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# Panel discussion on carbon trading and other market-based mechanisms

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# What are carbon markets?

- Carbon markets are essentially a trading system in which carbon credits (generated primarily from greenhouse gases emissions being reduced or sequestered) are bought and sold.
- Countries, companies, or individuals engage in a carbon market by buying a carbon credit sold by another entity to compensate for their own greenhouse gas emissions.
- Carbon markets are not a form of climate finance as the climate action is not benefitting the place in which it is occurring (i.e. doesn't enhance or count toward their ambition), but a polluting country or company elsewhere

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# The relevance of carbon markets under the Aarhus Convention

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- Carbon markets and credit-generating activities qualify as “environmental matters” under the Convention (Art. 1 read in conjunction with Art. 2.3)

State Parties’ obligations relevant to carbon markets:

- Obligation to uphold procedural rights in the creation and implementation of credit-generating activities (Arts. 3-9)
- Obligation to promote the principles of the Convention in international forums relevant to carbon trading mechanisms (Article 3.7 + Almaty Guidelines)
- Obligation to ensure that persons exercising the rights protected under the Convention be not be penalized, persecuted or harassed in any way for their involvement (Article 3.8 + Almaty Guidelines)

# Risks associated with carbon markets: failure to mitigate

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- ➢ Instead of halting the drivers of climate change (coal, oil, and gas production and use), carbon markets allow polluters to purchase carbon credits to offset their ongoing emissions.
- ➢ There is no room in the carbon budget (especially in the global North) to offset.
- ➢ Offsets do not actually reduce overall GHGs, but rather shift where emissions take place.
- ➢ Lack of fungibility: 1 tonne of CO2 sequestered is not equivalent to 1 tonne of CO2 emitted from fossil fuels.
- ➢ Offset disincentivize mitigation: entities buy their way out of having to mitigate.
- ➢ Carbon markets scandals have shown how projects have failed to mitigate

# Risks associated with carbon markets: human rights violations on the ground

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- ➢ Credit generating activities have led to human rights violations, including:
  - Land grabs
  - No respect for Free and Prior Informed Consent
  - Impacts on right to food, water, livelihood, etc.

- ➢ Human rights violations also occur where the ongoing fossil fuel activities take place, including related to:
  - Right to life, water, health, livelihood, etc.
  - Right to a clean, healthy, and sustainable environment
  - Right to freedom of expression, right to peaceful assembly, etc.

*Special Rapporteurs' statement: "Fossils fuels at the heart of the planetary environmental crisis: UN experts" (30 November 2023)*

# The State of play of discussions under the UNFCCC

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- Articles 6.2 & 6.4 of the Paris Agreement
- COP21: adoption of basic rules, incl. related to human rights, consultation, and a grievance mechanism under article 6.4
- A weak grievance mechanism has been recently adopted:
  - Lack of independence
  - Lack of features necessary for an effective grievance mechanism (incl. challenges to accessibility).
- Parties are looking to finalize rules and fully operationalize the market mechanisms at COP29 in Baku

# The importance of public participation: The issue of conflict of interest

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- ➢ Developing good rules, including for carbon markets, that place human rights at the center requires participation of rights-holders.
- ➢ Private actors, including fossil fuels companies and trade associations (incl. those promoting carbon markets), frequently participate in UNFCCC meetings
    - At least 2,456 representatives of the fossil fuel industry attended COP28 (compared to 503 at COP26 and 636 at  COP27)
    - The number of fossil fuel lobbyists at COP28 was nearly 1,000 more than the number of representatives present from the ten most climate-vulnerable nations combined (1,509) and more than seven times greater than the number of Indigenous Peoples registered (316)
- ➢ Conflicting interests of the COP Presidents

# The importance of public participation: The issue of civic space restrictions

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- ➢ Restrictions in the COP host countries:
  - COP21, COP24, COP26: demonstration bans, entry denials, protest repression during the COPs
  - COP27, COP28: severe restriction of civic and political rights in the host countries
- ➢ Restrictions within the COP space ("Blue Zone"):
  - Limitations on protest content and expression
  - Lack of transparency on internal policies (incl. harassment policies)
- ➢ Looking at COP29 in Azerbaijan, increasing concerns for safe participation:
  - arrest and detention of human rights defenders
  - severe restrictions of civic space

# Upholding the Aarhus Convention Principles in climate change international fora

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- ➢ The participation of rights holders should be a critical prerequisite to developing good rules including on carbon markets, and towards verifying the real threats to climate justice and human rights, inherent in such market-based systems.
- ➢ Host Country Agreements (HCAs) should include human rights guarantees, which should be made accessible to all.
- ➢ Host countries should guarantee open civic space before, during, and after the events and communicate around the steps taken to do so.
- ➢ UNFCCC Sec. should review all relevant procedures for UN meetings and locations to uphold participants' rights to freedom of expression and peaceful assembly.
- ➢ UNFCCC Sec. should increase transparency on observer constituencies and Parties
- ➢ UNFCCC Sec. should put in place a rigorous UNFCCC Accountability Framework, includ. setting a definition of what constitutes a 'conflict of interest'
- ➢ **Looking at COP29: Azerbaijan must end its crackdown on civil society and journalists and ensure safe civil society participation.**

# Thank You!

For further questions or inquiries, please email:

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