



**HM Government**

# UK Government Principles for Voluntary Carbon and Nature Market Integrity

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## Preamble

### Introduction

Climate change and nature loss are existential challenges, and this decade is critical for action. To limit global temperature rises to 1.5 degrees, build resilience to current and future climate impacts and halt and reverse global biodiversity loss we need to at least peak global emissions by 2025 and reduce emissions by 43% on 2019 levels by 2030 as recognised by the Global Stocktake, protect forests and nature, empower communities to adapt to climate impacts and move climate finance spending from the billions to the trillions.

In 2023, \$1.8 trillion was invested into low carbon sectors, globally. This figure will have to almost quadruple by the early 2030s to over \$7 trillion every year to reach global net zero by 2050. The UK will likely need to more than double current capital investment levels in low-carbon sectors from £60 billion in 2023 to over £130 billion each year by the 2030s<sup>1</sup> to achieve our Mission of accelerating to net zero.

Raising integrity in carbon markets, to support the generation and trade of reduction and removal credits, would accelerate domestic and international efforts to tackle climate change and biodiversity loss, support increased overall ambition, and provide wider social and environmental co-benefits.

Nature sustains economies and livelihoods, and protecting and restoring nature is inseparable from addressing climate change. However, the global biodiversity finance gap underpinning the Kunming-Montreal Global Biodiversity Framework<sup>2</sup>, is estimated to be \$700 billion per year<sup>3</sup>.

The UK Government therefore wants to maximise finance mobilisation from all possible sources towards achievement of our ambitious climate and nature goals. In this context, it supports action to unlock high integrity Voluntary Carbon and Nature Markets (VCNMs). These markets support the generation and trade of economic instruments representing environmental outcomes ('credits'). Forecasts indicate that the size of these markets could reach tens of billions of dollars, globally, by the end of decade, with higher volumes possible, under the right conditions, in subsequent years. For these markets to better support the delivery of climate and environmental goals, it is critical that they are operated and used with integrity to ensure that they support a 1.5 degree-aligned, nature-positive transition.

This means, at a minimum, better ensuring that credits deliver their intended environmental outcomes, that buyers do not purchase and retire ('use') credits instead of undertaking the internal action needed to align with, and mitigate damage to, climate and environmental goals, and that any public environmental

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<sup>1</sup> Bloomberg New Energy Finance

<sup>2</sup> [Financing Nature: Closing the Global Biodiversity Financing Gap - Paulson Institute](#)

<sup>3</sup> The Paulson Institute, The Nature Conservancy and Cornell estimate

claims ('claims') made in relation to the use of credits are aligned with relevant information in sustainability reporting, accurate and avoid misleading stakeholders.

Clear integrity standards are crucial for strengthening voluntary markets to unlock scale. The UK Government is supportive of the work of two market wide initiatives aiming to clarify minimum global quality thresholds and good practice for the supply and use of voluntary carbon credits: the Integrity Council for the Voluntary Carbon Market (ICVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI). These initiatives have engaged a broad range of interests over several years, consulted publicly, and published outputs which have influenced actors to strengthen and disclose more of their practices. In 2023, the UK Government and France co-launched the independent International Advisory Panel on Biodiversity Credits (IAPB), to help shape and scale-up the development of high-integrity biodiversity credit markets.

Domestically, the UK and its Devolved Governments support the British Standards Institution (BSI) to work with industry, academia, non-profits and expert bodies to deliver a suite of Nature Investment Standards covering the supply of units that create environmental benefits for use or trade for application in the UK. This includes overarching principles for all UK nature markets and market-specific standards that will support nature-based carbon removals, biodiversity uplift, and nutrient mitigation. This is building on international best practice, the experience gained through the established UK Woodland Carbon Code and UK Peatland Code, and the work of many world leading experts in the UK's farming, environment and green finance sectors to support robust, efficient models for mobilising investment where it is needed.

The UK is also developing its approach to engineered removals through the Greenhouse Gas Removals (GGR) Standard, in collaboration with BSI to help bring forward the removals that will be required for the UK to meet net zero. BSI are designing technology specific methodologies which will define the requirements and procedures for the quantification, monitoring, reporting and verification of engineered removal carbon credits. BSI will work with stakeholders to ensure that credits generated under the standard reflect high integrity best practice across the marketplace and to facilitate UK GGR projects access to these markets.

### Consultation

The UK government sees a clear and appropriate role for the responsible use of high-integrity carbon and nature credits by companies or other organisations that wish to do so as part of their climate and nature strategies. In line with this, Government will issue a public consultation, in early 2025, to seek views on the steps Government could take to raise the integrity and use of VCNMs as mechanisms to support achievement and enhancement of our domestic and global climate and nature goals.

The consultation will seek to:

1. **Clarify expectations** for the standards that need to be met to ensure high integrity markets. This will seek views on proposals that the UK Government endorses:
  - ICVCM's Core Carbon Principles and Assessment Framework as providing minimum standards for voluntary carbon credit quality.
  - VCMI's Claims Code of Practice as providing best practice for corporate claims.
2. **Invite responses on:**
  - How endorsement of these outputs could be reflected in guidance, policy and potentially regulation
  - The market architecture that could embed and scale high-integrity practice, including potential governance models, regulatory approaches, and supporting infrastructure.
  - Conditions that could apply to the limited use of high-integrity carbon credits towards a proportion of Scope 3 emissions, for example through VCMI's beta Scope 3 claim
3. **Further elaborate the six overarching UK Government Principles for Carbon and Nature Market Integrity ('Principles')** for the supply and use of voluntary credits to support common understanding of good practice, and welcome comments on their proposed implementation.

### Aims of the Principles

The UK Government is issuing these Principles, which are voluntary, to support organisations engaged in discretionary action towards net zero & nature positive transitions, they should be followed by organisations that wish to align with them.

They are intended to:

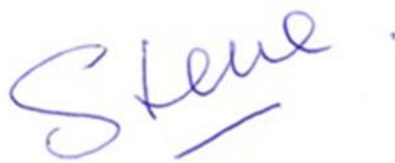
- **qualify key elements of good practice**, and provide confidence to organisations on the use of credits; to build trust amongst consumers, investors, and civil society that the use of credits reflects good practice;
- **respond to calls for policy clarity** to support higher environmental and financial integrity and efficiency, better access to markets for developing countries, and in the UK, for farmers and land managers;
- **enable stakeholders and potentially UK regulators to monitor and act** where good practice is not adhered to in the context of existing and future regulatory codes, as part of an effective transparency regime for the use of credits by UK organisations;
- **support coherence across voluntary carbon and nature markets**, whilst reflecting the divergent maturity, scale and characteristics of the different environmental markets.

Signed by:

A handwritten signature in black ink that reads "Ed Miliband". The signature is fluid and cursive, with a long horizontal stroke at the end.

**RT HON ED MILIBAND MP**

**Secretary of State for Energy Security & Net Zero**

A handwritten signature in blue ink that reads "Steve". The signature is cursive and includes a horizontal line underneath the name.

**RT HON STEVE REED MP OBE**

**Secretary of State for Environment, Food & Rural Affairs**

A handwritten signature in grey ink that reads "Rachel Reeves". The signature is cursive and elegant.

**RT HON RACHEL REEVES MP**

**Chancellor of the Exchequer, HM Treasury**

## The Principles

### The UK Government Principles for Voluntary Carbon and Nature Market Integrity are:

#### 1. Use credits in addition to ambitious actions within value chains

‘Credits should only be used in addition to ambitious action within value chains, consistent with a science-aligned pathway to domestic and global climate and environmental goals.’

Comment: Achieving climate and nature goals requires immediate, ambitious and sustained action to reduce value chain emissions and environmental impacts. In line with the mitigation hierarchy, companies should make every reasonable effort to minimise their own impacts, and that of supply chain partners, before using credits in voluntary markets. Such use should complement, and not displace, investment in value chain activities necessary to reduce source emissions and environmental impacts. These reductions could include support for insetting activities within a buyer's value chain.

#### 2. Use high integrity credits

‘Suppliers should ensure credits meet recognised high integrity criteria that help ensure credits deliver the environmental benefits they claim. They should ensure credits are independently validated and verified; clarify and support mitigations of any social and environmental harms and seek to demonstrate support for wider environmental and social objectives.’

Comment: High integrity criteria include that credits:

- represent activity additional to that required by law at the project level;
- are generated through the application of conservative baselines;
- are not double counted;
- are subject to independent validation and verification;
- are accompanied by measures to compensate for any reversal of the activities' outcomes;

Suppliers should also:

- identify and mitigate the risks of leakage;
- identify, disclose and address potential or actual impacts on vulnerable groups;
- respect the rights of Local Communities and Indigenous Peoples, including through Free, Prior and Informed Consent; and

- transparently report how project activity may support wider environmental, gender and social objectives.

Global initiatives to set baseline quality thresholds for voluntary credits and the actors who generate and certify them, for example the Integrity Council for the Voluntary Carbon Market, can guide credit buyers towards activities that meet the above criteria.

### **3. Measure and disclose the planned use of credits as part of sustainability reporting**

‘Information on the planned use of credits, for example to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target should, where financially material, be disclosed as part of a company’s sustainability reporting. All credit users are encouraged to voluntarily report publicly any use of credits, including the underlying project type, certifying standard, how any planned use of credits relates to wider environmental objectives, and whether they are used towards any target.’

Comment: Disclosure of the use of credits, through processes that make such information transparent and easily accessible by the public, is encouraged where credit buyers do not already face relevant requirements. Such voluntary disclosure allows for public accountability and supports demonstration of compliance with credit integrity criteria. Disclosure of the use of carbon credits also supports credit users that choose to seek recognition under VCMI’s Claims Code of Practice towards meeting that initiative’s broader criteria<sup>4</sup>.

### **4. Plan ahead**

‘Where organisations make relevant transition planning disclosures, they are encouraged to use best practice guidance.’

Comment: Credit users should set and disclose long-term and interim targets and strategies to achieve them. For carbon credit buyers, this should include a quantified and independently verified science-aligned target across scopes 1-3, to achieve net zero no later than 2050. Credit users not subject to transition planning requirements are encouraged to draw on such guidance.

### **5. Make accurate green claims using appropriate terminology**

‘Claims involving the use of credits should, in addition to being consistent with these Principles, accurately communicate an organisation or product’s overall environmental impact, including by using appropriate and accurate terminology’.

Comment: False and misleading environmental claims related to organisations, their goods and services have highlighted the need for more accurate underpinning terminology. Examples have included some claims that organisations, services or products are ‘carbon neutral’, or ‘biodiversity positive’. While organisations should

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<sup>4</sup> We are not currently proposing an equivalent set of information requirements for corporates making claims based on their use of non-carbon nature credits.



take care to ensure that such claims are accurate, the UK Government recognises that it could, in a proportionate manner, help to ensure clearer understanding of claims.

### **6. Co-operate with others to support the growth of high integrity markets**

‘Credit buyers should co-operate with other VCNM market actors to support standardisation, wider information sharing, more equitable market access, reduced transaction costs, transparency and interoperability’.

Comment: Voluntary markets are a fast-evolving space, but market architecture can be fragmented in ways that might inhibit high integrity and efficient use. A range of initiatives, including those listed above, have emerged to help ensure that markets can realise more of their potential, including through supporting transparency, interoperability between carbon and nature credit registries, technological innovation to support environmental integrity, capacity building to Emerging Markets and Developing Economies, and new governance models. By contributing to or otherwise supporting these initiatives, credit buyers should help support the growth of higher integrity markets.

## Next steps

In the forthcoming consultation, the UK Government will welcome comments on the proposed implementation of these principles into voluntary carbon and nature markets and seek views on how they could be applied through guidance, standards and regulatory oversight and, where appropriate, how government will support market participants to adapt.

The UK Government and Devolved Governments will work together to ensure that implementation arrangements are designed to reinforce the goals, policies and frameworks that they have already set out for growing high integrity green investment in all parts of the UK<sup>5</sup>.

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<sup>5</sup> Including the *Interim Principles for Responsible Investment in Natural Capital* (2022) in Scotland, and the *Sustainable Investment Principles* (2024) in Wales.

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