

A FAIR RACE TO NET-ZERO

Building on the UNFCCC Race to Zero campaign, FairClimateFund wants to advocate a 'Fair Race to Net-Zero'. Making sure that transition to a net zero carbon economy does not overlook the people that are most vulnerable to the impacts of climate change. FairClimateFund aims to engage the Dutch NGO sector to step up for ambitious corporate climate action and fair and inclusive voluntary carbon markets.

CLIMATE CHANGE, DEVELOPING COUNTRIES AND THE PRIVATE SECTOR

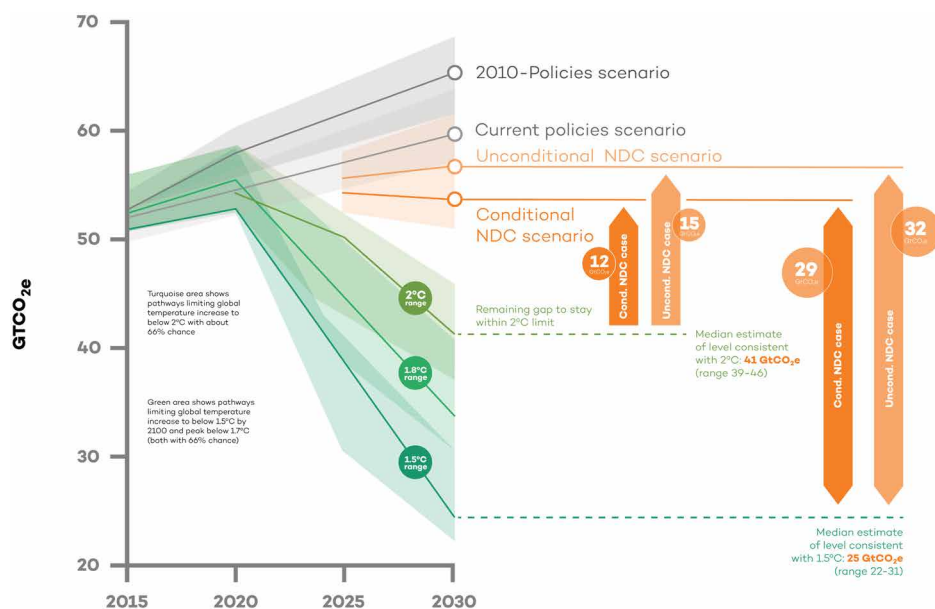
To avoid the worst effects of climate change, we need to limit global warming to 1.5 degrees Celsius. The IPCC has calculated that to do this we need to halve emissions before 2030 and realize net zero emissions in 2050. However, in the current scenarios we are still at risk of heading for more than 3 degrees global warming by the end of this century.

Industrialised countries are responsible for the majority of CO₂ emissions. The richest 10% of the people cause half of all the global CO₂ emissions (source: [OXFAM report 2020](#)). However, the greatest impact of climate change occurs in developing countries. Changing weather patterns, floods and extreme droughts are a major challenge for countries that are largely dependent on small-scale agriculture. In addition, these countries lack the financial means for transition and necessary adaptation.

The private sector plays an important role in the ambition to reach 1.5 degrees. Recognizing the private sector's responsibility, ambitious corporate climate action is needed to close the gap and should be based on two pillars:

- 1 Ambitious and science based corporate emission reduction targets and transparent reporting on the adherence to these targets;
- 2 Corporate climate finance for high impact projects and initiatives that support transition and adaptation in developing countries that are most vulnerable to climate change, while guaranteeing the full exercise of human rights.

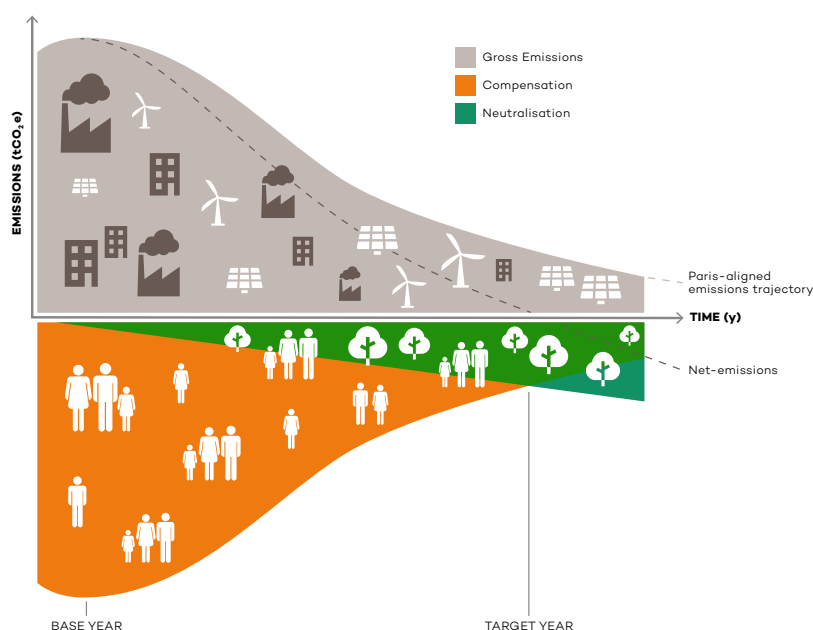
In order to make ambitious climate plans, it is essential for the private sector to have clear legislation. Unfortunately, there is still a lot of unclearity regarding the [Green Deal of the European Commission](#) and the new [climate law in the Netherlands](#).



AMBITIOUS CORPORATE CLIMATE ACTION, NO GREENWASHING

A bad example of corporate climate policy is having no ambitious goals to reduce one's own emissions. Often, only the direct emissions (scope 1 and 2 by the Greenhouse Gas (GHG) Protocol) from owned or controlled sources of the organisation are taken into account and not the indirect emissions (scope 3 by the GHG Protocol), which are emitted in the company's value chain. Also, historical emissions are mostly not counted for. Another typical form of greenwashing is claiming climate neutrality by compensating CO₂ emissions with cheap carbon credits.

THE FAIR NET ZERO EMISSIONS MODEL



FairClimateFund supports the corporate climate action framework laid out by WWF in the document [‘A blueprint for corporate climate action on climate and nature’](#). However, we do want to stress that climate finance should support climate, nature *and people*. The best practice for companies is to:

- Step 1:** calculate scope 1,2, and 3 emissions according to the GHG protocol and transparently disclose conform CDP standards;
- Step 2:** set ambitious targets for both near- and long-term actual emission reductions and for reaching net zero emissions in line with science (1.5 degrees);
- Step 3:** put an ambitious internal price on the remaining greenhouse gas emissions (in particular CO₂), which defines the company's climate finance budget and;
- Step 4:** use this budget to further reduce emissions and invest in high quality (fair, inclusive and rights-based) offset projects or initiatives that support mitigation, biodiversity, conservation and adaptation in developing countries that are most vulnerable to climate change.

CHEAP CARBON CREDITS

In the highly commercialized and untransparent Voluntary Carbon Market (source: [article by Louis Redshaw, 2021](#)), a lot of carbon credits are generated by forestry (REDD+) and large scale renewable energy projects.

It has been shown that the cheap carbon credits that originate from the large scale renewable energy projects have very little to no additionality at all. This means that the emission reductions produced by these projects would have also been realized without carbon finance and therefore the offset claim is not legitimate.

Also, carbon credits from a lot of forest protection projects have no impact. One of the problems with these projects is the so-called “leakage” effect. This is the case if forest clearing shifts to other areas that are not covered by the project.

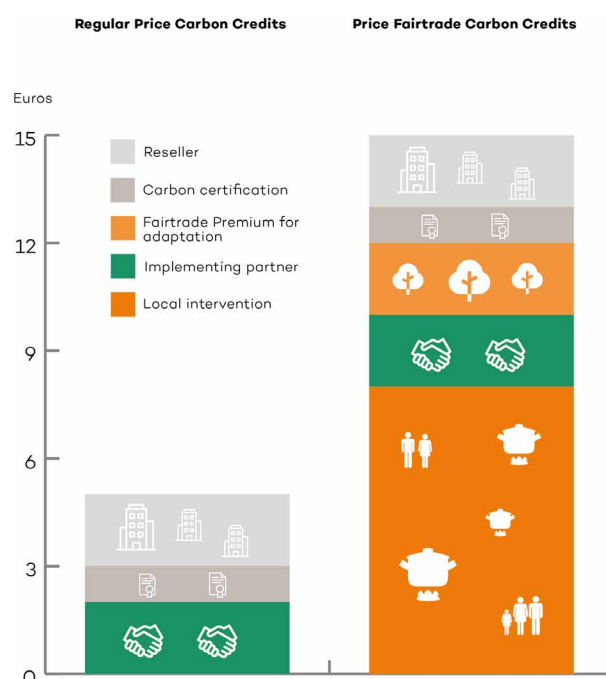
Unfortunately, many suppliers sell these credits - knowing that there is no valid claim behind them - to companies that choose this ‘cheap way out’ and thus greenwash their carbon footprint. Also, the large supply of these credits causes a very low and unhealthy price in the voluntary carbon market. Even UNFCCC itself has contributed to this by creating the ‘Climate Neutral Now’ platform which sells old vintages of CDM registered projects at dump prices. This ‘race to the bottom for the lowest prices’ is in particular a problem for community projects that are very dependent on carbon finance for their success, such as fair and inclusive household energy projects and high quality (social and ecological) nature-based solutions in developing countries.

FAIR AND INCLUSIVE CARBON MARKETS

We see that carbon offset projects often do not benefit people that are most affected by climate change. This is not only true for large scale renewable energy projects and a lot of forestry projects, but also for many projects that promote the use of clean energy solutions at household level. The reason for this is that carbon finance often does not reach the households. Usually, a regular market price is paid by households for e.g., solar energy or clean cookstoves and it is the project developers and carbon credit retailers that benefit from the carbon revenues (source: [CARE & climate change publication 2020](#)).

In a fair and inclusive carbon market ideally:

- a fair price is paid for carbon credits which reimburse all costs that have to be made to reduce these emissions.
- carbon finance really reaches people that contribute least to climate change and face severe impact on their lives.
- carbon finance is used to make clean household technology affordable for low-income households or as a financial incentive to small scale farmers for investments in reforestation activities or sustainable agricultural practices.
- an adaptation premium is paid to support activities that strengthen communities and ecosystems that are most vulnerable to the effects of climate change.



COOKSTOVES FOR COFFEE FARMERS - A CASE IN ETHIOPIA

Since 2015, FairClimateFund has been working with Fairtrade Nederland, Horn of Africa Regional Environment Center and Network (HoAREC & N) and Oromia Coffee Farmers Cooperative Union (OCFCU) in the Fairtrade Carbon Partnership. OCFCU is the largest coffee federation in Ethiopia and represents 400,000 farming families in 400 cooperatives. The partnership aims to support these farmers in their fight against climate change.

Climate change has a major impact on the cultivation of coffee, not only our beloved cup is threatened, but also the existence of many small-scale coffee farmers in developing countries. Of every 10 to 20 euros that we pay in the store for a kilo of coffee, less than one euro often ends up at the coffee farmer. That is not enough for a living wage. In addition, these farmers have another challenge, namely climate change.

In the areas where the coffee farmers live, cooking is often done indoors on an open wood fire. This is very harmful to the health of mainly women and children. In addition, the use of wood is a major cause of deforestation in the region. Via the cookstove program, farmer families are provided with a Mirt and a Tikikil, efficient cookstoves that reduce wood consumption and significantly reduce indoor smoke development. In addition, the so-called Climate

Academy was established where farmers receive training in sustainable agricultural practices, such as efficient land use, planting shade trees and income diversification.

The CO2 reduction achieved by the cookstoves is Gold Standard and Fairtrade carbon certified. The carbon credits are sold at a fair price. Revenues from the sale cover the total costs of the project and local households pay off their cookstoves with the carbon credits they produce. These credits are bought by, for example, coffee importers or supermarkets who in this way stimulate CO2 reduction at the start of the coffee chain and at the same time also commit to CO2 reduction within their own organization. Consumers or organizations outside the coffee chain can also support this project by purchasing Fairtrade Carbon Credits. The Fairtrade premium is used to continue activities of the Climate Academy.

