

Offsets under Kyoto – A Dirty Deal for the South

by Kevin Smith
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In Western Panama, the Naso and Ngobe peoples are fighting against the construction of four hydroelectric dams being built on the land of Indigenous Peoples, saying that they will destroy their homelands. In Okhla, India, members of the local community have been turning up in large numbers to protest against the construction of a waste incinerator in a residential area. Across Indonesia, small farmers are being driven from their land to expand palm oil plantations, with the palm oil finding its way to the refinery in Riau owned by PT Murini Samsam.

All of these projects are receiving, or are in the process of being approved for carbon financing through the Clean Development Mechanism (CDM). This controversial and increasingly discredited finance mechanism, which enables countries and companies in the Global North to buy offset credits from projects in the Global South, has become an emblem of the wider climate injustice being exacerbated by the Kyoto Process.

There is a widespread crisis of confidence in the CDM. All but the most dogmatically market oriented NGOs are no longer willing to entertain it as being any part of the solution. The US Government Accountability Office, the –audit, evaluation and investigative arm of Congress,– recently released a detailed report that questions the credibility of the scheme. A statement from the International Forum of Indigenous Peoples on Climate Change to the UN climate talks in Bali testified that CDM projects were being carried out –without the free prior and informed consent of Indigenous Peoples.–

The Kyoto Protocol outlines the three purposes for the CDM: assist in the achievement of sustainable development, contribute to attaining the environmental goals of the broader climate change treaty, and assist Northern countries in complying with their emissions reduction commitments.

A result for Northern companies

The first two objectives have been abysmal failures. The third has been a resounding success, but paradoxically so. The CDM has largely been rewarding big industrial polluters in the global South that contribute nothing towards sustainable development. Meanwhile numerous studies have cast profound doubt on the ability of the CDM to bring climate benefits. A recent study from Stanford’s Energy and Sustainability Program suggested that up to two thirds of CDM projects didn’t bring about any emissions cuts.

The CDM has provided a means for Northern governments and companies to –outsource– their responsibility for taking necessary steps towards a low-carbon economy. This aspect of the CDM’s –success– highlights the climate injustice underpinning the system. The winners are energy intensive companies, whose profit margins have benefited enormously in the short term through the lucrative trade in the credits themselves. Because of fundamental flaws in the design of the CDM, industry has been able to buy cheap carbon credits to meet their emissions commitments and avoid the cost of shifting to low carbon technologies. Add these savings to potential windfalls from new trading options in derivatives and other exotic financial services and its no surprise there is such a –gold rush– for this lucrative market.

The Losers under the CDM

Conversely, Southern countries have lost out enormously. Many projects, such as the waste incinerator in India, have been imposed on communities without their prior, informed consent. CDM financing has entrenched dirty development by acting as a financial subsidy for big industrial polluters such as chemical factories, coal fired power stations and pulp and

paper mills. The CDM has been promoted at the expense of an existing adaptation fund and the truly clean technology transfer that is so urgently needed.

In 1997, the CDM was initially presented in a "lump it or leave it" manner in lieu of the more substantial funds that had been proposed by Southern countries. The CDM and the other flexible mechanisms were included as a condition to get the US to commit to binding emissions targets, which they then refused to ratify anyway.

Aside from the emissions reductions targets undertaken by the Global North, the Convention in 1997 also acknowledged the principle of "ecological debt" in putting the historic responsibility for climate change on Northern countries and committing them as a result to providing funds for mitigation, adaptation and technology transfer.

One of the biggest frustrations for the G-77 countries in the negotiations has been the failure of the Northern countries in making progress on these commitments. More than a decade later, almost nothing has been seen in the way of hard cash. The amount of money that is currently pledged in the Least Developed Countries Fund is \$172 million, not even half what the CEO of Lehman Brothers received for his Christmas bonus last year.

More substantial sums have been pledged in Climate Investment Funds, but these are to be administered through the World Bank, an institution with an appalling human rights and environmental track record that has increased lending to fossil fuel projects by 94 percent in the last year alone. In addition the vast majority of this money will be administered in the form of loans rather than as outright grants, and many commentators foresee that the US-dominated Bank will again be used as a tool of political agency in the relationship between Northern and Southern countries.

Instead of developing climate funds with representative governance, that have substantial, obligatory and automatic finance and that are accessible to the most vulnerable, the many years of wrangling within the negotiations have resulted in a market based mechanism that is only benefiting the North and a handful of Southern industrial elites.

While Northern governments do what they can to avoid making commitments to the necessary adaptation and technology transfer funds, the World Bank and industry lobby groups such as the International Emissions Trading Association (IETA) are out in force in Poznan extolling the virtues of the CDM and looking for opportunities to expand and deregulate the market. A World Bank representative said in a plenary session at the climate talks that "in order to maintain the successes of the CDM, we need to expand it and make it more flexible." The World Bank is doing the bidding of corporations and Northern governments. The EU is in the process of agreeing that more than half its targeted cuts in emissions could be met through buying CDM credits, rather than actually cutting emissions in the EU. The EU will therefore need lots more cheap credits, which means expanding and deregulating the CDM.

The proposed expansions include technologies that are controversial, such as nuclear power, and unproven, such as Carbon Capture and Storage, while IETA has presented a set of recommendations to the CDM Executive Board with the intention of speeding up the approval process and relaxing rules around "additionality" and "absolute assurance".

Maintaining the "successes" of the CDM through these proposals will inevitably mean even more Southern communities facing unwelcome projects that threaten their livelihoods, and it will mean more opportunities for project developers and carbon traders to profit from bogus operations.

Any talk of what comes after Copenhagen and 2012 must confront the reality that the CDM has been grossly ineffective in bringing about "clean development" and has been enormously unjust to Southern countries and communities. If the CDM is at all teetering on the edge, now is the time to give it a resolute shove. Political will must instead be directed at ensuring that Northern countries meet their commitment to providing finance to the Global South that isn't tied to

undemocratic institutions like the World Bank and that doesn't lock those countries further into the spiral of debt. The \$4 trillion that was recently mobilised in the space of two months to bail out the banks has shown that such sums of money are not in the realm of fantasy, were there to be any political commitment of Northern countries in the negotiations to the principle of climate justice.

Â <http://www.gao.gov/highlights/d09151high.pdf>

Â http://www.mynewsletterbuilder.com/tools/view_newsletter.php?newsletter_id=1409784269