

# CARBON MARKET POSITION PAPER



QUÍMICA: PROMOVEDO AVANÇOS E PROTEGENDO VIDAS



Atuação Responsável<sup>®</sup>  
Compromisso com a sustentabilidade



# Carbon Market Position Paper

The Brazilian Chemical Industry Association - Abiquim - affirms its commitment to promoting the sustainable development of the 6th largest chemical industry in the world, representing more than 150 member companies, responsible for 11% of the industrial GDP and being the third largest industrial sector of the Brazilian GDP.

As it is present in the value chain of numerous sectors, the chemical industry is aware of its driving effect on the economy and its leading role in the sustainable development and climate change agendas.

The chemical industry acts as a product and solution provider for numerous sectors, such as sanitation, agriculture, human and animal health, automotive, civil construction, oil and gas, cosmetics, electronics, among others. Chemistry provides products for the maintenance of health, for the generation of solar and wind energy, contributes with materials for lighter packaging and cars, more efficient appliances, more sustainable buildings, and optimizes agricultural productivity through more resistant and high performance seeds, among infinite solutions and innovations for the well-being of human life.

The chemical industry constantly innovates and develops increasingly sustainable processes and products with competitive differentials for a low carbon economy, through the voluntary initiative of the global Responsible Care® program, with special emphasis on being a solution provider for mitigation and adaptation of climate change.

The reality of a low carbon economy has already begun. Carbon pricing systems have been implemented over the last years in different regions of the world, and Abiquim understands that Brazil must assume a prominent position in this global process, in order to consider and make prevail its already known and comparative competitive advantages, such as its energy matrix, the productivity of the biomass chains and their vast biodiversity.

The implementation of a carbon pricing system via market can represent many opportunities for Brazilian industry. Emissions trading systems have effective advantages when compared to systems based on carbon tax, as they privilege and stimulate the business environment through productive investments based on innovation, open opportunities for more efficient and effective products for decarbonization, unlock investments, protect the competitiveness of regulated agents and do not increase the tax burden on companies in an already complex and exorbitant tax system. In addition, emissions trading systems have the unequivocal benefit of a gradual implementation process, and of a stimulation for the adoption of increasingly efficient technologies, with lower emissions or that capture carbon.

It is important to note that studies point to the fact that, if implemented, carbon taxation mechanisms in Brazil can increase the price of basic inputs to industry by more than 20% by 2030, in addition to causing a negative variation of 1 to 3 % in the activity levels of several sectors, including chemical<sup>1</sup>, and negative variation in Brazilian GDP of up to 6% until 2050<sup>2</sup>.

Abiquim is committed to national and international discussions on the topic, such as its participation in the Energy and Climate Change Leadership Group of the International Council of Chemical Association - ICCA, and in the Consultative Committee of the PMR Brazil Project, an initiative of the World Bank in partnership with the Ministry of Economy, which studies the feasibility of implementing economic instruments for carbon pricing in Brazil, evaluating different modalities and estimating the macroeconomic and social impacts for the Brazilian economy.

**Abiquim advocates that public policies on carbon pricing in Brazil consider the following recommendations:**

- **Ensuring a high level of governance by the government, predicting how the structure of this leadership will be conducted;**
- **Be preceded by a comprehensive regulatory impact study, which takes into account the strategic development of the productive chains of the present and the future of the country;**
- **Structuring a strategy and timetable for the gradual implementation of carbon pricing in Brazil;**
- **Recognition of historical actions and efforts;**
- **Adoption of a carbon pricing system via a market appropriate to the reality and jurisdiction of the Brazilian economy, which includes all sectors and which is an efficient and effective instrument for achieving the goals of mitigating Greenhouse Gases (GHG) and promoting economic development;**
- **Encouraging investments in low carbon products and processes. Allocation of resources for the development and implementation of technologies to the mitigation and adaptation to climate change;**
- **Harmonization between Brazilian climate and energy policies, in order to ensure industry access to clean and competitive energy;**
- **Fossil inputs used as raw materials in industrial processes, which are transformed into other materials, must be completely exempt from any carbon pricing or taxation mechanism;**
- **Recycling of revenues from the carbon pricing system: any government revenue from carbon pricing mechanisms should be dedicated to the development of new low carbon technologies;**
- **Adoption of carbon border adjustment mechanisms, with the application of a tax or equivalent purchase requirement for carbon emission licenses in import operations;**
- **The integration of Brazilian policies with those of other countries and regions with carbon pricing mechanisms in place, in order to harmonize rules and parameters, in addition to internationally disseminating Brazilian initiatives and promoting the adoption of a global carbon pricing mechanism.**

**The chemical industry is Brazil's partner in meeting the Brazilian goals in the Paris Agreement and in the transition to a low carbon economy and reiterates its willingness to contribute to the debate on a low carbon economy and on the feasibility of implementing economic instruments for carbon pricing in Brazil, that take account national competitive advantages.**

<sup>1</sup>CNI, 2020. A precificação de carbono e os impactos na competitividade da cadeia de valor da indústria.

<sup>2</sup>FIESP, 2017. Mudança do Clima: Avaliação dos reflexos das metas de redução de emissões sobre a economia e a indústria brasileira.



abiquim.org.br  
Av. Chedid Jafet, 222 - Vila Olímpia  
São Paulo - SP, 04551-065