The World Bank and market readiness: A â€˜carbon bibleâ€™ for Southern countries

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In a World Bank evangelization crusade using a â€˜carbon bibleâ€™, Southern countries are urged to advance legislations for assuring the provision of carbon credits. In parallel, a new â€˜Business Partnership for Market Readinessâ€™ aims to enhance the potential for international carbon trading models to emerge around the world. However, carbon markets have had, through the implementation of â€˜emissions savingâ€™ or offsets projects, devastating social and environmental local consequences.

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The World Bank Carbon Finance Unit (CFU) comprises 15 different funds and uses money contributed by governments and companies in OECD countries â€œto purchase project-based GHG emission reductions in developing countries and countries with economies in transition.â€• The Bank initiated these mechanisms in 1999 which have grown from US$145 million to US$2.3 billion since 2000.[i] The recently adopted Partnership for Market Readiness (PMR) fund focuses specifically on getting â€˜middle incomeâ€™ countries to â€œbuild readiness for using market mechanisms on a large scaleâ€•.

Launched during the climate talks in Cancun in 2010 and operational since April 2011, the PMR is a â€œglobal partnership of developed and developing countries that provides funding and technical assistance forâ€¦ piloting market-based instruments for GHG emissions reductionâ€•, using â€œdomestic emissions trading schemes (ETS) and scaled-up crediting mechanisms.â€• The aim is to develop carbon offsets â€œbeyond the existing CDM.â€•[iii]

In this way, the PMR sets the framework for a carbon trading evangelization across Southern countries, targeting 16 â€˜middle-incomeâ€™ countries: Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Jordan, Mexico, Morocco, Peru, South Africa, Thailand, Turkey, Ukraine and Vietnam. On the other side, the fund has, as of December 2012, received pledges of US$93.5 million from: Australia (12.5), Denmark (5.1), European Commission (6.5), Finland (5.3), Germany (6.5), Japan (14.4), Netherlands (7.0), Norway (5.8), Sweden (6.0), Switzerland (8.4), the UK (11.0) and the US (5.0).[iv] The largest share of this money will be allocated to create systems for Monitoring, Reporting and Verifying emissions in order to develop a system of tradable carbon credits.[v]

By launching the PMR, the Bank intends to push ahead with carbon markets regardless of the outcome of the UN climate negotiations. The same happened in 2007, when it launched its Forest Carbon Partnership Facility (FCPF), a â€˜market readinessâ€™ initiative for Reducing Emissions from Deforestation and forest Degradation (REDD+). As Benoit Bosquet, the Bank official who led the development of the facility, put it at the time, â€œThe facility's ultimate goal is to jump-start a forest carbon market.â€•[vi] This despite the lack of any UN agreement on REDD carbon markets.[vii]

As the European Commission points out, â€œRegardless if the final decision on the establishment of new carbon market mechanisms will the taken under auspices of the UNFCCC or via bilateral or multilateral agreements, the demonstration actions like the PMR will improve understanding on the options for practical implementation of new and scaled-up carbon market mechanismsâ€•[viii]

Promoting â€˜market readinessâ€™ is strategically important for the Bank and its financial backers in order to open up national (and especially, Southern) economies for carbon markets. By including technical, institutional and policy readiness elements, measures involve assessing what sectors to include in the trading, calculating a â€˜baselineâ€™ of existing emissions creating a system of measurement, reporting and verification (MRV); and establishing a carbon credit registry and transaction log â€“ which are basic instruments to account for carbon. The fund also paves the way for legal changes, including the drafting of new laws and regulations required to implement carbon markets. In this regard, the programme closely follows the format adopted in the â€˜REDD-readinessâ€™ activities of the FCPF fund.[ix]

During the PMR assembly meeting in May 2012, Mexico presented its process for â€˜market readinessâ€™ including a new â€˜climate change lawâ€™ that allows for a voluntary emission reductions trade system.[x] The pro-carbon trading Mexican-branch of The Nature Conservancy stated that â€œthis law is a starting point to which other norms have to be added, including the Mexican policies related to REDD+â€•[xi], which are undertaken in parallel under the FCPF fund. This however faces much opposition from the ground. Indigenous campesinos in Chiapas, Mexico for example, declared: â€œREDD+ is the new face, painted green by the climate crisis, of an old and familiar form of colonialism that advances the appropriation of lands and territories through dispossession, forced displacement, or the permanent leasing of land by indigenous communitiesâ€•.[xii]

Each participant country has to elaborate a â€˜market readiness proposalâ€™. Its approval determines the funding allocation decision - and the size of it. The PMR Secretariat appoints two to four â€˜expertsâ€™ for assessing each proposal. A main criteria for evaluating the quality is the â€œrole and relevance of market instruments to a countryâ€™s overall mitigation strategy and rationale for the target sector /program(s) /areasâ€•, including institutional arrangements that cover all â€œmarket relevant elementsâ€•.[xiii] The PMR expects five to six countries to start the implementation phase in 2013. It has agreed to a minimum funding of US$3 million and maximum of US$8 million per implementing country participant.[xiv]

As the European Commission explains, each â€˜beneficiary countryâ€™ will initially be allocated US$200,000 to identify relevant sectors for the scheme, with an average of US$5 million subsequently spent on â€˜program implementationâ€™ in each participating country. US$3 million will be dedicated to establishing systems for data collection, monitoring and reporting.[xv] However, much of the human and financial resources will anyways have to be allocated by the â€˜beneficiary countriesâ€™ themselves,[xvi] with the PMR placing â€˜sources of additional financeâ€™ as a requisite for funding allocation.

In an evangelization crusade using a â€˜carbon bibleâ€™, Southern countries are urged to advance legislations for assuring the provision of carbon credits. However, carbon markets have had, through the implementation of â€˜emissions savingâ€™ or offsets projects, devastating social and environmental local consequences.[xvii] Territorial struggles moreover, intensify as the rights to lands are separated from the rights to access and use as well as the rights to carbon. For this, laws are being â€˜adjustedâ€™ for opening-up national economies to â€˜free carbon marketsâ€™ behind what seems technical apolitical discourses. As a scheme created from above, carbon markets are designed and promoted by many of the same players involved in destroying the environment.

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The Business Partnership for Market Readiness (B-PMR)

On October 2012, IETA, the International Emissions Trading Association, launched a new â€˜Business Partnership for Market Readinessâ€™ with the aim to enhance the potential for international carbon trading models to emerge around the world.

The carbon traders lobby group is mobilizing its membership of +150 companies to assist in building business readiness for the new carbon markets â€œin their infancyâ€•, working in close cooperation with the World Bank, its Partnership for Market Readiness (PMR) and the host governments.[xviii] The idea came after carrying out several emissions trading sessions for Chinese industries and major emitters in Beijing in April 2012. Despite IETAâ€™s track record of influencing EU climate policy in the interest of their members, which are mainly expanding carbon markets while locking-in a fossil-fuels dependant economy, the B-PMR will â€œbring good business practices to host countriesâ€•. [xix]

The B-PMR is an initiative governed by the IETA Secretariat and the B-PMR Committee with underwriting from: Alstom, Baker & McKenzie, BP, Camco, Enel, GDF Suez, GreenStream Network, Morgan Stanley, Norton Rose, Rio Tinto, Shell and Statoil. IETA is the main lobby group for carbon traders. It represents most of the players with any significant interest in carbon trading, including companies such as Chevron, E.ON, ConocoPhillips or Drax Power Ltd. and many banks such as Deutsche Bank, Citigroup, PNB Paribas or Goldman Sachs International.

A series of â€œIndustry-to-Industry Emissions Trading Dialogues for the Next Generation of Carbon Marketsâ€• are being planned for preparing businesses in the PMR jurisdictions to operate in a new market and for helping them to â€œbuild their capacity to gain value from the marketâ€•. The B-PMR will also seek to assist in the policy development processes, as well as to inform discussions on the â€˜New Market Mechanismsâ€™ under design in UN talks [xx]

The expansion of carbon markets in Southern countries represent what Henry Derwent, president of IETA, has referred to as â€œa sectoral overcoming of common but differentiated responsibilities.â€•[xxi] New market mechanisms attempt to chip away at the idea, enshrined in the UN Framework Convention on Climate Change, that industrialised countries have the current and historical responsibility for the climate crisis, and seek to extend further obligations to Southern countries, which until now have not being obliged to monitor their emissions.

Carbon markets leave the current system based on the logic of unlimited growth unchallenged, benefiting those players which created the climate crisis in the first place, neglecting, purposely or not, its destructive social and environmental impacts on the ground as well as the already serious consequences of climate change, especially for more vulnerable groups.

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[i] World Bank Carbon Funds and facilities: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTCARBONFINANCE/0,,contentMDK:21842339~menuPK:5213558~pagePK:64168445~piPK:64168309~theSitePK:4125853,00.html

[ii] PMR Update on activities, Doha, Qatar, 01 December 2012, xdll_20121211_Slide Presentation__JoÃ«lle Chassard_World Bank.pdf

[iii] JoÃ«lle Chassard (2010), Scaling Up Mitigation Through Market Mechanisms: Building Confidence, Capacity and Readiness, Presentation at the IEA-IETA-EPRI 10th Annual Workshop on GHG Emission Trading 20-21 September, Paris, http://www.iea.org/work/2010/et/Chassard.pdf

[iv] Partnership Assembly Meeting (PA4): Sydney, October 2012, Update since PA3, http://www.thepmr.org/system/files/documents/PA4%20update%20since%20PA3.pdf

Observer countries are: France, Italy, New Zealand, Singapore, Spain, South Korea.

[v] European Commission (2010) 2010 Annual Action Programme (Part II) Implementing the Thematic Programme for the Environment and the Sustainable Management of Natural Resources including Energy, http://ec.europa.eu/europeaid/documents/aap/2010/af_aap_2010_dci-env_p2.pdf

[vi] AndrÃ© Aasrud, Richard Baron and Katia Karousakis (2010) Market Readiness: Building blocks for market approaches, Presentation from Climate Change Expert Group on the UNFCCC, Cancun, 7 December, http://www.iea.org/work/2010/cop16/IEA_Day_Aasrud&Baron.pdf, p.7.

[vii] For more information on REDD+, see No REDD Platform: http://noredd.makenoise.org/

[viii] Op.cit. v

[ix] See Cabello and Gilbertson (2012) A colonial mechanism to enclose lands: A critical review of two REDD+-focused special issues', www.carbontradewatch.org/publications/ephemera-may-2012-the-atmosphere-business.html

[x] Partnership Assembly Meeting (PA3): Cologne, Germany, May 2012, Mexicoâ€™s General Law for Climate Change, www.thepmr.org/system/files/documents/ PA3_Update_Mexico_General_Law_Climate_Change.pdf

[xi] SciDev, 27 April 2012, MÃ©xico aprueba ley de cambio climÃ¡tico, www.scidev.net/en/news/mexico-passes-climate-change-law.html

[xii] Declaration of Chiapas in REDDelion, â€˜Enough of REDD+ and the Green Economyâ€™, September 2012, http://climate-connections.org/2012/09/24/declaration-of-chiapas-in-reddellion-enough-of-redd-and-the-green-economy/

[xiii] PMR Secretariat Extraordinary Meeting (EX MTG1): Shenzhen, China, March 14, 2012, PMR Implementation Funding Allocation Process, www.thepmr.org/events/eventlist/ex-mtg/extraordinary-meeting-ex-mtg1-shenzhen

[xiv] Op.cit ii

[xv] Op.cit. v

[xvi] Marion Vieweg et al. (2009) Linking Developing Countries to Carbon Markets: cost assessment of capacity building requirements, London: Ecofys UK.

[xvii] See www.carbontradewatch.org

[xviii] IETA, Business Partnership for Market Readiness, http://www.ieta.org/b-pmr

[xix] CEO and Carbon Trade Watch, Letting the market play, http://corporateeurope.org/news/letting-market-play-new-report-carbon-trading

[xx] Op.cit. xvii

[xxi] Remarks at World Business Summit on Climate Change, Copenhagen, May 2009, in World Bank PMR: a critical introduction, Carbon Trade Watch, www.carbontradewatch.org/archive/world-bank-partnership-for-market-readiness-a-critical-introduction.html#8

Sectoral carbon markets aim to generate carbon credits in relation to one particular sector of the economy â€“ whether steel, cement or power generation.