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WHAT IS CLIMATE FINANCE?

There is no internationally agreed upon definition of climate finance. Broadly, it refers to the process through which efforts to address climate change are financed. It is often used in the context of projects in developing countries financed by developed countries, typically through loans and/or bonds from multilateral development banks and other international financial institutions.

It is important to note that the policies, mechanisms, and programs under climate finance do not actually provide Indigenous or frontline communities with direct access to no-strings-attached grant funding.

RELEVANCE TO COP 28

The distribution of financial resources is always important. However, COP28 is particularly significant because decision making will be made around two key topics: energy transition, and the Loss and Damage Fund (see the Loss and Damage factsheet).

WHY IS CLIMATE FINANCE IMPORTANT TO INDIGENOUS PEOPLES?

Climate finance is especially familiar to Indigenous Peoples given the historic dispossession and ongoing economic disparities Indigenous Peoples have faced from the same institutions responsible for climate change. The exploitative power dynamics of colonialism and economic development are entrenched in climate finance.
### DEBUNKING MYTHS

<table>
<thead>
<tr>
<th>WHAT THEY SAY</th>
<th>WHAT WE SAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate finance is a necessary component of robust climate action and in creating a livable future.</td>
<td>Climate finance cannot possibly result in securing the rights of Indigenous Peoples, as outlined in the United Nations Declaration on the Rights of Indigenous Peoples because climate finance does not address sovereignty, jurisprudence, territorial rights, demarcation of ancestral lands, and true reparations for Indigenous Peoples and local communities. The violence of climate change far outweighs what can be measured in dollars.</td>
</tr>
<tr>
<td>If we want to have a chance at meeting our Paris Agreement goals, we need an energy transition and, logically, there must be climate finance to make this possible.</td>
<td>In a best-case scenario, current climate finance mechanisms and norms could be overhauled and transitioned towards providing direct grants to communities on the ground. But even if that were the case, money can only go so far.</td>
</tr>
<tr>
<td>We need a green economy, and must invest in green energy like hydrogen and carbon capture and storage (CCS).</td>
<td>There are also many Indigenous Peoples who do not want climate finance but are fighting for strong treaties and regulations that keep fossil fuel industries, big agriculture, carbon traders and other industries out of Indigenous territories.</td>
</tr>
<tr>
<td></td>
<td>A meaningful and robust energy transition is not a techno focused energy switch. A just transition is community-led and informed by Indigenous and frontline communities, especially communities most impacted by climate change.</td>
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<td></td>
<td>When it comes to the topic of energy transitions, and especially how to fund them, we risk further corporatizing climate change by following the norms and interests of the private and financial actors. A true, just transition avoids being absorbed into the capitalist and development paradigms.</td>
</tr>
<tr>
<td></td>
<td>These are false solutions.</td>
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<tr>
<td></td>
<td>CCS does not prevent carbon dioxide from entering the atmosphere. An estimated 92% of CCS is used for the purposes of extracting more oil and gas. It is an inefficient and expensive process used to justify continued fossil fuel extraction.</td>
</tr>
<tr>
<td></td>
<td>The process of creating hydrogen energy is only as clean as the energy used to separate the hydrogen atoms. Roughly 95% of hydrogen energy is produced using fossil fuels like natural gas or coal.</td>
</tr>
<tr>
<td></td>
<td>Solutions to the climate crisis should not revolve around technology, energy, or the economy. An Indigenous Just Transition is a holistic call for centering Traditional Indigenous Knowledge.</td>
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</table>
The Loss and Damage Fund is a key area of concern as there are no indicators that the fund will be anything other than another financialized scheme. Created at the last COP after decades of pressure from developing countries, the fund is meant to provide finance to address loss and damage in developing countries where communities least responsible for climate change are the most impacted.

Last year, the COP 27 passed an agreement stating that wealthy nations should provide loss and damage funding to developing and vulnerable countries that have contributed the least to climate change, yet are most vulnerable to its impacts. Some developing countries want to hold big emitters responsible for their past excesses by forcing them to cover the costs of climate change. IEN has and continues to advocate for ensuring this fund provides direct funding to Indigenous Peoples and other frontline communities in developing countries hardest hit by climate change.

After COP27, the Transitional Committee (TC) was created and tasked with working out key details of the Loss and Damage Fund. However, discussions between some developed and developing countries were heated with negotiations extended into a fifth meeting at the beginning of November. Two of the most contentious points are: 1) whether or not the fund will be housed in the World Bank, and 2) who will be the main beneficiaries of the fund.

Developing countries have pushed for the fund to be created as an independent body. However, the US and EU have been strong proponents of the World Bank hosting the fund. This is viewed as a power grab because the US is the World Bank’s largest shareholder, it appoints the World Bank’s president and would have much to gain from this arrangement.
LOSS AND DAMAGE FUND

RELEVANCE TO COP 28 (CONTINUED)

The main beneficiaries of the fund is an equally thorny topic. Wealthy countries are pushing to limit eligibility to least developed countries (LDCs) and small island developing states (SIDS), whereas developed countries are seeking wider eligibility.

All of the core elements of the Loss and Damage Fund are up for debate at COP28. This includes not only how funds are managed and distributed but also:

- Where the Fund will be housed (for example within the World Bank or a standalone fund within the UN);
- Who pays into the Loss and Damage Fund;
- Who is eligible to receive funds;
- The definition of “vulnerable community”;
- Who can sit on the Fund’s board;
- What types of loss and damage events qualify for funding; and
- Who decides how the funds/finance are to be used

The importance of this cannot be overstated – COP28 presents a crucial opportunity to shape all the substantive elements of the Fund.

WHY IS LOSS AND DAMAGE IMPORTANT FOR INDIGENOUS PEOPLES?

Funding for loss and damage is directly relevant to Indigenous Peoples, as Indigenous Peoples have and will continue to face the worst impacts of climate change. This fund has very direct implications for the wellbeing and self-determination of Indigenous Peoples across the globe.

A key concern at COP 28 is how Indigenous Peoples have been conflated with local communities in terms of receiving loss and damage funds, sidelining the inherent rights of Indigenous Peoples. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) asserts a number of rights specifically for Indigenous Peoples, and this conflation serves to undermine them. Indigenous Peoples hold a unique legal/political status amongst and within nation-states that is not as a local community or ethnic minority. We support the direct funding of Indigenous Peoples in developing countries, and further, that such funding have no hidden strings attached that would extinguish inherent rights. IEN takes note that any funds or programs developed through the Loss and Damage Fund will only be eligible for Indigenous Peoples in developing countries.
Whether funds will be grants or loans
Whether funds will be given directly to communities or indirectly via governments, NGOs, international financial institutions, or others
If the Fund’s board members will be from developed countries, or a mix of developed and developing country representation. Also if board members will be from the private sector.
If the Fund will be hosted at the the World Bank

Accessing the Loss and Damage Fund is not guaranteed for Indigenous Peoples or developing countries. Many of the decisions that remain to be made will dictate this, including:

- The US government has outsized influence within the World Bank. The US is the largest shareholder of the World Bank and appoints its president, who has historically been from the US. This is undemocratic and antithetical to the purpose of the Fund, because the World Bank would serve as a vehicle for the US’s economic interest instead of a vehicle for providing financial relief for those most impacted by climate change.

- Moreover, the World Bank would likely distribute financing as loans or bonds instead of grants. This carries the burden of indebting communities and/or countries that are already at a financial disadvantage as well as placing the decision-making power of how funds are used in the hands of the World Bank as opposed to impacted Indigenous Peoples.

- From the Clean Development Mechanism (CDM) to Reducing Emissions from Deforestation and forest Degradation (REDD+), the World Bank has been involved in ‘jump-starting’ financial mechanisms inside the UNFCCC for decades.
**WHAT THEY SAY**

The Loss and Damage Fund is part of a justice-oriented climate ethic because it gives money to developing countries.

**WHAT WE SAY**

First and foremost, financing through the fund will almost certainly not be strings-free direct grants to Indigenous Peoples or impacted communities. It will be loans and/or bonds and likely be funneled through development agencies, governments, national banks, NGOs, and/or other institutions.

It is essential that the control of the funds be taken away from developed countries and shift control to the communities hit hardest by climate change. However, it is likely that funds will be distributed as loans. Despite whatever commitments developed countries may make, there is no enforcement mechanism or certainty around these pledges. Developed countries do not have a good track record of living up to their climate pledges.

Perhaps most importantly, none of this is new. This is the same ongoing story of climate finance. From the Green Climate Fund, Adaptation Fund, and REDD+, none have provided direct grants to communities and not one of these climate finance programs has abided by Free, Prior and Informed Consent (FPIC).
WHAT IS ARTICLE 6 PARAGRAPH 2 OF THE PARIS AGREEMENT?

Article 6 of the Paris Agreement, referred to as Cooperative Approaches, is where carbon pricing, carbon markets, carbon offsets, and nature-based solutions (NBS) are being built. Article 6 opens the door for countries to participate in various forms of carbon markets.

Article 6 paragraph 2 (Article 6.2) creates the structure for trading greenhouse gas emissions between parties (countries) of the Paris Agreement in order to meet nationally determined contributions (NDCs). Countries can either: 1) trade emissions between each other through their existing emissions trading systems (ETSs), or directly on the registry database (currently under construction) if a party does not have an existing ETS system in place; or 2) by trading internationally transferred mitigation outcomes (ITMOs), units that function like offsets. Both forms of carbon pricing and trading can be used to meet a party’s NDCs.

RELEVANCE TO COP 28

At the moment, the architecture of the Article 6.2 “registry database” is still being built and several components are under discussion. Discussions are based on what will count as an ITMO, timeframes, and how to trade across various emissions trading system platforms. If a party does not have an ETS, they will have access to the registry database. The database is being set up to track emission, registry records, transfers of units, authorizations and cancellations to name a few. The registry database will essentially act as a system to track carbon pricing and trading.

This has been a point of contention between countries that have existing ETSs based mostly in developed countries, and countries that do not have systems based mostly in developing countries, or are in the process of setting up their greenhouse gas inventories as a precursor to building an ETS system. For countries that do not have ETS systems and plan to use the Article 6.2 registry database, questions remain regarding training and resources for greenhouse gas inventories and tracking within developing countries.

A key tension point is whether or not ITMOs will have a distinguishable “unique identifier”, a permanent reference number so that emissions units can be tracked after they are traded through the registry and the labyrinth of ETSs, and when the emissions units will be canceled so that fraud and continued trading does not occur with the same unit of emissions over and over. Each tradable unit is a representation of one ton of pollution. Each unit is supposed to be canceled after a trade, but how to track the units and cancel them is still under discussion. Negotiations at COP 28 will aim to clarify these tension points.
WHY IS ARTICLE 6.2 IMPORTANT FOR INDIGENOUS PEOPLES?

There are plans to link Article 6.2 with Article 6.4 (the offsets mechanism database). It is not clear how an ITMO and an offset will differ. Carbon offsets have serious implications to Free, Prior and Informed Consent (FPIC) and the inherent rights of Indigenous Peoples as outlined in the United Nations Declaration on the Rights of Indigenous Peoples. For almost two decades IEN has witnessed the clean development mechanism (CDM) of the Kyoto Protocol pave the way for large-scale offsets programs that fail to uphold the rights of Indigenous Peoples and jurisdictional authority, and sell these credits to polluting facilities that impact Indigenous Peoples and local communities. Further, the Article 6.2 global registry will be the first ever carbon trading platform of this scale, size and reach.

One of the lesser examined but crucially concerning aspects of carbon markets is of the communities that will continue to be negatively impacted by enterprises that purchase offsets in order to continue to pollute. Territories near mining, oil extraction and refineries, cement factories, hydroelectric dams and other renewable energy sites will continue to be impacted by pollution, land degradation, poverty entrenchment, and worker dependency, regardless of the alleged carbon status of the site. Whether the corporation is buying credits to offset pollution through the registry database or selling credits in the mechanism database, Indigenous Peoples will be impacted at both ends of the carbon market chain. Carbon markets linked through Article 6.2 and Article 6.4 guarantee that fossil fuels will continue to be extracted and slow down any real transition away from fossil fuels.
**ARTICLE 6 PARAGRAPH 2**

**DEBUNKING MYTHS**

<table>
<thead>
<tr>
<th>WHAT THEY SAY</th>
<th>WHAT WE SAY</th>
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<tbody>
<tr>
<td>Article 6.2 will incentivise countries to build greenhouse gas inventories and allow us to track global emissions.</td>
<td>Carbon trading has not worked for over 20 years. Evidence demonstrates how the market is subject to boom and bust cycles, price shocks, fraudulent reselling of units, and inaccurate data. Basing our hopes on mainstream economics boosting another financialized market is too dangerous. We do not have time for more economic accounting that benefits the same polluters causing climate change! <strong>We must phase-out fossil fuels at source!</strong></td>
</tr>
<tr>
<td>Article 6.2 will finally create a global carbon trading market and build a reliable system.</td>
<td>Carbon markets are fundamentally flawed. They do not reduce emissions and have included fraud and double-counting. Article 6.2 will be no different. Communities on both ends of the carbon markets are impacted by carbon trading, pricing and offsets.</td>
</tr>
<tr>
<td>Article 6.2 will ratchet down emissions once it is up and running.</td>
<td>After 20 years of carbon trading and markets, there is no evidence to indicate with certainty that carbon markets reduce emissions. <strong>The linking between the registry database and the mechanism database of Article 6.4 proves that carbon offsets will continue to derail any moves to phase-out fossil fuels at source.</strong></td>
</tr>
<tr>
<td>Article 6.2 ITMOs will support emissions reductions.</td>
<td>There is no clear accounting of an ITMO. An ITMO appears to function exactly like an offset. What is the difference between an ITMO and a carbon offset? What will count as an ITMO? No more carbon trading and pricing! No more carbon offsets! Keep it in the ground!</td>
</tr>
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</table>
**WHAT IS ARTICLE 6 PARAGRAPH 4 OF THE PARIS AGREEMENT?**

Article 6 of the Paris Agreement, referred to as Cooperative Approaches, is where carbon pricing, carbon markets, carbon offsets and nature-based solutions are being built. Article 6 opens the door for countries to participate in various forms of carbon markets.

Article 6 paragraph 4 (Article 6.4) builds the “mechanism database” where carbon offsets from project-based emissions reductions, removals or avoidance will be traded. Article 6.4 is meant to replace the clean development mechanism of the Kyoto Protocol, but Article 6.4 is meant to be much bigger. The Article 6.4 mechanism database is a database system where trading carbon offset credits will occur under the supervision of the United Nations Framework Convention on Climate Change (UNFCCC). As it stands, Article 6.4 will include carbon offsets from both the compliance markets overseen by governments and the private sector.

**RELEVANCE TO COP 28**

In the last month, new research has shown that tropical forest offsets are mostly useless, volatility in the market is increasing, and scandals erupt in REDD+ projects. Some might argue that projects in an unregulated market are doomed to be fraudulent, which is why a regulated program like Article 6.4 is necessary. Yet, so far the same problems in the voluntary markets arise in Article 6.4 including: double-counting, leakage, timeframes, permanence, as well as the role of the private sector. Fundamentally, any and all carbon pricing and offsets programs allow polluting industries to continue polluting. Article 6.4 is no exception.

The key areas to be addressed at COP 28 regarding Article 6.4 will be: carbon dioxide removals (CDR), an appeal and grievance system, engagement with Indigenous Peoples, transition of the CDM to the A6.4 mechanism database, safeguards, permanence, requirements of the mechanism methodology and linking the mechanism database (A6.4) to the registry database (A6.2). Over the past year, there is increasing contention around Article 6.4 based on all of these issues. This COP is important because the architecture of this large-scale global carbon offset system is yet to be fully designed and implemented.
Article 6.4 will be the largest carbon offsets trading platform ever. Ongoing discussions and resistance to the inclusion of carbon dioxide removals (CDR) continue, which would include biological removals such as forests, soils, agriculture and water offsets often called nature-based solutions; and engineered removals, which include carbon capture and storage (CCS), direct air capture (DAC) and bioenergy and carbon capture and storage (BECCS).

An appeal and grievance process could allow Indigenous and frontline communities to file a complaint and to possibly discontinue participation in a carbon offsets project. But the discussions so far focus on the Supervisory Body (SB) A6.4 imposing a fee to file an appeal or grievance, and setting restrictive eligibility criteria limiting the ability of Indigenous Peoples not directly involved in the consultation process to voice concerns. These restrictions would cause additional barriers for communities to challenge and discontinue unjust contracts.

Linking Articles 6.2 and 6.4 would level up carbon markets into an international system at a scale never seen before. Questions include how internationally transferred mitigation outcomes (ITMOs) in Article 6.2 and offsets in Article 6.4 will be tracked between the systems and how they might differ, what offsets will be allowed especially regarding CDR, how the private sector will be involved and several methodological questions. However, at its core, the global carbon trading system is a fundamentally flawed system that justifies more extraction and pollution – a dangerous distraction and false solution we do not have time for.
Through carbon offset projects, Indigenous Peoples experience blatant disregard for Free, Prior and Informed Consent (FPIC), including a lack of safeguarding land rights, and respecting self-determination and self-government, land tenure and management.

Several studies have shown that carbon offset projects threaten Indigenous Peoples’ tenure over their lands and territories, further commodifying nature and putting Indigenous Peoples’ lands and territories at risk for land grabbing.

Some Indigenous leaders have claimed that nearly every Amazonian community has been contacted by a carbon broker, who come armed with lengthy contracts filled with jargon and contractual language. Disguising intentions behind contractual language is a strategy employed by carbon brokers to falsely achieve FPIC to access Indigenous territories in order to claim community engagement and approval of these projects.

Payments are not proffered to communities in carbon offset projects, but often depend on various verifications in order to receive payment, if it is received at all. Further, a common practice with carbon offset project contracts include gag orders whereby the Indigenous communities are not allowed to disclose the content of the contract. If an Indigenous community does not receive money or infrastructure, such as in Brazil where project managers promised to build a university that never materialized, Indigenous communities are often bound by silence in the gag orders in contracts.
## Debunking Myths

<table>
<thead>
<tr>
<th>What They Say</th>
<th>What We Say</th>
</tr>
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<tbody>
<tr>
<td><strong>Carbon offsets reduce pollution.</strong></td>
<td>Carbon trading and offsets delay and diminish greenhouse gas emissions phase out, allowing dirty industry to continue business as usual. <strong>DIRECT emissions reductions through phasing out fossil fuels is the principal and most important way to stop climate change.</strong></td>
</tr>
</tbody>
</table>

| **Carbon offsets create incentives for Indigenous Peoples.** | Payments are not promised to communities in carbon offset projects, but often depend on various verifications in order to receive payment if it is received at all. If payments do arrive, misuse and division have been reported. Funds may further undermine land tenure, conservation, and local benefits by driving up prices. Years of data demonstrates that FPIC and the rights of Indigenous Peoples have not been upheld in carbon offset projects. While Indigenous Peoples are solicited to sign contracts under the reasoning that it is a ‘rights’ issue for Indigenous Peoples because of the carbon in the forests, we have observed conflict and divisions over the deeper question of how to reconcile the ownership of carbon within the cosmovision (spirituality) beliefs of Indigenous Peoples’ communities in participating in the commodification and privatization of carbon. **Carbon offsets reinforce the privatization of nature.** |

| **We must track greenhouse gas emissions.** | Current carbon accounting frameworks all fail to address essential quality criteria such as additionality, baseline setting, transparency and permanence. The lack of data integrity and availability, coupled with large margins of errors, uncertainties, and biases in carbon offset outcomes, undermines the credibility and effectiveness of any tracking methods. Carbon accounting efforts in the service of setting up a carbon market poses a conflict of interest because if emissions are overestimated then companies can claim higher reductions. |

| **The market will take care of reducing emissions over time.** | Carbon markets rearrange emissions on a spreadsheet rather than materially reducing emissions. Far too often, forest offsets brokers and managers have targeted Indigenous Peoples, driven up land prices, and forced Indigenous communities from their territories. |
WHAT IS ARTICLE 6 PARAGRAPH 8 OF THE PARIS AGREEMENT?

Article 6 of the Paris Agreement, referred to as Cooperative Approaches, is where carbon pricing, carbon markets, carbon offsets and nature-based solutions (NBS) are being built. Article 6 opens the door for countries to participate in various forms of carbon markets.

Article 6.8 is referred to as non market approaches (NMA). Article 6.8 projects for mitigation and adaptation will be available on a website and will include: cooperation through finance; technology transfer; and capacity building.

It is unclear at this point what will be financed through Article 6.8. However, we do know that parties (countries) can upload projects and seek finance from the private sector for projects that could include payments for environmental services (PES), reducing emissions from deforestation and forest degradation (REDD+), debt swaps for nature, biodiversity offsets and other land and water enclosure projects, all of which have serious impacts on the rights of Indigenous Peoples and the territorial integrity of the sacredness of Mother Earth and Father Sky that are being brought into a financialization of nature and market system.

RELEVANCE TO COP 28

The Article 6.8 pilot website will be launched at COP 28. Further, in order to use the system, a login will be required, bringing into question the accessibility and transparency of the system. Representatives of the Green Climate Fund have stated that Article 6.8 would be linked to the Article 6.4 database. Further, at a global roundtable session with Party representatives of Article 6.8 in Bonn in June 2023, The Nature Conservancy lobbied for how the NMAs could be linked to the Article 6.4 mechanism database to be used as carbon offsets.

Even if Article 6.8 does not allow for the use of carbon offsets, PES are extremely problematic because they allow polluting industries to expand, destroy river systems and biodiversity by “compensating” for the destructive project through another project like planting trees. Although some environmental services projects may not be traded on a carbon market, they are “compensating” for destruction at another site. Further, many environmental services projects are selling carbon credits.
ARTICLE 6 PARAGRAPH 8

WHY IS THIS IMPORTANT FOR INDIGENOUS PEOPLES?

Article 6.8 is the only section of Article 6 that specifically names nature-based solutions (NBS). As it stands, the Article 6.8 website could end up being an auction site for carbon offset projects, land grabbing and the financialization of nature. Article 6.8 is particularly important for Indigenous Peoples because it will likely include projects and programs from the private sector, international financial institutions, international aid agencies and conservation NGOs that target Indigenous Peoples’ territories.

DEBUNKING MYTHS

WHAT THEY SAY

Article 6.8 will not include emissions trading.

Article 6.8 will not allow carbon offsets.

Article 6.8 will support the rights of Indigenous Peoples.

WHAT WE SAY

There are serious questions of whether Article 6.8 will be linked to Article 6.4. Conservation NGOs are lobbying for Article 6.8 to be linked to Article 6.4.

Based on conversations with representatives at the COP, it does appear that Article 6.8 will likely be linked to Article 6.4, opening the way towards carbon offsets (see fact sheet on Article 6.4).

Even if Article 6.8 does not allow carbon offsets, environmental services are still problematic because they are created to “compensate” for destruction somewhere else.

Proponents of REDD+ claimed that REDD+ would not be allowed as a carbon offset in 2007, but REDD+ is being used as a carbon offset. This is the same argument they are using for Article 6.8.

There is no evidence that Indigenous Peoples will be supported through environmental services projects or debt swaps for nature (see fact sheet on Debt Swaps for Nature.)

FPIC continues to be overlooked in relation to PES and biodiversity programs.
Debt swaps for nature and climate

WHAT ARE DEBT SWAPS FOR NATURE AND CLIMATE?

Debt swaps are financial agreements where a national government receives a certain amount of “debt relief” in exchange for commitments to invest the liberated funds in agreed-upon terms. Projects under debt-for-nature swaps typically include conservation and restoration projects, while debt-for-climate swaps refer to investments in climate change mitigation and adaptation initiatives.

The classic structure is based on bilateral swaps, where public funds are directly transferred between creditor and debtor governments. In such swaps, the creditor “cancels” a portion of the debt owed to them, and the debtor commits to mobilizing the equivalent of the canceled debt in the local currency for predetermined investments. In more recent modalities of debt swaps, such as debt swaps for nature and climate, the scheme can include international non-governmental organizations (NGOs) as a third party.

These “third-party swaps” allow the NGO to purchase the debtor country’s external debt on the secondary market, usually at a discount, and restructure the debt on more “favorable terms” for the debtor. In return, the debtor country commits to investing the money that it saves from debt servicing into conservation and climate-related initiatives.

Debt swaps are an inefficient tool to address the root causes of the interlinked crises of global debt, development, climate finance and climate change. Further, debt swaps for nature and climate are inherently undemocratic and risk further violation of the rights of Indigenous Peoples and undermine Indigenous Peoples’ sovereignty and self-determination.
RELEVANCE TO COP 28

Given the pressing need to mobilize resources for developing countries to cope with the locked-in impacts of climate change and biodiversity loss, along with the looming debt crisis exacerbated by the COVID-19 pandemic, debt swaps for nature and climate are expected to emerge as a crucial topic at the upcoming COP28, particularly in the context of climate finance. Already, the promotion of debt-for-nature swaps was prominent at the UN Convention for Biological Diversity (UNCBD) COP15, and was endorsed by influential institutions including the International Monetary Fund (IMF), World Bank, The InterAmerican Development Bank, World Wild Fund (WWF), and The Nature Conservancy (TNC).

While still unclear, there is concern that some actors are attempting to connect conservation and climate projects resulting from debt swaps to the generation of carbon offsets, effectively reinforcing carbon market mechanisms. The IMF proposed structuring debt swaps deals around climate objectives such as energy decarbonization, adaptation, and mitigation, by linking swaps to “simple to monitor” metrics such as carbon emissions, deforestation, and ocean exploitation. Such propositions are followed by proposals to offer incentives to creditors by allowing them to trade in carbon credits arising from the transactions.

WHY IS THIS IMPORTANT FOR INDIGENOUS PEOPLES?

Debt swap agreements often prioritize the interests of the creditor over the genuine needs of the debtor country and communities, thereby infringing on self-determination, sovereign autonomy and perpetuating colonial relations. These concerns are rooted in the complex dynamics of power and control within these financial agreements that lack transparency and accountability, often leading to violations of Indigenous Peoples’ rights and self-determination and sovereignty. Therefore, the Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples affected by these deals will not be meaningfully achieved within the debt swap model.

In addition, some countries are changing laws to accommodate debt swaps that could have impacts on Indigenous communities living in ‘National Parks’ and other colonized spaces. Further, the terms of the deals often occur behind closed doors without legitimate consent, engagement, consultation or partnership with Indigenous Peoples.
WHY IS THIS IMPORTANT TO INDIGENOUS PEOPLES?

More recently, one tactic of debt swaps for nature and climate has taken on a different form. Rather than evicting people from land, conservation action is being directed at protecting marine life, coral reefs, and related ocean protection measures. This is a prime feature of Belize’s 2022 debt swap for nature, and more swaps are being structured after this example.

The danger, however, is that indebted countries may be eager to welcome the deal as an opportunity to help them achieve their 30x30 goals, and as a way to enact some form of climate mitigation in the absence of climate finance. Deals may even generate additional revenue through selling blue carbon offsets.

DEBUNKING MYTHS

WHAT THEY SAY

Debt Swaps for nature and climate is a new instrument.

WHAT WE SAY

Similar forms of debt swaps for health, development, and education were implemented in the late 1980s, not without controversy and adverse impacts on debtor governments, citizens, local communities and Indigenous Peoples.

While the concept and practice of swaps have evolved somewhat over time, the core model remains the same.
## Debunking Myths

| Debt swaps include a cancellation of debt. | Debt swaps is a debt restructuring mechanism. There is no debt being canceled or written off. Creditors usually only modify the terms of repayment.  
Any “liberated funds” that the debtor saves from traditional debt servicing is then redirected into agreed-upon terms.  
The use of the term “cancellation” is misleading. It’s crucial to differentiate between true debt cancellation and the redirection of debt servicing obligations to other specified purposes and agreements. |
| --- | --- |
| Debt swaps provide climate finance to developing countries in debt. | Debt swaps are not and cannot be counted as part of existing commitments to climate finance and/or climate-related Official Development Assistance (ODA).  
In terms of climate finance, debt swaps are not channeling funds from developed countries to developing countries, instead, investment from debt swaps are coming from the debtor country’s domestic resources, posing a challenge to already strained capacities to address climate change and biodiversity loss. |
| Debt swaps can bring debt justice. | The debt crisis is a result of long histories of colonial and exploitative development and international finance systems that were designed to accumulate wealth and power in developed countries.  
**Debt swaps as a tool disregards the ecological and climate debt owed to communities in developing countries.**  
Governments might be compelled to repay loans that did not benefit their citizens and communities, thereby compromising broader calls for outright cancellation of such debts. |
Over a third of global greenhouse gas emissions are a direct result of food systems, with over 70% of these coming from agriculture and land-use change activities. Livestock operations also present significant contributions by accounting for 44% of the world’s methane emissions. However, over 70% of nationally determined contributions (NDCs) overlook food systems.

The July 2023 UN Food Systems Summit+2 Stocktaking Moment demonstrated how all parties are off track in meeting 2030 goals. To rally nations attending the Summit, the COP28 presidency released a Food Systems and Agriculture Agenda (FSAA) which establishes four pillars for action at the upcoming COP. The COP28 presidency further introduced a Leaders Declaration on Food Systems, Agriculture, and Climate Action, which links food systems and agricultural strategies into NDCs, National Adaptation Plans, and National Biodiversity Strategy.

An important driver poised to influence decisions at COP28 around food security and the FSAA pillars is the agriculture innovation mission for climate (AIM for Climate). As a relatively new co-development between the United States and the United Arab Emirates to increase global technology and spending on climate smart agriculture (CSA), investments in AIM for Climate exceeds $13 billion from both private and public partners, plus an additional $3 billion annually from the World Bank.

AIM for Climate’s latest initiative—Innovation Sprints—supports projects under the categories of smallholder farmers in low-and-middle income countries, methane reduction, emerging technologies, and agroecological research. Its 500+ partners working on Innovation Sprints and other developments include a vast array of the public and private sector including global chemical and seed companies, industrial meat producers, carbon offset firms, technology companies, global corporations, government bodies, major foundations, and capital producers, among many others.
The Korovina Joint Work on Agriculture (KJWA), the UNFCCC’s only “food arm,” places a heavy emphasis on CSA and has been instrumental in promoting it across the globe. At COP27, the KJWA laid the foundation for the Sharm el-Sheikh joint work on implementation of climate action on agriculture and food security (SSJW), which will introduce three key features at COP28: 1) nature-positive food production, 2) healthy sustainable diets, and 3) food loss and waste.

At COP 26, nations agreed to tackle the dangers of methane through the Global Methane Pledge, but specific language targeting agriculture was notably absent. At COP 28, leaders at the Day of Food, Agriculture, and Water plan to launch a Dairy Methane Action Agenda where agriculture is expected to reckon with its methane emissions, yet it will be led by financial actors and private entities. Here, attention should be paid to the language of “global warming potential,” a relatively new term used by meat and dairy producers to calculate methane’s highly potent atmospheric effects before it is effectively neutralized. The term can subtly allow meat and dairy producers to dress up their climate commitments while doing very little to actually reduce emissions.

Finally, finance for climate adaptation and loss and damage could have key implications for food and farming in developing countries. For instance, smallholder farmers in developing countries are being encouraged to modify practices in order to join the global supply chain. In developed countries, attention to emissions reductions and climate resiliency appear to be at the top of the to-do list, but soil and methane offsets—and their potential for government subsidies—will continue to demand attention.
The UN often prioritizes food security over food sovereignty. Rather than supporting Indigenous-led, community-centered, autonomous decision-making around food and farming practices, “food security” can take on a predatory nature where “expert” knowledge, proprietary seeds, chemicals and external influence entrenches Indigenous practices of farming into a dependent system of homogeneous production. These systems further perpetuate biodiversity loss, increased pesticide use, land use change and nutritional deficiency for humans and the planet.

Many of the proposals claiming to better improve systems of food and agriculture facing the climate crisis are not designed to deliver resources directly to communities. Instead, the violence of colonialism continues to surface by farming prescriptions that defer to Eurocentric science and the latest in Western technology. Indigenous Peoples’ knowledge, traditions, seeds, territories, and time-honored connection with the land are not safeguarded against the agenda of “Big Agriculture.”

The corporate, profit-seeking, development-minded focus of CSA and AIM for Climate stand at odds with the self-determination and land-use decisions of Indigenous Peoples’ food systems of hunting, gathering, farming, fishing and livestock herders and pastoral communities. Such market-driven solutions designed by agribusinesses and international financial institutions reinforce dominant forms of power that threaten Traditional Indigenous Knowledge and Indigenous food sovereignty.
AGRICULTURE AND FOOD

DEBUNKING MYTHS

WHAT THEY SAY

Regenerative agriculture promotes climate resilient practices, like cover-cropping, no-till, and organic farming.

Regenerative agriculture helps to sequester carbon in the soil, enhances biodiversity and farm-based conservation.

WHAT WE SAY

Traditional Indigenous Knowledge, regenerative agriculture and agroecological practices can improve soil health, conserve water, and enhance biodiversity.

However, on a large scale, regenerative agriculture is coupled with industrial methods, and can act as a con to incorporate engineered seeds and pesticides, monocropping practices, and other destructive agribusiness tactics alongside traditional methods.

Fundamental flaws plague the practicality of depending on corporate-backed regenerative agriculture as a means of climate mitigation.

Soil-carbon sequestration is always susceptible to reversal through weather, natural disaster, and land-use change. Current methods for measuring and monitoring soil carbon are inconsistent, designed to sell offsets, and are often estimated by satellites. Further, soil carbon offsets do not cut emissions at source and allow polluting industries to increase pollution.

The latest approach to corporate-driven regenerative agriculture is to introduce genetically engineered microbes into the soil. The biochemical industry has invested billions of dollars into engineering technologies that pose grave risks and uncertainties to the health of existing farmland.
## Debunking Myths

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<tr>
<th>What They Say</th>
<th>What We Say</th>
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<td>COP28’s “Regenerative Landscapes” initiative is an excellent program.</td>
<td>At COP27, calls were made for 40% of farms to practice RA by 2030. This year, the COP28 presidency, along with private interests including PepsiCo, Mars, Archer Daniels Midland, and Yara (chemical/fertilizer manufacturer) have crafted the new “Regenerative Landscapes” initiative which encourages large scale adoption of regenerative agriculture grounded in procurement and investment commitments.</td>
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<tr>
<td>CSA will lead to better outcomes for farmers and people.</td>
<td>CSA is a deceptive strategy promoted by governments, agribusinesses, and international financial institutions as a promising way for agriculture to combat the climate crisis. <strong>CSA acts as a smoke screen to promote carbon offsets.</strong></td>
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<td>The USDA’s Partnerships for Climate Smart Commodities will support farmers.</td>
<td>In the United States, the USDA’s Partnerships for Climate Smart Commodities has awarded billions of dollars to develop and scale CSA projects for national replication (think of these as pilot templates for others to use); the program has funded many projects, including grants to Exxon/Mobile, agrochemical companies Corteva and Bayer (Monsanto), and carbon market firm Truterra.</td>
</tr>
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</table>
REFERENCE LINKS

ARTICLE 6 PARAGRAPH 2

- Climate Finance, IEN, November 2022.
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- Submission to the Call for Input 2023 - Structured public consultation: Activities Involving Removals under the Article 6.4 mechanism, Aug 2023.
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DEBT SWAPS FOR NATURE AND CLIMATE


FOOD & AGRICULTURE

The people’s agenda:

- Climate Smart Agriculture, IEN’s Climate Justice Program Series
- A Guide to Six Greenwashing Terms Big Ag is Bringing to COP28
- ETC Group. 2022. Do Small-Scale Farmers and Peasants Still Feed the World?

The corporate agenda:

- AIM for Climate’s “Innovation Sprint” Project and Partner List
- USDA “Partnership for Climate Smart Commodities” Project List