

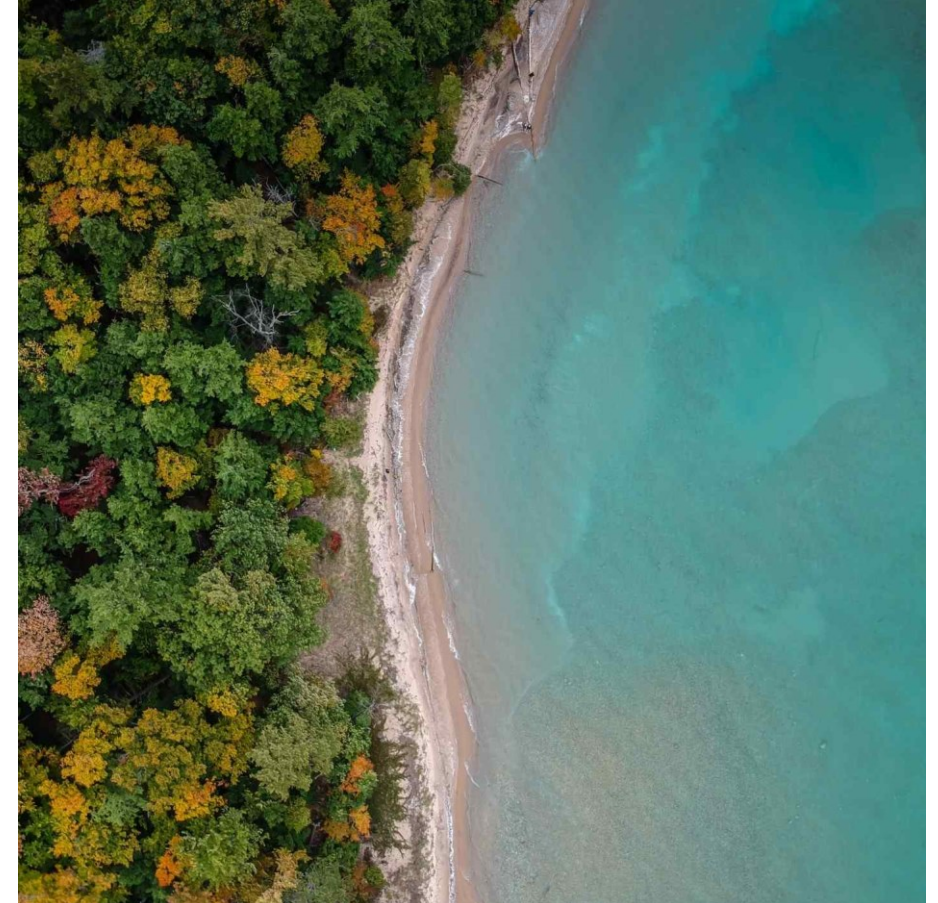
The role of voluntary and compliance carbon markets in carbon farming

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Conference “Carbon farming - New potential for farmers or greenwashing?”

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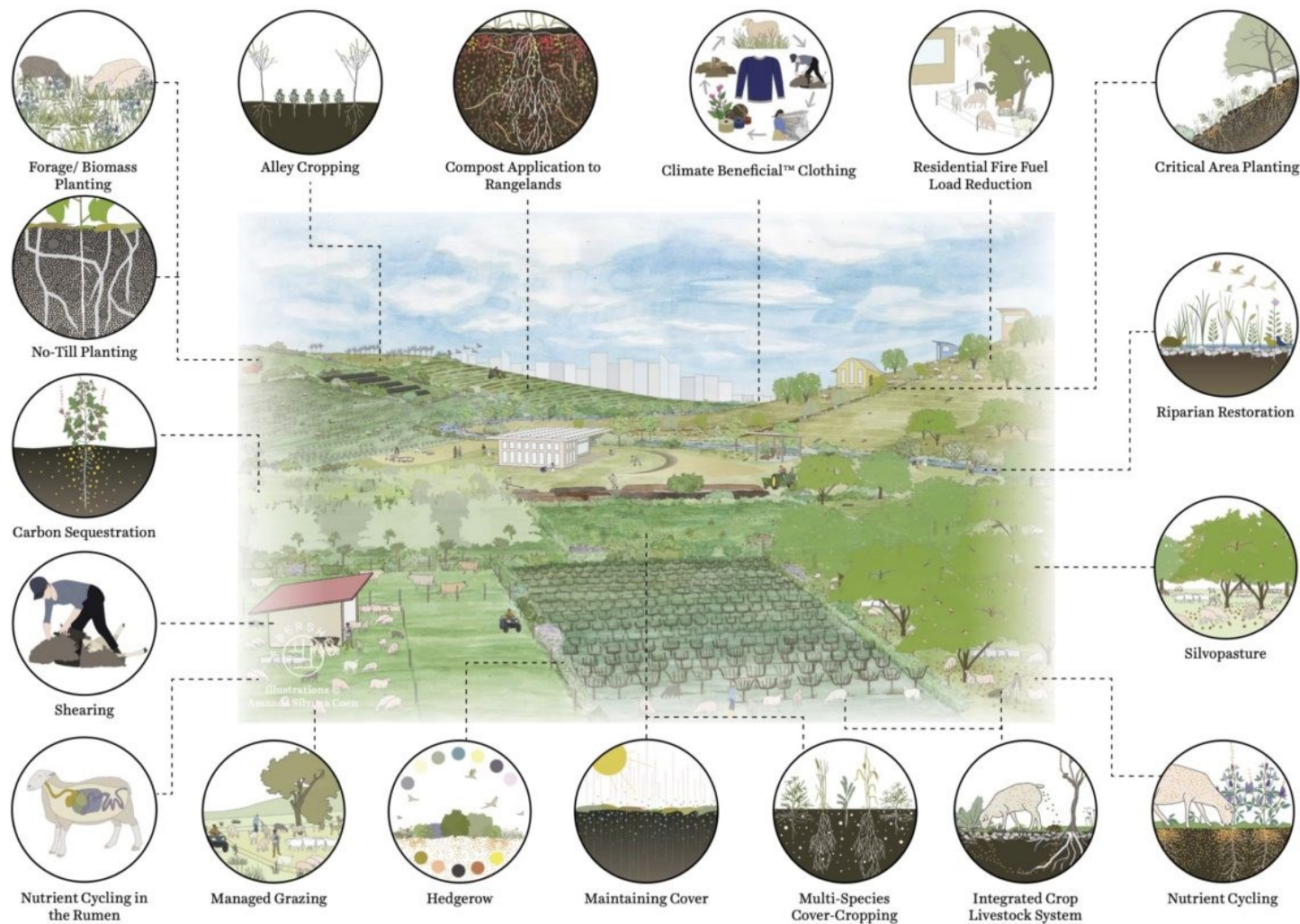


Agenda

- The potential for GHG mitigation in the agricultural sector
- Voluntary and compliance carbon markets as incentives for agricultural carbon removal
- The key role of environmental integrity to enable carbon markets to play a growing role for carbon farming in the long term



Greenhouse gas mitigation in agriculture



- Agriculture has **multiple opportunities to reduce GHG emissions** and to **remove carbon from the atmosphere**
- A lot of this potential **remains untapped**
- There is **no universally accepted definition** of “carbon farming”
 - **Removals only?**

Source: Carbon Cycle Institute (2023)

Carbon markets are an effective tool to incentivize **greenhouse gas emission reductions** and **removals** internationally and domestically

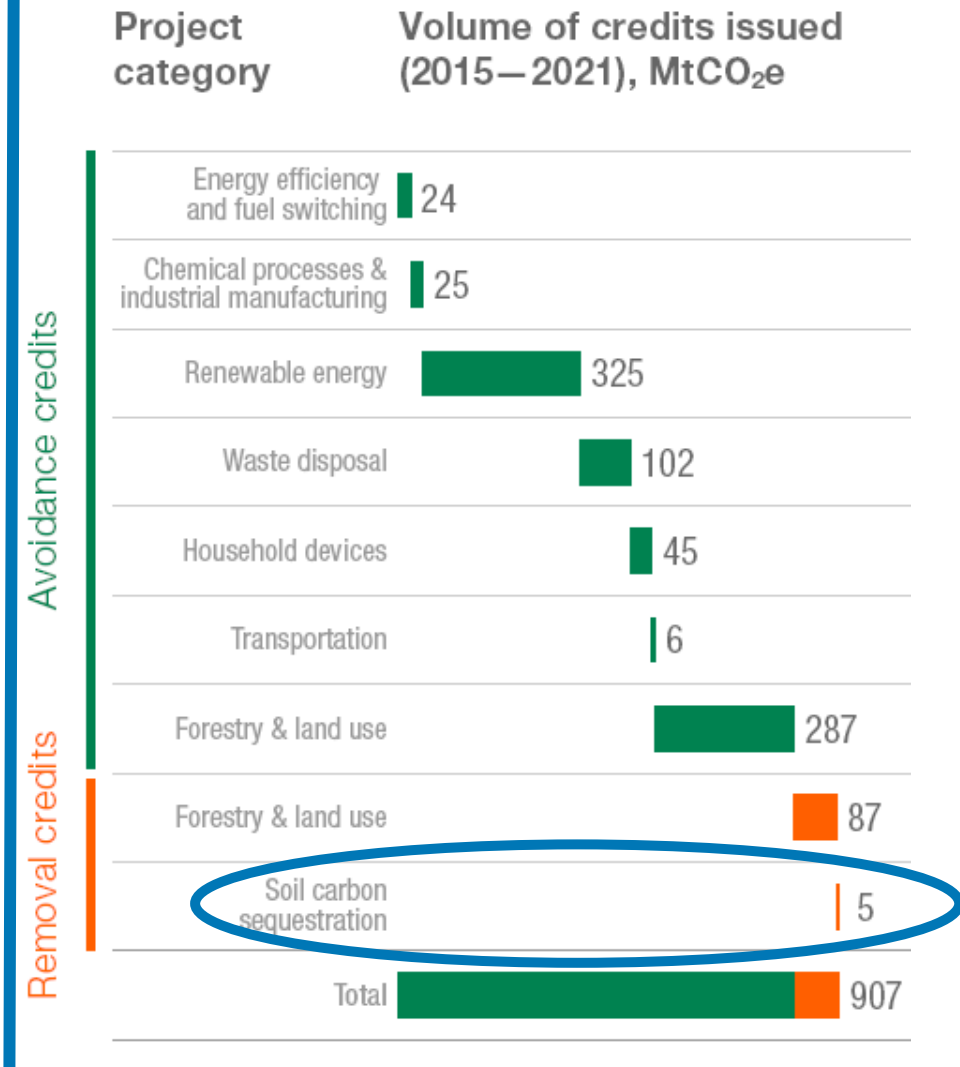
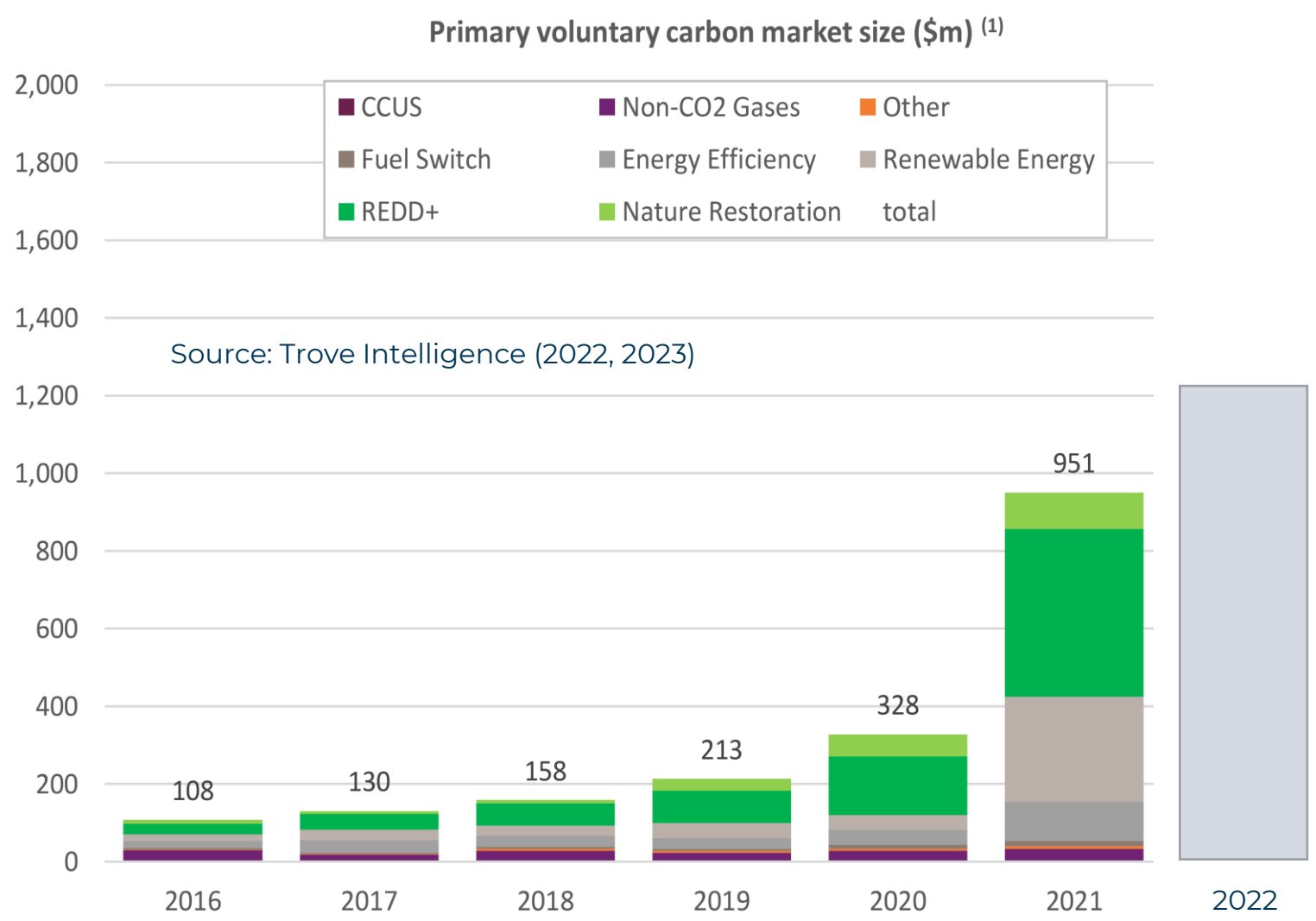
Compliance markets

- are created and regulated by **mandatory national, regional, or international emission reduction regimes**
 - **Article 6** under the Paris Agreement, previously Kyoto Mechanisms
 - **National emissions trading schemes**
 - **Using of emission credits against domestic mitigation policies** (carbon taxes)

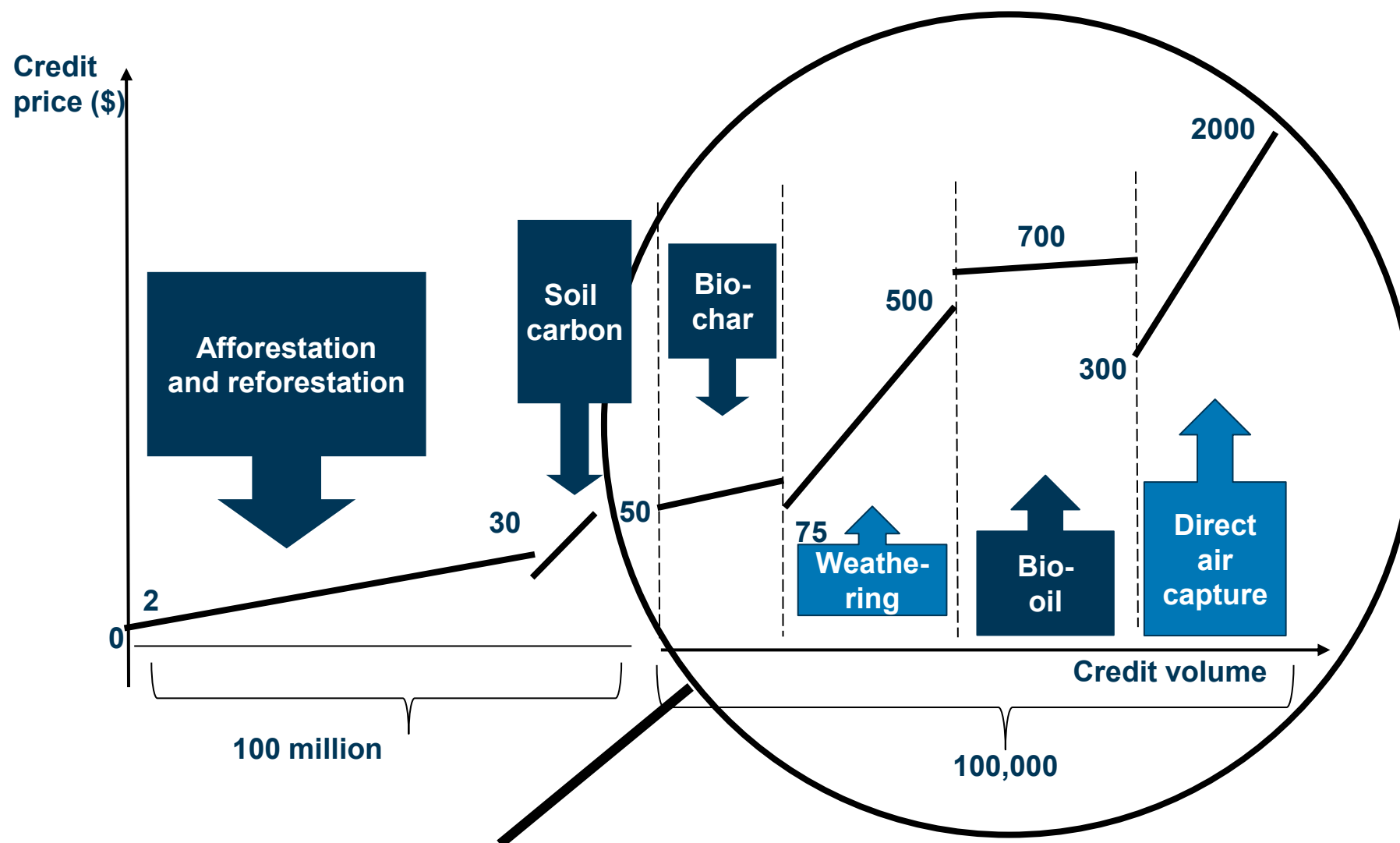
Voluntary carbon markets

- allow businesses and individuals to purchase emission credits on a voluntary basis with **no intended use for compliance purposes**
- currently worth 1.2 billion \$ annually, **growing rapidly until 2022**, but still much **smaller than the compliance markets** (~100 billion \$)
- **removals** market very small in volume, but with **very high prices** and growing **very quickly**

Voluntary market: gold rush and credit types

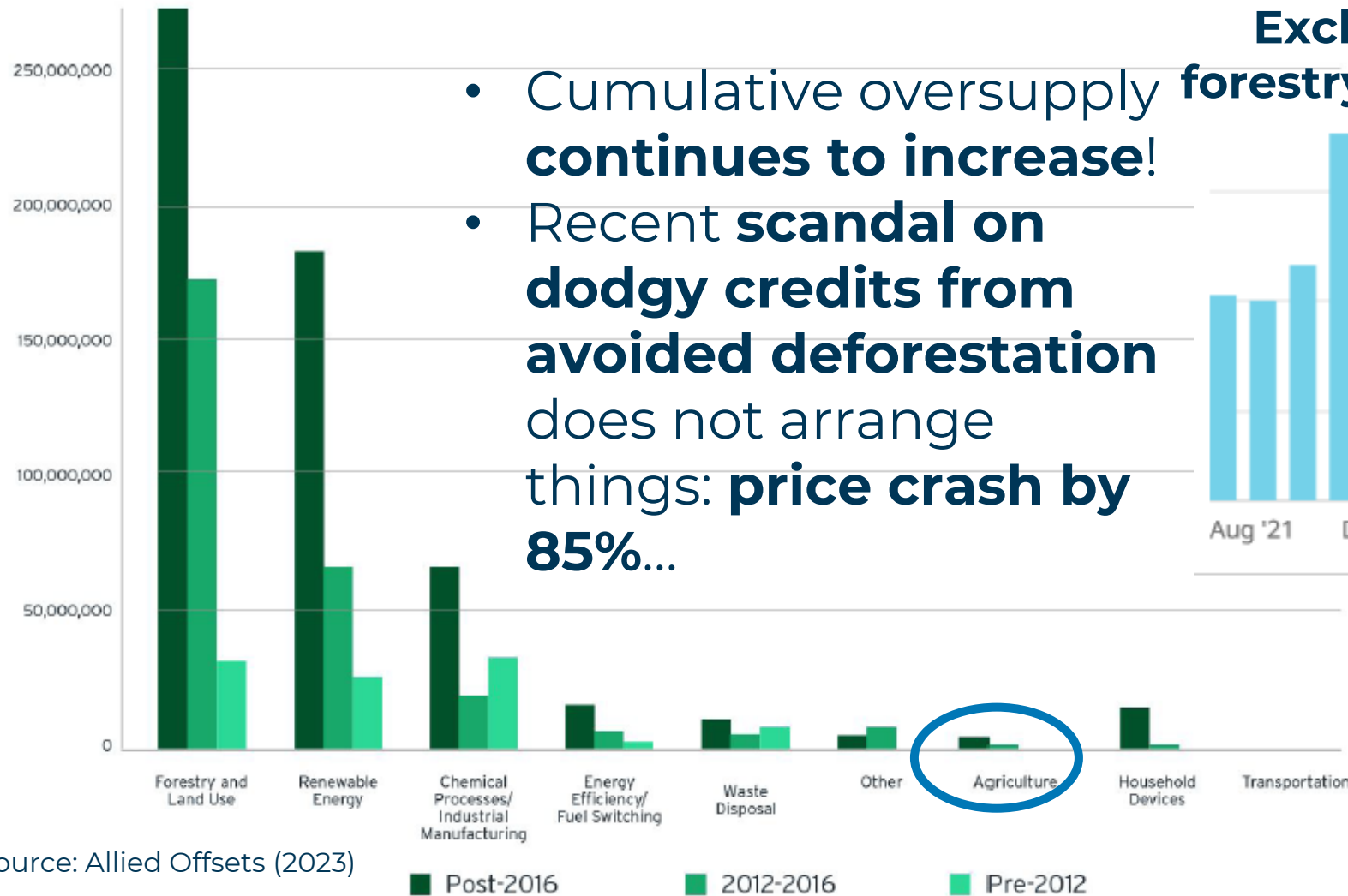


Removal credit prices and quantities



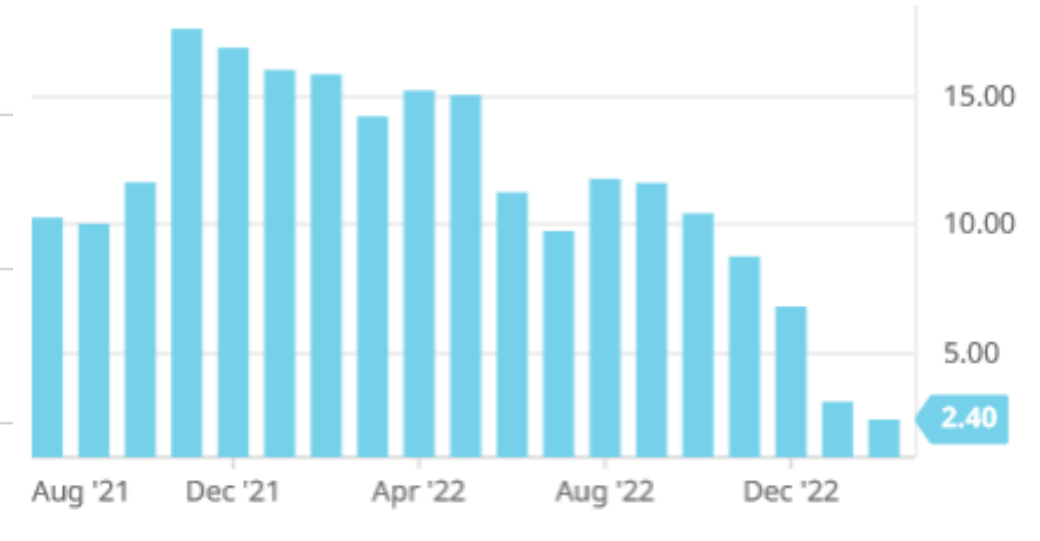
- Extremely **wide range** of prices and quantities: several orders of magnitude!
- **Carbon farming relevant removals** fetch good prices

Unsold credits and LULUCF credit price crash



- Cumulative oversupply **continues to increase!**
- Recent **scandal on dodgy credits from avoided deforestation** does not arrange things: **price crash by 85%...**

Exchange prices (N-GEO) for forestry and agriculture credits (\$)

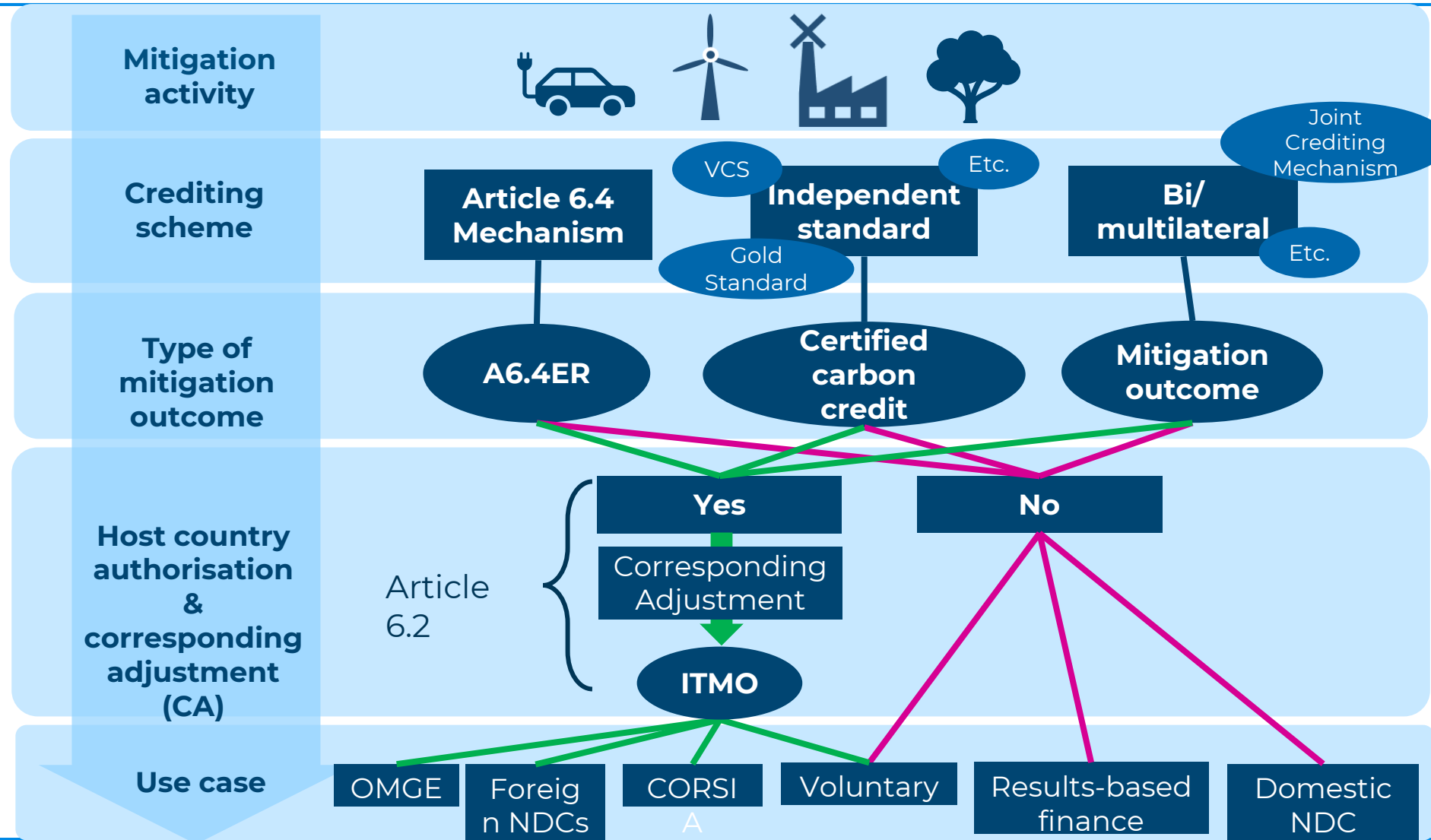


Source: Allied Offsets (2023)



- **Article 6** of Paris Agreement sets up **two forms of international carbon markets**
 - Article 6.2: **bilateral** agreements, no international oversight
 - Article 6.4: **international mechanism** with oversight by Article 6.4 Supervisory Body
- Art. 6 covers **emission reductions** and **removals** generated from **2021 onwards**
- **Specific requirements for removals**
 - **minimising** the risk of **non-permanence** of mitigation across **several national target periods**
 - when **reversals** of emission removals occur, ensuring that these are **addressed in full** (Art 6.2)
 - **45 year crediting period** (Art 6.4).
- **Key principles** of Article 6.4 mechanism
 - Contribute to increasing **ambition**
 - Demonstrating **additionality**: activity shows it is mobilized by the incentives from credit sales
 - Taking into account **all existing national mitigation targets** and related policies / practices
 - Setting baselines **below** business-as-usual (BAU)
 - Addressing uncertainties in quantification and **preventing overselling**
 - Addressing potential **leakage**

Article 6 interplay with voluntary market



Source: adapted from Perspectives Climate Group (2021)

- Carbon markets are an **important tool to harness carbon farming**
- EU CRCM should **not shy away from a market for carbon farming credits**
 - EU originally was **quite open to emission credit markets**, but became strongly opposed to them; such opposition should not become “ideological”
 - Emission credit markets if correctly designed can **significantly contribute to climate change mitigation ambition!**
- EU should learn **lessons from voluntary and compliance credit markets**
 - **Additionality testing** and **baseline setting** need to be stringent
 - Perspectives’ work on removals methodologies for voluntary market (CCS+ initiative)
 - **Transparency** is key
 - **Monitoring** approaches and **liability for reversals** need to be credible
- Farmers should **not expect miracles from emission credit markets**: they can provide **relevant revenue**, but will not become comparable to **current agricultural subsidies**

Thank you!

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