

Microsoft's reported pause of carbon removal purchases raises market concerns: sources

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Carbon credits

Spot prices stable amid low supply

Offtake deals could face uncertainty

Microsoft has been an extremely dominant player in carbon removals

Microsoft's reported move to pause purchases of new carbon removal credits, or CDRs, is rippling through the nascent removals segment, given the company's outsized role in corporate demand, though market sources suggest the decision is a strategic consolidation after years of heavy investment rather than a full retreat and see little immediate impact on the spot market.

Several news media outlets reported over the weekend that Microsoft was suspending its CDR buying program, a bearish signal for a market heavily reliant on demand from the tech giant.

Officials at Microsoft did not respond to a request for comment by Platts, part of S&P Global Energy.

An India-based developer for biochar projects said the move was no surprise, since Microsoft had invested considerably in CDR in recent years, "so it makes sense if their offset budget is exhausted."

Major technology firms are also redirecting funds toward generative AI and other growth areas, often at the expense of sustainability budgets, the developer said.

Microsoft is the largest purchaser of CDR credits, according to data from CDR.fyi, having purchased more than 36.4 million mt of credits. That far exceeds the second-largest purchaser, the Frontier buyer coalition, which has bought about 1.8 million mt of credits to date, according to CDR.fyi.

Microsoft accounts for just over 41% of forward purchasing of voluntary carbon credits between 2023 and 2025, according to data from S&P Global Energy Horizons, as well as multi-stakeholder facilities such as the LEAF Coalition and the Forest Carbon Partnership Facility, the largest buyers concentrated in the technology and finance sectors.

Pricing impact

Market sources Platts spoke to said there is unlikely to be an immediate impact on the spot market as the supply of these credits is already low, but the majority of deals that take place in the offtake market may be affected.

"I don't think there will be an impact on spot pricing because that depends on supply available," a Japan-based trader told Platts. "For upcoming projects, one way it can impact is that discounts on long-term agreements may be less."

The Platts Biochar India assessment, which reflects spot prices for credits, was assessed at \$132/mtCO₂e April 13, while for the same credits in US, the price was assessed at \$155/mtCO₂e April 10.

"In terms of pricing, we do not expect a sharp near-term correction because demand signals are now more diversified and many projects operate under long-term offtake agreements. Over the medium term, however, the market may place greater emphasis on demonstrating differentiated value – especially through measurable co-benefits," said Asitava Sen, Co-Founder & CEO, Carbon Removal India Alliance.

Large buyers are increasingly choosing to invest in projects from the beginning and then procure a portion of the credits generated by the project to meet their offset requirements.

While a meaningful impact on pricing is yet to be ascertained, another developer/trader from a Japan-based company highlighted that the best bet is to refrain from developing new carbon projects following the reported pause in Microsoft's carbon financing program.

One of the reasons cited for Microsoft's alleged pause in financing is to ensure the delivery of credits from its current investments, according to the developer/trader.

"This could be a pause to see real deliveries among their investment in various CDR methods like BECCS, DAC, etc," the developer/trader said, adding that deliveries from their biochar investments could be the highest in the coming years.

Another India-based developer echoed the view, acknowledging delivery risk from existing CDR investments. "...they seem to be shifting into asset management mode rather than asset deployment mode," the developer said.

The biggest impact will be on developers who need seed capital for their carbon projects, the second India-based developer said.

Engineered carbon removal

This comes as Microsoft signed a deal on April 6 with carbon management company Svante and the Meadow Lake Tribal Council in Saskatchewan to capture 626,000 metric tons of CO₂ from biomass-fired power generation.

Engineered carbon removal has been a key part of Microsoft's strategy to achieve its voluntary emissions targets.

Engineered CDR forward-contracted volumes have accelerated sharply since 2021, growing by an average of about 144% year over year from 2022 to 2025, according to Horizons. This trajectory suggests a rapidly maturing forward market for engineered CDR, accompanied by a broadening buyer base.

The pause by Microsoft reflects broader changes in the carbon removal market as it matures beyond its early corporate buyers, with governments increasingly stepping in through policy frameworks to support demand, according to Ben Rubin, executive director of the Carbon Business Council.

"Microsoft has been foundational in scaling the carbon removal industry, both by demonstrating a thoughtful, science-based approach to building a diversified portfolio of solutions and by creating the early demand signals needed to help these solutions grow," Rubin said in a statement. "While Microsoft's potential purchasing pause reflects a shift in the market, the foundation it helped establish has enabled the carbon removal industry to grow into a market supported by a broader set of actors."

The Carbon Business Council is a coalition representing more than 100 carbon management companies.

Carbon removal encompasses climate mitigation strategies that extract CO₂ from the atmosphere, as opposed to strategies aimed at avoiding such emissions. These strategies include direct air capture with durable storage, soil carbon sequestration, biomass carbon removal and storage, enhanced mineralization, ocean-based removal or capture, and afforestation/reforestation.

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