THE VOLUNTARY CARBON MARKET

Eko Carbon Exchange operates as a voluntary carbon market.

The voluntary market enables companies and individuals to offset their carbon emissions on a purely voluntary basis by purchasing carbon credits generated from projects that either reduce GHG emissions or capture carbon from the atmosphere. It operates parallel to the compliance market and is largely based on the Kyoto CDM and JI models.

The voluntary market is not subject to legislation that requires them to reduce or offset their GHG emissions by regulatory compliance. Nigeria is yet to conclude its compliance instrument. The voluntary market standards have been developed to ensure that the principles of additionality, permanence and leakage are complied with.

Voluntary market participants may choose to be part of a voluntary cap-and-trade system, where emission rights are traded, but the majority do not. In the voluntary market, organisations and even individuals typically assess their own ‘carbon footprint’ themselves, attempt to reduce their emissions by saving energy, and then offset additional emissions either by buying carbon credits from projects that reduce emissions elsewhere, or by directly investing in these projects.

The motivation to patronize the voluntary market include are personal idealism, corporate social responsibility, and marketing and PR purposes. Most corporate companies also participate in the voluntary market to receive good corporate standing, marketing and PR values and as a good way of preparing for future entrance into the compliance market. The voluntary market off-setters consider the social or environmental story behind the carbon credit as important as the GHG emission reduction value of the carbon credit they offset.

Most of the standards of voluntary market operation require the use of independent auditors to assess a project. As in the compliance market, the voluntary market also quantifies a carbon credit as 1tCO_2e. Voluntary market credits are known as verified emission reductions (VERs).

CARBON CREDIT GENERATION AND OFFSET

Businesses can buy and sell carbon credits. Having enough carbon credits to offset your CO_2 output suddenly makes you a Green Business. So, who generates or issues Carbon Credits, and on what authority? Is a Carbon Credit a promise to remove an amount of CO_2 from the atmosphere? Is it like a Futures market?

Carbon credits are a method, proposed as a means to reduce a nation′s or the worlds carbon footprint. They are used to incentivize Carbon Reducation while de-incentivizing, relying on emitting businesses or entities to bear the load of global carbon reduction under the polluter-pays principle.
Carbon credit accreditation is a process done by independent accrediting agencies. You sign up to do a project to reduce carbon output, and then the accrediting agency confirms that you did just that.

Carbon offsetting is not a future's market, but a financial commitment to support and empower a project currently dedicated to lowering greenhouse gasses in its activities. Practically, if I can reduce my output by 1 ton of CO_2 per year, I can sell that "credit" to someone who could only continue in business by producing an extra ton of CO_2 per year? So, you will pay the company to get them to remove a ton of CO_2. On the other hand, under the carbon cap and trade system, you would have to "buy" the carbon offsets from someone with less pollution or green credits in order to emit an extra ton of CO_2.