Climate Politics after Montreal: Time for a Change

By Larry Lohmann | January 10, 2006

There's no escaping it. Changing monsoons, agriculture in crisis, environmental refugees—climate change is looming ever larger on the horizon of governments everywhere.

But are they keeping up with the challenge?

Anyone witnessing the latest round of international climate negotiations, which ended last month in Montreal, would have to say that the answer is no.

Most governments, whether north or south, know by now that every year the world burns up 400 years worth of accumulated biological matter in the form of oil, coal, and gas. They are aware that the biosphere can't reabsorb all this carbon. They realize that an equitable way must be found of leaving most remaining fossil fuels in the ground. And they understand that many technological mainstays of industrialized societies—cars, coal-fired electricity generation, jet transport—now belong firmly in the category of "sunset" industries.

Where governments and international agencies are falling short is in acting on this knowledge. In a changed world, their role is both clear and critical. Governments should be working to scale down and end domestic dependence on fossil fuels. Together with international agencies, they should be cutting off subsidies for projects aimed at exploitation of fossil fuel deposits. And they should be putting ingenuity into a just technological and cultural transition to a society that does not need coal, oil, and gas.

Yet few are making progress on any of these fronts.

Government representatives on the World Bank's Executive Board have allowed Bank staff to disregard the recommendation of its own 2004 Extractive Industries Review that the bank's coal mining investments be halted immediately and investments in oil production phased out by 2008.

Most northern countries are not even on course to meet their own modest Kyoto Protocol greenhouse gas emissions targets.

Most crucial of all, northern countries are not creating incentives for the needed industrial change in either their own societies or those of their partners abroad.

Instead, most are pinning their hopes largely on the carbon markets that, under U.S. influence, have been enshrined in both the Kyoto Protocol and the EU Emissions Trading Scheme (EU ETS).

This is a mistake. These markets do not create the right conditions for the structural change needed to tackle global warming. On the contrary, they shore up the fossil fuel status quo while blocking constructive alternatives.

First, as U.S. pollution market experience shows, "cap and trade" systems do not spur the innovation that better-designed regulatory systems do. They select for the easiest, cheapest incremental technological change while reducing incentives to undertake the deeper, more creative shifts necessary for a long-term shift away from fossil fuels. They may spur industry to use cleaner coal, for instance, but not to move away from coal altogether. Global cap and trade systems for greenhouse gases also can't work without much better measurement techniques and enforcement regimes than those possible today.

Second, Kyoto's Clean Development Mechanism (CDM) and other project-based credit markets merely help perpetuate the fatal flow of fossil carbon out of the ground. CDM credits are not only a license for industrialized countries to delay starting their transition to a non-fossil economy. They also fail to promote clean energy in southern countries.

As Jack Cogen, president of Natsource, currently the largest private sector buyer of carbon credits, candidly observed during the recent Montreal negotiations, "The carbon market doesn't care about sustainable development. All it cares about is the carbon price."

As of late November, some 80% of the credits to be generated by registered or prospective CDM projects were from cheap, high-volume, non-renewable sources that will not help southern countries in their transition to a nonfossil future. Most of these projects do nothing but hook up machinery that captures and destroys N2O, HFC-23, or methane from factories, coal mines, or landfills. This figure is likely only to increase in the future, what with the higher per-credit costs and accounting difficulties of renewable energy and efficiency projects.

Even the name for CDM carbon credits—Certified Emissions Reductions (CERs)—is a misnomer. For a raft of well-established scientific and logical reasons, CERs can't be compared with fossil emissions nor be said to be "reducing" them. As one industrialized government representative admitted in Montreal, greenhouse gas "abatement" projects can't be expected to "change ppm [parts per million concentrations of greenhouse gases] in the atmosphere."

What's more, "climate mitigation" projects that prop up an unpopular status quo are provoking resistance from local affected communities from Ecuador to South Africa to Sri Lanka. As one Dutch banker remarked at a London business conference on carbon finance last October, "Few in the market can deal with communities."

His bank had backed a fuel-switching and plantation proposal through which a Brazilian pig-iron manufacturer with a record of human rights violations had hoped to generate carbon credits for international sale. The scheme "ran into a big storm" from a coalition of local farmers, trade unionists, and environmentalists. "It was like stepping into a stream full of piranhas," the banker lamented.

Some actions by European countries have been positive. For example, the EU has provisionally decided to keep credits from tree plantation carbon sinks out of the EU ETS. This decision must now be made permanent. As Sten Nilsson of the International Institute for Applied Systems Analysis has pointed out, including such credits in the Kyoto Protocol has made it "completely unverifiable," since no one knows how to track carbon flows between the combustion chamber and the biosphere with the necessary certainty.

Also praiseworthy are efforts such as that of Norwegian Minister for Development Hilde Frafjord Johnson last year to delink foreign aid budgets completely from the CDM market. That is the only way of preserving whatever small potential that development agency money might have of doing some climatic good.

What is needed now, however, is for governments' overall policies to be directed more coherently toward a just transition away from fossil fuels.

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