

From Exploitation to Empowerment: Rethinking Carbon Markets and Offsetting Mechanisms

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KEY POINTS

- Despite claims of a "triple win" for environmental conservation, economic growth, and equity, carbon markets and offsetting mechanisms often perpetuate structural exploitation and neocolonialism at the global, local, and procedural levels.
- Globally, the Global North countries benefit disproportionately from carbon markets, outsourcing environmental responsibilities to Global South countries with unevenly distributed market power and unjust territorialization of southern land.
- Locally, carbon offsetting projects frequently result in exploitation of Indigenous and local communities in terms of land and carbon sovereignty, fundamental human rights, and the share of project benefits.
- Procedurally, the neglect of local knowledge and place-based environmental stewardship excludes Indigenous communities from project initiation, negotiation, and decision-making processes.
- To circumvent these pitfalls, this brief provides recommendations to mobilize all stakeholders engaged in carbon markets and offsetting mechanisms, and together adopt rigorous, just, and equitable strategies to guarantee the rights of the South and the Indigenous.

LOOMING CRISIS DRIVES US TO RETHINK CARBON MARKETS

The 2024 United Nations Climate Change Conference (COP29) held in Baku, Azerbaijan, was billed as “Finance COP,” with a central focus on climate finance. During the conference, rules about how countries can create and trade carbon credits under Article 6 were approved, creating a roadmap for countries to “deliver their climate plans more quickly and cheaply, and make faster progress in halving global emissions this decade” (UNFCCC, 2024c). However, criticism has been mounting that the approval of such false solutions legitimizes the continuation of pollution and exacerbates harm to communities and Indigenous groups in the Global South. (Lang, 2024).

“The gaveling through of carbon markets on the first day of COP29 is unacceptable and undermines the credibility of the whole process. Further, it is opening the floodgates for a global carbon market that will have devastating impacts on communities in the Global South, on Indigenous peoples, and on small peasant farmers first and foremost.” Comment on the approval of Article 6.4, the global carbon trading mechanism, by Lise Masson of Friends of the Earth. (Lang, 2024)



FIGURE 1: COP29 BAKU, AZERBAIJAN © REDD-MONITOR



FIGURE 2: COMMUNITY MEMBERS IN THE SOUTHERN CARDAMOM REDD+ PROJECT IN KOH KONG PROVINCE, CAMBODIA © HUMAN RIGHTS WATCH

“When they first rushed into the camp they hit me in the back with their gun. They destroyed everything I had with me – even the clothes on my back.” “We didn’t ask for help or complain after it happened. We’re just normal villagers, we don’t dare.” Commented by the Indigenous Chong people suffering from forceful mistreatment, arrest, and eviction in Cambodia’s Southern Cardamom REDD+ Carbon Offsetting Project. (Human Rights Watch, 2024)

"Our priority is the eviction of invaders on our reservation lands that are threatened by miners and a grain railway... Our leaders were never consulted on the carbon credits. We are being sold like goods." Commented by Alessandra Korap Munduruku, a tribal leader in the Brazilian state of Para, whose tribe was not consulted about US\$180 million LEAF Coalition REDD deal in their region. (Boadle, 2024)

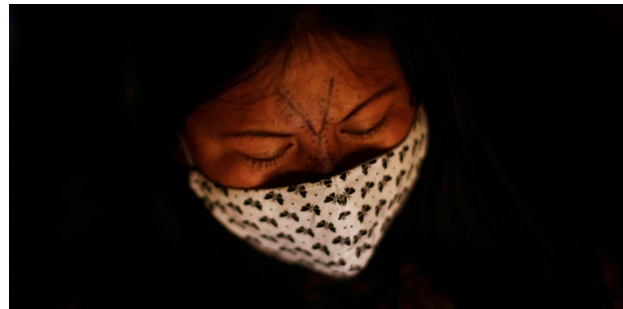


FIGURE 3: INDIGENOUS LEADER ALESSANDRA KORAP MUNDURUKU IN BRASILIA, BRAZIL © REUTERS

WHAT ARE CARBON MARKETS AND THE VISION?

Carbon markets are the trading systems where countries, companies, and individuals can engage in the purchase and sale of units of greenhouse gas (GHG) emissions, as defined under the Kyoto Protocol (UNFCCC, 2024a). They embody the concept of carbon offsetting, a cornerstone of global climate mitigation strategies under Article 6 of the UNFCCC (United Nations Framework Convention on Climate Change) that enables entities to trade carbon credits to compensate for emissions in one location by reducing emissions in another. For instance, a fossil fuel-intensive airline company may purchase carbon offset credits generated by the reforestation projects in the Amazon forest to offset its emissions. Four main types of carbon offsetting projects include: forestry and conservation (i.e., Reducing Emissions from Deforestation and Forest Degradation, REDD), renewable energy, energy efficiency, and waste-to-energy (Gordon, 2022).

Carbon markets are classified into two segments: Compliance (Mandatory) Carbon Market (CCM) and Voluntary Carbon Market (VCM). CCM are created and regulated by mandatory national, regional, or international carbon reduction regimes; VCM allows companies and individuals to purchase carbon offsets on a voluntary basis. With the rapid growth of VCM, more and more market environmentalism and proponents believe that offsetting projects, predominantly carbon sequestration projects in forest and soil, could play a vital role in reducing global emissions by protecting carbon sinks like forests and wetlands, incentivizing economy by lowering

opportunity costs for emission reductions, and promoting equity by channeling climate finance and technologies to developing countries and low-income communities where carbon sinks situate.

WHY ARE CARBON MARKETS AND OFFSETTING MECHANISMS NEOCOLONIAL?

Despite claims of a "triple win" for environmental conservation, economic growth, and equity, carbon markets and offsetting mechanisms often perpetuate structural exploitation and neocolonialism (McAfee, 2016). By examining and synthesizing findings from a range of industry reports, news articles and academic papers on 'carbon markets and offsets', 'the South and Indigenous rights', etc., this policy brief unveils the neocolonial dynamics of carbon markets and offsets, in which corporations, certifiers, large NGOs and other actors from the Global North exploit the land, resources and labor of Indigenous and local communities in the Global South in order to evade accountability for climate change and extract neoliberal market benefits.

GLOBALLY, THE GLOBAL NORTH COUNTRIES BENEFIT DISPROPORTIONATELY FROM THE CARBON MARKET, WITH UNEVENLY DISTRIBUTED MARKET POWER AND UNJUST TERRITORIALIZATION OF SOUTHERN LAND.

Carbon markets, as one form of ecological service market, echo the neoliberal emphasis on private initiative, monetary valuation, and cost-benefit analysis, which fails to distribute income and wealth equitably, while concentrating economic and political power within specific regions and among elite groups (Kolodziej, 2016; McAfee, 2012). The market-based profitability and efficiency derived from global wealth

differences are the fundamental incentives for carbon trade. Specifically, the reason businesses will buy offset credits is that it is cheaper than cutting emissions on their own. Investments in carbon offsets offer buyers in the Global North visible profits by allowing them to maintain current extractive and polluting business patterns, while lowering their opportunity costs of achieving carbon neutrality by simply purchasing cheap credits from poor Southern regions (McAfee, 2016).

Hence, most of the carbon offsetting projects are based in Global South countries with more forestry resources, cheaper land, and labor. A recent report by GRAIN identifies a multitude of large-scale tree and crop planting projects that have been established for generating carbon credits since 2016. These projects collectively encompass an area of 9.1 million hectares, which is approximately equivalent to the total land area of Portugal. Most of the land areas are in Global South countries, and over half of them (over 5.2 million hectares) are in Africa (GRAIN, 2024). In 2023, a UAE company, Blue Carbon, secured forested land nearly equivalent to the size of the UK across five African nations, Zimbabwe, Zambia, Kenya, Liberia, and Tanzania, to run projects to conserve forests and generate carbon credits (Dewan, 2023).

***LOCALLY, CARBON OFFSETTING PROJECTS
FREQUENTLY RESULT IN EXPLOITATION OF
INDIGENOUS AND LOCAL COMMUNITIES IN
TERMS OF LAND AND CARBON SOVEREIGNTY,
FUNDAMENTAL HUMAN RIGHTS, AND THE SHARE
OF PROJECT BENEFITS.***

An earlier report from the Rights and Resources Initiative (RRI) NGO found that approximately 300,000

million metric tons of carbon are held in land managed by Indigenous and local communities worldwide – equivalent to 33 times the global energy emissions for 2017 (Rights and Resources Initiative, 2018). Concerns and criticisms of land grabbing arise from the overlap between Indigenous territories and the area of offset projects. As revealed in another report by RRI, among 31 reviewed countries in Africa, Asia, and Latin America, Indigenous and local rights on their customary land and carbon rights are legally recognized about half the time, which puts their lands at risk of capture by state governments and other legal entities (Rights and Resources Initiative & McGill University, 2021).

Absence of legal recognition can be extended to the violation of human rights. In Cambodia's Southern Cardamom REDD+ Project, two Indigenous Chong men were arrested just because they were collecting resin in the new "conservation area" defined by the project; six Chong families were forcibly evicted by rangers and gendarmes from lands they had customarily farmed (Human Rights Watch, 2024). Another relevant case could be the illegal eviction of hundreds of Ogiek people from the Mau Forest by Kenya's government for carbon credits, where rangers were pulling down their houses with axes, hammers, and even fire (Marshall, 2023).

In addition, few countries and projects have designed and operationalized mechanisms to share carbon benefits with Indigenous communities, resulting in highly opaque financial flows within the carbon market and little revenue for local groups. This can be exemplified in the cases of the Kariba carbon offsetting project in Zimbabwe (only a fraction of the €100m revenue has been distributed to the villages)

(Greenfield & Chingono, 2024), and the Saloum Delta Mangrove Forest Restoration Project in Senegal (communities were paid for 10,000 CFA francs (\$22) per hectare of mangrove restored, which is just 5.2 percent of the total \$4.4-million project budget) (Thompson, 2024).

PROCEDURALLY, THE NEGLECT OF LOCAL KNOWLEDGE AND PLACE-BASED ENVIRONMENTAL MANAGEMENT EXCLUDES INDIGENOUS COMMUNITIES FROM PROJECT INITIATION, NEGOTIATION, AND DECISION-MAKING PROCESSES.

As native forest dwellers, Indigenous communities have been extremely prudent in their use of land and natural resources, as well as in their human and non-human relationships. More and more studies show that Indigenous land management was particularly effective in avoiding deforestation in locations with high deforestation pressure. For instance, deforestation rates in the Indigenous lands of the Bolivian and Colombian Amazon are respectively 2.8 and 2 times lower than outside of Indigenous land (Webb, 2019). Other research presents that at least 36% of Intact Forest Landscapes (IFLs) are within Indigenous Peoples' lands, and forest loss rates have been considerably lower on Indigenous Peoples' lands than on other lands (Fa et al., 2020).

Despite their valuable knowledge and experience in forest conservation, Indigenous communities are constantly excluded from consent consultations and decision-making processes. Carbon offsetting projects associated with the Indigenous communities of Guyana, Indigenous organizations in the Brazilian state

of Para, and Indigenous Chong people in Cambodia, made crucial decisions on project initiation, land designation, and change of land use, without consultation and their free, prior, and informed consent (FPIC) (Boadle, 2024; Hastings, 2024; Human Rights Watch, 2024). Studies show that few countries have developed robust and effective mechanisms, including feedback and grievance, and monitoring, reporting, and verifying (MRV) in their declared provisions (Rights and Resources Initiative & McGill University, 2021). And it was only recently that an appeals and grievance process was approved that allows affected communities to challenge UN-approved carbon removal projects (McConnell et al., 2024; UNFCCC, 2024b). A big question mark remains as to how effective this process will be. Overall, the systematic exclusion of Indigenous communities, the greatest guardians of forests, from carbon offsetting processes in their territories is unwise and unacceptable.

FROM EXPLOITATION TO EMPOWERMENT, HOW CAN WE RETHINK THE SYSTEM?

The approvals on essential steps for fully operating carbon crediting mechanisms in COP29, more clarity on how country-to-country trading will be authorized in Article 6.2, and approval of standards for a centralized carbon market under Article 6.4, indicate that this exploitative false solution will be rapidly and fully operationalized. However, the findings in this brief demonstrate the neo-colonial dangers of 1) extracting carbon benefits, land, and resources from the Global South, 2) overriding Indigenous communities' rights to territories, benefits, and humanity, and 3) excluding their knowledge, consent, and participation in the project. Existing international policy frameworks for

carbon markets and offsetting focus more on establishing and implementing the mechanism by proving the market's profitability, viability, and efficiency (See ICAP and the World Bank's Partnership for Market Readiness (PMR), 2021). This lack of explicit international, national, and local policies and laws to protect Southern sovereignty, Indigenous rights, and local participation perpetuates neocolonial green grabbing in the name of "saving the planet" (Dewan, 2023; Gordon, 2022).

To avoid these dangers, it is imperative to mobilize all stakeholders involved in carbon markets, including international climate and legislative bodies, national and local governments, actors in the VCM chain (buyers, project developers, certification organizations and local conservation groups), non-governmental and civil society organizations and local communities, etc., and together adopt rigorous, fair, and equitable strategies to guarantee the rights of the South and Indigenous people.

GLOBALLY: ADDRESS UNEVEN POWER DYNAMICS AND UNJUST TERRITORIALIZATION IN CARBON MARKETS

- International climate bodies like the UNFCCC should implement equity-based policies that mandate emissions reductions at the source rather than outsourcing them to the Global South and establish reparative funding mechanisms to support local governance of offset projects in the Global South.
- International regulatory organizations should monitor carbon offsetting projects for exploitative practices on southern land and

resources, publicly report violations, and apply sanctions or penalties to corporations and states that perpetuate inequitable carbon market practices.

LOCALLY: ENSURE COMMUNITY RIGHTS, PROTECTIONS, AND BENEFITS

- International legislative bodies should ensure that the process by which carbon and other resource rights are determined and formalized is in alignment with international human rights laws. This includes fundamental recognition of Indigenous communities' customary land and resource rights.
- Countries hosting carbon offsetting projects must safeguard Indigenous land and human rights by legislating and enforcing laws that provide legal title to Indigenous peoples' traditional territories, recognize that Indigenous peoples own the carbon stored in their lands, and provide legal and financial support to Indigenous groups for resolving disputes, violence, and resisting displacement.
- Local conservation groups and certification organizations should revise existing provisions to ensure fair compensation for communities hosting carbon offsetting projects. This includes the establishment of fair and transparent benefit-sharing agreements that reflect local needs and interests, strict accountability for developers violating community rights, and remediation for individuals and communities adversely affected by the project.

PROCEDURALLY: ENHANCE INDIGENOUS SELF-DETERMINATION AND PARTICIPATION


- National governments must have a transparent and effective governance structure that ensures effective and equitable participation of Indigenous communities, including 1) respect for their traditional knowledge, cultural beliefs and environmental stewardship; 2) recognition of their rights to self-determination, free, prior and informed consent (FPIC), due process, and compensation; 3) establishment of robust mechanisms for operational feedback, grievance redress, and monitoring, reporting and verification (MRV).
- Academic institutions and organizations, project developers, and Indigenous communities should work collaboratively to integrate traditional ecological knowledge into carbon offsetting project design and implementation. This involves funding participatory research led by Indigenous communities and ensuring their knowledge is treated as equal to techno-scientific approaches.

To move from exploitation to empowerment, carbon offsetting mechanisms must be radically reimagined. By addressing uneven global power dynamics, ensuring community benefits and rights, and enhancing Indigenous knowledge and participation, carbon markets can be more than an environmental neocolonial structure, but a pathway to a climate justice future.

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