



CRITICAL ANALYSIS OF CARBON TRADING

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Introduction

Carbon trading is one part of a wider global movement to put a price on nature and to make the services it provides to people part of the global economy.

New environmental accounting frameworks and financial marketplaces are being created based on the idea that markets can succeed where traditional environmental policies have failed.

But these new concepts, such as natural capital, eco-system services and carbon finance, risk greenwashing the continuation of a destructive economic model based on perpetual growth and further enriching the global elite.

The concepts allow corporations and consumers to continue with business as usual without addressing the real drivers of biodiversity loss and global warming.

The concepts can also be socially, ecologically and culturally destructive as they value nature in purely monetary terms, with no connection to time or place, and they disregard anything that is not of service to humans.

The concepts subordinate nature to the economic system when it is the global economy that should be restrained to fit within the limits of the natural world.

The pricing of nature is yet another resource grab by wealthy nations that will further entrench economic injustice and exploit local communities.

In Papua New Guinea, carbon trading is currently the most prominent manifestation of the push to put a price on nature but the same analysis can also be applied to other forms of eco-system service trading and carbon financing in general.

Greenwashing

- Carbon trading mechanisms are designed to allow offsetting - with no overall reduction in carbon emissions. They legitimise the continuation of the same extractive, destructive and polluting industrial activities and consumption that caused global warming in the first place.
- Carbon trading supports the continuation of our current destructive economic system based on perpetual growth.
- Carbon trading does not address the real drivers of deforestation – corruption, unsustainable and

illegal logging and industrial agriculture. Protection of one forest area does not stop deforestation continuing or even increasing in existing or new concession areas (sometimes referred to as 'leakage').

- Many carbon projects are fraudulent in that the forests they protect were not under threat of logging or will not be actively reforested or restored.
- Forests are not a permanent source of carbon storage and offsets from forestry are inherently unstable as they can easily be reversed by forest fire or land-use changes.
- Empirical evidence¹ shows that many carbon offsetting projects have been a failure in practice, leading to a situation in which polluters get a 'guilt-free pass' to keep emitting carbon pollution but the promised forest preservation has never materialized or did not last.

Socially and Culturally Destructive

- By involving indigenous communities in a scheme which allows ongoing climate pollution, carbon trading implicates those communities in the destruction caused by global warming.
- Carbon trading relies on a commodification, monetization and financialization of nature that destroys cultures and traditions that regard nature as much more than just a product or resource.
- Carbon trading undermines community land rights as it relies on defining land boundaries and ownership. In Papua New Guinea this process of privatisation undermines community values and customs and creates opportunities for corruption to thrive.²
- Carbon trading can create conflict as it relies on a determination of ownership, whether of the carbon itself or land, which can be disputed both within and between communities and between different levels of government.
- In PNG, some carbon projects have relied on cash handouts to obtain community approval. As well as clouding the concept of genuine consent, such handouts are disempowering and socially destructive.

Entrench Global Inequality and Exploit Local Communities

- Carbon trading creates a new speculative financial commodity and market that will enrich the wealthy at the expense of the most vulnerable, further exacerbating global inequality.
- The supply chain for forest carbon offsets is often filled with intermediaries that oversee the redistribution of funds, and retain fees or seek to make their own profits, reducing the benefits for local populations.
- Carbon trading restricts how indigenous communities can use their land and its resources while allowing Western nations to continue their destructive lifestyles and corporations to pollute the environment and emit greenhouse gases.
- Carbon trading increases the risk of customary land alienation by providing government with a strong financial incentive to take control over forests. Alienation deprives communities of their livelihoods and social safety net and undermines their culture and traditions.

No transparency or good governance

- International carbon standards and verification processes are not robust or transparent and do not provide effective oversight of carbon deals.
- The scientific and economic models on which carbon trading relies are very complex and difficult to explain and hard for lay people to understand. They also rely on scientific formula that are neither exact, certain or robust and the results can be easily manipulated.
- Government institutions in PNG are underfunded and incapable of robustly managing carbon projects, of regulating well-resourced foreign corporations or controlling what happens to the carbon products once they are traded in overseas markets.
- Carbon trading schemes rarely involve any type of community-led governance structures, which creates a power imbalance and leaves local people vulnerable to exploitation.
- Local communities are not properly consulted, not fully informed, not given access to documentation and not given access to independent advice. Financial promises are inflated and ambiguous and there is no clear plan for how the benefits will be delivered.
- Free Prior Informed Consent from indigenous communities is almost impossible to achieve in practice. In Papua New Guinea, Incorporated Land Groups are often used both to identify beneficiaries and obtain consent but there is no effective government oversight of these groups and there is a long history of the scheme being mismanaged and abused.³
- Carbon contracts and leases can be for periods of up to 100 years - binding future generations without their consent.
- Benefit sharing is not equitable or transparent.
- The limited financial benefits that do trickle down to communities are likely to be captured by local elites and lead to local conflict and exacerbate community inequalities and gender divisions.

POSSIBLE ALTERNATIVES

Papua New Guinea should be directly financially compensated for protecting its rainforests by those nations responsible for global warming under the commitments they have already made at international summits.

Rejecting carbon finance does not mean that tropical countries should not be compensated by other nations for protecting their forests and biodiversity as major assets for the world and the global fight against climate change. Other viable financing alternatives to carbon trading do exist.

At the UN Climate Change Conference in November 2021 (COP26), 145 nations, including Papua New Guinea, reaffirmed their commitment to stop global deforestation by 2030.⁴ The Declaration on Forests and Land Use, was accompanied by pledges of financial support, totalling \$13.7 billion, to help stop deforestation.

Another US\$12 billion was promised from twelve countries⁵ to finance the protection, restoration and sustainable management of forests.⁶ The funds are supposedly available from 2021-25 to eligible

countries that show ‘increased ambition and concrete steps to ending deforestation by no later than 2030’.

The Pledge recognized that progress stopping deforestation ‘can only be made with ambitious forest countries in the lead’ and that forest countries ‘need access to significant, predictable flows of finance to help them tackle the systemic drivers of forest loss’.

In addition, at COP26 there was also a further pledge of \$1.7 billion from the UK, Norway, Germany, the US, and the Netherlands, in partnership with 17 funders, to help Indigenous and local communities protect the biodiverse tropical forests.⁷

Monies from these funds could be used to compensate the PNG Treasury and local communities for the approximately \$100 million that they stand to lose annually from a halt of large-scale forest logging in PNG.

Other potential sources of funds to compensate PNG for stopping export logging and other deforestation include a new global carbon tax, a tax on airline travel, a levy on the heavily polluting and carbon-intensive bunker fuels used by ships, adding taxes to fossil fuel extraction, or a tax on financial transactions.

¹ See for example the case studies listed here - <https://features.propublica.org/brazil-carbon-offsets/inconvenient-truth-carbon-credits-dont-work-deforestation-redd-acre-cambodia/> - and <https://www.oaklandinstitute.org/carbon-colonialism-failure-green-resources-carbon-offset-project-uganda>

² The Special Agriculture Business Lease scheme is one of the most flagrant examples of the defining of land boundaries leading to illegal land grabbing but there are many other examples of the use of Incorporated Land Groups to deprive communities of their land without their free prior informed consent.

³ See note 2 above

⁴ <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use>

⁵ The pledge was supported by Belgium, Canada, Denmark, the EU, France, Germany, Japan, Korea, Norway, the UK and USA.

⁶ <https://ukcop26.org/the-global-forest-finance-pledge/>

⁷ <https://www.fordfoundation.org/news-and-stories/news-and-press/news/governments-and-private-funders-announce-historic-us-17-billion-pledge-at-cop26-in-support-of-indigenous-peoples-and-local-communities/>