

# Carbon Offsets: Closing Pandora's Box

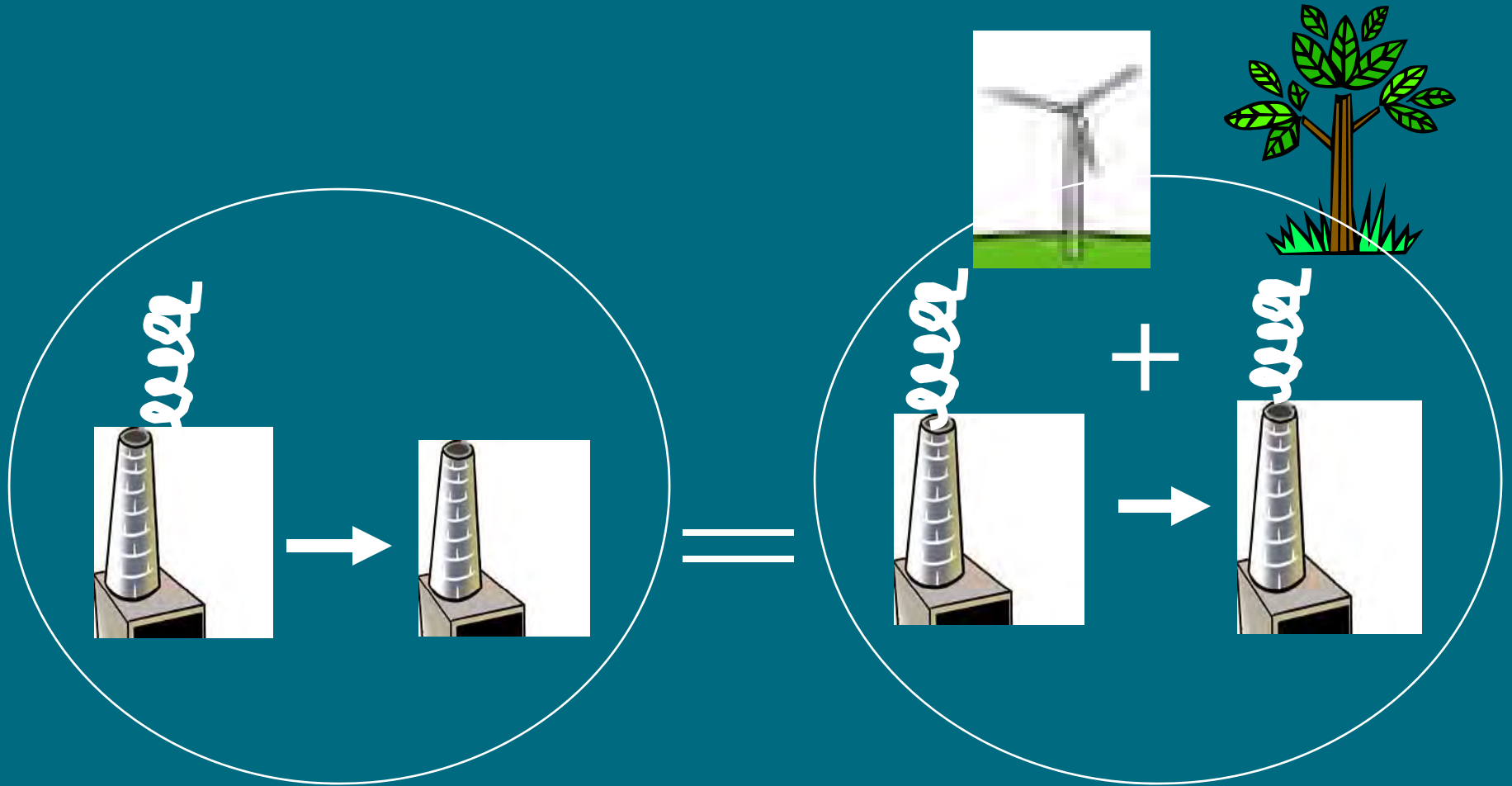
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# Carbon Offset Trading:

## The Hole in the Cap



# Top 10 reasons why cap and trade with offsets won't work:

- 1. Turns polluter pays principle upside down
- 2. Would create largest commodity market the world has ever seen with own momentum despite climate reality
- 3. Doesn't work, doesn't incentivize emissions reductions
- 4. Is a regressive redistribution of property rights
- 5. Impossible to verify
- 6. Dangerous distraction (we need system change, not climate change)

# Cont.: Why Cap, trade, offsets won't work

- 7. Creates false equivalency for GHGs, does not assume exponential feedback loops due to rising temps
- 8. Offsets mean a delay (of 20 years in US case) when action is needed now
- 9. Incentive to deregulate, when strong regulations could achieve more
- 10. Will never provide the \$100 billion/ year needed for adaptation, mitigation

# CDM=Clean Development Mechanism

- CDM=offsets that are traded between countries/regions that are capping their emissions and those that are not (I.e. between Japan and China)
- Original intent of CDM was to finance “clean development” in South
- However, most finance is far from “clean” and has little to do with “development”

# Common problems in CDM

- “It is widely recognized that [the end of pipe solutions that so far constitute the majority of CDM projects] have no development benefits.”  
Holm Olsen, UNEP
- 1/3-2/3 of CDM do not represent emissions cuts:  
Stanford’s Michael Wara, David Victor
- 3/4ths of CDM projects were already financed when given credits: International Rivers

# Examples of CDM carbon offsets

- Ending gas flaring (illegal in many countries)
- Coal ash bricks (coal ash=more radioactive than nuclear waste)
- Large hydro (plenty of \$)
- Nukes (proposed by Japan for CDM)
- Efficient coal (I.e. World Bank coal burners in South Africa, India)



# Carbon offsets /CDM

- Waste to energy as “renewable” energy (incineration, not recycling—destroys jobs, creates toxins)
- Methane capture from waste dumps
- HFC destruction



# Forest/timber offsets



- Monoculture tree plantations (i.e. eucalyptus, palm oil)
- Harvested wood products (US proposal)
- Biomass energy as “renewable” electricity
- Standing forests owned by TNCs (REDD, etc.)



**THIS FOREST  
FOR RENT  
FOR CARBON  
SINK**

**BEWARE OF  
GLOBAL WARMING!**

DO NOT ENTER

DO NOT ENTER

DO NOT ENTER

DO NOT

DO NOT

DO NOT ENTER

DO NOT ENTER

DO NOT ENTER

justice

DK 1676 DH

# Proposed US climate legislation (Waxman-Markey, Kerry-Lieberman)

- 2 billion tons of carbon dioxide offsets per year (US could delay verifiable reductions in GHG emissions below 2005 levels until 2026, below 1990 until at least 2030)
- Up to 1.5 billion tons CO<sub>2</sub> domestic/year
- .5-1 billion CO<sub>2</sub> international/year

# Agricultural Offsets

- Soil carbon sequestration ruled out by CDM Executive Board as qualifying for carbon offsets in 2003
- Yet US climate bills proposed most offsets to come from agriculture
- Agency that was proposed to oversee the “integrity” of U.S. agricultural offsets, including soil-based carbon offsets: US Department of Agriculture
- US Government agency commonly accused of being captive of agribusiness: USDA

# Offsets: Impossible to verify

- “The use of carbon offsets in a cap-and-trade system can undermine the system’s integrity, given that it is not possible to ensure that every credit represents a real, measurable, and long-term reduction in emissions”

---US Government Accountability Office  
[www.gao.gov/products/GAO-08-1048](http://www.gao.gov/products/GAO-08-1048)

# Carbon trading and corruption

- FTC: Investigated carbon credits and concluded that their intangibility means they “have a greater potential for deception.”
- UK carbon trader being prosecuted for illegally “renting” 1/5<sup>th</sup> of Liberia’s forest as carbon offsets, bribing government officials

# Potential for organized crime

- Europol investigating organized crime role in European carbon trade and carousel VAT fraud
- Fraud is costing Europeans \$7 billion in tax revenue
- Interpol believes REDD (UN Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) will attract organized crime in Congo, Indonesia, etc. forest deals

# “Additionality” = hypothetical

- “..Because additionality is based on projections of what would have occurred in the absence of the CDM [Clean Development Mechanism], which are necessarily hypothetical, it is impossible to know with certainty whether any given project is additional...”

--USGAO, 12, GAO-09-456T

# Funny math: Credit for CDM offsets but no debits for “additional” finance

- World Bank and other public finance is inherently “additional” (claims to provide finance that private sector will not) but...
- No carbon debits are doled out for World Bank shareholders investing in, say, a coal burner.
- However, those same shareholders WILL get carbon credits for making that same coal burner more “efficient” at burning coal

# Offsets = “economic efficiency”

- Whole point of cap and trade is to “put a price on carbon”
- Price needs to reach \$50/ton or more to make renewables competitive
- Offsets keep the price low, encourage “nightmare” of non-transformational offsets

# Offsets= Delay

- Offsets allow countries to delay investments in transformational investments
- In U.S., delay > 20 years
- Yet, need to reduce emissions below 350 or 300 ppm asap

# Offsets = deregulation, perverse incentives

- In US, meant US Clean Air Act (CAA) ability to regulate CO<sub>2</sub> as a pollutant was in danger of being eliminated by climate legislation
- Yet studies show CAA would have been *more* effective over 10 years than climate bills proposed.

# Offsets= Land grabs for:

- Biochar—soil carbon
- Forest carbon—violating indigenous peoples rights
- Biofuels—big problem in Africa
- Large dams—displace people who live by rivers

# Tar sands offsets?

- Share of global greenhouse gas emissions that Canada emits: About 2.2%
- Amount Canada's greenhouse gas emissions have increased from 1990-2005: 25%
- Primary source of the increase in emissions: Alberta's tar sands
- Share of Earth's forests found in boreal region: One-third. Future offsets?

# Why the US and Canada would support offsets for tar sands

- Canada could claim emissions reductions, continue to export crude to US
- Tar sands are set to be #1 import source of crude for US
- Tar sands could rise from 9% to 20-36% share of crude imports for US by 2030. (CERA)
- More pressure for “more secure” energy sources like tar sands, shale oil

# US-Canadian offsets

- Western Climate Initiative includes 4 Canadian provinces, Ariz, OR, WA, CA, MT, UT, NM, Quebec, BC, Ontario, Manitoba
- Objective: 15% reduction from 2005 levels by 2020 beginning Jan. 1, 2012 using cap and trade/offsets
- Offsets can provide 49% of compliance obligations under WCI
- CA has AB32= 30% below 1990 by 2020, offsets allowed, ballot initiative (Prop 23) could repeal it pending employment rates >5.5% for CA

# Prop 23 in CA (to suspend AB 32)

- 46 % oppose it
- 35% support it
- Gubernatorial candidate Whitman wants to suspend AB 32 for a year
- If Prop 23 passes, would be “major blow” to US-Canadian carbon offset market, WCI

# US-Canadian offsets (cont)

- Midwestern Greenhouse Gas Reduction Accord=IL, MI, WI, MN, IA, KS, Manitoba
- Goal=20% below 2005 by 2020, 80% by 2050
- Starts Jan. 1, 2012
- Domestic, international offsets allowed

# Alberta

- 1<sup>st</sup> jurisdiction in North America to require GHG emissions reductions from *intensity* baseline of 12% annually from 2007 for large emitters (>100K tons of GHGs/year)
- If no reductions targets met, offsets allowed in Alberta or @ \$15/ton payment into CC and Emissions Mgmt Fund

# Saskatchewan

- 20% reduction by 2020, similar to Alberta
- Baseline? Time frame? What are “major emitters”?
- Offsets, early compliance credits allowed
- Or payment into fund at \$15-20/ton
- Will probably harmonize with Alberta’s

# British Columbia

- Escalating carbon tax
- Carbon neutral public sector operators
- Cap and trade with Western Climate Initiative (includes offsets)

# No Offsets Campaign signatories

- Greenpeace USA, FoE USA, Public Citizen, FCNL, 350.org, Center for Biological Diversity, Corporate Ethics International, United Methodist Women, Rainforest Action Network, IPS/SEEN, Unitarian Universalists, International Rivers, NC WARN, CCAN + 300 groups in USA
- More info at [climateresultcheck.org](http://climateresultcheck.org)

# No Offsets list-serv

- More info:  
[daphne.wysham@gmail.com](mailto:daphne.wysham@gmail.com)
- A Climate Justice Path to a Safe Climate (without offsets) :  
[tinyurl.com/2fjmljn](https://tinyurl.com/2fjmljn)

More info:

[www.millionlettermarch.org/](http://www.millionlettermarch.org/)

[www.storyofcapandtrade.org](http://www.storyofcapandtrade.org)