Summary: 8th Strategic Dialogue of the Carbon Market Platform

23 – 24 October 2023

The meeting agenda & presentation links are provided at the end of this document for reference.

Co-Chair Summary

Japan hosted the 8th Strategic Dialogue of the Carbon Market Platform (CMP) in October 2023. The meeting was jointly chaired by the Germany and Japan, as G7 Presidencies in 2022 and in 2023. This annual forum brings together the G7 and other interested countries and organisations to strengthen international co-operation in developing effective, sustainable, and ambitious carbon pricing approaches. With the support of the OECD, discussion papers are prepared for each Strategic Dialogue. This year’s OECD discussion paper reflected on the topic "The interplay between voluntary and compliance carbon markets: Implications for environmental integrity and government engagement".

The invitation-only Strategic Dialogue benefitted from participation from all G7 governments, 11 other countries (including LDCs), and over 20 organisations in the carbon credit market space (MDBs, IGOs, NGOs, private sector), including remote participants.

The Co-Chairs’ highlighted that carbon credit markets can play an important role in the net-zero transition, but that this requires supply-side, demand-side and market integrity. In this regard, the co-chairs welcomed the G7 Principles of High Integrity Carbon Markets as a starting point for governments to bring the quality of voluntary carbon markets closer to that of Article 6.

Detailed discussions in the Strategic Dialogue agenda focused on three topics (see overleaf):

- Carbon market interplay and environmental integrity
- Enhancing environmental integrity in voluntary carbon markets
- Enhancing Article 6 implementation and the ambition of NDCs

During the Dialogue, participants were encouraged to share views, knowledge and best practices on carbon credit markets.¹

The co-chairs highlighted that the focused discussions at the Strategic Dialogue in 2023 had been fruitful, but further work may be needed for governments to identify how they can best support environmental integrity enhancements in carbon credit markets. International collaboration and strategic policy approaches will be keys for success, and the G7 Principles could have continued relevance as governments work together to identify joint solutions.

¹ The discussion was held under the Chatham House rule to facilitate an open and deep discussion.
Sessions 1A & 1B: Carbon market interplay and integrity

The Strategic Dialogue started with in-depth discussions on how the interplay between voluntary and compliance carbon markets affects the prospects for enhancing environmental integrity across carbon credit markets. Presenters stressed the importance of joined-up solutions that cut across voluntary (VCMs) and compliance carbon markets (CCMs), and that the G7 Principles of High Integrity Carbon Markets was a useful step in this direction. The OECD’s analysis highlighted that voluntary and compliance carbon markets are fragmented, evolving, have limited transparency and interplay in multiple ways - complicating efforts to enhance integrity. Several delegates pointed out that integrity enhancements in carbon credit markets are needed, and that government action could speed this up. However, governments would need to balance stringency with the potential barriers that integrity enhancements may create for project developers and companies to take voluntary action at scale.

Discussions highlighted the need to clarify the relationship between international carbon credit markets and host country NDCs. Greater clarity on how carbon credits support NDCs could encourage investments in mitigation activities. However, there are several Article 6 implementation challenges for potential seller countries to work through, and that it would be important to avoid “analysis paralysis”. Delegates noted that urgency of action requires governments to embrace learning by doing, at the same time as potential buyer economies could usefully support capacity building efforts. Organisations providing capacity building highlighted the diverse approaches to enabling VCMs and CCMs that different host countries are taking. While diverse approaches to VCMs and CCMs are needed to leverage diverse financing opportunities and carbon credit demand, there is also a risk that differences in host country approaches contribute to market fragmentation. Stronger collaboration and open discussions among buyer and seller countries in the spirit of moving from principles to action, could promote a uniform shift to integrity.

Session 2A, 2B & 2C: Enhancing environmental integrity in voluntary carbon markets

These discussions provided an opportunity for deep-dives into supply-side, demand-side and market integrity in the voluntary carbon markets. In all three deep-dives, discussions highlighted that environmental integrity has multiple dimensions and assessing it is complex, but in principle there are many common elements among different proposed definitions of environmental integrity. So, the challenge is to operationalise environmental integrity in ambitious and practical integrity frameworks, for a market that is currently experiencing credibility challenges and suppressed demand. Discussions highlighted that the end-to-end ecosystem for strengthening environmental integrity in VCMs is rapidly advancing and could have implications for potential future government engagement with carbon credit markets. Key developments include:

- New environmental integrity and transparency tools (e.g. risk ratings, meta-registries)
- Standards for high-integrity practices and transparency (e.g. ICVCM, VCMI, SBTi)
- Capacity building efforts for host countries to engage with both Article 6 and VCMs

Issues of market governance, oversight and infrastructure in VCMs were also raised, with views that these may grow in importance if the market scales further. Overall, countries will engage with VCMs in a way that suits domestic priorities, but such engagement could usefully be done collaboratively to avoid fragmentation. Emerging self-regulatory integrity frameworks were mentioned as a means to potentially reduce fragmentation, but considering their early stage of development, further time may be needed to assess how new tools and standards could inform potential government action.
Sessions 3A & 3B: Enhancing Article 6 implementation and the ambition of NDCs

The G7 Principles of High Integrity Carbon Markets call for the alignment of carbon markets with Paris Agreement temperature goals. Discussions noted that this could have profound practical implications for domestic, international and voluntary carbon markets, which could be further explored. Delegates agreed that accelerated mitigation efforts are needed to align with the Paris Agreement temperature goals, and Article 6 can play a role in both enhancing the ambition of buyer countries and accelerating action of seller countries. Simultaneously, many countries are analysing how Article 6 and carbon credit markets fit with NDCs and domestic climate policies, to inform their market strategies and frameworks. Article 6 implementation is happening in parallel with national processes for raising NDC ambition, which can be complex. Strategic Dialogue participants noted that raising awareness of the potential of Article 6 to unlock new mitigation potential will be important for new NDCs. Furthermore, several delegates highlighted that innovative approaches to policy, finance and international collaboration under Article 6 will be key for markets to scale with integrity. This could for example include new methods for blending carbon credit revenues with other sources of finance and developing scaled-up (jurisdictional, policy-based, sectoral) crediting solutions.

Presentations and discussions highlighted that countries are making strong efforts to develop national Article 6 frameworks, but considerable technical, institutional and capacity challenges remain. Several areas were highlighted as important to speed up readiness, including support to project origination, peer-to-peer learning and leveraging solutions and capacities from the CDM and VCM. Host countries pointed out that each country has different opportunities and capacity needs for engaging as seller in Article 6, as well as their own preferences for how Article 6 engagement can support fair and sustainable development in line with host country priorities. Inter-ministerial co-ordination and considered policy sequencing were highlighted as important elements to leverage the benefits of Article 6, relative to other mitigation instruments.
## Agenda: 8th Strategic Dialogue of the Carbon Market Platform

Presentations have been hyperlinked where these are available for public use.

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<th>Time</th>
<th>Session 1A: Market interplay and integrity – the G7 Principles &amp; CMP analysis</th>
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<tr>
<td>09:15 – 09:30 JST</td>
<td>Welcome and opening remarks</td>
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<td>Co-chairs:</td>
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<td>Yutaka Matsuzawa, Vice-Minister for Global Environmental Affairs, Ministry of the Environment, Japan</td>
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<td>Stefan Wenzel, Parliamentary Secretary of State, Federal Ministry Economic Affairs and Climate Action Germany</td>
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<td>09:35 – 11:00 JST</td>
<td>Scene-setting presentations:</td>
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<td>2023 G7 Presidency on the Principles of High Integrity Carbon Markets</td>
<td>Takayuki Shigematsu, Senior Planning Officer for the JCM, Ministry of the Environment, Government of Japan</td>
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<td>CMP analytical work on carbon market interplay and environmental integrity</td>
<td>Jane Ellis, Senior Counsellor on Climate Change to the Environment Director, OECD</td>
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<td>Respondents:</td>
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<td>Perspectives from the market</td>
<td>Dirk Forrister, President &amp; CEO, International Emissions Trading Association</td>
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<td>Perspectives from the Article 6.4 Supervisory Body (A6.4SB)</td>
<td>Olga Gassan-zade, A6.4SB Chair</td>
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<td>Discussion questions:</td>
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<td>How can voluntary and compliance carbon markets become mutually reinforcing for environmental integrity?</td>
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<td>What role could the G7 Principles of High Integrity Markets and demand-side governments play in strengthening environmental integrity across carbon markets?</td>
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<td>11:30 – 12:30 JST</td>
<td>Session 1B: Market interplay and integrity – Host country approaches</td>
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<td>This session will explore how trading under Article 6 and the voluntary carbon market is facilitated by host countries, how this relates to environmental integrity, and how carbon credit markets can advance domestic carbon pricing more generally.</td>
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Co-facilitator: Nicole Wilke, Head of Division, International Financing of the Transformation, International Market Mechanisms, Federal Ministry for Economic Affairs and Climate Action, Germany

Scene-setting presentation:
- Host country approaches to VCMs and CCMs
  Harikumar Gadde, Senior Carbon Finance Specialist, World Bank

Spotlights:
- Ghana’s approach to Article 6 and VCMs
  Daniel Tutu Benefoh, Acting Director/Climate Change Unit, Ghana Environmental Protection Agency
- Interplay between carbon credit markets and other carbon pricing instruments
  Stefano De Clara, Head of Secretariat, International Carbon Action Partnership
- Thailand’s approach to Article 6 and VCMs
  Chanyaphak Wathanachinda, Manager and Patsarat Naiyajit, Technical Officer Communications and Carbon Credit Registry Office, Thailand Greenhouse Gas Management Organization

Discussion questions:
- How can buyer and host country actions enhance the environmental integrity of carbon credits used by/generated in their jurisdiction?
- What actions could developed countries take to facilitate developing countries’ access to Article 6 and VCMs when using carbon markets for their climate and development goals?

| 13:30 – 14:45 JST | Session 2A: Enhancing integrity in voluntary carbon markets – Supply-side integrity |

This session will explore issues related to supply-side integrity in voluntary carbon markets (through the lens of the G7 Principles of High Integrity Carbon Markets), and the potential role of different actors in enhancing such integrity.

Co-facilitator: Masako Ogawa, Deputy Director General, Global Environmental Bureau, Ministry of the Environment, Japan

Icebreaker presentations:
- ICVCM’s Core Carbon Principles & C2ES analysis on strategies for carbon market interplay
  Amy Merrill, Senior Director and Head of Global Carbon Markets, C2ES (on behalf of ICVCM)
- Öko-Institut analysis on supply-side integrity in light of carbon market interplay
  Lambert Schneider, Research Coordinator, International Climate Policy, Energy & Climate, Öko-Institut

Panellists:
- Perspectives from project developers
  Sandeep Roy Choudhury, Director, VNV Advisory Services (on behalf of Project Developers Forum)
- Perspectives on environmental integrity in Canada’s GHG Offset Credit System
  Jackie Mercer, Program Manager, Environment and Climate Change Canada

Questions for discussion:
- What are the biggest risks to supply-side integrity in voluntary carbon markets?
• What role could governments (both seller- and buyer- countries) play in ensuring that credit supply aligns with the G7 Principles of High Integrity Carbon Markets?

**14:45 – 16:00 JST**  
**Session 2B: Enhancing integrity in voluntary carbon markets – Demand-side integrity**

This session will explore issues related to demand-side integrity in voluntary carbon markets (through the lens of the G7 Principles of High Integrity Carbon Markets), and the potential role of different actors in enhancing such integrity.

**Co-facilitator: Masako Ogawa**, Deputy Director General, Global Environmental Bureau, Ministry of the Environment, Japan

**Icebreaker presentations:**
- **VCMI on their Claims Code of Practice**  
  Mark Kenber, Executive Director, VCMI
- **SBTi on Beyond Value Chain Mitigation**  
  Scarlett Benson, Beyond Value Chain Mitigation Lead, SBTi

**Panellists:**
- **Perspectives from carbon credit buyers**  
  Kei Endo, Manager, Climate Consulting & Carbon Credit Trading, Mitsubishi Corporation, Japan
- **Regulation of and guidance for carbon neutrality claims**  
  Maxime Roux, Policy Officer, Ministry of Ecological Transition, France

**Questions for discussion:**
- What are the biggest risks to demand-side integrity in voluntary carbon markets?
- What could governments do to incentivise non-offsetting use of carbon credits?

**16:30 – 17:30 JST**  
**Session 2C: Enhancing integrity in voluntary carbon credit markets - Market integrity**

This session will explore issues related to market integrity in voluntary carbon markets (through the lens of the G7 Principles of High Integrity Carbon Markets), and the potential role of different actors in enhancing such integrity.

**Co-facilitator: Masako Ogawa**, Deputy Director General, Global Environmental Bureau, Ministry of the Environment, Japan

**Icebreaker presentation:**
- **Potential vulnerabilities and good practices for market integrity in the VCM**  
  Satoshi Ikeda, Deputy Commissioner for International Affairs, Financial Services Agency, Government of Japan (on behalf of IOSCO)

**Discussants:**
- **Potential roles for government in upholding market integrity**  
  Jos Delbeke, EIB Climate Chair, European University Institute
- **The role of open data for market integrity**  
  Yuvaraj Dinesh Babu, Executive Director, CAD Trust
The role of ratings agencies for market integrity  
Ronan Carr, Chief Research Officer, BeZero Carbon

Government perspectives on market integrity in the VCM  
Laura Messina, Official, Ministry of the Environment and Energy Security, Italy

Discussion questions
• Are changes needed for VCMs to have sound market structures for the trading of high-quality carbon credits?
• How can the G7 Principles of High Integrity Carbon Markets be built on with respect to market integrity?

24 October 2023

09:00 – 10:30 JST  
Session 3A: Enhancing Article 6 implementation and the ambition of NDCs – Aligning with pathways consistent with the Paris Agreement temperature goals

This session will explore the opportunities to support the Paris-alignment of carbon markets, strengthen the implementation of Article 6, and to use engagement in Article 6 as a lever for enhanced NDC ambition.

Co-facilitators: Nicole Wilke, Head of Division, International Financing of the Transformation, International Market Mechanisms, Federal Ministry for Economic Affairs and Climate Action, Germany

Scene-setting presentations:
• Perspectives on the Paris-alignment of carbon markets and Article 6  
  Martin Hession, International Carbon Markets Lead, DG CLIMA, European Commission
• Strengthening the transformational impact of co-operation under Article 6  
  Fenella Aouane, Head of Carbon Pricing Global Practice, Global Green Growth Institute  
  Karen Holm Olsen, Senior Advisor, UNEP Copenhagen Climate Center

Spotlights:
• The role of Paris Agreement Article 6 Implementation Partnership in enhancing Article 6 implementation and NDC ambition  
  Kazuhisa Koakutsu, Director, Paris Agreement Article 6 Implementation Partnership (A6IP) Center
• The role of carbon markets for climate ambition in West Africa  
  Ousmane Fall Sarr, Coordinator, West African Alliance on Carbon Markets and Climate Finance

Discussion questions:
• How can Article 6 be implemented in a way that aligns with emissions pathways consistent with the Paris Agreement temperature goals?
• Can Article 6 be used to enhance NDC ambition for both developed and developing countries, and if so, how?

11:00 – 12:30 JST  
Session 3B: Enhancing Article 6 implementation and the ambition of NDCs – Strategies for Article 6 and interplay
The coverage of carbon pricing approaches is increasing, yet the aggregate ambition of climate policies needs to be further enhanced. This session will highlight how Article 6 could interact with other carbon pricing approaches and climate policies.

**Co-facilitator:** Masako Ogawa, Deputy Director General, Global Environmental Bureau, Ministry of the Environment, Japan

**Ice-breaker presentations:**
- **‘Climate Action Teams’ — an innovative model for Article 6 co-operation**
  Suzi Kerr, Chief Economist, Environmental Defense Fund
- **Enhancing Article 6 implementation — host country challenges and opportunities**
  Alexandra Soezer, Global Carbon Technical Advisor, UNDP

**Strategic perspectives:**
- **International collaboration for carbon pricing and climate ambition**
  Chris Shipley, Head of Global Carbon Markets, Department for Energy Security and Net Zero, United Kingdom
- **Development of carbon pricing instruments alongside an Article 6 strategy**
  Isabella Villanueva, Climate Change Analyst, Ministry of Energy, Chile

**Discussion questions:**
- What approaches can be taken to integrate Article 6 co-operation with domestic climate policies?
- How can Article 6 co-operation be structured to provide positive incentives for NDC ambition?

**Closing remarks by Co-chair(s)**