



Regional Climate Week

Latin America and the Caribbean

Panama City, Panama – 23-27 October 2023



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Introduction to international voluntary carbon markets



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Voluntary carbon markets (VCM)

Systems and associated schemes or standards, that enable the generation, buying and selling of carbon credits on a voluntary basis.

Two elements: supply side & demand-side

- **Demand side:** voluntary climate action by stakeholders (mostly corporates but also institutions and individuals)
 - To make a climate claim (e.g., compensation of emissions)
- **Supply side:** Crediting standards - including independent crediting standards such as Gold Standard, Verra (which are not regulated by international/multilateral regulatory bodies).



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Recent **controversy on the nature of the claims:** What should the nature of claims by stakeholders be if these are contributions to the achievement of NDCs.

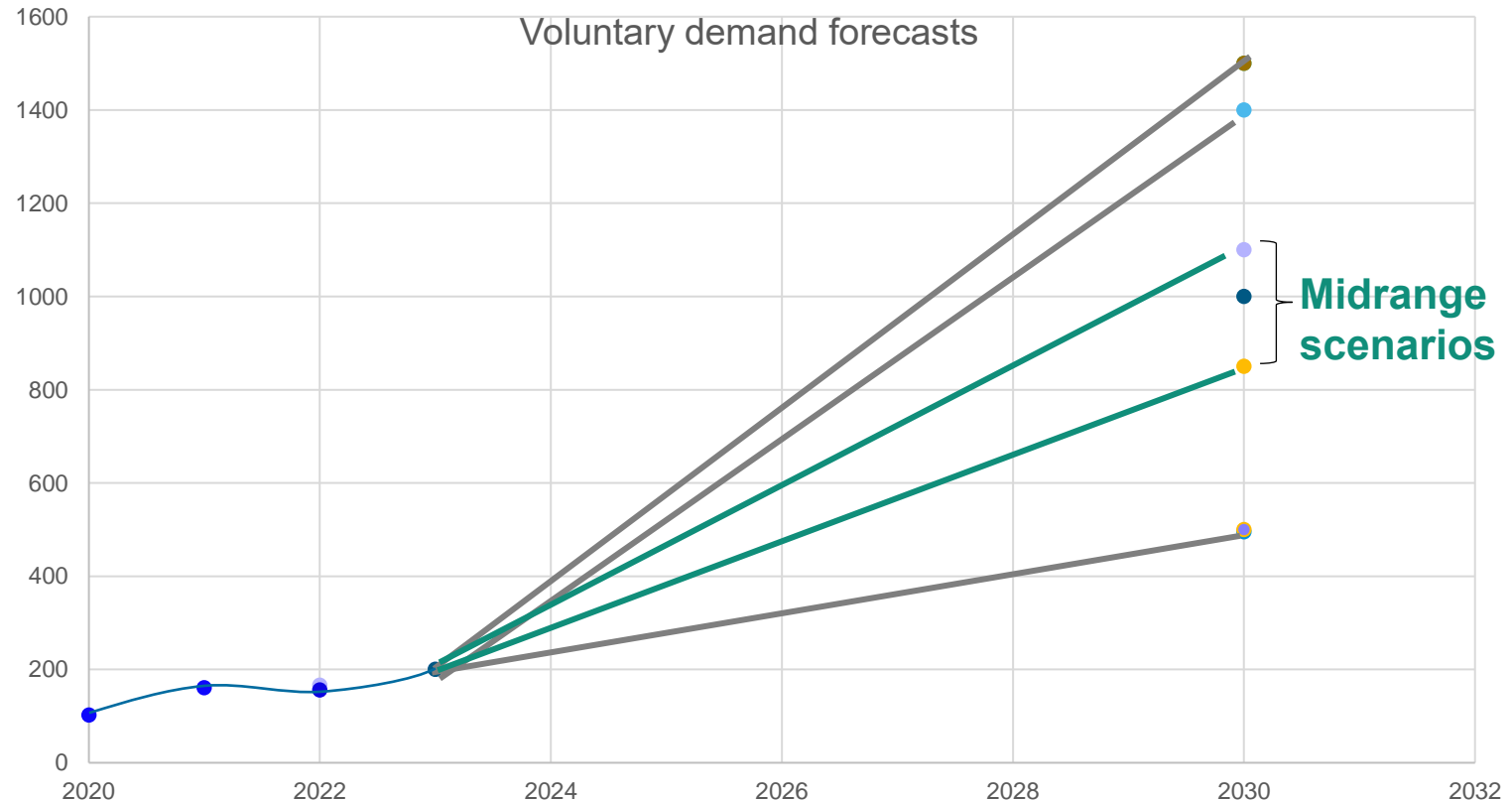


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Voluntary carbon markets (VCM)

- Various groups of analysts have attempted to assess the future scale of the voluntary carbon market
- **KEY DRIVER:** The large increase in corporates adopting and implementing **climate targets with compensation claims**.
- Large growth expected
- Midrange scenarios of $\approx 1 \text{ GtCO}_2\text{e/yr}$ in 2030 (and up to 2-5 $\text{GtCO}_2\text{e/yr}$ by 2050)
- ...but still large accumulated buffer of units



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Voluntary carbon markets (VCM)

- Efforts by regulatory bodies and verification agencies such as the Integrity Council for the Voluntary Carbon Markets (ICVCM), are accelerating their efforts to continuously improve the integrity and liquidity of this market.
- Generation of emission reductions under the VCM is governed by GHG protocols, programs, and methodologies that are administered by independent or national standards.
- VCMs have evolved and grown alongside the CDM e.g., many of the methods to assess additionality and set baselines used in the VCM have been adopted or adapted from the CDM.



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Voluntary carbon markets (VCM)

- The PA with its governing bodies has no jurisdiction over the VCM, but from 2021, the VCM continues to operate in the context of the PA e.g., considering domestic policies and measures when assessing the additionality of activities and setting baselines.
- Current debate within the VCM is about whether voluntary credits could be counted toward the host country NDC, while also claimed as an offset by companies' net-zero targets (thus being counted once towards the NDC and once towards a company's GHG emissions).



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Article 6 and the voluntary market

- Factors expecting to affect credit purchase decisions in the future:

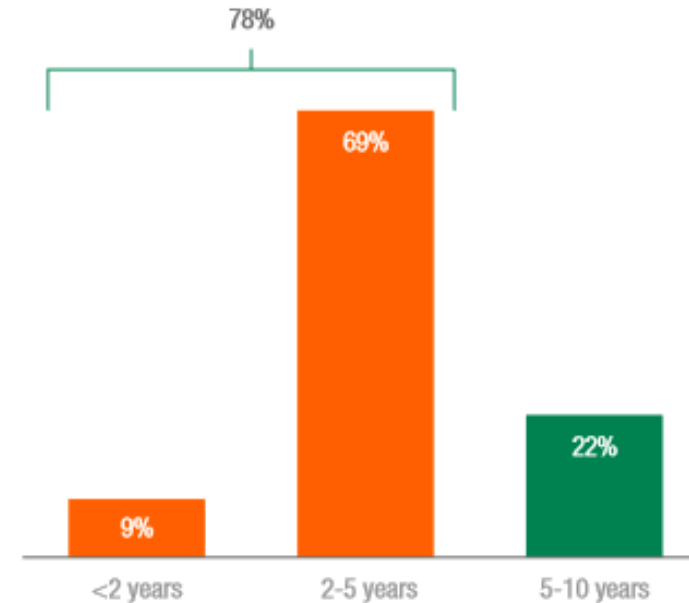
#1 Impact of corresponding adjustments.

#2 Avoidance vs. removal debate.

#3 Quality criteria.

- Most (78%) of market participants expect corresponding adjustments to be active within five years.
- Market participants expect the mechanism under 6.4 to be operational within 1-3 years.

~80% of participants believe corresponding adjustments will be active within 5 years



Source: Shell/BCG



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Voluntary market: guidance and regulation

- A wealth of international initiatives and countries are attempting at setting frameworks on how the voluntary market should operate.
- Key issues in the voluntary carbon market:
 - Supply side: what is a good quality carbon credit?
 - Demand side: which claim can be made on carbon credits?

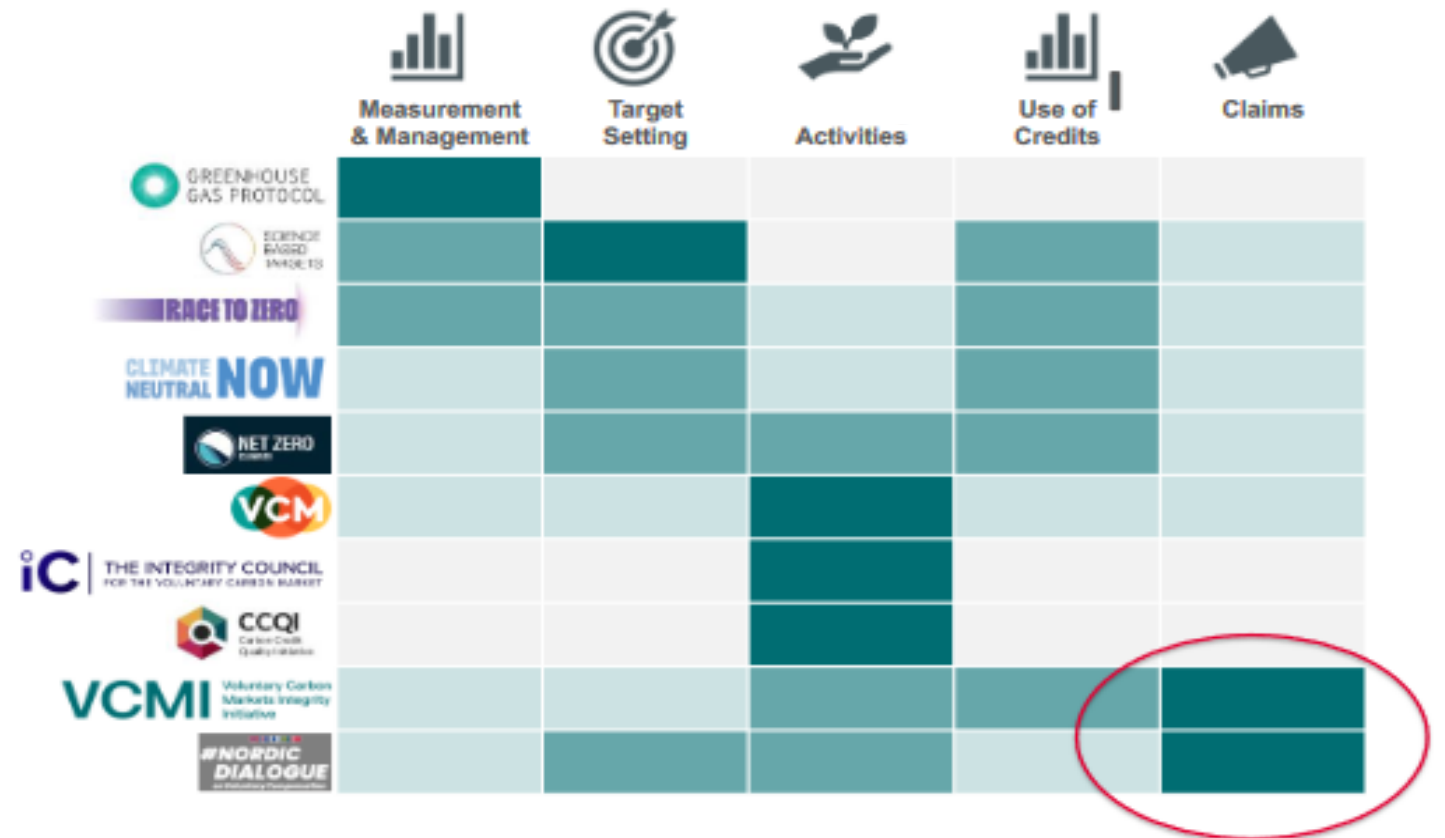


Figure 1: Overview on initiatives and their focus areas (Source: Wuppertal Institute)



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THANK YOU FOR ATTENDING



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Kahoot Session: Let's play!



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