Tab 1

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Carbon Markets Innovation Forum Response to the VCNM Consultation

July 2025

ABOUT STARTUP COALITION

Startup Coalition is the policy voice of UK tech startups and scaleups in Westminster. Since 2010, we have worked to engage on behalf of tech startups in public policy debates in the UK across a range of critical priority issues including access to finance, immigration and skills, and technology regulation.

We fight for a policy environment that enables early-stage British tech companies to grow, scale and compete globally. We have over 4,000 startups in our network and have been instrumental in building proactive coalitions of businesses and investors on issues that are integral to the health of the UK's startup ecosystem.

The Startup Coalition works directly with the Government across a range of issues. We represent the startup community on the Government's Digital Economy Council, and the UK on the board of the international organisation Allied for Startups.

ABOUT THE CARBON MARKETS INNOVATION FORUM

The Carbon Markets Innovation Forum (CMIF) was founded in October 2023 to convene startups in the carbon markets sector and ensure they are able to interact with the UK Government's policymaking process as it relates to the voluntary and compliance carbon markets. The initiative includes firms across the carbon credit supply chain, including

- **Carbon accounting** - supporting the quantification of greenhouse gas (GHG) emissions,
- **Carbon markets intermediaries** - supporting the integrity of the market through software, infrastructure and ratings,
- **Carbon credit providers and project developers** - the folks doing the actual removal and emissions reductions downstream, and proving carbon credits to the market.

We operate an open-doors policy to celebrate, educate and empower startups in the carbon markets with a specific focus of ensuring they have the chance to feed into the UK Government's policymaking process. Once a quarter, we invite startups to join our CMIF Summit, under the strategic direction of our steering committee, which features fourteen of the most prominent carbon markets startups from across the world. We also aim to equip UK policymakers, regulators and officials with information about and access to startups in the carbon markets sector.

KEY RECOMMENDATIONS

Celebrate the VCNM

- The UK Government must make it clear that carbon credits are a critical part of the net zero agenda, and that taking no action is far worse than taking some action through the VCNM.

Build Trust and Demand Through Clear Claims Frameworks

- Develop UK-endorsed definitions and a flexible claims standard to reduce legal risk.
- Leverage best practice from the VCMI, ISSB, and ASA to ensure credibility and consistency.

Implement a “Market-First” Approach, through the VCNM Startup Ecosystem

- The Government should use the thriving ecosystem of carbon markets services startups.
- Engage with them through specific guidance, incentives and regulation.

Reform Accreditation to Enable Innovation

- Open recognition pathways for diverse, high-integrity methodologies.
- Introduce transitional approval routes aligned with CCP principles.
- Support competitive accreditation that reduces cost and timeline barriers for startups.

Fix Registry Access and Enable Market Infrastructure

- Mandate open API access and interoperability to prevent data blocking and legal disputes.
- Enable aggregation platforms and trading of Pending Issuance Units worth £600m+.

Make the UK Investable for Nature-Based and Engineered Removals

- Clarify legal, VAT, and accounting treatment for credits to unlock institutional capital.
- Trial stacking of carbon, biodiversity, and nutrient credits with clear MRV rules.
- Support early market liquidity through buyer-of-last-resort or floor-price models.

Champion Global Interoperability and Standards Alignment

- Support mutual recognition of credits under Article 6 and other international regimes.
- Build registry and MRV capacity, including for insetting and Scope 3 strategies.
- Ensure cross-regulatory coordination on advertising standards, tax, and compliance markets.

General Remarks

This response is submitted on behalf of the Carbon Markets Innovation Forum (CMIF), a cross-sector initiative convened by Startup Coalition, the policy voice of tech startups, to give carbon markets startups a direct voice in shaping UK policy. Founded in 2023, CMIF brings together innovators from across the carbon credit value chain: from emissions and impact quantification; to market infrastructure, ratings, insurance and trading; and credit generation and project deliverers. Our mission is to ensure that the technologies increasing integrity, quality, and supply in the Voluntary Carbon and Nature Markets (VCNMs) are recognised and supported by the government in the UK.

At its core, CMIF represents the full end-to-end supply and demand of carbon credits. We work with startups building carbon accounting tools and those developing verification infrastructure, innovative financing models and digital marketplaces. On the demand side, we see the emergence of new credit buyers seeking removals across both nature-based and engineered pathways. The UK is already home to 70 leading carbon markets startups that have raised over £790m in investment and are driving forward high-integrity solutions at pace.The VCNM is also one of the only sources of revenue for the greenhouse gas removal (GGR) sector, which is a critical and underfunded part of the net zero transition. CMIF's overall goal for the exercise is to accelerate the growth of trading of high quality and high integrity carbon credits within the voluntary carbon market in the UK, alongside understanding the optimal interaction between voluntary and compliance carbon markets.

This response is the product of extensive engagement with the VCNM startup sector in the UK, including written responses and oral evidence sessions with startups and scaleups from across the supply chain.

From the outset, many startups that we've spoken to believe that the current *principles-based approach* set out by Government should be shifted to an *outcomes-based approach* for maximum effectiveness. Whether it's funding nature restoration, enabling durable GGR, or incentivising credible climate claims, startups are focused on impact and, crucially, *outcomes*. The integrity conversation must start there.

This outcomes-based approach should be "Market-First", with the VCNM Startup Ecosystem at its heart. The VCNM industry has existed for decades, and has already improved efficiency, integrity, and performance through a functioning market. As the UK Government shifts its attention to supporting the growth of the VCNM in the UK it should not seek to reinvent the wheel. Instead, it should fully exploit the benefits of the maturity of the market as it exists today, whilst focusing on where policy and regulation can shore up quality, reliability, and integrity, in line with the outcomes it wants to achieve.

VCNM startups support the Government's ambition to improve trust, transparency and alignment across markets, but urge a sharper focus on the actual benefits VCNMs can unlock when designed well. These markets are not abstract systems; they are mechanisms to fund the climate transition, protect nature, and build public confidence in net zero. The outcomes matter, and right now they're too often implied rather than clearly defined.

The UK has an opportunity to lead the world in shaping the next phase of carbon market evolution and ClimateTech startups have a key role to play in driving that mission forwards. CMIF looks forward to continuing to work with government, regulators and industry to ensure the UK becomes the best place to start, scale and trust high-quality carbon and nature markets.

Importantly, CMIF participants robustly believe that purchasing high quality carbon credits today must be celebrated, despite the imperfections of the market. It is far better for a firm to take some action than none at all. The urgency of the climate crisis demands this.

FULL RESPONSE

Question 1: Do you agree with the Government's proposal to recognise VCMI's Claims Code as representative of international best practice?

Startups across CMIF support the intention behind the VCMI Claims Code and there was support from some startups for the Government's proposal.

However, many CMIF founders highlighted that the current design of the VCMI's Claims Code is too rigid and fails to reflect the needs of high-growth, venture-backed companies driving carbon market innovation. The framework is resource-intensive, not well understood by users, and lacks real customer resonance. Despite its ambition, only five companies globally have made formal claims in two years, which is an indicator of low practical uptake.

In addition, CMIF founders pointed to specific challenges with adopting the ICVCM Core Carbon Principles (CCPs) as a minimum quality bar for eligible credits. Coverage is currently very limited, with only four projects globally having received CCP labels. Some innovative and credible standards bodies are not eligible at all, while the UK's own Woodland Carbon Code and Peatland Code are excluded entirely. There is evidence of "false positives," where CCP-approved projects have received poor independent ratings, and "false negatives," with highly rated projects failing CCP approval. In both instances there is a challenge of the market inferring project quality from CCP labelling when CCP labelling has nothing to do with project quality: it's about methodology compliance with the CCPs.

Overall, CMIF founders argued strongly for separating claims guidance from credit quality standards to ensure more flexibility in how claims are made and verified. We recommend a more practical approach that allows companies to demonstrate credit integrity through CCP alignment where possible, but also through credible independent ratings and assessments. This would maintain integrity while supporting innovation, UK standards, and greater market participation.

Question 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?

Startups that fed into the CMIF process believe that Scope 3 guidance is an important step and welcome this. They welcome clear and phased guidance on Scope 3 requirements given that increased complexity would disproportionately burden startups, particularly given that startups are currently in the early stages of emissions accounting.

Question 3: Should the UK government explore interim claims?

There were mixed views on whether the government should explore interim claims. Some startups that fed into the CMIF process were in favour of an interim approach as it would shed light on credible progress being made towards full alignment. Interim claims are critical in allowing startups to communicate credible progress whilst scaling their solutions and reducing Scope 3 emissions. In a wider sense, interim claims could help unlock corporate demand by making carbon markets more accessible.

Question 4: Do you have views on the proposed criteria (to mitigate the risk of interim claims weakening the incentive to reach targets) above and others that could apply?

Some startups that fed into the CMIF process fed back that the criteria should ensure transparency and avoid greenwashing whilst not being so restrictive that they exclude innovators.

Key elements startups that participated in the CMIF process were in favour of included the clear disclosure of boundaries and partial progress, requirements for ongoing improvement and verification and allowing flexibility to allow for different industry contexts.

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

CMIF participants voiced that "towards Paris alignment" could be too vague for market use and recommended alternatives such as "Paris-aligned in progress" or "Net Zero Pathway Verified" which may be more clear and investor-friendly.

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

CMIF members support a collaborative, multi-stakeholder approach to developing and applying alternative claims frameworks like "towards Paris alignment," to ensure they are credible, usable, and flexible for diverse market participants.

Stakeholders suggested the following types of organisations could play key roles:

- **Standards bodies:** The *British Standards Institution (BSI)* could lead development of UK-specific claims standards that align with international best practice while reflecting UK project contexts.
- **Regulators and Government departments:** A collaborative approach between *DESNZ, HM Treasury*, and the *Advertising Standards Authority (ASA)* should ensure claims are legally sound, consistent with advertising rules, and reduce greenwashing risk.
- **Industry coalitions and technical groups:** *CMIF itself*, sector trade bodies, and investor forums could be involved to provide practical, outcome-focused design input that reflects user needs and real barriers to adoption.

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

CMIF participants voiced strong appetite for further standardisation of insetting approaches, especially in FLAG supply chains, but once again noted that policymakers should pursue an approach that is *outcomes-based* and flexible.

Startups identified several current barriers:

- Lack of clear, shared standards makes it risky for companies to make insetting claims, especially for Scope 3 reductions.
- Existing UK accreditation focuses narrowly on a few codes (e.g. Woodland and Peatland Codes), excluding credible alternatives that could better support local supply-chain projects.
- High costs and complex MRV requirements deter small landowners and FLAG sector SMEs from participating.

CMIF recommends Government support:

- Development of UK guidance that explicitly recognises insetting as valid for Scope 3 reduction with integrity safeguards.
- Standardisation of minimum quality criteria that is outcomes-based but flexible enough to support diverse land-use practices.
- Encouraging adoption of project-specific ratings for insetting credits as a means of independently assessing quality (in line with the proposed approach for other credits).
- Capacity-building and simplified MRV solutions tailored to the FLAG sector needs to reduce participation costs and barriers.

Overall, stakeholders see standardisation as essential to unlock investable, high-integrity insetting at scale in the UK's FLAG sector.

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

CMIF participants saw insetting as a vital route for companies to address Scope 3 emissions by funding emissions reductions and removals within their own value chains, such as regenerative farming, woodland restoration, and supply-chain decarbonisation.

However, participants raised multiple barriers that currently limit uptake in the UK:

1. We heard that there is no clear, standardised framework for verifying and accrediting insetting projects that aligns with corporate disclosure requirements (ISSB/CSRD) and integrity standards. Companies fear making insetting claims without regulatory guidance, worried about greenwashing accusations or failing investor disclosure tests.
2. The accreditation system is too narrow, favouring a small number of codes (Woodland and Peatland Codes) while excluding credible alternatives like UKCCC, even though these could support local supply-chain interventions.
3. MRV costs and complexity deter small-scale land managers and startups. Current systems are designed for large offset projects, leaving UK-based insetting, often on farms or small woodlands, underdeveloped and financially unviable.

To address these barriers, participants in the CMIF process recommended that policymakers pay attention to the following:

- Develop clear, UK-specific insetting guidance that recognises it as a valid Scope 3 strategy with integrity safeguards.
- Broaden accreditation to include new methodologies that meet quality criteria.
- Fund capacity-building to reduce MRV costs and support small projects.
- Align claims guidance with VCMI, ISSB, and ASA expectations to reduce reputational risk.
- Improve registry and data infrastructure to track insetting and avoid double counting.
- Encouraging adoption of project-specific ratings for insetting credits as a means of independently assessing quality (in line with the proposed approach for other credits).

In short, unlocking insetting at scale in the UK requires an *outcomes-based approach*, reducing system barriers, encouraging innovation, and supporting companies to invest in decarbonising their own value chains.

Principle 2

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

CMIF participants recognised that CCPs are a strong benchmark for integrity but warned of the following implementation challenges:

- Extremely slow review timelines which have been years and should be months,
- Limited supply of CCP-certified credits with only about 4 projects globally,
- The system disadvantages new methodologies and engineered removals.
- The risk of "false positives" and "false negatives" once project-level risk assessment is accounted for. Ratings agencies have identified poor quality credits under CCP-eligible methodologies and high quality credits under CCP-rejected methodologies.

Startups highlighted that a hard mandate on CCP compliance would exclude innovation and UK-based projects. As a result, startups recommended transitional recognition of credible alternatives such as ISO and call for flexibility for novel methodologies and on recognition of credits that have been independently assessed (e.g. by ratings agencies) as having a high likelihood of delivering on their carbon claim.

A more pragmatic approach would be for the UK Government to adopt a "transparency code" regarding carbon credit use, which would require organisations to disclose detailed information about credits they have retired. As part of this, organisations should be asked to disclose details to substantiate the integrity of credits – including the standard body, methodology, alignment with methodology-level assessment frameworks like CCPs and any carbon credit ratings associated with the credits.

Question 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?

Some participants in the CMIF process supported CCRAs for transparency and due diligence on credit quality at the project-level as a complement to methodology-level assessment frameworks.

They would encourage a competitive ecosystem of ratings providers with high technical standards, appropriate conflict-of-interest management and publicly disclosed methodologies to avoid market capture and incentivise innovation and the startups in this space to succeed. To achieve this outcome, some called for the Government to consider proportionate regulation of CCRAs.

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

CMIF participants in favour of the recognition of credible alternative codes to avoid excluding high quality UK projects stuck outside the CCP process flagged that the current accreditation systems favour incumbent methodologies, blocking alternatives like UKCCC despite their potential to deliver high-integrity outcomes. Stakeholders also noted that registry restrictions and opaque processes limit transparency and hinder price discovery, deterring investment.

To address this, CMIF participants recommended that the Government support transitional alignment periods for new methodologies, enable open registry access and data sharing, and recognise multiple credible quality frameworks, not just ICVCM, so the UK market can maintain high integrity while scaling supply and supporting innovation.

Question 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?

CMIF participants believed mobilising Voluntary Nature Markets (VNMs) to meet international nature finance targets requires building an open, outcomes-focused and investable UK market. They raised that current barriers include a narrow accreditation system that excludes credible alternative methodologies like UKCCC, limiting project diversity despite investor demand. Registry restrictions and legal disputes over data access also block integration with trading platforms and price transparency, suppressing investment in credits such as Pending Issuance Units that could unlock significant value if properly traded.

Additionally, startups raised that there is a clear need for Government-backed stacking guidance so landowners can monetise multiple ecosystem services, from carbon to biodiversity, through coordinated, high-integrity frameworks. CMIF recommends reforms to enable open registry access, expand code accreditation pathways, support MRV capacity, and develop stacking rules to make UK nature markets investable at scale.

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

Feedback from participants in the CMIF process highlighted barriers for new technologies that failed to achieve parity with the domestic Woodland and Peatland Codes.

Question 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?

Participants in the CMIF process believed that improved accounting is needed and must avoid adding so much complexity that it prevents projects from progressing. Currently, standards often fail to fully account for indirect land use change (ILUC) and the net environmental impacts of projects, which risks leakage and undermines climate integrity.

Stakeholders note that existing UK-accredited codes focus narrowly on carbon sequestration while undervaluing wider ecosystem outcomes or trade-offs, making it harder to demonstrate holistic benefits. Additionally, startups highlighted that the limited number of approved methodologies excludes approaches that might better integrate biodiversity gains and ILUC risk management.

Policymakers should note that CMIF recommends that Government-supported standards should explicitly incorporate ILUC risk assessment, incentivise nature-positive design, and require robust, transparent MRV of broader environmental impacts to ensure credits deliver genuine net benefits and avoid unintended consequences.

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

Some CMIF participants agreed that measures accompanying CCP (Core Carbon Principles) endorsement are necessary but stress they must go beyond strict certification to avoid excluding innovative projects and smaller developers.

Current accreditation systems favour incumbent methodologies, blocking alternatives like UKCCC despite their potential to deliver high-integrity outcomes. Stakeholders also noted that registry restrictions and opaque processes limit transparency and hinder price discovery, deterring investment.

To address this, CMIF participants recommended that the Government support transitional alignment periods for new methodologies, enable open registry access and data sharing, and recognise multiple credible quality frameworks, not just ICVCM, so the UK market can maintain high integrity while scaling supply and supporting innovation.

Principle 3

Question 16: Does your organisation use the ERG (UK Envt. Reporting Guidance) to guide engagement with voluntary markets? If so, could it be improved, and how?

Startups that participated in the CMIF process reported limited use of the ERG because there is room for it to be better tailored to the VCNM. Some firms suggested harmonisation with ISSB/CSRD/TCFD to avoid duplicative reporting burdens.

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

Startups that participated in the CMIF process broadly supported the proposal of reflecting the VCMI disclosure elements into the ERGs. They flagged that it is critical that they are proportionate and scalable as startups need disclosure models that recognise different maturity levels and most importantly, resource constraints.

Question 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 that might be impractical to disclose or subject to sensitivity?

In general, startups welcome clearer guidance on credit types, vintage, co-benefits and permanence. This would help standardise high-quality claims. Above all, however, we heard the need to emphasise clear disclosure as complexity could deter participation, particularly from startups with limited resources.

Question 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?

Participants in the CMIF process were broadly in favour of similar disclosure elements that also apply for voluntary disclosures of nature credits, but it was highlighted that location data and co-benefit reporting should be tailored to the nature context.

Principle 4

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

We heard from startups in the CMIF process that voluntary carbon and nature credits could play a very important role in net-zero aligned transition plans. Since they are critical for funding hard-to-abate emissions and scaling removals, we believe that they play a crucial role in transition plans and should be encouraged as much as possible.

Question 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?

As previously mentioned earlier in this response, startups that participated in the CMIF process urged the Government to make the disclosure requirements clear and proportionate and thus, credit quality, type, permanence and vintage are important disclosure requirements but we do not think that it needs to go beyond that as all necessary information can be found therein.

Question 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?

Startups welcome more clarity on the role of credits in formal transition plans including the voluntary and compliance markets.

Principle 5

Question 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?

Startups in the CMIF process saw value in making 'net emissions' claims and/or 'contribution' claims in respect of the use of carbon credits, provided that the claims frameworks are clear, credible and protect against greenwashing accusations.

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

Overall, startups in the CMIF process responded that there is a significant lack of clarity on claims. Reputational risk is a major barrier as firms as a consequence of the significant pressure and concerns of greenwashing that has pervaded across the VCNM in the last few years.

All businesses, but particularly small businesses and startups with limited resources, are more concerned with doing the wrong thing than attempting to do the right thing. In turn, this leads to "green-hushing" and reduced credit demand which is detrimental to the climate progress that could be made. This should not be the incentive structure and we strongly urge the Government to adopt an approach that favours doing *something* right rather than nothing at all.

Beyond the reputational risk concern, on the investor side, they also need clarity to underwrite long-term project finance.

Question 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?

There were mixed views on which option the UK Government should pursue to define credit related claims terminology.

On the one hand, some startups supported Option 1, so long as the terminology was co-designed with industry in a flexible way to allow for innovation from startups in the carbon markets ecosystem. Proponents of this option strongly favour consistency and clarity, to reduce legal and reputational risk, which would, in turn, increase adoption.

Largely, proponents of Option 1 stressed the need for certainty and believed this solution would create clear direction sooner.

Question 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?

Other participants in the CMIF process favoured Option 2 over Option 1, so long as the process for designing the standard was outcomes-based and not overly prescriptive, if it was developed in collaboration with industry and if it was flexible to support innovation.

Question 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?

Most startup participants in the CMIF process stated that the ecosystem needs clarity, legal certainty, and trust in the claims they are allowed to make. Consequently, a few recommendations were discussed as part of our consultation process:

- **Ensure alignment with the Advertising Standards Authority and Competition Markets Authority.** Given recent "greenwashing" crackdowns in the EU and UK, alignment with core regulators would improve confidence and predictability.

- **Recognise various credible standards beyond VCMI/ICVCM**. Government should allow companies to rely on a range of highly-regarded frameworks such as ISO, the BSI-led UK standard as long as they meet the minimum integrity benchmarks, for example. Any credits that have been independently assessed (e.g. by ratings agencies) as having a high likelihood of delivering on their carbon claim should be in scope.

- **Government should publish official definitions for core terms for clarity.** In reference to the benefits of "Option 1" under Question 25, CMIF values clear, consistent and predictable definitions that would reduce the reputational and legal risk for startups.

- **Enable the "stacking" of credits following the Danish model.** The Government should publish practical guidance on how companies can combine carbon, biodiversity, nutrient and other credits without double-counting. The UK should take inspiration from Denmark on this front.

Principle 6

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

CMIF participants highlighted that capacity building must focus on practical enablers of market integrity and accessibility including:

- Registry interoperability
- Open-data MRV systems given that it is currently too expensive and fragmented. Open standards would reduce costs and support international alignment.
- There are currently high costs and delays for the validation and verification processes given the limited capacity in the UK. Thus, participants raised that better funding for Validation and Verification Bodies (VVB) and training could lead to faster approvals would be an easy win.
- Support capacity-building grants for developing countries to align with UK/ICVCM standards
- Invest in shared MRV and VVB training and capacity
- Encourage interoperability agreements through trade policy

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

Startups engaged in the CMIF process suggested that the UK champion the mutual recognition of standards. Some participants recommended that the UK convenes dialogues among key trading partners on registry data standards and support ICVCM in simplifying its process whilst maintaining quality.

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

CMIF participants highlighted multiple systemic barriers that deter participation in existing VCNM initiatives. These barriers risk excluding innovative UK startups and investors which would, in turn, reduce the UK's ability to scale its own high-integrity domestic credit supply.

Barriers highlighted by CMIF participants:

- **Cost and complexity of accreditation.** ICVCM/CCP certification takes years and is costly. In particular, CMIF members have highlighted that the CCP process requires significant upfront spending which is simply unachievable for many startups and new ideas.
- **Opaque and slow registry process.** There has been feedback about a slow process and unclear timelines including inconsistent feedback. CMIF members also reported that there is a lack of transparency about methodology reviews or project accreditation status.
- **Discrimination against novel methods.**
- **Registry data access issues in the UK.** The Government's appointed registry technology partner has been described as suing or threatening legal action against market actors seeking to access or share registry data. Such threats create an outsized concern for new entrants who want to innovate around trading.

CMIF participant firms suggested that the government should introduce transitional recognition pathways for credits from credible alternative codes, with time-limited conditions to align with CCP. Additionally, the WCC registry should guarantee open API access.

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

We heard concerns from CMIF participants that there remained confusion on whether credits are commodities, intangible assets, or liabilities. Firms also relayed investor feedback that warns this uncertainty deters institutional funding.

Some participants in the process suggested that the Government define credit legal status in the Digital Assets Bill, issue HMRC guidance on VAT and tax, and clarify corporate accounting treatment via the Financial Reporting Council.

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

Participants believed that the UK has a key role in international consistency and interoperability. If the UK is aligned with the EU and the U.S., in particular, it would reduce transaction costs and risk and simultaneously support the UK's competitiveness in global markets.

Question 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?

Participants responded that unclear balance-sheet treatment deters investment, complicates due diligence and undermines ease of financing. In turn, startups proposed that HMRC and HMT produce accounting guidance and that they provide simplified rules for startup participants.

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

CMIF participants encourage a unified, coherent UK oversight body with open, technology-neutral frameworks and transparent accreditation of new methodologies.

Question 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?

Overall, we heard from participants in the CMIF process that the measures set out in this consultation to provide appropriate regulatory oversight for UK VCNMs represent a good start. CMIF participants considered that the consultation's proposed measures were a necessary starting point for building a high integrity UK VCNM.

That being said, CMIF has serious concerns that without key implementation changes, these measures will not deliver the intended market integrity or unlock the scale of private investment needed. Specifically:

- **Registry access and data control issues.** CMIF participants highlighted numerous times that the Government-appointed technology partner for the UK registry has restricted access to credit data. This undermines price discovery, transparency and market trust.

- **Current incumbent-dominated accreditation system.** CMIF participants support an open and competitive approach to code accreditation, which is in the UK's interest if it wants to achieve a scalable, investable credit market. For the time being, the Woodland Carbon Code and Peatland Code are the only government-accredited codes and alternatives such as UKCCC remain excluded, despite meeting the integrity criteria.

Participants were generally in support of open-access data sharing to prevent anti-competitive behaviour and enable integration with marketplaces and trading platforms. They also supported the transparent and competitive code accreditation pathways to allow diverse high-integrity methodologies to be recognised, granted they follow clear criteria. Finally, some participants supported price transparency through the publication of anonymised transaction data and the development of price benchmarks.

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

CMIF participants supported the proposed cross-regulatory working group but had recommendations to expand its scope and address practical barriers raised by startups and investors. We suggest the following five issues to be formally added to the cross-regulatory group's remit.

- **Registry data access and governance.** We heard from participants that the UK's government-appointed technology partner to log WCC credits has blocked API access for third parties, sued developers seeking data integration, and limited competition. This anti-competitive behaviour undermines price discovery, aggregation platforms, and the development of secondary markets for credits. The working group should prioritise **registry reform** to mandate open data standards and interoperability, prevent monopolistic practices, and enable transparent transaction recording.

- **VAT and tax clarity.** We heard from participating firms that there is currently uncertainty about VAT treatment and tax deductibility of credits, which is a barrier for corporate buyers. Thus, firms called for clear guidance from HMRC on whether credits are exempt or subject to VAT and how credits are treated for corporation tax.

- **Legal property status of credits.** We also heard that credits currently sit in a legal grey area and this ambiguity discourages investment and complicates accounting. The cross-regulatory group should coordinate with BEIS and HMT to align with the digital assets bill and provide legal certainty for UK and international investors.

- **Advertising standards and green claims.** Startups shared that there is currently a risk that startups and scaleups face conflicting standards from environmental regulators and as a consequence, the working group should ensure carbon and nature claims frameworks are harmonised with advertising rules. Some participants also believed that if there is one thing that policymakers should retain from this response, it is that the working group should support the design of a framework that avoids penalising companies making good-faith claims.

- **Consistency across compliance and voluntary markets.** CMIF participants believed that policies should avoid fragmentation that discourages companies from using UK credits or investing in UK projects. This should be smoothed over by aligning definitions, registry standards and claims frameworks across the compliance and voluntary contexts.

Cross-cutting

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

On the whole, CMIF sees the LNRS and the English Devolution framework as important enabling tools to direct investment but they are not yet investable on their own.

> **A. encourage private funds and funders to use the spatial targeting available through LNRSs;**

Participants in the CMIf process told us that in their experience many developers face barriers aligning project eligibility with LNRS priorities because there is no standard approach to connect the spatial layers with accredited carbon or biodiversity codes. As a result, some startups recommended that the government standardises how LNRS data layers are accepted in project eligibility and code methodologies and publish worked examples and guidance.

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

CMIF participants told us that pricing signals today remain too low to make many projects bankable, despite private deals at £75-100/unit. Current registry and accreditation systems favour narrow, incumbent codes (the Woodland and Peatland codes, for example) whilst excluding credible alternatives such as the UKCCC which blocks the diversity of supply. As a result, some startups think that the government should mandate open access and integration for registries to facilitate market-building and approve a broader range of methodologies using LNRS targets to demonstrate alignment with local priorities.

Question 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

There was support from many participants in the CMIF process for the UK to explore governance arrangements for enabling UK developers to access Article 6.4 Emissions Reductions. Some firms stressed the need for international market access to diversify demand and strengthen price signals, highlighting that the lack of clear export options limits the business case for high-quality UK removals projects.

Multiple benefits of enabling A6.4ERs for UK projects were raised by participants in the CMIF process including unlocking new revenue streams beyond UK buyers; supporting higher integrity by aligning with UNFCCC rules; and helping UK market developers diversify risks and stabilise returns, making UK land-based and engineered projects more investable.

Startups told us that the government should consult on governance arrangements to authorise UK projects to participate in the A6.4 mechanism, including registry interoperability, MRV requirements and legal transfer arrangements.

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

There were a few startups involved in the CMIF process who reported an interest in buying credits through the Paris Agreement Crediting Mechanism as they provide strong integrity signals under UNFCCC rules. They also enhance fungibility for multinational buyers with international net zero targets, and help UK buyers reduce legal and reputational risk when making voluntary claims.

On the whole, CMIF participants saw buying A6.4ERs as an attractive option for UK companies that want to ensure the highest levels of credibility, facilitate cross-border supply chains, and align with Paris Agreement objectives.

Question 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?

We heard from startups through the CMIF process that Government support is essential in making the market genuinely **investable** for UK landowners and project developers. A few core challenges and barriers were identified:

- *Registry barriers:* feedback from investors and CMIF participants highlighted that the government-appointed registry partner's control over data and threat of litigation, blocking trading and market integration was blocking innovation and market growth.
- *Code approval restrictions:* Investor feedback detailed how only Woodland Carbon Code and Peatland Code are approved, excluding credible alternatives (e.g. UKCCC).

- *Price uncertainty:* Investor feedback detailed that average market pricing (~£25–27/unit) is too low to finance projects, despite private deals reaching £75–100/unit.

To rectify some of these barriers, the UK Government could resolve registry governance challenges through enabling open-access APIs; facilitate stacking of carbon, biodiversity, nutrient credits with clear rules; approve and support a competitive set of high-integrity codes and methodologies; support development of trading infrastructure for Pending Issuance Units.

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

CMIF participants strongly supported stacking pilots. Investors see stacking as essential to making natural capital projects profitable and attractive for £1 bn of upcoming UK pension fund investments. Participants in the CMIF process told us that stacking allows multiple environmental services, including carbon, biodiversity, nutrient mitigation and more to be monetised from the same land area. This mirrors Denmark's coordinated government approach, with MRV standards to prevent double-counting and to ensure high integrity.

CMIF firms advocated that the government should codesign MRV and eligibility rules with industry and learn from Denmark's experience to develop a fit-for-purpose UK stacking guidance.

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

Participants in CMIF told us that the government should design trials to address challenges whilst maximising investment and environmental benefits. Key challenges they shared with us included the need to prevent double counting, harmonise MRV across credits, and establish trusted governance. Identified opportunities created by such a trial included unlocking multiple benefit revenue streams per project and integrating landscape restoration.

Question 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?

Through the CMIF process, startups shared a number of examples of information and actions that companies need to feel confident and encouraged to engage in the VCNM. Highlights included:

- **Clear, Government-backed claims frameworks.** Policymakers should note that startups want and need certainty that using credits for claims won't expose them to greenwashing accusations or legal risk.
- **Transparent market-price mechanisms above £25/unit.** Without clear pricing, project developers cannot raise finance and buyers can't plan credit purchases. The government can help insofar as it can require registries to publish anonymised transaction data and support demand aggregation platforms.
- **Registry reform to enable data and credit trading.** The current registry is blocking access which is stifling innovation and integration with marketplaces.
- **Accreditation of diverse methodologies.** Government must enable multiple high-integrity methodologies to be accredited to avoid a closed system that blocks innovation and reduces supply. Any credits that have been independently assessed (e.g. by ratings agencies) as having a high likelihood of delivering on their carbon claim should be in scope.

- **Buyer-of-last-resort schemes to provide early market liquidity and confidence.** This could stabilise demand and encourage early adoption of high-quality, engineered removals credits.