



Towards fair and
green supply chains
with carbon insetting

FAIRFOOD

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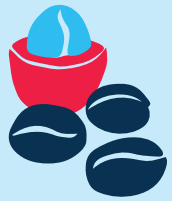
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Rabobank

Solidaridad





What is the Climate Heroes program?

The Climate Heroes program is a 5 year program (2022-2026) run by a consortium of Solidaridad, Rabobank, the Cool Farm Alliance, Fairfood and &Ranj. The program's aim is to decarbonize agricultural production, while increasing climate resilience and income of smallholder farmers. The consortium will offer a

complete package of tools and services to engage companies and farmers in carbon farming, carbon finance and carbon trade, all of which work in tandem to sustainably incentivise carbon reduction and removal. Within the program, Fairfood will offer tools and services for carbon insetting.

The program is aimed at food companies that source coffee and cocoa from smallholder farmers in Uganda, Kenya, Colombia and Nicaragua. Eligibility criteria for insetting are a carbon inventory, actively reducing carbon emissions, and committing to buy carbon credits from the farmers within the supply chain.



Carbon insetting is a climate strategy in which companies buy carbon credits from farmers within their 'own' supply chain, rather than buying them from someone else's.

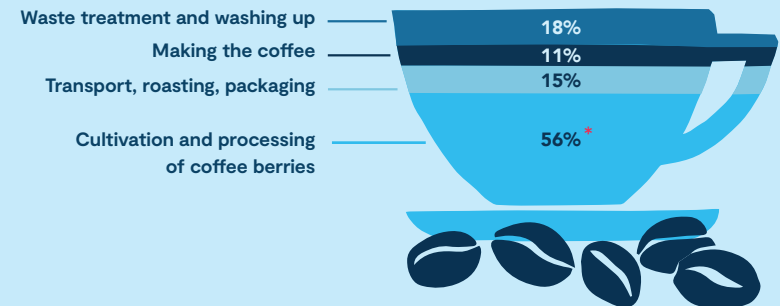
- Investing in the reduction and removal of carbon emissions along the supply chain.
- Contributing to transparency and traceability
- Creating stronger relations with your suppliers
- Supporting farmers you work with to become more resilient
- Enabling your company to fulfill climate expectations of regulators and the market



What problem are we trying to solve?

Agricultural production is a major contributor to greenhouse gas emissions, a major cause of climate change. To be sustainable, supply chains as a whole have to take responsibility for decarbonisation.

Emissions from a cup of coffee:



*these percentages will vary per supply chain

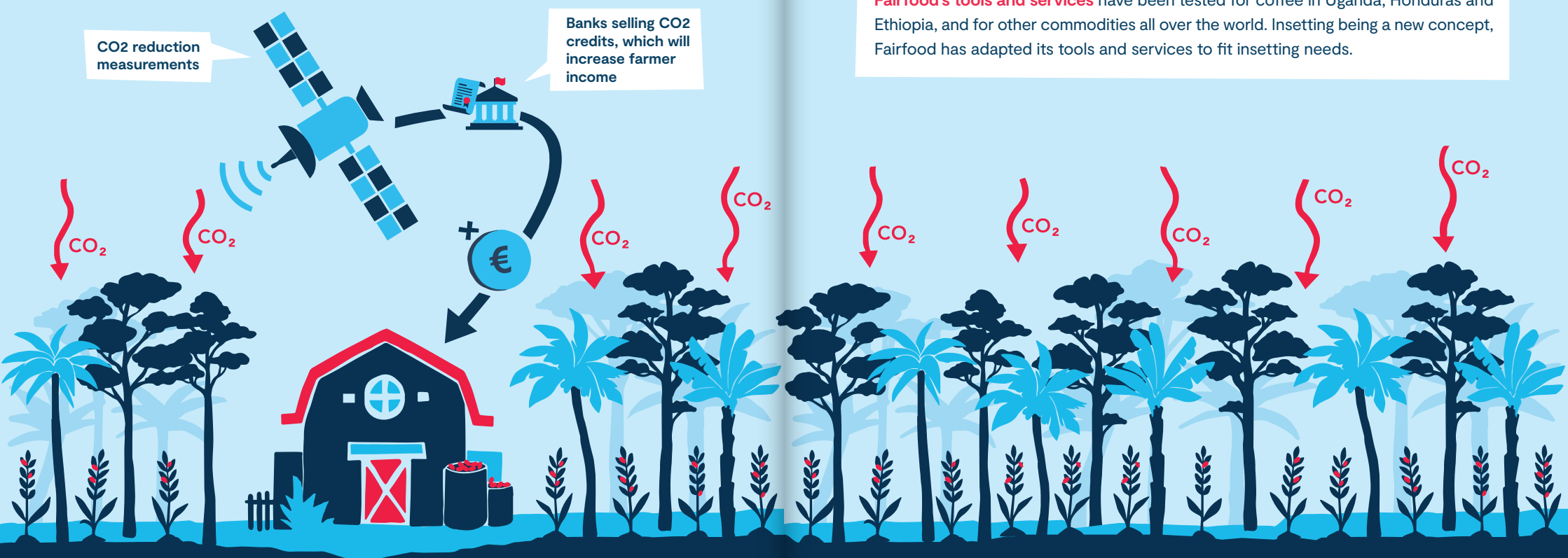
The transition to decarbonized production puts burden on food companies, but it also presents opportunities. As consumers are increasingly asking companies to take responsibility for their impact on the climate, insetting has the potential to increase brand value and boost sales in sustainably produced

goods, if sufficient care is taken to avoid greenwashing. In addition, decarbonizing the supply chain can improve supply security and strengthen supply chain partnerships. Crucially, to sustainably decarbonize, supply chains need solutions to incentivize smallholders to keep sequestering carbon.

What solutions do we offer?

“Carbon tracing” means combining carbon removal data and traceability to verifiably associate companies with carbon removals. On the one hand, this can produce the source map and list of purchased goods companies need to make removals auditable as inseting. On the other hand, this can – under strict accounting principles – connect specific companies and supply chains to specific carbon removals.

“Climate claims” are verifiable climate-related product characteristic used for due diligence reporting. Trace’s extensive dashboard and transaction reports allow companies to communicate their climate claims to clients in a verifiable way. The storytelling side of climate claims shows the verifiable claims as well as the brand promises in a way that add value for consumers. All climate claims and brand promises will be carefully structured to avoid greenwashing.



Fairfood's tools and services have been tested for coffee in Uganda, Honduras and Ethiopia, and for other commodities all over the world. Insetting being a new concept, Fairfood has adapted its tools and services to fit insetting needs.



How does it work?

Having already implemented climate smart farming practices lowers the threshold for farmers to partake in the program and benefit from it. Agroforestry planted less than 5 years ago, for instance, can potentially generate carbon removal units to be sold on the carbon market right away. In other cases, it may take longer for farmers in your supply chain to be able to generate carbon credits, because inseting requires multiple things to take place in close coordination. **Carbon farming** means farmers adopt climate-smart farming practices, such as agroforestry, and reduce their use of chemical fertilizers and pesticides. Onboarding of farmers, training, and data collection will be provided by Solidaridad. The Cool Farm Alliance will assess soil

sequestration using their CoolFarmTool, and will provide scientific support and knowledge about soil data. &RANJ applies gamification to develop systems to sustain farmer's motivation in the transition to carbon farming. **Carbon finance** means to connect smallholder farmers with finance to invest in low-emission farming methods. Pre-financing may be necessary to reach the targeted number of farmers.

Carbon trade gives smallholder farmers and companies such as yours access to the carbon market. Rabobank will be responsible for the carbon removal measurements, carbon credit creation and companies' purchases of credits on their Acorn platform. Solidaridad will take care of carbon credit payouts.

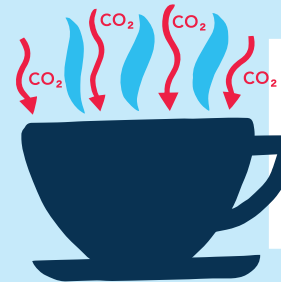


Fairfood's work starts with designing a carbon tracing approach and selecting climate claims that are feasible and marketable for a company. Then we develop tools to fit what the company and supply chain already has and still needs, before we deploy our inserting tools and services together with supply chain and consortium partners. In the delivery phase we report on progress made and lessons learned, aimed at keeping the carbon reductions and removals going.

What are the benefits and costs?

Insetting can incentivize supply chain partners to decarbonize and reach their climate targets. Companies can use their existing assets and capabilities to evolve into green businesses, sell products with marketable climate claims for higher prices, and work more closely with supply chain partners to decarbonize production. It strengthens supply security and it helps companies stay ahead of regulatory requirements and stakeholder expectations. In other words, this approach changes 'going green' from a challenge into an opportunity. For farmers, this

approach stimulates climate resilience, diversification and bio-diversity, as well as an opportunity to increase their income. The Acorn makes sure carbon credits are sold for at least €20/metric ton. Eighty percent of this goes straight to the farmer, while twenty percent is charged by Acorn and Solidaridad as a service fee. Fairfood's insetting work comes as a surcharge for carbon tracing, climate claims and fair payment to farmers for required data. The exact cost will be specified once a company's needs are clear.



Let's have coffee!

For more information about this proposition, contact John Cherek at john@fairfood.org



Frequently asked questions

1. What is carbon insetting?

In this program, we define insetting as: interventions by a company in or along their value chain that are designed to generate carbon reductions and removals that are verified or certified in accordance with an independent standard, and at the same time create emission reductions and positive impacts for communities, landscapes and ecosystems.

2. What are the benefits of carbon insetting?

Carbon insetting has the potential to reduce and sequester carbon emissions, save costs, improve brand reputation, increase supply chain resilience, improve relationships with stakeholders, enhance competitiveness, and increase smallholder farmer income.

3. How does this program support companies?

This program offers an eligibility check, onboarding of farmers, training of farmers, multi-year soil and tree data collection, reductions measurement, carbon credit creation, carbon credit sales and payment. To this, Fairfood adds solutions for carbon traceability, climate claims and fair farmer payment.

4. How can carbon insetting be measured and verified?

Carbon data will be collected by Solidaridad, Rabobank and Cool Farm Alliance. Verification of carbon insetting data and carbon credits will be provided by Plan Vivo. Carbon credit payments will be organized by Solidaridad.

5. What are some examples of marketable “carbon claims”?

“Carbon neutral”, “net zero”, “low carbon”, “climate friendly”, “no deforestation” and even “insetting” itself are claims that can help to build product/brand value. The value that carbon claims can add depends on the strength and credibility of the claim, consumer demand for sustainable products, and the overall market conditions. To avoid greenwashing, we structure claims and scrutinize claims data strictly.

6. How does this benefit farmers?

Adopting climate smart practices makes farms more climate resilient. Farmers receive 80% (minimum of €16/tonne) of the price of the carbon credits, as 20% is the service fee Rabobank and Solidaridad charge. In addition, by providing relevant data needed to make marketable climate claims, they can earn extra income from data fees. Overall, eligible smallholder farmers are expected to earn 20–60% more through his program.





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