ISDA and AFME response to the European Commission's consultation on a Legal Framework for the possible use of international carbon credits towards the 2040 EU climate law target

1. Introduction

ISDA and AFME ("The Associations") welcome the opportunity to provide feedback on the inclusion of high-quality international credits within the EUs 2040 climate framework. We believe that a robust, transparent, and liquid carbon market is essential to channel private capital toward global decarbonisation.

We contend that the inclusion of high-integrity international credits would materially strengthen the EUs climate leadership while supporting the achievement of targets in an economically balanced manner.

- Complementary Role: International credits should function as a complement to - not a substitute for - domestic abatement and the scaling of European removals.
- Market Stability: Properly structured, they currently act as a market-based system-level flexibility, alongside the EU ETS, but under clearly defined, quantitatively limited and integrity-safeguarded conditions international carbon credits may support the overall functioning and stability of the EU climate framework, including ETS-covered sectors, mitigate price volatility and preserve industrial competitiveness without undermining the ETS cap or price signals.
- Carbon Diplomacy: Beyond mechanics, these purchases serve as a strategic instrument to strengthen ties with trading partners and catalyse global climate ambition.

The Associations remain committed to supporting the EU's climate leadership. A well-designed legal framework for international credits will not only help the EU reach its 2040 targets cost-effectively but will also incentivize climate action in the Global South.

2. Background

A key goal for the Associations is to make trading in Verified Carbon Credits (VCCs) more efficient. More efficient trading increases the likelihood of additional investment in Voluntary Carbon Markets (VCMs).

One obstacle to advancing voluntary carbon trading is the lack of clarity on the legal nature of VCCs across jurisdictions. Other than the US and the UK, very few jurisdictions provide legal certainty about how credits can be created, bought, sold and retired. This creates a lack of clarity on what type of security may be taken and enforced against VCCs and how they would be treated following an insolvency, including netting. These determinations impact the regulatory, tax and accounting treatment of VCCs.

The Associations believe that a robust international VCM plays an important role in delivering a reliable, market-based approach for investment opportunities that reduce greenhouse gas emissions and remove carbon from the atmosphere. We have a strong interest in the development of a robust VCM that will strengthen the functioning of the carbon derivatives markets and enable the continued development of liquidity in derivatives products so that market participants can appropriately manage their business risks. In turn, facilitating trading in carbon derivatives would contribute to market liquidity and uptake of carbon credits, which would support much needed financing for climate mitigation projects.

All three global legal standard setters (UNIDROIT, UNCITRAL, HCCH) have responded to ISDA's proposal to develop guidance for regulators and legislators on the legal nature of VCCs. Coordinated discussions across all three standard setters are underway. Following ISDA's lead, UNIDROIT intends to produce such guidance for jurisdictions around the globe (envisaged for finalization in Q2 2026).

There are five key areas where urgent action is needed to enable the international VCM to reach its full potential and where relevant jurisdictions around the world can cooperate:

1. First, although a metric tonne of CO_2-equivalent is already a universally accepted and legally standardised unit of measurement across all major carbon markets, accounting frameworks and the UNFCCC, the atmospheric outcome delivered per credited tonne across different methodologies, project types and geographies is not yet standardised. Methodological rigour and baseline-setting standards would help address this methodology problem and mitigate market fragmentation. This goes hand-in-hand with an independent, science-based system to verify and audit a) the soundness and integrity of VCCs and b) the veracity of third countries' local carbon prices that EU importers would be able to deduct to calculate their net CBAM liability. The EU should prioritise carbon credits that are aligned with the ambition and the principles of the Paris Agreement Crediting Mechanism (PACM) and high-integrity principles, standards, methodologies, and procedures, which are recognised under government-run national or subnational regulated carbon credit systems. References to VCM-related standards such as (ICVCM's) Core Carbon Principles, and/or the International Civil Aviation Organisation's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)eligibility criteria should be understood as quality benchmarks only; credits can contribute to EU or Member State NDC achievement only where they are authorised as Article 6 ITMOs and accompanied by corresponding adjustments.
2. Second, we need a sound legal framework to create greater certainty and confidence. This includes standardisation of documentation and consistent definitions of products.
3. Third, we need clarity on the accounting treatment for VCCs.

4. Fourth, we need to develop a liquid forward market, which will provide valuable price signals and risk management tools as the market evolves. This will be built on standardized, common units of larger carbon projects that are fungible and benefit from market pricing. Having a strong demand driver from the EU will incentivize supply and carbon finance.

5. Finally, we need a globally interoperable regulatory framework for this market to offer the certainty companies need in order to be able to commit investment to decarbonisation. This must be considered in the context not only of the implementation of the EU's CBAM, but also crucially in the upcoming review of the EU's ETS.

ISDA has provided standardised documentation[1] for the trading of VCCs and has published multiple papers analyzing the legal nature of VCCs across multiple jurisdictions. 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. Last year, we updated the definitions to incorporate the Core Carbon Principles (CCPs) developed by the Integrity Council for the Voluntary Carbon Market (ICVCM). In November 2025, we published a further update (v.3 of the ISDA VCC Definitions) that incorporates standards from CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation.

3. Framework Design and Implementation

The EU should initiate well-designed pilot mechanisms and establish a clear governance framework immediately. We believe that "progress should not be delayed by the pursuit of perfection."

- Quantitative Limits: We support the proposed 5% cap as a prudent starting point,.

Quality & Certification: Implementation should leverage from existing frameworks and recognized standards to avoid duplication and accelerate deployment. The Associations believe that the EU should, as far as possible, remain open to all categories of international credits, including nature-based, technology-based, removals and reduction.

- Limiting eligibility to specific technologies (e.g. only removals) risks unnecessarily constraining supply, increasing costs, and reducing flexibility in achieving the 2040 target.

- A diversified portfolio of credit types can improve cost-efficiency and resilience while delivering robust climate impact.

[1] 2022 ISDA Verified Carbon Credit Transactions Definitions (Version 3 – November 2025) – International Swaps and Derivatives Association

- Nature-based and tech-based reduction solutions can provide important environmental and social co-benefits alongside mitigation outcomes.
- Carbon credit performance risk ("integrity") varies significantly across the same project type, sector and methodology.
- Putting constraints on the type of international credits that can be used at the category level (e.g. no clean cooking credits) will not eliminate the risk of using low integrity projects, since these exist across all categories of credits. However, it will drive up costs by restricting the pool of supply the EU can access.
- The EU's framework should therefore focus on managing performance risk at the project-level or at the jurisdictional level in case of Article 6.2., rather than restricting credit procurement to certain types of projects based on sector or methodology eligibility. This represents a pragmatic route to maximise environmental integrity while minimising cost.
- The EU could mitigate risk of conflicts of interest by strengthening accreditation and periodic performance oversight of validation and verification bodies, including independent audits. It could introduce mandatory rotation or partial allocation of verifiers from an approved pool. A centralised payment clearing mechanism could reduce direct financial dependence between project developers and verifiers. The EU could also require full transparency of validation reports and prior relationships of project developer and verification bodies, and establish clear liability and sanction frameworks in cases of negligence or integrity failures.

Rather than relying purely on credit category or methodology-based rules to deliver "quality", the EU should consider bringing project-level analysis including jurisdictional programme assessment for Article 6.2. to bear in its framework for managing credit integrity risks, including the use of independent carbon ratings.

- Remaining open to a range of mitigation pathways and methodologies does not mean the EU should allow all international credits, including those with lower environmental integrity, to be used towards its climate targets.
- Sector- or methodology-level approval does not capture project-level variation in performance risk.
- Carbon ratings assist in assessing the 'performance risk' of carbon credits. This is best defined as the likelihood that a given credit will achieve a tonne of CO_2e avoided or removed over the time period committed to.
- Internationally, independent carbon credit ratings are increasingly used by governments to support Article 6 credit procurement as risk-based tools to support transparency, due diligence, and disclosure. These examples provide a model which the EU could adopt and adapt to its particular requirements.

- Carbon ratings can support informed decision-making by policymakers when assessing which credits can be used towards the 2040 target. They can be used both to "screen out" high-risk credits at an early stage and play a role in independently tracking performance risks on an ongoing basis.
- Incorporating project-level risk assessments, which could include use of independent carbon ratings, into the EU framework provides an established tool to strengthen environmental integrity while supporting a range of credit types. As discussed above, this in turn can support the EU to achieve cost efficiency while maximising climate impact.
- Carbon ratings also support market investability by providing transparent, consistent and predictable project-level risk signals, reducing the risk that eligibility decisions become an opaque or discretionary "black box" for investors.
- If carbon ratings agencies are to be used by the EU as part of their procurement approach, it is important to ensure that ratings assessments are both independent and accurate. Independence can be ensured through a requirement for carbon ratings to be regulated under ESMA's regulatory regime for ESG ratings agencies, which mandates strong governance, transparency and conflict-of-interest management. Accuracy can be addressed through the EU specifying clear technical criteria and competencies that ratings agencies must meet.
- Since carbon ratings could be captured under the scope of ESMA's ESG Ratings Regulation, accreditation under this regime could be made a requirement for ratings to play this role in the EU's framework, ensuring that carbon ratings agencies meet appropriate technical standards, disclose their methodologies and have systems in place to manage the risk of conflicts-of-interest.

4. State of Play

For the purposes of the EU's 2040 climate target, it is important to note that according to the current legal architecture only international carbon credits authorised under Article 6.2 or 6.4 of the Paris Agreement— i.e. internationally transferred mitigation outcomes (ITMOs) subject to corresponding adjustments—can be counted towards EU or Member State Nationally Determined Contributions (NDCs). Accordingly, while voluntary carbon market practices and infrastructure offer valuable experience in standards, registries, and risk management, any NDC-relevant use of international credits must occur through an Article 6 (ITMO) pathway.

At the same time, because ITMOs are authorised and accounted for at the sovereign level for NDC purposes, they do not, in their current structure, produce a freely floating, exchange-tradeable supply of homogeneous carbon units accessible to private market participants.

5. Conclusion

The Associations believe that without a mechanism that permits high-quality international carbon credits to enter the EU ETS or an analogous compliance market as fungible instruments with appropriate integrity safeguards, there will be no structural demand driver sufficient to generate the depth of liquidity necessary for the development of a liquid derivatives carbon market with fungible standardised units and efficient price discovery.

The EU should seek the highest possible alignment with the Article 6.4 mechanism, as its rules and methodologies are the outcome of a multilateral UNFCCC process and provide foundation for global consistency. At the same time, the EU should retain the ability to introduce higher or more specific requirements where evidence shows a need to strengthen integrity, including on performance risk, baseline setting, permanence, robust MRV and transparency. Any additional EU criteria should be science-based, proportionate and justified, so as to reinforce credibility without creating unnecessary fragmentation.

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 78 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on LinkedIn and YouTube.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

Sections

Which sections do you want to respond to?

✓General section (Section 1)

✓Experts section (Section 2)

General section

General considerations on the use of international carbon credits

1) Do you support the use of international carbon credits to contribute to achieve the EU's 2040 climate target as set out in the European Climate Law?

The European Parliament and the Council have agreed on an EU climate target to reduce EU net greenhouse gas (GHG) emissions by 90% below 1990 levels in 2040. This target shall be achieved both through climate action within the EU and a limited use of international carbon credits, derived from emissions reductions or enhanced removals in other parts of the world, to offset GHG emissions in the EU of up to 5% of 1990 EU net emissions by 2040. To avoid double counting, UN rules require that the mitigation outcomes sold as carbon credit can no longer be claimed towards the emission reduction goals of the selling country. Through the purchase of such credits, emission reductions are achieved elsewhere, and the emission reduction is accounted for the EU in international reporting. The proposed EU emission reduction for 2040 is defined against the baseline of total EU emissions in 1990. For reference, 1% of total 1990 emissions would be approximately 47 Mt C02eq., roughly

equivalent to the total annual emissions of Sweden in 2024. Which of the following statements best describes your opinion?

- The EU should buy and use international carbon credits from outside the EU towards its 2040 target to cover 5% of 1990 emissions
- The EU should buy and use international credits from outside the EU towards its 2040 target for less than 5% of 1990 emissions
- I am indifferent
- I disagree; the EU should achieve its climate targets through domestic action only
- I do not know

If you disagree, why?

150 character(s) maximum

2) How should international credits be used to support the EU to achieve its 2040 target? Please indicate your preferred option.

- Flexibility – Credits should be bought to provide the possibility for the EU or for a Member State to achieve part of their target using international credits
- Independent – Credits should be a separate pillar of the EU climate architecture and not be used as part of other targets and policies
- I don't know
- Other (specify):

Please specify:

150 character(s) maximum

3) Who should finance international credits?

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] The EU from the EU budget
- [ ] EU Member States from Member State budgets
- [ ] Companies e.g. under the polluter pays principle or to fulfil their net-zero commitments
- [ ] Revenues generated through the EU Emissions Trading System (ETS)

4) Do you see any benefits from the purchase and use of international carbon credits and, if so, which?

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] I do not see any benefits from the purchase and use of international carbon credits
- [ ] It can support investments and the economic development of other countries
- [ ] It can incentivise the development and scaling up of new and innovative low-carbon technologies and their implementation in non-EU countries
- [ ] It can support ecosystem protection and restoration in other countries, contributing to sustained mitigation and climate resilience
- [ ] It can strengthen the resilience of global supply chains for products sold on EU markets, such as in the agri-food value chain
- [ ] It can drive down global emissions more rapidly
- [ ] It can be more cost-efficient than domestic emissions reductions
- [ ] It can support EU competitiveness by alleviating pressure on EU-based industry
- [ ] It can be more acceptable to EU citizens than domestic climate action
- [ ] It can assist other, non-EU countries, in achieving a pathway towards the Paris Agreement goals
- [ ] It can give other countries experience of pricing carbon

- [ ] It can contribute to global climate justice
- [ ] Other (specify):

Please specify:

150 character(s) maximum

5) Do you see any negative aspects in the purchase and use of international carbon credits and, if so, which?

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] I do not see any negative aspects
- [ ] It can be unreliable in terms of environmental integrity, including risks related to additionality, permanence and impacts on ecosystems and biodiversity
- [ ] It is mobilising EU investment in third countries instead of investing in the EU. This risks taking investment away from EU companies or projects
- [ ] It can lead to international criticism that the EU is outsourcing its mitigation efforts to other countries
- [ ] It can be more costly in the long run as the EU still needs to invest in the green transition to cut its emissions and get to domestic climate neutrality by 2050 and domestic emissions will be higher in 2040 than without the use of international credits
- [ ] It can provide competitive advantages in non-EU countries where EU money is spent to build up capacity in removal and other emissions-cutting technologies
- [ ] It can negatively affect the credibility of the EU's 2040 target or the credibility of its role as a leader in terms of international climate action
- [ ] It can increase the risk of lock-in into carbon-intensive infrastructure in the EU by delaying domestic action while at the same time risking

slowing down innovation and the uptake of green technologies in the EU

- [ ] It can be administratively cumbersome and costly to implement
- [ ] It can make it more difficult for non-EU countries to meet ambitious mitigation commitments because the cheapest emissions reductions may be sold to the EU
- [ ] It can make it more difficult for non-EU countries to set ambitious mitigation commitments as they have an incentive to maximise the sale of international carbon credits
- [ ] It can give rise to the risk that source countries do not effectively manage the risk of reversal of emission removal projects
- [ ] Other (specify):

Please specify:

150 character(s) maximum

Negative aspects may only arise if international carbon credits do not successfully overcome issues related to consistency, comparability and clarity.

6) How confident are you that international carbon credit projects deliver the claimed emission reductions?

- ( ) Very confident
- ( ) Somewhat confident
- ( ) Indifferent
- ( ) Not very confident
- ( ) Not confident at all
- ( ) I don't know

7) In your opinion, where would money for climate action be best spent, within the EU or outside the EU?

1 = The EU would be better advised to use finance for climate action for

investments in the EU

5 = The EU would be better advised to use finance for climate action for investments outside the EU

Please indicate as below on a scale of 1 to 5.

	1	2	3	4	5	I don't know
Buying international carbon credits from non-EU countries means investing money outside the EU rather than investing in domestic climate action inside the EU.	○	○	○	○	○	○

Experts section

The EU regulatory framework

1) If international carbon credits are used to partly achieve the 2040 climate target these will substitute climate action within the EU. In which sectors should the use of international carbon credits from mitigation in non-EU countries replace EU domestic climate action?

Multiple answers possible; if no opinion please skip and go to the next question

- ☐ In sectors where the action needed to transition to net-zero is most expensive (using a cost-efficient approach)
- ☐ To compensate for natural disturbances in the land use, land use change and forestry sector
- ☐ Sectors currently covered by Member State targets under the Effort Sharing Regulation, i.e. road transport, buildings, agriculture, small industry and waste.
- ☐ In sectors currently covered by ETS 1 (energy-intensive industry, the energy sector, the aviation and maritime sectors)
- ☐ Efforts should be equally reduced across all sectors
- ☐ None, international carbon credits should only be used on top of

domestic measures to meet the 2040 target

2) If international carbon credits were used to replace a part of the reductions necessary under the EU ETS, which type of credits should be purchased?

- Any kind of international credits
- Only credits guaranteeing permanent reduction or removal
- None at all

3) If international carbon credits were used to replace a part of the reductions necessary in the LULUCF sector, which type of credits should be purchased?

- Any kind of international credits
- Only credits related to land use, including non-permanent credits
- Only credits that provide permanent emission reduction or removal
- Only credits that demonstrate long-term ecosystem integrity

Implementation

4) Based on which criteria should the EU select the countries from which credits will be purchased?

Co-legislators have decided 'to ensure that they are based on credible and transformative activities in partner countries with the aim of achieving climate targets and policies compatible with the long-term temperature goal in the Paris Agreement and are subject to robust safeguards, including ensuring integrity, avoidance of double counting, additionality, permanence, transparent governance, strong monitoring, reporting and verification methodologies, as well as economic, social and environmental co-benefits and human rights safeguards, and high

ambition for the share of proceeds for adaptation and sharing of mitigation benefits with concerned countries.'

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] Level of climate ambition showing a sufficient level of domestic climate ambition
- [ ] Level of development - only least developed countries
- [ ] Countries with the largest potential to generate credits
- [ ] Countries with the potential to generate the cheapest credits
- [ ] Close economic/trade relations with the EU
- [ ] Accession countries - countries preparing to join the EU in the future
- [ ] Shared values and geostrategic interests
- [ ] Countries that respect democracy and human rights, in line with EU values
- [ ] The EU should buy directly on the market, irrespective of the country of origin
- [ ] Other (specify):

If Other:

150 character(s) maximum

The country of origin, should respect democracy and human rights, in line with EU values, as well as elements of transparency and robust governance.

5) Which aspects (other than climate change mitigation) should the EU take into account when selecting sectors or types of mitigation activity as a source of international carbon credits?

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] Contribution to the EU's economic and industrial development
- [ ] Support for the development of EU clean tech industry
- [ ] Support for the development of new innovative technologies
- [ ] Support for the development of EU-based entities involved in carbon credit activities

- ☐ Co-benefits with the protection and restoration of biodiversity and ecosystems
- ☐ Co-benefits with adaptation and resilience to climate change
- ☐ Co-benefits with social and economic development
- ☐ Others

Please specify:

150 character(s) maximum

These aspects should be considered a “plus” rather than a strict must-have; otherwise, the eligible project pool risks becoming overly constrained.

6) What additional checks (if any) should the EU consider to implement an effective and transparent process for the validation and verification of activities?

Validation and verification of carbon credits has been a key pillar for strengthening their integrity. Independent validation and verification bodies are tasked with providing an unbiased judgement of whether activities meet the requirements of standards and methodologies, and whether emission reductions and removals have been properly quantified. However, flaws in the process, such as the fact that the validation and verification bodies are selected and paid by the project developers themselves, may appear. This question aims to gather feedback on how to improve validation and verification practices, as part of an EU purchasing programme for international carbon credits.

1000 character(s) maximum

Please specify in text below; if no opinion please skip and go to the next question

They should be totally independent from any entities involved in the process of Carbon Credit Issue. They should be accredited by a national authority which could play the role of intermediary and manage the transaction between the project developer and the V&V bodies, excluding any direct contact between them and relative conflict of interest in order to guarantee transparency and independent auditing.

The EU should build on robust MRV and environmental integrity criteria. It should enhance oversight of validation and verification bodies through detailed accreditation, regular performance reviews and strong conflict-of-interest safeguards, particularly where verifiers are selected and paid by project developers. The EU should require transparency through publication of methodologies, monitoring data and audit findings.All measures should remain proportionate and aligned with Article 6 and international best practices, while avoiding unnecessary administrative complexity.

Carbon ratings and insurance can play a critical role in managing residual risks beyond V&V improvements.

7) What transparency provisions should the EU implement as part of bilateral purchasing agreements, to guarantee an adequate level of access to information for the public?

*1000 character(s) maximu*Please specify in text below; if no opinion please skip and go to the next question

The EU should ensure transparent reporting on how credits contribute to host country NDCs, in line with Article 6. It should publish monitoring reports, verification outcomes and information on permanence safeguards, consistent with the emphasis on robust MRV and integrity. The EU should also disclose benefit-sharing arrangements and safeguards related to social and environmental co-benefits. Transparency rules should be standardised, proportionate and aligned with international practice. Moreover, independent carbon ratings agency assessments should be made publicly available, since these provide a fungible metric of credit integrity that is relatively simple to interpret for the public (compared with, for example, detailed technical reports).

8) Beyond the potential contribution to adaptation finance (levy of a share of proceeds) when purchasing international credits as recommended under Article 6.2 of the Paris Agreement, how should bilateral purchasing agreements benefit adaptation and resilience?

- ○ No further adaptation benefits beyond the levy
- ○ Through requirements for a certain share of projects to deliver verified adaptation benefits
- ○ Through requirements for authorised entities to implement adaptation actions alongside (but not necessarily integrated into) the mitigation actions that will generate internationally transferred mitigation outcomes (ITMOs)
- ○ Other (specify):

Please specify:

150 character(s) maximum

9) What proportion of the mitigation outcomes generated should be left to the benefit of the partnering country?

It is possible that a proportion of the achieved mitigation outcomes be left to benefit the source country so that cooperation supports and does not undermine the partnering country's climate ambition. The proportion of the achieved mitigation outcomes is then accounted for in the partnering country's inventory.

- ○ No mitigation outcome benefit should be shared, all benefits should go to the EU
- ○ Less than 50%
- ○ 50%
- ○ More than 50%

- I don't know
- Determined on a case-by-case basis, (please specify below):

Other comments or suggestions (please specify below):

Please specify:

150 character(s) maximum

This should depende.g. on the host country's level of climate ambition, the contribution to its NDC, the type of activity, and integrity safeguards.

Quality of credits

10) From which type of action should the EU buy credits?

- Emission reductions
- Removals
- All
- None

11) Which quality aspects or criteria should the EU consider a priority when purchasing international credits?

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] The additionality of the mitigation outcomes
- [ ] The consistency of the quantification methods and crediting levels (including the baselines) with the EU and the Paris Agreement climate goals
- [ ] Consistency with long-term ecosystem integrity and the avoidance of biodiversity loss
- [ ] The avoidance of lock-in of high levels of emissions, or emission-intensive technologies or practices in the host country
- [ ] The robustness and conservativeness of the monitoring and calculation of the mitigation outcomes

- [ ] The prevention, reduction and remediation of leakage of emissions
- [ ] The permanence of the mitigation outcomes
- [ ] The application of robust social, environmental and human rights safeguards and grievance mechanisms in the implementation of the mitigation activities
- [ ] The robustness and transparency of the crediting programme governance (including third-party validation and verification)
- [ ] Others (specify):

Please specify:

150 character(s) maximum

12) From which types of mitigation activity should the EU prioritise the purchase of credits?

Multiple answers possible; if no opinion please skip and go to the next question

- [ ] Forestry and land use (afforestation, reforestation, forest management, soil management, peatland rewetting, land restoration)
- [ ] Agriculture (enteric methane reduction, sustainable agricultural practices, biochar, biogas production, N2O abatement)
- [ ] Power (off- and on-grid renewable energy, early retirement of coal power generation, CCS in the power sector, leak detection and repair in gas infrastructure, biodigesters, grids)
- [ ] Industry (industrial energy efficiency, industrial CCS)
- [ ] Waste (landfill gas capture, landfill avoidance)
- [ ] Removals (DACCS, BECCS, biochar, marine carbon dioxide removal)
- [ ] Other technologies (efficient cooking stoves, reductions of non-CO2 climate impacts of aviation and maritime activities)
- [ ] Other (specify):

Please specify:

150 character(s) maximum

13) Do you have any specific concerns or suggestions regarding the types of activities?

1000 character(s) maximum

Please specify in text below; if no opinion please skip and go to the next question

The activities financed by carbon credit purchase should convey funding to types of activities which can guarantee the removal of GHG to support the impact of a decarbonisation strategy and provide instruments able to reduce the carbon footprint of human activities.

14) How should the EU aim to improve on the rules defined by the Article 6.4 mechanism, when setting EU quality criteria for carbon credits?

You may consider all aspects of the Article 6.4 mechanism to answer this question, including its rules, modalities and procedures, as defined in relevant CMA decisions, as well as its standards, tools, processes, and methodologies, as adopted by the Supervisory Body of the mechanism.

- I don't know
- The EU should stick to Article 6.4 Paris Agreement Crediting Mechanism (PACM) standards
- The EU should set higher standards than those in Article 6.4

Please specify in text below how and on which aspects of the Article 6.4 mechanism the EU should set higher standards

150 character(s) maximum

Where evidence shows a need to strengthen integrity, including on performance risk, baseline setting, permanence, robust MRV and transparency in a proportionate manner.

15) Should the EU approve methodologies or projects under its cooperative approaches?

- ○ Only methodologies (all ITMOs generated using these methodologies, in a country with which the EU has a cooperative approach in place, would be automatically eligible for use towards the EU's 2040 target).
- ○ Only projects (all projects would be subject to a specific process before confirming that their ITMOs are eligible for use towards the EU's 2040 target, and there would be no discrimination based on methodologies)
- ○ Both projects and methodologies (only projects using approved methodologies would be eligible, and all projects would be assessed before their ITMOs are considered eligible for use towards the EU's 2040 target)
- ○ Other (specify):

Please specify:

16) Should the EU follow common practice to implement validation and verification rules as part of its cooperative approaches under Article 6.2 of the Paris Agreement?

Common practice on the international carbon credit market is for project developers to select third party verifiers from a pool of accredited entities, and to pay these entities to verify and validate their activity. This was the case under the Clean Development

Mechanism (CDM) and is still the case under most voluntary carbon market standards and the Article 6.4 mechanism.

If no opinion please skip and go to the next question

- ○ No, it should follow a different approach (Please specify below)
- ○ No, there should be no validation and verification requirement
- ○ Yes, but with some changes to common practice (Please specify below)
- ○ Yes, this approach is sufficient

Please specify:

150 character(s) maximum

V&V Bodies should be engaged and paid by others than Project Developers with their accreditation and periodic performance oversight strengthened.

17) How should the EU ensure that the desired level of quality of the credits it purchases is achieved?

Multiple answers possible; if no opinion please skip

- ☐ Establish its own standards and methodologies
- ☐ Recognise existing standards and methodologies
- ☐ Recognise existing standards and methodologies with additional project-based checks
- ☐ Recognise existing standards and methodologies with potential additional further quality criteria or conditions
- ☐ Establish whitelist(s) of acceptable types of credits/methodologies
- ☐ Establish blacklist(s) of unacceptable types of credits/methodologies
- ☐ Accredit its own validation and verification bodies
- ☐ Recognise existing validation and verification bodies accreditation schemes
- ☐ Other comments or suggestions:

Please specify:

150 character(s) maximum

The EU should strongly consider the use of independent carbon ratings as its primary tool to deliver additional project-level assessments efficiently.