WFO Position on Carbon Markets

In 2019, the WFO proposed seven wide-ranging recommendations to transform agricultural productivity and resilience for food security in the face of a changing climate[1]. One of those recommendations recognised that agriculture held significant mitigation potential because of its capacity to sequester additional carbon. The ability for agriculture to offset emissions from other sectors needed to be sustainable and balanced with wider agricultural goals and aspirations.

In 2019, the introduction of voluntary carbon offsetting schemes was seen as an opportunity to reward farmers for implementing practices that foster the storage of carbon in soils. Additional carbon benefits could be delivered by agroforestry and farm-scale woodlands with adequate carbon accounting schemes required to recognise their contribution. In addition, it seems essential that these markets include emission reduction actions by farmers, which are permanent and essential to achieve carbon neutrality.

Since 2019, the rapid emergence of voluntary carbon markets operating at different (temporal and geographic) scales have focussed on the demand side and the interests of buyers. There has been limited consideration of the supply side and the interests of farmers. This imbalance has presented farmers across the world with high levels of uncertainty regarding the range of risks and opportunities carbon markets pose for their businesses.

The design of carbon markets should be consistent with the Paris Agreement which recognised "*the fundamental priority of safeguarding food security and ending hunger*" and aims to strengthen the global response to climate change "*in a manner that does not threaten food production*".[2] This is critical in ensuring that humanity achieve all Sustainable Development Goals.

Carbon markets represent an opportunity to incentivise climate action while also directly supporting the wider social, economic, environmental, and cultural aspirations of farmers and rural communities. Carbon markets also come with the risk that productive farms and rural regions become a cheap

[1] See WFO Policy Paper on Climate Change and Agriculture, available in the Policy Documents section of the WFO Website. The 7 recommendations are: understand that agriculture is unique; greatly increase financing and investment; develop strategies for resilience and risk management; recognise and reward multiple benefits; promote productivity and emissions intensity for mitigation; adopt a farmer-centric, gender-sensitive approach; pursue integrated, harmonised processes.

[2] The two quotes belong to the Preamble and to Art. 2(1)(b) of the Paris Agreement, respectively. The full text is available on the UNFCCC Website.

means for other sectors to offset emissions and avoid the need to change behaviour.

To ensure that opportunities are maximised, and risks minimised, it is critical that carbon markets put the needs of farmers, the agriculture sector, and rural communities at the heart of policy design.

This position paper sets out the following high-level principles to make carbon markets work for farmers:

Market rules

- Markets for carbon must work alongside and complement the production of food, energy, fibre, and ornamentals.
- Public policy and government initiatives must support the development of private markets.
- Markets require clear common rules and standards to provide transparency and integrity so allowing farmers and buyers to participate with confidence.
- Environmental markets which involve the sale of offsets must work alongside, and not undermine, efforts from the farmer to implement carbon reduction measures to support their own transition to net zero. As such, farmers should consider the opportunity to sell to buyers through environmental markets where offsetting is consistent with efforts to establish a robust and comprehensive net zero strategy for the farm business, which may include a combination of carbon reduction measures, supply chain insetting, and carbon offsets.
- Carbon market systems must not penalize early-adopters who did the heavy lifting and on-farm experimentation required to develop many of the best management practices that contributed to increased carbon sequestration.

Market access

- Markets should be accessible across a range of farm sizes, land tenures and business structures. In situations where farmers do not own their own land, the importance of their activity for carbon sequestration must still be acknowledged and these farmers must be able to participate in these new markets without additional restrictions and/or pressures. It is important to avoid the risk of raising the rental price of the land by the owner taking into account a higher income from the tenant, effectively avoiding being able to seize the opportunity for a supplementary income for the farmer.

- Markets should be open to a range of ways to sequester additional carbon, occurring both above and below the ground.

Market risk and reward

- Farmers must be fairly rewarded for the delivery of additional GHG mitigation. The WFO climate policy also calls for recognition and reward for farmers for what has already been achieved to ensure that early adopting farmers are not disadvantaged.
- Regulations must ensure that the socio-economic well-being of rural communities is enhanced and not harmed by carbon markets. Local farmers and community members and stakeholders should be empowered to determine the needs of their rural community.
- Building capacity and understanding of these novel markets amongst farmers and their organisations, particularly in developing countries, is critical. This capacity would raise farmers' awareness about risks and opportunities, so to make an active contribution to the establishment and development of carbon markets, in all countries.

The WFO will continue to refine these principles informed by farmers' experiences and as policy and markets develop.