Green Finance and Capability Department for Energy Security and Net Zero
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Dear Department for Energy Security and Net Zero

BVCA Feedback on DESNZ's Voluntary Carbon and Nature Markets: Raising Integrity consultation

The British Private Equity and Venture Capital Association (BVCA) welcomes DESNZ's engagement on the topic of Voluntary Carbon and Nature Markets (VCNM) and raising integrity in the market to provide more confidence for companies who are decarbonising and looking to offset negative nature impacts. The BVCA supports the Government's efforts to achieve net zero by 2050 and we are committed to ensuring that the UK's PE and VC industry plays a leading role in decarbonisation.

With a membership of over 600 firms, the BVCA represents UK-based Private Capital, as well as the wider ecosystem of professional advisers and investors. Private Capital consists of Private Equity and Venture Capital which makes long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses. The Private Capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP. In 2024, £29.4bn was invested by Private Capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

Role of Private Capital in the Net Zero and Nature Recovery Challenge

The UK's Private Capital industry has a leading role to play in the global challenge of eliminating the causes and effects of climate change. Private Capital is a global industry, with our members actively investing and diversifying their portfolios worldwide. The industry stands at the unique intersection of deploying capital, investing for the long term and helping to shape the strategy of investee companies. This allows Private Capital to play a leading role in ensuring firms adapt to the global climate crisis, embedding environmental and social considerations into businesses across the UK economy.

A survey performed by the BVCA showed that in 2023, approximately three in 10 (28%) of large Private Capital-backed firms had a net zero target, up from 24% in 2021 and that 13% of start-ups in 2024 had adopted net zero targets. Further results showed that 15% of members integrated biodiversity considerations as part of their investment process. As either majority or significant minority owners, principally of unlisted, fast-growing SMEs (which account for 9 in every 10 UK companies receiving private investment), Private Capital is well-placed to drive their transition, reaching areas of the UK and global economies that public markets cannot. This is done in two ways:

- The industry's "active ownership" model allows it to help its portfolio companies, across sectors, to embed environmental considerations and reduce the emissions intensity of their operations; and
- The industry's backing of innovative companies which are needed to combat climate change and enable nature recovery and support businesses to transition to a low carbon and nature positive economy.

Whilst the transition to a net zero economy and increase in regulation is driving the increase in green investment, there is also increasing evidence that integrating sustainability makes for a smart business strategy and drives value creation as well as resilience. The Private Capital model needs to be sustainable as it considers how businesses perform today under one firm's ownership, but also must be informed by the needs of future owners in the years ahead. Those years will be drastically impacted by climate and biodiversity challenges, so enabling innovative decarbonisation and nature-positive strategies now will be beneficial for the future bottom line.

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Private Capital's evolving approach to carbon and nature credits

As an industry, Private Capital has been measuring emissions footprints and many in the industry are starting to develop transition plans. This is evidenced by the fact that the proportion of Private Capital-backed businesses tracking environmental emissions has increased over time, notably across all scopes and sizes of firm. As part of their decarbonisation plans Private Capital is increasingly engaging with Voluntary Carbon Markets as part of broader climate strategies, particularly through the process of setting and pursuing net-zero targets.

Private Capital does, however, face challenges when navigating the complex and evolving landscape when it comes to transition and decarbonisation, including increasing scrutiny and the need for credibility on the use of voluntary carbon and nature credits. To support the industry in navigating these challenges, industry initiatives have been coming together to produce guidelines and frameworks to assist Private Markets shape what best practice looks like for them. It is important that these industry-led guides and frameworks are considered when developing market guidance to improve the integrity of the wider capital market. These include the Private Markets Decarbonisation Roadmap and the Guidance on the Voluntary Carbon Market.

Within Private Capital investors are adopting more strategic approaches to climate finance, moving beyond one-to-one emissions offsetting to emissions-based budgeting models that allow for more flexible and impactful capital allocation. However, the Private Capital industry continues to grapple with inconsistent certification standards and a lack of trust in some credit types, which complicates efforts to assess quality and communicate strategies effectively.

As a result, members are looking to sector-specific frameworks, high-integrity practice and relevant use cases to guide internal decision-making and external reporting of credits. There is also a general acknowledgement by Private Capital of the need to prioritise internal emissions reductions within portfolio companies and own internal operations before turning to external offsets, closely aligning with the principle of additionality. Amid ongoing regulatory uncertainty, resulting in disclosure even in the absence of public claims, market participants are increasingly calling for clearer pathways to make claims. This guidance is needed to define high-integrity credits, ensure proportionate implementation and align with evolving stakeholder expectations.

Summary of key considerations

We welcome the actions proposed in the consultation to build the integrity and credibility of the voluntary carbon markets. However, BVCA members encourage strong government leadership in promoting integrity and positive signalling to foster greater participation in voluntary carbon and nature markets. To support a credible and effective transition to net zero, the government should ensure that carbon credits are positioned as a complement to, not a substitute for, direct emissions reductions, helping to avoid "pay-to-pollute" narratives. Additionally, it should explore policy mechanisms such as formal accreditation for companies that demonstrate sustained emissions reductions aligned with national net zero goals. These accreditations could be incentivised through tax benefits or preferential treatment in public procurement, reinforcing accountability and encouraging broader corporate participation in climate action. This, together with efforts to strengthen integrity in the credit markets, could help reverse the prevailing negative sentiment, where for many companies, investing in credit is perceived as riskier than avoiding it. Therefore, whilst we are supportive, our key recommendations are as follows:

Guidance development and alignment:

- Create inclusive and proportional pathways for smaller companies to participate in voluntary markets, even if they cannot fully meet high-integrity criteria initially.
- Enable the adoption of science-aligned interim targets as a transitional pathway toward full Science Based Targets initiative (SBTi) validation, specifically tailored for small and medium-sized enterprises (SMEs) that are proactively advancing climate and nature transition efforts.
- Align voluntary carbon and nature market practices with the UK Transition Plan Taskforce (TPT), Taskforce for Nature-related Financial Disclosure's (TNFD's) Nature-related transition planning and Sustainability Disclosure Standards (SDS).
- Ensure the **Private Markets Decarbonisation Roadmap (PMDR)**, **iCI's Voluntary Carbon Market Guidance for Private Markets** and other similar frameworks are appropriately signposted and considered ahead of finalisation of frameworks to support transition throughout capital markets.

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- Regarding nature credits, ensure there is sufficient signposting to relevant frameworks and guidance before companies attempt to make nature-related claims without having an appropriate understanding of nature-related dependencies.

Clarification:

- Address corporate hesitancy by clarifying in the guidance each step of the foundational criteria for high-integrity credit use and encouraging transparent and responsible disclosure and regular reporting.
- Any regulation or frameworks should seek to specifically root out greenwashing challenges (potentially through referencing SDR anti-greenwashing requirements) and repercussions should be introduced to curb any blatant disregard of the claims process.

Interoperability:

- There is a need to ensure that frameworks developed around Voluntary Carbon and Nature Markets (VCNM) serve the entire capital market, to ensure broader support.
- Ensure that this consultation is considered alongside responses and considerations included in the Transition Plan Requirements consultation and the Discussion Paper on Nature Transition Plans.
- Support global interoperability and recognition of high-integrity credits to enable cross-border climate action.
- Prioritise insetting and nature-based solutions within corporate value chains as the primary approach (where appropriate), with offsetting considered only as a complementary measure.

Responses to questions:

1. Do you agree with the Government's proposal to recognise VCMI's [(Voluntary Carbon Markets Integrity initiative)] Claims Code as representative of international best practice?

We are supportive of the Government's proposal to recognise the VCMI Claims Code as representative of international best practice. The tiered structure of claims provides a clear and credible framework for companies to communicate their climate contributions.

However, not all organisations will have a science-aligned net zero commitment, which is a foundational criterion within the framework. For this requirement, it could be preferable to set an 'entry bar' by:

- Softening the emphasis on needing a NZ commitment, particularly where companies have already set near-term science-aligned targets which set them on the same path for next 5-10 years at least.
- Outline what good practice looks like if VCMI foundational criteria is not met e.g. without requirements on public advocacy, assurance, etc.

Government should establish accessible and inclusive pathways that enable a broad range of companies to participate meaningfully and responsibly in voluntary carbon markets. This will be essential for scaling Private Capital mobilisation and achieving broader climate goals.

2. Do you have any views on VCMI's guidance for Scope 3, noting that the final version may be published during this consultation period?

We agree with the VCMI's guidance for scope 3 and we encourage the continued development of this, even for those not aiming for VCMI claims. This approach will allow for companies not currently using carbon credits to implement the beta scope 3 claim, which will allow Private Capital companies to achieve the following:

- Climate action proactivity while companies work towards reducing their scope 3 emissions and improving their scope 3 data quality.

- Allows the use of high-integrity carbon credits temporarily until barriers to reducing emissions are addressed.

- Requires meeting foundational criteria, demonstrating progress on scope 1 and 2 targets and disclosing barriers and actions taken.

This reflects a flexible approach which will be welcome amongst Private Capital market participants who currently primarily use carbon credits to address scope 1 and scope 2 emissions. Without this scope 3 guidance, voluntary carbon credits' applicability to certain scope 3 categories, such as business travel, employee commuting and purchased goods and services, is limited and addressing full scope 3 emissions remains uncommon, especially emissions from investments (scope 3 category 15), where the majority of emissions lie for Private Capital. This will, therefore, allow for proactivity and may encourage private market participants to improve data quality of scope 3 emissions.

3. Should the UK Government explore this concept further?

Yes, the UK Government should explore this concept further, as it presents a pragmatic and forward-looking approach to climate action. It is, furthermore, encouraging to see that, through considering interim claims, the government is considering an appropriately proportionate method of including wider capital market participants. Recognising organisations that use high-integrity carbon credits, particularly those aligned with Integrity Council for Voluntary Carbon Market (ICVCM) standards and inclusive of nature-based and engineered removals, can incentivise earlier and more ambitious climate contributions. Even from those still working toward setting or achieving science-based targets.

This approach offers several benefits:

1. It enables organisations to take immediate responsibility for their residual emissions, rather than delaying action until all targets are in place. This can help close the emissions gap more quickly.
2. By recognising only credits that meet stringent integrity criteria, the Government can help scale demand for high-quality carbon credits, supporting the development of robust voluntary carbon markets.
3. If carefully designed, the framework can avoid undermining wider net zero ambitions. For instance, requiring transparent disclosure of barriers to target-setting and progress, limiting the duration of recognition and mandating the use of only the highest-integrity credits can mitigate the risk of complacency.
4. This mechanism can serve as a transitional tool for organisations facing legitimate challenges in baselining or decarbonising complex value chains, especially in hard-to-abate sectors.

However, the Government must proceed with caution as there is a risk that too much flexibility in credit recognition could dilute the incentive to set and meet science-based targets. To mitigate this, any recognition scheme should be:

- Time-bound and conditional, with clear sunset clauses. A relevant example can be drawn from the Beta Scope 3 Claim conditions, which include a sunset clause limiting its use to 2038 and a requirement that emissions must not exceed a 24% deviation from the Scope 3 net zero trajectory. Please refer to page 5 of the VCMI Beta Scope 3 Claim document for more information. This recommendation does, however, come with an important caveat: sunset clauses and related time-bound conditions must account for emissions sources that cannot be reduced or avoided except using credits. In such cases, claims should be considered high-integrity until viable alternatives for direct reduction become available.
- Transparent, requiring regular public reporting aligned with VCMI guidance.
- Complementary, not substitutive, to science-based target-setting and emissions reductions.

Furthermore, for an interim claim or standard, the Claims Code should refrain from relying on broad, long-term goals like "net zero by 2050," which may lack actionable relevance for Private Capital investors. The average investment horizons of private equity is 5-7 years and 6-8 years on average for venture capital therefore Private Capital actors need frameworks that support measurable, near- to mid-term climate outcomes. By grounding carbon credit use in sector-specific pathways, the ICVCM can enhance credibility, support fiduciary decision-making and encourage integration of high-integrity credits into portfolio-level climate strategies.

4. Do you have views on the proposed criteria above and others that could apply?

In principle we agree with the proposed high-integrity foundational criteria above. However, it is important to consider the unique challenges that SMEs and smaller funds may have around reporting and setting targets. These include:

- **Set and disclose science-aligned near-term emission reduction targets and a public commitment to reach net zero no later than 2050:**

Although there is general openness to aligning with science-aligned methodologies many smaller Private Capital firms and their portfolio companies currently do not have formal science-based targets. While some firms have adopted internal or portfolio-level targets, these may not meet the strict definitions of the Science-Based Target Initiative (SBTi) or include a formal net-zero commitment, which could lead to automatic exclusion under VCMI's foundational criteria.

As a proportionate compromise, VCMI could adopt a proportional approach to allow smaller Private Capital firms and their portfolio companies to adopt science-aligned interim targets as a transitional step toward full SBTi validation. Targets set should still be based on credible methodologies, publicly disclosed and supported by a clear strategy toward formal validation within a reasonable timeframe (e.g. 3–5 years). This approach would preserve the integrity of the claim's framework, while acknowledging the practical constraints many smaller firms and companies face, such as limited internal capacity, data availability and the cost of formal validation. This could then allow companies to apply interim claims as discussed in question 3. Demonstration of progress must consequently follow suit and allow for flexibility if a proportionate approach is taken. This approach could enable broader participation without compromising ambition.

- **Demonstrate that public policy advocacy supports the goals of the Paris Agreement and does not inhibit ambitious climate regulation:**

This criterion may present a significant challenge for smaller Private Capital firms, particularly those with limited capacity to engage on a proprietary level in public policy advocacy. While alignment with the Paris Agreement is broadly supported, requiring firms to actively advocate for ambitious climate regulation could place an undue burden on smaller players who lack the resources or influence to participate meaningfully in policy processes. Furthermore, with global regulatory uncertainty (and more specifically deregulation in the US) public advocacy on the part of certain UK investee companies or fund managers could result in backlash from US-based investors.

There is also concern that such advocacy could inadvertently support regulations that, while Paris-aligned, may disproportionately impact smaller companies or emerging markets. This could be alleviated through a tailored approach that recognises the difference between not opposing climate policy and being required to proactively advocate for it. This could be addressed through flexibility in how firms demonstrate alignment, for example through industry association memberships or public statements.

- **Obtain third party assurance of reported information:**

The requirement for third-party assurance of reported information is a cornerstone of integrity and we agree that it significantly enhances credibility. However, for many smaller firms, especially those in the early stages of their climate journey, obtaining official validation or verification can be both financially and operationally challenging.

A key challenge is the ambiguity around what constitutes sufficient assurance. Clarity needs to be provided over whether assurance will be required over the target-setting process, the emissions footprint, the use of carbon credits, or the claims themselves. For smaller firms, the cost and complexity of obtaining third-party assurance across all these areas can be prohibitive. Clarity is needed on the level and scope of assurance required and whether phased or proportional approaches could be acceptable for smaller entities. For example, several members undertake third-party reviews over most of their portfolio's net zero footprints but are unsure as to whether this would count as third-party assurance for the sake of the foundational criteria.

There is a further risk that this requirement could exclude firms that are genuinely committed to climate action but lack the resources to meet assurance standards immediately. It is important that VCMI's expectations align with evolving regulatory frameworks, such as the UK's sustainability assurance standards and upcoming nonfinancial reporting reforms. A tiered or phased approach to assurance, ranging from credible validations or reviews to limited assurance, could provide a more inclusive pathway while maintaining integrity.

5. Is there alternative language to 'towards Paris alignment' that could recognise the above actions in a way that is attractive, accurate and understandable?

The phrase "towards Paris-Alignment" can be valuable in signalling progress without overclaiming. As this is a pseudo label, it is important to ensure that claims to be transitioning "towards Paris-Alignment" are not falsified. Alternative language that is both attractive and accurate, could be:

- "Contributing to the UK's transition ambitions"
- "Advancing climate-aligned strategies
- "In transition toward net-zero"
- "Progressing toward climate-transition benchmarks"

The EU, for instance, distinguishes between Paris-aligned benchmarks (for best-in-class) and climate transition benchmarks (for those on a credible path). Using similar distinctions can help clarify intent and avoid greenwashing concerns.

Ultimately, using "towards Paris-alignment" is acceptable, provided it is accompanied by a clear explanation of what that means in practice, such as interim targets, governance structures and investment plans that demonstrate credible progress.

6. Which organisation(s) could help develop and apply the concept?

As previously mentioned, engagement with industry initiatives like Initiative Climate International (iCI), who are already developing specific guidance on this for private markets will be helpful when applying the concept for private markets. Please refer to the Guidance on the Voluntary Carbon Market and the Private Markets Decarbonisation Roadmap which are industry specific guidance produced on the topic for Private Capital by iCI. Moreover, alignment and engagement with the EU Commission would be valuable and alignment with their work on the Nature Credits Roadmap could be a positive step towards interoperability. Finally, we, as the BVCA, would also welcome continued engagement should there be specific private-market-related nuances or clarifications that you would like to explore or develop further with us.

7. Is there an appetite amongst stakeholders for further standardisation of high integrity insetting approaches for industries, particularly the FLAG sector?

Yes, there is a growing appetite among stakeholders for greater standardisation of high-integrity insetting approaches, not only within the Forest, Land and Agriculture (FLAG) sector, but also in the wider market. There is however, recognition of the complexity of standardising insetting due to the diversity of interventions, geographies and supply chains involved. Demand for insetting can be enhanced in several ways:

- Standardisation helps ensure that insetting projects are credible, measurable and comparable across companies and sectors. This is particularly important in the FLAG sector, where land-based carbon removals (e.g., through agroforestry, soil carbon enhancement and reforestation) can vary widely in methodology and impact.
- Stakeholders are increasingly wary of "pay-to-pollute" offsetting models. Insetting, when standardised and transparently reported, offers a more integrated and accountable approach to emissions reduction within a company's own value chain.
- Initiatives like the SBTi and the VCMI are pushing for clearer guidance and integrity standards. Stakeholders want insetting to align with these frameworks to ensure consistency with broader climate goals.
- Investors and consumers are demanding more transparency and integrity in corporate climate action. Standardised insetting approaches can help companies demonstrate real, traceable impact.

8. What other support could help reduce barriers to, or facilitate, insetting?

To scale insetting effectively and reduce existing barriers, the following forms of support would be beneficial:

- Encourage companies to prioritise insetting their supply chains prior to considering offsetting approaches.
- Clear protocols and methodologies tailored to different sectors and geographies.
- Tools for measuring, reporting and verifying insetting outcomes, especially for soil carbon, biodiversity and social co-benefits.
- Blended finance models that de-risk early-stage insetting projects and that work within the Private Capital ecosystem.
- Enabling carbon funds that pool capital to support diversified insetting portfolios. Examples of these helping overcome the high upfront costs and long payback periods associated with nature-based insetting project include:
    - Stafford Capital's Carbon Offsets Opportunities Fund.
    - Averrhoa's Nature-based Solutions Fund.
    - Bregal Sphere Nature (focused on natural capital and insetting).
    - Climate Asset Management (a joint venture between HSBC and Pollination).

Cross-sector collaboration

- Platforms for knowledge sharing between FLAG and non-FLAG sectors.
- Partnerships between corporates, Non-Government Organisations (NGOs) and local communities to co-develop projects that are both environmentally and socially robust.

Policy and regulatory support

- Government incentives for companies investing in insetting.
- Integration of insetting into UK climate strategies and reporting frameworks.

Capacity building

- Training for procurement and operational sustainability teams to identify and implement insetting opportunities.
- Support for suppliers to adopt regenerative practices.

9. Do you have any concerns with, or feedback related to the proposal to endorse ICVCM's is and their accompanying Assessment Framework, as representing a minimum quality requirement?

We agree that the ICVCM's Core Carbon Principles (CCPs) and accompanying Assessment Framework could represent a minimum quality requirement. However, consideration needs to be given to certain factors. It would be beneficial to reference how this assessment framework and the ICVCM's CCPs aligns with the broader voluntary carbon market guidance for private markets. Clarifying what "good" looks like for Private Capital investors (particularly in terms of due diligence, risk management and impact reporting) would strengthen the practical application of this framework for the Private Capital market.

High Integrity Criteria for Voluntary Credits`

- **Additionality**
  This is a well-established principle in voluntary markets, ensuring that credits reflect genuine environmental gains rather than business-as-usual practices. However, defining and evidencing "additionality" can be complex, particularly in regulated sectors such as the EU Emissions Trading

Scheme (ETS). Clear methodologies and sector-specific benchmarks are essential to determine what constitutes additional activity.

- **Conservative baselines**
  The ICVCM and frameworks like the UK Nature Investment Standards (BSI) provide guidance on setting credible baselines. These standards help credit buyers identify high-quality projects.

- **No double counting**
  This is a fundamental requirement to maintain the credibility of carbon and nature markets. Ensuring that credits are not claimed by multiple parties is essential for environmental integrity.

- **Independent validation and verification**
  Independent third-party validation and verification are critical to ensure the credibility of credits. While this may pose challenges for organisations early in their transition journeys, it remains a non-negotiable standard for market participation. Support mechanisms or phased approaches could help emerging participants meet this requirement.

- **Permanence and reversal risk management**
  Reversal risks, such as wildfires or land-use changes, must be addressed through mechanisms like buffer pools, long-term monitoring and contractual safeguards. Alignment with ICVCM guidance on permanence and additionality is recommended to ensure consistency with market expectations.

Additional supplier responsibilities

- **Leakage mitigation**
  Suppliers must identify and mitigate the risk of leakage, where environmental harms are displaced rather than eliminated. This is a well-recognised issue and should be addressed through comprehensive project design and monitoring.

- **Impacts on vulnerable groups**
  Identifying, disclosing and addressing potential or actual impacts on vulnerable populations is essential. This aligns with Do No Significant Harm (DNSH) and Principal Adverse Impact (PAI) considerations under broader ESG frameworks.

- **Respect for rights of local communities and indigenous peoples**
  Projects must respect the rights of local and Indigenous communities, including through the application of Free, Prior and Informed Consent (FPIC). This is a critical component of ethical project development and social licence to operate.

- **Transparent reporting on wider objectives**
  Suppliers should transparently report how project activities contribute to broader environmental and social objectives. This reporting, however, must be framed within clearly defined parameters, ensuring alignment with broader sustainability strategies. This is particularly important considering evolving anti-greenwashing regulations, which have heightened scrutiny around how such efforts are communicated. This would enhance accountability and support alignment with global sustainability goals.

10. Do you have any views on the accompanying use of carbon credit ratings assessments by CCRAs, or any other steps or guidance that could help identify high integrity credits at the project level?

We recommend the inclusion of project-level analysis via independent CCRAs alongside CCPs in Principle 2. There are welcome references to project-level analysis via independent carbon ratings assessments throughout the consultation. However, it stops at methodology level labels, namely the ICVCM's CCPs, as the core foundation of what constitutes high integrity.

In our view, high-integrity credits should also include project level risks, for which carbon ratings are the primary market-adopted tool. The CCPs are a welcome development for the market but are top down in nature, meaning some high-integrity projects are excluded while some are included despite poor project level performance. Among projects already deemed CCP-eligible, there exists a four-point rating spread from A to B across different CCRAs. This variation underscores the importance of project-level due diligence and highlights the presence of both false positives and false negatives in current eligibility assessments. It also illustrates that CCP eligibility alone is not a definitive indicator of high-integrity carbon credits.

We recommend a more flexible approach whereby a high-integrity credit can be defined as one which has a CCP label, a high rating, or both. Furthermore, we urge the UK Government to proactively encourage companies to provide full transparency on their credit use. The UK Government should include a requirement for any project-level ratings to be disclosed alongside other project information to substantiate integrity at a project-specific level and allow the market to better understand and compare the integrity of retired credits.

11. Do you have any views on the potential measures above that could accompany CCP endorsement, or any others not listed?

It is important that any measures accompanying CCP endorsement address key reputational risks, particularly those related to greenwashing. Given the increasing scrutiny of voluntary carbon markets and the need to uphold public and investor trust, the credibility of CCP-endorsed credits must be beyond reproach. This includes ensuring that claims of environmental integrity are substantiated, transparent and not misleading. Greenwashing has been a major concern in the carbon markets and failure to address it could undermine the legitimacy of the CCP framework itself.

To that end, it would be prudent for any accompanying measures to align closely with the UK's Sustainability Disclosure Requirements (SDR), particularly those provisions aimed at preventing greenwashing. Such alignment would help ensure consistency across regulatory frameworks and reinforce the robustness of CCP endorsement. It would also demonstrate a proactive approach to safeguarding market integrity, supporting investor confidence and ensuring that carbon credits deliver real, verifiable climate benefits.

12. What are the necessary components to effectively mobilise VNMs to deliver against international nature finance targets? How can the UK support development of these components?

To effectively mobilise Voluntary Nature Markets (VNMs) in support of international nature targets, several key components must be considered:

- The UK can help catalyse participation by supporting the development of ecosystems that prioritise high-integrity nature credits and integrating nature-related frameworks (e.g., TNFD). This will, however, only be successful if the wider capital market is able to participate in the Voluntary Nature Market through effectively considering nature-related transition planning. Given that many small to medium-sized fund managers (and SMEs generally) have yet to confront the more foundational steps of nature-related reporting (e.g. LEAP assessments), it follows that there is still a wider education and mobilisation piece that is required before these companies can strategise the use of VNMs in nature-related transition planning.

- There is a need to distinguish between credits with incidental nature benefits and those explicitly designed as nature credits. Establishing robust, science-based standards to help ensure environmental integrity and market confidence.

- Mechanisms such as geographical ringfencing can help ensure that nature gains in one area do not lead to unintended losses elsewhere (i.e. leakage). This is particularly important for biodiversity and ecosystem services that are location specific.

- The UK can play a leading role by developing enabling regulation that supports high-integrity VNMs. This includes aligning domestic biodiversity net gain policies with voluntary markets and ensuring coherence with international frameworks like the Global Biodiversity Framework.

- Transparent and cost-effective Monitoring, Reporting and Verification (MRV) systems are essential to track outcomes and build trust. The UK can invest in digital infrastructure and innovation to support scalable MRV solutions.

- Mobilising VNMs requires collaboration across sectors and potentially across geographies (as mentioned later in **Q36**). The UK can support this by convening stakeholders, funding pilot projects and facilitating knowledge exchange between practitioners, regulators and investors.

- VNMs should complement, not replace, regulatory mechanisms like biodiversity offsets. The UK can help design frameworks that allow for synergy between compliance and voluntary markets, ensuring that both contribute to net positive outcomes for nature.

13. Do you think there are any additional considerations around assurance for BSI Nature Investment Standards that the Government should take into account?

No response.

14. Do you believe that current standards adequately reflect the potential impacts of indirect land use change and fully account for net environmental impacts, and if not, how could environmental impacts be fully accounted for to help prevent leakage?

No response.

15. Do you think there are any capacity barriers or other issues faced by validation and verification bodies in the UK or internationally?

No response.

16. Does your organisation use the ERG to guide engagement with voluntary markets? If so, could it be improved, and how?

No response.

17. Do you agree with the proposal to reflect VCMI's disclosure elements into the ERGs for carbon credit related disclosure?

We support the proposal to incorporate VCMI's disclosure elements into the ERGs, as this would promote greater interoperability across regulations, standards and frameworks. However, given that VCMI disclosures are voluntary, it is important that this distinction is clearly communicated when companies are subject to mandatory reporting under the ERGs.

If a decision is made not to include the VCMI disclosures directly, they should at least be clearly signposted to provide ease of access. These incremental improvements can significantly enhance the efficiency and effectiveness of the broader reporting and implementation landscape.

18. Are there any elements missing from the list under VCMI's Claims Code of Practice, above, which could significantly enhance the quality of available information related to carbon credits and their use, and any which might be impractical to disclose or subject to sensitivity?

No response.

19. Should similar disclosure elements also apply for voluntary disclosures of nature credits, noting that nature disclosures will require additional reporting on location? If not, what should be included on nature credit reporting?

To date, private markets have engaged more with carbon credits rather than on nature credit. We believe that similar disclosure elements could apply to voluntary disclosures of nature credits to ensure they remain consistent. Specifically, entities should be encouraged to publicly disclose any use of nature credits, including:

- The underlying project type.

- The certifying standard.

- How the credits align with broader nature-related objectives.

- Whether the credits are used toward any specific targets.

However, nature credits present a unique opportunity to broaden Private Capital participation in the market. To support this, the following considerations should be kept in mind:

- As previously mentioned, responses and follow up developments from the TNFD Discussion Paper on Nature Transition Plans should be considered alongside responses to this consultation.
- The Private Capital market is in the initial stages of developing its understanding of nature-related dependencies and materiality to the businesses it invests in. A proportionate and phased approach to voluntary disclosure is therefore essential, starting with education and capacity building around baseline nature assessments to avoid premature or low-integrity claims.
- Given the location-specific nature of biodiversity and ecosystems, TNFD LEAP assessments should underpin any nature-related claims. These assessments can help organisations identify nature-related risks and opportunities and determine how nature credits might be used to mitigate or capitalise on them.

While alignment with carbon credit disclosure practices is a good starting point, nature credit reporting must also reflect the distinct characteristics and complexities of nature-related issues, particularly the importance of location-specific data and integrity safeguards.

20. What role, if any, could the use of voluntary carbon and nature credits play in net zero aligned transition plans?

Voluntary carbon and nature credits should play a complementary role in net zero-aligned transition plans, particularly when used as part of a broader, science-aligned decarbonisation strategy. For organisations with limited immediate reduction options, due to technological, financial or operational constraints, these credits can provide a near-term mechanism to address residual emissions while longer-term mitigation strategies are developed and implemented. To ensure credibility and alignment with best practice, credit users should align with the high-integrity criteria discussed in principle 2.

For carbon credit buyers, the use of voluntary credits should be framed as a transitional tool, not a substitute for direct emissions reductions. When integrated responsibly, these credits can also stimulate demand for high-quality nature-based and technological solutions, encouraging more actors to supply credits and contributing to a broader UK and global transition to net zero.

Organisations not currently subject to mandatory transition planning requirements are still encouraged to draw on best practice guidance to ensure their use of credits supports credible climate action. This should further align with any transition plan requirements and considerations which come from the UK SDS TPT consultations and finalisation.

21. Drawing on the TPT guidance and other relevant sources, please provide your views on what additional types of information on voluntary carbon and nature credit usage would be important for inclusion in transition plans.

Per our understanding, TPT guidance could additionally encourage disclosure of how credits contribute to a firm's broader net zero transition. As an example, this could include disclosure on how credits are used as a transition tool to incentivise alignment to scope 3 targets (e.g. effectively applied as an internal carbon price, in the case of VCMI beta scope 3 approach).

We, furthermore, encourage DESNZ to consider responses to this consultation alongside wider but related consultations such as the BVCA responses to DESNZ's Transition plan requirements consultation (to be submitted 17 September 2025) and the TNFD's Discussion paper on Nature Transition Plans (already submitted). This will provide an extensive view of the VCNM alongside transition plans in both the carbon and nature spaces, fuelling interoperability and standardisation and ensuring maximum coordination of efforts.

22. Is there a need for additional guidance on how organisations could use credits on their transition to net zero? This could be for the purposes of supporting compliance with any transition plan requirements, or to support voluntary transition planning and transition plan disclosures by a wider range of organisations.

Yes, additional guidance is essential to ensure that organisations, particularly smaller fund managers and companies, can effectively integrate the use of carbon credits into their transition plans. Many of these entities may lack the resources or capacity to fully meet the "Carbon Integrity" foundational criteria but are nonetheless committed to contributing to net zero goals. Clear, accessible guidance would help them navigate the complexities of voluntary carbon markets and ensure their efforts align with credible standards, even if they are not yet fully compliant.

To support this, frameworks like the VCMI Code should actively signpost to relevant resources such as the ICVCM guidance, the iCI private market VCM guidance, and the PMDR. Additionally, signposting other credible transition planning frameworks, regulatory guidance and sector-specific best practices would provide a more comprehensive toolkit. This would not only enhance transparency and consistency in disclosures but also encourage broader participation in voluntary transition planning across the market.

23. Outside of any pre-existing disclosure requirements you might already be subject to, do you see value in making 'net emissions' claims and/or 'contribution' claims in respect of your use of carbon credits, and if not, why?

Yes, our members see value in making these claims, particularly to transparently communicate climate-related actions and demonstrate environmental responsibility. However, clear authoritative guidance on how to make such claims accurately and consistently is required to remove uncertainty in this area.

Organisations are currently cautious about making claims of this nature due to the risk of being perceived as greenwashing, especially when terminology like "carbon neutral" or "net zero" is used without a robust and transparent basis. Without a standardised framework or definitions, it is difficult to determine what constitutes a credible claim, how to quantify contributions, or how to contextualise them within an organisation's overall environmental impact. Furthermore, it would be helpful to clarify how avoided emissions could be communicated in this regard. Claims should also be made with UK SDR's anti-greenwashing rule in mind.

Therefore, while the intent to make such claims exists, many organisations are hesitant to proceed, or have already rolled back on using such targets, until clearer guidance is available to ensure claims are both meaningful and robust.

24. To what extent is a lack of clarity on claims inhibiting wider use of voluntary credits? And is what, if any, is the role of the UK Government in addressing any challenges, e.g. through official definitions?

The lack of clarity around environmental claims is a significant barrier to the wider use of voluntary carbon credits. Many organisations are taking meaningful climate action, including purchasing high-quality credits, but are reluctant to communicate these efforts publicly due to fear of reputational risk or accusations of greenwashing. This ambiguity leads to a situation where positive actions are underreported or inconsistently disclosed. For example, organisations without formal net zero targets may still be investing in emissions reductions or removals but lack a clear and credible way to communicate these contributions.

The UK Government has a critical role to play in addressing this challenge. By developing and promoting official definitions, standards, and guidance for terms like "net emissions," "carbon neutral," and "contribution claims," the Government can help create a level playing field. This would support more transparent and consistent communication, encourage greater participation in voluntary carbon markets, and ultimately enhance trust in environmental claims.

25. What are your views on Option 1, specifically: the value of UK Government-defined credit related claims terminology, and any terms that should be prioritised?

We agree that the government should lean on well-established definitions which create a high-integrity environment for credit claims. The 10 ICVCM Core Carbon principals should be included and well defined, namely:

- Effective governance
- Tracking

- Transparency
- Robust independent third-party validation and verification
- Additionality
- Permanence
- Robust quantification of emissions reductions and removals
- No double counting
- Sustainable development benefits and safeguards
- Contribution to net zero transition

Other definitions which should be prioritised:

- Carbon credit: A carbon credit is a tradeable asset representing a verified reduction or removal of one metric tonne of CO2 or its equivalent GHGs from the atmosphere (tCO2e).
- Nature credits/Biodiversity credits: Units representing measurable conservation outcomes (e.g. habitat preservation, species protection).
- Technology-based credits: Rely on technological innovations like Direct Air Capture or CCS to remove or capture CO2.
- Baseline: The scenario used to estimate emissions or removals that would have occurred without the project.
- Leakage: The unintentional increase in emissions outside a project's boundaries owing to its implementation.
- Co-benefits: Positive social, economic or ecological impacts that are not directly related to carbon (e.g. local employment, biodiversity gains).
- Corresponding adjustments (helpful content to help shape the definition): "Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance and shall apply robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement." - Paris Agreement, Article 6 paragraph 2
- Retirement: The process of permanently removing a carbon credit from circulation after it has been used to make a claim.
- Claim types (e.g., Carbon neutral, net zero, carbon avoidance, net emissions or contribution claims): Standardised categories of claims that can be made by credit purchasers, often linked to the type of project or credit used.

26. What are your views on Option 2, specifically: the value of a UK claims standard as a mechanism for supporting greater use of high integrity carbon credits?

To be effective and avoid unintended consequences on smaller companies attempting to align, the development of a UK claims standard should be approached with careful alignment to existing international best practices. It is important that a standard be a mechanism for creating value and should not be considered an option if it will create more onerous requirements. If implemented, a UK standard should:

- Be interoperable with leading international initiatives such as the VCMI, ICVCM and SBTi. Furthermore, it should be valuable, additional to required TPT requirements and any nature-related transition planning guidance (for nature credits only). Reinventing definitions or criteria risks fragmentation, market confusion and reduced investor confidence. Instead, the UK should act as a bridge between domestic policy and global norms.

- Address known integrity challenges in the voluntary carbon market, such as additionality, permanence, double counting and robust monitoring, reporting and verification, as discussed in previous questions (see **Q25**). Embedding these principles will help ensure that claims made under the UK standard are credible and defensible.
- Be designed to support the growth of the UK's carbon and nature credit markets. This includes allowing for innovation in credit types and methodologies, provided they meet high-integrity thresholds.
- Be framed as a transitional tool that supports interoperability with emerging international standards. This will help UK-based actors participate confidently in global markets and avoid regulatory divergence.

27. What other options could the Government consider to (a) support companies in making accurate claims, that use appropriate terminology, about their use of credits in voluntary action on climate and nature, and (b) support wider understanding of, and confidence in, such claims amongst relevant stakeholders?

To support companies in making accurate and appropriately framed claims about their use of credits in voluntary carbon and nature markets, the Government could consider developing a tiered framework of use cases, categorised as minimum, good and best practice. This framework would provide clear, sector-specific guidance on how to credibly integrate and communicate the use of carbon and nature credits. Accompanying this, a detailed checklist or pathway could be introduced to help companies navigate the process, ensuring consistency, transparency and alignment with recognised standards.

To enhance stakeholder understanding and confidence in such claims, the Government could also invest in educational initiatives and public awareness campaigns that explain the role and limitations of voluntary credits. Additionally, promoting third-party verification and encouraging the use of standardised terminology across industries and countries would help build trust and comparability. These efforts would contribute to a more informed stakeholder base and a more robust, credible voluntary market.

28. How could global carbon market capacity building be more effectively and efficiently deployed?

No response.

29. Do you see any role for additional initiative(s) to support global interoperability of carbon markets?

As private markets are increasingly engaging with voluntary markets, a range of industry initiatives are emerging to develop good practice guidelines that support and enable private sector participation. It is recommended that the Government engage closely with industry initiatives such as the iCI, who could offer valuable sector specific insight to enable meaningful adoption for Private Capital.

30. For existing initiatives, do you see any barriers that would stop your organisation, or others, from participating?

No response.

31. Do you think the legal status of credits in the UK is sufficiently clear? Please explain your answer and include examples where possible

No response.

32. What role, if any, should the UK play in promoting a consistent legal treatment for credits internationally?

The UK should promote standardisation of legal treatment and always be seen as attempting to create global interoperability when it comes to frameworks, standards and guidance around voluntary credits. The closer international integrity aligns with UK integrity around voluntary credits, the more effective the market becomes and the faster the world can move towards global net zero and nature-positive targets through implementing VCNM strategies.

Furthermore, consistency will help mitigate integrity challenges faced in the past, such as double counting of credits. Globally consistent repercussions should be introduced and promoted to deter and address any deliberate misuse or misrepresentation in the claims process, ensuring that individuals cannot evade accountability by exploiting regulatory gaps across jurisdictions.

33. Will the accounting treatment for credits affect your ability to participate in voluntary credits markets? What characteristics of the credit and the market for credits will be necessary to maximise participation?

No response.

34. Do you agree with the functional requirements set out for a high integrity UK market governance framework: standards; assurance; accreditation; and regulatory oversight?

We agree with the functional requirements. Together, these elements support a resilient and credible market environment that can attract investment, promote sustainable growth and align with international best practices.

35. Do you agree that the measures set out in this consultation will help to provide appropriate regulatory oversight for UK VCNMs at their current stages of development? If not, what other interventions may be appropriate?

To ensure appropriate regulatory oversight for UK VCNMs at their current stages of development, it is essential to implement a framework of continuous monitoring and feedback. This could include regular technical reviews of the market, which assess both strengths and vulnerabilities in market integrity. These reviews should be transparent and shared with market participants to foster trust, encourage best practices and support the evolution of a robust regulatory environment.

36. Do you agree with the considerations for the cross-regulatory working group, and are there any additional priorities for inclusion?

Yes, we agree that a cross-regulatory working group can create effective global standardisation and alignment. Additional priorities for inclusion should be:

- The need for a SME and Private Capital voice to ensure proportionality is followed and that smaller companies can effectively participate.
- Ensure that regulation is valuable and does not stifle the market.
- Clarity around how communication and progress reporting will take place in the cross-regulatory working group.
- Ensure that effective interfacing takes places between global and jurisdictional VCNM requirements.

37. How can the LNRS and English Devolution framework be developed to:

a. encourage private funds and funders to use the spatial targeting available through LNRSs; and

No response.

b. better support increased private sector investment in nature and the development of nature and environmental markets?

Ensure that local authorities possess the necessary skills, experience and expertise to become key partners or stewards in accessing viable project sites and ensuring compliance with environmental priorities. These priorities need to align with the UK's wider net zero ambitions.

38. Would you want the UK to consider and put in place governance arrangements to enable UK project developers to sell MCA6.4ERs through the Paris Agreement Crediting Mechanism? Please provide your reasons for your response.

No response.

39. If applicable, what interest do you have in buying credits through the Paris Agreement Crediting Mechanism?

No response.

40. Is there a further role for the Government to play in enabling access to high-integrity VCNMs for UK land and coastal managers to support the pipeline of credit supply? In particular, are there any Monitoring, Reporting and Verification (MRV) or auditing requirements for private finance schemes that you would like to bring to our attention?

No response.

41. Do you agree that the Government should trial a greater degree of stacking to gather real-world data on the benefits and challenges?

Yes, we agree that trialling a greater degree of stacking is a valuable step toward understanding how integrated environmental outcomes can be achieved more effectively. By allowing multiple types of credits, such as carbon and biodiversity, to be generated from the same project, stacking could incentivise more holistic land management practices that deliver both emissions reductions and nature-positive outcomes. Real-world trials would provide critical data on the practicalities, benefits and trade-offs involved. Which in return would help shape robust policy frameworks and methodologies that ensure environmental integrity, whilst unlocking greater investment in nature-based solutions.

42. What are the biggest challenges and opportunities of such a trial?

The primary challenge in trialling stacked credits lies in the complexity of accounting and verification, as carbon and biodiversity credits often follow different methodologies, standards and market expectations. Ensuring that credits are not double-counted or overvalued requires clear governance, transparency and robust monitoring systems. A successful trial could, however, demonstrate scalable models for delivering multiple environmental benefits from a single intervention, attract broader investor interest and provide replicable case studies that accelerate the adoption of integrated approaches across the voluntary carbon market and beyond.

43. What further information or actions do companies need to see to feel confident and encouraged to engage in the Voluntary Carbon Market and purchasing of high-quality engineered removals credits?

To build confidence among companies, it is essential to ensure that high-quality engineered removals credits are underpinned by strong integrity principles that prevent them from being used as a license to continue emitting, commonly referred to as a "pay-to-pollute" model. Companies need clear, transparent guidance on how these credits fit within broader decarbonisation strategies, including science-based targets and emissions reduction hierarchies. Additionally, greater visibility into the lifecycle, permanence and verification of engineered removals, along with third-party validation and standardised reporting, will help businesses make informed, credible investments in the voluntary carbon market.

The Voluntary Carbon and Nature Markets hold significant potential to drive more valuable, effective and collaborative transition strategies and represent an economic growth opportunity for the UK. However, to ensure market stability and long-term success, these mechanisms must be both scalable and grounded in high integrity. It also needs to be accessible to all parts of the economy including the SMEs. For further engagement or to explore perspectives on Private Capital, please feel reach out to Chris Khoury or Harriet Assem.

Yours sincerely,

Lucie Mills, Chair, BVCA Responsible Investment Advisory Group