LCTPi

Summary Report

Session 1 – Opening and the Perspectives of the WBCSD and the Brazilian Government

The meeting goal is primarily to function as a working group, to find ways to overcome the challenges of a low-carbon economy by building up business solutions.

Peter White, COO of the WBCSD, stressed that the business sector has a crucial role to play in climate change and sustainable development. The government is a powerful ally in this process and it is important to make it clear that the business sector is active in this field.

White explained that the work of the LCTPi is in accordance with the proposals of ***Action 2020*** and ***Vision 2050***, aiming to ensure that all of us are able, in 2050, to live comfortably within the boundaries of the planet. To achieve this, we need to act now:

- **From this moment until December** is the moment and opportunity to take part in the COP 21 process, a time to show what can be done, what the main obstacles are and how can we build solutions;
- **By 2020** we need to establish how we intend the world to develop and to put business solutions into practice.

In this global context, Brazil has been playing an active leadership role. This was made clear by the presentation of the Nationally Determined Contribution (INDC) of the country. This is the moment to take this leadership role further and this requires collaboration through the building of innovative solutions and constant performance assessment.

The LCTPi is one way the business sector can get involved in this process, presenting several initiatives with potential to be further scaled up. As it is a global initiative, developed in partnership with the WBCSD, the International Energy Agency (IEA) and the Sustainable Development Solutions Network (SDSN), the LCTPi has the potential to draw up action plans that establish where we are going, how far we can go and what is needed to propose solutions.

For **Rafael Azeredo, Head of the Brazilian Foreign Office's Department for the Environment and Special Issues**, Paris marks the beginning of a new phase with a more global perspective. The message that Brazil will bring is one of national ambition and the Paris agreement should be bolstered by collective objectives. Until Paris, all the work is been being done from the bottom up. After Paris, implementation will be more top down, with a focus on the standardization of efforts in a multilateral context. The aim is to have an ambitious and balanced global agreement where the questions of implementation and adaptation are crucial. There is a need to align the INDC with global objectives and to implement those objectives in a forward-looking manner, ensuring that the agreement will be long-lasting. The development of technological solutions is essential in this regard.

Francisco Gaetani, Executive Secretary of the Ministry of the Environment (MMA), noted that the private sector and the MMA have been working together, at least since 2012, to build solid long-term partnerships. The INDC enjoyed the support of businesses, through initiatives such as the Brazil Climate Forests Agriculture Coalition. According to the Secretary, it is fundamental that we focus on the development of technology for a low-carbon economy. National decisions are given true stability by the incorporation of this new reality into the economy and the participation of the private sector is therefore essential. It is also important that research institutions work closely with the private sector, since subjects such as the low-carbon economy depend greatly on technology and investment in research is also fundamental.

Laurence Tubiana, the French Ambassador for Climate Change, participated by video and reaffirmed that the business sector plays a key role in climate change. A low-carbon economy is possible, achievable and desirable. Solutions can only be achieved by building partnerships. It is, therefore, important to cooperate rather than compete.

Session 2 – Carbon Pricing

The aim of this session was to involve Brazil in international discussion of carbon pricing, an issue fundamental for the reduction of emissions in the business sector.

Philippe Joubert, Senior Advisor at the WBCSD, argued that, to get the private sector involved, we need to review business models and start to discuss the kind of carbon pricing we can work with. A change of behavior requires:

1. Clear long-term rules from the government and the positioning of the civil society;
2. A clear price so that the business sector can be mobilized.

Carbon pricing raises other questions.

- Who is going to do the measuring?
- With what credibility?
- Will the measures be efficient?

For **Nigel Topping, CEO of the We Mean Business**, the rest of the world has a lot to learn from Brazil, in view of its present goals. His presentation aimed to get Brazil involved in international discussions regarding carbon pricing, by way of the *Carbon Pricing Pathways Project*, which in Brazil is being developed by the CDP and CEBDS.

Topping conducted an interactive question and answer session. The majority of participants (76%) agreed that carbon pricing will have a positive impact on the competitiveness of Brazil at global level and 86% of participants argued that carbon pricing is an effective tool for guiding investment decisions.

Carbon pricing raises a number of complex dilemmas:

- The need to act globally vs. The need to act locally and maintain local sovereignty;
- Explicit pricing policies vs. Implicit regulation of pricing.

Session 3 –LCTPi Working Groups: Agriculture, Biofuels, Cement, Forestry, Renewable Energy

Cement:

The cement sector has maintained its cohesion and swiftly come to a robust consensus regarding the potential of various business solutions that already exist or need to be fostered in future. The importance of the sector making genuine and deep-rooted efforts to reduce emissions was stressed, even though the Brazilian cement industry is clearly taking the lead in this field. Sector associations revealed that 77% of emissions in the sector have already been mapped and this has helped to establish the ambitious goal of a reduction between 25% and 30% in a *Business as Usual* context by 2030 (in addition to the mapping of 100% of emissions by that date). The four technologies that should generate the greatest positive impact and the actions needed to implement those solutions are:

a) Use of the biomass to generate power => need to speed up licensing, using, for example, a positive register, as already exists in the State of São Paulo;

b) Use of energy generated by urban solid waste => expanding knowledge of the technology and overcoming licensing obstacles;

c) *Carbon Capture and Storage* (CCS) => there is no technology available for large-scale employment of this and it is therefore very expensive – a situation that is further exacerbated by the lack of a carbon tax;

d) Concrete road surfacing => there is a strong culture of the use of flexible asphalt, which has an impact on the lack of training for workers on the use of concrete road surfacing, impacting in the need for greater planning for its installation and improved cost-benefit analysis.

Agriculture:

The group that discussed Climate-Smart Agriculture (CSA) identified the following challenges: developing and improving the capacity built and technical support for smallholders; improving measurement of how CSA can help reduce emissions; broadening the dialogue between government and business; increasing the aggregated value of biological fixation when compared to conventional chemical fertilizers; businesses and society are not normally willing to pay more for an environmentally sustainable product; encouraging the use of integrated systems in agriculture and forestry training rural workers to employ these models; developing credit lines that are better suited to long-term projects; and increasing participation of private companies in advocacy.

The group concluded that the action should be focused on four main strategies:

1) Increasing the resilience of smallholders;
2) Increasing investment in CSA;
3) Improve measurement, monitoring and traceability;
4) Reduce deforestation.

Forest:

The forestry group was divided into three subgroups. The first one discussed opportunities for Brazil, which could also be implemented at global level or in some other parts of the world:

1) Setting up an effective traceability system for the tropical timber trade (promoting large-scale tropical forest management);
2) Increasing the area of planted forest in Brazil, recovering degraded pasture land, using the WWF/New Generation Plantation (NGP) model;
3) Develop a global system of payment for ecosystem services associated with carbon pricing;
4) Increasing power generation using forest biomass in strategic regions;
5) Promote R&D for innovation.

The second group discussed the following points:

(i) Integrated South-South action for sustainable tropical forest management: economical valuing of the native forest fundamental for its survival;
(ii) Valuing ecosystem services is key (focus on carbon because this is what we are currently discussing): development of a globally-applicable model, for different types of forest (market/industry) on the planet – tropical/temperate/Northern;
(iii) Bioeconomy: expansion of the forest base for low-carbon production. Products depend on a regulatory framework, the agenda of governments and states (including a carbon tax and incentive mechanisms): wide-ranging industrial policy (eg.: ethanol) linked to the social and commercial dimension (value chain);
(iv) Deforestation/illegality–*enforcement*/monitoring and control needs to be complemented with traceability systems and revaluing of tropical timber combined with the possibility of wood productions by plantations;
(v) Integration of agriculture and forestry: (a) Climate-Smart Agriculture depend on forests and (b) the importance of the concept of *landscape*/*land use*.

The third group focused its discussion on payment for ecosystem services, REDD+, the RL economic model / Brazilian technologies are the most efficient in carbon capture per US$.

Main priorities to be worked:

1) Payment for ecosystem services;

2) Increased role of planting with integration of agriculture using new generation planting (NGP) standards, with a focus on degraded land;
3) Emphasis on the bioeconomy to be in development in Brazil;
4) South-South relations;
5) North-South collaboration could also exist. The technology for producing products in Brazil is far behind that of Canada and Scandinavia. University partnerships would be effective for the transfer of technology.

Biofuels:

The discussion began with the following questions:

- How can Brazil encourage the development of a world biofuels market?
- How to change perceptions of biofuels?
- How to raise awareness of the "Brazilian case" with regard to biofuels?
- How to keep up momentum after COP-21?

With these questions in mind, the group concluded that biofuels, ethanol, in particular, have been confronting two main barriers that are holding it from becoming a global solution. These are:

1. Lack of clear and solid mandates;

2. Lack of recognition of the positive externalities generated by biofuels.

The group suggested two action plans to overcome those barriers, one more focused on the role of Brazil in developing biofuels and another related to the development of biofuels itself.

Action Plan 1 – *Position Paper*: develop a *position paper* for the Brazilian government, suggesting the COP-21 as a great opportunity to create a coalition with other producing countries, which can, together, encourage the adoption of biofuels by important markets (as a way of countries to achieve their INDCs).

Action Plan 2 – A global assessment of biofuels: develop an assessment of the world potential supply of biofuels. Using other assessments, with the possible support of other countries/interested parties, the assessment will map regions of the globe where first and second generation biofuels could be produced or could reach their full potential. This assessment will be presented to potential partners of the Brazilian government, along with representatives of the biofuels sector.

Renewables:

The first part of the discussion focused on the barriers, challenges and opportunities related to funding renewable energy in Brazil, with an emphasis on the *green bonds* mechanism. It was noted that the investment in renewable sources of energy started growing again globally in 2014, after reaching a peak in 2011 and falling thereafter. Brazil has seen outstanding growth (+93% per annum in 2014 and +25% CAGR in 10 years) and this attracts the interest of foreign

suppliers and investors. In Brazil, the outstanding success has been solar power, which has been given a new lease of life with reserved auctions, tax incentives and an increase in energy prices.

However, alternative funding solutions are still in their infancy, in Brazil and overseas. The companies participating in the meeting were unaware of many features of the *green bonds* mechanism and of the possibility of issuing green titles. This is a very recent subject in Brazil. In March 2015 the first *green bond* was issued by a Brazilian company: € 500 million, 7 years, BBB 2.75%, by Brazilian Food (BRF).

The actions identified as needed to make progress on this issue in Brazil is capacity building and information from companies.

The second part of the meeting addressed issues of acquisition and banking management of renewable energy and the integration of various renewable energy sources. Renewable energy needs certain regulations and market rules to enable full and profitable inclusion of these sources in the energy matrix.

Session 4 – Closing Session

In the closing session, **Lidiane Rocha** represented **the *Climate Technology Centre and Network***, which is the operational branch in the UNFCCC, created at COP 16, in Cancun. The Center has been in operation since 2014 and, in Brazil, is represented by the Ministry of Science and technology (MCT), with DNV-GL as a strategic partner.

Lidiane Rocha explained that the organization focuses on encouraging technological cooperation based on the requirements of developing countries, through actions such as:

- Facilitating the transfer of technology to counter climate change;
- Mitigation and adaptation;
- Support for various projects through technical assistance.

To conclude the event, Marina Grossi and Peter White thanked everyone for attending. They stressed that this day's work that started a long time ago.

Brazil has an important role to play in the climate change discussion and is well positioned on the world stage. The next step, nationally, is to think of a way forward, post-INDC and how are we going to implement the commitments announced by the government. Paris will be a milestone event, but there is an important work to be done after the Conference.