"Climate change is not fair. In fact, developing countries have contributed the least to this growing problem and are currently the most affected." This is a finding that Kyoto protocol negotiators could not negate and therefore they have made provisions for carbon credits for the South. Also the fair and sustainable trade sector is exploring how carbon credits can provide producer partners with the necessary resources to fight the negative effects of climate change.

Not fair

The quote above is the opening line of the document 'Climate Change and Fairtrade: Why is it Time to Make the Links?' of Fairtrade International (the network to which Max Havelaar Belgium belongs). The effects of climate change are noticed worldwide and nobody denies that the impact is bigger in the poorest regions of Africa, Asia or Latin America. Crops fail and yields drop either because of increased temperature and a shortage of water or because of heavy rains and floods. Predictions for the future are gloomy: Large areas of arable land will become unsuitable for current crops.

Carlos Vargas, who works for the Latin-American fair trade cupola organisation CLAC and for the Costa Rican banana cooperative Coopetrabasur, witnesses, "Growing bananas used to be somewhat like exact science: We could more or less predict yields. This is not the case anymore. In 2012 we suddenly had two warm seasons instead of one and enemy number one of the banana culture – black sigatoka fungus – hit us hard. It was a disaster for the cooperative." Also tea and coffee plantations are hurt. In the Ethiopian Highlands the coffee beetle is more damaging than in past years and consequently yields have dropped. Colombian coffee producers have found that temperatures have increased an average 3.3°C over 50 years. They now must look for more heat-resistant coffee varieties or move higher up on the mountain slopes. Almost the whole of Central America is hit by the coffee wilt disease. Losses of up to 30% are not exceptional. For many farmers this is a real catastrophe.

Sustainable and fair trade organisations notice that their partners use the fair trade premium more and more to fight the effects of climate change. Extra projects are set up. One of these is the Producer Support Programme for Climate Change Adaptation and Mitigation of Fairtrade International: "First, we aim to increase our partners' knowledge of the climate issue. In addition, we develop regional and product-oriented projects and with our producer groups we look into how they can adapt."

Carbon credits

The Kyoto Protocol was signed in 1997 and started in 2005. It distinguishes two kinds of countries: Industrialized countries that must reduce their emissions and developing countries that must avoid emissions. To achieve both these goals, the Protocol launched mechanisms such as the Clean Development Mechanism. Through the CDM industrialized countries or large companies can compensate the emissions reductions which they have not achieved in their own country by investing in climate-friendly projects in developing countries. Approved projects obtain Certified Emission Reductions (CERs) – also known as carbon credits – which the owner can sell. That way, an expensive project for renewable energy in Africa can become profitable. The emissions saved are expressed in CO2 equivalents (CO2-e). One tonne of CO2-e yields one CER.

The system was criticized from the onset. CDMs are an easy way out for industrialized countries to attain their reduction targets without having to reduce emissions. So, it goes against a transition towards a low-carbon economy. Also, soon CDMs became big business. CERs are currently being purchased and sold on carbon exchanges by big financial players and speculators. Meanwhile, three out of four projects are in China, India and Brazil, which are not typical 'developing countries'. And there seldom is any added value for the local population. In theory, CDM projects should be additional, which means that the projects achieve reductions on top of what would be achieved normally. But in practice, additionality is not taken seriously. Moreover, the CER prices on the carbon markets are not stable at all. On the European carbon market, for instance, 1 CER went from €30 (beginning 2008) to less than €5 (January 2013).

Agriculture and carbon credits

The UN IPCC (Intergovernmental Panel on Climate Change) claims agriculture is responsible for 14% of global emissions. This does not include burn and slash practices and the resulting emissions. The agricultural sector is an important source of greenhouse gases, such as CO2 and methane. Until 2011, CDM discussions did not consider agriculture, except for energy projects such as biogas production on hog farms. But at the Durban climate summit the topic was put on the agenda by large farmers organisations and industrialized countries. Also the World Bank, the FAO and other big players are in favour of supporting 'climate-smart agriculture techniques' through carbon credits. So far this has not had any success though, since also in Doha at the end of 2012 no consensus was reached on the matter.

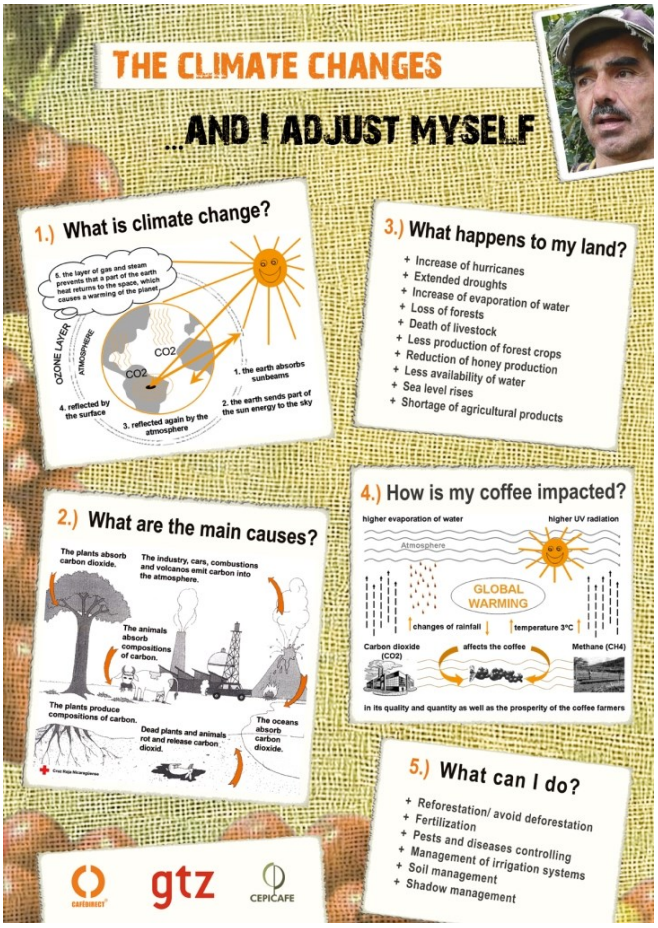
Opponents such as the farmers' organisation Via Campesina and the international NGO Grain emphasise that industrial agriculture is by far the biggest CO2 emitter. They fear 'smart' agriculture means investing in technological solutions such as genetically modified crops. Such solutions are good for agrobusiness, just like the current CDM practice is good for industrial players. Combine both of these and it becomes very likely that major capital players purchase even more land in the South for CDM farm projects, which would be at the expense of millions of local farmers.

"Yet, small-scale farming can be of significant help in the fight against climate change," says Henk Hobbelink of Grain. "Soil contains a huge amount of carbon in the form of organic material. Since the advent of artificial fertilizers, a lot of this material has ended up in the atmosphere under the form of CO2. According to our calculations, by banning chemical inputs and restoring our soils, agriculture could sequester 450 billion tonnes of CO2 over the next 50 years, which is more than two thirds of the current surplus in the atmosphere. So, a transition to small-scale farming could cool down our planet!"

Voluntary carbon market

Should generating revenues with carbon credit be a no-go zone for farmers' organisations? No, it should not be. CDMs provide for reforestation as well as afforestation projects (planting forests in areas that had no forest in the past). Farmers' organisations that massively plant trees can, in theory, obtain 'official' carbon credits. But for them, the so-called 'voluntary' carbon credits (or voluntary emission reductions/VERs) are far more significant.

These are traded on a parallel 'voluntary' carbon market. They are not granted by the CDM itself but by private certification instances that are recognised by the CDM secretariate. There are fewer procedures involved in obtaining VERs and therefore smaller organisations can obtain



Poster of Cafedirect and GTZ, © the German Development Cooperation

REDD

REDD (Reduced Emissions from Degradation and Deforestation) is a programme of the United Nations that compensates countries for the direct income lost as a result of stopping forest clearance. The REDD mechanism resembles carbon credits and therefore some plead for including REDD in the CDM. This proposal was submitted at the last climate summit, but it was also passed on for discussion under the new global climate treaty that is to replace Kyoto by 2020.

them too, but their prices are less stable though. Companies that are not compelled to buy carbon credits can purchase carbon credit on a voluntary basis on the voluntary carbon market. They do so because they consider they have a duty to do so or because it is good for their image. Especially reforestation projects are very popular. Several REDD projects have engaged in this market to generate revenues.

Sustainable trade fighting back

Some sustainable trade organisations see opportunities in the voluntary carbon credit market to provide producer partners with financial means to fight climate change.

The American NGO **Rainforest Alliance** is very active in this matter. Products with the green frog logo already meet certain criteria for sustainable production, including responsible forest management. But the organisation goes one step further and gives concrete guidelines to producers to measure the carbon that they have sequestered through reforestation on their farms and to turn that into carbon projects. The Rainforest Alliance controls projects following common carbon credit market standards so they can obtain carbon credits. “Carbon projects help coffee growers to diversify their revenue. It provides them with a buffer against coffee price fluctuations and against the consequences of climate change.”

Finally, the Rainforest Alliance also works with the tourism sector which offers customers to compensate polluting travel mileage.

Also fair trade on the carbon band wagon

The same story can be heard with fair trade organisations. Raf Van den Bruel of **Oxfam-Wereldwinkels**: “Few people know that coffee is a forest plant that grows in the shade of other trees. This biodiversity protects coffee beans against the rain and the sun and guarantees proper water supply. In the 1970s this practice was often discontinued and large forest surfaces were cut for monoculture. Such ‘sun-grown coffee’ delivers faster and higher yields, but leads to soil erosion and dried out soils. This is a bad evolution because for mountainous regions coffee is one of the only possible ecological and sustainable crops. Fortunately, most of our producers still grow 'shade -grown coffee'. We want to motivate and support our partners to maintain the shadow culture and improve it.

One of the ways to do so is to put them on the path of carbon credits as a kind of extra climate premium on top of the fair trade premium.”

Oxfam-Wereldwinkels has invested in a pilot project in Peru, as did Britain's **Cafédirect** fair trade organisation. Due to climate changes, high-altitude mountain villages in the Andes have four times more rain than in the past and because of clear-cutting mud floods have free play. Reforestation became a condition for survival. Planting more shade trees between the coffee trees seemed to be insufficient to meet carbon credits standards. Therefore, the cooperative Cepicafe (Central Piurana de Cafetaleros Cooperative) worked with the village of Choco, higher up in the mountains.

© Jesse The Traveller

In a first stage, 244 hectares were reforested. The project was approved to put voluntary carbon credits on the market. 90% of revenues goes to the villagers of Choco, 10% goes to Cepicafe. To start and compensate its own emissions Cafédirect itself purchased 5092 credits. “It is a way to provide our partner in the South with the necessary alternative revenues. At the same time we want to give our trade partners in the North a chance to compensate their emissions. If this works, the result would be really innovative: a sustainable producer-to-consumer chain with a closed cycle carbon market”, says Wolfgang Weinmann of Cafédirect. The Irish coffee company Bewley’s was the first to engage into this project.

© Max Havelaar Belgium

Fair carbon credits?

We hear similar intentions at **Max Havelaar Belgium**. Karlien Wouters: “Some of our licence holders are interested in marketing ‘climate neutral’ products. They try to reduce the CO2 emissions in their supply chain, but it is not possible to do so completely. They could compensate the part that they cannot reduce with carbon credits. We try to establish a link between licence holders and producer organisations within the same chain.”

It is in this context that the recent collaboration between **Fairtrade International** and **The Gold Standard Foundation** must be considered. That organisation was created in 2003 by WWF. Meanwhile, it has become an internationally recognized certification instance for carbon projects, both for the official and the voluntary market. The collaboration between both organisations was announced during the Doha climate summit in December 2012. Adrian Rimmer, CEO of The Gold Standard Foundation: “Our goal is to provide access to the carbon market for thousands of producers groups. The collaboration between ‘best-in-class’ standards represents what the market wants: streamlined and simplified processes to scale up and fast-track sustainable resource management and low carbon development.”

Fairtrade International's Andreas Kratz adds, “Producers have asked us for a long time what we can offer them to mitigate the effects of climate change. We hope to be able to work towards a solution this way.” It is not clear yet whether the existing carbon credits of The Gold Standard Foundation will be fair trade certified or whether there will be a separate ‘fair’ carbon credit. The first concrete results are expected at the end 2013.

Trade for Development Centre
May 2013

© Oxfam-Wereldwinkels - Coffee harvest of Cepicafe is drying in the sun

R.E.: Carl Michiels, BTC, Rue Haute 147, 1000 Brussels

BTC TRADE FOR DEVELOPMENT

WWW.BEFAIR.BE

THE BELGIAN DEVELOPMENT COOPERATION .be

BTC compensates the emissions of its flights by purchasing carbon credits from projects in one of the 18 development cooperation partner countries.

SOURCES

Fairtrade International: www.fairclimatedeal.net
Clean Development Mechanism: cdm.unfccc.int
→ Dossier about CDMs and carbon credits (in Dutch): http://www.11.be/component/one/artikeldetail/11dossier_cdm_schoon_genoeg_vlaams_federaal_cdm_beleid_onder_loep,110628
Carbon Market Watch: www.carbonmarketwatch.org
→ http://carbonmarketwatch.org/forests-and-agriculture-in-carbon-market-landscapes-cop18-analysis
Antoine de Ravignan, Marché du carbone : une dramatique descente aux enfers, Alternatives économiques, numéro 322, Mars 2013.
Via Campesina: www.viacampesina.org
Grain: www.grain.org
→ http://www.grain.org/article/entries/735-earth-matters-tackling-the-climate-crisis-from-the-ground-up
Rainforest Alliance: www.rainforest-alliance.org/work/climate
→ http://www.rainforest-alliance.org/climate/documents/coffee_carbon_guidance.pdf
Oxfam-Wereldwinkels: www.oxfamwereldwinkels.be
Cafédirect: www.cafedirect.co.uk
Gold Standard Foundation: www.cdmgoldstandard.org