



NAKAU

ANNUAL REPORT

2022–2023



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Who are we?

Protecting and restoring ecosystems begins with people. This is why Nakau puts Indigenous Peoples and the rights of customary landowners first.

Nakau is a leader in sustainably financed, Indigenous-led ecosystem protection and restoration. Our focus is on growing high-integrity carbon and nature projects.

We are committed to transparency and collaborating with the people and communities where projects take place. Our practitioners work with experienced partners in-country to deliver projects that are good for people, nature, culture and climate.

Nakau respectfully acknowledges the Traditional Owners and custodians of the lands where we work — both in Australia and across the Pacific region. We thank them for the care they take of Country, forests, rivers and oceans.



Our values



We ensure Indigenous communities retain rights and power over their land, and maximise benefits for everyone.

- Strengthen participation of women and all community members.
- Support Indigenous-led development that values local objectives, partnership and self-determination.



We help people protect and restore their ecosystems, and build nature-based resilience to climate change.

- Be ambitious, urgent and adaptive.
- Invest in actions that are proportionate to the biodiversity and climate change challenges.



We support equitable conservation carbon credits that deliver measurable and effective core benefits.

- Deliver effective outcomes with integrity.
- Ensure benefits are distributed transparently and fairly — and that they support nature and people.

SUPPORT PEOPLE | PROTECT FORESTS

Message from our CEO

Robbie Henderson

It is sobering news that the past eight years have been the warmest on record. Our collective efforts to tackle climate change have never been more urgent, and over the past 12 months Nakau — along with our partners — have continued to increase efforts to deliver solutions.

Thankfully the debate has moved beyond if climate change is happening and is focused on how we should respond. When considering the best solutions, it's worth taking a step back and reminding ourselves why climate change is a problem. The challenge manifests in the impacts on people and how our health, access to food and the natural ecosystems we value and rely on are affected.

Climate solutions should provide benefits, strengthen resilience and do no further harm to the same things we seek to protect.

Nakau's approach can be described as a nature-based solution. We actively offer Indigenous customary landowners the tools and support to secure land and resource rights, protect and restore natural ecosystems, and participate in a global environmental market. Our approach also ensures benefits generated from these efforts are reinvested by landowners to sustain livelihoods and overall wellbeing.

At times the effectiveness of nature-based solutions and a market-based approach has been questioned. Specifically, the integrity of carbon offsets and whether communities truly benefit. This is healthy and welcomed because scrutiny — when grounded in evidence — leads to improvements and greater effectiveness.

Our team at Nakau are deeply committed to doing this work well, and we reflect on our practice and evaluate our impact. Our finding is that the answers to questions of offset integrity and community benefit depend on the design of programs and the systems that support them. We believe Nakau's work is highly effective and more important than ever as an example of how carbon projects produce genuine benefits for Indigenous communities. We also observe carbon markets and global standards responding in positive ways to scrutiny.



Robbie with Sirebe ranger Kavi Pitatamae. Photo: Michael Dyer/Nakau

In the past year, Nakau has seamlessly transitioned to the higher-integrity standards now required under Plan Vivo Climate, and which has achieved accreditation with the International Carbon Reduction and Offset Alliance. The forests we help people protect are very clearly threatened and emissions reductions are genuine.

While logging threats vary from location to location, the fact remains that more than 420 million hectares of forests were destroyed between 1990 and 2020. More than 90% of this occurred in tropical countries, along with associated emissions and depletion of natural carbon sinks.¹

Nakau employs a participatory co-design process in developing projects with communities, and ensures the customary landowners remain the carbon-rights holders. Our role is to provide the methodologies and services that help landowners realise their own projects. This approach of deeply respecting and allowing communities to determine how they participate is paying dividends.

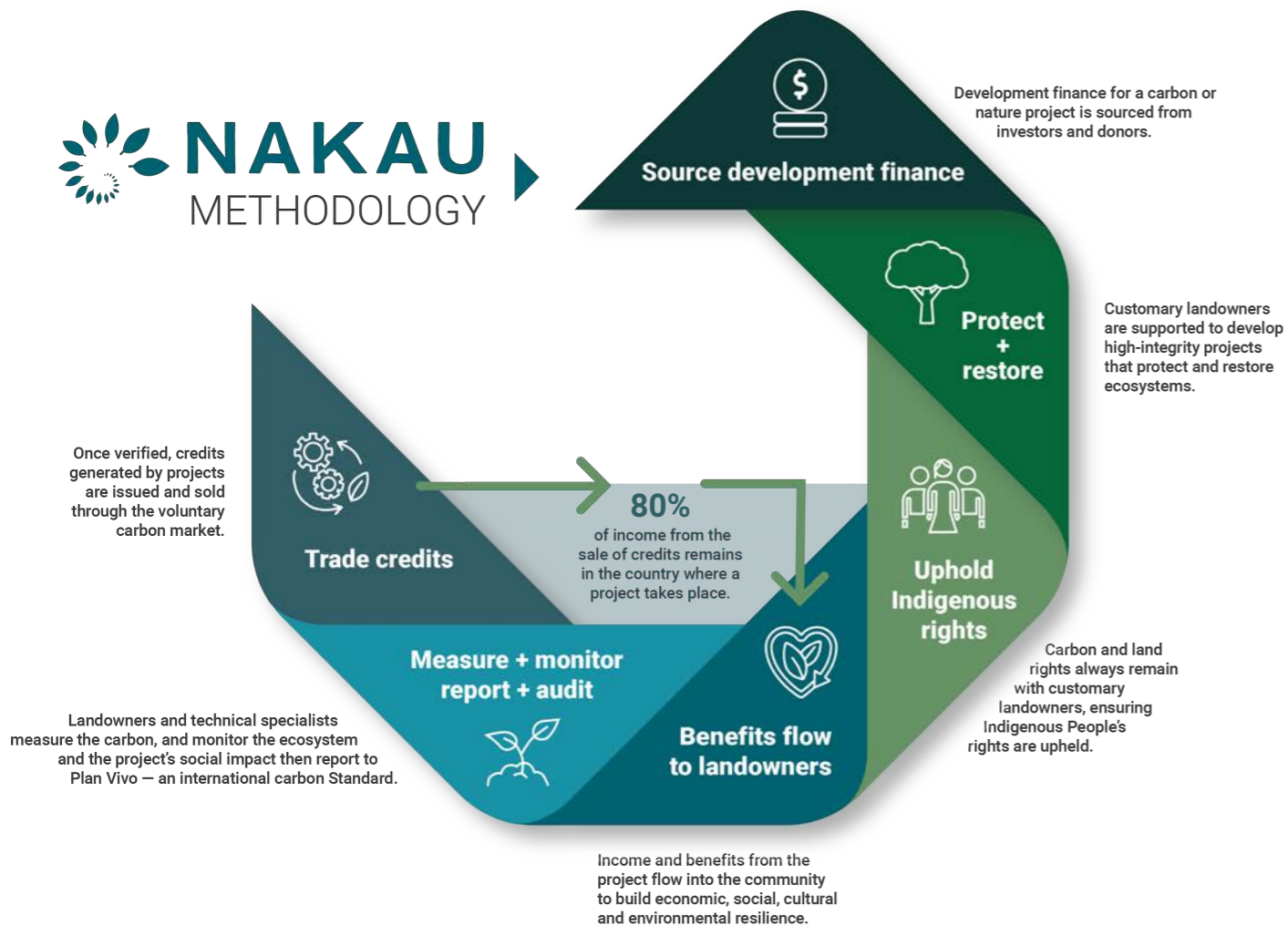
This annual report contains examples of how Nakau's projects and partnerships are having a positive impact. We operate at the nexus of development and sustainable enterprise. We will continue to grow, learn and contribute solutions that work. I would like to extend a thank you to our key partners and communities and hope you enjoy reading our stories here — or on our website: www.nakau.org

1. IPCC Sixth Assessment Report: Impacts, Adaptation and Vulnerability. Cross-Chapter Paper 7: Tropical Forests.

How we work

Our approach uses the Nakau Methodology – a unique toolkit that guides Indigenous and customary landowners to establish their forest and land stewardship as a pathway to producing carbon credits. These high-integrity credits are sold to ethical buyers and reinvested in local initiatives that support the cultural, social and environmental goals of Indigenous communities.

The Nakau Methodology includes a process for genuine locally-led project ownership, governance, participation, benefit sharing, management, implementation and monitoring and reporting. The relationship between Nakau and landowners is a collaboration that helps manage risks and optimise conditions for a successful project.



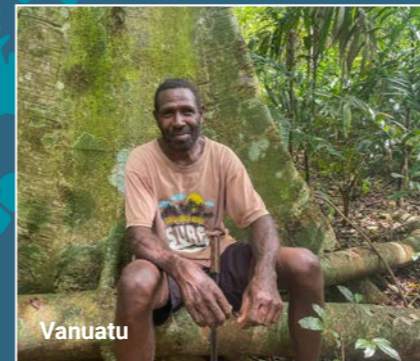
Where we work

Nakau works with Indigenous communities across the Pacific Islands to develop community-owned carbon projects that are good for forests, people, culture and climate resilience.

We have three successful carbon projects that are trading on the voluntary carbon market. These are on Choiseul in Solomon Islands, East Santo in Vanuatu and Vanua Levu in Fiji.

We are also developing new projects in collaboration with local partners and communities across Vanuatu, Solomon Islands, Samoa and Papua New Guinea.

We partner with local NGOs and governments, and work within local governance systems to ensure all projects are owned by the customary landholders.



Above: Treasury Island tree frog in Sirebe Protected Area. Photo: Douglas Jnr Serthiac member in Loru Community Conservation Area. Photo: Marian Reid/Nakau Edge of Drawa village. Photo: Rob Rickman



Padezaka Tribe members map how they wish to share carbon income benefits.
Photo: Michael Dyer/Nakau

Project spotlight

BABATANA RAINFOREST CONSERVATION PROJECT

The Babatana Rainforest Conservation Project is growing. Once just the Sirebe Tribe who spearheaded forest protection through conservation carbon in Choiseul Province, the Babatana project now includes Siporae, Vuri, Padezaka, Garasa and Lukulombere – each tribe working to protect forests and engage in sustainable community development.

This year has seen Siporae and Padezaka take the final steps before verification under the new Plan Vivo Climate Standard. Across Babatana, a total of 6,863 hectares of rainforest is currently legally protected with more tribes working to establish official protected areas.

The success of the Babatana Rainforest Conservation Project lies with the deep commitment from customary landowners we work with. It is also the tireless efforts of our local partner Natural Resources Development Foundation (NRDF) who work alongside communities and ranger groups. We are also thankful to the New Zealand Ministry of Foreign Affairs and Trade who support Padezaka, Vuri and Garasa as part of the *Community Financed Forest Carbon Project*.

UPDATES FROM BABATANA: 2022–2023 ACTIVITIES

A big 2022–2023 focus for the Babatana Rainforest Conservation Project was to develop and submit updated project designs to bring Siporae and Padezaka Tribes to verification stage with the Plan Vivo Standard v5, now known as Plan Vivo Climate.

In 2022, Nakau visited the Babatana projects, meeting with each Tribal Association to discuss priorities and gather data to inform the project designs, submitted in 2023. We also developed a new national project design that will enable the Nakau Methodology to be scaled more efficiently in the Solomon Islands.

Project design descriptions – known as PDDs – are the springboard from project development to verification. They are designed by the carbon standard and are rigorous

assessment criteria to ensure projects have integrity and deliver real emissions reductions and fair benefits.

In March 2023, the Plan Vivo Foundation – their CEO, Program Manager and Communications Manager – visited the Babatana projects on Choiseul Island. They met with landowners from Padezaka, Sirebe, Siporae, Garasa and Vuri to exchange information about the projects on the ground, the voluntary carbon market and purpose of Plan Vivo Climate.

To support this work, our Forestry Ecosystem Specialist completed an additionality assessment for the Babatana project sites. Analysis determined the project activities are additional in accordance with the Plan Vivo Climate requirements – meaning there are no barriers to the baseline forest threat (logging) but there are barriers to the project activity (forest protection) without a carbon project.

Ranger training

Two major forest inventories were conducted in the eligible forest areas of Padezaka Tribe and Vuri Clan to determine carbon stocks. More than 39 Padezaka and Vuri rangers were involved in the surveys, joining training sessions and conducting measurements in the forest. The surveys were a collaboration between landowners, NRDF, Nakau and the Ministry of Forestry and Research (MoFR). Following the training, Vuri rangers spent two weeks in their protected area conducting a formal forest inventory.

Among the Padezaka and Vuri customary landowners, 24 people were also trained in forest and biodiversity monitoring – including five women from Vuri Clan. The Padezaka rangers put their skills into practice and successfully carried out monitoring activities across one-third of their eligible area. A follow up participatory workshop was also held with Padezaka rangers to design the forest transects and next stage of biodiversity monitoring.

Participatory workshops and new projects

Nakau and NRDF facilitated a four-day workshop in Sasamunga for Padezaka community members on

fair benefit sharing from carbon income. More than 42 participants attended the workshop. Twelve participants were women who actively contributed to the benefit-sharing and financial plan. Through the participatory process, the Padezaka Tribe drafted their benefit-sharing priorities and model.

Garasa Tribe is the latest landowner group to join the Babatana project. Their project area has been mapped by NRDF, and a protected area application submitted to the Ministry of Environment, Climate Change, Disaster and Meteorology (MECDM). An objection from a neighbouring tribe on the project area was also resolved by Garasa, NRDF and MECDM who worked together to adapt the protected area boundary map and ensure the neighbouring tribes' concerns were heard and addressed.

PROJECT IMPACT

- More rangers across the Babatana project have been trained in monitoring and fieldwork so they can deliver their own carbon project according to the Plan Vivo Climate requirements.
- Women are being included in training and ranger roles and have more voice and visibility. Five women from Vuri were trained this year, with three taking up formal ranger roles. Twelve women attended Padezaka benefit-sharing workshops.
- Customary land and healthy Pacific rainforests belonging to Sirebe, Siporae, Padezaka Tribes and Vuri Clan continues to be monitored and protected by a team of experienced forest rangers.
- **6,863 hectares** of rainforest is legally protected.
- **108,895 tonnes** CO2 verified emissions reductions since the project commenced.
- **17,423** carbon credits are generated each year.
- **6000+** community members supported to protect rainforests and develop alternative incomes.



Plan Vivo visit Sirebe Protected Area. Photo: Wilko Bosma/Nakau



Padezaka financial planning workshop. Photo: Robbie Henderson/Nakau

A lightning rod for others

Conservation and sustainable livelihood outcomes grounded in tribal decision-making, bring a model of climate justice to life in real and tangible ways — as the University of Queensland recently witnessed in Choiseul.

*Written by Professor Kristen Lyons and Dr Peter Walters.
This excerpt has been edited and reprinted with permission.*

The Solomon Islands, like all other Pacific Island nations, are on the frontline of climate change impacts. Rising sea levels, increasing cyclones and other extreme weather events threaten a way of life. Yet they also find themselves as a leader in carbon project innovation as a nature-based solution to some of the challenges they face.

In Choiseul Province, the Babatana Rainforest Conservation Project provides a case study that can inform ethical and sustainable carbon project development elsewhere.

Babatana's tribal lands include the last untouched primary lowland and river rainforest in Choiseul Province. It is home to a rich diversity of plants and animals, and it contains many sites of cultural significance.

More than 90% of the Sirebe Tribe, for example, relies directly on forests, rivers, streams and land for life and livelihoods.

Protection of Sirebe tribal lands from logging and other damaging land-use practices is a key priority.

Collective agreement-making is vital to success

The Sirebe Tribal Association has led a long-term community consultation process to build broad support for protecting their lands. The outcome of this process culminated in the registration of 856 hectares of tribal lands as a Protected Area in 2019. They joined the Babatana Rainforest Conservation Project that same year, and by 2021 had begun to generate income from the sale of carbon credits.

It must be noted that the initial driver was the protection of their tribal lands. The generation of an income from carbon has provided an additional benefit that was only possible due to conservation outcomes from protecting their forests.

To achieve this success, the Sirebe Tribal Association's consultation process included numerous community meetings to inform landowners about the benefits of protecting tribal lands, and to foster a dialogue about the terms of any protected area agreement with the Solomon Islands Government.



Sirebe rangers hosting students from the University of Queensland.
Photo: Peter Walters/UQ

In explaining this rich and long-term process of agreement-making, one Tribal Association representative explained: "It is only together we grow. To be successful we need to consult everyone."

Of significance, young people attended meetings, ensuring those with a key role in determining the long-term viability of the project were involved from the start.

Together, the Sirebe Tribal Association has achieved legal Protected Area status with a designated category of Resource Management Area over their tribal lands. This continues to allow controlled access that supports sustainable food security and livelihoods, and other development needs of customary landowners and dependent communities.

More than a carbon project

Globally, carbon projects without integrity can enable heavy emitters to pass on their responsibilities to others. When this happens, communities involved in those carbon projects may be caught up in the pressure of compliance with global carbon market rules and requirements, foregoing their rights and interests. This was not the case at the Babatana Rainforest Conservation Project.

What is striking is how this project is about so much more than carbon credits — including activities that ensure direct and immediate benefits to diverse local communities. At its heart, the Babatana project centres the protection of rich biodiverse rainforests, and in so doing, the future of the tribe's way of life. Through its support for healthy water systems and diverse habitats, the project can directly support local sustainable livelihoods.

The income that has now started to be realised via the sale of carbon credits is being directed into priority areas, including infrastructure, education and livelihood activities, all identified by the Sirebe Tribal Association themselves. The creation of business opportunities — including a mechanical workshop — has also made way for local work opportunities and services. Through the Women's Savings Club, women are also directly benefiting with access to finance and training programs.

Members of the Sirebe Tribal Association have secured paid local employment as forest rangers. Young people are volunteering with the project and are now able to see themselves as having a future within their village and leading the ongoing conservation of their tribal lands.

A form of climate justice

The Sirebe Tribal Association provides a model for local governance and decision making to guide sustainable livelihood development that is inspiring others. Nearby, the Padezaka, Vuri and Siporae Tribal Associations have also reached legal Protected Area status, as well as pre-requisites for entry into the voluntary carbon market.

For these groups, their actions are not motivated by the promise of income from carbon. Rather, they are grounded in an understanding of their responsibilities to future generations and to the planet. Reflecting these values, one Padezaka tribal member explained to us:

"The most important thing is preserving the forest for future generations so [they] can use the same forest we have today."

Meanwhile, a Siporae tribal member explained: "What makes us really happy is that we contribute to the world, to the challenge of climate change."

The values and practices of tribal groups who are leading Solomon Islands' carbon credit industry shine a light into a climate just future. By centring Indigenous rights, sustainable livelihoods, as well as the rights and interests of future generations, the Babatana Rainforest Conservation Project have already begun to bring that future to life.

UQ's trip was financially supported by the New Colombo Plan, and the logistics for the site visit was assisted by the Natural Resources Development Foundation (NRDF).



Project spotlight

DRAWA RAINFOREST CONSERVATION PROJECT

Customary landowners of the Drawa rainforest in Vanua Levu were the first in Fiji to protect their forest through a conservation carbon project. This work is a partnership between the Drawa Block Forest Communities Cooperative, Nakau and Live & Learn Fiji. It continues to protect forests and support people more than 10 years since it started.

The Drawa Block Forest Communities Cooperative is independently operated and led by a local committee, including a Business Manager who lives in Batiri village — one of eight mataqali communities that are custodians of the Drawa forest.

Under the Nakau Methodology, the cooperative owns the project and carbon rights, and is responsible for distributing income under their benefit-sharing plan. In Drawa this plan includes reinvestment in a beekeeping and honey business, and disbursements to participating clans and women's groups in each village.

A community running their own successful enterprise is often an unheralded outcome of a carbon project but in Drawa, it is a cornerstone of the project and the Nakau approach.

UPDATES FROM DRAWA: 2022–2023 ACTIVITIES

The Drawa project was mid-way through their project monitoring cycle in 2022–2023. Ongoing activities included ranger-led forest monitoring work, carbon credit sales, distribution of quarterly payments to the cooperative, and the flow of benefits to landowner participants.

Live & Learn continued to provide frequent support visits to assist the Drawa Block Forest Communities Cooperative with their activities. This year, the emphasis was on good governance and better information-sharing with cooperative members.

Nakau technical specialist Michael Dyer spent a week with Drawa rangers to upskill them in the use of the Avenza forest and biodiversity monitoring application. This included supporting rangers to carry out field monitoring using the system — a great example of how technology can be used in remote areas.

In March 2023, the Plan Vivo team met the Drawa landowners and witnessed their commitment to forest protection. The visit provided communities with the opportunity to share stories about the project, as well as the challenges faced as they continue to recover from the impacts of cyclones Harold and Yasa.

As an early pilot project in the carbon sector, the Drawa project continues to demonstrate its value for carbon market policy development. Drawa project partners participated in developing a National Carbon Market Strategy Roadmap for Fiji, which is led by the Office of the Prime Minister's Climate Change Division and supported by the Carbon Market Institute.

Live & Learn and Nakau staff presented the Drawa experience and we continue to engage in consultations. We hope the process will lead to opportunities to replicate the Drawa project for the benefit of other Fijian communities, the forests and our shared climate.

PROJECT IMPACT

- **4,120 hectares** of rainforest protected.
- **165,350 tonnes** CO2 verified emissions reductions since the project commenced.
- **15,176** carbon credits generated each year.
- **450** community members supported to protect rainforest and develop alternative incomes.

More than money

Ranger Jerry Lotawa was raised in the tiny settlement of Drawa, on Fiji's largest island Vanua Levu. He spoke to environment news outlet *Mongabay* recently about what the Drawa Forest Conservation Project means for his community.

*Written by Monica Evans for Mongabay.
This excerpt has been edited and reprinted with permission.*

Ranger Jerry Lotawa knows his forest. Following older family members, he learned to hunt pigs and fish for prawns and eels in the surrounding rainforest that belongs to his mataqali, or clan, and to find his way around the jagged terrain.

This year, Mongabay freelance writer Monica Evans visited Drawa and met with Jerry. As they sat on the floor of the community house to share a meal of wild pork, cassava and bananas, along with the white bread and corned beef brought as gifts from town, they discussed the carbon project. Here is part of their conversation as published in Mongabay.

Mongabay: What incentives previously drove members of your community to clear the forest for timber?

Jerry: In the villages, there are not really many economic activities that people can dedicate themselves to [for money] so saying yes to logging means quick money.

Mongabay: What do you think would be happening here if it weren't for this project?

Jerry: I think the [protected parts of the] forest would be logged by now, because in Vanua Levu there are plenty of sawmills in the towns and they always come begging and offering big amounts of money. All over this island, most of the forest has already been logged, and this place was at risk of that too.

Mongabay: What are your thoughts on the carbon market, and do you think it can be a workable solution for Indigenous communities?

Jerry: I think it's the best option for us, because we keep our forest and still have money for things we need. The only thing is that the market changes a lot and the sales can be up and down, which means we don't know exactly how much we will earn each year.

Mongabay: How has the project had an impact on your family and community's life?

Jerry: My clan hasn't spent the money from our share of the project yet, but we are getting ready to start investing it in things like a village hall, footpaths and more houses because the village is growing. We have lots of [young people] that will

want to get married soon and want their own houses to live in. The good thing is that because we are employing youth from Drawa to be rangers, they are already getting income from the project.

If there were no project, when those [young people] left school they would probably just become farmers, or move away to town. But now, they get money from the farm and money from forest monitoring, and there is also the money from the carbon savings that we will invest all together. Some of the other communities have started investing their money already, in things like education and flush toilets.

Mongabay: Do you think benefits are shared fairly? If yes, do you think there's anyone in the community that would disagree?

Jerry: Each clan is given two options: the money can be shared out equally to each member, or they can keep it all in one place and spend it together.

In my clan, we had a meeting and we all agreed to keep the money in one place, so that when it piles up we can spend it on bigger things like education and infrastructure. We



Left: Beekeeping is an alternative income supported by the Drawa project. Right: Students from Drawa village. Photos: Rob Rickman

decided to do it this way because when you share it out, it ends up being small amounts for each person, but when you keep it all together you can spend it on bigger things.

Mongabay: Has there been any conflict about how the project should operate?

Jerry: There were two more mataqali that jumped out from the agreement during the discussions, so there are only eight remaining. I think they did that because it was a long process and a new project – in Fiji, no-one had heard of carbon trading before and it takes time for people to understand it.

Along the way one of those clans wanted money, easy money, so they logged [their portion of the designated area] instead. The co-op doesn't have the power to control any clan; the power is within each clan, so we couldn't stop them. Now they are asking if they can come back [and rejoin the project] but once you've logged you can't do that.

Mongabay: Some people are concerned that carbon markets treat forests like assets and monetise our relationship with nature by setting up financial incentives to protect it. As an Indigenous community member, what do you think of this?

Jerry: I think that if we cut down the forest it would be for money, but if we leave the forest be, it is for the sake of the forest rather than money, because our life is in the forest.

At the moment, the money [from the carbon project] comes every few months, but we get things from the forest every day: fresh air, fresh water, pork, bees, prawns ... My grandfather was thinking about the forest not just for him, but for all our ancestors and for future generations, and that's when he decided that we would do carbon trading instead of allowing logging.

For me personally, I don't think of this project as a source of money. Because the main thing is your forest surrounding you. That's the main focus. **To me, money is just a secondary thing from this, a way to say "thank you" for keeping this forest; the total value of this forest is so much more.**

“ I don't think of this project as a source of money. Because the main thing is your forest surrounding you ... money is just a secondary thing from this, a way to say thank you for keeping this forest; the total value of this forest is so much more. ”



Project spotlight

LORU FOREST CARBON PROJECT

Loru is well-known across Vanuatu for being the first of its kind and a lead forest carbon project in the region. Managed by the Serthiac Family Business, the Serthiac team have spent the last year hosting international visitors and other Vanuatu ranger groups, redefining their lead team and roles, and continuing to manage, protect and restore their customary forest at Loru.

It has been more than 10 years since the project started, and the benefits are visible throughout Khole village in the form of improved income and infrastructure, and collective pride in their achievements. Looking forward, the Loru Forest Carbon Project is exploring how they can grow as a community-owned business and work with Nakau and Live & Learn Vanuatu to trial new approaches for Pacific forest threatened by invasive species. A new phase of the Loru project will be included in Climate Resilient by Nature, see page 26 for more on this work.

UPDATES FROM LORU: 2022–2023 ACTIVITIES

In 2022, a social impact assessment conducted in Loru with residents from Khole village showed an increase in households, and specifically women, saving every month. The survey also reported a reduction in water stress for the community as water tanks were one of the big investments Khole village made with income they received from carbon credit sales. There was an increase in access to household electricity, with more solar units purchased from carbon income. And more families say they have been able to build houses and afford better quality building materials.

The survey results also demonstrated the strong role of women in the project and in how the community carbon business is run. Women sit on the board and sub-committees of the Serthiac Family Business and hold finance and administrative positions.

This year, some long-term staff moved on which has allowed younger Serthiac members to fill finance, administration and ranger roles. This is important so younger generations can

step into conservation management in their community and be granted opportunities that are locally based.

The Plan Vivo Foundation visited Loru in March 2023 on their tour of the Pacific region and projects. They spoke to Loru rangers and Serthiac members. They learned about the local birds and animals. And they heard first-hand stories of how the carbon income had improved life in Khole village.

MONITORING THE FOREST

A biodiversity monitoring trip was conducted in late 2022 by Serthiac rangers to assess the forest condition. Rangers recorded the presence of Vanuatu flying fox, Vanuatu megapodes (Namalao), Sacco's Emperor butterfly, Vanuatu kingfisher, Vanuatu flycatcher (Buff-bellied monarch), Tanna fruit dove, Vanuatu white-eye, Golden whistler and the vulnerable Coconut crab.

Serthiac members have also been busy planting trees including mahogany, whitewood, Indian beech and namamao. They've been removing weeds and strengthening fences around the boundary areas to keep cattle out of the conservation areas. They have also been managing the invasive species *Merremia peltata* to ensure it doesn't encroach on the forest and established trees. This is a collective effort, engaging Serthiac rangers, their network of friends and whole families from Khole village.

PROJECT IMPACT

- **26,504 tonnes** CO2 verified emissions reduced since the project commenced.
- **3,029** carbon credits generated each year.
- **50** community members supported to protect rainforest and develop alternative incomes.
- More community members report access to clean water, solar-powered electricity, building materials and savings.



Conservation for *community*

A walk around Khole village in Vanuatu's Santo Island reveals what income from the forest carbon project means for daily lives – and how benefits from conservation reach far beyond protecting forests.

Serthiac members under the frame of their new nakamal. Photo: Marian Reid/Nakau

It's a typical Santo hot and sunny day in Khole village and Rose Moses is standing in the doorway to her home. "You can come inside," she says, smile wide and welcoming. "Come, come," she gestures.

Just inside the door, is a little nook where shelves hold essentials including canned fish, tomatoes and tuna, noodles and pasta. There are few treats for the kids. And there is oil, rice and toiletries.

This is Rose's shop – a small business she set up with carbon income from the Loru Forest Carbon Project. At night the shop is lit by a lantern above the door connected to a shared village solar panel.

"How did I start my small shop?" asks Rose. "When we got money from the [Loru carbon] project some money was shared with my family and I went to town and bought some products to sell." This was her starting capital and she now runs the shop on an ongoing basis to help her family.

Income from carbon credits has given many families in Khole village a way to meet their basic needs. Things we all seek in one way or another. Water tanks for clean drinking water. A home and solar-powered electricity to light it. Capital to start a small business. Or enough to pay for school fees, uniforms and education for children: a universal child right but often a challenge for families to afford in Vanuatu. As Rose says:

"[Carbon income] helped me send my children to school, helped me continue the shop and helped my son build a house ... I'm very happy."

Indigenous-led forest carbon projects with integrity are always about protecting ecosystems: forests, rivers, plants and animals. But in a world where one-quarter of land is owned, managed, used or occupied by Indigenous Peoples², caring for nature is inseparable from the need to support the people who also depend on that natural environment.

Benefits from carbon projects must always be shared fairly within a community and the Loru project has a strong livelihood focus which is achieved through generating employment for forest rangers, access to thriving food

2. UNEP

gardens and income opportunities that benefit everyone.

There are real, visible signs of how carbon income is making lives easier right across Khole village and often for women who hold much of the family care needs. As we walk from house to house, more stories emerge of things that have improved. It's evident everyone is in this together, supporting each other and collectively making decisions about which families to support next.

Losaline Rii shows us her house-in-progress. She explains she used her share of the credit money to buy sand to build her home, as well as for a water tank and school fees.

"I have three children, and so here there will be more room for everyone," Losaline explains. She is already using the skeleton of her new home for cooking and family gatherings during the day.



Rose Moses in her small shop. Photo: Marian Reid/Nakau



Next door, Rachel Ser proudly shows us her water tank. Like many others in Khole village, this was a priority for her family when they received income from the sale of carbon credits.

Khole village has always had water problems. There is no river nearby, so water tanks have really helped the village access clean water year-round. As Vanuatu faces increasing periods of drought and unpredictable weather, collecting and storing rainwater when possible is critical for surviving drier times.

“When the project started, we were unsure of the outcomes,” says another resident, Janice Fred. “But now you can see we have been able to build our houses, buy water tanks and pay school fees for the children. It benefits the individual and community. And it is helping repair and build the *nakamal* (community hall) for everyone to use.”

The Loru Forest Project is owned and managed by Serthiac — a family business linked to the Serakar Clan who are the customary owners of the forest. One of the founding members, Waraker Ser explains they named the business Serthiac because it means “all the family working together”, ‘thiac’ meaning ‘together’ in their Indigenous language.

The Serakar Clan reaches wide. It includes more than 50 people living in Khole and the project is not confined to only members of the clan. They have found ways to include

everyone who lives in the village, including through paid forest work in the Loru Conservation Area.

Toli Dan is also a founding member of the Loru project. She says: “All the women in our community — we call all the women Mama’s — they benefit from the protected area as well because they’ve been cutting [invasive species] merremia in the protected area. This gives some money from carbon credits to the women in Khole community.”

Women are on the Serthiac Board, Finance Committee and the Land Management Committee, and they have a strong say in how the income is managed fairly to meet everyone’s needs.

“If anybody needs any money from Serthiac, the board must approve and then finance committee arranges it. For example, if some of the women need some money, they go to work and then the finance committee arranges payment,” says Toli.

“In my opinion, a good carbon credit is something that really helps us financially and gives us fresh air, gives us forests and makes the forest really beautiful.”

Like others, Toli spends a lot of time in the agro-forestry plots near the Loru Conservation Area. This is where Serthiac and others grow their vegetables underneath the new trees planted to one day expand the forest.

She explains they place new agro-forestry plots close to the established forest in the areas that are full of weeds. “These plots allow us to manage weeds, protect the forest, grow food and earn money at the same time.”

“Now we are selling carbon and receive our share from the carbon, we feel it really motivates us to focus on working in the conservation area,” she says.

For more than a decade, the Loru Forest Carbon Project has embedded the connection between conservation and community resilience in the social fabric of the entire Khole village community.

The project has contributed to the regeneration of the Loru forest and enriched biodiversity with birds, coconut crabs and other wildlife returning to the forest.

A healthy forest also means the community is supported with resources because the forest area is likely to bounce back quickly after extreme weather events.

As we’re walking through the village in the soft afternoon light, Rachel Ser mentions quietly that they would like the project to expand. In addition to carbon income activities, there is so much volunteer time the community put into managing the forest site: clearing weeds and tending to the agro-forestry plots and food gardens.

“Kids go clear the merremia too, it’s something they are learning about and what they know from a young age,” she says. “We have a fun time, we get up really early and go up to the forest and work together all morning and then have lunch in the forest.”

“But if we had more money for rangers, more people would love to do even more conservation work. More families could be paid for their conservation work. We don’t think this work stops as it is now.”



Development projects

Nakau works with donors and investors to support the development of new projects that restore and protect ecosystems across the Pacific region.



CLIMATE RESILIENT BY NATURE 2022-2024

Nakau is partnering with Live & Learn to deliver the *Nature-based Solutions for Forests and People* as part of Climate Resilient by Nature supported by the Australian Department of Foreign Affairs and Trade and WWF-Australia.

This work is implemented in Vanuatu and Papua New Guinea and has recently expanded to include Fiji.

In 2022-2023 we worked with Indigenous customary landowners in Vanuatu and Papua New Guinea to explore new sites for locally owned carbon projects in communities already working closely with our Live & Learn partners.

As part of this process, we strengthened our in-depth site screening tool that identifies potential sites and helps eliminate risks associated with carbon projects so they can have the best outcomes for communities, nature and climate. We applied the new screening tool in-person in Vanuatu in early 2023 and remotely in Papua New Guinea in collaboration with our project partners.

Combined with national level analysis of carbon opportunities in both countries, this tool led to new sites being flagged for further research in Malekula and Santo in Vanuatu, and in New Ireland Province and the Eastern Highlands in Papua New Guinea.

NEW APPROACHES

With support of Climate Resilient by Nature, new approaches were developed to complement our existing forest protection and avoided deforestation methodologies.

In early June, Nakau completed a feasibility study on invasive species control for generating carbon emissions in Vanuatu. The study found there is good potential for registering activities in Vanuatu that generate carbon market revenue through the management of the invasive vine species *Merremia peltata*, known locally as *big lif* or merremia in English.

Nakau and Live & Learn are now collaborating to pilot this approach in Loru with the support of Climate Resilient by

Nature. This would be one of the first activities of its kind and, if successful, could be replicated across the Pacific region, broadening the overall potential for scaling-up and reaching more customary landowners who are committed to protecting and restoring nature.

PROJECT PROGRESS

- More communities in Papua New Guinea have a better understanding of carbon projects and landowner rights thanks to community engagement and education meetings.
- Local partners in Vanuatu have greater understanding of carbon project criteria and deforestation drivers as a result of a new site screening tool.
- Case studies and stories about our learnings have informed partners within the network through the Climate Resilient by Nature Knowledge Hub and a series of face-to-face seminars facilitated by WWF-Australia under the Climate Resilient by Nature banner.



Left: Invasive species *Merremia peltata* in Vanuatu. Right: Conducting community interviews during site scoping in Vanuatu. Photos: Marian Reid/Nakau

FOREST VALUE ENHANCEMENT PROJECT 2022–2025

The new Forests Value Enhancement Project is a partnership between Nakau, the Natural Resources Development Foundation (NRDF), Live & Learn Environmental Education and the Solomon Islands Threshold Program.

It is solely focused on supporting Solomon Islands Indigenous communities – where forests are threatened by commercial logging – to develop conservation forest carbon projects. The project is funded by the Millennium Challenge Cooperation.

Through an extensive opportunity scoping process in 2022–2023, and in consultation with the Solomon Islands Government, 103 areas in six provinces were considered for this project.

Eligibility and suitability assessments were carried out to assess proposed sites against a set of site selection criteria informed by international carbon standards and based on

the experience of Nakau in the Solomon Islands and Pacific region. Through this process, Viru Harbour in Western Province was the first site to be formally launched in 2023. The landowners from Viru are working in collaboration with NRDF. Yato in East Makira is also currently working with Live & Learn Solomon Islands to explore and develop a potential carbon activity.

VIRU HARBOUR AND THE SOBEHATUNGA CONSERVATION AREA

Customary landowners from Viru Harbour have chosen to embark on a forest carbon project to protect the last remaining lowland forest in Western Province.

In 2023, they submitted a protected area application for 600+ hectares of Pacific rainforest. Working with our on-ground partners NRDF, they've completed carbon project training and baseline surveys.

They've formed a team of forest rangers. And they've chosen a name for their future protected area: *Sobehatunga*, a name that originates from the ancestral owners of the land.

The 600+ hectares of forest is an important watershed site too. Rivers that traverse the forest connect to Viru Harbour. They provide clean water for more than 800 people and support a healthy marine ecosystem.

The forest is populated with important native trees sought after by logging companies – Brown terminalia (*Terminalia brassii*), Vitex (*Vitex cofassus*) and Pometia (*Pometia pinnata*) among other tree species. Without an official protected area in place and a conservation carbon project bringing income to the community, this forest is very likely to be logged again.

PROJECT PROGRESS

- **16 rangers** – including men and women – recruited to protect the last remaining lowland forest in Sobehatunga Conservation Area.
- **600+ hectares** of lowland rainforest protected in Western Province.
- Solomon Islands Government are actively engaged in progressive forest conservation and site selection.

Together, in 2023, we conducted a feasibility study on PES mechanisms for the water catchment. The team carried out a comprehensive situation analysis in three catchments – over 2,738 hectares – to examine the forest ecosystem functions and restoration needs, forest resources (timber and carbon stocks) and social systems.

The social assessment involved engaging communities and stakeholders through focus group discussions, as well as conducting key and in-depth interviews as part of the initial consultations, which will continue over the next year.

The study indicated that most of the land in the three catchment areas is customary land. Despite the socioeconomic challenges, it was identified there is a desire among community to develop a project, restore the catchment and improve water quality.

WATER CATCHMENT RESTORATION 2022–2025

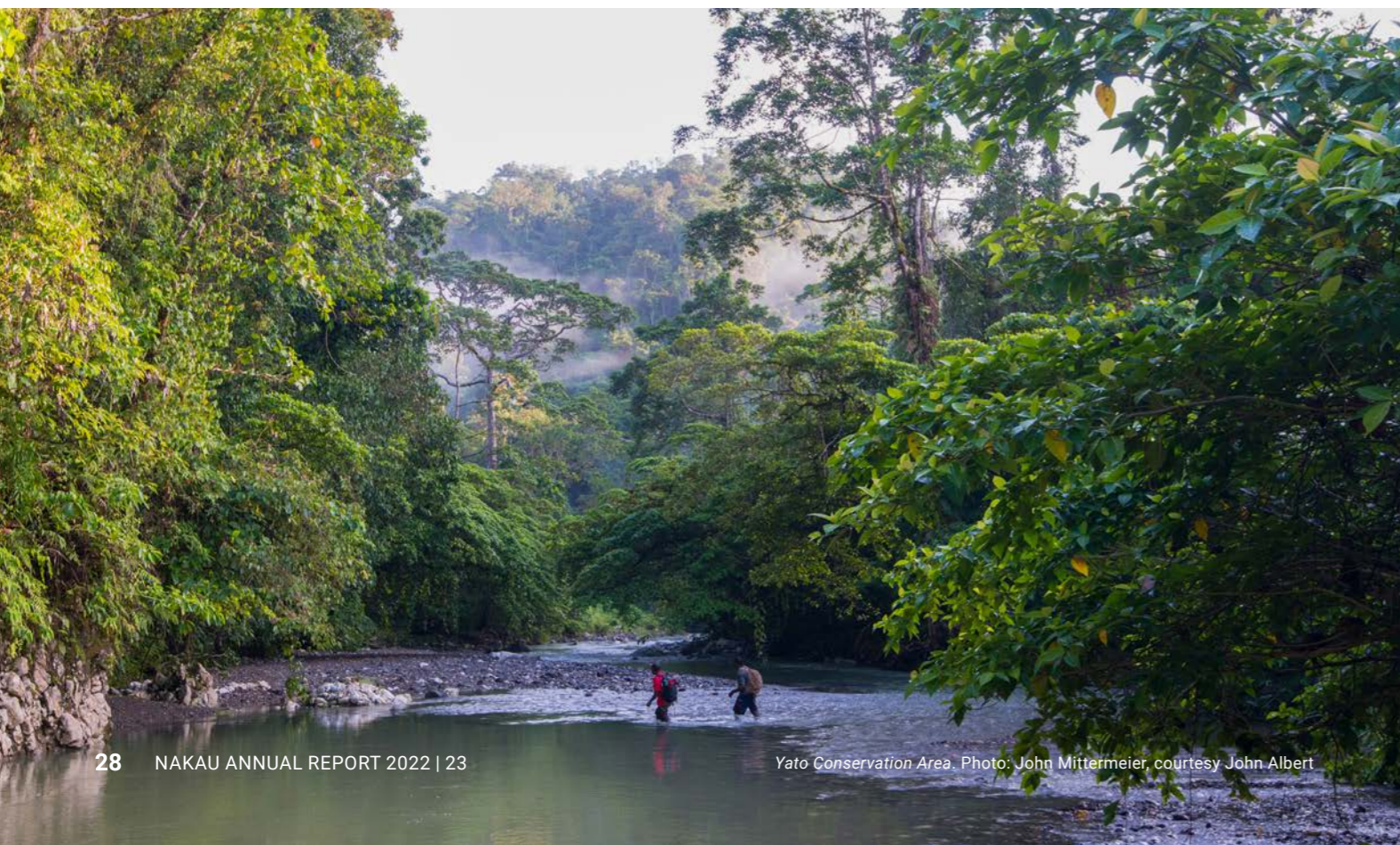
Nakau is working in Guadalcanal Province, Solomon Islands to develop a payment for ecosystem services (PES) mechanism and community-based project to be implemented by the Solomon Water Authority.

The project is working to create a sustainable, inclusive and climate resilient water catchment in the Greater Honiara area. It is supported through the Asian Development Bank's assistance to the Solomon Islands Government as part of the Urban Water Supply and Sanitation Sector Project, with funding also from the Global Environment Facility.

To implement this project, Nakau is partnering with Live & Learn Solomon Islands and consulting with Sustineo and Firewheel Rainforest Nursery.



Assessing highly degraded forest in the water catchment area. Photo: Lorenza Cordeiro/Nakau



Yato Conservation Area. Photo: John Mittermeier, courtesy John Albert

Measuring trees — *and counting carbon*

Nakau talks a lot about conducting forest inventories in project sites where we work. Here is a little more on why we do them and what is involved. As told by Nakau's Forest Ecosystem Specialist Manuel Haas.

Why do we conduct a forest inventory when establishing a carbon project?

To create a forest carbon project, it's crucial to accurately determine the amount of carbon stored in the forest — known as the carbon stock. The carbon stock varies significantly based on factors like whether it's a natural or planted forest, local climatic conditions, soil quality, tree species, age of the trees, and more.

To reliably estimate the forest carbon stock, we must collect ground-based data by physically measuring trees. This is the only way to confidently estimate the carbon emissions that would be released into the atmosphere if the forest were cut down or logged — and which can be prevented by supporting people to protect the forest.

How does this work contribute to integrity in a project?

Forest inventories are both time consuming and costly, often ranking among the most expensive activities during project development. They represent a substantial investment in the quality of project design and the credibility of carbon credits. During a forest inventory, we go to the field and employ professional forestry instruments and best practices to accurately measure trees.

We then apply forest science to estimate forest biomass and carbon stock within a specific confidence interval. Only if the forest data meets an acceptable level of accuracy do we use it as the base for our project's carbon accounting. This approach ensures we avoid overestimating forest carbon stocks and guarantees the project delivers real climate benefits.

Who does this work and what are the realities of heading to the bush?

Forest inventories mostly occur in remote and inaccessible areas, requiring inventory teams to stay in the bush for several days to weeks. Once they enter these remote locations, they will remain there until they've completed their fieldwork. This requires thorough planning — which is the task of an experienced forest engineer in charge of coordinating the inventory.

They will mobilise the field teams: a field coordinator, botanist and local forest rangers. The field coordinator is an experienced forester who guides the daily fieldwork and trains the rangers in the use of forest instruments and measurement techniques.

The botanist is responsible for scientific identification of all tree and plant species. Forest inventories are strenuous work.

“The teams need to cut their way through kilometres of dense forest every day, climb steep terrain, get showered by tropical downpours and sleep in makeshift camps.

But we love getting out there and working in the natural environment.”



Market snapshot:

It has been a dynamic and unpredictable year for the voluntary carbon market as media in the United Kingdom, Australia and New Zealand impacted buyer confidence, and increased scrutiny on emissions claims stifled market growth.

Our relationship with new buyers often begins cautiously but we have not seen a reduction in interest for credits generated by the community-owned projects we support.

We have also not seen any softening on the premium prices we achieve for Indigenous customary landowners and communities in Solomon Islands, Fiji and Vanuatu. Nakau believe this is largely due to our long-standing and authentic partnerships with buyers and resellers.

We also know it is because Nakau projects are designed with landowner communities and core benefits at the heart – benefits that contribute to social, environmental, cultural and climate resilience outcomes. The Nakau Methodology has safeguards that protect the integrity of these benefits.

Carbon rights remain with customary landowners and we ensure consistent and timely payments to them for their land stewardship.

This year, we continued to work directly with our project partners and communities to develop pricing benchmarks that ensure landowners can achieve their development goals and aspirations. From alternative sustainable enterprises

to clean water, school fees and solar-powered electricity, communities are choosing how their carbon income can best improve their lives.

Evidence shows companies that purchase carbon credits reach their net zero goals two times faster than those that don't.³ Meanwhile, the UNFCCC reports that while the Paris Agreement has propelled climate action, we will miss the reductions urgently needed to limit global warming to 1.5 degrees, or even 2 degrees. Faster global action is needed and an important part of the solution is high-integrity carbon credits with clear and demonstrable benefits for people and nature that encourage organisations on a more rapid path to real climate action.⁴

Many buyers on the voluntary carbon market are currently blending premium credits with less premium volumes from other sources in their portfolio to enable a mix of climate and community impact outcomes.

For buyers of premium voluntary credits, a reputable monitoring, reporting and verification framework (carbon standard) is often their most important priority. Also important is ensuring quality evaluation criteria across five key areas – additionality, permanence, leakage, baseline threat and quantification.

Core benefits for people and nature such as rich biodiversity, good soil and air quality and improved community livelihoods are also fundamental to establishing integrity our buyers' trust.

3. The state of Carbon Credits 2023 Report – Sylvera
4. 10th AER Summit Opening Address – Carbon Market Institute

Thank you to our buyers

Our buyers are ethical and values-aligned businesses and individuals who want to support locally led conservation and nature-based solutions.

We apply fair trade principles – 80% of carbon credit income returns to the country and communities where the project takes place.

Income from the sale of credits allows Indigenous customary landowners to make the proactive change they're seeking. They have the means to move away from activities that degrade or clear precious rainforest – like logging and land-clearing – to a new conservation economy that protects forests and provides the capital for sustainable community enterprise.



Drawa's honey business. Photo: Rob Rickman

OUR CREDIT BUYERS

- Zero Mission
- My Climate
- EKOS
- Carbon Offsets to Alleviate Poverty (CoTAP)
- Mantsuvi Resort

A big thank you to the buyers of our high-integrity credits. Without you, the forest carbon and nature projects we support would not be possible.

Our donors and partners

Nakau is grateful to all our partners and donors who have worked alongside us this last year. Investing time, energy and knowledge in nature-based solutions led by Pacific custodians is as critical as ever when Indigenous Peoples' continue to bear the brunt of climate impacts and environmental destruction. Thank you for your support.

DONORS



PARTNERS





Variable dwarf kingfisher, Solomon Islands. Photo: Douglas Jnr Pikacha

SUPPORT PEOPLE | PROTECT FORESTS



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Nakau and Live & Learn work in partnership with Indigenous communities to protect and restore forests and other ecosystems through carbon and nature projects.