Fastmarkets

June 10, 2026

Voluntary carbon

INDEPENDENT PRICE ASSESSMENTS, NEWS AND ANALYSIS FOR THE VOLUNTARY CARBON MARKET

CORSIA prices fall below $10/tCO2e as weak airline demand outweighs supply concerns

Prices for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) Phase 1 (CP1) fell below the $10 per tonne of CO2 equivalent (tCO2e) mark for the first time in the week to Wednesday June 10, with weak airline buying continuing to weigh on the market despite mounting concerns about future supply.

Fastmarkets assessed the price of CORSIA Phase 1 spot credits at $9.95 per tCO2e on Wednesday, down by 10 cents per tCO2e from $10.05 per tCO2e the previous week.

The decline came despite a growing number of industry initiatives and forecasts pointing to tighter supply in the years ahead, highlighting the market's continued focus on the lack of meaningful airline buying today.

Market discounts supply concerns

Supply remained a key focus this week after the International Air Transport Association on June 6 launched the Supporting Alliance for CORSIA Eligible Emissions Unit (EEU) Supply, a new initiative aimed at increasing available supply to 225 million-250 million EEUs by spring 2027.

The alliance was launched amid growing concern that delays in host-country approvals and corresponding adjustments under Article 6 could restrict the number of credits available for CORSIA compliance.

Separately, Juan Carlos Arredondo, a member of the International Civil Aviation Organization's (ICAO) Technical Advisory Body (TAB), said at the International Emissions Trading Association (IETA) Latin America Climate Summit in Monterrey on June 4 that demand linked to CORSIA's first compliance phase could reach around 200 million tonnes by late 2027.

Arredondo said recent price weakness reflected delayed buying rather than a lack of long-term demand, citing elevated fuel costs and broader operational pressures facing airlines.

The contrast between growing warnings about future supply and continued weakness in current buying remained one of the defining features of the market.

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Market Commentary

››› continued from page 1

Spot market slips into single digits

Market participants continued to report weak spot market conditions, with bids heard on June 5 at $9.49 per tCO2e for 2,000 tCO2e and offers at $10.30 per tCO2e for 4,000 tCO2e, according to data from CIX. A trade for 2,000 tCO2e was reported earlier in the week at $10.25 per tCO2e.

Additional offers for CP1-labelled cookstove projects in Madagascar, across VCS projects 2311, 2312, 2313 and 2314, were heard at $10.00 per tCO2e, reinforcing the concentration of offers around the $10 per tCO2e level.

Sources said airline buying remained limited despite prices reaching their lowest levels since Fastmarkets launched its CP1 assessment in December 2024, having traded around $17-23 per tCO2e earlier this year.

Host countries take cautious approach

Supply expectations were also in focus after Kenya announced on June 8 that it would make up to 10 million tonnes of Article 6.2 authorized credits available for international transfer through 2030, well below the approximately 30 million tonnes Fastmarkets' research team had previously forecast as Kenya's base-case export capacity over that period.

Pacifica Ogola, Kenya's director for climate change, said the government was cautious about authorizing larger credit transfers because of concerns that overselling could undermine the country's ability to meet its own climate targets.

Kenya has signed Article 6.2 bilateral cooperation agreements with Switzerland and Sweden and on June 9 signed a memorandum of intent for a similar arrangement with Norway.

The announcement highlighted how some host countries are moving carefully on carbon credit exports even as industry groups warn about future supply shortages.

The mismatch in timings between CORSIA compliance phases and host countries' Nationally Determined Contributions (NDC) has also added some near-term caution to some host countries' authorizations. Airlines have to retire CP1 eligible credits by January 2028 to meet their Phase 1 obligations, but countries have to take a longer-term view of their carbon accounting to 2030 in order to make sure they meet their set decarbonization targets.

EU review adds uncertainty

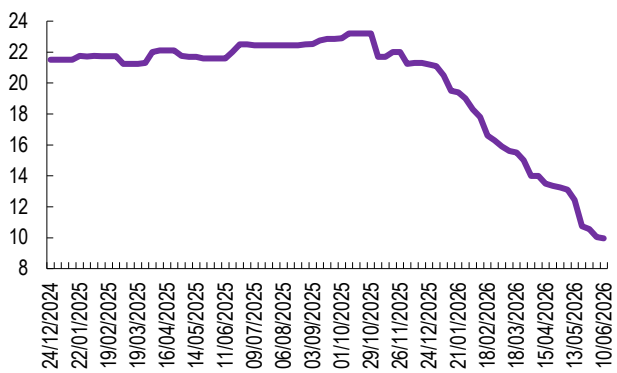
Market participants also continued to monitor developments ahead of the European Commission's review of the EU Emissions Trading System (ETS), expected to be unveiled on July 15.

CORSIA assessments
($/tCO2e)

	10-Jun	03-Jun	Change
CORSIA Phase 1, $/tCO2e	9.95	10.05	▼ 0.10
CORSIA Phase 1 conditional offtake, $/tCO2e	8.40	8.50	▼ 0.10

Source: Fastmarkets

CORSIA Phase 1
($/tCO2e)



Source: Fastmarkets

CCP prices
($/tCO2e)

	10-Jun	03-Jun	Change
Landill Gas CCP, China, $/tCO2e	2.50	2.75	▼ 0.25
Landill Gas CCP, Turkey, $/tCO2e	3.00	3.00	0.00
Landill Gas CCP, Brazil, $/tCO2e	5.85	6.00	▼ 0.15
Landill Gas CCP, US, $/tCO2e	7.00	7.00	0.00
Cookstoves CCP, Sub-Saharan Africa, $/tCO2e	14.10	14.00	▲ 0.10

Source: Fastmarkets

The Commission is considering extending emissions charges to departing international flights, according to media reports, a move that would expand the scope of carbon pricing beyond intra-European routes.

The aviation industry has pushed back strongly. In a letter dated June 8, the chief executive officers of 15 European airline groups, including Lufthansa, Ryanair Group and Air France-KLM, urged the Commission to take any scope extension "off the table," warning it would shift passengers, cargo and emissions to non-EU carriers.

The broader Destination 2050 industry alliance made similar arguments in a separate letter, pointing to the international backlash that followed the EU's attempt to extend the ETS to international flights in 2012 as a warning against repeating a unilateral approach.

Both groups argued that a strengthened CORSIA remains the most appropriate framework for managing aviation emissions globally.

Market participants said the review was adding another layer of uncertainty for airlines and project developers already navigating questions around future CORSIA demand and eligibility requirements.

In the background, market participants also pointed to potential geopolitical tensions between the EU and countries such as the US or China if the EU did propose an ETS extension to international flights. When the EU last proposed an extension in 2012, it led to China cancelling Airbus orders and the US introducing legislation that would allow them to prohibit US airlines from complying with the EU ETS.

This Obama-era legislation is still in effect and can be triggered by the US Transport Secretary when it is "in the public interest" and taking into account the impact on US consumers, carriers, operators and the impacts on the US economic, energy and environmental security.

Although no official announcement has been made by the US on this, multiple market participants indicated heightened risk this could be triggered if the EU did try to extend its ETS coverage.

Outlook

Despite growing forecasts for future demand and industry efforts to unlock supply, market participants said prices are likely to remain driven by near-term sentiment until airlines begin making meaningful compliance purchases.

Higher Rated REDD+ credits fall after year of steady gains as sellers lower offers

Prices for higher-rated Reducing Emissions from Deforestation and Forest Degradation (REDD+) projects came under pressure in the week to Wednesday June 10, as sellers lowered their offers as spot demand eased ahead of expected new issuances.

Fastmarkets heard offers for vintage 2020 credits from VCS 1477, Katingan Peatland Restoration and Conservation Project, Indonesia, at $9.90 per tonne of CO2 equivalent (tCO2e) in 20,000 tCO2e; notably, these credits were offered at $11.60 per tCO2e earlier in April. Prices for the project-vintage pair had risen sharply over the past year from $4-5 per tCO2e in early 2025 to around $12 in late 2026 after the project was upgraded from A to AA by BeZero in February 2025.

Vintage 2021-2022 credits from the project have yet to be issued, but some market participants pointed to expectations of the upcoming issuance, which, coupled with a summer lull in demand, had started to weigh on achievable traded levels. It remains to be seen, however, how much supply new issuances will actually add to the market, with multiple market participants reporting that a lot of the volume was likely to be pre-sold.

VCS 1650, REDD in Keo Seima wildlife Sanctuary,

REDD+ assessments
($/tCO2e)

	10-Jun	03-Jun	Change
REDD+, Latin America, $/tCO2e	**6.50**	**6.50**	**0.00**
REDD+ v19 differential, Latin America, $/tCO2e	-5.75	-5.75	0.00
REDD+ v20 differential, Latin America, $/tCO2e	-5.20	-5.20	0.00
REDD+ v21 differential, Latin America, $/tCO2e	-0.25	-0.25	0.00
REDD+, Sub-Saharan Africa, $/tCO2e	**2.85**	**2.85**	**0.00**
REDD+ v19 differential, Sub-Saharan Africa, $/tCO2e	-2.60	-2.60	0.00
REDD+ v20 differential, Sub-Saharan Africa, $/tCO2e	-2.40	-2.40	0.00
REDD+ v21 differential, Sub-Saharan Africa, $/tCO2e	-0.40	-0.40	0.00
REDD+, Southeast Asia, $/tCO2e	**1.00**	**1.00**	**0.00**
REDD+ v19 differential, Southeast Asia, $/tCO2e	-0.75	-0.75	0.00
REDD+ v20 differential, Southeast Asia, $/tCO2e	-0.70	-0.70	0.00
REDD+ v21 differential, Southeast Asia, $/tCO2e	-0.40	-0.40	0.00

Source: Fastmarkets

Cambodia, was offered at $4.70 per tCO2e for 20,000 tCO2e from vintage 2020. Vintage 2021 credits from the project were offered at $5 per tCO2e last week, indicating around a 30 cents vintage 2021-2020 spread for the project.

Elsewhere, forward offers for yet-to-be-issued vintage 2024-2025 credits from a Brazilian REDD+ project were heard at $15 per tCO2e.

Another market source reported a trade from earlier this year for 200,000 tCO2e from VCS 4143-Urupianga Grouped REDD Project in Brazil at an average price of $8.50 per tCO2e.

On the supply side, issuances were down week on week by 38% at 11,801 tCO2e. VCS 2552, Brazilian Amazon APD grouped project issued 10,500 tCO2e from vintage 2023 and VCS 3344 The Last Habitat REDD+ project, Peru, issued 1000 tCO2e from vintage 2023.

Retirements on verra were down to 19,978 tCO2e of which Prima Klima, a conservation-focused charitable organization, retired 12,005 tCO2e vintage 2020 credits from VCS 2483, Tavolo Community Forest Conservation Project, Papua New Guinea (10,920 tCO2e) and VCS 1650, REDD in Keo Seima wildlife Sanctuary, Cambodia (1,085 tCO2e). SG Fleet Australia also retired 5,333 tCO2e from vintage 2018 of VCS 934 The Mai Ndombe REDD+ Project for its May 2026 reporting period.

ARR market remains fragmented; weak retirements underscore subdued activity

Prices in the afforestation, reforestation and revegetation (ARR) market were unchanged in the week to Wednesday June 10, with a broad range of price indications continuing to highlight growing fragmentation across the segment.

Fastmarkets assessed ARR VCS, Latin America at $11 per tonne of carbon dioxide equivalent (tCO2e) on Wednesday, unchanged week on week, while ARR GS, Latin America held steady at $23.55 per tCO2e in the same comparison.

Price indications during the week ranged from $4.40 per tCO2e for vintage 2021 credits from China's Qianbei Afforestation Project (VCS 2082) to $27 per tCO2e for vintages 2020-2023 credits from the Republic of the Congo's Agroforestry Plantation Bateke Plateau project (VCS 2319).

Elsewhere, Uruguay-based ARR projects were offered between $6.30 and $7.80 per tCO2e, while Colombia's Cumare project (VCS 2532) was indicated at $10.50 per tCO2e for vintage 2020 credits.

Higher-priced credits continued to command significant premiums. Nicaragua's ARR project (VCS 2647) was offered at $19 per tCO2e for vintages 2019-2020 and $21 per tCO2e for vintages 2021-2022, while Mexico's XiCO2e project (VCS 3342) was heard at $25 per tCO2e.

The range of indications, from below $5 per tCO2e for some China-based ARR credits to more than $25 per tCO2e for projects in Mexico and the Republic of the Congo, highlighted the extent to which ARR pricing has become project-specific. Market participants have increasingly differentiated projects based on factors such as species mix, co-benefits, geography, certification labels and perceived permanence risk.

On the demand side, retirements on the Verra registry fell sharply to 5,058 tCO2e in the week to Wednesday, down from 23,850 tCO2e the previous week.

On the Gold Standard registry, retirements rose to 13,914 tCO2e from 9,213 tCO2e the previous week. Most of the activity came from Colombia's Vichada Climate Reforestation Project (GS 4221), where DBS Cresa Singapore retired around 13,000 tCO2e of vintage 2021 credits.

ARR assessments
($/tCO2e)

	10-Jun	03-Jun	Change
ARR GS, Latin America, $/tCO2e	**23.55**	**23.55**	**0.00**
ARR VCS, Latin America, $/tCO2e	**11.00**	**11.00**	**0.00**
ARR VCS v19 differential, Latin America, $/tCO2e	-1.15	-1.15	0.00
ARR VCS v20 differential, Latin America, $/tCO2e	-1.05	-1.05	0.00
ARR VCS v21 differential, Latin America, $/tCO2e	-0.40	-0.40	0.00
ARR VCS native species differential, Latin America, $/tCO2e	7.00	7.00	0.00
ARR VCS single species differential, Latin America, $/tCO2e	-6.10	-6.10	0.00

Source: Fastmarkets

No issuances were recorded on either the Verra or Gold Standard registries during the week.

Separately, Ardian and Societe Generale announced a €100 million ($115 million) nature-based solutions partnership aimed at scaling investments in reforestation, wetland restoration and mangrove projects. The initiative, anchored by Societe Generale's investment in Ardian's Averrhoa NBS fund, targets the sequestration of up to 85 million tonnes of carbon over 40 years. The fund will invest in large-scale reforestation and restoration projects intended to generate long-term carbon removals, adding to a growing pipeline of institutional capital targeting higher-quality nature-based projects.

The announcement highlighted continued capital deployment into long-term nature-based removals and project development, even as secondary market activity remained subdued.

Activity in voluntary carbon markets typically slows during the June-July period because of summer holidays in Europe, which can reduce trading activity and buyer engagement.

IFM issuances on ACR rise in early 2026 while retirements rebound

Issuances of improved forest management (IFM) credits on the American Carbon Registry (ACR) rose sharply in the first two quarters of 2026 compared with the same period a year earlier, while retirements also recovered from 2025 levels, Fastmarkets' review of available registry data shows.

Fastmarkets' weekly price assessment for IFM Removals, US was steady at $19 per tCO2e on Wednesday June 10 and the price for IFM Avoidance, US was assessed at $8.50 per tCO2e on the same day, also steady week on week.

In the OTC market, Fastmarkets heard offers for IFM removal credits in Mexico for vintage 2022-2025 from different projects registered on Climate Action Reserve (CAR) in a range of $14.50-18.50 per tCO2e.

Where offers for CAR 1622 vintage 2022-2024 credits were seen around $14.50 per tCO2e in around 60,000 tCO2e, offers for vintage 2024 CAR 1853 credits stood at $14.80 in around 25,000 tCO2e and vintage 2025 credits from CAR 1865 were offered at $18.50 per tCO2e.

On the Verra registry, retirements were up 17% week on week at 17,369 tCO2e. VCS 607 Darkwoods Forest Carbon Project, Canada was the largest retired project in the week, with 14,430 tCO2e being retired from vintage 2020 (7,432 tCO2e) and 2021 (6,998 tCO2e) by anonymous retirees.

Apollo Global Management was the highest named retiree of the week, retiring 1,000 tCO2e of vintage 2024 from VCS 4268 Family Forest Carbon Project, US for its operational activities in calendar year 2025. Webjet Marketing was the second largest retiree at 406 tCO2e from vintage 2018 of VCS 1122 April Salumei Rainforest Community Conservation Project. This retirement was to offset emissions under its Sustainable Traveller Program for the third quarter of the 2026 fiscal year.

So far this year, ACR issued IFM credits in the US and Canada are showing a steady increase in supply compared to a year earlier, with demand similarly recording an increase.

In 2025, the issued volume (14,698,933 tCO2e) grew about 12% from 2024 (13,087,814 tCO2e). Comparing January-May data, issuances in 2026 (4,791,755 tCO2e) increased by 38% when compared to issuances in 2025 (3,471,800 tCO2e).

Monthly issuances of IFM credits on ACR in 2024-2026 show a seasonal uptick in issuances at the start of the financial year in April and at the end of the calendar year in December which continues into the next year.

A breakdown of issued credits shows that the most issued credits in the first two quarters of 2025 were from vintage 2022 and 2023, while in 2026 this was rolled over to vintage 2023 and 2024. This was expected because developers are moving ahead with newer-vintage issuances, with less of the issuance delay seen in some other project types, such as REDD+.

Issuances of avoidance credits in the first two quarters of 2026 increased by 43% from the first two quarters of 2025, while removals issued in 2026 fell by 20% in the same comparison, indicating a

IFM assessments
($/tCO2e)

	10-Jun	03-Jun	Change
IFM Avoidance, US, $/tCO2e	8.50	8.50	0.00
IFM Removals, US, $/tCO2e	19.00	19.00	0.00

Source: Fastmarkets

greater increase in supply of avoidance credits that has likely weighed on pricing in recent months.

US IFM avoidance prices have dropped from $10.50 per tCO2e to $8.50 per tCO2e since the start of the year.

Meanwhile, retirements in the first two quarters of 2026 totaled 1,815,888 tCO2e, up by 68% from 1,081,092 tCO2e in 2025, but fell by about 3% from the first two quarters of 2024 (1,875,280 tCO2e).

Additionally, the year-on-year retirements were mostly flat, increasing only marginally by 2% between 2024 (2,909,551 tCO2e) and 2025 (2,967,352 tCO2e).

Monthly retirements of IFM credits on ACR from 2024 to 2026 usually rise at the end of the financial year in March and again in May after the financial year closes, as well as at the end of the calendar year, when companies look to complete their emissions accounting and offsetting requirements.

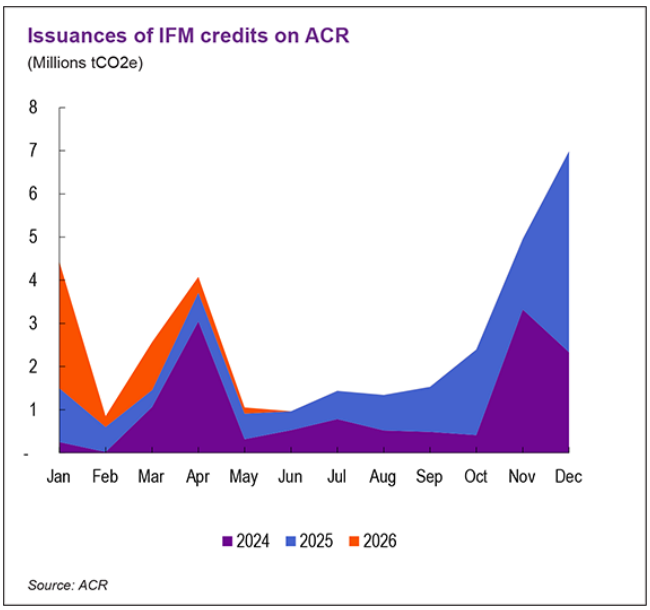
The most retired credits in the first two quarters of 2025 were from vintage 2021 and 2022, while in 2026 the 2022 vintage continued to be the most retired , highlighting buyers shifting to newer credits. Retirements of avoidance credits in the first two quarters of 2026 increased by 43% from the first two quarters of 2025, while removals retired in 2026 fell by 16% from 2025 levels.

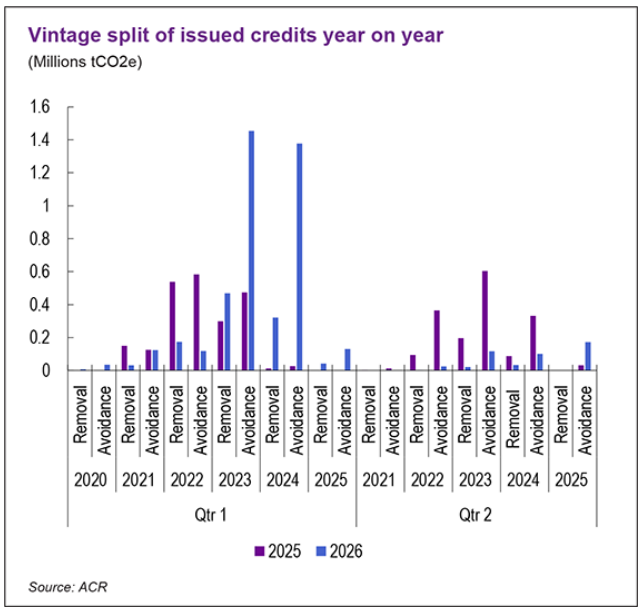
This has led to an increase in overall supply of both avoidance and removal credits as issuances have outpaced retirements. However, oversupply of avoidance credits has grown at a much greater rate than removals credits.

Year-to-date balances (issuance minus retirement) of IFM credits on ACR has consistently increased year on year since 2022.

This has primarily been driven by the sharp increase in avoidance credits. The additional supply balances of removal credits fell by 17% between 2023 and 2024 before rebounding in 2025 to 3.7 million tCO2e. So far this year, around just 740,000 tCO2e of additional circulating supply of removals credits is in the market, marking a significant decrease from previous years.

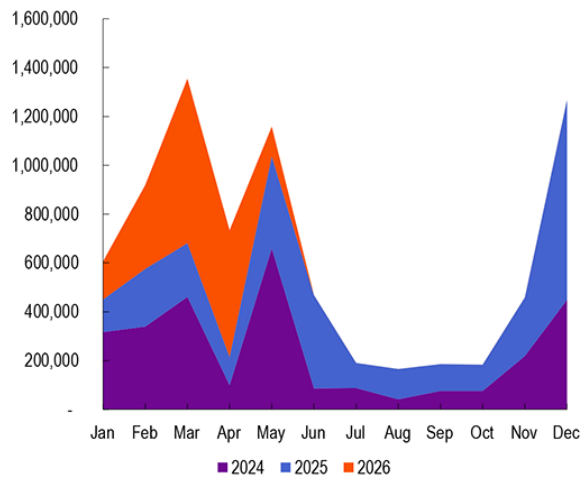
So far, demand has yet to outstrip supply despite buyers showing an increasing preference for removals-tagged credits in 2026. Developers have also raised offers for removals credits to maximize returns and offset pricing pressure from the growing oversupply of avoidance credits.





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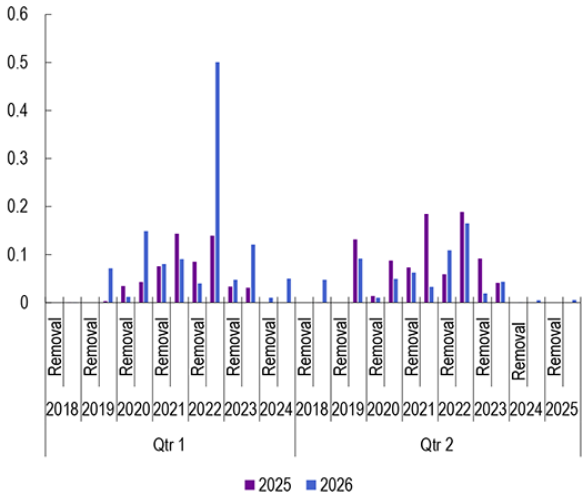
Retirement of IFM credits on ACR



Source: ACR

Vintage split of retired credits year on year

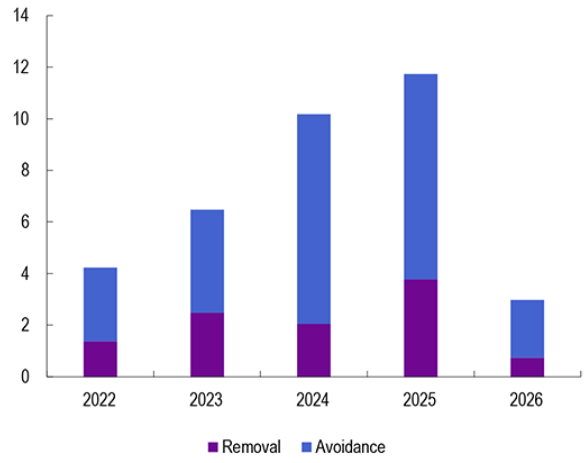
(Millions tCO2e)



Source: ACR

Year-to-date balance of IFM credits on ACR

(Millions tCO2e)



Source: ACR

BeZero rated project-type assessments

($/tCO2e)

	10-Jun			Change
	Low	Mid	High	
REDD+ BeZero AA, $/tCO2e	9.50	9.68	9.85	▼ 1.37
REDD+ BeZero BBB, $/tCO2e	3.70	7.73	11.75	0.00
REDD+ BeZero BB, $/tCO2e	1.55	4.53	7.50	0.00
REDD+ BeZero B, $/tCO2e	1.65	5.13	8.60	0.00
REDD+ BeZero C, $/tCO2e	0.30	1.60	2.90	0.00
ARR BeZero BBB, $/tCO2e	38.00	41.50	45.00	0.00
ARR BeZero BB, $/tCO2e	11.20	24.60	38.00	0.00
ARR BeZero B, $/tCO2e	5.00	10.38	15.75	0.00
ARR BeZero C, $/tCO2e	2.60	6.18	9.75	0.00
IFM BeZero A, $/tCO2e	13.50	21.75	30.00	0.00
IFM BeZero BB, $/tCO2e	12.30	14.20	16.10	▲ 0.77
IFM BeZero B, $/tCO2e	8.75	11.30	13.85	0.00

Source: Fastmarkets

News

IATA launches CORSIA supply-focused alliance to tackle Article 6 bottlenecks ahead of 2027

The International Air Transport Association (IATA), on Saturday June 6, launched a new multi-stakeholder alliance aimed at rapidly scaling supply in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) market, as concerns mount over a looming shortfall in eligible units ahead of the plan's first compliance phase.

The Supporting Alliance for CORSIA Eligible Emissions Unit (EEU) Supply brings together airlines, carbon market participants, governments and technical experts with the said goal of increasing available supply to 225 million-250 million EEUs by spring 2027, according to a press release.

The initiative, launched on the 10th anniversary of CORSIA adoption, is tied to a broader Aviation Carbon Markets Compact, under which signatories have committed to accelerating credit authorization, improving market access and supporting implementation of the Paris Agreement's rules.

Targeting looming supply constraints

The push follows growing industry concern over a mismatch between demand and supply in CORSIA's first phase (2024-26).

According to IATA, airlines are expected to purchase and cancel around 200 million EEUs by January 2028, equivalent to an estimated $4 billion-5 billion market, to offset emissions growth above the plan's baseline.

However, the compact explicitly warns of a "critical shortfall" in supply, driven largely by delays in host countries authorizing credits for international use under Article 6.2 of the Paris Agreement.

Focus on Article 6 bottlenecks

A central objective of the alliance is to address this gap by targeting implementation bottlenecks, particularly around the interaction between national climate targets and international offsetting rules.

The alliance will provide practical and tailored support to help countries manage the interface between their Nationally Determined Contributions (NDCs) and the requirements to generate and authorize CORSIA-eligible credits.

A key challenge remains ensuring corresponding adjustments are applied to avoid double counting between CORSIA and host country NDC, an issue identified as a major constraint on supply.

Unlocking supply through technical assistance

To accelerate project pipelines, the alliance will deliver pro bono technical assistance to countries seeking to authorize emissions units, including support for full Article 6.2 reporting cycles, review processes and technical recommendations.

Signatories to the compact have also committed to improving the transparency and scalability of letters of authorization (LoAs), a key step in enabling credits to be transferred internationally, as well as developing standardized templates and guidance.

IATA said it has already developed host-country guidance with the International Emissions Trading Association (IETA), the Article 6 Implementation Partnership (A6IP) and the Air Transport Action Group (ATAG) on issuing CORSIA-eligible emissions units, including steps for applying corresponding adjustments and issuing letters of authorization under the latest Article 6 rules. A sample LoA template has also been published by IATA previously.

Efforts will also focus on strengthening market infrastructure, including better access to market intelligence, registry systems and financing structures to support credit generation and authorization.

Facilitating coalition across aviation and carbon markets

The alliance is open to governments and organizations willing to contribute expertise and resources, with initial participation from more than 30 entities across airlines and carbon market stakeholders, according to the press release.

Signatories to the compact span airlines, project developers, standards bodies, investors and civil society groups, reflecting an attempt to align the full CORSIA value chain.

Airlines participating include major international carriers such as Air France-KLM, Japan Airlines, Lufthansa Group, Qatar Airways and Singapore Airlines.

CORSIA's climate finance promise

"CORSIA will likely generate $4 billion-5 billion of climate finance in the first phase, and potentially $100 billion by 2035, depending on market prices," Marie Owens Thomsen, IATA's senior vice president

sustainability and chief economist, said.

This funding is expected to support emissions reduction projects, particularly in developing countries, while helping airlines meet compliance obligations under the plan.

The alliance is designed to ensure that this capital can flow by removing structural barriers to credit issuance and transfer and by encouraging host countries to participate more actively in international carbon markets.

CORSIA demand could reach 200 million tonnes by 2027 despite slow start, ICAO official says: LACS

The market for carbon credits eligible under the aviation industry's global offsetting plan CORSIA is still in its early stages and recent price weakness reflects temporary pressures on airlines rather than a lack of long-term demand, according to Juan Carlos Arredondo, a member of the International Civil Aviation Organization's (ICAO) Technical Advisory Body (TAB).

Airlines have been slow to purchase CORSIA-eligible credits despite the first compliance obligations now becoming clearer. ICAO informed countries for the first time late last year that airlines would need to offset approximately 55 million tonnes of carbon dioxide emissions from 2024 under the plan.

"The market is really just beginning," Arredondo said during an interview on the sidelines of the International Emissions Trading Association (IETA) Latin America Climate Summit (LACS) on Thursday June 4 in Monterrey.

According to him, geopolitical conflicts, particularly in the Middle East, have pushed jet fuel costs sharply higher, forcing airlines to prioritize profitability, route management and operational expenses over carbon credit purchases.

CORSIA-eligible credits traded around $17-23 per tonne a few months ago but have since fallen to roughly $10-12 per tonne as buyers stepped back from the market, he said.

However, Arredondo argued that airlines remain obligated to comply and that demand is expected to emerge gradually as companies establish internal procedures involving sustainability, procurement, treasury and risk-management teams.

By late 2027, cumulative demand linked to emissions from 2024, 2025 and 2026 could reach around 200 million tonnes, he estimated.

European carriers have also remained cautious while awaiting greater clarity over the relationship between CORSIA and the EU's Emissions Trading System (EU ETS), although he described this as a regional issue rather than a global one.

In Mexico, discussions are increasingly focused on how the government will authorize carbon credits for use under CORSIA.

Mexico participates in the plan's first phase and domestic airlines are expected to require roughly 3 million-4 million tonnes of eligible credits, according to estimates cited by Arredondo. Based on the same estimates, the country could have between 5 million and 7 million tonnes of potential supply from projects registered under standards already recognized by CORSIA, including Climate Action Reserve, Verra, Gold Standard and ACR.

The key outstanding issue is how Mexico's Environment Ministry (SEMARNAT) will implement authorization procedures and assess potential consequences on the country's climate targets.

"There is supply, there is demand and there is discussion," Arredondo said. "The government is evaluating the authorization process."

He noted that there is no formal deadline requiring Mexico to issue authorization letters and that authorities are still assessing how much supply could be made available while remaining consistent with the country's nationally determined contribution (NDC) under the Paris Agreement.

Still, he sees signs of renewed momentum in Mexico's carbon market discussions following the change in government.

SEMARNAT has become more active in industry events and consultations, while technical discussions continue around the country's emissions trading system, CORSIA implementation and authorization procedures for international carbon credit transfers. "Things are moving again," Arredondo said. "People just need to be patient."

Mexico aims for 2027 ETS launch, sees low initial carbon prices and key role for offsets

Mexico is targeting the launch of the operational phase of its emissions trading system (ETS) in 2027, according to Diana Guzmán, director of climate change mitigation policies at

Mexico's Environment Ministry (Semarnat).

Speaking during a panel on Mexico's carbon market at the IETA Latin America Climate Summit (LACS) on June 4, attended by Fastmarkets, Guzmán said the government expects to release the regulatory instrument governing the system by the end of this year, allowing the country to move into its first operational phase from 2027 to 2030.

"We expect the instrument to be released for review so that at the beginning of next year we can start the operational phase," Guzmán said.

She pushed back against suggestions that work on the ETS had stalled, saying the government continues to hold extensive discussions with industry behind closed doors on allocation methodologies, emissions caps, growth factors, monitoring systems and other elements needed for the operational phase. "From the outside it may seem like it has stopped. It has not stopped," she said.

According to Guzmán, authorities are using lessons learned during the pilot phase to shape the operational market and intend to continue adapting the system as it evolves. "It is a living instrument. It is not written in stone," she said.

One of the most closely watched issues for market participants is the future value of Mexican carbon allowances. While the government has yet to establish a price floor, Guzmán suggested expectations of European-style carbon prices would be misplaced in the early years of the system. "We have not yet defined the price," she said.

Guzmán revealed that a recent study carried out with the UN Economic Commission for Latin America and the Caribbean (ECLAC) estimated a social cost of carbon of between $3 and $4 per tonne, a figure she described as unexpectedly low and one that authorities are now reassessing.

She indicated that prices are likely to begin at lower levels and increase gradually as the market matures. The discussion also highlighted the importance of offsets within Mexico's emerging compliance market.

Guzmán acknowledged that several industrial sectors have already implemented many of the emissions reductions currently available to them and may have limited room for additional cuts in the near term.

As a result, offsets are expected to play an important role during the early years of the ETS. "Many of them are already at the limit of what they can reduce," she said, referring to emissions-intensive sectors such as cement.

She added that offsets would likely be particularly important initially, while the system matures and companies continue investing in decarbonization technologies.

Mexico is simultaneously developing a National Compensation Program and strengthening its emissions registry infrastructure to support the future market.

According to Guzmán, authorities are working on a dedicated registry for emissions reduction projects that would allow market participants to identify available offset supply and facilitate transactions between project developers and compliance buyers.

The government's broader objective is to ensure the ETS supports Mexico's climate commitments while maintaining industrial competitiveness.

Throughout the discussion, officials emphasized the need to align the system with the country's emissions-reduction targets and to continuously refine the market based on operational experience.

Fastmarkets has learned that Mexico's immediate focus remains the implementation of its domestic climate architecture, including the operational ETS, the National Compensation Program, and a strengthened national registry framework, as authorities prioritize meeting the country's nationally determined contribution (NDC) commitments.

Existing credits, CORSIA pressure and price harmonization

Mexico's carbon market team is also facing growing pressure from project developers seeking access to international carbon markets, particularly CORSIA, the aviation sector's global carbon offsetting mechanism.

Existing credit holders are among the stakeholders most closely engaged with the government as Mexico develops its carbon market framework, according to a source from Semarnat.

Developers are seeking clarity on how authorization procedures will work and how existing credits could be recognized under future market mechanisms.

"The projects that already have credits are asking us to issue authorization letters," the source said.

The interest is already emerging among developers. Carbon Plus, for example, recently told Fastmarkets it was seeking authorization from Mexico's environment ministry to make its forest carbon project eligible for mechanisms including CORSIA and future Article 6 transactions.

Authorities are still designing the framework and have yet to define how authorizations would be granted, although Islas said a more concrete regulatory proposal could emerge by the end of the year.

At the same time, the source suggested that some assumptions about the attractiveness of international markets warrant closer examination. While project developers frequently point to higher prices available under CORSIA, the source noted that recent market data has shown a fall in CORSIA-eligible credit prices.

"The market is saying something different," the source said, referring to recent declines in CORSIA credit prices.

Fastmarkets assessed the price of CORSIA Phase 1 spot credits at $10.05 per tonne of CO2 equivalent (tCO2e) on Wednesday June 3, down by $0.50 per tCO2e from $10.55 per tCO2e the previous week.

Separately, the source said policymakers are increasingly focused on the multiple carbon price signals currently operating in Mexico, including the federal carbon tax, state-level carbon taxes, the future emissions trading system and the voluntary carbon market. "We have many price signals," the source said.

According to the source, the government is exploring ways to harmonize those mechanisms to avoid distortions and provide greater clarity to market participants. As part of those discussions, officials are using Mexico's federal carbon tax as a reference point, adding that the tax currently equates to roughly $4 per tCO2e. "That is the reference price we are considering," the source said.

EU ETS benchmark update raises concerns in P&P industry

The European pulp & paper (P&P) industry has expressed concerns about proposed updates to the EU's Emissions Trading Scheme (ETS) benchmark values for 2026-2030, which are expected to be adopted by the end of June.

The European Commission presented the revised benchmark values on Monday, May 11 and launched a four-week public consultation.

Cepi, which represents the European pulp & paper industry, has already expressed profound concerns regarding the proposals.

"Ten out of eleven product benchmarks [for] the pulp & paper industry are said to be reduced by the highest update rate (50% compared to 2013-2020 values)," the association said in its response to the consultation. "In addition, the sector's free allocation, based on the fallback benchmarks, is also to be reduced by the highest update rate. As both product and fallback benchmarks are used by the pulp & paper industry, they should be treated equally."

Cepi highlighted how rising carbon costs directly undermine industrial competitiveness in Europe, because industries are already coping with both direct costs of the EU's ETS and the indirect costs of electricity.

"[An] analysis of the Organisation for Economic Co-operation and Development (OECD) data shows that although carbon-pricing systems exist in several regions outside Europe, the actual carbon cost borne by industry can be negligible. This underscores that, in practice, the effective carbon costs faced by industries in Europe remain significantly higher than those in many other regions."

Cepi said the new measures were likely to result in annual revenue losses equivalent to 15-20% of the pulp & paper sector's average yearly investments of €4.8 billion ($5.5 billion) between 2021 and 2024.

For these reasons, Cepi has asked the EU policymakers to freeze the 2021-2025 benchmark values to avoid benchmark tightening, stop the exclusion from the ETS based on the 95% threshold to avoid the unjustified loss of carbon leakage protection for installations that have been frontrunners in investing in decarbonization, recalculate the free allocation share and remove the conditions on free allocations to ensure risk-free and effective carbon leakage protection.

The Italian P&P association, Assocarta, also raised concerns over the proposed revision, highlighting how failure to cover CO2 costs already amounts to approximately €1 billion over the five-year period, or almost 10% of added value, and that the revision of the benchmarks would increase this figure to 13%.

"The ETS would account for almost 4% of the sector's

turnover, an unsustainable figure for a production chain that, under current conditions, is already seeing a contraction in production and employment," Assocarta said.

Assocarta, together with Italian industrial association Confindustria, published a list of 10 proposals, which includes limiting the price of allowances by acting on the Market Stability Reserve (MSR) and auctions, thereby eliminating the price volatility effect of the ETS, excluding purely financial operators, reviewing the ETS allowance reduction trajectory and the ETS benchmarks, along with blocking the maritime ETS, among other measures.

Similar requests were also filed by many other companies and associations within the P&P industry.

On April 1, the European Commission also proposed an amendment to the MSR to strengthen the instrument that ensures a stable, well-functioning carbon market.

"Under the current system, all allowances in the reserve above €400 million are invalidated," the Commission said. "The proposed amendment will stop the invalidation mechanism, allowing these allowances to be kept as a buffer that can support market stability."

All these measures are linked to the EU ETS review due in July.

The revised ETS benchmark values for 2026–2030 will now be scrutinized by members of the EU's Climate Change Committee before planned adoption by the Commission.