Fund Fair Climate Action

Position paper FairClimateFund

Climate change affects some people much more severely than others, and its consequences are becoming increasingly visible through extreme weather conditions. Historically, Europe and the U.S. have been largely responsible for the emissions that have accelerated global warming, while the negative effects primarily impact people in countries that have contributed far less to these emissions.

Therefore, it is our responsibility to reduce CO_2 emissions in line with the Paris Agreement while also contributing to better living conditions for people in regions vulnerable to climate change. Businesses play a crucial role in this effort.

Climate action by businesses

Businesses should primarily focus on investments in emission reductions within their value chains. Setting robust climate targets is essential in this regard. The Paris Agreement serves as a guiding framework, requiring companies to reduce their CO_2 emissions by 55% by 2030.

In addition to reducing emissions within their own operations and supply chain, companies can create significant impact by investing in carbon credits from climate projects outside their value chain. These investments—referred to as Beyond Value Chain Mitigation (BVCM)—contribute to a just energy transition* and support those most affected by climate change.

BVCM is not a substitute for internal emission reductions but an additional strategy that:

1. **Increases climate impact**
   By investing in BVCM, companies contribute to the global reduction of CO_2 emissions.

2. **Promotes climate justice**
   High-quality projects provide people vulnerable to climate change with the knowledge and resources to improve their living conditions.

3. **Enables fast results**
   Investing in BVCM creates immediate impact, whereas internal emission reductions often take longer to achieve.

FairClimateFund develops these climate projects for the voluntary carbon market in collaboration with partners in Africa and Asia.

The voluntary carbon market serves as a valuable complement to national climate plans (NDCs). To limit global warming to below 1.5 or 2 degrees Celsius, as outlined in the Paris Agreement, additional action is necessary. The current commitments in countries' NDCs are insufficient to meet these climate targets, making extra efforts essential.

Additionally, the voluntary carbon market is well-suited to reducing inequality between countries that are responsible for the majority of emissions and those that have contributed very little.

FairClimateFund focuses on developing cleaner cooking projects, providing households with access to climate financing. However, there are several conditions attached to good climate projects.

Clean cooking and a just energy transition*

"Worldwide, 2.1 billion people cook over open fires, which is responsible for 3% of global CO_2 emissions. Investing in clean cooking projects is a key part of a just energy transition. A just transition means that everyone must have access to clean energy, and no one should be left behind."

Fair Climate Projects

Benefit-sharing
Fair climate projects require fair prices. It must always be clear where the investment money is going – it must go to the people who are realising the CO_2 reduction and are most affected by climate change. They must also be actively involved in the implementation of the project.

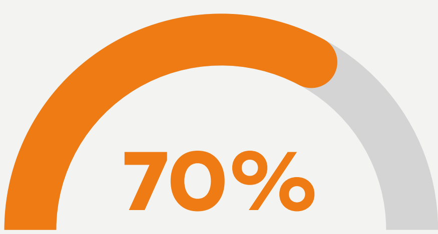
Additionality
Projects must be 100% additional and provide an extra CO_2 reduction on top of the reductions already planned.

High quality
FairClimateFund chooses certification of projects by standards that apply strict conditions, such as the Gold Standard, and for the most current methodologies, such as the Gold Standard Metered Methodology for cleaner cooking projects

This certification includes external audits and transparent registers to prevent double counting of emission reductions. Investing in monitoring and evaluation is essential, with robust data and scientifically based measurement methods.

FairClimateFund also works with the Fairtrade Climate Standard, which, in addition to the Gold Standard, ensures that a fair price is paid for a carbon credit that fully covers the costs of the project. Investment is also made in adaptation through the payment of an additional premium.

FAIRTRADE
CARBON CREDITS™
FAIRTRADE | Gold Standard



FairClimateFund aims to ensure that at least 70% of the revenue from carbon credits goes to the projects, with local households receiving the maximum share. Additionally, a premium of at least €1 per ton of CO_2 is paid for adaptation measures, such as training farmers on agroforestry in a climate academy, planting shade trees, water wells, or the establishment of vegetable gardens for a diverse diet or additional income.

CSRD & high-quality climate projects

The Corporate Sustainability Reporting Directive (CSRD) emphasizes the importance of financing high-quality climate projects outside the value chain. In the CSRD, companies are encouraged not only to report their own emission reductions but also their financial contribution to climate projects that meet high-quality standards. This underscores the strategic importance of BVCM in both complying with legal requirements and achieving a positive impact.

Transparent communication

BVCM is thus not a substitute for internal emission reductions, and it is important for companies to communicate this correctly and separately. Companies are increasingly being called out for incorrect claims, which leads to stricter laws and regulations surrounding sustainability claims.

FairClimateFund advocates for transparent communication about CO_2 reductions within the value chain, including setbacks and successes. For investments in BVCM projects, FairClimateFund recommends using contribution claims, such as:

"We have contributed to the 'cleaner cooking' project of FairClimateFund through financing with carbon credits of X tCO_2e per year.

In doing so, we have not only significantly improved the living conditions of people most affected by climate change but also contributed to additional global CO_2 reductions."

Time for action

FairClimateFund calls on companies to:

1. Set ambitious internal reduction targets and halve their value chain emissions by 2030.
2. Establish a budget for BVCM, such as an internal carbon price, a share of revenue, or other possible funding sources.
3. Select BVCM projects where CO_2 reductions would not have been achieved without revenue from carbon credits.
4. Choose fair projects that ensure climate funding reaches the people most affected by climate change.
5. Communicate climate action within and beyond the value chain correctly and separately.