

March 1, 2024

International Organization of Securities Commissions
C/ Oquendo 12
28006 Madrid
Spain

Dear Board of the International Organization of Securities Commissions,

Re: Public Comment on Voluntary Carbon Markets – Consultation Report

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the Consultation Report on Voluntary Carbon Markets (Consultation Report) published by the Board of the International Organization of Securities Commissions (IOSCO).

CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. It works collaboratively with the provincial, territorial, and Bermudian CPA bodies, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment.

CPA Canada has been actively involved in domestic and global sustainability-related policy, regulatory and standards-setting initiatives and is an active member of the IFRS Foundation's Partnership for Capacity Building, contributing to the development of resources to support the high-quality implementation of IFRS Sustainability Disclosure Standards in Canada and globally. We have conducted extensive research on sustainability reporting and sustainable finance trends and challenges and issued many resources on these [topics](#).

In collaboration with the International Federation of Accountants and the Institute for Sustainable Finance, we have initiated a research project to enhance understanding of voluntary carbon markets (VCMs) as an important part of the infrastructure needed to support the transition to a lower carbon economy. We note that in general, public understanding of carbon credits and markets and the relevant standards and regulations that apply is limited. Our research identifies many issues consistent with those identified in IOSCO's report, including but not limited to the quality of carbon credits, conflicts of interest, double counting, inadequate consultation at the planning stage, and transparency and accuracy of emission reduction calculations. Our first report will be published in Spring 2024, and a preview can be found at this [link](#).

We applaud IOSCO's efforts to promote the integrity, transparency, and orderly functioning of VCMs. We have heard from interested and affected parties in Canada that there is hesitancy in purchasing carbon credits for hard-to-abate greenhouse gas (GHG) emissions because of increasing integrity and quality issues, lack of transparency, and other uncertainties.

In general, we support IOSCO's proposed set of Good Practices. VCMs are evolving quickly, and we believe further work should be undertaken at the global level to explore regulatory frameworks that are needed to foster sound and effective VCMs. IOSCO can play a critical role in informing jurisdictional regulatory approaches, facilitating the exchange of information, and promoting global consistency.

The environmental integrity of carbon credits is critical to the sound functioning of VCMs, as the risk that carbon credits do not represent the reduction or avoidance of emissions as claimed undermines the credibility and integrity of VCMs. Although the Consultation Report suggests that the environmental integrity of a carbon credit may not squarely fall within the remit of financial regulators, we believe that much can still be done in collaboration with others to encourage improvements and reduce complexity for purchasers and investors. Our thoughts on some specific topics related to the Consultation Report are summarized below.

Standardization initiatives

The development of private sector standardization initiatives (e.g., The Integrity Council for Voluntary Carbon Markets, Voluntary Carbon Markets Initiative) provides an opportunity to enhance the quality of carbon credits and assist market participants in making informed assessments. We recommend IOSCO continue to monitor the development of these standardization initiatives including their governance and due process. It will also be important to monitor the use of voluntary carbon credit principles and standards and related implementation challenges, to assess whether they are achieving their intended purpose.

Validation and verification of environmental integrity

Verification and validation bodies (VVBs) have an important role to play in enhancing confidence in the primary market issuance of carbon credits. Disclosure and transparency of the verification methodologies alone may not be sufficient to achieve this. Further work should be done to support consistent and rigorous verification and validation methodologies and provide further clarity on the necessary qualifications and independence requirements of VVBs to minimize the potential for inconsistency in practice and enhance quality of engagements.

Education

We recognize IOSCO's success in consulting and coordinating widely in the market and believe it demonstrates an efficient platform to engage with market participants. We recommend that IOSCO use its platform for education efforts to inform market participants about the factors impacting the quality of carbon credits. Developing appropriate regulation may take time, and the markets would benefit from education programs to improve public knowledge of VCMs, relevant standards and regulations, and raise awareness of the potential risks associated with purchasing carbon credits.

Disclosure of Carbon Credits Use

We support enhanced disclosure regarding an entity's use of carbon credits to achieve GHG emission targets. We support IOSCO's reference to International Financial Reporting Standard (IFRS) S2 *Climate-related Disclosures* which requires detailed disclosure of the use and nature of carbon credits to bring more transparency to the quality of carbon credits used. Disclosure-based standards, coupled with assurance, are an important step in enhancing trust and confidence and we support the work of the International Auditing and Assurance Standards Board's (IAASB) on the development of International Standard on Sustainability Assurance Engagements (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*.

Thank you for the opportunity to comment. We would be pleased to leverage our networks and convene a roundtable to collect more insights on industry-specific and jurisdictional challenges to assist you as you progress this important work. Please contact Taryn Abate, Director, Research and Thought Leadership (tabate@cpacanada.ca).

Yours truly,



Rosemary McGuire, CPA, CA
Vice President, Research, Guidance and Support