SPECIAL PROCEDURES
UNITED NATIONS
HUMAN RIGHTS COUNCIL

RETHINKING CARBON CREDITS ACCORDING TO INTERNATIONAL CLIMATE AND HUMAN RIGHTS OBLIGATIONS

Summary of the Report of the Special Rapporteur on the promotion and protection of human rights in the context of climate change, Elisa Morgera

A/81/217

Read the full report at
https://docs.un.org/en/A/81/217

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Introduction

Carbon market credits have been promoted as a cost-effective way to mitigate climate change while mobilizing additional finance for climate-vulnerable countries. However, growing evidence shows **they are not serving these purposes**.

Persistent, structural problems allow even well-designed rules to be routinely circumvented.

- When they faily to deliver on promised mitigation, they allow for increased greenhouse gas emissions, giving raise to serious concerns of **intergenerational and intragenerational equity.**
- There is a pattern of repeated violations of the **human rights of Indigenous Peoples, peasants** and other rural communities least responsible for the climate crisis. These harms are cumulative with those already caused by extractive industries, while access to remedy remains inadequate.
- Despite incremental reform over many years, carbon credit markets remain fundamentally misaligned with the best available science and international climate and human rights obligations. This undermines **everyone's human right to a healthy environment.**
- At the global level, decision-making under Article 6 of the Paris Agreement has proceeded with protracted negotiations over civil society access. Transparency deficits contribute to systemic informational asymmetries that undermine the **right of access to information** for all, weakening opportunities for democratic control and accountability.



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Mitigation Effectiveness

The mitigation effectiveness of carbon credits **remains unclear**. States could be in violation of their obligations to prevent significant environmental harm by relying on, or allowing companies to use, carbon credits that do not effectively lead to mitigation.

- **Counter-incentive structure**: carbon credit markets incentivize volume over integrity. Cheaper, low-quality credits are systematically favored over rigorous ones.

- **The fallacy of equivalence**: carbon credits reduce diverse ecosystems and industrial processes to a single metric - tons of CO_2 equivalent - despite qualitative differences between carbon types, location and storage timescales.

- **Delaying action on defossilization**: three-quarters of the top 50 companies that use carbon credits are major fossil fuel producers and car manufacturers. The use of carbon offsets to portray fossil fuels as clean or carbon neutral contributes to mitigation deterrence and disinformation.

- The **mitigation potential of negative emissions technologies** is frequently overestimated because these technologies are currently not deployable at scale; and they're energy-intensive.

- **Additionality vs ambition**: the requirement that carbon credits fund only additional climate action rewards regulatory weakness and discourages the progressive strengthening of Nationally Determined Contributions and national legislation.

- **Lack of transparency** is a recurrent concern, undermining the rights to information, science, participation in decision-making, access to justice and a healthy environment, and shielding corporate buyers and intermediaries from scrutiny.

Finance, Technology and Equity

Generating finance for climate action is part of the basic rationale for carbon market credits. However, the UNFCCC's new collective quantified goal on climate finance **does not recognize carbon credit revenue as climate finance**.

They therefore **cannot be used as a substitute for developed States' binding obligations** to provide finance, technology and capacity-building to developing countries.

In 2023, carbon credits generated **only 1.3 percent of the foreign direct investment** received by the world's Least Developed Countries. In addition, there is a concerning **lack of evidence that technology transfer** extends beyond "hardware" to include skills development or management systems.

A growing body of academic literature cautions against **neocolonialism**: major emitters meet climate targets at a lower cost through market transactions, shifting mitigation burdens and associated social and environmental risks onto less powerful States that are most affected by climate change and least responsible for it.

Serious **intergenerational equity concerns** also arise due to the fact that carbon credits overlook historical responsibility while falling short of ensuring effective mitigation.



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Who is Benefitting?

Carbon credits disproportionately **benefit the businesses most responsible for climate harm,** not States and communities at the frontline of climate change.

Land accumulation: One in four carbon offsets undermines customary land tenure and leads to unresolved land conflicts and environmental harm.

Financial speculation: In 2023, 9 out of 10 intermediaries did not disclose fees. Final buyers were identifiable for only 55% of retired credits.

Greenwashing and fraud: 87 per cent of carbon credits retired by the top 20 companies between 2020-23 carry a high risk of failing to deliver real reductions

Growing corporate power concentration: "carbon aggregators" use their accumulated knowledge from multiple projects to navigate complex carbon markets. They are integrating vertically with fossil fuel companies.

Big tech is a major investor in carbon-removal credits while also often supplying essential infrastructure, raising concerns around conflicts of interest.



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Ultimately, this report calls for an **urgent reassessment of carbon credits** in light of the ICJ Advisory Opinion on States' climate obligations:

- Which States are engaging in carbon markets without having taken all the means at their disposal to protect the climate system?
- How much public finance has been invested in carbon markets? And how much private finance has been mobilized?
- To what extent carbon credit markets systematically fail to deliver mitigation?
- Which projects and circumstances support fossil fuel dependence?
- Under which conditions, can they provide sufficient guarantees of effective protection of the climate , biodiversity, soil, ocean and human rights?

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Recommendations for States

Individually and as part of international cooperation, States should:

- **Prioritize deep emissions reductions and defossilization** over purchasing credits abroad.
- **Prohibit the purchase of low-cost, low-integrity carbon credits**.
- **Discontinue credit categories that perpetuate systematic failures** to ensure mitigation, defossilization in energy and food systems or protection of human rights.
- Use all available legal means to **ensure transparency, assess cumulative human rights impacts and address speculation, market abuse, land accumulation and conflicts of interest** in carbon credit markets.
- **Establish corporate liability** for human rights violations, including extraterritorial ones, linked to carbon credits.

Historically high-emitting States should explore carbon credits as a form of climate reparations, funding defossilization, ecosystem restoration and community-led renewable energy and agroecology. Priority support should go to projects led by Indigenous Peoples, peasants and women.

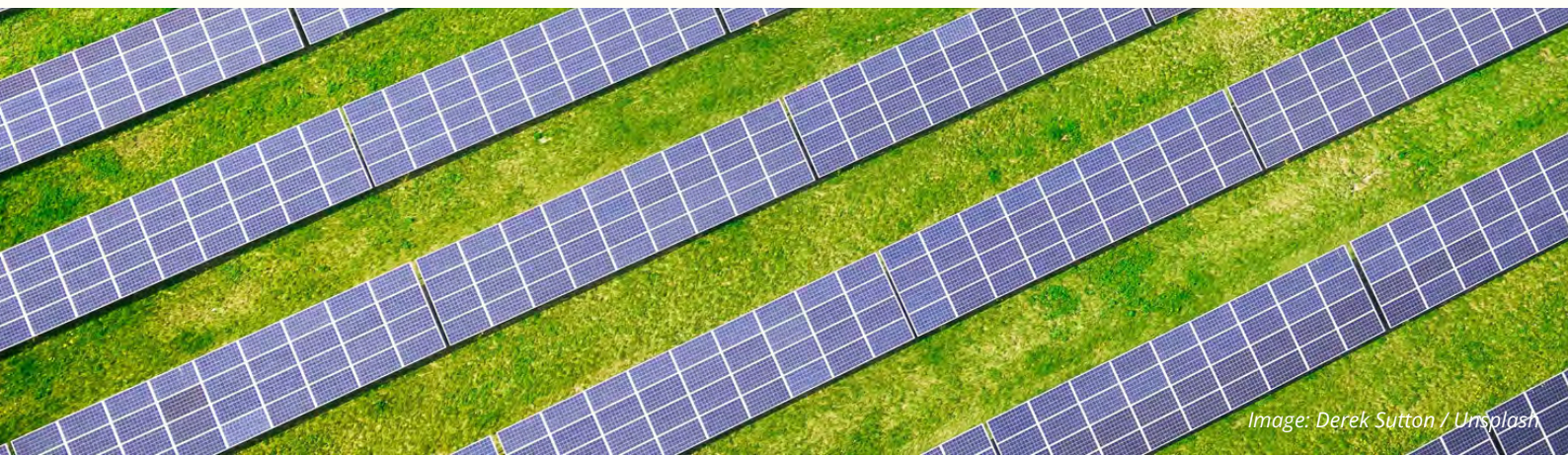


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Recommendations for Businesses and Investors

Prioritize direct emissions reductions within their own operations over reliance on offsets.

Refrain from credits that **prolong fossil fuel dependency or risk foreseeable human rights harm**.

Refrain from exercising **undue influence on decision-making processes**.

Ensure timely, effective and culturally appropriate **access to information**.

Separate financial incentives from certification and from issuance functions.

This report calls for an urgent and fundamental reassessment of carbon credits in light of the International Court of Justice's 2025 Advisory Opinion on States' obligations of States in respect of climate change.

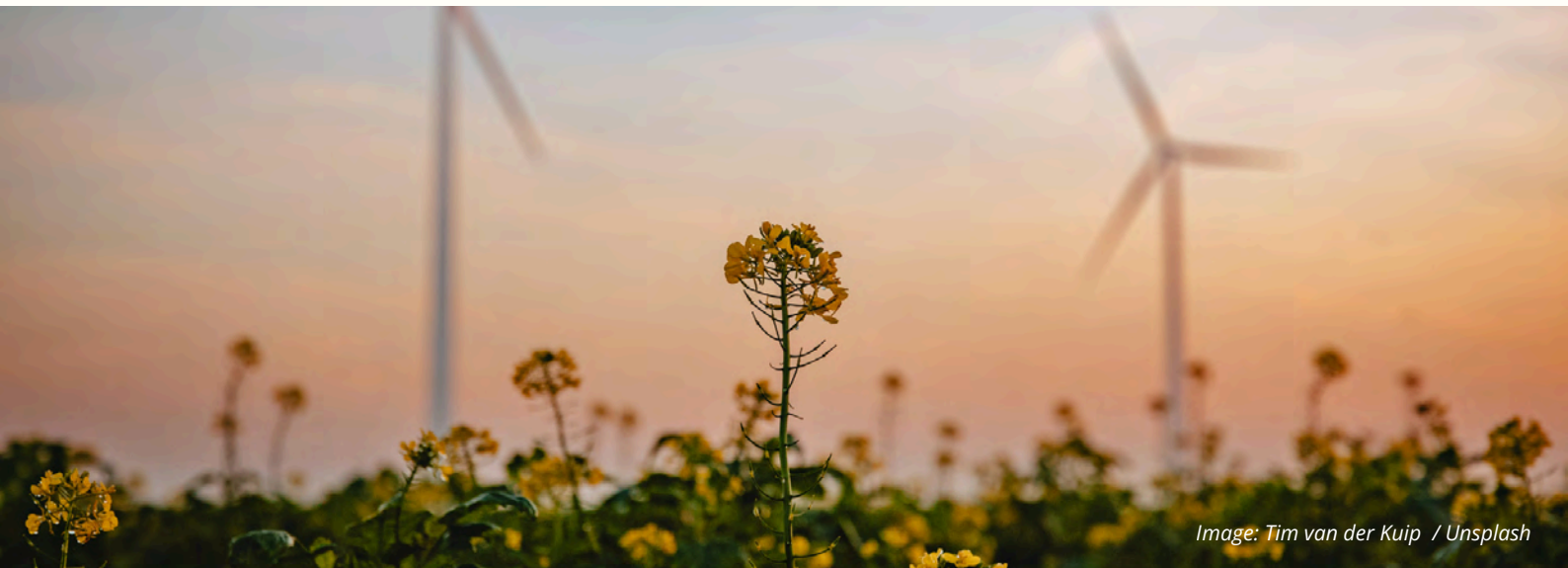


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