HOW THE LEAF COALITION ENABLES CARBON MARKET COLONIALISM

A LEAF OUT OF AN OLD BOOK
Introduction

On April 23rd, 2021, at the Leaders Summit on Climate, representatives of the U.S., U.K., and Norwegian governments announced the formation of the LEAF (Lowering Emissions by Accelerating Forest Finance) Coalition: a public-private partnership between those governments and a spate of corporate actors intended to mobilize funds for the protection of tropical forests.¹ Just months later, at the United Nations Climate Conference (COP26) in November, the coalition announced that it had raised US$ 1 billion, billing itself as the largest-ever public-private effort to protect tropical forests.² It signed initial agreements with five countries: Ecuador, Ghana, Costa Rica, Nepal, and Vietnam.

The LEAF Coalition's funding consists of contributions from its corporate participants, who will pay for forest protection programs in exchange for carbon offset credits. The coalition claims that doing so will “empower tropical and subtropical forest countries to move more rapidly towards ending deforestation, while supporting them in achieving their Nationally Determined Contributions (NDCs) under the Paris Agreement.”

In practice, however, carbon offset programs have rarely provided the benefits to forests or the global climate that they claim to. As Amazon Watch has highlighted in our previous report, The Amazon Rainforest-Sized Loophole in Net Zero, forest carbon crediting programs in the Amazon have led to incursions on the land rights of Sápara people in Ecuador and Kichwa people in Peru, false overcounting of climate benefits in Colombia, and overpromised community benefits to Brazil’s Suruí people.³ These and other examples around the world make clear that offset programs are false climate solutions that give pay-to-pollute passes to the very same governments and corporations causing the climate and ecological crises.

Although offset programs claim to offer carbon sequestration benefits that contribute to a carbon-neutral economy, the governments and corporations that reap the financial and reputational benefits of these programs often show no inclination to halt their extractive practices. In particular, governments’ expansion of mining activities and oil extraction—key drivers of climate change, deforestation, and Indigenous rights violations—generate larger adverse impacts on the environment and Indigenous communities than can be tackled by offset programs. These contradictory activities demonstrate a lack of political commitment to take real steps to tackle structural issues at the core of climate change. Forest carbon market programs are based on the faulty premise that deforestation can be solved with marketization and investment, while ignoring problems of land rights, power relations, and building trust among communities.

Amazon Watch has serious concerns that the LEAF Coalition’s agreement with the Ecuadorian Ministry of the Environment is yet another example of carbon offset programs serving as a dangerous distraction from climate justice. Programs like the LEAF Coalition threaten to create a false “green” veneer over continued threats to Indigenous rights while enabling extractive industries and further commoditizing communities’ relationships with nature. This briefing paper will analyze the LEAF Coalition’s model of operations while contextualizing its proposed operations in Ecuador within the country’s existing forest carbon sequestration programs. This analysis leads us to conclude that the LEAF Coalition poses threats to Indigenous peoples’ rights, and ultimately facilitates greenwashing perpetrated by states and corporations.

LEAF: A Vehicle for Corporate Greenwash?

The LEAF model uses what is known as jurisdictional crediting: jurisdictions, defined by LEAF as national and subnational governments, enter into agreements with LEAF and implement forest protection programs, while also assuming responsibility for ensuring that local communities receive appropriate compensation. Emergent, the U.S.-based nonprofit that acts as an intermediary between buyers and sellers of forest carbon credits and which serves as the LEAF Coalition’s operations administrator, then validates these programs to ensure that they meet the LEAF Coalition’s standards for environmental and social integrity (these standards will be discussed in
greater detail in the following section). If validation is successful, Emergent then generates carbon credits based on the forest protection services rendered. These credits are delivered to LEAF’s corporate participants, and payments are delivered to the jurisdictions. This is known as a “results-based” carbon market scheme—in other words, payments are delivered only once results are verified.

The LEAF Coalition’s corporate participants provide the overwhelming majority of its funding. These companies—a group that includes Nestlé, BlackRock, Delta Airlines, Walmart, Unilever, Amazon, and more—will receive offset credits produced by LEAF projects. But despite the apparent generosity of their financial commitments, many of these companies rank among the world’s most notorious polluters, and several are directly complicit in the destruction of the Amazon rainforest and violation of Indigenous rights in Ecuador and across the Amazon basin. For example, BlackRock, the world’s largest asset manager, held over US$ 6 billion in debt and over US$ 24.2 billion in equity in oil companies operating in the Amazon as of 2021, including state-owned oil companies such as Petroecuador that have been responsible for continued extraction, corrupt contracting of industry operations, and horrific oil spills that have affected Indigenous communities. Meanwhile, Walmart sells beef from JBS, one of the most notorious violators of Indigenous rights and deforestation in the Brazilian Amazon.

The LEAF Coalition attempts to distinguish itself from a traditional carbon offset program—in which carbon credits are applied directly to “offset” the emissions of the entity that purchases them—by requiring that its corporate participants commit to climate targets through the Science Based Targets Initiative and the United Nations’ Race to Zero program, which place limits on companies’ use of offsets to meet emissions reduction goals. However, these safeguards have been weak and inconsistent in practice, and corporations participating in these programs have remained reliant on offsets. A 2022 report by the NewClimate Institute found that many of the LEAF Coalition’s corporate participants, including Amazon, Nestlé, and Unilever, are already exaggerating their climate commitments with deceptive net-zero targets that rely on carbon offsets rather than real emissions reductions.

Additionally, LEAF projects’ minimum carbon credit price will be US$ 10. This is a fraction of what many climate economists say carbon must be priced at in order to achieve net zero by 2050, which is closer to US$ 100. This disparity is yet another contradiction that is historically characteristic of carbon markets, from the United Nations Clean Development Mechanism to cap-and-trade markets in the U.S. and E.U. As exemplified by the failure of California’s cap-and-trade market, carbon prices low enough to entice the private sector into participating are nowhere near what would be theoretically required to effectively mitigate climate change. This enables businesses to continue polluting while stocking up on ineffective carbon credits that are cheaper than what real emissions reduction would cost. As such, the LEAF Coalition represents a new avenue for corporate greenwashing, allowing corporations routinely responsible for pollution, deforestation, and rights violations to burnish their reputations by financing so-called “green” programs.

Finally, it should be noted that the LEAF Coalition’s greenwashing extends beyond its corporate participants to its governmental sponsors. Wealthy nations like the U.S. and U.K. have been widely criticized for their failure to commit to sufficient climate finance for developing countries. The U.S. in particular has committed only US$ 1 billion for international climate finance in 2022—a far cry from the US$ 11.4 billion by 2024 promised by the Biden administration, and a shockingly inadequate sum given the country’s disproportionate historical responsibility for global carbon emissions. Relying on private sector climate and forest finance does not only necessitate the accompanying greenwashing benefits for private industry—it also allows the wealthy Global North governments behind the LEAF Coalition to continue to avoid their own climate commitments.
Carbon offset credits generated by LEAF-funded projects will be verified using The REDD+ Environmental Excellence Standard (TREES). According to the LEAF Coalition’s website, the use of this standard will “ensure uncompromising environmental and social integrity.” However, a closer look at the TREES standard reveals significant areas of concern for both climate integrity and Indigenous rights.

According to a 2020 Climate Focus report, the TREES standard’s climate safeguards have weaknesses that increase the likelihood of the deceptive accounting and exaggerated climate benefits that carbon offset programs have repeatedly demonstrated in the Amazon and across the world. In particular, the TREES standard lacks rigor around two issues common to carbon offsets: additionality and leakage.

Additionality measures whether an offset project adds new carbon sequestration capacity that was not already present—for example, if an offset project is created using a forest that was already protected from deforestation, it offers no additionality, because those trees would have absorbed carbon regardless. The TREES standard’s calculation of additionality, however, uses baseline assumptions rather than actual performance measurements. This increases the danger that offset credits sold through TREES will not actually sequester additional carbon from the atmosphere.

Leakage, on the other hand, happens when offset projects do not reduce emissions, but simply shift them from one area to another. TREES uses an overly simplistic method of calculating leakage, which means that emissions from these forest programs could go uncounted and actually end up adding emissions to the atmosphere, as has been seen in other offset projects. TREES’ carbon accounting also does not account for aggregate uncertainty, meaning that its emissions reduction estimates could contain high levels of error. This could lead to inaccurate and potentially overcounted carbon sequestration.

The TREES standard’s safeguards on Indigenous rights may be even weaker than its shortcomings in measuring forest carbon sequestration. During the LEAF Coalition’s launch webinar, representatives claimed that Indigenous communities would qualify as jurisdictions under the then-under-development TREES 2.0 standard, which would allow them to enter into LEAF agreements independently. However, when TREES 2.0 was released, language around Indigenous jurisdictional eligibility had been dropped altogether; only national and subnational governments are eligible under the latest TREES standard. This keeps intact the dominant paradigm among carbon market programs that relies on funding “trickling down” through governments before it reaches Indigenous peoples and local communities.

As a result, Indigenous communities seeking to ensure equitable benefit-sharing from LEAF programs may be forced to do so through engagement with governments that do not abide by international legal standards on self-determination and sovereignty of Indigenous peoples. For example, TREES does not require adherence to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), does not mandate the development of equitable benefit-sharing programs, and maintains only partial commitments to Free, Prior, and Informed Consent (FPIC) with Indigenous peoples. In short, TREES offloads the implementation of many Indigenous rights safeguards to the governments with which LEAF partners. Because of this, respect for Indigenous rights and consultation will likely only be as strong as the policies of the governments through which LEAF projects are run, and LEAF will be able to shirk responsibility for violations that occur through its programs.
LEAF and Ecuador: Cause for Concern
The LEAF Coalition’s agreement with Ecuador, submitted by Ecuador’s Ministry of Environment, Water, and Ecological Transition (MAATE), was signed in 2021. At the time the agreement was accepted, Ecuador claimed to satisfy 70% of TREES requirements, and MAATE had formed a technical team to help meet the remaining TREES requirements, with advisory from UN-REDD. LEAF projects will be administered by MAATE through Ecuador’s existing REDD+ Action Plan: Forests for Good Living (2016-2025). MAATE held a workshop regarding LEAF planning with Indigenous communities in Macas city in July 2021, and claimed that its FPIC and participatory processes were under implementation.

Although the Ecuadorian constitution contains provisions that would seem to protect against exploitative carbon market programs, carbon market proponents have found ways to circumvent these protections. For example, Article 74 of Ecuador’s constitution forbids the appropriation and marketization of environmental and nature-based services. However, the LEAF Coalition claims to abide by this regulation by preventing buyers of LEAF-generated Ecuadorian carbon credits from reselling them. Additionally, Ecuador has a constitutional commitment to FPIC (Article 57), but in practice this has meant only feeble gestures at “consultation” of Indigenous peoples rather than true consent. In February 2022, Ecuador’s Constitutional Court ruled that consultations must be carried out with the intention of gaining consent from affected peoples.²² To date, however, there is no existing law enforcing FPIC in Ecuador.

In keeping with these weak safeguards, the REDD+ Action Plan that the LEAF Coalition would operate through has a poor record of honoring Indigenous rights. As part of the REDD+ Action Plan, the Ecuadorian government has implemented several forest protection programs aimed at preserving forests and biodiversity while sequestering carbon emissions, including Socio Bosque, REDD Early Movers (REM), ProAmazonía, and the Results Based Payments Project (PPR). In theory, these programs are subject to human rights safeguards implemented by the United Nations Development Programme.²³ In practice, the story has been much different. Many communities join these programs thinking they will protect their territories from extraction, but Ecuador’s forest programs aimed at reducing emissions in the Amazon run contrary to the government’s own policies expanding oil and mining activity—often for the very same areas of forest and Indigenous territories.

Oil spill in the Ecuadorian Amazon. Credit: Mauricio Rosenfeld/Amazon Watch
The experience of the Shuar Arutam People (PSHA) is one example of Ecuador’s REDD+ programs enabling extractive industries in Indigenous territories. The PSHA are composed of 47 communities with a total of 12,000 inhabitants. They live in their ancestral territory in the south of the Ecuadorian Amazon, which has been part of Socio Bosque since 2008. However, the mining industry has also operated in this area since 1980. Despite the PSHA’s steadfast opposition to mining in their territories and participation in Socio Bosque, which claims Indigenous rights safeguards and a commitment to FPIC, the majority of their land continues to be dominated by major mining companies such as Lowell-Solaris Resources Inc. (Canada), SolGold (Australia), Explorcobres S.A. (EXSA), and EcuaSolidus S.A (Canada). Indigenous leaders and families who have expressed opposition towards mining activities have been subject to threats and harassment from mining companies, police, and the Ecuadorian military. PSHA communities have faced intimidation and violence, threatening their livelihoods and the health of the ecosystems they inhabit.

Despite its significant failures, Socio Bosque was a major source of income for the PSHA—until MAATE terminated the contract, claiming that the PSHA failed to comply with program requirements. However, MAATE’s implementation of Socio Bosque had been rife with irregularities and inconsistencies; the government failed to provide support for proper implementation of the agreement and still allowed mining companies into PSHA territory. The termination of the program has created even more economic difficulties for the PSHA, creating divisions among communities and families that could drive them into the arms of the mining companies: a perverse outcome of a program aimed at forest protection.

The Kutukú Shaimi Protected Forest, one of the most important natural areas in the Ecuadorian Amazon, serves as another example of the deceptive nature of forest carbon programs in Ecuador. Without carrying out a proper FPIC process, the Ecuadorian government authorized mining company EcuaSolidus S.A to operate within the territory. Kutukú Shaimi is part of MAATE’s System of Protected Areas, and some of its Indigenous populations receive compensations from Socio Bosque for protecting their territory within the forest. Additionally, the Ecuadorian government updated the management plan for the forest through ProAmazonía, another component of REDD+ Action Plan. However, according to Jose Esach, President of the Kutukú Shaimi Protected Forest Defense Committee, the updated plan has excluded community demands to declare the territory a mining-free area, and the state failed to consult all communities dependent on the forest, circumventing FPIC processes. As a result, mining persists within the territory, and environmental degradation continues.

**The flagrant contradictions between the Ecuadorian government’s extractive agenda and embrace of forest carbon markets tell a clear story: carbon market programs like REDD+ and LEAF are being used to enable continued government support for extractive activities and the state’s persistent prioritization of economic interests over guaranteeing collective rights. Ecuador’s commitments to protecting Indigenous territories from extraction are questionable at best, and carbon market programs are its greenwashing strategy to create the illusion of progress on its Nationally Determined Contribution (NDC) to the Paris Climate Accords.**

These discrepancies are further amplified by the centrality of oil and gas in Ecuador’s national development plan. Current president Guillermo Lasso has pledged to double oil extraction, opening up Ecuador’s state-owned oil companies to private investment in a bid to dramatically increase production. This oil extraction often threatens Indigenous lands, even in areas where forest conservation programs are supposed to be in operation.
For example, according to Ecuador’s 2019 NDC document, the government plans to achieve additional climate change mitigation through the “Efficient energy plan - optimizing the generation of electricity and renewable energy” (OG&EE).²⁸ As part of this plan, Ecuador would aim to reduce flaring of natural gas as well as the use of gas for electricity production. However, the Ecuadorian government has not taken any significant steps to comply with OG&EE, raising questions about its commitment to mitigate climate change. In fact, the Ecuadorian government continues to grant authorizations to fossil fuel companies flaring natural gas at more than 447 sites across the Ecuadorian Amazon, contaminating the air of local communities. Affected populations filed a lawsuit alleging impacts on their health and violation of the rights of nature. Additionally, even though the Provincial Court of Justice of Sucumbíos ruled in July 2021 that all flaring near affected towns must be discontinued within 18 months, the Ecuadorian government continues to permit gas flaring in these areas.²⁹

It is no surprise, then, that Ecuadorian Indigenous activist Patricia Gualinga, a Kichwa leader and member of the Amazonian women’s collective Mujeres Amazónicas, has called carbon credit programs “pure hypocrisy,” noting that such programs are “a way of commercializing rainforests that are already being protected by Indigenous peoples ... These schemes are unviable, they’re always talking about spending millions of dollars. Not even 0.01% of the state's budget or those millions reach our community.”³⁰

Not only have carbon credit systems such as REDD+ turned natural forests into commercialized areas, but they have created a bureaucratic web of regulatory schemes that are inaccessible to Indigenous peoples subject to them. Ensuring that climate and forest finance like LEAF will have a positive effect would require the Ecuadorian government to stop prioritizing extractive industries and start complying with safeguards. As long as the Ecuadorian state maintains business as usual, the perverse impacts of REDD+ and carbon market programs in Ecuador make LEAF a concerning addition.
Conclusion

Indigenous peoples in Ecuador and across the Amazon Basin face difficult decisions about maintaining their sovereignty and protecting their homelands from extractive companies and government policies. Financing forest protection by delivering payments to Indigenous peoples for community-based, Indigenous-led conservation programs can be an effective tool for protecting forests while strengthening Indigenous communities. However, Amazon Watch understands from years of work in this area that carbon market schemes are a dangerous distraction from real climate action and direct, reparative forest and climate finance for Indigenous peoples.

As this report has shown, the LEAF Coalition’s agreement with the Ecuadorian government threatens to expand forest carbon programs that have enabled the operation of extractive companies in Ecuador’s Indigenous territories, all while delivering carbon offset credits and “green” reputational benefits to corporations and governments of the Global North that routinely violate Indigenous rights, destroy forests, and worsen the climate crisis. As the LEAF Coalition expands operations into other countries, communities and activists should be wary, as there is little reason to believe that this pattern of deception and perpetuation of extractive practices will change.

In the short term, the LEAF Coalition and the Ecuadorian government must honor the right to sovereignty and self-determination of Indigenous peoples, including by carrying out robust FPIC processes. They must ensure that Indigenous peoples’ land rights are protected, particularly from extractive activities like oil and gas exploration and mining. Additionally, Indigenous communities must be fairly compensated for their participation in LEAF programs.

Ultimately, however, we are skeptical that any carbon market programs can be a long-term solution for Indigenous rights, forest protection, or climate change. We see the LEAF Coalition as simply the latest in a long line of pay-to-pollute greenwashing schemes pushed by corporations and wealthy governments of the Global North in order to perpetuate their destructive practices.

In order to truly protect forests, advance Indigenous sovereignty, and halt climate change, governments and corporations must:

- Prioritize climate finance for community- and Indigenous-led programs. Wealthy countries must massively increase their climate finance contributions, and must ensure that such programs are unconditional and free of any offset schemes or pay-to-pollute models.
- Refrain from promoting programs that create financial dependency among Indigenous peoples.
- Comply with Free, Prior, and Informed Consent (FPIC) before any decision that affects the integrity and environmental or social balance of Indigenous communities.
- Rapidly draw down consumption of oil and gas, immediately cease exploration and drilling on Indigenous lands, and honor all Indigenous land rights.
- Massively reduce production of deforestation-risk commodities.
ENDNOTES


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