



**CARBON
MARKET
WATCH**

Due South

**Geographic disparity of project actors
in the voluntary carbon market**

July 2024



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Executive Summary

There is a large discrepancy between where carbon projects are located and the location where the majority of companies involved in these projects are based. Companies from wealthy countries typically implement and manage carbon projects, despite most projects being situated in less affluent countries.

This observation raises important questions about who really benefits from the voluntary carbon market (VCM). A lack of transparency and publicly available data regarding the distribution of funds makes it difficult to determine whether finance genuinely benefits local communities on the ground, or primarily enriches those managing the projects from the Global North.

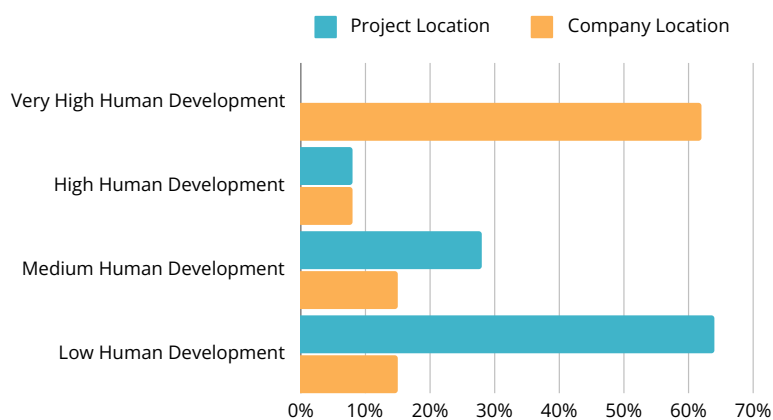
This paper examines a sample of 30 projects across the world, and a second sample of 39 projects focused on the African continent. The conclusion, showing that companies involved in these projects are predominantly based in rich countries, holds for both samples, and is even more pronounced for African projects.

Of the 101 different companies involved in African VCM projects in our sample, 62% were based in countries that have 'very high' human development indicators, despite none of the projects being located in countries with a comparatively 'high' level of human development. In contrast, only 15% of companies were based in countries with 'low' human development, despite being the location of more than 64% of our sample projects. Less than 28% of companies involved in projects in Africa are actually based in an African country.

These findings are consistent across a range of different parameters: the selected development indicator (World Bank vs United Nations), project region (Global vs Africa), and specific market actors (project owner, project proponent, validation body, verification body, etc.).

Figure 2:

Geographic Distribution of African Projects and involved Companies based on the UN HDI



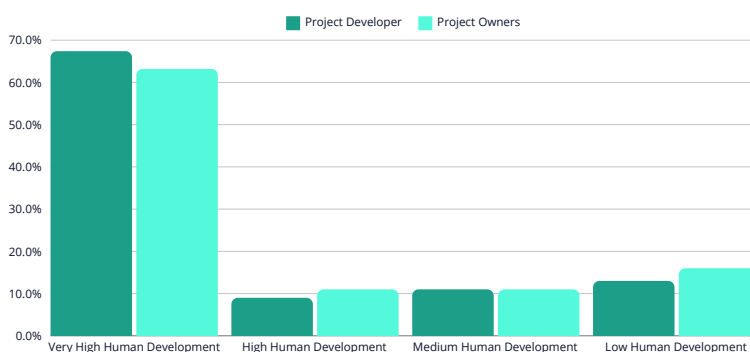
There is no evidence to support the claim that despite being headquartered in affluent countries, companies are passing on an appropriate share of revenues to the projects to finance implementation and generate local benefits. The findings from this paper reinforce the need to improve transparency around financial flows in the VCM.

Countries in the poorest regions of the world require climate finance from affluent countries, which have contributed the most to the climate crisis. However, the results of this report challenge the assumption that the VCM is suitable for channelling significant sums of money. Opacity of how carbon financing is distributed makes it difficult to ascertain if these funds are genuinely reaching their intended beneficiary.

Due South builds upon previous assessments focused on the role of intermediaries and the distribution of benefits to local communities and recommends that given the current lack of transparency around financial flows, the SBTi should not allow the use of carbon credits by companies to meet scope 3 abatement targets.

Figure 3:

Geographic Distribution of Project Developers and Project Owners involved in African Projects



To address this problem, voluntary carbon standards should enforce stringent financial transparency requirements, and companies implementing or managing projects should publicly disclose their financial information, including details of income from credit sales and costs from project implementation and benefit sharing. We encourage the Integrity Council for the Voluntary Carbon Market (ICVCM) to implement clearer rules around financial transparency, requiring better regulation and enforcement by standards.

Introduction

The voluntary carbon market (VCM) is often championed as a pivotal tool in combating climate change, offering a crucial platform to fund climate mitigation projects, especially in economically disadvantaged regions worldwide.

Africa, despite minimal historical contribution to global greenhouse gas emissions, is home to some of the world's most economically disadvantaged and climate-vulnerable populations. Consequently, carbon markets are considered by many as essential for attracting investments, fostering sustainable development, and financing climate mitigation initiatives on the continent.

MSCI data reveals that, between 2010 and 2020, carbon projects in sub-Saharan Africa (where most projects across the continent are found) accounted for a small fraction of the 433 projects registered under major standards like Verra and Gold Standard, and represented approximately 7% of total global credits issued during that time. Between 2020 and 2024, activity in the region has grown, with approximately 841 projects now issuing over 17% of global credits.

Recent scrutiny by civil society and the media has raised questions about the true beneficiaries of the VCM. Financial flows are opaque and on a case by case basis it is often impossible to accurately measure how much of the money paid by carbon credit buyers actually serves project implementation on the ground.

This paper establishes that a gap exists between where VCM projects are implemented and where the companies carrying out these projects are based. In the absence of clarity around financial flows, this assessment will improve our understanding of who the main beneficiaries of the VCM are, and whether it supports effective economic development in developing and least developed countries.

Methodology

For this study, we constructed two samples: one focused on the largest issuing crediting projects on a global level, and the other focused on projects implemented in Africa. Both samples were based on data from the UC Berkeley [Voluntary Registry Offsets Database](#).

To select projects for the global sample, we identified the three largest project types by issuance volume (Renewable Energy, Forestry & Land Use and Household & Community) from Verra and Gold Standard (the two biggest standards), and selected five projects (the largest by issuance volume) from each type and for each of the two programmes. This generated a total sample of 30 projects.

For the Africa sample, we examined all countries in Africa with registered and active projects on the Verra and Gold Standard registries. We selected one project at random (using Google's random number generator) from each country, to generate a total sample of 39 projects. Across both samples, only projects that are registered and have issued credits were eligible for inclusion. Projects currently on hold or under investigation were excluded.

In these sampled projects, six distinct roles held by companies were identified and evaluated: Project Developers, Project Owners, Other Participants, Validation Bodies, Monitoring Bodies, and Verification Bodies. These insights were gathered from publicly available project documentation from the registries, and company websites. In cases where the project lacked documentation or information, and the company was not found, we excluded that company from our sample. This affected less than 5% of companies in our sample.

We then determined the geographic locations (by country) of both the projects and companies (based on the location of their headquarters). This assessment required categorising countries based on their development levels, utilising two internationally recognised development indices: the [United Nations Development Index \(UN HDI\)](#) and the [World Bank's Development Indicator \(WDI\)](#). The UN HDI encompasses indicators including education, health and living standards, and provides insight into human well-being. The World Bank's income classifications focus on economic prosperity.



Countries were categorised into four different development levels for each classification system. For UN HDI: Very High Human Development, High Human Development, Medium Human Development, and Low Human Development. For WDI: High Income, Upper Medium Income, Lower Medium Income, and Low Income.

The findings of this paper draw upon summary statistics, a comparison of the project locations and involved companies, and are measured against the two development indicators selected.

Assessing different project participants

We categorised the role of companies according to six different classes. These are described below.

Project Developer

The project developer is an individual or organisation that's primarily responsible for the planning, execution, and completion of a project, managing day-to-day operations, coordinating various aspects, and ensuring the project meets its objectives.

This role also involves overseeing project design and implementation, the creation of the project documentation and ensuring compliance with regulatory and quality standards.

Project Owner

The project owner is the organisation or entity that has legal ownership over the carbon assets generated from a project.

Other Participant

These are organisations or entities which assist in the development of the project, they can act as technical, strategic or administrative support. They are typically involved as external consultants in the project.

Validation Body

The monitoring body compiles information and data about the project's activity, collected throughout the project's crediting period. It measures a project's performance over a given period of time.

Monitoring Body

The monitoring body compiles information and data about the project's activity, collected throughout the project's crediting period. It measures a project's performance over a given period of time.

Verification Body

The Verification Body is an independent third party auditor, which assesses the information contained in the monitoring report. They form conclusions about the project's performance, based on the initial plan and the data from the monitoring report.





Findings

Our research identified two key findings.

First, there are far more companies from developed and wealthy countries in carbon crediting projects, compared to companies from less affluent nations (Figure 1). Second, this disparity is even more pronounced when evaluating companies involved in African projects, where many of the world's least developed and poorest countries are located (Figure 2).

In our global sample, we identified 99 unique companies, and in our African sample, 101 companies. These companies performed 240 distinct roles in the global sample and 277 roles in the African sample. This means that some companies are active in more than one aspect for a given project (e.g. as a validation body and as a verification body). We also noticed that several companies are active across multiple projects.

In the global sample, only 13% of the projects were located in countries with 'very high human development' levels, yet over half of the companies involved in these projects were based in 'highly developed' countries (Figure 1). In our African sample, this was even more pronounced, with more than 62% of the companies originating from countries with 'very high human development' (Figure 2). This pattern holds true even when using a different development indicator like the WDI, demonstrating that our findings are robust and consistent regardless of selected indicators.

Figure 1:
**Geographic Distribution of Projects
 and involved Companies based on the UN HDI**

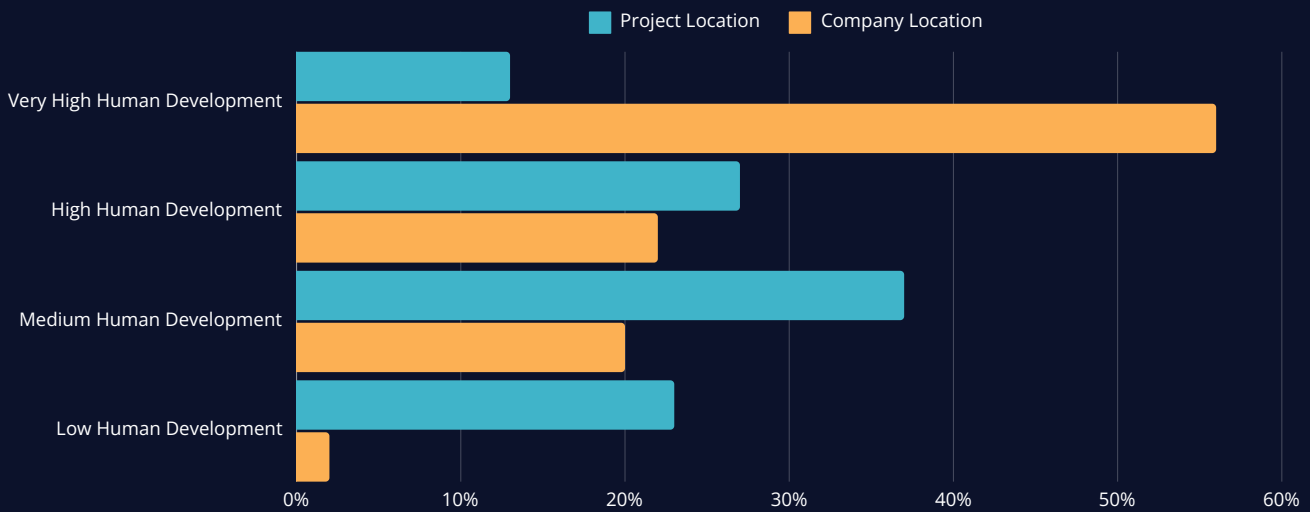
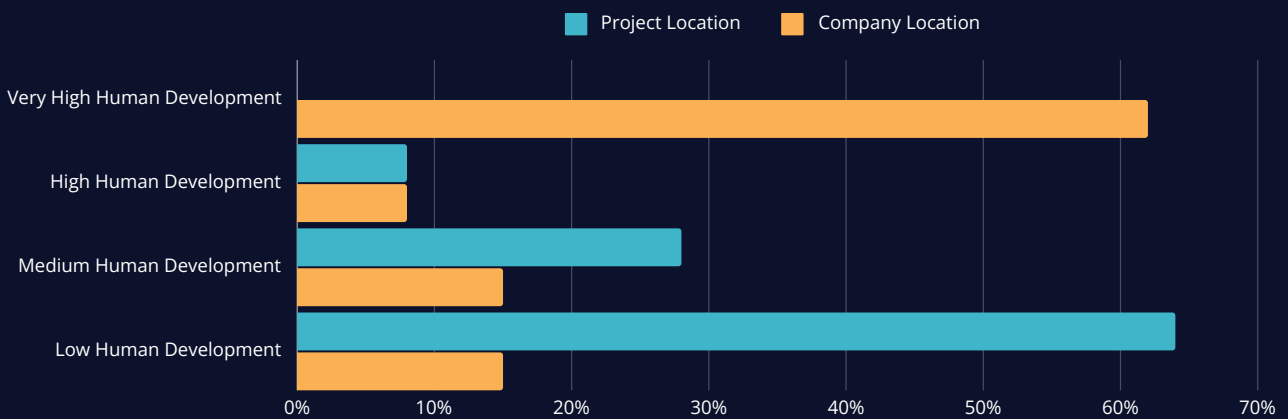
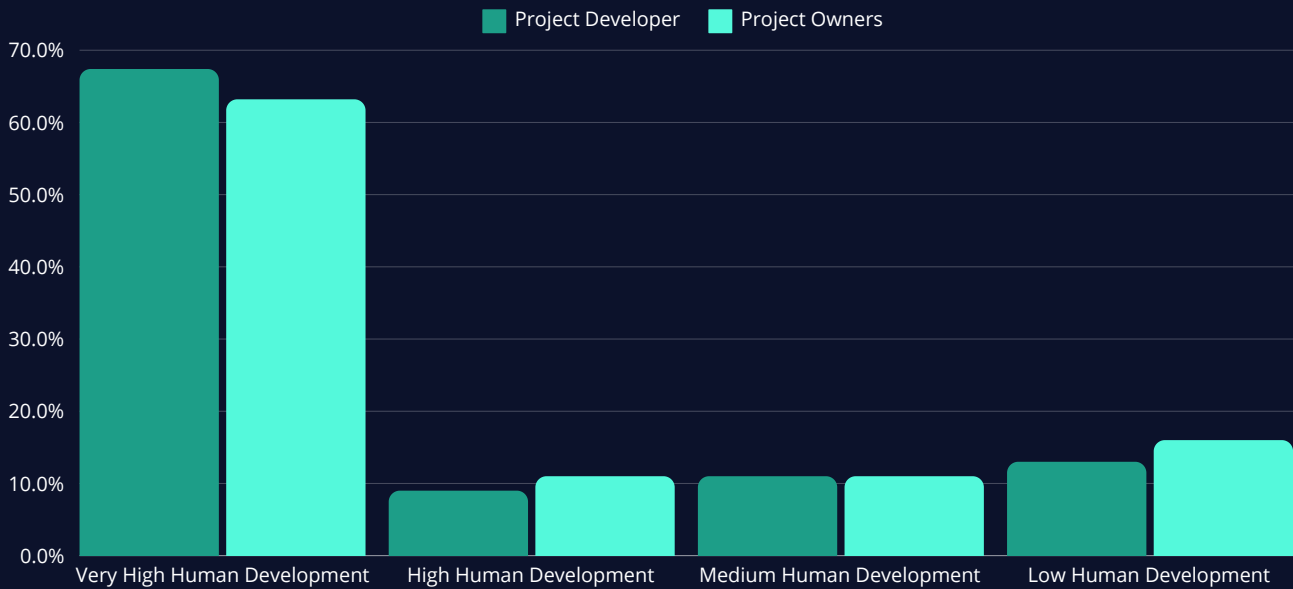


Figure 2:
**Geographic Distribution of African Projects
 and involved Companies based on the UN HDI**



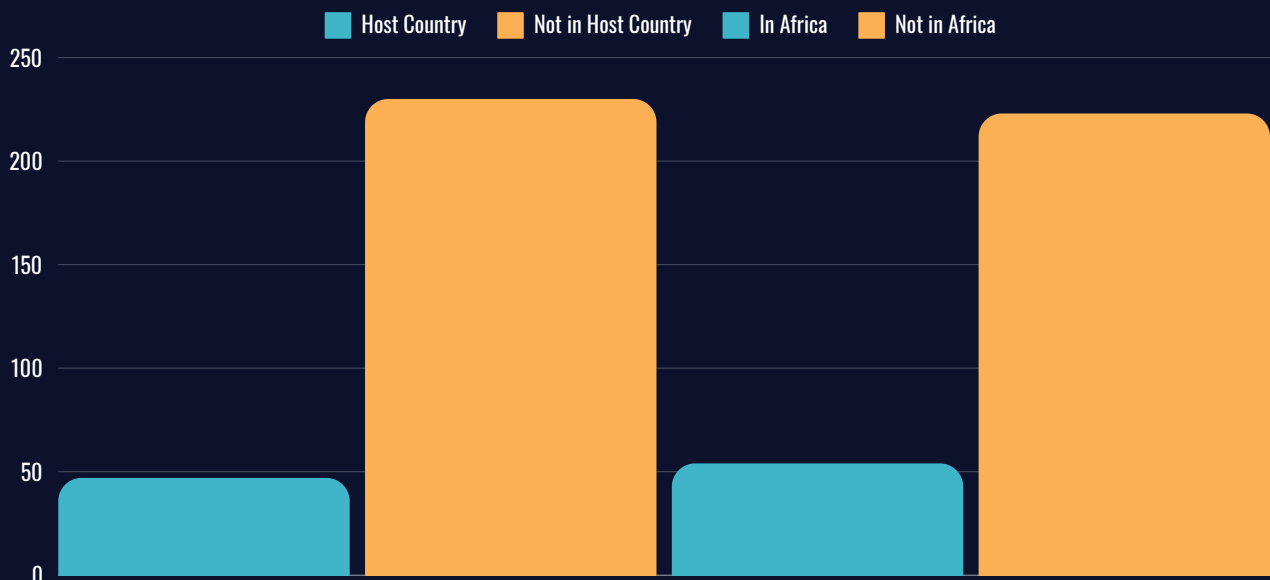
Similarly, the location of participants exerting most control over a project and the distribution of funds, such as project owners and developers, also reflects the regional disparity. The vast majority of project developers and project owners are based in countries with 'very high human development'. Typically, these participants are the main proponents of a project, responsible for selling credits, managing the proceeds from these sales, and distributing the funds. Our African sample shows that more than 67% of project developers and 63% of project owners were located in 'very highly developed' countries, outside of Africa. This is a constant pattern across all roles within a project.

Figure 3:
Geographic Distribution of Project Developers and Project Owners involved in African Projects



When examining the number of roles conducted by companies in our African sample, we found that only 17% of these roles were filled by companies located in the project’s host country. For 81% of roles, the companies were not even based in the African continent (Figure 4). This indicates that not only are there more companies from higher developed countries, but these companies are also conducting most of the project roles.

Figure 4:
Number of roles conducted by companies



Interpreting the results

It is unclear based on the evidence gathered in this report where the money flowing in the VCM really ends up. This lack of certainty does however cast doubt over the dominant narrative that VCM fuels economic activity in developing countries, and is an effective means with which to channel finance.

While it is possible that companies direct a large share of revenues to the project at source, the lack of transparency means there is a risk that this is not happening. As many companies are not based in the same region where their project is carried out, any money that is not directly assigned to project implementation is potentially diverted to become profit for actors located in the Global North. That is not the intended purpose of the VCM.

Companies in the Global North enjoy access to capital, resources and contacts that facilitate project development. This may provide a reason for the geographical trends represented in the report, which results in a barrier to participation in this industry for companies from less affluent regions.

Lack of Documentation

The lack of transparency noted in this report is compounded by insufficient availability of essential documentation (e.g. Project Design Documents, Monitoring Reports, Validation Reports and Verification Reports) and basic information about the companies involved in these projects.

For our global sample, four projects were missing essential project documentation, two from each registry. In our African sample, six out of 14 projects registered under the Gold Standard were found to be missing crucial documents, despite the public disclosure of such documents being a mandatory requirement as per its own standard rules.

In some instances, even when documents were accessible, it was unclear which project actors were responsible for specific roles within the projects. In cases where the project lacked this information and the company was not found, we excluded that company from our sample.

Previous [research](#) by CMW highlighted the overall scarcity of project documentation across VCM standards, suggesting either a failure to meet document requirements, or inadequacies in those requirements themselves.



Recommendations

SBTi

Considering the lack of transparency of financial flows in the VCM, and that many credits are of low integrity, the SBTi should not allow companies to meet Scope 3 targets using carbon credits. Continuing with this practice risks watering down corporate climate action and lowers the SBTi's credibility, while failing to provide clear financial benefits for climate projects.

Clear and fair

VCM standards should mandate that companies and individuals implementing a project provide detailed information about the financial distribution of funds. This will enhance transparency over how funds are allocated among the various participants and communities involved in the project.

ICVCM

Integrity standards such as the ICVCM should mandate greater transparency in the market, including enforcing requirements for the public disclosure of financial information through the publication of project-level financial reports by project developers.

Document disclosure

VCM standards should make all project documentation accessible to the public on the relevant project listing pages. They should also conduct regular audits of project listing pages to ensure accurate and up-to-date labelling of documents.



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