



GORDIAN KNOT STRATEGIES
Trust Us To Unlock Your Impact

OUR TAKE: IMPACT 2025 PREDICTIONS

Predictions for Climate Finance, Impact Investing, and Carbon Markets

WHITE PAPER
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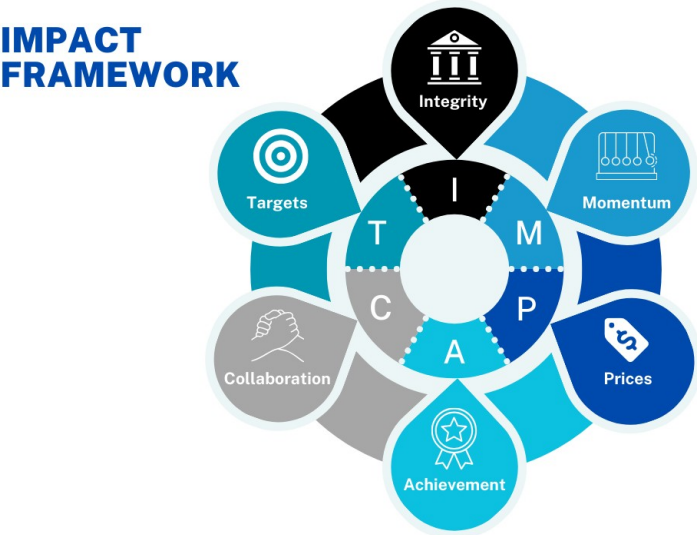
IMPACT is back!

As we kick off 2025, we are leaning on our IMPACT framework to share our predictions for the coming year.

The IMPACT acronym highlights key factors shaping the growth and momentum of climate finance, carbon markets, and impact investing and has proven to be a helpful tool in guiding our evaluations and forecasts.

IMPACT stands for:

Integrity, Momentum, Prices, Achievement, Collaboration, and Targets.



I = INTEGRITY

Our first prediction centers on the integrity of carbon markets, a critical cornerstone for their long-term success.

As we highlighted extensively in last year’s IMPACT assessments (you can access all of them at the bottom of this report), integrity in carbon markets is not just a buzzword – it’s a necessity to ensure the credibility and effectiveness of climate action. For 2025, we anticipate that the work being undertaken by the Integrity Council for the Voluntary Carbon Market (ICVCM) will continue to advance credit integrity.

By providing clear guidance and rigorous benchmarks, ICVCM is progressively rebuilding and strengthening trust with corporate buyers and other market actors who have grown cautious amidst past criticisms and setbacks of the market. While we acknowledge this is a gradual process that won’t be fully resolved in a single year, the momentum toward higher-quality credits

and greater transparency will undoubtedly continue throughout 2025. We believe this will lay the groundwork for a more robust and reliable carbon market ecosystem.

M = MOMENTUM

In 2025, we expect to see increased integration of the Voluntary Carbon Market (VCM) with global compliance markets, particularly under Article 6 of the Paris Agreement. This will elevate both the stature and the premium of some VCM credits. For instance, EU initiatives such as the Carbon Removal Certification Framework (CRCF) and the Corporate Sustainability Reporting Directive (CSRD) may possibly pave the way for the use of certain VCM credits in compliance markets.

Momentum will also carry forward for nature-based solutions (NBS), which benefited in 2024 as buyers sought more cost-efficient options compared to technological solutions. However, NBS projects must still address key challenges such as ensuring permanence.

Regarding impact investing, we will continue to see the establishment of special-purpose vehicles (impact funds) dedicated to specific niches. This notable increase in demand for thematic impact funds targeting specific global challenges, such as climate resilience and social equity, highlights investors' desire to align their portfolios with their values while addressing pressing global issues.

Finally, emerging markets will be a focal point for impact investing in 2025. With significant potential for transformative change, these markets are increasingly attracting institutional investors, including pension funds and insurers, who are setting portfolio-level impact targets outside of the U.S.

P = PRICES

As market veterans, we've long witnessed the persistent challenge of carbon credits being priced too low to make many climate-positive projects financially viable. However, we are now seeing a shift, with prices creeping upwards. For 2025, we anticipate further appreciation as buyers move to lock in favorable prices ahead of expected market spikes.

A clear high/low pricing dynamic is unfolding, where high-integrity credits – such as those labeled with ICVCM's Core Carbon Principles (CCP) or with eligibility from Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) – command significant premiums over non-labeled credits. For instance, we've already seen that credits with a Letter of Authorization (LoA) for international transfer under Article 6 are already fetching an 80% premium, and recent sales of CORSIA-eligible credits have reached \$21.70 per credit. These trends underscore how market differentiation based on quality and certification is reshaping the value of carbon credits and validating the importance of integrity in pricing.

A = ACHIEVEMENT

After a difficult 2024 with low prices and sluggish retirement rates, cautious optimism is set to drive a carbon market recovery in 2025. Improved standards and verification processes should rebuild confidence among buyers and developers, though challenges such as oversupply and economic headwinds remain.

Achievements seen at COP29 on Articles 6.2 and 6.4 of the Paris Agreement will fuel further progress for global carbon markets. Article 6.2 now enables countries to trade Internationally Transferred Mitigation Outcomes (ITMOs) under clearer rules, supported by a new transparency framework for public disclosure and compliance. Early bilateral agreements, such as between Switzerland and Senegal, signal growing confidence.

Article 6.4 saw the establishment of the Paris Agreement Crediting Mechanism (PACM), a centralized system to oversee high-quality carbon credits. Stricter standards for project integrity and support for developing countries were finalized, with the PACM expected to be operational by late 2025.

These advancements position 2025 as a year of significant progress and potential achievements, laying the groundwork for major breakthroughs at COP30 in Brazil.

C = COLLABORATION

In 2024, we emphasized the critical role global elections would play in shaping collaboration on climate action in our previous IMPACT assessments. The world saw movement in both directions – toward progress and retreat – but the most significant development was the return of Donald Trump to the White House. This marks a major setback for global collaboration, with the planned withdrawal of the U.S. from the Paris Agreement and other climate initiatives threatening to upend international efforts. While the European Union, China, or the Middle Eastern countries may attempt to fill the leadership void, this loss of U.S. engagement will weaken the collective push for climate action. Subnational actors, such as U.S. states, cities, and private coalitions led by figures like Michael Bloomberg, will likely step up to mitigate the damage. However, this departure by the U.S. will slow progress at a critical juncture.

Despite this challenging backdrop, we expect other key areas of collaboration to advance in 2025.

Integration between the VCM and global compliance markets will continue, particularly under Article 6, creating stronger alignment between voluntary and regulatory mechanisms. Additionally, bilateral cooperation under Article 6.2 will accelerate, with African and Latin American nations increasingly engaging in climate finance and carbon credit trading. These regions hold significant potential to contribute to global emissions reductions while benefiting economically from participation in international markets.

In the realm of impact investing, 2025 will likely be the year of blended finance, as the combination of public, private, and philanthropic capital continues to gain traction. This approach reduces risk for private investors and enables the mobilization of large-scale capital to address climate change and sustainability challenges.

Finally, equity considerations will remain central to climate collaboration. From the design of finance mechanisms to the distribution of project benefits, fairness and inclusivity will shape key decisions, ensuring that climate action supports the most vulnerable populations and delivers equitable outcomes.

While the challenges of 2025, particularly the loss of U.S. leadership, may slow global progress, the resilience of international collaboration and subnational efforts offers hope for continued momentum in the fight against climate change.

T = TARGETS

Last quarter, we wrote about the shakeup caused by the Science Based Targets initiative's (SBTi) announcement that companies might soon be able to use carbon credits to offset Scope 3 emissions. However, since that announcement, little tangible progress has been made, leaving corporate targets in a state of uncertainty. For 2025, we expect sentiment around SBTi to remain shaky, as companies grapple with how to align their targets amid evolving guidance. We might even see the emergence of a new entity to challenge SBTi in helping corporates with their net-zero targets and decarbonization efforts.

When it comes to carbon credits and corporate climate goals, the migration toward carbon removals will continue. Carbon removal projects, viewed as a "safe harbor" against potential reputational risks, appear to remain a preferred choice for corporations seeking to avoid scrutiny over the quality or integrity of credits used to meet their targets. This shift underscores growing concern about public perception, as companies aim to navigate an increasingly skeptical landscape around offsetting strategies.

Unfortunately, 2025 will likely also see the persistence of "greenhushing," where corporates avoid publicizing their climate actions out of fear of criticism or accusations of greenwashing. This trend reflects a troubling dynamic where the risk of reputational damage outweighs the incentive to demonstrate leadership in addressing the climate crisis. What a shame that companies truly doing the work to drive impactful change are afraid of backlash instead of being celebrated for their efforts. This caution not only stifles transparency and momentum in corporate climate action but also discourages others from stepping up at a time when bold and visible leadership is so urgently needed.

Before you go, if you want to read our past IMPACT assessments, they can be found [here](#) (Q1 2024), [here](#) (Q2 2024), and [here](#) (Q3 2024).



ABOUT

Gordian Knot Strategies is an expert climate finance consultancy firm. Drawing on two decades of experience, our clients rely on us to devise high impact solutions that are innovative and implementable.

Over 80% of the impact investors, corporations, and developers that we serve are repeat clients. They trust us to provide clarity as they mobilize and deploy capital in a complex and rapidly evolving market.

With our proprietary frameworks and deep industry knowledge, our clients are equipped to unlock and optimize environmental impact and returns. Trust us to unlock your impact!

CONTACT

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