Vanessa Countryman  
Secretary  
U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

Re: Comments on S7-10-22--The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

The Integrity Council for the Voluntary Carbon Market (the Integrity Council) welcomes the opportunity to comment on the proposed rules for The Enhancement and Standardization of Climate-Related Disclosures for Investors. This is a very important and timely proposal, given the urgency of addressing the climate crisis. Climate-related disclosures create accountability, inform investment decision-making and direct investment flows towards climate-resilient development.

A high-integrity voluntary carbon market (VCM) is a key complementary tool to accelerate climate action and ambition by mobilizing billions of dollars that would not otherwise be available, into climate mitigation and climate resilient development that would not otherwise happen.

Transparency is critical to high-integrity carbon markets by efficiently channelling capital towards the most effective emissions reductions and removals on a global scale, which is why the Integrity Council is keenly interested in the SEC’s focus on the VCM in its proposed disclosure framework.

It is critical that transparency not only leads to informed decisions, but also does not create unintended consequences. Thus we urge the SEC to consider including, in addition to its disclosure requirements for carbon credits, provisions relating to disclosure of the quality of the carbon credits companies are using. Doing so would allow investors and consumers to more easily assess the credibility of offset claims so that they can direct capital to issuers that are engaged in meaningful climate action. This would ultimately also help create a more effective price signal that provides the right incentives to drive rapid internal decarbonisation by the corporate sector rather than relying on offsets to meet their commitments.

The Integrity Council for the Voluntary Carbon Market

The Integrity Council is an independent governance body for the voluntary carbon market. Our purpose is to ensure the voluntary carbon market accelerates a just transition to 1.5 degrees.

We do this by setting and enforcing definitive global threshold standards, drawing on the best science and expertise available, so high-quality carbon credits channel finance towards genuine and additional greenhouse gas reductions and removals that go above and beyond what can otherwise be achieved, and contribute to climate resilient development.
These standards are called our Core Carbon Principles (CCPs). Below the CCPs sits an Assessment Framework (AF). This gives detailed guidance on how to apply each CCP, so that in due course we can assess which standards and methodology types may issue CCP-eligible credits. The role of the CCPs is to create the conditions that ensure high integrity in the generation and exchange of voluntary carbon credits.

**A definitive global threshold standard for a high-integrity voluntary carbon market**

Our view is that the VCM can and does deliver quality outcomes, but a lack of common standards means it is not consistently doing so. Scaling the VCM means recognizing that it is able to deliver value – and is already doing so – while also recognizing that we need the high-integrity standards and guardrails in place to ensure it delivers consistently.

This is why the Integrity Council is working at pace to develop the CCPs-- definitive global threshold standards for what high-quality carbon credits look like and putting the guardrails in place to ensure consistent high integrity exists today, and continues to do so tomorrow.

If we create the conditions to ensure high integrity exists in the generation, trading, and use of carbon credits, a powerful price signal will emerge that provides effective incentives to ensure the VCM is mobilizing additional capital, and effectively channeling it towards genuine emissions reductions and removals.

The potential for this market is significant. Demand for carbon credits is expected to increase 10-fold by 2030, and up to 100-fold by 2050, which is why we must first build with integrity for it to scale. We believe robust climate-related disclosure rules are highly complementary to this work, and we are supportive of the SEC’s efforts. The Integrity Council recommends, however that the SEC go further in its proposals relating to the disclosure of carbon credits.

**Disclosure of carbon credit quality is a powerful financial tool to help keep 1.5 alive**

The SEC’s proposal states that companies may use carbon credits for different purposes, including as their primary means of meeting their greenhouse gas emission reduction goals. The SEC does not take a position on whether it is appropriate for companies to use credits, but rather only recognizes that they may do so. As a disclosure rule, this neutral position on the use of carbon offsets is understandable. That said, the proposed rules also do not require companies to disclose information on how they assessed the quality of the carbon credits associated with the offsetting activity. By not mandating such disclosure, a critical element to informed decision-making is missing. Even if a company is using credits as part of a credible net-zero pathway, that pathway is only meaningful if those credits are genuinely delivering the environmental impact they claim to.

Addressing credit quality presents a significant opportunity for the SEC’s climate disclosure proposals to make a material difference in rewarding ambitious climate action.

**Disclosing carbon credit quality**

Climate-related disclosures create accountability, inform investment decision-making and direct investment flows towards climate-resilient development, but they must focus on material, investment-useful information.

Requiring companies to disclose information on the quality of the carbon credits they purchase allows investors to better identify which companies are investing in high-quality...
credits alongside robust, credible decarbonization strategies and which are using poor-quality carbon credits to merely greenwash. These disclosures assist investors in pricing risk more effectively and directing their capital and engagement efforts towards high-impact outcomes.

The Integrity Council’s position is that carbon credits are not a replacement for internal decarbonization and should not be used as a primary decarbonization strategy. The voluntary carbon market is only a complementary tool for channelling finance towards climate action.

By mandating the disclosure of carbon credits without specifying how an issuer determined whether these credits are high or low quality, these rules do not take us as far as they could to keeping 1.5 degrees alive.

The misuse of carbon credits is greenwashing, which erodes confidence in the whole market. There are many good carbon projects, programs and credits in the market. But there are also low-quality ones. It can be difficult for buyers to tell the difference without seeking sophisticated expertise, and it can also be difficult for consumers and investors to distinguish between valid and misleading claims.

Developing disclosure rules that include information of how an issuer determined the quality of a carbon credit will create the right incentives for companies to purchase those credits that are the highest quality, which our Core Carbon Principles will soon delineate. Such disclosure could include a recognition that a carbon credit met CCP eligibility guidelines, but there could be other means of assessing credit quality as well that issuers could employ. The imperative is that investors understand that the carbon credits an issuer discloses as part of its net-zero pathway are genuine and meaningful, and that the disclosure does not create unintended incentives for issuers to purchase carbon credits that do not achieve important climate goals.

To keep 1.5 degrees alive, we need every tool available to us functioning as effectively as possible. A high-integrity voluntary carbon market and robust climate-related disclosure rules are such complementary tools.

The Integrity Council appreciates the opportunity to provide comments on the proposed disclosure rules given the importance of building a high-integrity VCM, supported by the necessary transparency to ensure an effective and efficient market.

We look forward to sharing our Core Carbon Principles with the SEC and welcome the opportunity to discuss these issues, or any other questions you might have, with the Commission and its staff.

Very truly yours,

Annette L. Nazareth
Chair, Integrity Council for the Voluntary Carbon Market

cc: The Honorable Gary Gensler
Chair, U.S. Securities and Exchange Commission
The Honorable Hester M. Peirce  
Commissioner, U.S. Securities and Exchange Commission  

The Honorable Allison Herren Lee  
Commissioner, U.S. Securities and Exchange Commission  

The Honorable Caroline A. Crenshaw  
Commissioner, U.S. Securities and Exchange Commission  

Renee Jones, Director, Division of Corporation Finance, U.S. Securities and Exchange Commission  

Paul Munter, Acting Chief Accountant, Office of the Chief Accountant, U.S. Securities and Exchange Commission