



ENGAGING INDIGENOUS PEOPLES IN CARBON MARKETS

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THE AUSTRALIAN NATIONAL UNIVERSITY
NOVEMBER 2012



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UNFCCC

The United Nations Framework Convention on Climate Change (or UNFCCC) is a global mechanism that aims to provide an intergovernmental platform to mitigate the effects of climate change globally. Membership is almost universal across the world with 194 countries listed as members of the UNFCCC.

The ultimate objective of the UNFCCC is to stabilise the level of greenhouse gas emissions in the Earth's atmosphere as to stop any major disruptions to the world's environments and ecosystems as a result of human induced interference with the climate system. It was established at the Rio Earth summit in 1992 in response to international concerns about climate change. Its establishment was a formal recognition that climate change was an issue that simply could not be resolved by individual nations; a coordinated response was required.

Member-states attend an annual 'Conference of Parties' (or COP) to assess the level of progress in mitigating the effects of climate change and establishing legally binding obligations for countries to reduce their emissions. In 2012, the main COP will be held in Qatar.

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Abstract

Carbon markets are emerging globally as a tool that countries use to address the challenges of climate change by reducing or offsetting their carbon dioxide emissions. This paper examines the opportunities for the engagement of indigenous communities in carbon markets. Indigenous communities that engage in carbon markets by conducting projects that contribute to mitigating or offsetting emissions may be able to access co-benefits. However, the state of the international carbon market is fragmented and has provided mixed success in engaging indigenous communities. But, there may be opportunities via international climate change negotiations for the improvement of the state of carbon markets and indigenous communities' role in them. Finally, this paper makes several recommendations for improving the engagement of indigenous people in carbon markets.

Introduction

It is widely acknowledged that indigenous communities around the world are particularly vulnerable to the effects of climate change due to their close connection with land and ecosystems. They also possess valuable traditional knowledge and sustainable development practices that can contribute to mitigation and adaption strategies. The *United Nations (UN) Declaration on the Rights of Indigenous Peoples* emphasises the recognition and respect for indigenous knowledge, cultures and traditional practices that contribute to sustainable and equitable development and proper management of the environment.¹ The UN defines indigenous peoples as having a

‘historical continuity with pre-invasion and pre-colonial societies that developed their territories, consider themselves distinct from other sectors of societies now prevailing on those territories’,

and indicates that they are

‘determined to preserve, develop and transmit to future generations their ancestral territories, their ethnic identity and basis of their continued existence as people, in accordance with their own cultural patterns, social institutions and legal system’.²

Internationally, many indigenous people are interested in or are already participating in economic, ecosystem-service or capacity building opportunities provided by climate change mitigation strategies.³ In developed countries such as Australia and the United States (US) opportunities exist for Indigenous communities to conduct emissions reduction activities financed through domestic grant programs.⁴ In developing countries the Clean Development Mechanism (CDM) has linked developing and developed countries with 4968 registered projects in over 70 countries producing over a billion Certified Emissions Reductions (CERs).⁵

¹ United Nations 2008. The United Nations Declaration on the Rights of Indigenous Peoples', *United Nations*, available at http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf, retrieved 27/10/2012 p.2

² United Nations 2004. UNFCCC Statement International Day of the World's Indigenous Peoples available at http://unfccc.int/files/press/news_room/statements/application/pdf/statem040809.pdf retrieved 27/10/2012

³ Foley, Rowan (2011): Submission 057 to the Carbon Credits (Carbon Farming Initiative) Bill 2011; Carbon Credits (Consequential Amendments) Bill 2011 and Australian National Registry of Emissions Units Bill 2011 15/04/2011, *House of Representatives Committees*, Parliament Of Australia, p.1

⁴ Barnsley, Ingrid 2008. 'Emissions Trading, Carbon Financing and Indigenous Peoples', *United Nations University Institute of Advanced Studies (UNU-IAS)* p.9

⁵ UNFCCC 2012. 'The Clean Development Mechanism', available at <http://cdm.unfccc.int/> retrieved 9/11/2012

Emissions reductions efforts have centred around projects designed to ensure sustainable land management, ecosystem protection, improved community health, the creation of employment or training opportunities, sustainable livestock management or the development of a more stable community power supply.⁶ These experiences indicate there are significant benefits to be gained for indigenous communities through their participation in mitigation projects that are successfully integrated into carbon markets and that existing carbon markets provide a framework within which this may be successfully achieved. However the smooth implementation of projects that involve indigenous communities in carbon markets has been an elusive policy outcome in many countries. How then, can indigenous communities be engaged in carbon markets in a way that provides co-benefits and does not erode their rights?

This paper argues that if done in the right way, the engagement of indigenous people in carbon markets around the world provides important access to co-benefits for all stakeholders involved. It does this by first examining the reasons for engaging indigenous communities in carbon markets. It then analyses the current state of international carbon markets and assesses indigenous involvement in them. Thirdly it considers the opportunities for improving the engagement of indigenous communities in future carbon markets. Finally, several recommendations for improving the engagement of indigenous people in carbon markets are made.

The value of engaging Indigenous communities in carbon markets

Indigenous communities can make significant contributions to mitigation efforts globally. The Intergovernmental Panel on Climate Change's (IPCC) Fourth Assessment Report (AR4) noted that indigenous knowledge is 'an invaluable basis for developing adaption and natural resource management strategies in response to environmental and other forms of change.'⁷ In line with this there has been increasing realisation that the observations and assessments of indigenous peoples provide valuable on the ground information, providing the basis for successful adaption and mitigation activities.⁸ Climate change impacts are projected to be more severe on indigenous communities and territories because indigenous communities often live in close connection with vulnerable environments and they rely on the ecological stability of them.

However, there is debate surrounding whether climate change mitigation activities are having positive impacts on the lives of indigenous people. There have been issues surrounding the consultation and protection of indigenous interests in the development of

⁶ Barnsley, loc cit.

⁷ Nakashima, D.J., Galloway McLean, K., Thulstrup, H.D., Ramos Castillo, A. and Rubis, J.T. 2012. 'Weathering Uncertainty: Traditional Knowledge for Climate Change Assessment and Adaptation', Paris, United Nations Educational, Scientific and Cultural Organisation (UNESCO), and Darwin, United Nations University (UNU), p.6

⁸ Ramos, Ameyali and Mclean-Galloway, Kirsty (eds.) 2012. Climate Change mitigation with Local Communities and Indigenous Peoples: Practices, Lessons Learned and Prospects': Proceedings of the International Expert Workshop on Climate Change Mitigation with Local Communities and Indigenous Peoples, Cairns, Australia, *United Nations University- Traditional Knowledge Initiative* p.2

⁸ Barnsley, op cit. p.8

mitigation activities.⁹ Mitigation projects such as Reducing Emissions from Deforestation and Degradation (REDD+) have faced significant challenges such as

- The need for free, prior and informed consent of indigenous communities,
- Lack of public knowledge of the goals of REDD+,
- Lack of supporting scientific data,
- Complex governance systems,
- A lack of oversight and accountability and¹⁰
- Some parties to the KP remain suspicious of better management of land and land use as legitimate sources of allowable reductions (credits) in emissions.¹¹

The CDM faces similar issues. The recent High-Level Panel charged with making recommendations on how to ensure the effectiveness of the CDM and found that there is a need for significant improvement in stakeholder interactions, especially consultation with local community stakeholders and the process for grievances and appeals regarding the projects.¹²

If these challenges are able to be overcome there are clear benefits to indigenous people from their engagement in carbon markets. Furthermore, for indigenous people to participate in carbon markets their rights to land the carbon must be secured and legally upheld.¹³ Existing projects in countries like Australia have been able to provide important benefits beyond emissions reductions such as positive biodiversity outcomes, employment for indigenous rangers and monetary revenue.¹⁴ Furthermore, the increasing existence and international nature of carbon markets globally provides a favourable context for which indigenous people may be integrated into them.

The involvement of indigenous communities in projects that facilitate their engagement in carbon markets could provide important co-benefits to the communities. Emissions mitigation projects have the potential to facilitate the availability and reliability of energy, sound water resource management, reduce air pollution, enhance the conservation of ecosystems, plants, animals and land of importance to indigenous peoples.¹⁵ Institutional arrangements that incorporate local knowledge and decentralised decision making have been shown to be associated with high carbon storage and livelihood benefits and can be showcased as examples of successful governance.¹⁶ There have been some successful cases of indigenous engagements in carbon markets in some countries like Australia. This has been

⁹ Barnsley op cit. p.9

¹⁰ Ramos, *et al.*, op.cit., p.30

¹¹ Whitehead, *et al.*, op.cit., p.376

¹² CDM Policy Dialogue 2012. 'Climate Change, Carbon Markets and the CDM: A Call to Action', Report of the High Level Panel on the CDM Policy Dialogue, *CDM Policy Dialogue*, p.8

¹³ Saunders, et al. 2002. 'Social Capital From Carbon Property: Creating Carbon Equity for Indigenous People', *Philosophical Transactions of the Royal Society* **360**, pp.1763–1775 p.1763

¹⁴ Aboriginal and Torres Strait Island Commissioner (2007): 'Study: Western Arnhem Land Fire Management', Chapter 12, Native Title Report, *Human Rights and Equal Opportunity Commission*, p.257

¹⁵ Barnsley, loc cit.

¹⁶ Ramos, loc cit.

¹⁶ Barnsley, op cit. p.14

done through projects that reduce CO₂ emissions from savannah wildfires that also provided a range of co-benefits to the communities involved.¹⁷

Another important argument for the engagement of indigenous communities in carbon markets is that they can be used to build capacity in developing countries. Under the UNFCCC the need for capacity building, especially in developing countries to respond to climate change has long been recognised in the UNFCCC's work on issues such as technology transfer, national communications and funding. Under the UNFCCC the Subsidiary Body of Implementation (SBI) is charged with providing advice on 'ways and means of supporting indigenous capacity building in developing countries',¹⁸ and the Kyoto Protocol (KP) commits Parties to cooperating in and promoting 'the strengthening of national capacity building'.¹⁹ Capacity building cuts across many of the issues under consideration in the climate change process, features in several COP decisions and was first considered as a separate agenda item at COP 5 in Bonn in 1999.²⁰ It is in this context that improving the capacity of indigenous communities to participate in carbon markets should be considered. Efforts to build capacity of indigenous communities engaged in carbon markets should focus on specific strategies such as those recommended by the CDM policy dialogue;

- Improve accessibility and respond to stakeholders promptly and professionally
- Designate a contact person within the UNFCCC secretariat (for projects administered under the UNFCCC framework)
- Adopt a strategic communications policy including processes for responding to criticism and for enabling the dissemination of accurate and accessible information to a broad audience
- Establish guidelines for adequate local consultation procedures to ensure local community stakeholders are properly notified and consulted on proposed project activities²¹

Participants at previous COPs have encouraged Parties to concentrate on capacity building as the starting point for mitigation activities in developing countries. In this way, engaging indigenous groups in carbon markets could be an important capacity building tool for mitigation activities.

The State of Carbon Markets and their indigenous involvement

Carbon offset markets have been promoted as an important part of climate mitigation solutions because of their ability to deliver sustainable benefits through technology transfer and capacity building.²² To date, the global carbon market's US\$30 billion worth of Certified Emissions Reductions (CERs) and Emissions Reductions Units have been contracted, if all

¹⁷ Aboriginal and Torres Strait Island Commissioner, loc cit.

¹⁸ United Nations 1992. 'United Nations Framework Convention on Climate Change', *United Nations* p.14

¹⁹ United Nations 1998. 'Kyoto Protocol to the United Nations Framework Convention on Climate Change', *United Nations*, p.9

²⁰ UNFCCC 2012. 'Capacity Building', *UNFCCC* available at http://unfccc.int/cooperation_and_support/capacity_building/items/1033.php#Background retrieved 26/10/2012

²¹ CDM Policy Dialogue, loc cit.

²² Kollmuss, Anja et al., 2008. 'Making Sense of the Voluntary Carbon Market: A Comparison of Carbon Offset Standards' World Wildlife Fund (WWF) Germany, Stockholm Environment Institute and Tricorona, p.v

underlying projects are implemented, these contracts will have supported additional investments of more than US\$130 billion in developing countries.²³ However, analysis of the current state of carbon markets reveals their fragmented nature and challenges to their long-term viability as a mechanism to address emissions.

Carbon Markets

The Clean Development Mechanism (CDM)

To allow a 'comprehensive approach' to mitigation activities under the KP a range of flexibility mechanisms were built in to the Convention's architecture. The international recognition and promotion of carbon markets as a tool to achieve emissions reductions targets gained traction with the inclusion of the CDM in the KP. Under Article 12 of the KP the CDM was introduced to achieve two main objectives; to assist Non Annex 1 parties in achieving sustainable development and to assist Annex 1 countries achieve their agreed emissions reductions targets.²⁴ The CDM came into effect in 2003 and provides an important link between Annex 1 and Non Annex 1 countries as an offset mechanism.²⁵ The CDM has driven the development of 4586 projects in 76 developing countries that are expected to reduce global GHG emissions by up to 2.91Gt CO₂-equivalent by 2012.²⁶ The CDM has gained traction as developed countries look to implement domestic carbon trading schemes that require offset mechanisms.²⁷ Although governments are responsible for the institutional design of the CDM, its project cycle relies heavily upon profit seeking and non profit actors such as carbon investors and brokers, third party auditors, scientific experts, NGOs and local communities affected by project activities.²⁸ The CDM is likely to remain the world's foremost means of gaining benefits from a carbon market.²⁹ Furthermore a strong CDM is necessary to support the political consensus essential for future progress in carbon markets.³⁰

Despite its successes the CDM faces many challenges and has been criticised by a range of academics, governments and civil society groups.³¹ The main criticisms are of the complex project cycle and its high transaction costs, questions over the 'additionality' of projects, the commoditisation of environmental assets and negative impacts of CDM related activities, particularly in developing countries on indigenous communities' lands and livelihoods.^{32, 33} Problems stem from modest mitigation targets that no longer create strong incentives for

²³ Kossoy, Alexandre and Guigon, Pierre (2012): 'State and Trends of Global Carbon Market', *World Bank*, Washington D.C. p.11

²⁴ United Nations 1998. op cit., p.11

²⁵ Lederer, Markus 2010. 'Evaluating Carbon Governance: The CDM from an Emerging Economy Perspective', *The Journal of Energy Markets*, 3:2 p.5

²⁶ Boyd et al., 2009. 'Reforming the CDM for Sustainable Development: Lessons Learned and Policy Futures', *Environmental Science and Policy*, 12 pp.820-831 p.821

²⁷ Kakakhel, Shafquat 2012. 'The Future of the CDM under the Kyoto Protocol' available at <http://cdkn.org/2012/01/future-of-the-cdm-under-the-kyoto-protocol/> retrieved 27/10/2012

²⁸ Lovbrand, et al., 2009. 'Closing the Legitimacy Gap in Global Environmental Governance', *Global Environmental Politics* 9:2 pp.74-100 p.75

²⁹ CDM Policy Dialogue, op cit. p.2

³⁰ Ibid.

³¹ CDM Policy Dialogue loc cit.

³² Barnsley, op cit. p.8

³³ Lovbrand et al., loc cit.

private international investment and local action in developing nations.³⁴ Carbon prices in the market have declined by 70% in the last year alone and are predicted to fall further.³⁵ Many countries with mitigation targets have not linked their implementation of these targets to the CDM.³⁶ Some observers argue that many CDM projects appear to make significant emissions reductions contributions while falling short in delivering local benefits to communities.³⁷

The CDM and Indigenous Communities

There have been a number of projects that have involved indigenous communities in the CDM. There have been a several that have engaged African smallholder farmers and local communities in carbon projects. In Ethiopia the Humbo Assisted Regeneration Project managed by World Vision helps local communities to receive direct carbon payments benefiting from agro-ecosystem restoration.³⁸ Humbo is the first large scale African afforestation/reforestation to be registered under the CDM.³⁹ The most significant benefit to communities was improved farm productivity rather than the revenue generated by the sale of carbon credits.⁴⁰ Sustainable land management practices increase the community's resistance to climate change by improving general soil health, water holding capacity and making soils more resistant to drought.⁴¹ Other benefits included diversified income and strengthening of local groups responsible for managing elements of the project.⁴²

REDD+

REDD+ is a program that currently engages indigenous peoples in emissions offsetting activities and has the potential to be integrated in to international carbon markets in the future. It is estimated that 20 per cent of current global GHG emissions are caused by deforestation,⁴³ this has formed the basis for the need for programs which prevent deforestation and the associated release of CO₂ in to the atmosphere. Indigenous people legally own more than 11 per cent of the world's forests that hold 80 per cent of the world's biodiversity according to the World Bank with traditional ownership and land tenure covering an even greater area.^{44, 45} Some governments perceive REDD+ as a new source of funding, Guyana's President Bharrat Jagdeo declared that 'climate change is good business...and probably the best thing that could have happened to forested countries'.⁴⁶

³⁴ CDM Policy Dialogue loc cit.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Boyd et al., op cit. p.824

³⁸ Shames et al 2012. 'Institutional Innovation in African Smallholder Carbon Projects' Climate Change Agriculture and Food Security (CCAFS) Report no.8, Copenhagen, Denmark *Consultative Group on International Agricultural Research* (CGIAR) p.9

³⁹ Ibid.

⁴⁰ Ibid., p.17

⁴¹ Ibid. p.18

⁴² Ibid.

⁴³ Intergovernmental Panel on Climate Change (IPCC) 2007. 'Climate Change 2007: Synthesis Report', IPCC

⁴⁴ Sobrevila, Claudia 2008. 'The Role of Indigenous People in Biodiversity Conservation: The Natural but often Forgotten Partners', *The World Bank*, p.xii

⁴⁵ Ramos, and Mclean-Galloway, op cit. p.9

⁴⁶ Lemaitre, Sophie 2011. 'Indigenous Peoples' Land Rights and REDD: A Case Study', *Review of European Community and International Environmental Law*, 20:2 pp.152-162 p.156

The UN-REDD programme has already been established in 29 countries and Papua New Guinea and Vietnam are in their 'quick start' phase.⁴⁷ It has engaged indigenous communities in many of these cases. One example is the REDD project conducted on Palawan Island in the Philippines. Local and indigenous people have become part of locally organised 'forest governance bodies' encompassing NGOs and government representatives.⁴⁸ The Palawan people are already experiencing livelihood co-benefits, such as the setting up of water supply systems and sustainable enterprises based on agroforestry and non timber forest products.⁴⁹ The *Indigenous People's Rights Act 1997* in the Philippines enables indigenous peoples in the Philippines to secure ancestral domain claims and title, which ensures in practice rights over the forest and legal ownership of the land.⁵⁰

However, there are concerns internationally from many stakeholders about the integration of REDD+ in to carbon markets. Indigenous communities have highlighted the importance of equitable REDD+ projects. The Anchorage Declaration, the product of the 2009 Indigenous Peoples' Conference on climate change stated that

'all initiatives under REDD must secure the recognition and implementation of human rights of Indigenous people, including security of land tenure, ownership, recognition of land tenure according to traditional ways, uses and customary laws and the multiple benefits of forests for climate ecosystems and Peoples before taking any action'.⁵¹

Four key challenges facing REDD+ have been identified including accurately measuring stored carbon, who benefits from the revenue raised by REDD+, accountability over the projects and funding of the projects.⁵² Individual REDD+ programs reflect this, facing challenges including; the need for free, prior and informed consent of indigenous communities, lack of public knowledge of the goals of REDD+, lack of supporting scientific data, complex governance systems and a lack of oversight and accountability.⁵³ The desirable co-benefits from mitigations activities do not materialise easily from REDD+. ⁵⁴ The Global Alliance of Indigenous Peoples and Local Communities against REDD+ and for Life, formed at the Durban UN climate negotiations, call for an immediate moratorium on REDD+ type projects because they fear that REDD+ could result in 'the biggest land grab of all time,' thus threatening the very survival of indigenous peoples and local communities.⁵⁵ This group argues that REDD+ is 'rife with fundamental flaws that make it little more than a green mask

⁴⁷ Dressler, Wolfram., McDermott., Melanie, Smith., Will and Pulhin, Juan 2012. 'REDD Policy Impacts on Indigenous Property Rights Regimes on Palawan Island, the Philippines', *Human Ecology*, **40**, pp.670-691, p.680

⁴⁸ Ibid., p.684

⁴⁹ Ibid.

⁵⁰ Ibid. p.682

⁵¹ 2009.The Anchorage Declaration, Indigenous Peoples Summit on Global Summit of Climate Change, available at <http://unfccc.int/resource/docs/2009/smsn/ngo/168.pdf>, retrieved 9/11/2012 pp.2-3

⁵² Asia Indigenous Peoples Climate Change Monitoring and Information Network (CCMIN) 2010.'REDD+ and Indigenous Peoples: A Briefing Paper for Policy Makers', Asia Indigenous People's Pact and the International Work Group for Indigenous Affairs

⁵³ Ramos, and Mclean-Galloway, op cit. p.30

⁵⁴ Lederer, Markus 2011. 'From CDM to REDD+: What do we know for setting up effective and Legitimate Carbon Governance?', *Ecological Economics* **70** pp.1900-1907 p.1905

⁵⁵ Goldtooth, Tom 2001. 'Indigenous Peoples Condemn Climate Talks Fiasco and Demand Moratoria on REDD+', available at <http://www.carbontradewatch.org/articles/indigenous-peoples-condemn-climate-talks-fiasco-and-demand-moratoria-on-redd.html> retrieved 26/10/2012

for more pollution and the expansion of monoculture tree plantations.⁵⁶ In Indonesia project developers are obtaining REDD+ licences before consulting with indigenous peoples.⁵⁷ There are further reports that communities do not have access to legal and technical advice on proposals and are not being helped to secure their customary rights in land, and that benefit sharing and complaints mechanisms are missing in many cases.⁵⁸

Voluntary markets

Voluntary carbon markets are emerging globally and are growing rapidly. They allow for companies, governments and individuals to voluntarily offset their carbon emissions. The voluntary market, although much smaller than the compliance market, was worth €62 .6 million in 2006.⁵⁹ The European Union's Emissions Trading Scheme (EU ETS) is a cap-and-trade mechanism. The EU has a vision for an international carbon market and is taking steps to link the EU ETS with other national and regional cap-and-trade emissions trading systems.⁶⁰ Additionally the EU has integrated the EU ETS into KP mechanisms by including provisions in its legislation for participants to use most categories of JI and CDM credits for fulfilling their obligations under the EU ETS.⁶¹

In the past year in Australia, the United States (California), Canada, Mexico, China and the Republic of Korea have instated low carbon initiatives including mitigation policies and implementation of market mechanisms have been legislated.⁶² In New Zealand, Australia and the EU domestic schemes are linked to international commitments.⁶³ Some countries have linked their voluntary and compliance markets; in 2006 approximately 17% of the offsets sold in the voluntary market were sourced from CDM projects.⁶⁴

In Australia indigenous people have been engaged in the voluntary carbon market. The West Arnhem Land Fire Abatement (WALFA) project has reintroduced traditional seasonal burning practices in northern Australia reducing the occurrence of severe bushfires that release large amounts of carbon dioxide into the atmosphere. The project offset emissions from a Darwin Liquefied Natural Gas plant

The project has formed the basis for the inclusion of the methodology in the Australian Government's Carbon Farming Initiative; a national policy that provides financial incentives for certain abatement activities. WALFA has been successful in creating significant social and economic benefits such as employment and revenue from the sale of carbon credits for indigenous communities in Australia and has been viewed worldwide as a groundbreaking example of how Indigenous populations can effectively participate in the carbon economy.⁶⁵

⁵⁶ Ibid.

⁵⁷ Ramos, and Mclean-Galloway, op cit. p.29

⁵⁸ Ramos, and Mclean-Galloway, loc cit.

⁵⁹ Kollmuss et al. loc.cit.

⁶⁰ European Commission 2012. 'Linking the EU ETS to other Emissions Trading Systems and Use of International Credits', European Commission, available at http://ec.europa.eu/clima/policies/et s/linking/index_en.htm retrieved 24/10/2012

⁶¹ Ibid.

⁶² Kossoy and Guigon, loc.cit.

⁶³ Moyes, Toni E 2008. 'Greenhouse Gas Emissions Trading in New Zealand: Trailblazing Comprehensive Cap and Trade', *Ecology Law Quarterly*, **35** pp.921-966 p.921

⁶⁴ Kollmuss, et al., loc cit. p.6

⁶⁵ Ramos, and Mclean-Galloway, Kirsty op cit.p.3

Opportunities for improving the engagement of Indigenous communities in carbon markets

The CDM

The improvement and continuation of the CDM mechanism in the future is essential to provide a mechanism through which indigenous people can engage in carbon markets. The CDM is a flexibility mechanism built in to the KP and will continue under KP 2.⁶⁶ There are, however debates surrounding limiting access to the CDM to countries that sign on to KP and with Canada, Russia, Japan, New Zealand and the US opting out of KP 2 demand for credits generated under the CDM may be compromised. Developing countries have advocated that only developed countries that sign up to KP 2 should be able to access the CDM. Parties are currently deciding on the future of the CDM in a post 2015 binding agreement under the ADP. They recognise the achievements of the CDM as a market mechanism and have stressed the importance of a 'complementary' mechanism in the new agreement.⁶⁷

The current issues that the CDM faces are beginning to be resolved. For example, the geographical distribution of projects has improved with an increase in the past year of projects in African countries, which now host 69 projects.^{68,69} An independent high-level panel was established to review the CDM, it urged nations to intervene forcefully to address the crisis in the carbon market and substantially increase their level of ambition when it comes to reducing GHG emissions.⁷⁰ The panel urged that its recommendations be implemented fully and without delay with a timetable that will bring them in to effect by the UN Climate Change Conference scheduled for December 2013.⁷¹ If implemented these recommendations will address the challenges the CDM faces improving its' ability to support indigenous engagement in carbon markets. It will also create a more robust mechanism under which offsetting projects that engage indigenous people in carbon voluntary markets may be able to be implemented once approved under the CDM.

Through an improved REDD+ arrangement

As previously outlines REDD+ projects present a significant opportunity to engage indigenous people in carbon markets in the future. If the REDD+ program can overcome the challenges identified then the program will be able to expand and involve more indigenous communities in carbon abatement activities that provide multiple benefits. There was progress at COP 17 in Durban with the text brought grater clarity to the Forest Reference Emissions Levels, social and environmental safeguards and Measurement, Reporting and Verification (MRV), however there are still unresolved questions regarding sources of financing and benefit sharing.⁷² Key issues at COP 18 in Doha include financing, reference levels, MRV, safeguards, information systems, drivers of deforestation and degradation, the

⁶⁶ UNFCCC Secretariat 2012. 'CDM Frequently Asked Questions', UNFCCC, available at <http://cdm.unfccc.int/faq/index.html> retrieved 24/10/2012

⁶⁷ UNFCCC 2012, 'Views on the New Market-Based Mechanism- Submissions from Parties' *Ad Hoc Working Group on Long-term Cooperative Action under the Convention*, UNFCCC Fifteenth Session, Bonn, 15–24 May p.13

⁶⁸ Ibid.

⁶⁹ Boyd et al., 2009. Loc cit.

⁷⁰ CDM Policy Dialogue 2012. 'High Level Panel on the CDM Policy Dialogue', UNFCCC, available at <http://www.cdmpolicydialogue.org/> retrieved 25/10/2012

⁷¹ Ibid.

⁷² 2012. "Forests and Climate Change after Durban- An Asia Pacific Perspective' RECOFTC (Regional Community Forest Training Centre), Food and Agriculture Organisation (FAO), and Code REDD, Bangkok, Thailand, p.1

role of the Green Climate Fund (GCF) in financing REDD+ and how much rich countries will be able to count REDD+ activities toward meeting their own targets.⁷³ An improvement in the UNFCCC text and decisions will assist in the rollout of REDD+ projects. For example countries like Cambodia have established pilot REDD+ projects and must demonstrate how benefits can be delivered before building a case for extending the model to other areas.⁷⁴ For REDD+ to be justly implemented it is essential to ensure that carbon markets and other environmental compensation mechanisms strengthen rights and governance and support forest communities.⁷⁵

Meaningful consultation and engagement of Indigenous representatives at climate change negotiations on REDD+ issues will encourage their engagement in REDD+ programs. Current COP decisions about REDD+ are placing a greater focus on indigenous peoples' rights than other climate mitigation options have done in the past.⁷⁶ However there is still progress to be made in this area. Constituencies such as the Indigenous People's Organisation (IPO) can provide formal input into the negotiations through interventions and statements in plenaries to influence climate change negotiations.⁷⁷ However, observers have noted that indigenous peoples have indirect and weak agency through being involved as a junior partner on the REDD+ outcomes.⁷⁸ This is due to the fact that non-state actors such as indigenous groups are limited to playing an observing role at climate change negotiations as part of civil society representatives.⁷⁹ Furthermore the divergent ideological positions of groups opposed to REDD+ as a market mechanism in previous COPs has prevented those opposed to REDD+ from presenting a united front.⁸⁰ If these challenges are addressed then the opportunities for engaging indigenous people in REDD+ projects that may be eventually linked to carbon markets in the future will be improved.

Through Improved Voluntary Carbon Markets

The voluntary carbon market presents a significant opportunity to engage indigenous communities in mitigation projects. As markets become more interlinked and demand for carbon credits increases, countries will be pursuing options for mitigation and abatement activities. Given the important contribution of the land sector to climate change mitigation efforts and the connection of indigenous groups with the land around the world, it is important to examine the opportunities for improving the engagement of indigenous people in voluntary carbon markets.

Voluntary carbon markets present an important opportunity to engage indigenous people because it promotes the implementation carbon abatement projects that are outside of the regulatory requirements and approval processes of the CDM and REDD+ project

⁷³ Lang, Chris 2012. 'A Short Guide to REDD+ in the UN Climate Negotiations ahead of Doha', available at, <http://www.redd-monitor.org/2012/11/08/a-short-guide-to-redd-in-the-un-climate-negotiations-ahead-of-doha/> retrieved 11/11/2012

⁷⁴ 2012. Op cit. p.4

⁷⁵ Rights and Resources Initiative (RRI) 2008. Seeing People Thought the Trees: Scaling Up Efforts to Advance Rights and Address Poverty, Conflict and Climate Change, *RRI*, Washington D.C. p.36

⁷⁶ Schroeder, Heike 2010. 'Agency in International Climate Negotiations: the Case of Indigenous Peoples and Avoided Deforestation', *International Environmental Agreements*, **10** pp.317-332 p.326

⁷⁷ Ibid., p.324

⁷⁸ Ibid., p.326

⁷⁹ Ibid., p.324

⁸⁰ Bond, Patrick 2011 'From Copenhagen to Cancun to Durban: Moving Deckchairs on Climate Titanic', *Capitalism Nature Socialism* **22:2** pp.3-26, p.22

frameworks. Countries are able to undertake abatement projects that may not be approved under the CDM and can be financed through other sources. In countries with domestic carbon markets this provides abatement opportunities outside of international regulatory frameworks. It is important to note that any voluntary developed countries like Australia, Canada, the United States (US) and the EU with domestic carbon markets are looking to offset their emissions via projects in developing countries. Voluntary carbon markets are becoming increasingly interlinked, the EU and Australia plan to link their markets by 2015 allowing Australian businesses to use EU allowances to help meet liabilities under the Australian scheme.⁸¹

In Kenya a project that is integrated in to the voluntary carbon market has become the first carbon financed program to help households access safe drinking water. The project known as 'Lifestraw Carbon for Water' has distributed 877 505 water filters in Kenya's western province.⁸² The inhabitants of the area include the Luyha people who are the traditional inhabitants of the area and have a long-standing agricultural connection to the land.⁸³ The microbiological filters deliver at least 18 000 litres of US Environmental Protection Authority (EPA) quality water instantly which is enough to supply a family of five with enough clean water for three years.⁸⁴ Before households had access to the filters they were boiling water over open fires that produces carbon emissions through burning mostly non-renewable wood which also contributes to a significant deforestation problem in the region. The project has produced important co-benefits for the community including improved health and death and disease prevention from ensured access to clean water and reduced exposure to carbon monoxide that is present in smoke from wood fires.⁸⁵ It also has had positive development benefits for 4.5 million residents in the region. This project could be showcased internationally to encourage the engagement of indigenous people in similar projects. It is clear that the emerging voluntary carbon market can support the engagement of indigenous communities like those in western Kenya in carbon markets whilst simultaneously providing co-benefits to communities.

The UNFCCC decisions: Conference of the Parties 18 Doha, Qatar

Strong carbon markets ensure stable carbon prices that create favourable financial conditions for any indigenous projects linked to them. Opportunities to increase indigenous engagement in carbon markets that fall under the UNFCCC will be shaped by negotiations and decisions made at COP 18 later this year. There are several key decisions surrounding increasing short-term action and ambition that will affect the future of carbon markets. A Doha amendment for a second commitment period of the KP (KP2) that applies immediately to a range of countries with targets in the 25-40% range, with an adjustment procedure to increase ambition, removing false emission reductions by minimising carried over Assigned

⁸¹ European Commission 2012. op cit.

⁸² Climate Care 2012. 'Carbon Finance Funds Revolutionary Water Purification Project in Africa', *Climate Care*, available at <http://www.climatecare.org/about/news/worldsfirst/> retrieved 13/11/2012

⁸³ Conelly, Thomas W. and Chaiken, Miriam S. 2001. 'Intensive Farming, Agro-Diversity, and Food Security Under Conditions of Extreme Population Pressure in Western Kenya', *Human Ecology* **28**:1

⁸⁴ Vestergaard Frandsen 2012. 'How Carbon for Water Works', Vestergaard Frandsen, available at <http://www.vestergaard-frandsen.com/carbon-for-water/how-it-works.html> retrieved 13/11/2012

⁸⁵ Vestergaard Franson 2011. 'LifeStraw in Kenya: CO₂ for H₂O' *Vestergaard Franson*, available at http://www.youtube.com/watch?feature=player_embedded&v=sH5SZViwTRO retrieved 13/11/2012

Amount Units (AAUs) and improving CDM and JI rules.⁸⁶ There is a call for all developing countries to register their mitigation actions and required support and make pledges.⁸⁷ This should ensure that any new market mechanisms that add to overall ambition have stringent rules.⁸⁸ Increasing public finance to enable developing countries to increase their mitigation and adequately deal with adaptation.⁸⁹ If the ambition of KP 2 is increased then the value of CO₂ will increase in international markets and countries will implement domestic mitigation legislation that supports the CDM and voluntary carbon markets.⁹⁰ Increasing financing for mitigation and adaptation projects in developing countries will support the engagement of more developing countries in the CDM. All of these decisions will have an important impact on the shape of carbon markets.

Recommendations

1. COP 18 should be used as a platform to work towards accepting the CDM Policy Dialogue's recommendations by COP 19 in 2013
2. There should be improved engagement of indigenous people in climate change negotiations and integration of their views and recommendations in to decision making
3. Countries involved in voluntary carbon markets should support mitigation projects that meaningfully engage indigenous peoples in to carbon markets and provide them with co-benefits
4. Work towards strong and binding commitments on indigenous rights and safeguards in the context of global carbon markets
5. The UNFCCC should work towards the inclusion of REDD+ in to international carbon markets after addressing the numerous challenges identified with the program in this paper

Conclusion

Climate change is a global phenomenon requiring a suite of policy instruments implemented around the world to address the challenges it poses. Carbon markets have been championed as efficient emissions reductions and offset tools. Indigenous communities are especially vulnerable to the effects of climate change and are an important source of local knowledge and mitigation and adaption strategies. Their engagement in carbon markets, if appropriately realised can provide important benefits to these communities. However the current state of carbon markets presents mixed successes and there are many opportunities for improving the state of carbon markets and the ability of indigenous communities to engage in them. The future of the international carbon market depends on countries collectively increasing their emissions reductions targets, meaningful engagement of indigenous stakeholders in climate change negotiations and the revision of the REDD+ program as a market based tool to mitigate emissions. However, as several successful

⁸⁶ Richards, J. 2012. 'Doha Milestones and Actions COP18/CMP8 must increase short term ambition and establish a clear path to 2015', *Climate Action Network (CAN)*, available at http://climatenetwork.org/sites/default/files/CAN_Doha_Milestones_and_Action_Final_24October2012_0.pdf retrieved 28/10/2012

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ CDM Policy Dialogue loc cit.

programs detailed earlier in this paper demonstrate there are opportunities to engage indigenous people in similar projects elsewhere. It is evident that there are opportunities to increase the engagement of indigenous peoples in carbon markets, but they must be considered in conjunction with the rights of indigenous communities and solutions to address the challenges that the international carbon market faces.

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List of Abbreviations and Acronyms

AAU	Assigned Amount Units
ADP	Ad hoc Working Group on the Durban Platform for Enhanced Action
AR4	Assessment Report 4
CAN	Climate Action Network
CCAFS	Climate Change, Agriculture and Food Security
CER	Certified Emissions Reductions
CDM	Clean Development Mechanism
CGIAR	Consultative Group on International Agricultural Research
CMP	Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
ERU	Emissions Reduction Unit
EU	European Union
FAO	Food and Agricultural Organisation
GCF	Green Climate Fund
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
IPO	Indigenous Peoples Organisation
JI	Joint Implementation
NGO	Non-Governmental Organisation
KP	Kyoto Protocol
KP 2	Kyoto Protocol Second Commitment Period
REDD+	Reducing Emissions from Deforestation and Degradation
RECOFTC	Regional Community Forest Training Centre
RRI	Rights and Resources Initiative
SBI	Subsidiary Body of Implementation
UNESCO	United Nations Environmental Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UNU	United Nations University
UNU-IAS	United Nations University Institute of Advanced Studies
US	United States
WALFA	West Arnhem Land Fire Abatement
WWF	World Wildlife Fund



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