Accelerating Corporate Climate Finance through Carbon Markets

Overcoming the Challenges

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WE MEAN BUSINESS COALITION

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Contents

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Executive summary

Addressing the climate crisis requires immediate use of all viable tools.

The climate crisis is gathering pace and the world must contend with the growing impacts of extreme weather and rising sea levels as the atmospheric carbon threshold reaches a potentially irreversible tipping point. Without intervention, the current trajectory of global temperature rise will bring devastating economic and humanitarian repercussions, with the world economy estimated to lose up to 18% of GDP by 2050.[1]

Current climate action: The good news

The private sector is now recognized as an important ally and source of capital in driving climate action. Many companies view sustainability as a strategic priority and are increasingly setting explicit emissions reduction targets. As of January 2024, over 4,300 companies have demonstrated their commitment by setting Science Based Targets initiative (SBTi)-approved targets[2,3]. Many companies are also purchasing carbon credits above and beyond the decarbonization of their own operations.[4]

Current climate action: The bad news

Despite these developments, global CO_2 emissions continue to rise, with 2023 global CO_2 emissions from fossil fuels expected to set a new record high.[5] While many companies have made ambitious commitments, some face challenges in meeting their targets. In 2021, only 43% of the S&P 500 companies reporting to CDP, indicated they were "on track" or "almost on track" to meet their stated targets.[6] In the UK, according to the comparable metric, 62% of FTSE 100 companies are on pace to meet their targets.[7]

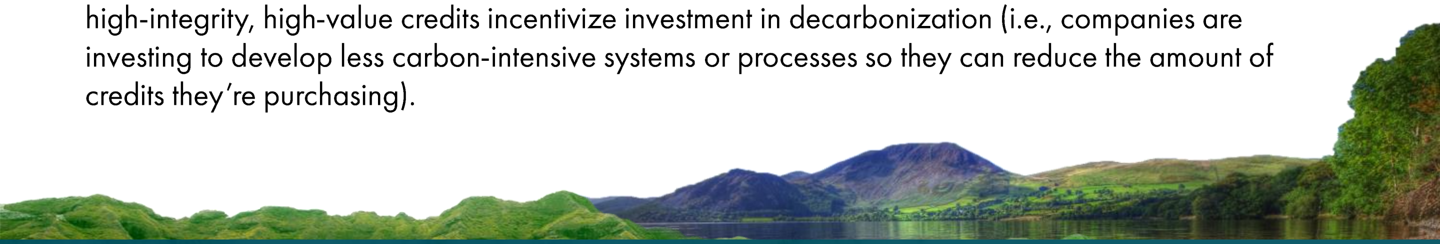
Our survey: The role of the VCM

Flexible market mechanisms, such as the voluntary carbon market (VCM), play an important role in accelerating corporate decarbonization efforts towards net zero goals.

To better understand the motivations behind their engagement in the voluntary carbon markets and the role they play in helping companies reach net zero, We Mean Business Coalition, ICE, and Bain & Company partnered to survey 187 corporate leaders across multiple industries from November to December 2023.

Finding 1: The VCM plays an important role in achieving decarbonization goals across industries and supports internal decarbonization efforts.

Respondents identify climate action as a strategic priority and report that their companies are prioritizing direct abatement efforts. Of respondents participating in the VCM, more than half indicate the VCM is critical in achieving their decarbonization objectives, with more than 60% reporting that high-integrity, high-value credits incentivize investment in decarbonization (i.e., companies are investing to develop less carbon-intensive systems or processes so they can reduce the amount of credits they're purchasing).



Survey findings

1 Approximately **80%** of respondents agree that climate action is a strategic priority, and **61%** agree that their company prioritizes investment in direct abatement.

2 Approximately one-third of respondents purchase carbon credits to meet voluntary goals ("participants"):

- More than **50%** of participants indicate that the VCM plays an important role in their ability to achieve corporate decarbonization objectives.
- More than **70%** of participants note that the VCM enables corporate climate action.
- More than **60%** of participants indicate that high-integrity, high-value credits incentivize investment in decarbonization (i.e., less carbon-intensive systems/processes to avoid purchasing credits).
- Participants are twice as likely to have set an internal carbon price (approximately **40%** of participants state they employ internal carbon pricing).

3 Large companies (defined as those with more than **$20** billion in annual revenue) are responsible for the lion's share of credit purchases and spend two to four times more per credit than smaller companies.

Finding 2: Companies perceive risk and lack sufficient incentive to participate in the VCM at scale.

Survey respondents cite the lack of recognition by climate goal standard-setters, low transparency, and the lack of tangible business incentives as the main factors limiting or preventing their engagement in the VCM.

These challenges were also cited by respondents as barriers to entering the VCM. The number of respondents exiting the VCM represent relatively modest capital outflows but are attributed to similar reasons, suggesting there may be further capital outflows if challenges are not addressed.

Survey findings

For those purchasing credits to meet voluntary targets ("participants"), **61%** of respondents reported the **lack of recognition of credits by climate goal standard-setters** as a leading challenge limiting their engagement in the market.

1 For those that have exited or never engaged with the VCM ("non-participants"), **46%** report **internal opposition to carbon credit purchasing** (e.g., by board of Directors and / or shareholders) as a major challenge (compared to only **18%** of participants).

2 Respondents report several other challenges:

- Unclear rules on making claims and associated risk (**59%** of participants; **27%** of non-participants)
- Lack of transparency on credit quality (**56%** of participants; **36%** of non-participants)
- Complexity of standards/accounting principles (**41%** of participants; **17%** of non-participants)
- Lack of business incentives and recognition from civil society/media (**28%** of participants; **26%** of non-participants)

3 Respondents report a **lack of business incentives and recognition from civil society/media** as a larger barrier to entry to the VCM (**31%** of respondents), rather than as a driver to exit (**14%** of respondents) the VCM.

4 Recent exits represent relatively modest capital outflows (**~$300,000** per annum per company), but are attributed to similar reasons, suggesting more capital may be at risk if current challenges are not addressed.

Finding 3: Addressing the most common challenges would encourage companies to accelerate their participation in the VCM and set more ambitious decarbonization goals.

The challenges cited by respondents are preventing the VCM and, therefore, corporate climate finance from reaching its full potential. Without change, spend and participation in the market are at risk. Most participants have a plan to maintain or modestly increase their annual spend in the VCM in the next two years, yet only approximately one in four respondents not currently participating are considering entering or re-entering the market.

However, if the global community of businesses, standard-setters, and regulators come together to address the challenges highlighted, there is the potential for a meaningful increase in market participation and climate benefits.

Survey findings

1 **Accelerate spend:** The **recognition of carbon credits in setting and achieving targets** by standard-setters (e.g., SBTi) would encourage respondents to accelerate annual VCM spend by an average of **9%** (from **-1%** in the absence of change).

2 **Elevate ambition:** For respondents without near- or long-term targets, the **recognition of carbon credits in setting and achieving climate targets** by standard-setters (e.g., SBTi) would encourage **50%** of respondents to set near-term targets (**56%** for long-term targets), compared to **32%** currently (**37%** for long-term targets).

3 **Encourage market entry: Mitigating the perceived reputational/legal risks** of using carbon credits would encourage **50%** of respondents to enter the VCM (from **22%** in the absence of change).

Conclusion

This survey's results reflect the critical role of the VCM in supporting climate action and demonstrate corporate support for the market. Respondents identified key challenges that have stymied companies' efforts to participate at scale and prevented the market from delivering its full potential. Market facilitators (e.g., standard-setters, market initiatives, media, NGOs) and market participants (e.g., supply-side entities and credit purchasers) all play important roles in addressing these challenges. Progress is already underway to enhance market integrity and provide greater clarity, but market facilitators can do more to strengthen the business incentives for VCM investment by offering greater recognition of and support for companies using high-integrity credits.

These efforts are necessary for carbon markets to meaningfully mitigate the impacts of climate change, but they are not sufficient in isolation. The private sector must help enhance the new standards and guidelines by implementing them while also adopting internal standards for high-integrity participation, learning through action, and collaborating with each other and market facilitators to improve market infrastructure as it scales.

Only through immediate action and continued collaboration can the world scale the use of high-integrity carbon credits to help tackle the climate crisis and deliver meaningful benefits to nature and the economy.

Methodology

This survey aimed to better understand the corporate decision-making process in relation to the VCM.

To better understand the motivations behind the decision to use carbon markets and the role they play in helping companies reach net zero, We Mean Business Coalition, ICE, and Bain & Company partnered to survey 187 corporate leaders across multiple industries from November to December 2023. Additionally, respondents were presented with hypothetical scenarios aimed at addressing market challenges, to better understand how future behavior would change over the next two years if those challenges were addressed.

Respondent demographic overview:

Geographic coverage:
Survey responses represented 27 countries that were distributed across regions: North America (55%), EMEA (30%), APAC (8%), LATAM (7%).

Industry segmentation:
Survey respondents represented a broad range of industries. No industry represented more than 20%, but the most well-represented were Industrials (17%), Technology (16%), Financials (15%), Energy (11%), Consumer Discretionary (10%), based on the Industry Classification Benchmark (ICB).

Throughout this report, we consider two broad categories of respondents (Figure 1):

Participant: a company that buys carbon credits for its own consumption (i.e., retirement) to meet voluntary goals

Non-participant: a company that does not purchase credits for its own voluntary goals; these companies may play another role in the VCM (e.g., credit trading) or may not engage with the VCM at all

Figure 1: Classification of Participant and Non-participant

Survey respondents have been classified based on their engagement with the VCM, as either participants or non-participants. Based on this classification, respondents were directed through different survey pathways.

Question asked to classify respondents	
Which of the following best describes how your company engages with the voluntary carbon market (VCM), if at all?	
Classification of respondents	
Participant	Company that **buys** carbon credits for its **own consumption** (i.e., retirement) to meet **voluntary** goals
Non-participant	• Company that **buys** carbon credits for its **own consumption** (i.e., retirement) to meet **compliance** obligations • Company that **previously bought** carbon credits for its **own consumption** but no longer does • Company that has **never bought** carbon credits for its **own consumption** • Company that **earns or has previously earned revenue through activities in the VCM** (e.g., through supplying / selling, trading, providing service or infrastructure) • None of the above • I don't know

Detailed findings

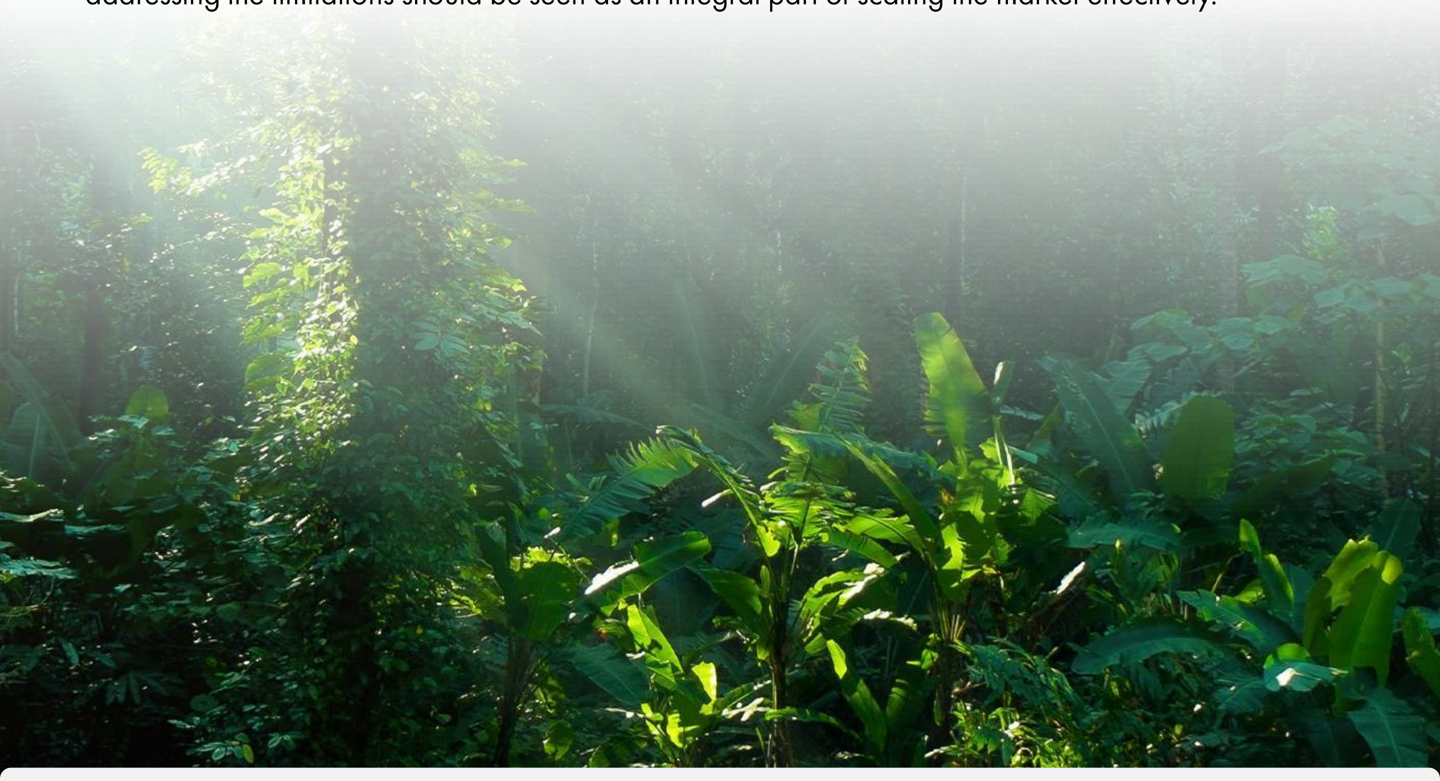
Finding 1: The VCM plays an important role in achieving decarbonization goals across industries and supports internal decarbonization efforts.

While direct abatement remains the priority for corporate climate action, the VCM has the potential to accelerate and scale the deployment of corporate capital to address near-term—and critically underfunded—climate priorities, many of which are found in the Global South. Collectively, these climate, nature, and economic benefits are particularly important in the near term as nascent decarbonization technology is developed further.

Recent reports suggest that companies engaging in the VCM are likely to outperform their peers when it comes to decarbonization and climate action:

- They are more likely to have set science-based targets to address climate change.[8]
- They decarbonize twice as fast as those not engaging in the VCM and more often have well-developed mitigation strategies.[9]

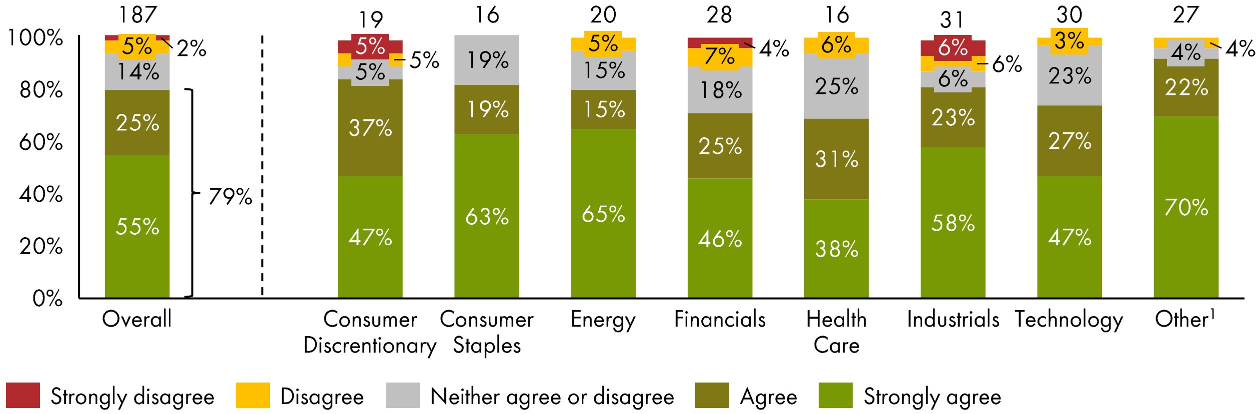
While carbon credit markets—estimated to be worth $1.3 billion in 2022—offer a mechanism to mobilize capital, growth forecasts vary considerably[10]. The broad divergence indicates the uncertainty surrounding the VCM's trajectory. What is clear, however, is the importance of utilizing all resources available in the fight to decarbonize corporate value chains while also mobilizing and incentivizing investment in future solutions. While carbon credit markets are not without challenges and limitations, addressing the limitations should be seen as an integral part of scaling the market effectively.



~80% of respondents surveyed view **climate action as a strategic priority**

Percentage of respondents, overall, and split by industry agreeing or disagreeing that climate action is an important strategic priority

Percentage of respondents (%)



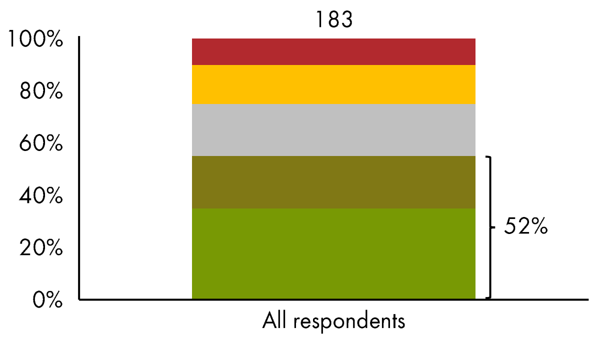
Note: **Q20** : *Reflecting on your company, how strongly do you agree or disagree with the following statement "Climate action is correctly an internal strategic priority for my company"* | Excludes respondents who answered "I don't know / Prefer not to answer" | (1) Other includes Basic Materials, Real Estate, Telecommunications, and Utilities
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

The VCM offers an **important tool to drive corporate climate action**

The VCM is important for companies to meet their decarbonization goals

Percentage of respondents agreeing or disagreeing with the statement that "access to a high-quality VCM is important to meet decarbonization goals"

Percentage of respondents (%)



For participants, the VCM enables additional action

Percentage of respondents agreeing or disagreeing with the statement that "Participation in the VCM enables my company to take additional climate action, that goes beyond what it would do if not buying carbon credits."

Percentage of respondents (%)

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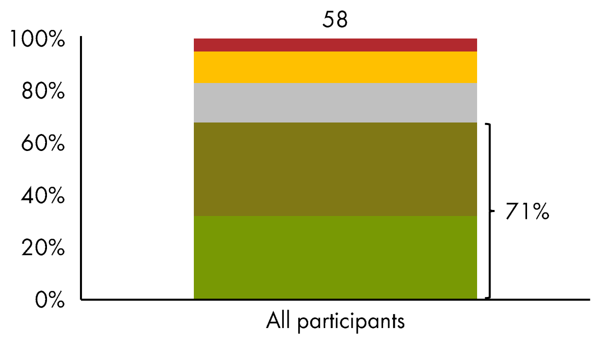

Strongly disagree | Disagree | Neither agree or disagree | Agree | Strongly agree

Note: **Q21**: *Reflecting on your company, how strongly do you agree or disagree with the following statement "access to a high-quality voluntary carbon market is important for my company to meet its decarbonization goals"* | **Q23**: *Reflecting on your company, how strongly do you agree or disagree with the following statement "Participation in the VCM enables my company to take additional climate action, that goes beyond what it would not do if not buying carbon credits"* | **Q21 & Q23** – Excludes respondents who answered "I do not know / Prefer not to answer"
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

>60% of participants indicate the VCM incentivizes investment in decarbonization

VCM incentivizes investment in decarbonization

Ways in which the purchase of high-integrity, high-value carbon credits impact the behavior of respondents *(Respondents select all that apply)*

Percentage of respondents (%)

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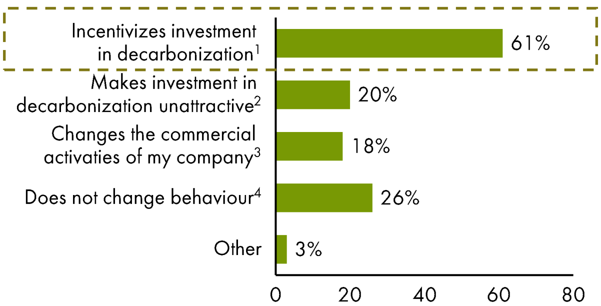
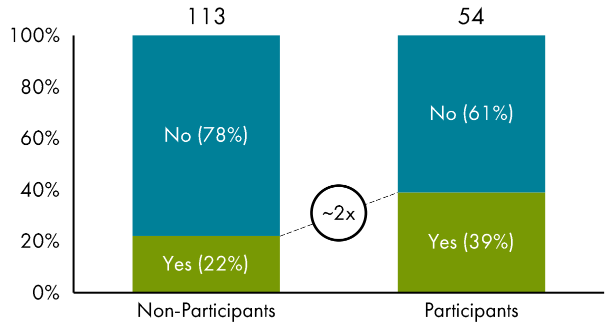


Companies participating in the VCM are nearly twice as likely to have internal carbon pricing

Percentage of respondents that employ internal pricing

Percentage of respondents (%)



Note: ***Q29*** *: How does buying high-integrity, high-value carbon credits change behavior in your company?* | ***Q49*** *: Does your company employ internal carbon pricing?* | **Q29** – Full text of answers (1) The cost of carbon credits incentivizes investment in decarbonization (i.e., the company pursues less carbon-intensive systems / processes to avoid the need purchase credits; (2) The relatively low cost of carbon credits makes investment in decarbonization relatively unattractive (e.g., the company chooses to purchase credits instead of pursuing less carbon-intensive systems / processes; (3) The cost of carbon credits changes the commercial activities my company engages (e.g., choosing not to offer a carbon-intensive product or service); (4) The purchase of high-integrity, high-value credits does not change behavior at my company | **Q29** – Respondents able to select multiple answer options, therefore, percentage of respondents will not sum to 100% | **Q49** – Excludes respondents who answered "I don't know / Prefer not to answer"
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N =187

Large-sized companies **spend significantly more** on credits than others

Median annual spend on carbon credits in the last 12 months split by company size (based on annual revenue)

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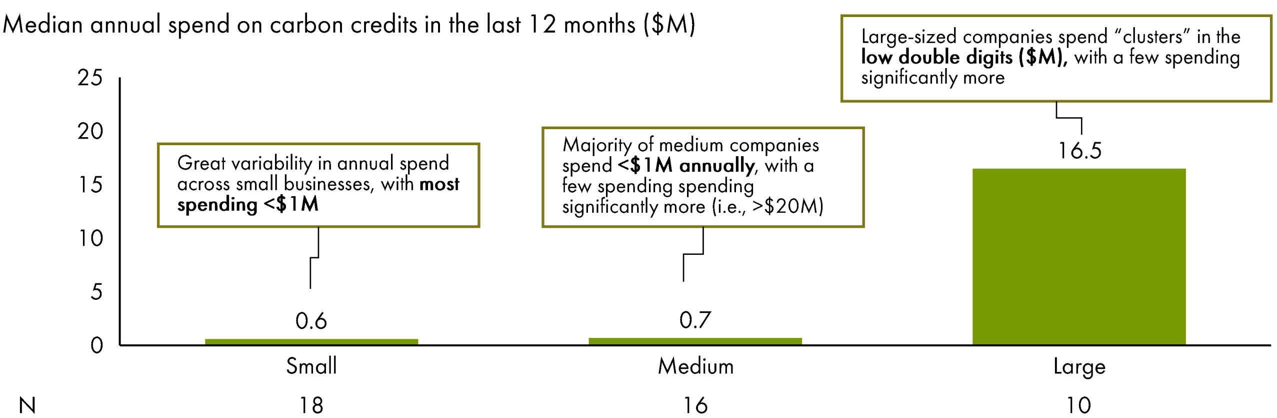
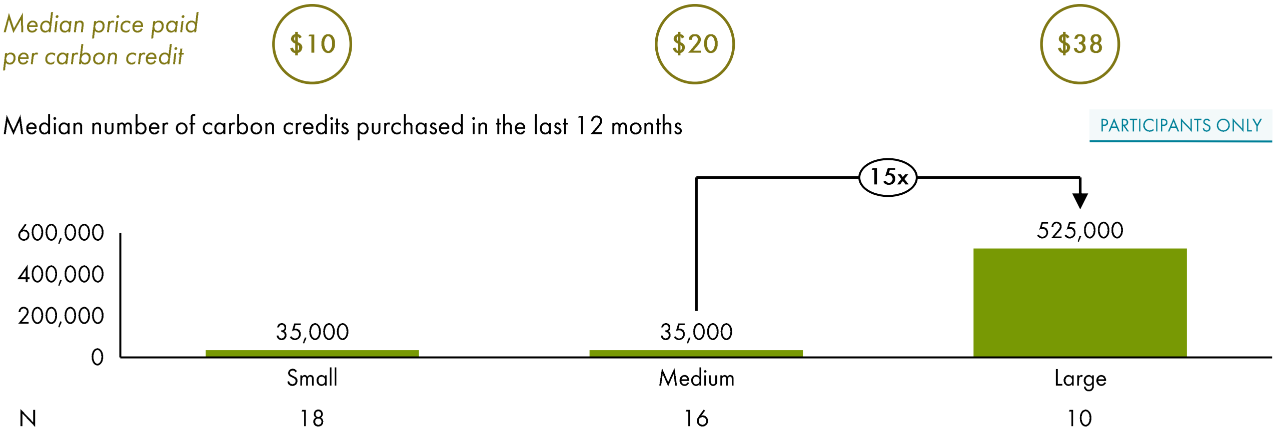
Median annual spend on carbon credits in the last 12 months ($M)



Note: ***Q17****: What was the approximate number of carbon credits your company bought in the last 12 months for your company's own consumption (i.e., refinement)?* | ***Q18:*** *What was the approximate average price per carbon credit that your company bought in the last 12 months for your company's own consumption (i.e., refinement)?* | **Q17 & Q18** - Excludes respondents who answered "I don't know / Prefer not the answer" | Small companies are defined by annual revenue of less than $5B; medium companies between $5B and $20B; large companies of 20B or more | Individual company's annual spend on carbon credits estimated as the number of carbon credits purchased in the last 12 months (Q17) x average price paid, based on the mid-point of answer ranges or 1,5x the upper ad lower ranges (Q18). Median reflects median of company-sized groups based on revenue | $ means USD
Source: Corporate Climate Finance Survey Nov'-Dec' 23; Total survey N - 187

Large-sized companies **purchase significantly more** credits at **~2x and ~4x the price** of medium and small companies respectively

Median number of carbon credits purchased in the last 12 months split by company size (based on annual revenue)

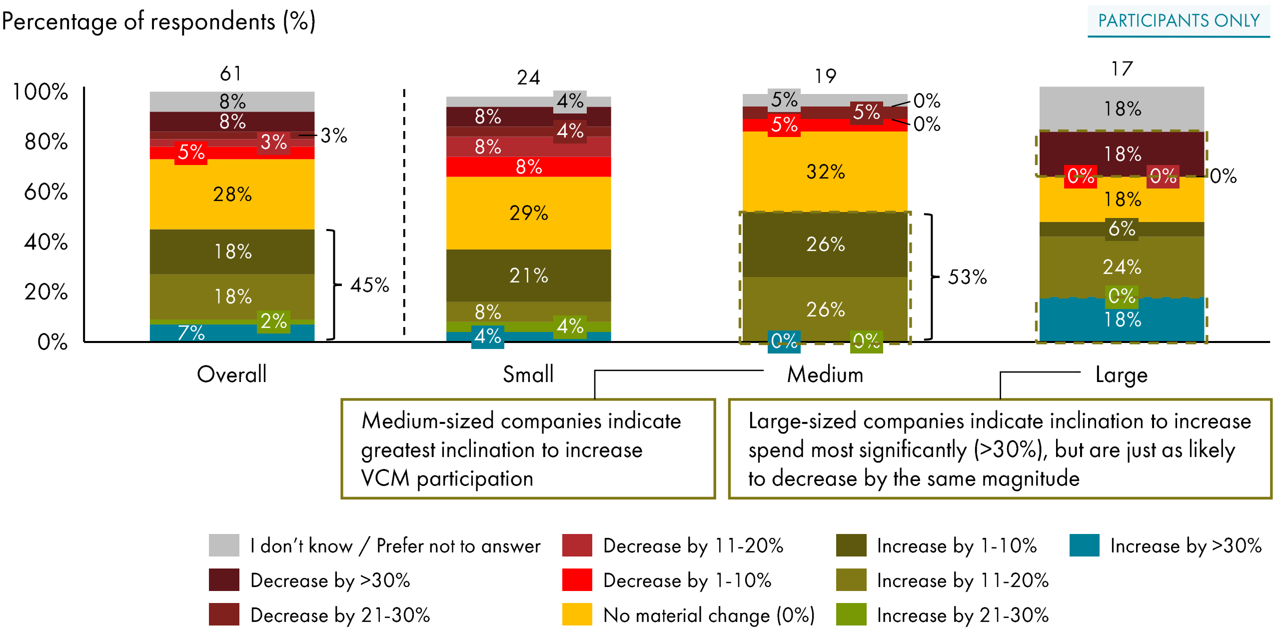


Note: *Q17*: *What was the approximate number of carbon credits your company bought in the last 12 months for your company's own consumption (i.e., refinement)?* | ***Q18:** What was the approximate average price per carbon credit that your company bought in the last 12 months for your company's own consumption (i.e., refinement)?* | **Q17 & Q18** – Excludes respondents who answered "I don't know / Prefer not the answer" | Small companies are defined by an annual revenue of less than $5B; medium companies between $5B and $20B; large companies of $20B or more | Median carbon credit price estimated using mid-point of each price bracket, taking 1,5x of the upper and lower ranges; Median number of carbon credits estimated using the same method | $ means USD

Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

~50% of respondents intend to modestly increase VCM spend over the next 2 years

Likelihood of an increase in annual spend ($) on carbon credits in the next 2 years, for participants under current conditions, split by company size (based on annual revenue)



Note: ***Q33** : In the next 2 years how do you expect that your company's annual spend ($) will change, if at all, compared to the next 12 months?* | Small companies are defined by annual revenue of less than $5B; medium companies between $5B and $20B; large companies of $20B or more | $ means USD | Overall N (61) includes 1 respondent who answered "I don't know to ***QX5:** Approximately, what is your company's total annual revenue (USD)?* ...and therefore is not included in Small / Medium / Large groups

Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

Finding 2: **Companies perceive risk and lack sufficient incentive to participate in the VCM at scale.**

Current standard-setters in the corporate net zero ecosystem, such as Greenhouse Gas Protocol (GHG Protocol) and SBTi, do not recognize voluntary investments in carbon markets for greenhouse gas (GHG) accounting or target achievement purposes. These institutions rightly emphasize the need to prioritize direct decarbonization efforts, but some argue that the standards limit the flow of capital to near-term mitigation opportunities that can be facilitated through mechanisms such as the VCM.

Anecdotally, the lack of clear guidance for using carbon credits during the transition to net zero, the increasing external scrutiny, and the risk of legal action over carbon mitigation efforts, such as carbon neutrality claims, have led some companies to reduce their carbon credit procurement efforts.[11,12,13,14]

As a result, the VCM is facing serious challenges:

- Some companies perceive a potential **reputational risk** from participating in the VCM: Enhancing the market's **quality control and integrity** will be essential to building trust and scaling the market.
- The true climate impact, economic efficacy, and scientific merit of VCM projects continue to be debated: The scientific and expert communities hold differing views as to whether the VCM is net positive for climate.
- Companies currently **lack sufficient incentives** to overcome the risks, ambiguity, and costs of purchasing credits at scale: There is **no clear role for carbon credits** in their target setting or path to net zero.

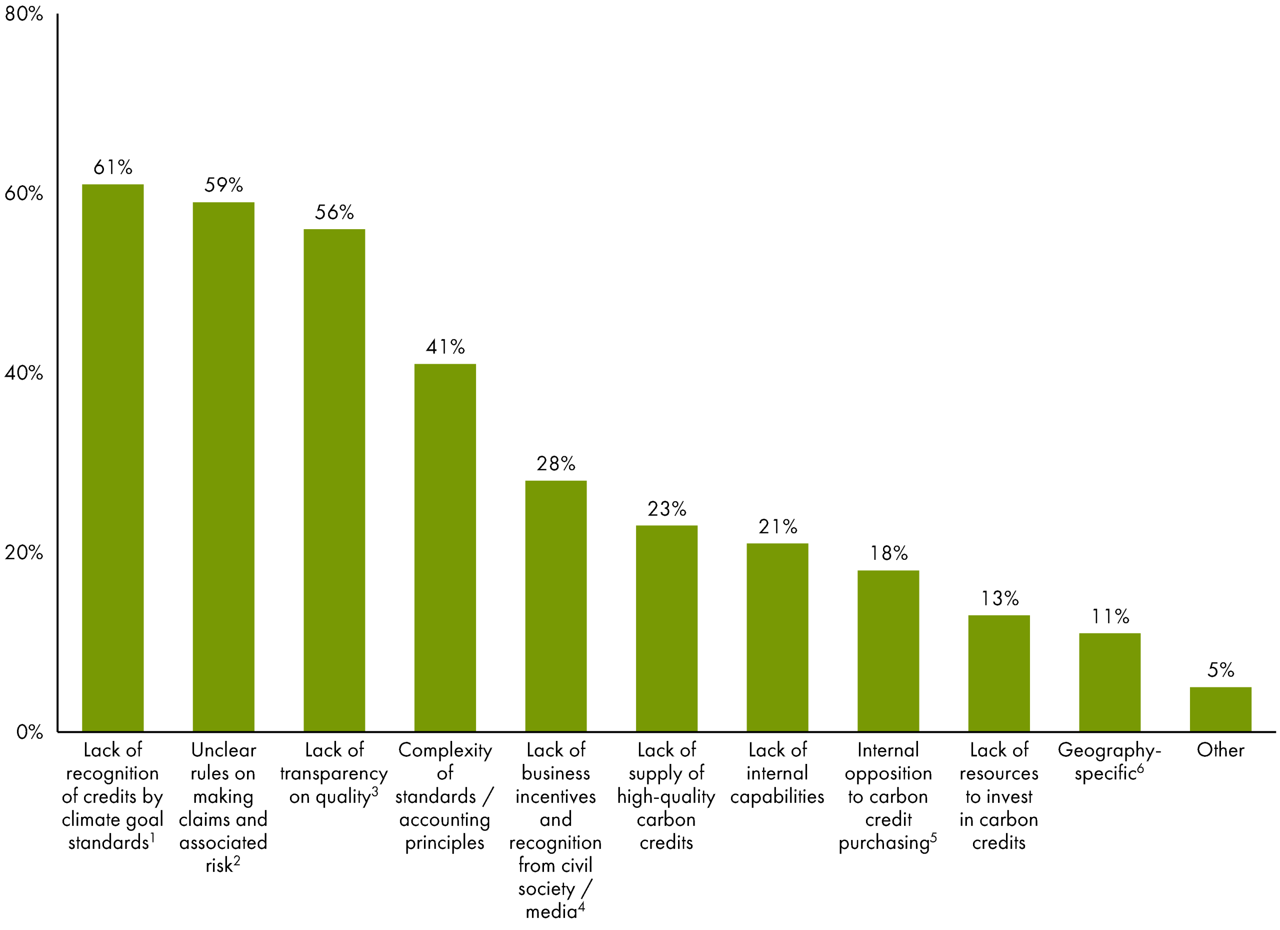
The need for credit quality assurances and enhanced market integrity is well understood, and buyers recognize the issues as major obstacles to further climate action. Standard-setters are making progress in bringing better clarity to the VCM. In 2023, the Integrity Council for the Voluntary Carbon Market (IC-VCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI) both published updated guidance related to the supply side and demand side of the market, respectively.[15,16,17] The SBTi also engaged in public discussion regarding Beyond Value Chain Mitigation guidance.[18]

At COP28, in December 2023, all three organizations (IC-VCM, SBTi, and VCMI), together with We Mean Business Coalition (WMBC), GHG Protocol, and CDP, announced their collaboration to "deliver clear, cohesive standards for corporate climate action" through an "end-to-end integrity framework", giving companies increased confidence to invest in high-integrity carbon markets as part of net zero strategies.[19]

Lack of recognition is the most common challenge limiting VCM engagement

Key challenges faced by respondents when participating in the VCM *(Respondents select up to 4)*

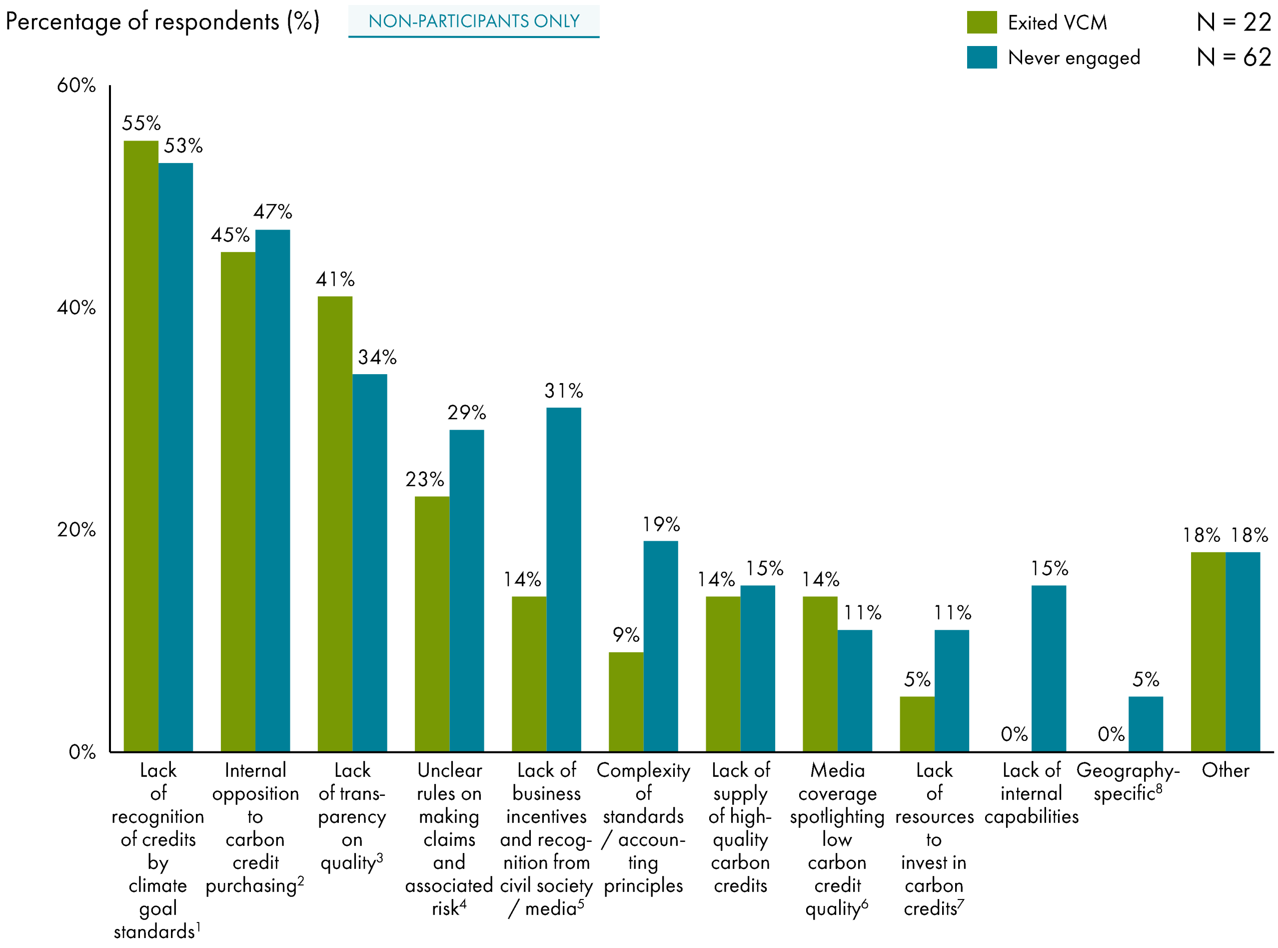
Percentage of respondents (%) PARTICIPANTS ONLY N = 61



Note: ***Q32*** *: What are the 4 key challenges your company faces when participating in the VCM?* | Respondents able to select multiple answer options, therefore, percentage of respondents will not sum to 100% | Full text of answer options; (1) Lack of recognition of credits by climate goal standards (e.g., SBTi) and / or unclear role for credits in decarbonization strategy; (2) Unclear rules on how to make claims leading to risks of legal action and greenwashing accusations; (3) Lack of transparency of carbon credit quality; (4) Lack of business incentives for management / board and lack of recognition from civil society / media; (5) Key decision makers within company oppose carbon credit purchasing e.g., board of directors and / or shareholders; (6) Geography-specific challenges e.g.; lack of supporting regulation, minimal emissions disclosure
Source: Corporate Climate Finance Survey Nov–Dec' 23; Total survey N = 187

Similar challenges have also caused companies to **exit** or **never enter** the VCM

Key factors preventing respondent participation in the VCM *(Respondents select up to 4)*



Combined[10] 54% 46% 36% 27% 26% 17% 14% 12% 10% 11% 4% 18%

Note: ***Q7*** *: What are the 4 main reasons why you have stopped engaging with the VCM?* – Question asked to respondents who selected "My company previously bought carbon credits for our own consumption in the VCM, but no longer does" in Q4. | ***Q8*** *: What are the 4 main reasons your company has never engaged with the VCM?* – Question asked to respondents who selected "My company has never bought carbon credits for our own consumption" in Q4 | **Q7 & Q8** – Respondents able to select multiple answer options, therefore, percentage of respondents will not sum to 100% | **Q7 & Q8** – Full text of answer options (1) Lack of recognition of credits by climate goal standards (e.g.,SBTi) and / or unclear role for credits in decarbonization strategy; (3) Lack of transparency on carbon credit quality; (4) Unclear rules on how to make claims leading to risks of legal action and greenwashing accusations; (5) Lack of business incentives for management / board and lack of recognition from civil society / media; (7) Lack of company resources to invest in carbon credits; (8) challenges (e.g., lack of supporting regulation, minimal emissions disclosure) **Q7** – (2) A change in corporate strategy / key decision makers within company opposed to carbon credit purchasing (e.g., board of directors and / or shareholders); (6) Recent reports / media coverage spotlighting low carbon credit quality (e.g., as seen in The Guardian, Bloomberg, Die Zeit) | **Q8** – (2) Never a corporate strategic priority / key decision makers within company opposed to carbon credit purchasing (e.g,. Board of directors, shareholders); (6) Reports / media coverage spotlighting low carbon credit quality (e.g., as seen in The Guardian, Bloomberg, Die Zeit) | (10) Combined score is calculated by summing the number of responses to Q7 and Q8 and dividing by the total number of respondents for both.
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

If companies stop purchasing credits, **climate finance is at risk of being forfeited**

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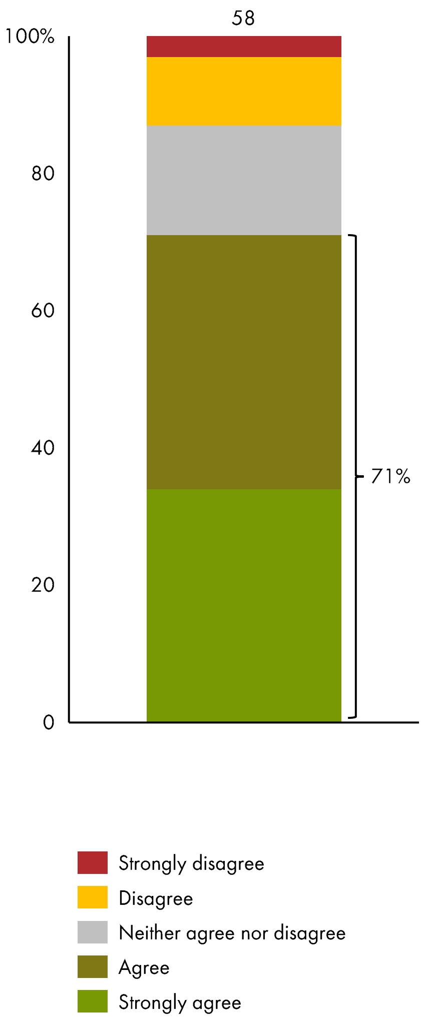
The VCM enables further climate action

Percentage of respondents agreeing or disagreeing with the statement that "participation in the VCM enables my company to take additional climate action, that goes beyond what it would do if not buying carbon credits."

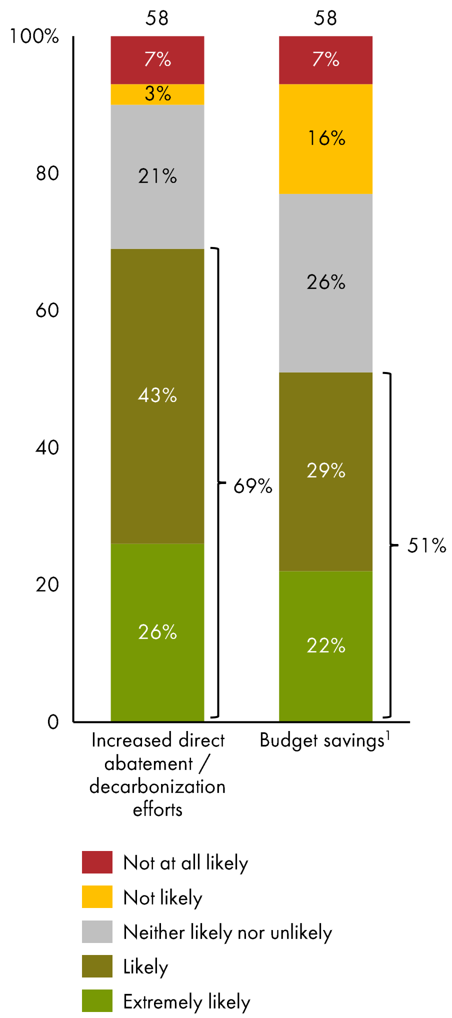
Percentage of respondents (%)



In its absence, reallocation of climate finance is uncertain

Likelihood of a carbon credit purchasing budget to be used for increased direct abatement / decarbonization efforts and / or budget savings (i.e., absorbed into the bottom line)

Percentage of respondents (%)



*"Our carbon credit budget is approved for carbon credits. **If SBTi's NZ standard is not amended, that budget is put at risk of being taken back by the business,** dramatically decreasing the company's sustainability investment."*

Consumer Discretionary Company

*"**As technology and opportunities within our industry mature**, will likely **direct more** funding towards those that can **directly mitigate** carbon emissions."*

Consumer Staples Company

*"Budget allocated for carbon credits would either be **saved or used for Scope 1 emissions.**"*

Industrials Company

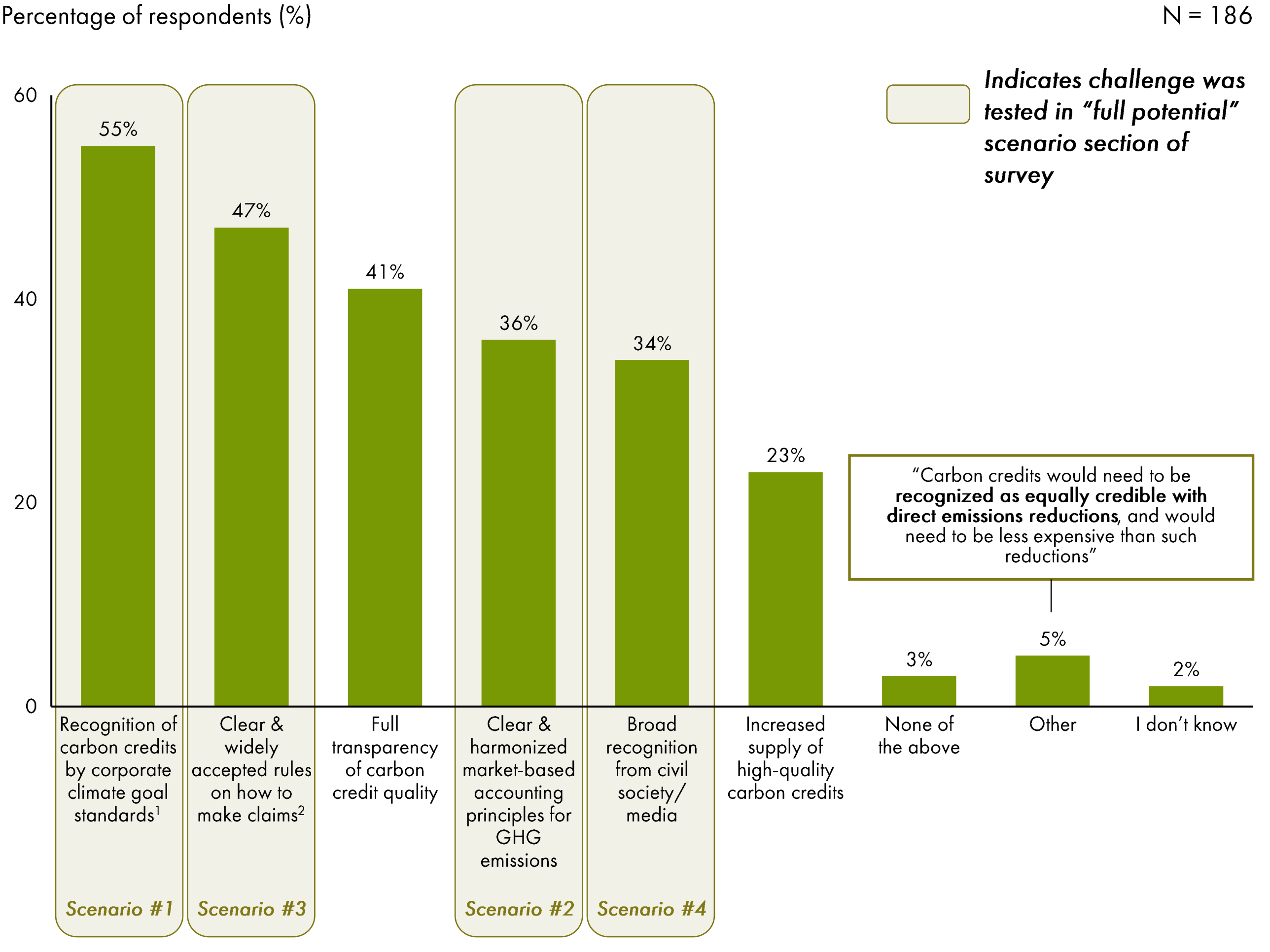
*"A reduction in the purchase of carbon credits would likely end up in budget savings **as direct abatement is still considered to be too expensive.**"*

Financials Company

Note: ***Q23 :*** *Reflecting on your company, has strongly do you agree or disagree with the following statement "participation in the VCM enables my company to take additional climate action, that goes beyond what it would do if not buying carbon credits?"* | ***Q27*** *: If your company were to terminate its carbon credit purchasing program in the next 2 years, how likely, if at all, would the budget that had previously been used for carbon credit purchasing, be used for each of the following?* | **Q27** – Full text of answer options (1) Budget savings (i.e., absorbed into the bottom line); **Q23 & Q27** – Excludes respondents who answered "I don't know / Prefer not to answer"
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

Addressing key challenges would encourage VCM participation at scale

Factors that would encourage companies to enter or significantly increase their engagement with the VCM *(Respondents select up to 3)*

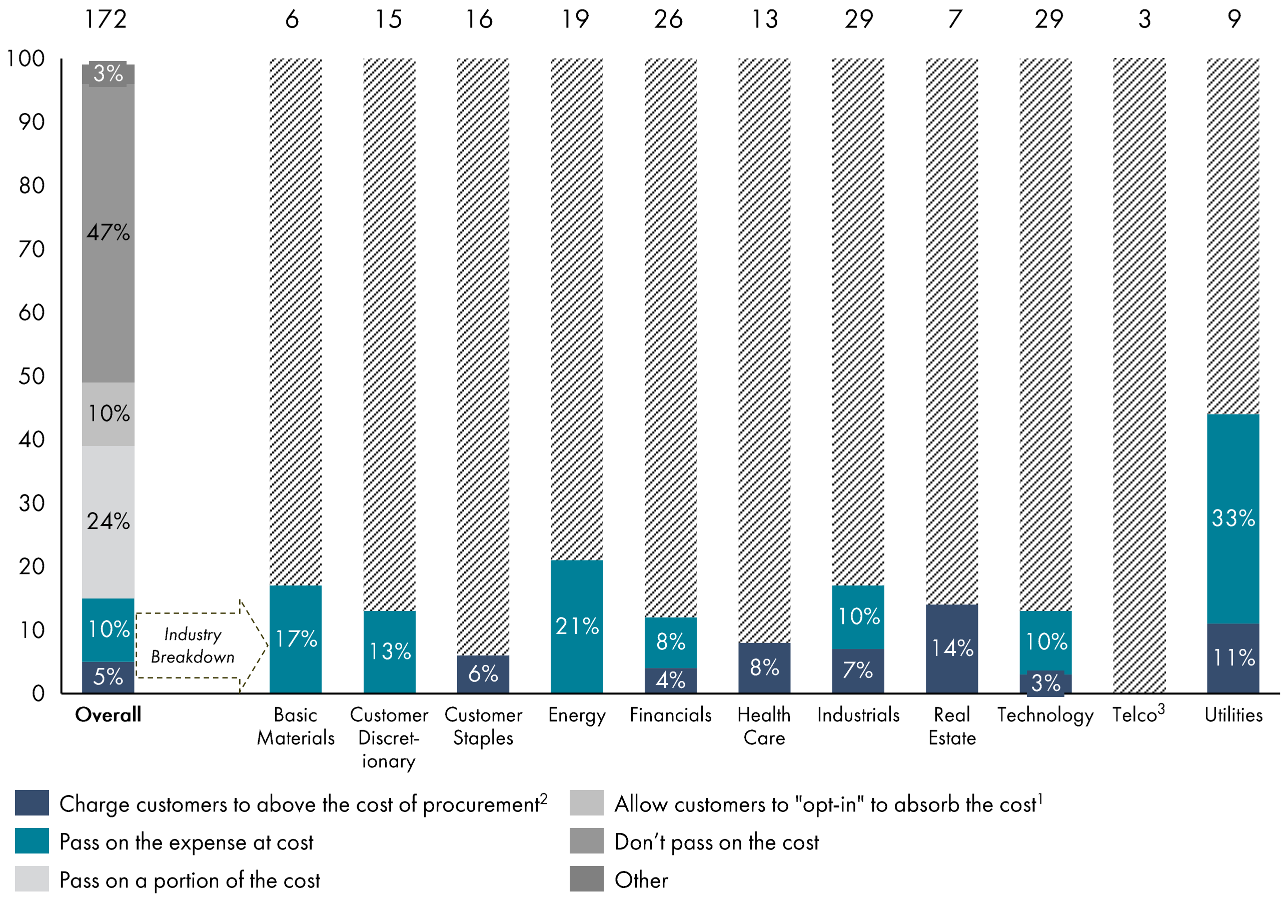


Note: ***Q47*** *: Which of the following would encourage your company to enter or significantly increase its engagement with the VCM?* | Respondents able to select multiple answer options, therefore, percentage of respondents will not sum to 100% | Full text of answer options (1) Recognition of carbon credits by corporate climate goal standards (e.g., SBTi); (2) Clear and widely accepted rules on how to make claims (i.e., reducing risk of legal action and greenwashing accusations)
Source: Corporate Climate Finance Survey Nov'–Dec' 23: Total survey N = 187

Operationalizing the cost of carbon is a challenge: only 15% can pass on the cost at or above the cost of procurement

Extent to which respondents pass on the cost of carbon to customers, overall and split by industry

Percentage of respondents (%)



Note: **Q56** : *To what extent do you pass on the cost of carbon to your customers?* | Excludes respondents who answered "I don't know" | Full text of answer options (1) Allow customers to 'opt-in' to absorb the cost (e.g., giving them an option to fund offsets); (2) Charge customers a carbon price above the cost of procurement (i.e., potentially at a mark up); (3) Telecommunications
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

Finding 3: Addressing the most common challenges would encourage companies to set more ambitious decarbonization goals and accelerate VCM participation.

Participants plan to maintain or only modestly increase their annual spend in the VCM, and only approximately one in four respondents not currently participating in the market indicate they are likely to enter or re-enter it in the next two years. Without changes, the market is unlikely to attract participation and capital at the pace required to effectively tackle global climate needs.

To deliver meaningful growth and achieve the scale required to meet climate goals, the market must thoughtfully address challenges hindering participation and limiting capital flows. If these barriers are removed, respondents report they would be more likely to accelerate spend, elevate ambition (in setting near- and long-term targets), and increase market entry.

To test the impact of potential changes, each respondent was asked to consider 2 (randomly selected) out of 4 hypothetical scenarios

1 Standard setters (e.g., SBTi) recognize use of credits

Standard setters decide to recognize an explicit role for carbon credits in meeting near-term climate targets and provide clear incentives to increase investments in carbon projects.

In this scenario, standard setters (e.g., SBTi) broaden their guidance to **give explicit credit for capital allocations to BVCM (beyond value chain mitigation) activities when companies are on track to achieve near-term goals, and allow for use of high quality carbon credits to contribute to targets under certain circumstances.**

2 Clear accounting principles and standards set to facilitate the use of VCM

A new **independent entity**, serving as a corporate equivalent to 'Article 6' of the Paris Agreement, sets out **clear harmonized market-based accounting principles**, systems, and standards to facilitate the use of VCM.

This independent entity works with other **standard setters** (e.g., GHG Protocol, SBTi) and / or regulators to align / harmonize their views on the use of VCM and provide **clear guidelines** for understanding emissions as a liability that is recognized by corporate management, stakeholders and broader financial community.

3 Widespread adoption of regulatory claims code

There is **widespread adoption** of **market guidelines that both regulate business claims** (e.g., carbon-neutrality) and **ensure integrity of carbon credits** to facilitate use of VCM.

In this scenario **one or more claims schema(s) (e.g., VCMI Claims Code or a carbon-neutral standard) gain widespread recognition and credibility in the market.**

4 Perceived reputational / legal risk in using carbon credits mitigated

NGOs, political leaders, media, and other social actors **recognize the challenges of operating in a nascent VCM market and start showing general support for the use of the VCM.**

NGOs and civil society still apply scrutiny to identify bad actors, where warranted, but support the overall integrity of the market.

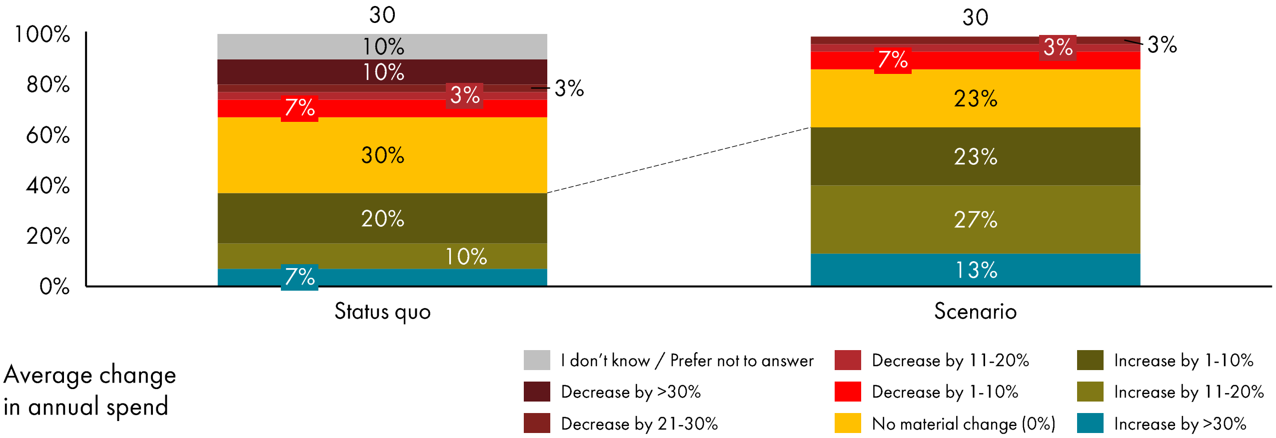
Recognition of credits and adoption of a regulatory claims code would result in an average change in annual spend of 8-10%

PARTICIPANTS ONLY

Likely change in annual spend ($) on carbon credits in the next 2 years, for participants under current conditions ('status quo') and hypothetical scenarios

1 | **Greatest impact:** Scenario #1 – Standard setters (e.g., SBTi) recognize use of credits

Percentage of respondents (%)



Average change in annual spend

-1% → 9%

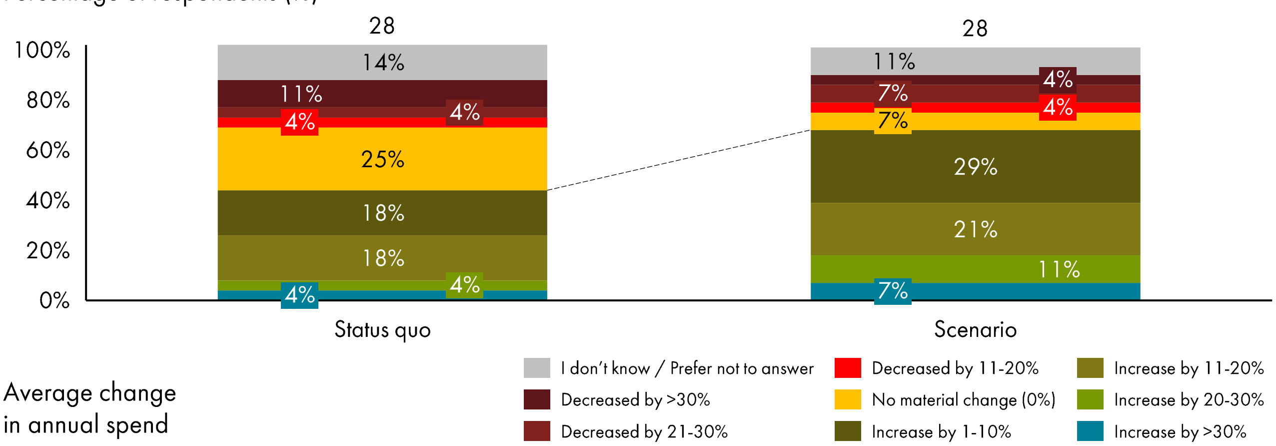
On average, respondents state they would **decrease** their **annual spend by 1%** under status quo conditions

The same respondents state they would **increase** their **annual spend by 9%** under scenario 1 conditions

Likely change in annual spend ($) on carbon credits in the next 2 years, for participants under current conditions ('status quo') and hypothetical scenarios

3 | **Greatest impact:** Scenario #3 – Widespread adoption of regulatory claims code

Percentage of respondents (%)



Average change in annual spend

0% → 8%

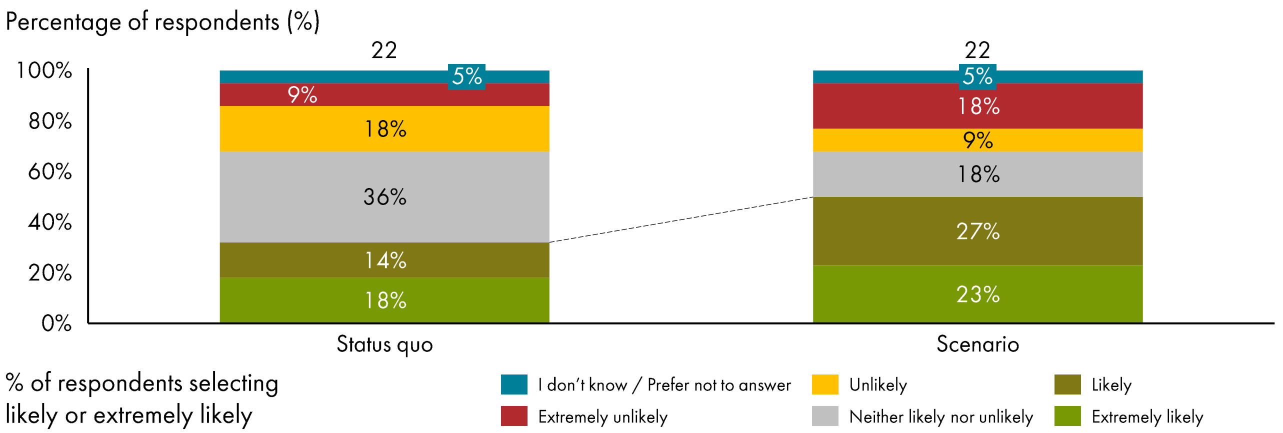
Note: ***Q33 & Q40*** *: (Based on scenario you've just read) in the next 2 years how do you expect your company's annual spend ($) on carbon credits will change, if at all, compared to the last 12 months?* | "Average net change in annual spend" is calculated as an average at the company level, it is not weighted to reflect variable levels of base spend | $ means USD
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

Recognition of credits would drive more respondents to set reductions targets

For respondents without near-term targets, the likelihood to set near-term targets in the next 2 years, under current conditions ('status quo') and hypothetical scenarios

1 | **Greatest impact:** Scenario #1 – Standard setters (e.g., SBTi) recognize use of credits

Near-term targets



% of respondents selecting likely or extremely likely

32% → **50%**

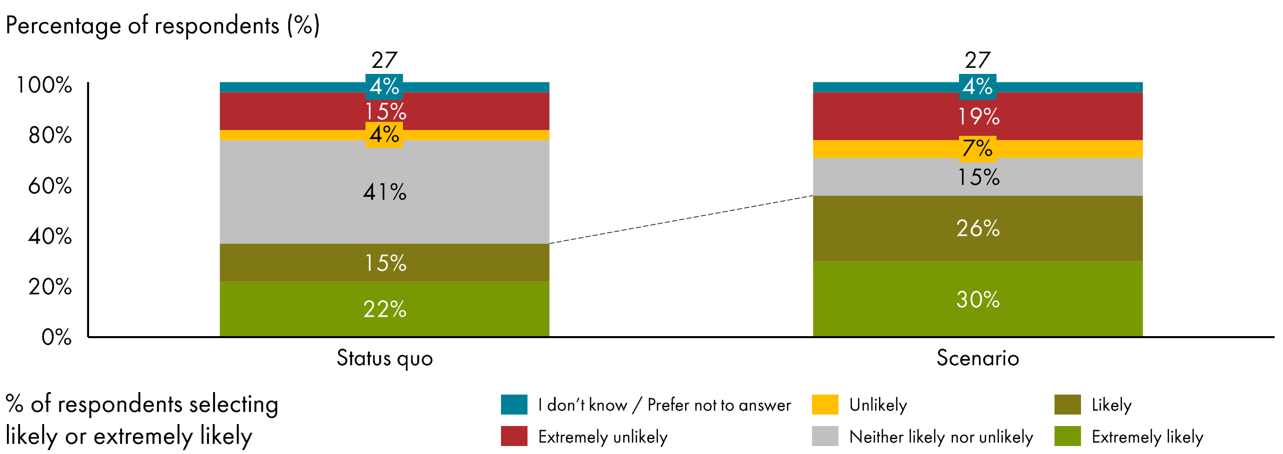
32% of respondents that do not currently have targets are likely or extremely likely to set a near-term target under status quo conditions

This increases to **50%** under scenario 1 conditions

For respondents without long-term targets, the likelihood to set near-long targets in the next 2 years, under current conditions ('status quo') and hypothetical scenarios

1 | **Greatest impact:** Scenario #1 – Standard setters (e.g., SBTi) recognize use of credits

Long-term targets



% of respondents selecting likely or extremely likely

37% → **56%**

Note: ***Q37ii & Q43ii*** *: (Based on the scenario you've just read) in the next two years, how likely is your company to set emissions reduction targets? (near-term)* | ***Q37ii & Q43ii*** *: (Based on the scenario you've just read) In the next two years, how likely is your company to set emissions reduction targets? (long-term)*

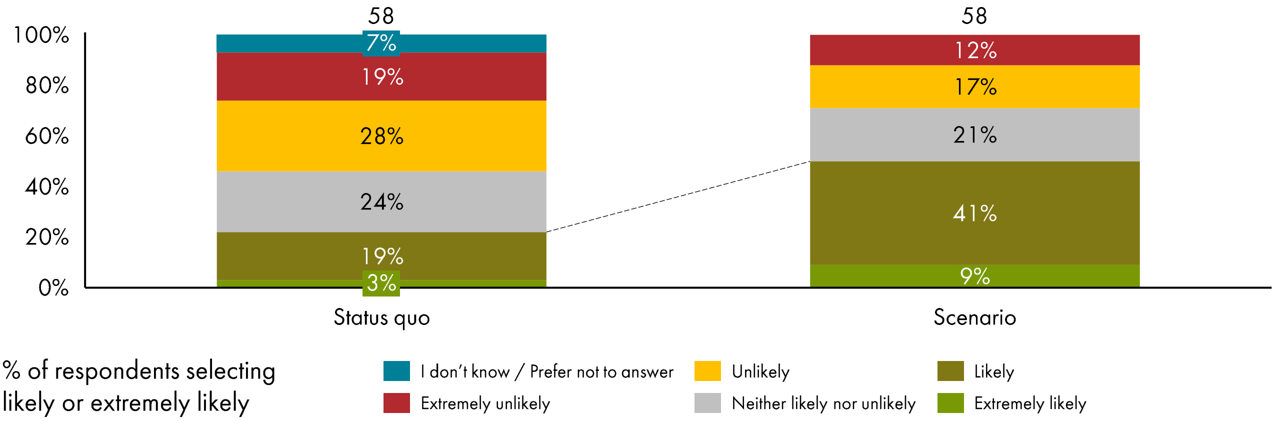
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

Mitigating the reputational and legal risks would encourage ~50% of respondents to enter the market, compared to 22% currently

Likelihood to begin or resume purchasing carbon credits from the VCM for own consumption (i.e., retirement) in the next 2 years, under conditions ('status quo') and hypothetical scenarios

4 | **Greatest impact:** Scenario #4 – Perceived reputational/legal risk in using carbon credits mitigated

Percentage of respondents (%) NON-PARTICIPANTS ONLY



% of respondents selecting likely or extremely likely

22% → 50%

22% of respondents are likely or extremely likely to begin or resume purchasing credits under status quo conditions

This increases to **50%** under scenario 4 conditions

Note: ***Q9 & Q41*** : *(Based on the scenario you've just read) in the next 2 years, how likely would your company be to begin or resume purchasing carbon credits from the VCM for its own consumption (i.e., retirement)?*
Source: Corporate Climate Finance Survey Nov'–Dec' 23; Total survey N = 187

Conclusion

Growing adoption of net zero targets is a positive indicator of corporate commitment to climate action, but more needs to be done to rapidly cut emissions. These survey results reflect a clear role for the VCM in advancing climate action by unlocking much-needed capital that will accelerate systems-level climate action across industries, geographies, and company sizes while companies continue to decarbonize through direct abatement.

Crucially, the findings demonstrate how addressing the most pressing market challenges would create a more compelling business case for private sector engagement in the VCM and could unlock further corporate participation to help the market rapidly scale and reach its full potential.

Concrete actions by key actors can help deliver the necessary market improvements:

1. Standard-setters and market initiatives should move swiftly to deliver the end-to-end integrity framework and claims guidance proposed during COP28, with a critical focus on the standards for carbon accounting and the role of credits in corporate climate strategies.
2. At the same time, standard-setters should optimize incentives for both direct abatement and VCM efforts, acknowledging the importance of both in achieving climate goals. Formally recognizing the role of carbon credits in the climate transition can help put a price on emissions and help raise the capital need for the global transition.
3. It is also crucial to recognize the potential risk that carbon credits might be used in lieu of value-chain decarbonization and establish robust safeguards to prevent their misuse.
4. Carbon credit suppliers should acknowledge concerns regarding the quality of some carbon credits and develop appropriate solutions to continually increase the integrity of carbon credits.
5. NGOs, political leaders, media, and other civil society actors should seek opportunities to recognize high-integrity action by companies and support the enhancement of the market's integrity.

Although it was not the focus of this survey, we believe parallel actions by companies can support market development by systematizing their accounting of GHG emissions and associated risks and recognizing the cost of climate change. Broader education and understanding of these risks can lay the foundation to price carbon appropriately and provide the capital needed to reduce GHG emissions, preserve natural carbon sinks, and scale carbon dioxide removals.

These actions – if successfully implemented – can mitigate the most salient challenges and help companies deliver meaningful change in carbon market uptake to scale climate capital allocations.

Carbon markets can only deliver climate action at scale if they are scaled exponentially, not incrementally. The time to act is now. Together with standard-setters, corporations need to embrace the landscape of standards, recommendations, and best practices as they emerge, instead of waiting for the perfect solution. Only then will carbon markets be scaled in time to help bend the curve of global GHG emissions.

About us

We Mean Business Coalition works with the world's most influential businesses to take action on climate change. The Coalition is a group of seven nonprofit organizations: BSR, CDP, Ceres, Climate Group, CLG Europe, The B Team and WBCSD. Together, we catalyze business and policy action to halve emissions by 2030 and accelerate an inclusive transition to a net-zero economy. Find out more at wemeanbusinesscoalition.org

ICE has been a leader in environmental markets for nearly two decades. ICE's environmental markets, derivatives, and carbon indices are integral to valuing externalities and promoting the efficient allocation of capital across the carbon cycle. Combined, ICE's solutions help stakeholders meet their net zero commitments, mitigate the impact of climate risk and support the conservation of the world's finite carbon budget to meet a 1.5°C pathway. The New York Stock Exchange (a division of ICE) helps companies navigate the evolving sustainability landscape, providing resources and platforms for dialogues between issuers and investors to help create more sustainable companies that deliver long-term benefits for all stakeholders.

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future. Across 61 offices in 38 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise, and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment. We earned a gold rating from EcoVadis, the leading platform for environmental, social, and ethical performance ratings for global supply chains, putting us in the top 2 percent among other consulting firms. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry.

Endnotes

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2 Several initiatives exist which aim to issue guidance or validate climate action targets in an effort reduce greenhouse gas emissions, such as SBTi, The Climate Pledge and RE100. SBTi promotes the use of science-based target setting and has been used as an example in this report. The authors do not endorse any particular initiative.

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