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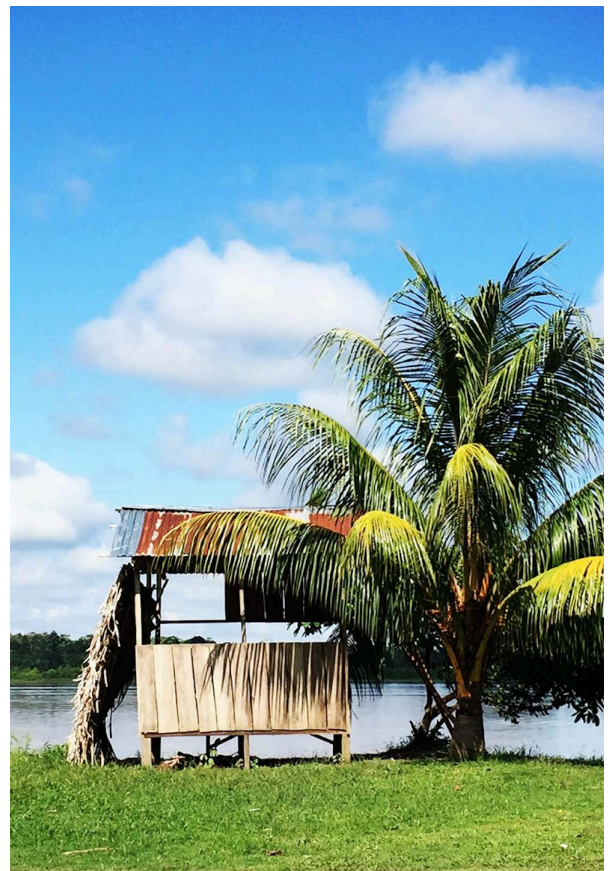
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# The Voluntary Carbon Market Explained

**Chapter 11**



## Ch11: Why and how do IPs&LCs engage with the voluntary carbon market?

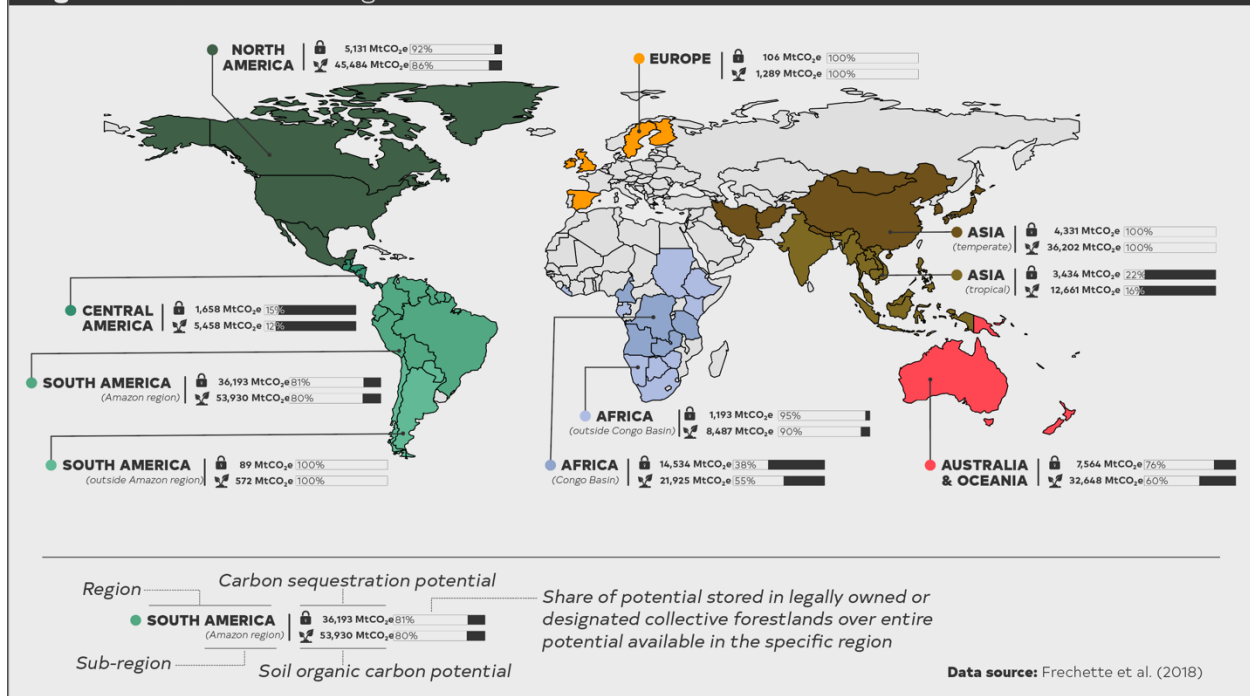
Indigenous Peoples and local communities (IPs&LCs) engage with the voluntary carbon market (VCM) primarily as the owners and custodians of lands where VCM activities are developed. IPs&LCs voluntarily participate in the VCM as project developers, consulted partners, and beneficiaries of VCM activities and proceeds. In some cases, IPs&LCs are involuntarily involved in the VCM because activities are developed on their lands without appropriate consultation or recognition of their rights. The full and equitable participation of IPs&LCs is necessary for the long-term success of VCM activities in their territories. VCM activity developers, carbon standards, governments, and buyers of carbon credits can

improve requirements and practices to promote benefits for and mitigate risks to IPs&LCs.

### Why are IPs&LCs involved in the VCM?

IPs&LCs' territories exhibit high rates of **carbon storage** and **biodiversity**, provide essential **ecosystem services**, and have significantly **less deforestation and degradation** than surrounding areas. Indigenous Peoples' lands are estimated to account for **at least 36 percent** of intact forest ecosystems globally. In 2018, IPs&LCs were estimated to manage **at least 17 percent**—or nearly 300 metric tons—of the total carbon stored in 64 countries, including in all of the major rainforest regions (Figure 11.1). This

**Figure 11.1** | Carbon storage in IPs&LCs' lands



is likely an underestimate. Globally, the carbon stored in forest lands to which IPs&LCs have legal rights may be as much as **37.7 billion tonnes** of carbon. Depending on how tenure rights are allocated, IP&LC lands have potential to sequester **8.69 to 12.93 million tonnes of carbon dioxide** between 2020 and 2050.

The climate and conservation services provided by IP&LC-managed lands attract VCM investment. Protecting or restoring IP&LC lands can generate carbon credits from nature-based solutions (NbS) that also provide sustainable development or other social benefits. Some VCM activities generate credits by supporting the rights and capacities of IPs&LCs to protect, manage, or restore ecosystems. Carbon credits can be generated through activities that strengthen land tenure rights, provide education and livelihoods, and support implementation of IPs&LCs' territorial management plans. VCM activities may also aim to change practices that degrade ecosystems by developing livelihood alternatives or supporting sustainable development.

IPs&LCs may choose to develop VCM activities themselves or be engaged by organizations seeking to develop activities on IP&LC territories. When IPs&LCs choose to develop VCM activities or enter into benefit sharing arrangements through a consultative process that follows free, prior, and informed

consent (FPIC), the VCM can support their needs and goals. There are also cases in which IPs&LCs are involuntarily involved in VCM activities due to VCM activities being developed on their land without their consent. This abridges the rights of IPs&LCs and poses risks to the long-term success of the VCM activities.

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### **How are IPs&LCs involved in the VCM?**

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IPs&LCs engage with the VCM when activities are developed on land they manage or use. IPs&LCs are most often involved in VCM activities through consultation processes and **benefit sharing** arrangements. In some cases, IPs&LCs may be activity developers, directly involved in the design and implementation of a VCM activity. There are also cases of involuntary involvement, where a VCM activity impacts IPs&LCs who were not appropriately consulted.

#### **Consultation**

Some VCM carbon standards and methodologies require that communities be consulted in activity development. VCM activity developers should demonstrate compliance with Indigenous Peoples' right to FPIC as required by the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). FPIC gives Indigenous Peoples the right to grant or withhold consent from activities that will impact them or take place on their territories. VCM

activity developers may also demonstrate that they consulted with local communities and other vulnerable groups that are not protected under UNDRIP. [VCM validation and verification](#) processes review compliance with consultation requirements.

### **Benefit sharing**

VCM activity developers should establish [benefit sharing](#) agreements with IPs&LCs that are involved or impacted by VCM activities. [High-quality](#) VCM activities include benefit sharing in NbS activities and other activities that impact IPs&LCs. Benefit sharing agreements can provide direct financial payments to IPs&LCs or support needs identified by the IP&LC beneficiaries such as building infrastructure such as schools or roads, supporting education or alternative livelihood development, or strengthening rights and land tenure. Host countries governments may set benefit sharing requirements that VCM activity developers need to follow. Inclusion in benefit sharing plans set by governments does not confer carbon rights to IPs&LCs.

### **Activity development**

In cases where IPs&LCs hold formal forest and land rights, they can claim [carbon rights](#) and directly develop VCM activities in their territories. This means that IP&LC organizations, groups, or individuals can determine the VCM activity design, implementation,

and terms of carbon credit production and use. Most IP&LC-led VCM activities are focused on [NbS](#). IPs&LCs may choose to develop VCM activities to finance their own ecosystem protection efforts, support local sustainable development goals or territorial management plans, and strengthen land tenure.

IP&LC-led VCM activities have been developed under [carbon standards](#) Verra and Plan Vivo as well as under some compliance carbon market standards. The Architecture for REDD+ ([Reducing Emissions from Deforestation and Degradation Plus](#)) Transactions' The REDD+ Environmental Excellence Standard (ART/TREES) allows the registration of REDD+ programs developed across one or multiple Indigenous territories until the end of 2030. However, as of August 2023, no Indigenous jurisdictional programs have been developed under ART/TREES.

Due to the technical complexity of VCM activity development, there are few IP&LC-led VCM activities. Furthermore, most countries fail to fully recognize or formalize the carbon and [land rights](#) of IPs&LCs, which limits the ability of these groups to develop activities independently. In most cases where IPs&LCs are VCM activity developers, they work with non-governmental organizations (NGOs) that provide technical support and to facilitate credit trading.

### Box 11.1. Benefits and challenges of Indigenous-led carbon projects

Indigenous-led forest carbon projects can provide financial and tenure security to Indigenous communities. Yet, the success of Indigenous-led projects is subject to the strength of governance and legal recognition of Indigenous people in the jurisdictions where these projects take place. Examples from the United States, Colombia, and Brazil demonstrate some of these benefits and challenges.

The [Yurok tribe](#) in the lower Klamath River Basin in California (United States) sell 100-year contracts for forest offsets under [California's offset program](#). The Yurok have used the sale of these contracts to purchase and restore timberland in their ancestral territories. Carbon credits are generated based on reduced timber harvest and improved management that reduces forest fires.

[Indigenous communities](#) represented by the Regional Indigenous Council of Middle Amazonia (Colombia) have been able to receive stable income from the purchase of carbon credits generated by REDD+ projects they developed. These communities say that income from carbon credits has enabled them to conserve their forests and avoid illegal or environmentally unsustainable livelihoods. However, there are [concerns](#) now among communities that they will lose access to this income source as the Colombian government seeks to take more control over carbon market activities.

The [REDD+ Suruí Forest Carbon Project](#) in Pará, Brazil was the first Indigenous-led forest carbon project. Certified under the Verified Carbon Standard (VCS), this project generated almost 300,000 carbon credits from 2009-2014. The [credits](#) were owned by a Suruí association and credits sales were put into the Suruí Fund. The Paiter-Suruí people [used](#) proceeds from the sale of those credits to support defense of their territory, local governance, and food security. However, in 2014 and 2016, gold and diamonds were discovered in the Paiter-Suruí territory. Some community members supported allowing extractive activities, arguing that logging and mining provided more revenue than forest protection. Illegal mining also began and agricultural activities followed. Sanctioned and illegal mining and agriculture resulted in fewer credits being issued and ultimately a [suspension of the Suruí project by Verra](#). The Suruí Forest Carbon Project was [undermined](#) by internal divisions, insufficient revenues from carbon, collusion between a Suruí leader and miners, and lack of support from the Brazilian government for Paiter-Suruí rights.

These examples show how Indigenous communities can benefit directly as project developers and that stable governance environments are necessary to ensure long-term social and environmental benefits. The Yurok are in a relatively unique position with their secure, enforceable, long-term management rights. Indigenous REDD+ project developers in Colombia and Brazil face unstable governance and political conditions that can abruptly lead to the loss of access to carbon finance.

### Involuntary involvement

In some cases, IPs&LCs are **involuntarily involved** in VCM activities. This is most likely to occur where land ownership is unclear and governance is weak. **Much of the land** where NbS VCM activities are developed are in areas where the tenure or use rights of IPs&LCs have not been recognized or formalized. Governments may grant VCM developers the rights to land where IPs&LCs have unrecognized claims, use resources but do not inhabit the land, or are settled illegally. In other cases, **unscrupulous activity developers** establish VCM activities without following proper consultation processes or convince IPs&LCs to participate in VCM activities that result in them **losing ownership, rights, or access** to resources. Some carbon standards have safeguards in place to avoid the development of VCM activities without consultation with IPs&LCs, but there are still risks of nonconsensual involvement of IPs&LCs, especially in remote and low governance regions.

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### How can VCM activities promote benefits for and mitigate risks to IPs&LCs?

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Lack of legally-recognized rights can result in insufficient engagement with, weak **benefit sharing** for and disenfranchisement or displacement of IPs&LCs.

The most important measure to ensure that the VCM promotes benefits for and mitigates risks to

IPs&LCs is to develop VCM activities that are led by communities and based on local knowledge and Indigenous innovation. The Australian **National Indigenous Carbon Forum** calls for Traditional Owners of lands where carbon projects are developed to be treated as equal partners and for carbon market activities to only make claims about benefiting Indigenous people if and when IPs&LCs are the partners and beneficiaries. VCM activity developers should heed such demands from IP&LC groups and organizations to create activities that truly benefit IPs&LCs.

VCM activity developers are responsible for ensuring that VCM activities provide benefits and avoid risks. They can do this by considering and **recognizing** IPs&LCs' land, resource, and carbon rights from the beginning of VCM activity development. This includes recognizing customary and ancestral claims and uses of land and resources, which may not be formally recognized in law. In many regions, legacies of land seizures, forced expulsions, and conflict result in land that is owned or claimed by IPs&LCs being controlled by governments or other private landowners. VCM activity developers need to be responsive to these claims in determining how to allocate carbon rights and structure benefit sharing agreements. Activity developers can support IPs&LCs in accessing legal services to clarify land and carbon rights.

VCM activity developers must budget and invest sufficient time and financial resources to build trust and conduct full consultations with IPs&LCs. Conducting consultations and obtaining consent can take years.

Consultations and FPIC are necessary to develop activities and benefit sharing agreements with IPs&LCs that achieve long-term climate goals. If consultations have not been conducted appropriately, there is a much higher likelihood that the needs of IPs&LCs will not be met by a VCM activity and the goals of that activity (e.g., avoiding forest loss, changing livelihoods, securing land tenure) will not be achieved or sustained.

Consultations should be transparent about activities, outcomes, expectations, changes, and achievements. Appropriate consultation enables IPs&LCs to decline participation in or introduce changes to VCM activities.

Carbon standards can promote benefits and mitigate risks to IPs&LCs by providing specific guidance and safeguards for consultations and benefit sharing. This could include instituting requirements and procedures for human rights impact assessments for REDD+ and other NbS activities. Carbon standards can also improve the accessibility of their platforms, methodologies, and grievance procedures for IPs&LCs. This would make it easier for IPs&LCs to lead as activity developers.

Governments can promote benefits and mitigate risks to IPs&LCs by attributing to them rights to natural resources or recognizing their roles as stewards of ecosystems. Governments can also clarify how carbon rights and carbon markets will be treated in the future, which provides IPs&LCs and VCM developers the stability to develop activities. Where IPs&LCs have clear and secure ownership of land or other resources, they can be VCM activity developers and use carbon credit finance to support their land management, livelihoods, and governance.

Buyers of carbon credits can conduct thorough due diligence assessments to ensure that credits they acquire were generated by VCM activities that follow all social safeguards and promote benefits to IPs&LCs. Carbon credits with labels indicating social benefits—such as labels issued by the Climate, Community, and Biodiversity Standard or Gold Standard for the Global Goals—are more likely to support IP&LC rights and needs.

When engagement is done effectively, VCM activities can strengthen the position of IPs&LCs in negotiating, securing, and maintaining land and resource rights. In turn, where IPs&LCs have secure land and forest rights, they can counter ecosystem conversion and degradation, which benefits both communities and climate change mitigation goals.

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## Further reading

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