Regnskogfondet
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Naturvernforbundet
Friends of the Earth Norway

Beauty and the beast

Norway's investments in rainforest protection and rainforest destruction

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Rainforest Foundation Norway (Regnskogfondet) fights to preserve the world's rainforests and ensure the rights of indigenous peoples and forest dependent communities, in cooperation with more than 100 local indigenous and environmental organizations in Southeast Asia, Central Africa and the Amazon. Rainforest Foundation Norway supports projects in ten countries, in all three rainforest continents. In Norway we work on raising awareness about the rainforest and preventing Norwegian politics and business interests from contributing to rainforest destruction.

Naturvernforbundet
Friends of the Earth Norway

Friends of the Earth Norway (Naturvernforbundet) is Norway's largest and oldest environmental organisation. Our 20,000 members and approximately 100 local groups are working to solve environmental issues both locally and globally. We are a part of Friends of the Earth International - the world's largest grassroots environmental network.

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Photo: Anja Lillegraven/Rainforest Foundation Norway

Executive Summary

The Norwegian government invests massively and increasingly in industries that are responsible for serious destruction of the tropical forests. Through its controversial pension fund, Norway is violating its international commitments to reduce its participation in deforestation.

Norway, a small European country with only five million inhabitants, is in most contexts not an important player in international affairs. Yet, in two areas, the Norwegian government can be said to be a superpower. Firstly, fuelled by large revenues from its offshore petroleum industry, it has built up the world's biggest sovereign wealth fund, often referred to as the Pension Fund (GPFG, see below). Through this fund, Norway controls an increasing part of the world's economy. Secondly, at the other end of the spectrum, Norway has taken the lead in the international campaign to save the world's remaining rainforests, often referred to as REDD+[1] .

Regrettably, the Norwegian investments through the pension fund are directly undermining the work that the same government is doing on rainforest protection. As of 2012 the Norwegian government has invested 27 times more in the industry sectors that are destroying the rainforest than it has pledged to spend on saving it.

The investments of the Norwegian Ministry of Finance through this fund (official name: the Norwegian Government Pension Fund – Global (GPFG)) illustrate a critical incoherence in the Norwegian government's approach to the protection of the world's remaining rainforests. This undermines its chances of achieving positive results through the rainforest initiative. Moreover, the scope of the investments is so far-reaching that Norway is in fact violating its international obligations. At the 2010 UN summit on climate change in Cancún, Norway and all other countries committed to reduce their involvement in deforestation. By increasing its investments in high-risk sectors that are major forces behind deforestation and forest degradation, Norway is doing the opposite.

Increasing investments in rainforest destruction

In 2007, Norway announced its decision to provide massive support to the efforts of developing countries to preserve their rainforests, and pledged 500 million US dollars annually to support REDD+. The Norwegian initiative has been widely commended by the international community.

However, this report documents another, huge Norwegian investment related to rainforests, generally unknown until now: Norway has invested 13.7 billion USD, in 73 different companies, in precisely the industry sectors that constitute the greatest threats to the same forests. From oil palm plantations on Borneo and oil drilling and beef production in the Amazon, to mining in the highlands of Papua New Guinea and timber logging in virgin forests of Congo, multinational companies are playing a key role in destroying tropical forests - with the Norwegian government as co-owners.

This is proving to be a lucrative business for the arguably richest country in the world. Our investigations into the latest annual report from the Norwegian government's Pension Fund, published 16 March 2012, show that the value of the controversial investments in high-risk industries widely known to be major drivers of rainforest destruction has *increased* by 13.6 % in a year of otherwise *negative growth* of the Fund. The value of the total shares in the fund experienced an 8.8 % *decrease* in 2011.

Undermining the chance of success

These Norwegian investments directly undermine international efforts to protect the rainforest – as well as dealing a massive blow to the credibility of the Norwegian government as a supporter or even pioneer of these initiatives. The Norwegian government is a direct owner and financier of the same deforestation that its prime minister is trying to halt. While the Cancún Agreement requires tropical countries to have a consistent forest policy, the same coherence is obviously not needed from a developed donor

country like Norway.

National governments are responsible for sustainably managing the natural wealth of their countries and preserving it in the best interests of their citizens. Several governments in rainforest countries have indeed expressed a clear will to halt or reduce deforestation. However, parallel to the forest protection programmes that the governments carry out as part of the international REDD+ initiative, those same governments systematically allocate licences for the industrial development – and destruction – of their rainforest areas. The negative environmental effects of these licenses are often far-ranging, as most of the key sectors driving deforestation are widely associated with illicit activities, like illegal logging and forest clearance.

The Norwegian Pension Fund (GPFG) places its money in these industries. Fund managers are given *carte blanche* to basically invest where they like, and are not told to steer away from certain environmentally critical sectors. The only mechanism for avoiding such undesirable investments is a specially established Council on Ethics, mandated to recommend to the Ministry of Finance that certain unwanted individual companies be excluded. The current organisation of the Council has proven inadequate for coping with the massive and increasing investments in high-risk industries that are responsible for deforestation and forest degradation. In addition, the fund managers are expected to be active owners of the companies they invest in, but due to lack of transparency it is not known if they in fact are. It remains uncertain, for instance, if the Norwegian government has ever taken up rainforest concerns with any of the 73 companies mentioned in this report.

This report gives an overview of the sectors that are known to contribute massively to the destruction of tropical forests, and the associated Norwegian investments. These sectors are the oil palm industry, oil and gas, mining, cattle ranching, logging and the pulp industry, soy production and hydroelectric power. In particular, the report explores two illustrative cases: the palm oil industry, and extractive industries.

The palm oil industry is a sector that has been responsible in converting large tracts of forest into monoculture. The biggest effects are found in Southeast Asia, where up to 70 % of the oil palm plantations may have been established through forests clearance.[2] To illustrate this, the report examines a conflict that erupted between villages and the company Wilmar International Ltd on the Indonesian island of Sumatra.

Companies carrying out *extractive industries*, such as oil and mining, have been heavily involved in opening up otherwise untouched rainforests, and exposinging them to environmental threats. Many countries have fragile and insufficient control systems for stopping the environmental damage inflicted by such companies. This report examines the case of Chevron Corp in Ecuador, where the national courts in 2011 ordered Chevron to pay compensation for its damages to the forest and communities. It has so far taken the affected communities 18 years to hold Chevron responsible, but Chevron has refusesed to accept the verdict of the Ecuadorian courts.

The report concludes with a set of recommendations to ensure a minimum of coherence in Norway's approach to rainforest protection and that Norway complies with its international obligations to reduce its contribution to forest destruction.

Beauty and the beast – Norway's two-faced approach to rainforest investments

Forest protection

- 500 mill. USD pledged annually, to the UN, World Bank and tropical forest countries
- High level political commitment, in Norway and internationally

Forest destruction

- 13 700 million USD in shares
- 73 companies world wide
- 7 high-risk industries, widely known to be major drivers of deforestation and forest degradation
- Increased investment, despite overall decline in the fund's value
- Hollow rhetoric of "ethical investment"

Why Norway wants to save the rainforest

The impression that Norway gives to the world is indeed impressive: 'Little Norway' is the biggest funder of global efforts to save the endangered rainforest.

'At present deforestation in tropical countries represents about 20 per cent of the annual man-made CO2 emissions. In order to succeed in our struggle against climate change, we must be able to stop deforestation globally,' Norwegian Prime Minister Jens Stoltenberg stated when his government in 2008 proudly announced a 1 billion USD package to save the Amazon rainforest.[3]

'In addition to the climate effect, reduced deforestation in the Amazon will also contribute towards the preservation of biodiversity and aboriginal peoples' living areas,' Mr. Stoltenberg went on to say.

The prime minister said the rainforest protection is 'the most important thing we are doing in the world'[4].

Destroying the richest ecosystem on Earth

The Norwegian initiative has been widely applauded by the international community, and with good reason. Large scale and international efforts to stop forest destruction are desperately needed. Since 1990, 2.9 million square kilometres of tropical forest have been lost.[5] This is equalent to more than 65 % of the total landmass of the European Union. As a result, in this period some 106 billion tons of carbon dioxide have been released into the atmosphere,[6] amounting to more than 16 times the annual greenhouse gas (GHG) emissions of the USA.[7]

The urgency of saving the tropical forests has received renewed attention in the recent years, following the growing awareness of the dramatic consequences that tropical forest clearance has on the world's total GHG emissions. According to the UN, the biomass of the world's forests and the ecosystems they maintain store more than 650 gigatonnes of carbon.[8] As such, the world's


Photo: Jørgen Braastad

forests still store more carbon than currently exists in the entire atmosphere.

When tropical forests are lost or degraded, it also dramatically damages the ecosystem services these forests deliver, including biological diversity and the regulation of regional and global rainfall and climate patterns.

Tropical rainforests support the greatest diversity of living organisms on Earth. Science has yet to discover more than a fraction of the species that exist in these forests, but it is estimated that they are hosts to at least half of all species of plants and animals. Many rainforest species are endemic and thus highly vulnerable. Deforestation and forest degradation are major causes of the accelerating rates of species extinction.

These forests are also inhabited by millions of people, in particular indigenous peoples and other traditional communities, who rely totally on the forest for their material and cultural survival. The rights of indigenous peoples to their ancestral territories are embedded in international human rights law, but the extent to which their tenure rights are recognized in national legislation and actually implemented varies greatly. Experience has shown that securing tenure rights of forest communities can serve as a very effective barrier to deforestation in developing countries.[9]

Yet, despite what we know about the value of these forests, every year about 13 million hectares of tropical forest disappear.[10] In addition, an equally large area is probably being degraded and fragmented annually.[11] While global tropical deforestation and forest degradation have shown signs of slowing down in recent years, the rate still remains alarmingly high. Today, the most rapid deforestation is taking place in Asia. Meanwhile, in Central Africa, aggressive policies of issuing logging licences threaten to raise what have been relatively low deforestation rates. However, there are major regional differences within thhe high global rate of deforestation. In the Brazilian Amazon, the rate of deforestation

has been reduced by approximately 75 % since the peak year 2004.[12]

Norway becomes the rainforest superhero

In 2007, during the international climate negotiations in Bali (COP13), Norway pledged up to 500 million USD annually to support efforts to reduce emissions from deforestation and forest degradation (REDD+) in developing countries. The Norwegian government's International Climate and Forest Initiative was established in 2008, to turn these promises into reality.

Today, Norway is the world's biggest financial donor to REDD+ activities, and a leading political advocate of a global agreement on REDD+ through the United Nations Framework Convention on Climate Change (UNFCCC).

Norway's current Prime Minister Jens Stoltenberg has stated that REDD+ is 'the most important and cost-effective short and medium-term climate change mitigation opportunity at our disposal. (…) it is clear that keeping below the two degree climate threshold will be impossible without a significant reduction in tropical deforestation'.[13] Stoltenberg recognizes that in order to achieve this aim, it will be necessary to counter the powerful economic drivers of deforestation, by offering an alternative income stream to the current model of unsustainable extraction of resources.[14]

Some of the Norwegian funding for REDD is channelled through multilateral institutions, such as the UN-REDD Programme and the World Bank's Forest Carbon Partnership Facility. Norway has also entered into bilateral agreements with key rainforest countries like Brazil, Indonesia and Guyana, with the intention of contributing to rapid and demonstrable reductions in emissions from deforestation. In the case of Brazil and Indonesia, Norway has committed to pay up to 1 billion USD to each country if they can proove that deforestation has in fact been reduced and that reforms and activities leading to a more sustainable management of forests have been undertaken.

Different rules for different players

At the climate summit in Cancún it was agreed, with support from Norway, that developing countries participating in REDD+ must ensure that their policies related to forests are consistent and in line with the countries' international obligations[15]. But this is not easy, as influential interests are pulling in the opposite direction. In many countries, the ministries of forestry, energy and agriculture have a completely different agenda, and much more power, than the often small and marginalised ministry of the environment. Pressure from these ministries frequently stems from an aggressive private sector. This can explain how the entire Peruvian Amazon has now been opened up to the oil industry, and how Papua New Guinea has succumbed to pressures from the timber sector.

Yet, while Norway requires coherence from the relatively weak receiving states, the same criteria are not applied when it comes to Norwegian policies that affect the rainforest - like the Pension Fund's investment policy. Norway is a large investor in the coal sector in Indonesia, which in turn is opposed to Norway's forest partnership with Indonesia.

'There is some light at the end of the tunnel', stated the business journal *Indonesian Coal Report*, in an article with the illustrative title 'Deforestation moratorium has the potential to frustrate investors'.[16] According to this article: While Norway will be hoping Indonesia extends the deforestation moratorium indefinitely, the government of the South East Asian nation has only agreed to the policy until the end of 2013. By then, pressure from an international market hungry for new sources of thermal coal may prove persuasive enough to have the government seriously considering the long-term economic benefits of extending the deforestation agreement.

Further: 'It serves Indonesia in the short-term to take Norway's billion dollars, but you don't have to be a fortune teller to realize the country's long-term interests lie in allowing new mining concessions into the future', an industry observer said to *Indonesia Coal Report*.

Drivers of deforestation

The main factor behind deforestation and forest degradation today is the global demand for commodities either harvested or extracted from forest areas, or produced on land where the forest has been cleared. The major agents of deforestation are business corporations that supply the global market in order to make a profit.[17] There are, however, important differences as to what are the most important direct drivers of deforestation in the various rainforest regions of the world, in the sense of which industries directly cause the most damage to the forest. Whereas cattle ranching, for instance, is the main culprit in the Brazilian Amazon, oil palm plantations pose the biggest threat to the forests of Indonesia and Malaysia. In the following, we present seven industries which are among the major drivers of rainforest destruction globally.

Oil palm plantations

Norway's investments:
21 companies, 637 million USD

The two Southeast Asian countries Malaysia and Indonesia are world leaders in palm oil production. The industry has legally and illegally converted huge swaths of the two countries' rainforest into monoculture plantations. A surface area of some 7 million hectares has already been turned into plantations in Indonesia[18], and the government in 2009 announced plans to expand by further 18 million hectares[19]. The expansion of the oil palm plantations has led to numerous conflicts with indigenous groups, as well as widespread criticism for the disastrous environmental impact of the massive forest destruction. As of 31 December 2011, Norway had invested in 21 palm oil companies, among them the Singapore company Wilmar International, which will be further explored below.

Oil and gas

Norway's investments:
22 companies, 6 784 million USD

Companies involved in oil and gas are present in all regions of the rainforest belt. In many cases this industry is the first to open up untouched forest areas, setting in motion a process of gradual forest degradation. The initial phase often consists of building access roads and corridors for seismic exploration. Examples abound of oil operations leading to extensive contamination of the soil, river systems and air, with devastating effects on the forest ecosystem. Indigenous peoples and other local communities often suffer grave consequences to their health and their traditional way of life. (For more information about the impacts of the oil industry on rainforests, see the case study on the US multinational company Chevron Corp, presented later in this report).

Mining sector

Norway's investments:
16 companies, 4 025 million USD

Large deposits of valuable metals and minerals like gold, nickel, bauxite and copper, as well as other resources like coal, are mined and explored in virtually all rainforest countries. Such mining often entails clearing of large tracts of land in order to access the sub-soil resources. Mining has also been related to several large-scale contamination incidents due to poor treatment and storage of the sometimes dangerous tailing material.

In the South American country of Guyana, gold exploration has become one of the biggest drivers of deforestation, with Canadian companies leading the way. From 2000 to 2008, mining-related deforestation in Guyana tripled.[20]

In East Kalimantan, an Indonesian province on the island of Borneo, coal exploitation has contributed to the destructions of large areas of rainforest. A local environmental group, Jatam, warned in 2011 that 27 rivers in Kalimantan had completely disappeared following the mining. 'Nearly all mining firms in East Kalimantan failed to do proper land restorations after their excavations', the group reported. They said the mining licence in the province covered 5.6 million hectares, both awarded by the central government in Jakarta, and by the local governments in the province.[21] Moreover, four million hectares of forest are planned to be given to the coal companies in Kalimantan before 2030.[22]

Cattle ranching

Norway's investments:
1 company, 6 million USD

Various studies attribute between 61 and 75 % of the deforestation of the entire Brazilian Amazon to the expansion of cattle ranching.[23] [24] The cattle herd stock in the Amazon tripled from 1990 to 2008[25], a development which has been directly responsible for large-scale destruction of the forest.

The cattle industry is the single most important driver of deforestation in the Brazilian Amazon. This image shows cattle in an indigenous territory, from which one of the companies sourced its meat after the moratorium was signed. Photo: Rodrigo Baleia/Greenpeace.

A landmark Greenpeace report in 2009[26] documented the massive illegal clearance of forest areas undertaken by cattle ranchers who sold their herds to the three largest Brazilian slaughterhouses. These companies then exported the meat and animal hides to food and leather product retailers all over the world. These three corporate leaders together accounted for over a quarter of Brazil's entire meat production, and over a third of all processed meat in the country. The Norwegian Pension Fund has over the last years placed money in all three slaughterhouses, and as of 31 December 2011, there were still Norwegian investments in one of them.

Shortly after the Greenpeace report, the Brazilian companies promised to implement strict control over their supply chains. Through the 2009 'meat moratorium' which they all signed, the companies committed to not buying from territories that had been recently deforested.

At first glance, the moratorium seems to have been at least partly successful. Investigations from the past two years show that the deforestation from the larger farms, which supply the slaughterhouses, has decreased significantly. But the slaughterhouses could still be contributing to deforestation today, according to Roberto Smeraldi from Amigos da Terra Amazonia Brasileira, who has followed the effects of the cattle industry over several years.[27]

He emphasizes that there are large loopholes in the moratorium: The deforestation is now done by small-scale cattle ranchers out on the rainforest frontier, where the calves are raised. Those young calves are then sold to larger ranches, which themselves have fulfilled the obligation not to destroy the rainforest. These ranches in turn sell the same, fattened cattle to the slaughterhouses. All this is in line with the demands of the moratorium.

'The moratorium is not something that can be considered as a sustainable instrument over time. At the moment it was signed, we had skyrocketing rates of deforestation, and it was a useful instrument to send a message to the main stream ranchers that the procurement criteria are going to change', according to Smeraldi.

Logging and the pulp industry

Norway's investments:
7 companies, 647 million USD

Although forests can be a renewable source of wood-based materials, large-scale logging has for decades been highly unsustainable for decades and has led to serious forest destruction in many of the key rainforest areas of the world.

Timber is the raw material for paper production, and the expanding pulp and paper industry has expanded in tropical countries over the last years.[28] Indonesia, in particular, has seen that logging of natural forests has fed the pulp mills, with vast forest areas being clear-cut to make way for plantations with fast-growing exotic species to supply raw materials to the pulp industry.

But the logging industry's responsibility for forest destruction is not limited to clear-cutting of rainforests for pulp. Even selective logging of a few valu-

Bulldozer at work, Malaysia.

able timber species can play a major role in deforestation, as an early step in a long negative spiral of deforestation. A study from the Brazilian Amazon showed that a third of 'selectively logged' areas were completely deforested four years later.[29] In addition, the logging itself leads to serious degradation of the forests. Selective logging can destroy up to 62 % of the trees in a forest, even if only the most valuable ones are actually cut down.[30] Construction of logging roads and related damage leaves the forest more susceptible to forest fires and expansion of other activities, like commercial agriculture and mining. A major problem has been illegal logging, which is considered to amount to about 40 % of all logging in the tropics.[31]

Since 2000, selective logging and other activities have degraded the primary forests of an area bigger than Norway, 40 million hectares.[32] The forests of Central Africa have been slightly less targeted than other regions, but this may change in the future as 30 % of the forest areas there are now under logging concessions.[33]

Soy production

Norway's investments:
2 companies, 1 108 million USD

Over the past two decades, soybean cultivation by large commercial farmers has become one of the most important drivers of deforestation in the Brazilian Amazon.[34] Brazil's soybean production increased by approximately 135 % from 1994 to 2008,[35] and soybean cultivation has been responsible for one quarter of the deforestation taking place in the Brazilian Amazon since the turn of the millenium.[36] In ony a few years, the capital-intensive industry cleared enormous areas of rainforest and converted the land to soy monocultures. Since the soy industry announced a moratorium on deforestation in 2006, the direct role of soybean cultivation in forest clearance has decreased markedly.[37]

However, the soy industry also contributes indirectly to deforestation, by buying deforested cattle pastures in the Cerrado and Amazon regions and

Clearing the land: Soy field in Mato Grosso in the Brazilian Amazon

thereby pushing the cattle ranchers further into the rainforest.[38] Expansion of the soybean industry is also used to justify highway construction, which in turn has opened previously inaccessible areas of the Amazon to deforestation.

Hydroelectric power

Norway's investments:
4 companies, 1 924 million USD

Almost all rainforest countries are either developing or emerging economies – in need of cheap and sustainable energy sources for their growing populations. Large hydroelectric projects have caused extensive forest loss and ecological damage. The damming of rainforest river systems entails flooding large intact forest areas, with severe effects on plants and wildlife, aquatic habitats and fish populations.[39] The impacts are not restricted to the actual floodplains, but affect large surrounding areas, as large dams disrupt the water flows of the river systems and act as barriers to the natural movements of fish and other animals. Such large-scale alteration to land and ecosystems threatens the material and cultural survival of affected indigenous peoples and other forest communities, whose entire economies are based on access to and familiarity with their natural environment. Dams in forest areas can also be significant sources of emissions, as the submerged biomass emits greenhouse gases as it decomposes.[40]

Developments in the Brazilian Amazon illustrate the extent of the threat. The government of Brazil is planning more than a hundred large dams in the Amazon, including the controversial Belo Monte dam on the Xingu River, set to become the third largest dam in the world in terms of generating capacity. If the dam is built, an area of more than 1500 km^2 will be devastated, and between 20,000 and 40,000 people will be displaced.[41] At least 800 indigenous people from different tribes would lose their legally recognized, traditional territories. Norway invests in several companies involved in the Belo Monte project, including Vale and Alstom.

The Norwegian Government Pension Fund

The Norwegian Government claims that its national pension fund is subjected to strict ethical control. 'The Ethical Guidelines recognise the objective of sound financial return, along with the obligation to respect fundamental rights of those that are affected by the companies in which the Fund invests', Norway's Minister of Foreign Affairs has stated.[42]

As of 31 December 2011, the assets under the Fund's management amounted to 553 billion USD, making it the world's largest sovereign wealth fund. Invested in 8,005 listed companies all over the world, the Fund, formally called the Norwegian Government Pension Fund – Global (GPFG), has acquired, on average, 1 % of the shares of *all companies* registered on any stock exchange internationally.

GPFG assets are sourced from Norway's oil and gas revenues, and managed by the Norwegian Central Bank through its especially assigned entity, Norges Bank Investment Management (NBIM). Overall responsibility for the GPFG, however, remains with the Ministry of Finance.

The GPFG is intended to serve as a long-term-source of income for the people of Norway even after the oil and gas production comes to an end. GPFG invests solely in assets abroad; its annual returns, budgeted at 4 %, are transferred to the state budget. This amount is budgeted even though the managers in years of crisis struggle to make the fund retain its value. In 2011, for instance, the Pension Fund experienced a negative return of -2.5 %, of which the investments in listed companies showed an unusually poor -8.8 % return.

Photo: Lou Dematteis

Chevron Texaco's contamination of the Ecuadorian Amazon has been called the biggest environmental disaster of the planet.

Ethics under scrutiny

Through the global approach to the investments, the Norwegian Parliament and government were at an early stage confronted with the many ethical dilemmas relating to several placements, even to the extent that GPFG investments violated Norwegian government commitments under international law.

This led to the Parliament to pass, unanimously, a set of ethical guidelines for the Fund. These guidelines, implemented in 2004, are often claimed to be at the forefront internationally. As this report shows, such a claim probably says more about the level of ethical approach among private and public investors globally, than it says about the ethical management of the Norwegian GPFG. The ethical approach is implemented on two levels. Firstly, NBIM is, as manager, instructed to undertake an active role in companies in which it has invested. This active ownership is exercised through various tools available to the manager, but is mainly applied to voting over issues of general corporate governance at the firms' annual general assemblies. It is supposedly this channel of active ownership which is the fund's most important tool for exercising its ethical responsibility.

Secondly, the Norwegian approach allows the Ministry of Finance to exclude from its portfolio companies that violate the ethical guidelines adopted by the Parliament. Investigations of the placements are conducted on an ongoing basis by the independent Council on Ethics, which presents its conclusions on possible exclusions to the Minister. The Ministry of Finance then decides whether or not to act on the Council's recommendations.

The illusion of transparency

'We have a high degree of transparency in all aspects of the Fund's purpose and operation', the Minister of Foreign Affairs has stated.[43] Such claims, which are regularly put forward by the government, represent an unbalanced view of the state of affairs, as hardly any information is made public with regard to NBIM's dialogue with the 8,005 companies in which it has invested.

It is true that some aspects of the GPFG are more transparent than is the case of other funds internationally. Once a year the exact portfolio is published on the website of the NBIM.[44] Furthermore, all recommendations from the Council on Ethics are published in English – both the recommendations that lead to exclusions, and those that the Ministry of Finance chooses to ignore.[45] Announcements on exclusion are taking increasingly long time. One year or more can pass from the time the Council delivers its recommendation until the Ministry announces the decision. In the meantime, the Council's recommendations remain secret.

Despite the promises of transparency, however, no information is shared as to the content, purpose or outcome of the 'active ownership talks' between NBIM and the companies. It is known that the fund managers are instructed to give priority to the issues of child labour, water management and climate changes. But it remains impossible to find out, for instance, whether NBIM has ever raised issues of rainforest destruction with any company in the portfolio at any point since the introduction of the ethical guidelines. It seems unlikely, however, that talks of rainforest protection have ever taken place, as the topic is explicitly not seen as a priority issue for the GPFG managers.[46]

Too little, too late

Due to the rather narrow nature of the ethical guidelines, there is in general a very high threshold for exclusion from the GPFG. The large majority of the 54 exclusions to date are simply a consequence of policy decisions taken by the Norwegian government, to ban investments in companies that produce nuclear arms, cluster munitions, landmines and tobacco. In contrast,

Blacklisted companies:

Six companies have to date been excluded from the pension fund due to their "severe environmental damage" in rainforest areas: two related to logging, and four involved in mining.[48]

Date	Company	Listed country	Background for divestment
15.Sept.10	Lingui Developments Berhad	Malaysia	Illegal logging in Malaysia. Lingui is a subsidiary of Samling Global Ltd., which was excluded from GPFG the same year.
22.Feb.10	Samling Global Ltd	Malaysia	Illegal logging in Malaysia and in Guyana.
15.Feb.08	Rio Tinto Plc & Rio Tinto Ltd	Australia UK	Participation in the polluting Freeport copper mine in Indonesian rainforest.
24. Aug.06	DRD Gold Ltd	South Africa	Papua New Guinea goldmine. The recommendation was reversed 13 Feb 2009 as DRD Gold discontinued its ownership in the PNG mine.
15.Feb.06	Freeport McMoRan Copper & Gold Inc	US	Participation in the polluting Freeport copper mine in Indonesian rainforest.

only 17 have been blacklisted after individual consideration of their *unethical behaviour*, related to the environmental damage or human rights violations caused by company activities. Thus, only 17 companies out of 8,005 in the portfolio have been assessed as perform unethically, if one disregards the automatic divestments mentioned above.

Considering the extensive documentation of how several key industries are systematically destroying and degrading rainforests, and the immense size of the fund's investments, today's management model of the GPFG is far from adequate.

The exclusion mechanism, based on recommendations from the Council on Ethics, is clearly a too slow a process. With several years needed to process even the simplest of cases, the current management practice makes it impossible to keep the fund from investing in companies responsible for unacceptable forest destruction. The predicament of the rainforest is acute, as the Norwegian Prime Minister admits.[47] Yet, the routine that the government is allowing for the ethical management of the GPFG is unacceptable. Using up to five years processing each case shows that the urgency in stopping deforestation obviously does not apply to GPFG investments.

Deforestation: "Not political"

The Ministry of Finance often emphasises that its fund is not a political tool, but purely an investment fund, and must therefore be cautious and principled in the initiatives it takes. The reason is that the GPFG needs to uphold its credibility in the markets as an investor.

The fact that Norwegian government invests billions of dollars in industries that destroy the rainforest, must thus be seen as an *apolitical* act, according to the government.

Oil palms ready for planting, Sarawak Malaysia.

Photo: Rainforest Foundation Norway

Case studies
Wilmar: turning rainforest into cooking oil

Millions of hectares of pristine and irreplaceable forests are lost every year to the expanding palm oil industry. The spreading of the oil palm plantations into new lands is the single largest threat to the Southeast Asian rainforests.

The lucrative oil palm tree is grown in enormous plantations, and has been the main reason for deforestation in Southeast Asia.[49] In Indonesia, the total plantation landbank has increased by an astonishing 15.8 % annually, according to UN figures.[50] A surface area of some 7 million hectares, the size of Ireland, has been turned into plantations in Indonesia, and an area more than twice as big has already been cleared for planting.[51]

The rainforest-covered archipelago is, through the expansion of the oil palm industry, slowly turning into what environmentalists call a 'green desert': the diversity-rich original forest cover has been replaced with single-species plantations. According to Indonesian government figures from 2006, as much as 70 % of the oil palm plantations may have been established from forests clearance.[52] This is detrimental to the biodiversity of the forest. Due to the pressure from the plantations, endangered mammals like the orang-utan and the Sumatran tiger are close to extinction. Hundreds of conflicts have erupted when oil palm companies took over the lands of local communities, and destroying the livelihoods of forest-dependent peoples.

There is also another concern: plantations are often established on peatland, deep soft swamps that store large quantities of carbon. As the trees are burnt down, and the water drained from the humid forest floor, all this carbon is released into the air.

In short, the growth of the palm oil industry is one of the biggest threats to the biodiversity and local communities – and to the world's climate.

Leading company, ruthless behaviour

Singapore based Wilmar International Ltd is said to be the world's largest palm oil trader, with downstream processing plants located in Indonesia and Europe, and a planted landbank of 250,000 hectares. On its webpages, the company claims to be Asia's leading agribusiness group.

The indigenous people living inside the concession area of one of Wilmar's subsidiaries in Sumatra, Indonesia, are struggling as a result of the company's expansion of palm oil plantations onto their lands.

In August 2011, Indonesian police, together with staff from Wilmar's subsidiary, PT Asiatic Persada, started tearing down houses on the licence area allegedly belonging to the local indigenous group. Without warning, the company's excavators and bulldozers, are said to have destroyed the houses of 83 families, while the police fired shots into the air. Homes were ripped apart by tractors, while the fleeing villagers sought refuge

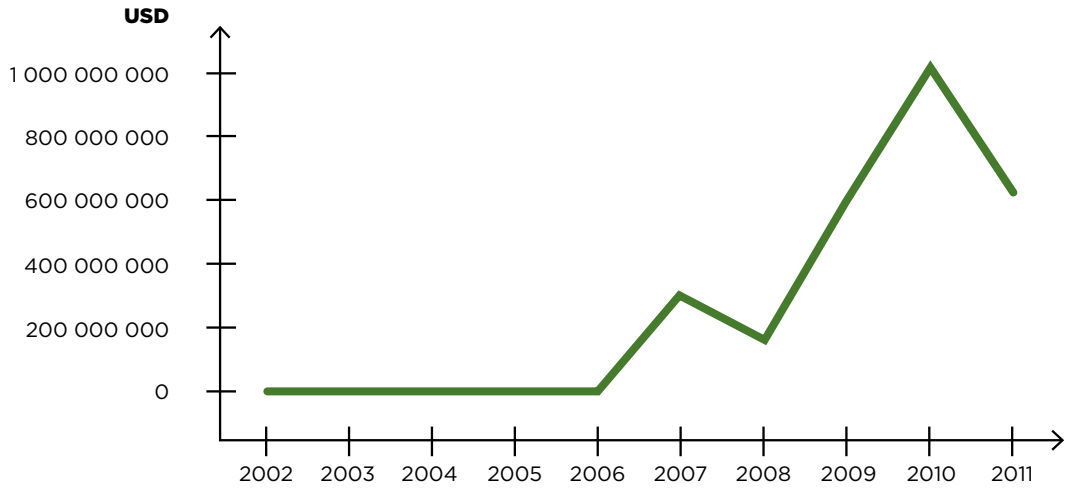
"We are surrounded by the oil palms. We are oppressed. We don't have enough to make a livelihood; we are just surviving now. Before, no one went hungry. Now, with all this oil palm, there are no livelihoods at all." Mr. Pak Butar, Jambi, Sumatra.

Investments of Norway's pension fund in Wilmar International:

All figures are in USD

	2002	2003	2004	2005	2006
Wilmar International	0	0	0	0	0

	2007	2008	2009	2010	2011
Wilmar International	30,049,646	15,785,394	60,346,244	102,985,728	63,808,047



in the forest or nearby communities. There, they were supplied with emergency tents by the local government, while the police continued patrolling the area.[53]

PT Asiatic Persada started working in Jambi already in 1987, while the forest was still intact, and the indigenous people of the area upheld their traditional way of life, semi-nomadically shifting from place to place. Some 2,000 families lived on the land, but they were not consulted when it was opened up for the industry. Responding to the demands from the indigenous communities living in the area, the company offered the affected people smallholdings inside the concession area. But in 2006, Wilmar took control over the company, and proceeded to withdraw the eariler offer of smallholdings. The villagers were angry. The result has been a spiralling conflict which led up to the brutal evictions and violence in 2011. 'They are just toying with us and this is unacceptable', said one of the villagers.[54]

In October 2011, a mission from three civil society organisations was sent to Sumatra to investigate. The investigation report stated that 1,359 persons of one of the indigenous groups has been squeezed into 241 hectares of available land. They now work as labourers on the plantation, or live from selling snakes they find between the oil palms.[55]

Omnipresent vegetable oil

There is an important reason why oil palm is so lucrative. The first harvests can be made as soon as three years after planting. Moreover, if the plantation replaces a forest area, timber sales provide a good source of income until the plantation starts producing. Investors thus get quick returns.

After harvesting, the fruits are refined, then finally exported to markets all around the world. The oil ends up as an ingredient in a wide range of food products. A recent study by Rainforest Foundation Norway found palm oil in 340 out

"We demanded that the oil palm be cleared from here[…] But they are still planting the oil palm around the graves, and sometimes on the graves. This is desecration. This is an insult to our ancestors and to our brothers", stated Pak Nurman of the local indigenous group in Jambi, Sumatra, regarding the land conflict his people is facing with Wilmar International. Photo: Sophie Chao/Forest Peoples Programme

of 550 investigated food products in local Norwegian grocery shops.[56] No wonder the global consumption of palm oil has doubled over the last decade.

As of 31 December 2011, the Norwegian government had invested in 21 palm oil plantation companies, at a value of 580 million USD. It started placing equities in Wilmar the year after the company took over the Sumatran operations. Norway now owns shares worth 63.9 million USD in the company.

With the industry expanding, numerous conflicts with the local communities have erupted as the forest frontier is being pushed further back. Wilmar, with some of its over 400 subsidiaries, has been involved in a series of controversies. A report from the Indonesian organisation Greenomics claims that five of Wilmar's seven companies on Central Kalimantan lack the necessary forest licences to operate, and with 'reasons for suspecting' that the other two also lacked the required permits.[57] Central Kalimantan happens to be the pilot province for Norway's and Indonesia's cooperation on rainforest protection.

Wilmar's activities in Sumatra and Kalimantan led to a suspension of funding to the company in 2009 by the International Finance Corporation, part of the World Bank.[58]

Doubts about land claims

According to Wilmar the case in Jambi is very convoluted.

'We acknowledge that land conflicts exist in Jambi but mediation process is ongoing', Wilmar CSR manager, Sharon Chong, has stated.[59]

'There are, however, also cases of land speculations and illegitimate land claims by some local people who exploit the ambiguous land tenure system in the country. Regrettably some NGOs lumped all these cases together to give an incomplete view of the situation that often lead to a biased perception of the company', Chong went on to explain.

Or, as a local Wilmar employee told the investigative mission, 'they are nomads, so their rights to land are fully questionable'.[60]

From fossil oil to palm oil

The Norwegian people's pension fund (GPFG) keeps growing, not only through returns on the investments already made, but also through the continuous inflow of fresh revenues from national oil and gas production. How to place the revenues for maximal risk-spreading, while at the same time earning money?

At times of financial crisis in the industrial world, the emerging markets have provided a profitable investment strategy for the long-term Norwegian investor. During the first years of the fund's existence, GPFG managers mostly placed the assets on the stock markets of 'industrialised' countries. The the past five years, however, the fund's placements in the the world's emerging markets have increased many times over. Some of the significantly emerging markets of interest to the Norwegian economists happen to be heavily-populated countries near the equatorial tropical belt. Parts of the local economies are speeded up by their governments opening up rainforests for area-intensive industries.

From 1 January 2004, the Norwegian Ministry of Finance allowed the fund managers to start investing on the stock markets in Malaysia and Indonesia, the two global leaders in palm oil exports. From 2008, the two countries were both introduced into the so-called *reference portfolio,* opening up for larger-scale investments. Following this decision, investments in the palm oil sector have increased tenfold, to 637 million USD. Peru entered the GPFG portfolio in 2008. Brazil, the champion of beef exports, was introduced in January 2001 and constitutes today near 2 % of the entire fund.[61]

NBIM uses external fund managers based around the globe, including São Paulo, Rio de Janeiro, Kuala Lumpur, Singapore and Jakarta. In June 2010, NBIM opened a separate office in Singapore, in order to be 'closer to important emerging markets in Asia'.[62]

Photo credit: Lou Dematteis

Chevron's legacy in Ecuador: gas flares light up the contaminated rainforest

Chevron: the oil giant running from justice

One of the world's biggest oil companies refuses to accept an Ecuadorian court's decision to compensate the victims of polluting oil production in the Amazon. The case illustrates how an oil company can be found guilty of systematically destroying the rainforest – and yet seemingly get away with it, while it attracts 'ethical investors' like Norway.

A thousand open pits filled with toxic leftovers. 68 billion litres of dangerous waste dumped into the river systems. Large and untouched rainforest areas destroyed forever. That was the legacy when the US oil company Texaco abandoned its emptied oilfields in the Ecuadorian Amazon in 1992.[63]

It has been called the biggest environmental disaster on the planet.[64] Tens of thousands of people are today victims, and indigenous peoples can barely practice their traditional way of life on their territories. The massive pollution of the forest and the soil makes it hard to grow food, while contamination of the water sources has led to fish death and serious health problems. A total of 1401 cancer deaths in the region were connected to oil contamination, according to some studies, and several communities have been displaced from the areas where they to live.[65]

Texaco started production in the Ecuadorian Amazon in 1960s, and drilled an astonishing 350 wells on the licence granted. Applying environmental standards far below would be considered legal at home in the USA, the company took all measures to reduce costs in their Amazon operations. According to the campaign group Amazon Watch, the poor handling of the toxic waste meant an additional profit of 3 dollars per barrel of oil produced.[66]

Found guilty – refusing to pay

Chevron, which purchased Texaco shortly after the Ecuador exit, has fought vigorously to avoid being held liable for the damages incurred to the rainforest and its people. The Ecuadorian communities first took Chevron to a US federal court in 1993. This has been a tortuous process, and it is still not over.

Chevron claims it has duly cleaned up all the open pits that used to be scattered around the licence, full of oil. The plaintiffs' lawyers disagree, and point to ponds of oil still left behind, leaking into the water sources of the local communities.

After ten years of litigations, the US court accepted Chevron's request to have the case moved to Ecuador. Eight years later, in 2011, an Ecuadorian court finally found Chevron liable for massive environmental destruction and sentenced it to pay 8.6 billion USD to restore the environment.

The courts criticised Chevron's 'manifest, notorious and evident bad faith' and its having 'refused to recognize the authority and jurisdiction of Ecuadorian Courts'. The company's approach towards the court was labelled 'openly aggressive and hostile'.[67]

After first requesting that case be moved from the USA to Ecuador, Chevron now, eight years later, has changed its mind, and intends to bring the case out of the Latin American country. At the same time, the company has recently started its own judicial process against the victims and their lawyers, claiming there were irregularities in the filing of the case.

According to Amazon Watch, the company uses delaying tactics and creative strategies to subvert the judicial process. Chevron is said to have applied misleading sampling techniques in previous studies of the contamination, to have tried to make the US government exert pressure on Ecuador through its trade relations, and to have claimed the plaintiffs and their lawyers were fraudulent.[68] Chevron is now trying to outmanoeuvre the validity of the court's decisions by bringing the case before a special US-Ecuadorian trade negotiation forum, ordering the Ecuadorian

executive branch to overrule the conclusion of the Ecuadorian courts.

In the meantime, Chevron has already pulled all its assets out of Ecuador, to prevent paying out what they are due, according to Amazon Watch.

Increased Norwegian investments

'It is important that people know what their companies are doing abroad. Companies often use a double standard: They behave responsibly and respectfully at home, but once they operate in a more fragile country, they do the complete opposite", said Pablo Fajardo, head lawyer for the Ecuadorian communities who started the lawsuit against Chevron in 1993.[69]

This seems to be the first time that a company of the size of Chevron has lost in a court against local communities in this manner. 'For 18 years, peasant and indigenous groups, whom have always felt marginalised, have challenged one of the most powerful companies in the world. With this legal process, we have shown that the multinational companies that destroy the nature and ruin the lives of human beings are in fact not untouchable', Fajardo has said, adding 'Chevron has tried to run away from justice. We will keep chasing them until they have paid all they are due according to the courts'. And finally: the owners of Chevron 'should demand from the company's executive that their investments in the firm should be spent on producing oil, not to cause harm or death to other people'.

In its latest annual report, Chevron claimed that all local damages have already been properly dealt with, and that the company has been released from all environmental liability following Texaco's operations.[70]

Since shortly after the establishment of its national pension fund, the Norwegian government started placing money in Chevron and Texaco shares, and the investment kept growing. As of 31 December 2011, the GPFG had 1.4 billion USD in the California based company. In line with the policy of non-transparency in its investor dialogue with foreign companies, it is impossible to know what NBIM has communicated with Chevron on the Ecuadorian process, if anything. No energy company has to date been excluded from the GPFG over environmental or climate concerns.

Investments of Norway's pension fund in Chevron Corp:

All figures are in USD

	2002	2003	2004	2005	2006
Chevron Corp	96,977,067	146,865,144	25,5187,356	920,453,900	68,772,437

	2007	2008	2009	2010	2011
Chevron Corp	249,410,659	777,973,706	910,258,764	1,078,872,042	1,386,470,573

Chevron's legacy in Ecuador: the rainforest around Lago Agrio is crisscrossed with oil pipelines.

Photo: Lou Dematteis

Norway places 3.8 billion USD in Peruvian Amazon oil

History repeats itself. While the Chevron legal case in Ecuador illustrates the heritage from past and irreversible rainforest degradation in the Ecuadorian Amazon, a massive hydrocarbon exploration programme is now starting up in the neighbouring country, Peru. Between 2006 and 2008, the Peruvian Ministry of Energy and Mines opened up half of its entire untouched Amazon rainforest for oil exploration. All these territories are inhabited by indigenous peoples, some of them still uncontacted and living in voluntary isolation from the outside world. In some places, violent conflicts have erupted between indigenous communities and Peruvian authorities, following the oil industry's expansion.

The Norwegian government is heavily involved in a majority of the companies engaged in this Peruvian programme today:

Our calculations show that 66 % of the total oil concession area in the Peruvian rainforest is controlled by 15 companies[71] which are partially owned by the Norwegian government. The Norwegian investment in these companies amounts to 3.8 billion USD.

Rainforest Foundation Norway has since 2007 challenged the large Norwegian investments in Spanish oil company Repsol YPF, which from 2008 intruded on the lands of indigenous peoples living in voluntary isolation in Napo Tigre in the Loreto region. These indigenous communities are highly vulnerable if they are brought into contact with people from the outside world. Diseases that are common and unhazardous for us, can wipe out entire villages. Irrespective of the risk, Repsol sent hundreds of workers to look for oil into their territory. They built landing sites for helicopters, cleared hundreds of kilometres of seismic corridors, and carried out numerous explosive tests within the core area of the uncontacted indigenous peoples.

The US oil company Occidental represents another case of environmental destruction in Peru. They have been sued in the USA for having released, on average, 850,000 gallons of poisonous waste over a 30 year period into the rainforest in Corrientes, Peru, leading to damage to nature, animals and people. In the year 2000, they sold their rights to another company, but they never tried to clean up after themselves.

It is not known whether the Norwegian GPFG managers have ever raised any environmental or human rights concerns with any of the 15 companies it partially owns that are working in the Peruvian rainforest. Mining and oil companies with significant Norwegian ownership, are also exploring for oil and minerals in other key rainforest countries in South America, Africa and Asia.

Massive growth:

Norwegian investments in high-risk industries

Our investigations show that the Norwegian government pension fund has invested 13.7 billion USD in 73 companies in high-risk sectors, where it is well documented that the industries' activities are major drivers of deforestation and forest degradation.[72] As this report shows, this increase continues, even though the same government has placed rainforest protection at the top of its agenda for international development cooperation. The government of Norway has pledged 0.5 billion USD for rainforest protection for the year 2012.

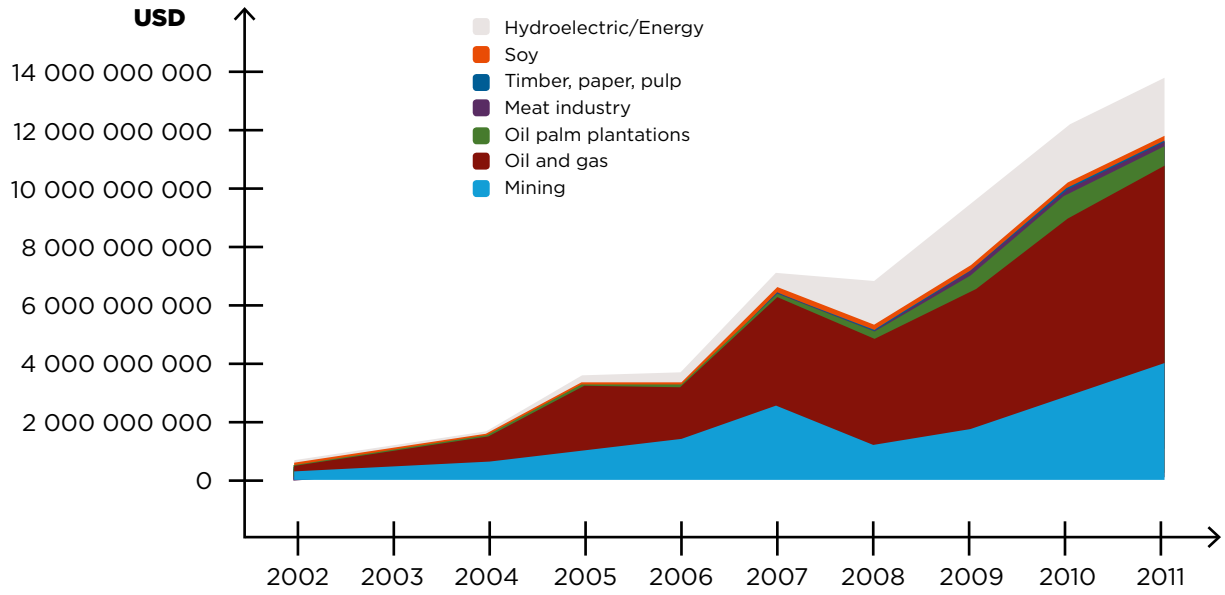
The value of the investments in the controversial sectors outlined in this report has increased far more than the value of the rest of the GPFG. The figures below show an *increase* of 13.6 % from 2010 to 2011. In comparison, the return on the fund's overall investments in listed companies during the same period was negative - *8.8 %*. The fund had in total invested in 8,005 companies in 2011, compared to 8,496 companies the previous year.

The impact of the oil palm sector on forests in Southeast Asia is so massive, that the entire sector is included in the list below. All companies in the other sectors are included on the twin basis of belonging to an industry which plays a major role in forest destruction, and having licences or activities in rainforest areas. Not all of the companies on the list have necessarily been directly accused of causing rainforest destruction, although many have.

	2002	2003	2004	2005	2006
Mining	251,796,588	482,006,923	568,465,996	996,432,053	1,383,307,259
Oil and gas	304,524,500	550,549,735	964,058,101	2,280,327,886	1,816,596,942
Oil palm plantations	1,036,402	-	791,079	10,450,192	35,046,620
Meat industry	-	-	-	-	-
Timber, paper, pulp	882,595	1,118,900	1,006,843	9,500,964	30,747,038
Soy	13,559,565	19,125,007	48,692,691	69,281,954	61,180,116
Hydroelectric/Energy	10,892,575	27,607,939	41,538,912	154,784,785	279,354,928
Total, all sectors	**582,692,225**	**1,080,408,504**	**1,624,553,622**	**3,520,777,834**	**3,606,232,903**

Newly deforested area in Mato Grosso, Brazilian Amazon

Investments of Norway's pension fund in drivers of deforestation 2002-2011



2007	2008	2009	2010	2011
2,519,600,142	1,178,559,227	1,696,201,561	2,907,713,685	4,025,165,789
3,879,443,567	3,703,636,518	4,848,363,998	6,077,902,808	6,783,612,426
65,488,048	230,336,002	515,139,969	826,738,346	637,287,023
-	8,095,767	38,356,401	28,944,350	6,407,962
16,682,632	26,950,913	46,788,659	122,445,817	107,972,493
119,285,428	132,361,519	215,869,139	189,041,488	184,979,358
426,935,834	1,428,898,394	2,044,158,160	1,883,780,972	1,924,342,909
7,027,435,651	**6,708,838,339**	**9,404,877,888**	**12,036,567,466**	**13,669,767,959**


Photo: Jørgen Braastad

GPFG investments in high-risk sectors. Investments in equities as of 31.12.2011

The list of companies shows those with licences or activities in rainforests, all in sectors that are proven to be key causes of forest destruction. But the list of involved companies could be far longer. Investing in firms all over the world, in all sectors, means that Norway places money in all parts of the chain that keep the engine of the controversial rainforest industries running: not only the firms with licences to operate in the rainforest, but also the financial sector that upholds them, the certification companies that greenwash their operations, the subcontractors that carry out work on the ground, the transportation companies shipping the rainforest products, the long term clients in the importing country, the supermarkets, fast food chains, car companies and fashion outlets that sell the products originating from former rainforest lands. Many companies may have a hand in the destruction of one pristine rainforest territory. Hundreds of more companies could in fact be added to the list.

The overview does not include GPFG investments in bonds. The total annual value of the bonds amount to between 2.5 and 7.5 % of the total value of the shares in the companies on the list.

	Listed country	2011 USD
Mining		
Alcoa Inc	US	69,504,054
AngloGold Ashanti Ltd B	South Africa	224,492,627
BHP Billiton	Australia	1,753,957,760
Bumi Resources Tbk PT	Indonesia	115,184,638
China Railway Construction Corp Ltd	China	789,391
Golden Star Resources	Canada	2,846,435
Gold Fields Ltd	South Africa	24,030,107
Guyana Goldfields	Canada	14,692,116
Inmet Mining Corp	Canada	29,787,490
Kinross Gold Corp	Canada	121,543,678
Metallurgical Corp of China Ltd	China	530,703
Newmont Mining Corp	US	294,507,807
Occidental Petroleum Corp	US	594,427,492
Newcrest Mining Ltd	Australia	43,028,863
Tongling Nonferrous Metals Group Co Ltd	China	622,959
Xstrata PLC	UK	735,219,671
Total mining		***4,025,165,789***
Oil and gas		
Chevron Corp	US	1,386,470,573
ConocoPhillips	US	614,160,587
Duke Energy Corp	US	51,551,175
ENI SpA	Italy	1,256,838,658
Gran Tierra Energy Inc	US	8,457,276
Hess Corp	US	139,665,360
Karoon Gas Australia Ltd	Australia	6,828,719
Les Etablissements Morel & Prom	France	33,399,900
Marubeni Corp	Japan	50,847,543
Mitsubishi Corp	Japan	178,378,601
Oil Search Ltd	Australia	83,316,836
Pacific Rubiales Energy Corp	Canada	40,929,250
Petroleo Brasileiro SA	Brazil	1,147,050,903
Petrominerales Ltd	Canada	27,243,447
Repsol YPF SA	Spain	743,018,617
Santos Ltd	Australia	77,837,653
Sasol Ltd	South Africa	136,394,865
Sinochem International Corp	China	275,223
Soco International PLC	UK	34,817,289
Talisman Energy Inc	Canada	173,940,931

	Listed country	2011 USD
Tullow Oil PLC	UK	427,671,485
Woodside Petroleum Ltd	Australia	164,517,533
Total oil and gas		***6,783,612,426***
Oil palm		
Ackermans & van Haaren NV	Belgium	42,301,803
Astra International Tbk PT	Indonesia	231,365,913
Berjaya Corp Bhd	Malaysia	10,706,390
Bolloré	France	15,870,376
Boustead Holdings Bhd	Malaysia	4,644,843
First Resources Ltd	Singapore	3,004,885
Genting Bhd	Malaysia	18,491,367
Genting Malaysia Bhd	Malaysia	23,193,164
Genting Plantations	Malaysia	4,454,034
Golden Agri-Resorces Ltd	Singapore	44,113,497
IJM Corp Bhd	Malaysia	28,972,528
Indofood Agri Resources Ltd	Indonesia	2,369,545
Kuala Lumpur Kepong Bhd	Malaysia	3,568,439
Kulim Malaysia Bhd	Malaysia	11,484,102
Noble Group Ltd	Singapore	37,918,801
Sime Darby	Malaysia	25,176,137
Sipef SA	Belgium	2,732,592
Ta Ann Holdings Bhd	Malaysia	2,951,066
United Plantations Bhd	Malaysia	1,574,043
Wilmar International Ltd	Singapore	63,808,047
ZTE Corp	China	58,585,454
Total oil palm plantations		***637,287,023***
Meat industry		
Marfrig Alimentos	Brazil	6,407,962
Total meat industry		***6,407,962***
Timber, paper, pulp		
China International Marine Containers Group Co Ltd	China	10,075,269
Guangdong Yihua Timber Industry Co Ltd	China	166,903
LG International Corp	South Korea	65,089,502
Olam International Ltd	Singapore	19,827,470
Sino-Forest Corp	Canada	160
Sumitomo Forestry Co Ltd	Japan	8,877,204
WTK Holdings Bhd	Malaysia	3,935,985
Total timber		***107,972,493***
Soya		
Bunge Ltd	US	55,989,166
Archer-Daniels Midland Co	US	128,990,191
Total soya		***184,979,358***
Hydroelectric/Energy		
Alstom SA	France	194,486,364
GDF Suez (Madeira Dam)	France	1,131,387,030
Tenaga Nasional Berhad	Malaysia	12,520,002
Vale SA	Brazil	585,949,514
Total hydroelectric		***1,924,342,909***
TOTAL, ALL SECTORS		**13,669,767,959**

The annual report of the Pension Fund always operates with figures in Norwegian *kroner*. In the list of holdings in this report, for convenience, all sums are presented in USD, at an exchange rate of 0,167 NOK/USD all years (rate as of 31.12.2011).

Drivers of deforestation and the UN climate talks

Establishing a framework for reducing GHG emissions from deforestation and forest degradation (REDD+) has become an important part of the negotiations on a new international climate agreement under the UN Framework Convention on Climate Change (UNFCCC). Discussions on REDD+ have focused on establishing incentives to reward developing countries for reducing their deforestation or forest degradation rates, or for conserving or enhancing the carbon storage capacity of their existing forests. The idea of a performance-based mechanism through which developing countries are rewarded for proven results in reducing their emissions from deforestation has gained broad support, although significant questions remain as to how the mechanism should operate.

Addressing international drivers of deforestation was initially not part of the negotiations on REDD+. One reason might have been that, through the focus on developing a system for payments based on achieved results *ex-post*, insufficient attention was paid to the process leading to the anticipated results – the policies and measures necessary to achieve them. Secondly, as REDD+ is designed as a mechanism to incentivize developing countries, less importance was given to drivers of deforestation that might operate outside the forest country or at the international level.

This situation has changed as the discussion on REDD+ has matured. There is now broad recognition that in order for developing countries to achieve results that can be rewarded through a REDD+ mechanism, national planning processes and implementation of enabling policies and measures will be essential. This recognition led to the adoption of a three-phased approach to REDD+ at the UN climate change conference in Cancún in 2010. According to this approach, the phase in which measurable, reportable and verifiable results are compensated directly should be preceded by a planning phase and a policy reform and implementation phase. Identifying and dealing with the drivers of deforestation and forest degradation at the national level is an important part of the first two phases.[73]

There is also a growing understanding that for REDD+ to be successful in reducing deforestation and forest degradation globally, addressing drivers within each forest country will not be sufficient. Therefore, the decision from Cancún 'encourages *all Parties* to find effective ways to reduce the human pressure on forests that results in greenhouse gas emissions, including *actions to address drivers of deforestation*".[74] This is a request to all countries, developed and developing, forested and non-forested, to take specific steps to limit the pressure that they, directly or indirectly, put on the world's tropical forests.

Negotiations under the UNFCCC in 2012 will look more closely into how to operationalize this request. Countries have been asked to submit their views on how to address drivers of deforestation at the national and international level. Discussions are likely to focus on what all countries can do to reform policies in areas such as taxes, subsidies and investment. The negotiations could also result in requirements to report on action taken to address drivers of deforestation.

The negotiations under the UNFCCC on how to deal with the drivers of deforestation and forest degradation provide an important opportunity to ensure that all countries contribute to the overall goal from the Cancún climate change conference to 'slow, halt and reverse forest cover and carbon loss' globally.

In the case of Norway, the biggest contributor to international deforestation and forest degradation by far is the GPFG, through its investments in industries that are responsible for large-scale forest destruction. The Cancún Agreements, therefore, create a clear obligation, and opportunity, for the government of Norway to examine how the Fund plays a role in driving deforestation and, subsequently, how this can be mitigated.

Recommendations

Rainforest Foundation Norway and Friends of the Earth Norway recommend that the **Norwegian government** reduce its negative impact on rainforests by taking the following immediate measures:

- Assess the impact of the Government Pension Fund - Global (GPFG) on destruction and degradation of tropical forests. The assessment should consider the consequences of the fund's rainforest investments on greenhouse gas emissions, loss of biodiversity and violations of the rights of indigenous peoples and other local communities. The assessment should be presented to the UNFCCC as a step towards compliance with the Cancún Agreements.
- Ensure that the Council on Ethics systematically and urgently investigates all the Fund's investments in industries where the risk of causing forest destruction is especially high.
- Lower the threshold for excluding from the Fund companies that are involved in rainforest destruction.
- Take steps to ensure and strengthen the independence of the Council on Ethics, by limiting the ability of the Ministry of Finance's ability to overrule the recommendations of the Council. The government should consider whether the Council should be given authority to independently make decisions on exclusions from the pension fund's investment universe.
- Instruct the fund manager Norges Bank Investment Management to increase its openness and transparency with regard to the exercise of its mandate for responsible investment and active ownership, so that the progress and quality of its work can be independently monitored.
- To make sustainable management of rainforests a strategic focus area for Norges Bank Investment Management's ownership activities, and to use all available tools to promote good social and environmental performance in companies and sectors that operate in rainforest areas.


Photo: Thomas Marent

In addition, we have the following recommendation for the **UN Framework Convention on Climate Change** (**UNFCCC**) discussions on drivers of deforestation:

- The Conference of the Parties should request all Parties to establish policies to avoid state and private investments that contribute significantly to deforestation and forest degradation, and to report through UNFCCC reporting channels on their actions and results.

Notes

1 Reducing Emissions from Deforestation and forest Degradation, REDD+, which is the heading used for forest protection in the UN climate negotiations

2 Down to Earth. April 2011. 100 years of oil palm. http://www.downtoearth-indonesia.org/story/100-years-oil-palm#_ednref16

3 Government.no.16.09.2008. 'Norway offers up to 1 billion to save the rainforest'. http://www.regjeringen.no/en/dep/smk/press-center/Press-releases/2008/norway-offers-up-to-1-billion-to-save-th.html?id=526492

4 Dagbladet. 26.05.2010. Får med flere på å redde regnskogen http://www.dagbladet.no/2010/05/26/nyheter/miljo/politikk/jens_stoltenberg/erik_solheim/11869214/

5 FAO. 2010. *Global Forest Resources Assessment*.

6 Based on a conservative estimate of 10,000 tons of CO2 per square km.

7 The Climate Analysis Inicators Tool (CAIT). USA emitted approximately 6.6 billion tons CO2-equivalents in 2009.

8 Regnskogfondet. 2009. *Regnskogens tilstand*.

9 Robinson BE, Holland MB, Naughton-Treves L. 2011. Does secure land tenure save forests? A review of the relationship between land tenure and tropical deforestation. CCAFS Working Paper no. 7. CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS). Copenhagen, Denmark. Available online at: www.ccafs.cgiar.org

10 FAO. 2010. Global Forest Resources Assessment.

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Rainforest, Peru. Photo: Walter Silvera