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Why Carbon Trading Can't Solve Our Water Crisis

In a recent NYT opinion argues that one of the best ways to ensure that the world's poorest have access to water is through carbon trading. Here's why they're wrong.

By Shiney Varghese / Institute for Agriculture and Trade Policy

In a recent NYT opinion piece Clean Water at No Cost? Just Add Carbon Credits, Tina Rosenberg argue that one of the best ways to ensure that the world's poorest have access to water is through carbon trading. Having spent "more than two decades reporting on social problems around the world, and where possible, exploring new models to address them," in October 2010, she, along with David Bornstein, began a series, entitled Fixes, that proposes to help spread knowledge about solutions (or potential solutions) to real-world problems, and how they work.

But in this case, her solution rests on a simplistic understanding of the two central issues: the water crisis and carbon trading. There are a many of reasons for the water crisis and the large numbers of water-poor, and working through them is like peeling the layers of an onion. The most apparent reason for not having access to safe water is the lack of public financing to build a water infrastructure. So, for a while, multinational-led water privatization was promoted as the solution, with these companies leveraging the financing for building and maintaining the water infrastructure. However as the article acknowledges, "for-profit water multinationals such as Bechtel and Suez" have been critiqued "for the way they treat rural people and slum dwellers."

These companies "have little incentive to lay pipes to reach people who are far away, and if they do, they charge very high prices." In the absence of water infrastructure, the next best solution is decentralized water treatment systems. The article tells us about a technology that can help individuals and households clean their own water! LifeStraw, an instant micro-biological water purifier, is a "point-of-use water purification system that can filter up to 18,000 liters of water," which is estimated to last for about three years (at the rate of 16.43 liters of purified drinking water per day). It is as simple as having a straw for an individual, or a slightly bigger "LifeStraw Family" with a spout that can be hung from the wall of a household. Point-of-use water purifiers

have been called more effective compared to cleaning the original water source, especially when it comes to poorer environments.

Several U.S. government organizations including the Center for Disease Control (CDC) and the U.S. Agency for International Development (USAID), as well as Coca Cola, have been involved in the testing and promotion of this technology in a number of countries in Africa. It is understandable that the organizations would want to test it in sub-Saharan Africa where access to clean drinking water is seen as a challenge. Vestergaard Frandsen, the company that developed LifeStraw, plans to provide the technology at no cost to water poor people! So far, so good!

How would they pay for it? Vestergaard Frandsen is multinational leader in making what they call "profit for a purpose." They plan to raise money by charging those who emit greenhouse gases (GHG) in exchange for an allowance of GHG emissions, or put in simpler words, in exchange for an allowance to pollute more.

The argument goes thus: If there were no LifeStraw, poor people would have to boil their water. This would contribute to GHG emissions. Thus, access to LifeStraw potentially leads to the reduction of an activity that would have otherwise contributed to global warming. All this sounds very good, but there is a big “if” involved here. What this imagined scenario ignores is the fact that along with lack of access to water, the poor also lack access to other resources, including firewood. Boiling water is neither a common practice, nor a priority for poor households in most parts of the world. It is mainly those with easier access to resources, and the ability to spare resources for doing that additional chore who take up the practice. This has been my repeated experience across two decades of interactions with poor communities.

It is at this point that one might want to peel the next few layers: Why are our water resources polluted and depleted? Most obviously, because of several causes, including: lack of sanitation facilities; improper disposal of untreated human waste; discharge of untreated industrial effluents into rural and urban waterways that sometimes double as drinking water sources; excessive use of agrochemicals that seep into underground waters; and agricultural runoffs that pollute surface waters.

Peel once more and you come to the core of it all: Our consumption-driven economies require water-intensive, high-output agricultural and industrial production as well as energy generation, that takes water for granted. There is no doubt that technologies like LifeStraw may be necessary (and much better than, say, bottled water) in water-stressed situations, or

emergencies such as floods. But it would be misplaced to fund them through carbon trading. Carbon trading has emerged as a response to our refusal to cut down or reduce actual emissions. Instead it is a mechanism to provide emitters with a cheaper option: continue with emissions by buying permits to pollute rather than incur cost to replace the GHG-emitting technology with better options. In order for carbon markets to function, there is, first, the need to create a demand for carbon credits.

As and when national governments introduce an upper limit (also known as a "cap") to allowable emissions, such a demand will be created. Companies and countries that exceed the limit—largely in the North—will need to buy credits from elsewhere—largely, the South. Second, there is the need to create carbon credits that can be bought by carbon polluters. According to current mechanisms—such as the Clean Development Mechanism (CDM)—these credits can be accrued only if the condition of "'additionality," (amongst others) is fulfilled.

For example, credits may accrue when farmers switch their practices from fossil-fuel intensive to organic, or when governments provide policy incentives to nudge a shift in consumption patterns. In both cases, if GHG emissions are less compared to what would have happened in the absence of the project, they would be eligible for carbon credits. But there are problems with such mechanisms. To begin with, they do not take existing conservation practices into account. For example, in many of the poorer regions of the world, natural farming is practiced as part of local traditions. There is also the possibility of dubious claims where carbon credits may be granted to hypothetical activities. For example, the provision of LifeStraw is expected to reduce the GHG emissions associated with the (non-existent) practice of boiling water. Additional problems associated with the carbon derivatives markets is yet another issue.

Even if problems associated with carbon trading practices and carbon markets were to be fixed, some fundamental problems would persist. First of all, when carbon credits are allocated to GHG-reduction activities, often practiced by communities and countries in the South, it is a means for passing on the responsibility of GHG reduction to those countries whose climate footprint is limited but whose climate vulnerability is high. In the case of water poor, they need finances, and are willing to carry the burden in order to have access to funds to help climate-proof their nation. Second it allows polluting communities and companies to continue with their current GHG-emitting practices at almost no cost to themselves. Thirdly, carbon trading becomes a means for generating profit from doing almost nothing, or close to nothing.

For example, when Vestergaard Frandsen provides access to clean water for free to water poor, is the company trying to fulfill their corporate responsibility? As far as I can make out, it is far

from it: Vestergaard Frandsen is hoping to cash in on the possibility of emerging carbon markets. Ostensibly promoted as a win-win mechanism to reduce GHG emissions, carbon trading and carbon markets have created spaces where companies such as Vestergaard Frandsen can accrue carbon credits worth billions for themselves for claimed GHG-reduction practices. However, as my colleague Steve Suppan, an expert on carbon derivatives pointed out: “Carbon markets cannot exist without governments creating both the demand [cap] and the supply [billions of dollars of emissions permits given to industry and offset credits]; the collapse of the Chicago Climate Exchange is just more evidence of this fact.” The NYT article had him remarking: “So now carbon marketers are looking for a lifeline in water. My, what a surprise! And what a surprise that the carbon market–besotted NYT fell for this ruse!” No doubt, financial incentives should be available to continue with, or shift to, practices whose GHG-emission footprint is lower than the alternatives. But the model cannot be that of carbon trading; it has to be that of climate financing.

Similarly, adaptation funds should be made available for communities to access appropriate technology that can help meet their basic needs, like safe drinking water. At COP 16, negotiators should explore viable alternatives for climate financing that promote real solutions to real problems.

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