



# Covering New Ground

## State of the Forest Carbon Markets 2013

### Executive Summary

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A Report by Forest Trends' Ecosystem Marketplace

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# Executive Summary

Healthy forests are a key defense against the natural and socio-economic impacts of climate change. Recognizing this, businesses around the world financed the management, conservation or expansion of 26.5 million forested hectares by purchasing a near-record 28 million tonnes (MtCO<sub>2</sub>e) of carbon offsets from forestry projects in 2012, valued at \$216 million.

In 2012, offset buyers from individuals to corporations reinforced the environmental, economic, and egalitarian benefits of sustainable forestry and land use as they injected millions of dollars into projects that improve forest management (IFM), afforest or reforest land (A/R), reduce emissions from deforestation and forest degradation (REDD), and introduce sustainable agricultural or agroforestry practices.

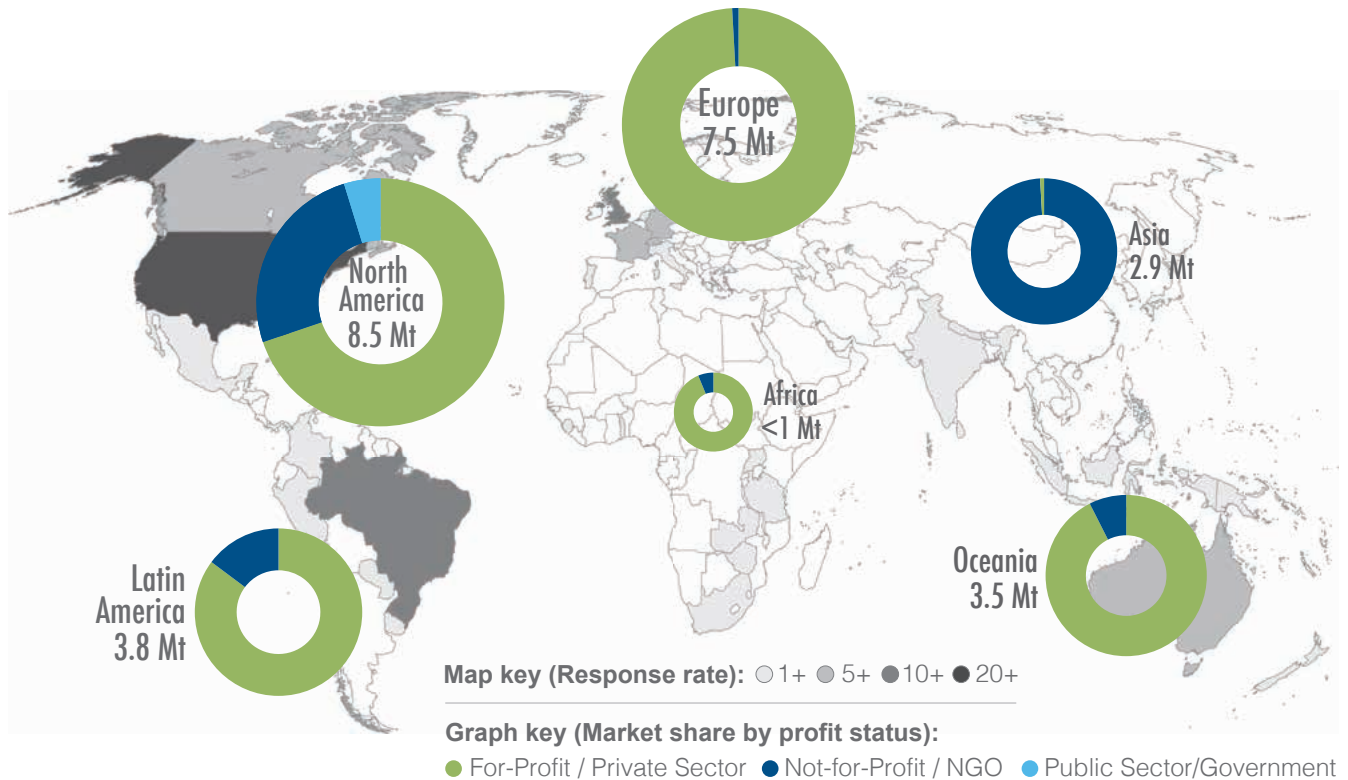
Early-stage activities, in particular, benefitted from resilient private support for carbon-managed forests, which speaks to mounting confidence in projects' ability to deliver verified carbon assets and incentivize behavior change among producers.

The second-highest demand ever attributed to forestry offsets came as public decision-makers weighed the inclusion of forestry offsets, domestic and international, in regulations in California, China, and Australia; as donor governments initiated support for regional REDD solutions; and as organizations like the Tropical Forest Alliance and the Carbon Disclosure Project began to shed new light on the private sector's land-use footprint and associated risks.

## BOX 1: SUMMARY OF KEY REPORT FINDINGS, 2012

- Over time, this report series has tracked 513 forest and land-use carbon projects. Developers representing 162 projects responded in 2013, including 62 projects never before reported.
- The global markets for offsets from agriculture, forestry, and other land-use projects transacted 28 MtCO<sub>2</sub>e, a 9% increase from 2011. Market value reached \$216 million in 2012, 8% shy of 2011's record \$237 million. Forestry offsets' average price fell slightly to \$7.8/tonne (tCO<sub>2</sub>e).
- Voluntary offset buyers drove 95% of all market activity (27 MtCO<sub>2</sub>e) and 92% of value (\$198 million), as corporate buyers renewed or pursued new climate targets, while buyers in California and Australia sought forestry offsets to prepare for compliance carbon markets.
- This report series has tracked a cumulative 134 MtCO<sub>2</sub>e of offsets transacted from forest carbon projects, valued at an estimated \$0.9 billion over time from the carbon management of 26.5 million hectares.
- The private sector remained the largest source of demand, responsible for 19.7 MtCO<sub>2</sub>e or 70% of market activity. Two out of every three offsets were sold to multinational corporations. Businesses were motivated by offset-inclusive corporate social responsibility (CSR) activities, or to "demonstrate climate leadership" in their industry or to send signals to regulators.
- Demand for offsets from A/R projects remained high (8.6 MtCO<sub>2</sub>e) but fell from the prior year, while REDD offset demand grew for the first time since the project type's all-time high in 2010.
- The forest carbon markets extended project development to 58 countries, up from 54 locations in 2011. North American projects generated one quarter of all offsets transacted, while project developers in the Global South transacted half of overall market share.
- Projects seeking or achieving certification to the Verified Carbon Standard (VCS) transacted 15.7 MtCO<sub>2</sub>e, or 57% of all market activity. Around 12.2 MtCO<sub>2</sub>e of these sales were from projects seeking dual certification to VCS and the Climate, Community and Biodiversity Standards (CCB Standards).

Figure 1: Response Rate by Country, Transacted Volume by Developers' Headquarters Region, and Market Share by Developers' Profit Status



Notes: Based on 28 MtCO<sub>2</sub>e in transactions reported by 165 forest carbon offsets project developers and retailers.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

Behind the scenes, results-based carbon accounting standards continued to approve new approaches to land-based emissions reductions, opening doors for the technical evaluation of wetlands restoration, sustainable rice cultivation, and soil carbon sequestration, among other activities.

The same standards, alongside registries that facilitate offset ownership, furthered frameworks and methodologies to support jurisdictions pursuing regional REDD programs internationally. Some of these governments began to tap into bilateral finance for program development and emissions reductions as early as last year – but more so in 2013. The year was not without its challenges, however, as developers grappled with the decision of whether and how to integrate into government frameworks or markets, or to brave still-limited demand among voluntary offset buyers.

These and other findings are described in this fourth edition of the *State of the Forest Carbon Markets* report series, which demonstrates throughout how practitioners, offset buyers, and the projects they

support covered new ground in 2013 in the race to close the gap between what's available and what's required to keep economies and ecosystems in balance.

### Methodology

A total of 162 agriculture, forest, or land-use (AFOLU) projects were reported via our global annual survey designed to track transactions of offsets generated from projects that sequester or avoid carbon emissions in the AFOLU sectors.

Analysis is also informed by project activities reported in previous years. Over time, Ecosystem Marketplace has tracked 513 unique AFOLU projects around the world, including 62 projects reported for the first time in this year's survey.

North American developers were most heavily represented in our survey (48), followed by 37 Europe-based respondents. Practitioners from developing countries contributed one-third (50) of survey responses, from organizations headquartered in Latin America (30),

Asia (12), and Africa (8). Figure 1 illustrates regional response rate distribution by country and profit status.

This report tracks compliance carbon markets (e.g., the Clean Development Mechanism – CDM) and voluntary demand for forest carbon offsets. We consider “transactions” to occur at the point that suppliers and buyers agree to the terms of offset delivery and payment, which may occur immediately or in the future.

### Market overview: Demand for forest carbon offsets nears record highs

In 2012, the global markets for AFOLU offsets transacted 28 MtCO<sub>2</sub>e, a 9% increase from 2011. Voluntary buyers drove 95% of all market activity (27 MtCO<sub>2</sub>e), as corporate buyers sought offsets from forestry to renew or pursue new climate targets and buyers in California and Australia responded to positive regulatory signals by seeking AFOLU offsets to prepare for compliance. Demand for A/R offsets from the CDM (temporary certified emissions reductions, or tCERs) fell by 91%, as buyers preparing for the end of the Kyoto Protocol’s first phase had secured their desired volumes by the start of 2012.

The overall market value of forest carbon offset demand reached \$216 million in 2012, 8% shy of 2011’s record \$237 million. Most value was derived from voluntary offset markets, where value grew 7% to \$198 million. Forestry offsets’ average price fell to \$7.8/tCO<sub>2</sub>e from \$9.2/tCO<sub>2</sub>e in 2011.

All told, this report series has tracked a cumulative 134 MtCO<sub>2</sub>e in offsets contracted from forest carbon projects, valued at an estimated \$0.9 billion over time. Much of this value was contributed by hundreds of for-profit entities acting voluntarily in response to – or in spite of – weak or uncertain regulatory climates.

### Buyers: Multinational corporations transacted two out of every three offsets

The majority (71%) of forestry offsets transacted in 2012 were sold to purely voluntary buyers, while the remainder were sought by businesses complying with or preparing for regulation. The private sector remained the largest pool of buyers, responsible for at least 19.7 MtCO<sub>2</sub>e or 70% of offsets transacted in 2012, a significant increase from 12.3 MtCO<sub>2</sub>e in 2011.<sup>1</sup>

Table 1: Comparison of 2011 and 2012 Forest Carbon Markets’ Transaction Volumes, Values, and Average Prices, All Markets

MARKET*	Volume		Value		Average Price	
	2011	2012	2011	2012	2011	2012
Voluntary OTC	16.7 M	22.3 M	\$172 M	\$148 M	\$10.3	\$7.6
California / WCI	1.6 M	1.5 M	\$13 M	\$12 M	\$8.1	\$8.2
Australia CFI	-	2.9 M	-	\$38 M	-	\$13.3
Voluntary Total	18.3 M	27 M	\$185 M	\$198 M	\$9.2	\$7.7
CDM / JI	5.9 M	0.5 M	\$23 M	\$0.6 M	\$3.9	\$1.1
NZ ETS	-	0.2 M	-	\$1.9 M	-	\$7.9
Other	1.5 M	0.6 M	\$29 M	\$15.6 M	\$19.7	\$25.3
Compliance Total	7.3 M	1 M	\$51.5 M	\$18.1 M	\$7.2	\$10.5
Grand Total	25.6 M	28 M	\$237 M	\$216 M	\$9.2	\$7.8
Primary Market	21 M	22 M	\$143 M	\$137 M	\$8.1 M	\$7.5
Secondary Market	4.9 M	6.3 M	\$54.7 M	\$57 M	\$12.1 M	\$9.8

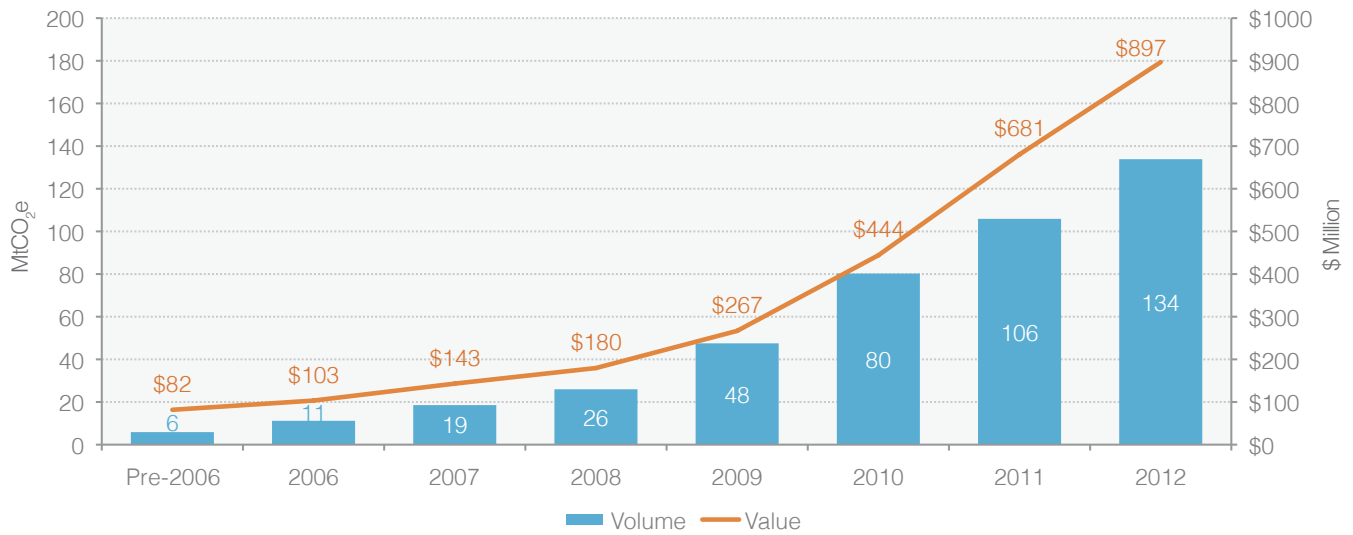
Notes: Based on 28 MtCO<sub>2</sub>e in transactions reported by 165 forest carbon offsets project developers and retailers.

\*See Acronyms list for explanation of market abbreviations. Totals in this chart may not add up perfectly due to rounding.

Source: Forest Trends’ Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

<sup>1</sup> Not all survey respondents reported a buyer. Thus, the private sector transacted 97% of offsets for which respondents reported a buyer, OR 70% of all offsets transacted in 2012 - including those for which the buyer is unknown.

Figure 2: Cumulative Forestry Offset Transaction Volume and Value, All Markets



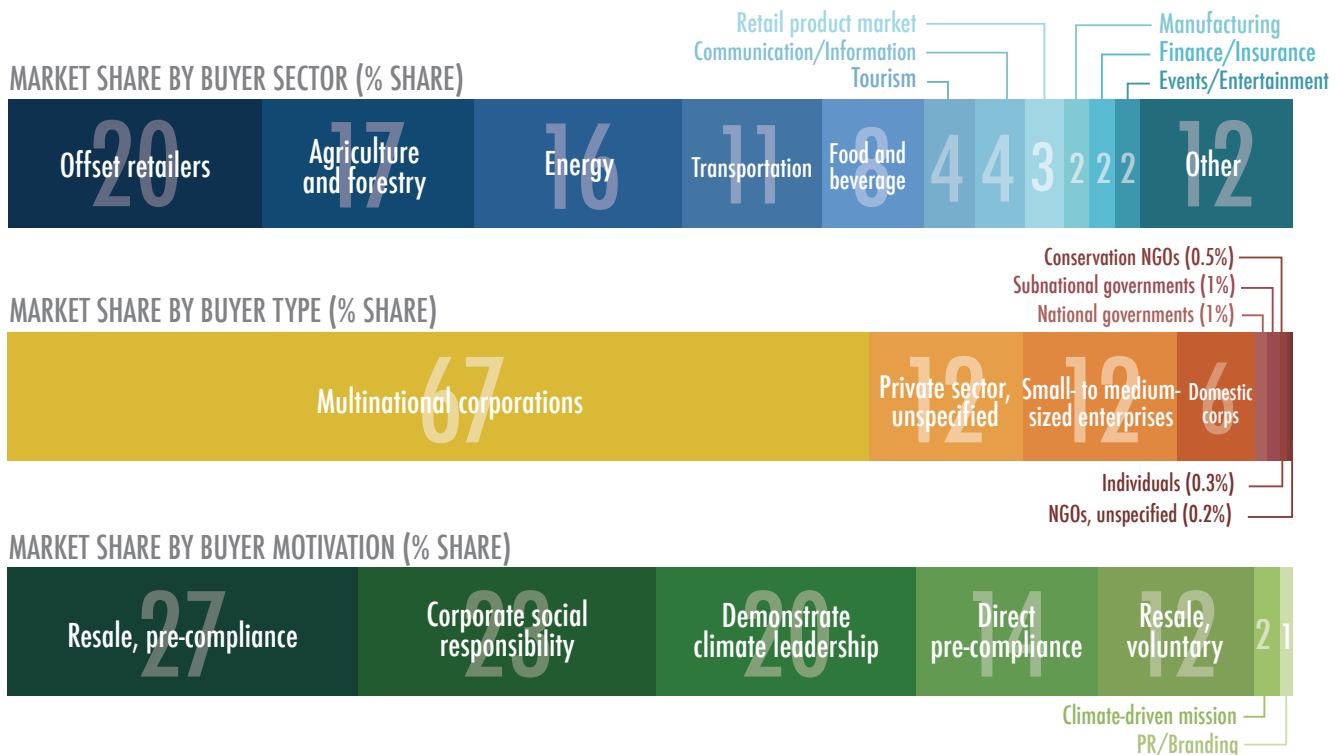
Notes: Based on data reported by 513 AFOLU projects and countless offset suppliers over eight years.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

The public sector – mainly national governments in Europe and state or provincial governments in North America, Latin America, and Oceania – purchased \$430,000 worth (or 2%) of offsets transacted in 2012,

down from 18% last year due to declining demand for tCERs and because fewer forestry offsets were sold into British Columbia's (BC) Carbon Neutral Government program.

Figure 3: Market Share by Buyer Sector, Type, and Motivation



Notes: Based on 213 buyer types as described by survey respondents.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.



Private sector buyers represented an array of industries and interests. Carbon offset retailers were again the single largest source of demand, purchasing 7.2 MtCO<sub>2</sub>e to resell to their clients.

The energy, agriculture/forestry, transportation, food and beverage, and tourism sectors collectively purchased another 9.7 MtCO<sub>2</sub>e. These top buyer sectors depend on place-specific resources and forest-based ecosystem services (e.g., clean water) for their operations or products, thus some invested in forestry offsets out of recognition that their business models depend on healthy natural infrastructure.

The most common driver of offset purchases in 2012 was resale to voluntary or future compliance end-users. Businesses seeking offsets for purely voluntary end use were primarily motivated by offset-inclusive Corporate Social Responsibility (CSR) commitments. Another significant proportion of voluntary buyers chose forestry offsets to “demonstrate climate leadership” within their industry and/or in the absence of strong national climate policies.

The vast majority of tonnes (99%) were sold to buyers from developed regions, where EU-based corporates were the largest source of demand for forestry offsets in 2012, purchasing over half of all offsets associated with a buyer. EU buyers transacted the largest proportion of offsets developed from projects in Africa and Asia.

### Project type: REDD rebounds while new markets drive interest in IFM, agriculture

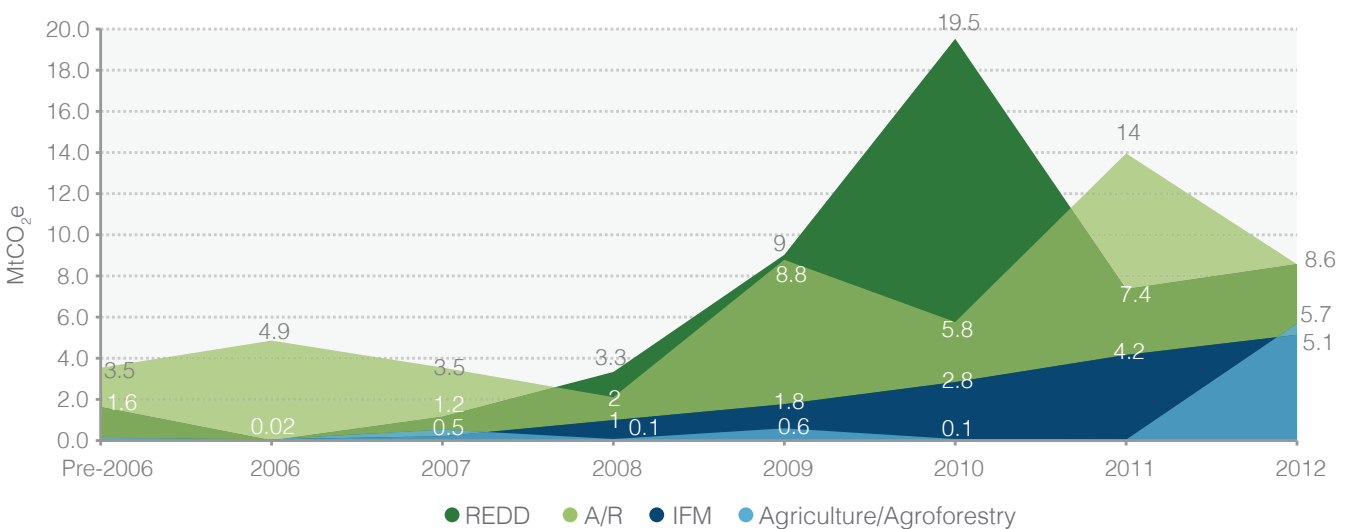
Markets for forest carbon offsets have evolved at breakneck speed. Again in 2012, new project types, methodologies, and locations emerged in response to buyer and policy-maker signals.

Historically, demand for offsets from A/R projects has outpaced market activity from other project activities, as the translation from philanthropic tree-planting to carbon offset projects is fairly straightforward. In 2012, transactions reported for A/R projects remained high (8.6 MtCO<sub>2</sub>e) but fell from the prior year, as the sector did not see a repeat of the significant compliance demand from Kyoto member countries reported in 2011.

Sharing the stage with A/R projects, REDD offset demand grew slightly for the first time since the project type’s all-time high in 2010, as projects matured and the volume of available offsets continued to grow. While 8.6 MtCO<sub>2</sub>e of REDD offsets were transacted in 2012 (+16%), their value fell to \$70 million (-20%), as plentiful supplies and earlier-stage investments led to slightly lower average prices than the previous year (\$7.8/tCO<sub>2</sub>e vs. \$8.5/tCO<sub>2</sub>e).

REDD projects were the dominant activity tracked in both Latin America (80%) and Africa (70%), as large REDD projects came to market from both regions in

Figure 4: Transacted Offset Volumes by Project Type, All Markets, Historical



Notes: Based on data reported by 513 AFOLU projects and countless offset suppliers over eight years, including 180 observations in 2013.

Source: Forest Trends’ Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

recent years. All of these projects have achieved or will pursue certification to the VCS and CCB Standards that verify the delivery of additional project benefits (“co-benefits”). This combination saw unprecedented demand in 2012, underpinning 12.2 MtCO<sub>2</sub>e.

Offsets from IFM activities have climbed in popularity, sought by both voluntary buyers and those positioning themselves to sell or surrender forestry offsets into compliance carbon markets. In 2012, IFM transactions increased 23% to 5.1 MtCO<sub>2</sub>e.

Agroforestry and agri-sector offset projects have typically provided precious few offsets to the carbon markets. In 2013, offsets transacted in this category were mostly sourced from projects implementing no-till/low-till and other land management practices under the legacy Chicago Climate Exchange (CCX) offset program. A growing number of market participants

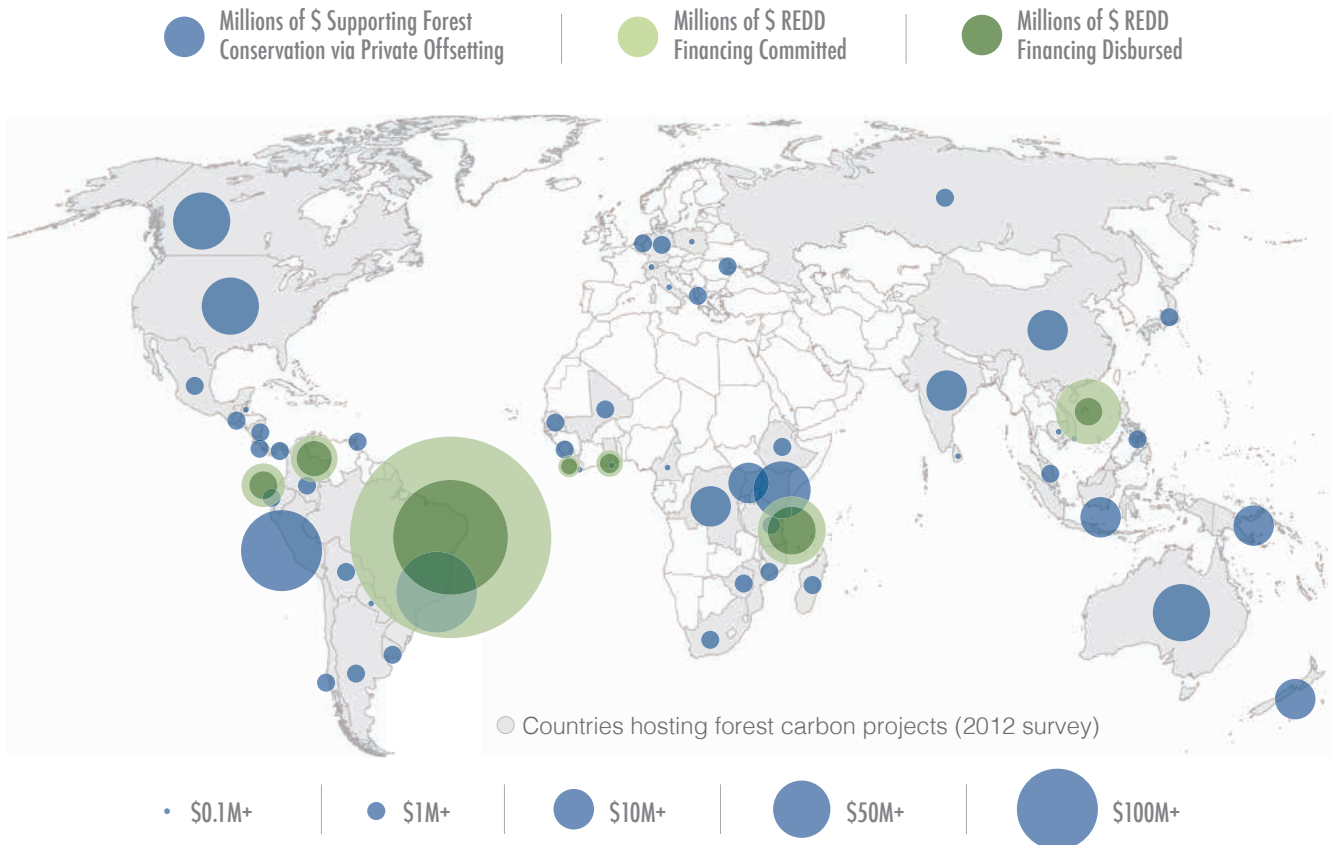
and investors are eyeing the sector for its strong business case and complementary ties to avoided deforestation.

### REDD in depth: Donor engagement and “nesting” key themes in 2012

In recent years, market observers have predicted that funds flowing from donor country governments to support REDD strategies in developing countries would dwarf the millions of dollars that private actors have voluntarily channeled to forestry projects. They were right.

Compared to the \$0.9 billion in value attributed to forest carbon offset transactions over time, Forest Trends’ REDD Expenditures Tracking Project (REDDX) reports that over \$1 billion has been committed to seven countries alone in the last few years.<sup>2</sup>

Figure 5: Comparison of Project- and Country-level Forest Finance, All Years



Notes: Based on value associated with all years of “State of” forest carbon market tracking and REDD finance data sourced from reddx.forest-trends.org, as of October 2013.

Source: Forest Trends’ Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

<sup>2</sup> As of fall 2013, REDDX (reddx.forest-trends.org) has reported REDD finance committed and disbursed to Brazil, Colombia, Ecuador, Ghana, Liberia, Tanzania, and Vietnam.

Up to now, partners in REDD+ countries have described donor governments, rather than recipient countries or their forest communities, as REDD's primary agenda-setters. In 2012, public sector finance was limited to preparation for the next phase of REDD, meaning that major gaps exist in taking pilot projects to the next level.

Consistent but insufficient demand for REDD offsets already coming to market from projects – many of which are unaware of how to tap into bilateral REDD finance – raises doubts about carbon projects' ability to maintain their scale. The year 2013 may herald a new phase in REDD finance, however, seeing the Forest Carbon Partnership Facility (FCPF) agree to a \$63-million results-based purchase agreement for REDD in Costa Rica.

Many hope that such regional REDD programs, which are administered by the public sector but theoretically enable traditional projects, will be the tie that binds public and private interests in AFOLU. For example, some market participants theorize that future parties to the Tropical Forest Alliance could pursue sustainable

supply chains via jurisdictional results-based REDD payments.

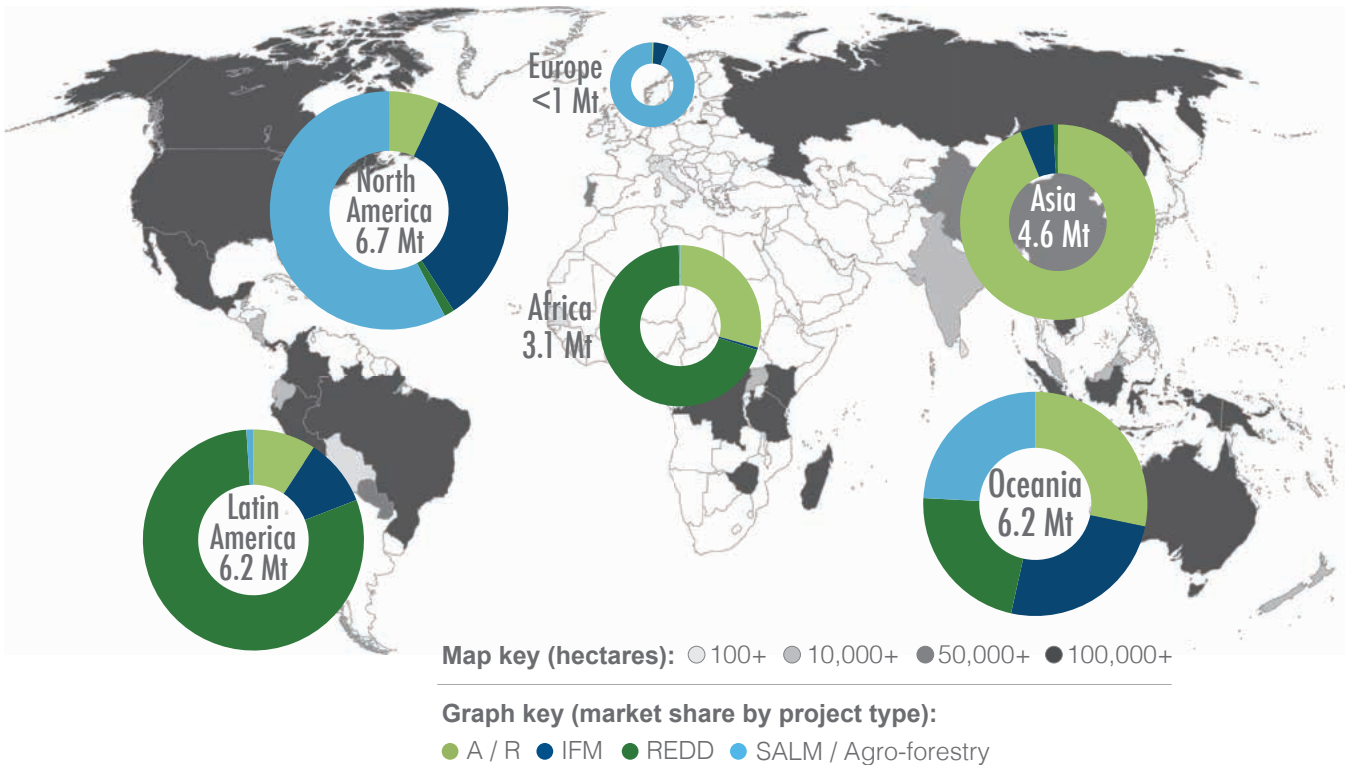
Thus, this year's survey respondents were more attentive to and engaged in talks about "nesting" their private projects within a regional program, recognizing that doing so might grant them access to larger pools of donor finance not available to stand-alone projects.

### Locations and land area: Carbon finance supports management of 26.5 million ha

Carbon finance reached projects impacting 11.3 million hectares (ha) in 2012 – around 43% of the total 26.5 million ha that are currently under forest carbon development according to our survey. This land area is comparable to the entire forested area of the Democratic Republic of the Congo (DRC) or the total land area of Ecuador.

The majority of carbon-managed land area is associated with REDD projects that continue to have the largest impact on forested land, with 17 million ha

Figure 6: Hectares Impacted by Country Location; Total Regional Transaction Volume and Share by Project Type (Total Hectares by Country and % Share)



Notes: Based on responses associated with 26.5 million hectares of carbon project area and 27 MtCO<sub>2</sub>e transacted.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

under management. A/R project developers tied with REDD projects to transact the market’s largest volume of offsets – but from a significantly smaller project area overall. Even so, the 1.2 million ha impacted by afforestation or reforestation in 2012 is double the 0.6 million ha reported in previous years. Spanning another 8.2 million ha, IFM projects saw a >100% increase in land under management – owing largely to a few significantly sized IFM projects impacting several million hectares.

In 2012, the forest carbon markets extended project development to 58 countries, up from 54 locations in 2011. New projects were identified in both developing and developed regions.

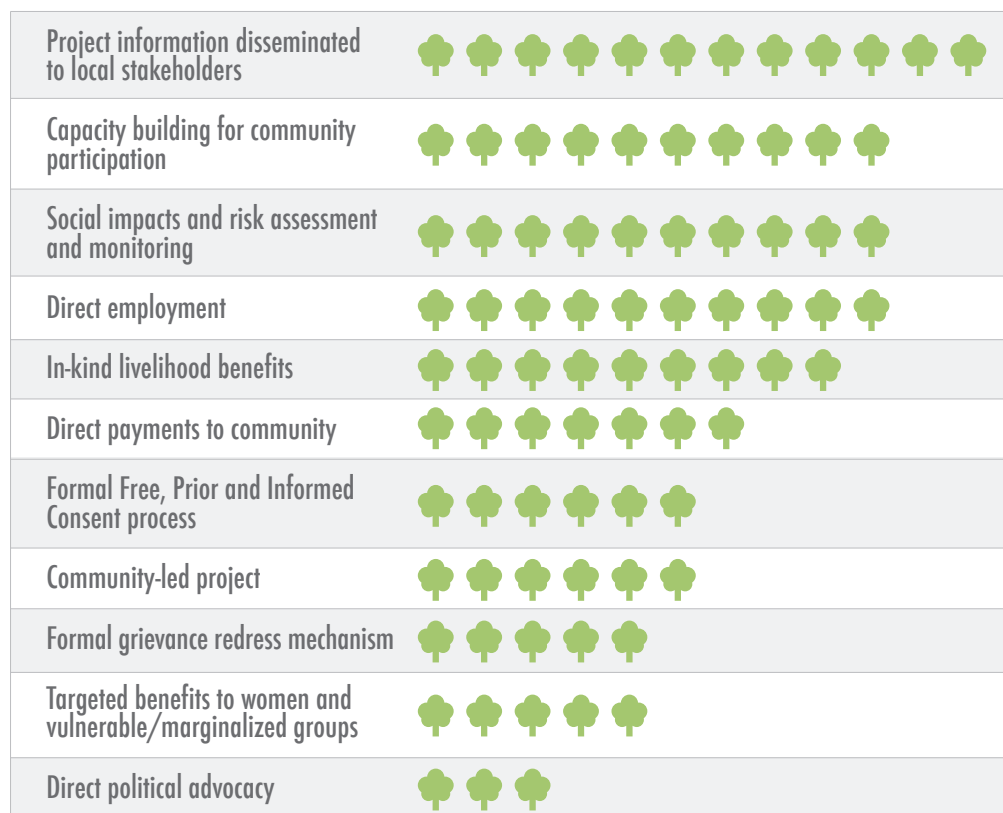
North American projects generated one quarter (6.7 MtCO<sub>2</sub>e) of offsets transacted in 2012. Only 27% of this volume was sought by buyers preparing for or complying with a compliance carbon market in

California, British Columbia, or Alberta. The remainder was sold from a mix of all AFOLU project types to countless buyer types.

Quite the opposite was true for offsets from projects in New Zealand and Australia, where developers transacted the second-largest volume of AFOLU offsets. Despite the slow start and uncertain future of an Australian carbon price, pre-compliance dominated the regional market.

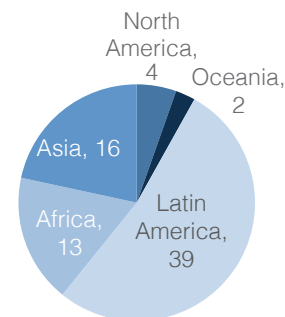
Forest carbon projects in the developing world weathered competitive pricing from non-AFOLU offset types to transact half of the overall market share in 2012. Performance in each region varied by the types of forestry offsets available to voluntary buyers – leaning toward support for smaller, earlier-stage projects with multiple revenue streams which were more abundant in Latin America and less so in Africa.

Figure 7: Project-level Community Engagement, by the Numbers, 2012

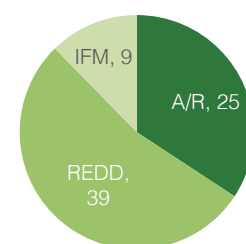


One tree represents 5 projects

% Share and Count of Projects Engaging with Communities, by Region



% Share and Count of Projects Engaging with Communities, by Project Type



Notes: Based on responses representing 81 projects. Respondents were able to select multiple categories of engagement, and project counts are rounded to the nearest “5”.

Source: Forest Trends’ Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

Asia was the only region in the Global South where project developers reported market growth in 2012, tied to European buyers' greater comfort with Asian projects – a legacy of the CDM – and a few large-scale transactions.

### Land tenure and communities: Forest carbon reaches age of consent

Resolving project-area issues around land tenure – the legal structure that determines how lands can be used by individuals and communities – can become a barrier to project certification, but is (typically) more easily determined on private land. Partly for this reason, more than 50% of forestry projects tracked in 2012 were developed on private lands.

Government or private land-use concessions were the least common arrangements in terms of the number of projects utilizing concessions, but these projects generated nearly \$53 million from the transaction of 7.3 MtCO<sub>2</sub>e of offsets.

Projects with customary or collective land tenure arrangements reported the highest overall market value at nearly \$70 million, globally. The largest proportion of land area also falls under collective or customary ownership, where 9.2 MtCO<sub>2</sub>e were transacted from 13.7 million ha under carbon management.

A total of 74 projects that transacted offsets in 2012 reported some level of engagement with forest

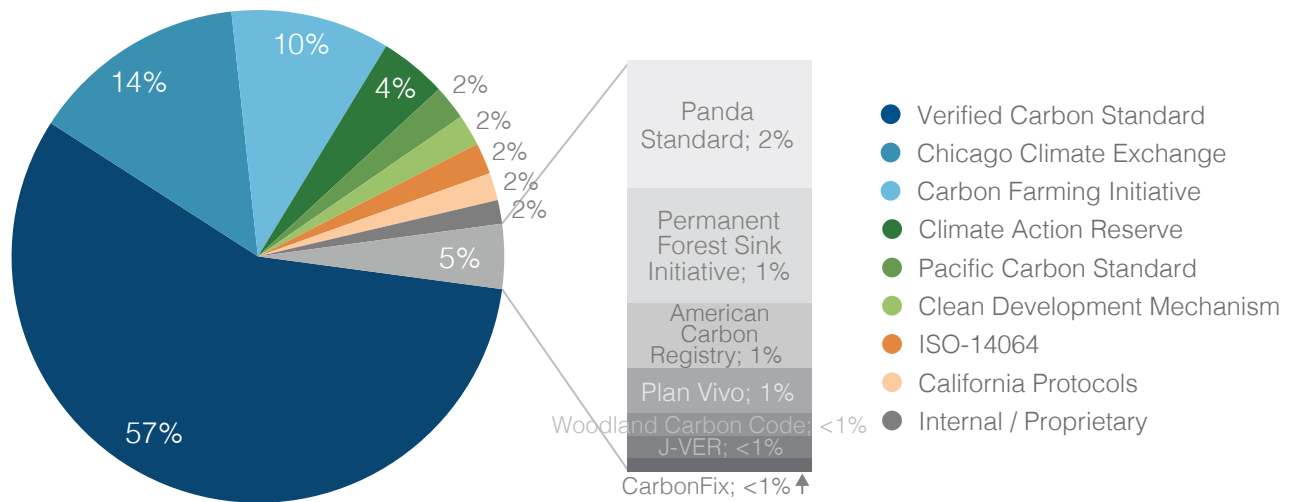
communities, ranging from disclosure of project information to community employment to identifying as community-led projects. Just over half of these projects (39) were based in Latin America, some of which made up the large number of community-facing REDD projects also tracked in this survey – also 39 projects. In 2013, Latin America's Paiter Suruí were the world's first indigenous community to develop a REDD project, and verify and transact offsets.

At least 32 projects managed a formal process to obtain Free, Prior and Informed Consent (FPIC) from relevant communities – 19 of which transacted 9.3 MtCO<sub>2</sub>e in 2012. FPIC guidelines acknowledge communities' rights to grant or withhold consent to forestry and other development projects sited on collective or customary lands. The concept of FPIC was first outlined within the UN Declaration on the Rights of Indigenous Peoples, adopted in 2007, and has since been applied to major infrastructure development projects worldwide.

### Project standards: VCS and CCB Standards – and standards overall – report record use

In both voluntary and compliance markets for forest carbon offsets, project standards raised the bar in 2012, when 98% of transacted offsets were (or aimed to be) certified to a project standard. Only 0.4 MtCO<sub>2</sub>e was transacted from projects using an internal standard, making 2012 a watershed year

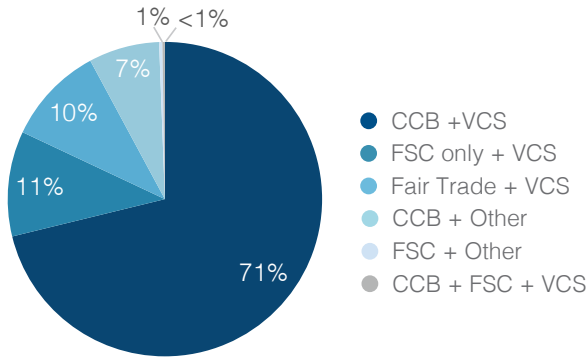
Figure 8: Market Share by Standard/Certification Type, All Markets, 2012 (% Share)



Notes: Based on 628 observations from 357 reported projects or secondary transactions.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

Figure 9: Market Share by Co-benefits or Project Area Certification, 2012



Notes: Based on 628 observations from 357 reported projects or secondary transactions.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013.*

for measuring, reporting, and verifying (MRV) forest carbon projects' climate and community impacts.

Projects achieving or seeking VCS approval experienced a boost in market share, transacting 15.7 MtCO<sub>2</sub>e, or 57% of all market activity. Around 12.2 MtCO<sub>2</sub>e of this volume was from projects pursuing dual certification to both VCS and the CCB Standards.

Overall, 17.1 MtCO<sub>2</sub>e was transacted from projects that certified their additional environmental and/or socio-economic benefits to the CCB Standards or to a certification program like the Forest Stewardship

Council (FSC) or Fairtrade label. Land area certifications like FSC, Fairtrade, and Rainforest Alliance programs are not formally "linked" to a carbon project but can indicate financial sustainability due to the complementary revenues derived from other eco-certified forest products. These offsets received a slightly higher price as a result. The once energy-oriented Gold Standard acquired the CarbonFix Standard and partnered with both FSC and Fairtrade in 2012.

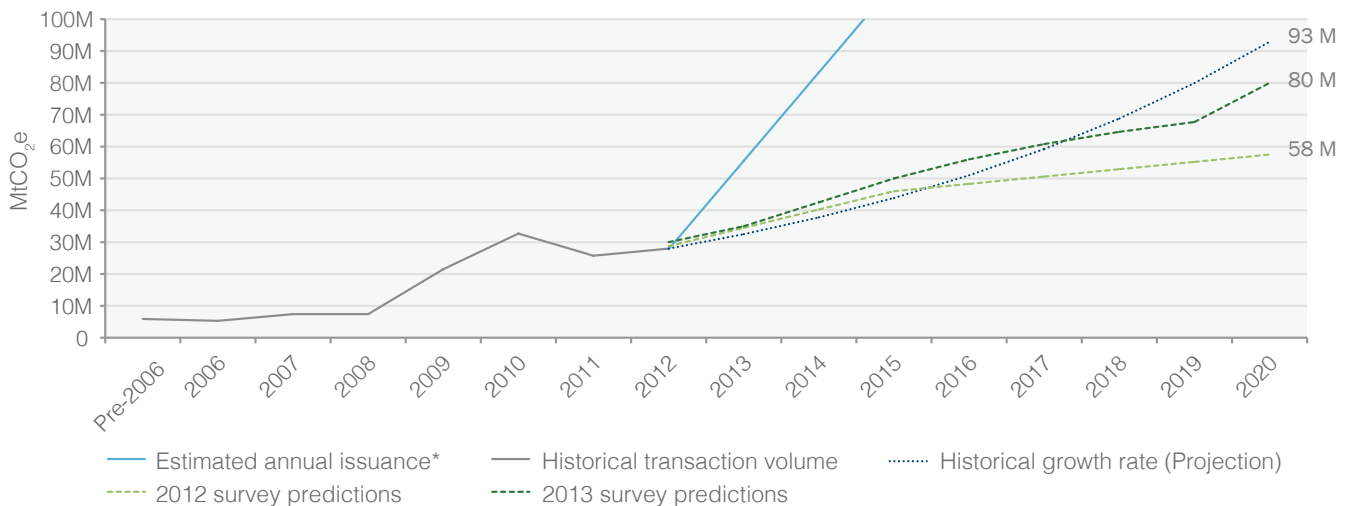
Primarily (but not entirely) North America-facing standards, the Climate Action Reserve (CAR) and American Carbon Registry (ACR), combined captured just 5% of the market, as the California carbon market awaited clear guidelines for the state's treatment of compliance offsets. Both were dubbed offset project registries for the state's program in late 2012. Only 2% of transacted offsets used California's regulation-based forestry protocols. These and other place-specific methodologies represented 28% of transactions, valued at \$60 million.

Registries, meanwhile, reported the largest-ever volume of forest carbon offsets issued (8 MtCO<sub>2</sub>e) and/or retired (2.6 MtCO<sub>2</sub>e) in 2012.

### Developer predictions: New ground, new challenges

With the benefit of hindsight and already some insight into 2013's performance, we asked suppliers to "guesstimate" market size for 2012 and future years. Figure 10 shows that, at least for the previous and

Figure 10: Project Developer Predictions, All Markets, 2011-2012



Notes: Based on predictions provided by 97 survey respondents. \*Estimated annual issuance based on developer-reported ranges.

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013.*

Table 2: Various Estimates of Market Value and Future Needs, 2013 and Beyond

\$ 216 M	\$ 236 M	\$ 280 M	\$ 1.1 - 2.3 B	\$ 10.7 B
2012 market value: ACTUAL	Value of unsold offset portfolio	2012 value if developers had received desired price	Developer estimates to fully support existing projects	Value of developers' 5-year pipeline

Source: Forest Trends' Ecosystem Marketplace. *State of the Forest Carbon Markets 2013*.

current years, both 2012 and 2013 survey respondents anticipated last year's market size within 1 MtCO<sub>2</sub>e of our actual findings. Respondents in both years also project that the market will transact 35 MtCO<sub>2</sub>e in 2013.

Beyond 2013, this year's survey respondents predict an average annual growth rate of 13%, while 2012 respondents predicted 9% growth. Both estimates are slightly to significantly smaller than if the market continued to grow according to its historical rate (reaching 93 MtCO<sub>2</sub>e by 2020).

Developers were unable to find a buyer for 30 MtCO<sub>2</sub>e in 2012 – worth an additional \$236 million if they had been successful. They also expect to reduce another 1.4 billion tonnes over the next five years – 93% of which is from REDD projects.

Overall, estimates of market need range widely, from millions to billions of dollars in this decade. Up to the challenge, 2012's forestry practitioners tipped corpo-

rate offset portfolios in their favor, courting brands like eBay, PUMA, and Microsoft. Last year, the forestry offset market was largely stable as a result. To *grow* their share, developers are positioning incentive payments to AFOLU projects to enhance supply-chain security and producer relationships.

But as market participants will admit, significant market growth ultimately hinges on regulatory drivers. Thus, developers are integrating project plans with emerging regional frameworks; experimenting with "stacking" forest carbon assets onto other certified commodities; and formalizing community participation – many in hopes of tapping into bilateral funds for forest carbon management.

In the quest to remain relevant to funders of all kinds, forest project standards, developers, registries, analysts, consultants, and community stakeholders continue to break new ground in 2013 – cultivating resilience and innovation that is already seeding tomorrow's markets.

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**Face the Future** ([www.facethefuture.com](http://www.facethefuture.com)) is an independent organization with worldwide operations, aiming to mitigate climate change and provide measurable social and biodiversity benefits to local communities. Our team of experts specializes in identifying, developing and marketing of forest values and biodiversity. In our work we focus on innovation and sustainable development. We want to use our expertise to identify economic opportunities that support our commitment to sustainability and responsibility.



**The Program on Forests (PROFOR)** ([www.profor.info](http://www.profor.info)) is a multi-donor partnership managed by a core team at the World Bank. PROFOR finances forest-related analysis and processes that support the following goals: improving people's livelihoods through better management of forests and trees; enhancing forest governance and law enforcement; financing sustainable forest management; and coordinating forest policy across sectors. In 2013, PROFOR's donors included the European Commission, Finland, Germany, Italy, Japan, the Netherlands, Switzerland, the United Kingdom and the World Bank.



**The World Bank BioCarbon Fund** ([www.biocarbonfund.org](http://www.biocarbonfund.org)) has allocated resources to projects that transform landscapes and directly benefit poor farmers since its creation in 2004. It was the first carbon fund established in the world to focus on land use. Housed within the Carbon Finance Unit of the World Bank, the BioCarbon Fund is a public-private sector initiative mobilizing financing to help develop projects that sequester or conserve carbon in forest and agroecosystems. It has been a pioneer in this sector, developing the infrastructure needed to pilot transactions in a growing land-use carbon market.

Tranches One and Two of the BioCarbon Fund committed about \$90 million to more than 20 projects around the world. The large majority are Afforestation and Reforestation (A/R) Clean Development Mechanism (CDM) projects, though a small portion of funds support REDD+ and Sustainable Agricultural Land Management (SALM) projects under the voluntary carbon market. A third tranche is currently being established to incentivize better land management at the landscape level, combining afforestation/reforestation, REDD+, agriculture, and biomass energy activities into an integrated and scaled-up approach.



**New Forests** ([www.newforests.com.au](http://www.newforests.com.au)) manages investments in sustainable forestry and associated environmental markets for institutional and other qualified wholesale investors. New Forests executes three investment strategies that provide clients with diversity and choice around risk-adjusted returns, geography, and market exposure: sustainable timberland investment in Australia and New Zealand; forestry investment in high-growth markets of the Asia Pacific region; and conservation forestry and environmental markets investment in the United States. The company has offices in Sydney, Singapore, and San Francisco and as at October 31, 2013 manages over AU\$1.9 in funds and assets and over 415,000 hectares of land in Australia, the United States, and Asia.

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**Althelia Ecosphere** ([www.altheliaecosphere.com](http://www.altheliaecosphere.com)) is an asset management platform dedicated to pioneering new and profitable solutions to address challenges arising from climate change and the depletion and degradation of forests and other natural ecosystems.

It manages the Althelia Climate Fund and Althelia Sustainable Landscapes Fund, vehicles set up as public private partnerships to deliver innovation and finance at scale, catalyzing the transition towards sustainable land use and conservation of natural ecosystems in Africa, Latin America and Southeast Asia. Our portfolio demonstrates that competitive financial returns can be fully aligned with sound environmental stewardship and social development impacts that include: positively transformed land-use models delivering social, economic and environmental outcomes; economic and livelihood benefits realized by a wide spectrum of local stakeholders; reduced greenhouse gas emissions; conservation of biodiversity and ecosystem function; and improvement in conservation status of threatened and endangered species.



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**Baker & McKenzie** ([www.bakermckenzie.com](http://www.bakermckenzie.com)) was the first law firm to recognize the importance of global efforts to address climate change and the importance of such legal developments to our clients. Our dedicated team has worked on numerous pioneering deals, including writing the first carbon contracts, setting up the first carbon funds and advising on the first structured carbon derivative transactions.

Our team has worked extensively in the voluntary carbon market over the past fifteen years, beginning with early forestry transactions between Australia and Japan in the late 1990s. Our team is involved in the development of market standards and infrastructure and has represented clients on many early voluntary market transactions and deals under the Voluntary Carbon Standard, including a number of REDD transactions. We have worked closely with marketmakers such as Markit and the Voluntary Carbon Standard.





## The Family of Forest Trends Initiatives

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### Ecosystem Marketplace

A global platform for transparent information on ecosystem service payments and markets

### Water Initiative

Protecting watershed services through markets and incentives that complement conventional management

### Forest Trade & Finance

Bringing sustainability to trade and financial investments in the global market for forest products

### BBOP

Business and Biodiversity Offsets Program, developing, testing and supporting best practice in biodiversity offsets

### the katoomba group

Building capacity for local communities and governments to engage in emerging environmental markets

### Communities and Markets

Supporting local communities to make informed decisions regarding their participation in environmental markets, strengthening their territorial rights



Using innovative financing to promote the conservation of coastal and marine ecosystem services

### Public-Private Co-Finance Initiative

Creating innovative, integrated, and efficient financing to support the transition to low emissions and zero deforestation land use

Learn more about our programs at [www.forest-trends.org](http://www.forest-trends.org)