A Rejoinder to Matthew Paterson and Peter Newell

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I regret that Paterson and Newell have not been able to benefit more from my review essay. While it may be optimistic to assume that the problem is merely the lack of clarity of my writing, let me try to restate, in different terms, some of the difficulties their book runs up against.

As I explained in the essay, *Climate Capitalism* is based on a fundamental error: the assumption that carbon markets help keep fossil fuels in the ground rather than encourage, even accelerate, their continued exploitation. This error — which is shared by a number of other academic and activist observers — invalidates all of the book’s substantive theses. In particular, the error makes nonsense of the claim that carbon markets can ‘enrol powerful factions of capital in a project of decarbonization’. Carbon markets are not about decarbonization; therefore they cannot enrol any faction of capital in decarbonization. On the contrary, in addition to engendering a welter of other disparate effects, they help the most fossil-dependent parts of the industrial structure avoid decarbonization, while interfering with other measures that would foster it.

This error also fatally undermines Paterson and Newell’s claim that carbon markets are capable of mediating a hegemonic ‘coalition’ that could ‘sustain the legitimacy of policies aimed towards . . . “leaving the oil in the soil”’ by bringing together environmentalists and grassroots activists with city traders, financiers, asset managers, carbon project developers, auditors and so on. If carbon markets function in a way that sustains, even deepens, the fossil-fuel economy, then movements working to leave the oil in the soil, as well as others disadvantaged by fossil fuel dependence, are unlikely to be enthusiastic about joining a coalition under their banner.

Following the widespread discrediting of carbon markets over the past decade, why do Paterson and Newell believe that they can aid in decarbonization? A survey of their published writings suggests that they rely principally on the following argument:

(1) Carbon markets are adaptable and flexible; are subject to (indeed constituted by) government regulation; can be, and are being, modified by further regulation; and are able to respond creatively to the criticisms...
of those who point out that they are not reducing (or are helping to augment) the flow of fossil fuels out of the ground.

Therefore,

(2) Someday carbon markets will start helping to reduce the flow of fossil fuels out of the ground.

This argument, however, has a problem: it is invalid. The premise is uncontroversial, but the conclusion does not follow from it. To be rendered valid, the argument would need an intermediate premise to the effect that:

(1.5) The creative changes eventually brought about through re-regulation, responses to critics, and so on, will be sufficient for carbon markets someday to have the effect of reducing the flow of fossil fuels out of the ground.

To establish this premise, Paterson and Newell would need to come to grips with the specific arguments and evidence that have relentlessly accumulated over the past two decades that such changes will be insufficient. For example, they would need not only to explain carbon markets’ failure over many years to make a dent in the rate of emissions increase; they would also need to demonstrate why carbon markets’ transformation of the ‘climate problem’ (in response to the requirements of the commodity form), from a qualitative issue of building political movements to keep fossil fuels in the ground into a quantitative question of molecule prices at the margin, should not be damaging to movements for keeping oil in the soil and coal in the hole. They would need either to take on the body of historical evidence that prices, no matter how high, are by themselves ineffective in incentivizing the required type of structural change; or to show why direct efforts outside the carbon markets to institute that change would not wreak havoc, inside them, with the drive to maintain a carbon price with characteristics acceptable to both industrial and financial capital. They would then need to explain the circumstances under which giving priority to carbon market development over other forms of climate policy would not lead to a crisis of oversupply. (We have seen the price of European Union Allowances slump from €30 to little more than €6 and of Kyoto Protocol offsets from €23 to a bit more than €3 in less than four years — with financial-sector analysts unanimously predicting that prices will remain at a level meaningless for any kind of environmental improvement, to say nothing of efforts to keep fossil fuels in the ground, for the foreseeable future.)

They would also need to take on Margaret Taylor (2012), who notes dryly in a recent study of previous systems of pollution trading that what with ‘downward pressure on allowance prices’ (in keeping with carbon trading’s ‘strength in marshalling market dynamism in the service of emissions
reductions’), ‘commercially-oriented inventive activity declined during trading’. They would need to explain when and how the rent-seeking, cost pass-throughs and permit banking which have massively rewarded fossil fuel intensity throughout the years of the EU ETS’s operation could realistically be halted; under what circumstances squabbling governments beholden to an industrial structure for which fossil fuels are essential to labour productivity and global market construction might become either inclined or equipped to enforce a progressive long-term programme of shrinking global emissions caps; how the contradictions of a unique market structure in which, to quote the words of Deutsche Bank analyst Mark Lewis, ‘demand varies in real time but supply is fixed years in advance’ are likely to be resolved (Environmental Finance, 2012); and why competitive carbon offset producers should not obey capitalist logic in seeking the greatest cost-savings through the mass production of carbon pollution rights by virtually any means possible.

Along the way, they would need to prepare themselves to lock horns on the one hand with eminent carbon market makers such as Harvard’s Robert Stavins (2012) and Barclay Capital’s Trevor Sikorski (Chaffin, 2012), for whom low prices that fail to incentivize decarbonization are not a problem as long as the market lives on,¹ and on the other with prominent figures in finance and industry such as UBS’s Per Lekander, for whom the EU ETS is ‘a joke’, or Johannes Teyssen, chief executive of E.ON, who has pronounced the system ‘dead’. Paterson and Newell would then need to outline a regulatory alternative to the EU’s current embattled proposal to save its carbon market from oblivion (by forcibly reducing the oversupply of pollution rights), which, even if it were adopted, could take eight years to push EUA prices back up to € 19 (Szabo, 2012), still an order of magnitude or more short of a price that could have any serious influence on long-term investment decisions of large industrial corporations. Not least, Paterson and Newell would need to

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1. To judge by two recent documents, not even the World Bank, one of the earliest and most doctrinaire carbon market architects and advocates, is any longer willing to argue that carbon markets have a positive effect on climate change. Its 2012 report, Inclusive Green Growth: Pathways to Sustainable Development, confines itself to suggesting that carbon markets ‘can be used to create a price of carbon for large emitters’ but points out that creation of carbon offsets ‘runs counter to policy goals to ... provide incentives for innovation’ (World Bank, 2012: 48) in achieving reductions in high-emitting countries, and laments the over-allocation and support for carbon-intensive sectors that have been fixtures of all carbon trading schemes to date. A recent paper from the Bank’s Office of the Chief Economist, meanwhile, directly attacks the marginalist logic of carbon markets by noting that it is ‘preferable to start with the implementation of the most expensive options [for climate mitigation] if their potential is high and their inertia significant.... The best way to achieve Europe’s goal of 20 percent reduction in emissions by 2020 is different if this objective is the ultimate objective or if it is only a milestone in a trajectory toward a 75 percent reduction in 2050. The cheapest options may be sufficient to reach the 2020 target but could create a carbon-intensive lock-in and preclude deeper emission reductions by 2050’ (Vogt-Schilb and Hallegatte, 2011).
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outline a new structure for a carbon market that would give the biggest fossil fuel users — electricity generation, steel, chemicals, cement, oil and gas, and so forth — incentives to innovate immediately away from fossil fuels instead of incentives to delay. Should they emerge triumphant from such tests, Paterson and Newell would then need to outline the circumstances under which carbon offset production in the global South would not lead to a deeper entrenchment of fossil fuel use in both North and South, given that offsets both ‘punch holes’ in European emissions caps and provide new revenues for some of the most fossil-intensive industries and trends in countries such as South Africa, China and India (Centre for Civil Society et al., 2012; Ghosh and Sahu, 2011). They would need to refute conclusively the arguments of Kevin Anderson (2012) of the Tyndall Centre for Climate Change Research that offsetting is ‘worse than doing nothing’, almost certainly contributing ‘to a net increase in the absolute rate of global emissions growth’ (emphasis added). They would need to demonstrate how to overcome the multiple incentives that carbon trading provides to restrict or roll back green legislation in order not to interfere with the carbon price. And so on.

Pace Paterson and Newell, there is nothing ‘essentialist’ about insisting that they need to answer such challenges in order to repair the lacuna between (1) and (2) in their argument — any more than there would be anything ‘essentialist’ about noting that the burden of proof rests on anyone who might want to assert (say) that large-scale industrial monoculture plantations could be reformed so that they did not impoverish the soil, deplete biodiversity, damage water supplies, require petrochemical inputs, dispossess peasants, lead to pest infestations and productivity crashes, and so on. No one is going to go medieval if new Galileos burst onto the scene to announce that such breakthroughs are possible. But before making up their minds about the prospect, carbon market opponents will quite reasonably want to hear — and check — the concrete details of what the new Galileos have to say. They will not be satisfied by abstract assurances that since carbon markets have no ‘essence’, unspecified future reforms should someday be capable of reversing all of carbon trading’s structural tendencies toward reinforcing fossil fuel use and that there need never be a point at which one says ‘ya basta!’ This is not because carbon market opponents believe that carbon markets do have an ‘abstract essence’, but precisely because they don’t. It is carbon market adversaries, after all, who were the first to stress the dynamism and bricolaged qualities of these bizarre markets, noting that they have so constantly changed their objectives during their twenty-year life that it is difficult to pin down what they are supposed to be for (Lohmann, 2012). Indeed, opposition to essentialism about carbon markets (or about ‘capitalism’), far from providing a licence to fall back on optimistic, abstract incantations about the infinite ‘flexibility of capitalism’ in resolving environmental crisis, requires a hard-headed coming to terms with the concrete mechanisms and effects that demonstrate their potentialities at any particular historical juncture.
One side benefit of the above exercise in diagnostic logic-chopping is that it may illuminate why Paterson and Newell seem baffled at the observation that they are ‘contemptuous’ of movement adversaries of carbon trading. To writers who take for granted the invalid inference \((1) \rightarrow (2)\), carbon market opponents who reject \((2)\) will also seem to be logically committed to rejecting \((1)\) — in other words, to be making the mistake of assuming that carbon markets ‘exist largely without intervention and oversight’ or that critics are ‘not having any impact’ on them (Newell and Paterson, *Climate Capitalism*, p. 143). Disrespect becomes an inadvertent corollary of a faulty inference. However, this hardly excuses the disrespect; nor does it mitigate its consequences. No one is so stupid as to disbelieve \((1)\), and carbon market opponents rightly resent being told that they are; their rejection of \((2)\) is based not on disbelief in \((1)\), but rather on an understanding that \((2)\) does not follow from \((1)\). Paterson and Newell’s ‘advocacy’ of resistance politics as a contribution to ‘increased regulation’\(^2\) is just another word for disdain and incomprehension — an incomprehension which is also in evidence in the claim that opposition to carbon markets ‘leaves untouched’ the ‘powerful interests’ in contestation of whose actions its strategies are in fact expressly crafted.

Just as concerns about the tendency of carbon markets to hasten the flow of fossil carbon out of the ground — to entrench carbonization — are unlikely to be assuaged by hand-waving about the ‘adaptability of capitalism’, so too doubts about their ability to foster new alliances legitimating effective climate change action are unlikely to be relieved by pointing to, for example, calls from ‘carbon traders and some corporations for tighter limits on CO\(_2\)’ as a sign of a confluence of interests among environmentalists, finance and certain factions of industrial capital. Carbon traders are interested in emissions caps only insofar as they generate the scarcity needed to sustain a market, especially a sizeable derivatives market. (For the same reason, they are also likely to view the pressures for emissions increases that come with economic growth in a favourable light.) Environmentalists, on the other hand, may be interested in emissions caps (if at all) because they believe that they are indicators, accompaniments or drivers of long-term structural change; or because they believe that by participating in cap-and-trade politics, they will improve their chances of getting a job later on with a carbon bank or regulated firm; or for a multitude of other reasons. At the same time, many of them will *not* share carbon traders’ interest in maintaining pressures for economic and emissions growth. The point is not merely that such interests are not the same — as Paterson himself (2012) points out in a useful recent article — or even that they can be deeply opposed to each other. It is also that attempts to build coalitions among such variously interested parties, when followed out long enough, will typically result in sharpened conflicts as well as new compromises.

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2. The impossibility of constructive regulation of certain types of product is explored in, e.g., Lohmann (2009).
According to a linear model of politics, it may seem that building coalitions among institutions and communities that make statements in support of ‘limits on CO₂’ will be a matter simply of each of the various parties giving a little here, taking a little there, until an uneasy but workable collective regime is achieved; just as, according to a linear model of commodification, it will always be possible to create robust ‘ecosystem services’ products no matter what is being commodified, as long as industry, bankers, scientists, engineers, state bureaucracies, consultants, regulators and so forth are willing to try to make judicious compromises with each other. But the world is not so simple. Like sculpting a new commodity out of ‘uncooperative’ materials and agents, forming what Paterson and Newell might call a new climate-friendly ‘hegemony’ is not something that can be performed on paper. Rather, it requires sustained, contradictory interactions in their thousands among disparate and often recalcitrant subjects, not all of which are human, not all of which will remain unmodified by the experience, and not all of which will stay the course if they see that their livelihoods or even survival would be threatened by doing so. Lasting coalitions involving grassroots environmental justice communities, for example, are built far less through setting out ‘positions’ and then negotiating over brief texts, or through gauging the material interests of the different parties in a given interaction and then divvying up the spoils, than through the painstaking building of trust and understanding through a multitude of joint, long-term activities few of which will have to do directly with the matter at hand. Effective coalitions among partners who do not need to trust each other are equally built only through complex, hands-on, unbounded processes. To modify the elegant phrase used by Wittgenstein (1953) (among twentieth century European intellectuals perhaps the most profound critic of essentialism), such coalitions require ‘knowing how the others will go on’ in novel circumstances, a sense of which cannot be derived only from rules, texts or even static assessments of ‘interests’. A character in Quentin Tarentino’s Jackie Brown offers an example of the kind of knowledge that is required: ‘Well, you can’t trust Melanie... but you can always trust Melanie to be Melanie’.

Thus when Kathy McAfee, in a recent issue of this journal, concludes that the experience of ten years of payments for environmental services (PES) ‘illustrates how, in practice, market-efficiency criteria clash directly with poverty-reduction priorities’ (McAfee, 2012: 105), or when asset management company CEO Jack Cogan of Natsource notes that ‘the carbon market is not going to be able to put sustainable development and everything else into one price’ (Lohmann, 2006: 115), they are both, in their different ways, pointing to crippling practical obstacles to a ‘coalition’ between (for example) finance and environmental justice communities — obstacles that are not going to be smoothed away by improved regulation or by pointing out that both sides have been quoted as approving of carbon dioxide reductions. Similarly, when the World Rainforest Movement or contributors to a recent
special issue of *Journal of Peasant Studies* specify how ‘carbon market logics’ are threatening ‘large-scale land grabs in Africa’ (Leach et al., 2012: 285; see also Overbeek, 2012), they are in effect exposing the hollowness of Paterson and Newell’s claim that opening sub-Saharan lands to carbon offset projects is ‘exactly the sort of quality control which is required to manage a global system: making sure that, as far as possible, fair play prevails’ (p. 159 of their book).³ It would be no response to any of these writers to accuse them of being ‘essentialist’ or ‘purist’, of deploying a ‘narrative of heroes and villains’, or of using ‘dubious binaries of “us” and “them”’. All are simply reporting on a real world in the study of which each has paid their dues through the hard graft of experience.

Paterson and Newell need to get over the idea that to call attention to the misconceptions of their book is to cast them — or, for that matter, any other climate activists who at one time or another might have looked hopefully to carbon markets — as ‘villains’ or compradors. Theirs is a failure of analysis, research and political *nous*, not of morality. All the same, ‘wide-eyed innocence’ is probably too charitable an epithet for the writing in *Climate Capitalism*. These days, more than ever, concerned academics need to set higher standards of scholarship for themselves.

REFERENCES


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3. Paterson and Newell claim in their reply that the quoted sentence is not ‘praise’ but merely ‘description’. I leave it to readers to judge which word is more accurate.


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