

---

## [Laos: EcoSecurities helps ADB provide carbon subsidies to the pulp industry](#)

The Asian Development Bank (ADB) has big plans for plantations in Laos. World Rainforest Movement has obtained a leaked report of a recent ADB mission to Laos which describes how the Bank hopes to attract international pulp and paper companies to invest in Laos.

Over the past ten years, the ADB has funded an area of approximately 12,000 hectares in Laos through its \$11.2 million "Industrial Tree Plantations Project". Under its planned "Forest Plantations for Livelihood Sector Project" the Bank intends to finance 30,000 hectares of plantations.

As part of the preparations for this project, an ADB mission visited Laos from 19 June to 4 July 2003. In the leaked mission report, the Bank argues that "the best way to develop the plantation subsector is to attract and facilitate the entry of MPCs [Multinational Plantation Companies] to establish LCPs [Large Commercial Plantations]." The ADB plans to establish a "package of incentives" to encourage multinationals to establish 500,000 hectares of plantations. In addition, the ADB hopes companies will build two \$1 billion pulp mills, each with a capacity of one million tons a year.

According to the ADB's mission report, several multinationals are already interested in establishing plantations in Laos, including Stora Enso (Finland-Sweden), Riau Andalan (Indonesia), and Phoenix Pulp and Paper (Thailand). The Bank plans to hold an international investment seminar which "will provide a good opportunity to the interested firms to better understand the significant potential of establishing large commercial plantations in the country," according to the Bank's mission report.

The ADB's mission also proposed establishing a Lao Plantations Development Corporation, which would facilitate investment in plantations in Laos. The Bank is "already exploring" possible funding for the Corporation from the French government and the Nordic Development Fund.

Another possible incentive for plantation development in Laos is funding through the Clean Development Mechanism of the Kyoto Protocol. Through the CDM, Northern countries can obtain "carbon credits" (effectively permits to continue polluting) by funding plantation (and other) projects in the South that are supposed to reduce or absorb carbon emissions.

However, calculating how much carbon will be absorbed by a plantation, and for how long, involves many assumptions. In order to calculate how much carbon would be absorbed by a plantation, a comparison is needed with what might have happened without the plantation. Once planted, a plantation might burn down. The fire might spread into neighbouring forests. Pests might wipe out large areas of the plantation. Droughts or floods might affect growth rates and therefore the rate at which trees absorb carbon. Villagers might decide to cut the trees down to reclaim their land. They might clear another area of forest to replace farmland lost to the plantations.

Luckily, a new breed of clairvoyant expert is at hand to gaze into the future for us. Louise Aukland, a "carbon sequestration specialist", was one of the consultants on the ADB's mission to Laos. At the time Aukland worked with EcoSecurities, a consulting firm which "specialises in advising on strategy

---

regarding global warming issues". Among the services offered by EcoSecurities is advice for clients on designing projects in order to increase the chances of obtaining funding under the CDM.

Aukland has now left EcoSecurities and her colleague, Jan Fehse, has taken over responsibility for her work. Fehse is an expert: a "specialist in forestry and land use carbon projects" with "in-depth knowledge of global climate change policy in relation to land use, land use change and forestry," according to EcoSecurities' web-site.

I asked Fehse how EcoSecurities attempts to determine how much carbon a plantation might absorb, how EcoSecurities calculates what might happen if the plantations were not planted and how EcoSecurities determines what might happen to the plantations in, say, 100 years' time.

Fehse did not answer my questions. Instead, he explained that the questions are "about methodologies for the setting of baselines, the determination of the project boundary, the modelling of carbon dynamics within the project boundary and without (leakage)." He added, "I suggest you should first read the Marrakesh Accords."

The Marrakesh Accords were agreed at the seventh Conference of the Parties (COP7) held in Marrakesh in 2001. The issues covered are highly technical. Fortunately, as Fehse pointed out, "EcoSecurities has a great deal of experience with these highly technical issues." Unfortunately, Fehse appears unwilling to explain these highly technical issues.

EcoSecurities may argue that it is in the business of providing funding for sustainable development for poor countries. However, through their involvement with the ADB's plantations projects in Laos, the company is helping to provide subsidies for the international pulp and paper industry, an industry responsible for major environmental and social problems in neighbouring Thailand.

In 1995, Thai economist Pasuk Pongpaichit wrote: "Economic theory tells us it's all right to subsidize education because it benefits the whole society. But while eucalyptus and pulp and paper industries earn profits for some, they cause problems for society. Therefore, economic theory tells us, they should be taxed. But instead the government does the opposite."

The ADB is intent on providing subsidies to the pulp and paper industry - without the benefit of a comprehensive discussion in Laos about the impacts or whether converting vast areas of the country into monoculture plantations really is "sustainable development". Pasuk's conclusion about subsidies in Thailand is equally relevant to Laos: "This is a matter of influence and power."

By: Chris Lang, e-mail: <http://chrislang.org>