

CARBON MARKET

What has advanced in
Brazil's Emissions Trading
System regulation

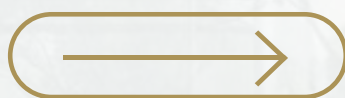
Jan. 2025 | Jun. 2026

Law No. 15,042/2024 established Brazil's Emissions Trading System (SBCE), but its operation still depends on secondary regulation.

It is at this stage that the market's most sensitive issues will be defined, such as **the regulated sectors, the monitoring, reporting, and verification rules for emissions (MRV)**, the allowance allocation criteria, the penalties, and the price stabilization mechanisms.

The government's goal is to finalize this regulation by **December 2026**.

Swipe to the side and understand the implications.

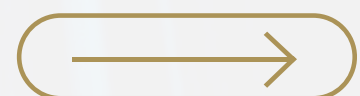


THE SBCE'S INSTITUTIONAL STRUCTURE HAS **STARTED TO TAKE SHAPE**

Two institutional milestones marked the beginning of this structuring:

- **Extraordinary Secretariat for the Carbon Market** | Temporary governing body responsible for overseeing the system until the regulatory authority provided for under the law is formally created (*Decree n. 12,677/2025*).
- **Permanent Technical Advisory Committee (CTCP)** | Provides technical advice and support to the governing body related to the system (*Decree n. 12.768/2025*).

In May 2026, the CTCP approved its Internal **Regulations, establishing its organizational structure and operational procedures** (*CTCP/SBCE Resolution n. 01/2026*).



FOUR WORKING GROUPS HAVE BEEN ESTABLISHED TO DEVELOP THE TECHNICAL REGULATORY FRAMEWORK

TO DETAIL THE TECHNICAL REGULATION

- **MRV Working Group** | methodologies for the measurement and reporting of greenhouse gas emissions (*CTCP/SBCE Resolution No. 3/2026*)
- **VREs Working Group** | criteria for the accreditation of methodologies used to generate verified emission reduction and removal certificates (*CTCP/SBCE Resolution No. 4/2026*).
- **Financial Aspects Working Group** | pricing, compliance mechanisms, and market design (*CTCP/SBCE Resolution No. 2/2026*).
- **Federal Public Lands Working Group** | guidelines for the implementation of carbon projects on federal public lands (*MF/MMA Interministerial Ordinance No. 69/2026*).

Each Working Group has a specific mandate and will directly contribute to the **secondary regulation**.



PRELIMINARY PROPOSAL FOR SECTORAL COVERAGE

The government presented a **preliminary implementation timeline** for the sectors under the SBCE:

- **Starting in 2027:** pulp and paper, iron and steel, cement, primary aluminum, oil and gas, and aviation;
- **Starting in 2029:** mining, recycled aluminum, power sector, glass, food and beverages, chemicals, ceramics, and waste;
- **Starting in 2033:** road, waterway, and rail transport.



Preliminary proposal subject to adjustments prior to formal regulation.





ADVANCES FOR PROJECTS IN **PUBLIC FORESTS** **AND SPECIAL TERRITORIES**

Public forests

New legal provisions have increased predictability for carbon projects in **forest concessions**: concessionaires may choose the certification methodology while specific legal instruments are still pending (Decree No. 12,679/2025) and may include **REDD+** activities in ongoing contracts (SFB Resolution No. 30/2025).



Indigenous lands and traditional communities

CONAREDD+ Resolution No. **19/2025** established specific guidelines for REDD+ projects in these areas, requiring:

- Free, Prior and Informed Consultation (FPIC);
- Transparency in agreements;
- Protection of traditional land use.

BIOMETHANE AND THE MDL-PARIS TRANSITION

Two parallel regulatory movements deserve attention.

Biomethane

Producers and importers of natural gas are now subject to an **annual emissions reduction obligation**. The initial target is 1% in 2026, with a gradual increase up to 10%

(Decree n. 12.614/2025).

Compliance will be achieved through biomethane certificates (CGOBs)

(ANP Resolution n. 996/2026).

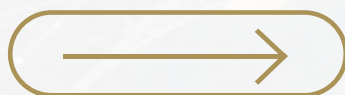


Compliance with the 2026 target will be assessed jointly with compliance with the 2027 target.



CDM Transition → Paris Agreement

Brazilian projects certified under the CDM may be converted to the Paris Agreement Crediting Mechanism (PACM), extending their lifespan and market value (*GM/MMA Ordinance n. 1.479/2025*).



THE STF DECLARES UNCONSTITUTIONAL THE OBLIGATION FOR INSURERS TO PURCHASE CARBON CREDITS

Federal Law **No. 15.042/2024** required insurance companies, pension entities, and reinsurers to allocate 0.5% of their **technical reserves** to the purchase of carbon credits.

In May 2026, the Brazilian Federal Supreme Court (STF) declared the measure unconstitutional, among other grounds, for violation of **legal certainty**, given the immediate imposition of the obligation in a still incipient market.



WHAT **REMAINS PENDING**

Although the regulatory framework has advanced significantly, the market is not yet fully operational.

Core elements for the **functioning of the SBCE** remain pending:

- Definitive regulation of the covered sectors and installations.
- **MRV rules**- methodologies and verification protocols.
- **National Allocation Plan (NAP)** and criteria for the distribution of emission allowances.
- **Administrative penalties** and sanctioning procedures price **stabilization mechanisms**.
- Creation of the permanent **regulatory agency**.

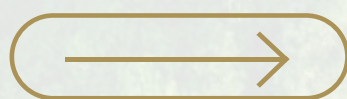


WHAT HAS ADVANCED AND WHAT REMAINS TO BE DONE

In just over a year, the SBCE has made significant progress with the establishment of its **governance structure, active technical working groups, a proposed sectoral coverage framework, and regulatory provisions for the forestry and energy sectors.**

However, the key elements that will define its **actual operation** are still under development.

***Sion Advogados** will continue to monitor these developments and their potential impacts on economic agents.*





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