**EU 2040, Carbon Removals and International Credits: From Targets to Tools**
**Brussels, September 29, 2025**

**Opening Remarks**
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**ISDA Chief Executive Officer**

Good afternoon, and welcome to our EU 2040 carbon removals and credits event. This is a critical issue for the EU and the wider world, and it's great to be co-hosting the event with the International Emissions Trading Association (IETA). We're also very grateful to our networking sponsor, BeZero, who we've worked with for several years on these events.

I've previously opened events like these with observations about the huge investment in technology and infrastructure required to transition to net zero. That would still be a valid starting point, but I want to begin by reflecting on something else – the unstoppable drive towards artificial intelligence (AI). From the biggest tech giants to governments, corporates and financial institutions around the world, the move towards AI is accelerating faster than ever, and this is accompanied by unprecedented demand for additional computing power.

The numbers are absolutely staggering. By 2030, $5.2 trillion will need to be invested into data centers to meet global demand for AI, according to recent estimates by McKinsey. Among the largest tech companies, the race is now on to invest and build sufficient computing capacity to embrace the age of AI. This year alone, Microsoft is set to spend more than $80 billion on data centers and cloud infrastructure to train its AI models.

But let's remember that Microsoft, like thousands of other corporations, has also made ambitious commitments to reduce its carbon emissions. In fact, it's aiming to be carbon negative by 2030 – that's only five years away. So, as tech giants like Microsoft invest billions of dollars to build out their AI infrastructure, they also need to offset all the carbon emitted in the process. In short, the AI revolution is adding greater urgency to the need for a mature, globally consistent, well-functioning carbon market. There really is no time to waste.

When I last spoke about carbon markets in Brussels at the end of last year, I highlighted the unmistakable pace of change here in the EU. A new European Commission (EC) had just taken office, with a priority to accelerate work on carbon credits, which would be central to the EU's climate diplomacy strategy.

I'm pleased to say that the momentum has been maintained, and the EU is well on the way to hitting its target of a 55% emissions reduction by 2030, with impressive growth in renewable power generation and electric vehicle adoption. President Von der Leyen's State of the Union remarks earlier this month set out ambitious legislative steps. As she rightly said, the net-zero transition is more than a climate necessity. It’s an economic and strategic opportunity for the EU that will create more jobs in critical industries, more trade with high-growth economies and less reliance on volatile fossil fuel prices.

It's been said many times, but it bears repeating – deep and liquid carbon markets will be critical in channeling the trillions of euros of investment needed to achieve the net-zero transition. ISDA has set out the steps we believe are needed to enable the global voluntary carbon market to reach its full potential.

First, we need a globally consistent definition of a ton of carbon that is adopted by all market participants. This must be accompanied by an independent, science-based system to verify and audit the soundness and integrity of voluntary carbon credits. Second, we need a robust legal framework to create greater certainty and confidence – this includes standardization of documentation and consistent definitions of products. Third, we need a liquid forward market, which will provide valuable signals as the market evolves. Finally, we need a globally consistent regulatory framework to create the clarity companies need to trade and invest.

Since we made these recommendations last year, progress has been made on several fronts, but we still have too many competing standards, definitions and verification systems. The deal reached at COP29 to establish a United Nations-backed carbon market under Article 6 of the Paris Agreement has the potential to bring the coherence that is needed. But given it took more than a decade to get that deal over the line, it’s still early days to judge how effective it will be.

We need to remain focused on the key areas we’ve identified to realize progress towards a globally effective voluntary carbon market.

I’ll now touch on the positive steps we’ve seen in the EU over the past year.

Under the new EC, there has been a strong push towards simplification and burden reduction, which has included streamlining the regulatory framework for sustainable finance to provide much-needed clarity for EU companies. In particular, we welcome the Sustainability Omnibus package, which aims to simplify sustainable finance reporting and due diligence rules, as well as the EU taxonomy and the Carbon Border Adjustment Mechanism (CBAM).

Earlier today, the Council adopted rules to deliver simplification and cost-efficient compliance improvements to the CBAM, which is a very positive step forward. This is going to be a transformational change that will require importers into the EU to pay a tax for carbon emitted during the production of certain products. The CBAM could be a catalyst towards a deep and liquid carbon market, so it’s vital that it is appropriately calibrated.

We’ve also seen a very encouraging move towards the use of international carbon credits to meet the EU’s ambitious goal of a 90% reduction in emissions by 2040. In July, the EC proposed that there could be a limited role for high-quality international credits from 2036, equivalent to 3% of the EU’s 1990 net emissions. This proposal is now being considered by EU policymakers, and we expect the EC to carry out an impact assessment next year to provide further clarity on how the buying of international credits would work.

The inclusion of international credits within both the EU emissions trading system and the CBAM would be a very positive step towards a globally consistent market that delivers a single, transparent price on carbon. That's why we welcome this important proposal and urge EU policymakers to persevere in making sure it is effectively developed, with robust standards and safeguards.

I'll now turn to ISDA's work to provide legal certainty for this market.

As I mentioned earlier, a sound legal framework is critical to give market participants the confidence to transact carbon credits. To sustain deep and liquid secondary markets, create clear price signals and allow funds to be efficiently channeled to emissions-reducing projects, the legal treatment of carbon credits must be properly defined. This is something we've been exploring for some time, and we set out the steps needed to create greater legal certainty in a series of whitepapers.

I'm pleased to say we're making good progress. By the end of this year, we expect the International Institute for the Unification of Private Law, an intergovernmental institution, to provide critical guidance on the appropriate standards to ensure bankruptcy treatment and the exchange of security are properly defined, and the rights of holders are protected. This guidance will build on the success of the Article 6 deal at COP29, providing a common legal baseline for carbon trading around the world. Once the guidance has been finalized, ISDA will advocate for countries to incorporate the principles when drafting rules for these markets to ensure the legal framework is consistent.

Standard trading documentation is also a vital prerequisite for any well-functioning, liquid market, and the carbon market is no exception. The 2022 ISDA Verified Carbon Credit Transactions Definitions were a vital first step in creating a single contractual framework for the trading of these contracts. The definitions can be applied to any carbon standard or registry, allowing carbon credits to be traded on a global basis, and we've maintained momentum since the launch. Last year, we updated the definitions to incorporate the core carbon principles developed by the Integrity Council for the Voluntary Carbon Market. We're now in the final stages of a further update that will incorporate standards from the Carbon Offsetting and Reduction Scheme for International Aviation.

The integration of science-based verification and standards into the legal framework is a vital step to increase confidence in the integrity of carbon credits. This will ultimately fuel greater investment in the innovative technology and infrastructure that is fundamental to the green transition. That's why we're so enthused by the progress we're seeing, which really has the potential to move the needle in the development of this market.

I started these remarks by reflecting on how the rapid development of AI is driving demand for vast quantities of computing power, which, in turn, reinforces the need for smarter ways to reduce carbon emissions. That curve is only going to steepen in the months and years ahead – as competition in AI intensifies and the data infrastructure expands to support it, a well-functioning carbon market will become more important than ever.

But while technology may be part of the problem, there is no doubt it is also part of the solution. The technological solutions to climate change are either here already or almost within reach. We've seen an ambitious rollout of renewable energy generation over the past 12 months, particularly in solar. Installation is only getting cheaper as the costs are reduced with scale. The same is true for battery tech. More investment is flooding in than ever before, both to the net-zero transition and climate change mitigation.

Our job now is to build voluntary and compliance carbon markets that channel even more investment to the right places in the EU and beyond. For ISDA's part, we will continue to engage closely with EU policymakers to build confidence in this market through strong and consistent standards. I hope we get to celebrate further successes and milestones at future events like these.

Thanks to all of you for being here this afternoon, and thanks again to IETA for partnering with us to make the event happen. We've got a great agenda lined up and I hope you enjoy it.

Thank you.