

## FREQUENTLY ASKED QUESTIONS ABOUT UNDP'S HIGH INTEGRITY CARBON MARKETS INITIATIVE

### *1 Q: What is the objective of UNDP's High Integrity Carbon Markets Initiative?*

**A:** UNDP's vision is to make carbon markets work for host countries, NDCs and the SDGs. UNDP will focus on supply side integrity, in an effort to level the playing field – for host countries at all levels, but also landowners, farmers, households and rights-holders, including Indigenous Peoples, local communities and women – who contribute to and benefit from carbon crediting programs. The initiative will seek to ensure all parties are equally informed and capacitated to strategically engage; that fairer terms, conditions and prices are negotiated with buyers; and importantly, that benefit sharing, SDG impacts and social and environmental safeguards are at the core of carbon program design and implementation. This effort will seek to ensure that carbon market investments and benefits remain in the host countries.

### *2. Q: How will UNDP's High Integrity Carbon Markets Initiative be implemented?*

**A:** UNDP will provide strategic holistic support on carbon markets to host country governments through its network of country offices. Countries will receive high-level strategic information and targeted technical assistance to access carbon markets finance, guided by principles for high ambition and environmental and social integrity, including consideration of Article 6, voluntary carbon market opportunities, and the establishment of domestic carbon markets mechanisms. UNDP carbon markets work will be integrated with other areas of UNDP Climate, notably the work from the Climate Strategies and Policy team, the Climate Change Mitigation team and the Climate and Forests team. This work will be coordinated with the Sustainable Finance Hub and work through the regional hubs to better support Country Offices.

Specifically, UNDP will undertake the following activities:

- **Convening** diverse stakeholders, including governments, corporates, project developers, investors, civil society, indigenous peoples and local communities, women and others to collaboratively forge pathways to achieve high integrity carbon markets, while advancing climate and development objectives in a holistic and sustainable manner.
- **Supporting** governments to establish enabling policy, regulatory and legal frameworks and institutional capacities for sustainable implementation of high integrity carbon crediting programs.
- **Integrating** the high integrity guardrails into host countries' decision making and practices, ensuring their incorporation across all carbon crediting programs – at project, sectoral and jurisdictional levels.

### *3. Q: What are the focus areas of UNDP's High Integrity Carbon Markets Initiative?*

**A:** UNDP's initiative focuses on four offers:

1. Carbon Markets Access Strategies
2. Article 6.2 ITMO Facility
3. Jurisdictional Voluntary Carbon Markets
4. Domestic carbon markets and emission trading schemes

All four offers will be implemented following the high-integrity guardrails (See Qs 1.7 and 1.8).

*4. Q: What is high-integrity in the context of carbon markets?*

*A:* High integrity on the supply-side (generation of carbon credits) means that emission reductions and removals are real, additional, have verifiable climate impacts, are aligned with the country's NDC and supportive of higher ambition. In addition to this environmental integrity, there must be transparency in the institutional and financial infrastructure for carbon market transactions. There also must be a robust application of social and environmental safeguards to manage potential adverse project impacts and the promotion of positive, measurable sustainable development impacts. Demand-side integrity relies on entities buying high-integrity carbon credits and having real commitments to reduce emissions from their own operational and value chain processes.

*5. Q: Why does high-integrity matter?*

*A:* A focus on high-integrity aims to address valid concerns related to carbon markets, including issues related to double-counting of GHG emission reductions, human rights violations, and greenwashing (companies falsely marketing their green credentials, e.g., misrepresenting climate-neutral products or services). If designed and managed to promote high integrity and climate ambition, carbon markets can enable the transition of economies to net-zero societies by mid-century, advancing the implementation of NDCs and accelerating progress across the 2030 Agenda. The benefits of carbon market activities vary depending on the country, sector, and type of intervention. The potential benefits for local communities consist of, inter alia, access to clean energy or clean water, reduced air pollution, improvement in health infrastructure, reduced time spent on the collection of firewood, job creation, technical training, water and soil retention and the protection of biodiversity. These benefits contribute to Sustainable Development Goals (SDGs) and address global challenges beyond climate change, such as inequality, environmental degradation, and constraints to social development, justice, and peace.

*6. Q: What is being done globally to raise the integrity of carbon markets?*

*A:* To ensure the credibility and effectiveness of carbon markets, UNDP is actively collaborating with global initiatives, focusing on establishing robust principles and guidelines that ensure high integrity across all types of carbon markets. This includes engagement with the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat, working on Article 6 and the two voluntary carbon market integrity initiatives, the [Integrity Council for Voluntary Carbon Markets](#) (IC-VCM) to enhance the supply side, and the [Voluntary Carbon Markets Integrity Initiative](#) (VCMI) to address the demand side, aiming to bolster transparency and accountability in these critical financial mechanisms. The work of these initiatives, alongside efforts by standard setting bodies (e.g., [Gold Standard](#), [Verra](#) and [ART TREES](#)) carbon credit ratings agencies (e.g., [Calyx](#), [Sylvera](#) and [BeZero](#)), and other partnerships such as the [Carbon Credit Quality Initiative](#) and the organizations that co-developed the [Tropical Forest Integrity Guide](#), led to greater convergence and consensus-building within the carbon market ecosystem of actors on what high integrity is and how to achieve it.

*7. Q: What 'high-integrity guardrails' will UNDP employ to promote high environmental integrity of carbon markets?*

*A:* *As part of the launch of UNDP's high-integrity initiative, UNDP commits to support only those carbon market engagements that sufficiently address a number of key guardrails to promote environmental integrity.* Emission reductions/removals must be additional, according to the following definition: The

carbon credit represents GHG emissions reductions or carbon sequestration or removals that exceed any GHG reductions or removals required by law, regulation, or legally binding mandate, and that exceed any GHG reductions or removals that would otherwise occur in a conservative, business-as-usual scenario.

Closely related to additionality, the robust quantification of emission reductions and removals is essential. This effectively refers to quantification that is based on conservativeness and completeness of the accounting, and use of sound scientific methods that are consistent with IPCC guidance/guidelines. Credible, updated baselines that reflect current conditions, robust MRV protocols, and discounting for uncertainty and leakage must be applied. Carbon credits need to address non-permanence, or the risk of reversals. In other words, the credits must represent long-term mitigation benefits. This is often defined as 100 years. The core issue for permanence is not, however, whether there is reversal risk, but rather, if such risks are covered by compensation mechanisms, typically mandatory buffer accounts. In the case of leakage, there should be an established process for assessing and mitigating leakage of emissions that may result from the implementation of a carbon project or program.

The GHG emission reductions or removals from the supported mitigation activities shall not be double counted, i.e., they shall only be counted once towards achieving mitigation targets or goals.

Transparency is critical for high-integrity carbon markets. On the government-side, the focus of ensuring this guardrail will be technical assistance on reporting, to enhance transparency and accountability, which will complement UNDP's broader transparency portfolio. On the demand side, it will focus on ensuring the transparency of companies' reporting on carbon transactions.

Project or programme documentation needs to be made publicly available in electronic format (unless confidential business information) and it should be of sufficient detail and clarity to allow scrutiny of mitigation activities by non-specialised audiences, as well as sufficient details - when it comes to the data and information - for a technical expert to replicate the methodological approach, calculations, etc.

Each carbon credit generated must have clear and transparent chain of custody. A registry needs to be utilized to uniquely identify, record and track mitigation activities and carbon credits issued to ensure credits can be identified securely and unambiguously.

Finally, a third-party entity must conduct validation and verification of any carbon crediting project or programme, via an accredited institution or company, designated via the applicable standard or programme.

*8. Q: What 'high-integrity guardrails' will UNDP employ to promote high social integrity of carbon markets?*

*A: The importance of safeguards and enhanced SDG impact in the carbon market is unquestionable. There is growing recognition that the quality of a carbon unit (and its associated price) needs to be defined by the extent to which the actions leading to results effectively apply social and environmental safeguards and embed core international standards related to human rights, equity, participation, and governance, among others. However, countries face challenges on multiple fronts in being able to meet these expectations and requirements. UNDP will undertake the following activities to promote high social integrity across its programs:*

- ✓ Application of UNDP's Social and Environmental Standards (SES) and SDG impact tools to carbon programs is supports.
- ✓ Assess and strengthen legal, policy, institutional and governance arrangements, in line with applicable carbon market standards.
- ✓ Apply practical programming expertise on consultation and free, prior and informed consent (FPIC); gender equality and women's empowerment; social and environmental risk assessment, management planning, monitoring and reporting.
- ✓ Ensure carbon market arrangements are consistent with the rights of affected indigenous peoples and local communities (IPs and LCs).
- ✓ Establish dedicated systems, procedures, guidelines, roles and responsibilities for gathering, processing, and reporting on safeguard-related information and SDGs, in alignment with annual validation and verification by third parties under applicable standards.
- ✓ Establish dedicated platforms, procedures and guidelines that guarantee the meaningful engagement of IP and LCs and other stakeholders in carbon market activities.
- ✓ Establish processes for the design of equitable benefit-sharing arrangements in a way that recognizes and further incentivizes IP, LCs and women's contribution to emissions reductions.
- ✓ Establish institutional arrangement and procedures for receiving, responding, and reporting on grievances related to carbon market activities, aligned with UN Guiding Principles on Business and Human Rights.
- ✓ Provide dedicated grants to IPs and LCs, in line with self-defined objectives related to carbon market readiness and implementation.
- ✓ Harmonize and simplify the linkages between the diverse sets of requirements and national efforts to address social and environmental issues, reducing the burden on countries.
- ✓ Provide trainings, webinars, south-south learning exchanges related to all of the above, for governments, IPs, LCs, women and other key stakeholders.

*9. Q: How will UNDP ensure the rights of indigenous peoples are respected in the programs it supports?*

*A: In addition to the application of UNDP's [Social and Environmental Standard policy](#) (which requires that UNDP's activities recognize and foster full respect for indigenous peoples' human rights as recognized under Applicable Law), [screening procedure and operational guidance](#)<sup>1</sup>, there are a range of activities that UNDP currently and will support related to the rights of indigenous peoples, including:*

- ✓ Facilitate discussions with government actors (where requested by the concerned Indigenous Peoples), with the involvement of experts, on the relationship between carbon crediting projects and the need for policies, regulations and laws addressing: FPIC, land titling, forest tenure rights,

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<sup>1</sup> See also [UNDP's FAQs on Free, Prior and Informed Consent](#).

land restitution, carbon rights, the extent to which Indigenous Peoples' rights are addressed in NDCs, and the risks of not, and benefits of, addressing these rights.

- ✓ Provide support for the development of indigenous Peoples autonomous FPIC protocols and self-determined life plans and priorities for their futures that can guide their decision-making in relation to carbon crediting programs.
- ✓ Facilitate technical and financial support for land claims processes and for the resolution of overlapping claims or contested borders.
- ✓ Assist communities to strengthen and formalize their governance structures, including women's involvement in them.
- ✓ Build Indigenous Peoples' capacity to conduct aspects of human rights impact assessments of carbon crediting programs that relate to their social, cultural, and spiritual well-being.
- ✓ Enable access to legal experts to support Indigenous Peoples' assertions of carbon rights in light of their customary laws, international human rights law (IHRL), historical or contemporary treaties and agreements, historical sovereignty claims, and indigenous rights consistent with elements of national law.
- ✓ Build financial and technical capacities of Indigenous Peoples to receive and manage large funds.
- ✓ Facilitate the provision of funds to Indigenous Peoples' representative bodies at national or regional levels to manage small grants for Indigenous Peoples to equip them to develop self-determined plans, FPIC protocols and perform community mapping, to be prepared for decision-making in relation to participation in carbon markets.