



# Developing high integrity carbon projects in the Pacific

Lessons from the Climate Resilient by Nature workshop  
31 January 2023



This report has been funded by Climate Resilient by Nature, an Australian Government initiative, through the Department of Foreign Affairs and Trade, in partnership with WWF-Australia. The views expressed in this publication are the authors' alone and are not necessarily the views of the Australian Government or WWF-Australia.

**Reference:**

Mackenzie E and Allen M (2023) *Developing high integrity carbon projects in the Pacific: Lessons learned from the Climate Resilient by Nature Workshop 31 January 2023*. Report to WWF, Sustineo.

**Acknowledgements:**

WWF-Australia would like to thank all learning event participants, and particularly representatives from the Aboriginal Carbon Foundation, the Nakau Programme, and Natural Carbon for their generous contributions of time and expertise.

**Cover photo** © Brent Stirton / Getty Images. A river weaving its way through dense forest in East Sepik province, PNG.

# Contents

<b>Contents</b> .....	<b>2</b>
<b>1. Background</b> .....	<b>3</b>
<b>2. The development sector can champion high integrity carbon markets</b> .....	<b>4</b>
<i>The choice to produce high integrity credits</i> .....	4
<i>The tension of project scalability and integrity</i> .....	5
<i>Should you regulate who can buy your carbon credits?</i> .....	5
<b>3. Co-benefits or core benefits?</b> .....	<b>6</b>
<i>Social impact: another selling point</i> .....	7
<b>4. Valuing Indigenous knowledge and research methodologies in natural resource management</b> .....	<b>7</b>
<i>Under pressure: Indigenous communities and carbon projects</i> .....	8
<b>5. Community engagement: supporting local ownership and managing expectations</b> .....	<b>8</b>
<i>Culturally appropriate methods for community engagement</i> .....	8
<i>Cruciality of local ownership</i> .....	9
<i>Managing expectations</i> .....	9
<b>6. Community-driven benefit sharing arrangements</b> .....	<b>9</b>
<b>7. Collaborations for impact: partnerships to convene relevant experience and expertise</b> .....	<b>10</b>
<i>International partnerships to facilitate project learning</i> .....	10
<b>8. Planning for success: approaches to monitoring and evaluation</b> .....	<b>11</b>
<i>Culturally appropriate MEL</i> .....	11
<i>Measuring co-benefits</i> .....	11
<b>9. Topics recommended for further exploration</b> .....	<b>12</b>

# 1. Background

Under the Climate Resilient by Nature (CRxN) initiative, WWF-Australia has designed a learning program to explore the question:

## ***How can carbon projects be developed to deliver benefits for Pacific communities?***

Given the number of carbon projects emerging in the region, and growing criticisms around validity of claims made by commercial project developers, this learning program explores approaches to the design and implementation of high integrity carbon market projects. The first of a series of three carbon market workshops was held on 31 January 2023. The first workshop centred on experiences of three CRxN implementation partners developing carbon projects across Australia, the Pacific (focused on Melanesia), and Timor-Leste. Through a facilitated discussion between these carbon market experts and development practitioners, a variety of implementation approaches were explored and lessons shared. The CRxN carbon market partners are:

- **The Aboriginal Carbon Foundation** (AbCF); **Caritas** and the **Catholic Relief Service** (Australia, Timor-Leste)
- **The Nakau Programme** and **Live and Learn Environmental Education** (Fiji, Solomon Islands, Vanuatu, PNG)
- **Natural Carbon**; **Save the Children**; **The Nature Conservancy** in PNG and **Mai-Maasina Green Belt** in Solomon Islands (Australia, Solomon Islands, PNG)

These organisations are working on a diverse set of projects that include mature projects producing certified carbon credits and those in the early stages of development. They use a variety of methodologies for carbon sequestration including forest protection, reforestation, savannah burning and blue carbon. At the outset it is important to note the different operating contexts in Australia compared to the Pacific and Timor-Leste. Australia has a more established regulatory framework and enabling environment for the voluntary carbon market, and this has a significant influence on the strategies of the carbon market partners. In the emerging carbon markets in the Pacific and

## KEY LEARNINGS

The development sector can champion high integrity carbon markets.

Non-carbon benefits, known as co-benefits, are often the core value of carbon projects. Projects should approach carbon credits as the co-benefit, because the environmental, social and cultural benefits are the priority.

Developing carbon projects can provide an opportunity to support Indigenous cultures and knowledge.

Extensive community engagement, often facilitated through local in-country partners, is required to manage expectations and provide opportunities to foster local ownership.

Benefit sharing plans should be developed and owned by communities (ensuring inclusive engagement, FPIC etc.) First and foremost, these plans should contribute to local needs and priorities while also meeting the requirements of carbon standards.

Strong partnership-based approaches are critical at the community level to understand local dynamics, and to gather necessary technical expertise.

Monitoring and evaluation should add value to communities, be conducted in an engaging and empowering way, and facilitate joint reflection, learning and adaptive project management.

Timor-Leste, the partners are playing a more active role in supporting the development of governance systems while these regulatory building blocks are still being established.

While the implementation partners each have unique approaches to developing carbon projects, they share a firm commitment to delivering high integrity projects that are sustainable for the environment and deliver benefits for communities. Several key learnings that underpin their approaches to carbon markets emerged during the workshop and are explored and illustrated in this Brief.

## 2. The development sector can champion high integrity carbon markets

Carbon markets are increasingly being dominated by private sector actors developing projects focused on generating profits. The incentive to generate profit through the sale of credits can be at odds with producing high integrity credits that represent real and additional abatement and are aligned with the interests and priorities of local communities.<sup>1</sup>

 *If development actors don't engage, others will fill the space.*

In this context, there is a critical role for the development sector to play in translating the needs and priorities of local communities, supporting the implementation of safeguards, and providing quality assurance and oversight – activities that many development actors are already undertaking in other (non-carbon) contexts.

### The choice to produce high integrity credits

CRxN implementation partners are focused on generating high integrity 'premium' credits that produce both carbon and broader development benefits. While most development actors are likely to favour these types of credits, producing premium credits has implications for project scale, and for marketing strategies.

A high integrity carbon credit represents real and additional emissions reductions or removals that are quantified based on conservative calculations against robust baselines, and meet requirements around additionality, leakage, and permanence. Implementation partners added that the generation of broader environmental, social, and governance (ESG) benefits can further add to the value of a high integrity carbon credit and are increasingly desired by buyers.

---

<sup>1</sup> Further reading:

- An [investigation by Source Material, The Guardian, and Die Zeit](#) of 95 million carbon credits issued by Verra for avoided deforestation found that only 6% of these credits represented real emissions reductions.
- [Criticism of the integrity of Australian credits by The Guardian.](#)
- [An example of criticisms of the integrity of carbon projects in the Pacific by ABC Four Corners.](#)

There is a broad spectrum of carbon credits available on the market ranging from high integrity credits that achieve multiple benefits and are more expensive, to low-end credits that are focused on the lowest cost abatement of carbon. **While there will likely remain a demand for both premium credits and cheaper alternatives, not-for-profit (NFP) project developers can have agency in how these credits are produced and the markets that they target.**

### **The tension of project scalability and integrity**

Market incentives favour large-scale projects that can achieve economies of scale. Measurement, reporting, and verification (MRV) requirements are extensive and expensive to implement, which often creates a strong tension between achieving economies of scale and ensuring integrity. For instance, market demand and incentives for the rapid development of large-scale projects that are profitable, can incentivise taking short cuts on ‘soft’ activities, such as effective and inclusive community engagement, processes of free, prior and informed consent (FPIC), and understanding local land tenure and governance arrangements. These activities are vital for establishing good governance mechanisms and equitable benefit sharing arrangements that are compatible with local community contexts. In an effort to overcome this challenge of scale, a risk in the Pacific is that project developers lump different communities together who would otherwise not have worked together, or worse may be in conflict with each other, which can create governance and land disputes. As such, practices of community engagement are particularly important in the Pacific given the nascent and/or weak regulatory environments, the theoretical nature of carbon trading schemes to local communities, and the acute asymmetries of knowledge and capacity, exacerbated by unscrupulous business models prevalent in the natural resource sectors, such as logging, mining, and oil and gas.

In this context, a key question for development actors to grapple with is how to ensure meaningful community-determined development, appropriate community engagement processes, and appreciation of context, while also mobilising projects to meet the urgent need for nature-based solutions.

### **Should you regulate who can buy your carbon credits?**

Regulating brokerage agreements (i.e. who can buy carbon credits) is an emerging area for NFP project developers to manage. A key question raised in the workshop was whether brokerage agreements should be regulated to manage the risk of greenwashing, whereby companies purchase low integrity credits that do not represent real abatement, or use credits to offset a continued practice of environmentally harmful activities as part of a business-as-usual approach (e.g. sales to fossil fuel companies). This relates to a broader tension between ESG factors being a hallmark of high integrity credits, on the one hand, and the credits being purchased by corporate actors whose own ESG credentials are questionable, on the other. Here, greenwashing can be a risk for development organisations and undermine the integrity of carbon markets overall.

The implementation partners shared different approaches and lessons on brokerage agreements and highlighted this as a challenging area for which they are actively trying to develop policy. Currently, implementation partners use guiding principles to determine who can buy credits, typically on a case-by-case basis. One partner shared that because their credits are certified through a standard that targets high-end markets, they have been protected somewhat from this issue. However, as they implement more projects this will likely be an increasingly important area to

manage. Another partner shared that they ultimately prioritise the preferences of the Indigenous carbon farmers they are working with when deciding who can buy their credits.

Visibility over the value chain is an important issue for integrity. A key factor affecting this visibility is about whether you are selling to an end user who retires the credit or a reseller. Selling to end users provides greater control and visibility over who the credits go to. However, selling to end users can be challenging in the context of voluntary carbon markets as resellers currently buy a significant share of credits produced.

### 3. Co-benefits or core benefits?

Carbon projects that create co-benefits can provide greater development outcomes for local communities, can ultimately make projects more likely to be feasible and can increase the financial value of carbon credits. Implementation partners shared a range of co-benefits they are currently generating or planning to generate, including:

- **environmental benefits** e.g. improved biodiversity and fire management
- **economic benefits** e.g. local employment opportunities; alternative (non-carbon) livelihood projects
- **social benefits** e.g. improved community governance structures; empowering women
- **cultural benefits** e.g. providing opportunities for practicing Indigenous knowledge and culture.

**A key message from the workshop was that co-benefits should be understood as ‘core benefits’.** Conventionally, co-benefits are viewed as complementary add-ons to a project focused on carbon sequestration, but implementation partners demonstrated that in many cases, co-benefits are the core value of carbon projects, as the environmental, social and cultural benefits are the priority.<sup>2</sup>

 *carbon credits are the icing on the cake whereas environmental, social, and cultural values are the cake.*

Partners illustrated this ethos by explaining the starting point for developing a project. Good carbon projects should begin by considering the environmental, social, and cultural outcomes they are trying to achieve rather than focusing on generating carbon credits. From this perspective, any benefits from the carbon credits can complement this array of positive outcomes for local communities and their environments. **An important distinction here is that while co-benefits are critically important, income from credits is still a necessary funding mechanism for projects**

---

<sup>2</sup> Within the carbon farming industry, AbCF have been promoting the term ‘Core Benefits.’ The intention of carbon farming projects is primarily concerned with the abatement and sequestration of carbon emissions. Any environmental, social, economic and cultural benefits relating to this activity are often termed ‘co-benefits’ by the carbon farming industry. This is because the act of carbon farming is seen as the primary benefit. However, for Indigenous carbon farmers, the community outcomes – being on Country, practicing culture, increased employment as rangers through the sales of ACCU, etc. – are often more important, and represent the ‘Core Benefits’ of carbon farming projects.

**and is required to prove additionality.**<sup>3</sup> This approach to core benefits helps to instil a development lens that puts the needs of local communities front and centre in any carbon project.

### **Social impact: another selling point**

Co-benefits are not only integral to increasing the positive impact of a project, they are also a crucial factor in successfully marketing a project.<sup>4</sup> Partners shared how buyers of high integrity credits want to contribute to broader social impact in addition to offsetting their carbon footprint. In turn, these buyers often highlight these high integrity credits as part of their own ESG marketing. There is an important role for NFP project developers to market the positive non-monetary benefits that carbon projects can generate for local communities. Doing so can mitigate negative or false narratives promulgated by media such as carbon trading being equated to ‘money growing on trees’. It can also help stakeholders at all levels understand the broader development opportunities that can be achieved through carbon projects.

## **4. Valuing Indigenous knowledge and research methodologies in natural resource management**

**Sustainable natural resource management (NRM) is central to carbon projects, and in many cases, Indigenous NRM knowledge is rich and unique to ecosystems a project is seeking to protect.** For instance, one partner shared how their savanna burning projects involve Indigenous land managers and utilise Indigenous fire management techniques such as cool burns and mosaic burns to improve fire management and reduce emissions. Another partner shared that customary tabus are used to protect natural resources in projects in the Pacific such as preventing the taking of coconut crabs or cutting trees from protected zones.

All three partners agreed there are opportunities for carbon projects to support, conserve, learn from and recognise the added value and contribution of Indigenous people, knowledge, and places. Sharing experiences from a community mangrove protection project in the Pacific, one partner highlighted that although traditional resource management does not *need* carbon finance, carbon finance can provide an excellent opportunity for traditional resource management to be acknowledged and valued as a practice that can bring livelihood benefits.

Partners emphasised the importance of selecting a voluntary standard that is compatible with and that recognises the value of Indigenous knowledge. The Plan Vivo Standard focuses on smallholders and livelihood benefits and is more compatible with customary forms of land tenure and governance structures in the Pacific than some other standards. Partners reiterated the importance of utilising effective marketing and building a brand to showcase the importance of valuing Indigenous knowledge and achieving cultural benefits.

---

<sup>3</sup> ‘Additionality’ tests require carbon projects to prove that the emissions reductions would not have occurred without the carbon finance provided by the project.

<sup>4</sup> Myers K (2021) ‘[What’s in a carbon credit: New tools help quantify the sustainable development benefits of carbon offset projects](#)’, *Ecosystem Marketplace*. Accessed 17 February 2023.

One partner shared their approach to project development that puts Indigenous knowledge and people front and centre. This partner is working to decolonise the dominant model of carbon project development which currently relies on 'white experts' who hold the 'supposed' technical knowledge. This decolonising approach centres carbon farming training and capacity building accompaniment to create lasting positive cultural impacts from carbon projects. However, carbon projects require specialist knowledge and technical expertise, meaning local communities across Australia, the Pacific, and Timor-Leste may not have the capacity, currently, to undertake projects autonomously. In this context, workshop participants reiterated the importance of supporting local partners to build their capacity as part of establishing locally controlled carbon industries, which is seen as a top policy priority for all responsible actors.

### **Under pressure: Indigenous communities and carbon projects**

While the potential benefits are immense, carbon projects can also put unique pressures on Indigenous communities which need to be recognised and managed. The development of carbon projects can bring particular expectations and values that may be prioritised over local governance systems and cultural norms. Partners shared examples of external constructs that may not always be compatible with local systems and norms, including integration into the cash economy, the entering of legal contracts, and promotion of gender equality. To help mitigate against some of these risks in the Pacific, one partner shared that they only work with homogenous groups at the tribal, clan, or family scale that would naturally work together in the absence of introducing a carbon project. This approach helps to respect local norms and forms of governance and reduce the risk of conflict.

## **5. Community engagement: supporting local ownership and managing expectations**

Effective, ethical and culturally appropriate approaches to community engagement are an integral part of designing and implementing good carbon projects.

### **Culturally appropriate methods for community engagement**

In Indigenous Australian communities and across the Pacific and Timor-Leste, carbon credits and payments for ecosystem services (PES) are often foreign concepts. For example, workshop participants posed the question, how do you talk to communities entering into a carbon agreement about a commodity that you cannot touch or see? Consequently, when developing projects that involve or may affect Indigenous and local communities, significant time and resources are required to adequately inform communities about carbon projects so that they understand what it means for them and have their views heard in a manner that upholds principles of FPIC.

Local partnerships were raised as an important mechanism for culturally appropriate community engagement. Highlighting the importance of deep relationships based on trust and understanding, one partner shared that they had established relationships with local communities for five years prior to any discussions of developing carbon projects. Partnerships with local communities and organisations can help NFP project developers to understand local governance structures and ensure that project development responds to the needs and perspectives of local participants/stakeholders.

## Cruciality of local ownership

Community ownership of carbon projects was recognised by partners as critical and a few strategies to achieving this were shared. As part of their localisation policy, one partner focuses on supporting local partners to build their capacity to conduct on-the-ground monitoring, financial management, good governance and land management planning.

Another avenue for fostering local ownership in the Pacific is by supporting customary landowners to legally become project owners. For example, Pacific landowners have been supported to develop a suitable carbon trading business entity - typically a cooperative, association, or landowner company. Through a comprehensive FPIC process, landowners are supported to create this entity, and provide the mandate for the entity to manage the project on behalf of and in close collaboration with customary landowners. The landowner company has the primary say in how the revenue from carbon credits flows back to the community but appoints the NFP project developer as their agent to sell credits on their behalf.

## Managing expectations

Implementation partners emphasised the importance of managing community expectations from the outset. Extensive studies and assessments need to be completed before a carbon project site can be identified as viable, so even initial scoping discussions at the community level can begin to raise expectations. One partner shared that they do an initial feasibility assessment remotely before even engaging at the community level to get a better sense of what is viable from the outset.

It can take years to progress from initial project scoping through to the successful generation of carbon credits, a timeframe often at odds with project funding cycles and the expectations of local communities. All three partners highlighted the importance of being transparent about the long lead time required to implement a carbon project, but also suggested strategies to maintain momentum and achieve broader co-benefits. Co-benefits can and should eventuate well before any carbon credits are generated. An added advantage of this approach, as one partner explained, is that if the initial scoping with a community finds that the project is not feasible, you at least have other community benefits you can deliver such as activities based on improved land management plans.

Additional, non-carbon, livelihood activities can also be a mechanism for maintaining momentum with community members. A partner shared an example of their project that is promoting market access for women to sell mud crabs and shellfish while a blue carbon initiative from mangrove restoration is still being developed. This livelihood initiative keeps project participants engaged and contributes to the broader positive economic and social impacts of the overall project.

# 6. Community-driven benefit sharing arrangements

Benefit sharing arrangements define how revenue from carbon credits flow back to the community and to implementation partners. The importance of locally owned and contextually appropriate benefit sharing arrangements was highlighted at the workshop. A key principle guiding this process is to avoid being prescriptive about the benefit sharing arrangements, and instead support local

project owners to develop their plans in a way that first and foremost meets the aspirations of the communities while also satisfying the key requirements mandated by the carbon standard.

Benefit sharing plans must be both comprehensive and fit-for-purpose to ensure project viability from an operational sense while also supporting community development needs. One partner highlighted the multi-faceted nature of their benefit sharing plans which at the community level includes business operational costs to make sure that conservation activities are funded; investing in complementary livelihood projects and community development initiatives (e.g. infrastructure projects and school fees) that can achieve broader co-benefits; and cash payments to members of the local landowner entity. While certain elements of benefit sharing plans are required, there is flexibility to tailor them to the needs and wants of local communities.

The choice of voluntary carbon standard has implications for the split of sales revenue at the project level. For instance, workshop participants noted that the Plan Vivo Standard has a strong focus on supporting smallholder livelihoods, requiring that a minimum of 60% of the income from each carbon credit goes to the local project participants.

## 7. Collaborations for impact: partnerships to convene relevant experience and expertise

Diverse fields of expertise and capabilities are required to design and implement a carbon project. **Carbon projects require scientific expertise, expertise in business, finance, marketing, policy and regulation. Further, in the Pacific, Timor-Leste, and Indigenous Australian communities, expertise on land tenure and local forms of customary governance can be required.** In line with high integrity carbon credit development, workshop participants agreed that it is important to utilise existing local expertise where possible. In this context, implementation partners shared their partnership approaches. A 'collaborations for impact' model was suggested, that is premised on partnerships with likeminded groups and building consortiums of organisations to assemble the necessary expertise, either from within the countries where the projects are being implemented and/or externally until a thriving local carbon industry is established in the Indo-Pacific region.

### International partnerships to facilitate project learning

Partnerships to increase knowledge and expertise can extend beyond the project level. The workshop showcased international partnerships facilitating learning and knowledge exchange. For example, one partner's CRxN project is facilitating a learning exchange for prospective carbon farmers from Timor-Leste to visit Indigenous owned and implemented carbon projects in Cape York, Australia, and a reciprocal visit to Timor-Leste. This peer-to-peer model shows the opportunities for facilitating learning and knowledge exchange not just between NFP project developers but also amongst Indigenous project owners and carbon farmers.

## 8. Planning for success: approaches to monitoring and evaluation

It is vital for NFP project developers to design and implement monitoring, evaluation, and learning (MEL) procedures that can demonstrate the integrity of claims made from carbon projects while being culturally appropriate. Similar to international development projects, the need to ensure that MEL adds value to communities, is done in an engaging and empowering way, and processes to report back to communities for joint reflection and learning were emphasised.

### Culturally appropriate MEL

Implementation partners discussed the importance of MEL processes that are suitable for the context in which they work. In the Pacific, this can mean using both formal and informal processes to monitor impacts and facilitate project learning. For example, a partner shared that a formal MEL plan is developed in accordance with the requirements of the carbon standard. However, they also benefit from less formal engagements with their local partner organisation who have a better understanding of project developments at the community level.

Research and data collection associated with MEL can be highly sensitive in the context of Indigenous Australian communities. Indigenous Australian's have long been subject to exploitative research practices that have neither involved nor benefitted them. To reduce the burden of research on Indigenous Australians, one partner explained that their evaluation approach draws on existing data in order to reduce data collection fatigue.<sup>5</sup> They further highlighted the importance of culturally appropriate methods of communicating data and research findings. For example, when working with Indigenous Australian communities, they focus on storytelling and visual reporting where possible as these are culturally appropriate and effective tools for communicating in this context.

### Measuring co-benefits

Given the growing demand to deliver co-benefits as part of high integrity carbon projects, it is increasingly important for projects to also have rigorous methods to measure and verify co-benefits. In this context, one partner shared their Core Benefits Verification Framework™ (CBVF) designed to verify the non-carbon impacts of their programs.<sup>6</sup> The framework's model of rigour is 'asking the right questions, to the right people, in the right way'. A key principle of the framework is Indigenous ownership of the verification process, as their approach gives Indigenous people the opportunity to be the experts in the verification of environmental, social, and cultural values. Through this peer-to-peer strengths-based approach, the CBVF focuses on building 'internal resilience rather than external reliance'.

---

<sup>5</sup> Note: that this partner uses a standard that does not require additional MEL which provides some leeway regarding the data sources that they use for MEL.

<sup>6</sup> If you'd like to learn more about the CBVF, please contact AbCF.

## 9. Topics recommended for further exploration

Several important topics were raised during the workshop but not addressed in detail. These topics are highlighted to encourage further reflection and learning among workshop participants and readers of this Brief.

- **Government engagement.** There is interest in understanding how partners do (or do not) engage with governments in the host country where they are developing projects. Deeper understanding and support to develop the local policy and regulatory environments regarding carbon projects is critical, especially in the Pacific and Timor-Leste.
- **Land and resource usage and rights.** Insights on how customary land and resource governance can be compatible with the permanency obligations of carbon standards, and how they intertwine with carbon rights, is needed to guide the development of carbon projects in the Pacific and Timor-Leste.
- **Carbon standard selection.** Lessons from the workshop indicate that choosing a carbon standard that is compatible with the goals of a voluntary carbon project is significant. Further discussion of how and when to choose the right carbon standard for a project, and whether there are alternatives to using an established carbon standard would be insightful.
- **Project financing mechanisms.** The workshop identified some of the broader financing challenges for carbon projects around covering expensive implementation costs while ensuring integrity and context specificity. Further understanding of the mechanisms that partners are using to fund projects would complement this.
- **Approaches to scaling up in the Pacific.** Partners touched on some of the challenges of delivering high integrity carbon projects at a larger scale, but further exploration of possible pathways to scale would be beneficial.