# Taskforce for Scaling Voluntary Carbon Markets: Consultation Response

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As authors of the **Oxford Principles for Net-Zero Aligned Carbon Offsetting** (the "Oxford Offsetting Principles"), we welcome the opportunity to respond to the recently released **consultation document** from the Taskforce for Scaling Voluntary Carbon Markets (the "Taskforce"), which previews the Taskforce's blueprint for developing an effective carbon offsetting market and solicits input on how best to drive it forward.

The Oxford Offsetting Principles provide guidelines to help ensure offsetting actually helps to achieve a net zero society. Carbon offsetting, if done properly, can contribute to net zero strategies, especially in hard-to-decarbonise sectors such as aviation and agriculture. However, offsetting, if not done well, can result in greenwashing and create negative unintended impacts for people and the environment.

We have argued that there are four key elements to credible, net zero aligned offsetting, as we set out in the Oxford Offsetting Principles:

- Prioritise reducing your own emissions first, ensure the environmental integrity of any offsets used, and disclose how offsets are used.
- Shift offsetting towards carbon removal, where offsets directly remove carbon from the atmosphere;
- Shift offsetting towards long-lived storage, in which carbon is stored away from the atmosphere permanently or almost permanently; and
- Support for the development of a market for net zero aligned offsets.

While the Taskforce's scope is different than the Oxford Offsetting Principles' focus on the question of net-zero alignment in offsetting, we believe there is substantial common ground and overlap, since nearly all of the likely users of the Taskforce's recommendations will eventually attempt to make net zero claims. Our view is that the Taskforce succeeds in identifying some of the challenges and proposing some solutions, but places insufficient emphasis on the integrity of offsets and their actual contribution to achieving net zero. In fact, it is largely silent on this question.

The Taskforce's blueprint may well help scale voluntary carbon markets, but if those markets do not deliver real climate benefits this will undermine trust in the market, resulting in it failing to reach the scale and liquidity that the TSVCM itself would like to see. Failing to engage properly with the question of offset integrity is, therefore, self-defeating for the TSVCM. Below are our formal answers to the consultation's survey questions, drawing on the published Oxford Offsetting Principles.

**Do you agree that the implementation of the six topics for action would significantly help to scale voluntary carbon markets? Is there anything not covered by these topics for action that we should consider?**

We agree that the six topics could collectively scale the Voluntary Carbon Markets (VCMs), but ensuring carbon credit quality (topic 1) is paramount. The usefulness and effectiveness of the other topics rest entirely on whether the Core Carbon Principles (CCPs) are stringent enough and implemented in such a way that carbon credits do what they are supposed to: generate real carbon benefits to the atmosphere. The Taskforce leaves out of scope the critical question of what offset purchasers can claim (e.g. "carbon neutral", "net zero"), which, as we present in our Principles, cannot be separated from the question of offset quality/type. The Blueprint also places little emphasis on the goal of cutting emissions first, which we urge organisations to do before considering offsetting (Principle 1). Finally, we appreciate mention of the importance of removals, but recommend elevating the issue of long-lived (i.e. durable or low-risk) storage, and making explicit the need to transition carbon credit types toward removals (Principles 2) and long-lived storage (Principle 3).

**How could we be more ambitious / forward leaning?**

Our Principle 1 reminds offset purchasers that they must use "high quality" offsets; the majority of offsets available on the market today would not pass this test, whether due to lack of additionality, systematic overcrediting, high risk of reversal, or other issues. The remaining efforts of the Taskforce will need to acknowledge this fact and seek to address it. To achieve additional ambition beyond this starting point, the Taskforce will need to communicate clearly how its CCPs differ or will build on past efforts to enhance the quality of carbon credits. Finally, we encourage the Taskforce to explicitly consider the changes in carbon credit use that must occur on the path to net zero emissions, outlined in our Principles 2 (Shift to carbon removal offsetting) and 3 (Shift to long-lived storage).

**Do you agree with the recommended actions we have outlined in "topic for action I"?**

**Recommended action 1: Establish core carbon principles and taxonomy of additional attributes**

"Neutral" - We strongly support the need to establish quality standards (Principle 1) and to differentiate among carbon credit types, for example using our proposed taxonomy of short- vs. long-lived storage, and emission reduction vs. carbon removal, and further the need to change the relative use of these types over time as we approach net zero emissions (Principles 2 and 3). Our Principles make clear our view that the quality and characteristics of carbon credits are inextricably linked to which claim they enable their purchaser to make, which may mean that credits must remain segregated in a way that the CCPs and core carbon contract as currently envisaged don't allow. Using offsets to deliver a "net zero emissions" claim requires a high degree of certainty in the underlying carbon benefits of purchased offsets, which the CCPs must make possible to ascertain.

**Which of the following additional attributes would you want to see available, distinct from core carbon? These will serve as a method to differentiate carbon credit valuations, allowing the market to decide their value. Please also note that the Core Carbon Principles are likely evolve over time.**

- **Vintage (e.g. year of emissions reduction, year of first project crediting period).**
    - Yes
- **Avoidance / reduction vs. removal /sequestration.**
    - Yes. Note that there may be some ambiguity in the Taskforce's proposed taxonomy, see response to below question on this topic. Note also that some project types (e.g. improved forest management) offer a mix of reduction and removal as currently constituted. These could either be separated into their constituent reduction and removal parts, or if they remain combined this attribute tag will need to allow for expressing the percentage of each that a credit provides.
- **Project type (e.g., renewables, REDD+, Afforestation).**
    - Yes
- **Location (e.g. South America, Africa).**
    - Yes
- **Co-benefits (e.g. Biodiversity badge, Social badge, etc.).**
    - Yes. Co-benefits are important and offer high value to some buyers, potentially enabling other claims beyond "net zero emissions", such as "net zero contribution to forest conversion". The assurance that negative non-carbon impacts ("do no harm") have been avoided is crucial, as are rigorous, consistent, and verifiable means of communicating certain co-benefits. Much as we are uncomfortable with an overarching binary determination of "quality" for all carbon credit types, given their differentiated nature, we are similarly concerned that a "conservation badge" based on some threshold would obscure the quality of what the project is providing. Sliding rating scales may be necessary to allow for the necessary nuance in communicating which co-benefits are actually being provided and with what degree of certainty.
- **Corresponding adjustment (e.g. yes / no)**
    - Yes
- **Other (please specify in comments) Yes:**
    1) The durability or longevity of the carbon benefit achieved by a carbon credit is, we argue, among its most important attributes (see our Principle 3). Since many carbon project types require subsequent storage of carbon, we highlight the

importance of the nature of this stored storage by distinguishing between long-lived and short-lived storage, or alternatively between storage with a lower versus a higher risk of reversal. Note that storage types that cannot easily guarantee century to millennial-scale storage (in particular some nature-based solutions) can be made long-lived through legal and financial mechanisms.

2) Our Principle 1 requires "high quality" offsets, which means that not only must the carbon credit do no harm and ideally improve non-carbon outcomes (i.e. only zero or net positive co-benefits), the carbon benefit delivered must be highly certain. It is possible that some carbon project types may be unable to deliver a high degree of certainty of the atmospheric impact of the credit. As a result, a qualifier as to the certainty of the carbon benefit needs to be separately tagged, allowing purchasers clarity as to whether the offsets they select are allowed for use in making net zero claims, or if the offset's carbon benefit cannot be sufficiently guaranteed (in which case the offset may still have significant value to some buyers based on other characteristics).

**Do you have a perspective on the Consultation Documents positioning of avoidance / reduction vs. removal / sequestration?**

We appreciate the Taskforce's decision to note this important distinction and have two related comments:

1) The Taskforce mentions the potential importance of removals to some buyers, but does not make clear that as we move toward global net zero emissions (and therefore by extension, as any individual organisation approaches their net zero delivery date), the proportion of removals must increase, eventually reaching 100% (our Principle 2). This is a fundamental insight directly linked to the Paris Agreement goals of achieving a balance of sources and sinks - only removals can counteract any ongoing emissions that are not themselves reduced. We therefore call for an explicit acknowledgment of the imperative to shift toward removals (Principle 2) and foster the development of removal pathways (Principle 4). We also wish to highlight that the reductions vs. removal distinction is not necessarily of more importance than the distinction between carbon credits that provide short-lived vs. long-lived climate benefits. In our Principles, we place the two on equal footing.
2) There may be some ambiguity in the Taskforce's proposed taxonomy that we would like to clarify. The "avoidance / reduction" versus "removals / sequestration" distinction appears to be analogous to the "emission reduction" vs. "carbon removal" distinction in our Principles, but the Taskforce cites "technology-driven carbon capture and storage" as an example of "removal / sequestration". This is not necessarily the case. Technology-driven CCS can be either an emission reduction (as when carbon capture is outfitted to an existing point source emitter) or carbon removal (as in the case of direct air capture coupled with permanent geological storage). Clearly distinguishing between emission reduction offsets, which are vital in the short term but must ultimately be phased out, and removal offsets, which will be required exclusively for net zero-aligned offsetting

once net zero emissions is achieved, is critical. This distinction should be unambiguous, and based on whether the CO2 in question is an existing emission source or comes from the ambient atmosphere.

**Do you agree with the recommended actions we have outlined in "topic for action II"?**

- **Recommended action 3: Introduce core carbon spot and futures contracts -** “Neutral” - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 4: Establish an active secondary market -** “Neutral” - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **For reference contracts, should we move towards more standardized or more customized contracts versus the Taskforce recommendation? Keep in mind that standardizations allows for easier financing of project developers through the formation of liquid markets, while customization better satisfies current buyer demand.** “More Customised” We appreciate the need for aggregating supply and demand (recommended in our Principle 4) in such a way as to facilitate efficient matching and transaction execution and project financing. Reference contracts are one possible way of accomplishing this, and the VCM may eventually be ready for them. We have two concerns with rushing the deployment of reference contracts: 1) creating a liquid marketplace is only advisable once we have settled the question of quality (e.g. CCPs) and proven that the new system can deliver real carbon benefits. In other words, if the only carbon credit the private sector will purchase at large scale on a voluntary basis is of too low quality to ensure a rigorously demonstrated climate benefit, such a product is not worth scaling up. 2) carbon credits are a differentiated product (see our taxonomy) which may not be suited for full fungibility in the same way that “Brent crude” is traded or many electricity markets operate. The closer we move toward a fully abstracted, fungible, and common pool of carbon credits the more careful carbon project developers and third parties will need to be in couching the attributes of the product they are advertising. The claim that every carbon credit delivers a real, verified impact on atmospheric CO2 levels has not been tested with the rigour typically required in commodity markets (e.g. specific fuel grades or soy specifications must deliver the attributes they claim to deliver, at risk of legal action for fraud). We support a level of contract customisation that allows for sufficient differentiation of carbon credit type and quality such that purchasers can ensure a net zero-aligned level of assurance that a carbon benefit is being delivered (Principle 1) and that the makeup of their offset portfolio is evolving toward long-lived removals (Principles 2 and 3).

**Do you agree with the recommended actions we have outlined in "topic for action III"?**

- **Recommended action 5: Build or utilize existing high-volume trade infrastructure** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 6: Create or utilize existing resilient post-trade infrastructure** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 7: Implement advanced data infrastructure** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 8: Catalyze structured finance** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.

**Do you agree with the recommended actions we have outlined in "topic for action IV"?**

- **Recommended action 9. Establish principles on the use of offsets** "Agree" - We strongly support the need to establish principles governing which claims the use of particular offsets enable. Since companies will market on the basis of such claims, or offer guaranteed environmental outcomes through point-of-sale offerings, it is critical that the definition of claims like "net zero emissions" be explicitly defined. Since these are claims being delivered to consumers, they must be legally binding and protected from fraud in the same way that specific tangible commodities must deliver on the claims made by their specifications.
- **Recommended action 10: Align guidance on offsetting in corporate claims** "Agree"

**Do you agree with the recommended actions we have outlined in "topic for action V"?**

- **Recommended action 11: Institute efficient and accelerated verification** "Neutral" - While we support faster and cheaper verification in general, existing verification pathways have not succeeded in screening out many carbon credits which would not meet the standards of "high quality" defined in our Principle 1. This recommended action should therefore be postponed until the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits has been resolved.
- **Recommended action 12: Develop global anti-money laundering (AML)/know-your-customer (KYC) guidelines** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 13: Institute governance for market participants and market functioning** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.

**Do you agree with the recommended actions we have outlined in "topic for action VI"?**

- **Recommended action 14: Offer consistent investor guidance on offsetting** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 15: Enhance consumer product offerings, including at Point-of-Sale (POS)** "Neutral" - The usefulness of this recommended action is contingent on resolving the overarching issue of ensuring that carbon credits deliver real, certain carbon benefits, so we are unable to endorse it at this time.
- **Recommended action 16: Increase industry collaboration and commitments** "Agree" - We call for more sector-specific collaboration and alliances on offsetting in our Principle 4 and applaud such efforts, while noting that voluntary industry ambition will likely not be enough to ensure carbon credit quality, which remains the highest priority.
- **Recommended action 17: Create mechanisms for demand signaling** "Agree" - We call for organisations to signal demand for higher-quality offsets in our Principle 4 and applaud such efforts. We note however that voluntary industry ambition alone will likely not be enough to ensure carbon credit quality, which must remain the highest priority of the Taskforce and other efforts to improve the VCMs.

**Of the principles for the credible use of offsets outlined, which ones would you be willing to adopt?**

We would urge strict adoption of all of the proposed principles in Exhibit 22 in keeping with our call for "high quality" offsets (our Principle 1). However, some of these principles (e.g. free of leakage, permanent) may be difficult to ensure to a high degree for certain carbon project types to meet. This leads to one of three outcomes: 1) excluding such projects from the VCM (undesirable, but potentially necessary), 2) ratcheting down the thresholds for what constitutes "permanence" or "freedom from leakage", for example, to allow all carbon projects to participate on a fungible basis, or 3) recognise that carbon credits are fundamentally differentiated (see our taxonomy), and therefore require differentiated quality grading. We support some version of 3, which would allow for nearly all carbon project types to participate in the VCM, but make clear which have very high certainty of delivering a real carbon benefit, and which have a less certain carbon benefit. The latter may be deemed more valuable by some buyers who want to support specific projects or maximise certain non-carbon co-benefits. Our Principles attempt to make clear that while offset purchasers have different motivations, those that want to use offsets in a "net zero aligned" way (i.e. to support a claim of having achieved net zero emissions) need to focus first and foremost on the former: high-quality carbon credits (Principle 1) that shift toward removals (Principle 2) and long-lived storage (Principle 3).

**Do you agree with the need for a governance body to**

- **Establish, host, and curate the Core Carbon Principles (CCPs) and the definition of additional attributes: This body would set the quality standards at the credit level and keep these up to date over time. It would develop guidance for any required guardrails or exclusions of project types, as technologies mature and as new information becomes available. At the project level, standard and methodology setters should continue to develop methodologies that adhere to these evolving CCPs** "Agree". **Assess adherence to the CCPs: This body will assess both past and current standard setters and methodologies against the CCPs. It should also be empowered to assess the validity of projects and credits against the methodologies, including conducting spot checks. This body could be the same as or a different body to the one that establishes, hosts and curates the CCPs. It is also possible that these assessments could be undertaken on behalf of the assessment body, by separate expert verification agencies, which would have to be accredited by the independent body.**
- **Establish principles for participant eligibility: Setting the principles for what buyers, suppliers and intermediaries must adhere to in order to participate in voluntary carbon markets, similar to know-your-customer rules applied in the banking industry**
- **Ensure participant oversight: Accredit the validation and verification bodies (VVBs) that assess projects and methodologies. Provide oversight of these VVBs through audit & spot checks. Develop principles that validation and verification bodies must adhere to, an example of these principles could be that the same organization cannot carry out both validation and verification.**
- **Oversee market functioning: Develop principles to prevent fraud, including money laundering.**

"Neutral" to all. Our Principles call for the use of only "high quality" offsets when using carbon credits to claim "net zero emissions", therefore the definitions of quality (perhaps overseen by such a governance body) are inextricably linked with the governance of who can make that specific claim and under what conditions. We urge responsible governance of the VCM in our Principles, but we stop short of recommending a specific course of action.

**Would you endorse the blueprint report?**

We would not endorse the blueprint in its current form, though we welcome any opportunity to discuss our concerns further and contribute constructively to the Taskforce's work.

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