

EU Forest Watch

Informing NGOs, MEPs, Member States, the European Commission and the media

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Carbon as commodity: Reducing emissions or filling pockets?

Schemes to pay countries to Reduce Emissions from Deforestation and Degradation (REDD) are hailed by many as a cost-efficient means of reducing emissions (if funded through carbon trading), and of combating poverty, if these payments were used to advance development. A new report by market analysts The Munden Project,¹ provides a market-based critique of REDD if it were to be funded by carbon markets.

The report analyses whether quantifying and trading the carbon stored in forests on carbon offset derivatives markets would achieve the flow of capital required to preserve the forest and mitigate climate

change. The answer is an unequivocal “no.” The report outlines how a market in forest carbon credits will mainly benefit a near-cartel of corporate experts, middlemen and financiers from Northern countries, pointing out that commodity markets generally channel very little of the financial flow to producers (forest communities, in the REDD context). Basing REDD on carbon trading would make it unlikely to be able to deliver on its development goals. The report warns, “The so-called ‘market’ approach – is highly likely to fail. Forest carbon trading is unworkable as currently constructed”.

The Munden Project notes, “pointing out these shortcomings is only useful insofar as

it informs us as to what the real solutions might look like.” The authors use their analysis to make broad recommendations for an improved approach to filling REDD’s investment gap. The key precepts are to invest in land tenure, as a priority for REDD ‘readiness’; to shift the definition of forest carbon away from quantification of emission fluxes; and to engage community-driven approaches more effectively, given extensive evidence that securing community rights to forests is the most effective way to secure effective and long-term reductions in deforestation.

1 www.mundenproject.com/forestcarbonreport2.pdf

Will biofuels sustainability criteria prevent destruction of biodiversity?

A new report, commissioned by RSPB, ActionAid and Nature Kenya, provides yet another indication that the biofuels sustainability criteria in the Renewable Energy Directive may fail to influence practices on the ground and could lead to increases in emissions.¹ The report demonstrates that a proposed jatropha plantation, mainly aimed at providing “agrofuels” for the European market, would lead to the destruction of the Dakatcha woodlands in Kenya and would result in emissions up to six times higher than fossil fuel equivalents.

The Dakatcha woodlands are one of the last remaining coastal forests in North Eastern Kenya. They provide many services for local communities, who mostly live off the land. These

people now face eviction to make way for the proposed agrofuels plantation. In addition, the woodlands, rich in biodiversity, are home to a number of globally threatened animals and plants.

The sustainability standard in the Renewable Energy Directive is often put forward as the answer to preventing agrofuels causing negative environmental and social impacts. Yet, the destruction of the Dakatcha for the jatropha plantation appears imminent even though the biodiesel that will be produced would not comply with the greenhouse gas criteria, let alone the biodiversity criteria of the agrofuels sustainability standard. The NGOs therefore believe that the current EU’s sustainability standards will not prevent destruction of biodiversity or emissions increases: the standards are

vague and riddled with loopholes.

The Dakatcha analysis is a bad omen: EU Member State National Renewable Energy Action Plans indicate a massive increase in the use of agrofuels; there can be no hope that Dakatcha will be an isolated case. In addition to large emissions that would not be reflected in carbon balance sheets, several recent reports also demonstrate that jatropha is not delivering the wonder yields that were expected.² FERN believes that the EU and its Member States should scrap support and targets for agrofuels.

1. www.actionaid.org.uk/102821/new_study_reveals_biofuels_carbon_con.html

2. www.reuters.com/article/2011/01/21/us-eu-africa-jatropha-idUSTRE70K4VU20110121 and www.dw-world.de/dw/article/0,,14859613,00.html



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Photo: Jutta Kill

NEWS IN BRIEF

A new report published by FERN, Rainforest Foundation UK (RFUK) and Centre for Environment and Development (CED), “**Whose Land is it? The Status of customary land tenure in Cameroon,**” identifies the current legal status of customary land interests in Cameroon (www.fern.org/whoselandisit or julie@fern.org; in English and French). It suggests ways for their improved recognition, focuses on the forestry legislation in force, and compares the situation in Cameroon to that in other African states. The report suggests ways forward by describing what an optimal legal status of customary land rights would look like and possible avenues in existing law to bring about positive change.

The FLEGT process marches on. On 23 February 2011 the EU Council adopted the Republic of Congo and Cameroon’s VPAs (www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/119531.pdf), which finalises the ratification process on the EU side. The approval by the parliaments of Congo and Cameroon will make those agreements operational. VPA negotiations with Liberia (www.euflegt.efi.int/files/attachments/euflegt/press_release_flegt.pdf) and Indonesia are expected to reach a conclusion in May 2011. For information about FLEGT VPAs, see <http://loggingoff.info/themes/voluntary-partnership-agreements-vpas>; for information about the ratification process, see www.fern.org/ratification.

The **Central African Republic (CAR) presented its draft Readiness Preparation Plan (R-PP)** at the Vietnam Participants Committee (PC) of the World Bank hosted Forest Carbon Partnership Facility. Supported by the Technical Advisory Panel, CAR civil society criticised the inadequacy of the consultations, which contrast with the FLEGT participation process that has resulted in the signature of a VPA between CAR and the EU in December 2010. It is to be seen if CAR will integrate the lessons from the VPA process in the next version of the R-PP. It seems unfeasible to organise proper consultations before the 25 April 2011 deadline to submit the revised R-PP for approval for the next PC in Oslo in June 2011.

Many viewpoints, one view: Rethink carbon offsets

Three recent incidents show increasing recognition that carbon trading and specifically carbon offsetting¹ do not contribute to halting climate change.

Lord Adair Turner, chairman of the UK Committee on Climate Change, wrote to Climate Change Secretary Chris Huhne,² insisting that the UK should meet its 2020 emission targets through action at home, not through purchasing carbon offset credits. The letter states: “...there should be no use of [offset] credits in the second budget period to meet either the currently legislated or the intended level of ambition for the non-traded sector. Use of credits would substitute for appropriate domestic ambition.” He calls for a tighter UK carbon budget and urges the government not to carry the extra decrease in 2009 emissions resulting from the recession over to the next carbon budget period. To achieve the UK’s 2050 reduction target – an 80 per cent cut from 1990 levels – tighter budgets are required.

In a similar vein, the US Government Accountability Office (GAO) produced a report³ indicating that assessing the quality of carbon offsets is “challenging,” specifically for forestry and soil offset projects. Difficulties surround assessing additionality, measuring emissions reductions, the serious risk of

reversal of carbon storage in trees and soil, and verification of project compliance with rules.

Finally, a California court has requested the state reconsider carbon trading, AB 32, California’s cap-and-trade scheme – the only scheme to include forest offset credits – has been challenged by the 17 March 2011 ruling⁴ by a San Francisco Superior Court, which found that the California Air Resources Board violated the California Environmental Quality Act by failing to consider alternatives to a ‘cap and trade’ programme in its plan to implement AB 32. The case has stalled implementation of the programme.

Many agree that it is time to look beyond carbon trading in the search for measures to reduce energy consumption and motivate a true shift to a low-carbon economy. Perhaps the EU could take the trend to heart, rethink its push for ‘new market-based mechanisms’ in UN climate talks and refrain from advocating the ill-advised inclusion of forests in carbon-trading regimes.

1. www.fern.org/designedtofail

2. <http://tinyurl.com/3rtyt54>

3. GAO-11-345; Options for addressing challenges to carbon offset quality; 2011 www.gao.gov/new.items/d11345.pdf reiterating findings of GAO-09-456T, March 2009; www.gao.gov/new.items/d09456t.pdf

4. Association of Irrigated Residents vs. California Air Resources Board, CPF-09-509562.

World Forest Day: putting on a brave face

On 21 March 2011 – World Forest Day – experts gathered in Geneva to review forests and forest resources trends in Europe and North America.¹ One can wonder if they found much to celebrate, although they stated that forest management practices increasingly promote biodiversity.

The European Environment Agency’s (EEA) State and Outlook report (November 2010)² gives a different picture. Old-growth forests in Europe are still being logged (FW 158), fragmentation of the remaining stands is increasing, the conservation status of many forest species of European concern is poor. Most forests in Europe are heavily

exploited and, despite improvements, forests still lack sufficient levels of deadwood and older trees as habitat.

In its World Forest Day communiqué, the EEA rightly notes³ that we depend on forests for a multitude of services. Forest management in Europe will inevitably intensify adverse trends and increase pressure on forests and forest biodiversity in coming years, especially if increasing demand for wood is to be met. And that doesn’t bode well for forests or the services we rely on.

1. timber.unecce.org/index.php?id=326

2. www.eea.europa.eu/soer/synthesis/synthesis

3. <http://tinyurl.com/3f4u7qd>

Palm oil plantations: A problem shifts from here to there

In the wake of Indonesia's move to establish a two-year moratorium on new palm oil plantations as part of a bilateral REDD agreement with Norway, international palm oil companies have set their sights on Africa. Over 20 million hectares of land has been leased by African Governments and at very cheap prices. Few agreements have been made public.¹ An upsurge in land deals by palm oil companies in Cameroon, Ghana and Liberia could lead to large-scale deforestation and loss of farmland by local communities.² NGOs and local communities are concerned that the agreements will result in farmland being taken away from local communities, especially on so-called "degraded forest land", traditionally seen as community 'reserves.'

Companies such as Sime Darby, Sinar Mas and Olam International target the lucrative European biofuels markets. Observers are concerned that this rush for land in Africa could spark food security

concerns as more areas are locked up for exports, and could lead to disputes as communities are dispossessed of land where they hold customary, but not legal tenure. NGOs in Europe have raised both concerns with the European Commission regarding the use of biofuels in the EU's 2020 renewables targets.

This represents a clear case of 'leakage': agents of deforestation attempt to outrun efforts to address deforestation contributing to climate change in one place by moving it to another. In reality, saving the world's forests will require addressing the underlying causes. This will mean reducing the consumption and the demand from the North that drive deforestation, strengthening tenure rights, and improving forest governance in forested countries.

1. www.fern.org/whoselandisit

2. Palm oil giants target Africa in 'land grab' following Indonesia deforestation ban. *The Ecologist*, 25th March, 2011

SGS barred from issuing new FSC certificates in Brazil – for now

Even before it was issued in 2008, the FSC certificate for Brazilian pulp and paper giant Veracel was controversial: environmental organisations and social movements in Brazil submitted detailed documentation regarding the company's failure to meet the FSC's Principles and Criteria. FSC-accredited certifier SGS issued the certificate nonetheless, and the controversy has continued since.

Spurred by a critical article and film about the Veracel certification released in Belgium (see FW156), FSC's accreditation unit ASI assessed anew the quality of SGS's audits of Veracel, investigating concerns raised in the film and in previous NGO submissions. At long last the FSC agreed that, indeed, the quality of SGS's assessment was so poor

that on 17 February 2011 it suspended the certifier from issuing any new forest or plantation management certificates in Brazil.¹ The shortcomings identified were so significant² that the validity of the certificate itself is in doubt, raising serious questions about the quality of SGS's assessments elsewhere in Brazil.

The FSC could have saved itself and its members resources and credibility had it heeded the early warnings and evidence of Veracel's non-compliance with FSC standards.

1. www.accreditation-services.com/uploads/media/5.3.1.2011-02-18-ASI_Accredited_CBs.pdf and damning FSC Accreditation Services report with SGS responses here:

2. www.accreditation-services.com/uploads/media/ASI-REP-54-SGS_-2010-BRA_Veracel_PS.pdf

NEWS IN BRIEF

Are logging operations in the **Congo basin ready for certification of sustainability**? The NGO Greenpeace thinks not, and is calling on the Forest Stewardship Council (FSC) for a moratorium on new certifications in the region. Greenpeace argues that rapid expansion of this certificate in a region with poor governance and high corruption leads to many undeserving companies being awarded FSC certificates, also undermining FSC credibility (www.greenpeace.org/africa/en/Press-Centre-Hub/Publications/Greenpeace-Calls-for-a-Moratorium-on-FSC-in-the-Congo/).

Under pressure from the environmental organisation Robin Wood, the **Deutsche Bank fund management company has pulled out of the Wilmar palm oil conglomerate**, eliminating all Wilmar stock from its financial products (www.robinwood.de/Newsdetails.13+M52ec79ec7c1.0.html). Wilmar, the world's largest palm oil trading company, has been criticised by NGOs for its aggressive expansion strategy at the expense of local communities and the environment, for failing to comply with the law, for taking over communities' lands without consent, for clearing forests without impact assessments and illegal burning (www.forestpeoples.org/topics/responsible-finance/private-sector/palm-oil-rspo).

Iberian NGOs have a proposal to **resolve the ongoing conflicts surrounding eucalyptus plantations**. These have long posed a problem for the conservation of wildlife and plants, for management of land and water resources and for protected areas, but new demand for agricultural land to grow eucalyptus for bioenergy aggravates the problem. In 2005, European NGOs launched a common vision for transforming the European paper industry (www.shrinkpaper.org/pages/our-vision/index.shtml). In March 2011, a group of Iberian NGOs launched a common vision on the problem of eucalyptus plantations in order to help realise those demands – such as for Europe's paper to be made from responsibly and sustainably sourced fibres, (www.globaljusticeecology.org/files/Eucalyptus_Report.pdf).

Shine a light on ECA activities

These are important times for Export Credit Agencies (ECAs) which provide government-backed guarantees to companies doing business in developing countries and emerging markets. There are ongoing negotiations between Council, Commission and Parliament towards EU legislation and the volume of ECA-backed business transactions is increasing.

A recent report¹ estimates the top ECAs backed more than \$260 billion of business in 2008; without ECA support, many deals would not go forward. ECAs have proven critical to facilitating trade during the current economic crisis, and the EU relaxed rules to enable exporters to obtain finance that banks were unwilling to provide.² As a result, ECA business

increased by a third in the immediate aftermath of the 2008 financial crisis.

The problem: many of the projects that the ECAs have backed in the South (e.g. large dams, coal mines, and oil pipelines) have had severe and negative environmental, social and human rights impacts. Worse still, these agencies are not required to be transparent in their dealings. Information is rarely publicly available regarding the decision-making processes for projects supported by ECAs. As a consequence, it remains difficult for parliamentarians and the wider public to monitor the operations of ECAs – until it is too late.

The OECD “Arrangement on Guidelines for Officially Supported Export Credits,” is intended to establish a level playing field so

that government-backed ECAs do not distort competition. Incorporated for the first time into EU regulations in 1992, it is the main EU legislation directly relating to ECAs.

ECA transparency must be enhanced. Now under the Lisbon Treaty, the 2005 OECD Arrangement will be transposed using co-decision of the Council and the European Parliament (see below). Now with the Lisbon Treaty having provided the mandate, these representatives of European citizens must seize the opportunity to increase ECA transparency.

1. <http://tinyurl.com/6h9xx6s>

2. In the post-crisis period, the European Commission adopted a “Temporary Framework for State aid measures to support access to finance in the current financial and economic crisis”. It allows the Member States to introduce temporary new ‘Funding Schemes’ for export loans.

UK: Finally, a precedent to rely on

After eight years, the UK Government National Contact Point for the OECD Guidelines for Multinational Enterprises ruled that a BP-led consortium was breaking international rules governing the human rights responsibilities of multinational companies in its operations on the controversial Baku-Tbilisi-Ceyhan (BTC) oil pipeline.¹ The UK government backed the pipeline through its Export Credits Guarantee Department (ECGD), as did German, French, Italian, American and Japanese governments.

The ruling follows the complaint² lodged by six groups in 2003 under the OECD Guidelines for Multinational Enterprises. It states that BP failed to investigate and respond to the local population’s complaints of intimidation. Although BP has consistently promoted the BTC pipeline as “world class” in its approach to human rights, the UK Government has now found that BP breached its commitments by neither responding to nor investigating the allegations of intimidation. The failure

of BP also raises major concerns about the due diligence undertaken by the international financial institutions (IFIs) before supporting controversial projects. Given BP’s legally binding commitment to ensure that the BTC project complies with the OECD Guidelines, the ruling from the UK Government potentially places the company in breach of its contracts with the major IFIs that backed the project with taxpayers’ money, including ECAs involved in the project and the European Bank for Reconstruction and Development (EBRD).

The ruling sets an important precedent. In future, to comply with these OECD guidelines, multinationals will have to take into account the human rights context in which they operate, including the risk of intimidation. Without effective safeguards, projects like BP’s are bound to happen again, this case thus underlines the need for urgent changes in ECA’s due diligence.

1. www.fern.org/baku

2. www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/BTC%20Complaint%2029.4.03.pdf

Parliament vote to improve ECA accountability

On 5 April 2011, the European Parliament (EP) voted in plenary to adopt amendments proposed by the International Trade (INTA) Committee to a law to improve the accountability of EU ECAs.

In December, the INTA Committee voted for amendments (FW 157) to ensure that EU ECA activities respect EU principles concerning democracy, human rights and sustainable development, with the European Commission sharing information with the EP on implementation of the Arrangement.

A first Council working group position on export credits’ was presented at the second round of informal triologue negotiations on 23 March 2011. Main divergences concerned reporting requirements with the EP Rapporteur saying that the Council’s offer was not sufficient. The EP vote on the full report¹ should signal to the Council that they need compromise further if they want agreement in first reading.

1. Report on the proposal for a decision of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits