COP17 coverage:
South African business media blind faith in markets

A case study by Patrick Bond

One of the most important determinants of markets is the quality of information that participants get. The leading business newspaper on the African continent is Johannesburg's *Business Day,* serving Africa's largest financial marketplace (in Sandton, Johannesburg) and the continent's largest emitters. (Indeed the world's largest single-source CO2 emissions site is Sasol's Secunda operation.) For that reason, it would be natural for the respected *Business Day* newspaper to pick up a seemingly-limitless supply of news – e.g. from Reuters' pointcarbon.com service – about the world carbon markets, especially given the heavy reliance of Durban's COP17 outcomes on healthy markets.

But while the markets are decidedly unhealthy, in the five weeks following the COP17, at least forty Reuters news stories about market imperfections (including fraud in France and Germany), massive oversupply and outright crashing prices were practically ignored by *Business Day.* The headines and URLs for those negative stories are supplied in the first BOX, while the second contains the only two stories in *Business Day* corresponding to this news flow (aside from a minor reference to carbon markets and African air transport). The first story in *Business Day,* by Sue Blaine on 15 December 2011, was decidedly positive about carbon markets and is reproduced in full, whereas the second – by two co-authors of this report – was included only after a half-dozen requests were made to *Business Day* editorial page directors, to address the newspaper's intrinsic bias. As illustrated in the third BOX, the six months of reports by *Business Day* prior to the COP17 were also very upbeat about the prospects of South Africa (and Africa) benefitting from a renewed commitment to Kyoto. Contained in the fourth BOX are the only two forthrightly critical analyses about CDMs and the broad carbon trading strategy that we are aware of appearing in mainstream (Independent Newspaper group) periodicals around the time of the COP17, again by this report's authors.

In December 2011, two of the main commentators *Business Day* relied upon for information about carbon markets were former leading officials from Pretoria's Department of Environment: Crispian Olver and Joanne Yawitch. Both were responsible for leading South Africa towards endorsement of market-based strategies and promoting CDMs such as Bisasar Road, and both are lucratively employed in the private sector, suggesting once again that a 'crony capitalist' relationship between the SA state and business has become a significant problem.

Carbon market headlines missed in Africa's leading business daily

None of the following Reuters stories were covered by *Business Day,* Johannesburg

Carbon kicks off 2012 on bearish note, drops 10 pct European carbon prices began 2012 with a steep fall of almost 10 percent on Tuesday, extending last week's losses on sliding German power prices and a warmer-than-expected holiday period. http://www.pointcarbon.com/news/1.1709203

Legal, economic concerns mute aviation CO2 trade Airlines are taking a guarded approach to carbon trade since joining the European Union carbon scheme on Jan. 1, as ongoing legal challenges and economic concerns hinder their activity, brokers and analysts said on Tuesday. http://www.pointcarbon.com/news/1.1709414

Camco warns of writedown amid record low CER prices Camco, a developer of cleaner energy projects and a major seller of U.N.-backed carbon credits, said Tuesday it will have to revise its revenue forecast downwards because of a plunge in offset prices seen last year. http://www.pointcarbon.com/news/1.1709238

EU carbon dips 2 pct, nears record lows EU carbon prices fell almost 2 percent and neared record lows on Wednesday as a weak German power market offset the bullish influence of a strong rally in crude oil. http://www.pointcarbon.com/news/1.1709623

EU Parliament vote on ETS intervention set for Feb 28 A European Parliament vote on a proposal backing intervention to prop up the EU's Emissions Trading Scheme will take place on Feb 28, rather than Jan. 24 as previously expected, a parliament official said on Wednesday. http://www.pointcarbon.com/news/1.1710233

U.N. agency ups CER supply outlook 1.6 pct UNEP Risoe on Wednesday raised its CER supply estimate by 1.6 percent following a surge of issuances in December, when the U.N. handed out over 32 million offsets, the third-highest monthly total on record. http://www.pointcarbon.com/news/1.1710139

BlueNext agrees to pay 32 mln euro VAT fraud settlement Paris-based carbon exchange BlueNext has agreed to pay 31.8 million euros to the French government to settle liabilities related to VAT fraud that occurred on the bourse between 2006 and 2009, according to regulatory filings. http://www.pointcarbon.com/news/1.1709829

CER buyers seek contract rejigs, exits as prices collapse Carbon offset buyers are seeking ways to renegotiate purchase agreements or even nullify them after market prices crashed far below their wholesale credit costs, several sources told Point Carbon News. http://www.pointcarbon.com/news/1.1712328

CERs hit record lows, EUAs fall 2 pct Prices of U.N. carbon offsets plunged to a record low on Friday, tumbling around 6.5 percent from the previous close as traders sold CERs amid thin liquidity and hefty issuances. http://www.pointcarbon.com/news/1.1712044

ANALYSIS: Passenger fare hike may earn airlines a CO2 windfall Airlines could reap windfall profits from a $3 passenger surcharge, introduced to cover new costs from an EU law regulating greenhouse gas emissions, because the carriers will receive most of their CO2 permits for free. http://www.pointcarbon.com/news/1.1713406

Analysts at odds over supply impact of weak CER prices Analysts are at odds over whether record low prices for U.N. carbon offsets means project developers will postpone requests to get credits issued because they are now unprofitable. http://www.pointcarbon.com/news/1.1713370

South Korean emissions bill risks delay South Korea's plan to launch an emissions trading scheme in 2015 risks getting derailed if the government fails to get the bill through parliament ahead of April elections. http://www.pointcarbon.com/news/1.1712917

Barcap slashes 2012 carbon price outlook Barclays Capital on Tuesday slashed its price outlook for EU and U.N.-backed carbon for 2012 and beyond, as prospects of a recession could further weaken demand in the oversupplied carbon market. http://www.pointcarbon.com/news/1.1713909

Legal setback sparks California CO2 market sell-off A ruling that has put the brakes on California's Low Carbon Fuel Standard (LCSF) program has sparked a sell-off of CO2 permits, pushing prices down 11 percent. http://www.pointcarbon.com/news/1.1713441

French court convicts five of carbon VAT fraud A French court on Wednesday sentenced five people to one to five years in jail, and to pay massive fines for evading tax through carbon trading, a lawyer for one of the accused told Point Carbon News. http://www.pointcarbon.com/news/1.1715144

EC threatens court action over late phase 3 EUA plans The European Commission has warned 17 EU nations that it could start legal proceedings against them if they don't submit 2013-2020 plans for allocating emissions permits before a March 1 deadline. http://www.pointcarbon.com/news/1.1714545

UPDATE 1: ICE suspends CO2 broker CarbonDesk Ltd ICE Futures Europe has suspended the membership of London-based emissions brokers CarbonDesk Limited until further notice, the exchange said, after the firm said it could no longer pay creditors and named administrators. http://www.pointcarbon.com/news/1.1715072

CCAs slide 8 pct amid fears of CO2 market challenge California carbon allowances (CCAs) for delivery in

2013 slid 8 percent from the previous week to $14.10/t on Thursday, as a recent legal decision that halted the enforcement of a low-carbon fuel program in the state has raised fears its carbon market may face a similar fate. http://www.pointcarbon.com/news/1.1716566

Rock-bottom AAU prices could spur CER sell-off: sources Several governments and Japanese firms are considering selling U.N.-backed carbon credits and replacing them with cheaper government CO2 permits to meet emission reduction targets, two sources said this week – a move that could pile further pressure on CER prices. http://www.pointcarbon.com/news/1.1715940

NZ carbon slides 1.5 pct to fresh record low Spot carbon permits in the New Zealand emissions trading scheme fell 1.5 percent over the week to close Thursday at a record low NZ$6.70, amid lingering weak prices in Europe and low market liquidity. http://www.pointcarbon.com/news/1.1715541

EC rules out new post-2012 offsets from emerging economies The climate deal struck in Durban last month does not change EU rules on what types of offsets European companies can use to meet emission targets under the bloc's Emissions Trading Scheme, the European Commission said late on Wednesday. http://www.pointcarbon.com/news/1.1715929

China ups efforts to meet EU cut-off date for carbon credits China last month approved 139 new Clean Development Mechanism (CDM) projects in a last-ditch effort to maximise offset supply to the EU emissions trading scheme. http://www.pointcarbon.com/news/1.1717320

ANALYSIS: EU carbon price outlook for 2012 bleak without intervention European emissions prices are expected to remain low next year as fresh supply of permits will outweigh an uptick in demand from increased utility hedging and the entry of thousands of airlines into the EU's carbon market on January 1. http://www.pointcarbon.com/news/1.1707845

EUAs end 2011 down 49 pct yr/yr, CERs lose 63 pct European carbon prices shed nearly half of their value in 2011 on fears about the euro zone's future and a persisting surplus of permits, but analysts see prices recovering somewhat in early 2012. http://www.pointcarbon.com/news/1.1707836

Russia exports 1.1m carbon credits, issues 365,000 The Russian government has issued 365,000 Emission Reduction Units in the past 10 days and exported more than 1.1 million credits to foreign buyers as it seeks to cash in on its huge surplus of U.N.-backed carbon credits amid record low prices. http://www.pointcarbon.com/news/1.1705728

CCFE traders sue Richard Sandor over exchange rights Twenty four traders have filed a lawsuit against the founder of the Chicago Climate Futures Exchange (CCFE) and its top executives, claiming they mislead them into buying trading privileges, which they now say are worthless. http://www.pointcarbon.com/news/1.1705108

ANALYSIS: Ban not enough to bolster NZ carbon prices The New Zealand government's decision to ban the use of U.N.-issued industrial gas carbon credits in its carbon trading scheme is too little, too late to prop up falling prices, but is likely to boost market confidence. http://www.pointcarbon.com/news/1.1705318

New Zealand bans industrial gas carbon credits The New Zealand government on Thursday announced it will ban the use of U.N.-issued carbon credits from industrial gas projects in its emissions trading scheme in a bid to bolster weak prices. http://www.pointcarbon.com/news/1.1705088

U.N. bans Lithuania from carbon trade A U.N. panel on Wednesday suspended Lithuania from transferring Kyoto permits due to a breach of reporting rules, a verdict that will prevent the country from selling emission rights and issuing carbon credits. http://www.pointcarbon.com/news/1.1705069

ANALYSIS: Withdrawal of 1.4bln EUAs unlikely to pass: observers A proposal by the European Parliament on Tuesday to withhold up to 1.4 billion EU allowances during the third phase of the EU ETS, which prompted a 30 percent spike in prices, is likely to be dismantled at a later date, observers said. http://www.pointcarbon.com/news/1.1704578

EU report targets CO2 credits from large hydro projects A new report commissioned by the EU into the environmental integrity of the U.N's Clean Development Mechanism (CDM) has criticised the use of carbon credits from large hydro schemes in the bloc's carbon market, raising the prospect that they may be banned. http://www.pointcarbon.com/news/1.1703397

Revenues fall at Indian utility as it hoards CERs Revenues at Indian clean power generator Greenko fell 20 percent in the six months to Sep. 30 as the company opted to withhold sales of U.N.-backed carbon offsets amid weak prices, the company's results showed Thursday. http://www.pointcarbon.com/news/1.1702507

China aviation body urges members not to cooperate with EU CO2 scheme Chinese airlines have been urged not to cooperate with a controversial scheme that will force them to buy carbon credits for all flights entering Europe starting on Jan. 1, the head of the country's aviation industry group said. http://www.pointcarbon.com/news/1.1701954

Ontario won't be ready for CO2 trading in 2013: source Plans to build a U.S.-Canadian emissions trading system across four states and provinces have hit a hurdle after it emerged that Canada's most populous province will struggle to meet a 2013 deadline, a source close to the process said, a move that could slash the size of the market by 22 percent. http://www.pointcarbon.com/news/1.1700825

ANALYSIS: Durban deal delays debate on new markets Sunday's landmark global climate talks opened the door for the emergence of several new market mechanisms, but the so-called Durban Platform has done little to boost demand by getting countries to further cut emissions, meaning profits for investors will be slim. http://www.pointcarbon.com/news/1.1701225

CERs hit record low, EUAs plummet below 7 euros U.N-backed carbon offsets plunged 9.8 percent to an all-time low Tuesday on the back of continued fears of over-supply in the market, while EUAs fell by 6.6 percent on a weaker euro. http://www.pointcarbon.com/news/1.1700991

Australia and NZ may not sign Kyoto: UK's Huhne Australia and New Zealand may not sign a second round of targets under the Kyoto Protocol because their main trading partners are not under a legal commitment to cut emissions, the UK's secretary of state for energy and climate change said Tuesday. http://www.pointcarbon.com/news/1.1701223

Durban deal raises doubts over EU offset eligibility The Durban climate deal will likely see EU ETS restrictions lifted on newly registered offsets from emerging economies, according to Barclay Capital analysts on Monday, but other market watchers doubted it would trigger changes. http://www.pointcarbon.com/news/1.1700747

EUAs down 3 pct as traders shrug off 'Durban bounce' EU carbon prices fell around 3 percent on Monday as traders reacted to weaker energy prices and gloomy stock markets, wiping out early gains on emissions exchanges related to a positive outcome of U.N. climate talks in Durban. http://www.pointcarbon.com/news/1.1700516

German carbon trial prosecutor urges long sentences A German prosecutor on Monday demanded jail terms of up to eight and a half years for six men on trial for fraud involving evasion of taxes on carbon permits, with a verdict possible as early as next week. http://www.pointcarbon.com/news/1.1700671

Carbon market coverage in *Business Day* in five weeks after COP17

Durban agreement keeps SA in carbon market loop

By Sue Blaine, 16 December 2011

SA's carbon market participation has been given a reprieve after the Durban-hosted United Nations climate change talks secured a second commitment period for the Kyoto Protocol.

SA's carbon market participation has been given a reprieve after the Durban-hosted United Nations (UN) climate change talks secured a second commitment period for the Kyoto Protocol.

The European Union had planned to stop carbon trade in all but the least-developed countries if no second commitment period was secured. This would have put SA largely out of the picture in a $142bn carbon credit market aimed at providing funding in non-industrialised countries for development that either does not emit greenhouse gases, or emits far less than usual.

'The most important one (outcome of the Durban talks) is the securing of the second commitment period … and the carbon market,' said National Business Initiative CEO Joanne Yawitch.

Under the deal, nations and regional blocs will submit their emission reduction targets to the UN Framework Convention on Climate Change by May 1. Clarifying what the targets mean, and how to quantify them, is part of the negotiators' work for the rest of the year.

Robbie Louw, CEO of specialist South African climate change advisory firm Promethium Carbon, said the business sector expected the Treasury to publish its second discussion document on plans to impose a carbon tax next month.

Australia promulgated a carbon tax just before the Durban talks, and there are carbon markets in Europe, the US, India, Australia and others.

Andrew Hedges, a partner in global law firm Norton Rose, said the importance of the Durban deal went beyond just the carbon market.

'People usually think carbon markets, but that is not making big changes (to emissions rates); the importance of Durban is far broader,' Mr Hedges said.

The Durban talks also saw the establishment of the $100bn-a-year Green Climate Fund, and funds to help developing and least-developed countries take on 'clean' technology and pay for their adaptation.

Citing a Treasury document, Mr Hedges said there were already pledges of R12,2bn for SA in the 'fast-start finance' fund established ahead of the Green Climate Fund.

SA voluntarily pledged in 2009 to peak, plateau and drop its emissions, and at Durban said it would sign up to yet to be negotiated, legally binding emissions reduction targets.

One of the challenges would be to ensure that potential donors, most of whom had staffing cuts amid the financial crisis, are sure of SA's governance standards, Mr Hedges said.

This would set donors at ease about handing over money.

Ms Yawitch said one of the larger challenges, globally, was capitalising the Green Climate Fund.

'Clearly, the $100bn has not been mobilised yet, but an international mechanism has been established and the money will come in over time.'

In the longer term, the conference had got the world's big emitters to recognise they held joint responsibility for climate change, she said.

The exact terms of this agreement would be a tough negotiation 'for some time', she said.

Steer clear of this climate 'Ponzi scheme'

Africa can do better than invest faith and state resources in yet another Ponzi scheme – the 'privatisation of the air'

By Michael Dorsey and Patrick Bond, *Business Day,* 24 January 2012

LAST winter, when carbon prices fell 15 percent in one week, industry analysts called it 'carnage'. Then, in the fortnight before last month's Durban climate summit, carbon prices fell more than 30 percent, with front-year European Union (EU) Allowance permits dropping below €8,50 a ton. And they have crashed even further since.

As Deutsche Bank said during the Durban talks: 'We do not expect the pricing outlook to improve materially in the foreseeable future.' A UBS analyst predicted a price of less than €3 a ton in coming months because the EU's Emissions Trading Scheme 'isn't working' and carbon prices are 'already too low to have any significant environmental impact'.

French bank Société Générale projects that 'European carbon permits may fall close to zero should regulators fail to set tight enough limits in the market after 2020' – and without much prospect of that, the bank lowered its 2012 forecasts by 28 percent. A 54 percent crash for December 2012 carbon futures sent the price to a record low, just more than €6 a ton. An additional oversupply of 879-million tons was anticipated up to 2020, partly as a result of a huge inflow of United Nations (UN) offsets: about 1,75-billion tons.

Those UN carbon credits include Clean Development Mechanism projects, which are notoriously bogus, including SA's pilot in Durban, the Bisasar Road 'waste to energy' site.

Every analyst concedes that carbon prices will be far too low to catalyse the transformative innovations – most costing more than €50 a ton (the EU peak was just more than €30 a ton five years ago) – necessary in energy, transport, production, agriculture and disposal to achieve a solid post-carbon foothold. By all scientific accounts, by 2020 it is vital to wean the industrialised world economy from dependence upon more than half the currently consumed fossil fuels to avert catastrophic climate change.

Yet Africa hasn't received this bad news – the press doesn't report the carbon markets with critical vigour.

The lack of awareness of the carbon market's crash is a travesty – far too often the continent has been looted by faraway financiers selling snake oil.

This week at the Sandton Sun, a conference aims to 'make Africa a major focus for climate finance into the post-Kyoto era', with keynote speakers from Morgan Stanley, Standard Bank , Nedbank , Carbon Check, CDM Africa Climate Solutions, SouthSouthNorth, similar emissions traders, the Johannesburg and Cape Town municipalities and the Department of Energy.

Beware you carbon buyers, sellers and speculators, because climate gamblers have been led astray since 1997, when the Kyoto Protocol was amended to let corporations buy the right to pollute in exchange for endorsing the treaty. Washington has refused to honour this ever since, even though it represents a broken promise, followed logically by US Secretary of State Hillary Clinton's 2009 pledge to raise $100bn a year for the Green Climate Fund.

Clutching at straws, that fund's design co-chairman, Trevor Manuel , has suggested getting half the revenues from carbon markets. It might have been feasible if the emissions trade reached the anticipated $3-trillion mark by 2020 but, within a decade, the market has peaked at $140b n in annual carbon trades. These are mostly in the EU, where the Emissions Trading Scheme was meant to generate a cap on emissions and a steady 1,74 percent annual reduction. Unfortunately, the speculative character of carbon markets encouraged rampant fraud, value-added tax scams and computer hacking, which shut the scheme for two weeks last year.

The EU's carbon trading also included perverse incentives to stockpile credits when large corporations as well as Eastern European states gambled that the price would increase.

With the market now collapsing, the current perverse incentive is to flood supply to at least achieve some return rather than none at all when eventually the markets are decommissioned, as happened in 2010 to the Chicago Climate Exchange.

Africa can do better than invest faith and state resources in yet another Ponzi scheme – the 'privatisation of the air'. And the north's 'climate debt' to Africa should be paid not through such gambling but in genuine income transfers that reach ordinary people, who are taking the brunt of worsening climate chaos.

Carbon market coverage in *Business Day* in six months before/during COP17

Nedbank unit in forest deal STAFF WRITER 09 Dec 2011

CRISPIAN OLVER: COP-17: Gap in global climate finance will be a disaster THIS week, the report of the Transitional Committee on the Green Climate Fund, co-chaired by our own Minister in the Presidency, Trevor Manuel, was presented to the COP-17 plenary. The report proposes operational arrangements for a global fund to support mitigation and adaptation in developing countries. If agreed to, this will be one of the most successful outcomes of COP-17 and will revolutionise financing for climate adjustment in the developing world. 02 Dec 2011

Carbon plans may hurt outlook for jobs, investment, industry warns Money, like climate, knows few borders and it is imperative that whatever South Africa signs up to at the United Nations climate change talks in Durban, it does not harm its ability to compete globally, or investors will go elsewhere, says Sasol's senior group operations executive Andre de Ruyter. 22 Nov 2011

Transport key to turning Durban into low-carbon city The eThekwini municipality's transport sector requires 'urgent' attention for Durban to become a low-carbon city and promote the green economy, according to a report released earlier this year by the Academy of Science of South Africa (Assaf). 22 Nov 2011

Report warns of $45bn climate change funds gap A CLIMATE change funding 'gap' that could reach $45bn is emerging because the world's major economies can no longer afford previously envisaged levels of investment under current austerity measures, according to a report released by Ernst & Young yesterday. 18 Nov 2011

Joburg struggling to gain carbon credits JOHANNESBURG mayor Parks Tau complains about the long-winded, bureaucratic process the city has been forced to follow after applying for carbon credits for two projects, one of which was the Reya Vaya bus rapid transit (BRT) system. 16 Nov 2011

Australia passes landmark carbon tax laws AUSTRALIA yesterday passed landmark laws to impose a price on carbon emissions in one of the biggest economic reforms in a decade, injecting new impetus into next month's global climate talks in SA. 09 Nov 2011

Spekboom project to earn SA R250m via carbon credits SA IS ready to sell carbon credits in a project that could bring in R250m towards labour-intensive rehabilitation of degraded agricultural and conservation areas, according to the Department of Environmental Affairs. 24 Oct 2011

EMISSIONS SA HAS benefited more than any other African country from carbon investment facilitated by the Kyoto Protocol's Clean Development Mechanism (CDM). However, the country's potential as a player in the market is in danger of coming to an abrupt end. Carbon market investment in SA has been driven primarily by the European Union's emission trading scheme (EU ETS) and, as this programme enters its third phase, European policy makers are likely to restrict, from entry into the EU ETS, carbon credits from all but the least developed nations.30 Sep 2011

Carbon – the new world currency EVEN before British economist Nicholas Stern pointed out in his 2006 report that it would be significantly more expensive to adapt to climate change than to try to stop it, the investment world had turned countries' unused greenhouse gas emissions allowances into a tradable asset. 10 Aug 2011

Slow power regulatory process irks investors SA NEEDS a proper power regulatory process to let companies feed excess power into the national grid as cogeneration becomes the key to fulfilling industry's energy needs, says KPMG resource economist Rohitesh Dhawan. 27 Jul 2011

SA, China, Brazil, Saudi Arabia 'likely to delay new carbon shipping measures' SA, CHINA, Brazil and Saudi Arabia are likely to delay until 2019 adherence to the International Maritime Organisation's (IMO's) newly adopted measures on reducing shipping's greenhouse gas emissions, which come into force in 2013. 20 Jul 2011

SA 'ready to do lots of business on carbon trading market' SA IS well poised to do a lot of business on the $142bn global carbon credit market, says Adam Simcock, head of Carbon Check, which is accredited to perform verification activities on behalf of the Clean Development Mechanism of the United Nations Framework Convention on Climate Change. 15 Jul 2011

Critical analyses of carbon markets in the South African press

African climate CDMs 'Can't Deliver the Money'

By Patrick Bond and Michael Dorsey, *Sunday Independent,* 26 November 2011

Africa is being cooked by climate change, and those causing the crisis should compensate the victims. This is probably the only hope for any top-down action at the Durban COP17 next month, with the Green Climate Fund design committee co-chaired by Trevor Manuel now searching for the $100 billion promised by US Secretary of State Hillary Clinton in Copenhagen two years ago.

One dangerous vehicle for delivering money to Africa is the Clean Development Mechanism, the CDM, which was included in the Kyoto Protocol as a way for Third World projects to get resources. But it isn't delivering the goods, for a variety of reasons that mean Durban should host a rethink.

The aim is to facilitate innovative carbon-mitigation and alternative development projects by drawing in funds from northern greenhouse gas emitters in exchange for their continued pollution. It is the use of 'market solutions to market problems' so as to lower the business costs of transitioning to a post-carbon world. After a cap is placed on total emissions, the idea is that high-polluting corporations and governments can buy ever more costly carbon permits from those which don't need so many, or from those willing to part with the permits for a higher price than the profits they make in production or energy-generating or transport activities.

With Europe as the base, world emissions trade grew to around $140 billion in 2008 and although markets then went flat due to economic meltdown, increasing corruption investigations and Copenhagen-induced despondency, the trade in air pollution was at one point projected to expand to $3 trillion/year by 2020 if the US were to sign on. The $3 trillion estimate didn't even include the danger of a bubbling derivatives market, which might have boosted the figure by a factor of five or more.

In November 2010, a new estimate of up to $50 billion/year by 2020 in North-South market-related transfers and offsets emerged from a United Nations High-Level Advisory Group on Financing for climate mitigation and adaption, including Manuel. World climate managers evidently hope to skimp on grants and instead beg business to push vast monies into CDMs instead.

Durban is an important guinea pig, for at SA's lead CDM pilot, the Bisasar Road landfill, methane from rotting rubbish is converted to electricity. After helping set it up, the World Bank refused in August 2005 to take part in marketing or purchasing Bisasar Road emissions credits. Local activists say the reason was growing awareness of Durban's notorious environmental racism.

In March 2005, just as the Kyoto Protocol came into force, a *Washington Post* front-page story revealed how community organizer Sajida Khan suffered cancer from Bisasar Road's toxic legacy. Back in 1980, the landfill – Africa's largest – was plopped in the middle of Durban's Clare Estate suburb, across the road from Khan's house, thanks to apartheid insensitivity. Instead of honoring African National Congress politicians' promises to close the dump in 1994, the municipality kept it open when $15 million in emissions financing was dangled.

After Khan died in mid-2007 after her second bout with cancer – which she believed was landfill-induced – Clare Estate civic pressure to close Bisasar subsided and Durban began raising €14/tonne for the project from private investors.

In 2009 the *Financial Times* reported, 'The CDM inherits the UN's suffocating bureaucracy, so smaller projects struggle to gain approval. But more important than what it keeps out is what it lets in. The criterion of 'additionality' is supposed to rule out projects that would not be undertaken without CDM payments. Not only is this counterfactual approach utterly unverifiable; it is also an ideal target for gaming.'

Since then little has changed, as this week's United Nations Executive Board meeting at Moses Mabhida Stadium will again witness bureaucratic impotence, cronyism, and a handful of powerful countries controling nearly three-quarters of the credits produced. The CDM is neither reducing emissions nor securing its promised sustainable development.

The Executive Board suffers from inadequate governance. UN rules specify that 'members, including alternate members, of the [Clean Development Mechanism's] Executive Board shall have no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity.'

Despite this rule, CDM Board members often maintain multiple roles at the same time, many of which are lucrative. Board members serve as negotiators during UN climate talks. They represent their countries' national authorities, or act as managers of large government CDM purchasing programs. Yet the NGO CDM Watch reports that 'a conflict of interest is only noted in 4 out of 46 meeting reports of the Board.'

This shyness reflects an overall lack of transparency in decision making. According UN rules meetings of the Board 'shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the Executive Board.' However, due to a rising number of discussions on individual cases, large parts of the meetings of the Board take place behind closed doors.

The CDM gives primacy to its ties to large corporations while often overlooking and even ignoring its foundational institutional mandate to sustainable development on behalf of Africa. The Global Justice Ecology Project describes CDMs as the 'Corporate Development Mechanism' and the 'Corrupt Development Machine.'

The top four beneficiary countries – China, India, Brazil and Mexico – received three quarters of CDM project support, with China alone generating more than half.

The only real winners in emissions markets are speculators, financiers, consultants (including some in the NGO scene) and energy sector hucksters who make billions of dollars in profits on the sale of notional emissions reduction credits. As the air itself became privatized and commodified, poor communities across the world suffer, and resources and energy are diverted away from real solutions.

This week at Durban's UN CDM meeting, a barrage of reports critical of the UN's CDM strategy will be released by academics (including ourselves) and NGOs, and the credibility that carbon trading needs to gain traction going into the COP itself will erode. This is good, because only by leapfrogging market 'solutions' that depend upon chaotic, unfair financial markets will we get to the genuine solutions so desperately needed to solve the climate crisis.

Durban's climate Zombie tripped by dying carbon markets

By Patrick Bond, *The Mercury,* 20 December 2011

Looking back now that the dust has settled, South Africa's COP17 presidency appears disastrous. This was confirmed not only by Durban's delayed, diplomatically-decrepit denouement, but by plummeting carbon markets in the days immediately following the conference's ignoble end last Sunday.

Of course it is tempting to ignore the stench of failure and declare Durban 'an outstanding success,' as did SA environment minister Edna Molewa.

'We have significantly strengthened the international adaptation agenda,' she explained about the near-empty Green Climate Fund, whose design team was co-chaired by planning minister Trevor Manuel. 'The design of the fund includes innovative mechanisms for bringing private sector and market mechanisms into play to increase the potential flow of funding into climate change responses.'

This is absurd. Because the $100 billion promised by Hillary Clinton in Copenhagen two years ago is apparently fictional (aside from minor commitments by South Korea, Germany and Denmark), Molewa's two crucial albeit unintended words are 'play' and 'potential.'

In our new book, *Durban's Climate Gamble: Trading Carbon, Betting the Earth,* critical researchers show why emissions markets are as comatose as the Kyoto Protocol. Only a Suncoast Casino drunkard would put money – much less the planet – on the odds of a death-bed resurrection.

Bolivia's former UN ambassador Pablo Solon scolded the hosts for turning Kyoto into a 'Zombie, a soulless undead.' The 1997 treaty's soul was a commitment that emissions cuts would be binding, but several of the richest polluting countries – the US, Canada, Japan, Russia, Australia and New Zealand – won't sign on the second commitment period. To sabotage Kyoto, Washington continues its voluntary 'pledge and review' policy pantomime.

Kyoto's original brain contained a species survival mechanism: a pledge to keep the earth's temperature at a livable level. Now, the Durban Platform contains 'less than half of the necessary cuts to keep the temperature increase below 2°C,' says Solon. 'This will be known as the lost decade in the fight against climate change.'

As the soul-deprived, brain-dead, heartless climate-policy Zombie stumbled off the Durban Platform last week in the direction of Qatar for the COP18 next year, it immediately tripped on the crumpled carbon markets.

The emissions trade is failing not only in Europe but also in our own backyard. An *Africa Report* investigation unveiled Durban's highest-profile pilot Clean Development Mechanism (CDM) carbon-trading project as a scam. At Bisasar Road landfill in the Clare Estate neighbourhood, the R100+ million methane-to-electricity CDM project was despised because it kept the continent's largest official dump open far beyond the point it should have been closed.

Instead of being burned and flared on-site, methane gas from Bisasar's rotting rubbish should have been piped out for industrial use, far away from residential areas, according to the late community activist Sajida Khan. Before dying of cancer caused by the dump in 2007, she tirelessly campaigned to close Bisasar dump and thus end one of Africa's most notorious cases of environmental racism.

Khan failed, because in 2001 the World Bank promised funding for methane extraction that would keep the dump operational. The crucial factor, according to Durban officials, is that 'Landfill gas offers a viable renewable energy source only when linked to carbon finance or CDM.' Based on the assumption that without outside funds, the project could not be justified, in 2006 the United Nations listed Bisasar Road as an active supplier of CDM credits through at least 2014.

It turns out this was a fib. On an official tour of Bisasar on November 30, journalists from *Africa Report* and San Francisco-based Pacifica News interviewed Durban Solid Waste manager John Parkin, who admitted, 'We started the project prior to the CDM. We were already down the road. It just made it come faster because the funding was there.'

Why is this scandalous? *Africa Report* interprets: 'It is questionable as to whether the project should have been approved as a CDM initiative at all, as approval requires the existence of 'additionality'. According to the UN, 'Additionality is the cornerstone of any credible CDM project, basically answering the question whether a project is additional, or would it proceed anyway, without the CDM.' That is, without qualification as an additionality, the CDM shouldn't be approved.'

Parkin confirmed to the journalists, 'We already started the project and we were going ahead no matter what. So whether CDM became a reality or not, the project was going to go ahead.'

Such a whimsical approach to climate finance is why hopes by Molewa and Manuel for filling the Green Climate Fund with carbon trade revenues will be dashed. CDM trading volumes are down 80 percent from their 2007 peak, and the European Union's carbon futures market – once above €35/tonne – hovered between €11-14/tonne through 2010-11 but crashed to €4.4/tonne on December 13.

Remarked Susanna Twidale of the Point Carbon news service, 'While a lot of the focus of the last fortnight of UN meetings was on supply of carbon credits, not one country deepened its carbon target, leaving international carbon offset prices languishing at near record lows – something unlikely to entice investors.' Reuters news service confirmed, 'Carbon markets are still on life support', quoting a leading trader: 'A sick market needs a cure and instead of deciding which cure to use, the doctors keep using pain relief to gain more time to make the final prognosis.'

Back in Durban, 20,000 carbon credits are being issued from the Bisasar Road CDM each month. According to Parkin, 'We don't have a partner to buy them at the moment. But we'll probably get €8 to €9 if we're lucky.' Durban is unlucky to have Parkin gambling with city finances, the air in Clare Estate, and the planet's health.

What the late Vaclav Havel said once about Soviet-era politics – 'a monstrous, ramshackle, stinking machine' whose worst legacy was a 'spoiled moral environment' – applies equally to Bisasar Road, to the UN's Conference of Polluters and to those who departed Durban without hanging their heads in shame. All they have to show for their work, during this planetary emergency, is creation of a dangerous Zombie.

In this milieu, Parkin was brutally frank, at least: 'As the City, if we can make some money out of it, I don't see why it shouldn't be done and the whole moral issue is separate from the project. The project is successful. The moral issue, I have no influence on that – as a technocrat, I do my job.'