



## FINANCIALISATION, DERISKING & GREEN IMPERIALISM: THE NEW GLOBAL FINANCIAL PACT TASTES LIKE DÉJÀ VU

What can we expect from a summit bringing together Mrs Gates, the IMF, the World Bank, some of the worst pro-financialisation lobbies, Ali Bongo, the United Arab Emirates oil minister and future COP28 president Al Jaber, the bloody prince of Saudi Arabia, Mark Carney and promising to reinvent multilateralism, fight poverty, decarbonise our economy and protect biodiversity?

There are 4 stated objectives:

- Giving back fiscal space to the most indebted countries;
- Promoting private sector development in low-income countries ;
- Encourage investment in 'green' infrastructure in emerging countries;
- Mobilising innovative financing for countries vulnerable to climate change.

This is a "*unique opportunity to strengthen the effectiveness of global finance for the global public good.*" <sup>1</sup>

The narrative is well known: following the Covid-19 epidemic, the governments of vulnerable countries no longer have the means to cope with climate change and the loss of biodiversity, and the rich countries, showing solidarity and ambition, would come to their rescue via conditional loan restructurings and other "green" financial instruments, like a sort of ***Bretton-Woods 2.0 imagined by Wall Street and painted in green.***

### ***What "innovative" financing tools are being proposed?***

The summit is based on a number of contested assumptions: that our failure to act decisively against global warming and biodiversity loss is due to a lack of funding, that governments do not have the means to act, and that it is therefore necessary to involve private finance through the creation of new market instruments and mechanisms. By integrating climate and nature into our economies, we will have more incentive to act to preserve them.

In reality, it has been shown that our failure to act is due neither to a lack of funding nor a lack of solutions, but mainly to power dynamics and vested interests. <sup>2</sup>

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<sup>1</sup> Summit for a new Financial Pact

<https://data.quaidorsay.fr/timetable/event/french-ministry-of-foreign-affairs-bill-and-melinda-gates-foundation/>

<sup>2</sup> Stoddard et al, Three Decades of Climate Mitigation: Why Haven't We Bent the Global Emissions Curve? 2021

<https://www.annualreviews.org/doi/abs/10.1146/annurev-environ-012220-011104>

Nor does redirecting private capital flows require the creation of new financial instruments and markets: stricter environmental regulations would mechanically impact the expected future revenues of the sectors concerned - as is the case with any regulation - and private capital flows would automatically redirect themselves accordingly. Environmental regulations aligned with science could therefore make all finance sustainable overnight.<sup>3</sup>

As for the idea that we need to integrate nature into our economies in order to take it into account, the history of conservation shows that this is absolutely not necessary in order to protect nature. Nor, incidentally, is it feasible.<sup>4</sup>

***What we are talking about here is not forcing private finance but encouraging it, through public subsidies and the creation of new instruments and a new class of environmental assets that are extremely profitable for financial players in rich countries.***

Financial instruments are not really new either:

The summit is putting the spotlight on **public-private financing**, despite its abysmal track record, which shows that most of the time it does little to benefit poor countries, costs taxpayers more, does not necessarily fund what countries need, and lacks transparency.

The summit is also promoting **debt-for-nature swaps**, controversial operations in which international creditors renegotiate the debts of poor countries in exchange for them using part of the money to protect their biodiversity. While this may seem like a good idea at first sight, in reality it has been shown<sup>5</sup> that these operations are absolutely no gift to the debtors, as the debts are most often not repayable, that the sums allocated to conservation are a derisory part of the operation, that these operations often transfer national conservation choices to foreign private investors, and that they take the place of negotiations in which vulnerable countries are financially compensated in exchange for not destroying their biodiversity.

The summit is also promoting **sovereign catastrophe bonds**, a controversial instrument because it only partially transfers the risk and often favours private investors, cf. the resounding scandal of the pandemic bonds issued by the World Bank.<sup>6</sup>

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<sup>3</sup> The figures put forward for the transition are also partly debatable: when the former governor of the Bank of England, Mark Carney, says that "you can't close a coal-fired power station that has just been opened, it costs money", he could be told that financing the opening of a coal-fired power station in 2023 is choosing to take the risk of not recovering his investment, and that governments can legitimately impose their closure in the near future via environmental laws without financial compensation.

<sup>4</sup> Spash C, Hache F, The Dasgupta Review deconstructed: an exposé of biodiversity economics, 2021  
<https://www.tandfonline.com/doi/full/10.1080/14747731.2021.1929007>

<sup>5</sup> Carbon Pulse, Critics demand debt-for-nature evolution after landmark Galapagos deal, 13 June 2023

[https://carbon-pulse.com/207395/?utm\\_source=CP+Daily&utm\\_campaign=6e8ad568f0-CPdaily13062023&utm\\_medium=email&utm\\_term=0\\_a9d8834f72-6e8ad568f0-110288569](https://carbon-pulse.com/207395/?utm_source=CP+Daily&utm_campaign=6e8ad568f0-CPdaily13062023&utm_medium=email&utm_term=0_a9d8834f72-6e8ad568f0-110288569)

LatinDAD, Alertan riesgos en canje de deuda en Islas Galápagos

<https://www.latindadd.org/2023/06/09/alertan-riesgos-en-canje-de-deuda-en-islas-galapagos/>

The Guardian, Are debt-for-nature swaps the way forward for conservation? 21 June 2023

<https://www.theguardian.com/environment/2023/jun/21/are-debt-for-nature-swaps-way-forward-for-conservation-aoe>

<sup>6</sup> Financial Times, World Bank's 'pandemic bonds' under scrutiny after failing to pay out on Ebola, 21 Feb 2019

<https://www.ft.com/content/c3a805de-3058-11e9-ba00-0251022932c8>

Bloomberg, How Pandemic Bonds Became the World's Most Controversial Investment, 9 Dec 2020

<https://www.bloomberg.com/news/features/2020-12-09/covid-19-finance-how-the-world-bank-s-pandemic-bonds-became-controversial#xj4y7vzkg>

Hache F, 50 Shades of Green part 3: sustainable finance 2.0 pages 49-60

[https://greenfinanceobservatory.org/wp-content/uploads/2020/03/50-shades-part-III\\_v5.10.pdf](https://greenfinanceobservatory.org/wp-content/uploads/2020/03/50-shades-part-III_v5.10.pdf)

More seriously, ***the summit is attempting to rehabilitate the carbon offset markets***, despite their spectacular failure over the last 15 years and the huge scandals that have occurred recently. For those who don't know what carbon offsetting is, you know when EasyJet tells you that you can fly with a clear conscience because they planted 3 trees on the other side of the world? That's right. A European Commission study on Kyoto carbon credits showed that 85% of projects were a failure<sup>7</sup>; more recently, a study showed that 90% of carbon credits certified by Verra, the world's largest certification company, were nothing but hot air.<sup>8</sup>

In addition to their lack of environmental integrity, it has also been amply demonstrated that carbon offsetting contributes to the encroachment of indigenous land and is frequently associated with human rights violations.<sup>9</sup>

In the wake of recent scandals, a number of initiatives are underway to restore the image of carbon credits through new integrity principles, before transforming them from voluntary markets with anecdotal demand into regulatory markets, where offsetting is mandatory and demand is therefore guaranteed by law.<sup>10</sup> This is potentially a major change in the scale of carbon markets, and a huge gift to private investors.

During the session entitled "Voluntary carbon markets", the speakers explained the importance of establishing these new integrity principles and testing them. These calls would be credible if they had not already been made countless times without success and if it had not already been amply demonstrated that these credits will never have the desirable environmental and social integrity, because this would be prohibitively expensive and would remove their political appeal. To believe these hackneyed promises is to choose to deliberately ignore 15 years of data and scientific research.

Last but not least, the summit promotes the ***creation of financial markets for biodiversity***. The idea is to create freely tradable financial instruments for biodiversity, similar to carbon credits, but infinitely worse in terms of environmental integrity: while there are only 6 main greenhouse gases, there are millions of species linked by a complex network of interdependencies. It is simply not possible to simplify and standardise all species and ecosystem functions into a few types of credit

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<sup>7</sup> Transport & Environment, 85% of offsets failed to reduce emissions, says EU study, May 2017

<https://www.transportenvironment.org/discover/85-offsets-failed-reduce-emissions-says-eu-study/>

<sup>8</sup> The Guardian, Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows, Jan 2023

<https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe>

<sup>9</sup> Carbon Market Watch, The Clean Development Mechanism: Local Impacts of a Global System, 29 October 2018,

<https://carbonmarketwatch.org/publications/the-clean-development-mechanism-local-impacts-of-a-globalsystem/>;

Bachram H, Climate Fraud and Carbon Colonialism: The New Trade in Greenhouse Gases, Capitalism, Nature, Socialism Vol 15, December 2004, <http://www.carbontradewatch.org/pubs/cns.pdf>;

Carbon Market Watch, Open letter to ICAO council representatives & national delegates on ending the Clean

Development Mechanism, 29 October 2018, <https://carbonmarketwatch.org/publications/open-letter-to-icaocouncil-representatives-national-delegates-on-ending-the-clean-development-mechanism/>;

Friends of the Earth, New report on human rights violations linked to REDD in Acre, Brazil, 8 December 2014,

<https://foe.org/news/2014-12-new-report-on-human-rights-violations-linked-to-redd/>;

The Oakland Institute, Carbon Colonialism: Failure of Green Resources' Carbon Offset Project in Uganda, 2017,

<https://www.oaklandinstitute.org/carbon-colonialism-failure-green-resources-carbon-offset-project-uganda>;

Motherboard, Ahmed N, Carbon Colonialism: How the Fight Against Climate Change Is Displacing Africans, 1

December 2014, [https://motherboard.vice.com/en\\_us/article/kbzn9w/carbon-colonialism-the-new-scramble-forafrica](https://motherboard.vice.com/en_us/article/kbzn9w/carbon-colonialism-the-new-scramble-forafrica)

<sup>10</sup> "How could Paris-consistent, compliance carbon credit markets be expanded across countries? How could the voluntary or cross-border carbon markets be better leveraged and expanded to reduce emissions and generate additional financing to mitigate the impacts of climate change on a fair basis?" Extract from the summit website

with a minimum of scientific integrity. These markets also require conservation to be privatised and made profitable and investable in order to attract private capital.

It has already been amply demonstrated that this reconceptualisation and the resulting nature markets have no environmental integrity<sup>11</sup>, and the record of biodiversity conservation is abysmal, with a project failure rate of between 2/3 and 3/4<sup>12</sup>; in other words, we already know that they will not be able to make a significant contribution to mitigating climate change and reducing biodiversity loss.

A session dedicated to this subject was organised within the summit by France, the UK and NatureFinance, one of the main pro-financialisation lobbies for nature, entitled "*A roadmap for increasing nature-friendly emission rights with a high level of integrity*". All the speakers, from the NatureFinance lobbyist to the president of Gabon Ali Bongo, the representatives of the French and UK government, BNP Paribas, HSBC and The Nature Conservancy agreed that "*it is important to create a new market for high integrity biodiversity credits*<sup>13</sup>" and that "*our challenge is to create biodiversity credit markets that can support people and the planet*".<sup>14</sup>

No real surprise, since these statements were in line with the Libreville plan, which had already seen the launch of a partnership between France, the UK and Gabon to work on the launch of a biodiversity certificate market.<sup>15</sup>

The angle put forward was also an old lobbyist trick: the emphasis was placed on the importance of these biodiversity credits having "high integrity" and "good governance", empty incantations because they do not resolve the insoluble environmental flaws of these markets.

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<sup>11</sup> Hache F, the new financial marches on nature explained to my grandmother

<https://greenfinanceobservatory.org/wp-content/uploads/2021/10/Nveaux-marches-nature-grand-mere-version-finale-GFO-2.0.pdf>

Hache F, 50 shades of green part 2: the fallacy of environmental markets

<https://greenfinanceobservatory.org/wp-content/uploads/2019/05/50-shades-biodiversity-final.pdf>

<sup>12</sup> Carbon Pulse, Biodiversity offsetting scheme has had limited-to-no impact, study finds

[https://carbon-pulse.com/207385/?utm\\_source=CP+Daily&utm\\_campaign=63d5883b44-CPdaily12062023&utm\\_medium=email&utm\\_term=0\\_a9d8834f72-63d5883b44-110377390](https://carbon-pulse.com/207385/?utm_source=CP+Daily&utm_campaign=63d5883b44-CPdaily12062023&utm_medium=email&utm_term=0_a9d8834f72-63d5883b44-110377390)

"In Australia, a report by the Nature Conservation Council found that "in 75% of cases, offsets resulted in "Poor" or "Disastrous" outcomes for wildlife and bushland, while only 25% resulted in "Adequate" outcomes. None resulted in "Good" outcomes for nature."

It concluded that instead of helping, offsetting pushes species to the brink, adding "extinction pressure to the very species these schemes are supposed to protect". Scientific evaluation studies also found 2/3 of expected offsets completely failed to materialize in Australia.

In Canada, researchers found that 63% of projects that offset fish habitat loss failed to achieve their targets.<sup>10</sup> Another study analysing 558 offset projects between 1990-2011 found that despite offset attempts the net loss of habitats was 99%. In the USA, scientists looking at 12 of the longest established wetland mitigation areas in Ohio found that many did not even meet the regulation's objectives.

More broadly, a study looking at a broad range of restoration projects around the world found that up to two-thirds of offsets aiming to restore an ecosystem were unsuccessful. The figure was even higher for offsets that created ecosystems from scratch.

Hunter Valley News, Nature Conservation Council believes offset pushing species to the brink, March 2017.

Online. Available at: <https://www.huntervalleynews.net.au/story/4518198/new-study-finds-development-trumpsenvironment/>

Nordic Council of Ministers, Planning biodiversity offsets - Twelve Operationally Important Decisions, 2018. Online.

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Quigley JT1, Harper DJ, Effectiveness of fish habitat compensation in Canada in achieving no net loss, Environmental management, 2006.

Online. Available at: <https://www.ncbi.nlm.nih.gov/pubmed/16456631>

Nordic Council of Ministers, Planning biodiversity offsets - Twelve Operationally Important Decisions, 2018. Online. Available at:

<https://norden.diva-portal.org/smash/get/diva2:1201285/FULLTEXT01.pdf>

Mack John J., Micacchion Mick, An ecological assessment of Ohio mitigation banks: Vegetation, Amphibians, Hydrology, and Soils. Ohio EPA Technical Report WET/2006-1. Ohio Environmental Protection Agency, Division of Surface Water, Wetland Ecology Group, Columbus, Ohio, 2006. Online. Available at: [https://www.epa.state.oh.us/Portals/35/wetlands/Bank\\_Report\\_Ohio\\_Final.pdf](https://www.epa.state.oh.us/Portals/35/wetlands/Bank_Report_Ohio_Final.pdf)

Suding, K.N., 2011. Toward an era of restoration in ecology: successes, failures and opportunities ahead. Annu. Rev. Ecol. Evol. Syst. 42, 465-487. Available at: [http://nature.berkeley.edu/sudinglab-wp/wp-content/uploads/2012/09/Suding\\_2011\\_AREES.pdf](http://nature.berkeley.edu/sudinglab-wp/wp-content/uploads/2012/09/Suding_2011_AREES.pdf)

<sup>13</sup> Rt Hon thérèse Coffey MP, representative of the English government.

<sup>14</sup> Ali Bongo <https://npfm23.site.calypso-event.net/virtual/replay.htm>

<sup>15</sup> Hache F, One Forest Summit: green colonialism and the financialisation of nature, repackaged as innovative conservation financing? <https://greenfinanceobservatory.org/wp-content/uploads/2023/03/OneForestSummit-3.6.pdf>

That doesn't matter, because the political objective of these nature markets is above all to maintain the way of life in the rich countries, which will be able to continue destroying as before while claiming to compensate by saving a few trees and restoring a few mangroves in the poor countries, and in the process creating a new asset class that is extremely profitable for the financial industry in the rich countries. Put another way, by diverting attention from the need for stricter environmental regulations, these markets enable us to continue to favour competitiveness and economic growth by claiming to compensate for the destruction caused elsewhere. Bush Senior famously declared at the Rio Summit in 1992 that "*the American way of life is non-negotiable*", and more recently Emmanuel Macron said "*I don't believe that the Amish model can solve the challenges of contemporary ecology*". This summit follows on from these statements.

As for the idea that these biodiversity markets could provide financial assistance to vulnerable countries, the history of these markets suggests that the revenues in question will most likely once again be a small fraction of revenues, highly fluctuating and determined by the moods of private investors, and taking the place of real compensation.

The issue of international partnerships is also a key one: international carbon offset markets such as the Kyoto Clean Development Mechanism have been widely criticised for their green neo-colonialism, and rightly so. It will be important to ensure that future international partnerships around biodiversity markets do not give rise to the same abuses, under the guise of providing assistance to vulnerable countries.

Overall, it appears that the summit for a new global financial pact is above all promoting a change in North-South relations that places the financial markets at the centre, as well as a financialisation of climate and environmental policies that we have known for a long time is doomed to failure.

The financial instruments and their environmental conditionalities are partly reminiscent of the structural adjustment loans and programmes of the IMF and the World Bank. ***Rather than a break with the past, it could be argued that this summit represents a form of historical continuity.*** It remains to be seen whether these new markets will give rise to the same cornering of natural resources in the countries of the South, this time replaced by carbon, biodiversity and other "ecosystem services".

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