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Voluntary Carbon Markets Chartbook

Q2 2022

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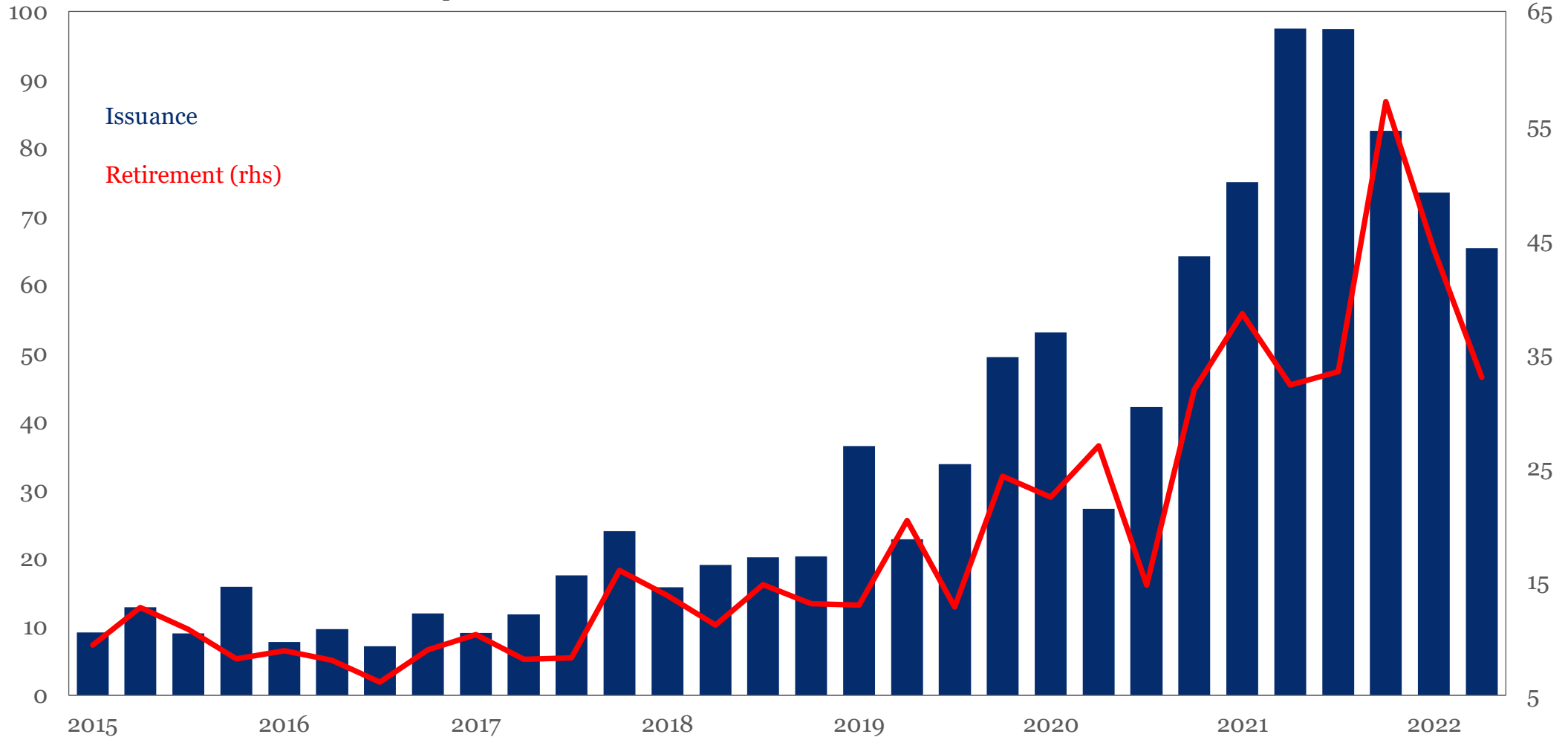
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Backdrop: Voluntary Carbon Markets

- A key initiative among global efforts to fight climate change, the [voluntary carbon markets](#) (VCM) allow companies around the world to reduce and remove CO2 emissions over and above what would otherwise be possible.
- While direct emissions reductions are the primary path to global decarbonization, the use of high-quality carbon credits traded on voluntary carbon markets is an important complementary tool. The new [Integrity Council for the Voluntary Carbon Market](#) will release a set of Core Carbon Principles in July 2022, which will serve as a global benchmark standard for carbon credits worldwide.
- The size of the voluntary carbon market has grown rapidly in recent years despite a marked slowdown this year. Looking ahead, the rise in corporate net-zero pledges (particularly from firms in carbon intensive sectors) should underpin demand and support the expansion in voluntary carbon markets growth in years to come.
- VCMs also have tremendous potential to mobilize international capital towards climate mitigation and adaptation in developing countries, while accelerating innovation and uptake of breakthrough technologies particularly around carbon capture and storage.
- VCMs can also contribute to the development of a [global carbon price](#)—widely agreed by industry and climate experts as necessary to meet the goals of the Paris Agreement.

Voluntary carbon offset issuance substantially weaker in H1 2022, hit by ongoing geopolitical tensions and consequent economic disruption; issuance has been persistently outpacing retirements, raising concerns about excess supply

MtCO₂e (million tonnes of carbon dioxide equivalent, both scales)

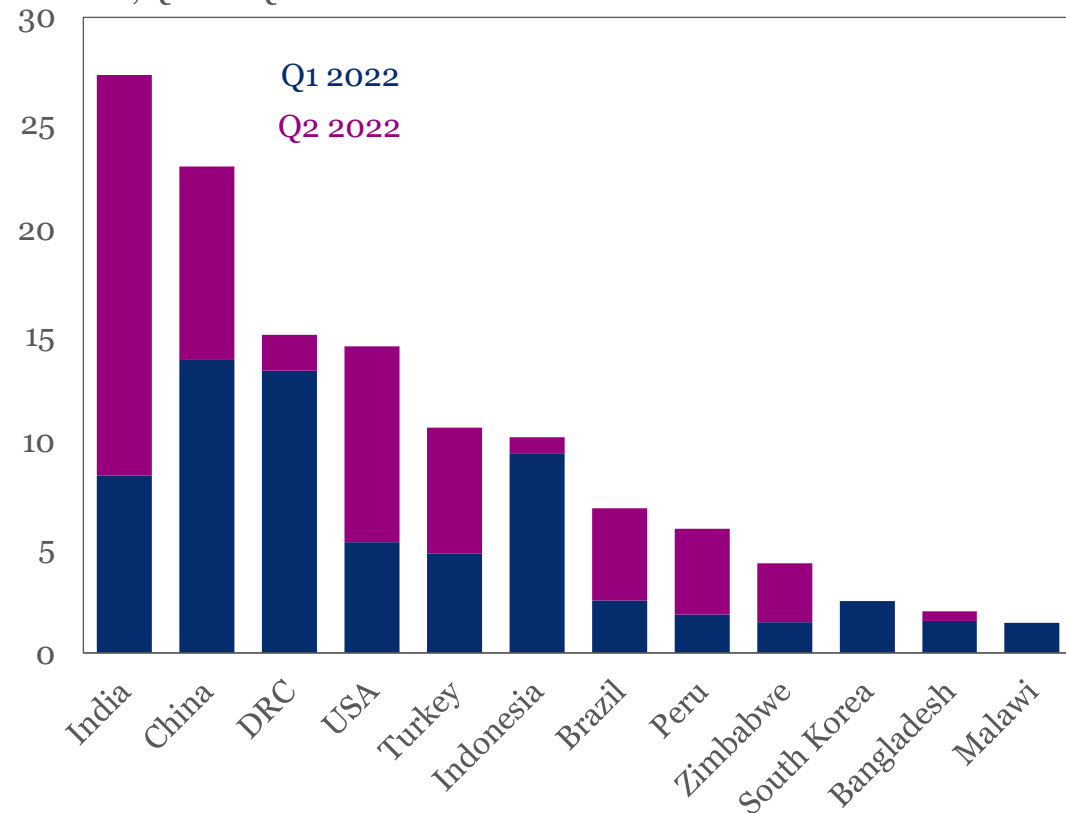


Source: IIF, VCS, GS, CAR, CAR; excludes ARB eligible issuance

Emerging markets account for the great majority of carbon offset origination, with India and China account for a substantial share; land use and energy generation projects generate the bulk of offset issuance

The majority of carbon offsets come from emerging markets and the U.S.

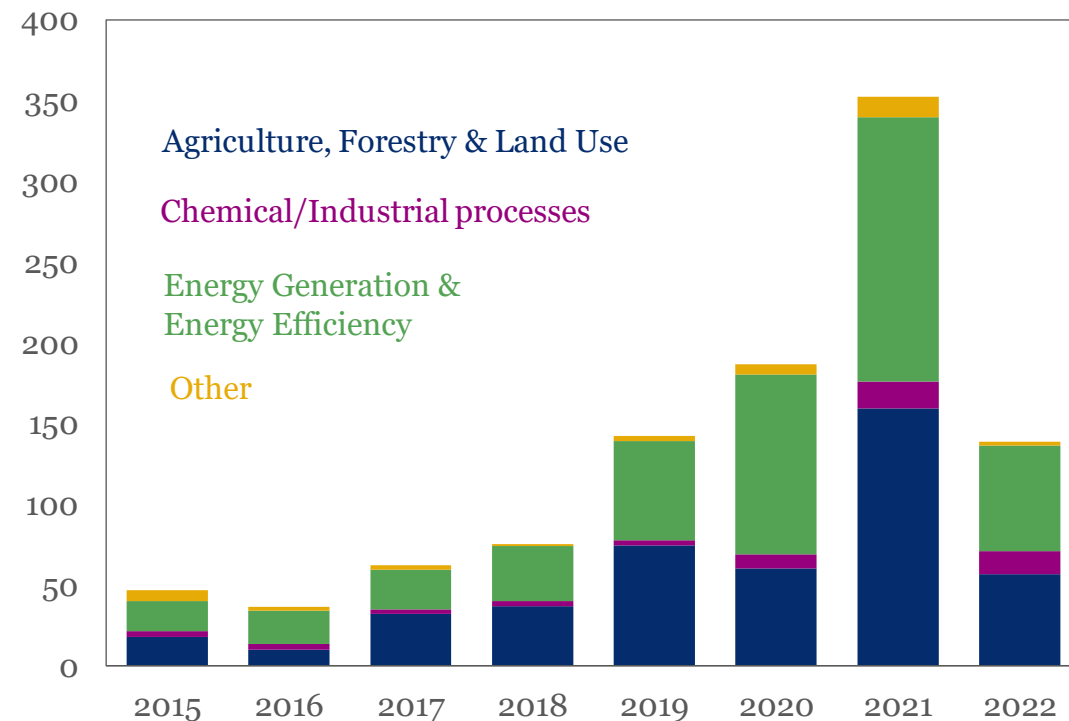
MtCO_{2e}, Q1 and Q2 2022 issuance



Source: IIF, VCS, GS, CAR, ACR; MtCO_{2e} = million tonnes of carbon dioxide equivalent

Forest, land, and energy generation projects account for the bulk of offset issuance

MtCO_{2e}, Q1 and Q2 2022 issuance

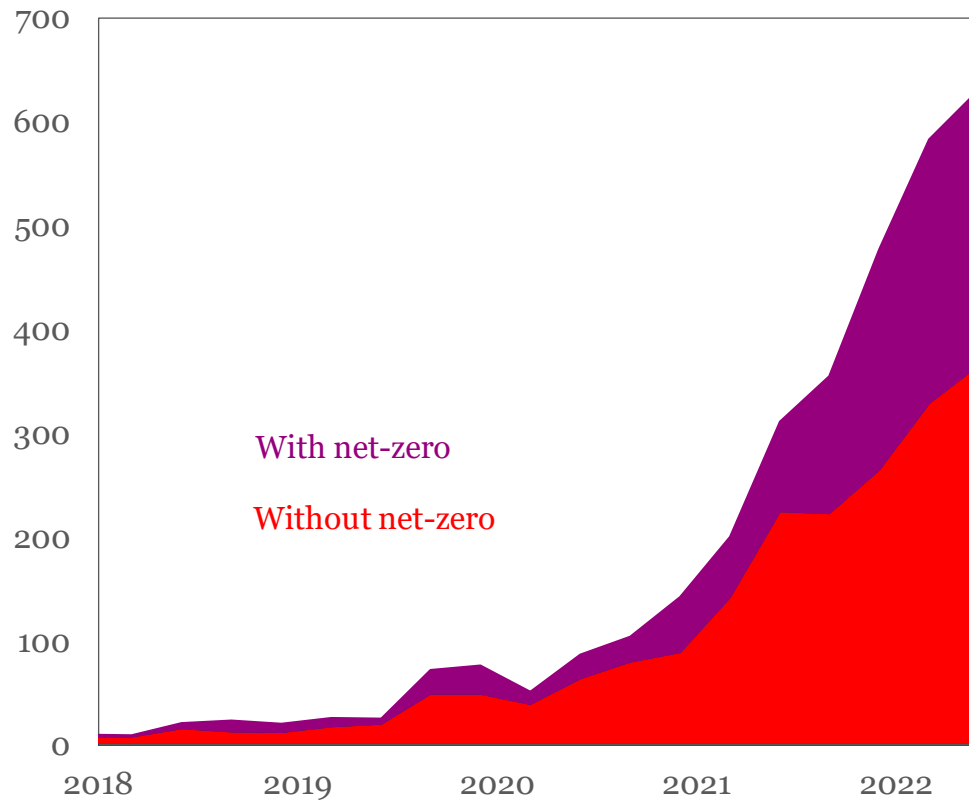


Source: IIF, VCS, GS, CAR, ACR; MtCO_{2e} = million tonnes of carbon dioxide equivalent

H1 2022 saw a sharp rise in corporate net-zero pledges; as companies move to fulfill these commitments, greater demand for carbon credits will be a significant source of support for voluntary carbon markets

Corporate Climate Commitments

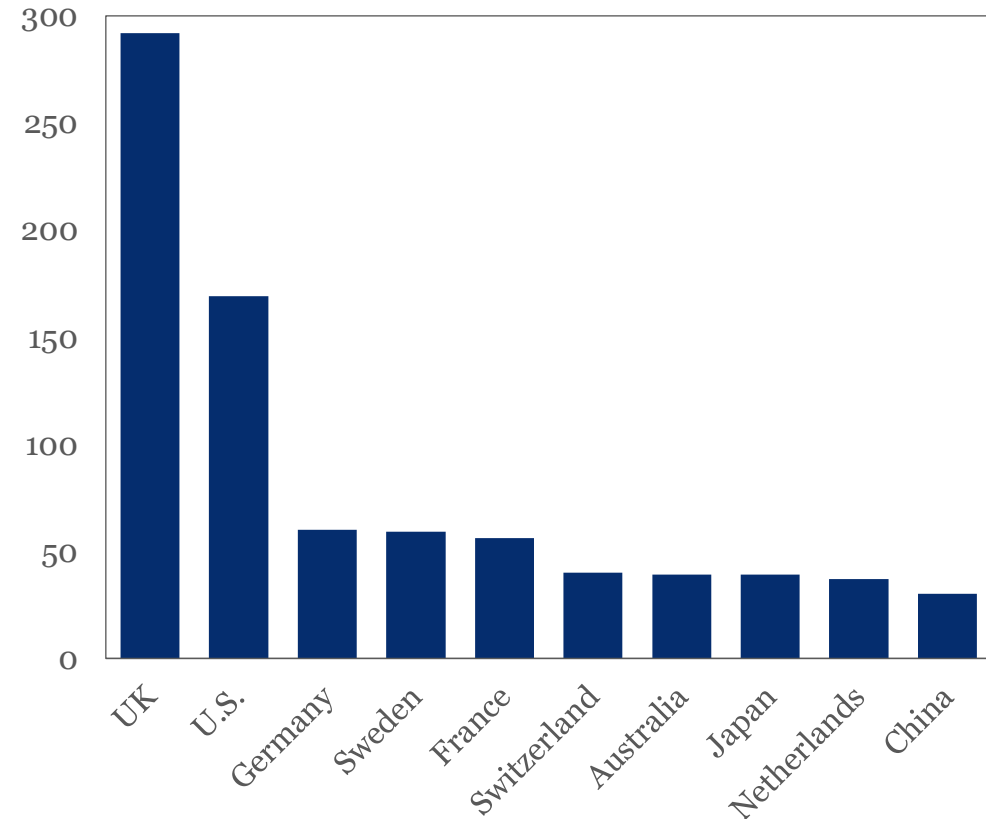
of firms, new climate pledges per quarter



Source: SBTi, IIF

Corporate net-zero pledges, by country

of firms

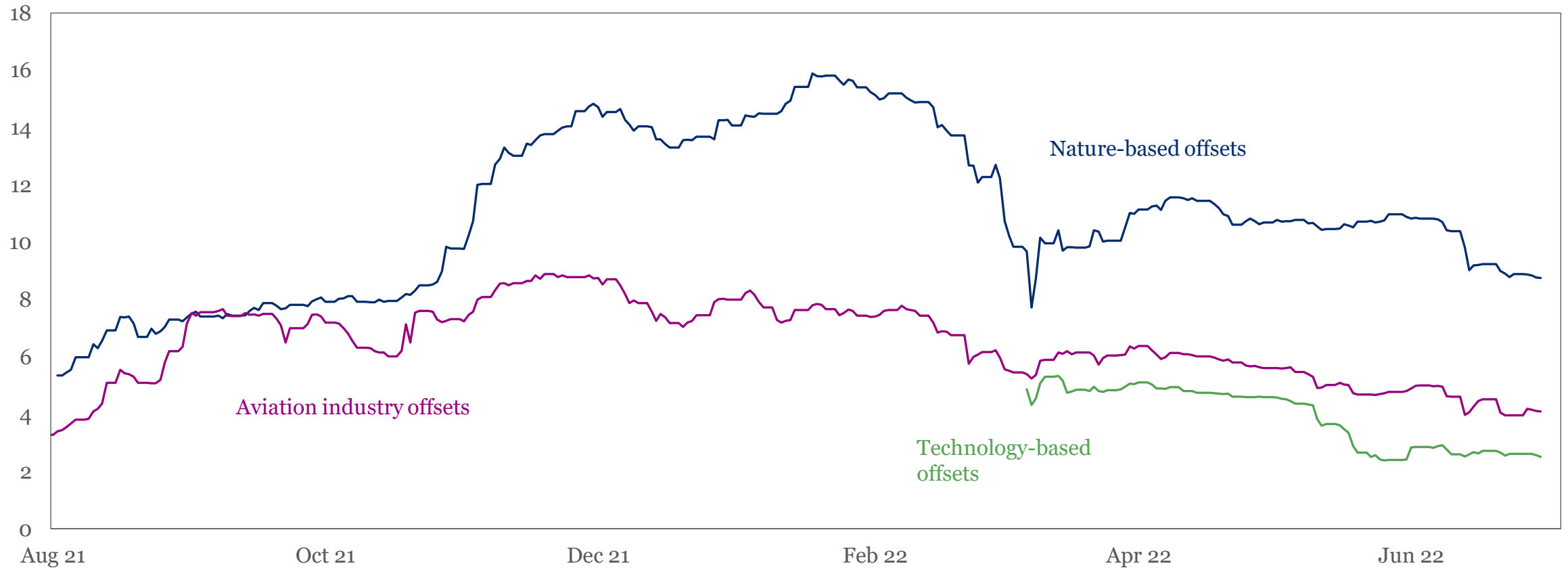


Source: SBTi, IIF

Carbon prices in voluntary carbon offset markets remain well below what is needed to achieve net-zero targets

Carbon prices have declined following Russia's invasion of Ukraine

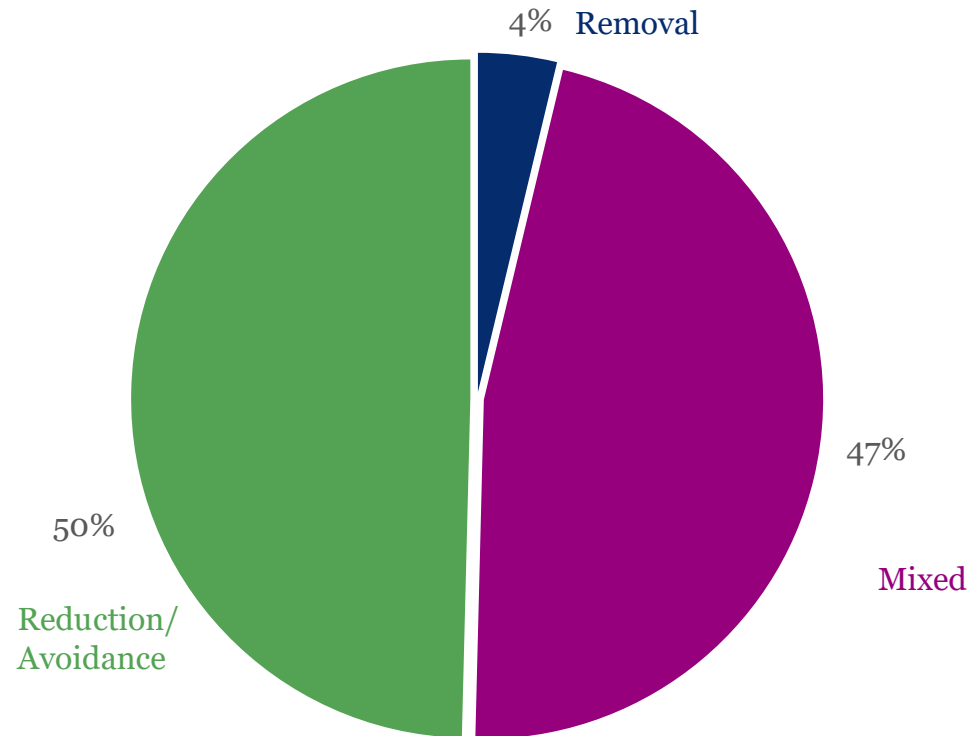
USD, voluntary carbon market offset future prices



Source: Bloomberg, IIF

“Removal-based*” offsets are scarce, but with most governments including carbon capture & storage into climate commitments and transition pathways, the opportunity for growth is substantial**

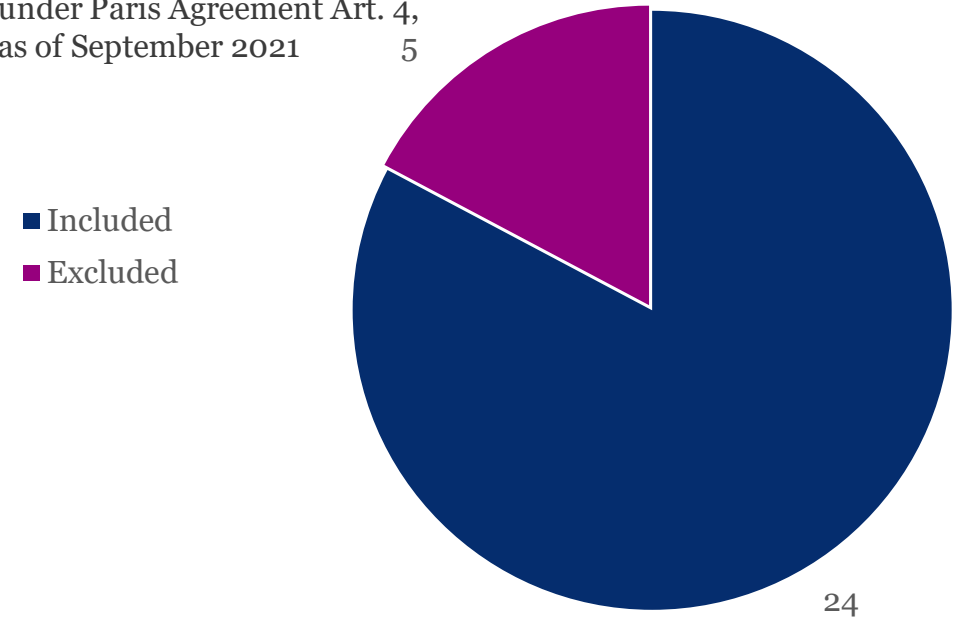
Removal-based offsets are scarce



Source: Berkeley Carbon Trading Project, IIF; removal = projects that remove carbon from the atmosphere, but are not durable; Reduction projects reduce the amount of carbon dioxide in the atmosphere; Mixed = a mix of both removal and reduction in a single project

Most governments are including carbon capture & storage (CCS) as they decide how to deliver on their climate commitments

Presence of CCS in national long-term Low Emissions and Development Strategies submitted under Paris Agreement Art. 4, as of September 2021

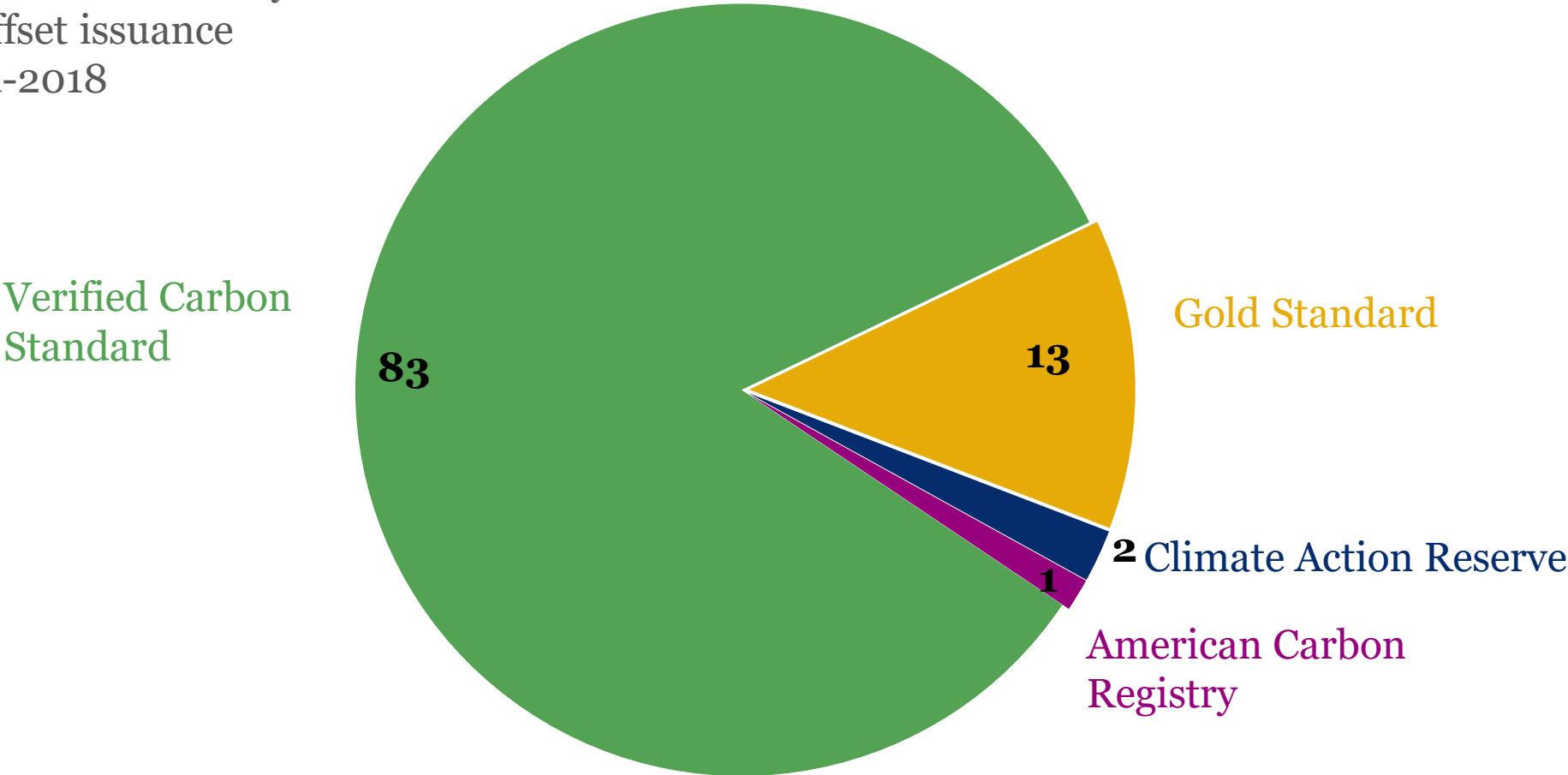


Source: Global CCS Institute, IIF

*removals include afforestation/reforestation projects that temporarily remove carbon from the atmosphere; reduction/avoidance projects include avoided forest and grassland conversions. Mixed cover all else; **See recent [announcements](#) by the company [Frontier](#) to purchase \$925 million worth of carbon removal offsets by 2030

Voluntary carbon offset issuance is listed with a variety of registries, which track offset projects and issue offset credits for each unit of emissions reduction or removal that is verified and certified

percent of total voluntary carbon offset issuance since end-2018



Source: IIF, VCS, GS, CAR, ACR; MtCO2e = million tonnes of carbon dioxide equivalent; excludes ARB eligible issuance; issuance data from end-2018 through 6/30/2022

New exchanges and trading platforms set to launch this year



Japan Exchange Group (JPX) and the Japanese Ministry of Economy, Trade and Industry (METI) have commissioned the Tokyo Stock Exchange (TSE) to commence [trial trading](#) of carbon credits in September of 2022.



[Climate Impact X](#) out of Singapore is a global platform for trading international carbon credits and environmental commodities set to launch in 2022.



The London Stock Exchange's [Voluntary Carbon Market](#) will be a designation for closed-ended investment funds focused on investing in climate mitigation projects—currently in a market consultation and expected to finalize towards the end of 2022.



Developed by eight of the world's largest financial institutions, [Carbonplace](#) is an innovative settlement platform designed to facilitate simple, transparent, and secure transfers of certified carbon credits. It is expected to be fully operational by the end of 2022.

The Core Carbon Principles currently being developed by the Integrity Council for the Voluntary Carbon Market should support issuance activity in voluntary carbon markets



THE INTEGRITY COUNCIL FOR THE VOLUNTARY CARBON MARKET

The Integrity Council for the Voluntary Carbon Market (Integrity Council) is an independent governance body for the voluntary carbon market with a purpose is to ensure the voluntary carbon market accelerates a just transition to 1.5°C.

The Integrity Council does this by setting and enforcing a definitive set of global threshold standards that will set a global benchmark for carbon credit quality, drawing on the best science and expertise available, so high-quality carbon credits channel finance towards genuine and additional greenhouse gas reductions and removals that go above and beyond what can otherwise be achieved, and contribute to climate resilient development.

COMING JULY 27: the draft Core Carbon Principles (CCPs) for public consultation. Please reach out to info@icvcm.org for more information.