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On the trail of the climate's hottest commodity

May 11, 2010



The Carbon Hunters

FRONTLINE/World journeys to the remote rainforests of Brazil, where several American companies have been on the hunt for an increasingly valuable new commodity -- carbon. But investing in big tracts of forest in order to soak up the carbon they may have to account for in proposed energy legislation is not without its costs.



Climate Change Headlines
<p><u>Global efforts mandatory to save environment, says Dr. Pachauri</u></p> <p>Source: ANI - Chairman of the UN's Intergovernmental Panel on Climate Change (IPCC) Dr R K Pachauri expressed his disappointment over the Copenhagen talks on Tuesday and urged upon the international community to collectively act in checking deterioration of ecology.</p>
<p><u>Canada moves tough climate bill closer to law</u></p> <p>Source: BusinessGreen - Canada's House of Commons passed a bill last week that would reduce greenhouse gas emissions 25 per cent below 1990 levels by 2020.</p>
<p><u>India's greenhouse gas emissions jump</u></p> <p>Source: AFP - India's annual greenhouse gas emissions increased by 58 percent from 1994-2007, driven by higher industrial activity, energy production and transport, government figures showed Tuesday.</p>
<p><u>Africa skeptical over funds to combat global warming</u></p> <p>Source: AFP - Africa on Tuesday expressed doubt over the capacity of developed nations to keep their financial commitments made during last year's Copenhagen summit to help poor countries deal with climate change.</p>
<p><u>Top 50 Twitter climate accounts to follow</u></p> <p>Source: Guardian - Discover the key people and organisations you should be following on Twitter if you're interested in climate change and the environment</p>
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The Carbon Hunters was reported by Mark Schapiro, produced by Andres Cediel & co-produced by Daniela Broitman.

STORY SYNOPSIS

In a remote corner of Brazil's Atlantic coast, they say time is a fiction. This ancient forest is seemingly unspoiled by modern life -- beyond the reach of men, machines, and markets.

But a closer look reveals something very different happening here.

"I'm tracking a group of hunters," correspondent Mark Schapiro says, as he hikes deep into the forest. "They're after something that has become one of the hottest commodities in recent years -- and they think they can capture it with just a tape measure and a pen."

The men Schapiro is following aren't after illegal game or even illegal logging. They want what is stored inside the trees: carbon dioxide.

"How much carbon would you think is in this tree right here?" Schapiro asks Ricardo da Britez, the chief forest scientist in this reserve, pointing to one of an endless line of trees.

"I think it probably contains between 90 and 100 kilos of carbon," da Britez says. He oversees the carbon counting here, and his measurements are being followed closely by people around the world who are trying to figure out how to buy and sell this carbon on the international market.

So if carbon is selling on the market for about \$10 a ton, Schapiro asks, what is this tree worth on the carbon market?

"One dollar," da Britez says.

The math seems simple -- but who gets the dollar?

"The credits from that carbon," da Britez says, "belong to General Motors."

How did an American company end up owning the carbon in trees? It all started in 1991, when conservation groups identified this area, known as Guaraquecaba, as one of the most threatened eco-hot spots in the world. How did an American company end up owning the carbon in trees? It all started in 1991, when conservation groups identified this area, known as Guaraquecaba, as one of the most threatened eco-hot spots in the world. The American group The Nature Conservancy tried for years to raise funds to protect this land, but the big money didn't start pouring into the region until fears began to rise about climate change. And it was a new reason to save the trees -- for their carbon -- that brought in three large American companies.

"The companies were interested in carbon credits," says da Britez.

Da Britez explains how, in 2000, American Electric Power, the utility giant, bought into an area the size of Manhattan. Then came the car company General Motors, and finally, Chevron Oil. The three companies invested a total of \$18 million to preserve this forest. The Nature Conservancy brokered the deal through a Brazilian environmental group called SPVS, founded by Clovis Borges.

"We will purchase part of the land of the region and preserve these areas," Borges tells Schapiro. But the carbon credits earned from the land, he says, will

belong to these companies.

What is a carbon credit? And why are so many people so interested in buying and selling something that didn't even exist five years ago? It's a question Schapiro has been traveling the globe to investigate. Before leaving for Brazil, he met with veteran Wall Street executive Tom Lewis, now the CEO of NYMex's Green Exchange. "People often ask the question, what is the difference between carbon and other commodities? In many cases, it's exactly the same as other commodities. It trades precisely in the same way," he says. "Globally, it's considered about a \$300 billion market today. But the expectation is that within a decade that market could be between \$2 and \$3 trillion."

Where would all that money come from? Climate legislation before Congress would, for the first time, force big polluters to reduce their emissions, or purchase offsets. One of the nation's biggest emitters is American Electric Power.

"The theory that we have is really pretty straightforward," says CEO Michael Morris. "You give me a carbon credit, and I'll pass it along to my customers."

AEP is the largest operator of coal-fired power plants in the country. He told Schapiro that investing in cleaner technology is expensive and takes time, and the only way he would be able to meet emission targets would be to purchase carbon credits.

"We'll purchase credits; we'll be in the credit market, along with many, many other people," says Morris. "And so we need the kinds of things that will create credits in the most cost-effective way."

The cheapest and most readily available offsets on the market these days are forests. And most of us, if asked, would say it sounds like a great plan: Save a tree, and soak up the carbon.

But most of us don't live here. The people who do, look at it differently.

"The land isn't even theirs; it's ours," says one farmer who lives between the GM and AEP reserves. "We're workers who live from the forest. They don't want human beings in the forest."

With all these new assets on the line, forest enforcement in Guarequecaba has been stepped up. A branch of the state military -- called the Green Police, or Força Verde -- has begun protecting the forest from the people who live there.

Antonio Alves's land borders the GM reserve, and he has had multiple run-ins with the Green Police. On one occasion, he says his roof was leaking and he couldn't afford the materials to fix it. So he went out to find wood in the forest where he lives.

"And then the two police officers showed up. One puts a gun right here," he says. "I looked at him and turned off my chainsaw. They handcuffed me right there."

"There is a law that you can't cut down a tree. It's not legal. But if you're not clear-cutting forest, just cutting three or four trees to build a house, I don't think it's a crime. They think it is."

Alves spent 11 days in jail for his crime, and has since moved away because of continued harassment by the Green Police. It's a complaint that's increased since the carbon reserves were established.

The Nature Conservancy declined to speak to FRONTLINE/World about this story. In public statements, they point to the jobs they've created in the reserve and their reforestation of degraded lands. They make no mention of those being displaced from the forest. And The Nature Conservancy's local partner, Clovis Burges, doesn't apologize for what they've accomplished there.

"During our 17 years in Guarequecaba, we were accused of everything," he says. "This is part of the process. We really were able to develop one project that can link the carbon with conservation. Maybe we are not right. We are trying to deal with something very tough, very hard. And we don't have enough time. We are running against time because destruction of nature is happening everywhere, very quickly."

The stakes in Brazil are clear everywhere you go. Deforestation has made Brazil into the world's third-largest greenhouse gas emitter. For years, they looked the other way. But now Brazil is facing the problem head on.

"The police ahead of us have heard the guys we're going after may be coming down this road to escape as we go toward them," Schapiro says, as he heads out to the frontlines of deforestation with a team of federal agents.

There they were: illegal loggers. Truck after truck, loaded with logs, all day and into the night. This was just one road in one corner of the Amazon, but it was a scene likely playing itself out across the country. The agents took stock of their catch.

"A middleman will sell it to a mill for \$1,000," one agent says about the price of one tree. In other words, a tree worth \$1 on the carbon market could be worth a thousand times that to an illegal sawmill. Reversing these economics, the UN estimates, will take an immediate global investment of \$25 billion. But who will pay for it? And to whom?

For centuries, foreigners have been coming to Brazil to extract its riches, many starting in the port city of Manaus. It's a booming free-for-all, at the gateway to the Amazon. But a local governor, Eduardo Braga, is turning the tables.

"If you come to an Amazonian and say, 'Well, give up all your jobs, all your economic base, because we need to save the trees,' they are going to reply, 'No, I need to feed my kids.'

Braga is a savvy politician, and he is getting political traction by asserting control over his state's forests.

"Taking care of our forests is fundamental for our future generations," he says. "Our people are the guardians of the forest. And we need to be recognized and paid for the environmental benefits that the forest creates for rich countries . . . for the developed countries."

In the remote Juma Reserve, residents are actually paid not to cut down their trees. And any carbon credits generated from this preservation are supposed to come back to the community. Where do they get the money to do all this?

Braga made a deal with the Marriott hotel chain, which gave \$2 million to kick this project off the ground. And Braga has been courting corporate sponsors to fund more than a dozen more reserves in the Amazon.

Juma is considered to be the model -- an experiment with a new strategy to protect the trees and pay the people.

Families receive \$25 every month through a program called Bolsa Floresta.

But for residents like Dalvina Almeida, it takes a two-day roundtrip journey by boat just to receive their stipend.

"We used to plant a lot," Dalvina's husband says. "When this became a reserve they told us that we could no longer plant in the forest. Everyone signed up for Bolsa Floresta. But Bolsa Floresta can't sustain my family."

And some Brazilians dispute the very idea of relying on corporations to save the forests.

Marina Silva is a senator from Braga's neighboring state. She grew up in the Amazon and is celebrated for slowing Brazil's rates of deforestation.

She says that America needs to reduce its own emissions first, before Brazilian forests are put on the table.

"Otherwise, we are going to transfer the problem one more time to the developing countries," she says. "And the developed countries are going to continue their same practices. The problem is not going to stop."

But carbon credits remain the key ingredient in the American strategy. At Copenhagen, the U.S. government pledged \$1 billion to help bring the world's trees into the carbon market.

And, anticipating a new energy bill in Congress, multinationals continue to buy up forests to offset their emissions.

"You always hear this classic win-win line, and I've never really bought much into the win-win -- you win, I win, how can that be?" AEP CEO Morris says. "But at the end of the day, if you think about biodiversity and you think about the capacity of forests to do the things that they do and you know that they are a very effective carbon sink, it just makes sense. And protecting the current and remaining forests of the world and the deforestation effort, we think, makes a lot of sense."

"We can't treat this problem like it is a business, a commercial relationship between countries," says Silva. "To talk about dealing with this issue just from the perspective of carbon credits is to skirt the responsibility we have to deal with the dangers our planet is facing."

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