How the scaling of voluntary carbon markets can amplify gender equality impacts

WOCAN and the W+ Advisory Council[1]

Abstract

At present, both public and private sector institutions are aiming to increase their impact on two pressing global challenges: climate change and gender inequality. A new initiative, the **Taskforce on Scaling Voluntary Carbon Markets**,[2] led by some of the world's largest financial institutions and corporates demonstrates the corporate commitment to achieve Net Zero GHG Emissions Goals. To succeed, however, these efforts must incorporate a strong focus on sustainable development, and recognize the critical contributions made by women (which underly the achievement of all Sustainable Development Goals).

This white paper posits that if we don't address gender and climate jointly, we undermine both agendas. By integrating the two, we can amplify the impact of both. The cost of inaction is high. To reach the scale required for fast climate results, we cannot afford to exclude the knowledge, skills and networks of women by neglecting their contributions to tackle climate change, nor ignore the threats climate change poses to global gains in advancing gender equality and women's empowerment.

This paper provides a solution that addresses both simultaneously the need to scale up the private sector voluntary carbon market and generate gender co-benefits by applying a transparent and rigorous methodology. The W+ Standard™ is a methodology inspired by and modelled on those used to measure carbon emissions reductions. It is a unique mechanism that can be used by companies, projects and investors to measure, quantify, verify and report on women's empowerment impacts. It can be used in combination with carbon standards to scale up the private voluntary carbon market in a way that addresses SDG5[3] through the purchase of credits that support both emissions-reduction and women's empowerment.

If the upscaling of the carbon market also provides new sources of investment to develop carbon credits in advance of their issuance for carbon mitigation projects, as is proposed, this is a golden opportunity to assure that women are engaging in and

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[2] Private sector taskforce to help scale up voluntary carbon markets (https://www.reuters.com/article/climate-change-offsets-int/private-sector-taskforce-to-help-scale-up-voluntary-carbon-markets-idUSKBN25T24G)
[3] Sustainable Development Goal for gender equality and women's empowerment

benefiting from these projects, as entrepreneurs, business and community leaders, consumers and members of women-led cooperatives and groups.

By using and building on the W+ Standard, entities such as the Task Force can ensure that both objectives are achieved. Investors, companies and carbon credit buyers should become aware of the existence of the W+ Standard and its processes, and see its value in promoting both climate and gender global agendas to bring about a transformative, scaled-up voluntary carbon market ecosystem.

Context

For the last couple of decades, global attention has consistently focused on two of the most pressing challenges of our times: climate change and gender inequality. Climate change is 'the most systemic threat to humankind' and 'gender inequality is world's biggest human rights challenge' (UN SG, 2018 and 2020).

1. Climate: carbon markets

Across the global economy, a diverse group of business leaders and carbon market specialists in 2020 launched the **Taskforce on Scaling Voluntary Carbon Markets** to help scale up voluntary carbon markets to reach 'net zero" greenhouse gas (GHG) emissions by 2050. The Taskforce's more than 50 members from six continents represents buyers and sellers of carbon credits, standard setters, the financial sector and market infrastructure providers.

Its unique value proposition has been to bring all parts of the carbon value chain to work intensively together and to provide recommended actions for the most pressing challenges facing voluntary carbon markets, considered vital for countries and businesses to meet emissions targets set under the Paris Climate Agreement. Voluntary markets present opportunities for the financial sector, which can use its expertise in building market infrastructure to create a carbon offset market infrastructure, connecting carbon demand with supply.

Similarly, the **International Chamber of Commerce (ICC)** has launched an ambitious new climate action initiative – the ICC Carbon Council.[4] The Singapore-based ICC Carbon Council works with key public and private sector partners to help create greater liquidity, and ensure transparency, accessibility and standardization in carbon markets critical for funding coordinated global climate action. As the world's largest business institution representing 45 million businesses in over 100 countries, ICC will act as a global connector and convenor for carbon trade within its extensive network. It seeks to pave the way for a fresh new wave of investments into carbon

[4] **ICC launches Carbon Council to drive greater liquidity in carbon markets**
Singapore, 22/04/2020 (https://iccwbo.org/media-wall/news-speeches/icc-launches-carbon-council-to-drive-greater-liquidity-in-carbon-markets/)

markets to provide economic support for vital carbon mitigation projects around the world.

In order to meet growing demand for carbon offsets, current private sector carbon markets would need to grow by at least fifteenfold from today's levels, potentially becoming 160 times bigger than the current size of $300 m/year corresponding to $ 50-100bn annually between 2019 and 2030. Larger voluntary carbon markets would allow a global price for carbon to emerge, providing companies with the right tools and incentives to reduce emissions at least cost. The Task Force aims to assess and then expand voluntary carbon markets around the world, in the process identifying key challenges, building consensus and eventually presenting a blueprint of actionable guidelines for businesses, ahead of anticipated surge in demand for CO_2 offsets as the net zero transition gathers pace.

However, the Task Force cannot achieve this fifteen-fold increase solely by creating a financial framework. To reach the scale required to stave off climate change impacts, we cannot afford to exclude the knowledge, skills and networks of women by neglecting their contributions to tackle climate change, nor ignore the threats climate change poses to global gains in advancing gender equality and women's empowerment. Climate finance, both public and private, could catalyse women's empowerment in a way that advances climate mitigation and adaptation impacts, but it must do so in ways that explicitly recognise and reward these contributions, to compensate women for their unpaid care for the environment.

2. Gender

Companies and investors increasingly commit to promoting gender equality as it presents an enormous opportunity for economic and business growth. The business case for gender equality also shows that gender balance across green sectors and the greening of sectors will enable businesses to more easily respond to transition demands, increase profitability and shift business models. This can either happen directly through the jobs and entrepreneurship opportunities or indirectly by making services that unlock economic opportunities more readily available. It can make household and care-giving tasks easier, lowering the time women spend on unpaid work. As evidenced by the IFC, gender equality has been increasingly considered an integral part of impact investing, and investors' interest in impact investing has reached $26 trillion— $21 trillion in publicly traded stocks and bonds, and $5 trillion in private markets.[5]

Across sectors, women's innovation and expertise have transformed lives, livelihoods, and increased climate resilience and overall well-being.

[5] IFC, The Promise of Impact Investing, https://www.ifc.org/wps/wcm/connect/66e30dce-0cdd-4490-93e4-d5f895c5e3fc/The-Promise-of-Impact Investing.pdf

Evidence from the CDC[6] and a Berkeley Haas School of Business study[7] show that women in leadership are more likely to pro-actively improve energy efficiency, invest in renewable energies, and measure and reduce carbon emissions.

Climate investments can promote inclusive business models and ensure women participate as actors in the new green economy. Women can take advantage of green job opportunities through upskilling, job readiness training, provision of new technologies and other gender-smart solutions. With the right incentives, business model transformations can help overcome systemic gender disparities in the labor market and reduce gaps in incomes and livelihoods. Women as leaders, entrepreneurs, employees, customers and community members can drive solutions to advance net-zero, sustainable businesses.

The problem

Companies, projects and investors increasingly make commitments to scale up their voluntary carbon credits generation on the one hand, and to promote gender equality and women's empowerment on the other. However, to date their existing climate programmes have limited or no specific requirements which acknowledge the role of women within the green economy, or have adequate reporting on women's empowerments and gender impacts. Even less has been done to combine carbon emissions reductions to generate gender co-benefits and assure that women engage in and benefit from these projects.

Climate

The voluntary carbon market has made significant strides in both market functioning and credit integrity since its early days, but structural challenges need to be addressed, in order to achieve scaling. Carbon markets have grown five-fold in just two years but remain fragmented, opaque and illiquid. Buyers struggle to navigate various standards to find high-quality carbon credits at transparent prices. Though they are a driver of buyers purchasing decisions, co-benefits of those credits (i.e., benefits beyond carbon) that can be measured, reported, and verified, add another layer of complexity.

Financial intermediaries and data players have not entered the market at scale for various reasons. On the supply side, project developers (sellers) face unpredictable demand, low prices, limited access to financing and long lead times to verify credits. This has led to the current state of low liquidity and limited data transparency. To scale up action to meet commitments to achieve the 1.5°C ambition set out by the Paris Agreement requires a system that connects supply of carbon credits to demand in a seamless, cost-effective, and transparent way. This would instil confidence and ensures credibility in carbon credits being exchanged/transacted and

[6] CDC, Gender-smart Investing as an Enabler of the Just Transition, 2020.
[7] Women Create a Sustainable Future, Berkeley Haas School of Business, Oct. 2012 (https://www.eticanews.it/wp-content/uploads/2012/11/Report-Women_Create_Sustainable_Value.pdf)

that is scalable to meet the expected increase in demand as more companies make these commitments.

Gender

The private sector's response to calls for support for women's empowerment and gender equality, evidenced by pledges and commitments to SDG 5, or the Women's Empowerment Principles of the UN are often not supported by evidence of action and results. Despite claims of companies to support gender equality, many corporations are not willing to pay for providing benefits to women or for measuring the results of these.

Unlike the call for climate action, the call for gender equality is not clearly driven by a compelling global policy that provides incentives for action (as the carbon market does).

But what is the driver for gender equality action related to climate action? Can synergies with climate actions result in gender and women's empowerment? Can we use the same evidence-based approach as used by carbon standards to design, measure and report on gender equality and women's empowerment results instead of just reporting on inputs and outputs? Can the carbon market ecosystem be used to incentivize these actions?

This paper posits that if we don't address gender and climate jointly, we undermine both agendas. By integrating the two, we can amplify the impact of both.

However, what is needed is a simple solution for companies and others that are without the staff and skills to implement gender activities, or the mechanisms to assure benefit sharing with women of the project area. A low cost yet reliable and standardized mechanism is required, similar to what the voluntary carbon markets provide to investors and companies seeking to meet climate goals. The existence of the W+ Standard enables the Task Force and others to address SDG5 effectively, without re-inventing the wheel, to assure that gender is included either as part of the standard contract or as additional attribute (co-benefit).

Additionally, it provides a transparent mechanism for transformational action to **compensate** women for their knowledge and labor provisions of global goods and services to mitigate climate change. This is the synergy that can emerge when both agendas are integrated, to produce a larger effect than either the climate or gender goals on their own.

Why this white paper? Why now?

Climate action led by private sector actors that generates SDG-compatible finance cannot miss the opportunity to contribute to the achievement of gender equality (SDG 5) and leave no one behind. While an effective voluntary carbon market can bring us a step closer to net zero emissions, private financial flows can also be redirected to support low-carbon and climate-resilient sustainable development for all, in a transformative way. This white paper provides a solution to address gender inequality and climate change simultaneously, in a transparent and rigorous methodology, that is not yet widely known, i.e. the W+ Standard label for carbon credits. [8]

What is the W+ Standard's contribution?

The W+ Standard is the first women-specific standard that provides metrics and procedures to quantify, verify and monetize women's empowerment results within projects and supply chains. It was founded in 2014 by WOCAN (Women Organizing for Change in Agriculture and Natural Resource Management), a women-led NGO with 16 years of experience providing meaningful resources to over 1,500 members in 113 countries. The W+ Standard gives a monetary value to results and creates a channel to direct financial resources to women from purchases of credits. The W+ Standard measures six domains that are deemed critical for women's empowerment: *Time*, *Income & Assets*, *Health*, *Leadership*, *Education & Knowledge* and *Food Security*. These were determined by rural women from Nepal and Kenya alongside gender experts. Methods were developed to measure and quantify progress for each of these domains.

The W+ Standard has wide applicability: it has been used in a wide range of projects, from renewable energy biogas and cookstove projects to financial literacy to broad community development programs. These are all located in emerging economies in Africa, Asia and Latin America. In 2016, the W+ received *UNFCC's Momentum for Change Women for Results Award* for its application to a biogas project in Nepal, where the W+ certified a time savings to women of 2 ½ hours/day. Financial returns received from the sale of the W+ credits were used by 12 women's groups to pay for things that mattered to them, such as a water supply system, diversification of their kitchen gardens, and expansion of their saving and loans operations.

The W+ Standard is truly versatile: carbon emissions reduction projects that deliver benefits to women can add the W+ Standard to their existing carbon projects. The W+ Standard is the only women-focused standard to be vetted and included in the Verified Carbon Standard of VERRA (https://verra.org/?s=W%2B+Standard) – the largest carbon standard in the world, used to produce carbon offsets for the voluntary carbon markets. As such, it can be used to measure carbon co-benefits (i.e., benefits beyond carbon). Carbon emissions reduction projects that deliver benefits to women can add the W+ Standard to their existing carbon projects. "W+ labelled Voluntary Carbon Units' will be sold for premium prices to carbon buyers seeking co-benefits for gender equality/women's empowerment, or to address the Sustainable Development Goal #5. The W+ Standard requires that at least 20% of the price of the sold credit is provided to women of the project community, to support their self-determined goals.

[8] The W+ Standard: Meeting both climate and gender equality goals (https://www.wplus.org/meeting-both-climate-and-gender-equality-goals)

What will the carbon-gender blueprint look like?

The collaboration of the W+ Standard with Verra provides a blueprint for effectively integrating the W+ into an offset program, and be used to incentivise other offset programmes to do the same (https://www.wplus.org/project-developers/) . The W+ Standard uniquely enables any climate project in any sector or country to certify the impact of its activities for gender equality and women's empowerment, and do so in a way that can generate a revenue stream from the sale of W+ labelled carbon credits. Those projects that apply the VCS of Verra can register for the W+ through the same process and registry. Buyers can purchase W+ labelled Voluntary Carbon Units, providing an easy pathway for companies, including those engaged in the new scaling of the voluntary carbon markets to achieve and report on ESG impacts and SDG impacts, and can generate revenue that can be used to pay for both implementation and measurement. Due to the rigor of the W+ Standard process, companies also reduce their headline risks for actions that may otherwise be accused of '**pink washing'** in addition to 'green washing.

As well, interested individuals and funders of sustainability can support these actionable solutions through the purchase of W+ labelled carbon credits from emissions-reducing projects that also advance gender equality and women's empowerment[9].

The upscaling of the carbon market also provides a golden opportunity to assure that women are engaging in and benefiting from carbon mitigation projects, as entrepreneurs, business and community leaders, consumers and members of women-led cooperatives and groups.

We would like investors, companies and carbon credit buyers to become aware of the existence of the W+ Standard and its processes, and see its value in promoting both climate and gender global agendas to bring about a transformative, scaled-up voluntary carbon market ecosystem.

[9] **Verra and WOCAN Announce Streamlined Process to Assess Carbon Benefits and Women's Empowerment Aspects of Projects**
(https://www.wplus.org/verra_wocan_streamlined-process)