



# The Time is Now: Harnessing Global Carbon Markets to Finance Climate Action

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Negotiations in Baku faltered on many fronts – but progress on Article 6 built momentum for private sector investment into a globally connected market.

The outcomes of COP29 held in Baku, Azerbaijan have received a mixed reception. With a central focus on climate finance, delegates signed a New Collective Quantified Goal (NCQG) in which developed countries agreed to take the lead on delivering at least \$300 billion per year by 2035 to developing economies in order to finance climate action. It's not enough, so what's the role of carbon markets in closing the gap?

While this commitment marks an increase from the previous \$100 billion per year goal, it falls short of the \$1.3 trillion needed annually by developing economies, excluding China, to respond to the global climate emergency. And accounting for inflation, by 2035 the newly agreed sum will be worth only slightly more than the previously agreed target.

The COP29 text does include a larger goal to raise \$1.3 trillion by 2035, referencing 'innovative sources of finance' and 'non-debt creating instruments' as means for achieving it. In doing so, the text creates space for carbon markets, and corporate investment in carbon credits, to contribute.

The need for scaled-up, high-integrity carbon markets was made apparent in the negotiations, as well as in the growing number of countries vocalizing an interest in establishing and growing carbon markets within their borders. Indeed, by finalizing rules for UN carbon markets under Article 6, **COP29 sent an important signal that the global carbon market is ready to be implemented as a critical tool to finance climate action and ambition.**

Photo Credits:

Top left: Malaysia Pavilion, ASEAN Carbon Markets Event

Bottom left: Pakistan Carbon Market Launch Event

Top right: We Mean Business Flagship Event

Bottom right: Mark Kenber, Lydia Sheldrake & Bianca Gichangi; from VCMI at COP29



## What COP29 meant for the carbon markets:

- **High-integrity carbon markets will be essential** in contributing to the \$1.3 trillion sum set out in the NQCG, providing one tool among many to channel innovative, debt-free finance to the countries that need it most.
- With rules for Article 6 concluded, COP29 brought **certainty to the market**. 6.4 standards provide the structure needed to scale UN trading of carbon credits.
- **Article 6 markets and voluntary carbon markets are converging**, paving the way for a globally integrated market and in turn, greater private sector investment.
- **Companies can choose which credits to buy** whether from Article 6 approaches, or Voluntary Carbon Market standards, depending on specific contexts and use-cases, with ICVCM's CCP's providing a valuable lens to evaluate credit quality.



Lydia Sheldrake, UN Goals House, Climate Finance Event

## Global momentum is building:

Standard-setting organizations have established the foundations for market integrity, and many countries especially in the Global South have also laid the groundwork.

- Through our [Access Strategies program](#), VCMI is **working with host countries** to ensure that carbon markets maximize the environmental, social and economic benefits carbon finance can bring.
- ICVCM's [approval](#) of three REDD+ methodologies ushers in a **new generation of high-quality projects**, which work closely with Indigenous peoples and local communities to deliver a meaningful supply of reduced emissions alongside nature and biodiversity conservation.
- Together with the World Bank and others, VCMI has created a [framework](#) to **guide the development of a host country's carbon market strategy**. This will be expanded into more detailed guidance and a toolkit over the coming year. Sign up to our [newsletter](#) to receive updates.

Governments are beginning to step up but more is required to give the policy signals and incentives the private sector seeks in order to invest with confidence.

- The UK [announced](#) new [principles](#) for voluntary carbon and nature market integrity, aligned with VCMI's Claims Code of Practice, and joining other countries including the US and the G7 in **recognizing the essential role of VCMs** in the global energy transition.
- Thailand, Malaysia, Indonesia and Singapore [joined with the ASEAN Alliance on Carbon Markets](#) to agree on a common carbon market framework, signaling **growing demand and supply** in the region.
- IOSCO [released its report](#) on 21 good practices to **ensure financial integrity** in voluntary carbon markets and announced a partnership with the World Bank to work with jurisdictions planning to establish and enhance carbon markets.
- The International Chamber of Commerce [published a report](#) recognizing the **importance of VCMs in delivering global net zero** and the integrity standards developed by VCMI.

To realize the opportunity at hand, countries must continue developing harmonized, enabling policies and regulations alongside well-coordinated capacity-building initiatives that empower all stakeholders.

To turn potential into action, we need:

- **Grant-based capacity building for host countries**, supporting them to strategically access climate finance in support of net zero goals and sustainable development transition planning.
- **Clear policy signals and incentives from governments** to give the private sector confidence to invest.
- **Consistent approaches from standard setters**, including how reporting regulations recognize carbon credits, to encourage corporate use of and investment in carbon markets.
- **Consistent use of integrity standards** across policy, NGOs, and business organizations, who can reference ICVCM's CCPs on the supply side of the market and VCMI's Claims Code on the demand side.
- **Tools for companies to act on scope 3 emissions**, such as VCMI's [Scope 3 framework](#), which complements decarbonization programs with carbon market solutions go further, faster on climate action.

In the fight for a livable planet, time is a luxury we cannot afford. Carbon markets offer a tool to channel private sector investment into impactful climate solutions at speed and scale.

On the road to COP30 in Belem, we must continue building momentum, enabling locally anchored, globally connected, high-integrity markets to contribute to the \$1.3 trillion global finance goal and deliver on their promise of accelerating climate action today.

Referring to coordinated global action on climate, UN Secretary-General António Guterres said in Baku: "Failure is not an option." Thank you for your interest in, and support of, our work at VCMI to ensure that high-integrity carbon markets play their role in ensuring success.

In 2025 VCMI will continue working with governments, corporates, business coalitions and host countries to harness the power of carbon markets and deliver much needed finance for climate action. Look out for more information on our goals and workplan in January.

To stay in the loop, we invite you to sign up for our [newsletter](#) and visit our [website](#).

"Past performance is not an indicator of the future. There has been a reform, and we are injecting robustness, transparency and inclusive participation in the market. Don't look at what happened 15 years ago — look at what's happening now."

Mark Kenber, Executive Director, VCMI

