

# ENABLING CONDITIONS TO UNLOCK PRIVATE SECTOR DEMAND IN CARBON MARKETS: POLICY CONSIDERATIONS FOR HOST JURISDICTIONS



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## ABOUT THE PARTNERS



### BEYOND ALLIANCE

Beyond is a dynamic alliance of companies and NGOs scaling corporate climate finance through high-integrity, market-based mechanisms. Founded in 2020 and hosted by the We Mean Business Coalition secretariat since 2024, Beyond unites diverse partners to drive systemic climate solutions. We foster partnerships, build knowledge, champion bold advocacy, and amplify voices for meaningful change. Guided by integrity and innovation, we are moving further and faster toward a zero-carbon future. Together, we are accelerating collaboration, finance, and impact.

Visit our website at [beyond-alliance.org](https://beyond-alliance.org).



### EMERGENT

Emergent is a non-profit organization with a mission to halt tropical deforestation. It serves as the administrative coordinator and principal intermediary for the LEAF Coalition, a groundbreaking public-private-civil society initiative that brings leading companies, including Amazon, Airbnb, Bayer, GSK and McKinsey together with the governments of the US, UK, Norway, and South Korea to fund forest governments to deliver large scale programs to reduce deforestation. Emergent has an international team of world-class climate experts and a board with deep private and public sector experience; supported by leading civil society organizations and governments, including the Environmental Defense Fund (EDF) and the Norwegian International Climate and Forest Initiative (NICFI).

Visit [emergentclimate.com](https://emergentclimate.com) for more information.



### SYMBIOSIS COALITION

The Symbiosis Coalition is an advance market commitment to contract more than 20 million tonnes of high-integrity nature-based carbon removal by 2030. Symbiosis aims to catalyze the supply of and unlock lower-cost upfront financing for the next generation of nature-based carbon removal projects that struggle to access financing today. Symbiosis facilitates joint RFPs on behalf of its members, adopts unified quality criteria based on the latest science and standards, and educates project developers, investors, and the public to enable more of the projects the world needs to meet its climate goals.

Visit [symbiosiscoalition.org](https://symbiosiscoalition.org) for more information.

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## EXECUTIVE SUMMARY

**Host country governments have a unique opportunity to unlock carbon finance by establishing clear, stable policy frameworks**

International private sector investment through the voluntary carbon market (VCM) could mobilize over US\$50 billion in debt-free climate finance annually by 2030<sup>1</sup>—a substantial complement to traditional development assistance. However, current investment remains well below this potential. These levels of financing will only materialize if carbon credit buyers and investors have confidence in the integrity, stability, and impact of these markets. While scaling the VCM requires both credible participation and claims from the private sector and strong enabling environments from host countries, this paper responds to questions frequently posed to carbon credit buyers and coalitions: What barriers limit private sector investment in the VCM, and what policy enabling conditions can host countries establish to unlock this investment? The following sections identify steps host countries can take to build the enabling conditions necessary to drive private sector engagement.

Regulatory uncertainty and underdeveloped enabling environments in many host countries—particularly around authorization, benefit sharing, carbon rights, and national accounting alignment—deter the long-term financing commitments needed to scale high-quality carbon credit supply. Host country governments have a unique opportunity to unlock this finance by establishing clear, stable policy frameworks, procedures, and guidance. These enabling conditions not only help to de-risk investments which helps to lower financing costs but also ensure that projects and subnational jurisdictional initiatives align with national development and climate priorities while delivering real, measurable benefits to people and nature.



<sup>1</sup> World Economic Forum (WEF). 2023. "Scaling Voluntary Carbon Markets: A Playbook for Corporate Action." <https://www.weforum.org/publications/scaling-voluntary-carbon-markets-a-playbook-for-corporate-action/>.

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## PRIORITY ENABLING CONDITIONS

This paper outlines nine priority enabling conditions that can help host countries unlock private sector investment in the VCM while advancing their climate and development goals. The first six apply broadly across carbon market activities, while the final three are specific to nature-based solutions. This paper, developed with input from key market stakeholders, is meant to provide a private sector perspective on the policy frameworks and institutional arrangements that can facilitate increased VCM investment and to complement government-led and other initiatives such as the Coalition to Grow Carbon Markets' Shared Principles.

-  **Integrate carbon finance in Long-Term Low-Emission Development Strategies (LT-LEDS) to ensure VCM activities align with climate and development priorities.** Embed carbon finance into long-term strategies with clear implementation pathways, enforcement mechanisms, and governance capacity to translate policy commitments into action.
-  **Provide clear guidance on corresponding adjustments (CAs) for VCM and Article 6 interactions to reduce regulatory uncertainty for VCM participants.** Clarify whether countries will require CAs for VCM transactions and establish transparent processes for both authorized and non-authorized credits, recognizing that CAs are not required for voluntary transactions under the Paris Agreement.
-  **Define robust, yet efficient, governance frameworks for domestic VCM issuance to promote market integrity and quality assurance.** Align with internationally recognized standards, establish transparent registries and approval processes, promote fair benefit-sharing, and ensure efficient credit issuance.
-  **Promote interoperability and alignment with international approaches to reduce fragmentation.** Leverage existing international frameworks and infrastructure, promote registry compatibility, and engage in coordination forums to harmonize standards while maintaining flexibility.
-  **Create incentive structures that promote high-integrity projects and jurisdictional initiatives to attract quality investment and scale impact.** Provide fiscal and non-fiscal incentives, ensure policy stability across political cycles, and invest in jurisdictional-scale programs to accelerate project development and de-risk implementation.
-  **Clarify local tax treatment of carbon credit transactions to provide certainty for investors and project developers.** Clearly define applicable taxes and revenue-sharing mechanisms, ensure fiscal policy consistency over time, avoid excessive tax burdens, and prioritize reinvestment of revenues into climate activities.
-  **Demonstrate strong land sector ambition, governance, and political commitment to build investor confidence in nature-based solutions.** Set ambitious sectoral targets, strengthen land-use governance systems, and demonstrate high-level political commitment to promote long-term investment signals and durable climate outcomes.



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**Ensure equitable and inclusive project development and implementation by establishing clear frameworks for land tenure, carbon rights, and Indigenous Peoples' and local communities' (IPs' and LCs') participation.**

Establish legally binding frameworks that uphold IPs' and LCs' rights including Free, Prior, and Informed Consent (FPIC), resolve land disputes, support accessible land registries, and ensure IPs and LCs are equal partners with direct technical support and capacity strengthening.



**Define clear REDD+ nesting requirements and processes to ensure alignment between project-level and jurisdictional approaches and build investor confidence.**

Provide clarity on how projects interact with jurisdictional accounting frameworks, establish fair benefit distribution processes, and offer practical transition pathways that avoid creating stranded assets while recognizing that countries are at different stages of readiness.

Implementing these enabling conditions will require significant readiness support for many host countries. Bridging the implementation gap necessitates coordinated support from the international community—including donor governments, development finance institutions, and philanthropies—to provide readiness assistance, develop practical implementation tools, and facilitate engagement between governments and market participants.

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**\$50  
billion**

Research suggests that the VCM could mobilize over US\$50 billion in debt-free finance annually by 2030

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## INTRODUCTION

International private sector investment through the VCM has the potential to unlock significant climate and development finance. Research suggests that the VCM could mobilize over US\$50 billion in debt-free finance annually by 2030—provided that adequate enabling conditions are in place.<sup>2</sup> For comparison, total official development assistance in 2023 amounted to US\$223.7 billion, highlighting the scale of impact that a well-functioning VCM could deliver.<sup>3</sup> However, these investments will only materialize if carbon credit buyers and investors have confidence in the integrity, stability, and impact of these markets.

Host country governments have a unique opportunity to position themselves as attractive destinations for this finance by fostering the enabling conditions that provide clarity, transparency, and confidence in the VCM. These conditions not only derisk investment which can help to lower financing costs but also ensure that projects and subnational jurisdictional initiatives align with national development and climate priorities while delivering real, measurable benefits to people and nature.

Despite growing private sector interest, investment through the VCM remains well below its potential due to both demand-side concerns and supply-side constraints. Market integrity requires credible action from both buyers and host countries—when either side falls short, the entire market suffers.

On the demand side, buyers bear responsibility for ensuring their use of carbon credits supports genuine climate action. This means following the mitigation hierarchy by prioritizing direct emissions reductions, maintaining transparent disclosures about credit retirements, and making credible claims consistent with applicable law and recognized frameworks such as those developed by the Voluntary Carbon Markets Integrity initiative (VCMI). Buyers should pursue high-quality credits representing emissions reductions and removals from both nature-based and technology-based activities. When buyers make weak or misleading claims, it undermines supply integrity and creates reputational risks that deter investment into host countries. However, buyers also face challenges: current regulatory approaches and voluntary corporate decarbonization initiatives provide little clarity on the role of carbon credits in corporate climate strategies, and the lack of standardization and consistent “rules of the game” increases transaction costs for all market participants.

On the supply side, host countries must establish the enabling conditions that provide clarity, stability, and confidence for long-term investment. Regulatory uncertainty and underdeveloped policy frameworks—particularly around authorization, benefit sharing, the legal nature of carbon credits, carbon rights, and alignment with national accounting—create confusion and elevate investment risk. These uncertainties increase transaction costs, and deter the long-term commitments needed to scale high-quality carbon credit supply. Without clearer policy signals and stable regulatory frameworks, many countries risk missing out on this growing wave of climate finance. This paper focuses on the supply-side enabling conditions that host countries can establish to unlock private sector investment while ensuring alignment with national climate and development priorities.

The operationalization of Article 6 of the Paris Agreement at COP29 presents a pivotal opportunity to expand climate finance even further – but it also introduces uncertainty for companies, investors, and project developers. Project developers, investors, and buyers need clarity on how the VCM will interact with Article 6 within domestic policy frameworks. They also seek confidence that the projects they support meet the highest integrity standards, with robust safeguards and tangible benefits for communities and ecosystems.

**The operationalization of Article 6 of the Paris Agreement at COP29 presents a pivotal opportunity to expand climate finance even further**

Clear domestic policies can de-risk projects, lower financing costs, and provide the stability needed for long-term private sector engagement. Well-designed frameworks not only create legal and regulatory certainty but also foster carbon markets that align with national climate strategies, international best practices, and buyers’ expectations for credible and impactful climate action.

This paper outlines a set of priority enabling conditions that can help host countries unlock VCM investment while advancing their climate and development goals. These conditions are not intended as one-size-fits-all recommendations but rather reflect what buyers and investors consistently say they need in order to direct capital and resources to local carbon projects with confidence.

By strengthening enabling conditions, host countries can position themselves as attractive destinations for investors and buyers seeking long-term offtake agreements while also advancing their own sustainable development objectives.

**By creating these enabling conditions, host countries have the potential to:**

**Unlock capital flows and accelerate job creation**

by establishing clear, stable, and transparent regulatory frameworks that reduce uncertainty for investors and developers.

Foster **multi-stakeholder engagement**, integrating input from the private sector, development partners, NGOs, and developers that align business incentives with national policy priorities.

Enhance and **grow buyer confidence** in jurisdictional REDD+ programs at national or subnational level.

Uphold **robust methodologies** that ensure a reliable supply of carbon credits meeting buyers’ expectations.

**Attract investors and buyers** by ensuring **alignment between voluntary, domestic and international compliance markets**, creating a cohesive and scalable approach to carbon finance.

Support **high-quality domestic project developers** to strengthen local economies while ensuring a strong pipeline of investable opportunities.

Enhance **access to lower-cost finance** by working with domestic and international institutions to de-risk investments and lower capital costs. tional or subnational level.

Ensure that projects and jurisdictional initiatives **contribute to national development goals and provide lasting benefits to communities** through robust social and environmental safeguards and equitable benefit-sharing mechanisms.

2 WEF. 2023. “Scaling Voluntary Carbon Markets: A Playbook for Corporate Action.”

<https://www.weforum.org/publications/scaling-voluntary-carbon-markets-a-playbook-for-corporate-action/>.

3 Organisation for Economic Co-operation and Development (OECD). 2024. “Development Co-operation Report 2024: Tackling Poverty and Inequalities through the Green Transition.” [https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/development-co-operation-report-2024\\_b9cb300f/357b63f7-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/development-co-operation-report-2024_b9cb300f/357b63f7-en.pdf).

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## ENABLING CONDITIONS FOR UNLOCKING VCM INVESTMENTS

Host countries have a range of opportunities to create the enabling conditions that buyers, investors, and developers need to scale investment. These are not rigid prescriptions, but a flexible set of strategies that governments can adopt to help attract long-term finance, improve project viability, and access funding to support national climate and development goals. Importantly, establishing an effective enabling environment for the VCM often requires cross-ministerial coordination—including environment, finance, and sector-specific ministries—to ensure coherence across climate, economic, and regulatory priorities.

# 1

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### **Integrate carbon finance in LT-LEDS to ensure VCM activities align with climate and development priorities**

Governments can strengthen buyer and investor confidence and ensure VCM activities are aligned with national priorities by embedding carbon finance into LT-LEDS and other national strategies. A clear, well-governed vision for land use, emissions trajectories, and climate finance can help attract investment, reduce risk, and ensure that carbon market activities deliver meaningful development outcomes. However, these strategies must include clear implementation pathways, enforcement mechanisms, and the governance capacity to effectively execute. To do this, governments can:

- Develop and implement an LT-LEDS that integrates land-use planning, population growth, agriculture, energy demand, and other key sector trends.
- Ensure the LT-LEDS is supported by strong governance systems, policy incentives, public investment, local capacity-building, enforcement mechanisms, and annual reviews to track progress.

# 2

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### **Provide clear guidance on CAs for VCM and Article 6 interactions to reduce regulatory uncertainty for VCM participants**

Under the Paris Agreement, CAs are not required for voluntary carbon credit transactions. Corporate greenhouse gas accounting is separate from national inventories, meaning buyers can make credible climate claims using voluntary carbon credits without CAs. However, some VCM buyers may seek credits with CAs for alignment with their own climate strategies or to obtain exclusive environmental claim rights.

While CA guidance is clear at the international level, domestic policy decisions can create additional layers of complexity. Some host countries may establish national frameworks that impose CA requirements on VCM transactions, introduce authorization processes, or create other conditions that affect credit availability and cost. Uncertainty around CAs—when CAs are required under domestic rules, how they are implemented, whether they apply to all voluntary transactions, and under what circumstances authorization can be changed or revoked—creates risk and delays investment. Buyers are therefore seeking clear, predictable rules from host countries on whether and when CAs will be required for voluntary transactions within their domestic frameworks. When countries send

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clear signals about their position on CAs and the role of the VCM, they reduce uncertainty, foster trust, and enable companies to channel more finance toward high-integrity climate solutions. Policy frameworks that allow both Article 6-compliant credits (with CAs) and non-authorized credits (without CAs) to coexist provide maximum flexibility for countries while giving clarity to different types of market participants. To provide that clarity, governments can:

- Clarify whether the host country will require CAs for VCM transactions, including under what circumstances CAs may be required and the institutions responsible for making such determinations.
- Clearly define processes and timelines for applying CAs, including the institutions responsible for approvals, oversight, and implementation, as well as any requirements for non-CA credits to ensure smooth transactions and minimize implementation delays.
- Ensure that processes for Letters of Authorization and Letters of Acknowledgement<sup>4</sup> (if applicable) are swiftly established, governed with transparency (including any terms and conditions related to changes to authorization), minimize delays, and uphold high standards of integrity and efficiency.

# 3

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## Define robust, yet efficient, governance frameworks for domestic VCM issuance to promote market integrity and quality assurance

Market integrity is essential for delivering impact, maintaining trust and attracting investment. Governments can unlock buyer interest and private finance by supporting the development of a high-quality domestic voluntary carbon credit supply that aligns with internationally recognized standards and best practices, including credible methodologies, third-party verification, transparent registries, and safeguards to ensure environmental and social integrity. Governments can strengthen market credibility by:

- Enhancing certainty by clearly defining (e.g., through a public whitelist) eligible sectors and project types for VCM transactions.
- Recognizing high-quality standards for carbon credits and specifying registries and methodologies that align with international best practices, such as those eligible under the Integrity Council for the Voluntary Carbon Market Core Carbon Principles (**ICVCM CCPs**) or the Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**).
- Reinforcing credibility and preventing double counting through robust yet efficient oversight mechanisms that provide consistent domestic approval procedures for all carbon projects, if applicable, transparent public registries, and culturally-appropriate, accessible grievance and dispute resolution processes.
- Promoting fairness in benefit-sharing by creating policies that promote transparency and provide clarity in how individual and community monetary and non-monetary benefits are determined and distributed.
- Design complementary policy and regulatory frameworks that avoid unnecessary administrative delays, ensuring the efficient issuance and delivery of credits.

<sup>4</sup> As countries develop domestic carbon market frameworks, some are building in steps for recognizing VCM projects. A host country may issue a Letter of Acknowledgement to recognize a VCM project that does not plan to seek authorization or corresponding adjustments for its credits, providing transparency about the transaction without requiring authorization under Article 6. In some jurisdictions, this letter may go by other names, such as Letter of Endorsement or Letter of No Objection.

## Elements of Robust Carbon Market Frameworks to Attract Private Sector Investment

As countries develop domestic policy and regulatory frameworks for carbon market operationalization, incorporating key elements to establish a clear enabling environment has the potential to boost private sector investment. Essential framework components include:

- **Eligible sectors, standards, and methodologies:** Specify which sectors, activity types, standards, and methodologies are eligible to generate carbon credits, providing clarity to project developers and buyers on what qualifies under the framework.
- **Carbon credit rights:** Define ownership and trading rights for carbon credits, as well as the legal nature of the underlying emissions reductions and removals, enabling market stakeholders to understand participation opportunities and transaction processes.
- **Benefit-sharing arrangement requirements:** Establish transparent benefit-sharing arrangements to ensure relevant stakeholders receive fair allocation of monetary and non-monetary benefits. This is particularly important for nature-based activities, though revenue allocation arrangements also apply for non-nature sectors.
- **Approval, authorization, and corresponding adjustment procedures:** Clearly establish the processes projects must undergo for approval, authorization, and corresponding adjustments, depending on whether they participate in the VCM, Article 6.2, or Article 6.4 mechanisms. Procedures should include transparent eligibility criteria to support project developer planning and buyer decision making.
- **Taxes & fees:** Clarify applicable taxes and fees for carbon projects and transactions, allowing project developers, investors, and buyers to accurately forecast costs, assess project viability, and anticipate transaction costs.
- **Dispute resolution:** Establish transparent dispute resolution processes to build confidence in national carbon market governance and fair enforcement of the framework.



## 4

## Promote interoperability and alignment with international approaches to reduce market fragmentation

Buyers and investors need to trust that credits purchased across different countries and jurisdictions are held to consistent standards of integrity and quality. Fragmented rules, incompatible systems, and inconsistent application of standards increase due diligence burdens, raise transaction costs, and limit the scalability of investments. Rather than creating parallel domestic approaches, countries can leverage existing international frameworks to build credibility while reducing complexity. To enable credible, efficient, and high-volume participation in carbon markets, governments can:

- Align domestic frameworks with established international best practices, including *inter alia* the ICVCM CCPs and CORSIA. As Article 6.4 rules continue to evolve, it is recommended that governments monitor developments and consider alignment where appropriate and consistent with established best practices.
- Promote compatibility of registries and market infrastructure to enable seamless cross-border transactions and reduce transaction costs for buyers and developers operating across multiple jurisdictions.
- Engage in regional and international coordination forums to support harmonization of VCM standards and quality criteria, sharing best practices and coordinating policy approaches while maintaining flexibility to accommodate different national contexts and market pathways.
- Support the development and adoption of internationally harmonized methodologies and quality criteria to enhance transparency, comparability, and buyer confidence across jurisdictions.

## 5

## Create incentive structures that promote high-integrity projects and jurisdictional initiatives to attract quality investment and scale impact

Many promising carbon projects and programs stall due to limited local capacity, insufficient early-stage finance, and policy environments that do not reward quality. Without a strong domestic pipeline of credible projects, countries risk missing out on sustained private investment from buyers across the market spectrum—from large buyers pursuing long-term offtake agreements with carbon projects and jurisdictional initiatives, to smaller buyers participating primarily in spot markets.

To build trust and attract buyers and investors, governments can work to create an enabling environment that reduces diligence risks, supports quality from the outset, and rewards credible developers. This includes:

- Expanding access to early-stage support and capacity-building through public-private partnerships, government grants, and technical assistance programs—especially for local developers who may lack resources to meet international standards.
- Providing fiscal and non-fiscal incentives, such as tax breaks, concessional lending, or blended finance structures (e.g., credit enhancement and guarantee facilities), to accelerate project development and de-risk implementation.
- Considering innovative domestic financing mechanisms, such as national sovereign wealth funds investing in domestic carbon projects, which demonstrate government commitment and help de-risk projects for international investors.

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- Providing technical support to help project developers access financing, negotiate contracts, and navigate legal and policy frameworks.
  - Ensuring policy stability and governance continuity across political cycles through consistent policy frameworks backed, where possible, by cross-party agreements, legal protections, or long-term government-developer agreements that mitigate risks of policy reversals.
  - Investing in jurisdictional-scale programs and nested approaches that align project-level action with national strategies, deliver systemic impacts, and appeal to buyers seeking larger-scale, longer-term solutions with lower reversal and leakage risk.
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# 6

## Clarify local tax treatment of carbon credit transactions to provide certainty for investors and project developers

Unclear or inconsistent tax frameworks create significant uncertainty for both buyers and developers. Unexpected tax burdens can derail transactions, delay implementation, or make high-quality credits financially unviable. Buyers are particularly sensitive to financial risks that undermine delivery. Conversely, well-designed tax incentives—such as rebates, preferential rates, or exemptions—can actively encourage high-quality carbon project development and attract investment. To foster investment and ensure a reliable pipeline of credits, governments can provide predictable, transparent tax policy that supports—rather than deters—ambitious climate action. This includes:

- Clearly defining applicable taxes, levies, or revenue-sharing mechanisms related to carbon credit issuance, sale, or export, including which entities are liable, how revenues are calculated, and payment procedures.
- Ensuring fiscal policy consistency over time to reduce the risk of sudden changes that could impact credit prices, deal viability, or introduce legal and financial uncertainty.
- Considering cumulative tax burden on project developers, including income tax and other obligations, to ensure that carbon market-related taxes and fees do not impose an excessive burden.
- Designing tax structures that incentivize high-quality credits by offering preferential treatment to projects and programs meeting recognized environmental and social safeguards or aligned with national priorities, such as nature-based solutions, community development, or Sustainable Development Goals (SDGs).
- Prioritizing reinvestment of tax revenues into further climate mitigation and adaptation activities, creating a virtuous cycle that strengthens the enabling environment and demonstrates government commitment to climate objectives.

## Nature-Based Solutions–Specific Enabling Conditions

In addition to the strategies above, countries seeking to unlock meaningful investment in nature-based solutions can take further action to address sector-specific risks and opportunities:

# 7

### Demonstrate strong land sector ambition, governance, and political commitment to build investor confidence in nature-based solutions

Buyers and investors in nature-based climate solutions value clear and consistent signals of strong, sustained climate ambition and effective land-use governance from host countries. Without stable policy foundations, investments face durability and reversal risks, regulatory uncertainty, and misalignment with national priorities. Governments can unlock greater levels of predictable carbon finance by:

- Setting ambitious, long-term sectoral targets in key land-use sectors (e.g., forestry, agriculture), that send strong market signals and build confidence that carbon benefits will be durable and aligned with broader national development and climate goals.
- Strengthening land-use governance systems, including spatial planning, land registries, forest codes, and permitting processes, to reduce the risk of competing land claims, illegal deforestation, or incompatible development through transparent, enforceable frameworks.
- Support the durability of carbon projects through policy mechanisms such as buffer pools, insurance mechanisms, and permanence trust funds. While carbon standards and registries establish technical durability requirements, government policies that address governance gaps, clarify land-use policies, and strengthen enforcement significantly reduce reversal risk and enhance durability.
- Demonstrating high-level political commitment by explicitly recognizing VCM participation in national climate strategies and ensuring policy continuity across political cycles mitigating a key barrier to long-term private sector engagement.

# 8

### Ensure equitable and inclusive project development and implementation by establishing clear frameworks for land tenure, carbon rights, and IPs' and LCs' participation

Equitable community participation and consent are fundamental to the integrity, impact, and long-term success of carbon initiatives. Lack of clear land tenure and carbon rights creates risks for all stakeholders, including investors, buyers, project developers, and communities. IPs and LCs should be recognized as equal partners—not merely consulted—in the design, implementation, and governance of climate initiatives, with transparent and accessible processes that enable them to exercise their rights, including FPIC. Equitable benefit-sharing and meaningful community involvement strengthen social justice, initiative legitimacy, and long-term sustainability. To achieve this, governments can:

- Establish and enforce clear, transparent, and legally binding frameworks for land tenure and carbon rights that respect national contexts and uphold IPs' and LCs' rights, including FPIC. Legal provisions should clarify the duration, transferability, and enforceability of land and carbon use rights, consistent with national law and international human rights standards, while providing sufficient certainty for long-term carbon project investment. Governments should also ensure that carbon rights and contractual arrangements do not weaken territorial rights or restrict traditional livelihoods.

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- Resolve land disputes and overlapping claims through equitable and transparent processes that build trust among stakeholders.
  - Support the development and publication of accessible, spatially explicit public land registries to enhance clarity and transparency.
  - Engage IPs and LCs as equal partners through direct technical support, appropriate resources, and capacity strengthening to enable informed decision-making under FPIC processes. This includes building capacity to negotiate effectively, understand complex project structures, monitor project performance, and exercise their rights throughout project design, implementation, and benefit-sharing.
  - Establish fair and transparent processes for community participation and benefit sharing, supported by clear governance and financial mechanisms that define eligible beneficiaries (e.g., IPs and LCs, women, youth, and vulnerable groups). Benefit-sharing frameworks should ensure that both monetary and non-monetary benefits align with national legal frameworks on rights and resources and promote fairness across all levels of implementation (see also Enabling Condition 3 on promoting fairness in benefit-sharing).
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# 9

## Define clear REDD+ nesting requirements and processes to ensure alignment between project-level and jurisdictional approaches and build investor confidence

As REDD+ efforts evolve from standalone projects to jurisdictional or nested approaches, robust national frameworks are essential to maintain environmental integrity and investor confidence. Countries are at varying stages of jurisdictional program development, and buyers and developers require predictability on how individual projects will integrate into national accounting systems over time. Without this clarity, projects risk becoming stranded or financially unviable, undermining both investor interest and national climate goals. At the same time, project-level initiatives remain vital entry points for private sector engagement, especially in countries still building jurisdictional capacity. To enable a smooth and equitable transition, governments can:

- Define how project-level activities interact with national and subnational carbon accounting frameworks, including how emissions reductions and removals are attributed, credited, and reported, and how revenues and other benefits flow across scales of implementation.
- Provide clear, practical pathways for projects to transition into nested programs, ensuring continuity of credit issuance, financial viability, and alignment with jurisdictional baselines and safeguards.
- Transition plans should include realistic timelines, technical support, and financial incentives to facilitate alignment and prevent stranded assets.
- Establish accountable governance structures for benefit and value distribution, including standardized cost accounting frameworks, regular monitoring and reporting, and public access to information.
- In decentralized systems, governments may allow flexibility for project developers to determine appropriate allocation ratios, provided they uphold transparency, equity, and compliance with national law.
- Allow for flexibility in how companies transact for credits so that both company-government and company-project transactions are facilitated and provide clarity to ensure these transactions meet domestic and international standards for equity and transparency.



## CONCLUSION

Effective domestic policy frameworks are essential for attracting private sector investments into the VCM and scaling climate finance. By providing clear guidance on key elements such as CAs, sectoral policies, and regulatory oversight, governments can reduce uncertainty, lower financing costs, and enhance investor and buyer confidence, encouraging foreign and domestic finance to flow to important climate and development goals. Alignment with international standards and best practices will further ensure the integrity and credibility of voluntary and compliance carbon markets, helping to accelerate the implementation of critical climate solutions worldwide.

Implementing these enabling conditions requires substantial readiness and capacity-building support for many host countries. Donor governments, development finance institutions, and philanthropies have a critical role to play in providing technical assistance, developing capacity-building resources, and facilitating connections between host country governments and market participants. Several existing initiatives demonstrate approaches to provide this support. For example, the Lowering Emissions by Accelerating Forest finance (LEAF) Coalition supports host country governments to overcome financial and technical barriers to accelerate forest carbon credits and access climate finance by providing access to upfront or advance payments. Additionally, the UK Technical Assistance Programme for LEAF provides technical assistance to help jurisdictions in Africa, Asia, and Latin America meet rigorous carbon crediting standards, navigate emissions reduction purchase agreement negotiations, and build long-term technical expertise in REDD+ policy, emissions accounting, safeguards, finance, and legal contracting.

**Building host country carbon market readiness necessitates coordinated support from donors, DFIs, and philanthropies**

In addition to funding from external donors, governments can build capacity and resources through regional and international collaboration. Initiatives such as the Eastern Africa Alliance and the West African Alliance on Carbon Markets and Climate Finance demonstrate how countries can collaborate through peer-to-peer learning focused on members' needs to foster regional participation and enhance engagement in carbon markets. In combination, government collaboration and funding from donors can enable countries to build the conditions needed to attract private sector investment.

Governments that work to achieve these enabling conditions can position themselves as leaders in mobilizing voluntary climate finance, delivering high-quality emissions reductions and removals, and advancing SDGs. By fostering an enabling environment for VCM investments, host countries can unlock new opportunities for private sector engagement, helping to ensure that that voluntary markets contribute meaningfully to national and global climate ambitions.