Banking on biodiversity in Sabah, Malaysia

The trade in biodiversity credits has been positioned as a solution to the problem of biodiversity loss (especially orang-utan habitat) in Sabah. This approach, however, fails to recognise Malaysia's international political economy of palm oil and timber, the problems associated with the large-scale, export-oriented monocultures that replace Borneo's rainforests, overconsumption and corporate greed, high-level corruption and industrial logging. Local (indigenous) peoples, depicted as hunters and poachers, are made to appear as the "real threat" to Sabah´s wildlife. In turn, biodiversity offsetting enables the positioning of corporate and state actors as "saviours of nature".

The theory of biodiversity banking is simple: Nature doesn't have a price and humans therefore have no incentive to conserve it. As long as the degradation of biodiversity is without a monetary value, the destruction of nature is free, and its negative effects absent from corporate balance sheets and cost-benefit analyses. Ironically, it was environmentalists advocating to incorporate nature into decision making processes to "save nature" that served as justification for the introduction of cost-benefit analyses in the environmental realm in the United States in the 1980s. Ever since, biodiversity banking and similar market-based instruments have proliferated worldwide. They are promoted as progressive solutions to the ongoing loss of species and habitats by corporate social responsibility spokespeople, policy makers, some conservation NGOs and environmental economists alike. Market-based mechanisms, in the form of mandatory legislation (e.g. planning laws requiring biodiversity compensation) or voluntary instruments (e.g. offset purchasing), are used to price nature, and thereby "account for" the previously unaccounted effects of corporate business operations.

Yet, studies have shown that more often than not, offsetting mechanisms which allow for the compensation of the destruction of nature in one place with the restoration or conservation of nature elsewhere, don't actually lead to "no net loss of biodiversity". Beliefs in the restoration of degraded nature (often used to offset destruction of intact habitat elsewhere) are overly optimistic. What is usually ignored by those pushing for marketisation of nature is that biodiversity is unique and interconnected, not fungible or exchangeable; it forms part of a complex ecosystem and is embedded not only in an ecological, but also a social context, and holds non-monetary values for local communities who tend to be ignored in offsetting policies.

The Malua BioBank – forests, palm oil, politics and orang-utans

The Malua BioBank is one example of a voluntary biodiversity offsetting scheme in Sabah, Malaysia, and the first tropical conservation bank, set up in 2008. By purchasing Biodiversity Conservation Certificates that represent 100 square meters of rehabilitated and protected orang-utan habitat in the Malua Forest Reserve, corporations and individuals can compensate for their destructive biodiversity impact (caused by, for example, logging operations or palm oil agriculture). (1)

Malaysia is one of the world's leading palm oil exporters, and has lost much of its primary forest to deforestation and forest conversion. The BioBank was set up by the Sabah forestry department in

cooperation with an Australian investment manager (New Forests Pty Ltd., which manages investments in environmental markets and, together with the US-based asset management firm Equator LLC, manages the Eco Products Fund, a US$100 million investment fund) and a Malaysian-American NGO to protect habitat for the last remaining orang-utans on Borneo. The Biodiversity Conservation Certificates are registered at TZ1 Limited (now Markit), an infrastructure provider for environmental commodity markets. The state government is known for its “innovative approaches to conservation”, but simultaneously criticised for (illegal) timber extraction, premature (re-)logging and forest conversion for timber and palm oil revenues, even reclassifying ‘protected areas’ as ‘production forests’ to allow for additional logging, and sacrificing orang-utan habitat for export-oriented palm oil agriculture. Additionally, the state is often viewed as too lax in regards to enforcement of regulation on air and water pollution vis-à-vis palm oil corporations, infringement on indigenous peoples' rights, and abuse and exploitation of (foreign) workers.

The Malua BioBank was envisaged as a for-profit business model “to translate forest conservation into a tradable product so that biodiversity conservation could compete with other land uses on a commercial basis through the selling of Biodiversity Conservation Certificates”. Investment into nature was supposed to yield “competitive returns” to investors. Yet, rather than “accounting for” the multiple environmental impacts of the palm oil and timber industries – or indeed addressing the systemic problems of overconsumption –, the project resembled more of an opportunity to improve or greenwash the image of companies that purchased Biodiversity Conservation Certificates. Credits are being marketed and promoted internationally. Initially, one of the major investors interested in purchasing credits had been Shell International (who pulled out during the 2008 financial crisis).

Why and how has the Malua BioBank been set up?

The Sabah state government is dependent on palm oil agriculture, its 7.5% sales tax represents almost half of its GDP, and palm oil has become transnationalised capital, supported by international organisations such as the World Bank and the United Nation’s agency FAO. Since colonial times, the timber industry has entertained close relationships with the government; it is based on networks of political patrons granting timber concessions to key individuals in return for political support. Million-dollar scandals around illegal timber concessions, often at the cost of local people and involving high-level state officials, continue to be exposed. At the same time, the importance of the timber business is declining, as many areas of natural forest have been converted into oil palm plantations, and the forestry department is losing a significant source of income. The formerly very powerful and rich forestry department has thus been in need of new ways to secure finance, (international) legitimacy and power – while being under international pressure to conserve orang-utan habitat. Increasing taxation, regulating, or even enforcing and implementing existing legislation to stop further expansion of oil palm plantations is politically difficult. These historical circumstances, structural dependences as well as individual relationships of the forestry department with the Malaysian-American NGO that proposed the setup of the BioBank, as well as the individuals involved in the forestry department with an interest in conservation for financial and image reasons, made the creation of the BioBank so attractive. Yet, even businesses were not convinced by the idea, and the forestry director himself had to phone up timber corporations and ask them to purchase conservation certificates – allegedly in return for a laxer handling of environmental regulations and a celebratory handshake at the festive launch of the BioBank.

But how did the BioBank come to be seen as a solution to the problem of biodiversity loss (especially orang-utan habitat) in Sabah? It required a re-framing of the issue itself. Rather than recognising the international political economy of palm oil, the problems associated with the large-scale, export-oriented monocultures that replace Borneo’s rainforests, overconsumption and corporate greed, high-

level corruption and industrial logging, positioning the BioBank as solution is based on the depiction of local (indigenous) people as hunters and poachers, and therewith the “real threat” to Sabah’s wildlife. This plays into the broader modernisation discourse and the positioning of indigenous peoples as “backwards” and “opposed to development”. In turn, it enables the positioning of corporate and state actors as “saviours of nature”. The very same oil palm businesses that are known to ignore environmental legislation, infringe indigenous peoples' land rights and accept (if not support) the exploitation abuse of their workers, as well as the Australian investment company come to be seen as the “good guys”.

What does this do?

In effect, the Malua BioBank protects a piece of orang-utan habitat which had previously been protected, but was threatened due to lack of funding by/of the forestry department. At the same time, the possibility to offset may legitimise environmentally and socially destructive ‘business as usual’ by logging and oil palm companies, among others. Therefore, it fails to address the underlying reasons for biodiversity loss in Sabah – or indeed contribute to poverty alleviation, as often envisaged by the architects of neoliberal environmental governance makers. Local people lost access to a small river previously used for fishing (and armed rangers are now patrolling the borders of the BioBank), while the image of the state department as progressive, development friendly, yet environmentalist is strengthened both abroad and at home.

See further information at:
http://www.e-ir.info/2015/07/23/biodiversity-banking-from-theory-to-practice-in-sabah-malaysia/

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(1) It is important to point out that when purchasing Biodiversity Conservation Certificates, buyers agree that, formally, these ‘‘do not represent an offset against clearing or degradation of [additional] other forests”. However, interviews have shown that the purchases are indeed understood to represent compensation for previous damage, and that companies’ motivations are to secure regulatory goodwill and a good relationship with the government to be awarded more (logging) concessions in the future. There is no reason to assume that current practise of companies will not continue in the future.