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Steps Towards a Global Economic Transition

This Working Paper is an attempt to build areas of consensus among a number of civil society groups and individuals as we attempt to move the global debate from the current paradigm of corporate-led globalization to new ones based on localized economies and community control of resources. This discussion is an ongoing one; send comments to jcavanagh@igc.org.

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The Challenge

Three sets of intertwined ecological crises threaten the well-being of billions of people and the ecological survival of the planet: climate chaos, the end of cheap energy,

and the rapid depletion of water, biodiversity, and other natural resources.¹ Experts from around the world who are affiliated with the International Forum on Globalization have concluded that to address this triple set of crises in time to avert the worst consequences will require a shift in the dominant economic paradigm from export-oriented industrial growth strategies to powered-down economies rooted in localized systems of production and consumption, and new forms of community control over land, water, forest and other natural resources. This shift, in turn, will only be possible with a new set of global rules and institutions that would constitute a new “**Global Economic Transition.**” Just as nations constructed a new set of United Nations and global financial institutions after World War II to respond to war and economic depression, so too must citizen groups and governments come together to craft new rules and institutions to meet the triple crisis.

We recognize that a genuine global shift from the current market-based industrial systems to truly sustainable ones will require massive shifts at the local, national, regional, and global levels. The IFG has written a “Manifesto on Global Economic Transitions” in September 2007, which attempts to lay out the urgency and the main components of such a transition. This document, “Steps Toward a Global Economic Transition,” offers some measures, primarily at the global level, which could help start such a momentous transition. We don’t pretend these steps to be exhaustive, nor do we mean to suggest that even if we did all of what is suggested below that we would solve each of the crises. But, these steps would move the planet in the right direction.

And, we offer these preliminary suggestions to help spark a global public dialogue on concrete policy and strategic options to mitigate the triple crisis.

The Triple Crisis²

The planet’s ecological, social and economic systems are on the verge of catastrophic change, for which few societies are prepared. Efforts by governments to respond to the impending emergency are thus far grossly inadequate, and often resistant or counter productive. Efforts by corporations and industry to reform their behaviors remain largely enclosed by systemic requirements that seek continued growth and profit above all other standards of performance, such as the social or ecological good.

Paradoxically, the seriousness of the situation, and the imminence of global upheavals, offer new incentives and opportunities to shift toward more viable economic and social choices, by governments, industries, communities and individuals, recognizing the planet’s limits, and operating within its carrying capacities. But we are nearing the 11th hour.

¹ This document is a companion document to International Forum on Globalization and Institute for Policy Studies, “MANIFESTO on Global Economic Transitions: *CONFRONTING the GLOBAL TRIPLE CRISIS: Catastrophic Climate Chaos; The End of the Era of “Cheap Energy”- Peak Oil and Gas; and Global Resource Depletion - Fresh Water, Forests, Oceans, Soil, plus Plant and Wildlife Extinctions. POWERING-DOWN for the FUTURE: Toward a Global Movement for Systemic Change: Economies of Ecological Sustainability, Equity, Sufficiency and Peace. Less and local.*” September 2007.

² This section is drawn from the IFG and IPS’s Manifesto on Global Economic Transitions, September 2007.

Deadly Convergence: The present global emergency evolves from the *convergence* of three rapidly advancing conditions:

- The exponential increase of human-induced climate change in all regions of the earth;
- The imminent end of the era of cheap energy (“peak oil”), bringing dramatic shifts in all operating assumptions of society;
- The extensive depletion of other key resources basic to the industrial system as well as to human welfare; these include fresh water, genetic resources, timber, fish and wildlife, arable soils, coral reefs, and most elements of the local, regional and global commons.

We are calling this deadly convergence, the *Triple Crisis*. All three problems are related as they are rooted in the same systemic circumstances, and can be ameliorated by the same systemic changes. *The solutions to each are the solutions to all.*

Root causes of these crises include the following:

*The dominant economic paradigm, now nearly ubiquitous at both global and local levels, that places rapid economic growth, the quest for corporate and individual accumulation of wealth, and a planet-wide race to exploit natural resources, at the top of institutional, and national aspirations. The uncontrolled use of fossil fuels to feed the growth.

*Global promotion and spread of *commodity-oriented* economic systems, with prevailing ideologies of *consumerism* as key to individual happiness and fulfillment.

Evidence over recent decades emphatically shows that such models do not achieve equity, or help the poor; neither are they designed for that. As United Nations figures show, economic globalization has consistently concentrated wealth in an ever smaller number of countries and economic elites. The top 1% of world population now accounts for 40% of the world’s net worth; the richest 10% own 85% of global assets. The world’s 946 billionaires have wealth equal to two-thirds of humanity.

The above combination of deadly conditions will soon bring global environmental and social crises on an unprecedented scale, as well as a general breakdown of the most basic economic and operating structures of our society, unless they are reversed.

Climate chaos and global warming threaten the loss of much of the world’s most productive lands, physical upheavals in many places from storms and rising waters, massive dislocations, desertification of many agricultural lands, and economic and social tragedy for well into the future, with problems likely to be especially severe for the poorest nations and peoples. *Peak Oil--depletions of inexpensive oil and gas supplies (and alarming new evidence of limits to accessible coal)--threatening the long term survival of industrialism and industrial nations themselves.* Long distance transport,

industrial food systems, complex urban and suburban systems, and many commodities basic to our present way of life—autos, plastics, chemicals, pesticides, refrigeration, et. al—are all rooted in a basic assumption of ever-increasing *inexpensive* energy supply. *Other resource shortages*— fresh water, forests, agricultural lands, biodiversity of many kinds—make the survival of humans and other species far more tenuous than at any other time in human history.

As grim as these scenarios are, and as likely, they become inevitable only if individuals and societies do not immediately *seize this moment* for conscious transformations that can mitigate some of the worst outcomes while resetting all societies within new values systems and pathways toward far more sustainable and personally fulfilling futures. It is the central purpose of the Global Project on Economic Transitions to help speed local, regional and global *transformation* toward new viable economic and political models.

Such models must begin with acceptance of the fundamental limits imposed by the carrying capacity of the earth. Within those limits, societies must work to achieve sustainability and democracy, and to set new standards of universal economic *sufficiency and well being* that do not depend on overuse of global resources. They must also be responsive to the crucial need to correct the world’s present economic imbalances and inequities. *Without achieving equity, peaceful solutions are not possible.*

Such transformations will require profound shifts away from prevailing paradigms and ideologies centered on economic growth, corporate profits and personal wealth accumulation as primary engines of social well being. The shift will be toward societies that adjust to *reduced* levels of production and consumption, and increasingly localized systems of economic organization that recognize, honor and are bounded by the limits of nature. Given such realities, the possibility of maintaining the present industrial system in its current form, or at nearly its present scale, is in doubt.

Change comes when global awareness is strong and shared by many. Such a transformational moment occurred after World War II as the public unified in horror to prevent the resurgence of fascist movements and global economic depression. Today, the public in many parts of the world is beginning to approach a similar consensus, yet understanding is uneven. Awareness of the **first** leg of the triple crisis: **climate chaos**, is growing around the world. Yet, panic over climate change has led to a series of false solutions rooted in an overblown faith in technological fixes such as biofuels, nuclear power, and the misnamed “clean coal.” Most governments also display too much faith in market-based solutions such as carbon trading, which under Kyoto rules allows countries to avoid making real emissions reductions at home by investing instead in so-called climate-enhancing schemes in other countries, which in reality are often of dubious value.

The **second** leg, that of **peak oil**, is largely denied by most governments. And the **third** leg, that of **natural resource depletion**, is poorly understood and only loosely regulated by poorly enforced multilateral environmental agreements. And, some poorer countries are still caught in the grip of World Bank and IMF policies which treat natural

resources as prime attractions for corporate investment which invariably seeks to profit from their exploitation and export.

The world desperately needs a new web of intertwined international agreements that we will call a “Global Economic Transition.” We suggest that these be rooted in bold new agreements that would squarely address the key components of the triple crisis. These proposals build upon and supplement the work of a team of 21 researcher/activists from North and South who worked together for five years to produce the book Alternatives to Economic Globalization: A Better World is Possible.

The Political Moment

Several factors come together to make this a propitious moment for large-scale change:

1. Latin American Democratic Upheaval: Seven Latin American nations (Brazil, Venezuela, Argentina, Uruguay, Bolivia, Ecuador, and Nicaragua) have elected governments in recent years that are challenging the free market, neo-liberal approach to development in different ways. Admittedly, the pace of change is uneven. Venezuela is attempting to construct what it calls “21st century socialism. Bolivia and Ecuador combine indigenous sensibilities with citizen groups that are pressing for both social and environmental justice in ways that are producing bold new initiatives for change. These two governments assert that they wish to organize their economies to enhance social and ecological security. Argentina stood up to the IMF. Of the seven, Brazil held out among the greatest hope but has had the most difficulty challenging core tenets of the neo-liberal model. In any case, in all seven, civil society is challenging government for fundamental change.
2. Political Change in the United States: Democrats retook both houses of Congress in November 2006, and stand poised to retake the White House in 2008. Strong public outrage over climate change is creating pressure on politicians. Still, realistically for the moment, the grip of corporations over the political process prevents bold initiatives from passing both houses, and a Bush veto will prevent any real change through 2008. The imperative for fundamental change in the United States could not be greater. The United States still spends over 10 times more on its military and its overseas bases than any other nation, and its attempt to control global fossil fuels supplies through such military responses as the Iraq occupation and the creation of a new Africa Command must be confronted if we are to shift to new economies.
3. Post-Kyoto Debate: The European Union (EU), which took the lead in achieving agreement at Kyoto, is under pressure from civil society to increase its ambitions as the Kyoto agreement nears its conclusion. Earlier this year, EU governments agreed to unilateral 20 percent emission reduction targets by 2020, rising to 30 percent if other countries join them. The challenge now is to ensure that higher

targets are supported - and to ensure that they are achieved primarily through genuine domestic emission reductions, rather than through complex, and often misleading, "offsetting" projects in other countries. After years of the United States blocking progress on Kyoto and now on Kyoto's replacement, President Bush announced before the G8 Summit in Germany in 2007 that he wants a new deal before he leaves office at the end of 2008. Fossil fuels corporate interests know they'll never get a better chance to limit the impacts of a global climate deal on Big Oil and Big Coal, so the fight is now on. In December of this year in Bali, Indonesia, governments will begin debating proposals on what should replace the Kyoto Protocol when it expires in 2012.

4. Desire of Civil Society to Break Down Silos: There has been little interaction among activists confronting economic globalization, climate change, peak oil, and the various natural resource crises (water, forests, fisheries, biodiversity, etc.). The September 2007 IFG teach-in represents a clear moment for such interaction. Also, there have been fora where climate and peak oil activists have met. As awareness of the interactions of these crises grow, the opportunities for more comprehensive action also grows.
5. Deepening Crisis of Legitimacy and Purpose at Global Economic Institutions: The World Bank has just suffered a devastating internal battle over its leadership and goals. The IMF recently lost its Managing Director and continues struggling to redefine its mission, as Thailand, Venezuela, Argentina, Brazil and other nations turn away from its funding. Indeed, Venezuela and China are supplying new public financing to a number of countries without the onerous conditions of the Bank and Fund, further marginalizing those institutions. And, the WTO, while failing to build public trust among its members or the public it claims to serve, has reached an institutional impasse since even the most aggressive nations are unable to advance any more liberalization. What was once believed to be unstoppable momentum behind corporate-led globalization is now seized up and set adrift, lacking leadership and direction. The institutions are in deep crisis.

Avoiding False Solutions

Among the greatest dangers we face now is that the initial responses of *most* corporations, institutions and governments that do begin to understand the gravity of this moment, and the threats to their survival, is to leap toward self-serving short-term strategies that seriously exacerbate the problems.

Most current solutions pose either new technologies or new market solutions, both of which either exacerbate the problem or create new ones.

Technological Fixes: When most bureaucracies, corporations and governments, finally do speak of "alternatives" to the climate or "peak oil" problems, they tend toward technological fixes and market incentives. They are currently grandly promoting such "alternative" solutions as so called "coal-to-liquid" technologies to end dependency on

imported sources. Or else they speak of “clean coal” via carbon sequestration, or massive use of large scale ethanol or other biofuels, or else so-called “clean nuclear energy.”

Governments promise unprecedented subsidies for research and development toward a new age of technology. These new technologies, they say, would successfully and cheaply sequester and safely store carbon, protect stored uranium, achieve unprecedented levels of efficiencies in all industrial processes, and thus maintain an industrial growth paradigm that allegedly will not deplete the natural world, or destroy species, natural resources, rivers or air.

Such new technological capabilities are, at this point, highly theoretical and may never be achieved. Even if achieved, many of the new technological approaches may bring a new set of problems.

Regrettably, there is ample evidence that most such technological fixes themselves remain dependent for their own production on large supplies of *cheap energy and/or cheaply imported foreign materials*. The “net energy gain” from many of these technological innovations—once all *externalized* environmental and social costs are accounted for--may often be small, or *negative*.

An example is the invasion of the Alberta Tar Sands for oil extraction, which is bringing inevitable huge social and environmental consequences. These tar sands have become the great technological fix for America's oil addiction. U.S. officials have called for a five-fold increase in Canada's oil sands production by 2020. And, all of this comes at a huge environmental cost --- the strip mining of a large section of the boreal forests (the northern lungs of the planet); the burning and depletion of a cleaner fuel (natural gas) to fuel the production of a dirty fuel, crude oil; and a massive increase in greenhouse gas emissions since the oil sands generate three times as much greenhouse gases as does conventional oil production. As well, even if the United States were to ween itself of its oil addiction, there would still be a big demand for Canadian oil sands, principally from China. So, stopping oil sands production, as well as the other false solutions, is an important step in making the transition to a new paradigm.

Also, with the growing frantic conversion of forests and agricultural lands to biofuels, there are enormous negative impacts upon rural and indigenous peoples throughout the world. Biofuels are now being aggressively promoted as a *panacea* by industry, government and alas, many U.S. presidential candidates. The reality is that they are seriously limited in their potential to contribute on a scale that could meaningfully allay the climate or fuel crisis. For biofuels to make possible a meaningful transition away from present reliance on oil, gas, and coal, would require the conversion of a huge percentage of the planet's current *food-growing* lands to *fuel-growing*, a conversion that by itself could bring starvation to millions of currently self sustaining farmers and communities, especially in poor countries, as well as in the United States itself. Negative social impacts are already being strongly experienced in such places as Brazil, Mexico,

many countries in Southeast Asia, and among thousands of indigenous communities on the planet whose lands are now being *forcibly* converted to biofuels production.³

Corporations and governments are likewise throwing technological fixes at global water shortages. The U.S. and European governments in particular are putting huge amounts of money into "water reuse technology" research, including desalination (much of it is slated to be fueled by nuclear power), nanotechnology, atmospheric water generators, and "toilet to tap" water filtration. These governments are turning over this research to the private sector as fast as they can. Funding an entire new industry (the water reuse business is the fastest growing segment of the water industry with companies such as GE, Proctor & Gamble and Dow Chemicals getting into the game big time) based on profiting from dirty water will act as a direct disincentive to source protection and will ensure the continued deterioration of the world's water systems.

What *is* achievable, however, even in the short run, are far simpler and more direct means of reducing negative impacts on the planet, such as *less resource use, less consumption, more conservation*. These notions are rarely touted by governments or industry, as they cannot be made to serve conventional standards of corporate growth. They imply preference or at least a recognition of the need for systemic transformation, an idea that is strongly resisted.

*Market-based Solutions such as Carbon Trading:*⁴ The intersection of technology and the market is even more problematic in the case of schemes to counter climate chaos. The key global agreement governing climate change, the Kyoto Protocol, uses market mechanisms to avoid the need to cut fossil fuel use. Kyoto allows a nation like Japan to avoid cutting carbon dioxide emissions if it uses carbon trading to pay for reductions in carbon dioxide emissions in other nations. Such trades allow wealthy countries to avoid tough but more effective choices in how to cut overall carbon dioxide emissions.

Carbon trading is a deeply flawed approach. Without recognition of the broader resource crises, carbon trading can support projects in poor countries that exacerbate other crises. For example, carbon trades promoted by the World Bank include subsidies for cinder block makers that use toxic fly ash from coal-fired power plants to make their products. Such trades actually create perverse incentives to develop industries that are potent greenhouse gas emitters. Carbon trading proposals merely create a new market and new opportunities for corporate profit, but don't promote renewable energy. Such trading schemes are often little more than shell games in which countries and corporations can hide their polluting activities in new guises.

³ See Tauli-Corpus, *Monocropping: Impacts on Indigenous Peoples' Land Tenure and Resources Management Systems and Livelihoods*, The UN Permanent Forum on Indigenous Issues.

⁴ This section is drawn from the "Just Climate" section of John Feffer, ed., *Just Security: An Alternative Foreign Policy Framework* (IPS, 2007). See also Larry Lohmann, ed., *Carbon Trading: A Critical Conversation on Climate Change, Privatization and Power* (Dag Hammarskjöld Foundation, Durban Group, and Corner House, 2006).

Components of a Global Economic Transition

Ultimately we must accept the need to abandon the present economic growth paradigms, goals and systems. Permanently viable solutions to the present impending collision between the limits of the planet's resource base, and the centralized global industrial model, involves choosing to reduce overall human enterprise and presence, "powering down" to levels of production and consumption that are sustainable on a long-term basis. Powering down must respect the limits of natural resource systems, and it must seek to increase the diversity of ecosystems. There should be no further commodification of water or any other "commons" or natural areas.

And so, instead of trying to support bloated systems based on exponential growth, and then desperately trying to find, as we do now, whatever energy systems and materials can sustain that excessive growth, society needs to evolve its values toward new systems that follow different processes. We should design all major operating systems of society—transport, manufacture, agriculture, energy, building design, et. al.—to be in synch with planetary well being, while providing an adequate margin of safety for the future protection of biodiversity and natural systems. We should deploy renewables in tandem with *increased efficiency, conservation and lower levels of consumption*.

And, we should reallocate by various means (per below) the limited global resources on a far more equitable basis. This must include returning local farmlands to local peoples from whom it has been taken over recent years, so they may again sustain themselves while protecting the long-term viability of their soils and lands, and eliminating the excessive energy consumption now intrinsic to industrialized agriculture.

We propose a Global Economic Transition wherein new institutions and rules would address each leg of the Triple Crisis: climate, peak oil, and natural resource depletion. A first section addresses global economic institutions to replace the World Bank, International Monetary Fund (IMF), and World Trade Organization (WTO). We understand that a true paradigm shift toward sustainable local-oriented economies will require massive change at the cultural and institution level locally, nationally, regionally, and globally. The changes offered below at the global level are simply part of this larger transformation. We also encourage creativity in the global institutions that are to be created. The more that civil society can be involved in the design and structure of new entities, such as a UN Covenant on the Right to Water, the more effective such mechanisms will be.

I. Global Economic Governance: Alternatives to Economic Globalization

In 2004, 21 researcher/activists affiliated with the IFG from North and South produced a volume filled with alternative local, national, regional, and global institutions and rules for more healthy communities. Entitled Alternatives to Economic Globalization: A Better World is Possible, these proposals are vital to confronting the Triple Crisis. At the regional level, the book argued new regional financial bodies. Since the publication of the book, one has come to fruition in Latin America, the so-called

“South Bank.” A similar financial institution has been proposed for Asia. In Latin America, alongside the South Bank, the Venezuelan government is earmarking part of its surging oil revenues to fund new regional integration initiatives as a counterweight to the corporate-led integration proposals of the United States. Among other initiatives, the Venezuelan government is offering subsidized oil to several neighboring countries and 12 Caribbean nations (as well as to low-income people in several communities in the United States) and attempting to negotiate trade agreements that put environmental, social, and equity goals on an even par with economic goals. On a different trajectory, Sara Larrain in Chile has led efforts to craft a “sustainable Southern Cone.”

The IFG likewise argued for scaling down of the World Bank, IMF, and WTO, and their replacement with smaller institutions whose purpose would be to raise and stabilize commodity prices, give short-term financial relief in crisis situations, and offer menus of policy advice. The alternatives book lays out a set of principles that we think should guide trade organizations and rules: democratic self-determination; balanced trade; fair commodity prices; and open access to information and knowledge. It argues that regional and global trade bodies should preserve policy space for national governments. Based on these principles, the alternatives book calls for the replacement of the WTO with a scaled back trade body more akin to GATT, but with the principles above. It also spells out a new UN trade disputes court, and new roles for the United Nations Conference on Trade and Development, the UN body set up in the 1960s to advance the interests of the global South. All international institutions should fall squarely under United Nations principles, and all should operate with one-country, one-vote. There is also now a global campaign to spread the debt relief offered to 18 countries by the G-8 in 2005 to a much larger group of countries and to eliminate harmful free-market policy conditions that still accompany debt relief. All of these proposals will help mitigate the triple crisis.

World Trade Rules for Clean Energy Sovereignty

In the short-term, while the WTO continues to exist, World Trade Organization rules would need to be changed to accommodate many of the measures proposed above. That is because national governments have already empowered the WTO to “*allow Member Nations to challenge almost any measure to reduce greenhouse gas emissions enacted by any other Member,*” according to Mitsuo Matsushita, an ex-panelist who ruled against the US Clean Air Act in the WTO’s first dispute resolution case in 1996. Carbon taxes, energy efficiency standards, alternative fuel programs, and other measures to reduce emissions can easily violate existing world trade rules. New trade rules must clarify that full authority over international policies for energy and climate belongs under the United Nations, not the WTO, and that governments will coordinate to change world trade rules to, at least:

- Ensure that domestic regulation and standard-setting needed to shift toward socially stable and ecologically sustainable energy supplies stay under the control of domestic democratic policy processes and are supported by international climate and energy agencies, not transferred to international trade bureaucracies;

- Allow specific subsidies for promoting renewable energy programs and practices. This instructs trade negotiators to change current subsidies rules to avoid challenges against renewable energy;
- Promote a fair balance between promoting access to clean energy technologies and protecting innovation in developing nations. This advises trade negotiators to avoid repeating the intellectual property trap that pharmaceutical patent-holders have gotten caught in so that we can expedite the transfer of climate-friendly technologies;
- Re-establish the rights of nations to freely determine the country of origin, scale of production, and environmental impact of their energy imports so they can pursue energy sovereignty and protect climate stability. This urges changes to basic trade principles that now prevent using market access to secure stable and sustainable energy supplies;
- Encourage governments to freely implement multilateral environmental agreements (MEAs) such as the United Nations' Kyoto Protocol, by exempting the trade measures needed to enforce them from WTO challenges. This establishes a clear hierarchy of sustainable development imperatives over trade interests.

II. Climate

There is a vibrant debate over how to deepen the Kyoto Protocol or replace it with a regime that includes the United States and the developing world, and which moves rapidly and radically toward a reduction of greenhouse gas emissions. The debate focuses on what happens after 2012 when the first commitment period of the Kyoto Protocol ends.

Over the past 18 months, the IFG has convened 3 conversations involving about 100 experts on these issues and three themes have emerged around global schemes that could more effectively address climate in ways which drastically reduce greenhouse gas emissions but acknowledge the disproportionate responsibility of rich nations:

1. Community Control of Natural Resources: So long as resources are controlled by global corporations for export, they will tend to be degraded. When poor communities control their land, forest, fishing, and other natural resources, they tend to manage them sustainably, since their livelihood depends upon these resources. Hence, the most important measure that can be taken to save the planet is to stop corporate and rich country exploitation of the fossil fuels and other resources of poor nations, and to strengthen indigenous and community control over those resources. There are significant victories in India, for example, on legalizing self-rule and community control over forests. There are legal victories in the Philippines on indigenous rights to land. These must be built upon and spread.

2. North-South Transfers: For 500 years, rich country governments and corporations have plundered natural and financial resources from the global South. Over the past half century, rich countries have created most of the

conditions that have led to the triple crisis. Hence, the rich owe a great deal to the poor, and resource transfers from North to South can play a role in easing the triple crisis. While communities that have intact ecosystems do not need financial transfers from the North, a sizable portion of the poor in poor nations now either live in urban slums or on rural areas where the natural resources have been seriously degraded. These communities do need financial and technology transfers to improve their access to clean and efficient energy sources.

3. *Sources of Resource Transfers*: There are several ways of transferring financial resources to poor nations and to the poor communities within them, all imperfect. The better ones include: debt cancellation, carbon taxes, border fees on goods produced in unsustainable manners, and global taxes on speculative financial flows or on arms trade. Several of these are outlined below. Likewise, there are numerous bad ways to transfer financial resources, and the current international financial institutions have mastered quite a few of these. We are totally opposed to any schemes where rich nations can “offset” their requirements to reduce carbon emissions by funding so-called “carbon friendly” schemes in poor nations. And, we recognize that the difficulties of getting resources to those who need them most is one of the most daunting challenges of our time.

A number of schemes have been offered in recent years to sum up some of these proposals of what might replace the Kyoto Protocol as a global framework on climate. German researcher Hermann Ott has summed up the current debate in “Climate Policy Post-2012 – A Roadmap.” He concludes with proposals to address the North-South divide by pressing the rich nations to move toward more radical emissions reductions targets first (he suggests cuts of 30 percent by 2020), and then putting forward tens of billions of dollars of financing for energy technologies that would help poorer nations leap-frog fossil fuels.⁵

Other researchers from Christian Aid, the Heinrich Boll Foundation and other institutions have put forward a variety of climate justice proposals that offer frameworks to transfer resources from North to South to fund clean energy alternatives. Oxfam has called for an immediate package of “adaptive aid” to be sent to the poorest countries already hardest hit by climate change, and establishing a longer term commitment of transferring resources. Some in the South raise critical questions about the poor record of financial resource transfers actually reaching those most in need. This is a critical challenge for all climate justice proposals.

In 2007, the Heinrich Boell Foundation commissioned EcoEquity (Paul Baer & Tom Athanasiou) to evaluate the six leading climate equity proposals.⁶ Baer and Athanasiou break the six into two categories. The first set of proposals fall under the

⁵ Hermann Ott, “Climate Policy Post-2012 – A Roadmap,” A discussion paper for the 2007 Tällberg Forum.

⁶ Paul Baer & Tom Athanasiou, “A Brief, Adequacy and Equity-Based Evaluation of Some Prominent Climate Policy Frameworks and Proposals,” Heinrich Boell Foundation, Global Issue Paper No. 30, 2007, www.boell.de/index.html?http://www.boell.de/en/04_thema/5055.html&lang=en.

“contraction and convergence” category, whose proposals include three elements: “the specification of a global emissions pathway, presumed to ‘contract’ to some low level; a ‘convergence date,’ at which time the emissions allocated to each country completes a transition from fully grandfathered to equal per capita; and an assumption of global emissions trading, allowing countries with surplus permits to sell them to those without enough.” (p. 14) The second set of proposals is the “Responsibility and Capacity” family, wherein more advanced countries face binding limits on emissions and poorer nations are in a “greening,” decarbonization track. The paper lays out the details of each proposal, and the pros and cons of each.

As programs to “power down” energy use among over-consuming nations, reduce material throughputs, and lower personal consumption levels proceed, so that overall global use can eventually be optimized *well below* the maximum sustainable carrying capacities of the planet, we must remain cognizant of enormous disparities among nations as to *present* levels of use. As mentioned earlier, many nations and peoples of the world already live at very low consumption levels; in fact far below levels that can sustain personal, family and/or community well being. Such disparities among nations are often the result of prior or present colonial periods of exploitation. It is unarguable that many countries of the industrial north have achieved their excessive natural resource use by depriving southern countries of theirs, a process that continues in many places today.

Recognizing this, we believe that each person and community, whether in the industrial north, or the global south, has fundamental rights to “sufficient” food, shelter, clothing, housing as well as sufficient community health and other public services, to sustain a satisfactory level of well-being beyond bare minimum survival needs. (*Note: Working definitions of “sufficiency” and a “global sufficiency index” have been proposed and need further development and definition. As part of this project, we hope to soon advance a viable new clear standard.*)

Meanwhile, the argument is compellingly made by some southern countries, historically disadvantaged, that they should not be asked to “power down” to the same degree as northern countries. In the interests of survival, they may often actually need to *increase* their material throughputs, and energy use from renewable sources; not to approach a level of excess consumption, but to a satisfactory level of “sufficiency,” well within the planet’s capacity to sustain.

Thus, the concepts of “*cap and share,*” or, “*contraction and convergence*” have emerged. As wealthy over-consuming countries reduce their activity *far below* present overconsumptive levels, the goal is for the poorest countries and peoples to bring their levels *up* until “convergence” or equity is approached. Overall, however, the convergence level remains far below the maximum sustainable levels for all planetary material throughputs, including total energy use, thus achieving profound net reductions in all areas.

To assist this process will require considerable *direct transfers* of wealth and sustainable technologies from the rich countries to the poorest peoples, being certain to

avoid the pitfalls of prior historic patterns of corruption usually also rooted in colonial contexts. (*Note:* There are a growing number of proposals for how such a wealth transfer might operate. One such example is a recent proposal from Christian Aid and Eco-Equity called *Greenhouse Development Rights*. We mention this only as an example; we do not favor that proposal above any other at this time; all such proposals should be studied and debated as to their optimum viability.)

Ultimately, the goal must be to achieve international accords on formulas that achieve “contraction and convergence,” i.e., formally mandated global economic formulas that lead to “contraction” in economic and consumption matters, to live within realistic planetary limits, and “convergence” at an agreed standard of “sufficiency” for all, as planetary health and resources permit. We believe that such a transition can lead to successful responses to this crisis, increased equity within and among countries, and a renewed sense of personal and global good feeling, well being and peace. But fundamental systemic changes will be required.

An increasing number of mainstream economists, energy executives, and the financial press are joining many environmentalists to call for coordinated “caps” on emissions with strong proposals to tax carbon at a national level. Climate equity will require applying progressive taxation and transfer of resources to any carbon tax program.

Some European countries are leading by example. Sweden has adopted carbon taxes in four stages. Spain, Germany, and Denmark export wind turbines and derive a higher percentage of their energy from wind with a much smaller wind resource than the United States. Some Dutch homes are steady net generators of energy.

The Institute for Policy Studies suggests the following in its 2007 “Just Security” report (www.ips-dc.org): Shifting subsidies from fossil fuels to renewable energy would reduce these costs and the conflicts associated with them while speeding the pace at which renewable energy use becomes cost-competitive. Further, we must tax this unsustainable energy use to reduce social and environmental costs beyond global warming. For instance, pollution taxes should be applied to coal: to help pay the health costs borne by miners and people downstream and downwind of mines and power plants, to create alternative employment, and to restore wildlife habitats.

A \$50 dollar per ton tax on carbon—which was then redirected into incentives for renewable energy—would achieve reductions of carbon emissions of roughly 10 percent below 1990 levels by 2010. By 2020, such a tax would reduce oil imports by the amount we now buy from all members of the Organization of Petroleum Exporting Countries at no net cost to the taxpayer. This tax shift could provide incentives for energy efficiency nationally.” This direct tax on pollutants can go into a “Climate and Energy Security Fund.”

In conjunction with other major polluting nations implementing their own carbon tax regimes, revenues from a common fund could finance clean energy technology

transfers to poor countries, and help the poorest countries who are dependent on a handful of commodity exports to reorient their economies to prioritize domestic needs and reduce their dependence on cash crops for export earnings based on energy-intensive agriculture and long-distance transport.

Ideally, national carbon taxes in top-polluting countries should be coordinated through a multilateral agreement on climate, because unilateral efforts will tend to undercut domestic businesses and consequently political support. If no multilateral agreement can be forged, some have suggested trade-related measures to cut down on greenhouse gas emissions. Daphne Wysham and her team at IPS have proposed border fees that would work like this: “One way of addressing global inequities is through green fees. Countries set fees on imported goods and services to reflect the sustainability of the methods and materials that went into them. Under such an arrangement, for instance, Germany could put a surcharge on a car imported from Sweden if it was built with less sustainable materials or processes than German cars. In this way, countries and corporations would not be able to profit by selling items made cheaper by polluting technologies. The proceeds of such a green fee could be used for correcting the domestic damage and made available to developing countries to reduce pollution and increase efficiency and renewable energy production. Such green fees for aid could become part of the post-Kyoto requirements, even though implementing them would require changes in world trade rules so that governments can enact these and other measures necessary to counter climate change. While climate change negotiators met in Nairobi, Kenya in November of 2006, the heads of state of France and Switzerland called respectively for tariffs on imports to offset lax pollution controls and new global carbon taxes to aid in the adaptation to climate change by developing countries. Commissioner Verheugen, responsible for Enterprise and Industry in the European Commission, has made statements supportive of “border tax adjustments.”

III. Peak Oil: Oil Depletion Protocol

As demand for oil rises rapidly in China, India and other fast-growing nations and as supplies of readily available oil taper off, we are entering a period of what some scientists call “peak oil.” Awareness of this phenomenon has spread from progressive environmental circles to oil companies to the mainstream media. As supplies taper off and demand continues to rise, oil prices are rising. This development has earth-shaking consequences for the economies of most of the world, and “peak oil” will speed up the transition from unsustainable economic models to sustainable ones. Most rich nation agriculture is based on cheap oil. The entire “Wal-Mart” economy, where billions of dollars of goods are shipped daily from China to rich nations, is based on cheap oil. The entire design of the United States economy is based on cheap oil. All of these systems must be rapidly transformed in an era of peak oil.

The only clear solution lies in reducing oil production, exports, and consumption.

One of the clearest global frameworks for achieving these reductions has been developed by professor Richard Heinberg. Heinberg has laid out a clear global

framework for reducing oil production and consumption, which he has called an Oil Depletion Protocol.⁷ In Heinberg's words, here is how it would work: "Under an Oil Depletion Protocol, nations would agree to reduce their oil production and imports according to a consistent, sensible formula. This would have two principal effects: first, it would reduce price volatility and enable nations, municipalities, industries, and companies to plan their economic future; and second, it would reduce international competition for remaining oil resources. As the draft language of the Protocol itself states:

- The world and every nation shall aim to reduce oil consumption by at least the world depletion rate.
- No country shall produce oil at above its present depletion rate.
- No country shall import [oil] at above the world depletion rate.

The governments of Sweden and Iceland have taken the lead in establishing official goals of completely ending their nations' petroleum dependence, and other nations such as Cuba have made important strides to reduce oil consumption. These efforts can be replicated or adapted by other nations – and in fact must be, if the world is to respond peacefully to the inevitable peaking of world oil production.”⁸

Some who have read the draft protocol have suggested that it be adapted to account for the significant differences in responsibility and circumstances between countries. Others feel we need to move even quicker to a post-oil planet. Whatever its exact form, Heinberg's protocol moves the planet in the right direction.

Similar protocols could be drafted for natural gas, coal, and uranium.

A Fossil Fuels and Forest Conservation Fund

Another proposal to limit fossil fuel extraction has come from the indigenous peoples of Ecuador, who have been pressing their government to keep sizable amounts of oil in the ground, particularly oil that sits below indigenous lands. The IFG has pointed out that as much as half of the world's fossil fuels lie below indigenous lands.⁹

Ecuador's government, pushed hard by its vibrant civil society, launched a global challenge in June 2007 that it would cease any plans to extract 20 percent of its oil reserves which lie under indigenous land if the international donor community would pay them for half of what they would have earned by exploiting the oil. The government also said the North could pay some of this through debt cancellation. (The Ecuadoran Finance Ministry is also doing an "audit" of their external debt to determine what is illegitimate/"odious" and hence should not have to be repaid.) Intriguing.

⁷ Richard Heinberg and Colin Campbell, The Oil Depletion Protocol (New Society Publishers, 2006).

⁸ Richard Heinberg, "Getting over oil: A recovery model for our oil addiction," Earth Island Journal, Winter, 2007.

⁹ Jerry Mander and Victoria Tauli-Corpuz, eds., Paradigm Wars (2006).

Then, about two weeks later at the G-8 meeting, the World Bank announced plans to investigate paying nations to preserve their forests. Again, intriguing, particularly from an institution that has promoted corporate-owned monoculture tree plantations, and the diversion of forest lands into “corporate-led economically productive activities.” Deforestation accounts for some 20 percent of global carbon emissions, mainly from fires set in forests to clear land. For example, large parts of Malaysia and Indonesia are being deforested for palm oil plantations geared toward biofuels. The World Bank estimates that forested areas equivalent to the size of Portugal are being cleared each year.¹⁰

Most of us related to the IFG and IPS have been extremely skeptical of international aid and resource transfers (it often enriches the already rich, increases inequalities, treats only the symptoms of the problems, comes with onerous conditions, etc.). Yet, all of us bemoan the transfer of financial and natural resources from poor to rich nations since Columbus starting killing Native Americans.

So, part of the challenge is the difficulty of transferring resources from rich to poor while helping the poor increase control over their resources. The Ecuador proposal offers one intriguing route: rich nations pay a democratic and responsive government financial resources, while indigenous peoples keep their land and prevent oil exploitation that would destroy the land; overall, less oil extracted helps all three crises. Similarly, if there was a way to get rich nations to pay poor ones for preserving their forests in a way that enhances community control over forest resources, could that not both help the climate crisis and strengthen community rights? Obviously, the World Bank won’t manage it that way, so we should oppose the World Bank proposal, but would we support a similar proposal if it were led by forest communities? Also, many of the lands rich in energy, water, biodiversity, and other resources are traditional indigenous territories, making the UN Declaration on the Rights of Indigenous Peoples a strategic instrument to address all three crises.

We asked IPS research associate, Janet Redman, to find out two things: how many other relatively poor nations like Ecuador have a lot of fossil fuels under the ground and might be amenable to Ecuador-like proposals. Similarly, which poorer nations still have a lot of tropical rainforests. And, which countries have both fossil fuels and forests, like Ecuador, Bolivia, Venezuela, Nigeria, India and Indonesia.

The two tables in the appendix look at the world’s relatively poorer nations (GNI of less than \$10,861/year) and lists the top 30 countries in terms of fossil fuel (coal, oil, natural gas) reserves, and then in terms of forest reserves. First, it is interesting to note that about half the world’s fossil fuels no longer sit below poor countries since the fossil fuel exploitation has helped raise the per capita income of rich countries like the United States and the formerly poor nations of the Middle East. Still, about half of the coal, oil, and natural gas does lie beneath relatively poor nations (GNI of less than \$10,861/year). If you look at oil, natural gas and coal combined, the following nations each have over 1

¹⁰ Tom Wright, “World Bank Targets Forest Preservation-Climate Link,” Wall Street Journal, June 11, 2007, p A3.

percent of global reserves (Russia: 15.5 %, China: 8.0%, India: 8.0%, Iran: 5.4%, South Africa: 4.1%, Kazakhstan: 3.5%, Ukraine: 2.3%, Venezuela: 1.9% (actually much higher in recent calculations), and Nigeria: 1.2 percent. Ecuador and Bolivia each have only about a tenth of one percent of the global total, but that represents a lot for each country. (Russia is a natural gas powerhouse; India and China are coal powerhouses; Iran is an oil powerhouse.) And, if you look at forests, 14 poorer nations each have over 1 percent of the world's forests: Russia, Brazil, China, Congo, Indonesia, Peru, India, Sudan, Mexico, Colombia, Angola, Bolivia, Venezuela, and Zambia.

We should look carefully at these spread sheets and discuss the possibility of spreading the Ecuador initiative to other nations. And, we look at taking over the World Bank forest initiative and putting it under control of indigenous and forest communities.

Table 1 in the Appendix lists the 30 poorer nations (with a per capita gross national income of less than \$10,861) with the largest levels of fossil fuel (oil, gas, and coal) reserves under the ground. Of these 30, Ecuador and 6 others are in Latin America, 7 are in Asia, 7 are in Eastern Europe, 5 are in Africa, and 4 are in the Middle East. The Ecuador plan would work best in nations that are democracies and where civil society is respected. That would eliminate Russia and most of the Eastern European, China, Colombia, and several African nations, including Nigeria. But other significant fossil fuel nations like India, Mexico, Brazil, Malaysia, and Venezuela would remain. In nations with corrupt governments, it would only work if the international aid went directly to the organizations of indigenous and other forest peoples whose land was above the fossil fuels, not to the government.

Table 2 lists the 30 poorer nations with the largest area that is still forested, led by Russia, Brazil, China, Congo, and Indonesia. Several of these are ruled by dictators and hence would not be eligible, including the Sudan, Burma, and Zimbabwe. Of these 30, 11 are in Latin America, 11 are in Africa, 7 are in Asia, and 1 is in Europe.

It is interesting to note that 13 countries rank in both top 30s: including, Russia, Brazil, China, Indonesia, Peru, India, Sudan, Mexico, Colombia, Angola, Bolivia, Venezuela, and Malaysia. After eliminating Russia, China, the Sudan, and Colombia, the other nine could be eligible for special programs wherein they pledge to both keep fossil fuels in the ground and preserve forests. Again, the more that funds went directly to the communities who would manage the forest resources, the greater the chance that the forests would be left in tact.

IV. Natural Resource Depletion

There is growing evidence that key natural resources are being destroyed at a rate which threatens the viability of life on earth. Water is the leading resource, but fisheries and forests and biodiversity of all kinds are close behind.

* UN Covenant on the Right to Water: We face a dangerous depletion of the Earth's fresh water. Serious damage is being done to the hydrologic cycle and, by 2025, water

scientists say that the demand for water will outstrip supply by 56 per cent. Today, already roughly 1.2 billion people suffer from lack of access to clean drinking water. Every year, over two million people die from preventable diarrhea contracted from drinking unsafe water. The massive water takings by corporate agribusiness and the drying up of water sources as mega-cities grow portends a massive water depletion and scarcity crisis by 2025.

Hence, there is great need for work on the idea of water as an ecological trust, wherein priority is put on water basin protection, water conservation strategies, and revitalization of the hydrologic cycle. As a step in this direction, an international network of grassroots groups have put forward the idea of a UN Covenant on the Right to Water. In Maude Barlow's words¹¹, such a covenant "would set the framework of water as a social and cultural asset, not an economic commodity. As well, it would establish the indispensable legal groundwork for a just system of distribution. A covenant on the right to water would serve as a common, coherent body of rules for all nations and clarify that it is the role of the state to provide clean, affordable water to all of its citizens.

Such a covenant would also safeguard already accepted human rights and environmental principles. It would also set principles and priorities for water use in a world destroying its water heritage. The covenant we envisage would include language to protect water rights for the earth and other species and would address the urgent need for reclamation of polluted waters and an end to practices destructive of the world's water sources.

A human rights covenant or treaty imposes three obligations on states:

- * The Obligation to Respect, whereby the state must refrain from any action or policy that that interferes with the enjoyment of the human right;
- * The Obligation to Protect, whereby the state is obliged to prevent third parties (such as corporations) from interfering with the enjoyment of the human right; and
- * The Obligation to Fulfill, whereby the state is required to adopt any additional measures directed toward the realization of that right."

At a practical level, a right to water covenant gives citizens a tool to hold their governments accountable in their domestic courts and the "court" of public opinion, as well as seeking international redress."

* Strengthen UN Multilateral Environmental Agreements (MEAs): As forests, fisheries, and biodiversity collapse, there have been a wide range of multilateral environmental treaties put forward to address these crises. Some MEAs have stronger monitoring and enforcement mechanisms than others, while some are enforced by trade restrictions that could conflict with the rules of the World Trade Organization that generally prohibit restrictions on trade. At least two tasks are before us: First, reconciling today's conflicting international legal regimes in a way that addresses the Triple Crisis will require that we establish a clear hierarchy of values, where protecting the public and the

¹¹ Maude Barlow, "A UN Convention on the Right to Water: An Idea Whose Time Has Come," www.blueplanetproject.net, 2007.

planet are placed above protecting the profits of private corporations. Nations must clarify that restricting trade in accordance with an MEA is not a violation of the WTO. Second, we must optimize the administration and enforcement of MEAs by increasing their coherence and supporting them with appropriate resources for monitoring and enforcement. Indeed, the UN's MEAs could become similar to the WTO's multilateral agreements, which function as a system of integrated and often overlapping protections, although this time for natural resources and natural systems.

* UN Declaration on the Rights of Indigenous Peoples: Although it is an explicit articulation of international human rights, as opposed to a treaty for global environmental protection, the proposed UN Declaration on the Rights of Indigenous Peoples may do more to protect entire ecosystems worldwide than any MEA. Indigenous peoples inhabit many of the planet's most critical habitats, especially forests that store carbon, purify fresh water, and harbor a megadiversity of species. They also occupy lands that are the biggest targets for fossil fuel extraction, so establishing international protections for their traditional territories comprise a *de facto* "ecosystems approach" to stabilizing the climate, conserving energy supplies, and the halting the depletion of water, forests, fisheries, and biodiversity. After 22 years of campaigning, indigenous peoples are pushing for a vote in the UN General Assembly in September 2007. Support from non-indigenous organizations and civil society could help pass the Declaration, beginning a new chapter in history for the world's 350 million indigenous peoples who have important lessons for industrial society about how humans should relate to the natural world.

APPENDIX

Table 1
Top 30 Fossil Fuel Poorer Nations (nations with GNI of less than \$10,861/year)

<u>Country</u>	<u>Region</u>	<u>Total Fossil Fuel Reserves</u> (thousand tons of oil equivalent)	<u>% of Global Total</u>
Russia	EEurope	121,890	15.46
China	Asia	63,203	8.02
India	Asia	62,642	7.95
Iran	ME	42,820	5.43
South Africa	Africa	32,500	4.12
Kazakhstan	EEurope	27,914	3.54
Ukraine	EEurope	17,804	2.26
Venezuela	LA	15,078	1.91
Nigeria	Africa	9,600	1.22
Algeria	Africa	5,786	0.73
Brazil	LA	5,256	0.67
Indonesia	Asia	4,973	0.63
Colombia	LA	4,580	0.58
Mexico	LA	2,926	0.37
Malaysia	Asia	2,805	0.37
Azerbaijan	EEurope	2,188	0.28
Pakistan	Asia	1,883	0.24
Uzbekistan	EEurope	1,746	0.22
Turkey	ME	1,488	0.19
Angola	Africa	1,232	0.16
Sudan	Africa	873	0.11
Thailand	Asia	842	0.11
Yemen	ME	820	0.10
Romania	EEurope	801	0.10
Vietnam	Asia	737	0.09
Bulgaria	EEurope	730	0.09
Ecuador	LA	690	0.09
Syria	ME	688	0.09
Bolivia	LA	666	0.08
Peru	LA	442	0.06

Table 2
Top 30 Forest Poorer Nations

<u>Country</u>	<u>Region</u>	<u>Total Forest Area (2005)</u> (Thousand hectares)	<u>% of Global Total</u>
Russia	Europe	808,790	
Brazil	LA	477,698	
China	Asia	197,290	
DR Congo	Africa	133,610	
Indonesia	Asia	88,495	
Peru	LA	68,742	
India	Asia	67,701	
Sudan	Africa	67,546	
Mexico	LA	64,238	
Colombia	LA	60,728	
Angola	Africa	59,104	
Bolivia	LA	58,740	
Venezuela	LA	47,713	
Zambia	Africa	42,452	
Tanzania	Africa	35,257	
Argentina	LA	33,021	
Burma	Asia	32,222	
Papua NG	Asia	29,437	
CAfricanR	Africa	22,755	
Congo	Africa	22,471	
Gabon	Africa	21,775	
Cameroon	Africa	21,245	
Malaysia	Asia	20,890	
Mozambique	Africa	19,262	
Paraguay	LA	18,475	
Zimbabwe	Africa	17,540	
Laos	Asia	16,142	
Chile	LA	16,121	
Guyana	LA	15,104	
Suriname	LA	14,776	

Prominent Debates in the Working Group: Ecuador, Border Fees, Oil Protocols, False Solutions, Carbon Markets

As the IFG/IPS Working Group has debated these proposals over the past six months, debates have emerged over several issues. Here are a few of the key one:

1. The Ecuador Proposal on Keeping Oil in the Ground (p. 16 above): This document now suggests that under certain circumstances, it would be desirable to encourage other countries to embrace the Ecuador government pledge that they would keep certain fossil fuels (in this case, oil) under the ground in return for aid or debt cancellation. This proposal brings up the much larger debate about how difficult it is to make aid or other resource transfers work for the poor, for small farmers, and for indigenous communities. Hence, some oppose the Ecuador scheme since it is so hard to make resource transfers work.
2. Border Fees (p. 15): In the paper, we suggest that “green border fees” can discourage trade in goods made under poor environmental conditions. Countries could set fees on imported goods and services to reflect the sustainability of the methods and materials that went into them. In this way, countries and corporations would not be able to profit by selling items made cheaper by polluting technologies. The proceeds of such a green fee could be used for correcting the domestic damage and made available to developing countries to reduce pollution and increase efficiency and renewable energy production. Yet, some consider this unfair “protectionism” that rich countries can use against poorer ones.
3. Oil Depletion Protocol (p. 15): The proposal suggests that "the world and every nation shall aim to reduce oil consumption by at least the world depletion rate." On its face it seems a fair way to do what is essential. Yet this model doesn't deal with the significant differences in responsibility and circumstances between countries.
4. False Solutions (p. 6): Some would argue that we need to do a better job of differentiating which “clean energy” options are the best to pursue while we advocate “powering down.”
5. Carbon Markets (p. 11): In the climate section, we oppose all forms of carbon trading and carbon markets. Some of our close allies advocate some forms of carbon markets. In the words of one: “I do not share the view that the carbon market is "a deeply flawed approach." It all depends on how it is implemented.... In the end we all know that we have to internalize external costs of climate change and CO2. The carbon market is one tool to do that which, in principle, brings great environmental certainty because it is based on mandatory absolute caps. The other tool, of course, is a carbon tax. While I am not a major

carbon market advocate and certainly recognize the problems that have occurred, I also recognize the difference the emissions trading system in Europe has made to the debate. We are not there yet, but for the first time the concept of having to pay to pollute has entered into the political domain and we will, for the first time, also have auctioning of some of the permits, even in coal rich Germany. The point is how the market is governed and how much countries are permitted to meet their national targets through the "flexibility mechanisms". We need both quantitative caps on CDM and qualitative control. The latter point is a huge gap in the NGO effort. CDM watch existed for a couple of years and was amazingly effective, with one person, to name and shame bad projects. It was feared by many governments. We need something like that again that can be a watchdog and give quality control. The Gold Standard - which has both sustainability and climate criteria does the pull side but we really need the watchdog side. The other reason why I think the carbon market has to be part of the deal is that we will need revenue both to pay for adaptation and to pay for technology transfer. I do not see this coming out totally of public funds and using the auction or a set-aside of initial permits in the next commitment period is one of the potential ways of making this happen."