



Forest fraud:

say **no** to fake
carbon credits



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Ten facts about carbon sinks

- 1. Carbon in trees is not equivalent to carbon in fossil fuels:** Tree-stored carbon is easily released into the atmosphere through fire, natural decay and timber harvesting. Carbon in fossil fuels is locked away and only released through human intervention. Carbon credits that equate the two are based on a false premise.
- 2. One-way road:** Trees provide temporary carbon storage as part of the normal cycle of carbon exchange between forests and the atmosphere. The release of carbon from fossil fuels is permanent and, over relevant timescales, will accelerate climate change by increasing the active carbon pool and destabilising carbon flows.
- 3. Fake credit:** Carbon sink credits in the Kyoto Protocol use *temporary* tree plantations to justify *permanent* releases of fossil-stored carbon into the atmosphere. Carbon sink credits are fake credits for the climate.
- 4. Footprint chaos:** Carbon sink credits increase the ecological debt of the North. The more fossil fuel a Northern country uses, the more land it is entitled to use to 'offset' its emissions. This is unfair and undermines global efforts towards sustainable development.
- 5. Subsidies for mega-plantations:** The Kyoto Protocol stands to provide a new subsidy for the plantations industry. Documented evidence shows how large-scale plantations have negative impacts on forests and forest peoples. Kyoto includes no meaningful safeguards to rule out large-scale monoculture tree plantations from receiving carbon credits.
- 6. Communities suffer twice:** First, climate change affects the livelihoods of forest peoples and rural communities through increased droughts, floods, forest fires and deforestation. Second, carbon sink credits promote the expansion of large-scale tree plantations, which indigenous peoples and forest-dependent communities are opposing in many parts of the world.
- 7. Arming a time bomb:** Avoiding climate change requires drastic reductions of greenhouse gas emissions from fossil fuels, but carbon sink projects do nothing to help solve this problem; in fact they mask the real crisis. This is sentencing future generations to live with fewer choices and worse conditions.
- 8. Forest fraud:** Forests play a vital role in storing carbon and buffering extreme weather events. But linking forest restoration with carbon credits is a dead-end for forest peoples as well as for the climate. Halting the forest crisis requires action against the underlying causes of deforestation, *not* a bigger active carbon pool and more monoculture tree plantations.
- 9. Blind guess:** Measuring carbon pools is fraught with uncertainties. Scientists have found that estimates of the carbon balance in Canadian forests could vary by 1000 per cent if seemingly small factors, such as increased levels of atmospheric CO₂, are taken into account.
- 10. Phony climate fix:** Real and lasting solutions to the forest crisis and the climate crisis lie in providing incentives for forest-dependent communities and indigenous peoples to restore their forests and practice sustainable forest management. Small-scale pilot projects are already showing positive results, while large-scale carbon sink projects are attracting criticism and protest.

“The current state of knowledge regarding carbon sources and sinks cannot determine the levels and flows of carbon with sufficient accuracy to form the basis for the Protocol and any viable trading scheme.”

Sten Nilsson

1. Introduction

Negotiations about carbon sinks in the Kyoto Protocol’s Clean Development Mechanism (CDM) have been a race to the bottom. The debate has moved from at least some governments expressing caution about the inclusion of sinks in the CDM because of a long list of scientific and other uncertainties, through the inclusion of sinks projects despite these uncertainties, it now looks like even the weakest proposals that might have prevented some of the most devastating social and environmental side-effects of carbon sinks projects will be dropped. The ninth Conference of Parties of the United Nations Framework Convention on Climate Change (COP9) will show how low the bar will be set in the end.

While governments haggle over the final details of the rules, the tree plantation industry, aided by multilateral finance institutions, has been quick to grasp the looming opportunity. This report scrutinizes some of the projects and trends that are emerging.

In Brazil, Plantar S.A. has already begun expanding its already vast eucalyptus tree plantations by another 23,000ha. Local peasant communities have been opposed to the expansion of Plantar’s eucalyptus tree plantations for many years. They have witnessed their lands slowly but surely dry up as new plantations encroach, followed by a slow process of seeing their wells drying out and their lands desiccated to a point where they do not support a meagre subsistence livelihood. The environmental impacts of these plantations are readily visible. The local communities and former workers from the company testify that the management of these plantations – including the significant application of herbicides – has been anything but sustainable, and that the expansion will bring continued devastation rather than clean development.

Similar stories about the impacts of industrial monoculture tree plantations on indigenous peoples and rural communities are plentiful and well documented in many different regions. Judging from proposed CDM sinks projects, there is every indication that CDM registration for these projects will replicate these negative social and environmental impacts.

It will be a sad outcome of the sinks negotiations at COP9 if the Clean Development Mechanism provides a new subsidy for the industrial tree plantation industry. Indigenous peoples and rural communities, already struggling against the encroachment of these ‘green deserts’ into their lands, will be hit twice by climate change. They are likely to bear the brunt of the impacts caused by global warming while the CDM also stands to finance environmentally damaging industrial tree plantations they have been trying to halt for decades.

There is still time to change course. CDM carbon sink projects require buyers for the credits they generate. European Union (EU) governments serious about addressing climate change or promoting truly sustainable development must refrain from buying carbon credits originating from sinks projects, especially those from industrial tree plantations in the CDM. Fail to do this, and the Clean Development Mechanism will become a ‘Mechanism for Continued Devastation’.

The International Climate Regime

The first United Nations Summit on Sustainable Development (Rio de Janeiro, 1992), was a milestone in raising environmental awareness worldwide. Despite a lot of disagreement about the links between environment and development, many national leaders did express concern about the way the prevailing development model damaged the environment, and generated or increased poverty.

Among other commitments, a legally binding convention aimed at preventing global climate change was signed at the Summit: the United Nations Framework Convention on Climate Change (UNFCCC). The Convention entered into force on 21 March 1994, with 166 signatory states. The Convention recognizes the accelerated change in the planet's climate over the past 200 years and the serious adverse effects this implies. It also admits that the origin of this change is the increase in concentrations of greenhouse gases in the atmosphere, causing a warming of the Earth's surface and the atmosphere. It also points out that most of these emissions come from industrialized countries.

The ultimate objective of the Convention is to stabilise the concentrations in the atmosphere of greenhouse gases resulting from human activities, below a level that would trigger dangerous climate change.

The third Conference of the Parties to the Climate Change Convention held in Kyoto, Japan adopted on 11 December 1997 the text of the Convention's Protocol. The Kyoto Protocol obliges industrialised countries to reduce their greenhouse gas emissions by an average of 5,2% compared to 1990 between 2008 and 2012, known as the 'first commitment period'. In comparison, the Intergovernmental Panel on Climate Change has stated that emissions will have to be reduced by at least 60% by the end of the 21st century to avoid dangerous climate change. So far, the Kyoto Protocol has been ratified by 62 countries. It will enter into force when it fulfils the dual condition of having been ratified by 55 countries and that among these, there is a sufficient number of industrialized countries responsible for 55% of the 1990 total emission of CO₂, as a minimum. Although the minimum number of signatory countries has already been exceeded, the second prerequisite has not been met, insofar as some countries that are great emitters of CO₂, such as the United States, have not ratified the Protocol.

Given these considerations, the Kyoto Protocol goes only a small way towards halting climate change. However, even this small step has been jeopardized by introducing 'flexible mechanisms' into the Kyoto Protocol. These mechanisms will allow industrialised countries to escape domestic emission reductions. One of these flexible mechanisms is the Clean Development Mechanism (CDM).

The CDM was added at a late stage of the negotiations that culminated in the Kyoto Protocol. It goes back to a Brazilian proposal to create a "Clean Development Fund" as part of the Kyoto Protocol. This proposal was based upon penalizing those industrialised countries not complying with the emission targets set in the Kyoto Protocol. The resources of the fund were to be made available to non-industrialised countries for use in climate change mitigation projects (90%) and projects to help countries fight the consequences of climate change, such as floods, droughts – the so-called adaptation projects. Industrialised countries opposed this idea. The CDM was created as a compromise.

Unlike the fund, the mechanism is not linked to compliance of industrialised countries with their emission targets; rather, it claims to achieve climate change mitigation through a market-based approach: industrialised countries buy carbon credits that allow continued emissions at home in exchange for financing emission abatement projects in countries that are not subject to emission targets. Any project in the CDM therefore increases the overall level of emissions in industrialised countries. This is of particular concern because one of the most dangerous assumptions manifested in the Kyoto Protocol is that reductions of greenhouse gas emissions can be substituted for by planting trees. This assumption justifies the continued and permanent release of fossil carbon in exchange for a very temporary and volatile storage of carbon in trees, from where it will eventually be released into the atmosphere.

2. Complicit in forest fraud: CDM promotes monoculture tree plantations

The CDM can be used as a subsidy for monoculture tree plantations through carbon sinks projects and energy-generating project categories like ‘avoided fuel switching’ (e.g. avoiding a switch from charcoal to fossil fuels like coal) and biomass projects.

The first category, carbon sinks projects, has attracted criticism and attention from scientists, NGOs and civil society – and the rules for these CDM carbon sinks projects are set to be finalised at COP9 in Milan, Italy in December 2003. Meanwhile, the latter two categories have largely escaped NGO and civil society criticism. However, projects like V&M in Minas Gerais, Brazil, are already demonstrating how focussing only on the climate impact of a project without a broader analysis of its social and environmental context means that even without using sinks credits the CDM can become a new subsidy for industrial plantations.

The Plantar project in Minas Gerais, Brazil, intends to make use of both these opportunities the CDM provides for the tree plantations industry: The project is developed under the auspices of the *World Bank Prototype Carbon Fund (PCF)*. It involves planting 23,100 ha of monoculture eucalyptus plantations for the production of charcoal, which will then be used in pig iron production. Plantar argues that without additional income from carbon credits charcoal production would be uneconomical and the company would have to switch to using imported coal. In addition to this ‘avoided fuel-switch’ component, the project also claims credits for the carbon that will be taken up by the new plantations. According to the project documents, the revenue from these carbon sink credits is essential to securing the necessary bank loans to finance replanting.

Plantar is one of the first projects seeking registration under the CDM, and the first ‘sinks’ project to do so. The project has drawn criticism from NGOs both within Brazil and internationally due to its failure to contribute to either sustainable development or the reduction of greenhouse gas emissions, the twin objectives of the CDM. Beset by controversy, the project was recently dubbed a “public relations disaster”, and is now under threat from the Methodologies Panel of the CDM Executive Board who have warned that approval of the ‘avoided fuel switch’ baseline methodology that Plantar uses represents a “moral hazard”.¹ Despite all this, the project is still seeking CDM registration and, surprisingly, retains the support of its supposedly anti-sinks European governmental investors.

CDM credits as a new subsidy for the plantations industry

World Bank support for the Minas Gerais plantation industry predates the PCF and the Plantar project. Between 1987 and 1996 the World Bank provided US\$48.5 million of the US\$100 million Minas Gerais Forestry Development Project, which aimed to increase industrial wood and charcoal production. The fund is still operative and in as late as 2000 provided a small loan to Plantar. Only three years after the formal closure of the Forest Development Project the World Bank established the PCF, the Bank’s vehicle to develop projects under the CDM. Plantar was one of the first projects developed, and the Bank hopes that it will open the door for other pig iron producers in Minas Gerais to make similar use of carbon finance.² Plantar is also one of the largest projects in the PCF portfolio, claiming nearly 13 million credits over 21 years, compared to only 14 million credits being claimed by all 12 renewable energy projects currently listed on the PCF website.

Plantar plantations are neither sustainable nor development

According to the project documentation, “*this project, with 23.100 hectares will produce around 3.802.023 tons of foundry pig iron in 21 years, creating and maintaining around 3.000 jobs.*”³ Many of these jobs are temporary, and charcoal making is considered one of the most hazardous and poorly paid in the region. In addition, thousands of people are landless in Minas Gerais, awaiting allocation of land for subsistence food production, a priority of the current Brazilian government. Expansion of Plantar’s already

vast land holdings in Minas Gerais by an additional 23.00 ha under the PCF project will further increase unequal land distribution.

Unsustainable charcoal supply

Plantar is currently unable to supply the entire charcoal demand from its own plantations. Its operations thus increase pressure on native forests, where due to significant demand from the pig iron industry, harvest is rarely sustainable, and in many cases illegal. Currently, only around 50% of the charcoal comes from Plantar's own plantations; from the total of 50.000 m³ of charcoal needed per month, 3.000 m³ are being purchased from native sources. In the case of Plantar, the sources are said to be documented and legal "and not such as in the case of other representatives in the iron ore sector, where illegal practices are common". However, given that certificates testifying the legality of charcoal from native forests can be easily obtained for a fraction of the value of the charcoal along the main charcoal transport routes in Minas Gerais,⁴ it is doubtful that any company using charcoal from native sources can substantiate such a claim.

Financial sustainability is another issue to consider. Until the mid-1980s, the establishment of plantations in Brazil was subsidized heavily by the state. When subsidies were discontinued, many pig iron producers switched to coal, and those who did not make the switch now argue that they only held onto charcoal because of the prospect of additional carbon credit income. At the same time that companies like Plantar argue in the CDM context that they require additional funding to make plantation maintenance or expansion financially viable, they present themselves as financially sound and well-managed companies in the context of plantation certification by the Forest Stewardship Council (FSC), which stipulates that plantations receiving the certificate are financially viable.

Ecological harm

Although Plantar's plantations are partly FSC certified, there has been widespread criticism about the certification given considerable evidence of environmental damage resulting from the plantation's management. A recent report by the World Rainforest Movement (WRM)⁵ investigating the reality of Plantar's plantation management in Minas Gerais, summarises the overall impact of the company's operations with a quotation from a local woman who said: "*Plantar finished with all we had*". The report further states that "*in the plantations, the only green things were the eucalyptus saplings and trees. The rest was brown, resulting from the widespread application of the herbicide glyphosate [more commonly known by Monsanto's brandname, Round-up]. In many areas, the water had either dried up or had been contaminated, thus depriving local people of fish. Local fauna – which constituted an important element for people's livelihoods – had also disappeared, making a mockery of the 'hunting and fishing prohibited' sign posts put up by the company.*"

Brazilian legislation also requires a minimum 50 meter protection zone in the vicinity of springs. The initial FSC certification found the company in violation with this legislation and issued a request that corrective action be taken to ensure adequate protection of springs and water courses. According to recent FSC reports, Plantar is *now preparing* maps that show the areas to be protected, but in the four years since the first FSC certification report issued this corrective action request, areas around springs were not protected or mapped as having to be protected, resulting in at least one incident where no buffers were left protecting a spring.

No permanent benefit to the climate

One of the greatest weaknesses of all carbon sink projects is that the carbon they store is vulnerable to being re-released through fire, extreme weather events, accidents or illegal logging. Projects like Plantar in which the carbon is stored in trees grown for industrial uses are even more vulnerable, as the trees are grown specifically to be cut down. The Norwegian certifying agency DNV, which was asked to assess the Plantar project against the CDM validation requirements, noted that "*credits only give long-term benefits related to the mitigation of climate change when the CO₂ is removed in perpetuity by the plantations*" [emphasis

added]. Yet Plantar can commit to maintaining its plantations and their carbon stock for only 42 years. The millions of tonnes of CO₂ that will be emitted by industrialised countries as a result of Plantar's credits will certainly remain in the atmosphere for longer than this.

To deal with this lack of permanent storage of carbon in trees, at least cosmetically, COP9 will continue to discuss an accounting scheme that allows carbon sinks to claim "temporary credits" for the carbon they store, for a certain period of time - most likely five years. At the end of say, five years, the credits will have to be replaced or, if the carbon stock is intact, renewed. Yet this scheme has three main shortcomings:

1. It allows permanent emissions reduction commitments by industrialised countries to be postponed until after 2012. The temporary credit will cover the first commitment period, and thus the permanent reduction does not to happen during this time. This will increase emission allowances of any industrialised country using these temporary carbon sink credits.
2. It allows replacement with a new set of temporary credits that are not necessarily from the same area. This would be an ideal set-up for the plantations industry: Temporary carbon credits are claimed until the trees are suitable for harvesting. At this time, the temporary credit is not renewed, the tree is cut, the carbon (at least partially) released, and new temporary credits from another part of the plantations where trees are not yet ready to be harvested, are put on offer. This is free money for the plantations industry, which under such a set up would not have to change management practises one iota to profit from carbon credit sales. Those who lose in such a scenario are the local communities and ultimately, the climate and all those least able to protect themselves from the consequences of a rapidly changing climate.
3. The scheme does not answer the question of what will happen to a company's plantations at the end of the project life (20-40 years typically), and thus what will happen to the carbon they store. The likelihood that these temporary credits will be replaced by truly additional, permanent emissions reductions after this time is, at best, uncertain. The incentive to cheat or manipulate future reduction commitments to compensate for expiring temporary credits will be strong.

In addition to these technical flaws, temporary credits are particularly inappropriate for projects developed under the CDM, a mechanism that has a mandate to promote sustainable development. One of the key concepts of sustainable development is inter-generational equity. Temporary carbon sinks credits directly breach this principle by allowing this generation to park carbon in trees and on paper to meet their reduction commitments, while leaving the responsibility for permanent reductions in greenhouse gas emissions to future generations – generations which are likely to already face far stiffer emission reductions to avert the dangers of climate change.

Dubious baseline

The baseline scenario is meant to represent what would have happened in the absence of a CDM project and the incentive of carbon credits. Plantar claims that in the absence of carbon credits, it would have started using coal for pig iron production. This is a dubious claim and there is strong suspicion that the company was committed to replanting and continuing its tree plantations operations whether they got carbon credits or not. These doubts were only heightened when the similar V&M do Brazil project (also located in Minas Gerais and also a World Bank project)⁶ had its baseline methodology rejected by the CDM Executive Board's Methodologies Panel due to "*doubts as to the appropriateness of the baseline scenario*".⁷ V&M and Plantar use the same methodology for their avoided fuel switch component so this rejection is directly applicable to Plantar's baseline. The assessment of the Methodologies Panel

was that the baseline used outdated data and questionable assumptions which failed to prove that a switch to coal was likely in the absence of carbon credits. Of particular relevance to Plantar, the Panel noted that a large pig iron production facility had recently opened in Brazil, which will use charcoal, yet does not require financial support through the CDM.

A few months later the V&M do Brazil project resubmitted its baseline methodology to the Methodologies Panel for assessment. Yet in November 2003, the Panel wrote to the Board asking for guidance, expressing concern “*related to [the] immaterial nature of the project activity and the moral hazard that is related to the fact that the project activity consists of continuing current practice*” [emphasis added]. As well as casting further doubt on the credibility of Plantar’s almost identical baseline claims, the Methodologies Panel’s criticisms highlight how the Plantar project is inconsistent with the intent of the CDM. The CDM was designed to encourage technology transfer and the adoption of new and cleaner technologies, not provide a top-up for the continuation of decades-old practice – practice which in addition has been opposed by civil society movements in Brazil and internationally for its negative impacts on local communities, indigenous peoples and the environment.

Plantar sinks the World Bank’s sinks rhetoric

The reality of the Plantar project is in sharp contrast to the World Bank’s rhetoric about the social and environmental benefits of sinks projects. The World Bank claims: “*carbon sequestration offers the greatest convergence between the carbon market and sustainable development, and between climate change, adaptation, and poverty reduction*”.⁸ Yet Plantar – the World Bank’s only current sinks project – is promoting unsustainable development that does nothing to combat climate change while exacerbating local environmental problems and the social inequalities, local tensions and access to land problems already existing in the region.

A comparison of the Plantar project with the World Bank’s dedicated sinks fund – the BioCarbon Fund – also illustrates how supposedly high-quality sinks projects are merely ‘greenwash’ and that any significant use of sinks to reduce atmospheric concentrations of carbon dioxide will inevitably involve industrial plantations. The World Bank has been at the forefront of selling carbon sinks and has tried to counter concerns about the carbon market being flooded by plantation-derived credits. PCF Fund Manager Ken Newcombe’s presentation at a Paris workshop in April 2003 specifically addressed the “challenge of selling sinks” and argued that plantations would not be widespread because they would be unable to satisfy additionality requirements – ironic given that the PCF is the only player in the market currently developing a non-additional plantation sink project. Yet the Plantar-BCF comparison is telling: the entire BCF-CDM, Joint Implementation and non-Kyoto projects combined will generate *fewer* credits than Plantar’s plantation component alone.

Moreover, by developing the first plantation sinks project the World Bank is making it easier for similar projects to be developed in the future by showing how it is done. The carbon market is beset by uncertainty at the moment, particularly relating to carbon sinks projects. In this context, the World Bank’s approach of ‘learning by doing’ with regard to carbon finance assumes much of the risk associated with these projects. The boost it provides to plantation companies to use the CDM as a funding mechanism cannot be underestimated. Given that approval of baseline methodologies for CDM projects works on a case-law basis, the importance of the precedent that the World Bank is hoping to establish with Plantar is all the greater. And despite the Banks’ recent assurances that plantation projects would not be commonplace in the CDM, it always saw the Plantar project as a template that would encourage others to be developed. The 2002 Project Appraisal Document for Plantar is explicit: “*The project is expected to prepare the ground for similar projects in the future*”. That is, projects based on industrial plantations whose credit generation would dwarf the carefully packaged PR efforts of the BioCarbon Fund and similar greenwash funds.

Finally, not only is the BioCarbon Fund (BCF) primarily about greenwashing sinks, it appears to have another agenda, which would make the CDM much more “user friendly” for plantation projects.

As well as developing sinks projects eligible under the CDM, the Bank is using the BCF to develop projects that are currently not eligible for CDM credits, like avoided deforestation, a project category that was excluded for the first commitment period during COP7 negotiations. The argument about avoided deforestation generally assumes that such projects would fund primary forest conservation, and the Bank's salespitch for the BCF intentionally gives that impression, referring to projects which involve "the protection of immediately threatened forests". Yet if avoided deforestation is included in the second commitment period, the big winners will be the plantations industry and projects modelled on the Bank's own projects – V&M and Plantar. The Plantar project was originally an avoided deforestation project. Without carbon credits, Plantar argued it would not be able to maintain its current plantations. These plantations would then be abandoned, leading to 'deforestation'. However, when governments excluded avoided deforestation as an eligible project category in the 2001 Marrakech Accords, the Plantar project needed to be modified to use only lands that were cleared before 1990, consistent with the new rules. Whilst Plantar was able to acquire such lands, this exclusion of 'avoided deforestation' will be a problem for many plantation developers, as it will require new land acquisitions rather than reliance on lands already under plantation management. It thus greatly reduces the potential for plantations to generate carbon sink credits in the CDM. As an example, the V&M project was not able to plant on lands which met the new rules and thus was not able to claim credit for the 14 million tonnes of CO₂ that it estimates will be stored in its new plantations – an amount nearly four times what will be generated by the BCF. Despite the rhetoric of "high-quality" community-based sinks projects, the Bank's promotion of 'avoided deforestation projects' will be of benefit primarily to the plantations industry. The nature of Plantar as a prototype is evident from the project documentation and it's replication would be greatly facilitated if 'avoided deforestation projects' were eligible as CDM projects.

Heavy-handed tactics and unacceptable response to criticism

Another reason for concern about the project is the company's response to criticism of its operations. When faced with criticism about its carbon sinks project, Plantar resorted to tactics including the distortion of facts and false allegation of signature falsification to discredit its critics. In a letter to prospective buyers of Plantar's 'carbon' credits, the company claimed that a Brazilian civil society letter dated 26 March 2003, which was critical of the company's envisaged sale of 'carbon' credits, included signatures which had been added to the critical civil society letter without the signatories having been informed. The allegation was then repeated unquestioningly at public conferences in Europe by the Management of the World Bank's Prototype Carbon Fund, under whose auspices Plantar's 'carbon' credits will be sold.

This serious allegation was clearly aimed at tarnishing the reputation of those raising their voices against the company's activities. It was also untrue. A simple comparison of names mentioned in the different letters revealed the falsehood of the company's allegation. While the names appear similar when translated into English, they are clearly different in their original Portuguese, something that Plantar as a Brazilian company should have known. In response, 77 Brazilian groups demanded a written apology and public correction of facts from the PCF Management, which has since posted a note on its website saying that it "*regrets the error*".

Concurrent with these allegations, and as a result of the civil society letter to PCF investors, Plantar began to seek input from the local communities. Plantar organized a social event on 04 April 2003 for local communities in a rural educational centre at which community members were encouraged to sign a motion in support of the company.

Yet the main aim seemed to be the collection of signatures in support of the 'carbon sink' project, without explaining its scope and context. Local groups have also documented evidence that the company intimidated people by warning that if they did not support this project, Plantar would not create any more jobs in the municipality.

More recently, and just after Plantar succeeded in renewing its FSC certification, the company laid off

over 100 workers. In light of this, Plantar's claim of job creation in connection with the proposed CDM project appears less certain than the project documents suggest.

The surprising involvement of European governments

The European Union has consistently been one of the most active opponents of carbon sinks projects in the CDM. The recent decision by the European Commission to exclude carbon sinks projects from Europe's Emissions Trading Scheme (ETS) noted: "*they do not bring technology transfer, they are inherently temporary and reversible, and uncertainty remains about the effects of emission removal by carbon sinks*", a statement which reflects previous positions. Yet surprisingly three of the six governmental investors in the PCF, and thus Plantar, are from EU member states – Sweden, the Netherlands and Finland – and two of the PCF's corporate investors are European state-owned entities: Gaz de France and Belgium's Electrabel. Despite consistent criticism of the Plantar project and the growing evidence of its many flaws, these governments have refused to rule out taking credits from the Plantar project. Despite the EU's historical opposition to sinks in the CDM, the situation may soon arise where the first sinks project to receive approval under the CDM, a project based on industrial monoculture tree plantations, is made possible partly by the investments of European governments and state-owned corporations.

3. Conclusion

Current indications are that the sinks negotiations at COP9 will end with a victory for the plantations industry and a defeat for the climate, and for local communities who are already suffering from industrial tree plantations. Indigenous peoples and rural communities already struggling against the encroachment of these 'green deserts' onto their lands will be hit twice by climate change. They are likely to bear the brunt of the impacts caused by global warming while the CDM also stands to finance environmentally damaging industrial tree plantations they have been struggling to halt for decades.

The acceptance of projects like Plantar into the CDM would see a large number of worthless carbon credits justify additional emissions from fossil fuel burning, thus further undermining the effectiveness of the Kyoto Protocol. It will allow industrialised countries to meet their Kyoto reduction targets using unsustainable industrial monoculture tree plantations and climatically worthless credits from CDM projects, which contribute nothing to technology transfer. This is *not* clean development.

There is still time to change course. In the case of Plantar, governments, the World Bank and PCF investors must drop the project and heed the call of local organisations in Minas Gerais. They are asking for a comprehensive, detailed and independent study, done with local community involvement, to determine which lands should be allocated for land reform, food production and reforestation – all Brazilian federal priorities – instead of using carbon finance to provide new subsidies for an unsustainable tree plantations industry. In addition, CDM plantation projects require buyers for the credits they generate. Governments serious about addressing climate change or promoting truly sustainable development must refrain from buying carbon credits originating from CDM sinks projects, especially those from industrial tree plantations. Fail to do this, and the Clean Development Mechanism will become a 'Mechanism for Continued Devastation'.

Further reading:

Sinks in the Kyoto Protocol: A dirty deal for forests, forest peoples and the climate. The report assesses the potential impacts on forests and forest peoples of granting carbon credits to forest-related projects under the Kyoto Protocol's Clean Development Mechanism. July 2001 www.fern.org, www.sinkswatch.org

Tree Trouble. A compilation of testimonies on the negative impact of large-scale tree plantations prepared for the sixth Conference of the Parties of the Framework Convention on Climate Change by Friends of the Earth International in co-operation with the World Rainforest Movement and FERN. September 2000. www.fern.org, www.wrm.org.uy

Sinks that Stink. Compilation of articles previously published in the WRM Bulletin. www.wrm.org.uy

Taking Credit. Good overview of the science and policy of carbon sinks in this report published by the David Suzuki Foundation. www.davidsuzuki.org

Democracy or Carbocracy? Intellectual corruption and the future of the climate debate. Comprehensive assessment of the scientific, structural and philosophical flaws of a markets-based approach to halting climate change. Special emphasis is given to the issue of carbon sinks. Cornerhouse Briefing. October 2001 www.thecornerhouse.org.uk

The Carbon Shop: Planting new problems. WRM Briefing paper outlining the key concerns with carbon sinks in the context of the Kyoto Protocol. December 2000. www.wrm.org.uy

Certifying the Uncertifiable. The report presents a critical assessment of the FSC certified tree plantations operated by Plantar and V&M Florestal. September 2003. www.wrm.org.uy

CDM Watch report The Plantar CDM project: Why it must be rejected by the CDM Board and PCF investor www.cdmwatch.org

Letters from Brazilian civil society groups to PCF investors: www.sinkswatch.org, www.cdmwatch.org

Letter one urging PCF investors not to accept Plantar credits

Letter two responding to the response from Plantar to the first letter

Letter three demanding an apology from the World Bank PCF for spreading false allegations on signature falsification in the first letter

Letter four responding to the World Bank retracting from own investigation into company intimidation linked to release of the first letter

Articles in WRM Bulletins No. 76, 74, 71, 63 www.wrm.org.uy

Prototype Carbon Fund website www.carbonfinance.org

The Bank in the Forest, World Rainforest Movement www.wrm.org.uy

References

¹ The Methodologies Panel of the CDM's Executive Board was commenting on the similar V&M do Brazil project, also in Minas Gerais, Brazil which uses the same methodology as Plantar. Given that the projects use the same baseline methodology the comment is directly applicable to Plantar.

² Plantar Project Appraisal Document (PAD), April 2002; www.prototypecarbonfund.org

³ Plantar Project Design Document: www.prototypecarbonfund.org

⁴ Information obtained and witnessed during an October 2003 SinksWatch field visit to Minas Gerais, including visits to communities surrounded by Plantar and V&M plantations.

⁵ WRM report 'Certifying the uncertifiable' www.wrm.org.uy

⁶ V&M is being developed by the IFC-Netherlands Carbon Facility.

⁷ Methodologies Panel recommendation to the Executive Board on baseline methodology for the V&M do Brasil Fuel Switch Project.

⁸ "Extending the Carbon Market to the world's poor", Newcombe, K., Paris, May 15, 2003

⁹ http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1077|0|RAPID_&lg=EN&display=



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