Afronomicslaw Sovereign Debt Quarterly Brief, No. 1 of 2025: The Limits of Carbon Markets as a Solution to the Climate Crisis

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March 12, 2025

In this quarterly report, I argue that the climate crisis has provided theglobal finance industry an opportunity to make exorbitant profits from majority Black and Brown countries in the Global South. I show how the global finance industry is leveraging its muscle over climate-vulnerable andheavily indebted countries in the Global South through complex financial transactions. These transactions commodify nature and the biodiversity resources of these Global South nations. In return, these countries borrowcapital to address the climate crisis and pay off their debts. This borrowing that invariably comes at high interest rates, especially through bond instruments, gives the global finance industry power to price biodiversity resources, such as forests, as investible assets. These instruments include climate bonds; green, blue, and sustainability-linked bonds; and debt-for-nature swaps (DNSs). Further, through transactions such as

carbon credits,the global finance industry in conjunction with Global South governments has created a new terra nullius narrative under which the Global South's 'abundant' and 'valuable ecosystems' are being paraded as open forforeign investors without any barriers. I claim that these profit-making and extractive initiatives are threatening to displace the historical ecological responsibility of the Global North countries most responsible for theclimate crisis. As a result, the populations of the countries least responsible for the climate crisis are bearing not only the brunt of the climate crisis butthe increasing and unsustainable levels of sovereign debt as well. The ever-rising costs of sovereign debt servicing now constitute a very large percentage of these governments' revenues. In addition, these loans offload the global finance industry's costs and risks model to indebted and climate-vulnerable governments and particularly to their citizens who are almost always invariably Black or Brown.

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Cite As: James T. Gathii, "The Limits of Carbon Markets as a Solution to the Climate Crisis", Afronomicslaw Sovereign Debt Quarterly Brief, No. 1 of 2025.

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