

An International Fund for Keeping Fossil Fuel Reserves in the Ground in Biodiverse Hotspots of Developing Countries

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ABSTRACT

According to scientific evidence, about two thirds of proven fossil fuel reserves must remain in the ground if global warming is to stay within the limit of a 2°C mean global temperature increase in order to avoid catastrophic consequences of climate change. This article proposes that the conservation value of the areas lying on top of reserves must be taken into account in the decision between which oil, gas and coal deposits can be extracted and which must remain unburnt. As a result, it proposes the creation of an international fund to keep those reserves in the ground based on an adaptation of the Yasuní Initiative.

It is argued that conventional mitigation policies have failed to achieve an effective reduction in global GHG emissions, and that both these demand side policies and supply side instruments proposed in the literature may serve to allocate between burnable and unburnable reserves, but, even under best case scenarios, the reserves to be kept underground will be those with the highest CO₂ extraction costs but will not incorporate the environmental costs of the destruction of areas of high conservation value. Therefore, they may lead to fossil fuel exploitation in such areas.

Recognizing the importance of both supply and demand side policies, a complementary supply side approach is put forward, involving a comprehensive concept of cost that includes the contribution to climate change mitigation and adaptation made by valuable ecosystems, leading to better social and environmental results. It accepts such contributions may not be measurable but are nonetheless significant, and recommends multi-criteria analysis as a decision making tool.

Building on the experience of the Yasuní Initiative, the article proposes the creation of a global internationally administrated mechanism under the UNFCCC, to allow developing countries with fossil fuel reserves in environmentally and culturally sensitive areas to keep fossil fuels in the ground, and make the transition to a low emissions sustainable economy. Leakage is addressed; different valuation options and fund investments are discussed. Furthermore, it is shown that there is in fact overlap between areas such as World Heritage sites, indigenous territories, etc. and fossil fuel deposits, and signs of pressure to go ahead with extractive activities.