

The carbon market dream: millions of offsets from land-use “sinks”

Carbon traders and high emitting Parties would like all land-use to count as carbon sinks to offset sources, delay reducing emissions and make money for carbon markets. There is more than one route to this goal: REDD++ could be one way, and CDM in LULUCF is another, as we shall see. Parties could also be enabled to use every current and future market-based mechanism to meet their reduction commitments. This briefing provides background to these key issues for Cancun.

1. A massive extension of the CDM is proposed

In Copenhagen, new language was introduced into the draft chapter on land-use, land-use change and forestry (LULUCF) under the Kyoto Protocol to **expand the remit of the Clean Development Mechanism (CDM) beyond afforestation and reforestation to include most land-use**. Under these proposals, CDM would be extended to cover **“revegetation, forest management, cropland management, grazing land management, wetland management, soil carbon management in agriculture and other sustainable land management activities”**. In addition there is text about how to address issues of permanence, which were the main reason for excluding most LULUCF activities from CDM in the past. At the same time **current CDM funding for industrial tree plantations, falsely classed as “afforestation and reforestation” is to continue**. Currently, a maximum of 1% of CDM credits may be applied to afforestation and reforestation although far less has applied so far. As defined under the Climate Convention, “forests” include industrial monoculture plantations. Even the gap between cutting one plantation and planting another is defined as “temporarily unstocked” forest.

The new CDM proposals would:

- Include a much wider range of so-called 'carbon sequestration' from other types of land use in the CDM, such as GM no-till plantations, biochar plantations, industrial logging (classed as 'forest management') and more intensive practices in grazing, etc. into the CDM. Although certain, mostly dubious, 'greenhouse gas reduction' projects in the agriculture sector are already eligible for CDM funding, the scale of CDM agriculture projects could rise exponentially should such carbon sequestration be included.
- Continue CDM payments for 'afforestation and reforestation' tree plantations. Such projects are already causing serious problems to indigenous and local communities and contributing to ecosystem destruction, freshwater and soil depletion and pollution.

Although none of this would come into effect until at least 2012, it is vital to understand what is at stake and resist this development now.

CDM to date – development or offsets?

The clean development mechanism is supposedly meant to help developing countries to develop sustainably. But of course it also allows developed countries to use CDM projects in developing countries to build up carbon credits, which count towards offsetting their emissions and which they can trade in carbon markets.

So far relatively few CDM credits have been paid to projects in Least Developed Countries (LDCs) and Small Island Developing States (SIDS). Some governments, especially in Africa, clearly hope that by extending CDM to cover wider land-use, they can benefit from it. However, this is highly questionable. Markets are highly unreliable and also, what benefits governments may not always be in the interests of their peoples, especially peasant farmers, indigenous and forest peoples, herders and pastoralists. Furthermore, it is likely that the private sector would be the real beneficiary, not governments or the public sector.

Who gains, who loses – peasant farmers and indigenous communities or corporations?

If soil carbon management in agriculture, crop management, grazing land management and revegetation were included in the CDM, would peasant farmers and small food producers benefit, as claimed? More likely winners are large agribusiness corporations. If forest management and additional afforestation/ reforestation were included in the CDM, would indigenous and forest peoples benefit? Or would international forestry companies, working with the pulp and paper industries, together with bioenergy and biomass exporters, be the real winners? They are already able to generate credits from establishing tree plantations. The proposed new rules would greatly extend this power. Forest management usually means industrial logging. A very large part of the discussion under LULUCF involves “harvested wood products” and how to account for the carbon involved.

What are the implications for REDD?

The LULUCF offsetting proposal could lead to unlimited carbon offsets from industrial agriculture monocultures and logging, and increased offsetting from tree plantations. Yet

this is being discussed outside REDD and the agriculture negotiations, and also outside negotiations about CDM reform, thus bypassing those working groups. However, these LULUCF proposals do converge worryingly with increasing calls for a landscape approach to REDD, including all aspects of agriculture and using a full accounting scheme for Agriculture, Forestry and Land Use (AFOLU) for Reducing Emissions from All Land Uses (REALU). And if the REDD negotiations fail, but CDM expansion goes through, it would provide an alternative route to achieving some of the same aims.

Extending CDM would also increase agrofuel and bioenergy production

CDM funding is already in place for the production of agrofuels and bioenergy, even though research shows that they are not carbon neutral. They also attract subsidies and other rewards, as if they were a genuinely renewable source of energy. Expansion of the CDM as proposed would enable a big increase in agrofuel and bioenergy production projects and exports to developed countries – with the added twist that such projects could also earn those same developed countries offset credits to use against their own emissions.

CDM does not tackle the climate debt

Developed countries have collectively failed to set themselves targets for emission reductions that could even begin to address their enormous climate debt. They have also failed to commit sufficient funds to address the impacts of that debt on developing countries. They certainly should not be allowed to “offset” this failure by gaining credits from carbon sinks in developing countries.

Extending the CDM would increase land-grabbing

Peasant farmers, indigenous and forest peoples and pastoralists are already experiencing a massive land-grab due to a variety of factors: speculation on land as a commodity in itself and commodity production, usually for export, including food, feed, fibre, timber, pulp and bioenergy. Extending the CDM could help to legitimise land-grabbing in the name of addressing climate change, with the added insult that this would generate offsets for developed countries.

2. Not just the CDM

The Cancun negotiating text does not only refer to the CDM. It includes proposals that developed countries should be allowed to meet their commitments through carbon offsets obtained through other carbon markets, current or future, including national or regional ones, and possibly unregulated voluntary markets. It is also proposed that new carbon trading schemes could be developed within UNFCCC.

A mass of new carbon trading schemes

There are many land-use and soil carbon initiatives in existence or pending. They rely on dubious 'carbon sequestration' in forests, farms and soils. They include the Chicago Climate Exchange, the Voluntary Carbon Standard, the American Carbon Registry, the Agriculture Soil Credit Standard, Oklahoma Carbon Sequestration Certification Program, Climate Action Reserve, the Alberta Offset Market and the US EPA's Climate Leaders. They all aim to create carbon credits that can be traded internationally as commodities. Most are voluntary initiatives. They will aggregate farmers into large groups and reckon to cover thousands and even millions of hectares, which means the methodologies applied will involve assumptions and large generalizations. The Voluntary Carbon Standard is also considering a biochar methodology, which could provide a big incentive to this still unproven approach. The first soil carbon project was launched by the World Bank's BioCarbon Fund and the Voluntary Carbon Standard in November 2010.

What does this all mean for people and ecosystems?

Such projects reduce agriculture, food production, people, biodiversity, ecosystems, agricultural biodiversity, land-use patterns and human rights – to carbon for trading in commodity markets. This is presented as the way to help farmers, improve production and tackle climate change. However, since counting the carbon is too complicated, projects will be based on generalised assumptions over very large areas. Small producers will be aggregated and managed in big groups, and any project funding is likely to go to the organisers.

It also imposes a top down approach: policies decided by standard setters such as the

Voluntary Carbon Standard serving international markets and investors. It threatens to create new rights for investors – carbon rights and carbon ownership - in conflict with local and indigenous rights and land use patterns. At the same time, all of this will be subject to market volatility while the potential for corruption is considerable and the likelihood of flawed assumptions about carbon is high. Finally, all this distracts attention from where the real commitments are needed – for developed countries to commit to reduce their emissions without trying to exploit their own sinks or other people's.

The CDM and other carbon trading schemes, as well as guaranteeing business as usual in the developed countries, have already had serious negative impacts on many communities in developing countries. Extending CDM and developing new market instruments to trade in still more types of land-use would further marginalise peasant farmers, indigenous and forest peoples, herders, fisherfolk and pastoralists. These are the people who really know about the many vital functions of agriculture: food production and livelihoods, maintaining and producing ecosystems, caring for soils and water supplies, using, enhancing and preserving agricultural biodiversity - and tackling climate change. Instead of developing carbon markets, we should be developing policy frameworks that assist them to continue their work of growing and securing food.

Briefing

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