenhouse Gas Emissions Trading System (*Sistema Brasileiro de Comércio de Emissões de Gases de Efeito Estufa*, SBCE). The SBCE aims to support the implementation of “Law No. 12,187 – Brazilian National Climate Change Policy” and the achievement of the country’s climate targets. The law lays out the governance framework and the legal foundation for obligations by covered entities, with key design elements (such as scope, cap, allocation, and MRV) to be determined in subsequent regulations currently under development.

The ETS will impose compliance obligations on entities emitting more than 25,000 tCO<sub>2</sub>e per year, with reporting obligations applying to those emitting more than 10,000 tCO<sub>2</sub>e per year. Covered entities will have to surrender allowances for all their covered emissions (see ‘Compliance Period’ section). In principle, the SBCE applies to all sectors of the economy, with the explicit exemption of agricultural activities. The forestry and land-use sectors are expected to generate eligible carbon credits and thus they are not expected to be covered under the SBCE’s cap. The extent to which some sectors will see entities covered by the SBCE will depend on whether participation thresholds will apply to individual sources or, e.g., at company level, which is yet to be determined.

National Allocation Plans, published on a recurring basis, will define the cap trajectory, allocation methods, offset-use limits, and market-stability provisions. The cap must align with Brazil’s climate targets. Non-compliance may result in fines, embargoes, and other penalties. Covered entities may use domestic offset credits toward a share of their compliance obligation.

The system will be overseen by the Interministerial Climate Change Committee, and operated by the SBCE Management Body, which will be supported by a technical consultative body. In October 2025, “Decree No. 12,677” created an Extraordinary Secretariat for the Carbon Market within the Ministry of Finance, which will temporarily assume selected powers of the Management Body to accelerate regulatory development. The Secretariat is responsible for preparing regulations, including MRV rules, conformity assessment and accreditation procedures, developing and operating the Central Registry during the transition period, and coordinating international linkages and public consultations. It is organized into two sub-secretariats: Regulation and Methodologies, and Implementation.

In parallel, “Decree No. 12,678” created a Department of Market Instruments and REDD+ within the Ministry of Environment and Climate Change, which will provide technical guidance on carbon pricing instruments, support environmental integrity assessments for forestry-based credits, and advise and support Brazil’s Designated National Authority (DNA) for Article 6 as well as the Executive Secretariat of CONAREDD+ especially regarding the competencies foreseen in article 12, sole paragraph, item II, of Law No. 15,042/2024.

The implementation of the law will occur in five stages:

- Phase 1: government enacts regulations needed to implement the system (one to two years from the enactment of the SBCE Law).
- Phase 2: regulated entities operationalize emissions monitoring and reporting (one year after the end of Phase 1).
- Phase 3: regulated entities face monitoring and reporting obligations (two years after the end of Phase 2).
- Phase 4: implementation of the first national allocation plan, with free allowance allocation.
- Phase 5: full operationalization, following the end of the first national allocation plan.

### ETS Status

under development

## Jurisdictions

Brazil

## Sectoral coverage

Maritime

Mining and extractives

Waste

Domestic Aviation

Transport

Industry

Power

## Revenue usage

Climate mitigation

Assistance for individuals, households, and businesses

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

1,234 MtCO<sub>2</sub>e (2022)

### GHG reduction targets

**By 2030:** 1.2 GtCO<sub>2</sub>e (53.1% below 2005) (NDC 2.0)

**By 2035:** Between 850 MtCO<sub>2</sub>e and 1.05 GtCO<sub>2</sub>e (NDC 3.0)

**By 2050:** Long-term objective to achieve climate neutrality by 2050 (NDC 2.0)

## Size & Phases

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### GHGs covered

CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, SF<sub>6</sub>, PFCs

### Sectors and thresholds

**INCLUSION THRESHOLDS:** The SBCE will impose obligations on the operators responsible for installations and sources that emit:

- 10,000 tCO<sub>2</sub>e/year for monitoring and reporting obligations; and
- 25,000 tCO<sub>2</sub>e/year for compliance obligations.

Inclusion thresholds may be amended upwards by the SBCE management body. Obligations will apply only to activities for which consolidated MRV regulations are available.

### Point of regulation

Point source

### Type of entities

Operators responsible for installations and sources that surpass the thresholds (see 'Sectors and Thresholds' section).

## Allowance Allocation & Revenue

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### Allowance allocation

To be determined through the National Allocation Plan. Allowance allocation may be free of charge or auctioned. Auctions are not permitted during the first compliance period.

### **Use of Revenues**

ETS revenues – such as from allowance auctions and non-compliance fees – are to be disbursed as follows:

- at least 15% for the operationalization and maintenance of the SBCE;
- at least 75% for the National Climate Change Fund, to support the financing of mitigation activities; and
- at least 5% for indigenous peoples and traditional communities to compensate them for forest preservation and ecosystem services.

## **Flexibility & Linking**

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### **Offset credits**

**QUALITATIVE LIMITS:** Eligible activities are those that make use of methodologies accredited by the SBCE management body (to be determined); are measured and reported by those responsible for developing or implementing the project or program and verified by an independent entity, in accordance with the methodology accredited by the SBCE; and registered in the SBCE Central Registry. Once registered in the SBCE registry as Verified Emissions Reduction or Removal Certificates (*Certificado de Redução ou Remoção Verificada de Emissões - CRVE*), the credits will become eligible for use under the SBCE.

Brazil's agriculture, land-use change, and forestry sectors, responsible for more than 60% of national emissions, are expected to be key sources of CRVEs.

CRVEs may be authorized for transfer under Article 6 of the Paris Agreement by the DNA. The new Department of Market Instruments and REDD+ will support the environmental integrity assessment and other functions related to the instruments established under Article 6.

The law affirms the rights of Indigenous Peoples and Traditional Communities regarding carbon crediting, including the right to commercialize credits generated on their lands, receive compensation for damages, and ensure benefit-sharing in accordance with future regulations.

**QUANTITATIVE LIMITS:** Quantitative limits for the use of CRVEs against compliance obligations will be determined as part of each National Allocation Plan.

## **Compliance**

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### **Compliance mechanism**

Covered entities will have to surrender one allowance per tCO<sub>2</sub>e emitted for all their covered emissions.

### **Compliance Period**

To be determined by the implementing regulation. As per the law, compliance must occur at the end of each compliance period or at shorter frequency as defined by the SBCE management body.

### **Monitoring, Reporting, Verification (MRV)**

**FRAMEWORK:** Law No. 15,042/2024

**MONITORING:** From Phase 2 of the SBCE implementation, covered entities will have to submit a monitoring plan to the SBCE management body for approval. Rules for the establishment of monitoring plans will be developed in the 12 to 24 months following the approval of the bill introducing the ETS.

**REPORTING:** Operators will have to submit an annual report on GHG emissions and removals, adhering to the approved monitoring plan and specific guidelines set by the SBCE management body.

**VERIFICATION:** The report must undergo a conformity assessment by an accredited inspection body to ensure accuracy and compliance.

### **Penalties and enforcement**

Non-compliance will be punishable by fines and activity embargoes, among other penalties. Fines will be limited to 3% of the gross revenue for legal entities (up to 4% in case of repeat offense). For other individuals, as well as for legal entities without revenue, the fine will range from BRL 50,000 (USD 8,949) to BRL 20 million (USD 3.58 million).

## Market Regulation

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### Market Design

**LEGAL STATUS OF ALLOWANCES:** Allowances and CRVEs, when traded on financial and capital markets, are securities (*valores mobiliários*) subject to relevant laws and to the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários – CVM*).

## Other Information

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### Institutions involved

**Interministerial Climate Change Committee:** Provides overarching strategic direction and coordination for climate-related policies. Responsible for issuing general guidance for the SBCE and approving major regulatory decisions, such as the National Allocation Plans.

**SBCE management body (to be formally constituted):** Permanent implementing authority defined in Law No. 15.042/2024. Responsible for proposing the cap through the National Allocation Plans, overseeing allowance allocation, receiving and reviewing emissions reports, managing the registry, setting compliance procedures, and enforcing obligations.

**Extraordinary Secretariat for the Carbon Market (Ministry of Finance):** Created by Decree No. 12,677/2025 as a transitional body to advance regulatory development until the Management Body is fully established. Leads the preparation of MRV rules, accreditation and conformity-assessment procedures, registry design and early operation, technical cooperation, and public consultations.

**Permanent Consulting Technical Committee:** Advisory body responsible for providing technical inputs and recommendations to improve the SBCE's design, implementation, and updates to regulations. Includes a Regulatory Affairs Chamber, composed of representatives from regulated sectors and other stakeholders, to ensure structured consultation and sectoral engagement

**Department of Market Instruments and REDD+ (Ministry of Environment and Climate Change):** Supports the environmental integrity assessment of forestry-based credits, contributes to guidelines on carbon pricing instruments, assists the SBCE executive bodies on land-use crediting, and provides technical support to Brazil's Article 6 Designated National Authority.

### Regulatory Framework

[Law 15042/2024 establishing the SBCE](#)

[Decree No. 12,677/2025](#)

[Decree No. 12,678/2025](#)

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