

State and Future of Voluntary Carbon Markets

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Voluntary Markets – achievements so far?

- Paris Agreement explicitly encourages private sector action
- Non-state actor cooperative pledges (15-23 GT) are larger than unconditional NDCs (9GT) (source: NewClimate and IPCC, 2018)
- 437 mill tCO₂ reduced by voluntary carbon projects (source: Forest Trends 2018)
- at USD 5 per tCO₂, a total of 2 bn+ in result-based finance unlocked, leveraging a multiple of investments
- on top, approx. 150 USD worth of local benefits created per carbon credit, in case of sustainable project (source: Gold Standard)
- VCMs are key to promote action under NDCs and increase ambition
- Currently the only globally functioning result-based-finance market

Example: Thailand, Biogas

- 2006: 2 biogas plants for industrial wastewater treatment in the starch industry
- 2012: All 52 large starch plants wastewater producing facilities have biogas treatment. Total Capex 200m USD
- Energy savings due to conversion of biogas to power proved to be key to sustain the plants even with dropping carbon prices
- About 2.5 mill tons CO₂e reduced every year

Voluntary Climate Action in a Paris World

- REPORTING is different from CLAIMING of Emission Reduction:
- A company can CLAIM that it CAUSED the emission reduction in a certain country – while the government REPORTS the emission reduction in its Art. 13 reporting
- NDC alone only pledges – what counts are **concrete policies** that are enacted due to the NDC
- Every carbon credit must have been created beyond a business-as-usual scenario. To be taken into account:
 - Domestic non-market laws (binding standards, taxes, etc.)
 - Domestic market laws (ETS, etc.)
 - Domestic offset schemes -> Domestic Cancellation
- Unfortunately, progress on Article 6.2, 6.4 (and in many cases domestic climate regulations) is PAINFULLY slow

Conclusions:

- Paris Agreement as well as the recent spike in climate awareness (Greta Thunberg) will continue to boost voluntary climate action
- Private sector engagement for the transformation to a low-carbon economy is key – we need to unlock trillions
- As has always been the case, post 2020 a credit must be:
 - real
 - additional
 - measured
 - verified
- By the end of 2020, binding targets under the Kyoto Protocol will end for a handful of remaining countries. In principle this opens new markets for VCMs.

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