



Voluntary Carbon Market (VCM) - Summary Guide

1. What is the Voluntary Carbon Market ?

The Voluntary Carbon Market is a system that allows companies, organizations, governments, or individuals to buy carbon credits to offset their greenhouse gas (GHG) emissions voluntarily - that is, not because a law requires them to, but because they choose to for climate responsibility, brand reputation, or future readiness.

A carbon credit represents one tonne of CO₂ (or equivalent greenhouse gases) that has been reduced or removed from the atmosphere by a certified environmental project.

2. Why Does the VCM Exist?

The VCM allows companies to take climate action even if they are not required to under regulation. It:

- Helps fund environmental projects worldwide like reforestation or renewable energy.
- Supports companies' net-zero or carbon neutrality goals.
- Offers a flexible tool to compensate for emissions that can't be eliminated yet.

3. How Does the VCM Work?

- A project developer runs a climate project (tree planting, methane capture etc.).
- The project is certified by an independent standard (like Verra, Gold Standard).
- For each tonne of CO₂ reduced or removed, the project issues a carbon credit.
- A buyer (such as a company) purchases the credit and can "retire" it to claim the offset.

4. What Types of Projects Generate Carbon Credits?

There are two main categories:

1. Avoidance Projects

- Prevent emissions that would have otherwise occurred.
- Examples: forest conservation, methane capture, renewable energy projects.





2. Removal Projects

- Physically remove CO₂ from the atmosphere.
- Examples: reforestation, soil carbon sequestration, direct air capture.

5. Who Participates in the VCM?

- Project Developers: Create and manage climate projects.
- Standards/Verifiers: Certify that emission reductions are real, measurable, and permanent.
- Buyers: Companies, governments, NGOs, and individuals who buy credits to offset emissions.
- Brokers/Retailers: Facilitate the sale and trade of credits.

6. How Are Carbon Credits Priced?

There is no single fixed price in the VCM. Prices depend on:

- Project type (e.g., forestry vs. renewable energy)
- Project location
- Certification standard
- Vintage (year the credit was issued)
- Co-benefits (e.g., supports UN Sustainable Development Goals)

7. Criticisms and Reforms

- Some carbon credits have been criticized as low quality or ineffective.
- Risks include:
 - Overestimation of emission reductions
 - Double counting (when more than one entity claims the same carbon credit, either by mistake or due to poor tracking)
 - Lack of permanence (e.g., forests later destroyed)
- New initiatives are working to improve standards, increase transparency, and build trust.

8. Future of the VCM

- Demand is expected to grow **15x or more by 2030**.





- Many countries and companies are adopting **net-zero commitments**, boosting interest.
- Technology is improving credit tracking and transparency.
- International alignment could improve credit quality and cross-border cooperation.

