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Creating financial value for tropical forests by disentangling people from nature

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ABSTRACT

Efforts to address environmental problems have led to a rapid proliferation of mechanisms for creating financial value for nature. This paper argues that the creation of financial value for nature requires work to disentangle and frame the relation between people and nature so as to render this relation calculable, and that this work acts to alienate people from nature. To pursue and progress this argument, the paper analyses the work of the United Nations Framework Convention on Climate Change (UNFCCC) to establish a mechanism to create financial value for tropical forests based on their capacity to store carbon. The analysis finds that the UNFCCC's work of disentanglement and framing, so as to render calculable the relation between people and forests, has created conditions that threaten to materially degrade the ecological value of tropical forest biodiversity and the cultural/spiritual value of forests to indigenous peoples. The findings support this paper's argument that the alienation of people from nature is not simply a consequence of financial valuation, but rather is a necessary prerequisite for creating financial value for nature.

1. Introduction

It is now widely espoused by policy-makers that environmental problems, like climate change and global biodiversity loss, result from market failures, whereby the value of services provided by nature are not fully taken into account in economic decision-making (IUCN, 2017; World Bank, 2016). A United Nations report on the economics of ecosystems and biodiversity argues that 'the economic invisibility of nature's flows into the economy is a significant contributor to the degradation of ecosystems and the loss of biodiversity' (TEEB, 2010, p. xxvi). This logic has led policy-makers towards efforts to bring the value of nature into economic decision-making (Deegan, 2013, 2017). One approach to this has been to encourage businesses and other organisations to account for their so-called "natural capital". This essentially involves establishing notional economic values for nature so that organisations can become more aware of the importance of nature for sustaining their own operations (ACCA, Flora and Fauna International, & KPMG, 2012; Natural Capital Coalition, 2016). A more radical approach, however, has been the rapid proliferation of mechanisms that enable the generation of actual financial revenues from nature conservation activities (UN, 2018a). Such mechanisms have the effect of turning nature into a financially valuable asset, thus incentivising its protection. The creation of financial value for nature, in this way, essentially changes the economic "rules of the game" of capitalism so as to address the market failures that are seen as being the root cause of environmental problems (Cuckston, 2013; MacKenzie, 2009b). The purpose of this paper is to show that creating conditions conducive to calculating financial value for nature requires work to disentangle people from nature.

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Within the accounting literature, scholars have repeatedly argued that valuing nature in financial terms will ultimately be detrimental to its protection. Hines (1991) argues that seeing nature through economic eyes will not lead to environmental stewardship but, rather, will lead people to use economic arguments to justify the destruction of nature. Hines suggests that the real value of nature to people cannot be measured in financial terms, and that viewing nature in this way will 'alienate people from nature' (p. 29).

This fundamental critique of efforts to create financial value for nature has recurred in the literature in the context of numerous mechanisms. Criticising the emergence of sulphur dioxide emissions trading as a solution to the problem of acid rain, Lehman (1996) argues that trying to use the market to control the relationship between people and nature leads to a 'potentially disastrous environmental ethic' (p. 671). Similar arguments dominate critique of carbon emissions trading markets, with McNicholas and Windsor (2011) warning that carbon accounting 'atomises nature' (p. 1087) so as to make it amenable to economic calculation. Likewise, Andrew, Kaidonis, and Andrew, (2010) argue that by framing the problem as a failure of markets, which can be solved by constructing new markets, carbon emissions trading cannot produce the shift in societal mindset required to address the unprecedented challenge of global climate change:

> [A]ny approach that simply encourages the market to put a price on the environment is inadequate as a response to environmental problems since this does not sufficiently orient business or society in general towards the environmental issues that we face (p. 616).

Furthermore, the proliferation of mechanisms for creating financial value for nature, with the rise of various forms of biodiversity offsetting, has led to accusations that financial accounting techniques are being used in ways that hide and/or justify the destruction of nature (Boiral, 2016; Ferreira, 2017; Sullivan & Hannis, 2017; Tregidga, 2013). This widespread movement towards accounting for nature in terms of financially valuable "natural capital", is seen to be leading society towards a collective mindset wherein nature is only worth protecting *because* of its financial value (Barter, 2015; Hrasky & Jones, 2016). Lehman (2017) argues that this form of accounting for nature, in terms of financial values, 'perpetuate[s] an instrumental approach to the world … thereby hindering the development of ethical and moral standards' (pp. 32–33).

Thus there is a basic critique within the extant literature that mechanisms that seek to address environmental problems by creating financial value for nature have the effect of encouraging an instrumental mindset towards nature, which undermines people's sense of connection to, and responsibility for the protection of, nature. That is, such mechanisms perpetuate an economic worldview in which people become detached and alienated from nature. But is this the whole story of the causal relationship between creation of financial value for nature and people's separation from nature? The extant literature appears to view the act of creating financial value for nature as a largely abstract exercise, such that the effects of financial valuation come *after* a financial value has been assigned to nature. That is, the alienation of people from nature is seen to be due simply to the way that financial values represent nature in economic terms. In contrast, this paper will argue that the act of creating financial value for nature involves work to materially[1] separate people from nature. That is, the alienation of people from nature is not simply a consequence of financial valuation, but rather is a necessary *prerequisite* for the creation of financial value for nature.

In order to be able to examine how creation of financial value for nature gives rise to the alienation of people from nature, this paper will study a case of the creation of financial value for nature to address an environmental problem: that of tropical deforestation. Drawing on theoretical developments in the social studies of finance (Callon, 1998b; MacKenzie, 2009a; Vollmer, Mennicken, & Preda, 2009), this paper will analyse a mechanism designed to address the problem of tropical deforestation by creating a financial value for forests based on their capacity to store carbon. The mechanism is part of the Paris Climate Change Agreement reached by the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015. The mechanism is called *Reducing Emissions from Deforestation and forest Degradation* (REDD) and is described by the United Nations as follows:

> REDD is a mechanism to create an incentive for developing countries to protect, better manage and wisely use their forest resources, contributing to the global fight against climate change. REDD strategies aim to make forests more valuable standing than they would be cut down, by **creating a financial value** for the carbon stored in trees. Once this carbon is assessed and quantified, the final phase of REDD involves developed countries paying developing countries carbon offsets for their standing forests (UN, 2010a, p. 1, emphasis added).

The aim of analysing this mechanism is to explain how such financial value for tropical forests is created. That is, what work is done to create conditions in which calculating financial value for tropical forests is made possible? The analysis will demonstrate that this work involves a systematic disentanglement – i.e. detachment and separation (Callon, 1998a) – of people from tropical forests. That is, to create conditions in which the calculation of financial value for tropical forests becomes possible, the REDD mechanism will be seen to act to materially initiate and entrench the alienation of people from nature.

The remainder of this paper is organised as follows: the next section will explain the social studies of finance theoretical framework that will inform the analysis; Section 3 will briefly set out the methods of data collection and analysis used; Section 4 will present the analysis of how REDD creates conditions in which the calculation of financial value for tropical forests is made possible; Section 5 will conclude the paper.

[1] The term material here, and throughout this paper, is used to denote that relations between actors and objects will always comprise some concrete, physical interaction between them (cf. MacKenzie, 2009a).