Mozambique political process bulletin

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Carbon traders want access to 1/3 of Mozambique under REDD+ – but MICOA says no

Carbon trading companies have applied for rights over one-third of Mozambique, to sell carbon credits generated by emissions reductions caused by reduced deforestation. But the Ministry of Environment (MICOA, Ministério para Coordenação da Acção Ambiental) is resisting pressure from companies, the Council of Ministers, and the World Bank to speed the process.

In mid-June MICOA said that no private company projects would be approved in the near future, although small pilot projects from non-government organisations (NGOs) will be considered and one is already under way in Manica. (See page 5.)

Companies want contracts which would give them the right to sell carbon credits. But MICOA is resisting because they are so many outstanding questions: Who owns the carbon? Is this just another land grab, or is it a way for Mozambique to earn money from protecting its forests? How will the income be shared? With carbon prices so low, is it viable?

In Mozambique, applications and proposals in the past two years include two by politically powerful companies: Mozambique Carbon Initiatives (MCI, 15 million hectares in seven provinces) and Hawa (4 mn ha in Cabo Delgado). MCI is majority owned by Universidade Eduardo Mondlane, while Hawa is 20% owned by Frelimo Political Commission member Alberto Chipande. (See pages 6-7.) Two major international NGOs also have proposals: Flora and Fauna International (4 mn ha in the Niassa Reserve, which its website says is "the size of Denmark", apparently now reduced to a smaller

REDD CO_2 less than CO_2 from coal power stations

Carbon dioxide (CO_2) saved under all Mozambique's REDD+ plans will be less than the CO_2 generated by new coal-fired power stations in Tete.

Four coal-fired power stations with a capacity of 7,600 megawatts (MW) are either approved or planned and will use low grade coal from the Tete mines. (By comparison, the Cahora Bassa dam has a capacity of 2,075 MW).

An estimate of carbon emissions can be made by comparing with Kendal, the biggest and most efficient power station run by Eskom in South Africa. It generates 6,500 tonnes of CO_2 per year per MW installed capacity. Thus 7,600 MW in Tete would create 49 mn t of CO2 (mtc) per year.

This is much more than nearly all estimates of CO_2 that could be saved in Mozambique under REDD+.

How much carbon? 6 or 73 million tonnes? $29 mn or $1 bn?

There are vast differences in estimates of carbon that could be saved and money that could be earned.

MICOA's draft REDD strategy (Proposta de Estratégia de Redução de Emissões) has two goals. One goal is to plant a total of 380,000 ha of new forests by 2025. Eucalyptus is the most common forest plantation tree, and when it is growing it captures 5 tonnes of carbon per hectare per year, so this would capture 1.8 million tonnes of CO_2 (mtc) per year by 2025. (The 2009 reforestation strategy was more optimistic, and called for 620,000 ha by 2025, which would give 3.1 mtc per year.)

The second goal is to reduce deforestation from the 2002 level of 0.58% per year to the historic level of 0.21% per year by 2025, instead of a predicted level of 1.4% by 2025. This would save 400,000 ha of forest a year by 2025. Natural woodland has very mixed density, so the estimate of carbon saved by not cutting down the trees is only 10 tonnes per hectare, or 4 mtc per year.

Put together, current government policy would save 5.8 to 7.1 mtc per year.

By contrast, Hawa estimates that its proposed project area of 3.7 mn ha would save 12 mtc per year. At that rate, the savings just for Mozambique's 22.5 mn ha of dense forest if covered by REDD+ would be 73 mtc per year, 10 times the MICOA estimates.

The market price of UN Certified Emission Reduction credits hit a high of $15 per tonne in mid 2011 and has dropped dramatically since then; it has been below $5 since the beginning of 2012. So the lowest estimate of possible carbon credits (MICOA lower estimate at $5/t) would only earn $29 mn per year. But the high end (Hawa estimate at $15/t) could earn $1 billion (bn) per year.

pilot) and WWF (500,000 ha in Cabo Delgado). The French Development Agency (AFD) is considering a proposal for 210,000 ha in the Gilé Reserve, Zambézia.

Mozambican NGOs are divided. Centro Terra Viva (CTV) is a member of Mozambique's carbon credits working group, but JA! (Justiça Ambiental, Environmental Justice) is opposed and refusing to participate. (See page 3)

Similarly attitudes to MICOA are divided, with some praising its caution on contracts that could have major unforeseen consequences for local communities, while some in the international community accuse it of foot-dragging and unnecessary delay.

Pressure from the Council of Ministers and President Armando Guebuza late last year for early approval was based on a view that carbon credit contracts could generate early revenue for the government, and also in response to intense lobbying by big potential investors. But the June decision of no private contracts in the near future is interpreted to mean that MICOA has convinced the President that there is no quick money and many dangers in big REDD+ contracts.

Estimates of possible carbon savings and possible earnings vary hugely, from income as low as only $29 million per year to as high as $1 billion; estimated possible savings range from 6 million tonnes of carbon dioxide (CO_2) (mtc) to 73 mtc per year. (See box.)

These possible profits must be balanced against other uses of the land, and the government itself warns that "carbon rights can potentially affect community access to land resources for their livelihoods, hence exacerbating poverty".

REDD (Reducing Emissions from Deforestation and Degradation) was introduced to the United Nations Framework Convention on Climate Change in 2005 as a way to pay developing countries for not cutting down their forests. The proposals from companies are being made under REDD+ which includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

The two main REDD programmes are the World Bank's Forest Carbon Partnership Facility (of which Mozambique is a member) and the United Nations Collaborative Programme on REDD (UN-REDD).

Who will buy the carbon?

Deforestation and forest degradation account for 20% of global greenhouse gas emissions. According to the 2006 "Stern Review on the Economics of Climate Change", reducing deforestation is the "single largest opportunity for cost-effective and immediate reductions of carbon emissions". The idea behind REDD it that it is cheaper to reduce emissions from deforestation than to reduce industrial emissions, and this will be organised by giving a financial value to carbon stored in forests.

The Kyoto Protocol and the European Union Emission Trading Scheme (EU/ETS) set caps on emissions and some polluters, instead of reducing their own emissions, pay someone else to do it. This carbon trading is buying and selling permissions to pollute and is known as the "compliance market". The Clean Development Mechanism (CDM) is part of the compliance market and consists of carbon reduction projects in the developing world. Most CDM-credits have been sold from China. Africa only has 2% of CDM-credits. Most CDM-projects reduce emissions from industrial gases or invest in hydroelectricity.

There is also a "voluntary market" where companies for ethical or public relations reasons chose to buy credits for CO_2 not produced to offset their carbon footprints.

Mozambique vegetation

million hectares

Forest		40.0
of which		
Dense	22.5	
Open	16.4	
Other woodland		14.7
Grassland		9.4
Agriculture		11.4
No vegetation		1.6
Water		0.9
TOTAL		**78.0**

The carbon market grew in value by 11% in 2011 to \$176 bn and over 10 billion tons of carbon dioxide, according to the World Bank. But that was "largely driven by hedging and arbitrage," by " financially-driven trades," and not new CO_2 credits, the Bank admits. Indeed, the Bank said, "carbon prices plummeted" in the last year, and there are "increasing signs of long-term oversupply" of CO_2 credits. This is partly due to high EU emission caps, meaning fewer credits need to be purchased to offset pollution in excess of the caps.

So the big question is: Who will buy Mozambique's CO_2 credits? And for what price?

No global framework – only questions

There is still no global framework for REDD and Mozambique's strategy for REDD+ is still being elaborated. Thus many key questions remain unanswered. The vice minister of Environment, Ana Chichava, in her opening speech to a conference on REDD 2-4 May 2012 at Pequenos Libombos, Maputo, said she had been approached by local journalists on her way in to the seminar. “They wanted me to give my opinions about the advantages and disadvantages with REDD+. I told them to come back on Friday; maybe I will have an answer then.” The REDD-process has been going on in Mozambique since late 2008, but the vice minister does not hide that she still finds REDD+ problematic.

REDD credits are already sold on the voluntary market, but the original idea was that REDD would be financed through a regulated compliance market. That requires REDD to be included in climate change agreements. REDD has been discussed in climate talks for many years, but without consensus on how it will be done.

And locally, Mozambique has not even defined what is a "forest". In the draft national strategy, plantations on already degraded land will be eligible for REDD, but this is disputed internationally.

With so many unanswered questions, both civil society and international organisations are divided on what Mozambique should do.

Just exploiting Africa again?

“We are against REDD, this is just another invention for the developed world to continue polluting. By being a part of it we give them legitimacy. These are false promises, just another way of exploiting the resources of Africa”, says Eugnelio Boqoine from the peasants union (União Nacional de Camponeses, UNAC).

“REDD will annul or delay other efforts to solve the climate problems. The whole ideology behind it is wrong”, says Nilza Matavel from Environmental Justice (Justiça Ambiental, JA!).

JA! and UNAC fear new land grabs and loss of control and independence for communities dependent on forests for their survival. Matavel cites negative experiences with "carbon cowboys" in Indonesia and Brazil and cases where carbon trade companies have used unscrupulous methods to convince communities to sign contracts that give them the right to forests. Boqoine argues that REDD is a very complicated mechanism and peasants lack skills and experience to participate.

JA! is also critical of the way the process is being developed in Mozambique. In 2009 they were invited by the World Bank to an initial meeting; after half a year they were invited again to a second meeting. “At that meeting we felt that everything was already decided without us being involved. We complained, we said; how is this possible?” Matavel said. JA! decided to leave the process. “We believe that it is important that the process is slow, but we felt that there was a stress and hurry. We also believe that the process needs to be transparent, but it is not.”

REDD in Mozambique

Environment and Agriculture Ministries are jointly responsible for REDD – MICOA (Ministério para Coordenação da Acção Ambiental) for the approval of the REDD projects and MINAG (Ministério da Agricultura) for implementation.

Mozambique is one of 37 countries preparing for a REDD mechanism with the World Bank's Forest Carbon Partnership Facility (FCPF).

Preparations in Mozambique are partly funded by Norway, which is also supporting a south-south collaboration with Brazil. Japan's International Cooperation Agency (JICA) is providing technical support to the National Directorate of Lands and Forests (Direção National de Terras e Florestas, DNTF).

A REDD working group was created in 2009. Core Mozambican members are MICOA, MINAG, Universidade Eduardo Mondlane (UEM), and the national NGO Centro Terra Viva (CTV). Core foreign members are the Brazilian Foundation for a Sustainable Amazons (Fundação Amazonas Sustentável, FAS, a foundation created by government and major Brazilian and multinational corporations), the London-based Institute for Environment and Development (IIED), and the Finnish forest consulting firm Indufor.

The working group has met more than a dozen times and last year organised consultation workshops across the country.

The group is developing a "Readiness Preparation Proposal" (R-PP) which is required by FCPF before it will disburse funds for the REDD preparations. This was approved in March 2012, allowing FCPF to disburse $3.8 million dollars; it is posted on the FCPF website.

As well as the R-PP for the World Bank, government is also:
+ Preparing its own REDD **strategy**.
+ Drafting a **decree** (decreto) to regulate approval of REDD projects; the second draft was circulated in June and the third draft is expected this month.
+ Drafting a new forest **law**, which would also cover carbon credits; this could take two years or more.

UNAC is linked to the peasant movement Via Campesina which is opposed to REDD, arguing that carbon trade can jeopardize food security since the peasants' land and time is used for planting trees rather than cultivating food crops. There is also a fear that REDD will give financial incentives to replace complex forest ecosystems with mono-culture plantations, using pesticides and creating problems with the water supply. JA! is linked to Friends of the Earth, which also opposed REDD.

Critics say that carbon trade is a zero sum game, replacing emissions instead of reducing them, so can never stop global warming. That requires drastic reductions of emissions from non-renewable energy sources used in industrialised countries.

The June draft of the proposed decree creates a REDD+ technical group on which UEM and NGOs have seats. But is also contains a conflict of interest clause saying members of the technical group cannot participate in meetings which look at projects submitted by their institutions. UEM is a partner in the biggest REDD+ proposal, and CTV is a partner in a REDD+ pilot project.

The June draft of the decree also says that no one without a formally registered project would be able to sell carbon credits from Mozambique, and that all sales would have to be registered. In addition, proposers of projects would have to identify the sources of their finance, which so far some have refused to do

International groups want to move forward

"If we just sit with our arms crossed, the forest will disappear," warns Sean Nazerali, working with conservation finance for the World Wide Fund for Nature (WWF).

The two main donors, Norway and the World Bank's Forest Carbon Partnership Facility (FCPF), want to move forward. Frauke Jungbluth at the FCPF said: "If the price on the carbon market rises and it becomes mandatory for companies to compensate for their emissions, it will be important for Mozambique to be prepared to access the carbon markets."

Knut Laksȧ, responsible for REDD at the Norwegian embassy, adds: "We cannot wait until a climate agreement is in place. We must try different models, to see what works, which will contribute to the development of a national REDD-system." Also, REDD "forces countries to analyse the drivers of deforestation." And "when a mechanism is in place it will also reward the countries that manage to deal with deforestation. That is what is new and what is different from aid-financed measures working with the same issues."

The Mozambican environmental organisation Centro Terra Viva (CTV) is a member of the REDD+ working group elaborating Mozambique's national REDD strategy. It sees REDD as a new way to finance conservation. "We see it as a compensation for us to develop in a more sustainable way. But the emissions in Europe and the United States have to diminish as well", says Issufo Tankar at CTV. CTV is linked to WWF.

WWF is developing a proposal for a REDD+ project for 500,000 hectares in Cabo Delgado, to try to cut deforestation rates to near zero by local farmers earning higher incomes from carbon funds than from traditional slash and burn agriculture.

Even proponents are cautious

But even proponents of REDD+ are cautious. The World Bank's Frauke Jungbluth points out that REDD is new everywhere and there are few experiences to learn from. It will take time to develop regulations and strategies. Jungblauth believes it is might be good to progress slowly on a pilot basis. She stresses the importance of getting benefit sharing and conflict resolution mechanisms in place. At present, if you sign a contract and something goes wrong, there is no one to complain to.

Isilda Nhantumbo of IIED is concerned with the lack of transparency. Some of the companies presenting proposals in Mozambique have been unwilling to present or discuss their plans with the country´s REDD+ working group. Even MICOA cannot obtain information. Francisco Sambo, working with REDD at MICOA, expressed his frustrations at the 2-4 May seminar at the Pequenos Libombos: "We always ask the companies: Who are your investors? How are you going to implement your projects? Who will benefit? But we get no clear answers."

Who benefits? And what changes must be made?

Private companies, the Mozambican government, and local communities all hope to profit from carbon credits. How will the profits be shared? Is there enough money to make REDD+ projects viable? In particular, will carbon credit money compensate for other land uses forgone?

The government's draft REDD *decree* gives companies the right to sell carbon credits, but the draft *strategy* says investing companies can only keep 20% of carbon credit sales for existing forests and 30-40% for new plantations. Will investors accept that, or will they demand more? During the Pequenos Libombos seminar, it was argued that the 20% for the companies was unrealistic, because carbon trade experiences such as Envirotrade in Sofala (see page 8) show very high project costs. Of the two biggest proposed projects, MCI proposes 20% for investors and 30% for project costs and administration, while Hawa wants 35% for investors.

The draft REDD *strategy* is unclear, but it suggests that 20% of Mozambican income will go to running the REDD programme; in particularly, monitoring will be very expensive. And it suggests that 10% to 20% will go to the communities, with much of the rest going to the government. CTV is pushing for the major part of the gains from carbon credits to go to communities and not to central government and administrators in the middle.

There is a conflict between Mozambique's current development path and REDD+. Government policy is to clear 6 million hectares of forest for commercial agriculture, and the Readiness Preparation Proposal (R-PP) says 5 million hectares are planned for biofuel. Implementing REDD+ on a large scale would mean choosing a new development path.

The World Bank, in its 28 March comments on the R-PP, notes that one of the "drivers of deforestation [is] commercial agriculture development" and "the document is not clear how future large-scale land allocations will be dealt with." It says the R-PP does not say "how to ensure high-level support to address vested interests behind some drivers of deforestation (such as illegal

NGO pilots possible, but World Bank warns of lack of goals

Since 2010 there have been REDD+ applications for projects covering one-third of Mozambique, backed by intense company lobbying of the Council of Ministers. In June the government rejected that pressure, and MICOA said no private company projects would be approved in the near future.

Isilda Nhantumbo, an IIED researcher and member of the REDD+ working group, says "Approving projects that cover half of a province have unpredictable long term consequences for several generations. No other country in the world has approved project of this dimension."

With so many outstanding questions, there is a call for pilot projects to allow REDD+ to be evaluated. MICOA also said in June that it would allow NGOs to do REDD+ pilots in collaboration with ministries, but will not yet authorise private sector pilots. One pilot is already under way.

But the World Bank, in its comments on the March draft Readiness Preparation Proposal (R-PP), warns that there is still a lack of clarity as to what pilots aim to achieve. There are many ideas but no clear plan.

CTV is involved with the British based Micaia Foundation in what appears to be the only approved pilot, based in Manica near the Chimanimani Park. It is being implemented in collaboration with the REDD+ working group. Micaia is supported by Norwegian funds designed to assist the government in the REDD+ process. Micaia is linked to Growing Forest Partnerships, which is turn is linked to the World Bank, FAO (UN Food and Agriculture Organisation), IUCN (International Union for Conservation of Nature), and IIED (International Institute for Environment and Development).

logging, but also large-scale land allocation to commercial agriculture development)."

Furthermore, local communities make extensive use of forests, and REDD+ contracts could force communities to make major changes to their production systems. Although it may be possible to control fires and shifting agriculture, other sources of deforestation, including charcoal making and cutting wood for building, are important sources of rural income, particularly for poorer people.

For REDD+ to work, profits from the carbon trade need to be higher than the gains from charcoaling, logging and agriculture. A 2009 University of Gothenburg, Sweden, study showed that present carbon prices could be high enough to make some forms of peasant deforestation unprofitable, but biofuels will bring higher incomes than REDD+ carbon credits.

Will local communities agree to big changes?

Deforestation by communities is mainly poverty related, so poverty needs to be addressed if REDD is to work, and many proposed projects have poverty reducing components. These include: community involvement in forest protection and tree planting, developing small business through micro credits, improving agricultural methods to reduce shifting cultivation, and improved stoves to cut use of charcoal.

But communities will need to agree to often major changes in production patterns if REDD is to succeed. That requires communities to see obvious advantages and increased income from such changes.

“You can´t say to people 'don´t make charcoal' if you don´t present alternatives”, says Issufo Tankar of CTV. REDD needs to bring real benefits to the communities. People will make a cost-benefit analysis.

“Right now our headache is to find a way to implement REDD without entering in conflicts with local communities,” admitted Environment Vice Minister Ana Chichava at the 2-4 May Pequenos Libombos seminar.

The June draft of the proposed REDD decree puts the onus on project proponents to obtain agreement of local communities. Any proposal would have to contain evidence that the proponent had listened to the opinions of the occupants of the land – the draft uses the phrase "auscultação do titular do direito de uso e apoveitamento da terra". Once a project has been approved, the proponent would have four years to reach formal agreement with all local communities.

Isilda Nhantumbo of IIED warns that handing huge areas to private companies is risky for the country, for the communities living in and around forest areas, and for businesses already operating in those areas. She notes that “REDD+ is about implementing activities that will contribute to reducing emissions. The questions that needs careful consideration are how the companies will enforce land uses that will deliver emissions reduction, how benefits will be shared, and how equity issues come into play.”

Powerful companies propose massive projects

Since 2010 private carbon trading companies have been knocking at the door of the Ministry of Environment, MICOA, with proposals for huge projects. The two largest come from politically well placed companies, Mozambique Carbon Initiatives asking for 19% of Mozambique, and Hawa (or Hewa) wanting half of Cabo Delgado. These are discussed in articles below, as well as Envirotrade, which has 15,000 ha of Sofala and is the only company actually selling Mozambique carbon credits.

Confusion & controversy over MCI and 15 mn ha

Next to a row of chemistry laboratories at Universidade Eduardo Mondlane (UEM) is one of the most controversial carbon trading companies. Mozambique Carbon Initiatives (MCI) was founded in 2010; 70% is owned by a fund within the UEM, with Vice Rector Ângelo António Macuácua as president, and the remaining 30% is owned by the Dutch-based Pan African Carbon initiatives (PACI).

MCI's REDD+ proposal covers 15 mn ha, 19% of Mozambique’s land, with 18 projects in 7 provinces. MCI director Åsa Tham says they are financed by private investors, but does not give any information on investors or PACI.

Relations between government and MCI are confused. Tham says the government has appointed two officials, one from MICOA and one from MINAG, to work with MCI in each province. She also says in 2010 government gave MCI the green light to develop pilot projects for REDD on an area of 50 million hectares. A senior official at MICOA denies this, and says that MCI was only given the right to conduct studies of the potential carbon sequestration in the area. The information would be useful for the development of the national strategy since no recent data on the forest cover in Mozambique exists.

“We asked for studies, but they came back with developed project proposals. That was not at all what we had decided. MCI claim that they have been given the right to develop pilot projects but they have not been able to show us any written agreements between the company and the government," the official said.

Indeed, MICOA insiders say MICOA's contacts with the company have been largely cut, in part because MCI did not keep to the agreement to conducts studies.

Tham is controversial in Mozambique. She was the director of Global Solidarity Forest Fund (GSFF), a Swedish and Norwegian church owned forest investment fund with a bad track record of severe conflicts with communities in Niassa. The National Directorate of Lands and Forest (DNTF) conducted an investigation after complaints made by communities in 2010. The investigation showed that instead of using degraded land as promised, the GSFF invaded productive farmland and cleared dense native forest to plant new trees. (See *Bulletin* 49, 22 February 2011). In mid 2011 GSFF dismissed its entire management; Tham was then recruited by Pan African Carbon Initiatives to lead Mozambique Carbon Initiatives. Tham claims the accusations against her and GSFF in Niassa were false, and the whole conflict was about local power struggles between Renamo and Frelimo. She declined to comment on more recent conflicts between MCI and MICOA.

Tham refused to show a project proposal to the *Bulletin*, nor would she give any estimate of expected carbon credits. But she says MCI has prioritised six projects, of which four are:

+ In Zambezia working with timber concession holders, developing management plans and responsible forest management. "The key issue is to make it more economically viable to do right than to do wrong," she says.

+ In Nampula they will work with NGOs on energy saving stoves.

+ In Niassa the focus is plantations for charcoal and fire wood. They will also create village forests.

+ Improving agricultural methods, using the existing organic material to fertilize the soils and encouraging crop rotation.

"There is nothing wrong in using charcoal. Many people think that the solution is electricity or gas, but Mozambique has enough timber. It is just a matter of planting more than you cut, to find a balance between consumption and production. We don´t want to make big REDD conservation areas, we want to work with sustainable use of the resource," Tham explains.

MCI proposes that 50% of gains from the carbon credits benefit the communities in the project areas, 20% would go back to the investors, and 30% would be used for project costs as administration, certification and verification.

Explaining the very large areas proposed for MCI's REDD+ projects, Tham says that the Mozambican forests are not very dense, and therefore do not generate that many carbon credits per hectare. Another reason is the risk that projects covering only small areas will simply displace activities such as charcoal making into neighbouring areas which are not in the project, cancelling the carbon savings.

Political backing in Cabo Delgado not enough for Hawa

Hawa (or Hewa) has applied for REDD+ projects covering 3.7 mn ha, half of Cabo Delgado between the Niassa game reserve and the Quirimbas national park, and home to more than 500,000 people.

Hawa – Moçambique Limitada was registered on 21 August 2011 to carry out REDD projects. It is 20% owned by Alberto Chipande, member of the Frelimo Political Commission, a former defence minister, and a major figure in Cabo Delgado, through his company CIST Limitada. The other 80% is owned by a US company Hewa LLC (with an "e" rather than an "a"; BR nº 37, III Série de 14 de Setembro de 2011).

Robert Primmer is president of Hewa LLC. In an interview with the *Bulletin*, he stresses Hewa's transparency. Hewa has no website, he will not show us the project proposal, and he will not tell us who the investors are. But the stresses: "We are transparent and we will stay transparent."

Primmer estimates that the 3.7 mn ha project will generate 12 million tonnes of CO_2 credits – a level many see as unrealistically high. He hopes a mixture of conservation and sustainable uses of the forest resources will earn enough carbon credits to develop the whole area. He describes it is as large scale sustainable development project, rather than a reforestation project.

Hawa wants to work in different areas, involving timber, fishing, and agriculture, with income generating projects such as factories that produce furniture from local wood, which would be connected to training schools. "First we will teach them how they make the chair, then how to design the chair and after that how to run the factory", Primmer says.

The timber industry will be involved, through added value with sustainable, certified logging. "Sustainable harvesting gives less timber, but they will be able to sell the wood for a much higher price instead of selling it cheaply."

Primmer is aware of the scepticism and fear for bad investors in Mozambique. "We don´t want to be seen as part of the land grabs. We don´t want to own land, we don´t want to own trees. We are just interested in the carbon and we want to empower the local people. We want to help them see the value in the wood and to use the resources in a more sustainable way."

Like MCI, Primmer argues "it´s not possible to make a small pilot and then scale it up. There will be other actors and other issues. If you want to make real change you have to work with big landscapes. Another reason is that with small-scale there is no return for the investors."

"The potential future markets can be extremely lucrative if you invest in an early stage. Our investors also want to try to do good, but some investors in this business have bad motives. They see the potential money and they speculate. In some parts of the world the approach has been 'Kick people out, grow trees and sell carbon'. People are sceptical for a reason," says Primmer.

Hawa created some irritation at central level when they started lobbying for their project in Cabo Delgado, where Chipande is influential, without having it approved in Maputo. They managed to convince the provincial government who assigned a working group which would help them to take the project to the national level. This confusion created a discussion about how approval of REDD projects should be handled at different levels.

Primmer says if the project is approved, they will invest $210 mn over 20 years.

But Hawa has now been told the there will be no private sector REDD+ projects in the near future. "We are not sure how we will proceed now. We are discussing options with our investors", says David Axelrod, a partner of Primmer. "We are currently drafting an agreement with our investors and will resubmit it to MICOA in the coming weeks."

Big disappointments with carbon trade in Sofala

A group of angry peasants gathered in Pungue village for a meeting. They were very upset, and all talked at once. It was 6 June and the peasants had still not received their annual payment from Envirotrade. In the first years of the project payments were always made in the beginning of the year after the planting of the trees, but the last three years payments had been delayed. "They are taking our money. We work hard, but in vain. They are buying expensive cars while we are suffering here in the bush", says one. "They say there is a financial crisis, but our trees still produce the carbon, we still conserve the forest, so someone must be eating this money," says another.

Envirotrade with its project adjoining the Gorongosa park in Sofala is apparently the only private company in Mozambique actually selling carbon credits. And it has been billed internationally as a model. The official Rio+20 conference website says: "The N'hambita Community Carbon Project is serving as a demonstration model which will be replicated in other areas both within and outside of Mozambique."

But the N'hambita experiment has failed and the Gorongosa project is winding down, and will close in four years. Envirotrade's management blames the volatile carbon markets, the financial crises in Europe, and perhaps most importantly, the failure of the concept of selling carbon credits in advance (ex-ante).

Under the model, peasants are paid to plant trees – as well as for patrolling and protecting conservation areas from fires, illegal logging and opening of new fields. The problem is that trees grow slowly and the carbon stored in the tree each year would generate only a negligible amount of money each year from carbon credits. So Envirotrade used a method promoted by DfID (UK Department for International Development) to sell 100 years of carbon credits in advance. Peasants with a contract receive a larger payment but for only seven years, in the belief that they will be responsible for the trees even after the payments cease, and their children and grandchildren will keep the trees alive for 100 years. The peasant who signs the contract agrees to "continue to protect the plants even after the 7 years of the contract."

On this basis, Envirotrade sold advance carbon credits on the voluntary market to people who wanted to be green and offset their own carbon use. The three biggest buyers of Envirotrade carbon credits listed on their website are Creative Artists Agency (CAA), which handles stars such as George Clooney, and the Swedish companies Max Hamburger Restaurants and Arla Foods. By 2010, 155,675 tonnes of CO_2 had been sold at an average of $8.54 per tonne, for a total of $1,328,971.

When carbon credits are sold, one-third is to go to Envirotrade as profit, one-third to Envirotrade for management, and one-third to the communities. This would have ensured a healthy profit when CO_2 prices were predicted to be over $100 per tonne.

Envirotrade country manager Antonio Serra says the price on carbon is very low and carbon sales are falling, while farmers receive a fixed price each year independent of the carbon market. Thus the earnings from carbon credits are little more than the contract price the peasants receive, leaving little for profits and project costs. Serra says the owner of Envirotrade, Robin Birley, has been subsidising the project in recent years. The project started in 2003 and predates REDD.

In 2011, $90,000 was distributed to 1415 families with contracts, an average of just $63 per family.

But selling an advance carbon credit in the belief that a peasant's great grandchildren would protect a tree has been increasingly questioned, and the voluntary advance carbon credit market collapsed.

Distrust of advance carbon sales is justified. Most peasants interviewed by the *Bulletin* in the project said they will cut down the trees and sell the wood in the future; a few said they would do it as soon as the project ends, because trees could already then be used for house building poles and for fire wood. Most said they would wait until the trees were bigger. Only a few peasants said that they would not cut the trees at all. Indeed, the future use of the wood is seen as one of the benefits of the project.

Four days of interviewing peasants in three different communities selling carbon credits in Gorongosa showed that people were initially happy with the project, but that the majority are discontented today. Payments were bigger initially and no discounts were made when plants died. There were also more opportunities of employment within the project during the first years. But in recent years they feel that the project has deteriorated, with delayed and cancelled payments plus many layoffs. The micro businesses created through the project – a saw mill, a carpentry, a bakery and several nurseries – also face problems.

"When the project came to N´hambita there was few other ways of earning money here. I sold maize from my field, and chickens that I was breeding. The money from planting trees I have used to buy a TV, a generator and I have put money in the bank for my children´s education," said Francisco Samanjo. A women in N´hambita shows us the brick house she has built. She is still counting on this years´ payment to put the roof on the house. She has also bought a solar panel that generates a small income for her household since other community members charge their batteries using her panel.

In the first year of the contract, farmers receive 30% of the total sum, since the hardest work is done in the beginning. The remaining 6 years of payments are evenly divided – if the plants survive. Many trees die. In 2010 only 28% of the contracts were given full payment, and in 2011, only 37% of the contracts were given full payment.

The project's technician in Pungue, Manuel Gondaiwamue, explains the peasants´ discontent with the fact that there was no monitoring in the beginning of the project and therefore no discounts. When a new management took over the project, it paid according to performance and discontent grew. Delayed payments added to the mistrust. Serra explains that Envirotrade is a business, not a charity, and growing trees is just like growing cotton – payment is for the product.

One question the *Bulletin* asked to all peasants interviewed was if they could explain how the carbon trade works. None understood what they were doing and why. Some said that they sell carbon because the western world does not have enough carbon. Some peasants said that planting trees would help the clouds to stay so it would rain.

The project has been controversial since its beginning in 2003, because its founders were Robin Birley and Philip Powell, two men who became notorious at the end of the apartheid era. Birley set up and headed the Mozambique Institute in London which in 1991-3 lobbied for the Renamo guerrilla movement during the its war against the government in Mozambique. Powell was a senator in South Africa and safety and security spokesman for the Inkatha Freedom Party (IFP). He was cited in a number of places in the South African Truth and Reconciliation Commission (TRC) Report, accused of organising and arming an IFP force in 1992-94 which destabilised the 1994 elections. In particular the TRC reports that "Mr Phillip Powell of the IFP received from Colonel de Kock six 10-ton truckloads of weapons". Eugene de Kock was a colonel in the apartheid-era South African Police and commander of C1 unit (Vlakplaas) which killed dozens of anti-apartheid activists. Powell has since left the company. Envirotrade was financed by European Union Environment Fund during its first five years.

Envirotrade has not signed any new contracts in Gorongosa since early 2009, and has now decided to pull out when the last signed contracts end in four years. Tree planting is too expensive and the idea of advance carbon sales has failed. But the company is looking is looking to REDD+ projects in two other areas, the Zambezi delta and the Quirimbas, largely for conservation but also planting. They calculate that they need to have between 50,000 and 100,000 hectares of REDD-areas for their business to become economically viable.

Background documents

Mozambique

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