🌱 **What are Carbon Credits?** **Carbon credits are one of the main tools countries and companies can use to reduce their climate impact.** The idea is simple: when a project reduces or removes greenhouse gas emissions, it can earn a carbon credit equal to one metric ton of carbon dioxide (or its equivalent). These credits can then be purchased by governments or businesses to help meet their climate targets.

1 Carbon Credit	=	1 Metric Ton of CO_2

There are two main ways credits are generated:

Carbon Avoidance	Carbon Removal
stopping emissions before they enter the atmosphere, such as replacing coal with solar, capturing methane from landfills, or protecting forests that would otherwise be cut down.	taking carbon dioxide that is already in the atmosphere and storing it, through nature (like planting trees and restoring mangroves) or technology (like direct air capture).

Carbon credits are not a replacement for cutting emissions at source. They work best as a complement, a way to finance solutions and manage residual emissions while companies and countries pursue deeper decarbonization.

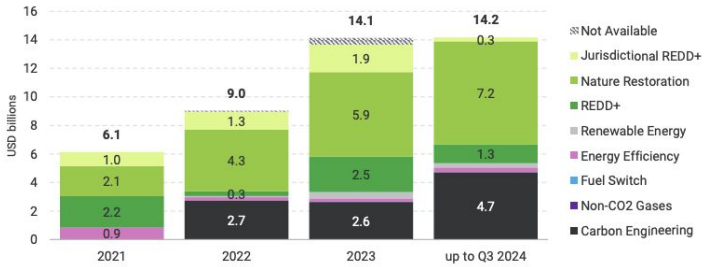
🌱 **How do carbon markets work?** A carbon credit on its own is just a certificate. Carbon markets make it count, turning individual projects into tradable units of climate finance. *Broadly, there are two types of carbon markets:*

Compliance Markets	Voluntary Carbon Markets (VCM)
These are created by governments and backed by regulation. Companies in covered sectors are given a legal cap on emissions, and if they exceed it, they must either reduce emissions directly or buy credits to close the gap.	These operate outside of regulation, driven instead by corporate commitments, investor pressure, and consumer expectations. Companies purchase credits to meet net-zero or sustainability goals, often verified by international standards like Verra or Gold Standard.

The table below illustrates how these two approaches translate into different activity types, along with examples that show what this looks like in practice.

System Type →	Carbon Avoidance					Carbon Removal			
Activity Type →	**Renewables & energy efficiency**	**Methane & industrial gas capture**	**Forest conservation / REDD+ (avoided deforestation)**	**Community Projects**		**Reforestation & afforestation**	**Mangrove & Wetland Restoration**	**Soil Carbon Sequestration/ Regenerative Agriculture**	**Technological Solutions**
Description	*Replace fossil fuels with clean energy or reduce energy demand.*	*Capture and destroy potent greenhouse gases before they reach the atmosphere.*	*Protect standing forests that would otherwise be cleared, preventing carbon release.*	*Provide alternatives that prevent traditional high-emission practices.*	*Local interventions that capture and store carbon while meeting social needs.*	*Plant trees on degraded or unused land to absorb carbon as they grow.*	*Restore coastal and wetland ecosystems that act as "blue carbon" sinks.*	*Improve farming practices so soils store more carbon.*	*Engineered methods that directly remove and store CO_2.*
Examples →	Solar farms, wind turbines, run-of-river hydro, LED retrofits in factories, efficient appliances.	Landfill gas-to-energy projects, methane capture from livestock waste, destruction of HFCs in refrigeration, N_2O from fertilizer plants.	Protected forest zones, anti-logging community programs, REDD+ initiatives in tropical forests.	Distribution of clean cookstoves, solar lanterns, small off-grid renewable systems that displace kerosene or charcoal.	Household or community-scale biogas digesters, composting programs that enhance soil carbon storage, biochar kilns for smallholder farms.	Upland tree planting projects, agroforestry systems, watershed reforestation.	Mangrove rehabilitation in coastal provinces, peatland restoration, salt marsh conservation.	No-till farming, cover crops, crop rotation, integrating biochar into soils.	Direct Air Capture (DAC) plants, BECCS (bioenergy with carbon capture and storage), enhanced rock weathering, biochar production.

Capital raises and commitments for carbon projects by project



Source: MSCI Carbon Markets. Data as of Sept. 30, 2024

MBC
MAKATI BUSINESS CLUB
THE FORUM FOR CONSTRUCTIVE IDEAS

The Makati Business Club, together with the Embassy of Singapore and the Philippines–Singapore Business Council, will convene the ***High-Level Forum on Carbon Credits: Strengthening Philippine–Singapore Collaboration for Climate Action*** *on* ***October 2, 2025****, at the Ayala Museum in Makati.*

The half-day dialogue will bring together senior representatives from government, business, and international organizations to explore how bilateral cooperation under Article 6 of the Paris Agreement can unlock investment, support sustainable development, and create new opportunities for the private sector.