



CAFAMORE

Carbon Farming Monitoring & Registry

D6.1 - Who will pay for carbon farming in Europe? **State of the market and implications for public policy**

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Abbreviations and Acronyms

ACCU	Australian Carbon Credit Unit
AgETS	Agricultural Emissions Trading System
AI	Artificial Intelligence
AMC	Advance Market Commitment
ARC	Action for Resilient Climate
ARR	Afforestation, Reforestation and Revegetation
A6.4ER	Article 6.4 Emission Reduction
BioCCS	Bioenergy with Carbon Capture and Storage
BVCM	Beyond Value Chain Mitigation
CAR	Climate Action Reserve
CAP	Common Agricultural Policy
CA100+	Climate Action 100+
CCPs	Core Carbon Principles
CCQI	Carbon Credit Quality Initiative
CCX	Chicago Climate Exchange
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CSR	Corporate Social Responsibility
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CNZS	Corporate Net-Zero Standard
CRCF	Carbon Removals and Carbon Farming
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
DACCS	Direct Air Carbon Capture and Storage
EAC	Environmental Attribute Certificate
ECGT	Empowering Consumers for the Green Transition
EDF	Environmental Defense Fund
EEU	Eligible Emissions Unit
ESABCC	European Scientific Advisory Board on Climate Change
ESG	Environmental, Social and Governance



ETS	Emissions Trading System
EU	European Union
EU ETS	European Union Emissions Trading System
EUROSIF	European Sustainable Investment Forum
FAIRR	Farm Animal Investment Risk and Return
FLAG	Forest, Land and Agriculture
GCD	Green Claims Directive
GHG	Greenhouse Gas
GHGP	Greenhouse Gas Protocol
GX-ETS	Green Transformation Emissions Trading System
ICAO	International Civil Aviation Organization
ICROA	International Carbon Reduction and Offset Accreditation
ICVCM	Integrity Council for the Voluntary Carbon Market
IEA	International Energy Agency
IEEP	Institute for European Environmental Policy
IFM	Improved Forest Management
ISCIA	International Soil Carbon Industry Alliance
ISO	International Organization for Standardization
ITMO	Internationally Transferred Mitigation Outcome
I4CE	Institute for Climate Economics
JI	Joint Implementation
LBC	Label Bas Carbone
LEAF	Lowering Emissions by Accelerating Forest finance
LoA	Letter of Authorization
LOCT	Supplier Leadership on Climate Transition
LSRS	Land Sector and Removals Standard
LULUCF	Land Use, Land-Use Change and Forestry
MCS	Mandatory Climate Standard
MCU	Mitigation Contribution Unit
MRV	Monitoring, Reporting, and Verification
MSCI	Morgan Stanley Capital International
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
NRL	Nature Restoration Law
NZAM	Net Zero Asset Managers initiative
OER	Ongoing Emissions Responsibility
OP2B	One Planet Business for Biodiversity
PACM	Paris Agreement Crediting Mechanism
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SBTi	Science Based Targets initiative
SML	Soil Monitoring Law
SOC	Soil Organic Carbon



UK	United Kingdom
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
USDA	United States Department of Agriculture
VCM	Voluntary Carbon Market
VCMI	Voluntary Carbon Markets Integrity Initiative
VCS	Verified Carbon Standard
VVB	Validation and Verification Body
WP	Work Package
WRI	World Resources Institute
WWF	World Wildlife Fund for Nature



Executive summary

This report assesses whether and how private financing mechanisms can contribute to scaling up carbon farming in Europe. To this end, it maps the carbon farming market through an in-depth assessment of its market fundamentals at European and international levels. It also examines the key drivers of market development, the main stakeholders involved, and the standards, rules and policies shaping carbon farming and related claims. Building on this analysis, the report provides a common evidence base and identifies key research questions for subsequent work in the CAFAMORE project.

The report is structured around two main private financing channels: first, the **Voluntary Carbon Market (VCM)** and its evolving demand for carbon farming; second, agricultural **value chain schemes**, particularly price premiums linked to corporate climate commitments. It then examines how **public policies** can support, regulate or strengthen these financing channels and create additional demand for carbon farming.

The VCM offers an opportunity, but is unlikely to finance European carbon farming at scale on its own. On the supply side, agricultural carbon farming projects were relatively limited until the early 2020s, but activity has expanded in recent years, with new methodologies and projects emerging, including in Europe. Many of these projects are still under development, and most have not yet issued credits, raising questions about their ability to secure future financing. Analysis of historical demand also highlights the close links between the VCM and compliance markets. Yet the VCM has never reached scale, as voluntary demand remains structurally limited. This demand is increasingly shifting towards carbon removals and higher-integrity credits. At the same time, persistent uncertainty over the relationship between VCM credits and value chain initiatives has hindered the emergence of a stronger and more predictable source of demand.

Value chain schemes are a promising but uncertain source of finance. SBTi-driven Scope 3 commitments have encouraged agri-food companies to introduce price premiums to reward carbon farming practices. Key drivers include commitments by large companies and investors to SBTi-aligned transition pathways, while the need to secure resilient supply chains appears to be an emerging driver. However, these schemes remain heterogeneous and lack transparency, and their impact at the European level has yet to be quantified. Limited downstream willingness to absorb additional costs, the voluntary nature of corporate commitments, the higher costs of European carbon farming, and uncertainty around carbon claims can hinder the effective combination of value chain finance with carbon market mechanisms.

Carbon farming is addressed through several European policies, but the current framework leaves several gaps. The Carbon Removal and Carbon Farming (CRCF) Regulation provides a common certification framework but does not guarantee financing. The recent launch of the CRCF Buyers Club is a promising initiative to help develop demand, but will need to be followed by more structural measures to address the longer-term demand gap. In particular, as no single private financing mechanism currently appears capable of delivering the scale of funding needed, EU policies should provide greater certainty around corporate climate claims, giving companies greater visibility and facilitating the combination of different financing and co-claiming mechanisms.

EU and Member State should also explore the role of CRCF-certified activities in delivering LULUCF objectives and assess whether stronger regulatory demand or alternative funding models are needed. Combining public funding, value chain finance, voluntary markets and potential future compliance



mechanisms appears the most promising pathway, provided that competing claims and inefficient allocation of resources are avoided.

This report provides a shared understanding of the carbon farming market today, the issues at stake for the agricultural sector, and the key areas for further work in the CAFAMORE project. These include a deeper assessment of demand, the quantification of the financing potential and funding gap associated with each mechanism and assessing scenarios combining public and private funding. Further work will also be needed on the evolution of claims (particularly contribution claims), the barriers to co-claiming, and the interactions between public policies and private frameworks such as SBTi and the GHG Protocol.



CAFAMORE project summary

This Deliverable is part of the EU-funded project under the topic HORIZON-MISS-2024-SOIL-01-07 - Development of high spatial-resolution monitoring approaches and geographically explicit registry for carbon farming (project acronym: CAFAMORE, Grant Agreement #101219027).

The main goal of **CAFAMORE** is to develop an EU-wide parcel level monitoring approach for carbon farming, with harmonisation and automation of data collection, robust and cost-effective quantification of activities and baselines, a spatially explicit registry, and a robust marketplace. This will be accompanied by an in-depth assessment of the carbon markets and business strategies for carbon farming. **CAFAMORE** will facilitate certification schemes by providing tools for the quantification and monitoring of carbon farming activities through providing operational processing chains that connect earth observation data, soil and management data and models, including changes in Soil Organic Carbon (SOC) stocks, woody biomass and soil N₂O emissions.

This parcel-level data collection infrastructure can also serve companies for their CSRD reporting and member states for their National Greenhouse Gas Inventories. The Monitoring, Reporting, and Verification (MRV) approaches and tools will be tested with farmers and certification actors in seven pilot countries, covering the main climatic zones and the diversity in European agriculture. The digital infrastructure and MRV tools will reduce the administrative burden for land managers, provide transparency over collected data and certificates and trust to the carbon farming market, which should increase the attractiveness of carbon farming.



Introduction

Context and rationale

The European agricultural sector plays a dual role in the transition towards climate neutrality, as it is both highly exposed to the impacts of climate change and represents a major source of greenhouse gas (GHG) emissions. In 2024, European agriculture emitted 359 MtCO₂, approximately 12% of total EU net GHG emissions (excluding LULUCF) (European Environment Agency, 2026). Although the overall EU economy has significantly reduced its emissions between 2005 and 2024, by around 32% (European Environment Agency, 2026), progress in the EU agri-food system (spanning the value chain from fertiliser production to food consumers) has been more limited, with emissions declining by 19% between 2005 and 2023 (European Environment Agency, 2025). Agricultural non-CO₂ emissions have decreased even more slowly, by only 7% between 2005 and 2023, and an estimated further 1% in 2024 (ESABCC, 2026; European Environment Agency, 2025). Achieving European climate neutrality by 2050 requires a stronger contribution from agriculture through both emission reductions and enhanced carbon removals (ESABCC, 2024, 2026).

This transition will require substantial financial investments, estimated at tens of billions of euros annually (ESABCC, 2026). While public support will remain essential, the scale of the investment required means that financing the transition entirely through national and European public budgets would involve significant trade-offs with other spending priorities. **At present, funding for European carbon farming comes from multiple sources, but none of these sources, individually or collectively, is sufficient to meet the scale of investment required.**

Funding landscape and policy context

Alongside public funding through the CAP, two main types of private funding can be identified to support carbon farming practices. **First, the Voluntary Carbon Market (VCM) mobilises resources from companies outside the agricultural value chain** seeking to take positive climate action through contribution claims to voluntarily compensate for part or all of their emissions through offsetting claims or to meet compliance obligations to purchase carbon credits. Second, private funding can come from **value-chain actors, often agri-food companies, which finance on-farm actions to reduce their Scope 3 emissions**. Funding sources can be channelled through different payment mechanisms and target different types of actors (farmers, landowners, agricultural advisors, etc.), involve different types of contractual arrangements (action-based, results-based, or hybrid approaches) (Scheid et al., 2025). Private funding from the VCM and the majority of value-chain schemes rely on results-based approaches. Results-based mechanisms provide greater credibility regarding environmental outcomes and give farmers greater flexibility to choose the practices best suited to their circumstances, but they also entail potentially higher transaction costs, greater complexity, and greater risk-taking.

As public policy increasingly seeks to facilitate private funding, **new policy frameworks have emerged to support investment in carbon farming projects**. The Carbon Removals and Carbon Farming (CRCF) Regulation is a key example. It establishes a voluntary certification framework for carbon removals and carbon farming activities at the European level, with the objective of harmonising certification methodologies across the EU. However, several other European public policies, either already in place or under development, also affect carbon farming, whether by establishing certification frameworks, providing direct support, or shaping demand.



Objective

Against this background, this deliverable provides a mapping of the current carbon farming market at both European and international levels and analyses its main drivers and barriers on both the supply and demand sides. It identifies and analyses stakeholders, standards, rules and policies which create and shape carbon claims for carbon farming projects. This work also highlights the key research questions emerging from the current state of the market.

In the context of the CAFAMORE project, this deliverable aims to establish a common foundation and to define the research questions that will be addressed in subsequent work, in particular the quantitative analysis of funding channels and business strategies for carbon farming. The questions identified in this report will also inform the subsequent characterisation of the technical and economic potential supply of carbon farming certificates and the analysis of barriers and constraints to their production. This report also provides a basis for the assessment of how carbon farming can support the transformation of the agri-food system, and how the agri-food industry and policymakers can maximise its transformative impact.

Scope

This report focuses on carbon farming practices at farm level, which either reduce GHG emissions or enhance removals in soils or biomass. Although broader definitions of carbon farming include forestry and peatland activities, this report limits its analysis to agricultural systems. Nevertheless, several findings are also relevant to other land-based sectors. While the primary focus is the EU, international developments are also examined to provide context and inform the analysis of future opportunities and challenges for the European carbon farming market.

Structure of the report

The report is organised into three sections. The first examines the evolution, current trends and prospects of the global VCM and discusses their implications for EU carbon farming finance. The second section analyses financing mechanisms developed within agricultural value chains, with particular attention to corporate climate commitments and claims. Finally, the third explores the role of European public policies in shaping demand for carbon farming.



I. Voluntary Carbon Market: real opportunity or false hope for carbon farming?

1. Evolution, structure and core principles of the Voluntary Carbon Market

a. The Voluntary Carbon Market: almost a 30-years old mechanism

The Voluntary Carbon Market (VCM) emerged in the 1990s and has since been closely intertwined with compliance carbon markets. While the very first voluntary carbon projects were initiated in the late 1980s by conservation organizations, it was primarily the Kyoto Protocol (1997) that structured the market, with the operationalization of the Clean Development Mechanism (CDM) and the Joint Implementation (JI) in the mid-2000s. Between 2005 and 2012, the CDM for projects implemented in non-Annex I¹ both operating under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), shaped a large share of the supply side of the carbon market. Methodologies were developed by project proponents, approved by the UNFCCC, and projects were validated and verified by UNFCCC-accredited auditors. Demand largely came from European companies covered by the EU Emissions Trading System (EU ETS), which, through a flexibility mechanism, were allowed to use credits generated by these projects for compliance purposes. It should be noted, however, that credits from the land sector (LULUCF) were not eligible for compliance use under the EU ETS. In parallel, in the 2000s a purely voluntary market emerged, distinct from any compliance scheme, structured around standards such as the VCS, Gold Standard, and Plan Vivo. Among these, the Gold Standard and VCS, founded respectively in 2003 and 2007, remain the two dominant standards today. This voluntary market was often described as a "sandbox," allowing companies to prepare for the emergence of future compliance markets.

The compliance demand from the EU ETS collapsed in 2012, as regulated companies had accumulated sufficient CDM and JI credits, including through long-term purchase agreements. This collapse was reinforced by the tightening of credit rules for the 2013–2020 trading period, which reduced both the volume and types of eligible credits, and by the sudden surge of Russian and Ukrainian JI credits entering the market in the second half of 2012 (Stephan et al., 2014). These developments, combined with the lingering effects of the 2008 financial crisis, contributed to a restructuring of the carbon market during the 2010s towards voluntary demand, largely driven by corporate social responsibility (CSR) objectives. More recently, the market has faced a crisis of confidence, with scientific studies documenting substantial overcrediting in REDD+ and renewable energy projects (Probst et al., 2024; West et al., 2023), findings that have been widely relayed by the media.

b. Voluntary carbon credit projects as results-based mechanisms for incentivising climate mitigation

A voluntary carbon credit project consists of actions implemented by an actor or a group of actors to generate additional greenhouse gas (GHG) emissions reduction or carbon removal. While such projects may serve other objectives, for instance, agronomic rationale in the case of agricultural projects, carbon credit revenue is what makes them viable or triggers their implementation

¹ Annex I countries are Parties listed in Annex I of the UNFCCC, including industrialised countries and economies in transition. Under the Kyoto Protocol, they were generally subject to quantified emission reduction commitments, whereas major emerging economies such as Brazil, China, India and South Africa remained non-Annex I Parties.



in the first place: this is the additionality criterion, which ensures that carbon finance is a necessary condition for the project to happen, rather than the sole motivation behind it.

Voluntary carbon credit projects are results-based financing mechanisms in which climate impacts are quantified relative to a counterfactual baseline scenario. Emission reductions or removals are estimated by comparing project outcomes with those that would have occurred in the absence of the project. Based on these assessments, carbon credits are issued, each representing one tonne of CO₂ equivalent reduced or removed, though the scope covered (reductions, removals, or both) may vary depending on the standard. In order to ensure the durability of mitigation outcomes and the permanence of removals, project developers must address the risk of reversals for removals.

Different certification standards have been developed to provide assurance that a carbon credit actually corresponds to a real carbon impact. They can be:

- Private standards (including both not-for-profit and for-profit commercial standards), as is the case for most current VCM standards, the main one today being Verra-VCS;
- Governmental, such as France's Label Bas Carbone (LBC);
- or multilateral regulatory frameworks, such as the CDM and JI in the past, and today the Paris Agreement Crediting Mechanism (PACM) which is the mechanism established under Article 6.4 of the Paris agreement.

These standards define the rules that projects must comply with (eligibility conditions, quantification rules, non-permanence tools, measurement uncertainty, additionality tests, etc.) through sector- and activity-specific methodologies (e.g., afforestation, anaerobic digestion). For a project to be registered under a standard, an independent auditor accredited by the standard (or in some cases the standard itself) verifies that the project complies with the relevant methodology: this is known as project validation. The project is then registered in a registry managed by the standard, which records the project's characteristics.

Once the project has delivered its climate outcomes, an independent auditor accredited by the standard, also referred to as a Validation and Verification Body (VVB), verifies the reality of the carbon sequestration or emission reductions: this is verification. Carbon credits can then be issued and recorded in the registry, ensuring that no double counting occurs.

In most cases, credits are issued ex-post, meaning after the emission reductions or carbon removals have occurred. In some cases, credits are issued ex ante, i.e. before sequestration has taken place, for example, by anticipating future tree growth in afforestation or agroforestry projects.

2. What are the current trends on the Voluntary Carbon Market?

a. General trend for the supply of projects

i. A global decline in new credit supply

After an unprecedented acceleration in 2020 and 2021, the supply side of the Voluntary Carbon Market (VCM) has entered a phase of contraction. According to Ecosystem Marketplace, total credit issuances worldwide across the ten major standards fell from 390 MtCO₂e in 2023 to 311 MtCO₂e in 2024, a 20 % decline, after a peak of around 501 MtCO₂e in 2022 (Ecosystem Marketplace, 2025). This drop was led by the two largest historical categories, Renewable Energy (down from 161 to 118

MtCO₂e) and Forestry & Land Use (down from 124 to 87 MtCO₂e), whose issuances are declining as these project types are increasingly judged non-additional, slowing new registrations (Ecosystem Marketplace, 2025).

The slowdown in new project registrations confirms the decline. Between 600 and 700 new projects were registered annually with the main standards from 2022 to 2024, far below the exceptional 1,537 projects of 2020; registrations fell again by 11 % in 2024, to 616 projects (Ecosystem Marketplace, 2025). The step-back is therefore visible in both flows that define supply: the volume of credits issued each year and the number of projects feeding the future pipeline. The decline is uneven across categories and partly reflects a quality-driven repositioning of supply rather than a uniform collapse.

At European scale, the French public scheme Label Bas Carbone (LBC) also shows an inflection, followed by early signs of recovery. The LBC, which was launched in 2018, experienced a slowdown in project submissions before a renewed inflow in 2026, with first projects now reaching maturity and the symbolic threshold of 10 MtCO₂e certified about to be crossed. Only a quarter of projects are financed, and verified credits remain very limited at 11,616 tCO₂e to date (Ministère de la Transition Ecologique, 2026). This combination at the national level of a recent supply slowdown, limited verified output and a nascent rebound mirrors the broader European picture of a market consolidating after its first growth cycle.

ii. Rising supply of agricultural projects

Against this overall slowdown, agriculture stands out as one of the few segments where supply is on the rise. It remains a small share of the market, only about 2.8 MtCO₂e of agricultural credits were retired in 2024, roughly 1.5 % of the total VCM, but it is among the rare categories combining growing demand, rising prices and an expanding project base (Ecosystem Marketplace, 2025). Agricultural credits are issued mainly under two types of activity: anaerobic digestion and manure management on the one hand, and sustainable agricultural land management on the other.

The momentum is visible across every indicator of supply and demand. The number of agricultural projects registered each year has been increasing since 2022, retirements of agricultural credits grew by 60 % between 2023 and 2024, and agriculture was the only project category to record a price increase in 2024 (+18 %), reaching €7.04 /tCO₂e² against a market-wide average of €5.86 /tCO₂e (Ecosystem Marketplace, 2025). This pattern of small volumes but rising demand and slightly higher prices, is a defining feature of agriculture on the VCMs and increasingly shapes the strategies of project developers and value-chain actors in Europe.

At the global level, anaerobic digestion dominates the existing agriculture supply, while soil organic carbon (SOC) drives the future pipeline. Cumulative agricultural credits issued between 2005 and 2025 are dominated by anaerobic digestion and manure management, concentrated in China and the United States, followed by rice cultivation. Soil carbon, despite its policy visibility, still represents only a fraction of verified credits (Berkeley Carbon Trading Project, 2025). In Europe, the

² Carbon credit prices indicated in this section come from Ecosystem Marketplace, 2026; and reflect transaction prices in dollars converted to euros using the average exchange rate for 2024 (European Central Bank, 2026).



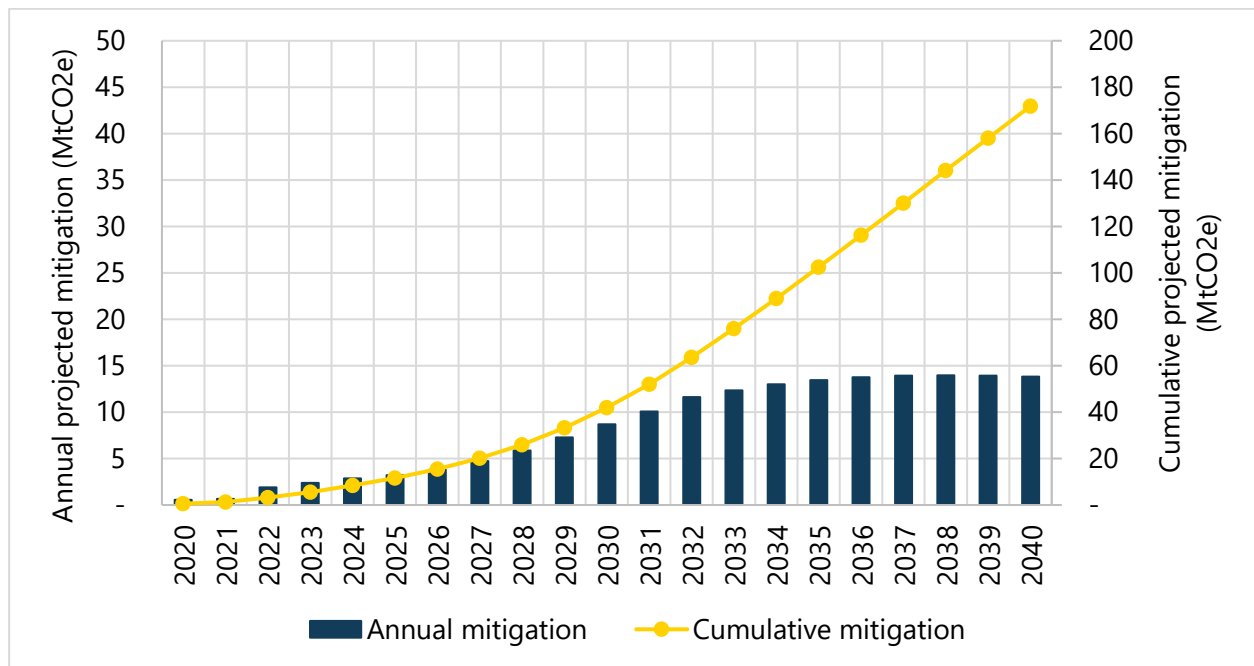
certified anaerobic digestion pipeline remains modest, with only a handful of Dutch and Danish projects.

SOC is emerging as an important area of growth within agricultural supply, primarily through Verra's VM0042 methodology on improved Agricultural Land Management. The 2023 revision of the methodology (V2) led to a significant increase in project submissions worldwide. While only a limited number of soil carbon credits have been issued to date, the VM0042 project pipeline has expanded substantially, with India and Brazil accounting for a large share of activity, alongside several multi-country projects in Europe (Berkeley Carbon Trading Project, 2025).

Under VM0042's framework, 18 developers have submitted projects in EU countries and plan to deliver increasingly large volumes of credits over the years, together reaching 14 MtCO₂e annually and 172 MtCO₂e cumulatively by around 2040 (see Figure 1). Around a dozen of these projects are of significant scale, each planning to deliver more than 10MtCO₂e cumulatively over 20 years by 2040-2045 (Verra, 2026a). The largest submitted project, developed by Indigo, covers France, Germany, the Netherlands, Belgium, and Luxembourg for a potential of 51 MtCO₂ over 20 years. eAgronom's projects span Spain, Romania, the Czech Republic, Poland and the Baltics (25 MtCO₂); Klim's cover Germany and Poland (18 MtCO₂); Insoil's spread across Poland, Lithuania and Bulgaria (18 MtCO₂) and Agreena's extend across ten countries (9 MtCO₂). National-scale projects by Milpa (15 MtCO₂) and Regeneration (8,5 MtCO₂) in France and by Gaia in Italy (14 MtCO₂) complete the European picture. Most of these projects are not yet officially registered by Verra³, while, as of August 2026, 2.5 MtCO₂ had been issued and 128 431 tCO₂ had been retired (Berkeley Carbon Trading Project, 2025). The availability of Validation and Verification Bodies has been identified by project developers as a bottleneck for VM0042 projects in Europe, contributing to longer waiting times for validation.

³ Pipeline statuses indicate that a project is under development or validation. Once validation is completed, the project can be submitted to Verra for registration, and the Registered status indicates that Verra has approved and registered the project under the VCS Program (Verra, 2025)

Figure 1 – Projected mitigation of submitted Verra VM0042 projects located in EU (based on Verra VCS registry and projects' description documents) (Verra, 2026a)



These large-scale projects stand in contrast to those carried out to date. The contrast is most pronounced in France, where the two "mega-projects" outstrip public scheme by an order of magnitude in terms of their expected climate impacts: Regeneration (460 000 ha; 8,5 MtCO₂e over 20 years between 2023 and 2043) and the Humus Program (213 000 ha; 14,8 MtCO₂e over 20 years between 2025 and 2045), far beyond the total of all projects submitted under the public LBC crop-field methodology (219 000 ha and 1,2 MtCO₂e over 5 years) (I4CE, 2025b).

The scale of these submissions raises concerns about the developers' ability to recruit and retain enough farmers across such wide geographic coverage, often spanning multiple countries with different farming systems. Project projections are often optimistic compared with the actual generation of credits. This can be seen, for example, in the soil carbon projects submitted under Verra's VM0042 in Europe. European projects had forecast a ramp-up and credit issuances totalling a cumulative volume of 11.6 MtCO₂ over the period 2020–2025. However, actual issuances ultimately amounted to only 2.5 million tonnes. This discrepancy can be partly explained by the fact that, when submitting the project proposal, the developers make assumptions about the pace of recruitment, their ability to recruit, and farmers' actual willingness to take part in these schemes. Also recruiting farmers does not guarantee that they will remain involved until the end of the project either. Under the French LBC, there have been instances where farmers have withdrawn from projects or considered withdrawing, particularly when the prospects for remuneration became uncertain.

The European Carbon Farming Barometer 2026 (led by Deloitte for the Climate Agriculture Alliance) confirms a structured and increasingly mature supply ecosystem in Europe, although its findings rest on the declared answers of 57 respondents covering both offer and demand, not on registry data. Supply leans towards removals with 50% of units offered being removals, 6% of emissions reductions only, and 44% including both emissions reductions and removals (Climate Agriculture Alliance, 2026).



Verra dominates the methodologies underpinning this European supply. Among barometer respondents, the volume of carbon units planned for sale in 2025 was heavily concentrated on Verra (around 1,6 MtCO₂e), far ahead of ISO 14064 (458 000 tCO₂e), LBC (320 000 tCO₂e) and Gold Standard (125 000 tCO₂e). This concentration is consistent with the soil carbon pipeline described above, almost entirely filed under VM0042.

Three quarters of carbon farming programmes include co-benefits beyond carbon (Climate Agriculture Alliance, 2026), as buyers increasingly look for broader environmental and social impacts alongside carbon tonnes alone. However, these co-benefits remain to standardise, measure and verify consistently, limiting their integration into carbon markets (Ecosystem Marketplace, 2025).

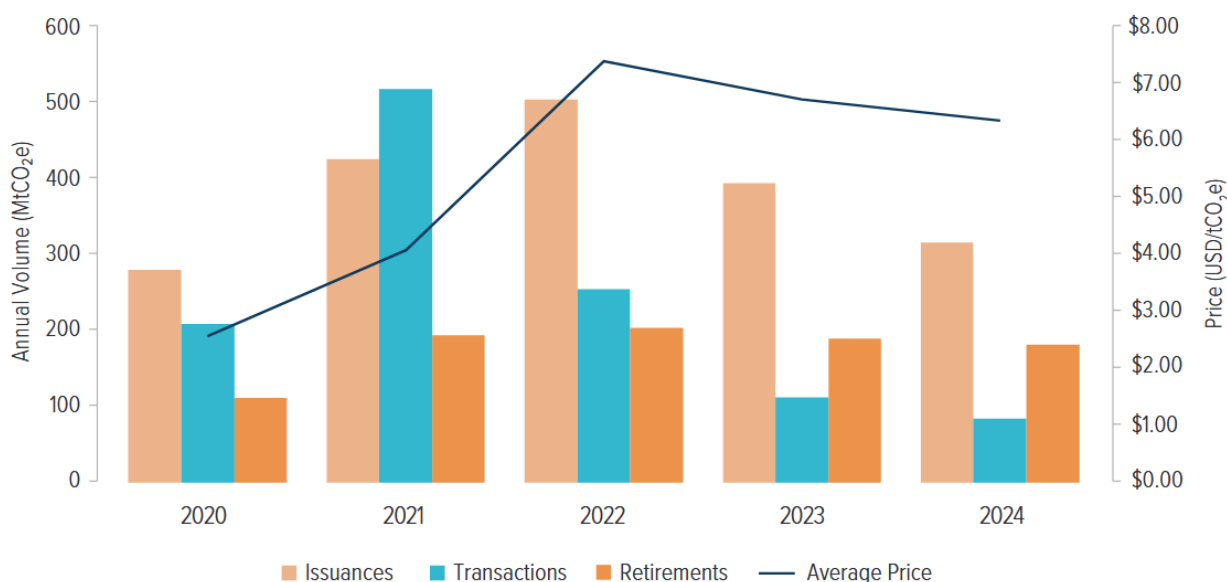
Yet the expansion of agricultural supply remains constrained by structural barriers that the barometer corroborates from the supply side. Projects typically involve numerous farmers and geographically dispersed farms and plots, making them complex and costly to monitor and verify, and still suffer from limited financial infrastructure, regulatory support and market visibility (Wollenberg et al., 2025). Supply-side stakeholders rank alignment and recognition across standards (53%) and lack of harmonisation (53%) among the top obstacles, and cite funding, complex certification and unclear regulation as their three main challenges in generating units (Climate Agriculture Alliance, 2026).

b. Current drivers of the demand

i. Past trends still driving overall credit retirements

Since 2021 transaction volume and market value have been declining, while the volume of credit retired has plateaued at an elevated level, with 182 million credits retired in 2024 (see Figure 2) (Ecosystem Marketplace, 2025).

Figure 2 – Voluntary Carbon Market issuances, transactions, retirements, and average price, 2020-2024 (Ecosystem Marketplace, 2025)



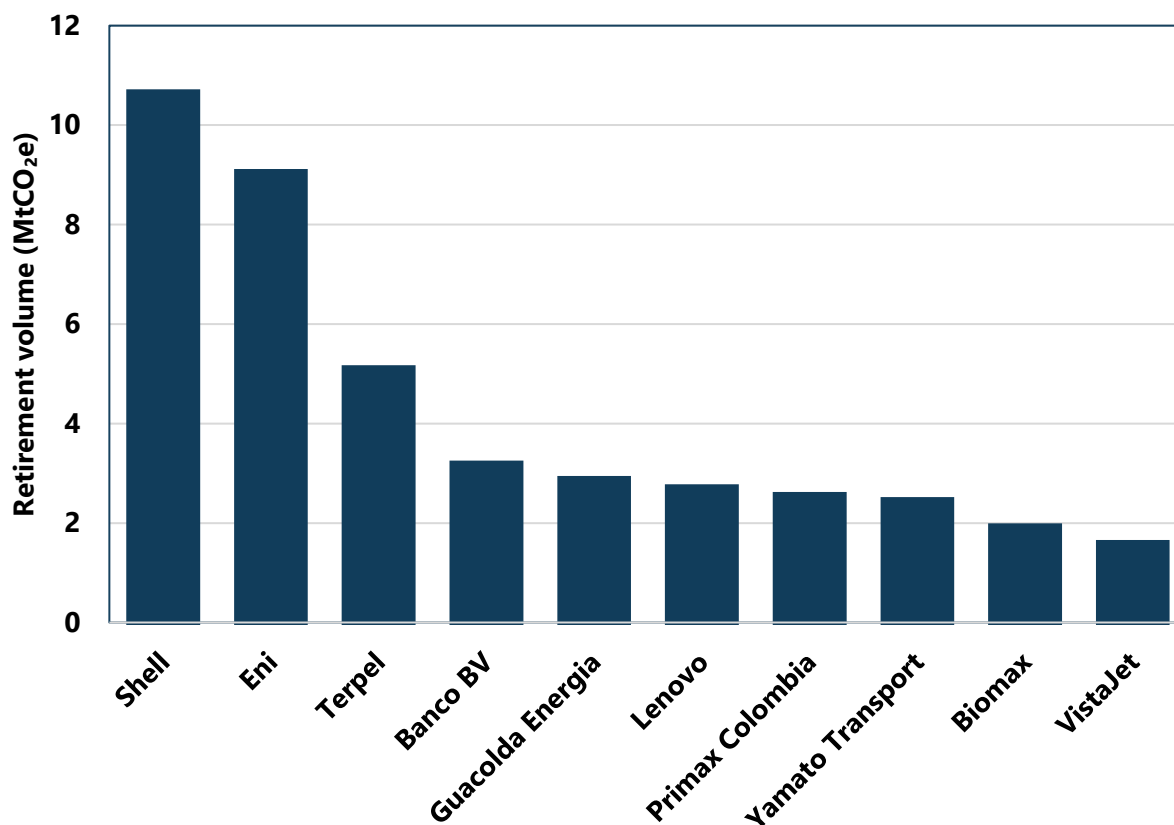
Looking at types of credits, the demand is largely focusing on emission reductions or avoidance credits, while removal credits represent only 5 % of transaction volumes and retirements (Carbon



Direct, 2026a; Ecosystem Marketplace, 2025). Although demand for energy projects is recently declining, they still are the most purchased project category in the market, accounting for 38.5 % of retired credits in 2024 (Ecosystem Marketplace, 2025). These credits largely dominated by renewable energy projects are also the cheapest on the market with an average price of €2.46 /tCO₂⁴. The second most purchased project category is forestry and land use, accounting for 37.4 % of retired credits. Among this category, REDD+ projects account for 50.4 % of transaction volumes, even though these volumes have declined by half between 2023 and 2024. With an average price of €5.55 /tCO₂, REDD+ are 60 % cheaper than Improved Forest Management (IFM) credits (average price of €13.78 /tCO₂), and 71 % cheaper than Afforestation, Reforestation and Revegetation (ARR) credits (average price of €18.8 /tCO₂). In general, the cheapest credits, such as those from energy and REDD+ projects, come from low-quality projects (Trencher et al., 2024), as reflected in their low ratings from rating agencies (see section I.2.b.iv) (BeZero, 2025). Energy projects are notably the lowest-rated category.

Retirements still appear to be driven primarily by companies from energy, finance, and transportation sectors (AlliedOffsets, 2025a; Sylvera, 2026) that purchase low-cost and very often low-quality carbon credits for offsetting purposes (Trencher et al., 2024). The top 10 buyers in 2025 (see Figure 3) are a good example of these companies as they are mainly purchasing REDD+ and energy credits (MSCI, 2026). In terms of geography, European companies lead demand, accounting for around 25% of retired credits (MSCI, 2026; Sylvera, 2026). This share rises to 45 % when UK buyers are included. Latin American buyers follow, representing around 20% of retired credits, largely driven by

Figure 3 – Top 10 buyers in 2025 and credits retired (based on MSCI, 2026 & AlliedOffsets, 2026)



⁴ Carbon credit prices indicated in this section come from Ecosystem Marketplace, 2026; and reflect transaction prices in dollars converted to euros using the average exchange rate for 2024 (European Central Bank, 2026).



carbon taxes in Colombia and Chile (see section I.3.a). Finally, North American and Asian buyers each account for roughly 15-20 % of retired credits.

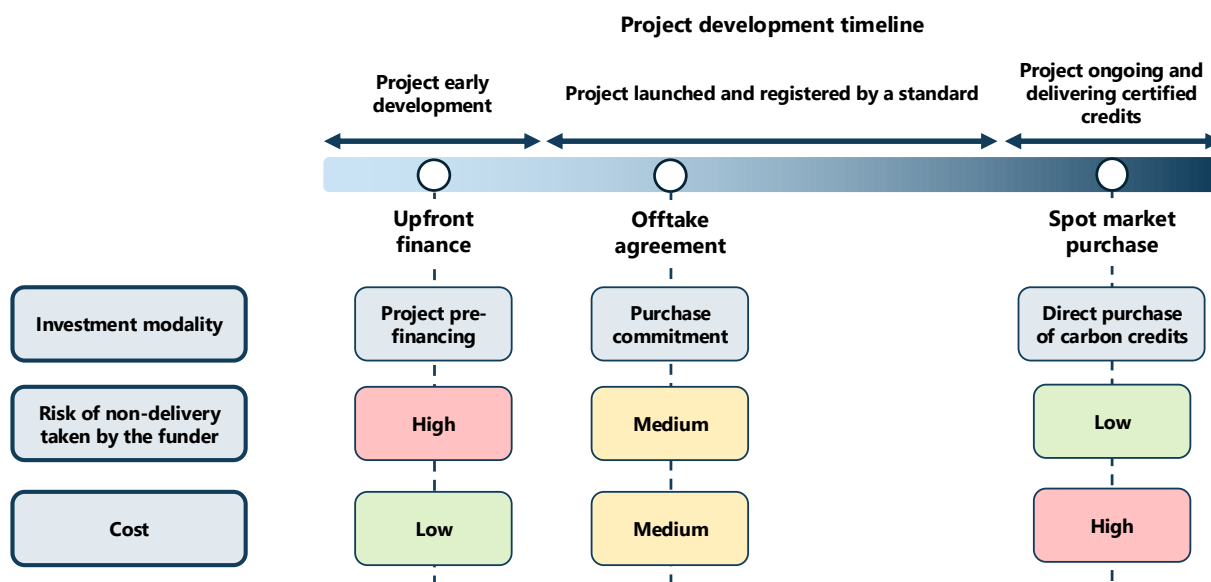
The carbon credits retired in recent years –dominated by the energy and finance sectors and driven by low-cost renewable energy and REDD+ credits– reflect past and current demand. As projects currently under development will only generate credits several years from now, **forward purchase agreements (offtake agreements) provide a better indication of future buyers.**

ii. Offtake Agreements shape the future demand

Despite retirements remaining stagnant, new demand is emerging through offtake agreements.

Offtake agreements are contractual arrangements between a project developer and a buyer, under which the buyer commits to purchase carbon credits at a predetermined price over a defined period (typically between 5 to 15 years) while the volume ultimately delivered remains contingent on the project's actual issuance of credits. Unlike direct purchases of credits on the spot market, offtake agreements are forward purchase of future credits. They also differ from upfront financing, as buyer funding is only triggered once credits have been issued (see Figure 4). However, this distinction is not always clear-cut in practice, as buyers may combine an offtake agreement with pre-financing within the same project structure, both to strengthen the project's funding base and to signal confidence that encourages other companies to invest (Trellis, 2024).

Figure 4 – Comparison of the different investment modalities in the Voluntary Carbon Market



Offtake agreements enable companies to secure the retirement of credits for an expected volume and at a fixed price, in line with their net-zero commitments (see sections I.2.b.iii and I.2.b.v). Offtake credits are more expensive than the direct pre-financing of projects: buyers pay a premium precisely because they avoid the risks associated with upfront capital commitment, such as project non-delivery, delays, or underperformance risks that are instead borne by whoever pre-finances the project. Project pre-financing is increasingly being provided by financial institutions such as investment firms and banks, which are specialized in such investments and risk management. This new market structure responds



to the need for greater credibility and reliability, following numerous scandals and a constrained economic environment. **This transfer of risk from corporate buyers to financial intermediaries may also help explain the growing appeal of offtake agreements** (Expert interview).

The estimation of demand volumes through offtake agreements is not as reliable as of retirements volumes based on registries analyses. Indeed, offtake demand can only be estimated based on public deals announcements and thus differ between carbon market analyses. Internal agreements whereby one part of a company's agricultural business lines-up to provide carbon outcomes to another part of the same company are particularly difficult to identify as they are rarely made public. However, several sources show significant growth in offtakes since 2024, representing around 70-78 million credits contracted in 2025 for future delivery (Carbon Direct, 2026a; MSCI, 2026; Sylvera, 2026). Offtakes are primarily focused on removals (MSCI, 2026), with around 65-70% of offtake removal credits supporting nature-based projects (AlliedOffsets, 2025b; Carbon Direct, 2026a).

This demand is driven by a limited number of buyers, notably Microsoft, which is by far the leading offtaker, accounting for around 60% of cumulated credits offtakes (around 90 MtCO₂e since 2023) (Carbon Direct, 2026a; Sylvera, 2026). Apart from Microsoft, the other major offtakers are not individual buyers but companies that join forces in advance market commitments (AMCs). AMCs are mechanisms that aggregate buyers' demands to signal guaranteed future demand for carbon credits in future. Symbiosis Coalition is the biggest one with a goal of purchasing 20 million nature-based removal credits by 2030. The coalition is composed of 7 American companies, mainly from the technology (Google, Meta, Microsoft, Salesforce) and consulting (McKinsey & Company, Bain & Company) sectors. The new Action for Resilient Climate (ARC) Coalition, launched in May 2026, also marks the growing interest of Asian buyers (GenZero, 2026). Led in particular by Mitsubishi, Tencent, CATL, and Osaka Gas, its goal is to purchase 10 millions of high-integrity credits by 2030, without currently specifying the types of credits targeted. LEAF Coalition is another leading AMC which gathers 4 governments and more than 30 companies to halt deforestation through the purchase of "high-integrity" REDD+ credits. Finally, several AMCs only purchase permanent removal credits such as Frontier, NextGen and the Advance Carbon Removal Coalition. The emerging demand through offtake agreements aligns with a broader demand trend shifting toward removals and high-integrity credits.

In the context of European soil carbon projects (see section I.2.a.ii), it is difficult to assess to what extent the significant projected volumes of agricultural carbon credits, have already been pre-financed and how. Different strategies coexist among project developers: some already have buyers lined up for their future credits, while others are betting on future market development and bear greater market risk. Some project developers occasionally announce purchase agreements, but overall, there is insufficient information to quantify the volumes purchased in advance. For example, in 2025, Agreena announced that 15 companies committed to purchase European soil carbon credits, including Radisson Hotels, Ryanair, Enterprise (Trellis, 2025b).

iii. Demand slowly shifting toward removals

First, buyers are increasingly showing a strong preference for removal credits in line with their net-zero target. Indeed, rather than offsetting their emissions with reduction or avoidance credits, an increasing number of companies are purchasing credits to meet their net-zero targets. The Science Based Targets Initiative (SBTi) requires companies to compensate for their ongoing and residual emissions with removals (see section I.2.b.v). Voluntary Carbon Markets Integrity Initiative (VCMI) does not specifically require companies to purchase and retire either reduction or



removal credits but encourages them to use removals as part of their carbon credits portfolio and invest in future carbon removals (VCMI, 2025). This demand signal for removals compared to the lagging growth in supply seems to create higher prices for credits from this market segment (Ecosystem Marketplace, 2025). Removal credits are 79% more expensive than reduction credits, with an average price of 17.94 €/tCO_{2e} in 2024⁵. The latter increased by 13% in 2024, while the price of reduction credits fell by 13%. **Current demand for removals is essentially directed toward nature-based projects, particularly Afforestation, Reforestation and Revegetation (ARR), whether through retirements or offtakes** (Carbon Direct, 2026a; Ecosystem Marketplace, 2025). While the demand for permanent removals is growing through offtake agreements, it remains negligible in retirement volumes. The price gap between nature-based and permanent removals is significant with ARR credits being 10 times less expensive than permanent credits (Ecosystem Marketplace, 2025).

iv. An increasing demand for high-integrity credits?

Another trend in demand is the shift toward high-integrity credits. Following numerous scandals in the VCM, buyers are increasingly seeking higher-quality credits although this is often accompanied by continued pressure to keep purchase prices low. While standards play a key role in ensuring credit quality, they are no longer sufficient on their own to reassure buyers. **As a result, the market has seen the growing influence of “meta-standards”, organisations dedicated to safeguarding high integrity.** Established in 2008, ICROA was a pioneer in this space, introducing a Code of Best Practice for service providers and endorsing standards. The Voluntary Carbon Markets Integrity Initiative (VCMI), established in 2021, developed a Claims Code of Practice to guide corporate use of carbon credits. **More recently, the Integrity Council for the Voluntary Carbon Market (ICVCM), created in 2021, has become the most influential meta-standard by introducing its Core Carbon Principles (CCPs), which assess and approve standards and methodologies** (Ecosystem Marketplace, 2025). ICROA's assessment focused exclusively on carbon standards, whereas the ICVCM's CCPs rely on a two-step assessment process: assessing carbon standards, with a fast-track procedure for those already endorsed by ICROA and assessing the methodologies themselves. The CCPs are increasingly becoming a de facto high-integrity label for methodologies and are now widely embedded in buyer requirements and advance market commitments (AMCs), such as the Symbiosis Coalition and ARC Coalition. The ICVCM's growing influence has also been a contributing factor to ICROA's planned sunset in 2026 (ICROA, 2025). The approval of REDD+ methodologies under the CCP has generated debate about ICVCM's ability to adequately define what constitutes high-integrity credits (Oeko Institute, 2024). Also worth noting is the creation of the Carbon Credit Quality Initiative (CCQI), an initiative of the Environmental Defense Fund (EDF), the World Wildlife Fund (WWF-US), and the Oeko-Institute. The CCQI evaluates different types of carbon credits and rates them with a scoring tool which gives a quality confidence index ranging from 1 to 5.

In parallel, the emergence of rating agencies assigning scores from D to AAA –similar to credit rating agencies in bond markets– further reflects the shift toward high-integrity demand (Ecosystem Marketplace, 2025). Firms such as BeZero, Sylvera, MSCI, and Calyx Global assess projects at the request of either buyers or developers. Although their methodologies are not fully transparent and vary across providers, they generally evaluate criteria such as additionality, quantification, and permanence. These ratings are increasingly used as procurement criteria, with higher-rated projects

⁵ Carbon credit prices indicated in this section come from Ecosystem Marketplace, 2026; and reflect transaction prices in dollars converted to euros using the average exchange rate for 2024 (European Central Bank, 2026).



commanding premium prices. However, the emergence of rating agencies has also raised scepticism among some market participants, as their assessments can significantly increase project costs, while differences in methodologies and ratings across rating agencies may create additional confusion about what constitutes a high-integrity project.

Alongside meta-standards and rating agencies, companies are also building internal capabilities and integrating parts of the due diligence process in-house in order to better manage project-related risks (Expert interviews). Finally, some companies are increasingly aligning their carbon credit portfolios with their broader sustainability ambitions, preferring investing in projects that provide environmental and social co-benefits beyond carbon reductions or removals (Ecosystem Marketplace, 2025).

v. SBTi commitments are driving this new demand

Insights from expert interviews conducted suggest that companies' net-zero climate commitments are becoming the main drivers of demand for voluntary carbon credits. The 2015 Paris Agreement first recognized the role of private sector actors in climate action, prompting a wave of corporate net-zero commitments and the emergence of various standardizing frameworks. In 2025, 63 % of the 1,987 publicly listed companies assessed from the Forbes Global 2000 have established net-zero climate targets, covering 70 % of the total revenue (NewClimate Institute et al., 2025). European companies are particularly committed with 92 % revenue coverage among Forbes Global 2000 companies.

Among voluntary standards for corporate climate commitments, the SBTi (see Box 1) has progressively become the leading international reference. The growing influence of SBTi on the VCM demand can be observed through the increasing share of carbon credit retirements by SBTi-committed companies, which currently represent 23 % of total carbon credit retirements (AlliedOffsets, 2026).

Box 1 – The Science-Based Targets initiative (SBTi)

The Science-Based Targets initiative (SBTi) is the leading global initiative providing standards and guidance for companies' climate commitments and action. SBTi was launched in 2015 by the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI), and the WWF. The number of companies with commitments or validated targets under SBTi has continuously grown. As of January 2026, 10 000 companies had validated targets (near-term or net-zero), representing more than 40% of global market capitalization (SBTi, 2026a). Europe has the highest number of companies with validated targets representing 48,8% of all validated companies (SBTi, 2026d). Beyond targets, SBTi-committed companies are reporting increased investment towards emission reductions and are cutting their operational emissions (Scope 1 and 2) faster than targetless companies (Bjørn et al., 2022; SBTi, 2025).

Companies that opt in for net-zero target under SBTi rules, have to abide by the Corporate Net-Zero Standard (CNZS) V2.0 (SBTi, 2026c). They must undertake a range of mitigation and funding climate activities, structured around three obligations, each of which generates a distinct source of demand for carbon credits, and specifically for carbon farming:

1. Reduce emissions within the value chain



Companies committed to net-zero under SBTi shall set near-term and long-term emission reductions targets covering all scope 1, scope 2 and scope 3. Net-zero target year corresponds to long-term target year and shall be 2050 at the latest.

Agri-food value chains face direct demand for Scope 3 reductions and removals, concentrated in their sourcing regions (see section II.2). Carbon farming practices deployed on supplier farms are what meets this demand. To count these outcomes, companies may use Environmental Attribute Certificates (EAC). This is a new option under SBTi V2.0, not the default way to account for Scope 3 targets. They are not offsets and cannot replace it.

2. Take responsibility for ongoing emissions

The CNZS V2.0 reframes the mitigation actions previously grouped under "Beyond value chain mitigation" (BVCM) in the CNZS V1.3 as Ongoing Emissions Responsibility (OER). These actions can also be called climate contribution, they support mitigation beyond a company's value chain without claiming to offset or neutralize its own emissions (see Table 1). From 2035, large companies and those located in high-income countries ("Category A") must take responsibility for their ongoing emissions, partly by financing certified removals. Beyond this requirement, all companies may also be recognized, on a voluntary basis, for supporting verified mitigation outcomes such as reduction and removal credits. Because OER can be achieved through nature-based removals and emission reduction credits, it should create demand for carbon farming. Because every target-setting sector is covered, this demand is broad-based rather than confined to agri-food.

3. Neutralise residual emissions at the net-zero target year

SBTi also requires companies to neutralize their residual emissions⁶ with removals by their net-zero target year with carbon removal activities, following a logic inspired from the like-for-like principle⁷ (see Box 2). Long-lived emissions require permanent removals, and short-lived emissions may be neutralised with nature-based removals. SBTi does not enumerate short-lived gases explicitly, but methane is the principal GHG excluded from its long-lived definition. Methane comes mainly from two sectors: agriculture (livestock and rice) accounts for about 40% of global anthropogenic methane, and fossil fuels for roughly 34% (Jackson et al., 2024). Because methane is a short-lived emission, neutralising it relies on nature-based removals. This directs demand toward the agricultural sector, where most methane originates.

Table 1 – Differences between offsetting and contribution claims

	Offsetting	Contribution
Definition (NewClimate Institute, 2023)	A practice whereby an organisation purchases and retires carbon credits to compensate or neutralize all or part of- its own GHG emissions	A practice whereby an organisation provides finance to support climate action beyond its own value chain, without claiming to compensate, or neutralise its own GHG emissions

⁶ SBTi defines residual emissions as the remaining unabated emissions at the net-zero target year after implementing all available mitigation measures. These residual emissions account for approximately 10% or less of companies' emissions at base year.

⁷ The like-for-like principle holds that fossil emissions should be neutralised with permanent removals and biogenic emissions with nature-based removals (Carbon Gap, 2025).



	Offsetting	Contribution
Location of mitigation actions	Outside company's value chain	Outside company's value chain
Typical associated claims	Net-zero, carbon neutral, we compensate X% of our emissions	We contribute to climate action by supporting the removal of XX tCO ₂ e
Associated risk	Risk of mitigation deterrence if emission reductions and carbon credits purchase are mixed in the same indicator.	Contribution claims are less defined and framed, encompassing both quantified and verified approaches and lower-quality mitigation outcomes.

Box 2 – SBTi Corporate Net-Zero Standard V2.0 criteria regarding post-2035 responsibility requirement and neutralization of residual emissions

SBTi CNZS V2.0 criteria regarding post-2035 responsibility requirement (SBTi, 2026c)

CNZS-C45

From 2035, companies shall support eligible carbon removals equal to at least 1% of ongoing scope 1, scope 2, and scope 3 emissions, including a defined and increasing share of long-lived removals.

C45.1.

Responsibility level: Companies shall cover 1% of ongoing scope 1, scope 2, and scope 3 emissions in 2035, rising linearly to 100% by the company's net-zero target year, and no later than 2050.

C45.4.

Phased-in durability: From 2035, companies shall support long-lived removals equal to at least 10% of covered emissions attributable to long-lived GHGs. This minimum share shall increase linearly, reaching 100% by the net-zero year at the latest.

C45.5

Portfolio of removals for remaining responsibility: Companies shall support short-lived removals, long-lived removals, or a combination of both for covered emissions not subject to CNZS-C45.4.

SBTi CNZS V2.0 criteria regarding neutralization of residual emissions (SBTi, 2026c)

CNZS-C46

At the net-zero target year and thereafter, companies shall reduce their scope 1, scope 2, and scope 3 emissions to zero or residual levels, and neutralize all residual emissions using eligible carbon removals.

C46.2.

Storage durability requirements: Companies shall ensure that residual emissions of long-lived GHGs are neutralized with long-lived removals, and that any remaining residual emissions are neutralized with short-lived removals, long-lived removals, or a combination of both.



However, while SBTi requirements strongly influence the demand for removal credits it would be misleading to view SBTi as the sole driver of the demand. Several companies operate outside validated SBTi net-zero framework, either due to expired commitments or by pursuing alternative climate governance approaches, while continuing to scale ambitious removal procurement (Trellis, 2025a). This is especially true for US technology majors. Microsoft remains the largest corporate offtaker of removal credits, and alongside Google and Meta is involved in the Symbiosis Coalition, while Google, Stripe, Shopify and Anthropic are key members of Frontier. None of these companies have a SBTi-validated net-zero target. These examples illustrate that, although SBTi exerts a strong influence on corporate climate strategies, some of the most important sources of demand for removals are being driven by companies pursuing net-zero ambitions and removal procurement strategies beyond the boundaries of SBTi validation.

vi. The new demand potential for European carbon farming

The growing focus of the demand on carbon removals, driven by corporate net-zero commitments, represents an opportunity for financing European carbon farming. Although this demand is spread across nature-based and permanent removal solutions, different categories of nature-based projects, and both European and non-European projects, a share of future purchases can reasonably be expected to support European carbon farming projects generating removals. This seems to be confirmed by the European Carbon Farming Barometer, which aggregates carbon farming suppliers' expected credit sales at 2.5 million credits for 2025, consisting mostly of removal credits (Climate Agriculture Alliance, 2026).

Box 3 – Corporate net-zero claims and Nationally Determined Contributions: nested approach or corresponding adjustments?

The debate over vertical double claiming, which occurs when the same reductions or removals are counted simultaneously in a company's carbon claim and in a State's Nationally Determined Contribution (NDC), occasionally resurfaces (Carbon Market Watch, 2024).

For its part, the CRCF Regulation clearly establishes that certified projects contribute both to the EU's NDC (Article 1): "all carbon removals and soil emission reductions generated under this Regulation shall contribute to the achievement of the Union's NDC", and can underpin corporate climate claims: "It is appropriate that certificates of compliance and certified units underpin different end-uses, such as the proof of climate-related and other environmental corporate claims." (Recital 42).

Arguments in that direction have already been developed: demonstrating that the climate actions carried out by stakeholders within a given territory legitimately belong to the national contribution, whatever the identity of the financiers or the funding mechanisms involved (I4CE, 2015). On this reading, vertical double claiming between a country's NDC and corporate climate claims is not inherently problematic, and does not systematically call for corresponding adjustments (I4CE, 2015).

The forthcoming EU climate architecture for 2040 may provide further clarity how these different levels of climate action and accounting should interact, in particular between CRCF-certified contributions (credits and agrifood companies certificates of performance), Member States' climate targets (including ESR and LULUCF frameworks), and the EU's NDC.



Financing is more likely to be provided by European companies or by companies operating in Europe, across all sectors. Indeed, location is an important criterion in buyers' requirements, particularly for companies seeking to finance projects that are located close to their operations (Expert interviews). One specific driver of this European demand is methane neutralisation. Assuming SBTi requirements remain broadly stable and continue to shape corporate climate investment, part of the European demand for carbon farming is likely to arise from methane neutralisation, which can be achieved through nature-based removals. Where methane is concentrated, demand for these removals will follow. In Europe, methane comes mainly from agriculture (56%), waste (24%) and energy (11%)⁸ (European Environment Agency, 2025b).

However, global companies may also consider carbon farming investments across different regions depending on the relative costs and returns of such projects. This broader geographical dimension of corporate demand is discussed further in section II.3.d.

US tech companies are already establishing themselves as major purchasers of carbon farming credits in order to offset the rapidly increasing emissions from AI-related data centres emissions (CNBC, 2026), which will represent one of the biggest new sources of electricity demand (IEA, 2025). Even though US big tech companies do not specifically target carbon farming credits, some of them, such as Microsoft, adopt a portfolio-based purchasing strategy, which allows carbon farming projects delivering removals to benefit from it. Microsoft is a typical example, with its emissions having increased by 25% in 2025, notably due to the expansion of its data centres (Microsoft, 2026), and appearing to be the leading buyer of soil carbon credits. The company has signed an offtake agreement for 2.85 million tonnes of removal credits with Indigo, after having already purchased 1 million tonnes (Indigo Ag, 2026), as well as another offtake agreement for 2.6 million tonnes of credits with Agoro Carbon (Agoro Carbon, 2025).

Finally, an open question is to what extent carbon farming projects will be perceived as high-integrity projects as buyers' requirements become more stringent, and whether this will translate into increased demand. On the one hand, as soil carbon accounting becomes more robust and carbon farming methodologies gain credibility, buyers may be increasingly inclined to allocate capital to these projects. A notable signal in this regard was the ICVCM's approval of two carbon farming methodologies in October 2025: Climate Action Reserve (CAR) U.S. Soil Enrichment Protocol and Verra's VM0042 Methodology for Improved Agricultural Land Management. Projects developed by Indigo and Agoro Carbon and financed by Microsoft are validated or in the process of validation under these methodologies. **On the other hand, the shift towards higher-quality demand could come at the expense of carbon farming, where concerns around permanence, uncertainty in quantification, and potentially additionality remain significant.**

⁸ The energy figure understates the real fossil-fuel share, however: much of the methane linked to fossil fuels consumed in Europe is released upstream, in producing countries, and so falls outside the EU inventory.



3. The Voluntary Carbon Market's limitations in scaling up carbon farming finance

a. Voluntary demand remains limited by nature

Despite the promising potential of new voluntary demand for European carbon farming, its overall scale is likely to remain modest. Indeed, the Voluntary Carbon Market (VCM) seems to face certain structural constraints that could limit its ability to mobilise significant and sustained funding. Carbon compliance and voluntary markets have historically been closely interconnected (Wetterberg et al., 2024). In particular, the largest historical source of demand for carbon credits across all project types has come from the EU Emissions Trading System (EU ETS), which drove the retirement of approximately 1.57 billion credits between 2008 and 2020 (European Commission, 2021). This exceeds the cumulative retirements observed in the VCM since 2002, estimated at around 1.2 billion credits (Ecosystem Marketplace, 2025).

Although compliance demand has remained lower than voluntary demand since 2019 due to the EU ETS being disconnected from carbon credits, it remains significant (estimated at around one-third of all credit retirements in 2025 by MSCI, 2026) across the carbon market (i.e. not specifically for carbon farming). These retirements are driven primarily by the California Cap-and-Invest Program and the carbon tax schemes in Colombia and Chile where carbon tax systems accept a limited amount of credits from independent standards, subject to additional quality requirements established by public authorities (Wetterberg et al., 2024). Potential future links between VCMs and compliance schemes are discussed later in the report, in Part III.2. and Part III.3.

b. Green backlash impacts

The current global geopolitical and economic context is driving a green backlash (Bosetti et al., 2025) that discourages companies and investors from financing climate action and thus leads to a limited demand in the VCM. This trend is reflected in a slowdown of corporate ambition. A study assessing the environmental strategies of 75 large companies between April 2024 and May 2025 found that 19 % reduced their commitments, while 40 % maintained them without reaffirming them which could be considered as greenhushing (muted language and reduced external engagement are observed signals in this category) (Cooper & Hawkins, 2025). Among the remaining companies, 28 % maintained their commitments and reaffirmed them, and 13 % increased them. This pattern is more pronounced in the United States than in Europe, and in sectors such as fossil fuels and automotive.

A notable example is the pause of the SBTi Oil and Gas Standard in July 2025, following the departure of Shell, Norway's Aker BP, and Canada's Enbridge from its expert advisory group (Financial Times, 2025). The financial sector has also been affected, with the suspension in 2025 of the Net Zero Asset Managers (NZAM) initiative and the Net Zero Banking Alliance, two climate-focused coalitions (Reuters, 2025c; The Guardian, 2025). These withdrawals were partly driven by major US institutions including JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley, and BlackRock. The NZAM initiative was eventually relaunched in 2026, but with weaker requirements and without the participation of leading US players (Reuters, 2026).

Even though the green backlash is less pronounced in Europe, the back-and-forth of EU sustainability policies has created an atmosphere of uncertainty that is not conducive to corporate investment. The most striking example is the simplification of the CSRD and CSDDD under the Omnibus I package, adopted in December 2025 (European Commission, 2025), despite these regulations having been approved in 2022 and 2024 respectively and enjoying important support from



the private sector (Eurosif, 2025). Similarly, the Green Claims Directive, which was intended among other things to provide greater clarity on offsetting-related claims, saw its proposal adopted in 2023, but trilogue negotiations were halted in 2025 after the parties failed to reach a consensus. The European Commission subsequently threatened to withdraw the proposal altogether, citing concerns that extending the law to cover small companies would overburden them (Reuters, 2025a).

c. A market in search of stability and credibility

Although the VCM is moving toward greater integrity, **the impact of recurrent scandals continues to weigh on market perceptions**. On the supply and demand sides, low-quality credits still account for a significant share of transactions (see section I.2.b.i), sending an unclear signal to potential buyers about the market's renewed credibility and reliability. The continued dominance of oil and gas companies within the VCM may also deter prospective participants who do not wish to be associated with sectors that are often criticized for the credibility of their climate commitments (Carbon Market Watch, 2026c). Likewise, the recent emergence of major new buyers such as large US technology companies does not necessarily signal a stronger commitment to credible climate action. Their growing involvement is largely driven by an offset approach aiming at counterbalancing rising emissions, rather than a science-based mitigation approach focused on emissions reductions. Indeed, all the technology giants⁹ have committed to net-zero by 2030 or 2040 (none of these net-zero targets has been validated by SBTi), while their emissions continue to dramatically rise as a result of the growing energy demand of data centres supporting artificial intelligence (NewClimate Institute, 2025). Rather than the quality of the credits they purchase, the climate strategies of these technology giants raise questions about the transparency and monitoring of their net-zero targets, as well as the extent to which carbon removal may take precedence over actual emissions reductions, a risk known as mitigation deterrence (Carton et al., 2023).

The significant imbalance between supply and demand in the VCM also undermines confidence among prospective buyers, as lower-integrity credits crowd out higher-quality ones amid an expanding number of standards and verification actors whose lack of quality convergence dilutes the informational value of quality signals. While this trend is less pronounced in certain segments, such as forestry credits, oversupply remains the dominant market dynamic, with issuances exceeding retirements by a factor of 1.7 in 2024 (Ecosystem Marketplace, 2025). This imbalance is further reflected in the growing number of market participants on the supply side, including standards, project developers, and service providers such as Monitoring, Reporting and Verification (MRV) providers, rating agencies, consultants, and trading platforms. For example, new standards, including Isometric, Rainbow (ex Riverse), and Puro.earth, have entered the market recently (respectively 2022, 2021 and 2018) alongside long-established standards. In the carbon farming sector alone, more than 50 supply actors are operating across Europe despite relatively limited demand (ISCIA, 2026).

d. New demand shows low priority for European carbon farming

While emerging voluntary demand offers opportunities for financing European carbon farming, its structure also introduces significant barriers. **The SBTi's emphasis on removals (from 2035) could limit funding for projects that generate both removals and emission reduction credits, as is the case for many carbon farming projects**. In some cases, such as with low-carbon soil management practices, it is not always easy to distinguish between emission reductions and removals, depending

⁹ Microsoft, Meta, Amazon, Apple and Google.



notably on how the baseline is defined (Don et al., 2023; I4CE, 2025b). This difficulty in assessing the share of removals, which are expected to benefit from stronger market demand, may constitute a barrier for the agricultural sector.

Large corporates, particularly those engaging in offtake agreements, tend to prioritise projects capable of delivering large volumes of removal credits at prices that remain competitive from a buyer's perspective (Expert interviews). According to a project finance expert, some buyers only consider projects expected to generate at least 1 to 2 MtCO₂e. By comparison, all Label Bas-Carbone crop farming projects registered up to 2025 collectively amount to around 1.2 MtCO₂e (I4CE, 2025b). While some carbon farming projects claim the ability to scale up credit supply (see section I.2.a.ii), the cost of bringing farmers together, collecting data from thousands of farms and monitoring them can substantially increase MRV costs; especially for small farms (Vanderheyden et al., 2026). The fragmented nature of European agricultural projects is both a barrier and an additional cost factor, due to :

- **The large number of small-scale farms.** European agricultural holdings are considerably smaller on average than U.S. farms, for example. In 2023, the average EU farm covered 17.8 ha (Eurostat, 2026), compared with around 189 ha in the United States in 2024 (USDA, 2025). Moreover, almost two-thirds of EU farms were smaller than 5 ha, although larger farms accounted for most of the agricultural area (Eurostat, 2026).
- **The complexity and short-term nature of contractual arrangements between landowners, farmers, intermediaries and supply-chain actors.** In particular, short-term land rental and supply-chain contracts can make it difficult for carbon farming projects to ensure continued access to the same parcels over the long term, creating additional challenges for the continuity and cost-effectiveness of MRV, particularly for carbon removals that require long-term monitoring.

Furthermore, although some companies prefer projects located close to their operations (see section I.2.b.vi), demand for removal credits remains largely global. Carbon farming methodologies approved under the ICVCM's CCPs such as Verra's VM0042, can provide buyers with a recognised assurance of credit quality, regardless of project location. In this sense, the CCP approval of VM0042 may reduce the importance of geographical proximity by providing buyers with a common quality benchmark across projects. This global approach is reinforced by the distribution of cost-effective CO₂ removal potential, of which 73% is located in developing countries compared with 27% in developed countries (Frank et al., 2024). Sub-Saharan Africa and Latin America account for some of the largest and most cost-efficient opportunities for agricultural carbon removal. As long as projects can demonstrate compliance with recognised quality requirements and offer credits that buyers can credibly claim as high-quality removals, cost-effectiveness is likely to remain a key consideration in sourcing decisions. Consequently, despite some local sourcing preferences, market demand for carbon farming removal credits is expected to continue favouring projects in developing regions where scalability and cost-effectiveness are greatest.

Finally, the reliability and comparability MRV systems could nevertheless introduce some uncertainty into the demand for carbon farming credits. Quantifying the climate benefits of agricultural practices, and especially removals, remains inherently difficult given the high spatial variability of soil carbon sequestration potential creating a structural trade-off between measurement precision and monitoring cost (Smith et al., 2020). This difficulty is compounded by differences in MRV approaches across standards: Verra's VM0042 relies on direct measurement and re-measurement of



soil carbon stocks, whereas the Label Bas Carbone (LBC) methodologies rely primarily on modelling-based estimation. Such differences may make credits issued under different standards less readily comparable, even when they claim to represent similar climate benefits, and could therefore lead some buyers to question the robustness of individual crediting approaches. However, these methodological uncertainties are unlikely to constitute a primary constraint on demand where credits are issued under methodologies that benefit from recognised quality assurance, such as ICVCM CCP approval. Rather, they may represent a secondary consideration for more risk-sensitive buyers, particularly as scrutiny of credit quality increases. . The methodological developments introduced under the CRCF, which combine direct measurements, modelling and remote sensing, may further strengthen confidence in the market by improving the consistency and robustness of MRV approaches (Joint Research Centre, 2026).

Box 4 – Synthesis and key issues identified for the Voluntary Carbon Market

After nearly three decades of development, the VCM for land based activities (including agriculture and forestry projects) have so far failed to scale up significantly, likely due to its reliance on fluctuating voluntary demand, while its interactions with compliance markets have not yet resulted in a stable and durable source of demand.

Supply

Following a period in which European carbon farming projects in the VCM remained relatively scarce until the early 2020s, the supply side has recently seen the emergence of a substantial project pipeline. This development is reflected in the growing number of methodologies being developed within national frameworks, such as the French Label Bas Carbone (LBC), under international standards that have introduced methodologies specifically targeting soil carbon (e.g. Verra's VM0042), and by private standards positioning themselves as pioneers while awaiting the operationalisation of the CRCF methodology.

However, many of these projects are still under development, and most have not yet issued credits. A key question is therefore how much of this emerging project pipeline will ultimately translate into actual credit supply and sales. Another important question is whether these projects will transition to the CRCF framework once it becomes operational, or whether they will continue to operate under existing standards.

International standards have generally been developed around relatively large-scale project models. Whether such models can be successfully replicated in the European agricultural context remains an open question. The complexity of contractual arrangements across agricultural supply chains also raises important questions. Farmers' ability and willingness to engage in long-term commitments for carbon removals will need to be carefully assessed. What price will carbon certificates from these projects ultimately command, and how will revenues be distributed between farmers and intermediaries?



Demand

On the demand side, the voluntary nature of the global VCM inherently limits the scale of demand. The market remains largely driven by low-cost projects, particularly renewable energy and REDD+ projects in the Global South. However, a different form of demand is also emerging through forward purchase commitments and other forms of advance offtake. This emerging demand appears to place greater emphasis on credit quality and carbon removals.

For agricultural carbon farming specifically, the experience of the LBC in France suggests that developing demand alongside supply is critical to the emergence of a functioning market. The uncertainty surrounding the relationship between VCM and value chain initiatives, which has persisted for several years, has also hindered the emergence of demand.

This raises several questions about the suitability of carbon farming for the VCM. Does the specific nature of the product -including numerous non-carbon co-benefits that are difficult to quantify, relatively high costs, highly dispersed projects, and significant uncertainties in quantifying climate outcomes- make it well suited to VCMs? How will the development of SBTi commitments affect this market segment? What are the emerging trends in corporate claims, including offsetting and contribution claims, and how might they translate into demand for agricultural carbon credits? Finally, what European policy mix, including current and future revisions of the ETS, could help create a stable and durable source of demand?

A key area for further research will be to quantify the trends identified qualitatively in this analysis, in order to provide a more objective assessment of the current state and development of the market.



II. Value chain schemes: a growing but uncertain source of carbon farming finance

1. Design and functioning of value chain schemes

a. Price premiums as an alternative financing scheme

Alongside the Voluntary Carbon Market (VCM), a second category of financing mechanism for carbon farming has been developed directly within agricultural value chains. The underlying idea is that an actor committed to decarbonizing its value chain provides incentives for other actors along the value chain to reduce their own emissions. Unlike carbon credits, these schemes do not necessarily involve external actors like standards, are embedded in purchase agreements and linked to production practices within the value chain.

Value chain schemes are mostly implemented through price premiums mechanism. Price premiums are voluntary financial bonuses paid by downstream agri-food actors to farmers on top of the market price of agricultural products (Lamerre, 2024). These payments are primarily directed towards farmers because agricultural production often represents a major source of emissions within agri-food value chains and offers significant opportunities for emission reductions and carbon removal. In exchange, farmers commit to adopting specified carbon farming practices, or to meeting predefined mitigation criteria. These payments are integrated into procurement agreements and are generally calculated per unit of commodity (€/ton), and in some cases per hectare (€/ha), depending on the scheme design. Rather than consisting solely of a financial mechanism, these schemes are most often designed as comprehensive programs that combine price premiums with technical and agronomic training and support for farmers.

Price premiums schemes have been developed as a tool by downstream actors, cooperatives, food processors and retailers, to contribute to the reduction of their Scope 3 emissions. They are closely linked to corporate mitigation targets such as the Science Based Targets initiative (SBTi), particularly its Forest, Land and Agriculture (FLAG) guidance, as well as GHG Protocol accounting rules (see section II.2.b).

Their objective is to incentivize changes in agricultural practices at farm level by aligning supply strategies with climate commitments. They also serve as a means to structure long-term relationships with suppliers around sustainability criteria and to integrate environmental performance into sourcing decisions.

b. Implementation and payment mechanisms of price premium schemes

Price premium schemes are implemented through annual or campaign-based procurement agreements between downstream buyers and farmers, often mediated by cooperatives (Lamerre, 2024). The downstream actor defines eligibility criteria and payment levels based on the adoption of specific practices (i.e. activity based), on the achievement of quantitative outcomes such as emission reductions and/or removals (i.e. result-based), or on a hybrid approach combining both activity- and result-based elements. Monitoring, Reporting and Verification (MRV) approaches vary from self-declared questionnaires to more formalised verification processes depending on the program. Payments are made to farmers based on the volume of eligible production delivered. When outcomes are quantified, these bonuses can be directly translated into reduced emission factors or increased removals attributed to downstream actors, without using the criteria for carbon certification, such as additionality.



Several types of initiatives illustrate these mechanisms in Europe. In cereal and oilseed supply chains, premiums are usually paid per tonne of production, with reported levels ranging from around 12–28 €/ton (Deloitte, 2025) or up to approximately 100–150 €/ha in some schemes (Lamerre, 2024). In the dairy sector, some cooperative systems provide climate-related bonuses of around 30–50€/1000l of milk (Scherger, 2025), while others are much lower with 2–5€/1000l of milk (Agrial, 2024; Sodiaal, 2026). These payments are integrated into supplier pricing systems rather than reflected in final consumer prices, as the vast majority of downstream actors do not yet see a viable pathway to valorise low-carbon products at the consumer scale (Lamerre, 2024). Examples also exist of multi-actor programs such as COVALO by Pour une agriculture du Vivant (PADV), ClimaCert by AgroImpact (Switzerland) or Transitions by Vivescia bring together multiple agri-food companies and cooperatives. These coalitions make it possible to scale up funding, harmonize eligibility criteria and payment levels, and facilitate cooperation among actors along the value chain. The coordination and MRV services for such programs are often supported by intermediaries, usually also active in the VCM as project developers (ex: Soil Capital, Carbone Farmers, ReSoil, etc.).

c. Emerging verification frameworks

More recently, efforts have emerged to structure and formalise the accounting and verification of these value chain schemes through dedicated certification frameworks. In practice, many companies and project developers rely on methodologies derived from VCM standards to quantify emission reductions or removals associated with agricultural practices, while explicitly using these results outside of any credit issuance, in order to support Scope 3 reporting and claims. For agri-food companies participating in SBTi, quantification and monitoring must be aligned with the FLAG standard, the SBTi CNZS V2 and the GHG Protocol Land Sector and Removals Standard (LSRS) in order for scope 3 decarbonisation efforts to be formally recognised (see section II.2.b). The SBTi CNZS V.2 standard notably proposes a new framework that could provide a structure for price premiums, based on the concept of Environmental Attribute Certificates (EACs), which enables companies to purchase certified low-carbon commodities, including within agricultural value chains. In parallel, other frameworks are emerging, that aim to provide more structured approaches for the verification of value chain interventions. Among them, SustainCERT has developed value chain verification approaches focused on assessing and validating emission impacts within supply chains without generating tradable credits. Similarly, the Verra Scope 3 Standard will provide a framework specifically designed to quantify and certify greenhouse gas impacts occurring within corporate value chains, distinguishing these from traditional carbon credit generation under VCM programs. These initiatives reflect a gradual move toward more standardised approaches for accounting and verifying Scope 3 interventions linked to agricultural supply chains. The announced development of “certificates of performance” under the CRCF positions the CRCF as a strong candidate for harmonising the quantification framework for value chain initiatives across Europe.

2. SBTi commitments drive these incentives

a. Overview of SBTi commitments in the agri-food sector

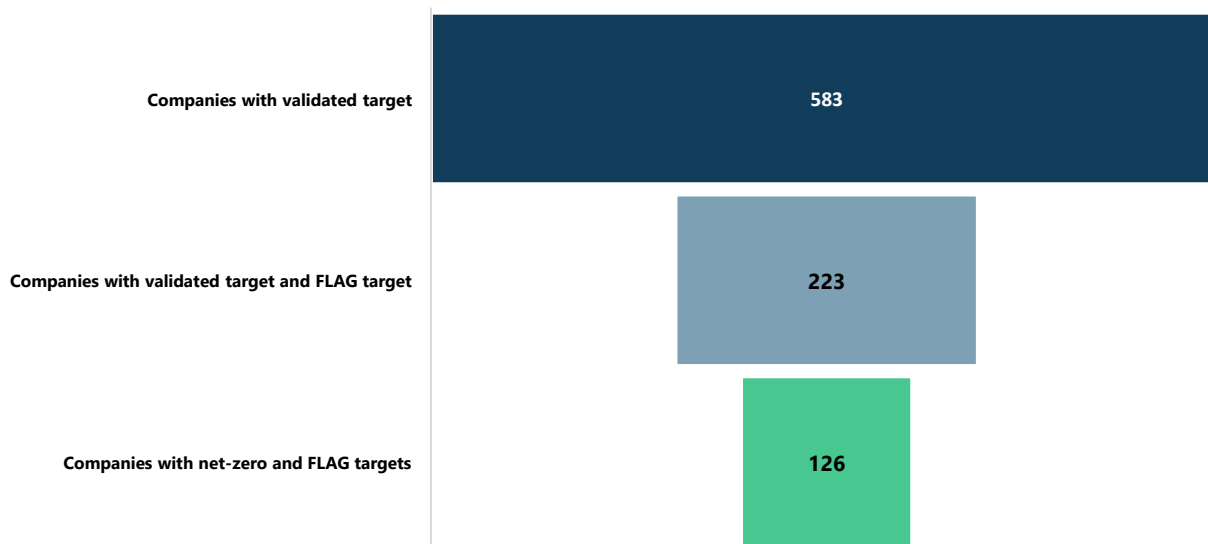
European-headquartered agri-food companies with validated SBTi targets are more than 580, representing 11.7 % of all validated companies in Europe¹⁰ (Figure 5). Compared to other sectors, agri-food companies setting SBTi targets are required to set additional targets related

¹⁰ The European market share of agri-food companies committed to SBTi could not be assessed.



to their land emissions and removals, called **forest, land and agriculture targets (FLAG targets)**¹¹ (SBTi, 2022). In 2026, 223 European agri-food companies with validated targets have also set a FLAG target, as shown in Figure 5. This number is expected to grow in the coming years, as companies with existing SBTi target are required to set separate FLAG target no later than the five-year review point of their original, non-FLAG target¹² (SBTi, 2026e).

Figure 5 – Number of European agri-food companies with SBTi targets



Finally, 126 European agri-food companies are among the most advanced in terms of commitments, having set a net-zero and a FLAG target. These include agri-food majors such as Nestlé, Delhaize, REWE, Tesco, Jeronimo Martins and Heineken. As a result, although SBTi is a voluntary initiative, its requirements serve as key drivers of climate action by major European agri-food companies. As described in the following section, these requirements guide the measures taken by companies to reduce land emissions and develop land removals and thus drive their investments in value chain schemes.

b. Description of the requirements from SBTi and GHG Protocol

SBTi requires agri-food companies to set both an energy and industry target (related to energy and industry emissions) and a FLAG target (SBTi, 2022). Near-term and net-zero targets' requirements for agri-food companies are detailed in Figure 6¹³. FLAG target requirements guide land emission reductions and removals measures taken by European agri-food companies.

¹¹ Companies corresponding to one of the following criteria are required to set FLAG targets:

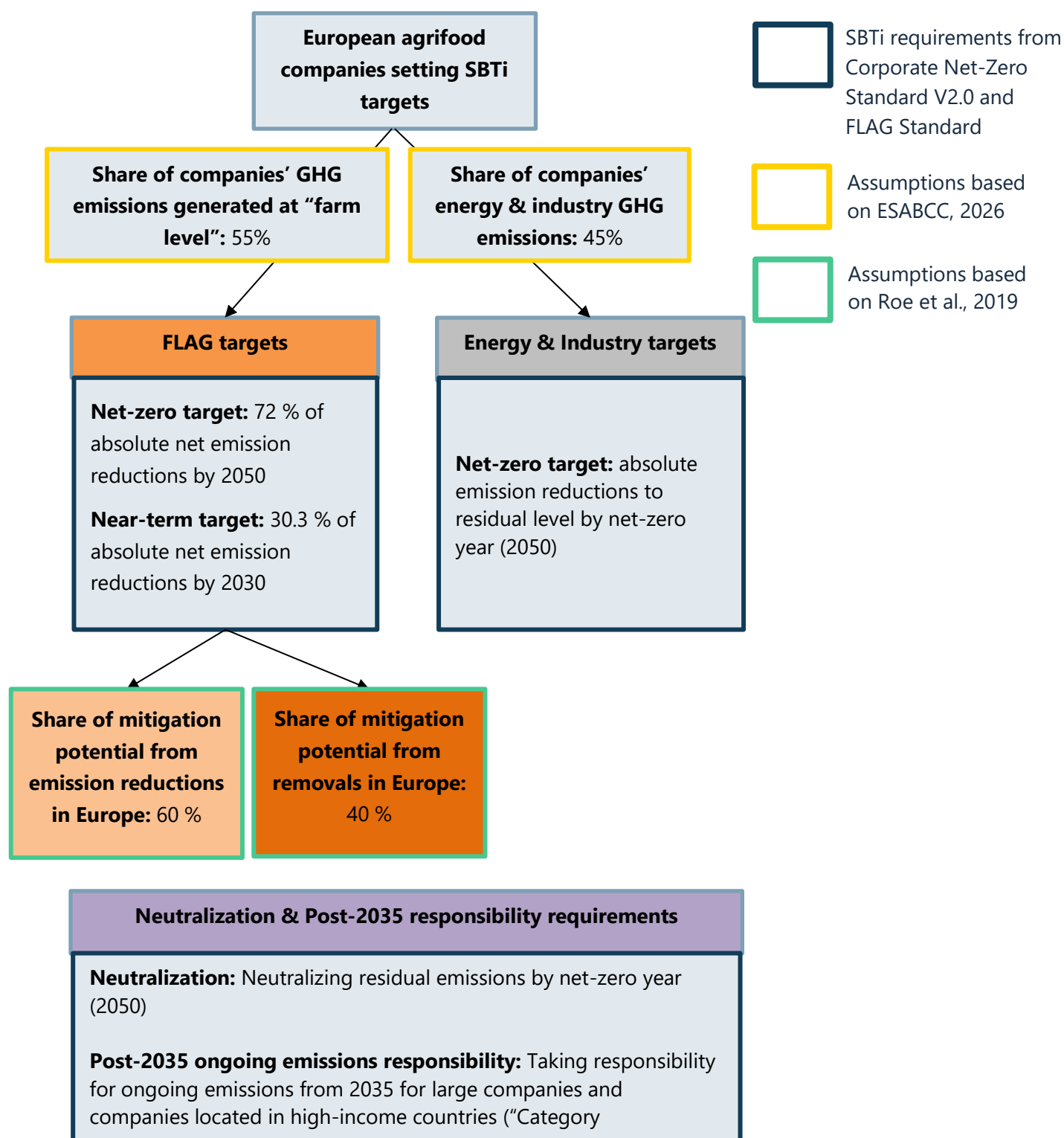
- Companies from the following sectors: forestry (timber, pulp, paper, rubber), food production (crops and livestock), food and beverage processing, food retailing, tobacco
- Companies with FLAG-related emissions that total 20% or more of overall emissions across scope 1, 2 and 3

¹² Under SBTi rules, companies must review and, if necessary, revise their targets at least every five years to ensure they remain aligned with the latest climate science. For companies required to set FLAG targets but that had not yet done so, this five-year milestone marks the deadline by which they must do so.

¹³ FLAG targets are based on a 2020 baseline year and have not been updated to reflect the developments in SBTi CNZS V2.0.



Figure 6 – European agri-food companies mitigation pathways in line with current SBTi guidelines and recommendations



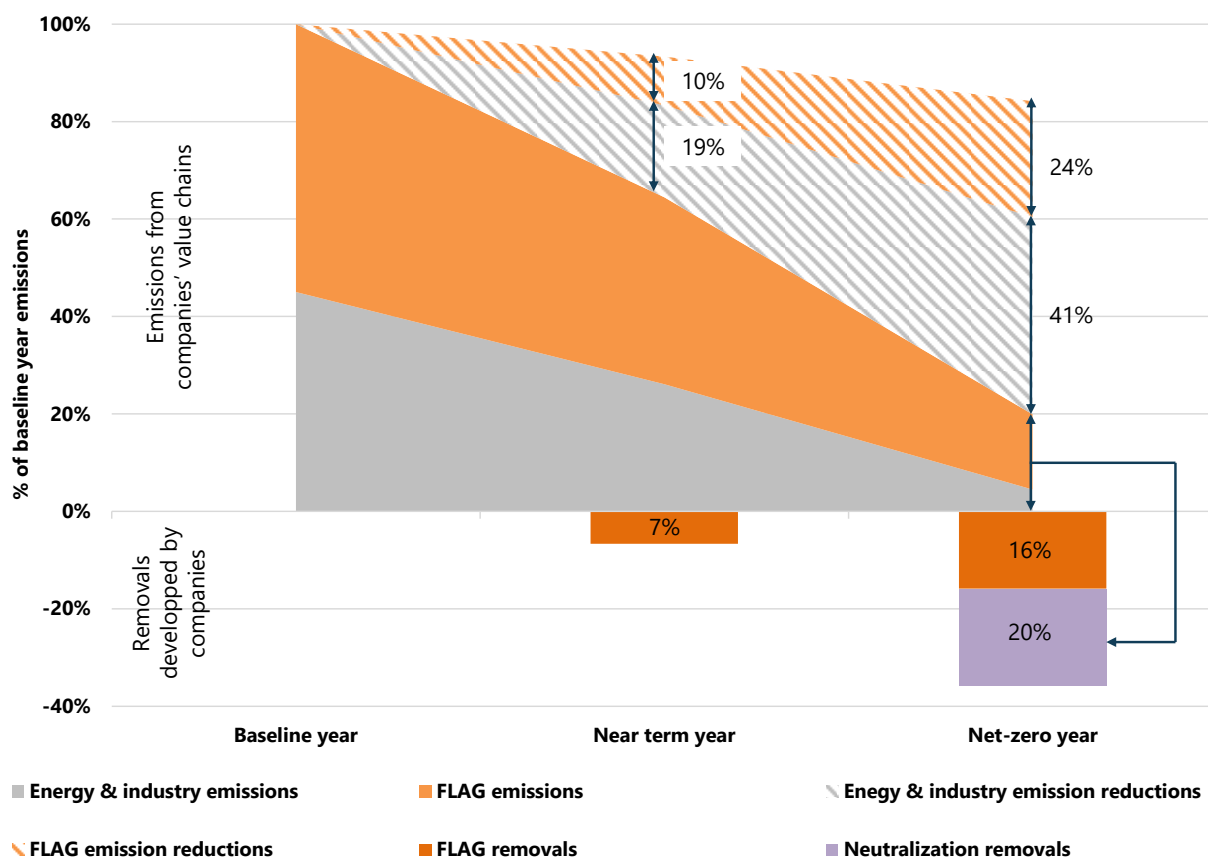


FLAG targets are absolute net emissions reductions targets, in which emissions¹⁴ and removals are fungible. In other words, companies shall progress towards their FLAG targets by reducing their land emissions and/or by developing land removals inside their value chains. Although, the FLAG guidance clearly states that “companies should mostly focus on emission reductions” (SBTi, 2022), they are ultimately free to put efforts either on emission reductions and/or removals. Additionally, even though GHG Protocol LSRS requires companies to set separate targets for emissions and removals, it explicitly states that SBTi target-setting requirements take precedence over LSRS requirements (GHG Protocol, 2026).

c. Estimating mitigation pathways in agri-food value chains

As these SBTi and GHG Protocol rules have only recently been introduced, companies are just beginning to align with them and disclose their implementation strategies. Consequently, there is still insufficient evidence to identify the approaches favoured by agri-food companies, particularly regarding the balance between emissions reductions and removals. To address this gap, we try here to estimate the likely distribution of mitigation efforts between these two levers based on SBTi FLAG targets and mitigation potentials across agricultural value chains.

Figure 7 – Theoretical progress of European agri-food companies toward net-zero in line with current SBTi guidelines and recommendations



¹⁴ GHG emissions covered by FLAG targets include CO₂ land use change emissions and CO₂, CH₄, and N₂O land management emissions (manure management, enteric emissions, fertilizer production and use, crop residue emissions, agricultural waste burning, machinery used on-farm and transport of biomass).

Figure 7 illustrates a stylized mitigation pathway for European agri-food companies committed under SBTi, from a baseline year to a near-term target and ultimately net-zero. The upper bars show remaining emissions from energy & industry and from farm-level activities (FLAG), shrinking over time as reduction measures take effect (hatched areas). The bars below zero show removals from farm-level projects (FLAG removals) and other neutralization measures that offset any emissions still remaining at net-zero. The percentages indicate how much each lever (reductions or removals) contributes to companies' overall mitigation effort at each milestone.

For most European agri-food companies, the achievable pace and scale of decarbonization is in practice bounded by the mitigation potential of land-based emission reductions and removals within their value chains. Based on the mitigation potentials estimated by Roe et al., 2019¹⁵, emissions reductions account for approximately 60% of the total mitigation potential within European agri-food value chains, while carbon removals represent the remaining 40%. Knowing FLAG targets and given that 55% of European agri-food companies GHG emissions are generated at farm level (production and LULUCF emissions corresponding to FLAG emissions), the respective contributions of land emission reductions and removals to companies' mitigation can be estimated. **Under these assumptions, land emission reduction measures would account for 24% of the total mitigation achieved by European agri-food companies on their path to net-zero** (Figure 7). **Similarly, land removal measures would account for 16% of total mitigation achieved.** At near-term year, land emission reductions would represent 10% of total mitigation achieved and land removals 7%. These theoretical estimates suggest that European agri-food companies' investments in carbon farming will be primarily driven by projects reducing land emissions. However, these figures remain largely theoretical, as companies' actual investment decisions are shaped by a range of other factors beyond mitigation potential alone. While the study by Roe et al. already incorporate average cost-effectiveness assumptions, actual project-level costs can vary significantly depending on local context, and investment decisions are further influenced by co-benefits (e.g. biodiversity, water resilience, supply security), project maturity and availability, as well as companies' own strategic priorities and existing relationships with suppliers or land managers. As such, while emission reduction measures may hold greater theoretical mitigation potential, this does not necessarily translate into a stronger investment preference in practice.

d. Key drivers and evolving narratives shaping corporate commitments

Corporate climate commitments were initially driven by the growing role of the private sector in climate action following the Paris Agreement, which provided a common framework for companies to develop voluntary climate targets. This dynamic was reinforced by the emergence and growing influence of target-setting frameworks such as SBTi (see section I.2.b.v). **Beyond companies' own willingness to engage in climate action, the development of these commitments has also been strongly influenced by pressure from financial stakeholders**, particularly as investors have become increasingly focused on managing climate-related risks over the long term.

The role of financial institutions in SBTi's network expansion strategy is central, as it "facilitates target setting for corporate lending books, asset management, asset ownership, capital markets and some insurance activities" (SBTi, 2026b). Several investor-led initiatives have sought to encourage climate action in the agri-food sector, including Climate Action 100+ expectations for the sector (Climate

¹⁵ These mitigation potentials were based on 2050 mitigation objectives and estimated at country level.

Action 100+, 2021) and Ceres Food Emissions 50 (Ceres, 2026). The FAIRR Initiative is arguably one of the most influential examples. Launched in 2015, the investor network brings together more than 400 investors representing upwards of US\$95 trillion in assets. Through the initiative, investors can coordinate “investor engagements” to encourage targeted companies to take action. An emblematic example is the “Meat Sourcing Engagement”, which contributed to six fast-food giants¹⁶ setting an SBTi target (FAIRR, 2022). **Investor pressure therefore represents an important mechanism through which climate commitments have become embedded in corporate strategies, complementing companies’ own initiatives and contributing to the continued expansion of target-setting practices across the sector.**

This pressure remains relevant, but the broader context in which companies and investors frame and communicate climate action is evolving, particularly in the context of the current green backlash (see section I.3.b). In this context, “climate is no longer framed as an imperative in itself; instead, the key concept and narrative have shifted to resilience” (Expert interview), particularly the resilience of agricultural supply chains (OP2B, 2024). This shift is reflected in the growing use of regenerative agriculture as a narrative through which agri-food companies present their environmental and climate-related actions. This is particularly visible among large companies in North America and Europe (FAIRR, 2023), with most SBTi-committed agroindustry majors now mentioning regenerative agriculture as part of their sustainability strategies.

Regenerative agriculture consequently provides a broader framing through which climate-related action can be connected to issues that are more directly relevant to agricultural production and supply-chain performance. While soil health is the most frequently cited outcome that companies seek to address through regenerative agriculture, carbon is the second most frequently cited (FAIRR, 2023). However, few companies have yet explicitly linked their regenerative agriculture objectives to quantified Scope 3 reduction targets (FAIRR, 2023). The relative decoupling between these broader regenerative agriculture objectives and explicit emissions targets illustrates how the narrative around climate action is becoming broader, even where the underlying practices can contribute to companies’ climate objectives.

The emphasis on resilience is particularly useful for sustaining these investments because it allows companies and sustainability teams to articulate the value of practices such as carbon farming through multiple benefits rather than climate mitigation alone. As one expert explains, “It’s difficult for CSR managers if the lens of carbon farming is purely climate-focused, as these practices are more expensive than market investments for decarbonizing energy, so they are compelled to build a narrative around biodiversity, resilience, and the valorisation of co-benefits.” (Expert interview). The regenerative agriculture narrative can therefore help maintain the business case for practices that contribute to climate objectives by linking them to a wider set of environmental and operational benefits, including supply-chain resilience.

This broader framing also matters because the implementation of climate action in the agri-food sector ultimately depends on the ability of companies to engage actors further upstream in their value chains. Pressure along value chains remains an important driver of corporate climate commitments, as downstream companies increasingly encourage or require their suppliers to set climate targets. Indeed, encouraging suppliers to set commitments is a central component of SBTi’s network expansion strategy (SBTi, 2026b). The Supplier Leadership on Climate Transition (LOCT), for

¹⁶ McDonald’s, Domino’s Pizza, Chipotle Mexican Grill, Restaurant Brands International, The Wendy’s Company and Yum! Brands.



instance, brings together 30 companies, mainly from the agri-food sector, and has succeeded in engaging 94 suppliers in setting an SBTi target since 2022 (LOCT, 2025).



3. Structural barriers to scaling value chain financing

a. Lack of funding from downstream players

A major barrier to the development of value chain schemes lies in the limited financial commitment of downstream actors, particularly food processors and retailers. In theory, these actors are expected to assume part of the additional costs needed to support farmers' transition towards carbon farming practices. In practice, however, low-carbon attributes are rarely used as a significant source of product differentiation capable of generating higher revenues that could be reinvested upstream. They consist more in margin reallocation schemes under weak consumer demand than in value creation. Although regenerative and resilience narratives are gaining momentum (see section II.2.d), it is above all short-term economic considerations that take precedence.

First factor explaining this situation is that low-carbon agricultural production is not currently perceived as a strong purchasing criterion by end consumers (Lamerre, 2024). The literature consistently shows a positive but limited willingness to pay for low-carbon food attributes. Experimental and meta-analytical evidence suggests that premiums paid by consumers for environmental labels are generally modest (often below 10%) and highly heterogeneous across consumers and contexts (Bastounis et al., 2021). As a result, downstream companies struggle to pass the additional costs associated with carbon farming practices implementation onto final product prices. **Price premiums are therefore generally financed from existing corporate margins rather than through dedicated consumer demand, limiting their scale and durability** (Lamerre, 2024). Retailers are particularly poorly involved in value chain schemes since they strongly focus on price competitiveness and report having limited ability to absorb additional costs.

Second, many cooperatives and processors operate in highly competitive international markets where environmental performance remains a secondary purchasing criterion (Lamerre, 2024). They often fear that increasing procurement costs to support farmers could undermine their competitiveness. This concern is particularly sharp in sectors with significant export exposure, while demand for low-carbon raw materials mainly originates from European buyers. Consequently, organisations selling a large share of their production outside Europe face fewer opportunities to mobilise price premiums. The resilience benefits of carbon farming practices may provide an alternative rationale for companies to support such practices, particularly when they are concerned about securing their supply from one year to the next.

b. The limitations of the voluntary SBTi framework

Although SBTi is an important driver of agri-food companies' investments in value chain schemes, it remains a voluntary initiative with limited normative power. While Scope 3 usually represents the largest source of agri-food companies GHG emissions, SBTi-committed companies in general have not yet substantially reduced their Scope 3 emissions (SBTi, 2025; Schüder & Zülch, 2026). Similarly, across SBTi-committed companies more broadly, Scope 3 is seen as the biggest barrier to setting net-zero targets by companies themselves, which has even led some of them having their targets removed (SBTi, 2024). As of March 2026, more than 90 agri-food companies had one of their targets removed (more than 60 had all their targets removed) including majors such as Walmart, Unilever, AB InBev, JBS, and Carrefour. These target removals are not necessarily permanent and can result from factors unrelated to corporate ambition, such as the unavailability of a sector-specific pathway, insufficient emissions data, or mergers and acquisitions activity (SBTi, 2024). Furthermore, a removed SBTi target does not mean that a company has abandoned climate commitments altogether,



as it may still maintain targets outside of the SBTi framework (see section I.2.b.v). However, regardless of whether targets are set within or outside the SBTi framework, companies tend to weaken their near-term targets and focus on their long term one, risking a delay in tangible climate action precisely when steep emission cuts are most urgently needed (New Climate Institute et al., 2025). **Moreover, symbolic rather than substantive target-setting is an existing risk, as illustrated by the case of JBS, whose chief sustainability officer stated about the company's net-zero target that "It was never a promise that JBS was going to make this happen"**(Reuters, 2025b).

c. The double claiming concerns limits co-financing

The development of value chain financing schemes is also constrained by concerns over double claiming (I4CE, 2026). The GHG Protocol (GHGP) and the Science Based Targets initiative (SBTi) both restrict two actors from claiming the same emissions reduction or removal, and agri-food companies fear that once a supplier's reductions are certified and sold as carbon credits, they can no longer count towards their own climate strategy (OP2B, 2026).

That fear partly rests on a misreading of what the GHGP and SBTi rules actually require. The restriction does not apply to a company's Scope 3 inventory as such, the simple observation that a supplier's footprint has been reduced. It applies only when a company uses that inventory to track progress against its own reduction target, and even then only when the inventory is precise enough to "see" the specific reduction concerned (I4CE, 2026). In practice, this condition is rarely met: most agri-food Scope 3 inventories are built from statistical averages and generic emission factors, not farm-level data, and are therefore too aggregated to capture the effect of any individual carbon project. The reduction rarely appears distinctly in the inventory, so no adjustment is triggered and no double claiming arises in most cases.

Faced with an uncertain framework, many companies adopt a precautionary stance: some processors and cooperatives discourage their farmers from joining carbon credit schemes, while others impose exclusivity clauses reserving the associated mitigation benefits for the value chain. These practices stop farmers combining different sources of climate finance. The result is that price premiums and carbon credits, which could fund the transition together, are cast as competing rather than complementary, reducing the total finance available for carbon farming.

d. The search for cost-effective abatement across geographies for international value chain

Agri-food companies operating across complex and international value chains may prioritise decarbonisation efforts in locations where abatement costs are lowest and mitigation efficiency is highest, which is not necessarily in Europe. Many agri-food companies having parts of their value chains in Europe also have a broader set of value chain geographies. This is particularly true for the largest companies which have globally diversified sourcing portfolios. Thus, in the same way that firms may prefer to buy carbon credits generated in developing countries due to their larger cost-effective abatement potential (see section I.3.d), agri-food companies with value chain exposure in these regions may be more inclined to develop carbon farming projects in the global South. The literature suggests that agricultural mitigation in developing countries may offer more cost-effective abatement opportunities due to lower starting points in production efficiency (Licker et al., 2010) and higher technical mitigation potential, particularly in land-use and agroforestry systems (Griscom et al., 2017).



Box 5 – Synthesis and key issues identified for Value chain schemes

The emergence of SBTi commitments and the inclusion of on-farm emissions in agri-food companies' Scope 3 reduction targets have contributed to **the development of price premiums associated with carbon farming practices. Beyond companies' broader societal commitments, pressure from investors, as well as the need to secure resilient supply chains, can also encourage companies to finance such premiums.** As these initiatives become more structured, however, there remains limited transparency on their actual scale and impact. The subsequent work under CAFAMORE (Task 6.2) will help quantify their contribution at the European level.

However, these initiatives remain highly heterogeneous in terms of their scope, implementation and MRV approaches, particularly for carbon removals. A key question is whether the CRCF methodological framework and the development of certificates of performance could contribute to harmonising these approaches in Europe. Similarly, the scope of a value chain scheme and its potential overlap with other schemes raise questions about how impacts and associated claims should be allocated across different value chain initiatives, and potentially between these initiatives and carbon credits. Further work within CAFAMORE will explore these issues and could, in the medium term, help address barriers related to double claiming, although several stakeholders have argued that double claiming may not constitute a material problem.

The long-term robustness of this demand remains uncertain, raising the question of whether voluntary commitments driven by SBTi will be sufficient to provide the stable financing needed to scale up carbon farming, or whether regulatory mechanisms will eventually need to complement or replace them (see Part III). In particular, as the narrative underpinning agri-food companies' price-premium initiatives increasingly shifts towards regenerative agriculture and supply-chain resilience, it will be important to assess the extent to which these initiatives remain aligned with climate-change mitigation objectives.

Finally, as international agri-food companies seek the most cost-effective abatement opportunities across geographies, **the ability to cover the additional costs of carbon farming for European farmers will be critical.** This question can be further explored through the analysis of the attractiveness of carbon farming business models under Task 6.3.



III. Policy as catalyst: shaping demand for carbon farming

1. Current policy landscape

The **CRCF Regulation** provides the framework for certifying carbon farming activities in the EU. Nevertheless, the deployment of carbon farming practices depends on a broader set of EU policies and regulations. These instruments influence different dimensions of carbon farming, from the implementation and monitoring of practices to the creation of incentives and demand. Such policies are described below and synthesised in Table 2.

a. Certification and monitoring frameworks

The **CRCF Regulation** establishes a common EU framework for certifying carbon removals, carbon farming and soil emission reduction activities. The framework articulates around different components:

- **Certification methodologies**, developed by the European Commission under delegated acts, which define quality criteria including monitoring, reporting and verification (MRV) requirements
- **Certifications schemes**, which are public or private organisations that operationalise these methodologies by defining certification procedures and rules. They must be recognised by the European Commission under the CRCF.
- **Certification bodies**: Independent third parties that audit operators and verify their compliance with the relevant methodology and CRCF requirements.
- **Registries**: Systems recording certified activities and units to ensure transparency, traceability and prevent double counting. A EU-wide CRCF registry will be established by 2028 and until then, certification schemes operate their own registries.

The CRCF does not explicitly define specific use cases for certified units, leaving the framework theoretically open to different applications and financing channels. However, it has been strongly influenced by the Voluntary Carbon Market (VCM) and its objective of improving the quality, transparency and credibility of carbon credits, while more recent discussions have explored its potential application to other mechanisms, including value-chain payments based on 'certificate of performance'.

The **LULUCF Regulation** aims to preserve and enhance the EU land sector's carbon sink to contribute to European climate objectives. It sets binding targets for Member States to improve the carbon balance of the land sector, thereby encouraging them to implement policies and measures to enhance removals and reduce emissions. In practice, however, the Regulation is often approached primarily as a carbon accounting exercise. In the future, carbon farming CRCF-certified activities could potentially contribute to Member States' efforts to meet their LULUCF targets. Another challenge will be to progressively and partially align Member States' LULUCF inventories with the quantification and MRV approaches applied to CRCF projects, as these activities scale up, in order to ensure consistency and to facilitate the sharing of quantification tools.

The **Soil Monitoring Law (SML)**, which entered into force in December 2025, aims to establish a solid and coherent soil monitoring structure for the EU, prevent soil degradation from erosion, loss of soil organic matter and biodiversity decline. Beyond improving knowledge of soil conditions, it requires Member States to monitor soil health and support farmers and soil managers in enhancing resilience but is expected to have very limited impact on carbon farming funding, which is likely to be channelled through other instruments, notably the CAP and CRCF.



b. Policies supporting carbon farming practices

The **Common Agricultural Policy (CAP)** provides significant funding to support farmers' income and pursue environmental and climate objectives, making it a key policy instrument for carbon farming. During the 2023-2027 period, CAP provided around €55 billion annually, with the European Commission estimating that 47 % of the CAP budget is climate relevant (European Commission, 2023).

Its contribution operates through two main channels. First, mandatory conditionality requirements apply to all CAP payments and aim to ensure their alignment with environmental objectives. Second, Member States can implement specific voluntary schemes, such as eco-schemes and agri-environment-climate commitments, to support the adoption of environmentally beneficial practices.

Although the current CAP is greener than previous ones and has the potential to support carbon sequestration and emissions reductions, it is still considered insufficient to significantly alter the sector's emissions and sequestration trajectory and deliver the EU's climate and environmental objectives (European Court of Auditors, 2024; Guyomard et al., 2024). The CRCF, combined with lower-cost MRV solutions, could create synergies with the CAP and enhance its leveraging effect on carbon farming by mobilising additional results-based finance alongside public support (Mal, 2025). At the same time, the interaction between the two frameworks raises challenges, notably risks of double funding and non-additionality (McDonald et al., 2025).

The **Renewable Energy Directive (RED)**, most recently revised through RED III, establishes the EU framework for promoting renewable energy, including sustainability and greenhouse gas emissions-saving criteria for biofuels, bioliquids and biomass fuels. It also sets requirements for the sustainable sourcing and use of biomass, including criteria related to land use, biodiversity and soil carbon.

The RED provides a mechanism through which carbon farming practices that increase soil carbon can contribute to the greenhouse gas performance of biofuels and biomass fuels. Practices such as improved crop rotation and the use of cover crops are explicitly mentioned in the Directive, among others. The text stipulates that evidence of an increase in soil carbon must be provided, pointing towards a need for MRV to demonstrate these benefits. The French example of OleoZE premium¹⁷, developed by the Avril Group, illustrates how this regulatory framework can translate into price premiums for farmers adopting carbon farming practices.

The **EU Nature Restoration Regulation** combines an overarching objective of restoring nature across EU terrestrial and marine areas with binding targets for specific habitats and species, covering at least 20% of EU land and sea areas by 2030. Synergies could emerge between restoration objectives and carbon farming implementation, with some practices contributing to both climate and biodiversity goals. However, these objectives are not always fully aligned, meaning practices such as agroforestry, which deliver benefits for both, may receive particular attention.

c. Policies shaping demand and private finance

Beyond policies supporting the supply of carbon farming activities, EU regulations influencing corporate sustainability strategies and environmental claims play an important role in shaping demand for carbon farming finance. Indeed, the VCM is not governed by a single authority. Rather, it results from the continuous interaction of public institutions, international organisations, private standards,

¹⁷ <https://www.saipol.com/en/news/saipol-launches-oleoze-and-offers-additional-remuneration-to-farmers-to-encourage-climate-friendly-practices/>



registries, certification bodies, and market participants that collectively shape methodologies, claims, and market integrity rules. This fragmentation and uncertainty around claims hold back investment, lead companies to adopt divergent strategies and ultimately delay the investments needed.

The **Corporate Sustainability Reporting Directive (CSRD)** requires large companies to disclose information on their sustainability-related impacts, risks and opportunities, including climate-related impacts and where relevant, those occurring along their value chains. By increasing the transparency and harmonising the reporting of corporate GHG emissions and climate-related risks and actions, the CSRD could strengthen incentives for agri-food companies to engage in value-chain initiatives, including financing carbon farming practices as part of their Scope 3 strategies. However, the potential impact of the CSRD on carbon farming demand has been weakened by the recent simplification of the framework under the Omnibus package, which reduced the number of companies in scope, limited sustainability information requests to smaller value-chain companies and substantially reduced the number of mandatory reporting datapoints.

The Empowering **Consumers for the Green Transition (ECGT) Directive**, in force since 2024, enables consumers to make informed choices regarding the sustainability and reparability of products, as well as their legal guarantee rights when making purchases. Regarding environmental claims, the Directive primarily prohibits misleading communication practices to prevent greenwashing.

To go further and address some of the gaps in the ECGT, the European Commission worked on a proposal that would have introduced clear criteria for substantiating environmental claims, together with verification by independent and accredited bodies: the **Green Claims Directive**. While the Green Claims Directive represented an opportunity to further regulate climate claims and thus influence the credibility and scalability of private-sector demand for carbon farming finance, its development was suspended. An open question is whether negotiations on the Green Claims Directive will resume and, if not, whether another legislative instrument could fill the gap and provide a more harmonised framework for regulating climate claims.

Table 2 – Overview of EU regulations affecting carbon farming

EU regulation	Objective	Status	Relevance to carbon farming
Carbon Removal and Carbon Farming Certification Regulation (CRCF)	Establishes an EU certification framework for carbon removals, and carbon farming activities.	Regulation (EU) 2024/3012 entered into force on 26 December 2024. First carbon farming methodologies adopted by European Commission in a delegated act in July 2026.	Establishes a framework for certifying carbon farming activities and could mobilise additional results-based finance.
Land Use, Land Use Change and Forestry Regulation (LULUCF)	Preserve and enhance the EU land carbon sink to contribute to EU climate targets.	Regulation (EU) 2018/841, revised by Regulation (EU) 2023/839. Revision expected as part of the 2040 climate framework in Q4 2026.	Sets Member State targets for land-sector emissions and removals, potentially encouraging Member States to develop carbon farming.



EU regulation	Objective	Status	Relevance to carbon farming
Nature Restoration Regulation (NRL)	Restore degraded ecosystems and strengthen biodiversity across the EU.	Regulation (EU) 2024/1991 entered into force on 18 August 2024. Member States are preparing National Restoration Plans.	Restoration can have synergies with carbon farming for practices delivering both climate and biodiversity benefits.
Common Agricultural Policy (CAP)	Support farmers' income while promoting environmental and climate objectives through conditionality and voluntary schemes.	Current programming period 2023–2027. Discussions on the post-2027 CAP have started.	Already provides substantial support for carbon farming practices and could mobilise additional public funding.
Renewable Energy Directive (RED)	Promote renewable energy and reduce the GHG intensity of biofuels and biomass fuels, while ensuring sustainability of biomass feedstocks.	RED III entered into force in November 2023, with most relevant provisions to be transposed by Member States by May 2025. Implementation is still ongoing in some Member States.	Creates incentives for carbon farming practices that increase soil carbon by allowing these benefits to contribute to biofuel and biomass GHG performance.
Soil Monitoring Law (SML)	Establish a common framework for monitoring and improving soil health across the EU.	Directive entered into force on 16 December 2025.	Strengthens soil monitoring and could improve the evidence base for carbon farming.
Corporate Sustainability Reporting Directive (CSRD)	Require companies to disclose sustainability-related impacts, risks, as well as how sustainability issues affect their business.	Directive (EU) 2022/2464 entered into force on 5 January 2023. Implementation Amended by the 2025 Omnibus Simplification Package.	Could encourage corporate incentives to finance carbon farming as part of Scope 3 strategies.
Empowering Consumers for the Green Transition Directive (ECGT)	Protect consumers against misleading environmental claims and improve information on product sustainability.	Directive (EU) 2024/825 entered into force on 26 March 2024. Member States were required to transpose it by 27 March 2026.	Restricts misleading environmental claims, indirectly affecting the credibility and demand for carbon farming finance.
Green Claims Directive (GCD) (proposal)	Harmonise the substantiation and verification of explicit environmental claims made by companies.	Legislative proposal published in March 2023. Legislative process currently suspended/under political reconsideration.	Could establish clearer rules for environmental and climate claims, providing greater certainty for private carbon farming finance.



2. Examples of existing policies creating demand for carbon farming

a. Domestic compliance demand for carbon farming: airline companies in France, Japan GX-ETS and Australia Carbon Credit Units scheme

The majority of existing policies that drive private funding for carbon farming are domestic regulations grounded in the polluter-pays principle and structured around compliance carbon markets. A growing number of jurisdictions have implemented carbon pricing systems, either in the form of a carbon tax or an Emissions Trading System (ETS) (I4CE, 2025a). In some cases, flexibility mechanisms allow regulated entities to offset a portion of their emissions by purchasing carbon credits. Depending on design choices and eligibility rules these schemes may either explicitly or indirectly channel demand toward carbon farming credits. Other examples involve entities that are directly required to offset their emissions by purchasing carbon credits. These mechanisms channel private funding towards carbon projects in response to regulatory requirements, without passing through government budget.

In Europe, France provides one of the clearest examples of domestic regulation generating demand for carbon farming credits. Two sector-specific compensation obligations, aviation and coal-based electricity, have been implemented, explicitly requiring regulated actors to purchase European carbon credits, primarily through the French Label Bas Carbone (LBC) standard (I4CE, 2025b). In aviation, around 25 airlines are subject to the regulation, with a highly concentrated exposure (5 airlines account for approximately 90% of covered emissions). Companies are required to offset all their domestic flights within mainland France: 50% through international credits and 50% through European credits. For the latter, project eligibility criteria favour the land sector. Compliance has so far been largely achieved through LBC projects: around 94% for 2024, with the remaining 6% coming from Spanish projects certified under the Huella de carbono standard (Ministère de la Transition Ecologique, 2025). Covered emissions have slightly declined in recent years (e.g. -4% between 2023 and 2024), although it is not possible to determine whether the price effect of this mechanism has played a role. A smaller but complementary demand stream has existed in the coal sector but is inherently transitional, as coal phase-out policies have reduced its long-term relevance. This compliance demand has been structurally important for the early scaling of LBC supply, accounting for at least 40% of total LBC demand.

Observed price were in average 30.7 €/tCO₂e in 2023 and 2024, ranging from 19.5 to 35 €/tCO₂e (Ministère de la Transition Ecologique, 2025). The strong cost-minimization incentive faced by compliance buyers tends to favour forestry-based projects over agricultural projects, which generally have higher costs per tonne of CO₂. Among the credits generated by agricultural Label Bas-Carbone projects, approximately one-third correspond to carbon removals, with the remainder representing emission reductions (I4CE, 2025b)..

Outside Europe, several emerging compliance schemes are also beginning to generate demand for carbon credits, including carbon farming methodologies. In Japan, the GX-ETS entered its mandatory phase 2 in April 2026 following a voluntary pilot period. It covers approximately 300-400 large emitters responsible for 500-600 MtCO₂e/year, over half of Japan's domestic emissions (Abatable, 2026). The system operates as a baseline-and-credit scheme, where each firm receive emissions baseline and must surrender allowances when their actual emissions exceed their baseline. While internal trading of allowances forms the core compliance instrument, up to 10% of obligations



can be met using carbon credits, including domestic J-Credits and international credits under the Joint Crediting Mechanism. **Several J-Credit methodologies are directly relevant to carbon farming such as fertiliser use, manure management and rice cultivation practices** (Ministry of Economy, Trade and Industry, 2026). However, under the current design of the GX-ETS, incentives to purchase carbon farming credits remain limited. Japanese government has set a corridor price for allowances between 10.03 and 25.37 €/tCO₂e¹⁸ (1700-4300JPY/tCO₂) (International Carbon Action Partnership, 2026), while agriculture J-Credit prices currently average above 29,5 €/tCO₂e (5000JPY/tCO₂) (Central Research Institute of Electric Power, 2026). Nevertheless, future revisions to the ETS design, such as a higher allowance price or stricter credit use provisions, could strengthen demand for carbon farming credits.

Similarly, Australia's Safeguard Mechanism constitutes an ETS applied to 208 large industrial emitters responsible for 133 MtCO₂e (Clean Energy Regulator, 2026a). Facilities exceeding their emissions baselines must surrender allowances or carbon credits to remain compliant. There is no limit to the use of carbon credits but companies retiring credits equal to more than 30% of their baseline must submit a public statement to the government setting out why more onsite abatement has not been undertaken. A distinctive feature of Australia's ETS is its domestic structure: covered facilities can only purchase credits generated under the Australian Carbon Credit Unit (ACCU) Scheme, with no access to international carbon credits. While the majority of issued and retired ACCUs are from Afforestation, Reforestation and Revegetation (ARR) methodologies, 38% of registered projects are based on agricultural methodologies, with soil organic carbon (SOC) sequestration the leading methodology by number of projects in 2025 (Clean Energy Regulator, 2025, 2026b, 2026a). This suggests that substantial supply for carbon farming could emerge in the future once these projects begin issuing credits, which in turn may support the emergence of demand. In addition to private compliance demand, the Australian government also purchases ACCUs directly through carbon abatement contracts to meet national climate targets, reinforcing demand stability. These government purchases accounted for 10% of total ACCUs demand in 2025 (Clean Energy Regulator, 2025). As a result, private demand generated through compliance combined with public procurement makes the Australian scheme an interesting example of public policies creating demand for carbon farming.

b. Towards a Buyers' Club to stimulate demand for the CRCF

The European Commission is seeking to create more predictable demand for CRCF units by establishing the EU CRCF Buyers' Club (BC). The BC aims to bring together buyers and suppliers, to mobilise public and private capital, and accelerate the transition from pilot projects to large-scale deployment (European Commission, 2026). It is designed as a hybrid public-private partnership: the European Commission will provide the regulatory framework, certification infrastructure, funding support and market coordination, while members will identify projects, conduct due diligence and conclude purchase agreements. The BC covers both permanent carbon removals and carbon farming, with dedicated tracks for each. One potential added value of the Buyers Club would be to provide its members with access to a purchasing facility.

The Buyers' Club could serve as a testing ground for developing blended financing models for carbon farming. Its current design presents both opportunities and risks, as analysed in the CAFAMORE's policy brief "The Do's and Don'ts of a Buyers' Club" (Gardiner et al., 2026). On the

¹⁸ Carbon prices indicated in this section were converted from Japanese yens to euros using the average exchange rate for 2025 (European Central Bank, 2026).



opportunity side, the Club could act as a learning and transition mechanism ahead of future mandatory policies, build a strategic portfolio of high-impact, additional projects rather than simply the cheapest units available, test how public funding, value-chain finance and voluntary markets can be combined effectively and explore the claims buyers can make on CRCF certificates. On the risk side, the Club could wrongly treat all CRCF certificates as interchangeable despite differences in permanence and integrity, drift toward pure offsetting rather than complementing genuine emissions reductions, allow market power to concentrate among a few large intermediaries at the expense of farmers, and distract attention from the CAP which remains the largest funding source for carbon farming but whose climate spending has repeatedly fallen short of EU objectives.

c. International mechanisms creating potential demand

Beyond domestic regulations, international mechanisms are also expected to generate private demand for carbon farming. These mechanisms primarily aim to facilitate international emission reductions through compliance or voluntary carbon markets. As a result, they create demand for carbon credits without specifically targeting carbon farming. Whether carbon farming ultimately benefits will therefore depend on the eligibility of carbon farming methodologies, the relative competitiveness of these credits compared with other project types, and the implementation rules adopted over time. The two most important mechanisms in this regard are CORSIA, the international carbon offsetting scheme for aviation, and the implementation of Article 6.4 of the Paris Agreement.

i. CORSIA

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), established by the International Civil Aviation Organization (ICAO), is currently the largest international compliance mechanism relying on carbon credits. It aims to offset the growth in CO₂ emissions from international aviation by requiring airlines to purchase eligible carbon credits for emissions exceeding a baseline set at 85% of 2019 emission levels. Following phase 1 voluntary implementation period (2024–2026), the scheme will become mandatory for most ICAO member states from 2027 onwards (193 countries are members of ICAO). Airlines must acquire ICAO-approved Eligible Emissions Units (EEUs), which must originate from approved carbon crediting programmes and be accompanied by a Letter of Authorization (LoA) issued by the host country in accordance with Article 6 of the Paris Agreement to avoid vertical double claiming.

CORSIA is expected to become one of the world's largest regulated sources of carbon credit demand. Estimates suggest demand could reach 100–246 MtCO₂e (33–82 MtCO₂e/year) during phase 1 (2024–2026), before increasing to around 502–1768 MtCO₂e (92–196 MtCO₂e/year) for the phase 2 (2027–2035) (Abatable, 2026; MSCI, 2024). At the same time, eligible supply expanded rapidly, from around 9 million eligible credits in early 2025 to more than 30 million in 2026, with projections exceeding more than 150 million credits before the first compliance deadline in 2028 (Carbon Pulse, 2026). Yet demand has remained limited, as airlines face persistent uncertainty over future eligibility rules and the implementation of CORSIA, particularly given the EU's possible tightening of eligibility criteria and the uncertain commitment of key participating states such as the United States (Carbon Direct, 2026b).

Despite its scale, CORSIA is not specifically designed to support carbon farming. Eligible supply remains heavily concentrated in a limited number of project types and countries. Most issued credits currently originate from REDD+ programmes and household device projects such as improved cookstoves and water purification (BeZero, 2026). These project types are not only predominant in the



current supply but are also projected to remain the main sources of CORSIA-eligible credits in the coming years. By contrast, relatively few agricultural methodologies have so far been approved. Nevertheless, the range of eligible methodologies is gradually expanding with Verra's improved rice cultivation methodology (VM0051) recently approved under CORSIA (Verra, 2026b), illustrating the gradual integration of agriculture into the scheme.

Several structural constraints may nevertheless drastically limit the extent to which European carbon farming benefits from CORSIA. First, project eligibility depends not only on ICAO approval but also on the issuance of Article 6-compliant Letters of Authorization by host countries, creating an important bottleneck as many governments remain reluctant to authorize exports of mitigation outcomes that could reduce their ability to achieve national climate targets. This constraint is particularly pronounced in the EU, which has historically not authorized the export of internationally transferred mitigation outcomes generated within its territory and has instead focused on using these mitigation outcomes to achieve its own climate objectives. Second, airlines primarily seek large volumes of low-cost credits, favouring cheaper project categories over newer and often more expensive agricultural projects. Finally, the European Commission's recent proposal to include flights of more than 5,000 km departing from Frankfurt in the EU-ETS would correspondingly reduce the emissions covered by CORSIA.

ii. **Article 6.4**

Article 6.4 of the Paris Agreement establishes the Paris Agreement Crediting Mechanism (PACM), a centralized international carbon crediting system administered under the United Nations Framework Convention on Climate Change (UNFCCC). Designed to replace the Clean Development Mechanism (CDM) under the Kyoto Protocol, it aims to generate high-integrity carbon credits from mitigation projects, mainly in the Global South. Beyond supporting countries in achieving their Nationally Determined Contributions (NDCs), Article 6.4 is expected to become a cornerstone of global carbon markets. Several existing and emerging compliance and voluntary frameworks, including CORSIA and potentially future compliance mechanisms, are expected to progressively align their eligibility criteria with Article 6.4 rules, making its methodological framework influential for the global carbon market.

Following the adoption of key methodological rules in 2025 the PACM has entered its first operational phase (UNFCCC, 2025a). Progress has accelerated since COP30, with more than 400 former CDM projects and programmes already approved for transition to the new mechanism, representing around 139 MtCO₂e of potential issuance, while over 100 additional activities remain under review (UNFCCC, 2026). While no new activities have yet been approved, 1500 have already been proposed, representing more than 500 MtCO₂e. The first two methodologies have recently been formally approved and eight additional methodologies are expected to be adopted in the near term, progressively expanding the range of eligible mitigation activities.

Most credits issued under the PACM are expected to be issued internationally as Internationally Transferred Mitigation Outcomes (ITMOs) by buyer countries seeking to achieve their NDCs. As mentioned in section III.2.b.i, these credits, referred to as Authorized A6.4ERs (UNFCCC, 2025b), require corresponding adjustments from the host country. While the EU may use this mechanism as a potential source of international credits to contribute to its 2040 climate target, it is unlikely that EU Member States will authorize corresponding adjustments for credits generated by projects within their



territories. As a consequence, no significant demand can be expected from the PACM for carbon farming projects located within Europe.

Another category of credits can be issued as Mitigation Contribution Units (MCUs), which cannot be transferred to other countries. These credits could instead be used within domestic compliance mechanisms or purchased by private companies as a contribution to climate action, without being used for offsetting purposes. **Should carbon farming methodologies be approved under the mechanism, the PACM could in theory become a driver of domestic private-sector demand for such credits. More importantly, it could shape the supply side by establishing a common standard for high-quality carbon credits. In Europe, the relationship between the CRCF and the PACM remains unclear, making the added value of the PACM for mobilising contributions from EU companies difficult to assess.** More broadly, if MCUs are limited to contribution claims rather than offsetting claims, their attractiveness to corporate buyers may be reduced (The Oxford Institute for Energy Studies, 2022). Further clarification of the rules governing corporate claims will therefore be essential to assess the future market potential of MCUs.

3. Future European policy pathways for scaling up carbon farming

a. Regulating the claims to ensure market integrity facilitate carbon farming financing

Since the Paris Agreement, companies have increasingly been recognised as key actors in achieving climate goals. This has driven growing corporate climate ambition and a proliferation of environmental claims such as carbon neutral, net-zero and climate positive. However, inconsistent guidance across frameworks, combined with cases of misleading corporate communication, has created confusion among consumers, investors and regulators and heightened greenwashing concerns. This lack of clarity may discourage companies from financing mitigation activities. The challenge is particularly acute for carbon farming and often requires combining multiple sources of finance to support farmers. This requires a claims framework that allocates recognition in proportion to each actor's contribution to maintain the integrity and credibility of corporate climate claims. This framework should also clarify workable rules on double claiming whereby companies may benefit from emissions reductions and removals along their value chain without having financed them.

i. Role and limit of the private sector to define claims rules

In the same way that standards have been developed to assess the quality and integrity of carbon credit supply (e.g. ICVCM; see I.2.b.iv), private initiatives have sought to provide greater clarity on claims. **The Science Based Targets initiative (SBTi), the GHG Protocol (GHGP) and the Voluntary Carbon Markets Integrity Initiative (VCMI) are reference frameworks that have specifically developed guidance on the role of carbon credits within corporate climate strategies.** While these initiatives differ in their approaches, they converge on several principles: companies should prioritize mitigation within their own value chains, claims should be transparent, and credits should complement rather than replace decarbonization efforts. Nevertheless, these remain voluntary frameworks with different objectives, scopes and levels of ambition. They do not provide a harmonized legal basis for climate claims, nor do they resolve several contentious issues, including the treatment of double claiming (see section II.3.c), the interaction between corporate inventories and offsetting, or the conditions under which companies may communicate climate neutrality. Consequently, companies continue to face considerable legal uncertainty and the risk of greenwashing allegations.



ii. National examples of regulation: the “Climate and Resilience” Act regulates carbon neutrality claims in France

France provides an important precedent of public regulation in this area. The Decree no. 2022-539 of 13 April 2022 on carbon-neutrality claims of the 2021 Climate and Resilience Law introduced legally binding conditions for the use of carbon neutrality claims. Companies wishing to describe a product or service as "carbon neutral" (or use equivalent terminology) must publicly disclose a greenhouse gas inventory, demonstrate that emissions are first avoided and reduced before being offset, present a quantified decarbonization trajectory, and provide transparent information on the offset projects used. Together, these measures constitute one of the first regulatory frameworks explicitly linking the credibility of climate claims to both the quality of carbon credits and the transparency of corporate mitigation strategies.

However, even French law does not cover the full scope of the regulatory issues. Current rules primarily address the environmental quality of carbon credits and corporate communication obligations. They explicitly accept vertical double claiming between France's national GHG inventory and the use of credits by companies, reflecting the fact that voluntary carbon markets (VCMs) operate nested in national accounting frameworks (I4CE, 2026). However, they do not address another increasingly important issue: the potential double claiming of the same mitigation effort between a company reporting progress within its Scope 3 inventory and another company using carbon credits for offsetting (see section II.3.c). As carbon farming increasingly serves both value-chain decarbonization and voluntary offsetting markets, the absence of clear rules governing these interactions could undermine the environmental integrity of the system and create uncertainty for both project developers and buyers.

iii. The need for an EU regulation on claims

These limitations highlight the need for a harmonized European regulatory framework for climate claims, providing companies with greater legal certainty and establishing clear and proportionate rules for co-claiming. Diverging private and national approaches increase compliance costs for companies operating across multiple Member States and create uncertainty regarding the legitimate use of carbon credits. The proposed Green Claims Directive represented an important step towards establishing common rules by requiring companies to substantiate environmental claims using robust scientific evidence and by strengthening controls against misleading environmental marketing. Combined with the Corporate Sustainability Reporting Directive (CSRD), evolving corporate accounting standards and future implementation of the Carbon Removal and Carbon Farming Certification Framework (CRCF), such legislation could provide a coherent regulatory environment for VCMs and value chain accounting. The gaps identified in the ECGT Directive and the withdrawal of the Green Claims Directive leave significant uncertainty around the future regulation of environmental claims in the EU, with corporates lacking a clear and harmonised framework for substantiating and communicating such claims. Nevertheless, several stakeholders continue to advocate for an EU-level framework to ensure the credibility of environmental claims. The European Parliament has stressed that “a strong EU framework on green claims remains necessary” to ensure consumer trust and prevent greenwashing (European Parliament, 2025).



b. Members states contributing to carbon farming for their ESR and LULUCF targets

i. Current opportunities with the EU Climate law

The European Climate Law provides the overarching framework for the EU's climate neutrality objective by establishing a legally binding commitment to reach net-zero greenhouse gas emissions by 2050 and setting the basis for intermediate climate targets. As the EU prepares its 2040 climate target, the role of land sectors in contributing to long-term climate objectives is expected to remain a key element of the policy framework.

The LULUCF Regulation integrates land use into the EU climate framework by setting binding national targets for net carbon removals and emissions from land use. While these targets aim to incentivise Member States to strengthen land-based mitigation policies, the current framework does not create direct financial incentives for farmers generating additional removals or emission reductions. As a result, it has so far generated limited direct financing for carbon farming activities (ESABCC, 2026).

Nevertheless, several Member States have started developing more ambitious approaches that illustrate how national climate commitments could translate into stronger incentives for agricultural mitigation. Denmark provides the most advanced example, becoming the first country worldwide to introduce a direct price on agricultural greenhouse gas emissions (ESABCC, 2026). Under the 2024 tripartite agreement between the government, agricultural organisations, environmental organisations and other stakeholders, Denmark will introduce a livestock emissions tax from 2030 (€40 /tCO₂e initially, increasing to €100 /tCO₂e by 2035), alongside measures targeting peatland emissions, fertiliser use and land-use change. Revenues will be recycled into the agricultural sector, including through investment support, while a major public fund will finance afforestation and wetland restoration. Designed as an emissions reduction policy, this approach illustrates how targeted economic policies can create economic incentives for farmers to adopt mitigation practices. **Similar approaches are emerging elsewhere, including in Ireland, where the government has established a legally binding target to reduce agricultural emissions by 25% by 2030. The Netherlands also provides financial support for livestock reduction, extensification and transitions towards less intensive farming systems, some of which can generate climate and carbon co-benefits.** An advantage of such approaches is that they address the AFOLU sector more holistically, considering agricultural emissions alongside land-based carbon removals. This creates the potential to design coherent incentives at the level of whole farms, rather than targeting individual mitigation or carbon removal practices in isolation. It also makes it possible to consider short-lived GHG emissions, such as methane, alongside temporary carbon storage within a common policy framework potentially enabling more like-for-like comparisons between different climate actions.

The CRCF could potentially serve as a bridge between Member States' LULUCF and ESR commitments and on-the-ground mitigation actions by providing a harmonised framework to channel funding towards climate actions in the land sector. A key open question is whether governments will use public funding (including under future National CAP Strategic Plan) to support CRCF-certified activities as a means to deliver their LULUCF and ESR objectives.

ii. Toward a common EU purchasing facility for international and CRCF credits?

The revised European Climate Law introduces a new flexibility by allowing up to 5% of the EU's 2040 climate target to be achieved through high-integrity international carbon credits. As a result, the European Commission is now assessing different governance models for procuring these credits,

including direct purchases by Member States, a centralised EU purchasing facility, or hybrid approaches combining EU coordination with national implementation (Oeko Institute, 2026). The centralised EU purchasing facility is increasingly presented as the preferred approach (Carbon Market Watch, 2026b; Oeko Institute, 2026) to ensure environmental integrity, cost efficiency and strategic partnerships with host countries.

If such a platform were established, it could also provide the institutional infrastructure for a complementary EU mechanism supporting the purchase of domestic CRCF-certified activities by Member States or by members of the Buyers Club (see section III.2.b.).

The parallel use of international credits and credits generated through European carbon farming raises several questions. These include the fungibility of different types of credits and differences in environmental integrity; the allocation of public funding between international and EU-certified activities, in terms of cost per tonne, overall funding and mitigation outcomes; and the political acceptability of allocating public resources between domestic and international mitigation, including questions of responsibility for emissions. Ensuring a coherent governance framework for both international and domestic climate actions will therefore be essential (Florence School of Regulation & Robert Schuman Centre for Advanced Studies, 2026).

c. Building EU regulatory demand: a likely prerequisite for financing carbon farming

The European Scientific Advisory Board on Climate Change (ESABCC) has recently recommended introducing a dedicated GHG pricing mechanism for the agri-food system, based on the polluter-pays principle, while recycling revenues to support farmers and reward carbon removals (ESABCC, 2026). This recommendation reflects the growing recognition that achieving the EU's climate objectives in agriculture will require a durable economic incentive alongside existing support policies. The idea of introducing a pricing mechanism for agricultural GHG emissions has already featured in policy debates for several years (Canfin, 2023; European Court of Auditors, 2021).

While the ESABCC does not prescribe the exact design of such a mechanism, its recommendation provides a strong rationale for creating regulatory demand for certified carbon removals. In the EU context, where the adoption of an EU-wide carbon tax faces significant institutional hurdles, a compliance-based carbon pricing mechanism -potentially building on existing emissions trading architecture- appears to be one of the most credible options for simultaneously applying the polluter-payer principle and generating a stable source of finance for carbon farming (ESABCC, 2026).

i. Toward a dedicated downstream market-based policy?

The introduction of an agricultural Emissions Trading System (AgETS) represents one of the most ambitious options for creating regulatory demand for agricultural mitigation and carbon farming. In recent years, the European Commission has commissioned several studies to assess the feasibility and impacts of such a mechanism, exploring different design options, sectoral coverage and points of obligation (Bognar et al., 2023). These options differ on the scope of agricultural emissions to be taken into account and where the regulatory obligation should be placed: upstream on agricultural input suppliers, on-farm directly on farmers, or downstream on actors further along the value chain, such as food processors. In its most comprehensive form, an AgETS would, on the one hand, reward carbon removals from practices such as agroforestry or soil carbon management and, on the other, price agricultural GHG emissions (e.g. from livestock, fertiliser use and manure management) (ESABCC, 2026).



However, a comprehensive farm-level AgETS would face significant implementation challenges. The CRCF could be used as a framework for certified carbon removals and emission reductions from carbon farming activities, but the uncertainty and reversibility of land-based carbon removals could raise integrity concerns in a compliance market (McDonald et al., 2025). If the level of obligations were to fall to the farmers' level, the scheme could also entail significant transaction costs due to the very large number of farmers involved, (Bognar et al., 2023). To improve feasibility, the European Commission has explored alternative designs, including shifting the point of obligation downstream from individual farms to larger actors in the agri-food value chain, such as processors. This approach could significantly reduce administrative complexity by concentrating compliance obligations on a limited number of entities, while maintaining incentives for farm-level mitigation through supply-chain relationships.

Regulated processors could comply partly by purchasing CRCF-certified mitigation or removal units generated by farmers, thereby creating a stable source of regulatory demand for CRCF certificates without directly regulating individual farms. From an economic perspective, it is difficult to predict how the transition costs will be distributed along the value chain, depending on the point of obligation, and how prices would be affected. Finally, for agri-food companies, the scheme also raises distributional and competitiveness concerns, particularly for emission-intensive farming systems exposed to international competition.

Overall, an AgETS appears unlikely to be implemented in the short term given its technical and political complexity. A processor-based Mandatory Climate Standard (MCS) could represent a more pragmatic first step, with a narrower scope and simpler MRV requirements enabling faster implementation and institutional learning (McDonald & Gardiner, 2026). Over time, increasing MRV capacity and policy ambition could support a transition towards more comprehensive market-based mechanisms, such as an AgETS, capable of delivering stronger incentives for agricultural mitigation and carbon removals.

ii. Is the introduction of carbon farming CRCF credits in the current ETS possible and desirable?

The ongoing revision of the EU Emissions Trading System (EU ETS) (European Commission – DG Clima, 2026) **represents a major opportunity to define the future role of certified carbon removals within the EU climate policy framework.** In its recent proposal to amend the EU ETS Directive, the European Commission opens the possibility of integrating certain types of certified permanent removals into the European carbon market. This integration would nevertheless remain strictly limited: only permanent removals (namely bioenergy with carbon capture and storage – BioCCS – and direct air carbon capture and storage – DACCS) certified under the CRCF framework would be eligible. The proposal foresees increasing the overall EU ETS allowance volume by 250 million allowances, which would be auctioned by the Commission between 2031 and 2040 to generate revenues for the purchase of an equivalent amount of CRCF-certified permanent carbon removal units. This mechanism aims to integrate removals into the carbon market architecture by increasing the ETS cap ex ante, with the additional allowances offset by the purchase and retirement of an equivalent volume of removals, thereby preserving the intended net emissions trajectory.

The proposal also includes a provision potentially opening the door to a future extension to carbon farming removals certified under the CRCF framework. The text to be examined by the co-legislators would require the Commission to, in 2033, assess the potential contribution of CRCF-certified nature-based removals to permanent removals during the subsequent revision of the EU ETS Directive. Such an integration would, however, require demonstrating that these removals can achieve



levels of integrity comparable to other categories of removals, notably through long-term monitoring, robust mechanisms to manage reversal risks, and appropriate liability arrangements.

Such an evolution could create a potentially significant source of regulatory demand for CRCF certificates generated by agricultural and forestry practices, by enabling EU ETS-regulated installations to finance certified removals as part of their compliance obligations.

However, integrating agricultural and forestry removals into a compliance market raises significant concerns among environmental organisations. NGOs have notably warned about the risk that removal credits could be used as a cheaper alternative to direct industrial emissions reductions, thereby delaying decarbonisation efforts in EU ETS sectors (Business for CBAM Coalition, 2026; Carbon Market Watch, 2026a). They also highlight persistent challenges related to the measurement and verification of biological removals, uncertainty in carbon stock estimates, reversal risks (e.g. fires, droughts or changes in management practices), and the difficulty of comparing avoided fossil emissions with temporary ecosystem-based removals.

These concerns are also informed by the previous experience of integrating international credits from the Kyoto Protocol flexibility mechanisms (the Clean Development Mechanism – CDM – and Joint Implementation – JI) into the EU ETS. Several analyses have shown that this mechanism contributed to weakening the EU carbon price signal and generated environmental integrity concerns, particularly due to the risk that some credits did not represent additional emission reductions.

Box 6 – Synthesis and key issues identified on public policies

Carbon farming is addressed through several European policies. The CRCF is central to establishing a common certification and MRV framework, while the CAP is currently the main European policy providing direct public financial support for carbon farming. For private funding, there is currently no EU-wide compliance mechanism directly requiring economic actors to finance carbon farming, with the possible exception of RED III, which may create price premiums for carbon sequestration in soils used to produce biofuels.

In the short term, greater regulatory clarity on climate claims is needed to give companies the legal certainty required to scale up carbon farming finance and to facilitate co-financing across different funding channels, including Scope 3 initiatives and carbon credits. An important research question is thus: **how can corporate climate claims be regulated** in a way that provides sufficient certainty for companies to mobilise private finance while preserving environmental integrity? Given that contribution claims remain largely unregulated and that the CRCF appears well suited to underpin this type of financing, **a clear recognition of climate contribution as a primary purpose of CRCF certificates could help unlock funding for carbon farming.**

In the medium term, the extent to which voluntary finance falls short of the investment required to scale up carbon farming deserves to be assessed quantitatively. Such an assessment would help estimate the financing gap and evaluate the respective contributions expected from voluntary and public sources. If voluntary finance proves insufficient, stronger regulatory demand will likely be required, highlighting the need for EU policies capable of creating stable compliance demand for carbon farming, or alternative funding models. In this context, another important research question



concerns the role of public authorities: **what role should Member States play in financing CRCF-certified activities to achieve their LULUCF and ESR commitments?**

More broadly, while combining different sources of finance appears to be the most promising pathway for scaling up carbon farming, the challenge will be to design a coherent policy framework capable of coordinating these instruments and avoiding conflicting incentives. A key research question is therefore **how can these different financing channels be combined to maximise investment in carbon farming while avoiding conflicting claims, inefficient allocation of public and private resources, and risks to environmental integrity?**

Finally, scenario-based analyses exploring different combinations of financing channels would provide valuable insights into how public funding, VCMs, value chain initiatives and future compliance mechanisms could jointly support the large-scale deployment of carbon farming in Europe.



Conclusions and future research

This report highlights both the opportunities and the limitations of existing private financing mechanisms for scaling up carbon farming in Europe. The analysis of the Voluntary Carbon Market (VCM) shows that credit-based mechanisms can incentivise additional climate action, but their long-term contribution remains constrained by structurally limited voluntary demand, integrity concerns and the specific characteristics of European carbon farming projects. This raises fundamental questions regarding the ability of the CRCF to strengthen market credibility, the emergence of new forms of demand, and the conditions required to establish a stable financing mechanism capable of supporting the agricultural transition.

Similarly, the development of value chain initiatives demonstrates corporate interest in Scope 3 mitigation, largely driven by SBTi commitments. Yet their scale, effectiveness and long-term robustness remain largely unknown. In particular, the interaction between different claiming frameworks and financing mechanisms requires further clarification.

Finally, while the CRCF provides a common certification framework, it does not by itself create demand. Future research should therefore examine how regulatory frameworks for corporate climate claims, Member States' contributions to LULUCF targets, and the combination of voluntary and compliance mechanisms could collectively mobilise greater investment while preserving environmental integrity.

This report focuses on private financing of mitigation measures and does not cover two important dimensions that warrant further investigation. First, it focuses primarily on private financing, whereas public subsidies, particularly through the Common Agricultural Policy (CAP) already provide support for carbon farming and could play a greater role in scaling up its financing (ESABCC, 2026). Future work should further investigate how public and private finance can be better coordinated to maximise impact and avoid fragmented or inconsistent incentives (IEEP, 2026). Second, the analysis focuses on climate mitigation, although climate adaptation represents an equally critical challenge for European agriculture. Better understanding the synergies and trade-offs between mitigation and adaptation will be essential when designing carbon farming practices and financing mechanisms (ESABCC, 2026).

Future research should quantify the financing potential of the different mechanisms analysed in this report and develop scenario-based assessments exploring how public funding, voluntary markets, value chain initiatives and potential future compliance mechanisms could jointly finance the large-scale deployment of carbon farming across Europe.

Moreover, this work addresses primarily the demand side, i.e. the financing of carbon farming. Forthcoming work under CAFAMORE will complement this analysis by better characterising the supply potential and identifying the conditions under which carbon farming business models can be attractive.

Finally, questions remain about the capacity of carbon farming to support the transformation of agri-food systems, and how the agri-food industry and policymakers can maximise its transformative impact. Forthcoming work will address these issues from two complementary perspectives: technical innovation and off-farm barriers and opportunities.

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Appendices

Appendix 1: Methodology

The report adopts a primarily qualitative approach, combining desk research, expert consultations and interactions with working group. The analysis draws on three complementary sources of evidence:

- **Academic and grey literature review:** A review was conducted of scientific publications, reports from public and private institutions, carbon market analyses, private frameworks and standards, as well as relevant European and international policies relevant to carbon farming. Particular attention was given to recent developments in the voluntary carbon market, emerging initiatives across agricultural value chains and evolving public policies. Participation in discussions at the 2026 Carbon Farming Summit in Padua (Zimmer et al., 2026), which helped inform the work of the 'Policies and demand for certificates' working group. Participation in the CRCF Days launching the CRCF Buyers' Club (European Commission, DG Clima, 2026) also contributed to the analysis.
- **Quantitative market data analysis:** Regarding the Voluntary Carbon Market (VCM), a quantitative assessment of supply was conducted by identifying European carbon farming projects in the database regularly updated by the University of Berkeley (Berkeley Carbon Trading Project, 2025) and directly in the Verra VCS registry (Verra, 2026a). On the demand side, the analysis of this database was complemented by a review of press announcements concerning advanced market commitments, as well as market analyses published by specialised providers such as Ecosystem Marketplace, AlliedOffsets, MSCI, BeZero and Sylvera.
- **Expert interviews:** Six semi-structured interviews were conducted with stakeholders representing different segments of the carbon farming ecosystem, including project developers and intermediaries, market observatories, and funding actors. Interviews provided insights into current market dynamics, emerging trends, barriers and practical challenges.
- **Cross-analysis and policy review:** Findings from the literature review, market data analysis and expert interviews were analysed jointly to identify key market trends, drivers and barriers affecting both supply and demand. The cross-analysis also served to identify areas where evidence remains limited or fragmented, and where further research would be needed to strengthen the understanding of market developments. A review of European public policies relevant to carbon farming, complemented by an analysis of relevant examples of regulatory support for carbon farming finance, both in EU Member States and in other countries, helped identify potential directions for evolving the policy mix to support carbon farming funding.



Appendix 2: Glossary

Term	Definition	Reference
Additionality	The principle that a greenhouse gas emission reduction or carbon removal would not have occurred in the absence of the associated policy intervention (ex: incentive provided by carbon credit revenues).	IPCC; Climate Change 2022: Mitigation of Climate Change (AR6 WGIII); 2022
Advance Market Commitment (AMC)	Mechanism that aggregates buyers and guarantees future demand for the carbon credits that will be generated by the selected projects.	World Bank Group; Market Risk for ERCs; 2026
Afforestation, Reforestation and Revegetation (ARR)	A group of nature-based carbon project types that establish new forests or restore deforested/degraded forests through tree planting and revegetation.	Ecosystem Marketplace; State of the Voluntary Carbon Market 2025 - Meeting the Moment Renewing Trust in Carbon Finance; 2025
Carbon credit	A tradable intangible instrument issued by a carbon-crediting program, representing one metric tonne of carbon dioxide equivalent (tCO ₂ e) of GHG emissions reduced or removed. Carbon credits are quantified and verified in accordance with an established methodology.	ICVCM; Core Carbon Principles, Assessment Framework and Assessment Procedure; 2024
Carbon farming	Land management practices that reduce greenhouse gas (GHG) emissions or enhance carbon removals in soils or biomass. Although broader definitions of carbon farming include forestry and peatland activities, a narrower definition focused on agricultural systems is used in this report.	European Union; Regulation (EU) 2024/3012; 2024
Carbon removal	Anthropogenic activities that remove carbon dioxide (CO ₂) from the atmosphere and durably store it. Under the EU framework, carbon removals can be permanent or	IPCC; AR6 Synthesis Report: Climate Change 2023; 2023



temporary, depending on the duration and conditions of carbon storage.

Compliance Carbon Market	A market established or governed by legally binding climate regulations, in which regulated entities can buy, sell or surrender eligible emission allowances or –where permitted– carbon credits to comply with their obligations. Emissions Trading Systems (ETS) are an example of compliance carbon markets.	Wetterberg et al.; The interplay between voluntary and compliance carbon markets: Implications for environmental integrity; 2024
Compliance demand	Demand for carbon credits generated by regulatory requirements whether established through direct legislation or emissions trading systems (ETS), whereby regulated entities are required or permitted to acquire and use eligible credits to comply with these obligations.	Wetterberg et al.; The interplay between voluntary and compliance carbon markets: Implications for environmental integrity; 2024
Contribution	Finance provided by an organisation to support climate action beyond its own value chain, without claiming to offset, or neutralise its own GHG emissions.	NewClimate Institute; A guide to climate contributions: Taking responsibility for emissions without offsetting; 2023
Carbon Removals and Carbon Farming (CRCF) Regulation	European Union (EU) regulation which aims to develop a voluntary EU certification framework for permanent carbon removals, carbon farming and carbon storage in products, with a view to facilitating and encouraging the uptake of high-quality carbon removals and soil emission reductions.	European Union; Regulation (EU) 2024/3012; 2024
Double claiming	Conflict of legitimacy between two agents each claiming the same emissions reduction or carbon removal; either between a host country's national GHG inventory and a credit buyer (vertical double claiming), or between a credit buyer	I4CE; Double claiming of agricultural carbon credits: time to stop worrying; 2026



	outside the agricultural value chain and the scope 3 inventory of a downstream agri-food company in that same value chain.	
Emission avoidance	Anthropogenic activities that prevent the potential release of greenhouse gas (GHG) emissions relative to a counterfactual scenario.	SBTi; SBTi Corporate Net-Zero Standard Version 2.0; 2026
Emissions trading system (ETS)	Market-based policy instrument that sets a quantitative limit (a cap) on the amount of greenhouse gas (GHG) emissions from covered sectors, while allowing regulated entities to trade emission allowances, each representing the right to emit one metric tonne of CO ₂ equivalent.	Wetterberg et al.; The interplay between voluntary and compliance carbon markets: Implications for environmental integrity; 2024
Environmental claim	Environmental claims, also termed “green claims”, are assertions made by companies about the environmentally beneficial qualities or characteristics of their goods, services or overall organization.	OECD; Protecting and empowering consumers in the green transition; 2025
Issuance	The process by which a carbon credit is formally issued and recorded in a carbon registry following the verification of the underlying emission reduction or carbon removal and its quantification in accordance with an approved methodology.	Wetterberg et al.; The interplay between voluntary and compliance carbon markets: Implications for environmental integrity; 2024
Internationally Transferred Mitigation Outcome (ITMO)	A quantified GHG emission reduction or removal that is internationally transferred between countries under cooperative approach pursuant to Article 6.2 of the Paris Agreement and may be used towards NDCs.	UNFCCC; Paris Agreement; 2015
Land use, land-use change and forestry (LULUCF)	GHG inventory sector that covers emissions and removals resulting from land use, land-use change and forestry activities, including changes in carbon stocks in biomass and soils.	IPCC; AR6 Synthesis Report: Climate Change 2023; 2023



Monitoring, Reporting and Verification (MRV)	Multi-step process to measure, quantify, report, and verify greenhouse gas (GHG) emission reductions or carbon removals achieved by a mitigation project.	World Bank Group; Measuring, Reporting, and Verifying (MRV) Carbon Credits; 2025
Nature-based projects	Projects that achieve greenhouse gas (GHG) emissions reductions or removals by conserving, restoring, and/or managing natural and agricultural ecosystems.	Ecosystem Marketplace; State of the Voluntary Carbon Market 2025 - Meeting the Moment Renewing Trust in Carbon Finance; 2025
Nationally Determined Contribution (NDC)	National climate action plans submitted by each Party to the Paris Agreement. A country's NDC sets out its efforts to reduce greenhouse gas emissions and adapt to the impacts of climate change, in line with the objectives of the Agreement.	UNFCCC; Paris Agreement; 2015
Net-zero	Condition in which metric-weighted anthropogenic greenhouse gas (GHG) emissions are balanced by metric-weighted anthropogenic GHG removals over a specified period. A net-zero claim refers to an organisation's assertion that it has achieved, or is committed to achieving, this balance following deep reductions in its emissions, with residual emissions balanced through carbon removals.	IPCC; AR6 Synthesis Report: Climate Change 2023; 2023
Offtake agreement	Contractual arrangements between a project developer and a buyer, under which the buyer commits to purchase carbon credits at a predetermined price over a defined period.	World Bank Group; Market Risk for ERCs; 2026
Offsetting	A practice whereby an organisation purchases and retires carbon credits to compensate or neutralise all or part of its own GHG emissions.	NewClimate Institute; A guide to climate contributions: Taking responsibility for emissions without offsetting; 2023



Permanence	The degree to which GHG emission reductions or removals remain durable and free from reversal risk (human- or nature-induced). Carbon removal methodologies are generally categorised as either permanent (e.g., geologic storage, mineralization) or temporary (e.g., most nature-based storage).	ICVCM; Core Carbon Principles, Assessment Framework and Assessment Procedure; 2024
Price premium	Voluntary financial bonuses paid by downstream agri-food actors to farmers on top of the market price of agricultural products. In exchange, farmers commit to adopting specified carbon farming practices, or to meeting predefined mitigation criteria.	Lamerre; ACCLIM-AGRI; 2024
Quantification	The process of robustly measuring and calculating GHG emission reductions or removals from a mitigation activity, so that the resulting number of carbon credits issued is not overstated. Robust quantification covers the measurement of emission reductions/removals, the determination of baselines, and the accuracy of credit issuance, and requires carbon crediting programs to address uncertainty and apply conservative assumptions and methodologies.	ICVCM; Core Carbon Principles, Assessment Framework and Assessment Procedure; 2024
Reducing Emissions from Deforestation and Forest Degradation (REDD+)	A framework under the UNFCCC aimed at reducing emissions from deforestation and forest degradation in developing countries, while promoting the conservation and enhancement of forest carbon stocks and sustainable forest management.	Ecosystem Marketplace; State of the Voluntary Carbon Market 2025 - Meeting the Moment Renewing Trust in Carbon Finance; 2025
Retirement	The permanent withdrawal of a carbon credit from circulation, whereby the credit remains recorded in a registry but can no longer be transferred or traded. Retirement	ICVCM; Core Carbon Principles, Assessment Framework and



	enables the claiming of the associated emission reductions or removals towards compliance requirements or voluntary goals.	Assessment Procedure; 2024
Soil organic carbon (SOC)	Carbon contained in soil organic matter. It can reflect a type of carbon farming project that leads to an increase in SOC resulting from the adoption of improved agricultural land management practices.	IPCC; AR6 Synthesis Report: Climate Change 2023; 2023
Transaction	Transfer of ownership of carbon credits between two entities.	Ecosystem Marketplace; State of the Voluntary Carbon Market 2025 - Meeting the Moment Renewing Trust in Carbon Finance; 2025
Voluntary Carbon Market (VCM)	An international market where carbon credits are issued, traded and retired voluntarily, in the absence of an obligation or binding commitment. Carbon credits may be purchased by organisations or individuals to support climate action, make climate-related claims or compensate for their GHG emissions.	Wetterberg et al.; The interplay between voluntary and compliance carbon markets: Implications for environmental integrity; 2024
VM0042	A Verra methodology quantifying the greenhouse gas (GHG) emission reductions and soil organic carbon (SOC) removals resulting from the adoption of improved agricultural land management practices. Such practices include, but are not limited to, reduced tillage and improvements in fertilizer application, biomass residue and water management, cash and cover crop planting and harvesting practices, and grazing practices.	Verra; VM0042 Improved Agricultural Land Management, v2.2; 2025



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