BRAZIL ETS AT A GLANCE

IETA Business Brief

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EXECUTIVE SUMMARY

Brazil is entering the implementation phase of the SBCE, its national emissions trading system. Law No. 15,042/2024 established the framework in December 2024, with the system progressing through staged regulatory setup, MRV operationalisation, mandatory reporting, a pilot allocation and trading phase, and full market operation. The first National Allocation Plan (NAP) is expected around 2030, with the first auction expected in 2031. The SBCE is intended to support Brazil's NDC and the National Policy on Climate Change, while creating potential domestic compliance demand for eligible CRVEs and providing price and demand signals for Brazil's voluntary carbon market.

Years in operation	Law No. 15,042/2024, enacted December 2024, formally established the SBCE. Implementation follows five sequential phases: – **Phase 1:** Initial regulatory setup (2025–2026) – **Phase 2:** MRV system operationalisation (2027) – **Phase 3:** Mandatory emissions reporting and monitoring plans (2028–2029) – **Phase 4:** Pilot phase — first allocation cycle and initial trading (2030-?) – **Phase 5:** Full market operation *Phase 4 begins after publication of the first National Allocation Plan (NAP; minimum 12-month duration). First NAP publication is expected around 2030; first auction in 2031.*
Overall cap & trajectory	The cap will be defined in each National Allocation Plan (NAP), published at least 12 months before the start of each compliance cycle, adopting a progressive trajectory covering at least two future compliance periods. The SBCE will be implemented in phases, according to the Implementation Roadmap: • **Phases 1–3 (2025–2029):** Regulatory setup, MRV operationalisation, and mandatory reporting. No compliance obligations yet. • **Phase 4:** First NAP published; first allocation cycle and initial trading. First NAP publication targeted around 2030; first auction in 2031. • **Phase 5:** Full market operation, commencing after the conclusion of the first NAP.
Target(s)	The SBCE is the primary market-based instrument to support Brazil's Nationally Determined Contribution (NDC, 2024) and the National Policy on Climate Change (PNMC). NDC targets: – **2030:** ≤1.20 $GtCO_2e$ (53.1% below 2005 levels) – **2035:** 850 $MtCO_2e$ – 1.05 $GtCO_2e$ (conditional on international support) – **2050:** Climate neutrality
Emissions reduced to date	Not applicable — the SBCE has not yet entered its operational compliance phase. The first binding compliance obligations are expected from 2030 onwards, following publication of the first NAP.
Sectors covered	Sectoral coverage for the Brazilian MRV Programme (PB-MRV) is still being defined. The draft proposal, still undergoing consultation within CTCP as of June 2026, indicates a phased approach through a multi-criteria methodology (SEMC Nota Informativa on PB-MRV Sectoral Coverage, presented at CTCP meeting of 19 May 2026; internal document, not yet formally published on gov.br as of the date of this Brief). Three criteria prioritised for the initial MRV phase are: • **MRV Feasibility (50% weight):** Highest-priority criterion. Sectors with consolidated and existing monitoring structures enter first. • **Market Structure (30% weight):** Sectors with fewer, larger operators are prioritised to reduce supervisory costs and facilitate compliance. Concentrated markets enter earlier; highly fragmented sectors require more institutional preparation. • **Emissions Intensity (20% weight):** Absolute and relative GHG emissions and energy intensity. Ranked third because high emitters do not always have adequate MRV readiness in the current period. Three further criteria — Regulatory and Institutional Structure, Macroeconomic Impacts, and International Trade Exposure — will take on greater weight at the National Allocation Plan (NAP) stage. The MRV obligations will be phased-in following a 4-year schedule, as per the proposed approach. The 4-year phase-in is divided as follows: • **Year 1**: Development and approval of regulated operators' emissions and monitoring plans with sectors included in this first MRV phase. • **Years 2 and 3:** Implementation of monitoring plans and structured collection of activity data and GHG emissions across two monitoring years.

	• **Year 4:** Assessment of sectors according to the further criteria above mentioned and development of the National Allocation Plans for the first sectors/activities to be fully regulated by the SBCE. Each of the following phased groups will start participating in the PB-MRV program in a different year and follow its own 4-year schedule: • **Phase 1 (starting 2027):** Iron and Steel; Cement; Primary Aluminium; E&P and Refining; Air Transport; Pulp and Paper. • **Stage 2 (starting 2029):** Chemicals; Power Sector; Mining; Glass; Ceramics; Waste; Recycled Aluminium; Food and Beverages. • **Stage 3 (starting 2031):** Road Transport; Rail Transport; Waterway Transport. Excluded from initial coverage: primary agricultural production and indirect agricultural input emissions. Land use change and agriculture are not expected in the initial phase. Scope 2 emissions may be registered but not capped to support competitive benchmarking.
GHGs covered	CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3 (all GHGs listed under the UNFCCC). The precise scope of gases to be covered under the Brazilian MRV Programme (PB-MRV) is still under discussion within the SBCE regulatory framework.
Number of covered entities	To be defined by regulation. Preliminary thresholds under Law No. 15,042/2024: • **MRV reporting:** facilities emitting 10,000–25,000 tCO_2e/year • **Full compliance:** facilities emitting >25,000 tCO_2e/year *Obligations apply only to activities with consolidated MRV regulations in place. The NAP will determine whether caps apply at the installation, facility, or economic group level.*
Allocation method	Brazilian Emission Quotas (Cotas Brasileiras de Emissões — CBEs) will be allocated through: • **Free allocation:** primary method during initial compliance cycles, with benchmarks to be defined per NAP • **Auctions and paid mechanisms:** to be progressively introduced as the market matures; rules set by the SBCE Managing Body *Allocation levels, methods, and sectoral benchmarks will be defined in each NAP, at least 12 months before the relevant compliance period.*
Administrating entity	The SBCE operates under a multi-level governance structure established by Law No. 15,042/2024 and operationalised through the following bodies: • **CIM** (Interministerial Committee on Climate Change): Overarching policy authority. Sets high-level guidelines, approves the NAP, and approves the annual resource allocation plan. • **SBCE Managing Body:** Executive and regulatory authority. Responsible for normative, regulatory, executive, sanctioning, and appeals functions. Currently exercised on an interim basis by SEMC (Extraordinary Secretariat for Carbon Markets, Ministry of Finance). The permanent Managing Body structure is under design within SEMC which has a mandate to operate until the end of 2026. SEMC is expected to transition to a permanent Managing Body structure in 2027 once foundational infralegal norms are published. • **CTCP** (Permanent Technical Advisory Committee): Consultative body for both CIM and the Managing Body. Provides technical and scientific input on CRVE methodology accreditation, NAP preparation, and other submitted issues, composed by nine entities representative of seven sectors. Three Working Groups formalised May 2026: Financial Aspects, MRV and CRVE Methodology Accreditation. An additional WG on Competitiveness Issues is planned to be implemented in second half of 2026. • **CAREG** (Regulatory Affairs Chamber): advisory body composed of representative entities from regulated sectors, which should inform the rules related to the Managing Body, including those related to PNA and the accreditation of Methodologies. The Ministry of Environment and Climate Change plays the role of Designated National Authority (DNA) for Article 6 of the Paris Agreement. A CIM resolution proposal on ITMOs was published in July 2026 and open to public consultation until August 2026.
Main legal instruments	• **Law No. 15,042/2024**: establishes the SBCE framework (December 2024) • **CIM Resolution No. 9/2026** (March 2026): approves the national Climate Plan, integrating sectoral decarbonisation plans into Brazil's legal climate framework • **Decree No. 12,677** (October 2025): creates SEMC (Secretaria Extraordinária do Mercado de Carbono), a temporary structure linked to the Ministry of Finance responsible for exercising the SBCE Managing Body functions;

	• **Decree No. 12,678** (October 2025): amends MMA's internal structure and created DIMER (Departamento de Instrumentos de Mercado e REDD+), its operational counterpart within MMA for Article 6 and forest carbon instruments; • **Resolution CTCP/SBCE No. 2/2026, 3/2026 and 4/2026:** create, respectively, the three thematic working groups (GTTs): *GTT Financeiro, GTT MRV* and *GTT Metodologias*: Established to analyse and propose recommendations, coordinated by SEMC's Undersecretary of Implementation; duration up to one year, renewable
Trading rules	CBEs and CRVEs traded on financial and capital markets are classified as securities under Brazilian law and are subject to CVM (Securities and Exchange Commission) oversight. • **CIM** defines general authorisation conditions for market operation • **SBCE (Interim) Managing Body (SEMC)** defines eligible methodologies for CRVE generation and specific trading rules • **Banking:** CBEs may be carried forward across commitment periods, subject to SBCE regulations and NAP authorisation (Law No. 15,042/2024, Art. 11, §2, II). • **Borrowing:** Law No. 15,042/2024 does not explicitly authorise the use of future-period allowances for current compliance obligations; rules are delegated entirely to the Managing Body.
Use of offsets and linking	Covered entities may surrender *Certificados de Redução ou Remoção Verificada de Emissões* (CRVEs) to meet compliance obligations. Eligible CRVEs must be generated using SBCE-accredited methodologies, independently verified, and registered in the SBCE Central Registry. No methodologies have been accredited to date. Additionally, quantitative limits for offset use will likely apply, also still under definition. The SBCE is **not currently linked** to any other ETS. Credits intended for international transfer as ITMOs (Art. 6, Paris Agreement) must be registered as CRVEs and undergo a corresponding adjustment to avoid double counting. However, Brazil is one of the countries leading the Open Coalition on Regulated Carbon Markets, launched at COP30 (Belém, November 2025) and advanced at the European University Institute Climate Week in Florence (May 5–7, 2026). The Coalition signals renewed multilateral commitment to carbon markets as a central pillar of the global transition to climate neutrality. *Brazil, as of the publication of this document, had Article 6 MoUs with Singapore and Switzerland on potential ITMO agreements.*
Penalties for non-compliance	Entities subject to a range of sanctions, warnings, fines (up to 3% of annual gross revenue, or BRL 20 million for non-corporate entities), public disclosure of infractions, suspension or shutdown of activities, and restrictions on rights such as licenses, financing, or public contracts.
Use of revenues	All SBCE revenues must be allocated in the following order of priority: • At least 15% for the system operation and maintenance; • At least 75% to the National Climate Change Fund, to finance decarbonisation investments in regulated activities, sources, and installations, to be defined by regulation; • At least 5% to compensate traditional communities for conserving native vegetation and ecosystem services.

MAJOR DEVELOPMENTS

Law No. 15,042/2024 (December 2024) established the SBCE's three-tier governance structure: the CIM (Interministerial Committee on Climate Change) as the overarching policy authority; the SBCE Managing Body as the executive and regulatory authority; and the CTCP (Permanent Technical Advisory Committee) as the consultative body. An Act of the Federal Executive Branch will establish the definitive operating rules for these bodies (Art. 6, Sole Paragraph).

SEMC (Extraordinary Secretariat for Carbon Markets, Ministry of Finance) is currently exercising the Managing Body functions on an interim basis. SEMC coordinates regulatory design, sectoral engagement, registry infrastructure (SERPRO - **Serviço Federal de Processamento de Dados**, Brazil's federal public IT services company - partnership), and Brazil's international carbon market interfaces. The Secretariat is divided in two Undersecretariats: one for Methodologies and Regulation, and one for Implementation. The permanent Managing Body structure is under design.

Under SEMC, a Technical Consultive Committee (**CTCP**) was established March 2026. It aims to provide guidance and recommendations for improving the SBCE. Nine entities selected across seven sectors via public process: Energy (IBP), Industry (CNI), Urban Mobility (UNICA), Waste (ABREMA), Transport (CNT), Agriculture/Forests/Land Use (CNA), Financial Institutions (ANBIMA + CNSeg + FEBRABAN). Three Working Groups formalised via CTCP Resolutions in May 2026: (i) GT Financeiro analyses SBCE-linked financial instruments, market mechanisms, and asset risk management; (ii) GT MRV develops technical inputs on MRV requirements, including emission monitoring, independent verification, verifier accreditation, data quality, and interoperability with national inventories; (iii) GT Metodologias develops accreditation and de-accreditation criteria for CRVE generation methodologies, covering additionality, baselines, permanence, reversal risk, and environmental integrity of SBCE assets. Assisting the CTCP, a Regulatory Affairs Chamber (CAREG) is being established, expected to have its initial setting July/August 2026. SEMC's primary 2026 regulatory objective is to publish foundational infralegal norms by December 2026. Three core workstreams:

- **Sectoral Coverage:** The Brazilian MRV Programme (PB-MRV) is the technical-operational pillar of the SBCE. The first regulatory act will be a *Portaria* defining sectors, stages of MRV implementation, and the applicable criteria. The multi-criteria methodology was presented to the CTCP on May 2026 (see 'Sectors Covered' row). Public consultation with a Technical Note is expected before publication.
- **CRVE Methodology Accreditation:** CTCP WG on CRVE Methodology Accreditation established May 2026. Developing the accreditation framework that will determine which offset project categories qualify for compliance use. This WG is of direct relevance to the intersection of the voluntary carbon market and the future compliance framework.
- **Central Registry:** Development of the SBCE Central Registry under the Subsecreteriat of Implementation in partnership with SERPRO is a priority. The registry will record CBE allocation, transfers, surrenders, and CRVE issuance and cancellation. CVM's classification of carbon assets as securities ensures legal oversight and environmental backing.

Brazil has positioned itself as a leading architect of the post-COP30 international carbon market governance. Two tracks are running in parallel:

- **ITMO Authorisation Framework — Draft Resolution:** The MMA (as DNA for Article 6) has published a draft Resolution establishing conditions, procedures, and limits for Brazil's engagement in cooperative approaches under Art. 6 of the Paris Agreement. Key parameters: (i) mitigation objective of 100 $MtCO_2e$ for 2031–2035, with up to 50 $MtCO_2e$ authorisable as ITMOs; (ii) two transfer modalities: bilateral Future Transfer Agreements (ATFs) and competitive Public Calls; (iii) a CIM-published positive list of eligible activities; (iv) a 50% per-project ceiling on ITMO authorisation; (v) ITMOs must be registered as CRVEs in the SBCE Central Registry, with the corresponding adjustment applied at the moment of cancellation and transfer. A biennial CIM Resolution allocates volumes across modalities.
    - As of the writing of this brief, the draft resolution was undergoing public consultation until August 6th, 2026.

- **Current bilateral engagement:** As of mid-2026, Brazil has signed MoUs with Switzerland and Singapore; discussions with Japan and others are ongoing. These are expected to evolve into formal ATFs once the Resolution is published.

- **Open Coalition on Regulated Carbon Markets:** Launched at COP30 under Brazilian initiative. Terms of Reference adopted in May 2026. Members: Brazil (president, 2-year mandate), China and EU (co-presidents), approximately 10 countries in the adhesion process — representing ~60% of global GDP. Mandate: strengthen domestic carbon market integrity and effectiveness; develop comparable carbon accounting methods; advance a race to the top on credit quality (building on PACM); and support Paris Agreement delivery. Secretary Cristina Reis (SEMC) leads Brazil's engagement.

Finally, Art. 56 of Law No. 15,042/2024, as amended by Law No. 15,076/2024, had required insurers, pension entities, capitalisation companies, and legal reinsurers to allocate ≥0.5% of annual technical reserves to environmental assets (carbon credits) or earmarked investment funds. The provision was declared unconstitutional by the Supreme Court (STF) on May 29, 2026, with a possibility of revisiting the matter.

MARKET COMMENTARY

Brazil enters the implementation phase of the SBCE as one of the world's largest carbon credit suppliers. The voluntary carbon market (VCM) provides a meaningful baseline from which to assess the potential shape and scale of the emerging compliance framework, and the data below draws on analysis by BeZero Carbon to characterise both the current market and the trajectory toward domestic compliance demand.

Historical market activity and the existing supply base

According to analysis by BeZero Carbon (Figures 1 and 2, sourced from major carbon credit registries), Brazilian projects have issued substantial volumes of credits, primarily across avoided deforestation, energy, and waste sectors. Annual issuance declined from peaks in 2021–2023 while retirements have remained comparatively resilient. This divergence suggests underlying buyer demand for Brazilian credits remains active even as the supply mix evolves.

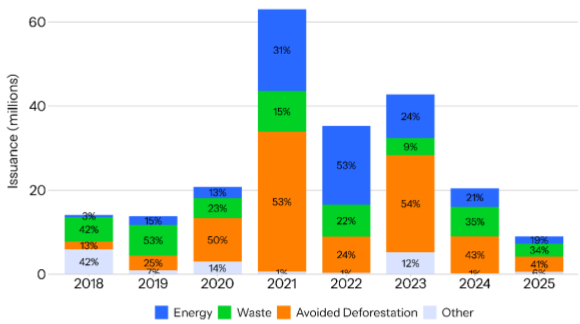

Figure 1: Carbon credit issuance from Brazilian projects 2018–2025, by project sector. Source: BeZero Carbon analysis; major carbon credit registries.

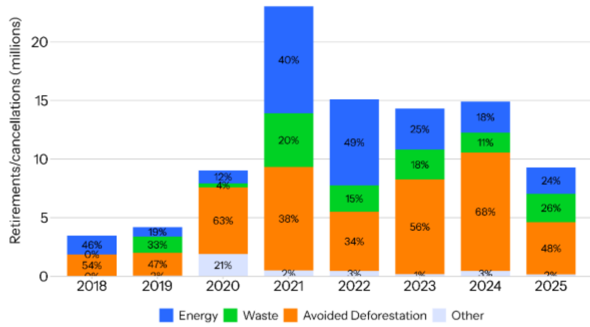

Figure 2: Carbon credit retirements/cancellations from Brazilian projects 2018–2025, by project sector. Source: BeZero Carbon analysis; major carbon credit registries.

Compliance market development and the VCM-SBCE interface

The SBCE is expected to create domestic compliance demand for carbon credits through the CRVE offset mechanism – and also by providing the voluntary environment with price and demand signals. The CTCP Working Group on CRVE Methodology Accreditation, established in May 2026, is the key governance body through which this interface will be discussed with key market stakeholders. Key design questions remain open as of mid-2026: whether internationally recognised standards will be among the first CTCP-accredited methodologies; whether voluntary credits issued before SBCE operationalisation can transition to CRVE status; and how SBCE offset rules will interact with Article 6 corresponding adjustment requirements for credits also intended for ITMO use. These choices will materially shape the attractiveness of the Brazilian market to international buyers and the ability of domestic developers to serve both compliance and voluntary demand.

USEFUL LINKS

Carbon Market – Ministry of Finance
Lei 15.042/2024
Lei 15.076/2024
Plano Clima
Brazil's Nationally Determined Contribution (2024)

REFERENCES

- Federal Law No. 15,042/2024
- SEMC Implementation Roadmap (Nov 2025)
- SEMC Governance Presentation (Dec 2025)
- SEMC Sectoral Workshop (Apr 23, 2026)
- CTCP Resolutions No. 2–4 (Official Gazette, May 2026)
- Brazil NDC (Nov 2024)
- ICAP Fact Sheet — Brazilian ETS
- TNC Article 6 Explainer
- Open Coalition — Florence Meeting (Ministry of Finance, May 2026)

All regulatory information reflects the state of the SBCE as of June 2026. Links verified June 2026.

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