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ESSAY

Climate Fraud and Carbon Colonialism: The New Trade in Greenhouse Gases

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The rush to make profits out of carbon-fixing engenders another kind of colonialism.

—Centre for Science and the Environment, India

1. Introduction

To understand the impact of "pollution permits" and "emissions trading"[1] on the ecological crisis, the findings of the international scientific community must be noted. The Intergovernmental Panel on Climate Change (IPCC), a UN advisory body numbering 3,000 scientists, concluded in 2001 that "the present CO_2 concentration has not been exceeded during the past 420,000 years and likely not during the past 20 million years."[2] The clear and alarming consensus in the scientific community is that humankind is wreaking havoc on the atmosphere. Across the world 80 million people are at severe risk of their homes and livelihoods being destroyed by flash flooding as sea levels rise, fed by melting icecaps, and extreme weather events become more frequent. Although these weather changes will occur everywhere, poorer countries will have less ability to adapt. Meanwhile the emissions of greenhouse gases, that are creating the problems, come overwhelmingly from the richer industrialized countries that do have the resources to adapt. For example the US and the EU, with only 10 percent of the world's population, are responsible for producing 45 percent of all emissions of carbon dioxide (CO_2), the principle greenhouse gas.[3]

[1]For the purposes of this paper, the term "emissions trading" refers to credit-and-trade (Clean Development Mechanism and Joint Implementation) as well as cap-and-trade systems in the Kyoto Protocol.

[2]"There is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities." IPCC Third Assessment Report. Summary for Policymakers. A Report of Working Group I of the Intergovernmental Panel on Climate Change 2001. http://www.ipcc.ch/pub/spm22-01.pdf

[3]World Resources Institute website: http://earthtrends.wri.org/maps_spatial/maps_detail.cfm?theme=3. http://earthtrends.wri.org/maps_spatial/maps_detail.cfm?theme = 3. US 4.6 percent world population: http://earthtrends.wri.org/searchable_db/index.cfm
EU's population grows by 1.5 m: http://www.itv.com/news/Related1428225.html

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Three-quarters of all the CO_2 emitted by human activities is from burning fossil fuels.[4] The rest mostly comes from deforestation. The IPCC concludes that an immediate reduction of 50–70 percent of carbon dioxide emissions is necessary to stabilize the concentrations in the atmosphere. In their most recent report, they state that "eventually CO_2 emissions would need to decline to a very small fraction of current emissions." Faced with this looming climate crisis, the global community of states response has been passage of the Kyoto Protocol in 1997, slowly ratified by 156 countries, and infamously rejected by the world's biggest polluter – the US. At the core of the Protocol is an agreement to reduce emissions by an average of 5.2 percent below 1990 levels of greenhouse gases by the year 2012.[5] Larry Lohmann vividly sums up the inadequacy:

> Shortly after the treaty was initialed in 1997, a scientific journal pointed out that 30 Kyotos would be needed just to stabilize atmospheric concentrations at twice the level they stood at, at the time of the Industrial Revolution. At this rate, 300 years of negotiations would be required just to secure the commitments necessary by the end of this decade.[6]

Also agreed upon in 1997 was the main mechanism for achieving this target, tabled by the US in response to heavy corporate lobbying: emissions trading. This market driven mechanism subjects the planet's atmosphere to the *legal* emission of greenhouse gases. The arrangement parcels up the atmosphere and establishes the routinized buying and selling of "permits to pollute" as though they were like any other international commodity. The Dutch institute RIVM estimate that with emissions trading the actual reductions achieved under Kyoto will only be 0.1 percent far below the already inadequate 5.2 percent reduction from 1990 levels.[7]

In addition, as we shall show, emissions trading is rife with controversy and the potential for exacerbating environmental and social injustice. The changes necessary to avert climate catastrophe are simple enough, namely, a switch away from fossil fuels and to renewable energy like solar and wind, along with a reduction in energy use generally. Instead, world leaders have taken ten years to agree to inadequate targets and the deeply flawed mechanism of emissions trading. Although emissions trading is represented as part of the solution, it is actually a part of the problem itself. Despite the scope and gravity of the dangers posed by greenhouse gases, and the major role of emissions trading in compounding them, this arrangement has not been seriously challenged in any international forum. The continuing acquiescence toward emissions trading is not an accident or bureaucratic oversight. The smooth

[4]IPCC Second Assessment – Climate Change 1995. A Report of the Intergovernmental Panel on Climate Change. IPCC Second Assessment Synthesis of Scientific-Technical Information Relevant to Interpreting Article 2 of the UNFCCC: http://www.ipcc.ch/pub/sarsyn.htm

[5]Kyoto Protocol, UNFCCC website:http://unfccc.int/resource/docs/convkp/kpeng.html

[6]"The Kyoto Protocol: Neocolonialism and Fraud." Talk given at "Resistance is Fertile" gathering, The Hague. Larry Lohmann, April, 2002.

[7]"Evaluating the Bonn Agreement and some Key Issues," The National Institute of Public Health and the Environment (RIVM) p. 22. The Netherlands, 2001.

sailing of this arrangement is attributable to the arm-twisting tactics of the richer nations and their constituencies of corporate polluters whenever global treaties are hammered out. The failure of the Kyoto Protocol to deal adequately and effectively with climate change is also representative of wider issues of democratic decision-making and symptomatic of the injustices that permeate international relationships between peoples.

2. What is Emissions Trading?

Under the Kyoto Protocol the "polluters" are countries that have agreed to targets for reducing their emissions of gases in a pre-defined time period. The polluters are then given a number of "emissions credits" equivalent to their 1990 levels of emissions minus their reduction commitment. These credits are measured in units of greenhouse gases, so one ton of CO_2 would equal one credit. The credits are licenses to pollute up to the limits set by the commitment to achieve the average reduction of 5.2 percent agreed in Kyoto. The countries then allocate their quota of credits on a nation-wide basis, most commonly by "grandfathering," so that the most polluting industries will receive the biggest allocation of credits.[8] In this system it pays to pollute.

Several possibilities then exist:

1. The polluter does not use its whole allowance and can either save the remaining credits for the next time period (bank them), or sell the credits to another polluter on the open market.

2. The polluter uses up its whole allowance in the allotted time period, but still pollutes more. In order to remain in compliance, spare credits must be bought from another polluter that has not used up its full allowance.

3. The polluter can invest in pollution reduction schemes in other countries or regions and in this way "earn" credits that can then be sold, or banked, or used to make up shortfalls in its original allowance.

Credit-earning projects that take place in a country with no reduction target (mostly in the "developing" world) come under the contentious rubric of the "Clean Development Mechanism" (CDM). There have already been signs that traditional Overseas Development Aid (ODA) given by developed countries will be used to fund CDM projects. Instead of building wells, rich countries can now plant trees to "offset" their own pollution. Projects which take place in countries with reduction targets come under Joint Implementation (JI). For example, an energy efficiency program in Poland funded by a UK company could qualify.

[8]International Emissions Trading Association website: Meeting the Kyoto Protocol Commitments Summary – Domestic Emissions Trading Schemes, January, 2001
http://www.ieta.org/Documents/New_Documents/StatusonDomesticTradingSchemes_GeirHoybe.htm

It appears that JI projects will mainly take place in Eastern Europe and Russia, where equivalent reductions can be made more cheaply as costs and regulatory standards are lower.

Both CDM and JI projects can be of different kinds: monoculture tree plantations, which theoretically absorb carbon from the atmosphere (carbon sinks); renewable energy projects such as solar or wind projects; improvements to existing energy generation; and so on. The amount of credits earned by each project is calculated as the difference between the level of emissions with the project and the level of emissions that would occur in an imagined alternative future without the project. With such an imagined alternative future in mind, a corporate polluter can conjure up huge estimates of the emissions that would be supposedly produced without the company's CDM or JI project. This stratagem allows for a high (almost limitless) number of pollution credits that can be earned for each project. It allows the company to pollute more at other sites, to sell its credits to other polluters, or to engage in a combination of these lucrative tactics. Its long-term consequences are (1) increased greenhouse gas emissions and (2) increased corporate profit obtained from their production.

There is yet another provision in emissions trading that introduces increasing levels of complexity and confusion: the pollutants are interchangeable. In effect, a reduction in the emission of one greenhouse gas (e.g., carbon dioxide) enables a polluter to claim reductions in another gas (e.g., methane). Thus, progress in "cleaning up" the atmosphere might appear to be going forward, while closer scrutiny reveals that no actual improvement is taking place.

3. Climate Fraud

While many hundreds of millions of dollars are being invested in setting up emissions trading schemes all over the world (the UK government alone has spent UK £215 million on its trial trading scheme), virtually no resources are being channeled into their regulation. This imbalance can only lead to an emissions market dangerously reliant upon the integrity of corporations to file accurate reports of emissions levels, and reductions. In practice, corporations such as PricewaterhouseCoopers are acting as both accountants for and consultants to polluting firms, and as verifiers of emission reduction projects. Some entrepreneurial firms such as CH2M Hill and ICF Consulting are also offering consultancy and brokerage as well as verification services. These potential conflicts of interest were at the heart of scandals relating to Enron and Arthur Andersen, who were both pioneers in emissions trading.

Opportunities for fraud abound as the poorly regulated emissions markets develop. This is inevitable in the *laissez-faire* environment in which emissions trading is conducted. In the first year of the UK's trial emissions trading scheme in 2002, Environmental Data Services (ENDS) exposed the main corporations involved in the scheme as having defrauded the system. They found that three chemical

corporations had been given over £93 million in "incentives" by the UK government for their combined commitments to reduce pollution by participating in the voluntary trading scheme. However, the corporations had already achieved their promised reductions under separate compulsory EU-wide regulations. ENDS estimated that one corporation, DuPont, could make a further £7 million from the market value of the "carbon" credits generated.[9] Therefore the corporations had received millions of UK taxpayers' money for doing nothing. This was only highlighted by the independent work of the ENDS service inasmuch as no government monitoring of the scheme revealed these instances of fraud. No subsequent action was taken by the government to respond to these revelations.

4. Monitoring the Monitors

At present, there is no consensus on the international monitoring of emissions trading or the means to verify claimed reductions in greenhouse gas emissions. The prospects for such monitoring and verification are still under discussion in the official negotiations. Nevertheless, hundreds of credit-generating projects are going ahead and at least three EU countries (Denmark, The Netherlands and the UK) have begun their own internal greenhouse gas trading schemes, with an EU-wide market set to begin in 2005. What has been emerging in place of UN or government-led guidance are initiatives taken by Non-Governmental Organizations (NGOs); corporate-led self-monitoring; and entrepreneurial verification schemes by consulting firms.

Environmental NGOs such as the World Wide Fund for Nature (WWF) are developing labeling standards for CDM projects, similar to other controversial labeling schemes such as the Forest Stewardship Council accreditation.[10] Alongside this, more critical NGOs such as SinksWatch, World Rainforest Movement and the CDMWatch attempt to monitor trades and support communities affected by projects by providing them with crucial research and campaigning tools. However, these latter groups are often poorly funded and under-resourced, and it is impossible for NGOs to systematically monitor the thousands of transactions that are expected to take place globally once the greenhouse gas markets come into being.

Meanwhile, oil giants BP and Shell have been experimenting with internal trading schemes and have employed self-monitoring to report trades and verify reductions. There are obvious conflicts of interest affecting the reliability of data produced in this way. For example, BP state that their internal trading scheme

[9]ENDS Report, February, 2003, ENDS Report 327, pp. 3–5 article.cfm?ArticleRef = 327001, ENDS Report 337, pp. 5–6 article.cfm?ArticleRef = 337003. For more info: www.endsreport.com/trading

[10]The Forest Stewardship Council (FSC) is an association of environmental and social groups, the timber trade and the forestry profession, indigenous people's organizations, responsible corporations, community forestry groups and forest product certification organizations from around the world who provide standards for responsible forestry (http://www.fsc.org). They have been criticized by groups such as the World Rainforest Movement for including plantations in their certification schemes. WRM argue that plantations are not forests and should not be considered for the FSC label (http://www.wrm.org.uy/bulletin/64/viewpoint.html#viewpoint).

achieved 5 percent reduction in CO_2 emissions, half of their voluntary commitment of 10 percent reductions below 1990 levels. The scheme also earned them US $650 million in extra profits as most reductions were achieved through energy efficiency and reducing gas flaring. They admitted that measuring reported emissions is "never 100 percent accurate."[11] However, there is no independent corroboration for these figures as the data was monitored internally by BP itself.

Lastly, consulting firms such as Det Norske Veritas (DNV) have taken up the verification of emissions reductions. In 2002, for instance, DNV validated a eucalyptus plantation, a project funded by the World Bank's new Prototype Carbon Fund. The plantation is the target of local and international campaigns as monoculture eucalyptus causes severe problems for local peoples and the environment. While admitting in their report that they could not guarantee that the carbon would be permanently stored in the plantation, DNV nonetheless recommended the project to the Clean Development Mechanism Board.[12]

There are serious concerns about the effectiveness and wisdom of relying upon any of these monitoring and verification practices, yet a reliable surveillance system is essential to prevent the Kyoto targets from being undermined by fraudulent and destructive projects. However, it is difficult to imagine how any organization, UN-sanctioned or otherwise, could cope with the vast amount of trade that will take place globally.

5. Carbon Colonialism

The Centre for Science and the Environment India observes that so-called carbon-fixing projects are in reality opening the door to a new form of colonialism, which utilizes climate policies to bring about a variation on the traditional means by which the global South is dominated.[13] In particular this trend is seen in the use of monoculture plantations which allegedly "sequester" or remove CO_2 from the atmosphere. Scientific understanding of the complex interactions between the biosphere (trees, oceans, and so on) and the troposphere (the lowermost part of the atmosphere) is limited. Further, there is scientific consensus that the carbon stored above-ground (i.e. in trees) is not equivalent to the carbon stored below-ground (i.e. in fossil fuels). Therefore there is no scientific credibility for the practice of soaking-up pollution using tree plantations.[14] Yet entrepreneurial companies such as FACE International are charging ahead with plantations while propagating the

[11]Presentation by Head of Climate Change at BPAmoco, Mark Akhurst. February 19, 2002, Okura Hotel, Amsterdam, The Netherlands.

[12]DNV, "Validation of the Plantar Project," Report No 2001-1263, 12.6.02; www.prototypecarbonfund.org. Please note that DNV pointed to the lack of guidance from the official UNFCCC rules in clarifying this problem.

[13]See Equity Watch newsletter on Centre for Science and Environment India website, October 25, 2000, *Carbon Colonialism.* http://www.cseindia.org/html/cmp/climate/ew/art20001025_4.htm

[14]For a more detailed discussion of this see The Corner House briefing, *Democracy or Carbocracy? Intellectual Corruption and the Future of the Climate Change Debate* by Larry Lohmann, October 2001: http://www.thecornerhouse.org.uk/briefing/summary/24carboc.html

idea that consumers need not change their lifestyles. This new logic dictates that all that need be done is to become "carbon neutral" by planting trees. The majority of these projects are being imposed upon the South.

The key questions revolve around whether the concept of "carbon offsetting" is either tenable or desirable. The various schemes of Clean Development Mechanisms (CDM) and Joint Implementation Mechanisms of the Kyoto Protocol rely on the notion that emissions from a polluting source can be "nullified" through investments in renewables or "carbon sinks." These compensation mechanisms vary in complexity and design, but all are enthusiastically promoted by the emerging offset industry which is being developed to service the new markets. As a result, clients wishing to go "carbon neutral" are bombarded with a plethora of new, untested, and poorly thought-through offset products and services.

Companies such as Future Forests sell branded carbon offset products to promote so-called CarbonNeutral™ living. They offer a consumer the possibility to take CarbonNeutral™ flights, go CarbonNeutral™ driving, live in CarbonNeutral™ homes, and be a CarbonNeutral™ citizen, by planting trees which theoretically absorb carbon from the atmosphere.[15] The gathering of global business elites, the World Economic Forum, promotes their events as CarbonNeutral™ with the aid of these self-styled "offset" businesses. The allure of offset culture is understandable. Corporations, ever conscious of cost and image, seek quick-fix solutions that do not require radical changes to fundamental business practice.

However, there are many problems with this approach. Offset schemes typically do not challenge the destructive consumption ethic, which literally drives the fossil fuel economy. These initiatives provide "moral cover" for consumers of fossil fuels. The fundamental changes that are urgently necessary, if we are to achieve a more sustainable future, can then be ideologically redefined or dismissed altogether as pipe dreams. Furthermore, land is commandeered in the South for large-scale monoculture plantations which act as an occupying force in impoverished rural communities dependent on these lands for survival. The Kyoto Protocol allows industrialized countries access to a parcel of land roughly the size of one small Southern nation – or upwards of 10 million hectares – every year for the generation of CDM carbon sink credits.[16] Responsibility for over-consumptive lifestyles of those in richer nations is pushed onto the poor, as the South becomes a carbon dump for the industrialized world.[17]

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[15]See Future Forests website: http://www.futureforests.com/

[16]Sinks in the CDM are limited to 1 percent of Annex I countries annual emissions. Based on the average rate of growth of plantation trees this brings this figure. See the SinksWatch website for more information on sinks and Kyoto: http://www. sinkswatch.org

[17]For more discussion of this point see World Rainforest Movement website: http://www.wrm.org.uy/publications/briefings/CCC.html#sinks

Uganda: Carbon sinks and Norwegian CO2lonialism

http://www.wrm.org.uy/bulletin/35/Uganda.html

Climate Change and the Market Politics of Environment. The National Forum of Forest People and Forest Workers. Soumitra Ghosh: http://www.sinkswatch.org

On a local level, long-standing exploitative relationships and processes are being reinvigorated by emissions trading. Indigenous communities, fisher folk, and other marginalized rural Brazilian peoples were systematically removed from land during the colonial obsession with plantations. Now the World Bank is funding a eucalyptus plantation in Brazil run by an existing plantation company called Plantar, with the intention that it be approved as a CDM project. While plantations have their own ecologically destructive qualities such as biodiversity loss, water table disruption and pollution from herbicides and pesticides, their social impact is equally devastating to a local community. Lands previously used by local peoples are enclosed and in some cases they have been forcibly evicted. This was the case in Uganda when a Norwegian company leased lands for a carbon sink project which resulted in the eviction of 8,000 people in 13 villages.[18]

The workers on such plantations have little or no health and safety protection and are exposed to hazardous chemicals and dust particles. Plantar is a company with an especially sordid history. In March, 2002, the Regional Labour Office (DRT), prosecuted 50 companies, among them Plantar, for the illegal outsourcing of labor, a process synonymous with extreme degrees of exploitation. Indeed, in the 1990s, the Montes Claros (MG) Pastoral Land Commission (CPT), an organization originating in the Catholic Church and well-respected in the region, verified that slave labor was used on the company's property.[19]

Similar disregard exists for the natural environment. Thus local fisher folk in the regions around the plantations in Brazil are poverty-stricken and devastated due to the pollution caused by the over-use of pesticides and herbicides, which contaminates rivers and water sources and kills fish. In some cases, the water in streams and rivers has entirely dried up because the non-indigenous eucalyptus is a thirsty tree. With the World Bank's assistance, this plantation will now expand by 23,400 hectares. This is a disaster for local agriculture and people dependent on water sources for subsistence. The ruination caused by the trafficking in pollution credits serves only to place the cloak of ecological respectability over local and global unequal power relations.

6. Might Makes Right

One of the more tragic ironies of the Kyoto Protocol is that "carbon sinks" (forests, oceans, etc.) can only qualify for emission credits if they are managed by those with official status. This means that an old-growth rainforest inhabited for thousands of years by indigenous peoples does not qualify under Kyoto rules as

[18]Uganda: Carbon sinks and Norwegian CO2lonialism
http://www.wrm.org.uy/bulletin/35/Uganda.html
[19]Evaluation report of V&M Florestal Ltda. and Plantar S.A. Reflorestamentos, both certified by FSC – Forest Stewardship Council. Brazil, November, 2002
http://www.wrm.org.uy/countries/Brazil/fsc1.html

"managed," and cannot get credits. However, a monoculture plantation run by the state or a registered private company does qualify. This exposes the vested interests which are served by emissions trading, as ordinary people are not recognized by the official process. Neither does Kyoto offer protection for forests. Instead emissions trading provides an opportunity for extended encroachment on the lives of indigenous peoples by government and corporations, expanding the potential for neo-colonial land-grabbing. Further, other ecosystems such as grasslands are not protected under Kyoto, therefore a monoculture plantation could supplant them. Under the guise of creating solutions for one environmental problem, climate change, further destruction of diverse ecosystems has been legitimized.

Emissions trading represents the latest strategy in an ongoing process that stems from 16th century European land enclosures to the recent World Trade Organization (WTO) negotiations on public health and education, to privatize and liberalize the global commons and resources. By its very nature, an emissions credit entitles its owner to dump a certain amount of greenhouse gases into the atmosphere. Control of such credits effectively leads to control of how the atmosphere, perhaps the last global commons, is used. The Kyoto Protocol negotiations has not only created a property rights regime for the atmosphere. It has also awarded a controlling stake to the world's worst polluters, such as the European Union, by allocating credits based on historical emissions. A similar relationship applies to the process leading to the agreement of Kyoto.

7. The 1992 Rio Earth Summit and Climate Change

From the beginning of international discussions about climate change Northern governments and corporate polluters have been opposed to the structural changes needed to truly combat the problem. Before the Earth Summit, an International Negotiating Committee (INC) was set up to formulate a draft text. Within the INC, both the US and the EU argued against binding reductions in greenhouse gas emissions.[20] The Earth Summit did however produce the United Nations Framework Convention on Climate Change (UNFCCC). Despite some obvious merits such as a recognition that climate change was an urgent issue for the first time in an international agreement, the UNFCCC did not include any commitment to legally binding emission reductions. Nor did it recognize the role of industry, over-consumption and free trade policies in exacerbating climate change.

Meanwhile in 1991, the UN Conference on Trade and Development (UNCTAD) had set up a department on the trade in greenhouse gases. Emissions trading then found its way onto the INC's agenda at its third session held in Nairobi in September, 1991. UNCTAD also set up the International Emissions Trading Association (IETA),

[20]S. Halpern, United Nations Conference on Environment and Development: Process and documentation. Providence, RI: Academic Council for the United Nations System (ACUNS), 1992. http://www.ciesin.org/docs/008-585/unced-ch1.html#PC-climate

a corporate lobby group dedicated to promoting emissions trading. These activities led to a May, 1992, report entitled "Combating Global Warming: Study on a global system of tradable carbon emission entitlements," produced with financial support from the governments of the Netherlands and Norway. The intimate connections between business and the UN is further evidenced in that the former head of UNCTAD's emissions trading division, Frank Joshua, is now the Global Director for greenhouse gas emissions trading at Arthur Andersen.

Formal proposals for trading emissions, however, were not made until the mid-1990s. By then UNCTAD's research on greenhouse gas trading was well advanced; it never pursued research on other alternatives, or even on other market-based instruments such as pollution taxes. The neo-liberal bias of the UN in this instance seems less a question of succumbing to corporate pressure than of an organizational culture oriented towards corporate-friendly solutions as a matter of course.

8. The Role of Corporations

Corporate lobby activity before the Earth Summit remains to be researched, but it is telling that most of industry's goals for the Earth Summit (i.e. promoting "cost-effective policies" and "self-regulation") were achieved. Considering the corporate connections to government delegations, it is unsurprising that they were so successful. For example, the chair of the Working Party on Sustainable Development in one of the most powerful corporate lobby groups in the world, the International Chamber of Commerce, was also a member of the UK official delegation in Rio.[21] The ICC continues to have privileged access to policymakers and regularly makes statements to the International Negotiating Committee (INC) on climate change, representing the "voice of business." The voices of neo-liberal ideology seem consistently to be heard "loud and clear" in all international forums on climate change.

Corporations also promote business-friendly solutions through "partnerships" with NGOs, governments and the UN. This tactic is new, and exposes some dissension within corporate ranks. Enron, for example, saw that Kyoto "would do more to promote Enron's business than will almost any other regulatory initiative," and was one of the main proponents of emissions trading.[22] Along with expensive PR campaigns such as British Petroleum's environmental "Beyond Petroleum" make-over, so-called progressive corporations have successfully advanced the concept of Public-Private-Partnerships (PPPs), wooing NGOs and public opinion with slick public relations campaigns and advertising. This approach was epitomized by what happened at the World Summit on Sustainable Development in Johannesburg in 2002. No legally binding agreements were reached at this second Earth Summit. Instead, over 280 PPPs were showcased, highlighting the lack of political will on

[21]Sharon Beder, "Global Spin" (Devon: Green Book, Ltd., 1997), p. 29.
[22]Controlling Hypocritical Authority: Gore's Expertise, Horner Op-Ed in National Review Online by Christopher C. Horner, April 23, 2002. http://www.cei.org/gencon/019,02972.cfm

the part of governments, and the extravagant enthusiasm of corporations for taking control of the issue.

9. Co-opting NGOs

Environmental NGOs have also been hypnotized by corporate "multi-stakeholder" dialogues. Part of the formula for developing an image of the "good corporate citizen" is to enlist the help of friendly NGOs in controversial activities, effectively outsourcing legitimacy. Environmental NGOs can therefore provide a moral stamp of approval for corporations involved in emissions trading. The conflict of interest involved in verifying the emissions of companies who are paying you to do so while also providing general funding for your organization, is obvious. "Working with business is as important to us as munching bamboo is for a panda," according to a World Wide Fund for Nature (WWF) representative. Unsurprisingly, since WWF receives approximately £1 million a year from corporations in the UK alone and has an operational budget larger than the World Trade Organization.[23] Recently WWF stated that emissions trading in the European Union could be an "important element" in climate policy and help to "prevent dangerous climate change . . . as cost-effectively as possible"[24]

However, it is not just conservative environmental NGOs that have been neutralized by strategies of corporate polluters. At the original Earth Summit in Rio the NGO Global Forum produced an alternative treaty, designed to influence the official Rio Declarations. In this visionary document, the NGOs declared that the climate negotiators should "avoid any emission trading schemes which only superficially address climate change problems, perpetuate or worsen inequities hidden behind the problem, or have a negative ecological impact."[25] After Kyoto, however, the large NGOs that had helped produce the alternative treaty in Rio began to abandon their stand against emissions trading. By November, 2000, at the sixth meeting (COP6) of the signatories to the UN Framework Convention on Climate Change, even some of the more radical NGOs like Friends of the Earth had changed their position on emissions trading. At COP6 they moderated their demands to calling for a 20 percent limit on the use of emissions trading. Eight months later, after agreement was reached on key controversial issues in the Kyoto Protocol at COP6.5 in Bonn in July, 2001, press statements from Friends of the Earth International heralded the agreement as a "new hope for the future" – even though it placed no specific limits on the use of emissions trading, and was actually weaker than the deal they had described as "junk" in COP6.

In Johannesburg at the 2002 World Summit on Sustainable Development, Greenpeace and the World Business Council for Sustainable Development (WBCSD),

[23]Andy Rowell, "Corporations 'Get Engaged' to the Environmental Movement," http://www.prwatch.org/prwissues/2001Q3/engaged.html published in PR Watch, Volume 8, 3, US.

[24]WWF Position Paper on the Directive proposal on greenhouse gas emission trading presented by the Commission on October 23, 2001 – COM(2001)581, February, 2002.
http://www.panda.org/downloads/europe/positionpapergreenhousegasemission.pdf

[25]NGO Alternative Treaties, Global Forum at Rio. June 1–15, 1992. http://www.igc. org/habitat/treaties/

which includes corporations such as Dow Chemical and General Motors, made a joint declaration on climate change, urging governments to move forward. This happened despite the fact that the WBCSD still does not necessarily endorse implementation of the 1997 Kyoto Protocol, in sharp contrast to the stated aims of Greenpeace. At the Earth Summit in 1992, Greenpeace and the WBSCD had been "fighting like cats and dogs." Ten years later they stood on the same platform, but without a substantial common vision of how governments should move forward.

A number of mainstream NGOs that have long campaigned for an international agreement on climate change are now persuaded that business support is crucial. Part of the reason is technocratic. In the lengthy negotiation process, the talks tend to become extremely technical and the language impenetrable to the point that most people participating do not understand fully the implications of the compromises made. In effect, environmental policy decisions are often left in the hands of "climate experts" in organizations with the knock-on effect that democracy and understanding within NGOs suffers and public statements are reduced to simplified slogans. At times, even well-intentioned activists in NGOs are persuaded by the win-win scenario rhetoric that accompanies emissions trading. Talk of "technology transfer" and "leap-frogging industrialization" is seductive. Yet at the heart of this corporate paternalism lies the stone-cold logic of the free market. This has created a situation where the NGO world has been thrown into confusion and discord. While mostly Northern mainstream NGOs support, or do not resist, emissions trading, many social movements and smaller NGOs are vehemently opposed to it. Now that NGOs have been effectively diverted, corporate interests have been placed at the heart of political negotiations and industry has been defined as a legitimate stakeholder.

10. The Impact of the World Trade Organization on Emissions Trading

Proponents of emissions trading argue that as schemes are implemented the rules governing them can be tightened and improved, and fraud avoided. This view is at best naïve and at worst, dishonest. As emissions trading emerges as the principal component of government climate change policy, the rules for its use will have to conform to the general rules governing trade. Any efforts to improve the rules of emissions trading, or to curb its use, will be subject to the general forces of liberalization. Industry lobby groups and neo-liberal think-tanks want World Trade Organization (WTO) compliance across the board, with no exceptions made for other purposes or values. Many corporate lobby groups, in particular, want unrestricted free trade in greenhouse gas credits rather than government regulation and taxation to achieve emissions reductions.[26] Since the rules for the Kyoto mechanisms are still being developed, and the WTO's Committee on Trade and Environment (the principal

[26]Corporate Europe Observatory, "Greenhouse Market Mania: UN climate talks corrupted by corporate psuedo-solutions," CEO, November, 2000.

committee responsible for evaluating the relationship between Multilateral Environmental Agreements such as the Kyoto Protocol, and the WTO) is still deliberating, much remains speculative. However, there are already many areas of likely conflict. The net effect may be to water down regulation of emissions trading in order to avoid trade conflicts.

11. Environmental Justice

A further fundamental problem of emissions trading is its tendency to perpetuate and aggravate environmental injustice. The six greenhouse gases due to be traded all have toxic co-pollutant side effects.[27] This aggravates other dimensions of social injustice inasmuch as polluting industries are disproportionately located in low-income areas and communities of color. In the case of a sulphur dioxide trading scheme in Los Angeles, RECLAIM, where localized pollution of the local Latino communities around factories involved in the scheme continued unabated.[28] It is likely that this phenomenon will be widely replicated with global greenhouse gas trading. Reductions will not need to take place at their source, allowing factories to continue polluting locally. And the communities affected are those with the least power to resist; "pollution ghettoes" are thereby created, bringing the seemingly abstract nature of the market into deadly focus.[29]

The introduction of emissions trading means that precious time and resources are being channeled away from the solutions that could successfully resolve climate change in a just way. It took ten years to put the RECLAIM program into place in Los Angeles, and the Kyoto market will not officially begin trading until 2008. By then national governments will have spent millions setting up their internal schemes in preparation for the international market. Brokers, consultants, NGOs, corporations, PR firms, speculators, as well as opportunistic experts and consulting firms that offer "science for sale" will be created in anticipation of the new carbon economy. All this energy, investment and time could be put into more positive and effective strategies to resolve climate change, and at the same time, to combat environmental injustice. Besides central government measures, from taxation and subsidies to laws, grassroots initiatives of all kinds could provide answers at low cost while also successfully tackling issues of environmental injustice and carbon colonialism.

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[27]The six greenhouse gases focused upon in the international negotiations are; carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

[28]Richard Toshiyuki Drury, Michael E. Belliveau, J. Scott Kuhn and Shipra Bansal, "Pollution Trading and Environmental Injustice: Los Angeles' Failed Experiment in Air Quality Policy" (Duke Environmental Law & Policy Forum, 1999).

[29]Calvin Sandborn, William J. Andrews and Brad Wylynko, Preventing Toxic Pollution: Toward a British Columbia Strategy. A Report to the B.C. Hazardous Waste Management Corporation (West Coast Environmental Law Research Foundation Vancouver, Canada, 1991).

12. The Alternative

One alternative to corporate-led schemes such as emissions trading is government regulation. This can include taxation, penalties for polluting, and imposed technological "fixes," such as scrubbers and filters on smokestacks. Such an approach has been successfully adopted in Iceland (where 99 percent of electricity comes from geothermal sources) and Costa Rica (where 92 percent of energy comes from renewables). Additionally, government fossil fuel subsidies and tax breaks could be withdrawn and subsidies for small-scale renewables increased instead. However, there are problems with this approach as well. In Iceland, one of the main producers and distributors of renewable energy is the oil giant Shell. Although the product has changed from fossil fuels to renewables, the corporation is still the same. The power dynamic remains; often the renewable investments of large fossil fuel corporations are another tactic in a cleverly planned "greenwash" campaign to improve their public image. Additionally the failure to challenge corporate monopolies in the renewable energy sector could stifle diversity and innovation as was shown when comparing developments in The Netherlands and Germany. In the Netherlands, subsidies for the solar industry in the 1990s were concentrated on Shell and eco-consultants Ecofys. This limited the number of solar panel firms to just a few main players and Shell gained a virtual monopoly in solar panel installation. In contrast, German subsidies were distributed more fairly across different sized firms. By 2002 there were over 300 companies involved in supplying solar panels.[30] Even a future where wind and solar are the main source of energy still fails to challenge underlying patterns of consumption and does not guarantee that transnational corporations will suddenly behave in an environmentally or socially just way.

Many grassroots initiatives have nevertheless arisen to tackle these problems and it is here that we can see the outlines of an holistic approach to the problem posed by climate change. Thousands of small-scale projects successfully balancing social and economic injustice with environmental sustainability have already sprung up around the world. The Centre for Alternative Technology in Wales, for example, is in the process of building a wind turbine, a project that was initiated and is managed by the local community. The energy will be used locally, and any surplus sold and the dividends are to be shared among the community group.[31] Another initiative is in the process of being launched in Northern Spain by a project called ESCANDA who are engaged in planning and forming a renewable energy co-operative to invest, build and maintain wind and solar energy. This challenges corporate control of energy production and distribution, promoting empowerment and democracy as decision-making is held by the people producing and using the electricity generated. It is hoped that the project can provide a model for other communities in Spain and perhaps be applied Europe-wide.[32]

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[30]Interview with Frank van der Vleuten, Free Energy Europe, Netherlands office, December, 2002.
[31]Community Wind Turbine – CAT website:
http://www.cat.org.uk/gallery/CWTphotodiary.tmpl?cart = 32549200181239561&startat=1&subdir = gallery
[32]Renewable Energy for local benefit project. ESCANDA. http://www.escanda.org/

Another method is employed by Khanya College in Johannesburg where a community education program to tackle issues of climate change from an environmental justice perspective is being planned. Community educators and activists will conduct workshops to both inform and train township residents in the province on the impacts and effects of climate change upon their lives. The workshops open up a safe political space where the community can explore the issues and create their own solutions.[33] This unique synthesis of education and empowerment is absent from the official process, and diametrically opposed to the top-down solutions offered by proponents of emissions trading schemes. What all these community-based projects have in common is an innovative, yet practical, combination of economics, ecology, democracy and participation.

13. Conclusions

In the best case scenario that emissions trading is strictly regulated, it is still unlikely to achieve even the woefully inadequate reductions in greenhouse gas emissions enshrined in the Kyoto Protocol. This would be true even if the US joined the rest of the major polluting countries in ratifying the Protocol. Yet should a foolproof monitoring system be put in place, the whole system would lose its appeal of being cheap and unchallenging for corporations, and so any attempt to introduce such methods will be strongly opposed. Furthermore, the neo-liberal trends in international trade make it unlikely that emissions markets will ever be tightly regulated. The strategy and tactics of emissions trading have been adorned with the rationale of neo-liberal ideology; they have become so institutionalized in international forums that regulatory initiatives are unlikely to be proposed from within their circles.

Yet even if emissions trading were adequately regulated, the reality is that the trading in pollution best serves the needs of those with the most to lose from resolving the climate crisis. As climate change exposes fundamental flaws in the current world order, only the most challenging responses will have any prospect of success. Transnational fossil fuel corporations and the governments of industrialized countries will not concede power willingly. That is why emissions trading is being used to distract attention away from the changes that are urgently needed. In this way corporations and government are able to build the illusion of taking action on climate change while reinforcing current unequal power structures. Emissions trading therefore becomes an instrument by means of which the current world order, built and founded on a history of colonialism, wields a new kind of "carbon colonialism."

As with the colonialism of old, this new colonizing force justifies its interference through moral rhetoric. As the colonizers seek to resolve climate change, they conveniently "forget" the true source of the problem. With the looming climate crisis and the desperate need for action, the resulting course recommended by corporations

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and government is not analyzed critically. The debate is transformed, shifting the blame onto the poor masses of the global South. Lost in this discourse is the reality that the world's richest minorities are the culprits who have over-consumed the planet to the brink of ecological disaster. Instead of reducing in the rich countries, a carbon dump is created in the poor countries. Thus rich countries can continue in their unequal over-consumption of the world's resources.

> The poor countries are so poor that they will accept crumbs. They know that and they are taking advantage of it.
>
> – Sajida Khan, community organizer campaigning against an emissions trading project in Durban, South Africa.

On almost every level of emissions trading, colonial and imperialistic dimensions exist. There may be new labels for these phenomena, such as environmental injustice, but the fundamental issues are the same. The dynamics of emissions trading, whereby powerful actors benefit at the expense of disempowered communities in both North and South, is a modern incarnation of a dark colonial past. European colonialism extracted natural resources as well as people from the colonized world. In the 20th century, international financial institutions took on the role of economic colonizer in the form of Structural Adjustment Policies (SAPs) for the "Third World." Now an ecological crisis created by the old colonizers is being reinvented as another market opportunity. This new market brings with it all the built-in inequities that other commodity markets thrive upon. From the pumping of pollution into communities of color in Los Angeles to the land grabbing for carbon "sinks" in South America, emissions trading continues this age-old colonial tradition.