

# Training Program for Icco Program Officers & Climate Stakeholders

## Welcome Address delivered on Monday, 4 April 2011

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### Welcome to the centre of the world... welcome to Bagepalli!

I mean this quite literally, since the universe is indeed round, as well as metaphorically. For us at ADATS, this is more than a glib assertion of a truism. It comes from a sense of achievement. We know that we have created path breaking innovations in favour of small and poor peasants here, and set an example for others to follow in the rest of the world.

- Barely 10 months after the Kyoto Protocol entered into force, we put a pro-poor stamp on the market mechanisms by registering the world's first pro-poor project in December 2005. We were the 46<sup>th</sup> project to be registered, world wide.
- We have enabled 31,607 families to contribute an annual reduction/sequestration of 154,522 tCO<sub>2-e</sub> through 3 CDM Projects.

These were bottom up decisions taken in hundreds of villages by thousands of small and poor peasant families who contributed and paid for project development. ADATS did not take a farthing from any outside source to meet transaction costs.

- We were the first to create the instrument of ERPA to sell yet-to-be-generated CERs in advance and secure forward funding to implement a pro-poor technology.
- Bagepalli was one among thousands of centres from which the truly grassroots evolved Kyoto Protocol was signed.

The *Bagepalli Tamarind Project* was the first time that the concept of greenhouse gas sequestration was modelled for practical application, scientifically proved and certified.

- We have set up a powerful platform with an international presence, credibility and recognition. 24 projects are currently being developed by the Tech Team of the Fair Climate Network. 345,000 poor families will reduce 431,000 tonnes of GHG emissions every year.

We see this as a strong start, but need to scale up in a hurry. Time is running out while the house burns around us.

- We have interested 4 social entrepreneurs to set up Carbon Investment companies, though we will be the first to admit that there is much left undone in volumes and quality.
- We are providing leadership and blazing a trail for small and marginal Farmers to reverse and restore the damage done to their lives, livelihoods and the environment by leveraging non-traditional carbon markets.  
1 Low Carbon Farming Coalition is in operation with 5 participant NGOs. 2 more are in the offing.

- The Fair Climate Network is developing a Standard to certify community ownership and carbon revenue sharing.

For the moment, this will sit on top of CDM/VCS. We are under pressure to develop our own carbon accounting standards, independent of CDM and the UNFCCC, but haven't taken a final call as yet.

There is a powerful argument in favour of such a step. It is important to have a single overarching Pro-Poor Standard that is accepted in different Emission Trading Systems. It does not serve us well to present multiple standards for various pro-poor projects we develop. A single Standard will be a bedrock for leveraging markets to deliver emission reductions and supporting poverty alleviation

We have demonstrated that project proponents, end users, developers of pro-poor CDM Projects, service providers and carbon investors are not mere mechanics who opportunistically take advantage of possibilities offered by Climate Change. We refuse to leave the larger understanding of the global climate system to enlightened others. Through our interventions and experiential learning, we develop powerful positions, take a stand, and strategise to make ourselves heard. We are truly international in the sense that we have found an identity and space in the comity of players from across the world.

Yet I have mixed feelings. Pride is laced with trepidation and an impending sense of doom. I am sufficiently climate literate to realise that the time left to maintain global climate integrity is running out, if it already isn't too late.

## Climate Change

The world has come to accept that Science is neither absolute nor sanctimonious. It is not an objective adjudicator between "truth" and "error". Facts are uncertain, values in dispute, stakes high and decisions urgent. Science is called upon to find good ways of recognising, managing and communicating uncertainty. Science is indeed a Manager of Uncertainties.<sup>1</sup>

There are diametrically different frameworks in our varied takes on Climate Change. Scientists examine GHG concentration and global tolerance levels. The ethical view takes a stand on the intrinsic injustice in permitting the continuation of high levels of material consumption. Ethnic positions are different from native wisdom. The media has its take. Students another.

Hollywood cashes in on catastrophic Climate Change. Environmental economists emphasise discount rates. Feminists the social cost of carbon. US Republicans perceive a real threat to employment. Anti-colonialists see it as the best weapon ever to redress historic injustices.

Then there are those who believe that a technological breakthrough will avert the crisis. Without the slightest hesitation, nor any trace of sarcasm, I fervently wish them every success. After all, this is one scenario we all wish we could wish away!

In my opinion, we live in a real world where there is great peril in not recognising every one of these frameworks as perfectly valid and legitimate. Every opinion, feeling and perception plays a role. No hegemony of a single framework will prevail.<sup>2</sup> The foolish and ill informed masses are as important as informed populations. The things we/they believe in, values, culture, perceptions of threat and risk are as valid as hard scientific facts. Pop science, like pop music, has found its place along with the classics. There's no point in pretending that Tchaikovsky and Beethoven are the only artistes in town.

The co-production model is the only harbinger of acceptable international strategies to tackle a global crisis. Every single opinion counts and has to be carried if we are to arrive at acceptance and compliance.

## The Local Environment Framework on Climate Change

The hundreds of thousands we work with genuinely believe that their grandmothers had it easy – that they didn't have to walk so far to gather firewood, that the thorns in those days were less prickly, and that forest guards were gentlemen who did not sexually harass them. They also believe that their grandfathers had it easy – that rains were predictable and on time, that bumper crops grew on lush fields, and that food was healthier. These perceptions are as strong and as real as any scientifically proven/disproved fact.

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<sup>1</sup> I found myself muttering, "My sentiments, exactly!" when I read a good book that Gert de Gans gave me. I urge you to read "Why we Disagree about Climate Change" by Prof Mike Hulme.

<sup>2</sup> The lady in Copenhagen realised this, much to her chagrin, when she forgot the times we live in and the fact that every nation state has just a single vote in the UNFCCC.

The hundreds of thousands we work with search for a cause for the changes they perceive. They stumble upon Climate Change information we give, interpret/misinterpret, and “name their world”. This view of the changing climate through the prism of their local environment is one among many perfectly valid and legitimate positions. Not just valid, but an extremely powerful engine to sustain a prolonged attention span. It stands tall as an equal with all other frameworks.

It is my personal commitment to make it taller and issue diktats to all others.<sup>3</sup> We will steadfastly oppose superior pretensions that ridicule, dismiss or refuse to coexist with our people’s stand on Climate Change. When the whole world has come to accept a co-production model that takes all frameworks into account, it is ridiculous for upstarts and new entrants to set terms on matters they pretend to have mastered.

## Civil Society & Climate Change

Civil society “discovered” Climate Change a short while before Copenhagen. They raised expectations and created an euphoria. That too was perfectly justified. The quest for equity and justice pre-dates even Moses. Sensible and sensitive people have eternally strived to lower social disparity. Climate Change was the latest in a chain of arsenal to pursue this human compulsion. Footprints gave an indisputable measurement unit to consumption levels; the UNFCCC a platform to raise their voice.

Post Copenhagen, many declared the opportunity lost. What started as the genesis of an international upheaval died an abrupt death. But climate issues have been grappled and tackled long before civil society woke up to the opportunity. Some of us plod on with quaint memories of that flash in the pan...

## CDM & the “Cop Out” Criticism

Before we echo the populist rhetoric, it is important to understand that offsetting is not the only instrument used by European countries to meet Kyoto targets:

- A chunk of the emission reduction target under Kyoto is achieved through internal mechanisms, standards and legislations called Effort Sharing Decision (ESD)
- The remainder is covered under cap & trade, under the EU ETS

Each DNA sets its own negotiated proportion for:

- CDM & the EU ETS
- Real cuts in emissions through (expensive) clean up technologies<sup>4</sup>
- Other ESD measures

Averaged across countries in Europe, the value comes to about 50%. As a rule of thumb, financial experts have divided the quota in the 1<sup>st</sup> committal period into 2% and 3% for real reductions and offsets, respectively.

CDM is therefore not merely the “cop out” mechanism that it is derogatively dismissed as. While it is far from ideal in conception and operation, it is not the product of devious minds to reintroduce a neo-hegemony of sorts.

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<sup>3</sup> That, after all, is the very definition of ideology. Jairam Ramesh, our Minister for Environment & Forests claims he is not an environmentalist. He says his mission is to project “*livelihood environmentalism*” over and above “*lifestyle environmentalism*”. Prof Hume concurs, “an understanding of Climate Change cannot be separated from an understanding of development”.

<sup>4</sup> These could include measures like Carbon Intensity Cuts like the ones that India and China (non-Annex I countries) announced at Copenhagen

In the next committal period, the European Union is prepared to take on a 30% cut in emissions. Instead of only focusing on NAPA's and NAMA's<sup>5</sup> in non-Annex I countries, Climate Change activists in Annex I countries need to gear up their act to:

- Pressurise their governments to maintain and improve upon the thumb rule
- Critique and monitor their respective ESDs with a constructive realisation that no responsible signatory to the Kyoto Protocol relies on EU ETS to reduce more than 60% of their national emissions

## Carbon Finance

Carbon Finance is much more than CDM. The required numbers are staggering. The international community realises that CDM has serious inadequacies, over and above what vigilante groups and civil society address. Reduction requirements are high and we have a very short time to maintain climate integrity. In February 2011 the concentration of atmospheric CO<sub>2</sub> was 391.76 ppm, which is 41.76 over and above the planet's tolerance level. This translates to 88.95 Gigatonnes Carbon.

The real impact of this number is apparent only when we see it in its full glory, with all the zeros. 88,948,800,000 tCO<sub>2</sub>-e The total CERs issued, worldwide, to 966 projects is 561,698,401. CDM needs to be expanded 158 times to meet the global requirement in emission reduction.

Even a reformed CDM cannot, by itself, address the magnitude of the problem. CDM cannot be the sole mechanism to meet the required emission cuts. 14 years back, in its collective wisdom, the world rejected pledges, promises and statements of intent. Instead it placed a reliance on a regulated market with a clear role for sovereign governance and civil society.

We strongly believe that this was not a misplaced faith. If we genuinely want solutions, it is imperative that we listen to economic arguments that create political capital. Sound economic arguments are needed to manage transformations – accelerating climate friendly growth here, and retooling economies there.

Without pretending to know the answers, I will brainstorm a few out-of-the-box suggestions from the top of my head, merely in order to illustrate my point:

1. Our most serious and long reaching recommendation is that pro-poor CDM be scaled up since it will take us off the trajectory of high emission growth. Currently, the one requirement of CDM that is flouted with blasé impunity is Additionality. "Business as usual" activities pass off as CDM, resulting in super profits for the well heeled and properly connected.

Pro-poor CDM, on the other hand, has to go through the painful process of irrefutably proving that households with an euphemistic negative footprint are going to reduce their emissions even further.<sup>6</sup>

When arguing for Low Carbon Farming, we say that it is not enough to merely pay lip service and empty platitudes for the non emitting lifestyles of small, marginal and drought affected farmers. Cutting edge science has to be offered to dramatically increase the productivity of their subsistence cultivation. They should be able to fulfil basic human aspirations of good health, nutrition, education and a higher standard of living, befitting this age and times.

If 250 million small holders were to imitate capitalistic farmers, emission levels would shoot through the roof. Industry like emissions by one quarter the world's population will be far

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<sup>5</sup> National Adaptation Programme of Actions (NAPA) and Nationally Appropriate Mitigation Action (NAMA) are for non-Annex I countries.

<sup>6</sup> An unpardonable crime for which I have repeatedly stated that there is a special place reserved in Hell for people like me.

worse than a meltdown of the Siberian thermofrost. IPCC calculations would go awry and the UNFCCC made a joke.

Pro-poor CDM must result in real and direct transfer of resources from Annex I countries to non-Annex I. These are not resources transferred for “nothing”. They are payments for ecological services performed by choosing a growth path that is climate friendly. The poor have to be rewarded for continuing their low emission livelihood and, at the same time, incentivised with technology to increase their productivity manifold.

Yes, we categorically recommend that Pro-poor CDM must result in real and direct transfer of resources from Annex I countries to non-Annex I *without the need to prove Additionality in the same manner as regular energy CDM activities*. This should be the policy directive and raison d’être for accepting suppressed demand by the Meth Panels of the EB.

2. A precedent to the above is REDD+. The international community has finally accepted that *preserving the existing forest cover* is as vital as *creating new and additional forests*. Currently, REDD+ is in the bilateral ambit of government to government. It too needs to come under the ETS regime.
3. “Least Developed Country” is too broad a category. 50% of India, for instance, is an LDC while the other half equals the footprint of most Annex I countries.
4. Inter-Industry offsetting should be allowed, but viewed inter-sectoral. Companies in industries under ETS should be allowed to offset and/or trade emissions with companies or industries in Non-Annex I countries operating under a sectoral limit to emissions.  
E.g. A single factory may make a reduction in a non-Annex I country, but another factory in that same country may emit more. This does not contribute to net climate integrity.

## Pro-poor CDM

The Fair Climate Network holds that pro-poor CDM Projects can be taken up by grassroots NGOs only after they have fostered empowered CBOs with a business sense to deal with commercial moneys and commitments. CDM is therefore an added layer, on top of strong and independent communities with a formal structure and identity. Grassroots NGOs have to act as aggregators of carbon credits, experiential learning, and powerful stories that chronicle the generation of offsets by the poor.

CBOs built through the community organisation effort of grassroots NGOs fall under 2 broad categories:

- The first are socio-politically powerful people’s organisations that cover all life processes of their members. These CBOs have, over the years, emerged as primary social institutions that give a powerful identity to the poor. At times, they act as contenders to other identify giving primary social institutions like family, religion and caste. Northern NGOs who supported the community organisation work of NGOs in the South for several decades played an important role, way beyond the provision of funds.
- Sector specialised NGOs, on the other hand, have set up functional groups and beneficiary organisations with limited mandates to merely participate in the planning and implementation of their projects. Their work has resulted in secondary social groups that have now to be converted into social capital.

There are a third type – People’s Organisations whose formation cannot be attributed to any NGO. They evolved from long years of people’s struggle, with a handful of committed activists accompanying these struggles for land, wage, dignity and freedoms. If these People’s Organisations are to access and manage carbon revenues, their “bourgeois efficiencies” need to

be vastly increased. And the accompanying activists have to model themselves as a credible body. These are sociopolitical decisions with far reaching consequences, and need to be carefully thought through.

There is another type of NGO work that does not create people's organisations at all. These are direct service delivery organisations that set up clinics, dispensaries, schools, counselling centres, skill training institutes, income generating projects, marketing services, etc. Their services are laudable, and invaluable to society. But the Fair Climate Network cannot assist them to develop pro-poor CDM merely because they have an NGO tag and rural presence.

Pro-poor CDM development comprises 2 parallel/sequential processes:

1. NGO Dynamics:  
facilitating and hand holding NGOs & CBOs to make the transformation to deal with commercial moneys and long term commitments
2. PDD Development:  
choosing an appropriate technology, writing the Project Design Document, obtaining Host Country Approval, seeing through Validation and registering with the UNFCCC

Both require painstaking, time consuming, custom built and specific sets of jobs and tasks that fall under broad headings of facilitation and handholding. There are no short cuts. Pro-poor CDM cannot be developed through body shopping in Bengaluru.

An entirely different understanding of "Pro-Poor" is the introduction of technologies that benefit the poor. Crudely put, they opportunise an emerging market where the poor are the customers. They fall under conceptual streams like "bottom of the pyramid", "value chain development", etc. They argue that the Fair Climate Network has set too high a benchmark and will not be able to proliferate a technology by reaching out to the "unorganised poor".

Besides ideological/emotive grounds for refusing to get involved in these technology proliferation exercises, we have a sound operational reason. Pro-poor technologies cannot be implemented, maintained/serviced, and meticulously monitored for the entire crediting period without a genuine ownership transfer to End Users.

The world at large sympathises with pro-poor projects activities. But they ask 3 legitimate questions: Can it be done? Can it be measured? Can it be proven? The answer to all 3 questions is a resounding "No!" unless strong CBOs not just *participate*, but take *ownership* of projects. We are not willing to risk our credibility on adventures that are doomed to fail.

## Carbon Investors

Pro-poor CDM cannot be implemented without the full cost of delivering the technology being financed upfront. This is always higher than ETS spot prices, and credits need to be sold in the noncompliance market. Pro-poor CDM is therefore not in the scope of conventional carbon traders and brokers.<sup>7</sup>

Though the Fair Climate Network does not involve itself in final negotiations between project proponents and carbon investors, we do have a role and responsibility to set in place possibilities for registered CDM Projects to be financed through the forward sale of yet-to-be-generated CERs.

The Fair Climate Network actively invests in developing investors and an investment climate. This takes as much of our time, energy and resources as facilitating grassroots NGOs to develop CDM Projects. We persuade social entrepreneurs to set up investment companies, assist

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<sup>7</sup> ADATS, however, signed an ERPA with a purely commercial venture and our experience over the past 6 years is quite positive.

national players develop domestic markets and secure venture capital, and explore new international market instruments for pro-poor offsets.

We then link Project Proponents who are nearing registration to Carbon Investors.

- The financials of each individual CDM Project is worked out in a totally open and transparent manner
- These are presented to potential investors with the understanding that they make substantial profits in the first crediting period
- Carbon revenues generated in the 2<sup>nd</sup> and 3<sup>rd</sup> crediting periods belong to End Users (for technologies with a single crediting period, we build in a share of carbon revenues to End Users right from the very start)

## Values & Principles

The acid test to professed values and principles is when we are called upon to put our money where our mouths are. The Fair Climate Network's insistence on upfront, transparent and legally binding carbon revenue sharing agreements with End Users speaks volumes.

The availability of Carbon resources for scaling up sustainable development is certainly what brought us together. But we quickly realised that Climate Change is not about pouring old wine into new bottles.

We learnt not to operate in the "project mode". We will use CDM to move away from charity and the patronising manner we used to work in. We are prepared to take the pain that this organisational change will entail. Our business interest is to deliver tangible Results for the people we work with. Though the handling of commercial moneys is new to many, we are committed to professionalise operations and deliver on commitments. Our staying capacity is our strength. We are not fly by night operators, out to make a quick buck.

We are an open and welcoming platform. We cherish our plurality as a source of strength. We recognise that each person comes with a backpack full of personal agenda, but know that the synergy of our Network will make her give far more than what she takes away.

The track record of our Network will attract many speculators. Cuckoos that lay their eggs in the crow's nest will quickly realise that the road has not been fully traversed. All the bends and pitfalls have not been mapped. No one can do it on their own.

Opportunistic attendance and pretended compliance does not worry us. We realise that some will come, go away, and come back once again when their private calculations go off beam. They will, of course, receive a step-treatment since half open doors are also half shut. As the membership matures, everyone will realise that the Fair Climate Network, as a collective, has a role to play far beyond the developing, financing, implementing and monitoring of CDM Projects for the poor.

## Concluding Remarks

I presume that Bagepalli was chosen as the venue for your orientation not because of our warm hospitality and terrific arrangements, but due to a desire to align your Climate Programme with that of ADATS and the Fair Climate Network. I also suppose that this is a response to our open offer to collaborate on this exciting journey, realising that you too cannot do it on your own.

It is important that we each spell out where we come from, where we stand, and what our Business Interests are, in an open, transparent and acceptable manner. We can then identify where our respective business interests and values match and meet. I have clearly stated where ADATS and the Fair Climate Network stand. Now it is your turn.

After reading your background papers, and also based on several discussions we have had with various levels of the Icco hierarchy, we have some observations:

1. You are generously funded for programme activities in Utrecht and the world over. This will go a long way in capacitating grassroots NGOs you choose to partner with. But it is important to understand funding as different from financing.
2. You make such a clear distinction between Adaptation and Mitigation, and choose the latter. To me, after a 15 year involvement in the sector, this difference is still not clear...
3. You have stated that your primary involvement will be with Mitigation, supported by the FairClimateFund. I have some comments on your Carbon Investment company:
  - a. FCF seems to be severely under capitalised with hardly enough for even a single ERPA with a small scale CDM Project. This is an anomaly that needs to be addressed.
  - b. FCF does not implement the principle of covering the full cost of implementing the technology. Instead, it resorts to an opaque base price argument while, at the same time, benefiting from the openness and transparency of Project Proponent financials. *We do not have any problems with this since we don't demand upstream or downstream compliance as a precondition for practicing our values and principles. I'm merely pointing out a fallacy that needs to be addressed with business acumen.*
  - c. Poor rural women operate their biogas units or woodstoves like "family businesses" and "small factories of sorts" to generate and sell Emission reductions. Perhaps you could take a cue from them, the "real" business partners of FCF, and re-examine operations to bring initial overheads and profit levels under control. An overreach could kill the goose that lays the golden eggs.
  - d. FCF displays a tendency towards cartel. This will definitely boomerang. *Once again, this is not something that overtly disturbs us as "Sellers". It is just that cartels tend to stifle free competition and ricochet on themselves rather too soon.*
  - e. Though there is a strong institutional understanding that FCF operates in a business mode, this has not percolated to all secondary stakeholders. There still is a tendency to operate in the charity/project mode.
4. A/R and Forestry require a very long term and risky investment. We don't know if you have assessed your capacity to get into that arena.
5. We are unable to understand what you will do with REDD+ as a mitigation option since it is currently a bilateral instrument between national governments.
6. Your agenda for international lobbying and the alliances you will build are not clear. The documents you have shared do not scan current players and provide a clear attribution.
7. Your faith in being able to attract World Bank and GEF funds appears a trifle ambitious.

I invite you to articulate a nuanced understanding, make your strategic plan, set targets, and commit yourself to the sheer slog needed to reach urgent targets. As Pablo Neruda has said, *"When you finally know what you want to do, the whole world will conspire to make you succeed!"*

Your Director asked if we would pitch in to create a "Wim Win" situation. I readily agreed. ADATS and the Fair Climate Network are ready to be your co-conspirators. This offer comes from far more than long association, personal friendship and feelings of camaraderie. It stems from a paradigm of knowledge where I know that every one of us has to succeed if we are to tackle something as large and looming as this crisis in the global climate system.

Paraphrasing a parlance of yesteryears, I welcome you once again from the 4 corners of our flat world.

Thank you!