Who's holding us back?

How carbon-intensive industry is preventing effective climate legislation

November 2011

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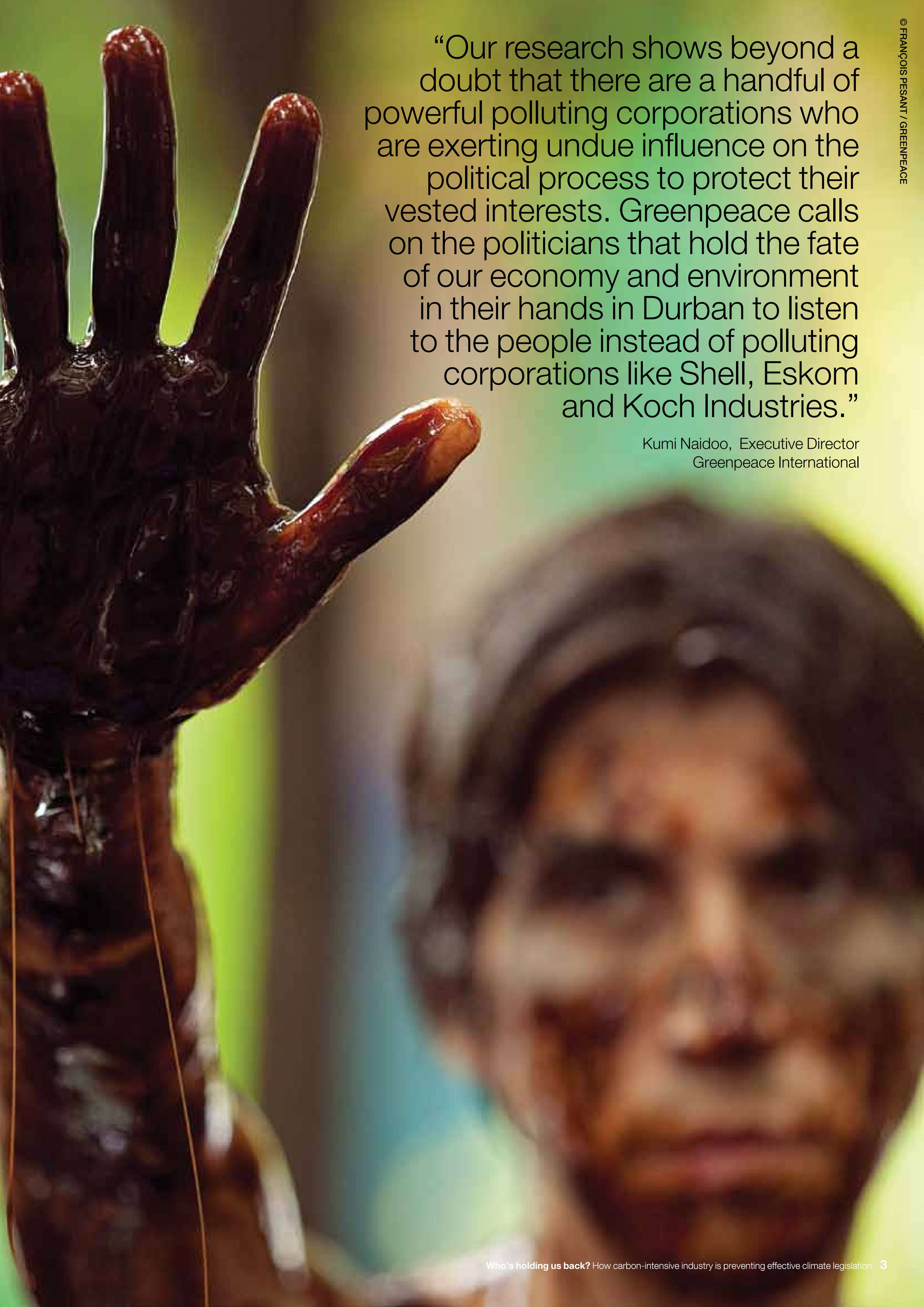
image Greenpeace activists tell participants at the World Energy Congress (WEC) in Montreal that there is an urgent need for the world to move beyond dirty, risky oil and develop more clean energy to combat climate change.



"Our research shows beyond a doubt that there are a handful of powerful polluting corporations who are exerting undue influence on the political process to protect their vested interests. Greenpeace calls on the politicians that hold the fate of our economy and environment in their hands in Durban to listen to the people instead of polluting corporations like Shell, Eskom and Koch Industries."

Kumi Naidoo, Executive Director
Greenpeace International

List of Abbreviations

ALEC	American Legislative Exchange Council
API	American Petroleum Institute
AR4	Assessment Report 4
BMU	German Environment Ministry
CAPP	Canadian Association of Petroleum Producers
CCS	Carbon Capture and Storage
CEFIC	European Chemical Industry Council
CEO	Chief Executive Officer
CES	Clean Energy Standard
COP	Conference Of Parties
CPA	Canadian Petroleum Association
DECC	Department of Energy and Climate Change
EdF	Electricité de France
EIUG	Energy Intensive Users Group
EnBW	Energie Baden-Württemberg
EPA	Environmental Protection Agency
EPIC	Energy Policy Institute of Canada
ETS	Emission Trading Scheme
EUAs	EU [emission] Allowances
EUROFER	European Confederation of Iron and Steel Industries
FEDIL	Business Federation Luxembourg
G8 summit	Group of 8 summit
GDF	Gaz de France
GHG	Greenhouse gas
GWh	Giga Kilowatt / hour
IAR	International Assessment and Review
ICA	International Consultation and Analysis
IPCC	Intergovernmental Panel on Climate Change
IPPs	Independent Power Producers
LULUCF	Land Use, Land-Use Change and Forestry
MEC	Minerals and Energy Complex
Mt CO_2eq	Metric Tonne Carbon Dioxide Equivalent
MW	Megawatt
NEGP	Nord Stream AG
NGO	Non-governmental Organisation
PAC	Political Action Committee
PAJ	Petroleum Association of Japan
PG&E	Pacific Gas & Electric Company
PR	Public Relations
RBS	Royal Bank of Scotland
REFIT	Renewable Energy Feed-in Tariff
RGGI	Regional Greenhouse Gas Initiative
RWE	Rheinisch-Westfälisches Elektrizitätswerk AG
SOE	State-Owned Enterprise
TRAIN	Transparency in Regulatory Analysis of Impacts on the Nation
UKPACS	UK Public Affairs Council
UNFCCC	United Nations Framework Convention on Climate Change Convention
USCAP	US Climate Action Partnership
WBCSD	World Business Council for Sustainable Development
WSSD	World Summit on Sustainable Development

Foreword by Kumi Naidoo

© GREENPEACE/MATTHIAS WÜTHRICH

For two weeks in December, the next climate summit (COP17) will converge in my hometown of Durban in South Africa, where negotiators from 194 countries will meet to grapple with the greatest challenge of our times: climate change.

In the past year alone, we have seen a dramatic increase in extreme weather events exacerbated by climate change. Flooding has blighted communities across Australia, China and the US. Entire Pacific nation states, such as Kiribati, are having to consider leaving their homes and livelihoods behind forever, as rising sea levels threaten to wipe out their vulnerable islands. And in the year when Africa will host the presidency of the climate negotiations, it is impossible to ignore the devastating drought in the Horn of Africa, which has driven over 12 million people to the brink of famine. And yet we are arguably little further forward than at the climate summit in Copenhagen two years ago, which captured the public imagination, but failed to deliver the legally binding agreement needed to keep the climate from spiralling towards catastrophic change.

Given the compelling scientific and political consensus that climate change is an increasing global problem, you may wonder why we aren't seeing progress sooner. Why is political action so out of step with the urgency of the situation: what is holding us back? One of the answers lies in the largely invisible network of lobbyists, representing the interests of the world's major polluting corporations.

But while their actions may be invisible, their outcomes are anything but. Collectively they spend the equivalent of the GDP of entire nations, to block progress on climate legislation, and ensure that fossil fuel and nuclear subsidies continue to give unfair advantages to dirty energy, above the safe, clean renewable energy future the public demands. This report shows beyond a shadow of a doubt that a handful of carbon-intensive companies who stand to benefit from inaction have been holding us back, and the politicians who choose to act on their behalf.

In this report, we document the tricks of the trade that polluting corporations use to pull the strings of our politicians and mislead the public. We expose the web of influence that sees these companies pit our leaders and entire countries against each other to hold back action on the climate.

There is however, a glimmer of hope on the horizon. Despite the massive odds against it, renewable energy has doubled in growth each year over the past decade. It employs more than 2 million people worldwide, and in the US already provides more jobs than coal. Despite the global economic crisis, investment in renewable energy hit a record $243 billion in 2010, and is expected to exceed $3 trillion in the next decade. We have the technology today to ensure a transition to a greener, safer and more equitable economy. However, we won't be able to ensure we make the global transition soon enough to avoid catastrophic climate change impacts and much human suffering unless national governments take strong measures at home and we are able to reach a fair, ambitious and legally binding international agreement.

Our governments must work with and learn from the business sector but we will not avoid irreversible climate change impacts unless they listen to and act on the behalf of their citizens. In Durban, it's time for governments to listen to the people, not the polluting corporations.

Kumi Naidoo

Executive Director, Greenpeace International

Amsterdam, November 2011

image Activists bike, walk and run in the streets to push the world into a future without fossil fuel and with 100% clean renewable energy.

image Greenpeace urges the world to 'Do it in Durban', the host city of the 2011 UN climate talks

Global concern about climate change has risen since the Copenhagen climate summit in 2009.


© JUDA NGWENYA / GREENPEACE

Executive Summary

Introduction

The corporations most responsible for contributing to climate change emissions and profiting from those activities are campaigning to increase their access to international negotiations and, at the same time, working to defeat progressive legislation on climate change and energy around the world.

These corporations – while making public statements that appear to show their concern for climate change and working with their own seemingly progressive trade associations like the World Business Council for Sustainable Development (WBCSD) – threaten to defeat urgent global progress on climate change and economic development for the 99% of the world's population that desires both clean energy and clean air.

This report helps to demonstrate why decisive action on the climate is being increasingly ousted from the political agenda. Firstly we summarise the lack of action at a national level in several key countries to build the right preconditions to a global climate agreement, which stands in stark contrast to public opinion demanding change. Then, the report reveals through clear case studies how a handful of major polluting corporations such as Eskom, BASF, ArcelorMittal, BHP Billiton, Shell and Koch Industries, as well as the industry associations that they are members of, are influencing governments and the political process on climate legislation.

What the people want

A global poll in 2009 showed that 73% of people placed a high priority on climate change[1], and a recent poll confirmed that **global concern about climate change has risen since the Copenhagen climate summit in 2009**, despite the ongoing global financial and economic crisis[2].

- According to the latest Eurobarometer opinion poll released in October 2011 concern about climate change among Europeans has grown since 2009 and **almost eight in ten respondents agree that tackling climate change can boost the economy and create jobs**.[3] Analysis by the European Commission[4] and several independent research institutes[5] indicated that **it would now be in Europe's economic interests to introduce stronger climate legislation**.

How the carbon-intensive corporations are holding us back

Carbon-intensive corporations and their networks of trade associations are blocking policies that aim to transition our societies into green, sustainable, low-risk economies. These polluting corporations often exert their influence behind the scenes, employing a variety of techniques, including using trade associations and think tanks as front groups; confusing the public through climate denial or advertising campaigns; making corporate political donations; as well as making use of the 'revolving door' between public servants and carbon-intensive corporations.

- In the US alone, approximately $3.5 bn is invested annually in lobbying activities at the federal level.[6] The US Chamber of Commerce tops the list of lobbyists.[7] In recent years, Royal Dutch Shell, the US Chamber of Commerce, Edison Electric Institute, PG&E, Southern Company, ExxonMobil, Chevron, BP and ConocoPhillips all made the top 20 list of lobbyists.[8] The climate campaign organisation 350.org estimates that 94% of US Chamber of Commerce contributions went to climate denier candidates.[9]
- Sector-specific trade associations such as the American Petroleum Institute, the Canadian Association of Petroleum Producers, the Australian Coal Association, the Energy Intensive Users Group in South Africa or BusinessEurope and the European steel and chemicals associations Cefic and Eurofer often campaign outright against measures that would cut greenhouse gas emissions, or run campaigns in support of unfettered fossil fuel energy.[10]
- Some companies, on the other hand, have distanced themselves from such practices. PG&E, Exelon, PNM Resources and Apple all left the US Chamber of Commerce over the Chamber's positions and lobbying against climate change action.[11] In the EU more than 100 companies have supported a unilateral increase of the EU's outdated 2020 GHG emission target to 30% - taking publicly the opposite position of BusinessEurope that claims to represent them.[12]
- Key associations such as the Business Council of Australia[13], Association of Mining and Exploration Companies[14], Australian Chamber of Commerce and Industry[15,16], the Australian Coal Association[17], the Australian Trade and Industry Alliance[18], as well as companies including coal-mining firms, steel and aluminium producers and coal power generators have been opposing the introduction of a carbon tax in Australia[19], citing among other things job losses, rising prices and carbon leakage as reasons for their opposition.[20,21,22] These carbon-intensive sectors launched a series of colourful and seemingly chilling print, TV and online advertisements highlighting their importance to the Australian economy and seeking to undermine both the carbon price and the proposed resources tax.[23]

State of play – The European Union

Carbon-intensive companies and their apologists, such as BusinessEurope, Cefic and Eurofer and the Alliance for a Competitive European Industry*, continue to block serious progress on climate policies.

- The EU has been embroiled in an effort to increase its emissions reductions target for 2020 to 30% from 20%, but **this new target has been undermined by the heavy lobbying by carbon-intensive industrial players, including BASF, ArcelorMittal and Business Europe**. These companies and their associations not only exert their influence to hold back progress but are boldly reframing the debates despite economic analysis and reports that show the economic benefits to taking action on climate change. This report reveals how, despite EU Commission analysis showing the economic benefits of a 30% emissions reduction target, BusinessEurope and others have been successful in holding back action by creating a false debate on the 'de-industrialisation of Europe'.
- **ArcelorMittal has been granted very generous emission allowances, so large that the excess allowances by 2012 are likely to overtake Belgium's annual emissions, and ArcelorMittal is set to profit highly from sales or banking of these unused allowances**. These pollution 'gifts' – for which ArcelorMittal paid nothing – were the result of ArcelorMittal's and its predecessors' close relationship to and lobbying of the governments in the countries it operates in, all while it undermines the public understanding of climate science by financially supporting US Senate candidates denying climate change or blocking climate change legislation.[24]

State of play – The United States

- In recent years in the US, Royal Dutch Shell, the US Chamber of Commerce, Edison Electric Institute, PG&E, Southern Company, ExxonMobil, Chevron, BP and ConocoPhillips all made the top 20 list of lobbyists.[25] **When it comes to lobbying on climate change many sectors in the US have more than trebled their numbers of lobbyists between 2003 and 2008**.[26]
- Greenpeace revealed an internal American Petroleum Institute memo in August 2009, detailing an initiative by the API to ride the coat tails of the rising Tea Party. API was instructing members that they should deploy their employees to so-called Citizen Energy rallies to be held in key states nationwide. The target of these rallies was draft climate legislation being debated in Washington. The memo was explicitly supposed to be kept secret.
- **Koch Industries is one of the most powerful corporations holding back progress on climate change in the United States. Koch Industries and the Koch brothers who own the company are deeply involved in the climate denial movement funding numerous efforts on that front.** One controversy that has recently emerged is Koch's hidden agenda for the tar sands and the Keystone XL pipeline running from Canada to the Gulf Coast in Texas for oil export around the world. A Koch subsidiary in Canada, Flint Hills Resources Canada, made a declaration to the Canadian government that it has a 'substantial interest' in the pipeline's approval. But in the US, Koch representatives told members of Congress that the pipeline has 'nothing to do with any of our businesses' and 'we have no financial interest in the project'. Evidence shows Koch has been organising and funding so-called 'citizen' support for the pipeline.[27]

* The Alliance for a Competitive European Industry consists of 11 European industry sector associations such as the steel, cement, car and chemical sector. BusinessEurope http://www.businesseurope.eu/Content/Default.asp?PageID=605

State of play – South Africa

South Africa is hampered in its efforts to supply clean, affordable, renewable energy for its people by the country's state-owned electricity provider and its close links to the carbon intensive industry:

- **South Africa's state-owned, coal-reliant utility Eskom contributed a massive 45% of South Africa's annual greenhouse gas emissions in 2010**.[28] An estimated 45% of electricity used in South Africa is consumed by just 36 companies represented in the Energy Intensive Users Group of Southern Africa.[29] Eskom's biggest customers include ArcelorMittal, BHP Billiton and AngloAmerican – with some of them also supplying coal to Eskom.[30] **The Energy-Intensive Users Group has been openly lobbying against the introduction of effective emissions control measures** such as a proposed carbon tax.
- Average industrial prices are substantially cheaper than average residential prices in South Africa. **Secret price contracts between Eskom and the Australian mining company BHP Billiton for example are estimated at about 350% less than a low income residential customer in 2008/9, and less than half Eskom's reported production price in the period**.[31]
- In 2010, when the government put together a special task team to draft the country's electricity plan (and thus its emissions pathway) for the next 20 years, Eskom representatives and significant industry lobbyists were part of the process, while civil society and labour representatives were excluded.[32]
- Eskom claims to support a strong outcome in Durban and clean electricity. Eskom is currently planning a massive expansion of generation capacity that it claims is necessary to 'keep the lights on' for Africans. In reality, the vast majority of this capacity will be used by industry and remains coal-based.[33]

State of play – Canada

Canada is the only country in the world that signed and ratified the Kyoto Accord and then openly announced it would not meet its commitments. Canada is also the only country to decrease its mitigation emissions pledge for 2020. In addition, the Canadian government provides over $1.3 bn Canadian dollars in handouts to the oil industry every year, despite calls from within the Department of Finance to end these subsidies and committing to phase out fossil fuel subsidies at the G20 in 2009[34].

- At the heart of Canada's intransigence on climate change is the development of the tar sands, the fastest growing source of emissions in Canada. **Oil sands emissions numbers were deliberately left out of the most recent national inventory of Canada's greenhouse gas pollution submitted to the UN, but these data were given to oil and gas lobbyists from the Canadian Association of Petroleum Producers (CAPP) by Environment Canada engineer**.[35]
- The Canadian government's efforts to undermine clean energy policy extend beyond its own borders. **The current government has established an 'Oil Sands Advocacy Strategy', developed in coordination with companies such as Shell and other members of CAPP.**[36] The Department of Foreign Affairs and federal officials are systematically working to weaken and undermine clean energy and climate change policies in other countries in order to promote the interests of oil companies, including California's low-carbon fuel standard, a US federal clean fuels policy known as Section 526, and the EU's Fuel Quality Directive.
- Working with the Canadian government is Royal Dutch Shell, the world leader in greenhouse gas emissions.[37] While Shell claims to be concerned about climate change, it is investing almost exclusively in the continuous discovery of new oil reserves, including the huge expansion of the tar sands. Shell is a signatory to several climate leadership statements, including the Prince of Wales' recent 2 Degree Communiqué, yet our report details how Shell has directly made statements opposing the EU 30% emission reduction goal. As a prominent member of the Petroleum Association of Japan, it has also opposed Japan making a second commitment to Kyoto, and as a member of the American Petroleum Association it has opposed US climate legislation.

International dimension

The campaign for increased and privileged access for the business sector could open the door for the same carbon-intensive companies that are successfully lobbying against more climate ambition on the national level to influence the very architecture of an international climate agreement.

- While a broad range of companies came to Copenhagen and Cancún and supported a global deal through signing progressive business statements such as the Copenhagen and Cancún Communiqués, many of the signatories are the same carbon-intensive companies – such as Shell and BASF – that have been holding us back from tackling climate and energy challenges for the past 20 years.[38]
- The World Business Council for Sustainable Development (WBCSD)* has shifted in recent years to playing an increasingly high profile role as a convener and focal point for corporations engaging in the UNFCCC. While the WBCSD has a broad range of companies within its overall membership, its Executive Committee is dominated by some of the largest non-renewable energy and carbon-intensive companies in the world.[39] The WBCSD executive committee is a 'Who's Who' of the world's largest carbon-intensive companies who continue to profit from continued inaction on climate change.
- The increased dialogue with the different COP host governments is part of a much broader attempt by the private sector, led by the WBCSD, to institutionalise a direct and privileged private sector input into the UNFCCC agenda.[40]

Moving forward

This report will show that carbon-intensive companies are acting to block key governments from tackling climate change through international and domestic policies. Without good renewable energy policies, a commitment to zero deforestation, promotion of green and decent jobs and legally binding regulation to control greenhouse gas emissions, the transition to green economies powered by clean and safe energy will not happen fast enough to avoid catastrophic climate change. Greenpeace applauds progressive corporations who are distancing themselves from the business associations who are lobbying against progress and engaging in strong efforts to ensure national and international policies and agreements to keep the world below 2°C. Greenpeace is calling on governments in Durban to listen to the people and not the polluting corporations, and:

- **Ensure a peak in global emissions by 2015**
- **Emission reductions: Close the gap between politics and science**
- **Ensure that the Kyoto Protocol continues and provide a mandate for a comprehensive legally binding instrument**
- **Deliver the necessary climate finance**
- **Set up a framework for protecting forests in developing countries**
- **Address the needs of the most vulnerable countries and communities**
- **Ensure global cooperation on technology and energy finance**
- **Ensure international transparency in assessing and monitoring country commitments and actions**
- **Ensure transparency, democracy and full participation in the UNFCCC process**

* The World Business Council for Sustainable Development came to life from the merger of the Internal Chamber of Commerce's World Industry Council for Environment and a UN-sponsored Business Council for Sustainable Development in 1995.

01

01

Introduction

"Governments must lead the way toward the needed transformation of the world economy, but the power of business needs to help make it happen."[41]

"There is a serious group of companies that have a voice that is much louder, that is better funded, that operates much more in unison and that is still stuck in the technologies and the fuels of yesterday. So if we don't have a voice that is equally as orchestrated with arguments that are at least equally as compelling, then governments are going to be taking very timid decisions and they're not going to be tipping the scale."[42]

These quotes from UNFCCC Executive Secretary Figueres sum up the dilemma at the heart of this report and the global negotiations that would serve as the basis for international action on climate change. In recent years, the role of big business in the fight against climate change has come under some scrutiny. While progressive businesses are needed to help implement change, to develop the technical solutions and to help truly transform the market for energy, it is carbon-intensive industries who fail to adapt their business models to modern opportunities and challenges, which dominate the debate and space around how we tackle climate change.

In 2009 the expectations for the Copenhagen Climate Summit were massive. The science was clear that only an international effort of ambitious GHG emission reductions could keep us below the dangerous threshold of 2°C average temperature rise. Politicians acknowledged this need at the G8 summits in 2009[43] and then again at the Copenhagen Climate Summit itself[44]. Economists such as Sir Nicholas Stern[45] and even the International Energy Agency[46] warned that timely action to combat climate change and transitioning to a green, clean economy made economic sense and that any delay would raise the costs dramatically. More than 10 million people from all over the world were calling for a fair, ambitious and legally binding international climate agreement.[47]

However, the Copenhagen conference ended with countries making only voluntary GHG emission reduction pledges that were far below what the world needs to have a fair chance of avoiding catastrophic climate change.[48] Since then, almost no countries have made strong efforts to cut GHG emissions, as this report illustrates. Instead of cutting fossil fuel subsidies, the International Energy Agency expects them to rise to $660 bn US dollars in 2020, from $409 bn in 2010.[49]

This report demonstrates that - despite public polls showing people are growing increasingly concerned about climate change[50] and believe that tackling climate change can boost the economy and create jobs[51] - governments delay or completely fail to take effective action on climate change. It places a spotlight on the role and the lobbying efforts of corporations, whose business model is anchored around outdated energy sources such as oil, coal and nuclear, and whose profits are underpinned by taxpayers who not only subsidise the production of these polluting resources but also pick up the bill in the event of an environmental disaster. Often, these lobbying efforts result in effective climate legislation being weakened, delayed or even completely removed from the political agenda, endangering the future of our planet.

Carbon-intensive industry does not restrict its lobbying efforts to just one country. Often, companies actually play countries off against each other, citing the argument that no other country is implementing comparable climate legislation and ensuring large compensation in the process.

Greenpeace calls on the politicians who will hold the fate of our economy and environment in their hands to listen to the people instead of to polluting corporations such as Shell, Eskom and Koch Industries.


02

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02

Corporate influence
Tricks of the trade

Introduction

A global poll in 2009 showed that 73% of people placed a high priority on climate change[52], and a recent poll confirmed that global concern about climate change has risen slightly since the Copenhagen climate summit in 2009, despite the ongoing global financial and economic crisis.[53] However, powerful carbon-intensive corporations and their networks of trade associations are blocking policies that aim to transition our societies into green, sustainable, low-risk economies.

These polluting corporations often exert their influence behind the scenes or through third parties without public and democratic accountability. Corporations employ a number of techniques to increase their influence in government and regulatory agencies. These include corporate political donations; using trade associations and think tanks, often with tax-free status; confusing the public through climate denial or scaremongering advertising campaigns; as well as making use of the 'revolving door' between public servants and corporations.

The results of this increased influence can include subsidies for, or exemptions from, reducing GHG emissions[54], lower taxes and tax loopholes for specific activities, lower regulatory demands[55], and the complete removal of regulatory standards[56].

Lobbying - lacking transparency and balance

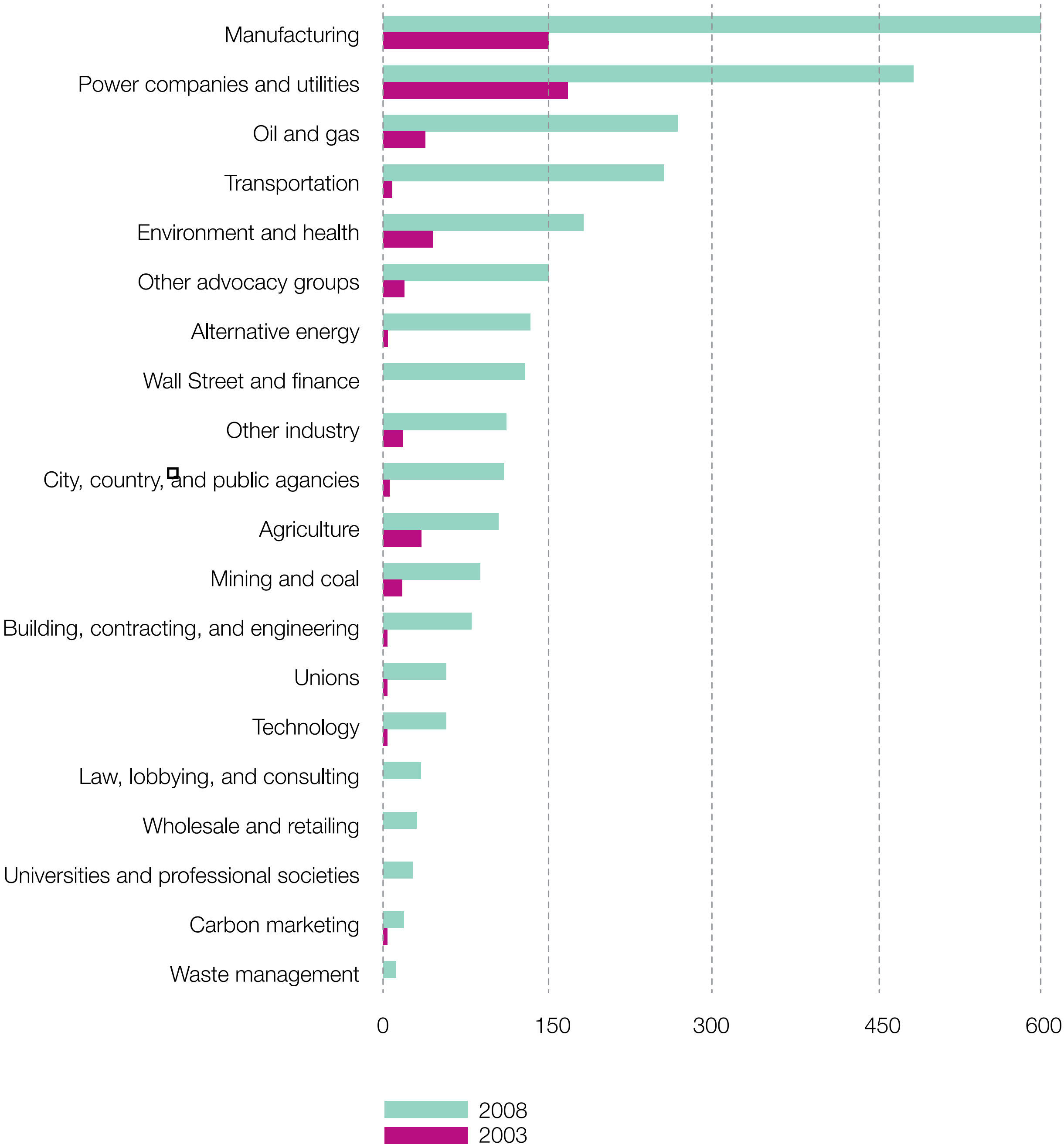
While direct lobbying remains a powerful tool for any corporation to influence government action, instruments to monitor and balance lobbying among competing interests remain weak. This renders the legislative process non-transparent and opens it up to the ambitions of special interests.

In many countries, no records of lobbying activities are kept. While Australia, Canada, the EU and the US do have public lobbying registers – although, in the EU, registration is voluntary and much lobbying occurs outside of official channels[57] — the regulation of lobbying centres almost completely around whether and to what extent lobbyists must be registered. Even this is widely divergent.[58]

In the US alone, approximately $3.5 bn US dollars are invested annually in lobbying activities at the federal level.[59] This only represents 'official' lobbying of legislative staff and legislators and regulatory agencies. This figure masks a great deal more lobbying that occurs 'off the books' by part-time lobbyists or in the course of other business. The US Chamber of Commerce tops the list of lobbyists.[60] In recent years, Royal Dutch Shell, the US Chamber of Commerce, Edison Electric Institute, PG&E, Southern Company, ExxonMobil, Chevron, BP and ConocoPhillips all made the Top-20 list of lobbyists.[61]

When it comes to lobbying on climate change many sectors in the US have more than trebled their numbers of lobbyists between 2003 and 2008.[62]

Number of lobbyists on climate change in the US by sector, 2003 and 2008



Source: The Center for Public Integrity. 2009.

The EU has a poor level of transparency in lobbying activities. There is an official registry, but it is voluntary and at least one analysis has shown that major EU companies declare lobbying activities in the US, but are absent from the EU registers. This raises questions about what lobbying actually occurs on behalf of these companies.[63,64,65] Moreover, much policy within the EU is heavily influenced by lobbying via the national governments. National EU governments have different systems for lobby registries, but have similar attributes. In the UK, for example, the official government registry - the UK Public Affairs Council (UKPACS)[6] - is voluntary and does not require submitting spending amounts.

Registration of lobbyists is a weak instrument for lobbying oversight and for democratic governance. The registries do not state how much time is spent with given lobbyists, what promises were made by either side, what was discussed or what the employment histories of lobbyists are. No transcripts of meetings are posted for the public to see. Most importantly, simple lobbying registries - even when strong - do not ensure that all voices are heard in a balanced way. Nor do they ensure that lobbying does not occur outside of formal channels or coupled with political fundraising.

'Influence laundering' through trade associations

Many carbon-intensive companies use their business and trade associations as campaign tools for lobbying, rather than directly lobbying against ambitious climate legislation, decreasing transparency in public policy and legislative development. In this way, they are able to conceal their negative influence and maintain their often very costly greenwashing efforts.

"People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law that either could be executed, or would be consistent with liberty or justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary."

Adam Smith in the Wealth of Nations[67]

Sector-specific trade associations - such as the American Petroleum Institute, the Canadian Association of Petroleum Producers, the Australian Coal Association, the Energy Intensive Users Group in South Africa or the European steel and chemicals associations - often campaign outright against measures that would cut GHG emissions, or run campaigns in support of unfettered fossil fuel energy.[68] This is most demonstrable in the campaigns waged by the American Petroleum Institute against climate legislation in the US and the Canadian Association of Petroleum Producers-led campaign against EU regulation of the most fossil fuel-intensive liquid fuels, petroleum from tar sands.*

But even general business associations, such as the US Chamber of Commerce, BusinessEurope or the Japanese Nippon Keidanren - which often have hundreds of members - lobby against climate change legislation, thereby advancing the interests of a few while claiming to speak on behalf of all their members.

Some companies, on the other hand, have distanced themselves from such practices. PG&E, Exelon, PNM Resources and Apple all left the US Chamber of Commerce over the Chamber's positions and lobbying against climate change action.[69] The biggest Japanese online retailer, Rakuten, left the Nippon Keidanren, which has been opposing ambitious GHG reduction targets in Japan[70], over energy issues.[71] In the EU more than 100 companies have supported a unilateral increase of the EU's outdated 2020 GHG emission target to 30% - taking publicly the opposite position of BusinessEurope that claims to represent them.[72] Greenpeace salutes these responsible corporations and urges others to make clear to their customer base when their values differ from the positions of the associations to which they are affiliated.

Confusing the public on the scientific consensus on climate change and climate denial

Confusing the public about both the scientific basis of climate change and the potential impacts of climate change legislation occurs around the world. Carbon-intensive corporations and their business associations have been running costly public relations campaigns to frighten the public into believing that any climate legislation would lead to job losses, de-industrialisation and threaten their national competitiveness.

For example, the Nippon Keidanren ran a large and provocative ad campaign in 2009 against Japan's ambition to pass a 25% 2020 GHG emission reduction target, saying that it would cost jobs, lead to a decline in incomes

* For more detail on these campaigns, see the appropriate sections in this report in the Canadian and US country profiles and case studies.

and mean higher home energy bills.[73] The Australian Industry Alliance launched a massive ad campaign in June 2011 against Australia's proposed carbon tax, claiming it would hurt 'the long-term future of Australian families, business and exports'.[74]

These PR pushes often centre around the idea that 'no other country is doing anything – why should we?' These same public relations efforts initiated by carbon-intensive industries neglect to mention the numerous studies showing the potentially vast economic benefits of early climate action, let alone the public health and environmental benefits. One recent study in the EU found that an increase of the EU's climate target to 30% domestic GHG emission reductions by 2020 could create up to 6 million new jobs across Europe.[75]

However, in some countries, carbon-intensive companies don't just confuse the public about the costs of tackling climate legislation, but also about the very existence of climate change or human influence upon the climate. As a last-ditch effort, they will even claim that we can't do anything about it. The effect is a slowing down of progress on the issue as the merits of action are debated in the public. Although particularly strong in the US, climate denial is also a danger to the public understanding of climate change and society's options in dealing with it in Australia, Canada, the UK and other countries.[76]

Constituency building through political contributions and other means

Many political observers have also pointed to political contributions by corporations as the main source of corrupting influence on climate policy.[77] However, a survey of US executives and congressional aides found that 'constituency building'* was the most effective strategy to get a proposed law passed or defeated.[78] To influence the content of legislation, by contrast, lobbying by business executives or hired professionals was considered most effective. Advocacy advertising and political donations were perceived to be much less effective.[79] Another study found that corporate lobbying expenses and donations that had the intent or effect of influencing policy decisions dwarf political contributions in the US.[80]

Data and public access to data on political contributions vary widely from country to country. The US, with relatively high political contributions by corporations, had until recently a very open system to determine who is giving what to whom. A recent decision by the Supreme Court will now mean not only that access to data on corporate giving will be hidden, but that the quantities corporations can give will be limitless.[81] Some concentrated interests give large donations in order to develop their influence and ensure the election of representatives who are favourable to their cause: the US Chamber of Commerce, for example, reportedly spent at least $32 m US dollars on the 2010 election. The climate campaign organisation 350.org estimates that 94% of that went to climate-change denial candidates.[82]

The revolving door between corporations and politics

The 'revolving door' between government and the private sphere gives corporations immense power to influence government and regulatory agencies. Those working in the private sector move into government roles, and those in government use their former positions to obtain private sector jobs. A recent report by the UK-based Transparency International[83] noted the following potential abuses of the revolving door phenomenon:

"- Public officials might allow the agenda of their previous private-sector employer to influence their government work;

- Public officials might abuse their power while in office to favour a certain company, with a view to ingratiating themselves and gaining future employment;
- Former public officials who accept jobs in business might influence their former government colleagues to make decisions in a way that favours their new employer; and
- Former public officials may use confidential information to benefit their new employers – for example during procurement procedures."[84]

* Lord (2000) defines 'constituency building' as follows: the encouragement of company stakeholders, such as employees, suppliers, clients, consumers, and community members, to voice the public policy concerns of the company.

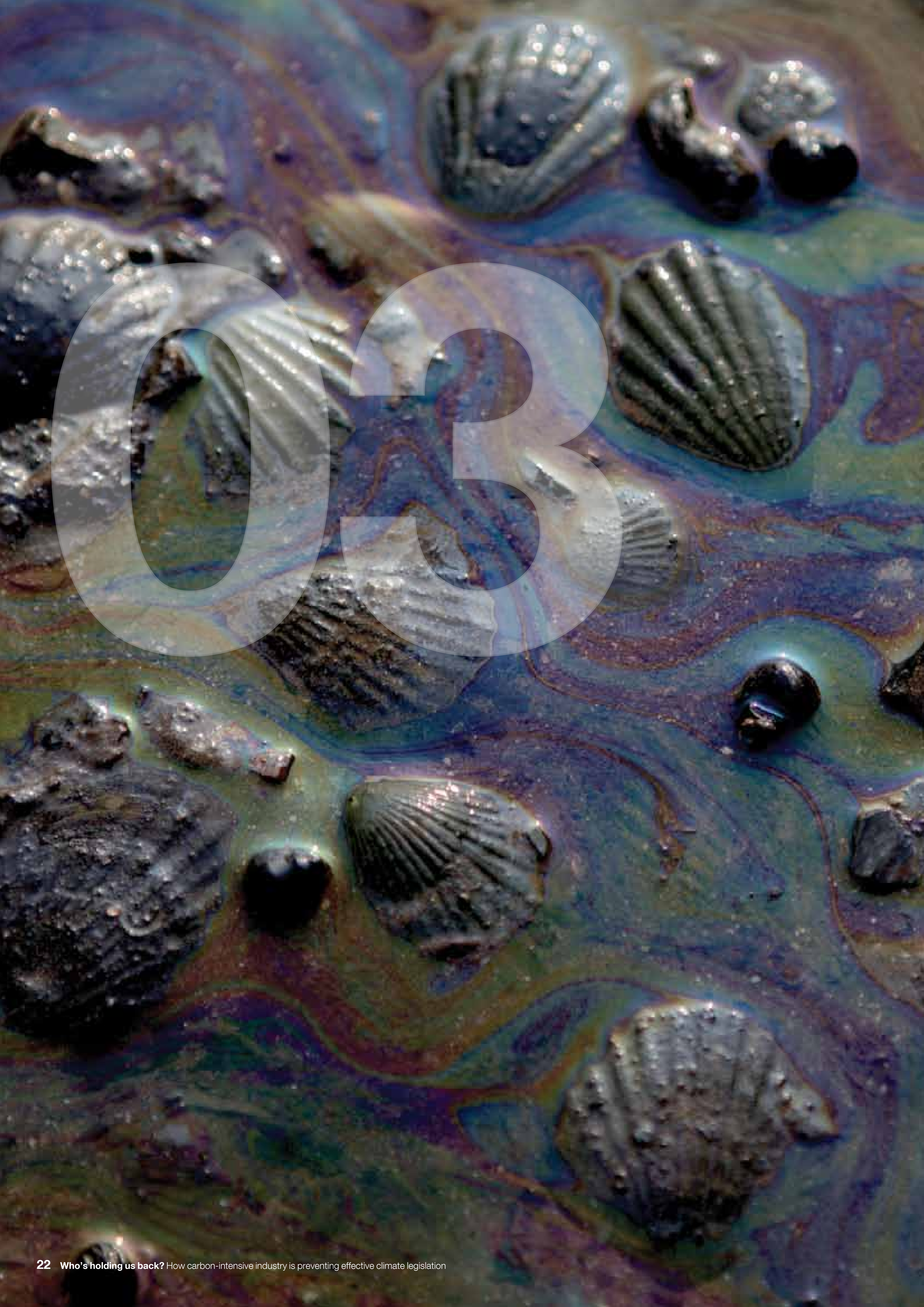
A prime example from Europe is the case of former German Chancellor Gerhard Schröder who, during his tenure in office, actively supported plans by the company NEGP (today called Nord Stream AG), a company partly owned by chemical giant BASF, for a pipeline going from Russian gas fields to Germany via the Baltic region. In March 2006 Schröder became chairman of the board of NEGP.[85]

Phil Cooney, a former American Petroleum Institute lobbyist, was given the position of Chief of Staff of the US Council on Environmental Quality in the last administration.[86] His role in thwarting progress on climate change was uncovered in 2005: according to the *New York Times*, he had been altering government reports to include false information about the seriousness of climate change and the level of scientific certainty of climate change and potential consequences.[87]

Meanwhile, a recent story in the *Guardian* newspaper in the UK revealed that "Ben Moxham, David Cameron's senior policy adviser on energy and environment and a former BP employee, said claims by the Department of Energy and Climate Change (DECC) that a 30% rise in electricity bills by 2020 would be offset by lower energy consumption through energy efficiency were 'unconvincing'."[88]

Moxham blamed energy policies aimed at increasing renewable energy or energy efficiency for potential future increases in consumers' electricity bills.

image: Stockpiles of coal


03

03

State of play: Lobbyists, laggards and lip service

3.1
Player: The European Union

According to the latest Eurobarometer opinion poll released in October 2011, the concern about climate change among Europeans has grown since 2009 and **almost eight in ten respondents agree that tackling climate change can boost the economy and create jobs**.[89]

Introducing and passing new climate legislation has been challenged by the failure of the Copenhagen Climate Summit in 2009; followed by the so-called 'Climategate'* affair in 2010[90] as well as the ongoing financial crisis. All of these elements undermined public perceptions of climate change, and made it easier for the typical carbon-intensive industry laggards to oppose effective climate legislation in Europe. **At the same time, analysis by the European Commission[91] and several independent research institutes[92] indicated that it would now be in Europe's economic interests to introduce stronger climate legislation**.

Currently one of the more contentious political issues in Europe related to climate change is the need to update the EU's 2020 emission reduction target. In May 2010 the Commission presented an analysis of the costs, benefits and options for moving beyond the EU's greenhouse gas reduction target for 2020 from 20% below 1990 levels to 30% once certain conditions are met.[93] Within 12 months, ministers from key countries openly supported a move to a 30% target unilaterally.[94] However, the EU as a whole has failed to take a decision on the matter and industry front groups are pushing for no change to the current target.[95]

In March 2011, the Commission published a 'Roadmap for moving to a competitive low-carbon economy in 2050', outlining a pathway for achieving the EU's long-term goal of 80-95% emission cuts by 2050.[96] This roadmap – despite being watered down, as we will describe later – further strengthened the case for upgrading the EU's existing 2020 target by concluding that if the EU implemented its existing targets for renewable energy and energy efficiency in full, the resulting domestic emission reductions would reach 25% by 2020.[97] In June 2011, 26 of the 27 EU member states were ready to acknowledge this fact and ask the Commission to elaborate further options to strengthen the EU's climate action.[98] However, Poland blocked the consensus and so the discussion on the EU's 2020 target was again postponed.[99]

On 22 June 2011, the Commission made its proposal for an 'Energy Efficiency Directive.'[100] This draft legislation, now being discussed by the member states and the European Parliament, is unfortunately very weak to start with. The proposal does not propose binding national targets for energy efficiency, but instead postpones the possibility of them until 2014.** The lack of ambition in the directive followed heavy lobbying[101] and was a big disappointment for environmental NGOs as well as industry groups promoting energy efficiency.[102]

* This term refers to the debate around data issues in the 4th Assessment Report (AR4) of the Intergovernmental Panel on Climate Change (IPCC) in regards to Himalayan glaciers, African agriculture, Amazon rainforests, Dutch geography, and attribution of damages from extreme weather events. This did not change the scientific consensus on global warming.

** The Directive does contain a requirement for energy companies to yearly reduce 1.5% in volume sold, and a range of obligations for the efficiency of public buildings. It also contains a legislative push for combined heat and power generati on.

3.1.1 The campaign against an increase of the EU's 2020 GHG emission target: ArcelorMittal and BASF

The 2050 low-carbon roadmap by the European Commission released in its draft form in March 2011[103] made a clear case for improving the EU's 2020 climate action from 20% emission reductions below 1990 levels to 30% by, among other things, strengthening the European flagship climate policy, the Emission Trading Scheme (ETS), by removing excess allowances from the system. In the final document, language had mysteriously been watered down and numbers deleted. In addition, a new sentence had appeared: 'This Communication does not suggest to set new 2020 targets.'[104]

How did this happen?

After Copenhagen, carbon-intensive companies in Europe were clear on the next steps. With a letter to the heads of EU institutions in January 2010, a business coalition – spearheaded by the European Chemical Industry Council (Cefic), the European Confederation of Iron and Steel Industries (Eurofer) and BusinessEurope – insisted that the EU refrain from taking a global leadership position on climate change, rejecting any further progressive action.[105] Gordon Moffat, head of Eurofer, warned that: 'After the Copenhagen failure, the EU would be foolish to again unilaterally increase its GHG objective.' He went as far as claiming that the EU could not 'credibly justify a move to -30%' and that 'another 10% would be fatal'.[106]

The Commission didn't support this assessment and in May 2010 published a Communication analysing options for moving beyond a 20% climate target.[107] It found that cutting emissions by 30% would be much cheaper than originally assessed in 2008 and would come with major economic and environmental benefits. This activated the business lobby, which wanted to make sure that EU member states maintain the status quo. Its campaign against a 30% target included constant warnings in the form of press work and letters to the heads of EU institutions.* While it didn't manage to kill the debate, it did succeed partially when environment ministers in October 2010 postponed the decision on 30% with the intention of considering it in conjunction with the upcoming 2050 low-carbon economy roadmap.

In May 2010 the EU Commission published an analysis that found cutting emissions would be much cheaper than previously found and would have major economic and environmental benefits. BusinessEurope and others representing carbon-intensive industry insisted that the EU refrain from taking a global leadership position on climate change, even claiming - despite the analysis that the EU 'could not credibly justify a move to -30%'. In October 2010 EU Environment Ministers postponed any decision on 30%.

Next the polluter lobby groups targeted the European Commission, insisting that the target should remain unchanged[108] and that the ETS should not be strengthened.[109] Eurofer warned that the roadmap was trying to get the 30% target through the back door and that the long-term goal would lead to the de-industrialisation of Europe.[110] **Cefic brought in the CEOs and Presidents of BASF, Bayer, Dow, DuPont, ExxonMobil, Procter & Gamble, Rhodia, Solvay and Shell to lobby Climate Commissioner Connie Hedegaard directly**.[111] Energy Commissioner Günther Oettinger was very receptive to the industry and joined its opposition to the new target. He even adopted the industry's language: 'If we go alone to 30%, you will only have a faster process of de-industrialisation in Europe.'[112]

At the same time, several studies by European research institutes painted a completely different picture. For example, 'A new growth path for Europe', commissioned by the German Environment Ministry (BMU)[113], found that a domestic EU 30% emission reduction target would enhance Europe's competitiveness and could create six million additional jobs. Despite this Cefic, Eurofer, BusinessEurope and some of their more vocal members such as BASF and ArcelorMittal continued to threaten the EU that more climate ambition would lead to job losses and companies relocating abroad, but failed to supply real, objective data to bolster their position.[114]

In the end, the polluters did manage to water down the roadmap and later on to get 30% off the agenda until the end of 2011 with the help of the Polish government.

* On 8 September 2010 a letter with the usual demands was sent to the Belgian EU President followed by a publication of the position paper : EUROPEAN BUSINESS RECOMMENDATIONS ON EU POLICIES FOR CLIMATE AND ENERGY on 7 October 2010, saying that one of the key principles that should drive the EU policy strategy should be "No increase of the 20% emission reduction target until the international conditions are fulfilled". Before the October Environment Council a letter outlining this position was also sent to the Belgian President of the EU Environment Council.

However, by autumn 2011 ministers or heads of states from key European countries[115] **had publicly come out in favour of a unilateral 30% target, along with more than 100 big companies.**[116] Clearly, BusinessEurope was not representing the views of all European businesses but only of some of its members.

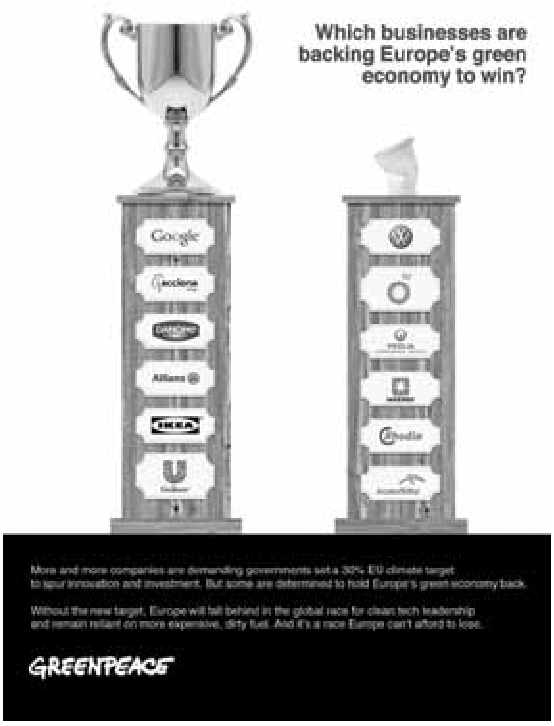


Fig 1 Greenpeace's 'Leaders and laggards' advertisement

Using climate policy as a scapegoat for bad news

Proponents of the theory of carbon leakage* claim that, if stronger climate policies are adopted, industry will flee the EU to countries with less stringent regulation of emissions. Yet independent research by the University of Cambridge, the Climate Group and others has found no empirical evidence of climate policies resulting in mass relocation of industries outside of the EU.[117] Even the EU Commission found that the impact of a 30% target on carbon leakage 'would be limited'.[118] However, the climate debate does provide a convenient scapegoat for companies having to deliver difficult news, such as relocating jobs to low-wage countries to maximise profits.

As an example, in May 2011 seven CEOs of steel companies including Tata and ArcelorMittal wrote a letter to the governments of the EU member states, the European Parliament and the European Commission, complaining about a new benchmarking system** that was supposed to finally strengthen the EU Emissions Trading Scheme in its third phase: "Legislators appear to believe that the proposed unilateral legislative measures will help mitigate climate change. They are wrong. Instead, these measures will deprive Europe of investment and increase global emissions as market share is off-shored to non-EU countries with inferior emissions standards."[119]

A day later, Tata announced 1,500 job cuts in the UK, blaming the EU's climate ambition in addition to the economic downturn as one of the main reasons.[120] ArcelorMittal has also threatened to relocate outside Europe and has attempted to challenge the EU ETS rules in court.[121]

In reality, companies such as ArcelorMittal and Tata have, with the aid of Eurofer, succeeded in weakening the ETS to such an extent that they won't have to make any real emission reductions for some time.*** According to Sandbag, a UK-based NGO specialising in carbon trading analysis, ArcelorMittal is expected to hold almost €2.4 bn worth of excess emission allowances (EUAs) at the end of Phase 2 of the ETS in 2012. The German Öko-Institut found that BASF, a chemical giant and a key member of Cefic, will have accumulated emission allowances worth €115 m between 2005 and 2012.[122] In 2009, ArcelorMittal made a profit of around €79 m from the sale of surplus emission allowances. This was followed by €103 m profits by the company in 2010.[123]

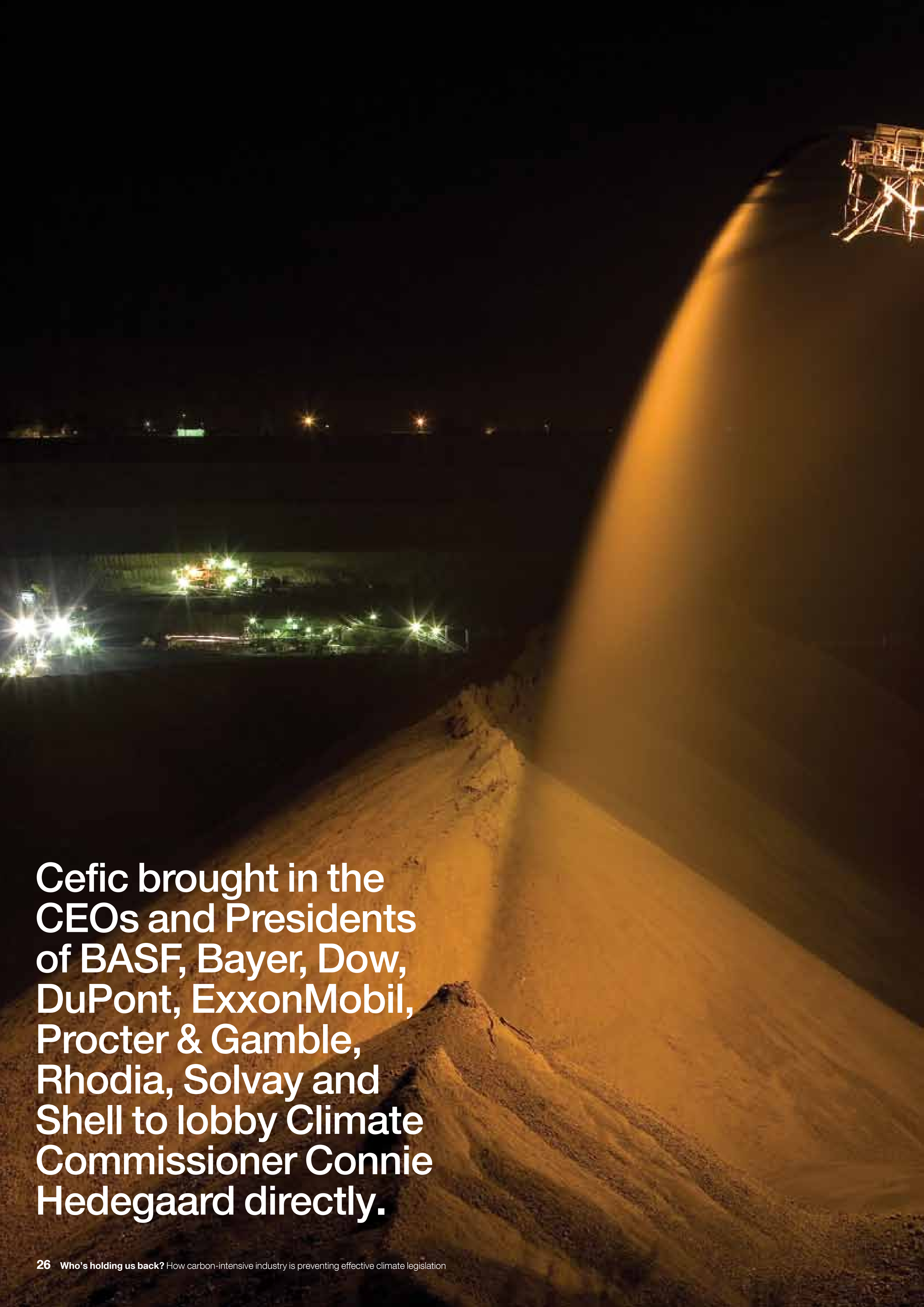
* Carbon leakage in this context refers to an alleged increase in carbon dioxide emissions in one country due to an emissions reduction in another country with a strong climate policy. This can e.g. be due to a relocation of production centers by companies to countries with less stronger climate policies.

** The EU decided in December 2010 to distribute free CO_2 allowances to energy-intensive industries from 2013 calculated with benchmarks. The default benchmark for a sector is the average greenhouse gas emissions per unit of the 10% most greenhouse gas-efficient installations in Europe. In the spring 2010 draft proposals for benchmarks became public. According to a briefing by CAN Europe, big industrial sectors including steel, cement and other manufacturing industries started an assault on the proposals and managed to water down the draft proposal. Their pressure contributed to the following changes:

- the steel benchmark became almost 25% less stringent;
- the use of substitutes for cement production will not get counted toward the benchmark anymore, which is most likely breaching the legal framework of the EU ETS directive;
- the reference years used for the production volumes were changed to 2005 - 2008, which represent exceptionally high production levels for the European manufacturing industry.

See CAN Europe (2010): Christmas Comes Early for Steel, Cement and Refineries in Europe, No Emission Reductions Required.

*** Past over-allocation and the impact of the recession have led to a sizeable build-up of unused allowances. The fact these allowances can be carried over into the next phase threatens the future performance of the ETS and changes are needed to address this surplus if the ETS is to remain relevant.



Cefic brought in the CEOs and Presidents of BASF, Bayer, Dow, DuPont, ExxonMobil, Procter & Gamble, Rhodia, Solvay and Shell to lobby Climate Commissioner Connie Hedegaard directly.

BASF

"I have a problem with the term 'climate change'", stated the former CEO of BASF, Juergen Hambrecht, in an interview with der Spiegel in 2007,[124] revealing himself as a climate skeptic.

"It's laden with fear. The climate is a highly complex system, and it has always changed. If there is one thing we cannot do, it is to allow ourselves to be scared and to seek emotional satisfaction in short-term campaigns."[125]

Hambrecht, who was considered as one of Angela Merkel's closest advisors[126], headed the company between 2003 and 2011.[127] In 2010, Hambrecht was also one of 40 CEOs in Germany who publicly supported an aggressive advertising campaign organised by the four big utilities RWE, E.ON, Vattenfall and EnBW, lobbying the German government to keep coal and nuclear in its future energy strategy.[128] BASF is one of the world's largest chemical companies and is also very active in oil and gas exploration and production, led by its subsidiary Wintershall Holding AG, which works closely with Gazprom in Central and Eastern Europe.[129]

During the US mid-term elections that cost Obama the majority in the House of Representatives and reduced potentially pro-climate Senate representation, thus blocking any hope for progress on cap-and-trade climate legislation, BASF strategically donated $61,500 US dollars to 'Senatorial candidates who have been outspoken in their opposition to comprehensive climate policy in the US, and candidates who actively deny the scientific consensus that climate change is happening and is caused by people.'[130]

BASF denounced the accusation saying that the donations had happened through a political action committee (PAC) set up by its employees.[131]

Bayer, BP, GDF Suez, Lafarge, E.ON, Solvay and ArcelorMittal were also caught out. Their total support (i.e. political contributions) for Senate candidates denying climate change or blocking climate change legislation in the US amounted to $240,200 - almost 80% of their total spending in the 2010 Senate race. This amount was even higher than the same type of spending of the most notorious US climate denier and Tea Party funder, Koch Industries.[132]

This funding strategy stands in stark contrast to BASF's claim that a global climate agreement is needed to establish a level playing field. In an interview about the EU's plans to increase its climate target, BASF board member Hans-Ulrich Engel said that this was the wrong strategy: 'It requires a global agreement. If this is not the case; there will be no level playing field for all.'[133]

ArcelorMittal

ArcelorMittal has been granted very generous emission allowances, so large that the excess allowances alone are likely to overtake Belgium's total annual emissions by 2012. These pollution 'gifts' – for which ArcelorMittal paid nothing – were the result of ArcelorMittal's and its predecessors' close relationship to and lobbying of the governments in the countries in which it operates.[134]

As one of the biggest employers in Luxembourg, where the company is based, it has close ties to the government. One of the non-independent members of Arce's current Minister of the Economy and Foreign Trade.[135] Michel Wurth, a former vice-president of the company and now a member of ArcelorMittal's Group management board, is President of the Luxembourg Chamber of Commerce, President of the Union of Luxembourg Enterprises and vice-president of the Luxembourg industry federation FEDIL, a fierce opponent of the 30% emissions reduction target.[136] Through its board the company is also linked to the nuclear industry (EdF), one of the world's biggest cement companies (Lafarge), as well as to the oil and gas sector and a group that lobbies for a pipeline that delivers crude oil from the Canadian tar sands to the US.[137]

It is also actively lobbying the South African government in opposition to the 'polluter pays' principle in the form of a carbon tax. ArcelorMittal South Africa's spokesman Themba Hlengani said the steelmaker viewed the carbon tax proposal as 'unworkable' and had submitted the company's views to the government. The proposal, it claims, has the potential 'to seriously impact on our profitability if pushed through… [and] undermine our competitiveness against both developing and developed country steel producers, which do not currently confront such a tax burden'.[138]

3.2
Player: The United States of America

At a national level, the US is lagging significantly on tackling climate change and clean energy challenges. There has been no climate legislation passed at the national level since the Copenhagen Climate Summit in 2009, and discussion of climate policy has stalled. Since 1990, US GHG emission rates have increased by about 7%, including the impact of a period of decline during the financial recession of 2008 – 2009.[139] The US Obama administration committed to a mere 3% reduction from 1990 levels by 2020.[140,141] However, at the same time, per capita levels of CO_2 emissions and the carbon intensity of the economy have declined slightly based on pre-recession levels[142] and action in some states and municipalities has been relatively strong[143].

Intense lobbying by corporate fossil fuel interests has hampered climate change policy in the US. Perhaps most significantly, the Obama administration has abandoned its climate change policy platform in light of Congress' inability to pass any significant climate legislation, including signature legislation for a cap-and-trade system nationwide.[144]

The administration has additionally made concessions to the carbon-intensive and polluting industry such as promoting offshore drilling, including granting permits to move forward to the pristine environment of the Arctic[145], expanding nuclear power[146], and promoting the unproven technique of Carbon Capture and Storage (CCS)[147]. The Administration put forward a political framework on a 'clean energy standard' (CES) that includes nuclear energy and coal, but excludes oil.[148] The CES is to be promoted by policies and legislative proposals from the White House such as tax subsidies, loan guarantees, and fast-tracked approval for projects located on federal lands.[149]

The energy industry in the US has continued to make a concerted investment in the marketing of fossil fuels and in lobbying against any energy policy intended to reduce emissions or otherwise place constraints on the energy sector. Climate denial is strong in the US and amplified by much of the corporate-dominated media. The Koch brothers, inheritors of large chemical, fossil fuel and paper companies, have funded climate denial campaigns with great success.[150] For a variety of reasons the American political context has devolved, particularly in Congress, to such an extent that any progressive environmental policy is nearly impossible to pass in the near future, particularly if it requires public financial investment.

The uptake of renewable energy is also lagging despite its potential, Obama's clean energy promises and the fact that **two-thirds of Americans believe that renewable energy will be able to meet all energy needs in time if we invest in it properly**.* According to the Renewable Energy Policy Network, renewable energy accounted for an estimated 25% of electricity generation capacity additions in 2010 and 11.6% of existing electricity generation capacity in 2011. Renewables provided just over 10.3% of total domestic electricity. Furthermore, renewables accounted for about 10.9% of US domestic primary energy production (compared with nuclear energy's 11.3% share), an increase of 5.6% relative to 2009.[151]

"The nation that leads the world in clean energy will lead the global economy in the 21st century."

President Barack Obama January 2011 [152]

Despite some gains by renewable energy in the country's mix of energy sources, the US Energy Information Agency predicts, without significant policy changes, that the mix of energy sources in the medium term will not change drastically and fossil fuels will continue to dominate.[153] This continued dominance of fossil fuels in the US is one of the greatest risks to the climate worldwide.

Since 2009 there has been virtually no change in subsidies to fossil fuels largely because of the dysfunctional budget process in Congress. The President has proposed reducing oil and gas subsidies by about $4.5 bn US dollars a year by striking provisions in tax law.[154] At the same time, he has proposed increasing nuclear subsidies by about threefold, to about $54 bn a year, in the form of loan guarantees. The Administration has also proposed $8 bn for 'clean energy' investment, although much of that would not go to truly renewable and clean energy. Finally, the President has also proposed reauthorising a tax credit passed in the Recovery Act in 2009, to increase from $2.4 bn to $5 bn for manufacturing capacity in 'clean energy' technology. Again, these initiatives have failed to gain traction in the Congress.

* A poll conducted in 2010-2011 by Motivaction International BV on behalf of Greenpeace showed that 44% of Americans agree and 26% totally agree with the statement: If we invest in it properly, renewable energy will be able to meet all our energy needs.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3.2.1 Undermining US climate action

The long-term pressure against progressive climate and energy policy in the US has traditionally come from several carbon-intensive industries – oil, electric utilities, automobile manufacturers and mining. Companies that have actively denied climate science or worked to delay sound policy include ExxonMobil[155], Southern Company[156], Western Fuels Association[157] and Peabody Coal[158]. Recent corporate campaigns in favour of fossil fuel interests have also been funded by companies, including Koch Industries.[159] In addition to individual corporations, the anti-regulation pressure of trade associations is immense; this is led by the American Petroleum Institute and the US Chamber of Commerce.

The US Chamber of Commerce

The Chamber has played a significant and negative role in the debate over climate change policy in the US. The Chamber is a leader in funding politicians who will block climate legislation and in direct lobbying in Congress. During the 2009 Copenhagen climate conference, Greenpeace USA highlighted the Chamber's role:

> *"The US Chamber of Commerce has committed a series of climate crimes including: misinformation of the public on the issue of climate change, stalling action on global warming legislation, and holding the international climate talks hostage. Activists are calling on President Obama to show leadership and shed the influence of lobbyists."*[160]

The Chamber does not limit its nefarious activities to the halls of power in Washington and state capitols, it has also shown a willingness to frighten children about the negative impacts of improved environmental regulation*. In 2010 it was revealed that the Chamber was infiltrating schools with propaganda and fearmongering over possible changes in energy policy, in collaboration with one of the country's biggest textbook publishers, Scholastic.[161] There has been backlash against the Chamber's strident anti-climate stance from within its own membership. Apple Inc left the Chamber in 2009 over its climate stance and political activities, in addition to energy companies Exelon, PNM Resources and California utility giant PG&E, while Nike Inc resigned from its position on the Chamber's Board of Directors.[162]

Corporations play both sides of the issue, joining seemingly progressive coalitions while their trade associations hold a more hard-line position against taking action on climate change. A perfect example is the US Climate Action Partnership (USCAP) coalition of environmental groups and corporations. The members included big oil companies (Shell, BP, ConocoPhillips), big car manufacturers (Chrysler, Ford), electric utilities (Exelon, Duke Energy, PG&E), mining companies (Rio Tinto) and manufacturers and chemical industry players (DuPont, Dow, Honeywell, Caterpillar, General Electric, Siemens and PepsiCo) alongside a number of environmental NGOs.[163] Originally crafted as a lever to force climate action by the Bush Administration, the USCAP became an important public force in the 2009 push for climate policy. Meanwhile, many USCAP corporate members or their trade associations were cutting their own deals or attacking prevailing bills before Congress.[164, 165] Eventually, as the fight switched to the Senate, BP, ConocoPhillips and Caterpillar dropped out the coalition in February 2010.[166]

* For a review of the trade-offs between environmental legislation and economic impacts, and the false notion that environmental regulation in general leads to economic decline, please see E. S. Goodstein Economics and the Environment. Prentice Hall. 1995.

The American Petroleum Institute

The American Petroleum Institute is the main trade association for companies connected to the US oil industry and its members include Koch Industries' subsidiary Colonial Pipeline Company, Shell, ArcelorMittal and BHP Billiton.[167] API has for a long time spearheaded the anti-climate movement in the US. It has funded climate-change denying scientists, high-dollar issue advertising campaigns in print and television, and has fought progressive policies at the state and federal level directly or through its member companies.[168]

Greenpeace USA revealed an internal API memo in August 2009 detailing an initiative by the API to ride the coat tails of the rising Tea Party. API was instructing members that they should deploy their employees to so-called 'Citizen Energy' rallies to be held in key states nationwide. The target of these rallies was draft climate legislation being debated in Washington. The memo was explicitly supposed to be kept secret. However, this story broke on the front page of the Financial Times and was then carried by every major news outlet.[169] The rallies turned into sparsely attended flops with counter-protests outside and confused oil employees inside.

Since 2009, API has run a series of ads in print and on television entitled 'The People of America's Oil and Gas Industry'[170], proclaiming that new regulations will hit consumers in the wallet and cost jobs, while oil companies are actually creating jobs. These ads have been primarily aimed at discussions about profiteering and removing tax breaks for the oil industry.

Koch Industries

Koch Industries is a major oil importer and owns oil refineries and pipelines along with chemical, textile and paper and lumber companies.[171] Until 2010 most Americans had never heard of Koch Industries, despite it being one of the largest private corporations in the US. There are no Koch-branded consumer products and Koch has few of the disclosure requirements of a public company. The Koch brothers each have an estimated net personal wealth of more than $25 bn US dollars according to 2011 Forbes Magazine rankings, and are now tied for the fourth richest man in America, ranking among the top 20 richest people in the world.[172]

Koch Industries is a destructive force in American and global industry. A recent *Bloomberg News* article details a variety of accusations against, and criminal convictions of, Koch Industries on serious felony charges, illegal dealings and health and safety risks to workers and the public.[173] The most recent controversy to emerge is Koch's hidden agenda for the tar sands and the Keystone XL pipeline. The proposed pipeline would cross from Alberta, Canada across the US to the Texas coast, where the tar sands oil will be refined for export around the world. The result will be expanded markets and higher prices for tar sands oil[174], garnering massive releases of carbon dioxide for the world and heavy profits for the Koch Brothers. Since the Obama administration could put an end to the project without any intervention from Congress or the courts, the pipeline proposal became highly controversial, and lead to the arrest of hundreds of activists in front of the White House.[175] Koch is at the heart of the controversy, by its own admission.[176] A Koch subsidiary, Flint Hills Resources Canada, declared to the Canadian government that it has a 'substantial interest' in the pipeline's approval. But in the US, Koch representatives told members of Congress that the pipeline has 'nothing to do with any of our businesses' and 'we have no financial interest in the project'.[177]

And yet the Koch brothers have emerged into the limelight as leading political ideologues with an anti-environmental policy agenda and vast influence. A Greenpeace USA report of March 2010 uncovered and detailed how the Kochs have invested tens of millions of dollars to fund right-wing and libertarian think tanks to negatively influence climate and energy policy. The Kochs founded several of these front groups and think tanks themselves, decades ago. The Kochs have also been linked to the Tea Party movement as well as the Tea Party's prime puppeteers, the front group Americans for Prosperity.[178]

Although Koch Industries intentionally stays out of the public eye, it is now playing a quiet but dominant role in a high-profile national policy debate on climate change. This private, out-of-sight corporation is now a partner to ExxonMobil, the American Petroleum Institute and other donors who support organisations and front-groups opposing progressive clean energy and climate policy. In fact, in recent years Koch has out-spent ExxonMobil in funding these groups. From 2005 to 2009, ExxonMobil spent $9.7 m US dollars while the Koch Industries-controlled foundations contributed $31.6 m in funding to organisations of the 'climate denial machine'.[179]

Koch money, funnelled through Americans for Prosperity and direct donations to candidates, aided the Tea Party Republican landslide in the House of Representatives in 2010.[180] In turn, those candidates that have embraced the Koch/Tea Party agenda now control many key committees. A perfect example is Representative Fred Upton of Michigan, who was formerly a climate change believer, and is now a denier, blocker and delayer.[181]

Most recently, the House of Representatives' radical right-wing agenda has taken aim at the Environmental Protection Agency by passing the TRAIN Act – Transparency in Regulatory Analysis of Impacts on the Nation. The bill would essentially handcuff the EPA and stop it from regulating greenhouse gases and other air pollutants from coal-fired power plants and oil refineries.[182]

In 2010, Koch Industries, through its oil refinery subsidiary Flint Hills, spent $1 m US dollars on a campaign to pass a voter referendum to block California from implementing its GHG emissions control laws.[183] It was a landmark fight at the state level, with the pro-fossil fuel industry referendum ultimately being defeated at the ballot box by a grassroots voter education effort. The 'Yes on 23' campaign, as the anti-environmental campaign was known, raised $10.6 m, over 92% of which came from petroleum and energy companies, including $1 m from Koch Industries' subsidiary Flint Hills Resources.[184] Koch Industries also supported the Proposition through industry front groups, including the California chapter of Americans for Prosperity, which advertised heavily to support Proposition 23, and the Pacific Research Institute, which published and circulated flawed economic studies of California's climate and energy legislation.[185]

Koch front groups campaigned against the Regional Greenhouse Gas Initiative (RGGI), a market-based cap-and-trade programme established in 2007 by 10 US Northeast and Mid-Atlantic states in an effort to reduce GHG emissions from power plants.[186] Koch-funded front groups – led by Americans for Prosperity[187] – joined right-wing mouthpieces like Glenn Beck and others who labelled RGGI a 'cap-and-tax' initiative. Conservative activist Clint Woods of the Koch-funded American Legislative Exchange Council (ALEC) stated that RGGI and other regional cap-and-trade regimes had become the 'new battlefield' since federal climate legislation was defeated.

ALEC has provided template legislation for states across the country to pull out of regional climate accords such as RGGI and the Western Climate Initiative. The Kochs have already had success in New Hampshire where, on 28 February 2011, the State's House Republicans voted to leave the RGGI programme in a veto-proof vote. Despite supporting campaigns against RGGI, a Koch subsidiary participated in the very first RGGI trade of physical carbon allowances.[188] As a Koch Supply and Trading spokesperson said, "Koch has participated in the RGGI market since its inception."[189]

In June of this year, the Kochs held another of their biannual strategy and fundraising meetings in Colorado. It was revealed that several state governors were in attendance, along with many millionaire friends of the Koch brothers.[190] The meeting, conducted in utmost secrecy, has no official record of topics discussed and thus it is not known whether climate policy or to what degree anti-climate strategy was discussed. A Greenpeace USA case study of the mass media attendees at a previous meeting demonstrates the deeply intertwined nature of the Koch Brothers' anti-democratic movement and selected media.[191]

3.3
Player: Republic of South Africa

South Africa is the 13th largest global emitter of greenhouse gases[192], but only the 30th largest economy. Its emissions from fuel combustion increased dramatically from 265.6 $MtCO_2$ in 1990 to almost 370 $MtCO_2$ in 2010[193], a 40% increase due to the intense development of its fossil fuel industry, especially coal, during that period. The country's state-owned utility Eskom contributed a massive 45% of South Africa's annual greenhouse gas emissions in 2010.[194] An estimated 45% of electricity used in South Africa is consumed by just 36 companies represented in the Energy Intensive Users Group of Southern Africa (EIUG).[195] Its corporate interests are highly concentrated with a number of subsidiaries of the same conglomerates such as BHP Billiton and Anglo American forming part of the group. The EIUG has been openly lobbying against the introduction of effective mitigation measures such as a proposed carbon tax.

On the surface, the South African government seems to be taking bold steps in terms of climate protection. The government made a significant mitigation pledge after the Copenhagen Climate Summit. South Africa indicated that it will implement nationally appropriate mitigation actions to enable a 34% deviation - or reduction - below the 'business-as-usual' emissions growth trajectory by 2020 and a 42% deviation below the 'business-as-usual' emissions growth trajectory by 2025.[196]

South Africa has excellent solar and wind energy potential but less than 1% of South Africa's electricity currently comes from renewable energy.[197] More than 90% of South Africa's electricity is generated from the burning of coal.[198] In 2003, the South African government established a target for renewable energy production of 10,000 GWh by 2013[199], but this target is very far from being reached. The Renewable Energy Feed-in Tariff (REFIT) was developed as a market mechanism to stimulate the renewable energy industry. In addition, the Integrated Resource Plan for Electricity[200] released in 2011 stipulates that power from renewable sources will be expected to increase from less than 1% to 23% by 2030. As such, renewable energy is supposed to make up 42% (47% if hydro is included) of all new electricity generating capacity in South Africa over the next 20 years.[201]

However the current monopoly that Eskom has in terms of electricity production and distribution means that independent renewable energy producers are unable to access the national electricity grid. Although the South African government has plans to implement an independent system and market operator, this process is proceeding very slowly and would need to be urgently fast-tracked to allow better integration of renewable energy technologies.

The National Treasury has issued a discussion paper on a proposed carbon tax and has indicated that it will finalise its policy in 2012. In the paper, government says it favours a direct tax on carbon emissions, which it says will 'impose the lowest distortion'[202] on the economy. In fact, the discussion document asserts that a 'tax of 75 South African rand ($10 US dollars) per ton CO_2 and increase to around 200 rand ($30) per ton CO_2 (at 2003 prices) would be both feasible and appropriate to achieve the desired behavioural changes and emissions reduction targets.[203]

While the policy changes on renewables and carbon tax are a significant step, the challenge is to transform the plethora of policies into real projects on the ground. Despite the current policy regime and huge potential, very few renewable energy projects have been deployed because of massive barriers in the market.[204] Early this year, the government chose to abandon the REFIT model, in favour of a competitive bidding process, otherwise known as 'REBID'. Project developers see REBID as an important barrier to renewable energy projects as the competitive price bidding could impede the industry, particularly impacting on small Independent Power Producers (IPPs), before it has even begun to develop.[205]

The electricity sector needs stronger political will to move towards renewable energy. While there seem to be objectives toward reducing the country's greenhouse gas emissions, South Africa is still largely dependent on dirty and dangerous fuels such as coal and nuclear.

image Activists from Greenpeace Africa demand that Eskom stops the construction of the Kusile coal-fired power station and shift investments to large-scale renewable energy projects.

The country's state-owned utility Eskom contributed a massive 45% of South Africa's annual greenhouse gas emissions in 2010.

3.3.1 Preserving the status quo: Eskom and the Energy Intensive Users Group

Eskom

EIUG
Energy Intensive Users Group of Southern Africa

"Eskom is working closely with the government to ensure that the Conference of the Parties of the United Nations Framework Convention on Climate Change (COP 17) in Durban later this year is a success… Clean electricity is a fundamental solution to the challenge of climate change."

Brian Dames, Eskom CEO[206]

Eskom, South African's state-owned energy monopoly, has publicly acknowledged the potentially negative impacts of climate change[207] and the need to reduce the coal content of the electricity generation mix in South Africa. However, only a tiny proportion of Eskom's electricity portfolio is currently contributing to this fundamental solution that Eskom CEO Dames speaks of. Of the utility's 237,000 GWh total generation, the electricity output from wind was only 2 GWh.[208] Initially a commitment was made to reduce coal reliance by 10% by 2012 at the 2002 World Summit on Sustainable Development (WSSD).[209]

Instead, coal intensity has increased. Eskom states that it is necessary to double total capacity to around 80,000 MW by 2025 to keep the lights on in South Africa.[210] In reality, the vast majority of this capacity will be used by industry and remain coal-based. Some 9,000 MW of this will be provided by two of the world's largest coal-fired power stations (Kusile and Medupi), both currently under construction.

Eskom has historically been the cornerstone of the 'Minerals and Energy Complex' (MEC).* This system of accumulation encompasses mining petrochemicals, metals and related activities that have historically accounted for the majority of electricity consumption and emissions contributing far less to GDP.[211] This system is premised on the paradigm of large centralised base load production of electricity distributed through a grid to energy intensive users.** The MEC is effectively institutionalised through the significant referential*** and representational power Eskom maintains within relevant government departments, regulatory processes and policy making or influencing bodies.

Currently, industry and mining consume over 60% of the electricity produced in the country, and the inclusion of commerce takes this figure to almost 75%.[212] Residential users account for between 16-18%[213], but average industrial prices are substantially cheaper than average residential prices. Eskom has made frequent reference to its industrial tariffs as the cheapest in the world[214], however residential consumers pay significantly more[215]. Secret price contracts between Eskom and the Australian mining company BHP Billiton, for example, are estimated at about 350% less than a low income residential customer in 2008/9, and less than half Eskom's reported production price in the period.[216]

As a state-owned enterprise (SOE)****, Eskom plays an extremely influential role in South Africa's policy and regulatory environment, not only in the domestic but also in the international climate dialogue arena.[217] It is often called upon to offer technical, logistical and financial support, as well as participating in forming parliamentary opinion through various subcommittees.*****

* Historically defined, the 'minerals - energy complex' is a system in which low paid labour was exploited, and cheap coal based energy with costs externalised to society was used to support an accumulation regime of a few highly centralised firms focused primarily on capital intensive commodity based industrial activities and the export of basic commodities and low value add products.

** Historically Eskom was created to centralise power supply in this paradigm. Residential access to electricity is a by-product and not the purpose of the current supply paradigm.

*** Eskom has historically retained tight control over information and modelling processes often considered confidential for commercial or competitive reasons. This has tended to hinder open policy and scientific option debate around a number of key areas.

**** Eskom is a State Owned Enterprise (SOE). In its current form this means it is a commercialised entity incorporated with the Government of South Africa (GOSA) as its sole shareholder represented by the Department of public enterprises. The board is therefore accountable in addition to public finance legislation to the normal fiduciary responsibilities relating to profitability. This is a fundamental departure from the previous dispensation with regards to the legal character of Eskom where the mandate was to provide developmental power for neither profit nor loss.

***** A parliamentary subcommittee plays an oversight role of state owned enterprises while others focus on the development of policy and legislation in the areas that affect decisions relating to development, environment, energy etc.

On a national level, Eskom provides input to the subcommittee of the Inter-Ministerial Committee (IMC) on Energy, established to 'facilitate progress towards an optimal regulatory and policy environment'.[218] Eskom is also actively involved in processes regarding emissions standards through the National Association of Clean Air[219], and is a central role player in the South African coal roadmap initiative to promote the use of coal as an energy source*.

In 2010, when the government put together a special task team to draft the country's electricity plan (and thus its emissions pathway) for the next 20 years, Eskom representatives and significant industry lobbyists were part of the process, while civil society and labour representatives were excluded.[220]

Eskom also plays a role in advancing foreign policy and integrating the interests of capital on the African continent with the power needs in South Africa. This is done formally through state missions and representation on policy bodies and think tanks in the region.** At the previous COPs, Eskom was part of the South African negotiating team, and will be part of the delegation for COP 17 in Durban.[221] EarthLife Africa (along with other civil society organisations) has condemned this participation stating that the "South African government is sending its biggest emitter of greenhouse gases to negotiate emissions cuts. This is a straightforward conflict of interest, especially as Eskom is currently increasing its emissions."[222]

Through the National Business Initiative[223], Eskom continues to plan with large industrial concerns within the paradigm of centralised industrial-focused generation. Eskom personnel are active in international associations such as the World Business Council for Sustainable Development (WBCSD). In December 2010, Eskom's chief executive officer, Brian Dames, was appointed to its executive committee.[224] The WBCSD is seen as the 'green' partner of big business advocates, which aims at getting privileged access for corporations at the UNFCCC process.[225]

Combined Pressure by ESKOM and the Energy Intensive Users Group

BHP Billiton and its subsidiaries are also members of the Energy Intensive Users Group (EIUG), whose 36 members account for some '44% of electrical energy consumed in South Africa'.[226] The EIUG is openly opposed to South Africa's proposed carbon tax, claiming it will impact its profitability. Eskom has stated that it is not in a position as a company to absorb these costs, and that the costs will simply be passed on to consumers.[227] Chairman of the EIUG Mike Rossouw said that if a carbon tax was implemented, similar to that of Australia, 'we will lose lots of jobs'.[228] He stated that the EIUG was interacting with Treasury formally, informally and in writing about the proposed carbon tax. "And we are doing the same thing with Eskom," he said. "We are offering to assist in drawing up the policies."[229]

An industry task team on climate change, representing eight mining firms including BHP Billiton, Exxaro, PPC and Anglo American, also wrote to the Treasury warning them about the economic repercussions and that the carbon tax could make South Africa uncompetitive.[230] Many of these mining companies used the same scaremongering arguments in the carbon tax debate in Australia, where they fought to have the emissions from coal mining excluded despite this being the fastest source of emissions growth in Australia.[231]

South Africa is a developing country burdened by the legacy of racial inequality, structural and chronic unemployment, and huge social backlogs in access to services and shelter. There exists a strong developmental imperative for Eskom, as a state-owned enterprise, to actively engage in progressive and redistributive practices through access and price measures and with due regard for environmental stewardship. This imperative has not been adequately addressed. Priority access to electricity is granted for large-scale users, while about 2.5 million homes are still without electricity. What is clear is that South Africa's electricity model is catering to the needs of the industrial sector and focuses on large mining companies and associated heavy industries.***

* Currently, a government and industry supported initiative (of which Eskom is a large stakeholder) is developing an information generation system for future scenarios of coal use in South Africa. Entitled SA Coal Roadmap. The website for the initiative proclaims, "This initiative is intended to detail and assess options and scenarios for the future development of the domestic coal industry and extract recommendations to maximise the economic opportunities for coal as a valuable energy and chemical resource whilst ensuring a better quality of life for current and future generations."

** Examples include The EIUG, Coal Road Map, National Business Institute (also represented in the IMC and the COP delegation). Sustainability forums, Regional NEPAD initiatives where Eskom has a dedicated team but also participates with government at regional meetings. In addition to being a member of the South African Power Pool (SAPP), Eskom is a contributing and an active member of the Union of Producers, Transmitters and Distributors of Electric Power in and exchange of expertise amongst members. Eskom's Chief Executive was the president of UPDEA in 2004/5.

*** The state delivered both cheap labour through racist social engineering and cheap energy making for ultra profitable capital accumulation.

image Aerial view of Syncrude Aurora tar sands mine in northern Alberta

© JIRI REZAC / GREENPEACE

The Canadian government has established an 'Oil Sands Advocacy Strategy' developed in coordination with companies like Shell and other members of the Canadian Association of Petroleum Producers.

3.4
Player: Canada

Canada currently has one of the world's worst records with regards to achievement and ambition on climate solutions. It is the only country in the world to have signed and ratified the Kyoto Protocol and then openly announces that it had no intention of honouring its commitments.[232] Current emissions trends support this.[233] Canada's emissions in 2009 were 17% (100 Mt CO_2eq) above the country's 1990 total of 590 Mt CO_2eq; or 23% above what it had promised to deliver under the Kyoto Protocol.[234]

Canada is also the only country in the world to decrease its mitigation emissions pledge for 2020. The government's former target was 20% below 2006 levels, equalling a 3% cut on the 1990 levels announced prior to the Copenhagen Climate Summit. But the latest Canadian target submitted under the Copenhagen Accord[235], resubmitted after the Cancún Climate Change Conference[236], is now 17% below 2005 levels — or 3% above 1990 levels — by 2020.[237]

The Canadian government argues that this is ambitious because existing federal and provincial policies would lead to a reduction of 65 MtCO_2eq by 2020 compared to current business-as-usual projections. But the same government recognises that current policies would only achieve one quarter of its already very weak target while failing to provide further solutions.[238] It also maintains that because of the integration of Canadian and US economies, climate policies and targets should be harmonised between the two countries. While the targets might be the same on paper, Canada's pledge is not the same as the US pledge. The US pledge of reducing emissions by 17% below 2005 levels actually leads to a reduction of 3% compared to 1990 levels, whereas the Harper government's target will result in an increase of about 2.5% compared to 1990.

At the heart of Canada's intransigence on climate change is the development of the tar sands, the fastest growing source of emissions in Canada. Researchers from the Pembina Institute describe the rise in tar sands emissions as follows: "Cumulative greenhouse gas emissions from Alberta's oil sands are increasing fast. Emissions from oil sands more than doubled, increasing by 121%, between 1990 and 2008. Planned growth indicates greenhouse gas emissions from oil sands will continue to rise resulting in a near tripling of emissions between 2008 and 2020."[239]

Extracting and upgrading the oil mined in the tar sands into synthetic crude oil resulted in 45 MtCO_2eq in 2009 alone, or about 6.5% of Canada's total emissions.[240] This is equivalent to nearly three times 1990 levels tar sands emissions of 16.8 million tonnes.[241]

These emission calculations do not include data from refining this oil; burning the resulting fuel in vehicles, homes and factories; or emissions associated with releasing the carbon stored in the trees and soils of the boreal forest as the land is strip-mined or criss-crossed with seismic lines, access roads and pipelines.* In fact, oil sands emissions numbers were deliberately left out of the most recent national inventory on Canada's greenhouse gas pollution that it had to submit to the UN, but these data were given to oil and gas lobbyists from CAPP by an Environment Canada engineer.[242]

The Canadian government provides over $1.3 bn Canadian dollars in handouts to the oil industry every year, despite calls from within the Department of Finance to end these subsidies and committing to phase out fossil fuel subsidies at the G20 in 2009.[243] And yet, the government's 2011 federal budget proposed the elimination of less than 10% of these special tax breaks to the oil industry.[244]

* According to a letter dated 16 July 2011, the US Environmental Protection Agency says that "GHG emissions from the Canadian oil sands crude would be approximately 82% greater than the average crude refined in the US on a well-to-tank basis."

In stark contrast, no new policy to increase the uptake of renewable energy or energy efficiency has been introduced since 2009. The only regulations to be introduced were copies of US fuel efficiency standards. Canada's only major federal program to support renewable energy died in March 2011 when the federal budget failed to renew it.[245] The current government does not appear to have any plans for supporting renewable energy and energy efficiency while the overall funding trend is in decline.[246]

The Canadian government's efforts to undermine clean energy policy extend beyond its own borders. The current government has established an 'Oil Sands Advocacy Strategy' developed in coordination with companies like Shell and other members of the Canadian Association of Petroleum Producers (CAPP).[247] The Canadian Climate Action Network has identified further government/fossil fuel coalition abuses in a well-documented report entitled 'The Tar Sands' Long Shadow'.[248] At least three specific cases have already been identified: California's low-carbon fuel standard, a US federal clean fuels policy known as Section 526, and the European Union's Fuel Quality Directive. There is reason to believe that this is only the tip of the iceberg and that the government is also attacking clean energy policies in other jurisdictions.[249]

3.4.1 The corrupting influence of Shell and CAPP on Canadian climate politics

*"We provide oil products to our customers in the **most socially and environmentally responsible manner.**"*

Lorraine Mitchelmore, CEO of Shell Canada[250] [emphasis added]

*"Responsible environmental performance, including reductions in greenhouse gas emissions, is an important element in the energy strategy, but it **should not be the overriding driver.**"*

Canadian Association of Petroleum Producers[251] [emphasis added]

Canada is home to one of the world's dirtiest fossil fuel projects – the tar sands, sometimes also referred to as oil sands.

The expansion in the Province of Alberta is the basis of the Canadian Prime Minister's oft-stated ambition to make Canada an 'energy superpower'[252] – ensuring Canada has practically no chance of meeting its weak emissions reduction targets.[253] It also drives the politics of Alberta and Canada to undermine international action to tackle climate change to ensure tar sands expansion at any cost.[254] Massive potential profits drive a global lobbying effort to defeat any significant legislation to reduce GHG emissions.

Working with the Canadian government is Royal Dutch Shell, one of the so-called 'big five' global oil companies along with BP, ExxonMobil, Chevron and ConocoPhillips. It is also the world leader in greenhouse gas emissions.[255] While Shell claims to be concerned about climate change, it has shifted its investments almost completely out of renewables, and into fossil fuels — including the huge expansion of the tar sands.[256]

The tar sands strategy

The high carbon intensity of production means that the Canadian government and Shell are pursuing a business strategy to ensure that there is a growing market and demand for oil produced from the Canadian tar sands at the same time as US and EU regulators are proposing restrictions on the most carbon intensive sources of oil.[257] This is known as the 'Oil Sands Advocacy Strategy'[258] and its aim is to play down the carbon emissions of tar sands, divert attention from the devastating environmental and health effects and ensure that legislation in California, the US and EU does not close potential future export markets.[259]

The main lobby organisation behind this political offensive in Canada is the Canadian Association of Petroleum Producers (CAPP), 'the voice of Canada's upstream oil, oil sands and natural gas industry'.[260] Not only is Shell a member of CAPP, but the current Chairman is David Collyer, whose former job was President and Chairman of Shell Canada until 2008.[261] The CAPP position is that the world needs more and more oil[262], especially 'unconventional sources' like the tar sands. The Canadian lobby register lists Shell as meeting the Canadian Prime Minister's office and activities of its lobby firm, Global Public Affairs, the same lobby company used by CAPP.[263]

CAPP's close links to Canadian politicians in Alberta and within the federal government have been extensively documented. CAPP even boasts of its influence in the history section of its web site[264]:

"The Canadian Petroleum Association (CPA) was one the oldest, largest and most influential lobby groups in Canada."

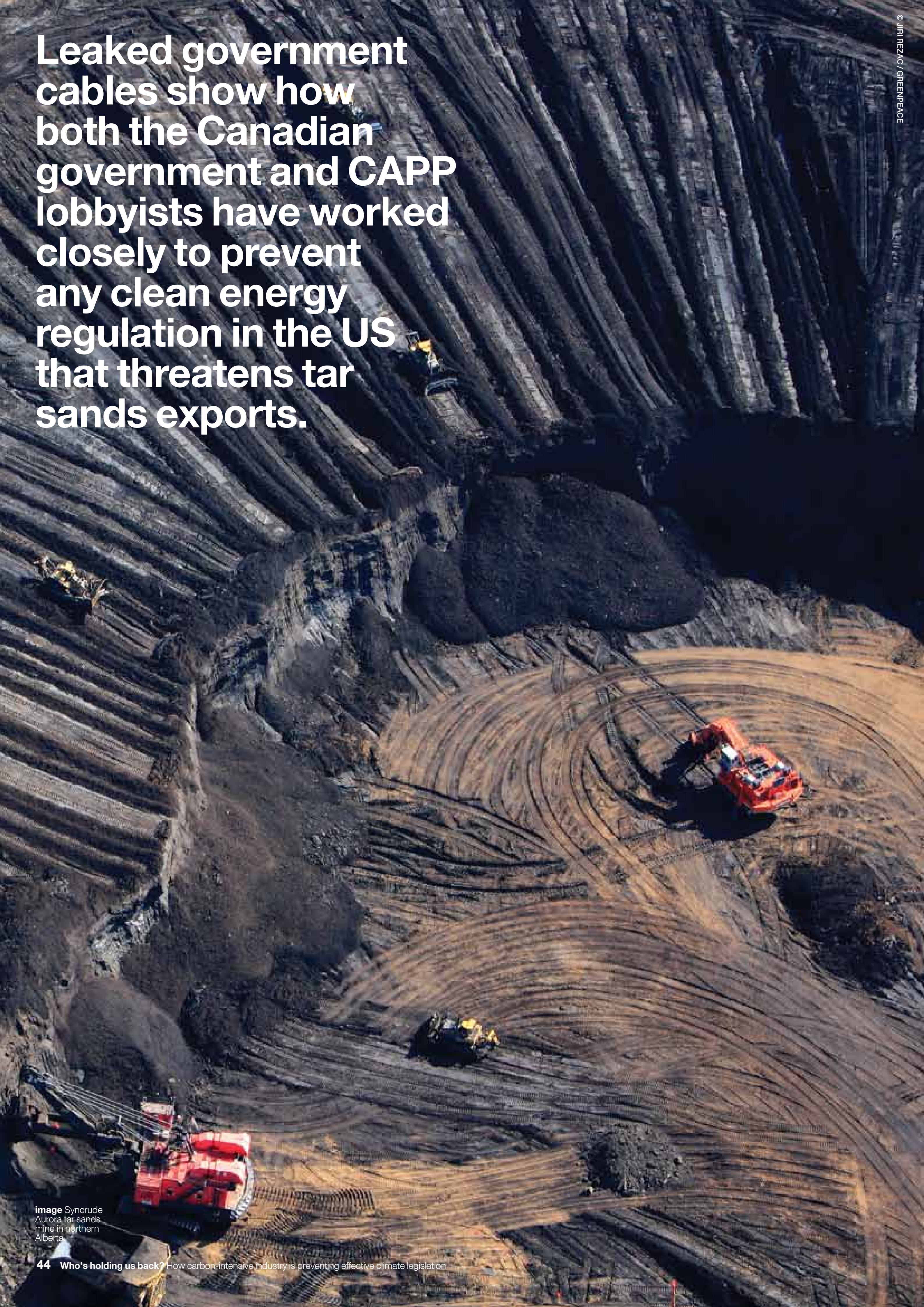
"Canada's energy policies are based on recommendations that the CPA spent two years preparing. These recommendations were adopted by the Progressive Conservative Party, the official opposition and later translated into government policy (during the 1980s)."

Leaked government cables show how both the Canadian government and CAPP lobbyists have worked closely to prevent any clean energy regulation in the US that threatens tar sands exports.[265]

The US is the biggest market for Canadian oil exports and CAPP employs the Washington lobby firm Nelson Mullins Riley & Scarborough[266], which is trying to repeal Section 526, the provision of a 2007 energy law that bars the military and other US government agencies from buying alternative fuels that have higher GHG emissions than conventional petroleum fuels.[267] High on the priority list is getting approval of the Keystone XL pipeline to bring tar sands oil to Texas and access additional export markets. Alberta's energy ministry also employs this same lobby firm.[268]

The scale of pro-tar sands international lobbying was revealed in detail in an August 2010 Friends of the Earth report, Canada's dirty tar sands lobby diary[269] and extensive media investigations in Canada[270] based on Freedom of Information requests. The documentation exposes a secret Canadian 'Pan-European Oil Sands Advocacy Plan'. Its main aims are to 'protect and advance' Canadian interests in Europe and to ensure 'non-discriminatory market access for oil sands derived products'. The Canadian government documented its own missions. The Hague mission is 'enhancing its engagement with the sector, and with Shell'. The London mission is 'in regular contact with the private sector including meetings with Shell, BP, and Royal Bank of Scotland (RBS) as well as Canadian oil companies', and it participated in Shell's stakeholder dialogue where it was able to 'gather intelligence'. Brussels has 'worked with Shell by hosting complementary events', including a multi-stakeholder workshop and dinner.[271]

Canadian national and provincial politicians are spending taxpayer money in this attempt to weaken any legislation to reduce GHGs from the world's biggest fossil fuel project, but Shell and other companies are also contributing directly. As Canadian energy ministers met in July 2011 to discuss Canada's future energy strategy, 11 oil companies sponsored the meeting to the tune of $180,000 Canadian dollars, including a tour of the tar sands. CAPP contributed $30,000 in sponsorship with Shell, and other oil companies $10,000 each.[272]



Leaked government cables show how both the Canadian government and CAPP lobbyists have worked closely to prevent any clean energy regulation in the US that threatens tar sands exports.

image Syncrude Aurora tar sands mine in northern Alberta

Shell's fake solution: Carbon Capture and Storage

The Canadian federal government and Alberta provincial governments have committed $3 bn Canadian dollars in Carbon Capture and Storage (CCS) projects, while eliminating funding for the principal programme for supporting renewable energy. Of that $3 bn, $865 m in subsidy is for the Quest project, in which Shell Canada has a 60% share.[273] Shell received $120 m of funding directly from the Canadian federal government for this project, while the Alberta provincial government contributed the remainder of the subsidy.[274] In order to gain such favourable subsidies, Shell has been involved in a massive lobbying effort in Alberta.[275] Shell claims that CCS technology will reduce emissions from the tar sands in the future.[276] Shell employs ICO_2N, a CCS lobby group, to push for government subsidies for unproven CSS technology pilot projects.

Shell's global reach

Apart from its lobbying in the EU, Shell is also a prominent member of the European Employers federation BusinessEurope and the European Chemical Association Cefic (as Shell Chemicals Ltd), both very active in preventing an increased GHG emission reduction target in Europe (see EU case study). Shell also went on record in 2010 saying: "We would not support the unilateral move to 30%."[277]

In Japan, Shell (as Showa Shell Sekiyu KK) is one of a handful of members of the Petroleum Association of Japan (PAJ)[278] that recently wrote to the Japanese government, demanding it stands firm and opposes a second commitment period of the Kyoto Protocol.[279] Shell's Canadian CEO has also been calling for a national energy strategy that can get more oil to 'Asia's exploding markets'.[280] A new group, the Energy Policy Institute of Canada (EPIC), was formed in 2010 to lobby for an energy strategy, dominated by oil companies including Shell Canada. A listed priority of this group is 'capturing growth opportunities in Asia'.[281] Shell Oil Company (USA) is also a member of the American Petroleum Institute, whose activities trying to undermine US climate policy have been documented elsewhere in this report.

Shell's greenwash efforts

Shell has been very busy making a good show of taking the climate issue seriously. At the same time as its dirty lobbying is going on, as Shell International it is also involved in a number of climate change initiatives such as the EU Corporate Leaders Group, a group set up to 'communicate the support of business for the European Union to move to a low carbon society and low climate risk economy and to work in partnership with the institutions of the EU to secure the policy interventions that are needed to make this a practical reality.'[282]

In 2007 the Dutch Advertising Code Authority declared Royal Dutch Shell's advertising about CO_2 'recycling' to be misleading, and prohibited the company from using the advertisement in the Netherlands[283]. Similarly, in 2008 the UK Advertising Standards Authority found Shell's 'sustainability' claims for the tar sands to be misleading.[284] Most recently, in February 2010 a complaint was lodged with Advertising Standards Canada that Shell Canada's promotion of the benefits of the tar sands — via 'information features' in major Canadian media outlets, which were actually paid advertisements — was intentionally misleading. [285]

Royal Dutch Shell is also a member of the World Business Council for Sustainable Development, and its Chairman, Jorma Ollilia, is the Chair of the WBCSD's governing board. It has even signed the 'Cancún Communiqué', an initiative of the Prince of Wales' Corporate Leaders' Group on Climate Change, which is run by the University of Cambridge Programme for Sustainability Leadership[286], asking for urgent action on climate change and demanding that governments redouble efforts to secure an ambitious and equitable international framework, but also pursue an 'ambitious parallel mitigation strategy'.[287]

3.5
Encouraging developments in Australia: More work ahead

"The carbon pollution reduction scheme ran into a brick wall. I've knocked that wall down. This is going through - full stop…Now is the time to move from words to deeds."

Australian Prime Minister Julia Gillard, 11 July 2011[288]

In July 2011 Australian Prime Minister Julia Gillard announced a price on carbon, providing a historic opportunity for her nation to begin the move from a high-risk, highly-polluting economy to a safe, sustainable, clean economy. With its passage through Parliament completed in November 2011 this is an important step for a country with one of the highest emissions per capita anywhere in the developed world.[289] It is also a first possible sign of a change in the political dynamic away from the fossil fuel and mineral industries who hold enormous economic, political and public sway in Australia – but the battle is far from over.

In recent years, the climate change debate in Australia has cost a number of political scalps including that of the previous Labor Prime Minister, Kevin Rudd. After ratifying the Kyoto Protocol and introducing a 20% mandatory renewable energy target, in 2009 he developed the 'Carbon Pollution Reduction Scheme' (CPRS), which was weakened in order to reach agreement with the then-leader of the opposition party. However, the replacement of the opposition leader led to the collapse of that agreement (December 2009). This, and the lack of Parliamentary support for the CPRS, led Rudd to announce that he would shelve it, following the UN climate summit in Copenhagen (December 2009). When a 40% super-profit mining tax was proposed (May 2010), industry bankrolled a multi-million dollar campaign to oppose this initiative.[290] As a result of this turmoil the Labor Party dropped Rudd and replaced him with Julia Gillard.

Gillard swiftly called an election, in which Labor lost key seats with no party winning a majority. During her negotiations to establish a minority government with three independents and the Green Party, Gillard - under pressure from the Greens - committed the Labor Party to establishing a carbon price. Consequently a multi-party Climate Change Committee was formed to pass carbon price legislation and complementary measures, as well as determining what structure the pricing legislation would have and to assess what the system would look like in practice.[291]

As previously happened with the CPRS, opposition to the idea was voiced immediately. Key associations such as the Business Council of Australia[292], the Association of Mining and Exploration Companies[293], the Australian Chamber of Commerce and Industry[294],[295], the Australian Coal Association[296], the Australian Trade and Industry Alliance[297], as well as companies including coal-mining firms, steel and aluminium producers, and coal power generators opposed the tax.[298] The reasons for opposition were similar to those expressed in other countries where carbon-intensive polluters have fought climate legislation. These included claims that:

- International financial uncertainty made it a bad time to introduce the tax[299]
- Prices would rise[300] and jobs would be lost[301]
- Carbon-polluting business would be forced offshore[302]
- Australia would be acting alone – ahead of the rest of the world[303]
- The carbon tax wouldn't reduce global emissions[304]

These carbon-intensive sectors launched a series of print, TV and online advertisements highlighting their importance to the Australian economy and seeking to undermine both the carbon price and the proposed resources tax.[305] This was despite the fact that the carbon price was expected to be low, adding for example only around $1.60 to the price of a tonne of coal.[306] In the meantime, export figures show that the global price of coal rose well over 20% during the last year – far more than any expected rise as a result of a carbon price.[307]

The outcome of these scare tactics and lobbying has been that many industry players have managed to secure generous compensation packages as part of the climate legislation - the starting point for these deals being the compensation and assistance package planned under the CPRS. For example, steelmaker Bluescope Steel - who repeatedly bemoaned that a carbon price would force plant closures, job losses and a shift of steel production overseas - has secured $180 m in the carbon price assistance package.[308] Despite this, it continues to push for a delay to the start date of the carbon price until after the next election.[309] Meanwhile, big international coal-mining companies such as BHP Billiton, Rio Tinto, Xstrata and the industry group Australian Coal Association have fought to have the emissions from coal mining excluded, despite this being the fastest source of emissions growth in Australia.[310] BHP, which supported a carbon price in 2010, now claims that a price on emissions from coalproduction is essentially unfair because countries such as Indonesia and South Africa don't have something similar in place. BHP made this claim shortly after announcing the largest annual profit in Australian history – a whopping $22.46 bn Australian dollars.[311]

It is now expected that most carbon-intensive companies will receive exemptions for 94.5% of their emissions.[312] There will also be free permits once a trading scheme begins in 2015 and indirect support will also be provided, such as the $1.3 bn Australian dollar coal sector jobs package.[313] The Grattan Institute, an independent public policy think tank, views the level of assistance as excessive. It called it a new form of protectionism in Australia that will only be for the benefit of a few very large companies, concluding that the coal industry would not suffer any 'material disadvantage' as a result of the price on carbon.[314]

Having said all this, the legislation is an important step in Australia's journey to a cleaner energy future. The fact that a price on carbon is being introduced at all, and that the renewable industry will now have a secured income stream of some billions over the next 5 years, is a testament to the many Australians who have demanded that the government takes action on climate change. However, the fact is that such a low price, with limited coverage and such generous compensation packages, is equal testament to the power of the big polluters to dominate Australia's political leadership.

As Winston Churchill said after the Allies' first major victory during the Second World War, "This is not the end. It is not even the beginning of the end. ... But it is, perhaps, the end of the beginning."[315]

04

04

The international dimension:
Undermining the ambition and effectiveness of a global climate deal

"Governments must lead the way toward the needed transformation of the world economy, but the power of business needs to help make it happen."

UNFCCC Executive Secretariat Chair Christina Figueres[316]

"I think that's one of the areas we are going to work very hard leading to Durban to convince business to be party so that it's not just governments alone."

South African President Zuma

As governments have moved toward the negotiation of a new global deal to supplement the Kyoto Protocol, a high priority has been made to deepen the engagement of the business sector at the international level, in the hope of developing stronger business partners on solutions to climate change, to deliver the necessary political support for a new global deal.

The Danish and Mexican governments, as hosts of the last two UNFCCC summits in Copenhagen and Cancún, expanded business access to the negotiations.[317] High profile CEO business events such as the World Climate Summit, along with World Business Day, and a host of other corporate-focused events at the UN meetings have increased the profile of the business sector around the negotiations.[318]

Yet despite the increased amount of corporate visibility at the international level, and more and more progressive companies encouraging governments to take climate action, there are still not enough progressive voices to provide a counterweight to the lobbying of the carbon-intensive companies, and the world is left with the impression that there is no meaningful political support for stronger action by governments to forge a new global deal on reducing emissions and reducing and eventually eliminating fossil fuels.

While a broad range of companies came to Copenhagen and Cancún and supported a global deal through signing progressive business statements such as the Copenhagen and Cancún Communiqués, many of the signatories are the same carbon-intensive companies, such as Royal Dutch Shell and BASF, that have been holding us back from tackling climate and energy challenges for the past 20 years.[319]

Shifting from denial to delay

The public profile of the business community attending the UN climate negotiations has changed significantly since the adoption of the last global deal, the Kyoto Protocol, in 1997. At the time of its adoption, the participation and agenda of the business community at the negotiations was a fairly black-and-white affair, largely defined by companies with large greenhouse gas footprints attached to their primary business model. Oil, coal, car makers and utility companies spent millions trying to undermine the scientific consensus and otherwise express their opposition to a global deal in the US and elsewhere through trade associations and industry front groups such as the Global Climate Coalition.[320]

Following the adoption of the Kyoto Protocol, many carbon-intensive companies began to shift their approach in light of the new carbon controlled political landscape. Many companies have distanced themselves publicly from front groups like the Global Climate Coalition, whose climate science denial approach was becoming a liability[321], and turned to broader, multi-issue trade associations such as the US Chamber of Commerce and BusinessEurope to take more obstructionist approaches. Many of these companies also chose to associate their brands directly with 'climate leadership' business groups, helping to rehabilitate their standing among decision-makers as reasonable rather than obstructionist, such as the Business Environmental Leadership Council[322], the International Leadership Council[323] and the US Climate Action Partnership[324], as well as the World Business Council on Sustainable Development (WBCSD)*.

Negotiations of a global deal and the World Business Council for Sustainable Development

Formed initially in 1992 to shape business input into the Rio Earth Summit, the World Business Council for Sustainable Development (WBCSD) has shifted in recent years to playing an increasingly high-profile role as a convener and focal point for corporations engaging in the UNFCCC, and with other UN bodies and initiatives such as recently the UN Global Compact-led coalition, Business Action for Sustainable Development 2012, which will provide 'positive and constructive business input to the Rio+20 process'.[325] The WBCSD describes itself as a 'CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development.'[326] Since the adoption of the Kyoto Protocol, the WBCSD has also played an important role along with other partners in setting common metrics and benchmarks for voluntary corporate sustainability efforts, such as the WRI/WBCSD GHG Reporting Protocol.[327]

Prior to 2007, the WBCSD did not have a high profile in UNFCCC process. Following the agreement at COP 11 in Montréal to open negotiations for a post-2012 global deal, the WBCSD has significantly increased its visibility within the UNFCCC.

Beginning at COP 13 in Bali in 2007, the WBCSD has steadily sought to raise its standing among negotiators through the convening of high-level, day-long business conferences on the role and challenges of the private sector in addressing climate change, done in collaboration with the International Chamber of Commerce.**

It has also lobbied for increased influence in the UNFCCC negotiations. In 2010 the WBCSD launched a study outlining how businesses should get a more active and institutionalised role, 'providing governments with specific business perspectives and know-how'.[328] It especially seeks more influence in the areas of, for example, carbon markets (Clean Development Mechanism and Joint Implementation). This would be very different to the current status of the business community as an observer in the UNFCCC process, which it shares with other stakeholders such as farmers, indigenous peoples' organisations, research organisations, trade unions, local governments and environmental non-governmental organisations.

Controlling the agenda for the business sector input

While the WBCSD has a broad range of companies within its overall membership, its Executive Committee is dominated by some of the largest non-renewable energy and carbon-intensive companies in the world.[329] This Executive Committee plays a strong role in shaping the direction and priorities of the WBCSD.[330] As highlighted in this report, some of these same companies are playing a central role at the national level in slowing effective government action to transition away from dirty energy sources that is central to addressing the threat of climate change.

The WBCSD Executive Committee is a Who's Who of the world's largest carbon-intensive companies who continue to profit from continued inaction on climate change. The Executive Committee includes:

* The World Business Council for Sustainable Development came to life from the merger of the Internal Chamber of Commerce's World Industry Council for Environment and a UN-sponsored Business Council for Sustainable Development in 1995

** COP 13 Bali Business Day, COP 14 Poznan Business Day; COP 15 Copenhagen Business Day; COP 16 Cancún Business Day. ..

- Royal Dutch Shell, which holds the Chair;
- Duke Energy Corporation, one of the biggest coal utilities in the US;
- Tokyo Electric Power Company, the company responsible for the Fukushima nuclear disaster;
- cement manufacturer Holcim;
- Reliance Industries, a conglomerate with core operations in petrochemicals, refining, oil and gas;
- car manufacturer Toyota Motor Corporation;
- South Africa's coal reliant utility Eskom Holdings Ltd;
- China Petrochemical Corporation (Sinopec);
- France's nuclear power plant owner AREVA; and
- coal-reliant electric utility American Electric Power.

The only companies without any apparent interests in fossil fuel or nuclear power currently on the Executive Committee are Unilever, Infosys and ACCIONA.[331]

This is particularly troubling, given the enhanced role the WBCSD is seeking within the UN process, and its effort to get agreement by the UNFCCC for the business sector to have a special consultative role in defining the operating rules for the carbon markets and financing mechanisms.

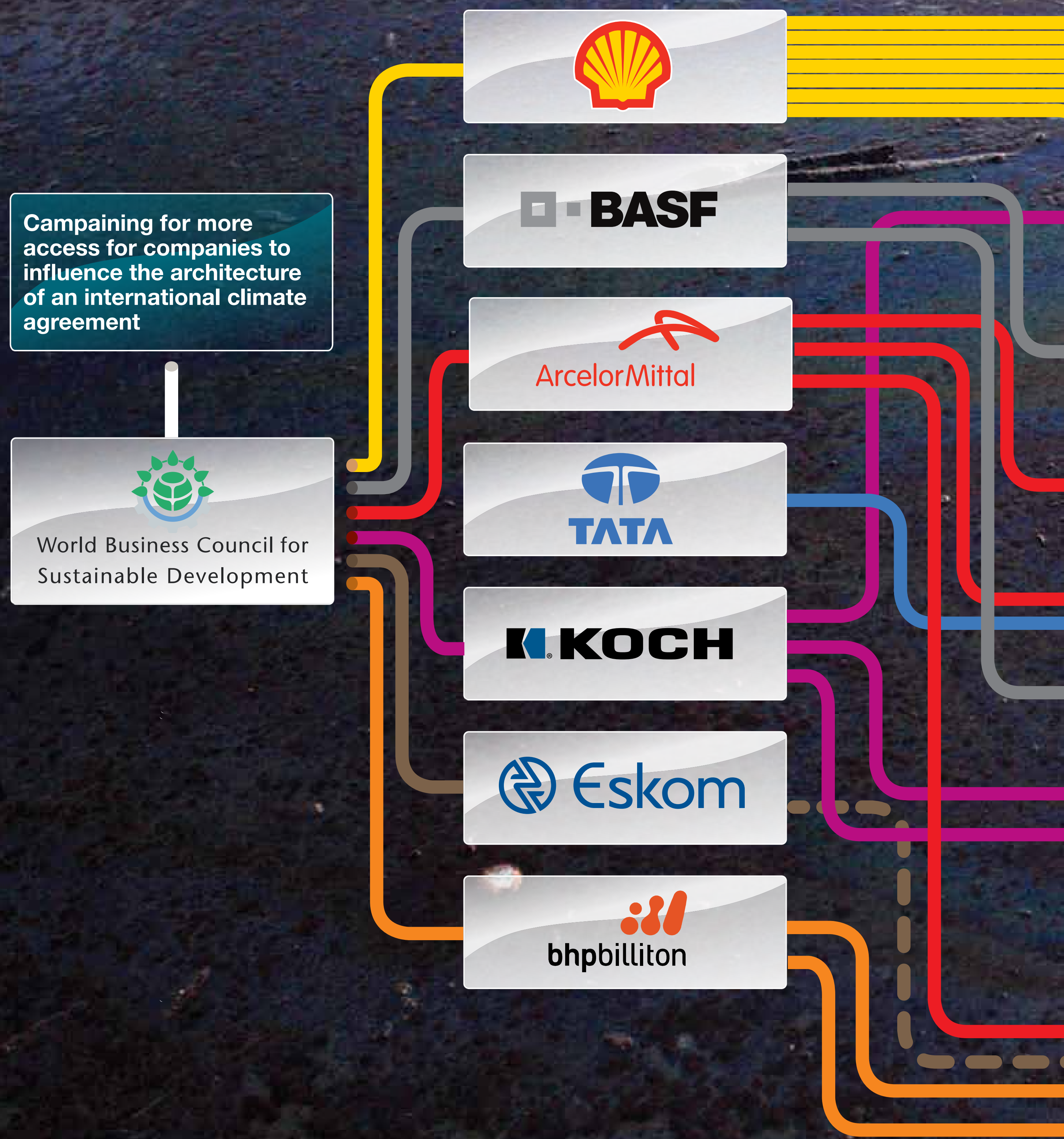
An analysis of the Business Day at the past four negotiations convened by the WBCSD shows the great influence of the carbon-intensive companies on the Executive Committee in shaping the business sector perspective put forward by the WBCSD. While Executive Committee companies consist of less than 7% of WBCSD total members, Executive Committee members have occupied between 21% and 26% of the private sector presentation slots at the climate negotiations from the Business Day summits.

As a clear illustration of the priority given to Executive Committee companies, both Royal Dutch Shell and Eskom — despite clear interests in and dependence on fossil fuels — have each played a key role in three of the four WBCSD Business Days at the negotiations, and Shell was the only company whose representatives were invited to attend all three private sector engagement meetings organised by the Mexican government in collaboration with the WBCSD and the International Chamber of Commerce.[332]

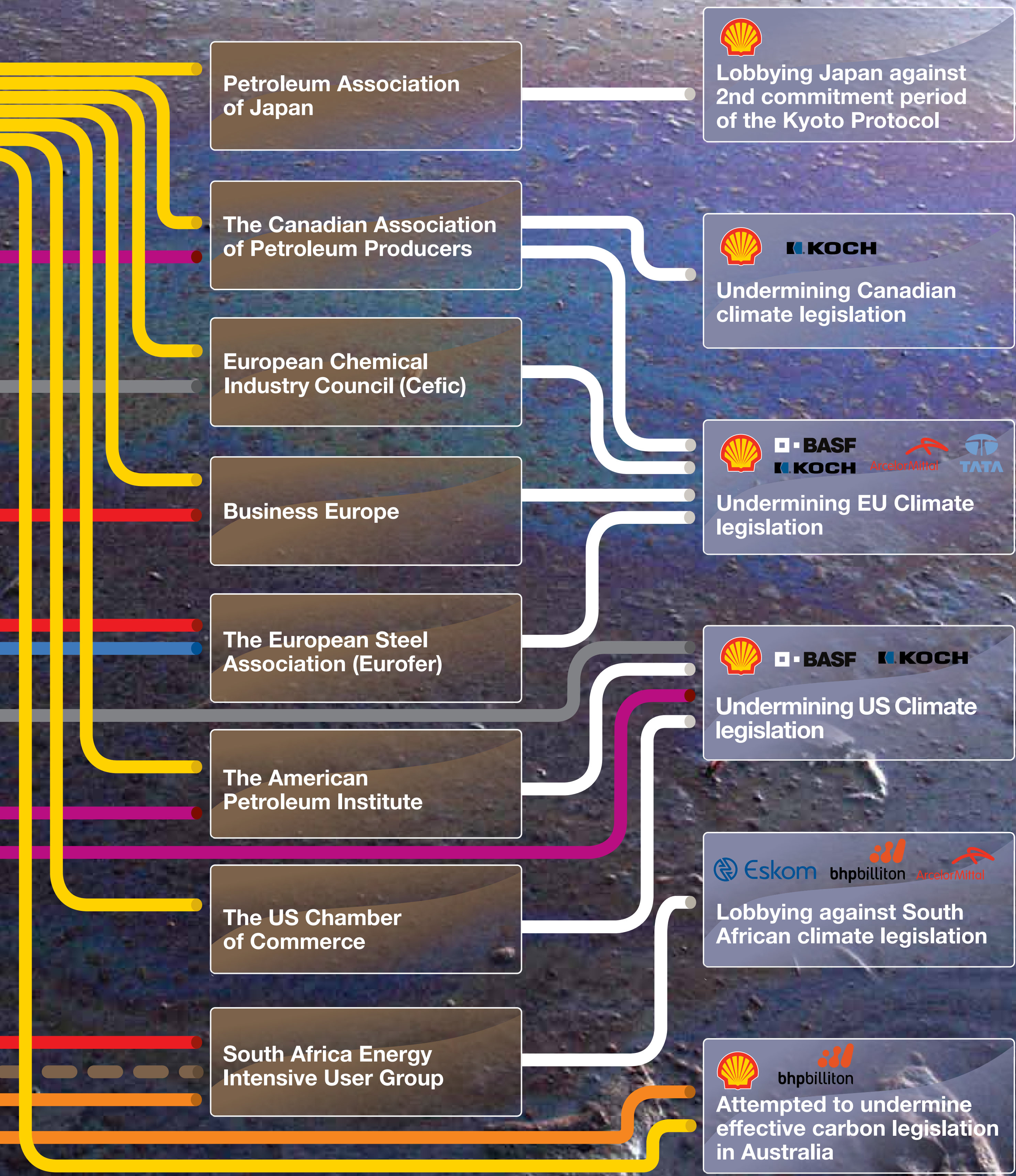
The increased dialogue with the different COP host governments is part of a much broader attempt by the private sector, led by the WBCSD, to institutionalise a direct and privileged private sector input into the UNFCCC agenda.[333] While the input of the representative members of the private sector may be valuable to negotiators at certain points in the development of the global climate agreement, this input should not be structured in a way that is privileged above the input of other important stakeholders, and should be fully transparent to the public. In addition, there should be full transparency of any financial interest potentially associated with private sector input, as many companies may have significant conflicts of interests in their business operations to achieving a fair and balanced global deal that would actually cut GHG emissions effectively and promote real solutions. Such potential conflicts of interest must be made known to negotiators who are seeking expert input, and a range of expert views from other private sector and other stakeholders should be sought where appropriate.

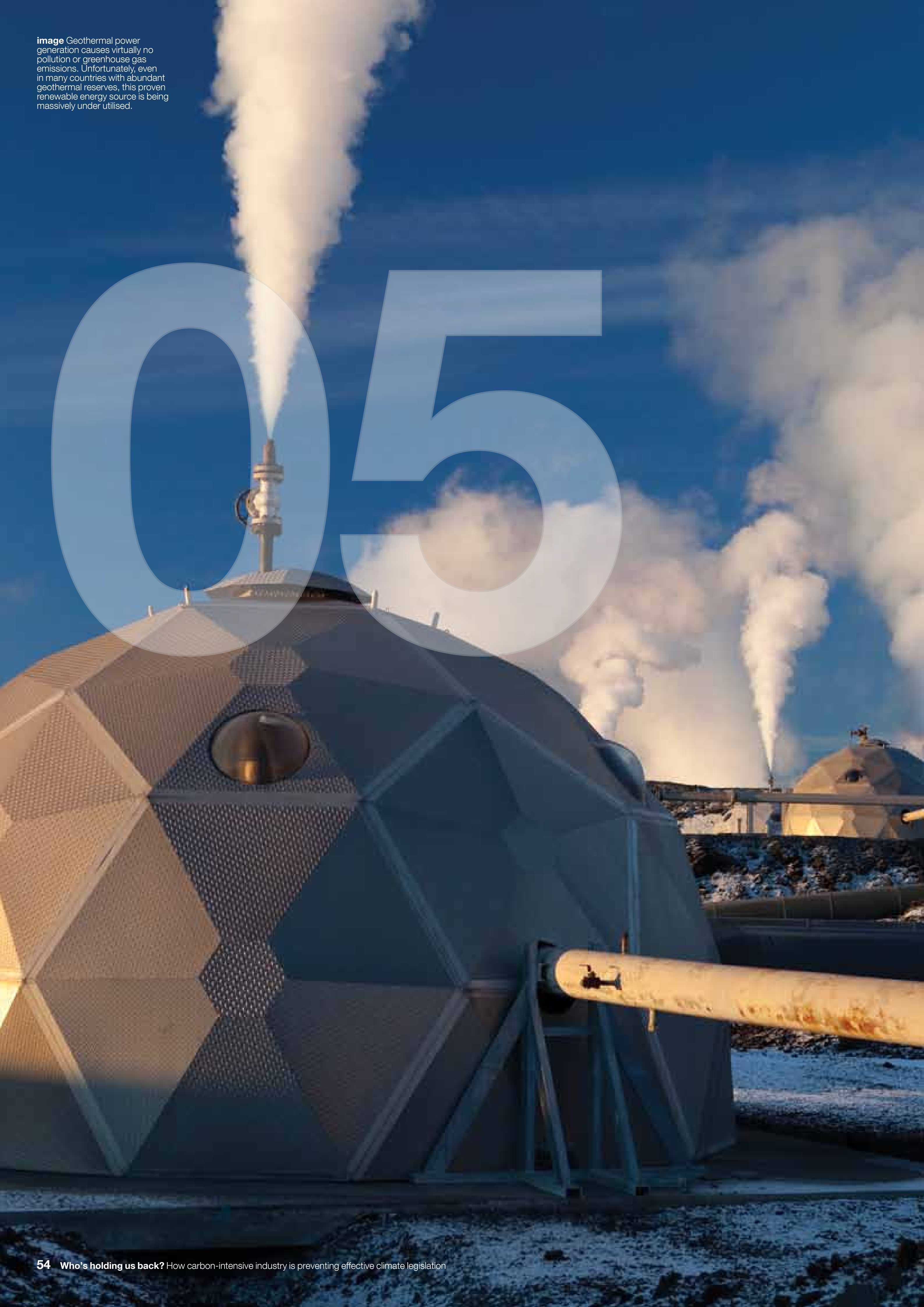
Increased privileged access, even advocated by the seemingly greenest of business associations and companies, leaves the door open to the influence of the very people who undermine this process and stand to benefit from inaction or a weakened agreement. Indeed, as this report has demonstrated, some of the companies that are seeking additional venues and opportunities to set the agenda at UNFCCC processes and meetings are the same companies that are undermining or derailing national and sub-national legislation and regulation meant to limit greenhouse gas emissions.

Governments and negotiators must be aware of the dangers to the climate if such power is left to grow unchecked in the global governance system, as well as in national or sub-national responses to climate change.



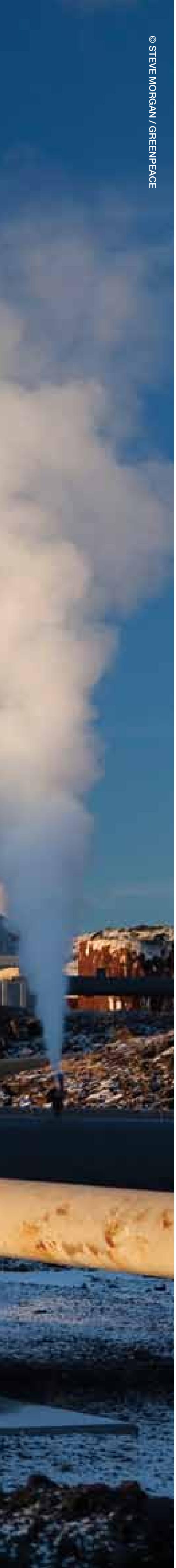
Note:
Solid pipeline indicates membership of association
Dotted pipeline indicates close relationship to association


Petroleum Association of Japan
The Canadian Association of Petroleum Producers
European Chemical Industry Council (Cefic)
Business Europe
The European Steel Association (Eurofer)
The American Petroleum Institute
The US Chamber of Commerce
South Africa Energy Intensive User Group
Lobbying Japan against 2nd commitment period of the Kyoto Protocol
KOCH
Undermining Canadian climate legislation
BASF
KOCH
ArcelorMittal
TATA
Undermining EU Climate legislation
BASF
KOCH
Undermining US Climate legislation
Eskom
bhpbilliton
ArcelorMittal
Lobbying against South African climate legislation
bhpbilliton
Attempted to undermine effective carbon legislation in Australia



05

image Geothermal power generation causes virtually no pollution or greenhouse gas emissions. Unfortunately, even in many countries with abundant geothermal reserves, this proven renewable energy source is being massively under utilised.



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05 Moving forward

This report has shown that carbon-intensive industry is acting to block key governments from tackling climate change through international action and through domestic policies. Under the influence of corporations, governments have fallen far behind in the race for leadership in clean energy economies and are failing to protect their citizens from dangerous climate change.

As a consequence, there is currently a complete lack of global cooperation to ensure an urgent, just and efficient transition away from fossil fuels.

Without good renewable energy policies, a commitment to zero deforestation, adequate and predictable sources of international financing for climate action, promotion of green jobs and legally binding regulation to control and adequately price greenhouse gas emissions, the transition to green economies powered by clean and safe energy will not happen fast enough to avoid catastrophic climate change.

The business community needs to understand that a low carbon, low risk economy is inevitable and provides great opportunities to those that understand this megatrend and adapt their business model. Governments must start making clear and legally binding commitments at the scale and rates that are necessary.

Unless politicians move away from unambitious mitigation targets and tax-paid subsidies to carbon-intensive industries, the world will remain in a system that promotes the interests of the polluters at the expense of ordinary people who will be heavily impacted by climate change.

The solutions exist, the public backing for them has created the space for politicians to act.

Now it is time for politicians to prove that they listen to the people and not the polluters.

At COP 17 in Durban, governments must deliver the building blocks of a global deal on climate action.

In Durban, governments must agree the following key building blocks towards the global agreement the world is waiting for:

Peak in global emissions by 2015

• Governments must agree to **peak global emissions** by 2015 and reduce emissions by at least 80% below 1990 levels by 2050, in accordance with the recommendations of the IPCC[334] and in order to not lock in the world onto a path towards catastrophic climate change. Any delay of the peak year will increase the environmental and economic costs and diminish the probability of keeping temperature rise below 2°C, which governments adopted as a target at COP16 in Cancún, let alone the 1.5°C that is supported by more than 100 countries.

Emission reductions: Close the gap between politics and science

• Governments must establish a **solid, time-bound process to close the gap** between the current mitigation pledges and the reductions needed to prevent catastrophic climate change. In Cancún they acknowledged that the current level of ambition is inadequate and not in accordance with the recommendations of climate scientists; in Durban, they must close the gap between the political pledges and the science.

• Governments must also **close the 'loopholes'** in the accounting rules for emissions reductions, to ensure that targets are honestly met. This includes improving the rules for accounting emissions from land use, land-use change and forestry (LULUCF) to make the rules reflect what the atmosphere actually sees; ensuring that carbon market credits are only counted once (avoid double counting) and minimising the damage from the use of excess emission allowances (hot air).

Ensure that the Kyoto Protocol continues and provide a mandate for a comprehensive legally binding instrument

Governments must guarantee the continuation and further development of the only legally binding instrument to fight climate change: the rules-based system of the Kyoto Protocol, as this is the only way to ensure clarity with respect to commitments and accounting methods, maintain a minimum international standard for emissions trading and promote, facilitate and ensure compliance with commitments.

• Developed countries who are parties to the Kyoto Protocol must accept to inscribe their targets under a **second commitment period of the Kyoto Protocol**.

• Developed countries who are not parties to the Kyoto Protocol must undertake a emission reduction commitment which are comparable to other developed countries. These commitments must be inscribed in a COP decision and subject to a robust and compliance-oriented regime.

• All governments must agree on a **mandate to negotiate a comprehensive legally binding instrument** under the convention to be adopted no later than 2015 and in force by the end of the second commitment period of the Kyoto Protocol.

Deliver the necessary international climate finance

• Governments must identify **specific innovative sources of finance**, such as a financial transaction tax and auctioning of emission allowances, and establish a time-bound process for the operationalisation these specific sources of finance.

• Based on a review of the scale of finance required to meet the objectives of the UNFCCC, the level of **finance must be scaled up** starting from 2013 to 2020 and beyond, keeping in mind that developed countries have committed to mobilising $100 bn US dollars a year by 2020 and acknowledging the key role of public sources of finance.

• Governments must agree on mechanisms which can generate finance for developing countries as well as provide incentives to reduce emissions from **international transportation** (aviation and shipping), while addressing common but differentiated responsibilities, for example by providing a rebate mechanism for developing countries.

• Governments must agree to **phase out all subsidies to fossil fuels and nuclear energy** with time-bound and socially just transition plans.

Set up a framework for protecting forests in developing countries

• Governments must ensure that a **forest funding window** is established within the Green Climate Fund to ensure adequate and predictable funding to halt the destruction of forests in developing countries.

• COP17 should lay out a strategy that focuses on **ending deforestation at the national level** (through national reference levels and monitoring efforts), since subnational projects and approaches merely shift deforestation from one part of the country to another.

• Governments must strengthen **safeguards** to ensure the protection of biological diversity and the rights of indigenous peoples and local communities.

Address the needs of the most vulnerable countries and communities

• In addition to identifying the sources of the long-term funding needed for adaptation to climate change, governments must agree modalities and guidelines for the composition of the **Adaptation Committee** and the development of **National Adaptation Plans**.

• Governments must ensure that the **work programme on loss and damage** evolves into permanent long-term solutions.

• Governments must address the impacts of climate change on **food security** in developing countries.

Ensure global cooperation on technology and energy finance

• Governments must agree to operationalise the technology mechanism by 2012 as envisioned in the Cancún agreements.

• Governments must design an environmental integrity framework for technology selection within the technology mechanism.

• Through the technology mechanism, governments must give equal prioritisation for adaptation and mitigation technology.

• Developed country parties must expedite capitalisation of the technology mechanism for effective delivery on its objective.

• Governments must avoid promoting false solutions such as carbon capture and storage (CCS) or nuclear energy through the clean development mechanism (CDM) and other international mechanisms.

Ensure international transparency

• Governments must agree on the broad contours of the **International Assessment and Review (IAR)** and the **International Consultation and Analysis (ICA)** in Durban.

• The IAR must be compliance-oriented and fill one of the main gaps in the current Kyoto compliance regime – namely the early warning of non-compliance.

• The ICA for non-annex 1 countries must be facilitation-oriented and focus on overcoming any capacity constraints they may face as they implement mitigation actions and improve on their reporting systems.

• Both the IAR and ICA processes must be open and public after the initial in-country expert assessment or analysis, and full NGO participation must be ensured.

• Governments must adopt preliminary guidelines for **biennial reports** for all countries and a common reporting format for the support commitments of developed countries in Durban. These guidelines should be reviewed and updated regularly.

• The guidelines for the biennial reports should include **reporting on fossil fuel subsidies** and their reform, which should be mandatory for developed countries and encouraged for all others.

Ensure transparency, democracy and full participation in the UNFCCC process

Civil society has a right to know how our governments are responding to the international climate crisis, and be heard in the political discussions.

• Governments must improve the **transparency** of the UNFCCC negotiations, and ensure meaningful **participation** of the civil society.

• Governments must **not allow the polluters privileged access** to the political processes.

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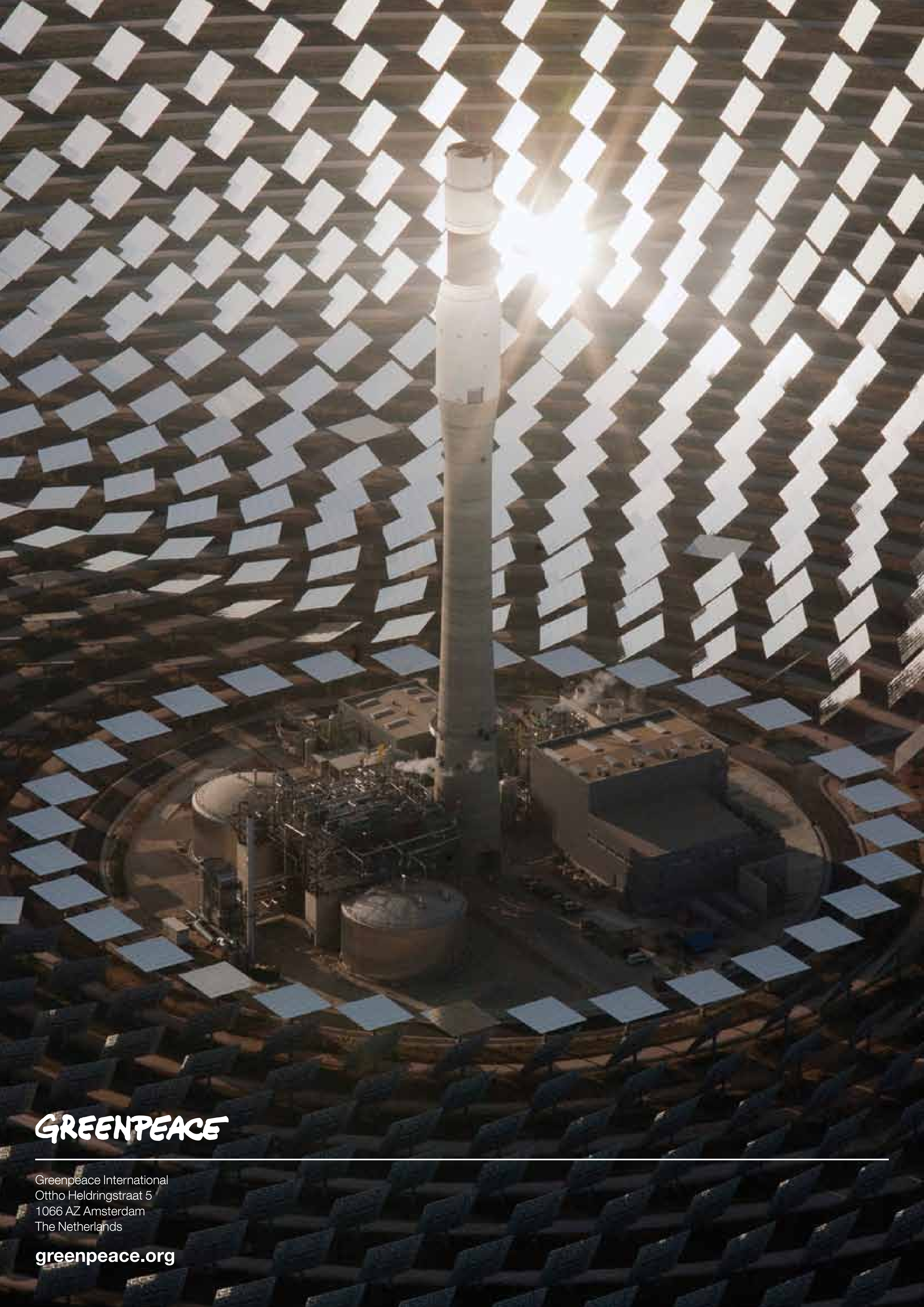

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