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Assessing the transparency and integrity of benefit sharing arrangements related to voluntary carbon market projects

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Contents

1 Introduction

In recent years, issues with the integrity of carbon crediting have gained more attention. This includes both the quality of carbon credits and the way how carbon credits are being used. Several initiatives were founded that aim to improve integrity in the voluntary carbon market (VCM), such as the Integrity Council for the Voluntary Carbon Market (ICVCM), the Voluntary Carbon Markets Integrity Initiative (VCMI), the Carbon Credit Quality Initiative (CCQI), as well as several agencies that rate the quality of individual carbon crediting projects (e.g. BeZero Carbon, Calyx Global, Sylvera) .

In this context, an important emerging question is how and to what extent the benefits from carbon credit sales are shared with those implementing the projects and the local communities where the projects are located. Often, carbon crediting project developers are companies or organizations that are specialized in carbon crediting projects and operate globally but are not members of the local communities where the mitigation projects are implemented.

This issue has gained attention from different stakeholders in the VCM. Non-governmental organizations (NGOs) have been criticizing that there is a lack of transparency with regards to information on whether and to what extent the profits from carbon credit sales reach local stakeholders and to what extent local stakeholders get involved in project development (Carbon Market Watch 2023, EDF 2023, TakingRoot 2023, Goodcarbon 2023). Likewise, buyers of carbon credits often seek information from carbon credit providers on how much of the carbon credit revenues remain with intermediaries and what share reaches the project implementers and local communities. Some governments, in particular in the Global South, are considering taking regulatory action to ensure that a certain fraction of carbon credit revenues remains in the country. The issue is also considered by some carbon crediting programs and initiatives in the market that seek to improve the quality of carbon credits.

One possible means for ensuring that local communities benefit from carbon credit revenues is establishing so-called “benefit sharing arrangements”. These set out mechanisms to distribute benefits from the sale of carbon credits to local communities. The goal of sharing benefits is to recognize, reward and/or incentivize local stakeholders for their past and future contributions to emission reductions (FSPF and BioCarbon Fund Initiative 2023) as well as to enhance the legitimacy of carbon market projects (Streck et al. 2021, p.1). However, evidence appears to remain sparse in the literature on whether and how such arrangements are being implemented in practice. There is thus a need to assess the transparency and nature of such arrangements.

This study takes a first step in evaluating how benefit sharing arrangements are treated in the VCM and how they are being implemented. The study assesses different aspects of benefit sharing agreements, including:

- Any (emerging) requirements set out in the standards of the main carbon crediting programmes related to benefit sharing agreements;
- How high the level of transparency of the information reported on benefit sharing is, especially with regards to the provision of evidence of actual implementation; and
- What the overall integrity and fairness of benefit sharing arrangements is, with a view to understand what portion of monetary and non-monetary benefits are actually flowing to local stakeholders and whether this portion is fair.

The study first reviews in Section 2 the existing literature and any rules by relevant VCM initiatives and carbon crediting programmes in order to develop a common understanding on how benefit sharing is defined both in theory and the extent to which carbon crediting programs and initiatives in the VCM require the inclusion of benefit sharing in practice. This is followed by an evaluation of a sample of project design documents (PDDs) and other project documentation to evaluate how such arrangements are being implemented (Section 3) before some concluding remarks and recommendations for future research are made in Section 4.

2 Overview of existing rules on benefit sharing arrangements

2.1 Definition of benefit sharing arrangements

There is no uniform definition of "benefit sharing arrangements" in the VCM. In 2020, the Forest Carbon Partnership Facility together with the BioCarbon Fund Initiative (2020, p. 2) published a note outlining definitions of benefit sharing terminology, which has later been similarly published by the Integrity Council for the Voluntary Carbon Market's first draft of the Core Carbon Principles' definition document (ICVCM 2022b, p. 2), describing benefit sharing arrangements as:

"The arrangement(s) that describe Partners, Monetary and Non-Monetary Benefits, and the Benefit Distribution Mechanism(s). Benefit Sharing Arrangements describe the processes for the distribution of Monetary and Non-Monetary Benefits to Beneficiaries, including the types and proportions of benefits to be shared and the Mechanism by which such benefits will be distributed. Benefit Sharing Arrangements are included in a part of mitigation activity documentation and form the basis of the development of the Benefit Sharing Plan." (ICVCM 2022b, p. 2)

This definition suggests that benefit sharing arrangements shall form part of the documentation of a carbon crediting project and include the type of benefit, the beneficiaries, the proportions of benefits, and the benefit distribution mechanism. As this definition includes several terms related to benefit sharing arrangements, such as benefit sharing *mechanism* and benefit sharing *plan*, we use this as the basis for unpacking the definition of benefit sharing arrangements. Table 2-1 provides an overview of definitions from different authors of these related terms. In the following we further discuss different understandings of the *type* and *recipient* of the benefits to be shared.

Table 2-1 Definitions of benefit sharing terms

Term	Definition
Benefit Sharing	ICVCM (2022b, p. 2): The sharing of Monetary and Non-Monetary Benefits with mitigation activity's Partners. FCPF and BioCarbon Fund Initiative (2020, p. 2): The sharing of Monetary and/or Non-Monetary Benefits with Beneficiaries under the ER Program in accordance with the Benefit Sharing Plan.
Beneficiary *or* Partner *or* (Primary) Stakeholder	Recipient of the benefit.
Benefit Sharing Arrangements	ICVCM (2022b, p. 2): "The arrangement(s) that describe Partners, Monetary and Non-Monetary Benefits, and the Benefit Distribution Mechanism(s). Benefit Sharing Arrangements describe the processes for the distribution of Monetary and Non-Monetary Benefits to Beneficiaries, including the types and proportions of benefits to be shared and the Mechanism by which such benefits will be distributed. Benefit Sharing Arrangements are included in a part of mitigation activity documentation and form the basis of the development of the Benefit Sharing Plan."

	Streck at al. (2021, p. 1): Benefit sharing arrangements identify how monetary and non-monetary benefits will be allocated to which stakeholders and how the distribution will take place.
Benefit Sharing Plan	FCPF and BioCarbon Fund Initiative (2020, p. 2): A document that elaborates on the Benefit Sharing Arrangements described in the ERPD, stakeholder consultation processes, and how the Program Entity will communicate, implement, and monitor the Benefit Sharing process.
Benefit Distribution Mechanism(s)	ICVCM (2022b, p. 2): “The system(s) or channel(s) through which Monetary and/or Non-Monetary Benefits are distributed.”

Source: Own illustration

What is the benefit? The “benefits” are commonly regarded as the revenues from the sale of carbon credits. These revenues may then partially be redistributed to local stakeholders or project implementers. The form of such redistribution may include monetary and non-monetary benefits. Monetary benefits can, for example, be direct payments or a community investment fund shared with the local stakeholders. Non-monetary benefits may, for example, include capacity development programs, provision of infrastructure or social services, technical assistance, agricultural inputs, technology, introduction of alternative livelihood or income-generating activities, or other in-kind goods (FCPF and BioCarbon Fund Initiative 2020, p. 2, Streck et al. 2021, p. 3).

It is important to distinguish the benefits specified in “benefit sharing arrangements” from other benefits that may be associated with the implementation of carbon crediting projects, commonly referred to as "co-benefits" or, more broadly, positive sustainable development impacts of projects. Such “co-benefits” are also not defined uniformly, but they generally relate to sustainable development benefits that accrue directly due to the implementation of a project, such as livelihood and ecosystem system benefits (e.g. improvements in air quality due to efficient cookstoves, enhancement of wildlife habitat due to a forestry project). Another example is alternative income streams for local stakeholders from forest products (such as the harvesting of fruits, nuts, or other by-products from planted trees) or from the increase in crop yields through the implementation of regenerative agriculture methods (Good Carbon 2023).

Carbon crediting programs have developed provisions to identify, monitor and verify such sustainable development impacts beyond climate mitigation (see e.g. CAR 2021, p. 2; Gold Standard 2019, p. 10 ff.; Plan Vivo 2022, p. 24; Verra 2019a, p. 39 ff.). However, the distinction between co-benefits and benefits from the sales of carbon credits is not always clear-cut and sometimes the benefits from different sources may overlap as for example in the case of livelihood benefits in forestry projects. A general understanding is however that benefit sharing arrangements must go beyond “co-benefits”.

A further distinction are benefits that arise from the share of proceeds (SOP) that has been implemented under the Clean Development Mechanism (CDM) and the Article 6.4 mechanism of the Paris Agreement, and that is encouraged for cooperative approaches under Article 6.2. The SOP is a share of carbon credits and/or a fee that is deducted at the issuance and forwarded to the Adaptation Fund. In this way carbon crediting projects indirectly contribute funds to help local communities to adapt to climate change, though not directly in the context of projects. The SOP has also been proposed to be applied in the VCM (ICVCM 2022a).

Who are the key actors and recipients of the benefit? Key players in determining benefit sharing arrangements are project developers, project implementers, buyers of carbon credits, carbon crediting programs, and local stakeholders (or other recipients of the benefits). As outlined in the introduction, the main question behind the debate on benefit sharing is how and to what extent the benefits from carbon credit sales are shared with those implementing the projects and the local communities where the projects are located. In VCM projects, the local stakeholders in the area where the project is implemented may, for example, involve landowners, smallholder farmers, public and private sector entities, Indigenous Peoples and local communities. The literature review suggests that the concept of benefit sharing finds its main application within nature-based solutions initiatives, which mostly encompasses forestry projects, as these are usually the projects that involve local stakeholders and communities.

With regard to the terms for the local stakeholders as the recipient of the benefits from carbon credit sales, it is noticeable that designation of the recipient in publications of VCM actors varies from “beneficiary” to “partner” to “stakeholder”. This may not just be a cosmetic difference but can also imply a fundamentally different understanding of the relationship between the project developer and the local stakeholders: are the local stakeholders seen as agents at the eye level? The background is that the terms “benefits” and “beneficiaries” have been a disputed subject of discussion, especially within the context of development cooperation, since it is argued that these terms are paternalistic towards the local communities as they are usually applied in an unbalanced “Global North” towards “Global South” relationship and thus reinforce neo-colonial continuities.

When benefits are shared with project implementers, a further important consideration is whether the sharing only includes a refunding of costs or efforts incurred by project implementer or goes beyond this. If the project implementers, such as farmers, provide a service to the project developer, and incur costs for providing that service, which they get refunded from the project developer, then this is paying for a service and not a sharing of benefits. On the other hand, if the payments exceed the costs that project implementers incur, one could argue that it is a form of benefit sharing. The practical challenge is that it may be difficult to assess or determine to what degree transferred funds are a payment or an extra benefit.

Based on this literature review, in this paper we understand benefit sharing agreements as a mechanism that sets out how and to whom monetary and/or non-monetary benefits from revenue acquired through the sale of carbon credits are distributed, beyond a refunding of costs or efforts incurred by project implementer.

2.2 Provisions on benefit sharing arrangements

2.2.1 Review of carbon crediting programmes

Table 6-1 in the Annex shows an overview of existing rules on benefit sharing arrangements in key carbon crediting programs based on publicly available information in the carbon crediting program’s documents, such as the program standard or templates for project design documents. The assessed carbon crediting programs include American Carbon Registry (ACR), Climate Action Reserve (CAR), Gold Standard (GS), Plan Vivo and the Verified Carbon Standard (VCS), . For additional insights into the practice of benefit sharing arrangements, we also included two complementary standards in this review: the Sustainable Development Verified Impact Standard (SD Vista) and the Climate, Community & Biodiversity Standards (CCBS). For this review, we first looked at the programs’ standard document and their template of the project design document to see if they mention any reference to "benefit sharing" in general and, in a second step, whether these sections include any specification on benefit sharing arrangements.

The review of programs summarized in Table 6-1 in the Annex shows that only two programs (ACR, Plan Vivo) out of the five reviewed programs specifically mention "benefit sharing arrangements" in one of their standard requirement documents. In the documents of the Gold Standard (2019, 2023), CAR (2012) and VCS (Verra 2023) no reference to benefit sharing arrangements could be found.

The ACR (2023a, b) program includes "a discussion of robust benefit sharing arrangements" for "community-based projects" (ibid., p. 47) as part of its environmental and social impact assessment requirements. However, based on the public comments submitted by ACR on the draft assessment framework of the ICVCM (see Table 2-2), it seems that ACR did oppose the idea of including any mandatory requirement for benefit sharing arrangements in its standard.

In contrast to the other four programs assessed, the Plan Vivo standard includes a mandatory requirement on benefit sharing: Plan Vivo requires projects to provide a "benefit sharing mechanism" that specifies how much, how and when benefits will be shared with Project Participants. More specifically, Plan Vivo requires that "at least 60% of income from the sale of Plan Vivo Certificates […] must directly benefit the Project Participant(s) and other Local Stakeholders" (Plan Vivo 2022, p. 21). While this example is unique by mentioning a benefit sharing mechanism, it does not specify the ratio of share between the "Project Participant(s)" and "Local Stakeholders" which is why further investigation is needed to assess to what extent this requirement benefits local stakeholders.

The complementary programs (SD Vista and CCBS) both do not include mandatory provisions on benefit sharing agreements in the standard requirement document. The CCBS (Verra 2017a, p. 39) however includes the description of a benefit sharing mechanism as an *optional* criterion as a part of "exceptional community benefits".

It is however important to recognize that in cases where the programs' standards lack explicit provisions for benefit sharing arrangements, there may still be other requirements that could indirectly influence benefit sharing. For example, some programs include provisions for grievance procedures, Free Prior and Informed Consent or stakeholder engagement and involvement in project planning and execution, which could impact the way benefits are shared.

The review of the provisions on benefit sharing arrangements/agreements in the key programs also shows that the terms benefit -arrangement, -agreement, -mechanism and -plan are not clearly distinguished, but can be understood differently depending on the program.

2.2.2 Consideration of benefit sharing arrangements under the ICVCM

The ICVCM is an independent governance body that aims to establish a global benchmark for high-integrity carbon credits. In 2022, the ICVCM released a set of draft documents for public consultation. This included draft Core Carbon Principles (CCPs) that set out overall quality goals and a draft assessment framework (ICVCM 2022a). Following several rounds of consultations, a final version of the CCPs and the assessment framework were adopted in 2023 (ICVCM 2023b, c).

The draft definition document (ICVCM 2022b) included a definition on benefit sharing arrangements (refer to Table 2-1). The draft assessment framework (ICVCM 2022a) included provisions relating to "benefit sharing arrangements" in its criterion 1.2 "Public availability of normative program documents and mitigation activity documentation" as well as in its criterion 6.1 "Minimum information requirements" and in the criterion 7.11 on "Access and benefit-sharing".

Under criterion 1.2, the draft assessment framework required that benefit-sharing arrangements shall be addressed within normative program documents that are publicly available on the carbon-crediting program's website. In addition, under the criterion 7.11, the draft assessment framework required carbon-crediting programs to "outline robust requirements in normative documents for the content of benefit sharing plans including benefit sharing arrangements" (ICVM 2022a, p. 42, 43).

However, following the public consultation, in the final version of the "Assessment Framework" (ICVCM 2023b, p. 68) the requirements regarding benefit sharing arrangements have been significantly shortened and changed:

- Criteria 1.2 and 6.1 have been entirely changed and do not include any provisions on benefit sharing arrangements anymore.
- The explicit criterion on benefit sharing (earlier criterion 7.11) can now be found under criterion 7.9 which has been renamed to "robust benefit sharing" (see Figure 2-1 below). As shown in Figure 2-1, the final version of the assessment framework does not require carbon crediting programs to have rules in place that require the implementation of benefit sharing arrangements, but only outlines rules *in the case* that carbon crediting programs require such kinds of arrangements.
- The adopted assessment framework mentions that the ICVCM plans to include a requirement within criterion 7.9 on the "transparency on use and management of revenues for benefit sharing" (ibid., p. 71) in the next iteration of the assessment framework.
- The "definitions" document (ICVCM 2023c) no longer includes any definitions on terms related to benefit sharing.

Overall, this significant change in the ICVCM assessment framework following the public consultation indicates that benefit sharing arrangements are a contested point of discussion.

Figure 2-1: ICVCM criterion on "robust benefit-sharing"

CRITERION 7.9: ROBUST BENEFIT-SHARING

Table 7.9
Robust benefit-sharing

Requirements
a) Where the carbon-crediting program requires arrangements for benefit-sharing with IPs & LCs, the carbon-crediting program shall require that mitigation activity proponents: 1) include in validated design documents information on how benefit-sharing arrangements that are appropriate to the context and consistent with applicable national rules and regulations will be designed and implemented through a benefit-sharing plan; 2) confirm in validated design documents that the draft and final benefit-sharing plan have been shared with the affected IPs & LCs in a form, manner, and language understandable to them; 3) make benefit-sharing outcomes that result from the benefit-sharing plan publicly available, subject to applicable legal restrictions.

Source: ICVCM 2023b, p. 68.

As the ICVCM made the comments received through the public consultation publicly available, various opinions on benefit sharing (arrangements) of the carbon crediting programs reviewed in Section 2.2.1 can be identified:

- **Approval:** Plan Vivo (ICVCM 2022c, p. 314) is the only (here reviewed) program that welcomed the draft provisions on benefit sharing arrangements and called the inclusion of criteria a "great step".
- **Criticism:** ACR, CAR, and Verra commented that the inclusion of benefit sharing agreements in publicly available documents is very challenging for a variety of reasons. Major points of criticism and discussion include:
- **Confidentiality of Contracts:** ACR (ICVCM 2022c, p. 555, 558; 2023a, p. 92), CAR (ICVCM 2022c, p. 546, 550) and Verra (ICVCM 2022c, p. 492) all highlighted that a carbon crediting program cannot ask for benefit sharing arrangements due to confidentiality of commercial terms. Verra, for example, explains that "much information on benefit sharing arrangements will be considered confidential between the contracting parties" (ICVCM 2022c, p. 492).
- **Role and resources of carbon crediting programs:** Verra claimed that it is "not the role or expertise of crediting programs to enforce or facilitate disclosure of prices, revenues or benefit sharing" (ICVCM 2022c, p. 492). In the same way, ACR also argued that carbon crediting programs are not parties of Emission Reduction Payment Agreements (ERPAs) and that "there are elements of integrity that are out of the control of carbon crediting bodies such as around contractual arrangements and commercial terms and disclosure of benefit sharing arrangements" (ICVCM 2023a, p. 92). Moreover, ACR explained that "Carbon crediting programs should remain neutral and should not be involved in consultation processes or in distribution of benefit sharing agreements" (ICVCM 2022c, p. 557). Similarly, CAR (ICVCM 2022c, p. 550) argued that asking for benefit sharing arrangements "is downstream from the current role programs play in the market. We don't have the resources or expertise to monitor and collect such information". Verra (ICVCM 2022c, p. 494) also noted that downstream monitoring is untenable for the programs.
- **Unnecessary complexity:** ACR argued that "some of the Assessment Framework requirements are unnecessarily complex and not even relevant for all crediting types" (ICVCM 2023a, p. 92). Verra (ICVCM 2022c, p. 494) even denotes many of the requirements on access and benefit sharing as "wholly unworkable".
- **Impeding participation:** ACR (ICVCM 2023a, p. 93) made the argument that "[m]andating a single benefit sharing agreement or prescribing the outcomes denies stakeholders like Indigenous Peoples, Local Communities and others the right to negotiate the terms and arrangements most beneficial to them".
- **No comment:** The Gold Standard did not comment on the criteria on benefit sharing arrangements.

Table 6-1 in the Annex includes a detailed listing of the comments made by the reviewed carbon crediting programs.

Overall, the comments from the carbon crediting programs on the ICVCM drafts show that most programs reject the idea of mandatory requirements for benefit sharing arrangements. Furthermore, the comments suggest that instead of requirements on benefit sharing arrangements, ACR (ICVCM 2023a, p. 90), CAR (ICVCM 2022c, p. 550) and Verra (ICVCM 2022c, p. 493, 494), consider requirements on participatory processes a central issue to ensure that local stakeholders have a seat at the table during the development of a project. Moreover, this review shows that benefit sharing arrangements are currently not a given standard in key carbon crediting programs.

2.2.3 Provisions in the CCQI methodology

The Carbon Credit Quality Initiative (CCQI) aims to provide transparent information on the quality of carbon credits. The methodology of the CCQI to assess the quality of carbon credit types includes one criterion (6.1.37) specifically on benefit-sharing arrangements:

"The program requires, at least for specific project types as defined by the program, the establishment of a specific benefits-sharing mechanism with local stakeholders (e.g., that part of carbon credit proceeds are made available for community activities)." (CCQI 2022a, p. 102)

According to publicly available CCQI assessment reports (see Table 2-2) , only the complementary standard CCBS fulfils the criterion where a benefit sharing mechanism is optional. Plan Vivo has not been assessed by the CCQI. ACR, CAR; GS; SD Vista and VCS do not fulfil this criterion.

Table 2-2 CCQI assessment outcomes of criterion 6.1.37

Programme	Assessment outcome of indicator 6.1.37	Assessment justification	Assessment date (source)
ACR	No (0 Points)	"Generally, the program requires that environmental and community impacts result in a net benefit (Provision 2). However, this cannot be regarded as a dedicated benefit-sharing mechanism as demanded by this indicator. Provision 1 includes the requirement that "affected communities will share in the project benefits" – it is however not further defined what this share entails as the word "benefit" is used for different positive impacts (also environmental benefits) throughout the document. A specific reference to financial benefits, like "part of the carbon credit proceeds" as in the indicator, would be clearer. The indicator is therefore not fulfilled." (p. 37)	08.11.2022 (CCQI 2022b)
CAR	No (0 Points)	"The program has no such provisions in place. Although the Mexico Forest Protocol prescribe that benefit sharing arrangements shall be on the agenda of assemblies (Provision 1 and 2), it is not further elaborated if benefit-sharing mechanisms are a mandatory requirement for all forest projects in Mexico, and not only ejido and community projects (Provision 1)." (p. 53)	31.01.2023 (CCQI 2023a)
CCBS	Yes (1 Point)	"As an optional criterium, projects under this standard can be implemented as smallholder/community-led projects. If project owners want to claim these "exceptional community benefits" (Provision 1), they have to implement a benefit sharing mechanism to share well-being benefits. The indicator is therefore fulfilled." (p. 60)	08.11.2022 (CCQI 2022c)
GS	No (0 Points)	"The program provisions require the project owner to ensure that indigenous people are provided with the equitable sharing of benefits. The way this provision is written it is	12.09.2023 (CCQI 2023b)

		unclear whether it does apply to non-indigenous local stakeholders. The indicator is therefore not fulfilled." (p. 57)	
Plan Vivo	n/a	n/a	No assessment available.
SD Vista	No (0 Points)	"The standard promotes capacity-building in the local population during worker trainings (Provision 2). While this might indirectly imply that local stakeholders might be employed by an SD Vista project, the provision is not explicit enough to count as a benefit sharing mechanism. Furthermore, the requirements for free, prior and informed consent foresee the assessment of "potential risks and fair and equitable benefit sharing" (Provision 1). However, there is no dedicated benefit-sharing mechanism required for projects. The indicator is therefore not fulfilled." (p. 42)	08.11.2022 (CCQI 2022d)
VCS	No (0 Points)	"The program does not have provisions in place that require the establishment of a specific benefits sharing mechanism with local stakeholders." (p. 41)	31.01.2023 (CCQI 2023c)

Source: Own illustration

2.2.4 Discussion

The review of the provisions on benefit sharing arrangements in the official documents of different key carbon crediting programmes (ACR, CAR, GS; Plan Vivo, VCS) and complementary standards (CCBS, SD Vista) shows that a comprehensive requirement for benefit sharing arrangements is not common practice yet. While some programs mention that benefit sharing arrangements/mechanisms are desired, none of them clearly specifies the exact type, the share, or the recipient of the benefit. The assessment of the programs of CCQI confirms this observation. An evaluation of publicly available comments on ICVCM's proposed benefit sharing provisions shows that several carbon crediting programs argue that it is not their role or not possible from them to require a disclosure of prices, revenues or benefit sharing due to confidentiality of commercial terms. Given the lack of requirements or guidance from carbon crediting programs, it is unclear whether and how benefit sharing arrangements are implemented in practice.

3 Information on benefit sharing arrangements in project documentation

In this section, we assess what information is provided by projects on benefit sharing arrangements. For this purpose, we conduct an evaluation of PDDs and, if relevant, accompanying monitoring reports, to collect evidence on whether and how benefit sharing is taking place.

3.1 Methodology

The following sub-sections describe the methodological approach undertaken to assess evidence of benefit sharing in the voluntary carbon market.

3.1.1 Development of an analytical framework for assessing evidence of benefit sharing

In order to assess evidence of benefit sharing amongst a selection of carbon credit projects, it was necessary to first develop an analytical framework for consistently collecting information from the relevant PDDs and monitoring reports to populate an excel-based database. The following information was systematically searched for in all the PDDs reviewed:

- **Project description** (i.e. name, ID, location, project co-ordinator, participants);
- **Project type** (i.e. activity type varying from renewable energy projects to forestry projects);
- **Financial viability of the project** (i.e. relates to whether or not additional revenues are available or whether the project is reliant only upon carbon finance to remain viable);
- **Reference to benefit sharing terms within the PDD** (i.e. reference to terms such as benefit sharing mechanism, benefit sharing arrangement or benefit sharing);

For all of the projects that do refer to benefit sharing terms within the PDD, the following further information was systematically searched for and entered into the excel-based database:

- **Type of benefit intended to be shared** (i.e. whether only monetary or non-monetary benefits are shared within a project or if both monetary and non-monetary benefits are shared within a project);
- **Type of monetary benefit shared and to which type of beneficiary** (i.e. whether financial payments from the revenue of carbon credit sales to the local community are made to individuals or to an institution or group that then decides how to invest the money received);
- **Type of non-monetary benefit shared and to which type of beneficiary** (i.e. capacity building, investments in local infrastructure or support for income generating activities that are all financed by the revenues from carbon credit sales);
- **Implementation of benefit sharing** (i.e. refers to how benefits are shared amongst the participants, for example, whether benefits are shared based on performance assessed in accordance with indicators or benchmarks or via the application of a set of criteria developed in collaboration with local communities).

In a final step, we also looked for evidence from monitoring reports in order to support the claims cited in all of the PDDs that refer to benefit sharing terms. In particular, we aimed to find evidence of sharing monetary and/or non-monetary benefits with participants such as the value of direct payments or outputs as a consequence of financing local community projects.

3.1.2 Populating the analytical framework with illustrative examples from carbon credit projects registered in the voluntary carbon market

In order to assess evidence of benefit sharing, a non-random sample of projects was deemed the most pragmatic approach to populate the analytical framework. The sample in this study was based on expert judgements selecting projects where we expected more evidence of benefit sharing to be found. The first consideration for the selection of projects was the number of carbon crediting programmes to represent within the sample.[1] Based upon the results of the literature review, we selected projects from the following carbon crediting programmes:

- American Carbon Registry
- Gold Standard
- Plan Vivo
- VCS

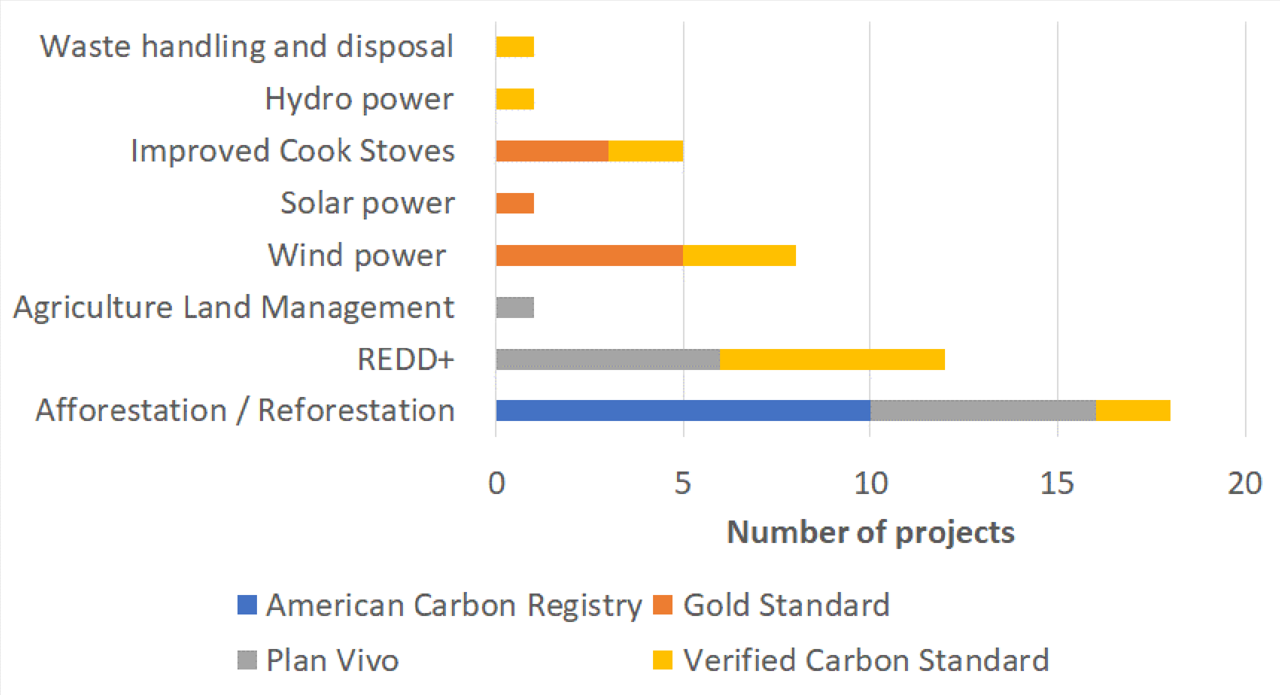
The second consideration for the screening process was to determine the activity types to include within our sample of projects. We aimed to achieve a balance between selecting activity types associated with high levels of local community participation and including a range of different activity types within the sample. We selected our sample from the following types of activities:

- Forestry projects;
- Renewable energy projects;
- Energy efficiency household projects;
- Waste management projects.

Figure 3-1 provides an overview of the type of carbon crediting projects selected within the sample of 47 projects. Given the focus on identifying evidence of benefit sharing, we included more forestry activities from Plan Vivo within our sample as we assumed that they would include higher levels of participation and engagement from local communities (informed by the literature review and expert knowledge) so that we could identify examples of best practice in how benefit sharing is implemented in practice. For the projects identified within our sample that claim to provide benefit sharing to local communities, we subsequently conducted a qualitative assessment of the claims made and of any evidence provided for implementation of benefit sharing on the ground via a review of monitoring reports associated with these projects.

1 We did not include projects from the Carbon Action Reserve within the sample because the programme does not have any requirements for benefit sharing arrangements and the projects are mostly based in the US. The American Carbon Registry was included because it does have rules on benefit sharing.

Figure 3-1: Sample of projects assessed by project type



Source: Own illustration

3.2 Results

The following sub-sections summarise the information on benefit sharing arrangements found in the project documentation of the selected sample projects and discuss these findings.

3.2.1 Reference to benefit sharing

Our analysis identified fifteen projects, as outlined in Table 3-1 below, as including claims of benefit sharing within their PDDs. These projects were registered either under Plan Vivo or the Voluntary Carbon Standard (VCS). The projects from our sample that were registered under the Gold Standard and American Carbon Registry did not contain any claims of benefit sharing in the PDDs. It is important to emphasise that as our sample is not representative no conclusion can be drawn on how often benefit sharing arrangements are reported in PDDs and what the distribution among project types or carbon crediting programs is.

Table 3-1 List of carbon credit projects that claim benefit sharing within the sample

Program	ID	Description	Country
Plan Vivo	104000000014148	Drawa Rainforest Carbon Project	Fiji, Vanua Levu
Plan Vivo	100000000000609	The CommuniTree Carbon Program (formerly Limay Community Carbon Project)	Nicaragua, Esteli
Plan Vivo	104000000011993	Pasture Conservation and Climate Action , Mongolia	Mongolia, Arkhanngai
Plan Vivo	104000000011691	Bujang Raba Community PES Project	Indonesia, Jambi

Plan Vivo	104000000026277	Rimbak Pakai Pengidup Project	Indonesia, Kalimantan Barat
Plan Vivo	104000000011558	Loru Forest Project	Vanuatu, Espiratu Santo
Plan Vivo	104000000026936	Halo Verde Timor Community Forest Carbon	Timor-Leste, Manatuto
Plan Vivo	104000000028436	Gula Gula food forest program	Indonesia, west sumatra
Plan Vivo	104000000029084	UTNWF	Kenya, Murang'a
Plan Vivo	104000000013993	Durian Rambun	Indonesia, Jambi Province
VCS	1390	Carmen Del Darien (CDD) REDD+ Project	Colombia
VCS	1391	Siviru-Usaraga-Pizarro-Piliza (SUPP) REDD+ Project	Colombia
VCS	1392	Cajambre REDD+ Project	Colombia
VCS	1503	Resex Rio Preto-Jacunda REDD+ Project	Brazil
VCS	1340	Bale Mountains Eco-region	Ethiopia

Source: Own illustration

3.2.2 Qualitative review of benefit sharing claims

Building upon our definition of benefit sharing, we categorise the projects selected for the qualitative review according to the following types:

a) Projects reporting benefit sharing with stakeholders other than just the project implementers;

b) Projects explicitly reporting benefit sharing with the project implementers only and projects for which no information on benefit sharing with other stakeholders could be found, and;

c) Projects with limited evidence of benefit sharing.

The selected projects that have made benefit sharing claims in their PDDs have been grouped into one of the above categories and are qualitatively assessed further in the following sub-sections:

(a) Projects with evidence of benefit sharing with stakeholders other than just the project implementers

Projects within our sample, which provided evidence of benefit sharing with stakeholders other than just the project implementers, were both registered under the Plan Vivo standard and were entitled:

- The CommuniTree Carbon Program (formerly Limay Community Carbon Project).[2]

[2] https://mer.markit.com/br-reg/public/project.jsp?project_id=100000000000609

- Durian Rambun REDD+ project;[3]
- Bujang Raba REDD+ project;[4]
- Pasture Conservation and Climate Action project.[5]

The **CommuniTree Carbon Program** is an afforestation/reforestation projects registered under the Plan Vivo Standard, which provides direct payments to participants based on their performance. From the revenue generated by the sale of carbon credits, 60 % is transferred into a separate Plan Vivo Trust fund that is administered by the project co-ordinator with the remaining 40 % of funds used for project operations and development. Funds are transferred to individual producers by writing individual cheques.

The latest annual report for the CommuniTree Carbon Program distinguishes between direct payments for ecosystem services under the project (i.e. to the project implementers) and additional payments to the wider community that are distributed via the community fund covering costs such as nursery expenses, grafted fruit trees and fuel-efficient cookstoves. In 2022, direct payments of $ 1.9 million were reported and additional payments to the local community of $460,000 were reported Over the duration of the project, which commenced in 2010, total direct payment amount to around $5 million and total additional payments to the local community amount to around $1.7 million (refer to Table 10 and Table 11 of the CommuniTree Annual Report 2022).

The annual report set out the lessons learnt and future development plans and provides a very transparent perspective on the successes and challenges encountered in the project. For example, the most recent annual report discussed how the increase in labour costs over the course of 2022 (driven by inflationary pressures) has created new barriers for new and existing farmers to participate in reforestation activities. Interestingly, the annual report also remarked on the increasing demand in the carbon market for high-quality carbon removals has driven quality improvements in the monitoring of activities undertaken in the CommuniTree project. So much so, increased improvements and transparency in reporting led to the removal of around 1,000 hectares of land that was under-performing and not reaching the necessary milestones.[6]

The **Durian Rambun REDD+** project shares benefits from the carbon credits generated based on performance related deforestation indicators that are linked to thresholds of degradation (i.e. timber felling). According to the PDD, community members (village government officials, customary leaders, and members of village forest institution (Lembaga Pengelolaan Hutan Desa - LDPHD)) were involved in the planning for the project early on and in this process, they were involved in determining the benefit sharing distribution. The PDD document provides detailed information on how such payments would be allocated as follows:

- Women group (10%) will focus on developing enterprises such as coffee processing;
- Youth group (5%), for sports (e.g. soccer, volley ball, takraw, table tennis);

3 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000013993
4 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000011691
5 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000011993
6 https://mer.markit.com/br-reg/public/project.jsp?project_id=100000000000609

- Village forest institution (LDPHD) will manage the fund for forest conservation activities (20%) (e.g. patrol, boundary marking) and forest-related economic development activities (25%) such as tree nursery and tree planting/enrichment.

- Village government is to provide supervision and support to the village forest institution (LDPHD). Village government plans include:

  - social benefits (15%) (elders, disable, orphan children, female-headed households),

  - infrastructure maintenance (15%) (road, micro-hydro, running water), and

  - economic development (5%) e.g. tree nursery, cash crops cultivation, pest control.

  - Adat/customary institutions (5%) to organise adat/customary meeting to discuss matters related to the Hutan Desa.

Evidence for the delivery of these benefits can be found in subsequent reports related to the **Durian Rambun REDD+** project. For example, an annual report for 2015-2018 documented that the total PES payments made to participants was around $40,000 over the time period. The annual report goes further to provide detailed information on how the money was spent and the outcomes delivered. For example, the share of the PES payment allocated for the women's group was used on various activities related to the production house and the coffee garden that facilitated the production of 12,000 packets of coffee.

Bujang Raba is a community-wide REDD + project registered under the Plan Vivo standard. The PDD outlines that 60% of the income from the sale of the carbon credits generated will be distributed to the local community to provide monetary (i.e. women's micro finance) and non-monetary (i.e. investments in drinking water, micro-hydro, schools, health care delivery, etc.). benefits. These benefit payments are performance based and interestingly are conditional on the sustained efforts of the community to preserve the 'state of the forest'. For example, if "indicators of forest cover change, including land cleared for agriculture, illegal logging, fire, etc., that show the community has fallen into the yellow zone will result in a 50% reduction in benefit payments. Full payments will be reinstated once the community demonstrates that they have reduced for loss to within the Green Zone parameter for their forest."[7] Evidence of delivery is provided in subsequent annual reports, albeit information is not provided on the revenue generated from carbon credit sales but only the volume of credits purchased (i.e. around 6,000 tCO_2e), of which 70 % has been distributed to support 5 communities. For example, in the Annual Report Update for the project in 2020, benefits shared with local communities that were financed via the sale of carbon credits included:

- Health and education program that also provided free circumcision, which is compulsory for Muslim boys, to at least 60 boys. Whilst 100 primary students have received a "scholarship package" that provides essentials such as books, bags, pencils, pens etc.
- Forest enrichment whereby seeds were distributed to villagers to grow both coffee and areca nuts in community gardens of the Sungai Telang Village.
- Improving economic and livelihood involved the distribution of 12 goats to the local villages to be bred.

[7] https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000011691

The **Pasture Conservation and Climate Action** project in Mongolia is registered under Plan Vivo provides a financial incentive in the form of a performance-based direct cash payment from the revenues generated from carbon credit sales to herders in participating community groups that undertake activities designed to sequester carbon in grasslands (refer to page 73 and 74 of the PDD). The benefit sharing mechanism applied allocates 70% of the income from the sale of carbon credits to participating communities with the remainder retained by the project co-ordinator to cover organisational, monitoring and administration costs. Evidence for the delivery of these monetary benefits can be found in subsequent reports related to the Pasture Conservation and Climate Action project. For example, an annual report from 2022[8] outlines that the total PES payments made to participants between 2015 and 2019 was equivalent to around $80,000. The monitoring report explains further that these payments continue to be used into the fifth year of the project to primarily create and maintain mutual funds that enable members to be offered low interest loans for critical activities (e.g., winter preparations, marketing of livestock products and seasonal movements throughout the year). However, a more detailed breakdown of how the payments were distributed across the local communities was reported in a less transparent manner.

(b) Projects including benefit sharing only with project implementers

The following projects provide evidence of benefit sharing only with project implementers with no information found with regards to benefit sharing with additional local stakeholders:

- Loru Forest Project;[9]
- Rimbak Pakai Pengidup Project;[10]
- Halo Verde Timor Community Forest Carbon Project;[11]
- Bale Mountains Eco-region project;[12]
- Gula Gula Food Forest Project.[13]

The PDD for the **Loru Forest Project,** which is an avoided deforestation project, refers to the use of a benefit sharing mechanism that consists of a payment for ecosystem services (PES) agreement (i.e. essentially a legal contract between the project co-ordinator and participants), a project finance model (i.e. describes the systems for sale of PES units and defines protocols for financial discipline in the project) and a project owner business model (i.e. describes how funds shall be managed by the project owner business to keep the project viable and transparently deliver financial benefits at the group and individual level).

The inclusion of these three elements within the benefit sharing mechanism, which are applied in both of the above projects in accordance with the Plan Vivo standards, consequently, provides more detailed information on how exactly benefit sharing will operate in practice. The description of the

8 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000011993
9 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000011558
10 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000026277
11 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000026936
12 https://registry.verra.org/app/projectDetail/VCS/1340
13 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000028436

project owner business model is the most relevant element of the benefit sharing mechanism to address the aim of this study as it transparently outlines how financial benefits are delivered.

In the case of the Loru Forest Project, the allocation of the income from PES unit sales to various accounts, representing a hierarchy of different participants, is clearly outlined (refer to Table 4.3 on page 100 of the PDD) that includes a project owner operating account, business money account, safety money account, group benefit account and a dividend account. Conditions on the allocation of the financial benefits from the project are specified and of interest is the condition that direct cash payments to individual owners or families is only allowed after a 'group benefit target' is exceeded (however, no definition of a group benefit target is provided within the PDD). The following three priorities are referred to within the Community Benefit Sharing Plan, which is included as a part of the project owner business model:

- Priority 1: Capacity building (non-monetary benefit) in the form of investment in children's education to be able to reach universities;
- Priority 2: Supporting income generating activities (non-monetary benefit) via investment in livelihood opportunities especially creating avenues for mamas' business;
- Priority 3: Individual payments (monetary).

Evidence for the delivery of these priorities can be found in subsequent reports related to the Loru Forest Project. For example, an annual report entitled 'Loru Forest Project – Annual Report 2017'[14] outlines that the total PES payments made to participants (referred to as landowners) between 2015 and 2017 was equivalent to around $50,000. However, further information on whether and how this payment was distributed across the three priorities from the Community Benefit Sharing Plan was not disclosed. Within the PDD document, it is explained that the project co-ordinator is unable to deliver at least 60% of the proceeds of sales on average to communities as PES as the carbon revenues from the forest carbon project are very small and as a consequence the cost of project co-ordination is greater than 40% of the wholesale unit price. This may in part explain the relatively low value of financial benefit distributed to the group benefit account.

Rimbak Pakai Pengidup Project, which is registered under the Plan Vivo standard and aims to prevent deforestation and forest degradation, refers to the application of a 'benefit sharing mechanism' and provides the following indicative allocation of finance and support among the different activity groups and the project co-ordinator for the first project period is provided based upon the costs of project management and implementation:

- Community groups
  - Village Forest Management Institution (Lembaga Pengelola Hutan Desa) (LPHD) – 27% / Forest patrol group – 10% / Forest honey group – 1% / Rattan and bamboo group – 4% / Forest rehabilitation group – 8% / Ecotourism group – 1% / Rubber group – 1% / Environment and education group – 2% / Fish group – 1%
- Project coordinator (including fees) – 45 %

14 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000011558

The monetary (i.e. cash payments[15]) and non-monetary benefits (i.e. training) that will be made available to each group, financed by the sale of Plan Vivo certificates after costs incurred by the project co-ordinator and technical partners are to be covered, dependent upon performance, which is measured by a series of activity based indicators corresponding to the different participants from the local community. However, evidence of benefit sharing from monitoring reports associated with the Rimbak Pakai Pengidup Project is limited as information on the payments from certificate sales made to participants is not disclosed and is only internally reported to Plan Vivo. The monitoring report refer to the project obtaining funding from the UK Department for International Development (DFIF) through the Partnership for Forests (P4F) programme to fund training activities. However, this is not evidence of benefit sharing as the finance originate from a third country rather than as a result of sharing the revenue from the sale of carbon credits generated by the project.

The afforestation/reforestation project entitled **Halo Verde Timor Community Forest Carbon Project** registered under the Plan Vivo standard refers in the PDD to the development of a "benefit sharing mechanism" for this project as a three stage process that consisted of the following:

- Initial consultation with participants (i.e. farmers);
- Design of a draft PES contract based on discussions between the project co-ordinator and participants, and;
- Agreement of a final PES contract following further consultations.

Perhaps the emphasis in the PDD on high levels of engagement with the participants in this project at the design phase resulted in the benefits shared being primarily in the form of direct cash payments due, in part, to an awareness that there was a lack of banking facilities in Laclubar and Soibada that limited the payment options available. The conditions for these payments are very clearly set out in the PES agreement and strongly linked to performance. Evidence for the delivery of direct payments can be found in subsequent reports related to the Halo Verde Timor Community Forest Carbon Project. For example, an annual report from 2023[16] outlines that the total PES payments made to participants (which are referred to as farmers) between 2021 and 2023 was equivalent to around $32,000. However, further information on how this payment was distributed was not disclosed and therefore the extent to which benefits are shared beyond the project implementers is unclear.

Within the PDD for the **Bale Mountains Eco-region project**, which is a REDD+ project registered under the VCS, it was clearly outlined that benefit sharing mechanisms for the carbon credits and finance generated were negotiated by all project stakeholders including community based organisations (CBOs). The outcome of such extensive consultation was an agreement that the "lion share" of the revenue from the sale of carbon credits generated by the REDD+ activity would be "channelled to the community for the purpose of community level social development works such as school, clinic and road infrastructure building to benefit the entire community as well as partly to incentivise communities that are directly engaged in the management of the forests" (refer to page 54 of the PDD). Information is presented at a relatively high level; we interpret that the community

15 The PDD explains that "cash payments to community groups will be made to the group's treasurer and at least two signatories from the group administrators will be required for all transactions. All amounts disbursed from group accounts will be recorded and reported to the project coordinator at quarterly meetings."

16 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000026936

investments from the carbon credit revenue represents non-monetary benefit sharing while the provision of incentives for forest management are more likely to have been in the form of direct payments. Evidence of benefit sharing for the Bale Mountains Eco-region project is provided in Section 4.1.1 of a recent implementation and monitoring report for the period.[17] Over a four year period (i.e. 2016-2020) the REDD + project generated 460 000 EUR from forest carbon sales, of which 276 000 EUR (i.e. 60 %) was "ready" to be shared with 64 community based organisations according to a set of pre-defined criteria (i.e. based on community performance in avoiding or reducing deforestation in their management area, size of the community in terms of members and forest size).[18] However, detailed information on whether and how the payments have actually been used to benefit the local community beyond just the project implementers is not elaborated on further within the monitoring report.

The **Gula Gula Food Forest Project** is an afforestation/reforestation projects registered under the Plan Vivo Standard, which provides direct payments to participants based on their performance. The following annual tree planting targets for payments over a five year period to farmer participants are outlined in the PDD:

- Year 1: Field preparation & planting trees (40% of total 5 year carbon payment);
- Year 2: Finish all tree planting if needed (20% of total 5 year carbon payment);
- Year 3: Monitor tree health/growth & replace trees if needed (20% of total 5 year carbon payment);
- Year 4: Monitor tree health/growth & replace trees if needed (15% of total 5 year carbon payment);
- Year 5: Monitor tree growth & replace dead trees if needed (5% of total 5 year carbon payment).

The project coordinator ensures that all the 60:40 benefit sharing arrangement is met for any carbon credits sold and the project coordinator will always aim to sell all of the carbon credits associated with the project. Interestingly, the Gula Gula Food Forest Project offers two different types of carbon offsetting contracts (i.e. ex-ante based on project costs and ex-post based on the traded price of carbon certificates once the trees have been planted) to cater to the different requirements of the farmer groups that are supported by the carbon sales.

Evidence of direct cash payments to individual farmers has been provided in the Annual Report for 2022, which states that a total of around $ 17,000 was distributed in 2022. However, the actual value is lower as not all performance targets were achieved due primarily to the last months of COVID and bad rains that influenced the decision of farmer groups to keep the seedlings in the nursery instead. The annual report also refers to other payments in the form of training on tree and product management with investments also in processing units for coffee and essential oils allowing the farmers to sell semi-processed products, rather than raw materials. The focus on the payments seem to be focused on improving the productivity of farming and therefore we have assigned the project to this sub-section. However, it is also true that these additional investments

17 https://registry.verra.org/mymodule/ProjectDoc/Project_ViewFile.asp?FileID=50591&IDKEY=o0e98hfalksuf098fnsdalfkjfoijmn4309JLKJFjlaksjfla9k69764989

18 ibid.

may have benefits to the wider community beyond the farmers themselves but this is not discussed as a focus within the annual report.

(c) Projects with limited evidence of benefit sharing

The following projects provided limited evidence of benefit sharing:

- Drawa Rainforest Carbon Project;[19]
- Carmen Del Darien (CDD) REDD+;[20]
- Siviru-Usaraga-Pizarro-Piliza (SUPP) REDD+;[21]
- Cajambre REDD+;[22]
- Resex Rio Preto-Jacunda REDD+;[23]
- Upper Tana-Nairobi Water Fund project;[24]

In the case of **Drawa Rainforest Carbon Project**, the allocation of the income from PES unit sales to various accounts, representing a hierarchy of different participants, is clearly outlined (refer to Table 4.3(a) on page 112 of the PDD) that includes a project owner operating account, business money account, safety money account, group benefit account and a dividend account. The following two priorities are referred to within the Community Benefit Sharing Plan, which is included as a part of the project owner business model:

- Priority 1: Supporting income generating activities (non-monetary benefit) via investment in further livelihood or business opportunities, especially stimulating new businesses to assist families to undertake beekeeping to produce honey as a first priority.
- Priority 2: Investments in essential community infrastructure (non-monetary benefit) prioritising improved accessibility of safe drinking water and provision of effective sanitation (toilets).

Evidence of benefit sharing in the **Drawa Rainforest Carbon Project** is limited as the published monitoring reports state that there were no issuance of carbon credits due to 'the necessity to await the final carbon trading approval from the Fiji government.'[25]

The **Carmen Del Darien (CDD) REDD+, Siviru-Usaraga-Pizarro-Piliza (SUPP) REDD+** and the **Cajambre REDD+** projects, all registered under the VCS, had limited insights beyond procedural information on the on-going development of a benefit sharing mechanism. For example, these PDDs refer to the implementation of a coaching process to build capacity that aims to define benefit sharing mechanisms in collaboration with community based groups. However, in subsequent monitoring reports for these REDD+ projects no further information was reported on monetary or non-monetary

19 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000014148
20 https://registry.verra.org/app/projectDetail/VCS/1390
21 https://registry.verra.org/app/projectDetail/VCS/1391
22 https://registry.verra.org/app/projectDetail/VCS/1392
23 https://registry.verra.org/app/projectDetail/VCS/1503
24 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000029084
25 https://mer.markit.com/br-reg/public/project.jsp?project_id=104000000014148

benefits financed from the sale of carbon credits. Instead, the updates simply described how a new benefit sharing mechanism was under development. Therefore there is no actual evidence of benefit sharing occurring in these projects apart from some preparatory capacity building and even then, it is not clear how such training was financed so difficult to conclude whether this itself represents a non-monetary benefit.

The PDD for the **Resex Rio Preto-Jacunda REDD+** project briefly outlined investment priorities for the sharing of non-monetary benefits from carbon credit revenue as part of a wider description of the benefit sharing mechanism applied; however there was no evidence of such non-monetary benefits being delivered in the most recent monitoring report available online.

The **Upper Tana-Nairobi Water Fund** project, which is registered under the Plan Vivo standard and encourages the adoption of agroforestry and other conservation activities in the watershed, specifies clearly that benefit sharing from the sale of the carbon credits generated will not be distributed in the form of cash payments but instead via “in-kind support” (i.e. such as the provision of high value crops and seedlings) that will be performance based with monitoring thresholds and/or targets set that will need to be achieved by participating farmers to remain in the scheme. Similar to many projects registered under the Plan Vivo standard, the PDD document claims that around 60 % of the revenue from carbon credit sales will be distributed to the local community with the remainder used to cover costs and to ensure the project remains economically viable to continue operation. However, the annual report of the project revealed that so far, no sales of Plan Vivo Certificates were made during the period from 2017 until 2022 and that the activities undertaken during this time period were financed from fundraising campaigns. As a consequence, evidence of benefit sharing is so far more limited for this project compared to others evaluated in our sample.

3.2.3 Discussion

The following sub-sections discuss the key findings identified from the qualitative assessment of the benefit sharing claims of a sample of projects.

3.2.3.1 Type of benefit sharing

The majority of projects claim that both monetary and non-monetary benefits are shared with local community groups. In most cases, all revenue generated from the sale of carbon credits is shared with the local community once the operating costs of the project have been covered for the project co-ordinator.

Direct payments were the most common monetary benefit claimed to be shared with local communities from our sample. The clearest examples of direct payments to members of the local community were from afforestation / reforestation projects (i.e. the CommuniTree Carbon Program and the Gula Gula Food Forest project) where in both cases the project implementers were provided with direct payments, based upon their performance, to plant trees. This raises the question, however, as to whether direct payments to project implementers really constitute the sharing of the benefits or in effect are simply a payment corresponding to the costs incurred by project implementers. It was not possible, however, to ascertain if the monetary benefits received in the two projects mentioned above were actually beyond the costs associated with the implementation of the mitigation activities.

The capacity building support provided by projects in our sample varied in terms of content, ranging from training more closely associated with the implementation of the project (e.g., for avoided deforestation projects this may include topics such as forest patrol support to help with governance issues on the ground) to the provision of training or education less related to the implementation of the project but instead providing wider benefits to the local community (e.g., investment in children's education to enable them to reach universities or business / administrative training). In the PDDs, capacity building was often referred to in terms of engaging local community members in the process of setting up local systems to decide on priorities and distribute the benefits accruing from the sale of carbon credits generated by the various projects. However, we did not subsume these examples under benefit sharing agreements as such local engagement with stakeholders occurred prior to the benefits of the projects being shared.

3.2.3.2 Implementation of benefit sharing

The majority of the projects that refer to benefit sharing terms within our sample linked the provision of monetary and non-monetary benefits to the performance of project implementers based on their achievement of certain milestones that were set in advance and in some cases monitored by the adoption of quantitative indicators. One project - the CommuniTree project – reported that it voluntarily removed poorly performing participants from its project in order to ensure confidence in the quality of their carbon credits.

3.2.3.3 Evidence of benefit sharing

The reporting on benefit sharing varied across the sub-set of projects assessed. Projects registered under Plan Vivo in our sample were accompanied with monitoring reports that in most cases provided summary information on the total payments made to project implementers over the monitoring period. The absolute value of monetary benefits differed considerably from project to project and was influenced by the ability to sell carbon credits on the market at a sufficiently high price and the share of the resulting revenue that was available after the operational costs of the project were covered. Many projects claimed to adhere to the Plan Vivo guidance of a 60:40 split in terms of the distribution of carbon credit sales revenue between local communities and project co-ordinators. However, the PDDs and monitoring reports often did not provide sufficient information to assess whether that split was actually implemented. For example, although many monitoring reports provided information on total payments to the local community it was not often accompanied with information on the overall revenues of the project from the carbon credit sales, with the carbon price that was agreed with buyers often not disclosed. Furthermore, it was also not always possible to find information on the costs incurred by project co-ordinators to check what share of revenues are used in practice to cover them.

Beyond the reporting of the overall share of benefits in terms of value, best practice within our sample included the provision of performance indicators on the impact of non-monetary benefits in the wider community. For example, the Durian Rambun REDD+ project included information on the number of coffee packets produced following an investment in the production facilities owned by a local women's group. Information at such a disaggregated level and in such a transparent manner certainly helps to build market confidence in the quality of such carbon credits.

4 Conclusion

This study took a first step in evaluating whether and how benefit sharing arrangements are used in the VCM and how they are being implemented. The study assessed different aspects of benefit sharing agreements, including:

- Any (emerging) requirements set out in the standards of the main carbon crediting programmes related to benefit sharing agreements;
- How high the level of transparency of the information reported on benefit sharing is, especially with regards to the provision of evidence of actual implementation; and
- What the overall integrity and fairness of benefit sharing arrangements is, with a view to understand what portion of monetary and non-monetary benefits are actually flowing to local stakeholders and whether this portion is fair.

The review of the provisions on benefit sharing arrangements in the official documents of different key carbon crediting programmes (ACR, CAR, GS; Plan Vivo, VCS) and complementary standards (CCBS, SD Vista) shows that **comprehensive requirements for benefit sharing arrangements are not common practice yet**. While some programs mention that benefit sharing arrangements/mechanisms are desired, none of them clearly specifies the exact type, the share, or the recipient of the benefit. An evaluation of publicly available comments on ICVCM's proposed benefit sharing provisions shows that several carbon crediting programs argue that it is not their role or not possible from them to require a disclosure of prices, revenues or benefit sharing due to confidentiality of commercial terms.

With regards to the level of transparency, we observed a lot **of variation in the quality of reporting on benefit sharing** within our sample of projects. The reference to benefit sharing in PDDs is in certain cases be more procedural. This raises the question whether it is always implemented fully in practice, with evidence on the ground sometimes missing from subsequent monitoring reports.

Within our sample, some of the best practice identified came from projects registered under Plan Vivo, which does require the establishment of benefit sharing arrangements between the project co-ordinator and the local community. For example, some Plan Vivo projects provided monitoring reports that confirm the implementation of the benefit sharing plans described in the PDDs. These monitoring reports not only summarised the total payments received by members of the local community but also provided detailed evidence of how the payments were subsequently invested in local activities, with metrics used to demonstrate actual outputs. However, there were also several Plan Vivo projects in our sample for which the reported information on benefit sharing was less complete. The carbon price agreed with carbon credit buyers was sometimes deemed confidential or the operation costs incurred by the project co-ordinator were not disclosed. This made it not possible to ascertain the total revenue and profit generated by a project from the sale of carbon credits. Without this information it is not possible to validate the implementation of many of the benefit sharing claims made within the PDDs of Plan Vivo projects, in particular whether the 60:40 split between the local community and the project co-ordinator was implemented.

In contrast to projects registered under Plan Vivo, several of the avoided deforestation projects considered in our qualitative assessment under the VCS provided limited information in their monitoring reports, often not quantifying monetary or non-monetary benefits financed from the sale of carbon credits. Therefore, it was very challenging to find evidence of benefit sharing for these projects from our sample. However, some VCS projects provided more detailed information on the total revenue from the sale of carbon credits and the share distributed to members of the local community. The varying level of transparency on benefit sharing identified within our sample for VCS projects may be due to the optional nature of reporting on benefit sharing as outlined in the literature review.

In most cases revenues are mostly shared with project implementers and that it is thus **unclear whether and to what degree this includes actual benefit sharing beyond refunding incurred costs.**

Given the fact that our sample of projects was not representative, as this was beyond the scope of this study, it was not possible to provide insights into the occurrence of benefit sharing arrangements in the voluntary carbon market. However, it is reasonable to suggest that because our sample included many Plan Vivo projects (with the intention of finding examples of benefit sharing), which account for only a small share of the voluntary market, that the occurrence of benefit sharing arrangements in project documentation is likely to be lower in the overall voluntary market for carbon credits than in our sample. Future research should build upon the analytical framework developed in this study. In particular, assessing a larger and representative sample of projects would be useful to provide more robust insights into the occurrence and nature of benefit sharing arrangements in the voluntary carbon market and how this may vary by, for example, carbon crediting programme or project type.

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6 Annex

Table 6-1 provides a summary of the existing rules on benefit sharing arrangements by carbon crediting programme and comments provided by programmes to the ICVCM.

Table 6-1 Summary of existing rules on benefit sharing arrangements by carbon crediting programme and comments provided by programmes to the ICVCM

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
Carbon crediting programmes			
American Carbon Registry (ACR)	Yes	American Carbon Registry Standard, Version 8.0 (ACR 2023a): "ACR requires all Project Proponents to prepare and disclose an environmental and social impact assessment, mitigation of any negative impacts, and monitoring of any negative impacts and risks. […] The assessment must include the following: […] For community-based [*] projects […] [t]he assessment shall also include a discussion of robust benefit sharing arrangements." (p. 52, 53) "Ensure that effective ongoing communications and grievance redress mechanisms are in place, and that affected communities will share in the Project benefits." (p. 52) * "A community includes groups of people who live within or adjacent to the project area, including indigenous peoples and other local communities, as well as any groups that derive income, livelihood, or cultural values from the area." (Footnote on p. 47) Environmental and Social Impact Assessment Report (ACR 2023b): "Robust Benefit Sharing Describe how a benefit sharing plan (that includes arrangements that are appropriate to the context and consistent with applicable national rules and regulations) was or will be designed and implemented: Has a draft or final benefit sharing plan been shared with affected communities in a form, manner, and language understandable to them? Has/will the benefit-sharing outcomes be made public (subject to legal restrictions)?" (p. 8)	1st Part of the Public Consultation Comments (ICVCM 2022c): "This requirement is unclear. What is an 'associated risks benefit sharing arrangement' and what is 'informed public endorsement'? ACR and ART will continue to allow some of these documents to be deemed commercially sensitive information. For example: Benefit sharing arrangements may be deemed confidential in case such as agreements with project developers who do not wish the terms, they negotiated to be public knowledge as the arrangement is part of the proprietary business model (Noting that confidential information must be available to the VVBs). […] (p. 555) "Carbon crediting programs must recognize the differences in legal frameworks in different jurisdictions and the variable nature of benefit sharing arrangements (for example: a benefit sharing agreement with an organization that owns the carbon rights and is transferring them will inherently be different than a benefit sharing agreement with an organization that is receiving benefits in return for implementing activities). As such, it is not appropriate for a crediting program to define a single set of requirements for benefit sharing arrangements." (p. 557) "There may be instances in which stakeholders such as project developers wish the content of the benefit sharing arrangements to be confidential to protect their financial information. ACR and ART would respect this and not require them to make the documents publicly available." (p. 557) "Carbon crediting programs should remain neutral and should not be involved in consultation processes or in

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
			distribution of benefit sharing agreements. Proper consultation processes should be evaluated as part of the safeguards and not be a requirement for the carbon crediting program." (p. 557) 2nd Part of the Public Consultation Comments (ICVCM 2023a): "Some of the Assessment Framework requirements are unnecessarily complex and not even relevant for all crediting types. In addition, there are elements of integrity that are out of the control of carbon crediting bodies such as around contractual arrangements and commercial terms and disclosure of benefit sharing arrangements (as opposed to requiring participatory process where appropriate)." (p. 90) "In addition, information on benefit sharing arrangements is not usually public." (p. 92) "On Option 1a, 1b or 2a for making public transaction volume, pricing and benefit sharing allocation, crediting programs are not involved in transactions and do not collect this data." (p. 93) "The nature and format of benefit sharing should be developed in a participatory manner and should be appropriate to the scale, set of stakeholders, and legal framework of the host country. Mandating a single benefit sharing agreement or prescribing the outcomes denies stakeholders like Indigenous Peoples, Local Communities and others the right to negotiate the terms and arrangements most beneficial to them. Carbon crediting standards and registries are not parties to ERPAs and do not track contractual arrangements." (p. 93)
Climate Action Reserve (CAR)	No	Reserve Offset Program Manual (CAR 2021): "Projects are encouraged to identify, measure, and report on any non-GHG benefits of the project activities, such as alignment with the United Nations' Sustainable Development Goals or other identified co-benefits." (p. 2) "The Reserve retains sole and final discretion in making determinations on	1st Part of the Public Consultation Comments (ICVCM 2022c): - "[Criterion 1.2] Calls for 'benefit-sharing arrangements.' Not a registry's responsibility; infringement on confidential commercial arrangements." (p. 546) - "What are "associated risks benefit-sharing arrangements?" Clarify. Is it sharing of proceeds? As noted, not needed for many project types, e.g.,

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
		the appropriateness of a project's SDG and/or co-benefit claims." (p. 41) "Projects under the Reserve Voluntary Offset Program seeking eligibility under CORSIA are required to report their alignment with Sustainable Development Goals (SDGs) and/or any additional co-benefits." (p. 44)	we don't need to know how a PD and industrial company are sharing proceeds." (p. 549) "This entire criterion [7.1] is a major overreach and infringement on the confidentiality of commercial terms. Moreover, it is downstream from the current role programs play in the market. We don't have the resources or expertise to monitor and collect such information. This concern is probably only relevant for nature-based concerns, not all project types. Moreover, the Reserve ensures that all stakeholders, including IPLCs, have a seat at the table during both protocol development and project activities affecting one's ownership concerns in a project. Concerns can be raised at these times." (p. 550)
Verified Carbon Standard (VCS)	No	<u>VCS Standard, V4.4 (Verra 2023):</u> "The project proponent shall develop a grievance redress procedure to address disputes with local stakeholders that may arise during project planning and implementation, including with regard to benefit sharing." (p. 43) "The project proponent shall take all appropriate measures to communicate and consult with local stakeholders in an ongoing process for the life of the project. The project proponent shall communicate: 1) The project design and implementation, including the results of monitoring. 2) The risks, costs and benefits the project may bring to local stakeholders." (p. 43)	<u>1st Part of the Public Consultation Comments (ICVCM 2022c):</u> <u>Comments on criterion 6.1:</u> - "Crediting programs need to follow objective rationale in considering what info is confidential. While understanding the need for as much transparency as possible, programs need to respect commercial confidentiality. In particular, we expect that much information on benefit sharing arrangements will be considered confidential between the contracting parties." (p. 492) - "It is not the role or expertise of crediting programs to enforce or facilitate disclosure of prices, revenues or benefit sharing. The market is developing capacity for price disclosure through service providers and reference contracts." (p. 492) - "Programs should focus on ensuring adequate processes, including in relation to benefit sharing: (a) that proper consultations are done (which means community is brought into plans) and (b) that the project is generating the benefits it promises (e.g., health, education)." (p. 493) - "Programs can make public any information that is shared with them in relation to benefit sharing, but they do not have access to funding or financial information on projects and are not in a position to define or

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
			enforce requirements for benefits sharing. It may be possible for other initiatives to define categories of benefit sharing to make information publicly available, such as whether arrangements are in place and whether these meet or exceed arrangements required by local law. This could be integrated into programs and made public." (p. 493) - "Select option 1b to not require crediting programs to enforce or facilitate disclosure of prices, revenues or benefit sharing. This is not the role or expertise of crediting programs. The market is developing capacity for price disclosure through service providers and reference contracts." (p. 493) <u>Comments on criterion 7.11:</u> - "Many of the requirements for access and benefit sharing are wholly unworkable (e.g., point (**l**) requiring programs to monitor effective implementation of access and benefit sharing)." (p. 494) - "Remove these requirements. At most, projects should be required as part of the CCP assessment to demonstrate procedures for ensuring equitable and fair benefit-sharing, which could be implemented through, for example, stakeholder engagement and participation requirements at the standard level." (p. 494) - "Downstream monitoring is untenable for GHG programs." (p. 494) "it would be both more realistic and effective to shift the bulk of criteria into the attributes framework (see earlier comments on SD and SDGs generally)" (p. 494)
Gold Standard	No	<u>Principles & Requirements, Version 1.2 (Gold Standard 2019):</u> Does not mention benefit sharing. <u>Template. Key Project Information & Project Design Document (PDD), Version v.1.5. (Gold Standard 2023a):</u> *Section P.4.4 INDIGENOUS PEOPLES:* "Does the project ensure that the indigenous people receive an equitable sharing of benefits resulting from the	

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
		use of their traditional knowledge and practices?" (p. 19) Core Documents. Safeguarding Principles & Requirements (Gold Standard 2023b): "The Gold Standard: Promotes and supports the protection and preservation of cultural heritage and the equitable sharing of benefits from the use of cultural heritage." (p. 15) "The GS4GG Certification requires that: […] P.4.1.3 | The Project shall provide for equitable sharing of benefits from commercialisation of such knowledge, innovation, or practice, consistent with their customs and traditions." (p. 16, 17) "The GS4GG Certification requires that: […] The project developer shall ensure that the indigenous people are provided with the equitable sharing of benefits to be derived from the utilization and/or commercial development of natural resources on lands and territories or use of their traditional knowledge and practices by the Project. This shall be done in a manner that is culturally appropriate and inclusive and that does not impede land rights or equal access to basic services, including health services, clean water, energy, education, safe and decent working conditions, and housing." (p. 19)	
Plan Vivo	Yes	Plan Vivo Standard – Project requirements, Version 5.0 (Plan Vivo 2022): "3.16.1 All income from the sale of Plan Vivo Certificates must be distributed according to an agreed Benefit Sharing Mechanism, developed in partnership with Project Participants. 3.16.2 At least 60% of income from the sale of Plan Vivo Certificates, after payment of any charges, taxes, or similar fees levied by the host country, must directly benefit the Project Participant(s) and other Local Stakeholders. 3.16.3 The Benefit Sharing Mechanism must specify the proportion of income from Plan Vivo Certificate sales that will be allocated to the Project Participants,	

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
		Project Coordinator, and other parties such as government or technical support partners. 3.16.4 The Benefit Sharing Mechanism must specify how and when benefits to Project Participants will be received with details of amounts allocated to cash transfers, training, and in-kind support. 3.16.5 The Benefit Sharing Mechanism must describe the mechanism and any dependencies for the dispersal of funds and/or other benefits to Project Participants, including monitoring responsibilities, targets, and corrective actions for Progress Indicators (see Sections 4.1 and 4.6). 3.16.6 A summary of the Benefit Sharing Mechanism with details of the minimum amount the Project Participant is eligible to receive if monitoring targets and other dependencies are met, and consequences if targets are not met, must be included in each Project Agreement." (p. 21, 22)	
Complementary standards			
SD Vista	No	<u>Sustainable Development Verified Impact Standard, V1.0 (Verra 2019a):</u> "A preliminary assessment of the likely economic, social, cultural and environmental impact, including potential risks and fair and equitable benefit sharing in a context that respects the precautionary principle." (p. 10) <u>Template Project Design Document, v1.0 (Verra 2019b):</u> "2.2.3 Stakeholder Consultation Describe the stakeholder consultation process, specifying the different consultation processes required for different stakeholder groups. Describe how information about potential cost, risks and benefits was shared with each stakeholder group."	
Climate, Community & Biodiversity Standards (CCBS)	Yes, optional	Verra Climate, Community and Biodiversity Standard (2017a): "Optional Criterion: GL2. EXCEPTIONAL COMMUNITY BENEFITS […] 6) Describe the design and implementation of a benefit sharing mechanism, demonstrating that smallholders/community members have fully and effectively participated in defining the decision-making process	

Programme	Rules? (Y/N)	Text passage on benefit sharing in standard requirement document	Comments by the programme on ICVCM draft criteria on benefit sharing (ICVCM 2022a, criteria 1.2, 6.1, 7.11) in the public consultation process (ICVCM 2022c, 2023a)
		and the distribution mechanism for benefit sharing; and demonstrating transparency, including on project funding and costs as well as on benefit distribution." (p. 39) CBB Project Description Template (Verra 2017b): "Optional Criterion 4.5.6 Benefit Sharing Mechanisms (GL2.6) Describe the design and implementation of the project's benefit sharing mechanism(s), demonstrating that smallholders/community members have fully and effectively participated in defining the decision-making process and the distribution mechanism for benefit sharing. Specify how the benefit sharing mechanism provides transparency with regard to project funding and costs as well as benefit distribution." (p. 23)	

Source: Own illustration