

## *Conservation Payments to Ecuador: Not a Sustainable Approach*

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### **1. Sustainability of the “Hostage Approach:”** *Conservation payments do not explicitly guarantee the preservation of the Yasuní National Park (YNP).*

Many environmentalists laud Ecuadorian President Correa’s Yasuní-ITT Initiative (hereon referred to as Y-ITTI; this name arises from the locations of the proposed oil fields where oil will be kept in the soil –Ishpingo, Tambococho and Tiputini– which are named after the rivers near where they are found) as a progressive approach that will provide global public goods and ecosystem services such as reducing emissions, preserving biodiversity, and protecting indigenous community rights (Escribano 2013; Vogel 2013). This initiative stems from Ecuador’s Constitution (adopted in 2008) which incorporated the idea of *el buen vivir*, a concept that emphasizes the living in harmony with nature as well as rights of nature (Martin 2011). However, the international community has criticized Correa’s “hostage approach,” putting the future fate of YNP and all the biodiversity that it supports in the hands of potential donors (Acosta 2013). Simply put, the Y-ITTI would protect 175,000 hectares of some of the last high-biodiversity wilderness areas which are also home to the Tagaeri and Taromenae indigenous peoples who live in voluntary isolation (Bass et al. 2010; Pastor et al. 2008). The goal of the Y-ITTI is to keep 846 million barrels of oil permanently underground and avoid the emission of 407 million metric tons of CO<sub>2</sub> through international payments at a rate of at least \$350 million per year up to a total of \$4.6 billion (Finer et al 2009; Correa 2007).

However, under what is infamously called “Plan B,” if these payments are not met, the oil will be exploited, specifically via horizontal drilling through a subsidiary of the national Ecuadorian oil company, Petroecuador (Davidov 2012; Mast 2012). International skepticism had not been expected with the implementation of the Y-ITTI and President Correa attempted to postpone drilling by setting new deadlines with hopes of achieving a target amount of \$291 million in pledged funds for both 2012 and 2013. Unfortunately, even these expectations were not met; currently, international donations only total \$10.2 million (UNDP 2013). While President Correa states that “the world has failed Ecuador,” he has still given approval to drill for oil in the ITT blocks in YNP (Acosta 2013). The issue with such an approach through conservation payments was that it presented an “all-or-nothing” situation; for international investors, it was risky to donate any amount because it was uncertain if their donations would be “enough,” especially so because it depended on the participation of other countries. Instead of protecting areas of the ITT oil fields based on the proportion of funds donated in relation to the total amount expected (which could provide investors –and Ecuador– with instant protection of the YNP), President Correa arguably developed a proposal that was far too strict and risky– a proposal that deterred rather than drew international donors.

### **2. Future and Permanence of the Yasuní-ITT Initiative:** *Even if Ecuador received the requested conservation payments, there are no barriers set in place that would prevent future administrations from drilling the ITT oil fields, specifically in light of increasing oil prices and demand worldwide.*

Given that Ecuador has had seven different presidents and drafted two new constitutions between 1996-2006 (and was also the first country to default on its Brady Bonds in 2008), the stability of the Ecuadorian government is at best shaky (Finer et al. 2009). While the newest Ecuadorian government and constitution have explicitly focused

on incorporating progressive concepts and the rights of nature, there is much speculation (both domestically and internationally) concerning these environmental commitments, especially considering that the oil sector comprises over 50% of the nation's export earnings, more than 15% of its GDP, and approximately 50% of its total fiscal revenue (Escribano 2013). Ecuador is growing quickly and the question of whether development and conservation are compatible with one another is of great interest. While only a handful of studies have examined this question, Chang and Soruco Carballo studied the energy conservation policies of twenty Latin American and Caribbean countries and found that only four could implement appropriate policies that would not adversely affect economic growth—however, Ecuador was not one of them (Chang & Soruco Carballo 2011 as cited in Escribano 2013). Thus, noting the instable government structure and a growing economy highly dependent upon petroleum exports, Y-ITTI would not be guaranteed permanence.

In terms of the logistics of Y-ITTI, a common concern was what barriers would prevent future administrations from drilling the ITT oil fields, particularly if oil prices rose, which they undeniably will (Finer et al. 2010). By extension then, what amount of conservation payments would be enough to prevent drilling in the future? While President Correa originally asked for \$4.6 billion in conservation payments, this number fluctuated between \$3-\$7 billion, a considerable range (Finer et al. 2010). This may be due to the fact that the value of the ITT oil fields was expressed in terms of stored CO<sub>2</sub> (measured in metric tons) rather than extractable oil (measured in barrels) because of the instability of the global prices for heavy crude; however, these values are not equally interchangeable with one another and as demand for petroleum increases globally, the value of barrels of crude oil may become more attractive than pounds of stored CO<sub>2</sub> (Warnars 2010). While there were some measures in place to ensure commitment of the Ecuadorian government to the Y-ITTI, such as supervision of the conservation payment process via the UNDP Multi-Partner Trust Fund Office, the Y-ITTI failed to address the possibility that even if conservation payments were met successfully, they could be re-paid by the Ecuadorian Government at any moment and ITT oil fields could be drilled and exploited. Moreover, noting Correa's controversial environmental campaign (most notably his authorization of a 2009 mining law that retracted various environmental safeguards and bestowed "national treatment" to foreign companies), it is not out of the question that the opinion of his administration concerning the ITT oil fields may change in the future. Furthermore, YNP is a national park (and also a UNESCO designated Biosphere Reserve) that ought to be protected without question from oil development projects; the fact that Ecuador is effectively "offering" to protect YNP is yet another reason to question the commitment of Correa's administration to conservation.

3. **The Y-ITTI Will Not Directly Decrease CO<sub>2</sub> Emissions:** *Protecting YNP by leaving the oil in the ground does not reduce CO<sub>2</sub> emissions; oil will still be extracted from other countries with fewer regulations and weaker administrations.*

The basis for the Y-ITTI is linked to specific goals as outlined in the UN Millenium Development Goals (MDGs), specifically goal seven which refers to the integration of principles of sustainable development into governmental policies, reversal of the loss of environmental resources, and reduction of the loss of biodiversity (UN 2013). While the Y-ITTI supports this goal well in terms of protecting biodiversity, it is weaker in terms of "sustainable development" and does not truly address reducing global CO<sub>2</sub> emissions as set forth by the UN via various international agreements and treaties, such as the Kyoto Protocol (of which Ecuador is a member) (UN 2013). According to President Correa,

protecting YNP would “prevent the mission of around 111 million tons of [CO<sub>2</sub>];” that is to say at least 111 million tons (other estimates have calculated upwards of 407 million tons) of CO<sub>2</sub> that could be produced if oil were to be obtained and refined from the three major ITT oil fields in YNP would have the potential to be avoided (Larrea & Warnars 2009; Correa 2007). However, as stipulated in the Y-ITTI, donating to the initiative would take the form of purchasing “Yasuni Guarantee Certificates” (CGYs) which would be defined equivalent to carbon credits (Yasuni-ITT 2009 as cited in EJOLT 2013; Correa 2007). As a result, global CO<sub>2</sub> emissions may in fact not decrease at all. Instead, as explained by Finer et al. (2010), the oil supply needed (globally) would simply shift to another location with fewer environmental regulations and weaker administrations- an incident commonly known as known as “leakage.” In other words, oil (whether in YNP or in any other oil field around the globe) would still be extracted, refined, and eventually combusted. Moreover, defining the CGYs as an offset would not encourage CO<sub>2</sub> reductions amongst donators/buyers of the CGYs; quite the opposite, the initiative would permit donators to essentially “buy” CO<sub>2</sub> emission reductions instead of reducing CO<sub>2</sub> emissions themselves (Larrea &Warnars 2009; Finer et al. 2010). Ultimately, these faults in the set-up and definition of CGYs of the Y-ITTI greatly weaken the effectiveness of the initiative as a whole as well as the means by which it seeks to reduce CO<sub>2</sub> emissions globally.

4. **Unclear Use of Donated Funds:** *The application of donated funds is not clear from the original Y-ITTI proposal and it is ambiguous as to how these funds will benefit (or protect) YNP, the Ecuadorian economy, as well as the people of Ecuador.*

The looming question of the Y-ITTI concerns the ultimate fate of the conservation payments. The answer varies considerably among sources but in general conservation payments are to be used to fund renewable energy projects (such as hydroelectric, geothermal, solar, wind, biomass, and tidal) to change Ecuador’s energy matrix and increase national energy efficiency (UNDP 2013). In addition, although vaguely outlined, funds may also go towards investments in avoided deforestation and reforestation, which may result the market of more carbon credits (EJOLT 2013). However, there are no specific goals, objectives, or timelines outlined in the Y-ITTI; therefore, even if conservation payments were successful, Ecuador did not have any clear responsibilities under the Y-ITTI other than *not* exploiting the ITT oil fields (but even that is under Ecuador’s discretion). Other than investing in renewable energy, there may be alternate projects in which the funds could be supplied that would be more effective from a conservation perspective, such as the creation of a system of strict protected areas and “no-go” zones and the establishment of a protected corridor between YNP, Cuyabeno Wildlife Reserve, and other reserves, that could form a “megareserve” with YNP at the core (similar to a multiple-use module approach) (Bass et al. 2010). Also, it is worth noting the (controversial) effectiveness of conservation payments. For example, as explained by Warnars (2006), if the environmental service buyer (i.e. international donors to Y-ITTI) caused more deforestation or increased CO<sub>2</sub> emissions, but the environmental service seller (Ecuador) did not make the corresponding reduction (which may use funds from conservation payments), environmental damage could in fact increase.

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