how corporations rule

part 2: ieta lobby group ignores carbon market flaws

december 2011

Friends of the Earth International

how corporations rule

part 2: ieta lobby group ignores carbon market flaws

december 2011

friends of the earth international is an international federation of diverse grassroots-based environmental organizations with over 2 million members and supporters around the world. We challenge the current model of economic and corporate globalization, and promote solutions that will help to create environmentally sustainable and socially just societies.

our vision is of a peaceful and sustainable world based on societies living in harmony with nature. We envision a society of interdependent people living in dignity, wholeness and fulfilment in which equity and human and peoples' rights are realized.

This will be a society built upon peoples' sovereignty and participation. It will be founded on social, economic, gender and environmental justice and free from all forms of domination and exploitation, such as neoliberalism, corporate globalization, neo-colonialism and militarism.

We believe that our children's future will be better because of what we do.

friends of the earth has groups in: Argentina, Australia, Austria, Bangladesh, Belgium, Belgium (Flanders), Bolivia, Brazil, Cameroon, Canada, Chile, Colombia, Costa Rica, Croatia, Curaçao (Antilles), Cyprus, Czech Republic, Denmark, El Salvador, England/Wales/Northern Ireland, Estonia, Finland, France, Georgia, Germany, Ghana, Grenada (West Indies), Guatemala, Haiti, Honduras, Hungary, Indonesia, Ireland, Italy, Japan, Korea, Latvia, Liberia, Lithuania, Luxembourg, Macedonia (former Yugoslav Republic of), Malaysia, Malawi, Mali, Malta, Mauritius, Mexico, Mozambique, Nepal, Netherlands, New Zealand, Nigeria, Norway, Palestine, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Scotland, Sierra Leone, Slovakia, South Africa, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Tananzia, Timor Leste, Togo, Tunisia, Uganda, Ukraine, United States, and Uruguay.

(Please contact the FoEI Secretariat or check www.foei.org for FoE groups' contact info)

available for download at www.foei.org

author Andy Rowell

editors Helen Burley and Ronnie Hall

acknowledgements Sarah-Jayne Clifton, Davina Shiell, Oscar Reyes

design Boutique Books

With thanks to the Isvara Foundation.

friends of the earth
international secretariat

P.O. Box 19199
1000 GD Amsterdam
The Netherlands
Tel: 31 20 622 1369
Fax: 31 20 639 2181
www.foei.org

The corporate and elite capture of decision-making at the national level is a key factor underpinning governments' failure to deliver economic transformation at the scale and speed needed to prevent the Earth's climate from deteriorating further and avoiding even more dangerous climate tipping points.

With this series of case studies, Friends of the Earth International aims to help open a window into the complex and largely hidden world of corporate pressure exerted over national and international climate and environmental policy. A context-setting introduction to the series can be found here: www.foei.org/corporate-capture.

ieta: business lobby group ignores carbon market flaws

The International Emissions Trading Association (IETA) calls itself the "leading voice of the global business community on emissions trading" and represents a range of energy-intensive industries, from Shell to Rio Tinto. It plays an active lobbying role at UN climate talks, pushing for the expansion of carbon trading and to weaken standards under the Clean Development Mechanism (CDM), currently the main international offset mechanism. It would like to see carbon markets "scaled-up" under a comprehensive post-2012 climate treaty – and dismisses criticisms that offsetting is not delivering cuts in emissions.

IETA was set up to establish a "functional international framework for trading in greenhouse gas emission reductions" in 1999.[1] An industry body, it represents the interests of its 155 members in policy discussions on carbon trading.

Those members include energy intensive oil, mining, and power companies – which rely on carbon trading to offset their carbon emissions (as permitted under the Kyoto Protocol and the European Emissions Trading System) – and businesses which have an interest in the carbon market, such as banks and law firms.[2]

IETA's board is chaired by David Hone, Shell International's Senior Climate Change Adviser. Its vice chairs are from the global mining giant Rio Tinto, and South Africa power company Eskom.[3]

The organisation's President is Henry Derwent, a former British government official who served as Director for International Climate Change at the UK's Department for Environment, Food and Rural Affairs (Defra).[4]

In January 2008, Derwent left Defra and just over a month later he took up the post of President and Chief Executive of the International Emissions Trading Association.[5] According to a spokesperson for the Cabinet Office, a person of Derwent's grade would not normally take up a position within the private sector for three months. Furthermore, the spokesperson added that "any appointment he took up within two years of leaving of his last paid day, he would need to notify us of, and any appointment he did take up within two years couldn't involve lobbying government." He also added the rules were retrospective and would have applied in 2008.[6]

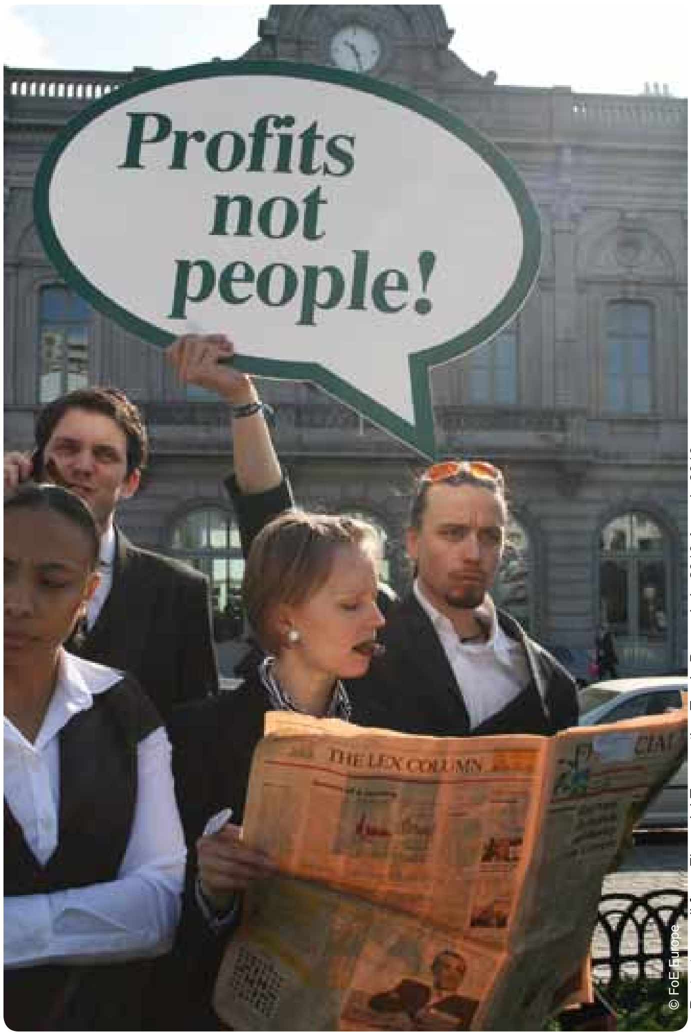
The Cabinet Office has no notification of Derwent's leaving. Therefore on all three counts Derwent appears to have broken government guidelines on leaving office. When asked to check this, a spokesperson for Defra said: "It would not be for Defra to investigate a conflict of interest because he would be leaving Defra."[7] There is, however, one press article saying that Derwent agreed to a six-month lobbying ban on leaving Defra.[8] But if the Cabinet Office rules stipulated 2 years, questions remain as to why his 'cooling off' period was only six months.

While at Defra, Derwent also set up the Trading Group, an informal government and industry forum.[9] Having been closely involved in the development of greenhouse gas trading in the UK and Europe, he was a key catch for IETA – and his background facilitated access to key officials in London and Brussels.

the climate conference's "largest ngo"

IETA is a regular attendee at the UN climate talks, where it has been accredited as a non-governmental organisation since October 2000.[10]

Business lobby groups are recognised as BINGO's at UN meetings - business-backed NGOs which promote the interests



© FoE Europe

Protestors call for a Financial Transaction Tax in Brussels in 2010.Awards 2010.

Activists call for a more transparent response to the economic crisis, Brussels, 2009.
© FoE Europe

of their members. IETA invests considerable resources in lobbying at the UN climate change talks, ensuring its status as the "largest, widest and most experienced private sector body focused on the UN system, working on its own and through the BINGO system."[11]

It also frequently has the largest accredited non-governmental delegation:

- At the UN Climate conference in Bali in 2007, IETA had the biggest NGO delegation, causing the World Development Movement to comment: "The fact that the IETA is the biggest NGO in Bali is indicative of the influence it will extend over the outcome of the talks."[12]
- In Poznan one year later, IETA once again had the biggest NGO presence with over 250 lobbyists. The lobby group hired a whole building, hosting what one delegate described as a "real parallel conference" with up to 12 events a day.[13] Key sponsors included BP and Shell.[14]
- At the UN Climate conference in Copenhagen in 2009, IETA registered 486 lobbyists, larger than any other NGO delegation, including representatives from Russian gas giant Gazprom, global energy company EON, and oil giant Shell.[15] IETA held 66 lobbying events during the conference.[16]
- In Cancun one year later, IETA boasted of offering a "spectacular program" of 80 "business-oriented side-events,"[17] including sessions on the Clean Development Mechanism, climate financing and REDD (Reducing Emissions from Deforestation and Forest Degradation). Shell was again a primary sponsor.[18]

IETA has also been active in the run up to the UN climate talks in Durban (COP 17), taking part in pre-meetings in Panama, Bonn and Bangkok. IETA has a programme of around 50 events for Durban, providing business with its "very own street corner" where business lobbyists can interact with negotiators and key officials. Key policy areas being put forward are the CDM and REDD.[19] It has registered 159 lobbyists in Durban, representing financial speculators, banks, carbon consultancies and energy companies.

Despite the overwhelming presence of IETA's lobbyists at the talks, IETA's President expressed frustration in 2010 at how few government delegation members attended IETA's events.[20] IETA not only lobbies – it expects to be listened to.

what interests does ieta have in the un climate talks?

IETA's aim is the expansion of carbon markets, irrespective of the environmental or social cost. It presents carbon trading as "the policy instrument of choice in the industrialized world to address global climate change... critically affecting the regulatory style of climate policy in favour of low-cost, market-based options."[21] It has persisted with this line in the face of a collapse in carbon prices and widespread evidence that the scheme has failed to deliver.[22]

The UN climate negotiations are key to the future of international carbon trading, and in particular to the future of offsetting through the Kyoto Protocol's Clean Development Mechanism, which allows governments and industry in developed countries to claim carbon reductions by investing in so-called 'clean developments' in the developing world. IETA has been extremely active pushing the CDM within the UN climate negotiations, although this is an extremely flawed mechanism. In particular, the CDM allows rich countries to avoid making emissions cuts at home, whereas deep and dramatic domestic emissions reductions by developed countries are essential for avoiding catastrophic climate change.[23]

The CDM has also delayed emissions reductions. Offsets are not reductions, but merely a means to outsource where these claimed reductions take place. These reductions are included on the basis that they are 'additional' to what would otherwise have happened, a set of counter-factual claims that are impossible to verify. There is strong evidence that offsets represent little more than business as usual. For example, a recently leaked US cable reported from a meeting in Delhi that "all interlocutors conceded that all Indian projects fail to meet the additionality in investment criteria and none should qualify for carbon credits."[24] These interlocutors included the Chair of the national CDM authority, as well as some of the country's largest project developers and 'verifiers' (private consultants who are meant to check these claims). Yet IETA still promotes the uptake of the CDM in India.[25]

Indeed, IETA sees the CDM as an "emblem of how a truly international system could work and can create business opportunities around the world ... cutting emissions effectively in the absence of national political will to do so.[26]

lobbying in the run up to durban

There are now major doubts over the future of the Kyoto Protocol, with rich industrialised countries like the US, Canada and Japan making a concerted effort to replace the framework for legally-binding emissions reductions for developed countries with a voluntary, 'pledge and review' approach which would be calamitous for the climate. The political stalemate at Copenhagen and limited progress at Cancun has created uncertainty about the future of the Kyoto Protocol post-2012. This makes the Durban meeting crucial from IETA's perspective.

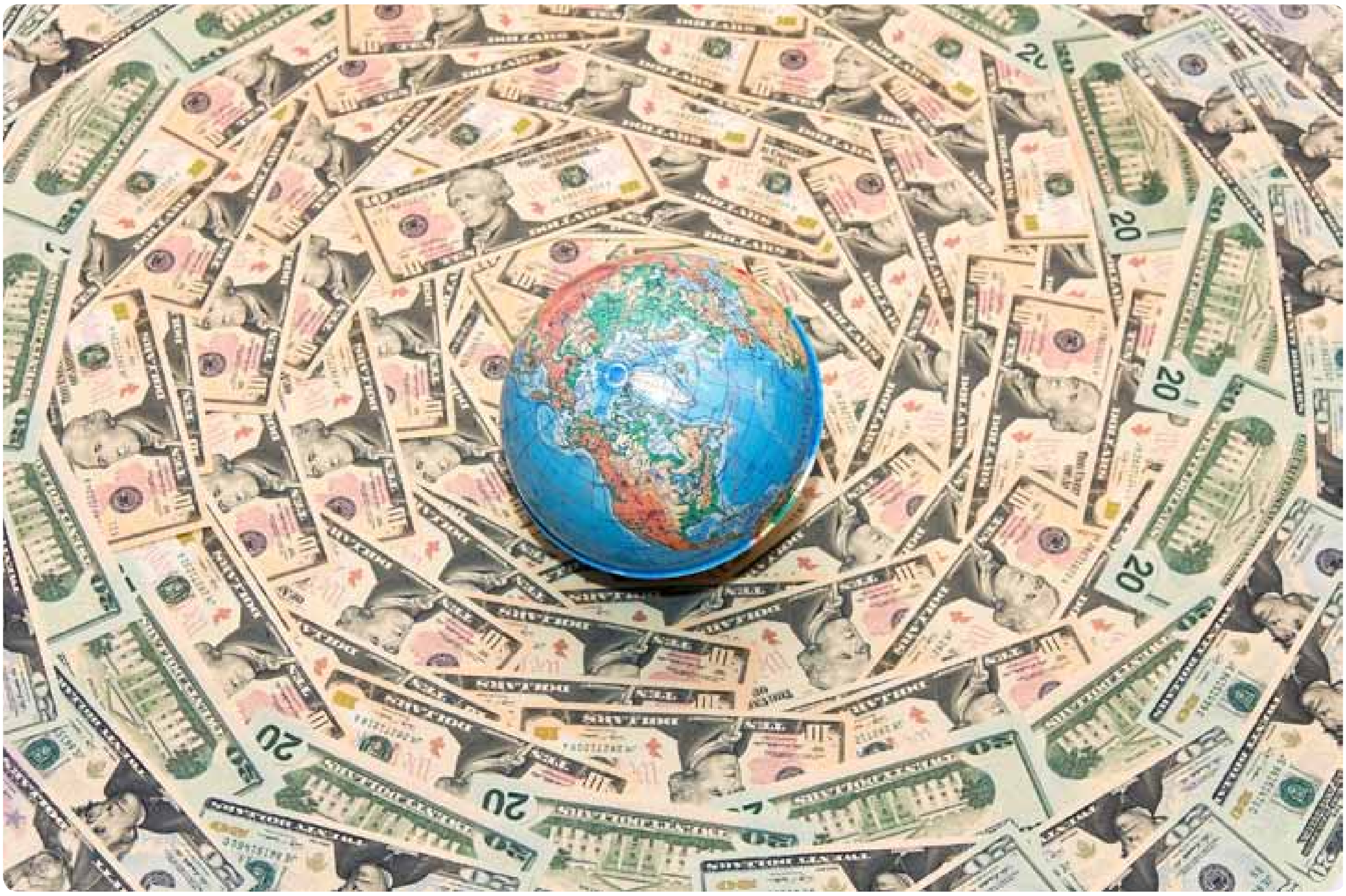
Speaking in October 2011, Derwent said that the "CDM certainly should continue and we believe that there are strong legal grounds that it should continue… We all have been talking about the need to scale up the CDM for god how knows long, and now it actually might be done. And there are lots of Parties who want that to happen. But you have to protect your negotiating flank from the position of the Bolivians and Brazilians who have specific blind-spots or objectives as regards the use of offsets." [27]

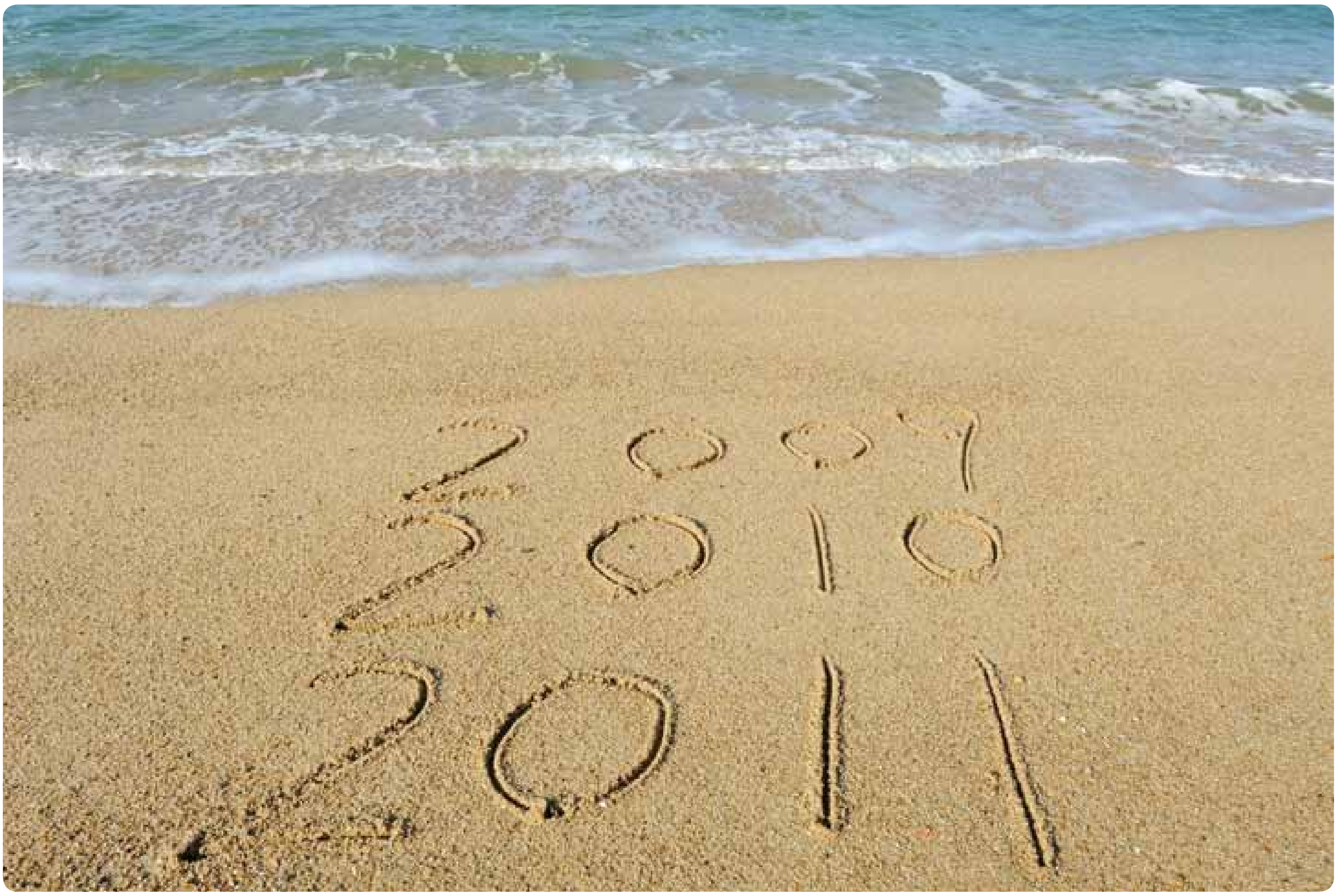
In fact, the UNFCCC's own lawyers were unable to confirm the possibility that the CDM bodies should continue in the absence of legally binding targets being taken by industrialised countries for the second commitment period of the Kyoto Protocol.[28]
At the opening of discussions at COP 17, several developing countries – including the regional grouping for Africa - stressed that the CDM could only continue if such commitments were made.[29]

In the absence of such an agreement, however, IETA is already pushing for new mechanisms that would lock-in a reliance on carbon markets. In particular, it wants a massive opening up of the rules on how carbon credits can be traded, so that these might be exchanged with other forms of credits from emerging 'ecosystem services' markets.[30]

It is also pushing for the use of carbon credits in a new green bond market that it proposes should be established to fund investment in developing countries.[31] These measures to shore up the carbon market have nothing to do with cutting greenhouse gas emissions, but are aimed at stimulating demand in a failing market.

To the same end, IETA's push for a comprehensive post-2012 climate treaty in Durban emphasises its desire for "clear and credible investment signals for the private sector over the long-term."[32] Once again, it is looking after the interests of its members, rather than the climate.





references

1 IETA website (undated), About, accessed October 2011, http://www.ieta.org/index.php?option=com_content&view=article&id=15&Itemid=114

2 IETA website (undated), accessed October 2011, http://www.ieta.org/our-members

3 IETA website (undated), Governance, accessed October 2011, http://www.ieta.org/governance

4 Henry Derwent (2008), Carbon Taxes and Revenue Recycling, Senate Finance Committee, 24 April, Henry Derwent, Biography, Carbon Forum North America, http://www.ietacarbonforum.com/2011/speakers/#post-id-539, accessed October 2011

5 US Senate (2008), Senate Finance Committee – Hearing Thursday 24 April 2008, Carbon Taxes & Revenue Recycling, Testimony of Henry Derwent, http://finance.senate.gov/imo/media/doc/042408hdtest.pdf

6 Christian Cubitt, Communication with Andy Rowell, Press Secretary to the Cabinet Secretary, 11 November 2011

7 Lydia Martin, Communication with Andy Rowell, Senior Press Officer Defra, 16 November 2011

8 Click Green (2009), Blair's climate man should have been handed two-year ban, 3 December, http://www.clickgreen.org.uk/analysis/general-analysis/12955-blair%E2%80%99s-climate-man-should-have-been-handed-two-year-ban.html

9 The Electricity Daily (2000), Should U.K. Embrace Two Types of Carbon Trading?, 10 May 2000, Volume 14, No 90.

10 IETA (undated), What is IETA 2011? p2, https://ieta.memberclicks.net/assets/SecretariatDocs/what%20is%20ieta%202011_brochure_sm.pdf

11 IETA (2010), IETA Priorities for 2011, IETA Secretariat, December, http://www.ieta.org/assets/Reports/ieta%20priorities%202011.pdf

12 FERN (2008), Bali Special, Issue 123 January, p2, http://www.fern.org/media/documents/document_4099_4102.htm; Peter Hardstaff, (2007), And the Biggest NGO in Bali? New Statesman, 10 December, http://www.newstatesman.com/global-issues/2007/12/bali-climate-change-emissions

13 Corporate Europe Observatory (2008), The International Emission Trading Association: Diverting focus from environment to markets, 8 December, http://climatecrashers.blogspot.com/search?updated-min=2008-01-01T00%3A00%3A00%2B01%3A00&updated-max=2009-01-01T00%3A00%3A00%2B01%3A00&max-results=7

14 IETA (undated), Schedule of Side Events & Carbon Finance Event at COP 14/CMP 4

15 PR Watch (2009), Polluters Pose as Saviours at Copenhagen, 13 December; http://www.prwatch.org/node/8759

16 IETA website (undated), Schedule of Side Events at COP 15 & CMP 5, accessed October 2011

17 IETA website (undated), UNFCCC COP 16 and CMP 16, http://www.ieta.org/index.php?option=com_content&view=article&id=107:unfccc-cop-16-and-cmp-6&catid=29:past-events&Itemid=92

18 IETA website (undated), Schedule of Side Events at COP16 and CMP 6, accessed October 2011 http://www.ieta.org/assets/EventDocs/ietacop16sideeventprogramguide-finalv2.pdf

19 Henry Derwent (2011), Interview with Andy Rowell, October; IETA Website, (undated), ETA Side Events at COP17, accessed October 2011, http://www.ieta.org/index.php?option=com_content&view=article&id=378:ieta-side-events-at-cop17&catid=28:events&Itemid=115

20 David Hone (2010), Cancun: A tale of two cities, 10 December, accessed October 2011, http://blogs.shell.com/climatechange/2010/12/cancun-a-tale-of-two-cities/

21 Jonas Meckling (2011), The Globalization of Carbon Trading: Transnational Business Coalitions in Climate Politics, Global Environmental Politics, May, p26

22 Wynn, G. and N. Chestney (2011), Carbon offsets near record low, worst performing commodity, Reuters, August 8; World Bank (2011), State and trends of the carbon market 2011, Washington, D.C., World Bank Group; J. Blas, Carbon prices tumble to record low, Financial Times, http://www.ft.com/intl/cms/s/0/29f0761c-1691-11e1-be1d-00144feabdc0.html. The World Bank data shows that the value of the CDM market has declined over the past four years, and is now lower than at any time since the scheme formally began in 2005.

23 Grainne Ryder (2007), Carbon Boondoggles, National Post, 26 April, http://www.probeinternational.org/catalog/content_fullstory.php?contentId=6016&cat_id=10

24 http://wikileaks.org/cable/2008/07/08MUMBAI340.html (currently unavailable)

25 India Market Conclave 2011 (2011), India's International Forum for Climate Policy and Carbon Markets, 7-8 September, New Delhi, http://www.ieta.org/assets/EventDocs/icmc2011-brochure-july%204%202011.pdf

26 IETA (2010), IETA Priorities for 2011, IETA Secretariat, December, http://www.ieta.org/assets/Reports/ieta%20priorities%202011.pdf

27 Henry Derwent (2011), Interview With Andy Rowell, October

28 Legal considerations relating to a possible gap between the first and subsequent commitment periods, FCCC/KP/AWG/2010/10, UNFCCC Secretariat, http://unfccc.int/documentation/documents/advanced_search/items/3594.php?rec=j&priref=600005922

29 Mimeo, opening session of CMP, 30 November, 2011 http://www.twnside.org.sg/title2/climate/news/durban01/durban_update07.pdf

30 IETA (2011), IETA response to the AWG-LCA call for input regarding new market-based mechanisms, February, http://unfccc.int/resource/docs/2011/smsn/ngo/236.pdf

31 IETA (2010), Green NAMA bonds: summary note, September, http://www.ieta.org/assets/PositionPapers/ieta%20summary%20note%20-%20%20nama%20linked%20green%20bond%20concept110211.pdf

32 IETA Website (undated), Post-2012 Working Group, accessed October 2011, http://www.ieta.org/index.php?option=com_content&view=article&catid=19%3Adefault&id=101%3Apost-2012-working-group&Itemid=121

www.foei.org

40 years

Friends of the Earth International