UK Government

Government Response: Voluntary Carbon and Nature Markets

Raising Integrity

Department for Energy Security and Net Zero (2026)

© Crown copyright 2026

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Contents

Ministerial Foreword 4

Executive Summary 7

Government Response 10

- Introduction 10
- Our vision for voluntary carbon and nature markets 11
- Chapter 1: Taking direct action within value chains 12
- Chapter 2: Supply – supporting integrity and scale 15
  - Integrity standards 15
  - Supply in the UK and overseas 17
  - UK Nature Investment Standards and assurance 18
  - Validation and verification 20
- Chapter 3: Demand – driving credible use of credits 21
  - Use cases, recognition and claims for high-integrity credits 22
  - Supporting UK organisations to buy carbon credits 24
  - Safe harbour measures 24
  - Additional demand drivers 25
  - Portfolio approaches to carbon credit purchases 27
- Chapter 4: Market enablers – strengthening frameworks and infrastructure 29
  - Clarifying the legal treatment of credits in the UK 29
  - Financial accounting treatment of carbon credits 29
  - Promoting international consistency 30
  - Market oversight 31
  - Combining environmental payments 33

Next steps 34

Ministerial Foreword

Climate change and nature loss are not distant threats. They affect our energy and food security, economic stability, and national resilience. They increase risks to communities, supply chains and businesses in the UK and around the world.

We must cut emissions rapidly and protect and restore nature. Government has a vital role to play, but public sector action alone cannot meet the scale of the challenge. Many businesses and other organisations are already pursuing net zero and nature-positive goals, while seeking to manage growing climate and nature-related risks to their operations. But we want to go further and faster, helping to mobilise additional private finance at scale and direct it towards impactful, high-quality actions.

High-integrity carbon and nature markets can help us do that. They can support emissions reductions and removals, protect and recover vital natural habitats, and strengthen the resilience of communities, landscapes and supply chains. They can help finance action in sectors and countries where investment is most needed. And by directing private capital towards the most effective interventions, they can also help deliver climate and nature goals more cost-effectively.

The UK is already a global leader in carbon and nature markets, with a rich ecosystem of project developers, investors, exchanges, insurers, ratings providers and other market participants helping to build trusted market infrastructure and drive growth. Analysis by Accenture for the City of London Corporation and the UK Carbon Markets Forum estimates that the UK carbon credit economy generated £1.2 billion in gross value added in 2025 and supported more than 11,000 jobs. Nature markets are smaller but are already supporting a new ecosystem of project developers, brokers, habitat banks, assurance providers and investment funds. And global demand for high-integrity credits and the services that underpin them could grow substantially in the coming decades. With its strength in sustainable finance, environmental markets, and market governance, the UK is well placed to shape that growth and secure its benefits.

But markets only grow sustainably if people trust them. Buyers need confidence that credits deliver the outcomes they claim. Farmers, land managers and project developers need predictable demand and fair access to investment. Businesses need clear expectations about how credits can be used and communicated. Communities must benefit, and environmental and social safeguards must be respected. That is why integrity and growth must go together.

Markets have matured significantly in recent years and organisations can now buy with confidence. New integrity frameworks are raising standards, buyers are placing greater emphasis on quality, and suppliers are increasingly aligning with high-integrity benchmarks. The UK continues to drive this progress. At COP29, the UK published six Principles for Voluntary Carbon and Nature Market Integrity. These established that organisations should make every reasonable effort to reduce their own emissions and environmental impacts and that, alongside this effort, credits can play an important role. Credit use should be high

integrity, transparently reported and in support of ambitious climate and nature action. This consultation response sets out the next steps to put those principles into practice and builds on wider action that the UK has taken since the public consultation concluded.

Internationally, we are helping countries strengthen carbon market frameworks, build institutional capacity and bring high-integrity credits to market. Through our seat at the United Nations Framework Convention on Climate Change, we have worked to secure robust rules for international cooperation and to support the implementation of carbon markets under the Paris Agreement ('Article 6'). The UK also established the Coalition to Grow Carbon Markets with Kenya and Singapore, to bring together ambitious governments to help strengthen markets and increase demand for high-integrity credits. It reflects a simple reality: global markets require international collaboration.

At home, we are strengthening our partnership with the City of London Corporation and drawing on the expertise of the UK Carbon Markets Forum. The City's experience in structuring markets, allocating capital and managing risk can help turn promising projects into investable opportunities, while supporting innovation, stronger market infrastructure and sustainable market growth. The wider UK ecosystem, including businesses, standards bodies and ratings agencies, is already helping to raise ambition and integrity across global markets.

We are also supporting the development of high-integrity nature markets, helping farmers, land managers, businesses and communities attract investment into activities that restore ecosystems, strengthen resilience and support sustainable economic growth. Our ambitious agenda for nature markets is described in more detail in 'Growing Places: Mobilising private finance for local nature recovery', which was published at the 17th meeting of the Conference of the Parties to the Convention on Biological Diversity. And we are supporting domestic carbon markets by developing an engineered Greenhouse Gas Removal standard.

This Government Response reiterates our shared commitment to scaling carbon and nature markets, provides clarity on what government sees as the benchmark for high-integrity credit use in different contexts, and announces forthcoming guidance to help businesses understand how to take voluntary action to address their emissions and impact on nature.

Our objective is clear: to build markets that command trust, mobilise finance, and deliver results. We will work across government and in partnership with the private sector, civil society and international partners. We will use the UK's diplomatic influence, financial expertise and environmental leadership to drive high standards and more effective markets. By doing so, we can accelerate progress towards our climate and nature goals; strengthen the resilience of communities, businesses and landscapes; deliver greater climate security at home and overseas; and support sustainable growth. Throughout, we will ensure that the UK remains at the forefront of this truly global transition.



Katie White OBE MP
Minister for Climate Transition
Department for Energy Security and Net Zero



The Rt Hon Lucy Rigby KC MP
Economic Secretary to the Treasury
His Majesty's Treasury



Jenny Riddell-Carpenter MP
Minister for Nature, Coast and Rural Affairs
Department for Environment, Food and Rural Affairs

Executive Summary

In April 2025, the UK government consulted on the steps it could take to raise the integrity of voluntary carbon and nature market credits and on how those credits should be used. We received 200 responses from a wide range of stakeholders and published a factual summary of responses in March 2026. In general, respondents strongly supported action to improve market integrity and confidence, while emphasising the importance of international alignment, proportionality, and transparency. In particular, they called for clarity on what constitutes a high-integrity credit and how to use them effectively in different contexts.

Taking into account the feedback received, this government response sets out actions under four key priorities.

First, the government supports direct action within organisations' own value chains. Credit use should complement, not replace, ambitious efforts to reduce emissions and environmental impacts at source. We continue to support activities that help address hard-to-abate Scope 3 emissions, particularly in forest, land, and agricultural supply chains. This includes investment in a range of initiatives to help scale up and facilitate the uptake of 'insetting', such as through the Partnerships for Forests (P4F) programme and the Food Data-Sharing Infrastructure and Governance (FIG) project. Additionally, the Greenhouse Gas Protocol's Land Sector & Removals Standard version 1 now provides some of the clarity called for in consultation responses, but challenges remain. We will continue to work with stakeholders to support credible approaches to insetting, improve environmental data, and strengthen supply chain resilience.

Second, we are supporting the supply of high-quality credits. This includes supporting land managers, project developers and developing countries to access carbon and nature markets; providing greater clarity on what integrity means in practice; and improving assurance, validation, and verification processes. The government considers the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles and Assessment Framework and in particular the Paris Agreement Crediting Mechanism as the key benchmarks for identifying high-integrity carbon credits used to support voluntary climate action. We encourage voluntary market buyers to prioritise credits that meet one or both standards where supply exists, and encourage carbon crediting programmes to work towards alignment with these standards over time.

The government is also working to develop robust standards and assurance arrangements for domestic carbon and nature markets, including with the British Standards Institution through the UK Nature Investments Standards programme and to develop an engineered Greenhouse Gas Removal (GGR) standard. In developing the GGR standard, we are aligning with the EU Carbon Removal Certification Framework (CRCF) and recognised, high-integrity benchmarks such as the Integrity Council of Voluntary Carbon Markets (ICVCM) and the Paris Agreement Crediting Mechanism wherever possible in the UK context. Furthermore, we continue to support both domestic and international efforts to strengthen market access and integrity

through initiatives like the UK's Woodland Carbon Code and Peatland Code, and the UK-supported Global Green Growth Institute's Carbon Transaction Facility.

Third, the government is acting to drive demand for high-integrity credits. Consultation responses highlighted that many organisations remain uncertain about how credits should be used, which credits to buy and how to communicate their use responsibly. We therefore set out the use cases we recognise as valuable alongside ambitious decarbonisation. We are drawing on emerging international standards rather than pursuing a separate UK claims standard or legislating for UK-specific carbon neutrality definitions recognising the importance of international alignment for market participants operating across borders. The government will continue to support strengthening of and alignment between international standards and will consider how the use of high-integrity credits can be integrated into its wider approach to corporate transition planning.

In Spring 2027, the UK government will issue step-by-step guidance to support UK businesses through every stage of their participation in carbon markets, from planning how they intend to use credits in their net zero transitions, to selection of credits, disclosure and retirement. The new guidance will replace the relevant carbon market provisions in the 'Environmental Reporting Guidelines', review their inconsistent treatment of claims between purchases of international and domestic credits, and be tested with stakeholders to ensure it is clear, proportionate, and practical. The government will also consider how new incentives could recognise organisations that follow the guidelines, as well as how safe harbour measures (government-backed protections, detailed in chapter 2) could help reduce the legal and reputational risks faced by organisations that follow recognised integrity requirements. Where feasible, government will seek to co-ordinate these measures internationally.

Alongside voluntary demand, government is acting to secure compliance-driven demand: implementing the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) through legislation in the UK; announcing new funds to unlock CORSIA supply; and integrating eligible greenhouse gas removals into the UK Emissions Trading Scheme (UK ETS) to create a durable source of demand for the developing removals sector.

Fourth, we are strengthening the frameworks and infrastructure that markets need to function effectively. This includes supporting legal clarity, international consistency, and more coordinated market oversight. The government considers that voluntary carbon credits fit within the framework established by the Property (Digital Assets etc.) Act 2025 for digital and intangible assets, therefore supporting greater legal clarity for market participants. It also recognises the importance of greater clarity on the financial accounting treatment of credits and of international interoperability given the cross-border nature of credit markets. We will continue to engage accounting bodies and international partners, legal experts, market participants, and standards bodies on these.

To improve coordination across the UK governance landscape, the government is working with regulators to establish the UK Carbon and Nature Markets Regulator Forum. The Forum will work within existing governance and regulatory frameworks to map oversight responsibilities, share intelligence, improve co-ordination and make recommendations on future regulatory

priorities. The government is also exploring the potential role for an independent oversight mechanism for UK nature markets, aiming to improve transparency, accountability, and confidence in the market. Additionally, in the recent publication 'Growing Places', the government laid out principles according to which payments for carbon, biodiversity, water and other environmental outcomes may be combined to support optimal land use and welcomes further discussion on these.

Taken together, these actions are intended to increase confidence, access, and integrity across voluntary carbon and nature markets. By supporting high-quality supply, credible demand, and effective market infrastructure, the government aims to unlock greater flows of private finance for climate and nature action, deliver on the UK's sustainable finance ambitions and help accelerate progress towards global climate and environmental goals. The government will monitor market developments and continue to engage industry and international partners as this work is taken forward.

Government Response

Introduction

Between 17 April and 10 July 2025, the Department for Energy Security and Net Zero (DESNZ), Department for Environment, Food and Rural Affairs (Defra), and His Majesty's Treasury (HMT) sought views through the Voluntary Carbon and Nature Markets consultation on steps government could take to raise integrity of voluntary carbon and nature markets. It was issued in response to calls from business, financial services, farming and environmental stakeholders for clarity on the government's approach, for higher integrity and greater transparency in these markets.

We received 200 responses from across the carbon and nature market ecosystem, including businesses and financial institutions, project developers and intermediaries, civil society and environmental groups, other public sector actors, standards and assurance bodies, and academics. On 26 March 2026, we published a Summary of Responses. Collectively, these highlighted strong support for improving integrity, confidence, and usability in voluntary carbon and nature markets. Respondents emphasised the need for clear, internationally aligned expectations on the appropriate use of credits, robust approaches to credit quality, and transparent reporting and claims. Across the principles, responses also stressed the importance of proportionality, clarity on enforcement and assurance, and avoiding unnecessary fragmentation in a rapidly evolving standards landscape.

Since the consultation, government has stepped up efforts to enhance access, transparency and integrity of voluntary carbon and nature markets through domestic policy development and international programming, negotiations and coalitions, in partnership with the UK's sustainable finance sector. This has supported broader positive trends in the market, as the Paris Agreement Crediting Mechanism (PACM) is implemented and a sustained shift towards higher integrity credits gathers pace.

Despite this progress, economic modelling, market analyses and stakeholder sentiment make clear that carbon and nature markets are not delivering close to their full potential or at the pace needed. For example, research by McKinsey estimates that expected carbon removal capacity in 2030 could be three to ten times lower than levels required for a 1.5°C pathway. At the same time, UNEP estimates that investment in nature-based solutions must increase 2.5-fold by 2030, with current finance flows representing less than half of required levels, highlighting a clear role for nature markets to play in closing the gap. We are therefore taking action so these markets can drive climate and nature action where it is needed most, cut emissions, tackle nature loss faster and support our commitment, through the Paris Agreement, to mobilise more finance into the transition.

Our vision for voluntary carbon and nature markets

Carbon and nature markets represent a significant growth opportunity for the UK, as well as a means to drive greater ambition, to minimise any exceedance of 1.5°C of global warming, and to achieve our nature targets. The UK's sustainable finance sector includes a thriving ecosystem of carbon and nature market services. These services are, for example, making use of the City of London's expertise in market-making and capital allocation, developing new insurance products that are de-risking international trades and using AI to model future market trends and inform investment decisions. Organisations are well placed to shape and benefit from broader use of these markets, which will help maintain the UK's position as a global leader in sustainable finance. The UK Carbon Markets Forum is also exploring the role the City can play in supporting robust carbon market infrastructure, drawing on the UK's strengths.

Government will better support organisations' purchase and use of credits to take climate and environmental action. A number of challenges need to be addressed to realise this: businesses need to have a clear case to invest; landowners and project developers need to have the skills, knowledge, and long-term demand signals to incentivise supply; market mechanisms and financial levers need to efficiently move money; and integrity across all three – supply, demand, and market mechanisms – needs to be robust. Addressing these challenges will build trust so that markets realise their potential by helping ensure credits deliver the outcome they claim, that their use does not displace ambitious action within value chains, and that any related claims and disclosures are clear and credible.

These efforts will support several broader objectives, as government works towards introducing greenhouse gas removals (GGRs) into the UK's Emissions Trading Scheme, builds capacity for emerging markets and developing economies to access market finance, expands domestic nature markets, legislates to confirm airlines' obligations under international aviation's compliance scheme and confirms the potential use of CORSIA credits to support achievement of our sixth Carbon Budget. Combined, these will help achieve our climate, biodiversity recovery, water quality, peatland restoration and woodland creation targets more cost-effectively, catalyse significant social and economic co-benefits, and unlock growth opportunities in global markets for UK companies.

Through this Government Response and subsequent actions, the UK government aims to help scale the supply and demand of high-quality credits, supporting their use as part of credible, ambitious approaches to climate and nature action. The UK government will continue to strengthen UK and international market mechanisms making them more efficient, transparent, and auditable.

The Government Response is organised around four thematic chapters, focused on the targeted action we are taking to (1) encourage direct intervention within businesses' value chains; (2) support the supply of high-quality credits to voluntary carbon and nature markets; (3) help increase buyer demand for high-quality credits; and (4) help improve the efficiency and transparency of credit market mechanisms.

Chapter 1: Taking direct action within value chains

In 2024, the government's Principles for Voluntary Carbon and Nature Market Integrity set out that in line with the mitigation hierarchy, companies should make every reasonable effort to minimise their own impacts, and those of value chain partners. High-integrity credits can be used alongside value chain action but should complement rather than replace efforts to reduce emissions and environmental impacts at source. In the subsequent consultation, we highlighted government's support for activities that help to address an organisation's Scope 1, 2, and 3 emissions and recognised that the science-aligned pathway and activities to achieve this will be different for each industry.

We outlined how the term 'insetting' has emerged to refer to action by organisations funding interventions to reduce and remove hard-to-abate Scope 3 emissions within their value chain, whilst improving the resilience of communities, landscapes, and ecosystems. These interventions can be financed through different mechanisms. However, value-chain action can directly reduce a company's reported Scope 3 emissions only where the resulting reductions or eligible removals are captured within its greenhouse gas (GHG) inventory. Purchased credits are generally reported separately and cannot be deducted from that GHG inventory.

At consultation, we sought views on whether there is an appetite for standardisation of high-integrity approaches to insetting, particularly in the forest, land, and agriculture (FLAG) sector, and on what support could facilitate its broader application. Most responses agreed or strongly agreed that there is an appetite for standardisation of high-integrity approaches to insetting, with specific mention of standardisation of accounting methodologies, permanence and additionality requirements, and Monitoring, Reporting, and Verification (MRV) processes. There were calls for alignment with international approaches. Some respondents felt existing standards were sufficient whilst others had concerns about traceability and integrity, but across the board, there was general consensus that further clarity on insetting would be beneficial. Respondents' proposals to facilitate insetting included formally recognising insetting under established reporting frameworks (such as the Taskforce on Climate-Related Financial Disclosures and Taskforce on Nature-related Financial Disclosures), incentives to stimulate demand, guidance on high-integrity approaches, and capacity building and supply-side support.

Insetting is most clearly defined and operationalised in the FLAG sector which is both a significant source of emissions and a major carbon sink. This unique role is reflected in the Greenhouse Gas Protocol's (GHGP) Land Sector and Removal Standard (LSRS) version 1, published after the consultation closed. This provides the accounting rules for the Science Based Target Initiative's (SBTi) FLAG targets, which allows companies to use removals on land in their value chain to abate emissions, only when specific conditions and safeguards are met. Its publication followed a five-year process guided by an Advisory Committee, Technical Working Group, 300+ reviewers and 96 pilot testing companies. The UK government has engaged with GHGP on the LSRS. However, challenges remain, including aligning with physical traceability requirements and an unresolved Forest Carbon Accounting (FCA) issue which means adjacent and proximate non-productive lands (including natural forests, wetlands

and grasslands) are currently excluded (deforestation and conversion emissions must still be reported). We will continue to engage with the GHGP and encourage submissions for its request for information to help resolve the FCA issue.

Government remains firmly supportive of companies taking action in their value chains to support climate, nature and livelihood objectives. Done well, insetting in the land sector should involve pre-competitive collaboration between companies operating in the same value chains and landscapes, enhanced traceability, and robust but proportionate MRV to support suppliers and farmers to transition to more sustainable land practices on productive and non-productive lands. This could include agroforestry, regenerative agriculture activities that enhance soil carbon sequestration and protecting and restoring forests, and wetlands (including peatlands) and grasslands that provide vital ecological functions. This approach can help build stronger, more resilient value chains and agricultural production landscapes, support livelihoods, reduce and remove Scope 3 emissions and help mitigate threats to food security.

Government is exploring how to scale up corporate action within value chains in the FLAG sector across both our global and domestic work.

Last year, Defra and DESNZ co-funded research to explore best practice for companies addressing challenging Scope 3 emissions in agricultural value chains. The report looked at UK beef and Ghanaian cocoa to illustrate contextual diversity and how the best practice principles apply across different value chains.

Through the FCDO-funded Partnership for Forests (P4F) programme, which mobilises investment to protect and restore tropical forest landscapes, we are looking at how to scale interventions in commodity sourcing landscapes to support more sustainable production and sourcing and drive positive outcomes for the climate (including Scope 3 emissions), forests, livelihoods and resilience. Domestically, government is looking at what is needed to promote credible and scalable insetting in the UK and has provided funding through the Natural Environment Investment Readiness Fund to support the Soil Association Exchange Market's work, which brings together farmers and businesses who share value chains to fund emissions reductions to support more sustainable farming.

More consistent, accurate and accessible environmental impact data will help underpin private investment in environmental outcomes by providing greater confidence in how outcomes are measured, reported and communicated across value chains. Through the Food Data-Sharing Infrastructure and Governance (FIG) project, the Food Data Transparency Partnership (FDTP) is designing and testing data-sharing and governance approaches which will support trusted and scalable insetting activities.

Insetting will play a key role to support the sustainability and resilience of agrifood value chains. Defra is moving to design and initiate a 'Soilshot' pilot programme, a recommendation from the Farming Profitability Review. This will consider how different market mechanisms can support increased financing from businesses that benefit from healthy soils, into actions that support soil health on productive land. This will build on the innovative work that industry is

already doing through initiatives such as Landscape Enterprise Networks and support uptake of insetting interventions.

Government will continue to engage with stakeholders to test how we can collectively do more to support insetting and resilient agrifood value chains.

Chapter 2: Supply – supporting integrity and scale

This chapter articulates government's view on supply-side integrity standards, and its work to bring forward a pipeline of high-integrity credits in the UK and overseas.

Integrity standards

Carbon and nature market integrity standards are initiatives that manage criteria to guide investments towards high-integrity projects. These criteria, if well designed, can provide confidence that credits represent the outcomes they claim, whether related to e.g. carbon reductions or removals, biodiversity enhancements, or community benefits. Examples of such standards include the Paris Agreement Crediting Mechanism (PACM), the principles and assessment framework used by the Integrity Council for the Voluntary Carbon Market (ICVCM), and the UK Nature Investment Standards.

In the consultation, government proposed endorsing ICVCM's Core Carbon Principles (CCPs) and Assessment Framework as representing a minimum quality requirement for credits purchased for voluntary purposes.

Respondents broadly supported the government providing greater clarity on carbon credit integrity, generally viewing integrity standards as useful means of improving transparency, supporting confidence and helping buyers navigate a complex market. Integrity standards were viewed as one part of a wider approach to credit quality, rather than a complete assessment of an individual credit. Some respondents emphasised the need to maintain flexibility and retain appropriate buyer due diligence, including through transitional arrangements.

Since the consultation was published, government helped to secure international agreements enabling the Paris Agreement Crediting Mechanism to progress towards full implementation. Government welcomes the standards and methodologies approved under the PACM, and supports its future work, which will help ensure credits generated through the mechanism credibly represent emissions reductions or removals.

There is clear evidence that PACM and ICVCM are influencing carbon crediting programmes and other market participants to review and update their carbon methodologies and the ways they are managed in order to become eligible. For example, Gold Standard announced that its methodologies and requirements are to be aligned with the Paris Agreement, and a high number of the 100 methodologies assessed by ICVCM were strengthened during or after their consideration. Evidence indicates price premia of around 19% for CCP eligible credits[1], and eligibility decisions mean over 100Mt of eligible credits are approved to use the CCP label to date, with hundreds of millions more, including from jurisdictional REDD+, expected from approved methodologies in the coming years.[2] Recognising its status as a high-integrity benchmark, the UK's Woodland Carbon Code applied for endorsement by the ICVCM under the CCPs in November 2025. Assessment is currently underway.

[1] Core Carbon Principles & Carbon Credit Ratings Explained (2026) – based on analysis of MSCI database
[2] CCP Impact Report (2025) - ICVCM

The government considers ICVCM's CCPs and Assessment Framework and in particular the PACM as the key benchmarks for identifying high-integrity carbon credits used to support voluntary climate action. We encourage voluntary market buyers to prioritise credits that meet one or both standards where supply exists, and encourage carbon crediting programmes to work towards alignment with these standards over time.

Some carbon crediting programmes were established prior to the development of integrity standards, including the UK-supported BioCarbon Fund Initiative for Sustainable Forest Landscapes and the Forest Carbon Partnership Facility. These are eligible for compliance use under the international aviation compliance offsetting scheme, CORSIA (see Box 1 below), and deliver climate and sustainable development objectives but have not yet applied for accreditation.

Integrity standards provide important assurance around the quality of carbon crediting methodologies and the programmes that manage them. However, they do not provide a direct assessment of the implementation of individual projects. Credit integrity will also depend on how projects are implemented, the stringency of validation and verification, and management of environmental and social risks.

Consultation responses highlighted the value of independent carbon credit ratings agencies (or other organisations providing this service) in providing additional project-level assurance. Respondents highlighted that such assessments can help buyers manage risks that may not be fully captured through programme- or methodology-level assessments alone. There is evidence of a sustained market-wide trend towards credits from higher rated projects.[3]

Government encourages the use of such assessments as a means to evidence responsible market use and welcomes the global leadership of innovative UK providers that are guiding buyers to high-integrity projects. Government also recognises the challenges this can pose for some nature projects in the UK which operate at small scales that mean costs of independent assessments may be prohibitive, and welcomes ongoing efforts to improve the transparency, comparability and governance of ratings methodologies.

The approach set out above is intended to provide clarity for organisations making voluntary purchases of carbon credits. It does not determine the standards that may apply to nature markets, future government purchasing decisions, or compliance markets, e.g. CORSIA.

[3] The State of Carbon Credits (2025) - Sylvera

Box 1: International Aviation and CORSIA

Sector-specific international mechanisms also have an important role to play in carbon markets. The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) demonstrates this potential and is currently the only global carbon market mechanism for a single sector. Agreed through the International Civil Aviation Organization (ICAO), it helps to address emissions from international aviation. The UK played a leading role in its agreement and continues to support its implementation and development.

In addition to keeping the net emissions from the international aviation sector below pre-COVID-19 levels, CORSIA has the potential to support international climate objectives, including through the mobilisation of climate finance, support for the delivery of Nationally Determined Contributions (NDCs) and contribution to sustainable development outcomes.

Airlines with obligations under CORSIA are required to use credits that meet ICAO's CORSIA Eligible Emissions Unit Criteria. The UK successfully negotiated to ensure that these criteria support environmental integrity and supports their use by airlines in meeting obligations under the scheme. The Department for Transport has consulted separately on requirements for airlines to offset emissions under CORSIA and intends to respond to that consultation later this year.

The UK government has legislated to include the UK's share of international aviation and international shipping (IAIS) emissions in Carbon Budget 6, all subsequent carbon budgets, and the 2050 net zero target. For carbon budgets which include IAIS, we intend to account for credits purchased by UK airlines for UK-departing flights under CORSIA, where we are satisfied that they meet high-integrity principles, including that the credits credibly represent emissions reduced or removed from the atmosphere and are sourced from countries that have ambitions consistent with the Paris Agreement temperature goal.

The UK continues to lead work through ICAO to strengthen CORSIA in light of ICAO's net zero 2050 goal.

Supply in the UK and overseas

Government is taking action in the UK and overseas to bring forward high-integrity credit supply. In the UK, DESNZ has been developing a Greenhouse Gas Removals (GGR) Business Model to incentivise private investment in large-scale GGR projects by providing revenue support under a 'contract for difference' mechanism and has commissioned the British Standards Institution (BSI) to develop an engineered GGR Standard. A robust GGR Standard, including monitoring, reporting and verification (MRV), will be crucial to preserve the integrity of any market for negative GHG emissions and instil public and investor confidence that removals are genuine and verifiable. In developing the GGR Standard, we are aligning with the EU Carbon Removal Certification Framework (CRCF) and recognised, high-integrity benchmarks

such as the Integrity Council of Voluntary Carbon Markets (ICVCM) and the Paris Agreement Crediting Mechanism wherever possible in the UK context.

Defra has supported nature projects to move from environmental ambition to commercially credible opportunities capable of attracting private investment, through programmes such as the Natural Environment Investment Readiness Fund and the work of the Green Finance Institute and Ecosystem Knowledge Network Community of Practice. However, scaling high-integrity nature markets requires a broader capacity-building approach that serves the whole market ecosystem rather than focusing solely on individual projects.

As set out in 'Growing Places', Defra is launching a detailed market discovery phase designed to identify priority areas for capability building to address gaps in current and future market activity. This discovery phase should help us identify important areas to support participants to realise market opportunities, build confidence in engaging with private finance and reduce duplication across an increasingly complex landscape.

We are building from a position of strength: in summer 2026, the then Department for Science, Innovation and Technology invited bids from project developers and brokers for carbon credits that could address emissions from construction of a new state-of-the-art headquarters for the European Centre for Medium-Range Weather Forecasts. There were many high-quality responses indicating the strong future potential for engineered and nature-based removal credits – and the tender was awarded to Climeworks for a portfolio of exclusively UK-based nature and engineered removal projects.

Overseas, government remains a strong supporter and funder of international initiatives that strengthen global carbon markets, and channel finance towards more cost-effective emissions reductions and removals. Support focusses on de-risking private sector investment, building regulatory frameworks and strengthening existing projects so they better align with global integrity standards. In November 2025 at COP30, adding to our portfolio of programmes to strengthen markets, government announced £4m of support for the Global Green Growth Institute's Carbon Transaction Facility to help bring forward Article 6 projects. In response to airlines' concerns around the supply of CORSIA credits, in November this year government launched a new CORSIA capacity building project with the Article 6 Implementation Partnership as the delivery partner. Worth up to £760,000, the project will help developing countries meet the reporting requirements necessary to release credits for sale to airlines to meet their CORSIA obligations.

The UK helped establish and co-chairs the Coalition to Grow Carbon Markets, along with Singapore and Kenya, which brings together ambitious governments committed to scaling high-integrity voluntary carbon markets. The UK is also an active member of the Open Coalition on Compliance Carbon Markets, established by Brazil and co-Chaired by the EU and China, through which we will share UK expertise to inform carbon pricing uptake globally.

UK Nature Investment Standards and assurance

As set out in the consultation, the UK Nature Investment Standards (NIS) Programme, funded by Defra and delivered in partnership with the British Standards Institution (BSI) and devolved

governments, aims to support the growth of high-integrity nature markets across the UK. The programme was established to address the lack of consistent standards and assurance mechanisms in emerging UK markets for environmental outcomes, which can create uncertainty for investors and limit the flow of private finance into nature recovery.

At consultation, we sought views on whether any additional considerations on assurance for the UK Nature Investment Standards should be taken into account. Respondents highlighted the need for third-party assurance and accredited certification for the NIS, to reduce bias and increase market confidence. Some also called for assurance processes to be simple, inclusive, transparent, and proportionate, to avoid exclusion of, for example, small projects or innovative approaches.

Taking into account feedback via consultation and an ongoing market-led development process, the programme is creating a framework of interconnected standards covering areas such as overarching market integrity principles, biodiversity, nutrients and community engagement.

In March 2026, BSI launched two standards which set market-specific requirements for biodiversity (Flex 702) and nutrient markets (Flex 704). These establish consistent requirements for how biodiversity and nutrient projects should be designed, measured and reported, and build on Flex 701, which sets common principles for all UK nature markets.

BSI has already consulted on an initial version of the Supply of Nature-Based Carbon Benefits standard (Flex 703), with a version for market adoption anticipated in 2027. The standard will establish a common framework for high-integrity UK nature-based carbon projects and investment schemes and is intended to support a range of investment models and market approaches. As set out in 'Growing Places', this includes approaches that attract private finance into nature investment schemes that are not seeking to generate carbon credits, and schemes seeking to generate high-integrity carbon credits.

The Community Engagement and Benefits Code of Practice is due for publication in early 2027. This Code of Practice will encourage nature investment projects to work with local communities, building further on existing local structures and priorities, such as community organisations, community action plans and local place plans (including Local Nature Recovery Strategies in England). This will ensure that investment in nature reflects local needs and aspirations.

Market participants are encouraged to engage with the standards through self-assessment, providing a period of familiarisation and voluntary adoption. Wider stakeholder engagement, including through the Voluntary Carbon and Nature Markets consultation, have shown that self-assessment alone cannot provide the consistency and independent verification needed for buyers and investors to participate with confidence. Several stakeholders indicated that independent, third parties were preferred to carry out assurance, and that accreditation of third parties provides additional trust.

To address this, Defra announced in March 2026 that there will be a minimum 2-year period of self-assessment before transitioning to a long-term assurance framework based on accredited

certification. This will be delivered through Conformity Assessment Bodies (CABs) operating with the United Kingdom Accreditation Service (UKAS), offering a recognised and trusted mechanism for independent assessment.

Government is funding a project to scope, develop, and pilot a proof-of-concept assurance framework for the NIS that supports the transition towards accredited certification. The project will test the framework with a range of market participants at different stages of readiness, assessing its practical impacts on costs, accessibility, and market uptake before wider rollout. The project is expected to run from 2027 to 2029.

Validation and verification

The consultation emphasised that validation and verification (V&V) processes perform a critical role in carbon and nature markets, ensuring that the benefits delivered by projects are accurate before the issuance of any credits for them. We sought views on whether there are capacity barriers and/or other issues faced by validation and verification bodies in the UK and internationally.

Feedback through the consultation and additional stakeholder engagement since has highlighted the need for more validation and verification professionals, a lack of which causes bottlenecks in credit issuance in the UK and overseas. Other issues reported include slow, inefficient and expensive V&V, inconsistently robust V&V methods, and limited use of digital tools and technology, across both carbon and nature markets. Consultation respondents suggested potential solutions including using standards and/or guidance to improve consistency and robustness across V&V, rolling out digital tools, and providing regulatory oversight e.g. through an accreditation process.

For nature markets, government recognises the potential to address the root cause of issues in V&V by increasing and stabilising long-term demand for high-integrity nature credits. In the meantime, government is taking action to build capacity through an ambitious package of investment readiness and support in the UK (further information can be found in 'Growing Places'). This will identify gaps in nature markets, such as V&V, where further support for capacity and capability building is required and how best to help address these.

The UK Woodland Carbon Code (WCC) is also working to increase the number of UKAS-accredited Validation and Verification Bodies reducing bottlenecks in the system. The Code is working with Scottish CivTech partners ReTHINK to create a new case management system to bring further efficiencies to the process. There may be opportunities for Defra to support the application of these practices to the wider market where appropriate. Within carbon markets, we recently confirmed in the Government Response to an independent review on greenhouse gas removals that there should be regulated Monitoring Reporting and Verification (MRV) for all greenhouse gas removal technologies to govern their output.

Overseas, our portfolio of International Climate Finance programmes and co-ordination efforts also aim to strengthen validation and verification. For example, we support V&V processes through our contribution to the World Bank's Partnership for Market Implementation.

Chapter 3: Demand – driving credible use of credits

The Voluntary Carbon and Nature Markets (VCNM) consultation sought stakeholder views on steps that government could take to unlock demand for carbon and nature credits so they could accelerate organisational net zero and nature-positive transitions. Many respondents recognised a potential role for credits, most often as a complement to reducing emissions and negative impacts on nature and within the mitigation hierarchy, including for hard-to-abate emissions or to avoid upfront nature degradation, with guardrails to protect against greenwashing risk.

However, while responses indicated that corporate interest in buying carbon and nature credits remains significant, this has not translated into demand at sufficient scale. Global carbon credit retirements have remained relatively flat in volume terms over the past four years at between 194-202MtCO2e.[4] The value of carbon credits purchased by UK companies from domestic projects in the first half of 2026 was £1.8m – up 60% from the same period in 2025 - with the remaining 88% (£14.2m) spent on overseas projects.[5] Demand for non-carbon credits remains nascent. Respondents made clear that to improve these trends, they would need:

- To know how to use credits;
- To know which credits to buy and how to determine good quality;
- Stronger legal and reputational protections for organisations following recognised good practice;
- Market infrastructure that reduces transaction costs and complexity;
- Greater accounting clarity on how to account for carbon credits as an investment (see Chapter 4); and
- Government incentives and requirements to strengthen the investment case.

The UK government therefore seeks to establish an enabling policy environment that increases demand for domestic and international high-integrity credits, whilst ensuring their appropriate use. The UK government's Integrity Principles framed the latter in broad terms, stating that credits should be used in addition to ambitious value chain action, and this use should be planned, transparently reported and accurately claimed. In response, government will enhance the value proposition for buying credits by:

- Providing policy clarity by endorsing some use cases as valuable concepts for immediate business use;
- Committing to publish practical guidance in spring 2027 to support businesses to implement carbon credit purchases into net zero strategies, replacing provisions in the 'Environmental Reporting Guidelines' which may be inhibiting demand for credits from UK based projects;

[4] Carbon Markets Come of Age in 2025 (2025) - MSCI
[5] Carbon Market Trends Report (2026) - AlliedOffsets

- Responding on options to provide legal and/or reputational protections (safe harbour measures) with reference to the International Emissions Trading Association's (IETA) work on behalf of the Coalition to Grow Carbon Markets;
- Continuing to engage with accounting bodies, stakeholders and market participants to better understand carbon accounting issues and support international efforts to improve clarity where appropriate;
- Testing how additional incentives could drive action, including recognition schemes and government procurement measures. This includes exploring the creation of a Woodland Carbon Purchase Fund to provide woodland developers with government contracts to buy woodland carbon units over the coming decades.

Use cases, recognition and claims for high-integrity credits

Use cases

There is increasing international convergence on a set of use cases for high-integrity carbon credits. Since the consultation was published, international standards – which will help organisations set and achieve ambitious decarbonisation goals - have developed significantly. Government welcomes efforts to strengthen clarity and consistency around how organisations set net zero targets and use carbon markets, and the increasing convergence between these initiatives where they set out use cases for high-integrity carbon credits.

Box 2: VCMI's Claims Code, and Scope 3 Action Code of Practice

The Voluntary Carbon Markets Integrity Initiative's (VCMI) Claims Code and Scope 3 Action Code of Practice played key roles in the evolution of demand-side carbon market standards. At consultation, we sought views on a proposal to endorse the Claims Code as representing international best practice, and views in general on VCMI's Scope 3 Action Code of Practice. Most respondents were supportive of VCMI's Claims Code, with qualifications. Some of these qualifications acknowledged implementation barriers, raised questions about governance, or pointed out the limited uptake of the Claims Code, which remains low today.

Responses captured mixed and qualified views on VCMI's guidance for Scope 3 at the time, while a high proportion focussed on how Scope 3 emissions reduction shortfalls could be met without weakening decarbonisation objectives. Many saw the Scope 3 Action Code as a pragmatic response to Scope 3 challenges, however uptake since the Code was issued in April 2025 has been minimal.

Government strongly welcomes the consultative and transparent approaches VCMI took to setting guidance, which has considerably strengthened the evidence base for subsequent global standards and their large membership bases, to draw upon. The organisations that were able to meet the full list of criteria under VCMI's Claims Code represent an extremely high level of environmental integrity and capacity to address their residual emissions.

Government welcomes the mandatory role for high-integrity credits from 2035 under the Ongoing Emissions Responsibility framework through the Science Based Targets Initiative's Corporate Net Zero Standard (CNZS) version 2.0. Analysis indicates this could lead to significant increases in carbon credit retirements, even under conservative uptake scenarios.[6] However, for markets to fulfil their potential requires strong incentives before 2035, for example to unlock supply of credits that will meet global integrity thresholds in the coming years. Government is therefore working at pace, through the measures set out in this document, and through the Coalition to Grow Carbon Markets, to give clear signals and set policies that support earlier responsible market use, ahead of 2035.

The UK government endorses the following use cases as valuable concepts for immediate business use, when aligned with positions set out in this document:

- To take responsibility for ongoing emissions, as set out in CNZS version 2.0;
- To counterbalance residual emissions at organisational net zero using high-quality, durable removals credits;
- To address historical emissions.

Government sees these use cases as being a legitimate basis for high-integrity use of carbon markets: where standards are finalised, government will help organisations meet carbon markets elements well before they become mandatory, and encourages those standards, in setting carbon credit quality criteria, to make use of existing work by PACM and ICVCM. Wherever possible and helpful, government will continue to work internationally with like-minded governments to align this support, principally through the Coalition to Grow Carbon Markets.

The government will consider how the use of high-integrity carbon and nature credits can be integrated into its wider approach to corporate transition planning. Where companies publish transition plans, government considers it best practice for them to explain clearly if and how credits are used to support decarbonisation strategies.

Government recognises the need for clear and compelling use cases for nature credits to incentivise investment beyond value chains, in addition to efforts within value chains. In 2027, we will work with industry to make progress on the value proposition for buying nature credits and investing beyond value chains.

Recognition and claims

To support moves towards global coherence of corporate standards, we do not consider that a new UK-specific claim or claims standard is currently appropriate or that legislating for UK-specific carbon neutrality definitions would be helpful in an international market context. This follows feedback from several consultation respondents who expressed that a UK-specific standard could be duplicative or create fragmentation, preferring that government seek to influence the development of international demand-side standards.

[6] The SBTi CNZ V2.0: Analysis of what comes next (2026)

Government recognises the importance of providing organisations with greater clarity and confidence when communicating their use of high-integrity carbon credits. Consistent with the safe harbour measures discussed later in this chapter, our approach is to support greater alignment around claims through internationally aligned guidance, engagement with regulators and the development of international standards.

In the UK, the Advertising Standards Authority (ASA) regulates advertising. In its 2026 'Greenspeaking with Confidence' guidance, the ASA clarifies how claims such as 'carbon neutral' or 'net zero' should be framed by marketers. While the ASA is operationally independent, government will continue to share its carbon and nature market objectives with the organisation, and where appropriate, its views on future guidance. The ASA will be part of the Carbon and Nature Markets Regulator Forum that government is working with regulators to establish, with the remit to improve market functioning.

Supporting UK organisations to buy carbon credits

The consultation invited views on the need for additional guidance to support organisations to incorporate credits into their net zero transition planning, as well as measures to improve transparency and disclosures. Responses indicated limited use of the existing 'Environmental Reporting Guidelines' and consistently called for clearer, more specific guidance on voluntary market participation, including credit use, claims and Scope 3 considerations. Respondents repeatedly emphasised that guidance should be proportionate and internationally aligned.

In response to these views, in Spring 2027, the UK government will issue step-by-step guidance to support organisations' use of carbon credits (reflecting our support for the use cases set out above), from planning to retirement and communication. This will replace provisions in the 'Environmental Reporting Guidelines' and review those guidelines' inconsistent treatment of claims between purchases of international and domestic credits. The new guidance will be designed to be easily understood, broadly applicable, support early adoption of international demand-side standards, and be aligned with other governments wherever feasible and appropriate. It will meet our commitment to put the Coalition to Grow Carbon Markets' Shared Principles into practice. These Shared Principles, along with the positions set out in this Government Response, should serve to guide good practice until new guidance is published.

Government will test the guidance with stakeholders throughout its development and before it is finalised to ensure that it provides clear and pragmatic information that is helpful to businesses.

Safe harbour measures

Since the consultation was issued, safe harbour measures have been raised as a way to de-risk market activity. Safe harbour measures are government-backed protections that can unlock demand by reducing reputational, legal and other risks faced by organisations that follow defined rules or guidance when they engage with carbon markets.

Through the Coalition to Grow Carbon Markets, the UK government commissioned work this year to elaborate on safe harbour options that governments could implement, which is being taken forward by the International Emissions Trading Association (IETA). The workstream has drawn detailed inputs from governments and other actors from across the carbon market value chain. It considers protections related to both credit integrity (the environmental attributes of a credit) and claim integrity (the accuracy of the accompanying claim).

These protections can be 'hard' i.e. statutory or regulatory immunities or defences that apply when conditions are met, or 'soft' i.e. non-binding frameworks that in some circumstances could be given legal weight. Harder protections would provide more effective risk mitigations, although the evidence base around their successful application to carbon market claims is currently small. Softer forms of protection would be generally easier to implement, could be aligned between jurisdictions, and could serve as the basis for harder protections in future.

Government welcomes the ongoing work by IETA and partners to set out related options and will respond to its recent recommendations in due course. This response will consider how safe harbour measures could support early alignment with international demand-side standards by UK organisations, and, through the Coalition to Grow Carbon Markets, the extent to which such measures could be co-ordinated internationally. The positions and intentions set out in this consultation response, including those relating to recognised integrity benchmarks, use cases, claims and disclosures, and the guidance to be published in Spring 2027, are intended as first steps in that process.

Additional demand drivers

The government recognises that there are additional measures that would further contribute to creating the conditions for scaling demand for credits. With this in mind, government will:

- Continue to provide inputs into the development of international demand-side standards, including in partnership with like-minded governments, so they make effective use of carbon markets;
- Consider and test options to accelerate business implementation of international demand-side frameworks;
- Reflect its support for the above use cases in future guidance and, where appropriate, future policy;
- Continue to consider and welcome stakeholder views on a formal incentive scheme that recognises organisations that are implementing the forthcoming UK guidance by taking transparent steps to reduce their own emissions, and that purchase high-integrity carbon credits in respect of emissions that they cannot feasibly abate.
- Explore how the policy positions set out in this Government Response and the forthcoming guidance could be reflected in relevant procurement best practices and associated policies. This will include consideration of departmental purchases of credits to support policy priorities, demonstrating good practice, for example through transparent criteria, retirement evidence, and claims discipline.

The government recognises that the use of international credits to meet the UK's carbon budgets and Nationally Determined Contributions (NDCs) remains a subject of stakeholder discourse, with some consultation respondents advocating for the UK government to seek to use international credits towards these targets, or support increases in their ambition.

The UK intends to meet these targets through domestic emissions reductions and removals (with the limited exception of some CORSIA credits), in line with advice from the Climate Change Committee, but reserves the right to use voluntary cooperation through Article 6.[7] Subject to conditions in our 'Carbon Budget and Growth Delivery Plan', government intends to use CORSIA credits purchased by UK airlines for UK-departing flights from carbon budget 6 onwards.

Government notes the role of buyers' clubs in reducing overall costs and risks. The UK supports demand aggregation for jurisdictional forest carbon credits as a founding member of the LEAF coalition (Lowering Emissions by Accelerating Forest Finance), a public-private coalition that is committed to ending deforestation by building a market for high-integrity credits. Government recognises that a number of countries and private sector buyers' clubs are forming for Greenhouse Gas Removal, or Carbon Dioxide Removal, technologies. Government welcomes mechanisms to aggregate demand, share expertise and support the scale-up of the greenhouse gas removals sector. We will keep this and potential procurement interventions under review and update on any progress when appropriate.

The government acknowledges that some stakeholders, via their consultation responses and wider engagement, have called for government to consider additional demand-stimulating interventions, including credit-use mandates, fiscal and tax-related measures, and compliance-linked demand pathways.

The government notes that compliance-linked pathways can provide strong incentives to buy eligible credits for the purposes of meeting obligations, as well as by providing a regulatory stamp of approval that increases voluntary buyer confidence in those credits. There are two current examples where government is acting to secure compliance-driven demand:

- Integrating UK Greenhouse Gas Removals (GGRs) into the UK ETS, which could provide a durable, compliance-backed source of demand needed to unlock investment and scale the developing GGR sector; and,
- Implementing CORSIA, with legislation covering CO2 monitoring, reporting and verification requirements in place in the UK since 2021. Following a consultation last year on implementation of CORSIA's offsetting requirements, including options for interaction with the UK ETS, we intend to publish a government response later this year setting out the UK's approach. We expect to have UK legislation for CORSIA offsetting in place as soon as possible thereafter.

With regards to stakeholder feedback on credit-use mandates, fiscal and tax-related measures and further UK ETS related pathways, government acknowledges these views and may consider them, where relevant, in due course. For example, the Independent GGR Review

[7] With the exception of Carbon Budget 5, where government legislated to rule out the use of international credits.

outlined a headline recommendation to amend the existing Sustainable Aviation Fuel (SAF) Mandate to drive procurement of both SAF and permanent GGRs, creating a regulated source of demand for removals. As stated in the Government Response to the Independent Review on GGRs, further work is needed to explore options for driving demand for GGRs including a fuller review of the SAF Mandate proposal. We will set out further detail on our approach to this in 2027.

Portfolio approaches to carbon credit purchases

Government encourages organisations to construct high-integrity portfolios that, where viable, support reductions and removals, nature-based and technological interventions in the UK – so that co-benefits reach our communities and landscapes – and internationally, and to communicate these plans. The weighting of a carbon credit portfolio will depend on an organisation's circumstances and objectives.

Accelerating emissions reductions and the removal of greenhouse gases from the atmosphere is essential. High-quality reductions are available at scale and can protect the UK's carbon budget in the short term, including through the protection of critical global ecosystems that the UK's national security and prosperity rely on. High-quality removals credits can support both nature-based and technological interventions, including in the UK. Removals will be needed at scale to achieve net zero and purchasing credits from removal projects can help land management practices and emerging removal technologies to develop and reduce deployment costs.

When designing carbon credit portfolios, government encourages organisations, where viable, to:

- include high-integrity UK projects, taking account of the opportunities to support climate and nature outcomes in the places where they operate and source from. This can support delivery of the UK's legally binding carbon budgets and its Nationally Determined Contributions, mobilise private investment into the UK's net zero and nature objectives, and deliver wider benefits for communities and landscapes.
- include high-integrity international projects, where credits are readily available, which support cost-effective climate action to protect critical ecosystems and help minimise any exceedance of global temperatures above 1.5 degrees. Purchasing credits from international projects helps achieve the UK's international climate and development targets.

In all cases, where credits are used, these should form part of ambitious organisational nature and climate strategies, be aligned with government's position on supply-side integrity in Chapter 2 and be transparently reported. This position is aligned with the Shared Principles that government negotiated through the Coalition to Grow Carbon Markets.

The government further confirms its view, aligned with those Shared Principles, that in circumstances where they are not mandatory (for example, as requirements under Article 6.2 and CORSIA), buyers taking action in line with the approaches in the above chapters need not

seek to secure corresponding adjustments from seller governments, although are encouraged to report whether adjustments apply, or are intended to.

Chapter 4: Market enablers – strengthening frameworks and infrastructure

This chapter focuses on the supporting environment needed for high-integrity voluntary carbon and nature markets, including legal clarity, international consistency, market infrastructure, and oversight.

Clarifying the legal treatment of credits in the UK

In the consultation, we asked whether there were any barriers to the effective functioning of voluntary carbon and nature markets that the government should address. Respondents identified legal uncertainty as a barrier to participation and investment, and argued that greater clarity could reduce market friction, strengthen market infrastructure and improve confidence. We also sought views on whether the legal treatment of voluntary carbon and nature credits was sufficiently clear and, if not, what could be done to provide greater certainty.

Most respondents generally considered the current legal position unclear, particularly in relation to whether credits constitute property and how their legal status may vary according to their design and the relevant jurisdiction. Respondents also identified clearer treatment of ownership, transfer, insolvency and the application of existing legal and regulatory frameworks as priorities.

Since the consultation, Parliament has enacted the Property (Digital Assets etc) Act 2025 (“the Act”), implementing a Law Commission recommendation by confirming that personal property rights can apply to things outside the traditional categories of a thing in possession or a thing in action. The Act supports legal certainty for novel digital and electronic assets while preserving flexibility as technologies and commercial practices develop.

One of the conclusions of the Law Commission's Digital Assets: Final Report, published in 2023, was that voluntary carbon credits may be structured as intangible property. Now that the Act is in place, the government considers that voluntary carbon credits fit within the framework established by the Act, and that this will allow the voluntary carbon and nature market to grow as the underlying activities develop. Government commissioned legal advice that supported the conclusion that Woodland Carbon Units can be intangible assets.

Some consultation respondents favoured statutory definitions or legislation classifying voluntary carbon and nature credits. The government considers flexibility preferable at this stage. The Property (Digital Assets etc.) Act 2025 gives greater certainty that novel assets can be property, without fixing definitions that may become outdated as markets, technologies and crediting frameworks evolve.

Financial accounting treatment of carbon credits

Consultation respondents highlighted the importance of greater clarity on the financial accounting treatment of credits. The government recognises that accounting treatment can

influence business decisions relating to the purchase and use of credits and that greater clarity could support market confidence and development.

The government welcomes current work by the UK Endorsement Board (UKEB) and international accounting standard setters on the treatment of intangible assets, including consideration of issues relevant to carbon credits. The government will continue to engage with relevant departments, accounting bodies, stakeholders and market participants to better understand these issues and support international efforts to improve clarity where appropriate.

Promoting international consistency

At consultation, we sought views on whether the UK should seek to promote greater international consistency in the legal treatment of voluntary carbon and nature credits and, if so, how. Respondents generally supported an active UK role, with an emphasis on promoting interoperability and integrity through recognised international processes. In particular, they highlighted work by the International Institute for the Unification of Private Law (UNIDROIT), the United Nations Commission on International Trade Law (UNCITRAL) and the Hague Conference on Private International Law (HCCH), alongside alignment with Paris Agreement mechanisms, including Article 6.

The government agrees that interoperability, legal certainty and market integrity are important for cross-border voluntary carbon and nature markets. This is of particular importance to sectors that are cross-border by nature, such as the aviation sector. Greater consistency can reduce transaction costs and support confidence and investment.

The government welcomes work by UNIDROIT on verified carbon credits and the HCCH on carbon markets. The government is actively engaging with both processes, participating in the working group for the former and as a member of the Expert Group of the latter. The government is also contributing to wider international discussions on the legal and regulatory frameworks that support trusted and interoperable carbon markets, including through the Coalition to Grow Carbon Markets, and TheCityUK's Carbon Credit Auction Pilot (see Box 3).

International consistency should promote practical alignment, interoperability and shared foundational concepts, while allowing legal systems to reflect their own frameworks and market contexts. The government will continue to engage actively with international partners, legal experts, market participants and standards bodies and, where helpful and appropriate, will seek to support international alignment.

Box 3: The UK Carbon Credit Auction Pilot

Government is supporting the development of credible and efficient carbon market infrastructure, including through actively observing the UK Carbon Credit Auction Pilot. The pilot is a market-led initiative convened by TheCityUK, bringing together UK market participants, infrastructure providers and policymakers to examine how structured carbon credit auctions could overcome market barriers through greater standardisation, transparency and price discovery. It aims to provide, through a series of auctions, practical evidence on how market infrastructure, practice, and regulatory frameworks could better support trust, price discovery and scale in high-integrity carbon markets.

The pilot will leverage the UK's world-leading financial and related professional services capabilities and inform government's wider approach to supporting the development and scaling of high-integrity carbon markets.

Biodiversity credits

Through international partnerships, we are supporting credible market rules, stronger governance and practical routes for investment that support biodiversity, climate and equity outcomes. A central part of this work is the International Advisory Panel on Biodiversity Credits (IAPB), launched by the UK and France in 2023 and now operating independently.

The IAPB has become an important global reference point by clarifying what biodiversity credits are, how they should be used, and the safeguards needed to prevent international offsetting or low-integrity claims.

While its initial focus has been on high-integrity biodiversity credits, its work is increasingly informing the development of domestic markets, including through market-design standards, policy and regulatory support, market infrastructure and practical learning from pilot projects.

The government is supportive of international efforts to better incorporate biodiversity co-benefits into carbon markets and will continue to engage actively with international partners, legal experts, market participants and standards bodies. This includes support for the IAPB and its work to promote internationally coherent approaches to biodiversity credit standards, market integrity and governance.

Market oversight

The consultation explored ways to strengthen and streamline market governance, so that suppliers, buyers and intermediaries can participate with confidence. Key stakeholder groups have flagged the negative impacts of fragmented oversight and regulation on market confidence and investment. Most consultation respondents agreed with the functional requirements we set out for a high-integrity UK market governance framework (standards, assurance, accreditation, and regulatory oversight) and agreed that the measures outlined

would provide appropriate regulatory oversight. Some respondents highlighted the need to avoid duplicative measures or called for more significant government intervention.

Following feedback at consultation, we are actively seeking to develop a coherent UK-wide governance framework for voluntary carbon and nature markets (VCNMs). Market oversight is a critical component of this, enabling stable, transparent and fair VCNMs through which public and private funding can be confidently and efficiently allocated towards sustainable growth and a restored natural environment.

UK Carbon and Nature Markets Regulator Forum

Stakeholder engagement and responses to the Voluntary Carbon and Nature Markets consultation reflected strong support for a cross-disciplinary forum to strengthen oversight across UK voluntary carbon and nature markets. Respondents highlighted the need to better connect existing regulatory and governance arrangements, improve coordination between organisations and provide greater clarity on roles and responsibilities. In response, the government is working with regulators to establish the UK Carbon and Nature Markets Regulator Forum.

Initially, the Forum will focus on improving coordination across the UK voluntary carbon and nature market governance landscape. It will bring together government departments (Defra, DESNZ, HMT and DBIST), and regulators including the Financial Conduct Authority (FCA), Advertising Standards Authority (ASA), the Environment Agency (EA), Natural England (NE), the Forestry Commission (FC), and relevant regulators in the devolved governments in Scotland, Wales and Northern Ireland. The Forum will not regulate markets. It will work within existing market governance and regulatory frameworks to map oversight responsibilities, share intelligence, improve coordination across the market and make recommendations on future regulatory priorities for voluntary carbon and nature markets.

Greater clarity and coherence across regulatory frameworks would help remove a potential barrier to the markets scaling and provide more consistent guidance to participants.

Following its initial phase in the first half of 2027, the government will review the Forum’s effectiveness, consider whether any changes to its scope or membership are required, and ensure coordination arrangements remain proportionate to the needs of the market.

Environmental Market Governance Scheme pilot

We are also working with industry to explore an independent oversight mechanism for UK nature markets. This Environmental Market Governance Scheme would be a voluntary, industry-led mechanism, with registration conditional on compliance with the scheme’s rules. The body would sit above standards and assurance, aiming to provide a more visible and coordinated layer of oversight.

Subject to initial work on scoping and design, Defra will decide whether to provide grant funding to the pilot. This would look to test whether independent oversight creates sufficient

practical, reputational and market value for participants, buyers and wider stakeholders to support continuation of the scheme beyond the grant-funded pilot period.

Combining environmental payments

In the VCNM consultation, we recognised the importance of aligning incentives to minimise trade-offs and optimise land use to deliver multiple environmental benefits. This is because in many cases, the same action can e.g. improve biodiversity, reduce flood risk, improve water quality, and sequester carbon. One way of incentivising optimal land use is to therefore allow payments for different environmental services to be combined. This is sometimes referred to as ‘stacking’ of payments or benefits. Stakeholders have widely cited a lack of clarity on if/how they can combine payments for multiple environmental services as a barrier to investment.

At consultation, we asked whether we should trial a greater degree of stacking to better understand the effects of it, and to inform future policy. Of those that responded to the question, the majority were supportive of a trial. They considered combining environmental payments a critical incentive for landowners to develop high-quality nature-based projects that maximise ecosystem function and generate multiple revenue streams. Respondents said trialling a greater degree of stacking would help gather further insight, explore scalable models, and develop replicable case studies. However, some respondents suggested this should not be a priority for government intervention whilst others suggested different models as more viable (e.g. blended finance or ‘bundling’).

On balance, government has decided to not take a trial forwards at this time. In place of a trial, in ‘Growing Places’ we recently published and sought views on three principles to set out a direction of travel for future policy development on combining environmental payments and to help guide organisations that design environmental finance mechanisms to adopt a more coherent approach over time. These principles aim to help create the conditions to combine environmental payments with greater flexibility and integrity and to create more opportunities for blended finance. We will engage with crediting schemes, standards bodies and market infrastructure providers on how these principles could be implemented.

Next steps

This Government Response marks the next phase of our work to support high-integrity carbon and nature markets. We will now focus on delivering the actions set out in this document, working across government and with market participants, standards bodies, regulators, civil society, and international partners.

In particular, this means:

- Publishing practical guidance in spring 2027 to help UK organisations participate responsibly in voluntary carbon markets, covering the journey from planning and selecting credits to their use, disclosure, and retirement. We will test the guidance with stakeholders during its development to ensure that it is clear, proportionate and practical for organisations of different sizes and sectors;
- Working to establish the Carbon and Nature Markets Regulator Forum, bringing together relevant government departments, regulators and market governance initiatives;
- Strengthening standards, assurance and market capacity, including through development of the GGR Standard and the UK Nature Investment Standards, work to pilot an assurance framework and independent oversight mechanism, and action to improve validation and verification capacity and practice; and
- Continuing international cooperation to promote greater consistency, interoperability and integrity across markets, including through relevant international standard-setting processes, the Coalition to Grow Carbon Markets, and the Open Coalition on Compliance Carbon Markets.

Carbon and nature markets will continue to evolve. We will monitor market developments and evidence, including those that follow from the actions set out in this response, and consider whether further guidance, policy or legislation is needed. The Coalition to Grow Carbon Markets, UK Carbon Markets Forum, Carbon and Nature Markets Regulator Forum, and UK Carbon Credit Auction Pilot will be important sources of coordinated market intelligence and advice for this work.

Continued engagement will be central to implementation. We welcome further evidence and feedback from organisations participating in or affected by these markets, including on emerging barriers, market risks and opportunities for responsible growth. This will help government ensure that its approach is effective, coherent and responsive to practical experience in the UK and overseas.

This publication is available from: Voluntary carbon and nature markets: raising integrity - GOV.UK www.gov.uk/desnz

If you need a version of this document in a more accessible format, please email alt.formats@energysecurity.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.