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Press Conference on Climate Change and Carbon Trading

Summary statement Jutta Kill, Climate campaigner of FERN¹

Let me start with saying that, given the enormity of the challenge to avoid climate chaos, carbon offsets are a **dangerous distraction** from the real task at hand: Industrialised countries must drastically reduce emissions from fossil fuel burning and move to zero-carbon economies by around 2050-2080 if the goal is to ensure no more than 2° Celsius average temperature increase. As Stephen Schneider at Stanford University writes this week in Nature: "The science is very clear that unless we are incredibly lucky or there is an incredible breakthrough, we are going to be well over 2°C".

Even if we set this central concern about carbon offsets as a distraction from the real task at hand aside for the moment, and ignore for the time being also that no carbon offset project can really prove if it has reduced **extra** emissions so the industrialized country's extra emissions will be offset, **the reality of carbon offsets today is that (a) carbon offset projects registered by the Kyoto Protocol's Clean Development Mechanism (CDM) to date will allow overall global emissions to increase more than they would have otherwise and that (b) very few of the registered projects will fulfill the CDM's second goal of contributing to sustainable development.**

In several visits to communities affected by carbon offset projects the reality on the ground further showed that many of the factories selling carbon offset credits harm local livelihoods, whether in India, Brazil, Uganda, Ecuador or South Africa. This is in part because the CDM structure favours large projects and industrial end-of-pipe projects in sectors with significant environmental and social impacts: iron / steel industry, chemicals industry, coal industry, large hydro power and toxic garbage dumps are given a lifeline. The harmful negative environmental and social impacts of these factories are not considered due to the narrow definition of sustainability requirement in CDM: ONLY the impacts of the CDM project, not the factory as a whole are considered! In Brazil for example, a project remains CDM registered as producing renewable energy even though the private security guards of the company shot a local peasant carrying wood inside the company's plantations whose timber is used to produce that supposedly renewable energy in the iron industry. Not even murder was enough to de-register a CDM project!

Rigorous, independent assessment of claims made in offset project documents is not happening: "There is a problem with the process of the Clean Development Mechanism (CDM) itself that no-one has been able to remove. Independent oversight to ensure that the processes are clean isn't there." states Chandra Bhusan of CSE in last week's Nature magazine. The problems appear to be most widespread but by no means limited to consultancies operating in India: PriceWaterhouseCoopers for example were exposed for cutting and pasting the supposed, identical, statements of labour union members in two CDM project documents for two factories about 1,000km apart. Even when the fraud was exposed, this posed no obstacle to the registration of the project and there appears to have been no repercussions for the consultancy firm. In other cases, consultants audit

¹ FERN works to achieve greater environmental and social justice, focussing on forests and forest peoples' rights in the policies and practices of the European Union

project documents on the basis of a 'no validation – no fee' basis. Surely such practises make a mockery of the claim of CDM processes including independent assessments!

Given the realities of such an unreliable and everything else but independent oversight structure in the CDM – and the total absence of any such thing in the voluntary offset market - it may not come as a surprise that up to 50% of CDM projects are believed to sell credits for emission reductions that would also have happened without the carbon offset money!

I should re-iterate here that even those projects that are not quite so blatantly non-additional can of course not prove that they 'would not have happened without the carbon money' – this impossibility to verify the claims that the savings are additional to what would have happened anyways leave the offset market very vulnerable to fraud. Such misleading and outright contradictory claims have been documented in many cases and comments about their prevalence are heard in the corridors at just about every major carbon market trade fair or business event.

*"Many carbon project proponents "tell their financial backers that the projects are going to make lots of money" at the same time they claim to CDM officials "that they wouldn't be financially viable" without carbon funds said James Cameron, Climate Change Capital, and Michael Schlupf of the Gold Standard remarked recently that "There is a lot of relabelling of business as usual as "additional. **Up to 50 per cent** of projects are not really "additional."*

*What has become entirely clear in the experience with the CDM in the past years is that **the CDM is a market instrument, not a financing mechanism for sustainable development or renewable energies. More and more academic studies support our early assessment:**" The main finding of the review is that, left to market forces, the CDM does not significantly contribute to sustainable development", writes Karen Holm Olsen in *Climatic Change* 84, 2007.*

And what does the media say about carbon offsets?

"Industry caught in carbon 'smokescreen" Financial Times front page, 25 April

"Carbon trading schemes could actually damage the environment" Channel 4 Evening News, 7 February

"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 front page, 2 June

"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



Full workshop presentation on the reality of carbon offsets and the World Bank Funds Luxembourg has invested in at www.sinkswatch.org on the publications page.