

EU Forest Watch

Informing NGOs, MEPs, Member States, the European Commission and the media

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G-20 Pittsburgh statement hopeful but clarity needed

At the Pittsburgh Summit on 24-25 September 2009, the G-20 leaders agreed to phase out and rationalise inefficient fossil fuel subsidies over the medium term while providing targeted support for the poorest countries.¹ This agreement came after many years of NGO campaigning and backed up the suggestions of the World Bank's Extractive Industry Review, and more recently the European Parliament's,² recommendation to phase out subsidies to fossil fuels. Reasons given for such recommendations include that the extraction of fossil fuels is already a lucrative business, linked to worsening climate change, human rights violations and corruption.

Whilst this statement is a strong step forward, the next step must be to get clarity on what it will mean in reality.

The G-20 statement mentions 'rationalising' the subsidies, but it is unclear what is meant by "rationalised" and who decides what will be rationalised. Most importantly, the 'rationalisation' timeline and definition of subsidy are also vague. In simple terms, there are two ways to subsidise fossil fuels, by aiming money at the producer or the consumer. In OECD countries, subsidies generally support producers, whereas in non-OECD countries, subsidies generally support consumption. For instance, in France, between 2004 and 2008, the oil sector benefited from 404 million Euros of public support, of which 392 million Euros were export credits support through COFACE, the French Export Credit Agency (ECA).³ ECAs continue to be a major source of funding for production of fossil fuels, using taxpayers'

money to lock developing countries into carbon-intensive paths.

So while the Pittsburgh statement heads in the right direction, phasing out subsidies must first take place in OECD nations and it must be clear that subsidies to provide essential energy services should not be effected.⁴ It is also to be hoped that Pittsburgh's good intentions do not meet the same fate as last April's G-20 statement to create a blacklist of tax havens, which ended, like an oyster, shucked of its contents.

1. www.pittsburghsummit.gov/mediacenter/129639.htm at 24.
2. http://ec.europa.eu/environment/climat/pdf/ep_resolution_clim_change.pdf
3. Les Amis de la Terre, www.justice-climatique.org/
4. OECD subsidies are more than twice as high, per capita, as subsidies in non-OECD countries. Source Oilchange International, May 2009

Liberia's choice

Research by the NGO Global Witness¹ has shown that Liberia has a choice to re-start its logging industry or, with monies provided under a forest climate proposal from the Norwegian Government, to preserve its forests and promote rural development. Liberian legislators could also choose to use a combination of both, but they seem to have opted to re-start logging by ratifying four additional 25-year forest management contracts on 23 September 2009. This brings the number of 25-year forest management contracts agreed to seven.

This is worrisome as neither the country nor the companies are well equipped to manage this process. A recent report by the UN Security Council (see FW 140, July 2009) revealed strong evidence that some of the companies bidding for the forest management contracts have breached Liberian law and lack the financial capacity to operate. Several of them are linked to notorious Malaysian timber giant Samling, which has a long and well-documented record of illegal logging and conflicts with local communities, notably in Cambodia, Guyana, Malaysia and

Papua New Guinea.²

At present, all is quiet on the voluntary partnership agreement (VPA) front. Although Liberia began formal negotiations with the EU for a VPA to control illegal logging in March 2009, in-country preparatory work has been slow. Indeed, VPA talks must depend, at minimum, upon respect for community rights and the rule of law.

1. www.globalwitness.org/samling and recent press releases.
2. www.globalwitness.org/media_library.php



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NEWS IN BRIEF

Export Credit Agencies help companies that evade tax. Despite pronouncements about the need to tackle tax evasion, European governments are offering billions of dollars in export finance to companies registered in... tax havens. G-20 governments agreed to take action against tax havens, but at the same time they called for an increase in the capacity of ECAs to respond to the global financial crisis. FERN's new briefing, "Avoiding solutions: How Export Credit Agencies help companies that continue to evade tax" (www.fern.org/media/documents/document_4455_4456.pdf), highlights the folly of increasing ECAs' capacity without requiring that they adopt regulations halting their support for companies that take advantage of tax-avoidance loopholes.

New publications by the Corner House (www.thecornerhouse.org.uk/subject/climate/) examine links between financial and carbon derivatives trading. "When Markets Are Poison" distils the lessons from the financial crisis for climate policy. It indicates how the overconfidence in complex and non-transparent financial derivatives caused the 2008 financial meltdown and is mirrored in carbon a carbon market increasingly dominated by derivatives trading. "Regulation as Corruption in the Carbon Offset Market" analyses the reasons that the carbon market cannot be regulated effectively, concluding that "[t]he attempt to regulate such markets does little more than create an illusion of governance where none actually exists."

Also at the Corner House, (www.thecornerhouse.org.uk/summary.shtml?x=565381), Mousam, an Indian grassroots climate magazine, offers insight into the burden that offset projects can impose on communities. It exposes six dubious offset projects that undermine local low-carbon, subsistence ways of life and increase profits for some of India's dirtiest corporations. Among these is the Bhilangana hydro project in the Himalayan region of Uttarakhand where local villagers continue to be harassed and their traditional irrigation systems damaged. Several wind power projects exposed in the magazine show how seemingly benign technology such as wind power loses its claim to sustainability where local rights are ignored.

Malaysian déjà vu should suspend VPA process

New blockades of logging roads are starting to appear in Sarawak, mirroring the situation that occurred twenty years ago. When the blockades were first put up in 1989 by the Penan peoples, the last nomadic hunters and gatherers in Sarawak, they led to the arrest of several Malaysian NGO activists who supported the blockades, and the blacklisting of many more non-profit groups. The campaign also led the International Tropical Timber Association to send a mission to Sarawak in 1991, which drew up clear recommendations on maximum logging volumes of some 11 million cubic meters and the creation of a reserve for the Penan. Sarawak's chief minister for 28 years, Abdul Taib Mahmud – also that state's finance minister, its planning and resources management minister and, until recently, the chairman of the Sarawak Timber Industry Development Corporation – never implemented the recommendations. "His authoritarian style of governance protects his turf and their families," says Anwar Ibrahim, former Finance Minister of Malaysia.¹

Primary forests are now left only in some nature reserves, and much of the

remaining forest is threatened by millions of hectares of planned tree and oil palm plantations, as well as a series of dams. The state aims to double its oil palm acreage from 2007 levels to 1.3 million hectares by 2010 and the 'planted forests policy' targets a log production of 25 million cubic meters by 2020.²

The new blockades started August 2009 and have again led to arrests of NGO activists and indigenous leaders. This has given many a bad case of déjà vu.

In this climate, the EU clearly cannot conclude a legally binding agreement with Malaysia to regulate the timber trade until Sarawak's government implements its own laws and fully respects the rights of local communities to their land. Sarawak also needs to uphold international laws and changes. Signing a VPA without resolving these issues would thoroughly undermine the VPA process, which has to date achieved considerable successes in Ghana, Congo and Cameroon.

1. www.bloomberg.com/apps/news?pid=20601109&sid=aBC4ld4jmdV4

2. "Malaysian palm oil," October 2008; Friends of the Earth network

Protesting Monoculture Tree Plantations

Against a backdrop of global demonstrations, 21 September 2009 saw thousands coming out to voice opposition to the increasing encroachment of tree plantations. Beginning five years ago in Brazil, this year the day included the launch of an international declaration,¹ signed by individuals and organisations from 85 countries including FERN, calling for a halt to the further expansion of plantations.

The World Rainforest Movement's website acted as a hub for the day, setting out to bust the myths behind the promotion of plantations. Their main hope was to show that plantations – a quick source of cheap wood – are neither carbon 'sinks' nor forests; in reality they have severe social and environmental impacts, negatively affecting women in

particular. Despite the positive publicity campaigns, "local communities are displaced to give way to endless rows of identical trees – eucalyptus, pine, oil palm, rubber, jatropha and other species – that displace most other forms of life from the area."²

1. www.wrm.org.uy/plantations/21_set/2009/declaration.htm

2. www.wrm.org.uy/plantations/21_set/2009/press_release.htm

Forest Agenda

20 October: ECOFIN Council, Luxembourg

22-23 October: Chatham House-RRI Dialogue on Forests, Governance and Climate Change, Washington DC, USA.

26-28 October: World Bank FCPF Participants meeting, New York.