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

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Prototype Carbon Fund participants lukewarm on plantation offsets

Protests, environmental destruction and community hardship cannot stop the World Bank from helping a Clean Development Mechanism (CDM) project along, even if a carbon credit shell game is needed to make the accounts 'work.' In fact, the Prototype Carbon Fund (PCF) seems to welcome the possibility to expand this type of project failure.

After more than a decade of rewriting project documents and re-inventing stories about why the tree plantations of one of Brazil's largest plantation companies, Plantar S.A., would only be maintained if they received carbon offset subsidies,[1] the World Bank's pilot project finally succeeded in receiving the long-awaited carbon credits in April 2012.[2]

The World Bank claims that the 11,600 hectares of eucalyptus plantations that are part of the CDM offset project are managed sustainably. Yet the plantations' rapid growth and massive water consumption severely reduce river flows and dry up springs essential for local water use. Despite the project proponents' claims regarding the plantations' contribution to biodiversity, the negative social and environmental impacts of the plantations are significant and well documented.[3] Protests have continued since the project first applied to register as a CDM project in 2003 (FW 76; FW 86).

And while the World Bank celebrates the arrival of 4,000 carbon credits in the PCF coffers, PCF participant interest in the credits seems lukewarm. The PCF carbon purchase agreement gives participants the first right to buy Plantar offset credits. But in a recent e-mail to FERN, the World Bank's Carbon Help Desk confirmed that "Because the BioCF Participants are more interested in purchasing tCERs[4] than participants in the PCF, in 2010 it was decided to reduce the number of carbon credits purchased by the PCF and transfer the majority of the tCERs to the BioCF."[5] By contrast with the swift announcements about carbon credit issuance, the World Bank was less keen to provide detail about the decision to swap the Plantar credits to another carbon fund the Bank administers. The swap is only the latest in a series of the Plantar project's peculiarities; it changed credit volume calculations to increase the credit volume significantly shortly before issuing the credits. The credit revenue will be used to repay a RaboBank loan, which the World Bank PCF backed by committing to purchase the Plantar offset credits. What would have happened to repayment of the loan had the CDM not registered the project remains unclear.

1. www.fern.org/publications/press-releases/stop-plantar
2. web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23169373~menuPK:51062077~pagePK:34370~piPK:34424~theSitePK:4607,00.html
3. http://wrm.org.uy/bulletin/163/Brazil_Plantar.html
4. tCERs are temporary carbon credits, not accepted for use in the EU ETS.
5. 9 May 2012 e-mail response from World Bank Carbon Finance Unit to FERN, available on request.

Irish levy: Polluter Pays ... anyone?

In an effort to make the polluter pay, under the EU Emissions Trading Scheme, energy generators must purchase EU emissions allowances to cover their total CO2 emissions. They have been given a sizeable break, however: during the first two phases, the EU accorded them free carbon permits to allow them to adjust to the program.

Evidently, like many others, Irish energy companies view these permits as a means of generating profit through carbon-trading, rather than as a tool to make polluters pay. Despite receiving allowances for free, the companies consider the permits that they must use to cover their actual emissions – the point of having carbon allowances in the first place – rather than sell on the market, as an "opportunity cost equal to the current market price."[1] And so they passed this hypothetical 'cost' on to their consumers.

Former Minister for Energy Eamon Ryan took a dim view of this practice, and in 2010 imposed a levy on the value of the permits to prevent the operators of electricity plants from making windfall profits off permits that they generally had received at no charge.

In February 2012, in a case brought by Viridian Power, the Irish Supreme Court ruled that energy companies could lawfully include the hypothetical cost of the carbon levy itself in electricity prices.[2] Minister for Energy Pat Rabbitte - either in compliance with the Irish Supreme Court ruling or in despair at following its reasoning - repealed the levy, 25 May 2012.

1. www.nera.com/nera-files/NL_ERI_0512.pdf
2. www.irishtimes.com/newspaper/finance/2012/0528/1224316804983.html

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Photo: Jutta Kill

NEWS IN BRIEF

Marc Ona, director of FERN partner Brainforest, and about 40 other **civil society activists were arrested in Gabon** Friday, 8 June 2012, for organising a demonstration forbidden by Gabonese authorities. The "contre-Forum" aimed to highlight the pervasive corruption and lack of democracy and accountability in the oil-rich Central African country during the New York Forum Africa. At issue are land tenure problems, expulsion of local communities from Woleu Ntem and land grabs by palm oil companies. Under international pressure, the government offered to release Ona the same day; he refused to leave until they released all who had been arrested.

"[T]here are industrial plants open simply to justify receiving emission permits and sell them in the market," states Carbon Trade Watch's new report "Castles in the Air: The Spanish State, public funds and the EU-ETS" (www.carbontradewatch.org/downloads/publications/EU-ETS_SpainEN-web.pdf). Launched ahead of the United Nations Conference on Sustainable Development (Rio+20), the report reveals how especially steel and cement industries in Spain have gained enormous profits from the EU Emissions Trading Scheme. Generous allowances for carbon offset use and various forms of state support have put companies based in Spain at the top of the winners list among EUETS windfall profiteers, and among the largest buyers of CDM offset credits – many of which have increased local conflicts in Southern countries where these carbon offset projects are located.

Charles Taylor, president of Liberia 1997 - 2003, is the first African president to be tried for war crimes. The Special Court for Sierra Leone, sitting in The Hague, tried Taylor for aiding and abetting in crimes including pillage, murder and rape during Sierra Leone's bloody civil war. Among the charges was the role Taylor played in Sierra Leone's blood diamond trade, highlighting that natural-resource looting finances armed conflict and human rights abuses internationally. On 30 May 2012, **the former warlord was convicted on 11 counts of war crimes and crimes against humanity,** and sentenced to a jail term of 50 years.

ECAs and APP's proposed new mill: Just *don't*

On 11 June 2012, FERN, WWF, Greenpeace and the European Environmental Paper Network (a coalition of some 30 European NGOs) urged governments *not* to fund the colossal new pulp mill proposed by Asia Pulp and Paper (APP).[1] The plant would be in Sumatra, Indonesia, where estimates indicate that APP has already pulped more than two million hectares of rainforest. Set to produce 1.5 - 2.0 million tonnes of pulp per year, the mill would be the world's largest single pulp line.

Historically European Export Credit Agencies (ECAs) have supported APP.[2] Yet, like previous ECA-backed APP investments, this mill would have disastrous impact on community rights, endangered species and the climate. APP assurances mean little: Eyes on the Forest (FW 170) revealed that, just three years after signing an agreement with eight ECAs, APP began clearing one-third of the forest it had committed to protect.[3]

A new EU regulation now in force[4] requires ECAs to comply with EU objectives on human rights, climate and environment. ECAs cannot fund the proposed mill whilst complying with the regulation. The NGO letter urges ECAs to end support for all activities linked to deforestation in Indonesia and elsewhere.

1. www.fern.org/APPandECAs
2. www.fern.org/exportingdestruction
3. www.eyesontheforest.or.id/attach/EoF%20%28Mar12%29%20APP%20default%20on%20environmental%20covenant%20report%20FINALS.pdf
4. http://tinyurl.com/cnw8pzo

A Critical lesson for REDD

An Australian aid project intended as a pilot for international initiatives to reduce emissions from deforestation and forest degradation (REDD), has so far only achieved a fraction of the reforestation and peatland targets meant to balance greenhouse gas emissions from deforestation in Indonesia. Senator Christine Milne, leader of the Australian Green Party, said the project "has been a total failure."[1] This failure highlights the intractable nature of land tenure issues.

The project offers a cautionary tale for the REDD debate, lest all international REDD efforts go the way of Australia's Kalimantan Project. Policymakers in both the United Nations Framework Convention on Climate Change (UNFCCC) discussions and the World Bank's Forest Carbon Partnership Facility, where Australia plays active roles, must acknowledge the complexity of land tenure issues in most forested countries, and the time and resources needed to resolve these equitably. Echoing indigenous peoples' groups, Senator Milne called for REDD projects to not proceed until the rights of indigenous peoples are guaranteed.

1. http://tinyurl.com/bonqtp4

Cameroon: Killing the VPA?

Large-scale agribusiness activities are set to undermine the forest sector reforms and advances against illegal logging that the EU-Cameroon Voluntary Partnership Agreement hoped to achieve. Six foreign-owned companies are trying to secure, and then clear, more than one million hectares of Cameroon's forested regions for palm oil production. These include Malaysian-based Sime Darby, the world's biggest listed palm oil producer (600,000 ha); Indian-owned Siva Group/Biopalm Energy (200,000 ha); US conglomerate Cargill (50,000 ha); and Herakles Farms subsidiary Sithe Global Sustainable Oils Cameroon (SGSOC) (73,000 ha). The SGSOC plantation, for example will significantly affect 52,000 people in 88 villages who depend on the forests for their livelihoods and culture, further fragmenting five of the region's protected areas.[2] The Oroko, Bakossi and Upper Bayang indigenous peoples are claiming their legal rights to free prior informed consent.

1. www.trust.org/alertnet/news/cameroons-forests-pressured-as-government-welcomes-palm-oil-investors
2. www.culturalsurvival.org/take-action/cameroon-stop-oil-palm-plantations-destroying-africas-ancient-rainforests/cameroon-stop