

# ALTER-

# ECO

## Offsetting Omissions



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## New World Bank Fund Triggers REDD Alert

In an attempt to entrench itself at the centre of the global climate debate, the World Bank will pre-empt the conclusions of the UN climate negotiations and launch its new Forest Carbon Partnership Facility on Tuesday 11 December.

The Bank's scheme establishes a framework for trading the credits generated by a future Reduced Emissions from Deforestation and Degradation (REDD). By launching the Facility now, before the end of the talks, the Bank is hedging its bets on whether REDD will be included in any carbon trading scheme post-2012. If REDD is included, the Bank has an instant market in



which to broker finance for 'avoided deforestation.' But just in case negotiators end up leaving REDD out of the equation for now, the Bank has carefully designed its forest carbon finance plan in a way that does not rely on UN approval or its certification system.

The Bank has been able to do this by developing a 'sectoral' approach to carbon finance. This means that instead of taking on forest emissions reductions on a project-by-project basis, the Bank will use the FCPF to help governments to write national plans for reducing deforestation within their borders.

The implications are still vague, but civil society groups

have expressed some initial concerns related to inadequate social and environmental safeguards, and a lack of clarity about how indigenous and forest dependent communities would be included in programme design, implementation and monitoring. There are further criticisms that the Bank has made no explicit provision to exclude industrial logging companies from participating in carbon trading.

The Forest Carbon Partnership Facility (FCPF) will be the latest addition to the Bank's \$2 billion carbon finance portfolio that opened in 1999 with the Prototype Carbon Fund. The PCF was originally envisioned as a short-term catalyst to jump start private finance in the international carbon market and blaze a path for sustainable development and clean energy access through emissions reduction projects. Eight years later the Bank's portfolio has grown to

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## Nusa Dua's Burdened Past

What a miraculous place! The beauty and luxury of Bali's Nusa Dua peninsula has impressed many delegates at the UN Climate Conference. With its five to seven star hotels, flamboyant tropical gardens, and a white beach set on the Indian Ocean, it is one of the most luxurious destinations in the world.

But Nusa Dua has not always been as it is today. Only one generation ago, this area in the South of Bali, with its two peninsular islets, was known as Bualu. The coastal area of Bualu was partly covered with man-

grove forest. The inhabitants barely survived by selling coconuts and salt, living a hard life on the unfertile soil.

When construction workers destroyed most of Bualu's mangroves in the late seventies and eighties, a few ecologists protested – but in vain. Bualu was considered unproductive land, out of kilter with the development policies of the Suharto regime.

The concept of a self-contained resort, designed for tourists who would not need to bother with ordinary Balinese people, was

easily achieved because, according to Indonesian law, the state is the sovereign over land, not the people.

Maybe the Bualu inhabitants would have easily agreed to a change in land use. Maybe they would have happily accepted leaving their modest life as fishers and coconut farmers. But they were not even asked. Instead, they were forced out by the mobile brigades of the Indonesian police.

The peaceful old Hindu temple in the backyard of the Hyatt Hotel, where non-

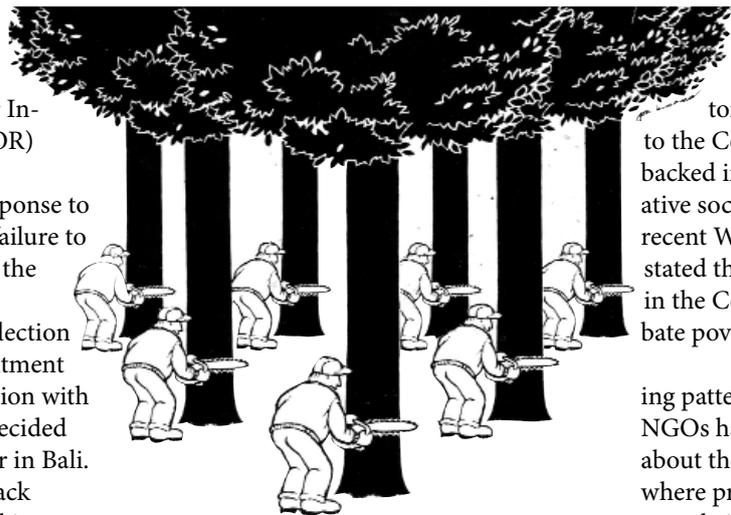
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# Taking a Chainsaw to the World While Promising to Protect Forests

'We learn', the World Bank's Benoit Bosquet assured participants at a side event on 'Markets and Governance', held as part of the Center for International Forestry Research (CIFOR) Forest Day in Bali on 8 December.

This assurance came in response to various questions about the Bank's failure to consult with Indigenous Peoples on the 'Forest Carbon Partnership Facility' (FCPF), the latest addition to its collection of carbon funds. Despite the commitment to embark on an extended consultation with Indigenous Peoples, the Bank still decided to launch the FCPF on 11 December in Bali.

But the Bank's appalling track record on forests extends far beyond its apparent inability to conduct a meaningful consultation. World Bank forest policies have long caused damage to forest dwellers, indigenous peoples and biodiversity alike. Few benefits have accrued to forest-owning nations, and there has been widespread corruption. In 1992, the Bank addressed these concerns with a Forest Policy that enacted a ban on the financing of logging operations, but this was rescinded in 2002. This retro



grade step fuelled new controversies.

In Cambodia, for example, the World Bank's own Inspection Panel found that the Bank had broken internal safeguards, violated its own policies, ignored local communities, and failed to reduce poverty. The panel reported that the Bank had ignored evidence of the negative impact more industrial, concession-based logging would have on the livelihoods of forest-de-

pendent groups.

Similar failures of World Bank involvement in the forest sector have been documented from Peru to the Congo Basin, where World Bank-backed industrial logging has profound negative social and environmental impacts. A recent World Bank Inspection Panel report stated that World Bank-supported logging in the Congo Basin may currently exacerbate poverty, not alleviate it.

These examples indicate a worrying pattern. In an Open Letter, over 60 NGOs have expressed serious reservations about the capacity of the FCPF to deliver where previous Bank policies have failed – namely in reducing rather than fuelling deforestation. To insist on launching the FCPF on 11 December in Bali regardless of the failure to consult with Indigenous Peoples or address the many serious reservations raised by NGOs in last-minute Bank consultations suggests that, far from 'Learning by Doing', the World Bank continues to prefer its old pattern of 'Doing without Learning'.

## Nusa Dua

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governmental organisations today hold their side events, is the only reminder of Nusa Dua's burdened past. 'This temple belonged to our village', one former inhabitant told *Alter-Eco*. 'We still come here to worship. But our old village is gone.'

In 1979, the villagers were surprised by the arrival of the mobile brigades. They were forced to leave their coconut gardens and their village. No one dared to resist. Bualu was renamed 'Nusa Dua' (which means 'Two Islands') after the two peninsular islets. The former Bualu farmers and fishers struggled to survive. Some of them moved to other regions, while some now make a living locally in the tourist industry or as taxi drivers.

Beautiful Nusa Dua has a sad heritage, but it is no exception amongst Indonesia's numerous development and industrial projects. The destruction of mangrove forests and other eco-systems, as well as forced replacement of inhabitants in the name of development, has continued into post-Suharto-Indonesia.

## Carbon Financing for Ocean Dumping

At the beginning of the COP, Climos, a company 'dedicated to removing carbon from the atmosphere' announced that Ecosecurities had prepared a draft methodology for ocean iron fertilisation (OIF), based on the Clean Development Mechanism (CDM) regulatory framework.

There is no way that OIF could ever qualify for CDM funding under the current rules, despite the very liberal interpretations applied to what qualifies as 'sustainable development'. However, offset outfits like Climos would like to see the possibility of regulatory carbon financing in a post-2012 framework to support wide-scale OIF deployment. Ecosecurities' pro forma CDM methodology can be seen as an attempt to gain legitimacy for OIF in the post-2012 negotiations, especially in light of the barrage of criticism that OIF has received from the scientific community.

In a move reminiscent of the 'token climate deniers' that used to be wheeled out by the fossil fuel lobby groups in earlier stages of the climate change debate, Climos has a handful of scientists working to add credibility to its schemes. Despite its claims that the oceanographic community is coming round to the idea, the International Maritime Organisation, the

UN's specialised agency responsible for improving maritime safety and preventing pollution from ships, issued a statement of caution against OIF at its meeting in June 2007.

Research published in the *Journal of Geophysical Research* in November 2007 has shown that the carbon absorbed by the phytoplankton blooms caused by 'ocean fertilisation' doesn't sink into the deep ocean in the way that was hypothesised by its proponents. According to one of the paper's authors, the research shows that 'greatly enhanced carbon sequestration should not be expected no matter the location or duration of proposed large-scale ocean fertilisation experiments.'

Given that the future value of ocean fertilisation in the carbon market has been estimated at \$100 billion, it seems unlikely that petty considerations such as actual mitigation effectiveness or ecological disruption are going to get in the way of Ecosecurities' brokering more lucrative climate 'fixes'. Climos intends to send an experimental cruise to dump iron in an unspecified ocean location next year, despite the protests of civil society organisations and many in the scientific community.

# Making Money Grow on Trees Will not Protect Forests

With up to 20 per cent of annual carbon emissions caused by deforestation, protecting our forests is a key part of stopping runaway climate change. Yet the carbon finance mechanisms being proposed at the UN Climate Conference in Bali will do little to tackle the underlying causes of deforestation, while causing significant harm to indigenous peoples' and local communities.

That is the view of a growing international coalition of social movements and non-governmental organisations, who today released a joint statement arguing that 'Protecting the world's forests needs more than just money'.

The statement recommends that governments should first address the underlying 'drivers' of deforestation, which include the demand for agricultural and forest products, trade liberalisation rules that fuel deforestation, and corruption. It also warns that new proposals on forests

could have devastating social impacts.

'The proposed REDD [Reducing Emissions from Deforestation and Degradation] policies could trigger further displacement, conflict and violence, as forests themselves increase in value they are declared "off limits" to communities that live in them or depend on them for their livelihoods,' it says.

In place of 'unpredictable' and 'inequitable' carbon financing mechanisms, the statement proposes an international fund that 'rewards the complete rather than partial cessation of deforestation', and urges support for community-based forest management and reforestation measures.

Instead of compensating logging and plantations companies – as a trading-based scheme is likely to do, if the experience of the Clean Development Mechanism is anything to go by – the state-



ment recommends the strengthening of forest conservation policies and institutions, 'encouraging bans or moratoria on industrial logging and forest conversion, and addressing corruption and lack of enforcement.' It also recommends that existing subsidies for fossil fuel and agrofuel production (which amount to \$250 billion per year) be redirected into avoided deforestation assistance funds.

A copy of the full statement can be found at [www.altereconews.org](http://www.altereconews.org)

## New World Bank Fund

more than ten carbon funds with over \$1 billion in offset money disbursed to emissions reducing projects.

But for all the talk of clean energy and sustainable development it would seem that the World Bank can't see the forest for the trees. The Bank's carbon financing has done virtually nothing to relieve poverty. In fact, less than a quarter of carbon offset projects are linked to development projects and a mere six per cent of funds require that projects have sustainable development benefits.

Nor is the Bank's carbon finance particularly focused on clean energy access for the poor. While about 20 per cent of the Bank's carbon-related projects could be considered 'clean,' only two per cent of the \$1 billion has been released to renewable energy projects. Ironically, more than 80 per cent of the funds released have gone to private heavily polluting industries in the oil, gas, cement, iron and steel production and industrial gases sectors. Communities living in the wake of

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these projects, for example in South Africa, India and Brazil, have been devastated by their environmental and health impacts.

Forest emission offsets projects have been a particularly disastrous part World Bank's carbon portfolio. Forest projects in the PCF like the Plantar SA project in Brazil have resulted in the displacement of whole communities and the destruction of Amazonian forests for the cultivation of eucalyptus. The eucalyptus is converted to charcoal, which is then used as an alternative to coal, thus qualifying the project for carbon credits that are brokered through the World Bank.

While human and land rights concerns triggered by projects like Plantar go unresolved, the Bank is committed to pushing the new FCPF through the UN process in Bali.

## INVITATION to a World Bank reception to promote carbon markets

The World Bank Group 2007 Progress  
Report on Renewable Energy  
and Energy Efficiency  
Monday, 10 December 2007, 7.30 - 9 pm  
Lagoon Pool, Grand Hyatt, Bali, Nusa Dua

An invitation from Jamil Saghar, World Bank Director for Energy, Transport and Water & Rachel Kyte, IFC Director for Environment and Social Development to eat, drink and be merry while you listen to the World Bank's plans to continue business as usual at the expense of peoples, the environment and the climate while pretending to be green. Anti-nausea pills will be available.

# Fuel From Trees Risks Opening Pandora's Box

With the public backlash against food-based fuel gaining pace, industry and governments are increasingly focussing their investment on so-called 'second generation' agrofuels (also referred to as 'biofuels'), which are manufactured out of inedible cellulose-based feedstocks such as trees or switchgrass.

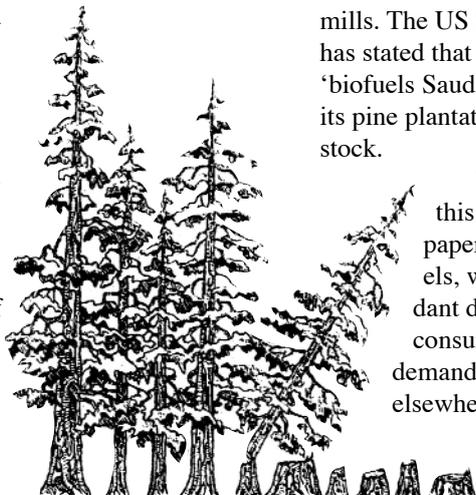
The industry argues that these feedstocks are not in competition with food production because they are not edible. However, as the demand for agrofuels increases and the price for the feedstocks climbs higher, agribusiness and farmers will shift production into those crops with higher profit returns. Agrofuel crops will continue to compete with food crops for available land.

## Deforestation

The use of wood for agrofuels comes with potentially dire consequences.

Deforestation contributes roughly 20 per cent of global greenhouse gas emissions annually. It does not take a genius to understand that manufacturing fuel from wood is not a great strategy if reducing deforestation is one of your goals. Ironically, however, that is exactly what is occurring here in Bali. Reducing Emissions from Deforestation and Degradation

**It does not take a genius to understand that manufacturing fuel from wood is not a great strategy if reducing deforestation is one of your goals**



(REDD) is being promoted right alongside the growing of agrofuels.

## Displacement

While existing agrofuel monoculture plantations of soy and oil palm are already widely known for their role in destroying important forests, the new emphasis on cellulosic ethanol from wood threatens to massively increase the logging of the world's remaining native forests, with tremendous repercussions for forest-dependent peoples and biodiversity.

The Southeast region of the United States has become the world's leading supplier of pulp for paper, with one in five forested acres converted to loblolly pine plantations. The rising prominence of agrofuels now has companies looking at these same pine plantations to feed future cellulosic ethanol mills. The US State of Georgia has stated that it wants to be the 'biofuels Saudi Arabia', using its pine plantations as the feedstock.

The diversion of this timber from paper pulp to agrofuels, without an attendant drop in paper consumption, will push demand for paper pulp elsewhere, resulting in accelerated conversion of native forests into

monoculture tree plantations, as well as increased legal and illegal logging of forests. Once again, indigenous communities find themselves threatened by the extraction of resources for Northern consumption.

## GE Trees

The industry's other scheme for cellulosic ethanol from wood involves genetically engineering trees to make them more easily digested into ethanol. These 'low lignin' trees come with a high price, however. The use of genetic engineering on something so complex and long-lived as a tree is a risky endeavour, and there is no way to know the long-term consequences. The commercial release of genetically engineered (GE) trees into the environment will inevitably result in the escape of GE tree seeds or pollen into native ecosystems up to hundreds of kilometres away. Escaped GE trees can then go on to contaminate more trees and ecosystems in an endless and irreversible cycle.

In the case of GE low-lignin trees, known impacts include a reduced ability to sequester carbon in the soils and, when they die, more rapid decomposition and carbon release. Development of huge plantations of GE low-lignin trees, therefore, is clearly not a great strategy for reducing carbon emissions. The impacts on biodiversity or local communities have not been adequately assessed.

To conclude, second-generation agrofuels do not solve the problems posed by current agrofuel technologies. In fact, they continue to compete with food, they accelerate deforestation and displacement of forest-dependent communities, and they threaten to open a Pandora's Box of potential impacts in the form of genetically engineered trees.

## Who We Are

Alter-ECO is published by a group of non-governmental organisations, Indigenous Peoples Organisations and social movements at the UN Framework Convention on Climate Change COP-13, who have come together to make a unified call in support of real, relevant, effective and human rights-based solutions to climate change.

To submit an article, event, photo or graphic to Alter-ECO, please email [globalecology@gmavt.net](mailto:globalecology@gmavt.net).

Organisations contributing to this issue: Global Justice Ecology Project, Global Forest Coalition, Carbon Trade Watch, Transnational Institute, FERN, CORE (Center for Organizational Research and Education), PIPEC, The Corner House, SEEN, Biofuel Watch, World Rainforest Movement. Alter-ECO does not necessarily reflect the views of all of the participating organizations or contributors to Alter-ECO.

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