AlliedOffsets

Carbon Market Trends Report

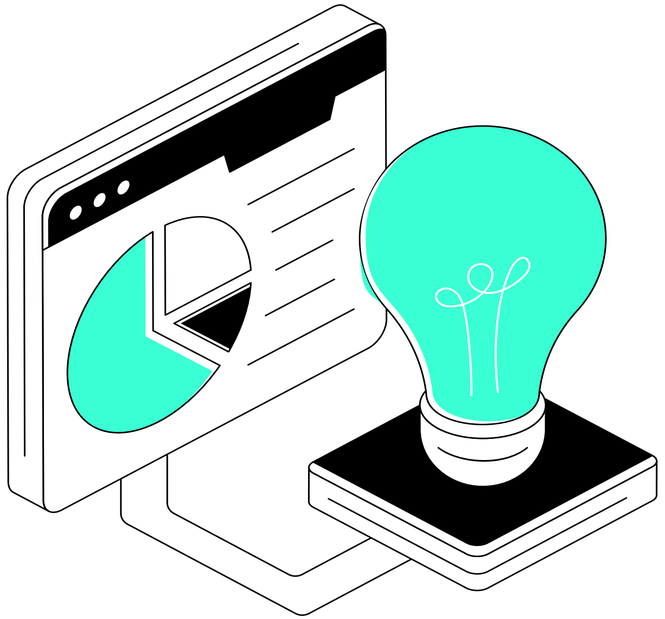
Key trends in H1 2026

AlliedOffsets

Background

AlliedOffsets is the world's largest database and market intelligence provider for the carbon market. Built on the belief that reliable data drives real climate impact, we provide verified data, analytics, and insights that make carbon markets simpler, more transparent, and easier to navigate. By enabling better decision-making across organizations, investors, and policymakers, we help integrate carbon solutions into everyday business practices, supporting our vision of making climate action business as usual.

Our clients include global banks, energy firms, big four consulting firms, top universities in the world, intermediaries, project developers, and government agencies. We are proud of our commitment to keeping our clients happy, and have incorporated feedback and insights from their use cases in order to build products that provide value to all users.



Introduction

With London Climate Action Week almost here, it feels like the right moment to take a look back at the first half of 2026. That's exactly what we've done in this report. Our team have put together a deep dive into what the data is actually telling us about where the carbon market stands at the halfway point of the year.

We've put this mid-year review together for anyone who wants to follow the market closely and keep on top of the latest trends and movements. If you work in the carbon market, or in adjacent markets, we hope there's something in here that piques your interest.

What do we cover in this report?
We start with the biggest headline trends, retirements, offtakes, issuances, and prices, before going deeper into buyer trends, carbon dioxide removals, policy, and a dedicated UK market overview.

So what does the data say?
Retirements have hit an all-time high for January through May, the strongest start to a year we've ever recorded. Prices are up. New buyers from Asia are entering the picture. At the same time, issuances have fallen, offtakes are down on 2025, and the policy landscape has shifted in ways that are already showing up in the numbers, from developments around PACM to the price impact of KOKO's collapse.

Glossary

ALM - Agricultural Land Management

ARR - Afforestation, Reforestation and Revegetation

BCH - Biochar

BECCS - Bioenergy with Carbon Capture and Storage

Bio-other - Bio-based CDR pathways ex-BECCS and Biochar

CA - Corresponding Adjustment

CDR - Carbon Dioxide Removal

CRCF - Carbon Removal Certification Framework

DAC - Direct Air Capture

ERW - Enhanced Rock Weathering

IFM - Improved Forest Management

LOA - Letter of Authorization

MRV - Monitoring, Reporting, and Verification

NBS - Nature-Based Solutions

OAE - Ocean Alkalinity Enhancement

ODC - Ocean-based Carbon Dioxide Removal

REDD - Reducing Emissions from Deforestation and Forest Degradation

SGF Demand - Sectoral Growth Factor

VCM - Voluntary Carbon Market

WRC - Wetland Restoration and Conservation

The data in this report is accurate as of June 5, 2026.

Contents

1 Highlights from 2026

- Retirements, issuances and offtakes
- Price movements
- Superpollutants retirements and offtakes
- CCP issuances

2 Buyers

- Top buyers
- New buyers
- First time buyers from Asia
- New buyers - what are they paying?
- AI demand
- SBTi companies

3 CDR

- Issuances volumes
- CDR offtakes
- Repeat buyers
- Biochar growth
- DACs delivery gap
- ERWs growth

4 Policy

- Policy scores
- CORSIA phase 1 supply
- The price gap between insurance and CA
- PACM projects
- EU CRCF demand
- KOKO’s collapse

5 UK spotlight

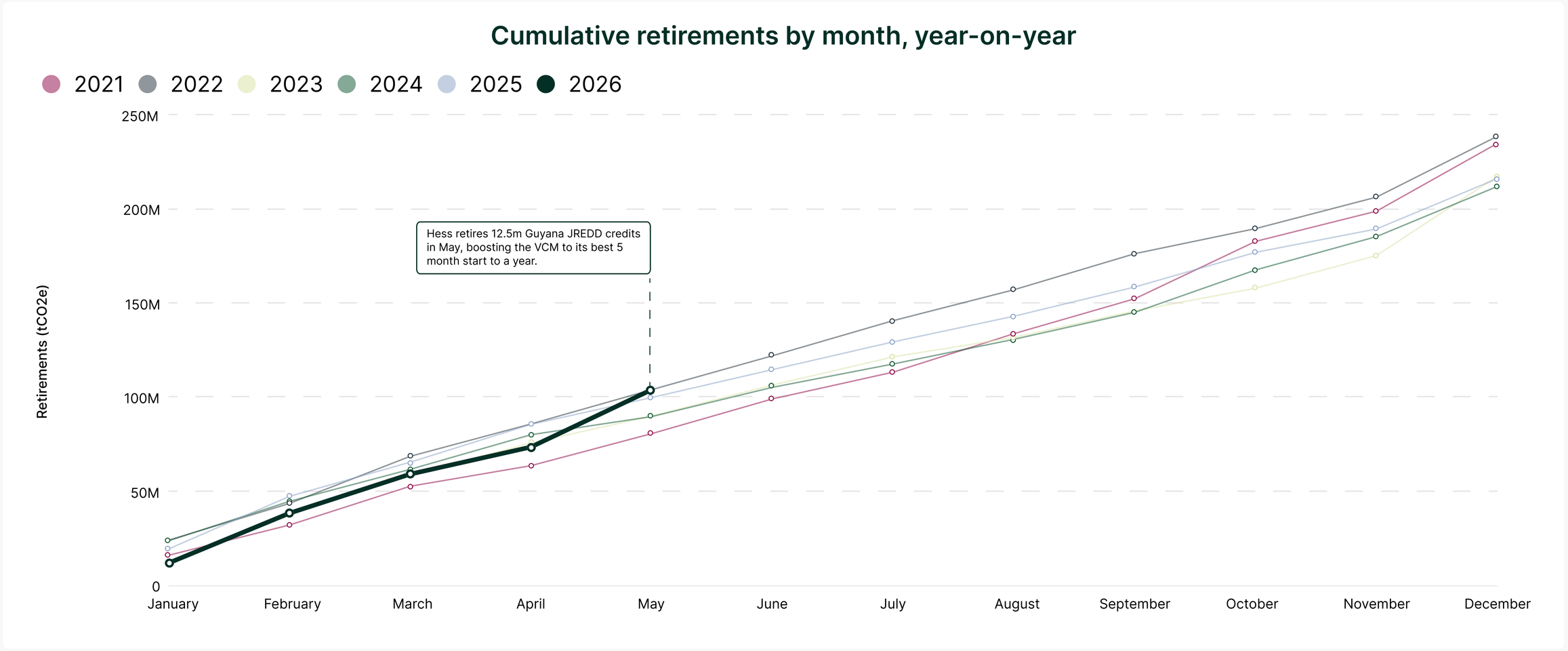
- UK project retirements
- The value of credits purchased by UK
- UK average credit prices
- UK CDR issuances

AlliedOffsets

Highlights from the carbon market in 2026

An overview of the key developments from the carbon market in 2026

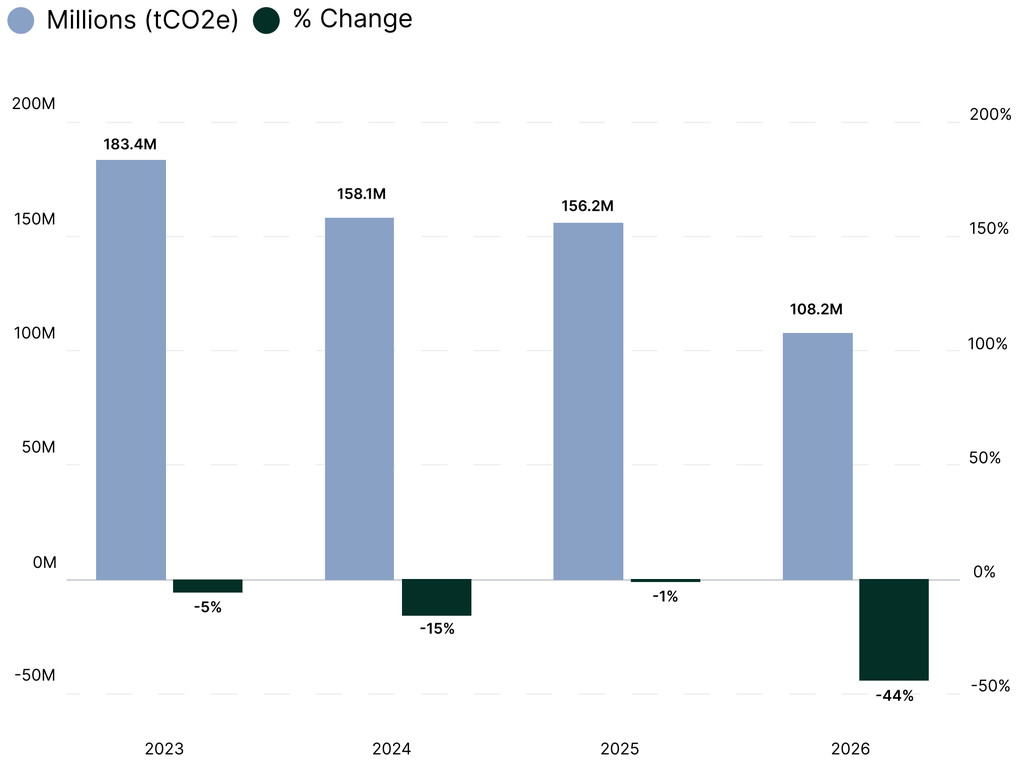
Strongest Ever Start as Retirements Hit All Time High for January-May



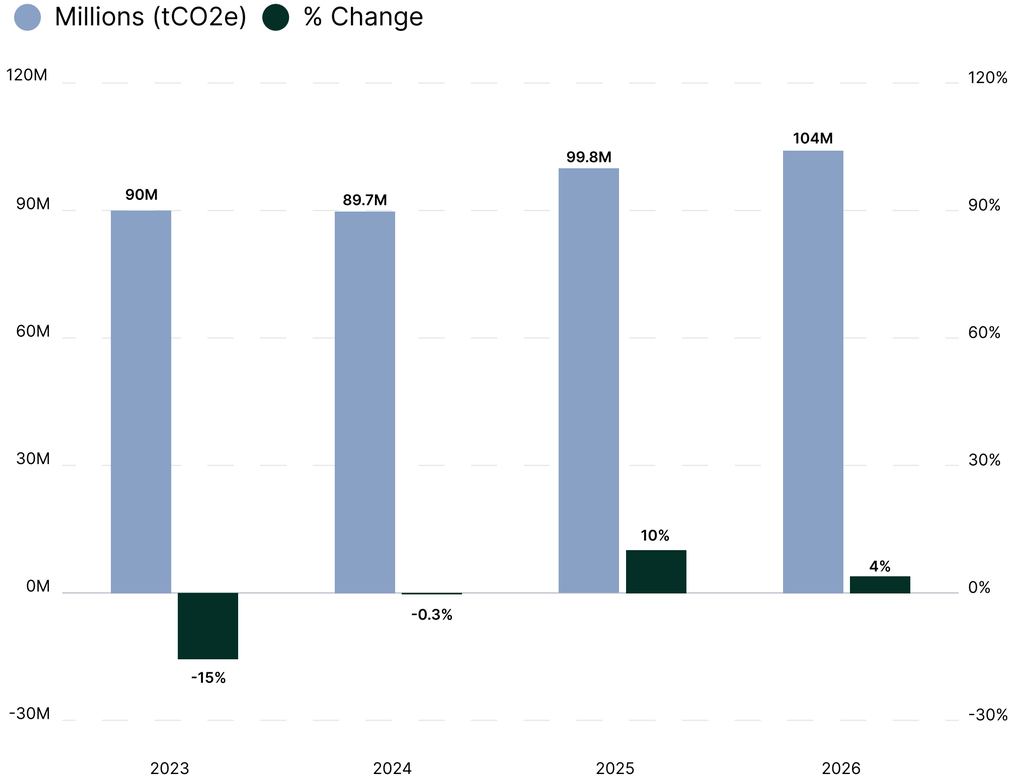
Issuances Fall as Retirements Hit Post-2023 High

H1 issuances have declined by over 44% compared to the previous year, at the same time retirement levels have instead increased by over 4% compared to 2025 H1 levels, representing the highest H1 retirement recorded in the carbon market in recent years.

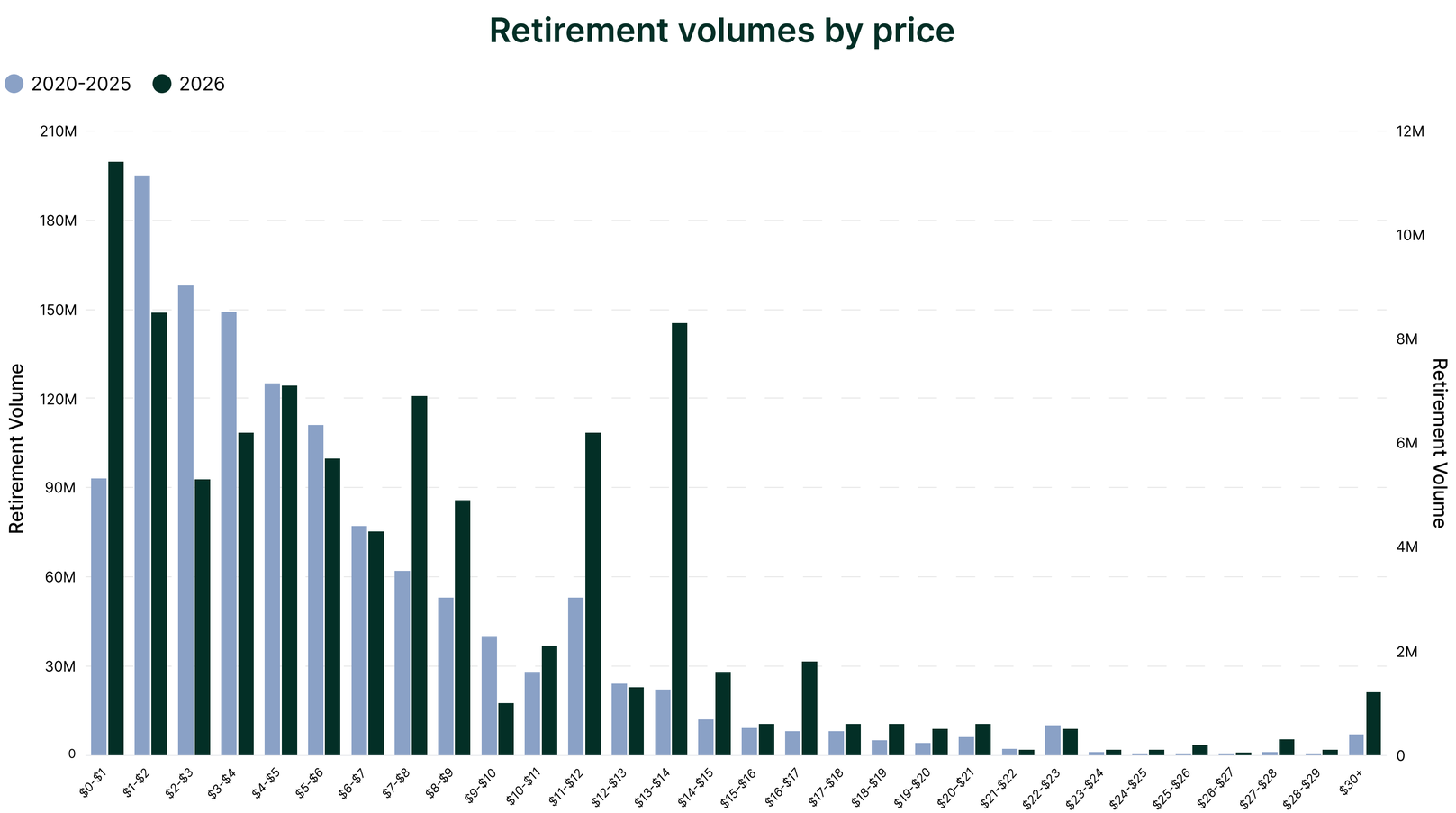
H1 issuance volume and year-on-year change



H1 retirement volume and year-on-year change



2026 Sees Steady Increase in Prices

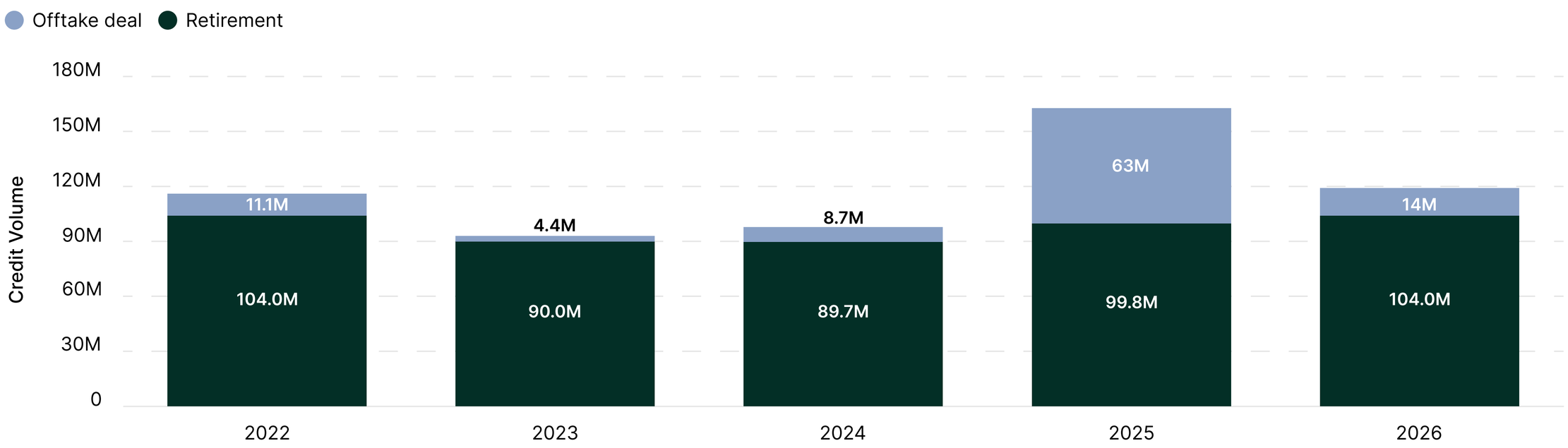


Unlike the past five years, when retirement volumes were heavily concentrated at lower price points, 2026 so far shows a flatter distribution, with larger volumes retiring at higher prices.

This suggests buyers are becoming more comfortable paying higher prices for credits than in the past, when the dynamic was one of racing to the bottom.

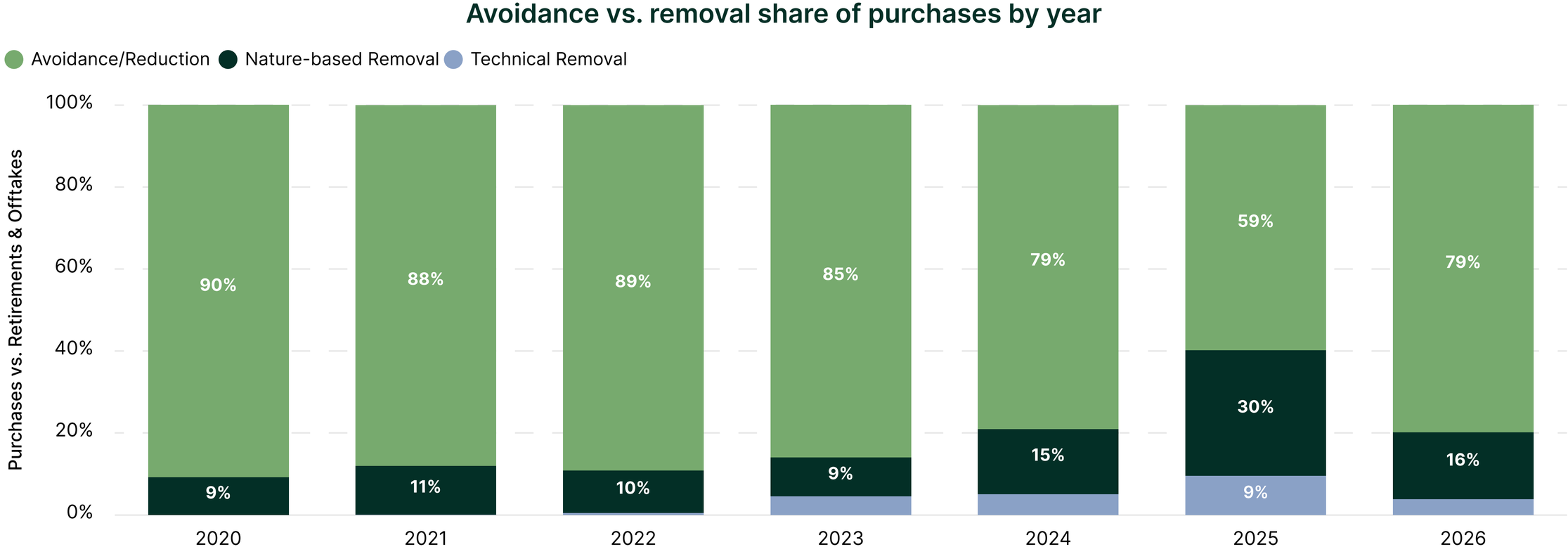
Offtakes Are Down, Following a Record 2025

In 2025 offtakes reached a record high with over 60 million tons contracted. In 2026 so far, we've seen a decline in offtakes deals signed with just under 14 million signed in the first half of the year.



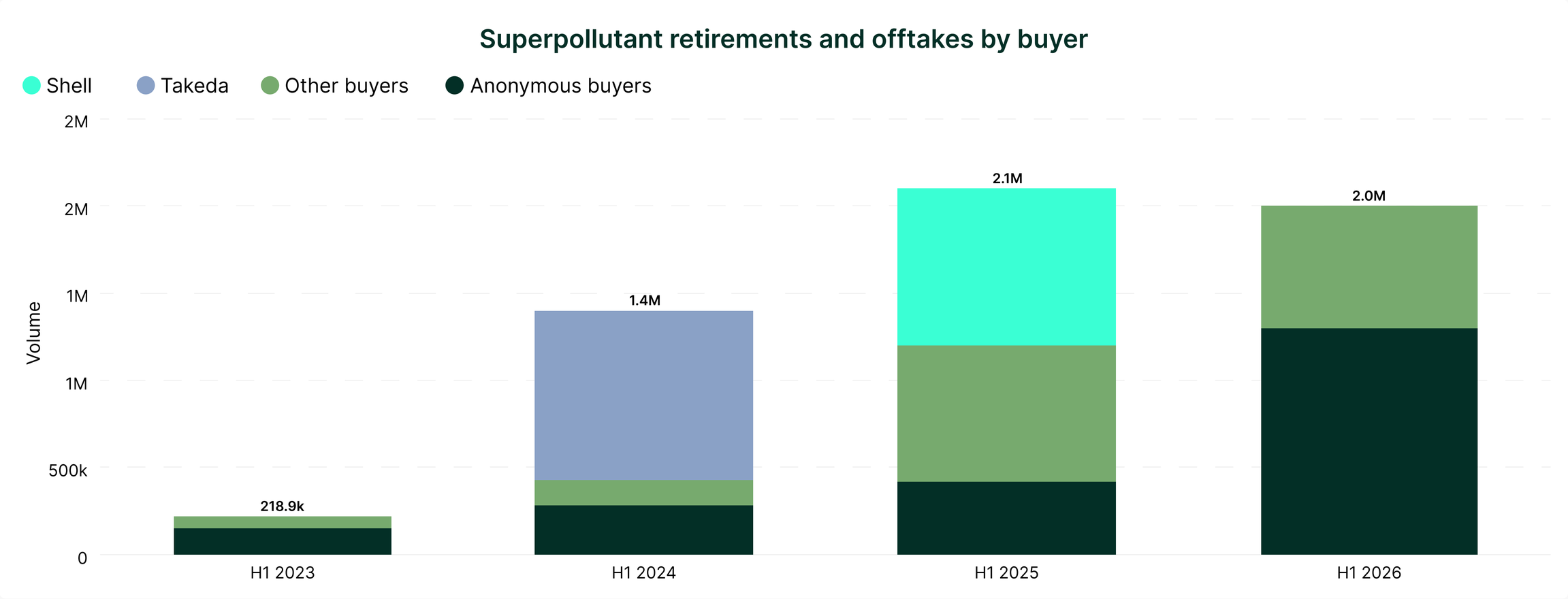
Removal Purchases Are Down 50% Compared to H1 2025

Avoidance retirements are making a comeback as removal purchases (including retirements and offtakes) are down 50% compared to the same period in 2025. Yet, with much of 2026 still ahead, it remains to be seen whether this shift holds for the rest of the year.



Decrease in Both Retirements and Offtakes for Superpollutants

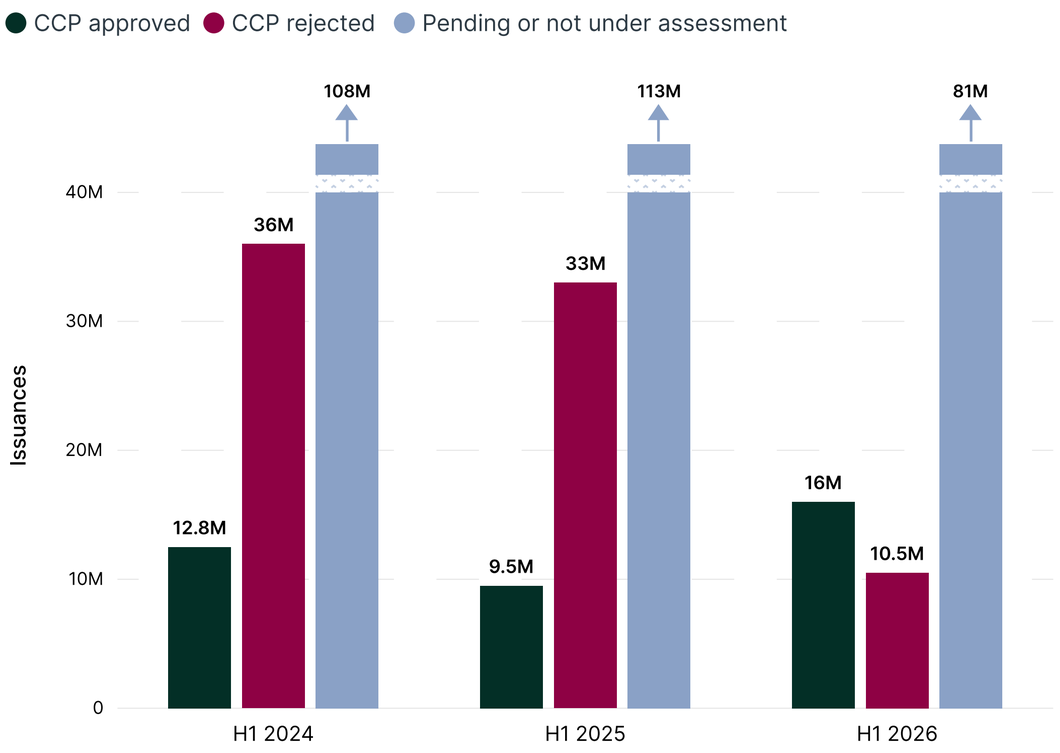
In the first half of 2026, retirements and offtakes for superpollutants declined slightly compared to the same period last year. This was largely driven by Shell's reduced activity, though the gap has been partially offset by the entry of new, previously unmapped buyers entering the market.



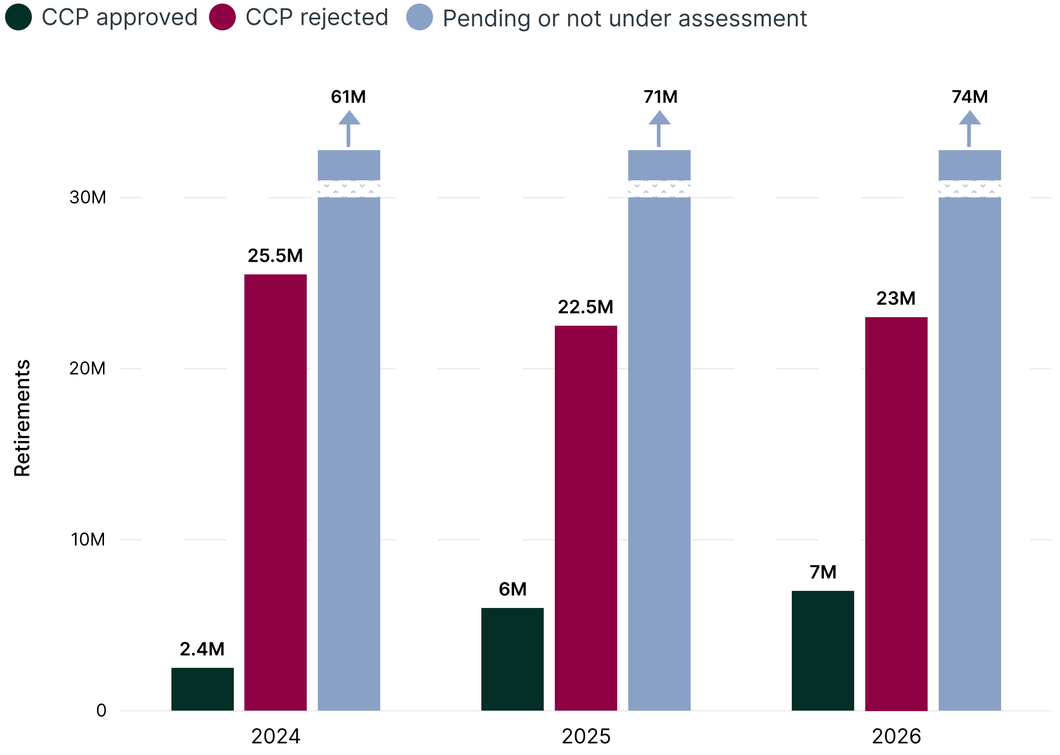
Issuances of CCP Approved Credits Have Grown by 64%

CCP-approved issuances surged 64% year-on-year in H1 2026, while rejected credits fell 67%. This is a strong signal of improving credit quality across the market. On the demand side, retirements of approved credits grew 18%, with rejected and pending credits up less than 4%.

Issuance volume by CCP status



Retirement volume by CCP status



In Their Own Words

Thoughts on the Latest Carbon Market Trends
From Our Clients at Nature Broking

“2025 was the turning point, and H1 2026 has been the acceleration. The conversation around carbon markets has shifted fundamentally: for years, the prevailing assumption was that credits belonged at the end of the journey, mopping up whatever residuals remained, but that thinking is changing. A robust carbon strategy is increasingly seen as structural, not supplementary.

The recent release of the SBTi Corporate Net Zero Standard V2.0 has reinforced this, confirming that high-quality carbon credits have a role not only at the point of net zero but along the transition pathway itself.

The commercial logic follows. The firms we work with are increasingly coming to us to build a real position in the market, looking to secure supply ahead of the curve, manage cost exposure, and ensure their strategy holds up when it needs to. With supply tightening and prices moving, those acting now are getting ahead of a market that will not wait.”

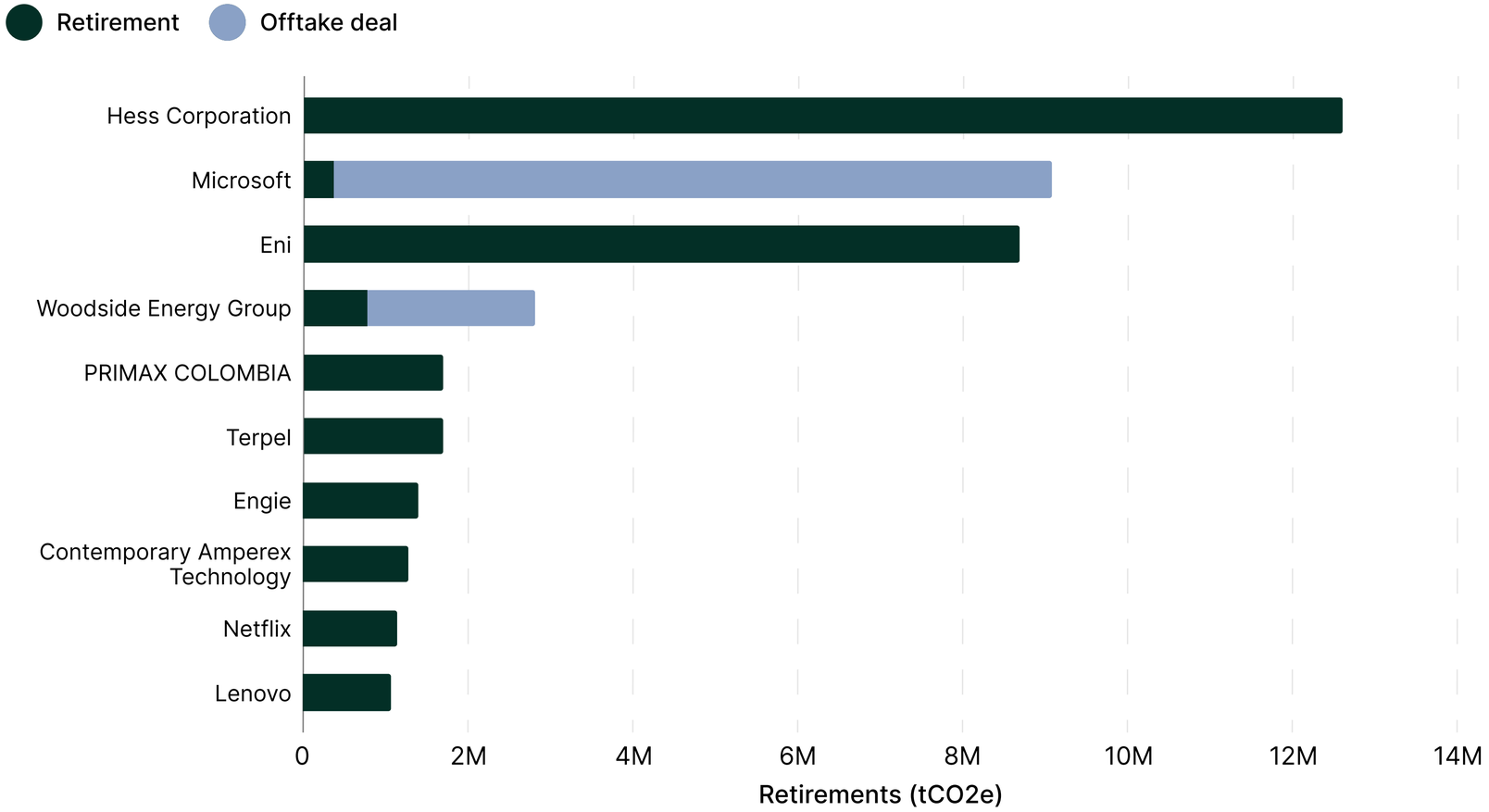
Nature Broking
Helping you change the world

AlliedOffsets

The buyers in the carbon market

Deep-dive into who is buying, why are they're buying, and what does it tell us about where demand is heading.

Energy Firms Lead Retirement Activity

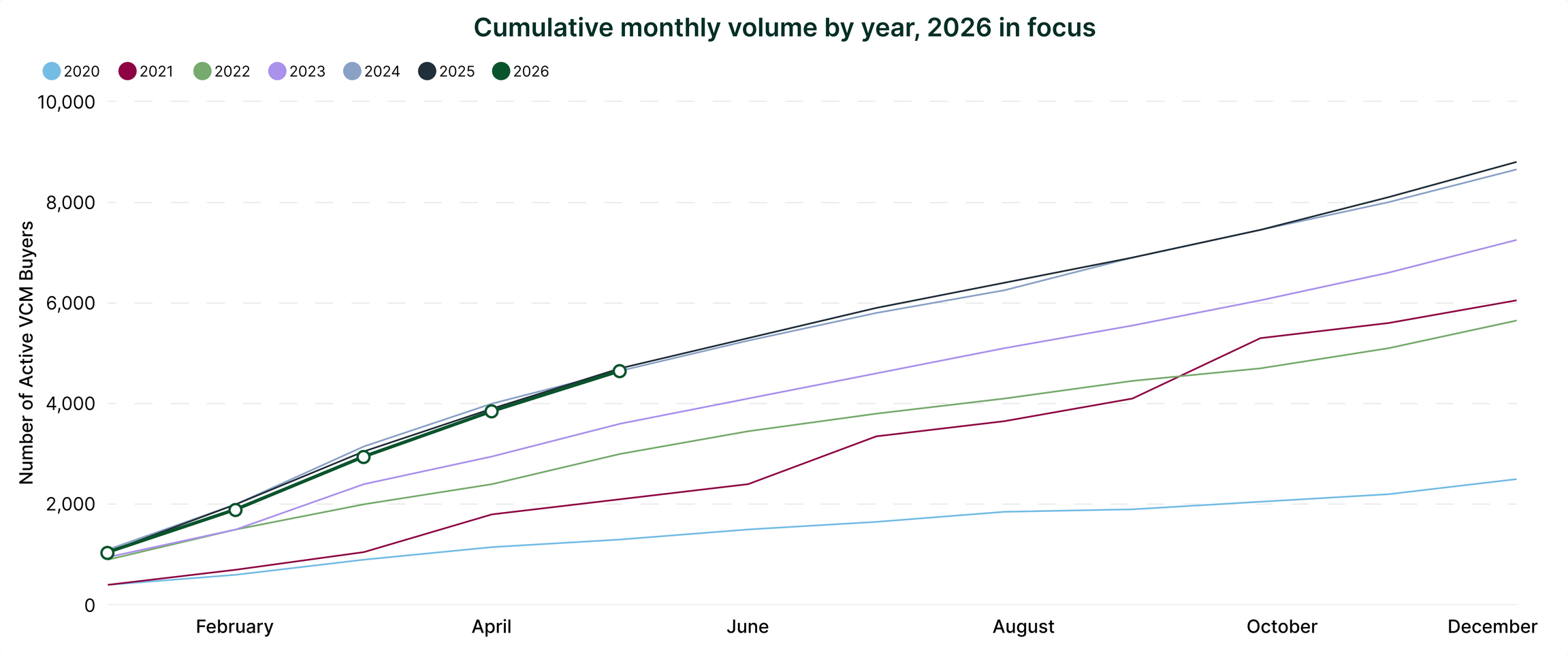


The activity in 2026 so far has been largely driven by energy firms, which is similar to previous years. Hess Corporation emerged as the top buyer overall in the first couple of months of 2026 after retiring millions of JREDD credits in May.

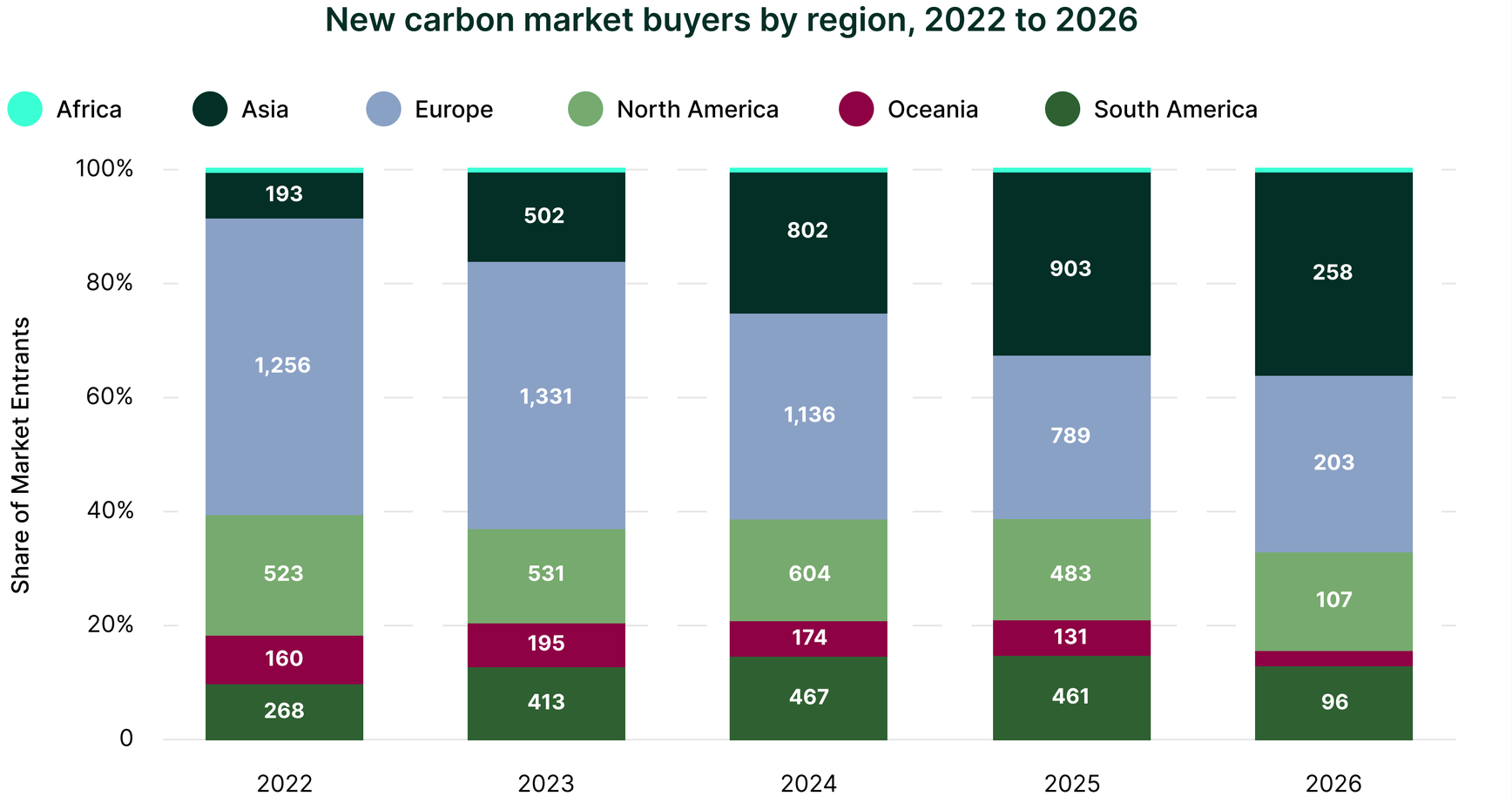
Microsoft was the second-largest buyer. The company's announcement to slow down new purchases, however, has hurt market sentiment with developers struggling to raise capital without the market leader. The company has not completely pulled out of the market, though, having completed two offtake transactions since the reported slowdown.

Market Participation Remains Stable Across 2024-2026

2026 has already outpaced prior years in active buyer count, signalling continued market interest despite softer retirement and offtake volumes. This suggests underlying demand remains healthy, even if it has yet to fully translate into transaction volume



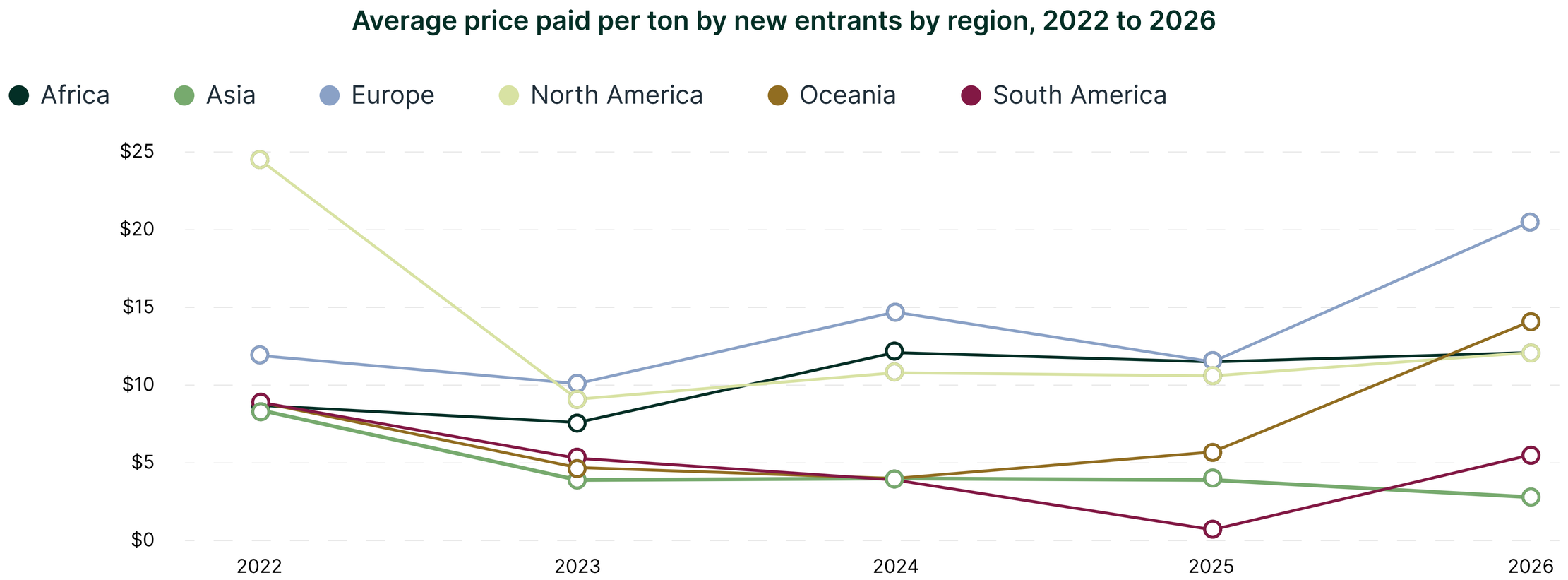
Asia Leads the Market in New Entrants



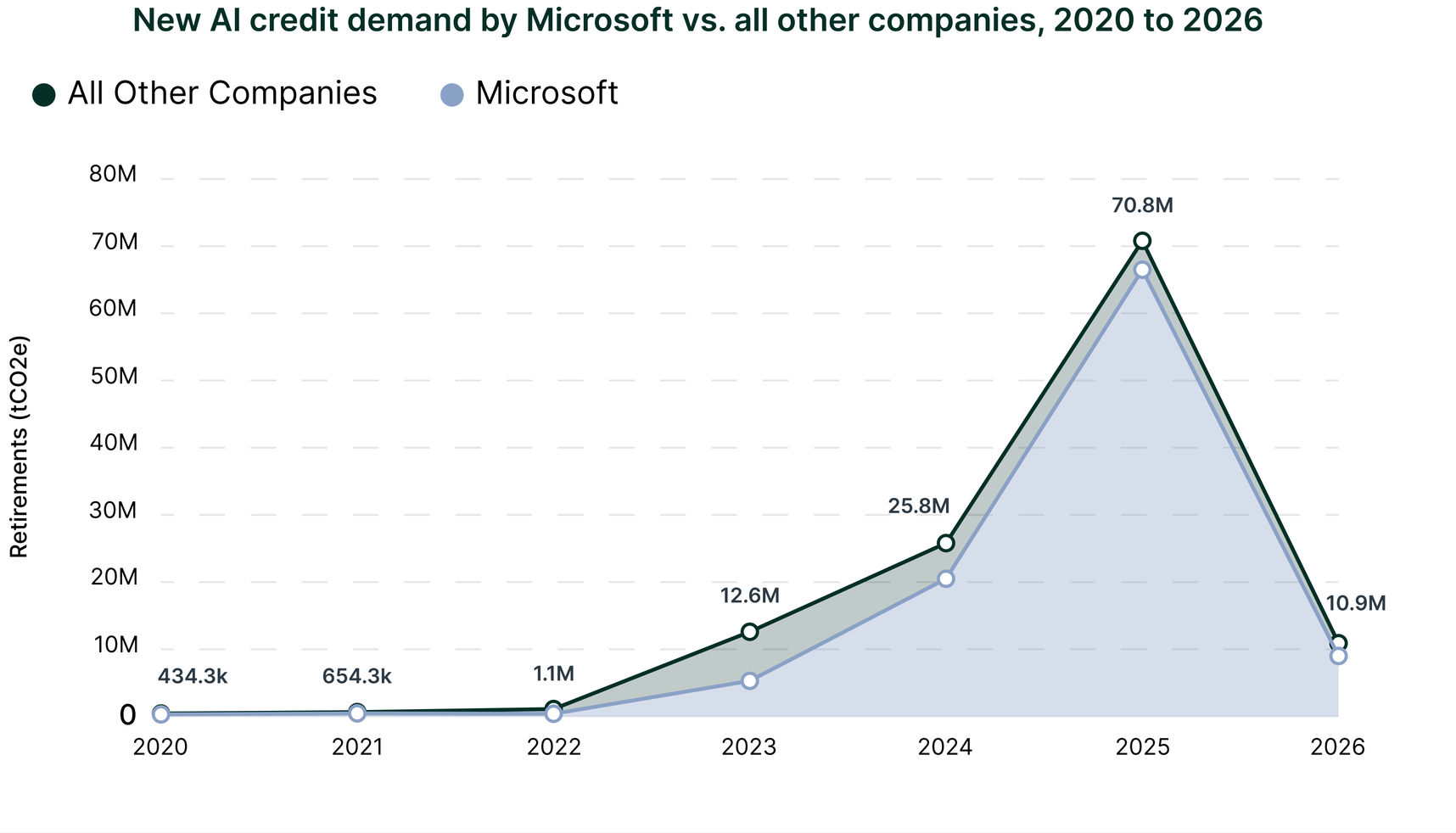
Asia continues to lead regional growth, with more companies entering the carbon market from the region than anywhere else. This was supported by the launch of the Action for a Resilient Climate (ARC) Coalition in Singapore in May 2026, an industry-led initiative backed by the Tencent, Mitsubishi Corporation, and GenZero, with a target to procure at least 10 million tons of carbon credits by 2030.

Yet New Entrants From Asia Are Paying Less Than Anywhere Else

This suggests a cautious, test-and-learn approach to the market rather than expanding their role in it.



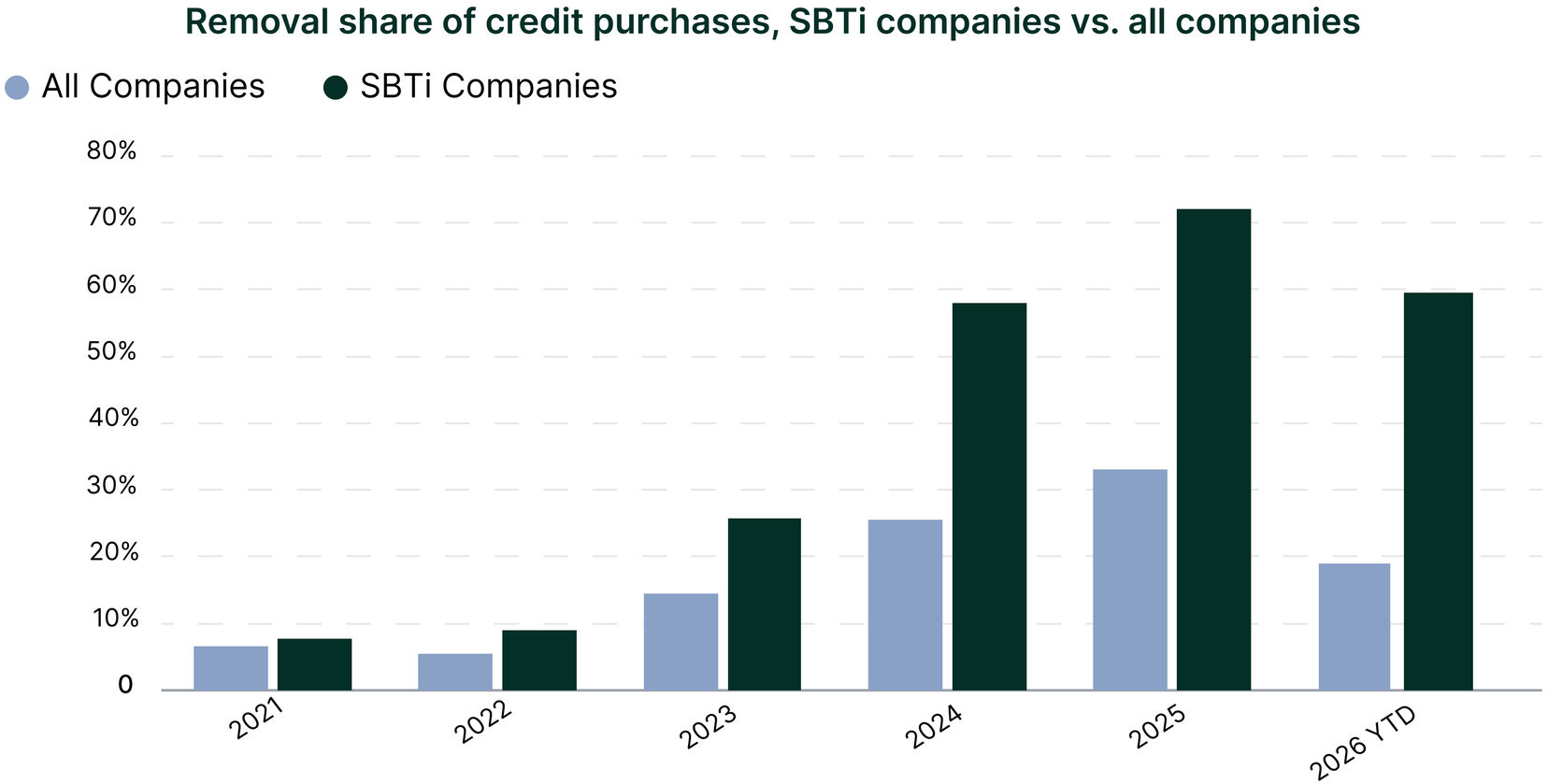
Microsoft Dominates AI-Driven Demand



Can AI drive demand? After analyzing around 130 companies across the entire AI value chain, the data suggests not yet.

Whilst Microsoft dominates all AI-linked buyers, demand from the rest of the sector has actually declined in the last few years. In short, the fledgling industry's hunger for energy is not yet being translated into demand for carbon credits.

SBTi Companies Drive Removal Demand



In early June, SBTi released its Corporate Net Zero 2.0 guidance. The reactions have been numerous and mixed.

Those with a more positive take highlight that the final version is more market-friendly than previous drafts. For example, it shelves a proposed requirement for credits to be correspondingly-adjusted, and mandates carbon removal for residual emissions from 2035. But many were hoping SBTi would mandate the use of carbon credits from 2030.

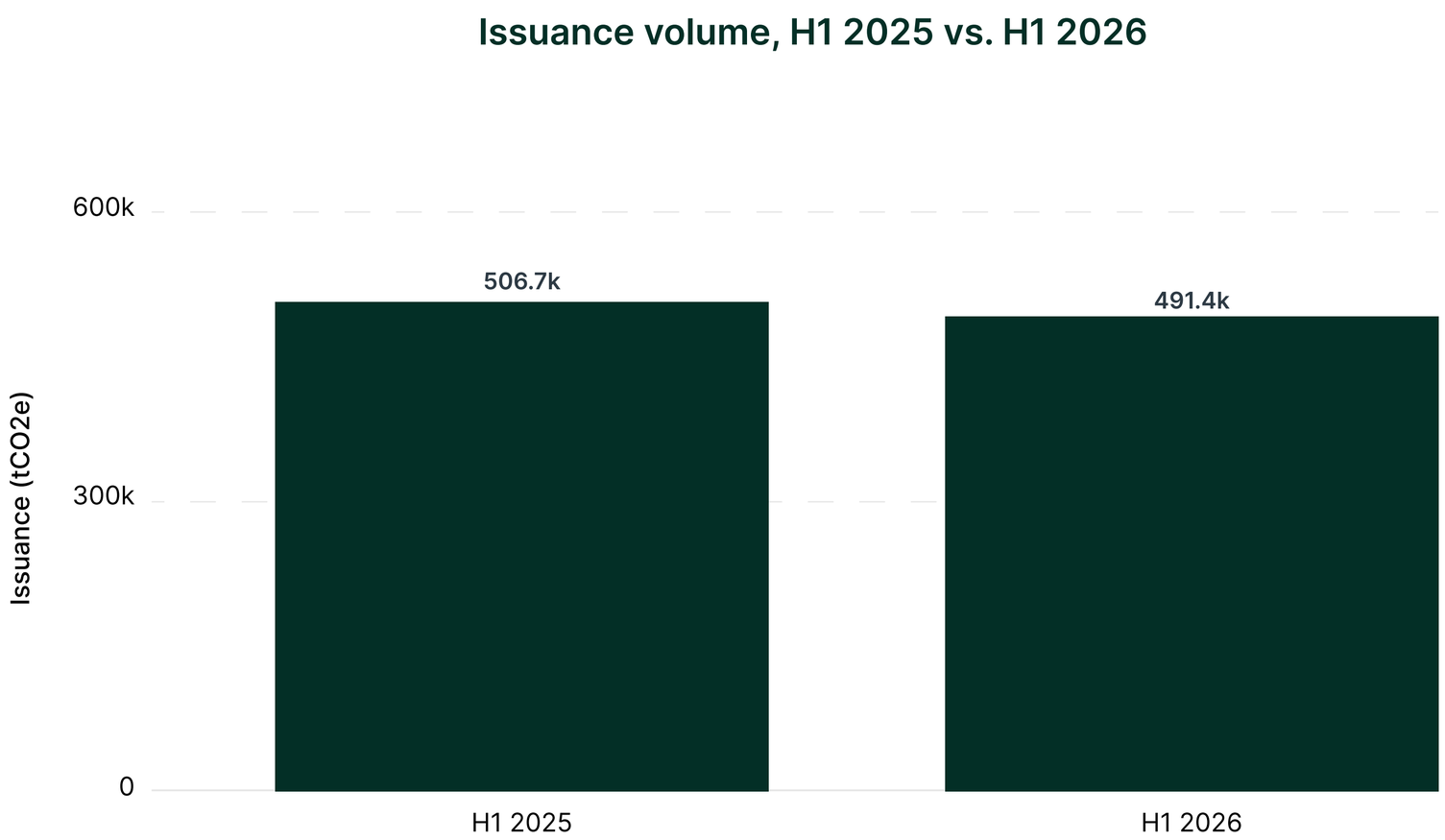
Our data shows that SBTi-committed companies retire and purchase removals via offtake at a significantly higher rate than non-committed firms, meaning it's unlikely the new guidelines will do much to spur demand in the near future. In fact, because the new guidelines allow companies to use avoidance credits on a voluntary basis until 2035, it's possible companies will focus on those in the near term, switching to removals closer to the 2035 deadline.

AlliedOffsets

Carbon dioxide removal (CDR)

A review of issuances, offtakes, investment and growth of technical removals.

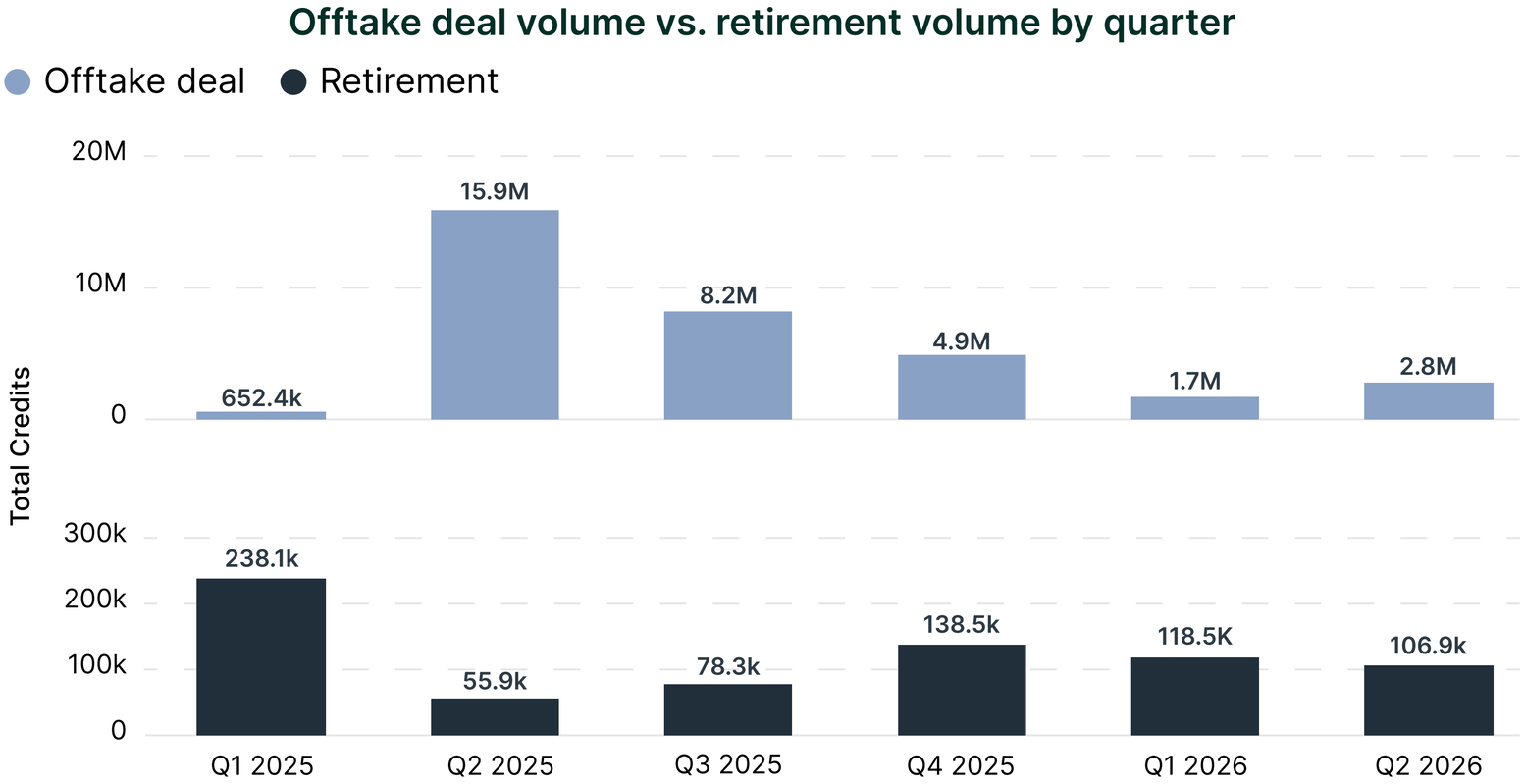
Issuances Remain Stable in 2026



Issuances remain steady, with 2026 on pace to roughly match 2025's 1.2M, signaling slow but real supply-side stability.

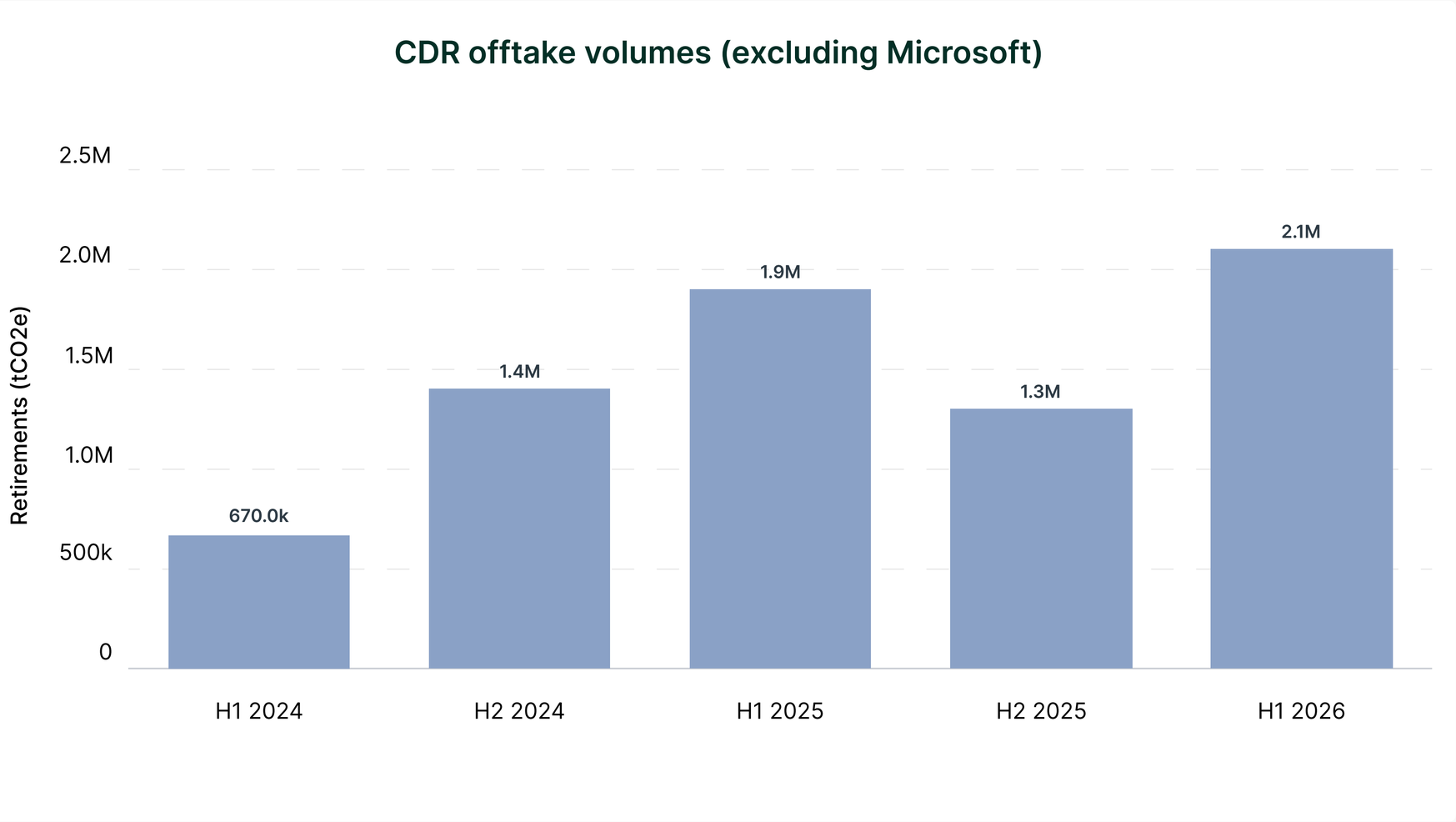
However, the pipeline gap remains as cumulative offtakes total ~48.5M against just ~2.65M in issuances since 2022. This is an 18x difference that confirms CDR is still overwhelmingly a forward market.

Offtakes Slows After Record 2025



How much has been promised vs. delivered? CDR offtake surged to 29.7M in 2025, representing a 312% jump. Yet, retirements have remained comparatively flat, suggesting buyers may be banking credits rather than retiring them immediately. H1 2026 offtakes are tracking at just 4.5M, reflecting a market consolidating after an outlier year.

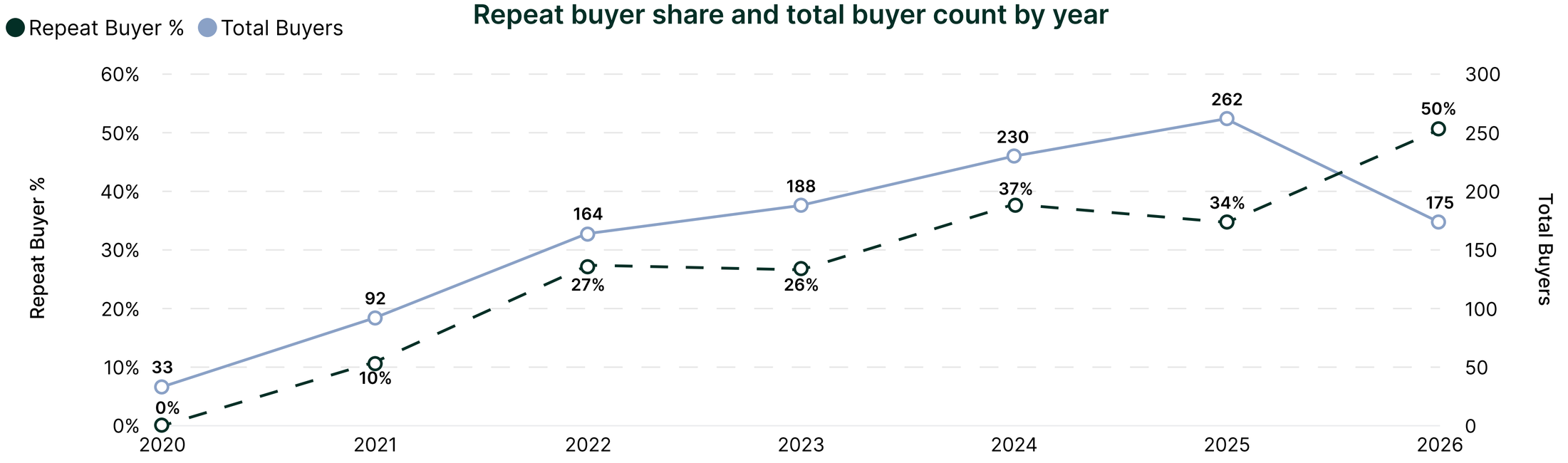
CDR Offtake Volumes Grow, Excluding Microsoft



Non-Microsoft CDR demand is at an all time high. Other buyers hit 2.1M in H1 2026 - the strongest half on record excluding Microsoft, continuing a steady climb from 670k in H1 2024. Growth has been gradual, but directionally it's the right story.

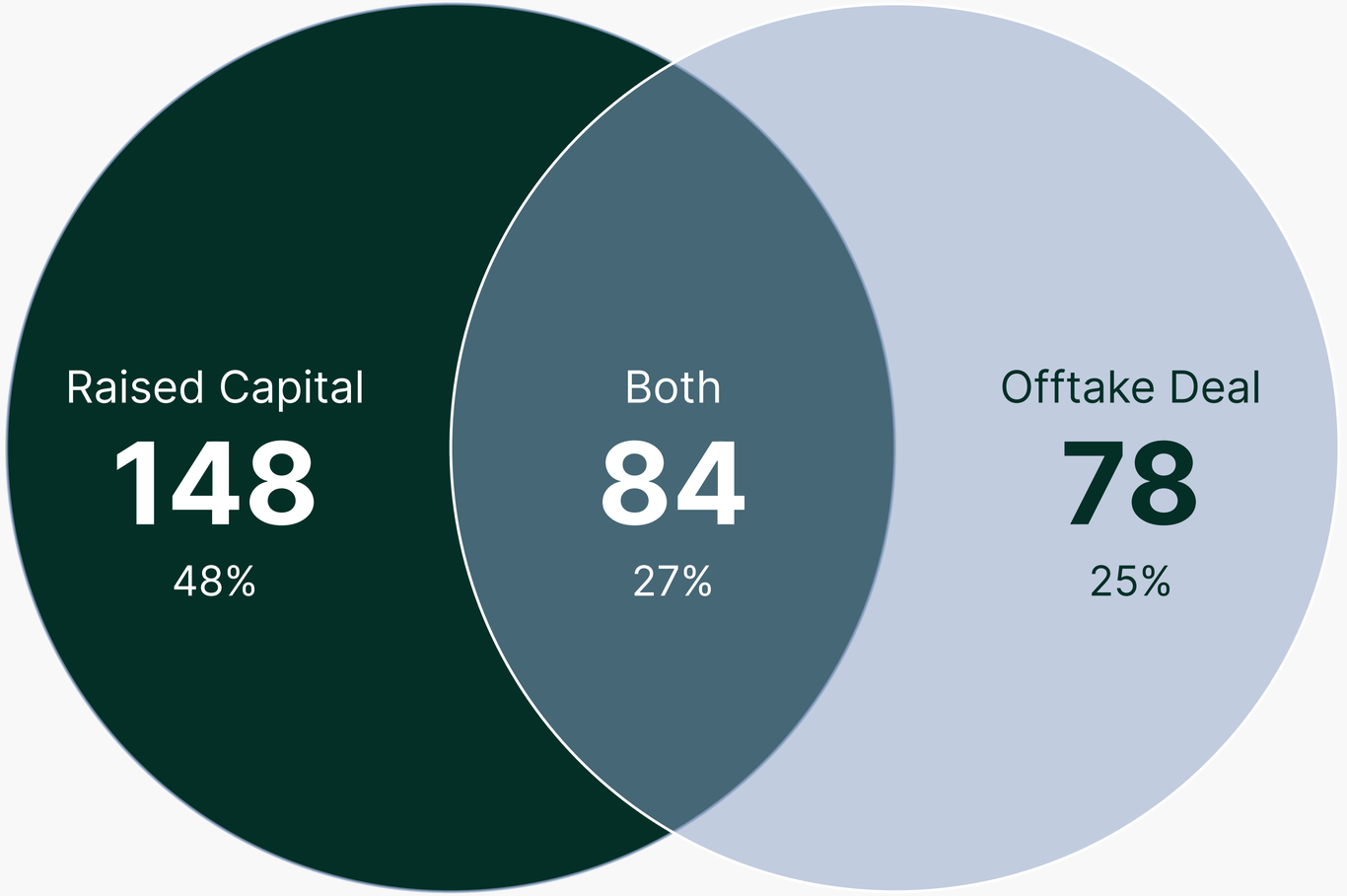
Microsoft, meanwhile, has pulled back sharply down from 11.8M in H2 2025 to 2.4M in H1 2026.

The Number of Repeat Buyers Increases



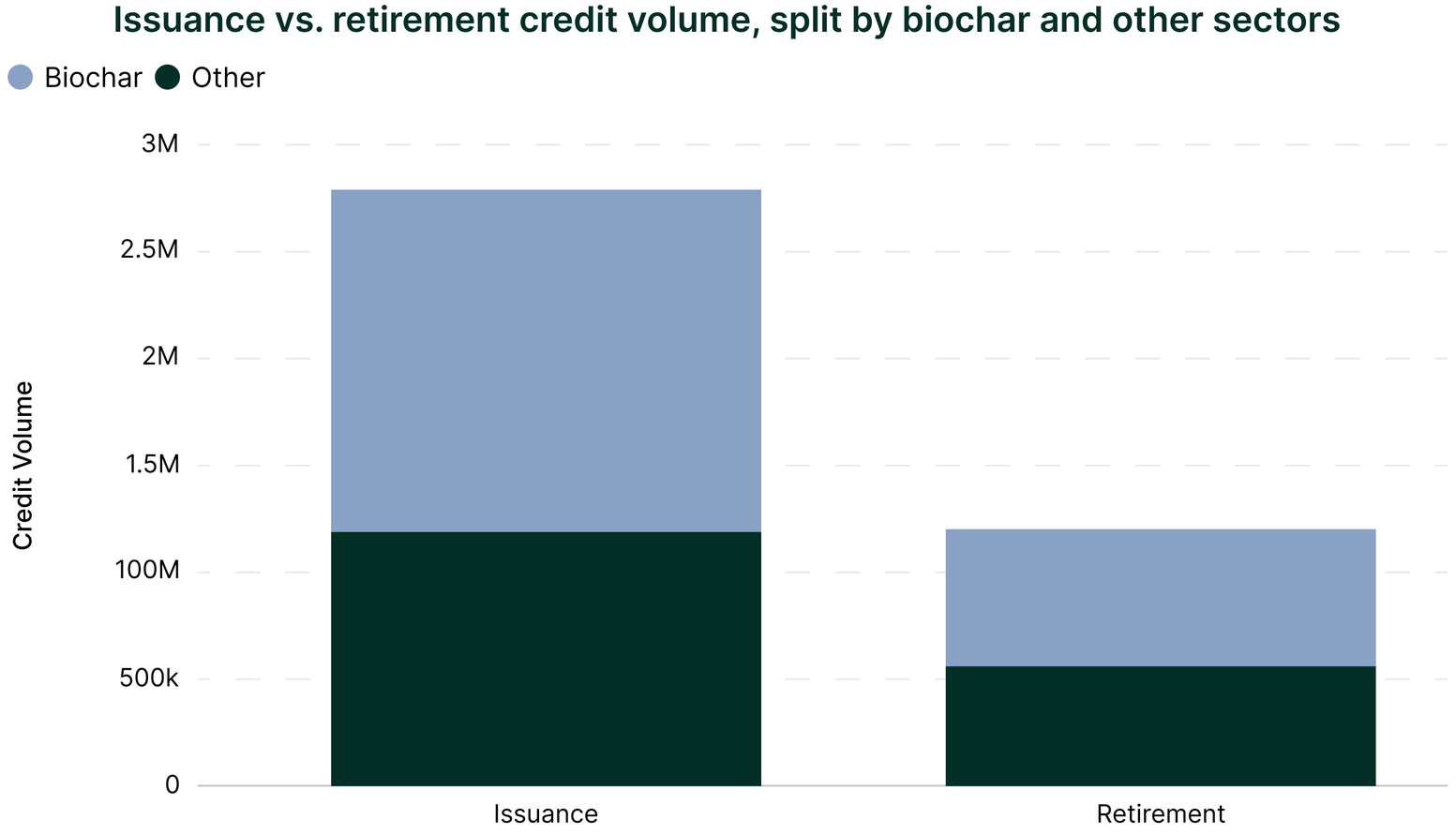
The steady rise in repeat CDR buyers points to a market that is quietly maturing. The buyer base reached 262 in 2025, with 175 already transacting in H1 2026 alone; but total volume fell sharply from ~15M to ~4.5M, meaning the market is broadening, but deals are getting smaller. Tech buyers grew from 21 to 27 between 2025 and 2026, with smaller players filling in. Financial Services held its buyer count flat at 34 but saw volume drop 75%, while Professional Services was the standout grower, more than doubling volume to 834k on an unchanged buyer count. At the same time, the Public Sector has emerged as a new demand driver, moving from near-zero to ~750k in volume, with one Stockholm City making a significant purchase.

A Total of 84 CDR Developers Have Raised Capital and Secured Offtake Deals



Based on 310 CDR companies that have raised capital, secured an offtake deal, or both.

Biochar Sees Growth Across Issuances, Retirements and Offtakes



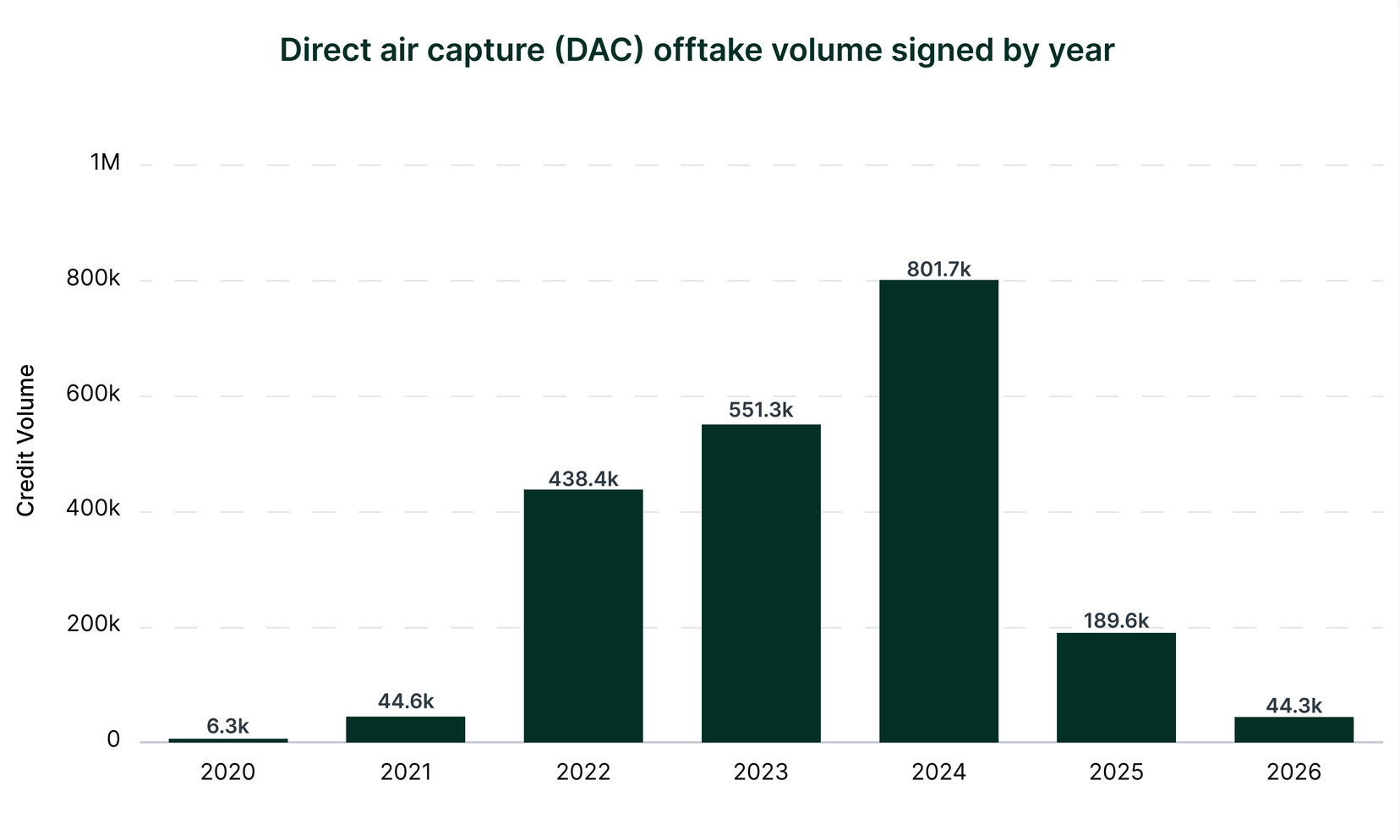
Biochar is the only CDR pathway delivering across the full cycle of issuances, offtakes, and retirements.

It accounts for 57% of all-time CDR issuances (1.58M of 2.75M total), issuing at three times the rate of its nearest competitor, BECCS at ~500k.

Retirements tell the same story: 53% of all CDR retirements are biochar (630k of 1.2M), confirming these credits are being actively used.

Cumulative offtake of ~4.8M dwarfs both issuance and retirement volumes, but biochar is closing the delivery gap faster than any other pathway. For buyers who need CDR delivered today, biochar is the only credible answer at scale for now.

DAC's 99.9% Delivery Gap

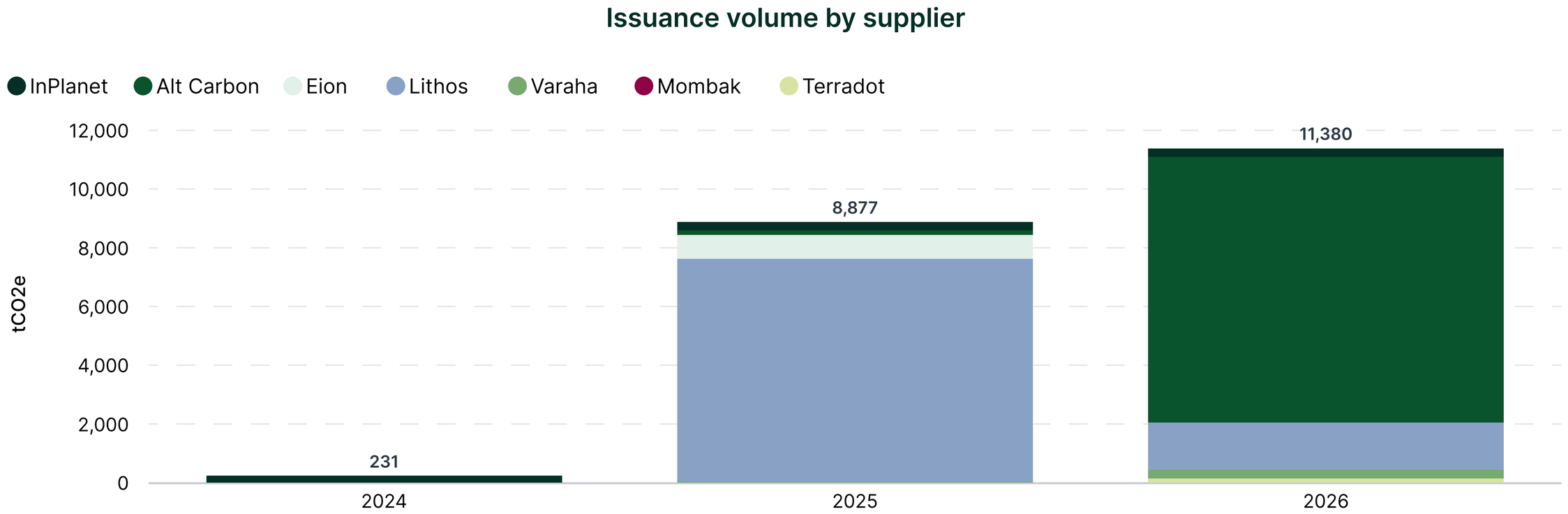


DAC offtakes have decreased drastically from 801.7k in 2024, and 189.6k in 2025, to 26.3k in H1 2026. Of the total 2.06M tons contracted to date, just 0.1% has been issued.

At $300–$1,000/ton, DAC is getting undercut on cost by biochar, BECCS, and other technologies.

ERW's Growth Continues

The ERW growth hasn't been drastic or made any headlines, but the trajectory is hard to dismiss: 10k in 2022, 195k in 2023, 367k in 2024, 470k in 2025. Whilst H1 2026 offtake deals have slowed to 40.5K, the supply side is continuing to grow. Around 11.5k ERW credits have already been issued this year, potentially surpassing its 2025 total. It's too early to call it a turning point, but if issuances continue to track ahead of prior years, ERW could emerge as a credible challenger to biochar over the next few years.



AlliedOffsets

Policy developments in the carbon market

An overview of the policy shifts shaping the carbon market in 2026

AlliedOffsets Carbon Policy Rating: Top 10 Countries

Rank	Jan Rank	Country	Score	Movement
1	4	Cambodia	77	▲
2	1	Chile	77	▼
3	2	India	77	▼
4	5	Singapore	76	▲
5	7	South Korea	73	▲
6	9	Australia	71	▲
7	10	Colombia	71	▲
8	17	United States	70	▲
9	27	Vietnam	70	▲
10	6	Ghana	69	▼

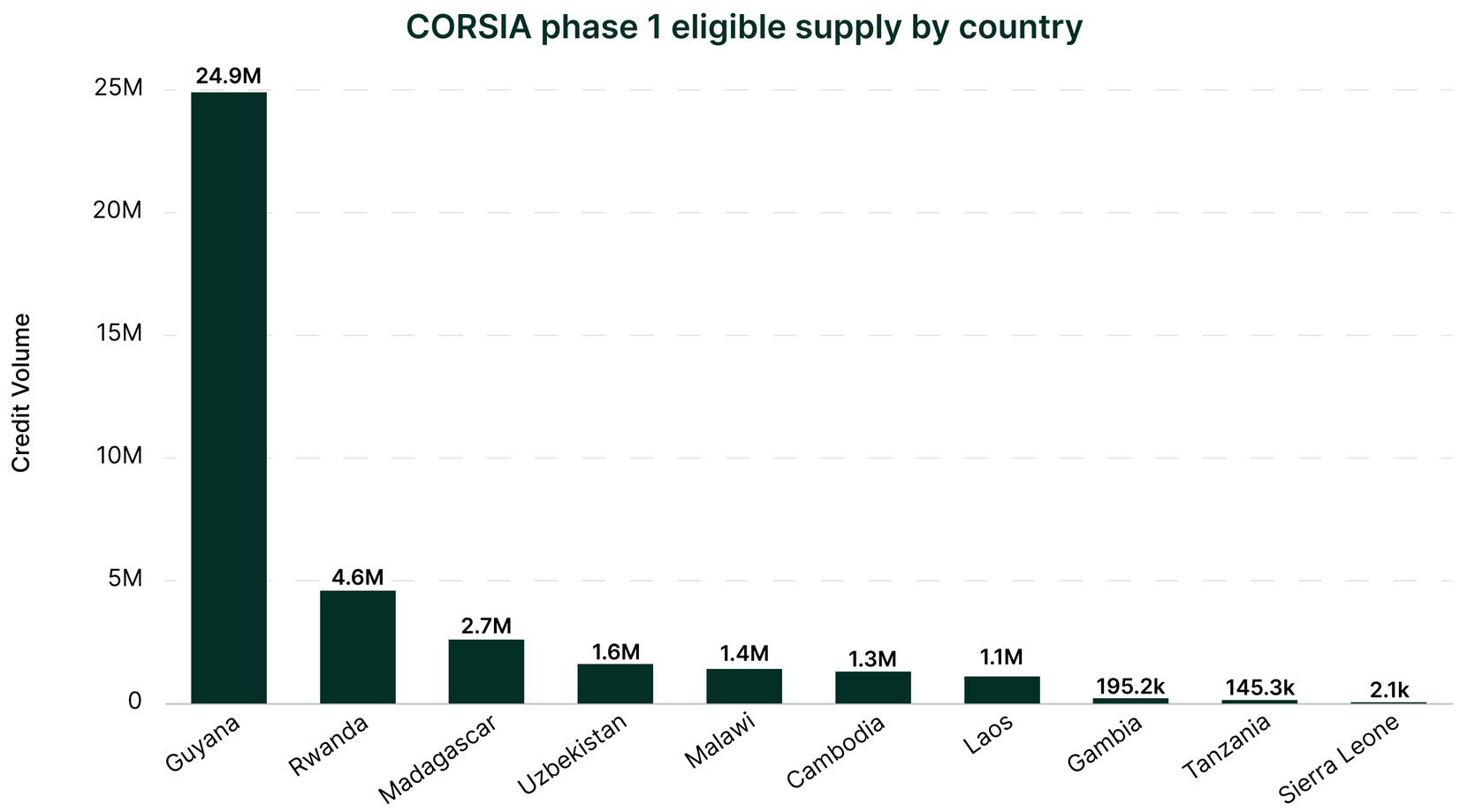
Improved policy score

- **Cambodia**: Driven by a sustained Article 6.2 pipeline build-up, including the first LoA for methane abatement credits, and a highly ambitious NDC pledging up to 55% emissions cuts conditional on international finance.
- **Singapore**: Reflects an active Article 6.2 position with bilateral project calls with Thailand, Rwanda, Bhutan, and a new Philippines implementation agreement, backed by US$15m committed to the GGGI Carbon Transaction Facility, a dedicated Singapore Article 6 Carbon Facility, and the ARC Coalition to aggregate corporate demand. Slightly offset by Budget 2026 signalling a potential softening of the 2030 carbon tax toward the lower end of S$50–80/t (USD $39 - $62).
- **South Korea**: Boosted by formal legalization of the K-ETS Market Stability Reserve, new bilateral deals (India, Bolivia, Georgia), and the GVCM initiative for voluntary market alignment. Slightly offset by consultations on expanding free allowances, which risks weakening Phase 4 price signals.
- **Vietnam**: A dramatic rise reflecting an extraordinary volume of infrastructure built in a single year including legal framework, ETS allowance volumes, registry governance, quota allocations, Article 6 governance with ITMO export caps, securities supervision rules, and finally clearance for Vietnam's first forest carbon credit issuances.

Decreased policy score

- **Kenya:** Dropped from 3rd to outside the top 10. Market credibility was severely hit by the KOKO Networks collapse and subsequent credit repricing, with no new policy developments to offset the reputational damage.

CORSIA Phase 1 Supply Lags as EU Introduces Additional Criteria



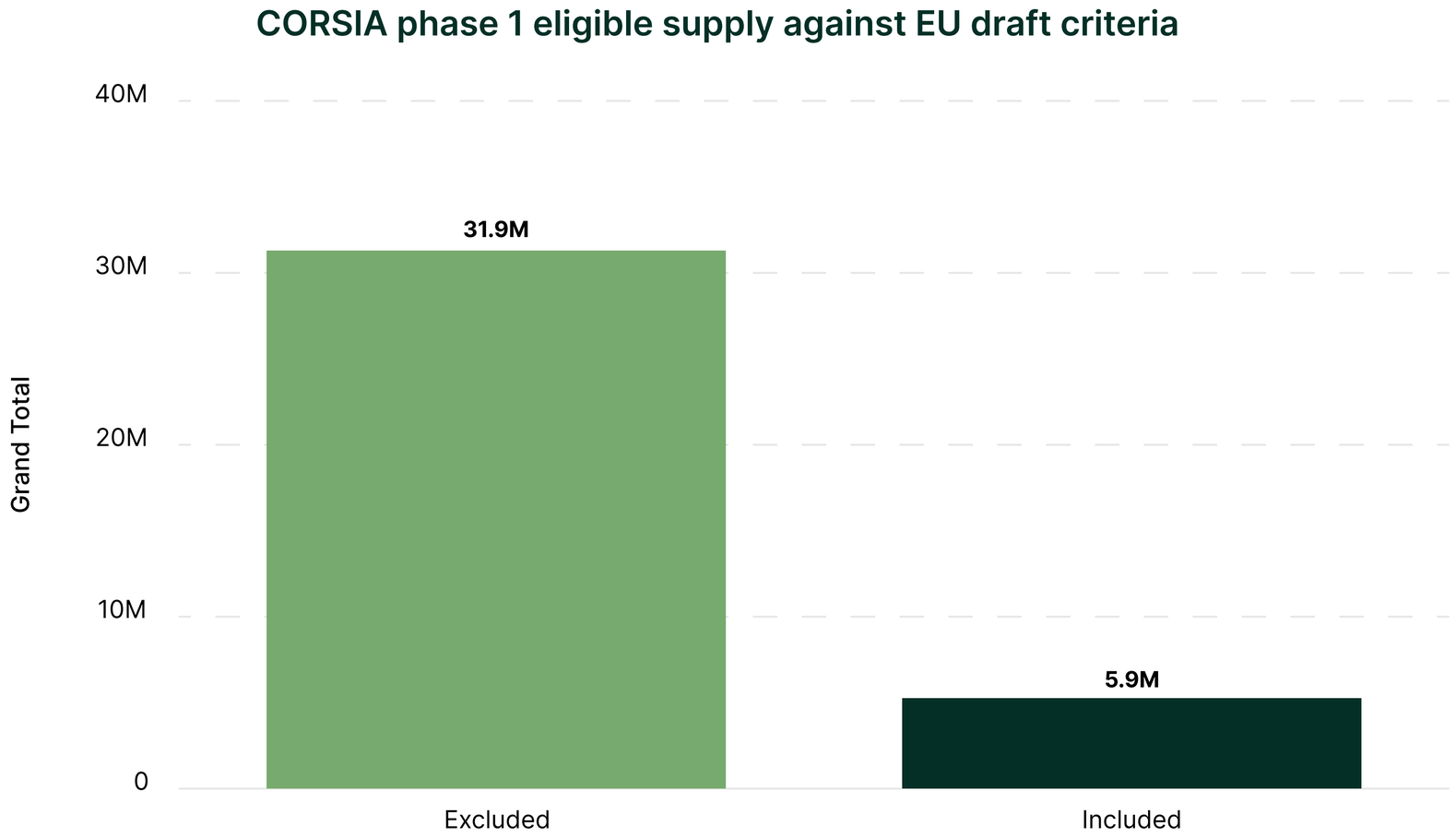
37.9M

total CORSIA phase 1 eligible supply

Phase 1 supply (~37.9M) remains far away from demand (~200M tons SGF demand) projections. Despite insurance aiding developers to bring credits online ahead of host government final reporting, airlines are waiting to retire credits publicly (400K units retired so far) ahead of the European Union Commission's review of CORSIA.

Decisions on whether to push forward the "Stop the Clock" Directive, and keep international flights outside of the EU ETS have not been included in this analysis, yet remains a key consideration of buyers.

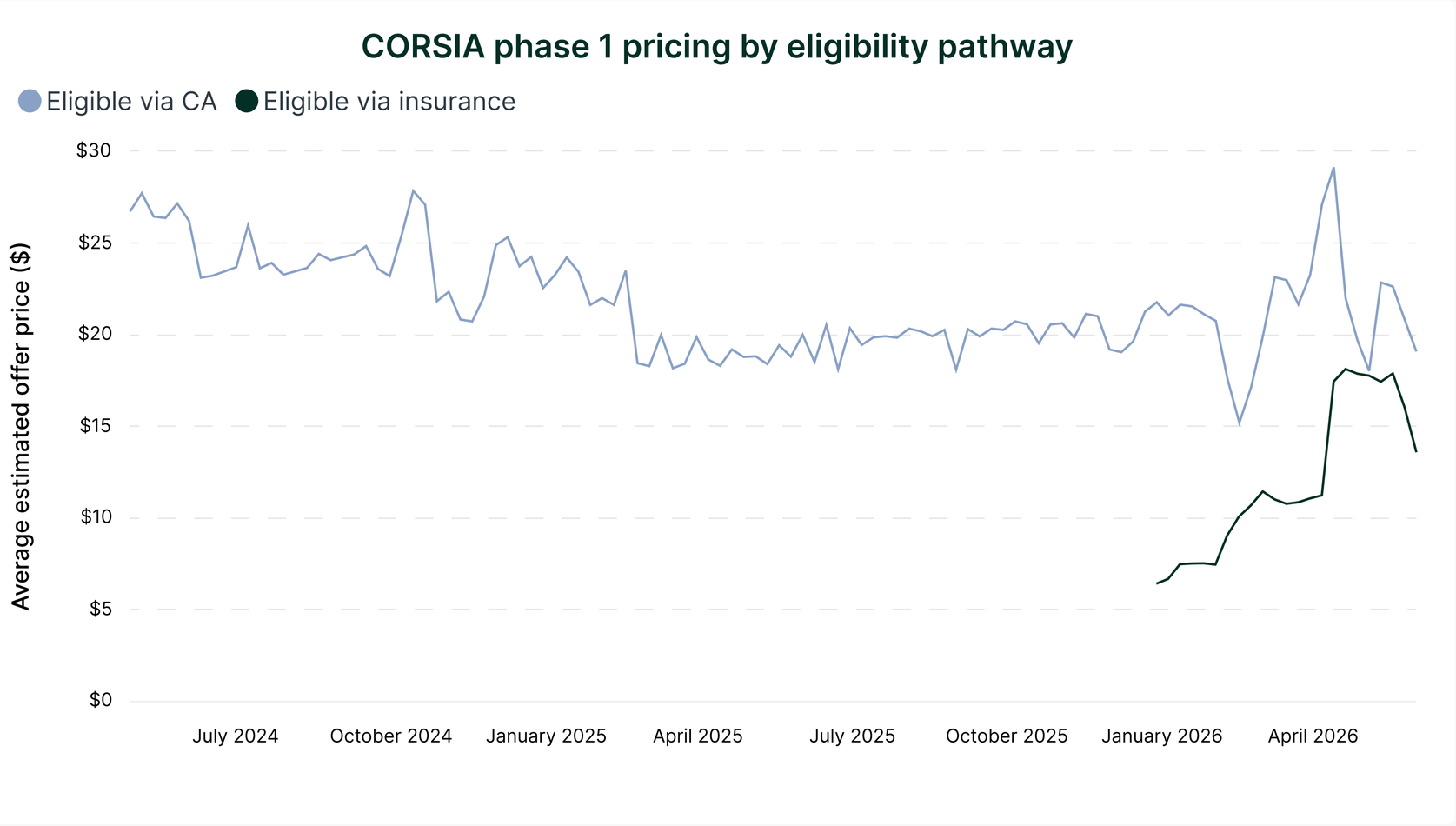
EU Concept Note Discounts Current CORSIA Phase 1 Supply



84% of CORSIA phase 1 supply falls outside the EU's draft fNRB and HFLD criteria for EU-based airlines. The concept note, published in April 2026, proposes an HFLD baseline exclusion (criterion 2a) and a fNRB-vs-TOOL33-v2.0 global default test (criterion 2b) for EEA-based airlines' CORSIA compliance. Against this sample, only 16% of credits (~6.0M tCO2e) survive — a portion of credits cancelled from cookstove projects across Laos, Rwanda, Cambodia, Madagascar, Malawi, Gambia, Tanzania and Sierra Leone, plus VCS4531 (Uzbekistan), an industrial methane project not subject to the fNRB criterion.

The concept note is only a first step toward two implementing acts under the EU ETS Directive: Article 11a(3), which sets the unit-quality criteria, and Article 11a(8), which will list the specific eligible units. Both sit within the EU's decision to fold CORSIA into the EU ETS framework (Directive (EU) 2023/958).

The Price Gap Between Insurance and CA Units Is Closing

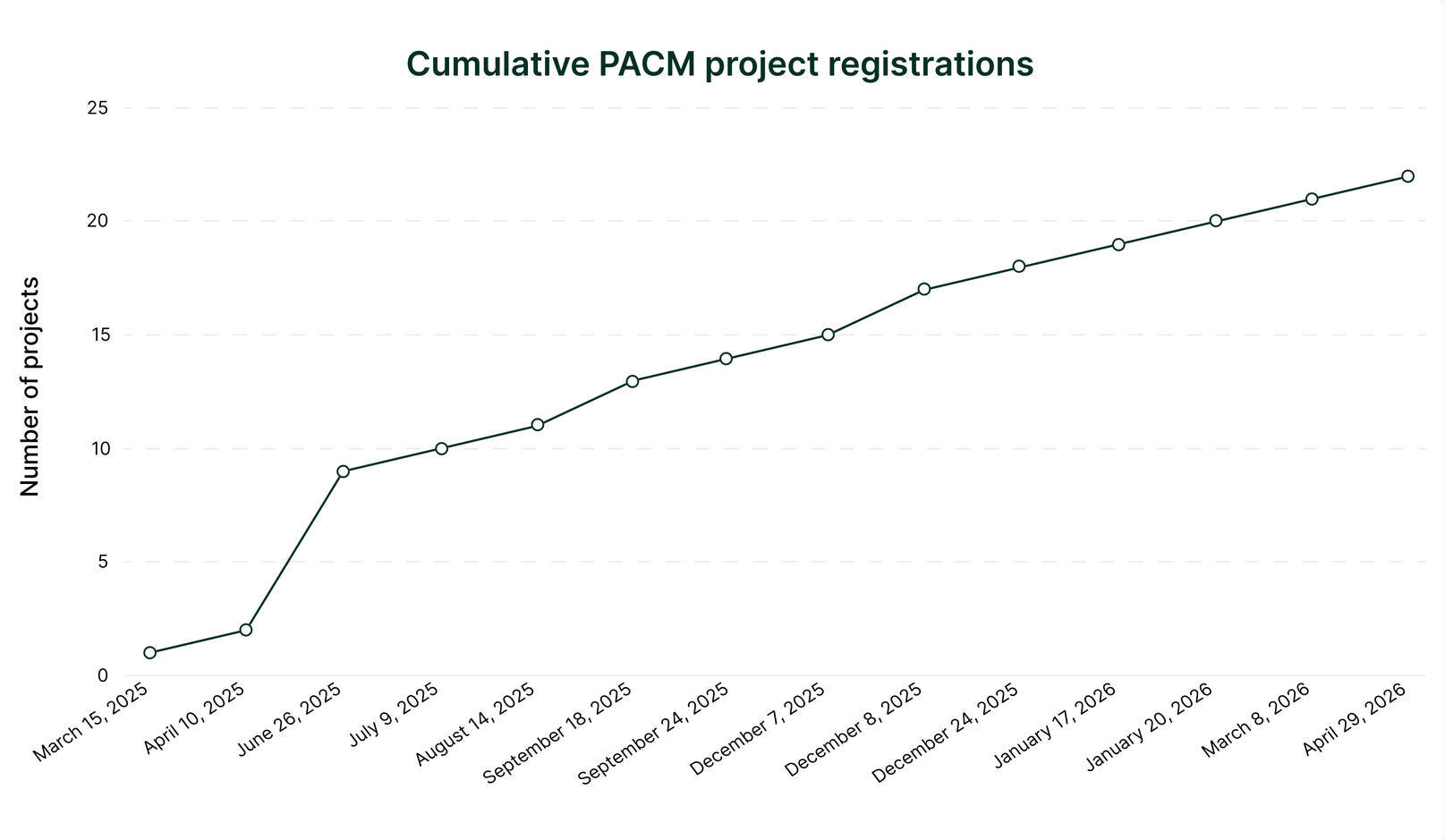


Insurable supply is coming online, though additional qualitative criteria from the EU risks creating a bifurcated market.

Insurance is bridging the supply gap and driving price convergence between projects with Letters of Authorization and fully eligible credits, whether through corresponding adjustments or ahead of final Biennial Transparency Report (BTR) reconciliation.

The EU's Concept Note, which calls for stricter eligibility criteria for EU-based airlines (excluding cookstove credits generated using CDM Tool 33 or HFLD approaches), would invalidate virtually all current supply and create a two-tiered price market for eligible emissions units.

PACM: Count of Registered Projects Reaches 22 Ahead of Host Party Approval Deadline

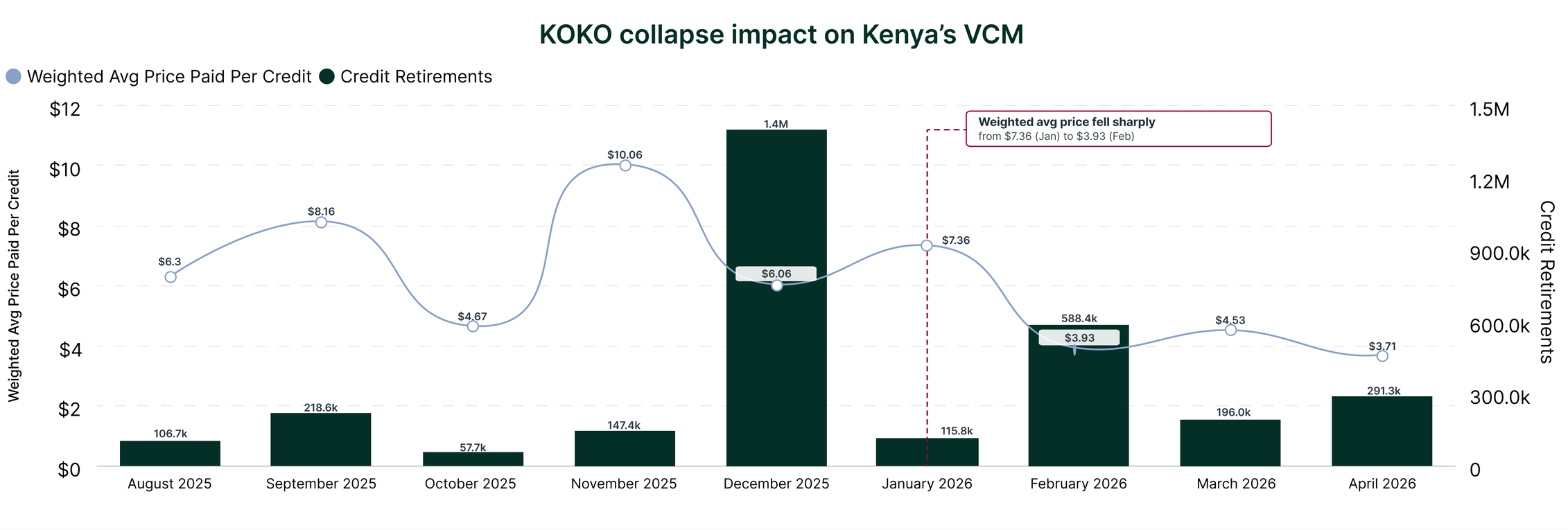


The Paris Agreement Crediting Mechanism (PACM) has reached 22 registered projects and issued its first-ever credits this year, a clean-cookstove program in Myanmar financed by South Korean entities. That first issuance generated 58,428 tCO_2e, roughly 40% below the CDM provisional figure for the same activity, an early signal that PACM's more conservative methodological standards will meaningfully constrain supply volumes.

Host country capacity remains the central bottleneck. While three of the top four countries by transition-requested credits have granted host approval, many smaller host countries face an administrative burden that may outweigh near-term benefits.

Following COP30, the host party approval deadline was extended from December 2025 to June 2026, with documentation submission pushed to December 2026, reflecting pressure from developers frustrated by slow and fragmented national approval processes. The June 2026 deadline will be a host country readiness test. Projects that miss it lose their transition pathway entirely.

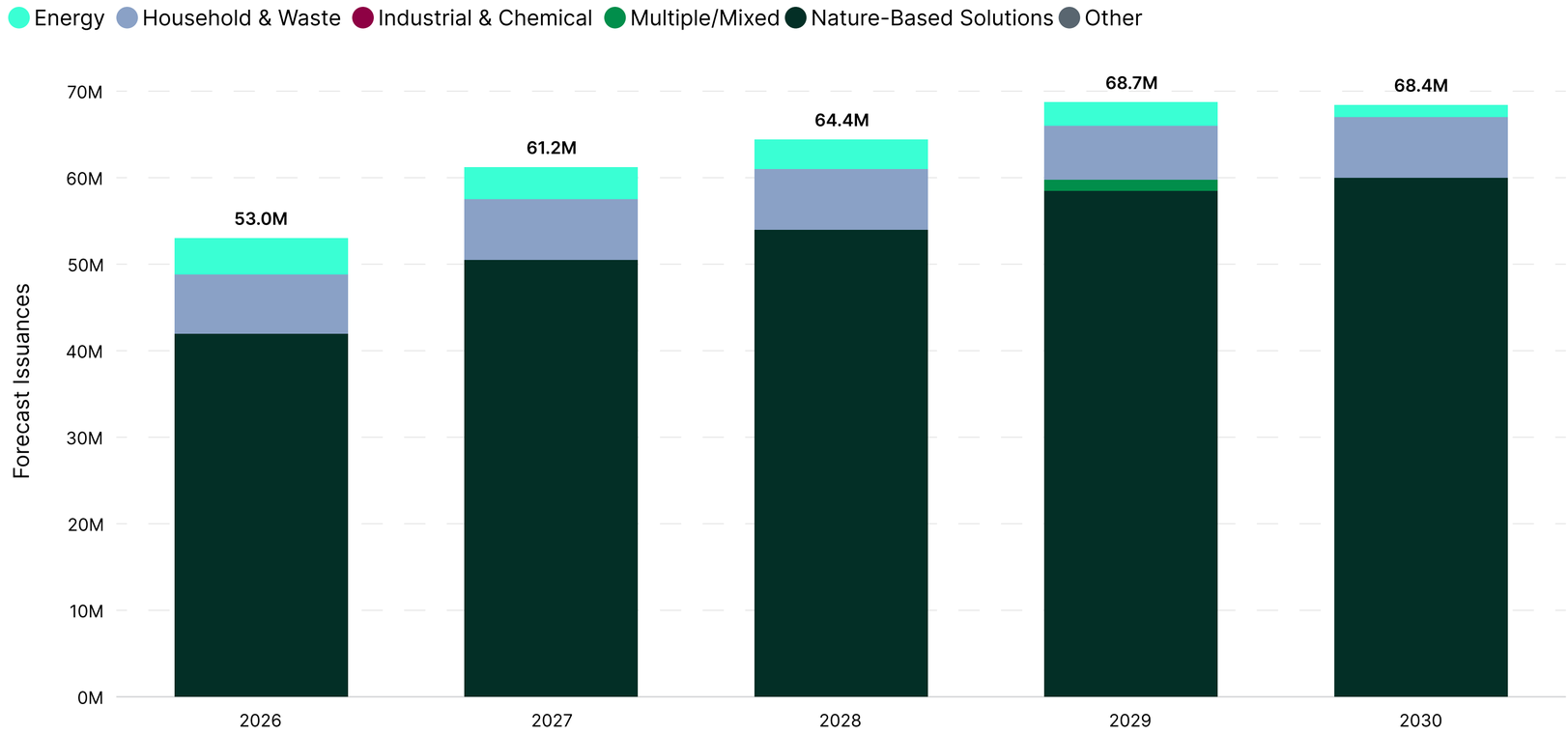
KOKO's Collapse Triggered Immediate Price Compression



KOKO's collapse on January 30, 2026 hit Kenyan credit pricing immediately. Weighted average prices fell from $7.36 in January to $3.93 in February, a 45% drop, and stayed suppressed through April. KOKO Networks, a pioneering cookstove distributor which relied on clean cooking subsidies, did not receive a Letter of Authorization (LoA) to access international carbon markets under Article 6.2 from the Kenyan government. This lack of access contributed to the company's insolvency.

Project developers are mitigating risk of not receiving host party authorization through the insurance pathway, screening of environmental integrity for underlying credits, and seeking authorisztion from project activities across multiple jurisdictions.

Indonesia Formalizes Forestry Carbon Trading Rules as Energy Sector Awaits Guidance

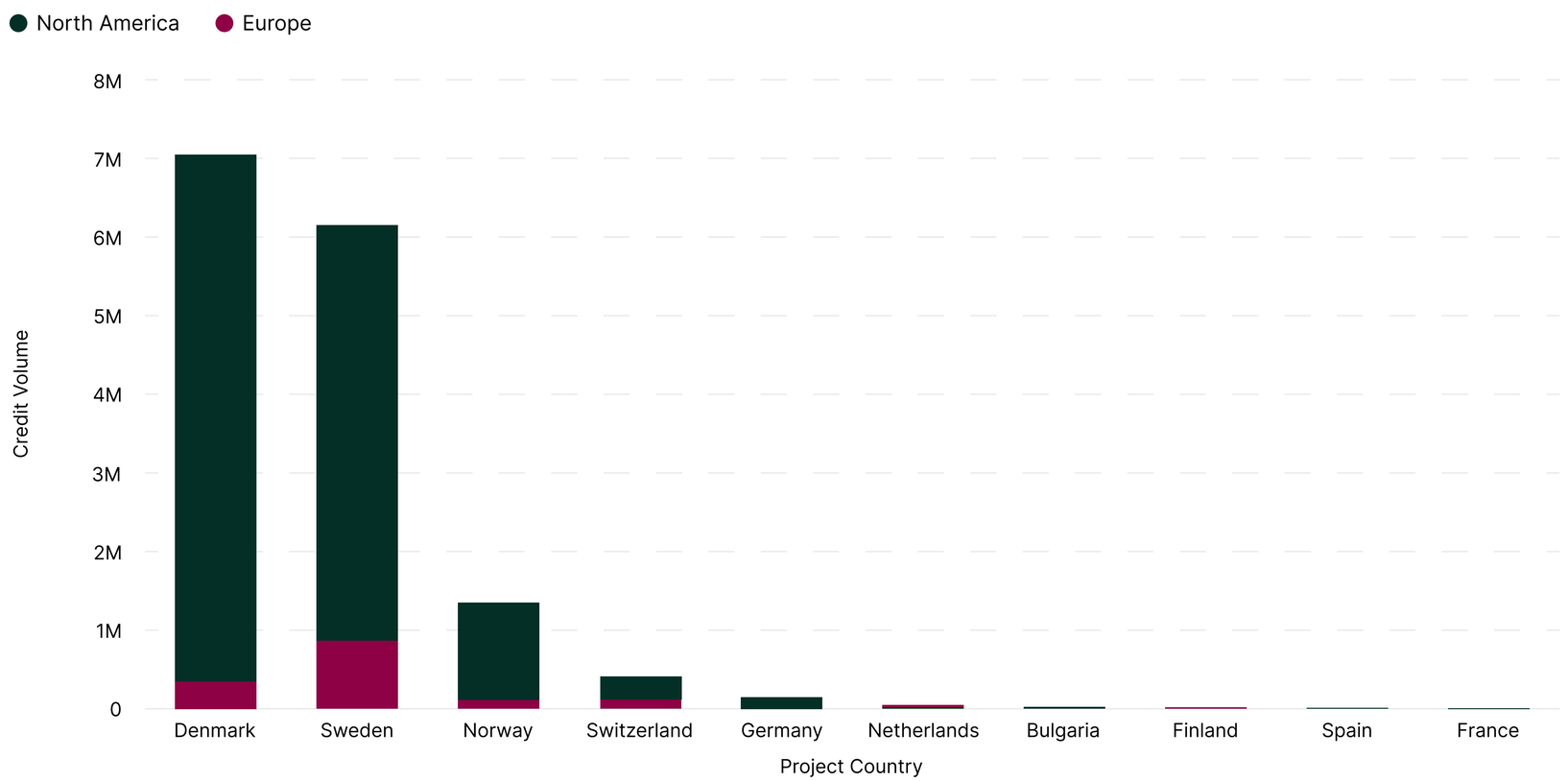


Minister of Forestry Raja Juli Antoni signed Ministerial Regulation No. 6/2026 on April 6, 2026, with it adopted on April 13. It governs procedures for carbon trading through GHG emission offsets in the forestry sector and serves as the implementing rule under Presidential Regulation No. 110/2025.

Five categories for forest areas are eligible for supply sources, the regulation provides clarity on which entities qualify as project developers, procedures for issuing forestry carbon credits, and corresponding adjustments (CAs) for international market participation.

With a pending ministerial regulation planned to establish a legal basis for carbon trading in the energy sector under PR 110/2025, Indonesia projects it can mobilize up to $7.7 billion in annual investment while stimulating domestic supply of renewable energy credits.

EU CRCF Needs European Champions, Yet Demand Has Historically Come From the US



The European Commission has approved its first three methodologies under the Carbon Removal Certification Framework (CRCF), covering Permanent Removals, Carbon Farming, and Carbon Storage in Products.

To stimulate EU-based Carbon Dioxide Removal (CDR) supply ahead of its proposed integration into the EU Emissions Trading System (ETS), the EU has established a CDR Buyers Club composed of voluntary corporate and public buyers. This initiative aims to disrupt a historically centralized market: currently, Microsoft accounts for 95% of historic offtake demand from European Direct Air Capture (DAC), Bioenergy with Carbon Capture and Storage (BECCS), and biochar projects, followed by the Frontier coalition at 3%.

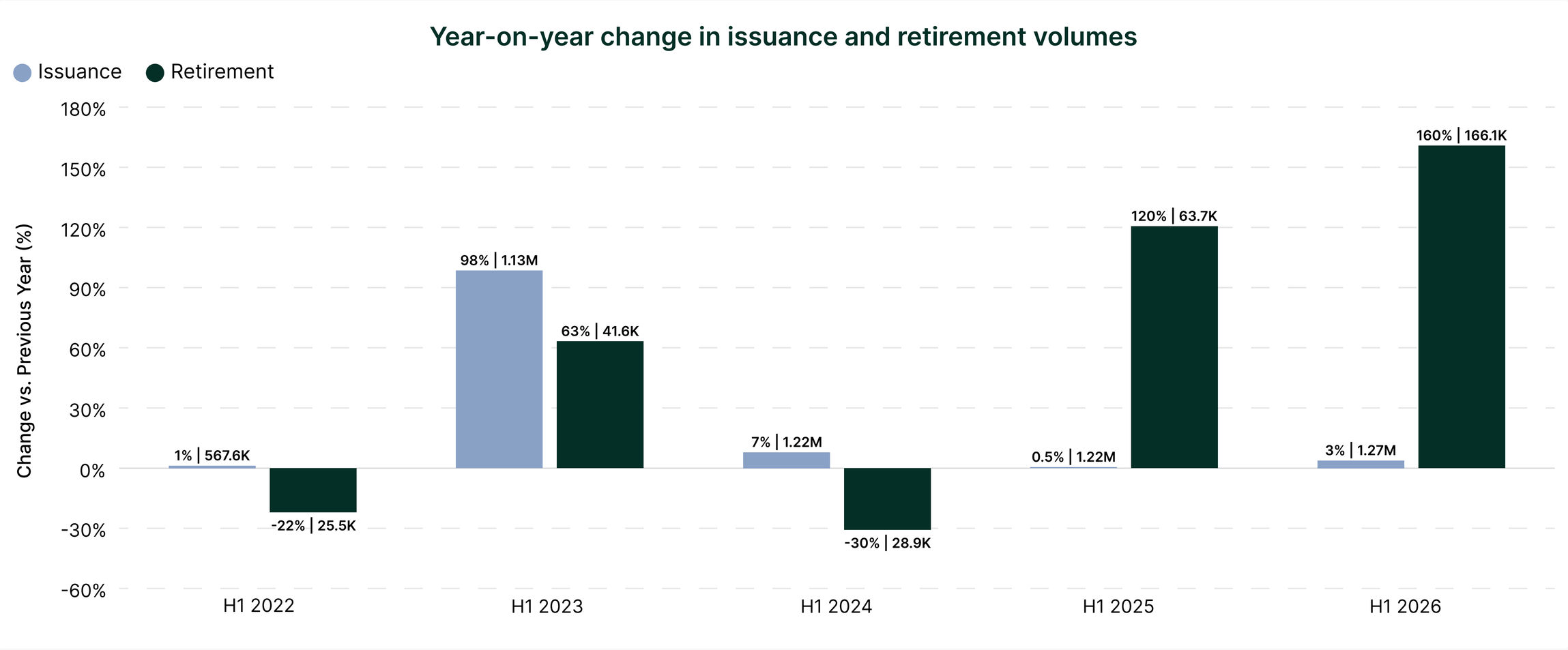
Early members of this new EU-centric buyers club may emerge from the pool of previous buyers of similar carbon credit profiles in the region. Key prospects span the public sector (City of Stockholm), energy (Equinor, Shell), financial services (Nordea Bank, Swiss Re, UBS), and professional services (DNV, SAP, Capgemini).

AlliedOffsets

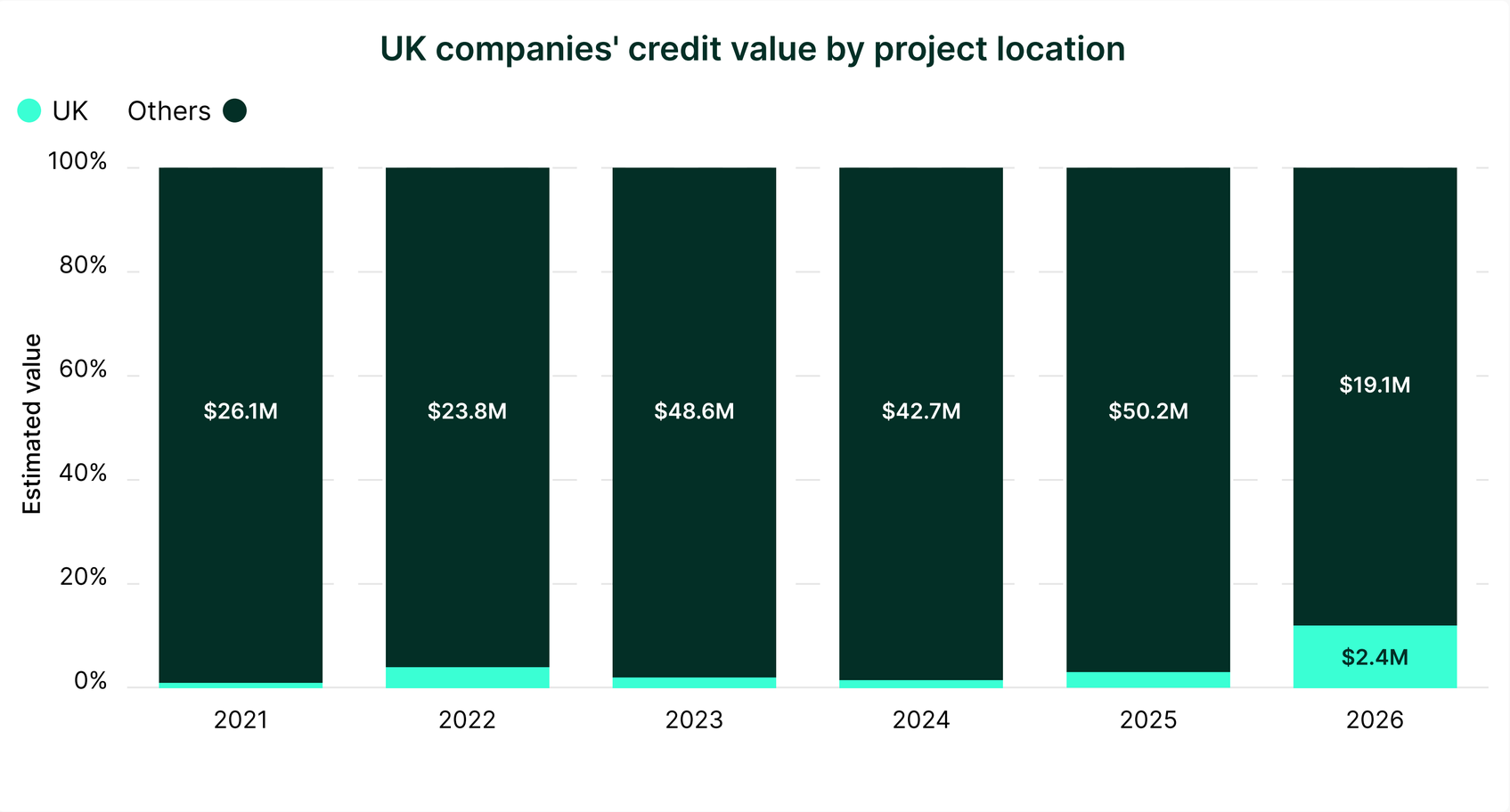
UK carbon market spotlight

A review of the UK's carbon market developments for London Climate Action Week

UK Project Retirements Tripled Since 2023, While Issuances Remain Flat



Value of Credits Purchased by UK Companies Increasingly Comes from UK-Based Projects



$1.5B

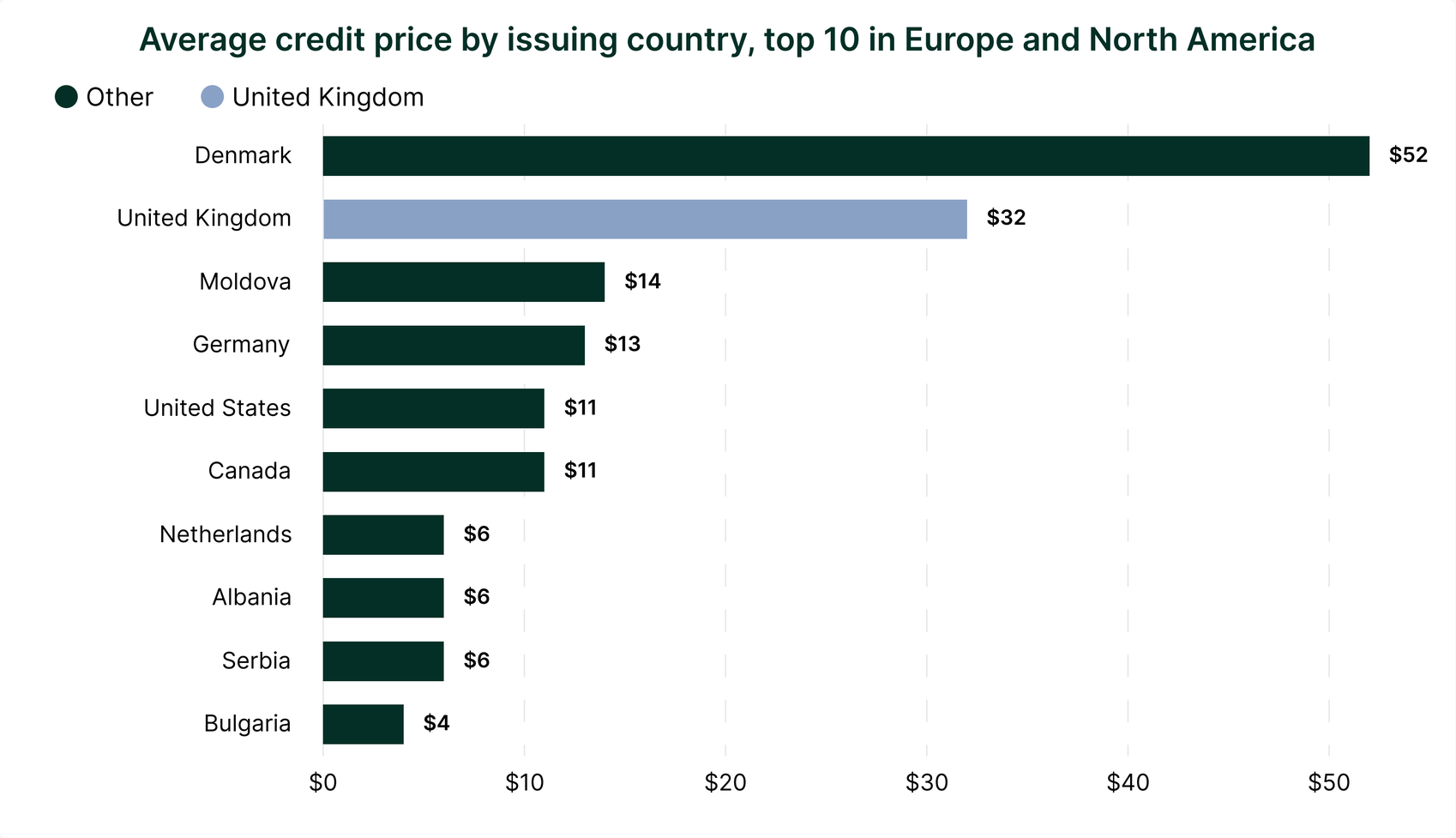
Total value of credits generated by UK-based projects (2020–2026)

$2.4M

Value of credits purchased by UK buyers from domestic projects (2026)

The value of credits purchased by UK companies increasingly come from UK based projects. In fact, it has increased by over 60% in 2026 compared to the same period last year.

UK Average Credit Prices Reach $32/Ton



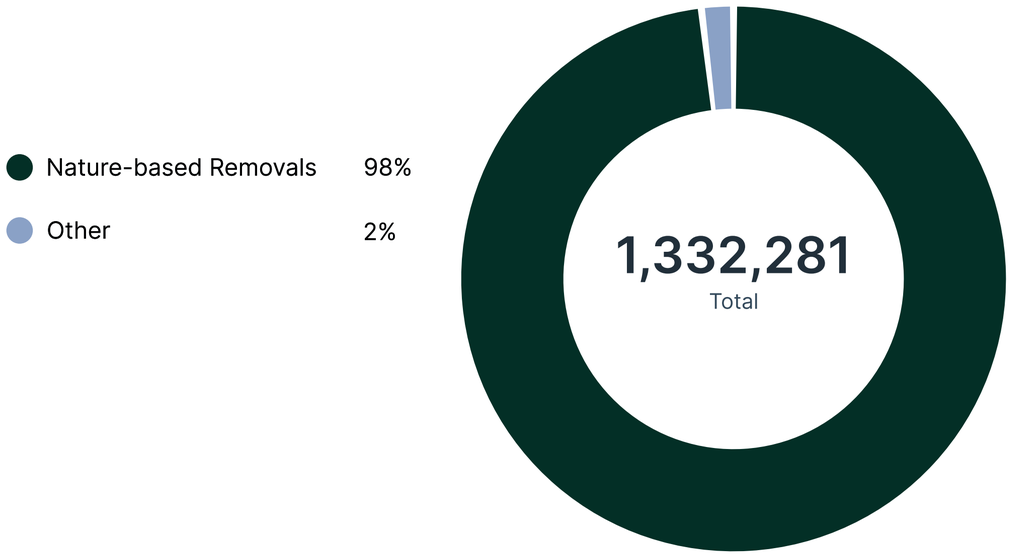
UK average credit prices have reached $32/ton, making it the second highest among the top 10 European and North American issuers.

This means that the UK is trailing only Denmark at $52/ton, but comfortably ahead of the remaining eight countries, where prices range from $4 to $14/ton.

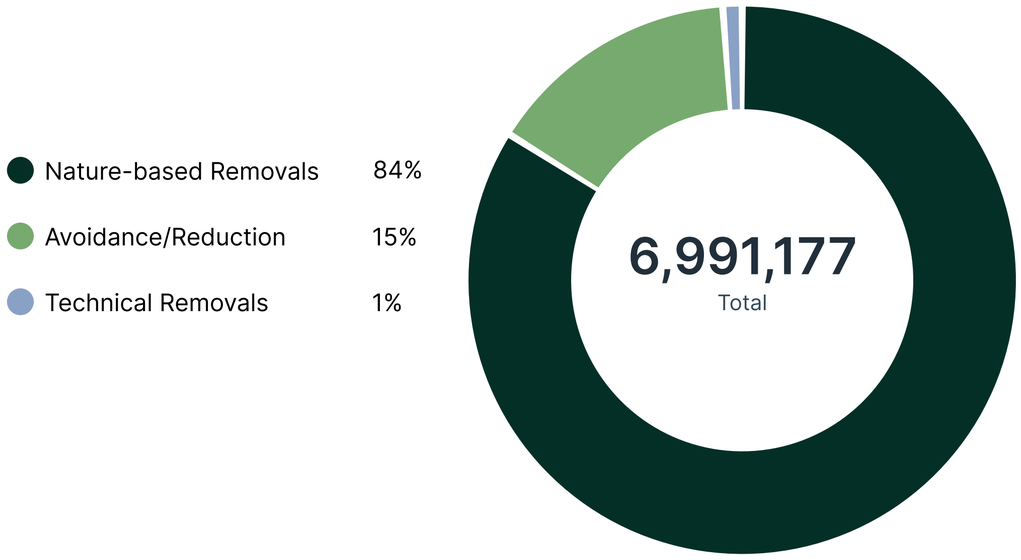
The Composition of UK Issuances Has Shifted

The composition of UK issuances has shifted notably in the first half of 2026. Nature-based removals, primarily peatland restoration projects, now account for 98% of total supply, up from 84% across 2021 to 2025. Avoidance and reduction credits made up 15% of issuances over that earlier period, while in H1 2026 everything outside nature-based removals accounts for just under 2% combined.

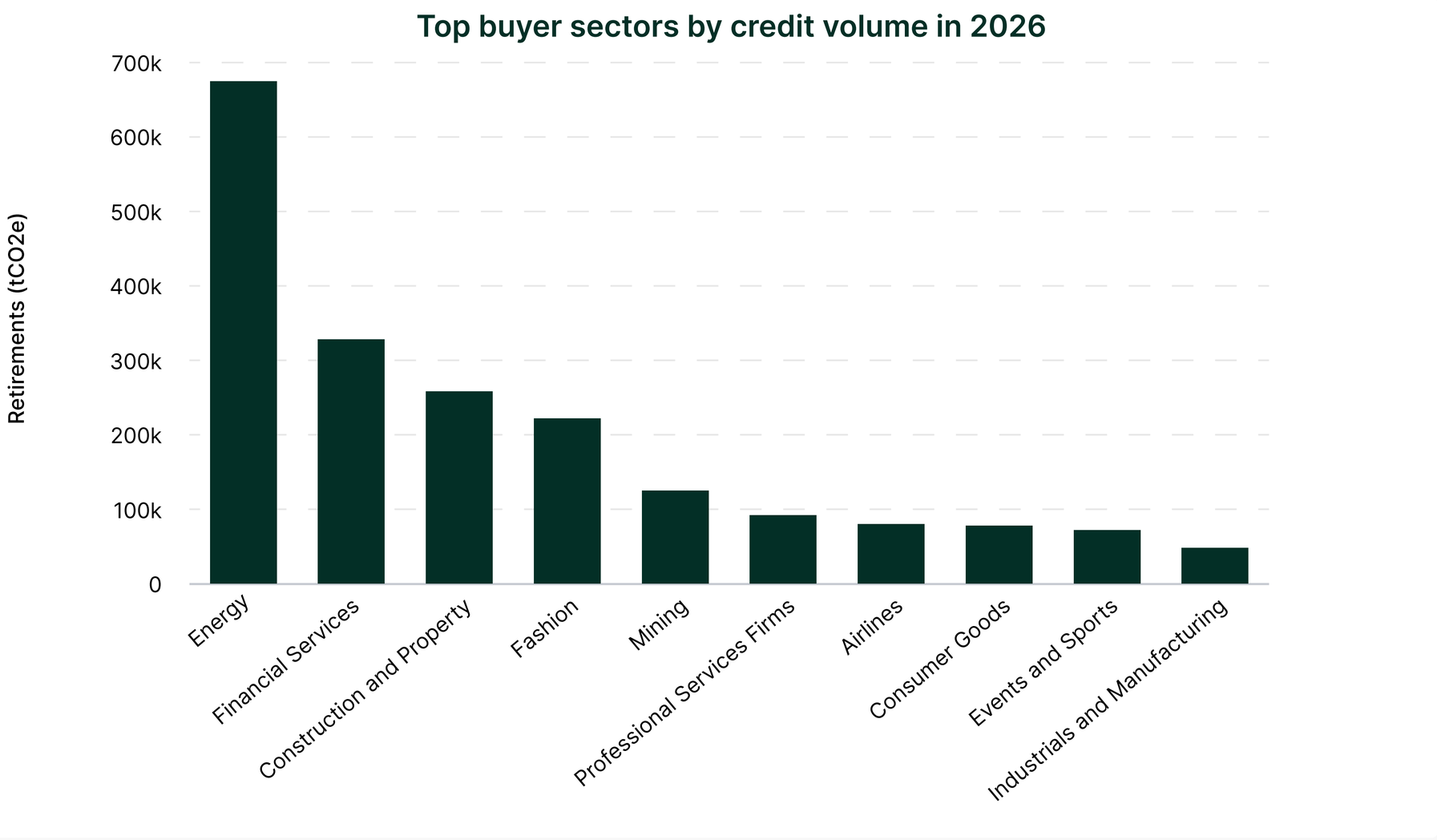
UK credit supply by offset type, H1 2026



UK credit supply by offset type, 2021 to 2025



Energy and Financial Services Are the Top Buyers of UK-Issued Credits



Energy companies account for 34% of all purchases of UK-issued credits, purchasing around 670,000 credits in 2026. This is roughly double that of Financial Services with 16%.

The energy sector's dominance is largely driven by one buyer. Shell accounts for 75% of all energy company retirements in H1 2026, making it a significant outlier. Financial services, by contrast, is more evenly spread across buyers, with Aviva leading. This pattern is consistent with last year, but there is one shift: Shell has actually reduced its retirements in 2026, which means the gap between energy and financial services is narrower than it has been in previous years.


AlliedOffsets
Reliable data - pioneering thinking