

CENTRE FOR  
CIVIL SOCIETY

# Carbon Trading?

## Why privatisation of the air won't cure climate change

by Patrick Bond  
at Attac Norway

Conference on Oil, Climate and Justice  
Univ. of Oslo, 13 October 2007

OUR OBJECTIVE IS TO ADVANCE SOCIO-ECONOMIC AND ENVIRONMENTAL JUSTICE BY DEVELOPING CRITICAL KNOWLEDGE ABOUT, FOR AND IN DIALOGUE WITH CIVIL SOCIETY THROUGH TEACHING, RESEARCH AND PUBLISHING.

Cartoons by Zapiro

South Africa's Social Movements United march from Alexandra Township to the World Summit on Sustainable Development in Sandton, 31 August 2002

HOWARD COLLEGE, ROOM F196, MTR, UNIVERSITY OF KWAZULU-NATAL, DURBAN 4001  
T: +27 31 209 3577 F: +27 31 209 2502 E: CCS@UKZN.AC.ZA W: WWW.UKZN.AC.ZA/CCS

# Reformist Reforms or Non-Reformist Reforms?

- In *Strategy for Labour* (1964), **Andre Gorz** (died September 2007) distinguished between
  - *reformist reforms* **strengthening the underlying logic, institutions and legitimacy of prevailing power relations, versus**
  - *nonreformist reforms* **undermining the logic, institutions and legitimacy of power – opening possibilities of deeper change.**
- Carbon trading is a reformist reform – and *does not even work on its own terms*

# Introducing: Durban Group for Climate Justice

- **October 2004 initiative**
- **supported by Dag Hammarskjold Foundation**
- **Driven by grassroots activists in India, Brazil, South Africa**
- **Largest signatory: Friends of the Earth International**
- **Key support sites: The Cornerhouse, FERN, SEEN (Washington), CarbonTrade Watch (TNI), Dartmouth Environmental Studies, RisingTide, UKZN Centre for Civil Society**

# Carbon Trading

a critical conversation  
on climate change,  
privatisation and power

**editor: Larry Lohmann**

**download: [www.cornerhouse.org](http://www.cornerhouse.org)**

development dialogue  
no. 48 september 2006

what  
next

An aerial photograph showing a large crowd of people gathered in an urban area, likely for a protest. The text is overlaid on the image in a bold, yellow font with a black outline.

**Protest against  
Johannesburg  
World Summit  
on Sustainable  
Development,  
31 August 2002**

An aerial photograph showing a large crowd of people marching along a road in an urban area. The text is overlaid on the image in a bold, yellow font with a black outline.

**30 000 march  
12km from  
Alexandra to  
Sandton  
against UN and  
SA eco-social  
policies**

A GIFT FROM THE CORPORATE WORLD!

Johannesburg  
World Summit  
2002

SUSTAINABLE  
DEVELOPMENT

- PROFIT
- SELF-REGULATION
- UNFAIR TRADE



A TIMETABLE TO  
REDUCE EMISSIONS?!  
...NOT UNTIL THERE'S MORE  
EVIDENCE OF GLOBAL  
CLIMATE CHANGE!

Johannesburg  
World  
Summit



# Notwithstanding Nobel Peace Prize, ongoing failure of mass consciousness

The global warming movie *The Day after Tomorrow*, for instance, has plenty of scenes of New York streets awash in an icy Atlantic ocean, but, just as in UN negotiations, the words ‘oil’ and ‘corporation’ are not mentioned. The crisis the film is about, it is implied, can be traced mainly to the failure of political leaders to ‘listen to scientists’. Aside from the slightly cheeky suggestion that Mexico might soon be faced with a tide of middle-class environmental refugees from the US, the movie’s main contribution toward stimulating its viewers’ political imaginations is to declare itself ‘carbon-neutral’ – a marketing strategy whose pointlessness will be explored later in this report. Former US vice-president Al Gore’s documentary *An Inconvenient Truth*, released two years later, presents more climatology, but also winds up trying to channel action into carbon trading, responsible consumerism, tree plantations and other ‘fixes’. *Carbon Trading, (Development Dialogue 2006)*

**How did carbon trading emerge as central strategy for emissions reduction?  
Al Gore insisted in Kyoto, 1997 –  
*quid pro quo* for US support (?!)**

‘Acceptance of [the carbon trading provisions of the Kyoto Protocol] represents an article of faith, faith in the free market and faith in the process of globalisation. It rests on an ideological stance.’<sup>4</sup>

*Mick Kelly, Climatic Research Unit,  
University of East Anglia, 2000*



# **'Privatisation of the air'**

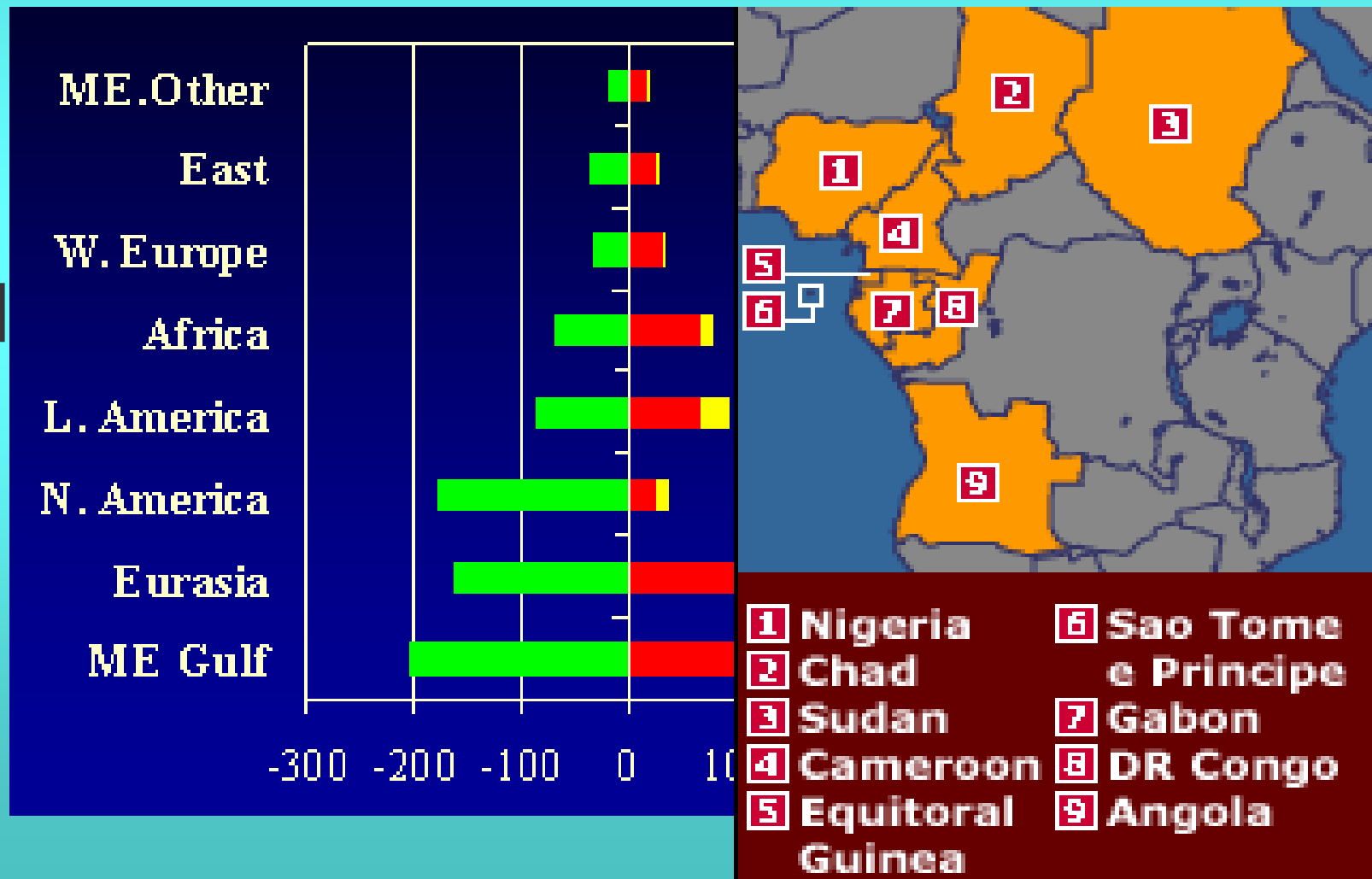
## **Two types of trading**

- **Emissions trading ('cap and trade')**
- **Project-based credits (e.g. Plantar trees or Bisasar dump methane extraction), either as Clean Development Mechanism projects in the South, or Joint Implementation projects in industrialised countries**
- **These are mutually exchangeable ('hybrid') under Kyoto and the EU Emissions Trading System**
- **They assume that polluters have a 'property right to pollute' at existing levels, that must be (gradually) reduced through market incentives – even though this means creating a market out of thin air**

Africa's 'resource curse': **Excessive fossil fuel resources** in a context of growing imperial interest (US Africa Command, Chinese patrimonial politics, EU EPAs, SA arms acquisitions, persistent coups)

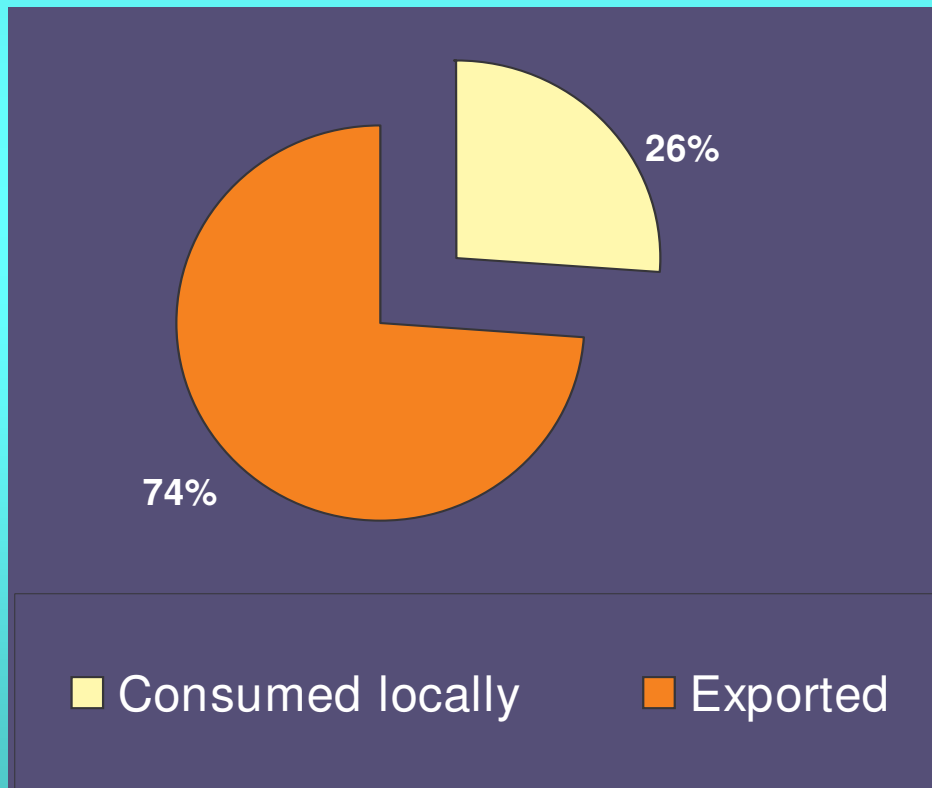
Which regions have used up their 'own' oil already?

Source: C.J.Campell, www.energycrisis.org

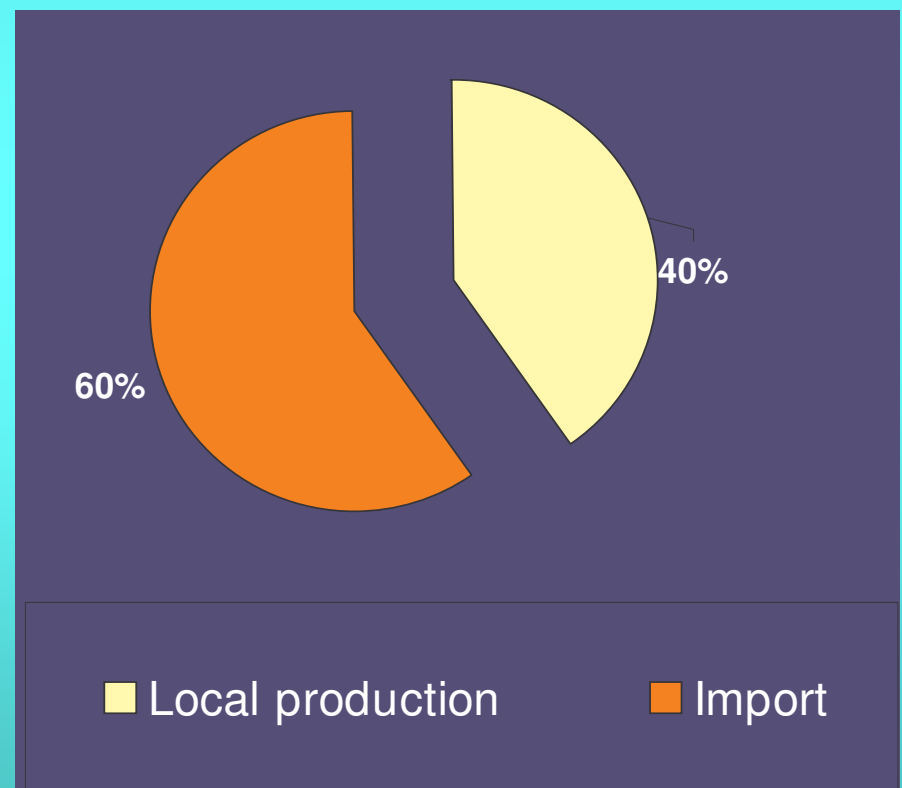


# Africa's oil mostly exported

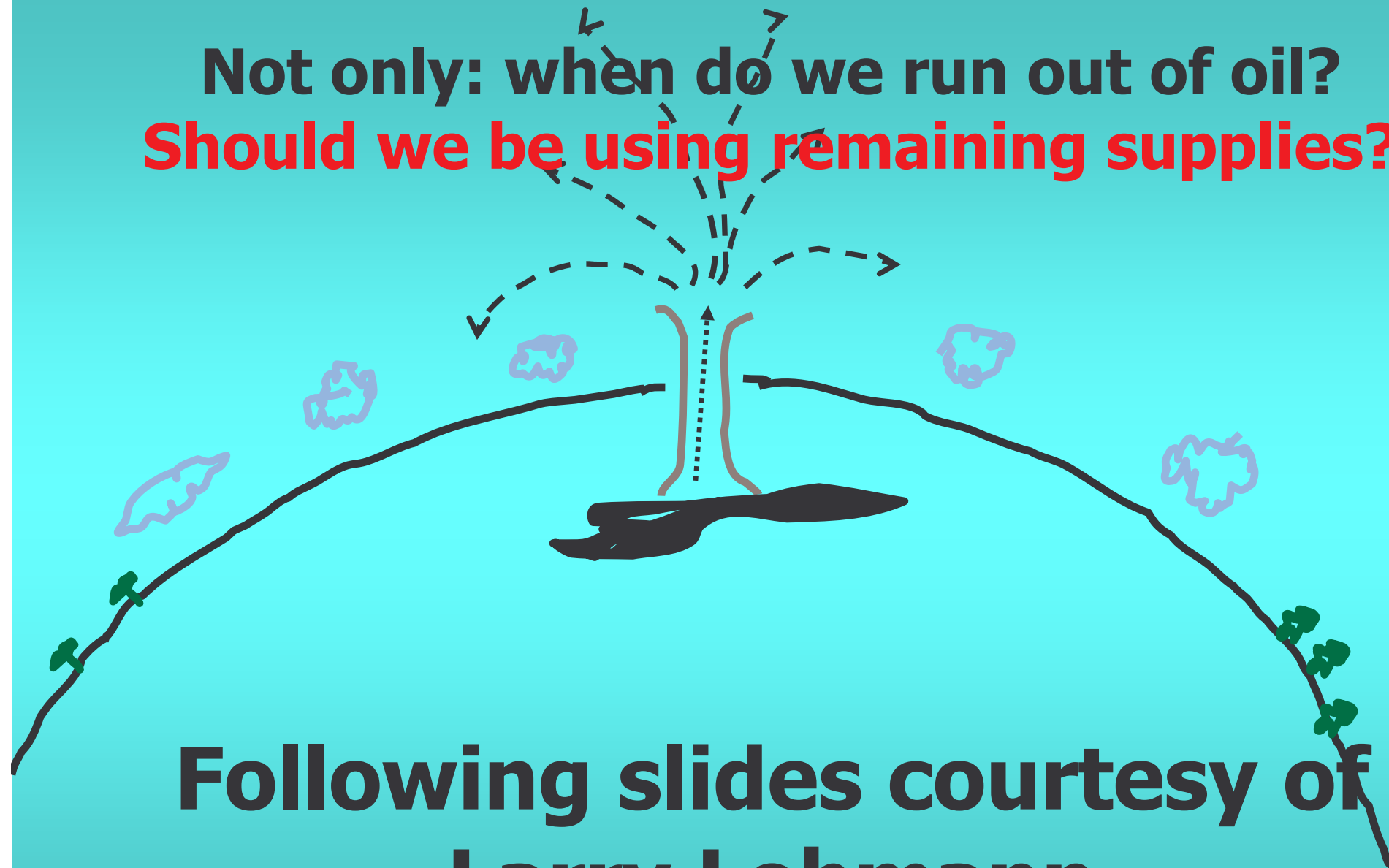
3.6% of world refining capacity



Supply of motor gasoline in Nigeria (2001)



**Not only: when do we run out of oil?**  
**Should we be using remaining supplies?**

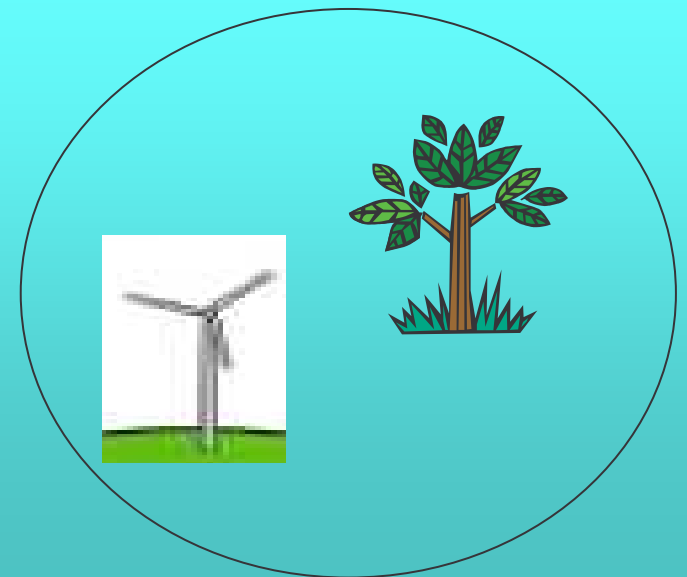
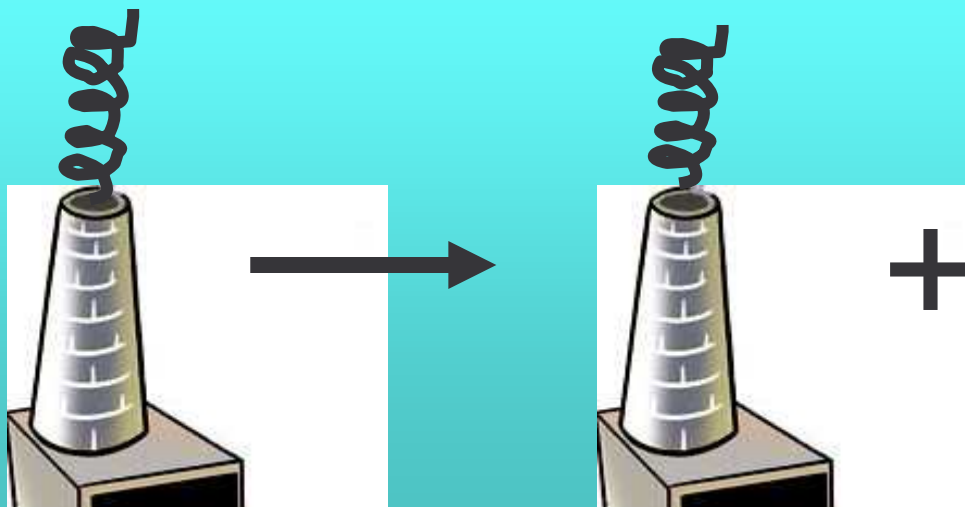
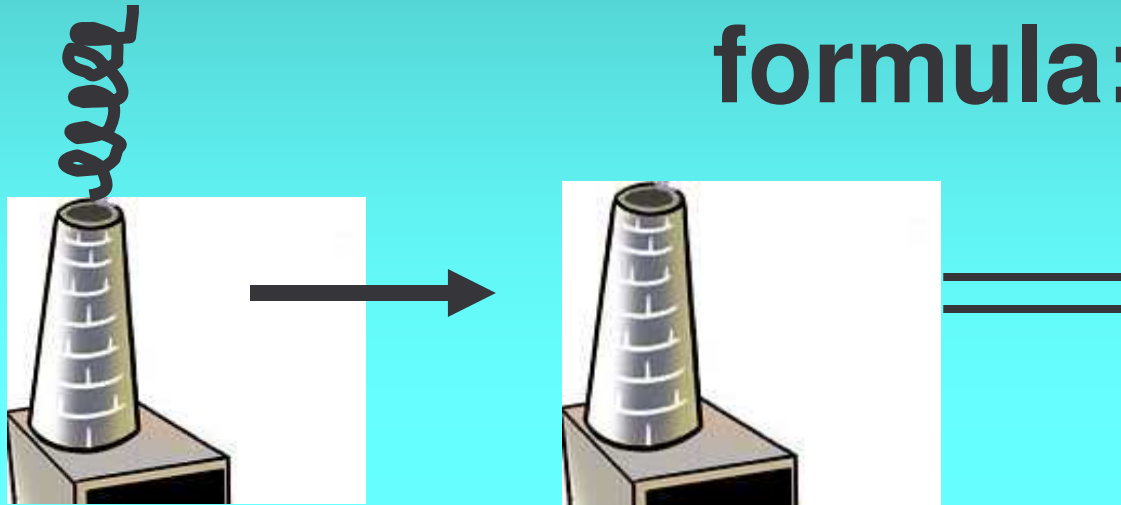


**Following slides courtesy of  
Larry Lohmann**



**Reformist reform:  
The sink 'solution'  
via carbon trading**

# The Kyoto Protocol's Clean Development Mechanism formula:



# Who benefits?

## *Buyers*

**Shell**  
**BHP-Billiton**  
**EDF**  
**RWE**  
**Endesa**  
**Rhodia Energy**  
**Mitsubishi**  
**Cargill**  
**Nippon Steel**  
**ABN Amro**  
**Chevron**  
**Chugoku Electric Power**

## *Sellers*

**Tata Chemicals**  
**ITC**  
**Plantar**  
**Votorantim**  
**Petrobras**  
**Shri Bajrang**  
**Birla**  
**Oil & Gas Nat. Corp.**  
**Sasol**  
**Mondi**  
**Hu-Chems Fine Chemical**  
**Chhatisgarh Electricity**

# George Monbiot debunks timber plantations as sink investments

'When you **drain or clear the soil to plant trees**, for example, you are likely to release some carbon, but it is hard to tell how much. Planting trees in one place might **stunt trees elsewhere**, as they could dry up a river which was feeding a forest downstream. Or by protecting your forest against loggers, you might be driving them into **another forest**. As global temperatures rise, trees in many places will begin to die back, releasing the carbon they contain. Forest fires could wipe them out completely.'



# A South African pilot

Durban's \$15 million Prototype Carbon Fund guinea pig

☒ **Should methane from the Bisaser Road landfill be sold to the World Bank and investors?**



Source: TNI

Briefing Series 2003/1:  
The Sky is Not the Limit



*Waste dump opposite Sajida Khan's home in Durban*

# A South African pilot

☒ **Will the PCF cause more public health damage -- through environmental racism?**



Source: TNI

Briefing Series 2003/1:  
The Sky is Not the Limit

*“To gain the ER credits they will keep this site open as long as possible. To them how much money they can get out of this is more important than what effect it has on our lives.”*

— Sajida Khan, Local resident affected by emissions credit project, Clare Estate, Durban, South Africa

# Durban Group against emissions trading:

- **Delays transition** away from fossil fuels.
- Selects against immediate **investment in long-term structural change**.
- Short term and uncertain **price signals discourage structural change**.
- Cost-spreading **discourages innovation**.
- Cannot yet be implemented due to **measurement problems**.
- Involves other **enforcement obstacles**.
- Creates and hands out **property rights to the biggest polluters in the North**, increasing their power and the inertia of a fossil-intensive system – “polluter earns”.
- **Large unaccounted stage-setting and opportunity costs**.

# Other critics of EU Emissions Trading System

- The EU ETS “has **not encouraged meaningful investment** in carbon-reducing technologies.” - Tony Ward, Ernst & Young, May 2006
- “ETS has done **nothing to curb emissions** . . . [and] is a **highly regressive tax** falling mostly on poor people . . . Enhances the market power of generators. Have policy goals been achieved? **Prices up, emissions up, profits up** . . . so, not really. . . **All generation-based utilities – winners. Coal and nuclear-based generators – biggest winners. Hedge funds and energy traders – even bigger winners. Losers . . . ahem . . . Consumers!**” - Peter Atherton, Citigroup, January 2007
- Emissions trading “would make money for some very large corporations, but **don’t believe for a minute that this charade would do much about global warming** . . . old-fashioned rent-seeking . . . making money by **gaming the regulatory process.**” - *Wall Street Journal*, 3 March 2007
- “European Commissioner for Energy gives damning verdict . . . ‘**A failure**’.” *TV Channel 4 Evening News*, London, 7 March 2007

# Carbon trading trashed

- “It isn’t working . . . a grossly inefficient way of cutting emissions in the developing world . . . A shell game . . . \$3 billion to some of the worst carbon polluters in the developing world.” - *Newsweek*, 12 March 2007
- “Industry caught in carbon ‘smokescreen’ ” - *Financial Times* front page, 25 April 2007
- “Truth about Kyoto: Huge profits, little carbon saved . . . Abuse and incompetence in fight against global warming . . . The inconvenient truth about the carbon offset industry” - *Guardian*, 2 June 2007
- “Die Linke fordert Moratorium für CDM-Projekte” - *DIE LINKE* press release, 4 September 2007



## **Durban Group for Climate Justice:**

- **Leave resources in the ground!**
- **Radically new industrial policies.**
- **Tough state regulation of emissions.**
- **Massive investment in renewables.**
- **Waste reduction.**
- **Grassroots carbon reduction initiatives.**

# Carbon Trading

a critical conversation  
on climate change,  
privatisation and power

development dialogue  
no. 48 september 2006

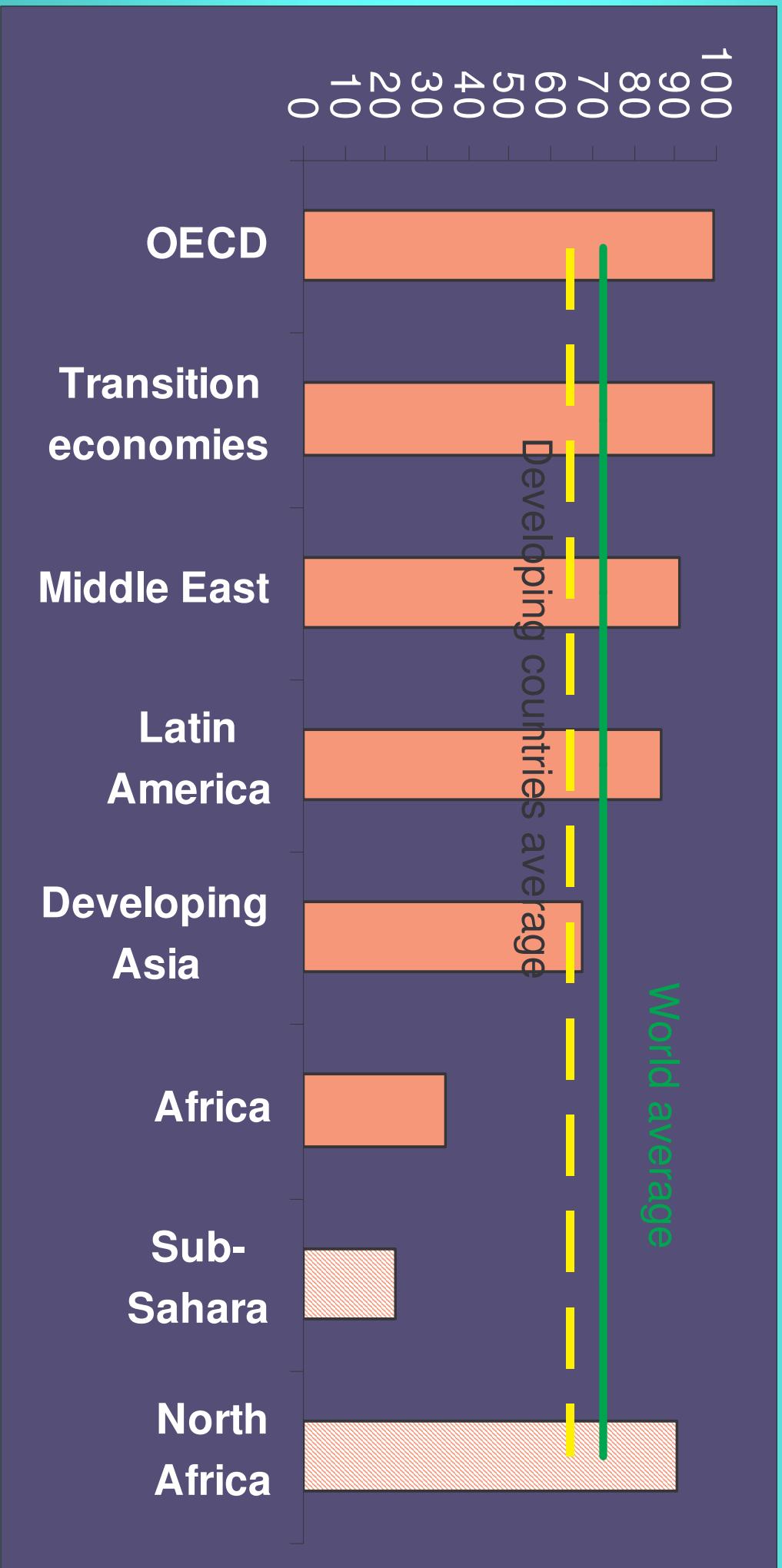
what  
next

# In considering reform strategy, crucial biases from Africa

- **excessive** fossil fuel resources in context of adverse power relations and rising imperialist interest in Africa (the 'resource curse');
- the unfair burden represented by the '**ecological sink**' function Africa plays in relation to global greenhouse gas emissions;
- **inadequate access to electricity** for poor people (combined with excessively cheap electricity for large corporations).



# Electrification rates



# Redirect resources to lifeline household supplies: SA's 'Free Basic Electricity'

- 'African National Congress-led local government will provide all residents with a **free basic amount of water, electricity** and other municipal services, so as to help the poor. Those who use more than the basic amounts will **pay for the extra they use.**'

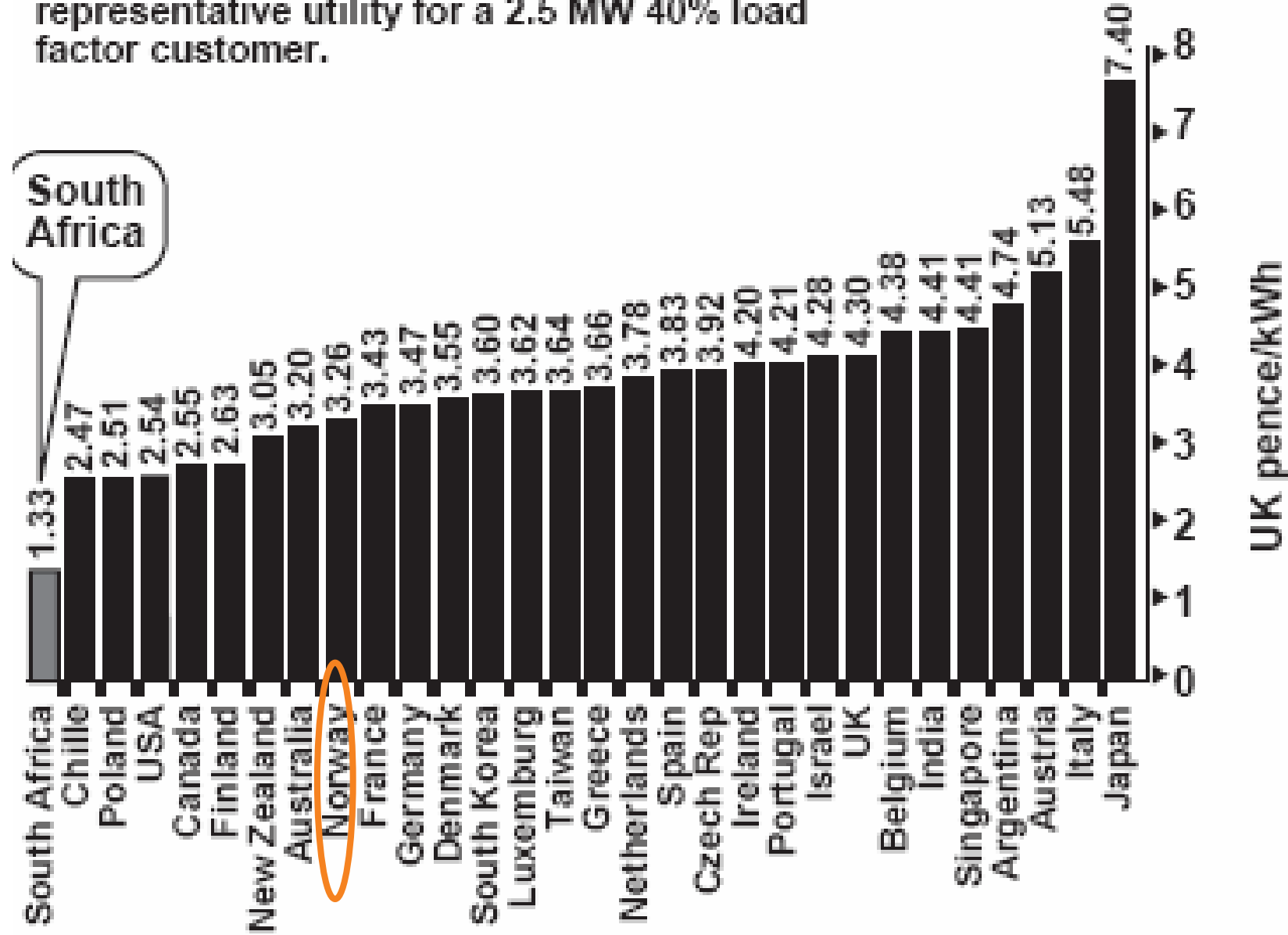
*(ANC campaign promise, 2000 municipal elections)*

## Two non-reformist features:

- The promise is based on a **'universal entitlement'** -- basic needs should be met (regardless of our income), consistent with the SA Constitution's Bill of Rights to a clean environment;
- The promise also means that those who consume more should pay more per unit after the free basic supply, which promotes **'cross-subsidies'** (i.e., redistribution), and **conservation**.

# World Industrial Electricity Prices

Prices as at 1 January 2000 including local taxes but excl recoverable VAT from a representative utility for a 2.5 MW 40% load factor customer.



**SA  
corps.  
enjoy  
lowest  
power  
prices  
in the  
world**

# SA's CO2 emissions

- SA emits more CO<sub>2</sub>, per capita corrected for income, than even the USA... by a factor of 20!

African Carbon Emissions - 1999

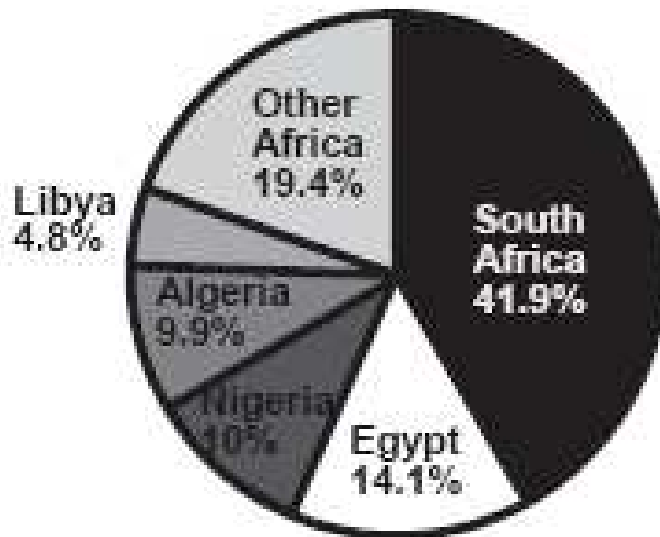


Table 6: Energy sector carbon emissions, 1999<sup>72</sup>

Area	Population (mns)	CO <sub>2</sub> /person	GDP (\$bns)	CO <sub>2</sub> /GDP (kg/\$bn)	CO <sub>2</sub> (kg)/GDP*pop
S.Africa	42	8.22	\$164	2.11	0.0501
Africa	775	1.49	\$569	1.28	0.0016
USA	273	20.46	\$8,588	0.65	0.0023
OECD	1116	10.96	\$26,446	0.46	0.0004
World	5921	3.88	\$32,445	0.71	0.0001

NOTE: The tonnes of carbon dioxide (CO<sub>2</sub>) emissions are those measureable through fuel combustion.



# The Shock Doctrine by Naomi Klein (and Milton Friedman)



- According to Friedman (advisor to Pinochet after 9/11/73 coup): *'only a crisis - actual or perceived - produces real change'*
- Klein: 'It was the most extreme capitalist makeover ever attempted anywhere, and it became known as a "Chicago School" revolution, as so many of Pinochet's economists had studied under Friedman there. Friedman coined a phrase for this painful tactic: economic "shock treatment". In the decades since, **whenever governments have imposed sweeping free-market programs, the all-at-once shock treatment, or "shock therapy", has been the method of choice.**'
- Other examples: Malvinas war of 1982 (Argentina, Britain), China's Tiananmen Square 1989, Eastern Europe 1990s, 9/11/01, 3/03 war on Iraq, 12/04 tsunami, 8/05 Katrina - also SA
- Psychological dynamic: 'The bottom line is that, for economic shock therapy to be applied without restraint, some sort of additional **collective trauma** has always been required.'

# Eskom



ZAPERO

Copyright © 1988

# 'Another world is possible!'

## *SA struggles for decommodification*

- In addition to fighting the '**privatisation of the air**', SA activists are at cutting edge of several ongoing struggles to turn basic needs into *human rights*:
  - *thorough-going **land reform***;
  - ***free antiretroviral medicines** to fight AIDS*;
  - ***free water** (50 liters/person/day)*;
  - ***free electricity** (at least 1 kiloWatt hour/person/day)*;
  - ***free basic education***;
  - *Renationalisation of Telkom for lifeline **phone services***;
  - ***prohibition on services disconnections and evictions***;
  - *a '**Basic Income Grant**' ; and*
  - *the **right to a job!***
- All such services should be ***universal***, and financed partly by *penalizing luxury consumption* (hedonism cross-subsidises basic needs)
- Linkage of these campaigns into a 'new left' project remains key challenge



# Is a green-red energy alliance possible? Conservation plus electricity-as-a-right?

