



GLOBAL FINANCIAL INTEGRITY



VOLUNTARY CARBON CREDIT MARKET IN COLOMBIA: AN ANALYSIS IN LIGHT OF TRANSPARENCY AND INTEGRITY

An Approach to REDD+ Projects

EXECUTIVE SUMMARY February 2025



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This executive summary reflects the main findings of the report “Voluntary Carbon Credit Market in Colombia: An Analysis in Light of Transparency and Integrity: an Approach to REDD+ projects” prepared by [Global Financial Integrity \(GFI\)](#), the [Center for Alternatives to Development \(CEALDES\)](#) and [Transparency for Colombia Corporation](#).

The report analyzes the voluntary carbon credit market in light of transparency and integrity, focusing specifically on ongoing REDD+ projects in the Colombian Amazon. It aims to identify potential corruption risks and provide recommendations to improve the current program and mitigate the consequences of irregular practices.

It does not seek to pass judgment on the effectiveness of the voluntary carbon credit market but rather to highlight potential risks and vulnerabilities while proposing well-founded recommendations to strengthen this mechanism’s transparency and integrity at the national level.

INTRODUCTION

Climate change poses a global challenge calling for coordinated actions to reduce emissions. Carbon credits are key instruments for achieving the goals set in the Paris Agreement. Given its biodiversity and forest reserves, Colombia participates actively in this market through REDD+ projects in the Amazon, which are made up of a regulated component and a voluntary one.

However, these projects have faced significant challenges, such as unclear rules for articulation with local communities and potential corruption risks. This document evaluates the voluntary carbon credit market in the Colombian Amazon, assessing risks and proposing improvements to enhance transparency and integrity. The methodology includes case reviews, risk assessments, and recommendations for improvement.

METHODOLOGY

Context analysis and case selection: The Colombian carbon market, specifically REDD+ projects in the Amazon, was analyzed through the review of regulations, media reports, and other sources. Community testimonies and legal documents were studied to identify irregularities in transparency and integrity. Nine representative cases were selected based on technical and geographic criteria.

Case analysis and characterization: The nine cases were evaluated concerning their location, stakeholders, conflicts of interest, and value. Transparency and integrity risks were identified throughout the REDD+ cycle, with each case analyzed under four categories: access to information, institutionality and governance, checks and balances, and anti-corruption measures.

Validation and formulation of recommendations: The risks identified were validated through semi-structured interviews with key market stakeholders, including companies, trade associations, civil society organizations, and journalists. Based on the analysis and validation, recommendations were developed to promote transparency and integrity in REDD+ projects within the voluntary carbon credit market in Colombia.

RISK ANALYSIS AND MAIN FINDINGS

1 ACCESS TO INFORMATION

- 1. Lack of a public and official channel that disseminates centralized information about Greenhouse gases (GHG) mitigation initiatives in Colombia:** The Colombian Registry for Greenhouse Gas Emission (RENARE for its acronym in Spanish), while created to centralize information on REDD+ projects, has had an intermittent operation since 2020 because of regulatory issues. While Law 2294 of 2023 regularized the legal status of the system and reinstated its operation until mid-2024, these interruptions have limited access to key information about the projects and their verification.
- 2. In its current form, RENARE does not address the issues of access to information within Colombia's carbon credit market:** Its role is limited to being a repository for validating the accuracy of data from projects such as REDD+, which does not ensure legal security. However, there are no mechanisms to annul projects with irregularities either, which increases the risk of territorial conflicts, financial crimes, and impacts on Validation and Verification Bodies (VVB's) and buyers. Stakeholders may purchase credits that fail to meet standards, thereby undermining transparency and effectiveness in emission mitigation efforts.
- 3. Opacity in project information on developers' platforms, certification standards, and VVBs:** REDD+ project development faces limitations in access to reliable accurate information, due to the scattered management of data by the involved parties, certification bodies, and independent platforms maintain fragmented records without adhering to minimum transparency standards. This results in a proliferation of poorly integrated reports and systems. Furthermore, the information, often highly technical, is subject to the discretion of each certification program, making it difficult to access and comprehend.
- 4. Confidentiality clauses in contracts held with indigenous reserves:** Negotiations between development companies and indigenous communities are conducted under private law, allowing companies to invoke confidentiality clauses that limit access to information. This has created irregular conditions in the negotiations,

where communities, lacking experience in these matters, have been unable to fully understand the terms of the agreements. Additionally, some communities have been unable to legally challenge the contracts due to a lack of access to information. This situation negatively impacts transparency, oversight, and monitoring by institutions and civil society.

- 5. Lack of a standardized dissemination framework to ensure communities' access to information:** Deficiencies in the dissemination of information have been identified, which complicates access and understanding for communities. According to the Constitutional Court in its Ruling T-248 of 2024, many communities, such as those in Pirá Paraná, Vaupés, reported that projects were not properly approved by traditional authorities due to insufficient communication. Furthermore, it was observed that indigenous leaders, even after signing contracts, did not fully understand how carbon was captured and sold from their territories. The lack of clear standards for information dissemination has enabled some companies to engage in irregular practices, undermining collective governance and the rights of indigenous communities.



- 1. Lack of clarity in regulation, application, and monitoring of social and environmental safeguards:** Safeguards are essential to ensure that projects abide by the rights of communities and minimize social and environmental risks. While Colombia has made progress in establishing safeguards, there is still no binding regulatory framework or clear procedures to address non-compliance. Despite efforts by the State, specific rules and effective enforcement mechanisms are lacking. This legislative gap could enable corrupt practices and disadvantage local communities by failing to guarantee respect for their rights or adequate monitoring and control of REDD+ projects.
- 2. Lack of regulatory and institutional provisions ensuring Free, Prior, and Informed Consent (FPIC), or alternatively prior consultation, in REDD+ projects:** Safeguards in REDD+ projects must ensure the fundamental rights of ethnic communities, such as Free, Prior, and Informed Consent (FPIC). In Colombia, prior consultation is a fundamental right designed to protect the autonomy of communities from projects that may impact their territories, while FPIC goes further by requiring explicit consent before initiating any project. Although the Constitutional Court's jurisprudence has raised questions about the application of prior consultation when communities are project partners, in many REDD+ cases in the Colombian Amazon, this process has not been activated, nor has FPIC been ensured. The lack of a clear and standardized protocol to guarantee consultation in these projects creates a risk of rights violations.
- 3. Lack of a differential ethnic approach in REDD+ project negotiation and implementation:** In Colombia, REDD+ projects legal and economic structure is based on civil and commercial law. This has led companies to presume that the legal representatives of indigenous reserves can make binding decisions on behalf of the entire community, disregarding their right to self-governance. Furthermore, cases have been documented where contracts between indigenous communities and companies are presented in languages foreign to the community.

This violates their right to clear and accessible information, as mandated by both national and international legislation. The jurisprudence of the Constitutional Court emphasizes the importance of providing information in indigenous languages, which is not only a right but also a fundamental requirement to ensure their effective participation in these processes.

- 4. Lack of regulation defining VVBs' procedures, controls, and oversight mechanisms:** Decree 926 of 2017 establishes that the Verification Bodies (VVBs) must operate under international standards. However, the Ministry of Environment and Sustainable Development (MADS) acknowledges that the lack of clear rules regarding the independence of VVBs has led to conflicts of interest, as these entities may be potentially selected and paid for by project developers. This could undermine the objectivity and transparency of evaluations. For this reason, the Constitutional Court has highlighted the lack of due diligence by companies and certifiers. Furthermore, the absence of an ethnic differential approach in REDD+ projects emphasizes the need to establish specific standards to ensure compliance with regulations and strengthen transparency.
- 5. Lack of specific criteria to ensure additionality in GHG mitigation initiatives:** The concept of additionality is essential for ensuring the environmental integrity of the carbon credits market, as it refers to the requirement that the mitigation benefits of a project must be "additional" to what would have occurred without its implementation. However, evaluating additionality presents significant challenges due to the intangibility of carbon, making it difficult to measure and verify the actual benefits of the project. Investments in emission reductions are susceptible to manipulation, such as inflating emission estimates or exaggerating the effectiveness of reductions. The lack of transparency in the distribution of resources and inadequate monitoring also increases the risk of fund embezzlement and highlights the need for more robust external systems to assess the impact and financial oversight of REDD+ projects.



- 1. Lack of external mechanisms for monitoring and auditing the allocation of resources obtained from REDD+ projects:** One of the main issues in the implementation of REDD+ projects in the Colombian Amazon is the lack of traceability in the flow of financial resources and their distribution among indigenous communities. While national safeguards require a fair distribution of the benefits generated by deforestation reduction actions, there are no binding regulations to ensure compliance. The case analysis shows that communities do not have clear mechanisms to verify the market value of carbon credits (CRE) or to identify the final buyers, making it difficult to ensure that they receive their fair share of the benefits.
- 2. Lack of regulation that defines mechanisms of oversight, control, and penalties:** As of today, Colombia lacks a clear penalizing regime on REDD+ project non-compliance. This makes it difficult to effectively implement these mitigation mechanisms. However, the current administration has shown interest in regulating the market, acknowledging the need to prevent bad practices and promote sustainable economic alternatives in collaboration with local communities. The lack of regulation generates risks of corruption, particularly in projects involving indigenous communities, whose exercise of authority should be supported by public law.
- 3. Conflicts of interest and low self-regulation culture among market actors:** At COP 28, several organizations highlighted the need for an international regulatory framework to protect communities and the environment in carbon projects. As mentioned in the report, it is important to address both areas, since key private stakeholders mainly focus on generating credits. This lack of self-regulation has led to the proliferation of intermediaries, known as “carbon cowboys,” who operate without properly integrating communities, resulting in social conflicts and diminishing the environmental and social impact of the projects. Both NGOs and communities have reported these irregular contracts.

4. Challenges faced by communities to receive legal support and access to justice:

Indigenous communities face limited access to justice in REDD+ projects due to a lack of adequate information, confidentiality clauses, and the perception of inaccessibility to legal advice. The novelty of the voluntary carbon credit market and the private nature of relationships with companies further complicate the situation, especially because judges often lack experience in ethnic, environmental, and territorial rights issues. Geographic isolation, language barriers, and cultural differences also hinder communication, creating an asymmetry that disrupts the balance in relationships between communities and companies.



1. The limited reach of citizen and institutional reporting mechanisms:

Certification programs in carbon projects must make channels for reporting irregularities publicly available, but these are rarely used. At the institutional level, there is no specific mechanism for individuals and communities to request information or report problems in the private carbon credit market. The current channels provided by the Ministry of Environment are general and not tailored to these cases. While the 2021 Climate Action Law grants the Ministry certain control powers, adequate procedures have not been implemented to ensure timely and culturally appropriate access to these channels.

2. Lack of traceability mechanisms for CREs:

The intangibility and decentralization of carbon credits (CRE) make it difficult to trace their origin, which is crucial for buyers seeking to mitigate emissions or avoid the carbon tax through the exemption mechanism as established in Decree 926 of 2017. The lack of traceability and transparency in this market increases the risk of money laundering and tax fraud, as criminals could use CREs to legitimize illicit income. Additionally, market opacity facilitates the sale of low-quality credits without any verification incentive from buyers. The International Criminal Police Organization (INTERPOL) and experts warn that this situation may reduce the effectiveness of carbon programs in addressing climate action.

- 3. REDD+ projects execution in high conflict areas:** REDD+ projects in the Colombian Amazon face additional risks due to the presence of illegal armed groups that may attempt to control territories and exert pressure on companies and private projects. These projects, developed in conflict zones with high financial speculation, increase the risk to environmental leaders. Therefore, it is necessary to strengthen protection mechanisms to ensure the safety and sustainability of REDD+ projects.

SOME RECOMMENDATIONS

- The Ministry of Environment should incorporate technical verifications of information into the RENARE, establish interoperability mechanisms with systems such as the Colombian Environmental Information System (SIAC), and implement a geographic viewer to track overlaps and prevent double counting. Additionally, it should include data confirming compliance with social and environmental safeguards, and with ethnic communities' rights, thus ensuring their usefulness and transparency for the community.
- The State should implement a public information policy on the carbon market that ensures transparency, regulates confidentiality provisions, and sets in place a monitoring body that ensures project information is communicated clearly and in an accessible way to communities.
- Project-developing companies should provide communities with timely and clear access to contracts, translated into indigenous languages, and ensure transparency in the allocation of resources, in order to guarantee publicly available information on the real benefits to communities.
- The State must implement binding obligations for the detailed economic disclosure of REDD+ projects, integrating information from RENARE and the National Registry of Issued Securities to facilitate monitoring. Companies, in turn, should promote financial transparency, develop governance mechanisms in collaboration with local communities, and ensure that these communities participate in decisions regarding the certification and commercialization of carbon credits (CRE).
- Establish protocols for a fair allocation of resources with a gender perspective, and receive training in auditing and finance, in collaboration with international cooperation and the State, to improve monitoring capacity in REDD+ projects.

- Establish a mandatory framework for REDD+ projects that ensures effective monitoring and control through defined roles for supervision, transparency in information and accounting, compliance with environmental and social safeguards, and criteria for independence and conflict of interest management, ensuring that all relevant information is publicly accessible.
- To set in place a public disclosure mechanism for conflicts of interest covering all stakeholders, including directors, board members, suppliers, advisors, and third parties, along with an accessible procedure for the public. This mechanism should define the conflict of interest, the situations that trigger it, the frequency of updates (at least annually), and a tracking system with designated validation responsibilities. The declarations must be publicly available, and—in the case of Politically Exposed Persons (PEPs)—should include a statement of their status when forming companies related to the development, verification, or auditing of these projects.