
Brazil: Third V&M's go under CDM for their tree plantations

Registered on last January 22, the "Project 0143 : UTE Barreiro S.A. Renewable Electricity Generation Project" of Vallourec & Mannesmann (V&M), the world's largest manufacturer of seamless hot-rolled steel tubes, is the third try of the company to get funds under the Clean Development Mechanism (CDM) scheme. The registered project will provide V&M with 67954 carbon credits it can sell to companies in the North who prefer buying such carbon credits to reducing emissions at home.

The project alleges to be "a renewable energy project" which consists of the construction and operation of a thermoelectric plant fired by blast furnace gas and wood tar to generate part of the electricity required by V&M Barreiro's Integrated Steel Plant (Usina Siderúrgica Integrada de Barreiro), thus displacing electricity generation from a more fossil-intensive grid and reducing greenhouse gas emissions in the process.

According to the Project Design Document (PDD) "wood tar is collected during the carbonisation process where charcoal is produced from wood obtained through sustainably managed forestry activities" (emphasis added). This refers to wood extracted from the same eucalyptus tree plantations located in Minas Gerais, Brazil, where V&M company guards shot peasant Antônio Joaquim dos Santos in February 2007 (see WRM Bulletin N° 116).

As a result of the ensuing denunciations about the killing,, and because V&M's plantations were FSC certified, an audit was carried out by the FSC accredited certifier, SGS. The company preempted a potential loss of the certificate by announcing its "decision to voluntarily withdraw from FSC after 8 years of very close relationship" on the grounds that it did not agree with the way in which the certifying body (SGS) had carried out its audit (see WRM Bulletin N° 116).

Those "sustainably managed" eucalyptus plantations have also been intrusive because they have encroached on lands previously occupied by peasants and are now undermining the struggles of the local people to recover their lands. They have also generated disputes with the small farmers regarding the use of agrochemicals, the blocking of roads or the alteration of and access to water resources.

In spite of all this, Det Norske Veritas (DNV), one of the main validators of CDM projects, had approved the controversial V&M Fuel Switching project, which was another CDM project of the company where it asked for carbon credits in order to keep using charcoal for their steel plants. V&M argued that without those carbon credits it would be unable to maintain the plantations. V&M and DNV had claimed that V&M plantations were managed sustainably and used the FSC certificate as evidence.

The fuel switch methodology was rejected by the Executive Board of the Clean Development Mechanism, pointing to "doubts" about the scenario presented by V&M: that without additional carbon money a switch to coal under current trends in the Brazilian pig iron industry would be unavoidable. The Panel expressed concerns about the "immaterial nature of the project activity and

the moral hazard related to the fact that [it] consists of continuing current practice.” (See WRM Bulletin N° 92)

The CDM however accepted V&M's 'renewable' energy project, and its project documents make no mention anywhere that the plantations were at risk should there be no extra carbon money available. This contradiction between the two project documents aside, the 'renewable' energy project that has been registered as CDM project now has another problem: V&M does not possess an FSC certificate anymore hence its “sustainability claims” and claims about “renewable” energy production are not backed up by anything anymore and the previous justification has been cancelled. As a result the CDM should de-register the project immediately.

All this may be a good example of how impossible it is to really verify the claims made about additionality of CDM projects, the poor checking of any sustainable development claims in the CDM process as well as a perfect example of how polluting companies use the CDM to gain extra carbon credit money for their business.

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