

# **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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**Dec/2019**



## ■ 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-resiliente global economy will take approximately US\$ 95 Trilion investiment (OECD 2017), inovation 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 viewign climate change as a risk it is importante 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 CO<sub>2</sub> emissions

- ❑ To fulfill his commitment with the Paris Agreement and his NDCs, Brazilian Government instituted the Brazilian Biofuel National Policy by the Federal Law n<sup>o</sup> 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 CO<sub>2</sub> 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 pillars:
  - 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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