

A photograph of a young woman with a joyful expression, wearing a vibrant blue and pink floral jacket. She is holding a long wooden staff horizontally across her body. The background shows a wooden structure and a field of green crops under a clear sky.

CATALYZING CREDIT WHERE CREDIT IS DUE

Reaching climate goals requires participation by smallholder farmers, indigenous people, and local communities. We must build the carbon markets to make this possible.

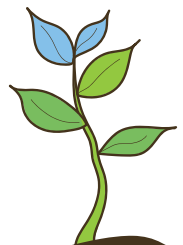
photo credit Root Capital

The actions of smallholder communities are essential if we are to reach any reasonable climate goals. These communities also produce the majority of calories in low- and middle-income markets, safeguard biodiversity, and are critical for long-term equitable development. Smallholder farmers stand to gain the most from an inclusive, fair, and equitable carbon finance system and are uniquely positioned to advance climate solutions, essential ecosystem services, and food security.

Unfortunately, the business case for smallholder farmers to transition to regenerative practices is simply not there. Smallholders struggle to access markets and be incorporated into regulatory drivers such as the Voluntary Carbon Market (VCM), which fails to integrate the actions and knowledge of millions of smallholder and forest land managers. If these communities remain on the sidelines, they will be further impoverished, gigatons of carbon

will go unsequestered, and we will not meet our climate goals.

Markets require a major shift to channel support to agricultural transformation, invigorate smallholder livelihoods, and deliver quality carbon credits that meet the needs of carbon buyers. For emerging carbon markets to be effective, they must include meaningful participation by smallholder farmers and local communities.



Most (84%) of the world's 570 million farms are worked by smallholder farmers stewarding less than two hectares of agricultural land.¹ Assuming an average farm size of 1ha, by 2050, smallholder farmers applying agroforestry and regenerative agriculture could sequester 30 gigatons of carbon across 570 million hectares of land. Admittedly this is theoretical. But even if we cut that number in half, smallholder farmers could sequester 15 gigatons. At a conservative carbon price of \$20 per credit, this will generate as much as \$300bn in revenue. While not all these funds will flow directly to smallholders, we can realize orders of magnitude more income than what climate finance has channeled to these communities to date.

1. Lowder, S. K., Skoet, J., & Raney, T. (2016). The number, size, and distribution of farms, smallholder farms, and family farms worldwide. *World Development*, 87, 16-29.

THE OPPORTUNITY:

30 GIGATONS

OF CARBON CAN BE SEQUESTERED BY
SMALLHOLDERS ACROSS 570M HECTARES BY
2050



~1 GIGATON

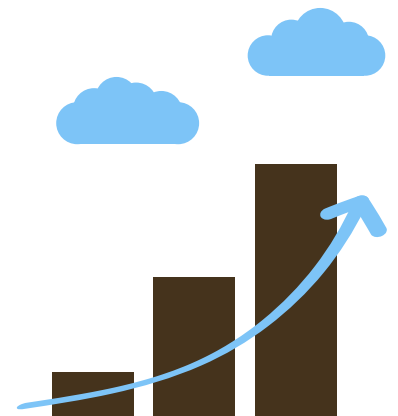
ACROSS 16M HECTARES BY 2050

**\$20BN
IN REVENUE**

\$600BN IN REVENUE

WITH SIGNIFICANT CO-BENEFITS FOR
FRONTLINE COMMUNITIES

The thirteen members of The CASH Coalition work directly with 9 million land managers in smallholder, indigenous, and local communities who steward 16 million hectares of land in the Global South.² We have a strong record of scaling innovations and promoting behavior change to increase agricultural productivity, leading to more resilient livelihoods. Even if our growth is frozen, implicit in the Coalition's current reach of 16m ha, we believe that, with some help, we can catalyze roughly one gigaton of carbon removal by 2050. Assuming a modest price of \$20 per credit, this will generate \$20bn in revenue, of which a significant share can be directed to frontline communities.



The opportunity is enormous. To make this a reality, we must reform existing carbon markets and ensure that future markets are amenable to the participation of smallholder farmers. We need to build supply and demand for smallholder farmer climate mitigation outcomes: connecting entities willing to pay with suppliers that can

produce outcomes. The CASH Coalition is uniquely positioned to influence policy and market drivers pushing corporations, development finance, and government institutions to pay for and/or finance these outcomes and deliver high-quality projects, with smallholder participation, on the supply side of the market.

² Members are active in Eastern and Southern Africa, Central America, South America, The Caribbean, West and Central Africa, South and South East Asia.

WE PROPOSE A THREE-PILLAR ACTION PLAN TO REALIZE A MORE INCLUSIVE AND EFFECTIVE CARBON MARKET THAT BENEFITS LAND-STEWARDING COMMUNITIES FOR CLIMATE ACTIONS AND ADVANCES CLIMATE GOALS³:

POLICY

1

Advocate for reforms to existing carbon markets and ensure that future markets work for smallholders. We must enable greater participation and representation for smallholder farmers/local communities and promote nature-based solutions and innovations as high-integrity solutions in carbon markets.

BUILD THE MARKET

2

Catalyze supply and demand to drive a market for smallholder farmer climate mitigation. On the supply side, we will create a portfolio of carbon projects that exemplify smallholder climate mitigation and regenerative actions: ensuring quality and integrity and delivering multiple co-benefits - including biodiversity, food production, and food security. On the demand side, we will catalyze a coalition of buyers interested in high-integrity smallholder-farmer-produced carbon credits with co-benefits and lead the structuring of investment vehicles to finance activities on the ground.

CAPACITY

3

Provide technical assistance, information, and education to enable our members and local partners to advance the ability of smallholders to participate in, and derive benefits from, carbon markets and other emerging markets and payments for ecosystem services.

3. Our actions are aligned with and will advance important milestone policies to address climate change, including the agriculture policy and funding recommendations in the Sharm El Sheik Adaptation Agenda, and the sustainable agriculture and nature-positive solutions of The Breakthrough Agenda.

The CASH Coalition seeks support to realize a better and more inclusive carbon market, one that enlists hundreds of millions of land managers in coordinated work to sequester carbon with verifiable impacts. By creating high-quality carbon credits that reward smallholders for implementing regenerative solutions, we can boost the incomes of vulnerable communities and farmers, reduce their vulnerability to climate change risks, promote biodiversity, and improve food security while meeting the demand for quality carbon credits with real and measurable

impact. The Coalition aims to ensure all climate-mitigating activities practiced by smallholder farmers are valued and have buyers. We will build use cases for and assess evidence supporting soil carbon sequestration, avoided emissions, other regenerative practices, and scalable innovations implemented by smallholder communities. The Coalition will represent smallholder farmer interests to shape emerging policy, market, and development finance mechanisms for compensating ecosystem services, including water, biodiversity, nutrients, and pollination.



OUR PROPOSAL

The CASH Coalition is seeking \$5m for 18 months from philanthropic funders to create an innovative portfolio of diverse projects and begin market reform and advocacy activities.

**\$5m for
18 months**

**13m ha
20m carbon
credits
\$400m**

By 2033, we anticipate that Coalition-supported climate solutions will impact ~13m ha through regenerative agriculture interventions, producing ~20m carbon credits and generating ~\$400m in revenue. This assumes an initial focus on agroforestry, a five-year horizon to transition a smallholder region to 10% forest cover, a 25% adoption rate of agroforestry activities by smallholders, and the Coalition reaches 50% of its potential scale. Our impact could increase exponentially as we assess and scale regenerative and nature-positive practices that boost profits for farmers, such as agroforestry, afforestation, and reforestation (ARR), cover cropping, no-burn farming, and soil amendments. A no-burn farming pilot in Myanmar, for example, will incorporate approximately 400,000 ha of no-burn rice farming in five years, reducing CO2 emissions by 2.9m tons.

To generate impacts and revenues for smallholders, we aim to raise an initial fund of \$100m in private sector and institutional capital to invest in and acquire carbon credits. This means creating a “buyer’s club” or “Advanced Market Commitment” to deploy at a project level, blended with concessional and philanthropic funding to cover market development costs and capacity building and to carry risks that commercial capital is unwilling to cover.

\$100m

To reach our global climate mitigation goals, we must ensure that all solutions can play a high-integrity role through active policy engagement. The CASH Coalition recognizes the need for enhancing integrity within carbon markets and welcomes the Integrity Council for Voluntary Carbon Markets (ICVCM) while recognizing the need to ensure that methodologies and quality criteria must be designed to enable the smallholder farmer use case. We will engage with the Science-Based Targets Initiative (SBTi) and the Voluntary Carbon Markets Integrity Initiative (VCMI) to ensure that frameworks informing corporate climate action incentivize climate mitigation outcomes produced by smallholder farmers, which the SBTi currently does not.

The CASH Coalition has the reach and credibility to create a robust market for smallholder carbon that addresses climate change while advancing solutions to other global problems, including biodiversity loss, food security, and improving smallholder livelihoods. By realizing our Action Plan, we will resource farming, indigenous, and local communities to transition to income-generating forms of regenerative agriculture and ecosystem services, adapt to climate change, make a profit, and advance the 2050 climate goals.

