

# **“Carbon Markets do not Need to be Fixed. They Need to be Eliminated”**

## **Francesco Panie interviews Larry Lohmann**

### **- Can a global carbon market function for reducing emissions as the Paris Agreement states?**

Carbon markets are not designed to reduce emissions. Their function, in the Paris Agreement and elsewhere, is to extend the life of the fossil fuel economy and, indirectly, an exploitative and unequal system of extractivism and nature degradation. That is why they are backed by so many fossil-driven corporations and capitalist states. Carbon markets have coexisted very happily for more than 20 years with a catastrophic increase in emissions.

### **- Have these mechanisms ever delivered reductions in the past, especially in the Kyoto Protocol and the EU ETS? And why?**

Again, carbon markets are not designed to deliver reductions. That is not what they are for. So it's not surprising that they have never delivered any.

If any reductions were to be delivered by climate policies that *include* carbon markets (and so far no such policy has ever been strong enough to result in meaningful reductions, whether Kyoto, EU ETS or Paris), those reductions would have to be delivered by the *state regulation* that creates the commodity that is traded in the markets, not by the trading itself. Carbon markets are added to this regulation only to reduce the cost to private companies of emissions limits imposed beforehand by the state. Carbon markets themselves do not make any reductions whatsoever. They aren't supposed to.

So when you ask a professional carbon trader why policies that include carbon markets have no climate benefits, they will always justifiably say, “Not *my* fault, officer! Go ask the state why they haven't imposed the meaningful emissions limits or ‘caps’ that create the commodity that we trade. *We* don't make this stupid ‘emissions reductions’ commodity. We just buy and sell and speculate in it *after* it's manufactured. That's our only job.”

And then when you go and ask the state (off the record, behind closed doors) why its emissions reductions commodities or “caps” are so meaningless, from a climate perspective they will justifiably answer, “What do you expect us to do? If we imposed meaningful emissions regulation for carbon traders to trade, the capitalist class would revolt against us and we could not maintain our political position. Unless someone forces us to do otherwise, we have to negotiate with business so that they (and we) can continue to dump almost the same amount of carbon dioxide into the atmosphere that they (and we) did before. Otherwise their costs would increase too much too quickly. Please, do us a favour. Forget about global warming. We don't care about that. It's just economics.”

What makes the situation even worse is that even the nearly meaningless regulation tokens traded in the baseline Kyoto and EU ETS carbon markets were never quite cheap enough for business – even after carbon markets made them even cheaper by distributing their costs “efficiently” among business as a

whole. So business – together with the state and various tame academics and NGOs – came up early on with a second commodity called “offsets.”

“Offsets” function to reduce the price to business of state regulation still further. They do this by turning around and weakening or nullifying the regulation itself by the back door after it has been promulgated. This has predictably bad climate effects. This is not to say that the regulation that the state enacted to get the carbon markets started in the first place was more than laughably trivial anyway. But “offsets” destroy even that trivial step. The methodology is to replace, by legal means, the baby reductions mandated by state emissions regulation with cheaper, fictitious objects that are not reductions at all. And then to cover up this trick by calling the real reductions and the fake reductions by the same name – “reductions.”

These fake “reductions” include things like promises to emit less carbon dioxide in the future than “might be emitted according to my business-as-usual calculations.” Or promises to seize someone else’s land and establish an industrial plantation of fast-growing trees that will “compensate” for my continuing fossil fuel emissions. Or promises to manufacture and then reduce emissions of some other greenhouse gas like nitrous oxide or hydroflourocarbons. With enough ingenuity, almost any action that you take can be reinterpreted as a fake “reduction” that can allow fossil fuel burning to continue.

The Paris Agreement carried this sophistry to new heights with cheap fake “reductions” called ITMOs, or “Internationally Transferred Mitigation Outcomes.” Again, the function of these ITMOs is to allow fossil fuel extraction and burning to continue as long as possible. They are made “equivalent” to genuine emissions reductions via the argument that, however little participating countries are doing to curb emissions, at least they are doing more than some committee certifies that it might have expected them to do.

As if this subterfuge were not obscure enough already, it has been further concealed by refusing to admit that “transfers” of fake ITMO reductions effectively take place in a “market.” Many delegates to Paris were explicitly instructed beforehand not to use the words “carbon market” in public to describe their treaty, because by 2015 it had become well recognized that carbon markets were only making climate change worse. Apparently the gambit has worked: most journalists and many environmental groups still describe Paris as a climate agreement rather than as a trade treaty promulgated to help keep fossil fuels coming out of the ground.

### **- What are the major problems with carbon markets? Do you think that they can be fixed?**

It is misleading to describe carbon markets as things that have “problems” in addressing climate change. That implies that, in principle, carbon markets could help with global warming if only some of their “bugs” were worked out. This is a false premise. Carbon markets are not *supposed* to help with climate change. Their bad effect on climate is not a “bug.” It’s a “feature.”

Another way of putting this is to say that from a business perspective, carbon markets don’t have any fundamental problems. They do what they are supposed to do: delay action on global warming. Of course, corporations, states and consultants do indeed have endless arguments about the details of how many pollution licenses the state should give to industry, what kind of “offsets” are best, etc. But these are nothing more than arguments about the best way to distract the public, defuse climate movements,

keep the joke carbon market churning for as long as possible, and ensure that coal, oil and gas can continue to continue to come out of the ground.

It is also inaccurate to say that carbon markets “have problems” if you are speaking from a climate activist perspective. It is more precise to say that they *are* a problem. Carbon markets are designed to cheapen and weaken regulation, not to reinforce it, much less to transform society in the necessary ways that regulation cannot accomplish. Worse, the very design of carbon markets is self-contradictory, since, as my Italian colleagues Antonio Tricario and Elena Gerebizza have pointed out, they trade in a commodity that is, in a sense, pre-financialized in a way that makes their pretence of incentivizing structural change over the long term ludicrous. A team of French economists once memorably described the EU ETS, recalling a phrase of Keynes’, as a “bubble of compliance in a whirlpool of speculation.”

In short, carbon markets do not need to be “fixed.” They need to be eliminated.

**- A lot of environmental groups are supporting carbon markets, but only if reformed. Do you think that environmental movements should support these tools or could be better to advocate for a total ban of these kind of solutions?**

Insofar as they support carbon markets, the groups you refer to are not environmental groups. In effect, they are business support groups that function, whatever their intentions, to shield business from serious climate movements. NGOs that support carbon markets actually work to *undermine* environmental goals when they hold out the illusory promise of “reformability.”

There may have been a brief moment, well over 20 years ago, when some of these organizations genuinely imagined that in carbon markets they had found a policy that capitalist elites might accept and that might also be a step toward tackling global warming. But from very early on, it was evident that carbon markets could have no climate benefits whatever. Equally, it quickly became obvious that carbon markets tended to alienate many of the grassroots movements most needed for a more powerful global climate alliance. Yet trapped by orthodox economic thinking, many mainstream environmental organizations – largely from the global North – failed to develop either their analysis or their organizing. Many have simply lost sight both of their original climate goals and of how they might be achieved.

This is why so many dedicated grassroots climate movements and campaigns tend to regard these supposed “environmental groups” as opponents on the same level as ENI or Exxon-Mobil. It is why the most effective climate movements have always seen it as part of their work to clear away the distraction of carbon markets so that the real work of fighting climate change can go forward. As examples I could cite participants in the World Rainforest Movement network, the Indigenous Environmental Network, the Climate Justice Alliance, the No REDD in Africa network, as well as many of the environmental movements whose tireless work against carbon markets is chronicled on the REDD-Monitor website. I could cite Indigenous leaders including the Bri-Bri community in Costa Rica, Ninawa’i in Brazil, Marlon Santi in Ecuador, where I am writing this, and of course many, many others.

**- In the climate talks, I saw growing attention around Nature Based Solutions. Can you tell me exactly what they are and what is the risk of monetizing natural cycles?**

Because carbon markets constitute a walking contradiction, they always need to evolve new disguises to befuddle observers. We need to become sensitized to the underlying unity among all the different ways of saying, “We don’t need to leave fossil fuels in the ground; all we need to do is to find something we can do instead.” Because that’s always the first step toward setting up a market where you can trade stopping fossil fuel extraction for “something else.”

In practice, Nature Based Solutions is one of those steps. In practice, it is bound to become one way of saying “we don’t need to leave fossil fuels in the ground.” Because that is the way that the big corporations, states and bureaucracies around the world that are subscribing to Nature Based Solutions already look at it. “You can see that we are really trying to fight climate change because we support Nature Based Solutions,” they will say. “Never mind that we are still supporting fossil-fuelled mechanization. We can trade off the one for the other. It will all work out in the end. Trust us.”

It is already useless for idealists to protest, “But wait! That’s not what *we* meant by Nature Based Solutions! We want forests protected by Indigenous peoples! We want biodiversity protected! We want organic farming! We want beautiful rivers that can carry dissolved carbon dioxide uninterrupted to the oceans! And of course we want the use of fossil fuels stopped, that goes without saying!” Because corporations and states have already hijacked the concept of Nature Based Solutions with the plan of transforming it into a landscape of industrial plantations, agribusiness, and synthetic biology punctuated by smoky factories and coal and cobalt mines. With all of this, more likely than not, integrated all this into formal carbon markets.

**- Ahead of the COP26 the UNFCCC process appears to be worn out and struggling to get some minor results. What do you expect from the next Conference of Parties?**

From the point of view of the national elites and large corporations whom it benefits, the UNFCCC process is far from being worn out. By absorbing a disproportionate amount of the energies and attention of many well-meaning members of the public concerned about global warming, it is still very effective in delaying climate action. What I would hope to see after the next COP is a complete discrediting of the UNFCCC process and the conceptions of climate, energy and Nature-Based Solutions in which it trafficks.