

FOR IMMEDIATE RELEASE

Brazil's Green Transition: Pioneering Sustainable Finance for Low-Carbon Agriculture

Climate Bonds launches Agriculture Sustainable Finance State of the Market - Brazil Briefing paper

Brasilia, 06 December 2023, 12PM: Climate Bonds Initiative has just launched the second iteration of the '[Agriculture Sustainable Finance State of the Market - Brazil Briefing paper](#)', sponsored by the GB Moore Foundation. The report emphasizes the critical role of the agriculture sector in Brazil's transition to a net-zero emissions economy, both in terms of climate change mitigation and adaptation. It underscores the significance of sustainable finance and the commitment of Brazilian entities to invest in sustainable practices.

The agriculture sector is one of Brazil's most important productive hubs, contributing to approximately 25% of the economy. Despite climate adversities and global economic impact in the last few years, commodities production remained strong in the country, which also pushed the numbers of deforested areas and changes in land use.

Regardless of the economic and geopolitical relevance of the sector for Brazil, Food and Land Use (FOLU) (46%) and Agriculture (27%) are the largest sources of Brazilian GHG emissions accounting for almost three-quarters of the country's CO₂ emissions. Investment capital is needed to finance projects and activities that will support the increase of production and food security, as well as transitioning the agriculture sector towards a low carbon system.

Certified deals

Climate Bonds Certified three ABS deals in Brazil under the Agriculture Criteria with cumulative volume of BRL218.3m (USD40.8m). In 2021, Gaia Securitizadora issued two Agribusiness Receivables Certificates (CRA) to finance the operations of supply chain verifier Produzindo Certo, and Ag-tech company Solinftec. In 2020, Ecoagro Securitizadora priced a CRA to finance the expenditures of organic farm operator Rizoma Agricultura.

In 2022, True Securitizadora, a Brazilian entity which specialises in structuring, fundraising, and investment, structured a 5-year, BRL50m (USD9.3m) sustainability CRA for Oakberry Açaí, a fast-food franchise of açaí. The green UoP were earmarked for sustainable agriculture and production to support the small holdings of riverside communities in the Amazon region, where the company sources açaí. The social UoP were earmarked for social adaptation and resilience (A&R) with projects focused on educational infrastructure and access to basic services to guarantee the human rights of the local population.

Andrés Felipe Sánchez, Head of Latin America & the Caribbean, Climate Bonds Initiative:

"As Brazil stands at the crossroads of sustainable agriculture, it's not just a choice but a vital necessity. With an agriculture-based economy and the fifth-largest global emitter of greenhouse gases, we have the power to cultivate a future that's not only green but prosperous and climate-resilient. Together, we sow the seeds of change and harvest a sustainable tomorrow, one bond at a time."

Highlights:

1. **Cumulative volume:** Recognising the need for change, sustainable finance has played a crucial role in decarbonising the agricultural sector. By the end of H1 2023, the Brazilian sustainable debt market had reached a cumulative volume of USD 33.3 billion, making Brazil the third-largest source of green, social, sustainability, sustainability-linked, and transition (GSS+) debt in the Latin America and the Caribbean (LAC) region, following Chile and Mexico.
2. **Green bonds:** The green theme predominates, accounting for 45% of GSS+ volume. Renewable Energy and Land Use are the most funded use of proceeds categories, with the private sector being the dominant contributor.
3. **Sustainability and SLBs:** Sustainability-Linked Bonds (SLBs) represent a growing segment, making Brazil the largest source of SLBs in the LAC region. Sustainability bonds, representing 16.2% of the Brazilian labeled market, focus on Renewable Energy and ICT, with a strong emphasis on social aspects like Affordable Infrastructure and Employment & Training.
4. **Social bonds:** While social bonds make up only 2% of GSS+ bonds in Brazil, their importance is on the rise, with bonds earmarked for Healthcare, Employment Generation, Microfinance, Affordable Infrastructure, and Socioeconomic Advancement and Empowerment.
5. **Transition bonds:** Transition bonds, accounting for 2% of the GSS+ debt in Brazil, are crucial in the shift towards a sustainable future, with utilities playing a significant role.
6. **Land Use:** The use of proceeds (UoP) within this category encompasses agriculture, livestock production, and forestry and represents 19% of Brazil's GSS+ UoP volumes. This reflects the growing importance of sustainable agriculture practices in the country.

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Notes for journalists:

About the Climate Bonds Initiative: Climate Bonds is an international organisation working to mobilise global capital for climate action. Climate Bonds promotes investment in projects and assets needed to rapidly transition to a low-carbon and climate-resilience economy. Visit www.climatebonds.net.