



State of the Voluntary Carbon Markets 2015

Webinar Presentation

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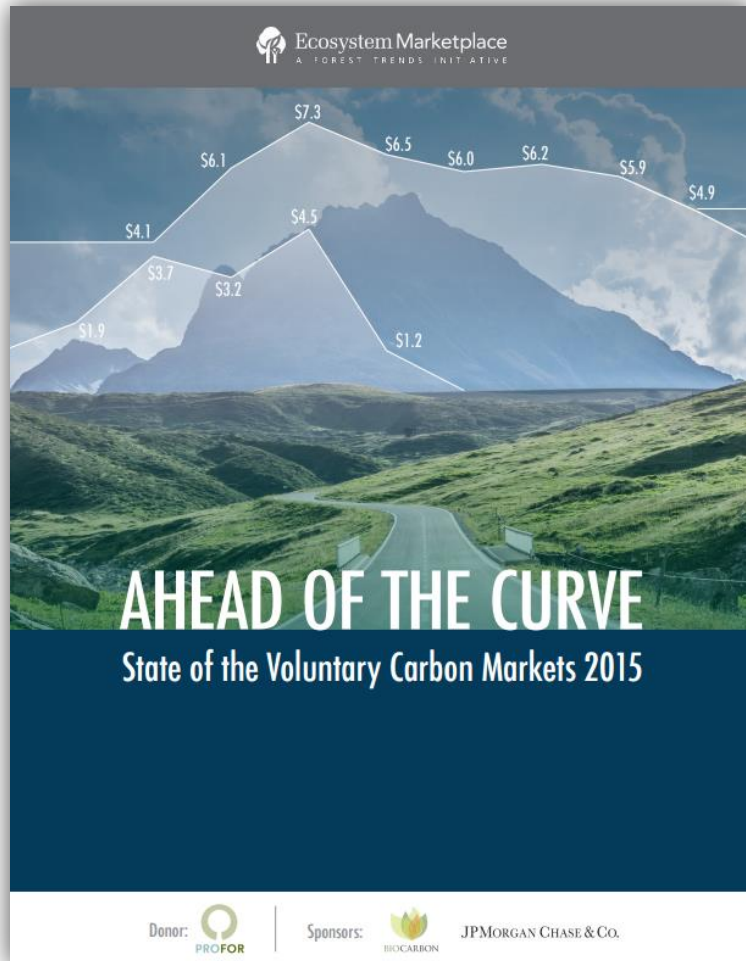
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A FOREST TRENDS INITIATIVE

ECOSYSTEM MARKETPLACE: A global source for news, data and analytics around environmental markets and payments for ecosystem services



Pre-2005 to 2014: Ten Years in Review

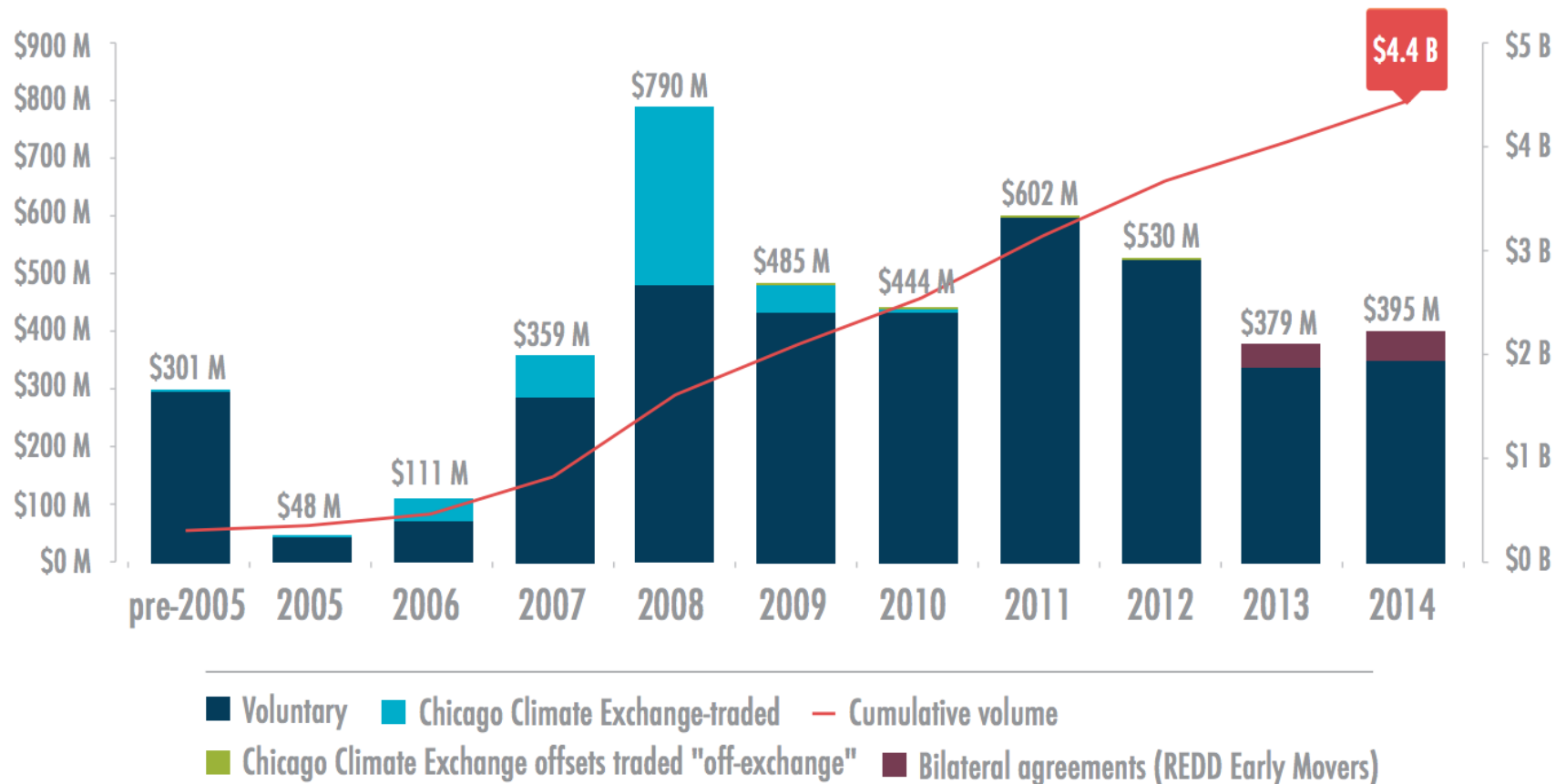


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VALUE OVER TIME: Voluntary buyers have spent nearly \$4.5 billion to offset over the last decade

Figure 1: Historical Market-Wide Voluntary Offset Transaction Values



Notes: Based on 931.2 MtCO₂e in transacted volume over time.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.

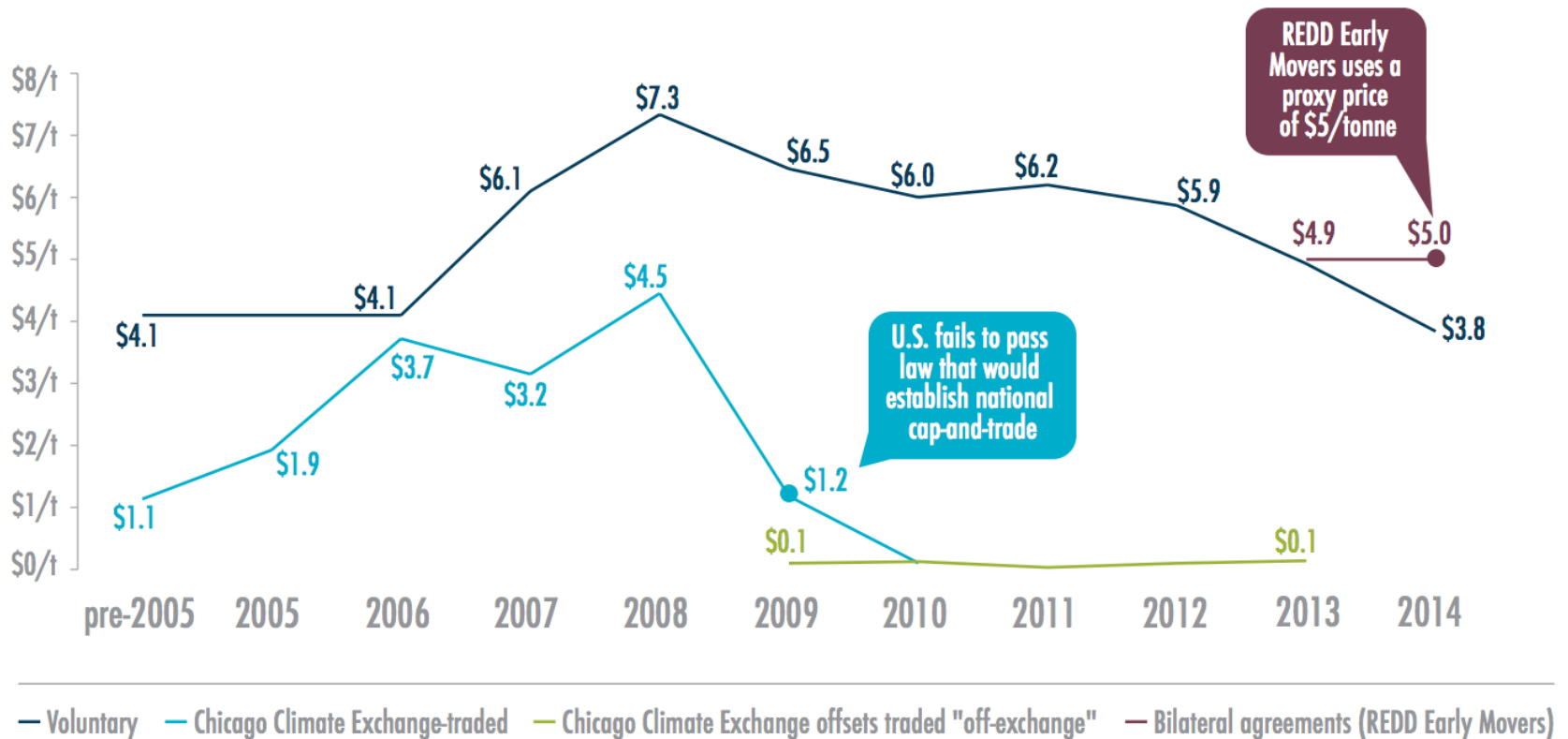


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PRICE OVER TIME: New voluntary OTC low of \$3.8/tonne compared to historic \$5.7/tonne average

Figure 2: Historical Market-Wide Average Price



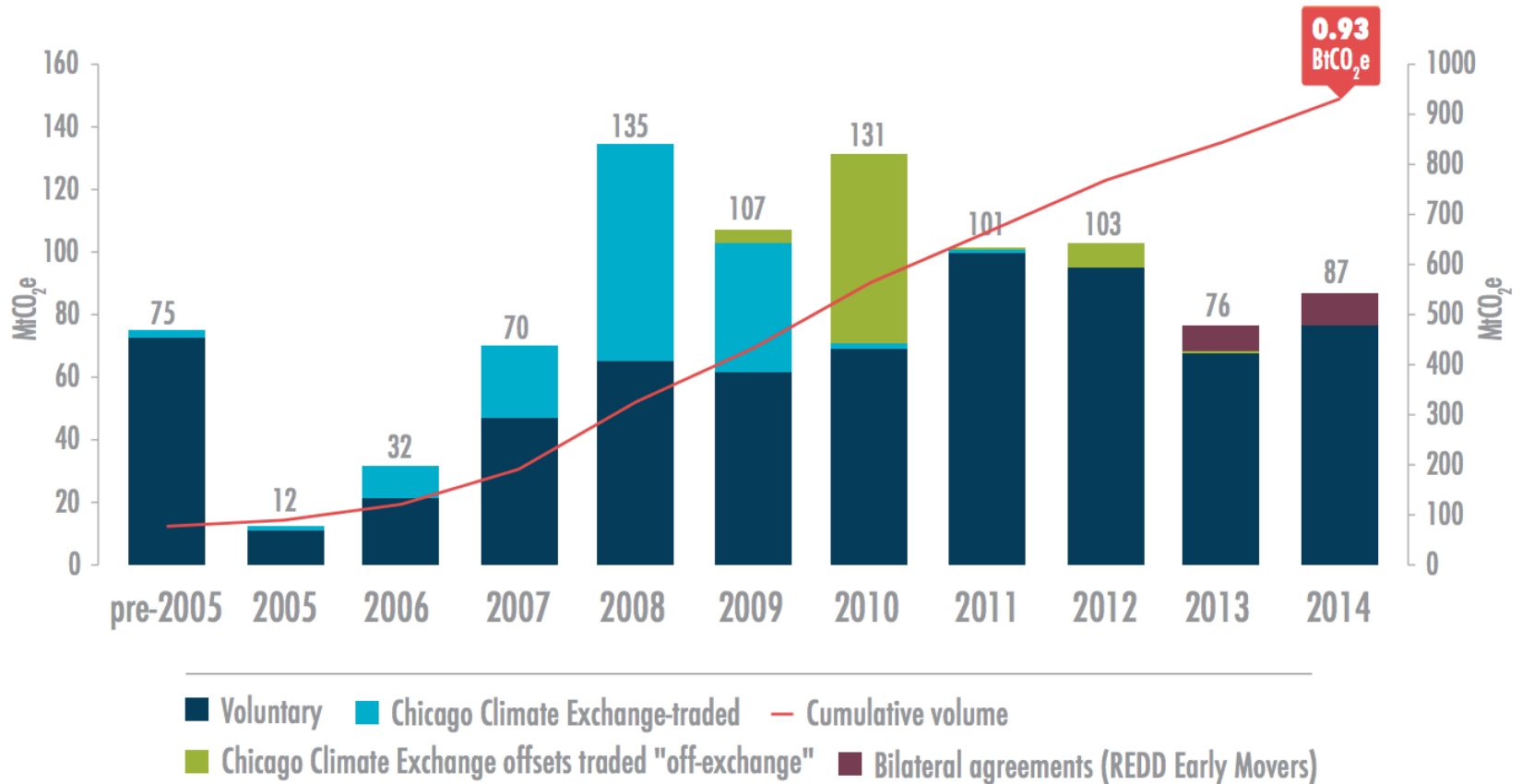
Notes: Based on 931.2 MtCO₂e in transacted volume over time.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



OFFSETTING OVER TIME: Voluntary buyers transacted nearly 1 billion tonnes of emissions over the last decade

Figure 3: Historical Market-Wide Voluntary Offset Transaction Volumes



Notes: Based on 931.2 MtCO₂e in transacted volume over time.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



INTERTWINED: Voluntary and regulatory climate actions influence each other

Figure 4: Major Carbon Market Policy Developments over Time



Examples of influence:

- South Africa's carbon tax will allow offsets under VCS and The Gold Standard
- Costa Rica's cap-and-trade allows for similar third-party voluntary standard offsets
- California's compliance program developed forestry, ODS, coal and livestock methane offset protocols based on ACR, CAR and VCS

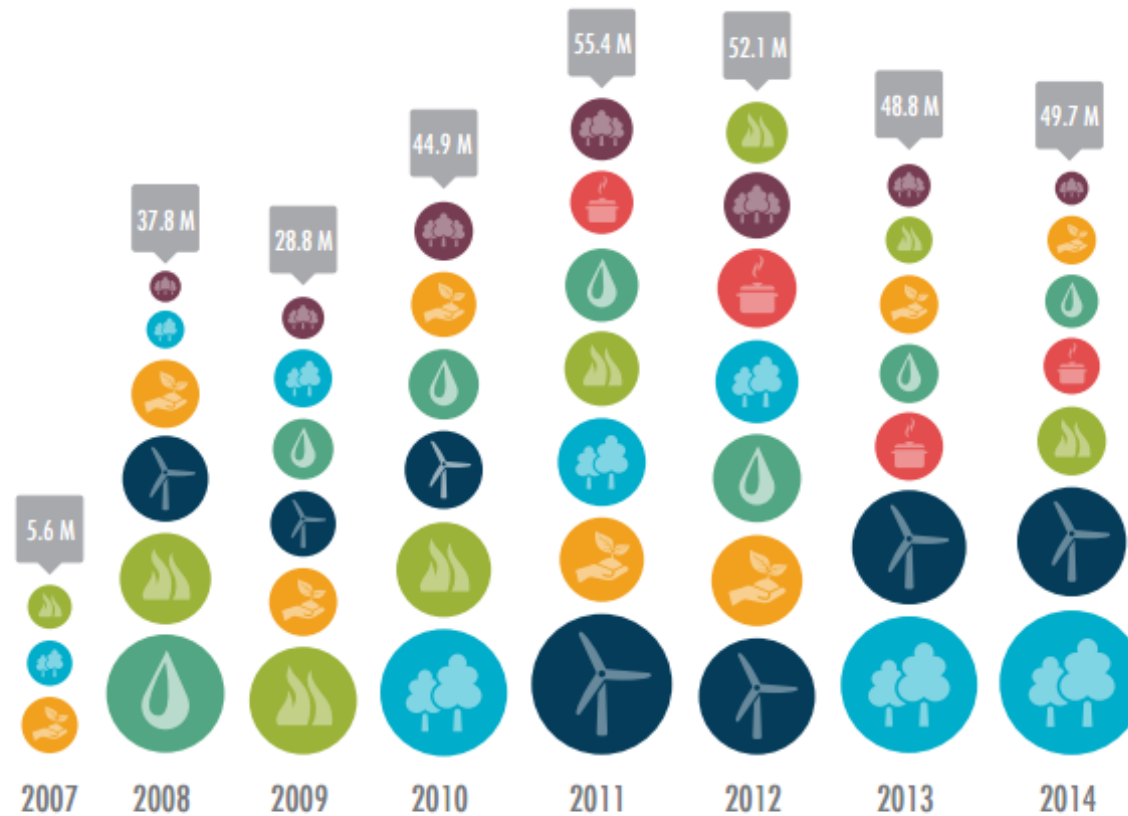


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AVOIDED DEFORESTATION STAYS LARGE: REDD remains the largest project type transacted, for second year in a row

Figure 5: Transaction Volumes of Top 7 Project Types, 2007-2014



Note: Bubbles sized according to volume - from 0.4 MtCO₂e (minimum) to 25 MtCO₂e (maximum)

Notes: Based on 412 MtCO₂e in transacted offsets associated with a project type, 2007-2014.
Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.

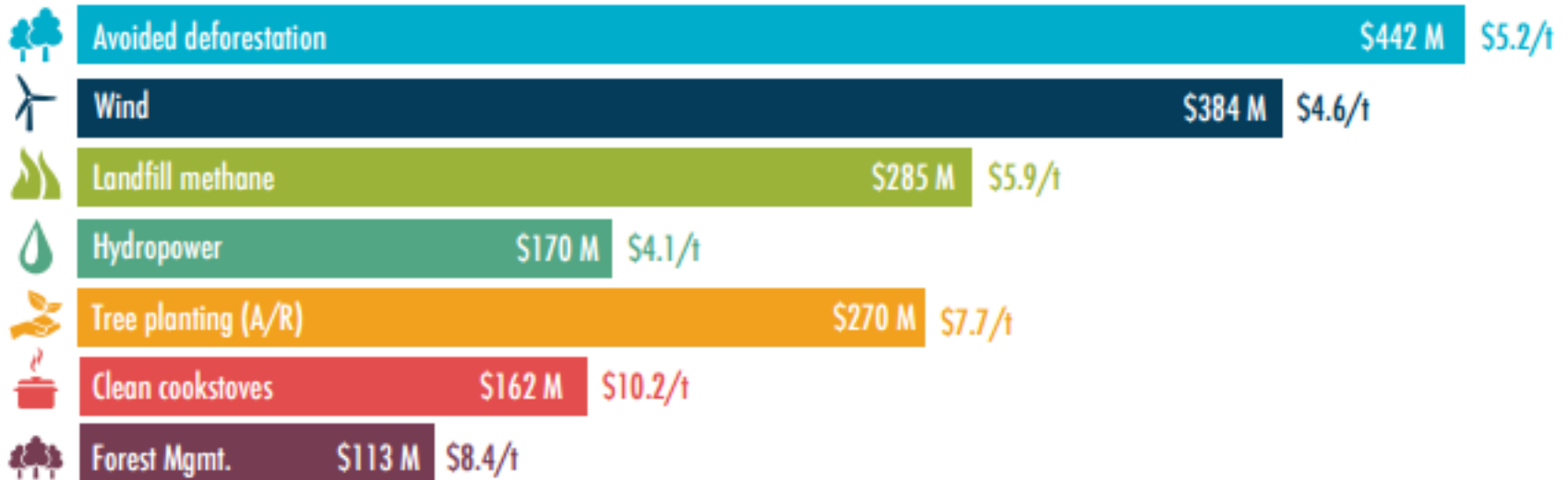


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TIE BREAKER: While avoided deforestation and wind offsets have nearly equal cumulative volumes, the former has a much higher value

Figure 6: Cumulative Value and Average Price of Top 7 Project Types, 2007-2014

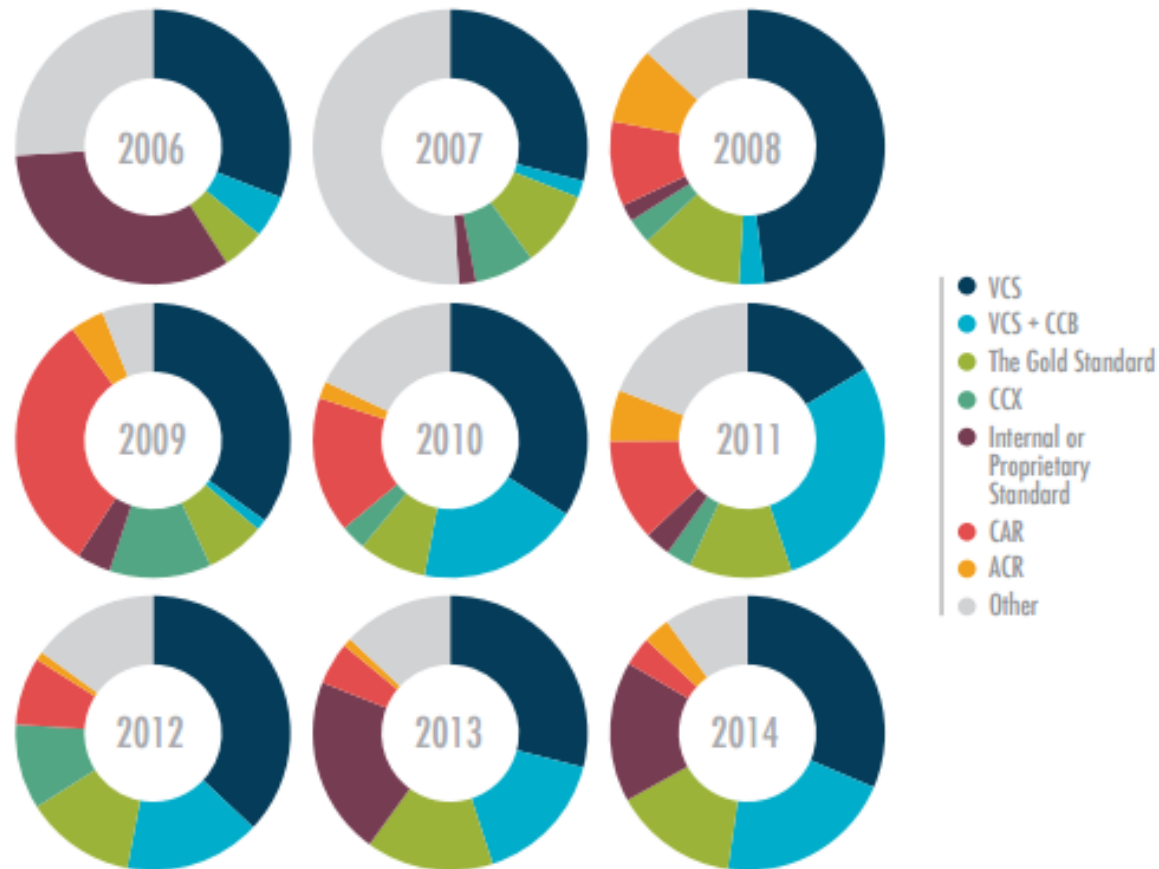


Notes: Based on 412 MtCO₂e in transacted offsets associated with a project type, 2007-2014.
Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



PROJECT STANDARDS A 'MUST HAVE': Even internal or proprietary standards have an element of third-party verification of emissions

Figure 7: Standard Market Share by Volume, 2006-2014



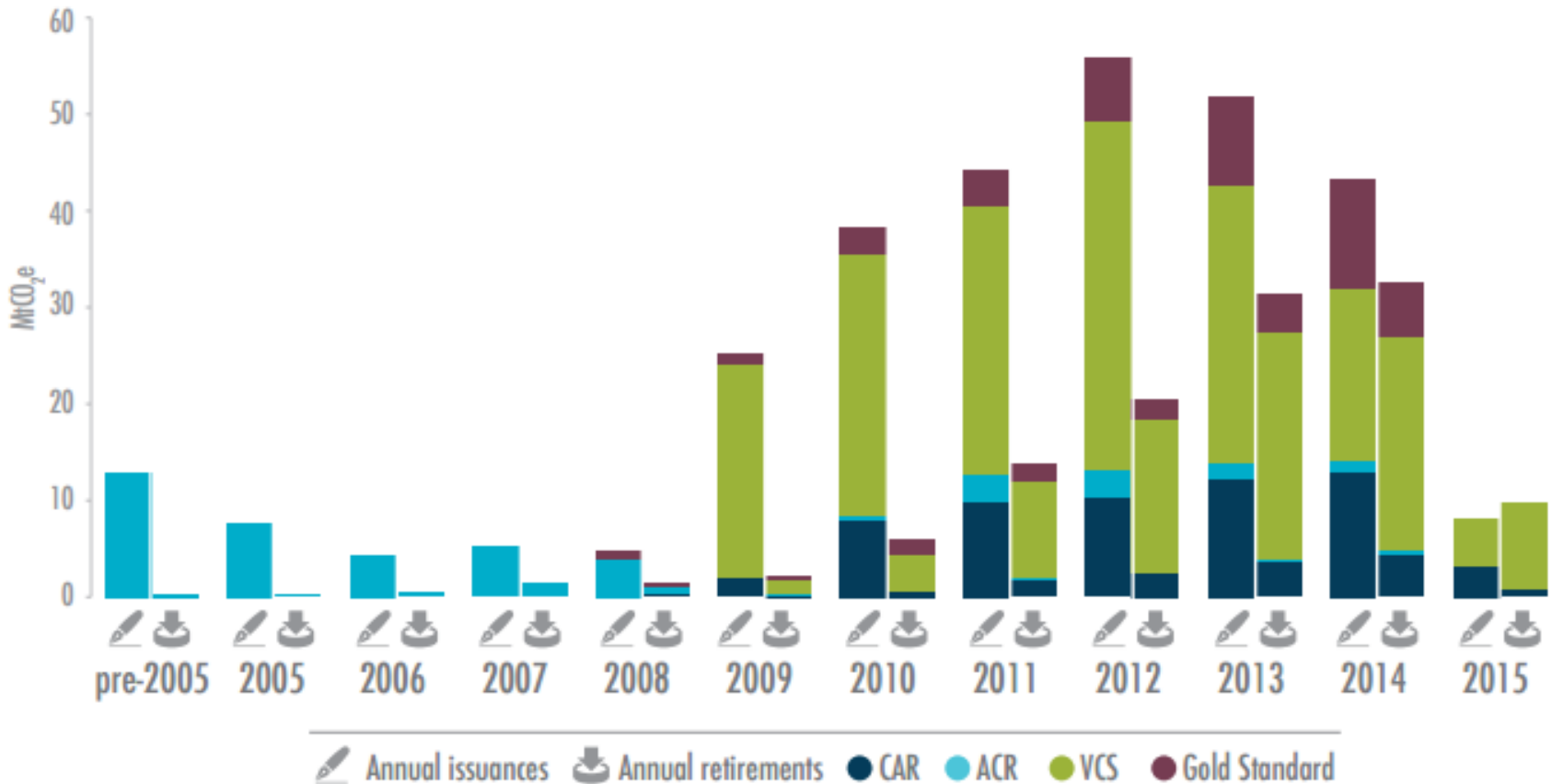
Notes: Based on 81 MtCO₂e associated with a third-party standard in 2014, alongside historical data from reports through the *State of the Voluntary Carbon Markets 2007*.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



ISSUANCES GROW TO 300 MtCO₂e+: Retirements lag, but ratio of retirements-to-issuances have increased since 2009

Figure 8: Offset Supply and Retirement, Pre-2005-Spring 2015



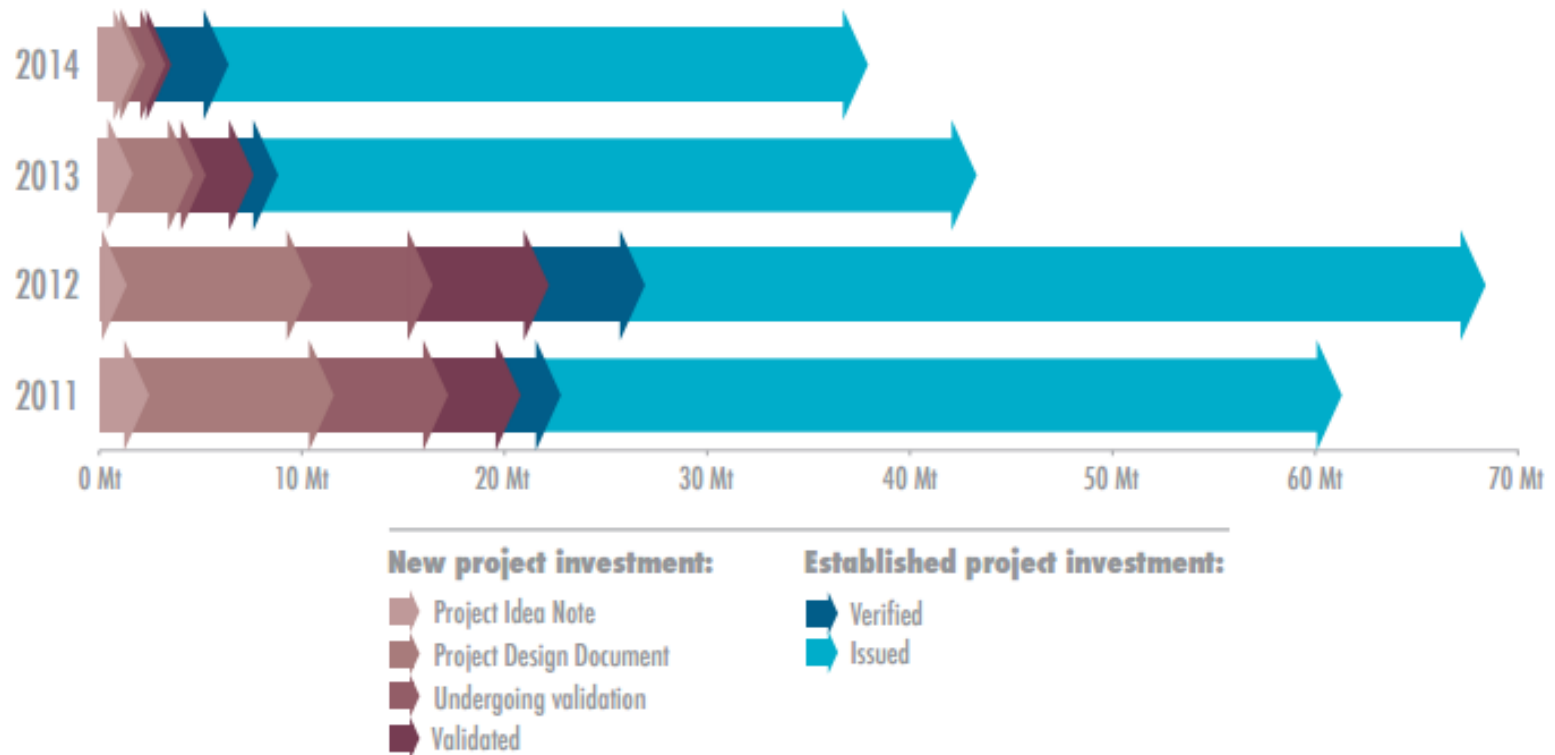
Notes: Based on annual issuances and retirements from four major voluntary standards: VCS, the Gold Standard, ACR, and CAR.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



84% OF TRANSACTED OFFSETS ISSUED: Early-stage investment in decline over last four years.

Figure 9: Offsets Transacted by Project Stage, 2011-2014



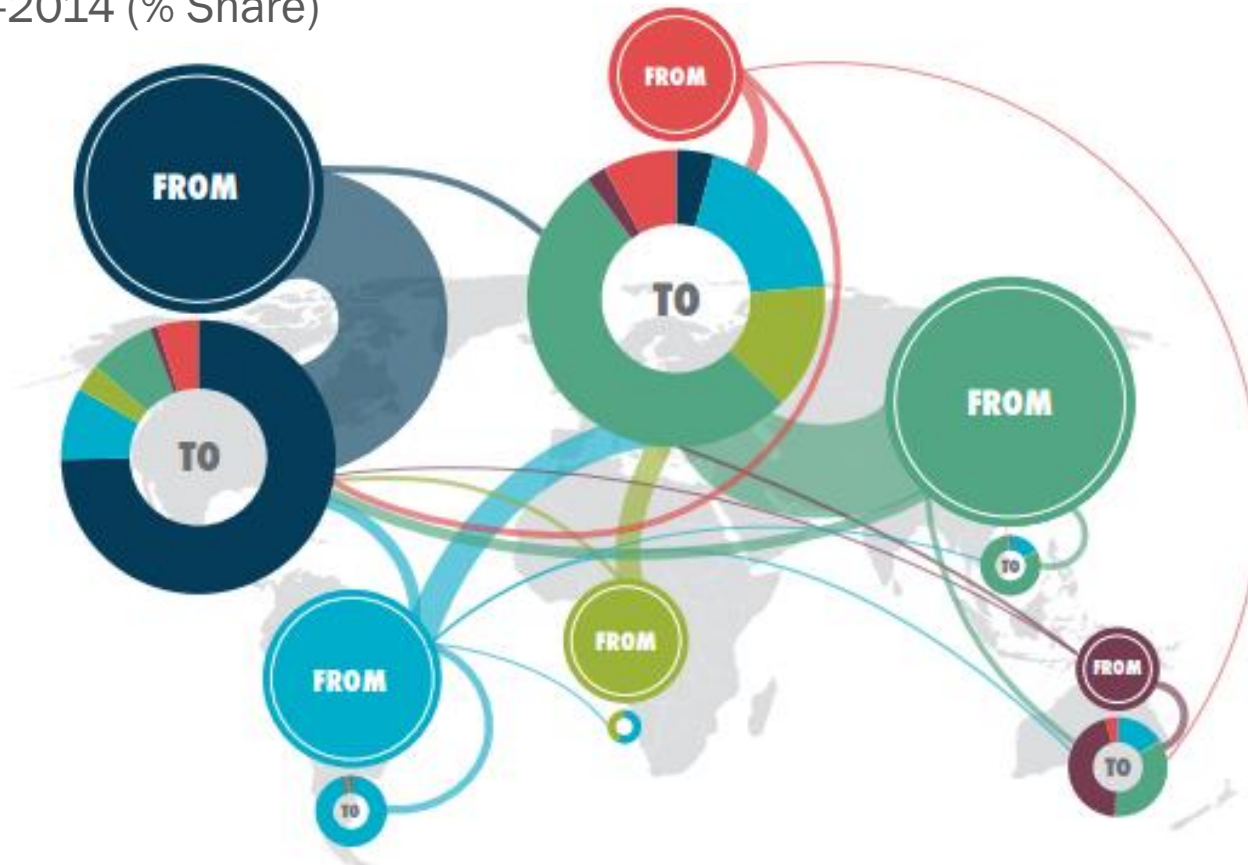
Notes: Based on 38 MtCO₂e associated with a project stage in 2014, alongside data collected in previous reports through 2011. Not all survey respondents reported project stage at the time of transaction in any given year.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



EUROPEAN BUYERS FUND BULK OF DEVELOPING COUNTRY OFFSETS: North American buyers usually stick closer to home

Figure 10: Flow of Transacted Volume from Project Region to Buyer Region, 2007-2014 (% Share)



*Values smaller than 0.5 million (M) are not shown on map.

Notes: Based on 2952 MtCO₂e associated with both a project region and a buyer region over time.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.

2014: Recent Trends and Review



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MARKET SNAPSHOT: 2014 increased 14% in volume, but lower average prices led to smaller increase in value.

Table 1: Market Size and Average Price Comparison, 2013 to 2014

	2014	2013	% CHANGE	ALL YEARS*
VOLUME:	87 MtCO ₂ e	76 MtCO ₂ e	+14%	0.93 BtCO ₂ e
VALUE:	\$395 M	\$379 M	+4%	\$4.4 B
AVERAGE PRICE**:	\$3.8 / tCO ₂ e	\$4.9 / tCO ₂ e	-22%	\$5.8 / tCO ₂ e

* Ecosystem Marketplace's first State of the Voluntary Carbon Markets report was published in 2007, but our data collection encompasses years prior to that date.

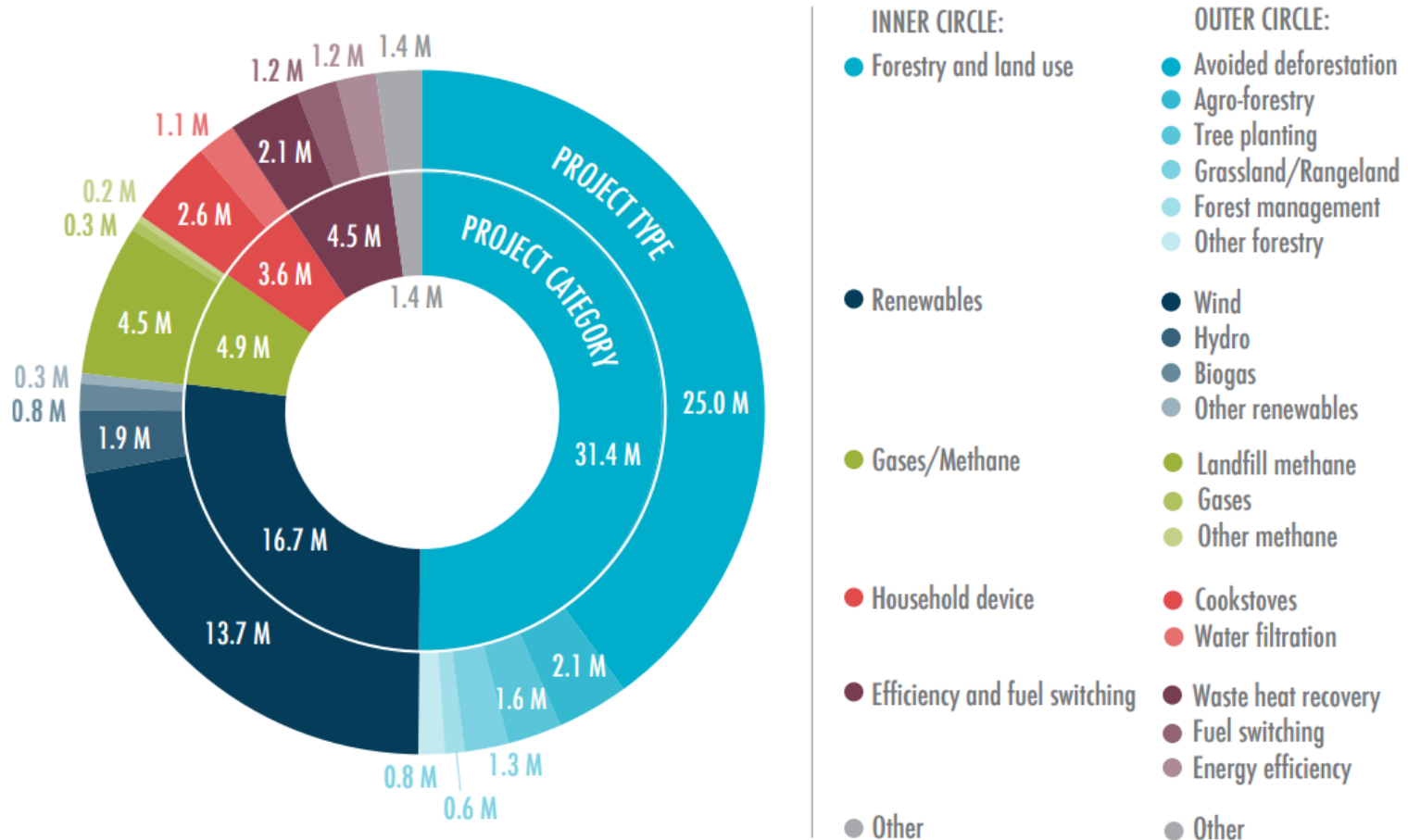
** This volume-weighted average price excludes the REDD Early Movers (REM) agreement (which used a \$5/tonne proxy). The average price including REM is \$4.0/tonne.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



FORESTRY GROWING STRONG: Forestry Offsets Made Up Half of Offset Demand, Led by REDD

Figure 11: Transacted Volume by Project Category and Type, 2014



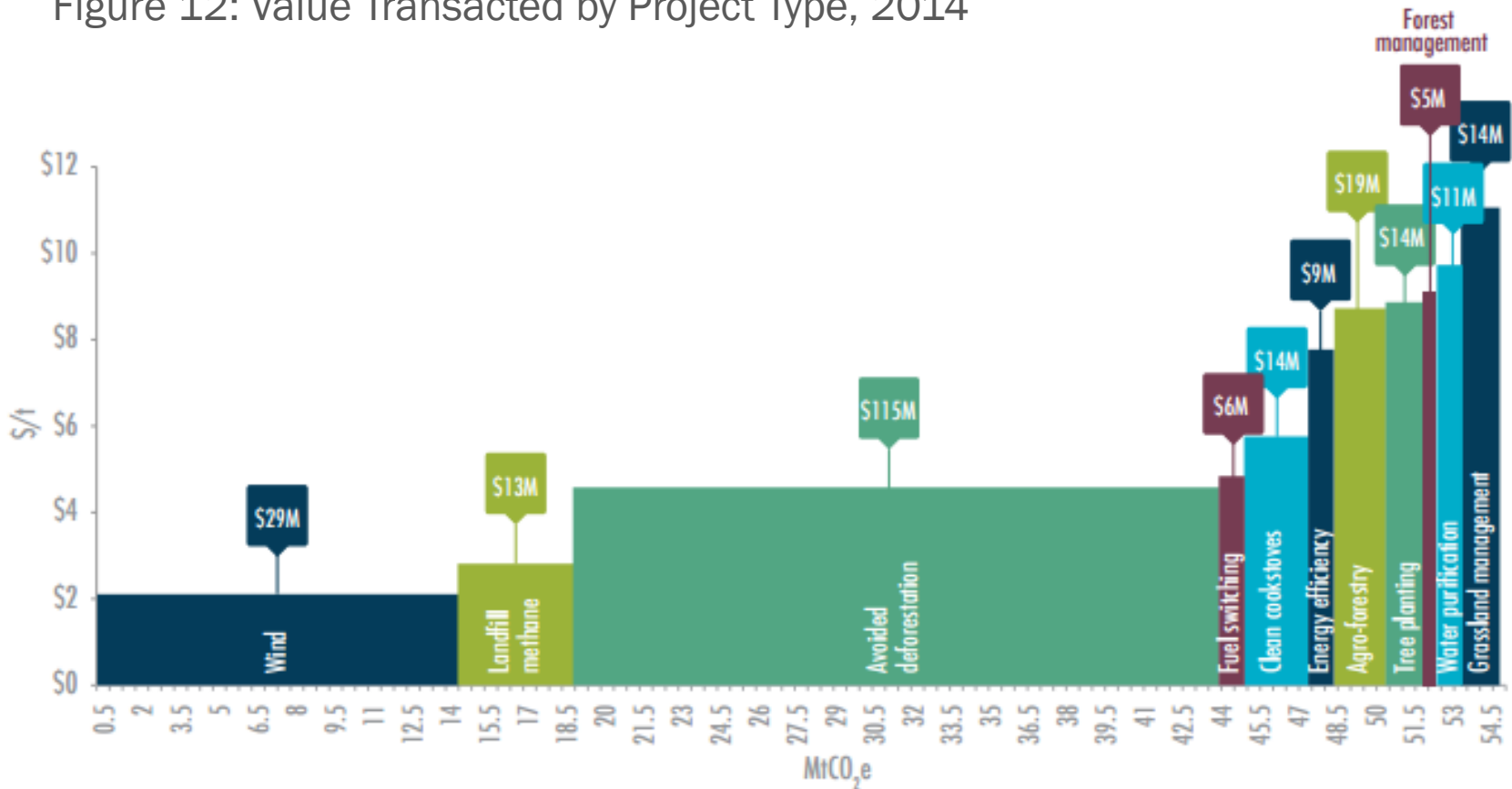
Notes: Based on 764 transactions representing 61.7 MtCO₂e.

Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



HOUSEHOLD DEVICES EARN HIGHEST AVERAGE: Excluding avoided deforestation, leaves forestry project types as highest average earners

Figure 12: Value Transacted by Project Type, 2014



Notes: Based on 764 transactions representing 61.7 MtCO₂e. The area of each project type rectangle reflects market value, with the vertical axis representing projects by average price transacted and the horizontal axis representing the total volume transacted.

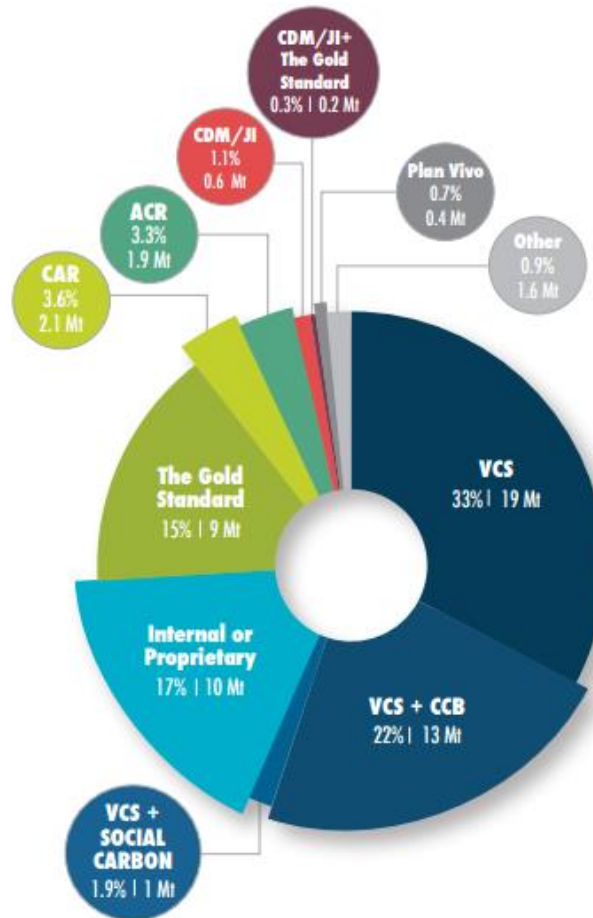
Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



2014 STANDARDS CONSOLIDATE AROUND VCS, THE GOLD STANDARD: Internal/Proprietary volumes not indicative of widespread project use

Internal/Proprietary volumes not indicative of widespread project use

Figure 13: Market Share by Standard, 2014



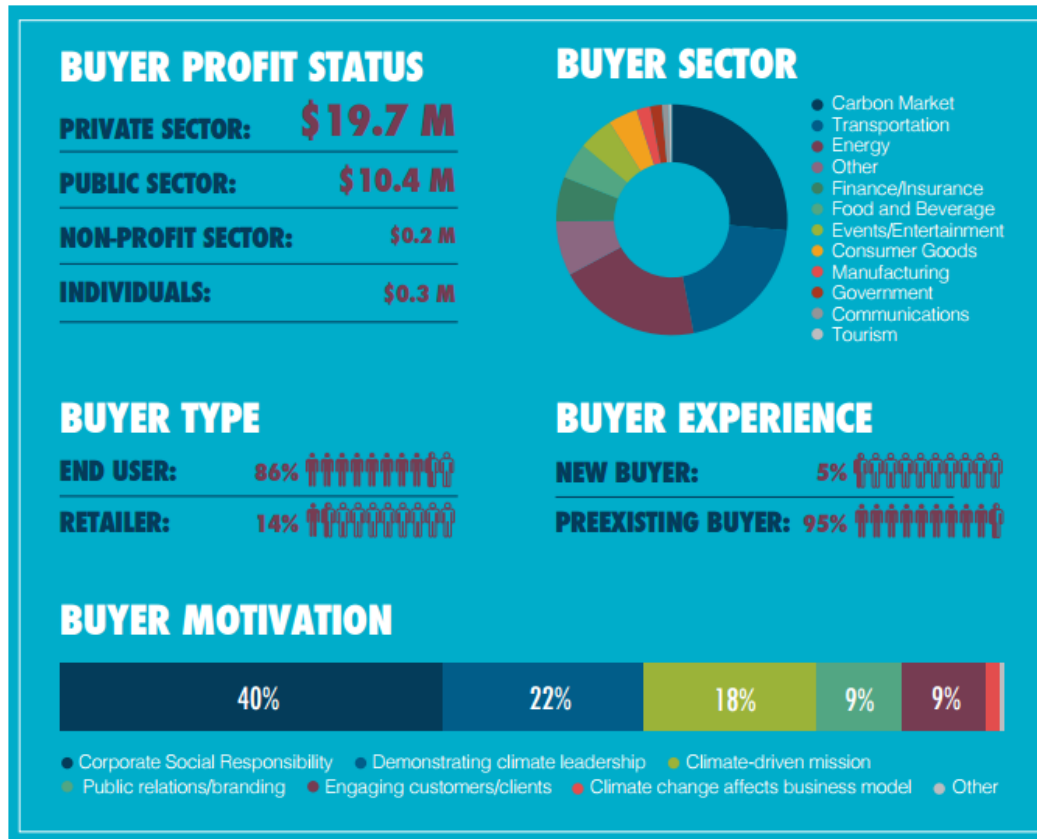
Notes: Based on 764 transactions, totaling 60.7 MtCO₂e. For price information, see Annex 1.
Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.



PRIVATE SECTOR CONTINUES TO TRANSACT MAJORITY OF DEMAND:

Private sector responsible for 95% of voluntary demand in 2014*

Figure 14: Buyer Breakdown, by Experience, Motivation, Status, Sector, and Type, 2014



*Excluding the REM agreement

Notes: Based on 88 transactions associated with a buyer experience, 228 transactions associated with a buyer motivation, 348 transactions associated with a buyer profit status, 314 transactions associated with a buyer sector, and 601 transactions associated with a buyer type, as described by survey respondents.

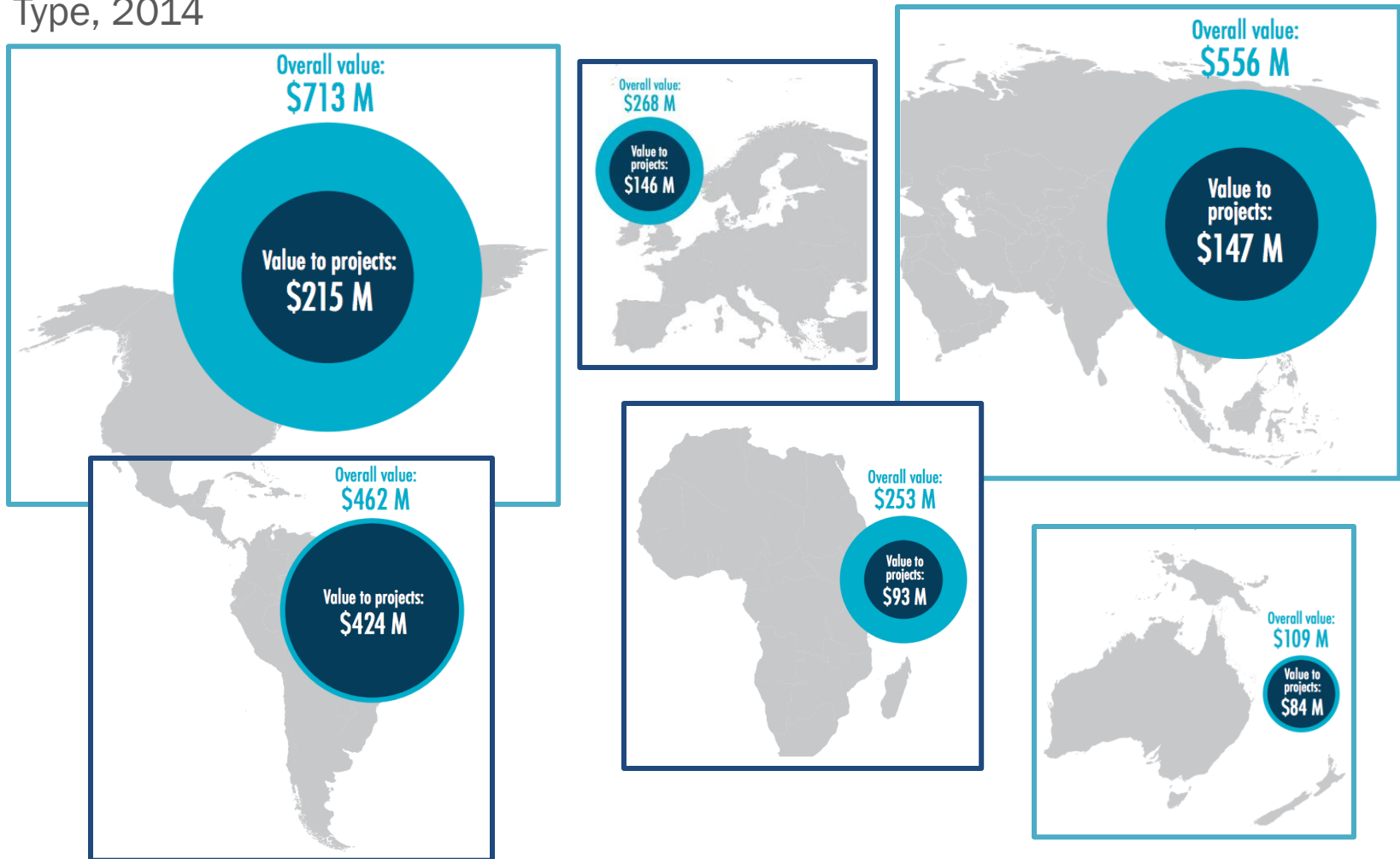
Source: Forest Trends' Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.

2015 and Beyond: A Look to the Future



BY THE REGIONS: Latest trends and analysis

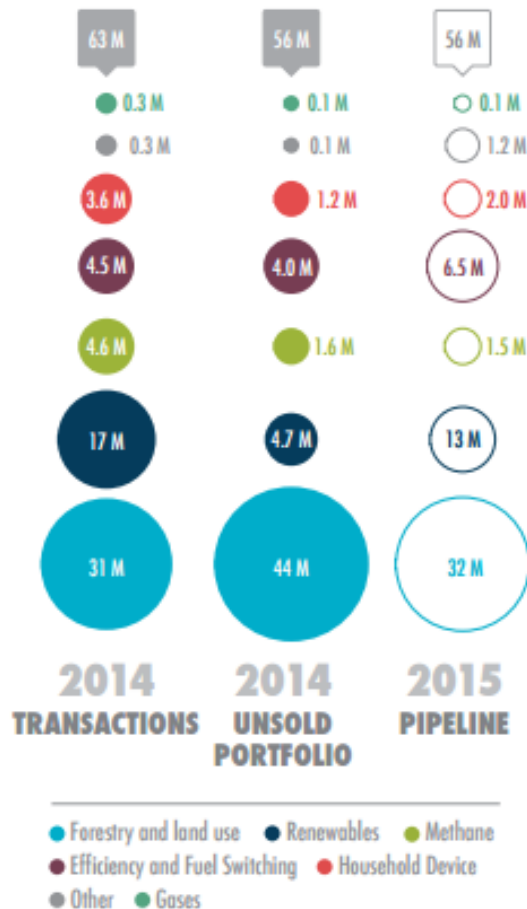
Figure 15: Buyer Breakdown, by Experience, Motivation, Status, Sector, and Type, 2014





SEEKING A SIGN: Suppliers wait for higher prices or look towards compliance markets

Figure 16: Remaining Portfolio and 2015 Pipeline Volumes by Project Category



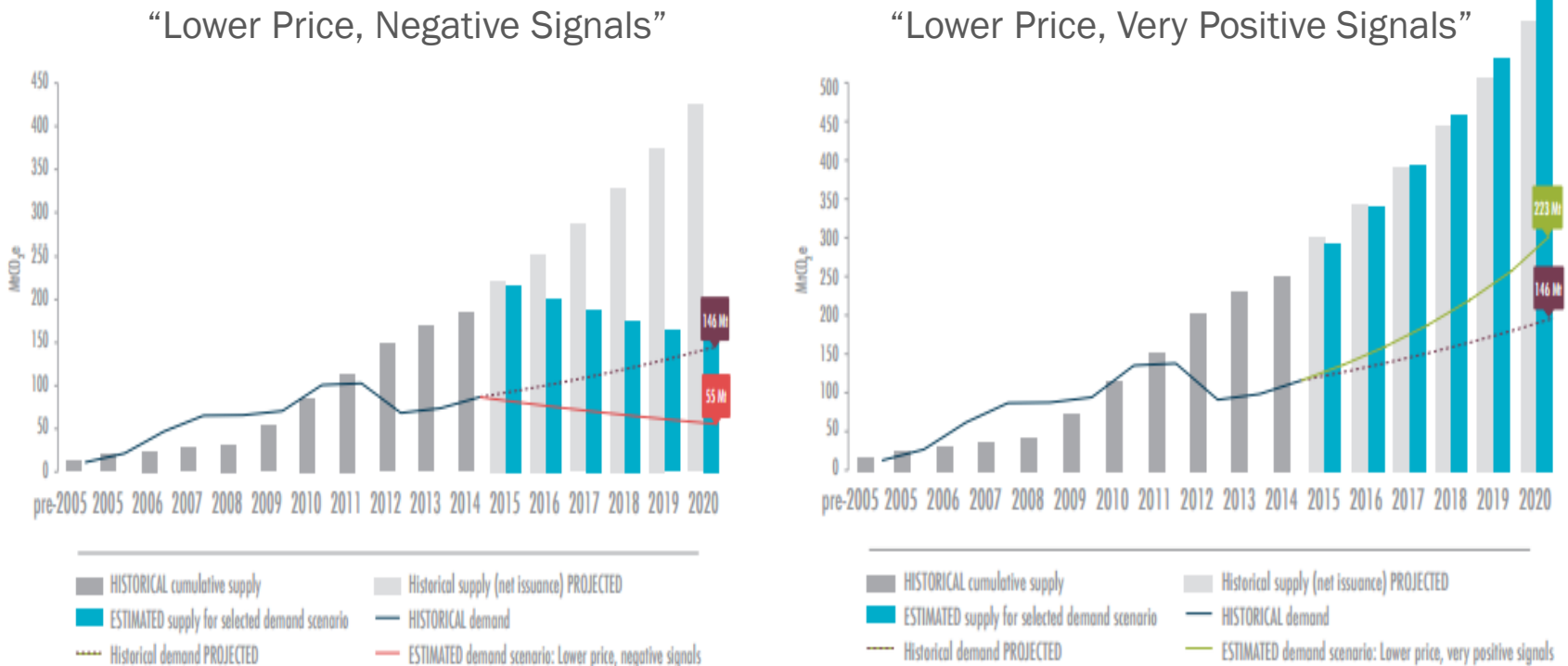
Motivations for not selling include:

- 55% tried but could not find a buyer
- 18% awaiting policy guidance related to land tenure or carbon asset ownership
- 13% awaiting more favorable prices



POLICY MAKERS WILL MAKE OR BREAK FUTURE VOLUNTARY OFFSET DEMAND

Figure 17: Supply and Demand: Historical; Projected Based on Historical Rates; and Estimated Based on Historical Data and Assumption of...



Notes: Estimates based on historical voluntary offset demand growth rate (9%) and historical offset issuance growth rate (30% year on year) after subtracting 1) non-issued volumes (est. 40% of potential supply); 2) retirement (average 40% of issued supply); and transacted volumes (variable, based on historical transactions). Projections assume a 10% annual project (and thus new supply) “dropout” rate; 17% average demand-side growth rate for given policy and price scenario; and 35% baseline supply growth rate for given policy and price scenario.

Source: Forest Trends’ Ecosystem Marketplace. *State of the Voluntary Carbon Markets 2015*.

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