



## **POSITION PAPER ON NEGOTIATIONS ON CLIMATE CHANGE MITIGATION AND AND SUGGESTED STEPS BY THE BRAZILIAN GOVERNMENT**

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In the fight to mitigate and adapt to the effects of climate change, the Brazilian agricultural, planted forests and bioenergy sectors understand that the pursuit of “low-carbon economies” is a main goal, in Brazil and throughout the world. In this sense, the **Brazilian Climate Alliance: Agriculture – Planted Forests – Bioenergy**, publishes its position on the negotiations related to the United Nations Framework Convention on Climate Change (hereinafter Convention) and related step that Brazil needs to adopt on this issue, considering and recognizing that:

- Developed countries have greater historical responsibility for the concentration of greenhouse gases (GHGs) in the atmosphere and, therefore, must adopt international and ambitious targets to limit temperature increases to less than 2°C;
- Developing countries must commit to significantly reduce their own emission increases through effective mitigation measures, in accordance with the principle of common, but differentiated responsibilities;
- Climate change is a global problem that requires urgent and coordinated action from all parties involved, prioritizing available mitigation technologies that are economically viable and ensure short-term impact;
- Emission allowance trading mechanisms are essential to the success of any international effort involving climate change, keeping the total cost of economic adjustments at acceptable levels and promoting clean and low carbon-intensive technologies. However, the carbon market should not be an end in itself, nor is it the only solution to combat climate change. Its effectiveness is related to State policies regarding regulatory aspects and efforts to generate positive synergies between domestic and international public policies;
- The Clean Development Mechanism of the Kyoto Protocol (CDM) is an important step in establishing projects that aim at the reduction of GHG emissions and is highly important to engage developing countries in global mitigation efforts. However, it is imperative to improve how CDMs works, which requires: (i) reducing transaction costs, (ii) expanding their scope, and (iii) assessing the possibility of merging or interconnecting CDMs with complementary market mechanisms, while respecting the principle of retroactivity for existing initiatives, without damaging environmental integrity;
- The responsible development of agriculture, planted forests and other biomass-based sectors contributes significantly to the mitigation of climate change, as it results in: (i) additional carbon sinks, that capture, maintain and increase carbon inventories in a variety of ecosystems, especially in (ii) diverse renewable energy sources (such as ethanol, biodiesel, planted forests, clean coal and other forms of biomass) that can replace fossil or various non-renewable fuels deriving from deforestation, thus promoting a reduction in GHG emissions;



- More than 2 billion people around the world, especially in developing countries, depend on biomass as a source of raw material or energy. Therefore, promoting the use of biomass-based renewable energy is fundamental not only for mitigation efforts by developed and developing countries, but also for a sustainable integration between rural development (land use) and industrial development (use of biomass as raw material or energy), which has particular relevance in poverty combat, uncontrolled rural exodus and the promotion of socio-economic development in these countries;
- Brazil's agribusiness sector represents 26% of national GDP and the sectors represented in the Alliance account, together, for 16% of Brazilian exports, or US\$ 31.4 billion, an amount that exceeds the current Brazilian trade surplus. Furthermore, the use of various types of biomass, including sugarcane, planted forests and clean coal, represent approximately 28% of the national energy matrix, which reflects the potential of these sectors in terms of economic, social and environmental development;
- Brazil has one of the cleanest energy matrixes in the world and its contribution to the concentration of GHGs in the atmosphere is extremely low compared to most developed and developing countries. At the same time, most of Brazil's emissions comes from deforestation;
- Although the sectors represented in the Alliance develop and disseminate responsible production practices, they are negatively affected by Brazil's image abroad, which is a direct result of the high level of emissions from deforestation in the Amazon. It must be emphasized that this fact has direct impact on the access of their products in important consumer markets;
- Increasing the productivity of various Brazilian crops and the availability of rural areas already altered by human activity, including degraded areas, eliminate the need for conversion of native forests for agricultural purposes;

The **Brazilian Climate Alliance: Agriculture – Planted Forests – Bioenergy**'s position is divided into two pillars: (a) recommendations regarding international procedures that should be defined by the negotiations under the Climate Convention, and (b) recommendations for steps that should be taken by Brazil.

## NEGOTIATIONS ON INTERNATIONAL CLIMATE CHANGE PROCEDURES

1. The **Brazilian Climate Alliance** supports the goal of reducing GHG emissions by 2020, by at least 40% compared to 1990 levels for Annex I countries, signatories or not of the Kyoto Protocol, under the proposal presented by G-77 / China;
2. A future international agreement should prioritize the adoption of available mitigation technologies that are economically viable and ensure short-term impact, especially given the necessity to meet the goals of developed countries;
3. The adoption of voluntary commitments made by developing countries in the form of measurable, reportable and verifiable Nationally Appropriate Mitigation Actions – NAMAs, is essential for achieving a significant reduction in GHG emissions, encouraging the adoption of recognized best



practices that promote the transition to a low-carbon economy and, consequently, achieve the goals set by the Climate Convention;

4. It is important to consider the possibility that some specific types of NAMAs (or other mechanisms), defined from predetermined baselines, might be developed in order to generate credits for emission reductions for the partial fulfillment of the targets of Annex I countries, provided that reductions be measurable, reportable and verifiable, and involve more ambitious targets by those countries;
5. Given the importance of climate change mitigation policies for agriculture, planted forests and the bioenergy sectors in developing countries, it is essential that activities related to land use, land-use change and forestry (LULUCF), as well as the use of biomass as a source of renewable energy, be highlighted in the development of NAMAs;
6. It is paramount that policies and measures that ensure the reduction of emissions from deforestation and degradation be included as soon as possible. Therefore, it is essential to establish a mechanism for Reduced Emissions from Deforestation and Degradation (REDD), including the role of conservation, sustainable management of forests and the increase of carbon stocks in forests (REDD plus), pursuant to paragraph 1 (b) (iii) of the Bali Action Plan;
7. REDD and REDD plus mechanisms should be based on a mixed system that includes voluntary funding by developed countries and market-related mechanisms, based on economic incentives and compensatory measures. The mechanism should be structured to ensure that these incentives go directly to the agents responsible for emission reductions, such as traditional communities and landowners in eligible regions;

#### **Clean Development Mechanism (CDM)**

8. To facilitate and optimize the process of defining baseline scenarios to fulfill additionality criteria through the development of tools and methodologies that are simpler, more effective and customized at the sector level, without harming the environmental integrity of the Kyoto Protocol. It is imperative to recognize that there are still significant flaws in the way the current system is regulated and market flaws in developing countries, that hinder consistent financial analyses. These and other impediments make it difficult to pursue the legitimate development of projects and additional mitigation programs, the promotion of more efficient uses and the expansion of renewable fuels, especially where the many forms of energy derived from biomass are concerned;
9. To facilitate and stimulate the development of Programs of Projects Activities (PPA) and sectorial projects in the scope of the Clean Development Mechanism (CDM), aimed at reducing transaction costs, increasing the number of projects and contributing to make smaller scale projects feasible, considering the need to increase the effectiveness of the CDM in regards to the double objective of generating reductions in certified emissions and contributing to sustainable development in emerging countries;



10. It is essential to recognize that forestation and reforestation projects (F/R) in the scope of the CDM have special relevance for forest resetting (replacement), the increase of carbon stocks and the promotion of sustainable development. With this in mind, it is imperative that the CDM continues to contemplate F/R activities in upcoming commitment periods, and that all Annex I countries, especially those in the European Union, recognize the above-mentioned importance, by exempting any and all restrictions to trade in forest credits, without damage to non-permanence risks and environmental integrity. Above and beyond methodological difficulties in dealing with non-permanence risk, the main impediments for the development of F/R projects come from the lack of market liquidity resulting from the barriers imposed by the European Union;
11. To guarantee environmental integrity and system credibility, it is highly desirable that non-permanence risks be duly taken into consideration during the development of F/R projects in the CDM, which can be handled within current temporary credit principles or, preferably, by means of a system where forest credits are based on the same attributes of remaining Certified Emission Reductions, as long as: (i) periodic monitoring of possible variations of carbon stocks is in place; (ii) organizations or countries involved with purchase or sales transactions of credits are responsible for the replacement of the mentioned credits, in case any reduction in forest stocks occurs, and (iii) that the risks of non-fulfillment of replacement obligations by private agents be covered by guarantee mechanisms such as, for example, the development of insurance and re-insurance;
12. To allow, within the scope of the CDM, for the implementation of forestation and reforestation projects in areas that contained forests planted in exhaustion by December 31, 1989 and before the introduction of the project, which would be harvested regardless of the CDM (given known harvest cycles), with the goal of expanding available areas for the implementation of diverse types of F/R projects in previously cultivated areas;

## **ACTIONS BY THE BRAZILIAN GOVERNMENT**

Beyond the above recommendations, centered on the negotiations within the scope of the Convention, it is essential that the Brazilian government adopt additional steps that lead to a low carbon economy. In this direction, the Alliance presents its recommendations in the following terms:

1. Brazilian mitigation policies must be guided primarily by the reduction in deforestation and commitments to deforestation reduction contained in the National Plan on Climate Change, which have been implemented and internationally registered as NAMAs in the scope of the Convention;
2. Brazil must develop a broad National Policy on Climate Change, which should include aspects of mitigation and adaptation based on the following structural points: (i) the country's future growth and development needs; (ii) the effective involvement of federal ministries responsible for managing the Brazilian energy matrix and industrial production, to avoid contradictions in different public policies; (iii) the need to speed up the definition of the federal ecological-economic zoning;



- (iv) incentives for the production and consumption of renewable raw materials and energy sources;
- (v) the need to improve the consultation process with diverse sectors of the Brazilian economy, and
- (vi) Empowering states and municipalities, so that they can legislate and formulate regional and local policies in accordance with their specific requirements;
3. The formulation of mitigation public policies must privilege incentives that do not harm the competitiveness and growth potential of the Brazilian economy. These include, for example, trade and emission reduction mechanisms, given that they tend to rationalize the adjustment costs within the domestic economy, while stimulating clean and renewable technologies. Mechanisms related to emission taxations must be avoided, as they are less effective and more harmful to the economy;
  4. It is essential and urgent to promote the interconnection of current public policies managed by various ministries with current international mitigation mechanisms under the Convention and the Kyoto Protocol, above all the CDM. Ministries include Development, Industry and International Trade; Agriculture; Mines and Energy; Science and Technology; the Environment; and External Relations. It is necessary to strengthen the budgetary structure of the Executive Secretariat of the Inter-Ministerial Commission on Climate Changes, so that it is not limited to approving or disapproving of CDM projects. The Executive Secretariat must be able to pro-actively pursue the development of promotion policies that foment the use of CDMs and of other instruments eventually created in the scope of the Convention, in light of specific circumstances regarding Brazil's economic structure and that of its different sectors;
  5. The consultation process among the different sectors of the Brazilian economy and the Ministry of External Relations must be improved, to go beyond preparatory meetings for the COP gatherings. This process urgently needs to be structured and intensified with the establishment of a permanent consultation mechanism on international negotiations, so that the ability to identify and defend national interests can be enhanced. The productive sector has access to strategic information that can substantially assist in the identification of eventual threats and opportunities inherent to international climate change negotiations;
  6. Considering the relevance of the use of renewable raw materials and energy derived from biomass for the mitigation of climate change, and the growing importance of national emission trade systems in other countries, it is essential that Brazil introduce a pro-active strategy of bilateral negotiations, for example, with Australia, Canada, the United States, Japan, Russia, New Zealand and the European Union. Albeit the global nature of the problem, Brazilian policy on climate change does not have to restrict itself to the multilateral level;
  7. The Brazilian government must turn back attempts to impose Carbon Border Adjustment Taxes (double taxation for imported products based on GHG emissions) in order to prevent that measured of this type serve as trade barriers to against Brazilian products. On the other hand, it is important to incentivize the commerce of renewable products that promote climate change mitigation;
  8. Considering the vulnerabilities to climate change of numerous communities, ecosystems and agricultural and forest activities (food sources and biomass), it is important that Brazil dedicate increased attention to questions involving adaptation. To that end, it must pro-actively pursue the



development of regulation and the best possible use of the adaptation fund created by the Convention, thus developing and encouraging research and the introduction of preventive systems to fight adverse effects of climate change.

**Organizations that participate in the Brazilian Climate Change Alliance:**

ABAG – Brazilian Agribusiness Association

ABAG/RP – Brazilian Agribusiness Association for the Ribeirão Preto region

ABIOVE – Brazilian Association of Vegetable Oil Industries

ABRAF – Brazilian Association of Forest Plantation Producers

ABTCP – Brazilian Pulp and Paper Technical Association

ALCOPAR – Association of Alcohol and Sugar Producers of the State of Parana Association

ARES – Institute for Responsible Agribusiness

BIOSUL – Bioenergy Producers Association of Mato Grosso do Sul

BRACELPA – Brazilian Pulp and Paper Association

ICONE (technical support) – Institute for International Trade Negotiations

ORPLANA – Sugarcane Growers Association of the Center South Region of Brazil

SIAMIG – Alcohol Manufacturing Industry's Union of Minas Gerais

SIFAEG – Syndicate of the Industry of Fabrication of Alcohol of the State of Goiás

UNICA – Brazilian Sugarcane Industry Association