

ISCC General Assembly – Brussels, February 8, 2011

Credible Certification Systems – the Point of View of an NGO

Guest Speech: Jürgen Maier, German NGO Forum Environment & Development

Ladies and Gentlemen,

Next year, the world's presidents and prime ministers will meet once again in Rio de Janeiro for a summit on sustainable development. Twenty years after the historic Earth Summit in Rio they will look at what has been achieved on the long and windy road towards sustainable development, and it seems they want to launch a new impulse because the summit's headline will be a new catchword. »Green Economy« is the term, and when we look back at the last 20 years we can say in many parts of the world a lot has been done - but the statistics and scientists keep telling us the negative trends in ecosystem degradation, in malnutrition, in stopping global warming etc have not been stopped or reversed. So we need to do more and in many cases not only more but we also need to do different things. When existing policy and market instruments do not deliver, or do not deliver enough or not fast enough, we need to think about new policy instruments.

There have been plenty of proposals for such new instruments among politicians, scientists, lobbyists, market players, NGOs but many of them display one crucial shortcoming: they need global consensus. What do you do with a carefully elaborated global tax proposal when you cannot even agree within the 27-member EU about minor legislation on taxation? So the most interesting proposals are those where you do not need global consensus, where key markets can move ahead and actually enjoy economic advantages from such a move rather than put a burden on their competitiveness. Companies and civil society organizations have launched voluntary sectoral schemes giving consumers a choice to opt for sustainability. Countries have set examples such as Germany's feed-in law for renewable electricity that has helped create an entire new industry with a booming future. Such initiatives and proposals are not put on the table every day, and sometimes they come from unexpected sources. And of course when we implement such proposals we are entering uncharted waters, and we are going to make many mistakes as we experiment with such innovative ideas. That is however true for all innovations.

Unlike an inventor improving a new machine or a programmer improving new software, a policy tool is not developed by a single genius or mastermind drawing the right consequences from early failures of an innovation. Policy is cooked by many cooks, and you know the old proverb that many cooks will spoil the meal. More often than not a new policy instrument has been weakened from the outset by a weak compromise, maybe needed to win over key opponents, maybe caused by inconclusive politicians trying to please everyone. And when the weak sides of this policy instrument are exposed in its implementation, they are not always properly addressed but often blamed on the instrument itself rather than its misguided and half-hearted implementation.

The EU's Emissions Trading System is a case study. It does not even cover half of the EU's emissions. A few weeks ago the system had to be shut down completely as hackers had infiltrated the system where many millions of euros in transactions are taking place. Many of these transactions cannot be properly explained by companies in excess of their emissions budget seeking to buy additional credits. Speculation and manipulation is rife in the emissions markets. Systematic VAT fraud in

emissions trading has been reported in the media over the last years, likewise fraudulent double sales of emissions rights.

In addition to this troubled state of affairs, reports keep showing up in the media of multimillion euro issuances of offset credits in the so-called Clean Development Mechanism of the Kyoto Protocol. Chinese and other industrial gas manufacturers have been producing inflationary amounts of hydrofluorocarbons, potent greenhouse gases, not for any real industrial application but just in order to immediately destroy them. Hundreds of millions of dollars have been earned in this way, generating cheap emissions credits for industrial polluters mainly in Europe, and the Chinese state put a significant levy on these earnings so that not only the company but also the state benefited. The same Chinese government sends representatives to the committees approving these projects on behalf of the UN – in any other context that would be considered an unacceptable conflict of interest. No local government in a democratic country could tolerate that. Yet to abolish even the gravest of such dysfunctions requires massive political and media pressure, as a lot of money is at stake.

Why am I telling you that? I am aware I am not speaking at a conference of emissions traders. But the lessons from 5 years experience in emissions trading are extremely important for what we are going to see on the road to proper and credible sustainability certification. There are those who never really wanted to address climate change, paid lip service to emissions trading as a new instrument and now try to discredit it as unworkable. Or they say it can only work on global level, hoping this day will never come. You know the debate. The reality is: to make such a new instrument workable and comprehensive, it takes a few years. The road towards such a workable instrument is littered with problems and mistakes.

Sustainability certification faces a very similar challenge. Even the voluntary schemes already on the markets are regularly criticized. The FSC has been opposed by large parts of the European forestry sector as going too far, and by some NGOs as not going far enough. Most other voluntary commodity certification schemes experience similar public controversies. That in itself is not a problem and we should not complain about it, it is absolutely normal. While many of the critics are not out there in order to improve the schemes they are criticizing but rather to discredit the whole idea, these schemes have no choice but to make their case for continuous improvement, ambitious but workable, determined to make a difference on the ground. And this is what matters in the end.

The experiences made in the voluntary markets, from areas as different as organic agriculture, fair trade, sustainable forestry, prevention of child labour and many others have helped to prompt Europe now to introduce for the first time a mandatory sustainability certification scheme for an entire commodity, biofuels. It is the peculiarity of the biofuels quotas in the EU that allowed the scheme to get around the WTO. Something like these quotas did not exist when the WTO treaties were negotiated in the early 1990s, and if they had existed such mandatory sustainability requirements surely would have been prohibited. But if everybody advocates a »Green Economy«, then at some point you have to define what constitutes a »Green Economy«, its products and its production methods, and you have to make a distinction between them and those that are not green. This is exactly what we try to do with the biofuels sustainability certification scheme.

In many ways, from an NGO point of view, it is a rudimentary first step. Sustainability as defined by the landmark Agenda 21 document signed by the presidents and prime ministers of the world at Rio in 1992 does not only cover ecological aspects but social ones as well. Europe's biofuels certification

scheme expressly ignores social aspects out of fear of unworkability and WTO injunctions. You in ISCC deserve a great deal of credit for including social aspects in your system anyway, and you carry a great responsibility showing that it can work and it won't cost too much.

A producer or operator observing basic social standards as a matter of company policy deserves a market advantage over those who exploit their employees or other stakeholder. However, nobody can distinguish unknown small or medium size companies abroad – only a few well-known multinationals are vulnerable to mass media exposing scandals. This is where certification schemes enter the scene. Even if the EU and its member states do not require basic social standards in biofuels sustainability certification, it must become politically unacceptable for any company selling fuels to the end-user to use cheap McCertificate type of sustainability certificates operating on the bare minimum standard. This is also something where NGO watchdogs can play important roles.

So far there has not been enough public attention on the glaring deficits in implementing the EU sustainability certification legislation. The media are full of »food vs fuel« stories but where are the stories of Mr Sarkozy, Mr Cameron, Mr Tusk and many others delaying key legislation to address the problem? How can you create a functioning single market in certified biofuels when the EU Commission simply ignores the fact that almost every member state ignores mandatory EU directives – and its representative here asks for a coffee break when this question comes up? How can it be that no journalist finds that a story interesting enough to be published?

Maybe it takes time. It took three years until the glaring scandals at the Clean Development Mechanism were finally understood by the media and got published. And then they were on the front page of the New York Times.

At the same time, we have to be aware that a working biofuels certification scheme can only be the first step towards comprehensive sustainability certification for agriculture, for biomass production as a whole. The debate about indirect land use change, or iLUC, shows that in all clarity. Ultimately it is a futile attempt to identify an objective iLUC factor allocating land use change impacts of biofuel production on land use somewhere else in the world. As long as we have no comprehensive agricultural certification, an iLUC factor is probably necessary to account for such impacts – but there is no reason why biofuels production should be the only economic activity having to account for iLUC. What about increased demand for animal feed because of the growing taste for meat around the world? What about increased demand for cotton, tobacco, and other non-food products? What about building a new road on agricultural land, or new homes, or industrial areas? Germany alone is responsible for the essentially irreversible conversion of more than 100 hectares of prime agricultural land to other purposes every day. And what about increased demand for mineral resources under agricultural lands? All these activities carry no iLUC factor when political decisions responsible for these activities are made. There is a plethora of similar cases of land use change. But this ignorance to the vast majority of reasons for land use change is not a situation that is justifiable, if land use change is a serious problem indeed.

A working sustainability certification scheme for biofuels therefore can only be the first step towards a comprehensive sustainability certification scheme for all agricultural products. We have to move from iLUC to direct land use change. Interestingly, the coalition agreement of Germany's conservative government envisages exactly this move towards sustainability certification of the whole biomass production chain. However they are not actively pursuing this part of their coalition agreement, when you ask them what they are doing to implement it the answer is regularly »we are

still thinking about what to do«. This morning we were told they first want to have a perfect certification scheme for biofuels before extending it to other sectors. I am afraid this means we can wait for a long time. Evidently, this certification is more difficult than an emissions trading scheme, and actually a good deal of its problems arise from the very fact that it is limited to only a small sector of agricultural production. It's a bit like introducing traffic lights to regulate road traffic and introduce further signposts only when traffic lights do a perfect job...

There will be a dramatically shorter supply of excuses for doing nothing when the biofuels certification scheme is operating successfully –and if it is not becoming a success, it will be a very serious roadblock towards a more comprehensive approach. Everybody who wants a »Green Economy« has a responsibility to show the way towards it, and I am convinced we need a whole range of policy instruments to advance it, from a greener tax system to better market regulation, from quotas to outright bans of certain products and production processes, from incentives to subsidies and so on. But at the core of every instrument is the need for a clear and objective distinction between what is sustainable and what is not. Enter certification schemes. I wish you all success in your endeavour to put such a certification scheme on the market. Thank you very much.