Oilwatch Position on Voluntary Carbon Market

by Oilwatch
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From
the Climate Change Convention to the Kyoto Protocol

In 1992,
the worldâ€™s governments joined together to sign the United Nations Framework Convention on Climate Change, with the aim of curbing global warming. Using 1990 levels as a baseline, the scientists comprising the Intergovernmental Panel on Climate Change (IPCC) warned that if greenhouse gas emissions were not immediately reduced by at least 60%, the planetâ€™s very survival would be endangered.

Under the
Convention, the countries that have been polluting the atmosphere for the last century, and are thus primarily responsible for climate change, were clearly identified as the countries that should drastically reduce their emissions. Nevertheless, five years later, when the Kyoto Protocol was signed, contrary to what might be reasonably expected, extremely limited restrictions on them were imposed , calling for a mere 5.2% average reduction in greenhouse gas emissions over 1990 levels by the year 2012.

Although
climate change had already become evident to the majority of peoples of the South, it was only recognized as a global problem when the new climate change business schemes were set up.

Instead
of
materializing the objectives of the Climate Change Convention through concrete and effective measures, the Kyoto Protocol created a series of strategies, such as the Clean Development Mechanism (CDM) and Joint Implementation (JI), that, instead of confronting the problem by changing patterns of production and reducing fossil fuel consumption, transfer responsibility for emission reductions onto third parties and create new business opportunities for the polluters.

The
majority of projects that use these mechanisms â€“ such as hydroelectric projects (e.g., dams on the Bhilanguna and other rivers in India), methane capture from landfills, refrigerant HFC-23

or nitrous oxide destruction schemes (e.g., in MÃ©xico, India, China or Korea), wind power projects, tree plantations (e.g., the Plantar project in Brazil), among others â€“ could actually be provoking serious social and environmental impacts in the countries where they are being implemented, and do not curb the increase in emissions worldwide.

The Kyoto Protocol has failed not only because its proposals cause local damage where CDM projects are implemented, mainly in countries of the South, but also because it has not succeeded in starting the process of controlling global warming. That is because it sidesteps the main problem, which is hydrocarbons. Also, Kyoto proposes false solutions, deliberately ignoring constructive approaches, such as leaving fossil fuels underground, the indispensable, measurable core of any solution to climate change. The Kyoto Protocol should take more into account hundreds of low-emission ancestral and newly-developed technologies that could serve as an example of how to live in a non-oil-based civilization.

How does the carbon market work?

Through the Kyoto-based carbon market, pollution-creating countries are granted emission permits, which are equivalent to their 1990 levels of greenhouse gas emissions minus â€“ or plus â€“ their emission reduction commitment. In other words, industrialised countries are being compensated for their emissions. And most are increasing them. Emission rights are calculated in units of carbon dioxide, which is one of the main greenhouse gases. One ton of carbon dioxide equals one Certified Emission Reduction (CER) credit.

In other words, those who pollute the atmosphere most are rewarded the most, by being given free licences to continue polluting up to the limits established under the Kyoto agreements. Governments, for their part, pass these permits on to the most highly polluting industries in their countries.

Companies that have not used up all of their permits or that want to continue polluting can sell or purchase excess credits to or from other companies, a system known as cap and trade.

Companies

can also invest in projects in countries of the South that will supposedly reduce emissions and thus generate new â€œcreditsâ€• that the companies can use to â€œoffsetâ€• any emissions of greenhouse gases over the permitted levels. The European Union has proposed allowing its members to use carbon credits for up to 25% of their required national emissions â€œreductionsâ€• up until 2020.

Thus, while carbon offset projects are often misleadingly presented as if they are reducing emissions worldwide, in fact, any savings in carbon emissions that they bring about are automatically cancelled out by extra emissions in some other part of the world.

Moreover, calculating the number of carbon credits that companies can obtain through these projects or trades involves predicting something very difficult to measure: what would be difference between the level of emissions created with the project and the level of emissions that would be produced in a hypothetical future without the project?

In other words, the more hypothetical emissions reduced, the more carbon credits that can be claimed by the companies investing in these projects. This leads companies to paint disastrous scenarios about what would happen in the future if their projects are not undertaken. The consequence is that, instead of reducing emissions globally, carbon offsets are most likely increasing them.

In brief, the carbon market is a new business opportunity derived from the climate change crisis. Emissions-producing companies and intermediaries are making millions in profits (the global carbon market is predicted to grow to USDÂ 90Â billion in 2008). Yet while it is impossible to calculate how much, if any, carbon dioxide will be reduced, the commodity being bought and sold in the carbon market is materialized in forests, protected areas, and other large tracts of land for which ownership deeds or mortgages are handed over.

Many say that these shortcomings are the result of market failures or errors in market design , but they in fact lie at the heart of the the scheme. The carbon market was not created to help people or to protect the environment, and these objectives would contradict its core function: to profit from carbon â€“ and from the climate change crisis â€“ and enable continued use of hydrocarbon fuels.

Why
should we also oppose the voluntary carbon market?

The
voluntary carbon market is even more dangerous than the market set up under the Kyoto Protocol. While the latter is at least somewhat regulated, and sets an emissions quota for each country, which is then passed on to individual companies, the voluntary market is growing without any form of regulation.

This
parallel market allows the countries of the North, including their institutions, companies and individual citizens, to delay serious action on fossil fuel emissions, while providing profits to a new business sector at the same time.

Letâ€™s
look at a few examples from the voluntary carbon market:

A Spanish
corporation, in collaboration with environmental organizations, is investing tens of thousands of euros in a tree plantation project in Costa Rica that will in theory capture around 40,000 tons of carbon dioxide from the atmosphere. Based on this initiative, the company is selling its products under an eco-friendly guise, claiming to the Spanish public that it is neutralizing its emissions and â€œcompletelyâ€• offsetting the carbon it uses. The companyâ€™s clients believe they are doing something good by purchasing its products. But they are not aware that, on the one hand, the project in Costa Rica could be causing social and environmental problems locally, while on the other hand, there is no way of proving that the plantation is actually capturing the same volume of emissions produced by the company and its clients. And in the meantime, the company has not changed its level of consumption of resources, and continues to emit the same volume of greenhouse gases. It is simply another way of doing business, and it helps to improve its corporate image, but it does nothing to contribute to curbing climate change.

In this
context, the voluntary carbon market will actually encourage industries to pollute even more than they used to and produce even more emissions, since these will purportedly be captured in another country.

Another
increasingly common example of the voluntary market is that of

individuals from the North who travel by plane or use gasoline in their cars and believe that by donating a bit of money they are â€œoffsettingâ€• the emissions they have generated through their lifestyle. For instance, numerous European airlines encourage passengers to donate a certain sum of money to be used in projects that will apparently offset the emissions they generate by flying. This leads passengers to believe that by donating money, the carbon dioxide released during the flight will be automatically absorbed somewhere else, and this will compensate for the emissions involved. For the average citizens of the North who take part in these initiatives, it is easier to hand over a bit of money at a distance than to consume less hydrocarbons, and they can still sleep at night.

The problem is that many people in the North sincerely believe in the possibility of becoming â€œcarbon neutralâ€•, and do not realize that once the fossil fuel has been burned to allow them to fly on planes, drive their cars, heat their homes and meet the rest of their daily energy consumption demands, the carbon dioxide emissions involved cannot be called back, but become a permanent part of the above-ground carbon pool circulating among the oceans, atmosphere, vegetation and soil.

Claims that offsets are somehow increasing the capacity of this pool cannot be verified. The companies involved can credit their accounts for virtually whatever amount of carbon they wish, and sell shares in projects to increase their profits even further.

Moreover, voluntary carbon markets encourage the illusion that climate change will be stopped through individual action, not through political and economic structural change. The voluntary carbon market further increases the power of the big polluters to carry on business as usual while clearing the conscience of consumers in the North.

The main arguments against the carbon market can be summed up as follows:

- The carbon market ignores the key issue of fossil fuel dependency.

- It benefits the polluters.

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It privatizes conservation and environmental initiatives.

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It fails to remedy climate injustice, by further increasing wealth and wellbeing in the North, while increasing vulnerability in the South through the implementation of projects that may violate rights.

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It does not recognize the existence of a historical and current environmental debt.

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What is paid for now is speculative future absorption, while the emissions have already been produced.

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It divides up the atmosphere, converts the carbon cycle into a commodity, and places it in private hands, along with new rights in air, wind, land, forests and water.

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It privatizes responsibility for the climate, conservation and environmental initiatives.

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It is a way of selling environmental services (the natural carbon cycle, carbon dioxide capture by forests and oceans, the natural regulation of climate and other functions of nature) which would mean in effect the alienation of many rights of use of lands and territories currently exercised by their occupants.

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It violates the rights of local communities and provokes negative impacts on the environment.

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It is speculative and
capricious.

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Its mechanisms are based on capitalist principles, the main cause of climate change.

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It will worsen climate change instead of curbing it, because
emissions will continue to increase.

The
voluntary carbon market has other characteristics that make it even
more dangerous:

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It cannot be subject to effective state control.

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It assumes that changes will result from individual actions,
and not through structural policies and decisions, when the solution is
not a matter of consumer choices, but rather of actions to correct
inequality, injustice and exploitation.

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It uses deceptive advertising to fool consumers.

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By leading people to believe they are compensating for their
current lifestyle, it encourages the continuation of unsustainable
patterns of consumption.

The
YasunÃ-/ITT proposal and the carbon market

Because
of
all of the above, those of us who support the campaign to leave oil underground as a path towards a post-petroleum civilization are radically opposed to the carbon market, voluntary or otherwise.

The
carbon
market â€“ voluntary or not â€“ was not created to leave oil and other fossil fuels underground, which is the only workable way to control global warning. On the contrary, it functions to allow corporations to buy and sell carbon permits and continue burning coal, gas and oil.

The Kyoto
carbon market and the parallel voluntary market are diametrically opposed to the proposal to leave oil underground, which is the basis of the original YasunÃ- proposal in Ecuador.

The
initial YasunÃ-/ITT proposal promoted the assumption of different responsibilities, not environmental services, neither new business opportunities for the polluters. It is a strong signal for international action through a concrete proposal that definitively buries the carbon market by leaving crude oil underground.

Carbon market

(voluntary
and
non-voluntary)

Keep oil (and
other hydrocarbons) underground

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General disregard
for past emissions.

Impunity for
damage caused and rewards for companies that pollute.

Recognition of
the historical and current carbon debt.

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Privatizes the carbon cycle,
atmosphere, land and forests.

Carbon becomes a commodity.

Promotes
environmental services.

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Respects
the natural carbon cycle.

Collective
and sovereign control
over the land, forests, etc.

Respects human
rights and the rights of nature.

The North
assumes little responsibility.

Promotes the assumption of different
responsibilities:

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North: ending the consumption of
hydrocarbons, acknowledging the damage caused.

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South: stopping the extraction of
oil, preserving the forests, respecting human rights.

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Punishes the
South, since projects to â€œoffsetâ€• emissions are generally
environmentally destructive and violate the rights of local
populations. In addition, those who oppose oil operations or these
projects are criminalized.

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Compensates the people who decide to
leave the crude oil underground and thereby prevent further emissions
and preserve the forests.

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Dependency

Sovereignty

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Fossil fuels continue to be consumed
and emissions continue to rise.

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Less oil consumption and development
of new sustainable energy sources.

Less climate change.

Keep
Fossil Fuels Underground the first
step in the transition to a post-petroleum society and energy
sovereignty.

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The document can be downloaded from the oilwatch website.

www.oilwatch.org

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