



Climate and Land Use Alliance

*Cultivating solutions for people and the planet*

# **Carbon market finance: some perspectives on opportunities and risks**

Andrea Johnson, CLUA | Megaflorestais panel June 2023



# Our Alliance

The Climate and Land Use Alliance is a collaborative of foundations that believe forests and sustainable land use are an essential part of the global response to climate change.

## MEMBER FOUNDATIONS



FORD FOUNDATION



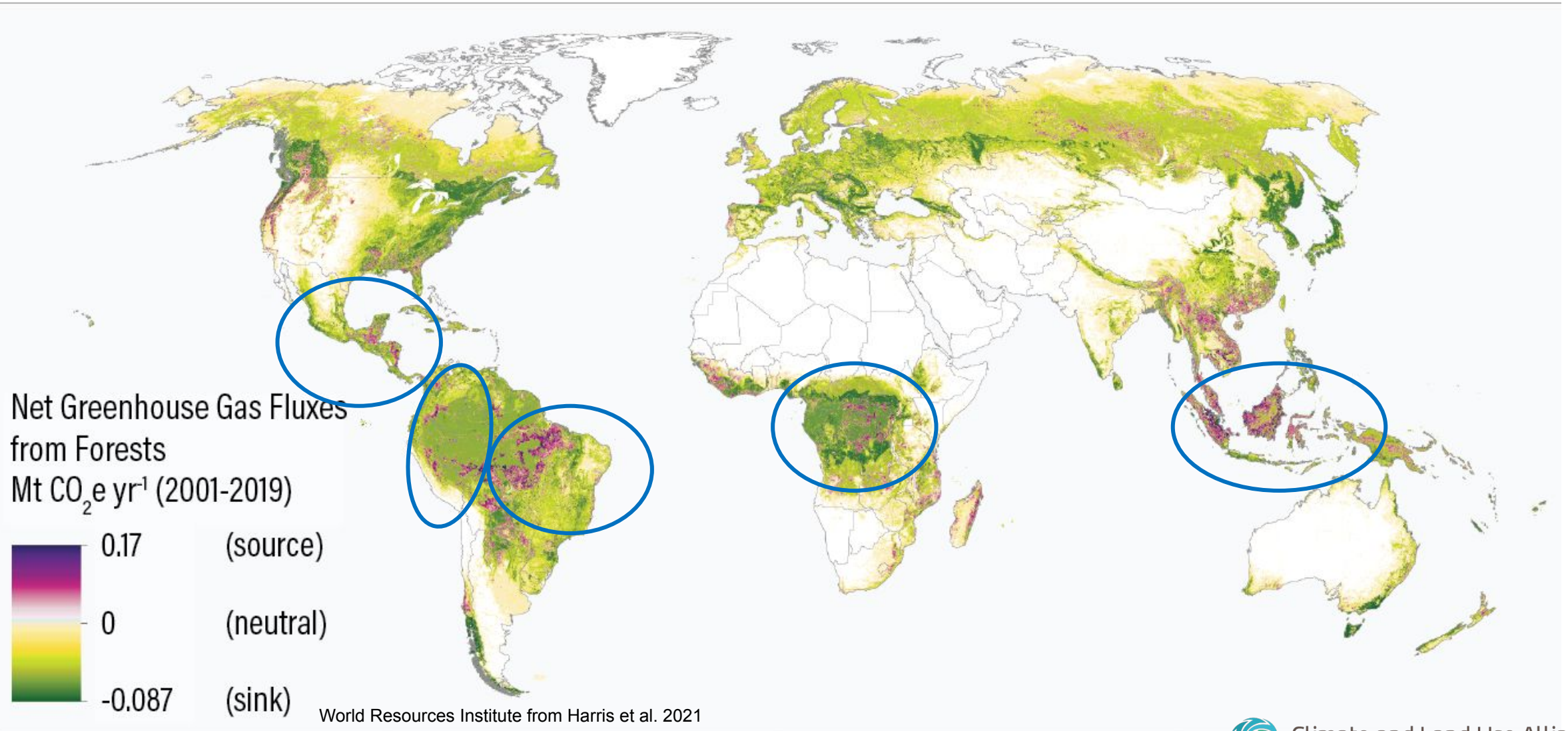
## MEMBER FOUNDATION (Non-Voting)



## ALIGNED FOUNDATION (Strategy-aligned grantmaking)



# CLUA's geographic focus (and why)



# REDD+ and carbon markets 101

- The basic idea: quantify and put price on emissions, to incentive solutions
- A quality **carbon credit** means one tonne of carbon dioxide has been **reduced** or **removed** from the atmosphere
  - REDD+ = emissions avoided over time, compared to the baseline of a country, a sub-national jurisdiction, or another defined project area
  - Sustainable forest management = avoided emissions against a baseline
  - Tree planting = removals
- Different **standards and methodologies** exist to quantify, verify and certify credits as legitimate, with environmental and social safeguards
- Most credits currently come from “**nature-based solutions**” including REDD+



# More carbon markets 101

- Transactions can be **results-based payments** or credits with **claims** (e.g. offsets)
- REDD+ can involve finance from private or public sources (e.g. World Bank or GCF)
- Credits can be bought/sold within **voluntary markets (VCM)** or **compliance markets**
  - California, Colombia, a few other places have compliance markets
  - Most transactions are still voluntary, to meet voluntary commitments
- Most VCM credits are **project REDD+**, created by private project developers and sold through a variety of platforms
- **Jurisdictional REDD+ (J-REDD)** is now receiving real VCM attention due to new standards (ART TREES) and serious buyers (CORSIA, LEAF Coalition)
- J-REDD addresses some **integrity** concerns, but creates others



# What is a “high integrity” carbon credit?

- **High environmental integrity:** ER and removal credits accurately quantify the change in what the atmosphere sees (e.g. issues of additionality, permanence, and leakage are addressed); credit purchasers make claims consistent with their purchasing rights and ER obligations; “co-benefits” like biodiversity conservation and ecosystem services are central.
- **High social integrity:** The rights of all stakeholders in a carbon transaction are clear and respected (including the right to opt out.) Equitable processes exist for accessing carbon finance and sharing benefits. *Example: Kawari Fund*



# Carbon markets: it's all about the “how”

## OPPORTUNITIES

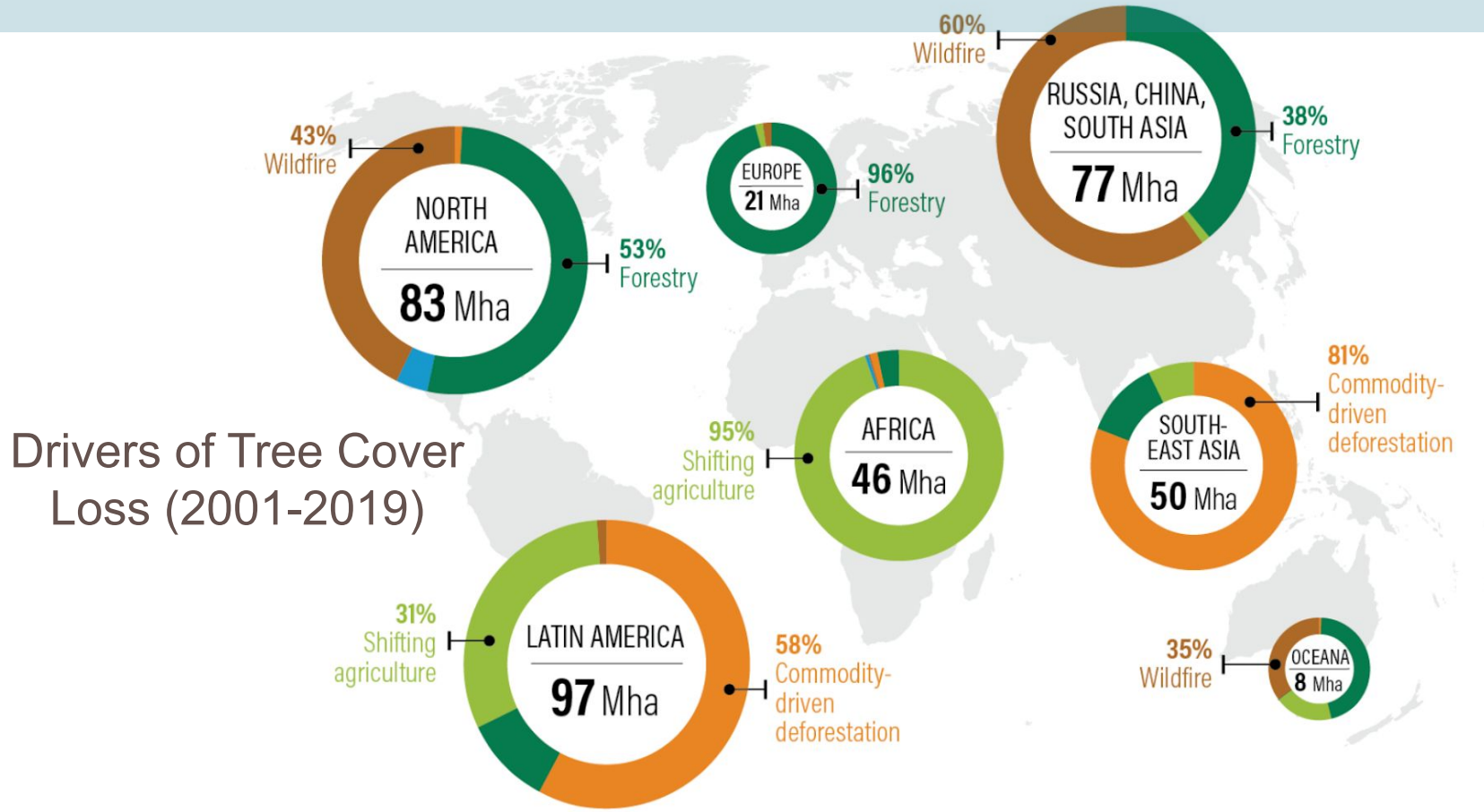
- We need to keep forests standing
- Scale of potential VCM finance is large
- Opportunity for more coordinated approach at jurisdictional scale
- Investments in monitoring (MRV) and multistakeholder processes
- Possibility of rights recognition and strong benefit sharing arrangements for forest communities

## RISKS

- We need to meet global carbon budget and Paris targets, not enable “business as usual”
- Poorly designed projects or J-REDD without meaningful participation can undermine rights and exacerbate conflicts (*examples*)
- The VCM is volatile; REDD+ and NBS raise persistent integrity doubts



# Commodity agriculture drives deforestation in tropics. Forestry and wildfire drives forest loss in Northern forests.

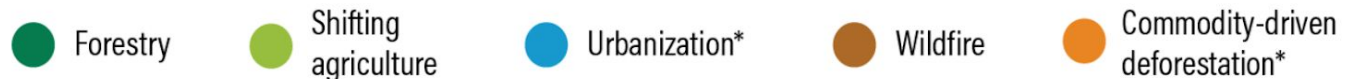


## Top commodity drivers

*Latin America:* Cattle ranching; large-scale agriculture (soy, other); infrastructure

*SE Asia:* large-scale agriculture (palm, bioenergy); tree plantations; industrial logging

*Tropical Africa:* smallholder farming; industrial logging; fuelwood & charcoal



Source: World Resources Institute

\*Permanent deforestation



# What's needed to do things right?

Philanthropy and civil society can...

- support jurisdictional authorities, rightsholders and stakeholders to understand full context and make informed decisions
- Help ensure ongoing FPIC and strong participatory processes
- Support development, implementation, and monitoring of safeguards systems
- Educate and advocate around key policy questions (e.g. nesting, carbon rights)
- Encourage information sharing and learning on blended public-private approaches (e.g. Costa Rica) and innovative mechanisms: for example, the best REDD+ may be results-based payments with public money (e.g. Amazon Fund), not the VCM
- Foster enabling environments to reduce underlying drivers of forest loss!!



# A few sources for more info

 **CLIMATE FOCUS** [Download the full report](#) [Chapters](#) 

<https://vcmprimer.org/>  
*Soon to be translated to several languages*

## The Voluntary Carbon Market Explained



[Download 2022 Report - SOVCM](#)

[Download 2021 Reports - Voluntary Carbon Markets, CORSIA, Forest Carbon Finance](#)

[EM Data Intelligence & Analytics Platform](#)

[Report Carbon Trades to Ecosystem Marketplace](#)

[Previous State of the VCM Reports & Additional EM Insights](#)

[Jobs & Guidance Resources](#)

<https://www.ecosystemmarketplace.com/carbon-markets/>



[CIFOR-ICRAF Global Comparative REDD+ Study and other great resources](#)