

# Green Market Hustlers

M. K. Dorsey | June 19, 2007

On the opening panel of the Arctic Science Summit Week, Jeff Miotke announced, “Climate change policy must be based on *sound silence*.” It was a poignant and telling slip of the tongue. Miotke, the State Department’s deputy assistant secretary of Bureau of Oceans and International Environmental Scientific Affairs, joked that his error might have “just cost me my job.” Then he promptly corrected himself: “sound science not silence.” The audience at the March 2007 meeting, a veritable who’s who of leading polar scientists, burst into laughter.

Miotke’s Freudian slip was bittersweet given the failure of leadership on climate change from Washington in general and the White House in particular. The Bush administration’s legacy of denials has morphed into present-day foot-dragging. In November 2006 the shrill pronouncements of President Bush and his advisors prompted outgoing UN Secretary General Kofi Annan to note that climate skeptics “are out of step, out of arguments, and out of time.”

While scientists agree that climate change is human caused, there is no consensus on the litany of proposals to check this leading and growing threat to humanity. There is, however, a widely held assumption that the market might be able to rescue us from climate catastrophe. Prominent economists like Sir Nicholas Stern and former World Bank chief economist Larry Summers, a growing list of high profile American politicians (including Governors Arnold Schwarzenegger, Bill Richardson, and Eliot Spitzer to name a few), and an Oscar recipient in the person of former Vice President Al Gore are all advocating market approaches.

Most prominent among these market-based strategies is carbon cap-and-trade. The Kyoto Protocol, in particular, endorsed this approach as a necessary tool to help avert climate catastrophe. But neither cap-and-trade nor its other market-based ilk will bring us back from the edge. Indeed, the market approaches and the green business leaders who are promoting them might be pushing us closer to catastrophe.

## Cap-and-Trade

Carbon trading works as follows. A group of countries at the global level or a group of states caps its carbon emissions at a

certain level (“the cap”) and then a government agency issues permits to industries to emit a stated amount of carbon dioxide over a stated period of time. Companies can then trade these credits in a market, or via an exchange, like the Chicago Climate Exchange. Hence the term “cap-and-trade.”

The architects of the Kyoto Protocol were inspired by the trading system sanctioned by the reauthorized 1990 Clean Air Act, which came into effect under President Bush’s father. This program was relatively successful inside the United States. It reduced the amount of sulfur dioxide emissions that cause acid rain. That program succeeded because there were few sources to monitor (about 2,000 smokestacks in the Midwest) and a national legal system by which to enforce the mandated limits. By contrast, there are far too many carbon source points around the world to monitor, and there is no international legal system or global environmental organization to measure, let alone enforce, emissions limits.

On a global scale, carbon trading is little more than an untested economic experiment that may not avert climate catastrophe in time. Moreover, carbon trading aids and abets climate injustice. In the main, trading is designed to parcel, privatize, and sell the right to pollute carbon dioxide into the atmosphere. The very same petroleum, natural gas, and electricity concerns disproportionately responsible for carbon dioxide emissions and climate change—who denied the existence of climate change and are now urging gradual steps to address it—all stand to make windfall profits on untested and perhaps unverifiable cap-and-trade schemes buoyed up by increasingly fraudulent numbers of “offset projects.”



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In April 2007, the *Financial Times* (FT) launched an investigation into carbon trading that uncovered numerous problems with trading and offset schemes. “The rush to go green suggests easy money for investors in projects that reduce carbon dioxide output,” the FT reported. “The reality is otherwise: many carbon projects turn out to be high risk.”

Carbon traders and analysts told the FT that because of project failures and over-optimism, “40-50 per cent of the carbon credits anticipated under the Kyoto protocol will never be delivered.” Worse, as the FT’s environment correspondent Fiona Harvey noted, carbon trading runs “the risk of fraud, such as sale of credits from carbon reduction projects that do not exist. It is often difficult for buyers and brokers to verify the existence and effectiveness of projects as many are in remote areas.”

The *Guardian*, meanwhile, reported in June 2007 “serious irregularities at the heart of the process the world is relying on to control global warming.” It found that the Clean Development Mechanism, designed to “offset greenhouse gases emitted in the developed world by selling carbon credits from elsewhere, has been contaminated by gross incompetence, rule-breaking and possible fraud by companies in the developing world, according to UN paperwork, an unpublished expert report and alarming feedback from projects on the ground.”

According to researcher Larry Lohmann, the market solutions to climate problems “consists of pseudo-scientific justifications which the UN and other institutions have agreed on as a result of political horse trading.” Lohmann is not a lone Cassandra in the policy wilderness. “Carbon trading markets are like triple-witching hour on speed,” said a money-manager panelist at a 2006 Boston meeting co-sponsored by the law firm Goodwin Procter and the pro-trading World Resources Institute. In other words carbon-trading schemes are rife with potential for extreme volatility, gaming and fraud.

In Europe just a month before the money-manager admonished an audience on trading, the only official carbon trading exchange, the three-year-old European Union Greenhouse Gas Emissions Trading Scheme (EU ETS) collapsed. The EU precipitated this collapse with its fox-over-the-hen-house allocation strategy of emission permit. The EU gave out valuable credits, free of charge, based on the self-reporting of the very same firms that were responsible for contributing to climate change in the first place.

Naturally, at the outset, socially responsible firms overstated their emissions and were allocated greater number of credits. After the official accounting of real emissions in April 2006, EU authorities learned that firms had “underpolluted.” Accordingly there was a surplus of carbon credits that, once made public, caused the market to collapse.

## Dressing Up the Market

In mid-November 2006 the largest U.S. environmental pressure group, the Sierra Club, convened a gaggle of carbon trading advocates, including former Vice President Al Gore, now co-partner in the New Generations Investment concern. There were industry leaders, NGO executives, a leading climatologist and IPCC report co-author, and Senator Barbara Boxer (D-CA). The internal Sierra Club blog dubbed the event “A Climate Exchange”: a cute double entendre endorsing the creation of markets in the chief greenhouse gas. According to the blog, the panel’s chief recommendation stressed “the urgency of setting a ‘carbon price’ on greenhouse gas emissions.”

Groups like Environmental Defense (ED) and the Sunoco Oil Company-funded Pew Center on Global Climate Change (PCGCC) are also going to great lengths to play up the viability of the market in general and carbon trading in particular, despite growing evidence to the contrary. This year ED is set to release a report profiling “just projects that work” to “get around those that are questioning trading.” Of its many recommendations, a recent PCGCC report argues that future multilateral dialogues over climate change should include only corporations and governments.

Additionally other powerful actors have taken big positions in the trading game. In 2005, for example, Google co-founder Sergey Brin bought through a third-party offsets equal to eight years’ worth of emissions from specific sources related to Google’s operations. The offsets selected were from the Greenhouse Gas Credit Aggregation Pool assembled by the private brokerage Natsource. While NatSource would not confirm this directly, sources close to the deal put Brin’s purchase at approximately \$100 million — in a pool valued at \$550 million. Such a purchase made Brin one of the largest individual owners of atmospheric carbon dioxide.

Later, in October 2005, Google inaugurated its long-awaited Google Foundation, endowed with 1% of annual profits and 3 million Google shares (worth about \$1.42 billion in

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2007). Larry Brilliant, the Foundation's executive director, told *Wired Magazine* in July 2006 that the new foundation has "three big areas: climate crisis, global public health, and global poverty, not necessarily in that order." With such a huge pot of money available for those "discovering and advancing market-based solutions," Green NGOs are scrambling to get a piece of the action.

## US-CAP

Recently a group of U.S. industry and environmental non-governmental leaders came together under the catchy title of US-CAP or "U.S. Climate Action Partnership." The group links "market leaders" like Alcoa and General Electric with four leading NGOs – ED, WRI, PCGCC, and the Natural Resources Defense Council (NRDC). US-CAP has called for a reduction of atmospheric carbon dioxide to 100-105% of present levels over the next five years and to 90-100% of present levels within ten years. The US-CAP Manifesto thus binds its inaugural members (as well as subsequent followers) to *increase* carbon dioxide in five years and provides them a tacit license to do nothing for five more years after that.

Few news reports covering US-CAP's announcement commented on this presumably minor detail. The CAP "cuts" were announced in time to coincide with the January CEO cafe klatch at the World Economic Forum in Davos and on the eve of the release of latest Intergovernmental Panel on Climate Change (IPCC). Yet some IPCC scientists argue that we may need far more drastic reductions in our emissions of CO<sub>2</sub>— as much 50-80%, in ten years or less—and in other greenhouse gasses to prevent dangerous human-caused interference to the global climate system.

US-CAP underscores the growing convergence between "market leaders," select environmental organizations (upon whose boards some of the "market leaders" sit), leading scientists, and economic mavens. They all rely dangerously on economic models that produce the same bottom line: "We cannot do too much now, it will cost too much." "If we unquestioningly accept the value judgments of anonymous economic modelers hidden in their models, we abdicate our own decision-making responsibilities in a democratic society," says Ruth Greenspan Bell of Resources for the Future. "The models are not capable of capturing the unique and swiftly moving challenge of climate change and its jagged and unpredictable edges."

To overcome the convergence of corporations and market-dazzled environmental NGOs, we need at minimum the vision of former president Kennedy coupled with the wherewithal of earnest, reality-based Rockefeller Republicans of old. Such a configuration is perhaps closer than one might believe. More than 300 mayors across the political spectrum have committed themselves to action (although results from a recent survey by Hunter Lovins and colleagues of a selection of the 300 reveals that they have not the foggiest idea of what they signed on to do). Nevertheless, engaged citizens, critics, and researchers are pushing them to make the signed commitments come to fruition.

Other countries are currently ahead of the United States. In 2006, tiny Sweden committed to completely end its dependency on fossil fuel by 2020. In the United Kingdom, George Monbiot's new book *Heat* spells out how to get the UK to reduce 90% of its emissions by 2030. Such bold moves and proposals hint at the possibility of large nations like the United States can at least marshal the leadership and know-how to cut fossil fuel use by 75% over the same time period. The World Bank spends as much as 20:1 on fossil fuel projects over renewable ones. As the Bank's largest contributor, the United States can take the lead cutting this ratio in half in a decade and reversing it by 2020.

## Climate Justice

Climate injustice is clear. "Greenhouse gangsters are pushing the world to the edge of global ecological havoc," CorpWatch declared in 1999. "They continue to relentlessly destroy the health and well-being of local communities and ecosystems where profits from oil are to be found — be it in the mangrove swamps of the Niger Delta, the far reaches of the Amazon basin, or the fragile environs of the Arctic." In more general terms, climate injustice is the idea that harm from the deleterious effects of climate change and the production and materialist processes associated with it is unevenly distributed and deliberately falls disproportionately on the marginalized and the disadvantaged.

Beyond specific non-market proposals, an increasing polyphony of actors is going further still and demanding climate justice. In March 2004, anticipating the present preponderance of market-only solutions, scholars, scientists, and activists from around the world gathered in Michigan for a three-day conference to develop and advance the

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theoretical notion of climate justice, which CorpWatch, defined in 1999 as:

“...holding fossil fuel corporations accountable for the central role they play in contributing to global warming. This signifies challenging these companies at every level—from the production and marketing of the fossil fuels themselves, to their underhanded political influence, to their PR prowess, to the unjust “solutions” they propose, to the fossil fuel-based globalization they are driving. Climate Justice means stripping transnational corporations of the tremendous power they hold over our lives, and in its place building democracy at the local, national and international levels.”

Groups as diverse as Ecuador’s OilWatch, the U.S. Indigenous Environmental Network, and the South Africa-based Centre on Civil Society are echoing the conference’s Declaration for Climate Justice by arguing that “industrialized country governments and transnational corporations owe the victims of climate change and victims of associated injustices full compensation, restoration, and reparation for the loss of land, livelihoods, and other damages.”

The demand for climate justice is thus a subset of a wider set of discussions and demands for environmental justice. These demands are not just positions against authority. To the contrary, demanding climate justice is an expression of hope — indeed, desire and love — and a demand for objectives rooted in collective decision-making that are well beyond the provisional scope of power as presently con-

ceived. The climate justice movement is therefore one of liberation as well as economic and ideological sovereignty. Prophetically, the struggle for climate justice dares to demand changing the world without reproducing hierarchical state or market power.

Those articulating the demand for climate justice are by no means uniform in belief or message. Yet they represent a coherent if eclectic mix of ways of knowing, bound together by one common belief: that the present market orthodoxies are insufficient to resolve the crisis of climate change, and other paths are both necessary, practical, and possible. To the extent to which the dominant ideological and economic orthodoxies fail to address the crisis, they are increasingly beleaguered and withering. The demand for climate justice at its broadest coincides both pragmatically and inspirationally with playwright and former Czech president Vaclav Havel’s suggestion: “We must not be afraid of dreaming the seemingly impossible if we want the seemingly impossible to become a reality.”

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