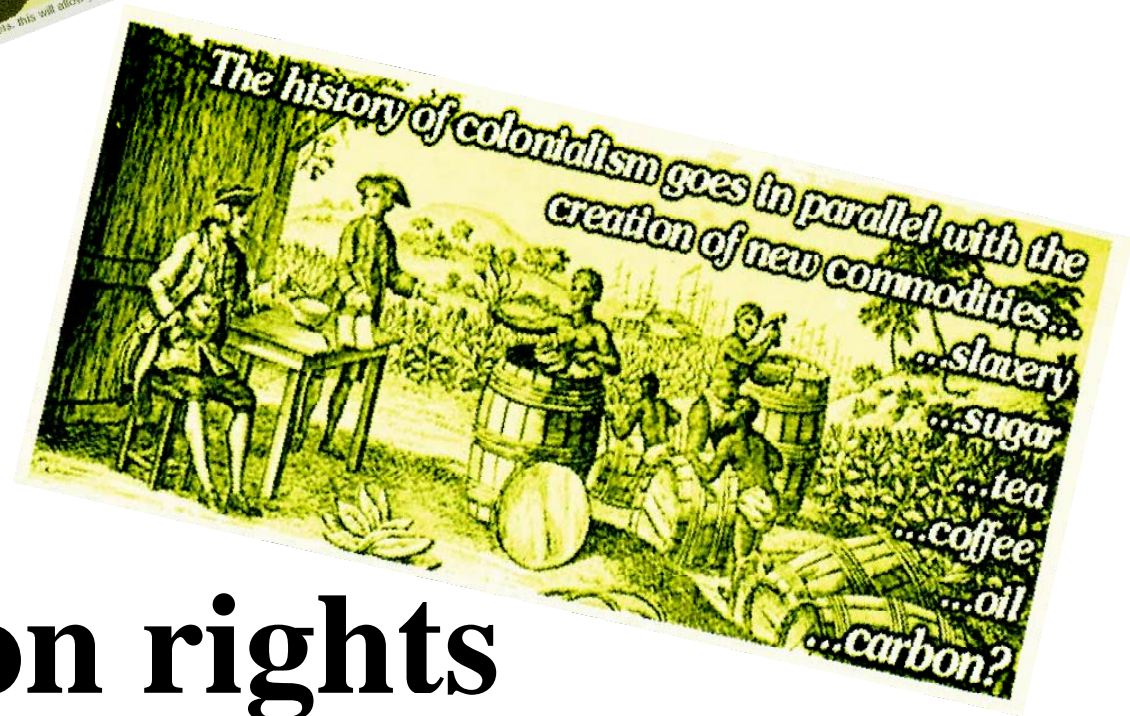


Mercados de Carbono y Amenazas a la Soberanía de los Pueblos

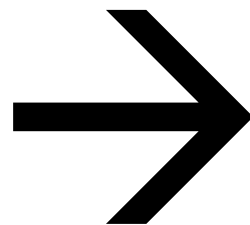
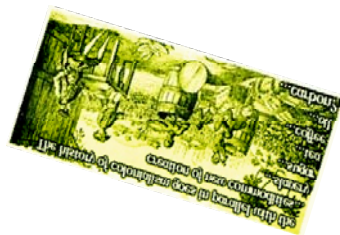
Universidad Politécnica Salesiana

29 Junio 2010

What is Ecuador's
*newest export
product ...?*



... pollution rights



*= Licenses to
pollute* with CO₂



Demand from
industrialized
countries for
pollution
rights grew
until 2008 ...



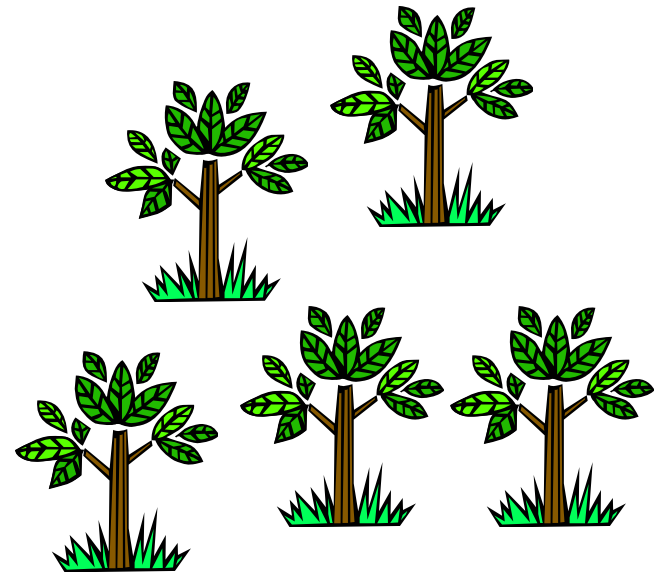
What is this
market *for*?

To help industrialized countries *delay*
or *avoid* action on fossil fuels ...



... by finding many
substitutes for
eliminating fossil fuel
use ... and *trading*
them ...

\$\$



Carbon credits



With carbon markets, “an electric utility burning coal will not have to reduce the emissions at the plant site. It can just keep burning coal.”

*Rick Boucher, US Congressman
and coal advocate, 29 August 2009*



If you say that the “only reason American Electric Power wants to [invest in a forest offset project in Bolivia] is because it doesn't want to shut down its coal plants, my answer is, ‘You bet, because our coal plants serve our customers very cost-effectively.’”

Michael G. Morris
Chief Executive
American Electric Power
15 October 2009



And the pollution rights trade
is also a profit opportunity for
intermediaries
like investment
banks and hedge
funds ...



Percentage of carbon trading
conducted in derivatives (swaps,
options, forwards and futures), first
half of 2008 ...

... 99%

Biggest buyers of carbon credits ...

... Wall Street and the
City of London

E.g., who's buying from Ecuador?

Cantor Fitzgerald
Europe (UK) 

JP Morgan (US) 

EcoSecurities
(Switzerland) 

Noble Carbon (UK) 

CAF (Netherlands)

Union Fenosa (Spain)

VROM (Netherlands)

Citigroup (UK) 

MGM Carbon

Portfolio (UK) 

BGC International
Energy Changes
(Austria)

DEUMAN (Spain)

Gasgreen Group
(Italy)

RWE (Germany)

Who's selling from Ecuador?

Businesses selling pollution rights to Europe



Poza Honda and La Esperanza Small Hydroelectric Projects

ANGAMARCA Hydroelectric Project

Abanico Hydroelectric Project

Sibimbe Hydroelectric Project (NM54)

San Carlos Bagasse Cogeneration Project

Pronaca: Afortunados Swine Waste Management

Pronaca: Tropicales-Plata Swine Waste Management

Pronaca: Valentinosa-San Javier Swine Waste Management

Calope Hydroelectric Project

Perlabi Hydroelectric Project (PHP)

Zámbiza Landfill Gas Project

San Jose de Minas Hydroelectric Project

Codana Biogas Project

IANCEM Cogeneration Project

Chorrillos Hydroelectric Project

Ecoelectric-Valdez bagasse cogeneration plant

Multipurpose Baba Hydroelectric Project

Massive introduction of Compact Fluorescent Lamps to households

HIDROCAROLINA HYDROELECTRIC POWER PLANT

Paute - Sopladora Hydroelectric Project

Landfill biogas extraction and combustion plant in El Inga I and II landfill

TRANSITO HYDROELECTRIC PROJECT

BRT Metrobus-Q

e7 Galapagos / San Cristobal Wind Power Project

San José del Tambo Hydroelectric Project

Apaqui run-of-river hydroelectric project

Ecoelectric-Valdez bagasse cogeneration plant

This should **not** be a **surprise**. The inventors and backers of the carbon market include...



... traders and economists who also helped create the financial games responsible for the financial crash ...



Richard Sandor

Climate Exchange
PLC
(CLE)

European Climate
Exchange (ECX)

Chicago Climate
Exchange (CCX)

Chicago Climate
Futures Exchange
(CCFE)



Patrick Birley

Richard Sandor, Chicago trader

Interest rate derivatives (1970s)



Pollution markets (1980s)



Carbon markets (1990s)





Sandor worked in financial derivatives in the 1980s at junk bond trader Drexel Burnham Lambert ... He is currently Chair, Climate Exchange plc (owner of European Climate Exchange, Chicago Climate Exchange and Chicago Climate Futures Exchange). Salary: \$1 million, with \$40 million in shares. Climate Exchange plc, registered in a tax haven, pays no tax.



Patrick Birley
Chief Executive
European Climate Exchange
Former metals exchange and
derivatives exchange executive



“Carbon-related products are probably the most profitable part of trading for any of the investment banks right now, because the margins are so good.”

Patrick Birley



Part of what makes the profits potentially so high are the price swings. [Because the carbon price is volatile,] utilities need the banks to help shoulder some of the risk associated with trading and provide liquidity.

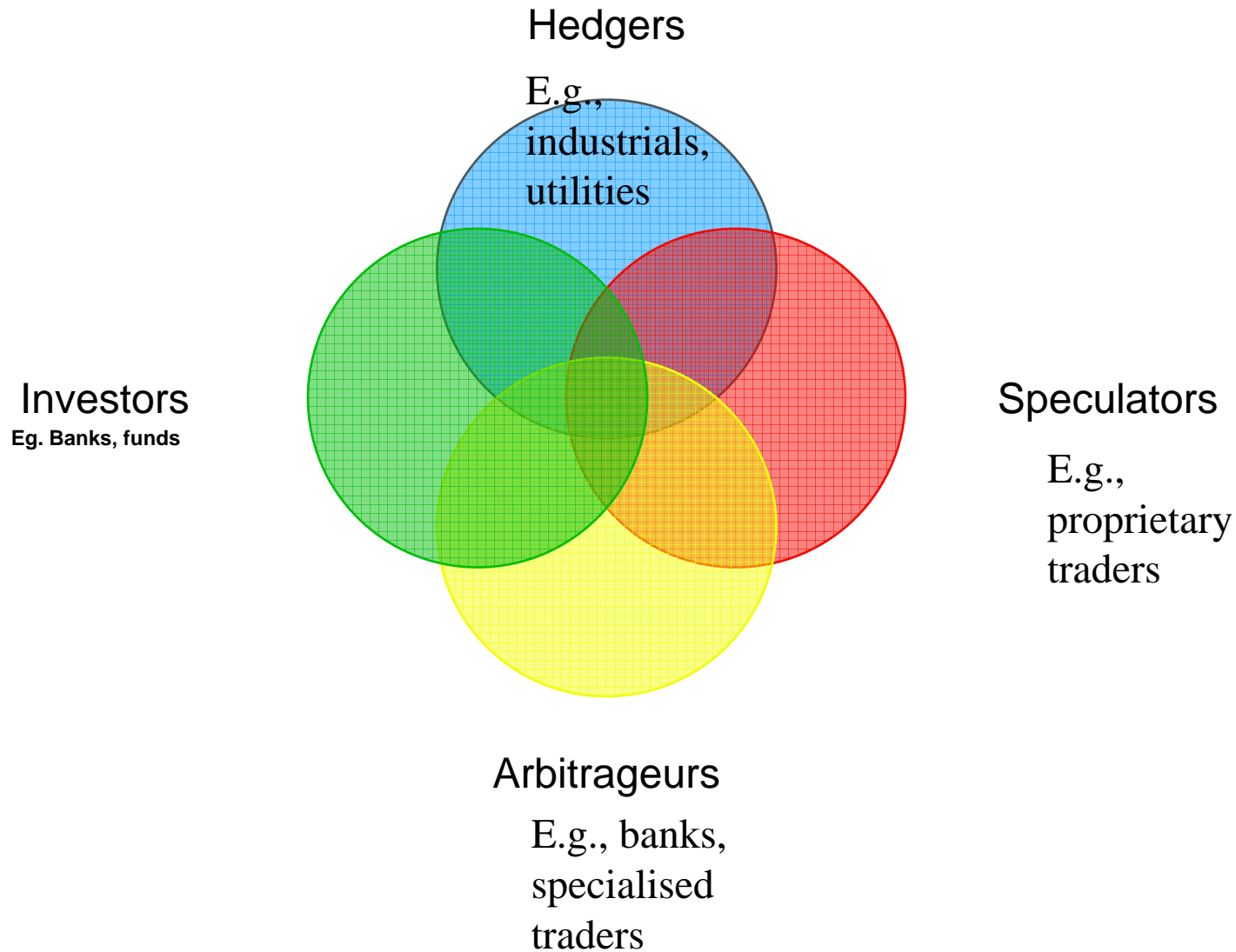
Daily Telegraph (London)
29 November 2009

Carbon trading “**doesn’t reduce a single tonne of carbon going into the atmosphere. It’s got nothing to do with it.**” It’s all about the cap [government controls on emissions]. The cap is the mechanism that produces a declining amount of carbon over the long term going into the atmosphere.”



Patrick Birley
Chief Executive
European Climate Exchange
Former metals exchange and
derivatives exchange executive

Who is the Market?



“The input is cash from us to plant the forests and the output is carbon credits from the trees, which we can then trade. **It involves a lot of land.** I’m doing it to make money ... The numbers are colossal.”

Vincent
Tchenguiz.
real estate and
carbon offsets
tycoon





“Tchenguiz’s toybox includes a 130-foot Mangusta motor yacht that cost €15m, five Rolls-Royces, two Bentleys, an Aston Martin, a purple Lamborghini and six four-wheel drive vehicles.”

Daily Telegraph (London)

Al Gore

Helped transform the Kyoto Protocol into a set of market mechanisms.

Benefits from the carbon market he helped create through his interests in Generation Investment Management, the largest shareholder in CAMCO, owner of one of the world's largest carbon credit portfolios.

Also backs REDD.



Christiana Figueres

Executive Secretary, UNFCCC

Senior adviser to C-Quest
Capital (private carbon
finance company focusing on
CDM investments)

Principal climate change
advisor, Endesa
Latinoamerica, the largest
private utility in Latin
America.

Vice chair, rating
committee, Carbon Rating
Agency, a private firm
applying credit rating
expertise to carbon assets.



*... but what does this market
mean for ordinary people?*



... for food security?

... for land?

... for a secure future?

Evo Morales
7 Mayo 2010



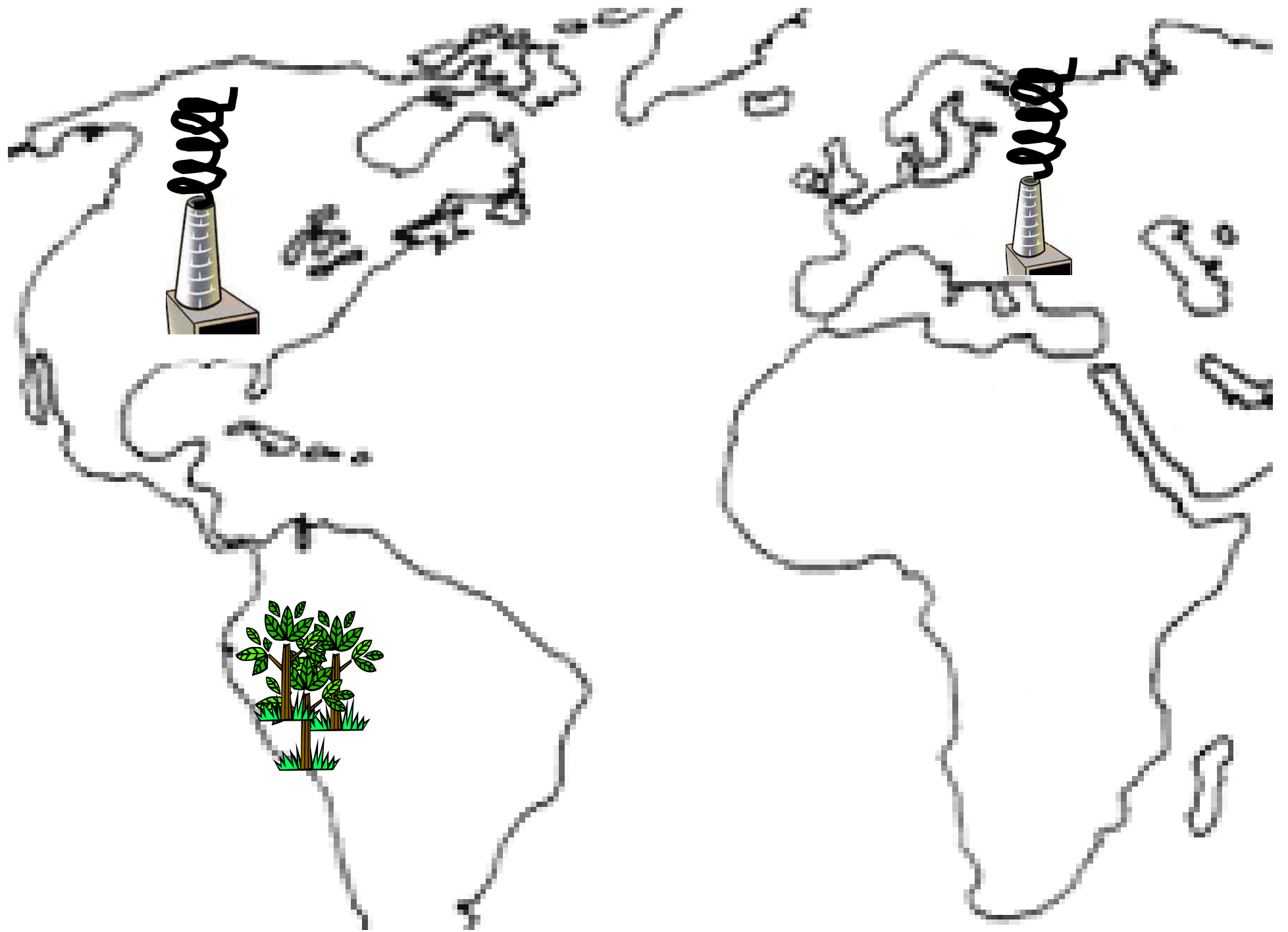
“El mercado de carbono se ha transformado en un negocio lucrativo que mercantiliza la naturaleza, favorece a solo algunos agentes intermediarios, y no contribuye significativamente a la reducción de gases de efecto invernadero ... En esa medida, la Conferencia [Cochabamba] considero inadmisibile que en las negociaciones en curso se pretenda crear nuevos mecanismos que amplíen y promuevan el mercado de carbono ...”

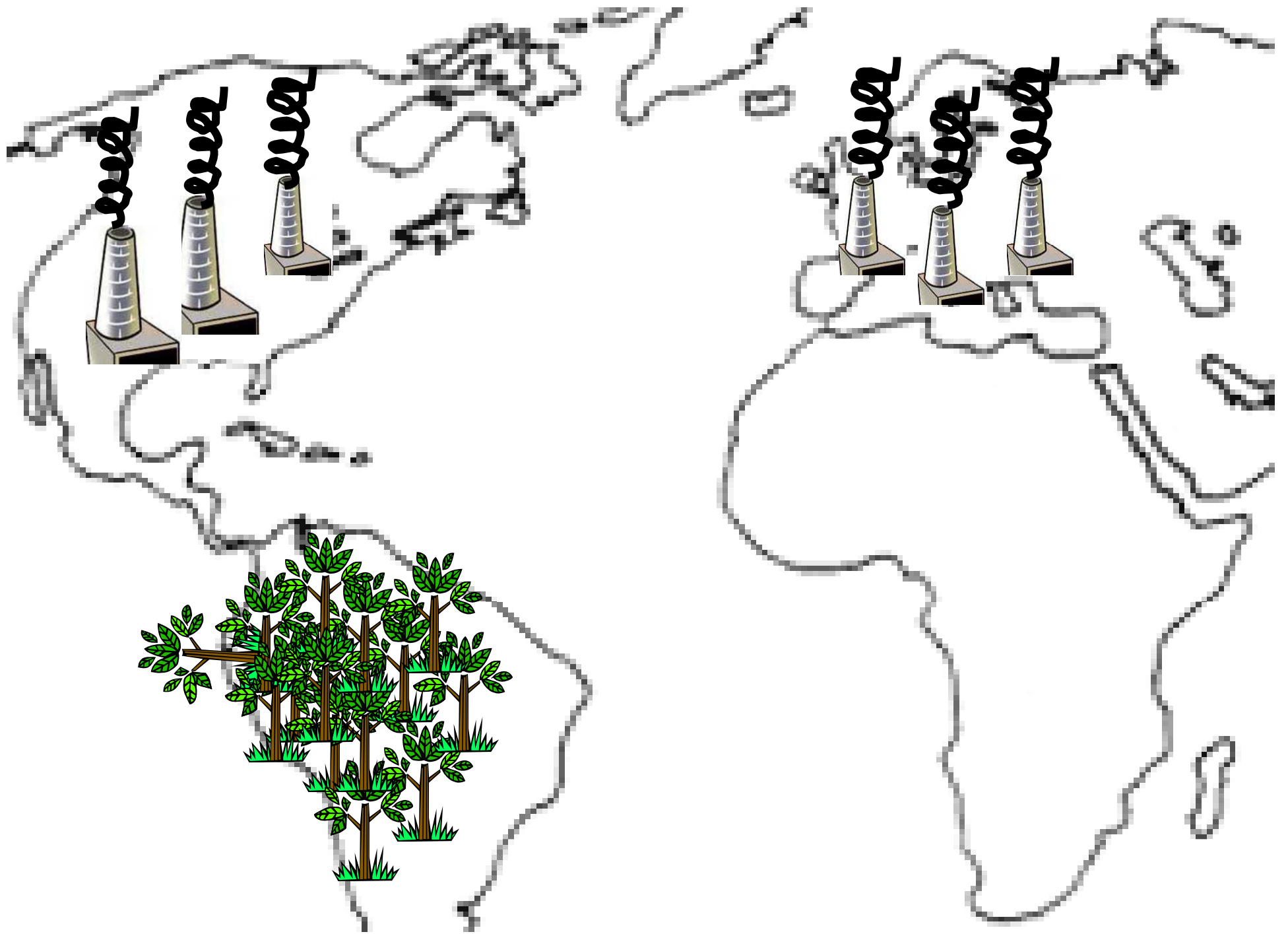
FOOD

If carbon derivatives are included in **commodity index funds**, they could become the dominant commodity there, influencing agricultural commodity prices, endangering food security.

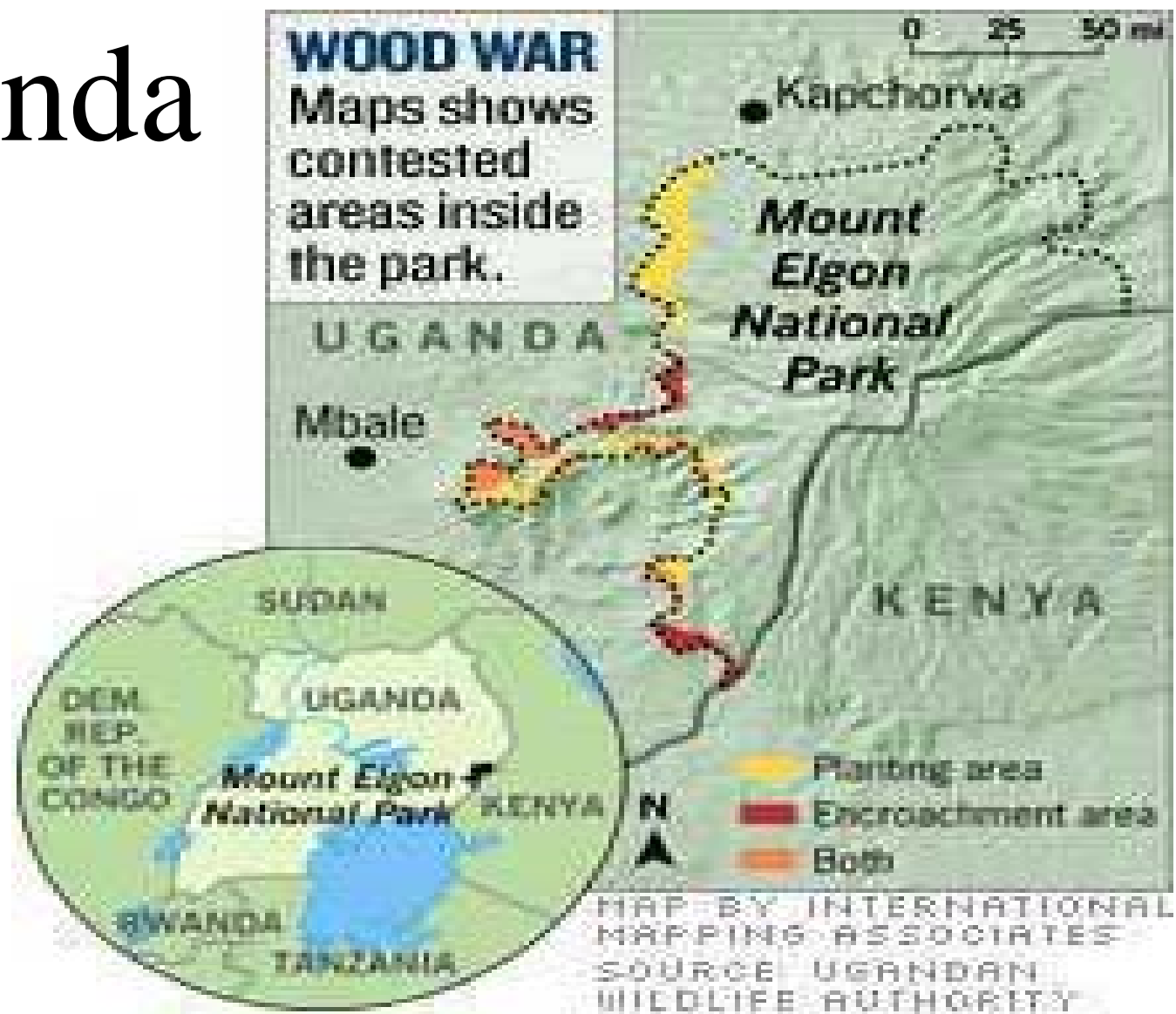


LAND





Uganda





In 1993 the Ugandan government declared Mount Elgon a national park and forcibly evicted indigenous people. In 2002, rangers evicted another 300 families. The Benet people are suing for the return of their land.





Villagers stand amid corn planted on what the government says is national park, but which they claim has belonged to them for generations. To plant the corn, the villagers chopped down trees planted by the Dutch FACE Foundation as part of a carbon trading project.



A tree planted by the FACE Foundation. The land behind it up to the tree line recently held planted trees, but has been cleared for planting by villagers who say the land belongs to them.



Ezera Wandeka, 72, was one of the richest farmers in one village on the border of Mount Elgon National Park until his fields were declared to be illegally inside the park, and he was evicted.



Wandeka kept the title to his land after rangers set fire to his home and evicted him and other farmers.

*What people in the Uganda
forest department said*

“We just have to admit that we know nothing about the trade in CO₂, neither how it will function nor how much the foreign investor will profit from it.”

A SECURE FUTURE



“Basta de vender la dignidad.
[Basta de vender]
creditos de carbono.”

“Donde los países desarrollados
emiten gases, es ALLI donde
deben reducirlos!”

“Actuen con justicia!”





“Thai farmers are the people suffering the effects of global warming, not the ones causing it.”





“People who live with the forests don’t want REDD.”



“We conserve forests because forests are life, not a commodity.”







CARBON
Markets:

THE CONVENIENT

LIE



Global Forest
Coalition

www.globalforestcoalition.org



*London,
2009*





Police crackdown on demonstrators occupying the European Climate Exchange in the London financial district.

Climate justice activists protesting carbon trading legislation in front of the Chicago Climate Exchange in the US.



FREE BOOKS (contact: larrylohmann@gn.apc.org)

El Mercado de Emisiones: Cómo funciona y por qué fracasa

http://www.carbontradewatch.org/downloads/publications/mercado_de_emisiones.pdf

Falsas Soluciones al Cambio Climático: Una guía para los pueblos indígenas

http://www.earthpeoples.org/CAMBIO_CLIMATICO/Guia_Pueblos_Indigenas-ESPANOL.pdf

Upsetting the Offset: The political economy of carbon markets

<http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/UpsettingtheOffset.pdf>

Carbon Trading: A critical conversation on climate change, privatization and power

<http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/carbonDDlow.pdf>

Trouble in the Air: Global warming and the privatized atmosphere

<http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/trouble.pdf>

A Dangerous Obsession: The evidence against carbon trading

http://www.foe.co.uk/resource/reports/dangerous_obsession.pdf

A Dangerous Distraction: Why offsetting is failing the climate and people – the evidence

http://www.foe.co.uk/resource/briefing_notes/dangerous_distraction.pdf

The Carbon Neutral Myth: Offset indulgences for your climate sins

<http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/CarbonNeutralMyth.pdf>

When Markets are Poison: Learning about climate policy from the financial crisis

<http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/40poisonmarkets.pdf>

Mausam: Indian climate change magazine

http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/Mausam_July-Sept2008.pdf

<http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/Mausam2-5.pdf>

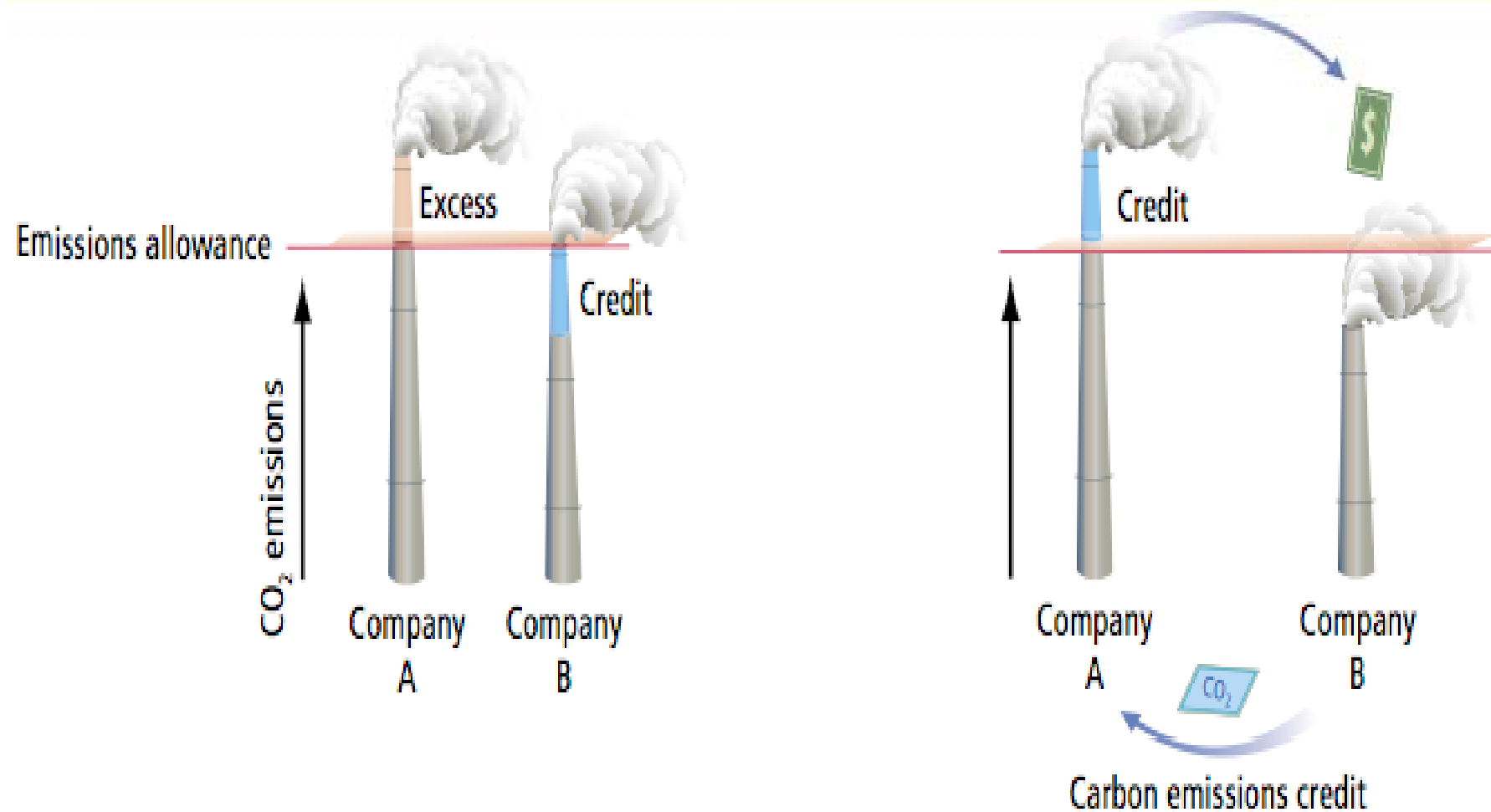
10 Ways to Game the Carbon Markets

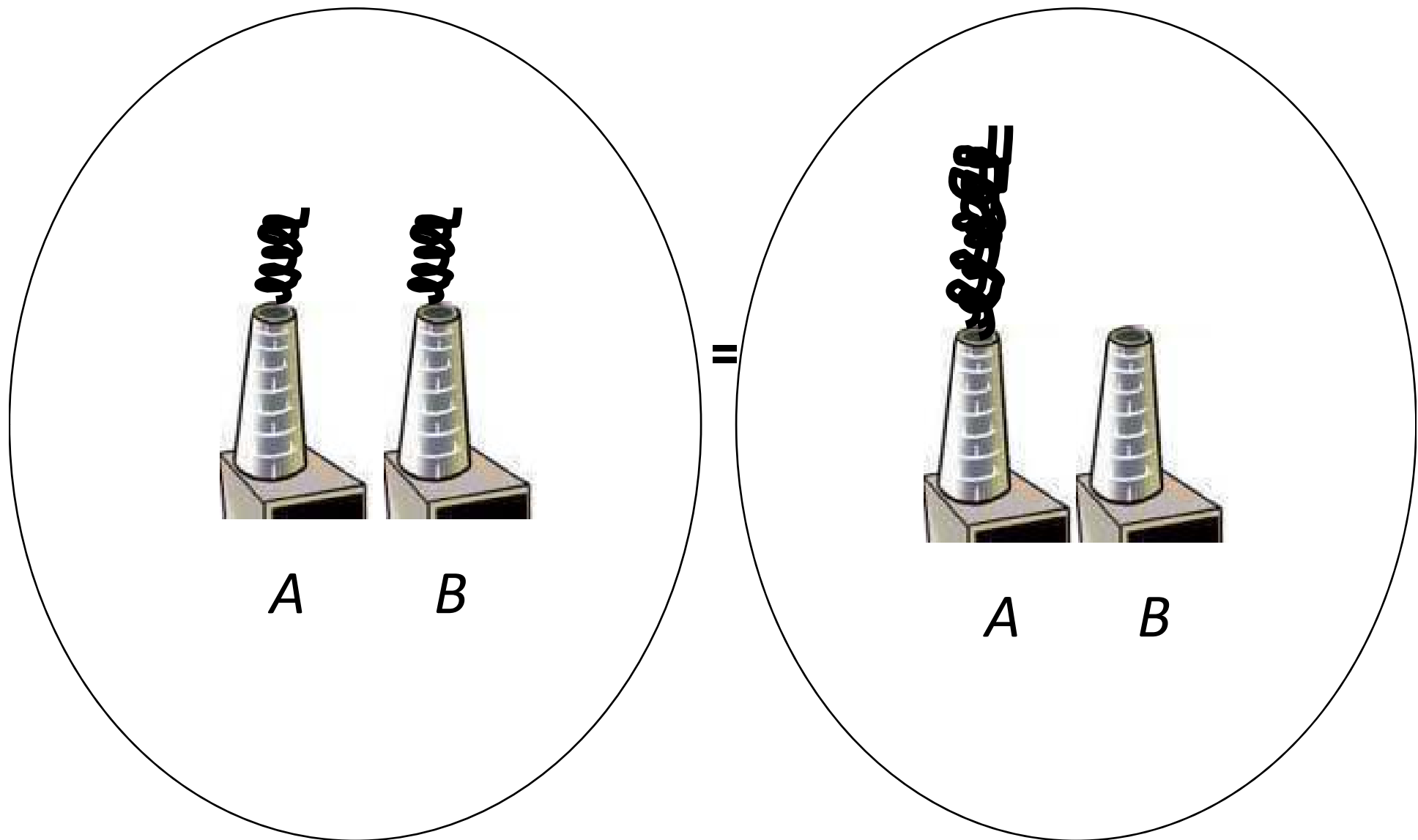
http://www.foe.org/sites/default/files/10WaystoGametheCarbonMarkets_Web.pdf

Subprime Carbon: Rethinking the world's largest new derivatives market

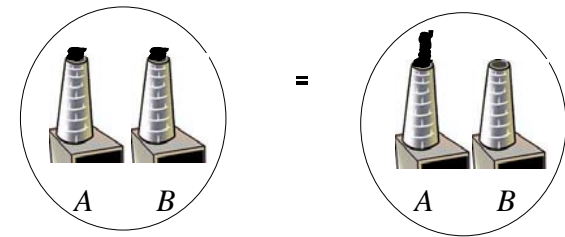
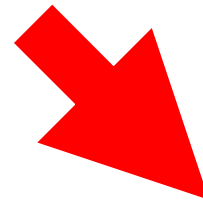
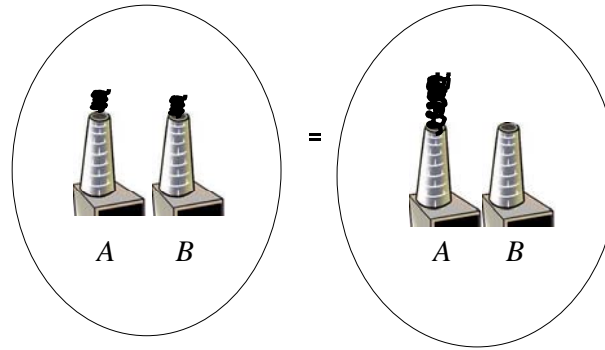
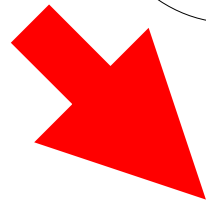
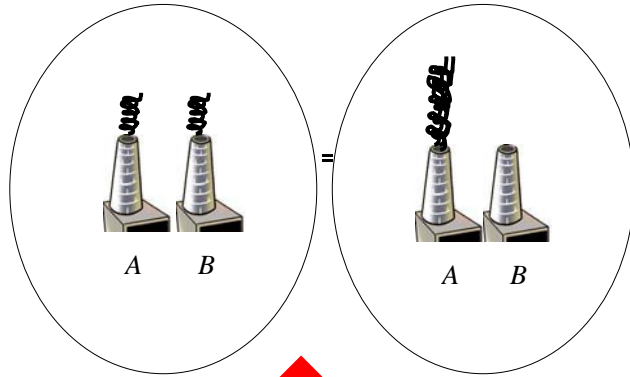
<http://www.foe.org/pdf/SubprimeCarbonReport.pdf>

CAP AND TRADE

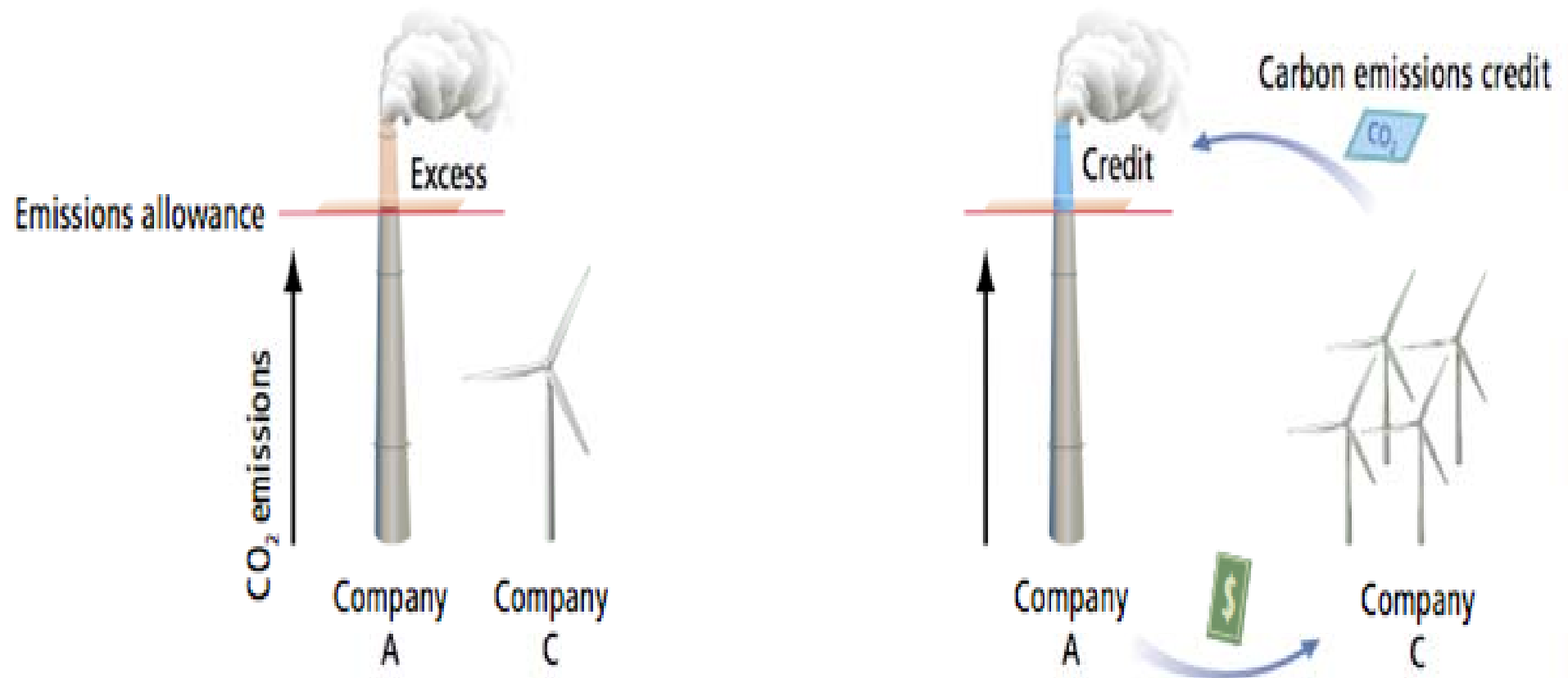




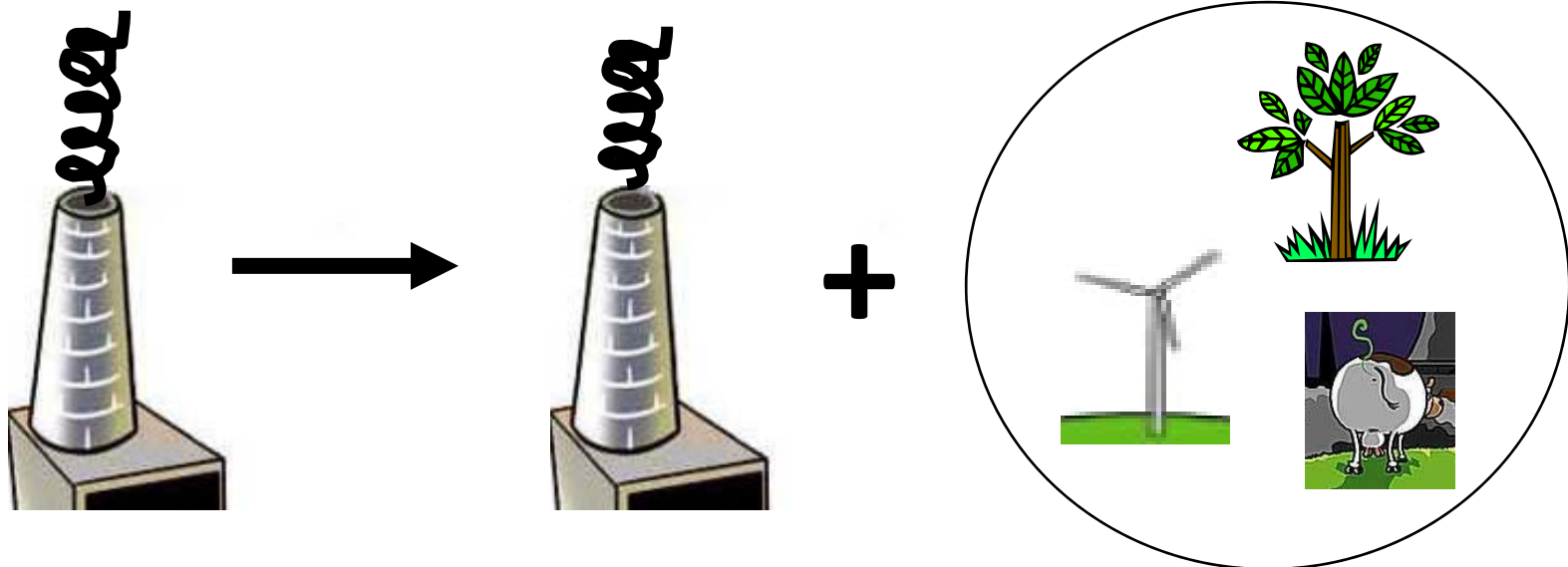
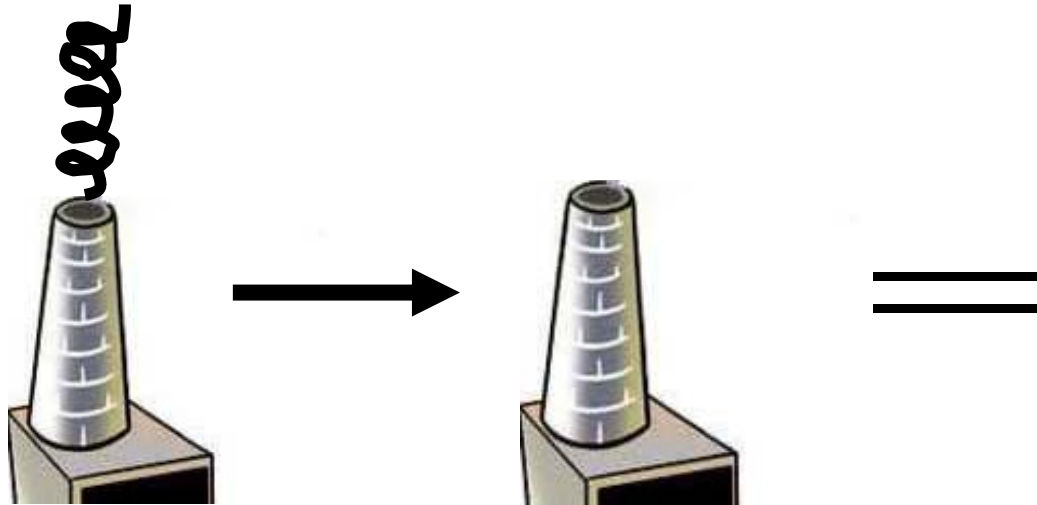
The “equivalence” that cap and trade needs in order to work ...



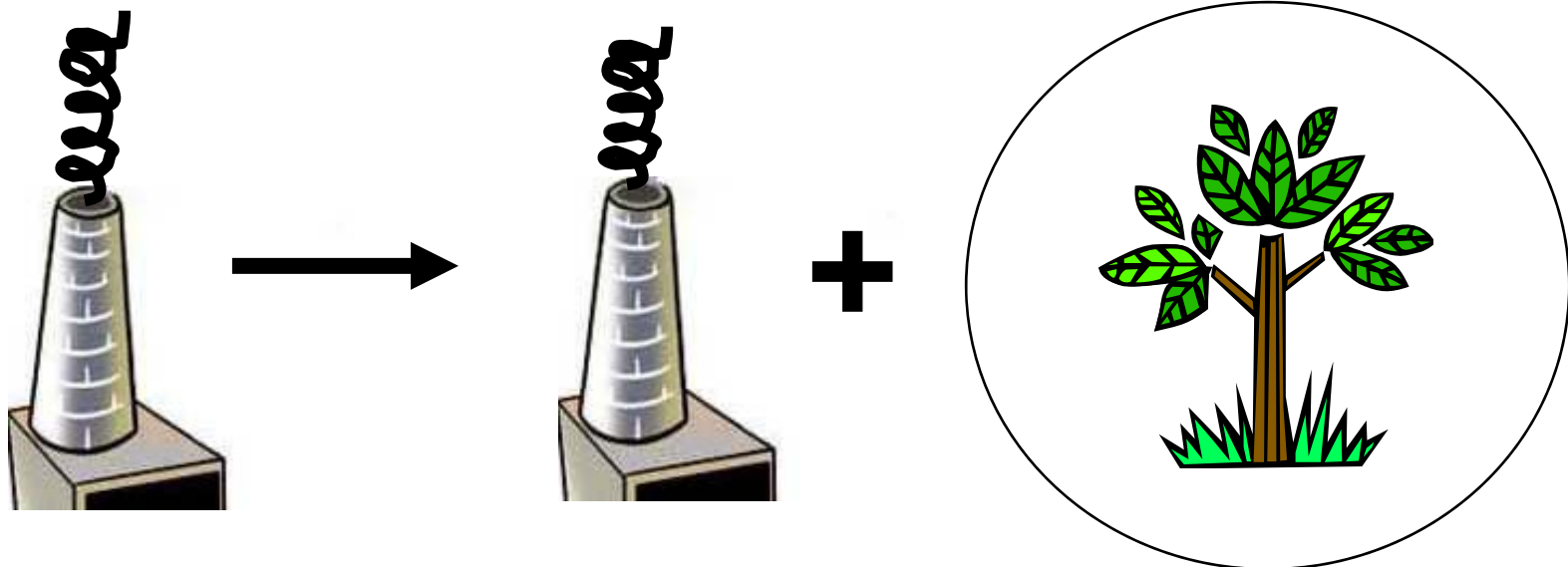
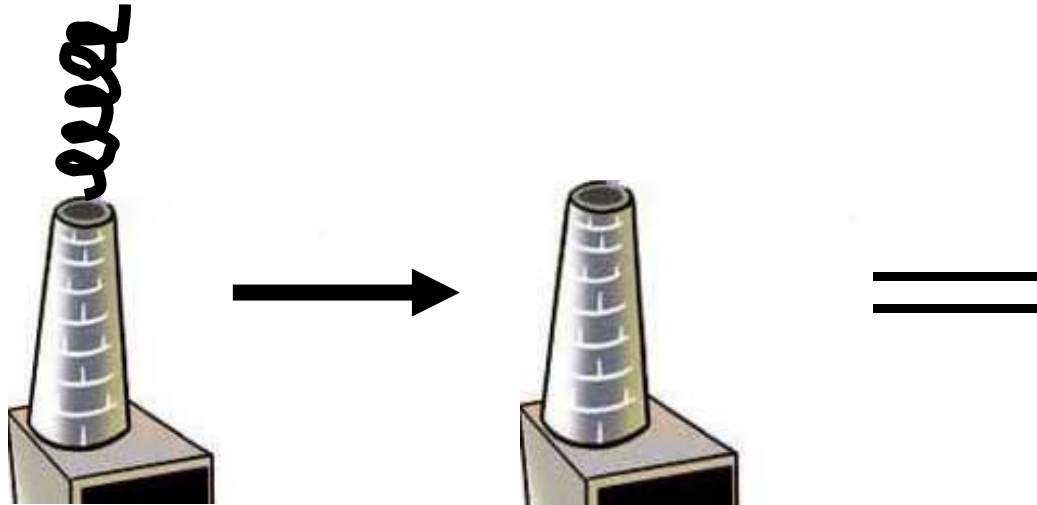
CARBON OFFSETS



The “equivalence” that offsets need in order to work.



biotic carbon = fossil carbon



2009: Thailand's National Parks Department (Ministry of Natural Resources and Environment) brings civil suit against 15 rural villagers from the Banthat Mountain area of Southern Thailand demanding damages for forest encroachment.



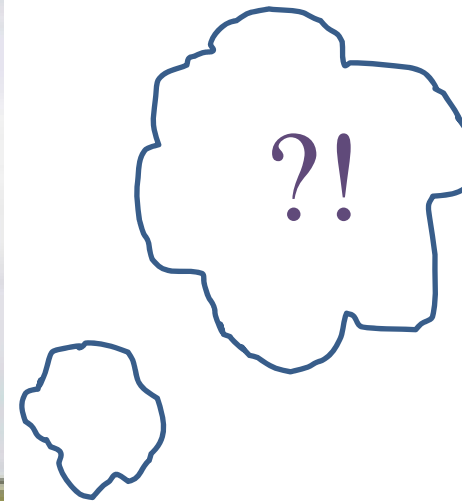
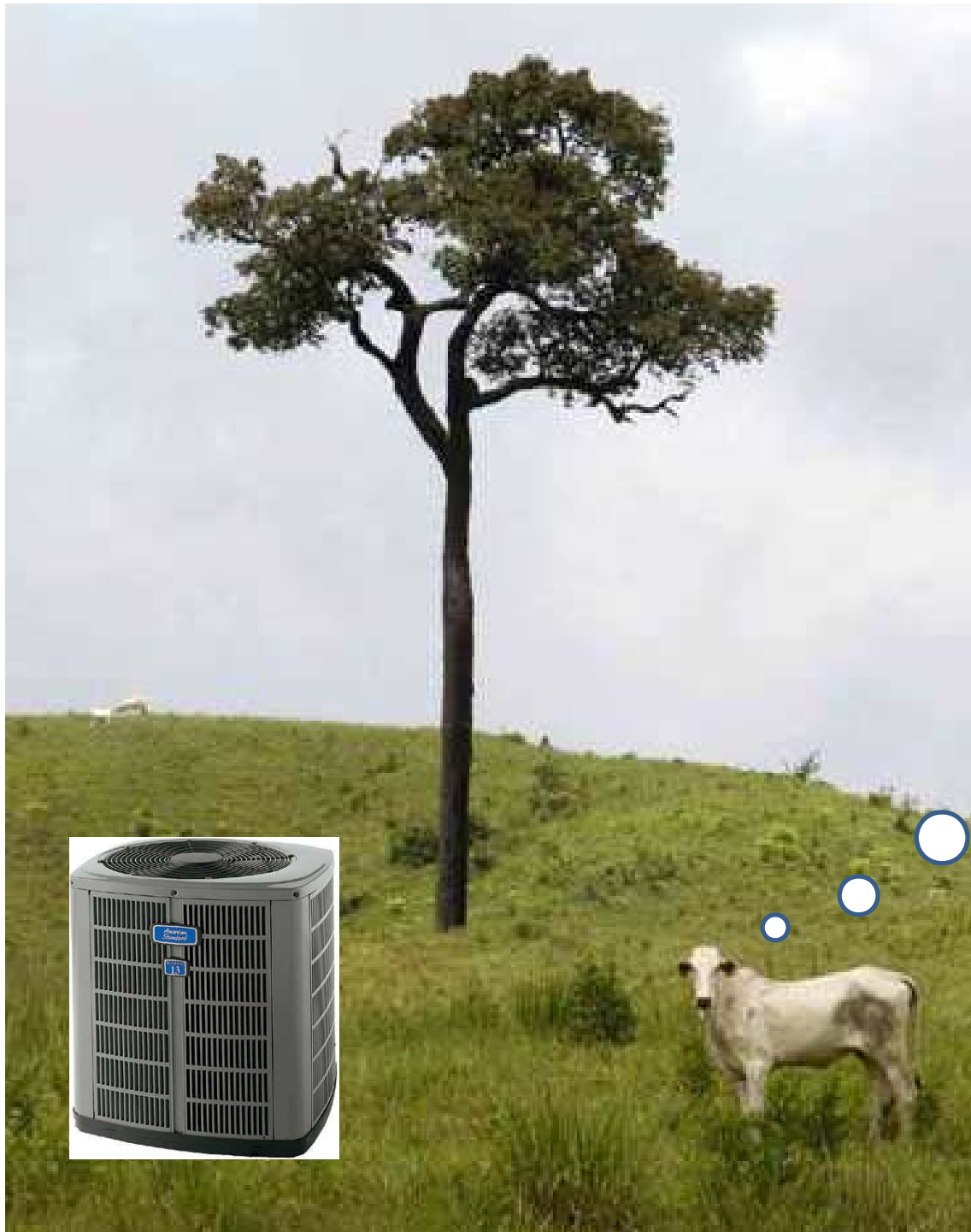
A Parks Department “special expert”, Dr. Pongsak Wittawatchutikul, supplies the court with a formula for the “global warming damages” of forest encroachment based on “cost replacement” and other neoclassical pricing methods.



Dr. Pongsak calculates the damages for making the earth warmer due to each encroached hectare of forest to be US\$8,608 per year.

The method is “not difficult,” Dr. Pongsak explains. It involves calculating how much electricity would be required to run a large air conditioner to cool down a deforested area until its temperature was equal to that of an equivalent forested area.





The court finds against the defendants, imposing fines of more than US\$600,000 against seven villagers, plus interest of 7.5% per year. Dr. Pongsak's economic calculations are praised by the judge, who states that without such expertise, cases of this kind could not be decided, nor proper fines imposed.





Tin Noorueang:
fined \$155,000

Sert Thaenmaak:
fined \$57,120



Wiroj Sawaangrat:
fined \$134,230

Wing Phetyoy:
fined \$77,000



Prathum Phetsutti:
fined \$7,740



“I have to pay **\$50,000** because I cut rubber trees on my own farmland that has come down to me from my ancestors over 200 years ago. I well understand the value of forests but this is not forested land. Where am I going to get that kind of money? I’ve never even got my hands around as much as \$300. Every day we keep coming back to the idea of killing ourselves. It’s only out of concern for our children and grandchildren that we don’t.”

Kamjaai Chaithong,

Khao Puu – Khao Yaa National Park,
Phattalung province



“We’ll have a financial crisis in emissions at some point. There’ll be derivatives and all these unemployed investment bankers will then go work on carbon trading and come up with products which will lead to a crisis. ... You’ll find few economists who disagree.”

Kenneth Rogoff,
Harvard University,
former IMF Chief Economist
17 October 2009





“I guess in some ways it’s akin to subprime . . . You keep layering on crap until you say, ‘We can’t do this anymore.’”

Marc Stuart,
EcoSecurities,
*after the
firm’s stock crash
in spring 2008*



16 June 2010 – UN considers review of alleged carbon offset abuses

10 June 2010 – Carbon market leader warns of dark days ahead

Carbon credit scandal sparks price collapse to €1



Hopes for \$2 trillion global carbon market fade

As little as 28% of the total funds received by retailers of CDM credits go into capital expenditure and project maintenance costs.

29 January 2010 – Carbon financiers have already begun leaving banks in London

12 June 2010 – Carbon offset credits sold to banks and governments could be illegitimate

France appoints commission to report on regulation of carbon markets

Bluenext halts spot trading over recycled CERs

Carbon markets are under “dark cloud”, say Merrill Lynch

Seven arrested over £38 m
carbon credit VAT fraud

2 June 2010 – Industry
encouraged to invest in
ways that don't view
carbon as a commodity,
but rather view "carbon
as a constraint".

HSBC removes
two companies
involved in
carbon trading
from index.

Hacker Attack
On German CO2
Registry Causes
EUR3 Million In
Damages

4 June 2010 – Police
yesterday arrested a
businessman in
connection with an
alleged plan to pay
Liberian officials
\$2.5m for land
concessions a
company hoped would
earn it more than
\$2m from carbon

Carbon markets fast becoming
too risky and uncertain for
investors
EcoSecurities to shut US office

Hungary names
trader in used
CER scam

“The experiment is
over. It's time to
actually do
something.”



Bureaucratic delays
and faults within the
CDM

Hunt for 'rogue
trader' over recycled
carbon credits

Danish
carbon
register cuts
1000
accounts from
list