

H1 2025

# Carbon market indicators

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## H1 2025 review: carbon markets expand as voluntary market retirement volumes reach new highs, and new and updated carbon compliance schemes grow

Voluntary carbon offset retirements in the first six months of 2025 surpassed demand over the previous six-month period and long-term credit buying contracts soared. Despite U.S. federal priorities under its new administration pivoting away from climate goals, other nations are leaning in with new and expanded carbon compliance schemes. Voluntary corporate commitments to science-based targets nearly doubled this year, helped by advancements in carbon offset buyer guidance.



### Carbon market policies, standards, and initiatives

While U.S. federal climate policy saw a pullback, other nations advanced their emissions reduction strategies. Voluntary market participation nearly doubled year over year, driven by enhanced guidance from the Science Based Targets initiative (SBTi) and Voluntary Carbon Markets Integrity Initiative (VCMI) to support buyers in meeting, tracking, and verifying emissions goals.



### VCM prices

Voluntary carbon market prices trended up through the first half of 2025. Average carbon prices for North America credits advanced, as did nature-based solution carbon prices in general.



### Voluntary carbon markets (VCMs)

Carbon credit retirements from January to June hit a record high, led by buyers in energy, tech, aviation, and communications. Renewable energy credits dominated, followed by nature-based solutions. New credit issuances declined across major registries, as recent methodology updates are being applied to new projects. The Integrity Council for the Voluntary Carbon Market (ICVCM) provided Core Carbon Principles (CCP) approval for American Carbon Registries' Improved Forest Management 2.1 methodology.



### Compliance carbon market prices

Regulated carbon market allowance prices and offset prices were mixed during the January to June 2025 period. California prices fell, while Washington State prices continued to advance. Australia carbon credit unit prices remained rangebound, and New Zealand's carbon unit price remained at or below the auction floor price.



# Carbon market policies and news





## Voluntary carbon market

Initiative/ framework	Issuing body	Effective date	Key changes	Primary impact	Status
SBTi Version 2.0	Science Based Target initiative (SBTi)	Draft (2024)	Introduction of <a href="#">new draft standards</a> for the inclusion of high integrity carbon removal solutions in corporate net zero strategies, with pathways for companies to meet long-term climate goals	Better clarity leads to more companies setting science-based targets. In 2025, over <a href="#">8,000 companies</a> and financial institutions have validated targets, up from 4,200 firms in 2024.	Draft
Claims Code of Practice and Scope 3 Action Code of Practice	VCMI	2024	<a href="#">Updated guidelines</a> for companies to reduce direct emissions and use high-quality carbon credits for Scope 3 emissions	Adds clarity to corporate emission commitments and helps address scope 3 emission reduction barriers to accelerate global net zero	Active
ICVCM Frameworks Alignment	Multiple standards bodies	Ongoing	Standards are being updated to align with ICVCM frameworks to be eligible for ICVCM's <a href="#">CCP</a> labeling	Aims to ensure high integrity in carbon market methodologies	Ongoing
Core Carbon Principles (CCP)	ICVCM	Immediately	American Carbon Registry's <a href="#">Improved Forest Management on Non-Federal U.S. Forestlands 2.1</a> methodology has earned <a href="#">CCP</a> approval from the ICVCM	A CCP label provides further confidence to buyers in high-quality, high-integrity credits issued under this methodology	Active
Six Principles for Voluntary Carbon and Nature Market Integrity	U.K. government	Late 2024	<a href="#">Released principles</a> under consultation for implementation to unlock high-integrity voluntary carbon and nature markets in the United Kingdom	Consultation phase to determine implementation strategies	Proposed
Carbon Removals and Carbon Farming Regulation	European Union	Late 2024	First EU-wide <a href="#">voluntary framework</a> for certifying carbon removals, carbon farming, and carbon storage; provides guidelines, monitoring, verification, and reporting standards	Aims to facilitate investment in innovative carbon removal technologies and address greenwashing	Active
Impact of U.S. Policy Changes on Financial Sector Climate Alliances	U.S. administration	Ongoing	Changes in U.S. climate policy affecting financial sector alliances, with several banks and asset managers exiting the <a href="#">Net-Zero Banking Alliance</a> and the <a href="#">Net Zero Asset Managers Initiative</a> (NZAM). NZAM has launched a review, suspending activities to track and report manager progress	Despite withdrawals, the Net-Zero Banking Alliance continues progress with over 100 global banks having independent science-based sectoral 2030 targets. NZAM reviewing initiative due to developments in the United States and varying expectations in different jurisdictions	Ongoing

## Compliance carbon market and climate regulations

Region	Policy level	Sector covered	Key policy changes/proposals	2025 outlooks
United States	Federal	Fossil fuels, clean energy	Executive order declaring a national energy emergency to expedite fossil fuel development; U.S. withdrawal from the Paris Agreement; modification or termination of clean energy incentives and emission reduction funding through reconciliation <a href="#">bill H.R. 1</a>	Shift away from climate policy under the new U.S. administration, causing uncertainty in national and subnational climate initiatives
North America	Subnational	California, Washington, Quebec, Regional Greenhouse Gas Initiative (RGGI) states	North American emission reduction systems ( <a href="#">California Cap-and-Trade</a> , <a href="#">Washington Cap-and-Invest</a> , <a href="#">Quebec Carbon Market</a> , and <a href="#">RGGI</a> ) facing challenges due to the new U.S. administration's climate policy shift. Note the April 2025 <a href="#">executive order targeting state-level climate action</a>	Continued navigation of policy changes and potential adjustments in regional climate initiatives in response to federal direction
California	State	Various	<a href="#">Pending legislations</a> for climate mitigation: emissions and climate-related financial risk disclosure for state contractors by 2027, establishment of state-level Carbon Dioxide Removal Purchase Program, regulations for carbon dioxide transport across the state	Strengthening of state-level climate policies to advance mitigation efforts, with new programs and regulatory frameworks being developed
European Union	Regional	Various	<a href="#">Legislative proposal</a> for 2040 climate target with a 90% emission reduction goal, introduction of permanent carbon removal within the EU Emissions Trading System, limited use of Article 6 credits (3% of 1990 baseline) as part of the emission target pathway	Ambitious emission reduction targets and strategic integration of carbon removal technologies, with ongoing legislative developments to support these goals
Brazil	National	Various	<a href="#">Roadmap</a> for Brazilian Emission Trading System (SBCE) with details on emission caps, allocation methods, and schedules. COP30 hosted in Brazil in late 2025, with a focus on global climate action leadership	Establishment and implementation of SBCE, showcasing Brazil's commitment to high-integrity carbon trading and leadership in the global climate arena
Panama	National	Carbon market	<a href="#">Plans</a> for a regulated voluntary carbon market to channel corporate demand toward domestically generated credits	Development of domestic carbon credit markets to increase local demand and participation, enhancing national climate action strategies
Dominican Republic	National	Carbon market	Discussion of a <a href="#">pilot emissions trading system</a> allowing covered entities to use a percentage of offsets to meet compliance obligations	Exploration and potential implementation of emissions trading mechanisms to bolster national climate policies, with a focus on balancing offset use and compliance

## Compliance carbon market and climate regulations (continued)

Region	Policy level	Sector covered	Key policy changes/proposals	2025 outlooks
Vietnam	National	Steel, cement, thermal power	<a href="#">New emissions trading scheme</a> targeting three carbon-heavy industries; allows carbon credit offsets from domestic or international projects for up to 30% of emission reductions.	Implementation of the scheme to incentivize emission reductions in key industries, with flexibility to use carbon credits for compliance.
International	Global	Aviation	<a href="#">Carbon Offsetting and Reduction Scheme For International Aviation (CORSIA)</a> eligible credits remain supply constrained; currently only Guyana jurisdictional REDD+ credits available, with cookstoves sector credits expected to be approved this year.	Potential expansion of available credits for CORSIA as new projects are approved, though supply constraints continue to be a challenge.
European Union	Regional	Various	<a href="#">EU Green Claims Directive facing criticism</a> and confusion; regulation is on hold as of July 2025 with exemptions for microenterprises.	Awaiting further clarification and potential adjustments to the directive, with ongoing discussions on its future implementation.
European Union	Regional	Consumer protection	<a href="#">EU's Green Transition Directive</a> set to apply in late September 2026, reinforcing anti-greenwashing frameworks.	Directive expected to enhance consumer protection against greenwashing, with a clear timeline for implementation.



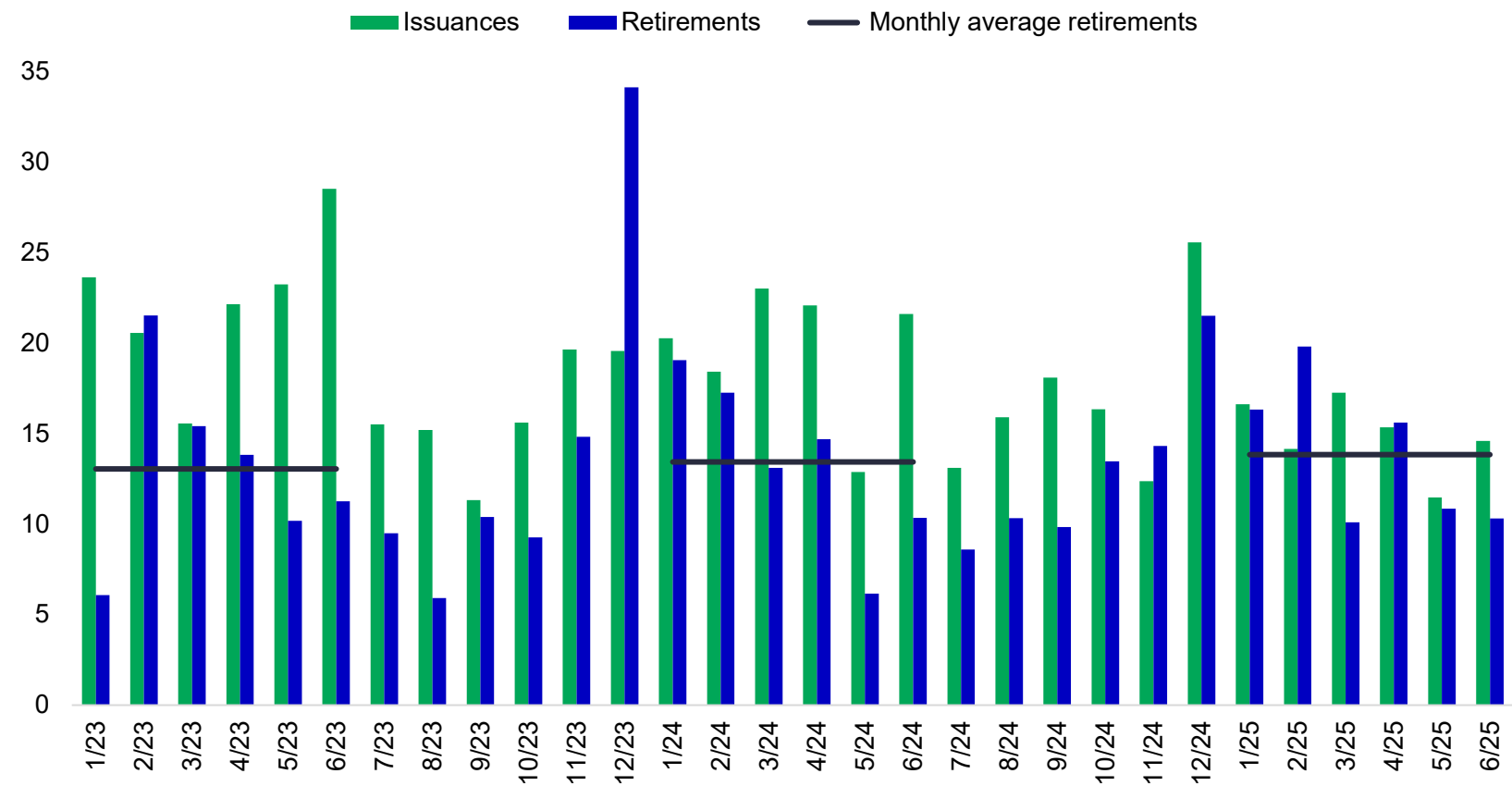
# VCM credits supply and demand



# H1 2025: voluntary carbon demand reached new highs



VCM credit supply (issuances) and demand (retirement) (million carbon credits)



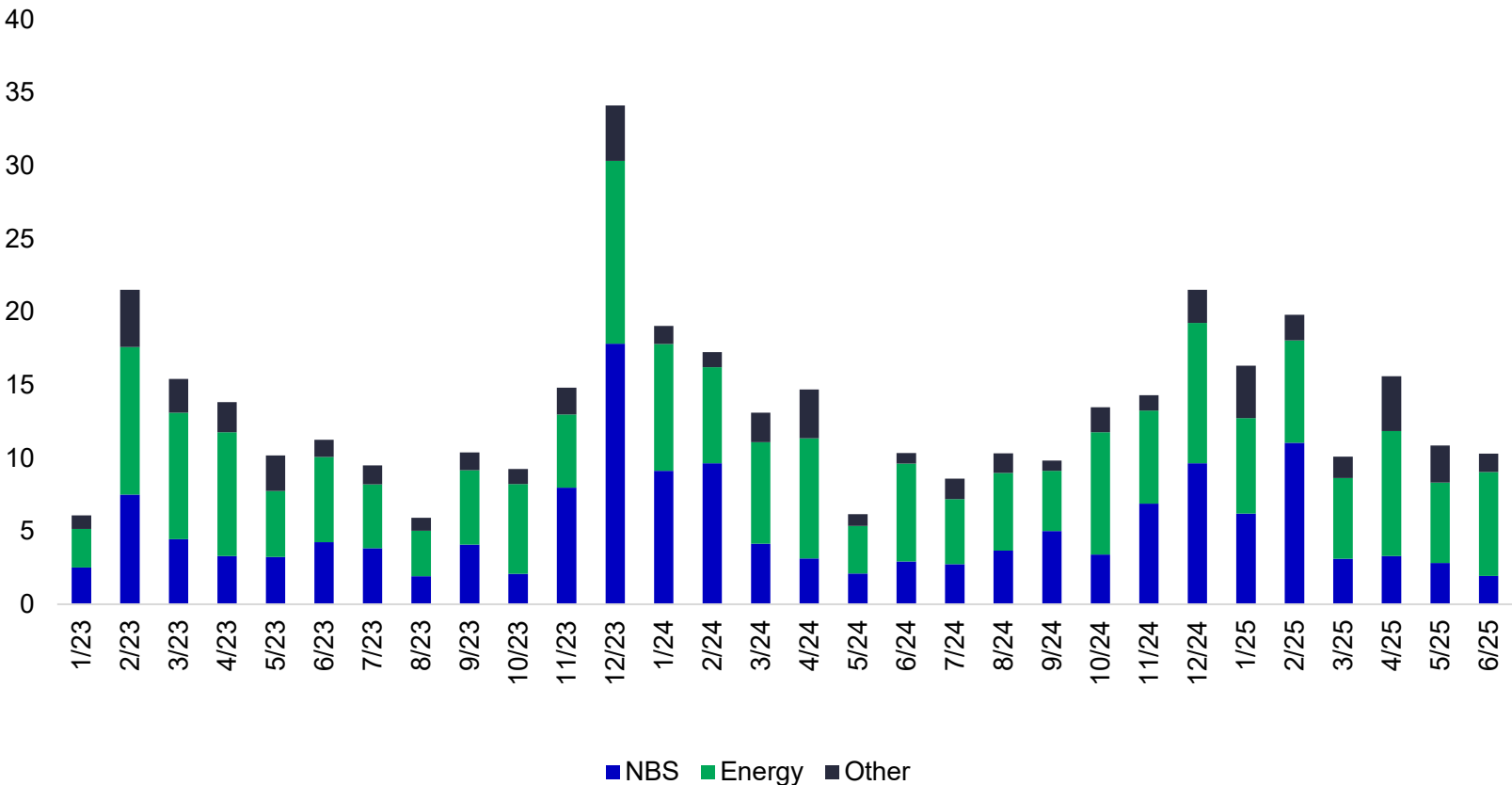
- A total of 83 million credits were retired between January and June 2025 from the four major voluntary carbon market registries, marking a 3% increase from the same period in 2024 (80 million credits) and setting a new record for the first half of the year.
- The monthly average retirements in the first six months of 2025 reached 13.8 million credits per month, which is 3% higher than in 2024 and 6% higher than in 2023 over the same period.
- Approximately 89 million credits were issued within the four main registries from January 2025 through June 2025, 24% lower than the same period in 2024 (118 million credits). 14 million credits were issued on average per month, a decrease of 4.8 million per month compared to the same period last year.

Source: American Carbon Registry, Climate Action Reserve Registry, Verra Registry, Gold Standard Registry, as of July 1, 2025. VCM refers to voluntary carbon markets.



# H1 2025: demand for carbon credits dominated by energy projects

VCM credits monthly retirements by project type (million carbon credits)



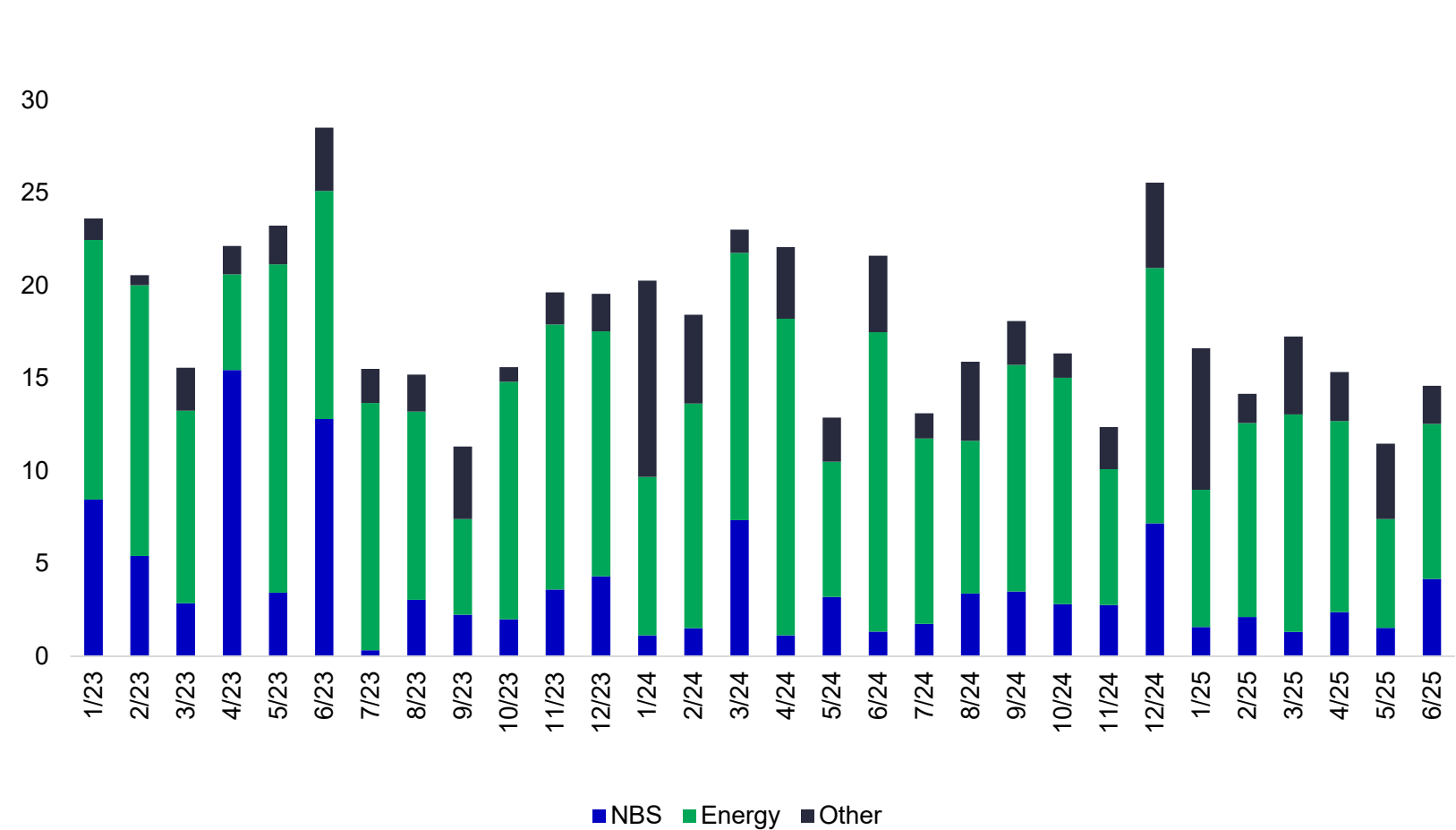
Source: American Carbon Registry, Climate Action Reserve Registry, Verra Registry, Gold Standard Registry, as of July 1, 2025. NBS refers to nature-based solutions. VCM refers to voluntary carbon markets.



- Renewable energy projects continued to represent the largest share (50%) of credits demanded as measured by credit retirements. Despite the decision from the ICVCM to not accept renewable energy projects for CCP approval, the relatively abundant and low price of the credits continue to drive their dominance in the four main VCM registries.
- Nature-based solution credit demand fell in both volume and share, making up 34% of total retirements (28.4 million credits), down from 39% (31 million) in 2024.
- Demand for projects in the “other” category, which include projects such as landfill gas capture and industrial gas substitution represented 17% (9 million credits) of the total volume of retirements.
- Several large carbon offtake agreements for improved forest management, afforestation, reforestation and revegetation (ARR), and durable carbon dioxide removal, and durable carbon dioxide removal projects were signed in 2025, indicating the continuation of the market’s shift from spot to forward purchases or direct investments.

# H1 2025: energy projects continue to dominate carbon credit new supply

VCM credits monthly issuances by project type (million carbon credits)



Source: American Carbon Registry, Climate Action Reserve Registry, Verra Registry, Gold Standard Registry, as of July 1, 2025. NBS refers to nature-based solutions. VCM refers to voluntary carbon markets.



- Renewable energy projects continued to represent the largest share (60%) of new credit supply (issuances). Despite the decision from the ICVCM to not accept renewable energy projects for CCP approval, the relatively abundant and low price of the credits continue to drive their dominance in the four main VCM registries. However, going forward, new supply is expected to decline as issuances slow, and buyers increasingly seek high-quality, CCP-approved offsets.
- NBS issuances dropped 16% year over year to 13 million credits, contributing 15% of total credits issued. Projects using new NBS methodologies released in 2024 and early 2025 aren't yet available for purchase. The recent CCP-approval of ACR's Improved Forest Management on Non-Federal U.S. Forestlands (IFM 2.1) methodology is expected to positively impact future issuance, potentially increasing the availability of high-quality NBS removal credits to the market.
- Issuances of "other" credits fell 18% compared to the same period last year, with 22 million credits issued through June 2025, a 25% share of the total new credit issuances. The approval of the first CCP-aligned methodologies in the landfill and ozone depleting substances sectors may support increased future issuance from these project types.



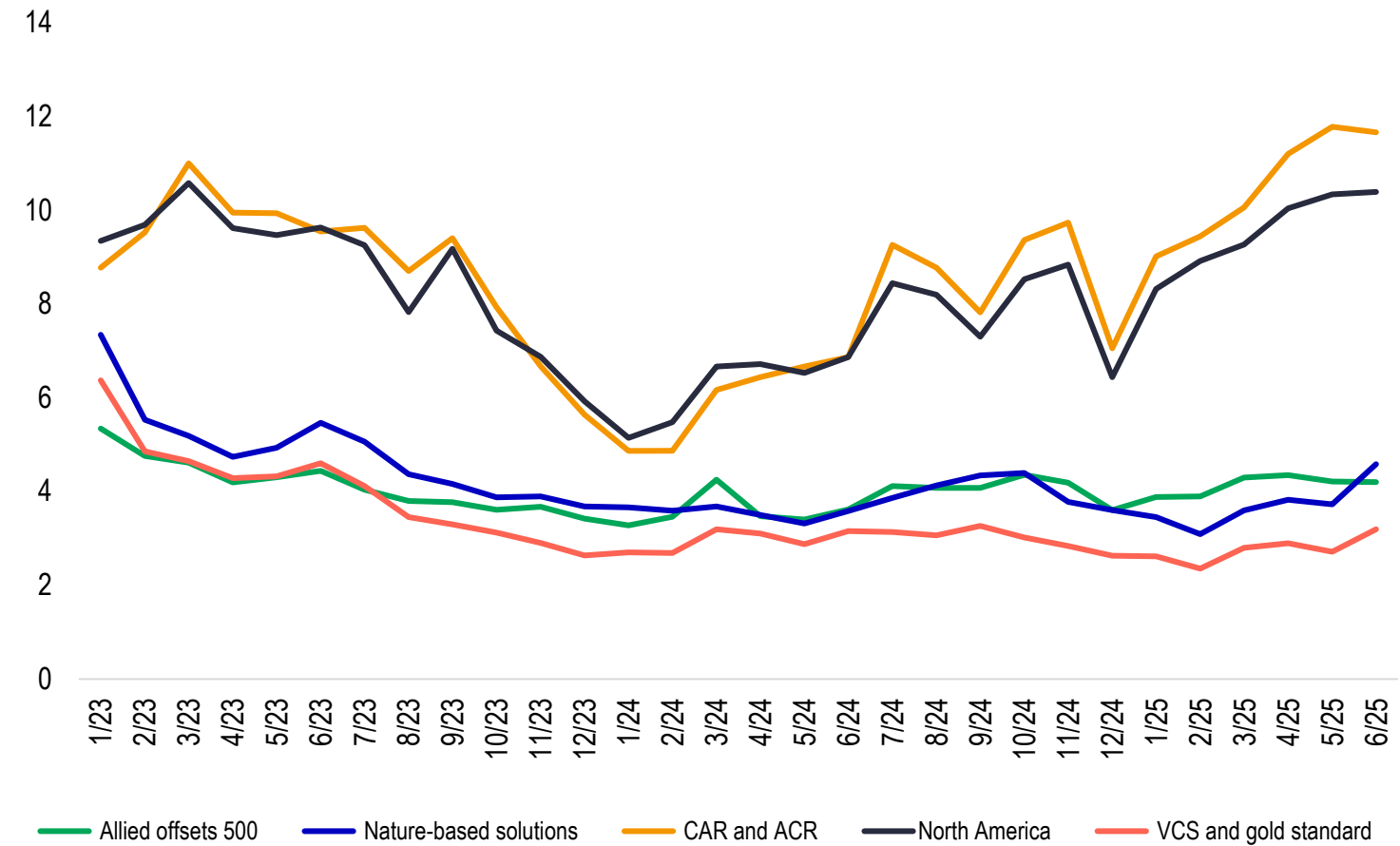
# Voluntary carbon market prices



# VCM prices trend higher during January to June 2025



Monthly average prices (\$/tonne)



- Global VCM prices strengthened, with credit prices in the VCS and gold standard registries rising 15%. NBS credits, including REDD+ projects, increased over 20%. The Allied Offsets 500 Index, representing 500 of the largest retired projects, climbed 18%. North American credits—primarily from CAR and ACR—rose over 25%, reaching new highs for the price series.
- Spot prices for carbon credits show significant differences across geography, project type, credit quality, and vintage. Average prices for North America IFM credits, which supply removal and avoided emissions credits, were recorded between \$9 and \$22 per tonne, while ARR credits were priced between \$25 and \$40 per tonne.<sup>1</sup>

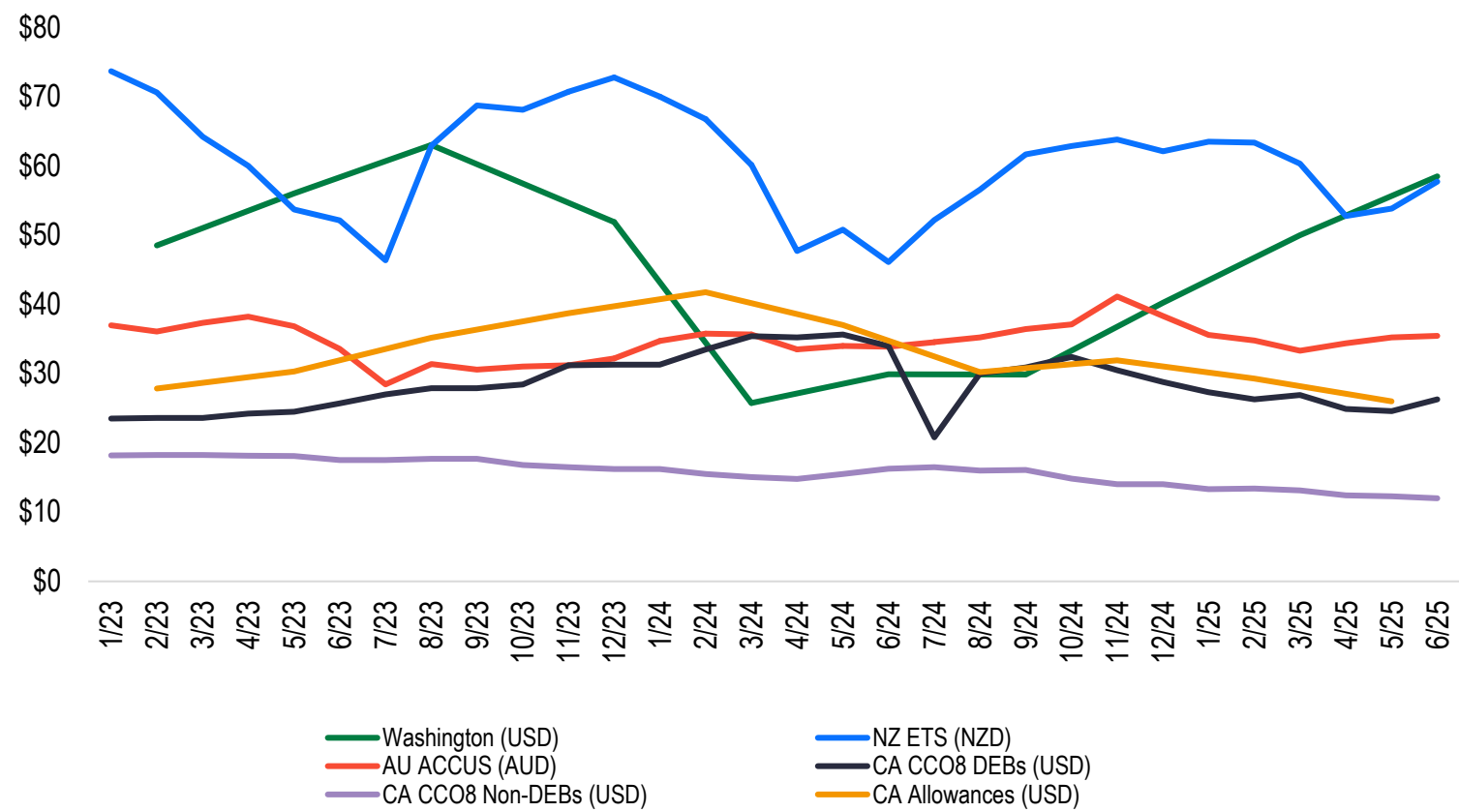
Source: Allied Offsets Price Indexes, as of July 7, 2025. Allied Offsets develops weekly voluntary carbon markets (VCM) price indexes based on asking prices reported by over 20 brokers and researchers. The Allied Offsets 500 Index represents reported prices for the 500 largest retired projects in the VCM. Nature-based solutions (NBS) represent the most retired forest- and agriculture-based projects in the VCM (quantity of projects undisclosed). The Climate Action Reserve (CAR) and the American Carbon Registry (ACR), North America, and VCS and Gold Standard each represent the reported price for the most retired projects corresponding to that category (quantity of projects undisclosed).

<sup>1</sup> MIM research as of June 30, 2025.



# Compliance carbon prices mixed during January to June 2025

Quarterly prices (domestic currency \$/tonne)



- California Carbon Allowance (CCA) prices reflected federal policy uncertainty and stalled reauthorization talks. The Q2 auction cleared at or near the price floor for the first time since early 2021, following market concerns over the U.S. executive order to reignite clean coal. California offset prices also declined, with both Direct Environmental Benefit (DEB) and non-DEB credits trending lower alongside CCA prices.
- Washington carbon allowance prices have risen steadily since surviving a recall in November 2024, climbing from \$50 per tonne in March to \$58.51 at the June 2025 auction.
- In Australia, ACCU prices eased from the postelection spike, settling at AUD 35.45 per tonne by end-June. Average monthly demand rose to 3.30 million, up from 2.90 million in 2024.<sup>2</sup> Registrations in FY 2024/2025 continued shifting toward nature-based methods, with soil carbon, plantings, and plantation forestry accounting for 86% of new projects.<sup>3</sup>
- In New Zealand, March and June carbon auctions cleared with no bids amid uncertainty around future emission budgets and scheme use. Secondary market prices hovered near the floor, with a closing price of NZD 59.00 per tonne as of June 17.<sup>4</sup>

Source: Washington: International Carbon Action Partnership, Washington Cap-and-Invest Program auctions and trading website, as of April 2025. NZ ETS: International Carbon Action Partnership, Jarden, as of December 2024. Platts, as of July 2025. CA Allowances: International Carbon Action Partnership, California Air Resources Board (ARB), as of April 2024. CA CCO8 DEBs, CA CCO8 Non-DEBs: ClimeCo, as of July 2025. AU ACCUS: Market Advisory Group, as of June 2025.

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