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2025 – Brazil's big opportunity?

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- Brazil is hosting two important summits this year: the 6-7 July BRICS+ gathering and the 10-21 November COP30 climate change conference.
- Brazil will want to use the two summits to enhance the country's leadership credentials and its soft power. It will also be hoping for a significant economic dividend.
- The BRICS+ summit will seek to strengthen opposition to America's global dominance and to shape the transition towards a multipolar world, including through the continuing gradual erosion of the dollar's dominance in international trade.
- For Brazil, boosting trade with the BRICS+ members, currently delivering above-average rates of economic growth, will be a key target.
- However, the recent expansion of BRICS membership, which gave the grouping a less democratic and more authoritarian balance, will present a challenge for Brazilian diplomacy.
- The COP30 gathering will be an opportunity for Brazil to demonstrate its commitment to pro-environment policies after the Bolsonaro presidency, which encouraged unrestricted commercial development of the Amazon.
- Brazil's guardianship of the Amazon gives it unique standing when it comes to environmental policies, and this has been helped by the significant reductions in deforestation rates achieved since President Luiz Inácio Lula da Silva's return to power.
- The Brazilian government will need to fend off the allegations of double standards due to its desire to expand oil and gas production, including in the Equatorial Margin around the mouth of the Amazon.
- Increasing climate financing for developing countries is a Brazilian goal. Ahead of the COP30 summit, Brazil has also been concentrating efforts on the Just Transition Work Programme (JTWP) and the Global Stocktake (GST).
- Brazil's hosting of the BRICS+ and the COP30 summits gives it a tangible opportunity to seize a greater regional and global leadership role. It should end the year with increased, but not transformative, global standing. Diplomatic successes can only ever be part of the story: the permanent raising of Brazil's global status will also require fiscal and economic reforms at home in order to win investment grade rating as part of attracting increased funding and technology.

Introduction

This year Brazil will host two critically important global meetings. On 6-7 July 2025 there will be a heads of state summit bringing together leaders of the BRICS+ group – a select and recently enlarged association of emerging economy countries from the Global South, which represent around 50% of the world's population and around 30% of its GDP, according to World Bank estimates. Then between 10-21 November, in the northern city of Belém on the edge of the Amazon, Brazil will convene the annual United Nations (UN) climate change conference, known as COP30.

The story of both summits is evolving, with both meetings taking place against the backdrop of a markedly fragmented global order. A preparatory meeting of BRICS foreign ministers, held in Rio de Janeiro in late April, failed to agree on a joint communiqué, highlighting ongoing diplomatic difficulties within the group. Without mentioning the US or President Donald Trump by name, a statement “from the Brazilian chair” highlighted the chaotic changes that the US has made to tariff policy and warned of the dangers of a fragmented global economy and “the rise of unjustified unilateral protectionist measures”, which were deemed to be inconsistent with World Trade Organisation (WTO) rules and included increased “reciprocal tariffs and non-tariff measures”. Meanwhile, Brazil hosted the G20 Rio de Janeiro Summit last year, and produced a declaration that called for social inclusion, climate action, global governance reform, and full taxation of ultra-high-net-worth individuals.

In a speech to the BRICS gathering, Brazil's foreign minister, Mauro Vieira, reaffirmed President Luiz Inácio Lula da Silva's diplomatic stance, which includes a call to reform multilateral institutions, promote global action on poverty reduction, and encourage a peaceful resolution to conflicts such as those in Ukraine and Gaza. However, forming a consensus within BRICS appears to have become somewhat more difficult since the group was enlarged beyond the five core members – Brazil, Russia, India, China, and South Africa. Since last year a further five, each with differing priorities, have joined: Egypt, the United Arab Emirates (UAE), Ethiopia, Indonesia, and Iran.

On the tariffs issue China wanted harsher language against Trump, while some other members, at

that point negotiating separate tariff deals with Washington, wanted in contrast to take a low profile and avoid polarisation. There was also disagreement over reform of the UN Security Council. The likely agenda for the full July summit will include global governance control, energy transition, de-dollarisation, climate change, cooperation within the Global South, and a policy on the rapid spread of artificial intelligence (AI) technology.

Some of the agenda items for the COP30 summit overlap with the BRICS checklist. In both, for example, there are calls for international institutional reform. In the COP30 context the Brazilian presidency is calling for new climate governance mechanisms to help countries that are currently struggling to meet their carbon reduction goals (known as nationally determined contributions or NDCs). Brazil has suggested there should be a UN Climate Change Council. Other topics for discussion in November include how to scale up climate change financing; how to adapt to a just energy transition; the need to include indigenous and local community perspectives; and the need to tackle ‘climate disinformation’. There are certain topics that might arise as products of Brazil's particular national interest including the role of the Amazon biome; deforestation; and the importance of renewable energy sources such as hydroelectric, that dominates Brazil's electricity market and gives it an early advantage in the energy transition process.

Before looking into the details of Brazil's role in the two 2025 summits it is worth asking the question what, for Brazil, would constitute success? What would be a genuine breakthrough? As a minimum, Brazil will want to use the two summits as vehicles to improve the country's leadership, soft power, and economic heft. Although Brazil continues to pursue a permanent seat on the UN Security Council it is unlikely to be achieved. Restoring a degree of stability to international trade would be a major plus. Avoiding being dragged into US-China superpower rivalry would be another clear achievement since its whole stance is based on avoiding a unipolar world in favour of a multipolar one that allows it to enjoy a degree of ‘strategic autonomy’. Finally, another dimension of potential success is economic: Brasília's higher diplomatic profile and in particular its expertise in renewable energy may attract greater inward investment, a top priority for the Lula administration.

Big country, active diplomacy

Brazil's diplomacy is deeply influenced by its geography. Brazil stands out as the largest country, with the largest economy in Latin America. But it also has a relatively small army, and partly because of these factors Brazilian politicians have long-standing concerns over the need to pro-actively protect national sovereignty against foreign intervention by peaceful means.

Since the early 20th century successive governments have believed the country is destined for a growing leadership role in the region and beyond, through the means of peaceful diplomacy. They have valued international law, treaties, and multilateral institutions as the best framework for policy. They have largely opposed the traditional 19th century European view that ranked countries, and their privileges and spheres of influence, by order of military might. Instead, Brazil seeks to give a greater voice to all sovereign states.

Significantly, generations of Brazilian diplomats have argued that a multipolar world is safer than one dominated by a few, or just one, superpower. This line of thought is reinforced by the perception on the left of the political spectrum, in particular, that the US is an imperialist and colonialist power, and one that has repeatedly intervened in Latin America (a view reinforced by recent nationalist rhetoric from Trump about annexing the Panama Canal, Canada, and Greenland). This leads Brazil to see, through collective action, a need to constrain or limit the influence of its nearest superpower.

However, suspicion of the intentions of external powers is not limited to the left since many centrists and right-wingers share this concern. Many in the centre and on the right have also, for example, supported maintaining state-owned enterprises in strategic sectors of the economy. During the military dictatorship (1964–1985) the state continued to limit the foreign presence in what were seen as sensitive or strategic sectors.

There have, of course, been foreign policy chops and changes under different governments. Ernesto Araújo, the first foreign minister under the right wing government of Jair Bolsonaro (2019–2023), was forced out of office when the ruling coalition felt his ideologically based criticism of China threatened to disrupt relations with Brazil's most important trade partner.

As a functioning if imperfect democracy Brazil, like much of Latin America, can be seen as part of the West. But this does not mean it will necessarily align all its foreign policy positions to those of the West. A case in point is the reaction to the Russia-Ukraine war. Most of the Western powers have supported Ukraine, including with military equipment, since they see the war as a clear case of Russian aggression, launching an unprovoked invasion. Brazil under Lula has however sought to present itself as a neutral peace broker. Lula angered the West by saying Ukrainian leader Volodymyr Zelensky was "as responsible" for the war as Putin.

In a recent *New York Times* interview, Lula said he had spoken with Putin by telephone and urged him to initiate peace talks. Yet Ukraine is unlikely to accept Lula as an impartial interlocutor. A joint China-Brazil peace proposal has been dismissed by Kyiv as unhelpful. In May of this year Lula attended the Moscow military parade to mark the 80th anniversary of the Soviet Union's defeat of Germany in the Second World War, his first visit to Russia in 15 years. The Ukrainian foreign ministry has contacted all heads of state who attended the parade, describing their presence there as "unfriendly".



The emergence of BRICS

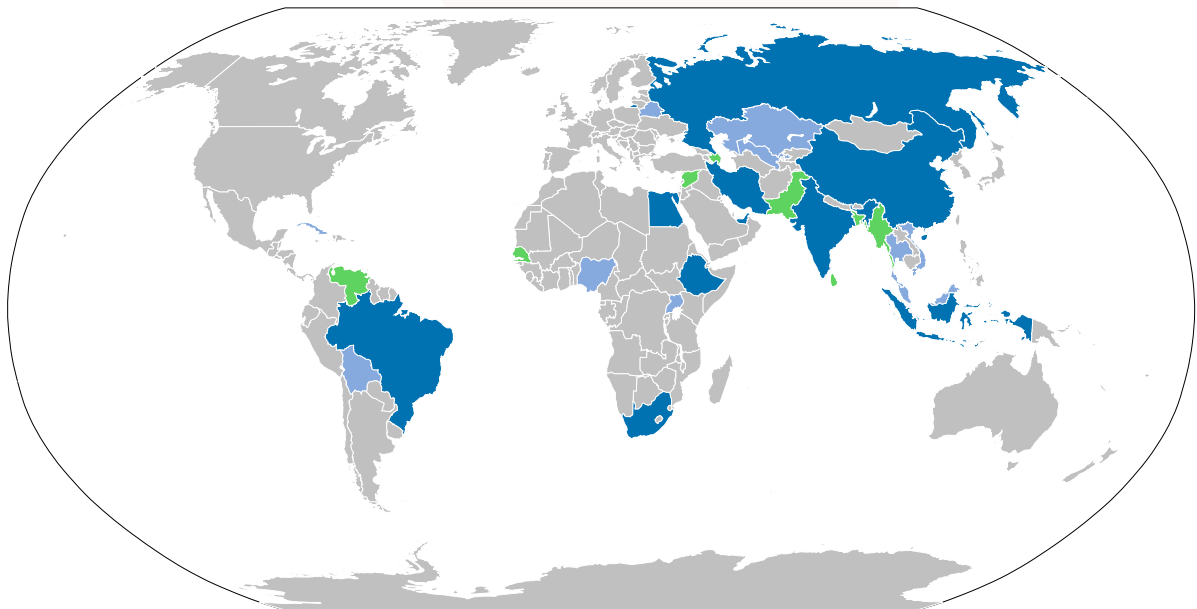
The BRICS group had an unusual genesis, since it was first mentioned as a research concept by Jim O'Neil, a Goldman Sachs economist, in 2001. He suggested that four emerging countries – Brazil, Russia, India, and China – would dominate the world economy by the 2050s and therefore merited close tracking, not least by global companies and investors. The idea gained immediate currency. In 2009 leaders from those four countries held their first informal summit, adopting the acronym BRIC and describing themselves as an informal diplomatic club that would meet annually to coordinate multilateral policies.

South Africa attended the second BRIC summit as a guest and later became the fifth member,

changing the organisation's acronym to BRICS. After an internal debate over further expansion in 2023 and 2024, Iran, Egypt, Ethiopia, and the UAE became full members in early 2025. Indonesia also joined this year, taking the organisation up to ten full members, and informally updating its name to BRICS+. Saudi Arabia has been invited to join but has not yet responded. Argentina was also invited but chose not to apply for membership (Argentine President Javier Milei has aligned his country closely with the US and Israel).

The last BRICS summit also created a new category of 'partner countries', a status that has been offered to around a dozen countries including Algeria, Belarus, Bolivia, Cuba, Kazakhstan, Malaysia, Nigeria, Thailand, Turkey, Uganda, Uzbekistan, and Vietnam.

BRICS+ membership as on January 2025



As of June 2025: ■ member states ■ partner states ■ candidate states

Source: Enyavar. *BRICS Map with Expanded Membership*. Wikimedia Commons.

What has BRICS achieved in the first 16 years of its existence? It is a bit of a mixed picture. In keeping with its informal nature – there is for example no founding treaty or charter – the group has not been particularly precise about its overall objectives. However, looking at its official statements four main themes are present: first, it seeks the economic development of its members; second it favours multilateralism and opposes the use of economic sanctions (except for those that may be imposed by the UN); third, it advocates for global governance reform (particularly of Western dominated bodies such as the UN Security Council, the International

Monetary Fund, and the World Bank); finally and in fourth place the BRICS countries support reduced reliance on the US dollar in the world's financial system (an objective described as de-dollarisation). The theme of the 2024 Kazan summit was "Strengthening Multilateralism for Fair Global Development and Security", and the final declaration duly endorsed reform of the UN Security Council, the full participation of the State of Palestine in the UN on the basis of a two-state solution, and further research into the feasibility of creating an autonomous cross-border settlement and depository system.

Nevertheless, O'Neil **expressed disappointment** 15 years after first coming up with the BRICS concept, saying that the member countries "have so far proven incapable of uniting as a meaningful global force", and adding that each year "also brings further confirmation that the grouping serves no real purpose beyond generating symbolic gestures and lofty rhetoric". Others regard this as unduly harsh. Stuart Patrick, a senior fellow at the Carnegie Endowment for International Peace thinktank, has **predicted** that "rather than a frontal attack on the existing global order, the ultimate impact of BRICS+ is likely to be more measured and incremental".

BRICS+ countries have created around 60 bodies to deal with a wide range of issues. They include BRICS Pay, a consortium looking into a payment and settlements system in national currencies. Perhaps the most important of these is the New Development Bank (NDB), set up in 2016 and based in Shanghai. The bank is currently led by former Brazilian president Dilma Rousseff (2011-2016), who is in her second five-year term as president of the NDB.

The NDB founding treaty says its role is to "mobilise resources for infrastructure and sustainable development projects in BRICS and other emerging market economies and developing countries". The bank says that since its creation it has lent a total of US\$32.8bn across 96 projects. While this is significant, it remains small compared to the World Bank, which lent US\$117.5bn in the fiscal year 2024 alone.

The NDB was conceived as an alternative to Western financial institutions which tend to be dominated by G7 countries. The idea was to build an institution created by, led by, and focused on the needs of emerging and developing countries. Brazilian economist Paulo Nogueira Batista, who served as NDB vice-president in 2015-2017, says the institution has "achieved many things but has yet to make a difference". His concern is that some of the staff recruited to serve in Shanghai were "remarkably unfit for the job". He adds that "disbursements have been strikingly slow, projects are approved but are not transformed into contracts. When contracts are signed, actual project implementation is slow". That said, Nogueira still describes the bank as "an institution with great potential", which fits into a running theme when we analyse BRICS, and much

of Brazil's diplomacy: many agree that this body can create global change, but a lack of unity between members and concrete action has left its impact limited.

Another BRICS creation is the Contingent Reserve Arrangement (CRA), a central-bank-managed US\$100bn pool of currency swaps designed to support member countries facing liquidity crises. The pool was formed with China contributing US\$41bn, Brazil, Russia, and India putting up US\$18bn each, and South Africa contributing US\$5bn. The CRA has yet to be used in a real-life currency crisis. Here too there are questions marks about implementation: some central banks have been reluctant to join the CRA while economists say the value of the swap mechanism is too low given the scale of financial turmoil it could be called on to face. Ironically for BRICS countries keen on de-dollarisation, regulations state that "the US\$100bn of swap lines linking the five countries' monetary authorities can be activated only by trading through the dollar as the lynchpin of the system".

Political scientist Oliver Stuenkel of Brazil's Fundação Getúlio Vargas (FGV) university and thinktank (partners in Canning House's UK-Brazil Conversa 2024) wrote in 2023 that BRICS membership does produce "tangible benefits" for its members. He sees BRICS as a "globally recognised brand which enhances the reputation of its members". BRICS membership has helped avoid diplomatic isolation. BRICS countries, he said, "share a profound unease about American leadership" while believing that membership helps them "to adapt and actively shape the transition towards a multipolar order capable of constraining America's room for manoeuvre and increasing that of emerging powers".

Brazil has played a key role in the formation and growth of the BRICS idea, not least because there is an overlap of desirable objectives such as multilateralism, reform of UN and IMF institutions, and economic development. It is also true however that BRICS enlargement has been regarded with some apprehension by the Brasília government since it may reduce its influence and allow a watering down of the group's values. Looking ahead to this summit, Brazil will be keen to assert its interests in the conversation and ensure that its influence as a founding member has not diminished. Brazil is not content remaining on the sidelines.

The de-dollarisation story



Ricardo Stuckert / PR

In late 2024 and early 2025 there was renewed interest in de-dollarisation – a process which could reduce the dependence of BRICS+ countries on the US dollar. Speaking at the October 2024 BRICS+ summit in Kazan, Russia, President Vladimir Putin said “The dollar is being used as a weapon. We really see that this is so. I think that this is a big mistake.” The comment was taken as referencing Putin’s opposition to US economic sanctions, and Russia’s frustration at being shut out from using the US-dollar dominated SWIFT payments system, a position shared by Iran, another US sanctions target and new BRICS+ member.

The Kazan summit instructed working groups to investigate alternative local currency payments systems, the BRICS Cross Border Payments Initiative (BCBPI) and the Grain Exchange. In response, right after his January inauguration, US President Donald Trump accused BRICS+ countries of “trying to destroy the dollar” and seeking to create a “new currency”, a plan which he claimed had been defeated by his own counter-threat of “150% tariffs”.

In the run-up to the Rio BRICS+ summit in July, Brazilian officials have denied any attempt to create a BRICS currency. Tatiana Rosito, a senior member of the finance ministry, said discussions were under way to lower transaction costs among BRICS nations and expand the use of new technologies as payment systems evolve. “It’s not antagonistic – in fact, it’s about fostering trade and investment,” she said, citing Brazil’s Pix instant payment system and the Drex digital currency project as examples. Brazil already operates a Local Currency Payment System (SML) under a central bank-level agreement with neighbours Argentina, Uruguay, and Paraguay, which allows transactions to be settled directly in Brazilian reais, bypassing the dollar as an intermediary. Brazilian officials told Reuters, “with instant payment technology these connections could become more secure, faster and cheaper”.

The reality is that since World War II the dollar has remained the world’s primary currency, and although its share of global transactions is very gradually falling, it is likely to remain number one for some considerable time. The dollar accounts for 58% of global central bank currency reserves, compared to 20% for the number two currency, the euro, 6% for the Japanese yen, 5% for the British pound sterling, and 2% for the Chinese renminbi.

In the latest bout of financial turbulence in April 2025, triggered by Trump’s tariff announcements and associated uncertainty, confidence in the dollar took a hit with yields on 10-year treasury bonds tightening. Following that, in May Moody’s Ratings stripped the US of its Triple A investment rating, joining rivals Fitch Ratings and S&P Global who had already announced their own downgrades. Between them, the agencies have highlighted the country’s growing fiscal deficit (around 6% of GDP) and the size of its national debt (around 124% of GDP). In a statement Moody’s said, “While we recognise the US’s significant economic and financial strengths, we believe these no longer fully counterbalance the decline in fiscal metrics.” Given the global move away from the dollar, and that Brazil is already a world leader in digital payment systems, there is a tangible opportunity for Brazil here. It could emerge as a true hub for Latin American international payments. The move away from the dollar could also provide an opportunity for UK fintech firms.

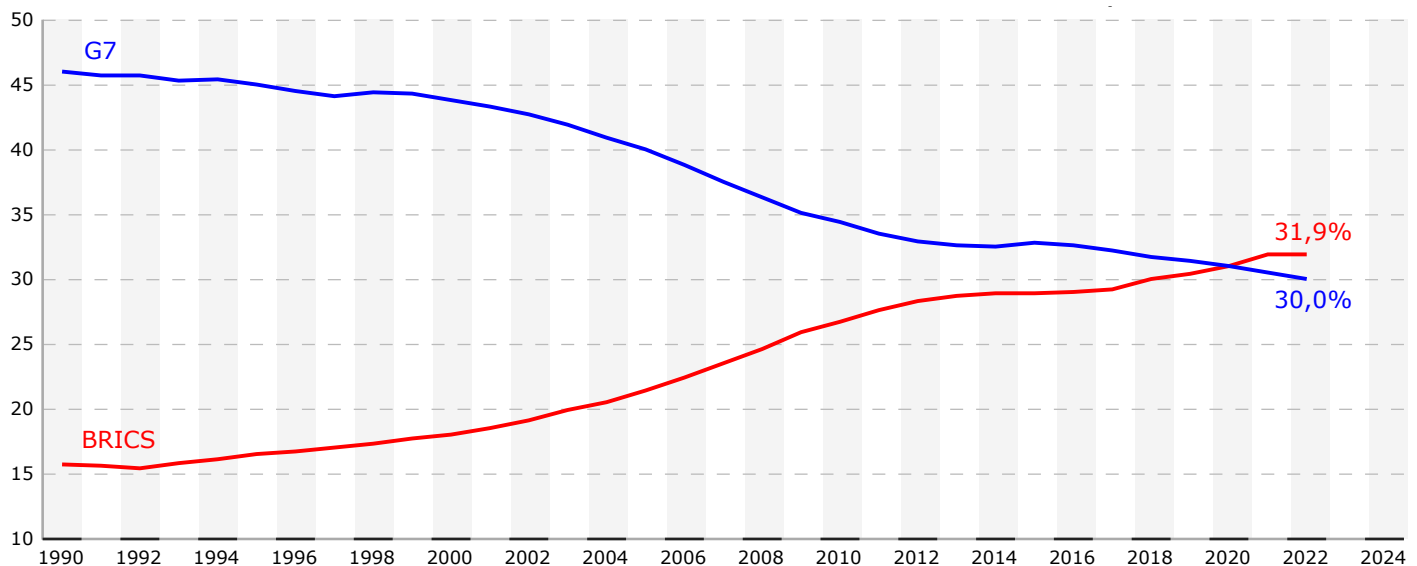
What is the BRICS deal for Brazil?

The current Brazilian government seeks a number of things from the BRICS+ group, on both the short and long term. Perhaps one of the most important long-term benefits is a trade partnership with key BRICS+ economies that are currently delivering above-average rates of economic growth. In most likely scenarios the wealthy G7 countries will remain highly important for Brazilian trade, but as mature economies their GDP growth rate has come down in recent decades, typically to 1-3% per annum. Donald Trump's tariff policies are in addition erecting global trade barriers and raising uncertainty. The next few years could see leading economies such

as the US and Europe suffer from stagflation, which could turn into a recession (although Europe might benefit from countries looking for alternative trade partners to the US).

In contrast, the two key 'mega economies' sitting within the BRICS group, China and India, each have populations of over 1bn people and a rapidly expanding middle class. While they too might suffer the effects of a global economic slowdown, they still offer Brazilian exporters many opportunities for expansion. In recent years China's annual GDP trend growth rate has been 6-8%, with India slightly behind on 5-7%. Put bluntly, hooking up to a BRICS+ economic locomotive may be critical for assuring Brazil's economic future.

Share of G7 and BRICS GDP in the world economy



Source: Nikolai Twin. *Share of G7 and BRICS GDP in the world economy*. Wikimedia Commons.

Note: % share of G7 and BRICS in the nominal global economy, on a PPP basis

Turning to shorter term concerns, the Brazilian government has been anxious to re-build ties with China since Lula returned to the presidency for a third term in January 2023 – these had come under severe strain during the preceding Jair Bolsonaro government. On ideological grounds Bolsonaro was highly critical of what he saw as a Chinese Communist dictatorship; his instinct was to minimise bilateral relations. However, since China remains Brazil's top trade partner, importing billions of dollars of soya and iron ore and funding critical infrastructure investment, pragmatism ultimately won out – but with a fair amount of friction. To

rebuild bridges, Lula visited China in April 2023, heading a large group of business and political leaders and signing 15 cooperation agreements. He visited Beijing again and signed more agreements in May 2025.

A major and often difficult issue for Brazil is how to tread a balanced path within the BRICS+ framework between democracies and the West, on the one hand, and non-Western and authoritarian regimes on the other. Before enlargement three of the five BRICS members (Brazil, India, and South Africa) could be described as broadly pro-West

democracies, while two (China and Russia) could be described as authoritarian, one-party states. After the latest enlargement however, the balance has flipped round. With the inclusion of Indonesia, there are now four democracies, a minority compared to the six more-authoritarian members (due to the admission of Iran, Egypt, Ethiopia, and the UAE).

In other words, democracies have gone down from representing 60% of the total membership to 40%, and although votes in the UN (for example) are not weighted according to how democratic each member state is, this shift in composition may still have a negative impact on the BRICS+ brand, and by association for Brazil as a defender of greater democracy and human rights. In a [speech in New York](#) in September 2024, Lula did speak strongly in defence of democracy, saying "Our struggle is to ensure that democracy is once again recognised as the most effective way to achieve and uphold rights", but the threats he articulated were those from the far right in Brazil, the US, and elsewhere, and from the "deficiencies of liberal democracy". And he added that "democracy cannot be imposed".

However, Brazil did initially oppose BRICS enlargement, and this may have been in part due to worries over the disproportionate entry of authoritarian regimes. More relevant, though, may have been the concern that Brazil's influence in the group could be diluted by the admission of many new members. Kirk Randolph of the US Institute for Peace notes that Lula has specifically stated that BRICS does not intend to be "a counterpoint to the G7, G20, or the US". In the same vein the Brazilian president has often insisted that "BRICS is not against anyone". Further complicating matters was Lula's longstanding support of Maduro and Venezuela but recent turn to deny them entry.

According to Randolph, Brazil may have struck a diplomatic deal with China, agreeing to the expansion of BRICS+ in exchange for Chinese support for Brazil's aspiration to become a permanent member of the UN Security Council. There is no confirmation that such a deal has been done, but if it has, he makes the point it would not have been optimal from Brazil's point of view, since it would have given China an immediate win in exchange for an uncertain future benefit for Brazil, that could in the worst case turn out to be a hollow promise.

The road to COP30

Except for the period of Jair Bolsonaro's presidency, when the country was governed by a climate sceptic, Brazil has a long history of engaging with environmental and climate change issues. In 1981 a National Environmental Policy (NEP) became law, designed to make sustainable development possible. The document set out a range of requirements on standards; licensing; environmental impact assessments; special preservation areas; and environmental zoning. In 1992 Rio de Janeiro hosted one of the world's first major environmental summits, the UN Conference on Environment and Development (UNCED), also known as the Earth Summit.

One of the Earth Summit's achievements was to launch the UN Framework Convention on Climate Change (UNFCCC), the mechanism which later led to the Paris Climate Agreement of 2015 and the regular annual conference of the parties (COPs) to assess progress in dealing with global warming. It was at the Paris summit that countries committed to 'nationally determined contributions' (NDCs), setting out their actions and targets to reduce emissions and limit temperature rises.

In the early 2000s Brazil made significant progress towards reducing deforestation in the Amazon, particularly through stricter enforcement of regulations and other initiatives designed to curb illegal logging and the unauthorised eradication of tropical forests for conversion to farmland. Progress went into reverse, however, during the presidency of Bolsonaro, who encouraged the unrestricted commercial development of the Amazon and other key biomes in the country. During his time in office the budget and staffing levels of environmental and indigenous protection agencies were sharply cut back and the pace of deforestation, which had slowed in the previous decade, picked up speed again.

In November 2024, during the COP29 summit at Baku, Azerbaijan, Brazil updated its main NDC. It committed to reducing net greenhouse gas emissions (GHGs) by between 59% and 67% by 2035, compared to 2005 levels. In absolute terms these targets imply emitting between 850m and 1.05bn tons of carbon dioxide. Officials defended the idea of a target band, with a floor and a ceiling,

as offering greater flexibility. The target is in line with the Paris agreement objective of net zero emissions by 2050, designed to limit global warming to no more than 1.5 °C above the pre-industrial era.

The government had earlier signed an agreement between the three powers of state (executive, legislative, and judicial) known as the Pacto pela Transformação Ecológica, or Ecological Transformation Pact. This sets out a new development paradigm, a model designed to “reconcile socio-economic prosperity, climate justice and balance” reflecting an “integrated vision of sustainability that promotes economic growth and environmental preservation”.

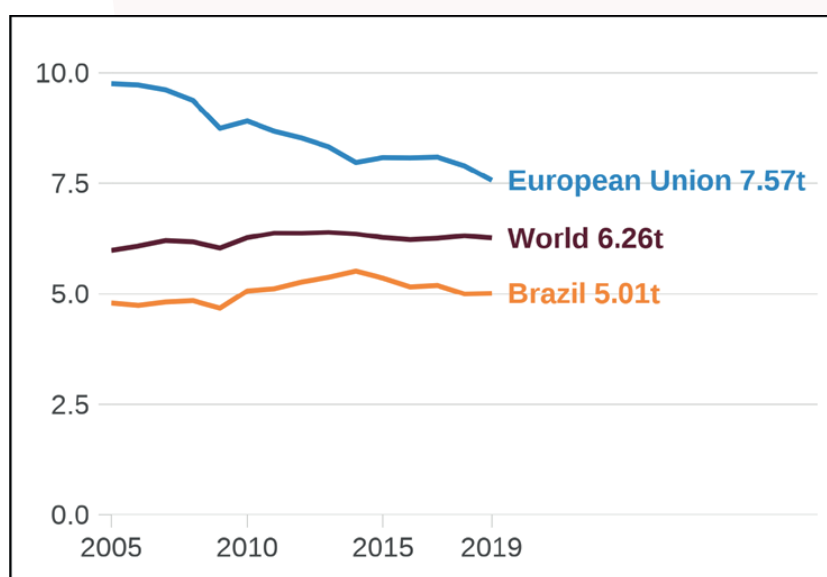
However, research group Climate Action Tracker (CAT) says the country’s progress has been mixed. In an update in August 2024, it said policies and actions to achieve net zero emissions by 2050 target were “insufficient”. Action to keep global warming below 2 °C were deemed “almost sufficient”. CAT said that the Lula government was pursuing sustainable economic development and job creation, while noting that “while these policies include energy transition as one of their main pillars of action, Brazil has yet to have a fixed timeline for phasing out fossil fuels and will continue to allocate significant resources to the production

and development of oil and fossil gas in the next decade”. CAT adds, “expanding oil and fossil gas production contradicts the Paris Agreement’s target and Brazil’s ambition to lead on climate action ahead of COP30”.

Comparatively speaking however, Brazil remains a global leader in various respects. After explosive growth in forest fires during the previous government, the Lula administration has achieved significant reductions in deforestation rates, maybe providing lessons for other areas prone to forest fires like California, Canada, and southern Europe. Nearly 90% of Brazil’s electricity comes from renewable sources such as hydro, wind and solar. Efforts are being made to enhance biodiversity and to develop a bioeconomy – defined by the Economic Commission for Latin America and the Caribbean (Eclac) as “the production, utilisation and conservation of biological resources...to provide information, products, processes, and services in all economic sectors aiming toward a sustainable economy”. On a per capita basis Brazilian emissions are lower than the European and world averages. Emissions (excluding those relating to land use) appear to have reached a plateau, although the next step – year-on-year contraction – is still some way off.

Change in per capita emissions from 2005 to 2019

Measured in tonnes CO2 equivalent (tCO2e)



Source: European Parliament

Is Brazil vulnerable to claims of double standards?

The Brazilian government has been accused of double standards. While celebrating its green credentials it continues expansion of oil and gas production. Oil exports surged by 5.2% to US\$44.8bn last year, with crude pushing past soya to become the country's main export commodity. On current trends, by 2030 Brazil will produce more than 7m barrels of oil equivalent per day (boed), making it the fifth largest producer in the world, up from seventh at present. That level of output is set to start declining from next decade unless Brazil finds new reserves; for that reason, state-controlled oil company Petrobras is pushing to start oil exploration in an area around the mouth of the Amazon river known as the Equatorial Margin. Oil companies are attracted because substantial finds have been made in neighbouring Guyana (now experiencing a major oil boom) and Suriname. Some analysts have gone as far as claiming that the Equatorial Margin could become one of the world's last fossil fuel development frontiers ahead of the energy transition to renewables.

Ibama, the environmental regulator, has denied Petrobras permission for exploratory drilling in one block (FZA-M-59) citing safety and marine environment protection, but political pressure to green-light development remains very high. President Lula and Minister for Mines and Energy Alexandre Silveira have shown themselves to be increasingly enthusiastic about developing the Equatorial Margin. Silveira has made the argument that the associated fossil-fuel revenues could be used to invest in the energy transition to renewables. Nicole Oliveira of the civil society organisation Instituto Arayara disagrees, saying that any blocks auctioned in an upcoming licensing round this year could be producing oil until 2050, and that "on a planet that is melting like ours, that doesn't make sense".

Attention has also focused on Brazil's effort to complete work on the BR-319 highway, an 885km stretch of road connecting Manaus, the capital of Amazonas state, to Porto Velho in the state of Rondônia. Supporters say it will bring jobs

and economic development. Campaigners say completing the highway will create "an open gateway for deforestation, crime, and corporate greed," penetrating into as yet-untouched parts of the Amazon rainforest. They also claim it will expose 69 indigenous communities to land invasions, violence, and displacement.

Working on the climate agenda

As host to both the BRICS+ and COP30 summits, Brazil is working on the climate change agenda. In April this year BRICS environment ministers issued a declaration setting out priorities for COP30. These include a call to governments to update their NDCs. At that point only 11% of Paris Agreement signatories (including the UK) had done so, and only Brazil and the UAE within BRICS+. There is also a focus on expanding financial support for climate change. Brazil aims to scale up climate finance channelled to developing countries to US\$1.3trn per year by 2035, a major increase on the US\$300bn target endorsed by the COP29 conference in Baku. The richer countries are expected to oppose the increase in funding and argue that there should be greater contributions from emerging economies such as BRICS+ members China and India.

Brazil's environment minister, Marina Silva, said "considering that our countries represent half of the world's population and more than 30% of the global GDP, we have a very important role to play. About 80% of the emissions and the money are in the developed countries, but we also have a significant share of the money and, above all, the population." Another Brazilian proposal is the creation of the Tropical Forest Forever Facility (TFFF), a novel US\$125bn fund that would pay US\$4 for each hectare of standing tropical forest that is conserved. Officials say there are already financial instruments to combat deforestation and allow carbon trading, but TFFF focuses on a missing link – forest conservation. Investors can pay into the TFFF, these funds will be reinvested in a diverse portfolio to generate a reliable return for investors, with the remaining earnings being transferred to tropical forest countries that maintain forest cover.

The TFFF is designed to distribute approximately US\$4 billion each year for the long term. Countries will receive performance-based payments at an initial fixed rate of US\$4 per hectare of forest per year, though this will be discounted if deforestation or forest degradation increase – and countries with high levels of deforestation won't be eligible at all. The World Wildlife Fund (WWF) says: "There's a lot to like about the TFFF...It's simple and transparent and won't create new bureaucracy." In turn, this money can go towards preserving forests and remunerating those involved, including traditional indigenous stewards of these landscapes.

Brazil will also be required to try and build a consensus on the tricky issue of whether, and how, to phase out oil and gas production. Countries attending COP28 in Dubai endorsed a statement calling for a "transition away from fossil fuels in energy systems in an orderly, just, and equitable manner" but there has been no further progress on how that might be achieved. The issue is particularly sensitive for Brazil because of its desire to develop the Equatorial Margin.

In terms of diplomacy ahead of the COP30 summit, Brazil has been focusing on two areas, the Just Transition Work Programme (JTWP) and the Global Stocktake (GST) on governments' climate actions. The JTWP focuses on fairness in the transition to renewables while the GST looks at how to respond to the fact that, collectively, the world is off-track on its goal of limiting global warming to not more than 1.5 degrees Celsius. In an ideal situation the Brazilian hosts want indications of progress in these two areas ahead of November, but with deep disagreements on financing and the role of fossil fuels this could be out of reach.

A somewhat inauspicious development came in May when the Brazilian senate approved a bill easing environmental licensing requirements on projects considered to have "low or average potential for contamination". Environmental campaigners opposed the new initiative calling it a "devastation bill". The initiative reduces the number of projects which require environmental impact studies and loosens up regulations. In certain circumstances, when a project involves "infrastructure improvements to existing facilities", the requirement for environmental

licences for agriculture and livestock projects can be waived entirely. Under this clause, for example, the controversial BR-319 highway paving work would not require a licence. Lobby group Greenpeace says the bill is "one of the biggest environmental setbacks in the country's recent history". In a worst-case scenario it could undermine Brazil's hoped-for leadership role in the global green transition. It also reinforces the point that Brazil can emerge as a true climate leader, yet it remains embroiled in internal conflicts and the tensions between conservation and economic development.

Two scenarios for Brazilian leadership

One approach to the BRICS+ and COP30 opportunity facing Brazil this year is to take a business perspective and imagine the assessment of two possible investment scenarios. The first could be termed the 'hold-back' recommendation, which would be based on a number of negative factors. The global economy is having to cope with a US-China trade war, and there is growing protectionism and technological disruption (over AI and other technologies), which is helping to feed political uncertainty. Next year there will be mid-term elections in the US and presidential elections in Brazil. In the US, that could mean a deadlock between Trump and congress; in Brazil, that could mean the emergence of a more pro-fossil fuels centre-right president. In short, uncertainty prevails.

There are additional reasons for caution. About a decade ago enthusiasts for investing in Brazil identified two major international events that they hoped would put the country on the map and unleash an economic boom: the football World Cup of 2014 and the Rio Olympics of 2016. But those hopes were dashed by domestic problems among them a major corruption scandal sparked by operation Car Wash (*Lava Jato*), an excessive fiscal deficit, and the impeachment of a president (Dilma Rousseff in 2016). A repeat of those political setbacks is not being predicted, but any investor needs to be wary about domestic politics.

Looking forward there are also reasons for caution over BRICS+. Potential conflicts within the group abound. There are tensions between authoritarian, anti-West countries such as China, Russia, and Iran

on the one hand, and the more democratic members such as Brazil, India, South Africa, and Indonesia on the other. Two members, India and China, have a history of geopolitical rivalry. The group's informal structure and Global South rhetoric has held it together but limited what it can achieve.

As is often the case, however, some of the negatives may also turn out to be opportunities. President Trump has (again) withdrawn the US from the Paris agreement, meaning there will be no US delegation at COP30 in Belém. This will leave a leadership gap which Brazil may partially fill.

There is also a case to be made for a second more bullish 'buy Brazil' scenario, focusing on the long term. A breakthrough moment is unlikely, but a series of incremental changes may play an important part. Brazil's association with BRICS+ will connect the country to some of the world's most promising markets for its export goods, not just commodities for China but a wider range of goods and services to a wider range of countries, including India and African markets. To seize that opportunity Brazil will need to become more competitive, a priority that the existing government recognises and its successor will likely do too.

Brazil's size is also a plus. It means that international companies have their best chance in the region of capturing economies of scale and achieving sustainable profitability notwithstanding bureaucratic and regulatory obstacles. Size also attracts innovation and modernisation. Brazil has been at the forefront of this, for example preparing regulations for artificial intelligence (AI), social media platforms, and other emerging technologies such as digital payments systems. It is also one of the more advanced countries in the region in terms of the energy transition, with renewable energy dominating the electricity grid and active development of biofuels and green hydrogen. COP30 may highlight some of the contradictions in existing policy but Brazil may still be able to arbitrate competing claims, for example finding a suitable mechanism for channelling oil and gas profits into renewables.

Finally, Brazil's status as a democracy is an important positive, even though it has been recently threatened. A system based on predictability, checks and balances, and dispute resolution helps attract long-term investors.

Conclusion

In the context of this year's BRICS+ and COP30 summits Brazil has a tangible opportunity to seize a greater regional and global leadership role. On the one hand, there is a 'hold back' investment recommendation marked by caution amid uncertainty. However, Brazil will instead want to pursue strategic autonomy, further strengthening its economic relations with the EU, China, and the Global South and taking some distance from the US, at least during the rest of the Trump presidency.

Brazil is likely to pursue the more positive scenario in an incremental way, but one where fiscal and economic reforms will need to play a part in raising its credibility. It will, for example, have to win investment grade rating as part of attracting increased funding and technology. COP30 will likely be remembered as the summit which failed to agree a global fossil-fuel phase out plan, but despite its own pro-oil stance Brazil is still well-placed to show that an energy transition is politically and financially viable. In Latin America at least, where the Trump administration has been seen as unpredictable and chaotic, Brazil offers an alternative, rules and multilateral cooperation-based pathway to economic development and environmental protection. In practice this means that there is scope to work with the EU, UK, and others on a whole range of initiatives from green hydrogen to a new generation of electric vehicles, biodiesel, tropical rainforest protection, and green agriculture. 2025 is a year of opportunity for Brazil, and with a following wind the country should end the year with an increased global standing, but while this could be significant it is unlikely to be transformative.

