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Circular economy or vicious cycle?

How corporate capture of policy-making and perverse incentives are driving deforestation

This report is the 63rd edition of **Forest Cover**, a series of publications by the **Global Forest Coalition** on international forest policy

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Front cover image: Fires started to clear land for agribusiness have devastated the Pantanal and other ecosystems this year, João Paulo Guimarães
Contents page/circular photo credits: Los Bajos No Se Tocan; Simone Lovera; João Paulo Guimarães; FCPEEP; Roshan Chikanbanjar; Bill Meier/Flickr; Justiça Ambiental; Mrinalini Rai; Federica Giunta; Extinction Rebellion North.
Back page photo: Monoculture eucalyptus plantation, Simone Lovera

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Eucalyptus plantations for pulp and paper in Mozambique. **Justiça Ambiental**

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Introduction: On forests, finance and perverse partnerships

By **Simone Lovera**, Global Forest Coalition, Paraguay

One of the biggest misconceptions in forest conservation policy is the assumption that forests grow on money.[1]

A 2015 comparative analysis[2] of the relationship between investment in the forestry sector and forest conservation in 19 countries that successfully halted and reversed forest cover loss found no statistical relationship. While a few countries that received significant forest conservation funding and other forest investments had halted or reversed forest loss (such as China), many countries that had received hardly any investments in their forest sector, including least developed countries, had a stable or even growing natural forest cover. Obviously, the relationship between forest sector investment and forest conservation is ambiguous to say the least. Government forestry agencies and large forest conservation organizations may depend on money, but forest conservation and restoration will simply happen for free, provided that forests are not destroyed by human activity.

Biologically speaking, of course forests don't grow on money—they were perfectly capable of conserving and restoring themselves for millions of years before money was even invented. Moreover, Indigenous Peoples and communities with primarily non-monetary economies tend to take very good care of their forests,[3] while the record in monetary economies tends to be a lot less positive. The community conservation resilience assessments GFC facilitated between 2015 and 2019 showed that recognition of forest governance rights, respect for the role of Indigenous Peoples, local communities and women in forest conservation and the provision of affordable (if not free) public services like health care, education, water, and electricity were considered far more valuable for community conservation initiatives than financial investments.[4] Researchers have even cautioned that introducing the idea that conservation has to be paid for might undermine the traditional value systems that are at the heart of many community conservation initiatives.[5]

So, while the positive link between forests and finance is contested, the negative link is not. It is widely recognized that perverse incentives in the form of subsidies and other economic incentives for sectors that trigger forest loss are a key driver of deforestation and forest degradation. As the examples in this report show, in many countries, forest loss is the result of activities and sectors that are enthusiastically supported through economic support mechanisms such as subsidies by the same governments that pledged though

Small-scale, peasant livestock farming and forest conservation go hand-in-hand. **Inés Franceschelli**

[1] https://www.un.org/esa/forests/news/2020/11/policy-brief-on-forest-financing-and-covid-19/index.html
[2] Lovera, S., Gupta, J. and van Ros-Tonen, M., 2015. Forests, Finance and Fairy Tales : The economic inefficiency of REDD+. Paper presented at the XIV World Forestry Congress, September 2015, Durban.
[3] Nepstad D, Schwartzman S, Bamberger B, Santilli M, Ray D, Schlesinger P, Lefebvre P, Alencar A, Prinz E, Fiske G, Rolla A. 2006. Inhibition of amazon deforestation and fire by parks and indigenous lands, Conservation Biology, 20(1), 65-73.
[4] https://globalforestcoalition.org/ccri-reports/
[5] https://ideas.repec.org/a/eee/wdevel/v28y2000i6p1001-1016.html and https://www.sciencedirect.com/science/article/abs/pii/S092180090900456X

Cattle fleeing fires on a ranch that was once forest. **João Paulo Guimarães**

the Sustainable Development Goals to halt deforestation by 2020.[6] For that reason, the Parties to the Convention on Biodiversity (CBD) agreed in 2010, as part of their first Strategic Plan, that *"By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts…"*

Sadly, the 5th Global Biodiversity Outlook that reported on the state of implementation of the first Strategic Plan of the CBD concluded in 2020 that "little progress" had been made in eliminating perverse incentives over the past decade.[7] That such little progress has been made is remarkable, as the phasing out of perverse incentives and harmful public investments would not only be one of the most effective measures to halt forest loss and mitigate climate change, but it could actually save governments a lot of money. Saving money should be a welcome co-benefit of environmental policies and measures now that most governments are deeply indebted due to the economic costs of the COVID-19 crisis. One could imagine it might be more useful for governments to invest in health care these days, rather than to invest in sectors that trigger deforestation and thus enhance the risk of future pandemics.[8]

So why has there been so little progress in the field of reducing perverse incentives for sectors that cause forest loss? Why do governments continue to have major contradictions in their forest-related economic regimes, spending millions of dollars on forest conservation while wasting billions on sectors and activities that destroy forests?

The answer lies in the corporate capture of government policy-making and finance related to forests and sectors that cause deforestation, including in particular the forestry, agriculture and livestock sectors. Corporate capture is defined by the International Network for Economic, Social and Cultural Rights as *"the means by which an economic elite undermine the realization of human rights and the environment by exerting undue influence over domestic and international decision-makers and public institutions."*[9] Friends of the Earth International identifies several forms of activities corporations undertake to influence national and international policy-making: lobbying policy-makers behind the scenes, organizing social events and other forms of 'hospitality', funding political parties, appointing private sector allies to influential public positions, funding think tanks and joining national or international task forces or other influential bodies.[10]

[6] https://unstats.un.org/sdgs/metadata/?Text=&Goal=15&Target=15.2
[7] https://www.cbd.int/gbo/gbo5/publication/gbo-5-en.pdf, p.12
[8] https://www.nature.com/articles/d41586-020-02341-1
[9] https://www.escr-net.org/corporateaccountability/corporatecapture/about

Another highly problematic trend facilitating the corporate capture of public policy-making is the increasing tendency of governments and intergovernmental funds and agencies to blend their financial support for so-called sustainable development projects with private sector investments, thus creating mutual financial dependencies. If government projects depend, partly or entirely, on corporate finance, the government agencies involved will not be inclined to take measures like removing perverse incentives that would undermine the profitability of these generous donors.

There is also a misconception about a supposed lack of economic resources to address deforestation, its drivers, and the ecosystems loss and climate change crises overall, hence the mantra about the need to leverage private finance. The reality is different, however. By redirecting funding, resources and perverse incentives away from harmful sectors (such as from fossil fuels, the military and agribusiness) and putting them where they should be, this problem would largely be solved.

Blended finance comes in many different forms. It includes public-private partnerships in which both public donors and corporations contribute in-kind or financially to a joint initiative. It also includes public subsidies for private sector investments or, for example, government guarantees for private investments that make it more attractive for private investors to put their money into projects with potential environmental or social risks. Funds like the Global Environment Facility (GEF) provide seed funding for initiatives like IUCN's Nature+ Accelerator,[11] which is meant to facilitate private sector investments in so-called "nature-based solutions"[12] that aim to use nature as a "solution" to enhance corporate profits. The Green Climate Fund (GCF) has also begun leveraging private finance for climate change mitigation and adaptation by blending its funding with a broad range of highly questionable if not clearly destructive commercial activities such as tree plantations and intensive livestock farming (see page 30).

As the examples in this report show, all over the world, corporations, agro-industrial producers and other private sector actors are benefiting from significant amounts of direct or

Public-private partnerships lead to commercial activities like industrial tree plantations rather than forest conservation. **Simone Lovera**

[10] https://www.foei.org/what-we-do/corporate-capture-explained
[11] https://www.iucn.org/theme/nature-based-solutions/initiatives/nature-accelerator-fund
[12] For more information on this topic see Forest Cover 61: https://globalforestcoalition.org/forest-cover-61

indirect subsidies, fiscal benefits and other incentives for activities that are damaging to forests and forest peoples. It is no surprise therefore that they lobby policy-makers hard against the elimination, phase out or redirection of them. Sectors that have a devastating impact on the world's forests such as industrial livestock farming and bioenergy generation would probably not even exist without the billions of dollars in public support they have received in recent decades.

This report starts with an analysis of the perverse incentives and subsidies for the intensification and expansion of unsustainable livestock farming in Argentina, Paraguay, Brazil, DRC and Nepal, and how this is driving the destruction of biodiverse ecosystems, carbon emissions and conflicts with communities. It also looks at how the corporate capture of decision-making at the national, regional and international levels has led to strong subsidies and incentives for destructive practices in the agricultural and forestry sectors, and ensures that reforming these incentives remains a distant possibility. At the national level, the influence of the pulp and paper industry over decision-making in Portugal is having direct impacts on peasant farming communities in Mozambique and, in the UK, intense lobbying by the owners of the world's largest biomass power station has guaranteed huge subsidies for years to come. At the regional level, we explore how corporate lobbyists working on behalf of agribusiness have blocked the reform of the biggest perverse incentive of all, the EU's Common Agricultural Policy. Internationally, we look at how the capture of global climate policy-making and finance mechanisms is incentivising commercial tree plantations, bioenergy and other false solutions to the climate and biodiversity crises.

In the conclusion, we draw out the commonalities between the diverse range of examples in this report, and make the case that the only way to achieve both an end to deforestation and incentives that are harmful to biodiversity is to break the vicious cycle of corporate influence over public policy-making, the perverse incentives that result from it and the often insurmountable barriers to subsidy reform it creates.


Subsidies and incentives for commodity production are driving deforestation and forest degradation. **Cooke Vieira/CIFOR**

Argentina on the brink: Subsidies and state support for industrial livestock and feedstock farming are destroying wetlands

By **Emilio Spataro**, Amigos de la Tierra, Argentina

Argentina is facing the worst economic crisis in its history. On top of the country's structural problems, the neoliberal measures adopted in the last four years of the previous government administration (2015-19) deepened the national debt and capital flight. In 2020, despite the shift to a progressive administration, the situation was worsened by the consequences of the pandemic.[1]

But beyond issues of public finance and the depletion of Central Bank reserves, the Argentine government continues to develop plans and projects to support and expand the extractivist model generally and agribusiness specifically.

Government measures in this area include the "Initiative of 200 million tons of grains, oilseeds and pulses", which was published in the state's official gazette in Resolution 216/2020[2] and touted in the media by the head of the Ministry of Agriculture, Livestock and Fisheries, Luis Basterra.

The aim of the plan is to have Argentina produce 200 million tons of grains annually by 2030.[3] It involves the development of public policies such as tax benefits, access to finance and reduced interest rates, among others. Likewise, the initiative aims to recover an additional 500,000 to 1 million hectares of agricultural land in buffer zones or areas of restricted access using new technologies: GMOs, synthetic biology and digital agriculture.[4] According to the project, this would translate into an increase of $20 billion in exports by the sector over a period of five to ten years, reaching a total of $57 billion.[5]

Soy beans ready for harvest in Argentina. **Lucio Marquez/Flickr**

This plan amounts to nothing less than the advance of monocultures of soy, wheat, corn and rice (among others) into wetlands and native forests, given that it does not target land already degraded by agriculture or livestock.

It will also have an enormous impact on the expansion of livestock farming, both in Argentina and in other countries. According to a report by the Bolsa de Comercio de Rosario, 75% of domestic corn production (12.4 Mt) goes to animal feed.[6] Meanwhile, 55% of the country's soy production is exported to be consumed by animals, and Argentina is the world's largest producer and exporter of flour and other soy derivatives for animal fodder, primarily to China.[7]

[1] https://www.pagina12.com.ar/280812-claudio-moroni-estamos-atravesando-la-peor-crisis-economica-
[2] https://www.boletinoficial.gob.ar/web/utils/pdfView?file=%2Fpdf%2Faviso%2Fprimera%2F236002%2F20201014
[3] La Bolsa de Cereales de Buenos Aires (BCBA) estimated a 2020-21 grain crop of 120.8 million tons. https://www.telam.com.ar/notas/202010/524850-agricultura-aprueba-iniciativa-alcanzar-200-millones-toneladas--granos-antes-2030.html
[4] While the government has not explained how the plan to produce 200 million tons of grains will be articulated, Argentina recently allowed the sowing of genetically modified drought-resistant wheat (see https://www.ecoportal.net/temas-especiales/transgenicos/trigo-hb4-transgencio/). An agreement was also signed with the Bill Gates Foundation (the AgTech Plan) to implement precision agriculture through digitalization (see www.biodiversidadla.org/Documentos/El-socio-menos-pensado-Bill-Gates-desembarca-en-el-sistema-agroalimentario-argentino).
[5] https://www.ambito.com/agronegocios/granos/el-gobierno-impulso-una-iniciativa-producir-200-millones-toneladas-anuales-antes-2030-n5140217
[6] https://bcrnews.com.ar/ganaderia/cuanto-maiz-se-destina-a-la-alimentacion-animal-en-argentina/
[7] http://agrovoz.lavoz.com.ar/actualidad/casi-mitad-de-harina-de-soja-que-se-exporta-en-mundo-es-argentina

While there is no information regarding what percentage of land is to be dedicated to each crop and to livestock, a recognition of the transformation of natural areas such as wetlands is explicitly mentioned in the annex to Resolution 216, which cites "modification projects for grain crops in the Southern Lowlands".

The Southern Lowlands, located in the provinces of Chaco, Santiago del Estero and primarily Santa Fe, are among the largest and most important wetlands in the Gran Chaco region of South America. Approximately four million hectares in size, they consist of a flood-prone depression where water runoff fills and connects lakes, swamps and estuaries. They are home to threatened and/or vulnerable species such as birds including the buff-breasted sandpiper (*Tryngites subruficollis*) and Hudson's canastero (*Asthenes hudsoni*), the latter being an endemic species in the Southern Lowlands.[8] They are also among the last refuges of the Pampas deer (*Ozotoceros bezoarticus leucogaster*) and have been identified by BirdLife International as among the world's Important Bird and Biodiversity Areas (IBAs).[9]

The Southern Lowlands, however, are under enormous pressure to free up land for industrial agriculture and livestock, driven by the Argentine state and provincial governments. In early 2020, the federal government announced $60 million in spending on canals to drain three million hectares of this wetland[10] under the premise of reducing the impacts of flooding. Now, in a year of pronounced drought, with the explicit inclusion of the Southern Lowlands in the "200 million tons by 2030" initiative, it is clear that they are only seeking to use public funds to transform wetlands for agricultural monocultures and livestock expansion.

Big agribusiness is driving the push towards agricultural expansion on natural lands, financed and subsidized by the state. The Consejo Agroindustrial Argentino,[11]

The Southern Lowlands wetland ecosystem, Argentina. **Los Bajos No Se Tocan**

[8] Benzaquen, L., et al. (eds.), Regiones de Humedales de la Argentina. Ministerio de Ambiente y Desarrollo Sustentable, Fundación Humedales/Wetlands International, Universidad Nacional de San Martín and Universidad de Buenos Aires: 2017.
[9] Di Giacomo, A. S. (ed.), "Áreas importantes para la conservación de las aves en Argentina. Sitios Prioritarios para la conservación de la biodiversidad", Temas de Naturaleza y Conservación 5:1-514, Birdlife International, Buenos Aires: 2017.
[10] https://www.lanacion.com.ar/economia/campo/bajos-submeridionales-buscan-reactivar-produccion-3-millones-nid2332481

Soy monocultures for animal feed and tree plantations for pulp and paper border wetlands in Argentina. **European Space Agency/Flickr**

a powerful industry association, have presented their plans directly to the president,[12] and they also strongly oppose civil society initiatives to increase legal protections for wetlands and forests that would get in the way of their vision.

The Rural Outreach Board, a business group comprised of the Sociedad Rural Argentina (SRA), Federación Agraria, Coninagro and Confederaciones Rurales Argentinas (CRA), opposes the creation of an observatory on agrochemicals to officially document and make publicly available information on the contamination caused by agricultural fumigations. It also opposes the fire law, which seeks to prohibit land use changes after fires for 30 years in wetlands and 60 years in forests. But the greatest opposition is to the wetlands law, about which the board stated, "based on a broad and questionable definition of wetlands, if it were to succeed, it would exclude large portions of the national territory from productive activity".[13] The CRA also objected based on the impact on livestock production: *"we do not agree with a budgetary law that involves the whole nation and especially wetlands with such a broad definition involving 25 or 30% of the national territory and that will complicate a productive sector that has for many years been producing meat in lowland fields..."*.[14]

Thus, we see how the agricultural and livestock sectors work; first, they generate proposals for "economic reactivation and job creation" that are not based on private investment but rather on tax breaks, subsidies, financing and public infrastructure works. That is, the transfer of public resources to private companies. Then, after numerous meetings with officials and intense lobbying, the government creates initiatives, plans and programs that institutionalize the corporate demands. Finally, agribusiness pressures the state to reject new environmental legislation that could limit its plans for expansion.

But after a year of forest fires that have destroyed more than half a million hectares of wetlands and a pandemic, civil society organizations will not allow the corporate lobby to be louder than popular outcry. The National Wetlands Network (Red Nacional de Humedales) held a week of struggle from November 14-21 to defend wetlands and promote a petition signed by more than 600,000 people calling for the passage of a law to protect wetlands. Their aim is to safeguard these ecosystems from the corporate interests that would destroy them, for the common good of society.

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11 http://bcch.org.ar/BCCH/web/bundles/BCCH/PDF/Agronegocios/bf6f7ef6ebd899ece581e5f75241f67a0551c457.pdf
12 https://www.telam.com.ar/notas/202008/498483-alberto-fernandez-y-el-consejo-agroindustrial-analizaron-plan-para-aumentar-las-exportaciones.html
13 https://www.lanacion.com.ar/economia/campo/ceea-nid2487724; https://www.greenpeace.org/argentina/story/issues/bosques/greenpeace-la-sociedad-rural-presiona-para-que-no-haya-castigo-a-quienes-provocan-incendios-y-desmontes/; and https://www.infocampo.com.ar/si-la-ley-de-humedales-no-se-encara-bien-podriamos-sacar-de-la-produccion-una-enorme-cantidad-de-hectareas/
14 https://www.infobae.com/campo/2020/09/27/ley-de-humedales-de-que-se-trata-y-que-piensan-el-campo-y-los-ambientalistas/

Livestock farming and privilege in Paraguay: Destruction and injustice

By **Miguel Lovera**, Iniciativa Amotocodie, Paraguay

Livestock farming, particularly cattle ranching, is among the most well-established economic activities in Paraguay. According to the colonial figure Ruy Díaz de Guzmán, the first cattle were introduced in the mid-16th century. Today, there is a longstanding, tense and unjust relationship between Paraguay's human population and its cattle, venerated by the feudal elites installed during colonialism and whose heirs continue to exert a strong and retrograde influence on the national economy.[1]

The national cattle herd has gone from seven million in 2007 to about 14 million today, making Paraguay the world's ninth largest beef exporter.[2] In the last 20 years, increased investments have accompanied the introduction of new breeds and genes into the creole livestock herd,[3] and beef exports have grown from 27,000 tons in 1994 to 249,000 tons in 2019.[4] In terms of monetary value, this is an increase from $55 million in annual exports to $1.2 billion.[5]

These “achievements” have been made possible by a system of privileges and subsidies for the livestock sector. It began with the underlying cause of environmental catastrophe in the country, which is the archaic tradition that to “be someone” in a place like Paraguay, one must own (at least) one large farm. Hence the Colorado Party, in power for 162 of the 209 years of the country’s independence, distributed at least 20 million hectares of public land to its clientelist network, such that 90% of the land became privatized and 80% of it was placed in the hands of 2% of the population.[6] This was the founding subsidy provided to the nation’s livestock sector.

The Colorado Party has served as the main link between the livestock sector and the political class, and many of its politicians, officials and parliamentarians currently own cattle ranches. In this way, livestock activities remain in the hands of a sector that maintains its privileges over time. This economic and socio-political structure continues to form the basis of beef production for export. In recent months, it was revealed that an influential Paraguayan senator whose family has connections to the Colorado Party—although he represents a different one—obtained a farm that occupies land that is protected as part of the country’s oldest national park[7] through a combination of political influence

A young jaguar killed by a car while escaping a forest fire in the Paraguayan Chaco. **Miguel Angel Alarcon Bobadilla**

[1] Miguel Lovera, “La Dimensión Ganadera de los Agronegocios: Negocio insustentable que mantiene la inequidad”, In Marielle Palau, Con la soja al cuello 2015. Informe sobre Agronegocios en Paraguay, BASE-IS Asunción, 2015.
[2] Figures from USDA, Livestock and Poultry: World Markets and Trade, 2020. https://apps.fas.usda.gov/psdonline/circulars/livestock_poultry.pdf
[3] L. Arce, La industria Cárnica en el Paraguay. Observatorio de Economía Internacional, Asunción, 2012.
[4] https://www.datamarnews.com/noticias/mercosur-registers-exceptional-beef-exports-in-2019/
[5] Figures calculated based on data from the Beef Commission of the Rural Association of Paraguay.
[6] Miguel Lovera, “Transgénicos en la agricultura: una imposición motivada ideológicamente”, Espacio Orgánico, Asunción, 2014.
[7] https://www.abc.com.py/nacionales/2020/10/26/denuncian-al-senador-fidel-zavala-por-la-usurpacion-y-venta-ilegal-de-una-parte-del-parque-nacional-ybycui/

Area burned to clear land for cattle ranching in the Paraguayan Chaco. **Simone Lovera**

and bribing officials. This case is one of many exemplifying the usurpation of public land in Paraguay.

The subsidies and privileges enjoyed by cattle ranching elites do not end there. Paraguayan law guarantees the livestock sector cheap access to the national labor force by granting it a "minimized" minimum wage of $129 per month for employees on farms with up to 4,000 head of cattle and $178 per month for farms with more than that, while the "normal" minimum wage is more than double that at $364 per month.[8]

Meanwhile, taxes on livestock farming are negligible. For example, the Impuesto a las Rentas de las Actividades Agropecuarias (IRAGRO), the only direct tax on agricultural activities, is calculated by the companies themselves in a "sworn declaration" that is rarely reviewed by a treasury official, as there are only 100 officials for over 200,000 farms. The majority of these are small, but the large ones account for 90% of the total area used for livestock farming. The rest of the country's inhabitants meanwhile lack privileges and must contribute at the full rate, primarily through the value-added tax (VAT) on domestic commercial transactions, which accounts for 65% of the national tax base.

Another tax that would normally be an important share of productive capital is the tax on real estate. In Paraguay, this represents only 1% of the tax value of rural properties, amounting to just $6-7 million per year in revenue despite the fact that this applies to an area of 20 million hectares. As a result of this situation, the three main taxes paid by the country's agricultural sector—IRAGRO, the real estate tax and VAT—add up to just $67 million, or 2.8% of total national tax revenues in good years, while the sector accounts for 27% of GDP.[9]

The cattle industry and related exports are not just the result of local "efforts". They also enjoy support from the UN Development Programme and international finance mechanisms, both private and public. For example, the Global Environment Facility is supporting livestock expansion in the Paraguayan Chaco, a region with one of the highest rates of deforestation in the world. This support involves greenwashing the industry's image by including it in its portfolio as a "sustainable activity".[10] In addition, a 2019 International Finance Corporation article with the suggestive title of "Beefing up Paraguay's meat industry"[11] details the multiple public, private, foreign and domestic contributions that have been made to financing the increased productivity of livestock farms in order to stop deforestation. However, this has in fact been shown to have the opposite effect; increased productivity has been accompanied by increased deforestation in the Chaco and the rest of Paraguay.

Thus, Paraguay contributes its soil, water and labor while foreign investors export the most coveted product of that soil: beef. Some 60-70% of beef exports are carried out by Brazilian companies that do not pay export taxes.[12] Paraguay is therefore among a select group of "tax havens" where money from questionable origins can be laundered. Meanwhile, the rest of the country—and especially the most vulnerable—assume the high social, economic and environmental costs, accumulating a debt to be paid by present and future generations, and whose rights are denied in order to subsidize the privileges of an ancient feudal class.

[8] https://portal.ips.gov.py/sistemas/ipsportal/contenido.php?c=130
[9] Figures for 2019 calculated based on data from the Secretaría de Estado de Tribiutación de la República del Paraguay (State Secretariat for Taxation of the Republic of Paraguay).
[10] "Lanzamiento de la Plataforma Nacional de Carne Sustentable", 25 November 2020. https://greencommoditiesparaguay.org/lanzamiento-de-la-plataforma-nacional-de-carne-sustentable/
[11] https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/paraguay+meat+industry
[12] Miguel Lovera, "La Dimensión Ganadera de los Agronegocios: La ganadería en el contexto del 'Nuevo Rumbo'". In Marielle Palau, Con la soja al cuello 2016. Informe sobre Agronegocios en Paraguay, BASE-IS Asunción, 2016.

Brazil's unsustainable agro-industrial supply chain and perverse incentives against forests and human rights

By **Carolina Alves**, Plataforma Socioambiental, Brazil; and **Letícia Tura** and **Maureen Santos**, FASE, Brazil

Brazil's industrial meat production supply chain goes far beyond the rearing, slaughter and processing of animals. It also includes the soy sector, where 90% of production is used in animal feed. Brazilian soy production has grown by over 140% in the past 20 years, and for more than a decade FASE has carried out studies[1] exposing just how unsustainable the agro-industrial livestock sector is.

Brazil has 215 million cows, the second largest herd in the world and more than Brazil's human population. Cattle ranching occupies more land than any other economic activity and, put together, livestock farming and agricultural production occupy a total of 350.2 million hectares.[2] Brazil is also the largest exporter of soy in the world, with agricultural commodities accounting for 46% of the value of Brazilian exports, the vast majority of which go to Asia. In addition, Brazilian companies account for a significant part of the global beef market, and the country is the 3rd largest producer of milk in the world.[3]

Aerial image of an area devastated by fire in the Pantanal region. **João Paulo Guimarães**

The growth of the sector is underpinned by public and private, national and international investments, and its economic scale is matched by the scale of the socio-environmental problems it causes. The national agricultural and livestock policy (Plano Safra) includes a series of government programs that involve strong support for livestock production. Most of these programs claim to promote sustainable livestock farming, such as the Low Carbon Agriculture Plan and the National Policy for Crop-Livestock-Forest Integration, but the reality is far different.

In a recent report, the *Articulação dos Povos Indígenas do Brasil* (Articulation of the Indigenous Peoples of Brazil, APIB)[4] in partnership with Amazon Watch showed the links between major international financial institutions and the production and export of commodities involved in conflicts on Indigenous lands, deforestation, land grabbing and the weakening of environmental protections. According to the report, the record 120-million-ton soybean harvest over 2019-20 was only possible thanks to an increase in

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[1] See https://fase.org.br/wp-content/uploads/2010/06/Onde-pastar.pdf; https://fase.org.br/wp-content/uploads/2016/08/Livro-Cadeia-Industrial-da-carne.pdf; https://fase.org.br/wp-content/uploads/2017/03/brazil-case-study-PT.pdf; and https://fase.org.br/pt/acervo/documentos/a-luta-camponesa-construindo-transicao-agroecologica-no-mato-grosso-resistencia-ao-modelo-hegemonico-da-pecuaria-industrial/
[2] https://censos.ibge.gov.br/agro/2017/resultados-censo-agro-2017.html; https://www.canalrural.com.br/noticias/area-ocupada-por-agricultura-cresceu-5-desde-2006-aponta-ibge/
[3] https://agronewsbrazil.com.br/brasil-e-o-3o-maior-produtor-de-leite-do-mundo-superando-o-padrao-europeu-em-alguns-municipios/
[4] http://apib.info/files/2019/05/Cumplicidade_Na_Destrui%C3%A7%C3%A3o.pdf

Investor	Company receiving investment	Description and amount in US$
Black Rock, USA	JBS	Invested more than 3.9 million in bonds and shares (2017-20), holds 332 million in JBS shares.
	Marfrig	39 million
	Minerva	24 million
BNDES, Brazil	JBS	Second largest JBS shareholder, owner of 20% of the company, has already invested 3.7 billion.
Morgan Stanley, USA	Marfrig	Issued around 947 million in bonds to Marfrig between 2014 and 2017. It is a shareholder of the company.
Banco do Brasil, Brazil	Sector in general	Through so-called "Rural Credit", it totaled just over 18 billion in 2012 for companies in the livestock sector.
KfW, Germany	Via BNDES for projects implemented by companies in the sector	Will provide 30.3 million for the "Innovation in Agricultural Productive Chains for Forest Conservation in the Legal Amazon" project.

deforestation and violations of social and environmental rights.

The soy sector's production model is based on large monocultures, and transnational corporations dominate all aspects of the supply chain. Combined with the relentless expansion of cattle pastures into the Amazon and the Cerrado, these activities are the main vectors of environmental destruction in the country, causing deforestation, water pollution, greenhouse gas emissions and loss of biodiversity. This destruction has profound impacts on the territorial rights of Indigenous Peoples and traditional and peasant communities and on food sovereignty in the countryside and cities.

Livestock farming is one of the main drivers of deforestation in the country, and the sector's four largest meatpacking companies—JBS, Marfrig, Minerva and BRF—have frequently been accused of buying cattle from ranchers that have been fined for illegal deforestation.[5] In recent years, Brazil has had alarming rates of deforestation, and the National Institute for Space Research (INPE)[6] reports that 11,000 km^2 of forest was cleared in the Brazilian Amazon between August 2019 and July 2020.

In addition to economic power, agribusiness has great political power too. One of the main ways that political influence is exerted is through the Parliamentary Agriculture and Livestock Front (FPA), also known as the *bancada rural*. The FPA has 39 senators and 245 federal deputies among its members. It operates in the Federal Congress and also has influence in State Legislative Assemblies and Municipal Chambers. According to a report by *De Olho nos Ruralistas*, the main organization monitoring the *bancada's* actions,[7] it is financed by Brazil's banking sector, including Banco do Brasil, Santander and Itaú BBA, and by 22 of the 50 largest agribusiness and livestock companies in Brazil, including Bayer, Basf, Syngenta, Bunge, Cargill, BRF, SEARA, Aurora, JBS and Ceratti.

Despite Brazil's ongoing environmental calamity and international pressure on the Bolsonaro government led by European Union member states concerned about the possible impacts of the EU-Mercosur free trade agreement, state and private support for the livestock and feedstock sectors continues to grow. According to data released for 2020-21, the federal government intends to invest 39 billion Euros in the sector,

[5] https://deolhonosruralistas.com.br/2020/07/18/omissao-do-bndes-faz-jbs-comprar-gado-de-desmatamento-da-amazonia-diz-anistia/ and https://reporterbrasil.org.br/2020/09/bb-e-bndes-sao-os-bancos-que-mais-financiam-setores-que-desmatam-mostra-estudo-internacional/
[6] http://www.inpe.br/noticias/noticia.php?Cod_Noticia=5615
[7] https://deolhonosruralistas.com.br/

Photos taken from "Pantanal on fire: The impacts of soybean and livestock production in Mato Grosso, Brazil". **João Paulo Guimarães**

representing 6% growth compared to 2019, with much of the resources coming from public banks such as BNDES.[8] Of this total, 200 million Euros will be allocated as grants to subsidize the costs of insurance. Other forms of state support include investments in research and new technologies and pro-industry legislative changes.

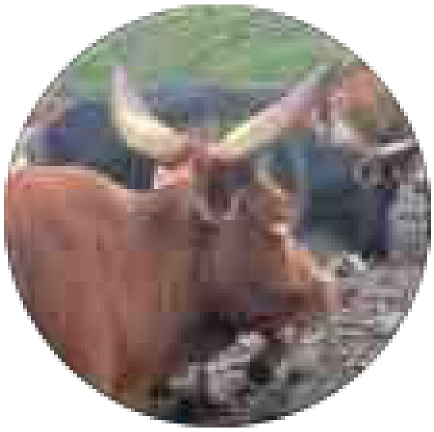
So-called green financing is also gaining popularity quickly. Brazil is a leader in the issuance of green bonds in Latin America, with US$5.13 billion issued since 2014, and the agriculture and livestock sectors are considered the main markets for these "green" investments. This trend is being supported by new policies that facilitate market access for international investors and that indirectly finance the industry's expansion.

The Brazilian economy is now in crisis due to the pandemic and the government's lack of an economic strategy, and severe fires in the Amazon, Cerrado and Pantanal have also caused investors to be more cautious. However, Brazil remains fertile ground for investments in agribusiness. According to the Brazilian Confederation of Agriculture and Livestock (CNA), the country's low interest rate is another big incentive for investors and, coupled with the devaluation of the currency, investments are now cheaper and there is more competition between investors. In addition, Chinese meat imports from Brazil had increased by 65.8% this year as of August 2020,[9] partially alleviating economic challenges.

While the state continues to guarantee support for agribusiness, resources for essential services such as for family farming—which produces most of the food consumed in the country—are being undermined and hit hard by the pandemic. Recently, the federal government vetoed a law for an emergency plan for family farming and also tried to veto the emergency plan for Indigenous Peoples. Their argument that there was a lack of funds to support these measures clearly demonstrated that their political allegiances lie with the interests of profit rather than the people.

[8] BNDES. Estatísticas Operacionais do Sistema BNDES. 2020. https://www.bndes.gov.br/wps/portal/site/home/transparencia/estatisticas-desempenho
[9] https://www.moneytimes.com.br/exportacao-de-carne-do-brasil-aumenta-12-no-ano-ate-agosto-china-compra-658-mais/

The livestock sector in South Kivu, Democratic Republic of Congo: Corruption, poor governance and a brutal disregard for human rights



By **John Ciza**, FCPEEP, DRC

The Democratic Republic of Congo is endowed with a variety of ecosystems and natural habitats possessing an exceptional biological diversity, making it one of the ten mega-biodiverse countries in the world.

With a forest cover of over 155 million hectares, DRC represents about 10% of the world's forests and more than 47% of those in Africa.[1] However, this biodiversity is seriously threatened by intense demand for fertile land, where forest concessions are being awarded for agro-pastoral purposes.

The demand for and production of animal products is increasing rapidly in DRC due to population growth and changes in lifestyle and diet. Unsustainable livestock farming, both large and small-scale and carried out by businesses as well as individual farmers, is therefore contributing to the destruction of forests and biodiversity and air, water and soil pollution.[2]

Like in many places, the livestock sector is socially and politically very important in DRC and ensures the survival of many rural populations as a considerable source of livelihood. Increasingly, however, large-scale production for sale in urban areas is being prioritized over small-scale production for consumption in the local area and surrounding communities. At the same time, forest-dependent peoples and marginalized groups such as women are being exploited, abused and deprived of their fundamental rights. This is especially the case in the territories of Mwenga, Kabare and Kalehe in the province of South Kivu,[3] which is the focus of this article.

Harvesting fodder for cattle. **FCPEEP**

Some villages in Mwenga, Kabare and Kalehe have lost large areas of forests due to livestock farming, in large part due to changes in land use related to the production of fodder crops, where trees are felled and the land is burned to turn it into arable land.[4] This has resulted in the invasion of protected areas such as the Kahuzi-Biega National Park, the Itombwe Nature Reserve and other areas of community forests by herders looking for new land. This generates sometimes deadly conflicts between pastoralists,

[1] Ministère de l'environnement, conservation de la nature et développement durable de la RDC. 2016. Stratégie et plan d'action nationaux de la biodiversité (2016-2020), Kinshasa, p14, 15.
[2] http://www.fao.org/livestock-environment/fr/
[3] http://www.fao.org/ag/fr/magazine/0612sp1.htm
[4] Information provided by the President of the Environmental Civil Society of South Kivu, interview held in Bukavu on 4 November 2020.

managers of protected areas and forest-dependent communities.[5]

In addition to the pressure on the environment in South Kivu, livestock farming has accentuated the misery of forest-dependent peoples and local communities who find themselves dispossessed of their lands and forests. Although some of the farming practices of local communities are also part of the problem, those most responsible are the large companies. Several villages find themselves invaded by investors, company shareholders, politicians and influential business people. Under the protection of customary chiefs and local politicians, they use their political and financial influence to gain access to land and natural resources in many forest areas, and they benefit directly from poor governance and weak regulation.

Women are also routinely exploited within the livestock industry. They are considered cheap labor and paid meager wages for their roles, which include transporting fodder, sweeping sheds, drawing water, feeding livestock and washing utensils used to store milk. They are also at risk of sexual harassment by the managers and owners of farms.[6] Women are further marginalized because they face rigid customs that deny them their rights to own and inherit land, and to work with decent conditions and fair pay. In several communities, Congolese women are considered to be second-class citizens, making it especially hard for them to defend their rights or their forests.

Mining: another driver of forest loss and human rights abuses in DRC

There are many parallels between the mining and livestock sectors in DRC, and in fact, some of the agro-pastoral companies with close political links are also involved in mining. The mining sector is similarly divided into large and small-scales, with industrial and artisanal mining often being in competition and conflict with each other.[1] Both have negative impacts involving the loss of forests and violation of the rights of forest-dependent peoples, as well as impacts on women who are exploited for meager income. Most of the mining operations in Mwenga, Kalehe and Kabare are open-pit, leading to significant forest destruction, soil and landscape degradation and water pollution, as well as social impacts and health risks for surrounding communities. In South Kivu, mining companies are accused of expropriating the lands of rural communities. They use their influence over the political and administrative authorities, customary chiefs, local leaders or armed groups to obtain operating permits without the free prior and informed consent of local communities. Despite DRC's wealth in natural resources, their exploitation fails to contribute to improving the living conditions of its population. This is a consequence of the bad governance that punctuates politics and the influence that companies have over political decision-makers.

[1] Ministère de l'environnement, conservation de la nature et développement durable de la RDC. 2016. Stratégie et plan d'action nationaux de la biodiversité (2016-2020), Kinshasa, p45.

Mining in South Kivu. **FCPEEP**

In general, those responsible for the expansion of livestock farming in DRC are influential businessmen, some of whom are serving or retired politicians that are also direct shareholders in agro-pastoral businesses, or have family members that are. With the financial resources at their disposal, these business owners are able to easily influence decision-makers in order to carry out political and administrative acts in their favor. These include

[5] Information provided by a Tourism Officer at Kahuzi-Biega National Park, interview held at Tshivanga station, 2 November 2020.
[6] Information provided by a managers at a cattle farm who is the president of the Bugorhe/Kabare cattle farmer's group, interview held in Kashenyi on 5 November 2020.

Cattle farming in South Kivu. **FCPEEP**

granting subsidies and other financial incentives such as tax breaks.

In Mwenga, Kabare and Kalehe, there are numerous examples of companies directly benefiting from their close links to decision-makers. Company A,[7] for example, is active in the agro-pastoral and mining sectors and belongs to an influential businessman who is partnered with the Congolese state. Company B is another agro-pastoral business owned by a current national deputy who sits on the Environment and Natural Resources Commission within the DRC National Assembly. Company C, also an agro-pastoral business, belongs to a former government minister and DRC deputy. The political and financial influence that these companies exert over local leaders, state agents and political institutions facilitates their acquisition of land and access to a wide range of state services and supports.

Agro-pastoral activities take place in DRC in a context of faltering governance and brutal disregard for human rights. Marginalized groups are not able to assert their rights against livestock companies in their territories because corruption, nepotism, impunity and clientelism ensure that the justice system is not independent, and that the owners of these companies are protected by members of the government who have an interest in supporting and protecting their interests.

Some laws also favor the dispossession of the lands of local communities by agro-pastoral companies by granting land and forest concessions. This is the case with the law that makes the Congolese state the sole and inalienable owner of the soil and the subsoil,[8] where individuals are simple users and/or tenants, and community lands are not recognized. There is therefore an urgent need for land reform in the DRC to reflect the current economic, environmental and social realities, and to recognize the customary rights of vulnerable and marginalized populations to occupy and use non-registered community lands.

The support offered to the livestock sector in the DRC is not extended to local farmers, but rather, is geared towards businesses with close links to influential politicians. This only increases the financial resources and political influence they wield and reinforces poor governance in the region, pushing livestock farming away from the more sustainable, productive and resilient systems that are urgently needed.

[7] The names of these companies have been deliberately hidden to protect the author, which is another indication of the potentially dangerous influence they wield.
[8] Article 53 of Law no. 73/021 of July 20, 1973 on the general property regime, land and property regime and security rights regime as amended and supplemented by Law No. 80-008 of July 18, 1980.

Incentives for intensive animal agriculture clash with forest protection in Nepal

By **Bhola Bhattarai** and **Roshan Chikanbanjar**, National Forum for Advocacy (NAFAN), Nepal

Both industrial and small-scale livestock farming are driving factors of deforestation, carbon emissions, water and air pollution and biodiversity loss in Nepal, with open and uncontrolled grazing impacting forest conservation in particular.

Around a quarter of the population engages in animal agriculture practices,[1] however, government support for livestock farming is driving intensification and the expansion of large farms and agribusiness while leaving small-scale farmers behind.

Although consumption is still relatively low per capita in Nepal, meat and dairy production has grown by more than 40% in the past ten years. While more than half of meat and dairy production is from buffalo, poultry production has seen by far the biggest increase of 260%, followed by an almost 70% increase in pork production.[2] The size of livestock populations has increased at a slower rate over the same time, suggesting that intensification has been key to this increase and that, in the case of poultry production, factory farming rather than small-scale farming has driven the sharp increase.

Nepalese people are also consuming on average 40% more meat per capita than they were 20 years ago, although a rise in consumption is mostly associated with the increasing income of middle class families.[3] At the same time, there is growing evidence that high consumption of red meat--especially of processed meat--could be associated with an increased risk of several major chronic diseases such as heart disease, cancer, stroke and diabetes,[4] the incidence of which are all increasing in Nepal.

Religious practices are another driver of demand for livestock production in Nepal. Although beef generally isn't consumed due to religious beliefs, many Hindus believe that animal sacrifice pleases their gods. This has significant impacts on animal rights and welfare, especially during festivals. For example, at the Gadhimai festival, a two-day festival that is held every five years and attracts thousands of Nepali and Indian devotees, thousands of animals are sacrificed most of which are buffalo. Animal rights organizations have been trying to stop this inhumane and cruel practice for many years, but

Gadhimai festival. **Oriana.italy/Flickr**

[1] Karki, Y. K., 2015. Nepal Protfolio Performance Review (NPPR). Kathmandu: Ministry of Agriculture Development (MOAD).
[2] Poudel et al., 2020. Livestock and Poultry Production in Nepal and Current Status of Vaccine Development. Vaccines, 8, 322.
[3] Ministry of Finance, 2017. Economic survey of Nepal 2073/74 BS (2016/17)
[4] Wolk, A., 2017. Potential health hazards of eating red meat (Review). Institute of Environmental Medicine, Karolinska Institutet, Stockholm, Sweden J Intern Med 2017; 281: 106–122


Intensive livestock farming in Nepal. **Gaire/Flickr**


Small-scale livestock farmer in Nepal. ***saipal/Flickr**

despite a ban on the event, it is still highly popular.

There is a clear lack of policy alignment within Nepal's government structures where numerous acts, directives and policies are promoting the expansion of animal agriculture[5] whereas only a small number of policies aim to protect animal welfare.[6] There is also a conflict between livestock-related policies and the highly-regarded Forest Act, which hands control over large areas of forest to communities. Whereas the Forest Act seeks to control grazing and the collection of fodder in forests for their protection, other policies and laws incentivize the use of forests for livestock farming activities and are a driver of forest degradation.

As well as policy support, the government of Nepal is promoting animal agriculture by providing subsidies and other incentives to farmers through a number of development projects. The Prime Minister Agriculture Modernization Project[7] for example, has recently been expanded and prioritizes intensification and mechanization. It involves significantly subsidizing the purchase of tractors (where farmers require at least five hectares of arable land to be eligible), agricultural equipment and tools, seeds and fertilizers. Grants are also provided for the purchase of improved varieties of seeds and plants such as tea, coffee, cardamom and areca nuts, which are largely viewed as cash crops rather than for subsistence.

The costs of insurance are also subsidized by the government to cover risks to livestock farming such as disease and loss of market access. In 2013, the Insurance Board of Nepal released the Crop and Livestock Insurance Directives, where producers can receive a 75% subsidy on insurance costs.[8] According to the Ministry of Agriculture and Livestock Development, payments towards insurance for livestock farming increased more than ten-fold between 2014 and 2017, from 4.15 to 55.23 million Euros.[9]

In general, these support mechanisms are geared towards larger and privately-owned farms. Small-holders and poor landless farmers cannot benefit from the support due to a lack of access to information about government programs, a lack of means to form companies and a lack of capital to cover costs that are only partially subsidized.

The discriminatory nature of Nepal's subsidies and incentives for livestock production are a result of the fact that private business interests have influenced Nepal's policy-making processes heavily. One government source, who did not wish to be named, claimed that most of the newly-registered agricultural companies that are benefiting from government subsidies have been established by political elites on the instruction of local elected leaders. There is a nexus between government and the private sector that is a form of institutionalized corruption and ensures that the huge sums of money allocated in agricultural subsidies are mostly paid to wealthy farmers and private companies with government connections. This also means that they remain out of the reach of poor and marginalized farmers.

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[5] Such as the Feedstock Act, 1976; National Dairy Development Board Act, 1991; Livestock Health and Livestock Service Act, 1998; National Agriculture promotion policy, 2006; Industrial policy, 2011; Pastureland policy, 2012; Livestock farming policy, 2012; Crop and Livestock Insurance Directives, 2013; Forest Policy, 2015; Crop and Livestock Insurance Directives (updated), 2017; and National Agroforestry policy, 2019.
[6] Such as the Aquatic Animal Protection Act, 1960; Animal Welfare and Protection Act Nepal, 2011; Animal Welfare Directives, 2016
[7] https://pmamp.gov.np/
[8] Devkota, D., et al, 2020. Livestock insurance adoption in Nepal: lessons learned. Lalitpur: Nepal Agricultural Research Council.
[9] MOALD, 2020. Statistical information on Nepalese Agriculture. Kathmandu: Ministry of Agriculture and Livestock Development (MOALD).

How EU agribusiness frustrated the reform of the most perverse incentive of all: The Common Agricultural Policy

By **Nina Holland**, Corporate Europe Observatory, Belgium
and **Simone Lovera**, Global Forest Coalition, Paraguay

On 22 October 2020, less than three months before the completion of the first Strategic Plan (SP) of the Biodiversity Convention, the European Union's Ministers and Parliament adopted a decision that will effectively undermine the EU's new ambitions on biodiversity and sustainable agriculture: they voted not to fundamentally redirect one of the most perverse subsidy systems on the planet, the Common Agricultural Policy (CAP).

In doing so, they ensured that billions in taxpayer money will continue to be spent on industrial agriculture, rather than on changing farming production methods for the better. The decision violated SP Aichi Target 3 on phasing out or reforming subsidies and other perverse incentives that harm biodiversity, as well as the Von der Leyen Commission's Farm to Fork and Biodiversity strategies, which include a 50% pesticide use reduction target.

No less than one third of the entire EU budget is spent on the CAP. The 'new' revised CAP would allow 391.4 billion Euros[1] to be spent between 2021 and 2027 on subsidies, primarily for large-scale and conventional agro-industrial livestock and crop production. This will have devastating impacts on forests and other ecosystems, both inside and outside Europe. The new scheme will continue to subsidize an agricultural system that has been responsible for dramatic species loss in and around European agricultural landscapes.

For example, BirdLife International estimates that Europe has lost 57% of its farmland birds due to the farming model the CAP supports.

Moreover, by heavily subsidizing the conventional agricultural use of land, the CAP forms a major obstacle to initiatives that promote setting aside land for natural forest and other ecosystem restoration. The OECD has pointed out that any system that subsidizes conventional agriculture over alternative uses of land damages biodiversity.[2] The nitrogen

Dairy farm milking station. **Anguskirk/Flickr**

[1] https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_985
[2] https://www.oecd.org/env/resources/19819811.pdf

Reforming the CAP could be an opportunity to dramatically reduce fertilizer and pesticide use. **Bill Meier/Flickr**

depositions by the livestock industry and the agrochemicals used in agro-industrial crop and livestock farming greatly harm the quality of European forests and other ecosystems, too. Moreover, by subsidizing an intensive livestock industry that imports large amounts of genetically modified soy from South America, the CAP is a key driver of soy expansion and related deforestation in countries like Argentina, Brazil and Paraguay (see pages 8, 12 and 10).

The dramatic environmental impacts of the CAP are matched by its dramatic social impacts: between 2005 and the 2016, ten million people lost their jobs in the EU regular agricultural labor force. Literally millions of small farms were forced out of business during the past 40 years of subsidized EU agriculture. In the Netherlands alone, which is the world's second largest agricultural exporter in terms of the value of exports, an average of 15 farms per day went bankrupt or out of production between 1950 and 2014.[3] Between 2003 and 2013, one out of four farms disappeared in the EU,[4] causing significant hardship to an estimated four million families.

This tragedy is explained by the liberalization of agricultural markets (such as sugar and milk) on the one hand and, on the other hand, continuing to hand out subsidies by hectare. This resulted in a situation where larger farmers and landowners have profited most from CAP subsidies. An estimated 80% of all subsidies handed out end up with the largest 20% of producers in the EU.[5]

For large agro-industrial corporations, the CAP result has so far been a big win. They see the CAP as a key tool for watering down the far more ambitious environmental commitments made by the current EU Commission that would directly affect their profits, including the 2020 Farm to Fork Strategy, the EU Biodiversity Strategy and the Green Deal. These included 50% reduction targets for pesticides and antimicrobials and a 20% reduction target for synthetic fertilizers. With the CAP money not being redirected to meet these targets, they have become a lot more difficult to reach.

These large agro-industrial producers and other corporate actors continue to dominate EU policy-making in the field of agriculture. As described in a new report by Corporate Europe Observatory,[6] Copa-Cogeca, a twin organization representing farmers and farmer's cooperatives including dairy giant FrieslandCampina and the Rabobank, has a disproportionate

[3] https://www.cbs.nl/nl-nl/achtergrond/2014/26/afname-aantal-boerenbedrijven-zet-door
[4] https://ec.europa.eu/eurostat/documents/2995521/7089766/5-26112015-AP-EN.pdf/e18e5577-c2a4-4c70-a8c7-fd758ea7b726
[5] https://www.arc2020.eu/agriculture-atlas-tied-to-the-land/
[6] See https://corporateeurope.org/en/2020/10/cap-vs-farm-fork

Soy production for export is a driver of deforestation in Brazil and other South American countries. **Bruno Kelly/Amazônia Real**

influence on the EU Directorate General for Agriculture and overall agricultural decision-making in the EU. The EU Council president traditionally grants a private audience to Copa-Cogeca prior to meetings of the EU Council of Agricultural Ministers so that it can make its views heard. In the crucial September 2020 Agricultural Council meeting, it was even given the opportunity to address all the agricultural ministers gathered.

Copa-Cogeca, allied organizations like the lobby group of big landowners ELO, and the wider food industry also dominate the so-called Civil Dialogue Groups that serve to provide the European Commission with advice on new policy and legislation, including on the CAP. They occupy 68.4% of the seats in the arable crops group and 73.6% in the milk group. In 2019, Copa-Cogeca chaired eight out of 13 of these groups.

Meanwhile, the pesticide lobby group Croplife, along with BASF, tried to undermine the Farm to Fork pesticide reduction target by setting up a closed roundtable discussion in June 2020 to discuss their concerns with the agriculture commissioner.

In some cases, such as that of the Czech Prime Minister Andrej Babis, large agro-industrial interests and the government are even represented by one and the same person. This evident conflict of interest has led Babis to be subject to investigations by the EU's anti-fraud office. Babis owns several large agro-industrial enterprises that, in 2018, benefited from 42 million Euros in CAP subsidies distributed by his own government.[7] Needless to say, the Czech government has favored the continuation of the CAP without major reform, as well as greater flexibility for national governments to determine the allocation of agricultural subsidies and whether or not to establish an upper limit on them.

The CAP will fatally undermine the recently adopted EU Green Deal. It will clearly contradict the new EU Biodiversity Strategy, which was ironically adopted in the very same "Green Week" in which the new CAP was adopted. Seldom has there been a clearer example of fragmented and incoherent policy-making in the field of biodiversity. The current EU Commission, which has invested so much time and credibility into its Green Deal and more climate and biodiversity-friendly EU policies in general, should either withdraw its CAP proposal or find other ways to force member states to implement green objectives in the way CAP money is spent. If it fails to do so, the EU will enter next year's negotiations on the post-2020 Biodiversity Strategy with a sense of legitimacy as small as its CAP scheme is large.

[7] https://www.nytimes.com/2019/12/11/world/europe/eu-farm-subsidy-lobbying.html

Portucel Moçambique: Your profit is not our development!

By **Vanessa Cabanelas**, Justiça Ambiental, Mozambique

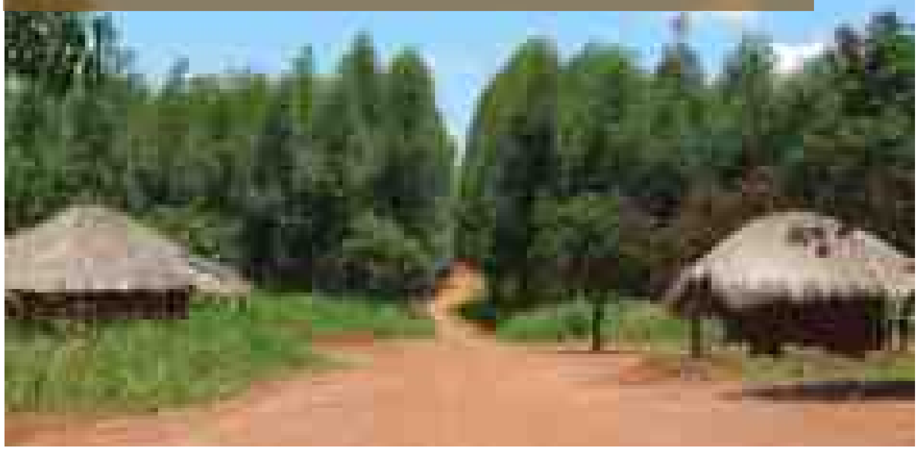
Portucel Moçambique was formed in April 2009 by The Navigator Company (formerly the Portucel Soporcel Group, a Portuguese pulp and paper company, see page 27), and in the same year, the Mozambican government granted it the right to plant eucalyptus on 173,000 hectares in the province of Zambézia. In 2011, it was granted another 183,000 hectares in the nearby province of Manica.

The plantations are being established to turn into wood chips for export to The Navigator Company's pulp mills in Portugal, and later to supply a pulp mill that they plan to construct in Mozambique. This is falsely promoted as both a development project to improve the living conditions of rural communities and as a reforestation project to mitigate the impacts of climate change. So far, Portucel has only planted 13,500 hectares, but this has already caused substantial negative impacts on communities.

Portucel's project is viewed as an important investment for the Mozambican government and fits the country's development model whereby large foreign investors are supported to extract the country's natural wealth at the expense of its people. Portucel has also benefited substantially from international development and climate finance. In December 2014, the International Finance Corporation (part of the World Bank Group) acquired around 20% of Portucel's shares,[1] and in 2016, the Forest Investment Program (one of the Climate Investment Funds also under the remit of the World Bank) provided finance to support the planting of the first 40,000 hectares.[2]

"When eucalyptus arrived here, it destroyed us. Before it came, we didn't suffer from hunger, we had access to firewood, we had no water problem or any issue getting straw to cover our houses.... Today, we have nowhere to produce; most of our fields have already gone to Portucel." Member of the Mutaliua Community, Namarroi District, Zambézia Province.

In 2016, Justiça Ambiental (JA) published "Portucel: The Process of Access to Land and the Rights of Local Communities",[3] a report based on fieldwork carried out since 2011; including interviews and visits to several communities affected by the project. It described the widespread despair of these poor, rural communities and documented how most of the affected groups feel deceived by the promises of a better life and employment and the construction of schools and wells that never materialized.



A community surrounded by eucalyptus plantations. **Justiça Ambiental**

[1] http://en.portucelmocambique.com/var/ezdemo_site/storage/original/application/485f8a78c5d3c71da8055572aa115483.pdf
[2] https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/mozambique_fip_investment_plan.pdf
[3] https://wrm.org.uy/wp-content/uploads/2017/04/Portucel_O_Processo_de_acesso_%C3%A0_Terra_e_os_direitos_das_comunidades_locais.pdf

A farmer impacted by land grabbing for eucalyptus plantations. **Justiça Ambiental**

Land belongs to the state in Mozambique, and the state grants the right to use and benefit from land to both individuals and companies. The law does provide for the protection of customary land rights for local communities, though communities are generally not aware of this. Article 13 of Mozambique's Land Law No. 19/97 establishes that *"The process of granting the right to use and benefit from land includes consultation with local administrative authorities, preceded by consultations with the respective communities, for the purpose of confirming that the area is free from other uses and has no occupants"*.

Contrary to Portucel's claim that only marginal, abandoned or low-yielding land is used, the land granted to Portucel is already occupied, whether by native forest and savannas, or by fertile land used for food production by approximately 13,000 families in Zambezia and 11,000 families in Manica. These 24,000 families directly depend on peasant family farming for their livelihoods, and plantation expansion is in direct competition with their ability to feed themselves.

"We did not give up our land freely. We were taken by surprise when the machines dug up the fields." Member of the Mutaliua Community, Namarroi District, Zambézia Province.

Portucel claims to have carried out a very broad, participatory consultation process, after which the communities consulted willingly gave up their land for the plantations. Although community consultations are a requirement in Mozambique, they serve as a mere formality. They take advantage of the fact that the vast majority of rural communities are unaware of their rights, their role in the community consultation process, or even that they have a choice and can refuse to give up their land.

The communities Portucel consulted also had no idea what it would be like to live completely surrounded by hectares and hectares of eucalyptus, since important information relating to the company's plans was deliberately hidden from them. This included the total area to be planted, the potential social and environmental impacts, which roads and paths would be improved and what the jobs would involve.

"They made us many promises, but we haven't seen anything yet! .... Now that they have taken our fields, they have forgotten about the issue of bridges, schools and wells. We were in a meeting, the communities of Harela, Nalelo, Mucuna and Mutaliua, with Portucel, and we demanded that the promises be fulfilled, but the Portucel representative said that bridges, hospitals and roads are the responsibility of the government." Member of the Community of Harela, Ile District, Zambezia Province.

It was undoubtedly the promise of jobs and a better life that initially led the communities to accept the project. However, today, these same communities realize that Portucel's strategy was to deceive them with false promises that took advantage of their poverty and vulnerable land tenure situation. According to the communities, of the thousands of jobs promised, very few have been created. Those that have been created are seasonal and very poorly paid and do not even cover the value of what farmers once produced on the land that they gave up. A visit to the area shows that very little of what was promised has been fulfilled, and it is shocking to hear testimony after testimony of the injustices being suffered.

Despite a large number of complaints being submitted to the various levels of government, from local chiefs to the President of the Republic, nothing has changed. In many cases, communities haven't even received a response to their appeals, letters and petitions.

Numerous barriers are also put in the way of civil society organizations that work with communities in order to create distrust and fear. They are accused by government representatives of working for external interests, being against the country's development and even being insurgents, a reference to the ongoing Islamist insurgency in the northernmost region of the country.

It is also extremely difficult to access information that by law should be made publicly available. JA has repeatedly requested copies of the legal processes for obtaining land rights and copies of environmental and social monitoring reports submitted by Portucel to government ministries. Despite presenting themselves as an honest and transparent company and the state being obliged by law to disclose these documents, JA had to take the Ministry of Land and Environment to the Administrative Court to obtain them.

"Nothing has changed in Hapala. We are crying because they took our land.... They promised a school, we don't see it.... They promised a hospital, we don't see it.... They promised jobs, we don't see them.... We're already getting nervous because nothing changes.... We don't see the improved life we were promised." Member of the Hapala Community, Ile District, Zambézia.

Despite these challenges, JA and other national organizations have supported the affected communities to amplify their demands and to assert their rights. As part of these efforts, they have hosted meetings where communities that are resisting the encroachment on their land and livelihoods can share their experiences. They have also hosted meetings between communities already in conflict with Portucel and those where planting has not yet begun so that they are more aware of what the real impacts on their lives will be and can make an informed choice on whether to give up their land.

To those who continue to believe in Portucel's "fairy tales" about how its work improves the lives of those affected by the plantations, we recommend that you visit these communities yourself. Try touring the schools and health centers Portucel has built, strolling down the roads and paths it has improved and drinking the clean water from the wells the company has installed. The reality is quite different, as a resident explains:

"We were deceived. If we lend someone something and they don't take good care of it and fulfill what was promised, it should be given back.... We want our land back."

Portucel's eucalyptus plantations in Mozambique. **Justiça Ambiental**

The capture of policy-making by the pulp and paper industry is driving mega-fires in Portugal and land grabbing in Mozambique

by **Oliver Munnion**, Global Forest Coalition, Portugal

The Navigator Company (formerly Portucel Soporcel) and owner of Portucel Moçambique is Europe's biggest pulp and paper producer. The lobbying power of the company combined with a revolving door between the industry and Portuguese government has resulted in vast subsidies and financial support mechanisms and a dismantling of barriers to plantation expansion. As well as making Portugal the country with the highest proportion of eucalyptus plantations anywhere in the world, this is also driving plantation expansion in Mozambique, a former Portuguese colony, to devastating effect.

In their article "Portucel Moçambique: Your profit is not Our Development!" (see page 24), Justiça Ambiental describes how the company is riding roughshod over the rights and livelihoods of rural farming communities with its plans to plant over 300,000 ha of eucalyptus for its pulp and paper operations. A relic of Portugal's brutal colonialist past is that Portuguese companies have privileged access to Mozambican markets, an incentive that encourages maximum profits for investors and minimum benefits to Mozambicans. The Navigator Company's investments in Mozambique are therefore directly linked to how they have captured decision-making in Portugal, which ensures that strong subsidies and incentives keep their plantation model profitable.

In Portugal, perhaps the greatest impact that plantations have comes from their tendency to burn. Both pine and eucalyptus are extremely fire-prone, and vast areas of these single species plantations allow fires to be spread with great speed and intensity. 2017 saw the worst fire season in living memory in Portugal, where over half a million hectares of land burned and 115 people were killed, mostly during mega-fires in June and October.[1] The pulp and paper industry has worked hard to deny any culpability for Portugal's terrible fire problem, but if any good has come from the fires, it is that the role played by the industry in such wide-spread destruction is now at least widely acknowledged.

Community meeting to discuss the impacts of eucalyptus in Mozambique. **Justiça Ambiental**

Extensive areas of eucalyptus plantations burned in Portugal in 2017. **Domingos Patacho**

[1] https://magazine.scienceforthepeople.org/geoengineering/fire-plantations-portugal/

The pulp and paper industry in Portugal, led by The Navigator Company, exerts strong influence over decision-makers with its lobbying power, and numerous environmental public relations operations aim to turn public opinion in its favor by creating a "green" image and the illusion of sustainability. Decades of influence in successive Portuguese governments has paid dividends with the dismantling of forestry regulation and the unmitigated spread of eucalyptus plantations.[2] According to forestry expert Paulo Pimenta de Castro, *"...in the absence of the state, [the pulp and paper industry] manages the market for wood and the country at its leisure."*[3]

At the end of 2017, a report by Susana Coroado,[4] vice-president of Transparency International in Portugal, provided valuable insight into the close links between the Navigator Company and the Portuguese government. In it, Susana described how Navigator's president at the time, Pedro Queiróz Pereira, was the ninth richest man in Portugal and considered the 19th most powerful person in the country. Queiróz Pereira also financed political campaigns, and in the 2011 presidential elections donated the maximum amount allowed by law to the winning candidate.

Navigator's lobbying tactics have also been heavy-handed when necessary. When the political party currently in government first came to power and promised to repeal a law that deregulated the expansion of eucalyptus plantations, pressure from the industry kept these plans firmly at the bottom of the priority list. As part of this pressure, the then president of Navigator threatened to end the company's investment in Portugal completely, and suspended a 120 million Euro investment into one of its factories, threatening to relocate it elsewhere.[5]

Eucalyptus and pine planted for pulp burned extensively in 2017. **Ronnie Hall**

Celpa, the association of pulp and paper producers in Portugal that represents Navigator and whose members control almost 200,000 ha of plantations, is also a lobbying force to be reckoned with. Recently, Celpa's managing director, who was also Navigator's Global Sales Director for 16 years, has been working hard to access up to 665 million Euros in funding for forests set out in the Program for Recovery and Resilience, an initiative responding to fire risk and the pandemic. He has called for a "balance" between forest conservation and production,[6] promoting the myth that well-managed eucalyptus plantations reduce fire risk and ignoring the fact that forests devoted to biodiversity conservation account for just 4.5% of Portugal's tree cover, compared to 26% for eucalyptus plantations.[7]

The Navigator Company is also one of 16 companies involved in the "Act4Nature Portugal" greenwashing initiative established by Portugal's Business Council for Sustainable Development (BCSD). It is hoping to get its hands on 40 million Euros of government funding to pay landowners to "plant and manage forests". Supposedly as a response to forest fires in Portugal, this funding looks set to finance the more profitable management of plantations rather than forest restoration.[8]

Coroado's report also describes a revolving door between government and the pulp and paper industry. The current managing director of Agroges,[9] an agricultural company whose main customers are pulp producers, first joined the Portuguese government as an adviser to the minister of agriculture. He left that role and took up a job with Agroges, only to later return to the government as secretary of state for rural development and, when his term ended, returned to Agroges as its director. In another example, a former Secretary of State for

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[2] "Portugal em Chamas – Como Resgatar as Florestas" https://www.bertrandeditora.pt/produtos/ficha/portugal-em-chamas-como-resgatar-as-florestas/21475947
[3] https://www.publico.pt/2020/12/11/opiniao/opiniao/suicidio-celuloses-1942265
[4] https://www.nexojornal.com.br/ensaio/2017/Inc%C3%AAndios-em-Portugal-quando-os-lobbies-matam
[5] Ibid.
[6] https://www.publico.pt/2020/11/29/economia/noticia/papeleiras-pedem-investimento-equilibrado-floresta-producao-conservacao-1941020
[7] Tiago Monteiro-Henriques and Paulo. Fernandes, 2018. Regeneration of Native Forest Species in Mainland Portugal: Identifying Main Drivers. Forests, 9, 694
[8] https://eco.sapo.pt/2020/09/25/so-17-empresas-portuguesa-estao-comprometidas-com-a-biodiversidade-governo-quer-mais/
[9] https://www.agroges.pt/equipa-francisco-gomes-silva/

Burned eucalyptus trees after 2017 fires. **Mrinalini Rai**

Forests who held the position until 2003 was also formerly a Portucel employee. In addition, no less than nine former government members have also worked for the Semapa conglomerate at one time or another, which owns 77% of The Navigator Company.[10]

Following the fires of 2017, the Portuguese government approved several measures to ensure that such a tragedy could never be repeated again. Among these measures, it created a program for an "Integrated Management System for Rural Fires" and appointed Tiago Martins Oliveira as president who, for the previous 20 years, had worked for The Navigator Company. This wasn't the first time that Oliveira had worked for Portugal's current prime minister: in 2005 he was one of the technicians appointed to draw up the government's forestry reform proposals.[11]

State subsidies and other public supports have incentivized eucalyptus planting with few regulatory barriers in the way of doing so. In 2017 alone, Portugal's government made 18 million Euros available to increase the productivity of plantations, supplementing a 125 million Euro investment by Altri, a leading eucalyptus company.[12] A further 9 million Euros came from the EU via a rural development program to support the replanting of eucalyptus where plantations had already been cut three times. These areas are also considered to be at high risk for fire.[13] Portugal's "Clean and Nourish Program" will also be investing 17 million Euros into companies represented by Celpa to help them manage eucalyptus plantations in the coming years.[14]

Tax breaks are another incentive, whether intended or not. At the end of 2019 the Portuguese government claims to have "forgotten" to impose a tax levied against pulp and paper producers which is a contribution towards the Permanent Forest Fund. The Fund was set up to plant slow-growing trees as part of efforts to regenerate the areas devastated by fires in 2017. In a clear indication that the government had no intention of collecting the tax retrospectively, the figure was left out of the 2020 budget altogether.[15]

International finance also plays a significant role, with the European Investment Bank (EIB) recently giving The Navigator Company 27.5 million Euros to replace a gas-fired generator with biomass boiler at their pulp mill in Figueira da Foz (which will also sell subsidized electricity to the grid) as part of the company's aim to reach "net zero" emissions by 2035,[16] and was the eighth time that EIB has financed the company in recent years.[17] On top of this, The Navigator Company is heavily subsidized for selling electricity to Portugal's grid, primarily through burning biomass, for which it receives millions of Euros each year.[18]

Perhaps unsurprisingly, the support received by The Navigator Company hasn't filtered down into support for its own workforce in what has been an extremely challenging year for factory workers. The main union representing Navigator's workforce claims that announcements made by the company about support for workers impacted by the pandemic are *"pure fiction"* and that all the company is trying to do is *"silence its workers to ensure the uncontested distribution of 100 million Euros in dividends to its shareholders"*.[19]

[10] https://www.nexojornal.com.br/ensaio/2017/Inc%C3%AAndios-em-Portugal-quando-os-lobbies-matam
[11] https://visao.sapo.pt/atualidade/politica/2017-10-26-quem-e-o-homem-escolhido-para-a-missao-de-acabar-com-o-flagelo-dos-incendios/
[12] http://observador.pt/2017/01/16/governo-disponibiliza-18-milhoes-de-euros-para-melhorar-produtividade-na-plantacao-de-eucalipto/
[13] https://www.publico.pt/2017/06/23/politica/noticia/governo-esta-a-financiar-renovacao-do-eucaliptal-em-zonas-como-a-de-pedrogao-1776653
[14] https://www.publico.pt/2020/06/13/sociedade/noticia/programa-limpa-aduba-investe-17-milhoes-ate-2024-1920361
[15] https://www.dn.pt/opiniao/opiniao-dn/daniel-deusdado/governo-esqueceu-se-do-novo-imposto-sobre-as-celuloses-leu-bem-11668014.html
[16] https://www.publico.pt/2020/09/01/economia/noticia/bei-financia-275-milhoes-euros-nova-caldeira-biomassa-navigator-1929757
[17] https://www.noticiasaominuto.com/economia/1557644/bei-financia-energia-limpa-da-navigator-com-27-5-milhoes
[18] https://jornaleconomico.sapo.pt/noticias/the-navigator-company-produziu-em-2018-cerca-de-4-da-energia-eletrica-em-portugal-482026
[19] https://www.noticiasdecoimbra.pt/sindicatos-dizem-que-ajudas-anunciadas-aos-trabalhadores-da-navigator-sao-pura-ficcao/

The corporate capture of climate policy and finance: driving investments in tree plantations and bioenergy instead of forest restoration

By **Oliver Munnion**, Global Forest Coalition, Portugal and **Coraina de la Plaza**, Global Forest Coalition, Spain

In every crisis, capitalism sees an opportunity to profit.[1] The corporate capture of climate finance is one of the more insidious versions of this, with the private sector jumping at the chance to access increasing amounts of public money being made available through different policies and funding mechanisms to tackle the climate emergency.

Such private sector engagement is actively promoted by the main climate funds themselves, including the Green Climate Fund (GCF), the Climate Investment Funds and the Global Environment Facility (GEF), which increasingly see themselves primarily as tools for leveraging private sector investment rather than as public investment funds. The GCF, for example, has a special private sector facility *"to fund and mobilize private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with us"*.[2] Corporations are seen as both partners and co-investors, as well as beneficiaries of the GCF, which opens the door to a wide range of mutual financial dependencies and conflicts of interest.

Donor countries are the main drivers behind the privatization of climate finance. They have failed to produce the $100 billion per year they promised at the 2015 Climate Summit in Paris and are now trying to hide this lack of public investment behind a smoke screen of private investments. It is no wonder that the US, the EU and Japan are some of the main

GEF and UNDP subsidies for charcoal production in Brazil

A pertinent example of private sector involvement in public climate finance is the GEF-funded and UNDP-implemented "Sustainable Iron and Steel" project that is taking place in Minas Gerais, Brazil. Two large Brazilian pig iron companies and two multinational steel producers with seriously poor track records are being directly subsidised to produce "sustainable" charcoal from eucalyptus plantations, which they use to produce iron and steel with. A recent investigation into the project[1] argues that it is actually creating a perverse incentive for the expansion of highly damaging and conflict-ridden eucalyptus plantations, and at the same time failing to tackle emissions from the largest industrial sector carbon dioxide emitter in Brazil. What the project really aims to do is reduce the production costs of so-called "sustainable charcoal" so that the industry can create a cheap and steady supply of socially acceptable fuel that meets legislation and is eligible for carbon credits (which can offset the increased production costs).

[1] https://globalforestcoalition.org/brazil-charcoal-case-study/

Charcoal produced from eucalyptus for the iron and steel industry. **Federica Giunta**

[1] Klein, N. (2007). The shock doctrine: The rise of disaster capitalism. Toronto: A.A. Knopf Canada.
[2] https://www.greenclimate.fund/sites/default/files/document/green-climate-fund-s-private-sector-facility_0.pdf

GCF's Arbaro Fund investment

Pitched as a private-sector project to sequester carbon in trees, the Arbaro Fund's successful application to the GCF for $25 million in finance for the establishment of 75,000 ha of plantations is symbolic of the direction of things to come. Firstly, despite being called a private-sector project, most of the Arbaro Fund's investors are public, and include the European Investment Bank, the Finnish Fund for Industrial Cooperation and the Dutch Entrepreneurial Development Bank (FMO) in addition to the GCF. Secondly, the Arbaro Fund is an investor itself, meaning that these public funds are two steps removed from the actual plantation projects that will result. Thirdly, Arbaro's business plan hinges on selling the investments they themselves have made (using public climate finance) after 15 years and closing the Fund, at which point the equity[1] provided by GCF will be paid back, with interest. This means that GCF has no influence over the actual plantations that are financed, and no say as to what happens to the wood after the Fund ceases to exist. However, these alarming governance issues and the science-backed fact that plantations offer little to no mitigation benefits[2] in comparison to alternatives like forest restoration, were not enough to dissuade the GCF from approving the proposal.

[1] Equity investments involve buying shares in a company and are therefore distinct from loans and grants.
[2] For example, see https://www.nature.com/articles/d41586-019-01026-8

Eucalyptus is the species of choice for climate finance projects involving tree plantations. **Simone Lovera**

advocates of private sector engagement in climate finance and policy-making.[3]

Thanks to their efforts, corporations are more and more present during the climate negotiations. A walk around UNFCCC conference halls reveals the presence of numerous companies, international associations and private finance groups, including many companies whose interests are squarely opposed to solving the climate crisis. For instance, Shell's CEO boasted about their influence in shaping Article 6 of the Paris Agreement,[4] and the International Emissions Trading Association had a delegation of over 140 people at COP25 in Madrid including representatives from Shell and Chevron. It is therefore not surprising to see the corporate takeover advancing in the shape of public-private partnerships, equity agreements and numerous other opaque financing mechanisms.

Private sector investors are only interested in investments that are profitable to them, of course. This is why they are particularly interested in commercial tree plantations and bioenergy generation, two increasingly popular but false climate solutions that are actively promoted and incentivized by policy-makers, as other articles in this report show. Genuine climate solutions that address the root causes of the crisis, like drastic emissions reductions and ecosystem restoration, rarely provide opportunities for profit. On the other hand, plantations and bioenergy are commercial activities that do turn a profit when wood and electricity (and carbon credits) are sold. They therefore have the potential to pay back loans, make returns on investments and balance the books.

As described by Miguel Lovera on page 10 of this report, the close collaboration between climate funds such as the GEF and the private sector is also triggering support for other destructive sectors such as large-scale livestock farming. Initiatives such as the Good Growth Partnership work with businesses in Paraguay to *"intensify [meat] production in a sustainable manner"*,[5] despite the fact that the sector is the main

[3] See for example: https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201810041701---AT-10-04-EU%20Submission%20on%20Strategies%20and%20Approaches.pdf and https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201805041017---SUBMISSION%20FROM%20JAPAN%20-PRE-2020%20IMPLEMENTATION%20AND%20AMBITION-.PDF
[4] https://theintercept.com/2018/12/08/shell-oil-executive-boasts-that-his-company-influenced-the-paris-agreement/
[5] https://goodgrowthpartnership.com/our-work/

High-level Bonn Challenge meeting in Rwanda—tree plantations account for half of the area that Rwanda has brought "under restoration" through its Bonn Challenge commitment. **Rwanda Ministry of Environment**

REDD+ as an incentive for polluting industries

Reducing emissions from deforestation and forest degradation, or REDD+, is another scheme attracting increasing interest from the private sector. Although direct private sector REDD+ investments have been limited so far, they have incentivized this failed scheme through the purchase of carbon credits generated by REDD+ projects.[1] Some of the most polluting companies on earth proudly point to REDD+ offsets as proof of their commitment to tackling climate change. Shell, for example, buys credits issued by the Mai-Ndombe REDD+ project in DRC (amongst others), which is failing to deliver, according to civil society research. The fact that some of the most polluting companies are offsetting their emissions instead of drastically reducing them by buying REDD+ credits—that have been paid for with public climate finance—makes REDD+ another perverse incentive for high emissions industries. This will probably be worsened in the short term given the hype around Nature-based Solutions (NBS) and the fact that increasingly the most popular type of carbon credits being purchased are are those generated by REDD+ projects linked to NBS.[2]

[1] https://globalforestcoalition.org/15-years-of-redd/
[2] https://www.forest-trends.org/wp-content/uploads/2019/12/SOVCM2019_web.pdf

driver of forest loss in Paraguay and Latin America as a whole, as well as being a key cause of climate change, land grabbing, violations of Indigenous rights, animal suffering and noncommunicable health problems in humans like obesity and heart disease. Intensive livestock farming is also increasingly recognised as one of the most important causes of the emergence of dangerous new zoonotic diseases such as coronaviruses.[6]

The most worrying aspect of all the above is that it is just the tip of the iceberg. Virtually all aspects of international climate policy are moving towards private sector dependence and, as a consequence, finance is increasingly directed towards false solutions such as tree plantations and bioenergy. There is hard evidence of the harm this has already caused, but projects currently in the pipeline or that will result from recent government pledges dwarf those that have already been implemented in scale and impacts. Take the Bonn Challenge for example, a massive international effort to restore 350 million hectares of deforested and degraded landscape. So far, almost half of the pledged area is set to become commercial tree plantations.[7]

As the urgency of the climate crisis grows, so too does capitalism's opportunism.

[6] https://www.grain.org/en/article/6437-new-research-suggests-industrial-livestock-not-wet-markets-might-be-origin-of-covid-19
[7] https://www.nature.com/articles/d41586-019-01026-8

Drax and the art of corporate capture: subsidizing the world's largest biomass power station

by **Frances Howe** and **Sally Clark**, Biofuelwatch, UK

As the UK's prime minister commits to "building back greener"[1] and supporting "clean energy",[2] you may wonder why the UK's biggest polluter, Drax Power Station, receives over £2.1 million[3] every day in renewable energy subsidies to burn millions of tonnes of wood imported from clear-felled forests.

Drax is the world's biggest tree burner[4] and emitted almost 13 million tonnes of CO_2 from burning wood in 2019, yet it is lauded by the UK government[5] as part of the climate solution. To understand why Drax receives such strong political support, we need to investigate the murky world of corporate capture.

Corporate capture is defined by Friends of the Earth International[6] as *"the influence of companies on public institutions."* Polluting industries use lobbying and greenwashing to influence public institutions and government policy, often with devastating consequences for communities, ecosystems and the climate. A supreme player in this game is Drax Plc, and its influence is one of the primary obstacles to the protection of forests and to the transfer of public money from biomass burning to genuine renewables such as wind and solar.

How does a company like Drax influence government policy? Just some of the strategies[7] used to shape decision making include behind-the-scenes lobbying of politicians, corporate sponsorship of UN COP climate summits[8] and other events, the funding of academic research, membership of national and international committees and the greenwashing of harmful practices as "sustainable" and "climate-friendly."

Through these means, the world's biggest polluters ensure that they are at the heart of decision-making and in a prime position to secure government subsidies that allow them to continue profiting from environmental destruction.

For a masterclass in lobbying and greenwashing techniques which have led to forest destruction, environmental injustice[9] and climate-wrecking emissions, we need look no further than Drax. Let's dig deeper into some of its corporate capture methods.

Firstly, Drax has a long history of influencing government decision

Protest at Drax AGM. **Sally Clark**

[1] https://www.gov.uk/government/news/new-national-parks-and-thousands-of-green-jobs-under-plans-to-build-back-greener
[2] https://www.gov.uk/government/news/pm-outlines-his-ten-point-plan-for-a-green-industrial-revolution-for-250000-jobs
[3] https://www.biofuelwatch.org.uk/axedrax-campaign/#C3
[4] https://www.biofuelwatch.org.uk/wp-content/uploads/drax-briefing-update-2020_compressed.pdf
[5] https://www.yorkshirepost.co.uk/news/opinion/columnists/how-hull-and-humber-will-power-green-energy-revolution-kwasi-kwarteng-2932751
[6] https://www.foei.org/what-we-do/corporate-capture
[7] https://www.foei.org/what-we-do/corporate-capture-explained
[8] https://corporateeurope.org/en/2019/12/cop25-bankrolled-big-polluters
[9] https://www.dogwoodalliance.org/2020/06/the-injustice-of-bioenergy-production/

Drax protest in northern England. **Rochdale Extinction Rebellion**

making through MP lobbying. According to Open Access,[10] Drax has attended a total of 53 meetings with ministers since the start of 2012, including a number of meetings during the coronavirus pandemic.[11] Almost every energy minister since 2012 has been photographed at Drax wearing a high viz and a hard hat, with the most recent photo opportunity being a visit by Energy Minister Kwasi Kwarteng,[12] in April. According to the Scottish Parliament's lobbying register,[13] Drax has also attended 19 meetings with MSPs and officials since 2019.

These meetings have paid dividends as Drax secured government support for its conversion from coal to wood burning in 2013 after making misleading claims to MPs that it could burn forestry residues and locally-produced crops[14] when it in fact required wood from slow-growing trees with a high bark content to burn in its coal units. More recently, Kwarteng[15] has praised Drax's claim that it can become a "carbon-negative"[16] power station while Drax's BECCS pilot project to capture and store carbon from burning wood received £2 million in government funding[17] in 2018.

Drax is a founding member of the Zero Carbon Humber Coalition[18] which has launched its application for around £75 million in government funding[19] under the public/private sector funded Industrial Strategy Challenge Fund with an open letter to the energy minister.[20] Kwarteng must be very familiar with the project by now after meeting with members of the ZCH coalition no less than 11 times between April and June 2020, to discuss "the impact of Covid 19" and "the green recovery".

What Drax does not mention is that its ambition to "build back better"[21] with "negative emissions technologies" is based upon unproven Bioenergy with Carbon Capture and Storage (BECCS) technology[22] from tree burning which would lead to even more forest destruction and conversion of land to monoculture tree plantations if it were ever made to work.

Another corporate capture technique is the use of lobby groups such as The Renewable Energy Association[23] (REA) and PR companies including Robertsbridge and Stonehaven, which have represented Drax's interests. For several years the REA ran a campaign, also supported by coal power station operators, called "Back Biomass", which organized meetings and events with MPs including a meeting with Lord Barker of Battle,[24] minister of state for DECC, to discuss "backing biomass" in June 2014.

Drax has also made regular appearances at the Conservative Party Conference, often facilitated by the influential think tank, Policy Exchange.[25] At the 2020 Conservative Party Conference,[26] for example, Drax's CEO, Will Gardiner, spoke alongside Kwarteng to discuss "green technologies of tomorrow". Last year, Drax's investors rebelled

[10] https://openaccess.transparency.org.uk/
[11] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/929740/april-june-2020-disclosure-ministerial-meetings.csv/preview
[12] https://www.c-capture.co.uk/clean-growth-minister-kwasi-kwarteng-visits-the-c-capture-pilot-project-at-drax-power-station/
[13] https://www.lobbying.scot/SPS/LobbyingRegister/SearchLobbyingRegister
[14] http://www.biofuelwatch.org.uk/docs/Drax-PR.pdf
[15] https://www.yorkshirepost.co.uk/news/opinion/columnists/how-hull-and-humber-will-power-green-energy-revolution-kwasi-kwarteng-2932751
[16] https://www.drax.com/press_release/negative-emissions-pioneer-drax-announces-new-ccus-projects-during-energy-ministers-visit/
[17] https://www.gov.uk/government/news/plan-to-enable-first-uk-carbon-capture-project-from-the-mid-2020s-announced-at-world-first-summit
[18] https://www.zerocarbonhumber.co.uk/
[19] https://www.current-news.co.uk/news/zero-carbon-humber-makes-75-million-bid-for-funding
[20] https://www.zerocarbonhumber.co.uk/wp-content/uploads/2020/10/Open-letter-to-Kwasi-Kwarteng-with-support-letters.pdf
[21] https://www.drax.com/energy-policy/coalition-negative-emissions/
[22] https://www.desmog.co.uk/2019/07/17/comment-policymakers-shouldn-t-trust-drax-s-bizarre-tree-burning-climate-solution
[23] https://www.r-e-a.net/our-members/our-members-directory/
[24] https://openaccess.transparency.org.uk/
[25] https://policyexchange.org.uk/2018-conservative-party-conference/
[26] https://brightblue.org.uk/previous-events/2020events/party-conferences-2020/

during the company's AGM over proposals to increase the "political spending"[27] budget threshold for lobbying[28] at events such as receptions at political party conferences, such large amounts making even them uncomfortable.

Drax's links to the government do not end there. Nigel Adams, the MP for Selby where Drax is situated and a leading supporter of biomass burning, received donations[29] and hospitality from Drax and attended Industrial Pellet Association conferences[30] in Florida between 2015 and 2019, all paid for by Drax. The MP also chaired the now defunct All Party Parliamentary Group for Biomass.[31] which was set up and funded by Drax.

Moreover, Nigel Adams is a member of the All Party Parliamentary Group for Renewable and Sustainable Energy[32] (PRASEG). The cross-party group of UK politicians and industry regularly hosts Drax speakers, including CEO Will Gardiner and the former head of policy and government relations at Drax, Karl Smyth.[33] One of PRASEG's "full supporters" or funders[34] just happens to be Drax.

Drax's influence is not limited to its relationships with politicians. The Group Head of Climate Change at Drax, Rebecca Heaton, is also a member of the Committee on Climate Change[35] (CCC), an advisory body to the UK government. She has previously worked for BP and Shell and contributed to CCC reports on "Reducing UK emissions"[36] and "Net Zero - The UK's contribution to stopping global warming".[37] The latter report supports Drax's claim that "BECCS is critical to achieving net-zero carbon emissions by 2050."[38]

Rebecca Heaton is not the only Drax representative with links to government advisory bodies. CEO Will Gardiner sits on the Government's CCUS council[39] alongside representatives of BHP, Exxon Mobil, Shell, BP and Equinor. This is the same CCUS council that gave £5 million in funding to Drax and a small start-up company called C-Capture[40] for an unsuccessful BECCS experiment to capture carbon from tree burning and "store" the CO_2 to make beer fizzy.

Equally alarming is Rebecca Heaton's recent appointment to the Natural Environment Research Council[41] which is responsible for funding academic research[42] across the environmental sciences. This is not Drax's only connection to academic research. The company set up the quarterly publication, Electric Insights[4]3 with academics from Imperial College London, commissioned a report in 2018 with academics from UCL,[44] funded PhD research at Sheffield University[45] and appointed the Independent Advisory Board on Sustainable Biomass[46] in 2019. Perhaps unsurprisingly, the IAB's first report[47] is supportive of Drax's "sustainable biomass". Through these appointments and funding of scientific research, Drax can influence the scientific narrative around biomass burning.

Projection onto Drax cooling towers. **Extinction Rebellion North**

[27] https://www.drax.com/wp-content/uploads/2020/03/EC1068989_Drax_AR19_Notice_of_Meeting.pdf
[28] https://www.telegraph.co.uk/business/2019/04/17/drax-investors-rebel-political-spending-splurge/
[29] https://unearthed.greenpeace.org/2017/03/31/mp-biomass-adams-donations-miami/
[30] https://www.theyworkforyou.com/regmem/?p=24878
[31] https://publications.parliament.uk/pa/cm/cmallparty/170215/biomass.htm
[32] https://www.praseg.org.uk/parliamentary-members
[33] https://uk.linkedin.com/in/karlsmyth
[34] https://publications.parliament.uk/pa/cm/cmallparty/201104/renewable-and-sustainable-energy.htm
[35] https://www.theccc.org.uk/about/
[36] https://www.theccc.org.uk/publication/reducing-uk-emissions-2019-progress-report-to-parliament/
[37] https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/
[38] https://www.drax.com/press_release/drax-group-ceo-responds-to-committee-on-climate-changes-report-to-parliament-reducing-uk-emissions/
[39] https://www.gov.uk/government/groups/ccus-council
[40] https://www.drax.com/press_release/5m-boost-scale-ground-breaking-carbon-capture-pilot-drax-uks-largest-power-station/
[41] https://nerc.ukri.org/about/organisation/boards/council/membership/
[42] https://nerc.ukri.org/funding/
[43] https://www.drax.com/wp-content/uploads/2020/02/200207_Drax_19Q4_Report_3.pdf
[44] https://www.drax.com/wp-content/uploads/2018/12/Energising-Britain-Drax-Imperial-E4Tech-Full-Report-Nov-2018.pdf
[45] https://www.drax.com/press_release/drax-collaborates-academics-meet-uks-changing-energy-needs/
[46] https://www.drax.com/press_release/drax-strengthens-biomass-sustainability-policy-and-appoints-independent-advisory-board/
[47] https://www.drax.com/press_release/draxs-new-biomass-policy-paves-the-way-for-world-leading-sustainability-standard/

Drax train protest. **Extinction Rebellion Calderale**

Drax is also adept at greenwashing its tree burning[48] as “sustainable”, ”broadly neutral in terms of CO_2”[49] and “renewable”, and Drax representatives regularly speak at the UN COP climate conferences.[50] Drax has described COP26 as a “compelling opportunity for the UK Government to demonstrate to the world it is taking a leadership position on negative emissions”[51] and two of its partners in the Zero Carbon Humber Coalition, National Grid and SSE,[52] have just been announced as COP26 sponsors. Even if Drax is not named as a COP26 sponsor, its frequent references to the UN Climate Conference[53] suggest that it aims to play a leading role in promoting BECCS and “negative emissions technologies” during the COP.

While it’s doubtful that Drax and its collaborators will be able to capture and store carbon on anything like the scale they claim, there is a risk that vast amounts of public money and time will continue to be spent on these schemes and on biomass-burning in general. This would mean that in the crucial years that we could be protecting forests and reducing our emissions, Drax will continue to burn millions of tonnes of trees every year. For the sake of our planet, we cannot allow Drax to continue greenwashing its forest destruction and promoting false solutions such as BECCS and energy generation from biomass. As over 120 organizations from around the world agree,[54] we urgently need to end subsidies for tree burning and redirect them to genuine renewables: *“Protecting and restoring the world’s forests is a climate solution, burning them is not.”*

You can take action here: https://you.wemove.eu/campaigns/the-eu-must-protect-forests-not-burn-them-for-energy

[48] https://www.dogwoodalliance.org/2019/02/more-greenwashing-from-drax/
[49] https://www.mckinsey.com/business-functions/sustainability/our-insights/a-power-companys-potent-vision-from-neutral-to-negative-emissions#
[50] https://www.drax.com/energy-policy/will-gardiners-drax-negative-carbon-ambition-remarks-at-cop25/
[51] https://www.drax.com/energy-policy/coalition-negative-emissions/
[52] https://cultureunstained.org/2020/11/18/campaigners-slam-choice-of-fossil-fuel-linked-companies-as-sponsors-of-cop26/
[53] https://www.drax.com/energy-policy/cop26-will-countries-with-the-boldest-climate-policies-reach-their-targets/
[54] https://environmentalpaper.org/the-biomass-delusion/

Conclusion

By **Oliver Munnion**, Global Forest Coalition, Portugal and **Simone Lovera**, Global Forest Coalition, Paraguay

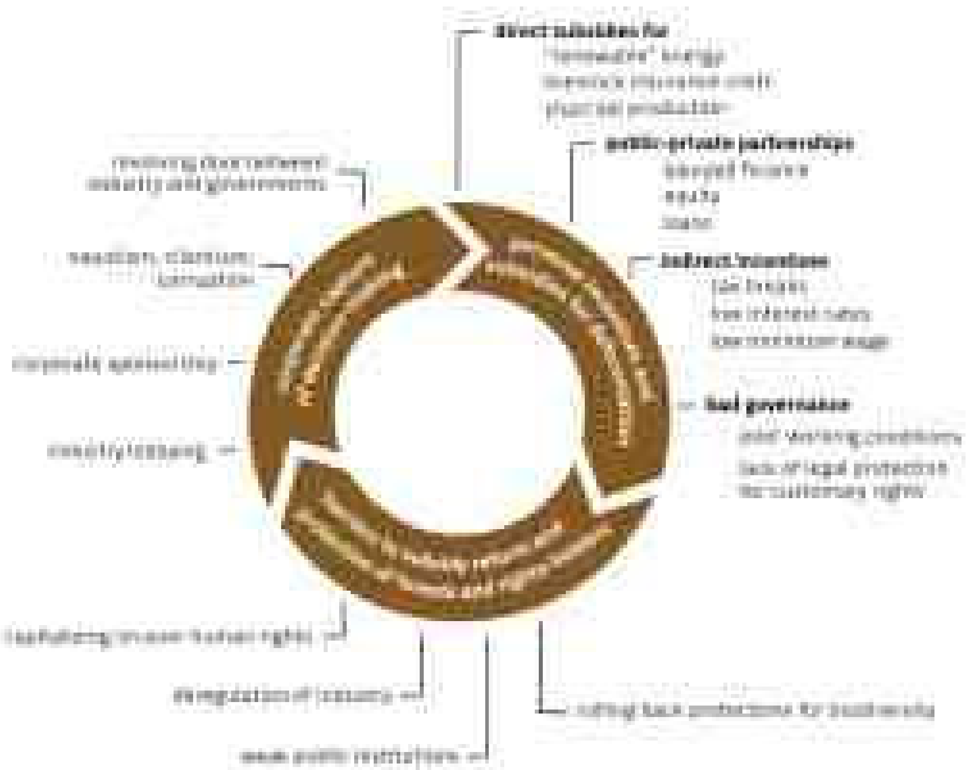
The vicious cycle of corporate capture of policy-making and perverse incentives for forest destruction

The diverse range of examples in this report describe how perverse incentives for the livestock and forestry industries and an increasing dependence on private finance by the public sector are causing conflicts with communities and harming forests. They also show how finance for forest destruction is a result of corporate capture of policy-making, which is a self-reinforcing cycle. The influence that corporations and private interests wield over decision-making is continually strengthened by the support they receive, which also puts corporations in a strong position to block legislation that might remove subsidies or curtail their activities.

Perverse incentives come in many forms, starting with **direct subsidies**. The clearest example of this, dubbed the biggest perverse incentive of all, is the EU's Common Agricultural Policy, providing vast subsidies to the biggest names in agribusiness at the expense of small producers and in clear contradiction with other EU policies aimed at protecting biodiversity. Direct subsidies are also driving intensification in livestock production in the global South, particularly in countries where these industries are still relatively small. In Nepal, for example, government programs are subsidizing machinery and insurance premiums exclusively for large farms.

Climate finance and subsidized renewable energy generation are another form of direct subsidy that often harms forests while failing to reduce emissions. The most prominent example is Drax power station in the UK, which receives £2 million per day to produce highly polluting electricity from wood clear-felled from highly biodiverse wetland forests in the southeastern United States, among other places. Other examples include the Global Environment Facility's subsidy to iron and steel companies to produce charcoal from eucalyptus plantations in Brazil, and numerous national and EU-level subsidies available to the pulp and paper industry in Portugal.

Financial incentives come in a whole range of complex financial instruments. These include **loans, equity, public-private partnerships and blended finance**. Here, public funds or institutions "partner" with the private sector in investments that are expected to generate a financial return, making commercial activities such as livestock farming and tree plantations particularly attractive. For example, over 2020-21, the Brazilian government will



Fires rage throughout South America's ecosystems each year in large part due to support for the meat and soy industries. **João Paulo Guimarães**

invest almost 40 billion Euros in its livestock sector, with most of the finance coming in the form of loans from state-owned development banks such as BNDES.

The **role of national, regional and international development banks in this type of finance is key**, and is a driving force behind the meat and forestry industries. For example, World Bank mechanisms such as the International Finance Corporation and Forest Investment Program are funding Portucel's establishment of eucalyptus plantations on land used by communities to grow food in Mozambique. The European Investment Bank (EIB) has also provided finance multiple times to Portucel's owner, The Navigator Company, which is Europe's largest producer of pulp and paper. The EIB is also financing plantation expansion in Latin America and sub-Saharan Africa through the Arbaro Fund.

Perhaps most alarming is the growth of **opaque private sector-led financial instruments that are supposed to support emissions reductions but often just incentivize the continuation of destructive practices**. Schemes such as green or climate bonds are intended to fund projects that mitigate climate change, but in Brazil, these are simply facilitating easier access for investors to agribusiness and funneling billions of dollars into an industry that is clearly having a catastrophic impact on forests, local communities and the climate. Climate finance mechanisms are also driving this trend, with increasing dependence on the private sector and complex financial arrangements becoming the new norm. An example of this is the 25-million-dollar equity stake that the Green Climate Fund (GCF) bought in the Arbaro Fund, meaning that this UN finance institution will share in the profits from commercial forestry operations. It therefore has a strong interest in ensuring that the trees are cut down and sold to the highest bidder.

These kinds of perverse incentives are part of a broader trend whereby **the lines between finance for forest conservation and climate mitigation and incentives for forest destruction and high-emissions industries are becoming more and more blurred** due to the influence of powerful commercial interests. A number of REDD+ projects are an example of this, whereby some of the world's dirtiest companies are greenwashing their image by buying carbon offsets generated by them.

Forms of indirect support are just as varied, and **exceptionally low tax rates are the key form of indirect incentives benefiting the livestock industry in South America**. Even in a good year, Paraguay's agricultural sector contributes less than 3% of total national tax revenues, even though it accounts for 27% of GDP. Tax breaks are also being used to incentivize the expansion of feedstock farming into protected wetland areas in Argentina, as are low interest rates that make investment in the livestock sectors particularly attractive in Brazil and Argentina.

Artificially low minimum wages and impunity for poor working conditions are another means of incentivizing investment, particularly in Paraguay, where the livestock industry is allowed to pay its workers less than half of the national minimum wage depending on the size of the ranch. In Mozambique, jobs created through plantation expansion have been far fewer than promised, poorly paid and seasonal, and in DRC, women face sexual harassment in the livestock industry and earn less than men. In Portugal, a union representing workers in the Navigator Company's pulp mills has criticized the company for doing nothing to support workers during the pandemic while paying large dividends to shareholders.

A common theme running throughout the examples in this report is the extent to which **bad governance acts an incentive for forest destruction**. In DRC, commercial livestock farming directly benefits from the country's political instability and violent disregard for human rights. Marginalized groups, including women and Indigenous Peoples who often have no formal land rights, are not able to assert their rights and cannot depend on the justice system, while company owners are protected by the authorities due to their shared interests.

In both DRC and Mozambique, laws regarding the ownership and use of land where land is state-owned and the state grants the rights to use it make it very **easy for land to be taken away from communities and given to private interests with far more influence**, especially where companies can claim that land is degraded, marginal or abandoned, and therefore in need of economic development. In Paraguay, the success of the entire agro-industry hinges on the fact that over the last 200 years the Colorado Party has handed over 70% of land in the country to 2% of the population, representing a huge subsidy that underpins Paraguay's meat and feedstock production.

Highlighted in this report are numerous different mechanisms by which corporations are capturing policy-making, from processes that take place within an institutionalized and semi-transparent context, to where bad governance and weak institutions are taken advantage of by those with the financial capital to do so.

The clearest form of corporate capture is where **government representatives use their positions of authority for their own private interests**, such as in the three examples of companies in South Kivu in DRC where representatives of state and local governments have a stake in livestock and mining enterprises,

Corporate philanthropy and the capture of the UN

Corporate philanthropy is another method corporations use to gain influence over public policies. The Bill and Melinda Gates Foundation, for example, which is financed by Bill Gates, ex-CEO of Microsoft and an active shareholder in the agro-industrial giant Monsanto (now Bayer),[1] is one of the key funders of the Alliance for a Green Revolution in Africa, which aims to boost African agro-industry through enhanced use of the agrochemicals and genetically modified crops that Bayer produces. The president of AGRA was recently appointed as the UN's Special Envoy to the upcoming UN Food Summit. In January 2020, the Gates foundation launched "The Bill & Melinda Gates Agricultural Innovations LLC", also known as "Gates Ag One", led by Joe Cornelius, a former executive of Bayer. The goal of Gates Ag One is purportedly "to empower smallholder farmers with the affordable, high-quality tools, technologies, and resources they need to lift themselves out of poverty."[2] The Gates Foundation also plays an increasingly influential role in what used to be the world's public seed banks and agricultural research centres, the Consultative Group on International Agricultural Research.[3]

Bill and Melinda Gates. **Steve Jurvetson/Flickr**

[1] http://www.theguardian.com/global-development/poverty-matters/2010/sep/29/gates-foundation-gm-monsanto
[2] https://www.gatesfoundation.org/Media-Center/Press-Releases/2020/01/Gates-Foundation-Statement-on-Creation-of-Nonprofit-Agricultural-Research-Institute
[3] https://etcgroup.org/content/next-agribusiness-takeover-multilateral-food-agencies

and in the example of the Czech prime minister, who stands to directly gain from renewed subsidies for agribusiness awarded under EUCAP. This is also the case with Portugal's "revolving door" between government and the pulp and paper industry, whose interests are consistently prioritized as a result. In these examples, there is a clear conflict of interest for those involved, but it is rarely challenged.

Also at the heart of corporate capture are **nepotism**, where those with power and influence use it to favor friends and relatives, **clientelism**, where incentives are swapped for political support, and of course **corruption**. In Nepal, an inside source indicates that most of the newly registered agricultural companies that are benefiting from government subsidies were established by political elites on the instruction of local elected leaders, ensuring that money allocated in agricultural subsidies is mostly paid to wealthy farmers with government connections. In Paraguay, land is still being stolen by government officials for cattle ranching through influence-peddling and bribery and, in Portugal, the former president of The Navigator Company openly donated large sums to presidential election campaigns in exchange for continued support from the very top of government.

Corporate sponsorship and influence over policy-making spaces to both greenwash company images and influence outcomes is another form of corporate capture. This practice is well-established in the UNFCCC, with Shell boasting about its role in negotiations over international carbon markets, the International Emissions Trading Association flooding COP25 with 140 delegates including representatives from some of the biggest oil and gas companies and Drax and its allies positioning themselves to take advantage of COP26 talks being held in the UK.

Another key process through which corporate capture is carried out is **lobbying by companies themselves or the industry associations and public relations firms that represent them**. In the UK, Drax Plc has attended 53 meetings with government ministers since the start of 2012, and almost every UK energy minister since 2012 has taken part in a publicity stunt at the power station. In Argentina, the Consejo Agroindustrial Argentino, a powerful agroindustry lobby group has directly lobbied the president and numerous other officials in its efforts to push state-sponsored agricultural expansion into wetland areas. In Brazil, one of the main ways that the agribusiness sector exerts its political influence is through the *bancada ruralista*, where elected representatives represent the interests of big agribusinesses. Powerful lobbying interests also continue to ensure the dominance of agribusiness in EU agriculture-related policy-making.


Powerful lobbying interests are responsible for large subsidies for burning forests at Drax power station. **peterichman/Flickr**

Recommendations: Breaking the "circular economy" of perverse incentives and corporate capture

Audre Lorde, a feminist civil rights activist, once proclaimed that "the master's tools will never dismantle the master's house." Lorde was rejecting using "the tools of a racist patriarchy...to examine the fruits of that same patriarchy", but these words can also be applied to the struggle to end deforestation and defend the rights and livelihoods of forest peoples.






Reforming and phasing out perverse incentives that trigger forest loss is not only key to halting deforestation and forest degradation. It also tends to have many social and economic co-benefits, and frees up significant amounts of public funding that can be re-invested in genuine solutions to the planetary crises humanity faces, as well as public services such as health care and education. However, the case studies in this report demonstrate how the corporate capture of policy-making and increased dependence on private investment only creates additional perverse incentives that themselves are a barrier to the reform of existing ones. As the saying goes, you don't bite the hand that feeds you. And when that hand benefits from generous subsidies and other forms of government support, a circular economy is formed in which corporations and government agencies have the same financial interests, to the detriment of the rights, needs and interests of ordinary people.

Public institutions should represent the interests of all people, including politically and economically marginalized rightsholders like women, Indigenous Peoples and other forest-dependent peoples, and not the interests of a handful of big corporations. Breaking the circular economy of perverse incentives and corporate capture first and foremost requires a genuine transformation of governance structures to ensure they are impartial and independent and in a position to defend, respect and support the rights, needs and interests of the public as a whole. This is true for national governments and their agencies, but it is also true for the UN system and international organizations like the Green Climate Fund, the Global Environment Facility, the UN Development Program and the Food and Agriculture Organization.

Cutting financial dependency on private sector investment also requires addressing some of the underlying assumptions that have led many actors in the forest conservation sector to adopt an "eco-capitalist" approach that is firmly founded on the belief that forests grow on money, and that forests are not able to "manage" themselves. Forests are perfectly capable of managing themselves, and would do so were it not for the vast amounts of funding flowing into sectors that destroy them.

Essentially, the endless drive for growth that the capitalist economic system has created cannot be used to solve the problems it has created, which now manifest as a biodiversity and climate crisis unparalleled in geological history, and economic recession and social injustice unparalleled in human history. Systemic change is required to survive these challenges. Breaking the many ties between public policy-making and the private, commercial interests of large corporations and their executives is vital to achieving this. Only then will we be able to redirect perverse incentives for forest destruction into genuine support for gender-responsive, community-driven forest restoration and conservation—which might not require much capital anyway.


Global
Forest
Coalition