

A CALL TO COP26:

The Livelihoods Funds' position statement on climate action



Fast growing carbon markets and booming international demand for carbon offsets create opportunities to accelerate the changes our planet urgently needs to address climate change issues. But this demand also generates a series of risks if carbon finance becomes an end, not a mean to generate impact for the benefit of people and the climate. To anticipate and mitigate the risk of a carbon market bubble, [COP26](#) will have to make clear decisions on a better regulation to foster quality investments, clarify the rules for investors and governments, improve the market's transparency. In the following statement, the Livelihoods Funds share their views based on more than 10 years of experience on the ground.

A sharply increasing carbon offset demand

The diagnostic is clear enough. The 1.5°C pathway enshrined in the Paris Agreement will require a massive reduction effort (minus 23GtCO₂ on a yearly basis by 2030, a reduction of 57% vs. 2020) and a growing number of negative emissions towards net-zero global emissions by 2050. At this price only will the world be able to give itself a chance for a desirable future. As clarified by the Paris Agreement, while reductions shall be given precedence, they will not suffice. Removals will need to pick-up sharply. A fair share of these removals will come from tree planting and sustainable agriculture under the form of voluntary offsets. By TSVCM¹'s reckoning, global demand for voluntary carbon offsets could increase by a factor 15 by 2030 and keep growing sharply thereafter.

In almost every part of the world, States, cities, investors, private and public entities are making bold claims on their reduction and offsetting ambitions. By public records, more than 1,500 companies have made climate change commitments in recent years, some of them targeting the offset of their entire historic carbon budget in the next few years. More than 100 countries have become equally ambitious and made carbon neutrality pledges by 2050 or 2060. Some industries, like airlines, are also gradually starting to commit to offsetting. Here is the sheer scale of demand for offsets.

Reducing emissions within the value chain is a top priority, but offsetting will also contribute to climate action

To reach Paris Agreements objectives, a huge effort must be made by all stakeholders from governments to private sector and civil society. The priority is to accelerate an impactful transformation within their scope of responsibility. Companies must focus on their own value chain. It is usually a complex process that cannot be

¹ [Taskforce on Scaling Voluntary Carbon Markets](#)

implemented immediately. Offset comes as a useful complement to compensate the emissions that cannot be yet reduced.

Matching supply with demand will require money. Luckily, thanks to global liquidity and attracted by the dramatically growing interest for offsets from so-called Nature-Based Solutions², investment commitments from both public and private players are piling-in. Trillions of USD are being committed to contribute to the climate transition. Many of these commitments will be channeled to most needed reductions, but several hundreds of million USD have been announced or confirmed towards offsetting in just the past few months.

But as of today, the voluntary carbon markets are arguably not fully equipped to deal with a 15-fold increase by 2030. Among other entities working on this matter, the TSVCM has issued recommendations for the market to scale, inspired from what has proved to be successful in commodity and financial markets, e.g., creating shared principles for defining and verifying offsets, developing contracts with standardized terms, creating consensus about their proper use, build proper infrastructures etc.

Let us be careful on quality

Offset quality is multi-dimensional, particularly for Nature-Based Solutions. Of course, one ton of sequestered CO₂ is one ton of sequestered CO₂ irrespective of *how* it was sequestered. But when we deal with nature, we deal with people, with food production, with water, with biodiversity, with resilience and with a whole range of ecosystemic services that benefit the entire mankind. In many – if not all – parts of the world, particularly in the South, nature directly sustains the livelihood of hundreds of million people, as long as people take good care of it. There is a direct, two-way relationship between people and nature.

Simple solutions, primarily looking to reach scale, do not necessarily work everywhere and might even be counterproductive on one or sometimes more of the United Nations Sustainable Development Goals. In many cases, we must accept to deal with the complexity of a systemic approach and acknowledge a standardized one may not work.

Some learnings from the Livelihoods Funds' 10-year experience

Livelihoods Venture is a social business fully-owned by the Livelihoods Foundation, the purpose of which is to be the guardian of its mission as defined in [Livelihoods Charter](#) & principles of action. Ten years ago, with several European corporates which were bold enough to commit and risk funding on Nature-based offsetting when barely no one else would, Livelihoods Venture created the first Livelihoods Carbon Fund, and then subsequent impact-first investment funds. Their purpose is just that: with the invaluable support of committed local grass-root organizations, accept and deal with the complexity of systemic approaches to try and make people and nature thrive jointly.

Over the years the Livelihoods Funds have grown, and new partners have joined the movement³. By the end of 2021 Livelihoods will have raised close to €300 million and invested in more than 25 large-scale projects so far and counting. The Livelihoods model is about long-term and trust. Investors, all of them engaged primarily to reduce their emissions, voluntarily commit on 20 years with each fund to foster change for rural communities. They bring more than just funding. They bring vision, stability, a commitment to generate impact and are actively participating in all strategic decisions of the funds. The offsets they receive are not traded, but instead used to offset part of their remaining and unavoidable emissions.

The same long-term and trust approach applies to the relationship Livelihoods builds with project developers, the vast majority of which are local grass-root NGOs committed to their people and landscape. This relationship

² Nature-based Solutions (NbS) are defined by IUCN as “actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits”.

³ Today, the Livelihoods Funds are supported by Danone, Mars Incorporated, SAP, Groupe Caisse des Dépôts, La Poste, Crédit Agricole SA, Crédit Agricole Midi-Pyrénées, Hermès, Firmenich, Schneider Electric, Michelin, Veolia, Voyageurs du Monde, Eurofins, Orange, Chanel, Bel Group, DEG, Mc Cain, L’Occitane Group, Mauritius Commercial Bank and the Global Environment Facility (GEF).

is a story of alignment on values, objectives, and complementarities. Developers bring their local roots and skills while Livelihoods brings funding, long-lasting support, and expertise in a variety of fields ranging from agronomy to carbon modelling and accounting. This is a blend of expertise cemented by a joint vision enabling the teams to structure with passion and invest in [tailor-made projects](#) for systemic local change (social, economic, and environmental). Local partnering communities receive assistance, training, support, and all they need to get the project off the ground, reap the full benefits of their restored landscape and agricultural land, while the projects provide Livelihoods' investors with high quality offsets that they retire from their carbon footprint. With the investment funds currently operating and a third one launched in June 2021, Livelihoods expects to sequester and avoid the emission of close to 45m tons of CO₂ and positively impact the lives of more than 3 million people.

A real opportunity that should not be missed by Governments

A growing flow of private investments in Nature-Based Solutions can be an opportunity for governments at a time when scale and impact are obvious and setting priorities is urgent. Public policies could be boosted by carbon finance if clear rules of intervention are defined to secure both public and private interests.

Governments need to be assured that investments from the private sector are aligned with the country priorities and objectives as well as certified under recognized methodologies and international standards such as [VERRA](#) or [GOLD STANDARD](#). Private investors need visibility and security regarding the property of the VERs generated by their investment and the claims that carbon credit buyers are allowed to make. If governments want to benefit from private sector investments in their country, they need to define a legal frame that will guarantee the rights and duties of private investors in the long term.

In particular, the role of private sector projects in National Inventories must be clarified to create synergies and avoid potential conflicts of interest.

How not to spoil the momentum

The sustainable pathway is clear and abundantly documented and monitored by a variety of players, like the [Science-Based Target Initiative](#), to name just a prominent one. From a quantitative perspective the biggest, single most needed effort falls into emission reduction. In addition to that, a massive effort must also be performed in the space of negative emissions. In this area, there is a myriad of possibilities, from industrial carbon capture and storage to the most advanced agroforestry-cum-benefit initiatives. Some among these options, namely ecosystem conservation and restoration, agroforestry, smart agriculture, have the capacity to not only generate negative emissions but also to make nature and people thrive.

Ahead of the crucial COP26 in Glasgow we call on the responsibility of all participating member-States and stakeholders. The world needs an enabling environment for all these solutions to perform at their best potential. We need safeguards to always make sure that offsetting never comes at the expense of nature or communities, we need common rules and a shared understanding of the challenges and opportunities. We need the COP 26 to finalize the Paris Agreement's Article 6 and define *Internationally Transferred Mitigation Outcome* (ITMOs) in a way that catalyzes investments, particularly towards the countries most in need of support and funding. Voluntary carbon markets can channel every year hundreds of million euros, if not billions, to the protection and development of the environment and hundreds of million rural community members in the South. We shall not miss that opportunity.

Learn more about the [Livelihoods Funds](#).

