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The Flight to Quality

The Emergence of High-Integrity Frameworks in Global Carbon Markets

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Glossary

Abbreviations and terms used throughout this report.

ARR	Afforestation, Reforestation and Revegetation: a category of carbon removal methodologies involving tree planting and vegetation restoration.	EmpCo	Empowering Consumers for the Green Transition Directive: the EU directive prohibiting unsubstantiated generic environmental claims, applying from September 2026.
BECCS	Bioenergy with Carbon Capture and Storage: a carbon removal technology that combines biomass energy production with capture and geological storage of the resulting CO ₂ .	ERW	Enhanced Rock Weathering: a carbon removal method that accelerates natural mineral weathering processes to absorb atmospheric CO ₂ .
CCP	Core Carbon Principles: the ICVCM's quality criteria that carbon-crediting programs and methodologies must meet to earn the CCP label.	ETS	Emissions Trading System: a cap-and-trade regulatory mechanism that sets a limit on emissions and allows the trading of emissions allowances.
CDP	Carbon Disclosure Project: a nonprofit organization that runs a global environmental disclosure system for companies and cities.	EU	European Union: the political and economic union of European member states.
CDR	Carbon Dioxide Removal: engineered or nature-based processes that remove CO ₂ from the atmosphere.	EUA	European Union Allowance: the tradable emissions permit of the EU Emissions Trading System, a compliance instrument distinct from voluntary carbon credits.
COP29	29th Conference of the Parties: the 29th annual United Nations climate conference of parties to the UNFCCC, at which the Article 6 two-tier registry system was agreed.	FPIC	Free, Prior and Informed Consent: a principle requiring that Indigenous Peoples and local communities give informed consent before projects affecting them proceed.
CSRD	Corporate Sustainability Reporting Directive: an EU regulation requiring companies to disclose sustainability-related information.	G7	Group of Seven: an intergovernmental forum of seven major advanced economies.
DAC	Direct Air Capture: a technology that removes carbon dioxide directly from ambient air for storage or use.	GHG	Greenhouse Gas: gases such as carbon dioxide and methane that trap heat in the atmosphere and drive climate change.

HFLD High Forest Cover, Low Deforestation: a crediting category for jurisdictions with historically high forest cover and low deforestation rates.

ICVCM Integrity Council for the Voluntary Carbon Market: the independent governance body that sets global quality thresholds for carbon credits through the Core Carbon Principles.

IFRS S2 International Financial Reporting Standards Sustainability Disclosure Standard 2: a global standard requiring disclosure of climate-related financial information.

IPLC Indigenous Peoples and Local Communities: groups whose rights, land and livelihoods are directly affected by carbon projects.

JNR Jurisdictional and Nested REDD+: a Verra framework for REDD+ crediting at both jurisdictional and project (nested) levels simultaneously.

MOU Memorandum of Understanding: a formal, though typically non-binding, agreement between two or more parties.

MRA Monitoring, Reporting and Assurance: the VCM framework governing evidence, disclosure and assurance requirements for Carbon Integrity Claims.

MRV Monitoring, Reporting and Verification: the process of tracking and independently confirming emissions reductions or removals.

NDC Nationally Determined Contribution: a country's self-defined climate action commitments under the Paris Agreement.

REDD+ Reducing Emissions from Deforestation and Forest Degradation: a framework of carbon credit methodologies that reward forest conservation and sustainable management to reduce emissions from deforestation.

SBTi Science Based Targets initiative: an organization that validates corporate emissions-reduction targets against climate science.

SES Social and Environmental Standards: UNDP's framework for managing social and environmental risks within its programs.

tCO₂e Tonnes of Carbon Dioxide Equivalent: a standard unit for measuring greenhouse gas emissions across different gas types.

UCPD Unfair Commercial Practices Directive: the EU directive governing misleading commercial practices, including environmental claims.

UK United Kingdom: the United Kingdom of Great Britain and Northern Ireland.

UNDP United Nations Development Programme: the UN agency supporting sustainable development, including high-integrity carbon market initiatives.

UNFCCC United Nations Framework Convention on Climate Change: the international treaty (and its Secretariat) that coordinates global climate action, including the Paris Agreement.

VCM Voluntary Carbon Market: the market in which entities voluntarily buy and sell carbon credits to offset emissions, distinct from compliance (regulatory) carbon markets.

VCMI	Voluntary Carbon Markets Integrity Initiative: the organization that publishes the Claims Code of Practice governing how companies may credibly claim use of carbon credits.	VM (e.g., VM0048)	Verra Methodology: the numbering system Verra uses to identify individual carbon-crediting methodologies.
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1 Executive Summary

Between 2021 and 2023, the market expanded on the back of surging corporate net-zero pledges, reaching peak retirement volumes while operating on an implicit assumption that any verified credit was a credible credit. That assumption was fundamentally challenged in 2023, when a series of investigative analyses revealed systematic baseline inflation, phantom emissions reductions, and a near-total absence of effective additionality testing, most notably in widely held REDD+ forestry credits. The reputational damage was severe: corporate buyers withdrew, prices for undifferentiated credits collapsed and the term ‘carbon offset’ became a litigation risk in several jurisdictions.¹

What has emerged from this integrity crisis is not a smaller market, but a fundamentally reorganized one. The defining characteristic of the 2024–2026 market is differentiation by quality. Buyers, regulators and legal counsel have collectively abandoned the premise that verification by a registry constitutes sufficient due diligence. In its place, a two-axis framework has taken hold: quality must be demonstrated on both (i) the supply side, through scientifically rigorous project methodologies, assessed against independent global benchmarks, and (ii) the demand side, through a governance framework that controls how credits are used and what claims they can legitimately support.

On the supply side, the Integrity Council for the Voluntary Carbon Market (ICVCM) and its Core Carbon Principles (CCPs) have emerged as the de facto global quality threshold. A credit bearing the CCP label has passed a dual-layer assessment covering both the carbon registry program and the specific project methodology. As of May 2026, an estimated 107 million credits have been approved for the CCP label,³ representing a small but rapidly expanding fraction of the broader market. The CCPs operationalize quality through four technical pillars: **additionality, permanence, robust quantification and double-counting prevention** (Section 2.4).

On the demand side, the Voluntary Carbon Markets Integrity Initiative (VCMI) Claims Code of Practice defines the conditions under which corporations may make credible public claims about their credit use. Its central structural rule is clear: carbon credits

cannot be used as a substitute for operational decarbonization. Companies must first commit to and demonstrate measurable progress toward science-based internal emissions reduction pathways before making any credit-linked public claim. This ‘mitigation hierarchy’ principle has effectively ended the era in which companies could purchase cheap avoidance credits, claim carbon neutrality, and make no substantive internal reductions.

The economic consequence of this two-axis framework is a pronounced ‘Flight to Quality’ pricing dynamic. High-integrity credits including CCP-labeled nature-based removals, advanced methane abatement projects and engineered carbon dioxide removal technologies now command substantial premiums over unverified legacy assets. Low-quality credits have not merely declined in price; they have become structurally illiquid in many segments of the market, as corporate buyers cannot make defensible public claims on their basis and face growing regulatory exposure in the EU and UK under emerging green claims legislation. The market has moved from valuing carbon by the cheapest ton to pricing it by the most defensible ton.

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SCOPE AND METHOD

This report examines the structural reorganization of the voluntary carbon market (VCM) between 2021 and mid-2026, with emphasis on the quality and integrity frameworks that took hold from 2024 onward. Compliance markets (the EU ETS, California's cap-and-trade program, China's national ETS) are discussed where they intersect with voluntary market standards but are not the primary subject. The analysis draws exclusively on publicly available secondary sources rather than primary transaction data: the published assessment decisions and framework documents of the ICVCM and VCMI, multilateral publications of the World Bank and UNDP, and market data published by commercial providers including Sylvera, Abatable, Calyx Global and ClearBlue Markets. It does not rely on proprietary trade tapes or bilateral quotes. Price figures are indicative ranges covering January 2025 to June 2026; figures reported in currencies other than US dollars appear as originally published, without exchange-rate normalization, so cross-currency comparisons should be treated as approximate. The ranges in Section 4.1 represent the outer envelope of published estimates for each segment rather than percentile-trimmed or volume-weighted averages, and bound a category rather than pricing a specific credit. Spot and forward figures are reported separately because they are not directly comparable. Where sources conflicted, precedence was given to the most recent publication and to primary framework documents over commentary. The report reflects public information available as of June 2026 and is a market analysis, not investment advice or a rating of any individual project or credit.

2 The Supply-Side: Global Quality Thresholds

2.1 The ICVCM and the CCP Architecture

The ICVCM was established in 2021 following the recommendations of the Taskforce on Scaling Voluntary Carbon Markets. It published its Core Carbon Principles in 2023, consolidated as Version 2 of the document set in January 2024 and has since operated as the primary independent governance body setting a global threshold standard for carbon credit quality.² As an exclusively evaluative body, the ICVCM does not issue or register carbon credits. Rather, it evaluates existing programs and methodologies against ten science-based principles (covering Governance, Emissions Impact and Sustainable Development). Ultimately, this assessment determines whether a program is granted or denied the CCP label.

This architecture is critical to understanding why the CCP label represents a meaningful advance over prior quality signals. Historically, a credit carrying the ‘Verified Carbon Standard’ or ‘Gold Standard’ label connoted program-level quality, but program membership said nothing specific about whether any given methodology employed within that program met rigorous standards for additionality, permanence or quantification. The ICVCM resolved this ambiguity by introducing a sequential, two-tier assessment process.

2.2 The ‘Two-Tick’ Assessment Process

The ICVCM’s two-tick approach requires separate, affirmative assessments at two distinct levels before any credit can carry the CCP label.

The first tick constitutes program-level eligibility. The carbon crediting program (e.g., Verra’s Verified Carbon Standard, Gold Standard, American Carbon Registry, Architecture for REDD+ Transactions) must demonstrate that its governance architecture, registry systems, validation and verification requirements, and dispute resolution mechanisms meet the CCP criteria. As of May 2026, the ICVCM had approved ten carbon-crediting programs as CCP-Eligible under its CCP Assessment Framework.³ Crucially, CCP-Eligible status at the program level is necessary but not sufficient for a credit to bear the CCP label.

The second tick constitutes methodology-level approval. Individual project methodologies which govern exactly how a project type measures, monitors and attributes emission reductions or removals must separately satisfy the CCP Assessment Framework criteria relevant to additionality, quantification, permanence and safeguards. As of May 2026, the ICVCM had approved 40 carbon-crediting methodologies under its CCP Assessment Framework, while 25 methodologies assessed were found not to meet the required standards and were therefore not approved for the CCP label.³ Only credits issued by projects operating under both a CCP-Eligible program and a CCP-Approved methodology can carry the CCP label. This dual-gate structure is arguably the most significant architectural innovation in VCM governance to date: it shifts quality assurance from the general to the specific and from self-assessment to independent evaluation.

2.3 Recent 2025–2026 ICVCM Decisions: Approvals and Restrictions

The pattern of ICVCM decisions through 2025 and into 2026 reveals a governance body making nuanced, technically rigorous determinations that have materially reshaped the category landscape.

APPROVED METHODOLOGIES (SELECTED)

Several high-profile approvals have expanded the high-integrity supply frontier. In November 2024, the ICVCM approved three methodologies enabling CCP-labeled REDD+ credits for the first time: (i) ART TREES v2.0; (ii) Verra's VM0048; and (iii) Verra's JNR Framework v4.1.⁴ These new methodologies address the fundamental weaknesses of their legacy predecessors in two ways: by removing developer discretion in selecting reference areas (a primary mechanism of historical baseline inflation), and by requiring dynamic baseline re-evaluation.

In early 2026, the ICVCM granted CCP approval to Isometric's ISM Reforestation Protocol v1.1, the first ARR (Afforestation, Reforestation and Revegetation) methodology to receive the label, recognized for the rigor of its additionality testing and dynamic baseline methodology.⁵ The same decision set granted CCP approval to a mangrove restoration protocol representing the first blue carbon methodology to clear the CCP bar and conditional approval to coal mine and ventilation air methane abatement methodologies.⁵ Critically, the ICVCM also granted conditional CCP

approval to Gold Standard's rice cultivation methane avoidance methodology, a significant development given that rice cultivation is a substantial source of global anthropogenic methane emissions, underscoring the importance of methodological integrity in this high-impact agricultural category.⁵

RESTRICTED AND NON-APPROVED METHODOLOGIES

Equally significant is what the ICVCM has declined to approve. Five of Verra's older REDD+ project methodologies (VM0006, VM0007, VM0009, VM0015 and VM0037) were excluded from assessment by Verra itself when applying for program-level eligibility, a tacit acknowledgment that these frameworks, which once accounted for approximately one-quarter of all carbon credit retirements, could not satisfy CCP criteria.⁴ Credits issued under these legacy methodologies cannot, under current rules, bear the CCP label. Verra has required projects using these methodologies to transition to VM0048 and undergo a requantification process (a structural remediation exercise whose commercial implications are significant given the volume of legacy credits in the market).

In May 2026, the ICVCM declined to grant CCP approval to two ART TREES forestry methodologies in their current form including the HFLD (High Forest Cover, Low Deforestation) Crediting Level v2.0, under which 58.4 million credits have been issued. Instead, it prescribed remedial actions, including dynamic additionality demonstrations and more robust leakage accounting.³ This decision left a substantial volume of existing credits excluded pending remediation: the methodologies may return for reassessment once the prescribed remedial actions are completed.

Most consequentially for the broader market, the ICVCM determined in 2024 that the majority of renewable energy crediting methodologies would not be eligible for the CCP label, citing fundamental additionality concerns in contexts where renewable energy is increasingly grid-competitive. This decision effectively accelerated the structural exit of renewable energy credits from premium buyer portfolios.

2.4 The Technical Pillars of Quality

Understanding the CCP label requires understanding the four core technical dimensions it evaluates.

Additionality, the foundational quality criterion, holds that a reduction or removal is genuine only if it would not have occurred without the carbon project and the revenue its credits generate. Weak additionality testing, particularly the use of static, self-selected reference baselines in forestry projects, was the primary technical failure mode in the legacy market. CCP-approved methodologies must demonstrate additionality through standardized, third-party-verified approaches that eliminate or constrain developer discretion in baseline construction.

Permanence addresses the risk that carbon stored or conserved by a project may be re-released into the atmosphere before the climate benefit is realized. The CCP framework distinguishes between two permanence profiles: short-term nature-based storage, where reversal risk must be managed through buffer pools and monitoring protocols spanning both 30-year and 100-year horizons; and engineered removals such as biochar, BECCS and direct air capture, which offer geological or multi-century durability. The market increasingly prices these permanence profiles differently, with longer-lived storage commanding structural premiums.

Robust Quantification requires that emissions reductions and removals be calculated using conservative, science-aligned methodologies that minimize the risk of over-crediting. Baseline inflation, the practice of projecting implausibly high deforestation or emissions trajectories to generate large credit volumes, is the quantification failure most associated with the legacy REDD+ crisis. CCP-approved methodologies address this by requiring dynamic, third-party-verified baseline recalculations at defined crediting period intervals, preventing the compounding divergence between projected and actual emissions that occurred under static baselines.

Double-Counting Prevention addresses the risk that a single emission reduction is claimed by more than one entity, typically a project developer and the host country government under its Nationally Determined Contribution (NDC) commitments. The Article 6 framework negotiated at COP29 introduced a two-tier registry system providing infrastructure for tracking corresponding adjustments, ensuring that credits used by international buyers are formally subtracted from host country NDC accounting.⁷ CCP-approved credits issued in host countries with Paris Agreement commitments increasingly require evidence of corresponding adjustment arrangements to satisfy the most demanding buyer standards, particularly in Europe.

3 The Demand-Side: High-Integrity Corporate Claims

3.1 The VCMi Claims Code of Practice

The VCMi Claims Code of Practice (Version 3.1), published in August 2025, functions as the demand-side complement to the ICVCM's supply-side quality framework.⁸

Whereas the CCPs define the characteristics of a high-integrity carbon credit, the Claims Code establishes the conditions under which companies may credibly communicate their use of carbon credits within a broader climate strategy. Together, the two frameworks are intended to provide an end-to-end integrity architecture for the voluntary carbon market by linking high-quality carbon credit supply with credible corporate claims.

The Claims Code establishes a mandatory set of Foundational Criteria that companies must satisfy before making any VCMi Carbon Integrity Claim. These criteria require companies to: (i) maintain a comprehensive greenhouse gas (GHG) inventory prepared in accordance with the GHG Protocol, covering Scope 1, Scope 2, and relevant Scope 3 emissions; (ii) establish and publicly disclose science-based near-term emissions reduction targets that are validated by the Science Based Targets initiative (SBTi) or an equivalent credible framework, including Scope 3 targets where these emissions are material; (iii) demonstrate progress towards achieving those targets through transparent monitoring and reporting; and (iv) ensure that corporate climate policy engagement and public advocacy are consistent with the objectives of the Paris Agreement. Version 3.1 further strengthens implementation guidance through revisions to the Monitoring, Reporting and Assurance (MRA) Framework, providing greater clarity regarding evidence requirements, disclosure practices, and independent assurance. Companies may make a VCMi Carbon Integrity Claim only after satisfying all Foundational Criteria and meeting the applicable claim requirements specified in the Code.

3.2 The Mitigation Hierarchy and the Prohibition on Substitution

The most commercially significant rule in the Claims Code is the explicit prohibition on using carbon credits as a substitute for internal operational decarbonization. The

Claims Code makes clear that credit use ‘must be additional to policy and corporate decarbonization.’ Credits are to be used exclusively for ‘beyond value chain mitigation’ addressing residual, unavoidable emissions that persist after a company has made measurable progress on its internal reduction trajectory, not as a means of offsetting emissions that could be reduced through operational change.

This ‘mitigation hierarchy’ principle has direct commercial implications. It renders the legacy practice of purchasing cheap avoidance credits to support a ‘carbon neutral’ marketing claim not merely inadvisable but structurally non-compliant with the Claims Code framework. A company that has not set SBTi-aligned targets, or that is not demonstrably on track toward them, cannot make a valid VCMI claim regardless of the quality of the credits it purchases. The credits become the capstone of a credible climate strategy, not a substitute for one.

3.3 The Three-Tier Carbon Integrity Claims Structure

Companies that satisfy the Foundational Criteria and wish to make a public VCMI Claim may choose from three tiers within the Carbon Integrity Claims framework, each defined by the volume of carbon credits purchased and retired relative to the company’s remaining annual emissions. The Silver tier requires the purchase and retirement of credits covering between 10% and 50% of the company’s remaining emissions. The Gold tier requires credits covering between 50% and 100% of remaining emissions. The Platinum tier requires credits covering 100% or more of remaining emissions.⁸

Critically, remaining emissions are defined as those persisting after the company’s internal reductions in a given year, rather than against the base-year inventory. This construction ensures that as a company decarbonizes its operations over time, the credit volumes required to maintain a given claim tier decrease, creating a direct economic incentive for continued internal reduction rather than credit substitution. Any claim must also be accompanied by registry-level transparency disclosures: credit serial numbers, project identifiers, methodologies, host countries, vintages, and corresponding adjustment status.

3.4 The End of Generic Carbon Neutrality Claims

The arrival of the EU's Empowering Consumers for the Green Transition Directive (EmpCo), which entered into force in March 2024 and applies from 27 September 2026, has given regulatory teeth to the transition away from undifferentiated 'carbon neutral' claims.⁹ The Directive prohibits generic environmental claims including 'carbon neutral', 'climate positive', and equivalent formulations that cannot be substantiated by evidence of direct operational improvements or verified to meet internationally recognized standards. This is reinforced by national implementations of the Unfair Commercial Practices Directive (UCPD). The related EU Green Claims Directive proposal, which would have added pre-market substantiation and third-party verification requirements, had its legislative process suspended in June 2025 after the European Commission announced its intention to withdraw it; its status remains unresolved. Notably, EmpCo's application date is unaffected by this suspension: the quality bar this report describes survives even without the stricter proposal.⁶

4 Market Impact: The ‘Quality Premium’ Economics

4.1 The Bifurcation of the Voluntary Carbon Market

The pricing structure of the voluntary carbon market in 2026 bears little resemblance to the relatively undifferentiated market of 2021-2022. The most reliable summary descriptor of current market economics is segmentation: credits are priced not primarily by volume or vintage, but by the integrity of their methodology, the durability of their climate benefit, and their compliance status under the ICVCM and VCMI frameworks.

The table below summarizes the principal carbon credit asset categories, indicative pricing tiers, and market characteristics as of mid-2026, based on information synthesized from multiple industry sources.^{2, 10-13}

Asset Category	Representative Examples	Indicative Price Range (USD/tCO ₂ e)	Indicative Market Position	ICVCM CCP Status	Demand Trajectory
Engineered CDR – High Durability	DAC, BECCS	\$450–\$1,000+	Highest end of the market; generally above legacy credits	Methodology-dependent; some pathways under assessment or approved	Strong institutional demand; supply remains tight
Engineered CDR – Mid Durability	Biochar, Enhanced Rock Weathering (ERW)	\$105–\$400	Premium pricing; highly project-specific	Some methodologies are CCP-approved or under assessment	Rapidly growing; offtake activity expanding
CCP-Approved Nature-Based Removals	ARR, reforestation, mangrove restoration	\$22–\$65	Premium to legacy nature-based credits	Some methodologies are CCP-approved	Growing; premium pricing sustained
CCP-Approved Methane Abatement	Mine methane, landfill gas, rice methane reduction	\$18–\$45	Premium to legacy credits; category-specific	Some methodologies are CCP-approved	Stable; industrial buyer interest
CCP-Approved REDD+	Jurisdictional REDD+, project REDD+ under newer methodologies	\$15–\$35	Premium to older avoidance credits	Some newer methodologies are CCP-approved	Emerging; pipeline building under newer methodologies
Legacy / Lower-Integrity Nature-Based Avoidance	Older REDD+ methodologies, generic forestry credits	\$2–\$8	Lower than premium credits; often discounted	Often CCP-ineligible or not approved	Structural illiquidity; declining buyer acceptance
Legacy Renewable Energy Credits	Unilateral wind/solar in non-additionality markets	\$1–\$5	Low-value credits; usually at the low end	Not equivalent to CCP-approved additional projects	Near-zero premium demand where additionality is questioned
Unverified Avoidance Credits	Non-registered, non-assessed avoided emissions	<\$3	Not reliably priceable	Non-assessed; high reputational risk	Poor fit for premium corporate buyers

Note: Prices shown are indicative and may vary materially by vintage, geography, contract type, issuance timing, project scale, permanence, and MRV quality. CCP status is methodology-specific and should be verified against the latest public assessment status before use. This table is intended for directional comparison only and should not replace project-level due diligence.

4.2 The Price Premium: Data and Dynamics

The quality premium observed in the market is empirically documented across multiple leading data sources. According to analysis by ClearBlue Markets and Calyx Global, cited in the ICVCM's CCP Impact Report, CCP-labeled credits commanded an average price premium of approximately 25% relative to comparable non-CCP credits. Abatable's analysis of more than 70,000 global price observations corroborates this. It isolated a statistically significant uplift of 8% to 14% attributable specifically to CCP approval status, independent of the baseline quality premium that well-governed projects naturally attract.¹² Furthermore, data from Sylvera demonstrates a severe supply squeeze for top-tier assets, forcing buyers to pay premium spot prices of up to US\$27 per tonne for investment-grade (rated BBB+ or higher) nature-based removal credits (this figure reflects a specific vintage/geography cohort within Sylvera's dataset; the broader \$22–\$65 range in the table above spans all vintages and geographies in this category), contrasting sharply with the single-digit liquidation prices of lower-rated equivalents.¹⁰

At the extremes, the price divergence is even more pronounced. In 2025, many legacy avoidance credits traded for less than US\$5 per tCO₂e, whereas high-integrity nature-based removal credits secured through long-term offtake agreements typically commanded average prices exceeding US\$20 per tCO₂e.¹³ Forward contracts for durable Carbon Dioxide Removal (CDR) projects achieved weighted average prices of approximately US\$180 per tCO₂e, reflecting strong buyer demand for long-term access to high-integrity removal credits.¹⁴ According to Sylvera's State of Carbon Credits 2025 report, carbon removal offtake agreements announced in 2025 totaled approximately US\$12.3 billion, compared with US\$3.95 billion in 2024, while delivering only around 12 million credits annually through 2035 at that same weighted-average price.¹⁴ Although these forward contracts represent less than 10% of current annual retirement volumes, they imply more than US\$2 billion in annual market value, underscoring a market that is increasingly oriented towards securing future supplies of high-quality carbon credits through long-term contracts rather than relying on spot-

market procurement. This forward-weighted average of ~US\$180/tonne sits well below the \$450–\$1,000+ spot range for high-durability CDR shown in the table above, because the forward book blends lower-cost pathways such as biochar and enhanced rock weathering with premium removals rather than reflecting high-durability CDR alone.

The structural driver of this premium is not purely investor preference. It reflects the convergence of regulatory compliance necessity, legal risk mitigation, and the disclosure requirements embedded in CSRD, IFRS S2, and CDP reporting frameworks that now require corporate buyers to substantiate the quality basis of their credit portfolios with audit-ready documentation. An 8–14% CCP premium is rational when the alternative is the reputational and litigation exposure attached to making public claims on the basis of non-compliant assets.¹² The premium is, in economic terms, the market price of defensibility.

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4.3 The Illiquidity of Legacy Assets

The other side of the quality premium story is the structural illiquidity now affecting legacy low-quality credit stocks. The global pool of unretired credits reached approximately 1 billion tonnes in 2024 and a substantial portion of this inventory is composed of credits that cannot access premium pricing channels.¹³ Buyers with CSRD-aligned disclosure obligations or VCMi Claims commitments cannot use non-CCP-eligible credits to support public claims. Rating agencies (Sylvera, BeZero, Calyx Global) assign low grades to projects under legacy REDD+ methodologies, making their use a reputational liability. Meanwhile, the EU's Empowering Consumers Directive provides a legal mechanism for consumer protection authorities and NGOs to challenge corporate claims made on the basis of such credits.⁹

The result is a two-tier market with structurally different demand pools: (i) a premium segment organized around CCP integrity and growing toward compliance market integration, and (ii) a depressed legacy segment facing a narrowing set of buyers willing to absorb reputational exposure for the sake of low-cost volume. For project developers whose portfolios are concentrated in legacy assets, the calculus is increasingly clear: transition or exit.

5 Regional Implementation and Social Integrity

5.1 Multilateral Operationalization: UNDP, World Bank, and Article 6

The high-integrity framework is not solely a product of private-sector governance initiatives. A coordinated multilateral infrastructure has developed in parallel, anchored in the Article 6 provisions of the Paris Agreement and operationalized through the programs of the United Nations Development Programme (UNDP), World Bank, and United Nations Framework Convention on Climate Change Secretariat (UNFCCC).⁷

The UNDP's High-Integrity Carbon Markets Initiative, operating as part of its Climate Promise program, explicitly positions itself as a supply-side integrity and host-country empowerment vehicle. Its mandate is to ensure that the benefits of carbon finance (both the direct revenues from credit sales and the sustainable development co-benefits of high-integrity projects) remain within host countries and reach Indigenous Peoples and local communities (IPLCs) and women. The initiative provides technical assistance to developing country governments on operationalizing Article 6.2 bilateral cooperation agreements, strengthening domestic regulatory frameworks, and designing benefit-sharing architectures that can survive international scrutiny.

The UNDP's High-Integrity Carbon Markets Toolkit, launched progressively from 2025 through 2026, represents the operational manifestation of this mandate.¹⁶ Its first module set focuses specifically on social integrity, providing practical guidance to governments, project developers, buyers, and community stakeholders, on designing and implementing carbon market activities that meet the highest integrity standards on both environmental and social dimensions. The Toolkit draws on UNDP's Social and Environmental Standards (SES) and is explicitly coordinated with UNFCCC Article 6 architecture, including the two-tier registry system agreed at COP29.⁷

The World Bank's State and Trends of Carbon Pricing 2026 reports that direct carbon pricing instruments now cover approximately 29% of global greenhouse gas emissions.¹³ At the same time, major compliance carbon markets including the EU ETS, California's Cap-and-Trade Program, and China's national Emissions Trading

System continue to strengthen carbon pricing as a central policy instrument for achieving emissions reductions. Within this broader policy context, the EU ETS carbon price rose to approximately €83.79 per tonne by December 2025, reflecting tightening emissions caps and strengthened climate policy ambitions.¹⁷ (note that EUA prices reflect a compliance-market, non-fungible instrument and are not directly comparable to voluntary carbon market credit prices; the figure is presented here only as contextual reference for the scale of compliance carbon pricing). This evolving regulatory environment reinforces the role of high-integrity voluntary carbon credits as complementary instruments for addressing residual emissions, supporting investment in mitigation activities beyond the scope of compliance markets, and financing emissions reductions and removals in sectors and regions that remain outside mandatory carbon pricing systems.

Indonesia's Ministry of Forestry signed a Memorandum of Understanding with the ICVCM in November 2025, committing to align the country's national carbon market development with CCP standards, a significant signal given that Southeast Asia represents one of the largest potential sources of high-integrity nature-based credits globally.¹⁸ France's Carbon Credit Charter, supported by 17 companies and launched at ChangeNOW 2025, commits participating organizations to use only credits aligned with the CCPs, extending the high-integrity framework from a market governance instrument to a national industrial policy lever.¹⁹

5.2 Social Integrity as a Non-Negotiable Quality Dimension

The integrity conversation in carbon markets has historically been dominated by technical and methodological concerns: additionality, baseline construction, monitoring precision and permanence protocols. What has become unmistakably clear through the governance developments of 2024–2026 is that social integrity is not an ancillary co-benefit consideration; it is a constituent element of credit quality itself.

Social integrity is not an ancillary co-benefit. It is a constituent element of credit quality itself.

The CCP's tenth principle explicitly requires that carbon crediting programs comply with social and environmental safeguards, and contribute to sustainable development. This includes mandatory assessment and mitigation of risks to IPLCs, requirements for equitable benefit-sharing, and respect for Free, Prior and Informed Consent (FPIC) principles. The REDD+ methodologies approved by the ICVCM in November 2024 specifically stipulate that projects must adhere to FPIC protocols and require mechanisms for equitable financial participation by IPLCs in project revenues.⁴

The G7 Principles of High Integrity Carbon Markets, published in 2023 and widely referenced in subsequent national and multilateral frameworks, embed IPLC rights and benefit-sharing as explicit requirements for what constitutes a high-quality carbon credit.²⁰ The G7 position reflects a structural lesson drawn from the legacy market failures: projects that excluded or marginalized the communities on whose land they operated were not merely ethically deficient; they faced higher reversal risks, greater regulatory exposure, and diminished long-term viability. Community opposition to carbon projects has been a material factor in project cancellations, credit invalidations and high-profile media investigations.

The UNDP's Toolkit is explicit on this point: IPLCs, women, and other rights-holders must actively participate in the design, implementation and governance of carbon market activities, not merely as consultation subjects, but as principals in project governance structures.¹⁶ Benefit-sharing arrangements must be transparent, pre-agreed and independently verified. In the most advanced market contexts, the percentage of gross credit revenues allocated to host communities is becoming a disclosed metric reviewed by institutional buyers as part of procurement due diligence, a development that would have been inconceivable in the volume-driven era.

The commercial logic of social integrity has become self-reinforcing: projects with demonstrably strong IPLC relationships, formal benefit-sharing agreements, and FPIC documentation gain access to premium pricing channels, attract institutional investors, and reduce the risk of the non-permanence events (land encroachment, political opposition, project abandonment) that destroy credit value. Social integrity is, in the most pragmatic economic terms, a risk-reduction strategy with direct pricing implications.

6 Risks to the Thesis

The direction of travel described in this report is well supported, but its pace is not guaranteed. Four risks deserve honest treatment.

Scale. CCP-labeled credits remain a small fraction of both annual issuance and the roughly 1 billion tonnes of unretired supply. The premium segment could remain a niche for years, with the bulk of the market continuing to transact on price. The thesis assumes the premium segment sets the market's direction; it does not yet set its volume.

Governance concentration. The ICVCM and VCMi are private, voluntary bodies whose authority rests on continued adoption rather than statute. A significant over-crediting failure under a CCP-approved methodology would damage not only a project category but the label itself. The two-tick architecture is only as credible as its most recent approval.

Demand durability. Corporate credit demand is discretionary. A plausible response to rising claim standards is not upgrading but exiting: companies quietly retiring fewer credits and making no public claims at all, a pattern sometimes described as greenhushing and already visible in some sectors. Regulatory tightening raises the quality bar and simultaneously shrinks the pool of buyers willing to clear it.

Concentration of forward demand. The durable CDR price structure rests on offtake commitments from a small number of anchor buyers. A pause by two or three of them would materially reshape the forward curve that current pricing assumes.

None of these risks reverses the structural shift; each conditions its speed. The indicators worth watching are the CCP-labeled share of retirements (rather than issuance), the breadth of the offtake buyer base, and whether Article 6 corresponding adjustments move from framework to routine practice.

7 Strategic Recommendations

7.1 For Corporate Sustainability Officers and Procurement Teams

Recommendation 1: Build a Portfolio Architecture Around the Mitigation Hierarchy, Not Credit Volume

The foundational error of the legacy market was using credit volume as a proxy for climate credibility. The VCM Claims Code, CSRD disclosure requirements and the regulatory trajectory in the EU and UK together impose a different architecture: internal emissions reduction first, credits for residual unavoidable emissions only. Sustainability officers should couple credit procurement tightly to the verified near-term SBTi trajectory: define a credible internal reduction curve first, then size the credit portfolio against the residual gap that operational measures cannot close within the target period. This reordering transforms the credit desk from a compliance offset function into a precision climate finance instrument, and eliminates the legal exposure attached to claims made without an underlying decarbonization foundation.

Recommendation 2: Adopt a Two-Axis Quality Screen for All Credit Procurement

Procurement policies should be updated to require, at minimum, (i) that all credits originate from CCP-Eligible programs, and (ii) that credits used to support any public claim carry the CCP-Approved methodology label. For credits not yet carrying the CCP label, require registry evidence of CCP-Eligible program status and written confirmation from the project developer of the methodology's current assessment status with the ICVCM. Apply an independent quality rating screen (Sylvera, BeZero, or Calyx Global ratings) as a secondary filter, targeting credits rated BBB or above. Maintain an audit-ready documentation pack (registry serial numbers, CCP label confirmation, rating evidence, IPLC safeguard documentation) that can be presented to auditors, investors, and regulators on demand. The EU's Empowering Consumers Directive and CSRD assurance requirements make this documentation pack a legal necessity, not a best practice.⁹

Recommendation 3: Begin Transitioning Toward Durable Removal Allocations Now

The Oxford Principles for Net-Zero Aligned Carbon Offsetting and the direction of SBTi's newly released Net-Zero Standard 2.0 both point toward an increasing

requirement for durable carbon dioxide removal in high-integrity portfolios particularly for residual emissions attributable to long-lived industrial processes.^{21–22} Corporate buyers who establish early offtake relationships with biochar, enhanced rock weathering, and DAC developers in 2025–2026 will likely benefit from more favorable pricing than later entrants, as supply constraints in the durable CDR sector are expected to persist through at least 2028. Forward contracts with reputable CDR developers structured with quality assurance clauses tied to CCP-eligible methodologies and verified by third-party MRV providers represent the most risk-adjusted approach to building permanence exposure in a portfolio.

7.2 For Carbon Project Developers and Credit Issuers

Recommendation 1: Accelerate Methodology Transition to CCP-Approved Frameworks

For developers operating projects under legacy methodologies particularly the five excluded Verra REDD+ frameworks, the commercial pathway is clear: transition to CCP-approved methodology equivalents as rapidly as the requantification process permits. Credits issued under legacy methodologies face structural illiquidity in the premium buyer segment, narrowing year-on-year as institutional buyers implement CCP-aligned procurement policies and CSRD-aligned companies require audit-ready quality documentation. The transition involves costs: requantification may reduce credit volumes, and methodology updates require third-party re-verification. However, the price differential attributable specifically to CCP labeling averages an estimated 8–14%, within a gross observed spread of approximately 25% between labeled and unlabeled credits (the remainder reflecting quality characteristics that would command a premium independent of formal labeling), and substantially higher in specific category comparisons, providing clear economic incentive for methodological modernization.² The alternative is an accelerating exit from premium markets with no credible re-entry pathway.

Recommendation 2: Embed Social Integrity Infrastructure at the Project Design Stage

Developers seeking to access institutional buyers, particularly European corporate buyers subject to CSRD and the regulatory frameworks emerging from the UNDP and G7 High Integrity Carbon Markets principles must treat social integrity documentation not as a post-hoc compliance exercise but as a project design component.^{16, 20} This

means establishing verifiable FPIC documentation processes with IPLCs prior to project registration, alongside independently verified benefit-sharing agreements that specify exact percentage revenue allocations to communities. Furthermore, it requires embedding functional community grievance mechanisms directly into project governance structures and maintaining comprehensive engagement records that prove continuous consent, rather than a single, one-time consultation. Buyers are increasingly requesting this documentation as part of procurement due diligence, and premium pricing access is increasingly conditioned on its quality. Projects with strong social infrastructure are also demonstrably less susceptible to non-permanence risks, improving their risk profile with credit insurance providers and institutional investors.

Recommendation 3: Engage Article 6 Corresponding Adjustment Architecture Proactively

As the two-tier registry system agreed at COP29 becomes operational, it should be noted that corresponding adjustments are a legal requirement under Article 6 only for credits used toward NDC accounting or authorized international transfers; for voluntary corporate claims, credits carrying corresponding adjustments reflect an emerging buyer preference rather than a regulatory mandate. Nevertheless, developers that have proactively engaged with host-country governments on Article 6.2 bilateral arrangements will be positioned to issue the highest-tier credits in the market.⁷ The process of securing corresponding adjustment authorization is administratively complex and politically sensitive in many developing country contexts and the timeline from project registration to authorized credit issuance can extend over multiple years. Developers who initiate this engagement early leveraging the technical assistance infrastructure provided by the UNDP Climate Promise and the World Bank Carbon Initiative for Development will command a structurally differentiated product that commands the highest available price premiums and faces the lowest regulatory risk in forward compliance market integration scenarios.^{15, 23}

Conclusion

The voluntary carbon market's 'Flight to Quality' is not a temporary market correction but a structural realignment of permanent consequence. The institutions, frameworks, and pricing signals now in place, the ICVCM's CCP two-tick architecture, the VCMI's mitigation-hierarchy-based Claims Code, the UNDP's social integrity toolkit, the Article 6 registry infrastructure, and the EU's regulatory green claims framework have collectively eliminated the conditions under which low-quality credits could sustain institutional market access. The question facing all market participants is not whether integrity will be the central organizing principle of the next phase of carbon market development, but how rapidly they will reposition to operate within it.

For those who move decisively (corporate buyers building defensible, CCP-aligned portfolios anchored to verified decarbonization trajectories, and developers transitioning to approved methodologies while investing in social integrity), the market rewards are material. For those who do not, the combination of regulatory exposure, institutional illiquidity and reputational risk attached to legacy holdings constitutes a slow but structural value erosion that no volume strategy can outrun.

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