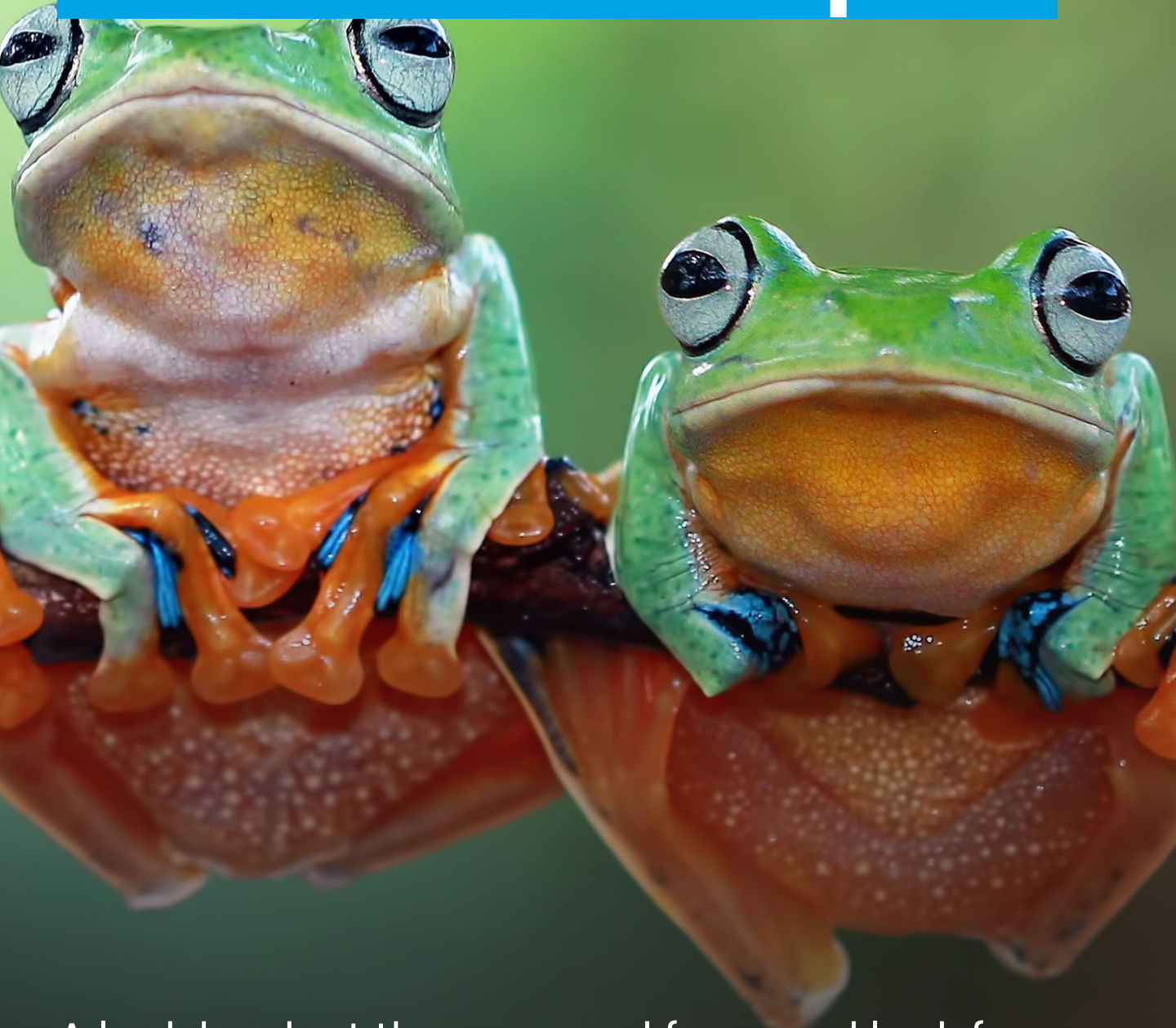


# 2022 Annual Report



A look back at the year and foreword look for 2023.

13 March 2023



## **About SOCIALCARBON**

SOCIALCARBON is an international Greenhouse Gas (GHG) standard focused on Nature-Based Solutions. Utilising leading technology and science, it facilitates the restoration and conservation of natural ecosystems through embedding local communities into projects to ensure lasting sustainable development. [www.socialcarbon.org](http://www.socialcarbon.org)

The standard is managed by the UK entity, Social Carbon Foundation.

# Letter from the CEO.

2022 was a year of transition and foundation building, a lot was achieved, but we're only just getting started.

The continue growth of the voluntary carbon market offers opportunity for joy, but also reflection. Never before have we needed projects that benefit people and planet more, many of which are only possible with climate finance. But, for this market to reach its potential and solidify its status as a tool in the fight against climate change and biodiversity loss, we must reflect on its current performance and areas for improvement.

2022 signals an important milestone for the SOCIALCARBON Standard. For more than 15 years the Standard had facilitated greater monitoring of co-benefits, building a reputation for quality. In 2022 we made the decision to transition to a full standard.

We have always believed that for climate action and nature-based solutions to be successful long term, the local communities must be embedded into project design and implementation. We don't believe this type of project is prevalent in the market at present. The driving force behind the transitioned came from three improvements we believe are needed in the market: higher standards with regards to social and broader environmental impacts, higher quality methodologies, lower barriers to entry. These changes cannot happen from the side benches, hence our decision to transition to a full standard.

This reports highlighted the milestones already achieved by the standard and looks forward to the future. As the CEO of the Social Carbon Foundation I hope you take away these key points from:

- We are focused on quality, not quantity
- We will always apply the highest scientific rigour to our work
- The existential risks facing our planet require action at pace - our operating model is based on continuous improvement, agility and technology-enabled efficiency improvements.

We appreciate you taking the time to read our report and can't wait for what 2023 has in store.

Mike Davies

Chief Executive Officer – Social Carbon Foundation



Mike Davies – Chief Executive Officer of the Social Carbon Foundation.

# Letter from the Board Chair.

2022 represent a key milestone on SOCIALCARBON's journey. A lot was achieved, but a lot more is still to come.

For more than 22 years, I have been committed to SOCIALCARBON as a tool to change lives; firstly, in partnership with the economist Stefano Merlin, we created the SOCIALCARBON methodology and standard for co-benefits in 2002. In 2021 we announced the transition of SOCIALCARBON from a co-benefit standard to a full standard for the VCM. In 2022 we created the Social Carbon Foundation, a Charitable organisation in the UK, to facilitate the management of the Standard.

In registering the entity we also recruited our initial board of trustees: myself, Diana Duncan – a social entrepreneur and sustainable development activist, and Amadeu Soares – Professor at the University of Aveiro and one of the leading scientists in Europe in the issues of biodiversity, ocean, toxicity, and sustainable development.

2022 was a year of significant achievements and the creation of six new methodologies. Within the same year, the standard was conditionally approved by CORSIA – providing a testament to the quality of the Standard. In parallel we also consolidated all the existing SOCIALCARBON indicators into a single document.

We have a long path to go, but our achievements so far will support us in reaching our ambitious new targets and make SOCIALCARBON one of the best standards for nature-based solutions.

Dr Divaldo Rezende

Chairman of the Board – Social Carbon Foundation



Dr Divaldo Rezende – Chairman of the Social Carbon Foundation.

# Transition of the Standard.

2022 marked the start of SOCIALCARBON V6, a full GHG standard with a primary focus on nature-based solutions.

For over 15 years SOCIALCARBON was an internationally recognised Co-Benefits Standard. The first standard developed in the southern hemisphere, projects used it to measure and monitor co-benefits ranging from social to biodiversity impacts.



Geographic distribution of SOCIALCARBON v5 projects

Since 2022, the SOCIALCARBON Standard has transitioned from a co-benefits standard to a full standard capable of quantifying not only co-benefits but Greenhouse Gas emission reductions and removals.

## Our decision to make the transition

It is our belief that the voluntary carbon market is an important tool in financing ecosystem restoration and climate action. We have always believed that for climate action and nature-based solutions to be successful long term, the local communities must be embedded into project design and implementation. This has been an integral idea of the SOCIALCARBON Standard since its inception and continue to be so.

We don't believe this type of project is prevalent in the market at present. The driving force behind the transitioned came from three improvements we believe are needed in the market: higher standards with regards to social and broader environmental impacts, higher quality methodologies, lower barriers to entry. These changes cannot happen from the side benches, hence our decision to transition to a full standard.

# Innovation.

Within the first year as a full standard, we launched 6 methodologies and deployed technology solutions to increase transparency and lower barriers to entry.

## Methodologies

We published 6 new methodologies, each of which passed public consultation. Three of these methodologies are new to the market offering new ways to finance conservation projects and the restoration of Spekboom Thicket.

### Methodologies published:

SCM0001: Methodology for the installation of Energy Efficient Cookstoves

SCM0002: Methane emission reduction by adjusted water management practice in rice cultivation

SCM0003: Methodology for Carbon Removals in Private Conservation Areas

SCM0004: Methodology for the regeneration of Spekboom Thicket

SCM0005: Methodology for regenerative land management

SCM0006: Methodology for the Conservation of Areas of Biodiversity Importance

## Technology

We have partnered with technology provider Biodiversity & Ecosystem Futures (BEF) for the provision of our Registry. This registry utilises Blockchain technology, powered fully by renewable energy, to ensure transparency and efficiency of projects and credits issued under our Standard. Moving forward, this approach also opens up opportunities for innovative new solutions, such as decentralised project finance models.

## Requirements

We established new requirements for the Standard, including specific safeguards and SDG contributions to SOCIALCARBON indicators, to drive greater quality and robustness of the projects using our standard.

# Thought Leadership.

We published three whitepapers outlining how challenges facing conservation and wastewater management can be address through climate finance.



## Conserving areas of Biodiversity Importance

Our paper outlines our upcoming methodology focused on financing conservation.

This approach enables conservation activities to be financed through the carbon markets, whilst embedding local communities and biodiversity benefits.



## Protecting nature through wastewater treatment

Our paper outlines our upcoming methodology financing the implementation of wastewater treatment plants for rural communities.

This approach rural communities to access funding to develop wastewater treatment plants and reduce the pollution of local water sources and coastal areas.



## Financing conversation in the long term - the need to look beyond REDD+ and towards incremental carbon stock growth.

In this paper we examine the core components of REDD+, results achieved so far, criticisms, and assess whether it offers a long term solution for conservation finance.

In addition, we recommend a hybrid approach, using REDD+ as a solution to address deforestation and degradation at pace, and then transitioning to conservation based projects thereafter.

# Internal Operations.

The transition of the Standard included the establishment of a new entity, board and team.

## **New entity**

We established the Social Carbon Foundation, a dedicated UK entity responsible for managing the Standard going forward. We thank the Ecologica Institute and the team involved in developing the SOCIALCARBON Standard's previous versions.

## **Recruitment of the Board**

We have recruited our initial three board members, and plan to grow the board further into 2023. Board: Dr Divaldo Rezende, Diane Duncan, Dr Amadeu Soares. Mike Davies was selected as the Chief Executive Officer.



# Looking forward to 2023.

2023 will be the year of adoption, iteration and innovation.

## A focus on quality

We are focused on making SOCIALCARBON the leading standard for nature-based solutions. We have / are developing methodologies and Standard requirements to ensure projects using our standard are recognised as pioneers in their field. This may result in greater monitoring requirements and demonstration of compliance with our requirements, but in doing so projects will be more robust.

## New methodologies

We plan to develop a number of methodologies to broaden the scope of eligible projects under the Standard. We want methodology development and prioritisation to be an open discussion, and have recently created a public poll on our website enabling anyone to vote for which methodology should be prioritised.

## New solutions to reduce friction

We are developing new technology solutions to streamline procedures for project developers. This includes a new knowledge and data sharing platform. This platform will streamline validations and verifications between VVBs and Project Developers, whilst promoting open discussions and insight sharing by the community.

We are also exploring other industries and identifying how procedures could be applicable in our own. For example, we are exploring the creation of a framework to promote independent project reviews similarly to 'bug' reports in software development. This has the potential to drive project quality up and help hold project developers and VVBs to account for their work.