Brazil’s Biofuel National Policy: the importance of a holistic regulatory framework to engage the private sector in the climate change fight

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PRIVATE SECTOR ENGAGEMENT – CURRENT STATUS

- The private sector will be severely affected by the climate change effects and it can affect its own survival

- To make the transition to a low-carbon and a climate-resilient global economy will take approximately US$ 95 Trillion investment (OECD 2017), innovation and a shift in the way decisions are made

- The private sector has an important role next to the governments

- Challenges for the private sector engagement: shift focus – instead of viewing climate change as a risk it is important to look towards the opportunities it presents

- Also the support of the government implementing instruments that influence or affect the behaviour of private companies

- This indirect instruments can be Market Mechanisms – a price signal is used to promote the production of a service or good, or to reduce it
For the engagement of the private sector the government needs to assure a necessary legal certainty because of all the investment will be needed to the transition.

The development of a legal/regulatory framework can motivate and encourage the private sector (financial incentives) and also put limits in certain activities that generates a huge amount of CO2 (command and control regulation).

Laws and regulations can also realise at the same time the NDCs (Nationally Determined Contribution), Paris Agreement and SDGs (Sustainable Development Goals).
The Brazilian Biofuel Policy: an incentive to the biofuel sector and the compensation of fossil fuels CO2 emissions

- To fulfill his commitment with the Paris Agreement and his NDCs, Brazilian Government instituted the Brazilian Biofuel National Policy by the Federal Law nº 13.576/2017

- This police aims to increase the biofuels participation in the brazilian energy mix, one of the Brazil’s commitments in the Paris Agreement

- It also targets the fossil fuel CO2 emissions

- Improve energy security by giving predictability to the Brazilian fuel Market and by increasing a steady energy source in the energy mix
- It creates the Renovabio Program which is founded in three pilars:
  - Annual decarbonization targets set by the government for a minimum 10-year period;
  - Issuance of GHG emissions reduction certificates, named “CBio” in Portuguese (an acronym for “Crédito de Descarbonização” — Decarbonization Credit);
  - Biofuels production certification through life cycle analysis.

- The innovation is the Renovabio Program doesn’t establish a carbon tax, subsidies or tax increase to biofuels, and it doesn’t offer any tax break for biofuels producers or create a volumetric command for adding biofuels to fuels.

- It creates a market-based mechanism that incentives the search for better energy efficiency together with the reduction of the carbon footprint.
Why this policy will engage the private sector?

- RenovaBio is 100% market oriented program
- CBio implies an additional income to producers and importers, beyond the price received by them due to biofuels sales in regular market.
- Incentives to agricultural productivity gains and industrial efficiency encouraged by RenovaBio may avoid an increase of biofuels production costs, despite domestic demand growth for those renewable sources.
- The program has the potential to lift the biofuels sector expanding its production in a sustainable basis and at the same time favors the decarbonization of fuel sector.
- The legislative framework covering RenovaBio is both comprehensive and complex, but it nationally recognized best practices.
- Decarbonization (CBIO) credits generated by the production of biofuels and then redeemed by fuel blenders will increasing the cost of fossil fuels while reducing the relative costs of biofuels.
How the biofuel private sector is behaving?

- Almost a hundred of biofuels plants have requested the certification process
- Brazil’s total ethanol production in 2019 is estimated to have an increase of four percent compared to the 2018 production
- Total Brazilian biodiesel production is estimated to have an eight percent increase relative to 2018

*Source: USDA – Brazil’s Biofuels Annual Report 2019

- 2020/2021: expected 70% of the sugarcane plants will be in the program
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