
# The current state of the Voluntary Carbon Market

This update aims to provide insight into the dynamics of the Voluntary Carbon Market (VCM), where carbon credits are traded, and new projects are developed. At Anthesis Group, we strive to ensure the continued availability, quality, and competitive pricing of high-quality carbon projects and its co-benefits for our clients. This includes the carbon projects we develop ourselves and our carbon project portfolio for direct investment by our customers. In this update, we highlight the most important developments that will soon affect the Voluntary Carbon Market. In particular we summarise the relevant outcomes of this year's global 29th Climate Conference of Parties (CoP29) in Baku that took place last month.

## CoP29 Voluntary Carbon Market Update

The Voluntary Carbon Market (VCM) continues to evolve, driven by the increasing urgency of climate action and recent breakthroughs at COP29 in Baku. This update examines the key developments shaping the VCM, especially in the context of the landmark outcomes under Article 6 of the Paris Agreement, explored below.

**Article 6 Breakthroughs at CoP29**

For the first time the Parties gave the green light for the Carbon Market, as to be developed under Article 6, providing a mechanism to help countries meet their climate targets. This decision allows for the issuance of new carbon credits and the commencement of trading emission reductions between nations.

CoP29 saw significant progress on operationalising Article 6, which governs international carbon markets. Two key mechanisms were addressed:

1. Article 6.2: Focuses on bilateral agreements, enabling countries to trade carbon credits directly, while aligning with national priorities.
2. Article 6.4: Creates a centralised UN-supervised system for issuing carbon credits, which can be used by countries and private entities to offset their emissions and help meet their emissions targets.

The adoption of new standards under Article 6.4 means that we will see Paris Agreement aligned carbon credits in a few years. The Paris Agreement carbon market enables international collaboration and mobilises climate finance for developing nations.

**Implications for the Voluntary Carbon Market**

1. The VCM will continue to play a crucial role in driving investment in developing countries and additional to emission reduction efforts. But also, the VCM credit organisations are improving transparency, governance and quality and integrity of the standards. This will help the VCM to also play a role in helping countries meet their Paris Agreement Goals.
2. The VCM is not directly mentioned in the CoP29 decisions but will keep being an additional tool to mobilise the new global climate finance. For the increase of the global climate finance, all public and private sources are mentioned.'
3. Nature-Based Solutions: The emphasis on nature-positive projects underscores the role of ecosystems in achieving net-zero goals. This shift aligns with trends in the VCM, where nature-based solutions are increasingly prioritised for their co-benefits.
4. Adoption of the special rule with general requirements for Carbon Removals, underscores the importance of removals for reaching long term Paris Agreement goals and decarbonised economy.
5. Increasing Ambition: the adopted methodologies for Article 6.4. will also help increase the ambition of VCM projects by:
   a) the downward adjustment of the project baselines against carbon credits to bring them in line with host country 1,5 degrees goals, as well as
   b) new additionality checks, requiring host countries to avoid locking in high emissions technologies, also potentially influencing the practice of VCM credit programmes.

**Challenges and Opportunities**

While the Article 6.4 mechanism represents a milestone, unresolved issues remain. These include setting clear insurance mechanisms, improving transparency in bilateral trades under Article 6.2, and addressing potential governance concerns over expedited decision-making at CoP29.

Nonetheless, the advancements provide a solid foundation for scaling the VCM, integrating private-sector participation, and harmonising voluntary and compliance markets.

**Strategic Focus for VCM Stakeholders**

For project developers and carbon project providers such as Anthesis and other VCM participants, these developments underscore the importance of aligning projects with emerging international standards, (see point 4 under Implications for the VCM: Increasing Ambition, above).

Leveraging high-integrity credits and focusing on innovative carbon removal technologies will ensure competitiveness and compliance in this dynamic market. As the VCM continues to mature alongside regulatory frameworks, stakeholders must remain adaptable, responding to policy changes and market trends to maximise both impact and returns.

**Reaction International Carbon Offsetting & Reduction Alliance (ICROA, part of IETA):**

> ”We warmly welcome the completion of the Article 6 rulebook at COP29. We now call on all governments to make use of Article 6 and to implement policies that spur international market-based cooperation. By mobilising private investment where emission reductions and removals are more cost-effective, Article 6 has the potential to enhance climate ambition, transfer technology, and deliver finance flows where most needed. Article 6 can now help countries aspire to higher ambition in the next round of Nationally Determined Contributions due in 2025. Nine years after the signing of the Paris Agreement, it is time for this potential to be unleashed and fully utilised in pursuit of ambitious climate goals”.

## State of play of the VCM

The Voluntary Carbon Market (VCM) is evolving, with new developments promising to enhance the integrity, impact, and scalability of carbon projects globally. As corporate demand for high-quality credits grows - particularly for carbon removals - the market will continue to mature. Recent updates from key players like VERRA, alongside stricter standards introduced by the Integrity Council for the Voluntary Carbon Market (ICVCM), position the VCM to play a critical role in global climate mitigation efforts.

**Reaction VERRA:**

> “Today, November 24th, marks a historic step forward in global climate cooperation with the passing of Article 6, providing countries with a new framework for utilising independent crediting programs (ICPs) in support of their climate ambitions. VERRA has already developed a protocol in conjunction with the Singapore government and Gold Standard to support countries in their use of Article 6 to achieve NDCs.”
>
> Mandy Rambharos, CEO

The ICVCM is progressing with its assessment of standards and methodologies for its Core Carbon Principles (CCP) label. In June 2024, it approved seven methodologies covering landfill gas and ozone-depleting substance projects, marking the first credits eligible to carry the high-integrity CCP label.

This was followed in November 2024 by the approval of three avoided deforestation (REDD+) methodologies - two from the VERRA registry and one from the ART (Architecture for REDD+ Transactions) registry - unlocking a major new stream of high-quality credits from REDD+ projects, which are critical in the mitigation of climate change. Further approved methodologies are anticipated in the coming months, setting the stage for continued evolution in the VCM.

We can offer several of these CCP-labelled projects from our standard portfolio, for example, a small-scale landfill gas project in Ecuador and, can deliver others on demand.

## GHG Trading Workshop by Jos Cozijnsen

Our Carbon Specialist Jos Cozijnsen joined the 24th annual GHG Trading Workshop organised by IEA, IETA and EPRI in October in Paris. In total, 300 experts of corporations, governments and other stakeholders attended, in person or on-line, to prepare CoP29. Representing Anthesis, he gave a presentation on the future of the carbon market, specifically of the EU ETS after 2040.

Workshop participants highlighted that combining internal decarbonisation efforts with the use of carbon credits provides a faster and more cost-effective pathway to achieving the Paris Agreement goals compared to approaches without investments in the VCM. They also echoed the Global South’s statement to the SBTi, emphasising that demand for carbon credits is essential to channel additional financial flows to local communities. Furthermore, the IEA reported that improving global clean cooking access could reduce emissions by 1.5 Gt $CO_2$, underscoring the need for the VCM to play a larger role in achieving such outcomes.

Regarding the VCM, workshop participants believe that a combination of internal decarbonisation efforts and the use of offsets provides a faster and more cost-effective pathway to achieving the Paris Agreement goals compared to decarbonisation without offsets. They also support the Global South’s statement to the Science Based Targets initiative (SBTi), emphasising that the demand for carbon credits is essential to channel additional financial flows into local communities. Furthermore, the International Energy Agency (IEA) reported that improving global access to clean cooking could reduce emissions by 1.5 Gt $CO_2$ and emphasised that VCM must play a larger role in this effort.

## Update Beyond Value Chain Mitigation (BVCM)

BVCM (Beyond Value Chain Mitigation) represents a critical component of corporate climate strategies, encompassing mitigation actions or investments outside a company’s direct value chain. These include projects that avoid or reduce greenhouse gas (GHG) emissions or remove and store GHGs from the atmosphere. With the adoption of frameworks such as the EU’s Corporate Sustainability Reporting Directive (CSRD) and the COP29 outcomes on Article 6.4, companies are increasingly required to integrate robust climate measures that extend beyond their operational footprints.

The Science-Based Targets initiative (SBTi) reinforces the importance of BVCM as part of achieving net-zero, urging corporates to act beyond their value chains to address the scale of the climate crisis. This is particularly relevant as the international carbon market, now guided by COP29’s updated standards, prioritises high-quality credits and transparency. Many companies are already aligning their strategies with these principles, leveraging certified projects, such as those adhering to Core Carbon Principles (CCP), to ensure credible carbon credits and compliance with evolving regulations. By embedding BVCM into their climate frameworks, businesses enhance accountability and accelerate the global transition to net-zero.

## Carbon project type deep dive: Biochar

Biochar is gaining significant attention in the carbon market as a reliable and scalable carbon removal solution, thanks to its ability to sequester carbon in soil for hundreds to thousands of years. As companies seek high-integrity, long-term carbon credits, biochar projects are emerging as a promising option that also offers co-benefits like improved soil health, fertility enhancement and water retention.

Biochar is a permanent, engineered carbon removal method already available in the market. It is produced by heating organic matter, such as wood, crop residues or manure, in a low-oxygen environment through a process called pyrolysis. When biochar is applied to soil, biochar becomes resistant to degradation, providing long-term carbon storage. Unlike organic compost, biochar does not easily decompose, which makes it a stable and durable solution for sequestering carbon dioxide. In addition to its climate benefits, biochar improves soil health, enhances water filtration, and supports pollution control.

Additionally, biochar is usually distributed to local farmers, promoting sustainable agricultural practices in rural and agricultural communities, supporting their sustainable development.

Under Article 6 of the Paris Climate Agreement, a special rule has been established for Carbon Removals as a new carbon credit methodology. This development is expected to accelerate the implementation of carbon removal projects, such as biochar, by attracting the necessary financing. The formal recognition of these projects underscores their critical role in achieving long-term climate goals and advancing a decarbonised economy.

Anthesis currently supports several biochar projects, including a notable initiative in Bolivia. Additionally, we have biochar projects in development, which we will share more details about in our next update. However, if you'd like information sooner, please don't hesitate to reach out.

## Market overview of supply, demand, and pricing

The VCM has seen fluctuating prices recently due to evolving regulatory standards and increasing demand for high-quality credits. Following the CoP29 advancements under Article 6.4 of the Paris Agreement, market interest in nature-based solutions and carbon removal projects has surged, boosting premium prices for credits with strong co-benefits.

We are witnessing a positive shift toward higher integrity and transparency, as stricter standards prioritise credible climate action. This trend has boosted demand for high-quality credits, particularly those certified under programs like the Core Carbon Principles (CCP). These CCP-labelled projects, recognized for their robust methodologies, command premium prices, reflecting growing investor confidence. While price disparities exist, they underscore the market's evolution, favouring projects with strong environmental and social impacts. This progression highlights the VCM's increasing alignment with global climate goals, fostering trust and driving investment toward impactful carbon solutions.

For projects that are not CCP labelled, it is crucial to recognise that this does not imply these projects are of low quality. Many methodologies and projects are in the process of or still awaiting evaluation by ICVCM and for some of them it will be possible to transition to approved methodologies following a re-quantification and alignment with the CCP.

Anthesis possesses expertise and a rigorous due diligence process to select the most suitable projects. This ensures our clients can invest in projects that meet the highest quality standards while driving effective climate solutions. In doing so, we provide access to reliable carbon credits that have real impact and align with the latest market developments.

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