

ClimateTech APPG Evidence Session: Carbon Markets

Session Briefing



Format: Presentations from Firms with Q&A
Date: Tuesday 15th July
Time: 16.00-17.30
Venue: Room T, Portcullis House, 1 Victoria Embankment, London SW1A 2JR

Chair/Facilitator: Charlie Mercer

Objective: For members of the ClimateTech APPG to hear from entrepreneurs developing technology to increase the quality and integrity of the Carbon Markets in the UK; to assess the challenges limiting their growth; and to define the role of Government in unlocking scale.

Context: From startups removing CO2 from thin air, to firms using satellites to monitor tree planting, the UK is home to a carbon markets startup ecosystem that has raised over £800m in investment, and today employs over 1,600 people across the country.

Carbon markets exist to solve the challenge of pricing in the cost of emissions, and Governments around the world have introduced carbon taxes for the most emitting sectors, such as the UK's Emissions Trading Scheme. For all emissions outside of these schemes, however, there is the Voluntary Carbon Market. Here buyers purchase "carbon credits" equal to one tonne of carbon dioxide removed from the atmosphere. Ensuring that a carbon credit does what it claims to do is critical, and this is where the UK's world-leading carbon markets startups come in.

In November 2024, the UK Government published six principles for high functioning carbon and nature markets:

1. Use credits in addition to ambitious actions within value chain
2. Use high integrity credits
3. Measure and disclose the planned use of credits as part of sustainability reporting
4. Plan ahead
5. Make accurate green claims using appropriate terminology
6. Co-operate with others to support the growth of high integrity markets

In 2025, the Government has subsequently conducted a consultation on steps to progress these principles, including outlining the Government's role in endorsing standards, promoting use of carbon credits, outlining the role of standards in transition plans, and supporting legal and accounting certainty, alongside increasing supply of the underlying credits themselves within the UK.

Attendees:

- Steve Race MP (Chair)
- Edward Morello MP
- Lord Graham Evans
- Startup Coalition - Charlie Mercer, Policy Director
- Startup Coalition - Rhys Goodjohn, Tech Trainee
- Sustained - Carl Olivier, Co-Founder
- Ecologi - Sam Jackson, Head of Impact
- Sylvera - Alistair Furey, Co-Founder & CEO
- Kita - Natalia Dorfman, Co-Founder & CEO
- Be Zero Carbon - Joel Gould, Markets & Policy Lead

- **Treeconomy - Emily Houston, Chief of Staff**
- **Supercritical - Dr Mai Bui, Director of Climate Science**
- **DESNZ - Emily Bruzon-Edwards**
- **DESNZ - Shivani Katyal**

Minutes

- The meeting was brought to order and opened at 16.00.
- After introductions from the Chair and the Secretariat, the evidence session was held under the Chatham House rule.
- The following minutes capture the key topics covered.
- The session was temporarily suspended between 16.15 and 16.25 as members had to leave to vote.

What Carbon Markets are

- The session opened with a brief overview from the Secretariat of the typology of Carbon Markets, including the distinction between compliance and voluntary markets. It was set out that the session would focus on the latter.
- The session then heard evidence from four firms representing a range of aspects of the end to end supply and demand of a carbon credit, from carbon accounting, to offset marketplaces, credit ratings agencies, and carbon insurance provision.
- Across the presentations from witnesses, key themes of the VCM came through, including the need to focus on integrity, promoting demand, and climate change mitigation.

The Opportunity of the VCM

- Throughout the session, the opportunity of the VCM to accelerate climate mitigation was highlighted.
- Done well, the VCM offers a fast, efficient, cost-effective route to mitigation.
- There is also an opportunity to mitigate the impact of the Carbon Border Adjustment Mechanism and fund investment in climate resilience and industry in the UK.
- The VCM also offers a route to increase supply chain integrity and efficiency.
- The UK is also well placed to lead the sector worldwide, with a robust and complex financial services ecosystem providing the backing to a new VCM industry.
- There is also a large and growing carbon markets startup sector.
- Other leaders around the world include Japan, Singapore and China.
- Article 6 credits also offer the UK an opportunity to accelerate net zero action, whilst transferring wealth to the Global South where mitigation credits are cheaper (as the opportunity for carbon abatement is greater).
- There was a general consensus from witnesses in the room that we should not make perfect the enemy of the good - and that it is aspirational for there to be demand for credits, whilst simultaneously a conscious and ongoing effort to increase integrity of the underlying credits.

Barriers to demand

- A key area of focus was the motivations for participation in the VCM, including marketing, philanthropy or as part of Transition Plans.
- Critically, the absence of a “stick” means that participation cannot be guaranteed, and recent focus on poor credit quality has undermined trust, led to (in some cases justifiable) greenwashing accusations and therefore demand has taken a hit. There was general consensus from participants in the room that this is not an aspirational outcome for the carbon market, or indeed for the UK’s net zero ambitions.

- Carbon credit insurance was identified as a key enabler of market integrity.
- There was some support from witnesses for increased mandatory use of carbon credits in mandated net zero Transition Plans.
- The fragmented legal and compliance framework around the VCM was highlighted by multiple witnesses as a barrier to the growth of the sector, and there was general support for increased regulation, including of carbon credit ratings agencies.
- There is also an opportunity to increase funding of greenhouse gas removal credits through the UK Emissions Trading Scheme (ETS) - with a consultation response to come soon from the Government.
- There was extensive discussion about the high cost of Greenhouse Gas Removal (GGR) credits in the UK today, in particular through engineered means (e.g. enhanced weathering, direct air capture etc) and the financial and political trade offs between investing in bringing these vs funding nature-based removals abroad.

Key Opportunities for Parliamentarians

- International collaboration was a key theme throughout, including the need for partnership on the future of Article 6 credits, increasing the quality and integrity of international standards (like the ICVCM, VCMI, SBTi), and to support the concept at a global level.
- The short term objective of concluding the ongoing consultation on the role of the Government in supporting the VCNM was captured by many in the room, alongside the need for clarity on funding of GGR credits through the UK ETS.