

Carbon Markets and REDD in South-East Asia: An Interview with Chris Lang from REDD-Monitor

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Chris Lang is a climate justice activist and currently runs REDD-Monitor, a website that follows projects and developments around REDD (www.redd-monitor.org). The acronym REDD refers to Reducing Emissions from Deforestation and Forest Degradation and is a UN programme that aims to offer incentives for countries in the Global South to reduce emissions from deforestation by creating financial values for the forest carbon stocks. In this interview, Lang talks about structural shortcomings of REDD and the danger of carbon cowboys, provides an insight in the 1 billion dollar agreement between Norway and Indonesia, and discusses the relation between REDD and indigenous peoples' rights.

Chris Lang ist Klimaaktivist und betreibt derzeit die Webseite REDD-Monitor, die Projekte und Entwicklungen rund um REDD verfolgt (www.redd-monitor.org). Die Abkürzung REDD bezieht sich auf das UN-Programm Reducing Emissions from Deforestation and Forest Degradation, das darauf abzielt, Anreize für Länder des globalen Südens zu schaffen, ihre Emissionen aus Abholzung durch finanzielle Werte für den Kohlenstoffgehalt der Wälder zu reduzieren. In diesem Interview spricht Lang über strukturelle Schwächen von REDD und der Gefahr durch carbon cowboys. Er gibt einen Einblick in das 1-Milliarde-Dollar Abkommen zwischen Norwegen und Indonesien und diskutiert die Beziehung zwischen REDD und den Rechten indigener Völker.

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OLIVER PYE: Can you tell us what you do at REDD-Monitor?

CHRIS LANG: REDD-Monitor is a website whose purpose is to create a debate around some of the issues surrounding REDD. At the start of each week there is a post which is a round-up of as much as possible of the week's news on REDD. Then, during the week, I write posts on issues that I find interesting and relevant. One of the things I did recently was a series of ten interviews with key actors in Indonesia working on REDD, such as the World Bank, the *Climate and Land Use Alliance*, *Friends of the Earth Indonesia*, *Fauna & Flora International*, so a whole range of different views about REDD.

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PYE: So why do you have to monitor REDD?

LANG: One of the reasons why I got involved in setting up the website REDD-Monitor is because theoretically this programme will apply to all tropical forests. So here is a scheme which is supposed to be addressing climate change which can affect all tropical forests, and this is a major issue in itself. Secondly, right from the beginning of the discussions on REDD, it has been a carbon trading scheme. This is fundamentally problematic because carbon trading does not actually reduce emissions. It may reduce them in one place but then allows emissions to increase by the same amount somewhere else. Clearly, what we need to do to address climate change is to reduce emissions from fossil fuels and that is a fundamental problem with REDD: It is not addressing how we can reduce emissions from fossil fuels.

REDD was first introduced in Montreal at COP 11², and during the UNFCCC negotiations it then developed into REDD+. REDD refers to *Reducing Emissions from Deforestation and Forest Degradation*, and the plus part is “conservation of forest carbon stocks”, “sustainable management of forests”, and “enhancement of forest carbon stocks”. The first thing to note here is that carbon is the fundamental focus of two of these additions. “Conservation of forest carbon stocks” brings in the whole discussion about national parks and conflicts between people and parks, which has been an ongoing theme for indigenous peoples for decades. REDD has the possibility of exacerbating this kind of conflict. “Sustainable management of forests” is the logging industry’s shorthand for industrial logging. So there is a danger that the logging industry can use REDD to argue that the logging they are doing is slightly less destructive than the logging that they could be doing and therefore they can claim carbon credits for it. “Enhancement of forest carbon stocks” can involve – under the UN definition of forests – replacing forests with industrial tree plantations, or doing some kind of offset where you protect one area of forest and establish a large industrial tree plantation somewhere else – with all the implications that it has for biodiversity and local people’s livelihoods.

I think these are some of the risks of REDD in a broad sense. Another issue that emerged very early on was the danger of ‘carbon cowboys’ – as they have come to be known – carbon traders who go into a country, talk to local people living there, and then set up what are in effect fraudulent contracts with indigenous people or local communities who live there. One notorious example is David Nilsson, an Australian who turned up in Peru a couple of years ago. He promised indigenous communities billions of dollars in return for signing over the rights to their forests. He even plans to log the forests once he’s cashed in on the carbon.³ Right from the beginning of REDD, these carbon cowboys cropped up in Papua New Guinea. They have also appeared in Indonesia, in Malaysia, in the Democratic Republic of Congo, in Brazil, in Peru, and there is no sign that this problem is diminishing. If anything, there are more now than there were two or three years ago.

2 COP refers to the *Conference of the Parties to the Convention*, in this case of the *United Nations Framework Convention on Climate Change* (UNFCCC). The conferences are numbered consecutively. The eleventh conference of the Parties to the UNFCCC was held in Montreal in 2005 (COP 11). (ASEAS explanatory note)

3 More details on REDD-Monitor: <http://www.redd-monitor.org/?s=David+Nilsson>.

PYE: OK, so REDD has these problematic sides to it, but if the right safeguards were in place and if communities were benefiting from these projects, wouldn't this be a great opportunity to do something about climate change and to save the forests at the same time?

LANG: I think the first response to this question has to be that if REDD is a carbon trading scheme, then it is not reducing emissions from fossil fuels, and therefore it is not addressing climate change. There has been a lot of attention on safeguards, which is important because obviously, without safeguards the dangers I mentioned above are more likely to happen. However, if we look at safeguards, for example, in the context of World Bank development projects, the World Bank probably has better safeguards than any other development institution on the planet. But it still gets involved in all kinds of destructive projects – despite the safeguards. So you have to ask yourself whether having a fundamentally bad idea and then attaching safeguards to avoid the worst outcomes makes any sense whatsoever. A few years ago, Navin Rai of the World Bank gave a presentation in front of an audience of indigenous peoples⁴, and one of the examples he gave for how well the Bank has applied its safeguards was the Nam Theun 2 dam in Laos – which is an example that NGOs use to show how *badly* the World Bank applies its safeguards. There was involuntary resettlement going on in that project, there was logging outside of the reservoir, and accusations of corruption. So this is a project that had safeguards in place and which suited the World Bank's model of development, but whether it benefited indigenous people in Laos is extremely doubtful.

The World Bank has set up a *Forest Carbon Partnership Facility* under which countries produce an R-PP – a *Readiness Preparation Proposal*. According to its own safeguards, the World Bank is supposed to undertake a Free and Prior Informed *Consultation* (which is different from a Free and Prior Informed *Consent* (FPIC) as outlined in the UN Declaration on the Rights of Indigenous Peoples) but the World Bank hasn't even applied the Free and Prior Informed *Consultation* in its own projects and according to its own safeguards. It's actually bending its own safeguards to imply that the FPIC doesn't have to be conducted beforehand, which is in blatant disregard of the safeguards in place.

PYE: Let's look at some of the issues in more detail. Can you give us some examples for REDD projects in the region where you can see some potential positive impacts and projects that show some of the problems that you have been outlining?

LANG: I think Indonesia is actually quite an interesting example where some positive things are happening. The whole issue of forests, of deforestation, and indigenous peoples' rights has come right to the forefront – and that's a good thing. The Indonesian president has declared that he will spend the next three years addressing deforestation. Whether or not we believe that he is actually doing anything is another matter. But in itself, to have a President that says he is committed to tackling deforestation indicates the high level that this issue has reached. Another good thing in Indonesia is that the authorities have managed to produce one single

⁴ More details: <http://www.redd-monitor.org/2009/05/18/how-the-world-bank-explains-redd-to-indigenous-peoples/>.

map of the forests of Indonesia, and what can be converted and what cannot be converted. Previously, there was a Ministry of Forestry map, a Ministry of Agriculture map, a Ministry of Planning map, and various other maps. The maps were not consistent, and the ministries never agreed on which one was correct. So every time a concession was given, there was a conflict over who had jurisdiction over it and there was no agreement on where the forest areas actually were. So I think this is a good thing that is happening partly because of REDD.

On the other hand, in Indonesia you still have the expansion of oil palm concessions. In Aceh, the Tripa peat swamp is still being drained and burned even though it's a peat swamp and should be protected, and even though there is an international outcry. You still have illegal logging, there is still abuse of indigenous peoples' rights, there is still expansion of coal mining projects, and there is still exploration for oil. REDD is taking place in parallel to all these other industrial land use activities.

The classic example of the potential of REDD for greenwashing can be seen in the Ulu Masen Project in Aceh. The project developer, an Australian company called *Carbon Conservation*, has been 50 percent taken over by a Canadian mining company that wants to use the project in order to get permission to mine in an area of protected forest. They actually said in their press release that they hoped that their involvement in REDD would speed up the permission process for them to mine. Which hasn't happened, I'm delighted to say.

Four or five years ago, the Ulu Masen Project was a very high profile REDD project, there was even a film made about setting up the project. *Merrill Lynch/Bank of America* promised 9 million dollars to the project and this was how REDD projects were going to be set up and run in the future. There was a very energetic project manager called Dorjee Sun who runs Carbon Conservation. Five years later, the project hasn't sold a single carbon credit. Villagers are asking what on earth REDD is all about. One of them said REDD is 'like farting', like selling air. Another said that REDD is a lie. The villagers haven't seen any benefits from REDD and certainly no payments for conserving forests. The company running the project is more than half owned by a mining company. And the NGO involved in the project at the beginning, Fauna and Flora International, has completely distanced itself from Carbon Conservation and from the whole carbon trading project in Ulu Masen.⁵

PYE: So what went wrong?

LANG: Basically, I think the project developers were far too optimistic about how easy it would be to sell carbon credits from the project. I think that is a general problem for REDD. There isn't a very high demand for carbon credits. The only possible way to create a high demand for carbon credits is if you have an international cap on carbon emissions. And over the last 20 years, the UNFCCC has totally failed to agree on meaningful emission reduction targets. As a result, there is little demand for carbon credits. And the carbon credit prices have crashed. So even those projects that managed to sell carbon credits have received far less income than they anticipated.

5 More details on REDD-Monitor about Ulu Masen: <http://www.redd-monitor.org/tag/ulu-masen/>.

The other thing that has undermined the market is various companies fraudulently selling carbon credits. In some cases, they were selling carbon that didn't exist, in other cases they were selling credits at hugely inflated prices and promising enormous returns, and it turned out that the people who bought the credits were never going to get any return and that they had been ripped off. For example, in the UK the *Financial Services Authority* has put out two warnings against buying carbon credits basically because of these companies who are ringing people up and offering them 'great deals' on carbon credits on the phone.

PYE: Let's stay in Indonesia for a bit and turn to the 1 billion dollars that Norway has pledged to help set up REDD. Has this made a difference to the dynamics of land use change you were talking about?

LANG: I think it's probably too early to say how much difference it has made. For me, one of the big disappointments about this agreement between Norway and Indonesia is the loopholes that were put into the Letter of Intent. So for example, there is a moratorium on new forest concessions, but the moratorium does not cover existing concessions. And there is no systematic review of existing concessions, many of which were issued illegally or had forests that were cleared without the necessary documents and so forth. There was an opportunity under the moratorium to look into these concessions, and that opportunity was missed.

Another problem with the moratorium is that it's only a two year moratorium and we are already more than half way through it. So the big danger is that all the palm oil companies will just wait for two years to see what happens and then just carry on business as usual. It's difficult to see what the Norway agreement can do to prevent that from happening. Of course most of the money under that agreement is a performance-based payment. So Indonesia has to show that it has reduced the deforestation rate in order to access most of that money. The problem is that Indonesia can make a hell of a lot more money by clearing the forest, selling the timber, and growing palm oil than it can by waiting for a billion dollars from Norway. If you compare the profits of the palm oil industry with a billion dollars, the palm oil industry wins.

There are examples in Aceh, where an area of the Tripa peat swamp that is covered by the moratorium is being cleared. This became public in August last year, so it's been almost a year and they are still clearing that forest. It's a very high level case and yet – as far as I'm aware – there has been no public statement from the Norwegians about the ongoing deforestation in the peat swamp. And Tripa is just one example. The *Environmental Investigation Agency* (EIA) recently put out a report about a palm oil company in Central Kalimantan that has illegally cleared 23,000 hectares of land to set up an oil palm plantation. Central Kalimantan is the REDD pilot province under the Norway agreement.

Norway has put up 1 billion dollars to stop deforestation, but then there is Norway's *Government Pension Fund Global*, which is the largest sovereign wealth fund in the world and that invests in forest-destroying companies such as palm oil companies. On the very day the moratorium was signed last year, EIA researchers were in the forest in Central Kalimantan

investigating a company that the Norwegian pension fund has invested in. The company was illegally clearing forest in Central Kalimantan. This is not an isolated example – there is a fundamental and systematic problem that Norway has so far completely failed to address with its sovereign wealth fund.

PYE: If you look at the key players involved in REDD in the region, how has REDD shifted power between local communities, forestry departments, the logging industry, carbon brokers, and international NGOs?

LANG: Generally speaking, one of the things that has happened is that REDD has taken over the whole debate on forests and biodiversity, forests and indigenous peoples, community forestry, and so on. All these issues are being subsumed into a debate about REDD. A lot of bilateral and multilateral and also philanthropic funding has gone into REDD, but most of it has gone to organisations and institutions that are in favour of REDD. So if you are prepared to go along with carbon trading and if you are prepared to go along with the mainstream view on REDD, then that's great, there's lots of money that will be coming your way. If you take a critical stand on REDD you will tend to see your funding dry up, and it's certainly much more difficult to secure funding for such a critical stance.

And I think there is a real danger of co-optation of NGOs and critical debate around these issues. There are so many working groups where NGOs are taking part alongside governments and the REDD proponents, the REDD financiers, and the question is: How independent are they really during the REDD implementation process? There is the danger of NGOs getting so close to the government and to the REDD proponents that they are no longer able to criticise what is happening.

PYE: Related to that is the question of how to intervene in the REDD debate. I read an interview posted on your website with AMAN, the *Alliance of Indigenous Peoples of Indonesia*, who decided to get involved in REDD projects in order to use REDD to strengthen indigenous peoples' rights to the forest. Why did AMAN decide to do that? Is this a potentially successful strategy – to use REDD to strengthen indigenous rights to the forest?

LANG: I think you would have to ask AMAN why they are doing what they are doing in terms of REDD, and why they are getting more and more involved in REDD. My understanding from the interview that I did with AMAN is that they are getting involved in REDD because they saw it as an opportunity to strengthen indigenous peoples' land rights – something they have been working on for a long time.

PYE: How would you, as an independent activist, see this strategy?

LANG: Well, I think this is a classic situation where AMAN is in danger of being co-opted in the sense that they will no longer be overtly critical of REDD because they are part of the process of implementing it. When we did that interview about two years ago, I asked them about their position on carbon trading, and the answer was more or less that they didn't

have a position, and that they didn't really understand what carbon trading was. I don't know whether they have a position in the meantime, but at the moment they are in the process of helping to facilitate the implementation of carbon trading projects in Indonesia's forests.⁶

PYE: Would you say that the indigenous groups who participate in REDD are – in the long term – signing off their forests to a speculative financial market dominated by carbon traders over which they have no control?

LANG: Yes, that is exactly the danger of these REDD projects. So for example, I recently looked at a carbon trading project in Mozambique, where a company called *Envirotrade* was going in and signing seven-year contracts with the villagers. The villagers get paid for seven years for planting and looking after trees but the carbon contract – the period of time the company is selling carbon credits for – is 99 years. So having been paid for seven years, they are under an obligation to look after these trees for another 92 years. To me this is blatantly unjust. Some of the villagers are now saying that they will cut down the trees after the seven years are over, which is perfectly understandable because they are not making any money from these trees. But the company has already forward sold the carbon credits based on a 99 year period, so what happens to those carbon credits? Is the company going to go to the people who bought them and say, look, we're really sorry but the villagers have cut down the trees, so we will buy the carbon credits back and by the way you will have to reduce your emissions instead?

PYE: I can't see that happening.

LANG: Neither can I.

PYE: Thank you for this interview!

⁶ The interview with AMAN is available here: <http://www.redd-monitor.org/2010/07/04/“we-want-to-change-this-threat-to-an-opportunity”-interview/>.