

Phasing out the phase-out

The **president's oil policy** kills an ambitious climate-protection project in **Ecuador**, wasting investments in renewables worth billions.

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The small state of Ecuador in South America almost opened up a significant chapter in the annals of world climate protection. For two and a half years, politicians and lobbyists in the Andean republic battled to bring to fruition an unusual project that combined protection for rainforests and the climate with greater use of renewables.

At last, diplomats attending the World Climate Conference in Copenhagen were given a preliminary multinational agreement worth billions for the Yasuní-ITT project, virtually ready for signature. Signing it wouldn't have required unity at the conference, only the agreement of the Ecuadorian government and the industrial countries that had already announced their basic support for it.

Ecuador could have made history in Copenhagen with this innovative concept, showing frustrated delegations from all over the world how global climate protection could work. But the project failed, with an astonishing similarity to the entire conference in the Danish capital.

Species diversity and oil reserves

What happened? Yasuní-ITT is a rainforest area in eastern Ecuador, right on the frontier with Peru. The primeval forest, practically untouched by civilization, is watered by the Ishpingo, Tambococha and Tiputini (ITT) rivers, and its 190,000 hectares form part of the Yasuní National Park. But this area of subtropical rainforest isn't just one of the world's hot spots for species diversity and the homeland of indigenous tribes that still live in isolation. Beneath it, oil conglomerates have discovered at least 850 million barrels of oil, approximately a fifth of Ecuador's total reserves. And the country's economy is heavily dependent on oil exports.

Petroecuador, the state oil company, quickly baptized these "ITT Oilfields," and in 2007 the government signed initial exploitation agreements with oil companies like Venezuela's PDVSA. But the energy

minister at the time, Alberto Acosta, then came up with a revolutionary plan, and just a few months later president Rafael Correa, a self-styled "revolutionary of the 21st century," presented it to an astonished world at the UN plenary meeting in New York. He said he would refrain permanently from exploiting the ITT oilfields if industrial nations would compensate Ecuador for the economic losses it suffered. At bottom, the same crucial point was at issue as at the UN Climate Conference. How should industrial nations compensate developing countries for managing their resources in a climate-friendly way? And here came Ecuador with its own approach.

Compensation models were then sought in Ecuador and abroad, along with ways of managing and controlling the money while at the same time protecting the rainforest. The Ecuadorian negotiating team, of course, looked around the world for donor countries that thought protecting the rainforest and thus conserving natural carbon sinks was worth spending money on. After the German parliament had discussed the initiative many times, the project finally won cross-party support in a rare show of unanimity. Germany became the "leading nation" among the industrial countries willing to put up money.

The search for a practical mode of implementation proved to be tough. What was to be measured? The oil, the carbon saved, or the forest? How was compensation to be paid? By debt cancellation, emissions trading, development cooperation, or even cash payments?

A contract of exemplary character

In the end, an impressive document was drawn up. A fund was to put together half of the calculated long-term earnings from the ITT's hypothetical oil exports, a total of USD 3.5 billion. Roque Sevilla, until recently director of the Ecuadorian initiative, says 1.7 billion of that amount had already been promised by Germany, Spain, France,

Belgium and Sweden by the time of the Copenhagen conference, and other countries had expressed interest. Compensation was to be paid in annual installments over 13 years.

Unesco had already declared the Yasuní National Park a world biosphere reserve in 1989. Its sister organization, the United Nations Development Programme (UNDP), now said it was prepared to manage the money from donor countries in a trustee fund. Decisions about the use of the money were to be made by a committee of Ecuadorians and donor representatives in accordance with an exploitation plan specified in the contract. It could have become a model for Copenhagen.

In its latest form, the plan provided for 93 percent of the money to be invested in expanding renewables, with the other seven percent devoted to protecting the rainforest, reforestation, and social projects. Ecuador is only just beginning to use renewables. Three windmills on the Galapagos Islands and a few further small projects currently yield a dwindlingly small proportion of alternative energy, as is typical of a developing country. Ecuador produces its electricity mainly from large dams and antiquated diesel-driven power stations. These have also come up against their limits in recent years, with frequent, sometimes daily, power outages lasting for hours. The billions of investments in renewables would indeed have revolutionized Ecuador's energy sector and sustainably stiffened the economic backbone of this Andean republic.

Protecting the carbon sinks of the rainforest, preventing the burning of 850 million barrels of oil in the long term, and ecologically replacing fossil energy carriers in Ecuador's ramshackle electricity sector would have spared the Earth hundreds of millions of tons of carbon emissions. But the plan was apparently too good to be true. President Rafael Correa, who didn't even go to Denmark, blocked his own initiative right there at the Copenhagen con-



Crude oil or rainforest? If Ecuador allows the exploitation of the oil resources in the Yasuní National Park jungles, it will destroy an enormous carbon dioxide storage, and rare species like this dwarf frog will lose their biosphere.

ference. At the last minute, he told his delegation led by foreign minister and project supporter Fander Falconí, to let the planned signing of the trustee fund agreement fall through.

President Correa opposes climate initiative

Advocates of the ITT initiative were horrified. Correa then gave the death blow to the climate initiative in a national TV address on January 9, 2010. He furiously accused the hitherto “friendly industrial nations,” such as Germany, of planning to use the ITT agreement to attack the “sovereignty of Ecuador.” For that reason, he said, his country would “not accept these shameful conditions.” Correa claimed that, by controlling the application of the compensation funds, these foreigners would be making significant decisions about his country, something that had not appeared in the original agreement.

As the camera ran, he railed that “We’ve had enough of being treated as a colony.... Keep your money!” His speech climaxed with an announcement that he would immediately begin preparing for oil production in the ITT area - the Plan B he’d been keeping up his sleeve since 2007.

Local observers and critics of the president say Correa had long wanted to get out of the ITT initiative and had only waited for a suitable moment. Although the timing wasn’t optimal, it was his last chance of securing unrestricted access to the ITT oil deposits before an international agreement could stop him. And his action fits in perfectly with the government’s fundamental approach; the exploitation of raw materials takes precedence over resource conservation. Correa recently confirmed that policy with a large-scale mining program.

Hundreds of pipeline ruptures every year, leakages and serious environmental catastro-

phes stud the 40 years of oil production in the Ecuadorian rainforest, but they don’t seem to deter Correa, despite the billions currently on offer.

Foreign minister Falconí has now resigned, and the ITT negotiating team led by Roque Sevilla has been disbanded. Only when Lenin Moreno, Ecuador’s vice-president, spoke up in favor of the ITT initiative did Rafael Correa pause. Now, he tells a surprised world, he’ll be pursuing a second approach with a new negotiating team. Whether any of those he has just abused as “colonialists” will take him seriously this time and sign up again is more than doubtful. The ITT-Yasuní initiative is dead in the water, or at least not to be resuscitated under the presidency of Rafael Correa. We’re left with the same jaded feeling as those taken from the Copenhagen climate conference by thousands of disappointed people a few weeks ago. ◀