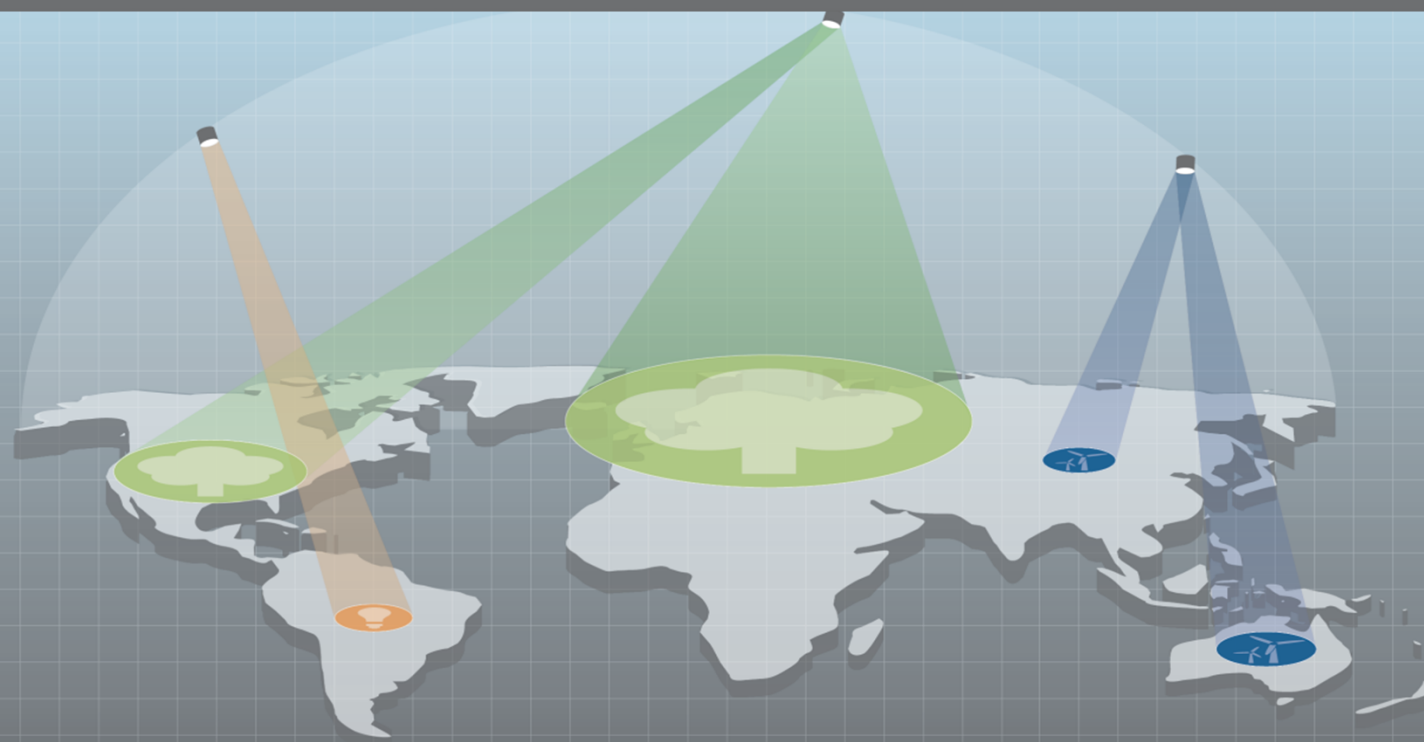




Ecosystem Marketplace  
A FOREST TRENDS INITIATIVE



# Sharing the Stage

## State of the Voluntary Carbon Markets 2014

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ECOSYSTEM MARKETPLACE: A global source for news, data and analytics around environmental markets and payments for ecosystem services



The screenshot shows the Ecosystem Marketplace website interface. The top navigation bar includes links for CONTACT US, SUPPORT US, SITE MAP, and ESPAÑOL, along with a search bar. The main navigation menu lists HOME, NEWS & ARTICLES, OUR PUBLICATIONS, MARKETWATCH, LIBRARY & TOOLS, DIRECTORY, NEWSLETTERS, EVENTS, and ABOUT US. The 'TOP STORY' section features an article titled 'Peru Will Look For Global Commitment On Climate Change During COP 20'. The 'FEATURED ARTICLES' section includes 'New Compliance Association Developers', 'Obama's Push For Carbon System', 'This Week In Forest Carbon', and 'Belizean Fisheries Project'. The 'GETTING STARTED' section offers resources like 'Eco Markets Intro PES Primer' and 'State of the Forest Carbon Markets 2012'. The 'FOREST CARBON PORTAL' section provides tracking of terrestrial carbon with featured articles on forest carbon, editorial & opinion, methodology and standards watch, and market analysis. Three report covers are overlaid on the website: 'Covering New Ground: State of the Forest Carbon Markets 2012', 'BRINGING IT HOME: Taking Stock of Government Engagement with the Voluntary Carbon Market', and 'Sharing the Stage: State of the Voluntary Carbon Markets 2014 Executive Summary'. The bottom of the page lists donors (PROFOR) and sponsors (climatecare, RBC, SCX).



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Support from sponsors, stakeholders and survey respondents facilitated production of our most far-reaching report to date

**Over 250** survey responses in 2014, representing suppliers and buyers in 57 countries and projects based in a record 60 countries

Surveyed exchanges, all major registries; **surveys in three languages**

**Agnostic on credit quality**, but do conduct **extensive due diligence** and peer review of preliminary findings

All **findings volume-weighted** for significance

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## KEY TAKEAWAYS

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- ✓ Market activity slowed but largely based on technicalities, including **transition of pre-compliance** offsets to California's carbon markets: a win for voluntary market actors;
- ✓ Demand sees interesting **shift toward “climate driven missions”** as motive for offsetting, but predominantly among existing buyers;
- ✓ With new sustainability approaches coming online, suppliers are exploring ways to **integrate carbon certification and sustainable commodity commitments**
- ✓ **Public sector payments for performance, voluntary price premiums** challenging our definitions of “voluntary” and “offsetting” as private sector increasingly shares the stage.



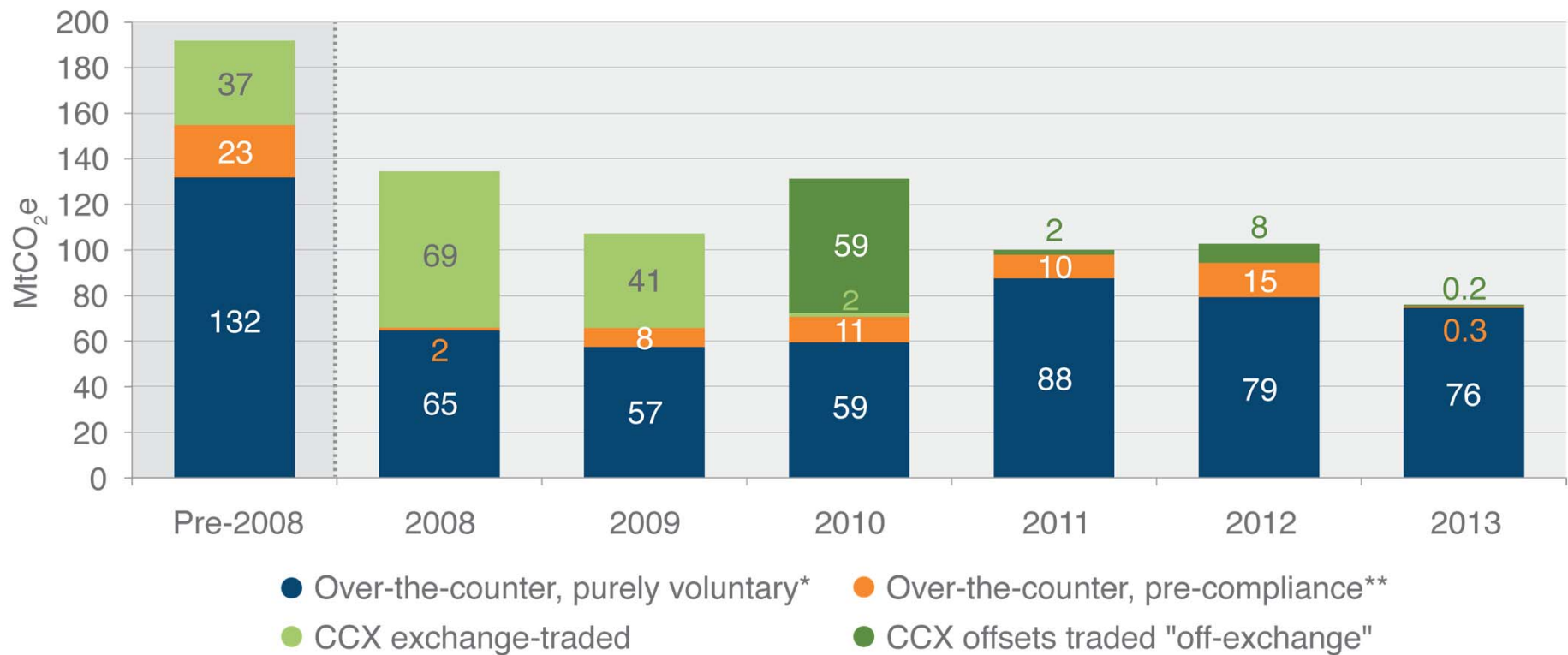
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76 Mt transacted (-26%) with 15 Mt drop in pre-compliance transitions; -8.1 Mt due to delayed CCX wind-down; means “purely-voluntary” action -5%.

## HISTORICAL COMPARISON PURELY VOLUNTARY AND PRE-COMPLIANCE TRANSACTIONS

MtCO<sub>2</sub>e



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



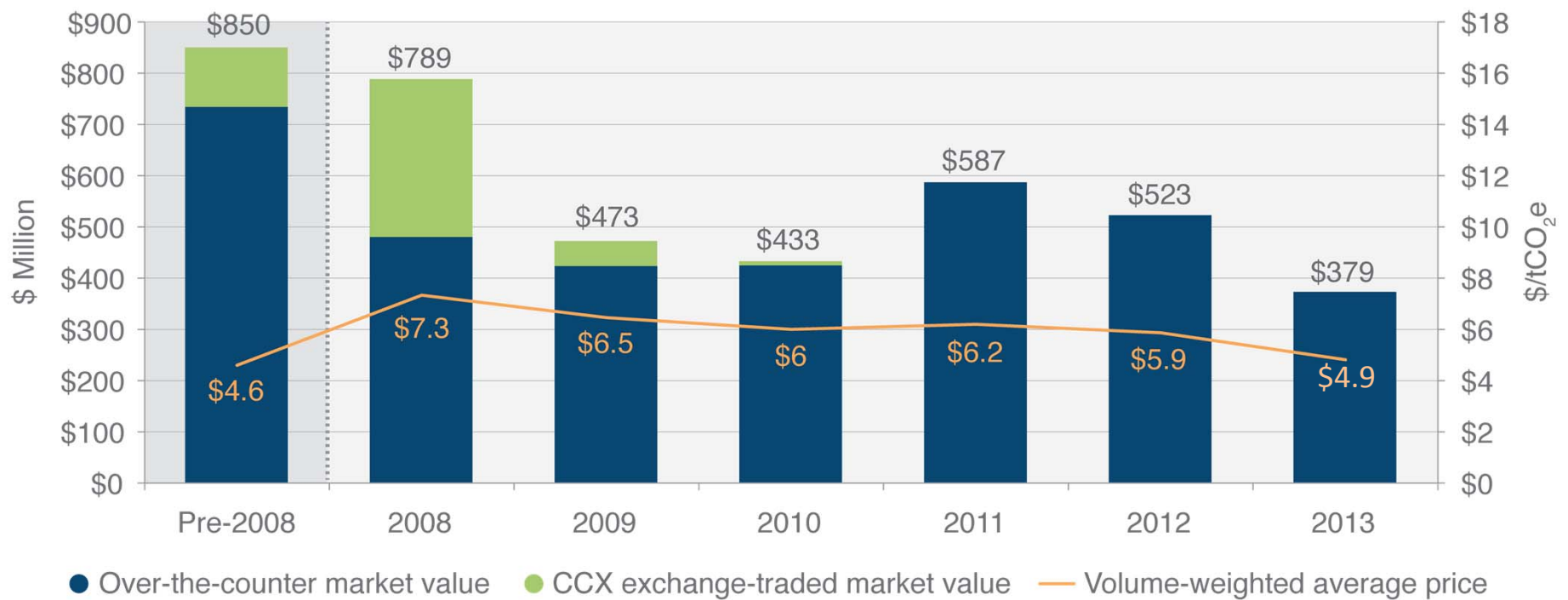


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Market value declined 28% to \$378.5 million, but surpassed \$4 billion mark across report years – while average price fell 16% to \$4.9/tCO<sub>2</sub>e

**HISTORICAL MARKET-WIDE VALUE AND AVERAGE PRICE**  
*MtCO<sub>2</sub>e & \$/tCO<sub>2</sub>e*



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



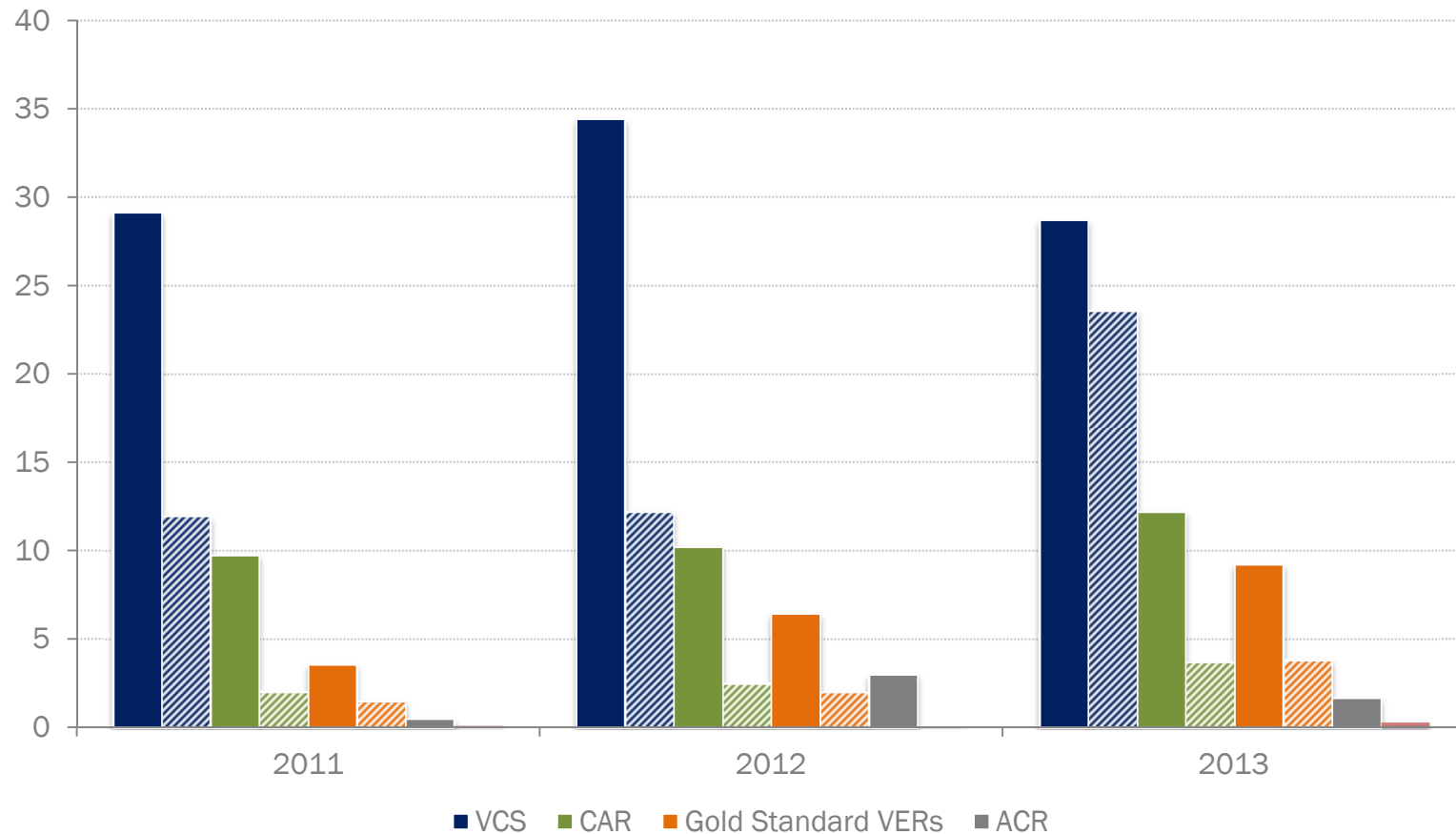
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Retirements more than doubled, +166% at 53 MtCO<sub>2</sub>e in 2013; 119 MtCO<sub>2</sub>e historically or 13% of all offsets transacted historically

## OFFSET ISSUANCE AND RETIREMENT BY MAJOR THIRD-PARTY STANDARD

MtCO<sub>2</sub>e



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



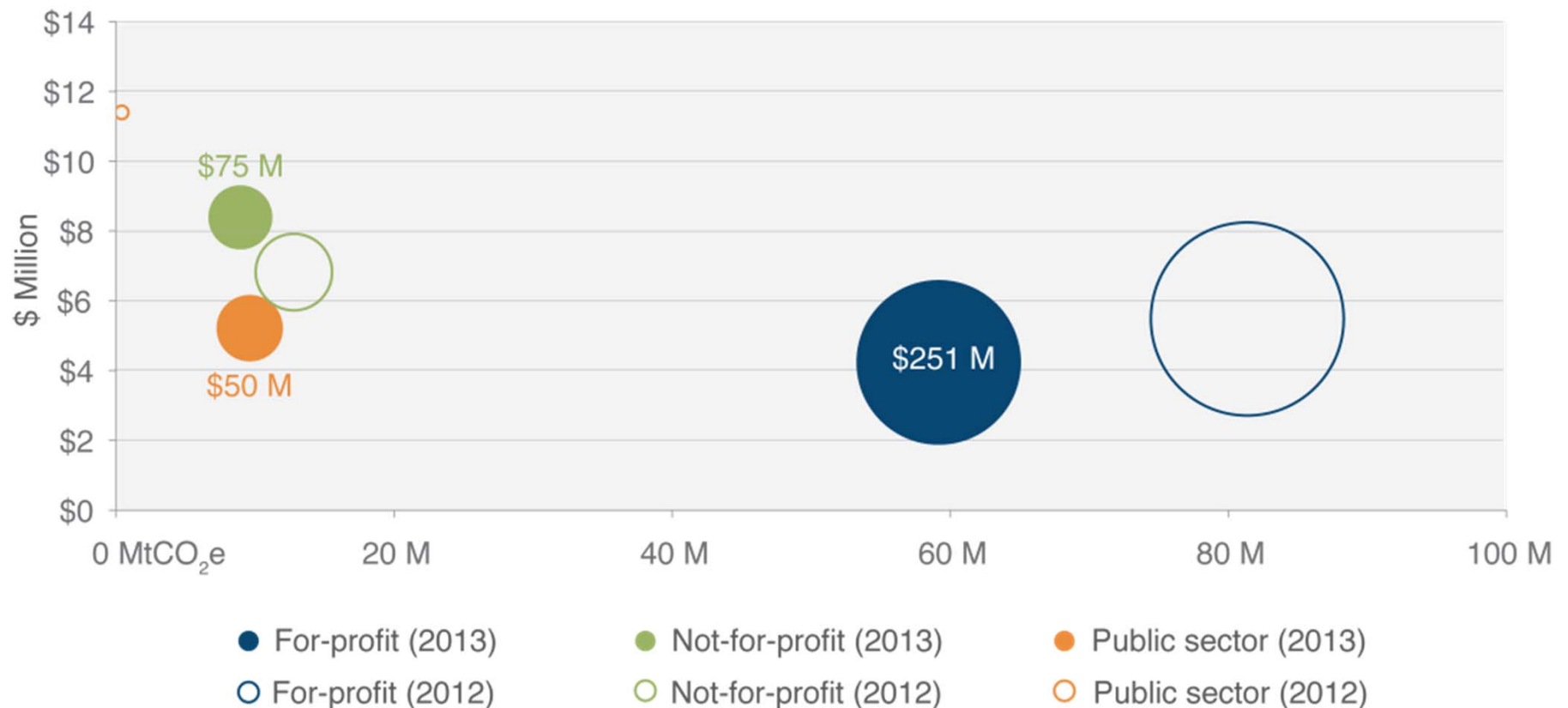
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For-profit entities retained the largest market share in 2013, but by a smaller margin as public sector activity grows with REDD+

## MARKET SHARE & VALUE BY SUPPLIER PROFIT STATUS, 2012 AND 2013

MtCO<sub>2</sub>e



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.





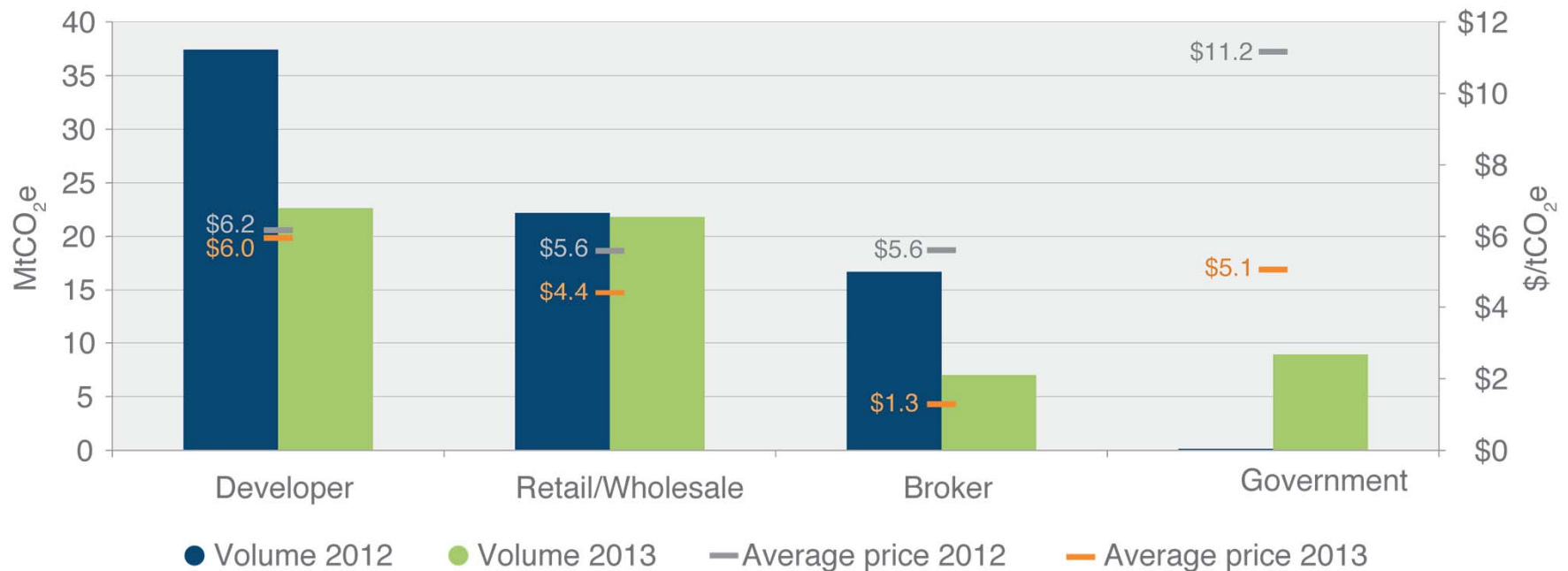
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Volume of offsets supplied by project developers, intermediaries drops while retail business holds strong – albeit at lower price

## TRANSACTIONED VOLUME AND AVERAGE PRICE BY SUPPLIER MARKET ROLE, 2012 AND 2013

*MtCO<sub>2</sub>e & \$/tCO<sub>2</sub>e*



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



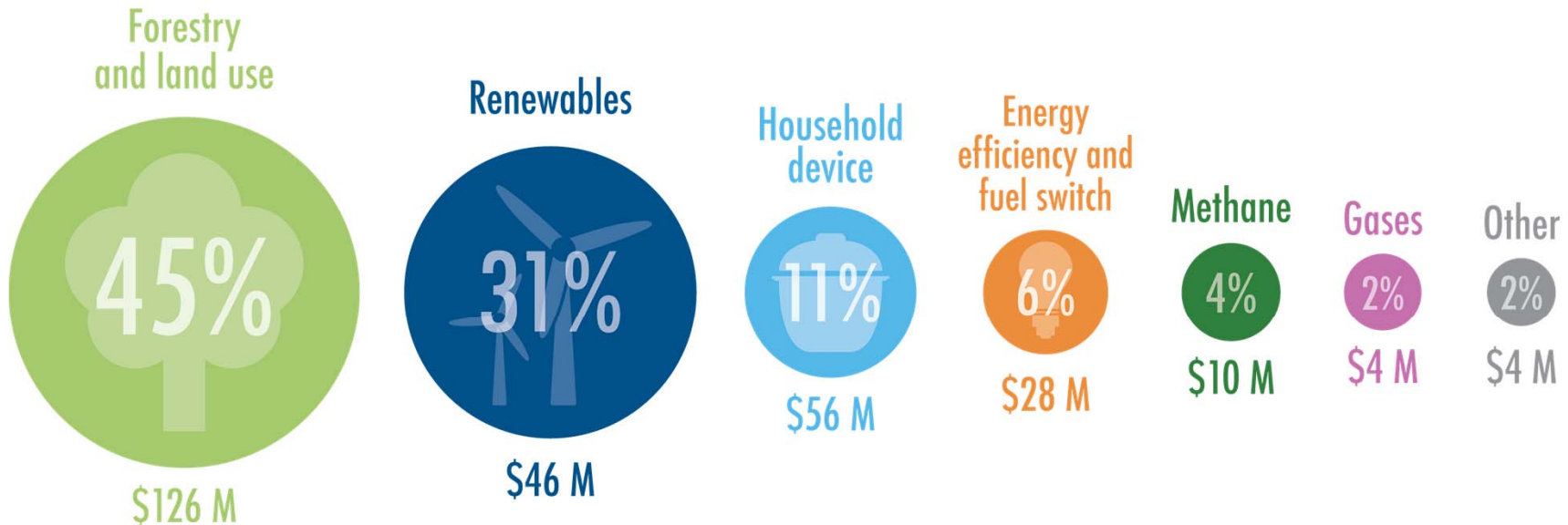
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Forest carbon and development-oriented offset market share climbs as public sector enters ring and co-benefits remain key decision point

## TRANSACTIONED VOLUME, VALUE AND MARKET SHARE BY PROJECT CATEGORY, 2013

*MtCO<sub>2</sub>e & % share*



**Bubble size:** Volume

**Percentage:** Market share

**\$:** Market value

SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



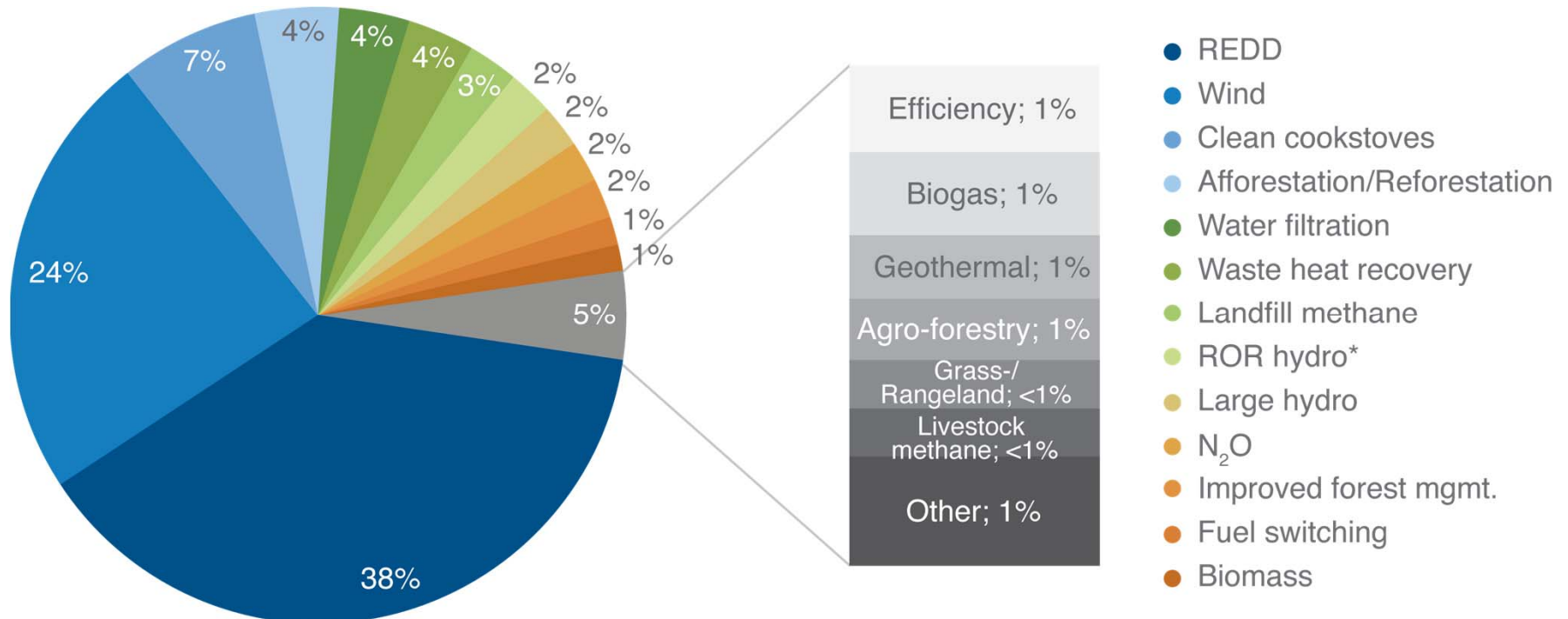
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REDD+ on the rise with or without public sector support, but (similar to 2010) on the back of “internal/proprietary” standards

## MARKET SHARE BY PROJECT TYPE, 2013

% share



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



REDD+ on the rise with or without public sector support, but (similar to 2010) on the back of “internal/proprietary” standards

TRANSACTIONED VOLUME BY PROJECT STANDARD TYPE, REDD+ PROJECTS, 2013



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



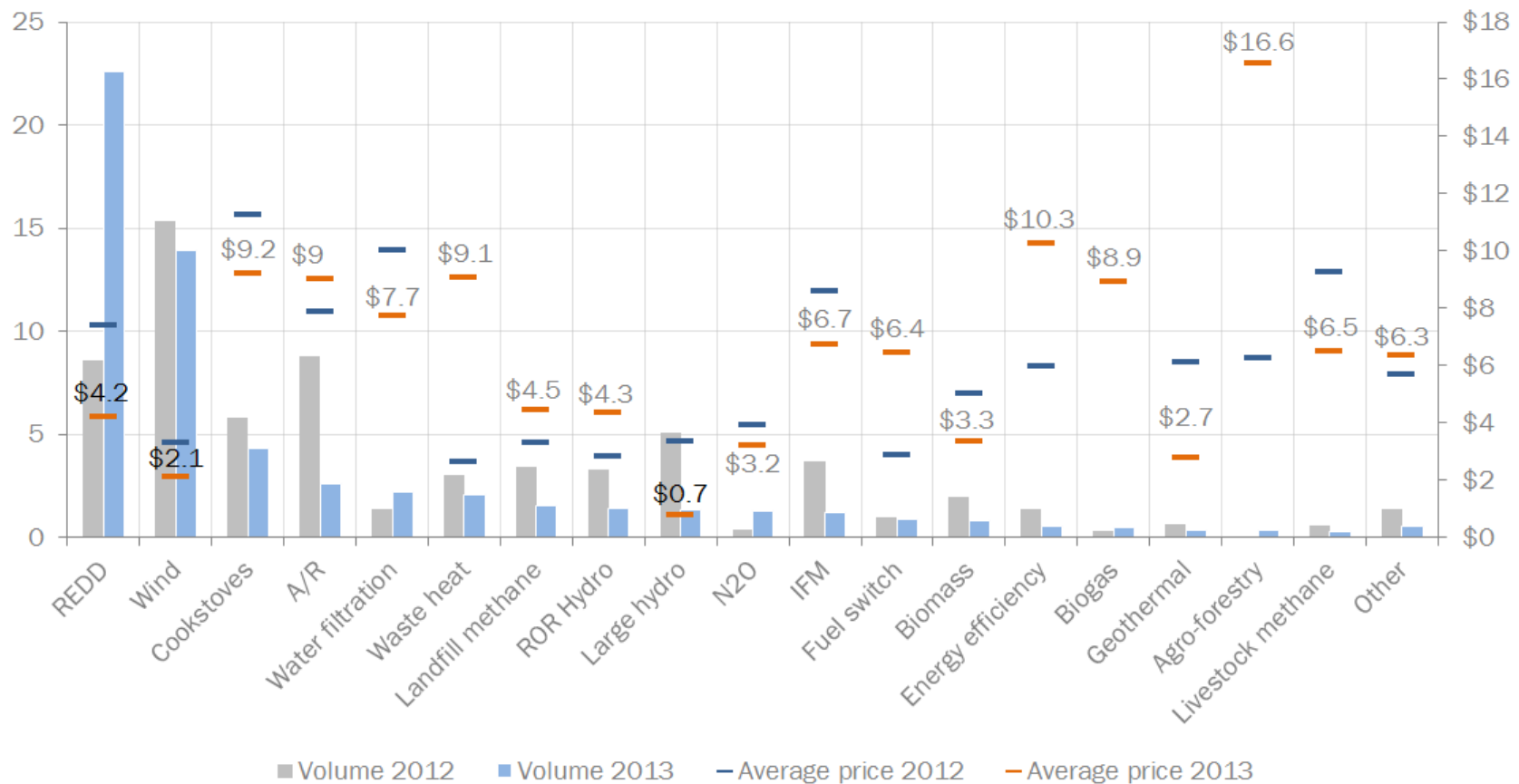
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REDD+ offsets surpass wind for the largest volumes as buyers respond to lower price; buyers less responsive to “luxury” offset price drop

## VOLUME TRANSACTED AND AVERAGE PRICE BY PROJECT TYPE, 2012 & 2013

MtCO<sub>2</sub>e & \$/tCO<sub>2</sub>e



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



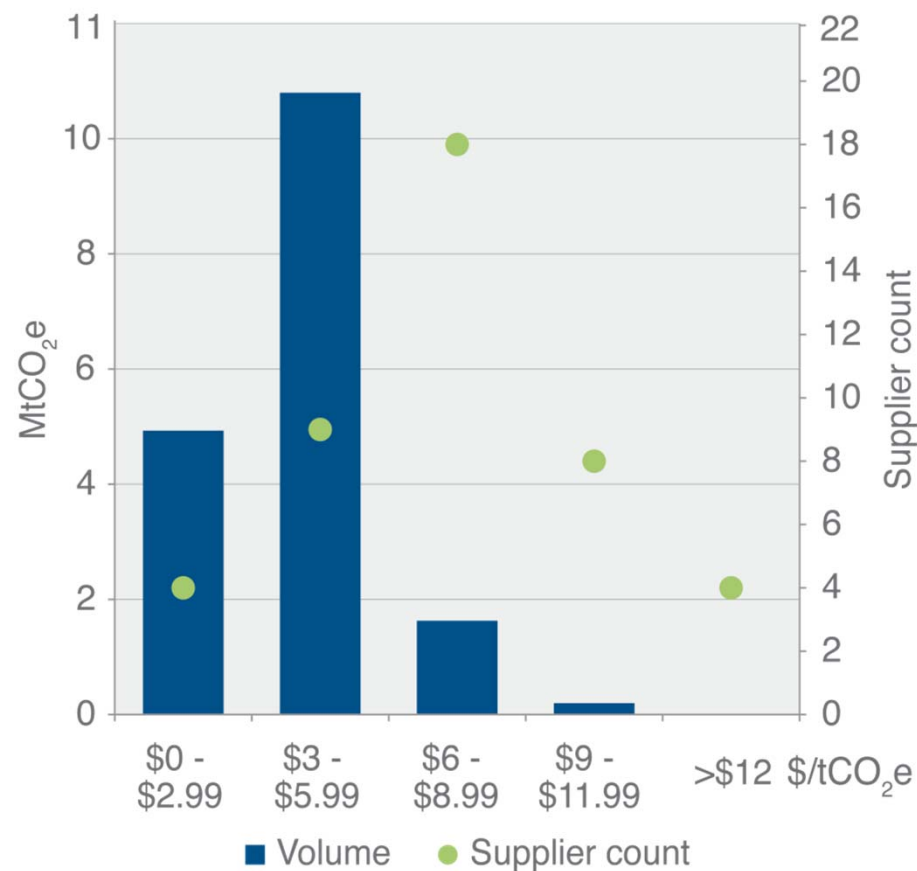
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The majority of REDD+ offsets (by vol.) or 62% transacted at \$3-\$6/tCO<sub>2</sub>e range; 28% dipped lower, but most (by count) were higher

## REDD+ OFFSET TRANSACTED VOLUME AND SUPPLIER COUNT BY PRICE RANGE

*MtCO<sub>2</sub>e & Supplier count*



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.





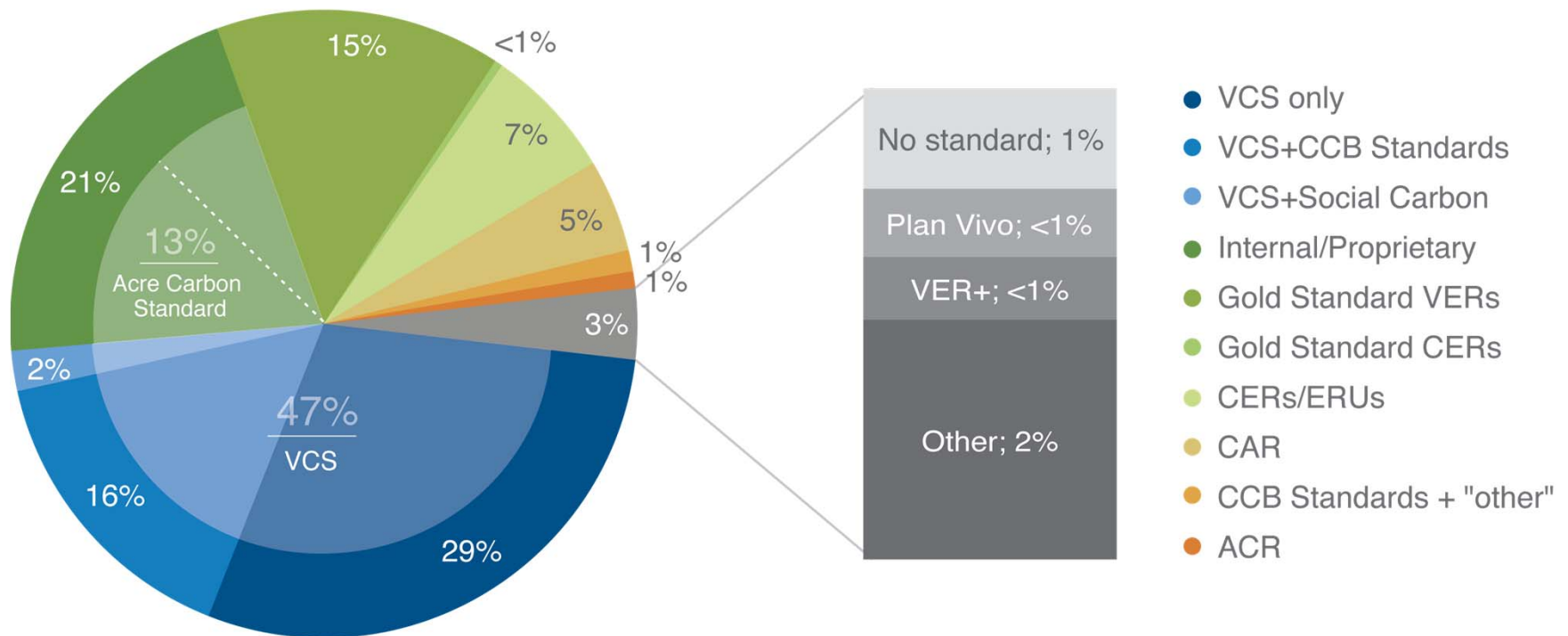
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VCS still the most widely used independent standard, followed by The Gold Standard, but shares declined as internal standards re-enter ring

## MARKET SHARE OF TRANSACTED VOLUME FOR PROJECT STANDARDS AND CERTIFICATIONS

% share



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.

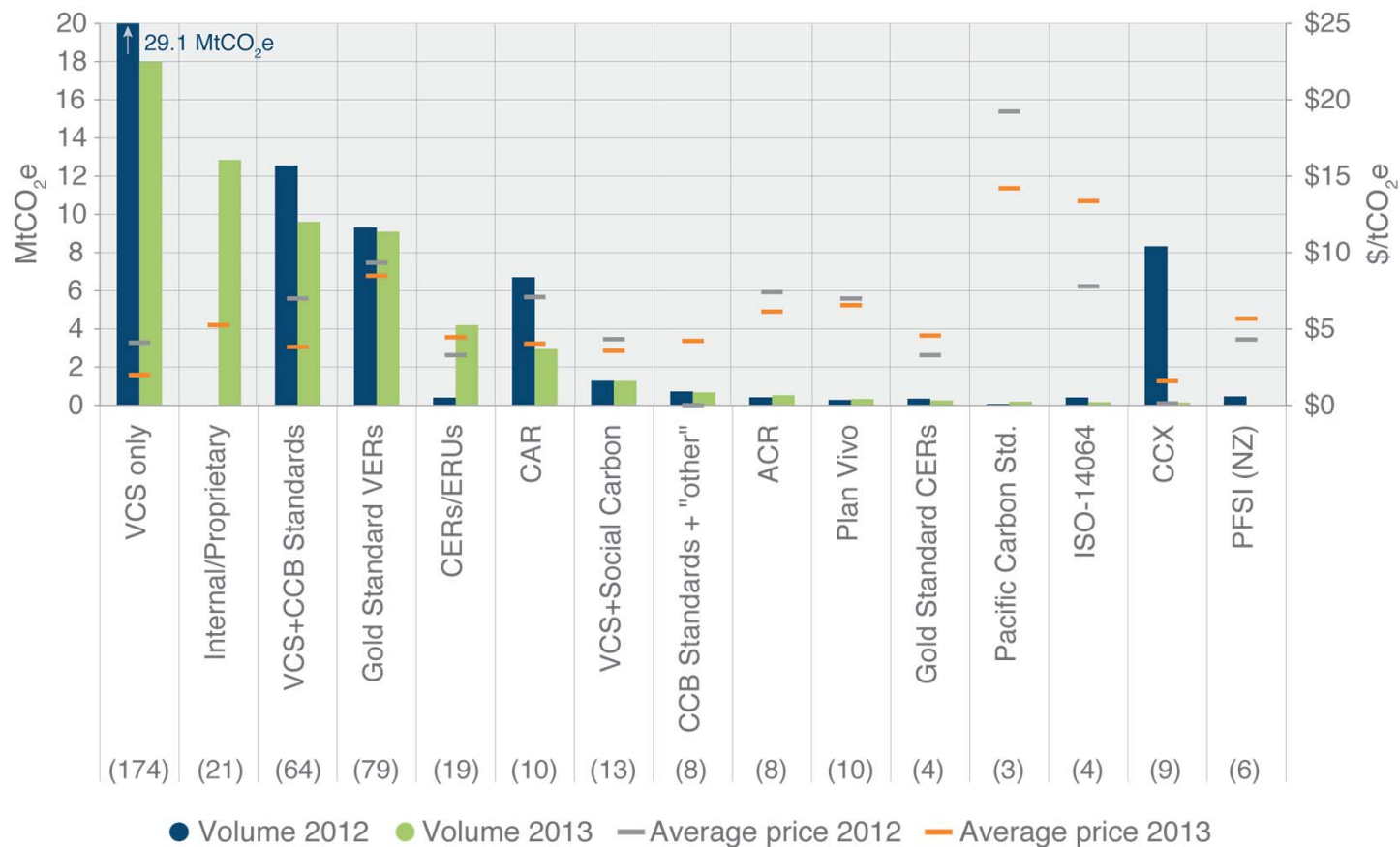


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Growing gap between VCS-only (\$2/tCO<sub>2</sub>e) and VCS + CCB Standards (\$3.8/tCO<sub>2</sub>e) – but well below '13 (\$4.1/tCO<sub>2</sub>e; \$7/tCO<sub>2</sub>e, respectively)

**VOLUME TRANSACTED AND AVERAGE PRICE BY PROJECT STANDARD, CO-BENEFITS OR LAND AREA CERTIFICATION 2012 & 2013**  
MtCO<sub>2</sub>e & \$/tCO<sub>2</sub>e



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



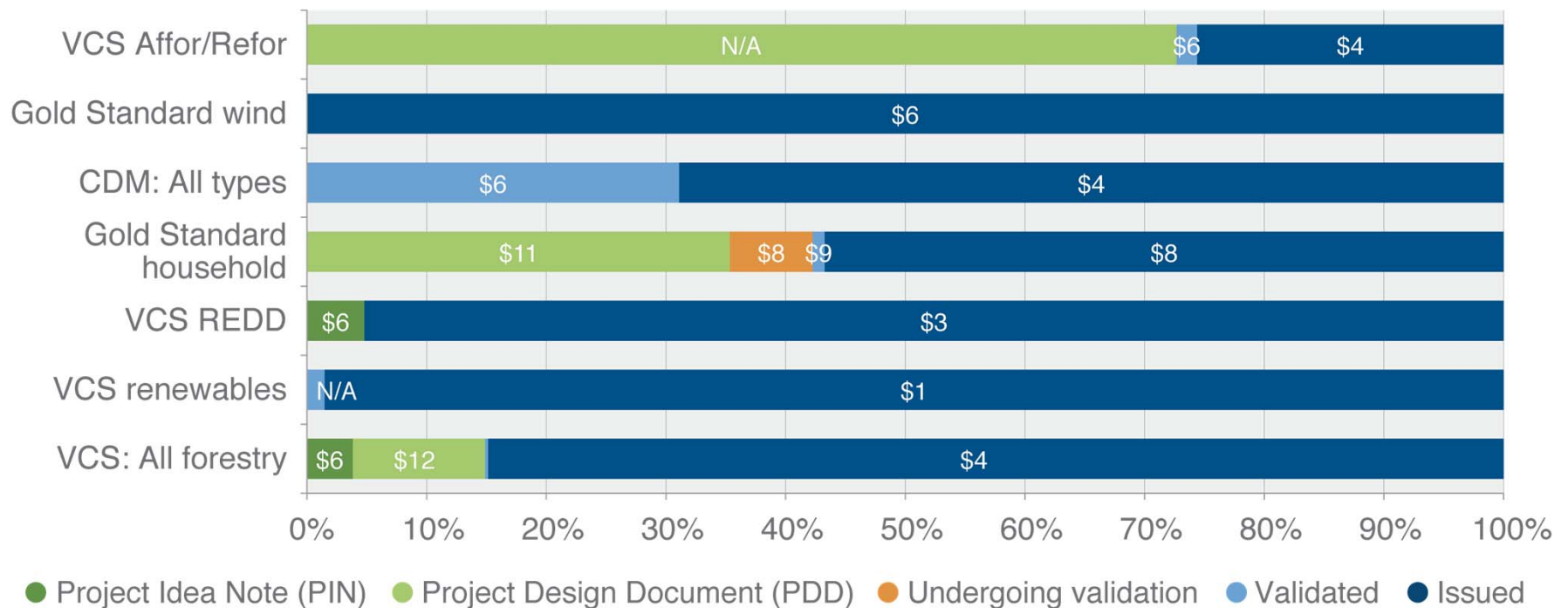
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Higher prices paid for buyer opportunities to be catalytic, versus buying existing tonnes – project/carbon risk perceived to be lower

## MARKET SHARE AND AVERAGE PRICE BY PROJECT STAGE, STANDARD AND TYPE/CATEGORY

% share & \$/tCO<sub>2</sub>e



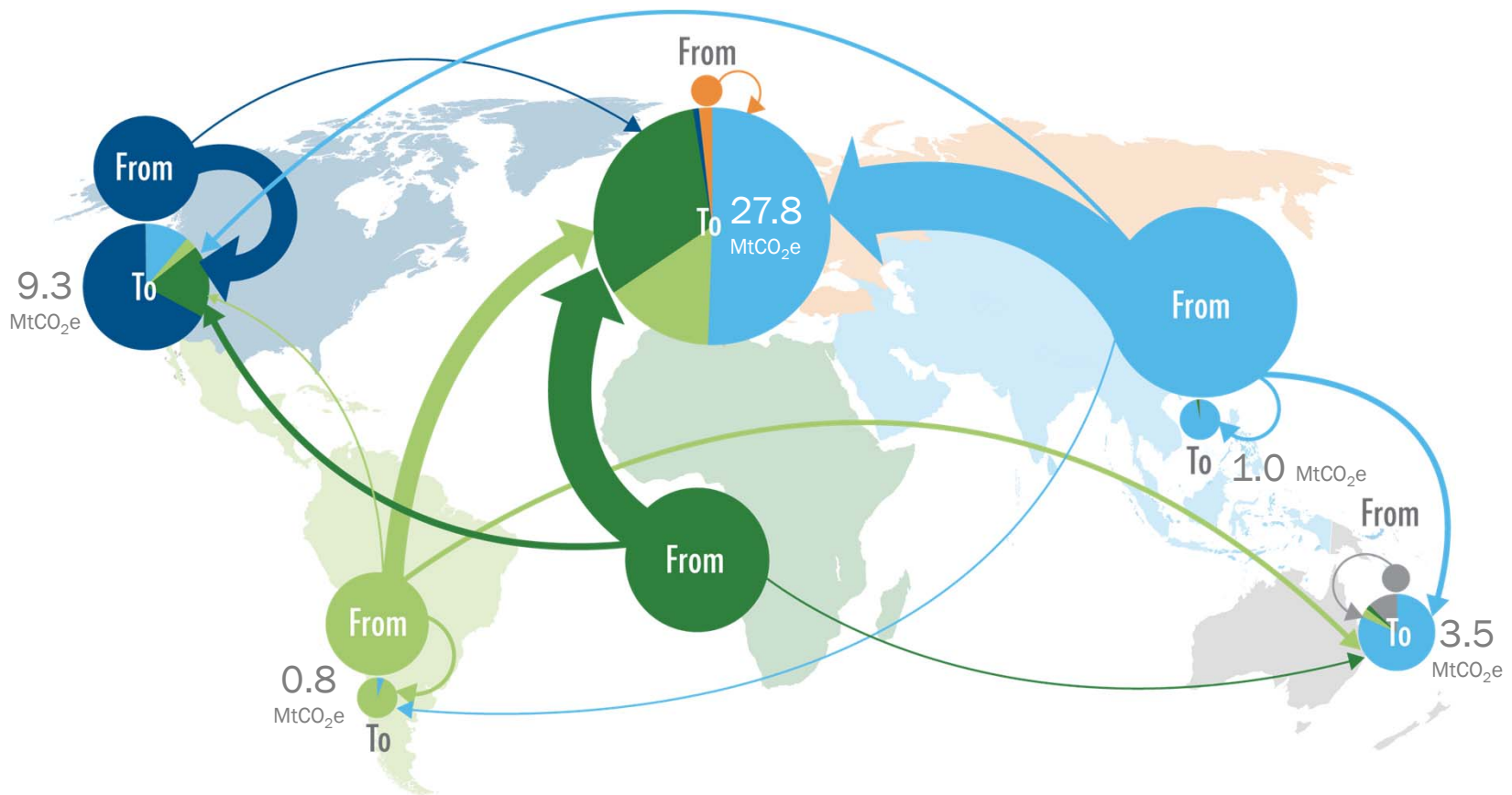
SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



Europeans continue to obtain largest volumes from “international” projects while North America re-evaluates supply

## FLOW OF TRANSACTED OFFSET VOLUMES FROM SUPPLIER TO BUYER REGION, 2013

*% share and Sized by Volume*



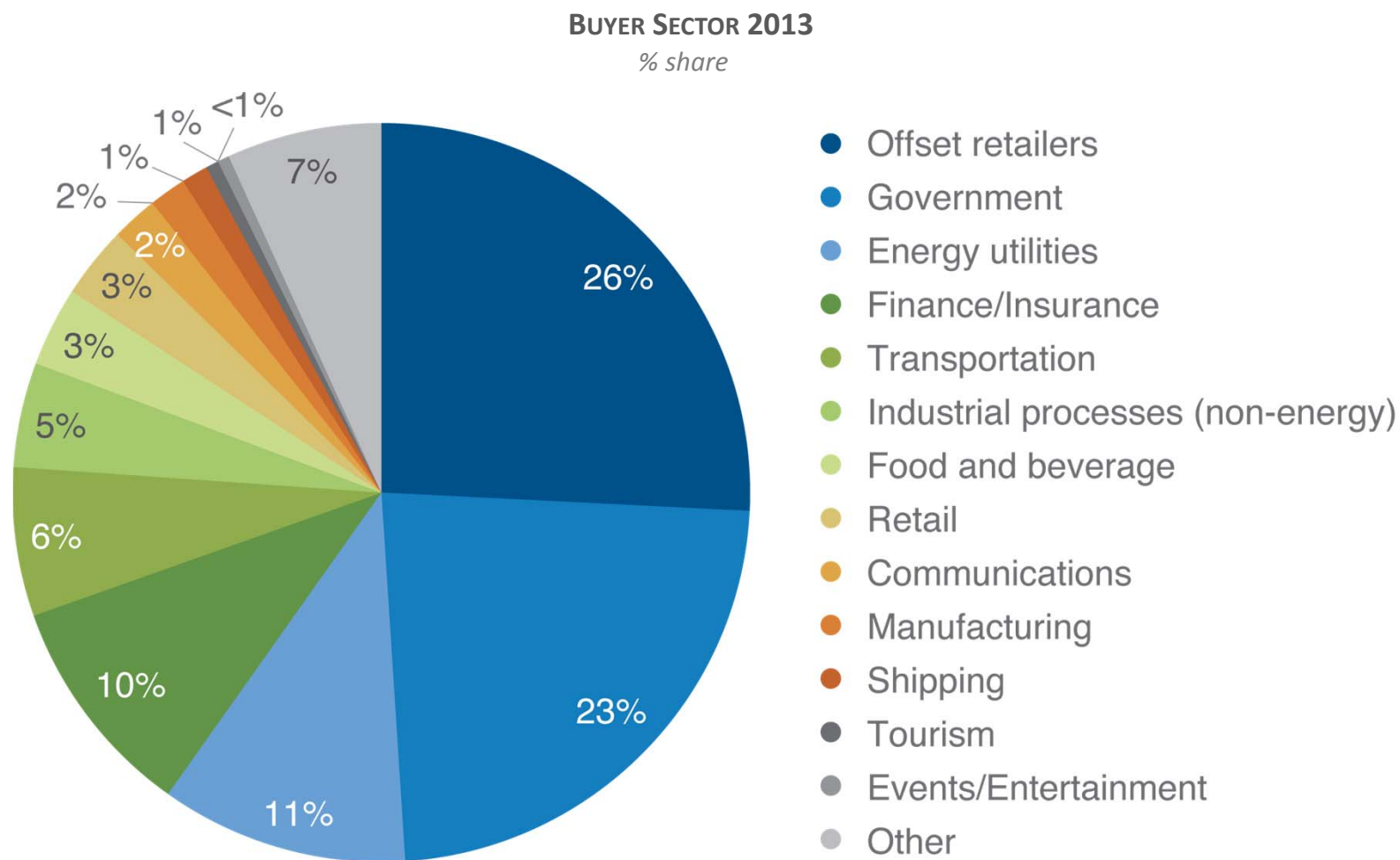
SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



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Offset retail market also primary demand sector, followed by buyers with clear compliance, climate, and related risks



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



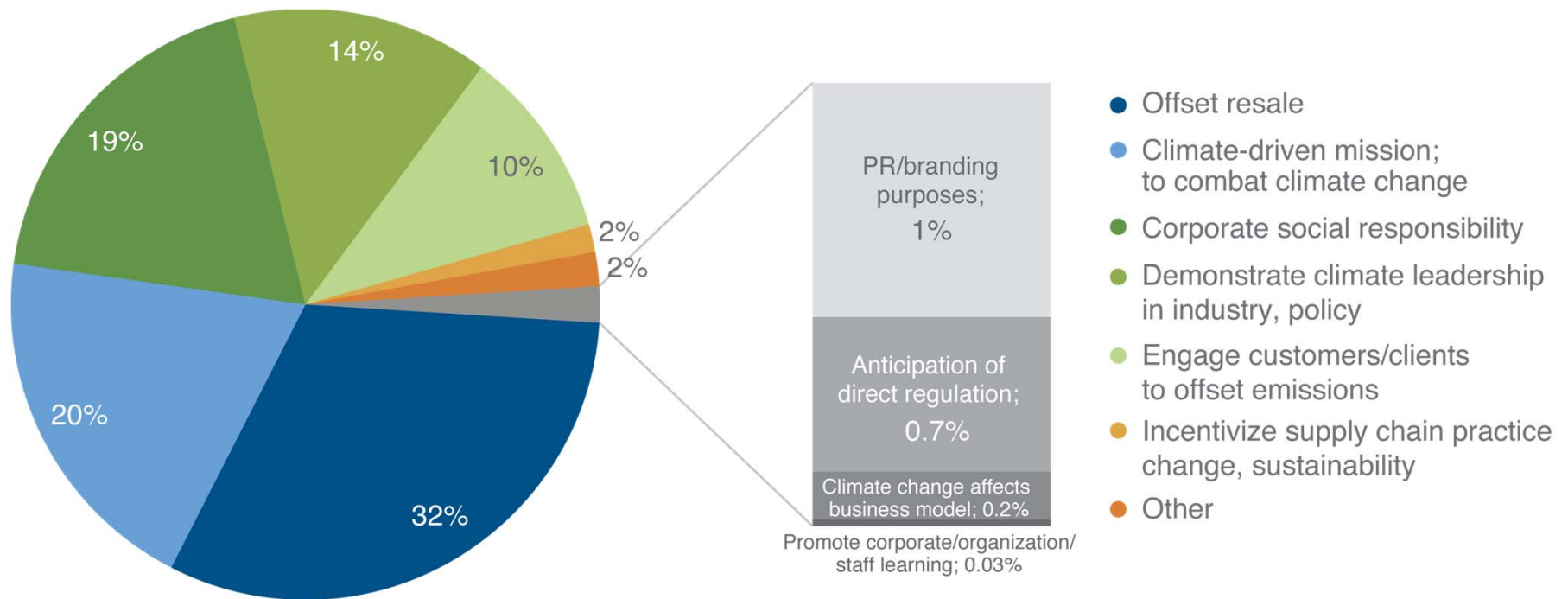
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Resale and “Taking action on climate change, pursuing climate-driven mission” top motivations; supply chain incentive payments make the map

## BUYER MOTIVATIONS 2013

% share



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.

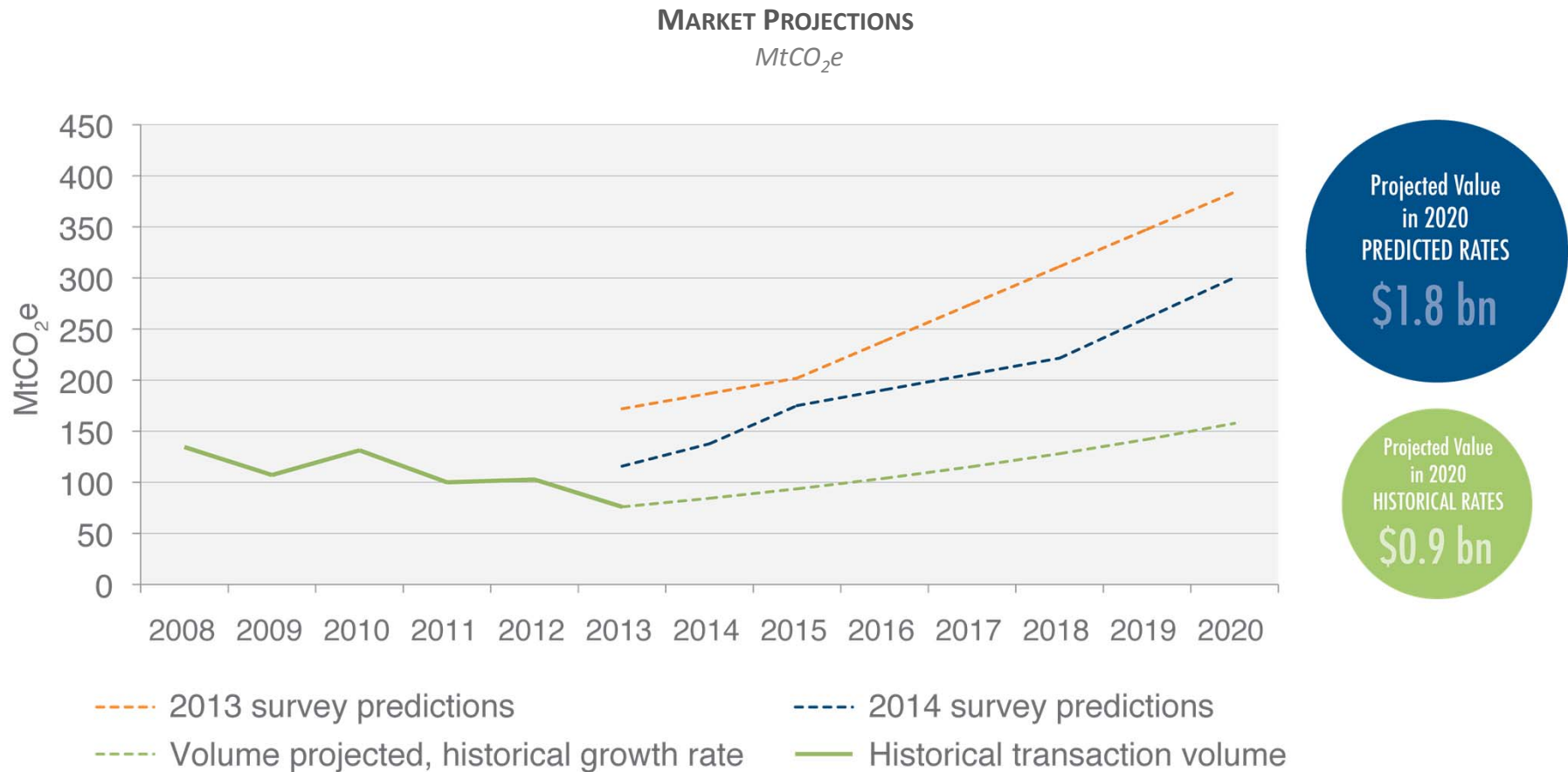




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Based on current market dynamics, participants significantly lowered growth expectations, predicting 2020 market valued at \$1.8 bn



SOURCE: Forest Trends' Ecosystem Marketplace. State of the Voluntary Carbon Markets 2014.



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Thank you to our all our sponsors, stakeholders and survey respondents for your support, and to Hunton & Williams for enabling this event

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## PANEL:

### Moderator:

Michael Jenkins, President and CEO, Forest Trends

### Panel Respondents:

Christian Dannecker - Director Forestry, South Pole Group

Hans Wegner, Chief Sustainability Officer, National Geographic

Brian McFarland, Director, Carbon Projects & Origination,  
Carbonfund.org

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