Ninety Seventh Sovereign Debt News Update: Carbon Credit Deal to Potentially result in Liberia Conceding 10% of its Territory to a UAE Firm

By:

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September 25, 2023

A carbon credit deal between Liberia and Blue Carbon, a company based in the United Arab Emirates (UAE), may lead to Liberia relinquishing 10% of its territory. This information comes at a time when the UAE is rapidly advancing as the leading investor in the African carbon market, a system of trading in which carbon credits are purchased and sold to offset emissions. In what has been described as the "new scramble for Africa", a prominent Sheikh Ahmed Dalmook Al Maktoum is heading a new rush to capture and sell carbon credits by managing tens of millions of acres of forests across Africa. Hailing from the royal family of Dubai, which is part of the United Arab Emirates (UAE), Sheikh Ahmed intends to sell those credits to rich governments in the Gulf and elsewhere in order to offset their carbon emissions and help them meet their carbon pledges under the 2015 Paris Agreement.

In Liberia, Blue Carbon, which is the most active of these new companies set by Sheikh Ahmed, promises that it "*will be responsible for the development of feasibility studies, securing respective accreditation of the cooperation framework [while] identifying forest areas and regions that can be utilized to earn carbon credits*." A recent resolution of the Liberian Cabinet supporting the deal said it would allow the country to "*leverage the carbon potential of its vast forest resources…to generate revenue*." Despite being shrouded in secrecy, the Memorandum of Understanding (MoU) is said to have been concluded in March of this year, and the final draft is to be signed imminently.

The carbon offset deal would result in the extinguishing of customary land rights, giving the United Arab Emirates (UAE) pollution rights equivalent to the forest's carbon sequestration. The MoU would violate a number of Liberian laws, including the 2019 land rights law, a legislation that asserts communities' right to "customary land". According to one source, Blue Carbon alone will have the right to sell carbon credits from the forests included in the 30-year deal. Additionally, the agreement would restrict Liberia from using the property to achieve its own international climate goals. Besides taking various transaction costs, Blue Carbon will initially take 70 percent of the sale price of carbon credits, with 30 percent left for Liberia (15% to the government and 15% to the communities).

At the inaugural Africa Climate Summit, Emirati investors pledged to buy $450m of carbon credits from the Africa Carbon Markets Initiative (ACMI), an entity intended to boost Africa's carbon credit production. The non-binding letter of intent was signed by the UAE Carbon Alliance, a coalition of private entities launched last year with the purpose of "recognising the importance of carbon credits to achieve net zero goals". The ACMI, which was launched last year at COP 27, aims to generate 300 million voluntary carbon credits per year by 2030 and 1.5 billion credits annually by 2050.

Liberia is not the only African country that Blue Carbon has signed deals with. Earlier this year, Emirati carbon trading company Blue Carbon signed a series of memorandums of understanding (MoUs) with governments of Tanzania, Zambia and Zimbabwe, giving the company blanket rights over the countries' land. The four MoUs that Blue Carbon has so far signed in Africa cover 8% of Tanzania's land, 10% of the Liberia's land, another 10% of Zambia's land, and 19% of Zimbabwe's land; thereby violating customary land and property rights of local communities.

Blue Carbon is not the first company to operate carbon trading in this exploitative manner. In 2009, a contract with UK-based Carbon Harvesting Corporation for 400,000 hectares of Liberian forests was unravelled when it was found to violate a number of Liberian laws, with many high level government officials being charged with bribery and corruption. In the case of Uganda, the UK-based New Forests Company evicted 10,000 people in the Mubende district to make way for a reforestation project. The Ugandan case revealed the collusion of three prominent international certification bodies, including the Forest Stewardship Council (FSC), the United Nations' Clean Development Mechanism (CDM), and the Climate, Community, and Biodiversity Alliance (CCBA), which were supposed to verify the company's compliance with environmental and social standards. In Tanzania, GreenCop Development, a Singapore-based company incorporated in April this year, signed a deal with the Tanzanian Wildlife Management Authority (TAWA). It committed to "*protect the natural vegetation*" of 5.9 million acres of the authority's world-famous forests, parks, and wildlife reserves in exchange for the right to sell carbon credits acquired from them under the preliminary agreement. Climeworks, one of the most established developers of the early-stage technology of air capture, is exploring the development of a large-scale direct air capture (DAC) project in Kenya to remove and store carbon dioxide from the atmosphere with Great Carbon Valley. This will be the first of its kind in East Africa.

Also described as "*green grabbing*" in a 2012 paper, James Fairhead, Melissa Leach, and Ian Scoones define green grabbing as "*the appropriation of land and resources for environmental ends*". African campaign groups have condemned the ACMI as "a wolf in sheep's clothing", effectively serving as a "pollution permit" for major emitters. A report by Powershift Africa found that the ACMI's growth target would allow big private companies to emit an additional 1.5-2.5 gigatonnes of CO2e (the equivalent of CO2) per year by 2050.

Founded just a year ago, Blue Carbon as a privately-owned company with no track record of either forest management or carbon trading or management. Despite this, the MoUs cover a total of 24.5 million hectares. While carbon crediting is slated to be a topline issue at the upcoming climate summit, a recent study on Verra, the world's largest carbon standard, found that 94 percent of the credits had no benefit for the climate. Critics are largely concerned about three things: To begin with, forest communities will lose control over their woods. Second, just a small portion of the proceeds from carbon-credit sales will reach African governments or forest communities. Third, the credits may frequently impede climate change action by offering fraudulent carbon offsets (for example, claiming to protect forests not at risk of being cut down), thereby allowing foreign governments acquiring the credits to continue with high emissions. Silas Siakor, founder of the Sustainable Development Institute (SDI), a Liberian environmental justice NGO, says the deal is illegal in various ways, including a violation of current land-rights legislation that establish forest communities' rights to offer or withhold consent for any government concessions granted on their territory.

The MoUs with African governments are intended to form the basis of official contractual agreements, which Sheikh Ahmed has suggested could be unveiled at COP28 in Dubai in December. In the case of Liberia, the MoU with the country has reaffirmed environmentalists' concerns that discussions about carbon markets will overshadow the phase-out of fossil fuels at the upcoming COP 28 climate summit, which the UAE will host in November, a role that has drawn harsh criticism from environmentalists.

The argument for carbon offsets is that they should be the backbone of removing carbon from the atmosphere rather than having emissions reductions in the countries that produce the most emissions. Offset programs only preserve a portion of trees from being cut, and not the entire tree. Further, forest fires are undermining the use of offsets using forests. The reducing emissions from deforestation and degradation (REDD) initiative, for example, provides some type of incentive for changing the way forest resources are used by offering a new way of minimizing carbon emissions by paying for measures that prevent forest loss or degradation. While proponents of REDD see it as a way to help forest conservation and as a low-cost tool for reducing carbon emissions, critics contend that industrialised countries should not be relieved of their domestic duties to reduce carbon dioxide emissions. Carbon offsets, according to research, do not always offset carbon. To ensure that carbon offsets really offset carbon, the design of these programs must be carefully considered in the future.

According to one source, these agreements run the risk of defrauding countries, forest communities, and the climate, and appear to be negotiated by African leaders who either do not understand carbon markets or intend to benefit directly from them. It is important to highlight that extreme caution is advised as there is no relevant legal framework in place as yet to govern the carbon credit rush that is seizing Africa's forests and land. Concerned by the opaque nature of these deals, the AfSDJN highlights these important challenges in the context of carbon trading, and calls for climate financing proposals and instruments that do not threaten the sovereignty of African states, but recognize Africa's rightful place in the development and critic of climate financing, climate governance processes and the potential reformation of the global debt and financial architecture, particularly within the UN system.

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