



Fairtrade Carbon Credits price methodology

The following summary table and graph describe how Fairtrade International established the Fairtrade Minimum Prices for carbon credits projects and provides an explanation of the cost items taken into account to calculate the average cost of sustainable production. Fairtrade Minimum Prices and Premiums are set for three types of carbon projects: energy efficiency, renewable energy, and afforestation / reforestation projects. The Fairtrade Minimum Price was established through the evaluation of the main implementation costs of carbon projects (investment costs, project costs, carbon costs, revenues and business margin).

Main cost items included	Description
a. Investment Costs	Investment costs include infrastructure, machinery, light investment, vehicles, investments in land, loan payments (i.e. used for buying equipment), etc. These are, broadly speaking, all the investments done to physically implement the project.
b. Project Costs	Costs for carbon activities such as management, operation, production, transportation, distribution, maintenance, training, monitoring, etc. These are broadly speaking all services required for maintaining and operationally running the project. Also included in the project costs is an additional percentage for activities ensuring the transfer of knowledge and management responsibilities from project facilitators to producer organizations (e.g. production, distribution, maintenance).
c. Carbon costs	Costs for activities such as opening carbon account, field tests, drafting documents, local stakeholder consultation, validation, verification, registration, monitoring, issuance, etc. Also included in the carbon costs is an additional percentage for activities ensuring the transfer of knowledge and management responsibilities from project facilitators to producer organizations (e.g. carbon monitoring, managing carbon account). Fairtrade certification fees are also included in the Fairtrade Minimum Price.
1. Total costs	Sum of all the main costs (a + b + c). Based on average values or estimates for all cost items included in a to c, the total average costs for a typical project of each project type (energy efficiency, renewable energy, afforestation / reforestation) were calculated.
2. Business margin	On top of the costs (a to c), a business margin of 10% for energy projects and 5% for afforestation / reforestation projects has been added to guarantee additional financial benefits.
3. Estimated revenues of the project	Potential revenues produced by the project (sale of cooking devices or forest products, energy production, etc.)
4. FCC Minimum Price	For the calculation of the Fairtrade Minimum Price, the estimated revenues from a project were subtracted from the average costs and the business margin of a project. The Fairtrade Minimum Price for one Fairtrade carbon credit (=1 tCO ₂ e) is calculated by dividing the average price per project by the average quantity of credits expected to be generated by a project of each project type. $4 = (1 + 2 - 3) / \text{number of credits}$

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