

“COP28 represents a turning point for the progress on the climate agenda and the future of the Paris Agreement. It comes at a critical moment for accelerating collective progress,” they said in a recent note.

“Present commitments put the 1.5 C Paris Agreement goal out of reach. The conclusion of the first ever Global Stocktake at COP28 will be a defining moment to assess current gaps and accelerate efforts in climate ambition and implementation,” said Sara Giordano, principal research analyst at S&P Global.

In a recent interview, COP28 Director-General Majid al-Suwaidi told S&P Global that fast-tracking the pace of the energy transition is a key objective at the global climate summit.

— Eklavya Gupte, Claudia Carpenter

Demand for carbon offsets likely to grow as integrity builds: Bracewell

- Corporates, banks, consumers driving growth
- Article 6 mechanisms can aid VCM volumes
- Standardization to help support credit values

The increase in corporate net zero commitments is driving participation in voluntary carbon markets and promises significant mid-term growth despite today's integrity challenges, Nicholas Neuberger, Senior Counsel, Bracewell LLP, said in a media briefing Nov. 29.

The VCM is worth over \$2 billion/year today and is projected to grow to as much as \$40 billion by 2030, Neuberger said. This compared to an EU ETS compliance carbon market value of \$750 billion in 2022.

“We’re seeing more and more growth in both the buyer and supplier base, with participation doubling in the last few years — most of the world’s largest 2,000 companies now have net zero targets,” Neuberger said.

Investment banks were also making sizable VCM purchases, for their own net zero commitments and for trading purposes.

Many of these transactions were on a futures basis e.g. for 2025 or 2026, with any interim “bump” in the credit price potentially supplying a decent return in the secondary market, Neuberger said.

At retail level, meanwhile, carbon offsets were increasingly being embedded in online purchasing options for individual consumers seeking sustainability.

While demand had recently been impacted by some negative media reports on certain projects, 2023 had also seen a number of integrity initiatives, the lawyer said.

“Much has been done this year by the industry’s quasi-regulatory bodies, including the Integrity Council for the VCM on the demand side and the VCM Integrity Initiative on the supply side, while [dominant VCM registry] Verra has announced a new methodology for its conservation activities,” he said.

The trend in improving standards was “key to unlocking significant new capital” in the market, which would also benefit from clarifications on Article 6 in the UN’s climate conference in Dubai, starting Nov. 30.

“We hope COP28 will provide guidance on what projects qualify for participation on international trading mechanisms under Article 6 of the Paris Agreement, which will create a new emissions trading market that could well increase demand for voluntary carbon credits,” Neuberger said.

In a survey at S&P Global Commodity Insights’ recent carbon conference in Paris, 44% of respondents said the VCM would be the primary market for most project developers to sell verified carbon credits to. Some 33% said compliance markets would be the primary market while 23% said markets related to Article 6 would be the primary market.

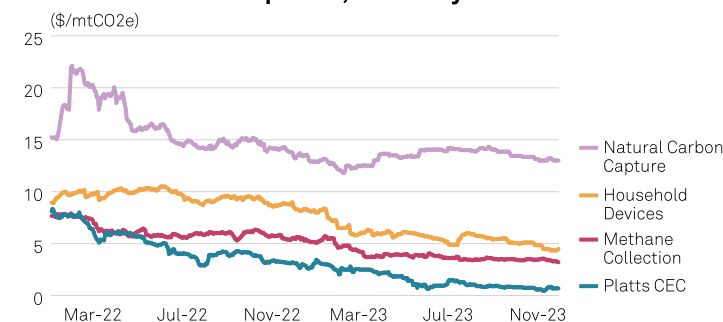
Neuberger said the emergence of carbon credit rating agencies would add a further layer of stress testing and solidity to the VCM, while market consolidation would likely result from a general clarification in standards.

“A more uniform, standardized market will be a key driver for growth in the VCM, and should result in a move to less variable, and a higher baseline for, credit prices,” he said.

Platts, part of S&P Global, assessed the price of Carbon Offsetting and Reduction Scheme for International Aviation (Corsia) credits at \$0.69/mtCO₂e Nov. 28, down 78% year on year.

By contrast, Platts Tech Carbon Capture credit price has been more stable this year, assessed at \$119/mtCO₂e Nov. 28, down 12% year on year.

Platts carbon credit prices, current year



Source: S&P Global Commodity Insights

— Henry Edwardes-Evans

CARBON AUCTION: UK sells 3.137 million CO₂ allowances at GBP41.12/mtCO₂e

Seller: UK

Cleared price: GBP41.12/mt CO₂ equivalent (\$52.20/mt)

Revenue: GBP128.993 million

Volume: 3.137 million mtCO₂e

Total bids received: 3.8425 million mtCO₂e

Cover ratio (12-month average): NA

Total bidders (successful): 18 (17)

Platform: ICE Futures Europe exchange, London

Notes: Auctions offer UK Allowances for spot delivery under the UK Emissions Trading System. The cleared price at the previous auction on Nov. 15 was GBP41.52/mtCO₂e.

— Eklavya Gupte