THE YASUNI-ITT INITIATIVE; DREAMING OF KEEPING OIL IN THE SOIL

by

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Abstract

In June 2007, the Yasuní-ITT proposal was drafted by the Ecuadorian government in order to secure funds for the conservation of the Yasuní National Park, and to protect the indigenous groups still living in voluntary isolation in the park. The government offered to keep approximately 850 million barrels of oil, located in the ITT-blocks in the east of the Yasuní National Park, in the ground in return for financial support from the international community. The aim of this study is to determine whether such a proposal will be able to serve as a successful alternative to current conservation initiatives. This research analyzes the interests of the various actors involved; the Ecuadorian government and potential donor countries, as well as environmental NGOs and the petroleum industry. It argues that the likelihood of failure of this particular proposal is currently larger than the chance of success and explains the reasons why. Finally, the research addresses the broader question of whether similar plans can be implemented in other countries and could hence be a potential next step in addressing climate change.

Introduction

Forty years ago Ecuador became an oil exporter, altering the course of the country's history. The oil industry, now the centerpiece of the national economy,
has had significant environmental and social impacts on the entire nation. Recently, large deposits of heavy crude oil have been confirmed in the Ishpingo-Tambococha-Tiputini (ITT) fields, located in the Yasuní National Park, in the East of the Ecuadorian Amazon.\(^1\) Since 2004, a team of sixty researchers from around the world has worked together in an attempt to document the Park’s biodiversity. They concluded that the park hosts the most diverse tree community in the world with an estimated 2,274 tree and shrub species.\(^2\) In addition, the Yasuní National Park records the world’s highest known insect diversity with more than 100,000 species of insects per hectare and six trillion individuals per hectare.\(^3\) The park is therefore one of the biodiversity hotspots on the planet. Besides, the park hosts several indigenous tribes, including the Tagaeri and the Taromenane, two tribes that still live in voluntary isolation.

In an attempt to protect the park and its inhabitants from the environmental and social impacts of oil drilling, a new proposal was introduced: the Yasuní-ITT initiative. The plan aims to keep the oil in the ITT-blocks in the ground and in return, Ecuador expects to receive financial compensation from the international community. The proposal has not only received the support of the United Nations Development Program (UNDP), the European Union (EU), the Andean Community of Nations (CAN) and civil society organizations worldwide, it has also received

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3. Ibid
attention from statesmen and Nobel Prize winners, including Desmond Tutu, Mikhail Gorbachov, and Muhammad Yunus.⁴

Despite the number of organizations that officially support the initiative, the Trust Fund has not yet been filled with the expected amount of money. Close to five years since the proposal was initiated in 2007, the Trust Fund has only received three million dollars, which is far from the $100 million that was hoped for by December 2011, or the $3.6 billion that Ecuador hopes to receive by 2020. While the initiative has received a lot of attention in the media, there has not yet been any research on reasons for failure of securing enough funds and the likelihood of the success or failure of the proposal more generally.

This research aims to find out whether this proposal can indeed be seen as a next step in “combating climate change”, as mentioned in the Yasuní-ITT initiative’s promotional material. In order for such a proposal to be successful it has to satisfy certain criteria. First of all, successful proposals will fit into an existing international institutional framework and satisfy donor countries interests, by paying attention to the issue of guarantee and security. After all, there will always remain a risk that a future Ecuadorian government will drill for oil. Related to this is the fact that Ecuador’s promise to not drill for oil needs to be credible. If drilling remains significantly more profitable, it will be hard to believe Ecuador’s claim of keeping oil in the ground. In addition, a good relationship between donors and Ecuador and

⁴ For a full description of the organizations and statesmen supporting the initiative, please see Larrea, Carlos. Yasuní-ITT Initiative: A Big Idea from a Small Country. Ministerio del Ambiente, Ministerio de Relaciones Exteriores, Comercio e Integración.
signs of dedicated initiatives towards the conservation of biodiversity and indigenous groups, are all key aspects in order to make the claim look credible.

This research will individually address all of the above-mentioned concerns. First, this paper gives an overview of the events that happened, the details of the proposal and its ambiguities. Secondly, through interviews with a variety of stakeholders, I have analyzed the underlying interests, both political and economic, of both donor countries and Ecuador. Thirdly, the research provides an overview of potential improvements, mainly focused on implementation. This information will give a better understanding of the feasibility of the Yasuní-ITT initiative in Ecuador and the feasibility more generally of similar future proposals attempting to combat climate change both in Ecuador and elsewhere around the world.

**The Yasuní – ITT Initiative**

The Yasuní – ITT plan is a proposal drafted by the Ecuadorian government in order to secure funds; these funds would be used for the conservation of the biodiversity as well as sustainable development practices in Ecuador in order to work towards a carbon-free economy. By keeping the oil in the ITT-blocks in the ground, Ecuador aims to combat climate change by preventing the emission of 407 million metric tons of CO₂, the amount that would be released into the air if the barrels of oil were to be burned. This would be equivalent to an avoided mitigation cost of 4.07 billion dollars (at a price of $10/ton CO₂).⁵

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The official Yasuni-ITT plan refers to 850 million barrels of oil in the ITT-blocks as an estimate of the probable reserve in the oil fields. Petroecuador, Ecuador’s state oil company, works with 1P (proven reserves), 2P (probable reserves) and 3P (possible reserves) categories. According to Petroecuador the ITT-blocks contain 412 million barrels (MMbbl) proven reserves, 920 MMbbl probable reserves and 1531 MMbbl possible ones.6 Earlier versions of the Yasuní-ITT plan refer to 846 MMbbl, 900 MMbbl or even 920 MMbbl but the most recent documents all mention 850 MMbbl, all referring to the probable (2P) reserves in the ITT-blocks. No explanation can be found for using different numbers throughout the proposal. In this research, 850 MMbbl will be used unless otherwise specified.

Ecuador expects to receive $7.2 billion if the reserves in the ITT-fields were to be exploited. With the Yasuní-ITT plan, the country aims to collect half of the revenues, $3.6 billion, by 2020 from the international community. The $3.6 billion would be 50% of the NPV of expected revenues, over a period of 25 years with a discount rate of 12.5%.7 The terms of the UNDP agreement, however, do not specify how these numbers were derived. With 850 million barrels of oil at $7.2 billion dollars, the government would be expecting a market price of only $8.47 per barrel. It also remains vague why the government is willing to accept $3.6 billion in order to keep the oil in the ground, this number seems low compared the revenues of oil production with the current oil prices. The proposal lacks clarity on these numbers.

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6 Petroecuador, Milagros Aguirre, La Selva de Papel, 2009
7 Alberto Acosta, Yasuni-ITT initiative, presentation at the University of Maryland, May 2007
and their calculations, which will be discussed in further detail in the section on economic issues and costs.

The collected funds will be kept in the Yasuní Trust Fund, administered by the UNDP, which consists of two parts: the Revenue Fund window and the Capital Fund window. The Capital Fund window will be financed by contributions to the Yasuní Fund Account and the money will be used to fund renewable energy projects (hydro, geothermal, solar, wind, biomass and tidal plants) in Ecuador. The Revenue Fund window will be replenished with mandatory annual revenue payments received from National Entities for the use of the Capital Fund Window funds. It will fund development projects within the framework of sustainable development, aiming to increase national energy efficiency and promote social development in the zones of influence, with programs that include health, education, training, technical assistance and productive job creation, such as ecotourism. Contributions could come from governments and international multilateral organizations in the form of debt-for-conservation swaps, emission permit auctions or specific projects in conservation. Alternatively, contributions could come from civil society organizations, private companies and citizens worldwide.

In exchange for contributions, the government will issue Yasuní Guarantee Certificates (CGYs) in US dollars equivalent to the face value of each contribution. The CGYs will include the metric tons of CO₂ avoided according to the price of the European Union Allowances (EUAs) in the Leipzig Carbon Market. The maximum

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The total amount of CGYs issued by the Government will be equivalent to the value of a total of 407 million metric tons of CO$_2$.$^{10}$ The CGY is an instrument that does not earn interest and does not have an expiration or maturity date as long as the Government maintains its commitment not to exploit the ITT oil reserves.$^{11}$ Where the contribution is below $50,000, this will be seen as a donation to the Trust Fund and no Certificates will be given out. This limit was initially set at $100,000 but was changed to $50,000 on 23 September 2011, probably in an attempt to stimulate more contributions.$^{12}$

If in the future the world carbon market accepts the CGYs as equivalents of Emission Permits, the Government will issue CGYs for sale to private and/or public entities in mitigating greenhouse gas emissions.$^{13}$ However, it is unclear whether the quantity of sequestered oil in return for a monetary contribution would vary with the price on the ETS market. The terms remain ambiguous about what will happen in case a future government drills for oil, as will be explained in the section on guarantee and security.

In short, Ecuador’s proposal lacks clarity on some major issues, which weakens the initiative in the context of already existing procedures. The idea to keep oil in the soil in return for financial compensation is a relatively new one. However, the rainforest conservation aspect of it is similar to the REDD-initiative, which aims to collect financial compensation from developed countries in order to

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$^{10}$ Ibid
$^{12}$ Yasuni ITT FAQ, Retrieved 17 November 2011 from http://mdtf.undp.org/yasuni
protect tropical rainforests in developing countries. This initiative has proven to be relatively successful and this may have been one of the reasons for Ecuador’s initiative to come up with a slightly different version of it by developing the Yasuní-ITT proposal. Although this may have played a role, the idea for a moratorium on drilling for oil in Ecuador’s rainforest had already been developed by citizen groups in Ecuador.

**History of the proposal**

The Yasuni-ITT initiative is a result of a longer history of citizen initiatives attempting to secure the rights of indigenous peoples as well as the conservation of biodiversity. In the 1990s, for example, Waorani protest movements as well as the Texaco-Chevron case led to heated debates about the indigenous peoples, conservation of biodiversity and the role of the petroleum industry. One of the key actors in fighting for the environment has been Acción Ecológica, an environmental group in Ecuador that has for long had an important role in the Yasuní conservation movement. In 2003, Acción Ecológica and La Fundación Pachamama presented a proposal for a moratorium on the expansion of the current petroleum fields. The original plan to keep the oil in the ground under the Yasuní National Park dates from June 2005 from an OilWatch document that was presented in Montecatini, Italy and later published in a book.\(^\text{14}\)

In close cooperation with Acción Ecológica, such a plan was then incorporated in the 2007-2010 Program of the Ministry of

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\(^\text{14}\) Oilwatch, Asalto al Paraiso, Elizabeth Bravo (editor), Quito, 2006.
Energy and Mines, at the time led by Alberto Acosta, which was entitled “Towards a post-oil economy.”

On 1 April 2007, the Ministry of Energy and Mines put forward a number of proposals regarding the ITT oil fields. The first possibility was to conserve the crude oil in the ground when the international community provides at least one half of the resources that would be generated in case the oil would be exploited. As a second possibility, the state oil company Petroecuador could develop the ITT fields with its own resources. Thirdly, strategic alliances could be made with other state companies. At the time, there was already a draft Memorandum of Understanding (MoU) with Sinopec (state oil company from China) while strong relationships were maintained with other state companies. A final possibility was an international call for bids that would be open for participation by state companies in the framework of a public process.

On 5 June 2007, the president officially announced that the first option, keeping the oil in the ground, would be preferred. A one-year term was pronounced in order to secure enough funds for the continuation of the proposal. On 24 September 2007, President Rafael Correa addressed the General Assembly of the United Nations with the specifics of the proposal; including a Plan A and B. Plan A would be to leave the oil in the ground indefinitely when enough funds from the international community could be gathered. Plan B would be to stick with the status quo.

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15 Esperanza Martinez, Yasuni, el tortuoso camino de Kioto a Quito, Abya Yala, 2009
16 Milagros Aguirre, La Selva de Papel. Abya Yala. Quito
quo and drill for oil in the ITT-Blocks. The rhetoric of using plan ‘A’ and ‘B’ might be confusing since plan A normally refers to the default situation.

In 2008, a new Constitution was drafted, led by the leader of the National Assembly, Alberto Acosta. The constitution is drafted with the Buen Vivir ideology in mind. Buen Vivir is roughly translated as ‘living well’ or ‘collective well-being’; it is defined as ‘the organized sustainable ensemble of political, socio-economic and environmental systems that could guarantee the realization of the ‘good life’’. For example, the constitution attributes certain rights to nature in an attempt to conserve the biodiversity that Ecuador is rich with. Additionally, the constitution focuses on efforts in sustainable human development in which equity, democracy and respect for ethno-cultural diversity are key words. It challenges the current development paradigm with its dependence based development aspirations, by ‘putting more emphasis on the individual and its role within the collective society’.

The Yasuní-ITT plan has already had many different versions. The original proposal included not only the ITT fields but also Block 31, adjacent to the ITT-block (see attachment 3). This was removed in a later version of the plan in 2007 when it was decided to exploit it. One of the other changes made to the original plan is the linkage to the European Carbon Trading System. In the original draft, no notion was made of carbon credits; the plan was simply to sell virtual barrels of oil to citizens.

17 Alberto Acosta, la Maldicion de la abundancia, Abya Yala, Quito, 2009
and governments. Furthermore, there was no plan to have the plan administered by an international body.

In 2008, a new team was formed, the Consejo Administrativo y Directivo (CAD), consisting of Roque Sevilla, Fander Falconi, Yolanda Kakabadze and Fransisco Carrion\(^\text{18}\) that led these negotiations to a higher level. CAD made progress and negotiations were underway with the UNDP about the administration of a Yasuní Trust Fund as well as serious negotiations with donor countries. In an interview with *El Comercio* in December 2009, Roque Sevilla announces that Germany, Spain and Belgium had promised between $972 million and $1.232 billion over 13 years and that France and Sweden were offering $532 million.\(^\text{19}\) The plan hence seemed to be certain to be approved by both parties but unfortunately did not turn out to be that successful.

In mid-December 2009, at the UN Copenhagen Climate Summit, members of CAD received permission by the president to sign the environmental trust fund agreement with the UNDP. However, on 14 December 2009, just two days before the scheduled meeting, President Correa told his team not to sign the agreement. In his radio address on January 9, 2010, Correa criticized the team for accepting conditions in the UNDP trust fund agreement that were ‘shameful and threatened the sovereignty of the country’. He declared to disagree with the composition of the

\(^{18}\) Roque Sevilla, President of the Yasuni-ITT Commission was former mayor of Quito; Fander Falconi was Minister of Foreign Affairs at the time; Yolanda Kakabadze is former Minister of Environment in Ecuador (1998 – 2000) and Director of the IUCN (1996 – 2004) and Fransisco Carrion is Permanent Representative of Ecuador at the United Nations. In addition to these four, Carlos Larrea served as the technical advisor on the CAD

\(^{19}\) El Comercio, 9 December 2009
international environmental Trust Fund board. The board was to be composed of two Ecuadorian government officials, one donor and one UN member with voting rights, as well as two non-voting members: one indigenous member and one citizen delegate (see table 1). The president, however, wanted to have more government officials on the board. He furthermore declared that he should be able to use the money for other purposes than energy and conservation purposes.

<table>
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<th>Pre-January 2010 Fund composition</th>
<th>Fund UNDP Terms of August 3, 2010</th>
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<tbody>
<tr>
<td>2 government representatives</td>
<td>3 government representatives</td>
</tr>
<tr>
<td>1 civil society representative</td>
<td>1 civil society representative</td>
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<tr>
<td>1 contributor representatives</td>
<td>2 contributor representative</td>
</tr>
<tr>
<td>1 technical secretary with no vote</td>
<td>1 technical secretary with no vote</td>
</tr>
</tbody>
</table>

*Table 1. Yasuní Fund Steering Committee configuration*

In a response, CAD President Roque Sevilla, declared that this composition had originally been designed by Ecuador and not by the donors. Both Sevilla and Acosta have speculated that Correa might have received pressure from the petroleum industry. After the incident in Copenhagen, Fander Falconi, Roque Sevilla and Yolanda Kakabadze resigned and Ivonne Baki was appointed the new

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20 ‘In his weekly televised speeches, President Correa announced on Saturday, January 9, 2010, his anger over the “shameful conditions” donor countries have imposed on Ecuador. “[They] come to impose conditions ... they think we’re still a colony ... there is a terrible arrogance ... keep your millions ... keep your money and in June we are going to begin exploiting ITT,” he declared to his audience.’


22 Sandra Gross, *President of ITT-initiative resigns*, January 31, 2010

23 Fander Falconi announced that he is unable to work for a president who does not support his own equipe, book Fander Falconi. Falconi, Fander. *Con Ecuador por el mundo, la política internacional ecuatoriana*. Editorial El Conejo, Quito, Ecuador, 2010.
head of the commission. Instead of being administered by the Ministry of Foreign Affairs, the Yasuní-ITT project is now managed by the Ministry of Patrimonio. Ever since, the deadlines for securing enough funds have been extended several times. The June 2010 deadline was first moved to December 2010 and then to December 2011. Finally, on 3 August 2010, the Yasuní Trust Fund Terms were signed. The new agreement has a slightly changed configuration of the Steering Committee and includes that the funds can be used for sustainable development, which is defined very broadly. The incident in Copenhagen and the consequent resignations of the CAD has had a severe impact on the relationship that Ecuador maintained with its donor countries. Since the president had previously indicated that he agreed with the composition of the board and the allocation of the funds, donors lost trust in the President.

**Contributors/Partners Contributions**

Data as of 29 Mar 2012 2:00 PM GMT  
Covering from 2010 to 2012  
Fund: Ecuador Yasuní Capital Window  
Start date: 2010  
End date: 2012

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24 Ivonne Baki is a former Minister of Trade, Fisheries and Competitiveness from 2003 - 2005 under Lucio Gutierrez, the political opponent of Rafael Correa  
25 See the National Development Plan
In order for the initiative to be deemed viable, it needed to have 100 million dollars in the Trust Fund by 31 December 2011. According to the UNDP, there is currently a little less than three million dollars in the Trust Fund (see table 2).\textsuperscript{27} However, in January 2012, Ivonne Baki announced the project has been deemed viable since the government received $116 million in pledges. Almost $69 million dollars have come from pledges from ‘various national, regional governments and NGOs’. It must be said that none of these pledges have yet been realized in actual monetary contributions and there is still a significant risk that the funds will not actually be collected. For example, Interviewee 14 stated that Italy offered a debt cancellation of $38 million out of the $52 million debt. However, given the current economic situation in Italy it is uncertain whether other European countries will agree to this.

Despite this, the Yasuni-ITT organizers have expressed their full confidence that the proposal will be successful. The new goal is to secure $291 million in contributions in both 2012 and 2013.\textsuperscript{28} The proposal does not explain the rationale behind these targets: there is no concrete significance to the target of $100 million

\textbf{Table 2: Contributions in the Ecuador Yasuni Capital Window 29 March 2012}\textsuperscript{26}

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<td>World of Kindness (Russia)</td>
<td>100,000.00</td>
<td>100,000.00</td>
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</table>

\textsuperscript{26} UNDP Yasuni-ITT Initiative. \textit{Yasuni ITT FAQ}, Retrieved November 17, 2011 from \url{http://mdft.undp.org/yasuni}

\textsuperscript{27} UNDP Yasuni-ITT Initiative. \textit{Yasuni ITT FAQ}, Retrieved November 17, 2011 from \url{http://mdft.undp.org/yasuni}

\textsuperscript{28} The Yasuni-ITT initiative, Retrieved, November 17, 2011 from \url{www.sosyasuni.org}
by 2011 or $291 million by 2013 so it remains ambiguous why these numbers have been chosen in order to test the proposal’s viability.

Figure 1: Chronology of Events in Yasuni

Oil and Ecuador’s economic situation

The Ecuadorian economy is heavily dependent upon its exports. Its main export products are petroleum, fish, shrimp, timber, gold and copper and its major markets are the United States of America and Latin America, with 35 and 24 percent respectively. In 2011, the real annual growth rate was estimated at 5.06%, in 2010 it was 3.58%, in 2009 0.36% and in 2008, 7.24%. 29 The oil sector typically accounts for 50%-60% of the country’s export earnings (56% in 2010), 15%-20% of the GDP, and 30%-40% of government revenues.30

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30 Ibid
from a production-sharing arrangement to service (fee) contracts. Several oil companies declined to renegotiate; those operations were devolved to the state oil company, increasing the state’s share of national oil production from 62% in 2010 to roughly 71% in 2011. With oil contract renegotiations complete, public and private investment in the sector is expected to increase, along with production levels.

*Oil in the ITT fields*

Before 2007, the Ecuadorian government had already had negotiations with several foreign companies about the possible exploration of the ITT-fields. In this period, Petroecuador had done a technical feasibility study of ITT-exploitation. Total production in Tiputini (75 km2), Tambocoha (25 km2) and Ishpingo (80km2) is estimated to be around 900 MMbbl for the first 25 years of production; with a range of 412 MMbbl to 1532 MMbbl. The crude is highly viscous, with an estimated 14.7 API (American Petroleum Institute gravity).

In order to transport the viscous crude from Lago Agrio to the coast, it will have to be diluted and the plant will have to be adapted. In addition, a new pipeline will have to be built from Tiputini to Lago Agrio of 28 km and oil can only start flowing about 5 years after the starting of the operation. Moreover, the exploitation project would need 6 production platforms: 3 for Tambococha/Tibutini, 1 for

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31 Ibid
33 The reasons for these differing numbers can be explained by the different scenarios. More information about this can be found in Attachment 4.
34 Ibid
Ishpingo North and 1 for Ishpingo South and 1 platform to reinject water. Overall the operation would be expensive, as shall be further explained in the section on economic issues and costs. Nevertheless, the ITT-fields contain a considerably large amount of oil in comparison with Ecuador's size, making them important for the states oil revenues and attractive for foreign state companies.

Figure 2: Oil Field Production in Ecuador. Source: Ministry of Energy and Mines

**Interests of Potential Donor Countries**

This section explains the main doubts and concerns of donor countries regarding participation in the Yasuní-ITT initiative. Generally, donor countries appear to have a positive attitude towards the initiative itself. However, some doubts regarding the principles of the proposal as well as serious concerns about its

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36 Interviews 1, 3 and 7
credibility were expressed.\textsuperscript{37} First of all, some respondents doubt whether the proposal will actually be a good initiative in order to combat climate change.\textsuperscript{38} Donor countries will be asked to offer financial compensation for \textit{not} doing something, which will leave the door open for other countries to do the same. Dirk Niebel, German Minister of Economic Cooperation and Development, stated that engaging in Ecuador’s proposal will be ‘setting a precedent with unforeseeable referrals’\textsuperscript{39}, fearing it would be taken up by countries such as Saudi Arabia and presented as part of future global warming and climate change treaty negotiations. In order to limit this risk, the proposal has specifically addressed ‘developing countries between the Cancer and Capricorn tropics where tropical forests are concentrated with biologically and culturally sensitive areas’. In this way, resource-bearing nations that do not adhere to these criteria will not be able to be eligible for such a proposal.

It must be noted that some donor counties might engage in the initiative only to reduce greenhouse gas emissions, whereas others might want to participate in order to protect the rainforest and its indigenous communities. For the latter group, another concern before engaging in such an initiative is actually ensuring that the monetary contributions will be used for the protection of the rainforest and sustainable development practices only.\textsuperscript{40} President Correa declared in December 2009 that he wanted to have the chance to use the money for other purposes as

\textsuperscript{37} Interviews 3, 7 and 14
\textsuperscript{38} Arno Ambrosius, Chef de Poste, Dutch embassy
\textsuperscript{39} Alejandro Díaz Camacho, Puls America, October 10, 2011 Retrieved march 14, 2012 from http://www.pulsamerica.co.uk/2011/10/10/ecuador-this-week-39/
\textsuperscript{40} Interview 3
well, as he obviously would be able to if he would drill for oil. Based on interviews, it can be assumed that donor countries want to ensure that the money will be used for conservation purposes. Despite the fact that the Trust Fund agreement specifies that the funds be used for sustainable development only, Germany has chosen to invest $47 million in the Yasuní National Park directly instead of depositing it in the Trust Fund, possibly to preempt the President’s plans for using the funds.

Guarantee and Security

There will always remain a risk that a future Ecuadorian government will drill for the oil; hence, if such a proposal were to succeed at all, sufficient attention must be given to address the issue of guarantee. In 2008, the Yasuní Guarantee Certificates (CGYs) were introduced, handed out to donors who donate more than $50,000 dollars. According to the terms of the Trust Fund, the money will be returned in case a future government does drill for oil, but it remains ambiguous how this would proceed. For example, if a future government would drill part of the 850 million barrels, it remains unclear which of the donors would be reimbursed or whether a specific part of the CGYs would be reimbursed to all donors. The ambiguity about this makes the entire proposal less credible.

Although guarantee is an important issue, donor countries have stated that many of those concerns could still be addressed properly in the terms of the UNDP Trust Fund agreement. Interviews revealed that the general attitude towards the proposal is a positive one as long as the relationship with Ecuador is based on trust.
and credibility. Donors are particularly worried about the honesty of the president towards the proposal and the credibility of the government’s commitment to keep the oil underground indefinitely. This can partially be attributed to the fact that the president has not shown to be the most credible negotiator during the negotiation process. Furthermore, doubts regarding Ecuador’s credibility arise from a period of political instability in the past decades.

Political stability

In the period from 1996 to 2006, no democratic government has finished its term; the country has had seven presidents in that decade and the last three of them were ousted amid anti-government protests. The geographic divide between the coast, the highlands and the Amazon as well as the great disparity between the rich and poor, has contributed to a lack of national unity and consensus on issues of national concern. Ecuador’s political parties have historically been small organizations that depend more on populist, often-charismatic leaders to retain support than on programs or ideology. Correa has been the longest-serving president since the country returned to democracy in 1979 and has managed to secure support across all regions and among different groups. Despite the fact that Correa has created a more politically stable environment than before, Ecuador still remains a country with a relatively unstable political climate. Only recently was the president kidnapped by angered policemen after which a state of emergency was

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41 Interviews 3 and 7
43 http://www.state.gov/r/pa/ei/bgn/35761.htm
In short, donor countries are concerned about securing that appropriate mechanisms are in place to retrieve their money in case a future government drills for oil. However, at the moment they are even more concerned about the honesty of the president and credibility of the government’s current plan. After the incident in Copenhagen, donors have lost confidence and trust and will not be willing to sign an agreement until a better relationship has been restored.

_Ecuador’s commitment to the environment_

Several additional incidents have made donor countries question the President’s motivations to proceed with the proposal. For example, donor countries want a guarantee that Ecuador is in fact trying to conserve the environment and protect indigenous peoples in other areas of the Ecuadorian amazon as well.\(^{45}\) If Ecuador wants to portray itself as a pro-environment country, it should have other environmental programs in place as well. Jimena Sasso, an environmental policy researcher at FLACSO University, confirmed that there are in fact not many environmental policies in the current government program. Furthermore, the President has recently allowed drilling in Block 31 and granted access to the Armadillo block, a part of the rainforest that has been closed off for 31 years in

\(^{44}\) The country has already seen 20 constitutions over the last 100 years. Moreover, only in 2010 the president had been attacked by angered police-men who had been unhappy with their job benefits. In the aftermath of the attack, a state of emergency was declared and flights into the country were cancelled.

\(^{45}\) Interview 6, 9, 11
order to protect indigenous groups. First of all, this raises questions regarding the integrity of the government’s true motivations. According to various sources, the Tagaeri and Taromenane live in the Armadillo blocks and not in the ITT-blocks, which makes the focus on the indigenous peoples within the Yasuní-ITT initiative ambiguous.

Secondly, the fact that their habitat has recently been opened for oil companies weakens the argument of the Yasuní-ITT initiative, which was drafted in order to protect indigenous peoples.

Although it may seem remarkable to judge a progressive conservation effort by looking at conservation efforts in other parts of the country, it has proven to be one of the key aspects on which donor countries have analyzed the credibility and integrity of the government’s proposal. Developed nations argue that Ecuador cannot ask for compensation without recognizing its own responsibility in the environmental degradation of the Amazon. International compensation for leaving oil underground assumes that the Ecuadorian state should be compensated for destruction done by another party. However, by drilling in a protected park in other areas, the Ecuadorian state is a guilty party as well, drilling in an area that it cannot do according to its constitution. Therefore, donor countries’ judgment on Ecuador’s integrity is based on the responsibility that the country itself takes in preventing environmental degradation outside of the Yasuní-ITT initiative.

Ecuador’s integrity is furthermore challenged in the light of some recent documentation regarding the ITT blocks. Milagros Aguirre, has documented various conversations between President Correa and Petroecuador engineers about the

46 Interview 6, 10 and 12
exploitation of the ITT blocks, in particular Tiputini. One conversation is dated 20 November 2008 and discusses which state oil company will be contracted to do start exploitation in Tiputini. At the same time, several letters provide evidence of communication between Petroecuador and other state oil companies about exploitation of the ITT-blocks over 2008 and 2009. The timing of these discussions is ambiguous since they took place at the exact same time that the president had stated to do everything within his power to make the Yasuní-ITT initiative work. It therefore struck donor countries that the president has been thinking about implementing plan B even before fully having discussed plan A. In later TV interviews, Correa continued to threaten with plan B, which has led to a lack of trust from the international community.

It is argued that this lack of trust is one of the major explanations for the failure to secure enough funds. In TV and newspaper interviews President Correa, gives the impression that he is striving for a more equal relationship between developed and developing nations. The donors, on the other hand, still feel they should be able to determine the terms since they are the ones to provide the funds. It is this apparent misunderstanding between developed and developing nations that has caused the relationship between the two parties to break down. The different rhetoric and difficult negotiation process as well as the stern and

47 Petroecuador, December 2008 ACTA-12-DIR-2008, from Milagros Aguirre, La Selva de Papel, Quito 2010. Page 189
48 Interview 2, 4, 7, 14
49 He has stated multiple times that he would no longer be willing to comply with all the terms the developed nations would propose, stating that ‘this is Ecuador’s proposal, so Ecuador should be able to set the terms.’
sometimes extremely stubborn attitude of President Correa\textsuperscript{50} caused potential
donors to slowly lose interest in the proposal.

**Ecuador's Interests**

*Domestic Politics*

This section aims to give an overview of possible explanations for Ecuador’s position in international negotiations, in particular the underlying interests of the president. First, it will give a background on the domestic politics after which it addresses both the political as well as the economic motivations of the president.

On 15 April 2007, Rafael Correa proposed to draft a new constitution for Ecuador, the 20\textsuperscript{th} in its history. The National Assembly, with Alberto Acosta as its president, was given six months to write a new constitution, which was approved in late July 2008, with 89\% of the votes. Originally, Correa’s first term in office was due to end on 15 January 2011, but the new constitution demanded general elections in April 2009. In that election, Correa won with 51.9\% in the first round.\textsuperscript{51} Consequently, his term will end on 10 August 2013, which could then be extended by reelection until 2017.

The new constitution focuses on securing the rights of indigenous communities and the environment, paying attention to the consequences of the petroleum industry. Article 407, for example, states the following:

> Article 407. Activities for extraction of nonrenewable natural resources are forbidden in protected areas and in areas declared intangible assets including forestry production. Exceptionally, these resources can be tapped at the substantiated request of the President of the Republic and after

\textsuperscript{50} This was especially strengthened after the Copenhagen Climate Change Conference

\textsuperscript{51} Election results obtained from http://www.electionguide.org/country-news.php?ID=64
a declaration of national interest issued by the National Assembly, which can, if it deems it advisable convene a referendum.

The question then arises how the president could even speak about a plan B when this is forbidden in protected areas such as Yasuní National Park. Alberto Acosta, former Minister of Energy and Mines, stated he had no doubt that the president would find a way around it by either passing the National Assembly, or, when it comes to a referendum, convince the people with great rhetorical skills that drilling in Yasuní is in their best interest. More respondents, questioning the integrity of the president as far as environmental issues are concerned, have confirmed this.

**Political Risks**

In comparison to previous governments, Correa’s socialist government has improved a lot in Ecuador; roads have finally been finished and higher education has become more easily accessible to everybody. Ecuador is similar to other Latin-American countries with its discrepancy between classes and its struggle against corruption at almost all levels of government. It is believed that Correa has dealt with this through focusing on social programs, health, and education, making him a beloved president among the lower classes. A decision to drill may not have impacted the number of Correa’s constituents in the beginning years of his presidency because low-income populations did not want to oppose his other policies, and the high-income populations supported the decision to drill. This is compounded by the fact that poorer people in Ecuador are generally less informed.

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52 Interview 11
53 Interview 9, 11 and 14
54 Interview 6
about the Yasuní-ITT project. However, some sources believe that this political advantage is starting to shift. His reputation has become tenuous in the face of potential oil drilling in ITT blocks, which is arguably opposed by 75 to 90 percent of Ecuadoreans. Therefore, Correa is facing high political risks in the decision over drilling in the Yasuní-ITT block in the 2013 election.

Over the years political support has changed. Before the 2008 referendum, most of Correa's supporters came from the traditionally right-wing Coastal areas whereas traditionally left-wing constituencies in the Andes and Amazon voted against it. The coastal entrepreneurs and businessmen that had previously opposed the President’s policies now backed him, supporting his ideas to escape from poverty by increasing consumption. Consequently, Correa’s policies have shifted more towards the right and his rhetoric has shifted from attacking big banks to attacking environmentalists. Some therefore argued that the introduction of the Yasuní-ITT project was used as a tool to gain back support when he lost this from the traditionally left-wing parties.

In addition, it must be noted that Correa has lost support from his own movement. Correa’s party, Alianza PAIS (AP) dates back to 1999 when an organization, Jubilee 2000 Net Guayaquil, was gathered to discuss the topic of the Ecuadorian foreign debt. The movement consisted of a group including Rafael

55 Marco Albarracín, Devi Chavez
57 Interview 10
58 His infamous saying 'ecologistas infantiles' has been mentioned several times as an argument to illustrate that Correa is in fact not on the side of the environmentalists.
59 Interview 3, 10 and 14
Correa, Alberto Acosta and Fander Falconi.\footnote{http://www.state.gov/r/pa/ei/bgn/35761.htm} Both Acosta and Falconi, amongst others, have left the movement. Although the reasons for leaving have been different\footnote{For example, Fander Falconi left after the Copenhagen incident since he declared not to be able to work with a president who could not support his own team. Alberto Acosta left after a disagreement with the president following the drafting of the constitution, during which time he was chairman of the National Assembly.}, it generally involved a disagreement with the president. In addition, several sources, from various classes in society, have identified that he has made a number of enemies over the years due to stubborn behavior.\footnote{Interview 3, 10 and 14} Despite the growing criticism, support for Correa's policies is still relatively strong, with 56% in favor of his policies and 37% against (see figure 2). This is mainly due to the fact that the current government is a real improvement with previous ones. However, it still is in the President's interest to delay making controversial decisions before the elections in 2013, given his current tenuous reputation.
Economic costs

Economic costs are another important factor to be addressed in analyzing the president’s interests. Particular attention should be paid to the development of oil prices. In 2007, right when the proposal was drafted, the oil prices were good and expected to rise even more. During the economic crisis in 2008, oil prices plummeted, leading to an even greater incentive to keep the oil in the ground for at least a while (see figure 3). A letter dated 22 August 2008 from Camilo Delgado Montenegro, Vicepresident of Petroproducion, to Luis Jaramillo, Executive president of Petroecuador, explains the feasibility of exploiting oil in the ITT-blocks.

Figure 3: Source: Cedatos: Data on support for Correa’s policies. Approbacion means approval and desapprobacion means disapproval.63

It discusses a challenging operation that will require 3.5 to 5 billion dollars to cover the cost of research, evaluation and development. Pamela Martin states that Petroecuador does in fact not have the right resources and techniques yet to be able to perform such a challenging operation, which is why the company is in contact with many other state oil companies. Given the complexity of the operation, extracting the viscous crude would only be profitable above a certain oil price; which two independent sources estimated to be around $80 per barrel.

There is, however, some ambiguity about these numbers. In May 2007, Acosta presented the Yasuní-plan at the University of Maryland, before the president officially introduced the proposal. The presentation states the following numbers:

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<table>
<thead>
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<tr>
<td>Average expected annual production:</td>
<td>36 MMbbl</td>
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<tr>
<td>Production period</td>
<td>25 years</td>
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<tr>
<td>Heavy crude production cost</td>
<td>$12/bbl</td>
</tr>
<tr>
<td>Market price</td>
<td>$32 / bbl</td>
</tr>
<tr>
<td>Expected net income</td>
<td>$20 / bbl</td>
</tr>
<tr>
<td>Total barrels</td>
<td>900 MM bbl</td>
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65 Evidence of the communication between the government, petroecuador and various state companies is documented by Milagros Aguirre. The book displays letters by Sinopec, Petrobras and Petroamazon.

First of all, the numbers are ambiguous since a simple calculation reveals that the expected state share of $3.5 billion cannot result from 900 million barrels sold at $32/bbl. Moreover, it is unclear where these numbers have come from; Acosta may have anticipated lower crude oil prices over the long run but does not give a motivation for the specific price of $32 per barrel. Figure 4 shows that oil prices in 2007 were in fact around $80 per barrel, which, with 900 million barrels, would lead to $72 billion dollars in revenue.

The other number that has been stated by two sources, the $80 per barrel, seems more reasonable. Petroecuador expects that the challenging operation would cost between 3.5 and 5 billion dollars, which could lead to about $67 billion dollars in state revenue. This is significantly more than the $7.2 billion that the government claims to expect from drilling in the ITT-blocks. This immense disparity between the government’s potential revenues and the $3.6 billion that they would be willing to receive makes it hard to believe that the oil will indeed be kept underground indefinitely.

Hence, looking at the costs and revenues of the operation, the Yasuní-ITT initiative does not provide a convincing argument to believe that the government is willing to keep the oil in the ground indefinitely. The ambiguity surrounding the costs and benefits of the operation makes it hard to fully analyze the proposal. However, it can be assumed that oil will remain to be a very attractive alternative that will not be easily given up. To fund the high cost of infrastructure, education and other services, Correa and the country’s economy have relied heavily on
petroleum exports. As long as petroleum is the most logical solution to finance these current policies, it is unlikely that Correa will fully support the proposal.

![Crude Oil Price History](image)

*Figure 4: Oil prices 2005 – 2009*

**Implementation errors**

Based on the above-mentioned information several issues can be identified as explanations for failure of the proposal. They range from institutional conflicts within the Correa government to a lack of involvement from key stakeholders. This section discusses areas of improvement needed to implement this proposal.

*Institutional conflicts and miscommunication*

The Yasuní-ITT proposal is a perfect example of the importance of domestic politics in policy making at the local and global level. The initiative initially appeared

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to gain momentum, however, it quickly lost pace when domestic institutional conflicts began to arise. Several sources have attributed this to the lack of institutional support within the Correa government, which resulted in the proposal being unanchored in a fixed support base or leadership.\textsuperscript{68} In turn, the government conveyed a sense of instability and the perception that it did not support the proposal, leading to distrust from the international community.

The proposal has been administered and managed by a variety of different Ministries. Minister of Energy and Mines, Alberto Acosta first presented the proposal in 2007. After his departure from the ministry the proposal was passed on to the office of the vice-presidency. Owing to the lack of a technical team, the proposal was not developed much further here. It was then put on the desk of the Minister of Foreign Affairs, after which, in 2010, it was moved to the Ministry of Patrimonio. This institutional ‘Ping-Pong’ lent a lack of credibility to the proposal; a stable environment for the proposal would have increased the likelihood of success.

The reasons for the institutional ‘Ping-Pong’ are ambiguous but inter-institutional conflicts between ministries can have been one of the reasons. Regardless of the source of the problems, the choice of the Ministry responsible to administer the proposal is of crucial importance. Interviewee 14 for example was surprised by the fact that the Ministry of Environment had never engaged with the proposal directly; this Ministry should have been the most obvious point of reference for any serious consideration of the proposal.\textsuperscript{69} The source went as far as

\textsuperscript{68} Pamela Martin, page 109. Interviews 11, 14, 15
\textsuperscript{69} Interview 14
saying that the President would have put the Ministry of Environment in charge of the proposal, had he really believed in it. Despite the fact that the Ministry of Environment does not seem the most powerful Ministry, it does host the most knowledge and capital resources to make it to a success on a national level. However, it remains doubtful whether this could have led to a successful implementation of the proposal on an international level. Also, as opposed to the Ministry of Energy and Mines, the administration by the Ministry of Environment would have likely led to fewer conflicts within the Ministry itself between proponents and opponents of drilling.

Within the Ministry of Energy and Mines there have been a number of conflicts between involved actors. According to sources within the oil-industry, Alberto Acosta’s appointment to the Ministry of Energy and Mines was highly criticized due to his environmentally focused policies.70 Ivan Narvaez and Guillaume Fontaine have stated the high level of political power that Petroecuador and its executive president have within the ministry.71 Pamela Martin has reported that Alberto Acosta noted that even as president of the board of Petroecuador, he was challenged by the executive director, Carlos Pareja Yannuzzelli, who preferred to sign agreements to extract oil from the ITT blocks.72 In short, the Ministry of Energy and Mines has a strong divide between proponents and opponents of the proposal.

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70 Interview 4
The most logical place for the proposal would have been the Ministry of Foreign Affairs since it had not only the best resources to administer the negotiations with donor countries, which is a crucial part of the proposal, but it was also led by someone who has been a key actor in the successful negotiations. Fander Falconi, the Minister of Foreign Affairs at the time, and Roque Sevilla, have shown effective leadership that has had a positive outcome of the proposal. The change of the initiative's base as well as its leadership has been detrimental to a successful implementation of it. Since the resignation of the CAD, most of the original supporters of the Yasuní-ITT proposal have left the government and the initiative, leaving more power to those supporting oil exploitation. This has made it extremely difficult for the Yasuní-ITT initiative to survive.

Besides the leadership of certain individuals, the communication within the President's cabinet and related parties has also had an influence on the outcome of the proposal. In interview 10 and 12, it was argued that lack of good communication between ministers, president and ministry employees often led to a misunderstanding of the government’s official position. Some interviewees seem to think the President has created this miscommunication intentionally. However, it is hard to say whether this is due to a general lack of efficient implementation measures or intentional mismanagement by the president.

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73 Eduardo Pichilingue described a situation in February 2010 when a Norwegian TV-station wanted to interview him on the current situation in Yasuni-ITT. He asked the Minister of Environment for an official position but it was unclear what the official position was. One day before the interview, Wilson Pastor from Petroamazonas, now the Minister of Energy, declared that there were no plans as to keep the oil in the ground and Tiputini would be exploited. He also declared that no indigenous people existed. One day later Pichilingue was asked to give his opinion on the matter and declared that Tiputini is a part of ITT and can therefore not be exploited and the Tagaeri and Taromenane do exist. It became a big riot and Pichilingue was fired.
In short, it can be said that insufficient attention was given to analyzing the implementation feasibility. Poor communication combined with institutional conflict and loss of effective leadership has led to a significantly weaker implementation.

Citizen input

Lack of citizen input has furthermore weakened the proposals outcome. This may have to do with the fact that citizens in developing nations in Ecuador look at the market-based policy proposal in a different way than many government officials. For many scholars and policy-makers, market-based incentives are an accepted approach in environmental policy-making. The principle that money can be paid in order to offset carbon emissions is a generally acknowledged alternative to command and control incentives. However, in Ecuador it angers people that the richer countries can pay another country not to pollute instead of reducing their own emissions. Both proponents and opponents of the initiative mentioned the market-based approach as a negative side of the proposal, stating that they do not agree with the ‘pay not to pollute’-principle.74 It is important to note this difference since it illustrates a different way of thinking between people in donor countries and Ecuador.

Therefore, the drafters had a different goal in mind when drafting the proposal; they argued to make the proposal a public policy rather than a market solution. The original proposal was to ‘sell’ barrels of oil to citizens, with the only exception that these barrels would never be pumped up. Acción Ecológica, for

74 Interview 2, 4, 16
instance, no longer supports the current proposal; their intention while drafting the proposal had been to give an alternative for Kyoto.\textsuperscript{75} Currently, however, the plan fits exactly within the Kyoto-protocol which, according to the drafters, has been focused more on the Annex I countries of the convention.\textsuperscript{76} The market-based approach is likely to work better for Annex I countries and hence on an international level but it leaves out the drafters first intentions. The original proposal as was proposed by Acción Ecológica may have had more support among Ecuadorians but it would not have been successful since it is hard to fit into existing institutional frameworks.

Alberto Acosta stated multiple times that the only way to make the proposal successful at this point is to increase public support, both nationally and internationally, and thereby putting pressure on the Ecuadorian government. Internationally, citizen initiatives have started in several places aiming to create more awareness for the proposal. In addition, there have been many NGOs, such as Save the Forests, actively involved in the proposal by providing technical details. However, neither international NGOs nor global citizens have been able to raise enough support or funds to actively pressure the actors involved.\textsuperscript{77}

On a national level, it will also be hard to gain citizens’ support since many proponents of the proposal, including the drafters as well as former members of the government are no longer part of the proposal. Moreover, important environmental groups such as Acción Ecológica are no longer actively involved. In addition, the

\textsuperscript{75} Interview 16
\textsuperscript{76} Kyoto Protocol to the United Nations Framework on Climate Change Conference
\textsuperscript{77} Citizen initiatives
indigenous groups, another important stakeholder, have not been involved in the proposal from the beginning.

Most of the propaganda regarding indigenous groups is focused on the Tagaeri and Taromenane tribes that are claimed to reside in this area as well. Some people, mostly related to the petroleum industry, believe that these tribes do not actually exist. Even though there has been sufficient evidence that the tribes do exist, it can be said that they do not reside in the ITT-blocks. Eduardo Pichilingue, first coordinator for the protection of indigenous people under the Ministry of Environment, described the ITT-blocks as an area that is filled with water. Consequently the area does not host many indigenous groups; The Tagaeri and Taromenane, as previously mentioned, reside more in the Armadillo blocks. Hence, the government’s argument regarding the groups living in voluntary isolation does not seem to be very credible.

Another important group of indigenous peoples are the Waorani since the ITT blocks are located within their territory. The Kawimeno community is the one most directly affected. The president of the Waorani organization, Pedro Inkieris, stated in an interview that he will fight to prevent drilling in the ITT-blocks and even threatened to start his own state if the government would decide to drill for oil. However, many Waorani in the community close to the Yasuní Scientific Station of the Universidad Católica, have never heard of the ITT-blocks or the Yasuní-ITT initiative. Moreover, Pamela Martin, citing a study in which residents of the

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78 Interview 2 and 4
79 Interview 10
80 Interview 19
Francisco de Orellana province were surveyed\textsuperscript{81}, reports that only 11 percent was aware of the Yasuní-ITT initiative yet 92 percent responded favorably on supporting initiatives conserving the national park.\textsuperscript{82} Therefore, Pedro Inkieris’ threat does not appear to be very credible. In addition, interviewees 18 and 21 stated that Pedro Inkeiris does not well represent the Waorani community.\textsuperscript{83} Due to the long distances between communities and the difficulties communicating amongst each other, the opinions voiced by their president may not at all be representative of the entire community. Given the fact that the Waorani are not very well organized, the group has not had and will not have a very significant impact on the proposal.

In short, Alberto Acosta’s claim that citizen groups should be more involved in the proposal seems to be unattainable. International initiatives have not been able to have a significant effect on the outcome of the proposal. On a national level, the indigenous and environmental groups are either not involved or do not seem to have the power to become actively involved. Although the propaganda materials state that 75-90\% of the Ecuadorians state that they support the initiative, they will not form the citizen initiatives that Alberto Acosta would like to see.\textsuperscript{84} Proponents do, just like the donor countries, not trust the integrity of the Presidents’ plan and both proponents and opponents do not agree with the market-based incentives. It is

\textsuperscript{81} The province that hosts the Waorani Territory
\textsuperscript{82} Pamela Martin, p 104.
\textsuperscript{83} Interview 18, 21
\textsuperscript{84} Caution should be given to the interpretation of the number of 75-90\%. The website does not quote an official research nor can any data be found on how the research has been carried out. Although it might well be true that a proportion of the Ecuadorian population supports the initiative, there has not yet been any research on their willingness to pay to conserve it and how much the park is actually worth. This might have given better and more trustworthy results.
therefore highly unlikely that citizen initiatives will actually make a difference in the domestic or the international political arena.

Discussion

In general, it remains doubtful whether the proposal will be successful in the long run. Despite the $116 million in pledges in December 2011, the oil will be kept in the ground. None of the pledges have yet been deposited in the Yasuní Trust Fund and it remains unclear whether all of them ever will be. The fact that the president still supports the proposal, instead of drilling in the ITT blocks as he had threatened to do previously, is due to the earlier mentioned economic and political motivations. It is in his interest to delay the process of making a controversial decision before the upcoming elections and since oil prices are expected to rise, there is no harm in putting off drilling.

Also, the presidents’ underlying interests can help explain some of the recent events that have happened, particularly on the level of implementation. On the domestic level, institutional and political conflicts seem to be the main reasons for lack of success of the Yasuní-ITT proposal. Miscommunication and institutional conflicts have prevented a successful implementation of the idea. The power struggle between the Ministry of Energy and Mines and the Ministry of the Environment is a sign of the greater gap between the petroleum industry and environmental groups and initiatives for the ‘good life’. Since many of the latter have eventually left the government, this means that the path is open for policies supporting the petroleum extraction in the country. Moreover, the relationship between the international community and the Ecuadorian government gives reason
to believe that the proposal will not be successful. Lack of trust and credibility in response to a difference in principles, rhetoric and negotiation styles have led donor countries to reconsider donating a significant amount of money into the Yasuní Trust Fund.

Ecuador and beyond

While it may be doubtful whether this particular project will succeed, the proposal is a strong case for innovative proposals regarding climate change. An international civil society has been mobilized to support the initiative and it has advanced global norms in climate change by having solutions come from the developing world. In addition, new institutional frameworks have been established. On a domestic level, a new political institution, CAD, has been created, whereas internationally, the UNDP has established a trust fund that various countries have supported. Hence, despite a high chance of failure of this particular proposal, the proposal has led to a number of positive developments as well. The question remains, whether this will be enough to have similar proposals implemented on a broader scale.

The CAD states that the proposal can be replicated in other countries. They state that countries that could qualify would be developing countries, located between the tropics of Cancer and Capricorn where the tropical forests are concentrated and have significant fossil fuel reserves in biologically and culturally sensitive areas.85 Countries that fulfill these conditions are: Brazil, Colombia, Costa Rica, etc.

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Rica, Democratic Republic of Congo, Ecuador, India, Indonesia, Madagascar, Malaysia, Papua New Guinea, Peru, Bolivia, the Philippines and Venezuela.

In addition, several criteria have to be added in order to prevent the same mistakes that have happened in Ecuador from happening again. First of all, the country will have to have had a long stable political history, a convincing environmental record and good relationships with other countries. Moreover, the likelihood of success will be increased by having the support of important stakeholders in the country's domestic politics and global citizen initiatives. This greatly reduces the number of countries for which the proposal could be a success.

Even when these criteria are met it is doubtful whether the proposal will ever be successful on a more permanent scale since it seems unenforceable to keep oil in the ground forever. The penalty to drill for oil needs to be much higher than paying back the monetary values of the CGYs, especially since $3.6 billion is awfully low compared to the potential revenues from drilling for oil. One option might to invent a scheme that would make it beneficial for donor countries to delay the drilling. This, however, does not seem to have significant benefits for donor countries since one of the major arguments that made the proposal attractive for donor countries is the fact that the proposal aims to protect the rainforest and indigenous peoples. By merely delaying the pumping, this argument is no longer hold true. Furthermore, it remains unlikely that such a plan will actually contribute to the reduction of green house gasses emissions. On the global scale, the emissions from the oil in the ITT-blocks are not going to make that much of a difference nor will the plan be likely to contribute to sustainable development more broadly.
In conclusion, it is doubtful whether such a proposal would ever be applicable on a broader scale. Not only do donor countries want to have the guarantee that the oil will be kept in the ground, donors are also more critical towards the developing country’s other environmental policies. In addition, implementation issues like institutional conflicts, communication between stakeholders and policy-makers as well as securing an institutional base, are key to making such a proposal to a success. Implementation issues are expected to be easier to resolve than the issue of guarantee and credibility. At the moment, the terms of the proposal are not specified and convincing enough that this can easily be implemented in other countries.

Hence, many issues will have to be addressed anew in future negotiations in other countries. Nonetheless, Bolivia, Brazil, Mexico and Venezuela have already expressed support and interest in the proposal. Also industrialized nations have a clear interest in initiatives addressing climate change and the conservation of forests. Given the interests from both sides, I do not deem it unthinkable that the Yasuni-ITT initiative will be a predecessor of another climate change addressing initiative from the developing world.

Some might argue that the members of the CAD have advanced the Yasuni-ITT initiative for their own career and political aspirations. However throughout this research I had to conclude that the will to make this happen has come forth from a deeper belief to seek the ‘good life’. Even though it may be the wrong timing for the proposal now, it appears that a growing number of people worldwide are in support of initiatives like this. While this proposal might have failed to prevent
drilling in the ITT-blocks, it has, however, paved the way for similar proposals in the future. Until the world is ready, the dream towards a future with oil in the soil continues.
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*Proyecto de Desarrollo de los Campos Ishpingo, Tambococha, Tiputini (ITT)*, in a letter from Camilo Delgado Montenegro to Luis Jaramillo Arias, Quito, 22 August 2008, Oficio No. 3373 PPR-VPR-ITT-2008

*Resumen de la Conferencia Yasuni-ITT. 21 al 23 de noviembre 2007*, Universidad Andina Simon Bolivar


Ross, Michael, L. Does Oil Hinder Democracy? World Politics 53, no. 3 (April 2001): 325:361


## Attachment 1: Chronology of Events

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>Exploratory mission by Shell</td>
</tr>
<tr>
<td>1948</td>
<td>Shell drills in Tiputini I</td>
</tr>
<tr>
<td>1979</td>
<td>The Yasuni National Park is created</td>
</tr>
<tr>
<td>1989</td>
<td>Waorani Territory created</td>
</tr>
<tr>
<td>1991</td>
<td>Conoco leaves Block 16</td>
</tr>
<tr>
<td>1991</td>
<td>3 exploratory wells are drilled in Ishpingo, Tambococha and Tiputini by PetroEcuador</td>
</tr>
<tr>
<td>1993</td>
<td>The Ecuadorian government allows the construction of a road in Park Yasuni</td>
</tr>
<tr>
<td>7 July 2005</td>
<td>Decree 1215 grants permission to Petrobras to operate in Yasuni National Park</td>
</tr>
<tr>
<td>10 May 2007</td>
<td>Inter-American Commission on Human Rights granted precautionary measures in favor of the Tagaeri and Taromenane indigenous peoples.</td>
</tr>
<tr>
<td>18 April 2007</td>
<td>Correa announced the adoption of a governmental policy to safeguard the lives of these peoples.</td>
</tr>
<tr>
<td>30 March 2007</td>
<td>Management of Petroecuador declares that the first option for the ITT-block is to not exploit the oil in return for international compensation</td>
</tr>
<tr>
<td>5 June 2007</td>
<td>It is officially announced that funds will be raised within one year</td>
</tr>
<tr>
<td>24 September 2007</td>
<td>President Rafael Correa presents the Yasuni ITT initiative to the General Assembly in the UN. He speaks of 5 dollars compensation per barrel (4.6 billion dollars).</td>
</tr>
<tr>
<td>24 October 2007</td>
<td>President Rafael Correa informs that the government has given permission to Petrobras to drill in the north of Block 31 (adjacent to ITT)</td>
</tr>
<tr>
<td>14 December 2007</td>
<td>Minister of Foreign Affairs, Maria Fernanda Espinosa, presents in Bali during the Climate Change Conference the official document regarding the initiative: Opportunities of the Yasuni ITT Model</td>
</tr>
<tr>
<td>2 January 2008</td>
<td>Authorization for the establishment of a Trust Fund is given</td>
</tr>
<tr>
<td>October 2008</td>
<td>The new constitution enters into force</td>
</tr>
<tr>
<td>November 2008</td>
<td>Petroecuador proposes to start early drilling in the Tiputini block and hence dropping one T from the ITT project</td>
</tr>
<tr>
<td>January 2009</td>
<td>Fander Falconi announces another term of 6 more months. Roque Sevilla announces that the German Parliament has said to contribute $300000 towards feasibility studies</td>
</tr>
<tr>
<td>February 2009</td>
<td>The president announces that, if the initiative does not advance enough, permission for exploitation will be given through the National Assembly or with a referendum</td>
</tr>
<tr>
<td>April 2009</td>
<td>Germany states it will contribute 50 million dollars</td>
</tr>
<tr>
<td>July 2009</td>
<td>Petroleos de Venezuela includes the ITT oil in its plans for a</td>
</tr>
</tbody>
</table>
refinery in Espealdas. Jose Arias, in El Universo, speaks of ‘we know that there is a program that allows drilling the ITT-oil rationally’ and at the same time they also know there is a proposal to keep the oil in the ground

<table>
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<tr>
<th>Date</th>
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<tbody>
<tr>
<td>October 2009</td>
<td>The President travels to Europe to promote the theme</td>
</tr>
<tr>
<td>December 2009</td>
<td>Fander Falconi announces there will be a Trust Fund at the UNDP</td>
</tr>
<tr>
<td>December 2009</td>
<td>Climate Change Conference in Copenhagen</td>
</tr>
<tr>
<td>January 2010</td>
<td>The president announces that he will not agree with the terms of the UNDP Trust Fund, the new deadline will be June 2010, he also announces that the oil in the ITT-fields can</td>
</tr>
<tr>
<td>February 2010</td>
<td>Wilson Pastor, of Petroecuador, denies that indigenous peoples exist, Eduardo Pichilingue responds to this on the same channel and gets fired shortly after</td>
</tr>
<tr>
<td>6 March 2010</td>
<td>The President announces publicly that one T from the ITT will be dropped in case plan A works out. The president also requests the paper to obtain an environmental license for drilling in the ITT blocks from the Ministry of Environment</td>
</tr>
<tr>
<td>December 2011</td>
<td>Ivonne Baki announces that the Yasuni-ITT initiative has received $116 million in pledges</td>
</tr>
<tr>
<td>January 2012</td>
<td>The president publicly supports the initiative</td>
</tr>
</tbody>
</table>
**Attachment 2: Interviews**

Interviews were done in Quito, Cuenca, Coca and the Yasuní Scientific Research Station located in Block 16 of the Yasuní National Park. Translations have been done by the author.

<table>
<thead>
<tr>
<th>Interview number</th>
<th>Name</th>
<th>Profession</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ernesto Campo Tenorio</td>
<td>Ambassador of Mexico in Ecuador</td>
<td>27-05-2011</td>
</tr>
<tr>
<td>2</td>
<td>Augusto Tandazo</td>
<td>Petroleum Expert</td>
<td>31-05-2011</td>
</tr>
<tr>
<td>3</td>
<td>Arno Ambrosius</td>
<td>Chef de Poste at Dutch Embassy</td>
<td>31-05-2011</td>
</tr>
<tr>
<td>4</td>
<td>Ernesto Grijalva</td>
<td>Former employee of Petroecuador</td>
<td>01-06-2011</td>
</tr>
<tr>
<td>5</td>
<td>Fander Falconi</td>
<td>Former Minister of Foreign Affairs</td>
<td>04-06-2011</td>
</tr>
<tr>
<td>6</td>
<td>Marco Albarracin</td>
<td>Professor in ecology and research methodology at UI SEK</td>
<td>06-06-2011</td>
</tr>
<tr>
<td>7</td>
<td>Peter Linder</td>
<td>Ambassador of Germany in Ecuador</td>
<td>08-06-2011</td>
</tr>
<tr>
<td>8</td>
<td>Fabian Rodas</td>
<td>Naturaleza y Cultura Conservacion International, responsible for financial compensation projects</td>
<td>10-06-2011</td>
</tr>
<tr>
<td>9</td>
<td>Maria Jimena Sasso Rojas</td>
<td>Faculty of Social Science Department at FLACSO University,</td>
<td>15-06-2011</td>
</tr>
<tr>
<td>10</td>
<td>Eduardo Pichilingue</td>
<td>Previously worked as first coordinator for protection of indigenous people under the Ministry of Environment</td>
<td>22-06-2011</td>
</tr>
<tr>
<td>11</td>
<td>Alberto Acosta</td>
<td>Former Minister of Energy and Mines, Chairman of the National Assembly, one of the drafters of the Yasuni-ITT proposal</td>
<td>24-06-2011</td>
</tr>
<tr>
<td>12</td>
<td>Devi Chavez</td>
<td>Expert on the Yasuni National Park, has worked with many indigenous communities</td>
<td>29-06-2011</td>
</tr>
<tr>
<td>13</td>
<td>Mauricio Baki</td>
<td>Director of Indigenous Territories at CONAIE</td>
<td>30-06-2011</td>
</tr>
<tr>
<td>14</td>
<td>Robert Hofstede</td>
<td>Former director at IUCN</td>
<td>01-07-2011</td>
</tr>
<tr>
<td>15</td>
<td>David Romo</td>
<td>Coordinador del Area de Biologia at the Universidad de San Fransisco Quito, coordinator of the Tiputini Research Station of the Universidad</td>
<td>02-07-2011</td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Description</td>
<td>Date</td>
</tr>
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<td>-------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>16</td>
<td>Gabriela Ruales</td>
<td>Accion Ecologica and Amazonia por la Vida</td>
<td>04-07-2011</td>
</tr>
<tr>
<td>17</td>
<td>Miguel Angel Cabodevilla</td>
<td>Brother of the Capuchinos, author of several books on the indigenous debate</td>
<td>16-07-2011</td>
</tr>
<tr>
<td>18</td>
<td>Tonta</td>
<td>Huaorani living in a community outside of the Yasuni Scientific Research Station in Block 16</td>
<td>17-07-2011</td>
</tr>
<tr>
<td>19</td>
<td>Pedro Inkieris</td>
<td>President of the Huaorani Organization</td>
<td>17-07-2011</td>
</tr>
<tr>
<td>20</td>
<td>Pablo Jarrin</td>
<td>Director of the Yasuni Scientific Research Station of the Universidad Catolica</td>
<td>17-07-2011</td>
</tr>
<tr>
<td>21</td>
<td>Bolivar</td>
<td>Huaorani guide working in ecotourism around the Yasuni Scientific Research Station in Block 16</td>
<td>17-07-2011</td>
</tr>
</tbody>
</table>
Attachment 3: Map of Ecuador

Oil Blocks in Ecuador