

Discussion Event: Carbon Markets for smallholders – Guidebook for project developers

GIZ experiences for agricultural carbon project development targeting Voluntary
Carbon Markets

Wednesday 27th of September / 9:00-10:30 CEST online



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Guidebook for Project developers



Best practice for Agricultural carbon project development
targeting Voluntary Carbon Markets (VCM)

**CompensACTION for food
security and a healthy planet**



Federal Ministry
for Economic Cooperation
and Development



Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



About the Initiative

Vision: agricultural producers worldwide should receive adequate compensation for their multifunctional services

Objectives: promote payments for ecosystem services (PES) to



Improve
**smallholder
farmers' incomes**



Create incentives
for sustainable
farming practices



Deliver co-
benefits



Diversify financial
instruments for public
and private funding of
ecosystem services



Attract **international climate
finance to adaptation and
mitigation** action in the
agricultural sector.

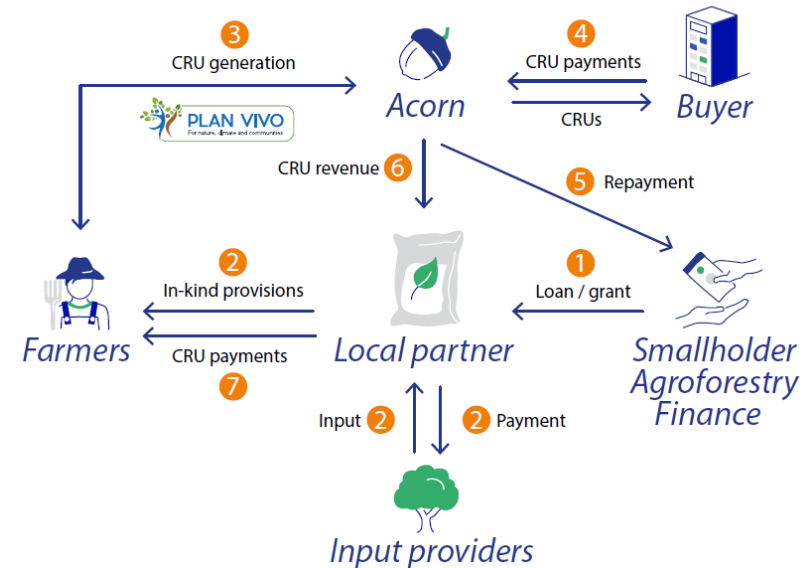
Two pathways:

- 1) facilitating exchange between stakeholders and advancing relevant recommendations for compensation mechanisms
- 2) fostering implementation partnerships in piloting and scaling-up compensation mechanisms

Milestone 2023

- **Partnership with IFAD** to jointly invest >10 Mio EUR into SAF - Smallholder Agroforestry Finance – initiated by **Acorn/Rabobank**.
- Idea to strengthen a blended finance vehicle for the pre-financing of carbon projects in smallholder agriculture
- De- risking and attracting private investments into the facility.

Financing and repayment



Milestone 2023

Accompanying research with **CIAT** to shape the design of the initiative as well as the pilot projects

Collaboration with **World Bank** (FoodSystems 2030 Trust Fund) to explore ways to use CompensACTION (PES) as vehicle for repurposing public subsidies (e.g. Payments for Soil Health Services in Malawi)



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Presentation of the Guidebook for Project developers

Adaugo Okoli

Timm Tennigkeit

Freiburg, 2023



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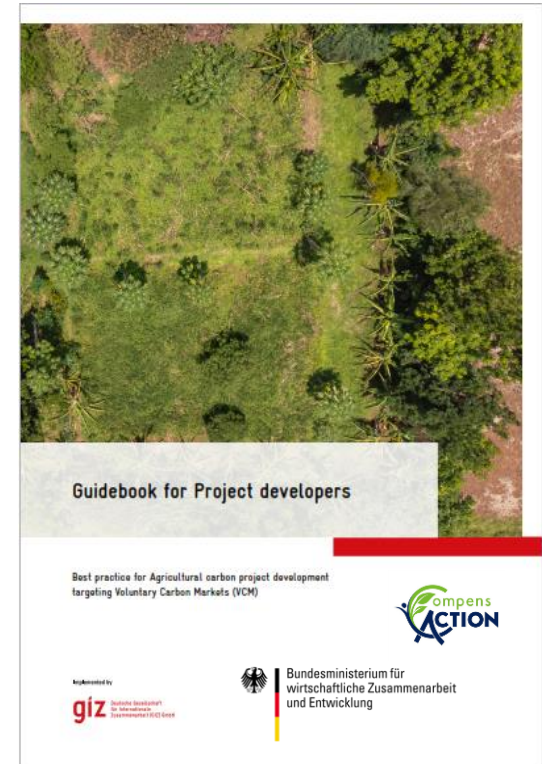


Background

Key Lessons

Conclusions

- Lessons from GIZ ProSoil engagements, especially Western Kenya Soil Carbon Project (WKCP) pilot
- 32,000ha (~40,000 farms) in Western Kenya
- Promotes sustainable land management: mulching, crop rotation, composting, integrated pest management, others for improved productivity & food security
- Access to advisory services is main benefit driver
- A non-profit SCCS Ltd by guarantee is responsible for:
 - the quality of the advisory services quality provided
 - monitoring and certification of carbon credits under VERRA VCS and the sale of carbon credits to finance the advisory services on a performance basis





- Regulatory environment
- Agricultural advisory services
- Measurement, Reporting & Verification



Voluntary carbon markets increasingly regulated:

- Regulations proposed even on private land
- Taxes, levies proposed
- Sale and export of carbon credits increasingly restricted, corresponding adjustments required
- Reporting requirements to enable NDC reporting through registries
- Regulation mostly in development state without guidance on implementation. Land use specific requirements often overlooked by carbon experts with an energy background

Project
developers
operate with
increased
uncertainty –
distracting
investors

Risk mitigation actions:

- Prioritize countries with attractive regulatory environment
- Engage in policy dialogue to raise soil carbon project developer requirements

Agricultural advisory services



Key driver of long-term agricultural & livelihood benefits



Main share of SLM project costs



Closely linked to monitoring (Practice adoption & benchmarking)



Group approaches to reduce costs



Must be context-specific & aligned to farmer interests

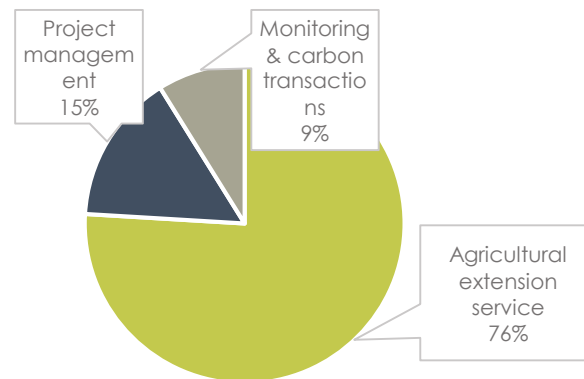


Delivery improving through action research, innovations & digital tools

Table 1: Net revenue from ProSoil promoted practices

	USD/ha/year
Non-SLM farmers (control group)	894
ProSoil farmers adopting SLM	1,686 – 2,027
Increase in net income due to grant- and subsequently carbon-financed agricultural extension services	792 – 1,134

Source: Wehinger et al (2023)





VERRA VCS VM0042 currently the only method suitable for soil carbon but is expensive due to soil measurements

VCS ARR methodology will be released shortly and might be also suitable. Other niche standards like Gold Standard and Plan Vivo may gain traction over time.

Collaborative effort to integrate activity monitoring, geo-spatial analysis, modelling and direct measurements into new methodology suitable for small family farms lacking

Non-carbon impacts are also to be monitored & captured in MRV system

Field & survey-based approach remains key to holistic assessment incl. socioeconomic impacts, practice adoption etc



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Table 2: Measured vs Modelled SOC stock changes WKCP

		Unit	Value
Wehinger et al 2023	Non-SLM farmer stock 0-100cm	tCO ₂ e/ha	503
	SLM farmer stock 0-100cm	tCO ₂ e/ha	510 - 540
	Difference in stock (2018–2022)	tCO ₂ e/ha	7 - 37
	Yearly SOC removal rate	tCO ₂ e/ha/year	1.2 – 9.2
WKCP ex-ante estimates	Yearly SOC removal rate	tCO ₂ e/ha/year	0.4 – 1.2

- WKCP uses a sample-based modelling approach
- Modelling approach (following VCS VM0017) yields conservative credit estimates compared to direct measurements using NIR scanner
- Accuracy improvements could further increase farmer benefits



- Scarcity of project development capacity is still limiting scale despite carbon prices becoming favorable enough
- Due to its high impact on costs & benefits, improvements of advisory services expected to have the highest benefit for farmers & project business model
- Accuracy improvements in MRV can increase farmer benefits. An integrated approach is lacking
- Alignment with farmer interests important in development of SLM packages, MRV procedure & whole project design

Thank you

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Soil-Carbon Certification Services

Introduction to Stakeholders

September 2023



Key Features of the Carbon project | How it works

- The project targets farmers phased out/weaned off by ProSoil project, promoting ProSoil SALM packages
- Targets to support farmers to adopt SALM on 32,000 Ha of land by the year 2039
- Farmers voluntarily register and commit to join the carbon certification scheme
- The project entry point is the registered farmer group.
- Registered farmer groups assign **carbon rights** to SCCS in return for **demand-driven advisory services**
- SCCS will **contract** Implementing partners (NGOs and local CBOs) to deliver agriculture advisory services based on performance-based payments
- GIZ is financing the “**initial phase of the project**”, SCCS is to finance “continuation of agricultural advisory services” once finance is available from the first and subsequent sale of carbon credits in 2023 and beyond
- Grievance handling mechanism will ensure effective management of conflicts and complains



**Thank
you**

- **Documentation of event:** [Event Wiki](#)
- **Contact:** compensation@giz.de; julia.klemme@4p1000.org

- **Upcoming Event:** [STC Webinar on Soil Inorganic Carbon 17.10.23](#)
- **Invitation for CoP members:** [4per1000 Task Force A5 \(Carbon Markets\)](#)



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