



November 2010

## Carbon trading in forests, soils, farmlands and grasslands

A Guide for journalists to proposals on Land Use, Land Use Change and Forestry and carbon trading for COP 16

Governments gather in Mexico in November – December 2010 for yet another high-level meeting to tackle climate change. After the failure of Copenhagen last year, negotiators at COP16 will try once again to reach agreements on climate adaptation, climate mitigation, finance, and related issues. A major issue on the agenda are proposals for much greater inclusion of forests, soils, pasture and farmlands in carbon trading. The new proposals would channel unprecedented sums of carbon finance to plantation and logging companies. They could eventually lead to most CDM credits going towards the 'land sector'. This briefing for journalists is a guide to the proposals and their implications.

### What is carbon trading?

Carbon trading is the process of selling and buying “permits to pollute” that allow polluting companies or industrial countries to continue to emit CO<sub>2</sub> over and above any commitments to reduce their emissions. Carbon markets have grown rapidly in recent years. The Clean Development Mechanism (CDM) under the Kyoto Protocol is the biggest carbon market after the EU Emissions Trading Scheme. Many civil society organizations call carbon trading a false solution because it is inherently biased in favour of polluting companies at the expense of communities and the environment and because it distracts attention from what's really needed: immediate deep cuts in rich countries' emissions

### Carbon finance for monoculture plantations, current situation

Under current rules, up to 1% of all Clean Development Mechanism carbon credits can be awarded to 'afforestation and reforestation' projects in developing countries. Unfortunately the definition of forests under CDM rules includes industrial tree and shrub plantations, even oil palm and jatropha for

agrofuels.

Amongst those current CDM 'afforestation and reforestation' projects are a large eucalyptus plantation owned by the company Plantar for pig iron production in Minas Gerais, Brazil, which has been shown to be directly linked to the illegal eviction of local people, the destruction of people's livelihoods and jobs, freshwater and soil depletion and pollution and the destruction of biodiverse wooded savannah. A CDM application for large jatropha plantations in Ghana for agrofuel production is currently under consideration. Industrial tree plantations also attract carbon finance through other non-Kyoto carbon trading schemes, including ones administered by the World Bank.

Projects in the agriculture sector are eligible for CDM funding if they are held to reduce emissions and within the last year and a half, agrofuels and bioenergy from large-scale plantations have also been included. However, carbon sequestration in soils and farmlands has so far been excluded from the CDM because of scientific doubts and because it can be quickly reversed, i.e. the carbon can soon go back into the atmosphere.

## New proposals for carbon trading in Land Use, Land Use Change and Forestry (LULUCF)

During COP16, negotiators will talk about expanding and extending carbon finance to include more industrial tree plantations as well as different agricultural practices, soils and grassland management.

Under current proposals<sup>1</sup>, CDM funding for 'afforestation and reforestation' projects would continue for the time being to be limited to 1% of CDM credits.

However, a working group would be set up to consider how to include carbon sequestration in soils, croplands, grasslands and wetlands as well as forest management into the CDM. This would be a first big step towards the possibility of allowing unlimited, CDM credits for crop and tree plantations of all types as well as for industrial logging, which could then be considered for adoption at COP17 in 2011.

Scaling up carbon finance for industrial plantations would lead to even faster plantation expansion and land-grabbing at the expense of forests and other ecosystems, indigenous and forest dependent peoples, small farmers, pastoralists and other communities. New and risky techno-fixes, such as biochar, could for the first time become commercially viable and result in large new markets for wood and crops.

A series of further proposals, spread across the different Cancun negotiating texts, would also channel large-scale carbon finance to plantations and logging firms. Above all, it is proposed that developing countries could meet their

---

1 See Chapter 3 of the negotiating text about "Consideration of further commitments for Annex I Parties under the Kyoto Protocol", <http://unfccc.int/resource/docs/2010/awg15/eng/17.pdf>

'emissions reduction' commitments through a range of other carbon trading schemes, not just those managed by UNFCCC. Some regional and voluntary carbon offset schemes already favour projects involving monoculture plantations and other 'land use'. It is also proposed that entirely new emissions trading schemes could be drawn up and that the 'tests' for projects to become eligible for CDM funding could be watered down even further.

## What would the proposals mean in practice?

The CDM and other carbon trading schemes provide cover for continuing business as usual with unhindered fossil fuel burning in developed countries. In developing countries, carbon finance already mainly benefits polluting industries, including fossil fuel and other energy companies and plantation companies (e.g. through CDM credits for bioenergy), at the expense of communities. Large-scale CDM funding for 'carbon sequestration' in soils, forests and farmlands could well breach the de-facto geo-engineering moratorium agreed by the Convention on Biological Diversity in October<sup>2</sup>.

A number of Parties, as well as business interests, would like to extend carbon trading to as wide a range of land-uses as possible, both in the CDM and in present and future market instruments, whether inside or outside the UNFCCC. Proposals in the current text are a major first step towards achieving this aim of putting soils and land-use into the carbon markets on a large scale.

Some of the practices most likely to benefit from the proposals are:

### **Tree plantations for timber, pulp and paper and bioenergy**

The number of industrial tree plantation projects accredited for CDM funding has been steadily increasing since 2009 and lifting the current cap on CDM funding for 'afforestation and reforestation' would significantly speed up this trend. Under CDM rules, even clearcut plantations are classed as 'forests' – albeit 'temporarily unstocked'. Industrial tree plantations are being established at the expense of grasslands and other ecosystems and at the expense of small farmers, pastoralists, indigenous peoples and other forest dependent peoples. These plantations cause serious water and soil depletion and pollution and generally sequester far less carbon than the ecosystems they replace and even that will be emitted again to the atmosphere when they are cut down.

### **GM no-till**

Monsanto and other agribusiness firms have been lobbying for many years to include soil carbon sequestration into the CDM so as to profit from carbon credits for GM soya, corn and other plantations. No-till farming commonly involves herbicide-resistant GM crops and the use of large quantities of herbicides and other agro-chemicals which poison people, wildlife, soils and water. It is claimed that soil carbon is increased when soils are not disturbed by tilling, but the evidence is contradictory at best, and there is evidence that the practice leads to higher greenhouse gas emissions from agrochemical use. No-till soya has led to

---

2 See: [www.etcgroup.org/en/node/5227](http://www.etcgroup.org/en/node/5227)

even faster deforestation in Argentina and Paraguay.

### **Biochar**

Adding fine-grained charcoal ('biochar') to soils is being promoted for carbon sequestration as well as for improving soil fertility. However, there are serious questions about all the claims and there is a near-total lack of comprehensive published field-trials, particularly ones which last for more than a year. It is not known how long carbon in biochar will remain in the soil, nor for how long. There is evidence that biochar could lead to the existing soil carbon being emitted into the atmosphere, and small biochar particles could also worsen global warming if they become airborne through erosion etc . If soil carbon sequestration is taken up by the CDM, funding for large scale biochar projects will be likely – this will create yet another driver promoting industrial tree and crop plantations.

The Global Forest Coalition (GFC) is an international coalition of NGOs and Indigenous Peoples' Organizations defending social justice and the rights of forest peoples in forest policies.  
[www.globalforestcoalition.org](http://www.globalforestcoalition.org)

Biofuelwatch is a UK and US based organization that raises awareness of the negative impacts of industrial biofuels and bioenergy on biodiversity, human rights, food sovereignty and climate change.  
[www.biofuelwatch.org.uk](http://www.biofuelwatch.org.uk)

EcoNexus is not-for-profit public interest research organisation. It investigates and analyses developments in science and technology. [www.econexus.info](http://www.econexus.info)