Business as usual on the climate

by Oscar Reyes
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When a former British diplomat had the temerity to suggest that "the business community needs to re-examine the fundamentals of economics" at the recent World Business Summit on Climate Change in Copenhagen, his discordant tone was drowned out by a chorus of over 800 delegates singing the praises of unfettered markets as a means to tackle climate change.

The commitment to carrying on with business as usual took an almost surreal form at times. Indra Nooyi, CEO of PepsiCo, proudly proclaimed "The fact that I flew here for 1 1/2 hours to sit on a panel them IÂ´m flying straight back to the US is an example of our commitment to environmental sustainability."

More worryingly, plans for low-carbon technology give the expansion of high-carbon coal power pride of place. The promotional rhetoric is of Carbon Capture and Storage (CCS), yet those from the power sector are blunt about its shortcomings. "One of the plants we are building is CCS ready, although to be quite frank no one really knows what that is at the moment" claimed Steve Lennon, Managing Director of South AfricaÂ´s Eskom. James Rogers, CEO of US-based Duke Energy, added that CCS is at best 15 years off and is likely to prove unfeasibly expensive if it even works at all.

The underlying problem is that business adjusts the problem of climate change to neoliberal economics, which judges value according to financial cost rather than environmental sustainability or social justice. This manifests itself in a promise to massively expand carbon markets. The idea is that governments give out a limited number of permits to pollute; the scarcity of these permits should encourage their price to rise; and the resulting additional cost to industry and power producers should encourage them to pollute less.

Jos Delbeke, Deputy Director-General for the Environment at the European Commission, was in Copenhagen claiming that this is how the EU Emissions Trading Scheme (ETS) is now working. Yet his departmentÂ´s own data for 2008 shows more international "offset" credits circulating than the level of claimed reductions, while lobbying pressure has resulted in a twin-track system from which every business wins.

On one side, heavy industry like the steel sector has more credits than would be needed to reduce its emissions, so it sells them. Delbeke shared a panel on carbon markets with a representative of ArcelorMittal, which alone gained an estimated subsidy of over â‚¬1 billion between 2005 and 2008 by this means.

On the other side, power companies pay less for pollution permits than the cost they pass on to consumers, generating windfall profits that could reach up to around â‚¬70 billion by 2012. The circulation of these permits does nothing to help new investment in renewables, as Zhengrong Shi, CEO of Chinese firm Suntech Power, admitted in a second session on carbon markets: "All European investment in renewables, in our sector [solar] is based on a feed-in tariff not the Emissions Trading Scheme or Clean Development Mechanism."

Carbon markets might be used to help polluting sectors avoid other obligations that are placed on them, however. As Giovanni Bisignani, Head of the International Air Transport Association (IATA), put it, "If some governments still want to implement taxes [on aviation emissions], we should get carbon credits to compensate every penny of these taxes."

Other measures to avoid business obligations displace the problem of tackling climate change onto the global South. The SummitÂ´s final Copenhagen Call talks of a crucial role for forest protection in developing countries, with the coorganisersÂ´ Business Case for a Strong Global Deal suggesting that such measures should represent around half of the action needed to limit climate change by 2020.

These figures are taken directly from Project Catalyst, an initiative bringing together "climate negotiators, senior government officials... and business executives", whose presentation (marked confidential) more straightforwardly emphasises the "the size of the prize for business" and, in particular, the opportunities for "companies in forest management, pulp and paper, or construction" to access a "â‚¬20-30bn value chain" in developing countries.

Strikingly similar assumptions have found their way into negotiating texts on Reducing Emissions from Deforestation and Degradation (REDD), which will be discussed when UN climate negotiations resume in Bonn next week. Yet the whole idea that deforestation can be stopped by simply putting a price on forests is flawed, with forest communities and Indigenous Peoples warning that it will encourage further land grabs by large companies. They point to evidence that the real drivers of deforestation are the major construction, mining, logging and plantation developments whose owners stand to be rewarded by REDD funds.

These are the voices that the world should be listening to as it seeks to tackle climate change - for, as things stand, even the self-proclaimed "progressives" of big business seem to be putting profit margins above environmental need. Without a more fundamental re-examination, to paraphrase one panellist, they look more like the back end of a horse that is galloping in the wrong direction.

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