

Brazil

General Information

ETS Description

In 2009, Brazil adopted the “National Policy on Climate Change” (Política Nacional sobre Mudança do Clima, PNMC), aiming to identify, plan, and coordinate actions and measures for GHG abatement and to adapt to climate change. The PNMC lays out the basis for a carbon pricing regulation and is currently being reviewed, with a view to updating it based on the commitments assumed under the Paris Agreement.

Between 2016 and 2020, as part of its activities under the World Bank’s Partnership for Market Readiness, the government carried out studies on the possible implementation of market instruments to meet its emissions targets and reduce overall mitigation costs. These included the development of design options, economic and regulatory impact assessments, and an analysis of potential interactions between carbon pricing instruments and existing policies. The federal government’s proposal for the establishment of the Brazilian Greenhouse Gas Emissions Trading System (Sistema Brasileiro de Comércio de Emissões de Gases de Efeito Estufa, SBCE) was guided by the recommendations of the PMR Brazil project, which indicated the adoption of a cap-and-trade as the most desirable carbon pricing option within the PNMC.

Under draft bill (Projeto de Lei, PL) “PL 412/2022” the government proposal was approved with minor modifications by the Senate in October 2023. Under draft bill “2148/2015”, the Chamber of Deputies modified and approved the establishment of the SBCE in late December 2023. The reviewed proposal will be sent back to the Senate for new appreciation under PL 2148/2015, and the National Congress is expected to approve it in 2024.

PL 2148/2015 would establish the governance framework and the legal foundation for obligations by covered entities, with key design elements (such as scope, cap, and allocation) to be determined in the coming years. The ETS would impose compliance obligations on entities emitting more than 25,000 tCO₂e per year, though reporting obligations apply to those emitting more than 10,000 tCO₂e per year. Covered entities would have to surrender allowances for all their covered emissions, with compliance and reporting obligations incurring annually. The sectoral scope of the system is not yet defined, but agricultural activities are exempt.

The system would be overseen by a Superior and Deliberative Board, operated by an ETS administrator body, and supported by a technical body. National Allocation Plans – to be published regularly – would set out the cap and its expected trajectory, allocation methods, the percentage of offset credits allowed for compliance, market stability provisions, as well as provisions to protect against reversals and leakage, among others. The cap is to be set in accordance with Brazilian climate targets. Revenues from the trade of allowances and offset credits would be subject to net gains and capital gains tax. Non-compliance would be punishable by fines and embargoes, among others.

Covered entities would be allowed to surrender domestic offset credits to meet part of their compliance obligation. Projects would have to be verified through an “independent conformity assessment”. Once registered in the SBCE registry as Verified Emissions Reduction or Removal Certificates (CRVE), the offset credits will become eligible for use under the SBCE. The agriculture, land-use change and forestry sectors – responsible for more than 60% of emissions in Brazil – are expected to play a key role in the generation of CRVE. Provisions for REDD+ credits are already included in the draft bill.

The draft bill also explicitly defines the rights of indigenous peoples and traditional communities with regard to carbon crediting. This includes the right to commercialize offset credits generated on lands they traditionally occupy, as well as the compensation for any

damages resulting from offset credit projects. Actors involved in offset credit projects would also have to adhere to a benefit-sharing regulation.

The draft bill also stipulates that both SBCE allowances and CRVE would be eligible for international transfers under Article 6 of the Paris Agreement, subject to authorization by a designated national entity. The Superior and Deliberative Board would establish conditions for such authorizations. The SBCE registry will track both national and international transactions.

Once the law is approved, the system would be fully operational in five years. Implementing regulations would be developed over the first one to two years, covered entities would implement emissions monitoring and reporting provisions over the third year, and covered entities would be subject to reporting obligations (without compliance obligations) in the final two years.

ETS Status

under development

Jurisdictions

Brazil

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

1,141.2 MtCO₂e (2020)

GHG reduction targets

By 2030: 1.2 GtCO₂e (53.1% below 2005)

By 2050: Long-term objective to achieve climate neutrality by 2050

Other Information

Institutions involved

As per draft bill 2148/2015:

Superior and Deliberative Body: responsible for general guidance and regulatory framework

ETS administrator body: Implementing authority, responsible for setting the cap, receiving emissions report, run the registry among other responsibilities.

Permanent Consulting Technical Committee: Advisory body responsible for presenting inputs and recommendations for improving the SBCE.

Regulatory Framework

N/A

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