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COP27 Update: Brazil in the Spotlight

November 18, 2022



By Duncan Grieve

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On Wednesday, Brazilian President-elect Lula addressed attendees at COP27 re-affirming his pledge to tackle the climate crisis and “fight hard against illegal deforestation.” He has previously made ambitious statements about his intention to reduce and ultimately stop Amazonian deforestation together with increasing the representation of indigenous people living in the region. In his speech, he confirmed that “I’m here today to say that Brazil is ready to come back.” He told attendees that he intends to apply for Brazil to host COP30 in 2025 in the Amazon rather than in the more populated coastal regions of the country.

Lula stated that “[t]here is no climate security for the world without a protected Amazon,” and that “[w]e will spare no efforts to have zero deforestation and the degradation of our biomes by 2030.” In addition to his ambitions regarding environmental protection, Lula also called attention to the undelivered pledge – first agreed over 20 years ago at a United Nations climate summit in Copenhagen – for wealthy countries to provide \$100 billion a year by 2020 to developing countries to assist their adaption to climate change and reduce greenhouse emissions. Lula said that “[w]e can’t [] keep promising and not doing. One of the reasons for my return is to call in these promises.”

On Monday, Brazil, Indonesia and the Democratic Republic of Congo announced a plan to cooperate on conservation. The three countries, home to over half of the world’s tropical rainforests, have publicized their intention to establish a “funding mechanism” to assist with preserving and restoring critical ecosystems together with establishing economies that will help secure the health and future of the people and the rainforests. However, the plan currently has no financial backing. The three countries intend to seek “payments to reduce deforestation” but no further detail was provided.

Brazil’s Environment Minister, Joaquim Leite, stated that “[t]he most important point is that we can create a group to present the minimum standards for the asset of native vegetation, and a way to recognize and pay for this asset.” The announcement has already received criticism, with Tasso Azevedo, former chief and director general of the Brazilian Forest Service who was involved in the planning and implementation of the National Plan to Combat Deforestation and the Amazon Fund, stating “[t]here is not one paragraph about action,” and “it’s signed only by ministers, very little impact.”

Taking the Temperature: As outlined in our [previous coverage](#) following Lula’s election, he faces significant hurdles to implement ambitious environmental objectives and turn Brazil into a prime destination for green investment. This lack of certainty has been reflected in recent economic volatility. It appears reasonably likely that international investors will stay on the sidelines until the Lula Administration, which takes office in

January 2023, provides proposals with concrete action plans and defined funding mechanisms.

Greenwashing: European Regulators Launch Joint Consultation on Greenwashing

November 18, 2022



By Simon Walsh
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On November 15, three European supervisory authorities (ESAs), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), **announced** a **Call for Evidence** on greenwashing. The ESAs are seeking feedback on “potential greenwashing practices in the whole EU financial sector, including banking, insurance and financial markets, and which may be relevant to various segments of the sustainable investment value chain and of the financial product lifecycle.” The Call for Evidence defines greenwashing “broadly” to include “sustainability-related claims relating to all aspects of the ESG spectrum.”

In the consultation, the ESAs are requesting:

- views on how to understand greenwashing and the main drivers behind it;
- examples of potential greenwashing across the EU financial sector; and
- data to assist the ESAs in gaining a “concrete sense of the scale of greenwashing and identify areas of high greenwashing risks.”

The ESAs **requested** that all interested parties, “including financial institutions under the remit of the three ESAs and other stakeholders ranging from retail investors and consumers’ associations to NGOs and academia,” submit their responses by Tuesday, January 10, 2023. The ESAs anticipate issuing a progress report in May 2023 and a final report in May 2024.

Taking the Temperature: Regulators and companies continue to struggle to define what constitutes greenwashing. Just this week, as we [reported](#), the UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities published a report that, in our view, proposed an aggressively broad greenwashing definition that would sweep up conduct that ordinarily would not be considered in the greenwashing calculus. As another example, in May 2022, ESMA [issued](#) a supervisory briefing addressing sustainability disclosures in the investment management industry. By issuing a Call for Evidence, these regulators appear to recognize the need for input from industry in light of the significant impact regulatory articulations of greenwashing will have on market participants.

Regulation: G20 Fossil Fuel Developments

November 18, 2022

Regulation



By Sara Bussiere
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In addition to COP27, a G20 summit also took place this week in Bali, Indonesia, where ten nations and the EU jointly **announced** a “just energy transition partnership” (JETP) for Indonesia. The JETP for Indonesia also has support from the EU, individual EU governments and member banks of the Glasgow Financial Alliance for Net Zero. Initially, \$20 billion has been pledged to assist Indonesia phase out coal, which currently supplies 60% of the country’s electricity production. This announcement follows a similar scheme launched last year at COP26 for South Africa. The deteriorating global political situation since COP26, with Russia’s invasion of Ukraine and increased energy insecurity, has led to backtracking on coal reduction commitments, especially in Europe. Germany has allowed hard-coal power plants to continue operating until 2024 and the UK has requested some coal-fired power plants to operate over the winter. It is expected that these are short term rollbacks but it remains to be seen what will happen in the coming years if energy security concerns remain.

The joint statement sets out the signatories’ intention to establish a “long-term partnership to help Indonesia pursue an accelerated and ambitious just energy transition that supports a trajectory that keeps a warming limit of 1.5°C above pre-industrial levels within reach, and includes an ambitious power sector emissions reduction pathway and strategy based on the expansion of renewable energies and the phase down of on and off-grid coal-fired electricity generation.” The signatories plan to develop a comprehensive investment plan that will include on-grid and off-grid power together with captive systems for industrial usage.

U.S. President Biden **stated** that “Indonesia has shown tremendous leadership and ambition throughout the development of this partnership. The resulting new and accelerated targets demonstrate how countries can dramatically cut emissions and increase renewable energy while advancing a commitment to creating quality jobs and protecting livelihoods and communities.” Indonesian President Joko Widodo said that “Indonesia is committed to using our energy transition to achieve a green economy and drive sustainable development. We are grateful for the cooperation and the support from our international partners to realize its full implementation that will accelerate this transition. This partnership will generate valuable lessons for the global community and can be replicated in other countries to help meet our shared climate goals through concrete collaborative actions.”

Taking the Temperature: These announcements bring Indonesia’s goals in line with other countries in phasing out fossil fuels in the power sector and achieving a net-zero power sector by 2050 rather than 10 years later. They have also increased, from the previous plan published by the government, the share of electricity provided by renewables by 2030 from 23% to 34%. As a result, the Indonesian JETP represents a

good example of at least one way that wealthier nations can assist developing countries in reducing carbon emissions and transitioning to green power. It also stands in contrast to the Brazil-Indonesia-Congo conservation pact, which lacks the type of financial support upon announcement that is necessary in order to implement these types of ambitious climate-related projects. Much of COP27 has been devoted to issues concerning the commitments by developed nations to assist poorer countries with climate change adaptation and transition, and to make reparations for loss and damage. The Indonesian JETP represents progress in that area.