Brazil: Environmental power



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Investing in the green economy is key for Brazil to achieve competitiveness, productivity and efficiency, says former ambassador Rubens Ricupero, now director of the Faculty of Economics at the Armando Alvares Penteado Foundation (FAAP). Previously minister of finance and the environment in the Itamar Franco administration and secretary-general of the United Nations Conference on Trade and Development (UNCTAD), Ricupero affirms that Brazil has five environmental strengths: the world's largest rainforest, the largest reserve of fresh water, remarkable biodiversity, clean and renewable energy (40% of the total), and a globally unique program of biomass fuel (ethanol) that can power millions of vehicles.

***The Brazilian Economy*—How do you assess the current government's industrial policies in terms of the environment?**

Rubens Ricupero—Development of Brazil in the last 30 years has gone through several phases, in each of which there was a predominant problem. In 1994, when I was finance minister, the problem was hyperinflation. The second phase was the expansion of global demand as the middle classes grew. These two problems did not disappear but we are moving into a third phase, where the emphasis should be on long-neglected issues: competitiveness, productivity, and efficiency. It is in this phase that the environmental implications of policies become an issue.

What should be prioritized?

In 15, 20, 30 years, the world economy will increasingly rely on products and services based on low-carbon-emission technology. A good case is China, which for a long time practiced predatory development of natural resources but today is investing heavily in clean and renewable

wind and solar energy, where gradually it is becoming a major equipment manufacturer . . . .

Another curious fact is that in the past companies with high stock market capitalization were those that had giant industrial facilities. Today, Microsoft and Apple have intangible assets that require minimal power. These days Brazil cannot be anchored in an industry like vehicles, which are almost the symbol of the industrial revolution.

What is the best route to competitiveness?

Brazil cannot indefinitely postpone addressing bottlenecks that continuously raise the cost of producing everything. If that were true, some might advise that we take refuge in agribusiness, or in iron ore. Production costs increase for all sectors, [but] in the case of manufacturing, which is inefficient, there is no margin, so any increase in production costs undercuts competitiveness . . . . If nothing is done to curb rising costs, [eventually] no Brazilian product will be able to compete, except perhaps for oil. In the case of commodities, Brazil does have a competitive advantage, and the erosion of competitiveness caused by higher cost there is slower, but still steady.

Also, for years, tax revenue has been greater than the growth of the economy . . . . Brazil is proud to produce a high proportion of clean and renewable energy—but the tax burden on electricity is huge.

Would more economic use of natural resources offer a way out?

Brazil is a kind of environmental power because it has five advantages: the world's largest rainforest, the largest reserve of fresh water, remarkable biodiversity, clean and renewable energy (40% of the total), and a globally unique program of biomass fuel (ethanol) that can power millions of vehicles. No other country has this combination of advantages.

Why is Brazil so efficient in producing and exporting food? We have water and sun. This huge advantage explains how we went from a country that was only significant in two or three agricultural products to take a leading position in 15.

How do we make the transition to a green economy?

Last year, the United Nations Program for Environment (UNEP) published a report assessing the cost of this transition as 2% of global GDP (US$1,300 billion)[1] . . . . Brazil has both natural forests that could be managed and also the potential to plant more forests. [But] China in one year is planting more than Brazil has planted in 20. As yet Brazil has not had

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a rational long-term forest policy. We made mistakes in the 1970s, for instance, when areas of Minas Gerais state were destroyed because forests were planted in unsuitable places . . . And though Brazil has formulated advanced genetics for eucalyptus reforestation, unlike South Africa, we use relatively little eucalyptus for furniture manufacturing.

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Can the Rio+20 conference help us to further the transition?

We are working in this direction. The group of which I am part argues that Brazil should take this opportunity and produce a report like the UNEP did [on transitioning to the green economy] . . . It is sad to see measures, to increase taxes for imported cars and financing for selling more cars, that have no environmental counterpart. They are emergency measures that may even exacerbate the problem. Whenever the economy slows, the government has only one solution: increase car sales. This is done without requiring, as is done in other countries, that cars be less polluting and more fuel-efficient.

What is the government's position on the environment?

The person in government who is environmentally sensitive is Izabella Teixeira, (the Environment Minister), but she is isolated. Unfortunately, environmental awareness is not among the great merits of our president. I think she recognizes this fact, but she has given more emphasis to social and economic policies.

Should we take more account of what environmentalists and scientists are saying?

The attitude of most governments is denial. Anyone can download the latest 2007 report of the Intergovernmental Panel on Climate Change. If you do, you will find that the situation is bad. Even though there is unanimity among scientists, the silence [of governments] is absolute. It is disturbing to learn that the most likely scenario for the Amazon was an average temperature increase of 8°C in 2008.

With economies failing, will economic concerns override environmental concerns?

This is the trend, although Europeans have been resisting it bravely, despite their being most affected by the economic crisis . . . . So far they have a much more progressive policy than ours. In the case of developing countries, some islands will be flooded, many coastal areas will have serious problems, and African food production will be affected tremendously.

How are other countries addressing energy production?

In most countries efforts to mitigate the generation of greenhouse gases are related to measures for low-carbon emissions. . . . In Brazil there is a curious case of dissociation. The Brazilian effort [to reduce greenhouse gases] is appreciable—the country committed to ambitious goals in Copenhagen—but most efforts go to reducing deforestation in the Amazon. That does not build a green economy, it just avoids burning the forest.

The most effective path to a green economy is simply to reduce energy waste. During the electrical blackout crisis, Brazil showed that it can greatly reduce energy consumption. ... If we can reduce waste, many of the power plants being built in the Amazon would not be necessary.

Brazil had a very important role in developing ethanol for fuel—a large green economy project . . . . But Brazil has rested on its ethanol laurels. Ethanol was the flagship of Lula's diplomacy, but today, because of deep-sea oil, we do not talk about it. In the long run, if we do not invest and others discover technologies to use cellulose and other sources, Brazil may lose this advantage.

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What environment policy is needed?

One of the goals of Rio+20 should be to set goals, much like the Millennium Development Goals [for poverty reduction]. Probably we will not be able to put numbers on them, but we can establish targets, for example, to increase the share of clean and renewable energy. . . . The conference should set these goals and assess the viability of financial resources (through the World Bank, funds, technical cooperation) to help countries reach them.

What would be the best way to measure progress?

One of the major problems of [Rio + 20] is that there is much disagreement on the choice of indicators to assess progress in environmental matters . . . Usually national accounts never compute what is being permanently destroyed. Today countries are designing an accounting framework to compute environmental liabilities. That would be the best way.

[1] UNEP, 2011, "Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication—A Synthesis for Policy Makers," www.unep.org/greeneconomy.

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