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Emerging Global South Carbon Trading: Conflicting Interest of Green Capitalism and Socio-Ecological Justice

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Summary

Carbon trading or emission trading system (ETS) has been a hot topic for climate change mitigation and adaptation in recent years; commencing within the Global North by European ETS in 2005, now moving forward to the Global South market and economies like Mexico ETS 2020, China ETS 2021, and Indonesia Energy-subsector ETS in 2023. After the Paris Agreement in 2015, the Global South changed its perspective in terms of becoming more susceptible to market mechanisms and lessening criticism/skepticism towards Global North's intention to commercialize climate issues. It allows parties to formulate their action based on their needs and domestic capacity (Nationally Determined Contributions/NDC) to meet net zero. Green capitalism favors this approach, emphasizing on the market capacity to correct environmental externalities as firms will be keen to follow the high environmental standard while maintaining high productivity. However, Green Capitalism receives criticism from the socio-ecological justice perspective that underlines the uncontrollable nature of the capitalistic approach which tends to exploit the system's weaknesses for profiting firms, and disregard the protection for marginalized minority, and non-human organism from exploitation. Regardless, the fast progression of global economic dynamism today evokes people-environment-economy nexus relations and still needs further scrutinization for enhancement.

Keywords: *Global South, Carbon Trading, Climate Change, Green Capitalism, Socio-Ecological Justice*

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Global South Stance: From Refusal to becoming Establishing Carbon Market Mechanism

Global cooperation for climate change mitigation and adaptation has been discussed extensively over two decades since UN members signed the Kyoto Protocol in 1997. It highlights the adverse effect and severity of greenhouse gas emission (GHG) toward climate anomaly, sea level rise, and warming earth temperature, affecting human-ecological stability. However, the earth has yet to see significant changes preventing climate calamities less than a hundred years to come, only a generation away (Lyons, 2014; Meng et al., 2018). The main issue behind this situation is the unmatched socio-economic and political interests of the Global North and Global South. It underlines the conflict of postindustrial countries with emerging or developing/least-developed countries concerning the world's limited natural resources in achieving development. Therefore, various international cooperation mechanisms to combat climate change, including Emission Trading System (ETS) or more publicly known as carbon trading, receive intense criticism, particularly in developing countries – the most severely affected group by climate change (Fuhr, 2021).

Global South or developing countries at the beginning of carbon emission trading dialogue at the international level tend to be skeptical and refuse the idea as it allows Global North or postindustrial countries to undermine their responsibility for climate crisis from historic emission with "money." NGO groups in developing countries voice the potential loopholes of this market mechanism for big corporations/multinational companies to exploit the unsettled carbon trading system at the international and national levels (Traore, 2021). Concurrently, the Global South is concerned that promoting ETS will affect their economic development capacity due to the high-cost intensification of environmental protection, considering actions to limit temperature rise below 1.5°C required heavy technological advancement and capital by Global North. Heavy criticism toward Global North led to the rise of counterarguments, emphasizing emerging economies' unwillingness to deal with climate issues, neglecting their capacity to quantify act based on their rapid economic growth (Fuhr, 2021). Global North argues that ETS could increase climate finance or investment in the Global South. However, developing countries remain worried as this debate underlines the inequality and capacity gap between the Global North and South to achieve sustainability, referencing the past development trajectory and nature exploitation.

However, the Paris Climate Agreement in 2015 created a new perspective on carbon trading as countries could set up their own Nationally Determined Contributions (NDC). The system does not force state parties to set a specific target, yet it has to be higher than the previous commitment. Developed and developing countries should be able to decide their contribution based on their assessment with regular reports to United Nations Framework Convention on Climate Change (UNFCCC) (Tamzil, 2021). At that moment, existing ETS was in operation, such as European Union (EU-ETS in 2005), Switzerland ETS in 2008, Regional Greenhouse Gas Initiative in the United States in 2009, and Tokyo ETS in 2010. No developing countries were keen on implementing ETS except China and Kazakhstan in 2014, piloting the market mechanism on a limited regional scale.

A few years after Paris Agreement came into force in late 2016, the world experienced a significant enlargement of the carbon market in the Global South, with Mexico ETS in 2020, China National ETS in 2021, and Indonesia ETS for the electric project launched in 2023. Moreover, a similar platform also emerged in Africa through Africa Carbon Markets Initiative (ACMI) in November

2022, India Renewable Energy Certificates (REC) and Energy Savings Certificates (ESCerts) in Mid 2023, and Brazil ETS based on Federal Decree No. 11.075/2022. This situation indicates the existence of climate change policy transformation within developing countries toward a more robust carbon trading mechanism at the national level. Therefore, it is worth looking at the motivation or reasoning behind this rise of the carbon market mechanism in the Global South.

Motivations: Green Capitalism vs. Socio-Ecological Justice

Existing literature explaining the Global South ETS phenomenon is commenced by the influence of green capitalism, followed by socio-ecological critics. The liberal capitalist approach, called green capitalism, notes the environment as natural capital critical for wealth accumulation, including its externalities requiring market-based policy instruments such as tax and cap-and-trade to achieve efficiency. Eco-capitalists believe carbon trading is the right platform to correct market failure from externalities. Carbon trading will incentivize polluters in the Global South to curb their emissions to gain more economic benefits while maintaining high productivity. In the long term, firms will profit more by implementing higher environmental standards based on the ETS regulations. It allows innovation for a capitalist society to build more conscious consumers/buyers of green products to reduce environmental impacts. It highlights the growing capitalist society in the emerging Global South, associated with globalization, that could not be separated from capitalistic societies (Reyes, 2010).

Middle-class growth in developing countries by 8% per year in the past decade is a good indicator that capitalistic society is growing in the Global South, and that is necessary for green capitalists to deploy market-based policy for climate change. Indonesia, China, and Mexico are key developing countries to control climate change, and noticing their support for carbon trading means well for the green capitalism movement (Kharas, 2016).

However, the carbon trade policy implemented by the Global South receives criticism from other schools of thought, such as the Marxian/structuralist perspective that accentuates the inability of capitalistic society to correct environmental degradation, including climate change, due to its disregard toward the cultural behavior of natural resources exploitation. In addition, the most dominant critics come from the socio-ecological justice (SEJ) perspective that sees the carbon trading mechanism in the Global South misrepresent the interest of the marginalized community and devaluing the ecosystem or non-human organisms in the process of carbon trade. In this ETS process, SEJ argues that the Global South neglects the real essence of climate change adaptation and mitigation: to protect the ecosystem or other non-human organisms from collapsing so human life remains flourishing. (Boyd, 2009; CWATCH, 2017).

The socio-ecological justice informs that the Global South should focus on advocating the negative consequences of natural resources overexploitation instated of following the trajectory of the Global North (Overbeek, 2012). Countries like Indonesia, India, China, and Brazil tend to overlook the negative consequences of economic developments and tolerate weak governance systems allowing conglomerates to manipulate existing national and regional regulations. Big firms' pressure on developing countries governments to establish the ETS should not impair the rights of the

marginalized, vulnerable community, and non-human organisms in the carbon trading process, preventing the exhaustion of natural resources for unlimited human want.

Discussion and Conclusion

In the end, the question comes to a big dilemma, does carbon trading in the Global South genuinely supports environmental recovery in fighting climate change, or is it just another way for emerging capitalist society in the urban developing countries to monetize the new problem for profit? So far, the answer is still dominated by the profit-seeking approach provided by the green capitalism theory, which believes that market mechanisms are the efficient way to overcome environmental externalities. Regardless of the country's status, the Global South or the Global North, the reason for carbon trading will be the same if globalization through a complex supply chain remains dominant, followed by intense globalization of western ideas/products. Currently, Paris Agreement is a product of globalization that allows countries to create regulations to facilitate trade among parties on climate finance. Who prevails? Liberal capitalists who dominate existing world orders are now in the form of environmentalism (Lederer, 2014).

In conclusion, ameliorating Global South's carbon market mechanism intrigues scholars and practitioners, questioning diverse perspectives to explain this trend. Green capitalism and socio-ecological justice show conflicting ideas about carbon trading as a market mechanism to cope with climate change. Green capitalism believes in market capacity to control resources and reduce human activity's impact on the earth. However, it receives strong critics from other perspectives, mainly socio-ecological justice that commands special attention on minority and non-human organisms, moving away from profit-oriented capitalistic societies. Regardless, this ongoing trend still needs further scrutinization by everyone in the years to come. Besides, exploring potential alternatives for climate cooperation than ETS in the global South could be more effective such as climate cooperatives (koperasi), recognizing the socio-economic development while nurturing a fragile human environment.

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