Climate and economic crises: why we need an eco-socialist ‘Just Transition’, not fossil fuel addiction.

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

presented to the National Union of Metalworkers of South Africa Central Committee Workshop on Climate Change
Johannesburg, 18 July, 2011

cartoons by Zapiro
World Summit on Sustainable Development
Johannesburg, 31 August 2002: 30,000 protested
UN ‘type-two partnerships’, privatisation of water, emissions trading, neoliberalism
Durban’s COP17
‘Conference of Polluters’
28 Nov-9 Dec 2011
International Convention Centre
Durban’s Conference of Polluters (COP17) what will happen from 28 Nov until 9 Dec?

UN & Durban officials want ‘civilised’ society in tents, out of sight and mind
civil society unity for Durban Univ of Technology alternative ‘C17’ summit

UNFCCC negotiations
‘going away party - for the beach’!

December 3 march route: Curries Fountain to beach
why are we so ignorant about climate?
just not in elite interests to tackle climate

A TIMETABLE TO REDUCE EMISSIONS?! ..NOT UNTIL THERE'S MORE EVIDENCE OF GLOBAL CLIMATE CHANGE!
eight problems with Pretoria’s climate politics

1. South Africa’s vast CO2 emissions, measured as carbon intensity per capita unit of GDP output, amongst the world’s highest, far worse than even the US.
Pretoria’s ‘Long-Term Mitigation Scenario’ admits our huge culpability.
put these stats together, and in energy sector, SA 20 times worse than US

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

NOTE: The tonnes of carbon dioxide (CO₂) emissions are those measureable through fuel combustion.
SA ‘mitigation’?? carbon-intensive ‘development’

• Medupi and Kusile R240bn coal-fired power plants
• Coega’s PetroSA R80bn refinery

SA Climate Green Paper passes the buck: “Most of our climate adaptation and much of the mitigation efforts will take place at provincial and municipal levels.”

CASE OF DURBAN:

• port widening and new dug-out harbour at old airport site;
• competing Dube trade port next to new King Shaka Airport;
• new long-distance air routes and reliance on sports tourism;
• vain hope to host 2020 Olympics in White Elephant stadium;
• expansion of South Durban’s hated petrochemical complex;
• massive expansion of Durban-Joburg oil pipeline, with doubling of refinery capacity
other Green Paper problems:
• 34% target cut by 2020 is bogus because ‘Business as Usual’ actually ‘Growth without Constraints’ (fantasy)
• “limit the average global temperature increase to at least below 2°C above pre-industrial levels” – too high!
• “Limited availability of international finance for large scale fossil fuel infrastructure in developing countries is emerging as a potential risk for South Africa’s future plans for development of new coal fired power stations.” – World Bank loan?

• Green Paper reliance on what are ‘false solutions’:
  • “Clean Development Mechanism (CDM) projects”
  • “nuclear power station fleet with a potential of up to 10 GWh by 2035 with the first reactors being commissioned from 2022” – uh oh!
  • dangerous waste incineration strategy: “facilitate energy recovery” through “negotiation of appropriate carbon-offset funding”
2) main sources of CO2 pollution reflect **continuity**, not change from apartheid-economics:

- coal-burning power plants of the parastatal Eskom (now massively expanding), and
- coal/gas-to-oil conversions of Sasol, privatized and listed on New York Stock Exchange
3. Virtually no contributions to the grid (less than 4 percent in 2010) come from South Africa’s incredible renewable energy potential, in solar, tidal and wind sources.

Numsa workers redeployed from fossil fuel industries

simple, low-tech solar geyser, 100% local

http://www.climatejobs.org.za
4. The electricity produced by burning coal is cross-subsidised so that it is the cheapest available anywhere in the world for the world’s largest mining and metals corporations, BHP Billiton and Anglo American Corporation, which were revealed in 2010 to be paying less than US$0.02/kiloWatt hour of electricity for smelter consumption thanks to apartheid-era, 40-year “Special Pricing Agreements”
SA offers world’s cheapest electricity to metals smelters - *phase-out needed!*

Eskom brags in 2009 annual report, though reason for R9.7bn 2009-10 losses

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**2009 International electricity cost comparison**

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost per kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>4.1</td>
</tr>
<tr>
<td>Germany</td>
<td>5.0</td>
</tr>
<tr>
<td>Austria</td>
<td>6.0</td>
</tr>
<tr>
<td>Spain</td>
<td>7.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.0</td>
</tr>
<tr>
<td>UK</td>
<td>10.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>11.0</td>
</tr>
<tr>
<td>USA</td>
<td>12.0</td>
</tr>
<tr>
<td>France</td>
<td>13.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>14.0</td>
</tr>
<tr>
<td>Finland</td>
<td>15.0</td>
</tr>
<tr>
<td>Canada</td>
<td>16.0</td>
</tr>
<tr>
<td>Australia</td>
<td>17.0</td>
</tr>
<tr>
<td>South Africa</td>
<td>18.0</td>
</tr>
</tbody>
</table>

US cents per kWh

The survey is based on prices as of 1 June 2009 for the supply of 1 000kW for a site with a monthly usage of 450 000kWh. All prices are in US cents per kilowatt hour and exclude VAT. Where there is more than a single supplier, an unweighted average of available prices was used. Where available in each country and widely used by the consuming public, deregulated or liberalised contract pricing was used in this survey.

BHP Billiton & SA crony capitalism

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

Xolani Mkhwanazi, former SA National Electricity Regulator, now BHP Billiton Southern Africa Chief Executive 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)

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

Derek Cooper, ill-fated Standard Bank chairperson, recommended BHP Billiton smelter switchoff

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

Marius Kloppers, BHP Billiton CEO (Melbourne)
5. main metals/mining firms export profits both through illegal transfer pricing and through straight repatriation of dividends to shareholders in London and Melbourne, and downstream consumption of their metals product is minimal due to notorious local overpricing

- local manufacturers are at a major disadvantage, and
- profits flow away, causing huge current account deficit, making SA very risky
<table>
<thead>
<tr>
<th>Country</th>
<th>Current-account as % of GDP*</th>
<th>Short-term debt as % of reserves*</th>
<th>Banks’ loan/deposit ratio</th>
<th>Overall risk ranking†</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>-10.4</td>
<td>81</td>
<td>1.09</td>
<td>17</td>
</tr>
<tr>
<td>Hungary</td>
<td>-4.3</td>
<td>79</td>
<td>1.30</td>
<td>16</td>
</tr>
<tr>
<td>Poland</td>
<td>-8.0</td>
<td>38</td>
<td>1.03</td>
<td>14=</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.3</td>
<td>102</td>
<td>1.30</td>
<td>14=</td>
</tr>
<tr>
<td>Mexico</td>
<td>-2.5</td>
<td>39</td>
<td>0.93</td>
<td>12=</td>
</tr>
<tr>
<td>Pakistan</td>
<td>-7.8</td>
<td>27</td>
<td>0.99</td>
<td>12=</td>
</tr>
<tr>
<td>Brazil</td>
<td>-1.5</td>
<td>22</td>
<td>1.36</td>
<td>10=</td>
</tr>
<tr>
<td>Turkey</td>
<td>-2.3</td>
<td>70</td>
<td>0.83</td>
<td>10=</td>
</tr>
<tr>
<td>Russia</td>
<td>1.5</td>
<td>28</td>
<td>1.51</td>
<td>9</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.2</td>
<td>63</td>
<td>0.74</td>
<td>8</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.8</td>
<td>58</td>
<td>0.75</td>
<td>7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.2</td>
<td>88</td>
<td>0.62</td>
<td>6</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.3</td>
<td>17</td>
<td>0.88</td>
<td>5</td>
</tr>
<tr>
<td>India</td>
<td>-2.4</td>
<td>9</td>
<td>0.74</td>
<td>4</td>
</tr>
<tr>
<td>Taiwan</td>
<td>7.9</td>
<td>26</td>
<td>0.87</td>
<td>3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>11.3</td>
<td>15</td>
<td>0.72</td>
<td>2</td>
</tr>
<tr>
<td>China</td>
<td>5.2</td>
<td>7</td>
<td>0.68</td>
<td>1</td>
</tr>
</tbody>
</table>

Sources: HSBC: Economist Intelligence Unit  *2009 forecast  †Higher score implies higher risk
since early 2000s, rapid rise in SA foreign debt, to the point of severe debt/GDP danger levels, now more than $100 billion

Source: SARB, RMB FM Research
five currency crashes, 1996-2008

when Rand falls 15%+, then repayment of World Bank’s $ debt much more expensive

Source: I-Net Bridge
6. because of Eskom price hikes, **millions of poor people are regularly disconnected or denied access to the grid** due to extreme poverty, especially **1.3 mn 2009 job losses** and because of dirty household energy, the passage is often rapid from **HIV-positive to full-blown AIDS status via respiratory-related opportunistic infections**, including the raging **TB epidemic**.
a typical low-income energy system
1/3 of Eskom’s four million customers have ‘zero’ consumption – most were disconnected.
upsurge of community protest against electricity disconnections, price increases, World Bank loan
7. **corruption** is built into energy-intensive mining and industry, ranging from controversial ruling-party dealmaking in the sector, ‘Black Economic Empowerment’ shakedowns for well-connected tycoons, and corporate malfeasance in climate deals such as Sasol and Eskom attempts to secure Clean Development Mechanism subsidies.
8. South Africa’s role in global climate politics supports SA’s Minerals-Energy Complex
Copenhagen Accord, COP 15, December 2009

• Jacob Zuma (SA)
• Lula da Silva (Brazil)
• Barack Obama (USA)
• Wen Jiabao (China)
• Manmohan Singh (India)

"they broke the UN!"
(Bill Mckibbon, 350.org)

non-binding! 4 degree increase!
world’s biggest polluter
lead US climate negotiator Todd Stern, on demand for recognising climate debt?

‘The sense of guilt or culpability or reparations – I just categorically reject that’

Stern thus rejects core principle: ‘polluter pays’

is Stern welcome in Durban?

WikiLeaks revealed (Feb ‘10) Stern/Pershing bribery and bullying:

Ethiopia, Maldives, Bolivia, Ecuador
Cancun COP 16 revived market fix

in theory, yes, as a ‘castle in the sky’...
but in reality relying upon carbon markets is like building that castle atop quicksand – given the market’s corruption, fraud, thievery, stagnation and speculation
SA promotion of carbon trading

*Marthinus van Schalkwyk* (then SA environment minister) to International Emissions Trading Association (September 2007):

• ‘An all-encompassing global carbon market regime which includes all developed countries is the first and ultimate aim.’
EU carbon market crashes, 2006-09

impossible to finance renewable energy with such low carbon prices
Green Climate Fund – $100bn/year by 2020 (promised), co-chaired by Trevor Manuel

- $100 billion isn’t enough!
- direct access? ‘Basic Income Grants’ preferable to corrupt ‘aid’ (Manuel opposed)
- false solutions to be funded
- Manuel wants carbon trade to provide 50% of GCF revenue
- World Bank is interim GCF trustee despite terrible record of managing climate and development funding
Should the World Bank be lead climate financier?

Robert Zoellick qualifications:
- WB prez after Wolfowitz was fired
- Goldman Sachs int’l banker, 2006-7
- US State Dep’t #2, 2005-6
- US Trade Rep to WTO, 2001-5
- Bush Jr’s Florida vote-counter, 2000
- Enron ‘senior political advisor’, 1999
- neocon Project for a New American Century founder, 1998 (‘invade Iraq’)
- Fannie Mae #2, 1993-98
- Presidential deputy chief of staff to George Bush Sr, 1992
- US Treasury: Deputy Assistant Secretary during S&L crash, 1980s

fossil fuel loans: $6.3 billion in 2009-10 year, up from $1.6 bn in 2006-07;
commodity export dogma;
resource curse financing;
carbon trading promotion;

breaks everything he touches

a very worried panda
Pretoria-Washington attack on climate: $3.75 bn loan from the World Bank to mainly finance Eskom’s coal-fired Medupi power plant... why is it so wrong?

Source: groundWork & Earthlife Africa
Ten reasons to reject Medupi

- Climate destruction
- Local ecologies, health
- Procedural problems in World Bank process
- Poor people pay excessive prices
- Multinational corps. get ultra-cheap power
- Profit outflow to multinationals
- Increased foreign debt
- Privatisation
- ANC corruption
- World Bank's apartheid history

Eskom’s Medupi: world’s fourth-largest coal-fired plant, to emit 25-35 mn CO2-equiv. tonnes/year (more than 115 countries)
**Ten reasons to reject Medupi**

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Medupi has no pollution scrubbers yet ambient SO2 standards already excessive, area is water-scarce, 40 new coal mines needed, and mining causes extreme water degradation
Ten reasons to reject Medupi

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Bank’s Dec. 2009 ‘consultation’ had no attendees from affected areas; Bank procurement rules violated; Eskom has huge governance crises, including extreme leadership turmoil (e.g. chair and CEO fired each other, Nov. 2009)
Ten reasons to reject Medupi
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25%/year price rise; 127% real increase for 2008-12; electricity disconnections, ubiquitous ‘service delivery protests’ and threatened national labour strike
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**Sweetheart deals:** multi-decade ‘Special Pricing Agreements’ made during late apartheid give BHP Billiton and Anglo American R0.14 ($0.02)/kWh electricity for smelters (1/8th what households pay); resulting in Eskom’s R9.7 billion ($1.3 bn) loss in 2009
Ten reasons to reject Medupi

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BHP Billiton, Anglo, Arcelor Mittal, Xstrata and other beneficiaries of Eskom largesse headquartered (and send their profits) abroad, hence putting pressure on current account deficit (SA riskiest emerging market)
Ten reasons to reject Medupi

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SA’s foreign debt is already dangerously high - $100 billion – and repayment costs on Medupi loan will soar when R/$ rate crashes (as now happens regularly)
Ten reasons to reject Medupi

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privatisation of electricity generation is underway in this loan (for ‘figleaf’ renewable component) – and will be increased for Kusile (to 49% private ownership); unions fighting for full public supply
Ten reasons to reject Medupi
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ruling party investment arm, Chancellor House, to ‘earn’ at least R50 mn (probably more) pure profit from contracts in conflict-of-interest Hitachi tender; Eskom chair Valli Moosa acted ‘improperly’, according to state investigators
Ten reasons to reject Medupi

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from 1951 (3 years after formal apartheid began) to 1966, loans to Eskom of $100 mn resulted in NO electricity to black townships or rural areas; Jubilee SA demands ‘reparations’ for Bank's apartheid profits
vital need for SA’s ‘Million Climate Jobs’ campaign, so that NUMSA workers have a Just Transition: guaranteed, well-paid jobs that help society and save the planet!

http://www.climatejobs.org.za
One million climate jobs
Solving the economic and environmental crises

search for a ‘Just Transition’

<table>
<thead>
<tr>
<th>Activity</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making renewable electricity</td>
<td>425,000</td>
</tr>
<tr>
<td>Renovating buildings</td>
<td>175,000</td>
</tr>
<tr>
<td>Changing transport</td>
<td>300,000</td>
</tr>
<tr>
<td>Industry and landfill</td>
<td>50,000</td>
</tr>
<tr>
<td>Education</td>
<td>50,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

- £27 billion in wages for one million jobs over one year
- £5 billion in employers’ national insurance and pension contributions
- £20 billion in costs like materials, fuel, supplies, rent and interest
Total cost £52 billion

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John Stewart, HACAN
Ian Terry, Vestas Workers Committee
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Derick Wall, Green Party
Dexter Whitfield, Centre for Public Services
Roy Wilkes, CaCC
what is ‘climate justice’?
core principles from Rights of Mother Earth conference, Cochabamba, Bolivia (April 2010)
• 50 percent reduction of greenhouse gas emissions by 2017
• stabilising temperature rises to 1°C and 300 Parts Per Million
• acknowledging the climate debt owed by developed countries
  • full respect for Human Rights and the inherent rights of indigenous people
  • universal declaration of Mother Earth rights to ensure harmony with nature
  • establishment of an International Court of Climate Justice
• rejection of carbon markets, and REDD’s commodified nature and forests
  • promotion of change in consumption patterns of developed countries
  • end of intellectual property rights for climate technologies
  • payment of 6 percent of developed countries’ GDP for climate change
Civil society (Climate Justice Now!SA) opposes Medupi, Eskom pricing/privatisation, carbon trading: demands conservation/renewables and electricity-as-a-right

Otherwise this danger: