

# PERSPECTIVAS

## COMUNICAÇÃO & RELAÇÕES INSTITUCIONAIS

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## COP26: OVERVIEW AND SCENARIO FOR 2022

The 26th edition of the United Nations Framework Convention on Climate Change, or COP26, ended on November 13th in Glasgow (UK) after two weeks of intense negotiations.

Despite the hesitation of developed economies to fulfill their commitment to invest US\$ 100 billion yearly for the climate transition in developing countries, it is undeniable that the 26th edition of the event has made historical progress towards global action against climate change. It is the first time that an international agreement explicitly refers to the end of the fossil fuel era, while also suggesting measures to reduce the use of fossil fuels. Furthermore, new international agreements to reduce greenhouse gas emissions and eliminating deforestation have been signed and many countries have increased the ambition of their goals under the Paris Agreement. Finally, the long-awaited regulation of Article 6 of the Paris Agreement, which had been postponed since 2019, during COP25, has been completed and paves the way for the implementation of a global market of carbon credits.

In this edition of the Perspectivas Newsletter, we take a look at the highlights of the 26th edition of COP and the main impacts and opportunities for Brazil, considering the upcoming election year.

### INSIDE COP26

COP26 is the 26th edition of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC). Promoted annually by UNFCCC, this COP's edition has brought together representatives from governments, private sector and civil society from all across the globe in Glasgow, Scotland, from October 31st to November 13th.

Initially scheduled to take place in 2020, COP26 was postponed due to the Covid-19 pandemic. This year's edition was hosted by the United Kingdom and presided by the British congressman Alok Sharma.

After the lack of consensus at COP25, in 2019, progress over the regulation of a global carbon market, described in the Article 6 of the Paris Agreement, was halted. Therefore, high expectations were held towards COP26 in terms of resuming progress over Article 6. On Saturday, November 13th, the delegations finally reached an agreement on the final text and set the foundations of a future global market of carbon credits, thus enabling a fundamental tool for the global effort to reduce global carbon dioxide emissions.

Brazil has brought its largest delegation as of yet, with 479 members. The Brazilian delegation was led by the Minister of the Environment, Joaquim Leite, and was composed mainly by representatives from several ministries, plus state and municipal governments, parliamentarians, representatives of the private sector and from the civil society.

### ABOUT THE PARIS AGREEMENT

The Paris Agreement was signed in 2015, during COP21, by 195 countries. Each country has set their Nationally Determined Contributions (NDC) as part of the treaty in commitment with the goals of the Agreement, which include limiting the rise in global temperatures by up to 2°C, striving to keep it under 1.5°C.

# MAIN ACHIEVEMENTS OF COP26

One of the most expected outcomes of the Conference, the Rulebook of Article 6 of the Paris Agreement was concluded after 6 years of negotiations. Article 6 deals with the regulation of a global carbon market and its main points that were negotiated and agreed upon during COP26 are summarized below:

## ARTICLE 6.2:

Addresses trade between countries. Criteria for the purchase and sale of carbon credits and bilateral transfers were defined, adopting the rule of adjustments corresponding to the countries' climate commitments in order to avoid double counting.

## ARTICLE 6.4:

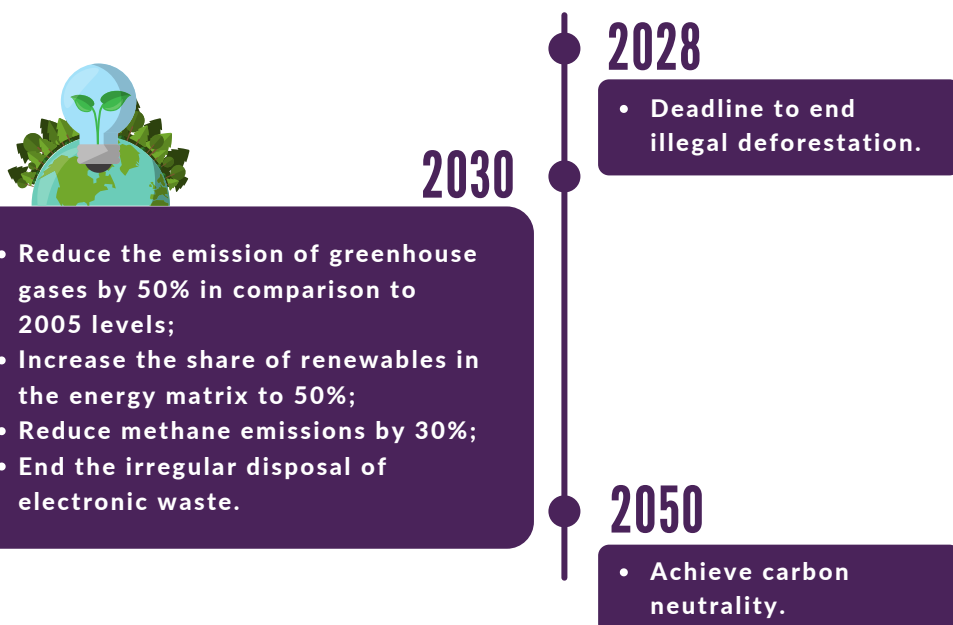
Defines the succession to the Clean Development Mechanism (CDM), created by the Kyoto Protocol. It was established that only projects dated after 2013 will be transported to the new system and, if the country generating the credits is unable to make the corresponding adjustment, the use for fulfilling the NDCs of the purchasing country will not be authorized, and may be used in other way.

In addition to the regulation of Article 6, the final text signed at COP26 includes important points, such as:

- Progressive reduction of unrestricted use of coal and subsidies for fossil fuels;
- Renewed commitment by developed countries to fund US\$100 billion yearly by 2025 to developing countries.

## NEW COMMITMENTS AND AGREEMENTS SIGNED BY BRAZIL DURING COP26

In 2015, Brazil announced one of the most ambitious NDCs when compared to other countries. Since then, and throughout COP26, Brazil has updated its targets and announced new climate commitments. These are summarized below:



The president of COP26, Alok Sharma, has tweeted about the Brazilian initiative to update its commitments:

"Very good to see Brazil confirm net zero 2050, increase its NDC to 50% and strengthen targets to tackle deforestation. This is real progress and will help build momentum towards 1.5 degrees"

- Alok Sharma, president of COP26

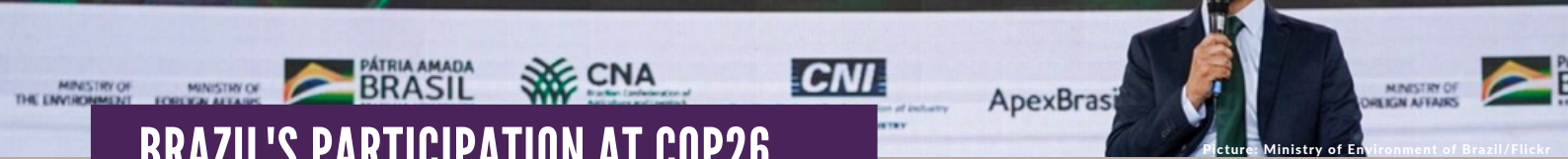


## NATIONAL GREEN GROWTH PROGRAM

A week before the beginning of COP26, on October 25th, the federal government launched the National Green Growth Program (Programa Nacional de Crescimento Verde), an initiative that will offer financing and subsidies to encourage sustainable economic projects and activities, prioritize the granting of environmental licenses and generate "green jobs".

The planning, execution and monitoring of program results will be conducted by an Interministerial Committee on Climate Change and Green Growth and will be funded by national and international, public or private resources, refundable or not. It will also include impact funds and risk investments, which will encompass areas of forest conservation and restoration, sanitation, waste management, agriculture, renewable energy, urban mobility and others.

# COP26 O futuro Verde está no Brasil



## BRAZIL'S PARTICIPATION AT COP26

Demonstrating its commitment to the climate agenda, Brazil was the country with the largest delegation present at COP26, even surpassing the event's host, the United Kingdom. Thanks to a partnership with the Brazilian National Confederation of Industry (CNI), the country had an online transmission structure, which allowed the participation of several other leaders who were unable to attend in person.

In the Conference, Brazil announced several commitments to speed the transition to a low carbon economy, held events in partnership with the main sectors of the Brazilian economy and took a leading role during the negotiations that allowed the regulation of Article 6. In a statement after the end of the event, the Minister of Foreign Affairs, Carlos França, reinforced that this COP showed the result of the country's leadership, given that the final agreement was achieved thanks to the articulation of the Brazilian and Japanese diplomats that allowed a solution and prevented a deadlock in the negotiations.

During the two weeks of the event, Brazil announced new commitments and renewed its Paris Agreement goals. On the second day, November 1st, Brazil stated its goals to eliminate illegal deforestation by 2028, to achieve carbon neutrality by 2050 and to reduce emissions by 50% until 2030. On November 2nd, Brazil renewed the target set the day before, expressing its support for the "Glasgow Leaders Declaration on Forests and Land Use", which aims to preserve forests and reduce deforestation and land degradation by 2030. Brazil also signed the "Global Methane Commitment", committing to a 30% reduction in greenhouse gas emissions. Along with the commitments made at the Conference, President Jair Bolsonaro sanctioned the resolution of the National Energy Policy Council (Conselho Nacional de Política Energética) for mandatory and annual targets for the reduction of greenhouse gas emissions in the fuel sector, valid for the next ten years as part of RenovaBio. [Click here to learn more about RenovaBio and voluntary carbon markets.](#)

In his speech at the Plenary of the Conference, Minister Joaquim Leite reinforced that "Brazil is part of the solution to overcome the global challenge of reducing emissions" and that "the green future has already begun" in the country.

## BRAZILIAN INDUSTRY DAY

On Tuesday (September 11th), the Brazil Pavilion held the "Brazilian Industry Day" event, which showcased the national industry's commitment and strategies to the transition to a low carbon economy. The event presented cases from the Brazilian industry and allowed further discussion about technology and innovation for successfully moving towards a low carbon economy.

The opening of the event was attended by the president of the Brazilian National Confederation of Industry (CNI), Robson Braga de Andrade; the Minister of the Environment, Joaquim Leite; the first vice-president of the Chamber of Deputies, Rep. Marcelo Ramos (PL/ AM) and the president of the National Congress, Sen. Rodrigo Pacheco (PSD/MG).

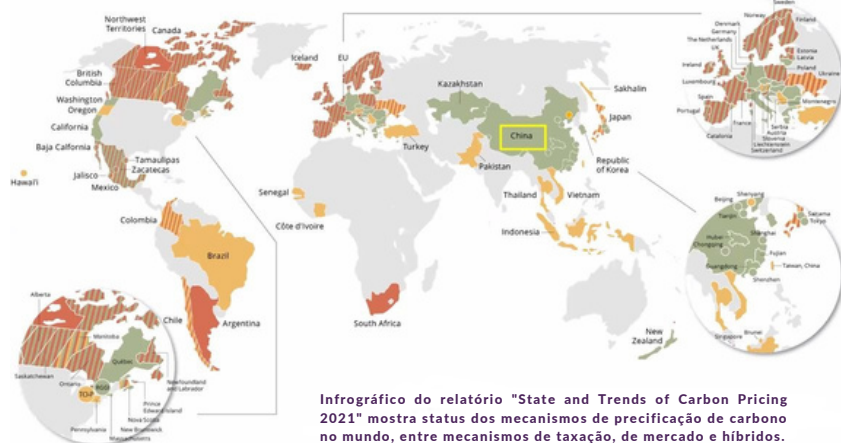
Mr. Braga pointed out that "the next decade will be crucial for the world and the commitments of the climate agenda will demand effective action for the conservation of the environment and significant investments in innovation and technology, in addition to profound changes in current production and business structures". In turn, Minister Joaquim Leite highlighted that "the solution for a neutral and emission-free economy lies in encouraging entrepreneurship".

### "GREEN FEE" (JURO VERDE)

The expression used by the Minister of the Environment during the COP concerns the strategy adopted by the government in providing incentives for environmental preservation.

## CARBON PRICING ADVANCES IN THE WORLD EVEN DURING THE PANDEMIC

According to the report "State and Trends of Carbon Pricing 2021", published by the World Bank in May, there are 64 carbon pricing mechanisms implemented or undergoing implementation in the world. In 2020, even amidst the Covid-19 pandemic, there was a 10% increase in the granting and regulation of projects. Furthermore, independent credit mechanisms increased in number by 30%.



The report also indicates that 97 countries, responsible for 58% of global emissions, mention the application of carbon pricing mechanisms in their Paris Agreement targets (NDCs) and almost half of the world's 500 largest companies use or intend to use internal pricing in the next 2 years.

With the regulation of Article 6 of the Paris Agreement, the expectations are that this reality will accelerate even further with the establishment of a global carbon market.

Check the full report [here](#).

## LOW CARBON SUSTAINABLE MOBILITY



Launched on October 27th, the Low Carbon Sustainable Mobility (MSBC) movement is an initiative that brings together the National Association of Motor Vehicle Manufacturers (ANFAVEA), the Sugarcane Industry Union (UNICA), the National Union of Automotive Components Industry (SINDIPEÇAS), the Brazilian Association of Automotive Engineering (AEA), the Automotive Engineering Society (SAE BRASIL) and universities with the aim of promoting multidisciplinary cooperation on topics related to the decarbonization of mobility, contributing to discussions on public policies involving low carbon technologies, especially the Fuel of the Future Program (Programa Combustível do Futuro).

## CARBON MARKET IN BRAZIL



### RENOVABIO

Although specific to the biofuels sector, Brazil already has a carbon market operating since 2017, including carbon credits traded on São Paulo's stock exchange (B3): RenovaBio.

According to a report by the Ministry of Mines and Energy, only in 2020, 18,508,636 CBIOs, or Decarbonization Credits, were issued, and 14,896,273 of these credits were traded at B3 for an average price of R\$ 43.66 per CBIO, which generated a financial volume of more than R\$ 650 million (approx. US\$ 140 million).

Each CBIO unit is equivalent to 1 ton of CO<sub>2</sub> that is no longer emitted to the atmosphere.



### CONGRESS INITIATIVES

In Congress, important bills are being discussed towards the implementation of a national carbon market. One of the projects that has received the most attention recently in this regard is PL 528/2021, sponsored by the first vice-president of the Chamber of Deputies, Rep. Marcelo Ramos.

Want to know more about the carbon market and what to expect from it? Check it out in [this episode of "Ao Ponto"](#), a podcast by the Brazilian newspaper O Globo (In portuguese only), with the participation of Marina Mattar, CEO and founder of Perspectivas. Also available on [Spotify](#).

The MSBC's work agenda for 2022 includes the introduction of low carbon technologies, the introduction of well-to-wheel energy in public policies, the strategic definition of sustainable mobility with clean assessment in the Program Fuel of the Future (Programa Combustível do Futuro), among others. The groups's members met on November 24th to sign the initiative's Statement of Intent.



# PERSPECTIVES FOR 2022



COP26 has showed the role and efforts of the private sector with regards to the low carbon economy agenda to the world, thus proving that this path is irreversible for companies. With the increasing impact on the economy, society and international relations, the low carbon economy will be one of the

central themes in 2022. Brazil needs to grow and, in order to grow, it needs a sustainable agenda that considers the three pillars of sustainability: environmental, economic and social.

COP26 should not be seen as a limiting factor for the economy, but as a map of opportunities, especially for our country, which is a natural leader in sustainability. With proper planning, Brazil is able to stand out as one of the main leaders in this scenario. In addition to a renewable electric matrix and low-carbon agriculture, the country relies on large-scale biofuels, which make transportation in the country potentially cleaner than electric cars in countries that rely on fossil fuel plants. In addition to this, Brazil also has the potential to lead the production of green hydrogen, one of the fuels of the future.

The government has advanced in this regard through programs such as Fuel of the Future (Combustível do Futuro) and Green Growth (Programa Nacional de Crescimento Verde). The elections next year will be paramount to determine the continuity of the country's progress. With good planning, Brazil can transform its competitive advantage into innovative low-carbon solutions for the world, attracting investments in technology, generating qualified jobs, exporting carbon credits and adding value to its raw materials. Therefore, the low carbon economy is not a challenge for Brazil; instead, it is a great opportunity to improve the lives of Brazilians.

- Marina Mattar, founding partner  
and CEO of Perspectivas

## QUOTES FROM BRAZILIAN AUTHORITIES DURING COP26:

"Brazil is part of the solution to overcome this global challenge of reducing emissions (...) It is necessary to transform the environmental agenda into an opportunity for economic growth and the generation of green jobs (...) The green future has already begun in Brazil".



- Joaquim Leite, Minister of  
the Environment of Brazil

"Brazil is a privileged country for its diversity, for its abundance, and also for knowing how to use these resources. That is why our matrix is one of the cleanest in the world and we are also a reference for the United Nations and other countries in our public policies for these sectors".



- Bento Albuquerque, Ministry of  
Mines and Energy of Brazil

"In addition to a discourse of environmental responsibility, today [this] is a discourse inserted in capitalism, [which] deals with these issues (...) and seeks solutions for [sustainability] to also protect the national economy."



- Rodrigo Pacheco (PSD/MG), president  
of the National Congress of Brazil

"Regulating the carbon market in Brazil symbolizes a commitment to the climate balance of the planet and can generate a great business opportunity for many sectors of the Brazilian economy"



- Marcelo Ramos (PL/AM), first vice-president of  
the Chamber of Deputies of Brazil

## ABOUT PERSPECTIVAS

Perspectivas is a Communication & Institutional Relations consultancy specialized in advocacy strategy and image building based on the pillars of dialogue, ethics, and transparency, with a strong focus on ESG (Environment, Social & Governance) principles, especially in the Low Carbon Economy.

Access the previous editions of our newsletters, in Portuguese and English, at: [www.perspectivasbr.com/newsletter](http://www.perspectivasbr.com/newsletter)

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