

Rio +20 summit

Whose green economy?

May 2012



Twenty years after the original 1992 UN Earth Summit, the world is again gathering in Rio de Janeiro to discuss the future of sustainable development. A key objective of the summit, taking place in late June this year, is to chart the way towards a green economy.

This may sound like good news, but the Rio +20 summit risks being hijacked by corporate lobbyists and their supporters in rich industrialised countries, including the UK government, who want to subject nature and ecosystems to the whims of the market.

Using 'green' language as a cover, rich countries are lobbying for new markets to be created in biodiversity and ecosystems – common goods that we all need and enjoy. If successful, this could have wide ranging consequences, including the destruction of livelihoods, the corporate confiscation of land and the extinction of species for the profit of a small number of wealthy individuals and companies.

What's at stake at Rio +20?

The UN Conference on Sustainable Development (Rio +20) will be a gathering of world leaders, UN agencies and other interested parties held in Rio de Janeiro from 20- 22 June 2012. The summit, which is taking place at a time when the world is facing unprecedented environmental degradation and the threat of catastrophic climate change, will be themed around the idea of building a 'green economy'.

However, civil society expectations for the summit are low and Rio +20 stands little chance of producing the breakthrough needed to resolve the environmental and economic problems that face the world's poor.

The likely outcome of the conference will be a declaration to define the future of sustainable development and build on the original 1992 Rio Declaration of Environment and Development (commonly known as the Rio Principles).

The draft text of this declaration (known as the 'Zero Draft') contains some positive features. For example, in its current form, it recognises the limitations of using Gross Domestic Product (and by extension economic growth) as a measure of well-being and reaffirms a number of important rights such as the right to food and clean water. It also lays the groundwork for the establishment of a stronger UN agency on the environment.

However, it is also a vague and general document, offering little in the way of concrete action. Crucially, it fails to define what is meant by a green economy and opens the door to vastly differing interpretations of what this might entail.

The 1992 Earth Summit

The original Rio Earth Summit in 1992 was a milestone event which cemented an understanding of the inseparability of environmental protection and development. The summit approved a set of 27 principles for sustainable development (the Rio Principles) and a document called Agenda 21 that outlined more specific ways in which the principles could be implemented.

Among the most important of these principles was the Precautionary Principle, which stated that lack of scientific certainty is not a reason to delay action to avoid potential damage to the environment. Another key achievement was the agreement that rich and poor countries shared a "common but differentiated responsibility" for problems such as climate change, thus recognising that wealthy countries bear a greater historical responsibility to solve these problems than developing countries. The summit also produced a dedicated UN treaty on climate change - the UN Framework Convention on Climate Change (UNFCCC) - and the Convention on Biological Diversity which defines the protection of biodiversity as a development issue.



Whose green economy?

For WDM and our allies in the global south, the main issue at stake in Rio is defining what shape a future green economy will take.

The notion of a green economy may sound good, but the problem is that no-one has agreed what this actually means, allowing big business and the financial sector to define it in a way that reflects their interests.

Consequently, Rio will be a battleground between two competing visions:

The first is a vision for a true green economy in which the interests of people and the planet are elevated above those of corporate profit. In a true green economy, the limited capacity of the planet would be respected and the obsession with economic growth and unsustainable consumption replaced with a focus on how everyone's needs can be met in a truly sustainable manner.

The alternative is a false green economy. This is the path being pursued by the financial sector and their allies in rich industrialised countries who want to expand the scope of financial markets in the name of conservation and preserve their privileges at the expense of the world's poor.

The false green economy: the financialisation of nature

A number of governments, banks and multinational companies are using the Rio +20 summit to promote a false version of the green economy that entails the privatisation and commodification of the natural world through market based mechanisms.

If implemented, this will lead to what many are calling the financialisation of nature, as the financial sector becomes involved and gains control of new green markets. This will include the creation of artificial markets in which speculators buy and sell financial instruments linked to hitherto unpriced natural goods such as water and biodiversity.

Proponents of the false green economy sound like they are saying all the right things. They appear to accept the need to protect the environment, reduce carbon emissions and talk of placing a proper 'value' on nature.

The problem, they argue, is that the environmental cost of human activities is not priced into the market. At the moment, environmental degradation is what economists call a negative externality: a negative effect of human economic activity that is not accounted for in monetary terms. In other words, companies can currently damage the environment and destroy the livelihoods of people dependent on natural resources without having to pay for the social and environmental costs of their actions. By placing a price tag on nature and attributing economic value to the 'services' nature provides for free, proponents of financialisation argue that companies will try to avoid damaging the environment.

This argument, although compelling at first, hides a grim reality.

Once you accept the premise that nature has a monetary value, you also accept that it is possible to buy your way out of social and environmental obligations. Taken to extremes, this means that an investor could concrete over the Lake District and then claim that this is fine, as long as they have paid the price, either with money or offsetting the damage by planting enough trees in another part of the world. Of course, something like this would be highly unlikely to happen in the UK due to strong regulations protecting the environment and national parks. But for millions of people in the developing world who depend on forests, rivers and the land for their survival, the push for deregulation forced upon them by the rich industrialised countries has meant that they could be left exposed to the impact of whatever activities companies decide are most profitable.

Subject the natural world to cost-benefit analysis and accountants and statisticians will decide which parts of it we can do without. All that now needs to be done to demonstrate that an ecosystem can be junked is to show that the money to be made from trashing it exceeds the money to be made from preserving it.¹

George Monbiot, Guardian columnist

Instead of protecting nature, the corporate vision of the green economy could lead to the devastation of habitats, destruction of forests and the privatisation of land and resources by multinational companies, taking these away from the communities which depend on them.

The rise of financialisation

Financialisation, which means the increasing dominance of financial markets over the real economy, is nothing new: the proportion of the global economy controlled or influenced by the financial markets has been rising since the 1970s. Speculators traditionally bet on things like interest rates or foreign currency. But deregulation has meant that, since the mid-2000s, financial speculation has contributed to determining the price of basic food products such as wheat and sugar. While food speculation has been a disaster for the world's poor, contributing to massive spikes in staple food prices and causing hunger across the globe, it has been very lucrative for a tiny minority of financial speculators.

Although speculators already make large profits from trading financial instruments linked to a plethora of underlying commodities, they can't yet make money betting on the extinction of species or the value of ecosystems. At Rio +20, this is exactly what is on the table, under the guise of a 'green economy'.

Failed markets: the example of carbon trading

The theory behind carbon markets is similar to what is being proposed at Rio +20 for ecosystems and biodiversity – that putting a price on negative social and environmental externalities will encourage companies and governments to refrain from harmful activities.

But carbon trading schemes, such as the Clean Development Mechanism and the EU Emissions Trading Scheme (ETS), have failed to significantly reduce greenhouse gas emissions.

In the EU Emissions Trading Scheme, the cap on emissions was set at such a lenient level that the price of a permit to emit one metric tonne of carbon dioxide fell to under £5 in April 2012.² This has meant that companies have had little incentive to reduce emissions at all. Instead, all that has happened is that firms in rich industrialised countries have ‘offset’ their emissions by purchasing cheap credits from developing countries, in some cases through socially harmful projects involving human rights violations and corporate land grabs.³

Furthermore, carbon trading has actually served to lock in high emissions activities. The over-allocation of free emissions permits by the EU has allowed high-carbon firms to make large windfall profits from the sale of excess carbon credits, perversely meaning that the ETS is subsidising high carbon industry at the expense of firms which already operated on low emissions.

Forest- dependent communities: victims of market-based mechanisms

The harmful effects of the commodification of forests are already being felt by indigenous forest peoples across the world through the REDD+ (Reduction of Emissions Through Deforestation and Forest Degradation) scheme.

The idea behind REDD+ is that if the carbon stored in forests is valued and quantified, forests will be seen as more valuable standing than they would be cut down. Private companies will have to earn the right to cut down trees or emit carbon either by planting new trees somewhere else (plantation) or by instituting better forest management.

However, by allowing companies to ‘offset’ deforestation with the creation of new plantations, REDD+ has actually opened the door to the legal destruction of rainforests and the confiscation of land from local people who often do not have formal ownership deeds to the land they have used in common for generations.

In a number of cases, REDD-type programmes have led to the criminalisation of indigenous communities who stand accused of illegal logging for continuing practices they have employed for centuries. In some cases, this happens while trees are cut on an industrial scale by logging companies that have purchased the right to do so.⁴

“REDD+ threatens the survival of indigenous peoples and forest-dependent communities and could result in the biggest land grab of all time.”⁵

Statement by the Global Alliance of Indigenous Peoples and Local Communities against REDD and for Life.

For example, in Uganda, over 22,000 people have been evicted from their land at gunpoint to allow the UK firm New Forests Company to plant trees in order to earn carbon credits.⁶ Meanwhile, the destruction of 7,100 hectares of

the Mabira Forest to make way for sugar cane plantations has been approved by Uganda’s president.⁷

Ecosystem services and biodiversity banking

Financial markets in ecosystems and biodiversity are a next step on the route to the total commodification and ‘marketisation’ of nature. The arguments for this are put forward in a report called The Economics of Ecosystems and Biodiversity (TEEB), written by a team led by Pavan Sukhdev, a former banker at Deutsche Bank.⁸

The report argues that in order to protect the natural world we must consider it in financial terms. This means that forests and rivers become ‘natural capital’ and natural processes such as pollination by bees become ‘ecosystem services’ provided by corporation Earth. Of course, in order to pay for these services there must be a reliable way of quantifying their economic value. To do this, the report advocates the use of a technique called ‘benefit transfer’ to extrapolate the financial value of a given ecosystem from a database of other ecosystems sharing similar characteristics.



A demonstration against the REDD+ (Reduction of Emissions Through Deforestation and Forest Degradation) scheme

Photo: Ian Mackenzie



Photo: WDM

A WDM protest outside Barclays AGM in 2011. Barclays is the UK's leading speculator on commodities.

If implemented, these ideas would result in 'biodiversity banks' and speculators trading in financial instruments derived from the artificially assigned value of ecosystems. Nascent markets in biodiversity already exist and a number of 'wetland banks', which trade in the financial value of wetlands as ecosystems, have already been established in the USA.

Biodiversity banking could allow financial speculators to buy derivatives linked to 'biodiversity bonds' which would pay out only if the population of a certain endangered species stays above a defined threshold.⁹ In other words, speculators would be betting on the likelihood that a given species will become extinct or not.

Financial speculation on water?

Another worrying possibility, further into the future, is the establishment of a global market in clean water and a market in water speculation on the back of this.

"I expect to see a globally integrated market for fresh water within 25 to 30 years... Once the spot markets for water are integrated, futures markets and other derivative water-based financial instruments — puts, calls, swaps — both exchange-traded and OTC will follow.."¹⁰

William Buitter, chief economist at Citibank

WDM has previously campaigned against the privatisation of water utility services in the global south. The involvement of private companies from rich industrialised countries in water distribution has led to sharp rises in household bills in poor countries and little improvement in water access. For example, in Tbilisi, Georgia, the privatisation of the state-owned water company in 2007 resulted in a 262 per cent rise in tariffs between 2007-10.¹¹

The impact of speculation on food commodity markets has been increased food prices and increased volatility in these prices, leading to hunger and malnutrition. Water and peoples' access to water should not be subjected to or dependent on financial markets.

The alternative to financialisation: a true green economy

A true green economy would embrace economic justice: the right of poor communities to determine their own path out of poverty, and an end to harmful policies which put profit before people and the environment.

Far from expanding the scope of markets to the domain of nature, a true green economy would mean the opposite, reversing the tide of commodification and financialisation, reducing the role of the market and the financial sector.

Re-regulation and other positive proposals in the Zero Draft

One aspect of this is the adoption of stronger regulations on both the global and national level and solid legal barriers to activities that cause social and environmental damage.

In contrast to failed market-based experiments such as carbon trading, regulation is a proven instrument that can work to protect the livelihoods of the world's poor and prevent the worst excesses of corporate greed.

On a global level, such regulation could include the adoption of new global carbon taxes on the highly polluting aviation and shipping sectors or the adoption of stricter, enforceable international standards on the protection of the environment. At an EU level, this could mean the introduction of limits to speculation on food, including restrictions on the involvement of banks and other financial players in food markets. And within the global south this would mean a reversal of the regulatory race to the bottom between poor countries in order to attract foreign investment.

Other positive proposals in the Zero Draft include, 'sustainable public procurement policies, ecological tax reforms, public investment in sustainable infrastructure—including public transport, renewable energy, or retrofitting of existing infrastructure and buildings for improved energy-efficiency.'¹²

Other proposals, such as 'public support to green innovation', and 'research and development on environmentally sound technologies' could be very positive or very concerning depending on the sorts of technologies defined as 'environmentally sound'. For example, GM crops, geo-engineering and other techno-fixes, do not constitute part of a truly sustainable solution.

Food and energy sovereignty

But regulation is only part of the story. The more fundamental principle of a true green economy relates to the concept of the commons: the idea that there are some things that are too important to be determined solely by the fickle world of markets. Where markets seek to take power away from the people and distribute resources according to the participants' ability to pay rather than need, a commons-centred approach treats nature, the environment, food, water and other vital aspects of our lives as something

we all share rights to and a responsibility for.

Food and energy sovereignty are part of this rapidly developing, commons-centred, alternative view of how we should run a truly green global economy.

Food sovereignty is a system in which “the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods” is upheld. Unlike food security, which is simply concerned with people having access to sufficient food, food sovereignty means that people have the right to define their own food and agriculture systems.

Food sovereignty is a holistic concept originally developed by the global peasants’ movement, La Via Campesina, and later consolidated at the Forum for Food Sovereignty held in the village of Nyéléni in Sélingué, Mali in February 2007, where more than 500 people representing peasants and family farmers, fisherfolk, landless people, rural workers, consumers and environmental and urban movements from around the world published a declaration, setting out six principles of food sovereignty.

These principles include treating food as a right not simply as another asset or commodity to be used, traded or speculated on for profit; one where trade occurs mainly on local markets, and is just and equitable; one which rejects privatisation and corporate control of resources such as water and seeds, and which cools the planet rather than contributing to climate change.

For more information on food sovereignty, see WDM’s briefing *Transforming our food system: The movement for food sovereignty*.

Civil society groups are also beginning to develop the concept of energy sovereignty in response to the devastating impact of climate change already being felt in the global south. Energy sovereignty recognises access to clean energy as a human right, and returns its control to users, rather than remote corporations that seek to profit from its trade regardless of its impact on consumers, and have no interest in the sustainability of its generation.

At a small scale, energy sovereignty in practice can already be seen in a range of places across the world, from a mini hydro-electricity cooperative in rural Brazil to a community solar energy project in Brixton.¹³

Other issues being discussed at Rio

Rio +20 has also become the focus of a tug of war between the developing countries of the G77 and rich countries like the UK which are trying to use the summit to undermine the 1992 Rio Principles and the painstakingly negotiated basic rights to water and food.

At the third intersessional meeting held in New York on 26- 27 March to prepare for the conference, the USA, UK and other ‘developed’ countries went on the offensive, demanding that all references to the universal right to



Photo: Donkeycart

The International Nyeleni Forum for Food Sovereignty in Mali in 2007 which called for a global food sovereignty movement.

food and water be removed or de-emphasised within the Zero Draft document. They also tried to remove explicit references to the principle of common but differentiated responsibility which recognises that rich industrialised countries such as the UK bear a greater historical responsibility for environmental degradation and climate change than poorer countries in the global south.¹⁴

The G77 group of 131 developing countries are resisting these efforts and pressing for reform of the global financial system and the inclusion of references to the unsustainable patterns of consumption and production in developed countries.

However, the experience of previous international summits and negotiations, such as WTO trade negotiations and UN climate conferences, suggests that rich industrialised countries usually get their way through bullying and strong-arm tactics, such as sidelining developing countries’ negotiators or threatening to withdraw aid money.

Another key issue is the role of technofixes such as genetically modified food, geo-engineering to help mitigate climate change and agrofuels.

These are not part of a true green economy. Multinational corporations support technofixes because they enable them to keep making profits and legitimise the continuation of harmful practices. Geoengineering methods such as whitening clouds with seawater and building artificial volcanoes to inject sulphur dioxide into the sky sound like the realm of fantasy, but they are being promoted as solutions to climate change by commercial interests in order to continue to grow and avoid having to reduce emissions.¹⁵ In agriculture, there has been a great push for genetically modified food and intensive farming methods that keep power in the hands of companies at the expense of people engaged in small-scale agriculture in the developing world. There will also be strong pressure for the summit to endorse the use of agrofuels derived from agricultural products like palm oil which have led to land grabbing and deforestation across the global south.

What is the UK doing?

The UK has so far been one of the most vocal advocates of the corporate green economy and is likely to be one of the most negative influences on the conference floor. A Green Economy Council bringing companies like Ford and IBM together with UK ministers has been formed by the government.¹⁶ These are the voices being heard by the government at the moment. This means it is vital that WDM and its allies get the message to the UK government that it is people and the planet, not big business, which should shape the future green economy.

What is WDM doing?

At Rio +20, WDM and our allies in the global south will be demanding that the voice of the 99% is heard. We will be calling for the summit to promote a true green economy based on common responsibilities towards the planet's resources and not the corporate green economy being pushed by the UK government, the World Bank and the financial sector.

We will be doing this from both the conference hall itself and from the alternative summit planned to coincide with the main event. From Rio de Janeiro, we will be exposing the dirty tactics used by rich countries to bully developing countries into giving in to their demands and we will join in the global battle against the corporate green economy and the financialisation of nature.

Nick Clegg, the UK's deputy prime minister, will be going to the summit. We need to make sure he knows that people in the UK are opposing the false green economy being pushed by our government. We have put together a campaign pack for Rio +20 which local groups and activists can use to help expose the UK's harmful 'green' economy agenda.

What can you do?

- Write to your MP and ask them to contact Nick Clegg to share your concerns about the version of the green economy being pushed by the UK. We have produced Rio +20 action cards for this, or you can take action online at www.wdm.org.uk
- Hold a 'false green economy' stall or stunt with a Trojan horse to represent the attractive but deadly green economy being promoted by the UK government. You can deliver the action cards you get signed to your MP, or post them to them at the House of Commons. We have produced a campaigns pack for Rio +20 which can be used for a local photo stunt or to engage people on a stall.
- Organise a Rio meeting or workshop in your local area: We have produced a short video with an introduction to the financialisation of nature and Rio +20 which will be available at www.wdm.org.uk/greeneconomy It will include some discussion points and questions which can be used for the basis of a meeting or workshop. We can also send you a DVD version of the video. This is a good way of getting in touch with other local groups taking action in the run up to Rio +20.

If you have any questions or would like to find out more about taking action locally, contact Sarah by emailing sarah.reader@wdm.org.uk or calling 020 7820 4900.

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- 7 Nakazzi, E. (2011) Ugandans mobilise to save Mabira forest from sugarcane plantation. The Ecologist. 20/09/11.
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- 9 A presentation explaining the principle behind biodiversity bonds is accessible on the following website: http://www.itre.ncsu.edu/ADC30/10_TRB_Winter_Conference/Presentations/Mandel_Advanced_Conservation_Strategies.pdf
- 10 Alloway, T. (2011) Willem Buiter thinks water will be bigger than oil. Financial Times Alphaville blog. Retrieved on 25/04/12 from <http://ftalphaville.ft.com/blog/2011/07/21/629881/willem-buiter-thinks-water-will-be-bigger-than-oil/>.

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- 12 See for example CO-CHAIRS' SUMMARY, First Preparatory Committee Meeting for the UN Conference on Sustainable Development, 2012 . 20 May 2010
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Take action

To take action in the run up to Rio and to find out more please visit www.wdm.org.uk/greeneconomy or call Sarah on 020 7820 4900



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