



Private Sector: a key ally in the fight against climate change

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Introduction

As climate diplomacy advances, so does the responsibility to connect national ambition to private sector action, an essential part of action plans. The Emissions Gap report makes it clear that current efforts are not sufficient to keep global warming below 1.5°C and the Nationally Determined Contribution (NDC) announces

Brazil's commitments to close this gap. For the private sector, this means adapting to a changing political landscape, aligning with national climate plans, challenging global geopolitics, and an opportunity to lead and innovate in a low-carbon economy.

This article explores the expectations of Brazil's new NDC based on all available knowledge from three reports: Emissions Gap Report 2024, Biennial Transparency Report and the Global Stocktake Report (GST Report) of the Climate Convention. The scenario presented by this set of reports brings important data for a constructive analysis, in order to inform, identify implications and opportunities for the private sector in Brazil and Latin America.

The implications for the private sector in Brazil in the face of the new Brazilian NDC target for 2035 are profound and strategic, especially in the next five years, which present a critical window of preparation.

The target of reducing greenhouse gas emissions, from 59% to 67% in relation to the emissions estimated in 2005, according to the last national inventory (2024), imposes a fast pace of decarbonization.

Eliminating deforestation is not the end, but the beginning: any growth in emissions in the energy, transport, industry and agriculture sectors will have a direct impact on national targets.

In October last year, the United Nations Environment Program (UNEP) released its annual Emissions Gap Report 2024, highlighting the effort needed to maintain the long-term temperature target of the Paris Agreement¹. The member countries of the Paris Agreement submit every five years their Nationally Determined Contributions (NDCs)² and the next submission, with emission reduction targets by 2035, should be submitted this year. To date, 19 countries have submitted their second NDCs, including Brazil.

The UNEP report recognizes that the mitigation efforts presented by countries by 2030 are not sufficient to limit global average temperature warming to 1.5°C above pre-industrial levels by the end of this century, and points out ways to close this gap.

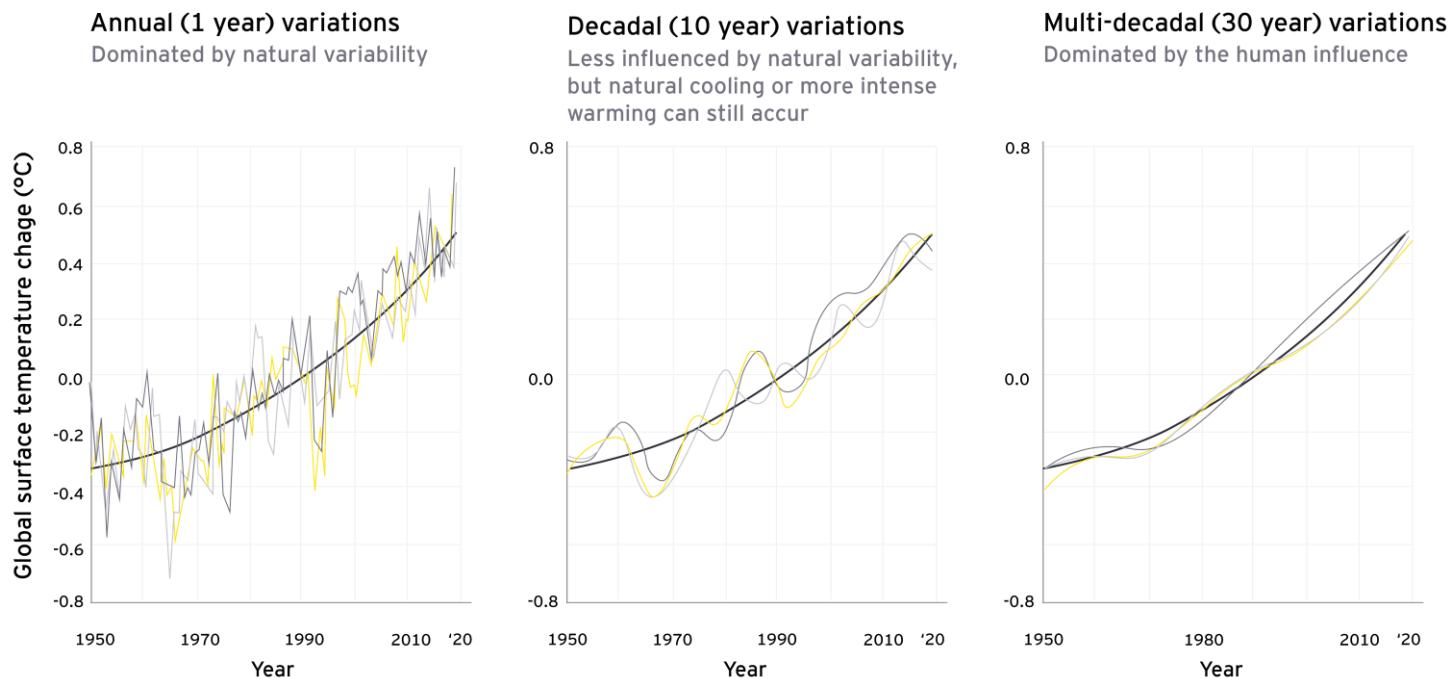
According to the World Meteorological Organization (WMO), 2024 was one of the warmest years on record. From January to September 2024, there was a global average temperature increase of 1.54°C above pre-industrial levels. However, WMO notes that a single year above 1.5°C does not mean that the long-term temperature limit of the Paris Agreement has been exceeded. That's because the average global temperature in a single year can vary naturally.

¹ Maintain global average temperature rise well below 2°C relative to pre-industrial levels and strive to limit this temperature rise to 1.5°C relative to pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.

² Nationally Determined Contribution (NDC) refers to the submission that countries that have ratified the Paris Agreement make to the Climate Convention and that presents national efforts to achieve the long-term temperature objective of that Agreement.



In multidecadal averages of 10, 20 or 30 years, such as that used by the IPCC, they are dominated by human influence (see illustration in the figure below).



Unlike the Kyoto Protocol, which set emission reduction targets for developed countries, the Paris Agreement does not set quantitative emission limits. Instead, countries present progressively more ambitious emission reduction targets in their Nationally Determined Contributions (NDCs). Every five years, a global stocktake is conducted to review collective progress towards the long-term goal of the Paris Agreement, assessing the aggregate targets of mitigation, adaptation and means of implementation and support, considering equity and the best science available.

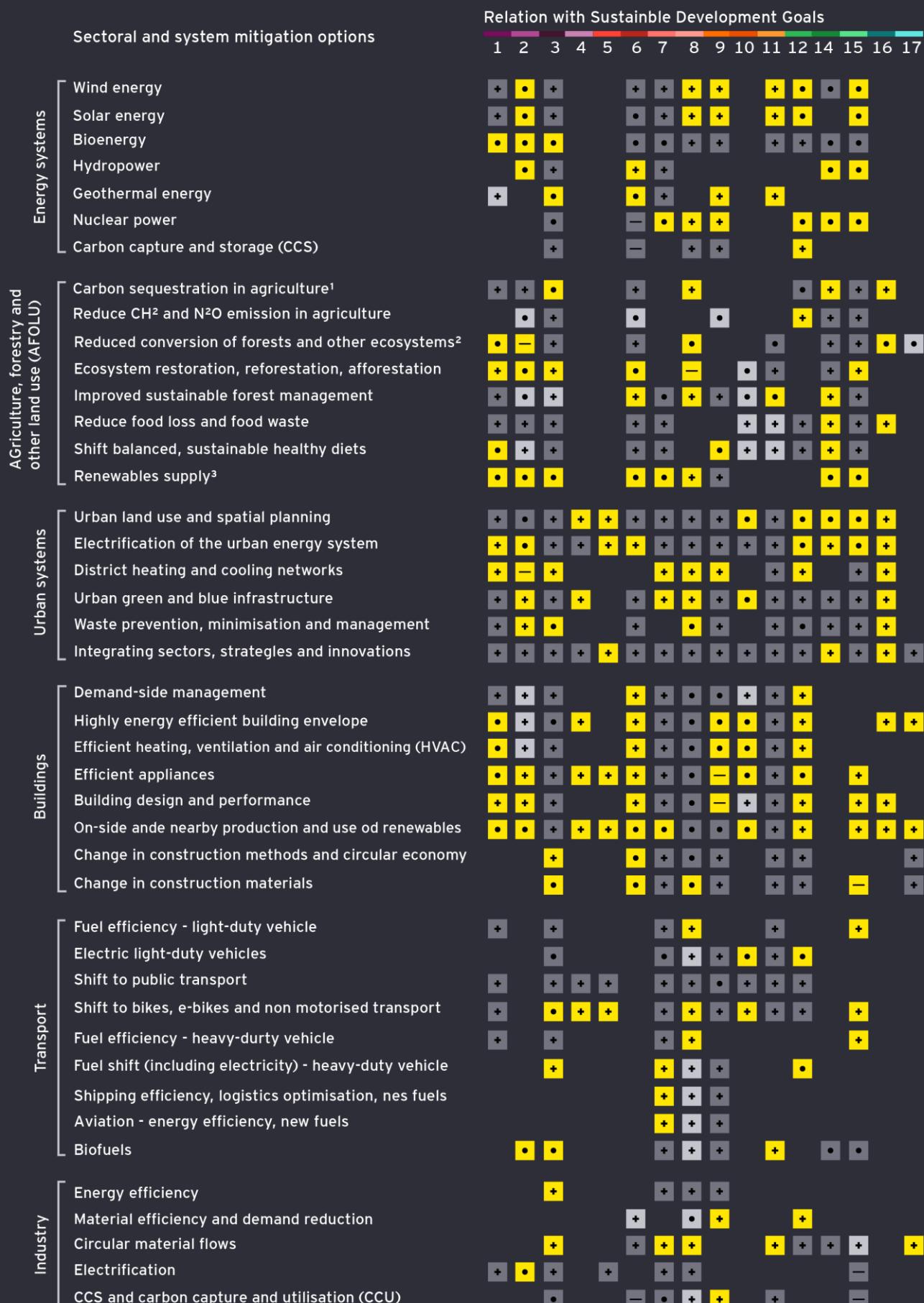
The last global stocktake took place in 2023 and its report³ highlights the vital role played by non-state actors, including civil society, the private sector and local communities, in strengthening climate action efforts. The Global Stocktake (GST) report highlights the critical role of financing, technology transfer and technical capacity building to enable effective and progressively more ambitious climate action. The role of international cooperation is highlighted as a way to support developing countries, particularly the least developed towards low-carbon and climate-resilient development.

Since its adoption, the Paris Agreement has driven near-universal climate action, setting targets and sending signals to the world about the urgency of responding to the climate crisis. While action is underway, much more is needed to reduce global greenhouse gas emissions by 43% by 2030 and 60% more by 2035 compared to 2019 levels.

The report of the Sixth Assessment Cycle (AR6) of the Intergovernmental Panel on Climate Change (IPCC) indicates that in addition to the emission reduction percentages to limit the increase in global average temperature to 1.5°C by the end of this century, it is also necessary to limit accumulated CO₂ emissions, reaching global net zero by 2050, when the amount of CO₂ emitted into the atmosphere by human activities equals the amount of CO₂ removed from the atmosphere also by human activities. While the timing to achieve net-zero emissions varies from country to country, all countries need to adopt a society-wide approach to chart paths towards net-zero global CO₂ emissions. Many mitigation actions can have co-benefits and help achieve the Sustainable Development Goals (see figure below)⁴. As the figure shows, there are synergies as well as potential trade-offs between mitigation options and the SDGs.

3 https://unfccc.int/sites/default/files/resource/sb2023_09_adv.pdf

4 IPCC (2022) Mitigation of Climate Change, volume 2, chapter 17, Figure 17. <https://www.ipcc.ch/report/ar6/wg3/figures/chapter-17/figure-17-1>



Type of relations:

- ⊕ Synergies
- ⊖ Trade-offs
- ⊕ Both synergies and trades-offs⁴

Blanks represent no assessment⁵

Confidence level:

- High confidence
- Medium confidence
- Low confidence

Related Sustainable Development Goals:

- 1 No poverty
- 2 Zero hunger
- 3 Good health and well-being
- 4 Quality education
- 5 Gender equality
- 6 Clean water and sanitation
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 10 Reduced inequalities
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 14 Life below water
- 15 Life on land
- 16 Peace, justice and strong institutions
- 17 Partnership for the goals

One of the conclusions of the global stocktake summary report is that achieving net-zero emissions by mid-century or around that date and implementing simultaneous transformative adaptation requires broad and rapid changes to existing practices. Carefully planned climate actions can generate significant benefits and help minimize disruption by taking a whole-of-society approach, based on local context. Equity should enable greater ambition and increase the likelihood of achieving the targets of the Paris Agreement. Those most affected by climate impacts should be involved in developing solutions.

Brazil's NDCs: challenges and opportunities

In Brazil's first revised and updated NDC, Brazil set a multi-year target for 2025 and 2030 and committed to a greenhouse gas emissions limit of 1.32 Gt CO₂ eq and 1.20 Gt CO₂ eq in 2025 and 2030, respectively, considering all sectors of the economy (economy-wide or economy as a whole). This represents a reduction of 48.4% in 2025 and 53.1% in 2030, compared to 2005 levels, based on Brazil's latest national greenhouse gas inventory, covering the period from 1990 to 2022.

In its second NDC (2024), Brazil set an emissions reduction target for 2035 of between 59% and 67% compared to 2005, which is equivalent to a reduction of 1.51 to 1.71 Gt CO₂, according to the most recent inventory data. In absolute terms, this corresponds to an emission level of 1.05 to 0.85 Gt CO₂ between 2031 and 2035. To achieve this goal, it will be essential not only to eliminate deforestation in 2030, but also to keep deforestation zero in the following years. The big challenge is the expectation of systematic growth of emissions in all sectors, while emissions by the LULUCF (Land Use, Land-Use Change and Forestry) sector are expected to decrease progressively, to reach zero by 2030. Until then, even if emissions from other sectors increase, total annual emissions will be reduced by reducing LULUCF emissions. Thus, after 2030, with zero deforestation, any increase in emissions from other sectors could cause the country's total emissions to go back up.

The estimates reported in the latest inventory (2024) are presented below for the different sectors: energy, industrial process, agriculture, land use and forest use change, and waste. In 2022, there was an 11.8% increase in total greenhouse gas emissions compared to 2020, with increases seen in all sectors. In 2022, the sector that contributed the most to the total emission was the Use and Change of Land Use and Forestry (21.1%), followed by Energy (7.2%) and Agriculture (6.6%).

GWP (AR5)	1990	2000	2010	2020	2022	Variation 2020-2022 %
	Kt CO ₂ eq					
1. Energy	196.119	291.613	337.678	390.210	418.451	+7.2%
2. Industrial Processes and Product Use	56.870	77.809	87.353	96.992	102.317	+5.5%
3. Agriculture	394.743	440.797	538.559	583.740	622.014	+6.6%
4. Land Use, Land-Use Change and Forestry	908,066	1,184,464	277,144	665,084	805,694	+21.1%
5. Waste	32,596	54,006	72,073	88,735	90,761	+2.3%
TOTAL	1,588,395	2,048,689	1,352,807	1,824,760	2,039,236	+11.8%

To reach the 2025 target, it is necessary to reduce 2022 emissions from 2.04 Gt CO₂-eq to 1.32 Gt CO₂-eq by 2025 - a 35% cut.

In the first Biennial Transparency Report 2024 (BTR)⁵, Brazil reported that it is moving towards the NDC targets. In 2022, total emissions fell relative to 2025, the base year of the NDC. However, between 2005 and 2022, there was an increase of 31.4%, 22.8%, 19.6% and 38.4% in emissions from the Energy, Industrial Processes, Agriculture and Waste sectors, respectively.

The Land Use, Land-Use Change and Forestry (LULUCF) sector was the only one to reduce the corresponding emissions by almost half (48.8%) in 2005. This demonstrates the country's dependence on reducing deforestation to offset emissions from other sectors.

The table below, presented in BTR (2024), shows the progress made to date towards the target set for 2025.

Table 3.5

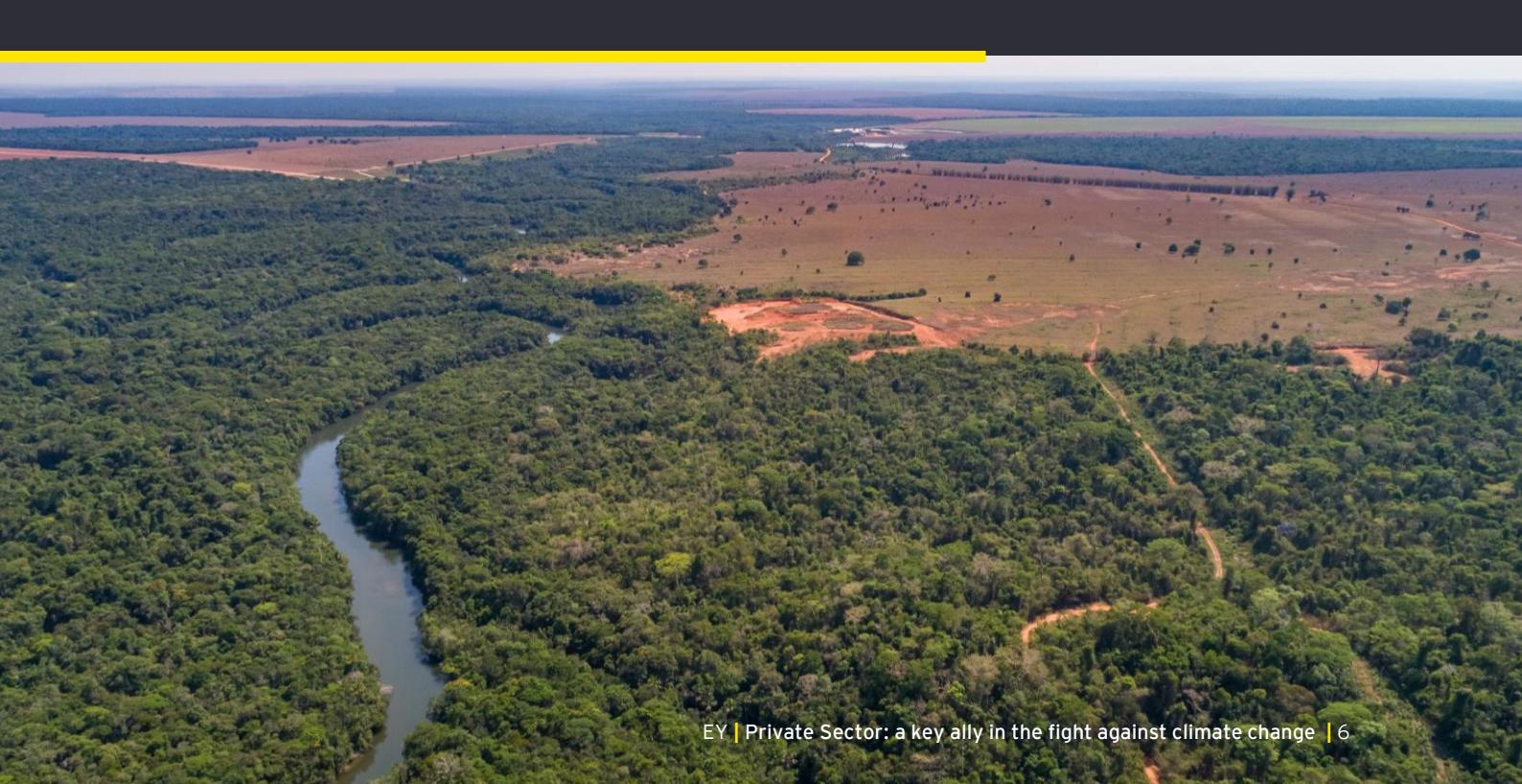
Tracking Progress in implementing and Achieving the NDC

Indicators	Unit	Reference year	Reference level	Target year	Target level	Level in 2020	Level in 2021	Level in 2022
Total net GHG emissions	Gt CO ₂ eq	N.A	N.A	2025	1.32			
				2030	1.20	1.82	2.12	2.04
GHG emissions reduction	%	2005	2.56 Gt CO ₂ eq	2025	48.4%			
				2030	53.1%	28.8%	17.4%	20.4%

N.A: Not applicable

Source: Brazil's First Biennial Transparency Report, 2024.

5 https://unfccc.int/sites/default/files/resource/BRA_BTR1_2024_ENG.pdf?download



Brazil has made a commitment to eliminate deforestation in all six Brazilian biomes by 2030. However, there is still disagreement over "which" deforestation Brazil is committing to. Most deforestation in the country, particularly in the Amazon, is illegal, estimated at over 90%. However, private properties in the Amazon are required by law to preserve 80% of their forest area (Legal Reserve Area), while the remaining 20% can be cleared if not subject to other legal restrictions, such as being located in Permanent Protection Areas (APP), and if the owner so desires.

If zero deforestation by 2030 includes avoiding the legal removal of the remaining 20% of natural forest, the government will have to implement policies to prevent removal, such as payment for ecosystem services, among others. Therefore, there are significant challenges for Brazil to achieve zero deforestation unless Brazil commits to zero illegal deforestation. All six biomes must comply with the Forest Code, which determines their Legal Reserve area, with the largest being in the Amazon (80%) and 20 to 30% in the Cerrado.

According to BTR, Brazil has made significant advances in reducing deforestation, especially in the Amazon biome. By relaunching the Amazon Fund, the Brazilian government resumed programs that were discontinued by the previous government, such as the Action Plan for the Prevention and Control of Deforestation and Wildfires in the Cerrado (PPCerrado, 4th phase) and the Action Plan for the Prevention and Control of Deforestation in the Amazon (PPCDAm, 5th phase). The PPCDAm was responsible for an 83% reduction in deforestation in the Amazon between 2004 and 2012 and allowed, together with other measures, a 22% reduction in deforestation in the Amazon from January to December 2023, in addition to an additional 30.5% reduction from January to May 2024. Recent data also indicate a 26% reduction in deforestation in the Cerrado in the first half of 2024. Also in 2023, Brazil began updating its National Plan for the Recovery of Native Vegetation (PLANAVEG), to recover at least 12 million hectares of native vegetation by 2030.

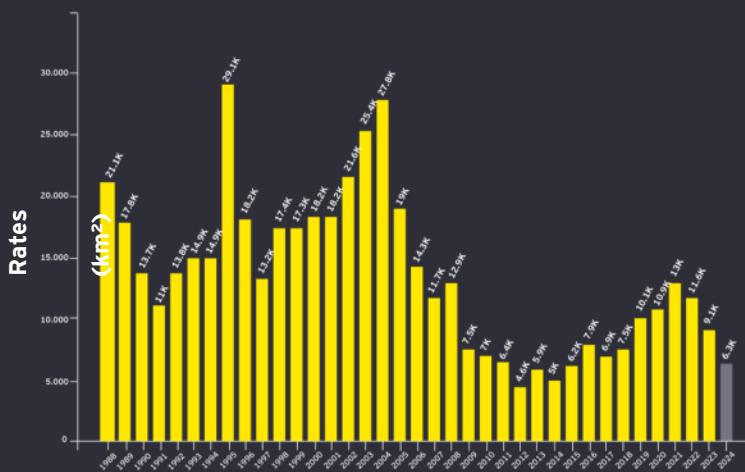
At COP28, in Dubai, in December 2023, the National Bank for Economic and Social Development (BNDES) launched the "Arc of Restoration" initiative to finance the recovery of 24 million hectares of the Amazon Forest by 2050, which should involve about 200 billion reais, with 1 billion reais already invested by the country. Thus, counting on international cooperation, Brazil invites partners to join this epic effort, which symbolizes the regeneration that our planet, our societies, and our economies need to move toward a new paradigm of low-carbon and climate-resilient development.

Figure ¹⁶ shows the deforested area in each of the six Brazilian biomes, the largest being the Amazon and the Cerrado. It should be noted that while deforestation in the Amazon has been steadily declining since 2021, in the Cerrado, the decline began in 2021. The challenging question is: Will Brazil be able to sustain the reduction in deforestation over time? Emphasizing that reducing deforestation is very costly, as it still depends on control and enforcement, one of the four pillars of the Action Plan for the Prevention and Control of Deforestation in the Amazon and Cerrado (PPCDAm and PPCerrado).

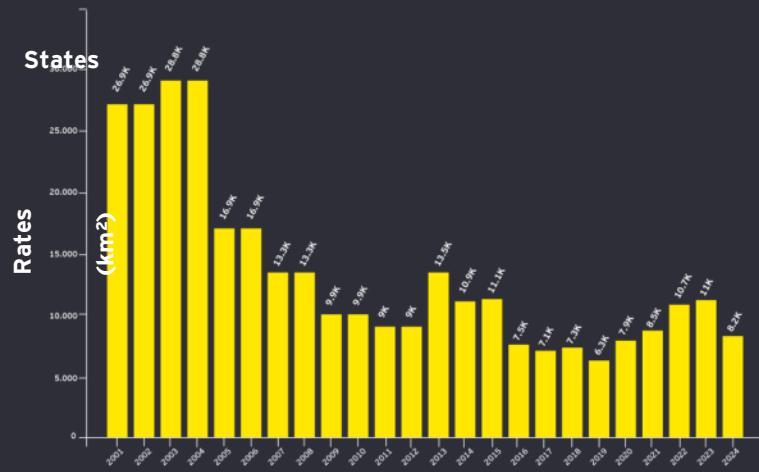


⁶ https://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates

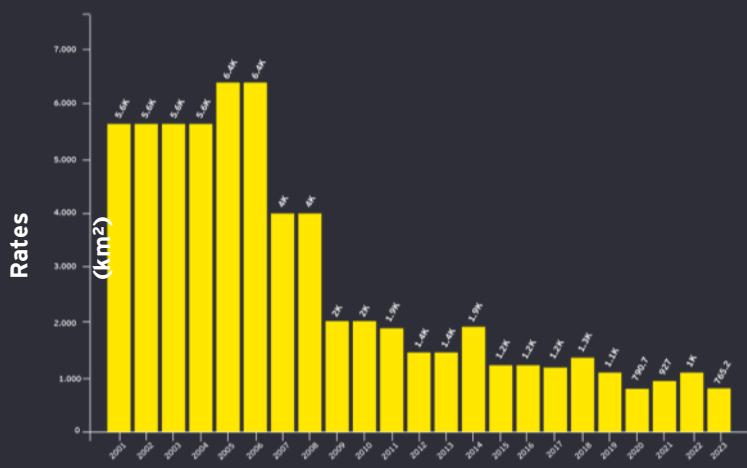
Deforestation Rate - Legal Amazon - States



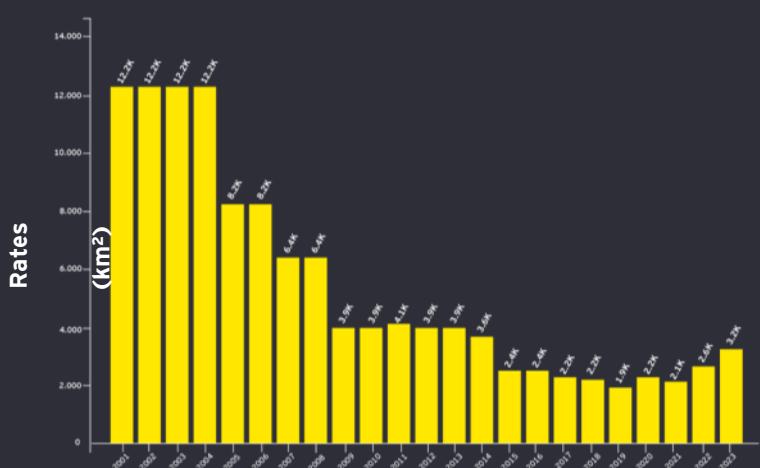
Deforestation increases - Cerrado -



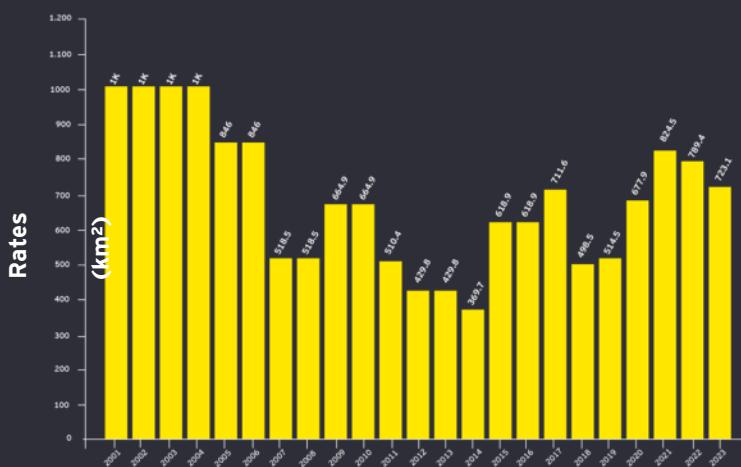
Deforestation increases - Atlantic Forest - States



Deforestation increases - Caatinga - States



Deforestation increases - Pantanal - States



Deforestation increases - Pampa - States

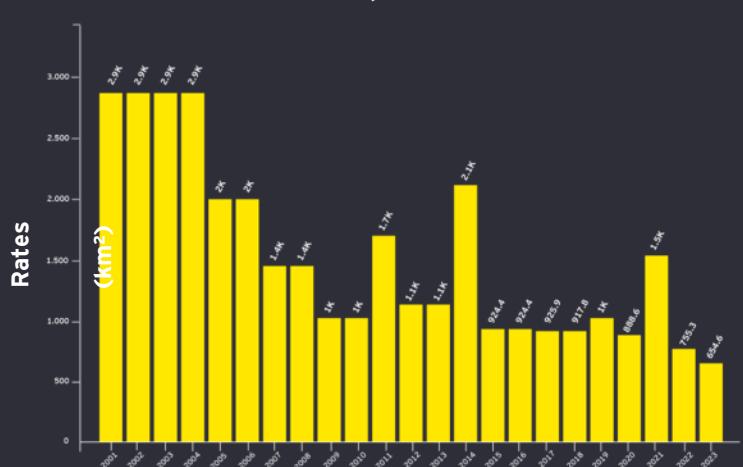


Figure 1. Deforestation (km²) from 1990 - most recent estimated year (all wall-to-wall) for all six Brazilian biomes.

Source: https://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates

Other NDCs in Latin America

A recent review of seven Biennial Transparency Reports from South America and one from Central America revealed how countries are complying with the requirements of Decision 18/CMA (Modalities, Procedures and Guidelines for the Transparency Framework for Action), which sets out the transparency rules set out in Article 13 of the Paris Agreement, as follows:

- ▶ Emission reduction is estimated from different approaches: three countries (Argentina, Brazil and Guyana) apply an absolute emission reduction approach for the entire economy; four countries use the Business-as-Usual (BAU) scenario (Colombia, Ecuador, Panama and Paraguay); and one (Chile) uses Policies and Measures.
- ▶ One of the worrying issues is that most developing countries project their future emissions/removals based on a “business as usual” - BAU scenario, which assumes that current trends will continue. This is uncertain as it involves assumptions about how the economy, technological development, and human behavior might change in the future. Therefore, it would be much more reliable if all countries adopted a less uncertain approach, based on reducing emissions or increasing the sink, as presented in their national GHG (Greenhouse Gas) inventory .
- ▶ With the exception of Brazil, Chile and Colombia, the other countries presented unconditional and conditional targets, the latter being dependent on financing, technology transfer or training.

- ▶ With the exception of Guyana and Panama, all other countries proposed an economy-wide approach covering all sectors of the economy for their targets.
- ▶ All countries have expressed the intention to use cooperative approaches involving the use of ITMOs⁷, under Article 6, in relation to their NDC⁸.
- ▶ With the exception of Guyana and Panama, which provided partial information on mitigation co-benefits arising from adaptation and/or economic diversification actions, the other countries provided justification for not doing so.
- ▶ All countries have indicated the application of flexibility (paragraph 6 of Decision 18/CMA.1) in light of their capabilities and have clearly indicated the provision to which flexibility applies, as well as the estimated timescales for improvements in relation to these restrictions depending on their national circumstances.
- ▶ All countries included in the First Biennial Transparency Report update the national GHG inventory, most by 2022, with the exception of Colombia, Panama and Paraguay (2021); and most had 1990 as their starting year, with the exception of Panama (2000) and Ecuador (1994).
- ▶ Most countries have set 2030 as the target for a single year, except Guyana and Ecuador, which chose 2025. Brazil and Chile have defined multi-year targets (2025 and 2030).

⁷ ITMOs, Internationally Transferred Mitigation Outcomes, are internationally transferred mitigation outcomes that can be used to achieve greenhouse gas emission reduction targets, such as those defined in the Paris Agreement. Basically, they allow one country to transfer its mitigation results (emission reductions or removals) to another country, which can use them to meet its own targets.

⁸ Brazil seeks to achieve the targets of its NDCs through national measures coordinated and implemented by the Federal Government. The Brazilian Government does not rule out the use of internationally transferred mitigation outcomes (ITMOs), as defined in Article 6 of the Paris Agreement, to complement national efforts to achieve Brazil's NDCs. Panama clarifies that cooperative approaches involving the use of international transfer mitigation outcomes under Article 6 are not anticipated to achieve the targets. However, the country is interested in participating in the market, but is monitoring progress in Article 6 related negotiations to clarify its possible future participation.



Role of the private sector

The last Climate Conference, held in 2024 in Baku, Azerbaijan, highlighted **the role of the private sector**, mentioned verbatim in the final document of the negotiation as one of the actors to be involved in the financial mobilization necessary for climate action. There is still a long way to go in understanding how the private sector can contribute, since simply transferring current financial system practices will inevitably result in an explosion of debt in the least developed and most vulnerable countries, the main victims and those least responsible for climate chaos. Private actors in other segments face a similar challenge: not repeating conventional formulas.

According to the Central Bank of Brazil (2021), **there is no single solution to the climate crisis**. The viability of our future as humanity is made up of a myriad of actions and actors, including necessarily and fundamentally **the private sector**, which has the capacity and speed like no other for the necessary changes and transformations. One thing is certain: whoever comes out ahead will have a competitive advantage in the coming decades, when the world will need to reach net-zero carbon. But the certainty of success only exists if everyone does their part. It is the first time that climate negotiators at COP30 will not be working on building an agreement, but on implementing it, and the private sector has a chance to play a historic role: making climate action a path of no return.

The **private sector** also needs the partnership of the government. In the case of transporting people, for example, nothing can be done without the support of states and municipalities so that bus companies can electrify their fleets – something that requires a robust supply of energy to the garages where the vehicles are recharged. In this case, public investment more than compensates, since air pollution is a major cause of public health expenditures in urban centers.

Conclusion and Recommendations

As climate change has caused a record increase in more frequent and intense extreme weather events, people around the world are becoming increasingly concerned. According to the world's largest independent public opinion survey on climate change⁹, nearly two-thirds (63%) of respondents are starting to consider the impacts of climate change when making decisions about where to live or work and what to buy. A third of people (33%) said that climate change and its effects are significantly affecting their life decisions.

Despite this increased awareness, there are enormous challenges to be faced, including a significant increase in global emission reduction ambition to limit the increase in global average temperature and thereby reduce the risks of climate change impacts to human and natural systems. Despite the intentions to reduce greenhouse gas emissions expressed in the NDCs of the member countries of the Paris Agreement, there are many barriers to the implementation of mitigation measures and adaptation actions, which are now inevitable in many parts of the globe. Among these barriers, the lack of funding, technology and training are cited as the biggest obstacles, particularly by developing countries. Today, there is a clear recognition that climate finance will not be able to be fully met by governments, particularly those of rich countries. A transformation of financial systems and economic instruments is essential to encourage both public and private investment in the promotion of low-carbon technologies and the necessary transformation in all sectors of society.

IPCC¹⁰ indicates that many forms of transformational change in energy systems are not possible when the financial system still favors investments in non-sustainable and carbon-intensive sectors. One of the main causes of the failure of traditional financial systems is the undervaluation of natural capital and the unresolved issues of property rights associated with it.

According to the IPCC (2022), a positive "turn" may lie in the global acceleration of investments in the environment: for example, there is evidence that some institutional investors are divesting from coal, which may bode well for the future. Encouraging governance and policy reforms that could facilitate similar expansions of investment in sustainable companies and sectors could contribute to the dynamic feedback that drives the transition and injects momentum into it. In addition, the degrowth movement, with its focus on sustainability at the expense of profitability, has the potential to accelerate transformations using alternative practices, such as fostering the exchange of non-monetary goods and services, if a large number of stakeholders want to invest in these areas.

Sectoral mitigation options have synergies with the SDGs, but there are also potential negative impacts (trade-offs), which can become barriers to implementation. These trade-offs are particularly identified in relation to land use for bioenergy crops, access to water and food, and competition for land between forest or food production.

The UN Secretary-General has requested the allocation of funding to meet the UN 2030 Agenda, with a strong emphasis on the private sector, but to date no governance structure or associated financial modality has been established at the UN or in the context of the UNFCCC (United Nations Framework Convention on Climate Change) for the formal alignment of sustainable development and transitions to be carried out in accordance with the global temperature stabilization targets of the Paris Agreement.



Thelma Krug

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⁹ <https://climatepromise.undp.org/news-and-stories/worlds-largest-survey-climate-change-out-heres-what-results-show>.

¹⁰ IPCC 2022, Mitigation of Climate Change, volume 2, chapter 17, section 17.4.3.

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