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A Key Climate Justice Question at COP25: What Role Should Carbon Markets Play in Meeting Paris Goals?

Environmental justice advocates and indigenous groups argue that emissions trading leaves the poor bearing the brunt of pollution.

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"You're privatizing forests in our Mother Lands so you'll be able to pollute more in our communities," said Tere Almaguer, an environmental justice organizer whose group works with communities near California refineries that feel that they bear the brunt of poor air quality from fossil fuel emissions. Credit: Allen J. Schaben/Los Angeles Times via Getty Images

Climate justice advocates at the UN climate summit this week are focusing their frustration over global climate inaction into one highly technical debate: What role should carbon markets play in meeting the promise of the Paris climate accord?

Carbon markets started as a way to offer polluters more flexibility as they try to meet national emissions reduction targets and, in theory, lower the cost. But past international emissions trading systems have failed to reduce emissions significantly, and representatives of vulnerable and indigenous groups argue that their communities end up bearing the brunt of pollution under such systems.

Writing the rules for future carbon market mechanisms to fulfill the Paris commitments is at the top of the agenda for the delegates of nearly 200 nations gathered in Spain through Dec. 13 at the 25th Conference of the Parties (COP25). But the task has proven so difficult that it remains the last unresolved portion of the Paris treaty rulebook.

The controversy around this part of the **Paris climate agreement**, known as Article 6, is even more striking given the long history of international discussions over carbon markets, which nations have looked to as part of the climate solution ever since adopting the United Nations Framework Convention on Climate Change in 1992. But to opponents in the environmental justice and indigenous people's communities, that long experience has engendered mistrust.

"Over and over again, carbon markets have proven that they are not effective in reducing emissions," said Tere Almaguer, environmental justice organizer for PODER in San Francisco. Her group focuses on organizing Latino communities—including those who live near California refineries and feel that they bear the brunt of poor air quality from fossil fuel emissions.

She says the state's carbon cap-and-trade system allows the oil companies to invest in far-flung carbon mitigation projects rather than cutting emissions at home, leaving the communities to continue suffering the consequences. Referring to industry investments in **forest preservation projects** in the developing world to earn credit for cutting emissions, Almaguer said: "You're privatizing forests in our Mother Lands so you'll be able to pollute more in our communities."

PODER is part of the It Takes Roots alliance of some 200 indigenous and grassroots groups in the United States and Canada, which declared Thursday "**No Carbon Markets Day**" at the talks, staging protests and panel discussions to urge delegates to jettison emissions trading.

Native women protested the treatment of indigenous lands during the third day of the UN climate conference in Madrid, Spain, Nov. 4. Credit: Eduardo Parra/Europa Press via Getty Images

A large coalition of businesses, including banks and oil companies, argued that the cost of climate action could be cut in half with the help of emissions trading. They say that could help nations set more ambitious emissions-reduction goals, as they will need to do if the world is to meet the goal of limiting global warming to no more than

2°C above pre-industrial levels. The International Emissions Trading Association (IETA), whose members include BP, Chevron and Shell, released **a report this fall** estimating that carbon markets have the potential to cut the cost of implementing the Paris accord by about $250 billion annually by 2030. About half of the nations' pledges under the Paris accord signal interest in using carbon market mechanisms.

What Went Wrong with Carbon Trading?

In theory, emissions trading gives nations a financial incentive to drive down emissions, because they'll get credits for their efforts—renewable energy projects, forestry conservation, and the like—that they can sell to other countries that are having trouble meeting their emissions targets. But in reality, international carbon markets established under the 1997 Kyoto accord have been plagued by mismanagement and outright corruption.

European Union nations handed out too many free credits to their industries when they established the first and largest carbon market, the EU Emissions Trading System, in 2005. As a result, the price of polluting was too low to drive a dramatic reduction in greenhouse gas emissions.

The failure was more dramatic in the other big carbon market established under the 1997 Kyoto accord—the Clean Development Mechanism, which channeled $138 billion into some 8,000 projects in developing countries. Those investments were meant to cut carbon emissions, but **one study** estimated that 85 percent of the projects would have happened with or without the CDM—meaning the value of the system was questionable at best. In one notorious case, the details of which became public because of litigation, **Brazil's power giant Eletrobrás** told the CDM Executive Board that its Amazon mega-hydroelectric dam projects needed CDM credit to attract investors, while telling investors the dams were fully viable on their own.

The EU Emissions Trading System has stopped accepting credits from CDM projects in Brazil, China and India, and California's carbon market won't accept CDM credits at all. As a result, the value of CDM credits, which peaked at about $23 per ton in 2008, are now down to about 30 cents, according to the World Bank's **latest review** of the state of the world carbon markets.

The World Bank report said there are 57 carbon tax or emissions trading initiatives underway in 2019, up about 10 percent over last year, mostly due to Canada's new carbon pricing policy. But only 20 percent of global greenhouse gas emissions are covered by a carbon price, and less than 5 percent of those are currently priced at levels that are "consistent with reaching the temperature goals of the Paris agreement," according to the World Bank.

"We've been on the front line for years working on mitigation and adaptation of climate change, and we have studied all the solutions coming out of these hallways of the UNFCCC," said Tom Goldtooth, from Indigenous Environmental Network, in an interview from Madrid. "In the early years, we were concerned about carbon markets, and whether it was a real solution or not, but I think everyone was waiting to see.

"Now, we know they don't cut emissions," Goldtooth said. "That's not what they're about. They are a trading agreement. We are banking on a solution that's going to save Mother Earth and the evidence is that this doesn't lead to them."

Transparency and 'Double Counting'

But there have been some carbon market successes. California's cap-and-trade carbon pricing system, despite the criticisms, is **ahead of its 2020 clean energy goals.** For the first time since California started to track greenhouse gas emissions, the state power grid used more electricity from zero-emissions sources like solar and wind power than from fossil fuel sources. In the northeast United States, states in the **Regional Greenhouse Gas Initiative (RGGI)** have cut their carbon emissions from power generation by 47 percent—90 percent faster than the rest of the country, according to **a study** by the clean energy nonprofit Acadia Center.

That's why some environmental advocates argue that Article 6 could be a crucial engine of emissions cuts under the Paris accord—if the design of the system is right. Some of the important issues are transparency and rules to prevent "double counting"—that is, more than one nation taking credit for emissions reduction projects.

Brazil has been one of the countries that has been pushing back against the double-counting restrictions as too limiting. In addition, Brazil Environment Minister Ricardo **Salles said this week** that his nation will view it as crucial for credits from the old CDM system to be carried forward in implementation of the Paris accord. "We can't disregard efforts done in the past," he said. "This is something very important for credibility."

The pressure to come to an agreement is great, especially with so much concern about nations' commitments being insufficient to stave off catastrophic climate impacts. Andres Couve, Chile's minister of science and technology, has called resolution of Article 6 the main objective of COP25. An agreement would be a "great triumph" for the conference, said Couve, whose nation represents the presidency of the conference even though the conclave was moved to Spain due to social unrest in Chile.

But Kelley Kizzier, associate vice president for international climate at the Environmental Defense Fund, argues no agreement on carbon markets would be better than a bad one. "Countries must resist the urge to just tick the box on getting the Article 6 rules done — they need to get them done right," she wrote **in a blog post on the eve of the talks**. "The integrity of the Paris agreement and countries' climate commitments hang in the balance."

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