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# TYPES OF CREDITS

A carbon credit is a tradable unit that represents one ton of greenhouse gas (GHG) emission reductions or removals.<sup>1</sup> Carbon credits in the VCM are created through different activities such as mitigation projects and programmes that are certified by carbon standards.

There are two main outcomes for projects creating carbon credits:

- **Reduced emissions**, for example by restoring peatlands or the installation of a wind farm.
- **Removals**, for example, by direct air capture or restoring forests<sup>2</sup>.

There are more than [170 types of carbon credits](#) from different activities related to renewable energy, energy efficiency, forestry and land use, transportation, agriculture, waste management, chemicals and industry or households.

To date, the volume of credits traded under voluntary market schemes is relatively small compared to compliance markets. For the latest insights on key metrics such as projects and issued credits please refer to the [VCM Dashboard](#).

## Carbon credits trends in recent years

- **2025:** Credit issuances fell by [9 percent year on year to 263 million](#), reflecting reduced issuance volumes in segments facing challenging pricing conditions.
  - Issuances were increasingly concentrated in newer vintages (less than 4 years), around 221 million credits, or 83 percent of the total, consistent with stronger buyer preferences linked to integrity considerations.

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<sup>1</sup> Some credits traded on voluntary carbon markets are also based on conservation or emission avoidance. These present a special case and are contested. They are discussed in the *information note on REDD+*.

<sup>2</sup> Note that carbon removals credits vary significantly in their levels of permanence and durability.



- By contrast, retirements held firm at 174 million tonnes, underscoring resilient underlying demand and slowing the accumulation of surplus supply
- **2024:** Despite the growing number of carbon credits issued, their prices have dropped. In 2024, the average price of a carbon credit [fell to just \\$4.8 per ton](#), a 20% decline compared to 2023. 180 million credits were retired in 2024, roughly the same as in 2023.
  - Continued negotiation challenges around international carbon market rules (e.g., Article 6, while awaiting the Baku decision in November 2024) increased focus on voluntary markets, but delays and uncertainty in formal international guidance have kept added pressure on carbon credit demand and credibility.

Market commentary points to stabilisation and evolution, with emphasis shifting toward *quality, removals, and integrity standards* going forward, influencing pricing dynamics and credit segmentation.

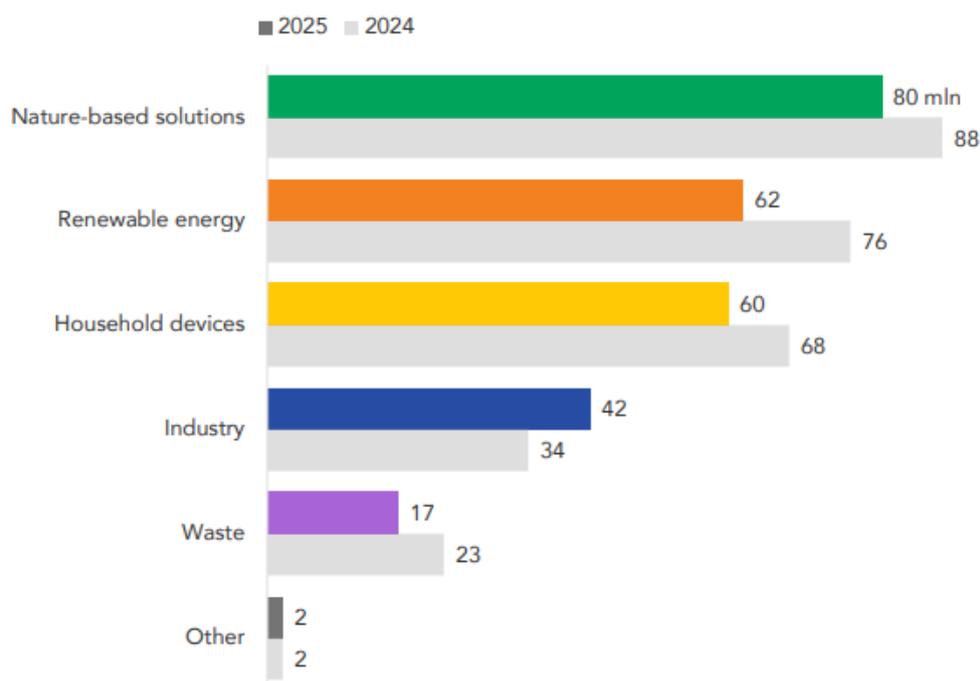
- **Expansion into new Jurisdictions:** Several countries introduced or expanded voluntary carbon credit schemes and domestic trading platforms in 2023–2025, including emerging markets in Asia and Africa. While specific official timelines vary by jurisdiction, independent analyses and market coverage highlight that new frameworks and pilots have been launched in countries such as Egypt, Indonesia, Japan, and Taiwan (and others exploring voluntary and compliance-linked platforms).
- **Quality and integrity pressure:** Independent initiatives such as the Integrity Council for the Voluntary Carbon Market (ICVCM) introduced higher quality benchmarks that *rejected a large share of existing credits*, contributing to downward price pressure and reputation challenges.

## Carbon credit volumes and prices

The calculation of carbon credits is a complex process influenced by various factors, each playing a crucial role in shaping market dynamics. The price of carbon credits is associated with several key determinants, including project type, vintage, quality, certification, negotiating power, and associated risk. These variables collectively contribute to the volatility of the VCM. Figure 1 presents the retirement dynamics for various voluntary carbon market project types in 2025 compared to 2024.



Figure 1: Carbon credits retirements by activity type in 2025



Source: [Climate Focus \(2026\)](#).

## Credit Vintages

In the voluntary carbon market, the term "vintage" refers to the specific year in which an emission reduction occurred, or the offset was issued. Vintages are crucial in providing a temporal dimension to carbon credits, allowing buyers to trace the origin and timing of the associated environmental impact. Importantly, the vintage of carbon credits can significantly influence its quality and pricing. Due to the verification process that can take two to three years from the inception of the project/programme, carbon credits may be generated for emissions that have already been reduced. Generally, older vintages tend to have a lower price per credit compared to more recent ones. This pricing dynamic is influenced by factors such as the perceived environmental integrity of projects undertaken in earlier years and the potential evolution of standards and methodologies over time. As a result, understanding vintages becomes essential for market participants seeking to align their carbon offsetting, or emission reduction strategies, with specific environmental goals and considerations.



## **What are some of the risks with older credit vintages?**

Over time, protocols and monitoring methodologies have evolved, becoming more robust and leading to improved overall quality in carbon credits. Generally, there is greater confidence in the accuracy of recently registered carbon offsets due to these advancements. Concerns may arise with older vintages, questioning whether they still accurately represent a metric ton of CO<sub>2</sub> as verified. The potential misalignment with current standards adds to these considerations. Quality issues may be further exacerbated when older credits remain unsold for an extended period, especially if they lack third-party verification and the developer holds a substantial number of unsold credits. Acquiring older vintage credits poses a risk of not effectively reducing emissions as intended, particularly if the project doesn't meet current quality criteria.

## **Credit quality**

In order to produce high-quality carbon credits, the activity through which emissions are avoided, reduced or removed must meet certain criteria for environmental and social integrity to provide benefits for both people and ecosystems. A credit is considered of high-quality if, at minimum, the following aspects can be demonstrated by the activity developer:

- conservative calculation of emissions,
- credible baselines that avoid an overestimation of the benefits created through the activity
- additionality tests to ensure the emissions would not have been removed or avoided without the activity,
- prevention of leakage so that the emissions are not avoided in one place but instead displaced to another area
- permanence of emission reduction and removal to reduce the risk of reversals in future.

For more information, visit this [page](#) on what makes carbon credits high quality.

Project developers should also make sure that their project aligns with existing policies and national priorities in terms of sectors. Further, ensuring safeguards to prevent negative impacts on affected communities and the environment as well as adopting benefit sharing arrangements for a lasting positive impact of the activity is primordial in this market environment.<sup>3</sup>

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<sup>3</sup> If you want to read more about different initiatives aimed at ensuring high integrity in VCMs, please refer to the information Note *What are Integrity Initiatives trying to achieve?*