Comment and analysis

Carry on polluting

Far from being a solution to global warming, carbon trading is little more than a licence for big polluters to carry on business as usual, says Larry Lohmann

OF ALL the schemes under discussion to stop or limit catastrophic climate change, one of those getting most attention is pollution trading. This popular but little-tried idea lies at the heart of some of the most prominent international approaches to the problem, including the Kyoto protocol and the European Union's Emissions Trading Scheme (EUETS). The trouble is, it won't work.

Pollution trading was developed in the US in the 1980s and 1990s to make reducing emissions cheaper and more palatable for heavy polluters. The idea is that if business A can reduce emissions more cheaply than business B, then B can pay A to make reductions for both of them. Moreover, by putting a price on emitting greenhouse gases, trading is meant to encourage businesses to invent new technologies to replace fossil fuel use.

This approach is misguided. Arguably, the US sulphur dioxide trading programme of the 1990s helped businesses save money in meeting modest short-term reduction targets for a single substance. But global warming requires a more radical solution: nothing less than a reorganisation of society and technology that will leave most remaining fossil fuels safely underground. Carbon trading can't do this. It just encourages the industries most addicted to coal, oil and gas to carry on much as before. Why bother making expensive long-term structural changes if you can meet your targets by buying pollution rights from operations that can cut their carbon cheaply?

What's more, carbon trading schemes have tended to reward the heaviest polluters. Heavily polluting industries and nations are being granted roughly as many free pollution rights – which they can trade lucratively – as they need to cover current emissions. Under the EUETS, some of the worst greenhouse offenders, such as the German utilities group RWE, have earned hundreds of millions of euros in windfall profits just for pursuing business as usual. Meanwhile ordinary citizens suffer higher electricity prices, and renewable energy developers must beg for funds.

The EUETS and the Kyoto protocol are further weakened by loopholes that allow big polluters to buy cheap "offset" credits from abroad. A British cement firm or oil company lacking enough EU permits to cover its emissions can make up the shortfall simply by buying credits from, say, a wind farm in India, a scheme to destroy HFC refrigerants in Korea, an energy efficiency programme in South Africa or a project to burn landfill gas to generate electricity in Brazil.

Such projects are merely supplementing fossil fuel use; they are not replacing it. The institutions most eager to set up offset projects – from the World Bank to Tokyo Power – are precisely those most committed to burning up more and more fossil fuel. Covering the land with windmills and biofuel plantations will be of little use unless fossil fuel extraction is stopped.

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The damaging effects of carbon trading schemes are felt severely in poor countries. The Durban Group for Climate Justice has documented that almost all the carbon credits are generated by polluting companies, while communities that follow climate-friendly practices such as preserving local forests or defending their lands against oil exploitation are ignored. Only big firms can afford to hire carbon accountants, liaise with officials and pay the costs of getting projects registered with the UN. Yet these are often the companies that local people battle hardest against in defence of their livelihoods and health.

The US wrote carbon trading into the Kyoto protocol before abandoning the treaty to its fate. The sclerotic market apparatus that resulted does not serve anyone's best interests. It helps keep an oppressive, fossil-centred industrial model going at a time when society should be abandoning it.

There are better ways of tackling climate change than by privatising the Earth's carbon-cycling capacity. Public investment, shifting subsidies away from fossil fuels and toward renewables, conventional regulation, support for the work of communities already following or pioneering low-carbon ways of life, requiring that businesses pay the costs their competitors incur in developing green technologies – all these are stronger and more direct ways of bringing about the structural change required.

Historians of science tell how scientists who supported the old European astronomical model that placed the Earth at the centre of the universe had to add more and more elaborate, ad hoc refinements or "epicycles" to their calculations in order to account for planetary movements. Carbon trading is like one of those epicycles. It's time it was replaced. ●

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