Blood Coal for Blood Carbon in Colombia: Expansion of Carbon Taxes with REDD+ underscores the Failure of Carbon Pricing

This article is part of the publication 15 Years of REDD:

A Mechanism Rotten at the Core

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Countries in the global South have been ‘encouraged’ to build their own carbon pricing systems, which has often meant issuing laws and regulations that impact community territories. This article outlines the carbon pricing system in Colombia and reveals how mining companies have been using REDD+ to legally avoid paying taxes while claiming ‘carbon neutrality’. Glencore, a major multinational mining corporation which has caused pollution, violence and evictions in Colombia, is given a carbon tax break because of its investment in a land-grabbing offset program.

This article outlines how violent ‘blood coal’ producing corporations in Colombia are given a carbon tax break for investing in a land-grabbing forest offset program on the other side of the country - impacting Afro-Colombian communities and Indigenous Peoples on both sides.

Situated in the northeast of Colombia, the largest open pit coal mines in the western hemisphere span the regions of Cesar and La Guajira. The mines have been the sites of violent extraction for decades since their installation in the 1980s by the notorious US corporation, Exxon. It is referred to as ‘blood coal’ in the region because of the historical and ongoing violence associated with the coal mining corporations. Groups and communities resisting its extraction are confronted with extreme violence from military and paramilitary forces, death threats, criminalization and intimidation. 98 percent of the coal is exported. Historically, the majority of the coal has gone to Europe (1).

Adding to the violence at extraction and combustion sites, the climate change mitigation policies themselves create financial loopholes and subsidies for the extractive industries. This is carbon pricing, which allows the use of carbon offsets instead of dealing with reducing fossil fuel extraction at source. Carbon offsets allow extractive industries to continue polluting. For years we have seen the flawed system equating emissions from fossil fuel energy overproduction with land-based conservation programs. Fossil fuel energy extraction should not be confused and mixed with the very complex and historically racist arena of conservationism. In the last five years, carbon pricing systems have proliferated in the global South.

Drawing on fifteen months of research in Colombia, this article outlines the carbon pricing system in this country and demonstrates how Glencore, a major multinational mining corporation, is eligible for tax cuts by buying carbon credits from REDD+ projects while claiming ‘carbon neutrality’. This article focuses on Glencore's subsidiary Prodeco, which operates in the northeast region of Cesar. Yet, it is important to note that as of early 2021, Glencore is now the sole owner of the Cerrejón mining operation (2) and operates the vast mining operation in neighboring La Guajira, severely impacting Indigenous Wayúu communities. (3)

Carbon Pricing

At the UN Secretary-General's Climate Leadership Summit in September 2014, due to the low prices of carbon credits at that moment, seventy-four countries, twenty-three states, provinces and cities, and over 1000 businesses and investors with more than US24 trillion dollars in assets met to discuss a series of new initiatives to 'price carbon'. This move was despite overwhelming evidence that carbon markets were failing to reduce emissions.

The new carbon pricing plan aimed to link emissions trading systems, carbon taxes, REDD+ and other pricing programs. At the same time, the aim was to link pricing on a global scale in order to increase the 'flexibility' of the financial markets for the largest polluting industries and most powerful industrialized governments in the world.

Countries in the global South were encouraged to build their own national carbon pricing systems to get ready for a global carbon pricing system. This was further established through the plans put in place in Article 6 of the UN Paris Agreement. In 2015, the year the Paris Agreement was adopted at the UN climate meeting in Paris, France, Colombia committed to reduce 20 percent of its emissions by 2030. In order to do this, commitments were made to extend protected areas, reduce deforestation, protect the páramos (specific wetlands), increase conservation of the river basins, and build up a program for climate change mitigation and adaptation frameworks. Since 2015, a series of laws for carbon pricing have also been introduced in Colombia.

The first was Law 1753 (2015), where Article 175 created a Greenhouse Gas Emissions Inventory. The law includes REDD+ to be regulated by the Ministry of the Environment and Sustainable Development. In 2016, the government passed an overarching tax reform law that included a carbon tax (Law 1819). The law applied a CO2 tax to the combustion of gasoline, kerosene, jet fuel, ACPM and fuel oil, but notably not coal. Natural gas is also taxed but only for use in industry from hydrocarbon refining and petrochemicals, and liquefied petroleum gas (LPG) and only for sale to industrial users. The emissions from these fuels represent about 27 percent of the country's total emissions. The tax was initially set at 15,000 pesos (US5.5 dollars) per ton of carbon dioxide equivalent (tCO2e) and is scheduled to increase annually until it reaches around US11 dollars per tCO2e.

In 2017, Decree 926 included a 'carbon neutral' provision, allowing for carbon offsets to be purchased in place of paying the carbon tax through third-party verifiers. It is not uncommon for amendments or decrees for offsets to be introduced after an initial carbon tax is set up, as it happened in Mexico. Several projects are eligible to sell carbon offset credits in Colombia. Among them are REDD+ projects. Referred to as 'nested-REDD+ projects' (or sometimes also called 'jurisdictional REDD+', meaning that several projects in the same geographical area are put together), the Colombian government has allowed over 75 REDD+ project to be registered as of May 2021 and the numbers are rising fast.

REDD+ projects have been widely criticized for targeting Indigenous Peoples' ways of life and territories, driving up land prices, increasing violence and causing community division. Indigenous Peoples' organizations and forest-dwelling communities have argued that REDD+ is a colonial mechanism that allows corporations to take control of forests by putting a price on nature. On top of this, deforestation rates have not halted with REDD+.

Colombia was hailed as a Carbon Pricing Champion. In 2017, Colombia, as part of the Pacific Alliance Countries (Chile, Mexico, Colombia and Peru), signed the Cali Declaration to reaffirm the Paris Agreement and to strengthen the voluntary markets of the region. That same year, Colombia joined the World Bank Carbon Pricing Leadership Coalition (CPLC) to link developed and developing countries in the carbon pricing markets. Colombia joined the One Planet Summit in Paris with Canada, Chile, Mexico, Costa Rica, and seven states from the US and Canada to launch the Carbon Pricing in the Americas cooperative framework and build a trading platform to link carbon markets across the hemisphere.

If corporations abide by the offset **provisions, they are able to claim 'carbon neutrality' and avoid full taxation.** These carbon offsets must have been generated after 1 January 2010 and implemented inside Colombia. The Colombian carbon tax program has thereby encouraged the development of more REDD+ projects.

Originally, the tax revenue was to go into the Fondo Colombia Sostenible (FCS—Colombia Sustainability Fund). This is an initiative of the Government of Colombia financed by Norway, Sweden, and Switzerland which carries out conservation programs, including REDD+, in 277 municipalities throughout Colombia. The fund is administered by the Inter-American Development Bank (IDB) based on a Joint Declaration of Intent (DCI) signed by Colombia, Norway, the United Kingdom and Germany at the 2015 UN climate talks in Paris. In 2019, during the climate talks in Madrid, Spain, the Fund was renewed.

Colombia's Climate Change Law of 2018 integrates the domestic carbon pricing program. It includes, among other things, the Programa Nacional de Cupos Transables de Emision de GEI (PNCTE—National Programme of Tradable Emission Quotas of Greenhouse Gases) operated by the Government. The law allows for one carbon unit to be recognized and paid into the carbon tax offset scheme, thereby linking carbon trading, carbon taxes and carbon offset systems.

Colombia is further considering how to link its domestic programs to international markets. Yet, **it is important to remember that each of the carbon trades represents real pollution and real violence on communities at the pollution and extraction sites**.

Afro-Colombian communities impacted by coal mining and REDD+ in Colombia

The REDD+ projects Cocomasure and BioREDD+ are located on the Pacific coast where Afro-Colombians have land rights to more than 5 million of the 10 million hectares of tropical forest. Glencore's Colombian coal mining subsidiary, Prodeco, and oil company Chevron were among the first REDD+ buyers throughout Colombia.

Glencore/Prodeco's Director of the Environment explained that they were involved in the policy negotiations to build the carbon tax legislation but also informed by conservation NGOs: "The carbon tax started here in 2016 and began to be implemented in 2017 ... It arose from us.... we participated in everything regarding the emergence and discussions of this legislation. We consulted on the birth of all of this legislation. But it really was a theme that for the mining industry in Colombia was relatively new. It took us a while to understand it and finally it was through allies like Conservation International because we already have several projects with them" (personal communication 2019, emphasis added).

The Cocomasure project began in 2011 and is located in the Choco-Darien Corridor in the Urabá Antioqueño. The project has generated 40,000 carbon credits throughout about 14,000 hectares where 20 communities live. The carbon credits have been purchased by Glencore's Colombian subsidiary, Prodeco, to compensate for its diesel fuel emissions caused during operations. This early project was emblematic because it set a precedent for more REDD+ projects to be set up and later link to the Colombian carbon tax system.

On the other side of the country, Glencore/Prodeco's coal mines are located in the northeast Caribbean and also impact Afro-Colombian communities. The communities near the coal mines in Cesar suffer water scarcity, dangerous levels of pollution, years of violence and evictions, land grabbing and discrimination (4). Prodeco opted to prepurchase REDD+ credits instead of paying the carbon tax.

The BioREDD+ program was developed by the USA development agency USAID in 2013 and replicated the Cocomasure REDD+ project in eight other communities.

Fondo Acción is the contract operator of the BioREDD+ project for USAID. Prodeco and Conservation International (CI) work together on several projects related to Payments for Environmental Services, and it was CI which encouraged Prodeco to get in touch with USAID. Prodeco signed the contract with Fondo Acción to purchase the credits. Fondo Acción has been involved with compensation and conservation finance for many years. They were the implementing NGO involved in the 2004 debt-for-nature-swap with the US. Prodeco's Director explained that Fondo Acción acted as a facilitator between Prodeco and the communities (personal communication 2019). He also explained that Fondo Acción knows how to communicate "to the private industry in their language, about contracts and the financial issues" (personal communication 2019). He went on to say:

"They [Conservation International] made contact with USAID and with Fondo Acción, which had been working on the REDD project in the Pacific for more than five years, even before carbon taxes were generated in Colombia. There is a USAID project which is a very, very large project, which is called the BioREDD project, which was basically the impulse that generated the structuring of the REDD project in the Pacific, by replicating the model of the REDD Project, that was a pioneer in the country." (personal communication 2019).

Despite the Director's confidence, when Fondo Accion approached communities to sell REDD+ credits to Prodeco, the communities said no. They resisted and said they would not be involved with a coal corporation. However, according to Prodeco's representative, it was Fondo Acción who argued on behalf of Prodeco:

"Because in fact they [the community assembly or consejo] said, "No, it is a mining company that is going to buy them. It is a mining company." But Fondo Acción, said, "They are not just any mining company, it is a responsible company, ta ta tal ta ta tan tan [blah, blah, blah] And we left with the commitment and we made the agreement, but we still have to explain who Prodeco is [to them] and learn more about them [the community]. That is a process we are in." (personal communication 2019).

In effect, with the REDD projects Prodeco would pay about one-quarter to one-third of the amount of the carbon tax, which adds up to a significant financial saving for the company. Besides, Prodeco would garner not only tax benefits but good climate public relation endeavors for being categorized as 'carbon neutral'.

Today, the over 75 nested-REDD+ projects are essentially used as a fossil fuel subsidy/offset through the Colombian carbon tax program. Several of the programs are located in the Amazon with at least over 17 Indigenous communities involved.

While the UN, carbon brokers, development and conservation institutions argue about getting the carbon accounting correct, they miss the real point. There is no carbon calculus to fix this flawed system. Setting baselines, building it bigger and addressing the risk of premature carbon releases will never keep fossil fuels in the ground. It is time they stop mixing in conservationism with the need for drastic fossil fuel energy reduction. **Fossil fuels must be phased out and kept in the ground, while the ongoing racist and socioeconomic violence at extraction, combustion and transport sites must stop now**.

No blood carbon pricing system can achieve keeping blood coal, or any other fossil fuels, in the ground.

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August 2021

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