



Voluntary Carbon Markets Joint Policy Statement and Principles



May 2024

Voluntary Carbon Markets Joint Policy Statement

High-integrity voluntary carbon credit markets (VCMs), as well as carbon credit markets more broadly, have the potential to support decarbonization efforts within the United States and globally, accelerating net emissions reductions while reducing their cost. They can achieve this by further unlocking capital and demand for real, additional, lasting, and independently verified emissions reductions and removals. Such markets can also provide myriad co-benefits by supporting economic development, sustaining livelihoods of local communities, and conserving land and water resources and biodiversity.

As leaders of U.S. Federal departments and offices, we have issued this statement and associated principles on VCMs because we believe they can and should play a meaningful role in facilitating global greenhouse gas emissions (“emissions”) reductions and removals and helping to reach global net-zero emissions by 2050 and limit warming to 1.5 °C. While VCMs remain relatively small today, they have the potential to grow in the coming years and channel a significant amount of private capital to support the energy transition and combat climate change, with the right incentives and guardrails in place. At the same time, we believe fully achieving the potential of these markets requires further action to address challenges that have emerged, promote robust standards for carbon credit (“credit”) supply and demand, improve market functioning, ensure fair and equitable treatment of all participants, and instill needed market confidence.

This statement provides observations on the current state of VCMs and their potential. It then outlines voluntary principles that U.S. market participants should embrace as they engage in these markets. These principles will also guide how the U.S. Government engages with VCMs. While the focus of this statement is on VCMs, much of the content speaks to the development and operation of carbon credit markets generally.

* * *

Widespread confidence in the integrity of credited emissions reductions and removals is critical for VCMs to reach their potential. Unlike many commodities, the physical delivery of the tonnes of emissions reductions or removals that underpin credits is not typically taken by the buyer, but instead by the earth’s atmosphere. Though decarbonization outcomes can and *must* be accurately

measured or estimated, they generally cannot be directly examined by the buyer.¹ As a result, credit integrity is paramount.

However, researchers, journalists, and other observers have found that several popular crediting methodologies and activities that rely on them have not produced the decarbonization outcomes they claim. Important questions have emerged about how to ensure that VCMs genuinely drive additional decarbonization action (rather than reward what would have happened anyway) that is sustained over time and does not simply shift emissions elsewhere. In addition, barriers to market participation have inhibited market efficiency and opportunity.

Put simply, stakeholders must be certain that one credit truly represents one tonne of carbon dioxide (or its equivalent) reduced or removed from the atmosphere, beyond what would have otherwise occurred.

At the activity level, we observe mounting attention to the need for measures that ensure credited activities respect local communities and human rights and identify, mitigate, and address any negative environmental or social impacts. Moreover, policymakers require technical assurances that these activities *and* their credited results are compatible with ambitious emissions pathways, national climate change policies, and sustainable development goals. In addition, clearer rules of the road would enhance market certainty for credit buyers and businesses and individuals undertaking activities to supply this market.

Concerns about the credible *use* of credits (for example, to address a portion of Scope 3 emissions) must also be adequately addressed for VCMs to truly drive decarbonization. Stakeholders have raised concerns regarding the integrity of credit demand—including that some purchasers may prioritize price and quantity over credit integrity, use credits to offset their emissions in place of feasible direct abatement actions, or make resulting claims about their emissions performance that are not credible and grounded in science.

These demand integrity concerns must also be addressed in order for credits to truly drive decarbonization outcomes that are complementary to the other ambitious actions and policies required to combat climate change.

¹ Unlike what happens with commodities that can be sampled or measured on delivery, such as soybeans or nickel, a credit buyer cannot consistently and easily ascertain quality through examination of physically delivered emissions reductions or removals. While the credits themselves can be delivered to the buyer, the underlying asset (emissions reduction or removal) does not typically transfer to the buyer's possession and use.

Fortunately, we see a renewed wave of civil society, corporate, and government resolve to address these challenges. Notable developments include:

- The emergence of multi-stakeholder initiatives that have set out standards and principles for high-integrity credit development and responsible credit use;
- Improvements to key crediting methodologies, their guiding standards, and tracking systems;
- New and improved analytical products and services that aim to strengthen credit transparency and quality comparability, such as carbon credit rating services;
- Technologies to support robust measurement, monitoring, reporting, and verification (MMRV);
- Multilateral rules, guidance, and procedures developed under Article 6 of the Paris Agreement and the international aviation sector’s global carbon market-based measure, which shape certified emissions reductions and removals that often find their home in VCMs²; and
- Advances in the development of market infrastructure to improve transparency and liquidity, as well as the integrity of market transactions.

High-functioning VCMs can connect buyers to cost-effective, high-quality emissions reduction and removal credits, creating meaningful economic opportunities for credit sellers. They can also help private sector buyers drive additional climate ambition today, through large-scale efforts such as nature-based decarbonization. Demand signals in VCMs can also help technologies for carbon removal and long-term storage become more cost effective in the future and support greater purchase volumes of associated carbon removal credits.³ Consistent with science-based

² Examples include the G7’s Principles for High-Integrity Carbon Markets; multilateral standards such as the International Civil Aviation Organization’s Emissions Units Criteria that underpin the Carbon Offsetting and Reduction Scheme for International Aviation (ICAO CORSIA), which guides approval of credits for use under CORSIA; the crediting mechanism established under Article 6.4 of the Paris Agreement; and agreed guidance for countries to robustly account for and report at a principle-level on the environmental and social integrity of emissions reductions or removals that they authorize and transfer to meet their Paris Agreement emissions targets.

³ According to the Intergovernmental Panel on Climate Change (IPCC) (Sixth Assessment Report, Working Group III), “carbon dioxide removal (CDR) is necessary to achieve net zero CO₂ and GHG emissions both globally and nationally, counterbalancing ‘hard-to-abate’ residual emissions. CDR is also an essential element of scenarios that limit warming to 1.5°C or below 2°C (>67%) by 2100....” Several stakeholders recommend that, over time, credit buyers allocate more spend to removals with durable storage as the price of such activities decreases (see, e.g., Oxford Principles for Net Zero Aligned Carbon Offsetting, 2024 revision).

pathways, we expect removal credits to constitute a growing share of the market over time.

To help advance this outcome, the U.S. Government is playing an increasingly important role in carbon credit markets. For example, regulators have incorporated carbon credit disclosure standards into securities regulation and proposed guidance aimed at safeguarding the integrity of voluntary carbon credit derivatives and associated trading platforms, including by promoting the use of high-integrity credits. Land management agencies are making significant investments in improved soils, grassland, and forest data at home and abroad that will reduce measurement uncertainty and support the integrity of VCMs. The U.S. Government also continues to support investments in robust enabling environments for projects and programs generating credits through high-integrity approaches, including in developing countries. Federal efforts have and will continue to make vital contributions to the integrity and functioning of VCMs by supporting critical market infrastructure and advancing responsible market practices.

To demonstrate our commitment to high-integrity VCMs, we are today publishing a fact sheet with relevant federal government actions, outlining how the U.S. Government has and will continue to shape this market in line with these principles. These efforts complement—and are not in place of—other actions the United States and other governments are taking to combat the climate crisis, including preparing and implementing ambitious 1.5°C-aligned nationally determined contributions under the Paris Agreement and investing in technologies and practices to decarbonize high-emitting sectors—including the power, transportation, buildings, industry, and agriculture sectors.

We encourage the U.S. private sector and other stakeholders in the carbon credit value chain to responsibly participate in VCMs, consistent with the principles below. These principles recognize the need for: credit integrity, including protections regarding climate and environmental justice (i.e., “supply integrity”) (Principles 1 and 2); credible credit use (i.e., “demand integrity”) (Principles 3, 4, and 5); and market-level integrity, including facilitating efficient market participation and lowering transaction costs (Principles 6 and 7). These principles are non-exhaustive, and they seek to elevate concepts already developed by civil society, international organizations, governments, and multilateral fora. We are publishing

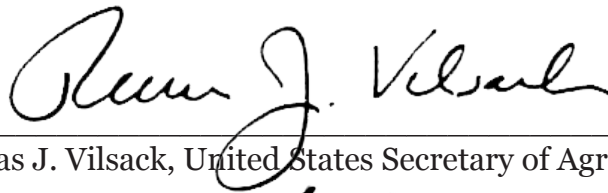
these principles primarily to inform and support ongoing efforts to address the challenges and opportunities associated with VCMs.⁴

We applaud organizations that are engaging with these markets in ways consistent with these principles and encourage more to do so. In the meantime, the U.S. Government will continue working to tackle the global climate crisis while expanding economic opportunities for Americans and our partners across the world.

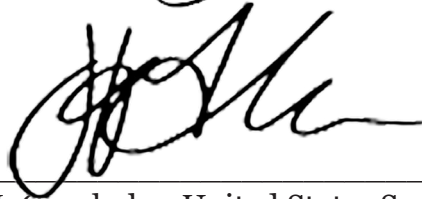
Signed,



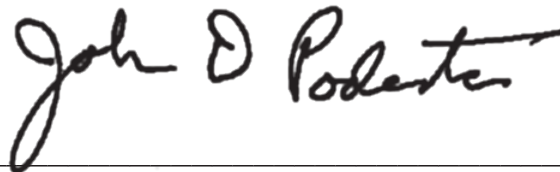
Janet L. Yellen, United States Secretary of the Treasury



Thomas J. Vilsack, United States Secretary of Agriculture



Jennifer M. Granholm, United States Secretary of Energy



John Podesta, Senior Advisor to the President for International Climate Policy



Lael Brainard, National Economic Advisor



Ali Zaidi, National Climate Advisor

⁴ We recognize that the concepts in these principles may, in some instances, be applicable to carbon credit markets more generally. International carbon market negotiations are ongoing and nothing in this statement prejudices the outcome of those negotiations.

Principles for Responsible Participation in Voluntary Carbon Markets (VCMs)

1. Carbon credits and the activities that generate them should meet credible atmospheric integrity standards and represent real decarbonization.⁵

Activities that generate credits and the credits themselves should be certified to a robust standard for activity design and MMRV of emission reductions or removals, applying procedures that deliver on core integrity principles, including these elements:

- **Additional.** The activity would not have occurred in the absence of the incentives of the crediting mechanism and is not required by law or regulation.
- **Unique.** One credit corresponds to only one tonne of carbon dioxide (or its equivalent) reduced or removed from the atmosphere and is not double-issued.
- **Real and Quantifiable.** Claimed emissions reductions or removals represent genuine atmospheric impact that is determined in a transparent and replicable manner using robust, credible methodologies. Relevant activities are designed to prevent emissions from occurring, being shifted, or intensifying beyond their boundaries as a result of the activity (“leakage”).
- **Validation and verification.** Activity design is validated, and results are verified, by a qualified, accredited, independent third party.
- **Permanence of greenhouse gas benefits.** The emissions removed or reduced will be kept out of the atmosphere for a specified period of time during which any credited results that are released back into the atmosphere are fully remediated.
- **Robust baselines.** Baselines for emissions reduction and removal activities are based on rigorous methodologies that avoid over-crediting, prioritizing the use of performance benchmarks where applicable, and that evolve over

⁵ Concepts in Principles 1-2 draw from existing best practices for credit certification standards, including key concepts from the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the G7’s Principles for High-Integrity Carbon Markets; the Commodity Futures Trading Commission’s proposed guidance regarding the listing of voluntary carbon credit derivative contracts (December 2023), the Integrity Council for Voluntary Carbon Markets (IC-VCM), and relevant decisions under Article 6 of the Paris Agreement.

time to reflect advancements in national climate policy, emissions pathways and decarbonization practices, and technology.

Some criteria, such as those for avoiding emissions leakage or for ensuring additionality of more capital-intensive infrastructure and policy alignment, can be more readily achieved through sector-wide or jurisdictional-scale approaches to crediting and nesting of project-level activities into jurisdictional-scale programs and accounting.⁶ Buyers and sellers should account for these differences in their market activities.⁷

Credit certification standards bodies—which register activities and issue credits on the basis of verification against standards and approved methodologies—play an essential role in ensuring credit integrity. These bodies and their standards should:

- Effectively govern their standards to ensure transparency, accountability, responsiveness (e.g., to evolving best practice, science, and policy landscapes), and, when applicable, the longevity necessary to responsibly certify removal activities;
- Operate or make use of a registry to transparently track the attributes, issuance, ownership, and retirement and/or cancellation of credits, coordinating where appropriate to ensure that activities are not registered with more than one registry;
- Ensure robust MMRV of emissions reductions and removals;
- Have procedures in place to effectively address double-counting risks, including to prevent double-registration and -issuance, to prohibit double-selling and -use, and to transparently reinforce multi-stakeholder efforts to avoid double-claiming as applicable;
- Require publicly available and accessible, comprehensive, and transparent information on crediting activities;
- Ensure verification of reported emissions reductions and removals, and validation of the relevant project or program, is undertaken by independent, accredited third parties;
- Ensure their governance procedures address real or perceived conflicts of interest in relation to the standards body’s own governance, as well as in

⁶ See, for example, recent guidance from the Tropical Forest Credit Integrity (*Tropical Forest Credit Integrity Guide for Companies Version 2, 2023*).

⁷ Some project-level procedures, such as tools for project-based additionality testing, are not directly applicable to sector-scale or jurisdictional programs. As a result, attention should be paid to alternative approaches to robust baseline-setting and related measures that collectively support confidence in the integrity of these larger-scale programs’ results.

- registry administration and in validation and verification activities; and
- Support a robust enabling environment for equitable participation, including by projects and programs in developing countries.

2. Credit-generating activities should avoid environmental and social harm and should, where applicable, support co-benefits and transparent and inclusive benefits-sharing.

Climate and environmental justice impacts of credited activities are important to understand, and project and program developers should seek to avoid negative externalities for the communities in which they operate. Safeguards should be put in place to identify and avoid potential adverse impacts on people and the environment, including as they relate to local communities, land use and tenure rights, food security, nature, and biodiversity. They should proactively monitor and mitigate any adverse impacts that remain. Where appropriate, they should also seek to enhance positive impacts. To that end, the identification and delivery of verified “co-benefits” associated with credit-generating projects and programs, such as sustainable economic development and increased biodiversity, are encouraged. Projects and programs, including any benefits-sharing arrangements, should also be designed and implemented in consultation with—and, where applicable, in partnership with—relevant stakeholders and respect Free, Prior and Informed Consent where it applies.

3. Corporate buyers that use credits (“credit users”)⁸ should prioritize measurable emissions reductions within their own value chains.

“Use of credits” pertains to the purchase and cancellation or retirement⁹ of credits, and any subsequent public-facing “claim” based on the climate impact of those credits (see Principle 5). Achieving long-term climate goals requires transforming business models across economies. Accordingly, credit users should use VCMs to complement measurable within-value-chain emissions reductions as part of their net-zero strategies. Such efforts should include taking inventory of Scope 1, 2, and 3 emissions and regularly reporting them, setting near-term emissions reduction targets and longer-term net-zero targets, and adopting and executing transition plans. Where feasible, companies should work collaboratively with their

⁸ “Credit users” are a subset of “credit buyers.” A “credit user” not only purchases a credit, but also retires it.

⁹ Credit retirement refers to the act of redeeming or using a credit (e.g., toward a claim or sustainability goal) and subsequently removing that credit from market circulation so that it cannot be resold or claimed by another entity. It is distinct from (and can only happen after) purchasing or acquiring a credit. There are several reasons an entity may purchase but not retire a credit. For example, an entity may purchase a credit for purposes of investment or as part of a market-making function.

suppliers on efforts to undertake decarbonization activities, including in ways that are mutually beneficial. This could include directly funding within-value-chain decarbonization activities (e.g., by insetting or purchasing supplier-generated credits). Credit users seeking further guidance on credible approaches to climate strategies that reduce value chain emissions should refer to Treasury’s [Principles for Net-Zero Financing and Investment](#) or similarly robust guidance.

4. Credit users should publicly disclose the nature of purchased and retired credits.

Disclosure of purchased, cancelled, or retired credits¹⁰ should be made on at least an annual basis and include details that enable outside observers and relevant stakeholders to assess whether purchased and retired credits are of high integrity and avoid negative environmental and social impacts (i.e., relating to the parameters discussed in Principles 1 and 2).¹¹ In some cases, adherence to this principle may involve voluntary public disclosures exceeding those required by applicable law.

Credit users should determine the optimal format in which to publish information about purchased and retired credits in light of evolving practices while seeking to disclose information in a standardized manner that enables comparability across credit users. Regardless of format, such information should be made easily accessible to stakeholders, such as in a regular publication. Credit users should consider reporting to resources that aggregate and publicly disseminate this information.

5. Public claims¹² by credit users should accurately reflect the climate impact of retired credits and should only rely on credits that meet high integrity standards.

Demand-side credit standards, codes of conduct, and other frameworks that define what constitutes an appropriate claim are evolving. As these frameworks continue to develop, they should increase incentives to purchase high-integrity credits on an ongoing, regular basis without reducing incentives for companies to expeditiously pursue within-value-chain emissions reductions. For example, those

¹⁰ Retired credits refer to credits that were redeemed or used (e.g., toward a claim or sustainability goal) and subsequently removed from market circulation.

¹¹ For example, disclosed information on purchased, cancelled, or retired credits should include the relevant certification standard name, project name, project ID, host country, credit vintage, methodology, and project type, as well as whether the credits met relevant third-party principles for integrity.

¹² Public claims by credit users often extend beyond disclosure (see Principle 4) and are intended to communicate the users’ commitment to emissions mitigation efforts.

developing such frameworks should consider incorporating approaches that allow companies to count credits toward a portion of their Scope 3 emissions associated with science-aligned emission pathways in cases where it would be unreasonable to expect a company to be able to fully abate those emissions within a given timeframe.¹³

Claims should rely only on the impact of credits that meet current high integrity standards at the time the claim is made and that avoid adverse impacts (see Principles 1 and 2). These claims should be in the context of a corporate climate strategy that prioritizes within-value-chain emissions reductions (see Principle 3). Credited emissions reductions or removals that have been reversed, revealed as inflated, or exposed as failing environmental or social safeguards should not be used as the basis for any claims unless remediation, such as replacement by buffer pool credits, has taken place.

6. Market participants should contribute to efforts that improve market integrity.¹⁴

While issues of market integrity are distinct from those of credit and demand integrity (i.e., those referenced in Principles 1–5), improvements to the latter can positively impact the former. The market structures underpinning VCMs are quickly evolving. Today, credits are traded both through private contracts (over-the-counter) and on exchanges. While not pre-supposing any particular market structure, stakeholders should seek to improve market functionality for a variety of market participants. This includes: creating incentives to develop and purchase high-integrity credits; improving transparency and the publicly available data of credit-generating projects and programs, including transaction volumes and prices; promoting fair and equitable treatment of suppliers involved in credit generation, including fair distribution of revenue; controlling for potential conflicts of interest among VCM service providers; preventing fraud and manipulation by bad-faith actors undermining credit integrity; providing for the appropriate accounting and legal treatment of credits and resolving any related ambiguities; enabling global interoperability of relevant standards, market infrastructure, and reporting; supporting robust and equitable participation in these markets,

¹³ The Voluntary Carbon Markets Integrity Initiative (VCMI), which has issued guidance (the “Claims Code of Practice”) on how companies can make voluntary use of credits as part of credible science-aligned net-zero decarbonization pathways, has published a “beta version” of a Scope 3 Flexibility Claim under which companies could use credits to bridge the gap between their scope 3 emissions and a science-aligned pathway. The Science Based Targets initiative (SBTi) has announced it “will consult [...] on the revision of the scope 3 framework, including the responsible use of environmental attribute certificates in target setting.”

¹⁴ In the context of VCMs, “market integrity” refers to issues other than credit and demand integrity that affect the functionality and health of these markets; this includes issues related to credit price transparency, liquidity, and price dispersion.

including by projects and programs in developing countries; and taking other measures separate from credit and demand integrity to improve the functioning and health of these markets. Addressing these issues will require collaboration between the private sector, civil society, and the public sector.

7. Policymakers and market participants should facilitate efficient market participation and seek to lower transaction costs.

Expanding market opportunities for credible credit providers is an important component of the United States' climate strategy. Addressing the barriers (e.g., high transaction costs) facing credit-generating suppliers—including farmers, ranchers, forest owners, small businesses, developing country jurisdictions, and others—can improve the overall ability of VCMs to produce high-integrity credits that advance decarbonization and generate economic opportunity. Policymakers and buyers should consider ways to enhance market certainty for credit providers undertaking long-term and often significant investments in decarbonization that plan to rely on VCM revenues to finance their actions. Where appropriate, including for land-based credits, the use of scientifically robust models—including those supported by government investment—can help reduce MMRV costs and improve credit integrity when paired with appropriate safeguards.