



GROUPE DE LA BANQUE AFRICAINE  
 DE DÉVELOPPEMENT  
 AFRICAN DEVELOPMENT BANK GROUP

CO<sub>2</sub>

# **GENDER AND CARBON MARKETS POLICY PAPER**





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## AFRICA AND THE GROWTH IN CARBON MARKETS

Carbon markets globally have seen rapid growth, especially in the period up to and after finalisation of Article 6 of the Paris Agreement at the 2021 CoP 26 in Glasgow. Despite a recent market slow down, exponential growth is forecast for the remainder of the 2020s; by 2030 the voluntary carbon market (VCM) alone could be worth up to \$40 billion<sup>1</sup>. The VCM reached \$1 billion for the first time in 2022<sup>2</sup>.

Africa has become a new participant in VCMs. Carbon credits issued into international voluntary carbon markets from sub-Saharan Africa are steadily growing and reached 21% of the global total in 2021<sup>3</sup>. Carbon markets have the potential to play a significant role in bridging the gap in climate finance for Africa. The African Union has called for development partners to mobilise at least USD 1.3–1.6 trillion over the critical decade of 2020–2030. Africa offers a rare carbon-market opportunity with its vast natural resources and assets, creating opportunities to channel and leverage international investment into climate mitigation and adaptation, supporting development priorities such as expanding energy access, deepening sustainable agriculture, protecting eco-systems, developing skills and creating jobs. The Africa Carbon Market Initiative (ACMI) estimates that by 2023, the continent has the potential to retire 300Mt of CO<sub>2</sub> emissions, mobilise USD 6 billion in capital and create and support 30 million jobs<sup>4</sup>.

## GENDER AND CARBON MARKETS

Africa's carbon-market potential offers many opportunities for the continent to lead the way in creating a 'premium market' driven by African priorities. One such opportunity is to capitalise on carbon markets to drive forward high-level ambitions for gender equality such as the African Union's Decade of Women's Financial and Economic Inclusion. Transformative opportunities exist throughout the carbon-market ecosystem

for empowering girls and women. With carbon markets only now taking off in Africa it is vital that these opportunities for gender equality are designed to fold into regional, national and local market operations from the outset.

With this in mind, the Africa Development Bank Group's Department of Gender Women and Civil Society held two internal knowledge sharing sessions in April 2023. The first session provided: an introduction to carbon markets as an instrument of climate finance and their use and relevance in the African context; the relevance of gender equality and women's empowerment to carbon markets; and the gender equality opportunities offered by the rapidly growing carbon markets in Africa. The second session on Tools and Best Practices introduced participants to some of the key resources available to support the integration of gender equality into African carbon markets, including: presenting gender responsive case studies in the agro-forestry, blue carbon and solar cookstove sectors (from Kenya and Chad); and leading standards, methodologies and tools used in carbon markets to embed gender equality.

## OPPORTUNITIES AND CHALLENGES

A summary of some of the key opportunities and challenges for integrating gender equality objectives into emerging carbon markets in the African region<sup>5</sup> follows.

### OPPORTUNITY CONSTRAINED BY A LACK OF CAPACITY

The rapid growth of both voluntary and compliance carbon markets in Africa offers major opportunities for an African-led response that drives climate finance towards delivery of Africa's goals for tackling climate change and the achievement of green and sustainable growth. These markets offer routes to finance for "energy access, scaling the clean energy transition, protecting forests and improving agriculture and new income sources for small holders"<sup>6</sup>.

<sup>1</sup> Boston Consulting Group (Jan 2023). The Voluntary Carbon Market is Thriving <https://www.bcg.com/publications/2023/why-the-voluntary-carbon-market-is-thriving>

<sup>2</sup> Ecosystem Market Place (2023) All in on Climate: The Role of Carbon Credits in Corporate Climate Strategies <https://www.ecosystemmarketplace.com/carbon-markets/>

<sup>3</sup> Ecosystem Market Place (2022). The Art of Integrity: State of Voluntary Carbon Markets Q3 <https://www.ecosystemmarketplace.com/publications/state-of-the-voluntary-carbon-markets-2022/>

<sup>4</sup> Africa Carbon Markets Initiative (2022). Africa Carbon Markets Initiative (ACMI): Roadmap Report: Harnessing carbon markets for Africa [https://africacarbonmarkets.org/wp-content/uploads/2023/05/ACMI\\_Roadmap\\_Report\\_English-1.pdf](https://africacarbonmarkets.org/wp-content/uploads/2023/05/ACMI_Roadmap_Report_English-1.pdf)

<sup>5</sup> Drawing heavily on a recently completed FCDO report (2022). ASEAN Low Carbon Energy Programme (2022). Integrating Gender in Voluntary Carbon Markets Volumes 1,2,3. Gendertech, Social Development Direct, EY and DT Global <https://www.sddirect.org.uk/resource/integrating-gender-lens-voluntary-carbon-markets>

<sup>6</sup> ACMI Roadmap (2022).

However, infrastructure and capacity gaps exist in every corner of the market. Governments are on a fast and steep learning curve to ensure that carbon-market infrastructure delivers fair and equitable market growth, contributes to Nationally Determined Contributions (NDCs), and that climate-finance opportunities are fully harnessed. Similarly, private-sector activity in carbon markets is largely international and, therefore, a large share of the financial benefits that are generated flow out of Africa, rather than fuelling local economic and social investment at home. Strengthening the capacity of local market actors such as project entrepreneurs, brokers, carbon exchanges and independent verification bodies will be central to maximising business and job creation opportunities.

Similarly, local communities and civil society are at the forefront of climate action and response; they have the knowledge, expertise and the right to be playing a leading role in generating carbon credits and receiving a fair share of the income derived from them. A lack of market knowledge, skills and resources, as well as dominant market models, constrain their access and effective participation.

### **WOMEN ARE AT THE FOREFRONT OF CLIMATE SOLUTIONS BUT ARE LARGELY ABSENT IN CARBON MARKET LEADERSHIP**

Women should be at the forefront of carbon markets globally, but especially so in Africa. Women and girls are more vulnerable to climate change. They are more likely to die in extreme weather events, more at risk of food insecurity, and more likely to experience health impacts caused by climate change<sup>7</sup>. African women play leading roles in agricultural production, and in the protection and management of forests and other ecosystems such as mangrove restoration and grassland management. Of all working women in Africa, 60% are engaged in agriculture<sup>8</sup> and so are uniquely placed to lead nature-based carbon-reduction and removal solutions. With 26% of female adults engaged in business, Africa has the highest percentage of women entrepreneurs of any continent.

Despite the central role that women play in activities that reduce or remove carbon emissions from the atmosphere, their interests and concerns, especially as articulated by women themselves, have been largely absent in carbon markets<sup>9</sup>. Globally overall, with some notable exceptions, market operations historically have been largely gender blind. Research linked this to women's voices' having being absent at local, national, regional and global leadership levels. This means that the perspectives and interests of women and their valuable contributions to both nature-based and technical climate solutions are neither widely appreciated nor understood. Women are also missing out on access to a fair and equal share of the financial benefits of carbon markets. This calls for action to open market access to women as farmers, ecosystem stewards and climate entrepreneurs, and to their organisations and collectives. It also means designing operations to overcome market barriers for women, especially in access to finance, information and technical support, while ensuring that women are equally represented in decision making at all levels.

### **The global push for higher social and environmental integrity of carbon credits creates an opportunity for embedding gender**

Carbon markets have been regularly criticised for inadequately addressing potential social and environmental harms. Examples abound of Indigenous Peoples and Local Communities' (IPLCs) being displaced and deprived of their human rights in the interests of forest-protection programmes that result in the destruction of biodiversity through the planting of non-indigenous and mono culture tree species. The need for higher standards of social and environmental integrity is growing as markets grow in scale. Fortunately, an increasing number of purchasers of carbon credits are seeking reassurance that these credits are from projects that do no harm and that contribute to sustainable development goals. Civil society organisations and social media, too, have brought greater public attention and scrutiny to carbon markets.

Global initiatives are underway to drive up social and environmental standards in carbon markets,

<sup>7</sup> Intergovernmental Panel on Climate Change (2022). Sixth Assessment Report p 3152 <https://www.ipcc.ch/assessment-report/ar6/>

<sup>8</sup> Africa Development Bank Group (2021). Gender Strategy 2021-2025 Investing in Africa's women to accelerate inclusive growth <https://www.afdb.org/en/documents/african-development-bank-group-gender-strategy-2021-2025>

<sup>9</sup> FCDO (2022) Ibid



most notably the Integrity Council for Voluntary Carbon Markets (ICVCM), which published a global benchmark of high integrity<sup>10</sup>. This framework embeds the principle of “do no harm”, promotes integration and the achievement of sustainable development beyond that included in Sustainable Development Goal (SDG) 13 and explicitly includes gender equality as a requirement of its Core Carbon Principles (CCPs). Similarly, protection of human rights and the principles of equity and inclusion and empowerment of women are included in Article 6 of the Paris Agreement and, as such, will be embedded in its implementation arrangements that are currently under design. Major carbon-crediting programmes (that lead on the validation and verification of carbon credits) will be reviewing and updating their regulations and requirements to meet or surpass these emerging global benchmarks.

African regional initiatives, such as the ACMI and the East and West African Alliance on Carbon Markets and Climate Finance, provide major and strategic opportunities to draw on and regionalise these global initiatives and to build in gender equality goals and requirements from the outset.

**A growing number of buyers are looking to purchase high-integrity carbon credits, but most are unaware of the importance of gender to “high integrity”**

A small 2021 survey of the VCM ecosystem<sup>11</sup>, found that 67% of respondents believed buyers would be willing to pay a price premium for carbon credits with women’s empowerment co-benefits. Also, 90% of respondents who were brokers believed that buyers are interested in supporting projects that benefit women. This interest is likely to grow as voluntary and statutory Environmental, Social and Governmental (ESG) reporting evolves globally<sup>12,13</sup> along with a growth in climate-focussed gender-lens investing<sup>14</sup>.

The British Government’s Foreign, Commonwealth and Development Office (FCDO) research findings suggest that the demand for carbon credits that also deliver meaningful co-benefits for women is currently restricted to a small niche market

of consumer-facing corporates (under customer scrutiny) and those with a longer engagement with carbon markets who are aware of the risks that poorly designed projects can cause damage socially, environmentally and to corporate reputations. To broaden awareness of the relevance and importance of gender concerns will require a buyer-focused communications push with large corporates showing market leadership.

The same research found that an increasing body of corporates and intermediaries are struggling with the poor quality of social and environmental monitoring and impact data. They would welcome robust and rigorous quantitative methodologies that can be relied upon to confirm impacts before purchase.

## RECOMMENDATIONS FOR THE AFRICAN DEVELOPMENT BANK GROUP

The two African Development Bank sessions identified several opportunities for the Bank to provide leadership and support to firmly embed gender equality into carbon markets as they evolve in Africa.

### 1. Supporting the embedding of gender equality ambitions in regional and national government policy and regulatory frameworks

Regional Member Countries (RMCs), together with regional organisations and initiatives, are rapidly developing their policy and regulatory frameworks, which provides both an opportunity and risk for how carbon markets evolve across Africa from a gender-equality perspective. Now is the time to provide capacity building support and embedding appreciation of the importance of women’s participation and gender equality for successful and sustainable carbon markets. The Bank could:

- Engage with benchmarking and development of ‘the rules of the game’ across the African region— for example through the ACMI, the Eastern and Western Africa Alliances on Carbon Markets and Climate Finance—to ensure the relevance and role of gender

<sup>10</sup> The Integrity Council for the Voluntary Carbon Market (2023). Core Carbon Principles, Assessment Framework and Assessment Procedure. ICVCM <https://icvcm.org/wpcontent/uploads/2023/07/CCP-Foreword-R2-FINAL-26Jul23.pdf>

<sup>11</sup> WOCAN (2021). Survey of Women in Environmental Markets Ecosystem (unpublished)

<sup>12</sup> Over 85% of the 500 largest global corporations now disclose non-financial information on SDGs as part of their annual financial reporting (from UNGSII (2017) SDG Commitment

<sup>13</sup> Report 100: Tracking companies efforts to contribute to the Sustainable Development Goals

<sup>14</sup> X Collaborative (2022) <https://www.2xglobal.org>

equality is understood and integrated into regional and national level policy and regulatory frameworks from the outset;

- Support RMCs' capacity building by providing technical and advisory support and guidance on gender and carbon markets; support RMCs on creating forums to promote gender equality of input into carbon markets (potentially as part of a wider initiative to build inclusive, fair and transparent carbon markets);
- Promoting and facilitating democratisation of carbon markets that opens the door for women's active and equal participation. Examples include convening and supporting women's organisations and networks at the regional and RMC level to facilitate their participation in regional and national decision-making forums and initiatives, and facilitating women's access to African capacity building initiatives across the carbon market ecosystem such as those proposed under the ACMI Road Map.

## **2. Driving carbon market finance to women-led enterprises and collectives**

Empowering women through access to finance and markets is the first pillar of the Bank's Gender Strategy and tackling the USD 42 billion finance gap faced by African's women entrepreneurs. Helping to drive carbon market finance to women-led enterprises and collectives is vital to ensuring equality of opportunity in carbon markets; it is closely aligned with current Bank gender priorities. The Bank could:

- Bring representatives of women entrepreneurs, collectives and other organisations and networks of women engaged in climate action together with a range of potential partners from the region with finance, interest and technical expertise to develop the thinking on how to facilitate women's access to carbon markets. For example, how to unlock women's access to upfront finance on fair and accessible terms;
- Facilitate women's access to carbon markets through measures to 'de-mystify' the market by supporting the design of knowledge building and skill development designed specifically for women entrepreneurs and women's organisations at the local level and the organisations that support them;

- Facilitate action to link women to initiatives to build African capacity in carbon markets (e.g. the ACMI) with the aim of ensuring that women have equal access to market opportunities, especially in the higher value opportunities;
- Facilitate action to link women 'suppliers' with women 'buyers' to help build an African market for women-led mitigation activities. Consider encouraging the creation of an influential African women-led buyer's club to drive market awareness and buzz;
- The Bank' could consider facilitating and supporting an aggregation initiative designed specifically for women entrepreneurs and collectives to help overcome market barriers (such as high costs) that prevent smaller enterprises gaining access to carbon market finance; and
- Leverage partnerships with AFAWA, We-Fi, AWIB, and others, to highlight and finance opportunities for women climate entrepreneurs and leaders.

## **3. Integrating gender ambitions and specific targets into the Bank's private-sector investment support to carbon markets**

The Bank's Climate Change and Green Growth Policy Pillars aim to support investments boosting both climate resilience and adaptation, and promoting low-carbon development and mitigation. Gender, youth and inclusion are cross cutting priorities, and, as such, empowering women through access to finance and markets and accelerating employability and job creation through skills enhancement for women are integral to the Bank's climate and green growth objectives. Thus:

- The Bank is currently revamping its Africa Carbon Finance Support programme. This provides a major opportunity to integrate a high level of gender equality ambition from the outset to drive gender equality and innovation to private-sector investments in mitigation and adaptation with carbon market potential;
- Carbon finance for climate adaptation in particular offers opportunities for women, given their primary roles in sustainable agriculture and ecosystem management across Africa. Carbon reduction and removal categories with the greatest opportunities for

women – leadership, business, employment – include restorative agriculture, forest protection and reforestation, eco-system management, including blue carbon initiatives such as mangrove restoration, solar cookstoves and renewable energy provision;

- The Bank could help facilitate access to additional credit types (and therefore finance) beyond those that pay for greenhouse gas emission reductions and removals. Such credit types will be particularly relevant in this region and include payments for gender equality, biodiversity and adaptation impacts;
- To help address the gender expertise gap in the private sector, the Bank could consider grant funding for gender-inclusive technical expertise support and/or using gender or carbon credits as a blended financial instrument. The W+<sup>15</sup> Standard (W+), as the only tradeable asset on the market for women's empowerment, could also be incorporated as a robust and independently verified measure of gender impacts.

#### 4. Play a leadership role in the collation of resources and capacity building to help integrate gender into the African grown VCM eco-system

Suggestions for The Bank include:

- Providing thought leadership and knowledge products on gender and carbon markets, for example collation and dissemination of case studies, development of how-to guidance and toolkits specifically tailored and targeted to the carbon market ecosystem;
- Promoting and supporting high quality monitoring, verification and reporting (MRV) through, for example, highlighting carbon-crediting programmes and methodologies with the highest standards for social and environmental integrity and gender sensitivity and supporting the creation of local MRV capacity;
- Supporting evidence generation and impact assessment to continue to build the social justice, impact and business case for why gender equality is a 'core' rather than 'co-benefit' of successful and sustainable carbon mitigation and adaptation initiatives.

## CONCLUSION

These recommendations collectively aim to influence the evolution of equitable and effective carbon markets in the Africa region so that carbon markets - here and elsewhere - deliver climate finance that supports the deeply intertwined goals of climate and gender justice.

### What does 'good' look like for women engaged in Carbon Markets



Women engaged in the VCM are both **safe from harm and see beneficial outcomes** from this engagement (e.g. increased incomes, respect for their leadership roles, equitable ownership of assets, improved health outcomes).



Women **benefit from the proceeds** of the carbon credit sales in an equitable manner.



Women are not portrayed only as beneficiaries of VCM projects, but are **equally represented at the table and have an equal stake in projects**. This may be directly as community representatives, as entrepreneurs, or via women's groups and organisations.



Buyers of credits can map and **monitor how the contribution of women is being measured** in terms of their obligations and financial benefits and are not being sold carbon credits that misleadingly claim to particularly benefit women.



Women have a **complete understanding of how their projects are being financed** and they know the value they bring to the carbon market financial flows.



All actors across the VCM comply with **comprehensive gender requirements, which are gender sensitive and enhance gender equality** at the same time as producing positive climate outcomes. Technical support is available when needed.

FCDO (2022) Ibid

<sup>15</sup> The Integrity Council for the Voluntary Carbon Market (2023). Core Carbon Principles, Assessment Framework and Assessment Procedure. ICVCM <https://www.wocan.org/learning/the-wplus-standard/>



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