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| **Consultation document for Stakeholders****Fairtrade Carbon Credits: Standard and Pricing Methodology** |
| Consultation Period | 30.09.2014 – 27.10.2014 |
| Project Managers | Standard: Shemina Amarsy, Standard Project Manager, s.amarsy@fairtrade.net |
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***Welcome to the second public consultation round on Fairtrade Carbon Credits, presented to you by Fairtrade International, in collaboration with The Gold Standard Foundation. Please read this introduction, which will give you relevant context and background information, and explain you how to participate in the consultation. We thank you very much for your time and look forward to your feedback!***

**About Fairtrade**

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. It offers producers a better deal and improved terms of trade, allowing them the opportunity to improve their lives and plan for their future. Fairtrade also offers consumers a powerful way to reduce poverty through purchasing products for which producers and traders have met Fairtrade Standards. The [Standards](http://www.fairtrade.net/standards.html) are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade, and foster sustainable development.

Fairtrade is also deeply concerned about the impacts of climate change on the most vulnerable populations in the Global South. Climate change is affecting and will increasingly affect disadvantaged producers. It is a multi-dimensional phenomenon that hinders not only the environment but also economic, social, and even cultural dimensions of the lives of producers and their communities. Fairtrade is therefore actively committed to securing the sustainable livelihoods of disadvantaged producers and to support them in addressing climate change challenges by developing adaptation and mitigation projects and creating new carbon finance opportunities via Fairtrade Carbon Credits (FCC).

**About The Gold Standard Foundation**



The Gold Standard believes that global climate and development goals will not be achieved without addressing inequality of access and opportunity. As a result it is committed to ensuring that climate and development finance is effective: that the environmental and social impact of every dollar is maximized and measured; that activities meet the highest governance standards; and that local communities are engaged and consulted in the process. To do this The Gold Standard develops and manages certification schemes that promote best practice, assure strong governance and provide robust impact measurement. It is best known for its carbon market certification scheme, which operates in the international compliance and voluntary sectors. Under this scheme more than 1000 energy, land-use and waste management projects in 50 countries are undergoing certification, which has catalyzed more than a billion dollars of investment into low carbon development in developing countries.

The innovations of The Gold Standard and its partners have demonstrated what is possible in climate finance, with a particular emphasis on Least Developed Countries and community-focused projects. More than 20% of its projects take place in LDCs: many of the tools and processes it pioneered to enable this have been adopted by the regulated markets. But more can be done, particularly in supporting the small-holder communities around the world that are already facing the direct impacts of climate change. The Gold Standard’s development of tools to support sustainable agriculture and its partnership with Fairtrade to develop a Fairtrade Carbon Credit scheme reflect this commitment to leading the way in climate and development finance.

**Partnership between Fairtrade International and The Gold Standard Foundation**

Fairtrade International and The Gold Standard Foundation have signed a collaborative agreement to develop a joint Gold Standard and Fairtrade carbon scheme. This agreement aims to foster wider sustainable development through a landscape approach and provide greater access to the carbon market for smallholders and rural communities in developing countries.

Fairtrade and Gold Standard share the following values and principles:

* Social values: improvement of livelihoods, respect of human and labour rights, participation and empowerment of local communities;
* Environmental values: protection of biodiversity, conservation of natural resources and ecosystems, reduction of greenhouse emissions, improvement of climate resilience.

In the next phase of development both organizations will streamline their approaches to maximize producers’ benefits through the development and sale of Fairtrade Carbon Credits.

**Why Fairtrade Carbon Credits**

The voluntary carbon market enables organisations and individuals to offset their carbon emissions. They purchase carbon credits generated from projects that either reduce greenhouse gas emissions or capture carbon from the atmosphere.

Building upon the UN’s Clean Development Mechanism, different carbon standards have emerged within the voluntary carbon market over the past ten years, including The Gold Standard.

The Gold Standard focuses on wider social and environmental impacts, improved safeguards and community engagement. This focus has made significant inroads into broadening access to carbon finance. But there are still many **disadvantaged segments of society in the South** that do not benefit from carbon finance.

They have contributed significantly less to climate change, but are most exposed to its impacts.

The Fairtrade standard for carbon credits, presented here for public consultation, aims to enable greater access and participation in the carbon market for the most disadvantaged communities and to drive a greater proportion of carbon income to them. It will provide producers with funding to support new **climate change mitigation opportunities** and help them generate additional income through the selling of Fairtrade Carbon Credits in the voluntary carbon market.

Fairtrade Carbon Credits will be generated through a range of different scopes of activities, related to agriculture, renewable energy, energy efficiency, and forest management. The FCC Standard furthermore aims to empower producers to address climate change and builds a path on which producers can increase their **resilience** to climate change effects.

**Fairtrade Carbon Credits Theory of Change:**

A Theory of Change describes the change that an initiative such as Fairtrade wishes to see in the world and its understanding of how it will contribute to that change. Fairtrade International has developed a Theory of Change for the whole of Fairtrade as part our Monitoring, Evaluation and Learning (MEL) approach. For FCC, this Theory of Change applies too and captures the range of interventions that are used (such as setting this standard, develop a joint certification procedure with the Gold Standard, increasing producer support) and relates these logically to desired immediate, mid-term and long-term changes. It thereby provides a framework for identifying appropriate indicators for measuring the results of FCCs and progress towards Fairtrade's goals.

Two different types of interventions are used for bringing about change with FCCs:

* The FCC Standard which establishes the ‘rules’ for Fairtrade carbon projects includes key Fairtrade principles such as: good governance in organizations (democracy, participation and transparency); respect for human rights (particularly labour, child and gender rights); protection of the environment; and sustainable and equitable trading relations

- Empowerment policies which support Producer Organizations to develop and implement their strategies for sustainable development based on their own aspirations and priorities.

- Economic protection policies which aim to offset carbon price volatility and risk for Producer Organizations. These include minimum price guarantee to ensure Producer Organizations receive prices which cover the average cost of sustainable production of FCCs, access to pre-finance (credit), and provision of purchase plans.

- The Fairtrade Premium which is paid to Producer Organizations based on FCC sales and enables them to invest in economic, social and environmental development, in line with their democratically-agreed priorities.

• The FAIRTRADE Mark used for FCCs (on registry, websites, communication materials, etc.) which are traded according to the Fairtrade standards. The Mark enables end-buyers and consumers to actively choose products that embrace Fairtrade principles. It will also make the demand for FCCs more visible to businesses and to policy makers.

Here is the Theory of change of Fairtrade that can be applied to FCC:



*Figure 1: FCC Theory of Change*

This framework will help defining a series of indicators on how to ensure and monitor that FCC projects reach their aims.

**Market perspective and strategy**

In a context of crisis of the carbon market and situation of oversupply, the FCCs bring according to preliminary market research[[1]](#footnote-2) a unique selling point that may raise strong interest of buyers. Many carbon market actors have discussed the need for fair or social carbon standards since the creation of the CDM. The Gold Standard has demonstrated that there is a proven market of carbon buyers for projects with higher social and environmental impacts and projects with strong, quantified co-benefits. This search « beyond carbon » allows counting for not only carbon reductions but also social impacts that are in line with existing corporate or non-corporate CSR or sustainability programs. However, to date, the expertise of Fairtrade in applying its unique approach to a wide range of commodities has not been applied to carbon – particularly in relation to producer community involvement and especially in relation to their right to benefit financially from the sale of carbon credits.

FCCs will be proposed on the main market countries but also on niche markets with potential. These are also markets where the Fairtrade consumer brand recognition is very high and carries strong values oriented around social and trade benefits. The Fairtrade brand will help creating a market differentiation and a strong consumer perception.

Critical aspects for the market success of FCCs will be a proactive communication and marketing strategy. These are currently developed and will be finalized by June 2015.

**The approach**

This document presents all the key topics that the FCC Standard aims to cover. It aims to provide readers with the full picture of Fairtrade Carbon Projects. **It also presents a methodology on how to set a Fairtrade Minimum Price on which stakeholders are asked to react.**

Those already familiar with The Gold Standard will recognise that various aspects found in the FCC Standard are already covered to some extent by Gold Standard processes. However, it is important to note that the starting point of the two standards is different. The Gold Standard’s safeguards are to assure that the activity that creates the asset (the Carbon Credit) is the result of inclusive design and has verifiable, sustainable development outcomes attached to it. Fairtrade’s rules are there to make sure that the implementing community is actually strengthened and benefits from Fairtrade regulations to trade. Therefore, apparent overlap in wording might actually have different results in the field.

Fairtrade and The Gold Standard acknowledged the difference in approach and similarity of goal from the outset of their collaboration. Users can be assured that during the actual execution in the field, duplication will not be encountered. On the contrary, the purpose of the collaboration between the two organizations is to create a streamlined system, and reduce transaction costs as much as possible. To this end a joint auditing and certification system will be developed.

The underlying carbon asset of a Fairtrade Carbon Credit will be a Gold Standard certified VER, however, the certification body for FCC will be FLOCERT, the global certification body accredited against ISO 17065. FLOCERT is Fairtrade’s single certifier for any Fairtrade standard. It successfully and efficiently certifies since more than 10 years in an ever expanding complexity and scope of Fairtrade standards. FLOCERT has strong experience in developing certification systems well adapted to small-scale producers capacities and needs. It has a vast local auditor network suitable to be trained on carbon auditing with the Gold Standard.

**Timelines of the project**

After a pre-consultation phase involving about 100 stakeholders through regional workshops in Asia, Africa and Latin America and the Caribbean and with potential traders in Europe, a first round of public consultation was conducted in June-July 2014.

These results led to changes and adaptations in the standard. The changes are marked for transparency reasons with the label: NEW. The label “NEW” indicates that either the requirement is new, or, it was reworded or amended. We invite those who already participated in the first consultation to focus their attention on the new elements..

This second consultation is also the opportunity for all stakeholders to give feedback on the new elements introduced, such as **pricing methodology.**

The objective is to approve and publish the FCC Standard by early 2015. The ambition is to launch the Fairtrade Carbon Credits scheme, including its operational elements for auditing and certification, producer support, monitoring and evaluation, communication / labelling, fee model and other building blocks by mid of 2015.

Here is a summary of the progress to date and the next steps:

|  |  |  |
| --- | --- | --- |
| 01.201309.2013 | * Research and Analysis
* Contact with key stakeholders
* Development of FCC Standard cornerstones
 |  |
| 10.201304.2014 | * Standard drafting
* Pre-consultation phase with stakeholders ( workshops, working groups, etc)
 |  |
| 06.201407.2014 | * First public consultation
 |  |
| 07.2014 08.2014 | * Compilation of responses from the consultation process
* Revision of FCC Standard
* Synchronization with Gold Standard scheme
 |  |
| 09.2014  | * Second consultation : Standard and Pricing
 | X |
| 10.2014  | * Revisions of the FCC Standard
 |  |
| 11.2014 | * Presentation to the Standards Committee for approval
 |  |
| 01.2015 | * Publication of the FCC Standard
 |  |
| 06.2015 | * Launch of FCC scheme (certification, producer support, monitoring and evaluation, communication, licensing, marketing)
 |  |

**How to participate in this consultation**

**For the Standard part**:

Please read this Standard and insert your comment or make changes directly in the document, with track changes, in the following way:

**Track your changes**

**Click here to comment**



**Include your wording suggestion directly in the text here**

**Insert your comment here**

Within your comments we encourage you to give **explanations, analysis and examples** underlying your statements.

Moreover, **at the end of each section,** you will find some **questions**, to which you are kindly asked to answer:

**** **Question?**

**Click here to enter text.**

**For the Pricing part:** Please read the background information and respond to the questionnaire

All information we receive from respondents will be treated with care and will be kept confidential. Following the consultation round we will prepare a paper compiling the comments made. Taking into account all the comments received, the draft FCC Standard will be amended.

Please submit your comments to the Project Manager Shemina Amarsy at: s.amarsy@fairtrade.net or to Ricardo Guimarães at r.guimares@fairtrade.net by 27.10.2014. If you have any questions regarding this draft standard, the pricing methodology, or the consultation process, please use the same contacts at any time.

Information about your Organization

Please complete the information below:

|  |  |
| --- | --- |
| **Who are you?** ☐ **A Fairtrade Producer**☐ **A Fairtrade Trader** ☐ A **Fairtrade Member**☐ **A Fairtrade Staff** ☐**A Carbon Credit Producer**☐ **A Carbon Credit Trader**☐ **A Carbon Credit Project Facilitator**☐ **A Civil Society Organization** | **Are you involved in:**☐ **Land Use and Forest*`******Please specify which type of project*** ***(Forestry, soil conservation, etc.)***☐ **Energy project*****Please specify which type of project******(Renewable energy, Energy Efficiency, etc.)*****Is your project certified with Gold Standard?**☐ **Yes**☐ **No**  |

**Draft Fairtrade Carbon Credits (FCC) standard and pricing methodology**

**for consultation**

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#

# Introduction

**How to read this Standard**

The FCC Standard has two main chapters:

* The Production chapter defines what **producers** must do to generate FCCs.

It also defines requirements for *Project Facilitators, describing* what they must do to

enable producer empowerment, so that empower producers can manage FCC projects

* The **Trade** chapter defines what **traders** must do to buy and sell FCC.

 The FCC Standard has two different types of requirements:

* + **Core requirements** which reflect Fairtrade principles that must be complied with. These are indicated with the term ’Core’, found on the left throughout the Standard.
	+ **Development requirements** which refer to the continuous improvements that certified organizations must make on average against a scoring system defined by the certification body. These are indicated with the term ’Development’, found on the left throughout the Standard.

Producers and traders are in compliance with the FCC Standard if they fulfil **all** core requirements **and** reach a minimum score on the development requirements.[[2]](#footnote-3)

**How to read this document**

Word in italics and underlined are defined in the definition section below

Word in bold improve the readability of the standard and understanding of the requirements

Must/shall indicates requirement must be followed in order to conform with the standard

Should indicates that a certain course of action is preferred but not necessarily required

Can is used for statements of possibility and capability

***(wording)* Scope and Eligibility**

The **Production chapter** of the standard is addressed to producers of Fairtrade Carbon Credits.[[3]](#footnote-4)

In order to be eligible for the FCC Standard, producers must meet the following requirements:

* Be *small-scale producers*[[4]](#footnote-5);
* Be based in countries falling under Fairtrade’s geographical scope[[5]](#footnote-6);
* Their carbon projects must be focused on *renewable energy, energy efficiency, land use (including Agriculture)[[6]](#footnote-7) or forestry);*
* The carbon project shall aim at bringing sustainable benefits to producers and their communities (to be identified and monitored through the Fairtrade Development plan -see requirement 2. 9).

In practice, these producers can be:

* Fairtrade certified producers willing to develop Gold Standard certified carbon projects to improve their ecosystems and livelihoods, and diversify their source of income;
* Gold Standard certified producers and communities willing to further develop their organizational capacities, produce FCC, and have access to the FCC market including FCC price;
* Producers non certified with either of the two schemes, and willing to produce and sell FCC.

The **Trade chapter** of this standard is addressed to actors purchasing and/or trading FCC (called traders in the standard). In practice, these traders can be:

* Fairtrade certified traders willing to compensate their carbon emissions;
* Traders already buying carbon credits generated through projects registered by Gold Standard, willing to buy FCC;

*Project facilitators*, who on top of the functions described below, also have a role of buying and selling carbon credits within the supply chain.

Certain requirements are only addressed to ***Project facilitators*.**

***Project facilitators, a key role in FCC***

*Project Facilitators* are entities (NGOs, consultants, companies, etc.) who support the producers in implementing and running a carbon project. They have a role of accompanying and supporting producers throughout the FCC projects (see definition section). As mentioned above, some of them might also have a role of buying and selling carbon credits, in which case they also have to abide by the trade requirements of this standard. All of them, regardless of whether they handle trading functions or not, have to follow certain requirements in this standard, against which they get a certification. Project Facilitators are key for the developmental aspect of this standard, since they allow Producer Organizations to be empowered, and will enable making the FCC Theory of Change happen.

**References and relevant links**

When setting the Fairtrade Standards, Fairtrade International follows certain internationally recognized standards and conventions, particularly those of the International Labour Organization (ILO). Fairtrade International requires that producer organizations always abide by national legislation, unless the legislation conflicts with internationally recognized standards and conventions, in which case the higher criteria prevail. However, if national legislation sets higher standards or ensures more favourable conditions for workers on an issue than Fairtrade International, then it prevails. The same applies to regional and sector-specific practices.

**** **Question on Introduction**

1. **Do you have any comments on this section?**

**Click here to enter text.**

1. **Please have a look at the FCC Theory of Change diagram in the introduction. What monitoring indicators for producers, project facilitators and traders would you recommend to setup in order to ensure FCC reach their goals?**

**Click here to enter text.**

# Definitions and Acronyms

**Additionality:** A project activity is additional if anthropogenic emissions of greenhouse gases by sources are lower than those that would have occurred in the absence of the project activity. This alternative scenario may be the business-as-usual case, or it may be some other scenario which involves a gradual lowering of emissions intensity.

** *(wording)* Carbon Credit:** a carbon credit is atradable certificate or permit representing emission reduction equivalent to one [ton](http://en.wikipedia.org/wiki/Tonne) of carbon dioxide (or the mass of another [greenhouse gas](http://en.wikipedia.org/wiki/Greenhouse_gas) with a [carbon dioxide equivalent](http://en.wikipedia.org/wiki/Carbon_dioxide_equivalent) (tCO2e) to one tone of carbon dioxide[[7]](#footnote-8)).

** *(wording)* Carbon dioxide (CO2) or carbon:**  most prevalent greenhouse gas (GHG)emitted in the atmosphere with the burning of fossil fuels combustion and deforestation. It has been agreed and demonstrated by the scientific community that an increasing presence of carbon dioxide in the atmosphere has a direct impact on human driven climate change.

**Carbon sequestration:** process ofcapturing and storage of carbon from the atmosphere into a reservoir (such as trees, soils, swamps, etc.).

** *(wording)* Carbon offset**: reduction in emissions of carbon dioxide or [greenhouse gases](http://en.wikipedia.org/wiki/Greenhouse_gas) made in order to compensate for or to offset carbon emissions made elsewhere.

** *(wording)* Clean Development Mechanism (CDM):** The CDM is one of the three [flexible mechanisms](http://www.cdmrulebook.org/321) found in the [Kyoto Protocol](http://www.cdmrulebook.org/328). It sets the rules and framework for **carbon emissions reductions. .**

** *(wording)* Climate change**: Climate change refers to any significant change in the measures of climate lasting for an extended period of time. In other words, climate change includes major changes in temperature, precipitation, or wind patterns, among others, that occur over several decades or longer. Climate change has major repercussions at a global level, including rising seas, increased risk of drought, fire and flood, risks for wildlife, economic losses, increased heat-related diseases, etc.[[8]](#footnote-9)

** *(wording)* Climate change mitigation:** Mitigationrefers to efforts to reduce or prevent emission of greenhouse gases. This can be achieved by using new technologies and renewable energies, making older equipment more energy efficient, or changing management practices or consumer behavior. Protecting natural carbon sinks like forests and oceans, or creating new sinks through reforestation or green agriculture are also elements of mitigation. Mitigation is essential to meet the UNFCCC's objective of stabilizing GHG concentrations in the atmosphere.[[9]](#footnote-10)

** *(wording)* Agricultural project:** category of project with activities related to farming (crop switching, farm restoration, use of bio fertilizer, etc.). FCC can be generated from these projects.

**Community Based Organization:** organization whose members are composed of small farmers, small producers, households, and other individuals from the same community, who join together to solve common issues in areas such as community-service and action, sustainable resource management, gender equality, income generation, health, educational, personal growth and improvement, social welfare and self-help for the disadvantaged.

**Compliance criteria:** each standard requirement is translated into a compliance criterion that is meant to monitor how the standard is applied in practice. This list is used by the auditor/certifier to perform the audit. Compliance criteria for FCC will be developed by FLOCERT for producer certification

**Component Project Activities:** activity part of a PoA (see PoA definition)

**Emission Reduction Purchase Agreements (ERPAs):** carbon offtake contracts that underlie the sale and purchase of carbon credits from carbon projects.[[10]](#footnote-11)

**Energy project:** category of project with activities related to Renewable Energy (Solar thermal Heating/electricity, solar photovoltaic, wind energy, hydropower, Biogas heating/electricity, etc.) or End-use Energy Efficiency (improved cookstoves, water filtration/purification systems, energy Savings Lamp/ fluorescent lamp, etc.). FCC can be generated from these projects.

**Fairtrade Carbon Credit (FCC):** carbon credit produced and traded under the conditions laid out in this Standard.

** *(wording)* Fairtrade Carbon Credits project:** single or set of interrelated activities to reduce GHG emissions or sequester carbon aiming to empower producers and their communities, securing their economic and social benefits and regulating the trading of carbon credits generated. The FCC project should follow the criteria laid out in this standard.

** *(wording)* Fairtrade Development plan:** plan through which the Producer Organization lists all activities that are planned to bring benefits to the organization and its communities. The Producer Organization includes the activities of its choice in the Fairtrade Development plan according to the needs it identifies and assesses. More explanation on the Fairtrade Development plan is given in requirement 2.9.

** *(wording)* Fairtrade Premium:** sum of money, in addition to the Fairtrade price, paid to producers through a communal fund managed democratically by the Producer Organization. Producers use the Fairtrade Premium to improve their social, economic and environmental conditions.

**Food Security:** situation withaccess to sufficient, safe, nutritious food to maintain a healthy and active life.

**Forest project:** category of project with activities related to Afforestation/Reforestation[[11]](#footnote-12) (for instance forest plantations in degraded lands), or Improved Forest Management (for instance rotation forestry, forest with selective harvesting, etc.). FCC can be generated from these projects.

** *(wording)* Greenhouse gas (GHG):** atmospheric gas, that contributes to the greenhouse effect. There are six primary categories of greenhouse gases: [carbon dioxide](http://en.wikipedia.org/wiki/Carbon_dioxide) (CO2), [methane](http://en.wikipedia.org/wiki/Methane) (CH4), [nitrous oxide](http://en.wikipedia.org/wiki/Nitrous_oxide) (N2O), [perfluorocarbons](http://en.wikipedia.org/wiki/Perfluorocarbons) (PFCs), [hydrofluorocarbons](http://en.wikipedia.org/wiki/Hydrofluorocarbons) (HFCs), and [sulphur hexafluoride](http://en.wikipedia.org/wiki/Sulfur_hexafluoride) (SF6).[[6]](http://en.wikipedia.org/wiki/Carbon_offset#cite_note-6) Emitted in large quantities, they contribute to climate change.

**Guidance:** in this standard, guidance sectionsprovide best practices, suggestions and examples on how to comply with the requirement. They can also give further explanation on the requirement with the rationale and/or intention behind the requirement. Producers are not audited against guidance.

**Intent (and scope):** in this standard, each chapter is introduced by an intent (and scope), describing the objective and defines the scope of application of each chapter or section

**Producer Organization:** organization producing FCC. This Producer Organization can be a Small Producer Organization, a Community Based Organization or any kind of organization following the

rules laid out in this Standard.[[12]](#footnote-13)

**Offsetting:** approach through which project investments contribute to securing the sustainability of a given agricultural supply chain while generating carbon emission reductions.

**Primary market**: market in which buyers and sellers negotiate and transact business directly, without any intermediary such as resellers. The seller is the original owner (or issuer) of the carbon asset.

**Programme of Activity (PoA):** set of individual Component Project Activities (voluntary or CDM- registered) that apply the same baseline and monitoring methodologies, and involve technologies or a set of interrelated measures that reduce or remove greenhouse gas (GHG) emissions.

** *(wording)* Project area** (Source: The Gold Standard): The project area is a spatial area with clearly defined boundaries submitted for certification managed to a set of explicit long terms management objectives. The area does not need to be contiguous, e.g. it could be a mosaic of the areas owned/managed by different small producers. For the efficient calculation of the amount of CO2 certificates or other accounted ecosystem services (e.g. biodiversity enhancement, water supply).

** *(wording)* Project Facilitator**: external entity that supports the Producer Organization to develop FCC projects, while strengthening their capacity and skill in relation to carbon projects. This entity can be an independent consultant, NGO, company, technology provider, buyer, etc., so long as it provides a support role and transfers skills to the producer organisation. Commonly known in the carbon sector as project developer, Project Facilitators must comply with the applicable Fairtrade standard requirements to get Fairtrade certified.

** *(wording)* Project Manager:** person from the Producer Organization who is responsible for managing the design, implementation, and monitoring of the project. This person is different from the Project Facilitator, since it is internal to the Producer Organization.

**Registry account**: Account that needs to be opened to receive the carbon credits. Registration is a key stage in the carbon credit project cycle, representing the point where a project activity is accepted, making it eligible to generate carbon credits.

**Requirement:** specific rule to adhere to and to apply.

** *(wording)* Risk and Opportunity Assessment:** evaluation through which a Producer Organization identifies itself, through a participatory approach and making use of local knowledge and expertise, all the risks and opportunities presented by climate change in order to identify a course of action that would allow the organization to become more resilient to climate change.

**Secondary market**: market where carbon credits are traded after having initially been sold (on the primary market) by the original owner or issuer.

** Small-scale producer**: producer of carbon credits targeted by this standard, who is characterized by the following:

* In energy projects, a small scale producer does not generate more than a defined amount of carbon credits per year (amount to be defined according to project type)
* In land use projects (forestry and agriculture), small-scale producer is equivalent to the term smallholder: a small-scale producer has 50% of the work done by family members, cooperative members or neighbours.
* For all type of projects, small-scale producers are characterized by a marginalization in terms of market access, resources, information, technology, capital and assets, etc.

 In practice, small-scale producers can be households, smallholders, micro-enterprises, etc.

**Suppressed demand** the situation where energy services provided are insufficient- due to poverty or lack of access to energy- to meet the needs of stakeholders given their human development needs**.** The CDM and Gold Standard have tried to incorporate this notion in some of their methodologies: It is a methodology accounting for the poverty situation of people.

**Training of trainers:** In the context of climate change adaptation, this activity is meant to duplicate, through training and knowledge dissemination, best practices across a region with similar set of activities and similar socio-economic conditions.

**Trader**: operator who buys and sells FCC Credits all along the supply chain, following the conditions laid down in this standard. A Trader can be the entity that buys FCC from the Producer Organizations. A trader can also be an intermediary buyer, or an end-buyer of FCC.

**Transaction costs**: time, effort, and money necessary, including such things as commission fees and the cost of physically moving the asset from seller to buyer.

**Workers**: Workers are waged employees, permanent or temporary, migrant or local, subcontracted or directly employed. Workers include all hired personnel whether they work in the field, in processing sites, or in administration.

# General requirements

*This chapter outlines the requirements that relate to the certification and to the scope of this Standard.*

*The certificate holder for the FCC is the Producer Organization. The following requirements therefore apply to the Producer Organization.*

**Specificity for domestic household energy project (cookstoves, water filtration etc.) and the communities using them: certain requirements are not applicable to the Producer Organization. They are then applicable to the Project Facilitator. This is a way to include these communities that do not reach a high level of organizational development in this standard

1. **Certification**

**a.1 Audit acceptance**

** *(wording)*** (Core) (Year 0) The Producer Organization must accept audits of its premises and subcontracted premises and provide information at the certification body’s request.

**a.2 Contact person for certification**

** *(wording)*** (Core) (Year 0) A contact person must be appointed in the Producer Organization for all certification matters. This person must keep the certification body updated with contact details and important information.[[13]](#footnote-14)This person is preferably internally appointed by the Producer Organization, but can also be the Project Facilitator until the Producer Organization builds this capacity internally (see requirement below).

**a.3** **Contact person is internally appointed**

(Dev) (Year 3) A contact person for all certification matters is **internally** appointed by the Producer Organization. This person can either be a member or an employee of the Producer Organization.

*Guidance: The purpose of this requirement is that the Producer Organization takes a leading role in the management of its certification. It is expected that by taking the lead on certain tasks like audit preparation, compliance criteria implementation or monitoring, the Producer Organization will take ownership of the overall FCC project.*

1. **Setup and membership of the Producer Organization**

 **b.1. Producer Organization setup**

(Core) (Year 0) The Producer Organization doing FCC projects can have different features and setups.

It can be a Small Producer Organization as defined by Fairtrade[[14]](#footnote-15), a *Community Based Organization*, or any other form that has formal structures in place (association, union, cooperative, saving and credit group, small enterprises, etc.)

The Producer Organization can also be coordinating a Programme of Activities (PoA). In this case, strong local democratic rules shall be in place to foster local participation and empowerment at the level of each activity.

**b.2. Members are small-scale producers**

(Core) (Year 0) A majority of members must be *small-scale producers* of carbon credits.

*Guidance: this means more than 50% of the members.*

# Production

**The application of the following requirements is limited to the scope of the project area, where the project activities take place to produce FCC.**

***This section is addressed to Producer Organizations and Project Facilitators.***

1. **Social and Business Development**

*Intent:*

*This section intends to ensure that individual producers are part of an organization, to guarantee that the benefits of the FCC reach them. This organization should be democratic and run in a transparent and non-discriminative way, to maximize the member participation and their sense of ownership over the organization. This section is addressed to Producer Organizations and their members.*

* 1. **Producer Organization**

1.1.1 (Core) (Year 0)Producers of FCC are members of a Producer Organization.

The Producer Organization can be of any form or setup (Association, *Community Based Organization*, etc.) but must have:

* A **formal structure**, where individual producers are able to make democratic and transparent decisions about Fairtrade issues, including the use of the *Fairtrade Premium*.
* **Representatives that are democratically elected** to represent individual producers, and that reflect all producers. Elections must be documented.
* An **established communication and feedback system** in place between the executives and the producers so that information and concerns, particularly about the *Fairtrade Premium* and Fairtrade sales is documented and shared between all parties in a timely manner.
* Clear written **rules to determine who can become a member** and records on membership, including contact names, dates and details of carbon project implementation (e.g. purchasing a stove, receiving a water filter, planting trees, etc.)

** *(wording)*** 1.1.2(Core) (Year 0)In the case of a *PoA,* the *Coordinating/Managing Entity* or the Voluntary Project activity implementer must ensure there is a Producer Organization setup for each *Component Project Activities* (see PoA definition), following the rules stated in the above mentioned requirement

*Guidance: The representatives elected reflect all producers, taking into account gender, location, community membership, and, where applicable, temporary or migrant workers.*

**1.2 Bank and Registry account**

(Core) (Year 0) In order to be able to produce and sell FCC, a bank account must be in place, with more than one signatory. A *registry account* should also be opened.[[15]](#footnote-16) In the case of a *PoA*, there must be a bank account in place for the PoA itself and for each *Component Project Activities*.

* 1. **Increased participation of members**

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

(Dev) (Year 3) The Producer Organization must explain to its members how they can participate in the Organization so that they can have more control over it. It must share audit results with its members, in a format and language accessible to them.

*Guidance: Sharing the results of the audit mean providing an explanation or a summary of non-compliances and corrective measures. The results can be shared via the established communication and feedback system (see requirement 1.1.1) or in other ways. This is an opportunity for registered producers to have more awareness of and involvement in the process.*

* 1. **Non-discrimination of members**

*Intent*

** *(wording)*** *Fairtrade International follows the Universal Declaration of Human Rights on ending discrimination.[[16]](#footnote-17) These principles must be followed. Furthermore, this section intends to ensure that members from disadvantaged or minority groups are protected and defended.*

(Core) (Year 0) The Producer Organization must not discriminate against members or restrict new membership on the basis of race, colour, gender, sexual orientation, disability, marital status, age, HIV/AIDS status, religion, political opinion, language, property, nationality, ethnicity or social origin. The organization must not discriminate regarding participation, voting rights, the right to be elected, access to markets, or access to training, technical support or any other benefit of membership.

*Guidance: Where particular forms of discrimination exist within an economic sector, geographical region, the Producer Organization is encouraged to show progress towards removing them, addressing them in its Fairtrade Development Plan.*

**1.5 Gender Policy**

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

 (Core) (Year 3) Once set up, the Producer Organization must have a gender policy in place. More specifically, it must proactively protect women’s rights, foster the participation of women in the project, and monitor the benefits received by women. (see requirement 2.11)

*Guidance: The gender policy is a written document with concrete measures that need to be implemented by the Producer Organization, The Producer Organization is expected to show how it directly supports its female members to participate actively in the organization, for example by delegating to them organizational responsibilities and the means to carry them. The gender policy should foster the participation of women in projects, regulate income according to gender when relevant, and measure that women can deviate from low-value activities (such as carrying water, gathering fuel, etc.) to higher-value activities. Training and awareness-raising sessions can be organized. In contexts where women do not have access to land rights[[17]](#footnote-18), the organization is encouraged to show progress addressing this through its Fairtrade Development Plan.*[[18]](#footnote-19)

**** **Question on Social and Business Development**

1. **Do you have any comments on this section?**

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## 2. Fairtrade Carbon Credits project management

*Intent:*

*This section is meant to ensure that FCC projects are viable and lead to sustainable development for producers and their communities. It also aims to ensure that the Producer Organization owns and manages the project and develop continuous internal capacities to do so.*

## 2.1 Project management

##  (Core) (Year 0) At least one person is designated from the Producer Organization to take the lead of the project management and implementation. This person is called the Project Manager and must be in a position that can influence decision making at the organizational level.

## new.jpg (wording) Guidance: This person can be the same as the contact person mentioned in requirement a.2 chosen person does not need to have a formal training on subjects such as climate change and carbon accounting or monitoring, but should be experienced in project management. This person will work closely with the external Project Facilitator (who is out of the Producer Organization) and both will work hand in hand to ensure that the project is correctly implemented and managed. The role of the Project Facilitator (external to the Producer Organization) is to transfer capacities and skills to the Project Manager (internal to the Producer Organization) (see also requirement 2.17).

##  2.2 Project rights

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

** *(wording)***  (Core) (Year 0) The FCC project needs to comply with national and local rules and regulations and all relevant permits must be obtained (also for customary rights). These rights must be identified and documented.

*Guidance: The permits should allow the implementation of the project (infrastructure, land exploitation, etc.) and its management. For instance, the FCC project can only apply to land over which producers have ownership, long-term user rights, or authorization. In order to be thorough, all laws and regulations that have an impact on the project must be identified before the project starts, and updates must be made on a regular basis during the conduction of the project.*

## 2.3 Project risks

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

(Core) (Year 0) Project risks need to be identified to ensure that sufficient human, technical and financial capacities are available for the project to run, and that eventual risks to the project are mitigated.

** *(wording)*** *Guidance: project risks refer to environmental risks, such as natural constraints or even natural disasters that could deteriorate the project (such as drought, disease, etc.). But it also refers to business risks (evaluation of the viability of the project from a business perspective) and to political risks. A careful estimation of the assets and spending, and of financial capacities of the project in the long-run must be made. This evaluation is key as carbon projects have a long life-cycle, and sometimes only become profitable after years of implementation. To cover for those risks, a risk buffer is introduced. (see requirement 6.1.2)*

*A significant amount of time and money indeed needs to be invested to develop carbon projects. It is always important to analyze why it would be attractive to engage in undertaking a carbon sequestration or carbon emission reduction project and what are the driving motivations for it. A business plan taking into account all costs and benefits of the project can be developed. According to the project type and its business case, sufficient funding for the initial setup of the project should be secured. Tools to account for the carbon emissions and uptake by a project can be used. [[19]](#footnote-20)*

**2.4 Project impact**

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

** *(wording)*** (Core) (Year 0) No project must be accepted that jeopardizes the *food security* of participants and their communities. Furthermore, the project must not lead to environmental damages such as loss of biodiversity, deforestation, forest degradation, reduction of water quality or soil erosion.

*Guidance: whenever there is a risk identified for such negative impacts, the Producer Organization is encouraged to liaise with local authorities and experts who can conduct an assessment of the situation and the risks. The consultation with all stakeholders potentially affected by the project can also be a good trigger for such investigation (see requirement 2.6).*

**2.5 Indigenous rights, human rights and sites of cultural importance**

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

** *(wording)*** (Core) (Year 0) Indigenous rights, human rights and sites of cultural importance must be respected. FCC project must not lead to involuntary resettlement. The members of the Producer Organization must have legal, legitimate and/or customary right to land use and land tenure and respect the rights of local and indigenous peoples. Disputes on land must be resolved responsibly and transparently before project certification can be granted.

*Guidance: This requirement is grounded on convention C169 (Indigenous and Tribal Peoples Convention), Part II. Legitimate right to land use means that the Producer Organization has appropriate official documentation demonstrating legal rights to the land, or if there is no such documentation the organization must show either:*

*a. The absence of significant disputes on land use, tenure and access, or;*

*b. The consent of local communities, regarding the land, natural and agricultural resources. Respecting the rights of indigenous peoples refers to respecting their human rights, fundamental freedoms, and cultural rights*

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## 2.6 Project local endorsement

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

** *(wording)*** (Core) (Year 0) All communities who are not part of the Producer Organization, but can be affected by the project must give their Free, Prior and Informed consent before the project is developed. This includes surrounding communities and neighbourhoods that will potentially be affected by the project (ex: the inhabitants who can suffer from noise generated by the project or from reduced access to water sources) but are not members of the Producer Organization. The process must be **self-directed** by the community from whom consent is being sought (“Free”). The community must be given the opportunity to form their opinion and make their decision **before** the carbon project starts, and also **before** a final decision is taken that the project will be implemented ( “Prior”). ‘The type of information provided prior to decision making must ensure that there is **clear and confirmed understanding**, that rights holders are aware of the specific question which they are being asked to consent. Information must be delivered in **appropriate language and format** (could include radio, video, theatre, graphics, documentaries, photos). (“Informed”). ‘The decision must be freely given by local communities and reached through an agreed upon process of dialogue, deliberation, and decision making (“Consent”). [[20]](#footnote-21) The Producer Organization must regularly inform them about the project and all its implications, through the most effective way of communication. Other stakeholders (government, local authorities, NGOs, research institutes, etc.) must also be consulted.[[21]](#footnote-22)

**2.7 Project Grievance Mechanisms**

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

(Core) (Year 0) There must be a grievance mechanism in place in order to be able to solve eventual disputes, and all grievances must be recorded.

The grievance procedure **must include**:

* A responsible person in charge of grievances nominated by the Producer Organization.
* Processes to document grievances, concerns and corrective measures.
* Processes for the investigation and decision making within ninety days after the receipt of a grievance.
* transparent, legitimate, accessible and effective procedures[[22]](#footnote-23)

Furthermore the grievance mechanism must be a source of continuous learning, drawing lessons from harms occurred in order for the grievance not to me repeated.

**2.9 Fairtrade Development Plan**

** *(wording)*** (Core) (Year 3**) If the carbon project generates income,** activities must be planned by the Producer Organization, on top of the carbon project, with the intention to promote the progress of the business, organization, members, workers, community and/or environment. This plan is called the *Fairtrade Development Plan*. All decisions related to the *Fairtrade Development Plan* are made by the members of the Producer Organization. Effective ways of communication (see requirement 1.1.1) must be developed so members can decide on the *Fairtrade Development Plan*. Decision should be

documented, and must be regularly reported to the members of the Producer Organization. All expenses should be accurately tracked through an accounting system.

The plan must include:

* The description of the activity ( what is planned to do)
* The objective of the activity ( why planning to do it)
* The timeline of the activity ( by when planning to do it)
* The responsibilities ( who will be in charge of doing it)
* The budget of the activity ( how much is planned to be spent)

*Guidance: The Fairtrade Development Plan is meant to set up activities that ensure that the needs of the members and their communities are addressed, sustainable benefits are attained.* ***Once the carbon project starts and generates income, this becomes possible*** *(after loans are paid back for instance and if applicable).Through planning, implementing and evaluating activities, the Fairtrade Development Plan intends to stimulate and increase the participation of members in their own organization and community. A list of ideas for the Fairtrade Development Plan[[23]](#footnote-24) can be consulted for guidance. Certain key developmental themes should be covered through the activities of the Fairtrade Development plan, as laid out in the requirement 2.11.and 2.12.*



*(Figure 1: the FCC Theory of Change. The Fairtrade Development Plan is a key element of it)*

**2.10 Fairtrade Development plan in the context of Programme of Activities (PoA)**

 ** *(wording)*** (Core) (Year 3) A *Fairtrade Development plan* must be set for each *Component Project Activity* of the *PoA*, following the rules stated in requirement 2.9.To distribute the Fairtrade income (Price and Premium) an allocation system must be put in place to distribute the money to each Component Project Activities. Producer organizations within the CPA boundaries are indeed owner of the project and as such receive income and manage it through decision-making process of producers. This distribution must be documented and accurately tracked through an accounting system.

*Guidance: In the context of a PoA, it is important that the Fairtrade Premium is well channeled to reach all individual producers.*

**2.11 Fairtrade development plan: activities for vulnerable communities**

(Dev) (Year 3) **If the carbon project generates income,** vulnerable communities must benefit from at least one activity of the Fairtrade Development Plan.

*Guidance: Producer Organizations involved in the FCC production benefit and demonstrate solidarity with their all members and with their communities. Supporting vulnerable communities (women, girls, migrant worker, etc.) is especially important in achieving this. Benefiting these communities can mean any action that is directed at improving their living conditions, welfare or capacities. The actions do not need to be addressed to them only, but should benefit them. Ideally, these communities should be consulted to express their needs and preferences.*

**2.12** **Fairtrade development plan: activities for climate change adaptation**

(Dev) (Year 3) **If the carbon project generates income,** Fairtrade development plan must include activities related to climate change adaptation (see section 4.2)

*Guidance: Producers are also encouraged to set-up practices to increase their resilience to climate change, and decrease their vulnerability to the climate change effects.*

## 2.13 Project monitoring

**For domestic energy household projects, this activity can be subcontracted to the Project Facilitator**

 (Dev) (Year 3) The Producer Organization must take over the responsibility of and perform the monitoring of your project's carbon performance from the external Project Facilitator.

*Guidance: The Producer Organization monitors by itself how its project performs in terms of CO2 sequestration or reduction (including the management of a monitoring system and a database to store all figures and tools to sample and undertake carbon measurement.) This is the core activity of the carbon project, for which strong knowledge and capacity building of the Producer Organization is needed. Therefore this requirement is a development requirement. This may happen through a gradual process during which the external Project Facilitator hands over the responsibilities and tasks relative to carbon monitoring. Lastly this requirement is only about the carbon monitoring. It is expected that the other (social and environmental) benefits of the project will be monitored (by the Producer Organization) through the Fairtrade Development Plan (see requirement 2.9)*



*(Source:* [*ICIMOD (Integrated Mountain Development) Pilot Forest Carbon Trust Fund*](http://www.communitycarbonforestry.org/icimod-pilot_forest_carbon_trust_fund_.pdf)*)*

****Following requirements only apply to project facilitators:**

*Intent***:**

*The intent of this section is to hold Project Facilitators accountable for developing producer’s capacities and supporting them in terms of project design, development, and management as well as market information, best practices, etc. The Project facilitator commits to assist small scale producers in doing FCCs and is responsible for supporting the producers to comply with this standard.*

*The Project Facilitator is certified against the following requirements.*

**2.14 Audit acceptance by Project Facilitators**

Core (Year 0) The Project Facilitator must accept audits in their premises and subcontracted premises and provide information at the certification body’s request.

**2.15 Person appointed for certification matters**

Core (Year 0) The Project Facilitator has a person appointed for all certification matters. In the case of energy domestic project, the Project Facilitator must keep the certification updated with the list of producers and all important matters.

 ** *(wording)*  2.16 Project Facilitators must play a supporting role**

(Core) (Year 0) The Project Facilitator must give support and guidance to the Producer Organization and its members to implement all requirements of this Standard.

**2.17Competency and resources**

(Core) (Year 0) Project Facilitator must demonstrate that they have the competency and enough resources to provide the necessary services and trainings to support the formation of one or more than one producer organization.

**2.18 Fairtrade concept**

(Core) (Year 0) Project Facilitator must include the Fairtrade concept in its policy or mission statement.

**2.19 Written agreement**

(Core) (Year 0) In the case of energy domestic project, the Project Facilitator must sign a written agreement with the Producer Organization to support the registered producers in becoming a producer organization. In this agreement it must be stipulated that the Producer Organization commissions the Project Facilitator in performing this support role.

**2.20 Project Facilitators must transfer skills**

 (Dev) (Year 1) Project Facilitators must transfer skills and capacities on project and certification management to the Producer Organization

 *Guidance: This transfer can happen in the form of one or several trainings, and any other means of capacity development and skill transmission. The training needs to be recorded for the audit.*

**2.21 Project Facilitators must progressively transfer the project management to the Producer Organization**

 (Dev) (Year 3) The project management is progressively transferred from the external Project Facilitator to the Producer Organization. This includes the management of the requirements 2.2 to

*Guidance: The project should show that there is a high level of community engagement and participation, and that producers are building capacity to manage and monitor the project. Flows of communication must be developed by the Project Facilitator so that there is knowledge about the project throughout the members. After the defined period of time, the Producer Organization should be able to decide on the project implementation, monitoring and evaluation, revenue sharing, and other aspects related to project management.*

**** Questions on FCC projects, actors and management:**

**5) Do you have any feedback on this section? (Please explain rationale)**

**Click here to enter text.**

**8) Should there be additional or different requirements for Project Facilitators?**

**(Please explain rationale)**

**Click here to enter text.**

## 3. Labour rights in Fairtrade Carbon Credits projects

*Intent and scope*

** *(wording)*** *This section is applicable to waged employees, permanent or temporary, migrant or local, subcontracted or directly empoyed in the Project Area, to support the FCC production.*

*In practice, in Land Use and Forest projects, these workers are hired for land preparation, tree planting,seeding, nursing, harvesting, etc. In energy projects, they are employed to run and maintain installations ( such as hydro-power, etc)[[24]](#footnote-25).*

*The requirements apply to the workers employed in the project area. Nevertheless Fairtrade International expects that all operations happening outside the project area are also conducted in a way that upholds national law, including international human rights treaties ratified by the respective government. [[25]](#footnote-26)*

*Among the following requirements, some are only applied when a significant amount of workers is employed, when indicated. The significant amount of workers will be defined on a case by case basis by the certification body, taking into account the project type, the region and country, and number of workers employed typically locally.*

**3.1 Freedom from discrimination for workers**

*This section intends to prevent discrimination against workers based on the content of ILO Convention 111 on Discrimination.[[26]](#footnote-27) Discrimination is making an unfair distinction in the treatment of one person over another on grounds that are not related to ability or merit. It is applicable to all workers employed by the Producer Organization and employed by its members.*

* + 1. **No worker discrimination**

(Core) (Year 0) There must not be discrimination of workers on the basis of race, colour, gender, sexual orientation, disability, marital status, age, HIV/AIDS status, religion, political opinion, membership of unions or other workers’ representative bodies, national extraction or social origin in recruitment, promotion, access to training, remuneration, allocation of work, termination of employment, retirement or other activities. During the recruitment of workers you and the members of your organization must not test for pregnancy, HIV/AIDS or genetic disorders.

*Guidance: Where discrimination based on any of the above mentioned indicators is endemic within a sector or region, it should be addressed by the Fairtrade Development Plan.*

* + 1. **No mental or physical coercion, no abusive practice**

(Core) (Year 0) There must not be engagement in support, or tolerance of the use of corporal punishment, mental or physical coercion, verbal abuse or behaviour against workers, including gestures, language, and physical contact, that is sexually intimidating, abusive or exploitative.

*Guidance: Where such practices are endemic within a sector or region, this can be addressed through the Fairtrade Development Plan, for example by developing a written policy and a system to prevent improper disciplinary practice, or that clearly prohibits sexually intimidating behaviour.*

**3.2 Freedom of labour**

Intent and scope

*This section intends to prevent forced or bonded labour based on ILO Conventions 29 and 105 on Forced Labour and trafficking for forced labour or services, including sexual exploitation based on the UN Trafficking Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (Trafficking Protocol or UN TIP Protocol). [[27]](#footnote-28)*

*It is applicable to all workers employed by the Producer Organization and employed by its members.*

(Core)(Year 0) There must not be forced labour, including bonded or involuntary prison labour. Workers must be explained that they are free to leave at any time as long as they follow the due notice period in their contract. The employment of a worker or an offer of housing must not be conditional on the employment of their spouse. Spouses have the right to work elsewhere.

*Guidance: “Slavery, misuse of prison labour, forced recruitment, debt bondage, human trafficking for labour and/or sexual exploitation are some examples of forced labour. It is considered forced labour if any part of the workers’ salary, benefits, property or documents are retained in order to force them to remain in their employment. If use of any physical or psychological measure is used to retain workers that is considered forced labour. The term “bonded labour” or “debt bondage” refers to workers that have received loans from employers, where these loans are subject to unreasonable and/or unjust terms and conditions for repayment, where the worker and/or their families are held to pay off the loan through t**heir labour against their will.*

**3.3 Child labour and child protection**

*Intent and Scope*

*This section intends to prevent labour that is damaging to children based on ILO Convention 182 on the Worst Forms of Child Labour addressing “work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children” and on ILO Convention 138 on Minimum Age. “The minimum age specified in pursuance of paragraph 1 of this Article shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years”.*

*It is applicable to all workers employed by the Producer Organization and employed by its members.*

**3.3.1 No workers below the age of 15**

(Core) (Year 0) No children below the age of 15 or under the age defined by local law, whichever is higher, must be employed.

*Guidance: In the case of child-headed households where all members of the household are below the age of 18 years, a child’s right approach should be used to interpret the minimum age requirements, giving priority to the best interest of the child.*

*If the age of a child is unknown, all efforts must be made to identify the age following child rights guidelines.*

*When there is a high likelihood of child labour as defined by ILO Convention 138 (Minimum age) and ILO Convention 182 (Worst forms of child labour) occurring producers are encouraged to address this and include actions that tackle root causes of child labour such as ensuring safe schooling of children in the Fairtrade Development Plan. If there are no schools available in the area where children live, all effort should be given to work with national authorities and/or other relevant partners to build schools for children or provide safe transportation so children can attend the nearest schools. If children who migrate temporarily with their working families to areas where no schools are available, temporary schooling alternatives could be sought and provided so children can attend school and receive a quality education. In all circumstances child rights should be given primary consideration, as reflected in the guiding principles of the UN Convention of the Rights of the Child (UNCRC).*

**3.3.2 Work in family**

(Core) (Year 0) Members’ children below 15 years of age are allowed to help on the FCC project under strict conditions: they only work after school or during holidays, the work they do is appropriate for their age and physical condition, they do not work long hours and/or under dangerous or exploitative conditions and their parents supervise and guide them.

*Guidance: This can be particularly relevant for projects happening on the household level, such as the development and use of clean energy for household lighting or cooking for instance. This requirement is meant to explain the difference between situations when a child is helping his/her family members for certain punctual tasks, never happening to the detriment of the time needed to his educational, psychological and physical development, and forms of child labor that are exploitative and abusive.*

 **3.3.3 No worker below the age of 18 for non-appropriate work**

(Core) (Year 0) No workers of less than 18 years of age must be submitted to any type of work which, by its nature or the circumstances under which it is carried out, is likely to jeopardize their health, safety, morals or their school attendance.

*Guidance: Examples of work that is potentially damaging includes work that takes place in an unhealthy environment, involves excessively long working hours, night hours, the handling or any exposure to toxic chemicals, work at dangerous heights, operation of dangerous equipment and work that involves abusive punishment or is exploitative.*

**3.3.4. Protecting children from worst forms of labour**

(Core) (Year 0) If in the past children under 15 were employed for any type of work, or children under 18 for dangerous and exploitative work, it must be ensured that those children must not enter or are at risk of entering into even worse forms of labour. Relevant procedures must be installed to prevent children below the age of 15 from being employed for any work and children below the age of 18 from being employed in dangerous and exploitative work.

*Guidance: In order to ensure children do not enter worse forms a rights based remediation policy and program within a UNCRC protective framework could be developed that covers how to withdraw the children and how to prevent that they enter into worse forms of labour.*

*This policy and program should include a clear statement against child labour and remediation projects to ensure the immediate and continued protection of children.*

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| 3.4 Freedom of association and collective bargaining |
| *This section intends to protect workers against discrimination when defending their rights to organize and to negotiate collectively based on ILO Convention 87 on Freedom of Association and Protection of the Right to Organize, ILO Convention 98 on the Right to Organize and Collective Bargaining and ILO Recommendation 143 on Workers’ Representatives. [[28]](#footnote-29)* |
| **3.4.1 Workers can join any workers organization**(Core) (Year 0) All workers must be free to join a workers’ organization of their own choosing, and to participate in group negotiations regarding their working conditions. These rights must not be denied in practice, and must not have been opposed in the last two years.*Guidance: “Workers organization” is any organization of workers with the objective of “furthering and defending the interests of workers…” (ILO Convention 110, Article 69). If there has been opposition to these rights in the last two years this requirement is still fulfilled if circumstances have changed substantially, for example in case of a change of management.* |
|  **3.4.2 Trade union are allowed to meet workers**(Core) (Year 0) Trade unions that do not have a base in the organization must be allowed to meet workers and to share information. No interference in these meetings must happen. *Guidance: Workers are free to participate or not in these meetings. The meetings can be requested by the workers. External union officials can request the meetings if the union is involved in a in a Collective Bargaining Agreement (CBA) within the relevant industry or at national level. Time and place for these meetings have to be agreed in advance.* |
| **3.4.3 No discrimination against unionized workers**(Core) (Year 0) No discrimination must happen against workers and their representatives for organizing, joining (or not) a workers’ organization, or for participating in the legal activities of the workers’ organization. If a workers’ organization representative is dismissed, it must be immediately reported and explained to the certification body.There must be a record of all terminated contracts. These records must include the reason for termination and must indicate if workers are members of a workers’ organization. *Guidance: “Discrimination” means that workers are treated differently or suffer any negative repercussions. Some actions that could indicate discrimination against workers who form a workers’ organization or who are trying to form one are closing production, denying access, longer working hours, making transport difficult or dismissals.* |
|  **3.4.4 Workers are encouraged to elect workers’ organization**(Dev) (Year 3) If there is no union that is recognized and active in the region, if unions are forbidden by law, or if unions are managed by government and not by members, then workers must be encouraged to democratically elect a workers’ organization, if there are enough workers employed to do so. The workers’ organization will represent workers in their negotiations to defend their interests. Training must be provided to workers for improving their awareness about workers’ rights and duties. Training must take place during paid working time.*Guidance: Fairtrade International defends the rights of freedom of association and collective bargaining and believes that independent trade unions are the best way for achieving this. Therefore, this requirement only applies if there are no recognized unions that are active in your area, if unions are forbidden by law or if unions are managed by government and not by members.**“Recognized union” means that the union is affiliated with a national or international trade secretariat (for example the Global Union Federation).* |
|  3.5 Conditions of employment |
| *Intent and scope**This section intends to provide for good practices regarding the payment of workers and their conditions of employment based on ILO Convention 100 on Equal Remuneration and on ILO Convention 110 on Conditions of Employment of Workers.**This section applies to workers employed directly or indirectly (subcontracted).*The requirements below are only applicable when a significant amount of workers is employed. This minimum will vary according to projects and regions. |
|  **3.5.1 Salaries** (Core) (Year 0) Salaries must be set for workers according to CBA regulations where they exist or at regional average wages or at official minimum wages for similar occupations whichever is the highest. Wages must be specified for all employee functions. |
| **3.5.2 Production, quotas and piecework**(Core) (Year 0) For work based on production, quotas and piecework, during normal working hours, the proportionate minimum wage or the relevant industry average must be paid, whichever is higher. Information about this pay rate must be available for all workers and worker organizations. For pay based on piecework, the worker must agree that the rate is fair, and the method of calculation must be made transparent and accessible to the worker. Production, quotas and piecework employment must not be used as a means to avoid time-bound contracts. |
| **3.5.3 Regular and legal tender payments**(Core) ( Year 0) Payments to workers at regularly scheduled intervals must be made and documented with a pay slip containing all necessary information. Payments must be made in legal tender. Only if the worker explicitly payment in kind may be made. |
| **3.5.4 Maternity leave, social security provisions and other benefits**(Dev)(Year 3) Maternity leave, social security provisions and non-mandatory benefits according to national laws or according to CBA regulations where they exist must be set, or according to the agreement signed between the workers’ organization and the employer, whichever is the most favourable for the worker.  |
| **3.5.5 Legally binding contracts**(Dev)( Year 3) A legally binding written contract of employment must be made for all permanent workers that includes at least the following: the job duties related to the position; protection of the worker from loss of pay in the case of illness, disability or accident; and a notice period for termination that is the same as to the notice period of the employer.  |
| **3.5.6 Copy of the contract**(Dev)(Year 3) A copy of the signed contract to the worker must be provided. |
| **3.5.7 Gradual salary increase**(Dev) (Year 3) Salaries must be gradually increased above the regional average and the official minimum wage. |
| **3.5.8 Assign work to permanent workers**(Dev) (Year 3) Where possible all regular work must be assigned to permanent workers.*Guidance: Regular work excludes all seasonal work, work that is added to usual work levels during peak periods, and special tasks. The intention of this requirement is that you do not avoid legal obligations by using continuous fixed-term employment contracts.* |
| **3.5.9 Local, migrant, seasonal and permanent workers**(Dev) (Year 3) Local, migrant, seasonal and permanent workers must be given the same benefits and employment conditions for the same work performed. Where this is not possible, an alternative and equivalent benefit must be provided to them. |
| **3.5.10 Migrant or seasonal workers of contracting agency/person**(Dev) (Year 6) If migrant or seasonal workers are employed through a contracting agency or person, effective measures must be put in place to ensure that their hiring and working conditions also comply with this Standard. *Guidance: The Standard cover all workers whether they are local, migrant, directly contracted or subcontracted. As subcontracted migrant or seasonal workers are in an especially vulnerable position, the organization needs to ensure that the requirements are equally applied to them. Effective measures may include referring to guidelines to select contracting agencies or persons, and procedures to monitor the working conditions of migrant or seasonal subcontracted workers.* |
| 3.6 Occupational health and safety |
| *Intent:**This section intends to prevent work-related accidents by minimizing hazards in the work place. It is based on ILO Convention 155 on Occupational Safety and Health.*  The requirements below on Health and Safety are only applicable when a significant amount of workers is employed. This amount will vary according to projects and regions. |
| **3.6.1 Safe production site**(Core) (Year 0) Work processes, workplaces, machinery and equipment on production site must be safe. |
| **3.6.2 Vulnerable people do not handle hazardous work**(Core) (Year 0) Children under the age of 18 years, pregnant or nursing women, mentally disabled people, people with chronic, hepatic or renal diseases and people with respiratory diseases must not carry out any potentially hazardous work. Alternative work must be ensured for them. |
| **3.6.3 Access to first aid box and equipment**(Core) (Year 0) Workers must have accessible first aid boxes and equipment and a sufficient number of people trained in first aid in the workplace at all times. |
| **3.6.4 Clean drinking water and facilities**(Core) (Year 0) Workers must be provided with clean drinking water and clean toilets with hand washing facilities close, and clean showers for workers who handle pesticides. These facilities must be separate for women and men and the number of facilities must be in proportion to the number of workers. |
| **3.6.5 Health and safety issues representative**(Dev) (Year 3) It must be ensured that workers nominate a representative who knows about health and safety issues and who will raise workers’ concerns on health and safety issues with the organization’s management.  |
| **3.6.6 Training for workers handling hazardous work**(Core) (Year 3) Training must be provided to workers who carry out hazardous work on the risks from this work to their health, and to the environment, and on what to do in case of an accident. |
| **3.6.7 Display safety instructions**(Core) (Year 3) For hazardous work, all information, safety instructions, re-entry intervals and hygiene recommendations must be displayed and clearly and visibly in the workplace in the local language(s) and with pictograms.  |
| **3.6.8 Protective equipment**(Core) (Year 0) Personal protective equipment for all workers who perform hazardous work must be provided and paid for. It must be ensured that the personal protective equipment is used and that replacement equipment is ordered and distributed when the existing equipment wears out.***http://3.bp.blogspot.com/_uD8SzuCG_gQ/TFmH9wrs-AI/AAAAAAAAB4I/deIVo4PRjYA/s200/Web-survey.gif* Questions on labour rights in FCC project:****9) Do you have any feedback on this section? (Please explain rationale)****Click here to enter text.****10) Would you recommend that Fairtrade introduces a development requirement encouraging Producer Organizations and Project Facilitators to source services and devices locally? (e.g. buy locally built cookstoves)****Click here to enter text.** |

## 4. Protection of environment in Fairtrade Carbon Credits projects

*Intent*:

**This section intends to ensure that the production of FCC is sustainable and contribute to the protection of the environment, e.g. natural resources, biodiversity, health of the communities, etc.**

**Fairtrade introduces here furthermore a few requirements relative to climate adaptation. The intent of these requirements is to ensure that small scale producers have the means to increase their resilience to climate change and that a path is developed for producers to increase their ability to adapt to climate change through FCC** projects.

**This section is addressed to the Producer Organization.**

**Certain requirements and activities, mainly related to training and environmental management, can be subcontracted by the Producer Organization to the Project Facilitator**

**Part of the requirements, when indicated, are only applicable for land-use and forestry projects, while others are also applicable for EE/RE projects.**

**4.1 Pest management**

 **Intent and scope**

 **This section is only applicable to agriculture and forestry projects**

 This section intends to minimize risks from handling pesticides, promote the use of integrated pest management tools, and aims at reducing the amounts of pesticides used as much as possible. When pesticide use is necessary, the Producer Organization is encouraged to use pesticides that are the least toxic as economically and technically feasible.

 **Pest management requirements are applicable to all crops that the organization is certified for and also to the fields where they are grown.** This means that the use of forbidden pesticides on the certified crops, even if not intended for the Fairtrade market, is not allowed.

**4.1.1 Choice of pesticides used**

**Core, Year 0: Producers** must **not use** any of the materials on the Fairtrade International PML part 1 (Red List) on FCC production. (See Annex 2).

Prohibited materials **must be** **clearly marked** not for use on FCCs.

**4.1.2 Derogation:**

(Core, Year 0)By derogation from requirement above, producers may apply certain materials from the Fairtrade International PML part 1 (Red List). Producers may use materials **only** if they have previously **requested** the use to the certification body and **received permission**. This requirement only applies when the certification body allows the use of a material specified in the Fairtrade International PML Red List of Materials by derogation. The certification body may only grant permission for materials and their scope in the Fairtrade International PML part 1 (Red List).

Producers **must demonstrate** that the use of these materials is minimized and undertaken only in case of definite need, used under appropriate health and safety conditions and using advanced techniques. An appropriate plan and record to substitute these materials must be developed and operated. Evidence of need must be demonstrated by the producer.

**4.1.3 Pesticides application:**

(Year 1, Core) Producers **must not apply** pesticides and other hazardous chemicals within 10 meters from ongoing human activity (housing, canteens, offices, warehouses or the like with people present) or above and around water sources. A buffer zone of at least 10 meters **must be kept** unless there is a barrier that effectively reduces pesticide drift. Alternatively appropriate re-entry intervals can be applied so that people are not affected by pesticide drift.

***Guidance:*** The size of a reduced buffer zone may depend on the density of the barrier and on the spraying or application methods.

**4.1.4 Labeling of hazardous chemicals**

(Dev, Year 3) Producers **must have** all pesticides and hazardous chemicals clearly labelled.

***Guidance:*** *Containers should be labelled indicating contents, warnings, and intended uses (preferably in the original container when possible).*

**4.1.5 Equipment for accidents and spills**

(Dev, Year 6) *Producers* **must have** **equipment** to handle accidents and spills in the areas where they prepare or mix pesticides and other hazardous chemicals, so these do not seep into soil or water. Members **must plan** spraying in such a way as to have no or very little spray solution left.

***Guidance:*** The equipment can be very simple, such as absorbent material.

**4.1.6 Storage of empty containers:**

(Dev, Year 3) Producers must **must triple rinse, puncture and store** empty containers properly. All equipment that has been in contact with hazardous materials **must be cleaned and stored** **properly**.

***Guidance:*** Store properly means to reduce risk of hazards by keeping away from people, animals and water sources. Equipment refers to other material that has been in contact with pesticides, such as personal protection equipment (PPE), filters, measuring and application equipment. encouraged to contact chemical suppliers and/or local authorities for disposing of these materials.

**4.1.7 Integrated pest management**

**This activity can be subcontracted to the Project Facilitator**

(Dev) (Year 3)T**raining** must be provided to members on the subject of integrated pest management. Training **must include**: the monitoring of pests and disease, alternative ways to control pests and diseases, preventive measures against pests and diseases, measures to avoid that pests and diseases build up resistance to pesticides

**Awareness** must be raised amongst all members and workers of the hazards and risks related to pesticides and other hazardous chemicals, even if they are not directly handling these materials.

**Guidance:** Alternative controls refer to methods other than the use of chemical pesticides. These can include biological controls such as the introduction of natural enemies or physical controls such as sticky traps to capture pests, as well as other means that serve to reduce and/or control the population of the pest. Preventive measures refer to cultivation techniques that may reduce the presence or the effects of pests. These can include crop rotation, ground covers, mixing compost with the soil, removing pest infested plants and plant parts and intercropping.

**4.1.8 Training on pesticide use:**

**This requirement can be subcontracted to the Project Facilitator**

Training must be provided to members and workers who handle pesticides and other hazardous chemicals on the risks of handling these materials and on how to handle them properly.

Training must address:

* how to properly store pesticides and hazardous chemicals especially so these cannot be reached by children
* how to understand the product label and other safety instructions made available by the manufacturer. Containers should be labeled indicating contents, warnings, and intended uses (preferably in the original container when possible)
* how to handle accidents and spills when preparing and applying
* how to properly handle and dispose of empty containers, including triple rinsing and puncturing containers
* intervals of time when people are not allowed to enter a sprayed area or field without any personal protection equipment.

**4.1.9 Storage areas for pesticides**

(Core, Year 0) Storage areas for pesticides and other hazardous chemicals **must be maintained** it in a way that minimizes risks, especially so they cannot be reached by children. Containers of Pesticide and other hazardous chemicals must not be reused to store and transport food or water.

The storage area **must**:

* be locked and accessible only to trained and authorised personnel
* be ventilated to avoid a concentration of toxic vapours
* have equipment, such as absorbent materials, to handle accidents and spills
* not contain food
* contain hazardous materials clearly labelled and indicating contents, warnings, and intended uses, preferably in the original container when possible, and
* contain information on proper handling (safety sheets)

***Guidance:*** *To further reduce risks, the least amount of stock as possible can be stored, depending on need, season, and distance to suppliers. It is good practice to keep obsolete materials in the storage area until they can be disposed of properly.*

**4.1.10 List of pesticides used**

**This activity can be subcontracted to the Project Facilitator**

**(Core, Year 0) A** l**ist** must be compiled of the pesticides that are used on FCC production and be updated, at a minimum every 3 years. This list must indicate which of those materials are in the Fairtrade International Prohibited Materials List (PML), part 1, Red List and part 2, Amber List (see Annex 2).

***Guidance:*** *Producers can update the list often. The list can be compiled through interviews and informal communication with groups of members, or by collecting records of use kept by members.*

*The Fairtrade International PML has two parts, part 1, the Red List, which includes a list of prohibited materials and part 2, the Amber List, which includes a list of materials which will be monitored and by 2015 decided whether or not they will be included in the Red List. Producers are encouraged to abandon the use of materials in the Amber List.*

**4.1.11 Procedure for banned pesticides**

**This activity can be subcontracted to the Project Facilitator**

(Core, Year 0): A procedure must be set up to ensure that **Producers** must **not use** any of the materials on the Fairtrade International PML part 1 (Red List) on FCC production. (see Annex 2).

The procedure must at least include activities that raise the registered producers’ awareness of the PML.

Guidance: The procedure can describe any series of measures that are effective for the producers. It may also include activities such as keeping and communicating an updated list of the commercial names of the materials on the PML part 1 (Red List), identifying those materials that may be critical to the producers, as well as activities that aim at an exchange of best practices based on the producers’ experiences.

**4.1.12 Protective equipments**

(Core, Year 3) Measures must be implemented so that people, including members and workers, wear appropriate personal protective equipment (PPE) when handling pesticides or hazardous chemicals.

*Guidance: PPE is protective clothing that effectively limits exposure to hazardous chemicals. PPE includes garments or equipment which cover the arms and legs, footwear (shoes or boots), a mask when applicable and, if spraying crops above your head, a hat. Specific garments will vary according to local context. The product labels may provide further guidance on the type of PPE that should be used when mixing and applying.*

*Exposure may also be reduced by choosing certain formulations and modes of application. Advice can be sought from the supplier or manufacturer.*

**4.1.13 Minimization of herbicides**

 (Dev, Year 3) The use of herbicides must be minimized by implementing other weed prevention and control strategies.

***Guidance:*** *Strategies may include activities to avoid favourable growing conditions for weeds, to bring competition to weeds or to promote alternative control measures such as mechanical weeding, manual weeding, using herbivores or biological control.*

**4.1.14 Handling fertilizers**

**This activity can be subcontracted to the Project Facilitator**

 **(Dev, Year 6) Training** must be provided to producers on the appropriate use of fertilizers. This training **must include** measures to ensure that fertilizers (organic and inorganic) are applied in amounts that respond to the nutrient need of the crop or tree, measures to store fertilizers separately from pesticides in a way that minimizes risks of polluting water.

***Guidance:*** *Nutrient content of soil may be determined by producers based on their knowledge. If soil samples are sent to laboratories for analysis, the samples shall represent all cultivated land and be analyzed as often as possible. Cross contamination between fertilizers and pesticides can lead to crop or tree damage. However, if the label or the instructions allows mixing, they can be stored together.*

**4.2 Soil and water:**

***Intent and scope***

This requirement is applicable to all types of FCC projects (Energy, agriculture, forestry)

Soil and water are non-renewable resources. Healthy soils and clean and available water are important for the sustainability of the production system.

Soil and water requirements are applicable to the FCCs area of production.

**4.2.1 Soil erosion**

**This activity can be subcontracted to the Project Facilitator**

 (Dev, Year 3) Land at risk of soil erosion and land that is already eroded in fields must be identified. Training must be provided on practices that reduce and/or prevent soil erosion to those members of your organization where risk of soil erosion or already eroded land has been identified.

***Guidance:*** *The training may include information on preventive measures to avoid erosive conditions, remedial actions, establishing groundcovers or other kinds of vegetation.*

**4.2.2 Soil fertility and condition**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 3)R**eport** must be made on measures that were implemented to improve soil fertility and condition.

***Guidance:*** *Measures can include practices such as crop rotation and intercropping ( for agriculture) or essences mixing (for forestry), use of ground covers ( for agriculture), reduced impact logging techniques ( for forestry), incorporating compost or green manures into the soil, mitigate fragmentation by reducing number of skid trails and hauls roads ( for forestry). For energy projects, measure of soil condition can be made by looking at the level of pollution of the soil, caused by heavy metals (mercury, cadmium) or other waste. These can indeed have huge impact on human health.*

**4.2.3 Sustainable water sources**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 3) A **list** of water sources must be made and used for irrigating crops or tree of the FCC project area.

***Guidance:*** *Maps or schemes that show the location of the water sources are acceptable*

Dev, Year 6: The Project Facilitator **must keep informed** about the situation of the water sources in the project area. In case local environmental authorities or other entities consider that water sources are being depleted, or are in a critical situation, or under excessive pressure, Project Facilitator **must engage** in a dialogue with the authorities or local existing initiatives in order to identify possible ways to be involved in research or solution finding. In no case the project must lead to the depletion of water sources that are used by the local communities.

*Guidance: The project facilitator may monitor the existing knowledge about the sustainability of the water sources for related information and/or claims with local authorities, universities or organizations that are working in your region.*

**4.2.4 Training on sustainable water use**

**This activity can be subcontracted to the Project Facilitator**

**Dev, Year 3: Training** must be provided to producers on measures to use water efficiently. This training **must include:** estimating how much water is needed in the production process, measuring (or estimating) how much water is extracted from the source, providing maintenance to the water distribution system, adopting as applicable, methods to recirculate, reuse and/or recycle water.

**4.2.5 Handling of waste water**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 6) Waste water must be handled from central processing facilities in a manner that does not have a negative impact on water quality, soil fertility or food safety.

***Guidance:*** *Waste water from processing facilities includes water contaminated by the processing itself and waste water from sanitary facilities. A plan may be defined to monitor the water quality of the waste water discharged from processing facilities. Such a plan may include: baseline levels of acceptability for waste water quality, method(s) of analysis of water quality and a specified frequency of monitoring and means to correct any incidence of contaminants down to adequate levels. Water filtration or other treatment systems may be installed in the processing facilities.*

**4.2.6 Training on waste water and health risks**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 6) Training must be provided to producers about waste water and the health risks it bears as well as on the prevention of risks and treatment methods of waste water and their implementation.

***Guidance:*** *Plans to improve the sanitary conditions at member level could complement the training.*

**4.3 Waste**

**Intent and Scope**

**This section applies to all type of FCC projects: energy, agriculture and forestry.**

Reducing, reusing, handling and recycling waste in a manner that is appropriate to the respective materials reduces risks from hazardous waste and leads to an improved environment and work place. The waste management requirements in this section are applicable to the FCC project area.

**4.3.1 Hazardous waste**

**This activity can be subcontracted to the Project Facilitator**

(Core, Year 1) Project areas must be kept free of hazardous waste.

*Guidance****:*** *Producers may be explained which waste is hazardous, in which operations hazardous waste is involved and ways to handle and store hazardous waste properly in order to minimize risks.*

(Dev, Year 3) **Awareness** must be raised among producers about re-using waste when possible. In agriculture and forestry, organic waste can be reused through the implementation of practices that allow nutrients to be recycled. Organic waste may be burned only if it is required by applicable legislation for sanitary purposes, or it is clearly a more sustainable practice.

***Guidance:*** *Examples of good practices in agriculture are composting, mulching and using green manures. Feeding animals with organic waste contaminated with pesticides and burning organic waste are not sustainable practices. If burning organic waste for sanitary reasons is undertaken, it should be done in a strictly controlled manner to minimize risk of wildfires and smoke production.*

*Using organic waste as fuel could be considered a more sustainable practice.*

**4.3.2 Waste handling**

(Dev. Year 3) Reducing, reusing, handling and recycling waste in a manner that is appropriate to the respective materials reduces risks from hazardous waste and leads to an improved environment and work place.

**4.3.3 Waste storage and disposal**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 3) Producers **must have** designated areas for the storage and disposal of hazardous waste. In the absence of appropriate disposal facilities, small amounts of hazardous waste can be burned in a well-ventilated area away from people, animals or crops. Producers may only burn hazardous waste if it is allowed by local regulation and all safety recommendations are followed.

***Guidance:*** The Project facilitator or the Producer Organization may provide central areas for disposal and storage of hazardous waste so that producers may avoid disposing of them unsafely or store them indefinitely. Producers may also contact suppliers and local authorities to help you identify hazardous materials and better practices to handle and dispose of them.

**4.4. GMO (Genetically Modified Crops)**

*Intent and Scope:*

***This section is only applicable to Agriculture and Forestry projects.***

*Genetically Modified (GM) crops do not contribute to sustainability in the long run. GM crops increase dependencies on external inputs and discourage an integrated approach in the production system thus inhibiting resiliency. GM crops may also have potential negative impacts on human health and to the environment.*

*GMO requirements in this section are applicable to all crops and trees grown in the FCC project area. This means that the parallel production of a GMO variety and a non-GMO variety inside the project area, even if not intended for the Fairtrade market, is not allowed.*

**4.4 1 No use of GMO**

(Core, Year 0) Producers **must not** intentionally **use** genetically engineered seed or planting stock in the FCC project area. They **must implement** practices to avoid GM contamination in seed stocks.

***Guidance:*** *The potential risk to use genetically modified seed stock and/or planting material may be evaluated. Awareness raising program may be established about the GM species and varieties which are registered in the country or region and are to be sold as Fairtrade. For species identified as at risk, additional measures may be established to avoid use of these seed lots.*

*A list of GMOs being marketed in the country can be done, by species, trait, and brand names. Publicly available lists may be monitored to know what products are available on the market as GMOs. For any crops or trees that producers grow that are of known GMO species a standardized procedure for requiring documentation may be set up, analysis and other non-GMO verification for the seed in question.*

*In cases where there is a risk of GMO contamination of the FT crop, Project Facilitators are encouraged to:*

* *have a plan to actively seek out and request non-GMO seed.*
* *keep records that show the distribution of the seed – by individual producer’s name, quantity, lot number(s) of the seed, brand/source.*
* *check if amount of seed distributed to the producers matches theoretical planting density for the stated planted acreage.*

*If producers save/produce their own seed, their species and essences, field production techniques and post-harvest practices may be monitored to ensure contamination is avoided. A sampling and testing protocol may be in place, with a rationale given for the frequency and types of tests.*

**4.5 Biodiversity**

*Intent and scope:*

**This section applies to all type of FCC projects: energy, agriculture and forestry.**

Biodiversity supports natural ecosystems. The loss of natural ecosystems is a threat to the sustainability of the production system because the benefits they provide can be lost. These benefits include enhanced water conservation, soil fertility, potential alternative productions, hosting of natural enemies, and a reserve of products important to local communities. Natural ecosystems also provide a buffer to mitigate and adapt to the effects of climate change.

**Biodiversity requirements in this section are applicable to the FCC project area.**

**4.5.1 No negative impact on protected areas**

(Core, Year 0) Producer **must avoid** negative impacts on protected areas and in areas with high conservation value within or outside the FCC project area. The FCC project area must comply with national legislation in relation to agricultural land use.

***Guidance:*** “Protected areas” are a clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values (IUCN 2008). Protected areas can be public or private biological conservation areas.

Producers may identify protected areas with the help of local, regional or national authorities.

“Areas with high conservation value” is a concept developed by Forest Stewardship Council –FSC- and refers to areas that are worth conserving because they are important on a local, regional or global scale and which may include social value such as the benefits that an area provides to a community in terms of its cultural importance or economic resource. Biological value includes ecosystems or habitats of an endangered species. These areas can usually be identified through natural vegetation with low disturbance from agriculture, forestry, industry, urbanism or other. Producers may initially identify areas with high conservation value based on available knowledge within their organization and neighbouring community. Producer may wish to consult with elders and people in the community who may have knowledge of the natural vegetation in the region.

For more information see: [www.fsc.org](http://www.fsc.org) and [www.hcvnetwork.org](http://www.hcvnetwork.org) .

“Negative impact” refers to partial or complete destruction of the protected area or loss of the conservation value.

**4.5.2 Buffer zones around high conservation values areas**

(Dev Year 6) Producers **must maintain** buffer zones around water bodies and watershed recharge areas and between production areas and areas of high conservation value, either protected or not. Pesticides, other hazardous chemicals and fertilizers **must not be applied** in buffer zones.

***Guidance:*** *Buffer zones lead to better management and sustainability of adjacent protected areas which thus enhances biodiversity. Clusters of small production area can be considered a single production site with buffer zones at its perimeter only. It is recommended that total use of land for crop production be avoided. It is also recommended that buffer zones, where feasible, are connected in order to create ecological corridors.*

*Restoration of ecological corridors may take place by actively reintroducing the native vegetation or by protecting it as to allow regeneration of native vegetation. No requirement is made on minimum distance.*

**4.5.3 Wild harvesting**

If you carry out wild harvesting of Fairtrade products from uncultivated areas, you **must assure** the sustainability and survivability of the collected species in its native habitat.

***Guidance:*** Wild harvesting implies that the only productive activity in the uncultivated area is the harvest itself. Any other activities (e.g. clearing paths, maintaining camps) should be done in a way that minimizes human impact. Assuring sustainability refers to harvesting in such a way to maintain the species, maintain availability to other species in the ecosystem that depend on it and ensure that the subsequent harvest cycle will provide a comparable quantity.

**4.5.4 Biodiversity Activities reporting**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 6) Activities that are carried out to protect and enhance biodiversity must be reported.

***Guidance:*** Producers are free to choose how they report their activities to the Project Facilitator. Activities can include:

* identification of key biodiversity issues in the region and actions that producers have implemented in order to improve the situation
* activities provided to producers such as raising awareness about biodiversity or training in techniques to protect it
* maintaining and restoring natural ecosystems in areas that are not suitable for cultivation or exploitation, and in buffer zones around bodies of water and watershed recharge areas and between production and areas of high conservation value, either protected or not
* Activities to increase ecosystem connectivity by identifying unproductive sites and buffer zones.

Valuable knowledge may be found within local community regarding further activities. With time local experts (such as authorities, universities, NGOs or online data bases) can give advices.

Restoration of ecosystems can take place by actively replanting native vegetation or by actively protecting it to allow regeneration of native vegetation.

**4.5.5 Awareness raising about threatened species**

**This activity can be subcontracted to the Project Facilitator**

(Dev, Year 3) **Awareness** must be raised among producers so that no collecting or hunting of rare or threatened species takes place.

***Guidance:*** *Initial classification of rare and threatened species may be made by producers based on their own knowledge. The Project Facilitator may want to contact a local expert on biodiversity who would provide support in identifying rare and threatened species and in adjusting the initial classification. In addition to regional or local information, the Project Facilitator may want to look at IUCN red list of threatened species at http://www.iucnredlist.org for further reference.*

**4.5.6 Awareness raising about alien invasive species**

**This activity can be subcontracted to the Project Facilitator**

**(Dev, Rear 3) Awareness** must be raised among producers so that alien invasive species are **not introduced**.

***Guidance:*** *Initial classification of alien species may be made by producers based on their own knowledge. The Project Facilitator may want to contact a local expert who could provide support in identifying alien species and ways in which their introduction and propagation may be avoided. For further information see the Convention of Biological Diversity at* [*http://www.cbd.int/invasive/*](http://www.cbd.int/invasive/)

**4.6 Adaptation to climate change**

*Intent:*

*Reducing and/or removing greenhouse gases emissions is one of the goals of this Standard, but the implemented projects should also thrive* *adaptation to climate change effects. This is particularly relevant for small-scale producers who are often the first and worst hit by the effects of climate change- although the least responsible for it. Fairtrade recognizes the urgent need to support poor communities to adapt to climate change impacts.*

*The intent of this section is to ensure that there are practices in place that will secure a stronger resilience to climate change and ultimately a better livelihood for producers and their communities.*

***This section is intended to the Project Facilitator***

**4.6.1 Climate change awareness**

** *(wording)*** (Core) (Year 3) The Producer Organization and its members must receive a climate change awareness and informative session to better understand the underlying causes of climate change and its repercussions on the region/community.

*Guidance: This information can be provided by a local expert organization of any choice. The regularity of the training will be defined by the Project Facilitator according to parameters like producers’ need, complexity of the training, membership increase of the Producer Organization, etc.*

**4.6.2 Risk and Opportunity Assessment**

** *(wording)*** (Core) (Year 3) The Producer Organization must receive training on how to carry out a *Risk and Opportunity Assessment for their project.*

The Risk and Opportunity Assessment identifies the risks and opportunities associated to climate change for the Producer Organization and the community. This training should be replicated by the trained representatives for other members of the organization (concept of *training of trainers,)*

*Guidance: The regularity of the training will be defined by the Project Facilitator according to parameters like producers’ need, complexity of the training, membership increase of the Producer Organization, etc*



 Source: Fairtrade tea farmers in East Africa working to adapt to new climate realities

**4.6.3 Climate change adaptation plan**

** *(wording)***  (Dev) (Year 3) Once the project starts to generate income, the Project Facilitator must develop a climate change adaptation plan based on the results of the ROA, including timelines and responsibilities. This plan must lay out measures to be taken to become more resilient to climate change and seize on opportunities identified to address climate change.

**4.6.4 Further support**

(Dev) (Year 3) Once the project starts de generate income subject areas that need further support must be identified, which could be covered through field schools with the local technical partners. Fairtrade Producer support team can support to make linkages to the relevant partners.

**** Questions on Protection of environment in a FCC project:**

**11) Do you have any feedback on this section? (please explain rationale)**

**Click here to enter text.**

## 5. Carbon accounting

***(wording)* Carbon accounting is a key foundation element of the FCC scheme. It defines how many GHG emissions are avoided or GHG are sequestered or avoided through FCC projects. It determines the amount of carbon credits produced. The methodologies for carbon accounting differ from project to project.**

**FCC projects can apply the carbon accounting methodologies accepted by the CDM or by Gold Standard and related to their specific project type.**

The carbon accounting methodologies defined by Gold Standards, according to the type of project, can be found on their website: <http://www.goldstandard.org/>

*Suppressed demand* will be applied whenever relevant for FCC projects, based on Gold Standard existing suppressed demand methodologies (for rural electrification, biomass cook stoves, food processing and food preservation).

*Additionality*

The assumption is that by definition, and given the requirements laid out in this standard, a FCC small-scale project is additional. Therefore efforts will be made so that scam-scale producers do not have to follow the additionality requirements. This is also meant to spare small-scale producers extra administrative work and recognize that for some of them, they have been setting up very low-carbon practices for years.

**Trade**

## 6. Trade requirements

*The purpose of this section is that producers get an equitable and secured benefit from the FCC trade. It is also meant to give producers funding options through pre-finance mechanisms. It also aims to incentivize off-setters to engage in efforts to reduce their carbon emissions.*

**

*Requirements for traders:*

*Most of following requirements are focused on transactions between producers and their direct buyers. Therefore they do not address the transaction happening further down in the supply chain.*

*Other requirements, when indicated, are addressed to end buyers of FCC.*

*The trader is the certificate holder for the trade of FCC.*

*Requirements for producers:*

*Certain requirements are under the responsibility of the Producer Organization. When necessary, the related activity can be subcontracted by the Producer Organization to the Project Facilitator.*

* 1. **Contracts**

*Intent*

Fairtrade aims to create sustainable trade partnerships between producers and traders, which enable producers to have long-term access to markets under viable conditions. Above and beyond requirements in this Standard, it is important that these relationships grow stronger over time and are based on mutual respect, transparency and commitment.

Contracts between producers and buyers set the framework for Fairtrade operations. It is important that the contractual obligations are mutually agreed, well documented, and clearly understood by the contracting parties. This section is meant to make the product definition simple and clear in the contracts. Furthermore, it aims to regulate the sales, and provide certainty to producers and buyers.

* + 1. **Binding purchase contracts**

**This requirement is applicable to all traders in the supply chain**

 (Core) (Year 0) FCC traders must sign binding purchase contracts with the Producer Organization. This contract is signed when the project starts. However, it must include a clause making the contract invalid if the Producer Organization does not get a registration account for its project (see requirement 1.2), or if the project never gets implemented.

These contracts must as a minimum clearly indicate the agreed volumes, price, and payment terms. The contract should run for an explicit period, covering the period over which monitoring and payments are made. These contracts must include a delivery schedule. The contract shall also stipulate the amount of sales income retained by the trader for eventual administrative services.

All contracts between the Producer Organization and the trader must stipulate a mechanism to resolve conflicts, separate from jurisdiction, agreed by both parties. The trader is encouraged to help solving the issue if it is within reach, e.g. in case of unavailability of certifiers, delays due to bank transfers, and language barriers between producers and the standard, etc.

*Guidance: This requirement makes it clear that, as a minimum, both parties must agree volumes, price, payment terms, and these agreed terms must be clearly stated in the contract. Traders must ensure that a written contract exists for products bought and sold under this requirement. This requirement also prescribes that a mechanism for arbitration is written into contracts between producers and traders. Year 0 means year of certification.*

*Responsibility for drawing up the contract should be mutually agreed on. Where no agreement can be reached, the responsibility to draw up the contract rests with the buyer who must also ensure that the contract reaches the producer organization in an agreed language.*

*A contract template is provided in Annex[[29]](#footnote-30). This template can be used as guidance to draft the contract.*

* + 1. **Risk mitigation and provision**

**This requirement is applicable to traders buying directly to producers**

 (Core) (Year 0) The contract shall in any case include a risk buffer in case of unexpected carbon losses happening in the course of the project. The contract should contain a clause mentioning that the trader cannot step out of the contract without penalties. .

*Guidance: The Producer Organization may propose measures to compensate any eventual underperformance. Measures the Producer Organization can take to compensate underperformance can be for instance planting more trees or replacing damaged cook stoves.*

*Underperformance means that the project does not generate as many emissions reduction/carbon sequestration as expected. This is measured during certification cycles.*

*The risk buffer is there as a security in case the underperformance of the project cannot be mitigated by the Producer Organization. It consists in putting aside a certain amount of FCC as a provision for risks. Concretely, at the beginning of the contract, the Producer Organizations signs for an amount of FCC that is lower than the one expected by the project. In case the project under-performs, Fairtrade Carbon Credits are transferred from the “risk buffer” to the trader, so that the balance between sold and generated FCC can be maintained*.

*Given the existence of this risk buffer, no penalties can be given to producers in case the project is under-performant.*

*The Producer Organization must also be ready in case the project is overperformant (inform trader on time, find new trader interested in purchasing the credits, etc.)*

**6.1.3 Regulations of penalties imposed to Producer Organizations**

 (Core) (Year O) If the project under-performs and this underperformance can be compensated by the risk buffer (see 6.1.2), there should be no financial penalties imposed to the Producer Organization, If delays should happen Furthermore, the Producer Organization must inform the trader as soon as this becomes clear, in order for the trader to be able to plan accordingly. Only in exceptional circumstances can the trader step out of the contract, if the delays are too important. What is an important delay will be defined by the certification body according to project type, nature and reason of the delay.

## Guidance: delays can happen for many reasons, including some that are not in the hands of producers. In any case though, traders should be informed.

## 6.1.4 Delivery schedule

(Core) (Year 0) Traders must provide their sourcing plans to the Producer Organization. Producer Organization must provide their delivery plans to traders. This is the delivery schedule. [[30]](#footnote-31)Such a plan helps producers and traders schedule the expected dates of transfer of and payment for carbon credits. The delivery schedule must be inserted in the contract. (See requirement 6.1)

*Guidance: The purpose of this requirement is to allow both parties to schedule their operations, make provision for eventual delay with delivery schedule and avoid discontinuation of projects.*

*A delivery schedule lays out quantities, dates of delivery or purchase, price. Traders are encouraged to use the buying pattern of similar projects as a guide for the development of their sourcing plans. In cases where no prior buying patterns exist (i.e., When the trader has established a trading relationship with a new Producer organization) the buyer should make a reasonable estimate.*

*A delivery plan encompasses also the schedule of monitoring and verification campaigns and issuance processes, taking into account minimum and average administrative timelines for verification contracting, audits, and issuance processes, including possible delays in case of incomplete information or corrective action requests.* *The producer organization should conservatively plan its expected monitoring and verification timeline, so that each step can be assessed and any delays quickly anticipated.*

*Models can be drifted from Emission Reduction Purchase Agreements (ERPAs, see definition) that include a delivery schedule for carbon credits, agreed upon between producer and traders. These are used by both parties for better planning of their activities and management of risks.*

*Exchange of information is one important element of the trade relationship, in particular for producers. Traders are also encouraged to give any additional assistance they can mutually agree on with producers. Tools such as information sharing, price updates, quality training, risk sharing plans and others should be considered.*

**6.1.5 Producer de-certification**

 (Core) (Year 0) Where notice is made of a producer’s suspension, issued FCC made before the date of notice will be recognized as valid *Guidance: Existing Fairtrade contracts that have been entered into before notice of suspension may be fulfilled if both parties (producer and traders) agree.*

*To be considered as certified, the FCC must be delivered within a time limit that is defined by the certification body. New Fairtrade contracts must not be signed after the date of the notice of suspension.*

**6.1.6 Traders decertification**

(Core) (Year 0) Where traders are decertified, they must immediately stop buying or selling FCC. This requirement is applicable from the date of decertification. FCC that have been issued before the date of decertification shall be accepted. Producers are still entitled to sell their FCC to another trader who is still certified.

*Guidance: This requirement makes it clear that from the date of decertification, producers must not sell credits to decertified traders for sale of FCC.*

# new.jpg6.2 Pre-finance

**This requirement is applicable to all traders in the supply chain**

*Intent*

Pre-finance is one of the core benefits for producers within the Fairtrade system. The intention of this section is to help producers gain access financial assistance, and to bridge the usual gap between project development and implementation and the issuance of carbon credits often observed in conventional carbon projects.

**6.2.1 Upfront payments**

(Core, Year 0) Upfront finance is provided by traders if the Producer Organization requires it.

*Guidance: Fairtrade will recognize and promote the extra support given by these businesses and traders.*

**6.3. Pricing**

*Intent*

The Fairtrade Minimum Price or relevant market price and the Fairtrade Premium are core benefits of the Fairtrade system for producers. Fairtrade Minimum Prices are meant to protect and reduce the risks for producers in the event that market prices fall.

* + 1. **Fairtrade Minimum Price**

(Core) (Year 0) FCC traders must pay to producers at least the Fairtrade Minimum Price defined for the FCC for the applicable type of project and the region. When the relevant market price for the conventional carbon credits is negotiated at a higher price than the Fairtrade Minimum Price, then the negotiated price must be paid.

*Guidance: The Fairtrade Minimum Price is the lowest possible price that the Fairtrade trader may pay to the producer. It is calculated according to the project type and setup, and related costs.[[31]](#footnote-32)The Fairtrade Minimum Price is the starting point for price negotiations between the producer and the Fairtrade buyer. When the relevant market negotiated price for the conventional carbon credits is higher than the Fairtrade Minimum Price, then at least this higher negotiated price must be paid.*

*Both parties must keep evidence of the price level and how it was agreed. Either party can demonstrate the market price based on agreements/contracts with other clients/suppliers for a similar time period (if and when required).*

**6.3.2 Fairtrade Premium:**

## (Core) (Year 0) FCC traders must pay to producers the Fairtrade Premium defined for the Fairtrade Carbon Credits for the applicable type of project and the region.

## Guidance: The Fairtrade Premium will be an amount calculated as a percentage on top of the price of the FCC. Its purpose is for socio-economic development of the members of the Producer Organization and their communities. It is paid by the trader directly to the Producer Organization.

* 1. **Use of the Fairtrade mark**

(Core) (Year 0)End buyers of FCC have to be licensed. For the use of any FAIRTRADE Mark or any other reference to Fairtrade as defined in this Standard in any communication related to FCC, a contract must be agreed in writing with a National Fairtrade Organization or with Fairtrade International.

## 6.5 Promotional artwork approval

(Core) (Year 0)All artwork with a FAIRTRADE Mark in any communications must comply with the applicable “Trademark Use Guidelines” and must be approved in writing prior to use by a National Fairtrade Organization or Fairtrade International.

Guidance: Artwork can be product packaging and promotional materials as well as any print and electronic media.

* 1. **Revenue sharing mechanism**

(Dev) (Year 6) All traders along the supply chain make their revenue transparent in a report

*Guidance: This is meant to show to consumers and other stakeholders how much the revenue from FCC is and how it is divided along the supply chain.*

**6.7 Emissions reduction**

**The following requirements are only applicable to end buyers of FCC:**

**6.7.1 Carbon emissions reduction plan**

(Dev) (Year 3) End-buyers should monitor and reduce their emissions. A carbon reduction emission plan should be in place.

*Guidance: Buying carbon credits and therefore offsetting their compensation should not discourage end- buyers from reducing their own emissions. The purchase of FCC should be part of an overall comprehensive, corporate GHG management strategy to demonstrate an overall commitment to reducing GHG emissions at the source, whilst using an offsetting mechanism only for emission that cannot be tackled at the source and by other means (e.g. emissions caused by business related travel activities). End buyers should do inventories and monitoring exercises using high quality industry standards following the GHG Inventory Protocol (such as the World Resources Institute[[32]](#footnote-33), or the World Business Council for Sustainable Development, etc.[[33]](#footnote-34).) Small or medium-sized businesses could demonstrate such a commitment by having undergone a carbon or ecological footprint analysis conducted by experts applying the relevant ISO standard [[34]](#footnote-35)or similar industry standards.*

**6.7.2 Majority of credits must be FCC to claim use of the Fairtrade mark**

(Dev) (Year 3) In order to be able to claim use of the Fairtrade mark, the end buyer must buy a majority of the carbon credits needed to compensate their emissions from FCC.

**6.7.3 Direct buying**

(Dev, Year 6) End-buyer purchase FCC directly from the Producer Organizations

*Guidance: This means purchase arrangements between an end buyer and a seller/producer in the primary market with a view to reduce the costs or avoid brokerage fees for intermediaries acting in the secondary market. In the case contracts are directly negotiated and signed between FCC end-buyers and Producer Organizations, the Producer organizations need to be able to reliably guarantee delivery of credits or fulfil their liability obligations in the case of non-delivery).*

# PRICING CONSULTATION DOCUMENT

# Introduction

1.

## Background

Fairtrade carbon credits intend to benefit communities that are in the field of each project. Usually carbon projects do not necessarily include a part of the benefits for actors and beneficiaries of a project, the farmers for example, in an agricultural carbon project. Often there are many parties between the actual producer of the carbon credit and the actual end use of the carbon credit (companies, carbon funds, institutions, individuals, etc.) which results in low benefits or no benefits at all being paid at the producers, and high margins being made along the supply chain that never benefits the producer of carbon credits.

Therefore, the concept itself of Fairtrade carbon credits applies to the trade of carbon credits. These principles are:

1. Creating Opportunities for Economically Disadvantaged Producers
2. Transparency and Accountability
3. Fair Trading Practices : not maximize profit at the farmer’s expense
4. Payment of a Fairtrade Price

Thus, a Fairtrade carbon credit shall provide benefits such as income, capacity building and empowerment to the actual producer of the carbon credit – i.e. the participating family, the farmer.

Objectives of Fairtrade carbon credit:

Fairtrade International is willing to propose a Fairtrade approach to carbon finance, providing carbon credits that will meet Fairtrade standards on pricing and returning income to producers. The main objective of setting up a Fairtrade Carbon Credit pricing is to **make sure that the revenue from these credits flows back to the people in the developing countries** where the credits are generated.

## Time frame of the project

Description of the planning and research process:

|  |  |  |
| --- | --- | --- |
| Timeline | Activity | Results received/expected |
| April 2014 | Mission “pricing methodology” Kick off |  |
| April - June 2014 | Methodology elaboration | 4 applications of the methodology |
| July - August 2014 | Pre-consultation | Few feedbacks from carbon organizations. |
| September 2014 | SC meeting | Methodology approach presented |
| September 2014 | Experts meeting | Feedbacks on the methodology + how the FMP should work |
| September - October 2014 | Consultation  |  |
| November 2014  | SC meeting |  |
| To be confirmed if necessary | Second consultation on the pricing methodology? |  |

##  Intent of the consultation document

This consultation document aims at two different objectives:

1. Consult on the pricing methodology in itself, and provide feedbacks on main challenges and questions raised during the phase of meetings with some carbon organizations
2. Consult on average references carbon credit prices

# FMP and FP revised proposal

## The approach:

The first step therefore was to provide a methodology allowing the determination of such costs; it was done by analyzing previous documentation and procedures, including the draft standard; and via a consultative approach of some carbon experts/organizations supporting the development of the Fairtrade Carbon Credit standard, to put their expertise at work in the best possible way.

1. The methodology

The methodology was elaborated as a cost analysis **developed following the carbon project development process, to make sure all costs are included** (see table 1). The costs items listed in the costs analysis are:

* The “basic” project costs (involved in all projects):
	+ investment costs,
	+ project costs (management, production, maintenance...)
	+ revenue
	+ and external investment
* And every step of the carbon credits emission process (these costs are referred in the methodology as “carbon costs”):
	+ Project Facilitator costs
	+ Pre-feasibility Assessment
	+ Opening of a Gold Standard (GS) account
	+ PoA fee (if applicable)
	+ Laboratory or field tests needed
	+ Local Stakeholder Consultation
	+ PDD and GS passport
	+ Validation
	+ Verification
	+ Designated Operating Entity (DOE) interactions
	+ Registration
	+ Creation and design of the monitoring application
	+ Monitoring plan,
	+ Credits issuance

Figure 1 gives a global view of the process of issuing carbon credits: main steps are indicated with the theoretical duration between them. As you can see, generally carbon credits are generated at best 1 year after the start of the development of the project, but it can be much longer: more than 2 years.



Figure 1 : Carbon Credit generation cycle

1. Definition of the scope:

As Fair Carbon Credit will be generated through a range of different scopes of activities - related to **energy efficiency, renewable energy, forest management, and agriculture** – a specific cost analysis was developed for each scope in order to take into considerations differences of project costs and carbon costs between each scope.

The projects type “domestic sector” of the scopes “energy efficiency” and “renewable energy” were gathered into one:

**Four applications of the pricing methodology**

Project types for smallholders / rural communities / **domestic sector**:

- Improved cookstove

- Water filtration/purification system

* Energy Savings Lamp/ fluorescent lamp...

ENERGY EFFICIENCY

RENEWABLE ENERGY

Project types for smallholders / rural communities / **domestic sector**:

* Biogas heat/electricity: methane digester (from agr. production…)
* Solar: cooker, water heating
* Biomass: burning stoves, heaters

+ **Hired labour projects**: wind, hydropower, landfill gas…

AGRICULTURE

Project types for smallholders / rural communities:

Agriculture

* Reforestation of degraded grasslands
* Plantations
* ...

Project types for smallholders / rural communities:

Afforestation/Reforestation or Improved Forest Management:

- Conservation forests (no use of timber)

- Forests with selective harvesting

* Rotation forestry
* ...

FOREST MANAGEMENT

**FMP 1**

**FMP 2**

**FMP 3**

**FMP 4**

**Domestic sector**

**Large projects**

RENEWABLE ENERGY

ENERGY EFFICIENCY

RENEWABLE ENERGY

FOREST MANAGEMENT

AGRICULTURE

Figure 2 : Scope of the pricing methodology and determination of 4 FMP.

For example, Table 1 presents the pricing methodology for the carbon projects related to energy efficiency and renewable energy in the domestic sector.

Table 1 : Pricing methodology for carbon domestic sector projects – example of costs





1. Determine the Minimum Prices

Once these 4 applications were created, social project developers were requested to provide feedback on the methodology developed as well as to inform values on costs of production of the different projects type. With this information, average costs of production for the different project categories were formulated. This methodology and some average costs of production will be consulted with all stakeholders involved in setting Fairtrade Standards to receive further feedback on the price setting methodology and values.

After the consultation phase, the data on costs of production will be compared to the market analysis realized in parallel. Then, different pricing option will be developed and submitted to a final decision.

## Main challenges while setting the Fairtrade Minimum Price:

While setting the methodology and with the feedbacks of carbon organizations, several challenges emerged:

* On the general setting of a FMP for fair carbon credit:
1. Clarification on the definition of the FMP

The FMP must be seen as a safety net and not necessarily as “fair price”. Indeed, it is a price that should guarantee the owners a minimum return over the implementation of their carbon project.

1. Setting of a generic FMP

Each project might have a very different carbon credit price, depending, for example, on:

* the scale of the project,
* the fact that some can be Programme of Activities (PoA) with different component project activities (CPA), each CPA might thus have a different carbon credit price,
* the amount of subsidies received,
* each A/R project has different activities, e.g.:
	+ production of timber: the project is viable and will try to improve the socio-economical aspects;
	+ protection of biodiversity: there might be revenue from the ecotourism or no revenue at all.

There are so many specificities for each project that all of these elements, as interesting as they may be, cannot be integrated in a tool with the objective of reducing the number FMP as much as possible.

Because of this diversity, the challenge is in coming to a representative value for each of the four categories of the FCC scope.

Thus it could be interesting to consider more categories within this scope by setting up prices for “sub-projects” categories such as an “improved cookstove” category or an “agroforestry” category.

1. What costs must be taken into account

In front of all the diversity in projects costs (see “ii. setting a generic FMP” above), the solution could be to only take into account the carbon costs of the project. These costs would be considered as “extra costs” for the carbon implementation in an already existing project.

But by doing that it may create new imbalances between projects: existing projects will have a greater margin than others.

Thus, for now, the current methodology take into consideration all costs involved for the implementation of a carbon project.

1. Several methodologies for several FMP?

Attention has to be paid to the fact that by developing several cost analysis (specific to different project scope), several FMP will be implemented. And by implementing several FMP, it might promote the project type that has the cheaper price.

But it all depends of the public willing to buy the Fairtrade credit:

* If buyers want only the “Fairtrade” certification, whatever the project is, several FMP constitute a problem.
* Or if buyers want a specific project (e.g. an improved cookstoves project), several FMP are not an issue.
* On the technical content of the methodology:
1. Prices fluctuations:

Afforestation/Reforestation and Agriculture projects are a long term investment (based on 30 or 50 years). Thus, there are many fluctuations that we cannot predict e.g.:

* on prices of the timber, agricultural products that are sold and constitute revenue for the project (thus impacting the total investment).
* on the exchange rate between two currencies (come products mentioned above are on the international market)

As other Fairtrade products, FMPs won’t be the same for 30 or 50 years: they will be revised frequently (frequency to be decided)

1. Issuance:

The fact that the issuance of carbon credits is ex-post (i.e. after the amount of greenhouse gases (GES) is actually reduced or sequestered) or ex-ante (i.e. the GES is not yet reduced) might have a repercussion on the price of the carbon credit. The ex-ante situation is often experienced in A/R projects as the emissions reductions don’t occur in the beginning of the project.

Once again, the FMP must be seen as a safety net, it is not the final price of the FCC. FMP is valid for all projects. The difference of price in ex-ante or ex-post will be in the margin the smallholders / local communities can expect to have.

1. Carbon costs:

As for now there are no specific carbon costs for Fairtrade carbon projects, thus the carbon costs are related to the current Gold Standard carbon costs, involving different scales of projects (micro, small, large scales).

Later, these costs will be specific to the certification Gold Standard + Fairtrade.

## Setting of the FMP: at which level?

The FMP is proposed to be set at the Project facilitator level. Figure 3 presents schematically the “supply chain” and the different actors involved in the production and trade of Fair Carbon Credits. We also include the possibility that part of the gains obtained trading Fair carbon Credit are also shared with producer; we called it Revenue sharing.

You find below the main elements of the proposal:

* To limit to two the number of buyers allowed between the FCC generated by the SPO and the company willing to offset its GHG emissions. If agreed, this condition should appear in the FCC standard.
* The Fairtrade Premium could be a percentage (or a fixed amount) of the FMP set for FCC.
* Revenue Sharing: if the buyer 1 succeeds to sell the FCC at a higher price than what he bought from the SPO/Project facilitator, then the PF could share part of these gains with the SPO.
	+ The revenue sharing is not view as an extra Price or obligation, but as a voluntary commitment from the traders. If agreed, a Revenue Sharing could be included in the FCC standard as an incentive for buyers to show their commitment.
* To guarantee the respect of these rules, the buyers could be “certified” FCC: only the ones with the certification could be able to trade FCC. Once they are certified FCC, they are obliged to comply with the rule of Fairtrade Premium.
* Moreover, since the carbon market is very volatile, back to back contract can be decided to limit the risk taken by the buyer: if the credit price goes lower than what has been predicted, the buyer would have the possibility to renegotiate the contract and change the value of the Fairtrade Premium, in agreement with the SPO or PF.



Figure 3 : Organizational diagram

## Proposal for FMP and FP

We didn’t receive a lot of project data and thus cannot have a representative average price for the different project scope. Nevertheless, we tried to guess an average price from the few data received and the prices of carbon credit in the market.

For this consultation phase, in addition of your feedbacks and if you are a project developer, we would like your contribution on giving project data, helping us to set a representative FMP.

Table 2 : Proposal for FMP per tCO2eq

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Specific Product Standard | Currency / Quantity x unit | Project Type | Price level | Average Minimum Production costs |
| Energy efficiency  | € / tCO2eq | Domestic Sector | At PF | 8 |
| Renewable Energies | € / tCO2eq | Domestic Sector | At PF | 8 |
| Renewable Energy | € / tCO2eq | Large Projects | At PF | 8 |
| Forest Management +Afforestation/reforestation + Improved Forest Management | € / tCO2eq | Domestic and large projects | At PF | 13 |
| Climate Agriculture |  | No projects yet |

# Questions:

**In the next page we appreciate if you indicate your feedback to the proposal presented in this document.**

**Moreover, if you’re a project developer and have data concerning carbon projects in the four scopes studied, please fill the excel document attached.**

|  |
| --- |
| **Methodology content** |
| 1. Do you think there should be four FMP (one for each scope) or more than 4, for the different sub-projects?

☐ 4 is good. ☐ No, there should be more.If you chose more than 4, please identify the sub-projects you think it makes sense to develop a specific FMP for. For the domestic sector in Energy Efficiency and Renewable Energy: ☐ Improved cookstoves  ☐ Water filtration/purification systems ☐ Energy saving lamps☐ Biogas heat/electricity: methane digester ☐ Solar cooker and water heating ☐ Biomass: burning stoves, heaters For Renewable Energy:☐ Wind, ☐ Hydropower, ☐ Landfill gasFor Forestry projects:☐ Afforestation/Reforestation ☐ Agroforestry☐ Improved Forest ManagementFor Agriculture projects:☐ Type of plantation. Precise: Click here to enter text.If you don’t agree with these propositions or think we can regroup some sub-projects, please indicate and precise:Click here to enter text. |
| 1. Do you agree setting for each project a worldwide FMP? Or you think that regional (country or continent) prices should be set? Please, provide a rationale for your response.

Click here to enter text. |
| 1. According to you, what costs the FMP should include:

|  |  |
| --- | --- |
| Energy projects | Forestry and Agriculture projects |
| **Investment costs**☐ Investment in land or offices☐ Light investment (computers, tables...) |
| **Project Costs:**☐ Management Costs☐ Operation Costs ☐ Production / Installation Costs☐ Transportation Costs ☐ Distribution Costs☐ Maintenance Costs☐ Training☐ Monitoring Costs☐ Contingency | **Project Costs:**☐ Management Costs☐ Young trees/plants production☐ Preparation lands☐ Planting ☐ Maintenance of plantations/fields (fertilization, plague control…)☐ Management of forest activities (thinning, tree pruning…)☐ Harvest operations☐ Operation Costs ☐ Training☐ Monitoring Activities |
| ☐ **Project facilitator costs** |
| **Carbon Costs** ☐ Opening of GS account☐ PoA fee (if applicable)☐ Laboratory / Field tests ☐ Local Stakeholder Consultation / Report☐ Elaboration of PDD + GS Passport☐ Validation - DOE☐ Verification - DOE☐ DOE interactions☐ Registration ☐ Monitoring application (creation + design…)☐ Monitoring Plan, Monitoring Report Preparation☐ Credit Issuance ☐ Pre-feasibility assessment (for retroactive project) *(if applicable)* |
| ☐ **Revenue**☐ **External investment (subsidies, private investment…) (if applicable)** |

If you want to add costs that might not be above, please specify:Click here to enter text. |
| **Currency** |
| 1. Do you think the FMP should be in USD or Euro?

☐ USD ☐ EuroIndicate rationale for the choice.Click here to enter text. |
| 1. If the FMP is set in € and the final price is in USD (or vice-versa), then the exchange rate should be:

☐ The exchange rate set at the signature of the contract☐ The exchange rate at the date of the payment☐ Decided between the SPO or PF and the buyer☐ Others suggestions, please specify: Click here to enter text. |
| **FMP and FP Proposal** |
| 1. Please indicate if you are in agreement with the proposal for Fairtrade Minimum Price in Table 2.

☐ Yes ☐ No  If you have another recommendation please indicate and explain:For the domestic sector in Energy Efficiency and Renewable Energy: Improved cookstoves: Click here to enter text. Water filtration/purification systems Click here to enter text. Energy saving lamps Click here to enter text. Biogas heat/electricity: methane digester: Click here to enter text.Solar cooker and water heating: Click here to enter text. Biomass: burning stoves. heaters: Click here to enter text.For Renewable Energy: Wind: Click here to enter text. Hydropower: Click here to enter text. Landfill gas: Click here to enter text.For Forestry projects: Afforestation/Reforestation: Click here to enter text. Agroforestry: Click here to enter text. Improved Forest Management: Click here to enter text.For Agriculture projects: Type of plantation. Precise: Click here to enter text.  |
| 1. Please indicate if you’re in agreement with the general rules set for the Fairtrade Premium (FP) and explained in figure 3?

☐ Yes ☐ No If yes, what would be a reasonable percentage to be applied for FP? ☐ 10% above the FMP ☐ 15% above the FMP☐ Other; please specify: Click here to enter text. |
| 1. Please indicate if you would agree with a mandatory revenue sharing from the buyer to the SPO:

☐ Yes ☐ No Additional comment: Click here to enter text. |
| 1. Please provide any additional comments related to the price review process:

Click here to enter text. |

***Many thanks for providing your feedback!***

1. *A business and consumer research on FCCs is currently being developed by Fairtrade investigating the possibilities and obstacles on the main European markets. The results will feed into the FCC market, communication and branding strategy.*  [↑](#footnote-ref-2)
2. The minimum score will be later defined by FLOCERT. As an indication, for other Fairtrade products, it is of 50% [↑](#footnote-ref-3)
3. This icon indicates new elements added to FCC draft standard shared during the pre-consultation. It is meant to facilitate the lecture of those who have seen previous drafts. [↑](#footnote-ref-4)
4. Fairtrade might consider at a later stage allowing larger scale producers and companies to produce and sell FCC. [↑](#footnote-ref-5)
5. <http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2011-07-01_Geographical_Scope_policy_EN.pdf>. Fairtrade International considers income per capita, wealth disparity and other economic and social indicators, as well as the Fairtrade International strategy, when determining the geographical scope. However a current consultation is taking place on geographical scope definition methodology, with a proposal to no longer directly align the policy with the OECD-DAC list, but an increase of flexibility for any future revisions, by ensuring that non-economic indicators and the upcoming Fairtrade International Strategy can also be considered.If interested, in knowing more, Please have a look at <http://www.fairtrade.net/standards-work-in-progress.html>.,section on Geographical Scope Policy. [↑](#footnote-ref-6)
6. Gold Standard is developing a requirementson Agriculture. Please refer to: http://www.goldstandard.org/luf\_csa [↑](#footnote-ref-7)
7. CO2-equivalent isa unit created to represent emissions of different greenhouse gases in terms of the global warming potential of CO2. For example, 1 metric ton of methane (CH4) emitted in the atmosphere has the same effect on the climate as 25 metric tons of CO2 do, and is therefore equal to 25 tons of CO2-equivalent. [↑](#footnote-ref-8)
8. http://www.epa.gov/climatechange/glossary.html [↑](#footnote-ref-9)
9. As described by UNFCCC: https://unfccc.int/focus/mitigation/items/7169.php#intro [↑](#footnote-ref-10)
10. Definition adapted from CDM rulebook: http://www.cdmrulebook.org/84 [↑](#footnote-ref-11)
11. Aforestation is the conversion of land that has not contained a forest for at least 50 years to forested land. Reforestation is conversion of land that was not forested on 31 December 1989 to forested land. ( CDM rulebook: http://www.cdmrulebook.org/287) [↑](#footnote-ref-12)
12. In Gold Standard system, this would be the “Project Proponent” or “ Project Owner”. The FCCs standard introduces the notion of, Producer Organisation because it wants to bring increased socio-economic and community empowerment elements in the carbon world, and put producers are at the heart of the decision- making for their project, lives and communities. [↑](#footnote-ref-13)
13. This person can be the *project manager* but not obligatorily. [↑](#footnote-ref-14)
14. See Fairtrade Small Producer Organization standards, http://www.fairtrade.net/small-producer-standards.html. [↑](#footnote-ref-15)
15. See Gold Standard registry: <http://mer.markit.com/br-reg/public/gs-customer-registration.jsp>. See also Gold Standard processes in Annex [↑](#footnote-ref-16)
16. The Declaration rejects “distinction of any kind such as, race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status” (Article 2). Discrimination is making an unfair distinction in the treatment of one person over another on grounds that are not related to ability or merit. [↑](#footnote-ref-17)
17. Because of customary law, or because the phenomenon is endemic in the region [↑](#footnote-ref-18)
18. Please also check the W+ standard, with an interesting framework to follow in case your project targets women http://wplus.org/sites/default/files/womens-carbon-standard.pdf [↑](#footnote-ref-19)
19. For instance, for land-use projects [↑](#footnote-ref-20)
20. Source:Forest Stewardship Council FPIC guidelines, https://ic.fsc.org/download.fsc-fpic-guidelines-version-1.a-1243.pdf [↑](#footnote-ref-21)
21. Fairtrade and Gold Standard will determine whether and how they make use of the Gold Standard Local Stakeholder Consultation: <http://www.goldstandard.org/wp-content/uploads/2013/08/3.2-Template-Local-Stakeholder-Consultation.docx>. This tool could be used as a base, and improved to further reach stakeholders, on more systematic basis. [↑](#footnote-ref-22)
22. In alignment with the UNDP’s ( specifically non state grievance mechanisms for Industry, multi-stakeholder and other collaborative initiatives): http://business-humanrights.org/sites/default/files/media/documents/ruggie/ruggie- I will change also the purpose/aim of the FT dev plan, since we are not even sure to manage to define a premium guiding-principles-21-mar-2011.pdf [↑](#footnote-ref-23)
23. List of ideas for Fairtrade Development Plan: <http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/2011-05-10_List_of_Ideas_FDP_SPO_EN_final.pdf> [↑](#footnote-ref-24)
24. The scope does not encompass workers employed by manufacturers or distributors of technology services ( such as cook stoves). Therefore it does not target stove builders, pottlers, etc.) [↑](#footnote-ref-25)
25. Therefore, if Fairtrade International identifies or receives information on any violation of rights of children or vulnerable adults beyond the limits of the FCC project area, this will trigger Fairtrade’s internal protection procedures that include reporting to relevant national protection bodies. [↑](#footnote-ref-26)
26. The Convention defines discrimination as “any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation” (Article 1). [↑](#footnote-ref-27)
27. “Forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily” (Article 2). [↑](#footnote-ref-28)
28. “Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorisation. Workers’ and employers’ organizations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programmes.” [↑](#footnote-ref-29)
29. [↑](#footnote-ref-30)
30. [↑](#footnote-ref-31)
31. [↑](#footnote-ref-32)
32. [↑](#footnote-ref-33)
33. [↑](#footnote-ref-34)
34. [↑](#footnote-ref-35)