CORPORATE & INSTITUTIONAL

Sustainability Markets Insights

Voluntary Carbon Market: Looking back to plan forward

April 2026

Edition 9

LLOYDS

Looking back to plan forward

This newsletter provides an overview of key developments and emerging themes within the voluntary carbon market (VCM).

We explore the market reset towards integrity and standardisation, as well as evolving trends for longer-term investment preferences and project types.

The VCM remains a compelling trading place for companies and investors to offset their residual emissions and achieve net zero goals. It's not been without its challenges though.

Criticism includes issues with reliability, transparency and regulation of carbon removal projects, as well as price fragmentation and volatility. This newsletter covers the market developments and the progress that has been made in addressing these concerns.

2025: A shift towards higher-rated projects

In 2025, the VCM experienced a shift towards higher integrity projects and standardisation. Although traded volumes declined, market value increased, driven by a marked preference for quality over quantity and thus rising average prices – *see Figure 1.*

A. Carbon credit retirements are one of the most important demand indicators in the VCM.
Retirements occur when companies use carbon credits to offset residual emissions. Retired credits are permanently taken out of circulation so the credits can't be bought, sold or used again. The retirement of one carbon credit offsets one tonne of CO2 emissions.

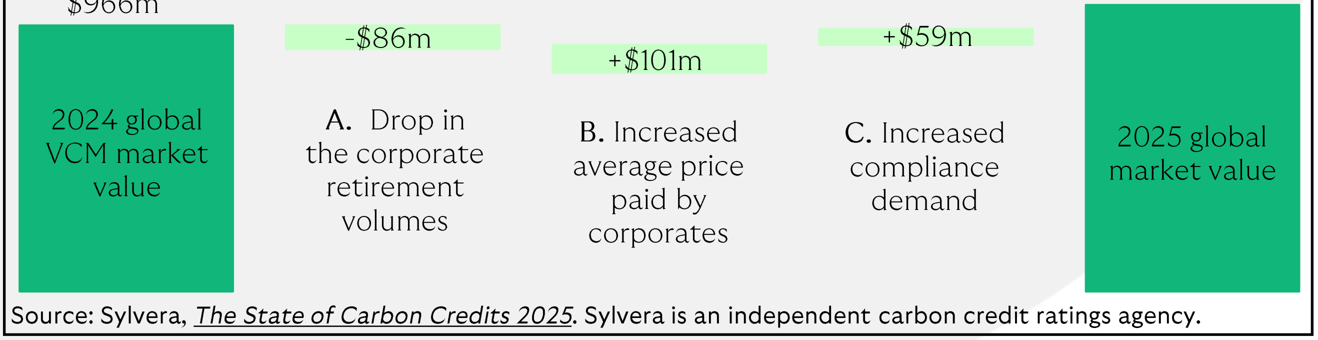
Whilst the volume of carbon credits retired decreased in 2025, the rating of those retired carbon credits tells a more positive story.

B. Retirements of credits rated 'A' by Sylvera more than doubled year-on-year, hence an increase in average price paid by corporate buyers.
C- and D-rated retirements halved, leaving a surplus of lower-and un-rated projects in the market.[1]

On the AAA-D scale, the higher rated the carbon credit, the greater the likelihood of it delivering additional and durable climate impact, with manageable risks. Premiums between higher and lower-rated credits from the same project types have widened. For example, Sylvera reported a $12 difference (Oct 2025) versus $3 difference (Oct 2024) for afforestation credits.[1]

C. Demand from compliance markets also played a role in increasing the VCM market value.
Compliance markets are those associated with mandatory carbon credits, including cap-and-trade schemes. They can permit the use of certain voluntary credits.

Figure 1: Voluntary carbon market growth in 2025



Source: Sylvera, *The State of Carbon Credits 2025*. Sylvera is an independent carbon credit ratings agency.

[1]Sylvera, January 2026. *The State of Carbon Credits 2025*

Demand Signals

Indicators for heightened interest in quality

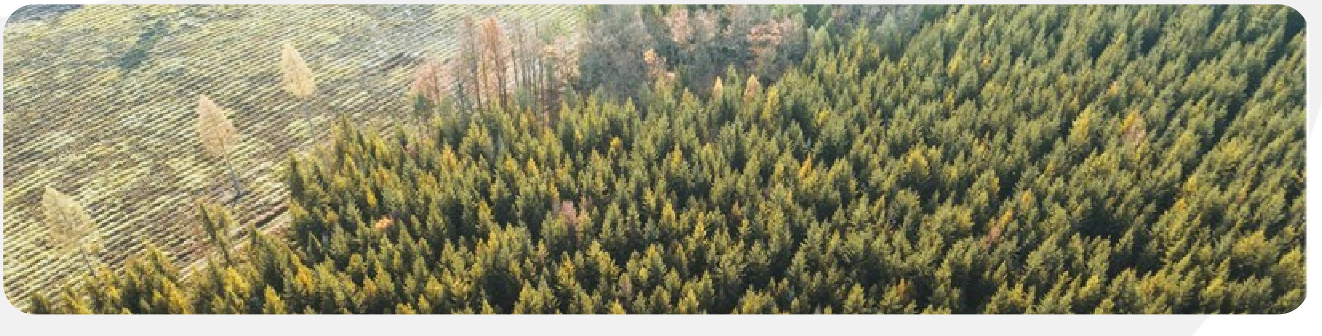
The Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles (CCP) accreditation is recognised as a reliable indication of high quality, and 4-10% of total issuances have achieved CCP status.[2,3]

Demonstrating buyer preference for quality, CCP-labelled credit retirements doubled year-on-year while retirement volumes for rejected CCP projects fell by nearly 20%.[4]

Indicators such as CCP and CORSIA (the Carbon Offsetting and Reduction Scheme for International Aviation) labelling provide added assurance. However, rating dispersion still exists. For example, despite assuming that CORSIA-eligibility is a proxy for a high underlying credit quality, there's a larger proportion of B- or lower-rated credits in CORSIA-eligible credits than in the non-CORSIA eligible credit pool.[5]

For that reason, buyers should not rely on labels in isolation. They should be viewed in tandem with due diligence assessment.

Voluntary Carbon Market Jargon Buster	
Issuance	Issuance is the formal creation and recording of carbon credits in an official registry, after emission reductions or removals have been independently verified. The two largest global registries (aka standards bodies) are Verra and Gold Standard.
Retirement	Act of permanently removing a carbon credit from circulation so the credit can no longer be traded, transferred or reused. It is the step that locks in the climate claim. You only "use" a carbon credit when it is retired.
Reduction or Avoidance Credit	A certificate representing one tonne of carbon when, versus a baseline, emissions are: • Lowered from an existing, real source. E.g. reducing forest degradation: **Reduction** • Prevented from occurring, when they could have. E.g. solar / wind: **Avoidance**
Removal Credit	A certificate representing one tonne of carbon that has been physically removed from the atmosphere and stored for a defined period. E.g. Technical (biochar, bioenergy with carbon capture and storage) / Nature-based (afforestation).



[2] Sylvera, January 2026. *The State of Carbon Credits 2025*
[3] Integrity Council for the Voluntary Carbon Market (ICVCM), 6 August 2024. *Carbon credits from current renewable energy methodologies will not receive high-integrity CCP® label*
[4] AlliedOffsets, January 2026. *Voluntary Carbon Market 2025 Review: Emerging Trends for 2026*
[5] BeZero, January 2026. *2025: The global carbon credit market in review*
multi-million tonne offtakes (e.g. by Microsoft)

Growth in future purchases suggests a desire for longer-term investments

Issuances and retirements of reduction and avoidance credits were largely flat year-on-year. However, including future purchases (offtakes) of carbon dioxide removals (CDRs) shows a growth story, with the global VCM experiencing a 4x increase in market value in 2025, reaching $10.4bn.[4]

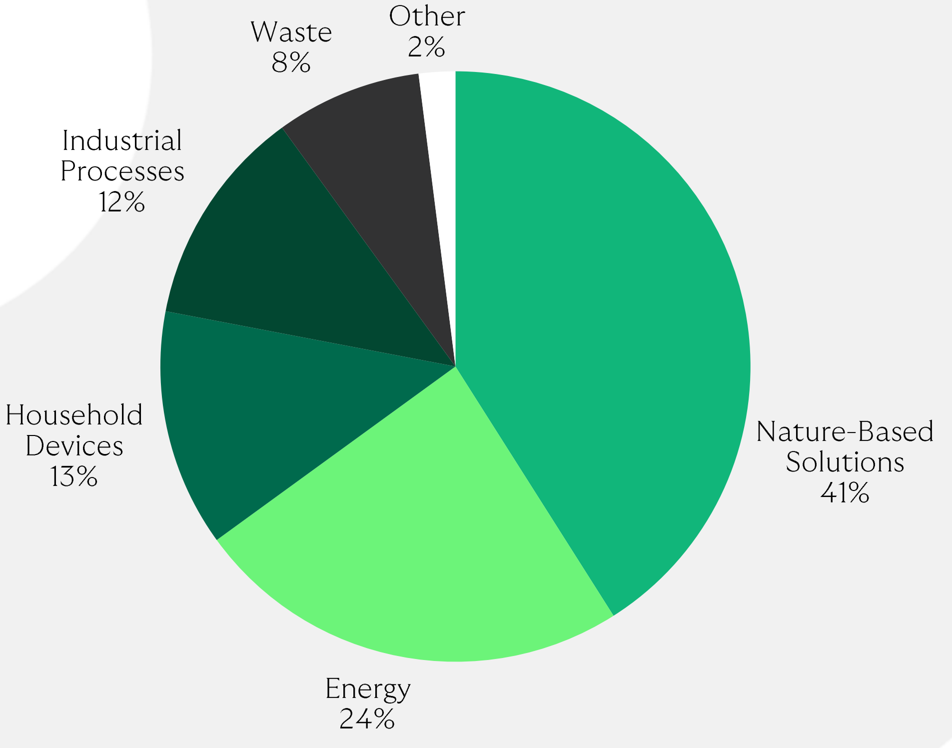
The CDR market includes both technical and nature-based removal. Technical removals are engineered processes that capture carbon dioxide and stores it in ways intended to be highly durable (e.g. geological storage, mineralisation, biochar). Nature-based removals rely on biological processes (e.g. photosynthesis) to remove and store carbon in ecosystems (e.g. in soil or biomass). The average reported price for technical removals in 2025 was c.$180/tonne, while nature-based removals were traded at an average $35/tonne.[6]

On a volume basis, in 2022 CDRs accounted for approximately 5% of the global VCM value. As of 30 December 2025, that share has increased to c.30%.[4] Each futures transaction is typically larger than a spot purchase, with typical contract sizes in the hundreds to low thousands tCO2e.[7]

Figure 2: Annual carbon credit retirements by sector

The largest portions of carbon credit retirements projects are categorised as:

- **Nature-Based Solutions** e.g. REDD+ (Reducing Emissions from Deforestation and Forest Degradation), soil carbon enhancement, reforestation, saltmarsh conservation
- **Energy (renewables)** e.g. solar, wind.



Source: BeZero, January 2026. *2025: The global carbon credit market in review*

[6] AlliedOffsets, July 2025. *CDR: State of the Market*
[7] CDR.fyi, Purchasers Leaderboard, data accessed January 2026. Note: average is skewed upward by a small number of multi-million tonne offtakes (e.g. by Microsoft)

What to look out for in 2026

Evolution of standards

Corporate participation in the Science Based Targets initiative (SBTi) has continued to rise.[8] In 2025, SBTi-committed companies accounted for 23% (its highest ever proportion) of all carbon credit retirements despite representing only 5% of all buyers.[8]

Due in the first help of 2026, the SBTi's final Corporate Net Zero Standard V2.0 will formally recognise the use of offsets for emission neutralisation. Of note in the current draft is the recommendation for businesses to start offsetting their residual emissions now as they transition towards their net zero target date.[10]

Improving the clarity, accountability and usability of SBTi guidance is expected to boost participation in the VCM, which could lead to a depletion of an already constrained supply of high-quality credits and lead to price increases. Entering into offtake agreements today enables buyers to lock in future supply at an agreed price - an approach being taken as discussed in the previous section.

Buyers of carbon credits should consider recent SBTi language that stipulates buyers must avoid double counting and purchase credits where a corresponding adjustment has been applied. This aligns with Article 6 of the Paris Agreement, which requires that if a credit is exported for corporate use, the host country must apply a corresponding adjustment - that is, subtract the tonne from its own Nationally Determined Contribution accounting so the credit is not double counted.

This stricter SBTi language around emissions neutralisation could play into companies making 'contribution claims' that signal they have funded global climate action, rather than claiming they have offset their own footprint.

> From 2035, it will become a mandatory requirement for large companies committed to SBTi to offset a proportion of their ongoing emissions.

[8] Science-based Targets Initiative, August 2025. *SBTi Trend Tracker 2025*
[9] AlliedOffsets, January 2026. *Voluntary Carbon Market 2025 Review: Emerging Trends for 2026*
[10] SBTi, November 2025. *CNZS V2 Second Consultation Draft*

Convergence of compliance and voluntary carbon credit markets

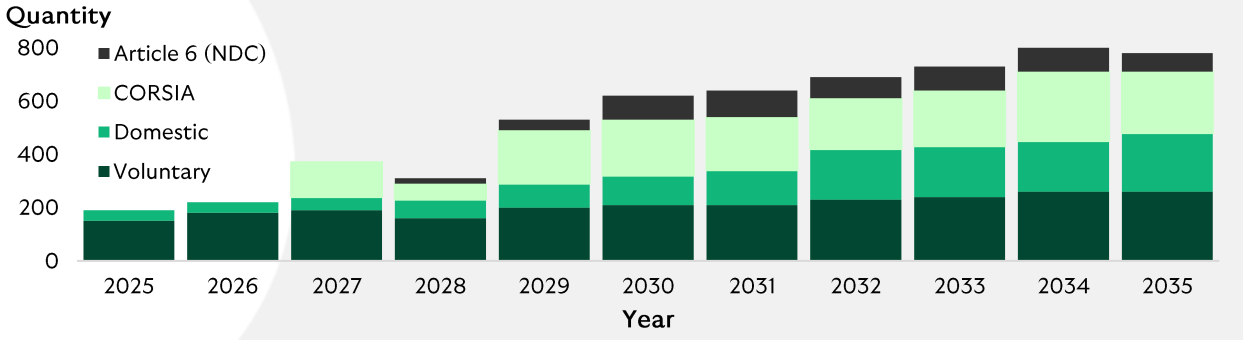
A significant share of voluntary carbon credit retirements in 2025 came from compliance markets, not solely voluntary buyers. Compliance markets include Article 6 (associated with Nationally Determined Contributions), CORSIA and Domestic demand (credits generated within the country, used by local regulated entities to meet domestic compliance rules) – see Figure 3.

Roughly 25% of all credits that were 'retired' (i.e., permanently taken out of circulation and claimed) were done so because governments or regulators allow companies to use voluntary carbon credits certified by independent bodies to meet mandatory climate obligations e.g. in California, Mexico, Columbia.[11]

Article 6 of the Paris Agreement is the international framework that enables compliance market credits to be traded between countries e.g. EU Emissions Trading Scheme (ETS) and UK ETS. Demand for Article 6 credits is expected to reach ~200 million metric tCO_2e by 2030.[9] Following that, the EU's 2040 climate targets are expected to drive further demand for carbon credits.

In parallel, looming CORSIA timelines for the aviation sector mean project developers (suppliers of carbon credits) are aiming to get their credits authorised and subject to corresponding adjustments. With the newly launched Verra and Gold Standard insurance frameworks - providing assurance that applicable credits adhere to CORSIA conditions - we expect to see a rise in supply and demand for carbon credits in 2026.

Figure 3: Estimated annual retirements of carbon credits



Source: Sylvera, January 2026. *The State of Carbon Credits 2025*

Conclusion

2025 was a transformative year for the voluntary carbon market, marked by a shift towards quality, transparency and more robust standards. The continued focus on credible methodologies and thorough due diligence will be essential for sustaining confidence, acknowledging that within accreditations there is still rating dispersion.

With the evolution of Article 6 of the Paris Agreement, CORSIA and other compliance markets, there is the possibility that compliance demand surpasses voluntary demand from corporates in the coming years.

In the meantime, there is expected to be more focus from suppliers and buyers alike on those credits with corresponding adjustments, which could fundamentally shift the market including how claims are made.

As the market recalibrates, buyers must remain agile, prioritising integrity and accredited credits. This will support staying ahead of evolving policy and market expectations and mitigating risks associated with reputation and greenwashing.

[11] Sylvera, January 2026. *The State of Carbon Credits 2025*

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