

Carbon Finance Possibilities for Agriculture, Forestry and Other Land Use Projects in a Smallholder Context



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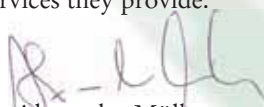
FOREWORD

Climate change adds another challenge to the global food system – a system that is expected to feed a world population growing from today 6.8 billion to 9.1 billion in the year 2050. Sustainable management of the natural resource base of agriculture, forestry and fisheries is the only way to deal with this challenge. Many parts of the world already struggle with grave deterioration of their food production systems and the number of people suffering from chronic hunger has now exceeded one billion. To make matters worse, the world's poor and food insecure are often the most vulnerable to the negative impacts of climate change and have the least capacity to adapt. They are often highly exposed to natural hazards, greatly dependent on climate-sensitive resources and possess limited economic and technological resources. The ability of individuals to cope with climate change impacts is affected by economic development and institutional support. However, it is the local people, who manage the land and have to adapt and manage agriculture, forestry and other land uses (AFOLU) to climate change.

While the agriculture, forestry and other land use sectors are suffering from climate change impacts, they also contribute significantly to greenhouse gas emissions. Conversely, this gives them a unique potential for restricting climate change by reducing or avoiding emissions and enhancing carbon sinks. Under the United Nations Framework Convention on Climate Change (UNFCCC) of the Kyoto Protocol, different market-based mechanisms have been created to help countries meet their emissions targets and support climate change mitigation. This has evolved into a regulated carbon market, which has been growing rapidly over the last years to more than US\$ 100 billion. Currently, the only AFOLU practices accepted by the UNFCCC regulatory markets are afforestation and reforestation, biogas, methane avoidance and energy generation through biomass. Agricultural land management activities are not allowed. The voluntary carbon market has therefore become very promising for agriculture and forestry projects. There are, however, many challenges ahead. While a few small-scale AFOLU projects exist, the entry barriers are still high to the carbon markets, due to high transaction costs, as well as lack of information how these markets work.

This guide has been assembled for extension services and institutions working with smallholders to support them in their advisory role on developments of the carbon markets and financial mechanisms. It aims to enhance knowledge on carbon finance and facilitate the integration of small-scale farmers into AFOLU mitigation activities. The participation of these farmers allows them to be involved in the development and implementation of the project, influence its design to generate positive impacts for the farmers and increase their knowledge about climate change mitigation and carbon finance.

It is my hope that in the future small-scale farmers will increasingly participate in the mitigation of greenhouse gas emissions and receive a fair remuneration for the environmental services they provide.



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ABSTRACT

This booklet is intended to guide extension service advisors and institutions who work with small-scale farmers and foresters with an interest in Carbon Finance and Carbon Projects. Its aim is to support setting-up carbon projects which involve small-scale farmers. Their participation allows them to be involved in the development and implementation of the project, influence the design of the project to generate positive impacts for the farmers and increase their knowledge about carbon finance. The definition of a small-scale farmer differs between and within countries. In most cases it is a farmer who cultivates less than one hectare of land and has diverse sources of livelihood.

The guide is structured into five sections: first, the background of climate change is explained (1); second, an introduction is given to how the carbon market works (2); this is followed by an explanation of carbon project development and the timeline and project size to take into account for planning (3); four, costs to be expected during the development of carbon projects are summarised, as well as benefits (4); finally, different funds and grants are presented (5). This booklet will need constant updating, as the political framework is changing very fast, causing changes in legislation, as well as actors, funds and regulations. In addition, the available data, research and knowledge for the development of carbon projects is constantly improving which will facilitate their future upgrowth.

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ACRONYMS

AFOLU	Agriculture, Forestry and Other Land Use
AGRA	Alliance for Green Revolution in Africa
A/R	Afforestation/Reforestation
BioCF	BioCarbon Fund World Bank
CBO	Community Based Organization
CCX	Chicago Climate Exchange
CDM	Clean Development Mechanism
CDCF	Community Development Carbon Fund World Bank
CER	Certified Emission Reductions
CH ₄	methane
CPF	Collaborative Partnership on Forests
CO ₂	carbon dioxide
DOE	Designated Operational Entity
ETS	EU Trading System
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environmental Facility
GHG	Greenhouse gas
GWP	Global Warming Potential
ICRAF	World Agroforestry Centre
IPCC	Intergovernmental Panel on Climate Change
JI	Joint Implementation
N ₂ O	nitrous oxide
NGO	Non-governmental Organization
PDD	Project Design Document
PIN	Project Idea Note
REDD	Reducing Emissions from Deforestation and Forest Degradation
REED	UNEP's Rural Energy Enterprise Development Programme
TNC	The Nature Conservancy
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
VCS	Voluntary Carbon Standard
VER	Verified Emission Reductions