



Talanoa Dialogue Submission

Brazilian Business Council for Sustainable Development (CEBDS)

Founded in 1997, the Brazilian Business Council for Sustainable Development (CEBDS, in Portuguese) is a civil association that is leading the business sector's efforts to implement sustainable development in Brazil, bringing together government, business and civil society.

CEBDS currently brings together around 60 important corporate groups in the country, with a combined revenue of 40% of GDP and responsible for more than one million direct jobs. Besides, it is the country's representative of the World Business Council for Sustainable Development (WBCSD) network, the most important business sector entity in the world, with almost 60 national and regional councils in 36 countries, covering 22 industrial sectors and 200 multinational companies on all the continents of the globe.

The institution has represented its member companies at all United Nations Party Conferences on Climate Change since 1998, and those on Biological Diversity, since 2000. It is also a member of the Sustainable Development Policy Commission and Agenda 21; the Genetic Heritage Management Council; the Brazilian Climate Change Forum; the Rio de Janeiro Climate Change Forum; the World Water Council; the National Sustainable Consumption Plan Steering Committee; the Consulting Committee of the Project PMR Brazil (Partnership for Market Readiness); the Brazilian Coalition on Climate, Forests and Agriculture and the Social and Economic Development Council.

The Talanoa Dialogue gives CEBDS an opportunity to tell our stories of progress towards the Paris Agreement goals and share our thoughts on a sustainable future and the way to achieve it. Our "[Vision 2050](#)" is the first exercise of national long-term projection, identifying priorities in terms of mid-century goals and defining pathways to achieve them. CEBDS' vision states that in the Brazil of 2050, 226 million people live well and respect the natural limits of the planet through cooperation between the public sector, civil society and companies.

Where are we?

CEBDS acknowledges that climate change is one of the greatest challenges to be overcome by humankind in this century, and the Paris Agreement was the cornerstone to establish an international commitment to keep the global average temperature increase below 2°C, with efforts to limit it to 1.5°C. Therefore, the public and private sectors, along with the civil society, share the responsibility to pave the way towards the reduction of greenhouse gases (GHGs) emissions and to evolve towards building a low-carbon economy. Our study "[Opportunities and Challenges of the Brazilian NDC commitments for the business sector](#)" brings an integrated approach and an assessment



of the goals assumed by Brazil from a macroeconomic perspective. But it also unravels the main issues to be addressed by companies in five sectors: forestry, energy, agriculture, industry and transport.

It is hereby indicated where Brazil currently stands in some relevant areas for climate action:

- **Reducing deforestation:** one of the main pillars for the Brazilian NDC, the reduction of deforestation, reaching zero illegal deforestation, is presented as the highest priority for low-carbon development in our country. Between 2004 and 2015, Brazil has reduced its deforestation rate by 79%, what was only possible through important inspection efforts. One of the main worrisome issues is still the existence of a clandestine market for forest and wood products associated with deforestation. Therefore, it is recommended that the country establish an approach that, besides traditional command and control mechanisms, adopts measures to direct national and international markets towards deforestation-free products. It is crucial to incentivize markets for goods not associated with new deforestation, such as soy, meat, wood, vegetal coal and others, making them more competitive compared to similar products involved in deforestation.
- **Circular Economy:** Circular economy practices should guide the industry in the long run, allowing for costs reduction by reusing materials that serve as input or fuel.
- **Energy Transition:** The improvement of the renewable and clean profile of our energy system is a probable priority in the medium and long terms. As our “Opportunities and challenges of the Brazilian NDC commitments for the business sector” study states, this and other sectorial investments run up against financing barriers, especially in the long run. Recognizing the limitation of public resources, the establishment of secondary markets for private credit, the extension of instruments for the securitization of foreign exchange hedges for external funding, and the stimulation of capital markets apart from our National Development Bank (BNDES), are relevant. Specifically, priority is given to expanding non-hydroelectric power generation and expanding biofuel supply.
- **Redirecting resources to low-carbon investments:** Companies have unanimously stressed out the importance of adopting a carbon pricing mechanism, including offsets from the forestry sector. In its foreign affairs, Brazil should position itself as to become a leader in the international market of emissions transfers, including REDD+. There is an intense debate in regards to the inclusion of forest offsets in carbon markets, with the argument that they pressured down the price of carbon tons, preventing industrial and electricity sectors from investing in mitigation. This happens because credits from forest removal would flood the market, allowing these sectors to buy them, therefore



fulfilling their goals without any additional efforts. In the long run, Brazil needs to maximize its great potential for international cooperation by attracting foreign investment, especially based on performance. This approach should supply resources to several tools such as REDD+ and Feed-in Tariffs for renewable energy, direct payment for mitigation or the creation of tradable emissions certificates.

In the last three years, Brazil's private sector has reduced 31 million tCO₂e, equivalent to 2% of the country's emissions in 2015. The companies know that they can do much more.

Where do we want to go?

Brazil has not yet submitted its Long-term Strategy under the Paris Agreement, which proves to be an opportunity to make it ambitious in economic, environmental and social terms. It is essential that the business sector be engaged in the strategy building process so the goals and implementation methods reflect businesses' ambitions, thus guaranteeing the necessary conditions and making roles clear. Inspired by 'Action 2020', which was the brainchild of the World Business Council for Sustainable Development (WBCSD), our [Ação 2020](#) was developed by identifying society's objectives for 2020, the so-called Must-Haves in seven priority areas of the sustainable development agenda. Responding to the challenges described in the Must-Haves and seeking to clarify the opportunities created for the companies, business solutions will be developed for implementation until 2020.

Long-term projections carried out by the main national studies have concluded that Brazil may get to 2050 with considerably smaller emissions than current levels, by reducing deforestation, trying to maintain its clean energy mix, implementing carbon pricing mechanisms and other relevant measures. Our "[Long-term low-carbon development strategies](#)" study, launched at the end of 2017, aims at indicating pathways and bringing together elements that allow strategies to be defined and trends to be discovered. It also highlights and develops the essential elements to structure a long-term strategy in Brazil, defining the roles to be played by businesses and by different government areas, identifying opportunities and challenges that go beyond the timeframe under the NDC, which means, focusing on the time gap between 2030 and 2050. For that to happen, we believe the following actions must be pursued:

- Eliminate any illegal deforestation in the Brazilian Amazon by 2030;
- Businesses must establish GHG emissions mitigation and/or removal goals based on scientific data;
- Adoption of a national carbon pricing mechanism, since it would reduce the economic cost of climate policies by allowing sectors and companies with lower abatement costs to contribute more with the efforts to reduce emissions;
- Companies should consider reusing materials and using inputs with lower carbon footprints to foster the low-carbon development of the industry, thus adopting



a Circular Economy approach;

- The improvement of the renewable and clean profile of our energy system, by eliminating subsidies to fossil fuels and improving the energy governance system;
- The goal of 10% gain in electrical efficiency, established in the Brazilian NDC, implies a decrease of 24% of the operating costs of the National Interconnected System (SIN) and reduced demand for investment in new energy supply of approximately 42%. Although there is a huge economic potential, it is emphasized that this NDC goal is modest and could reach up to 23% efficiency levels if ambition was increased. In this context, energy efficiency auctions could promote efficiency gains in a systematic way, serving as an alternative to expand the generation system, as we state in our [“Efficient electricity consumption: an agenda for Brazil”](#) study.
- Development of a national green (and other sustainability-related) bonds market. The government needs to facilitate this mechanism to be used as a financing source for low-carbon investments.

How do we get there?

Preparation exercises to achieve long-term objectives involve planning and actions for short and medium-term to create the necessary bases for a sustainable future. Actions by 2030, in addition to fulfilling NDC goals, should be part of a long-term program and be consistent with the successive planned actions. This means that in the medium term, the Brazilian economy should make more than specific investments to achieve 2030 goals. Instead, it should avoid renewing emitting technological cycles, eliminating lock-in, requalifying its infrastructure, practices and exporting profile.

Throughout time, the government - in all levels - and businesses should implement structural changes that guarantee regulatory, technological, tax, and financial conditions to requalify the development and make Brazil move forward to the new world economics, which is consistent with the goal to maintain global warming levels well below 2°C by the end of the century. We expect to get there by:

- Applying a strategic vision towards the development of markets for agricultural and forest products with production chains free of illegal deforestation;
- For the government, its main role must be to create the foundation, guaranteeing equal opportunities - or what is called a level playing field - for low-carbon technologies and practices in all sectors of economy. Actions by 2030, in addition to fulfilling NDC goals, should be part of a long-term program and be consistent with the successive planned actions. This means that in the middle term, the Brazilian economy should make more than specific investments to achieve the 2030 goals;
- Development policies need to focus on requalifying the country’s production, including its exporting agenda, moving towards the bioeconomy, an area in



which Brazil is highly competitive. Bioeconomy brings innovative solutions to the market, mostly with high value added, whose production would contribute enormously to Brazil's socioeconomic development;

- The business sector should take measures that increase ambition towards low-carbon development in Brazil;
- Effective engagement from stakeholders in building long-term strategies is crucial to a coherent and consistent climate policy. Moreover, it can help develop collective understanding of the facts and alternatives by decision-makers, as well as make clear which tough choices must be made;
- It is crucial that the strategy foresees financing and investment directives, since the financial sector will have a crucial role in consolidating a low-carbon economy. The International Energy Agency estimates that the investments needed only for the energy sector NDCs to be successful would add up to US\$13.5 trillion by 2030. The International Finance Corporation estimates that investments in transitioning to a low-carbon economy in the same timeframe may reach US\$23 trillion. It is clear enough that those amounts will not come from governments, since the promised contributions for the Green Climate Fund (GCF) until September 2017 summed to only US\$ 10.3 billion, from 43 countries.

CEBDS have been mobilizing companies all over Brazil towards a long-term low-emissions development strategy to build a sustainable future.