Corporations, Climate and the United Nations

*How Big Business has Seized Control of Global Climate Negotiations*

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The Polaris Institute is a public interest research organization based in Canada. Since 1997 Polaris has been dedicated to developing tools and strategies for civic action on major public policy issues, including the corporate power that lies behind public policy making, on issues of energy security, water rights, climate change, green economy and global trade.

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Introduction

Beginning in 1992 with the Rio de Janeiro Earth Summit\(^1\), through to latest UN Framework on Climate Change Conference of the Parties in Durban, non-governmental organizations (NGOs) have played key roles in the outcomes of multilateral discussions dealing with climate change. Despite being lumped together into a broader civil society category by the United Nations, the motivations and goals of the numerous groups that make up this sector are enormous. There is a tendency to view the engagement of civil society within the UN process as democratizing process whereby benevolent organizations can contribute to the altruistic goals and mandates of United Nations. However, when one digs under the surface of the rhetorical broad stroke praises for ‘civil society’ engagement with the United Nations and discovers that this sector includes everything from grassroots peoples’ movements to business and industry organizations representing the world’s largest corporations, the reality is quite different. This report will highlight how the serious power imbalances that exist between the diverse and numerous nongovernmental organizations engaged with the UN on the issue of climate change.

The unevenness amongst non-state actors wishing to influence the United Nations’ climate change deliberations exists in part because the world’s wealthiest corporations have been allowed to play on the same field as all other civil society based nongovernmental organizations. Extreme wealth and the motivation of maintaining and increasing profits provide corporate actors with the enhanced ability to influence policy outcomes within the UNFCCC process by exploiting numerous points of entry into the UN system. From the earliest Conference of the Parties meeting in Berlin in 1995, multinational companies have joined country delegations while their powerful industry lobbyists have successfully passed themselves off as benevolent non-governmental organizations. As a consequence of this infiltration and co-optation, the solutions being proposed and in many cases implemented through the UN’s climate regime are largely driven by market mechanisms with the private sector as a leading player. In addition, UN initiatives such as the Global Compact provide these same companies with the ability to wrap themselves in the blue flag of the United Nations in order to appear as part of the solution to climate change when their primary interest is continuing the perpetual cycle of profit.

The United Nations’ mandate to help nations work together to decrease poverty and protect the environment is being challenged by the corporate infiltration of all aspects of its work. On the climate issue, the world’s biggest corporate polluters and pushers of unsustainable rates of consumption are hell bent on maintaining ‘business as usual’ and are working alone and in groups to ensure that climate policies will not interfere with the profitability of their operations. The power imbalances are enormous when we realize that one the most active lobbyists inside the UN alone represents 200 of the biggest global companies who make a
combined $7 trillion annually and supply products and services to half of the world’s population every day.² These companies will do whatever possible to increase this revenue even at the cost of derailing multilateral policies that could ostensibly help to slow or reverse runaway climate change. With the only binding piece of multilateral climate policy to date – the Kyoto Protocol – set to expire and potentially be replaced with a voluntary system of pledge and review, corporate actors seem to be achieving their goals.

The purpose of this report is to uncover and describe where corporations influence the United Nations in the build up to and during climate change negotiations and how this corporate interest is the driving force behind the preferred market based initiatives that are emerging from the UNFCCC process. The report will highlight examples of corporate infiltration of the UNFCCC process and show how multilateral and national level climate change policies carry the fingerprints of corporate interests. Corporate control of agendas inside the UN is not new and this report will frame what is happening today within the historical roots of the access business and industry enjoy inside the United Nations. The corporate powers that influence the UNFCCC and use the UN at large to mask damaging operations need to be exposed, critiqued and brought to account along with a UN system that has spent far too long working in partnership with destructive corporations instead of regulating their troublesome behaviour.

1. Where does the corporate influence come from?

There is no easy way of assessing the full extent of the broader corporate infiltration of the United Nations given the diverse makeup of the UN system and the various roles played by businesses throughout. The most comprehensive report to date on this subject was published in 2006 by the United Nations Research Institute for Social Development (UNSRID). The investigation found that agencies such as UNICEF, the UNDP, the UNEP, and the World Health Organization are actively engaged – and deeply aligned – with the private sector in thousands of different partnerships and initiatives.³ A cursory overview of the relationship between business and the UN paints a picture of the private sector permeating every level of the United
Nations through various avenues including public-private partnerships, special advisers, and projects financed by corporations, among others.

The relationship between big business and the United Nations has evolved over the years most notably during the 1980’s when there was a broader global political-economic shift towards neoliberl economic policies adopted by most Western governments and international financial institutions. During the 1970’s and into the early 80’s the UN was actually mandated to regulate and monitor the activities of multinational corporations who were perceived to be unduly pressuring states in the Global South and in turn responsible for certain aspects of underdevelopment. The work of regulating multinational corporations was done through the United Nations Centre on Transnational Corporations (UNCTC) which operated between 1974 and 1993. This policy environment began to shift in the 1980s from regulating impacts of multinationals on developing countries to facilitating the access of developing countries to foreign direct investment through agencies like the UN Conference on Trade and Development (UNCTAD, the UNCTC’s successor organization).

Another change in the position of the United Nations vis-a-vis corporations took place in the late 1990s when the UN, faced with serious financing issues, began to seek project funding from corporate philanthropists. This trend was set in motion in 1997 with media mogul Ted Turner’s $1 billion donation that was made possible through the creation of the UN Foundation.
whose mission it is to “advocate for the UN and connect people, ideas, and resources to help the UN solve global problems.” Turner’s donation represented a shift towards private sector financing of UN projects and ushered in the era of UN business partnerships that continues today. One year later in 1998, the notion of partnering with versus regulating corporations was deepened with the founding of the Global Compact, a non-binding voluntary program where multinational corporations pledge to act responsibly. The result has been in some cases positive, but the Global Compact and its associated programs (including a climate change initiative called Caring for Climate discussed in a later section) also give corporations the opportunity to pledge to certain guidelines without actually taking solid action to support UN rights based mandates. Some have said that this alliance between the UN and large transnational corporations creates a “dangerous confusion between an international political institution, such as the UN, which, according to its Charter, represents ‘the peoples of the United Nations...’ and a group of entities representative of the private interests of an international economic elite.”

The infiltration of the UN by corporations was part of a broader shift to the prevailing neoliberal model of less government regulation and more private sector involvement in policy making. This change was summarized by Executive Director of the Global Compact Georg Kell:

As recently as the late 1990s, indifference and mutual suspicion characterized the relationship between the UN and business...this began to change with the launch of the Global Compact...when the UN started to reach out to business...The idea was that by embedding global markets in shared values, by offering opportunities for collective action through learning, dialogue and partnerships, greater sustainability for markets could be achieved while ensuring that the benefits of economic efficiency spread faster and wider.

This philosophy of partnership and ‘collective action’ is now normal throughout the entire UN system, including within the UNFCCC process where the private sector has been playing an active role since the first session of the Conference of Parties in Berlin in 1995. The UN has clearly bought into the mantra of corporate social responsibility where the goals and actions of corporations contribute to social and environmental justice and the broader objectives of the United Nations. The major flaw in this model is that when a decision needs to be made between ensuring increased profits and protecting human or environmental rights, corporations are ultimately beholden to their shareholders. The dominant capitalist model does not allow future returns on investment to be compromised. Therefore, the interests of the private sector and its apparent willingness to legitimately participate in finding real solutions to
climate change will not protect people or the environment from the profit motive. One way that the private sector has been able to use its access to the UN to create profit making opportunities is through the creation of market based mechanisms ostensibly designed to mitigate the impacts of climate change.

2. What UN channels are used for corporate influence?

Corporations can influence United Nations agencies and, most specifically, the process and outcome of UNFCCC negotiations on climate change in several ways. These points of entry range from the direct infiltration of climate negotiations from inside delegations to UN climate change meetings to more indirect forms of leverage such as corporate funding of UN projects. The ability of corporations to influence the UN climate agenda through these channels is facilitated by the UN’s support for active business participation in policymaking and the creation of specific channels for private sector interaction and input within UN processes. The five main channels (illustrated in Figure 1.1), ordered by degree of direct influence, are: direct lobbying; industry associations; industry events; and partnerships.

Figure 1.1 The Channels of Influence
2.1 Direct lobbying

The most efficient way for corporations to influence the outcome of climate change negotiations is by targeting national governments and their delegates in order to affect their position on climate issues. Corporations pressure governments before and after UNFCCC negotiations by lobbying public officials and government institutions. This type of lobbying can be done by in-house corporate lobbyists, external lobbying agencies hired by corporations, and through membership in industry associations. These efforts range from informal communication with government officials to high level meetings where closed-door deals can be made that will ensure that a corporation’s interests are represented by country delegates at climate negotiations. In a recent survey of its members the World Business Council for Sustainable Development, a large business and industry nongovernmental organization found that engaging with national level actors is more effective than engaging on the international level.

It can be especially effective for a corporation or industry association to pressure governments that have a great amount of political leverage at the global level, as is the case of the United States and European Union members. For instance, internal communication cables reveal that the US government pressured the government of Ethiopia to sign the business-friendly Copenhagen Accord,\(^\text{11}\) while the Dutch government is reported to have used financial aid as political leverage to gather support for the same document.\(^\text{12}\) National delegations have also been lobbied by corporate entities in the lead up to UNFCCC meetings. For example, in Canada the main oil industry lobby group, the Canadian Association of Petroleum Producers (CAPP) directly lobbied Canada’s chief UNFCCC climate change negotiator Guy Saint-Jacques in March 2011.\(^\text{13}\) This meeting took place one month prior to an important UNFCCC intercessional in Bangkok. CAPP’s membership is made up from the largest oil and gas companies operating in Canada’s tar sands. They are the most prominent vocal proponent for the increased expansion of the destructive tar sands project in the Western province of Alberta.

In the months preceding COP 15 in Copenhagen in December 2009, Canada’s chief climate change negotiator Michael Martin had over 20 meetings with CAPP, other oil and gas industry
associations and individual oil companies. In the Canadian case, the powerful oil and gas lobby which have numerous links to the government of Stephen Harper, contributes to Canada’s abysmal record in the UNFCCC process of blocking any meaningful policies and initiatives.

In the United States, the oil and gas industry spent an industry record $175 million in 2009 lobbying the U.S. government in order to influence the country’s climate change bill that ultimately failed to pass through Senate. In another case the furious lobbying that took place in Washington D.C. around the ratification of the Kyoto Protocol shows how influencing national governments can impact global climate change policies. The Center for Responsive Politics, a non-partisan U.S. based organization that tracks the influence of money on U.S. politics, in its 2000 summary of lobbying activities uncovered how the automotive, oil and gas, chemical, electrical utilities industries along with select manufacturers (General Electric, Alcoa and others) influenced the United States Government to reject the Kyoto Protocol. In its summary of oil and gas industry’s 2000 lobby efforts the Center for Responsive Politics said that the “industry helped to kill implementation of the Kyoto Protocol on climate change, which would have forced the U.S. to reduce its use of fossil fuels.”

In addition to national level lobbying, corporations pressure governments during UNFCCC negotiations by joining national delegations. The decision to include industry in the delegation is normally at the discretion of the government ministry or department that presides over the delegation. While the bulk of a country’s policy position is decided prior to UNFCCC meetings – hence, why corporations spend so much to lobby government officials on a continuous basis – being part of a delegation gives corporations the opportunity to offer last minute input and ensure that the interests of the private sector is represented. Individual cases of corporations and industry associations joining country delegations are too numerous to list here, however some examples include, Royal Dutch Shell representatives joining the Nigerian delegation at COP 16 in Cancun, while at 2008’s COP 14 in Poznan, Shell representatives were part of the Brazilian delegation which also included a significant number of other oil and energy industry members.

Three times have major corporate players from the Alberta tar sands been part of Canadian delegations to COPs including Suncor (COP 4), Nexen (COP 8) and EnCana (COP 13). In addition, representatives from three of the most influential pro-business lobbies, the International Emissions Trading Association (IETA), the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC) have participated in numerous COPs as members of country delegations. The ICC has participated in country delegations during COPs 4 (Swiss delegation), 6 (Brazilian), 10 (Brazilian), 11 (Brazilian), 12 (Brazilian), 15 (Brazilian) and 16 (Brazilian) while the WBCSD was part of country delegations during COPs 6
(Brazilian) and 15 (Jamaican), and the IETA during COPs 15 (Canadian and Nigerian) and 16 (Malian).

Given that many informal meetings and conversations are not documented, it is hard to measure the full extent to which a country delegate from industry can influence other delegates and the overall position of a country’s government at UNFCCC negotiations. The level of industry influence inside a delegation to global climate negotiations depends on a variety of factors: previous personal connections with delegates, lobbying history of government officials, and the policy agenda at hand. As a member of a delegation, industry representatives have access to the same official documents and official meetings (except for high-level segment meetings, which are usually restricted to attendance by ministers and senior officials) available to any other delegate, including those responsible for active negotiation. This gives industry the opportunity to lobby from the inside with little to no restriction on the amount of input they choose to offer.

Depending on the nature of their relationship with government delegates, industry delegates can provide enough input to alter the wording of a draft resolution and a party’s statement on the plenary floor. In addition, the official delegate status given to an industry representative legitimizes the voice of corporations and gives them advantage over groups that attempt to influence governments from the outside of the official country delegation. This contributes to the overall access the private sector has in the UNFCCC process, including through the official observer status of industry associations. It is important to note that governments may also invite representatives from environmental non-governmental organizations (ENGOs) to be members of their respective delegations. However, the tendency is to invite ENGOs that are receptive to the government’s proposals and open to interacting and collaborating with industry delegates.
2.2 Industry Associations

Industry associations are non-governmental organizations whose principal membership is composed of large corporations and other industry players (i.e. corporate consulting firms). These associations are designed to create political leverage and profit opportunities for their corporate members. They are able to sway UNFCCC outcomes in three ways: by influencing the government of a specific country on a continuous basis through national lobbying; by having one of its representatives inside a country’s delegation; and by lobbying various delegations during UNFCCC negotiations as an admitted observer organization. While lobbying national governments gives corporations the ability to set a delegation’s agenda at negotiations and potentially shape a country’s position, lobbying inside UNFCCC meetings offers industry associations the opportunity to influence a multitude of developed and developing country governments simultaneously, liaise with delegates and deepen ties, organize presentations, make interventions, advise officials and delegations, submit industry position papers and find tools to further strengthen lobbying at the national level. These strategies help to secure the presence of the private sector’s voice in the UNFCCC.

Industry associations are the only UNFCCC-administered official point of entry into UNFCCC negotiations for corporations. Known in the UNFCCC context as Business and Industry Non-Governmental Organizations (BINGOs), they are one of the biggest out of nine NGO constituencies admitted by the UNFCCC. BINGOs are essentially industry lobby groups in NGO clothing and should be viewed through a critical lens of corporate infiltration of the UN. Official observer status gives BINGOs certain privileges and tools to participate in climate change meetings and proceedings as noted in Table 1.1. BINGOs may also interact formally and informally with bodies under the Conference of the Parties and the Kyoto Protocol, such as the Expert Group of Technology Transfer (EGTT), which advises the Subsidiary Body for Implementation (SBI) and the Subsidiary Body on Scientific and Technological Advice (SBSTA). To maximize the amount of input they are able to offer, BINGOs also strive to keep good working relations with UNFCCC staff. In addition, a country’s delegation may, as noted above, include delegates who are representatives from observer NGOs.

BINGO presence has increased over the years at UNFCCC meetings, especially whenever a meeting is of special relevance to the private sector (see appendix 1). The International Chamber of Commerce (ICC), which represents “hundreds of thousands of member companies and associations from over 120 countries,” is the focal point organization assigned by the UNFCCC for the BINGO constituency. The ICC has sent a total 819 lobbyists to Conference of the Parties of the UNFCCC since 1995. It organizes daily briefings at major negotiation events and is the main organization behind most interventions made by BINGOs on the plenary floor.
Currently, oral interventions have strict time limits and occur upon invitation by the chair of the session if time permits. Despite being the focal point group, the ICC has no sovereignty over other BINGOs and often collaborates with other groups such as the World Business Council for Sustainable Development (WBCSD). The WBCSD, which has sent 1,111 lobbyists to COPs over the years, considers engagement with the UNFCCC process essential for businesses and has even commissioned a report to evaluate and suggest opportunities for further institutional engagement between the private sector and the UNFCCC. Despite being grouped in the BINGO constituency, industry associations do not always agree, making it necessary to view BINGOs according to lobbying sub-groups such as agriculture, oil and coal, and electricity.

Table 1.1 – Privileges of all admitted constituencies, including BINGOs

- Access to UNFCCC:
  - Official documents
  - Secretariat communication
  - Meeting sessions
  - Workshops
  - Meetings with Executive
  - Secretary and officials
  - Plenary floor in the form of an intervention

- Distribution of own documents, posters and flyers at UNFCCC meetings

- Organization of exhibits and side events at major UNFCCC meetings (including side events in collaboration with UN agencies)

- Submission of views upon request (published as web documents on UNFCCC website – organizations without observer status can also respond to these requests)

- Privileged access when the UNFCCC Secretariat limits access to a site

- Receipt of informal advance information from the UNFCCC Secretariat,

- Timely information through constituency briefings at major UNFCCC meetings

- Occasional and very limited invitation to Ministerial reception by host Governments during UNFCCC meetings

- Access to bilateral meetings with UNFCCC officials

- Invitation by the UNFCCC secretariat to limited-access workshops between sessional periods

One important lobby sub-group within the BINGO constituency is made up by carbon trade associations, which primarily promote market based solutions that revolve around carbon emissions and the carbon market. Lobbying is essential for this industry, which is expected to be worth US$3 trillion by 2020 (estimated best case scenario). In fact, Henry Derwent, president of the International Emissions Trading Association (IETA), which represents companies such as Petrobras, JP Morgan and Chase, Point Carbon, KPMG, Gazprom and GDF Suez, has stated that the carbon industry’s strategy is very simple when it comes to climate change negotiations: it relies on building membership, increasing lobbyists and applying pressure. A total of 2,108 lobbyists accredited by the IETA have appeared at COPs since it began attending the meetings in 2000 at COP 6 in The Hague.

Another BINGO, the Carbon Markets and Investors Association (CMIA), participates in “international negotiations and national level policy debates to ensure that policies support private sector investment in climate change mitigation and adaptation.” CMIA members include Cargill, ING, Deutsche Bank, Royal Bank of Scotland, Climate Change Capital and Ecossecurities. CMIA board members are representatives from various industries and include Yvo de Boer, former Executive Secretary of the UNFCCC and current global ambassador of KPMG, a job he lined up before COP 15 while he was still Executive Secretary. Table 1.2 calculates the number of lobbyists attending COPs from four of the most active and influential BINGOs in the UNFCCC process.

Another entry point inside the UN system for corporations through their industry associations is the United Nations Economic and Social Council (ECOSOC) which coordinates the economic, social, and related work of UN specialized agencies, functional commissions and five regional commissions. ECOSOC gives certain NGOs consultative status allowing these groups to attend meetings, submit written documentation, or make oral presentations in UN proceedings, including at international conferences, at ECOSOC’s meetings, panels, roundtable discussions, presentations and general debates. As we have seen, corporations join industry associations that can successfully pass themselves off as business and

Sample list of Companies and business lobbies that have been part of ICC, WBCSD, IETA and GCC delegations at COPs since 1995:

industry non-governmental organizations in order to gain access to UNFCCC processes. Some of these BINGOs have also gained consultative status with ECOSOC which, in turn provides them with more opportunities to influence UN agencies. ECOSOC’s process for selecting NGO’s for consultative status have been criticized for making no differentiation between the range of NGOs and their motivations for seeking to influence the UN’s policy-making processes. By attaining consultative status business driven NGOs are provided with a direct line to influence policy at the UN thereby hiding or replacing the voices of smaller, grass-roots not-for-profit organizations.34

<table>
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<tr>
<th>COPs</th>
<th>Table 1.2 Number of BINGO lobbyists present at COPs since 1995</th>
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<tbody>
<tr>
<td>1 Berlin, 199535</td>
<td>15</td>
</tr>
<tr>
<td>2 Geneva 199636</td>
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</tr>
<tr>
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</tbody>
</table>

2.3 Industry events

Climate-related industry events organized in between major UNFCCC meetings give corporations the opportunity to interact and network with UN agencies and officials on their own territory. These events provide industry with an important level of control over its
interaction with UN representatives and creates the opportunity to formally and informally exchange information. These events take the form of summits, conferences, and market and trade fairs with climate-related themes such as “green” investment and the carbon market among others. In the case of conferences and market fairs promoted by carbon traders and their associations, it is common to find invited officials from selected UN agencies giving speeches, participating as panelists or at exhibitors.

For example, John Kilani the Director of the Sustainable Development Mechanisms programme at the UNFCCC secretariat appeared as a pannelist at the Carbon TradeEx America 2010, which was jointly organized by The Carbon Markets and Investors Association (CMIA) and the Environmental Markets Association (EMA). Kilani, who has has held senior positions in the mining and oil and gas industries, spoke on two panels about scaling up the market based Carbon Development Mechanisms along with representatives from industry. Another industry organized event that includes UNFCCC participation was The Carbon Markets and Climate Finance Americas event that was held in São Paulo, Brazil in April 2011. The event, self described as a “must attend event for banks, project hosts, developers, carbon credit buyers, government and municipalities, regional DNAs, consultants, verifiers, lawyers, carbon brokers and media” to learn about the “latest market developments, meet new customers and do business” is sponsored by the CMIA and the International Carbon Reduction and Offset Alliance (ICROA). The UN was represented at the São Paulo meetings by speakers Suani Coelho (UN Secretary General’s Advisory Group on Energy and Climate Change), Miriam Hinostroza (Head of Programme, Energy and Carbon Finance, UNEP Risoe), Katherine Dunn (Carbon Finance Technical Specialist, UNDP, Brazil), and Olof Bystrom (Programme Officer, UNFCCC).

The collaboration between UN agencies and the private sector was apparent in some presentations, such as Olof Bystrom’s speech on “CDM as a tool for continued economic development” and “Securing and rewarding private sector buy-in.”

2.4 Partnerships

Partnerships are another way for corporations to create and deepen ties with UN agencies and officials. Through a partner relationship corporations are able to portray themselves as ideal collaborators for the UN and while creating a welcoming environment for private sector input that is geared towards expanding profit opportunities. The United Nations considers its relationship with the business community over the years a successful one and has continuously stressed the need to deepen ties between UN agencies and the private sector. This recognition led to the creation of the Global Compact, the UN’s voluntary corporate responsibility initiative. After joining the UN Global Compact, businesses are expected to make a regular tax-deductible annual contribution to support the UN Global Compact Office.
Compact board members include representatives from Fuji Xerox, Petrobras and Tata Steel, while Coca-Cola Company, Shell, Dupont, and Dow Chemical are some of the UN’s many business partners through the programme.

On the issue of climate change, the Global Compact has partnered with the UN Environment Programme (UNEP) on an initiative known as known as Caring for Climate. Caring for Climate (C4C) was launched by UN Secretary General Ban Ki Moon in 2007 and has been endorsed by nearly 400 Global Compact member companies from 65 countries. Before October 2011, C4C was only open to Global Compact signatories, but the initiative was recently broadened to allow non-GC members to join. The UN defines C4C as “the world’s largest global business coalition on climate,” and it is geared toward assisting companies to develop climate change policies and providing tools for “the business community to contribute inputs and perspectives to key governmental deliberations.” C4C is governed by a steering committee which includes executives from Coca-Cola Company, Dow Chemical, Siemens, Tata Steel, LG Electronics and CEMEX.

In September 2001, the Global Compact, the (UNEP) and the Secretariat of the UNFCCC signed an agreement to join forces on the C4C initiative in order to “work together to better align Caring for Climate with the climate policy agenda and enhance the visibility of business actions in the process.” The Global Compact has stated that by joining forces with the UNFCCC, C4C signatories will have more opportunities to exchange information and simultaneously enhance the visibility of businesses in the process. In reality, Caring for Climate is a non-binding, voluntary public-private initiative (see C4C’s statement in Appendix 2) that is presented as a model of environmental stewardship combined with a platform for assisting companies to gain more access to the UNFCCC. C4C is a prime example of the United Nations helping corporations greenwash socially and environmentally damaging practices while at the same time providing the private sector with greater access to policy makers. Not only are the principles narrowly conceived, but the companies typically fail to put them into practice and they are also allowed to ‘opt in’ or ‘opt out’ of the standards set. C4C is also a major proponent of troublesome ‘green economy’ solutions being touted by the United Nations.

Another type of partnership between a UN agency and the private sector is the United Nations Environment Programme Finance Initiative (UNEP FI), through which over 190 institutions from the financial sector work closely with the UNEP to promote profit opportunities in the sustainable development market. To do so, UNEP FI prioritizes market-based mechanisms, especially the development of CDMs in developing countries. More recently, UNEP FI has collaborated with the United Nations REDD Programme to advance investment opportunities for its members in the REDD market through the commodification of forests systems.
The Global Compact Office and UNEP also co-convene the Business for Environment (B4E) Summit and World Climate Summit events, which are aimed at bringing industry, UN agencies, and government officials together. The B4E Summit 2010 included panels with speakers from UN agencies (i.e.: UNEP) and from industry (i.e.: The Climate Group, Siemens, Accenture, Syngenta). The World Climate Summit 2011 will be held alongside the UNFCCC COP 17 in Durban with the purpose of generating partnerships between businesses, investors, and national delegates. The UN Global Compact, the WBCSD, and The Climate Group are among the influential groups in the climate change policy scenario that will be present at the summit. At the 2010 World Climate Summit Event that took place in Cancun during COP 16 meetings even the UNFCCC’s Executive Secretary Christiana Figueres took time off from her UNFCCC duties to speak to private sector representatives at the summit. Her remarks demonstrate her support for the private sector’s concentration of efforts on influencing the political position of negotiating parties: “If you are not impacting the position of the countries in which you operate before they get to Cancun or Durban or Bonn or wherever they’re negotiating, frankly, there’s not that much that you’re transforming.”

World Climate Ltd, the main organizer of the annual summit, also holds other events throughout the year in the build up to COP meetings. One such event is the high level roundtable that was held in Brussels on May 26, 2011 designed to convene UNFCCC’s Christiana Figueres, EU Commissioner for Climate Action, Connie Hedegaard, and leaders from the public and private sector to forge collaborative approaches between these sectors and institutions. Despite the closed-door nature of the event, Figueres publicly urged the private sector “to capitalize on the policy momentum of the Cancun Agreements.” Other partnership events between UN agencies and the private sector include the Latin American Carbon Forum and the Africa Carbon Forum.

### 3. What market mechanisms are created for corporations?

Market based mechanisms are being pushed within the UNFCCC as solutions for climate change by Northern polluting countries and powerful industries that are interested in sustaining current levels of production without significantly curbing emissions. The establishment and then adoption of these mechanisms (two of which are discussed below) are examples of how market actors have dramatically influenced policy outcomes inside the UNFCCC and its Kyoto Protocol. After the Kyoto Protocol was adopted in 1997 the level of engagement in the UNFCCC process by corporations lobbying for market based mechanisms surged to unprecedented levels. For example, prior to COP 13 in Bali when the Kyoto Protocol was implemented, the International Emissions Trading Association, which represents large investment banks and
other companies that profit from carbon trading and other market mechanisms under the Kyoto Protocol, sent 1,485 lobbyists to encourage delegations and UN officials to include these mechanisms in any agreement. The business lobby was successful and, as a result the Kyoto Protocol now includes three market based solutions. Since their adoption, these mechanisms have been critiqued by peasants groups, environmental organizations and social justice groups for doing nothing to cut emissions and instead further marginalizing the poor and turning the climate crisis into a profitable market by commodifying carbon and nature.

These mechanisms can be defined as “instruments or regulations that encourage behaviour through market signals rather than through explicit directives.” The principle behind these instruments is the “polluter pays,” which can take the shape of eco-taxes, user charges, emissions charges, tradable permits, and others. The Kyoto Protocol, adopted in 1997, establishes three market based mechanisms: Emissions Trading (ET), Clean Development Mechanism (CDM), and Joint Implementation (JI). The idea is that these instruments will lead to the maximum amount of emission reductions at the lowest cost possible. Through tradable permits in a cap-and-trade scheme, the objective is to control the global level of emissions instead of the level of emissions of each particular country.

Article 3 of the UNFCCC urges countries to utilize “policies and measures to deal with climate change” that are “cost-effective so as to ensure global benefits at the lowest possible cost”. The regulating authority assumes that costs will be minimized by employing only the resources necessary to regulate permits at the global levels instead of for each individual country. The other assumption is that the market will allocate emission permits according to where it is cheaper to obtain them, for example, in a developing country where it might be cheaper to finance a CDM project in exchange for CERs. In fact, even if some countries are on the way to meeting their targets, global emissions have continued to grow.

It is suggested that by pursuing the lowest cost possible, these mechanisms may allocate prices at a sub-optimal rate. If the costs of purchasing emission permits from other parties are too low, they will not have an effective impact on reducing an individual country’s emissions, even though the global cap will remain the same. The downside to prioritizing a global target is that the market based mechanisms make it cheaper for richer countries to purchase emission permits rather than to employ methods to reduce their own emissions at home. Further, if in a post-Kyoto future developing countries join the global cap-and-trade carbon market prices will become so low that developed countries will be able to import about 70% of the reduction requirement. This would demonstrate not only the inefficiency of such mechanisms to change behaviour to prevent climate change but also the results of creating a global carbon market in an economically unequal world.
3.1 The Kyoto Protocol mechanisms

The Kyoto Protocol’s Emissions Trading (ET) mechanism allows Annex I countries* (mostly Northern countries and the world’s largest emitters of green house gasses) to sell unused emission units to countries that are over their emission reduction targets. This mechanism lets Annex I countries choose how they should comply with their set targets in spite of the mandatory cap on their emissions. The KYOTO PROTOCOL’s Emissions Trading mechanism essentially commodifies emissions by assigning property rights to greenhouse gases. The market mechanisms included in the Kyoto Protocol came as a result of years of extensive lobbying by corporations interested in the global free trade of greenhouse gases. Lobby groups such as the International Emissions Trading Association pushed for expanded definitions of allowable market activities, less stringent regulations and oversight of the system and the use of carbon sinks.76 The efforts of the corporate lobby were not in vain and the deregulation of the carbon market was achieved thereby ushering in a lucrative new financial market that has been a boon for the financial houses that designed it and the traders and investors that exploit it. However, despite the thousands of operating CDM projects around the world, the broad goal of the scheme to reduce emissions has failed and global CO2 emissions continue to rise.77

Although this carbon market is global, the Kyoto Protocol also permits the establishment of emissions trading schemes at the national and regional levels. These schemes allow governments to set emissions obligations internally or among themselves. The European Union emissions trading scheme is the largest carbon market in the world, which was worth 30 billion USD in 2006.78 In addition to the carbon market created by the Kyoto Protocol, there are separate regional and national markets that operate under a cap-and-trade system, such as a market of carbon trade between electricity producers in seven states in the eastern United States.79

The Kyoto Protocol also allows countries to offset their emissions through its Clean Development Mechanism (CDM). The CDM consists of a project-based instrument that works through the carbon market. For example, when a developed country invests in projects that ostensibly reduce emissions in developing countries, the developed country acquires certified emission reductions (CERs) that contribute to its overall stock of assigned amount units of carbon. That is, if country A finances a CDM project in country B that results in reducing

* Annex 1 countries: Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, European
emissions in country B, country A can claim CERs from the project. Emission reductions resulting from project activity are certified on the basis of voluntary participations of the parties involved and must lead to reductions in emissions that are additional to reductions that would occur in the absence of a CDM project. Another KYOTO PROTOCOL instrument known as the Joint Implementation (JI) mechanism operates in a similar manner to CDM, except that cooperation takes place between developed countries only and the resulting emission offsets are called emission reduction units (ERUs).

3.2 REDD: a post-Kyoto mechanism

REDD† is a proposed mechanism aimed at “Reducing Emissions from Deforestation and Degradation” in developing countries. The central premise of REDD is that governments, companies or forest owners in the Global South should be rewarded for keeping their forests instead of cutting them down. REDD, as an initiative, was introduced to the UNFCCC as an item in the agenda of COP 11 in Montreal (2005) and it continues to be developed at UNFCCC meetings under the guidance of the UN’s Subsidiary Body for Scientific and Technological Advice (SBSTA). According to the Ad-Hoc working group outcome document which was decided upon at the 16th COP in Cancun REDD: Encourages developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities, as deemed

† According to the United Nations, “REDD is a mechanism to create an incentive for developing countries to protect, better manage and wisely use their forest resources, contributing to the global fight against climate change. REDD strategies aim to make forests more valuable standing than they would be cut down, by creating a financial value for the carbon stored in trees. Once this carbon is assessed and quantified, the final phase of REDD involves developed countries paying developing countries carbon offsets for their standing forests. REDD is a cutting-edge forestry initiative that aims at tipping the economic balance in favour of sustainable management of forests so that their formidable economic, environmental and social goods and services benefit countries, communities, biodiversity and forest users while also contributing to important reductions in greenhouse gas emissions.” UN-REDD Programme FAQs, http://www.un-redd.org/AboutUNREDDProgramme/FAQs/tabid/586/Default.aspx
appropriate by each Party and in accordance with their respective capabilities and national circumstances: (a) Reducing emissions from deforestation; (b) Reducing emissions from forest degradation; (c) Conservation of forest carbon stocks; (d) Sustainable management of forest; (e) Enhancement of forest carbon stocks.

REDD is currently voluntary and relies on guidelines and methodologies by the Intergovernmental Panel on Climate Change (IPCC) to estimate and monitor emission reductions from deforestation and changes in forest carbon stocks. Decision 2/CP.13, announced at COP 13 in Bali, established a mandate for action on REDD by encouraging countries to support capacity-building, provide technical assistance and facilitate the transfer of technology to address the needs of developing countries trying to reduce emissions from deforestation and forest degradation.\(^8^1\) Negotiations are underway to establish forms of distribution and financing, as is the case for the Kyoto Mechanisms. Proposed distribution options include emissions and carbon. Proposed financing options include: direct-market, hybrid/market-linked, and voluntary fund. In 2008, the UN launched its UN-REDD Program which currently has 35 partner countries.

In addition to REDD, some Non-Governmental Groups have presented proposals to the UNFCCC to revise the existing market based mechanisms and introduce new ones in a post-Kyoto regime. Many of these proposals are presented during Ad-Hoc Working Groups that happen in parallel to COP and pre-COP meetings. A proposal by the lobby group Carbon Markets and Investors Association, whose members include banks and large corporations, suggests the creation of benchmark mechanisms, a crediting baseline mechanism and a revised cap-and-trade system.\(^8^2\) Some of these suggestions are supported by countries, such as the Republic of Korea, which urges the implementation of carbon credits designed to “improve commercial viability of investments for mitigation.”\(^8^3\)

REDD has been heavily criticized by a number of indigenous organizations other groups opposing market based solutions to climate change. Indigenous organizations say the scheme will result in more violations of Indigenous Peoples’ Rights through the loss of control of forests. According to the Indigenous Environmental Network, “the implementation of REDD in Indigenous territories is extremely risky since there is no guarantee that REDD projects will fully
recognize the land tenure, customary and territorial rights of Indigenous Peoples." While groups like REDD-Monitor say, amongst many other concerns, that REDD might avert deforestation in one place, while “the forest destroyers might move to another area of forest or to a different country.” One of the most serious concerns with REDD is the issue who will fund REDD. The initiative will either be funded through government funds or through private hands in the form of offsets similar to what was discussed above about CDMs or through a combination of the two. According to REDD-Monitor, “creating a market in REDD carbon credits opens the door to carbon cowboys, or would be carbon traders with little or no experience in forest conservation, who are exploiting local communities and indigenous peoples by persuading them to sign away the rights to the carbon stored in their forests.” Given that the World Business Council on Sustainable Development has stated that it “supports the design and implementation of REDD policies and funding mechanisms that leverage carbon markets,” it is safe to assume that it uses its connections and access inside the UN system to lobby for the implementation of REDD.

**Conclusion**

Looking towards the 20th anniversary of the Earth Summit in Rio de Janeiro where the UNFCCC was launched in 1992, it would be prudent to reflect on the direction the negotiations have taken and what needs to change in order to avoid the runaway climate change that this process is intended to avert. This report has shown that the biggest polluters – corporations and countries – in the world and the companies that perpetuate over-consumption have successfully infiltrated and influenced the people and institutions that make decisions on climate change policy. The fruits of this labour include troublesome market based solutions that allow Northern polluters to continue with business as usual.

The business lobby has also proven that it can quickly and effectively shift strategies from a more reactionary and obstructionist approach to one that views climate change as a business opportunity. Before the international body for the assessment of climate change, the Intergovernmental Panel on Climate Change (IPCC) released incontrovertible evidence that human activity was causing climate change; business lobbies were busy trying to convince UNFCCC delegates that this was bad science and that the production of fossil fuels and other pollutants should continue on without impediments. When the IPCC’s findings were by-and-large accepted by the international community, these same business lobbies shifted strategies by partnering with the UN and made themselves look like part of the solution instead of part of the problem. The strategy has worked and the UN is now pushing for the industry designed market based solutions that allow the same Northern polluters that denied climate change was
occurring to again, maintain business as usual by continuing pollute in the North while buying credits from Southern countries.

This outcome is not surprising given the United Nations metamorphosis from an organization that regulates corporations to one that partners, collaborates and sees business as part of the solution to climate change. Sadly, this model of cooperation is not leading to the implementation of real, equitable and lasting solutions to a problem that threatens the very existence of the planet. The lasting symbol of this failure is the Kyoto Protocol, passed with much hope in 1997 and then rendered ineffective by 2007 and virtually dead 4 years later. In many ways the trajectory of the Kyoto Protocol has been dictated by multinational corporations through their direct influence on individual country delegations and incessant lobbying during UNFCCC meetings. Consequently, the likelihood of the Kyoto Protocol surviving a second commitment period is doubtful. What will almost certainly appear is a non-binding pledge-based system where countries set their own emissions reductions targets and then pledge to meet these targets within a certain time frame. This so-called pledge and review system, which would maintain the market mechanisms embedded in the Kyoto Protocol has long been favoured by the United States and has received support from many Northern countries while countries of the Global South are uniting in support of a binding rules based agreement.

In the 1990s, the United Nations went down the road of partnership and collaboration with corporations, and we are now seeing the result of this paradigm shift play out on the issue of climate change. By engaging and partnering instead of closely regulating, the UN has facilitated a system of corporate engagement in its processes that is slowing down any type of meaningful action on climate change and many other issues. Activists from civil society should unite in denouncing the UN’s efforts to implement corporations’ and their industry associations’ ‘business as usual’ strategy and collectively take bold actions to demand fundamental changes in priorities and directions.

Appendix 1
Evolution of the private sector participation in the UNFCCC COP meetings

Appendix 2
“CARING FOR CLIMATE: THE BUSINESS LEADERSHIP PLATFORM”
A Statement by the Business Leaders of the Caring for Climate Initiative

WE, THE BUSINESS LEADERS OF CARING FOR CLIMATE:

RECOGNIZE THAT:
1. Climate Change is an issue requiring urgent and extensive action on the part of governments, business and citizens if the risk of serious damage to global prosperity, sustainable development and security is to be avoided.
2. Climate change poses both risks and opportunities to businesses of all sizes, sectors and regions of the world. It is in the best interest of the business community, as well as responsible behavior, to take an active and leading role in deploying low-carbon technologies, increasing energy efficiency, reducing carbon emissions and in assisting society to adapt to those changes in the climate which are now unavoidable.

COMMIT TO:
3. Taking further practical actions to improve continuously the efficiency of energy usage and to reduce the carbon footprint of our products, services and processes, to set voluntary targets for doing so, and to report publicly and annually on the achievement of those targets in our Communication on Progress-Climate.
4. Building significant capacity within our organizations to understand fully the implications of climate change for our business and to develop a coherent business strategy for minimizing risks and identifying opportunities.
5. Engaging more actively with our own national governments, inter-governmental organizations and civil society to develop policies and measures to provide an enabling framework for business to contribute effectively to building a low-carbon and climate-resilient economy.
6. Continuing to work collaboratively with other enterprises both nationally and sectorally, and along our value-chains, to set standards and take joint initiatives aimed at reducing climate risks, assisting with adaptation to climate change and enhancing climate-related opportunities.
7. Becoming an active business champion for rapid and extensive climate action, working with our peers, employees, customers, investors and the broader public.

EXPECT FROM GOVERNMENTS:
8. The urgent creation, in close consultation with the business community and civil society, of comprehensive, long-term and effective legislative and fiscal frameworks designed to make markets work for the climate, in particular policies and mechanisms intended to create a stable price for carbon.
9. Recognition that building effective public-private partnerships to respond to the climate challenge will require major public investments to catalyze and support business and civil society led initiatives, especially in relation to research, development, deployment and transfer of low-carbon energy technologies and the construction of a low-carbon infrastructure.
10. Vigorous international cooperation aimed at providing a robust and innovative global policy framework within which private investments in building a low-carbon economy can be made, as well as providing financial and other support to assist those countries that require help to realize their own climate mitigation and adaptation targets while achieving poverty alleviation, energy security and natural resource management.

AND WILL:
11. Work collaboratively on joint initiatives between public and private sectors and through them achieve a comprehensive understanding of how both public and private sectors can best play a pro-active and leading role in meeting the climate challenge in an effective way.
12. Invite the UN Global Compact to promote the public disclosure of actions taken by the signatories to this Statement and, in cooperation with UNEP, communicate on this on a regular basis.
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