



12 July 2012

Chris Lang  
www.redd-monitor.org

Dear Mr Lang,

This letter is in response to the posting you made yesterday on your website, reporting on a recent article in *Mozambique Bulletin* and other issues related to Envirotrade and the Nhambita Community Carbon Project. I wish you had contacted me prior to posting your report, because I would have been happy to provide you with information to correct some of the biased and inaccurate statements you have reported from your sources.

I think we probably agree that the environmental, economic and social challenges facing us around the world are daunting. My personal view is that we have made insufficient progress in addressing these challenges, despite the call to action made twenty years ago in Rio. I believe that we need to draw on the full range of actions possible from multilateral institutions, governments, NGOs and the private sector to make sustainable long-term progress, and I believe that market-based approaches – such as carbon offsetting – have an important role to play in this effort. I also believe that sustainable positive change can only be made in the developing world – or anywhere, for that matter – with the full and free participation of local communities. The old “top-down” models of development assistance have failed, and must be replaced by a new “bottom-up” approach.

It was these two beliefs – in the efficacy of market-based solutions and the importance of local community engagement – which led me to join Envirotrade just over three years ago. The company’s pilot project at Nhambita in Mozambique is a serious attempt to provide sustainable solutions for economic and social development while at the same time addressing climate change. It was established in Sofala Province in 2002 precisely because that region was the epicentre of the 17-year civil war in Mozambique, and the Nhambita project was intended from the beginning to serve as a vehicle for post-conflict reconciliation in that country. Today, the local smallholder farmers participating in the project are roughly equally divided between former Frelimo and Renamo fighters, who are now working together for a better future for themselves and their families.

Contrary to the conclusion offered in your report, the Nhambita project – now a part of the expanded Sofala Community Carbon Project – has not failed, and there are no plans to close it in 4 years. I suspect your sources may be

Envirotrade Group  
253 Gray’s Inn Road London WC1X 8QT United Kingdom

Registered in Mauritius with company number 085116C2/GBL

confusing the planned lifecycle of Envirotrade's involvement with an unplanned closure. When Envirotrade begins its involvement in a new project – even ones which are not set up like this one as a pilot – we make a commitment to remain for a period of 15 years in order to bring about permanent changes in the way local communities relate to their land and forests. This 15-year commitment is 3 to 5 times longer than the lifespan of the vast majority of NGO development projects. By the end of a 15-year involvement, we expect that the forest management and conservation agriculture techniques which we introduce will have been permanently absorbed by the participating communities. In the case of the Sofala Community Carbon Project, Envirotrade has been managing the project since 2002, with formal project launch in 2003. As you comment in your article, we sign 7-year agroforestry contracts with the participating smallholder farmers as one of the central activities of the project. Putting these elements together, unless a project will be expanded and the 15-year commitment extended, we will normally cease signing new agroforestry contracts after 7 or 8 years. This is why, as you report, we have not signed any new agroforestry contracts since the beginning of 2010. Allowing for a small number of temporary contract suspensions due to problems encountered by the participating farmers, we expect that the last of these 7-year agroforestry contracts will expire around 2017. In that sense, the Sofala pilot project is currently “winding down” in accordance with our longstanding planning. I should point out, however, that the REDD+ contracts we sign are for 10-year durations, and we expect that those activities will continue indefinitely as the new conservation agriculture techniques will mean that the communities will no longer have to resort to “slash and burn” practices which destroy the forest habitat.

You correctly state in your report that the Nhambita project has received much praise. Contrary to your supposition that this has been due simply to public relations activities by Envirotrade, however, I would argue that it is because the project is fundamentally praiseworthy. The Nhambita project has demonstrated that a project model based on grassroots community engagement really works. Among other commentators on the project, the Agreco Consortium final audit on the Nhambita pilot project for the European Commission – to which you refer – concluded that “The Project produced a substantial positive impact on the socio-economic development of the area, given the initial post-war conditions.” Furthermore, contrary to the impression left by your report, the final EC audit concluded that the project had met its overall objectives, and the full amount of the grant was released to the grantee, the University of Edinburgh.

Your report implies that the financial incentives and benefits received from the project by the participating communities have been small. The fact of the matter is that just in the 3½-year period of my personal involvement, since the beginning of 2009, Envirotrade has disbursed over US\$3 million for the operation of the Sofala Community Carbon Project. Of this amount, over US\$2 million has gone directly into the local communities in the form of

contract payments, wages for local project employees and payments for project materials (principally seedlings grown by locally-owned nurseries).

These amounts do not include other expenses incurred by Envirotrade in connection with other projects in Mozambique, or any activities outside Mozambique. You correctly report that Envirotrade has been able to cover only 42% of our Sofala project expenses with carbon offset sales revenues during this period. The financial shortfall, along with all other Envirotrade expenses, has been covered almost entirely by the personal generosity of Envirotrade's shareholder, Robin Birley.

The principal limitation on Envirotrade's ability to sell the carbon offset credits generated by the Sofala project has nothing to do with the project itself. It is the fact that forestry and land-use carbon sequestration activities have been relegated to the voluntary carbon market, which comprises less than 0.5% of the overall carbon offsetting market. As you know, this exclusion of forestry and land-use activities from the various compliance carbon markets is a result of concerted opposition by various groups opposed to market-based solutions to climate change in general, and to forestry carbon activities in particular. This is very unfortunate, in my view, because I believe it is clear that forestry and land-use activities are by far the best means of engaging with local communities in the developing world.

It is for this reason that I have commented more than once – as you correctly reported – that Envirotrade's business model of financing its grassroots community engagement projects with carbon offset sales remains to be proven. But this is not something which reflects badly on the project itself. The project model on the ground has been shown to be effective and sustainable due to its reliance on extensive community involvement. If we enjoyed greater access to the world's carbon markets, we would be able to finance these activities sustainably without relying on philanthropy. I think most observers would regard such an outcome as positive and desirable.

Finally, in connection with your comments on the BBC World News documentary "Taking the Credit", I would like to point out that the final BBC report on the matter concluded that the content of the documentary was journalistically balanced and of high quality. The report also states "In reaching this conclusion the Committee noted that there was no suggestion that the company had been aware of the relevant regulation or BBC guidelines when providing the sponsorship and there was no suggestion that the ACLT, Envirotrade or any personnel connected to the organisations had acted improperly."

Since my arrival at Envirotrade, I have made a point of engaging with critics of carbon offsetting in general, and forestry and land-use carbon offsetting in particular, because I believe these issues are important. I will be happy to exchange further views with you on these subjects, if you wish. At a

minimum, however, I hope you will give this response to your report full exposure on your website.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Hall'.

Charles J Hall  
Chief Executive