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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