

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/32/2022

Sharm el-Sheikh, Egypt, 9 November 2022

IOSCO consults on the development of sound and well-functioning carbon markets

The Board of the International Organization of Securities Commissions (IOSCO) today has launched a 90-day public consultation on recommendations for establishing sound Compliance Carbon Markets (CCMs) and on key considerations for enhancing the resilience and integrity of Voluntary Carbon Markets (VCMs).

IOSCO calls on market participants to provide feedback on how to foster fair and functional markets and increase structural resilience to ensure these markets achieve their *raison d'être*, i.e., the environmental objectives upon which their existence is based.

Announcing the publication of the reports at COP27, Jean Paul Servais, IOSCO Chairman, IFRS Foundation Monitoring Board Chair and Chairman of the Belgium FSMA, said *“In recent years, carbon markets have gained significant importance as a mechanism for corporates, and society in general, to facilitate their transition towards net zero. However, they have so far fallen short of their objectives. No market can function without appropriate levels of integrity and, transparency, and liquidity so IOSCO today hopes to lend its international, market expertise to help develop appropriate frameworks for sound and well-functioning carbon markets, focusing on promoting integrity and liquidity and increasing transparency to facilitate price discovery.”*

Rodrigo Buenaventura, Chairman of the Spain CNMV and Vice Chair of the IOSCO Sustainability Taskforce, said *“Financial market regulators and IOSCO are eager to see well-functioning carbon markets, which means liquid markets that investors can trust and where there are strong disclosure practices. That has not yet been consistently achieved. There are good practices we have now set out which will make that achievable.”*

[The report on CCMs](#) sets out a series of recommendations for jurisdictions seeking to establish compliance markets as a way to meet their obligations under Article 6 of the Paris Agreement. Building on the lessons learned from the experiences of existing markets, it offers insights into appropriate regulatory and oversight frameworks to allow for the development of sound, efficient and liquid compliance markets.

Verena Ross, ESMA Chairwoman and co-Chair of the STF Carbon Markets Workstream said: *“IOSCO’s recommendations for establishing sound compliance markets are addressed to all authorities involved in the development of a compliance market in their jurisdiction. Our recommendations build upon lessons learned from existing compliance markets, but more fundamentally draws on the experience of financial markets regulators in overseeing well-functioning securities, derivatives, and commodities markets. In setting out recommendations that could similarly apply to compliance carbon markets, IOSCO aims to support the successful development of compliance carbon markets globally.”*

[The report on VCMs](#) explores an array of attributes that can foster sound carbon credit markets, as well as vulnerabilities that prevent these carbon credit markets from upscaling. Conscious of the evolving framework associated with Article 6.4 of the Paris Agreement, the report offers for discussion a series of key considerations for the development of resilient carbon credit markets, and it asks respondents to consider the role of financial markets regulators in the oversight of these markets.

Rostin Behnam, US Commodity Futures Trading Commission Chairman and IOSCO Board Vice Chair who co-chaired the STF Carbon Markets Workstream, said: *“With appropriate guardrails, the Voluntary Carbon Markets have great potential to serve as a mechanism to offset remaining GHG emissions as cutting emissions overnight across all as firms across all sectors work to significantly reduce emissions from their supply chains. The consultation is an opportunity to consider a framework that promotes market integrity and drives investor capital to high integrity carbon credits in the VCMs. We are seeking feedback on the role of financial markets regulators in increasing the resilience of these markets and leveraging experience and insights from regulatory frameworks applicable to existing financial markets. We look forward to engaging with private initiatives and the United Nations Framework Convention on Climate Change to facilitate society’s transition towards net zero.”*

How to respond

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Responses to the discussion questions within the reports on Compliance and Voluntary Carbon Markets should be sent to k.nathanail@iosco.org before Friday, 10 February 2023.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organisation's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium's Financial Services and Markets Authority (FSMA), is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Bahamas, Bangladesh, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, The Netherlands, Oman, Ontario, Peru, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing more than 75% per cent of the IOSCO membership, including 10 of the G20 members. Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory Authority, Egypt is Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, amongst others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

MEDIA ENQUIRIES

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