**Loosing the forest for the trees**

The present discussion about increasing the supply of offsets distracts from the purpose and could undermine the effectiveness of AB32. The ARB White Paper and the October 28 workshop presentations emphasize a goal of reducing compliance costs, seemingly losing sight of the purpose of AB32: to reduce greenhouse-gas emissions in California.

There is already an ample supply of existing and potential offsets in California, not to mention the US and Quebec, despite the frequent, predictable claims by emitting entities and industry lobbyists that a shortage is just around the corner. Oversupply means low prices, of course. Prices of allowances are already too low to stimulate emissions reductions on the scale necessary to spur a transition to a very-low-carbon economy in California that can serve as a model for the rest of the United States and the world.

As the ARB knows, the world’s main cap-and-trade scheme, the EU Emissions Trading System, has been plagued by low prices and oversupply of allowances from its beginning, largely as a result of allowance giveaways, lobbying by covered industries and deceptive accounting of past emissions by the latter, as well as outright fraud and allowance thefts. In the past year the ETS and the EU government have rewritten the ETS rules in a desperate effort to shrink the surplus of more than 2 billion EUAs, even as it is acknowledged that the hoped-for reduction in excess allowances will not be sufficient to achieve Europe’s GHG reduction target. In short, the ETS is discredited as an effective emissions-reductions strategy. AB32 is not the ETS and ARB staff say they have learned from ETS failures, but adding a whole new category of offsets to California’s program would ignores the ETS’s most important lesson.

Internationally, the supply of forest carbon offsets, including those developed for the Clean Development Mechanism (CDM), for voluntary carbon market (VCM) offsets, and for compliance markets that have yet to arise, already dwarfs effective demand to such a degree that offset prices remain abysmally low worldwide. This fact is well known. For example, the Director of Markets and External Affairs for Forest Carbon Group AG, observes that the forest-carbon finance industry faces “an oversupply of projects and credits, falling credit prices, and no political signal in sight which could boost companies’ or countries’ demand.” (source: Ecosystem Marketplace)

Moreover, more than a decade’s experience with the forest-carbon offsetting linked to the models for REDD+: the CDM and payment for environmental services (PES) schemes, as well as to VCM offsetting and existing proto-REDD projects, has demonstrated that is practically impossible to ensure that putatively GHG-reducing activities at diverse and distant sites result in actual emissions avoidance or reductions. It is even harder to guarantee that they meet the criteria of additionality, enforceability, and social benefits required, for good reason, under AB32.

If REDD+ credits are added to the AB32 pool of offsets, the resulting slight increase in demand would have little effect on rock-bottom forest-carbon offset prices. Instead, adding REDD+ to AB32 would lend undeserved credence to a dubious category of forest-linked global warming ‘solutions’ that has already morphed far beyond any feasible regulatory oversight and that does nothing in itself to reduce net GHG emissions. No matter how we phrase it, offsets are, after all, a form of permits to pollute.

Surprisingly, both the ROW report and the ARB White Paper overlook a substantial body of literature, including work by scholars in California, that illustrates the pitfalls and failures of forest-based offsetting in the global South. Even the Center for International Forestry Research (CIFOR), a preeminent global forest research agency that was once very optimistic about REDD, now reports that its ‘honeymoon with REDD’ is over. Many of its reports express serious doubts about whether REDD+ can be salvaged as an effective climate-mitigation strategy.

Numerous scientific studies have documented the near-impossibility of monitoring and preventing ‘leakage’ when forest felling for timber, agriculture, mining, and ranching shifts from the targeted project area to a neighboring village, valley, or island, or to another jurisdiction. ‘Permanence’ is even harder to ascertain, much less guarantee. ‘Perverse incentives’ and opportunities for rent seeking abound: landowner and states exaggerate their past deforestation or their future deforestation intentions in order to gain more certified credits to sell; consultants and credit brokers cherry-pick data to demonstrate project success, etc. Moral hazards arise in the context of the conflicting priorities of officials, NGOs, or consultants in charge of monitoring, enforcing, or certifying compliance with project requirements, on the one hand, and ecosystem services buyers or project sponsors, on the other hand. Furthermore, the introduction of monetary payments for conservation has been shown to undermine local traditions that value and manage nature, ‘crowding out’ non-monetary incentives that commonly have supported sustainable resource management by local and indigenous communities.

The ROW authors imagine – way too optimistically, in my view – that under a jurisdictional model, NGOs, private investors, and public authorities in Acre and at the federal level in Brazil (and Mexico, etc.) will manage to overcome these multiple obstacles to achieving net forest-conservation gains without significant social damages. But straightforward analysis shows that economic efficiency in the generation and allocation or conservation funds under PES or REDD+ means that such programs *cannot tackle the primary causes of forest loss* in places such as Brazil and Mexico. One reason is that the cost of ‘buying off’ potential investors in deforestation for mines, ranches, pulpwood monocultures, soy and biofuel plantations, golf courses, resorts, etc., is far too expensive compared to payments to less wealthy and poor landholders whose activities do far less damage to forests.

REDD+-type projects, unable to address the main drivers of deforestation, instead are distracting public and private resources and attention away from tackling the root causes of forest loss. Proto-REDD+ projects are being touted by governments from Mexico to Madagascar to Papua New Guinea and Indonesia to demonstrate their climate-mitigation contributions. Closer inspections reveal that such conservation claims often serve as a cover for forest-destroying business as usual. This is doubly dangerous at a time of commodity price booms and ‘reprimarization’ of the economies of formerly-colonized world regions: accelerating extractivism propelled by soaring investment from Chinese and other sources in Latin America, especially, as well as in Africa and parts of Southeast Asia.

Nevertheless, the ROW report and the ARB White Paper portray REDD+ projects and jurisdictional programs as a boon to rural development and the poor. This is misleading. Targeting the poor to receive REDD+ payments is labor-intensive and costly, making this approach uncompetitive in market-oriented conservation strategies. Even the World Bank, a major early supporter and current sponsor of REDD, has warned that prioritizing the poor as recipients of payments for carbon sequestrations and other ecosystem services will undermine the efficiency and effectively of such programs.

It is true that some communities targeted for PES and pro-REDD projects have obtained short-term cash payments, other modest material benefits, and technical assistance from such projects. But other communities have become worse off, as I note below. If indigenous, peasant, and other low-cash-income landusers are to be compensated for their contributions for forest and biodiversity conservation – as they should be – there are better, more direct ways to do this. When compensation for sustainable practices depends for finance on markets in offsets, the greater part of the already-modest revenues are taken by the long chain of public and for-profit actors involved project development, capacity-building, monitoring, verification, and certification, with little left for the poor.

Literature on PES and more recently on REDD+ has documented real damages to indigenous and other local communities from these programs. In the context of increased financialization of the global economy and rising prices of food, fiber, and mineral commodities, forests and wetlands are being reconceptualized as carbon sinks and peasant farm lands repurposed as biofuel and export-crop plantations. Along with anticipation of profits from carbon-market investments, this has accelerated the processes of land grabbing – illegal or unjust acquisition of land by the economically powerful – and green grabbing: expulsions of forest dwellers and small-scale farmers for ostensible environmental goals. Even where land users are not evicted, they often face reduced access to sites of cultural significance, passageways, and sources of food, forage, medicines, and shelter materials.

Projects carried out under the rubric of PES and REDD+ are already contributing to this trend, as I and others have discussed and documented in peered-reviewed publications. This, of course, is what REDD+ ‘safeguards’ are meant to address. But the problems that generate a need for safeguards are built into the conceptualization and structure of forest-carbon offset trading from the outside.

Finally, it would behoove the ARB to beware the influence of the REDD+ ‘industry’ itself. Undoubtedly, most of the people working on REDD+ in NGOS, government agencies in California and abroad, academia, the Governors Climate Task Force, and the myriad consulting firms are motivated by the goal of averting catastrophic global warming. This is probably also one motivation of people and firms in the growing army of for-profit carbon-credit project developers, certifiers, bankers, and brokers, and speculators. But other motives, especially profit and career growth, and the satisfaction of working on the technical aspects of the climate challenge, are also at work. Institutions and individuals such as these often develop momentum and growth ambitions only partly related, if at all, to the goal of slowing global warming. REDD+ could become self-perpetuating regardless of it actual outcomes.

The carbon-credit finance industry, through bodies such as the International Emissions Trading Association (IETA), is lobbying hard for broad expansion of offsetting ‘opportunities’ by means of globally fungible forest and industrial offset credits that could be traded and substituted across jurisdictions worldwide. This would create more, and more lucrative work for offset-industry traders, bankers, brokers, project developers, certifiers, and other consultants. But it would also greatly expand the options for emitting entities worldwide to delay and avoid the actions that they must be required to take for the sake of the planet and our inheritors.

And, because offset prices are so much cheaper in places where land, resources, and incomes are lower and where – from a global market standpoint, lives are worth less – allowing more offsetting in the global South would further shift the burden of coping with climate change onto the people and places least able to bear it. Although this is not what AB 32 supporters and staff intend, endorsement of tropical forest offsets by California would encourage this dangerous trend. The greatest strength of AB32 is its regulation-centered approach. It is it not primarily reliant on the shell games of cap-and-trade and offsetting, which merely shift the damages of GHG emission from one landscape and one group of people to another without achieved net emissions reductions. Let’s keep it that way.

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