



The Press on SOPA as a Core Carbon Principle of the Voluntary Carbon Market



In carbon markets we trust?

by Megan Rowling, 21 July 2022



Make polluters pay for climate adaptation, voluntary carbon market body proposes

by Chloé Farand, 27 July 2022.

Several recent news articles have highlighted the proposal for a Share of Proceeds for Adaptation (or SOPA) as a Core Carbon Principle of the Voluntary Carbon Market (VCM). Reuters, for example, published an article, [In carbon markets we trust? New global guidance aims to stop greenwashing](#), which includes the excerpt below on SOPA in the VCM. The article was written by Megan Rowling, Thomson Reuters Foundation, and published on 21 July 2022. Another article, [Make polluters for climate adaptation, voluntary carbon market body proposes](#), was written by Chloé Farand for Climate Home News and published on 27 July.

Excerpt from the Reuters article:

“There are growing calls for projects that generate offsets for the voluntary carbon market to consider their social impacts, too. That could range from ensuring they do not prevent local communities from accessing forest land to boosting basic services and incomes.

Benito Müller, professor at Oxford University's Environmental Change Institute, described [social integrity](#) as ‘the forgotten twin’ of environmental honesty. Socially beneficial credits should not be available only as a sub-category in the market, he noted. ‘That's not enough to safeguard the market overall from the serious reputational risk of being accused of lacking social integrity by leaving the poorest and most vulnerable people behind,’ he added.

A coalition convened by Müller is advocating for a 5% charge on all credits in the voluntary market - in line with Paris Agreement rules for government offsets - to help at-risk nations adapt to climate-linked extreme weather and rising sea levels, regardless of whether they attract carbon credit projects. This ‘share of proceeds for adaptation’, distributed through an existing U.N. fund, could generate as much as \$2.5 billion annually, based on independent estimates that the voluntary carbon market could be worth \$30 billion to \$50 billion by 2030, he noted.

The idea - backed by many of the poorest countries and small island developing states - has been submitted for potential inclusion in the forthcoming Core Carbon Principles.

Charles Hamilton, climate change advisor to the Bahamas government, pointed out that it was in companies’ self-interest to play their part alongside governments in cutting emissions, while helping those on the frontlines of a warming world. ‘These goals and these principles at the end of the day are about protecting people... If our islands no longer exist, you are losing your own customer base,’ he added. ‘We all have to put skin into the game, both from the public and the private sector.’”

SOPA added to the proposed IC-VCM Core Carbon Principles

To the members of the Board of
The Integrity Council for the Voluntary Carbon Market

Dear IC-VCM Board members,

We, the undersigned, as representatives of globally poorest and most vulnerable countries would like to express our full support for the establishment of a Share of Proceeds for Adaptation (SOPA) as a governance principle for the Voluntary Carbon Market (VCM) and express our thanks to Professor Benito Müller (OCP/ecbi) and Professor Saleemul Huq (ICCCAD/ecbi) for having brought the issue to our attention.

We have noted the concern shared by various groups of stakeholders¹ about the VCM neglecting the countries we represent and support the view that this should be urgently addressed as a matter of "[Safeguarding Social Integrity in the Voluntary Carbon Market](#)".

By definition, our countries have special adaptation needs. The proposed SOPA would allow the VCM to provide adaptation benefits in an equitable manner, without distorting market choices (i.e. without introducing, say, host country quotas) which would not only benefit our countries, but also put the VCM in the vanguard of progressive instruments to tackle the climate emergency.

We therefore urge the IC-VCM to add a SOPA to its core carbon principles.

Yours sincerely,

H.E. Mr Abul Kalam Azad, Special Envoy, Climate Vulnerable Forum ([CVF](#)) Presidency of Bangladesh
Ms Madeleine Diouf Sarr, Chair, UNFCCC Least Developed Countries ([LDC](#)) Group
Mr Ousmane Fall Sarr, Coordinator of the [West African Alliance on Carbon Markets and Climate Finance](#).

¹ See, for example, https://vcm-gd.org/wp-content/uploads/2021/10/VCM_Consolidated_final.pdf

Reflecting on the ideas put forward in the OCP/ecbi Discussion Note on "[A Share of Proceeds for Adaptation \(SOPA\) in the Voluntary Carbon Market \(VCM\)](#)", and the OCP blog post on "[Safeguarding Social Integrity in the Voluntary Carbon Market](#)", the ecbi Programme Heads facilitated a letter by lead representatives of the Climate Vulnerable Forum (CVF), the UNFCCC Least Developed Countries (LDC) Group, and the West African Alliance on Carbon Markets and Climate Finance to the members of the Board of the Integrity Council of the Voluntary Carbon Market (IC-VCM). According to the [final report of the Taskforce on Scaling Voluntary Carbon Markets](#) (the precursor of the IC-VCM), the size of the VCM, currently at around \$1.6 billion could reach between \$30-50 billion in 2030, which, under an Art. 6.4 SOPA of 5% would generate between \$1.5 and \$2.5 billion annually for adaptation in the most vulnerable countries.

The letter was the culmination of a six month engagement with members of the IC-VCM Board and Expert Panel and other relevant stakeholders to promote the VCM-

SOPA idea, which also led to an AOSIS/LDC letter to the IC-VCM Board, as acknowledged in an AOSIS [press release](#).

On 9 June 2022, the IC-VCM Board adopted a SOPA as one of its proposed Core Carbon Principles to be put for public consultation.

OCP/ecbi Input to the IC-VCM Consultation on Core Carbon Principles

Public Consultation

IV Issues Related to Paris Agreement Alignment

[Add/View comments \(0\)](#)

13 Alignment with Paris Agreement

[Add/View comments \(0\)](#)

13.1 **Share of proceeds** for adaptation finance

[Add/View comments \(0\)](#)

Criterion 13.1: Share of proceeds for adaptation finance

Option 1

From [date] onwards, the carbon crediting program shall levy a share of proceeds of [X%] at issuance, for the benefit of the Adaptation Fund, to assist developing countries meet the cost of adaptation.

Option 2

No provisions on this matter.

On 27 July, the [IC-VCM launched a 60-day public consultation](#) on its draft [Core Carbon Principles](#) (CCPs), Assessment Framework and Assessment Procedure. Professor Benito Müller, on behalf of OCP/ecbi, provided the following input on the inclusion of a [Share of Proceeds for Adaptation](#) (SOPA) among the CCPs.

OCP/ecbi Input

“Alignment with the Paris Agreement is a very important, but my no means the only, reason for introducing a market-wide 5% Share of Proceeds for Adaptation (SOPA). Another, arguably even more important reason, is to safeguard what has become known as the [“Social Integrity”](#) of the Voluntary Carbon Market (VCM) as a whole in the form of a CCP.

Lack or loss of integrity is a reputational risk that potentially jeopardises the very

existence of the market in question, particularly if the buyers rely on the reputation of what they are buying, as in the VCM. A credit on sale in a market that lacks integrity is simply not worth buying. However, 'integrity' in this context has by and large been interpreted as environmental integrity, meaning that carbon markets should not leave the environment worse off than it would have been without them. The problem with this exclusive environmental focus is that carbon markets can also have negative social consequences which pose an equal reputational risk of lacking in global social integrity. One of these is the risk of leaving behind the poorest and most vulnerable, and thus being perceived solely as a tool that reduces the cost of the rich polluters to reach their mitigation targets. The SOPA is also an expression of the "principle of common but differentiated responsibilities and respective capacities," as it allows all poor and vulnerable countries to participate in the benefits of global carbon markets.

Adopting a SOPA as best practice (i.e., a Core Carbon Principle) in alignment with the Art. 6.4 trading mechanism of the Paris Agreement is a first, tried-and-tested step towards ensuring the social integrity of the VCM as a whole, without having to interfere in market decisions regarding the type or location of credit generating projects (although there is the option of promoting poor and vulnerable host countries with a SOPA exemption, as practised in the CDM).

Introducing a SOPA as part of the Integrity Council for the VCM (IC-VCM) CCPs is both a matter of risk management and an opportunity. On the one hand, it provides a way to safeguard the social integrity of the VCM and to reduce the VCM's serious reputational risk of just being another polluter club leaving behind the poorest and most vulnerable. On the other, it not only aligns the VCM with the Art. 6.4 mechanism, but provides the opportunity to showcase the VCM as being more socially progressive than Art. 6 of the Paris Agreement (which did not manage to include a SOPA in Art. 6.2).

Finally, regarding the way forward, what we need now is to adopt a SOPA following the model of the Paris Agreement which allows for a speedy tried-and-tested operationalisation. We need to hit the ground running. There will be ample time to modify the operational model if needed afterwards."

For these reasons, the following slightly amended version of Option 1 was suggested:

"From January 2024 onwards, carbon crediting programs shall in alignment with the Paris Agreement charge a share of proceeds of five percent at issuance, for the benefit of the Adaptation Fund, to assist developing countries that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation." [Art. 6.6 Paris

A Share of Proceeds for Adaptation (SOPA) in the Voluntary Carbon Market (VCM): A new OCP/ecbi Discussion Note



VCM-SOPA

A SHARE OF PROCEEDS FOR ADAPTATION (SOPA) IN THE VOLUNTARY CARBON MARKET (VCM)

Discussion Note¹

March 2022

by Benito Müller,² with contributions from Hanna-Marie Ahonen,³ Pedro Moura Costa,⁴ Daniel Ortega-Pacheco,⁵ Moekti (Kuki) Soejachmoen,⁶ and Charlotte Streck.⁷

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¹ The views expressed in this Note do not necessarily reflect the views of the affiliated institutions of the authors and contributors.

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Social responsibility is one of the key motivators of voluntary corporate action. It is therefore valuable to harness carbon markets to promote multiple co-benefits in addition to mitigation, including adaptation co-benefits, particularly if they promote global equity by generating resources to support those who suffer most from adverse impacts of climate change while having contributed least to causing it - for example through a Share of Proceeds for Adaptation (SOPA).

A new [OCP/ecbi Discussion Note](#) argues that the Voluntary Carbon Market (VCM) has the unique opportunity to explore the value proposition that a SOPA can provide stakeholders. Given the political buy-in that SOPA can bring about, as observed during the CDM development, and the policy need to align with the provisions of the Paris Agreement, the authors recommend that ongoing efforts to improve the governance of the VCM should strive to:

- encourage standard setters to promote a SOPA;
- incorporate regulatory provisions for a SOPA into VCM as a key component of good governance and a high-level principle for the market, to ensure environmental and social non-carbon positive impacts; and
- enhance coordination of supply and demand oversight efforts, to foster synergies towards effective SOPA implementation and delivery.

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