

SESSION SUMMARY

1. Title of the Session	Carbon Finance Opportunities in the Agriculture Sector – How Can We Create the “Carbon Asset” to the Benefit of Smallholder Farmers?
2. Date and Location	3 March 2009, JB1-080
3. Chair, Speakers, Panelists, Commentators	Chair: Johannes Woelcke (AFTAR) Speakers: Timm Tennigkeit (Chinese Academy of Sciences), Pete Smith (University of Aberdeen), Bo Lager (ViAgroforestry), Ken Newcombe (C-Quest Capital)
4. Topic and main message/s communicated in the presentation/s	<p>Woelcke: There is potential for significant soil carbon revenue streams for smallholder farmers in developing countries. Efforts to increase soil carbon can also increase productivity and climate resilience of agricultural systems. Client countries are interested in including agricultural GHG mitigation in post-Kyoto regimes as evidenced by the submission of 11 African Countries to the UNFCCC.</p> <p>Smith: Considerable amount of data exists about mitigation potential in the agricultural sector in different climatic zones. A look-up table for 4 climate zones and ca. 60 practices illustrates where the potential is greatest and what the uncertainty levels are. Agriculture is cost competitive with mitigation options in other sectors. Agriculture has a significant role to play in GHG mitigation and should be part of a portfolio of mitigation measures to reduce emissions/increase sinks.</p> <p>Tennigkeit: Requested by more than 40 countries, the UNFCCC published a report on mitigation possibilities in the agriculture sector in 2008. Subsequently, several countries and international organizations have made formal submissions to the UNFCCC for including agricultural soil carbon in the post-Kyoto regulatory regime.</p> <p>Two agricultural soil carbon projects have been developed with support of the World Bank in Kenya. Their development followed a multi-stage screening and selection process. As part of the projects, cost-effective and transparent carbon accounting methodologies are being developed and will be submitted to the Voluntary Carbon Standard (VCS) in March/April. The methodology is based on modeling which estimates the amount of carbon sequestered for each applied management practice. The smallholder coffee carbon project is being implemented in Central Kenya on about 10,000 ha. Various management practices are being promoted, including residue management, mulching, manure application, and agroforestry. It is estimated that the project will generate 30,000 tons CO₂e per year. Key for project implementation is the coordinating entity which supports farmers through advisory services and will aggregate the emission reduction from smallholder farmer cooperative. Farmers decide which land management practice or technology they would apply, and carbon sequestration is determined using default values estimated by a biophysical model. The farmers record the adoption of the activities. Such simple and transparent methodology was chosen to minimize costs and maximize transparency for the farmers.</p> <p>Lager: The Swedish NGO ViAgroforestry has worked in East Africa for 25 years, with farmer organizations that include over 200,000 farmers in 5,000 farmer groups. The Western Kenya Smallholder Agriculture Carbon Finance project developed with the BioCF encompasses 116,000 ha and adoption of sustainable agricultural land management practices</p>

	<p>which increase carbon stocks will be adopted on approximately 80,000 ha. Farmers are aware of climate variability and change, and adaptation is increasingly becoming part of their livelihood strategy. The farmers in Western Kenya aim at increasing land productivity by adopting sustainable land management practices. The adoption of new practices also helps them to adapt to climate change and earn additional revenues for the environmental service they are providing – GHG mitigation.</p> <p>Newcombe: Agricultural soil carbon represents the missing gap for landscape-wide GHG mitigation. Reforestation and avoided deforestation activities are already included (former) or are very likely to be included (latter) in the post-Kyoto compliance market. There is an urgent need to push for inclusion of agricultural soil carbon in future compliance markets. The voluntary carbon market has created opportunities for agricultural activities in North America. All draft US climate bills explicitly consider agricultural carbon. The World Bank’s objective should be to advocate for the inclusion of all landscape-based (or agro-ecosystem based) carbon assets in a post-2012 climate regime and in the US compliance market. The World Bank and Development Partners (incl. the CGIAR) should provide capacity building for agro-ecosystem market development. The major institutions need to act fast since the opportunity is fast evaporating.</p>
<p>5. Gist of the discussion (provide a brief summary of the questions and answers)</p>	<p>Representative of IFAD said that also they are launching experiments to develop innovative solutions for farmers to access carbon finance. He asked, whether there is already money flowing to the farmers. Mr. Tennigkeit answered that the project is still in development phase: a contract will be signed between the BioCF and ViAgroforestry, and the latter will sign contracts with registered farmer groups. Most of the money, perhaps 80 per cent, will go to community bursaries, and the community will decide whether the money will be distributed to individual farmers or allocated to community projects. The remaining 20 per cent is maintained to for advisory services.</p> <p>World Bank ARD representative asked what the organization and financing for monitoring are: are they carried out by the farmers or ViAgroforestry, and how investors are assured that there are actual reductions. Mr. Lager answered that the farmers are going to receive the revenues, and they will take care of the monitoring of the technologies that they are implementing. Mr. Tennigkeit added that the credibility is based on the monitoring and accounting systems. The project has to be validated and verified by an independent certification body. On the other hand, the extension workers will ensure that the farmers will follow the methodology.</p> <p>Maurizio Guadagni (World Bank ECSSD) said that in addition to benefits, costs of carbon finance projects should be shown clearly. In a project in Kazakhstan, introducing a reduced-tillage system required procuring a lot of new equipment. The current price the BioCF is paying for a carbon ton is currently only US\$4, instead of US\$20 projected in the presentations. With expensive monitoring etc. the costs of implementing may be higher than the actual carbon revenue. Mr. Woelcke answered that it is key to develop cost-effective monitoring systems to maximize revenues at farm level. The price per ton CO₂e is obviously a crucial factor. One barrier to adoption of sustainable land management practices is high up-front investment costs: carbon finance could help to reduce this barrier if the flow of revenues is adequately designed.</p> <p>Jeannette Gurung (WOCAN) reminded that in many parts of the developing world, women are responsible for 70-80 per cent of natural resources management, and of soil management particularly. She asked</p>

	<p>how it could be promoted that carbon revenue would come down to women's farmer groups that may be otherwise marginalized. Mr. Lager said that the ViA project tries to channel money through small holder savings association. 70 percent of members of savings association are women. The question is also about ensuring that women can take part in extension.</p>
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