



Carbon Markets – Benefiting the Poor and the Climate?

➤ Enhancing food security in a sustainable way without putting the global climate at risk is one of the main global challenges. It is clear that support for farmers is urgently needed. Many argue that carbon markets are a good instrument for the mobilisation of financial resources to ensure climate change mitigation in the agricultural sector while also alleviating poverty and fostering adaptation to the severe impacts of climate change. MISEREOR, based on its 50 years of experience in poverty alleviation, does not share these hopes. It rather argues that carbon market schemes for agriculture (and other land-based sectors) are putting at risk human livelihoods in developing countries and are even undermining climate change mitigation.

Agriculture and carbon markets

The best known carbon market scheme is the Clean Development Mechanism (CDM), which mainly focuses on mitigation projects in industry and the energy sector. So far the only agriculture-related practices eligible for credits under the CDM are energy-related projects such as the production of biogas from agricultural residues, e.g. from large-scale pig farming. The only land-use change related practices eligible under the CDM are afforestation and reforestation projects. Already today there is a small proportion of agriculture projects in the voluntary carbon market. Furthermore, many national strategies for reducing emissions from deforestation and degradation (REDD+) in which carbon markets may play a role in the future include (sustainable) intensification programmes for farming practices. Currently a number of multilateral organisations, like the World Bank and FAO, environmental organisations, consultancies and private initiatives are pushing for an opening of the CDM for further land-use change related activities such as agricultural practices and for the implementation of new carbon market approaches for agriculture.

Carbon markets and agriculture:

No silver bullet for the climate – nor for the poor

The experience gained with the CDM as well as scientific findings lead to the insight that the inclusion of agriculture in carbon markets would exclusively benefit large-scale farming and companies. Furthermore, it would be accompanied by an array of threats to the climate and to small-scale producers.

Undermining climate change mitigation

In current debates, the fact that carbon can only be stored temporarily is not seriously taken into account. Moreover, complex

The Clean Development Mechanism (CDM)

➤ The CDM is one of the project-based flexible mechanisms established by the Kyoto Protocol (KP). The purpose of the CDM is to assist parties listed in Annex I to the Protocol in achieving their commitments and to help developing countries to achieve sustainable development. The basic principle of CDM projects is the reduction of emissions in developing countries in relation to a business-as-usual scenario. Certified Emission Reduction credits (CERs) are issued in the corresponding amount. CERs can be sold to companies in industrialised (Annex I) countries and thus counted towards the national KP target. This principle is called 'offsetting' and is not only accepted in the compliance market' under the KP but also in voluntary market schemes. So far the CDM has however failed to reach its objectives (see for example Piepenbrink 2012). ◀

biological processes in soils and biomass make it difficult to obtain reliable soil carbon measurements – these, however, would be essential for the quantification of sequestered CO₂ and the generation of corresponding CERs (Muller et al. 2011). Offsetting fossil fuel emissions by sequestering CO₂ into soils and/or biomass is therefore a guessing game at the cost of global temperature rise and, consequently, at the expense of those most vulnerable to climate change.

No benefit for small-scale farmers

In CDM and other offsetting schemes the development and registration of projects is complicated and costly. In agriculture, an offset project developer would need to cover upfront costs, e.g. for negotiation with buyers of CERs or monitoring of activities that vary from US\$ 12 to 600 per ha (FAO 2009). Therefore, mainly large landowners or agro-industry companies would be able to serve the carbon market. This could provide incentives for an expansion of large-scale agriculture. In countries where property rights are uncertain this could also lead to situations where revenues are captured only by those who have formal land titles, while communities and farmers with non-registered customary rights would remain excluded. If small-scale farmers planned to access the carbon market, they would need to aggregate a large number of farms into a 'carbon pool'. But even where farmers would manage to receive carbon credits directly, the income would be

extremely low as intermediaries would soak up most of the financial resources (The Munden Project 2011).

Proponents of soil carbon markets therefore claim that the main benefits for farmers are higher yields from the applied agricultural practices rather than direct income from carbon trading (Zwick et al. 2010). Indeed, some mitigation approaches in agriculture, such as agroforestry, can provide multiple benefits. But carbon offset projects in agriculture could also lead to a pressure on farmers to adopt a range of non-appropriate or even costly and controversial technologies to comply with the project, at the expense of locally appropriate, affordable and ecologically sound measures. The promotion of blueprint technologies (like biochar and no-till as illustrated in the following papers of this folder) can increase farmers' vulnerability to climatic extremes. There is also the risk of the displacement of food production in favour of more easily calculable carbon sinks (Pinto et al. 2010).

Diversion of funds

The FAO estimates that close to 17 billion euros are required between 2010 and 2030 to establish a system that enhances carbon trading from soil carbon sequestration, as there is a need to develop appropriate mitigation, monitoring, reporting and verifying methodologies to measure the amount of sequestered carbon

► **'Agriculture should be kept out of carbon trade!'** was the conclusion of 20 representatives of NGOs and academics from the Philippines invited by MISEREOR to discuss the opportunities and risks of the inclusion of agriculture into carbon markets. The participants acknowledged the urgent need to act to mitigate climate change and pointed out that small-scale farmers and sustainable agriculture practitioners are already doing their bit in that endeavour. The participants called upon the bodies concerned 'to hold accountable the historical polluters in industrialised countries to make substantial reduction of their emissions, to advocate for sufficient and sustainable lifestyles worldwide and to support their adaptation measures with non-market based funds.' (Unity Statement 2012) ◀

and convert them into carbon credit equivalents (FAO 2009). This shows that carbon market 'readiness' projects may divert institutional, human and monetary resources away from other development efforts, as a large part of this cost will be met by Official Development Assistance (ODA).

Recommendations

MISEREOR rejects the inclusion of agriculture in carbon markets. UNFCCC parties should embark upon a separate and specific discussion on how to reduce the climate footprint of agro-industry by shifting to industrial practices that make ethical, environmental and economic sense in an era in which the finite nature of resources such as oil, phosphorus and land is becoming increas-



Healthy yields on an agroforestry farm in Haiti.

ingly clear. The reduction of agricultural inputs such as nitrogen as fertiliser or pesticides that are produced with high energy input as well as the reduction of fodder imports such as soy are ecological viable and socially equitable options to reduce emissions from agriculture.

UNFCCC parties and organisations supporting food security, food sovereignty and development should engage in existing discussions, funds and programmes on adaptation for small producers rather than shifting the burden of mitigation towards the most vulnerable in the South.

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