Core Carbon Principles proposed by the Integrity Council for the Voluntary Carbon market (ICVCM)

Farm Africa perspective

Why the Core Principles matter to Farm Africa

The voluntary carbon market purports to facilitate the trade of carbon credits, allowing 'parties' who need or are committed to reduce their emissions and are (as yet) unable to do so directly, to purchase carbon savings achieved by other parties. Carbon credits are issued by independent carbon credit certifiers, as assessed against a set of criteria. The core principles proposed by the ICVCM aim to provide better information to carbon credit buyers about what it is they are buying. This will hopefully increase transparency in this market and reduce the risk of multiple market failures.

Carbon markets aim to incentivise emission reductions where it is most efficient to do so. Despite criticisms by some that they also represent a disincentive for emitters to reduce their emissions directly, they can, if allied with clear emission reduction targets and monitoring, act as a temporary measure to offset those that are currently very hard to reduce. The carbon markets also lay the groundwork for rewarding carbon sequestration in the future, when humanity will have exceeded its 'safe' emissions budget.

Effective carbon markets are an additional benefit to Farm Africa's work on environment conservation and climate adaptation, such as through REDD+ (Ethiopia) and regenerative farming (Kenya, Tanzania). In Ethiopia especially, payments that are now forthcoming from the sale of carbon credits through the Bale REDD+ initiative are making it more attractive for farmers and livestock herders to reduce their pressure on local forest resources.

Farm Africa's Bale project represents the first successful sale of REDD+ forest carbon credits in the history of Ethiopia. The experience gained through this work has been very useful to the government's CRGE strategy in general and its jurisdictional REDD+ activities in Oromia and SNNPR in particular. It has also afforded a unique understanding of what works well, and what works less well in producing and selling carbon credits, from the perspective of smallholder farmers and forest dependent communities.

The Bale experience so far has shown that carbon markets are a valuable ally in broadening the livelihood options of forest dependent communities and promote forest protection. They are however very complex and, as yet, unreliable and volatile. They are also risky, as they can create dependencies on corporate and other agents. As a result, Farm Africa remains very cautious in integrating carbon markets in its programmes.

Farm Africa's concerns with this market are not unique and mirror, to some extent, other concerns about a further skewing of land use and land ownership in favour of large corporate interests. Such organisations are indeed better placed to navigate the complexities of the carbon markets and are, in some parts of the world already, in the process of acquiring large areas of land, driving up land prices beyond the reach of local farmers.

At a first glance, the proposal to accredit carbon certifiers against a set of agreed global standards should help clarify and stabilise this market, and the associated environmental and social safeguards do, in theory, provide an entry-point for smallholder farmer interests to be considered. Once set in stone, the criteria will most likely set the tone for how this market develops into the future.

Assessment

Criteria

The consultation requests views on the list of principles, levels of stringency and compatibility with other global standards as well as on the principles themselves. There are many potential criteria against which the proposals could be assessed – we have prioritised those that are most likely to help us answer the following central question:

"Will, as a result of this scheme / proposal, the carbon markets provide a stronger and more reliable incentive for the communities Farm Africa works with to adopt carbon saving land management and farming approaches?"

Conforming to our general approach, we resolved to look at this question in the context of a "*carbon savings value chain"*, with special attention to the following core elements of effective and fair value chain dynamics:

- Tradable good / service
  - Clearer definition of the product (carbon credit)
  - Improved quality assurance
  - Clearer production guidelines
  - Easier production processes
- Pricing
  - Improved competitiveness of the price paid for carbon credits
  - Improved market stability
  - Just reward to all players along the value chain
- Agency
  - Smallholders better able to engage directly in the market
  - Smallholders better protected against aggressive corporate market capture

General considerations

The idea of Global Standards, the overall Scheme and the Principles are compatible with a general aim of clarifying and stabilising the carbon market, and in this way, should contribute to higher and more stable rewards to the communities we work with when they adopt more nature-friendly approaches to land use and/or farming. More specifically, once in place, local communities should be in a better position to provide a quality assured product to a market that is more confident that what it buys represent significant value.

The perspective taken by the proposal, however, is that of creating a safe and effective market *for buyers* and *does not consider producers in a balanced manner*. There is a real danger that the proposal will make it more complicated than it is at the moment for 'producers' to generate tradeable carbon savings, slow down the development of the market and skew the market in favour of large corporations and/or technically more competent outfits that are more capable of navigating the various complexities the scheme introduces. This represents a serious risk to the communities with which Farm Africa works, in particular:

- forcing local communities to adopt technologies by an international community that has not been able to manage environmental damage in their own countries,
- increased pressure by the international community to increase areas of protected natural habitats, threatening countries' and local communities' aspirations for food sovereignty,
- changing socio-economic structures of the communities targeted by carbon offset market-related activities, where the applied carbon offset methodologies may not be in line or well-integrated with the traditional production and land tenure systems,

- widening the gender empowerment gap where women are not able to benefit from the carbon schemes due to land tenure or inheritance rights that favour men.

In addition to those Farm Africa specific considerations, there are still elements of the carbon market that remain unclear and confusing under this proposal. The main one concerns how carbon credits are used in the market, and especially, what constitutes *consumption* of the 'product', also described as 'retiring' and/or 'offsetting'. This affects the definition of crucial aspects of the proposed principles, especially those related to 'duration' of the 'credit' and 'permanence', which are, in Farm Africa's methodological expertise, ill-conceived and risk further downgrading land and forest-based carbon credits.

Adequacy of the list of principles

The list is derived from 'best practice' of donor and World Bank funded experiences over the last 10 years, guided by solid 'market economics' from the Council's Board. In this approach, the market is the main focus and the impact this market might have on local communities is looked at under a 'safeguards' framework to assess the 'sustainable development' credentials of the carbon credit awarding scheme – ie: to what extent does this market represent a risk to local communities, alongside its risk to the environment.

This is unsatisfactory. First of all, it appears to consider local communities not as market agents but as collateral. Secondly, it considers communities in the same 'box' as 'the environment' (biodiversity, pollution etc), which could potentially lead to social impacts being offset against environmental ones.

We make the following suggestions to address this in the principles:

- Rename '*Sustainable Development*' as '*Environmental Sustainability*' and add a new principle of '*Social (or Just) Development*'
- Consider 'Social (or Just) Development' in terms of:
    i. the extent to which the certification schemes empower local communities as market agents (as we have shown in the Bale Eco-region REDD+ project in Ethiopia) or: increase local communities' agency in the market
    ii. the extent to which local community interests are protected against aggressive corporate land or other carbon savings asset interests[1]
- Replace the '*benefit sharing*' principle with one of '*just reward*' along the full extent of the carbon credit value chain

Stringency levels

A system that awards 'bronze / silver / gold' levels could help enhance the quality assurance aim of this proposal and create a set of products that suit different producers and markets. It is up to the individual scheme to decide if and when they want to diversify their offer along this 'ladder'.

Principles

A cursory assessment of the ideas put forward under each individual principle against the assessment criteria we defined above indicates that the proposal is strong in terms of providing a better definition and quality assurance of the product, with potential improvements in terms of price paid and stability of the market. These in themselves are

[1] Such as, for instance, central government-led jurisdictional REDD+, which, if managed badly, could threaten forest dependent communities in the same way large government sanctioned plantation (oilpalm, timber etc) and large-scale land use systems (cattle ranching, soybean etc)

important improvements to what remains a difficult market for smallholders to engage in and benefit from directly.

As we explained above, it remains to be seen to what extent a safeguards approach affords local communities adequate protection from aggressive market behaviour by much more powerful financial agents, let alone provide just rewards across the value chain. The proposals, in our opinion, will make it more, rather than less complicated for communities to engage directly in these markets and make it more difficult for them to produce a marketable product.

Conclusion

We welcome the initiative to bring more predictability and stability to the voluntary carbon market through the introduction of the core carbon principle. Based on our experience of working with carbon sequestering projects, and of working with the carbon market, we consider, however, that the principles in their current form are overly geared towards the needs and perspectives of buyer and brokers.

- They have potential to make entry into the market more complicated and opaque to producers than it already is.
- They do not account sufficiently for the risk in developing this market that power holders are incentivised to further exclude marginalised and disadvantaged groups from access to land.
- They do not account sufficiently for the risk that carbon projects become an end in their right, rather than an opportunity to enhance and diversify sustainable livelihoods.
- They are phrased in a way that seems to consider communities not as markets agents, but as collateral.

Our main recommendations to increase the impact these core principles could have in re-balancing the carbon market in favour of the local communities we work with are:

- To frame the principles in the context of a comprehensive carbon credit value chain, based on a core principle of 'just reward' along the full extent of the chain
- To separate out the social from environmental dimensions of sustainability, ie: creating two separate principles of 'environmental sustainability' and 'social (or just) development'
- To replace the principle of 'benefit sharing' with 'affording just reward'
- To emphasise, in each core principle, ease of operation
- To carefully scrutinise the reasoning for assessing durability and permanence based on solid carbon cycle dynamics

Thank you for the opportunity to contribute to this consultation.

Farm Africa, September 2022.