Why has it been created?

Decarbonising the global economy and mitigating climate change is one of the most pressing priorities of our time. To achieve the goals of the Paris Agreement, we need to innovate and find ways of directing capital at scale.

One such change is the evolution of the voluntary carbon markets, which are becoming an increasingly crucial tool to support the financing of a reduction in global emissions.

The London Stock Exchange’s Voluntary Carbon Market helps fund projects that focus on the removal or reduction of greenhouse gases in our atmosphere through nature based or technology led solutions.

There is a growing demand for carbon credits as more businesses commit to achieving net zero by 2050 and seek to address residual and unavoidable emissions in parallel to their science-based decarbonisation strategies. As part of net zero progress reporting, companies are held to account by their stakeholders to set out interim emission reduction targets. To meet the demand for carbon credits, supply must scale effectively. The London Stock Exchange’s Voluntary Carbon Market designation has been created to support the scaling of the voluntary carbon markets globally.

What is the Voluntary Carbon Market designation?

The designation may be applied to qualifying Funds or Operating Companies that are admitted to the Main Market or AIM and are intent on investing into climate change mitigation projects that are expected to yield carbon credits.

Eligible applicants will be seeking to finance projects, directly or indirectly, and may issue carbon credits as a dividend-in-specie, retire them on behalf of shareholders, or sell onwards. Funds or operating companies with a mandate to issue carbon credits to investors will provide an opportunity for corporates seeking access to a long-term supply of carbon credits, in support of their decarbonisation strategies. Eligible applicants may invest in climate change mitigation projects either entirely or as part of a broader portfolio of climate-aligned assets.

In addition to the existing regulatory requirements, eligible applicants will be required to disclose additional information with respect to the carbon credit projects. Disclosure includes but is not limited to the qualifying bodies whose standards will apply to the projects, project types, expected carbon credit yield, and whether the projects are expected to meet any of the specific environmental and social benefits, as set out in the United Nations Sustainable Development Goals. For the full eligibility criteria and disclosure requirements, please refer to the Schedule 8 of the Admission and Disclosure Standards.

To ensure that Funds or Operating Companies are contributing to positive environmental outcomes, all other activity and investments must be mapped to FTSE Russell’s Green Revenues Classification System and those businesses must be undertaking activities in Tier 1 and Tier 2, (identified as contributing to broader environmental objectives). The designation does not represent a trading venue for carbon credits. It is for the Fund/Operating Company to determine whether to trade its carbon credits on a trading venue or platform.
How does it work?

The designation is available to Funds and Operating Companies that are admitted to Main Market or AIM and that meet the criteria set out in Schedule 8 of the Admission and Disclosure Standards.

The designation identifies applicants’ intent on financing climate change mitigation projects that are expected to yield carbon credits.

Applicants may be already admitted to or seeking admission to trading on the Main Market or AIM. All applicants should use the Voluntary Carbon Market application form to submit all relevant information. Once fully completed, applicants should send the application for review to the London Stock Exchange’s Sustainable Finance Team at sustainablefinanceenquiries@lseg.com. Applicants that are seeking admission to trading may wish to co-ordinate the application process with the IPO process in order to receive pre-approval ahead of admission to our markets. Intention to apply for the designation must be stated as part of the Early Notification form.

Applicants should ensure that all relevant information is provided to the Exchange in accordance with Schedule 8 of the Standards as review of an application cannot commence until all relevant documentation has been received. On receipt of the completed application, the Sustainable Finance Team may get in touch with the applicant, or the representative that has submitted the application on its behalf in order to discuss the detail of the application.

Successful applicants will be notified by the Exchange and will be referenced on the London Stock Exchange’s website in the Voluntary Carbon Markets section. A roundel will also be provided for use on London Stock Exchange’s company webpages on the website and can also be used by the Fund or company in their relevant materials.

For continued eligibility, Funds and Operating companies must meet the disclosure requirements as set out in Schedule 8 of the Admission and Disclosure Standards.

Benefits for market participants

The London Stock Exchange’s Voluntary Carbon Market is designed to address some of the key system challenges to support the scaling of the global voluntary carbon markets. It provides the following benefits to support this objective:

- increasing the flow of financing into activities that are expected to reduce greenhouse gases in our atmosphere and in so doing increase the supply of carbon credits.
- applying the public market regulatory framework to promote transparency through disclosure and
- providing market access for corporates and investors seeking either a long-term supply of carbon credits or exposure to this asset class.

Exclusions

The Voluntary Carbon Market designation is determined at the absolute discretion of the Exchange. The Exchange may delay or refuse an application for the designation and remove a designation. The Exchange reserves the right to add to or remove from the list of Voluntary Carbon Markets Industry Bodies.

Contact

For any queries in relation to eligibility for the London Stock Exchange’s Voluntary Carbon Market designation please contact sustainablefinanceenquiries@lseg.com.