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Raising Ambition

State of the Voluntary Carbon Markets 2016

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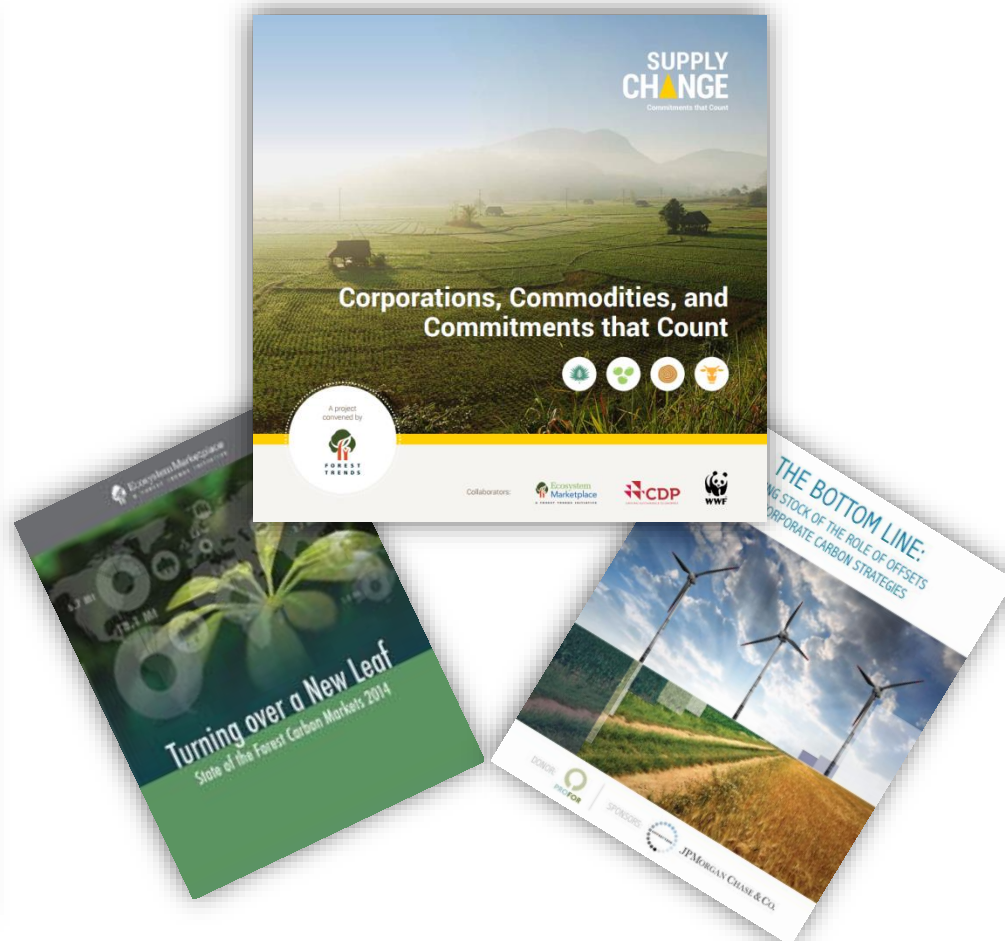
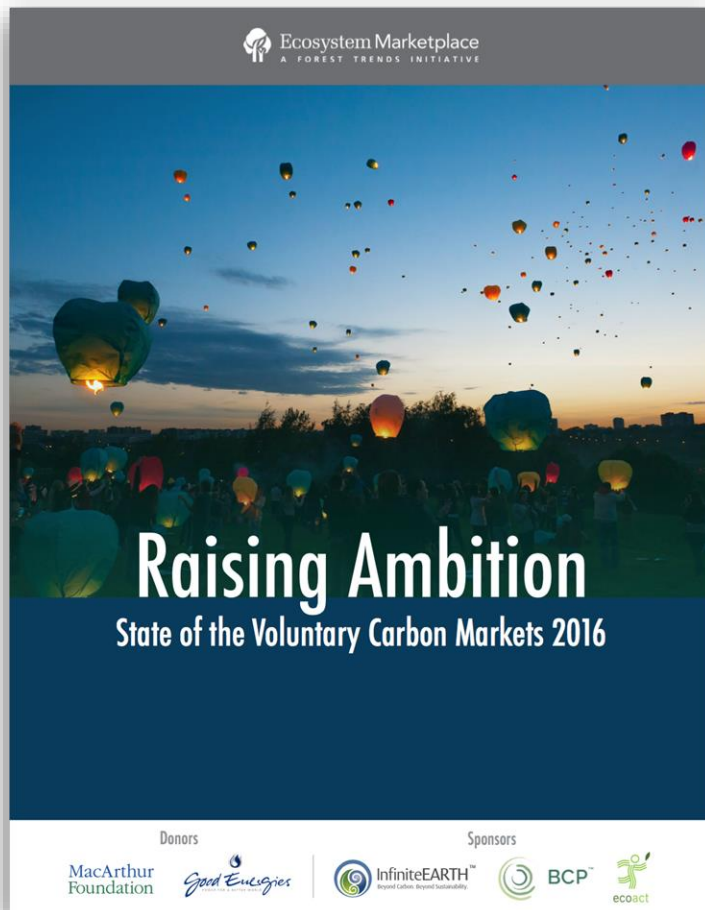


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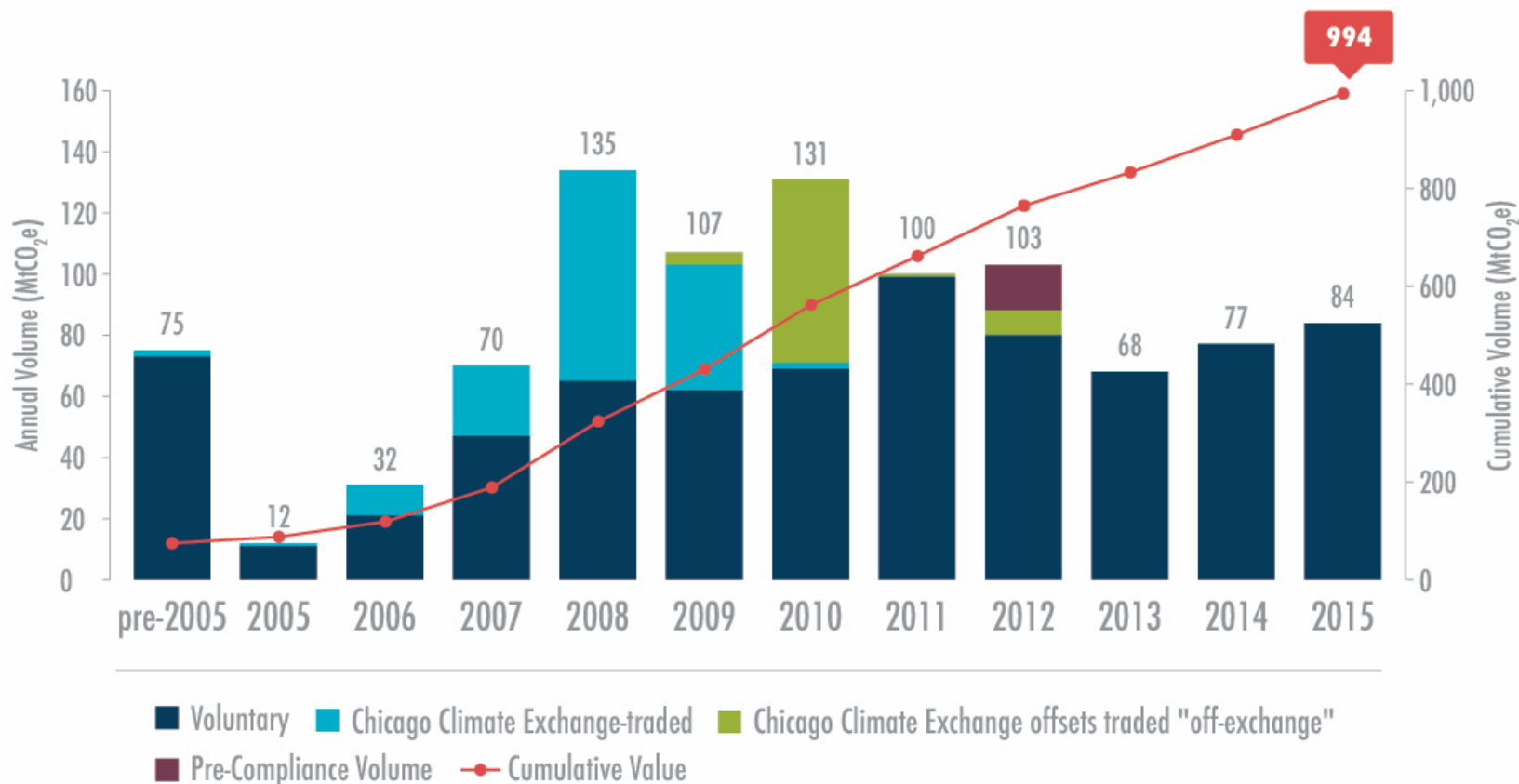
ECOSYSTEM MARKETPLACE: A global source for news, data and analytics around environmental markets and payments for ecosystem services





VOLUME: Voluntary Buyers Demand 84.1 MtCO₂e in the Lead-up to Paris

Historical Market-Wide Voluntary Offset Transaction Volumes

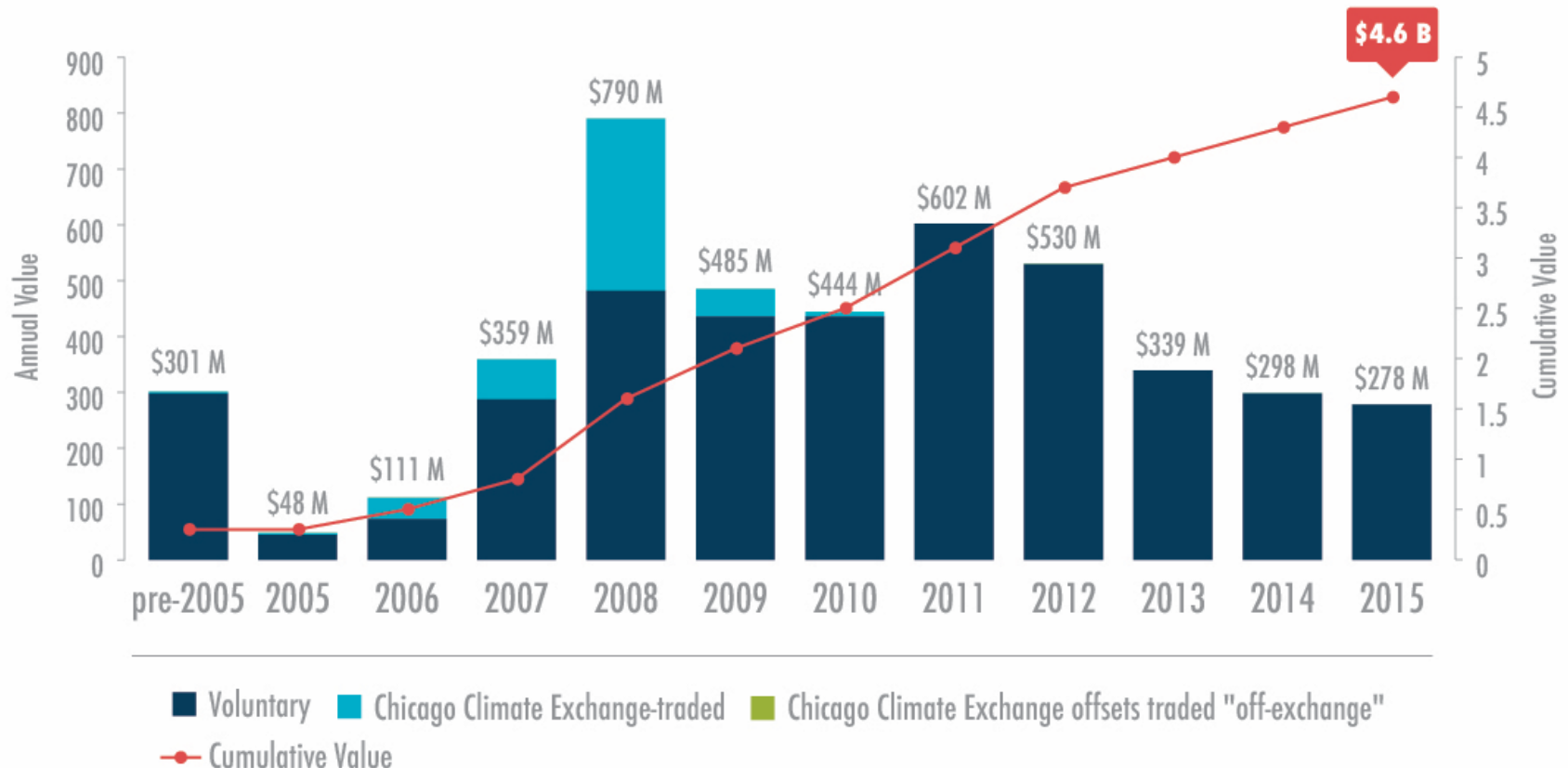


Notes: Based on survey responses representing 992 MtCO₂e transacted pre-2005 to 2015.



VALUE: Built-Up Supply, Steep Competition Depress Market Prices and Value to New Low of \$278 M

Historical Market-Wide Voluntary Offset Transaction Values

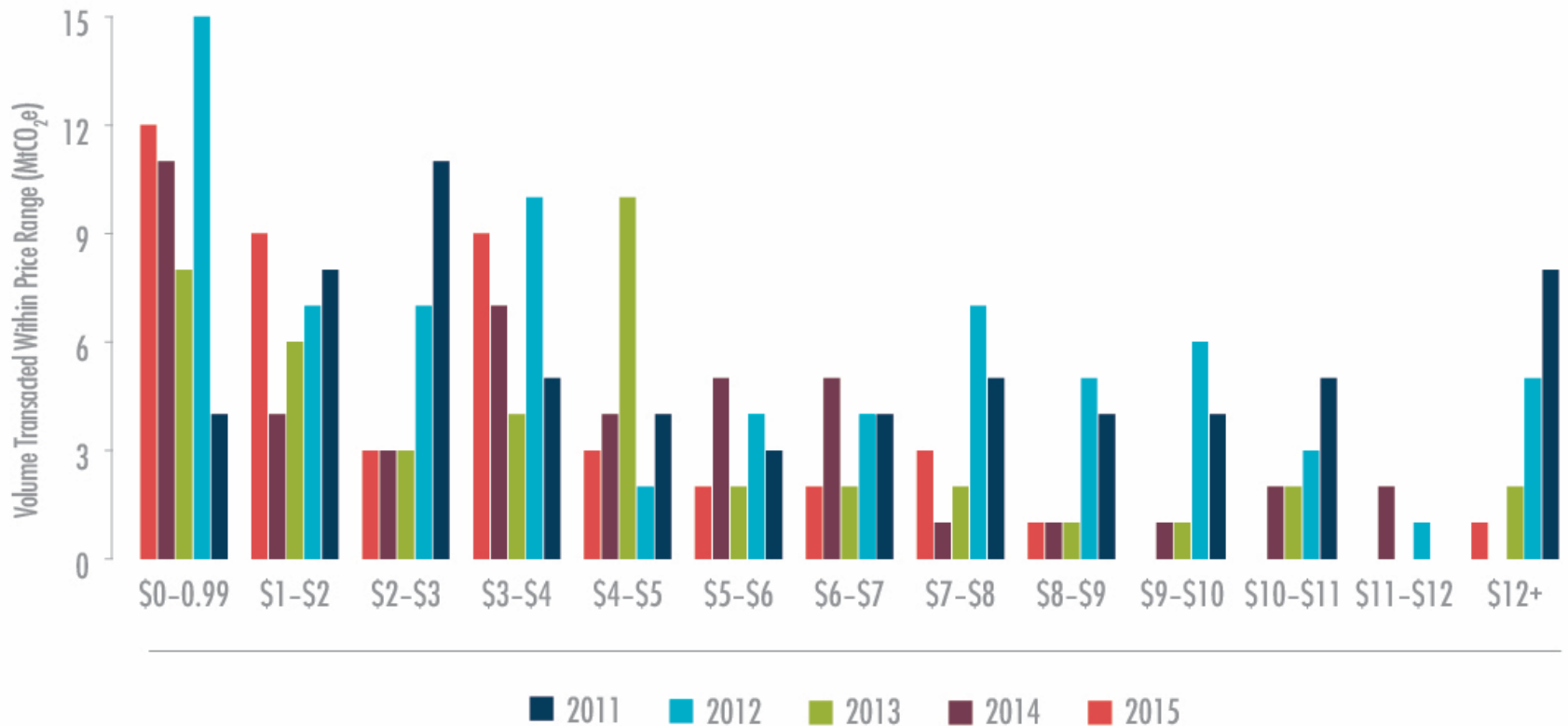


Notes: Based on survey responses representing 992 MtCO₂e transacted over time. The CCX "off-exchange" value is too small to be visible. 4



PRICE : Average 2015 Voluntary Offset Price Drops to All-Time Low of \$3.3/tonne, But Actual Pricing Remains Highly Variable

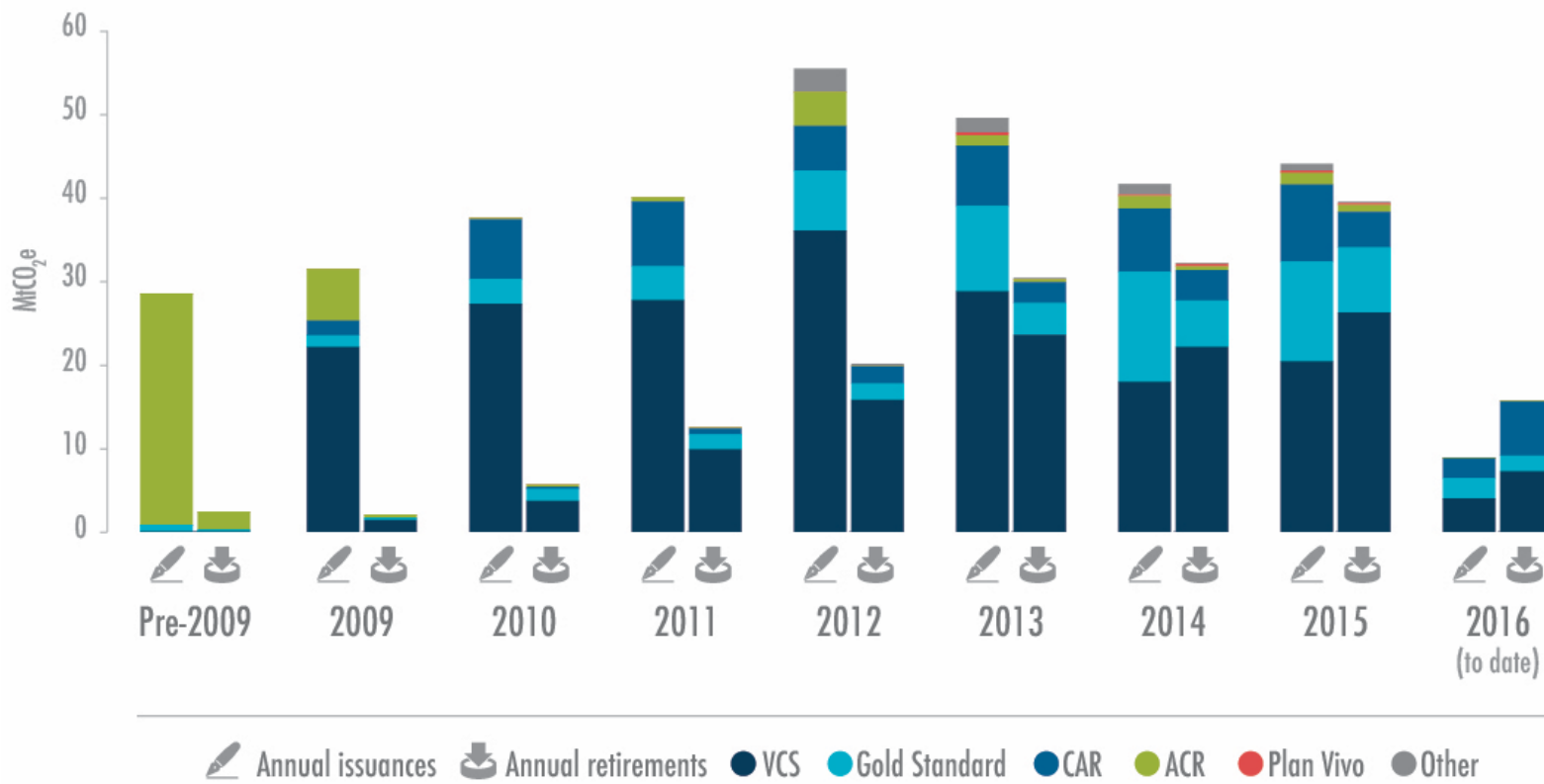
Transaction Volume by Average Price, 2011–2015





ISSUANCES & RETIREMENTS: Gap Between Issuances and Retirements Closes as Record 39.5 MtCO₂e Retired in 2015

Issuances and Retirements by Standard, Pre-2009 through March 2016

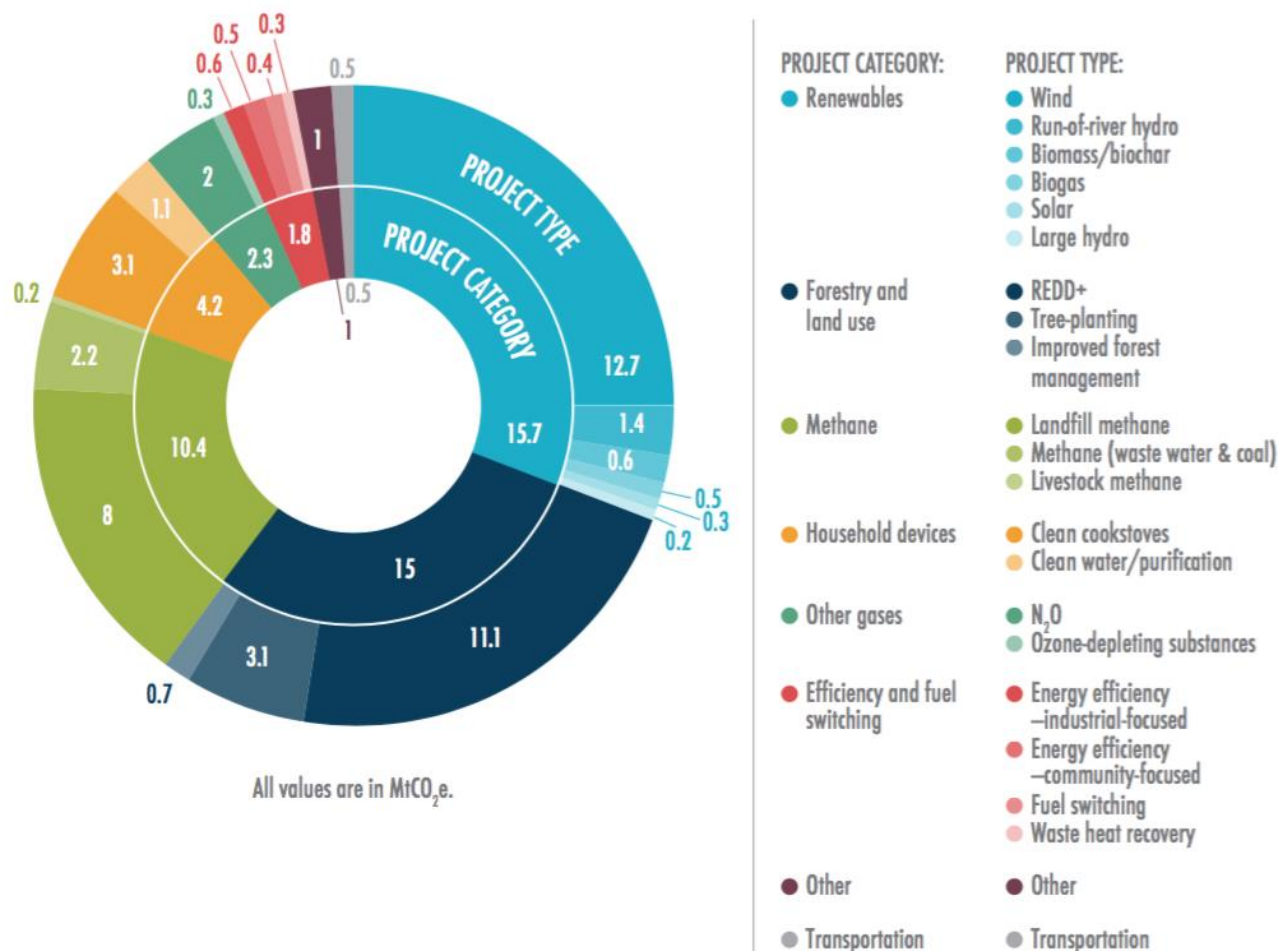


Notes: Based on annual issuance and retirement data from the Verified Carbon Standard (VCS), the Gold Standard, the Climate Action Reserve (CAR), the American Carbon Registry (ACR), Plan Vivo, and other domestic standards such as Japan's J-Credit, Korea's K-VER, the UK's Woodland Carbon Code (WCC), and the New Zealand Permanent Forest Sink Initiative. Data acquired from Markit and APX offset registries.



PROJECT TYPE: Wind Breezes to the Forefront As Most Sought-After Project Type; REDD+ and Landfill Methane Follow

Transacted Volume by Project Type, 2015

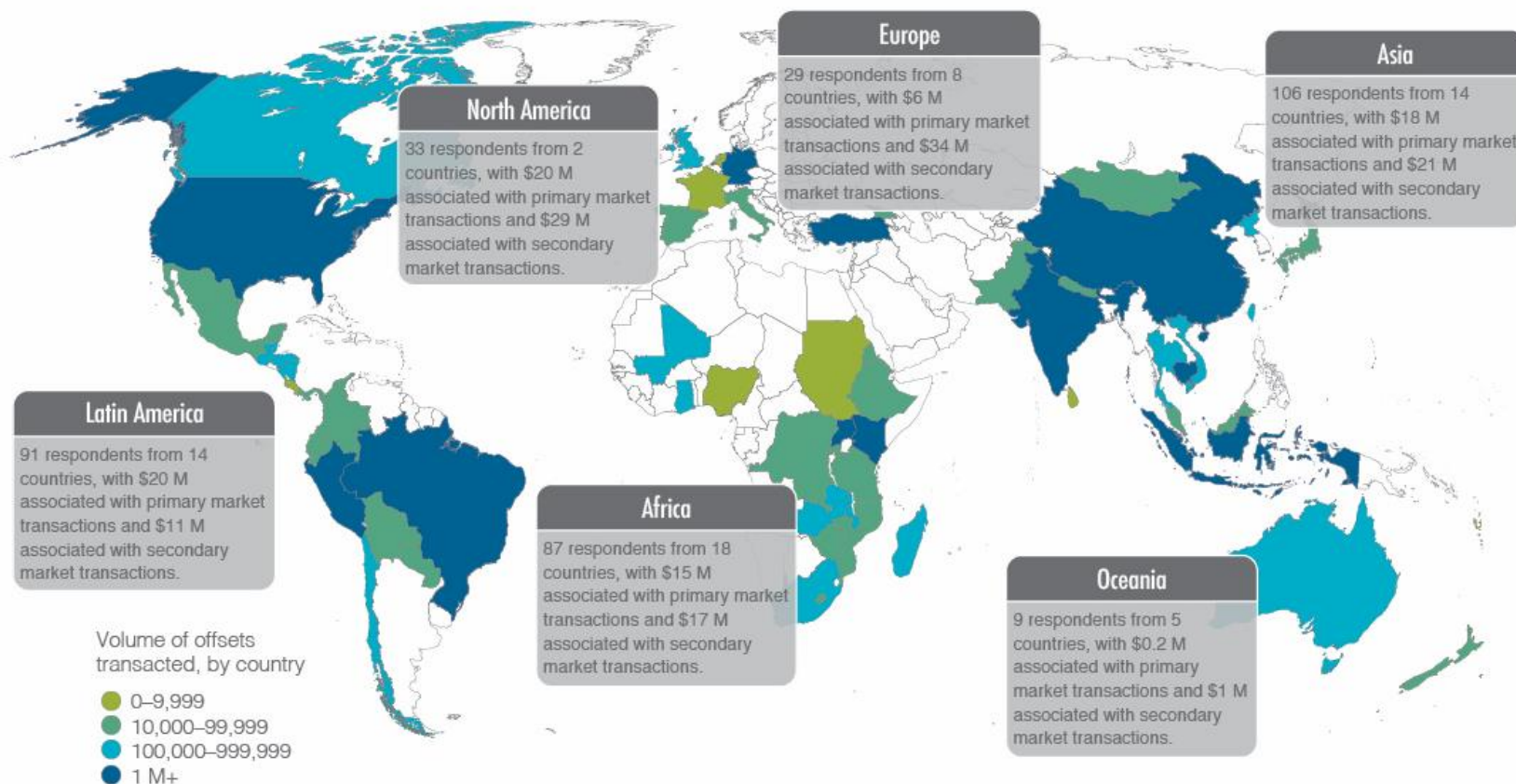


Notes: Based on 1306 transactions representing 50.9 MtCO₂e for which project type information was provided.



LOCATION: Voluntary Buyers Busiest in North America and Europe; Supply Most Often Originates from the United States and India

Volume of Offsets by Project Country and Breakdown of Regional Respondents



Notes: Based on 49.9 MtCO₂e associated with a project location. Country-specific volumes were reported here if they exceeded 100,000 MtCO₂e and if at least three unique respondents replied. Total respondents per region will add up to more than the total respondents that responded to the survey, as some respondents replied on behalf of projects in multiple regions.



BUYER PROFILES: Private-Sector Buyers Increasingly Connect Offset Purchases with Major Events, Customers

End-Buyer Breakdown by Profit Status, Sector, Type, and Experience

BUYER PROFIT STATUS

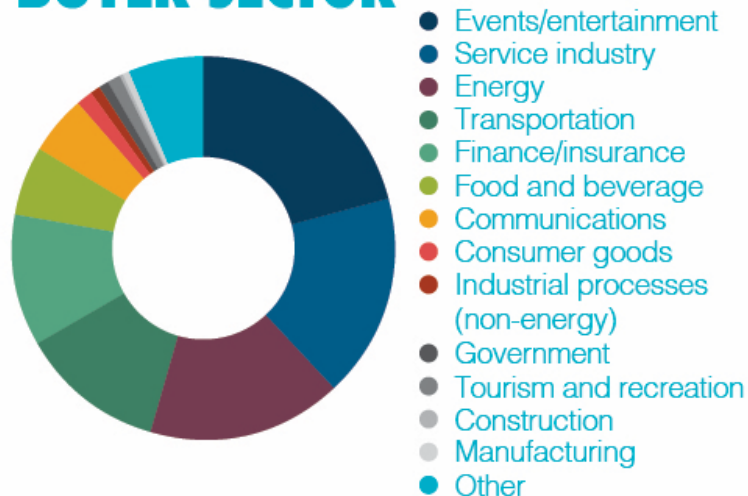
PRIVATE SECTOR: **\$136 M**

PUBLIC SECTOR: **\$2.1 M**

NON-PROFIT SECTOR: **\$.4 M**

INDIVIDUALS: **\$.8 M**

BUYER SECTOR



BUYER TYPE

RESELLERS: **24%**       

END USER: **76%**       

BUYER EXPERIENCE

NEW BUYER: **8%**      

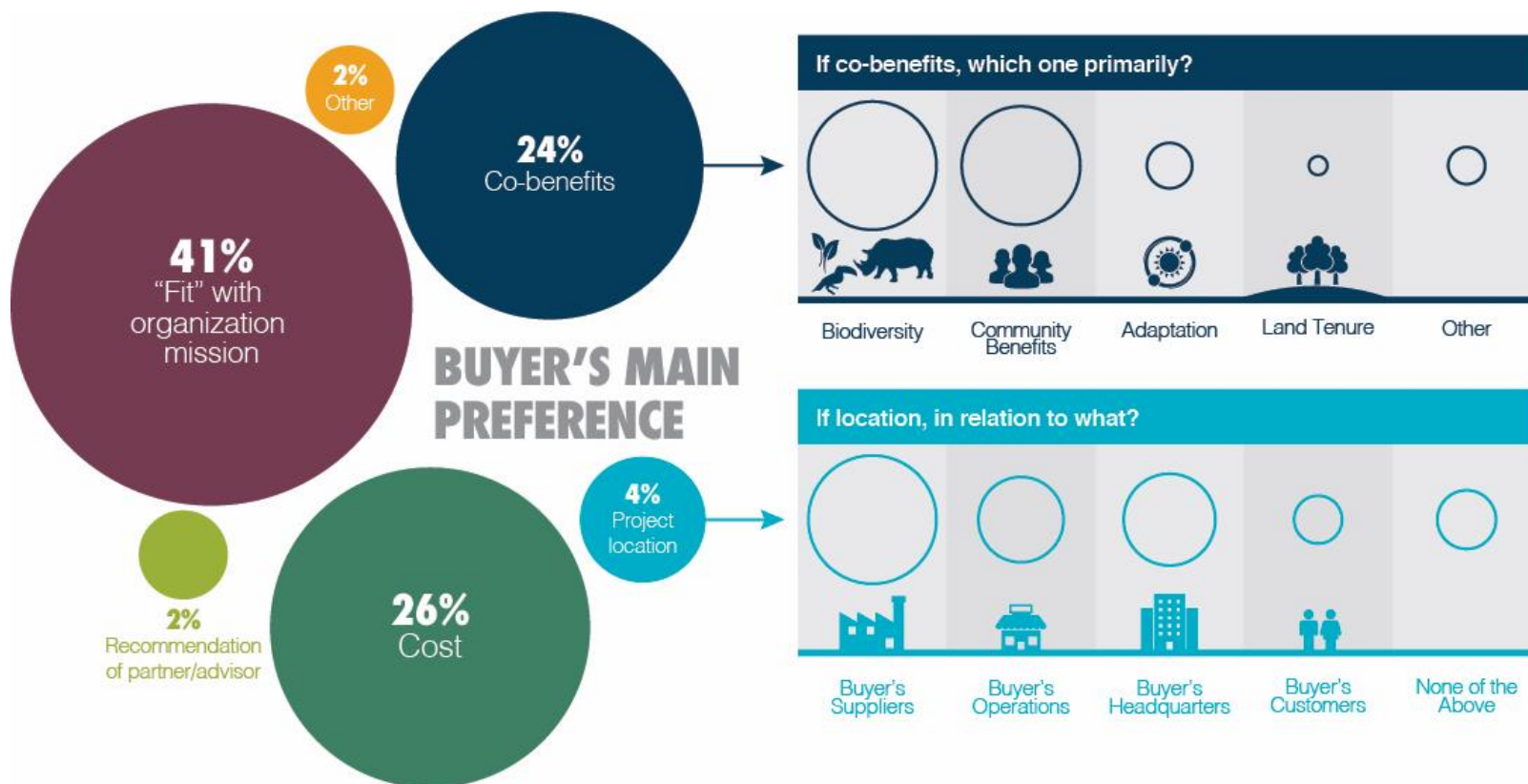
RETURNING: **92%**      

Notes: Based on 298 transactions (25.8 MtCO₂e) associated with buyer profit status, 310 transactions (22.4 MtCO₂e) associated with buyer sector, 535 transactions (38.3 MtCO₂e) associated with buyer type, 522 transactions (36.8 MtCO₂e) associated with buyer experience, and 151 transactions (21.6 MtCO₂e) associated with buyer motivation, as described by survey respondents.



REASONS FOR PURCHASING: Most Buyers Seek Offsets That “Fit” Their Organization’s Mission

Buyer Breakdown by Main Concern When Choosing Offsets



Notes: Based on 230 transactions (31.7 MtCO₂e) associated with buyer's main preference. Of those, 62 transactions (5.9 MtCO₂e) specified a location preference and 40 transactions (1.7 MtCO₂e) specified a co-benefits preference.



DEMAND DEVELOPMENTS TO WATCH: Will New Initiatives Translate Into Gains for Offset Markets?

- **A VOLUNTARY ROLE POST-PARIS:**

- With nearly all countries agreeing to reduce emissions, what role will voluntary carbon offsetting play post-2020? Our historical record indicates that compliance markets often serve to catalyze rather than cannibalize the voluntary markets, so the question is likely one of “how” voluntary offsetting will work and not “if”.

- **AVIATION NEGOTIATIONS:**

- International Civil Aviation Organization plans to cap emissions at 2020 levels. A market-based mechanism seems likely, but will voluntary offsets be included?

- **RENEWABLE ENERGY CERTIFICATES (RECs):**

- A 2015 update to the GHG Protocol now allows companies to count the purchase of RECs against their scope 2 totals. Will interest in RECs shift demand from offsets? Or will awareness of market-based instruments raise offsets’ profile?

- **NEW METRICS, NEW ASSETS:**

- Many co-benefits align with the Sustainable Development Goals, and some market participants are brainstorming ways to communicate those impacts to gain new finance. But will buyers pay?



DEMAND DEVELOPMENTS TO WATCH: Will New Initiatives Translate Into Gains for Offset Markets?

- **NEW VOLUNTARY COMMITMENTS:**

- Several initiatives launched in late 2014 or in 2015 that support carbon pricing or setting emissions reductions targets, including the Science-Based Targets Initiative, Under 2 MOU, and Carbon Pricing Leadership Coalition. Will these signatories address emissions beyond their direct control through offsetting?

- **PRICE PROPPING:**

- Several new initiatives have tried to address the recent price lows by setting price floors or guaranteeing above-average pricing. Will these initiatives transact significant volumes or influence the wider market?

- **SUPPLY CHAIN MANAGEMENT:**

- More than 300 companies have pledged to achieve zero-deforestation within some aspect of their supply chains. Will corporates make the connection between forest carbon and zero-deforestation? Aside from forestry, are corporations engaging in more – or less – in “insetting”?

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