What compensation we are talking about?

• Many different types of compensation established in Brazilian legal framework:
  • Forest, mining, infrastructure licensing process, and others.
• But in most cases they are not implemented;
• The compensation + SNUC is the greatest opportunity.

SNUC = National Protected Areas System

Potential of SNUC Compensation in Amazon States for the next 4 years

* In the Federal Government US$250 million
** In RJ State Government US$100 million
The compensation + of SNUC (National Protected Areas System)

• In the licensing process the Companies are required to identify, prevent, mitigate and compensate impacts of their enterprises to receive a license from the government.

• Even if the Companies compensate and mitigate the impacts, if a significant impact is defined, an additional Compensation is calculated as a percentage of the total amount invested in the enterprise.

• By law, priority is given to PAs of strict protection. In case of direct impact it can support sustainable use PAs.
The mechanism timeline

2000: Federal Government publish the SNUC law

2007: Design phase – US$550,000,00

2008: Pilot phase – compensation of Thyssenkrupp in a total of USD 1.6 million and a donation from KfW of USD 200 thousand

2009: Executing phase – Rio de Janeiro’s Environmental Secretariat (SEA-RJ) and Funbio sign agreement for operation, maintenance and control of FMA/RJ

2013: Current Status - Over USD 108 million in resources from environmental compensation;

The State Government publish a specific law (Law nº 6572- oct/2013)
Atlantic Forest Fund of Rio de Janeiro

The FMA/RJ was developed by Funbio in partnership with the State Environmental Secretariat (SEA-RJ), to direct resources to environmental conservation.

Original model: developers were responsible for executing compensation resources or in some cases make deposits in public accounts.

FMA/RJ model: developers may choose the original model or work through the FMA/RJ.
Advantages of FMA/ RJ

Public point of view:

• The mechanism is designed to allow short, medium and long term investments to Pas, providing effectiveness.
• Improved quantity and quality of Pas, economies of scale.
• Support to implementing PAs, e.g. expediting the process of legalizing land tenure.
• Public governance and private execution allows transparent, agile and preserve the public roll of decisions.
• Cheapest than others tested models. Funbio’s executing costs up to now are lower that interests.
• Flexible mechanism.
• The mechanism can be reproduced in other states and countries.

Private point of view:

• It’s a Voluntary option of execution;
• Easy solution for the compensation obligation through an efficient mechanism.
• Low risk execution of compensation resources.
• No additional execution costs.
Results up to 2012

- Portfolio of **USD 108 million**
- Over **USD 29 million** already executed
- Average **execution rate** of about **one million per month** in 2012
- **50 enterprises** have chosen the mechanism for compensating

- **Beneficiaries 39 projects in 29 PAs** in Rio de Janeiro managed from RJ State Institute (INEA/RJ), municipal environmental agencies and the Federal Agency (ICMBio)

- **Endowment fund of over USD 10 million** was created and after one year of investment it will be directed to cover recurring costs of state PAs in the long term.
Next Steps

- Currently executing 1 compensation fund
- Designing 3 state compensation funds in Pará, Rondônia and Paraná.
- Negotiations to design 5 other funds in Bahia, Amapá, Espírito Santo, Pernambuco and Rio Grande do Norte.
- Designing funds for others types of compensation