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by Joanna Cabello / Third World Network
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The World Bank and 'market readiness': A 'carbon bible' for Southern countries

While the rich countries are refusing to make the minimum carbon emissions cuts to save the planet, moves to promote market-based 'solutions' are proceeding apace. In a World Bank evangelisation crusade using a 'carbon bible', Southern countries are urged to advance legislation for assuring the provision of carbon credits. In parallel, a new 'Business Partnership for Market Readiness' aims to enhance the potential for international carbon trading models to emerge around the world. However, carbon markets have had, through the implementation of 'emissions saving' or offset projects, devastating social and environmental consequences.

Joanna Cabello

THE World Bank Carbon Finance Unit (CFU) comprises 15 different funds and uses money contributed by governments and companies in OECD countries 'to purchase project-based GHG [greenhouse gas] emission reductions in developing countries and countries with economies in transition'. The Bank initiated these mechanisms in 1999 which have grown from \$145 million to \$2.3 billion since 2000. The recently adopted Partnership for Market Readiness (PMR) fund focuses specifically on getting 'middle-income' countries to 'build readiness for using market mechanisms on a large scale'.

Launched during the climate talks in Cancun in 2010 and operational since April 2011, the PMR is a 'global partnership of developed and developing countries that provides funding and technical assistance for piloting market-based instruments for GHG emissions reduction', using 'domestic emissions trading schemes (ETS) and scaled-up crediting mechanisms'. The aim is to develop carbon offsets 'beyond the existing CDM [Clean Development Mechanism]'.

In this way, the PMR sets the framework for carbon trading evangelisation across the South, targeting 16 'middle-income' 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 \$93.5 million from: Australia (12.5), Denmark (5.1), the European Commission (6.5), Finland (5.3), Germany (6.5), Japan (14.4), the Netherlands (7.0), Norway (5.8), Sweden (6.0), Switzerland (8.4), the UK (11.0) and the US (5.0). The largest share of this money will be allocated to creating systems for monitoring, reporting and verifying emissions in order to develop a system of tradable carbon credits.

Pushing ahead

By launching the PMR, the World 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 'market readiness' 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, 'The facility's ultimate goal is to jump-start a forest carbon market.' This despite the lack of any UN agreement on REDD carbon markets.

As the European Commission points out, 'Regardless [of whether] the final decision on the establishment of new carbon market mechanisms will [be] taken under [the] 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 mechanisms.'

Promoting 'market readiness' is strategically important for the Bank and its financial backers in order to open up national (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 'baseline' of existing emissions; creating a system of measurement, reporting and verification (MRV); and establishing a carbon credit registry and transaction log - 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 'REDD-readiness' activities of the FCPF fund.

During the PMR assembly meeting in May 2012, Mexico presented its process for 'market readiness' including a new 'climate change law' that allows for a voluntary emission reductions trade system. The pro-carbon-trading Mexican branch of The Nature Conservancy stated that 'this law is a starting point to which other norms have to be added, including the Mexican policies related to REDD+', which are undertaken in parallel under the FCPF fund. This however faces much opposition from the ground. Indigenous campesinos (peasants) in Mexico's Chiapas state, for example, declared: 'REDD+ 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 communities.'

Under the PMR, each participant country has to elaborate a 'market readiness proposal'. Its approval determines the funding allocation decision - and the amount of funding. The PMR Secretariat will appoint two to four 'experts' to assess each proposal. A main criterion for evaluation is the 'role and relevance of market instruments to a country's overall mitigation strategy and rationale for the target sector/programme(s)/areas', including institutional arrangements that cover all 'market relevant elements'. The PMR expects five to six countries to start the implementation phase in 2013. It has agreed to a minimum funding of \$3 million and maximum of \$8 million per implementing country participant.

As the European Commission explains, each 'beneficiary country' will initially be allocated \$200,000 to identify relevant sectors for the scheme, with an average of \$5 million subsequently spent on 'programme implementation' in each participating country. Some \$3 million will be dedicated to establishing systems for data collection, monitoring and reporting. However, much of the human and financial resources will have to be allocated by the 'beneficiary countries' themselves, with the PMR placing 'sources of additional finance' as a prerequisite for funding allocation.

Under this evangelisation crusade using a 'carbon bible', Southern countries are urged to advance legislation for assuring the provision of carbon credits. However, carbon markets have had, through the implementation of 'emissions saving' or offset projects, devastating social and environmental consequences. 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 'adjusted' to open up national economies to 'free carbon markets' behind what seems to be technical, apolitical discourse. As a scheme created from above, carbon markets are designed and promoted by many of the same players involved in destroying the environment.

The Business Partnership for Market Readiness (B-PMR)

In October 2012, IETA, the International Emissions Trading Association, launched a new 'Business Partnership for Market Readiness' with the aim of enhancing the potential for international carbon trading models to emerge around the world.

The carbon traders lobby group is mobilising its membership of over 150 companies to assist in building business readiness for the new carbon markets 'in their infancy', working in close cooperation with the World Bank, its PMR and host governments. This scheme was conceptualised after several emissions trading sessions were carried out for Chinese industries and major emitters in Beijing in April 2012. Despite IETA's track record of influencing EU climate policy in the interest of its members, mainly with a view to expanding carbon markets while locking in a fossil-fuel-dependent economy, the B-PMR will, it is claimed, 'bring good business practices to host countries'.

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 and Drax Power Ltd. and many banks such as Deutsche Bank, Citigroup, BNP Paribas and Goldman Sachs International.

A series of 'Industry-to-Industry Emissions Trading Dialogues for the Next Generation of Carbon Markets' are being planned to prepare businesses in the PMR jurisdictions to operate in a new market and to help them to 'build their capacity to gain value from the market'. The B-PMR will also seek to assist in the policy development processes, as well as to inform discussions on the 'New Market Mechanisms' under design in UN talks.

The expansion of carbon markets in Southern countries represents what Henry Derwent, president of IETA, has referred to as 'a sectoral overcoming of common but differentiated responsibilities'. 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 been obliged to monitor their emissions.

Carbon markets leave the current system based on the logic of unlimited growth unchallenged, benefitting those players which created the climate crisis in the first place and neglecting, intentionally or otherwise, 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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