

Article 32 of the Hydrocarbons Law establishes that the exploitation of deposits of heavy crude oil of less than 15 degrees API gravity will be subject to “integral economic planning directed by the Ministry of the sector.”

Article 91 of the current Ecuadorian constitution recognizes the Principle of Precaution and states that “preventive measures will be taken in the event of doubts over the impact or negative environmental consequences of any action or omission, even if there is no scientific evidence of damage. Without prejudice to the rights of those directly affected, any individual or legal entity, or group of people, can undertake the actions foreseen in the law for the protection of the environment.”

Ecuador has signed international conventions on climate change, the conservation of biodiversity and the protection of protected areas, thereby taking on a commitment to conservation efforts.

Seeking to establish a fund to be disbursed for leaving the crude oil in the ground implies opting for a mechanism that is not the sale of oil reserves, nor the sale of environmental services, but rather payment in the form of compensation for the revenues that Ecuador will forego by implementing this environmental policy of global importance.

In exchange for this payment, the Ecuadorian government will issue a certificate for the crude oil that it commits to leaving in the subsoil.

It is clear that Ecuador has adopted this policy out of its own interests, but it also recognizes the different degree of responsibility for actions to confront global warming, and in this regard the responsibility falls primarily on the countries with high fossil fuel consumption levels.

The estimates of the amounts required are calculated in the medium term and recognize the real costs, that is, real investments minus the losses due to oil operations.

Based on these amounts, a capital fund would be created in order to generate an ongoing, permanent income, and not only a 10 or 20 year income of 50% of the revenues that the country would earn through the development of the block. A capital fund of between 800 million and one billion dollars at current values could provide the equivalent of the revenues expected.

The campaign will be promoted in the initial stage by civil society environmental organizations. The task of exploring for potential interest among other countries should be undertaken by the Ministry of Energy and Mines and the Ministry of Foreign Relations.

Three types of potential donors have been identified, and are listed in the chronological order by which they will be contacted, not in the order of the importance of their donations:

1.

NGOs and cooperation agencies

2.

Individuals in Ecuador and the rest of the world

3.

Governments

There are a number of options being studied to obtain the funds needed to implement the proposal. These include:

- 25% of personal income tax
- Direct donations over the Internet
- National campaigns to promote participation
- Donations from cooperation agencies
- Government to government agreements for contributions to the proposal or in the form of debt forgiveness
- Funds from philanthropists in the United States to be matched by national contributions

in a 10:1 ratio, thus highlighting the different degree of responsibility.

To implement these mechanisms it will be necessary to open an account and keep a strict record of donors in order for them to receive certificates corresponding to their donations.

For an internationally based calculation of the equivalent in barrels of crude oil of the donations given, the following figures can be used as guidelines:

1. The marginal cost of extracting a barrel of oil is between USD 2.00 and 7.00, according to British Petroleum.
2. The cost of removing a ton of carbon from the atmosphere is USD 20.00, according to the World Bank.

Based on these figures, the value of each barrel has been estimated at five dollars.

### **Use of the funds**

Oil has constituted the cornerstone of Ecuador's economy for the last quarter of a century, and it continues to play a central role. However, it is also the economic sector in which the government has been forced to confront the greatest conflicts, due to the irregularities that have frequently emerged, contractual terms that undermine the state's interests, and serious environmental conflicts.

Given that oil has been and continues to be so important for Ecuador, there is an urgent need to promote innovative proposals to solve the contradictions between the current economic model, oil dependency and the wellbeing of the population.

There is a need, of course, for short-term solutions that the country plans to implement through an adequate review of existing contracts and efforts to improve the output of currently

operational deposits.

The goal is to seek a way out of the current economic dependence on oil extraction, whose harmful effects on the environment obstruct development and increase global vulnerability.

The proposal is to allocate the funds raised to activities aimed at economic reorientation and consolidating national efforts to achieve food sovereignty. The success of the country's economic and political reorientation will depend, in this case, on the possibility of establishing international agreements.

## **Projections**

This proposal could and should serve as a means of presenting the world with a new strategy for confronting the issue of climate change, one that proposes real solutions for the problem of global warming and allows the non-industrialized countries to benefit from these mechanisms to compensate their decision not to exploit their oil deposits.

### **Draft certificate**

The recipient of this certificate pledges to submit the sum of ..... for ..... barrels in the subsoil, at a price equivalent to ....., in exchange for which the State of Ecuador will preserve "in situ" the oil in the ITT fields in Yasuní National Park.

The Ecuadorian State will declare this area permanently off limits to oil drilling. In the event that the State's decision is overturned, the Ecuadorian State pledges to reimburse the money invested plus interest.