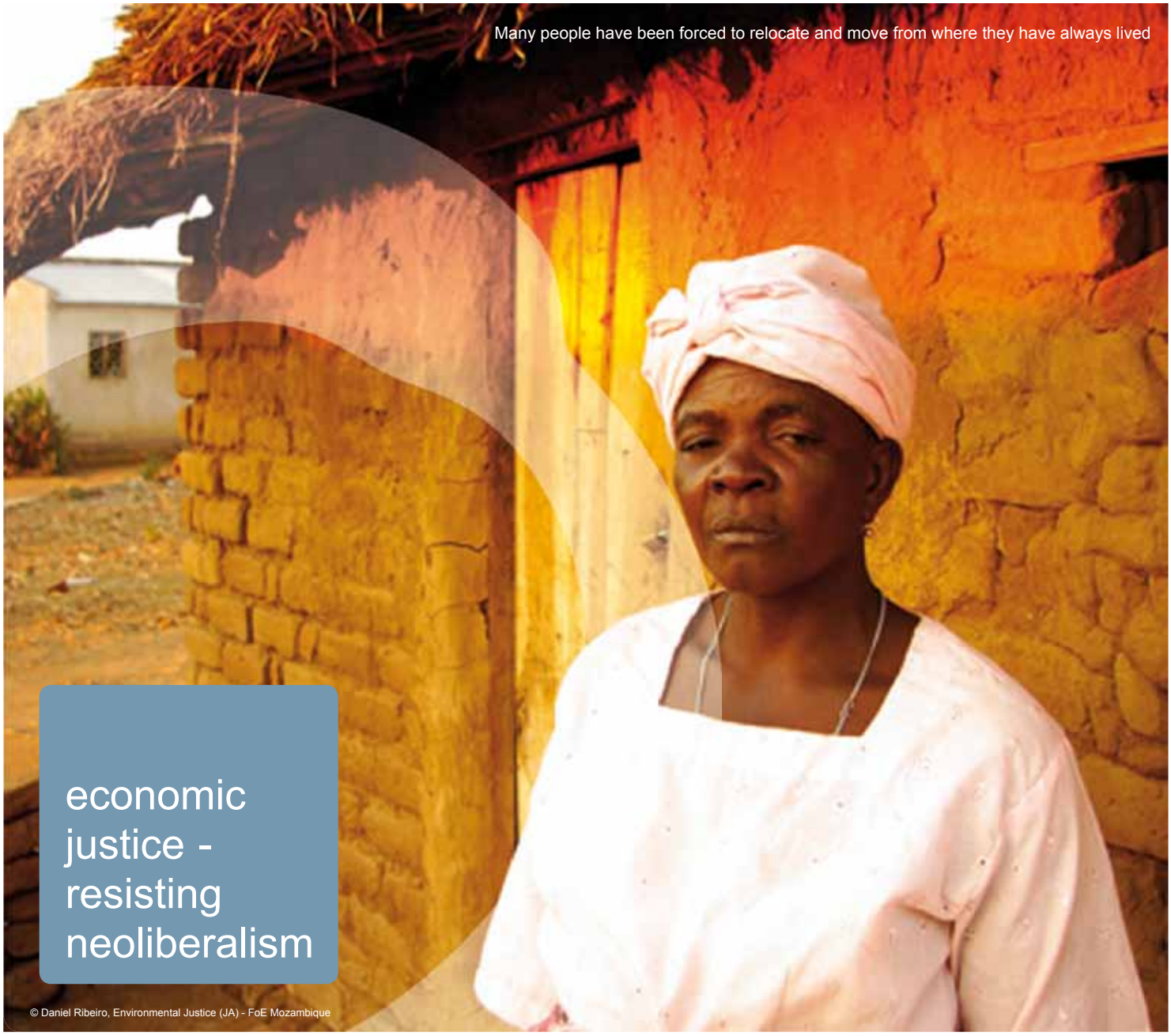

how corporations rule

part 3: vale – leading the corporate lobby for easier offsetting and other false 'green' solutions

january 2012

Friends of the Earth International

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friends of the earth international is an international federation of diverse grassroots-based environmental organizations with over 2 million members and supporters around the world. We challenge the current model of economic and corporate globalization, and promote solutions that will help to create environmentally sustainable and socially just societies.

our vision is of a peaceful and sustainable world based on societies living in harmony with nature. We envision a society of interdependent people living in dignity, wholeness and fulfilment in which equity and human and peoples' rights are realized.

This will be a society built upon peoples' sovereignty and participation. It will be founded on social, economic, gender and environmental justice and free from all forms of domination and exploitation, such as neoliberalism, corporate globalization, neo-colonialism and militarism.

We believe that our children's future will be better because of what we do.

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The Brazilian company Vale is the world's second largest metals and mining company and one of the largest producers of raw materials globally . The company is expanding rapidly , including in Africa where it has significant interests in coal – one of the most carbon intensive sources of energy. Keen to protect its extractive and energy interests, Vale has used its proximity to the Brazilian government (which owns part of the company) to push for industry-driven measures through the UN's climate negotiations, urging greater financial incentives and less stringent regulations for offsetting. Vale's two-handed climate strategy – through which it develops a global extractive business while undertaking profitable offsetting initiatives at home – has allowed it to profit from false solutions to the climate crisis and simultaneously exacerbate the climate problem through its mining activities. Vale's actions prove that climate change can be a good business opportunity.

Vale is the world's largest producer of iron ore and pellets (a key raw material for the iron and steel industry) and the world's second largest producer of nickel, used to produce stainless steel and metal alloys. A publicly-listed company, it reported profits of US$ 17 billion in 2010.[3]

The group also produces manganese, ferroalloys, coal, copper, cobalt, platinum metals, and fertilizer nutrients, which account for almost 20% of its gross revenues.[4]

The former state-owned and profitable company was privatized in 1997 in the midst of people's protests and accusations of corruption of the privatization process. It maintains close ties with the Brazilian government. Early in 2011, Vale was reported to have replaced its chief executive following criticism from the government.[5] Murilo Pinto de Oliveira Ferreira now heads the company.

It is therefore difficult to say whether the company operates in the interest of private shareholders or in the government's interest.[6] By the same token, it is hard to know when governments rule in favor of people or of corporations like Vale.

It is clear, however, that Vale's business strategy is closely allied to Brazil's National Climate Change Plan.

vale and climate change

Vale describes its corporate mission as "to transform mineral resources into prosperity and sustainable development"[7] and in 2008 launched "Corporate Guidelines on Climate Changes and Carbon", setting out its intentions for cutting carbon dioxide emissions.[8] According to its own figures, Vale emitted 20 million tons of CO_2 in 2010, increasing from 15 million tons in 2007.[9]

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Particulate matter found in the roofs of neigborhood houses close to TKCSA operations

Vale's commitment to cutting carbon dioxide does not include phasing out its coal operations and indeed its guidelines state: "It is our understanding that coal and other fossil fuels will continue to have an important role in the global energy matrix, and that there is a need to strive for balance between energy security and climate security."

While not planning to phase out of coal, the Vale Carbon Program emphasizes the importance of investing in technology and in less carbon-intensive processes in order to minimize emissions. In Vale's operations, this translates as expanding the use of tree plantation monocultures – which would be a less intensive use of carbon in the hypothetical case of charcoal replacing coal in its ever growing steel production – and a strategy of carbon sequestration and generation of carbon credits and offsets.

It also commits the company to making maximum use of offsetting mechanisms for greenhouse gas emissions reductions, urging that: "whenever possible to obtain associated financial benefits through participation in the carbon market, via the Clean Development Mechanism (CDM) and other current and future markets".[10]

false solutions

For Friends of the Earth (FoE) International, both carbon trading and monoculture expansion are false solutions that actually worsen the climate crisis rather than solving it. Carbon trading involves the buying and selling of an artificial commodity, namely the right to emit greenhouse gases. Clean Development Mechanism (CDM) is a mechanism used by developed countries to try to 'offset' their emissions. It deals with no real emissions reductions from the polluter's side, while projects that claim to create carbon credits or emissions permits can result in negative impacts where they are located. This is the case with tree plantations, which are promoted as carbon sinks. They are not in fact additional, as their expansion is part of the business of many industrial sectors (for example, the pulp and paper, wood, steel and bioenergy industries). In many cases plantations have displaced people from their lands, destroyed livelihoods, polluted agricultural land, reduced biodiversity, dried up water supplies, and exploited workers.

From FoEI briefing 'Our Climate is Not for Sale', available at: http://www.foei.org/publications

Another pillar of the program is "engagement with governments and the private sector to monitor and contribute to the preparation of regulatory frameworks required to tackle climate change".[11] In fact, the industry sector in Brazil played a big role in shaping climate policies that open up new carbon markets opportunities.

vale in mozambique

Vale has operations in a number of African countries and in 2004 was awarded a mining concession in Mozambique to extract coal. The Moatize coal project in the Zambezi River basin is based in one of the world's largest coal reserves.

© Daniel Ribeiro, Environmental Justice (JA) - FoE Mozambique

Resident displaced by Vale's mining activities to the Cateme village in Mozambique

Vale Mozambique, a joint venture that is 85% controlled by Vale, began producing coal in 2008. The Moatize project is expected to produce 11 million tons of coal per year once it is fully operational.

Most of the coal will be exported to Brazil, Europe, Asia and the Middle East for producing steel and generating electricity[12], although Vale has also announced its intention to build a coal-to-liquid plant in Mozambique[13], thus allowing the coal to be used for transport fuel.

Mozambique is one of the poorest countries in Africa and its economy has traditionally relied on agriculture. Located in a low-lying coastal area, it is described as "vulnerable to the effects of climate change", including tropical cyclones, floods and droughts.[14]

Estimates suggest Mozambique has some 23 billion tonnes of coal.[15]

Vale's Moatize project has however attracted criticism. In a demonstration of the environmental impacts inherent in a large-scale coal mining operation, some 1,300 families were forced to relocate to make way for the mine. An investigation by the Mozambique Center for Public Integrity found that the company had pursued a divide and rule strategy in dealing with the community, and that houses provided for resettlement were built with leaky roofs and without foundations.[16]

Local people told Friends of the Earth (FoE) Mozambique that the company had taken over the area, creating a "little Brazil". They claim that local workers are employed on short-term contracts and have few rights.

One spokesperson from the community of Chipanga told FoE Mozambique that "members of the affected communities have been threatened, persecuted and harassed."

The mining project has drawn employees from neighbouring countries, as well as from further afield[17], creating resentment among local people who do not have jobs.

At present the situation surrounding Vale's Moatize project is dire and worsening by the day. In late 2011 FoE Mozambique invited members of the community from the area affected by the project to share their experiences and raise awareness of the problems they are facing with Vale. The issue was taken to Parliament, where it was agreed that a parliamentary working group should visit the area.

In January 2012, after numerous failed attempts by the affected communities to resolve the many issues and injustices associated with Vale, the community resorted to peaceful demonstrations, which were met with aggression by the state police in an attempt to intimidate and suppress the communities' call for justice. Nevertheless, the train that was taking coal to the Beira harbour had to be turned back.

"new" houses (top) and detail of toilet (bottom) built for displaced communities, Cateme, Moatize District, Tete province, Mozambique
© Daniel Ribeiro, Environmental Justice (JA) - FoE Mozambique

vale in brazil

Among Vale's several large scale mining projects that have direct impact on peoples and the environment in Brazil[18], FoE Brazil highlights the controversial steel complex of Companhia Siderurgica do Atlantico (TKCSA), a joint project between Thyssenkrupp and Vale at the Sepetiba Bay in Rio de Janeiro.

Germán Alemanni, Instituto de Políticas Alternativas para o Cone Sul
TKCSA steel industry facilities at Sepetiba Bay, Rio de Janeiro, Brazil

The plant that entered into operation in June 2010 was designed to produce around 5 million tons of steel per year and includes a coking plant feed by imported coal, blast furnaces, converters, and continuous casting machines. In January 2012, after numerous failed attempts by the affected communities to resolve the many issues and injustices associated with Vale, the community resorted to peaceful demonstrations, including stopping a train transporting coal, which were met with aggression by the state police in an attempt to intimidate and suppress the communities'

call for justice. Despite police efforts, however, the train that was taking coal to the Beira harbour had to turn back.

Although increasing the CO_2 emission of the city of Rio de Janeiro by 76%, the project was elected by the CDM Board as a provider of carbon credits, due to a supposed reduction of CO_2 emissions through the installation of a highly efficient power plant that will run on Blast Furnace gas in a combined cycle mode of electricity generation.[19]

The project negatively affected the livelihoods of 8,000 fishing workers living in traditional communities in the Sepetiba bay[2021]. The onset of industrial activity led to air pollution levels exceeding environmental limits, and metal-like particulate matter spread all over the Santa Cruz neighbourhood and surrounding areas.[22] TKCSA was denounced for environmental crimes in the Brazilian courts[23], and condemned by the Peoples Permanent Tribunal in Madrid in May 2010[24].

Yet both Vale and Thyssenkrupp have a seat on the Rede Clima of the National Confederation of Industries (CNI), a network created by the industrial sector to influence the government in its definition of national policies and Sectorial Plans for Climate Change and Adaptation.[25]

In December 2010, the Brazilian government launched five sectorial plans to meet domestic emissions reductions targets. Two of these sectors – the "green steel industry" and "low

carbon agriculture" – received benefits and public funds for the expansion of tree plantations and other monocultures.[26] [27] The promotion of this type of "agribusiness as usual" in climate policies, instead of real solutions to climate change such as reducing fossil fuels and industrial pollution, is good for Vale's interests in the steel and fertilizer industries.

vale's lobbying agenda

Vale has actively engaged in the international climate process by lobbying the Brazilian government, both in the run up to UNFCCC climate talks in Copenhagen in 2009 (COP15),[28] and as part of the Brazilian business delegation.[29] It was also part of the Brazilian official delegation to Cancun in 2010 (COP16).

Vale's Carbon Program is explicit about the company's desired approach in tackling climate change: "We consider that the development and dissemination of technology are fundamental aspects for climate change."

In the run up to COP15, Vale was the lead signatory to a joint open letter from 30 major Brazilian companies to the Brazilian government[30] which presented proposals for action. These included calls to effectively weaken standards for the CDM, with a request for "simplification of the evaluation process" including "eliminating the concepts of financial and regulatory additionallities"; and a request to "support the creation of an incentives mechanism for REDD" (the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) and a set of demands and proposals.

Vale has a vested interest in simplifying the CDM as, in addition to the TKCSA steel complex It is involved in a number of other joint venture CDM projects.[31]

Vale has also invested in a number of forest projects which could allow it to profit from the UN's REDD program.[32] The Vale Forest project was set up in 2007 and has financed reforestation projects in the Amazon, including commercial tree plantations.[33] The company also has interests in other false solutions to climate change such as agro-fuels and large hydroelectric dams.[34]

Vale's two-handed climate strategy – through which it develops a global extractive business while undertaking profitable offsetting initiatives at home – backed up by its close relationship with the Brazilian government, has allowed it to profit from false solutions to the climate crisis while simultaneously profiting from exacerbating the climate problem through its mining activities. Again, climate change is good for business. Vale was also in Durban COP17 to ensure it stays that way.

Vale is now moving ahead with corporate win-win strategies of the green economy agenda in the lead-up to the Rio+20 conference in June 2012. Vale Fund is one of the sponsors of the "National Dialog for Green Economy" process, which aims to shape civil society proposals for the so-called green economy transition[35]. Created in 2009, the corporate fund supports environmental NGOs and also seeks partnerships with governmental agencies, such as the Brazilian Forest Institute (IBF), responsible for the management and concession of public forests that are also considered for REDD projects.[36]

This means Vale's resources and corporate responsibility actions go beyond its business sector influence, to reach and influence the positions and ways of working of civil society and governmental agencies.

The way Vale influences and uses the Brazilian government's capacity of policy making in national and multilateral spaces shows how Corporate Capture works. Corporations such as Vale influence the current transition of public policies based on rights to market policies on the wave of the green economy. This is expanding their political role, as well as the concentration of power and profits in the green business, while delaying real solutions needed to help humankind overcome the current climate and environmental crises.

Santa Cruz Community, Sepetiba Bay, Rio de Janeiro
Germán Alemanni, Instituto de Políticas Alternativas para o Cone Sul (PACS)

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