Taking care of business

by Oscar Reyes
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The worldâ€™s biggest corporations have hijacked the UN climate talks. Thatâ€™s bad news for our future, argues Oscar Reye

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A flower blooms under a floodlight. It is projected on to a huge screen, behind a panel of expensively suited executives. A CNN business correspondent struts up and down a catwalk, excitedly thanking UN Secretary General Ban Ki-moon and the ubiquitous Al Gore. The scene of this corporate love-in? The World Business Summit on Climate Change.

â€˜The fact that I flew here to sit on a panel for one and a half hours, then IÂ´m flying straight back to the US, is an example of our commitment to environmental sustainability,â€™ boasts Indra Nooyi, CEO of PepsiCo, blissfully unaware of the irony of her statement. Her fellow industry representatives make similar claims about just how energetically they are saving the planet.

This is the new face of the climate business.

Until recently, many of the globeâ€™s biggest corporations were firmly in the climate change denial camp â€“ and funding spurious research to back up their claims. Now a new realism has emerged. Climate change is no longer rejected as a bogus theory the economy can ill afford. Instead, itâ€™s a business opportunity.

Back in the days of George W Bush, the ostrich-headed faction of US industry held sway. Companies like ExxonMobil saw no profits in â€˜climate solutionsâ€™, so opposed any climate legislation. Now, carbon markets â€“ the buying and selling o the right to pollute â€“ are at the heart of proposals for a new global deal at the UN Climate Conference in Copenhagen this December, and the â€˜progressiveâ€™ wing of big business, backed by large US-based NGOs, argues that this market-driven approach is the only way to secure an international emissions reductions deal.

The problem is, critics say, that carbon markets are delaying genuine action on climate change, and shifting attention away from the fundamental task of rapidly phasing out fossil fuels. How did it come to this?

The ostrich position

Of course, head-in-the-sand corporate opposition to serious policy changes is still around. The US Chamber of Commerce and the National Association of Manufacturers continue to bankroll resistance to the American Clean Energy and Security (ACES) Act. Instead of simple climate change denial, their rhetoric now focuses on â€˜threats to American competitivenessâ€™. But according to the US-based Center for Public Integrity there were 2,340 corporate lobbyists in Washington in 2008, and a clear majority of them were pushing to weaken environmental controls.

Companies hide behind â€˜trade associationsâ€™ to side-step the bad PR they might invite for opposing measures to fight climate change. The American Petroleum Institute spent considerable energy last summer stimulating fake â€˜grassrootsâ€™ opposition to ACES. The Act has now been so weakened by concessions to big business that the NGO International Rivers estimates it could allow US companies to avoid actually reducing their emissions until 2026. Now, with the US climate debate bogged down in the Senate, negotiators are rapidly talking down expectations for a strong climate agreement at Copenhagen.

This is not the first time that business has had a defining impact on humanityâ€™s attempts to get to grips with the enormous challenge of climate change. In the 1990s the Global Climate Coalition (GCC) â€“ a front group for 50 major oil, coal, auto and chemical corporations and trade associations â€“ played a key role in delaying and weakening international climate agreements, mainly by pressuring US politicians.

The GCC successfully lobbied Washington to ensure that no binding targets were included in the UN Framework Convention on Climate Change, agreed at the 1992 Rio Earth Summit. It also promoted a 1997 Senate resolution where US legislators expressed unanimous opposition to legally binding greenhouse gas reductions unless developing countries (responsible for a fraction of the current and historical emissions) adopted the same rules.

Al Gore, the US chief negotiator at the time, took this message to the UN climate negotiations and â€˜demanded a series of loopholes [in the Kyoto Protocol] big enough to drive a Hummer through,â€™ as British journalist George Monbiot put it. Gore insisted on a new carbon offset scheme, the Clean Development Mechanism (CDM). Northern companies could avoid having to curb their own pollution by buying â€˜emissions reductionsâ€™ from the Global South. Larry Lohmann, of the UK advocacy group The Corner House, recalls: â€˜Kyoto was written, largely by the US, as a treaty friendly to big business. Companies like Enron, which as an energy trader was well placed to make profits from carbon trading, were happy about Kyoto and wanted the US to be part of it.â€™

Carbon trade-offs

When the Kyoto Protocol was agreed in December 1997, John Palmisano, Enronâ€™s senior director for environmental policy, celebrated an agreement that was full of â€˜immediate business opportunitiesâ€™. Twelve years later, the carbon trading market is worth over $100 billion.

One often-repeated claim is that reductions in greenhouse gas emissions are equivalent wherever they take place â€“ which is only true up to a point. It is worth stressing that offsets are not reductions. In practice, â€˜offsettingâ€™ allows generous subsidies for existing technologies to mop up industrial gases, rather than stimulating the speedy shift toward the low carbon world we desperately need. As of September 2009, three-quarters of the offset credits being traded had nothing to do with CO_2 reductions. Instead, they were for large firms, operating in developing countries, making minor technical adjustments to eliminate HFCs (refrigerant gases) and N_2O (a by-product of synthetic fibre production). Corporations and governments in the North then buy these credits to avoid taking action domestically.

This flawed assumption â€“ that the market can effectively drive the transition to more sustainable models of development â€“ also underlies one of the major new initiatives on the table for agreement at Copenhagen: the proposal to curb deforestation, known as REDD (Reduced Emissions from Deforestation and Degradation).

Deforestation is responsible for around 20 per cent of global greenhouse gas emissions. But REDD assumes that this is because intact forests have no dollar value attached to them; theyâ€™re worth less than forests that are cut down. So the solution is to put a price tag on standing forests, and allow countries and companies to trade in the amorphous concept of â€˜avoided emissionsâ€™.

Yet forest communities and indigenous peoples are deeply opposed. They warn that treating forests merely as carbon stores, the rights to which can be bought and sold on the international markets, will further erode their land rights, despite the fact that they are the most effective stewards and protectors of forests, when left in peace to play this role. What REDD is doing, they argue, is financially rewarding the owners of the major construction, mining, logging and plantation developments that are the real drivers of deforestation.

The financial sectorâ€™s main interest in the new climate deal is that it will deliver bigger and more lucrative carbon markets. As Tracy Wolstencroft, Managing Director of Goldman Sachs, told the World Business Summit, carbon trading now encompasses â€˜some of the largest emerging markets in the worldâ€™.

This rapid growth has already spawned more complex markets where carbon credits are bundled together, then sliced up and resold â€“ similar to the structures that brought the derivatives market to its knees during the recent financial crisis. It is dangerous for the same reason: carbon markets sell a product that has no tangible underlying asset â€“ fertile conditions for the creation of a new â€˜bubbleâ€™. Traders donâ€™t know exactly what they are selling. And it becomes increasingly meaning to talk about emissions reductions since what is â€˜reducedâ€™ on paper is so far removed from any measurable change in industrial practice or energy production. Speculation has become an end in itself. Meanwhile, emissions continue to rise.

â€˜Let the market playâ€™

These developments are not simply the work of business lobbyists, however. Governments have created a favourable regulatory climate which assumes that markets know best. â€˜Our role is to keep the regulatory structure as simple as possible and let the market play,â€™ says Jos Delbeke, Deputy Director-General for the Environment at the European Commission. Delbeke has for several years been the EUâ€™s chief climate negotiator. He was a key player in developing the EU Emissions Trading Scheme which has allowed â€˜the market to playâ€™ by gifting large amounts of free credits to major polluters and setting too generous a cap on the total amount of emissions. So, as a consequence, there has been no overall reduction in greenhouse gases, but vast windfall profits have been generated for some of the EUâ€™s most carbon-intensive companies.

Professor Matthew Patterson, co-author of forthcoming book Climate Capitalism, characterizes such an approach as the internalization of corporate interest by public decision-makers. â€˜I think the best way to think of corporate influence is in terms of structural power rather than directly observable influence,â€™ he says. â€˜Governments internalize the interests of powerful businesses and act to promote those interests (even unconsciously).â€™

Other academics talk of a revolving door between governments, corporations and the large, pro-business NGOs. Take the International Emissions Trading Association (IETA), probably the largest lobby group at the UN climate talks. IETAâ€™s CEO, Henry Derwent, was previously head of climate policy for the British Government and a special adviser to the G8 in 2005: a good choice to represent corporate interests in shaping the principles of a post-2012 agreement.

With billions at stake, there are numerous CEO-led initiatives to set the global agenda by lobbying national governments (see Hall of blame, above). The pressure is relentless. James Rogers, CEO of Duke Energy, remarking on the frequency of his lobby visits to Capitol Hill says: â€˜My hotel doorman in Washington greets me more regularly than my dog.â€™

More typically though, corporate leaders, and even the names of the companies they represent, are protected from exposure by faceless industry associations, operating at national, regional and global levels. The same lobbyists often juggle multiple hats. Take Nick Campbell, climate lobbyist for Arkema (oil giant Totalâ€™s chemical business). Campbell doubles up as head of the climate change working groups of CEFIC (the European chemical association), Business Europe (the general European business platform), and the International Chamber of Commerce (a global corporate lobby platform).

â€˜Basically the climate message of those groups is the same, they just act at different levels,â€™ says BelÃ©n BalanyÃ¡ of Corporate Europe Observatory.

As Copenhagen approaches, a confusing mass of negotiating texts remain on the table â€“ while outside the conference rooms, existing legislation and new pilot projects are being primed to take advantage of any new business opportunities. The Sydney Morning Herald recently reported that â€˜scores of carbon traders... have been active in Papua New Guinea and Indonesia trying to sign up landowners for not-yet-agreed REDD schemesâ€™. Meanwhile, in Bangkok the Clean Development Mechanism Board approved a new measure last October to help biodiesel production count as an â€˜offsetâ€™ â€ despite evidence that its expansion contributes to deforestation.

At the negotiating table both the EU and US have been working to redefine the role that public finance could play in any new deal. Jonathan Pershing â€“ head of the US delegation at recent UN climate talks in Bonn â€“ advocates â€˜changing the debateâ€™. Public money, he argues, should no longer be regarded as a means of helping Majority World countries adapt to climate change or to mitigate its worst effects, but as a â€˜catalystâ€™ for private gain. Anders Turesson, chief climate negotiator for Sweden and chair of the EU Group, echoed this message, suggesting that public funds should be a â€˜lubricantâ€™ for private sector investments.

Critics agree that carbon markets could yield significant profits. But they could also end up making climate change worse â€“ by perpetuating the failed economic and industrial models that helped create the problem in the first place, and delaying a rapid transition to a more climate-friendly future.

So what should concerned citizens do about all this? Itâ€™s clear that we need to rethink and restructure energy production, industry and agriculture in ways that rediscover and promote local knowledge. But policy changes alone will not be enough. Above all, we need to get organized politically. To roll back the advance of the nouveau-green chief executives there are no short cuts, because the struggle against climate change is part of a much larger fight: for a more just, democratic and equal world.

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HALL OF BLAME

A who's who of corporate lobbyists at the UN climate talks

International Emissions Trading Association

Largest corporate lobby group at UN climate negotiations â€“ it brought 250 business representatives to the talks in 2008. Leading the push for the expansion of carbon markets to include forests, agriculture, and carbon capture and storage (CCS) â€“ technology to neutralize the climate impact of fossil fuels that will not be viable for many years.

International Chamber of Commerce (ICC)

Grandfather of corporate environmentalism, active on climate issues since the Rio Earth Summit. Main focus has been to avoid regulation and taxes.

World Business Council on Sustainable Development

â€˜CEO-led coalitionâ€™ of over 200 companies created in 1991 to lobby the Rio Earth Summit.

World Economic Forum

Hosts its own Climate Change Initiative.

Project Catalyst

Initiative of the non-profit ClimateWorks Foundation which draws heavily on research by consultancy firm McKinsey. Although it claims to be a â€˜neutral adviserâ€™ it emphasizes that a majority of â€˜emissions savingsâ€™ before 2020 should be made in the Global South, creating business opportunities for large corporations.

3C (Combat Climate Change)

Initiative of CEOs of major companies, hosted by Swedish energy giant Vattenfall. Pushing proposals for a global carbon market and for the â€˜streamliningâ€™ (ie relaxing of already weak environmental checks) of carbon market rules.

The Climate Group

Non-profit organization whose members include some of the worldâ€™s largest corporations. Task force working on the climate agreement, led by former British Prime Minister, Tony Blair.

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