

Carbon Trade and its impacts on Climate Change and Indigenous Peoples

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A Depressing Story

Partly based on the report: Carbon Trading, a Critical Conversation about Climate Change, Privatisation and Power, edited by Larry Lohmann, published by the Dag Hammerskjold Foundation

http://www.dhf.uu.se/pdfiler/DD2006_48_carbon_trading/carbon_trading_web.pdf



Why does the Climate Regime allow Carbon Trading?

- 1960's: Ronald Coase (University of Chicago) promotes tradeable "rights to pollute" : a perfect market will "optimize" pollution to balance its costs and benefit. The idea of responsibility is of no use economically.
- 1970's: Attempts to incorporate emissions trading in US Clean Air Act for sulphur dioxide and nitrogen emissions, but not possible because of monitoring technology not yet available
- 1990: Incorporated in Clean Air Act
- 1990 – 1992 (Framework Convention on Climate Change) – 1997 (Kyoto Protocol): US delegation and various NGOs (Environmental Defense) promote same approach to greenhouse gas emissions
- In 1994 EU still held the position that emissions trading was an attempt to escape responsibility.
- But US was main polluter, so countries did anything to get them on board of Kyoto Protocol
- And they sent large delegations using complicated pollution-trading policy jargon impossible to follow for non-specialists: In the Hague COP 2000: 150 US delegates versus 3 Madagascar delegates

Kyoto Protocol: Made in the USA

- Many environmental NGOs believed carbon trading was the price to pay for binding emission's targets
- US got its trading scheme incorporated in Kyoto, but then stepped out itself: "Its environmentalist backers....were left in the odd position of having to champion an agreement largely written by the US for US purposes based on the US experience and US economic thinking, but which no longer had US support.....a little tested idea spearheaded by a small US-elite was now perceived as a global consensus and the 'only show in town'." (Larry Lohmann)
- 1998: EU begins to develop their own carbon trading scheme, under pressure from its industry and unable to meet Kyoto targets otherwise.
- 1999: While rules for trading are not yet defined, World bank starts Prototype Carbon Fund with co-funding from Mitsubishi and BP. Founders are now wealthy private carbon traders.
- 2001: Rules for trading agreed upon in Marrakesh accords, under pressure of Russia and Japan withdrawing

The Terrible Fate of the Clean Development Fund

- 1997: Brazilian proposal for Clean Development Fund financed through penalties paid by industrialised countries that had exceeded their emissions targets to finance 'no regrets' clean energy initiatives in the South.
- But link with compliance was cut under pressure from US
- Clean Development Mechanism became mechanism to trade emission credits from developing countries to fulfill commitments of the industrialized countries



Two types of carbon trading

- Trading in Emissions: between two countries with binding obligations
- Trading in project-based credits, especially through Joint Implementation (between two country with obligations) and the CDM (between a country with and one without obligations): what is traded are the “extra” emissions that would not have occurred if the project that is financed would not have happened (the “baseline”, or “business-as-usual” situation)

Extra problems with project-based trading

- Very hard to define what would have happened in business-as-usual situation
- Carbon projects (CDM): as long as some private consultant has calculated that it emits less than “business as usual” (baseline) one can claim a credit.
- Incentive for consultants to approve a lot of “extra” credits, as they earn a living from more carbon trade (e.g. Det Norske Veritas verifies PCF projects of its own clients, including Plantar)



The Big Business-as-Usual Fraud

- In quite some cases, the “business as usual” situation would have meant that the factory, hydro-electric or plantation would not be economically feasible, so it would not be established and/or would close down.
- An area without a tree plantation might have regenerated into a secondary forest in the business as usual situation.
- But the additionality criterion also creates an incentive for countries to increase deforestation and carbon emissions, so that they can claim more credits for changing this “business as usual” situation.
- Inflating the number of credits a project produces is in the interest of both the buyer and the seller!!!! So who controls them?
- Michael Schlup of the Gold Standard: 50% is not additional
- CEE bankwatch: 10 out of 16 JI projects in Czech republic not additional

“Carbon markets will benefit the poor?”:



- *“If there is an equal level playing field so that all consumers and producers can participate equitably*
- *If carbon emissions are properly accounted for*
- *If carbon credits are equitably distributed to the proper “owners”*
- *If the market is properly regulated*
- *If those regulations are effectively enforced”*

Pro-poor?

- On planet earth, there is no level playing field for carbon producers
- Only large landholders with formal title will be able to compete in the carbon market
- Meanwhile, the carbon market will increase land pressure and land prices, making it more difficult for IPs to get their land rights recognized
- Main victims: Women, Indigenous Peoples, landless farmers, and the monetary poor in general



Carbon Trading requires Monitoring and Compliance

- Trading requires an extensive, far-reaching, uniform and accurate system of measurement and monitoring. Clean air act was able to install specific monitoring equipment on each relevant factory.
- Uncertainties in national emissions are at least 4 %, perhaps as much as 30%.
 - 10% for electricity generation
 - 10% for industrial processes
 - 60% for Land use and forestry
 - 60% on average for methane
- In most countries data are provided by the companies themselves.



Carbon Trading = Efficient?



- If all the time and money that has been spent and continues to be spend on developing, negotiating, implementing, administrating, monitoring, verifying and ensuring compliance with trading rules had been put into concrete policies and measures, there might have been much more progress in mitigating climate change (without nukes, large-scale biofuel and other disasters).
- Eliminating leaded gasoline in US through trading programme took 23 years, while China needed 3 years to do the same and Japan 10

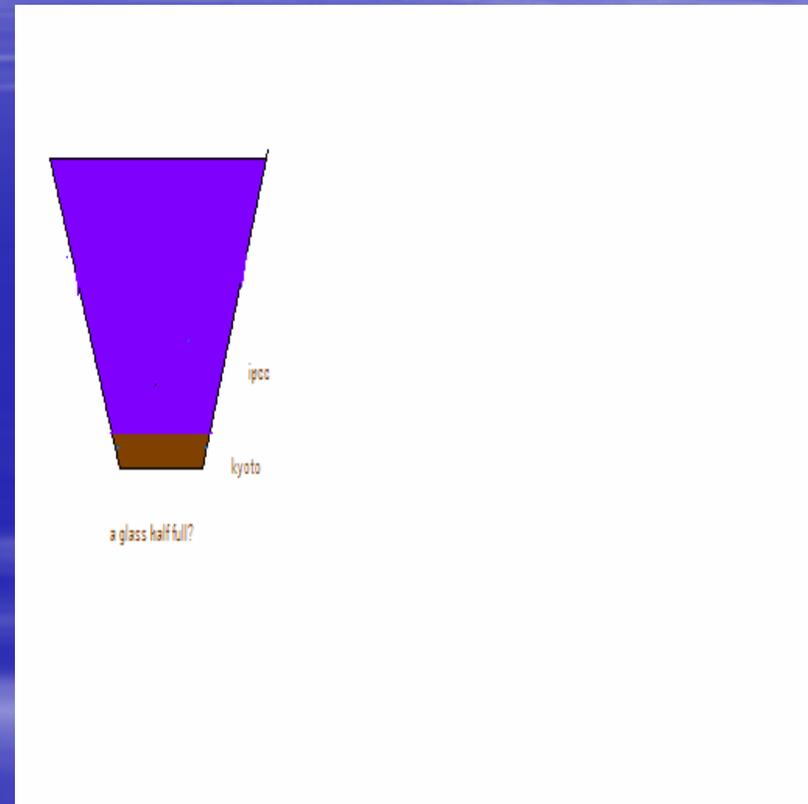
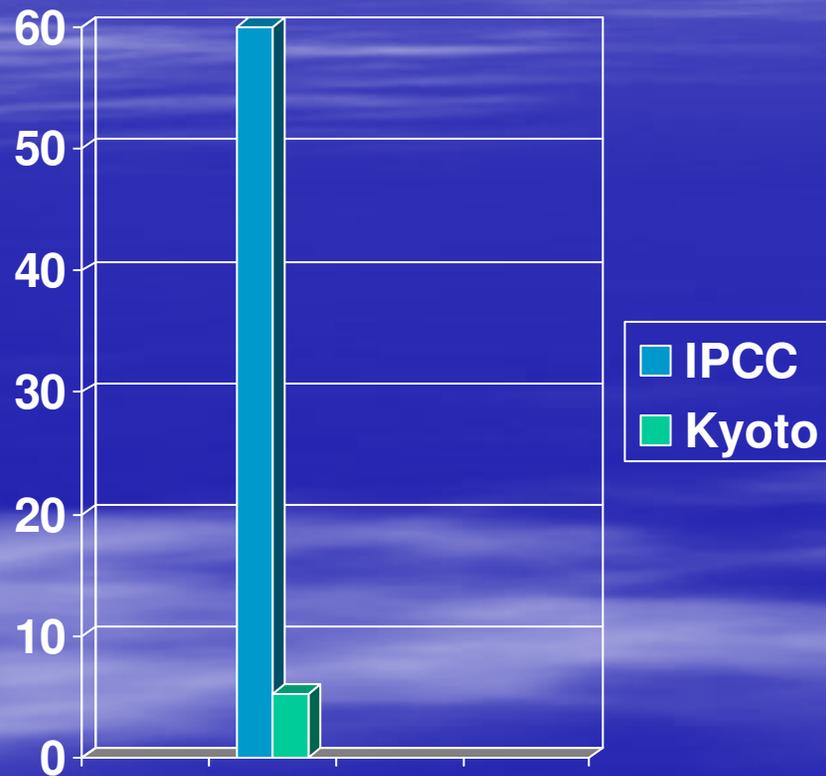
Carbon trading was a necessary trade-off to get Kyoto

- Carbon trade brought corporations and their commercial interests at the heart of climate policy
- These corporations have gained tremendous influence over the process, leading to lack of political will to impose strong regulations
- Carbon traders have claimed they need “stability” to allow trading, claiming carbon credits as property rights. This makes it more difficult to agree on deeper cuts, as it would imply taking these property rights away
- Or simply said: deeper cuts are at odds with stable carbon markets
- Due to corporate lobby there is a tendency to grant far more carbon emission rights to industry than what is needed if emissions are to be cut.

The Big flaws of the EU emissions trading scheme (ETS)

- Corporate participants in EU ETS have been granted 10 percent more allowances than needed for their 2005 emissions.
- UK draft allocations for 2005 – 2007 were 736 million tons: 2% more than between 1998 and 2003, annually. With exception of power plants, industries were allowed to increase between 11 and 26% compared to 1998 – 2003.
- Because of surpluses, price crashed from E30 in 2005 to E11 per ton in 2006
- Some power plants (like CEZ) make so much money trading in emission credits (eg. selling them in 2005 and buying them back in 2006: in the case of CEZ they made 187 million) that they could invest in additional coal production
- Due to the low price, corporations currently postpone efficiency measures , so they can bank their credits for more demanding phases and higher prices.

Kyoto a Success?



Efficiency: Postponing actions until technological progress makes them cheaper?

- Carbon trade makes it attractive to avoid expensive new technologies and invest in cheap, old-fashioned solutions in developing countries instead
- Tony Ward, energy director Ernst and Young: “EU ETS has not encouraged meaningful investment in carbon-reducing technologies”.
- Carbon trade distracts attention away from real change, it is an easy way out for, for example, the UK government to embrace the conclusions of the Stern report without saying clearly to industry that cuts have to be made hard and fast: they simply offer them CT.
- LA Regional Clean Air Incentives Market, 1990: ended up with lower reductions in sulphur dioxide reductions than the Air Quality Management Plan that it replaced.

Carbon Sinks, a range of additional problems



- Carbon errors as large as 500 percent:
- In China: 89%
- In Netherlands pine plantation (neat rows of trees): 49%
- Uncertainty about carbon sequestered by forests: Russia's carbon interaction with the atmosphere in 1990 could be anything between 155 million tonne minus and 1209 million tonne plus (IIASA).

never trust someone who claims he can calculate the carbon uptake of a couple of trees!

- Some examples of surprises recently discovered by climate researchers:
 - - There is a huge missing carbon sink (the figures don't match)
 - - Dark-colored northern plantations emit carbon
 - - Warming soils release carbon
 - - Amazon rivers emit carbon
 - - Terrestrial plants emit methane
 - - Tree plantations established on peat are a major source of carbon emissions



Putting carbon and biofuel plantations “degraded land”:

- “The Biofuel plantations are being done on lands which are the primary grazing lands / pasture lands for livestock owned by millions of poor livestock rearers, pastoralists and indigenous communities. By planting this plantations on these lands (both private lands and commonlands), they are denying the grazing rights of communities, who are being forced to thus sell their livestock. In India so-called “wastelands” (which comprise 50 mhas of land) have been identified as lands to be croppex with biofuel plants. These lands are hardly “waste” as they are extremely important grazing spaces for livestock owned by poor small holders. These lands also support dryland farming and shifting cultivation / rotational forestry farming systems. These lands are now being threatened with governemtns huge targets to convert them into biodiesel plantations. This is happening all across India.”

Sagari R Ramdas, Anthra, Andhra Pradesh, India

Who cares about the carbon trade fraud?

- - Business people want to make money (= more trade)
- - Consultancy firms verifying projects want to make money (= more trade)
- - Northern countries (Annex 1) want to duck their commitments (= more trade)
- - World Bank, UNCTAD and UNDP want to move money around (= more trade)
- - Southern countries have sort of given up hope on halting climate change so they have decided to go for the money (= more trade)
- - The Forestry community (FAO, forestry departments in South and North) want money for forestry (= more trade)
- - Conservation NGOs want more money for forest conservation projects (= more trade)
- - An increasing number of Southern NGOs want more money for their energy and forest projects (= more trade)
- - Northern consumers want to feel green when flying to Thailand for holiday (= more trade)
- - Many NGOs are involved in Realpolitik (= more trade, as it is “not realistic” to expect sharp reductions after 2012 when Northern countries are not allowed to use carbon fraud, and nukes, large dams and biofuel, to achieve them)



**Nous sommes en 50 après Georges W Bush.
Toute la Terre est occupée par les Américains...
Toute? Non! Un petit continent peuplé
d'irréductibles résiste encore et toujours à
l'envahisseur...**