



# Sustainability at a Glance

Paths of Environmental Policy in Brazil

JULY 27, 2023



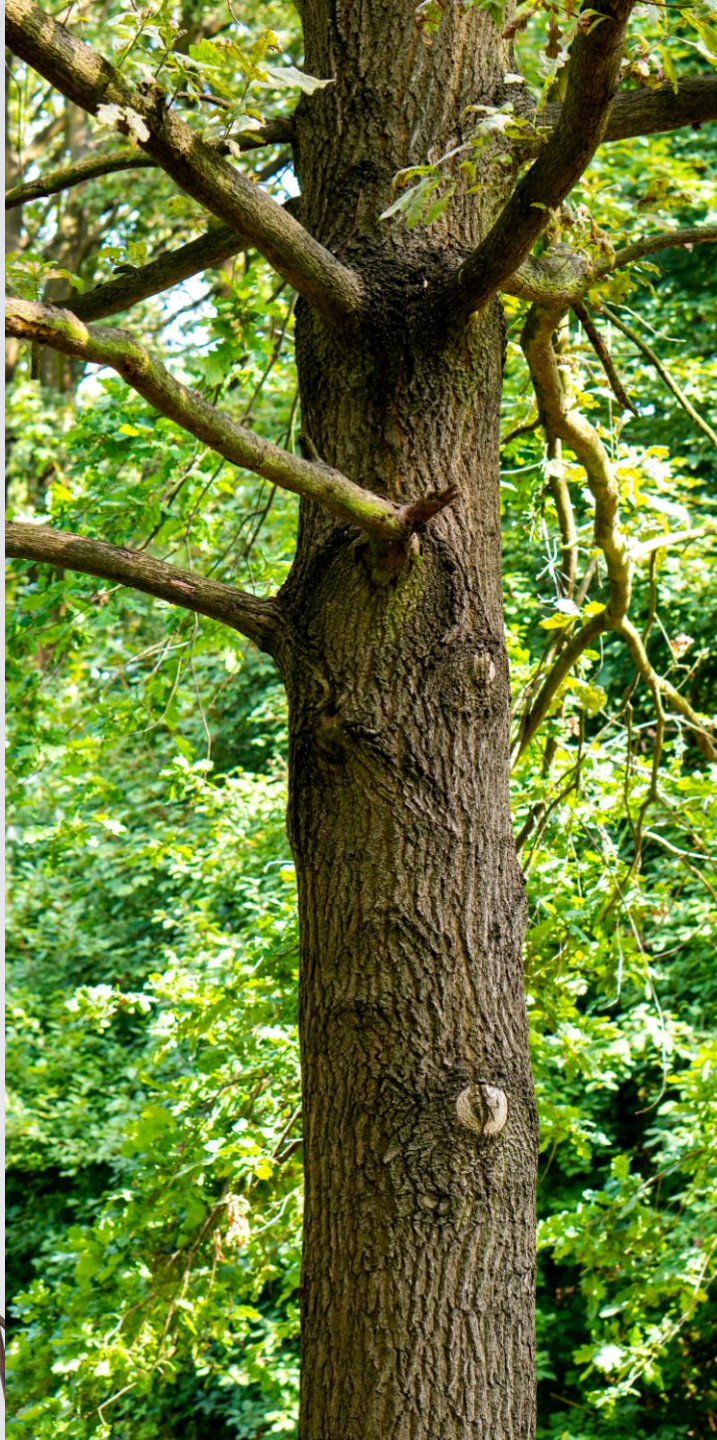
## The Environmental Agenda

On his first day as president, **President Lula da Silva signed four decrees related to environmental protection**, with a focus on combating deforestation and reestablishing the Amazon Fund. On World Environment Day, June 5, Lula, accompanied by the Minister of the Environment and Climate Change, Marina Silva, **enacted nine measures that reinforce the Government's commitment to the environment**, notably the revival of committees and commissions on climate change.

The administration faces internal challenges, however, due to **disagreements over environmental preservation and economic development**, along with the need to garner support from the National Congress to implement its proposals, especially in the second half of the year when several measures related to the **Ecological Transition Plan** are expected to be presented.



**President Luiz Inácio Lula da Silva is betting on the ecological transition as a driving force for Brazil's economic growth and as the main hallmark of his third term.**



## A Clash Within Petrobras vs Ibama



The dispute between Petrobras, the Brazilian state-owned oil and gas company, and Ibama, Brazil's environmental agency, over the authorization of **oil extraction at the mouth of the Amazon River** has sparked significant political repercussions. Notably, **Senator Randolfe Rodrigues, the Government's leader in the National Congress, resigned** from the Sustainability Network (Rede Sustentabilidade), the party founded by Environment Minister Marina Silva.

The clash highlights the challenges faced in striking a **delicate balance between economic development and environmental sustainability**. On one side, Petrobras and the Ministry of Mines and Energy are advocating for oil exploration in the area. On the other side, Ibama President Rodrigo Agostinho and other key figures, including Minister Marina Silva, prioritizes environmental preservation and thoroughly examines license requests.

The confrontation remains ongoing, with Petrobras submitting a new environmental license request that awaits Ibama's analysis. In the latter weeks of July, Jean Paul Prates, President of Petrobras, expressed optimism about obtaining authorization for oil exploration in the region.

# A Battle for Governance

## The Executive vs Congress

Conflicts between the Executive and the National Congress have arisen over domestic environmental issues. Recent defeats in the vote on the **Atlantic Forest Provisional Measure** and challenges with the **Marco Temporal** project are clear examples of this ongoing dispute.

In a Congress predominantly composed of conservative members, with 418 out of 513 deputies and 53 out of 81 senators belonging to center-right parties, **a distinction between the environmental agenda and the sustainable economic agenda is expected**. While the former faces obstacles and challenges from interest groups like the agribusiness parliamentary group, the latter appears to have a better chance of making progress in legislative deliberations.





# Atlantic Forest Provisional Measure

## Regulatory **flexibility** under debate

Approved in May, the **Atlantic Forest Provisional Measure (MP 1.150/2022)** is mired in controversy. The PM was issued by former President Jair Bolsonaro and extended the deadline to join the Environmental Regularization Program (PRA), an effort to have rural properties comply with federal environmental legislation. During its consideration in the Chamber of Deputies, the text underwent changes that relaxed environmental legislation, such as waiving prior environmental impact studies and compensation for deforestation during infrastructure implementation. **President Lula sanctioned the measure as Law 14.595/2023 but vetoed these modifications.** The vetoes are still **pending deliberation by Congress.**



# Marco Temporal

## Conflict over Indigenous Land Demarcation

In a significant defeat for the government, Bill (PL) 2903/2023, Bill 2903/2023, which addresses the temporal landmark for Indigenous land demarcation, has been **approved in the Chamber of Deputies** and is currently **under consideration in the Senate**.

The proposal **restricts Indigenous land demarcation** to areas occupied by Indigenous peoples until October 5, 1988. This date coincides with the promulgation of the current Brazilian Constitution, which recognizes the rights of Indigenous peoples to their ancestral lands.

Critics argue that the bill **could jeopardize ongoing demarcation processes** and put at risk areas that have been demarcated after 1988.

Supporters contend that the temporal landmark **provides legal certainty and opportunities** for agricultural and livestock investments.

A close-up profile photograph of a man with dark hair, looking towards the right. He is wearing a dark suit jacket and a white shirt. The background is a soft, out-of-focus light blue.

# Ecological Transition

## Environmental Leap: Brazil's Eco-Transition Strategy

The **Ecological Transition Plan** is a Brazilian Government initiative led by the Ministry of Finance, aimed at **promoting fiscal, social, and environmental sustainability** in the country, with the **support of the private sector**. The goal is to usher in a new era of development in Brazil, with a strong emphasis on transitioning towards a greener and more sustainable economy.

The plan will  
be divided into

6

main action  
areas

### **Sustainable Finance**

Measures related to the creation of the carbon market, carbon taxes, issuance of sustainable bonds, and classification of projects based on their socio-environmental impacts

### **Technological Advancement of the Productive Sector**

Strengthening industry and technology, supporting strategic sectors, and reallocating resources to the green economy

### **Bioeconomy**

Stimulating the export of forest products, using public procurement to drive innovation, and implementing a plan to reduce dependence on high-impact environmental fertilizers

### **Energy Transition**

Measures such as electrification of the bus fleet and installation of solar panels in vulnerable areas

### **Circular Economy**

Improving waste management, promoting recycling, and reducing waste

### **New Infrastructure and Public Services for Climate Adaptation**

Actions to address climate change by adapting infrastructure and public services





# 100

## ***actions that will be implemented during President Lula's term***

The plan encompasses **over 100 actions that will be executed throughout President Lula's term**, including **carbon credit regulation, tax reform** on selective taxes, the **ecological transition of the automotive sector**, and additional measures on **biofertilizers, green hydrogen, and green diesel**. The intention is to gradually implement these actions over time, with some measures, such as the carbon market issue, being submitted to the National Congress as early as August.

**The Ecological Transition Plan holds great promise to become the cornerstone of President Lula's third term in office.**



# Carbon Market

## Government's first move

In the second half of 2023, the **regulation of a carbon market** in Brazil will be a focal point for the Government and subject to assessment in the National Congress.

The Executive is finalizing a draft comprised of contributions from various ministries and led by the Ministries of Finance and Development, Industry, Trade, and Services. The text will be submitted to Congress as a substitute for one of the bills under consideration, possibly PL 412/2021, under the rapporteurs of Senator Leila Barros (PDT/DF). **The Government's objective is to have the regulation approved by COP28** in November, but if the draft is sent in August, only three months would remain for its approval in both legislative houses.



## Mercosur-EU Agreement

The Mercosur-European Union Agreement faces challenges in the European Parliament, which seeks **rigorous sustainability criteria**, especially regarding deforestation in the Amazon. The European Union has submitted an additional document with proposals to strengthen environmental policy, but **Brazil and Mercosur countries have shown resistance**. In response, **the Brazilian Government has drafted a counterproposal** to these demands, which is being discussed within Mercosur before being presented to the European Union. From Lula's perspective, **the nations that propelled industrialization should bear more responsibility for the costs of the green transition**. On July 4, Brazil assumed the Presidency of Mercosur and will occupy the Presidency of the G20 in December.

## Summit of Amazonian Countries

The Summit of Amazonian Countries in Belém (PA) will bring together heads of state from member countries of the **Amazon Cooperation Treaty Organization (ACTO)**, including Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and Venezuela. French President Emmanuel Macron is expected to represent French Guiana, while US Special Presidential Envoy for Climate John Kerry will also be present. Dialogues will take place from August 4 to 6, followed by the official summit on August 8 and 9. **The goal is to receive contributions from civil society and develop positions for COP28 in Dubai.**

## COP30

The 30th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP30) is scheduled to take place in **Belém, the capital of Pará, in November 2025**. Several groups have been established for organizing the event, including the National COP30 Council (at the federal level), the State Committee for COP30 (at the state level), the COP30 Working Group (at the municipal level), and the Parliamentary Front for the Strengthening of COP30 in Brazil (in the Chamber of Deputies). These committees will play important roles in the preparation and coordination of this globally significant conference.

SHS Quadra 6  
Complexo Brasil 21  
Bloco E salas 502 a 509  
Asa Sul Brasília DF  
70.316-000  
Brasil



## ADWEEK

PR Agency of the Year

## AdAge

Best Places to Work  
A-List Agency

## glassdoor

Top 10 Best Places to Work  
Top Companies for Cultures & Values

## THE HOLMES REPORT

Digital Agency of the Year  
Global Agency of the Year

## LinkedIn

Top Companies 2017

Document produced on July 28, 2023 by:



**Giovana Lopes**  
Research Associate  
giovana.lopes@edelmanega.com



**Laura Bonvini**  
Analyst  
marina.tavares@edelmanega.com



**Marina Tavares**  
Analyst  
marina.tavares@edelmanega.com