

Corruption and REDD at the international level



Presentation by Chris Lang
<http://redd-monitor.org>

At the Jakarta launch of
Transparency International's
report “Keeping REDD clean”
13 November 2012

I was asked to talk about developing a monitoring instrument to address risks corruption in REDD+. This is why I asked to change the title:

1) I have no experience of monitoring corruption;

2) As the only international speaker today, it makes more sense to me to look at international corruption and REDD.



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REDD in the news: 29 October – 4 November 2012

5th November 2012



A round up of the weeks news on REDD, in chronological order with short extracts (click on the title for the full article). REDD-Monitor's [news page](#) is updated regularly. For past REDD in the news posts, [click here](#).

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A response from Tashka Yawanawá about REDD in Acre, Brazil: “We have to fight for truth”

2nd November 2012



Tashka Yawanawá, Chief of the Yawanawá People, tried to comment on [yesterday's post on REDD-Monitor](#) about REDD and payments for environmental services in Acre, Brazil. Unfortunately his comment got caught in the spam folder. It's posted below in the interests of generating further discussion.

[read more »](#)

Problems with REDD and payments for environment services in Acre, Brazil

1st November 2012



The state of Acre hit the world's headlines in December 1988 with the murder of Chico Mendes, the president of the Union of Rural Workers of Xapuri. A year before his death, Environmental Defense Fund and National Wildlife Federation [flew](#) Mendes to Washington, D.C. aiming to convince the Inter-American Development Bank, the World Bank, and U.S. Congress to support the creation of extractive reserves.

reddisms:

“And while we recognise that there are still a lot of poor people in rural areas, when we talk about countries like China, India and Brazil they are not developing countries in the sense the Solomon Islands or Mali or Malawi are. So I think we need some more distinctions in the debate. The time must end when the emerging economies account for more and more emissions, have more and more of global growth but can continue to hide behind the label of 'developing country'.”

— *Connie Hedegaard, EU Climate Action Commissioner, September 2011*

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brokenranger: Finbow supplier: as a investor I really believed I bought these italian wines ready for shipment to HK. I paid loads of ...
Chris Lang: @Beto Borges (#2) - On 3 November 2012, REDD-Monitor received the following comment from Beto Borges:

Outline

1. Corruption in Indonesia, the UK and a little bit of history.

2. Carbon cowboys, boiler room scams, voluntary certification and guitars.

3. € billions of fraud in the European carbon markets.

4. Cowboys and choirboys united.



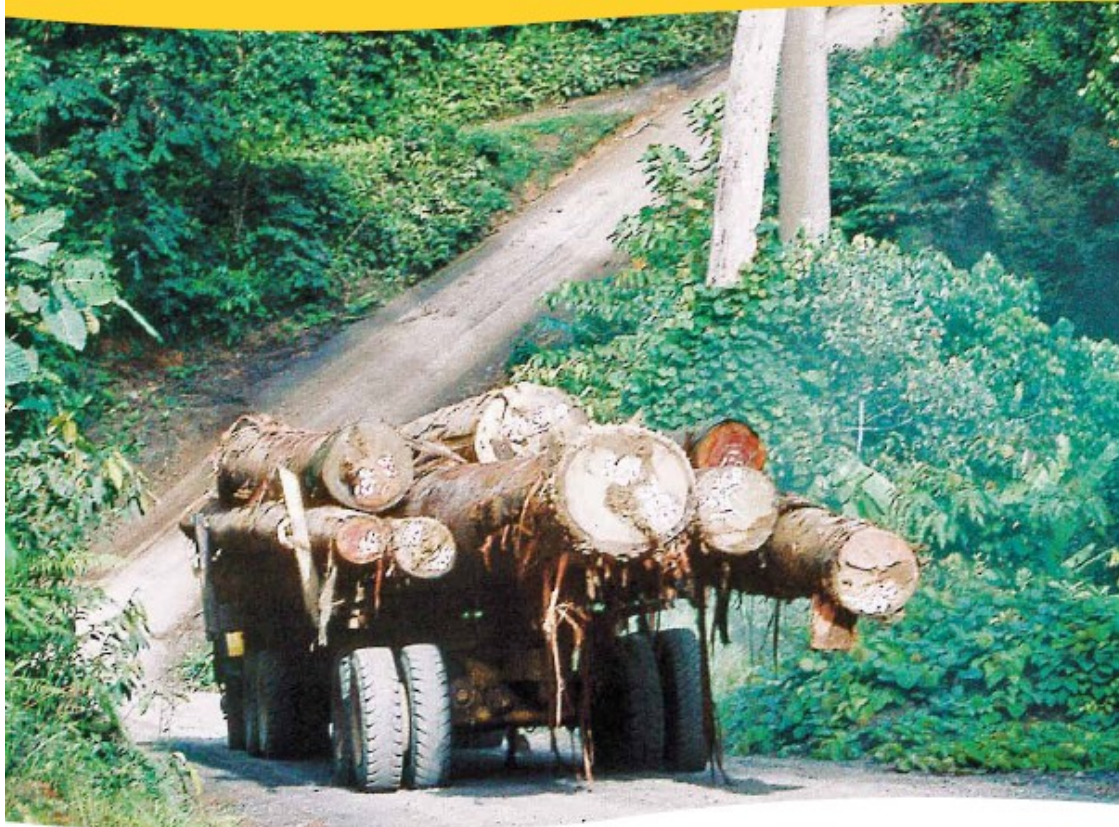


**Financial governance and Indonesia's
Reforestation Fund during the Soeharto
and post-Soeharto periods, 1989–2009**

A political economic analysis of lessons for REDD+

Christopher Barr
Ahmad Dermawan
Herry Purnomo
Heru Komarudin

“Ernst & Young documented losses of US \$5.2 billion in public funds during the five-year period FY 1993/4–FY 1997/8, approximately 50 per cent of which were incurred after receipts from the DR levy had entered the Ministry of Forestry’s accounts.”



Preventing the risk of corruption in REDD+ in Indonesia

Ahmad Dermawan
Elena Petkova
Anna Sinaga
Mumu Muhajir
Yayan Indriatmoko

“[T]he GoI has been moving forward with anti-corruption initiatives, with several notable achievements. However, given the deeply rooted weak governance within the forestry sector, the risk of corruption in REDD+ in Indonesia is significant. At least in the short term, REDD+ will operate in a forest governance context that offers many opportunities for corruption.”

Corruption in Indonesia



“Billions Lost to Jambi Corruption”, *TEMPO Interactive*, 12 November, 2012

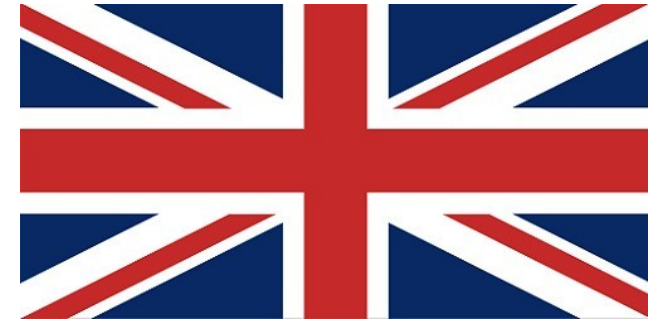
“Attacks on the Indonesian Police: not Just Terrorism?”, *The Nation*, 12 November 2012

“Heroes Day Must Be Honored by Tackling Current Problems: KPK Chief”, *Jakarta Globe*, 11 November 2012

“Indonesia president says corruption threatens economic growth”, *Reuters*, 16 August 2012

“Two antigraft judges arrested for bribery in Central Java”, *Jakarta Post*, 18 August 2012

Corruption in the UK



“Power, corruption and the Communists”, *BBC News*, 9 November 2012

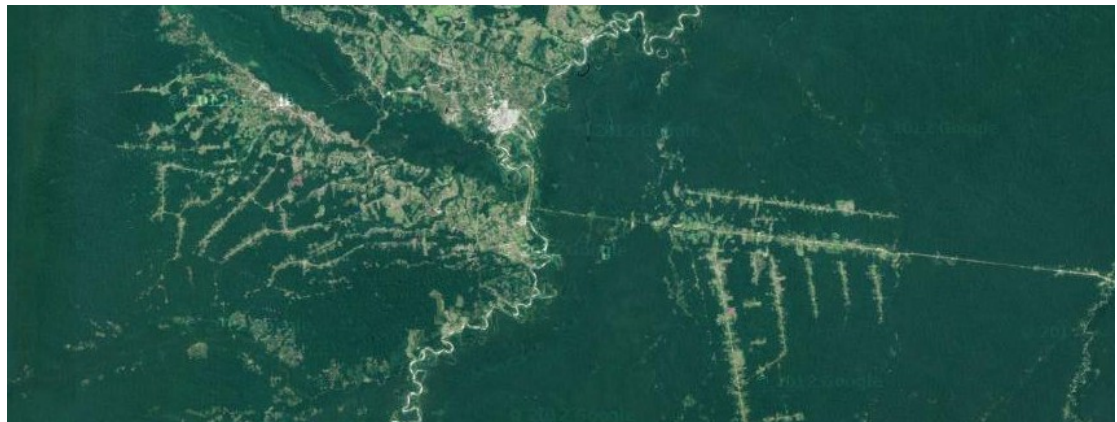
“The truth behind the amazing story that exposed cricket's dirty secrets”, *Daily Mail*, 11 November 2012

“The Gulf protection racket is corrupt and dangerous folly”, *The Guardian*, 6 November 2012

“Reliance, Jet deny Indian anti-corruption activist claims”, *Reuters*, 9 November 2012

“TNK-BP 'corruption' papers may stay hidden until 2013”, *Reuters*, 23 October 2012

History



International aid agencies have poured billions of dollars into the tropical forest sector over the past decades.

Where did this money go?

What did it achieve?

The aid agencies have their own reasons for not exploring any of this in too much detail.

The same aid agencies are now promoting REDD (especially the World Bank).

Corruption and REDD:

1. Carbon cowboys



Brett Goldsworthy, Shift2Neutral

Claimed to have REDD-type projects in Malaysia, the Philippines, Indonesia, the Solomon Islands, the Democratic Republic of Congo and Brazil.

Turns out he is a one-man band and the projects were largely fictitious.



David Nilsson, Amazon Holdings

Arrived in Peru two years ago.

Promised indigenous peoples billions of dollars, if they would hand over the rights to their forests.

Claims to have 3 million hectares in Peru under a 200 year contract. He doesn't.

Turns out he has a history of this sort of thing.

2. Boiler room scams

Two films to watch:

Boiler Room (2000) and Glengarry Glen Ross (1992)



12/11/2012 2:20 pm

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“UNITED NATIONS
CARBON CREDIT PRICES
MAY RISE AS MUCH AS
42% BY 2012”

JAMES CAMERON, CLIMATE CHANGE CAPITAL



London Carbon Credit Co. & Clinton Foundation

London Carbon Credit Company is pleased to announce that it will soon be able to offer its clients carbon credits from Bill Clinton's Clinton Climate Initiative, part of the Clinton Foundation. This is just one of many fantastic opportunities for clients of London Carbon Credit Company to profit from the exciting world of green investments.

London Carbon Credit Company is currently in advanced negotiations with the world renowned Clinton Foundation to be sole UK provider of carbon credits produced from the Clinton Climate Initiative's Carbon Capture and Forestry projects. Carbon is set to be the world's biggest commodity market and, according to James Cameron of Climate Change Capital, could become the biggest market of them all.

Carbon credits are the financial instruments representing one metric ton of carbon pollution. When less CO2 or greenhouse gasses are



On 18 September 2012, D. James Baker (Clinton Foundation) told me, “This matter is a known fraud”.

Almost two months later, Clinton Foundation is still on London Carbon Credit Co.'s website.



“Carbon will be the worlds biggest commodity market and it could be the worlds biggest market overall”



CLOSING PRICES

SPOT	PRICE €/T	VOLUME T
EUA	8.33	367 000
CER	1.07	35 000
ERU	0.67	0
INDEX		
EUA SPOT		
METALS	OUNCE/\$	GRAM/\$
GOLD	1735.89	55.81
SILVER	32.64	1.05

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Award winning in 2012 as Western Europe's fastest growing commodity broker, Worldwide Commodities are one of today's most exciting trading companies within the precious metals and carbon market. Our management team derive from both a combination of commodity/equity markets and accounting

LATEST CARBON NEWS
NEWS BY POINT CARBON

12.11.12 UPDATE 3: EC proposes aviation law delay for non-1:09 PM EU flights

LONDON, Nov 12 (Reuters Point Carbon) - The EU Commission will propose putting on hold a law that forces airlines travelling to and from Europe to surrender CO2 permits for carbon dioxide

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Perfect Sense

Our strategy lies in the development and marketing of biological environment services with a concentrated interest in carbon offsetting, the conservation of forestry and renewable energy alternatives.

Three million credits available from Brazil!

One of director Barinua Nwikpo's other companies was ordered into receivership in June 2012.

Links with another company called Tullett Brown – also ordered into receivership.



"Carbon will be the world's biggest commodity market,
and it could become the world's biggest market overall"

- Louis Redshaw,
Head of Environmental Markets at Barclays Capital

What are carbon credits?

Carbon credits are similar to certificates that represent a reduction of greenhouse gases in the atmosphere. Projects that prevent the generation of greenhouse gases or remove greenhouse gases from the atmosphere earn these credits, which can in turn then be "sold" to other businesses and individuals to "offset" the emissions they generate. One carbon credit is the equivalent to a saving of one tonne of carbon dioxide (CO₂).

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Featured on a BBC investigation broadcast last night.

Luke Ryan of Enviro Associates was filmed offering carbon credits for sale for £5.50.

Actually worth less than £1.

Probably can't be re-sold in any case.



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Registered in UK, August 2011.

Two weeks later, offering REDD credits at a “massively reduced fixed rate” over 10 years.

Project in Brazil (still no PDD, VCS or CCBA registration)

Simon Dempsey, the broker that was offering the REDD credits used to work for Finbow Wines. The company was in court recently accused of conning investors.

3. Voluntary certification and guitars

A common response to this sort of corruption or fraud is to set standards, which can be independently assessed.

Consumers should know to buy only products that have been certified as being “green”.



Rainforest Alliance

A US non-profit green certification company.

Among the companies it has certified is Gibson guitars.

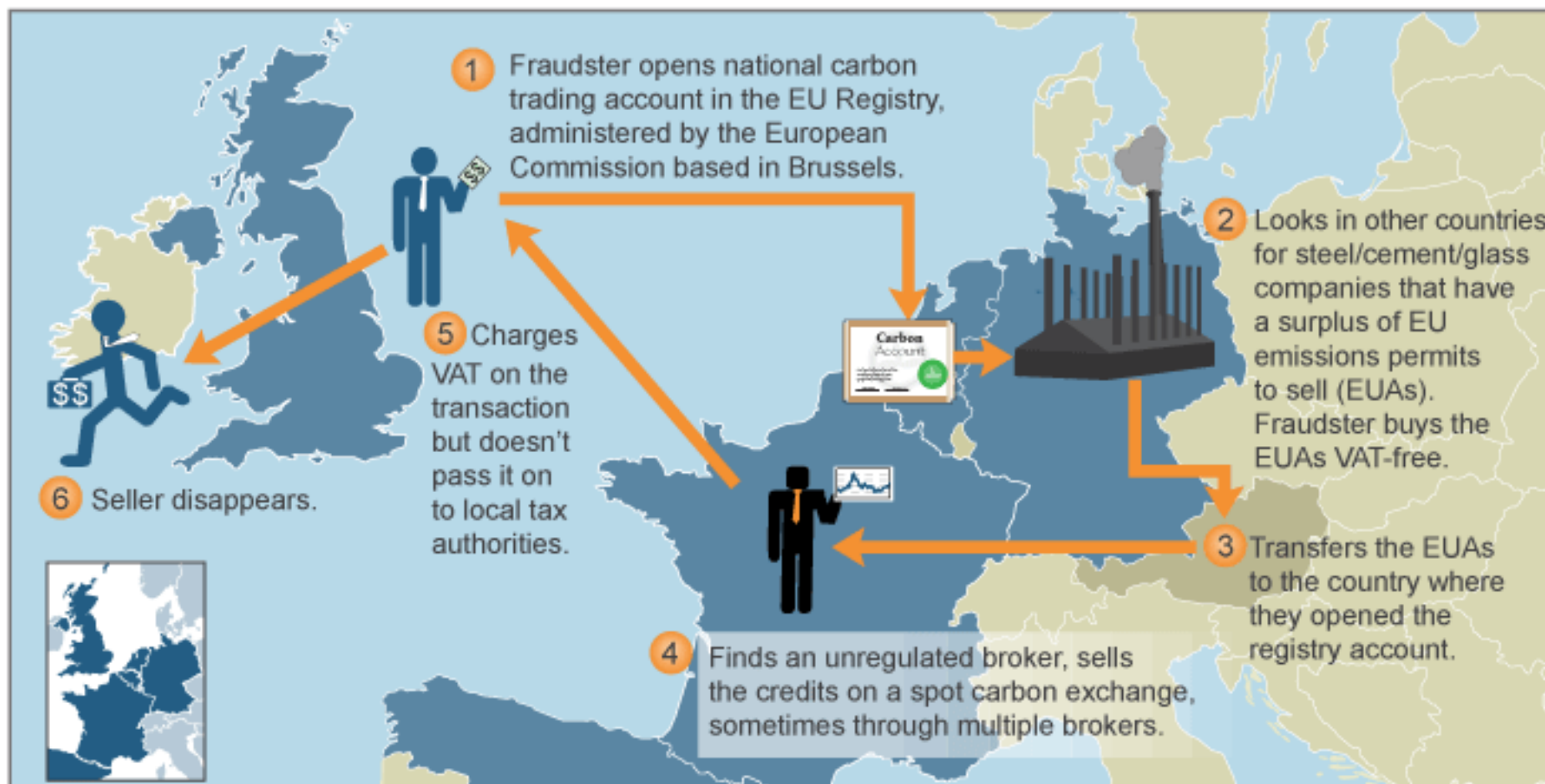
Meanwhile, Gibson's Chairman and CEO, Henry Juszkiewicz, was on Rainforest Alliance's Board.

From 2006-2011, Gibson gave more than US\$300,000 a year in cash and donations of guitars to Rainforest Alliance.

3. € billions of fraud in the European carbon markets

- Under the ETS (EU Emissions Trading System) pollution allowances were over-allocated generating very large windfall profits for polluting companies.
- Carousel fraud (claiming VAT refunds from from international carbon trades, then disappearing) resulted in the loss of €5 billion from the ETS.
- There was a “phishing scam” in 2010, involving fake registries.
- In January 2011, 475,000 carbon credits went missing after a bomb scare was phoned in to the Czech Republic's carbon credit registry.

Carbon credit fraud



Source: Thomson Reuters



Reuters graphic/Catherine Trevethan

28/08/09

4. Cowboys and Choirboys United



“When a particular commodity market cannot be regulated, the attempt to regulate it can do no more than create an illusion of regulatability. Deflected into a cul de sac, official action to correct abuses sustains the underlying problems, or makes them worse. Regulatory acts become a danger to society. Governance becomes a part of corruption. All this happens regardless of the good intentions of regulators or anticorruption fighters.”

Larry Lohmann, The Corner House



Thank you!

Terima kasih!

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