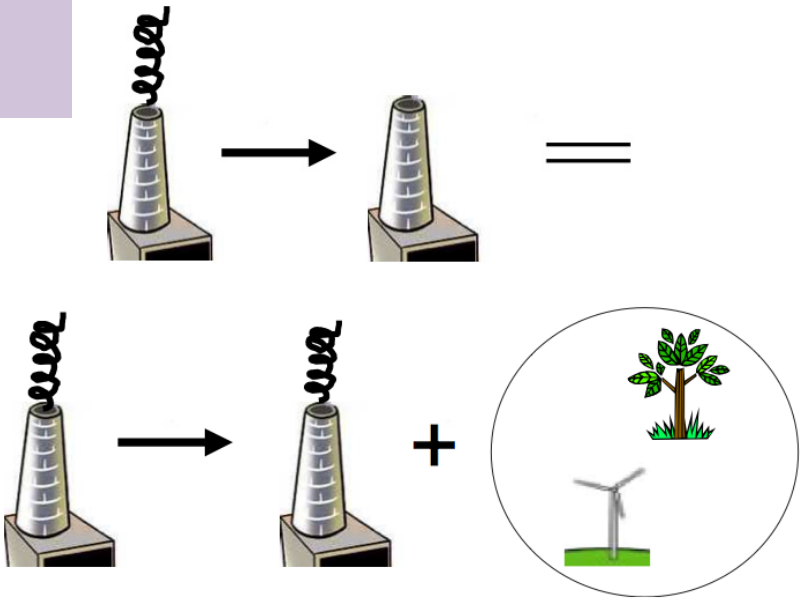
CARBON OFFSETS



WHAT ARE CARBON OFFSETS? Carbon offsets are "emissions-saving projects" created to supposedly compensate for continued pollution in industrialised countries in the North. These projects are undertaken by companies, international financial institutions and governments. Offsets usually run in parallel with "cap and trade" schemes, in which the cap is supposed to set a limit on pollution. Carbon offsets generate "credits" which permit pollution over and above this limit.The UN's Clean Development Mechanism (CDM) is the largest offsetting scheme with almost 1,800 registered projects in developing countries in September 2009, and over 2,600 further projects awaiting approval. Based on current prices, the credits generated by approved schemes will be worth around $35 billion by 2012.

Although offsets are often presented as emissions reductions, these projects move the responsibility for reducing emissions from one location to another, normally from countries in the North to countries in the South. This frequently results in increased emissions, whilst also exacerbating social and environmental conflicts.

SO WHAT IS THE PROBLEM WITH CARBON OFFSETTING?

Carbon offsets allow companies and countries to buy their way out of responsibility for cutting their own emissions with theoretical reductions elsewhere. There are both inter-governmental schemes – most notably the UN Clean Development Mechanism (CDM) - as well as voluntary programmes undertaken largely for purchase by individual consumers. Unfortunately both systems are deeply flawed:

Shifting responsibility. Offsetting does not reduce emissions at source, but allows companies and governments in the North that have the historical responsibility to clean up the atmosphere to buy credits from projects in the South. These projects often make existing conflicts for those living near them worse. Moreover, they delay domestic action in economically rich, industrialised countries.

Selling stories. Offsetting rests on "additionality" claims about what "would otherwise have happened," offering polluting companies and financial consultancies the opportunity to turn stories of an unknowable future into bankable carbon credits. The net result for the climate is that offsetting tends to increase rather than reduce greenhouse gas emissions, displacing the necessity to act in one location by a theoretical claim to act differently in another. Moreover, countries that host offset projects have a new barrier to the implementation of environmental regulations, since to do so would remove "additionality" and thereby cut off potential revenue.

Making things the same. The value of CDM projects is premised on constructing a whole series of dubious "equivalences" between very different economic and industrial practices, with the uncertainties of comparison overlooked to ensure that a single commodity can be constructed and exchanged. This does not alter the fact that burning more coal and oil is in no way eliminated by building more hydro-electric dams, planting monoculture tree plantations or capturing the methane in coal mines.

Offsets burst the cap. While cap and trade in theory limits the availability of pollution permits, offset projects are a license to print new ones. When the two systems are brought together, they tend to undermine each other – since one applies a cap and the other lifts it. Most current and proposed cap and trade schemes allow offset credits to be traded within them – including the EU Emissions Trading Scheme (EU ETS) and the cap and trade schemes currently being debated in the US Congress.

CARBON OFFSETS SUBSIDISE INCREASED GREENHOUSE GAS EMISSIONS One of the most frequent justifications put forward for carbon offsets is that they should ensure that the cheapest reductions are made first. In practice, these tend to be generated by loopholes and generous subsidies for the deployment of existing technologies, rather than stimulating shifts to a more sustainable future.

As of September 2009, three-quarters of the offset credits issued were manufactured by large firms making minor technical adjustments at a few industrial installations to eliminate HFCs (refrigerant gases) and N_2O (a by-product of synthetic fibre production). It is estimated that a straightforward subsidy to regulate HFC emissions would have cost less than €100 million – yet, by 2012, up to €4.7 billion in carbon credits will have been generated by such projects. N_2O reductions also use simple, existing technologies that could have been implemented far more simply by subsidies and regulations.

A second example involves new "supercritical" coal-fired power plants, which have been eligible for CDM credits since autumn 2007 – despite the fact that coal is among the most CO_2 intensive sources of power. This sets up a perversely circular structure where, instead of envisaging a rapid transition to clean energy, the CDM is subsidising the lock-in of fossil fuel dependence through incentives for new coal-fired power stations in the South. With the credits that these new plants will generate, the CDM is at the same time encouraging a continued reliance on coal-fired power stations in the North as well.

CARBON OFFSETS HAVE NEGATIVE ENVIRONMENTAL AND SOCIAL IMPACTS The use of “development” rhetoric masks the fundamental injustice of offsetting, which hands a new revenue stream to some of the most highly polluting industries in the South, while simultaneously offering companies and governments in the North a means to delay changing their own industrial practices and energy usage.

Carbon offset projects often result in land grabs, local environmental and social conflicts, as well as the repression of local communities and movements. In other words, the people who have had least to do with causing climate change are those who are most adversely effected by these “development” projects.

WHAT IMPACT WILL NEW TRADING SCHEMES HAVE ON OFFSETTING AND FOREST CARBON MARKETS? The most active buyers of offset credits in 2008 were European companies, which bought 80 million credits from the CDM or Joint Implementation projects (a similar UN scheme, operated in countries which have emissions reduction commitments under the Kyoto Protocol) as either a cheaper alternative to reducing emissions (under the EU ETS), or for the purpose of speculation and re-sale. This market is likely to expand rapidly if the proposed US cap and trade scheme is passed, which would allow US companies to purchase from 1 to 1.5 billion international offsets every year. This could spur on an increase in damaging offset projects, creating enormous pressure to reduce the already-inadequate checks on their environmental and social integrity.

CAN THERE BE GOOD PROJECTS? There cannot be good offset projects. Carbon offsetting exists to continue fossil fuel-based energy use and consumption in the North. It acts as a backdoor to avoid responsibility for reducing emissions at source.

Further, the types of industry that are being funded in the South are largely those which cause the worst social and local environmental problems. Even taking a look at some of the “renewable energy” projects, it becomes clear that local communities rarely benefit from these installations – in numerous cases, communities do not receive electricity from wind turbines and other renewable sources. Such projects have often displaced and criminalised communities through land grabs and persecution by local authorities.

BUT ISN’T CARBON TRADING BETTER THAN NOTHING? As carbon trading acts as a distraction and even increases emissions while exacerbating local conflicts, it is not a question of fixing carbon offsetting but rather of taking measures that actually tackle the real causes of climate change.

HOW WILL A NEW UN CLIMATE DEAL REFORM OFFSETTING? Various proposals are currently on the table, but the emphasis is clearly on scaling up offsets to meet an increased demand from new carbon markets. New CDM “methodologies” continue to be approved – including the first formal inclusion of biodiesel plantations in October 2009, which includes soybean and palm oil plantations.

A series of technical rule changes have been proposed which remove even the facade of “additionality” criteria. These include the use of “standardised baselines” and “positive lists,” which could make it quicker and easier for project developers to gain approval for large volumes of offsets without any reference to the likely environmental or social effects of projects in the localities where they are hosted.

Further proposals include “full fungibility” i.e. the ability to exchange carbon credits from offset schemes and permits from cap and trade schemes without legal limits. At present, the EU ETS excludes offsets from forestry and agriculture, and hydropower credits that do not adhere to World Commission on Dams guidelines – a practice that could be illegal under this proposal. In addition, there are new proposals for “sectoral crediting” which would introduce new offsets (see ‘What’s at Stake in Copenhagen’ fact sheet for more details).

WHAT DO MOVEMENTS AND COMMUNITIES SAY ABOUT OFFSET PROJECTS?

“Any further expansion of the CDM is an excuse to avoid real emissions reductions. The CDM and the carbon market are instruments that commodify the atmosphere, promote privatization and concentrate resources in the hands of a few, taking away the rights of many to live with dignity. CDM are not a mechanism for mitigating climate change. It is not just “carbon” or pollution that is being traded, but people’s lives.”

- Closing statement of the International Indigenous Peoples’ Forum on Climate Change, UNFCCC COP 14, Poznan, Poland, 12 December 2008. Presented by Mr. Tom Goldtooth, Indigenous Environmental Network.

“Carbon offsets perpetuate elite consumption in the misplaced hope that it can be compensated for. CDM in India is dominated by polluting industries that continue to harm communities and ecosystems, emit toxic fly ash and carbon, pollute rivers and underground aquifers. Corporations with bad environmental track records earn huge money through flimsy, non-verifiable and mostly false claims of emissions reductions.”

- Memorandum to the Government of India, Joint statement of Indian Climate Justice and Social Movements, November 2009

“We challenge States to abandon false solutions to climate change that negatively impact Indigenous Peoples’ rights, lands, air, oceans, forests, territories and waters. These include nuclear energy, large-scale dams, geo-engineering techniques, “clean coal”, agro-fuels, plantations, and market based mechanisms such as carbon trading, the Clean Development Mechanism, and forest offsets. The rights of Indigenous Peoples to protect our forests and forest livelihoods must be ensured.”

- Indigenous Peoples’ Global Summit on Climate Change, Anchorage Alaska, 24 April 2009

CARBON TRADE WATCH

DECEMBER 2009

Diagram: Larry Lohmann
Carbon Trade Watch, a Project of the Transnational Institute
www.carbontradewatch.org