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POSITION PAPER

Reconciling Integrity and Inclusion: How the Voluntary Carbon Market Can Better Serve People and Planet

Livelihoods Venture
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Photos: Livelihoods' first mangrove project launched in 2009 in Casamance and Sine Saloum, Senegal, with the local non-governmental organization Océanium. Credit: Hellio & Van Ingen.

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Executive Summary

Family farmers produce **over 80% of world's food and represent approximately 5% of total global greenhouse gas emissions** yet receive **less than 1% of climate finance**. The Voluntary Carbon Market (VCM) was designed to channel private capital to where it is most needed in the fight against climate change. Instead, its rising complexity risks excluding the very people who are both most vulnerable to climate change and yet essential to solving it.

Among them, smallholder farmers, who cultivate less than 2 hectares and represent the vast majority of family farms, are indispensable to achieving food security goals and contributing to climate objectives. While they **produce up to one-third of the world's food**, they also manage landscapes critical for carbon storage and biodiversity. Yet they remain the most exposed to the effects of climate change. Engaging them is not optional: it is the only way **to inclusively deliver both 1.5°C targets and resilient food systems.**

While we believe in the power of VCM, we see a growing pattern that could put aside smallholder farmers (here-after referred to as "smallholders"):

- **Complex rules and permanence demands**: Permanence rules that require 30-100 years of permanence clash with local realities where farmer life expectancy is for instance 55-60 years in parts of Africa.
- **Escalating costs**: Monitoring, reporting, and verification processes can consume **15-20% of project budgets** and up to **30% of field staff time**, diverting resources from impact.
- **False dichotomies**: A growing debate opposes nature-based solutions (NBS) against technological removals. Yet science shows that NBS could provide over one-third of cost-effective climate mitigation by 2030, while also restoring ecosystems, improving soils, and strengthening rural livelihoods.
- **Shrinking public funds**: With official development assistance and domestic budgets constrained, the VCM remains one of the few scalable vehicles to finance solutions for vulnerable rural communities.

For 15 years, Livelihoods has demonstrated that when the VCM is designed inclusively, it works: restoring ecosystems, improving farmer incomes, and delivering millions of tons of high-integrity carbon credits.

As COP30 approaches, we face a paradox: **integrity without pragmatism risks becoming integrity without impact**. If rules are written for theoretical perfection rather than real-world adoption, they will exclude the very communities the system most needs.

This paper calls for urgent action to:

- **Reconcile integrity and inclusion**: Align permanence rules with farming cycles and adapt requirements for smallholders' contexts.
- **Implement solidarity mechanisms for NBS :** Intentionally allocate part of the buffer mechanism to cover the risk of smallholder initiative. This could catalyze solidarity across the ecosystem.
- **Leverage the power of nature**: Recognize NBS as indispensable, mobilizing carbon finance for agroforestry, soils, and mangroves at the service of smallholders' farm resilience.
- **Develop fit for purpose** monitoring, reporting, and verification processes, **adapted to cultural realities**: Create innovative ways to recognize local context and customary tenure so that all smallholders can benefit from VCM financing and adapt.
- **Keep the system in motion**: Accept that methodologies will evolve; prioritize learning, iteration, and scaling over waiting for perfect certainty.

The VCM is not the goal but a tool, a way to direct private finance into climate action, resilient livelihoods, and healthy ecosystems. **Integrity must guide us, but movement must propel us forward, because inaction is the greatest risk of all.**

Acronyms and abbreviations

FAO	Food and Agriculture Organization of the United Nations (FAO)
IUCN	International Union for Conservation of Nature
NBS	Nature-based solutions
VCM	Voluntary Carbon Market
SDG	Sustainable Development Goals

1. The promise and the paradox

Exposing the Voluntary Carbon Market contradictions

i. The promise: Voluntary Carbon Market success and potential for nature-based solutions

Nature-based solutions (NBS) - actions to address societal challenges through the protection, sustainable management and restoration of ecosystem as defined by the International Union for Conservation of Nature (IUCN) - are delivering multiple benefits that extend far beyond climate mitigation. Promoting NBS through the VCM therefore creates value well beyond carbon, contributing to strategic global challenges such as food security, poverty alleviation, social and political stability, and the preservation of natural ecosystem.

Among the sectors where NBS can have the greatest impact, agriculture stands out. Although it is responsible for about 25% of global CO_2 emissions, it also represents a significant part of the solution. By adopting scientifically proven approaches – such as carbon sequestration in soils and trees, reducing emissions through sustainable farming practices, developing agroforestry systems, and lowering dependence on inputs – agriculture can become a major carbon sink. Farming practices and farmers livelihoods have strong impacts beyond the boundaries of agriculture itself: landscapes, deforestation, biodiversity and wildlife.

We cannot unlock this potential without those who manage the world's agricultural landscapes: family farmers, they are the backbone of global food systems. According to the Food and Agriculture Organization of the United Nations (FAO), more than 600 million family farms worldwide produce over 80% of the world's food. Among these, 90% are operated mainly by family labor, and although not all are smallholders, small farms alone account for 36% of global food production.

In an era of declining public funding, the VCM is a powerful tool to channel long-term private finance to vulnerable rural communities including smallholders. This investment is even more critical as they face the sharpest constraints: limited access to land titles, scarce finance, and high exposure to climate risk. If the VCM cannot adapt to their realities, it will miss the opportunity to strengthen the resilience of farmers who are central to both climate and food security.

ii. The false dichotomy on permanence: Nature-based vs. technological solutions

A growing debate pits NBS against technological removals, often questioning permanence and scalability. However, this distinction is misleading. The rules are not yet stabilized, and the methodological debate remains open. In practice, leading companies continue to invest in both natural and technological carbon dioxide removal, reflecting the need for a balanced portfolio.

At Livelihoods, we believe that nature remains our most proven "technology": family farmers and land stewards must be at the center of every financing mechanism because they deliver impact on the ground. NBS are indispensable. Numerous initiatives in agroforestry and restoration

demonstrate measurable and verifiable sequestration. They also generate co-benefits for biodiversity, soils, water and rural livelihoods, contributing to adaptation and reducing community vulnerability. Leading standards such as Gold Standard and VERRA have been developing robust frameworks to measure and verify impact. Engineered removals remain costly and energy intensive. Achieving net zero will therefore require mobilizing all solutions, with nature at the foundation.

iii. The paradox: Standardizing complexity over inclusivity

There is no doubt that VCM projects must demonstrate measurable and reliable impact. Since Livelihoods' creation 15 years ago, carbon-financed projects have been assessed by independent auditors and certified by rigorous international standards. The progress of science and technology now offers new opportunities to refine carbon models, strengthen data management, and improve field verification. This scientific and methodological dynamism is healthy: it enhances credibility and supports the sustainable development of the VCM.

However, finding the right balance between tightening rules and adapting to field realities is crucial. The question of **permanence** and its application in the VCM provides a clear illustration: imposing a 40-year permanence requirement on thousands of smallholders may seem theoretically sound, yet in practice it is extremely difficult to guarantee especially when the average life expectancy of smallholder farmers is around 60 years in certain contexts of the global south.

A similar gap exists in the management of **land tenure**. Land tenure certificates are required to "protect" smallholders' rights on greenhouse gas mitigation outcomes and related claims. However, in many developing countries, customary land rights remain the predominant and legitimate form of land governance, and these systems already provide effective protection for farmers. Imposing a narrow, Western-centric view of land rights and on others contractual frameworks is counterproductive. It fails to recognize the legitimacy and functionality of local governance systems, community-based decision-making, and informal trust systems that underpin many developing communities.

iv. The self-defeating dynamic: Anchoring perfection vs. necessary movement

What drives real impact is not rigid control but movement: adaptive, practical approaches that channel effort toward scaling solutions on the ground. The rigid application of fiscality or standards procedures on NBS - whether around permanence requirements, land tenure management, or reporting frameworks - reflects a pursuit of perfection that can over-justify bureaucratic effort, misalign with local realities, and divert resources from the very communities and activities where VCM interventions are most needed.

This dynamic also appears in the **growing reporting** needs, which becomes a significant hidden cost and workload. As monitoring frameworks become more complex, the resources spent on

collecting, formatting, and verifying data risk outweighing the benefits they bring. Each additional layer of reporting diverts scarce financial and human capacity away from what truly matters: implementing activities that generate environmental and social impact.

Waiting for perfect certainty before acting risks paralysis. Progress emerges from iteration, through pilots, learning, and gradual refinement. If stakeholders demand flawless science before scaling solutions, we risk freezing the system at the very moment when coordinated action is most needed to address the pressing challenge of climate change.

Above all, the VCM must be seen for what it is: **a means, not an end**. It is not the final objective, but a **tool to channel finance towards real impact for planet but also people**. Livelihoods' 15 years of field experience show that when inclusive and adaptive, carbon finance delivers tangible benefits for both people and planet. Our experience makes us believe that methodologies should consider two key guiding principles:

- **Field-compatibility:** the VCM should not reflect a one-sided vision, they should consider and reflect the diverse field realities. They must be tested and validated by those applying them on the ground. An equal footing dialogue with local implementers, combined with proven feasibility in practice, is key to fostering trust, robustness, and scalability of standards across the ecosystem.
- **Prioritizing action over perfect evidence**: We should remember that complexity causes hesitation, delays, and slowdowns, resulting in less sequestration, less resilience gains, and less community benefits. Yet climate change allows us no time to wait. We urge the ecosystem to prioritize pragmatism over perfection, valuing action and progressive learning over the counterproductive security of waiting for perfect evidence before acting.

2. Unveiling the Voluntary Carbon Market real potential

How it must do better for smallholders

i. Make permanence work for people, not just for climate

The VCM should not constrain innovation and **guide schemes toward an active promotion** of NBS projects with smallholders.

a) Ensuring the diversity of smallholders is recognized

- The market lacks a standardized definition of smallholder farmers for NBS project, whether in terms of farm size, number of farmers, yearly volume of mitigation outcomes. Existing definitions fail to capture the diversity and complexity of smallholder realities across regions. At the same time, current **simplifications** (e.g., simplified baseline and monitoring, reduced verification frequency, simplified leakage, lower sampling) fall short of making NBS smallholder projects financially attractive or sustainable in the long term.

- To unlock their full potential, the ecosystem should converge around a globally recognized definition that can be adapted to regional specificities. Building on this, the VCM could then develop a dedicated certification pathway for smallholder-led NBS projects. This pathway should have proportionate, streamlined requirements that reflect their operational realities and recognize the multidimensional benefits they deliver to climate mitigation, livelihoods, and biodiversity.

b) Leveraging the risk buffer to account for smallholders-led NBS projects

- Current standards require emission reductions or removals to last at least 30 years, with proposals to extend this to 100 years. To address risks, projects undergo a non-permanence assessment to identify vulnerabilities and mitigation measures. A share of credits is then withheld and placed in a buffer pool. For NBS, this buffer is larger, as they are seen as more exposed to long-term risks, adding to the natural challenges faced by projects with smallholders.

- We believe that this **additional risk adjustments for smallholder-led NBS projects should be removed.** The inherent risks of NBS projects should instead be managed collectively across project types through the existing buffer pool mechanism. This will create a real solidarity that will encourage investment towards NBS. Indeed, removing extra risk buffers would not only recognize the significant social, economic, and environmental co-benefits these projects generate, but also promote a shared, solidarity-based approach to cover their risks. Such a system should actively benefit smallholders, whose impact goes far beyond carbon, supporting livelihoods, food security, and biodiversity at scale.

c) Aligning crediting and longevity periods with reality: max 20 years

- In forestry carbon projects, the crediting period defines the timeframe during which a project can issue carbon credits, while longevity refers to how long the sequestered carbon is expected to remain stored. Under the general rules, crediting periods for projects are typically 30-50 years. It aims at ensuring the project integrity yet it decorrelated to the time for change.
- **Aligning the crediting period with the actual timeframe for change**, a maximum of 20 years, which better reflects field realities and is already used by other actors.

d) Making the VCM accessible and understandable for all

- The VCM standards have evolved into a complex black box reserved for experts. Keeping them confined to the expert sphere reinforces a cycle of over-complexification, with standards established with technical jargon, inaccessible legal structures and processes.
- Overcomplexity weakens integrity. We call on the simplification of procedures and requirements, to make them understandable and actionable for all, especially for those implementing them on the ground. Simplified and accessible processes would enable field staff to fully grasp, support, and commit to meeting these requirements. After all, you cannot fight for something you do not understand.

ii. A reporting architecture that fails reality - Fit for purpose monitoring, reporting, and verification processes should strengthen field impact

Over the past decade, reporting requirements have expanded considerably. What began as a tool for accountability is increasingly contributing to complexity and cost. Simpler, more proportionate requirements could safeguard integrity without excluding smaller players.

e) Simplifying without weakening: Field-adapted monitoring, reporting, and verification process

- While reporting serves an important function, its current weight on processes has become disproportionate:
    - **Proliferation of requirements:** Project developers must now provide extensive documentation across multiple dimensions: stakeholder engagement, social safeguards, environmental co-benefits, potential negative impacts, safeguard disclosures, grievance mechanisms, etc.
    - **Rising costs:** At Livelihoods, we have observed an increase of around 15-20% in project budgets due to reporting obligations, with project managers spending up to 30% of their time on monitoring and documentation rather than on-the-ground implementation.

- **Impact on the field:** Every additional reporting layer reduces the time and resources that could be spent with farmers and communities. For smallholder-led projects, this is a direct trade-off with impact.

- We ask standards to formalize and pilot simplified, streamlined processes that maintain robust safeguards while reducing administrative overload:
  - Leveraging local non-governmental organizations and expert networks as validation partners, equal to equal, to ensure cultural and social safeguards are respected.
  - Providing simple, standardized frameworks for inclusive consultations, covering gender, cultural appropriateness, and Indigenous rights.
  - Co-investing in digital tools to ease reporting of grievance mechanisms, documenting complaints, resolutions, and corrective actions in transparent but accessible ways.

This would preserve credibility and accountability, while restoring balance between reporting and action. Robust systems must never come at the expense of impact on the ground.

iii. Global rules, local blind spots - Adapt standards to socio-cultural realities

Another complexity that projects face are the numerous requirements that fail to recognize the socio-cultural and legal specificities of smallholder contexts.

To bridge this gap, we call on several adjustments to make requirements more inclusive and practical for smallholders-led projects:

f) Accounting for customary land rights systems

- Despite a raising awareness, Western-centric view of land tenure persists, requiring formal certificates as proof of ownership or rights. In many developing regions, however, customary land rights are the predominant and legitimate form of land governance. By overlooking these systems, smallholders risk being excluded or misrepresented, undermining both project inclusiveness and credibility.

- VCM operators should lead due diligence in priority regions to identify and understand existing customary land rights systems. These legitimate frameworks should be recognized in the methodologies and integrated into project validation and verification processes. This way, the VCM could adapt to local land tenure practices to guarantee smallholder participation and reinforce the social integrity of carbon projects.

g) Adapting requirements to local contexts for Sustainable Development Goals (SDG) beyond carbon

- Broad guiding requirements focused on livelihoods, community protection, and additional positive outcomes are often applied. This one-size-fits-all approach fails to

reflect local contexts, where institutional capacity, data availability, and socio-economic dynamics vary widely. The result is overcomplex implementation, higher transaction costs, and sometimes limited field ownership or impact.

- A solution is to adapt requirements and indicators to local contexts, allowing for context-sensitive implementation frameworks that maintain rigor while ensuring feasibility. This flexibility would encourage broader participation, improve data accuracy, and strengthen impact delivery on the ground, ensuring that SDG-related outcomes are realistic, measurable, and truly meaningful within each local setting.

iv. Governance that speaks for, not with, practitioners - Include field voices in standard-setting

To strengthen the credibility and relevance of carbon standards, governance structures must evolve beyond top-down approaches. This requires creating mechanisms that genuinely include field practitioners and project implementers in decision-making, ensuring that rules reflect on-the-ground realities.

h) Making standards governance more inclusive and co-created with field actors

- The current governance of VCM standards is largely top-down and expert-driven, with limited participation from field practitioners and smallholder representatives. As a result, on-the-ground realities often fail to be captured, leading to rules that are difficult to apply, overly rigid, or misaligned with local implementation capacities. This disconnect erodes trust and slows progress across the ecosystem.

- By COP30, development of standards, procedures and reporting requirements should be led by joint commissions composed equally of field practitioners and standard-setters/policymakers. These bodies should guarantee genuine representation of smallholder-led NBS projects stakeholders, ensuring that decisions reflect both practical feasibility and methodological rigor. Such shared governance will foster trust, legitimacy, and effectiveness across the ecosystem.

v. Design fiscal frameworks that support investment in NBS - Ensure local legislation create an incentive mechanism with appropriate regulation

The definition of Nationally Determined Contributions and the establishment of national frameworks for eligible projects represent an important step toward more structured and accountable climate action. Equally, the coexistence of both regulated and contributory models provides the necessary flexibility to mobilize the full spectrum of climate finance, ensuring that effective and inclusive NBS can scale.

i) Introducing stable and predictable fiscal conditions to attract long-term investment in NBS

- Several countries have recently introduced taxes or levies on carbon projects, asking for a share of the credits generated to finance their development needs. While we understand the intent is clear, such measures may influence, we warn Government to consider that taxation can inadvertently reduce the financial viability of NBS projects, particularly those perceived as high-risk or implemented by local actors. Given the long-term nature and inherent uncertainties of such initiatives, additional fiscal pressure may discourage investment. In addition, complex and evolving regulatory procedures, add uncertainty for project developers who often lack the resources to navigate them efficiently. For instance, developers often encounter challenges when engaging with host Governments on the form and expectations of future Letters of Endorsement. To attract long-term investment and ensure effective contribution, Governments should establish transparent, predictable, and incentive-based regulatory frameworks.
- To attract long-term investment and ensure effective contribution, Governments should establish transparent, predictable, and incentive-based regulatory frameworks.
    - Create fiscal mechanisms that reward contribution: Rather than taxing results, local legislation should design incentive systems for projects that demonstrably contribute to Nationally Determined Contributions, community welfare, and ecosystem restoration.
    - Ensure stability and clarity: Approval procedures and fiscal conditions should be stable over time (e.g., over 20 years) to provide investors with the visibility needed to commit to long-term NBS initiatives.
    - Provide a realistic transition framework: Recognize that NBS projects are not yet fully compliant with Article 6 of the Paris Agreement and allow flexible and progressive pathways until they can meet more stringent requirements.

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