

# Case Study

ELLA Area: Economic Development

ELLA Theme: Extractive Industries and Land Use



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Evidence and lessons  
from Latin America

Ecuador has made an innovative promise: *not* to drill for oil in the Yasuní National Park in exchange for international financial support for environmentally-friendly development projects, offsetting the income it forgoes. Is this a model for the future – and will it work?

## ECUADOR'S YASUNÍ-ITT: RETHINKING THE CONSERVATION VS. EXTRACTION DILEMMA



### SUMMARY

Ecuador's innovative proposal for *not* developing its Yasuní-Ishpingo Tambococha Tiputini (Yasuní-ITT) oil fields presents an alternative strategy for resolving the conservation versus extractive industry development dilemma. Ecuador proposed the creation of a global fund to finance sustainable development activities in the country in exchange for indefinitely refraining from extracting the Yasuní oil deposits. In the spirit of co-responsibility, Ecuador asked the rest of the world to contribute up to 50% of the income it would forgo by choosing conservation. The initiative has been launched and is underway, though not without some controversy. This case study describes this innovative proposal and its relevance to current extractive industries and land use concerns, and finally, discusses some interesting questions for debate that the case raises.

### THE CONTEXT: CONSERVATION VS. EXTRACTION

Most nature reserves have special environmental value since they protect unique ecosystems or landscapes, water reserves, endangered species or rare biodiversity. While these reserves may be of great social and environmental value, their overall worth is easy to underestimate because it can hardly be translated into a fixed economic value.

Many reserved areas are also rich in minerals, oil or gas, as is the case in regions across the world, such as Alaska, Uganda's Lake Victoria or Ecuador's Yasuní National Park. In such cases, countries have to prioritise either conservation or extraction. Governments most often seek to pave the way for extractive projects despite any potential environmental or social damage these projects may cause, mainly because extractive development can be economically profitable, at least in the short-term.

A review of the Yasuní-ITT case generates discussion about the possibilities, conditions and limits of alternatives to extractive project development in fragile environments. This leads us to re-think such as how to manage competing land interests and implement land use planning. Is it possible to mitigate extractive projects' environmental disruption, even in fragile environments? Are indigenous territorial rights, global conservation aims and national development expectations compatible?



## THE CASE: ECUADOR’S YASUNÍ–ITT INITIATIVE

### Introduction

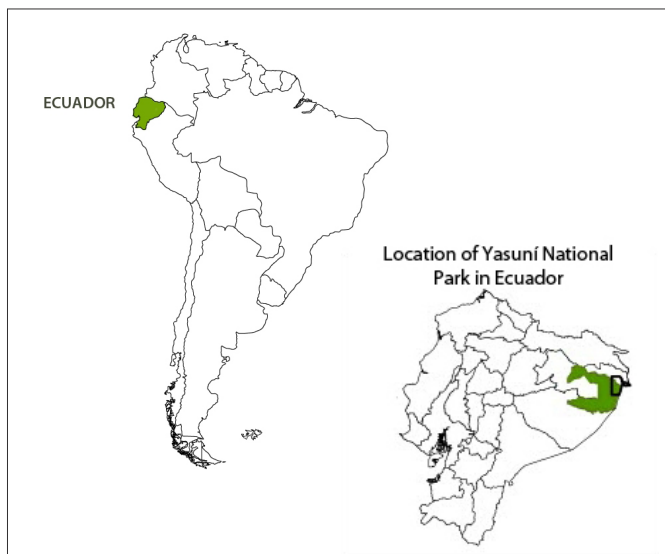
Yasuní is a 982,000 hectare National Park located between the Napo and Curacay rivers in the Ecuadorian southern provinces of Napo and Pastaza.<sup>1</sup> The Park was created in 1979 to preserve a unique ecosystem that is home to an extraordinary biodiversity. Some studies conclude that Yasuní territory holds the greatest biodiversity on Earth, being home to at least 150 species of amphibians, 596 species of birds, 200 species of mammals and 100,000 species of insects.<sup>2</sup>

The Yasuní National Park encompasses the ancestral territory of a number of indigenous peoples. The Park and surrounding area is home to Kichwa o Naporuna, Shuar and Huaronani peoples, as well as some Tagaeri and Tatomame indigenous families that live in voluntary isolation. These groups live under vulnerable conditions, as their territory is regularly invaded by illegal timber activities. With this in mind, UNESCO designated the Park and surrounding areas as a ‘Man and Biosphere Reserve’ in 1989.

### Controversial Decisions about Yasuní Land Use

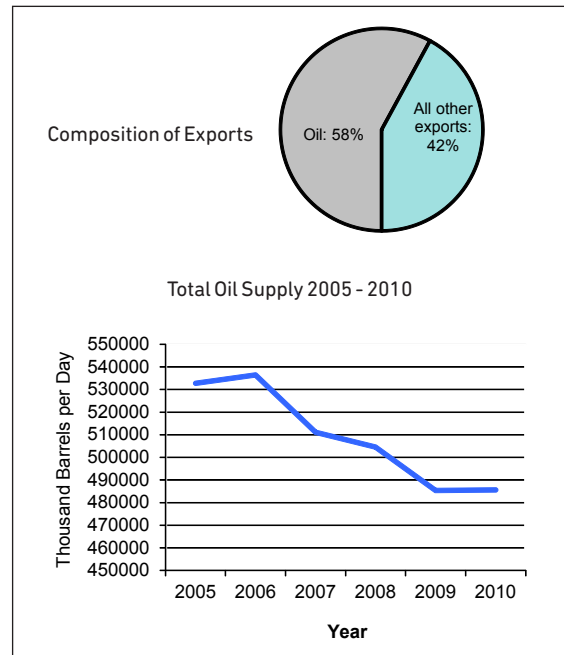
Yasuní is also an oil rich territory. The Ecuadorian government calculates that there are approximately 846 million barrels of oil, accounting for 20% of Ecuador’s national reserves, under

Figure 1: Map of Yasuní National Park



Source: [Yasuni-ITT Web Portal](#)

Figure 2: Ecuador’s Economic Dependence on Oil



Source: [International Energy Statistics](#)

Yasuní land. Accordingly, the state established the Ishpingo Tambococha Tiputini (ITT) oil fields inside the Park. Their exploitation, however, would certainly have a significant impact on both Yasuní’s biodiversity and on indigenous peoples’ way of life.

The pressure to move forward with extraction is related to a number of economic considerations. First, Ecuador’s economy is heavily oil-dependent; oil accounts for 14% of Ecuador’s GDP and 58% of national exports. Second, national oil production has been declining in recent years, so the government is eager to develop new extractive projects. Third, the current government has committed to implement a number of social programmes that depend on oil revenues to operate. Developing extractive projects in Yasuní is therefore seen by some as an economic imperative, even if it results in environmental and social degradation.

### A Global Proposal for Preventing Oil Development in Yasuní National Park

When the Ecuadorian government announced the possibility of opening up the oil-rich ITT fields to exploitation, the announcement was met with national and international outcry, mostly from environmental and indigenous advocacy groups. In the middle of the controversy, the Ecuadorian

<sup>1</sup> Visit the [Yasuni Wildlife Channel](#) to watch videos of the Yasuní Park.

<sup>2</sup> Bass, M. et al. 2010. [Global Conservation Significance of Ecuador’s Yasuní National Park](#). PLoS One, San Francisco.



government made a startling new announcement, presenting its innovative Yasuní-ITT proposal. In the proposal, the government committed itself to indefinitely suspend exploitation of the ITT field. In exchange, Ecuador requested that the global community contribute 50% of the income that it would be forgoing by not extracting the ITT oil, which would amount to about US\$ 3.6 billion over a 13 year period.

The Ecuadorian government saw that the Yasuní-ITT initiative provided a global good; in its [original proposal](#), the government describes the four main goals it could achieve, each with global impact:<sup>3</sup>

**1. Maintain biodiversity:** Keeping the Yasuní biosphere intact would support the maintenance of global biodiversity by protecting more than 800 animal species, 100,000 insect species and more than 1,100 tree species.

**2. Preserve a unique ecosystem:** The Yasuní biosphere, which covers 16820 km<sup>2</sup>, including a 5000 km<sup>2</sup> core area, can maintain wet and tropical rainforest conditions even in drought periods, protecting the biodiversity of the Park.

**3. Mitigate global warming:** By forgoing the extraction and subsequent burning of fossil fuels, as well as avoiding the deforestation that extractive activities would require, an estimated 407 million metric tons of carbon dioxide emissions would be avoided.

**4. Protect vulnerable indigenous populations living in voluntary isolation:** By keeping the Yasuní National Park off-limits to drilling, indigenous groups' territory would be protected from the transformation that results from extractive projects.

The initiative includes a clear set of rules for collecting and using the globally-raised funds in order to comply with the stated goals, in particular those related to achieving sustainable development.

The main financial contributions come from international multilateral organisations and governments of partner [countries that signed the Kyoto Protocol to the United Nations](#)

[Framework Convention on Climate Change \(UNFCCC\)](#). In the case of industrialised countries, the proposed contribution amounts are calculated according to the GDP of each country, with annual payments expected for the next 13 years.<sup>4</sup> There has also been participation from civil society organisations, socially responsible companies and citizens.

The contributions are received by the [Yasuní Ishpingo Tambococha Tiputini Trust Fund](#) (Yasuní-ITT Trust Fund)<sup>5</sup>, and administered by the [Multi-Partner Trust Fund Office](#) (MPTF Office) of the United Nations Development Programme (UNDP).

#### HOW ARE THE YASUNÍ-ITT FUNDS TO BE USED?

The Yasuní-ITT initiative is expected to use the funds collected by the [Yasuní-ITT Trust Fund](#) to replace current fossil-fuel dependence with sustainable forms of energy.

The fund's capital will be used to execute renewable energy projects, such as the creation of hydro, geothermal, wind and solar plants, all designed to take advantage of the country's diverse energy potential.

The interest earned by the Yasuní-ITT Trust Fund will be managed by the Ecuadorian State to make investments in accordance with its National Development Plan. These include:

- Conserving and avoiding the deforestation of Ecuador's protected areas
- Reforestation, regeneration and sustainable management of forests on degraded land
- Promotion of social development through health, education, training and technical assistance projects, as well as the creation of sustainable jobs
- Improving energy efficiency and energy savings
- Research about sustainable development and conservation strategies and renewable energy technologies

Source: [Yasuní ITT Trust Fund webpage](#); Larrea, C. 2011. [Yasuní-ITT. An Initiative to Change History](#). UNDP Ecuador, GTZ, UN MDGIF.

<sup>3</sup>Bass, M. et al. 2010. [Global Conservation Significance of Ecuador's Yasuni National Park](#). PLoS ONE 5(1);; Finer, M. et al. 2009. [Ecuador's Yasuni Biosphere Reserve: A Brief Modern History and Conservation Challenges](#). Environmental Research Letters 4(3).

<sup>4</sup> See [Qué Contribuciones Se Espera de los Países Industrializados?](#) (What Contributions Are Expected From the Industrialised Countries?) on the [Yasuní ITT webpage](#).

<sup>5</sup> See the Terms of References of the Fund [here](#).



### Current Status of Yasuní-ITT: An Open Controversy

By 2011, many countries had expressed their intention to participate in the initiative, though only a few countries have actually contributed funds. As of February 29, 2012, Chile, Colombia, Turkey and Russia had each contributed US\$ 100,000; Ecuador US\$ 125,000; Spain US\$ 1,400,400; Japan US\$ 2 million; and France US\$ 153,041. Contributions from all other parties are still pending.<sup>6</sup>

Despite the lack of financial support to date, the Ecuadorian government has reached its stated financial target for the first year, so the initiative is still moving forward. However, some

analysts foresee fundraising challenges in the next several years as a result of the global economic crisis.

Though after being elected Ecuador’s national government pushed forward the initiative, the current political situation is more complicated since environmental and indigenous advocates have left the government, and the country is facing a decline in oil production.

Despite this setback, the Yasuní-ITT initiative is still in place. The government has [started some development projects](#) and is trying to connect the Yasuní-ITT initiative with the [UN-REDD programme](#), but there is still some distrust in developing countries concerning the actual destination of the requested funds.

### YASUNÍ-ITT: A MODEL FOR POST-EXTRACTIVE SUSTAINABLE DEVELOPMENT

The Yasuní-ITT initiative represents a new model – with the participation of developing countries – for reducing greenhouse gas emissions by leaving fossil fuel reserves located in environmentally or culturally fragile areas indefinitely un-exploited.

This model is based on three key beliefs:

1. Preventing fossil fuel extraction in the first place is a better way to prevent greenhouse emissions than to tax them, making this is a model for hydrocarbon-rich countries
2. The initiative will mainly apply to developing countries that depend economically on extraction, providing them with alternative forms of revenue generation
3. Preventing extractive industries is especially crucial in environmentally- or socially-sensitive territories

To qualify for this new mechanism, countries must meet the following criteria:

- Be developing countries
- Be megadiverse countries located between the Tropics of Cancer and Capricorn, which have the highest density of tropical forests and contain most of the planet’s biodiversity
- Have significant fossil fuel reserves in areas of high biological or cultural sensitivity

Among the countries that fulfil all of these conditions are:

Latin America: Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Peru, Venezuela

Africa: Democratic Republic of Congo, Madagascar

South Asia: India

Southeast Asia: Indonesia, Malaysia, Papua New Guinea, the Philippines

Given the Kyoto Protocol’s current limitations, Ecuador has put forward Yasuní-ITT as an innovative ‘Post-Kyoto’ alternative to allow for the active participation of developing countries in mitigating climate change, protecting biodiversity and the rights of indigenous peoples, and promoting a new style of human development which is equitable and sustainable.

Source: Larrea, C. 2011. [Yasuní-ITT: An Initiative to Change History](#). UNDP Ecuador, GTZ, UN MDGIF.

<sup>6</sup> The [website](#) of the Multi-Partner Trust Fund Office offers an interactive feature to calculate updated contribution figures.



## CONTEXTUAL FACTORS

## ENABLING THE DEVELOPMENT OF YASUNÍ-ITT



This case highlights an innovative and unprecedented initiative. So how has it taken place?

The rise of a global green movement in support of environmental conservation, non-extractive development and indigenous rights has had an important role in spurring on governments' green agendas. Ecuadorian environmentalist groups supported the creation of the Yasuní National Park and opposed drilling. They also lobbied for and participated in the preparation of the Yasuní-ITT proposal. Likewise, global environmental activist networks have actively endorsed the Yasuní-ITT proposal, while global green institutions have welcomed it. They have tried to influence global institutions, such as the United Nations, convinced potential donors and raised funds themselves in order to make the Yasuní-ITT initiative feasible.

The political participation of indigenous organisations and advocacy groups in supporting the conservation has also been key. The indigenous groups living in Yasuní are loosely connected through [CONAIE](#) (National Confederation of

Indigenous Peoples of Ecuador), and have not been especially politically active. Indeed, the most isolated groups have no political representation whatsoever. Despite this, CONAIE has supported the creation and defence of the Yasuní National Park, effectively pressuring the Ecuadorian government thanks to their institutional strength at the national level, even if they are politically weak in the Yasuní area. CONAIE is one of the strongest, most united and active national indigenous organisation in Latin America.

Finally, The incoming Ecuadorian government seized on a political opportunity and made electoral promises with respect to the Yasuní-ITT initiative. To secure the support of environmentalist and indigenous groups, the current government included the Yasuní-ITT in their electoral platform. This was a risky political manoeuvre in a country highly dependent on oil production, but it did reap electoral gains. Once in power, supporters of the incoming government successfully pressured them to move forward with the proposal, even though the administration faced internal opposition.

### DISCUSSION FOR DRAWING LESSONS

Overall, the Yasuní-ITT initiative can be seen as a creative response to the conservation versus extraction dilemma. It also creates global dialogue about alternatives to extractive-led development, providing an opportunity to believe that with a global commitment, a post-extractive development future is possible.

On the other hand, it could be perceived

as a political move from a populist government that wants to gain extra funds by fooling or blackmailing the international community. Critics suspect that the Yasuní-ITT fields will be drilled in the future, despite current agreements.

Overall, the Yasuní-ITT case sparks reflection and debate about some important questions:

1. Do all resources need to be accessed and exploited?
2. Is it possible to reconcile conservation with extraction-led development?
3. Could the model work in other countries? If not, what other model would be better?
4. What are the advantages and disadvantages of the model?

### CONTACT [GRADE](#)

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### FIND OUT MORE FROM [ELLA](#)

To learn more about Latin America's extractive industries and land use, read the [ELLA Guide](#), which has a full list of the knowledge materials available on this topic. To learn more about other development issues, browse other [ELLA Themes](#).