World Bank: At the forefront of carbon trading

To put a shine on its green credentials at the World Summit on Sustainable Development, the World Bank plans to launch a new fund at Johannesburg, aimed at promoting the North-South trade in carbon credits in line with the so-called 'Clean Development Mechanism' . The 'Community Development Carbon Fund' builds on a three year experiment - the World Bank's Prototype Carbon Fund - but will be a separate initiative with its own statutes and governance structure with a specific focus on promoting small-scale projects which have a community development component. Although the focus of the fund will be on small-scale energy projects - biogas, mini-hydro, windfarms - the fund will also fund projects in forests, agriculture and plantations. The fund is being set up jointly with the International Emissions Trading Association.

In November, the World Bank plans to launch another fund with a more industrial orientation. The 'BioCarbon Fund' will focus exclusively on land use change projects. One window of the fund will finance projects within the current Kyoto Protocol framework but a second window will promote experimental projects in carbon sequestration through plantations, reforestation and averted deforestation that go beyond current international agreements. By adopting a 'learning by doing' approach, the Bank hopes to clarify the technical obstacles plaguing 'carbon forestry' and promote 'best practice'.

What does 'best practice' really mean? Best for whom? Whose interests are really being served? Much of the thinking behind the promotion of these 'carbon forestry' experiments emphasizes potential contributions to promoting fibre production to meet burgeoning consumer demand for paper and pulp, satisfying global demand for wood products and protecting biodiversity. Best practitioners are said to be large plantation companies, global retailers in forest products, large investment funds providing capital resources for these new forestry schemes. But what are the real implications of 'carbon forestry' for local communities?

Large-scale projects are likely to take over large areas of land and forests and are bound to have major impacts on forest dwellers. The 'best practices' that forest peoples have advocated, to give them a chance of dealing with these threats - recognition of their land rights and the right of free and informed consent - are just those that the World Bank has repeatedly refused to recognize in its redrafting of its policies on dams, resettlement, indigenous peoples and forests. What are the chances that the Bank will adopt stronger standards for carbon forestry than those it has adopted for its other development initiatives? If 'best practice' is not underpinned by mandatory requirements, we can be sure that 'worst practices' will result.

As for community-based alternatives, involving local communities in 'carbon forestry' is not just a cunning way of getting them additional funding for what they are doing anyway. Such activities fail the test of 'additionality'. 'Carbon forestry' projects will require communities to adopt new practices that will create long-term and additional stores of carbon. If these projects go wrong, failing to store carbon in as large a quantity or for as long as was planned, who will be liable to repay investors? There are real concerns that carbon forestry projects will expose the poor to additional risks they cannot afford to bear.

Pressures to select species that store carbon fast, may also skew carbon forestry away from a selection of the diverse and valuable multi-purpose tree species that underpin local livelihoods. Carbon forestry may thereby not only lessen biodiversity but may also jeopardize cultural and livelihood diversity.

Setting up a myriad of small-scale schemes and paying for the external certification required to verify the effectiveness of carbon-stores will also imply huge extra transaction costs both for the Bank and for communities but the modalities for providing grant funds to help communities meet these overheads are not yet in place. The Bank hopes to lessen its costs by working through 'intermediary organisations' - the risk is that these will not represent local views and concerns and the process may promote patron-client relations that perpetuate the marginalisation of the poor and powerless.

Sceptics worry that the Bank is setting up these initiatives to push negotiators at the InterGovernmental Framework Convention on Climate Change into accepting carbon trading as the main way to address global warming. They also fear that, by promoting all these funds the Bank is lining itself up as the obvious agency to have responsibility for implementing these agreements once they are made. Jobs for the boys or a real opportunity for the poor?

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