

Achieving Environmental Targets:

Who Wins and Loses in Carbon Trading for Emissions Mitigation?

OUR OBJECTIVE IS TO ADVANCE SOCIO-ECONOMIC AND ENVIRONMENTAL JUSTICE BY DEVELOPING CRITICAL KNOWLEDGE ABOUT, FOR AND IN DIALOGUE WITH CIVIL SOCIETY THROUGH TEACHING, RESEARCH AND PUBLISHING.

South Africa's 'Social Movements United' march from Alexandra Township to the World Summit on Sustainable Development in Sandton, 31 August 2002

CENTRE FOR CIVIL SOCIETY

Patrick Bond

University of KwaZulu-Natal
School of Development Studies and
Centre for Civil Society, Durban

presented to the
Carbon Trading Africa
Conference

22 July 2009

Johannesburg
Cartoons by Zapiro

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The 'impeccable' logic of pollution trade

DATE: December 12, 1991
TO: Distribution
FR: Lawrence H. Summers

... I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that... I've always thought that under-populated countries in Africa are vastly UNDER-polluted.

(full memo at www.whirledbank.org)

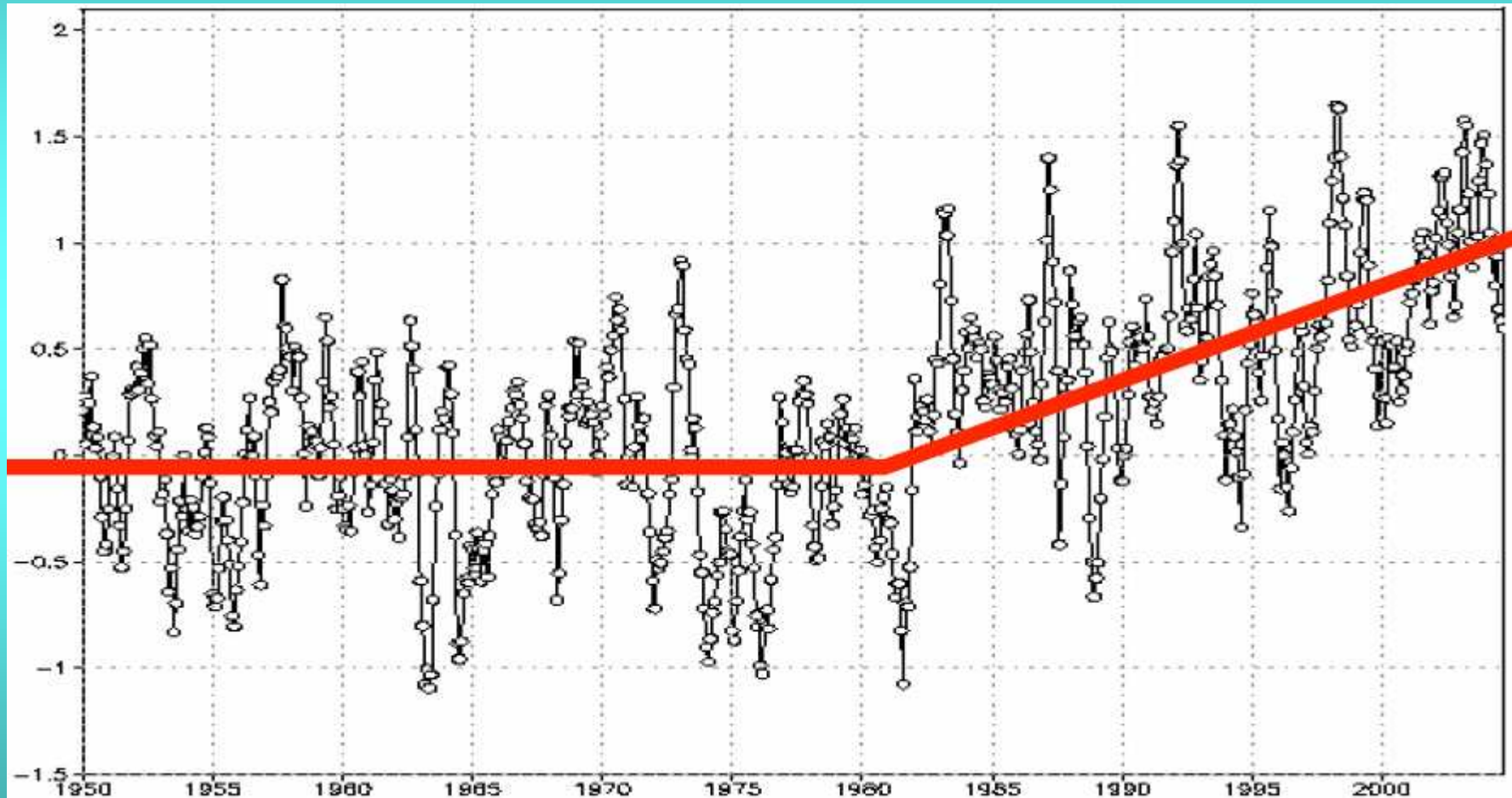
Lawrence Summers

The Bank
Memo



On December 12, 1991, the chief economist for the World Bank, Lawrence Summers, wrote an internal memo that was leaked to the environmental community ...

‘Underpolluted?’ rise in Southern African temperatures over historic norms



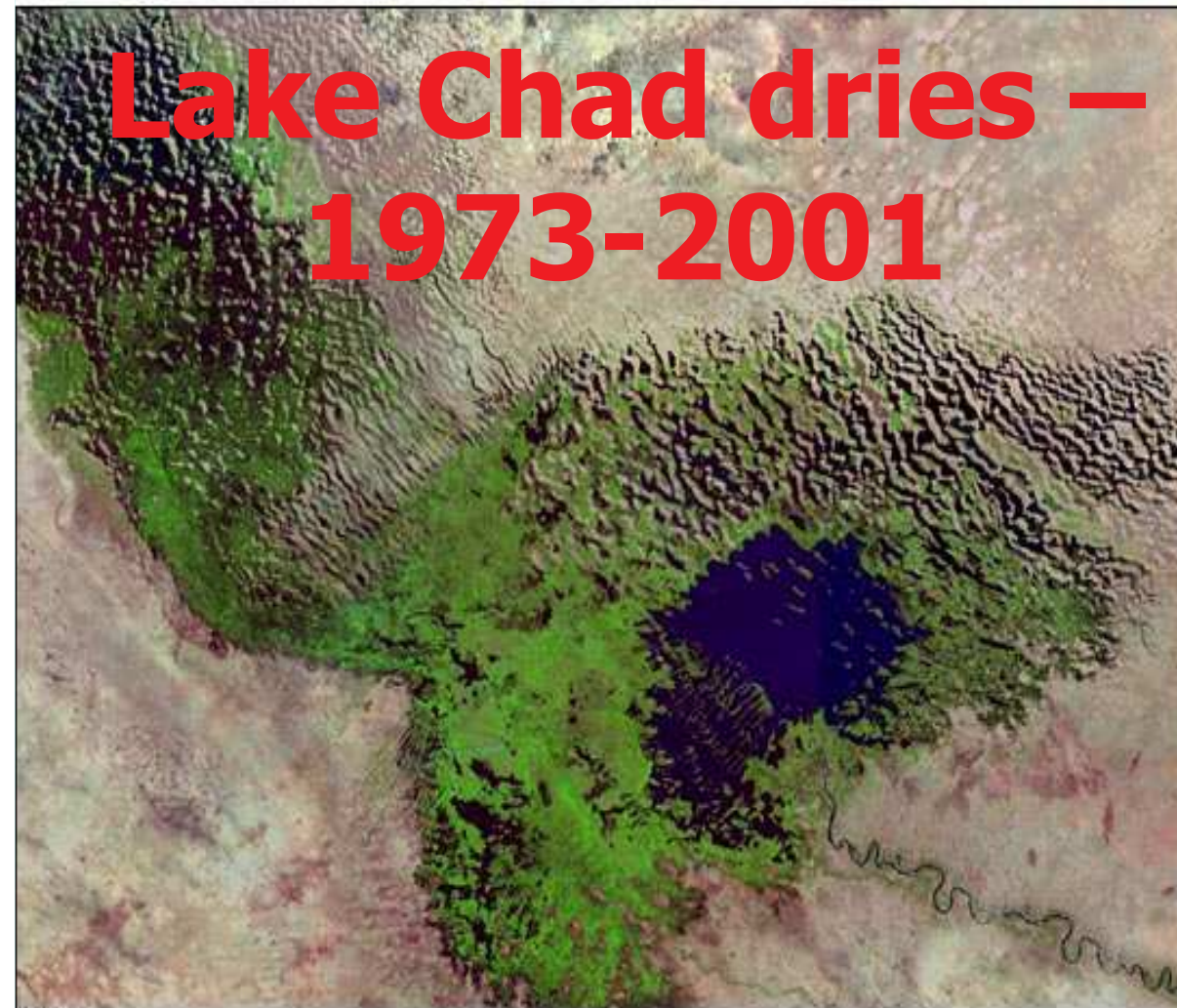


1973

1987

1997

**Lake Chad dries –
1973-2001**

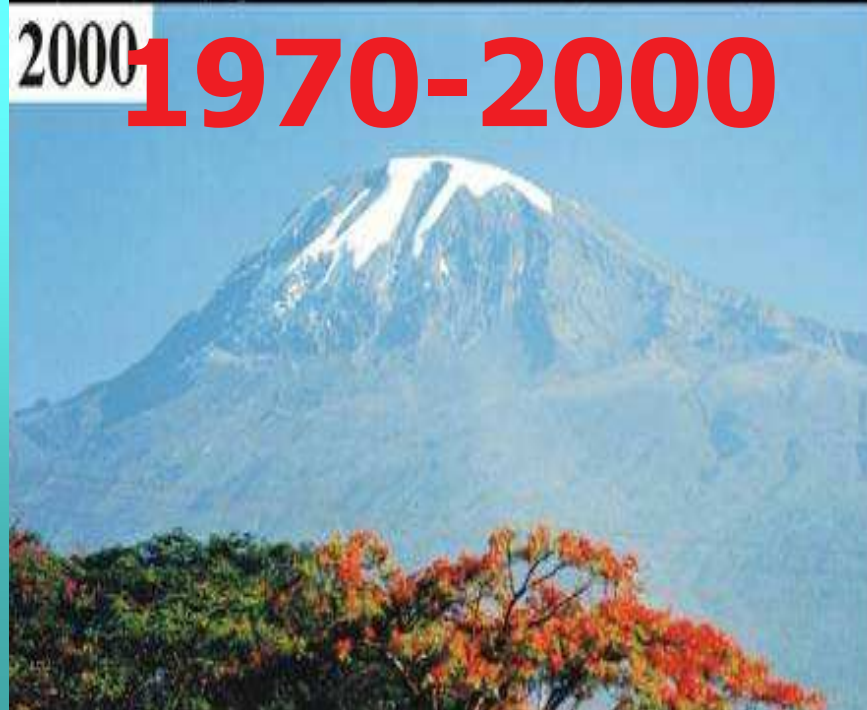


2001



1970

**Kilimanjaro
melts –**



2000

1970-2000

Climate and African food

“It is projected that there could be a possible reduction in yields in agriculture of: 50% by 2020 in some African countries... In Africa, crop net revenues could fall by as much as 90% by 2100, with small-scale farmers being the most affected.”

- Testimony to the US House of Reps. Select Committee on Energy Independence and Global Warming, by R.K. Pachauri, Chairman, United Nations Intergovernmental Panel on Climate Change, August 2007

A TIMETABLE TO
REDUCE EMISSIONS?!
..NOT UNTIL THERE'S MORE
EVIDENCE OF GLOBAL
CLIMATE CHANGE!

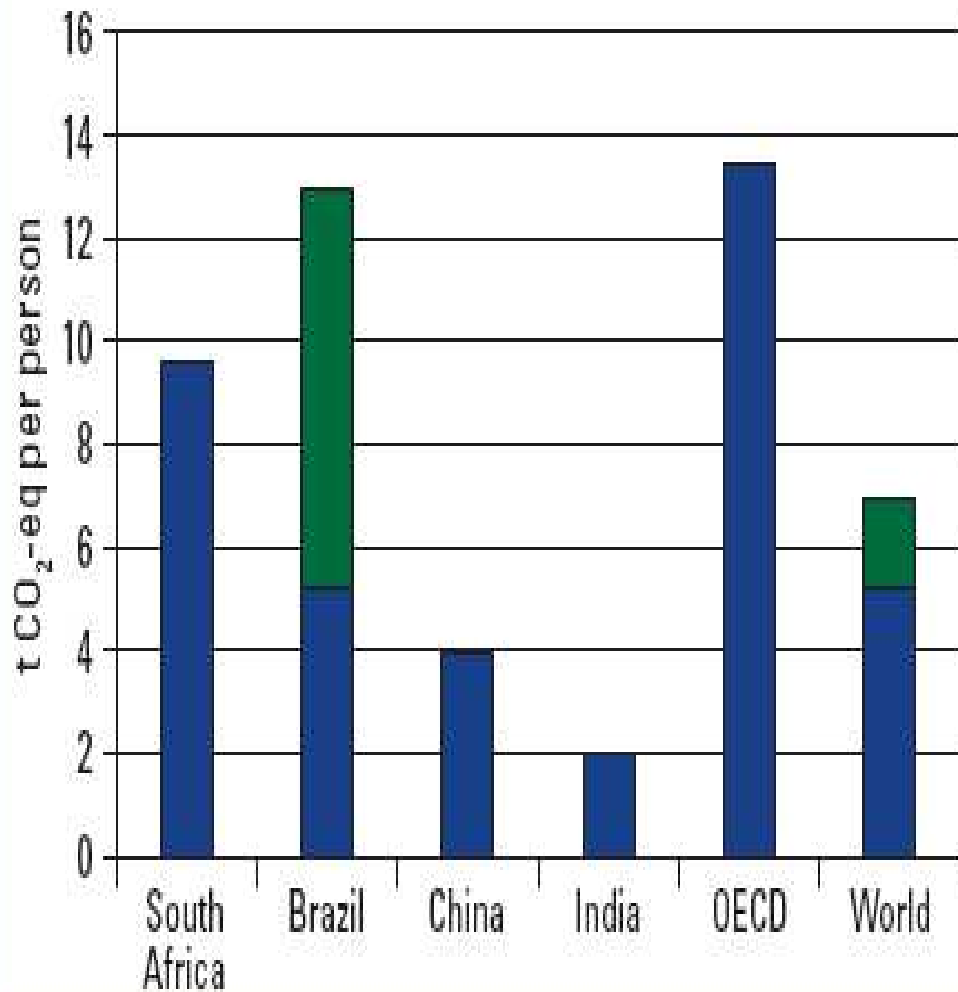
Johannesburg
World
Summit



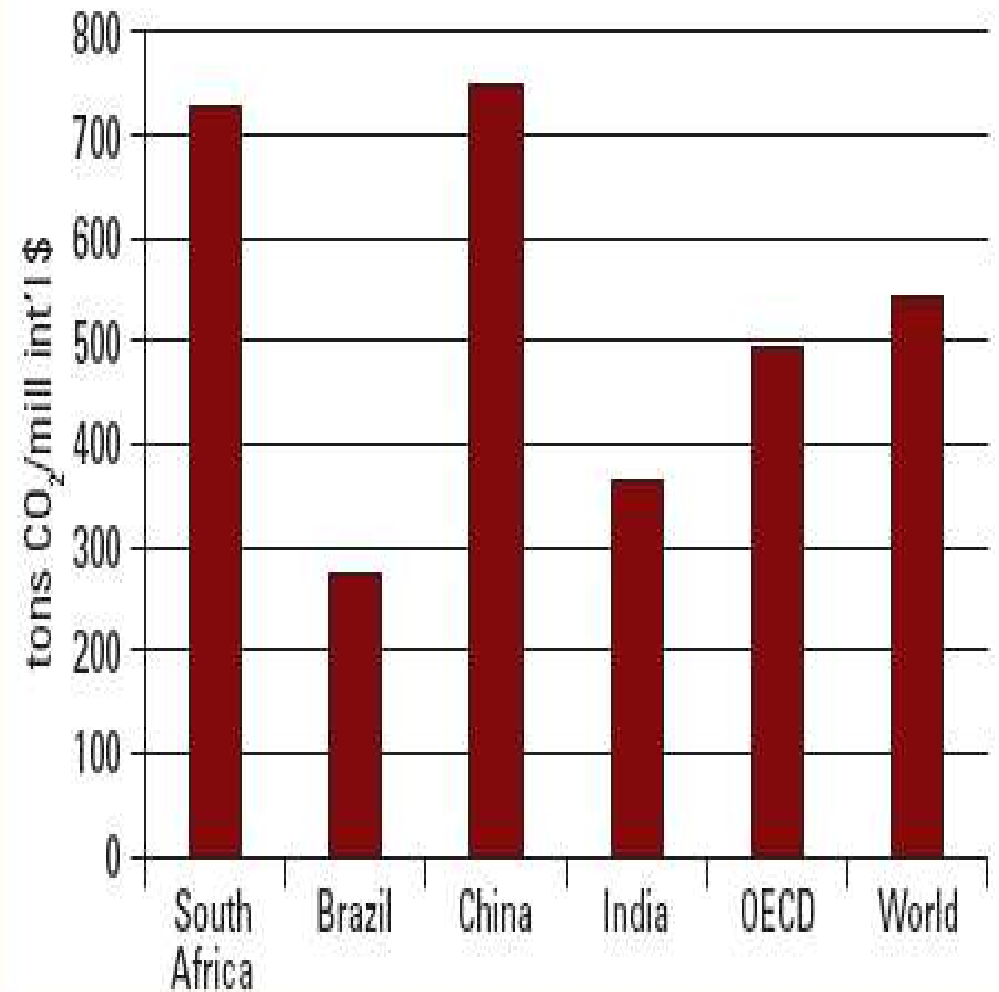
Capire

Long-Term Mitigation Scenario admits SA's responsibility

Emissions per capita



Emissions intensity



Put these stats together, and in the energy sector, SA is twenty times worse than the USA!

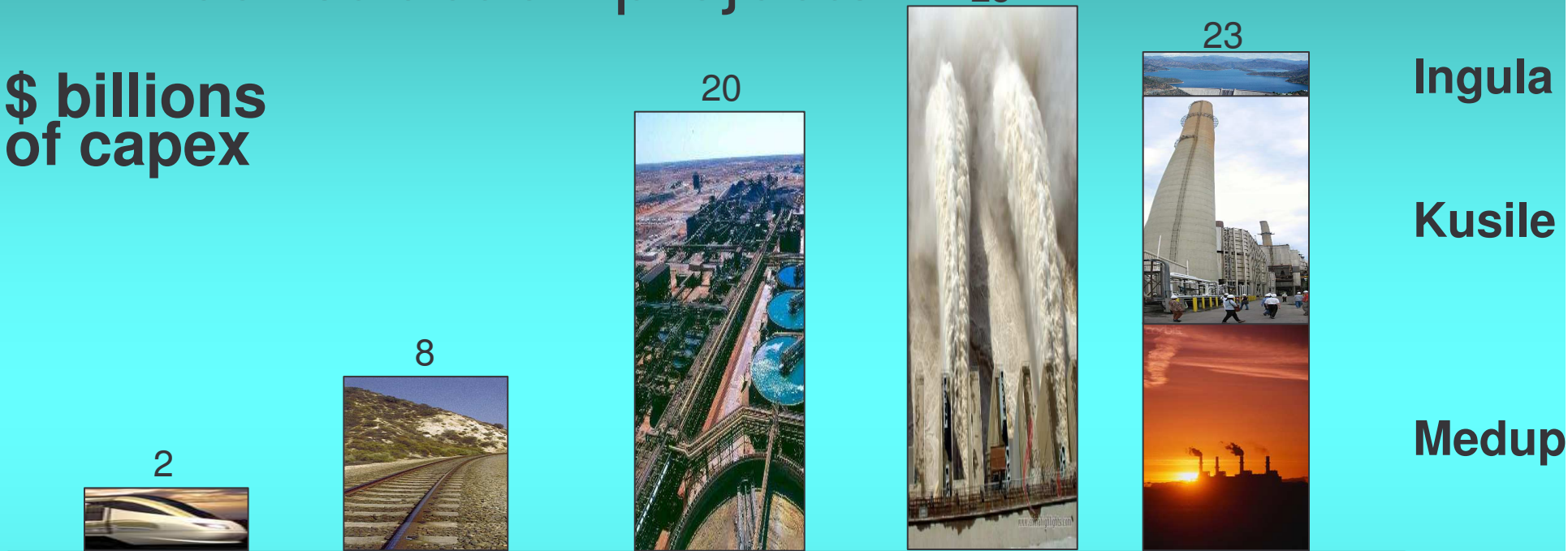
Table 6: Energy sector carbon emissions, 1999⁷²

Area	Population (mns)	CO₂/ person	GDP (\$bns)	CO₂/GDP (kg/\$bn)	CO₂(kg)/ GDP*pop
S.Africa	42	8.22	\$164	2.11	0.0501
Africa	775	1.49	\$569	1.28	0.0016
USA	273	20.46	\$8,588	0.65	0.0023
OECD	1116	10.96	\$26,446	0.46	0.0004
World	5921	3.88	\$32,445	0.71	0.0001

NOTE: The tonnes of carbon dioxide (CO₂) emissions are those measureable through fuel combustion.

Capex for Eskom's 3 largest new build projects ranks among the world's largest construction projects... 25

- \$ billions of capex



Ingula

Kusile

Medup



Slide courtesy of Eskom

5 yr capex on rail, port and pipeline upgrades

- Olympic Dam
- – world's largest mining project

- Three Gorges dam
- – world's largest electricity project

A GIFT FROM THE CORPORATE WORLD!

Johannesburg
World Summit
2002

SUSTAINABLE
DEVELOPMENT

- PROFIT
- SELF-REGULATION
- UNFAIR TRADE

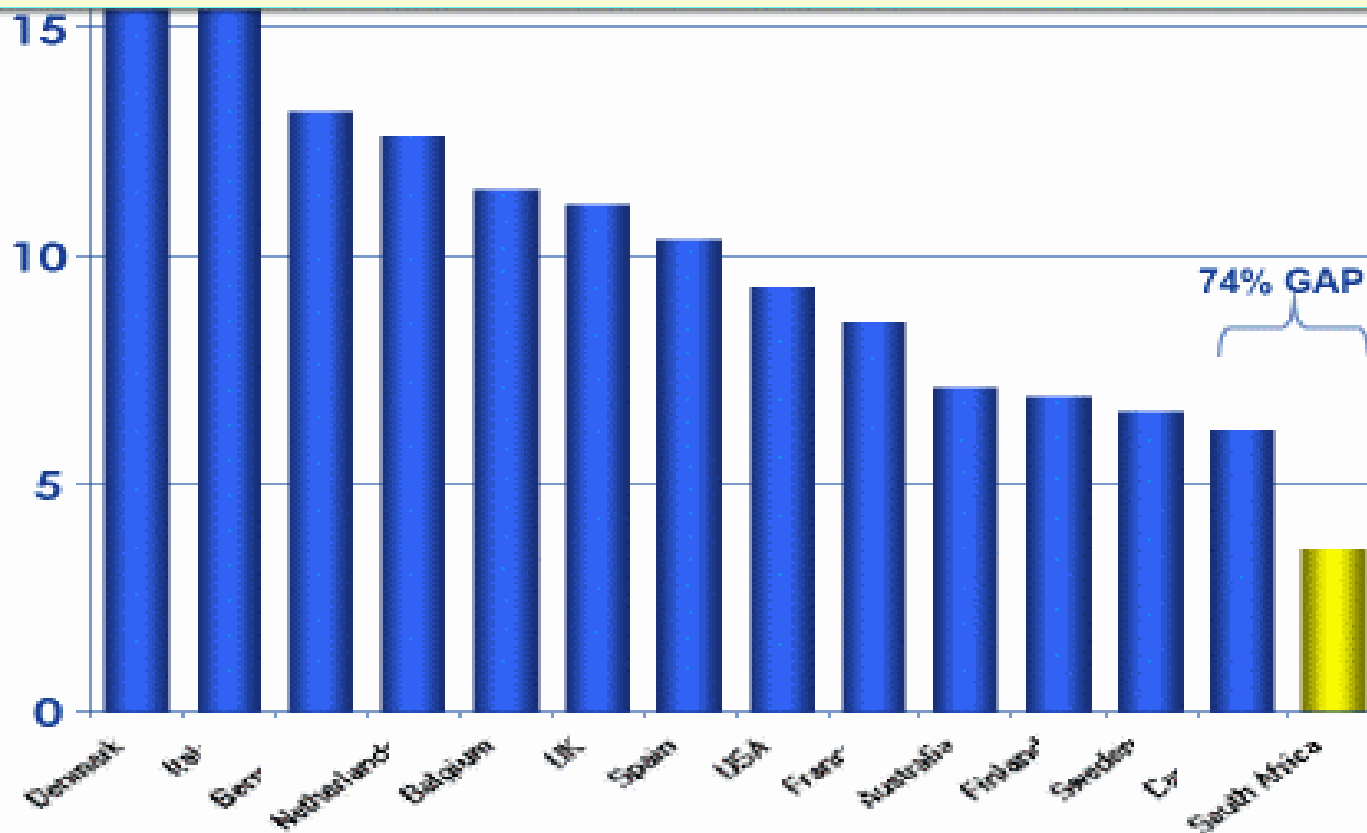


Reason for SA's fossil fuel addiction: the "Minerals-Energy Complex" (MEC)

US cents/kilowatt hour – SA < US\$.03/kWh in April 2007, according to NUS Consulting Group cited by Eskom, 74% less than #2 major electricity producer (Canada)



Eskom's industrial customers:
lowest power prices in the world (even after recent price increases)



e.g., BHP Billiton's ties to SA state

Derek Keys, last apartheid finance minister & first democratic finance minister - allowed SA's Gencor to externalise billions to buy Billiton, then became CEO



Xolani Mkhwanazi, former SA National Electricity Regulator, now BHP Billiton Southern Africa Chief Operations Officer

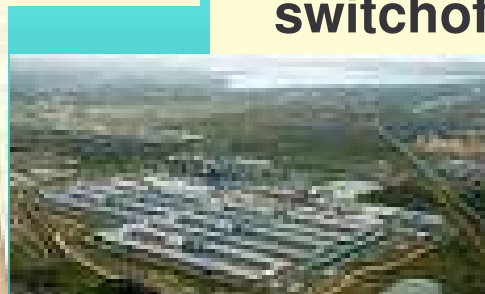


Mick Davis, former Eskom Treasurer who offered sweetheart power deals, and after failing to become Eskom CEO, went to BHP Billiton (now heads Xstrata)

Derek Cooper, ill-fated Standard Bank chairperson, recommended BHP Billiton smelter switchoff in 2/08

Zav Rustomjee, former DTI D.G. later a top BHP Billiton consultant

Vincent Maphai, former radical political scientist and HSRC researcher who went to SABreweries public relations, then became chair of Southern Africa BHP Billiton, and attended 29 February 2008 meeting



Richards Bay smelter

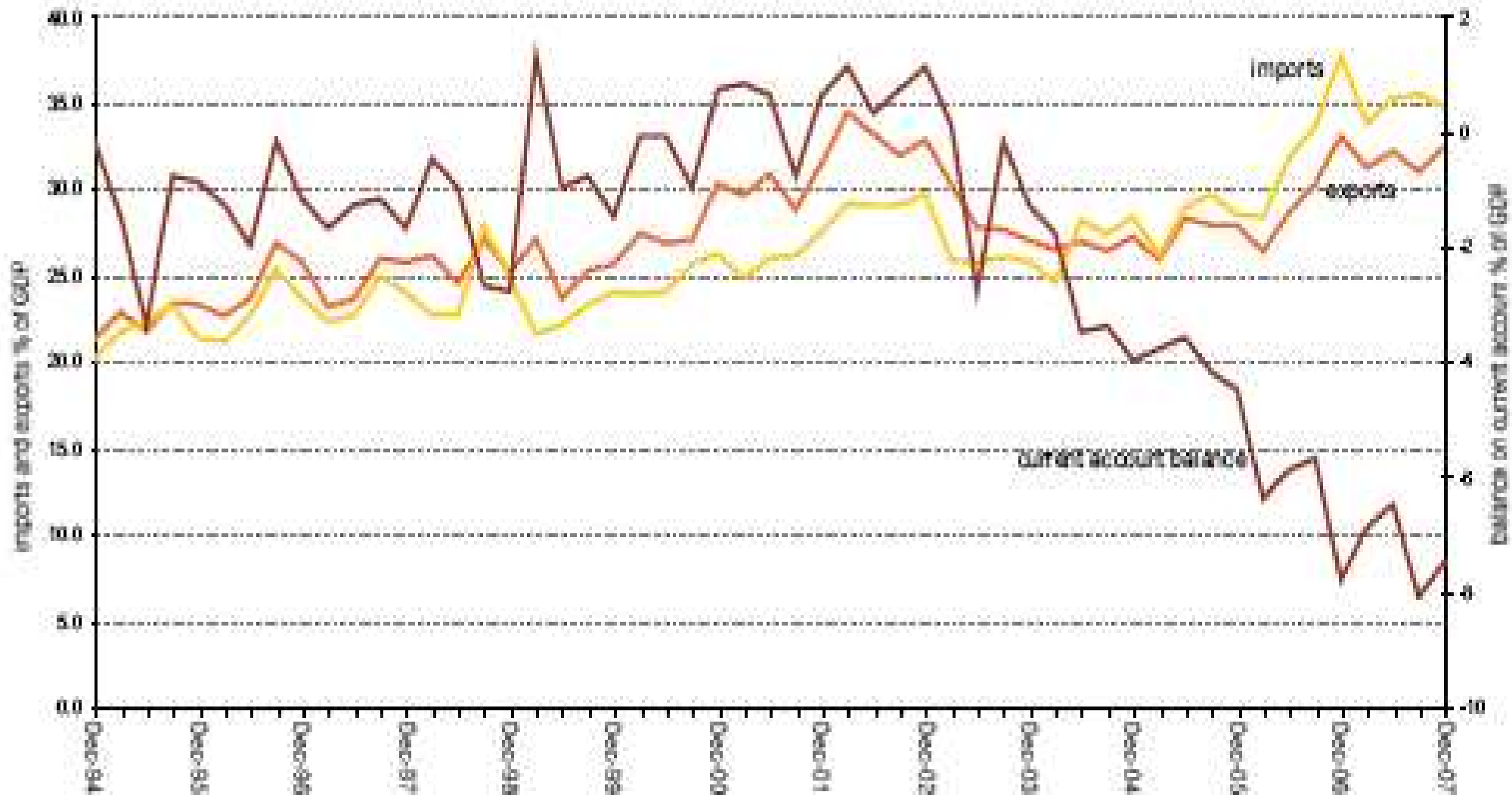


Marius Kloppers (age 46), BHP Billiton CEO (Oz hq)



In early 2000s, MEC moved to Melbourne, London: world-leading current account deficit due to **dividend/profit/interest outflows**

FOREIGN TRADE AND PAYMENTS



... leaving SA as world's most risky of 17 emerging markets



Country	Current-account as % of GDP*	Short-term debt as % of reserves*	Banks' loan/deposit ratio	Overall risk ranking†
South Africa	-10.4	81	1.09	17
Hungary	-4.3	79	1.30	16
Poland	-8.0	38	1.03	14 =
South Korea	1.3	102	1.30	14 =
Mexico	-2.5	39	0.93	12 =
Pakistan	-7.8	27	0.99	12 =
Brazil	-1.5	22	1.36	10 =
Turkey	-2.3	70	0.83	10 =
Russia	1.5	28	1.51	9
Argentina	0.2	63	0.74	8
Venezuela	0.8	58	0.75	7
Indonesia	1.2	88	0.62	6
Thailand	0.3	17	0.88	5
India	-2.4	9	0.74	4
Taiwan	7.9	26	0.87	3
Malaysia	11.3	15	0.72	2
China	5.2	7	0.87	1

The Economist, 25 Feb 2009

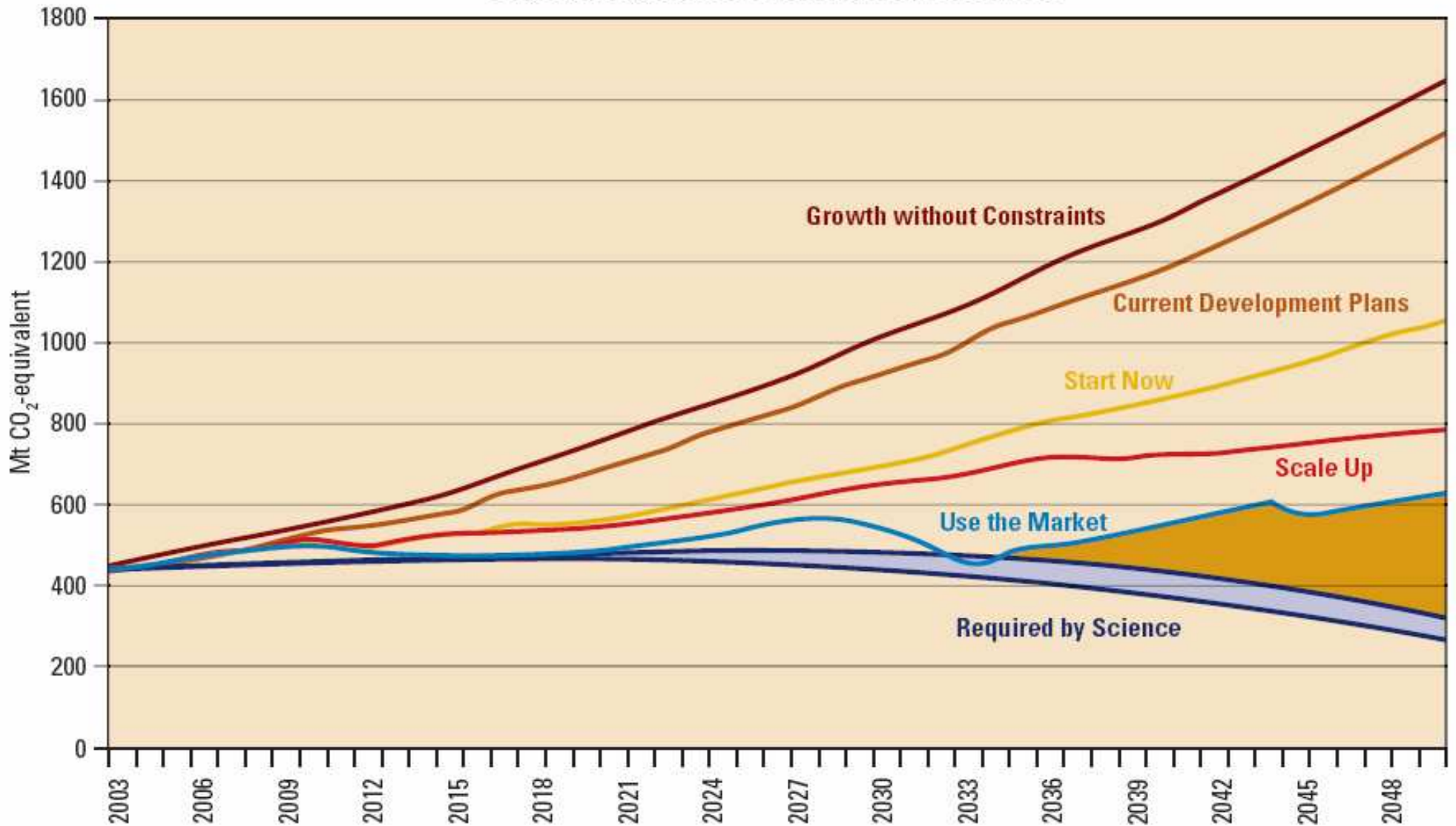
Sources: HSBC; Economist Intelligence Unit

* 2009 forecast

† Higher score implies higher risk

Back to SA emissions, LTMS:

Strategic options to get from GWC to RBS



SA on the carbon trade



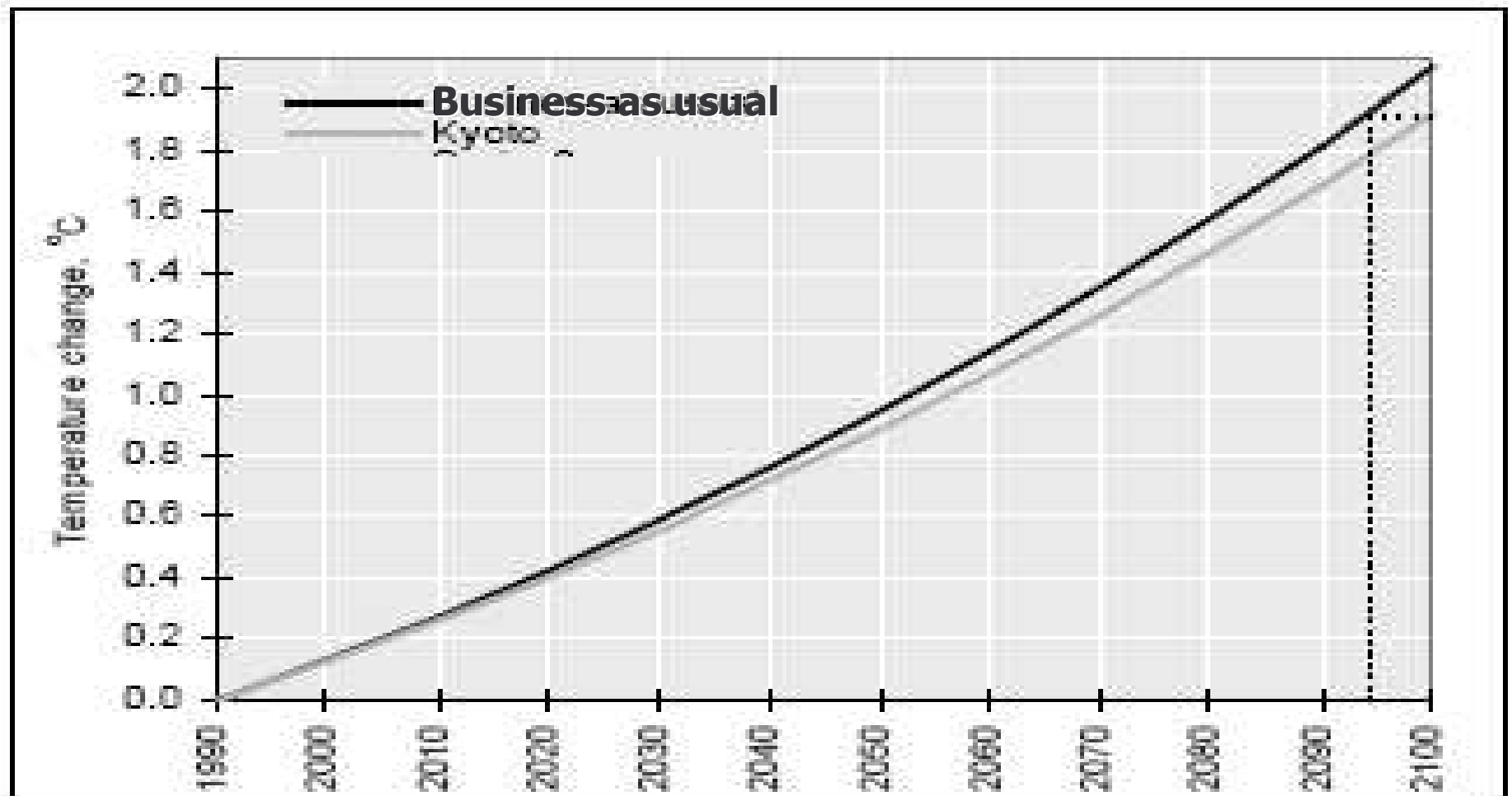
- Marthinus van Schalkwyk at September 2007 International Emissions Trading Association Forum in Washington: **“An all-encompassing global carbon market regime which includes all developed countries is the first and ultimate aim.”**

**Let the market solve the
crisis caused by the market?**

**A critique of
'carbon trading', a.k.a.**

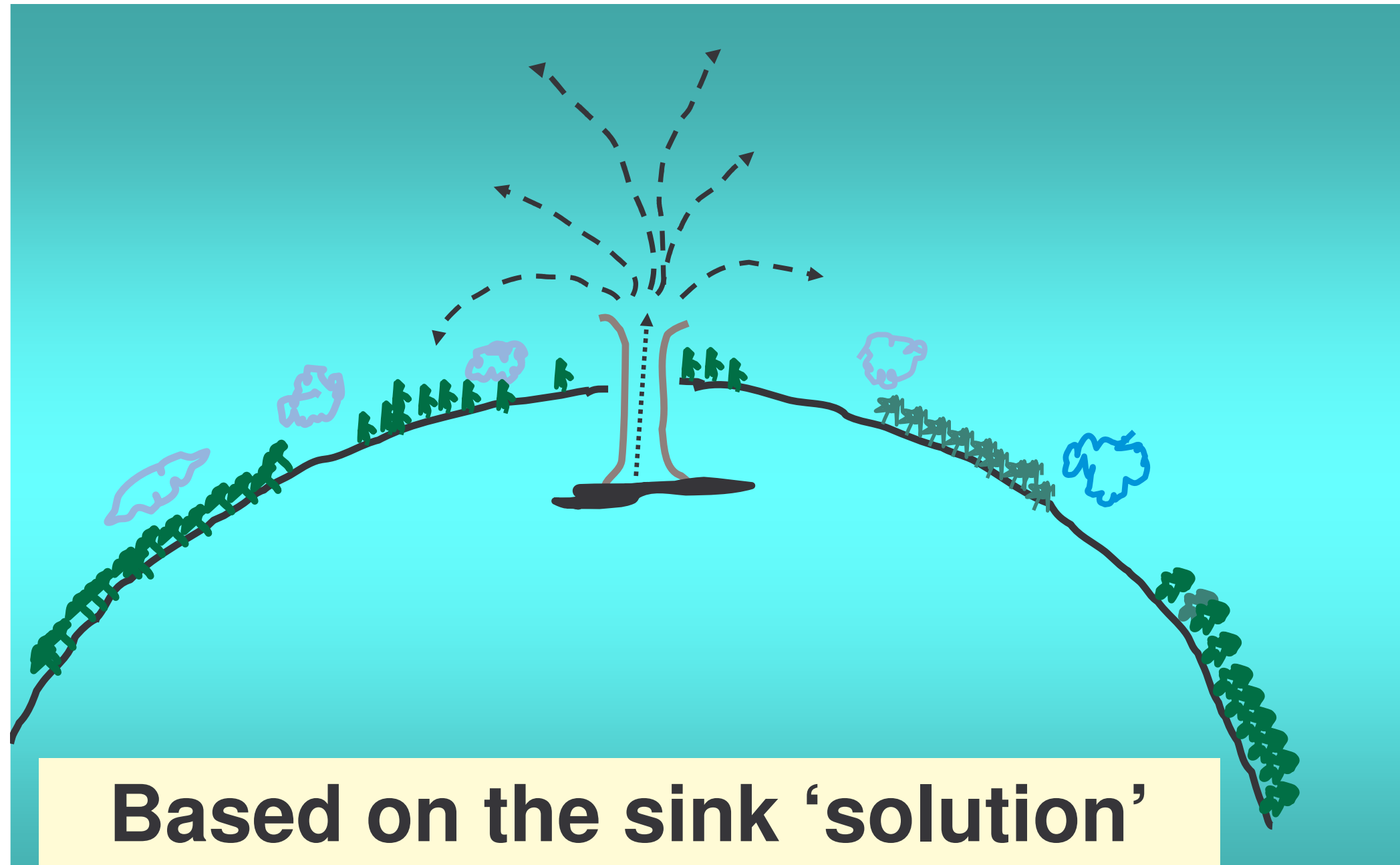
**'privatisation
of the air'**

Trading is embedded in the Kyoto Protocol



**Al Gore helped develop
emissions trade, in exchange
for promised (undelivered!)
US support for Kyoto:**

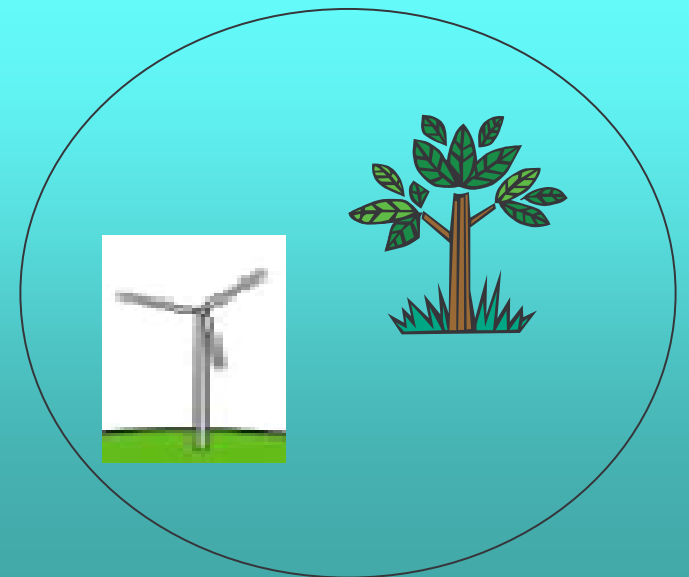
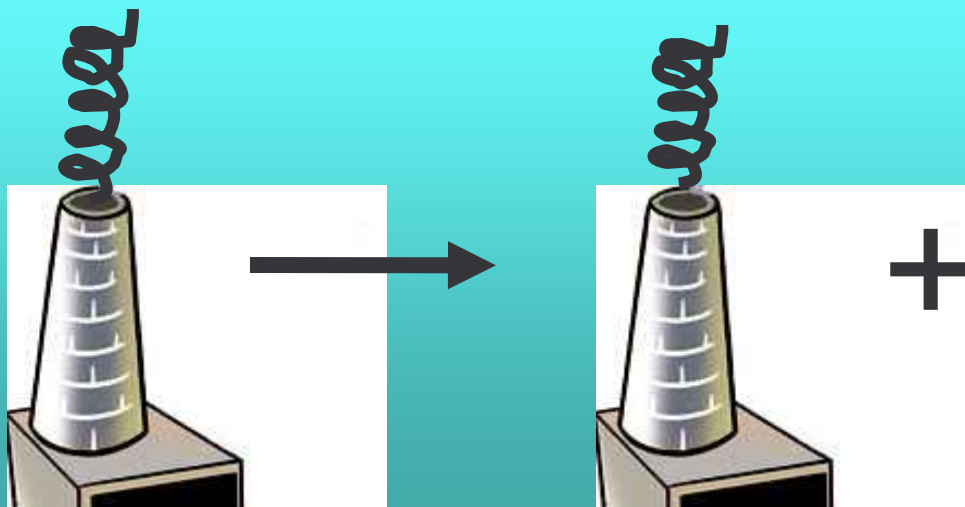
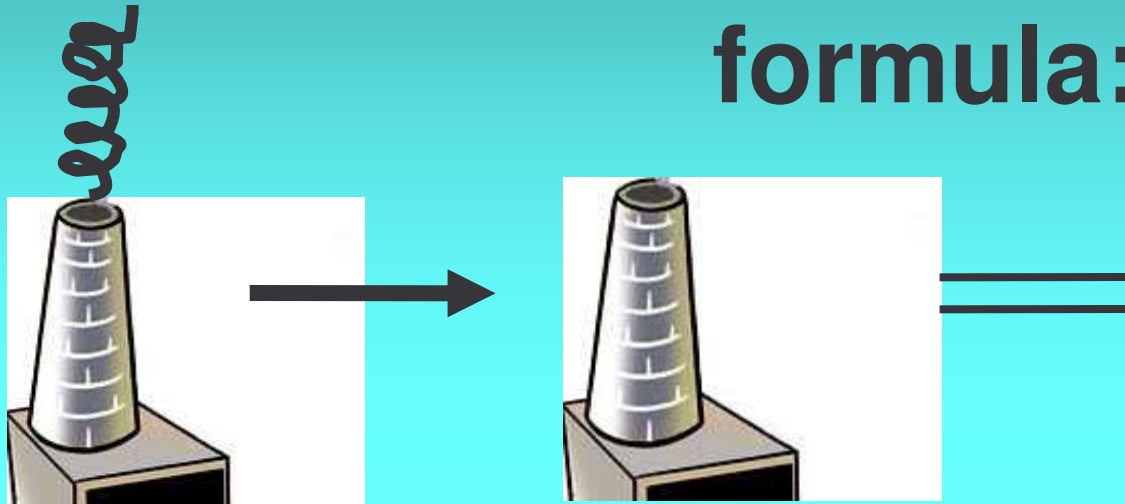
**“The European Union has
adopted this U.S.
innovation and is making it
work effectively there.”
(Gore, *An Inconvenient Truth*, p. 252)**

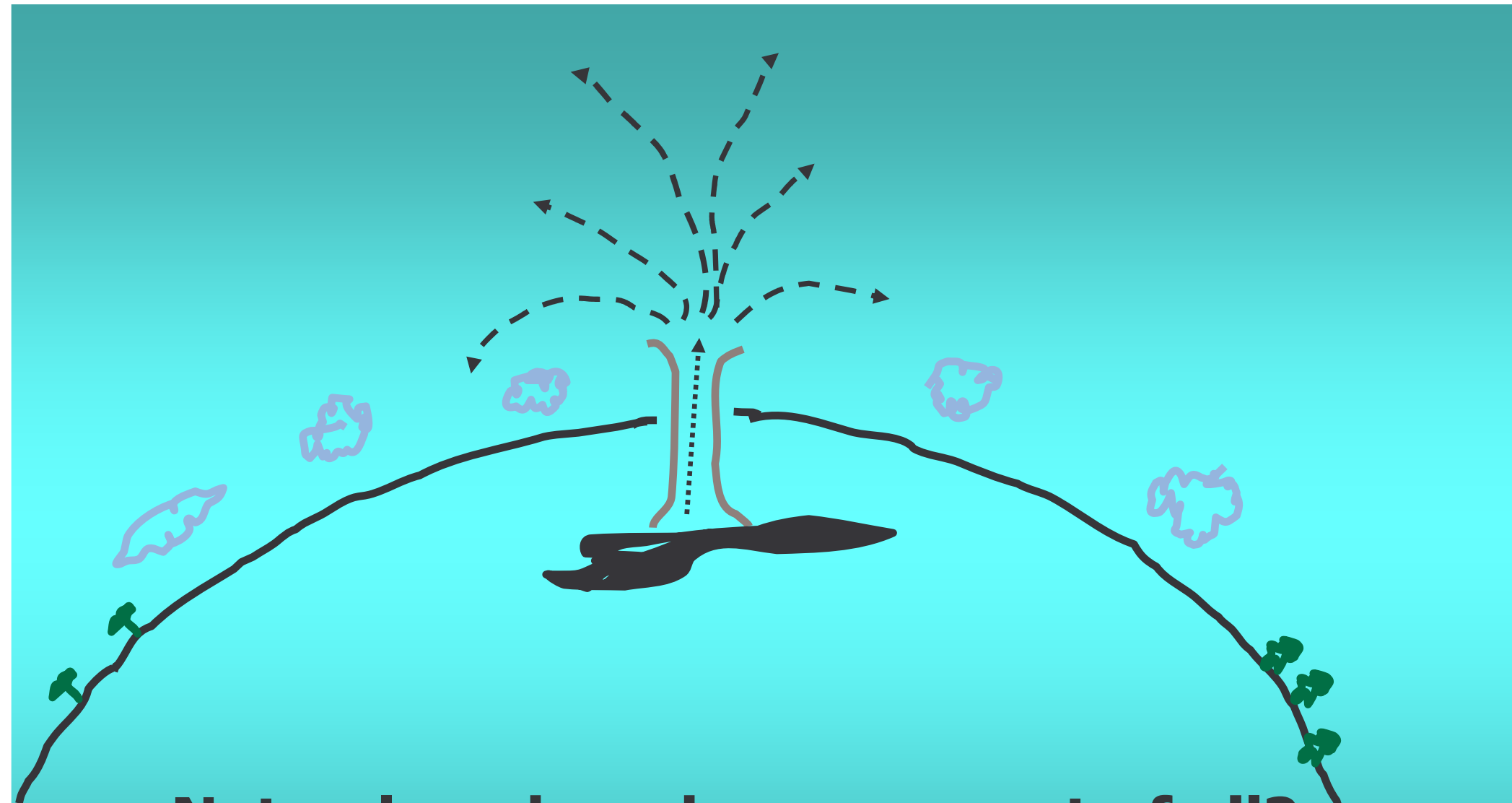


Based on the sink 'solution'

Some slides that follow from Larry Lohmann, editor of *Carbon Trading*

The Kyoto Protocol's Clean Development Mechanism formula:



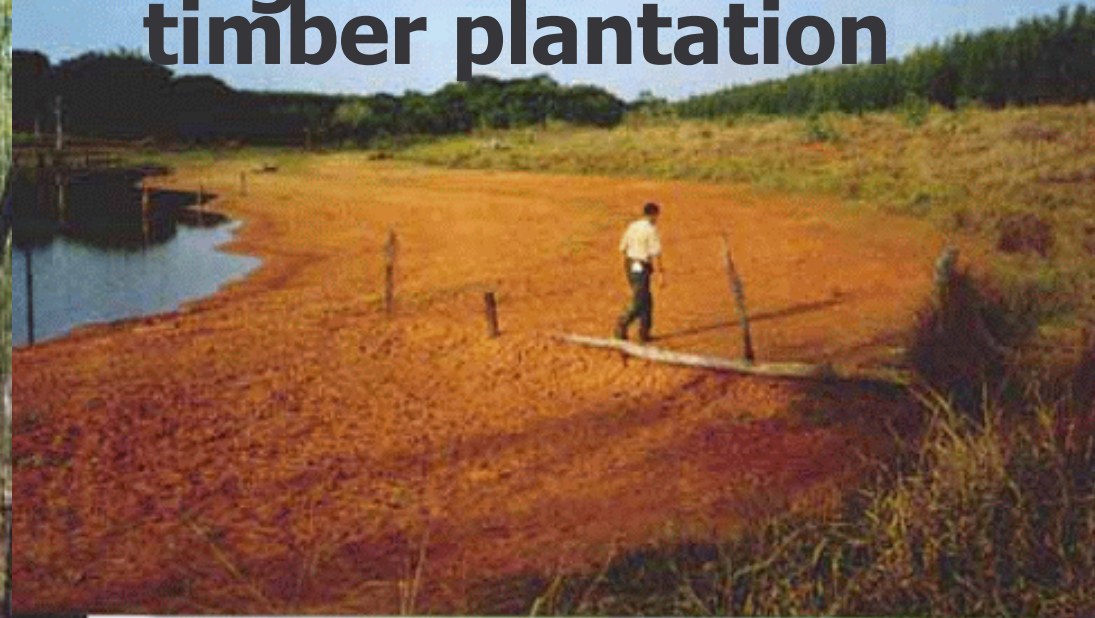


Not only: when do we run out of oil?

Should we be using remaining supplies?

Carbon trading allows dangerous 'yes we can!'

Plantar, Brazil's 'green desert' timber plantation



14 Lagoa secando – APP ausente – Área de preservação permanente – No fundo, eucalipto da PLANTAR com 02 anos
CÓRREGO BURITI – Felixlândia

FASE/ES – 10/02

trees become charcoal, pig-iron for auto industry





George Monbiot debunks timber sink investments



‘When you drain or clear the soil to plant trees, for example, you are likely to release some carbon, but it is hard to tell how much. Planting trees in one place might stunt trees elsewhere, as they could dry up a river which was feeding a forest downstream. Or by protecting your forest against loggers, you might be driving them into another forest. As global temperatures rise, trees in many places will begin to die back, releasing the carbon they contain. Forest fires could wipe them out completely.’

**South Africa's
proposed \$15m
CDM pilot:
methane-to-
electricity at
environmentally-
racist Bisasar Rd
dump (Africa's
largest landfill)
- in apartheid-era
black residential
suburb of Durban –
via World Bank
Prototype Carbon
Fund credits**



Sajida Khan (1952-2007)

though felled by cancer from dump,
her EIA challenge to methane flaring
rebuffed the World Bank PCF, 2005

at present, Durban
lacks investors



Who benefits from carbon trading?

Buyers

Shell
BHP-Billiton
EDF
RWE
Endesa
Rhodia Energy
Mitsubishi
Cargill
Nippon Steel
ABN Amro
Chevron
Chugoku Electric Power

Sellers

Tata Chemicals
ITC
Plantar
Votorantim
Petrobras
Shri Bajrang
Birla
Oil & Gas Nat. Corp.
Sasol
Mondi
Hu-Chems Fine Chemical
Chhatisgarh Electricity

Crits of EU Emissions Trading Scheme

- “ETS has done **nothing to curb emissions** . . . [and] is a **highly regressive tax** falling mostly on poor people . . . Enhances the market power of generators. Have policy goals been achieved? **Prices up, emissions up, profits up** . . . so, not really. . . All **generation-based utilities – winners. Coal and nuclear-based generators – biggest winners. Hedge funds and energy traders – even bigger winners. Losers . . . ahem . . . Consumers!**” - Peter Atherton powerpoint, Citigroup, January 2007
- Emissions trading “would make money for some very large corporations, but **don’t believe for a minute that this charade would do much about global warming** . . . old-fashioned rent-seeking . . . making money by **gaming the regulatory process.**” - *Wall Street Journal*, 3 March 2007

More carbon trade critiques

- “It isn’t working . . . a grossly inefficient way of cutting emissions in the developing world . . . A shell game . . . \$3 billion to some of the worst carbon polluters in the developing world.” - *Newsweek*, 12 March 2007
- “Industry caught in carbon ‘smokescreen’ ” - *Financial Times* front page, 25 April 2007
- “Truth about Kyoto: Huge profits, little carbon saved . . . Abuse and incompetence in fight against global warming . . . The inconvenient truth about the carbon offset industry” - *Guardian*, 2 June 2007
- Kyoto has produced “no demonstrable reductions in emissions or even in anticipated emissions growth” - Gwyn Prins and Steve Rayner, 2007

More carbon trade critiques

- *Guardian*, 12 September 2008

Britain's worst polluters set for windfall of millions

A flagship European scheme designed to fight global warming is set to hand **hundreds of millions of pounds to some of Britain's most polluting companies, with little or no benefit to the environment**, an investigation by the Guardian has revealed.

Dozens of multinational firms stand to benefit from the windfall, which comes from the over-allocation of carbon permits under the European emissions trading scheme.

More carbon trade critiques

- *London Times* report, 4 December 2008:

The incongruity of proposing that a brand new financial market might be able to save the world – when **faith in every other kind of financial market is tumbling** – needs no underlining. But there are plenty of other reasons for scepticism, too. Jim Hansen, director of the Nasa Goddard space centre and a renowned critic of global measures to combat climate change, believes carbon trading is a “terrible” approach. “Carbon trading does not solve the emission problem at all,” he says. “In fact **it gives industries a way to avoid reducing their emissions. The rules are too complex and it creates an entirely new class of lobbyists and fat cats.**”

More carbon trade critiques

- *The Economist* debate, 16 December 2008

ONLINE DEBATES DEMONSTRATE PUBLIC SKEPTICISM ABOUT CARBON TRADING

Michael Wara of Stanford, together with Kevin Smith of Carbon Trade Watch and Platform and others, have won the *Economist* magazine's online debate on carbon offset trading against Henry Derwent of the International Emissions Trading Association, businessman Mark Trexler and others.

Some 55 per cent of readers voted in favor of the resolution: "This house believes that carbon offsets undermine the effort to tackle climate change"

More carbon trade critiques

- *London Times*, 4 January 2009:

EU denounces socialite's carbon offset project

A PIONEERING climate change project in Africa run by Robin Birley, the socialite, has been accused by the European commission, its main donor, of making unsubstantiated claims about its environmental impact. The project has received more than £1m in public grants and money from celebrities in the music and film business. They include Ronnie Wood of the Rolling Stones and Brad Pitt, the actor.

The project attempts to offset an individual's carbon footprint by **paying poor farmers in Mozambique to plant trees, which absorb CO₂, and to protect existing forests.** The commission's criticism comes amid increased concern about the worth of these fashionable but largely unregulated carbon offset schemes. Critics say **it is almost impossible to guarantee that the trees will survive the length of time needed to offset any significant carbon emissions.**

A Sunday Times reporter approached the company posing as a businessman who wanted to offset his family's carbon footprint for Christmas by investing £20,000 in the N'hambita project. The reporter was put in touch with **Philip Powell**, a South African and the company's project manager.

More carbon trade critiques

- *Guardian*, 24 February 2009:

Carbon markets are collapsing

Europe's system to edge up the cost of emissions and boost green energy has backfired. There isn't much time to rescue it.

“Roll up for the great pollution fire sale, the ultimate chance to wreck the climate on the cheap. You sir, over there, from the power company — look at this lovely tonne of freshly made, sulphur-rich carbon dioxide. Last summer it cost an eye-watering €31 to throw up your smokestack, but in our give-away global recession sale, that's been slashed to a crazy €8.20. **Dump plans for the wind turbine! Compare our offer with costly solar energy! At this low, low price you can't afford not to burn coal!**”

Set up to price pollution out of existence, carbon trading is pricing it back in. **Europe's carbon markets are in collapse.**

More carbon trade critiques

- 'Cap & Trade' increases costs to the public... other parties support 'Cap & Trade' because they hope to profit - **it is a give-away to special interests, who feel, based on extensive empirical evidence, that they will be able to manipulate the program through their lobbyists.** Except for its stealth approach to taxing the public, and its attraction to special interests, **'Cap & Trade' seems to have little merit.** -- Dr. James Hansen, 25/2/09 (testimony to US House of Reps)

Obama's broken promise

“What I’ve said is that we would put a cap and trade system in place that is **as aggressive, if not more aggressive, than anybody else’s out there...** So if somebody wants to build a coal-powered plant, they can; it’s just that it will bankrupt them because they’re **going to be charged a huge sum for all that greenhouse gas that’s being emitted.** That will also generate billions of dollars that we can invest in solar, wind, biodiesel and other alternative energy approaches.” -- January 17 2008, *San Francisco Chronicle*

But Obama's new Waxman-Markey legislation only auctions 15% of carbon credits, destroys the Clean Air Act, and allows massive offsets (so no US emissions reduction until 2030)

Genuine reform: plug fossil fuel consumption



**leave the oil in the soil,
the coal in the hole,
the resources in the ground**

The Extractive Industries Review

Dec '03 RECOMMENDATIONS TO THE WORLD BANK, MANY OF WHICH WERE IMMEDIATELY REJECTED:

- **Phasing out lending in support of oil and coal and to invest its scarce development resources in renewable energy by setting lending targets of increasing renewable energy lending by 20% a year**

Petro-mineral resources: Keep the oil in the soil!

- **Alaska wilderness campaigners**
- **Oil Watch** (October 2006, international meeting, Quito)
- **Women of the Niger Delta (and Environmental Rights Action & Movement for the Emancipation of the Niger Delta)**
- **Rafael Correa** Ecuador's president agrees with Quito NGO Accion Ecologica that Ecuador's main oil reserve (in Yasuní National Park, worth \$12 bn) should stay in the soil, funded by Germany (\$50mn/year, June '09)



Raising this issue now possible?

Hilary Joffe, *Business Day*, 23/1/08

Crucially, what the power crisis may do is to start to raise the question of what kind of economic growth we can afford. Eskom has now begun to question the timing of power-hungry projects, such as the proposed new aluminium smelter at Coega. **And one can't help wondering why the government is offering incentives to attract such investments at all: not only do they rely on cheap power that we do not have, but they don't create that many jobs, either...** the power outages should prompt us to ask questions, not just about how fast the economy can grow but about **the quality of the growth we should be seeking.**

Durban Group for Climate Justice

- **October 2004 initiative**
- **supported by Dag Hammarskjold Foundation, Sweden**
- **Driven by grassroots activists in India, Brazil, Thailand, South Africa, etc**
- **Largest signator: Friends of the Earth International**
- **Key sites: The Cornerhouse, FERN, SEEN, CarbonTrade Watch, CDM Watch, Dartmouth Univ Environmental Studies, UKZN Centre for Civil Society**

Carbon Trading

a critical conversation
on climate change,
privatisation and power



development dialogue
no. 48 september 2006

what
next

Climate Justice Now!

Bali, December 2007

Movement demands:

- **reduced consumption;**
- **huge financial transfers from North to South** based on historical responsibility and ecological debt for adaptation and mitigation costs paid for by redirecting military budgets, innovative taxes and debt cancellation;
- **leaving fossil fuels in the ground** and investing in appropriate **energy-efficiency** and safe, clean and community-led renewable energy;
- **rights-based resource conservation** that enforces Indigenous land rights and promotes peoples' sovereignty over energy, forests, land and water; and
- **sustainable family farming** and **peoples' food sovereignty.**

Redirect resources from smelting to lifeline household supply:

SA's 'Free Basic Electricity'

- 'African National Congress-led local government will provide all residents with a **free basic amount of water, electricity** and other municipal services, so as to help the poor. Those who use more than the basic amounts will **pay for the extra they use.**' *(ANC campaign promise, 2000 municipal elections)*

 Eskom




For more information:

Patrick Bond debates Chicago Climate Exchange founder Richard Sandor (Al-Jazeera, March 2009):

http://www.youtube.com/watch?v=yk991CVPLNc&feature=channel_page

CCS book
available on
request:
pbond@
mail.ngo.za



Can global warming be mitigated by carbon trading?

With climate change posing perhaps the gravest threat to humanity in coming decades, and with free market economics still hegemonic, it is little wonder so much effort has gone into creating a carbon market, no matter how much evidence has recently emerged about its flaws.

South Africa, a revealing pilot site, has initiated carbon trading projects with adverse economic, environmental and social impacts. South Africa pollutes at a rate twenty times higher than even the United States of America, measured by CO₂ emissions generated by each GDP dollar per person, so the idea of trading for carbon reductions is seductive – and potentially lucrative. Current state policy is supportive and a former environment minister is a market promoter, alongside the World Bank, the Dutch government and big oil companies.

Editors Patrick Bond, Rehana Dada and Graham Erion of the University of KwaZulu-Natal and the TransNational Institute have assembled this cutting-edge collection to highlight the urgent situation.

'The most destructive effect of the carbon offset trade is that it allows us to believe we can carry on polluting. This crucially-needed book provides ample evidence of the trade's other dangers to "beneficiaries", with case studies of fraud, accounting tricks and maltreatment of people and the environment.'

George Monbiot, Guardian columnist and author of Heat

'As representatives of people's movements and independent organisations, we reject the claim that carbon trading will halt the climate crisis. This crisis has been caused more than anything else by the mining of fossil fuels and the release of their carbon to the oceans, air, soil and living things. This excessive burning of fossil fuels is now jeopardising Earth's ability to maintain a liveable climate.'

'Climate Justice Now! The Durban Declaration on Carbon Trading'



UNIVERSITY OF KWAZULU-NATAL PRESS

Climate Change, Carbon Trading and Civil Society

Edited by
Bond, Dada and Erion



Climate Change, Carbon Trading and Civil Society

Negative Returns on
South African Investments



Edited by

Patrick Bond, Rehana Dada and Graham Erion