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Friends of the Earth International's position paper on the financialization of nature

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Friends of the Earth International

Financialization of nature

Introduction

For years, Friends of the Earth International has opposed different forms of the commoditization and privatization of biodiversity. Today we are witnessing a new wave of privatization through the application of financial mechanisms. In this context, the interests of large corporations are pushing for reforms in international and national policies to enable their control of biodiversity. It is not the first time they do so: we have already seen similar attempts through the passing of policies that privatize biodiversity itself, and others that promote effectively the same through intellectual property mechanisms that lay claim to genetic or biochemical elements. Today, the aim is to turn biodiversity simply into a financial asset.

Biodiversity privatization is not just a theoretical discussion. It is related to the privatization of the ways of living and the livelihoods of numerous local communities and Indigenous Peoples who live, exist and depend on forests and biodiversity. Privatization is often related to the displacement of communities, and most of the time these actions are carried out violently – in addition to the violence involved in destroying their traditional way of living – giving way to violations of the collective and individual human rights of these communities.

In response to such violations, Friends of the Earth International defends the following principles related to biodiversity:

- *biodiversity is essential for life itself and cannot be separated from local communities (peasants, fisherfolk, afro-descendants, among others) and Indigenous Peoples who have defended and improved it for hundreds of years and who depend on it;*
- *biodiversity is an essential component of the territories of local communities and Indigenous Peoples;*
- *biodiversity is part of the public domain, and therefore we reject its privatization and any mechanism that prevents local communities and Indigenous Peoples from using and protecting it;*
- *biodiversity is unique, it cannot be replaced or supplanted;*
- *as part of Nature, biodiversity entails the right to life, and the right to have this right not being disturbed by any actor or policy in any way;*
- *we respect all traditional cultural practices and all the traditional knowledge developed by local communities and Indigenous Peoples for hundreds of years. These practices and this knowledge should be promoted;*
- *precaution must be exercised when promoting any infrastructure development or policy that impacts on biodiversity in order to avoid any adverse impact, and also to anticipate, prevent and challenge the causes of biodiversity loss, or the threats to biodiversity;*
- *any public project or policy that has an impact on biodiversity has to prove that it will be carried out with the public interest in mind and with real benefits for the population in general. In addition, it needs to prove that there is no other alternative, and that its impacts will be minimal. This should be the first step before obtaining any permit for their implementation;*
- *it is necessary to apply the precautionary principle or the in dubio pro natura criteria: when there is any danger or serious/imminent threat of damage to biodiversity elements and the knowledge associated with them, the absence of scientific certainty shall not be used as a reason to postpone the adoption of efficient protection measures;*
- *the use of biodiversity and its components must guarantee the basic needs of future generations, traditional cultural biodiversity use practices, food sovereignty, ecosystem preservation, human health protection and the improvement of the quality of life for all people;*
- *we reject any policy or infrastructure that commodifies biodiversity, and therefore we reject any policy and practice that puts a price tag on it.*

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Financialization & nature

The need to set a price on nature - a first step towards financialization

Putting a price on Nature is a prerequisite for financialization to become a reality. Pricing makes it possible to buy and sell Nature.

On this issue, there are many discussions around the fact that price is not the same thing as economic value, although in practice, these two terms can be mixed up. The line between them is very thin and often their differences could be considered as a theoretical discussion or one related to perception. In theoretical terms, however, they are not the same:

> *"the price and the value of something do not necessarily match, in fact they often do not coincide. The reason for this has to do with the way both are determined. Note that I've said "determined" not "calculated": If it were possible to calculate the value and the price of everything in this world, it would be pretty boring and a large part of the economy and the market would simply cease to make sense.*
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> *The value of something has to do with the use "someone" wants to give it, therefore, value is subjective and depends on each person, group, company, state, etc... The value is related to a "need", independently as to whether this need is objective or subjective (it usually is subjective, most of the times, although not always). The fact that something is expensive or inexpensive has to do with its value, and therefore "for whom" and "for what", it does not have to do with its price. Indeed, the price of things does not determine whether something is expensive or inexpensive. This explains why one thing with the same price can be inexpensive for someone and expensive for someone else. This opens the door to markets and allows that two people (parties) can perceive the same thing at the same price and at the same time as inexpensive for one of them and expensive for the other - thus giving way to the necessary condition for it to be exchanged.*
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> *Of course the price is not directly related to its usefulness or need; it has to do with the demand and supply of this good or service, i.e.: how much is available and how many people want it and how much are they willing to pay for it. And surely, value and price usually do not coincide, they only do so when the supply is abundant and the need is "uniform" - which is often the case, but not in all places, not in all circumstances, and certainly not always".*[1]

In different countries like England or Malaysia, civil society groups have seen that 'economic value' can be used as an argument -amongst others- in support of the struggles for the preservation of biodiversity. This can be seen to occur when governments argue that it is best to develop (read "destroy") a forest or mangrove, due to the fact that they don't have a value (read "they don't generate economic profit"). In these specific cases, these groups have had to argue that these ecosystems play an important role due to the benefits they offer to society and that if these services were valued in economic terms, they would be much higher than the alleged benefit the "development" of the forest or mangrove would bring. At the international level and beyond specific struggles or cases at the national level, this argument would take us to adopt a false approach in which payment would be prioritized above any other argument or strategy.

Price can never be a substitute for strong policies and legislation regarding the preservation of biodiversity. Moreover, pricing entails several risks. Some of them include:

- *pricing promotes the protection of only those ecosystems that are profitable in economic terms, leaving the rest aside. Pricing could also turn a forest into a plantation or any other monoculture crop if these offer more profitability;*
- *pricing ignores equity issues, since markets provide things to those who can afford them. Will poor peoples' forests just disappear?*
- *determining the price of biodiversity -and its economic value- is not simple: how to value a 100-year-old tree? And the insects that live in it? And the moss it has? Since many physical elements of biodiversity entail traditional knowledge, how can this knowledge be valued in economic terms? And the spiritual value? Who assigns price and for whom?*

footnote

1 See http://virtual.uptc.edu.co/drupal/files/rac_24.pdf

one Financialization & nature

continued

- *no price or economic value will ever reflect the true value of biodiversity;*
- *pricing does not leave room to address the true causes of biodiversity destruction and degradation;*
- *pricing is an antidemocratic decision-making tool - since it is defined through complex estimations and technical matrices - and it marginalizes the concerns and arguments of those who suffer the greatest impacts of biodiversity destruction and degradation;*
- *pricing involves a vision in which trade is prioritized, and the same will happen when this is applied to biodiversity;*
- *price and economic value do not reflect the future benefits that the next generations will enjoy thanks to the protection of biodiversity;*
- *pricing conceals better long-term solutions and entails a reductionist approach to the problem that needs to be addressed;*
- *a price is not a neutral but a political act. we don't regard friendship, parenthood or democracy as commodities - things that can be sold and bought, even though they clearly provide benefits. So why must we see Nature in this way and express its total value in monetary terms?*
- *it leaves out important criteria in the definition of biodiversity conservation. The language of money colonizes our best ethics and the perception of Nature as a part of our history of life is lost. This erodes other intrinsic motivations for the protection of nature that go beyond money;*
- *societies' choices are based on more than the sum of individual preferences; if we make decisions as a society - on education or social security for instance - to maintain certain systems or not, or change them, why does biodiversity have to be seen as something we need to pay for?*[2]

Payment of Environmental Services (PES) plays an important role in the commoditization of Nature by putting a price on the functions of Nature that are are considered services.

> *"(...) the commoditization process covers three main stages: i) framing an ecological function as a service, ii) assigning it a single exchange value, and iii) linking providers and users of these services in a market exchange".*[3]

To explain why there's talks about nature services, instead of functions,[4] it is said that due to the fact that in the western market economies, economy is key and everything is seen in terms of its cost-benefit. So some conservationists sensed the need to "translate" the interests of the environment into the economy. Thus, the concept of environmental services could be seen at first as a communication tool - and in this way we need to interpret some exercises of economic valuation of biodiversity - that adopts the dominant economic and political language making reference to the importance of biodiversity. This was thought to be useful in the short term as a pragmatic approach, not as an end in itself. People saw how other policies were failing and used this language as it was already part of the dominant system. However, the term begets qualitative implications: in practice, the concept has been extended and has allowed Nature functions to be perceived as exchange values that can be subjected to monetization and sale. In this way, the ecosystem functions are commoditized and a market logic is reproduced in the field of Nature conservation. Economic values, valuation methods and market schemes are not ideologically neutral, they are cultural constructs and, as such, vehicles to articulate particular notions of property, rationality and relationship with Nature. They can lead, through the identification of economic incentives for preservation, to the imposition of the logic of individualism and competition on societies that were previously predicated on reciprocity and collective values where the best is done for all people. They can also erase feelings or moral values towards Nature protection.

> *"Introducing the concept of a service has also been part of a move towards seeing biodiversity as a product whose qualities have great implications for human living conditions. (...) The service concept has influenced the way we think about environmental protection. A service is something we are used to paying for. If there is too little biodiversity it is because we do not pay (enough) for the services involved (...) by emphasizing the service aspect, a change in focus towards a utilitarian mode of thinking is made, and this comes at the detriment of the idea that humans have a responsibility for nature irrespective of its notional value to humans".*[5]

footnotes

2 This and the previous four criteria are taken from BIOMOT, policy brief #1 (draft), October 2013, 2 pages

3 Gómez-Baggethun, Erik et al, The history of ecosystem in economic theory and practice: from early notions to markets and payment schemes, Ecological Economics, November 2009, 10 pages, p. 6

4 Ibid, p.7-6

5 Vatn, Arild et al, Can markets protect biodiversity? An evaluation of different financial mechanisms. Noragric Report No 60, june 2011, p14 and 15

Nature as capital - a second step towards financialization

Natural capital is a relatively new concept that refers to nature, and "can be defined as the stock of our natural physical assets (such as soil, forests, water and biodiversity) which provide value through flows of goods and services that benefit people. These goods and services are collectively known as ecosystem services and include material and non-material benefits such as crops, timber, climate regulation, natural hazard protection, soil function, mental health benefits from contact with nature and biodiversity. It is the basis for all economic activity".[6] The World Bank has a program called WAVES launched in 2010 which promotes the adoption of the concept and the inclusion of nature - considering it as a financial asset - in national accounting.

The concept of natural capital commodifies Nature and disregards cultural and spiritual aspects of life, in addition to the fact that it promotes a divide between local communities, Indigenous Peoples and Nature. It is an intellectual construct that is far from what Nature effectively represents in reality. These types of inventions, moreover, "are not easy to create. In order to create them, it is necessary to have laws, conventions and institutions at local, national and global level before having a market. (...)"[7]

A number of banks and financial institutions have issued a declaration on the importance of natural capital and its correct economic valuation and its inclusion in financial decision making processes. This declaration does not come as a surprise, since these institutions are the ones that would benefit most from this concept when new financial markets are created. We deplore that the Convention on Biological Diversity declared it as a "diversity champion".[8]

Amazon water lilies.

What is financialization and how does it work?

In the current context, finance and its relationship with Nature has become extremely important.

> *"The financialization of nature involves segregating the natural elements from each other, including water, air, biodiversity, landscapes, and even their cultural and spiritual value. Once segregated, new property titles are issued on each one of them, or their parts - no longer associated with land ownership, collective rights over the territory or the social function of land. Thus, new sources of capital reproduction and accumulation are created, leading to a process of further appropriation and concentration of the means of production, which are also means for the reproduction of life. These new property titles, which are often referred to and accounted for as "natural capital", are acquired by corporations to offset their overuse, degradation or pollution of the environment; and they can be traded in financial markets on the basis of contracts signed between corporations and States, local authorities or the communities themselves. This allows the same actors that are responsible for environmental conflicts and injustice, not only to benefit from the concentration of their power over resources but also to generate new profits for themselves through speculation in futures markets with these new property titles. Meanwhile, nature and the commons become increasingly scarce and expensive, once they have been commoditized and a price tag has been set on them as a result of these corporate actions. Consequently, decision rights over how to live in the territory and how to manage its resources (...) are increasingly transferred from the local sphere to powerful economic actors and new financial markets.*[9]

Financial markets reconfigure the basis of the real economy because they need more assets. To that end, they create new financial assets and thus new commodities and markets emerge. Financialization is more than a new step of commoditization; it is the reduction of the value of everything traded into an exchangeable financial instrument or a derivative of such instrument. In this process, financial markets, financial institutions and financial elites gain enormous influence over economic policies and economic results. In turn, all these reforms bring increased social, labor and environmental exploitation.

The financialization of Nature is a stage of neoliberalism that provides it new added value to its earlier manifestations. Similar to earlier manifestations of neoliberalism, its aim is perpetual growth and the need to exploit nature. Financialization is presented as a solution to the crisis that the system itself creates.

footnotes

6 Allebone, Sophie et al; The GLOBE natural capital study. A review of efforts towards natural capital legislation in eight countries, 2013, Global Legislators' Organization (GLOBE) 160 pages
7 Solón, Pablo, August 14 2013, https://www.facebook.com/groups/182239078538160/permalink/458901227538609/
8 CBD, press release, The Convention on Biological Diversity declares Natural Capital Declaration a Biodiversity Champion, November 11 2013, Montreal, 2 pages-
9 FoEI, Economic drivers of water financialization, November 2013, EJRN Program, 90 pages, pp 7-8

two Some financialization instruments

Some financialization instruments

Offsetting: a common feature shared by financialization instruments

Offsetting is a common feature shared by many financialization instruments and is based on the assumption that the damage to biodiversity can be reduced or even eliminated, and that it does not matter where damage occurs. This can be done where costs are lower, while the destructive and polluting activity continues: my company causes environmental damage when opening a gold mine. At the same time, I finance a protected area in another place, and thus preserve biodiversity. By polluting and preserving at the same time -even in another place- I am considered to be reducing -or even eliminating -the damage caused. The first problem with this approach is that biodiversity is irreplaceable: a forest in a certain country is not equivalent to another forest, even in the same country. A second problem is that biodiversity is taken apart as if it were a machine whose parts can be exchanged with others that are included or eliminated at the owner's will, when the components of biodiversity are in fact complex, and interact with each other due to their interrelation. Another problem is that offsetting creates an artificial divide between biodiversity and local communities and Indigenous Peoples: in many places, this division can't happen because of the links between both. A fourth problem is that in countries which lack tenure rights, the "rules regarding land-use decision-making now depend on the amount a company can pay for an offset, not on what local communities want. This represents a paradigm shift in terms of environmental lawmaking and policies". A fifth problem is that support for a specific offsetting project, means destruction is occurring somewhere else in the world and communities may be suffering violations of their rights. In addition, as with climate change, offsetting entails problems including the violation of environmental laws designed to limit environmental damage; failure to account for leaks and inadequate measurements; and and the denial of social impacts and the watering-down of responsibilities for those who cause the damage.[10] Any given ecosystem has the potential to host many offsetting mechanisms: trees, animal or plant species, which makes it truly attractive for the implementation of numerous mechanisms: pollution permits, bonds, species banks. In the end, and as with climate and forests, such mechanisms allow companies to continue with their destructive activities unabated.

Some mechanisms

Currently there are "45 existing compensatory mitigation programs around the world, ranging from programs with active mitigation banking of biodiversity credits to programs channeling development impact fees to policies that drive one-off offsets. There are another 27 programs in various stages of development or investigation. Within each active offset program, there are numerous individual offset sites, including over 1,100 mitigation banks worldwide. The global annual market size is USD 2.4-4.0 billion at minimum, and likely much more, as 80% of existing programs are not transparent enough to estimate their market size.[11]

The following mechanisms are examples of this proliferation of schemes and mechanisms.

a. Cap and Trade proposals

This is a market mechanism that allows trade or exchange of pollution permits to enable those who acquire them to continue negatively affecting biodiversity or environmental services from one particular place or area or one or more species of interest. The best-known mechanism of this type is the carbon market under the Kyoto Protocol, where someone willing to pollute beyond his allotted quota can buy excess certificates from someone who has reduced his emissions more than his proper share. Another example is the Water Quality Trading (WQT) in the US, which in 2008 moved 11 million US dollars.

To justify this mechanism, its promoters argue that at the global level such a system would facilitate conservation activities since individual quotas -represented by tradable conservation certificates- would be allocated to the States based on pre-established formulas. The States would comply with their quota in their territories through duly proven conservation activities or through the purchase of conservation obligations from other countries. If this system starts to operate, some countries would already have a good conservation system, and therefore they would have quotas to exchange from the start. This system is based on carbon markets which would be complemented by the synergies that could take place between them.

footnotes

10 In some parts of this paragraph: FERN, January 2014 in their website when launching their campaign against biodiversity offsetting.

11 Madsen, Becca, Nathaniel Carroll, Daniel Kandy, and Genevieve Bennett, 2011 Update: State of Biodiversity Markets. Washington, DC: Forest Trends, 2011. Available at: www.ecosystemmarketplace.com/reports/2011_update_sbdm. In this document it is possible to see in detail the development of these mechanisms worldwide.

b. Biodiversity Banks

For the United Nations Development Program, biodiversity or habitat banking is "a system where an organization or private company restores, creates, enhances or conserves a habitat to sell tangible units of this habitat (...) termed credits, to a developer or permittee. These credits are used by the developer or permittee as compensation for equivalent units of habitat that they would impact upon through project development or natural resource extraction".[12]

This idea was born in the US with wetland mitigation banks: if an individual wanted to carry out a project in a wetland area, he/she had to restore an equivalent area of wetland somewhere else. Then, this idea led to the existence of tradable use permits.[13] The US is the country where most banks of this type have been developed: the price for a credit of an endangered fly can reach up to 250,000 US dollars and that of an endangered wetland shrimp is around 425,000 US dollars. There are over 100 of these banks that move over 370 million US dollars in the US alone.[14]

Basically, these types of banks -also called mitigation banks- are established to acquire land for the creation or improvement and management of habitats or ecosystems for a specific environmental or wildlife resource. The asset is valued in terms of credits, and the better the condition of the land in terms of the conservation goals, the higher its value and the number of credits will be. When a development results in irreparable damage to the environment or a species of wildlife, this can be mitigated with the purchase of credits. In the US, where it was proven that appropriate mitigation cannot be achieved on the development site, there is a federal requirement to mitigate through the purchase of credits. The credits can be bought, obtained and traded in a process comparable to carbon trade. The purchase of credits does not mean in any way that environmental protection legislation can be disregarded. Tradable mitigation schemes are proliferating, the number of USA species banks has increased rapidly, and public information is limited.[15]

Malaysia announced the creation of a bank for the preservation of orangutans and Australia has some schemes of this type of bank. The United Nations Development Program states that there are studies in Brazil, Costa Rica, Chile, Mexico, Argentina, Colombia, Panama and Peru for this type of schemes. France has the CDB Biodiversité, a private initiative that seeks to sell restoration certificates to project developers. In the future it will be promoted through the creation of a mitigation banking scheme controlled by public authorities.

In 2008, these types of banks were considered the black hole of finance, given the absence of regulation on them. This kind of incentive can turn into a license to destroy Nature and turn territories into mere financial assets, since the prevailing interest is that of banks -profiting through finance- and not conservation.[16]

The United Nations Development Program states that this type of mechanism should be used as a last resort within the mitigation hierarchy, since there are some kinds of habitats and species that can never be compensated for. However, as mentioned above, endangered species already have a price. There is even a classification of the credits derived from these banks that includes those related to endangered species and the type of wetland (permanent, seasonal, forest...).[17] In addition, anyone can buy those credits. This type of mechanism offers a way out for sectors such as mining or oil whose activity is highly destructive and pollutant and who originally developed this idea on a voluntary basis.

Endangered forest.

footnotes

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13 Broughton, Emma and Pirard, Romain; What's in a name? Market-based instruments for biodiversity; May 2011, 82 p.
14 Carroll, Nathaniel; Biodiversity Banking – How Market Forces Can Promote Conservation, Ecosystem Marketplace
15 Sullivan, Sian and Pawliczek J.; Conservation and concealment in SpeciesBanking.co, USA: an analysis of neoliberal performance in the species offsetting industry.
16 Bertrand, Agnes et Degert, Francoise; la finance a l'assault de la biodiversité, makes reference to another experience in this country.
17 Denisoff, Craig; Habitat Banking Business, power point presentation, June 8, 2006

two Some financialization instruments

continued

c. Natural capital bonds

Bonds are a mechanism used in financial markets and are a form of debt: those who invest in them receive coupons that they will cash later on at a fixed return rate and at a predetermined date, and in addition, they will collect payment for the initial capital invested, known as principal. They offer a lower profit rate in comparison with other instruments, but they are considered a safe investment. Due to their nature, the most important aspect of bonds is the way in which they are paid.

The use of bonds for environmental purposes is a relatively new phenomenon. This use derives from the premise that a lot of finance is needed to combat climate change, for forest protection and management and for preserving so called natural capital, which necessitates the involvement of the private sector. This can be done in many ways, including the use of bonds.[18] Green bonds are a simple variation of general bonds, where the guarantor ensures that the cashed money would be specifically used for environmental purposes. They are specifically designed to attract investors who want to spend money for these purposes.[19]

At the same time, bonds can ensure large-scale investments, which can reduce the risk that when investing in one particular place, deforestation will be simply displaced. Bonds can be used in many sectors while they don't have to be purely based on the income of carbon markets. They can also be linked to income from other ecosystem service markets (such as water, biodiversity), sustainable timber and agriculture markets, regulation (such as taxes, responsibility regulation) and forest friendly loans (for small and medium-size companies who depend on the ecosystems).[20] Today there are climate change related proposals including the International Finance Facility (IFF), the Rainforest Bond and the Global Capital Fund Mechanism (GCFM). In all of these cases, an international body would issue bonds guaranteed by developed country governments in national or private markets at global level.

In this way, the issuing governments take responsibility for paying the bonds with money coming from governmental promises and financed through the auction of permits or other mechanisms, or the profits from investments in the management of finance or investment in clean technologies or concession loans. The Prince's Rainforest Project proposes a rainforest bond that can be issued in one or more currencies with backing from developed countries and international institutions such as the World Bank.[21] In May 2011, Bank of America Merrill Lynch was expected to launch the first rainforest bond[22], though nobody actually knows if it was effectively issued or not. On February 13, 2012[23] Ireland recognized carbon credits from forests subject to REDD projects in their tax regime, thus paving the way for the issuance of forestry bonds. In the case of forests, its justification derives from the fact that the carbon markets to be financed, according to the REDD+ dominant thesis, do not offer a large amount of funds in the medium term and bonds do, since it is estimated that there might be around 100 trillion US dollars in this market (currently some multilateral institutions that have invested in sustainable development have issued 3.5 billion US dollars in green bonds including climate change adaptation and mitigation, water, energy, food and health).[24]

Burning and deforestation in KFCP REDD site, Indonesia.

footnotes

18 The Global Canopy Programme; Unlocking forest bonds. A high – level workshop on innovative finance for tropical forests, Workshop report; February, 2011, p. 6
19 UNEP, 2011, Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication, www.unep.org/greeneconomy , p590
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Financialization of nature

Conclusion

Biodiversity has been the object of many privatization attempts: the use of intellectual property mechanisms such as patents or plant breeder rights, the imposition of non-traditional seeds supported by amendments to or new seed laws in many countries of the world, in addition to the cultivation of GM crops or the existence of clauses in free trade agreements are just some examples.

Today, as a way out of the financial crisis, companies and markets are rapidly directing their greed towards Nature and all its resources, because it represents a new market necessary to overcome previous crises caused by the same system. As one of the foundations for such a market, it is claimed that biodiversity degradation and destruction must be stopped, and that a huge amount of resources are required for this purpose, which only the private sector can provide. In this way, a series of market and offset-based financial mechanisms start to operate that allow for huge profits to be made by those who invest in them, and usually investors are part of the same private sector responsible for the destruction and degradation of biodiversity. We know that in many cases, funds for conservation are needed but this is a different discussion that can not justify the creation of new markets and offset- based financial mechanisms.

The financial sector is coming into the game, favored by numerous economic, political and financial reforms that have been taking place since the 70s. From that moment on, the finance sector started to dominate the production sector, thus consolidating a new economic configuration. Financial markets create new financial assets and thus, new commodities and markets emerge, mainly involving Nature, as we mentioned above.

Financialization represents a new form of domination and we reject it as nothing more than a new expression of the predatory and exclusive development model we've been fighting against for years. It is the same development model that tries every day and through different methods to control Nature. The current stage of financialization directly attacks biodiversity by turning it into a financial asset to be appropriated and controlled. At the same time it generates speculation, which could lead to a new crisis. It is a model that favors companies that pollute and cause irreparable environmental impacts while generating huge impacts on local communities and Indigenous Peoples, including the destruction of their cultures and the erosion or annihilation of their historical and collective rights. Through the use and implementation of these instruments, the financial markets and elites managing them increasingly control Nature.

New financial mechanisms being proposed apply once again the logic that supports false solutions based on damage compensation, which we've fought against in terms of climate change and forests and therefore, our obligation must be to deepen this struggle by denouncing, mobilizing, and strengthening our transformation agenda: All of this within big alliances. These false solutions with their perverse logic favor and promote the perpetuation of the causes of the crisis of biodiversity loss and degradation while strengthening the current power structure without questioning it at all. If you have money, you can buy conservation credits or green bonds to continue carrying out the same activity without introducing any meaningful changes. In this way, for example, a mining company, when buying conservation credits can continue destroying habitats while claiming to contribute to the conservation of another ecosystem that will never be as rich, unique and special as the one destroyed. Consequently, the company not only profits from its mining activity, but it also profits from the implementation of financial mechanisms (purchase and sale of conservation credits on the stock market), and by investing in conservation it can present itself to the world as a responsible company. Therefore, these mechanisms reverse the already weak polluter pays principle: today, those who pollute are paid with the profits they obtain in the financial purchase and sale so that they can continue polluting. The idea of offsetting, which is at the core of many financial mechanisms in the field of biodiversity, is perverse. While these financial mechanisms are new and most of them are in their design and discussion stages, some of them are already being applied.

We need strong legislation and policies at the local and international level for biodiversity protection and to strengthen local communities and Indigenous Peoples rights. We also need countries to comply with international obligations in this regard. We need states that play this role.

Financialization of nature

continued

We need more research and discussions about the nature, operation and foundations of these financial mechanisms to explain and denounce them. These actions will be a key part of the current campaigns because financialization must be challenged from all angles, achieving a connection between the destruction of biodiversity we suffer at community level with what is happening at national and global level in the financial markets. A campaign against financialization must focus on the realities to avoid splitting away from situations that affect communities on a daily basis. This way, through a campaign against mining or against the imposition of a preservation area in a community territory, for example, we can understand that there is a financial market behind those projects, with new actors that have been alien so far to environmental activities, who profit thanks to the imposition of false solutions.

The defense of the territory, culture and identity of the communities form the basis of these struggles, as key to strengthening local initiatives. Today, around the world, thousands of initiatives that we need to strengthen are being developed. Food sovereignty is one of them --based on diverse systems under peasants and Indigenous People control through their agricultural practices for the production of food and other goods destined for local markets. In this way, we would fight for land to be in the hands of small farmers and Indigenous People, because without controlling the land, food sovereignty is not possible. At the same time, the planet would cool down, since this is a way to combat climate change, as proven by Via Campesina in the studies carried out together with GRAIN,.

We need to continue strengthening the control of forests and biodiversity in the hands of communities and Indigenous Peoples through proposals such as community-based governance of both. As we have researched through concrete experiences, community-based forest governance is a proposal that protects, preserves and improves biodiversity; it strengthens historical and collective rights; it favors community control and ensures that forests are not deforested, thus becoming a real solution in the struggle against climate change.

The strengthening of local markets as a tool to reduce consumerism and strengthen local economies is also important. In turn, they help to enhance equity and generate decent jobs, contrary to the actions by transnational corporations.

Finally, we must reject the logic of the dominant economy: The exploitation of Nature and wealth concentration cannot be tolerated nor their huge social and environmental costs. Economy, the people's economy, must ensure decent living conditions for all people and must not be exclusive.

The CBD, an international space where many of these proposals are discussed, must move away from the path of false solutions. It must respect the principles that gave birth to it. It must respect the rights of local communities and Indigenous Peoples, and should promote them more strongly. The CBD must not favor financial mechanisms that imply false solutions. The perverse offsetting logic that perpetuates the causes of biodiversity degradation and destruction must be eradicated from any proposal. There are enough financial resources, and those who have caused this destruction through their development models have the historical obligation to provide these resources. In the same way, we need to eliminate all perverse incentives that deepen biodiversity loss and destruction.

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