

## REDD+ TRICKSTERS

# Kaggen Xam

Dear reader, the Oxford Dictionary describes a fairy story as a tale that is “magical, idealized, or extremely happy” – but also as “a fabricated story, especially one intended to deceive”. Fairy stories are used to convince others that all will end well, often for those that are honest or brave or just plain lucky. Fables are a similar kind of story, containing more explicit moral messages; they are used to instill particular ways of behaving in children and others. If REDD+ were to be published as a book, it could well be depicted as a collection of modern fairy stories and fables, designed to lure the unwitting and unwary into the complex world of REDD+, as this series of briefings shows...



*“We do not really mean, we do not really mean that what we are about to say is true.  
A story, a story; let it come, let it go”<sup>1</sup>*



Kaggen was a trickster deity in the /Xam stories of the First Times, and is often identified with the praying mantis. /Kaggen lives with his family, each of whom has the attributes of a different animal. In many stories, /Kaggen encounters other animal-people and becomes embroiled in fights with them, although he usually loses and has to escape. /Kaggen is famous for playing tricks. He is often reprimanded by his family, for failing to observe the rules governing the relationships between living beings (ESAACH, 2011).

*“This is my story which I have related. If it be sweet,  
or if it be not sweet, take some elsewhere, and let some come back to me”.<sup>2</sup>*

## What is REDD+?

REDD stands for Reducing Emissions from Deforestation and Forest Degradation in Developing Countries. REDD is intended to facilitate the transfer of significant amounts of climate finance from developed to developing countries, in a collaborative effort to protect the world’s forests thereby reducing greenhouse gas emissions from those forests. In its current form – ‘REDD+’ – it also includes measures intended to ‘enhance carbon stocks’ which means it could be used to fund monoculture tree plantations, even in place of old growth forests.

1. Traditional Ashanti introduction to a story.  
2. Traditional Ashanti end to a story.



## Will carbon finance specialists and energy companies reap REDD+'s rewards?

REDD+ and other similar forest carbon ventures have the potential to make an already lucrative trade even more profitable, and corporate interest remains high.

For example, EcoPlanet Bamboo, a company that sells bamboo as a strong, sustainable and renewable resource that can be used for diverse purposes, recently issued a bond<sup>3</sup> to raise some US\$12 million to fund a new plantation in Nicaragua, Rio Kama. Its corporate prospectus explains that the 730 ha will have an estimated value of over US\$100 million by 2016 and it is offering investors a fixed return of up to 503% over fifteen years, a spectacular rate of interest in today's economic climate, even over such a long time frame.

However, although it seems quite clear that this project is expected to have a high rate of return and is being implemented anyway, meaning that it is not new and additional (a criterion for the current Clean Development Mechanism (CDM) and also necessary for any project that aims to reduce emissions globally) the company states that it aims to generate part of its early years income from carbon credits (Ecoinvestments, 2011).

REDD+ also offers particularly unscrupulous companies a real win-win option - a chance to greenwash their activities and increase profits at the same time. Notably, the world's largest energy companies have been moving in on the forest carbon sector, including Shell (Rimba Raya, Indonesia); BP; American Electric Power and PacifiCorp (Noel Kempff Mercado, Bolivia); and General Motors, Chevron Texaco and American Electric Power (Guaraqueçaba, Brazil) (FoEI, 2010).

A further problem with REDD+ is that it is based on 'opportunity costs' - matching the income that could have been generated by using the land for something else (which almost inevitably requires deforestation). One of the problems with this is that 'opportunity costs' are variable over time and therefore highly unpredictable: if the price of carbon is too low or the potential alternative income increases, the REDD house of cards can come tumbling down.

This seems to have been the case with Shell's Rimba Raya project. Shell, Russian gas company Gazprom and the Clinton Foundation invested in a landmark REDD project on 91,000 hectares of tropical peat swamp forest in Central Kalimantan, Indonesia. The project was originally scheduled to prevent 75 million tons of carbon dioxide from being emitted over 30 years. At a price of US\$10 per tonne of CO<sub>2</sub> it could have grossed something in the region of US\$725 million<sup>4</sup> over that time. It was originally described as a 'for profit' project, with a relatively small contribution of US\$25 million to be invested to generate income for projects that would be of benefit to local communities (FoEI, 2010).

In 2011, however, the project has been described as being close to collapse, for a number of reasons, including bureaucracy and corruption, and - most importantly - competition with the income that could be derived from palm oil: the Indonesian government decided to hand half of the territory over to a palm oil company (Reuters, 2011). One observer comments that the price of carbon simply wasn't high enough (Gardiner, 2011).

Communities hoping to participate in REDD+ will have to engage with the utmost care. It is possible that investors will encourage communities to shoulder the risks of REDD+ projects (which include forest fires and illegal felling, for example) and only pay when projects are completed.

*"[With respect to REDD] market actors who know how to 'game the system' are likely to make big profits, while most others suffer substantial losses." (Transparency International, 2011).*

The complexities of REDD also mean that expensive financial, legal and technical expertise may have to be hired in. As one consultancy firm with expertise in commodity markets has recently reported:

*"The expertise, travel requirements and operational scale required to follow IPCC-like standards almost certainly requires a multinational organization, one that is well-capitalized and capable of managing many clients at once. Will these organizations be numerous? Unlikely. Will they be domiciled in developing countries? It*

3. Forest-backed bonds (described as 'high credit quality debt securities') are another financial mechanism designed to draw private finance into forest conservation. <http://www.triplepundit.com/2011/09/conservation-alternative-investment-groups-team-forest-conservation-bond-market/>

4. Less operating costs.



*seems improbable. These skills and scale cost money to deploy, and that – far more than avarice or inefficiency – explains why REDD projects are likely to spend so much on MRV..” (Munden Project, 2011)*

This already seems to be the case with the CDM, with a recently published report observing that the Kyoto Protocol’s emissions offset market could become “a rich man’s club” of project developers, emissions verifiers and government officials, without benefiting the poor (Reuters, 2011b).

It is also important to note the growing carbon finance industry could divert REDD funding away from developing countries. Although global carbon markets have been valued at over US\$100 billion in the last few years, only 0.5% percent of the money in the EU Emission Trading Scheme and CDM market has actually gone to offset projects in developing countries. The rest has gone to carbon traders, brokers, verifiers, and project developers (FoEI, 2011).

### REDD+ is already attracting carbon criminals

REDD+ has already been recognised as a potential target for international crime by Interpol. In 2009 an Interpol official said that organised crime syndicates were turning their attentions to the forest carbon credit industry; credits could be fraudulently generated through land grabbing or for non-existent forests, for example (Reuters, 2009).

These words of caution were correct. Interpol reports now show that there is evidence of bribery, documents being forged, and forest being sold on to other companies even though its carbon is being traded. The estimated value of this fraud is put at US\$80 million (Global Witness, 2011). The key problem is that the asset being traded is not tangible, and therefore has to be validated by ‘trusted’ agents.

*“Some of the most notable events in 2010 and early 2011 were unfortunately related to framework loopholes and criminal activities directed against the EU ETS. In addition to the “carousel” value-added tax (VAT) fraud that surfaced in 2009, the last months witnessed the sale of recycled CERs, phishing attempts on Germany’s national registries and a series of subsequent cyberthefts that undermined the European market.” (World Bank, 2011:10)*

In Colombia, carbon traders or individuals have been canvassing forested territories and offering the inhabitants contracts to ‘sell oxygen’ on the international market (GFC, 2009). Essentially, these ‘carbon cowboys’ are aiming to acquire the rights to make decisions about territories and resources, and/or to negotiate on behalf of communities with a view to managing the funds derived from carbon trading ventures. This situation became so acute that Colombia’s environment ministry issued a series of communiqués to the population to warn them of possible scams and how people might be victimised by signing such contracts.

Ultimately the success or failure of forest policies will also depend on success in eradicating corruption and improving governance. In the absence of significant improvements, increased financial flows are likely to lead to escalating land-grabbing, false ‘carbon accounting’ and the misappropriation of REDD+ funds (Transparency International, 2011).

It is anticipated that corrupt officials, for example, will move in to control institutions responsible for monitoring, validating and verifying REDD+ projects, as has already happened in the CDM. It is also possible that unscrupulous officials may seek payment for areas of forest that are not threatened (Transparency International, 2011).

#### Corruption in Indonesia

The deputy chairman of Indonesia’s Corruption Eradication Commission (KPK), Chandra M. Hamzah, has described the forest sector in Indonesia as “a source of unlimited corruption.” Reuters (2010). There have been found to be many cases of the government’s Reforestation Fund being used to finance plantation and forest finance rehabilitation projects that did not exist (Transparency International, 2011).

*“The political context in some of these countries may pose insurmountable challenges to any new initiative to combat deforestation, let alone one as complicated as REDD+, with its requirements for new forest-monitoring technologies, standardized forest carbon inventories and consultations with remote communities.” (Transparency International, 2011)*

### Conclusions

On paper REDD+ sounds like a progressive approach to addressing climate change and poverty. Dig a little dee-



per, however, and it soon becomes clear that there are big questions about where ongoing REDD+ finance will come from and who it will go to. The sizeable sums of money being discussed have already attracted the attentions of the financial world, which is, like Kaggen, not known for its interest in the relationships between living things. REDD+ is also proving to be a magnet for international fraudsters and corrupt officials.

Yet REDD+ is one of the few areas where governments are perceived to be making headway on climate change. There is thus a strong political incentive for them to conclude REDD+ negotiations as rapidly as possible, regardless of any potential pitfalls identified. The carbon finance sector and large investors also have a financial interest in making sure REDD+ is implemented as soon as possible. Energy companies seem to be especially interested in using REDD+ to trick others into believing that they have excellent 'green' credentials.

But it is uncertain that REDD+ will really work in practice, or that REDD+ finance will actually be forthcoming. Similarly it is not clear that communities will benefit. Perhaps the most practical response under these circumstances is to ensure that the REDD Readiness projects already underway really make a difference to governance, land tenure, forest management and the eradication of corruption in recipient countries. This would leave countries more able to address illegal logging concerns, whether or not REDD+ continues.

However, for REDD+ to succeed in the long-term there needs to be a commitment to real transfers of public finance from developed to developing countries, to create stable and predictable financial flows, including to communities.

## References

- Ecoinvestments (2011). EcoPlanet Bamboo - Bamboo Corporate Bond 2010, <http://www.propertyfrontiers.com/Admin/Resources/Developments/137/EcoPlanetBambooCorporateBond4thJuly20112.pdf>
- ESAACH (2011). Encyclopaedia of South African, Arts, Culture and Heritage, webpage for /Kaggen as at 11 November 2011. <http://www.esaach.org.za/index.php?title=/Kaggen>
- The Economist (2008). Branching Out: timber as a growing asset class, 5 February 2008, [http://www.economist.com/node/8653021?subjectid=7933604&story\\_id=8653021](http://www.economist.com/node/8653021?subjectid=7933604&story_id=8653021)
- FoEI (2010). REDD: the realities in black and white, <http://www.foei.org/en/resources/publications/pdfs/2010/redd-the-realities-in-black-and-white>
- FoEI (2011). Outcome of the work of the Ad Hoc Working Group on Long-Term Co-operative Action under the Convention, UNFCCC. Submission on draft decision /CP.16, <http://unfccc.int/resource/docs/2011/smsn/ngo/230.pdf>, quoted reference is to The efficiency of carbon offsetting through the Clean Development Mechanism, Carbon Retirement, 2009, <http://www.carbonretirement.com/sites/default/files/The%20efficiency%20of%20offsetting%20with%20CDM%20credits.pdf>
- Gardiner 9 (2011). Lessons from Rimba Raya: the price of carbon isn't high enough, Barry Gardiner, UK Member of Parliament, website as at 11 November 2011, <http://www.ipoak.org/rimba-raya/>
- GFC (2009). REDD Realities: How strategies to reduce emissions from deforestation and forest degradation could impact on biodiversity and Indigenous Peoples in developing countries, by the Global Forest Coalition, <http://www.globalforestcoalition.org/wp-content/uploads/2010/10/REDD-Realities.pdf>
- Global Witness (2011). Forest Carbon, Cash and Crime: the risk of criminal engagement in REDD+, <http://www.globalwitness.org/sites/default/files/library/Forest%20Carbon,%20Cash%20and%20Crime.pdf> Reference to an Interpol report that can no longer be found, <http://www.interpol.int/Public/EnvironmentalCrime/Manual/WorldBankChain-sawIllegalLoggingReport.pdf>
- Munden Project (2011). "REDD and Forest Carbon, Market Critique and Recommendations. The Munden Project, USA. <http://www.redd-monitor.org/2011/03/22/munden-project-report-on-redd-and-forest-carbon-forest-carbon-trading-is-unworkable-as-currently-constructed/>
- Reuters (2009). Forest-CO<sub>2</sub> scheme will draw organized crime: Interpol, <http://www.reuters.com/article/2009/05/29/us-indonesia-carbon-crime-sb-idUSTRE54S1DS20090529>
- Reuters (2010). Graft could jeopardise Indonesia's climate deals, 17 September 2010, <http://www.reuters.com/article/2010/09/17/indonesia-corruption-idUSSGE68G03P20100917> quoted in REDD-Monitor
- Reuters (2011). Special report: how Indonesia hurt its climate change project, Reuters, 16 August 2011, <http://www.reuters.com/article/2011/08/16/us-indonesia-carbon-idUSTRE77FOIK20110816>
- Reuters (2011b). Bribery, collusion hinder UN carbon scheme: research, 15 November 2011 <http://www.reuters.com/article/2011/11/15/us-carbon-un-cdm-idUSTRE7AE15620111115>
- Transparency International (2011). Global Corruption Report: Climate Change, [http://www.transparency.org/publications/gcr/gcr\\_climate\\_change2](http://www.transparency.org/publications/gcr/gcr_climate_change2)
- World Bank (2011). State and Trends of the World's Carbon Markets 2011, World Bank, June 2011, [http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/StateAndTrend\\_LowRes.pdf](http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/StateAndTrend_LowRes.pdf)

