The Politics of the Clean Development Mechanism: Hiding Capitalism Under the Green Rug

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Introduction
Climate change is a consequence of capitalism. An on-growing extractive system entirely dependent on the use of fossil fuels as a cheap energy source that has driven unsustainable practices with socially and environmentally destructive consequences. The climate crisis also embodies the complexities of unequal distribution of impacts, historical responsibility for emissions, the right to use atmospheric capacity, as well as political, economic and social injustices. Within this context, a hegemonic world polity and ideology based on liberal or free-market environmentalism\(^1\) started mandating how involuntarily interdependent states should deal with ‘common problems’ by devolving power to global market forces and non-state actors. This led to the international response in 1997, through the Kyoto Protocol, of establishing the carbon market as the only ‘efficient’ solution to deal with climate change.

While the Protocol binds industrialized countries to reduce their emissions to an average of 5.2 per cent compared to 1990 levels by 2012, the core deal of this agreement was held together with the creation of the so-called ‘flexible mechanisms’\(^2\) from which the ‘Clean Development Mechanism’ (CDM) is the only one that involves developing countries. The CDM enables investment in ‘emission-saving’ projects in developing countries in exchange for carbon credits that industrialized countries (also their companies or financial institutions) can use to meet their targets under the Protocol or to trade within the carbon market. Therefore, if a corporation needs to emit above its permitted level, it can buy cheap credits within the carbon market to cover this increase. The assumption is that as greenhouse gases (GHG) are emitted they will result in a contribution to the global increases of temperature, regardless of where or which is the source. However, it allows corporations and governments to buy their way out of the problem by offsetting their pollution somewhere else.

Under the Emissions Trading mechanism (also known as cap-and-trade), industrialized countries have distributed their initial allocation of credits or ‘rights to pollute’ to their dirtiest industries, which can be bought and sold between them as a market commodity. Conversely, it also allows trading with the ‘Certified Emission Reduction’ (CER) credits, acquired under CDM projects...
in developing countries, thereby inflating the fixed caps. By April 2009, there were over 1,500 registered CDM projects and over 4,000 projects awaiting approval. European corporations are the main buyers of CERs and currently, offsets are predicted to deliver more than half of the European Union’s planned reductions to 2020.

This article argues then that the CDM, as a keystone of the carbon market, is a central element in the expanding agenda of capitalism in two fundamental ways. First, materially, it allows the creation of new financial markets, securing the conditions for accumulation and capital reproduction while allowing polluters to avoid making any real structural change. And second, ideologically, it searches to legitimize the ongoing commodification of nature (the atmosphere in this case) reinforcing a ‘green capitalism’ whose legitimacy is an essential part of its own existence.

In this regard, the New Carbon Finance agency shows that in spite of the global economic recession, the volume of trading in the carbon market in the first quarter of 2009 grew by 37% compared to the forth quarter of 2008. Moreover, they expect that most of the growth will come from increased liquidity in the secondary market of CDM carbon credits. Similarly, a recent analysis by Friends of the Earth highlights the problems with carbon trading’s financial growth, which currently is fundamentally a derivatives market on which speculators do the majority of trades. This speculative nature – which also led to the recent financial crisis – can generate a carbon bubble and stimulate the development of subprime carbon (future contracts to deliver carbon that carry a relatively high risk of not being fulfilled), particularly with CDM credits.

The constant need for legitimacy is at the same time inherent to the carbon market’s accumulation ambition, whereby the ‘green’ discourses have managed to disguise an economic treaty as an environmental treaty. The CDM appears then like an ideal strategy for maintaining the status quo; while creating a new commodity, the right to pollute, it simultaneously establishes the apparatus which gives the illusion of having ‘carbon neutral’ governments, corporations, industries or life-styles without making any real reduction or structural change. Moreover, as nature is considered a form of capital, ‘environmental sustainability’ has also been redefined to provide the basic conditions for preserving capital as ‘economically sustainable’.

The international negotiations, on the other side, have framed the climate crisis as a technical issue rather than political, marginalizing voices for alternative knowledges; and as a result, there is a perception of having governance without politics, while these unaccountable and undemocratic institutions are, on the contrary, embedded with political as well as economic interests. As Welford argues,

the dominant corporate culture (...) believes that natural resources are there for the taking and the environmental and social problems will be resolved through growth, scientific advancement, technology transfer via private capital flows, free trade and the odd charitable hand-out.

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In this vein, key tasks for implementing, financing and monitoring the scheme have been ‘outsourced’ to the private sector, giving them the space to legitimize their own actions.

The UN Commission on Global Governance indicates that ‘governance has been viewed primarily as intergovernmental relationships, but it must now be understood as also involving non-governmental organizations, citizen’s movements, multinational corporations, and the global capital market’.10 With this understanding, as the professor Sangeeta Kamat11 analyses, power relations are seen as non-existent. Profit-seeking corporations and marginalized groups are considered equal legitimate actors and private interests are represented in the form of ‘partnerships’. Consequently, during the Bali and Poznań UN climate negotiations (2007 and 2008 respectively), the corporate lobby group International Emissions Trading Association – with 172 corporate members such as BP, Chevron, ConocoPhillips, E.ON, Goldman Sachs, PetroBras, Repsol YPF, Schell, Rio Tinto or The Carbon Neutral Company12 – was the largest represented ‘Non-Governmental Organization’.13

In this regard, as David Harvey14 argues, the acceleration of privatization and financialization are creating a form of accumulation in which states exercise their power to preserve property rights and other market institutions while dispossessing, in this case, those who live in and with a privatized environment. Therefore, the CDM, which masks a mechanism for land grabs, local conflicts and pollution, dispossesses local communities not by the conventional form of property rights but by the application of ownership constructs at the global level.

It’s Not Only About the Climate!

The CDM was a late intervention in the Kyoto negotiations. It emerged from the Brazilian delegation proposition, accepted by the Group of 77 and China, to create a ‘Clean Development Fund (CDF)’ on the basis of the ‘polluter pays’ principle. It would apply penalties for industrialized countries that exceeded their targets in order to finance clean energy projects for mitigation (actions to avoid and reduce emissions) and adaptation (actions that deal with the impacts of climate change) in developing countries. However, during the Kyoto negotiations in 1997, the CDF was transformed into the CDM and, as the researcher from the Corner House, Larry Lohmann, stated ‘fines were transformed into prices; a judicial system was transformed into a market’.15

Each project – including hydropower dams, efficiency improvement in coal-fired power plants, wind farms, monoculture plantations, biomass power plants, etc. – must go through a UN registration process designed to ensure ‘real, measurable and verifiable’ emission reductions that are ‘additional’ to what would have occurred without the project. This additionality characteristic is crucial, but at the same time, it is its most fundamental flaw. There is no sound way to show that a project would not have happened without the CDM. As the professor of the Öko Institute, Lambert Schneider, stated,16 ‘If you are a good storyteller you get your project approved. If you are not a good storyteller you
don’t get your project through’. Yet, if a project was going to happen anyway, no real offset is being made since new emissions should need new ‘emission-saving’ projects. However, new markets in benefit of the same private and governmental actors have been made in order to help the capitalist system entering another phase with ‘green’ legitimation.

The additionality requisite requires identifying one distinctive business-as-usual storyline to compare with the storyline that comprises the project. With countless ‘without-project’ scenarios, the selection of which one is to be used in measuring the carbon credits is a matter of political decision rather than economic or technical conjectures. As the organization International Rivers highlights, as of 1 October 2008, 76 per cent of all registered projects were already completed by the time they were approved as eligible to sell credits. In China for instance, more than 200 large-scale hydro plants are at the CDM validation phase even though hydro is a major component of the Chinese five-year governmental plan. Since constructions began before CDM registrations, these projects would have continued even if they were not registered as CDM projects.

On the other side, the Designated Operational Entities (DOE) or the so-called ‘validators’, which are mainly large risk management firms, verify and validate each project’s emission-reductions and removals. The CDM Executive Board accredits the DOE so that they can be hired by project developers as external auditors for validating the project documents (assessing projects in accordance with CDM rules) and verifying the emission reductions in the field (assessing if the project is reducing emissions as claimed and according to the stipulated methodology).

This outsourcing of ‘expertise’ for supervising the CDM places a heavy reliance on profit-driven private actors for transparency and accurate reports. Moreover, the few registered DOE have made the system a practical oligopoly: they are able to set prices for their services and they can collude among themselves to ensure that projects are approved in order to receive all of the proposed CERs. The CDM Executive Board itself has stated that there is a ‘clear and perceived risk of collusion’ between the DOE and the companies that hire them to review their offset projects due to their strong interests in having future contracts.

Consequently, as Heidi Bachram and others affirm, ‘as all scramble for a piece of the emissions trading pie, no equivalent level of activity is seen from credible verifiers or monitors’. This on-going marketization and privatization of climate governance has turned the negotiations into structures for legitimized accumulation – with corporate powers at the heart of it – that sustain and increase old relations and imbalances and relations of power between rich and poor, North and South, as well as the idea of maintaining continuous business-as-usual growth on a finite planet.
A Greenwash Scheme

The research organization CorpWatch defines greenwash as ‘the phenomenon of socially and environmentally destructive corporations attempting to preserve and expand their markets by posing as friends of the environment and leaders in the struggle to eradicate poverty’. Moreover, they affirm that it also involves ‘any attempt to brainwash consumers or policy makers into believing polluting mega-corporations are the key to environmentally sound sustainable development’. In this regard, the severe ideological reductionism of the negotiations, which has transformed ecological politics into managerial strategies, is indeed constantly helping powerful actors to overcome the capitalistic intrinsic tension between accumulation and legitimation ambitions.

In this regard, the Protocol states that CDM projects are emission reductions, however, planting trees, fertilizing oceans, burning methane from landfills to generate electricity, or setting up wind farms cannot be verified to be climatically equivalent to reducing fossil fuel consumption. Moreover, since these offset projects generate CERs that will allow emissions somewhere else, then there is no reduction happening at the global scale. On the contrary, they are creating new credits for the Emissions Trading scheme, underestimating the already inadequate caps established in the Protocol. Northern polluters can continue to pollute, and even increase pollution legitimately, with the help of the carbon market without being concerned about abatement actions.

As the New York Times highlights, ‘if a company or a country is fined for spewing excessive pollutants into the air, the community conveys its judgement that the polluter has done something wrong. A fee, on the other hand, makes pollution just another cost of doing business, like wages, benefits and rent’. The focus is thus no longer on reducing emissions but on trading and claiming credits. In another words, the wealthiest actors are – one more time – enabled to buy their way out.

BP and Shell, for example, have been cultivating ‘progressive’ corporate images and positioned themselves at the forefront of the offsets market. The opportunity to greenwash their activities in order to present themselves as environmentally responsible is legitimizing their destructive forms of production and extraction. On the other side, several offset companies offer citizens, companies and governments the illusion of being ‘carbon neutral’ by buying some offset credits. No change is required. As a result, the space for ecological political opposition or organized acts of resistance, mainly in Western societies, has been significantly reduced.

Similarly, the carbon market’s ideological fabrication reflects the battle of interests and powers at play during the negotiations for persuading partners and possible allies towards hegemonic convictions, whereby the various actors have to deal with an involuntary ecological interdependence. Consequently, the Kyoto debate has been instrumental for re-affirming capitalistic interests in moments of global governance legitimacy crises. According to Henry Bernstein, this crisis has been indeed alleviated in part by the success of the
free-market environmentalism in which the climate negotiations subordinated environmental purposes for economic goals.

**Sustaining the Inequalities**

The core objectives of the CDM are to help industrialized countries meet their commitments under the Protocol and at the same time, to promote sustainable development in developing countries. The latter was crucial for earning the support of the Group of 77 and China block. Hence, in order for a CDM project to be registered it must first be approved by the Designated National Authority (DNA), which is selected by each developing country and who’s prerogative is to validate whether the project contributes to its sustainable development.

Market liberalism’s compatibility with sustainable development has been constantly disproved by many. In the climate case, the absence of a concrete definition in the Protocol presents an assumption that projects that are good for carbon abatement must also be good for sustainable development. Moreover, the construction of the concept with poverty is linked with the historical usage of the term ‘development’ and consequently, the responsibility and pressure of achieving it is being pushed towards developing countries.

For that reason, while the accounting for emission reductions is subject to a stringent international assessment, the sustainable development objective is considered unnecessary to assess at the international level and has been entirely left to the approval of the DNA at the Project Document stage (before the implementation). All the responsibility for monitoring each project’s sustainability therefore depends on developing countries. Even more importantly, as capitalism depends on exploiting and intensifying global inequalities to further its own growth, the sustainable development discourse is being used as a way to legitimize this new colonialist scheme.

Consequently, there is a trade-off between the two objectives in favour of the one that has a price in the market. As Bobby Peck from the South African environmental justice organization ‘GroundWork’ notes, ‘companies that are able to avoid reducing GHG through carbon trading are also not going to be reducing the other pollution that causes harm to local communities next to these industries’. Furthermore, most large-scale renewable energy projects (such as windmills, dams and plantations) are silent in their need for big quantities of land and resources for implementation as well as in the social impacts that this conveys, such as the massive evictions of local communities, land-grabbing, migration to the cities, direct human and indigenous rights violations, repression of social movements, and many more.

Since developing countries’ interest to participate in the CDM scheme essentially rests on obtaining further funds, strict sustainability requirements are then undermined in order to facilitate the entrance of new investors. In this way, the CDM is legitimizing a type of sustainability whose definition is not contested at the governance decision-making tables and whose legitimization is more important than even its attempt to accomplish it. As Cathleen Fogel
mentions, ‘global discourses emphasize that standardized carbon units can be produced through standardized sequestration projects in standardized developing countries. In order to be efficient and hence, to economically benefit from global institutions, the ‘local’ must accept its construction as compliant, homogenous and safe, which is to say, as absent’.29

This false notion of sustainability, as the activist Vandana Shiva30 affirms, is then assigning primacy to capital, depending on capital, and substituting nature as capital. Therefore, words that were meant to speak about politics and power have become co-opted and meaningless for the service of alternative interventions and mobilizations, by framing them not only as neutral but also turning them into merely policy buzzwords.

During the 7th Session of the UN Permanent Forum on Indigenous Issues in May 2008, an Indigenous representative declared that

The Report doc E/c.19/2008/L.2 does not take into account the proposals and concerns of the Indigenous Peoples regarding the initiative to reduce emissions from deforestation in developing countries known as REDD or the CDM or the Carbon Market (…) The adopted recommendations (…) made by the Forum experts are not the position of indigenous organizations (…) We are also concerned that the initiatives of CDM are considered examples of ‘good practice’.31

Many local and Indigenous groups in India, Thailand, Indonesia, South Africa, Nigeria, Brazil, Peru, Paraguay, among many more around the world, besides trying to incorporate counter-hegemonic discourses around the negotiation tables, are strongly resisting the carbon market locally, specifically CDM projects.

From a developing country perspective, the economic incentives and technology transfers for Southern big polluters and governments are clear. But it must also be made clear that this represents a payment to ensure that the ‘North’ and wealthiest actors can continue polluting and accumulating as well as deepening the intrinsic inequalities of the world political economy. The CDM has become an instrument of foreign policy that creates new structural dependencies. We are facing a new form of colonialism whereby the expansion is not only the cooptation of resources and land but also of atmospheric capacity.

Who Received an Invitation?
The CDM project cycle heavily relies on a diverse set of actors, including governments, corporations, auditors, science boards, financial investors, international and local NGOs, local communities, etc. However, the institutionalization of an ‘invited’32 participation has paved the way for establishing a structure that imposes boundaries and excludes certain actors and views from entering the arenas in the first place and hence, obstructs critical and different discourses and epistemologies.

For this reason, when the Protocol was ratified, the accepted line of reasoning was that a market-driven mechanism is ‘the only possible’ alternative.
This dominant idea strengthens the ideological hegemonic stance. As the CDM Executive Board Secretary, Yvo de Boer, stated during the COP in Bali, ‘market-based mechanisms need to be at the heart of things. It’s the only way of achieving the goal’. Therefore, this ‘development’ thinking is reduced to certain social actors (i.e. UN bodies) and a certain social transformation (i.e. technology transfer), while marginalizing other social actors and trivializing other alternatives for change.

In this regard, it is interesting to highlight some of these actors. Industrialized governments on one side carry a convenient dual role. They, and ‘their’ corporations, are buyers of CERs on the market while simultaneously deciding upon the rules of this market as Parties of the decision-making process. Moreover, they channel important donations to the UNFCCC secretariat for its operation, as well as to the World Bank, UNEP and UNDP, which are institutions heavily involved in the finance and implementation of CDM projects.

Similarly, the role of the World Bank in the management of carbon funds is more than controversial due to its self-assigned role as a facilitator or broker of the carbon market while making money out of its commissions on projects. Even more fundamentally, through its initial position in the market as well as in the regulatory field, the Bank is influencing CDM regulation in its own interest under a facade of political neutrality. The Group of 77 and China block have clearly stated during the negotiations that they do not consider the World Bank as the suitable institution to manage the climate funds and would prefer a body directly accountable to the UNFCCC. Furthermore, the World Bank’s role turns out to be ironic since it still funds heavily polluting industries and is not willing to mainstream climate change considerations into its own energy projects or country strategies.

On the completely opposite side, the small existing ‘consultative’ space where local communities can give their input on the projects has other constraints embedded in the politics of participation. While formally the CDM has different opportunities for public involvement, they only take place when the design of the project is already decided. The language used in most of the documents is English and their translation into local languages is not required. Moreover, most information is communicated through the Internet, which is most of the times not a culturally appropriate way to reach local communities. Consequently, local and indigenous peoples are not considered actors of their own development but on the contrary, the CDM is establishing a homogenous ‘sustainable development’ path which is constructed in international arenas for accomplishing specific colonialist purposes.

Conclusion: A Mechanism for Dispossession

The CDM structure – created in the name of ‘mitigating global warming’ while transferring ‘clean’ technology to the developing world in the name of ‘sustainable development’ – has become an instrument used to expand capitalist globalization whereby the wealthiest actors continue to accumulate by
dispossessing the excluded. Is in this sense, local and social movements striving for climate justice are in essence struggling against the capitalistic model.

The CDM and the carbon market are based on the idea of economic growth within the extractive system of capitalism, and at the same time, on a climate governance that has been pursuing a regime of expanding accumulation. On one side, developing countries will have to bear the consequences of being industrialized countries’ carbon dump and ‘pay the bill’ for not having the right to pollute. Moreover, since emissions are growing faster than ever and climate change impacts are affecting the poorest parts of the world; countries with the most to lose are being more dispossessed, intensifying long-standing exploitative and dependent relations which started in colonial times.

On the other side, local communities intervened by CDM projects in most of the cases are being dispossessed from their lands, forests, water sources and traditional ways of living. In the name of ‘sustainable development’ an imposed ‘development’ is determining their path by hegemonic and capitalistic values. The transferred large-scale ‘clean’ technologies, which serve powerful global interests, are undermining the traditional ways for sustaining local and indigenous peoples’ livelihoods, which are an invaluable source of ecological sustainable alternatives. Moreover, the incorporation of the environment into the heart of liberal market institutions, such as the World Bank, enables a more rooted institutionalization of green capitalism. Hegemonic discourses are trying to persuade us that a green capitalist economy could achieve the miracle of sustainable development and continuous ‘growth’. However, global policies that intensify inequalities, social injustice and accumulation by dispossession practices are false solutions.

The lobbying and political pressures for the summit at Copenhagen in December 2009, where the negotiations for the post-Kyoto agreement will be carried out, are trying to deepen the process within these market mechanisms. Proposals for other kinds of offsets have been presented, with the same underlying logic, the same profit-driven incentive, and still no real structural changes. Countries and corporations continue to seek ways to avoid their reduction obligations by deepening the process of accumulation under a green capitalism.

Conversely, the alternatives are strong and diverse: community-led renewable energy, food sovereignty, reverse over-production and over-consumption, small scale agriculture systems, respect and learn from indigenous and traditional ways of living, and many others within the scope of people-centred approaches. The need for climate justice cannot be neglected or postponed any more.

The world needs a radical change in its fundamental economic pillars. Technological solutions are limited and do not address the historical and structural problem of the ideological and material foundations of capitalism. For that reason, building alternatives to capitalism’s inexorable accumulation forces is necessary for achieving no-carbon economies within a social justice framework.
Notes


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25 The systematic destabilization of national economies such as Mexico, South East Asia, etc; creation of bubble economies, mainly high-tech and housing markets; governance scandals such as the collapse of LTCM; more recently, the financial crisis; etc.


