

# CARBON MARKET DEVELOPMENTS



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*Co-Founder and Managing Director*  
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# IETA

A IS FOR AMBITION



# High-Level Key Messages



**IETA**  
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- ✓ **2021 Banner Year for Market Growth → Continues through 2022 (despite Geo-Political challenges)**
- ✓ **All Major Compliance Markets going through Program Reviews in 2022**
- ✓ **Glasgow Validates Markets – Article 6 Rule Book Complete, but now Implementation Begins**
- ✓ **Majority of Countries Need/Want International (Article 6) Trading to reach NDCs and Net Zero Goals**
- ✓ **Compliance and Voluntary Carbon Markets Rapidly Evolving – and Converging**
- ✓ **Surge in Carbon Credit Protocol Development and Modifications**
- ✓ **Enhanced Scrutiny and Push for Integrity and Transparency in Net Zero Targets and Credit Use**
- ✓ **Growing role and impact of digitization on future carbon markets**

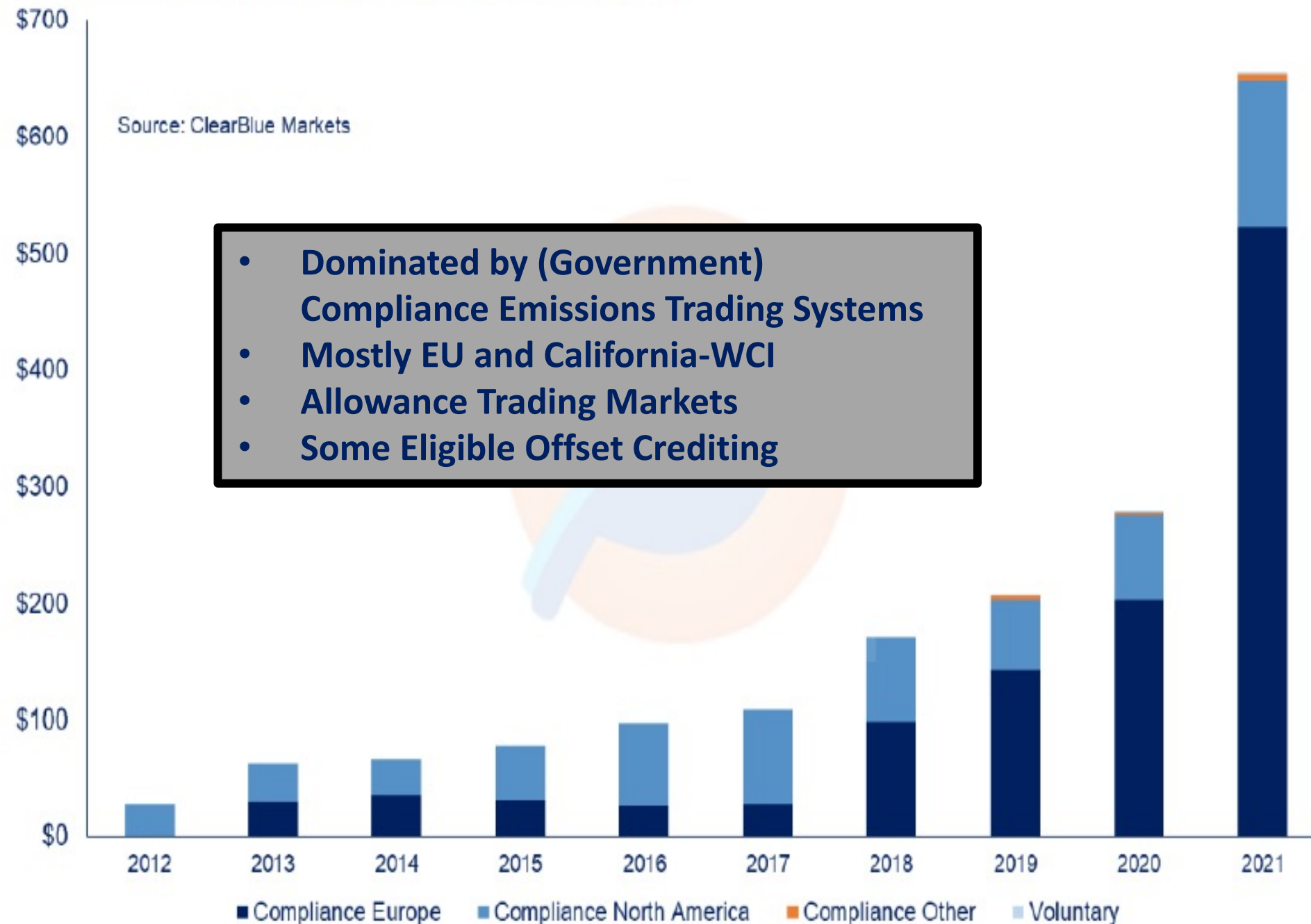
# 2021 Major Growth – 2022 Trend Continues

## Compliance and Voluntary Carbon Markets

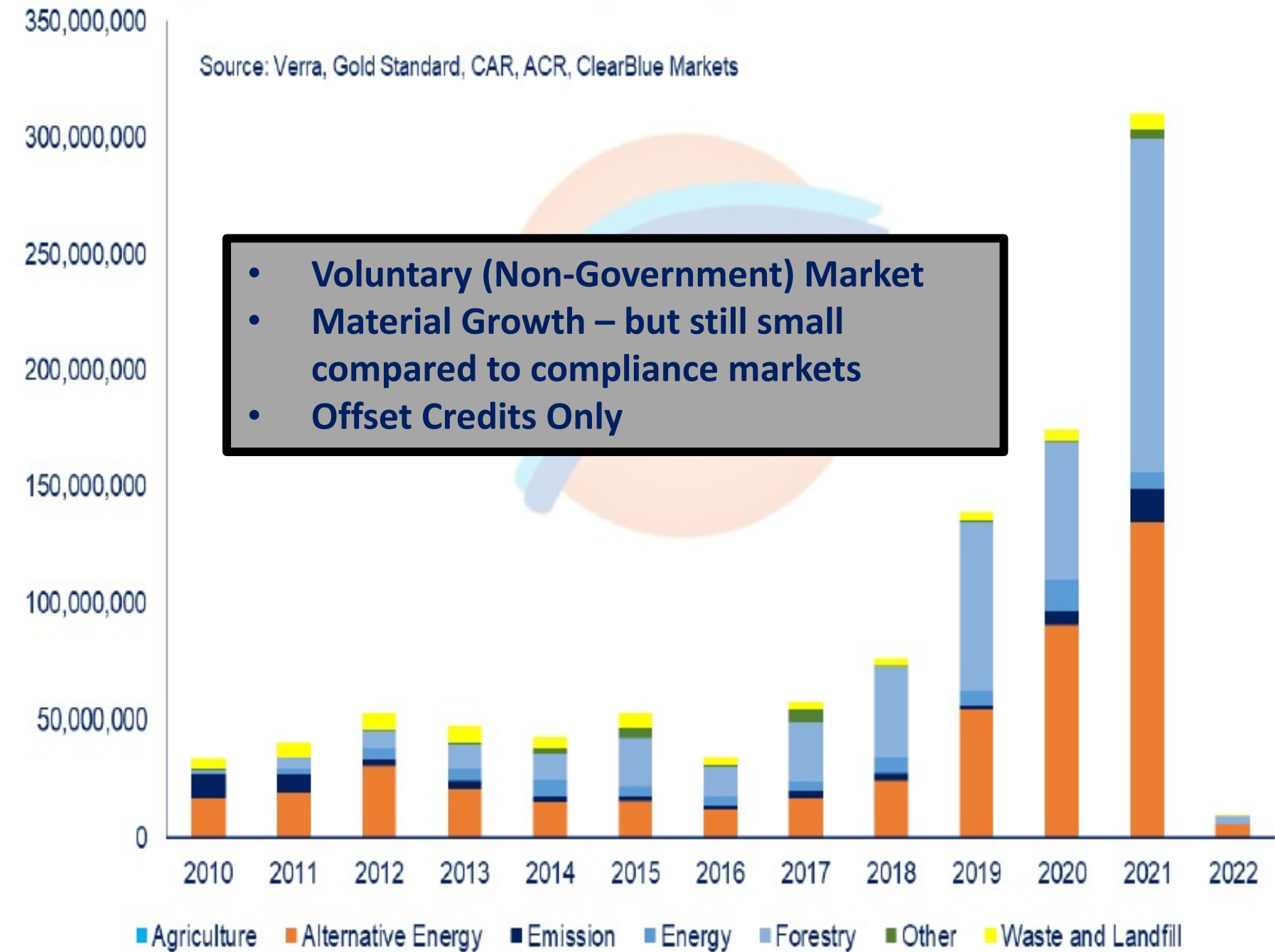


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**Global Carbon Market Size (US\$ Billion)**



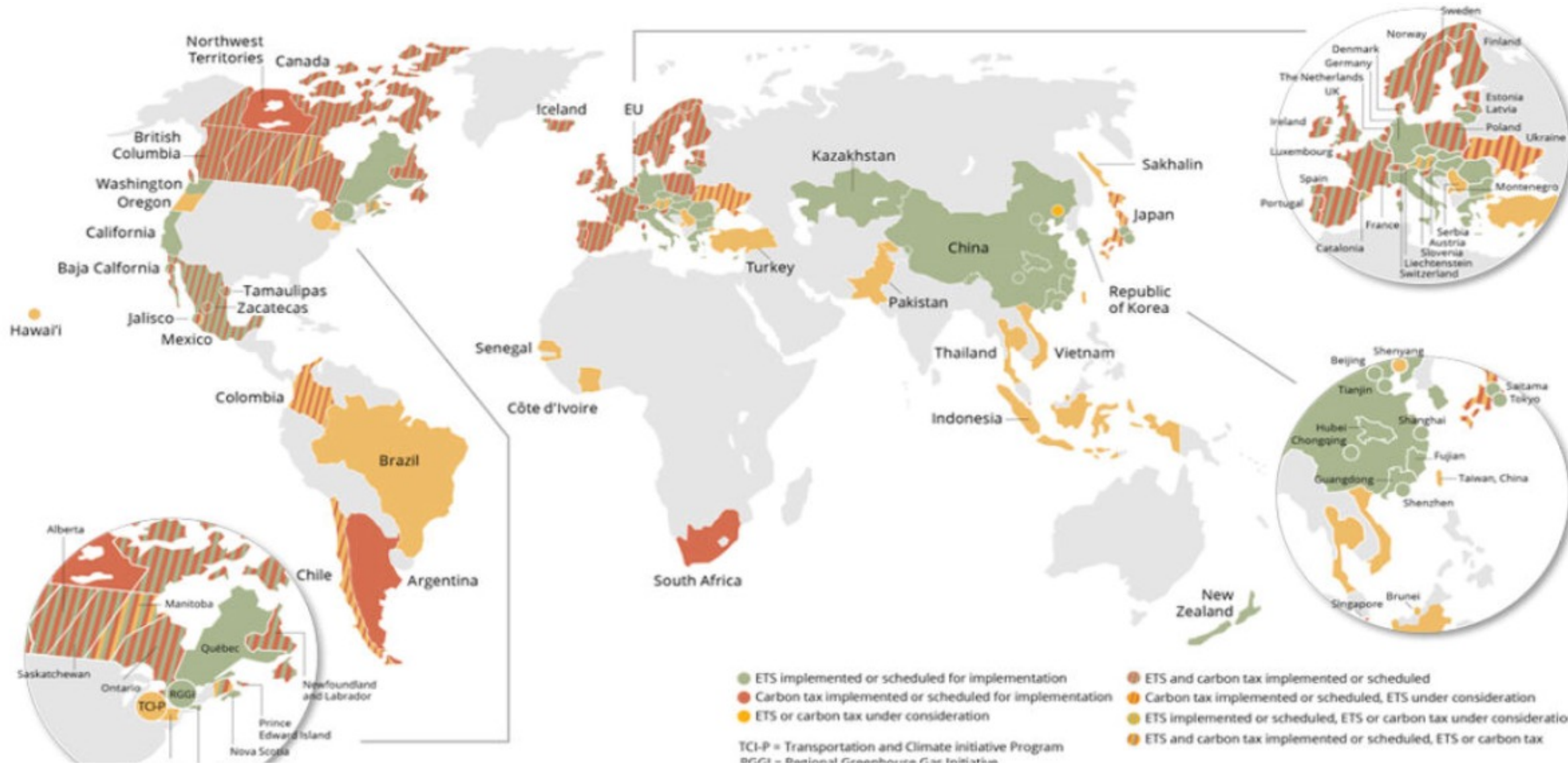
**VCM Yearly Historical Retirements (tCO2e)**



# Compliance Carbon Pricing (2021)



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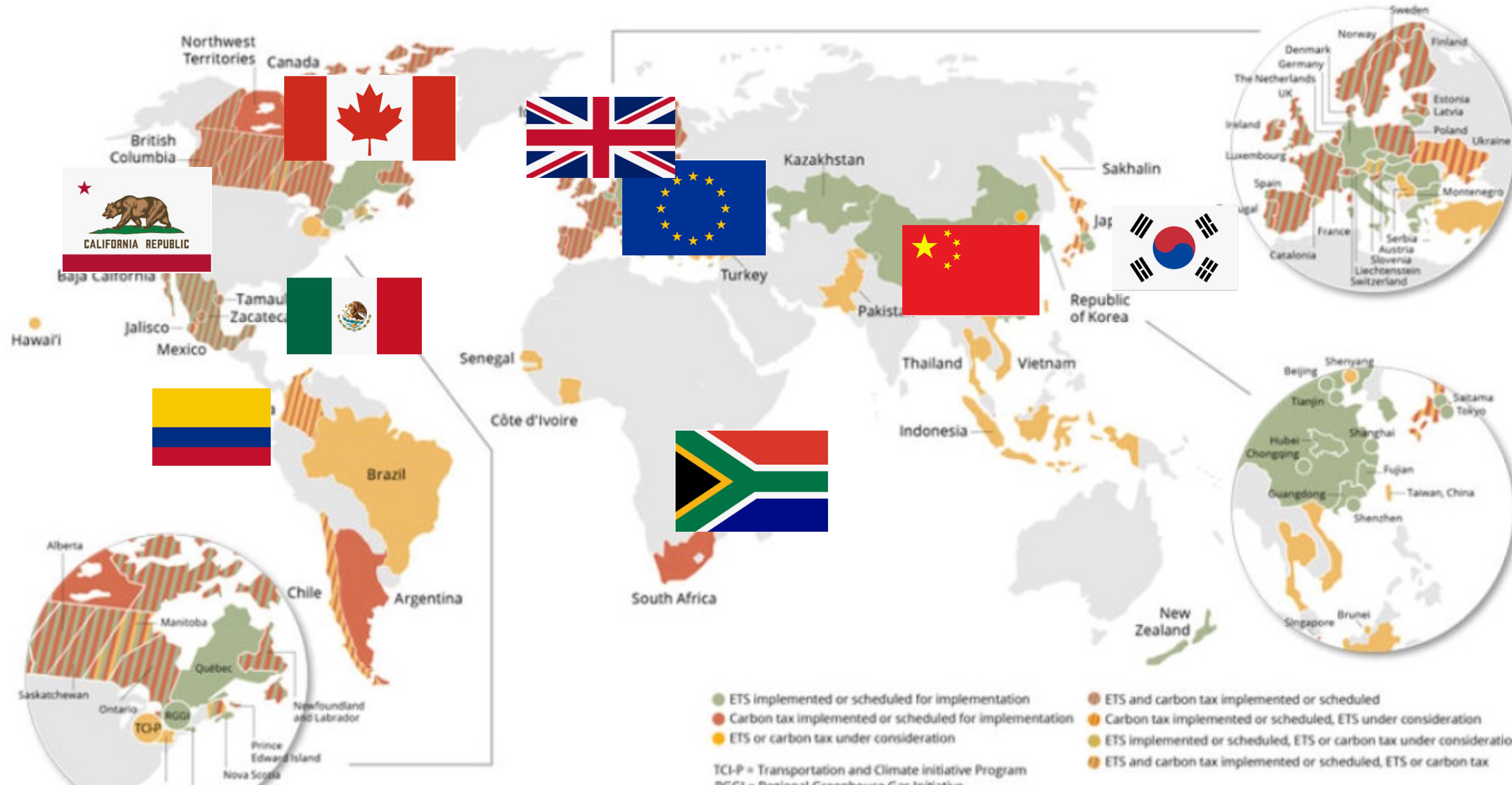


# Compliance Carbon Pricing 2021

*Over 50% with Carbon Market Elements*



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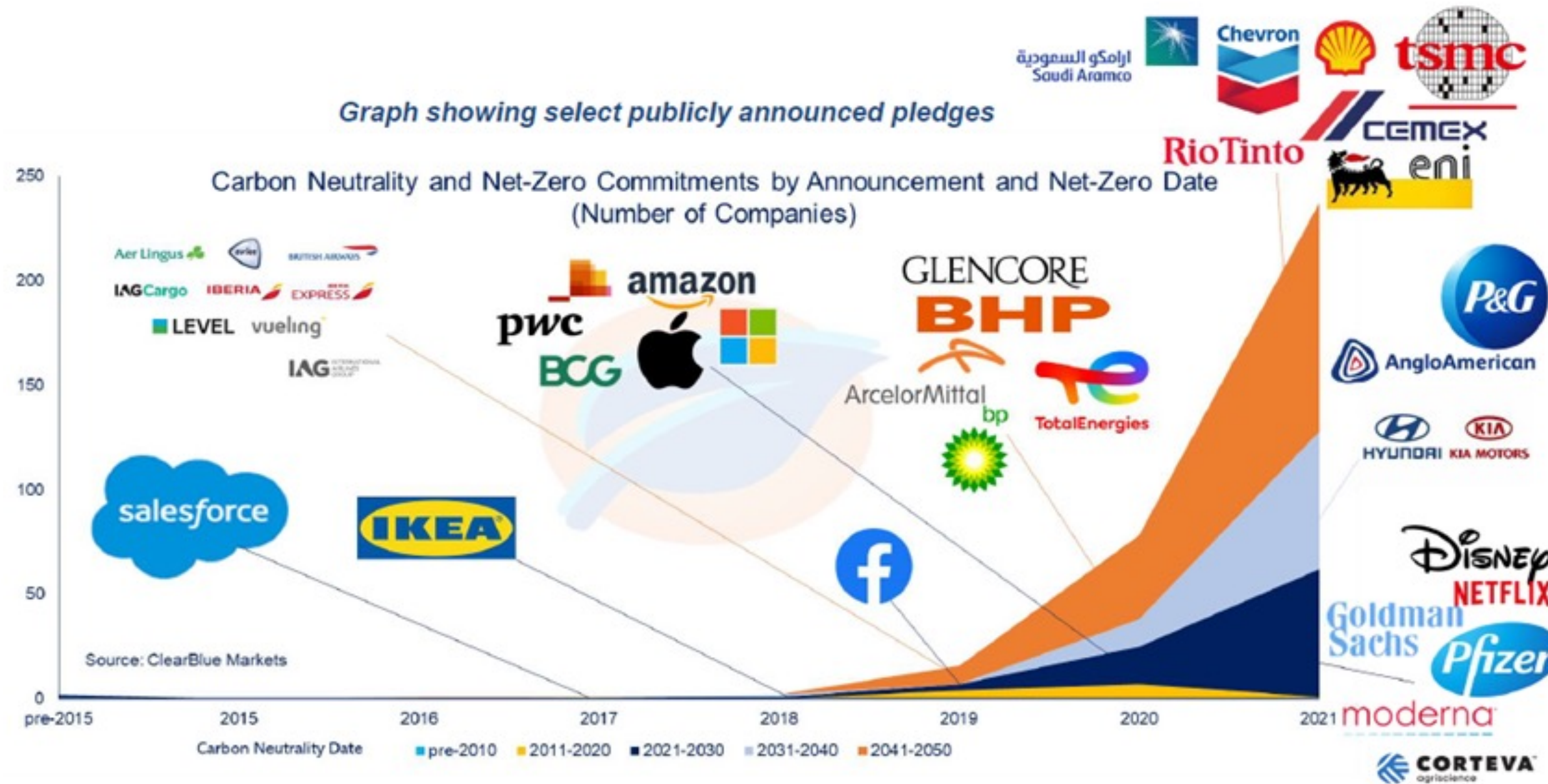
*Updated 2022 Map to be published by World Bank on 25 May 2022*

# Voluntary Carbon Market

## Corporate Pledges Drives Demand Growth



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11,954	9,390	2,003,856,022	5,747,293,471
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Total Number of Unique Commitments

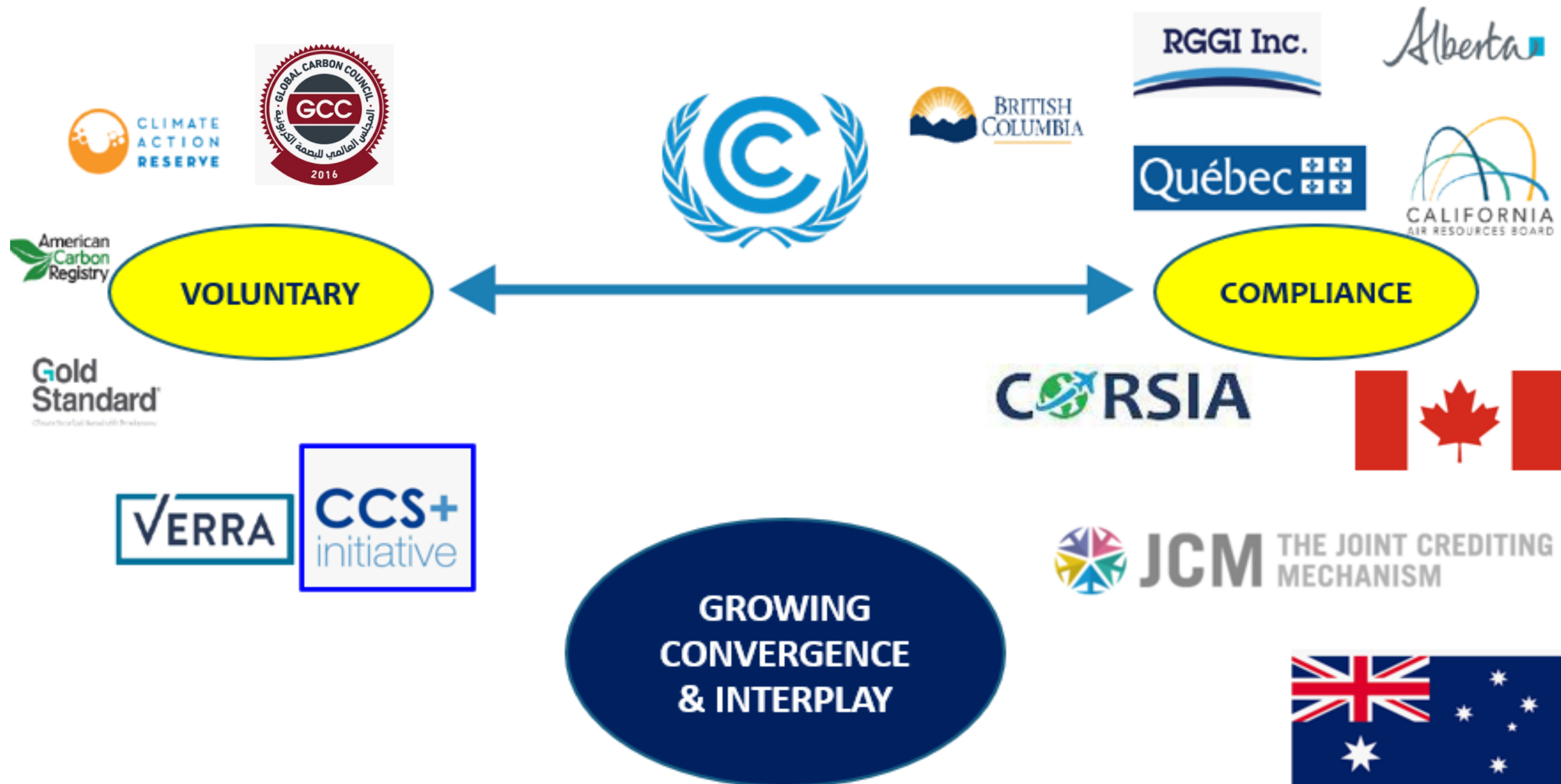
Total Number of Corporate Commitments\*

Total Represented \*\* Scope 1 and 2 Emissions

Total Represented\*\* Scope 3 Emissions

# Carbon Crediting Protocols & Standards

*Period of Growth, Transition, Convergence*



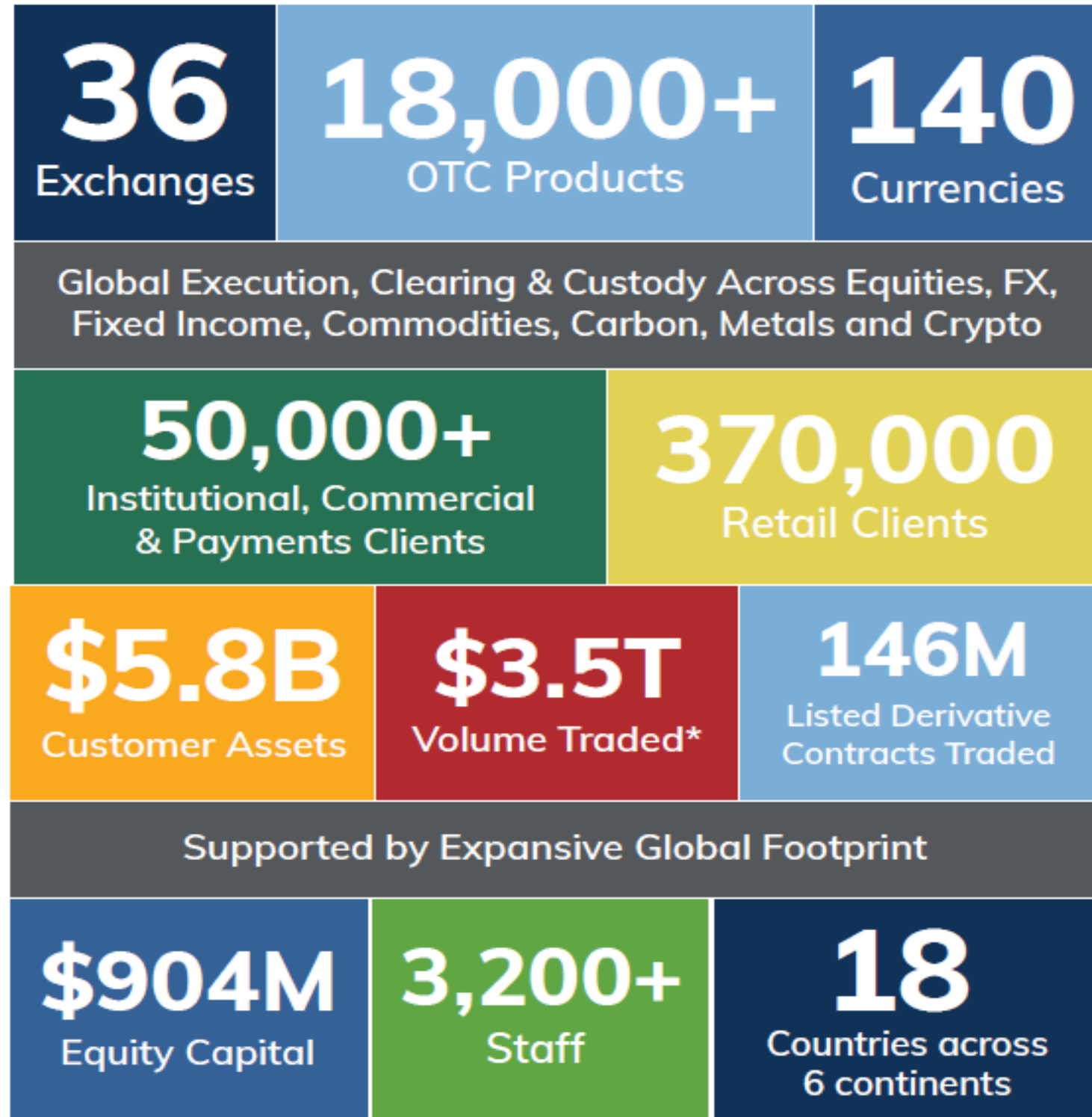




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*Senior Vice President*  
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**StoneX**

# StoneX at a Glance



CUSTOMER MAP



\*Total volume traded of FX / CFD, Securities and Global Payments contracts on a trailing 12-month basis as of September 30, 2021

# Carbon Solutions Group - What we do

## 1. Brokerage & Trading

- B2B, OTC and Exchange transactions
- Access to carbon exchanges and registries

## 2. Financial Solutions

- Financial Structuring
- Project Finance
- Asset Monetization
  - Credit placement for Sellers/Project owners
  - Identification/credit origination for buyers
- Access to funds for development of climate mitigation projects

## 3. Advisory services

### Regulatory and Compliance Support

### Carbon Accounting (Carbon footprinting)

- Greenhouse Gas inventory
- Corporate and product carbon footprinting

### Development of Carbon Management and Neutrality Strategy

- Risk management
- Asset Optimization

### Emission Reduction Project Development

- Project identification
- Project feasibility/eligibility under existing standards (CDM, VERRA, GS, etc.)
- Development of Project documentation (PIN, PDD, monitoring, etc.)
- Support for registration, verification and issuance of credits
- Commercialization of credits

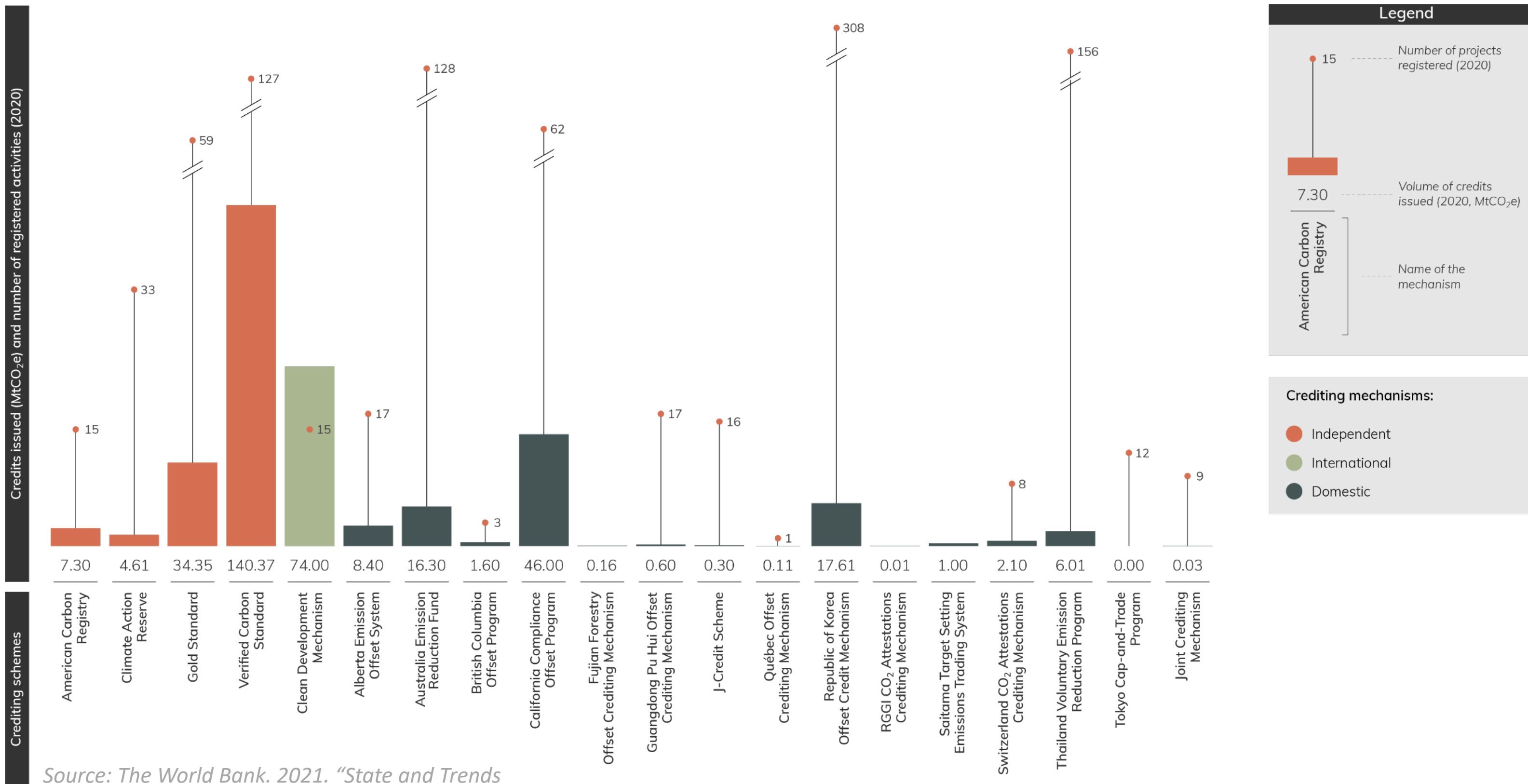
### Development of Market Strategy

- Support to assets owners and buyers.

### Climate Action Communication Strategy

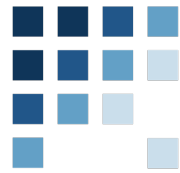


# Credit Supply – Number of Projects and Issuances by Mechanism

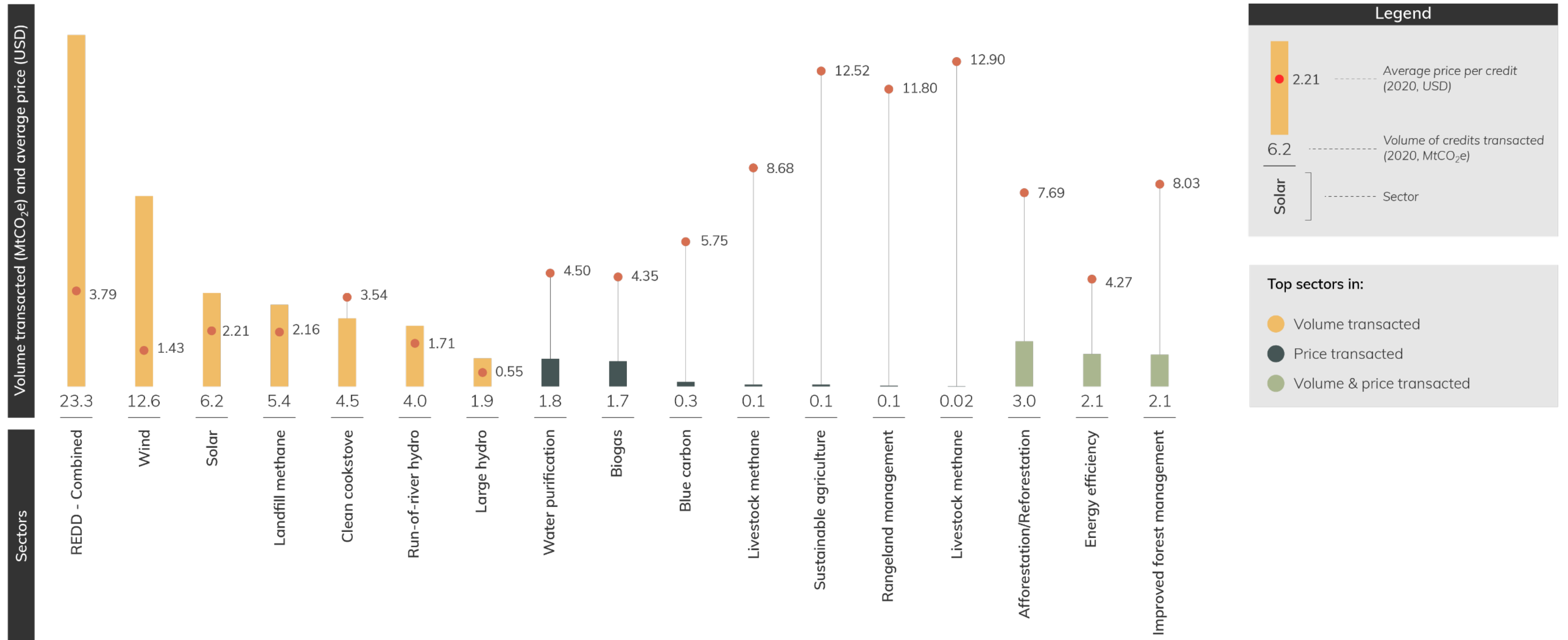


Source: The World Bank. 2021. "State and Trends of Carbon Pricing 2021", May)





# Carbon Credit Transaction Volumes – Contributions by Sectors

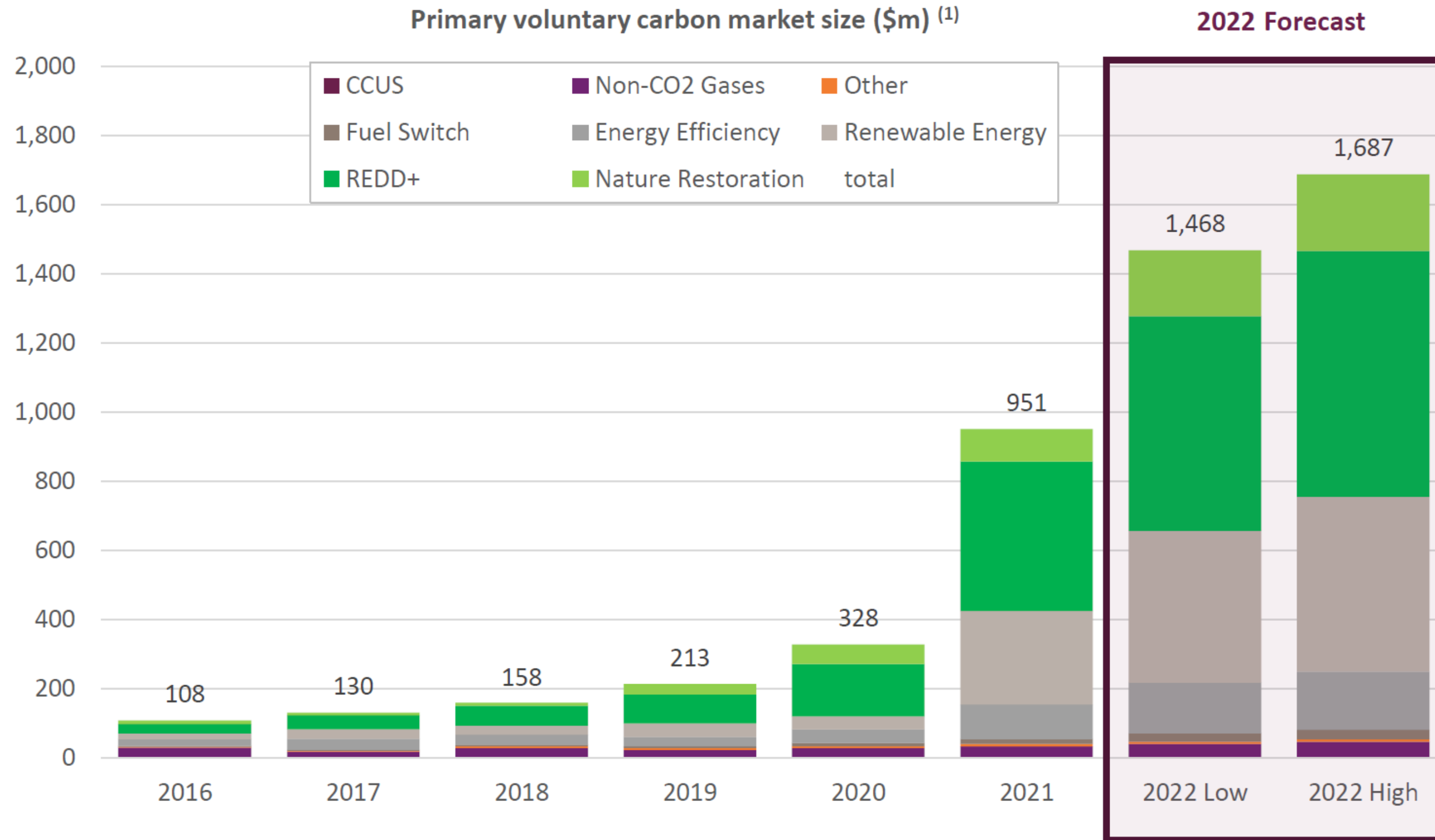


Source: The World Bank. 2021. "State and Trends of Carbon Pricing 2021", May)





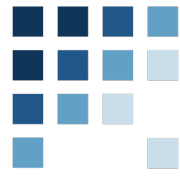
# Voluntary Market Growth (2016 - 2022)



1. Excludes carbon credits used for compliance

Source: Voluntary Carbon Market 2021 in Review and 2022 Outlook, Jan 2022





## Summary Carbon Markets – Price References (May 22)



### B2B / OTC Transactions

Standards	Nature-Based Projects (USD/t)	Non Nature-Based projects (USD/t)
Verra (VCUs)	\$10.30-\$12.00	\$5.50- \$7.50
Gold Standard (GS-VERs)	>\$12.00	\$7.50 - \$9.00
Corsia (CEUs)		\$6.00 - \$6.40
CDM (CERs)	\$3.00 - \$5.00	\$2.15- \$4.00
CAR (CCOs)		\$16.50 - \$17.50

### Exchanges

Offsets and Allowances	USD/t
CME CBL GEO/ACX-CET (Global Emission offset Future)	\$5.60 - \$5.95
CME CBL N-GEO/ACX-GNT+ (Nature based Global Emissions offset)	\$10.70 - \$12.30
ICE EUA (European Allowances)	€88.50 - €110.75
ICE UKA (UK Allowances)	£87.25 - £93.70
CCAs (California Allowances - futures)	\$30.00 - \$32.05





**WILLIAM PAZOS**

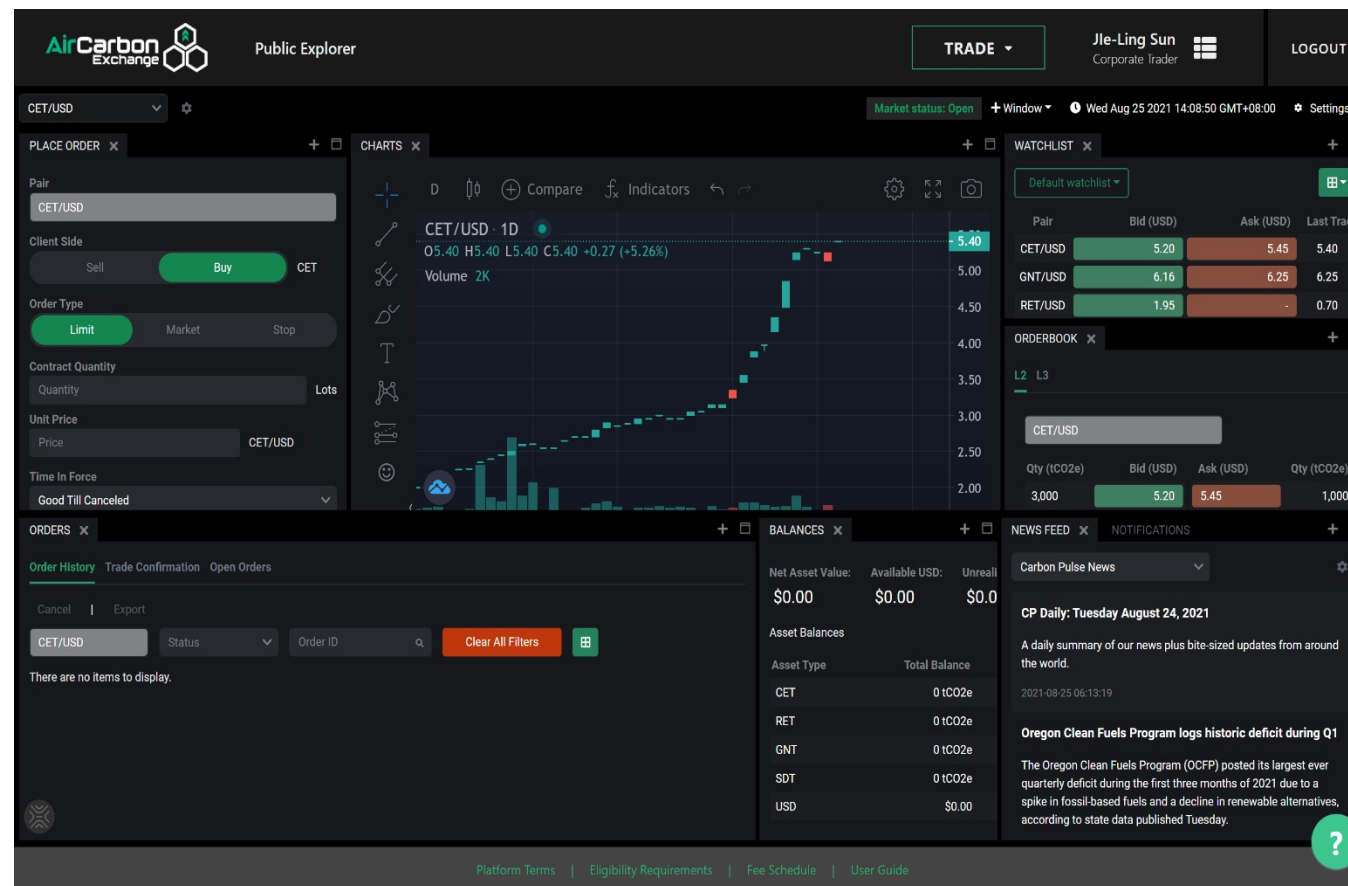
*Co-Founder and Managing Director*

**AirCarbon**



# AirCarbon Exchange - ACX

## Fully Digital 24/7 Trading Platform



P  
R  
E  
S  
E  
N  
C  
E



**Transparency:** Bids/offers & transacted prices are fully transparent

**Efficiency:** Eliminates the complexity and resources needed for OTC transactions

**Liquidity:** Standardised contract specifications with a price on an exchange platform allow an unprecedented level of liquidity

**Cost-Effective:** Lowest transaction costs in the market

**No settlement risk:** Eliminates settlement risk for buyers and sellers through real-time settlement

**Secure:** All transactions on the blockchain are recorded immutably

**Creation of price signal** for the carbon market, facilitating flow of investment dollars into carbon projects

**PARTNERSHIP WITH EEX** will deliver a futures contract in Q3 2022

# M

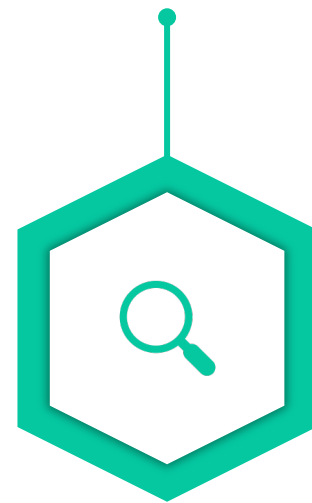
## MARKET DRIVERS REMAIN STRONG

Governments are imposing regulatory carbon constraints and constituents are demanding concrete mitigation efforts from companies.



01

02



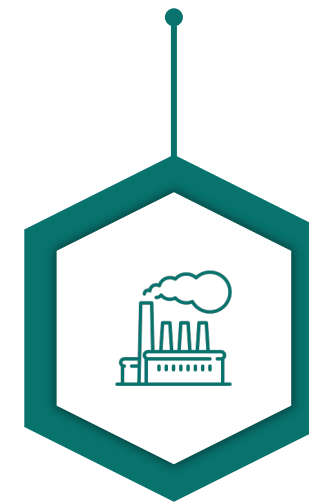
Increasingly, investors are using **Environmental, Social, Governance (ESG)** criteria when screening companies.

Industries are incapable of curtailing carbon emissions internally without disrupting profitability.



03

04



Industries are turning to carbon markets to identify the most efficient carbon reductions.

Carbon markets remain fragmented and inefficient but moving towards more transparency.



05

# 2021 A Banner Year

**Price Appreciation:** Carbon credits were one of the 2021's best performing assets.

- CET (CORSIA Contract) appreciated 967% from March 2021 to March 2022.
- GNT+ (Global Nature Contract) appreciated over 200%

## Global Efforts:

ICVCM - Took shape

Singapore announces a Carbon Tax and makes further efforts to set itself apart as a global carbon hub. It now hosts 3 carbon exchanges and several market participants.

Rio in keeping with its legacy as the host of the world's first summit, launched the Bolsa Verde (Green Exchange) - a marketplace to host climate mitigating efforts.

World Bank pushed forward with the development of a Carbon Warehouse - a blockchain based repository of carbon market data.

Abu Dhabi Global Markets announces the hosting of a regulated carbon exchange (ACX) on the back of making carbon a commodity as opposed to an intangible commodity.

Saudi Arabia announces the creation of a VCM

# 2022 What to Expect

**Further Price Appreciation?** There has been some retracement from the heady Q4 of 2021. Current market sentiment is somewhat dampened due to expectations of inflation and uncertainties from the Ukraine war.

**New Tradable Instruments:** Several players are likely to announce new carbon contracts.

- EEX/Redshaw Advisors/ACX to launch GER contracts.
- ICE announces a Nature based futures contract
- Market awaits the ICVCM's CCPs

**Supply Constraints?** Back log of issuances at VERRA have caused some concerns around supply. As we move further into 2022 some of these credits will come to market.

**New Markets:** Countries are grappling with their responsibilities under Article 6. Expect to see further announcements from all four corners of the world similar to Saudi Arabia's announcement.

# Blockchain - Comment on Digitalization of Carbon

## Salient Efforts:

- KLIMA Dao hoovered 13mm tons of legacy CERs. It has now peaked and is unlikely to recover.
- World Bank Climate Warehouse - A Blockchain based repository of carbon data with broad support from industry stakeholders.
- Toucan looks to bridge the gap between crypto and carbon.
- Registries and Industry groups such as IETA, establish task forces to grapple with the intersection of blockchain and carbon.

## Comments

- Blockchain carbon plays that have a native coin have a perverse incentive and should be heavily scrutinized.
- Simply writing transaction data to a blockchain ledger fails to take full advantage of the technology's capabilities.
- Several efforts globally (e.g.: Carbon Asset Solutions) are looking to streamline the issuance of carbon credits by leveraging remote sensing and blockchain. Will any of these efforts unseat traditional registries?



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# Voluntary Carbon Market

## Global Integrity Initiatives: Developing Guidance



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International Carbon Reduction  
& Offset Alliance



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

**VCMI** Voluntary Carbon  
Markets Integrity  
Initiative

# Voluntary Carbon Market

## VCM Global High-Integrity Initiatives: Updates



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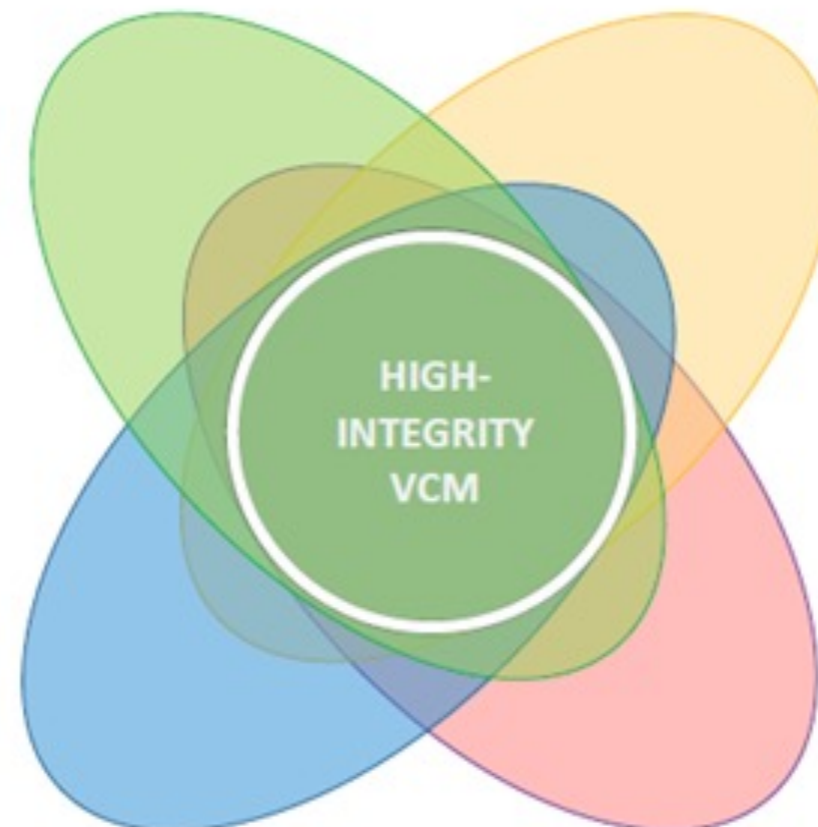
### High-Integrity Voluntary Carbon Market Requires:

#### 1 Unimpeachable quality

Promote social and environmental integrity in the generation of carbon credits by developing a **Core Carbon Principle (CCP) threshold standard** for what constitutes a high-integrity credit, along with governance to ensure proper oversight.

#### 2 Market transparency

Ensure integrity in market transactions by creating a **market infrastructure** that promotes data transparency, funding availability, ease of access and price transparency



#### 3 Honest claims

Ensure integrity in the use of carbon credits by defining **high-integrity corporate claims** and creating norms around their use in the context of a robust net-zero pathway

#### 4 Genuine accountability

Hold market participants accountable by maintaining civil society organizations to act as **watchdogs** on supply, transactions, and corporate claims

# Voluntary Carbon Market

## VCM Global High-Integrity Initiatives: Updates



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**iC** | THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET



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**VCMI** Voluntary Carbon  
Markets Integrity  
Initiative



# Return to High-Level Key Messages



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