

## Papua New Guinea

### Dreaming of 'sky money': how carbon-trading schemes are undermining indigenous peoples' rights

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In Papua New Guinea (PNG), 94% of annual greenhouse gas emissions originate from deforestation and degradation, the highest proportion of any country in the world.<sup>55</sup>

55% of PNG's forests are in large blocks (over 500 km<sup>2</sup>) of minimally disturbed forest ecosystems known as Intact Forest Landscapes (IFLs). However, continued illegal and destructive logging and the conversion of forest areas into plantations could see much of PNG's commercially accessible tropical forests cleared or degraded by 2021. Customary ownership by local communities represents 97% of the total land area (46 million hectares), including all these forest areas.

The opportunities provided by REDD have gained international attention, and have instigated a gold rush<sup>56</sup> on projects aimed at trading savings in carbon emissions from forest protection. Commonly called 'sky money' in PNG, as it consists of payments for a part of the air, the promise of large payments has landowners dreaming of being rich and rushing to sign agreements they do not understand. A proliferation of agreements are being rushed through by so-called 'carbon cowboys' (the consultant brokers) in a race to lock in large forest areas.

PNG's constitution has one of the world's strongest customary rights frameworks, under its National Goals and Directive Principles, which reads: 'We declare our fourth goal to be for Papua New Guinea's natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations.'<sup>57</sup> Customary ownership is recognised in laws such as the Forestry Act 1991, Mining Act 1992, Lands Act 1996 and the Oil and Gas Act 1998, emphasising the importance of free, prior and informed consent from landowners. However, the speed and manner in which the new agreements are being forged tell a different story.

The government, while showing leadership on the international stage regarding REDD and climate change policy, has been in disarray domestically for the last two years, with flawed draft policies, the establishment and disestablishment of a Climate Change Office (and its CEO being sacked and investigated for corruption), in-fighting between government departments, simultaneous collusion with and opposition to the 'carbon cowboys', and generally poor leadership on behalf of the landowners and the forests.

#### Carbon-trading projects are undermining customary land rights

With REDD financing mechanisms being established around the world, there is an opportunity for the people of PNG to gain dramatically more by keeping their remaining forests intact, compared with the revenues the government and landowners currently receive, for example from industrial logging (the major forest degradation activity in PNG, affecting 16 million hectares).<sup>58</sup>

However, there is confusion as to what these payments would be for, and how carbon trading works. The concept of trading something that cannot be seen or touched without any actual physical exchange of goods is hard for local people to grasp. Many cannot believe that outsiders are willing to pay large sums for something they are told is inside the trees, without expecting anything in return other than that the trees remain standing. There are reports of village people believing that they must first convert the trees to CO<sub>2</sub> by burning them and bagging up the charcoal, and that they will be paid for the carbon they produce. Another version is that the CO<sub>2</sub> has to be put into bottles before it can be sold. Landowners commonly say they do not know what carbon is. 'We don't feel the carbon, we don't even see the carbon,' landowners in Lower Ramu told a TV crew. 'Carbon is just wind or air or something like this.'<sup>59</sup>

Therefore any 'informed'<sup>60</sup> decisions by indigenous landowners must be preceded by a considerable amount of awareness, information sharing, and participatory learning on a number of issues: the nature of climate change, greenhouse gases, the role of forests in providing environmental services including climate change mitigation, options for managing and gaining benefit from different forest values, carbon finance and carbon trading. Apart from a handful of 'elite' landowner representatives who live in the major cities and have had considerable interaction with government agencies, the carbon-brokers or NGOs, there has not been sufficient awareness and education provided to village-based landowners to meet an 'informed' test. On this issue alone, none of the forest carbon-



A PNG landowner making a statement at a meeting on carbon trading.

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**"The promise of large payments has landowners dreaming of being rich and rushing to sign agreements they do not understand."**

trading projects so far would be deemed to be respecting customary land-holder rights.

Secondly, given the lack of awareness, the only way these projects can proceed is with levels of coercion and 'incentives'. These practices are well known in PNG, as they are the same as those used by the logging industry. They use landowner 'elites' - who are usually not based in the village - to pressure other landowners to give their support.

Then there are 'sitting fees and allowances', public payments for those who attend meetings and sign their clan lands<sup>61</sup> on to the carbon trade project.<sup>62</sup> In many cases landowner representatives are taken to the city, put up in luxurious hotels, and given alcohol, food, cash and goods to 'facilitate' the signing-on process. 'They are taking care of us and feeding us,' said a tribal leader from April Salome, Willie Maru. But when asked how much and when would they be paid for their forest carbon, leaders frequently did not know.

Sometimes there are claims that genuine landowners have been cheated into signing project agreements, as alleged by representatives from East Pangia: 'We the landowners question that there have been some suspicious and fishy deals in the carbon trade.'<sup>63</sup>

In more extreme cases landowners are threatened and forced to sign. In the largest area of remaining intact forest in PNG - the Kamula Doso area of Western PNG - a tribal leader was forced at gunpoint to sign away his lands to a REDD project. 'They came and got me in the night,' said Abile Wape. 'Police came with a gun. They threatened me. They forced me to get in the vehicle. Then we came in the night to the hotel. ...

If I sign, then I am selling my birthright. But they told me, "You sign, ... Otherwise I'll get a police and lock you up."<sup>64</sup>

This is despite the Kamula Doso area being subject to a court injunction preventing carbon trade project development, and also being at the centre of a land dispute in process in the PNG courts.

These tactics create considerable tension and conflict within communities. Land conflicts due to logging are numerous and well documented, and the courts have a backlog of more than 700 such disputes that may take a decade to resolve. NGOs are aware that income-generating activities need to be halted when land disputes arise to avoid an escalation of conflict in a community. However, this has not deterred the carbon-brokers from pursuing these projects and promising landowners vast riches if they sign up.

**In addition to the awareness work that needs to be carried out with communities, there should be:**

- full genealogy processes to identify landowners as well as use rights-holders
- the establishment or strengthening of representative institutions in the community that can carry out the processes for free, prior and informed consent, and manage the benefits
- full participatory land-use planning that includes mapping lands, and setting out current and future uses and intentions
- clear information on what signing an agreement over carbon rights means for rights and future use
- a decision-making process based on traditional lines that requires more than 75% support before an agreement can be approved.

Normally this process would take at least two years, but the current processes are being completed in a matter of months.

#### What benefits will there be for the customary landowners?

Leaked documents from the PNG Office of Climate Change (OCC) show that indigenous landowners may get very little from these carbon-trading deals. In the controversial April Salome case, the Executive Director of the OCC highlighted a benefit-sharing arrangement that has landowners getting 35% and the OCC 20%.<sup>65</sup> For the Kamula Doso area the OCC issued a certificate for 1 million tonnes of 'voluntary carbon credits' but without any indication of how the income would be shared.<sup>66</sup> The PNG government's policy approach has been to recognise customary land rights, but then to claim that all trade and management of carbon in relation to those rights will be controlled by the government.<sup>67</sup> This effectively nullifies the indigenous landowners' rights to manage the benefits from carbon traded from their forests. In the words of Adelbert Gagai, a landowner representative from the Oro province: 'This is not their forest and they cannot take it away from us. It belongs to us.'<sup>68</sup>

Most of the carbon trade projects are claiming they will meet the Voluntary Carbon Standards (VCS),<sup>69</sup> including a new standard developed for Improved Forest Management (IFM).<sup>70</sup> Unfortunately IFM is effectively a cover for logging and so-called Sustainable Forest Management (SFM),<sup>71</sup> where logging is carried out less destructively than by 'business as usual' (BAU), and the carbon 'saved' is then sold. It is not known if landowners are aware of this, as the general understanding is that the forest will be protected in exchange for payments as well as benefit-sharing.

#### Conclusion: the need for local solutions

So far, PNG's experience of REDD has demonstrated that strong land rights and legal protections on paper are not enough to ensure that forests are protected, nor that communities are able to benefit. Secure tenure rights are a necessary condition for communities to benefit from REDD, but are not sufficient on their own. Further safeguards are clearly needed, such as mandatory consultation processes and capacity-building of communities to understand and manage their carbon assets.

Other local arrangements for protecting forests have been also been proposed. One is a national scheme for Payments for Environmental Services (PES),<sup>72</sup> based on respecting customary rights, participation of communities and transparent

processes. Another is the proposed PNG Forest Fund,<sup>73</sup> modelled partly on Brazil's 'Amazon Fund', which would provide the financial incentives to prevent deforestation and promote the protection of biodiversity and the rights and livelihoods of forest-dependent communities. Both alternatives use a multi-stakeholder governance approach to provide an equitable benefit-sharing arrangement with a key focus on indigenous community rights and participation.

The Papua New Guinea Eco-forestry Forum is a not-for-profit non government organization. It is an umbrella organization that has a membership of more than 20 national and international organisations. The organization was formed in 1999 to represent the views of its members at the national policy making level and to disseminate useful information to build and enhance local capacity to help local communities and resource owners make informed decision. The overall goal of the Forum is to promote genuinely sustainable management of forests and good governance in the forestry sector. [www.ecoforestry.org.pg](http://www.ecoforestry.org.pg)

<sup>64</sup> 146 MCO2 eq in 2000. WRI (2008). Climate Analysis Indicators Tool (CAIT) Version 5.0 (Washington, DC: World Resources Institute (WRI). <http://cait.wri.org>

<sup>65</sup> The numbers were promised by the 'carbon cowboys' and from rough estimates of carbon in PNG forests, multiplied by a carbon price, amount to billions of US dollars. Australian investment company Carbon Planet said it had carbon credits worth over A\$1 billion from 25 REDD projects already completed in PNG (Carbon Planet, 2008). The Salome project was estimated to generate credits worth US\$50 million per month (April Salome Sustainable Forest Management - Project Design Document, Voluntary Carbon Standard report, December 2008).

<sup>66</sup> Section 53 of the PNG Constitution calls for 'protection of unjust deprivation of property', which in this case includes land. Subsection 53(1) calls for just compensation to be made on just terms by the state, where it takes possession of land not owned.

<sup>67</sup> Greenpeace's 2008 document, *Preserving Paradise - The Value of Protecting Papua New Guinea's Forest for Climate* (p. 10), provides an analysis of income from logging compared with forest carbon losses.

<sup>68</sup> Al Jazeera documentary, 9 December 2009.

<sup>69</sup> As part of free, prior and informed consent.

<sup>70</sup> In PNG land is generally owned by the clan, and the legal process for establishing clan land is called Incorporated Land Groups (ILGs).

<sup>71</sup> See for example PNG Post Courier, 26 January 2010, 'Landowners paid sitting fees' (p. 3).

<sup>72</sup> Quote from real landowners of East Pangia (PNG Post Courier, 17 February 2010).

<sup>73</sup> Quote from SBS documentary 'PNG Climate Woes Continue', December 2009.

<sup>74</sup> Letter from Dr Theo Yasause, ED of OCC to PNG Prime Minister, 12 June 2008 (copy posted on [www.redd-monitor.org](http://www.redd-monitor.org)). The remainder of the benefits goes to the promoter (CS), a bond to cover forest degradation (G), and a 20% 'Future Generation Tax'.

<sup>75</sup> Certificate - Series Number B1, dated 3 November 2008 (copy posted on [www.redd-monitor.org](http://www.redd-monitor.org))

<sup>76</sup> National Climate Change Policy Framework, PNG OCC, May 2009.

<sup>77</sup> Statement to the PNG Ecoforestry Forum Climate Change and REDD conference, November 2009, Port Moresby, PNG.

<sup>78</sup> [www.v-c-s.org](http://www.v-c-s.org)

<sup>79</sup> [www.v-c-s.org/docs/Guidance%20for%20AFOLU%20Projects.pdf](http://www.v-c-s.org/docs/Guidance%20for%20AFOLU%20Projects.pdf)

<sup>80</sup> Global Witness (2009) Unsettled Intentions - Indigenous Logging and Carbon in Tropical Forests. London: Global Witness. March 2009. Logging will not save the Climate - the Fallacy of GHG Emission Reductions from So-Called SFM or RIL of Natural Forests. Greenpeace Research Laboratories Technical Note 07/2009, October.

<sup>81</sup> Trines E, Skutsch M, Dam P eds (2008) Payments for Environmental Services in Papua New Guinea. Policy paper no. 3, November. (unpublished report)

<sup>82</sup> PNG National Forest Fund Proposal (2009). [www.greenpeace.org/australia/issues/deforestation/resource](http://www.greenpeace.org/australia/issues/deforestation/resource)

## 4 Community Management of Forests

Communities were managing their forests long before community forest management became the subject of formal study and policy-making in the late 1970s in South-East Asia and Africa. Since then, the inability of the state to control the degradation of forests has been widely recognised, resulting in numerous initiatives across the world to transfer forest areas to local communities. Known variously as Participatory Forest Management (PFM) or Community Forest Management (CFM), it devolves the control and management of forests from central government to community-level institutions. In some cases this involves the formal legal rights to the land; in others the land remains state property, with communities making use of forest products under agreed management plans. In most cases communities organise and regulate themselves.

The experience of community forestry is largely positive, with a growing body of evidence that the best way to combat deforestation is to give the responsibility for forest management to local communities. A recent analysis of 80 forest commons across ten countries shows that rule-making autonomy at the local level is associated with greater forest carbon storage and higher livelihood benefits.<sup>74</sup> Successful experiences with this approach, and the challenges of applying it under a REDD regime, are highlighted in these case studies presented by Accra Caucus members in Tanzania and Nepal.

The detail of how community forest management operates will vary depending on the type of forest and the drivers of deforestation. In some cases, it will require mechanisms to halt commercial and illegal logging by outsiders (through community patrols) and community members (through peer pressure and local accountability). In others, it will also reduce the impact of timber extraction for subsistence use through sustainable harvesting, agroforestry and promoting alternative livelihoods. Flexibility is key.

#### Five benefits of community management of forests

There are many reasons why a community-based approach to forest management is the best way to successfully tackle the drivers to deforestation. First, Community Forest Management does effectively reduce deforestation and degradation. Communities have a vested interest in maintaining their forests and making sustainable use of products ranging from timber and fuelwood to foods, medicines and services such as watershed protection and, more recently, ecotourism. They also have local and ancestral knowledge which allows them to adopt specific practices for particular locations that are more effective than blanket 'scientific' approaches. Given the right support and incentives, communities can keep