



# Maneuvering the Mosaic

## State of the Voluntary Carbon Markets 2013

### Executive Summary

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A Report by Forest Trends' Ecosystem Marketplace  
& Bloomberg New Energy Finance

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# Executive Summary

Consumer awareness of the immediate impacts and future risks of climate change is trending upward – converging with a global economic scenario that complicates the implementation of broad-based policy solutions. But where some policy makers fear to tread, many private companies are voluntarily internalizing the price of carbon in their business activities, as seen in their still-growing voluntary demand for carbon offsets in 2012.

Last year, voluntary actors worldwide channeled their personal or corporate financial resources into carbon reduction projects that often reflected the full spectrum of their climate footprint, supporting activities that deliver positive benefits “beyond carbon” and that are in line with their environmental impacts and vulnerabilities.

This motivation was deeply felt by forestry and land-use projects where a resurgence of support to early-stage activities by offset end users speaks to buyers’ growing confidence in the projects’ ability to deliver verified carbon assets and potentially mitigate supply chain risks.

## 2012 KEY FINDINGS

- In 2012, voluntary actors contracted 101 million tonnes of carbon offsets (MtCO<sub>2</sub>e) for immediate or future delivery – 4% more than in 2011. Market value decreased 11% to \$523 million as offset prices fell slightly for several popular project types (Figure 1).
- 90% of offset volumes were contracted by the private sector – where corporate social responsibility and industry leadership were primary motivations for offset purchases.
- Offset buyers’ desire to positively impact the climate resilience of their supply chain or sphere of influence was evident in our data which identifies a strong relationship between buyers’ business sectors and the project categories from which they contract offsets.
- Most forward contracts spanning multiple years were negotiated between project developers and offset end users – providing some indication of future corporate demand for carbon offsets, particularly from project types that confer additional environmental and social benefits.
- A sizeable portion of market value (64% of value associated with a contract type or \$170 million) was paid to offset sellers at the point of transaction rather than offset delivery – primarily via spot contracts (35.6 MtCO<sub>2</sub>e, up 25% from 2011) and pre-payment for future delivery (8.7 MtCO<sub>2</sub>e, down 1% from 2011).
- Demand surged for carbon offsets from forestry projects certified to the Verified Carbon Standard and Climate, Community and Biodiversity Standards. Voluntary buyers also funneled \$80 million to Gold Standard-certified offsets from projects that distribute clean cookstoves and water filtration devices.
- Suppliers predict market value could reach \$1.6 - \$2.3 billion in 2020<sup>1</sup> – if market actors can effectively communicate the relevance of offsetting and carbon market infrastructure to private sector actors, the international donor community, and governments seeking tools to incentivize, verify, and finance climate action.

<sup>1</sup> Based on current dollar value without consideration to inflation.

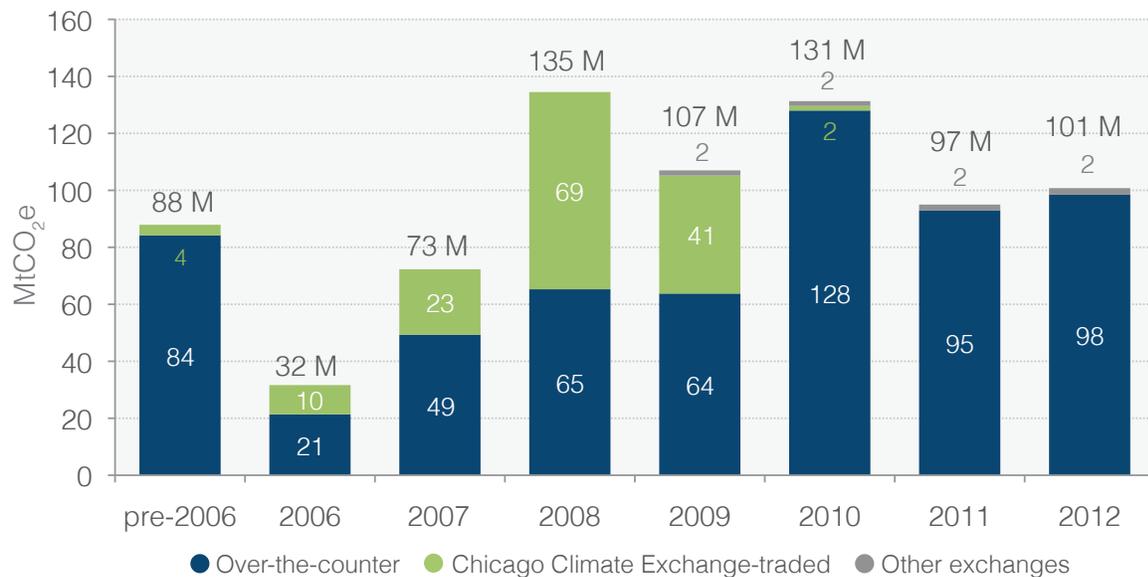
Voluntary offset buyers also sought a large volume of offsets from projects that distribute clean cookstoves and water filtration devices – that burn fuel more efficiently or not at all, thus reducing carbon emissions while sparing households from harmful smoke inhalation. More traditional project types – from wind energy to fuel switching – rounded out a mosaic of mitigation activities implemented in the largest number of countries ever tracked in this report series.

These projects were guided by results-based accounting standards that underpinned an ever-larger collection of mitigation approaches. Throughout 2012, these standards bodies took steps to lower transaction

costs, strengthen voluntary actors' relationships with compliance carbon markets, and expand projects' ability to account for their additional contributions to health, women's empowerment, and other public services.

At the receiving end of this global effort, offset buyers in Europe and North America expanded their offset programs in order to “demonstrate climate leadership” even as both regions struggle to implement or maintain a meaningful carbon price signal. Where governments have included offset provisions within their broader climate regulations, demand ranged from steady (in California) to growing (in Australia) as companies prepared for compliance.

Figure 1: Historical Offset Demand by Transacted Volume, All Voluntary Carbon Markets



Notes: Based on 763 MtCO<sub>2</sub>e of offsets transacted and reported to Ecosystem Marketplace over 7 survey years.

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

Table 1: Historical Transaction Volumes, All Voluntary Carbon Markets

	Volume (MtCO <sub>2</sub> e)		Value (\$ Million)		Average Price (Volume-Weighted \$/tCO <sub>2</sub> e)	
	2011	2012	2011	2012	2011	2012
Voluntary Offsets Contracted Over-the-Counter	93	98.5	\$572	\$515.7	\$6.2/t	\$5.9/t
Voluntary Offsets Traded on an Exchange	2	2.3	\$4.2	\$6.3	–	–
Historical Transactions Tracked and Added in 2012	1.8	–	\$10.9	–	–	–
<b>Voluntary Carbon Markets Total</b>	<b>97</b>	<b>101</b>	<b>\$586.5</b>	<b>\$523</b>	<b>\$6.2/t</b>	<b>\$5.9/t</b>

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

These and other findings are described in this seventh edition of the *State of the Voluntary Carbon Markets* report series, which is informed by over 300 responses to our global annual survey of offset providers. Each of these suppliers respond on behalf of a unique portfolio of carbon offset projects and voluntary demand drivers. This report describes these responses both as unique actions and as the sum of their many parts, unveiling a picture of a market leveraging innovation to maneuver the mosaic of public and private solutions to climate change.

### Voluntary Offset Demand Tops 100 Million Tonnes, Market Value Down 11%

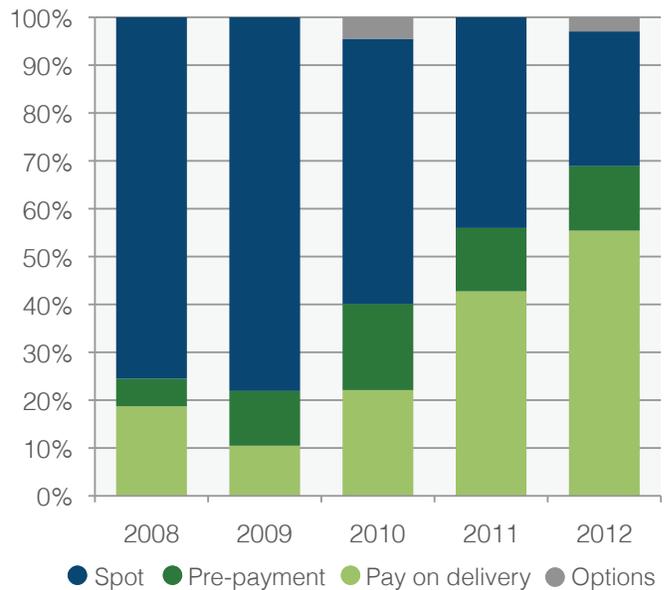
In 2012, voluntary actors contracted 101 million tonnes of carbon offsets (MtCO<sub>2</sub>e) for immediate or future delivery – 4% more than in 2011. The vast majority of these offset transactions (98.5 MtCO<sub>2</sub>e) occurred bilaterally, or “over the counter” (OTC) rather than on any formal exchange.

This represents the second highest level of OTC market activity tracked in this report series, behind the 2010 market which was boosted by a sizable transaction of offsets generated through the voluntary Chicago Climate Exchange (CCX) – which wound down operations in the same year. Despite the formal program’s closure, its influence is still felt in the North American carbon markets, where voluntary actors transacted 8.3 MtCO<sub>2</sub>e of CCX offsets in 2012 – pushing the voluntary market as whole over the one-hundred-million-tonne mark.

While offset demand grew, market value decreased 11% to \$523 million as offset prices fell slightly for most project types. A sizeable portion of market value (64% of value associated with a contract type or \$170 million) was paid to offset sellers at the point of transaction rather than offset delivery – primarily via spot contracts (35.6 MtCO<sub>2</sub>e, up 25% from 2011) and pre-payment for future delivery (8.7 MtCO<sub>2</sub>e, down 1% from 2011). Another \$97.5 million will be paid in future years, if and when the projects under contract deliver verifiable reductions. As seen in Figure 2, this finding reflects a significant shift in contract structures favoring upfront payments as the volume of verified tonnes has grown over time, boosting both offset supply and buyer confidence that projects are capable of verifying GHG reductions and delivering offsets.

In 2012, voluntary actors paid a volume-weighted average price of \$5.9/tCO<sub>2</sub>e – slightly down from 2011’s \$6.2/tCO<sub>2</sub>e, but significantly higher than the United Nations’ regulatory Clean Development Mechanism

Figure 2: Historical Market Share, Transacted Volume by Payment Method



Notes: Based on 65.5 MtCO<sub>2</sub>e associated with a contract type.

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

(CDM) carbon offset price of less than a \$1/tCO<sub>2</sub>e. Declining prices were most apparent in the high-priced offsets range (\$10+/tCO<sub>2</sub>e) where the volume of offsets contracted at these prices fell by 46%. On the other hand, transacted volumes of offsets at less than \$5/tCO<sub>2</sub>e grew by 19%. Suppliers say this downward trend was primarily a function of perceived offset oversupply and knock-on effects of the collapse of the EU carbon price.

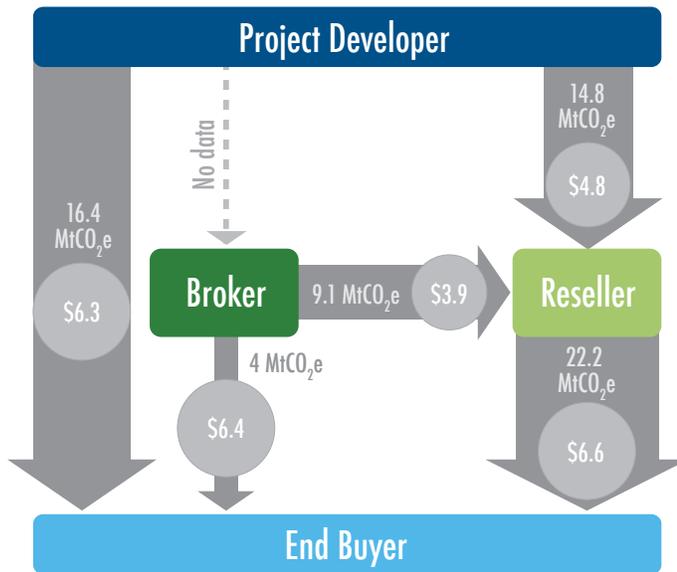
**Over all of the years of market activity tracked in this report series, voluntary buyers have funded 763 MtCO<sub>2</sub>e in emissions reductions worth \$3.7 billion** and at an average historical price of \$5.9/tCO<sub>2</sub>e – equivalent to the 2012 market-wide average offset price.

### Project Developers, Private Sector Dominate Transactions

Project developers were responsible for generating and selling almost half of all offset volumes in 2012 – valued at \$184 million, or about 18% the size of the primary market for offsets in the CDM in 2012, according to Bloomberg New Energy Finance.

Around 15 MtCO<sub>2</sub>e of this volume was sold to retail offset providers that will then sell the offsets to their offset end use clients. Another 16 MtCO<sub>2</sub>e was sold

Figure 3: Transacted Volume and Average Price by Buyer and Seller Types, OTC 2012



Notes: Based on 324 organizations reporting 66 MtCO<sub>2</sub>e associated with business roles and buyer types.

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

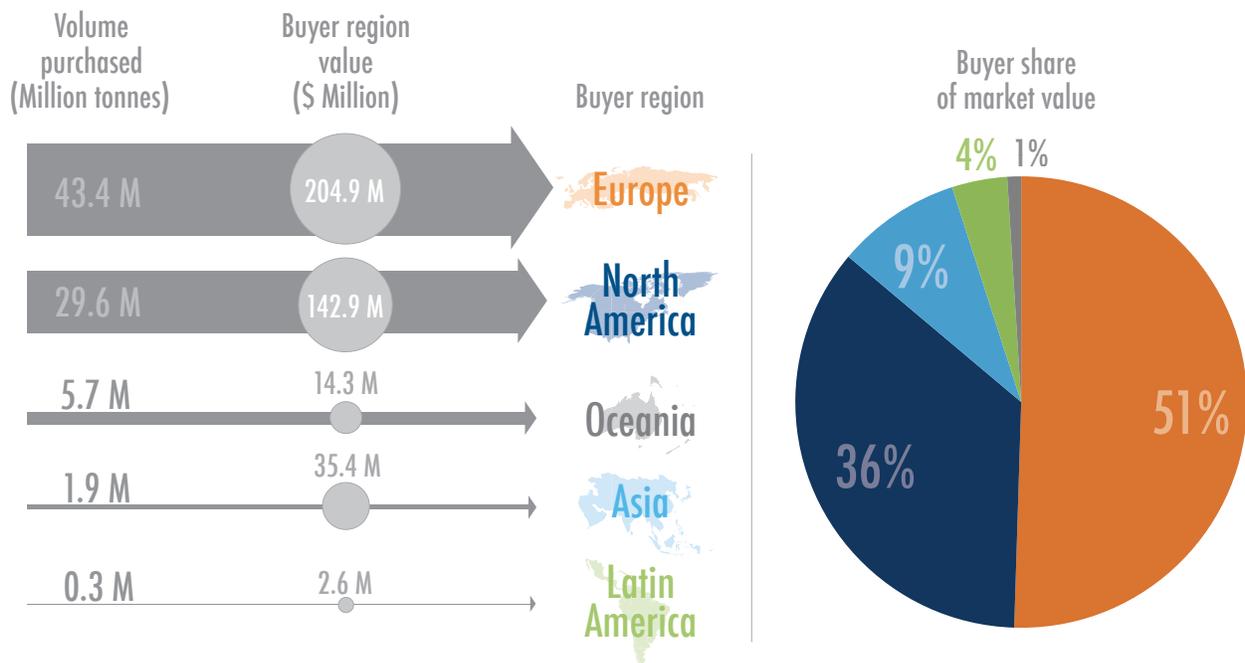
by project developers directly to offset end users – in direct competition with retailers and for a slightly lower average price (\$6.3/tCO<sub>2</sub>e versus \$6.6/tCO<sub>2</sub>e, as seen in Figure 3).

At the other end of these transactions, a full **90% of offset volumes were contracted by the private sector** – representing a mix of multi-national firms (36% of all buyers), small- to medium-size enterprises (31%), and domestic corporations (13%) from a wide variety of business sectors.

A large contingent of primarily European offset retailers formed the single most prominent buyer type in 2012. The manufacturing and energy sectors were tied as the top source of offset end use demand, followed by transportation services (air and rail), and the finance/insurance industry. Prominent buyers in these sectors in 2012-2013 included Chevrolet, Qantas, Allianz, Germany utility HSE Entega, and US-based utility Entergy.

Corporate social responsibility remained the top off-setting motivation among end users. In 2012, respondents also identified buyers' desire to demonstrate climate leadership in their respective industries as another significant motivation, tracked for the first time this year.

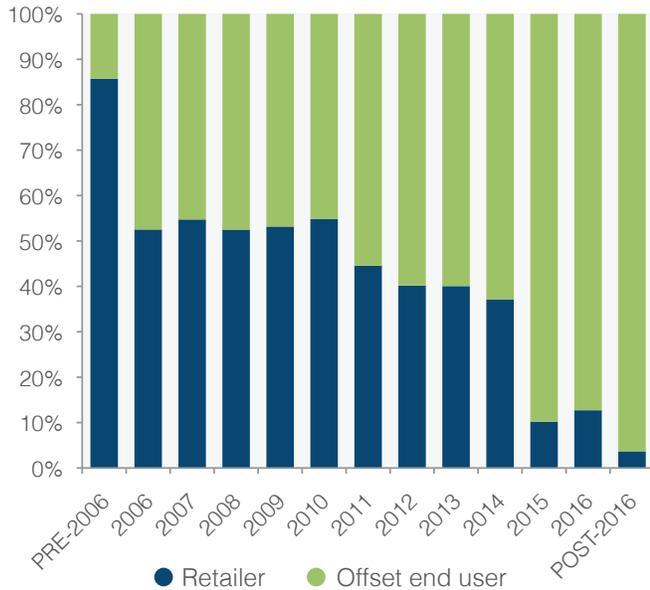
Figure 4: Transacted Volume, Value, and Average Price by Buyer Region, OTC 2012



Notes: Based on 81 MtCO<sub>2</sub>e associated with a buyer region.

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

Figure 5: Transacted Volume by Vintage and Buyer Type, OTC 2012



Notes: Based on 65.5 MtCO<sub>2</sub>e associated with a contract type.

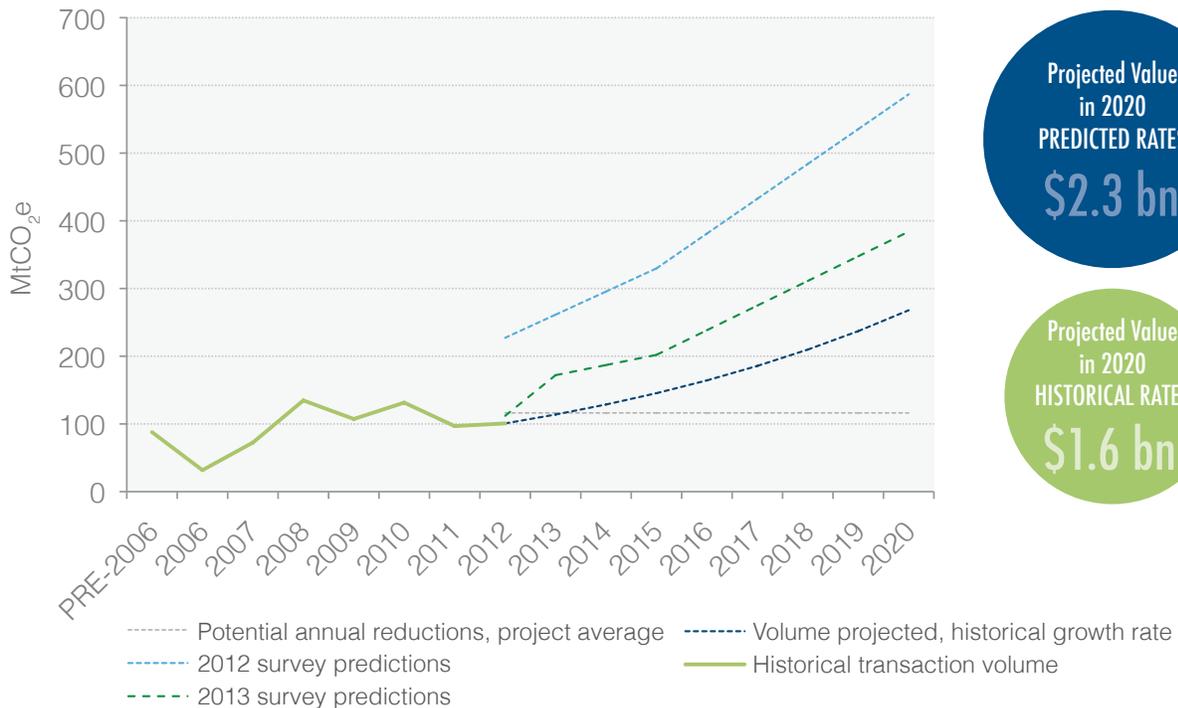
Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2013*.

The private sector's use of offsets to promote climate resilience in their supply chains and spheres of influence is still a nascent trend but evident in our data set as a strong relationship between buyers' business sectors and the project categories from which they contract offsets.

Offset end users are also increasingly interested in taking greater ownership of mitigation projects throughout their lifecycle, engaging directly with project developers to support tailor-made projects. End buyers were also most likely to sign forward contracts for emissions reductions that have not yet occurred but will be delivered in future years (Figure 5). **In 2012, most forward contracts spanning multiple years were primarily negotiated between project developers and offset end users.**

The European private sector, including offset retailers and regulated energy utilities, was the market's biggest voluntary buyer by region – contracting 43 MtCO<sub>2</sub>e of offsets even in the face of significant challenges to Europe's mandatory carbon market. Across the pond, United States-based corporates, ranging from The Walt Disney Company to Volcom, offset more emissions than buyers in any other single country at

Figure 6: Market Projections, Historical Data and Supplier Predictions



Projected Value in 2020  
PREDICTED RATES  
**\$2.3 bn**

Projected Value in 2020  
HISTORICAL RATES  
**\$1.6 bn**

Notes: Based on 87 organization responses.

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

28.7 MtCO<sub>2</sub>e. A little over a third of offsets purchased by US buyers (9.7 million tonnes) were obtained for future use in California’s emerging cap-and-trade program. Over time, offset demand in Europe and North America has grown by an average of 35%/year and 13%/year, respectively. While North American buyers continued to prefer supporting domestic projects, European offset buyers remained the world’s primary source of voluntary demand for offsets from developing countries.

### Market Outlook: Steady as She Goes

Projects that successfully contracted offsets in 2012 could potentially reduce 54-233 MtCO<sub>2</sub>e/year, or 430-1,860 MtCO<sub>2</sub>e cumulatively over the next eight years, based on their estimated annual reductions (Figure 6).

This does not account for projects that might exit the market, as discussions with offset suppliers indicate that project developers will indeed abandon carbon project activities and revert back to a business-as-usual scenario if/when carbon revenues prove insufficient. Nor does it account for the even larger volumes of emissions reductions from large-scale projects that are not yet online, but are in the pipeline. In another section of our survey, project developers reported that they anticipate bringing an additional 1,440 MtCO<sub>2</sub>e online over the next five years – more than has been contracted cumulatively to date.

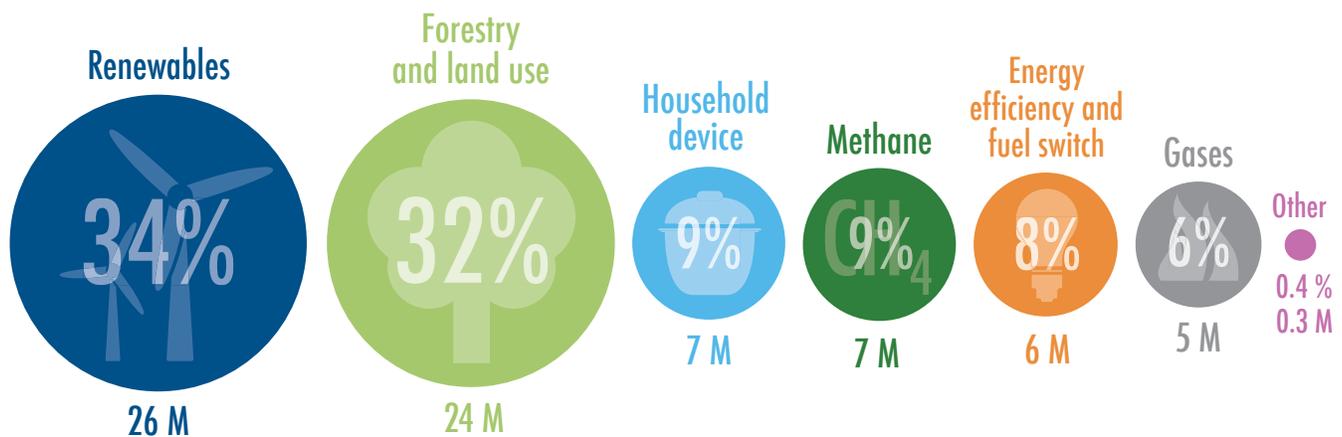
To absorb these volumes, and according to survey respondents’ back-of-the-envelope predictions, the market expects an average market growth rate of 17% in 2012-2020. Based on the voluntary carbon market’s historical average price of \$5.9/tCO<sub>2</sub>e, **suppliers’ predictions place market value at \$2.3 billion in 2020.**<sup>2</sup> **Another predictive measure – that of recent years’ average growth rate for voluntary offset demand (13% from years 2008-2012) – estimates 2020 market value at \$1.6 billion.**

In order to incentivize voluntary offsetting activities of this magnitude, suppliers say the market must more effectively communicate the value of its underlying infrastructure and pilot project activities to private sector actors, the international donor community, and governments seeking tools to incentivize, verify, and finance emissions reductions. They also anticipate that in coming years, the private sector may increasingly leverage offset payments to incentivize sustainable resource management in their supply chains and spheres of influence.

### Project Type: Forestry Regains Ground While Cookstove Projects Heat Up

Voluntary offset buyers’ list of preferred project types in 2012 was strikingly similar to trends tracked in 2011, with offsets from wind energy projects again on top – their popularity attributed to affordability, ready availability, and simplicity. A total of 15.3 MtCO<sub>2</sub>e of

Figure 7: Transacted Volume by Project Category, OTC 2012 (MtCO<sub>2</sub>e and % Share)

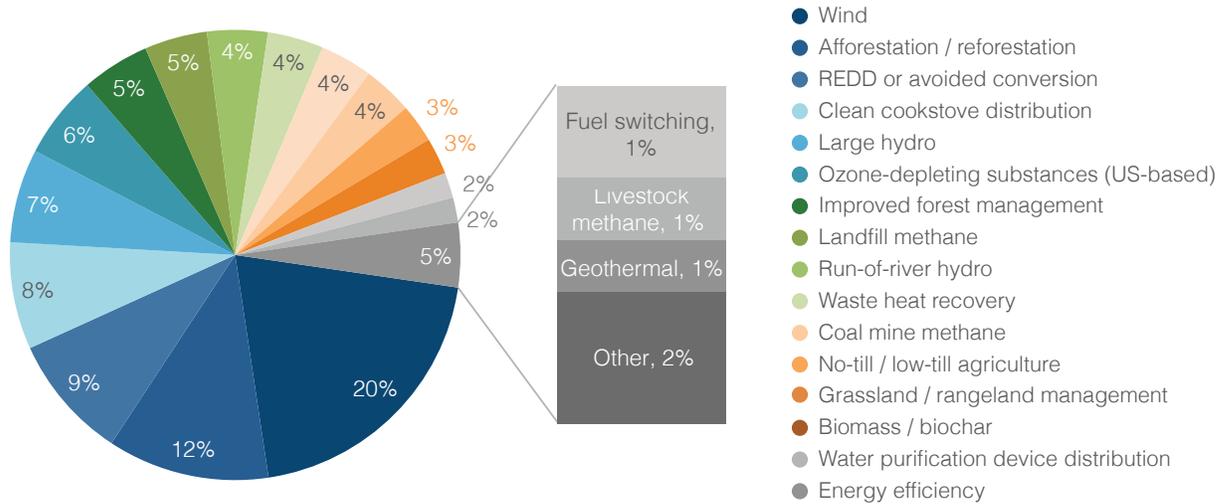


Notes: Findings pertain to the 75.5 MtCO<sub>2</sub>e associated with a response to this question, including “N/A” and “Other”.

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

<sup>2</sup> Based on current dollar value without consideration to inflation.

Figure 8: Market Share by Project Type, OTC 2012



Notes: Percentages and totals may not sum perfectly due to rounding.

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

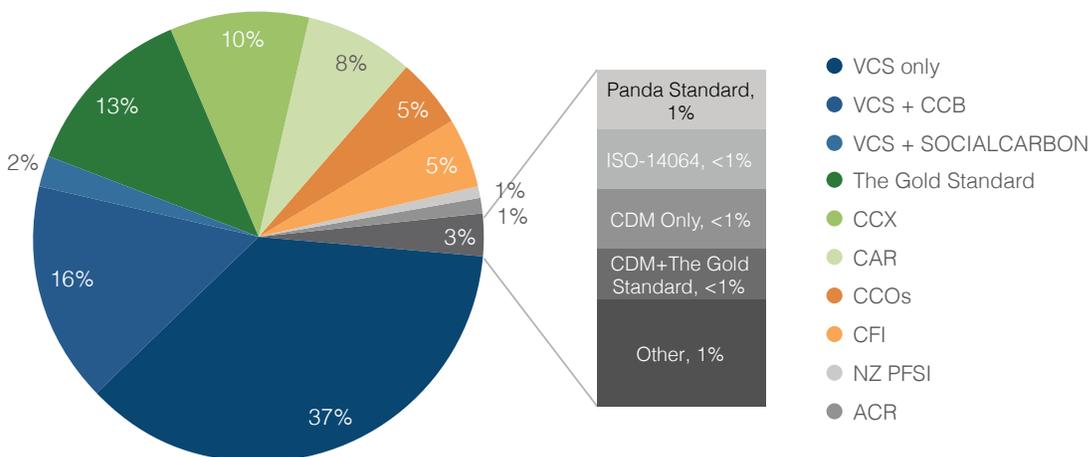
wind project-based offsets were transacted from projects both in developing countries (China and India) and the United States.

The volume of transacted wind offsets fell 35% from 2011. Demand for forestry and land-use activities grew, on the other hand, as voluntary support for afforestation/reforestation projects climbed once more to a transacted volume of 8.8 MtCO<sub>2</sub>e. Meanwhile, demand for offsets from projects that reduce emissions from deforestation and forest degradation

(REDD) fell by 8% to 6.8 MtCO<sub>2</sub>e in 2012. Even so, the volume of offsets contracted from REDD projects that are or aspire to be certified to both the Verified Carbon Standard (VCS) and the Climate, Community and Biodiversity (CCB) Standards more than doubled – as demand for this combination of certifications grew market-wide.

Voluntary buyers funneled **\$80 million into offsets from projects that distribute clean cookstoves and water filtration devices** – that burn fuel more efficiently or not

Figure 9: Market Share by Project Standard, OTC 2012



Notes: Percentages and totals may not sum perfectly due to rounding.

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

at all, thus reducing greenhouse gas emissions while sparing households from harmful smoke inhalation. In a separate survey administered only to cookstove project developers we found that these projects have so far delivered at least 4 million cookstoves or other “clean” household devices to developing country households with the aid of carbon revenues.

Other popular projects in 2012 included ozone-depleting substance destruction – aimed exclusively at California cap-and-trade program buyers preparing for the compliance market – and landfill methane projects, also contracted primarily by US-based buyers.

### Project Certification: Standards Expand Scope, Seek Scale

The VCS retained its top spot among third-party standards guiding the development and measurement of carbon project performance. Buyers contracted 43 MtCO<sub>2</sub>e of offsets adhering to a VCS-approved project methodology, up from 41 MtCO<sub>2</sub>e in 2011. The volume of VCS offsets from projects that certified their additional environmental and social benefits to the CCB Standards more than doubled to 12.5 MtCO<sub>2</sub>e.

Transaction volumes certified to The Gold Standard continued their steady market ascent as a result of sustained demand for offsets from the standard's signature household device distribution projects – increasingly tapping into the crediting of micro-scale activities – as well as biodigester and Turkey-based wind projects. Voluntary offset buyers contracted a total volume of 10 MtCO<sub>2</sub>e from Gold Standard voluntary projects in 2012. Next year this report will likely add forestry and climate-smart agriculture to the roster of Gold Standard-supported project types, following the standard's expansion into land use carbon offset certification with its 2012 acquisition of the CarbonFix Standard for afforestation/reforestation projects and its new alliance with the agriculture-facing Fairtrade label.

Behind The Gold Standard, offsets using CCX methodologies reappeared in the 2012 marketplace after a sharp drop in demand in 2011. While the CCX program originated in the United States, only 26% of the reported 7.6 MtCO<sub>2</sub>e transacted from CCX projects were US-based. Remaining volumes were sourced from projects in China, India, Brazil, Germany, and several other country locations.

Both the Climate Action Reserve (CAR) and the American Carbon Registry (ACR) projects saw decreased market activity as both certification programs turned their attention to the California compliance carbon market – where CAR and ACR received long-awaited approval as Offset Project Registries for the regional program.

VCS, ACR, and CAR all reported major strides in the expansion of their land-use programs, including pilot project development in the fields of rice cultivation (ACR and CAR), wetland restoration (ACR), and soil carbon management and sustainable agricultural land management (VCS). VCS and ACR both finalized and made available Jurisdictional Nested REDD (JNR) requirements guiding the development of jurisdictional REDD programs and their relationship to REDD projects. With support of a grant from the Norwegian government, VCS is exploring, and in some cases already supporting, several regions in piloting JNR programs.

Standards, too, are responding to intensified corporate interest in measuring and verifying the delivery of “non-carbon” project attributes. Existing and new programs are exploring how non-carbon attributes like vulnerability reduction via adaptation, water quality, biodiversity, women's empowerment, and public health can be tied to a carbon offset – and if not, what other units of outcomes accounting are potentially appropriate and viable.

To this end, programs like the Higher Ground Foundation (exploring vulnerability reduction offsets), the Water Benefit Partners (exploring water benefit certificates), and the Women's Carbon Standard (recognizing women's issues and contributions in project development) are among several programs that have emerged in the last year to explore opportunities for harnessing corporate sustainability investments for developmental aims that are not restricted to GHG mitigation.

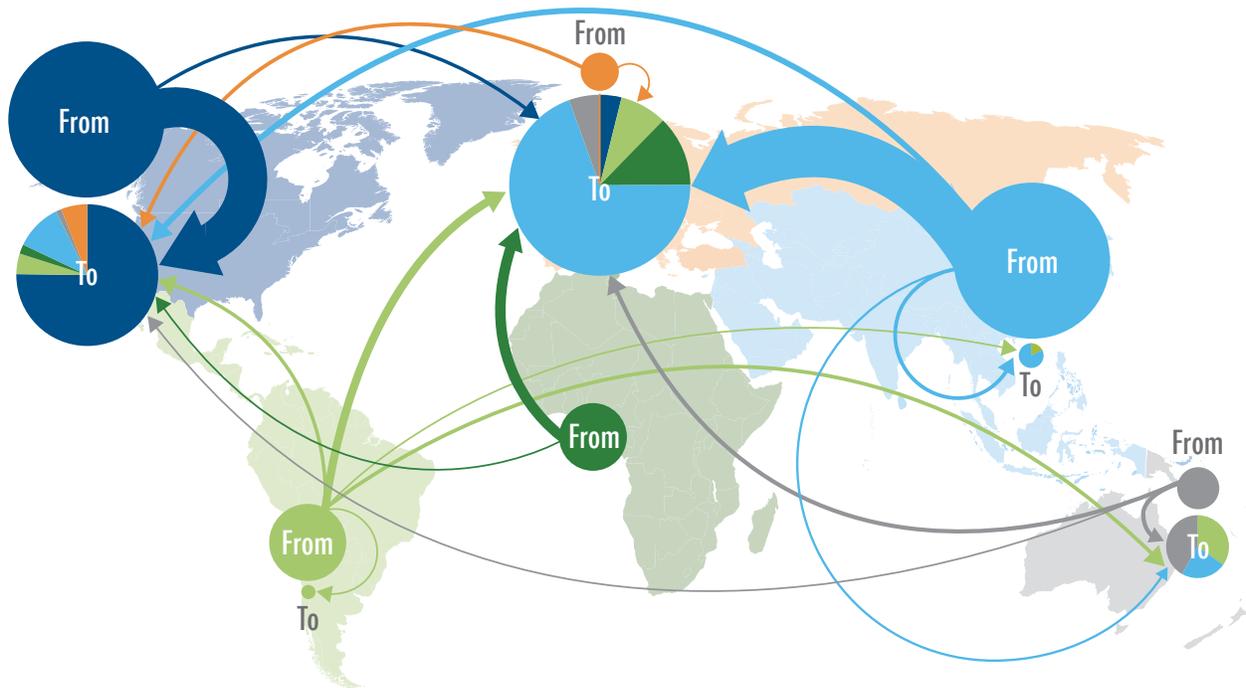
### Project Location: Asia, Oceania Markets Grow on Trees

Last year, the market extended voluntary carbon finance to four new country locations, making for a total of 65 countries represented in this year's data.

Despite the continued predominance of renewable energy offsets flowing from major supplier countries China and India, Asia saw forestry, energy efficiency, and fuel switching offsets grow significantly in market share. Overall, the region saw a 4% increase in the volume of offsets supplied, while their average price fell by 9% to \$3.5/tCO<sub>2</sub>e. While the bulk of the region's offsets flowed to overseas buyers in keeping with previous years, 2012 saw a significant increase in the purchase of Asian offsets by Asian buyers – a growing trend as emissions trading schemes and domestic offset initiatives are set to develop over the next several years in China, South Korea, Thailand, and Vietnam.

Further south, while still attracting some support from both domestic and overseas buyers, New Zealand's forestry-dominated market fell by over 50% in voluntary transaction volume in the shadow of its compliance

Figure 10: Flow of Transacted Volumes by Offset Supplier and Buyer Region, OTC 2012



From ↓ To →	North America	Latin America	Asia	Oceania	Europe
North America	20.3 M	-	-	-	1.2 M
Latin America	1.1 M	0.2 M	0.3 M	1.5 M	2.8 M
Africa	0.7 M	-	-	0.03 M*	3.9 M
Asia	2.5 M	-	1.3 M	1 M	21.5 M
Oceania	0.3 M	-	-	1.8 M	1.7 M
Europe	1.5 M	-	-	-	0.4 M

\*Values smaller than 0.1 Million (M) are not shown on map.

Notes: Based on 80 MtCO<sub>2</sub> associated with either offset project or buyer location.

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

market. Australian suppliers, awaiting clarity on future demand for offsets generated through the Carbon Farming Initiative, nevertheless saw domestic demand for offsets more than double to 5.6 MtCO<sub>2</sub>e owing to some pre-compliance activity as well as purely voluntary transactions of offsets through the National Carbon Offset Standard.

Kenya-based projects stood their ground in 2012 as the world's fourth largest supplier country, responsible for over half of Africa's 8 MtCO<sub>2</sub>e total transaction volume. In addition to attracting corporate support for REDD efforts, Kenya and other countries including Ghana,

Mozambique, Uganda, and the Democratic Republic of the Congo saw international demand for offset from projects delivering clean cookstoves and water purification devices, which in Kenya produced the first large-scale issuance using The Gold Standard's suppressed-demand approach.

North America's biggest surprise in 2012 materialized in the over 8.3 MtCO<sub>2</sub>e of offsets transacted through the Chicago Climate Exchange offsets registry program, where new offset generation has more or less come to a halt but domestic buyers continue to transact offsets at sub-dollar rates to replenish their portfolios. The total

value of offsets generated in North America was \$123 million, with 73% of overall value transacted to pre-compliance buyers in anticipation of California's cap-and-trade program. Buyers in the United States together purchased more offsets than buyers in any other single country, supporting \$143 million worth of offsets in 2012.

The volume of offsets transacted in Latin America was relatively stable in 2012 at 7.2 MtCO<sub>2</sub>e despite a fall in average price, with forestry still driving the bulk of domestic project development. Seeds of growth were planted in the region, with governments in Acre (Brazil), Colombia, and Chile signing agreements with VCS to establish stronger frameworks for their domestic carbon markets, and Mexico passing a law to pursue a domestic emissions trading scheme. Latin American projects contracted a large proportion of their offsets to European buyers, with only a smattering of Latin American offset buyers in the game.

Regulated under the European Union Emissions Trading Scheme and broader Kyoto Protocol commitments, projects in EU member states supplied a modest 1.4 MtCO<sub>2</sub>e of offsets in 2012, continuing for the most part to be a source of voluntary offset demand rather than supply. On the demand side, buyers in the United Kingdom and other major European countries continued to show a strong appetite for offsets from abroad, securing a total of 43.4 MtCO<sub>2</sub>e offsets in 2012, with over half of those offsets sourced from projects in Asia.

### Caveats and Conclusions: The Year Ahead

As seen in the mosaic of project types, regional trends, and unpredictable drivers of offset demand presented in this summary of our 2013 *State of the Voluntary Carbon Markets* report, voluntary buyers are a source of demand for differentiated products that are purchased on the basis of dozens of decision points. These criteria include offset supplier reputation, perceived offset quality, and, more broadly, the health of the buyer's business, the economy, and their previous experience with offset programs.

Because of the market's lack of liquidity and predictability, historical trends presented in this report should be viewed only as a starting point for understanding demand in the current year – which continues to evolve as both offset buyers and suppliers innovate new ways to mitigate GHGs, influence policy, and communicate their purchases and successes.

Already in 2013, major organizations ranging from Microsoft to the United Nations Environment Programme have renewed or made new offsetting commitments, with Microsoft and The Walt Disney Company both introducing an internal carbon price on operations to

pay for offset purchases. On the “sell” side, programs like the UN Foundation's Global Alliance for Clean Cookstoves and campaigns Code REDD and Whole World Water are expanding their efforts to raise public awareness of voluntary carbon finance's contributions to forest conservation and sustainable development. Meanwhile, offset suppliers are experimenting with crowd-funding, collective purchase auctions, and wrapping inexpensive issued offsets with forward sales of offsets from early-stage projects – to support both existing and future offset project development.

Offset suppliers remain concerned that the collapse of an EU carbon price and exclusion of a host of CDM projects post-2012 will channel an oversupply of compliance instruments into the voluntary markets. ***In 2012, Ecosystem Marketplace tracked less than 1 MtCO<sub>2</sub>e of CDM offsets (“CERs”) sold to voluntary buyers*** – typically from unique projects and locations and at prices similar to those paid to traditional voluntary projects. We will continue to closely track these developments throughout the year.

While concerns about the fate of millions of CERs drive some suppliers to distance themselves and their products from the Kyoto offset market, others are focusing on connecting with emerging compliance programs – in California, Australia, South Africa, China, and various jurisdictions in Latin America. Here, offset infrastructure providers and market participants are working to bridge the gap between voluntary and compliance programs. As some offsetting activities in these regions shift from voluntary “pre-compliance” preparations to full-blown compliance market participation, findings around market size and make-up in this report series will no doubt change substantially in future editions.

In the midst of this dynamic marketplace, voluntary offset market players are also changing their pitch – from simply offsetting carbon emissions to relating their on-the-ground experience to broader policy and corporate sustainability objectives.

This involves highlighting the offset project market's potential for rapid response to mitigation opportunities that can supplement slower-moving fund-based actions. Some market players are focused on communicating lessons learned about verification and results-based finance models. Still others are developing a new lexicon around the delivery of vulnerability reduction, health, and other public benefits associated with private sector interventions. Through a combination of these and other efforts to raise the offset product market profile, suppliers strive to remain relevant as climate policy makers target ever-more scalable solutions.

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**SCX | Santiago Climate Exchange** ([www.scx.cl](http://www.scx.cl)) aims to redefine climate change mitigation and adaptation as a source of corporate competitiveness and social and environmental inclusiveness.

SCX offers prime CO<sub>2</sub> Neutral certification for products & services differentiation and works with organizations looking to link their climate engagement with their core business – not relying solely on CSR policies. SCX specialists have been active players in country discussions regarding baseline scenarios for climate change, cap-and-trade options, green taxes, and market instruments for environmental regulation.

SCX was founded by ten leading corporate players in Chile, with the aim to develop new business models that foster green investment and sustainability practices in the country and the rest of the Latin American region. Today, SCX is an active catalyst for innovations that change the paradigm of climate change as a source of costs into a more proactive one where public awareness is translated into opportunities for local development. Thus, SCX seeks to become the Latin American hub for ecosystem market building rather than a platform limited to traditional exchange.

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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.



**ClimateCare** ([www.climatecare.org](http://www.climatecare.org)) mobilises the power and scale of private finance to deliver projects with positive environmental and social impacts around the world.

We combine the vision of a social enterprise and the commercial experience of an investment bank. Leveraging mainstream funding, we profitably deliver some of the largest, most successful corporate sustainability initiatives in the world.

From offices in Africa, Europe and Asia Pacific we help many of the world's leading brands, organisations and governments scale up the impact of their initiatives. By investing their resources in projects that directly combat climate change and poverty, improve health and increase community welfare, we build better futures for millions of people around the world.



**Ecoinvest** ([www.ecoinvestservices.com](http://www.ecoinvestservices.com)) is a leading VER and CER offset wholesaler and has been a pioneer in the emissions reduction advisory business since 1999. We hold a large portfolio of innovative and attractive projects from a range of methodologies and standards including forestry, renewable energy, cookstoves and agriculture in underdeveloped countries around the world, all with strong community benefits. We have advised over 100 projects spanning diverse sectors and can offer bespoke offsetting and insetting opportunities that are closely aligned to your business. We also offer a range of services related to Carbon & Water Footprinting, Supply Chain Management and Consultancy to help companies measure and report their carbon, water and energy usage which improves efficiency, complies with regulation and saves money.



**EcoPlanet Bamboo** (<http://www.ecoplanetbamboo.com>) is a global developer of commercial bamboo plantations. We believe that sustainably produced bamboo can replace increasingly endangered tropical timber for all engineered wood products and biomass resources. EcoPlanet Bamboo's mission is to grow a global resource base that can contribute to making bamboo the timber of the 21st century.

EcoPlanet Bamboo conserves and, where possible, expands natural forest within its areas of operation. Our Nicaragua plantations are certified under the FSC's Forest Management category. We work closely with local communities to maintain a strong focus on sustainable environmental and social development, and to adhere to high standards of corporate social responsibility. EcoPlanet Bamboo's first two bamboo plantations have been validated by the VCS, not only sequestering atmospheric carbon dioxide but also reducing emissions from deforestation through the provision of a sustainable alternative fiber to the harvesting of natural forest. EcoPlanet Bamboo's VCS validation goes hand in hand with Gold Level CCBA certification for high biodiversity impacts and positive social impact, including the creation of 350 jobs in communities that were previously suffering from severe poverty.



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**The Forest Carbon Group AG (FCG)** ([www.forestcarbongroup.de](http://www.forestcarbongroup.de))

Sustainability has nothing to do with charity. It is an integral part of entrepreneurship. It is about gradually incorporating ecological assets into the corporate balance sheets. We have to set a price for nature in order to preserve it and continue to be able to use it economically. For this reason, Forest Carbon Group AG initiates, finances, develops and markets forest projects throughout the world. Intact forests are protected, degraded forests are reforested and others are sustainably managed. Our business model enables people in the poorest regions of the world to break the vicious cycle of deforestation, environmental degradation and poverty, and improve their economical as well as social conditions. We also support organisations in North America and Europe to fund nature conservation. At the same time we enable companies mostly in industrial countries to position themselves strategically through investing in these projects, to develop new business opportunities and to secure existing ones. The company is headquartered in Frankfurt am Main, Germany.



**The Global Alliance for Clean Cookstoves** ([www.cleancookstoves.org](http://www.cleancookstoves.org)) is a public-private partnership led by the United Nations Foundation to save lives, improve livelihoods, empower women, and protect the environment by creating a thriving global market for clean and efficient household cooking solutions. The Alliance's 100 by '20 goal calls for 100 million households to adopt clean and efficient cookstoves and fuels by 2020. The Alliance works with hundreds of partners worldwide to help overcome the market barriers that currently impede the production, deployment, and use of clean cookstoves and fuels in developing countries. The Alliance and its partners are engaged in a number of activities to achieve our 100 by '20 goal: setting standards; commissioning research; implementing monitoring and evaluation mechanisms; injecting investor and donor funds into the sector to support entrepreneurship and innovation; and raising awareness about household air pollution.



**Love the World** ([www.lovetheworld.com](http://www.lovetheworld.com)) is a leader in environmental advisory services and is particularly active in supporting enterprises in developing their carbon strategy. Our main expertise is to assist our clients in measuring, reducing and off-setting carbon footprints generated by activities, products and events.

We are a team of environmental professionals always seeking innovative ways to create value whilst contributing to the fight against global warming. We also assist enterprises in creating the most appropriate communication tools in order to share their environmental commitments with clients, employees and business partners.

Last but not least, part of our revenue is going into the “Love the World endowment fund”, whose role is to finance non-profit organizations in line with our clients’ values and objectives (social, medical, environmental, etc...).



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