Climate Change and the Transition to a Low-Carbon Economy

15.12.2023 3 min read

Authors

Bruna de Barros Correia

Carlos Frederico Lucchetti Bingemer

Fernanda A. Tanure

Márcio Pereira

Júlia Calgaro Moreira

Marlus Oliveira

Topics

Energy | Carbon | Newsletters | ESG | Environmental, Climate and Mining | Energy transition | Climate change | Climate changes

The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) took place in Dubai, United Arab Emirates, from November 30 to December 13. During the conference, the Global Stocktake under the Paris Agreement was approved, highlighting for the first time the need to accelerate the transition from fossil fuels to achieve net-zero greenhouse gas (GHG) emissions by 2050.

This newsletter summarizes the main announcements made at the Conference of particular interest to Brazil's private sector.

Oil companies announce agreement to reduce methane emissions

Major global oil companies, including Petrobras, have signed an agreement to reduce methane emissions from their operations. The voluntary agreement aims to achieve near zero methane emissions and eliminate routine flaring by 2030. The agreement does not cover emissions from the actual combustion of oil and gas.

Countries commit to tripling renewable energy production

In an effort to accelerate the energy transition, Brazil and 117 other countries have committed to tripling renewable energy production by 2030. Additionally, 22 countries have agreed to triple nuclear energy production capacity by 2050.

Brazil proposes fund for tropical forest conservation

The Brazilian government proposed the creation of a global funding mechanism for the conservation of tropical forests worldwide – the Tropical Forest Forever Fund (TFFF). Under the proposal, the TFFF would initially receive USD 250 billion in contributions from sovereign wealth funds, which would be invested in green assets, and the net returns would be allocated to forest conservation initiatives. Preliminary estimates suggest a payment of approximately USD 25 per preserved or restored hectare. The government aims to have the program ready for implementationi by the time COP30 is held in Belém, Brazil.

BNDES announces BRL 450 million investment by the Amazon Fund

BNDES has called for submission of projects for reforesting deforested or degraded areas in the Amazon biome, with BRL 450 million to be invested by the Amazon Fund. The initiative is the first part of a larger program called the Amazon Restoration Arc. During COP28, the UK signed the agreement for its previously announced donation of £80 million to the Amazon Fund, and pledged an additional £35 million.

Brazil unveils Ecological Transformation Plan

Brazil presented its Ecological Transformation Plan, based on six major pillars: sustainable finance, technological development, bioeconomy, energy transition, circular economy, and infrastructure and public services. Measures include regulating the carbon market, establishing technological innovation hubs at universities, and expanding forest concessions. With an estimated cost of USD 130 billion to USD 160 billion per year, the Plan aims to encourage investments that will improve the environment and reduce inequalities, especially in infrastructure. The goal is to carry out 100 actions by the end of 2026.

Brazil announces BRL 200 billion investment in the biofuels sector

To contribute to the country’s energy transition, Brazil will invest BRL 200 billion in the biofuels sector by 2037. Funds will be allocated to sustainable aviation fuel (SAF), green diesel (HVO), second-generation ethanol, carbon capture and storage, as well as hydrated ethanol and biodiesel. Some funds will be allocated to the “Route 2030” program for development of Brazil’s automotive sector and to integrating RenovaBio, which aims to increase the production and use of biofuels in the Brazilian energy matrix by setting annual national decarbonization targets for fuel distributors.

During COP28, the Brazilian state of Espírito Santo issued Decree 5558-R/2023, creating the Capixaba Carbon and Nature-Based Solutions Program (PCSBN – Programa Capixaba de Carbono e Soluções Baseadas na Natureza). In brief:

- PCSBN will coordinate and integrate actions related to the emission, validation, verification, trading, and registration of carbon credits, giving priority to high quality credits and other assets resulting from the use of nature-based solutions.
- Work will be divided into three areas: Agriculture, Forests and Land Use, Biodiversity, and Blue Economy (related to coastal, maritime, and ocean ecosystems and economic activities).
- Sector Steering Committees, coordinated by the state environmental agency, will be responsible for governance of the three areas. The Steering Committees will propose guidelines for formulating the regulatory framework for the carbon market, and approve institutional arrangements for the practical aspects of organizing and implementing PCSBN initiatives.
- PCSBN will operate in conjunction with Reflorestar, the state’s reforestation program, the Capixaba Climate Change Program, and the State Decarbonization and Greenhouse Gas Neutralization Plan.

- Espírito Santo’s Decarbonization Plan can be consulted at: https://planodescarbonizacao.es.gov.br/

› PROFESSIONALS

Professionals who combine legal insight and market perspective

Bruna de Barros Correia

Carlos Frederico Lucchetti Bingemer

Fernanda A. Tanure

Márcio Pereira

Júlia Calgaro Moreira

Marlus Oliveira