Nature in the Market-World

Kathleen McAfee
San Francisco State University
kmcafee@sfsu.edu

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market-world paradigm

values = prices
payment or profit
private actors
market exchange

result: efficiency
the most goods & services produced at least cost

market utopia
market paradigm in global environmental policy

conservation funds are scarce...
...but nature can pay its way

'natural capital'

'market instruments'

sell nature to save it
bring ecology *into* economy

(*not* economy into planetary ecology)

monetary valuation

property rights

market rules & institutions
nature: source of tradable commodities

resources
  - timber, water, minerals, crops, biodiversity
  - genetic information

ecosystem services
  - water filtration, protection from storms & floods
  - habitats
  - beauty, spiritual meaning
  - sequestration of CO$_2$
selling nature to finance development?

the Earth Summit bargain

biotechnology > new values of forests

biodiversity prospecting

‘genetic resources' - new, tropical miracle crop?

**export-dependent development**
climate change, forest conservation & development

carbon-sequestration 'services’
- the newest tropical miracle crop!

promise: triple-win for
investors
nature
global-South states & communities
market strategy to slow climate change?

‘the market’ can allocate for efficiency

least-cost solution...

...carbon sinks in the tropics

*a conservation bargain!*
Payments for Ecosystem Services PES

monetary incentives to plant trees, not cut them

'markets' in name only

most success where market criteria not applied

critics:

pro-poor PES = ‘market distortion', 'political'
Reduced Emissions from Deforestation & Degradation (REDD)

= PES on a global scale

*controversies…*

**financing:** private c-market investment? or grants?

**payment distribution:** market criteria? social goals?

**recentralization**? or local control?
market efficiency in PES

differences in ‘opportunity costs’

cheap: pay swidden & small- & medium scale farmers & ranchers

too expensive: pay owners & investors in palm oil plantations, soy monocultures, logging, golf courses

waste of money: pay people too poor to deforest; people with no intention to deforest

“...the guy with the chain saw...”
reductions of emissions that are theoretically possible from the forest sector, and what actions should be prioritised. At the national level, McKinsey's analysis has been used to inform national strategies on how countries will implement REDD. For example, significant sections of the 2009 McKinsey study for DRC, including 14 strategic options for REDD, were integrated with virtually no alteration into the country's REDD Readiness Preparation Plan (RPP) – submitted to, and approved by, the World Bank's Forest Carbon Partnership Facility (FCPF) in March 2010 – which set out the process by which DRC will become 'ready' for REDD.

This briefing will first highlight some of the weaknesses of the cost-curve methodology and then examine its use as a policy-making or influencing tool for REDD before drawing some conclusions and recommendations. We believe that use of the cost-curve could mislead decision-makers as to the choice of the most appropriate strategies for REDD and their likely costs and benefits. It could result in pressure to reduce deforestation and degradation falling disproportionately on local communities and indigenous peoples, endangering their customary land rights and traditional way of life, while allowing large-scale extractive industries to continue ‘business as usual’ or even to benefit from REDD without changing destructive practices.

According to the general McKinsey cost-curve above, several of the lowest-cost, highest abatement potential options (those with low, wide columns) are related to forestry, including ‘reduced slash and burn agriculture’, ‘degraded land restoration’ and ‘reduced pastureland conversion’.

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**Why the McKinsey cost-curve is methodologically flawed**

The cost-curve is methodologically flawed as it does not show the real costs of REDD: it substantially underestimates the cost of reducing emissions from activities such as subsistence agriculture and it often bases calculations of compensation on inflated, unverifiable projections.

**Missed opportunities to show the real cost of REDD**

The cost-curve purports to give decision-makers a bird’s eye view of carbon mitigation measures from the point of view of cost-effectiveness, but it fails to include large and unavoidable costs into the model. There are at least four types of cost for REDD:

- **Opportunity costs**: that is, the projected financial benefits that a land owner would forego by not deforesting or degrading forests. For example, if a land owner can earn $10/ha/year from natural forest, and $50/ha/year from palm oil, the opportunity cost of not converting the land would be $40/ha/year.

- **Implementation costs**: for carrying out the actions and projects to actually reduce deforestation or forest degradation, including administration costs.

- **Transaction costs**: for identifying REDD programmes, negotiating contracts, and

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**Figure 1: The global McKinsey cost-curve**

**commodity fetishism gone wild**
economic efficiency

v

social equity
market efficiency in **REDD**

why are C offsets in the tropics a bargain?

*lower opportunity costs for labor & land*

US$ 30 / CO₂e versus US $<1 – 10-20 / CO₂e

**efficiency** **equity?**

or Larry-Summers logic?
global, market-financed REDD depends on inequality

ability to buy cheap C credits
  in Brazil, Congo, Indonesia, Guyana, ....

use them to continue polluting, profitable activities
or sell them for higher prices in industrial countries

is the source of the profit
  that attracts private investors in C markets

without inequality, incentive disappears
'efficiency’ is a political construct

opportunity-cost calculations are not neutral

what get measured
which costs & benefits are 'equivalent’
how prices are set

are political decisions

that favor some people & places over others
favor some GHG-emitting activities over others
Are ecosystem services valuable?

Should people be compensated & supported in maintaining them?

_of course_!

That part of the idea behind PES & REDD makes sense... _but_
market-based conservation

assumption of universal commensurability of nature & of human-nature relationships management as tradable commodities in a global market

can reinforce inequalities between poorer & wealthier landholders urban & rural areas global North & South
alternatives

ecosystems may have different & greater, long-term values in the context of autonomously-defined development linking greening, food security, & equity food production & C sequestration in forests & farm soils
forests V food

closing of the global land frontier

Mexico’s PES: ‘plant trees, not maize’

green grabbing or farmland grabbing

Forests for whom? Food for whom?
rural communities, livelihoods, & food sovereignty

ecosystem-services exports as a development strategy accepts the trend toward food production by industrial agriculture food provision via global markets

disappearance of rural communities as productive members of society
realistic climate & green-economy policies need to be built upon present & future values of nature to local populations to national sustainable-development strategies as well as to wider humanity