# Voluntary carbon market poised for revival through new governance and African initiatives



Participants in the voluntary carbon market (VCM) remain optimistic about its future, despite a recent decline in market value. This governance of carbon offsets, employed by businesses and organisations to mitigate their greenhouse gas emissions, has come under scrutiny as fluctuations in pricing and demand highlight its vulnerabilities. Nevertheless, stakeholders advocate for the potential of a revitalised market, projecting growth driven by innovative regulatory frameworks and strategic initiatives aimed at unlocking new opportunities.

One prominent effort is the establishment of the Africa Carbon Support Facility by the African Development Bank (AfDB). This initiative seeks to bolster carbon markets across African nations through the development of robust carbon trading policies and infrastructure. Currently, Africa contributes minimally to global emissions yet faces significant climate threats, including severe droughts and storms. The AfDB aims to integrate carbon credits into local stock exchanges, which could dramatically increase their market value. According to the Bank, the urgency of this development is paramount, as enhanced carbon markets could provide crucial funding for emission-reducing projects, supporting both economic resilience and environmental sustainability across the continent.

Simultaneously, recent developments in standardisation initiatives are reshaping the landscape of the VCM. The Carbon Data Open Protocol (CDOP) and the updated Corporate Net-Zero Standard under the Science Based Targets initiative signal a shift towards greater accountability and transparency within the market. These initiatives, launched by a coalition of organisations including Sylvera and S&P Global, advocate for more rigorous verification processes and data interoperability. They compel companies to focus on meaningful emissions reductions before relying on carbon credits, suggesting an end to the era of lax standards. This tightening of regulations is likely to elevate the credibility of carbon credits, encouraging more corporate participation.

The challenge of maintaining credibility in the VCM is acknowledged by many, with recent research from the Integrity Council for the Voluntary Carbon Market underscoring the necessity of scaling up marketplace efforts to meet escalating climate goals. The introduction of the Core Carbon Principles is one such solution aimed at ensuring that the carbon credits traded are of high quality. Alongside this, the Voluntary Carbon Markets Integrity Initiative is developing a code of conduct for companies engaging with carbon credits. With collective action from private and public sectors, there is potential for forging a more credible and impactful market that aligns with global sustainability efforts.

Prospective regulatory frameworks also play a significant role in defining the future of the VCM. At the upcoming COP29 climate summit, there is anticipation surrounding the finalisation of a global trading system for carbon offset credits. Achievements here could effectively integrate voluntary mechanisms with the compliance structures established under the Paris Agreement, creating a cohesive approach to carbon pricing. Such developments could enhance market confidence and stimulate higher-value transactions, revitalising the appeal of the VCM.

Across the globe, individual jurisdictions are also making strides in cultivating their carbon markets. Singapore, for instance, is positioning itself as a nexus for carbon trading, enhanced by recent investments aimed at ensuring market transparency and regulatory integrity. Efforts such as allowing companies to offset their national carbon tax liabilities with carbon credits illustrate a proactive approach to harnessing market potential, even amid prevailing scepticism over the sector's stability.

Overall, while the current state of the voluntary carbon market presents challenges, the emerging initiatives, regulatory frameworks, and heightened accountability measures signify a determined push towards a brighter and more sustainable future. Through these concerted efforts, stakeholders remain hopeful that the voluntary carbon market will evolve into a more robust mechanism for combatting climate change, ultimately contributing to a more sustainable global economy.

## Reference Map:

* Paragraph 1 – [[1]](https://carbon-pulse.com/403140/), [[6]](https://www.ft.com/content/e97dd32a-7c46-4d59-bbd5-20ad8bc6571d)
* Paragraph 2 – [[2]](https://www.reuters.com/sustainability/climate-energy/african-development-bank-launch-carbon-credits-support-facility-2025-05-29/), [[4]](https://time.com/7022709/time-to-scale-credible-high-impact-voluntary-carbon-market/)
* Paragraph 3 – [[3]](https://www.reuters.com/legal/legalindustry/how-cdop-sbti-are-redefining-global-carbon-market-standards-2025-04-30/), [[4]](https://time.com/7022709/time-to-scale-credible-high-impact-voluntary-carbon-market/)
* Paragraph 4 – [[4]](https://time.com/7022709/time-to-scale-credible-high-impact-voluntary-carbon-market/), [[5]](https://www.reuters.com/business/environment/cop29-what-is-carbon-credit-what-is-article-6-2024-11-09/)
* Paragraph 5 – [[6]](https://www.ft.com/content/e97dd32a-7c46-4d59-bbd5-20ad8bc6571d)
* Paragraph 6 – [[1]](https://carbon-pulse.com/403140/), [[3]](https://www.reuters.com/legal/legalindustry/how-cdop-sbti-are-redefining-global-carbon-market-standards-2025-04-30/)

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## Bibliography

1. <https://carbon-pulse.com/403140/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/climate-energy/african-development-bank-launch-carbon-credits-support-facility-2025-05-29/> - The African Development Bank (AfDB) is introducing the Africa Carbon Support Facility to enhance carbon markets across the continent in response to climate change challenges. The initiative, still in the design phase, consists of two components: aiding governments in crafting carbon trading policies and bolstering supply, demand, and infrastructure for carbon credits. The AfDB envisions integrating carbon credits into African stock exchanges, which could significantly raise credit prices. Carbon credits are earned through emission-reducing projects like reforestation and renewable energy, mostly currently sold on voluntary markets. Embedding them in compliance markets could increase their value tenfold. Despite contributing minimally to global emissions, Africa faces severe climate impacts, including droughts and storms, particularly affecting Madagascar, Southern Africa, and the Horn of Africa. The continent receives only 1% of global climate finance. The AfDB also announced the appointment of former Mauritanian Finance Minister Sidi Ould Tah as its new president. The bank emphasizes the urgency of carbon market development to unlock new financial opportunities and support economic resilience in the face of climate risks.
3. <https://www.reuters.com/legal/legalindustry/how-cdop-sbti-are-redefining-global-carbon-market-standards-2025-04-30/> - In early 2025, two key initiatives, the Carbon Data Open Protocol (CDOP) and an updated draft of the Science Based Targets initiative's (SBTi) Corporate Net-Zero Standard, are reshaping global voluntary carbon markets. CDOP, launched by a coalition of 30 organizations including Sylvera and S&P Global, aims to standardize and harmonize carbon market data. It promotes data transparency, interoperability, and alignment with Article 6 of the Paris Agreement, enhancing market credibility and legal accountability. Simultaneously, SBTi’s Version 2.0 Net-Zero Standard introduces stricter requirements for emissions reduction and carbon credit usage, mandating separate targets for Scope 1 and 2 emissions and detailed tracking. Companies must now prioritize operational reductions and use carbon credits only for residual emissions. These initiatives signal a convergence of voluntary and regulatory approaches, increasing the legal, operational, and reputational stakes for corporations. Key themes include heightened disclosure obligations, the demand for third-party verification, and evolving environmental, social, and governance (ESG) standards. Legal and compliance teams must anticipate new risks, update governance structures, and ensure climate strategy alignment with emerging standards. This marks the end of “soft standards” and pushes toward a more professional, transparent, and accountable carbon marketplace.
4. <https://time.com/7022709/time-to-scale-credible-high-impact-voluntary-carbon-market/> - The need to scale up the voluntary carbon market is urgent as companies struggle to meet their climate goals, particularly within their supply chains. The market can provide crucial finance for emission reduction and removal projects, particularly in the Global South. However, the market currently faces issues of credibility and scale. To address these, the Integrity Council for the Voluntary Carbon Market has introduced the Core Carbon Principles (CCPs) to ensure high-quality carbon credits, and the Voluntary Carbon Markets Integrity Initiative (VCMI) has developed codes of conduct for companies using these credits. Additionally, the Global Carbon Markets Utility (GCMU) is working on building the necessary infrastructure for a transparent and accountable market. Collective action and investment from governments, the private sector, and financial actors are essential to realise the market's potential and achieve significant climate impact.
5. <https://www.reuters.com/business/environment/cop29-what-is-carbon-credit-what-is-article-6-2024-11-09/> - At the COP29 climate summit in Azerbaijan, officials aim to finalise rules for a global system to trade carbon offset credits. Carbon offsets allow countries and companies to compensate for their emissions by funding emission reduction projects elsewhere. Article 6 of the Paris Agreement facilitates these offsets through two mechanisms: bilateral trading agreements (Article 6.2) and a centralised UN-managed system (Article 6.4). Despite initial progress at COP26, specific details to operationalise these systems remain unresolved. Some countries like Japan and Indonesia are already engaging in bilateral agreements, revealing market concerns about poorly defined rules and credit authenticity. COP29 seeks to establish regulatory guardrails for these agreements and launch a centralised marketplace. Success could bolster the voluntary carbon market, linking it with the Paris Agreement system to increase confidence and drive higher-value transactions. If key elements are agreed upon, the new system may start as early as 2025.
6. <https://www.ft.com/content/e97dd32a-7c46-4d59-bbd5-20ad8bc6571d> - Singapore is positioning itself as a leader in the carbon credit market despite widespread scepticism about the sector. The London-based carbon credit rating agency, BeZero Carbon, recently secured a $32 million funding round led by GenZero, a company backed by Singapore's sovereign wealth fund Temasek. This investment exemplifies Singapore's commitment to developing carbon markets. As the country allows companies to use carbon credits to offset national carbon tax liabilities, the move is part of a broader strategy to become a global carbon hub. Singapore's careful selection and regulation of acceptable carbon credits are intended to build market confidence and transparency. The future of the carbon market is uncertain, with several potential drivers of demand linked to international regulations and mandatory carbon pricing schemes. Despite current challenges, Singapore is betting on a long-term growth trajectory for the carbon credit market.