

Amendments to Brazil ETS legislation seek VCM integration, energy transition crediting

Brazilian senators over the past week proposed eight amendments to Brazil's emissions trading system legislation to integrate the voluntary carbon market (VCM) and set offset usage limits, give credits to firms for transitioning to renewable energy sources, and narrow down the list of regulated sectors.

Under an amendment proposed by Brazilian Senate Margareth Buzetti, compliance entities would be permitted to meet 50% of their obligations in the Brazilian System of Emissions Trading (SBCE) with credits from the voluntary carbon market.

Furthermore, Buzetti is calling for no regulations on REDD crediting to be made using national sovereignty or constitutional law on private property.

Brazil should also deduct voluntary carbon market credits sold abroad from its Nationally Determined Contribution to the Paris Agreement and share proceeds of revenue generated from its national SBCE programme with state and municipal governments, Buzetti's text argued.

On Monday, the senator submitted another amendment that would permit the SBCE to award credits for renewable energy projects, energy efficiency retrofits, transitioning from fossil fuel use to biogas or biomethane, and facility or fleet electrification.

Providing those credits would help drive investment for renewable energy development, reduce energy waste and avoid significant emissions, and reduce costs for companies who want to make their operations more energy efficient, the amendment text read.

The proposal notes that while Brazil's energy mix is already largely based on renewable sources, many remote communities still rely on polluting electricity sources and need a way to raise money for local clean power production.

Additionally, the crediting proposal would put Brazil on a path to achieving its carbon neutrality goal by 2050, Buzetti argued.

Buzetti represents the central western state of Matto Grosso, known for being largely covered by the Amazon rainforest, for the Social Democratic Party (PSD), a centrist political party.

However, the Latin American News reported that Senator Buzetti supported former far-right President Jair Bolsonaro's failed reelection bid in Oct. 2022, and Valor Economico said that she had publicly rebuffed current left-wing President Luiz Inacio Lula da Silva, who is behind the ETS push.

WASTE NOT, WANT NOT

Two other amendments were put forward by Senator Alexandre Luiz Giordano, who represents Sao Paulo state for big tent party the Brazilian Democratic Movement (MDB).

Giordano proposed to delist sanitation, waste management, and sewage firms from regulated entities under the national SBCE programme as he argued it would drive up the cost of reducing landfills.

The proposal also suggests that the Brazilian ETS would only apply to sectors previously mentioned by the National Policy on Climate Change, Manuela Demarche, senior associate at law firm Trench Rossi, pointed out to Carbon Pulse.

Those sectors are energy, urban public transportation and interstate transportation (cargo and passengers), manufacturing, consumer goods, chemicals, paper and pulp, mining, construction, health services and agriculture, Demarche clarified.

Waste management firms mitigate emissions from third parties, Giordano's amendment text reads, which is not the same as actually polluting in the first place.

The EU ETS does not list waste management as a regulated industry due to that very logic, according to Giordano.

“If we impose regulatory restrictions on a sector that is already reducing harm (mitigation), therefore defending the environment and health public, we end up increasing the cost of this activity that seeks to provide a solution to pollution from other activities,” the amendment reads.

The current national SBCE programme legislation (PL412/2022) would prevent the elimination of 3,000 landfills because of the regulatory price pressure put on waste management companies, argues Senator Giordano.

The senator was part of the Social Liberal Party (PSL) from 2018-21, which eventually became the governing party under Bolsonaro.

All three of the amendments have yet to face debate or vote in the Senate Environmental Commission, which is where PL412/2022 currently resides.

In late August, nine state governors whose jurisdictions cover the Amazon rainforest [penned a letter](#) calling for the proposed SBCE programme to include existing subnational REDD+ programmes and allow subnational representatives to help comprise the future cap-and-trade system's governing body.

Several days later, the vote on PL412/2022 [was delayed](#) by 15 days, buying time for the chair of the committee and rapporteur for the bill, Senator Leila Barros, and her allies in the Lula administration to strategise how to overcome the obstacle posed by the nine governors' manifesto.

The next vote on PL412/2022 is expected as early as this week.

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