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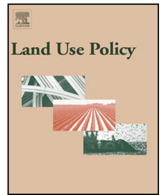

# The new corporate enclosures: Plantation forestry, carbon markets and the limits of financialised solutions to the climate crisis

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ABSTRACT

In recognition of the opportunities associated with climate change, the finance sector have engaged in market based activities via the acquisition of land for ecosystem services, such as biofuel production or forestry for carbon sequestration. Many of these investments are global in scope; with finance capital from the Global North directed into the acquisition of land in the global South. We take the case study of the self-proclaimed largest plantation forestry operator on the African continent, the Norwegian company, Green Resources and their Ugandan land acquisition, to explore, firstly, the claims-making associated with the expanding financialisation of land and natural resources and secondly, the new corporate enclosures engendered via such companies' participation in the expanding carbon economy. Our findings show that investor claims regarding the economic development and environmental sustainability at the site level do not match with the lived reality of Ugandan villagers at the investment site. Whilst carbon capture is possible, it is outweighed by a suite of social and environment ills, including forced dispossession, biodiversity loss and chemical pollution.

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## 1. Introduction

The current 'financialisation' of land and nature is advancing the transformation of plantation forestry and food crops into internationally-traded assets (Knuth, 2015). Nation state borders are no longer a hindrance to the flow of capital as trade in land and nature becomes increasingly liberalised and subject to marketization under neoliberal economies. Many investments are global in scope, deploying finance capital from the global North to the acquisition of large swathes of land in the global South. Despite the hype from many governments and international institutions, such as the World Bank, about market-based, 'financialised' solutions to finance, food and fuel/climate crises, these investments are associated with a shift in the control, ownership and access rights of land, water and other biological materials. Given the North/South power asymmetries that also mirror the direction of flow of transnational land investments, such transactions enable the shift in rights; from the hands of peasant and subsistence farmers to corporate actors, or from the less powerful to the powerful (Fairhead et al., 2012; Salerno, 2014).

The focus of this paper is plantation forestry and carbon offsetting, given its rapid emergence as a significant form of green economic activity. Plantation forestry is estimated to have grown by almost fifty percent between 1990 and 2010, including dramatic growth on the African continent, which is now described by some as the future hub for plantation forestry (Kroger, 2013). Carbon trading investments form part of a suite of new global-level investments in biomass, including forestry, biofuels, and plant materials that are of interest for commercial activities such as biofuel production, conservation, bio-electricity and bio-plastics to name but a few. Importantly, the biomass industry has been estimated by the World Economic Forum to be capable of generating $300 billion by 2020, representing one of the fastest growing areas of the global bio-economy (Thomas, 2011).

In this paper, we take the case study of the self-proclaimed largest plantation forestry operator on the African continent, Green Resources, and explore their acquisition of land in Uganda, in the context of new corporate enclosures. Enclosure of distant lands by financial actors, whether for carbon sequestration, conservation, development or 'food security' purposes, pose adverse livelihood impacts at the local level, despite claims that investment brings about greater social and economic development. To understand the drivers of this financialised restructuring of global land use and its on-ground effects, claims making associated with investment in the carbon economy and the new forms of enclosure it engenders,

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are examined. In particular, we address: to what extent do claims that land acquisition facilitates social and economic development align with the experiences of land users? And, how does the current wave of land acquisition fit within theories of enclosures?

Based on findings collected across both investor nations and recipient country, this paper demonstrates a profound schism between claims-making related to corporate land investment. While investors widely champion financialised solutions to the climate and food crises coupled with the benefits of socioeconomic development, food security and conservation, our findings demonstrate such claims are disconnected from the claims of those affected in recipient countries. Addressing this disconnect, this paper brings forth the 'voice' of those subject to land loss, and whose insights are infrequently heard in global debates about climate change, land use, food security and land acquisition. On the basis of our findings, we argue that rendering land economies and politics transparent – including the social and ecological impacts of the new corporate enclosures – is vital to enable critical scrutiny of these new regimes of accumulation and their impacts.

## 2. Background literature: financialisation, climate crisis and the land rush

The start of the 21st century has seen a major trend in finance fuelled foreign land acquisition. This emerging trend of financialisation has seen food traded as a commodity and land reconceptualised as an 'asset class' which can be bought or leased, utilised for commodity production and traded by those who have no commercial involvement in food, land or other 'natural resources' (Clapp and Helleiner, 2012). Like the concepts of neoliberalism and globalisation, there are multiple interpretations and applications of financialisation. Epstein's (2005: p. 3) often-quoted definition of financialisation describes "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies". Similarly, Krippner (2004: p. 14) identifies a "pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production".

Financialisation has been shown to have far reaching effects in food and agriculture. For instance, Clapp and Helleiner (2012, p. 185) argue that during the food price crisis in 2008, futures price for wheat was 60 percent above what could have been explained by the market fundamentals of supply and demand. This speculative form of financialisation saw non-food actors capitalise on food 'commodities', resulting in artificially inflated food prices. Similarly, Breger Bush (2012: p. 4) identifies the shifting nature of agriculture as "multinational financial firms hoard commodities, speculate on commodity futures markets, and purchase broad swaths of farmland across the developing world".

Van der Zwan (2014) talks about how global finance has ". . .altered the underlying logics of the industrial economy and the inner workings of democratic society". Taking this further, she proposes three approaches to financialisation, as (a) the emergence of new regimes of accumulation; b) the ascendancy of shareholder value orientation; and (b) the financialisation of everyday life (Van der Zwan, 2014: p. 99). The acquisition of distant lands described in this paper sits neatly within Van der Zwan's (2014) concept of the 'emergence of new regimes of accumulation'. Whilst finance and land have long been linked, these new financial entanglements see the involvement of non-traditional actors, such as insurance firms, asset or private equity managers, involved in acquiring distant, rural land and overseeing production and in essence, becoming the "new farm owners". It is difficult to account for the exact amount of land enrolled in these financialized arrangements. Previous research has identified many challenges in seeking to take stock of the area of land under the ownership of the 'rentier' or corporate investor class (see Edelman, 2013; Oya, 2013; Scoones et al., 2013). With these limitations in mind, we identify some general trends to provide a context for this study.

The countries whose land has been acquired by distant, financial interests includes some of the least economically developed; South Sudan and Papua New Guinea (around 4 million hectares each), Indonesia (3.5 million hectares) and the Democratic Republic of Congo, Mozambique, Liberia, Sudan, Sierra Leone (with between 1 and 3 million hectares under foreign ownership) (ILC, 2013). Whilst Africa is host to the largest proportion of known investments, it is closely followed by Asia and Latin America (Kugelman and Levenstein, 2013). The International Land Coalition (ILC), who have been tracking global land acquisitions, estimate that between the years of 2000 and 2011, large-scale land deals accounted for 203 million hectares of land (Anseeuw et al., 2012: p. 19). This includes land under negotiation or approved by the year 2012. These investments are predominantly in Africa, with 948 publicly reported land deals comprising of approximately 134 million hectares (Anseeuw et al., 2012: p. 23). In monetary terms, Fairbairn (2014) estimates that institutional investment in global farmland ranges between ten and forty billion US dollars. The World Bank estimates 56.6 million hectares of land was transferred worldwide in 2008 and 2009 alone (Buck, 2014). Our case study of Green Resources operations in Africa sits firmly in this context, with investors in the company including development banks and the insurance sector, the company holds 45,000 ha of land in East Africa, with 11,000 ha in Uganda (Green Resources, 2015).

Importantly, it is not only those with a direct interest in food, forestry or farming acquire land internationally. Finance actors are directly investing, or partnering with industry and business to leverage value in these new markets. A number of different vehicles make land acquisition possible, including the investment activities of Development Finance Institutions (state owned 'investment for development' agencies), asset management funds, hedge funds and private equity (Aprodev, 2013; Daniel, 2012; Kugelman and Levenstein, 2013; Magnan, 2015; Salerno, 2014). A number of major finance firms are now heavily involved in global land acquisition, for example, the US teacher's pension fund, TIAA-CREF, own US$2.8bn of farmland (Fairbairn, 2014).

A number of complex reasons for the current 'land rush' have been cited, with much debate about causes and effects. Key events in this analysis include the recent food and climate crises. The 'food price crisis' of 2007-8 has been attributed to the confluence of reduced grain stocks, increased oil prices and the diversion of food stocks into biofuel production (Anseeuw et al., 2012). Whilst the food price crisis had profound effects on the world's poorest, it has served as market opportunity for investors. Additional factors, such as global population growth, including growth of the global middle class and their increased demand for animal protein, and the reduced availability of land per capita, has exacerbated this crisis, and concomitantly, increased opportunities for investors (Daniel, 2012; Clapp and Helleiner, 2012; Sorda et al., 2010; McMichael, 2012). Importantly, the 'climate crisis' also represents a market opportunity for investors. Global growth in investment in market-based solutions to the climate crisis, including carbon offset and other ecosystem services, is backed by strong claims these investments will not only address climate change by absorbing carbon dioxide and other greenhouse gases, but also deliver substantive economic returns.

Financialisation is becoming increasingly dominant as financial elites and institutions are able to assert greater influence in shaping not only markets, but also society, as will be shown below. Raising concerns about this economic transformation, Epstein (2005: p. 3) points to the increasing role of finance motives, markets, actors and

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