

Chronicle of a Disaster Foretold

REDD-with-Carbon-Trading

Larry Lohmann
The Corner House
Scheme Dream meeting
September 2008

“Frankly, this debate just makes me want to scream. The clock is moving. They are slashing and burning and cutting the forests of the world. It may be a quarter of global warming and we can get the rate to two per cent simply by inventing a preservation credit and making that forest have value in other ways. Who loses when we do that?”

Richard Sandor
Chicago derivatives trader
25 February 2008

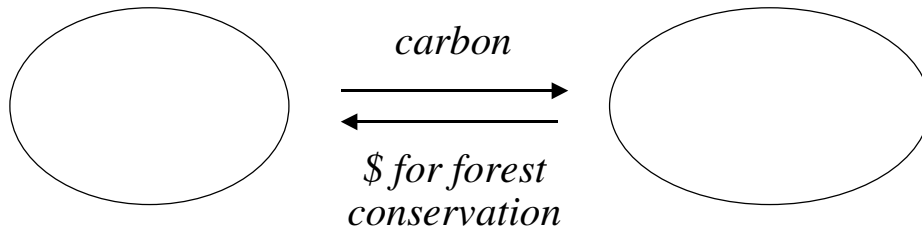
“An effective post-Kyoto agreement must include a comprehensive system that allows for the accounting of land-use-related emissions and removals and establishes incentives to reduce emissions from deforestation.”

Charlotte Streck
Climate Focus
2008

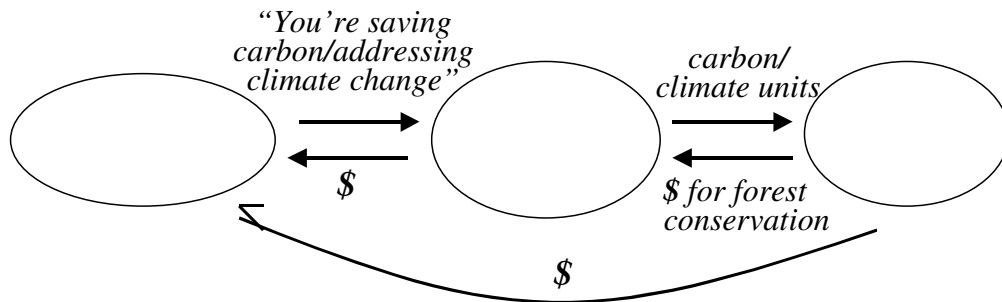
Merrill Lynch, EcoSecurities, the World Bank, the Chicago Climate Exchange, Policy Exchange, the Climate Group, governments, foresters, consultants, policy wonks, commodities traders, hedge funds – nobody needs to be reminded of the wide range of institutions and experts championing the marketing of forest carbon. The name of the game is manufacturing saleable carbon credits through Reducing Emissions from Deforestation and Degradation (REDD).

How to evaluate this trend? The first thing is to try to understand what it is.

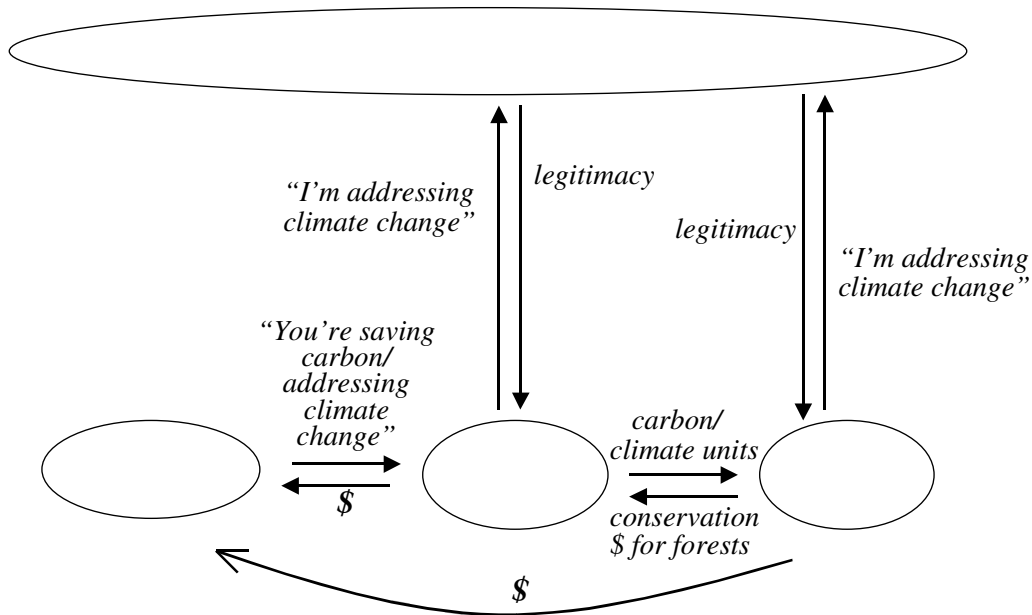
That isn't as easy as it sounds. We're presented with a picture of a series of exchanges. At the center of the picture is an interaction between sellers and buyers:



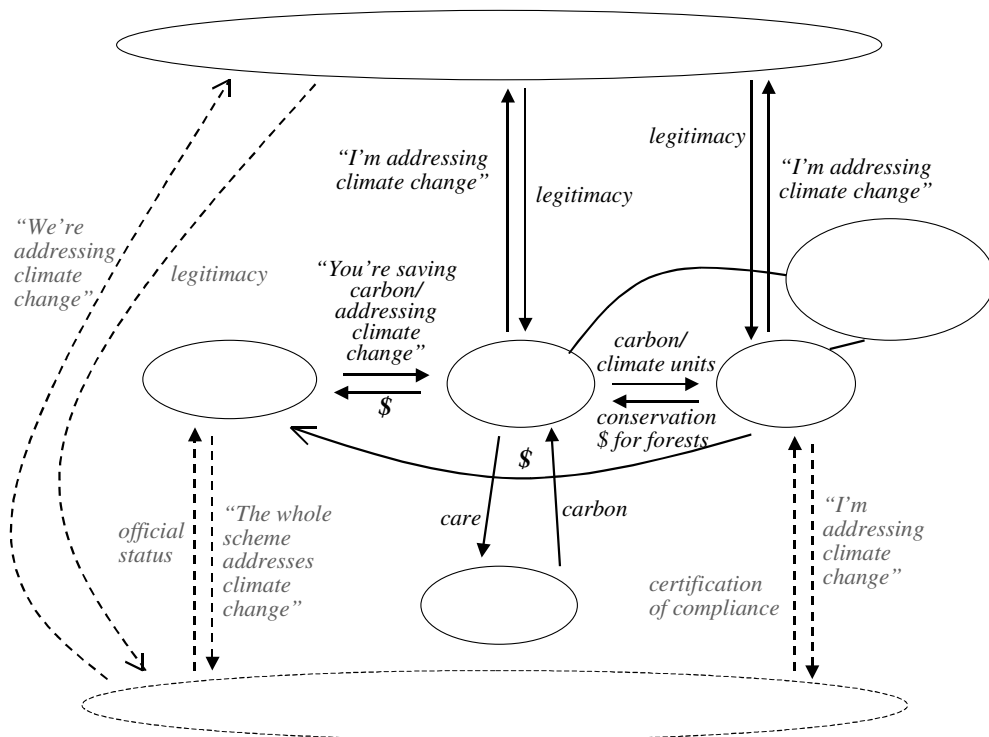
To make sense of the idea that buyers get what they are paying for, you have to add another transaction. Not only do buyers pay sellers for carbon; sellers (and maybe buyers as well) have to pay certifiers to legitimize the deal:



An implicit pact with the public is also essential:



If the schemes are official, governments or the UN will need to be in on them. And not to forget investment banks, lawyers, hedge funds and the forests themselves:



And the diagram could be expanded. The point is that everybody in it benefits from these multiple exchanges. Assuming the cast of characters is limited to seven, it's a "win-win-win-win-win-win-win" situation.

The only way to evaluate the picture itself is to say that it's sweet. So try a more important question. How can we evaluate the *effects* this picture would have on world politics, forests and the climate?

The first thing to realize is that the picture is neither *description* nor *prescription*.

It's not a description because many of the actors, relations and entities pictured can't be clearly specified, at least not yet. For example, what exactly is the main commodity that circulates among the actors? If it is carbon saved, how is that measured? (Pirard and Karsenty 2009, Lohmann 2005). If it is climate change mitigation tokens, how is that the same as carbon savings? (Driesen 2008).

Similarly, who are the sellers at the center of the diagram? They must be people who conserve forests, because that's what they're being paid for. But who exactly are the people who conserve forests? And can their work benefit from selling carbon/climate units? Who will want to buy from them? How is their ownership established? What is the mode of payment? (Wainwright 2008; Kill 2008).

But the picture isn't a *prescription* either. It's not within the power of Richard Sandor, Nicholas Stern, or any of the consultants or policy wonks who might advocate the picture to answer these questions. They have almost no power to prescribe who the actual sellers will turn out to be in the end, or what the commodity will be. That's something that can only be worked out in the course of time by buyers, certifiers, indigenous peoples, consultants, dipterocarp or mahogany trees, ministries, lawyers, forest soils, technicians, politicians, chance and carbon molecules as they rub up against prospective sellers and each other in the rough and tumble of daily business. The fate of the diagram above is to be only one yellowed, creased scrap surfacing briefly in the history of the *bricolage* that ultimately results. Its role is not as model, scheme or blueprint but as minor event in a chronicle.

Look, for example, at what happened with bioprospecting. New markets for plants, microbes and "traditional knowledge" were "supposed to result in the discovery of blockbuster drugs and windfalls for indigenous communities that led researchers to coveted therapies" (Hayden 2006). In reality, no products made it into the pipeline, and the "local communities" that were originally pictured as the market's suppliers turned out to be inconvenient entities for buyers and prospectors to deal with, leading to their replacement by ranchers (Argentina), governments (Chile), urban plant merchants (Mexico), or state land agencies and universities (Mexico). This led, in turn, to consternation among idealistic advocates of a new ecosystems services market in medical raw material (the US National Institutes of Health, for one) and among activists. Many schemes collapsed. Planners were unable to find sites that contained "in one neat package the plants, knowledge, people, territory and decision-making authority, all congealed in the name of [a] participating community" that would receive funds for community development and conservation. Troubled researchers at the NIH concluded that, in Mexico, treating plant collection as a commodity transaction "breaks the link" among people, plants and territory that the whole deal was supposed to encourage. Trying to engineer the new forms of participation, property, rights and contract needed to make an exchange possible between plants-

collected and benefits-returned led away from, not toward, the realization of the original diagram. Cori Hayden (2006) observes: “offers of market-mediated inclusion also contain within them the conditions for ever-greater forms of exclusion and stratification.” Michael Dove offered a related insight in connection with early Southeast Asian biodiversity marketing schemes, noting that advocates of the extension of a global system of rights to the new commodity tended to assume that the indigenous communities that were among the intended beneficiaries and other market actors were “structurally similar members of the same, integrated system” rather than “structurally dissimilar members of a more loosely articulated system”, with consequences including dispossession (Dove 1996; see also Mitchell 2002).

Carbon markets are a bit different, but only a bit. Here, a product is already on the shelves, even if no one knows exactly what it is. But in other respects the same kind of evolution has taken place. Take the Clean Development Mechanism. Sellers were supposed to be developers of renewable energy, community-friendly tree-planters and other actors who could help the South move toward a low fossil-fuel development path while defending local rights. Given the realities of buyers, developers, lawyers, brokers, bankers and consultants, this turned out to be unworkable. Transaction costs and the exigencies of political bargaining, measurement, contracting, investment, cost control, “risk management” and regulation meant that the sellers turned out instead to be the Jindals, Rhodias, Tatas and Votorantims of this world, collecting a premium for activities that, if anything, thwarted the struggle to moderate climate change. Nor was it usually possible in practice for carbon money to be used to benefit local people; rather the reverse. “We can’t deal with communities,” one Rabobank executive threw up his hands early on. In short, no ready-made candidates fitting the relevant diagram’s specs for CDM credit sellers were on hand, nor could any be manufactured on the spur of the moment. None exist even today (Lohmann 2008b). Nor were carbon molecules nor climatic processes able to adapt to the discipline the market makers envisaged for them. Consultants are still struggling unsuccessfully to disentangle them from history, indeterminacy, uncertainty and social and biological context, make them abstract, quantify them and transform them into transferable tokens (Lohmann 2009).

Experience indicates, in short, that *something* will happen as a result of widespread advocacy of the picture of REDD trading sketched above – but that it will not be even a partial realization of the picture itself. Indeed, a REDD market promises only to augment the continuing byplay,

typical of “carbon offset” programs, between market developers’ efforts at abstraction on the one hand and resistance and countermoves on the part of local people and entangled carbon cycles on the other. Land claims will be simplified in order to allow transfers to the state or from one private owner to another, enabling speculation, land grabs (Griffiths 2007), logging, mining, protected area gazettement, plantations; uncertainty will continue to be reduced to risk; “resources” will emerge from trees and land; attempts will be made to homogenize people as “stakeholders”; efforts will be carried out to disentangle carbon from local social and ecological webs; simplified formulas for “participation” will scrape against existing norms; livelihood will be made exchangeable for compensation. The inevitable reactions and complications (Michel Callon calls them “overflows”) will occur: land conflicts will erupt; independent climatologists will decry the breakdown in scientific logic; countermodels involving “prior informed consent” will evolve and in turn be exploited; trees and microbes will resist the models used to fix their role in climate history; “dehomogenizing” initiatives will be launched; people will be killed; “risk management” will be debunked as having devolved into “pure entertainment” (Das 2007). And then will come the next stages, and the next. At no point will anything describable as a “corrected” or “fixed” model of REDD with carbon trading emerge, any more than there ever evolved a final, workable version of the Tropical Forest Action Plan (TFAP). Advocates are likely use the lessons of past failed global forest initiatives to try to draw an improved diagram, but not to question the notion that the diagram is a description or prescription (Lohmann 2006, 2008a).

It’s this last question that will come first in positive responses to REDD trading. Action is not the implementation of schemes. Entanglement and re-entanglement are not to be avoided. “Damage control” may be necessary, but it is the framework within which “damage control” is undertaken that matters.

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