



FAIRTRADE AND THE CARBON MARKET



FAIRTRADE

CLIMATE CHANGE IS AFFECTING SMALL SCALE FARMERS AND RURAL COMMUNITIES NOW

- Climate change is hitting the poorest the hardest. The most vulnerable are those living in rural areas in developing countries. They include small scale farmers and their communities, many of whom we rely on to grow our food.¹
- Climate change is helping to spread crop diseases, including coffee leaf rust and other pests. Rising temperatures affect crop yield and quality too. As the amount they can produce falls, it gets harder for farmers to earn a living and support their families. Coffee yields could drop dramatically in the main producing countries by 2050.²
- With a need to produce 50% more food to feed an expected 9.1 billion people in 2050, global food production must increase in real terms by 75% to provide enough food for human survival (IPCC 2014).

CLIMATE CHANGE IS AFFECTING OUR PRODUCTIVITY. FARMERS CAN NO LONGER PREDICT WHEN IS THE BEST TIME TO PREPARE THEIR FARMS OR START PLANTING. IN PREVIOUS YEARS IT USED TO WORK LIKE CLOCKWORK, BUT NOW YOU JUST CAN'T TELL.

Victor Biwot, operations manager,
Sireet OEP, Kenya

It's clear that we need urgent and large scale action to support farming communities to mitigate and adapt to the effects of climate change.

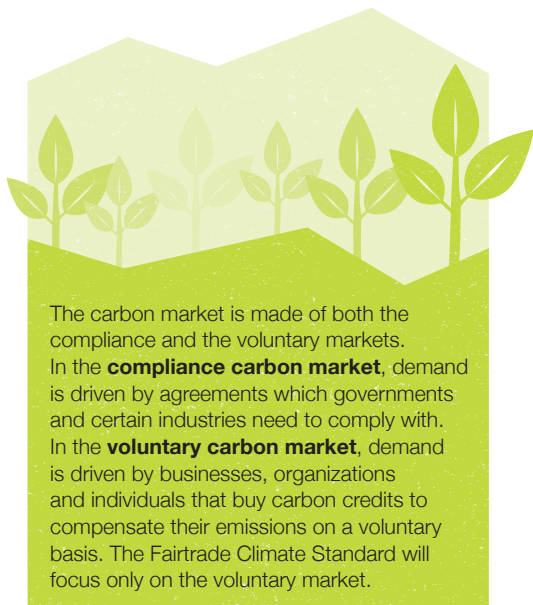
There is no single solution to climate change. By supporting farmers in several different ways (financially and technically) to reduce their emissions and adapt to climate change, we can be part of tackling climate change fairly.

But it's not just farmers in developing countries who must adapt and reduce their emissions. We all, in every part of the world, must act. Industrialized countries have emitted the most greenhouse gas over a long period, so they must act to help lessen the effects of climate change on poorer countries.

Organizations, businesses, and consumers must not only reduce their own carbon emissions but also support vulnerable communities to reduce carbon emissions and adapt to climate change as well as develop sustainably.



THE CARBON MARKET



The carbon market is made of both the compliance and the voluntary markets. In the **compliance carbon market**, demand is driven by agreements which governments and certain industries need to comply with. In the **voluntary carbon market**, demand is driven by businesses, organizations and individuals that buy carbon credits to compensate their emissions on a voluntary basis. The Fairtrade Climate Standard will focus only on the voluntary market.

Although it is a good mechanism to channel climate finance to the South, the voluntary carbon market is not necessarily adapted to the reality of smallholders and rural communities because:

- it's complex, making it difficult for smallholders and rural communities to take part,
- smallholders and rural communities are not fully involved in developing carbon projects and do not get much financial return from them,
- on top of this, the voluntary carbon market is in crisis and carbon credit prices are very low. This means carbon projects with additional social benefits can be overlooked in favour of less risky projects.

Making the market work better for smallholders and rural communities

The voluntary carbon market could work better for smallholders and rural communities **if** they are more involved in carbon projects and the market. By helping to develop their own carbon projects, communities can get more money from selling carbon credits, so diversifying their incomes, acquiring new skills to address climate change, creating local jobs and protecting their livelihoods from the negative effects of climate change.

By involving smallholders and communities more, the carbon market has great potential to support sustainable and local development, both at the core of Fairtrade goals. In fact, it could support Fairtrade producers to cut their carbon emissions while helping them adapt to climate change.

Carbon projects that reduce energy use or make use of renewable energy must be part of the answer. Using energy more efficiently in agriculture should be a major focus to kick-start sustainable development. We must support reforestation as a vital part of agricultural production.

FAIRTRADE'S CLIMATE CHANGE STRATEGY

Our climate change strategy aims to support producers to adapt to climate change and reduce their carbon emissions, while ensuring technical and financial support without adding extra burden to producers.

There are three parts to the strategy: adapt, reduce, advocate.

ADAPT:

Fairtrade International is implementing climate change adaptation projects. These aim to make producers stronger by supporting them to carry out their own risk and opportunity assessments and providing climate change adaptation training. This involves communities and is based on local knowledge and expertise. Fairtrade International is currently developing climate change adaptation projects with public and private funding. We have worked with coffee, tea and banana producers to develop adaptation projects, helping them to identify risks and opportunities and set their own adaptation plans. In the future, we will work with farmers of other key Fairtrade products.

REDUCE:

The Fairtrade Climate Standard aims to produce credible emission reductions in the North and South. Through increased producer ownership and community participation in carbon projects, vulnerable communities can also make changes to adapt to climate change and become more resilient. Through the Fairtrade

Minimum Price and Premium, they receive tangible economic benefits to invest in tackling climate change. The Fairtrade Climate Standard aims to introduce greater transparency and traceability to the carbon market. Fairtrade International has also been calculating its own carbon footprint since 2010 and is committed to reducing its emissions and compensating the remaining emissions. We have compensated all our emissions for 2014.

ADVOCATE:

Bringing the voices of producers to international climate change discussions is an important part of our climate change strategy. Fairtrade International has been participating at the UN annual Climate Change Conference since 2010, bringing the voice of farmers and workers to the floor and positioning Fairtrade as part of the solution to address climate change, notably with the development of the Fairtrade Climate Standard.

I THINK ONE OF THE MOST IMPORTANT TOOLS IN FIGHTING CLIMATE CHANGE IS INFORMATION. IF FARMERS DON'T GET PROPER INFORMATION ABOUT CLIMATE CHANGE, THEN IT IS IMPOSSIBLE TO ACT.

Raúl Caso Yupanqui, former general manager of Cooperativo Agroindustrial Sonomoro, Peru, at COP 20 in 2014



FAIRTRADE CLIMATE STANDARD IN BRIEF



Eugenio Huamán Guerrero is part of a community project led by coffee farmers from Norandino co-operative in northern Peru

The Fairtrade Climate Standard aims to drive more income from the carbon market to rural communities who tend otherwise to be excluded from these mechanisms. The standard ensures producers are active participants in carbon projects, that they enhance their capabilities and are empowered to be active on their own behalf in addition to receiving technical and economic support. The standard ensures requirements for producers, project facilitators, traders and end buyers and promotes transparent and equitable trading conditions.

We have consulted thoroughly in developing the standard, including holding workshops with producers, civil society, carbon experts as well as other stakeholders. We have developed the

standard in partnership with the Gold Standard, an internationally recognized organization with expertise in climate and development project certification.

The new Fairtrade Climate Standard enables producers to make their own contribution to reducing emissions alongside getting better organized to improve their capability to face climate change. A floor price ensures the costs of running the carbon reduction project are covered. What's more, producers receive a Fairtrade Premium for each credit sold: money to support them and their communities to adapt to climate change.



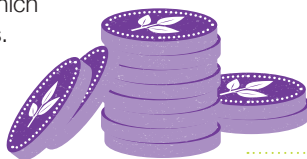
The Fairtrade Climate Standard aims to:

- 1 provide small scale farmers and rural communities access to the carbon market by making it simpler and more financially viable,
- 2 enable producers to take an active, learning part in carbon projects by providing information and capacity building,
- 3 enable producers to invest in reducing their emissions and adapting to climate change through project investments and Fairtrade Premium and
- 4 enable businesses to commit to reducing and compensating their emissions while supporting smallholders and communities to address climate change.

The current scope of the Fairtrade Climate Standard includes energy efficiency projects, which reduce carbon emissions such as the use of clean cookstoves in rural communities, renewable energy such as biogas, or reforestation projects, which capture carbon by planting more trees.

So we can learn about the impact the Fairtrade Climate Standard generates, we have put in place a Monitoring, Evaluation and Learning framework.

BUYING FAIRTRADE CARBON CREDITS



The Fairtrade Climate Standard is the first of its kind to require emission reductions at both ends of the supply chain.

Businesses or organizations generating over 1,000 tonnes of carbon per year and wanting to buy Fairtrade carbon credits must:

- 1 calculate their carbon footprint,
- 2 take meaningful action to reduce their carbon footprint, and
- 3 compensate for what cannot be reduced, following the requirements laid out in the standard.



Zeddy Rotich from Kabnetuny Co-operative, Kenya, mixing cow dung for biogas production



Neptaly Peña is part of a reforestation project led by coffee farmers from Norandino co-operative in northern Peru

Our ambition is to extend the Fairtrade Climate Standard to more farming communities in developing countries to benefit from access to carbon finance and the opportunity to tackle the effects of climate change. We call on businesses and civil society to consider their carbon emissions and support the Fairtrade Climate Standard by purchasing Fairtrade Carbon Credits.



A price that covers the true costs

Buyers of Fairtrade Carbon Credits must at least pay the Fairtrade Minimum Price and the Fairtrade Premium or the higher agreed price with the authorized seller.

The Fairtrade Minimum Price is the safety net to ensure the projects are financially sustainable and viable, and covers the participation costs for producers and rural communities. The Fairtrade Premium

provides funds for climate change adaptation projects identified (or local development projects, if other needs are identified as more pressing), designed and implemented by the producing communities. Overall, the Fairtrade Minimum Price will provide the stability for sustainable community projects in developing countries currently lacking in the carbon market.



Energy efficient cookstove, Ethiopia

WHO WE'RE WORKING WITH

The Fairtrade Climate Standard was developed and will be implemented in collaboration with the Gold Standard, an internationally recognized organization with expertise in climate and development projects. The Fairtrade Climate Standard is an add-on standard to Gold Standard certification of carbon emissions reductions and sustainable development benefits.

The joint ambition between Fairtrade and Gold Standard is to create an enabling, fair, and empowering carbon market ensuring that Fairtrade producers and rural communities benefit from climate change mitigation and adaptation activities.

The certification process will be synchronised as much as possible to reduce duplication and costs.

CASE STUDY

GIMBI ENERGY

EFFICIENT COOKSTOVE

PROGRAMME, ETHIOPIA

This coffee growing community aims to generate carbon credits from the energy saved by swapping their three-stone fires to efficient cookstoves. This reduces deforestation for fire wood and decreases cooking times, giving women more time for other activities. There will also be health benefits from improved indoor air quality. The reduction in CO₂ emissions is expected to be around 70%, compared to using their original cooking methods.

The estimated number of credits generated by this project per year will be over 30,000, resulting not only in increased income through the Fairtrade Premium but also employment for those distributing and training others in the use of the stoves.

The project owners are the members of Oromia Coffee Farmers Co-operative Union as they own the carbon credits.



Mulane Jabessa cooks on her energy efficient cookstove

¹ 'Smallholders form a vital part of the global agricultural community, yet they are often neglected. Smallholders manage over 80 per cent of the world's estimated 500 million small farms and provide over 80 per cent of the food consumed in a large part of the developing world, contributing significantly to poverty reduction and food security. Increasing fragmentation of landholdings, coupled with reduced investment support and marginalization of small farms in economic and development policy, threaten this contribution, leaving many smallholders vulnerable.' Source: IFAD/ UNEP (June 2013) *Smallholders, Food Security and the Environment* http://www.ifad.org/climate/resources/smallholders_report.pdf

² <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0124155>

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