Voluntary carbon markets are heating up as companies and consumers are taking action on climate change. After years of at-times sluggish activity, Forest Trends’ Ecosystem Marketplace’s new report called Voluntary Carbon Market Insights: 2018 Outlook and First-Quarter Trends finds that supply and demand for voluntary carbon markets hit record-highs in 2017, at 62.7 million metric tonnes of greenhouse gas emissions (MtCO₂e) and 42.8 MtCO₂e, respectively.

The report also tracks voluntary activity at a time of great potential for regulated carbon markets, as nations are figuring out how to implement both their own Paris Agreement commitments and a global cap on cross-boundary airline emissions. Many are looking to voluntary markets for guidance, and some are incorporating voluntary carbon markets into their strategies.

“We’ve been tracking voluntary carbon markets for more than a decade, and it’s been about that long since we’ve seen this much potential for growth,” says lead author Kelley Hamrick, cautioning that much of the optimism is contingent on the degree to which compliance-driven markets accept or recognize offsets generated under voluntary systems.

The voluntary market has the potential to grow and evolve in several different ways:

- Regulators could allow offsets produced for the voluntary market to be bought and sold in compliance markets under the Paris Agreement and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).
- Voluntary offsetting could accelerate emissions reductions in sectors that are not covered by existing compliance markets, or in countries without compliance markets, provided agreements are reached to avoid double claiming.

“Voluntary and compliance markets are usually treated as two different things, but a decision to allow voluntary offsets into a compliance market could vacuum up existing supply and create a powerful incentive for new projects,” says Hamrick. “In the meantime, voluntary market participants aren’t waiting idly for a government decision; they are exploring ways to integrate new technologies like blockchain into tracking and registration schemes, and starting to bring carbon-accounting rigor to the many additional benefits – like biodiversity and gender equality – brought about by carbon projects.”

Even without the compliance-driven tailwind, voluntary offsetting has grown dramatically in recent years, as household names like Microsoft, Disney, and Lyft have incorporated offsetting into their sustainability strategies. The voluntary carbon markets have also pioneered technical advancements to quantify, verify, and track emissions reductions activities around the world. Governments from California to Colombia have taken notice and integrated some of these elements into their compliance carbon markets.

Since voluntary trading of carbon offsets first took off in the late 2000’s, demand for voluntary carbon offsets has increased more than 140-fold, from just 0.3 MtCO₂e in 2008 to 42.8 MtCO₂e in 2018. These voluntary carbon projects have helped to reduce, sequester, or avoid more greenhouse gasses than were emitted by Australia’s entire energy sector in 2016 – more than 437 MtCO₂e.

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